

AN ACT CREATING THE PHILIPPINE NATIONAL BANK.

Act No. 2612., February 04, 1916

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

SECTION 1. There is hereby created a bank to be known as the Philippine National Bank, the short title of which shall be the National Bank. Its principal domicile and place of business shall be in the city of Manila.

SEC. 2. The said National Bank, upon its organization, shall be a body corporate and shall have power:

- (a) To prescribe its by-laws;
- (b) To adopt and use a seal;
- (c) To make contracts;
- (d) To sue and be sued;
- (e) To exercise the powers granted in this Act and such incidental powers as may be necessary to carry out the business of banking within the limitations prescribed by this Act; and
- (f) To exercise, further, the general powers mentioned in the Corporation Law in so far as they are not inconsistent or incompatible with the provisions of this Act.

SEC. 3. The capital of the National Bank shall be twenty million pesos, Philippine currency, divided into two hundred thousand shares of the value at par, of one hundred pesos, Philippine currency, each.

Shares of stock subscribed from the passage of this Act until January thirty-first, nineteen hundred and seventeen, shall be paid as follows:

Sixty per cent' of the value at the time of the subscription;

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

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

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

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

Shares subscribed after January thirty-first, nineteen hundred and seventeen shall be paid in the form and manner prescribed by the board of directors of the bank.

The certificate of shares shall clearly set forth:

- (a) The part of the value paid up;
- (b) The form and conditions under which subsequent payments shall be made, as well as the penalty incurred in case of delinquency.

The penalty for delinquency in every case shall be fixed by the board of directors.

SEC. 4. The Government of the Philippine Islands not later than January thirty-first, nineteen hundred and seventeen, shall purchase one hundred and one thousand shares, at par, of the said National Bank, the payment for

said shares of the Government to be made as hereinafter provided. Ninety-nine thousand shares of said capital stock shall be offered to the public at par, as hereinafter provided.

SEC. 5. The following sums are hereby appropriated for the payment of the shares to be purchased by the Government of the Philippine Islands.

(a) The sum of one million three hundred thousand pesos which is hereby appropriated out of any funds in the Insular Treasury not otherwise appropriated;

(b) One million pesos, on or before July thirty-first, nineteen hundred and sixteen, and another one million pesos on or before January thirty-first, nineteen hundred and seventeen, which shall be invested from the insurance fund created by Act Numbered Seventeen hundred and twenty-eight, the public works bonds sinking fund, created by Act Numbered Seventeen hundred and twenty-nine, and the friar lands bonds sinking fund, created by Act Numbered Twenty-five hundred and fifty: Provided, however, That should in any year the interest earned by stock held for the benefit of such funds not equal at least four per centum per annum, the Insular Treasurer shall pay r into each of such said funds the sum necessary from any v money not otherwise appropriated in the Insular Treasury, and for this purpose there is hereby appropriated such amount or amounts as may be necessary to make the earnings of such sum or sums so invested in National Bank stock equivalent to four per centum per annum of the funds so invested; but should in any succeeding year the sum earned by such investments of the proceeds of the funds herein described in the stock of the National Bank exceed four per centum per annum on the amount or amounts so invested, the Insular Treasury shall be reimbursed from the earnings in excess of four per centum per annum for any money paid into such funds in accordance herewith: And provided further, That at such time as the Governor-General shall direct, not later than five years before the payable date of such bonds, the stock of the National Bank purchased for the benefit of said funds shall be purchased by the Government from any funds of the Philippine Government not otherwise appropriated at a price not less than the par value of such stock plus such portion of the surplus earned by said National Bank stock ratable to the stock issued, and such sum or sums as may be necessary for such purposes are hereby appropriated. There is hereby created a continuing appropriation from a any funds in the Insular Treasury not otherwise appropriated, as follows: On January thirty-first, nineteen hundred and seventeen, and on each succeeding anniversary thereof, to and including January thirty-first, nineteen hundred and twenty-one, one million pesos, which sums as appropriated shall be invested by the Insular Treasurer -without further authorization in the stock of the National Bank herein created. The foregoing appropriations in this section provided shall be considered payments finally to complete the purchase of the said one hundred and one thousand shares of the stock of the National Bank which the Government of the Philippine Islands is obligated to purchase under section four of this Act: And provided further, That the voting power of all stock purchased directly by the Philippine Government as an investments from the general funds of the Government, and the voting power of all stock purchased for the benefit of the insurance fund, of the public works bonds sinking fund, and of the friar lands bonds sinking fund, shall be vested j exclusively in the Governor-General.

