

[Commonwealth Act No. 459, June 09, 1939]

AN ACT CREATING THE AGRICULTURAL AND INDUSTRIAL BANK.

Be it enacted by the National Assembly of the Philippines:

CHAPTER I. Establishment and Functions, Name, Domicile, and Duration

SECTION 1. There is created a bank to be known as the Agricultural and Industrial Bank of the Philippines, the short name of which shall be the Agricultural and Industrial Bank, which shall have its principal place of business in the City of Manila and shall exist for a period of fifty years.

SEC. 2. The Bank shall begin to operate within one hundred and eighty days from the date of approval of this Act and the President of the Philippines shall fix such date by proclamation upon certification of the Auditor-General and General Manager of the Bank that it is ready to begin operations.

CORPORATE POWERS

SEC. 3. The said Agricultural and Industrial Bank shall be a body corporate and shall have power:

- (a) To grant agricultural loans;
- (b) To grant industrial loans;
- (c) To grant real estate loans;
- (d) To establish and operate bonded warehouses;
- (e) To subscribe for, underwrite, purchase or guarantee bonds issued by agricultural or industrial concerns, or bonds secured by real estate used for commercial purposes ;
- (f) To carry on the business of a trust corporation and to manage and administer the funds and properties now entrusted to the National Investment Board;
- (g) To issue bonds, subject to the requirements provided in this Act;
- (h) To accept savings and time deposits;
- (i) To make by-laws; adopt and use a corporate seal; to buy, hold, transfer, sell, let, lease, mortgage, encumber, and otherwise trade in agricultural and urban real properties and industrial bonds as its aims and the transactions of its business may reasonably and necessarily require ; to contract any obligation to enter into any agreement essential to the proper management of its corporate matters and to carry out its aims and purposes; to execute and foreclose mortgages, pledges, and other contracts; to appoint and dismiss its officers and employees, unless otherwise provided for by this Law and to fix

adequate compensation for said officers and employees; to sue and be sued, to have the power of succession, and to exercise such powers as may be reasonably necessary to carry on the business for which it has been created.

CAPITAL AND SHARES

SEC. 4. The capital stock of the Agricultural and Industrial Bank, which shall be exclusively and fully subscribed by the Government of the Philippines, shall be one hundred fifty million pesos, Philippine currency, divided into one hundred fifty thousand shares of the value at par (sf one thousand pesos, Philippine currency, each.

SEC. 5. The power of voting all the shares of the Agricultural and Industrial Bank held by the Government of the Philippines is vested in the President of the Philippines or in such person or persons as he may, from time to time, designate.

SEC. 6. Out of the proceeds of the excise tax on oil, there is appropriated the sum of one hundred and fifty million pesos not otherwise appropriated. The subscription by the Government of the Philippines to the capital stock of the Agricultural and Industrial Bank shall be paid as follows: twenty-five million pesos upon subscription, and the remainder, upon call of the Board of Directors and upon certification by the Secretary of Finance, with the approval of the President of the Philippines, that funds are available in the Treasury of the Philippines for that purpose. Calls for payment of subscription shall not exceed the sum of fifteen million pesos in any year.

LOANS

SEC. 7. The Agricultural and Industrial Bank is authorized to grant agricultural loans secured by real estate mortgages. In no case shall such loans exceed sixty per centum of the appraised value of the securities, which securities shall include the value of all improvements and other assets acquired with the proceeds of such loans. The maturity dates of said agricultural loans and mortgages shall in no case be less than one year from the date thereof nor in excess of thirty years from such date. Said loans may be made payable at one time or in installments.

SEC. 8. The Agricultural and Industrial Bank is also authorized to grant loans for the promotion of industry upon the security of a mortgage of, or deed of trust on, the assets of an industrial establishment, and in no case shall such loans exceed sixty per centum of the market value of the securities, which securities shall include all improvements and other assets acquired with the proceeds of such loans. The maturity dates of said industrial loans and mortgages or deeds of trust shall not be less than one year from the date thereof. The mortgages or deeds of trust may be made payable at one time or in installments.

