

[**Act No. 2938, January 30, 1921**]

AN ACT TO AMEND ACT NUMBERED TWENTY-SIX HUNDRED AND TWELVE, ENTITLED "AN ACT CREATING THE PHILIPPINE NATIONAL BANK," AS AMENDED BY ACT NUMBERED TWENTY-SEVEN HUNDRED AND FORTY-SEVEN.

Be it enacted by the Senate and House of Representatives of the Philippines in Legislature assembled and by the authority of the same:

SECTION 1. Act Numbered Twenty-six hundred and twelve, entitled "An Act creating the Philippine National Bank," as amended by Act Numbered Twenty-seven hundred and forty-seven, is hereby amended in certain particulars, so that hereafter the said Act shall read as follows:

"SECTION 1. There is hereby created a bank to be known as the Philippine National Bank, the short title of which shall be the National Bank. Its principal domicile and place of business shall be in the city of Manila.

"SEC. 2. The said National Bank, upon its organization, Powers, shall be a body corporate and shall have power:

"(a) To prescribe its by-laws;

"(b) To adopt and use a seal;

"(c) To make contracts;

"(d) To sue and be sued;

"(e) To exercise the powers granted in this Act and such incidental powers as may be necessary to carry out the business of banking within the limitations prescribed by this Act; and

"(f) To exercise, further, the general powers mentioned in the Corporation Law in so far as they are not inconsistent or incompatible with the provisions of this Act.

"SEC. 3. The National Bank is hereby authorized to increase its capital from twenty million pesos, Philippine currency, to fifty million pesos, Philippine currency, and may for this purpose make a new issue of three hundred thousand shares of stock, which shall be denominated the second issue, at the par value of one hundred pesos, Philippine currency, each. The net gains accumulated as reserve and undivided profits until the date of the approval of this Act may, upon the certificate of the Secretary of Finance, be distributed and paid in stock, in which case, if said reserve and undivided profits of the Bank are not sufficient to cover the total value of a number of shares equal to that of the shares at present issued, the holder of each share shall be entitled to another, provided he pay in cash the sum necessary to complete the value of the

latter, in four equal annual installments or in cash, at the option of the holder of the share.

"The remaining shares of the first issue and those of the second issue subscribed from the approval of this Act until June thirtieth, nineteen hundred and twenty-one, shall be paid as follows:

"Sixty per cent of the value at the time of the subscription;

"Ten per cent on or before January thirty-first, nineteen hundred and twenty-two;

"Ten per cent on or before January thirty-first, nineteen hundred and twenty-three;

"Ten per cent on or before January thirty-first, nineteen hundred and twenty-four; and the remaining

"Ten per cent on or before January thirty-first, nineteen hundred and twenty-five.

"Shares subscribed after June thirtieth, nineteen hundred and twenty-five, shall be paid in the form and manner prescribed by the board of directors of the Bank.

"SEC. 4. The Government of the Philippine Islands, not later than June thirtieth, nineteen hundred and twenty-one, shall purchase all remaining shares of the first issue and part of those of the second issue to the aggregate number of not less than one hundred and fifty-three thousand, at par, the payment for said shares of the Government to be made as hereinafter provided. The remaining shares may be offered to the provincial and municipal governments or to the public at a price not below par which the board of directors of the Bank shall from time to time determine: *Provided*, That the Government of the Philippine Islands, upon agreement with the board of directors of the Bank, may at any time after June thirtieth, nineteen hundred and twenty-one, purchase all or part of the stock on hand at a price not below par.

"The voting power of all the stock of the National Bank owned and controlled by the Government of the Philippine Islands shall be vested exclusively in a board, the short title of which shall be "Board of Control," composed of the Governor-General, the President of the Senate, and the Speaker of the House of Representatives.

"SEC. 5. There are hereby appropriated, out of any funds in the Insular Treasury not otherwise appropriated, such sums as may be necessary for the payment of the shares to be purchased by the Government of the Philippine Islands: *Provided*, That the capital and surplus of the Agricultural Bank of the Philippine Islands shall be applied primarily to said payment: *And provided, further*, That no sum shall be set up on the books of the Auditor until it shall be necessary to make the payment or payments authorized by this Act.

"SEC. 6. All the assets and liabilities of the Government Agricultural Bank of the Philippine Islands, created under Act Numbered Eighteen hundred and sixty-five, as amended, shall be transferred to the National Bank: *Provided*, That the transfer of the assets of the Agricultural Bank represented by the capital and the net profits thereof shall be made as part payment of the one hundred and one thousand shares subscribed by the Government of the Philippine Islands. This transfer shall be understood as taking place upon the inauguration of the National Bank in conformity with the provisions of section nine of this Act, after which the National Bank shall be subrogated to all the rights, actions, and obligations of the Agricultural Bank, and the Agricultural Bank shall thereafter be deemed abolished.

"SEC. 7. Any loan or credit account transferred to the National Bank by the Agricultural Bank which, in the judgment of the board of directors of the National Bank, is found upon demand after its maturity to be uncollectible, shall be both as to principal and as to interest due thereon redeemed by the Government and become the property thereof, unless the National Bank shall determine to foreclose the mortgage issued to the Agricultural Bank, which it is hereby given authority to do, for the collection of such account, and in case the National Bank does not determine to foreclose such mortgage, the Insular Treasurer, may foreclose the same, and if in the foreclosure proceedings the mortgaged property is adjudicated to the said Insular Treasurer, he shall sell the same within a period of five years, subject to the approval of the Governor-General: *Provided*, That by agreement between the Insular Treasurer and the National Bank, the said National Bank may renew any such credits for a period not exceeding five years without losing the benefit of the above guaranty or mortgage. There are hereby appropriated, out of any funds in the Insular Treasury not otherwise appropriated, such sums as may be necessary from time to time to make such payments.

