

**[ REPUBLIC ACT NO. 6848, January 26, 1990 ]**

**AN ACT PROVIDING FOR THE 1989 CHARTER OF THE AL-AMANAH ISLAMIC INVESTMENT BANK OF THE PHILIPPINES, AUTHORIZING ITS CONDUCT OF ISLAMIC BANKING BUSINESS, AND REPEALING FOR THIS PURPOSE PRESIDENTIAL DECREE NUMBERED TWO HUNDRED AND SIXTY-FOUR AS AMENDED BY PRESIDENTIAL DECREE NUMBERED FIVE HUNDRED AND FORTY-TWO (CREATING THE PHILIPPINE AMANAH BANK)**

WHEREAS, the State, in Section 20, Article II of the Constitution, encourages private enterprise and provides incentives to needed investments;

WHEREAS, under the Constitution, the use of property bears a social function, so that the consequences in law also must be defined by policy objectives related to property rights in productive enterprises;

WHEREAS, toward this end, the Government has committed itself to the establishment of an Islamic bank that operates within a legal framework permitting the investors or participants the rights to equitable or beneficial share in the profits realized from financing productive activities and other operations: Now, therefore,

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

**THE CHARTER OF THE AL-AMANAH ISLAMIC  
INVESTMENT BANK OF THE PHILIPPINES  
TITLE**

SECTION 1. *Title*.—This Act shall be known as "The Charter of the Al-Amanah Islamic Investment Bank of the Philippines."

**ESTABLISHMENT AND FUNCTIONS**

SEC. 2. *Name, Domicile and Place of Business*.—There is hereby created the Al-Amanah Islamic Investment Bank of the Philippines, which shall be hereinafter called the Islamic Bank. Its principal domicile and place of business shall be in Zamboanga City. It may establish branches, agencies or other offices at such places in the Philippines or abroad subject to the laws, rules and regulations of the Central Bank.

SEC. 3. *Purpose and Basis*.—The primary purpose of the Islamic Bank shall be to promote and accelerate the socio-economic development of the Autonomous Region by performing banking, financing and investment operations and to establish and participate in agricultural, commercial and industrial ventures based on the Islamic

concept of banking.

All business dealings and activities of the Islamic Bank shall be subject to the basic principles and rulings of Islamic Shari'a within the purview of the aforementioned declared policy. Any zakat or "tithe" paid by the Islamic Bank on behalf of its shareholders and depositors shall be considered as part of compliance by the Islamic Bank with its obligation to appropriate said zakat fund and to disburse it in legitimate channels to be ascertained first by the Shari'a Advisory Council.

SEC. 4. *Shari'a Advisory Council.*—There is hereby created a Shari'a Advisory Council of the Islamic Bank which shall be composed of not more than five (5) members, selected from among Islamic scholars and jurists of comparative law.

The members shall be elected at a general shareholders meeting of the Islamic Bank every three (3) years from a list of nominees prepared by the Board of Directors of the Islamic Bank. The Board is hereby authorized to select the members of the first Shari'a Advisory Council and to determine their remunerations.

SEC. 5. *Functions of the Shari'a Advisory Council.*—The functions of the Shari'a Advisory Council shall be to offer advice and undertake reviews pertaining to the application of the principles and rulings of the Islamic Shari'a to the Islamic Bank's transactions, but it shall not directly involve itself in the operations of the Bank.

Any member of the Shari'a Advisory Council may be invited to sit in the regular or special meetings of the Board of Directors of the Islamic Bank to expound his views on matters of the Islamic Shari'a affecting a particular transaction but he shall not be entitled to vote on the question presented before the board meetings.

