

[Commonwealth Act No. 726, January 15, 1946]

AN ACT TO PROVIDE FOR THE REHABILITATION OF PHILIPPINE BANKS, APPROPRIATING FUNDS FOR THAT END, AND FOR OTHER PURPOSES.

Be it enacted by the Senate and House of Representatives of the Philippines in Congress Assembled:

SECTION 1. The sum of ten million pesos is hereby appropriated, out of any funds in the National Treasury not otherwise appropriated, to constitute a special fund, which shall be designated "Financial Institution Rehabilitation Fund". This fund shall be used to purchase preferredshares of stock of banks organized and now existing under any virtue of the laws of the Philippines, and such part of this fund not so utilized within two years of the effective date of this Act or such earlier date as the President may determine, shall revert to the general fund of the National Treasury: *Provided, however,* That out of the special fund herein constituted, the sum of two million five hundred thousand pesos shall immediately be transferred to the Postal Savings Bank, and the sum so transferred shall become an asset of the Postal Savings Bank to be utilized together with its other assets in meeting its liabilities and in fulfilling the guaranty of the Government to the depositors of the Bank as provided in section nineteen hundred and ninety-three of the Revised Administrative Code, any provision of this Act to the contrary notwithstanding.

SEC. 2. A financial Rehabilitation Board is hereby created which shall be composed of five members. The President shall nominate and with the consent of the Commission on Appointments shall appoint the members of the Financial Rehabilitation Board shall Manage the fund thereby created and shall invest the same under terms and conditions not inconsistent with purposes of this Act, and shall limit salaries and other expenses paid or incurred by the banks receiving aid from the special fund appropriated in this Act. The Board shall issue such further rules and regulations as it may deem necessary to carry out the purposes of this Act.

SEC. 3. The Board may invest the fund entrusted to it for management and investment under this Act in preferred shares of banks applying to it for financial assistance and after the Board is satisfied that the shareholders of the bank have exerted every effort to extend assistance to the applicant. Such shares must be entitled to cumulative dividends at a rate of one per cent during the first five years, two per cent during the second five years and three per cent thereafter, must be preferred as against common and other preferred stockholders in the distribution of assets in the event of liquidation and shall be entitled to voting privileges.

SEC. 4. The Board may sell to the highest bidder in the open market the whole or any part of the preferred stock which it holds.

SEC. 5. All dividends paid on the shares held by the Board shall revert to the general fund of the National Treasury.

SEC. 6. The Board shall meet regularly once a month and at such other time as circumstances require. The Chairman of the Board shall be designated by the President and he shall be the executive officer of the Financial Institution