

# [ Act No. 2612., February 04, 1916 ]

## AN ACT CREATING THE PHILIPPINE NATIONAL BANK.

*By authority of the United States, be it enacted by the Philippine Legislature, that:*

**SECTION 1.** There is hereby created a bank to be known as the Philippine National Bank, the short title of which shall be the National Bank. Its principal domicile and place of business shall be in the city of Manila.

SEC. 2. The said National Bank, upon its organization, shall be a body corporate and shall have power:

- (a) To prescribe its by-laws;
- (b) To adopt and use a seal;
- (c) To make contracts;
- (d) To sue and be sued;
- (e) To exercise the powers granted in this Act and such incidental powers as may be necessary to carry out the business of banking within the limitations prescribed by this Act; and
- (f) To exercise, further, the general powers mentioned in the Corporation Law in so far as they are not inconsistent or incompatible with the provisions of this Act.

SEC. 3. The capital of the National Bank shall be twenty million pesos, Philippine currency, divided into two hundred thousand shares of the value at par, of one hundred pesos, Philippine currency, each.

Shares of stock subscribed from the passage of this Act until January thirty-first, nineteen hundred and seventeen, shall be paid as follows:

Sixty per cent' of the value at the time of the subscription;

Ten per cent on or before January thirty-first, nineteen hundred and eighteen;

Ten per cent on or before January thirty-first, nineteen hundred and nineteen;

Ten per cent on or before January thirty-first, nineteen hundred and twenty; and the remaining

Ten per cent on or before January thirty-first, nineteen hundred and twenty-one.

Shares subscribed after January thirty-first, nineteen hundred and seventeen shall be paid in the form and manner prescribed by the board of directors of the bank.

The certificate of shares shall clearly set forth:

- (a) The part of the value paid up;
- (b) The form and conditions under which subsequent payments shall be made, as well as the penalty incurred in case of delinquency.

The penalty for delinquency in every case shall be fixed by the board of directors.

SEC. 4. The Government of the Philippine Islands not later than January thirty-first,

nineteen hundred and seventeen, shall purchase one hundred and one thousand shares, at par, of the said National Bank, the payment for said shares of the Government to be made as hereinafter provided. Ninety-nine thousand shares of said capital stock shall be offered to the public at par, as hereinafter provided.

SEC. 5. The following sums are hereby appropriated for the payment of the shares to be purchased by the Government of the Philippine Islands.

(a) The sum of one million three hundred thousand pesos which is hereby appropriated out of any funds in the Insular Treasury not otherwise appropriated;

(b) One million pesos, on or before July thirty-first, nineteen hundred and sixteen, and another one million pesos on or before January thirty-first, nineteen hundred and seventeen, which shall be invested from the insurance fund created by Act Numbered Seventeen hundred and twenty-eight, the public works bonds sinking fund, created by Act Numbered Seventeen hundred and twenty-nine, and the friar lands bonds sinking fund, created by Act Numbered Twenty-five hundred and fifty: *Provided, however,* That should in any year the interest earned by stock held for the benefit of such funds not equal at least four per centum per annum, the Insular Treasurer shall pay r into each of such said funds the sum necessary from any v money not otherwise appropriated in the Insular Treasury, and for this purpose there is hereby appropriated such amount or amounts as may be necessary to make the earnings of such sum or sums so invested in National Bank stock equivalent to four per centum per annum of the funds so invested; but should in any succeeding year the sum earned by such investments of the proceeds of the funds herein described in the stock of the National Bank exceed four per centum per annum on the amount or amounts so invested, the Insular Treasury shall be reimbursed from the earnings in excess of four per centum per annum for any money paid into such funds in accordance herewith: *And provided further,* That at such time as the Governor-General shall direct, not later than five years before the payable date of such bonds, the stock of the National Bank purchased for the benefit of said funds shall be purchased by the Government from any funds of the Philippine Government not otherwise appropriated at a price not less than the par value of such stock plus such portion of the surplus earned by said National Bank stock ratable to the stock issued, and such sum or sums as may be necessary for such purposes are hereby appropriated. There is hereby created a continuing appropriation from a any funds in the Insular Treasury not otherwise appropriated, as follows: On January thirty-first, nineteen hundred and seventeen, and on each succeeding anniversary thereof, to and including January thirty-first, nineteen hundred and twenty-one, one million pesos, which sums as appropriated shall be invested by the Insular Treasurer - without further authorization in the stock of the National Bank herein created. The foregoing appropriations in this section provided shall be considered payments finally to complete the purchase of the said one hundred and one thousand shares of the stock of the National Bank which the Government of the Philippine Islands is obligated to purchase under section four of this Act: *And provided further,* That the voting power of all stock purchased directly by the Philippine Government as an investments from the general funds of the Government, and the voting power of all stock purchased for the benefit of the insurance fund, of the public works bonds sinking fund, and of the friar lands bonds sinking fund, shall be vested j exclusively in the Governor-General.

