

[REPUBLIC ACT NO. 4093, June 19, 1964]

PRIVATE DEVELOPMENT BANKS' ACT

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

SECTION 1. This Act shall be known as "The Private development Banks' Act."

SEC. 2. It shall be the declared policy of Congress to promote and expand the economy of the country pursuant to the socio-economic program of the Government; to expand the industrial and agricultural growth; and to encourage the establishment of more private development banks in order to meet the needs for capital and to meet the demands for adequate investment credit or medium and long term loans for Filipino entrepreneurs. Toward this end, the Government shall encourage and assist in the establishment of a system of private development banks which will promote agriculture and industry and at the same time place within easy reach to the people the medium and long term credit facilities at reasonable cost. The Development Bank of the Philippines, the Philippine National Bank, the Government Service Insurance System, the Social Security System, the National Economic Council, the Department of Agriculture and Natural Resources, the Department of Commerce and Industry, and other appropriate agencies, corporations, or instrumentalities of the Government may, in cooperation with the private development banks, provide adequate assistance in the form of savings deposits, and technical know-how in agriculture and industry.

SEC. 3. A private development bank shall be incorporated under the provisions of the General Banking Act for mortgage banks and shall exercise all the powers and shall assume all the obligations of a mortgage bank as defined in the said Act, except as otherwise provided herein: *Provided*, That no private development bank shall be operated without a certificate of authority from the monetary board of the Central Bank which shall be issued upon compliance with the provisions of this law.

SEC. 4. A private development bank shall be organized in the form of a stock corporation and its paid-up capital shall not be less than four million pesos for class A, two million pesos for class B, and one million pesos for class *Provided*, That at least sixty per cent of the capital stock subscribed by the private sector shall be owned and held by citizens of the Philippines: *Provided, further*, if said subscription of private shareholders to the capital stock of a private development bank cannot be secured or is not available, the Development Bank of the Philippines on representation of the said private shareholders and with the approval of its Board of Governors shall, within thirty days from date of approval by the Board of Governors, and after compliance by the private stockholders with the condition of said approval, subscribe to the capital stock of such development banks, which shall be paid in full at the time of subscription out of the trust fund provided in paragraph 3, Section 3 of Republic Act Numbered Two thousand eighty-one, in an amount

equal to the difference between the required paid-up capital and to the fully paid subscribe capital of the private stockholders but not exceeding the latter: *Provided, furthermore,* That the Board of Governors shall act on the representation made by the private shareholders within thirty days from the date it is filed: *Provided, still further,* That such shares of stock subscribe by the bank shall be preferred shares entitled to cumulate dividends at a rate of one per cent during the first five years, two per cent during the following five years, and three per cent thereafter, shall 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: *Provided, finally,* that such preferred shares of the bank maybe sold at any time at par to private individuals who are citizens of the Philippines and in the sale thereof the qualified registered stockholders shall have the right to redemption within one year from the date of offer in proportion to their respective holdings, but in the absence of such buyers, preference shall be given to residents of the province or the city where the development bank is located. All members of the board of directors of the private development bank shall be citizens of the Philippines.

SEC. 5. Seventy-five *per centum* of the lonable funds of the private development bank shall be invested in medium and long term loans for economic development purposes and in no case shall the bank invest more than twenty-five *per centum* of the lonable funds in short term loans for miscellaneous purposes.

SEC. 6. For the purpose of attaining the objectives of this Act and the policy of Congress as provided for in Section 2 of this Act, the sum of ten million pesos may be appropriated yearly in case of need from the net profit of the Central Bank paid into the general fund of the government under Section Forty-one Paragraph (d) of the Central Bank Act, which sum shall constitute a revolving fund to be made available to the Development Bank of the Philippines which shall be used, together with the funds already provided under paragraph 2 of Section 3 of Republic Act 2081, for the following purposes:

- a. To pay for its subscription to preferred shares of stock in said private development banks in the manner and subject to the terms and condition prescribed in Section four hereof;
- b. To rediscount promissory notes and other credit instruments held by the private development bank under the following conditions and limitations:
 1. It shall charge such rediscount or interest rates as it may determine taking into account that main objective of the private development bank is to engage in medium and long terms loan for economic development. The determination of such rediscount or interest rates acceptable to the bank for the purpose of this provision shall be made by the said bank upon or immediately after the commencement of operations of a private development bank; and
 2. Funds so acquired shall be used only to finance the establishment and operation of projects within the development program of the National Economic Council or a long such projects and activities as the National Economic Council may, from time to time, approve.

SEC. 7. Any private development bank may, with the approval of the Monetary Board:

- a. Accept savings and time deposits;