"SEC. 8. At no time shall shares be sold to the public if, as a result thereof, the part of the capital stock held by private investors will equal or exceed the part owned by the Government of the Philippine Islands.

"SEC. 9. Said National Bank is hereby authorized to loan, for agricultural purposes, not to exceed sixty per cent of its capital and surplus and all amounts realized from the sale of real estate bonds, as provided in sections eleven and twelve herein, on notes secured by real estate mortgages. Payment of such notes shall be secured by first mortgages on real estate in the Philippine Islands, and in no case shall such loans exceed sixty per cent of the actual value of said real estate, including the value of the permanent improvements thereon, such as buildings and machinery if the same form an integral part of the agricultural development: *Provided, however*, That whenever the Bank may deem it advisable, the mortgages shall contain a clause obliging the mortgagor to insure to their full value in the name of the National Bank such buildings and improvements. The due date of date of said mortgages shall not be less than one year from the date thereof, nor more than ten years. The

said mortgages may, by their terms, be made payable at one time or in installments: *Provided*, That when the due date of the mortgage is five years or more after the date of its execution, the principal and interest of the loan shall be made payable by its terms in equal installments of not more than one year each. Loans made by the National Bank on real estate security shall be made for the purpose of promoting agriculture. Applications for such loans shall be in writing and under oath, and shall contain, among other things:

"(a) A detailed description of the real estate;

"(b) An appraisal thereof at its reasonable market value;

"(c) A full statement of the purposes for which the loan is desired.

"It shall be unlawful to use the proceeds of said loan, or any part thereof, for any purpose or purposes except the purpose or purposes set out in said application. Any violation of this clause shall be sufficient cause for the rescission of the contract and the foreclosure of the mortgage.

"SEC. 10. Said National Bank is hereby authorized:

"(a) To purchase or discount promissory notes, drafts and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, with the securities required by the Bank, or the proceeds of which have been used or are to be used for such purposes.

"(b) To make loans on, or to discount notes secured by, harvested and stored crops: *Provided*, That no loan on the security of such harvested and stored crops shall exceed seventy per centum of the market value thereof on the date of the loan: *Provided, further*, That the crops so mortgaged shall be insured by the mortgagor for the benefit of the National Bank for their entire market value: *And provided, finally*, That if, owing to any circumstance whatever, the value of the crops given as security shall diminish, the mortgagor shall obligate himself to furnish additional security or refund such part of the loan as the Bank may deem necessary. Such loans shall be granted for a period of three months, subject to three months' extension, in the discretion of the Bank.

"(c) To make loans to agriculturists in installments, on standing crops of the natural products of the Philippine Islands, such as rice, hemp, copra, sugar, tobacco, corn, maguey, etc., not in excess of three-fifths of the estimated value of such crops: *Provided, however*, That before granting such loans, the National Bank may require additional security in the nature of mortgages on real estate duly registered in the name of the debtor or chattel mortgages, including those upon live stock, machinery, and agricultural implements, or personal bonds with sufficient surety or sureties, satisfactory to the Bank.

"(d) To make loans to the several provincial and municipal governments and to any other branch or subdivision of the Government of the Philippine Islands on promissory notes guaranteed by the Central

Government, as shown by the endorsement thereon of the Secretary of Finance, approved by the Governor-General of the Philippine Islands, or to purchase bonds lawfully issued by such provincial and municipal governments and any other branch or subdivision of the Government of the Philippine Islands.

"(e) Generally, to make advances or discount paper for agricultural, manufacturing, industrial, or commercial purposes: *Provided*, That loans, discounts, or advances made under this section shall have maturities not exceeding one year, renewable from year to year, in the discretion of the Bank.

"The total liabilities to the Bank of any person, or of any company, corporation, or firm for money borrowed, including in the liabilities of the company or firm, the liabilities of the several members thereof, shall at no time exceed ten per centum of the capital stock of such Bank actually paid in and unimpaired, and ten per centum of its unimpaired surplus fund: *Provided, however*, That the total of such liabilities shall in no event exceed thirty per centum of the capital stock of the Bank; but the discount of bills of exchange drawn in good faith against actually existing values and the discount of commercial or business paper actually owned by the person negotiating the same shall not be considered as money borrowed.

"The term loan whenever used in this Act shall include overdrafts, and the limitations contained in this section shall apply to any loan of any kind wherever secured wholly or partly by real estate mortgage.

"(f) To invest a sum not exceeding ten per cent of its paid-up capital in the purchase of shares of stock of any banking corporation constituted under the laws of any State of the United States and to hold the same: *Provided, however*, That, subject to resolution of the board of directors and the approval of the Board of Control, it may incorporate any of its foreign agencies now or hereafter established, under the laws of the country or estate where the same may be located, and may retain the stock of such corporation as an investment.

"SEC. 11. The National Bank is hereby authorized to issue real estate bonds in any sum not to exceed ninety per cent of the amount of real estate loans held by said Bank, under section nine herein. Said bonds shall be engraved. Said bonds shall be signed by the president of the Bank, authenticated by the Insular Auditor and shall bind the Bank to pay the bearer thereof on the date therein named the principal sum mentioned in said bond with interest payable semiannually at such rate as the board of directors may fix. Said bond shall be payable, both principal and interest, in gold coin of the United States: *Provided, however*, That bonds held by persons or corporations resident in the Philippine Islands shall be payable in lawful money of the Philippine Islands, or in gold coin of the United States at the option of the said Bank. The amount of said real estate bonds outstanding as herein provided, falling due on any given date or prior to such given date, shall never at any time exceed the real estate notes as described in section