

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

Act No. 1790, October 12, 1907

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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 oilier 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 m 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 it 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 bus of policies satisfactory to the bank are attached thereto: Provided, That the amount of punch 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 (he 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.

Upon deposits made in the bank of precious metals or merchandise, other than money in current account, the bank shall furnish to the depositor a certificate containing the following particulars:

- 1st. The name and domicile of the depositor, or of the authority ordering the deposit.
- 2nd. The nature and value of the deposit, and where it consists of bars or jewelry of gold or silver, the weight and specific qualities thereof.
- 3rd. The date of the deposit and the entry number in the proper books of the bank.

ARTICLE XIII.

The officers of the bank shall, within the limitations of this Act, be exclusive judges as to the acceptance or refusal of drafts, notes, paper, and bills of exchange submitted for discount, and of all applications for loans, and of other business transactions.

ARTICLE XIV.

The rates of interest on discounts and loans, on deposits, collections, mortgages, etcetera, shall be fixed every six months by the general board of directors, with the approval of the president of the bank, and such rates, if not

contrary to law, shall be those charged in cases where no specific agreement is made, but the bank may change such rates, from time to time, upon notice of one week, and may make other rates by agreement of both parties. All expenses connected with the transactions, including the fees of appraisers, shall be charged to the borrower.

ARTICLE XV.

The bank may order the sale of collateral security in its custody, consisting of securities; or merchandise, or any other thing, three days after having called upon the debtor, by written notice, to increase the amount of such security, if in the meantime he has failed to comply with such request, or after the maturity of a loan if the loan has not been paid. These sales shall be made at public auction, with the assistance of a notary or exchange agent or broker, and without the requirement of any judicial order or process; and in order to avoid delay or difficulty in the disposal of such collateral security, and that the bank may accomplish the sale without interference on the part of the debtor, it shall set forth in the note or evidence of indebtedness that the collateral security given is to be considered as transferred to the bank without any further formality by the fact of delivery, under the conditions set forth therein.

All such securities registered in the name of the owner shall be transferred in due form to the bank, which shall issue therefor a receipt setting forth the terms of the delivery and the purposes for which such transfer has been made.

If the proceeds of the sale of such securities do not cover the full deficit or surplus amount of the loan, together with interest and other charges thereon, the bank may proceed against the debtor for the difference, but any amount exceeding the full indebtedness to the bank shall be paid over to the debtor.

Parties obtaining loans on bills of lading must increase the amount of security with the bank whenever a fall of ten per centum security, takes place in the market value of the merchandise, and if upon maturity of the loan the amount has not been paid, or the vessel has not arrived with the merchandise constituting such security, the bank may, at its option, proceed against the debtor, or await the arrival of the vessel, in order to make a sale of such merchandise, with the understanding that if the bank shall elect the former remedy, such action shall not impair the right of the bank to proceed against the security it holds at such time and in such manner as it may deem proper.

TITLE II.—Concerning capital stock and shares.

ARTICLE XVI.

The bank may increase the amount of its capital stock from time to time to a total amount not exceeding ten million pesos, by a vote of a majority in amount of the stock, at a meeting of the general assembly of the stockholders, by the bona fide sale of new stock for not less than par in cash, and such increase of capital shall be valid only when the whole amount of such increase shall be paid in, and notice thereof shall have been transmitted to the Treasurer of the Philippine Islands, and its certificate obtained specifying the amount of such increase of capital stock, with his approval thereof, and that it has been duly paid in as part of the capital of the bank.

ARTICLE XVII.

The existing capital and any increase of the same which may be made shall be represented by shares of the face value of two hundred pesos each.

ARTICLE XVIII.

In case of an increase of the capital stock by authority of a general assembly of the stockholders, the shares shall be issued upon the payment in full of the price therefor, to be fixed by the bank, not less than two hundred pesos for each share, plus such percentage as corresponds to the ratio of the reserve funds or surplus then on hand and

unimpaired to the aggregate amount of the capital after Transfers from such increase of capital: Provided, however, That if the general assembly of stockholders, in order to facilitate the issue of shares amongst themselves, considers it advisable, it may resolve to transfer from the voluntary reserve fund to the legal reserve fund an amount necessary to make the latter correspond to the legal amount required by law.

