

[ Act no. 2747, February 20, 1918 ]

**AN ACT TO AMEND IN CERTAIN PARTICULARS ACT NUMBERED TWENTY-SIX HUNDRED AND TWELVE, ENTITLED "AN ACT CREATING THE PHILIPPINE NATIONAL BANK."**

*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. In order to explain certain provisions, increase the stability of the institution, and extend its powers, Act Numbered Twenty-six hundred and twelve, entitled "An Act creating the Philippine National Bank," 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, 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 capital of the National Bank shall be twenty million pesos,' Philippine currency, divided into two hundred thousand shares of the value at par, of one hundred pesos, Philippine currency, each.

"Shares of stock subscribed from the passage of this Act until January thirty-first, nineteen hundred and seventeen, 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 eighteen;

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

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

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

"Shares subscribed after January thirty-first, nineteen hundred and seventeen 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 January thirty-first, nineteen hundred and seventeen, shall purchase one hundred and one thousand shares, at par, of the said National Bank, the payment for said shares of the Government to be made as hereinafter provided. Ninety-nine thousand shares of said capital stock 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.

"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 committee consisting 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: 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. 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 ri6r 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. The National Bank shall be inaugurated within one hundred and eighty days from and after the passage of this Act, and the Governor-General shall fix such inauguration by proclamation upon the certificate of the Insular Auditor and the president of the bank that said institution is ready to begin operations.

"SEC. 10. Said National Bank is hereby authorized to loan not to exceed fifty per cent of its capital and surplus and all amounts realized from the sale of real estate bonds, as provided in sections twelve and thirteen herein, on notes secured by real estate mortgages. Payment of such notes shall be secured by first mortgages on farm lands in the Philippine Islands, and in no case shall such loans exceed sixty per cent of the actual value of said land, 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 said mortgages shall not be less than one year from the date thereof, nor more than thirty 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. 11. 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, 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.

"SEC. 12. 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 ten 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 bonds 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 ten herein held by the said bank, which fall due on the said given date or prior thereto.

"Said real estate bonds shall be receivable by the Insurance

Commissioner under section one hundred and seventy-eight of Act Numbered Twenty-four hundred and twenty-seven. Said bonds shall also be receivable by way of security in all customs and internal revenue transactions where security is required, and in any and all cases where by statute security may be required in dealings with the Government. Said: bonds shall be exempt from any and all taxes levied or assessed by the Government of the Philippine Islands, or any department, division, or subdivision thereof.

"Said real estate securities against which bonds are issued as provided herein shall be deposited with the Treasurer of the Philippine Islands, and each of said bonds when issued shall bear on its face a certificate of the Insular Treasurer in words and figures as follows:

"I hereby certify that there are on deposit in the Treasury of the Philippine Islands first mortgage real estate farm securities in the sum of one hundred eleven and one-ninth per cent (111 1/9%) covering farm land of an appraised value of one hundred eighty-five and five twenty-sevenths per cent (185 5/27%) of the face value of this bond; which said real estate farm securities or other first mortgage real estate farm securities of equal value or the proceeds thereof are to be held by me as security, additional to the promise of the Philippine National Bank for the prompt payment of this bond, principal and interest.

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*"Treasurer of the Philippine Islands."*

"Changes in this Act or in the laws of the Philippine Islands which may hereafter be made shall not in any manner affect the real estate bonds issued hereunder which may be outstanding at the time of such change or changes, nor shall any such change or changes affect the rights of any holder or holders thereof.

"The principal and interest of said real estate bonds shall be payable in Manila or New York, at the option of the holder thereof except as hereinafter provided.

"SEC. 13. Said bonds shall be issued in such amounts and form, at such times, and for such periods as may be expressly provided by resolution of the board of directors of the Philippine National Bank. Said bonds shall be redeemable at par on or before the date of their maturity and shall contain a provision to the effect that they are subject to redemption by lot at such date as the bank may designate: *Provided, however*. That such of the bonds so chosen by lot for redemption as have not been outstanding for at least three-fourths of the period for which issued shall be retired with a premium of five per centum of the par value thereof. The bonds so chosen for redemption shall cease to bear interest beginning with the date set for their withdrawal, and the aforesaid selection by lot shall take place at least one hundred days before the date of the withdrawal: And provided, That the serial numbers of the bonds so selected shall be published for a period of not less than three months in two daily newspapers of general circulation in the Philippine