

[EXECUTIVE ORDER NO. 81, December 03, 1986]

**PROVIDING FOR THE 1986 REVISED CHARTER OF THE
DEVELOPMENT BANK OF THE PHILIPPINES**

WHEREAS, it is the policy of the State that the national interest in both the maintenance of economic stability and the promotion of economic development is best served by a system of financial intermediation that places primary reliance on the private sector, on the maintenance of conditions of competition, and on the market mechanism for its effective operations;

WHEREAS, within the context of the general policy there nevertheless exists a clear role for direct government participation in the banking system through a government development bank, particularly in servicing the medium and long term requirements of agriculture, and small and medium scale industry, export development, and the government sector;

WHEREAS, the Development Bank of the Philippines is the government financing institution charged with providing principally medium and long term credit facilities for agriculture, industry, export development, and the government sector;

WHEREAS, in pursuit of this national policy there is need to restructure the government financial institutions, particularly the Development Bank of the Philippines, to achieve a more efficient and effective use of available resources, to improve their viability, and avoid unfair competition with the private sector; and

NOW, THEREFORE, I, CORAZON C. AQUINO, President of the Philippines, do hereby order:

SECTION 1. This Executive Order shall be known as "THE 1986 REVISED CHARTER OF THE DEVELOPMENT BANK OF THE PHILIPPINES".

SEC. 2. **Name, Purpose and Domicile.** - The Development Bank of the Philippines, hereinafter called the Bank, operating under the provisions of Republic Act No. 85, as amended, shall henceforth operate under the provisions of this 1986 Revised Charter. The Bank shall be a body corporate and shall exist for a period of fifty years.

The primary purposes of the Bank shall be to provide banking services principally to service the medium and long term needs of agricultural and industrial enterprises, particularly in the countryside and preferably for small and medium scale enterprises; **Provided, however**, that the pursuit of these objectives shall be undertaken within the context of a financially viable and stable banking institution; **Provided, further**, that the Bank shall continue to be classified as a development bank, and **Provided, finally**, that unless otherwise provided herein, the Bank may perform all other functions of a thrift bank.

The Bank's principal office and place of business shall be in the National Capital Region, also known as Metro Manila. It may open and maintain branches, agencies or other offices at such places in the Philippines as its Board of Directors may deem advisable, with the prior approval of the Monetary Board of the Central Bank of the Philippines.

SEC. 3. Corporate Powers. The Development Bank of the Philippines shall have the power:

(a) To accept such deposits as are allowed thrift banks under existing law and Central Bank regulations, including, but not limited to demand, savings, and time deposits;

(b) To grant loans for the establishment, development or extension of any agricultural or industrial enterprise;

(c) To accept and manage trust funds and properties and carry on the business of a trust corporation;

(d) To act as official government depository with authority to maintain deposits of the government, its subdivisions, branches, and instrumentalities, and of government-owned or controlled corporations, subject to such rules and regulations as the Monetary Board may prescribe;

(e) To acquire, assign, or otherwise dispose of marketable securities and other debt instruments which are essential to the effective conduct of its general banking activities;

(f) To enter into such contracts of guaranty or suretyship as are generally allowed domestic banking institutions under the General Banking Act; and

(g) To adopt, amend, or change its By-laws; to adopt, alter and use a seal; to make contracts; to sue and be sued; and to exercise the general powers of a corporation mentioned in the Corporation Code of the Philippines, and of a thrift bank under the General Banking Act, insofar as such powers are not inconsistent or incompatible with the provisions of this Charter.

Unless otherwise provided in this Charter, the exercise of the abovementioned powers on banking shall be subject to applicable law, as well as regulations promulgated by the Central Bank of the Philippines.

SEC. 4. Loans and Other Investments. - Loans and other investments of the Bank shall be subject to the same limits and ceilings applicable to thrift banks under existing provisions of law and regulations promulgated by the Monetary Board, including but not limited to prescribed limits and ceilings; Provided, that loans and equity investments existing as of the date of the effectivity of this Charter and which loans and investments would exceed the prescribed limits as a result of the implementation of its rehabilitation program, as well as those investments authorized under Section 6 hereof, which are in excess of the prescribed limits shall be reduced within five years in accordance with such program of reduction as may be approved by the Monetary Board. The period of reduction may be extended up to

another five years by the President of the Philippines upon recommendation by the Monetary Board.

SEC. 5. Issuance of Bonds. - The Bank may issue all kinds of bonds, debentures, and securities, and/or the renewal or refunding thereof (hereinafter called "Bonds"), within and/or outside the Philippines, at such terms, rates, and conditions as the Board of Directors of the Bank may determine, subject to compliance with the provisions of applicable law, and rules and regulations promulgated by the Monetary Board.

The Bank shall provide for appropriate reserves for the redemption or retirement of the bonds. 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 purchased or held by it under the provisions of this Charter. These bonds and debentures may be long-term, medium-term, or short-term, with fixed interest rate of floating interest rate.