ARTICLE XIX.

The bank shall maintain a reserve fund or surplus of not less than fifteen per centum of its capital stock issued and outstanding, which fund shall be subject to the same obligations as capital, and shall be made up of the net profits resulting from the operations of the bank after deducting the dividends paid upon capital.

The bank may create an additional reserve fund for the purpose of distributing dividends when the amount actually earned in any year does not reach six per centum of the capital stock, but this fund shall not be applied to the increase of the capital stock of the bank.

ARTICLE XX.

The ownership of the shares of the capital of the bank shall shares, registration. be recorded in the name of a pers0Ilj corporation, or other legal entity in the register of the bank, and registered stock certificates shall be issued to the record owners thereof. New issues of capital New issues-shall be registered in the same manner, under regulations to be made by the general board of directors.

ARTICLE XXI.

Shares of the capital stock may be transferred by a declaration Transfer of shares. made in person before a proper officer of the hank by the party transferring the same, or by someone having power of attorney to sign said register, upon first presenting to the bank the original certurari for which, upon cancellation, a new certificate will be issued.

ARTICLE XXII.

That the stockholders of the bank shall be subject to no other or additional liability than the amount which they shall have paid or bound themselves to contribute in payment for the shares standing in their names, not exceeding the face value of said shares, unless otherwise provided in the Code of Commerce.

ARTICLE XXIII.

Stock in the hank may be held by persons and corporations without regard to domicile, and officers and directors may be chosen without regard to nationality, except that a majority of the board of directors shall be made up of citizens of the United States or of the Philippine Islands; but money in current account and securities and other articles of value deposited in the bank which is the property of: foreigners, shall not be subject to attachment, confiscation or seizure because of war between their respective nations, except as such processes would lie in the ordinary course of law against citizens of the United States or of the Philippine Islands.

TITLE III.—Concerning the issue of circulating notes.

ARTICLE XXIV.

That the circulating notes of the bank shall hereafter be issued under the following limitations of amount and conditions:

(a) To a present amount not exceeding two million four hundred thousand pesos, which shall represent the paid-up and unimpaired capital of the bank and the value of the surplus as ascertained by the Governor-General of the Philippine Islands; and in case such capital and surplus shall not, in the opinion of the Governor-General of the Philippine Islands, be equal in value to the amount of circulation herein authorized, then said Governor-General may require a contraction of such circulation until it shall not exceed the value of the capital and surplus of the

bank, or the deposit with the Treasurer of the Philippine Islands of commercial paper conforming to the statutes of the bank and acceptable to the Governor-General, for any excess in the amount of circulation above the value of the capital and surplus as ascertained and determined by him: Provided, however, That as a condition precedent of issuing notes to the extent of the paid-up and unimpaired capital of the bank and the value of the surplus as ascertained by the Governor-General as above permitted, said surplus shall be formally treated as a part of the capital of the bank and shares of stock issued therefor to the persons entitled thereto: Provided, That the price at which such shares of stock shall be sold shall have added thereto an amount which in equity will equalize between the old and the new shares of stock the interest in surplus. And said bank is hereby authorized to issue its circulating notes, secured by its capital as herein provided, in equal proportion with each increase of paid-in capital stock in cash, not exceeding nine million pesos; and all notes so issued shall be governed by the provisions of this section.

(b) ^{rp0} a present additional amount not exceeding six hundred thousand pesos upon deposit with the Treasurer of the Philippine Islands of bonds of the United States, bonds or certificates of the Government of the Philippine islands, bonds of the city of Manila, stock or bonds of railways or mortgage banks upon which interest or principal has been guaranteed by the Government of the Philippine Islands, or other securities acceptable to the Governor-General of said Philippine Islands, and the percentage of circulation to be allowed upon the face value or market value of each of said class of securities shall be determined by said Governor-General of the Philippine Islands. Such notes may be issued at the discretion of the bank, subject only to the condition that the securities deposited shall be acceptable in character and amount to the Governor-General of the Philippine Islands, and without regard to whether issues have been made or applied for under other provisions of this Act. And in case of the increase of the paid-up and unimpaired capital and surplus of the bank from two million four hundred thousand pesos to three million pesos the Treasurer of the Philippine Islands shall deliver to the bank the securities deposited with him to cover circulating notes under this paragraph (b).