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 redeemed by the Government and become the property thereof: Provided, That by the agreement between the Insular Treasurer and the National Bank, the said National Bank may renew such credits for a period not exceeding five years without losing the benefit of the above guaranty. There are hereby appropriated, out of any funds in the Insular Treasury not otherwise appropriated, such sums as may be necessary from time to time to make such payments.

SEC. 8. At 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. The National Bank shall be inaugurated within one hundred and eighty days from and after the passage of this Act, and the Governor-General shall fix such inauguration by proclamation upon the certificate of the Insular Auditor and the president of the bank that said institution is ready to begin operations.

SEC. 10. Said National Bank is hereby authorized to loan not to exceed fifty percent of its capital and surplus and all amounts realized from the sale of real estate bonds, as provided in section fifteen herein, on notes secured by real estate mortgages. Payment of such notes shall be secured by first mortgages on farm lands in the Philippine Islands, and in no case shall such loans exceed sixty percent of the actual value of said land, exclusive of buildings: Provided, however, That where buildings or machinery for the preparation or manufacture of sugar, copra, or other staple products of the Philippine Islands have been erected on real estate, said buildings and machinery may be appraised as a part of said real estate, in which case 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 machinery. The due date of said mortgages shall not be less than one year from the date thereof, nor more than thirty years. The said mortgages may, by their terms, be made payable at one time or in installments: Provided, That when the due date of the mortgage is more than five years after the date of 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. Application for such loans shall be in writing and under oath. The said applications shall contain, among other things:

- (a) A detailed description of the real estate;
- (b) An appraisal thereof at its reasonable market value;
- (c) A full statement of the purposes for which the loan is desired.

It shall be unlawful to use the proceeds of said loan, or any part thereof, for any purpose or purposes except the purpose or purposes set out in said application. Any violation of this clause shall be sufficient cause for the rescission of the contract and the foreclosure of the mortgage.

SEC. 11. Said National Bank is hereby authorized to loan not to exceed thirty per cent of its capital and surplus and the full amount of circulating notes provided for in section eighteen hereof on promissory notes, drafts and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, or the proceeds of which have been used or are to be used for such purposes. Notes, drafts and bills of exchange admitted to discount under the terms of this section, must have a maturity at the time of discount of not more than one hundred and twenty days. Said National Bank may also discount acceptances which are made upon the importation and exportation of goods, which said acceptances have a maturity at the time of discount of not more than one hundred and twenty days: Provided, however, That said bank may at any time, by and with the written consent of the Governor-General, reduce that part of the capital and surplus available under this section by transferring any part

or portion of the same not in use to that part of the capital and surplus available under section twelve whereupon the same shall become available in addition to the amount provided in said section twelve for loans under that section. Any such sum so transferred may be returned for use under this section at the discretion of said bank.

SEC. 12. Said National Bank is hereby authorized to make loans of not to exceed twenty per cent of its capital and surplus, seventy per cent of its deposits subject to check, and eighty-five per cent of its time deposits on any classes of bankable paper not intended for use under sections ten or eleven herein: Provided, however, That the restriction contained in this section shall not be applicable to mortgage loans made by the Agricultural Bank with funds derived from deposits of all kinds made with the said Bank and transferred to the National Bank in accordance with section six of this Act.

