

PRIVATE DEVELOPMENT BANKS^{#8217}; ACT

REPUBLIC ACT NO. 4093, June 19, 1964

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Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

SECTION 1. This Act shall be known as "The Private development Banks' Act."

SEC. 2. It shall be the declared policy of Congress to promote and expand the economy of the country pursuant to the socio-economic program of the Government; to expand the industrial and agricultural growth; and to encourage the establishment of more private development banks in order to meet the needs for capital and to meet the demands for adequate investment credit or medium and long term loans for Filipino entrepreneurs. Toward this end, the Government shall encourage and assist in the establishment of a system of private development banks which will promote agriculture and industry and at the same time place within easy reach to the people the medium and long term credit facilities at reasonable cost. The Development Bank of the Philippines, the Philippine National Bank, the Government Service Insurance System, the Social Security System, the National Economic Council, the Department of Agriculture and Natural Resources, the Department of Commerce and Industry, and other appropriate agencies, corporations, or instrumentalities of the Government may, in cooperation with the private development banks, provide adequate assistance in the form of savings deposits, and technical know-how in agriculture and industry.

SEC. 3. A private development bank shall be incorporated under the provisions of the General Banking Act for mortgage banks and shall exercise all the powers and shall assume all the obligations of a shortage bank as defined in the said Act, except as otherwise provided herein: Provided, That no private development bank shall be operated without a certificate of authority from the monetary board of the Central Bank which shall be issued upon compliance with the provisions of this law.

SEC. 4. A private development bank shall be organized in the form of a stock corporation and its paid-up capital shall not be less than four million pesos for class A, two million pesos for class B, and one million pesos for class C. Provided, That at least sixty per cent of the capital stock subscribed by the private sector shall be owned and held by citizens of the Philippines: Provided, further, if said subscription of private shareholders to the capital stock of a private development bank cannot be secured or is not available, the Development Bank of the Philippines on representation of the said private shareholders and with the approval of its Board of Governors shall, within thirty days from date of approval by the Board of Governors, and after compliance by the private stockholders with the condition of said approval, subscribe to the capital stock of such development banks, which shall be paid in full at the time of subscription out of the trust fund provided in paragraph 3, Section 3 of Republic Act Numbered Two thousand eighty-one, in an amount equal to the difference between the required paid-up capital and to the fully paid subscribe capital of the private stockholders but not exceeding the latter: Provided, furthermore, That the Board of Governors shall act on the representation made by the private shareholders within thirty days from the date it is filed: Provided, still further, That such shares of stock subscribed by the bank shall be preferred shares entitled to cumulate dividends at a rate of one per cent during the first five years, two per cent during the following five years, and three per cent thereafter, shall be preferred as against common and other preferred

stockholders in the distribution of assets in the event of liquidation, and shall be entitled to voting privileges: Provided, finally, that such preferred shares of the bank maybe sold at any time at par to private individuals who are citizens of the Philippines and in the sale thereof the qualified registered stockholders shall have the right to redemption within one year from the date of offer in proportion to their respective holdings, but in the absence of such buyers, preference shall be given to residents of the province or the city where the development bank is located. All members of the board of directors of the private development bank shall be citizens of the Philippines.

SEC. 5. Seventy-five per centum of the lonable funds of the private development bank shall be invested in medium and long term loans for economic development purposes and in no case shall the bank invest more than twenty-five per centum of the lonable funds in short term loans for miscellaneous purposes.

SEC. 6. For the purpose of attaining the objectives of this Act and the policy of Congress as provided for in Section 2 of this Act, the sum of ten million pesos may be appropriated yearly in case of need from the net profit of the Central Bank paid into the general fund of the government under Section Forty-one Paragraph (d) of the Central Bank Act, which sum shall constitute a revolving fund to be made available to the Development Bank of the Philippines which shall be used, together with the funds already provided under paragraph 2 of Section 3 of Republic Act 2081, for the following purposes:

- To pay for its subscription to preferred shares of stock in said private development banks in the manner and subject to the terms and condition prescribed in Section four hereof;
- To rediscount promissory notes and other credit instruments held by the private development bank under the following conditions and limitations:
 - It shall charge such rediscount or interest rates as it may determine taking into account that main objective of the private development bank is to engage in medium and long terms loan for economic development. The determination of such rediscount or interest rates acceptable to the bank for the purpose of this provision shall be made by the said bank upon or immediately after the commencement of operations of a private development bank; and
- Funds so acquired shall be used only to finance the establishment and operation of projects within the development program of the National Economic Council or a long such projects and activities as the National Economic Council may, from time to time, approve.

SEC. 7. Any private development bank may, with the approval of the Monetary Board:

- Accept savings and time deposits;
- Act as correspondent for other financial institution and as a collection agent whenever there is no rural or commercial bank existing in the locality;
- Rediscount paper with the Central Bank, Philippines National Bank or other Bank or their branches or agencies. The Central bank shall specify the natures of papers deemed acceptable for rediscount as well as the rediscount rate to be charged by any of these institutions.

