

[**REPUBLIC ACT NO. 85, October 29, 1946**]

AN ACT CREATING THE REHABILITATION FINANCE CORPORATION

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

Chapter I.—Establishment and functions

SECTION 1. *Purposes, name and domicile.*—To provide credit facilities for the rehabilitation and development of agriculture, commerce and industry, the reconstruction of property damaged by war, and the broadening and diversification of the national economy, there is hereby created a body corporate to be known as the Rehabilitation Finance Corporation, 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 Rehabilitation Finance Corporation shall have power:

- (a) To grant loans for home building and for the rehabilitation, establishment or development of any agricultural, commercial or industrial enterprise, including public utilities;
- (b) To grant loans to provincial, city and municipal governments for the rehabilitation, construction or reconstruction of public markets, waterworks, toll bridges, slaughterhouses, and other self-liquidating or income-producing services;
- (c) To grant loans to agencies and corporations owned 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 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;
- (f) To issue bonds, debentures, securities, collaterals, and other obligations 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 Corporation 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 Corporation. Such obligations shall be secured by the assets of the Corporation, including the stocks, bonds, debentures and other securities underwritten, purchased or held by it under the provisions of this Act. The Corporation 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 Corporation 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 Corporation 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 Corporation is also authorized to issue "Rehabilitation bonds" in denominations of not less than fifty pesos nor more than one thousand pesos redeemable by the Corporation on demand at the option of the holder of said bonds, which may be of the following types: (1) rehabilitation bonds at progressive staggered interest with cumulative face value; and (2) rehabilitation bonds bearing interest as follows: one per cent a year during the first year; two per cent a year during the second year; and three per cent a year during the third and succeeding years, 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 Corporation at the request of the holders of such bonds.

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

SEC. 3. *Capital stock*.—The capital stock of the Corporation shall be three hundred million pesos divided into three 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, and payment thereof shall be made by authority of the President from appropriations provided by law.

Chapter II.—Officers and employees

SEC. 4. *Board of Governors.*—The affairs and business of the Corporation shall be directed, its powers exercised, and its property managed and preserved by a Board of Governors consisting of the Chairman and six other members to be appointed by the President of the Philippines with the consent of the Commission on Appointments. The Chairman and three other members of the Board to be designated by the President shall render full time service to the Corporation. The term of office of the Chairman and other members of the Board shall be seven years, except that of the first members which shall be one, two, three, four, five, six, and seven years and which shall be specified in their respective appointments. The compensation of the Chairman and other members of the Board of Governors shall be fixed by the President of the Philippines, who may remove any of them for cause.

SEC. 5. *Duties and powers of the Board.*—The Board of Governors shall have the following powers:

- (a) To prescribe, amend and repeal, with the approval of the President of the Philippines, by-laws, rules and regulations governing the manner in which the general business of the Corporation may be conducted and the powers granted by law to the Corporation may be exercised, including a provision for the formation of such committee or committees as the Board of Governors may deem necessary to facilitate its business;
- (b) To fix the rates of interest on loans in accordance with the different classes of transactions and securities provided in this Act;
- (c) To establish such branches and agencies as may be deemed necessary and convenient;
- (d) To provide for the appointment and removal and to fix reasonable compensation of such personnel as may be necessary for the expeditious conduct of the business of the Corporation.

SEC. 6. *The Chairman.*—The Chairman of the Board shall be the chief executive officer of the Corporation. He shall, on behalf of the Board, have the direction and control of the business of the Corporation in all matters which are not by this Act or by the by-laws of the Corporation specifically reserved to be done by the Board of Governors or other officers of the Corporation.

SEC. 7. *Legal Counsel.*—The Secretary of Justice shall be ex-officio the legal adviser of the Corporation. He shall appoint a representative, who shall be the legal counsel of the Corporation. The assistants and personnel of the legal counsel shall also be appointed by the Secretary of Justice. The operating expenses of the office of the legal counsel and the salaries and traveling expenses of the officers and employees thereof shall be fixed by the Board of Governors and paid by the Corporation.

SEC. 8. *The Auditor.*—The Auditor General shall be ex-officio auditor of the Corporation and shall appoint a representative, who shall be the auditor in charge of the auditing office of the Corporation. The Auditor General shall upon the recommendation of the auditor of the Corporation, appoint or remove the personnel of the auditing office. The operating expenses of the auditing office and the salaries and traveling expenses of the officers and employees thereof shall be fixed by the Board of Governors and paid by the Corporation. The representative of the Auditor General shall make a quarterly report on the condition of the Corporation to the President of the Philippines, to the Senate through its President and the House of