It being the intention that the total circulating notes issued under this Act shall never exceed in amount nine million pesos, representing an equal amount of the paid-up and unimpaired capital of the bank.

ARTICLE XXV.

All outstanding notes of the bank shall, after January first, nineteen hundred and eight, constitute a preferred lien upon the assets of the bank, except as to such securities as have been specifically deposited under special agreements with public officials for the safe-keeping of public moneys; and any bonds or other securities deposited with the Treasurer of the Philippine Islands, as hereinbefore provided, for the security of the circulating notes of the bank, shall be held exclusively for that purpose until such notes shall be redeemed; but the Treasurer of the Philippine Islands shall give to the bank powers of attorney to receive and appropriate to its own interest and dividends use the interest and dividends on such securities in the custody of said Treasurer; but such powers shall become inoperative whenever the bank shall fail to redeem its circulating notes, and said Treasurer of the Philippine Islands, under regulations prescribed by the Governor-General, may permit or require an exchange to be made of any of the securities in his custody.

ARTICLE XXVI.

The bank shall be held to renounce all claim to the exclusive privilege of issuing notes in the Philippine Islands, or to any other exclusive privilege not set forth in this Act; but no laws or regulations shall be made or enforced affecting the bank, or imposing charges or taxation upon it. which shall not apply equally to other banks of a similar type operating under similar conditions, and no bank shall be authorized in issue circulating notes in the Philippine special privileges Islands with a paid-up capital less than two million pesos; but this provision shall not preclude the Government from granting special privileges to agricultural banks, savings banks, mortgage banks,

or other institutions of special types whose principal business is not commercial banking.

ARTICLE XXVII.

That the Treasurer of the Philippine Islands, and all assistant Receipt of Secretary-treasurers and provincial and municipal treasurers and other public public officials shall be directed to receive the circulating notes of the bank for public dues so long as said circulating notes are paid in the lawful money of the Philippine Islands or of the United States, without discount and on demand, at the bank and its branches.

ARTICLE XXVIII.

That the notes issued under the provisions of paragraph (a) of Article XXIV of this Act shall pay a tax at the rate of one-half of one per centum per annum; and the notes temporarily issued under the provisions of paragraph (b) of said Article XXIV of this Act shall pay a tax at the rate of one per centum per annum, such taxes to be assessed upon the amount of notes actually in circulation and not held in the bank or its branches, at fixed intervals not less frequently than once a month, to be determined by regulations made by the Treasurer of the Philippine Islands: Provided, That these taxes of one-half of one per centum and one per centum shall not be increased during the term of twenty-five years mentioned in Article II hereof.

ARTICLE XXIX.

That whenever the bank desires to withdraw circulating notes which are not in its possession, it may deposit with the Treasurer of the Philippine Islands in the lawful money of the Philippine Islands or of the United States an amount equal to the face value of the circulating notes which are to be withdrawn and retired, and if such notes are represented by securities in the custody of said Treasurer, he may surrender such portion of said securities as, in his opinion, will represent a just proportion of the securities held to secure circulating notes, and thereupon the taxes imposed by this Act upon circulating notes shall cease upon an amount thereof equal to the amount of lawful money deposited, and such lawful money shall be repaid from time to time to the bank upon the presentation and surrender to said Treasurer of the Philippine Islands of notes which have been received or redeemed.

ARTICLE XXX.

That the circulating notes of the bank may be issued in denominations of five pesos, ten pesos, twenty pesos, fifty pesos, one hundred pesos, and two hundred pesos, and shall express upon their face the promise of the bank to redeem them on demand in lawful money of the Philippine Islands or of the United States, attested by the signatures of the president or vice-president and cashier.

ARTICLE XXXI.