SEC. 8. To augment and supplement the capital of any private development bank, the Development bank of the Philippines shall be permitted to extend to the private development banks a loan or loans from time to time repayable in ten years with interest at the rate that may be agreed upon against security which may be offered by the private development bank or any stockholders of the private development: Provided, That

- The development Bank of the Philippines is convinced that the resources of the private development bank are

inadequate to meet the legitimate credit requirements of the locality wherein the private development bank is established;

- There is a dearth of private capital in the said locality;
- It is not impossible for the stockholders of the private development bank to increase the paid-up capital thereof.

SEC. 9. In an emergency or when a financial crisis is imminent, the Central Bank may give a loan to any private development bank against the assets of the private development bank which may be considered acceptable by a concurrent vote of the members of the Monetary Board.

SEC. 10. All existing private development banks shall be totally exempted from the payment of income and gross receipts taxes for a period of three (3) years after the effectivity of this Act. Thereafter, they shall be taxed on a gradually increasing basis of twenty-five percent (25%.) per year for the next succeeding four (4) years after the end of which period they shall pay all such taxes in full.

SEC. 11. Private development banks organized under this Act shall be known by any name not otherwise appropriated : Provided, however, That the words "Development Bank" is made a part thereof, and the name is approved by the Securities and Exchange Commission.

A private development bank may establish branches and agencies subject to the approval of the Monetary Board of the Central Bank. For the purpose of this Act, a private development bank, together with its branches and agencies, shall be considered as a unit.

SEC. 12. Every individual acting as officer or employee of a private development bank and handling funds or securities amounting to one thousand pesos or more, in any one year, shall be covered by an adequate bond as determined by the Monetary Board; and the by-laws of the private development bank may also provide for the bonding of other employees or officers thereof.

SEC. 13. For the purpose of carrying out the objectives of this Act, the Development Bank of the Philippines is authorized to require the services and facilities of any Department or instrumentality of the Government or any officer or employee of any such Department or government instrumentality.

SEC. 14. A fine of not more than two thousand pesos or imprisonment for not more than one year or both, at the discretion of the court, shall be imposed upon:

- Any officer, employee or agent of private development bank who shall:
 - make false entries in any bank report or statement thereby affecting the financial interest or causing damage to, the Bank or any person; or
 - without order of court of competent jurisdiction, disclose any information relative to the funds or properties in the custody of the Bank belonging to private individuals, corporation or any other entity; or
 - accept gifts, fees, or commission or any other form of remuneration in connection with the approval of a loan from said bank; or (d) overvalue or aid in overvaluing any security for the purpose of influencing in any way the action of the Bank or any loan; or
 - appeal and sign as guarantor, indorser or surety for loans granted by the bank; and
- Any application for a loan from or borrower of a private development bank who shall;
- misuse, misapply, or divert the proceeds of the loan obtained by him from its declared purpose; or

- fraudulently overvalue property offered as security for a loan from the said bank; or
 - give out or furnish false or willful misrepresentation of material facts for the purpose of obtaining, renewing or increasing a loan or extending the period thereof; or
 - attempt to defraud the said bank in the event of court action to recover a loan; or
 - offer any officer, employee or agent of a private development bank a gift, fee, commission, or other form of compensation in order to influence such bank personnel into approving a loan application; or
 - dispose or encumber the property or the crops offered as security for the loan.
- Any examiner, or officer, or employee of the Central Bank of the Philippines or any department, bureau, office, branch or agency of the Government who is assigned to examine, supervise, assist or render technical service to private development bank and who shall commit any of the acts, enumerated in paragraph (1) of this section or connive or aid in the commission of the same.

SEC. 15. The Development Bank of the Philippines shall submit a report to Congress as of the end of each calendar year of all its actuations in connection with private development banks, together with an explanation or its reasons therefor.

SEC. 16. Any Bank not organized under this Act except those organized under Republic Act 2081 and any person, association, or corporation doing the business of banking, not authorized under this Act who shall use the words "Development Bank" as part of the name or title of such bank or of such person, association or corporation shall be punished by a fine of not less than fifty pesos for each day during which said words are so used.

SEC. 17. If any provision or section of this Act or the application thereof to any person, association or circumstances is held invalid, the other pertinent provisions or association, or circumstances shall not be affected thereby.

SEC. 18. The provision of Republic Act Numbered Two hundred sixty-five, as amended, Republic Act Numbered Three hundred and thirty-seven, as amended and Republic Act Numbered Two thousand eighty-one as amended, insofar as they are applicable to, and not in conflict with any provision of this Act are hereby made parts hereof; and certain provisions of Republic Act Numbered Two thousand and eighty-one, as amended, governing private development bank and in conflict with any provision of this Act are hereby repealed.

SEC. 19. This Act shall take effect upon its approval.

Approved, June 19, 1964.

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