SEC. 13. In the application of the thirty and twenty per cent specified in sections eleven and twelve of this Act, preference shall be given to the loans mentioned in section fourteen hereof.

SEC. 14. Said National Bank is further authorized:

(a) To make loans on 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: And 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.

(b) 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, etc.: 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 livestock, machinery, and agricultural implements.

The amounts which may be used for loans referred to by this section shall be taken out of the thirty per centum and twenty per centum of the capital and surplus of the Bank and of such other funds and resources thereof as are mentioned in sections eleven and twelve which may be used for such loans as well as in such other transactions mentioned in said sections in the discretion of the board of directors of the Bank.

SEC. 15. The National Bank is hereby authorized to issue real estate bonds in any sum not to exceed ninety per cent of the amount of real estate loans held by said bank, under section ten herein. Said bonds shall be engraved. Said bonds shall be signed by the president of the bank, authenticated by the Insular Auditor and shall bind the bank to pay the bearer thereof on the date therein named the principal sum mentioned in said bond with interest payable semi-annually at such rate as the board of directors may fix.

Said bonds shall be payable, both principal and interest, in gold coin of the United States: Provided, however, That bonds held by persons or corporations resident in the Philippine Islands shall be payable in lawful money of the Philippine Islands, or in gold coin of the United States at the option of the said bank. The amount of said real estate bonds outstanding as herein provided, falling due on any given date or prior to such given date, shall never at any time exceed the real estate notes as described in section ten herein held by the said bank, which fall due on the said given date or prior thereto.

Said real estate bonds shall be receivable by the Insurance Commissioner under section one hundred and seventy-eight of Act Numbered Twenty-four hundred and twenty-seven. Said bonds shall also be receivable by way of security in all customs and internal revenue transactions where security is required, and in any and all

cases where by statute security may be required in dealings with the Government. Said bonds shall be exempt from any and all taxes levied or assessed by the Government of the Philippine Islands, or any department, division or subdivision thereof.

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

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

.....
"Treasurer of the Philippine Islands."

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

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

SEC. 16. Said bonds shall be issued in such amounts and form, at such times, and for such periods as may be expressly provided by resolution of the board of directors of the Philippine National Bank. Said bonds shall be redeem- -able 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. 17. 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. 18. Said National Bank is hereby authorized to issue its notes, which said notes shall be known as circulating notes. Said notes shall never be issued in any amount exceeding seventy-five per cent of the securities held by said National Bank, under above section eleven: Provided, That the total amount of such circulating notes outstanding at the end of the first year said bank commences the transaction of business shall not exceed twenty per cent of the capital and surplus of said bank; and that the total amount of said circulating notes outstanding at the end of the second year shall not exceed thirty per cent of said capital and surplus, and that the total amount of said circulating notes outstanding at the end of the third year shall not exceed forty per cent of said capital and surplus, and that the total amount of said circulating notes outstanding at the end of the fourth year shall not exceed fifty per cent of said capital and surplus, and that the total amount of said circulating notes outstanding at any time shall not exceed sixty per cent of the full amount, of said capital and surplus. The said securities

described in section eleven 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 bank a sum not less than thirty-three and one-third per cent of the total amount of said circulating notes outstanding in lawful money of the Philippine Islands. Said sum shall be available only for the purpose of redeeming the circulating notes herein provided for. Said circulating notes shall be exempt from any and all taxes levied or assessed by the Philippine Government, or any department, division or subdivision thereof.

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.

SEC. 19. The Philippine 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. The interest paid by said bank on deposits so made shall not exceed four per centum per annum: Provided, however, That whenever in the judgment of the Governor-General it is in the public interest to make deposits from public funds in other banks he is hereby authorized to cause the same to be done under such terms and conditions as he may deem proper.

