

# [ PRESIDENTIAL DECREE NO. 64, November 20, 1972 ]

## AMENDING PRESIDENTIAL DECREE NO. 5 RELATIVE TO THE CHARTER OF THE PHILIPPINE NATIONAL BANK

**WHEREAS**, Presidential Decree No. 5, of September 27, 1972, adopted and approved into law House Bill No. 2483 which was pending before Congress at the time of the promulgation of Proclamation No. 1081, dated September 21, 1972;

**WHEREAS**, it has been found necessary to incorporate certain changes and modifications to the Charter of the Philippine National Bank, particularly certain proposals recommended by an official banking survey commission which recently submitted its report;

**WHEREAS**, for clarity and accuracy, it is deemed essential to set forth hereunder the text of the pertinent provisions of the Charter of the Philippine National Bank, together with the abovementioned changes and modifications, which shall supersede the entire text of the said House Bill No. 2483 as adopted and approved into law by Presidential Decree No. 5;

**NOW, THEREFORE, I, FERDINAND E. MARCOS**, Commander-in-Chief of all the Armed Forces of the Philippines, pursuant to Proclamation Order No. 1081, dated September 21, 1972, as amended, and in order to effect desired changes and reforms in the social, economic and political structures of our society, do hereby order and decree as follows:

**SECTION 1.** Subsection (g) of Section two of Republic Act Numbered Thirteen hundred, as amended, is further amended to read as follows:

### "CORPORATE POWERS"

**"SEC. 2. *Corporate powers and duties.*** —The said National Bank, upon its organization, shall be a body corporate and shall have power:

"(g) To grant long-term loans and advances against security of real estate and/or other acceptable assets for the establishment, rehabilitation or expansion of agricultural, export, industrial and other productive enterprises: *Provided*, That the aggregate of such loans shall not exceed the sum of the paid-up capital and unimpaired surplus, long-term indebtedness and obligations and thirty per cent of the total deposits: *Provided, further*, That notarial services in connection with loan application of not more than one thousand pesos shall be free, and in places where the bank has no lawyers, notarial services shall be performed by municipal judges and other government notaries public free of charge;"

**SEC. 2.** Section three of Republic Act Numbered Thirteen hundred, as amended, is further amended to read as follows:

### "CAPITAL"

**"SEC. 3. *Authorized Capital Stock — Par Value — Government Subscription and payment.*** — The authorized capital stock of the

Philippine National Bank shall be one billion pesos divided into ten million per value shares of one hundred pesos each, which shall include its present capitalization: *Provided*, That the Bank may purchase the shares held privately: *Provided, further*, That five hundred million pesos of the authorized capital shall be fully subscribed by the Government and said subscription shall be paid in the following manner: Two hundred twenty-five million of surplus and reserves of the Bank as of December thirty-one nineteen hundred and seventy-one shall be applied by the Bank in payment of the outstanding unpaid subscribed shareholdings of the Government which together with the present paid-up capital of one hundred fifty million pesos, including private stockholdings, shall be considered as part of the paid-in capital of the Bank and the balance from funds from the Treasury not otherwise appropriated: *Provided, furthermore*, That three hundred million pesos of the authorized capital shall be offered for sale to the public, subject to the proportionate preemptive rights of existing private stockholders, and the Bank may within one year from approval hereof take necessary steps to have these shares listed in any duly registered stock exchange: *Provided, furthermore*, That private holders of Land Bank bonds may exchange such bonds for shares of the Bank offered for sale to the public: *Provided finally*, That upon the lapse of five years from the listing of these shares in any duly registered stock exchange, the shares remaining unsold shall be automatically subscribed and paid for by the Government and the Secretary of Finance, with the approval of the President of the Philippines shall issue Government bonds in exchange for such shares of stock subscribed by the Government."

**SEC. 3.** Section five of Republic Act Numbered Thirteen hundred, as amended, is further amended to read as follows:

"BANKING OPERATIONS IN GENERAL"

**"SEC. 5.** *Loans and investments authorized—Total liabilities of a single borrower*—Additional liabilities and security required. - Said National Bank is hereby authorized;

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

"(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 eighty 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 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 not to exceed one year, subject to extension, in the discretion of the Bank;

"(c) To make loans to agriculturists in installments, on standing crops of the natural products of the Philippines such as rice, hemp, copra sugar tobacco corn, maguey, etc., not in excess of seventy per centum of the estimated value of such crops: *Provided, however,* That before granting such loans the National Bank may require additional security in the nature of mortgage's on real estate duly registered in the name of the debtor, or chattel mortgage including those upon livestock, machinery, and agricultural implements, or personal bonds with sufficient surety or sureties, satisfactory to the Bank;'

"(d) To make loans to any branch or subdivision of the Republic of the Philippines or to government-owned or controlled corporations, subject to the condition that such loans should be for productive revenue producing socio-economic development project pursuant to the priorities established in the development program, as certified to by the National Economic Development Authority in an amount within the borrowing entity's paying capacity, duly guaranteed by the National Government through the Secretary of Finance upon authority of the President of the Philippines with respect to principal and interest: *Provided, however,* That loans covered by government guarantees shall not exceed the ceiling prescribed by the Monetary Board: *Provided, finally,* That such a ceiling shall exclude loans to government corporations with acceptable and sufficient collateral which shall however be subject to the limitation hereinunder *provided*.

"The aggregate obligation of all these government agencies and entities for the loans herein authorized shall at no time exceed the advances, deposits, and paid-in capital contribution of the Government [plus twenty percent (20%)], except in cases of emergency situations.