## **CORPORATE POWERS**

SEC. 6. *Islamic Bank's Powers.*—The Al-Amanah Islamic Investment Bank of the Philippines, upon its organization, shall be a body corporate and shall have the power:

1. To prescribe its by-laws and its operating policies;
2. To adopt, alter and use a corporate seal;
3. To make contracts, to sue and be sued;
4. To borrow money; to own real or personal property and to introduce improvements thereon, and to sell, mortgage or otherwise dispose of the same;
5. To employ such officers and personnel, preferably from the qualified Muslim sector, as may be necessary to carry Islamic banking business;
6. To establish such branches and agencies in provinces and cities in the Philippines, particularly where Muslims are predominantly located, and such correspondent offices in other areas in the country or abroad as may be necessary to carry on its Islamic banking business, subject to the provisions of Section 2 hereof;
7. To perform the following banking services:
  - a. Open current or checking accounts;
  - b. Open savings accounts for safekeeping or custody with no participation in profit and losses except unless otherwise authorized by the account

- holders to be invested;
  - c. Accept investment account placements and invest the same for a term with the Islamic Bank's funds in Islamically permissible transactions on participation basis;
  - d. Accept foreign currency deposits from banks, companies, organizations and individuals, including foreign governments;
  - e. Buy and sell foreign exchange;
  - f. Act as correspondent of banks and institutions to handle remittances or any fund transfers;
  - g. Accept drafts and issue letters of credit or letters of guarantee, negotiate notes and bills of exchange and other evidence of indebtedness under the universally accepted Islamic financial instruments;
  - h. Act as collection agent insofar as the payment orders, bills of exchange or other commercial documents are exclusive of *riba* or interest prohibitions;
  - i. Provide financing with or without collateral by way of leasing, sale and leaseback, or cost plus profit sales arrangement;
  - j. Handle storage operations for goods or commodity financing secured by warehouse receipts presented to the Bank;
  - k. Issue shares for the account of institutions and companies assisted by the Bank in meeting subscription calls or augmenting their capital and/or fund requirements as may be allowed by law;
  - l. Undertake various investments in all transactions allowed by the Islamic Shari'a in such a way that shall not permit the haram (forbidden), nor forbid the halal (permissible);
8. To act as an official government depository, or its branches, subdivisions and instrumentalities and of government-owned or controlled corporations, particularly those, doing business in the autonomous region;
9. To issue investment participation certificates, *muqaradah* (non-interest-bearing bonds), debentures, collaterals, and/or the renewal or refinancing of the same, with the approval of the Monetary Board of the Central Bank of the Philippines, to be used by the Bank in its financing operations for projects that will promote the economic development primarily of the Autonomous Region;
10. To carry out financing and joint investment operations by way of *mudarabah* partnership, *musharaka* joint venture or by decreasing participation, *murabaha* purchasing for others on a cost-plus financing arrangement, and to invest funds directly in various projects or through the use of funds whose owners desire to invest jointly with other resources available to the Islamic Bank on a joint *mudarabah*, basis;
11. To invest in equities of the following allied undertakings:
- a. Warehousing companies;
  - b. Leasing companies;
  - c. Storage companies;
  - d. Safe deposit box companies;
  - e. Companies engaged in the management of mutual funds but not in the mutual funds themselves; and
  - f. Such other similar activities as the Monetary Board of the Central Bank of the Philippines has declared or may declare as appropriate from time to time, subject to existing limitations imposed by law;

12. To exercise the powers granted under this Charter and such incidental powers as may be necessary to carry on its business, and to exercise further 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 Charter.

### **CAPITAL RESOURCES OF THEE BANK**

SEC. 7. *Authorized Capital Stock.*—The authorized capital stock of the Islamic Bank shall be One billion pesos (P1,000,000,000) divided into ten million par value shares of One hundred pesos each. All shares are nominative and indivisible. The subscription to and ownership of such shares, including the transfer thereof to third parties, shall be limited to persons and entities who subscribe to the concept of Islamic banking.

SEC. 8. *Classification of Shares: Its Features.*—The Islamic Bank's authorized capital stock shall have the following classifications and features in relation to its Islamic banking operation:

1. Series "A" shares shall comprise five million one hundred thousand shares equivalent to Five hundred ten million pesos (P510,000,000) to be made available for subscription by the present stockholders of the Philippine Amanah Bank namely: the National Government, and such other financial entities as it may designate.
2. Series "B" shares shall comprise nine hundred thousand shares equivalent to Ninety million pesos (P90,000,000) to be made available for subscription by the Filipino individuals and institutions.
3. Series "C" shares shall comprise four million shares equivalent to Four hundred million pesos (P400,000,000) to be made available for subscription by Filipino and foreign individuals and/or institutions or entities.

