

[Act No. 3154, March 08, 1924]

AN ACT TO AUTHORIZE THE ORGANIZATION OF CERTAIN BANKS IN THE PHILIPPINE ISLANDS, AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of Representatives of the Philippines in Legislature assembled and by the authority of the same:

SECTION 1. The provisions of existing law to the contrary notwithstanding, banks may be organized hereunder in the Philippine Islands, provided that the incorporators show under oath that they are residents of the Philippine Islands, that the capital subscribed amounts to fifty thousand pesos or more, and that of such subscribed capital, fifty per centum or more has been paid in in cash and is in the possession of the treasurer of the bank. The Bureau of Commerce and Industry shall not register the articles" of incorporation of a banking corporation organized hereunder nor certify to its incorporation, unless the Insular Treasurer certifies that the capital required by this section has been subscribed and paid in.

SEC. 2. Any banking corporation organized under this Act, in addition to the general powers incident to corporations as set forth in Act Numbered Fourteen hundred and fifty-nine and its amendments, shall have all such incidental powers as shall be necessary to carry on the business of banking, by discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debt; by receiving deposits; by buying and selling exchange, coin and bullion, and by loaning money on personal security or real estate, or on bonds or evidences of debt of the Government of the United States, the Philippine Islands or the City of Manila, or of any province or municipality of the Philippine Islands authorized by law to issue bonds: *Provided*, That such banking corporation shall not invest more than sixty per centum of its paid-up capital and fifty per centum of the money received for deposit in loans on real estate: *Provided*, That no loan shall be for a longer period than one year: *Provided, further*, That no loan shall be made on real estate unless it be secured:

(a) By a duly registered mortgage or deed of trust to the corporation of unincumbered improved or actually cultivated real estate: *Provided, however*, That the amount loaned shall not exceed forty per centum of the reasonable market value of the real estate which is security for the loan or of the assessed value thereof, whichever may be the smaller; or

(b) By first mortgages transferred to the corporation as collateral security on improved and otherwise unincumbered real estate: *Provided, however*, That the mortgage transferred to the corporation as collateral security with interest accrued and due shall not exceed forty per centum of the reasonable market value of the real estate which secures such mortgage, or of the assessed value thereof, whichever may be the smaller.

SEC. 3. Said bank is hereby further authorized:

(a) To purchase or discount promissory notes, drafts, and bills of exchange, issued or drawn for agricultural, industrial or commercial purposes, or the proceeds of which have been used or are to be used for such purposes, with the security

required by the bank.

(b) To make loans on, or to discount notes secured by harvested and stored crops: *Provided*, That no loan on the security of such harvested and stored crops shall exceed sixty per centum of the market value thereof on the date of the loan: *Provided, further*, That the crops so mortgaged shall be insured by the mortgagor for the benefit of the bank for the amount of the loan: *And provided, finally*, That if, owing to any circumstance whatever, the value of the crops given as security shall diminish, the mortgagor shall obligate himself to furnish additional security or refund such part of the loan as the bank may deem necessary. Such loans shall be granted for a period of not more than three months.

(c) To make loans to agriculturists on standing crops of the natural products of the Philippine Islands, such as rice, copra, sugar, tobacco, corn, maguey, etc., not in excess of one-half of the estimated value of such crops: *Provided, however*, That before granting such loans, the bank may require additional security in the nature of mortgages on real estate, duly registered in the name of the debtor, or chattel mortgages, including those upon live stock, machinery, and agricultural implements, or personal bonds with sufficient surety or sureties, satisfactory to the bank.

SEC. 4. No loan on the security of real estate shall be made unless the title to such real estate, free from all incumbrance, is registered in the register of property in the name of the mortgagor and unless the mortgage shall be a preferred claim on the property therein described as against the whole world.

SEC. 5. The capital stock and assets of every bank organized under this Act constitute the security of depositors and depositors have the priority of right over all others to such assets. The directors of the bank shall not create any debt or liability against the corporation for any purpose whatever other than for deposits made with it and the reasonable and necessary current and running expenses of said bank: *Provided, However*, That banks organized under this Act may contract loans on the security of property mortgaged to the same, and all money so obtained may be loaned out, the provisions of section two to the contrary notwithstanding".

SEC. 6. The said banks may purchase, hold, and convey personal and real property, as follows:

(a) The lot with the building thereon in which the bank conducts and carries on its business.

(b) Such property, personal or real, as may have been mortgaged, pledged or conveyed to it in good faith in trust for its benefit by reason of money loaned by it in pursuance of the regular business of the bank; and such personal or real property as may have been purchased by it at sales to satisfy pledges, mortgages or deeds of trust executed to it on account of money loaned by it, and such personal or real property as may have been conveyed to it by borrowers in satisfaction and discharge of loans made by the bank to them: *Provided*, That, if at the public auction held as result of the foreclosure of a mortgage, no bidder offers for the property being sold a sum equal to the amount of the loan the interest, and the costs of the litigation, the bank may purchase said property: *Provided*,