SEC. 6. All the assets and liabilities of the Government Agricultural Bank of the Philippine Islands, created under Act Numbered Eighteen hundred and sixty-five, as

amended, shall be transferred to the National Bank: *Provided*, That the transfer of the assets of the Agricultural Bank -represented by the capital and the net profits thereof shall be made as part payment of the one hundred and one thousand shares subscribed by the Government of the Philippine Islands. This transfer shall be understood as taking place upon the inauguration of the National Bank in conformity with the provisions of section nine of this Act, after which the National Bank shall be subrogated to all the rights, actions and obligations of the Agricultural Bank, and the Agricultural Bank shall thereafter be deemed abolished.

SEC. 7. Any loan or credit account transferred to the National Bank by the Agricultural Bank which, in the judgment of the board of directors of the National Bank, is found upon demand after its maturity to be uncollectible, shall be redeemed by the Government and become the property thereof: *Provided*, That by the agreement between the Insular Treasurer and the National Bank, the said National Bank may renew such credits for a period not exceeding five years without losing the benefit of the above guaranty. There are hereby appropriated, out of any funds in the Insular Treasury not otherwise appropriated, such sums as may be necessary from time to time to make such payments.

SEC. 8. At no time shall shares be sold to the public if, as a result thereof, the part of the capital stock held by private investors will equal or exceed the part owned by the Government of the Philippine Islands.

SEC. 9. The National Bank shall be inaugurated within one hundred and eighty days from and after the passage of this Act, and the Governor-General shall fix such inauguration by proclamation upon the certificate of the Insular Auditor and the president of the bank that said institution is ready to begin operations.

SEC. 10. Said National Bank is hereby authorized to loan not to exceed fifty percent of its capital and surplus and all amounts realized from the sale of real estate bonds, as provided in section fifteen herein, on notes secured by real estate mortgages. Payment of such notes shall be secured by first mortgages on farm lands in the Philippine Islands, and in no case shall such loans exceed sixty percent of the actual value of said land, exclusive of buildings: *Provided, however*, That where buildings or machinery for the preparation or manufacture of sugar, copra, or other staple products of the Philippine Islands have been erected on real estate, said buildings and machinery may be appraised as a part of said real estate, in which case the mortgages shall contain a clause obliging the mortgagor to insure to their full value in the name of the National Bank such buildings and machinery. The due date of said mortgages shall not be less than one year from the date thereof, nor more than thirty years. The said mortgages may, by their terms, be made payable at one time or in installments: *Provided*, That when the due date of the mortgage is more than five years after the date of execution, the principal and interest of the loan shall be made payable by its terms in equal installments of not more than one year each. Loans made by the National Bank on real estate security shall be made for the purpose of promoting agriculture. Application for such loans shall be in writing and under oath. The said applications shall contain, among other things:

- (a) A detailed description of the real estate;
- (b) An appraisal thereof at its reasonable market value;
- (c) A full statement of the purposes for which the loan is desired.

It shall be unlawful to use the proceeds of said loan, or any part thereof, for any purpose or purposes except the purpose or purposes set out in said application. Any violation of this clause shall be sufficient cause for the rescission of the contract and the foreclosure of the mortgage.