Anyone of the shareholders may exercise its preemptive right to consolidate ownership of the outstanding shares as hereinafter increased: *Provided*, That the common shares of the Philippine Amanah Bank which have been issued and outstanding shall form part of the increased capitalization of the Islamic Bank, subject to the concurrence of the existing shareholders of the Philippine Amanah Bank.

The Islamic Bank is authorized to reacquire its common shares that are held privately.

The Islamic Bank may take the necessary steps to have its series "B" shares listed in any duly registered stock exchange.

SEC. 9. *Board of Arbitration.*—The Board of Directors, acting as an arbitrator, shall settle by the majority decision of its members any dispute between and among shareholders of the Islamic Bank, whether individuals or entities, where such dispute arises from their relations as shareholders in the Islamic Bank. The Board shall not be bound in this respect to the procedures of laws on civil and commercial pleadings, except in regard to the basic principles of due process.

If the dispute is between the Islamic Bank and any of the investors or the shareholders, a Board of Arbitration shall settle such dispute. In this case, the Board

of Arbitration, consisting of three (3) members, shall be formed by two (2) parties to the dispute within forty-five (45) days from receipt of written notice by either party to the dispute. The three (3) members shall be selected as follows: one (1) arbitrator from each party who shall then select a casting arbitrator as the third member of the board. The three (3) shall select one of them to preside over the Board of Arbitration. The selection by each party of its arbitrator shall be deemed as an acceptance of the arbitrator's decision and of its finality.

In the event that one of the two parties shall fail to select its arbitrator or in the case of non-agreement on the selection of the casting arbitrator or the presiding member of the Board of Arbitration within the period specified in the preceding paragraph, the matter shall be submitted to the Shari'a Advisory Council to select the arbitrator, the casting arbitrator or the presiding member, as the case may be.

The Board of Arbitration shall meet at the Islamic Bank's principal office and shall set up the procedure of arbitration which it shall follow in hearing and deciding the dispute. The decision shall include the method of its execution and the party that shall incur the costs of arbitration. The final judgment shall be deposited with the office of the Corporate Secretary of the Bank and the Securities and Exchange Commission.

The Board of Arbitration's decision, shall in all cases, be final and executory. It shall be valid for execution in the same manner as final judgments are effected under Republic Act No. 876 otherwise known as the Arbitration Law.

SEC. 10. *Incentives to Islamic Banking.*—Subject to the provisions of Section 74 of the Central Bank Act, the provisions of the Omnibus Investment Code on the basic rights and guarantees of investors are made applicable to the commercial operations of the Islamic Bank in respect to repatriation or remittance of profits from investments, and to protection against nationalization, sequestrations, or expropriation proceedings. Any proceedings of judicial or administrative seizure may not be taken against the said property or investment except upon a final court judgment.

SEC. 11. *Grants and Donations.*—The Islamic Bank shall accept grants, donations, endowments, and subsidies, or funds and/or property offered by individuals and organizations, who may earmark such grants for a specific purpose or for such other purposes beneficial to the Muslim communities, without prejudice to the general objectives of the Islamic Bank.

The financial statement and books of accounts of such funds shall be maintained separately but may be supplemented to the Islamic Bank's balance sheet.

Under special circumstances in which the Board of Directors considers it advisable to promote or facilitate Islamic banking business and commercial operations, the Islamic Bank may seek financing from governments, organizations, individuals or banks always without prejudice to the provisions of Section 43 of this Charter.

## **PLACEMENTS AND INVESTMENTS OF FUNDS**

SEC. 12. *Non-Interest Bearing Placements.*—The Islamic Bank is authorized to accept deposits from governments, banks, organizations or other entities and