SEC. 9. Applications for agricultural and industrial loans shall be made in writing and under oath. Said applications shall contain, among other things:

- (a) A detailed description of the real estate or as sets of the industrial establishment;
- (b) An appraisal of the real estate or assets of the industrial establishment

at their 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 the said loans, or any part thereof, for any purpose or purposes except those set out in said applications. In addition to the corresponding criminal liability, any violation of this clause shall be sufficient cause for the rescission of the contract and the foreclosure of the mortgage.

TRANSFER OF THE FUNCTIONS OF THE NATIONAL INVESTMENT BOARD

SEC. 10. All the powers vested in, and the duties conferred upon, the National Investment Board by Commonwealth Act Numbered Seven, as amended, and by other laws, the funds and properties heretofore placed under the administration of said Board by said Acts, and its assets, accounts, contracts, and choses in action, are transferred to the Agricultural and Industrial Bank, which shall exercise said powers and duties in accordance with said Acts, except as hereinafter provided, and shall administer, dispose of, handle, or execute said funds, properties, assets, accounts, contracts or agreements, and choses in action in the manner the Agricultural and Industrial Bank may determine in the interest of the funds concerned, and the Agricultural and Industrial Bank shall assume all the liabilities of the National Investment Board in behalf, or as trustee of said funds.

SEC. 11. The National Investment Board shall stand abolished on the date when the Agricultural and Industrial Bank shall begin its operations.

TRUST FUNCTIONS

SEC. 12. The Agricultural and Industrial Bank shall have power to act as trustee on any mortgage or bond issued by any municipality, body politic, or corporation, and to accept and execute any other municipal or corporate trust not inconsistent with law.

BONDS

SEC. 13. The Agricultural and Industrial Bank is authorized to issue real estate bonds of the face value of not less than twenty-five pesos in any sum not to exceed ninety per centum of the amount of real estate loans held by said Bank under section seven of this Act.

SEC. 14. The real estate securities against which the real estate bonds are issued as provided herein shall be deposited with the Treasurer of the Philippines, and each of said bonds when issued shall bear on its face a certificate of the Treasurer of the Philippines in words and figures as follows:

"I certify that there are on deposit in the Treasury of the Philippines first mortgage real estate securities in the sum of one hundred eleven and one-ninth per centum covering farm land of an appraised value of one hundred eighty-five and five-twenty-sevenths per centum of the face value of this bond; which said real estate securities, or other first mortgage real estate farm securities equal value, or the proceeds thereof are to be held by me as security, additional to the promise of the Agricultural and Industrial Bank of the Philippines for the prompt payment of this

bond, principal and interest.

Treasurer of the Philippines"

SEC. 15. Changes in this Act or in other laws of the Philippines which may hereafter be made shall not in any manner affect the real estate bonds issued hereunder which may be outstanding at the time of such change or changes, nor shall any such change or changes affect the rights of any holder or holders thereof.

SEC. 16. With the approval of the President of the Philippines, the Agricultural and Industrial Bank is authorized to issue debenture bonds of the face value of not less than twenty-five pesos in any sum not to exceed the full amount of its capital. Principal and interest of said debenture bonds may be guaranteed by the Government of the Philippines.

SEC. 17. Said real estate and debenture bonds shall be engraved, signed by the General Manager of the Agricultural and Industrial Bank, and authenticated by the Auditor-General, and shall bind the Agricultural and Industrial Bank to pay to the bearer thereof on the date therein named, unless sooner redeemed in accordance with the provisions of this Act, the principal sum mentioned in said bond, with interest payable semi-annually at such rate as the Agricultural and Industrial Bank may fix. Said bonds shall be payable in Manila except as hereinafter provided, both as to principal and interest, in lawful money of the Philippines.