That the bank shall at all times have on hand, in lawful money and of the Philippine Islands or of the United States, an amount equal in value to at least twenty-five per centum of the aggregate amount of its notes in circulation and in addition thereto twenty per centum of its deposits in current accounts which are payable on demand: Provided, however, That this requirement, shall not apply to the notes issued under paragraph (b), Article XXIV above.

ARTICLE XXXII.

That the circulating- notes of the bank shall hereafter be issued to the bank by the Treasurer of the Philippine Islands, who shall make requisitions upon the Bureau of Insular Affairs at Washington for such a supply as may be necessary to anticipate reasonable custody of notes and he shall keep such notes in his custody in the Treasury validity of the Philippine Islands: but said notes shall not have validity as currency until the seal of the bank and the signatures of its officers duly authorized to perform such functions, are attached.

TITLE IV.—Concerning the powers of the general assembly of the stockholders.

ARTICLE XXXIII.

The stockholders of the bank shall be represented at its general assembly by those among them who are owners of, or who represent, at least ten shares of the capital stock registered in their names at least two months before the meeting as shown by the registered list of stockholders.

Stockholders may be represented at general meetings by proxies, designated by them, but the appointment of such proxies shall be valid only when proper power of attorney is executed before a notary public.

Stockholders not possessing full legal capacity, as married women, minors, etcetera, or possessing the character of corporations, associations, or other legal entities, shall be represented at the general meetings and in all other matters relating to the bank by their legal representatives.

ARTICLE XXXIV.

One vote in the general assembly of the stockholders shall be allowed each ten shares of the capital of the bank actually represented by the owner thereof or by duly authorized proxy.

ARTICLE XXXV.

The general assembly of the stockholders of the bank shall be held on the second Tuesday of February in each year, and may be adjourned from day to day until its business is concluded.

ARTICLE XXXVI.

The general assembly of the stockholders shall have the following powers:

1. To elect the president, the vice-presidents, and the members of the general board of directors, and to fix the salaries which the president and vice-presidents shall receive.
2. To inform themselves of the condition of the bank through a report presented annually, or oftener, by the general board of directors, and through the annual general balance sheet.
3. To act on recommendations made by the general board of directors relating to the interests of the bank, in conformity with the statutes and by-laws.
4. Any member of the general assembly of the stockholders may present to said general assembly in writing such suggestions as he may deem proper for the welfare of the bank, but such recommendations shall not be acted upon until the next following meeting, nor until the general board of directors has passed upon them.
5. To authorize the increase of the capital stock and prescribe the manner and conditions under which it shall be made, subject to the provisions of this Act.
6. To exercise any other powers expressly granted by or reasonably to be implied from these statutes and the by-laws of the bank, and not in conflict with this Act.

ARTICLE XXXVII.

A general assembly of the stockholders of the bank may be Extraordinary convened in extraordinary session whenever the number of members of the general board of directors has been so reduced as to make it impossible for the members thereof to perform their duties, or whenever live members of the general board of directors shall so request and tin- object of such meeting shall be stated in the call.

ARTICLE XXXVIII.

The election, of the president, vice-presidents, and directors of secret ballot the bank shall lie by secret ballot and by absolute majority of votes.

TITLE V.—Powers of the board of directors.

ARTICLE XXXIX.

The direction of the bank shall be under the control of a general basement board of directors, who shall choose a cashier, and such other officers as they may deem expedient, and said general board of directors may fix the salaries of such officials at such amounts as they may deem proper.

ARTICLE XL.

The general board of directors of the bank shall be composed of the president, and vice-presidents as ex officio members, and of the directors, all of whom shall be chosen annually by the general assembly of stockholders. The number of vice-presidents shall be determined by the general assembly of stockholders, but shall not exceed five; the number of directors shall likewise be determined by the general assembly of stockholders, but may not exceed fifteen nor be less than eight. Members of the general board of reelection directors shall be eligible for reelection.

ARTICLE XLI.