SEC. 11. Said National Bank is hereby authorized to loan not to exceed thirty per cent of its capital and surplus and the full amount of circulating notes provided for in section eighteen hereof on 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. Notes, drafts and bills of exchange admitted to discount under the terms of this section, must have a maturity at the time of discount of not more than one hundred and twenty days. Said National Bank may also discount acceptances which are made upon the importation and exportation of goods, which said acceptances have a maturity at the time of discount of not more than one hundred and twenty days: *Provided, however,* That said bank may at any time, by and with the written consent of the Governor-General, reduce that part of the capital and surplus available under this section by transferring any part or portion of the same not in use to that part of the capital and surplus available under section twelve whereupon the same shall become available in addition to the amount provided in said section twelve for loans under that section. Any such sum so transferred may be returned for use under this section at the discretion of said bank.

SEC. 12. Said National Bank is hereby authorized to make loans of not to exceed twenty per cent of its capital and surplus, seventy per cent of its deposits subject to check, and eighty-five per cent of its time deposits on any classes of bankable paper not intended for use under sections ten or eleven herein: *Provided, however,* That the restriction contained in this section shall not be applicable to mortgage loans made by the Agricultural Bank with funds derived from deposits of all kinds made with the said Bank and transferred to the National Bank in accordance with section six of this Act.

SEC. 13. In the application of the thirty and twenty per cent specified in sections eleven and twelve of this Act, preference shall be given to the loans mentioned in section fourteen hereof.

SEC. 14. Said National Bank is further authorized:

(a) To make loans on harvested and stored crops: *Provided,* That no loan on the security of such harvested and stored crops shall exceed seventy per centum of the market value thereof on the date of the loan: And provided further, That the crops so mortgaged shall be insured by the mortgagor for the benefit of the National Bank for their entire market value: *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 three months, subject to three months' extension, in the discretion of the Bank.

(b) To make loans to agriculturists in installments, on standing crops of the natural products of the Philippine Islands, such as rice, hemp, copra, sugar, tobacco, etc.: *Provided, however,* That before granting such loans, the National 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 livestock, machinery, and agricultural implements.

The amounts which may be used for loans referred to by this section shall be taken out of the thirty per centum and twenty per centum of the capital and surplus of the Bank and of such other funds and resources thereof as are mentioned in sections eleven and twelve which may be used for such loans as well as in such other transactions mentioned in said sections in the descretion of the board of directors of the Bank.

SEC. 15. The National Bank is hereby authorized to issue real estate bonds in any sum not to exceed ninety per cent of the amount of real estate loans held by said bank, under section ten herein. Said bonds shall be engraved. Said bonds shall be signed by the president of the bank, authenticated by the Insular Auditor and shall bind the bank to pay the bearer thereof on the date therein named the principal sum mentioned in said bond with interest payable semi-annually at such rate as the board of directors may fix.

Said bonds shall be payable, both principal and interest, in gold coin of the United States: *Provided, however,* That bonds held by persons or corporations resident in the Philippine Islands shall be payable in lawful money of the Philippine Islands, or in gold coin of the United States at the option of the said bank. The amount of said real estate bonds outstanding as herein provided, falling due on any given date or prior to such given date, shall never at any time exceed the real estate notes as described in section ten herein held by the said bank, which fall due on the said given date or prior thereto.

Said real estate bonds shall be receivable by the Insurance Commissioner under section one hundred and seventy-eight of Act Numbered Twenty-four hundred and twenty-seven. Said bonds shall also be receivable by way of security in all customs and internal revenue transactions where security is required, and in any and all cases where by statute security may be required in dealings with the Government. Said bonds shall be exempt from any and all taxes levied or assessed by the Government of the Philippine Islands, or any department, division or subdivision thereof.

Said real estate securities against which bonds are issued as provided herein shall be deposited with the Treasurer of the Philippine Islands, and each of said bonds when issued shall bear on its face a certificate of the Insular Treasurer in words and figures as follows:

"I hereby certify that there are on deposit in the Treasury of the Philippine Islands first mortgage real estate farm securities in the sum of one hundred eleven and one-ninth per cent (111 1/9%) covering farm land of an appraised value of one hundred eighty-five and five twenty-sevenths per cent (185 5/27%) of the face value of this bond;.which said real estate farm securities or other first mortgage real estate farm securities of equal value or the proceeds thereof are to be held by me as security, additional to the promise of the Philippine National Bank for the prompt payment of this bond, principal and interest.

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*"Treasurer of the Philippine Islands."*

Changes in this Act or in the laws of the Philippine Islands which may hereafter be