"(e) Generally, to make advances or discount paper for agricultural, export, manufacturing, industrial, or commercial purposes: *Provided,* That loans, discounts or advances made under this section shall have maturities not exceeding one year, renewable from year to year, in the discretion of the Bank;

"(f) To engage or participate in the development of secondary markets for medium and long-term papers.

"(g) To invest in equities of the following allied, undertakings: warehousing companies as *provided* for under Section 2 subsection (h), 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 percent (25%) of the net worth of the Bank, (b) the investment in any one enterprise shall not exceed ten per cent (10%) of the net worth of the Bank; (c) the investment of the Bank in any single enterprise, except where that enterprise is not a financial intermediary; and (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. Equity investments shall not be permitted in non-related activities.

"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."

"(h) To grant loans to cooperatives as well as to individual members of such cooperatives: *Provided*, That in the grant of said loans the collateral requirements elsewhere required in this Act may be waived in appropriate cases.

"The aggregate amount of loan for any single industry shall at no time exceed twenty (20%) per cent of the Bank's lending capacity.

"The total liabilities to the Bank of any individual, including the liabilities of the individual's spouse for money borrowed shall at no time exceed two-and-a-half per cent of the unimpaired capital and surplus of the Bank. The total liabilities to the Bank of any company corporation, or firm, for money borrowed including in the liabilities, of the company or firm, the liabilities of the several members thereof, shall at no time exceed ten (10%) per centum of the unimpaired capital and surplus of the Bank. But the discount of bills of exchange drawn in good faith against actually existing values and the discount of commercial or business paper actually owned by the person negotiating the same shall not be considered as money borrowed, and in addition to the ten (10%) per centum of the unimpaired capital and surplus of Bank *provided* such additional liabilities are secured by shipping documents, warehouse receipts or other similar documents transferring or securing title covering readily marketable, nonperishable stocks, when such staples have a market" value equal to at least one hundred twenty-five per centum of such additional liabilities.

"*Provided, further*, That the total contingent liabilities to the Bank of any person, whether natural or juridical, under any form or type of letters of credit accommodations, whether domestic or foreign, or under any other form of financing shall at no time exceed ten (10%) per centum of the unimpaired capital and surplus of the Bank.

"The Bank shall not make any loan upon the stock of any other corporation as collateral if the aggregate market value of all such stocks held as collateral exceeds an amount equal to ten (10%) per centum of the unimpaired capital stock and surplus of the Bank.

"The term 'loan' whenever used in this Act shall include overdrafts and the limitations contained in this section shall apply to any loan of any kind whenever secured wholly or partly by real estate mortgage."

**SEC. 4.** Section six of Republic Act Numbered Thirteen hundred, as amended, is further amended to read as follows:

"BOARD OF DIRECTORS - COMPOSITION AND ORGANIZATION"

**"SEC. 6.** *Board of Directors — Composition — Per diems — Tenure.* — The affairs and business of the National Bank shall be directed and its

property managed and preserved unless otherwise *provided* in the Act by a Board of Directors consisting of nine members duly elected as hereinafter *provided* for terms of three years who shall be paid a *per diem* of Two Hundred Fifty pesos for each session of the Board of Directors: *Provided, however,* That the first members elected under the provisions of this section shall have terms of office of one, two, and three years, respectively."

**SEC. 5.** Section seven of Republic Act Numbered Thirteen hundred, as amended, is further amended to read as follows:

**"SEC. 7. Election of Board of Directors — Election of Chairman and Vice-Chairman of the Board. —** *Who may be elected members of the Board of Directors.*— Annually on the first Tuesday after the first Monday in March, the stockholders shall meet to elect the members of the Board of Directors whose terms have expired, each stockholder or proxy to be entitled to as many votes as he may have shares of stocks, registered in his name on the thirty-first of January last preceding and held by him at the time of the election. Immediately after the election, the directorate shall be organized as such and elect from among themselves a chairman, the President of the Bank shall be ex officio vice-chairman, who shall assist the chairman and act in his stead in case of absence or incapacity. In case of incapacity or absence of both the chairman and vice-chairman, the Board of Directors shall designate a temporary chairman from among its members: *Provided,* That no director, shareholder or employee of any other bank shall be eligible as member of the Board of Directors of the National Bank: *Provided, further,* That no person shall be elected director of the Bank unless he is a natural born citizen of the Philippines, not less than thirty-five years of age, of good moral character and has attained proficiency, expertise and recognized competence in one or more of the following: banking, finance, economics, law, agriculture, business management, public utility or government administration.

**SEC. 6.** Section eight of Republic Act Numbered Thirteen hundred, as amended, is further amended to read as follows:

**"SEC. 8. President and Vice-President - Appointment and removal — Salaries.** — The Chief executive of the Bank shall be the President, who shall be elected by the Board of Directors from amongst themselves for a term of four years unless earlier removed for cause or by reason of incapacity. No person shall be elected President of the Bank unless he is at least forty years of age, of good moral character and reputation, with at least ten years previous experience in banking, and has a reputed proficiency, expertise and recognized competence in banking and economics, or finance, or management, or government administration, or law, or agriculture, or industry. He shall be assisted by an executive vice-president and such number of senior vice-presidents and vice-presidents as may be necessary for the efficient operation of the business of the Bank, who shall have the same qualifications as the President and who shall be chosen and may be removed for cause by the Board of Directors. The salaries of the President, Executive Vice-President, the Senior Vice-Presidents and Vice-Presidents shall be fixed by the Board of Directors in line with the policy declared by the President of the Philippines."