

[PRESIDENTIAL DECREE NO. 694, May 08, 1975]

PROVIDING FOR THE 1975 REVISED CHARTER OF THE PHILIPPINE NATIONAL BANK.

WHEREAS, the Philippine National Bank is an instrument of national monetary policy with a significant role in the economic development of the country under the program of the New Society;

WHEREAS, there is a pressing need for further revising the Charter of the Philippine National Bank to enable it to effectively carry out the task of providing the necessary financing for economic development:

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby decree and order the 1975 Revised Charter of the Philippine National Bank as follows:

THE 1975 REVISED CHARTER OF THE PHILIPPINE NATIONAL BANK

SECTION 1. This Decree shall be known as "THE 1975 REVISED CHARTER OF THE PHILIPPINE NATIONAL BANK."

SECTION 2. Name - Domicile and place of business - Branches, agencies and other offices. -There is hereby created a bank to be known as the Philippine National Bank. Its principal domicile and place of business shall be in the Greater Manila Area. It may open and maintain branches, agencies or other offices at such places in the Philippines or abroad as its Board of Directors may deem feasible, with the prior approval of the Monetary Board of the Central Bank of the Philippines.

CORPORATE POWERS

SECTION 3. Corporate powers. - The Philippine National Bank, upon its organization, shall be a body corporate and shall have power:

- a. To engage in the business of commercial banking by accepting drafts and issuing letters of credit, discounting and negotiating promissory notes, drafts, bills of exchange, and other evidences of debts, receiving deposits, buying and selling foreign exchange and gold or silver bullion, by acting as financial agent, and by lending money against personal security or against securities consisting of personal property or first mortgages on improved real estate and the insured improvements thereon;
- b. To accept and execute trusts and to carry on a general trust business in accordance with the provisions of law governing trust corporations;
- c. To hold, own, purchase, acquire, sell, mortgage, dispose or otherwise invest or reinvest in high grade stocks, bonds, debentures, securities and other evidence of indebtedness of other corporations and of the government or its instrumentalities which are issued for or in connection with any project or enterprise;
- d. To organize and incorporate investment and/or development financing subsidiaries whose capital stock may be subscribed in whole or in part by the Bank: Provided, however, that the controlling interest of not less than sixty-six and two-thirds percent (66-2/3%) of the authorized capital stock of such

subsidiaries shall at all times remain with the Bank: Provided, further, that the Bank may organize and incorporate commercial banking subsidiaries without the limitations imposed on allied undertakings, subject to the prior approval of the Monetary Board: Provided, finally, that the organization and incorporation of such subsidiaries shall be approved by the President of the Philippines.

e. With the approval of the President of the Philippines, to issue either in the Philippines or externally, all types of bonds, promissory notes, debentures, certificates of indebtedness, or other debt instruments whether senior, unsecured or subordinated obligations, including but not limited to capital notes under such terms and conditions as may be determined by the Board of Directors, which may be:

1. Secured by credits against real estate or other assets of the Bank but not in excess of 90% thereof, or without such security and purely on an unsecured or subordinated basis;
2. Long-term, medium-term or short-term;
3. With fixed interest rate or floating interest rate;
4. Denominated either in the lawful legal tender of the Philippines or in such foreign currencies which are eligible for the foreign exchange reserves of the Central Bank of the Philippines; and
5. With such other features and requirements which in its discretion are deemed necessary.

These bonds, debentures, promissory notes, certificates of indebtedness, or other debt instruments shall be unconditionally guaranteed as to principal and interest by the Republic of the Philippines: Provided, however, that the Bank is also authorized to issue these instruments without the guaranty of the Republic of the Philippines;

These bonds, debentures, promissory notes, certificates of indebtedness, or other instruments, shall be exempt, both as to principal and interest, from any and all taxes imposed by the Government or any of its subdivisions;

- f. To guarantee foreign loans or credit accommodations extended directly by foreign firms or persons to domestic borrowers for capital investment purposes; (Sec. 74, GBA, modified)
- g. To engage or participate in the development of secondary markets for government securities and short, medium and long term papers;
- h. To invest in equities of the following allied undertakings: warehousing companies, leasing companies, storage companies, safe deposit box companies, trust companies, companies engaged in the management of mutual funds but not in the mutual funds themselves, banks other than rural banks, and such other similar activities as the Monetary Board of the Central Bank of the Philippines may declare as appropriate from time to time: Provided, however, that (a) the total investment in equities shall not exceed twenty-five per cent (25%) of the net worth of the Bank; (b) the investment in any one enterprise shall not exceed ten per cent (10%) of the total net worth of the Bank; (c) the total equity investment of the Bank in any single enterprise shall remain a minority holding in that enterprise, except where that enterprise is not a financial intermediary; (d) the investment in other banks shall be deducted from the Bank's net worth for purposes of computing the prescribed ratio of net worth to risk assets. Where the allied undertaking is a

wholly owned or majority controlled subsidiary of the Bank, it shall be subject to examination by the Central Bank;

- i. To borrow money, or incur indebtedness or contract obligations in pursuance of its banking operations as set forth in this Decree;
- j. To engage in the warehousing of rice, corn and other grains, copra, sugar, tobacco, cotton and other basic commodities as well as oil, gasoline and petroleum products;
- k. To act as an official government depository with full authority to maintain deposits of the government, its branches, subdivisions and instrumentalities, and of government owned or controlled corporations, subject to the provisions of Section 118 of Republic Act numbered Two hundred sixty-five, as amended;
- l. To prescribe its By-laws;
- m. To adopt and use a seal;
- n. To make contracts;
- o. To sue and be sued;
- p. To acquire, own and hold real and personal property necessary to carry on its business, introduce improvements thereon, and to sell, mortgage or otherwise dispose of such property and improvements in accordance with the policies adopted by the Board;
- q. To exercise the general powers mentioned in the Corporation Law and the General Banking Act insofar as they are not inconsistent or incompatible with the provisions of this Decree, as well as such incidental powers as may be necessary to carry on and engage in its business.

