

## [ Act No. 1790, October 12, 1907 ]

### **AN ACT TO CONFIRM CERTAIN RIGHTS AND FRANCHISES OF THE BANCO ESPAÑOL-FILIPINO AND TO AMEND ITS STATUTES.**

Whereas the Banco Español-Filipino is a bank incorporated under a charter granted by the Kingdom of Spain conferring certain privileges and rights upon and bank, and especially that of the exclusive right of issuing and circulating notes of the bank to an amount equal to three times its capital stock, which was authorized to be three millions of pesos, equivalent to one million five hundred thousand dollars American currency; and

Whereas the bank has a paid-in capital of one million five hundred thousand pesos and claims to have in addition an unimpaired surplus of nine hundred thousand pesos; and

Whereas the bank has issued, and has now in circulation, its circulating notes amounting substantially to one million five hundred thousand pesos; and

Whereas the authorities of the bank contend that under the American sovereignty, by reason of the guaranty of the Treaty of Paris. they may exercise the same exclusive privilege with respect to circulating notes which was given them under the Spanish charter, and. therefore, that they may increase their capital stock to three million pesos and issue notes to the amount of nine million pesos; and

Whereas the representatives of the bank contend that the Philippine Government has violated the exclusive right of the bank above set forth in issuing so-called silver certificates secured by a deposit of similar pesos in the Treasury of the Islands; and

Whereas the Philippine Government, while recognizing as valid the present circulation, has heretofore denied the right of the Philippine- Bank under its charter to issue notes equal to three times its capital stock, on the ground that such note-issuing franchise was an exercise of sovereign power which was not transmitted or guaranteed by the Treaty of Paris, and has, therefore, imposed a prohibitory tax of twelve, per centum on any notes issued beyond the actual paid-in capital stock of the bank, because of its belief that the certain payment or redemption of such notes will not be properly secured under the provisions of the Spanish charter; and

Whereas the bank now threatens to test in court the validity of its franchise and the validity of the prohibitory tax, and relies upon the action of the Congress of the United States in confirming a similar charter granted to the Bank of Porto Rico; and

Whereas the Philippine government has no objection to the issue of circulating notes by this bank to the extent permitted by the Spanish charter, provided only that it shall not be exclusive, and that proper provision shall be made for securing the redemption or payment of such notes: Now, therefore,

*By authority of the United States, be it enacted by the Philippine Commission, that:*

SECTION 1. By way of compromise of the questions arising between the Banco Español-Filipino and the Philippine Government in respect to its charter, and the

rights already conferred thereby, the Philippine Government, by virtue of the general powers conferred upon by under section seventy-four and other sections of the Act of Congress of July first, nineteen hundred and two, does hereby amend and confirm the Spanish charter of the Banco Español-Filipino as the same is hereinafter set forth: *Provided, however,* That nothing in this Act shall affect the validity of acts done and Fights and causes of action which have arisen under the existing statutes of said hank in its relations with individuals, firms, corporations and associations in the conduct of the banking business, except that validity is hereby given to all acts heretofore performed by the hank which would otherwise be legal, and whose validity might be questioned by reason of the failure of the bank to comply with its statutes in regard to the participation of the Government in the management of the bank: *And provided further,* That the charter and statutes of the bank hereinafter set forth by way of amendment and confirmation shall not take effect until the same shall be duly and in legal form accepted by the proper authorities of the bank representing the corporation.

## ARTICLES OF INCORPORATION OF THE BANCO ESPAÑOL-FILIPINO.

TITLE I.—*Name, constitution, title, objects, domicile, and duration of the corporation.*

### ARTICLE I.

That the Banco Español-Filipino, founded in eighteen hundred and fifty-one by a joint stock company duly authorized to transact business, and reorganized by virtue of Royal Decree of February seventh, eighteen hundred and ninety-six, shall hereafter be governed by these Articles of Incorporation.

### ARTICLE II.

That the Banco Español-Filipino shall be a body corporate with power to adopt a corporate seal and shall have succession for the period herein provided: that its corporate existence shall be extended for twenty-five years from January first, nineteen hundred and three. This period may be extended at the request of the majority of the stockholders of the bank, provided such request be made at least one year before the expiration of the twenty-five years mentioned. It may make contracts, sue and be sued, complain and defend, in any court of law or equity, as fully as a natural person.

### ARTICLE III.

That the bank is authorized to change its name, by vote of the stockholders in general assembly, to "The Bank of the Philippine Islands."

### ARTICLE IV.

The head office of the corporation shall be located in the city of Manila, but branches of the bank now established may be continued, and others may be established or discontinued in other parts of the Philippine Islands, subject to the approval of the Governor-General of the Philippine

Islands, and agencies of such bank may be established in the United States and in foreign countries, subject to the approval of the Governor-General of the Philippine Islands, and in accordance with the laws of the United States or such foreign countries.