There may be elected by the general assembly of the stockholders, at its discretion, associate directors of branches in the Philippine Islands, in the United States, or in foreign countries, who shall, under regulations made by the general board of directors, meet separately from said general board to consider matters relating to the interests of the branch for which they are elected; but their action shall be advisory only and shall be subject to the approval of the general board of directors at Manila. Such associate directors may or may not in the discretion of the general assembly, be required to be stockholders in the bank, and shall be subject to removal or termination of their functions at any time upon vote of said general assembly.

ARTICLE XLII.

Each member of the general board of directors, in order to be eligible as a member, shall deposit with the bank, in trust, before board, assuming his duties, not less than ten shares of the stock of the bank registered in his name. Each such director, when appointed or elected, shall take an oath that he will, so far as the duty devolves upon him, diligently and honestly administer the affairs of the bank, and that he will not knowingly violate, or willingly permit to be violated, any of the provisions of this Act, which oath, subscribed by himself, and certified by the officer before whom it is taken, shall be immediately transmitted to the Treasurer of the Philippine Islands and by him filed and preserved in his office.

ARTICLE XLIII.

Members of the board of directors, except the president and vice-presidents, of the bank, shall be entitled to a fee for attendance at meetings of said board, which shall be fixed by the general board, but shall not exceed twenty-five pesos.

ARTICLE XLIV.

The duties of the general board of directors shall be as follows:

1. To supervise the issue and transfer of certificates of stock, and establish regulations therefor.
2. To determine from time to time the number and amount of circulating notes to be issued under the provisions of this Act.
3. To fix the rate of discounts and loans.
4. To prepare confidential lists of the firms and corporations to which it considers discounts may properly be accorded, fixing the amount of credit to be extended to each.
5. To appoint agents and correspondents and to designate the points where they are to be stationed.
6. To authorize the establishment of branch banks at such points as will serve the public interest and that of the bank, in accordance with Article IV of these statutes.
7. To ratify, if satisfactory to it, transactions between the bank and the Government, and other current transactions.

8. To take care that in all the offices of the bank the statutes, by-laws, orders and resolutions in force are strictly observed.
9. To examine and consider, at each regular meeting, the transactions of the officers of the bank and the operations of the bank.
10. To elect the secretary and cashiers of the bank.
11. To appoint, on recommendation of the officers of the bank, bookkeepers and minor employees of the bank and of its branches.
12. To remove or suspend employees of the bank, with or without the recommendations of the officers.
13. To draw up the annual report concerning the operations of the bank, which shall be read at the general assembly of the stockholders.
14. To examine and, if, the accounts submitted by the officers and to approve the general balance sheet.
15. To declare semiannually, in accordance with such balance sheet and the state of the voluntary reserve fund, the dividend to be paid to the stockholders.
16. To examine into and take under advisement recommendations made by stockholders in general assembly for the welfare of the bank, and to present the same, with their report thereon, to the next general assembly.
17. To make of its own motion to said general assembly, all suggestions which it deems proper for the advantage of the bank.

ARTICLE XLV.

No action shall be taken at the sessions general board of directors except when a majority is present.

ARTICLE XLVI.

Resolutions of the general board of directors must be passed by the votes of a majority of the members present.

ARTICLE XLVII.

The secretary of the bank shall be present at all the sessions of the general board of directors, without voice or vote, and shall draw up the minutes, which shall be signed by the president and the secretary himself.

TITLE VI.—Concerning the officers of the bank.

ARTICLE XLVIII.

The administration of all the affairs of the bank and the control of its operations shall be in charge of the president, assisted by the vice-president or vice-presidents, and a secretary, who shall perform such duties as the president may direct.

ARTICLE XLIX.

The officers of the bank shall receive, in addition to their salaries, the compensation hereinafter set forth, which shall be divided as prescribed by the general board of directors.

ARTICLE L.

The power of the president of the bank shall be:

1. To direct the operations of the bank and to give orders and instructions to all the employees thereof who are to take part in said, operations.
2. To execute all contracts entered into on behalf of the bank, and to perform all other duties customarily incident to his office.
3. To authenticate by his signature all administrative acts and obligations and documents issued by the bank.
4. To consider and pass upon applications for discounts and loans.
5. To institute and prosecute, in the name of the bank, all judicial proceedings that may be necessary for the collection of debts due to the bank and for the preservation of its rights.
6. To make recommendations to the general board of directors in regard to transactions not provided for by

these statutes.