SEC. 6. Private Development Banks, Other Thrift Banks and Rural Banks. - The Bank may assist private development banks and other privately owned banks in the thrift bank category, as well as rural banks, through general credit accommodations including but not limited to conduit lending and rediscounting operations, and extension of technical and managerial assistance: Provided, That the Bank may likewise make equity investments in private development banks and other privately owned banks in the thrift bank category, as well as rural banks, if such investment is in connection with the privatization of certain branches of the Bank; Provided, further, That the extent of such equity investments may, with the prior approval of the Monetary Board, exceed the ceilings prescribed in Section 4 hereof; and, Provided, finally, That after five years from effectivity of this Charter, any equity investment shall not exceed thirty (30%) per cent of the equity in any such bank nor shall its total equity investments exceed the prescribed aggregate ceiling on such investments.

SEC. 7. Authorized Capital Stock. - Par Value. - The capital stock of the Bank shall be Five Billion Pesos to be divided into Fifty Million common shares with par value of P100 per share. These shares are available for subscription by the National Government. Upon the effectivity of this Charter, the National Government shall subscribe to Twenty-Five Million common shares of stock worth Two Billion Five Hundred Million which shall be deemed paid for by the Government with the net asset values of the Bank remaining after the transfer of assets and liabilities as provided in Section 30 hereof.

SEC. 8. Board of Directors - Composition - Tenure - Per Diems. - The affairs and business of the Bank shall be directed and its properties managed and preserved and its corporate powers exercised, unless otherwise provided in this Charter, by a Board of Directors consisting of nine members, to be appointed by the President of the Philippines. The term of office of the Chairman, Vice-Chairman, and the members of the Board of Directors shall be for a period of one year or until such time as their successors are appointed.

The Chairman and the Vice Chairman of the Board shall be appointed by the President of the Philippines. The Vice Chairman of the Board 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.

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.

At least four of the members of the Board shall come from the private sector.

Except for the Chairman and the Vice Chairman of the Board, no officer or employee of the Bank may be appointed as a member of the Board of Directors of the Bank; nor shall any director, officer, or employee of any other bank be eligible as a member of the Board of Directors of the Bank.

Unless otherwise set by the Board and approved by the President of the Philippines, members of the Board shall be paid a per diem of one thousand pesos for each meeting of the Board of Directors actually attended: Provided, that the total amount of per diems for every single month shall not exceed the sum of Five Thousand Pesos.

SEC. 9. Powers and Duties of the Board of Directors. - The Board of Directors shall have, among others, the following duties, powers and authority:

(a) To formulate policies necessary to carry out effectively the provisions of this Charter and to prescribe, amend, and repeal by-laws, rules and regulations for the effective operation of the Bank, and the manner in which the general business of the Bank may be conducted and the powers granted by law to the Bank exercised;

(b) To approve loans, to fix rates of interest on loans and to prescribe such terms and conditions for loans and credits as may be deemed necessary, consistent with the provisions of this Charter; Provided, that the Board may delegate the authority to approve loans to such officer or officers as may be deemed necessary;

(c) To adopt an annual budget for the effective operation and administration of the Bank;

(d) To create and establish a "Provident Fund" which shall consist of contributions, made both by the Bank and its officers or employees, to a common fund for the payment of benefits to such officers or employees, or their heirs, under such terms and conditions as the Board of Directors may fix;

(e) To compromise or release, in whole or in part, any claim of or settled liability to the Bank regardless of the amount involved, under such terms and conditions it may impose to protect the interests of the Bank. This authority to compromise shall extend to claims against the Bank; and

(f) To appoint, promote or remove officers from the rank of Vice President or its

equivalent, and other more senior officer positions, excluding the Chairman and the Vice Chairman.

Charter or by the By-Laws of the Bank specifically reserved to be done by the Board or other officers of the Bank. For this purpose, he shall, among other powers and duties, execute, carry out, and administer the policies, measures, orders, and resolutions approved by the Board; direct and supervise the operation and administration of the Bank; and exercise such other powers and perform such other functions or duties as may be directed or assigned to him by law or by the Board from time to time.

Particularly, he shall have the power and duty:

(a) To sign and execute all contracts concluded by the Bank and enter into all necessary obligations required or permitted by this Charter, upon proper authorization by the Board; and sign all notes, securities, certificates, and other major documents of the Bank;

(b) To exercise, as Chief Executive Officer of the Bank, the powers of control and supervision over decisions and actions of subordinate officers and all other powers that may be granted by the Board;

(c) To report to the Board the main facts concerning the operations of the Bank and to recommend changes in policies which he may deem advisable;

(d) To submit an annual report to the President of the Philippines on the result of the operations of the Bank;

(e) To recommend to the Board the appointment, promotion, or removal of all officers of the Bank, with the rank of at least vice president or its equivalent;

(f) To appoint, promote or remove employees and officers below the rank of vice president or its equivalent; Provided, that promotions, transfers, assignments or reassignments of officers and personnel of the Bank are personnel actions deemed made in the interest of the service and not disciplinary, any provisions of the Civil Service law to the contrary notwithstanding; and

(g) As required by circumstances, to delegate any of his powers, duties or functions to any officer or director of the Bank, with the approval of the Board.

SEC. 11. Vice Chairman and Chief Operating Officer. - The Vice Chairman shall be the Chief Operating Officer of the Bank and shall assume and exercise such specific duties and responsibilities as may be delegated to him by the Chairman.

SEC. 12. Legal Matters and Cases. The Bank shall have its own Legal Department, the head of which shall be appointed by the Board of Directors of the Bank upon recommendation of the Chairman.

In appropriate cases, the Bank may avail also of the legal services of any government legal office authorized to render such services to government-owned or controlled corporations.