#### ARTICLE V.

The bank is authorized to engage in the following classes of transactions:

1. Discounting bills of exchange whose maturity does not exceed six months, and commercial promissory notes whose maturity does not exceed one year.
2. Making collections of drafts and other current negotiable paper, and advancing money thereon.
3. Receiving deposits and opening current accounts in currency or upon the deposit of public, provincial, municipal, industrial, or railway securities issued by legally constituted corporations.
4. Receiving and caring for money deposited in trust, arising from legacies, voluntary and other trusts, and judicial decrees, or in any other manner.
5. Receiving in the same manner as under paragraph four gold and silver bars, jewelry with or without precious stones, and stocks and bonds and other securities issued by corporations.
6. Negotiating or drawing bills of exchange, whether domestic or foreign, under the formalities prescribed by the Code of Commerce as modified by the provisions of this Act.
7. Dealing in gold and silver.
8. Making loans upon the security of deposit with the bank, as collateral, of precious metals, articles of commerce, products of the country, negotiable securities, and industrial and commercial bills which are easily and safely realized upon at any time: *Provided*, That all such loans shall be made under regulations established by the general board of directors. Such collateral securities shall be accepted only at a rate not exceeding three-fourths of their market or appraised value, except that when the person or legal entity to which a loan is to be made is, in the judgment of the general board of directors, sufficiently solvent, apart from the collateral furnished, loans may be made to the amount of ninety per centum of the market value of said collateral security, provided that said security is easily convertible into cash and the person to whom the advance is made is a client of the bank; but said person shall, upon the demand of the bank, pay in cash or deposit first-class securities to cover any depreciation in the market value of the securities furnished.
9. Making loans on bills of lading, when invoices and insurance on cargo of policies satisfactory to the bank are attached thereto: *Provided*, That the amount of such loan shall not exceed three-fourths of the current market value of the articles covered by such bills of lading.

10. Granting current credit accounts in favor of clients who have been approved by the general board of directors, such accounts paying to the bank a commission upon the sums upon which they are entitled to draw, in addition to the interest upon amounts actually used.

11. Buying and selling or otherwise negotiating securities, and borrowing money upon securities owned by the bank.

12. Making loans upon real estate, when mortgage certificates running for a definite term can be sold for the amounts thus loaned; but the amount invested at any one time in such loans, or in and loans upon real estate security, shall not exceed twenty per centum of the capital of the bank, and if such investments are now in excess of that sum. they shall be reduced as rapidly as the interests of the bank are deemed to justify, under the direction of the Treasurer of the Philippine Islands.

13. Making loans upon vessels which are insured and free from encumbrance, provided such loans do not exceed half the value of the ship nor run for more than one year. Such loans shall not exceed ten per centum of the paid-up capital of the bank.

14. Making loans to firms and corporations established in the corporations, Philippine Islands, and which, in the opinion of the General Board of Directors, are of undoubted solvency, provided such loans shall not exceed ninety days in duration.

15. Undertaking on commission the purchase and sale of the shares and such other banking operations, under regulations established by the General Board of Directors, as may be within the incidental powers of a bank; but no powers shall be exercised which are not expressly granted by this Act, if such exercise is prohibited by the Governor-General of the Philippine Islands.

16. Preparing, issuing, and circulating bank notes under the provisions of this Act.

#### ARTICLE VI.

The bank shall not make any loan or discount on the security of count the shares of its own capital stock, nor be a purchaser or holder of any such shares, unless such security or purchase shall be necessary to prevent loss upon a debt previously contracted in good faith; and stock so purchased or acquired shall be sold or disposed of at public or private sale within six months from the time it is acquired.

#### ARTICLE VII.

All notes and bills of exchange discounted by the bank must at least two signatures of known solvency, one of which must be a resident of the locality of the transaction, and must comply in other respects with the provisions of the Code of Commerce, except that such transactions may, with the approval of the president of the bank, be for a longer period than ninety days, and one signature may be dispensed with when loans

are made on negotiable securities, as provided by paragraph eight of Article V.

Warrants or drafts drawn by the Treasurer of the Philippine Islands or of the United States may be accepted without the signatures and conditions required in the case of private parties.

#### ARTICLE VIII.

The total liabilities to the bank of any person, or of any company, corporation, or firm for money borrowed, including in the liabilities of a firm the liabilities of the several members thereof, shall at no time exceed one-tenth of the amount of the capital stock of the bank, actually paid in and unimpaired, and one-tenth part of its unimpaired surplus fund; 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.

#### ARTICLE IX.

Before making loans on precious metals, merchandise, and goods in warehouse, the value of the same shall be appraised by experts appointed by the officers of the bank, but the bank shall not be liable for any loss, damage, deterioration, or shortage of or to the merchandise so stored, except in cases arising from its default or negligence.

#### ARTICLE X.

All real property upon which mortgage loans are made must have a marketable title, and be free from all encumbrances and liens.

Buildings, if city property, must be constructed of substantial material; and in all cases (the buildings or improvements upon such real estate shall be insured to at least seventy-five per centum of their value, and no loans shall be made on real estate to an amount greater than fifty per centum of the value thereof.

#### ARTICLE XI.

Merchandise specified in a bill of lading upon which a loan is made by the bank must be consigned to such person as the bank shall designate at the place of destination, who may deduct the current commissions and charges, and shall comply with the orders of the shipper as to the sale or disposition of the property, and pay the proceeds thereof to the bank to the amount of its loan, charges, and expenses.

In case of loss of merchandise, the bank may proceed, at its option, against the shippers or carriers thereof for the amount of the loan, with all charges and expenses, or against the insurance company insuring the same for the amount of such insurance.

#### ARTICLE XII.