CAPITAL

SECTION 4. Authorized Capital Stock - Par Value - Government Subscription and Payment - Sale of Shares. - The authorized capital stock of the Bank shall be increased to TWO BILLION PESOS to be divided into twenty million shares at par value of one hundred pesos each. The Government shall increase its paid-in subscription of P700 million as of December 31, 1973 to P1 billion. Payment for the P300 million additional capital contribution to the Government shall be made as follows:

- a. In the form of cash to be authorized under the corresponding appropriation upon recommendation of the Secretary of Finance; or
- b. In the alternative, in exchange for bonds or other government securities which the Secretary of Finance is hereby authorized to issue under such terms and conditions as he may prescribe.

The increase in the authorized capital stock shall be divided into the following classes of shares:

a. Preferred "A" shares which shall consist of one million shares available for sale to or subscription by the general public. These shares shall have the following features:

- 1) preferred as to dividends at ten per cent (10%);
- 2) cumulative;
- 3) participating;
- 4) non-voting;
- 5) dividends thereon shall be exempt from income tax;
- 6) redeemable at the option of the Bank at the prevailing book

value but in no case less than par after five (5) years from issuance thereof; and

- 7) convertible to Common shares at the option of the holder in case the Bank fails to pay dividends thereon for two consecutive years: PROVIDED, however, that if the holder thereof signifies his intention to convert the Preferred "A" shares to Common shares, the Bank may, at its option, redeem said shares even before the lapse of five (5) years counted from date of their issuance.

b. Preferred "B" shares which shall consist of two million shares available for sale to or subscription by citizens of the Philippines only. These shares shall have the following features:

- 1) preferred as to dividends;
- 2) cumulative;
- 3) participating;
- 4) non-voting;
- 5) dividends thereon shall be exempt from income tax; and
- 6) convertible to Common at the option of the holder in case the Bank fails to pay dividends thereon for two consecutive years.

c. Common "A" shares which shall consist of five hundred thousand (500,000) shares exclusively available for subscription at par by officers and employees of the Bank. These shares shall have the following features:

- 1) preferred as to dividends;
- 2) cumulative;
- 3) participating;
- 4) voting;
- 5) dividends thereon shall be exempt from income tax; and
- 6) non-transferable except to qualified holders as herein provided.

Transfer of any kind, including that by hereditary succession, to any person other than officers or employees of the Bank shall not be valid and shall not be registered in the books of the Bank. Moreover, such transfer shall give rise to the Bank's right to acquire the shares so transferred at par. The Board of Directors of the Bank shall prescribe the terms and conditions for the distribution of Common "A" shares to officers and employees of the Bank as well as for the Bank's reacquisition of said shares from the holders thereof upon their separation from the Bank or upon the transfer of said shares to any person other than officers or employees of the Bank.

d. The balance of the increase in the authorized capital stock shall be in Common shares.

The Board of Directors of the Bank may, at its discretion, increase the number of any of the preferred shares as well as the Common "A" shares by converting outstanding Common shares, if there are any available, to

such shares desired to be increased. Said increase shall be subject to the approval of the President of the Philippines upon recommendation of the Secretary of Finance. The Bank may take the necessary steps to have its preferred shares listed in any duly registered stock exchange.

Existing private stockholders may exercise their pre-emptive right.

The Government may at any time, upon recommendation by the Secretary of Finance and the approval of the President of the Philippines, subscribe to the balance of the Common shares: *Provided*, however, that upon the lapse of five years from the listing of the preferred shares in any duly registered stock exchange, but not later than December 31, 1980, such preferred shares remaining unsold or unsubscribed shall be automatically converted to Common shares and subscribed to by the Government. Payment of these government subscriptions may likewise be in the form of cash to be authorized under the corresponding appropriation that may be made from time to time or in exchange for bonds or other government securities which the Secretary of Finance is hereby authorized to issue under such terms and conditions as he may prescribe. These bonds or other government securities may be retired in the manner provided for in this Decree.

The Bank is also authorized to purchase its own shares that are held privately.

Holders of Land Bank bonds may, under such terms and conditions as may be prescribed by the Board of Directors of the Bank, exchange such bonds for shares of the Bank offered for sale to the public.

SECTION 5. Who may vote Government-owned stock. - The voting power of all the stock of the Bank owned and controlled by the Republic of the Philippines shall be vested in the President of the Philippines, or in such person or persons as he may from time to time designate.

BANKING OPERATIONS IN GENERAL

SECTION 6. Loans and credit accommodations authorized. - The Philippine National Bank is hereby authorized:

- a. To purchase, discount or negotiate promissory notes, drafts, bills of exchange and other evidences of debt issued or drawn for agricultural, export, industrial, commercial and other allied purposes with collaterals required by the Bank, or the proceeds of which have been used or are to be used for such purposes;
- b. To grant 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 eighty per centum of the fair market value thereof on the date of the loan: *Provided, further*, That the crops used as collateral shall be insured for the benefit of the Bank for their entire market value; and *Provided, finally*, That if owing to any circumstances whatever, the value of the crops given as security shall diminish, the debtor and/or mortgagor shall obligate himself to furnish additional security or refund such part of the loan as the Bank may demand. The maturity of such loans shall not exceed one year subject to extension, in the discretion of the Bank;