SEC. 18. Bonds issued in accordance with this Act shall be received by the Insurance Commissioner as securities of insurance companies under the Insurance Act, and by way of security in all customs and internal-revenue transactions where security is required, and in all other cases, where, by statute, security may be required in dealings with the Government.

SEC. 19. Said bonds shall be exempt from all taxes levied or assessed by the Government of the Philippines, or any branch or subdivision thereof.

SEC. 20. The real estate bonds and debentures shall be issued in such amounts and forms, at such times and for such periods as may be expressly provided by resolution of the Board of Directors of the Agricultural and Industrial Bank and approved by the President of the Philippines. Said bonds shall be redeemable at par on or before the date of their maturity and shall contain a provision to the effect that they are subject to redemption by lot at such a date as the Agricultural and Industrial Bank may designate. Such of the bonds so chosen by lot for redemption as have not been outstanding for at least three-fourths of the period for which issued shall be retired with a premium of five per centum of the par value thereof. The bonds so chosen for redemption shall cease to bear interest beginning with the date set for their withdrawal, and the aforesaid selection by lot shall take place at least one hundred days before the date of the withdrawal. The serial numbers of the bonds so selected shall be published once a week for a period of not less than three months in two daily newspapers of general circulation in the Philippines.

SEC. 21. The Board of Directors may, at the request of the holder, authorize the payment of interest on any bond at the branches or agencies of the Agricultural and Industrial Bank in the municipalities of the Philippines or in the United States.

SEC. 22. The Agricultural and Industrial Bank is authorized to guarantee both as to principal and interest, or either, bonds issued by duly incorporated companies for agricultural, industrial, or commercial purposes. The guarantee by the Agricultural and Industrial Bank on any bond authorized herein shall be lawful only when approved by the President of the Philippines.

UNDERWRITING

SEC. 23. The Agricultural and Industrial Bank is authorized to act as business agents for other banks; to take charge of raising national and local loans secured by bonds, general debentures, and shares; to receive subscriptions thereto; to disburse principal and interest or dividends thereof; and also to underwrite bonds of other companies.

SAVINGS AND FIXED DEPOSITS

SEC. 24. The Agricultural and Industrial Bank is authorized to receive savings and time deposits. The deposits received by the Agricultural and Industrial Bank may be loaned or invested only as follows:

(a) Loans secured by mortgage or deed of trust to the Bank of unencumbered improved real estate in cities and municipalities, or by mortgage or deed of trust to the Bank of actually cultivated and improved agricultural lands. The amount loaned shall not exceed sixty per centum of the appraised value of the real estate including the value of the insured improvements thereon which is security for the loan.

In determining the amount to be loaned upon a given parcel of real estate careful consideration shall be given to the prices at which surrounding property has been sold, the assessed value of the property offered as security, and the revenue-producing capacity of such property.

(b) Bonds or evidences of debt, or loans secured by such bonds or evidences of debt of the Government of the United States or of the Philippines or of any province, city, or municipality in the Philippines authorized by law to issue bonds; and bonds or evidences of debt, or loans secured by such bonds or evidences of debt, of any person, firm, company, corporation, or other entity guaranteed both as to principal and interest by the Government of the United States. Any loan made upon the security of such bonds or evidences of debt shall not exceed the face value of such bonds or evidences of debt, or the market value thereof, whichever may be the smaller;

(c) Loans with first mortgages transferred to the Agricultural and Industrial Bank as collateral security on improved and otherwise unencumbered real estate in cities and municipalities in the Philippines. The mortgages shall not exceed sixty per centum of the appraised value of the real estate and insured improvements which secure such mortgage;

(d) Collateral trust bonds or notes or obligations secured by such bonds or notes secured by a first mortgage or by a participating interest in a first mortgage upon improved urban real estate in cities and municipalities of the Philippines: Provided, That such bonds and notes shall have been outstanding for at least three years prior to their purchase by the Agricultural and Industrial Bank: And provided, That during the period, the earnings of the property mortgaged and available for paying interest