7. To recommend to the general board of directors the appointment of all subordinate employees and servants of the bank.
8. To supervise and direct the conduct of the employees of the bank in the performance of their duties, and to temporarily suspend for just cause those who are delinquent therein, with the exception of those elected by the general assembly of stockholders and by the general board of directors who can only be suspended by the latter.
9. To call the regular general assemblies of the stockholders and such extraordinary general assemblies as may be requested by a number of the general board of directors.
10. To convene the general board of directors in extraordinary session whenever he deems it necessary, either upon his own motion or at the request of any three members of said board.
11. To preside at general assemblies of the stockholders and meetings of the general board of directors, with a vote.
12. To make visits of inspection to the offices of the bank, and to address to the general board of directors such recommendations as he may deem proper concerning its condition.
13. To verify the monthly balance sheet and to sign his approval of the same in the records of the bank.
14. To sign stock certificates and to certify by his signature notes issued payable to bearer.
15. To examine the report to be made to the general assembly relative to the condition of the bank, and to approve the same before it is read to the meeting, satisfying himself in advance of the correctness of its contents.

ARTICLE LI.

That in the absence or disability of the president, the vice-presidents, in the order designated by the general board of directors, shall exercise the powers herein granted to the president.

ARTICLE LII.

In the case of any judicial proceedings other than for the collection of obligations to the bank, the officers must obtain the approval of the general board of directors before acting therein.

ARTICLE LIII.

The officers shall be personally accountable to the bank for all operations carried on by them beyond their powers or contrary to the statutes, by-laws and regulations of the bank.

TITLE VII.—General provisions.

ARTICLE LIV.

It shall be lawful for the bank to purchase, hold and convey real estate as follows:

1. Such as shall be necessary for its immediate accommodation in the transaction of its business.
2. Such as shall be mortgaged to it in good faith by way of security for debts previously contracted.
3. Such as shall be conveyed to it in satisfaction of debts previously contracted in the course of its dealings, under the limitations hereinbefore imposed.
4. Such as it shall purchase at sales under judgments, decrees, or mortgages held by the bank, or shall purchase to secure debts due to it.

The bank shall not purchase or hold real estate in any other case, or for any other purpose than as specified in this article, nor shall it hold for a longer period than five years the possession of any real estate under mortgage or the title and possession of any real estate purchased to secure any debts due to it.

ARTICLE LV.

The profits or net earnings resulting from the operations of the bank, after deducting the expenses of administration, and such portion as corresponds to the legal reserve fund, shall be applied as follows: Four per

centum to the executive officers of the bank to be divided according to regulations prescribed by the general board of directors; live per centum to the members of the general board of directors, to be distributed in the manner provided in the by-laws. The remaining ninety-one per centum shall belong to the stockholders, but may be added to the regular or special reserve funds, or distributed as dividends at a fixed pro rata amount according to the number of shares.

ARTICLE LVI.

The distribution of dividends shall be made at least once in each semiannual six months, when in the judgment of the general board of directors, earnings justify the declaration of a dividend. Should the profits not exceed seven per centum per annum on the par value of each amount shall be distributed; should there be an seven per centum, it shall be divided two-thirds to and one-third to the legal reserve fund mentioned until said reserve fund shall amount to not less per centum of the capital stock; after which any divided amongst the stockholders in whole or in used for the creation of the voluntary reserve fund also mentioned in said article, as the general board of directors may deem best.

ARTICLE LVII.

Dividends, declared and not called for within three years following the date upon which they are due and payable shall draw the interest specified for voluntary deposits in money, commencing from the expiration of said period.

ARTICLE LVIII.

No infomiation shall be furnished by the bank concerning the funds in its custody in a current account, or on deposit, belonging deposits to a given person, corporation, or other legal entity, except under authority of an order of the Governor-General or of a court with jurisdiction.

ARTICLE LIX.

