

[REPUBLIC ACT NO. 2081, June 14, 1958]

AN ACT TO AMEND REPUBLIC ACT NUMBERED EIGHTY-FIVE AND OTHER PERTINENT LAWS, TO PROVIDE FACILITIES FOR INTERMEDIATE AND LONG-TERM CREDIT BY CONVERTING THE REHABILITATION FINANCE CORPORATION INTO THE DEVELOPMENT BANK OF THE PHILIPPINES, AUTHORIZING THE SAID BANK TO AID IN THE ESTABLISHMENT OF PROVINCIAL AND CITY PRIVATE DEVELOPMENT BANKS, AND FOR OTHER PURPOSES.

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

SECTION 1. Sections one, two and three of Republic Act Numbered Eighty-five are amended to read as follows:

"SECTION 1. *Purposes, Name and Domicile.*—To provide credit facilities for the .rehabilitation and development and expansion of agriculture and industry, the reconstruction of property damaged by war and the broadening and diversification of the national economy, and to promote the establishment of private development banks in provinces and cities, there is hereby created a body corporate to be known as the development bank of the Philippines, hereinafter called the 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. *Corporate powers.*—The Development Bank of the Philippines shall have the power:

"(a) To grant loans for home building or home financing projects and for the rehabilitation, the establishment or development of any agricultural and/or industrial enterprise, including public utilities, mining, livestock industry and fishing, whether offshore or inland;

"(b) To purchase preferred redeemable shares of stock, securities other than shares of stock, and obligations of, and to grant loans to, any agricultural and industrial enterprises mentioned in paragraph (a), to finance their fixed and operating capital requirements. All purchases of preferred redeemable shares, securities and obligations and all loans shall be of such sound value or so secured, as reasonably to assure retirement of such shares, securities or obligations or repayment of the loan; and shall be granted only under such terms, conditions and restrictions as the said board shall determine: *Provided*, That no loan shall have a maturity period longer than ten years except that any loan granted for the purpose of constructing industrial facilities may have a maturity of ten years plus such additional period as may be necessary

not only to complete such construction, but also to repay the loans in accordance with the released regulations to be determined by the board;
"(c) To grant loans to provincial, city and municipal governments for the rehabilitation, construction or reconstruction of public markets, waterworks, toll bridges, slaughterhouses, for cadastral surveys and other self-liquidating or income-producing services, including the purchase and acquisition of municipal electric power plants and to agencies and corporations owned or controlled by the Government of the Republic of the Philippines for the production and distribution of electrical power, for the purchase and subdivision of rural and urban estates, for housing projects, for irrigation and waterworks systems, and for other essential industrial and agricultural enterprises;

"(d) To grant loans to cooperative associations to facilitate production, the marketing of crops, and the acquisition of essential commodities;

"(e) To grant loans to employees in a Government-owned or controlled corporation or private corporation engaged in the development and/or expansion of agriculture or industry, for the purpose of buying shares of stock in such corporations: *Provided*, That the yearly amortization of such loans shall not exceed ten per cent of the total annual salaries and wages of the employees: *Provided, further*, That such loans shall be payable in full within a period of not exceeding ten years;

"(f) To underwrite, purchase, own, sell, mortgage or otherwise dispose of stocks, bonds, debentures, securities and other evidences of indebtedness issued for or in connection with any project or enterprise referred to in the preceding paragraphs;

"(g) To issue bonds, debentures, securities, collaterals, and other obligations upon recommendation of the Secretary of Finance and with the approval of the President, but in no case to exceed at any one time an aggregate amount equivalent to one hundred *per centum* of its subscribed capital and surplus. These bonds and other obligations shall be redeemable at the option of the Bank at or before maturity and in such manner as may be stipulated therein and shall bear such rate of interest as may be fixed by the Bank. Such obligations shall be secured by the assets of the bank including the stocks, bonds, debentures and other securities underwritten, purchased or held by it under the provisions of this Act. The bank shall provide for appropriate reserves for the redemption or retirement of said obligations. Such obligations may be issued and offered for sale at such price or prices as the Bank may determine, and shall be exempt from taxation both as to principal and interest. The said obligations shall be and are hereby fully and unconditionally guaranteed both as to principal and interest by the Government of the Republic of the Philippines and such guaranty shall be expressed on the face thereof.

"In the event that the Bank shall be unable to pay debentures, bonds, collaterals, notes or other such obligations issued by it, the Secretary of Finance shall pay the amount thereof, which is hereby appropriated out of any moneys in the National Treasury not otherwise appropriated, and thereupon, to the extent of the amounts so paid, the Government of the Republic of the Philippines shall succeed to all the rights of the holders of such bonds, notes, debentures, collaterals, or other obligations.

"Subject to the above provisions, the Bank is also authorized to issue 'Rehabilitation and development bonds' in denominations of not less than fifty pesos nor more than one thousand pesos redeemable by the Bank on demand at the option of the holder of said bonds, which may be of the following types: (1) rehabilitation and development bonds at progressive staggered interest with cumulative face value; and (2) rehabilitation and development bonds bearing interests as may be determined by the Board of Governors with the advice and consent of the Secretary of Finance and upon approval by the Monetary Board, said interest to become due and payable semi-annually and payment thereof to be annotated on the back of each bond certificate. Maturity of both types of bonds shall be fixed by the Board of Governors but in no case to exceed ten years.

"The Board of Governors shall have the power to prescribe rules and regulations for the registration of the bonds issued by the bank at the request of the holders of such bonds.

"(h) To adopt, alter, and use a corporate seal which shall be judicially noticed; to make contracts; to borrow money; to issue or own real and personal property; and sell, mortgage or otherwise dispose of the same; to sue and be sued; to employ such officers and personnel may be necessary to carry out the business of the Bank; and otherwise to do and perform any and all things that may be necessary or proper to carry out the purposes of the Bank.

"(i) To subscribe out of its funds to the capital stock of private provincial and city development banks created pursuant to the provisions of this Act: Provided, That the aggregate of such subscription shall not exceed twenty-five million pesos.

"(j) To rediscount intermediate and long term notes, loans and/or mortgages of the Philippine National Bank.

"SEC. 3. *Capital Stock.*—The capital stock of the Bank shall be five hundred million pesos divided into five hundred thousand shares having a par value of one thousand pesos each. The said capital stock shall be fully subscribed by the Government of the Republic of the Philippines.

"The provisions of section three of Republic Act Numbered Seventeen hundred eighty-nine to the contrary notwithstanding, an amount equivalent to fifty per cent of the proceeds from, the sale of reparations goods and services for fifteen years following the approval of this Act, is hereby appropriated to cover the payment of the unpaid subscription of the government to the capita] stock of the Bank: *Provided*, That seventy-five million pesos of such amount shall be set aside as a trust fund for the purpose of aiding the establishment of private provincial and city development banks as provided in this Act.

SEC. 2. The same Act is amended by adding after section three thereof the following new sections:

"SEC. 4. *Loans.*—The Bank may grant loans against security of real estate and/or other acceptable assets including, subject to the provision of existing laws, leasehold rights and permits from the government: