

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-SE...

Act No. 2938, January 30, 1921

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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 nine 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 securities in the sum of one hundred eleven and one-ninth per cent (111 1/9%) covering real estate 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 securities or other first mortgage real estate 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.

Treasurer of the Philippine Islands.'

"Changes in this Act or in the laws of the Philippine Island 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. 12. 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 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 Islands, and by notification of the Bureau of Insular Affairs at least three months before said redemption.

"SEC. 13. The board of directors may, at the request of the holder, authorize the payment of the interest on any bond at the branches or agencies of the Bank in the municipalities of the Philippine Islands or in the United States.

"SEC. 14. Said National Bank is hereby authorized to issue circulating notes in an amount not exceeding the paid-up capital stock and surplus of said Bank plus the amount of gold coin of the United States held in the Bank's own vaults or to its order in the Treasury of the Philippine Islands or of the United States or in solvent National Banks of the United States or in any Federal Reserve Bank thereof of: Provided, however, That in cases of emergency, and subject to the approval of the Board of Control, the Secretary of Finance may authorize the National Bank to rediscount commercial paper of not over six months maturity, secured by exports or imports, and may issue against said commercial paper circulating notes for sums not to exceed seventy-five per centum of the value thereof, the remaining twenty-five per centum of the issue to be deposited in lawful currency in the vaults of the Insular Treasury, as a reserve for their redemption.

"Said circulating notes, if issued in cases of emergency, shall be subject to a tax in favor of the Insular Government of one-fourth of one per centum per month.

"The securities described in section ten, subsection (a), of this Act, and the proceeds thereof shall be held inviolable for the payment and redemption of said circulating notes. Said circulating notes shall be engraved and shall be payable on demand to the bearer in lawful money of the Philippine Islands. There shall at all times be held by said National Bank a sum not less than twenty-five per cent of the total amount of said circulating notes issued and outstanding and not covered by gold coin of the United States as herein provided for in lawful money of the Philippine Islands.

"Said sum shall be available only for the purpose of redeeming the circulating notes herein provided for.

"It is hereby further provided that in addition to the circulating notes above provided for, said National Bank shall have authority to issue its circulating notes against gold coin of the United States to the full value thereof: Provided, however, That such gold coin against which circulating notes have been issued shall be held by said Bank and used for no other purpose except the redemption of said circulating notes. The said Bank, however, shall have the privilege of redeeming said circulating notes in any lawful money of the Philippine Islands. Such

circulating notes shall be exempt from any and all taxes levied or assessed by the Philippine Government, or any department, division or subdivision thereof.

"The said circulating notes shall be receivable by the Philippine Government in payment of all taxes, dues or other claims due or owing to said Government, and shall be redeemed by the Bank on demand, in lawful money of the Philippine Islands, at the Central Office in Manila.

"SEC. 15. The National Bank is hereby authorized to receive deposits of funds of the Insular Government, the provinces, municipalities, Postal Savings Bank, associations, corporations, and private persons, and it is hereby made obligatory for the aforesaid Insular, provincial, and municipal governments to make their deposits in the National Bank: Provided, however, That whenever the National Bank shall refuse to receive on deposit any funds of the Insular, provincial or municipal governments or the Postal Savings Bank, or whenever in the judgment of the Secretary of Finance, it is in the public interest to make deposits from public funds in other banks or institutions legally authorized to receive such deposits, he is hereby authorized to cause the same to be done under such terms and conditions as he may deem proper.

"SEC. 16. The affairs and business of the National Bank shall be directed and its property managed and preserved, unless otherwise provided in this Act, by a board of directors consisting of nine members duly elected as herein-after provided, who shall be paid a per diem of thirty pesos for each session of the board of directors attended by them.

"SEC. 17. Within the first twenty days after the approval of this Act, and annually on the first Tuesday after the first Monday in March, beginning with the year nineteen hundred and twenty-two, the stockholders shall meet to elect the members of the board of directors for the current year, each stockholder or proxy to be entitled to as many votes as he may have shares of stock, registered in his name on the thirty-first of January last preceding and held by him at the time of the election. Immediately after the election, the directors elected shall organize as such and elect from amongst themselves a president and a vice-president, which latter shall assist the president and act in his stead in case of absence or incapacity: Provided, That no director or employee of any other bank shall be eligible as member of the board of directors of the National Bank.

"SEC. 18. The orders and resolutions of the board of directors shall be carried out by a general manager who shall be chief executive of the Bank and shall be paid an annual salary to be fixed by the board of directors with the approval of the Board of Control, and an assistant general manager, who shall assist the general manager and act in his stead in case of absence or incapacity, and shall be paid a salary to be fixed by the board of directors, with the approval of the Board of Control. The general manager shall be appointed by the board of directors, with the advice and consent of the Board of Control, and may be removed in a like manner.

"SEC. 19. The board of directors shall, among other duties, powers, and authority, have the following:

"(a) Fix from time to time the rate of interest, discount or exchange to be charged by said Bank and have the same published in the Central Office; fix different rates of interest on loans, in accordance with the different classes of securities herein specified: Provided, That before making any discounts, loan, discount or other advance of funds, it shall require definite security in written form to protect each and every loan, discount, or other advance of funds made by it; cause the officer designated for this purpose to keep possession of the collateral security for every loan and, in case of a mortgage, order the registration of the proper document in the office of the register of deeds of the city or province in which the property is situated. The margin of such collateral security over and above the loan, discount or other advance of funds shall be at all times thirty per centum of its market value; documentary bills of exchange, however, when the Bank has indubitable evidence that the goods have been sold, may be discounted at their full value. Nothing herein contained shall be construed to authorize the National Bank to make any loan or discount on the security of the shares of its own capital stock, nor be the 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; but stock so purchased or acquired shall, within six months from the time of its purchase, be sold or disposed of at public or private sale.

"(b) Establish branches or agencies in the United States of America and in other countries at such points as it may deem advisable. These branches shall, among other functions, perform the following:

"To receive, transmit, and disburse any funds of the Philippine Government payable in the United States.

"To receive, transmit, and disburse any funds of the United States Government which may be placed on deposit with, or entrusted to it.

"To receive, transmit, and disburse any funds of individuals, firms, companies, or corporations engaged in business in the Philippine Islands, or having interests therein.

"To engage in business to the extent permitted by law of the United States with the Federal Reserve Bank of the district in which said branches or agencies may be located, and if and when permitted by law of the United States, to conduct a deposit and discount business with the said Federal Reserve Bank to the extent that conditions may require, under the instructions of the board of directors of the said National Bank.

"These branches shall be authorized to exercise the powers conferred upon them by the board of directors and shall send detailed daily reports of their operations to the central office at Manila and submit to periodical inspection by an auditor designated by the board of directors.

"(c) Establish branch banks or agencies in the provincial capitals and in those municipalities in which, in their judgment, the industrial, commercial, or agricultural movement may require it.

"The agents and other officers and employees of said branch banks shall be appointed and may be removed in accordance with the provisions of section twenty-three of this Act, and shall furnish bond in a sum to be fixed in each case by the board of directors.

"With the authorization of the proper Department Secretary first had, the board of directors may appoint as agents, cashiers, or tellers of said banks the provincial or municipal treasurers, who shall in this case furnish such bond and receive such additional compensation as the bank may determine, and shall be removable from office, not only as such agents, cashiers, or tellers, but also as such provincial or municipal treasurers, by the Governor-General, for violation of the provisions of this Act or of the by-laws of the Bank or any instructions received by them from said Bank.

"SEC. 20. The general manager of the Bank, shall, among others, have the following powers and duties:

"(a) To make loans on commercial paper for periods of time not to exceed four months and in sums not exceeding fifty thousand pesos to any one person, company, corporation or firm, but he is required to submit a report on each such loan to the board of directors at its next succeeding session;

"(b) To make, with the advice and consent of the board of directors, all contracts on behalf of the said Bank and to enter into all necessary obligations by this Act required or permitted;

"(c) To report weekly to the board of directors the main facts concerning the operations of the Bank during the preceding week and to suggest changes in rates of discount, exchange, or of policy which may to him seem best;

"(d) To furnish, upon request of the Secretary of Finance, Governor-General or Board of Control, any information in his possession regarding the operations of said Bank.

"SEC. 21. The Secretary of Justice shall be attorney for said National Bank and may, whenever he may deem it proper, in specific cases delegate his duties to the Attorney-General or Solicitor-General, the Fiscal of the City of Manila or any provincial fiscal, as the case may be: Provided, however, That the board of directors of said Bank, with the approval of the Secretary of Justice, shall have power to employ such additional attorneys as may be necessary.

"SEC. 22. The Insular Auditor shall be ex-officio auditor of the National Bank and shall, with the advice and consent of the Board of Control, appoint a representative who shall be chief of the auditing department of the Bank. All the other employees of the department shall be appointed by the Insular Auditor who, with the approval of the Board of Control, shall fix the salaries of the same as well as that of his representative, the chief of the department. The operating expenses of the department and the salaries and traveling expenses of the employees thereof shall be payable by the Bank, and the board of directors shall make the necessary appropriation therefor. The representative of the Insular Auditor shall make a quarterly report on the condition of the Bank to the Governor-General of the Philippine Islands, through the Secretary of Finance, to the Board of Control, to the Insular Auditor, and to the board of directors of said Bank. The report shall contain, among other things, a statement of the resources and liabilities, including earnings and expenses, the account of capital stock, dividends paid, surplus reserve, and undivided profits, as well as the losses, bad debts, and suspended and overdue paper carried in the Bank's assets as of the day on which the statements are compiled.

"SEC. 23. All the other officers and employees of the National Bank shall be appointed and removed by the board of directors, on recommendation of the general manager. Said officers and employees shall not be subject to the Civil Service Law, and their duties and compensations shall be fixed by the general manager, with the approval of the board of directors: Provided, further, That whenever the president or vice-president, by order of the board of directors, shall temporarily or permanently perform duties incumbent upon other officers or employees, they may be granted compensation additional to the bonus fixed by this Act for the president and vice-president; but the resolution of said board shall not take effect until the written approval of the members of the Board of Control has been obtained. The orders of said board of directors in this respect may be modified or repealed at any time, provided they are approved in each case by the Board of Control.

"SEC. 24. The board of directors may require the officers and employees of the Bank and its branches, before entering upon the performance of their duties, to furnish a fidelity bond for the benefit of the Bank, in the form and amount prescribed by the said board of directors. For this purpose, and for this purpose alone, all officers and employees of whom a bond is required shall be deemed public officers and employees, respectively, and the provisions of the Public-Bonding Law, Chapter Fifteen of the Administrative Code, are hereby made applicable to the same.

"SEC. 25. The National Bank shall be subject to inspection by the Insular Treasurer with regard to its solvency in the manner provided by law.

"SEC. 26. The Insular Treasurer and Auditor, or other officers designated by law to inspect or investigate the condition of said National Bank, shall not reveal to any person other than the Governor-General, the Secretary of Finance, and the board of directors the details of the inspection or investigation, nor shall they give any information relative to the funds in its custody, its current accounts or deposits belonging to private individuals, corporations, or any other entity, except by order of a court of competent jurisdiction.

"SEC. 27. The Secretary of Finance, the Insular Treasurer, the Insular Auditor, and the latter's representative, the chief of the auditing department of the Bank, are hereby prohibited from owning stock in the National Bank, or from becoming indebted to said National Bank, directly or indirectly in any sum.

"SEC. 28. Nothing contained in this Act shall be construed to prevent the National Bank from taking over and extending upon terms and conditions which to the board of directors shall seem just for a period of not exceeding five years the loans already made and outstanding at the time of the passage of this Act by private banks with Government funds deposited in said banks, but in no event shall the amount of said loans thus taken over by the National Bank exceed one million five hundred thousand pesos, and no part of such loans so taken over shall be considered as subject to any restrictions elsewhere provided in this Act as to the amount of its capital which may be used by said Bank for any specific purpose, and in this case it shall be the duty of the Insular Treasurer to keep on deposit in the National Bank a sum equivalent to the total amount of said loans for a period of time not exceeding five years.

"SEC. 29. The National Bank shall not, directly or indirectly, grant loans to any of the members of the board of directors, the general manager, assistant general manager, and employees of the Bank, nor to agents or employees of the branch banks, and no loan shall be granted to a corporation, partnership or company wherein any member of the board of directors is a shareholder, agent or employee in any manner, except by the unanimous vote of the members of the board, excluding the member interested: Provided, That the total liabilities to the Bank of any corporation wherein any of the members of the board of directors is a shareholder, agent or employee in any manner, shall at no time exceed ten per centum of the surplus and paid-up capital of the Bank.

"SEC. 30. The National Bank is hereby authorized to purchase and own such real estate as may be necessary for the purpose of carrying on its business. It is also authorized to hold such real estate as it may find necessary to acquire in the collection of debts due to the said Bank or to its branches; but real estate acquired in the collection of debts shall be sold by the said Bank within five years after the date of its acquisition.

"SEC. 31. The Bank is hereby authorized to erect bonded warehouses for depositing therein the goods given to it in pledge, in any provincial capital or any municipality where the commercial movement or industrial or agricultural importance of the place may require it.

"SEC. 32. The mortgagor shall have the right, within one year after the sale of real estate as a result of the foreclosure of a mortgage, to redeem the property by paying the amount fixed by the court in the order of execution, with interest thereon at the rate specified in the mortgage, and all the costs and other judicial expenses incurred by the Bank by reason of the execution and sale and for the custody of said property.

"SEC. 33. If, from any cause whatsoever, any of the securities specified for the loans provided for in this Act or accepted by said Bank as security for loans or discount decline or depreciate in market value in part or as a whole, or on nonperformance of any promise made to secure the loan or discount, or upon bills of exchange, notes, and checks, the said Bank may demand additional securities or may forthwith declare any such obligation due and payable and upon three days' notice, if practicable, or without such notice, if otherwise demand, sell, assign, transfer, and deliver the whole of said securities or any part thereof, or any substitutes therefor, or any additions thereto, or any other securities or property given unto or left in the possession of, or thereafter given unto or left in the possession of the said Bank for safekeeping or otherwise, at any brokers' board or at public or private sale, at the option of said Bank, without either demand, advertisement, or notice of any kind, and at such sale, if public, the said Bank may itself purchase the whole or any part of the property sold, free from any right of redemption on the part of the mortgagor or pledgor. In case of sale for any cause, after deducting all costs or expenses of any kind for collection, sale or delivery, the said Bank may apply the residue of the proceeds of the sale so made, to pay one or more or any or all of the said liabilities to the said Bank, as its general manager shall deem proper, whether then due or not due, making proper rebate for interest on liabilities not then due, returning the overplus, if any, to the mortgagor or pledgor who shall remain liable to and pay to said Bank or any deficiency arising upon such sale or sales.

"SEC. 34. If the proceeds of the sale of securities held as collateral for loans by said Bank do not cover the full 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 to the debtor.

"SEC. 35. The provisions of Act Numbered Seventeen hundred and fifty-four and its amendments are hereby made applicable to violations of the law consisting in the making, or causing to be made, and circulating, or causing to be circulated, forged notes and bonds in imitation of those of the National Bank.

"SEC. 36. No fee or charge of any kind by way of commission shall be exacted, demanded or paid, for obtaining loans, and any officer, employee, or agent of the Bank exacting, demanding, or receiving any fee for service in obtaining a loan or for use of his influence to obtain a loan, shall be punished as hereafter established for violation of this Act.

"SEC. 37. The Bank shall not, during the time it shall continue its banking operation, withdraw or permit to be withdrawn, either in the form of dividends or otherwise, any portion of its capital. If losses have been sustained by the Bank equal to or exceeding the undivided profits on hand, no dividend shall be made; no dividend shall ever be made by the Bank, to an amount greater than its net profits then on hand, deducting therefrom its losses and bad debts. All debts due to the Bank, on which interest is past due and unpaid for a period of six months, unless the same are well secured, and in process of collection, shall be considered bad debts within the meaning of this section. After deduction of the administration expenses, the net profits or gains resulting from the operations of said National Bank shall be apportioned semiannually as follows:

"For the creation and maintenance of a reserve, a sum equal to fifty per centum of the net profits. The remaining fifty per centum shall be distributed among the stockholders in the form of dividends: Provided, however, That the dividends so to be distributed shall not exceed in any calendar year twelve per centum of the paid-up capital and legal reserve: And provided, further, That in case there is a surplus after the necessary provision has been made for the legal reserve and dividends above mentioned, such surplus shall be transferred to the account of undivided profits.

"SEC. 38. All profits assigned as dividends to the shares of the Government shall be paid into the Insular Treasury, for the general funds thereof.

"SEC. 39. The legal existence of the National Bank as reorganized by this Act shall be for a period of fifty years, counting from the day on which it began officially its operations. This period may be extended for fifty years more by an Act of the Philippine Legislature.

"SEC. 40. All banks not organized and transacting business under a charter granted by the Philippine Legislature expressly exempting them from the restrictions and penalties of this section, and all persons or corporations doing the business of bankers, brokers, or savings institutions, are prohibited from using the word "national" as a portion of the name or title of such bank, corporation, firm or partnership ; and any violation of this prohibition committed after ninety days subsequent to the date of enactment of this Act shall subject the party chargeable therewith to a penalty of not less than one hundred pesos for each day during which it is committed or repeated.

"SEC. 41. The board of directors of the National Bank is hereby authorized and obliged to adopt the necessary regulations for its operation, in conformity with this Act and the Corporation Law the provisions whereof are hereby made applicable to the Philippine National Bank, in so far as they are not contrary to or inconsistent with the provisions of this Act.

"SEC. 42. All Acts or parts of Acts inconsistent or incompatible with the provisions of this Act are hereby repealed.

"SEC. 43. Any member of the board of directors of the National Bank who knowingly violates or knowingly permits any of the officers, agents, or servants of the Bank to violate any of the provisions of this Act, and any officer, employee, agent, or servant of the Bank who violates any of the provisions of this Act and any person aiding and abetting the violation of any of the provisions of this Act, shall be punished by a fine not to exceed ten thousand pesos or by imprisonment not to exceed five years or by both such fine and imprisonment.

"SEC. 44. The National Bank shall at all times keep on hand in its vaults or with the Treasury of the Philippine Islands a sum in lawful money either of the Philippine Islands or of the United States which shall be computed as follows:

"Twenty-five per cent of the circulating notes outstanding not covered by gold coin as provided in section eighteen of Act Numbered Twenty-six hundred and twelve, as amended by this Act.

"Twenty per cent of the demand deposits outstanding and credited on its books, and of the fixed deposits maturing, within thirty days; except funds as are on deposit with solvent banks in the United States and

collateraled by securities approved by the Insular Treasurer, or in solvent banks approved by the Insular Treasurer: Provided, That if the National Bank shall have funds subject to check with National Banks or Federal Reserve Banks of the United States, such funds may be considered as constituting a part of the twenty per cent specified in this section up to a sum to be fixed from time to time by the Secretary of Finance, with the approval of the Governor-General.

"Whenever the lawful money kept by the Bank in all its vaults or with the Treasury of the Philippine Islands as required in this section shall be below the amount herein prescribed, the Bank shall not diminish the amount of such lawful money by making any new loans or discounts until the required proportion between the aggregate amount of its deposits and circulating notes and its lawful money has been restored: Provided, however, That the Secretary of Finance, at the request of the board of directors of the Bank duly approved by the Board of Control, whenever in his judgment the general interests of the country require it, shall be authorized to suspend for such period as may be necessary the requirement of maintaining the proportion of the reserve specified in this Act. The Bank shall make a daily report showing the condition of its reserve as required by this Act, and the amount thereof and place where kept.

"SEC. 45. The National Bank is hereby authorized to guarantee both as to principal and interest, or either, bonds issued by duly incorporated companies for the erection of and addition or additions to industrial plants or manufactories principally used for the manufacture and preparation of the products of the Philippine Islands: Provided, however, That such guarantee shall only be lawful when approved by the Board of Control.

"Subject to the same approval, the National Bank is hereby authorized to purchase bonds issued by any duly incorporated company engaged in the manufacture or preparation of products in the Philippine Islands. Such bonds shall be secured by a first mortgage or deed of trust on the property of the company. The face value of the bonds issued and secured by such mortgage or deed of trust shall not exceed sixty per cent of the fair value of the property securing the bonds. The property serving as security for the bonds shall consist of land, buildings, machinery, and equipment of such company in the Philippine Islands."

SEC. 2. This Act shall take effect on its approval.

Approved, January 30, 1921.

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