That the Treasurer of the Philippine Islands, provincial and municipal treasurers, and other authorized public officials shall, from public funds, time to time, deposit with the bank and its branches, upon such terms as may be prescribed by the Government of the Philippine Islands, such public moneys and trust funds as may be available for this purpose, without discrimination against the bank or in favor of other institutions: but this clause shall not bind such officials io make or maintain such deposits when, in their opinion, it is inadvisable.

ARTICLE LX.

The balance sheet provided for in article one hundred and fifty-seven ol the Code of Commerce shall be drawn up and published monthly, and the bunk and its branches shall make to the Treasurer of the Philippine Islands not less than five reports during each and every year, according to the form which may be prescribed by him, veil lied by the oath or affirmation of the president or cashier of the bank and attested by the signature of at least three of the directors: which report shall-exhibit, in detail and under appropriate heads, the resources and liabilities of the bank at the close of business on any past day specified by said Treasurer, and shall transmit such report to him within ten days after the receipt of a request or requisition therefor from him; and the report above required, in the same form in which it is made to the Treasurer, shall he published, at the expense of the bank, in a newspaper in the city of Manila; and the Treasurer of the Philippine Islands shall have power to call for special reports of the condition of the bank and its branches whenever in his judgment the same shall be necessary in order to a full and complete knowledge of its conditions.

Failure to made and transmit such a report shall raider the bank liable to a penalty of one hundred pesos for each day after ten days that said bank or any of its branches shall delay to make and transmit any report as aforesaid; these reports shall be in lieu of the quarterly reports prescribed by section one of Act Numbered Fifty-two of the Philippine Commission of November twenty-third nineteen hundred, which quarterly reports shall no longer be

required from the bank.

ARTICLE LXI.

That the Government of the Philippine Islands renounces all rights which it may have derived under Spanish law to appoint the governor and other officers of the bank or to interfere in any way with its administration, except to make examination of its solvency and supervise its conduct in the interest of the public in the same manner as such examination and supervision are or may be exercised over national banks in the United States and as prescribed by the laws of the Philippine Islands.

ARTICLE LXII.

That the Government of the Philippine Islands renounces all right and title derived from Spanish law and existing statutes of the bank to a loan of any money to the Treasury of the Philippine Islands.

TITLE VIII.—Dissolution and winding up of the bank.

ARTICLE LXIII.

The bank shall be dissolved.— (1) upon the expiration of its legal term unless legally extended in accordance with the provisions of this Act, (2) upon the loss of one-half of the capital subscribed, in which case the general board of directors shall immediately call, within as short a period as possible, an extraordinary general assembly of the stockholders to report the condition of the bank.

The general board of directors may direct that the bank shall continue, in which case it may determine the necessary steps to be taken to fix the status of the bank, provided those present and voting represent two-thirds of the capital.

ARTICLE LXIV.

A dissolution having been decided upon, the winding up of the bank's affairs shall be in charge of the general board of directors then in office, unless said general board shall determine to appoint receivers, in which case said receivers shall receive such compensation as said general board may direct.

ARTICLE LXV.

While the winding up of the affairs of the bank continues the powers of the general board shall remain intact.

The board shall specially have the power to approve the accounts of the receivership and to give a discharge.

The amount realized, after paying the debts and expenses of the bank, shall be distributed pro rata among the stockholders.

ARTICLE LXVI.

That nothing in this Act shall be held to prevent the exercise by the Governor-General and the Treasurer of the Philippine Islands of the powers conferred upon them by Act Numbered Five hundred and fifty-six of the Philippine Commission, enacted December ninth, nineteen hundred and two, or such amendments of that Act as may have been enacted or as may hereafter be enacted.

SEC. 2. The public, good requiring the speedy enactment of this bill, the passage of the same is hereby expedited in accordance with section two of "An Act prescribing the order of procedure by the Commission in the enactment of laws," passed September twenty-sixth, nineteen hundred.

SEC 3. This Act shall take effect upon the filing with the Executive Secretary by the general board of directors of the Banco Español-Filipino of the written acceptance by the bank of the provisions hereof.

Enacted, October 12, 1907.

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