SEC. 20. The affairs and business of the National Bank shall be managed by a board of directors consisting of the president of the bank, who shall be chief executive thereof and chairman of the board at the same time, one vice-president, who shall assist the president and act in his stead in case of absence or incapacity, and five members elected as hereinafter provided.

The president of the bank shall have power to make loans on commercial paper for periods of time not to exceed four months and in sums not exceeding fifty thousand pesos in any one case, but he is required to submit a report on each such loan to the board of directors at its next succeeding session. It shall also be his duty-

- (a) 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;
- (b) 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 ;
- (c) To furnish, upon request of the Governor-General of the Philippine Islands, any information in his possession regarding the operations of said bank.

SEC. 21. The president and vice-president shall be appointed by the Governor-General, by and with the consent of the Upper House of the Philippine Legislature, and may be removed for cause by said Governor-General, by and with the consent of said House. The five remaining members shall be elected and may be removed in accordance with the provisions of Act Numbered Fourteen hundred and fifty-nine, the Corporation Law.

SEC. 22. All the other officers and employees of said National Bank shall be appointed and removed by the president P thereof: Provided, however, That for the appointment and removal of those receiving more than two thousand pesos per annum, the approval of the board of directors shall be required. The officers and employees of

said bank shall not be subject to the Civil Service Law, and their duties and compensations shall be fixed by the president with the approval of the board of directors.

SEC. 23. The president of the National Bank shall, before assuming charge of the government thereof, furnish bond in a sum of not less than two hundred and fifty thousand pesos, and the vice-president shall furnish bond in the sum of one hundred thousand pesos for the faithful performance of their duties. Each of the other members of the board of directors, shall furnish a like bond of ten thousand pesos.

SEC. 24. All the other officers and employees of said National Bank or any branch thereof, shall, before entering upon the performance of their duties, furnish a fidelity bond for the benefit of said National Bank, in the form and amount prescribed by the board of directors of the National Bank. For this purpose, all officers and employees of the National Bank shall be deemed public officers and employees, respectively, and the provisions of Act Numbered Twenty-four hundred and thirty-six, of the Philippine Legislature, creating the fidelity fund, are hereby made applicable to all said officers and employees.

SEC. 25. The Attorney-General of the Philippine Islands shall be attorney for said National Bank: Provided, however, That the board of directors of said bank shall have power to employ other attorneys in special cases.

Sec. 26. The Insular Auditor shall be ex officio auditor of the National Bank and it shall be his duty to make an examination of the books and the administration of the bank at least once every three months and report thereon to the Governor-General of the Philippine Islands and the board of directors of said bank.

SEC. 27. The National Bank shall be subject to inspection by the Insular Treasurer with regard to its solvency in the manner provided by law.

SEC. 28. The Secretary of Finance and Justice, the Insular Treasurer, and the Insular Auditor 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. 29. 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 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. 30. The president of the National Bank shall be appointed for a term of six years. In case he is a person not in the service of the Insular Government at the time of his nomination, he shall receive an annual salary of twenty-four thousand pesos, and in case he is in the service of the Insular Government or of the provincial or municipal governments of the Philippine Islands, or of the municipal government of the city of Manila, or in the service of the said National Bank at the time of his nomination as such president at any time within the period of one year next preceding such nomination, he shall receive a salary of twenty thousand pesos per annum. The vice-president shall hold office for a like term as the President and shall receive an annual salary of twelve thousand pesos: Provided, however, That the vice-president shall receive the same salary as the President when acting in the stead of the latter. The other five members of the board of directors shall hold office for one year and receive per diems of twenty pesos for each meeting actually attended by them.

SEC. 31. The stockholders shall meet on the first Tuesday after the first Monday in March of each year to elect the five directors or members of the board of directors for the current year, each stockholder or his authorized proxy being entitled to as many votes as there were shares registered in his name on January thirty-first immediately preceding and owned by him on the date of election.

SEC. 32. The board of directors created by section twenty of this Act shall have general supervision, management, and control of the affairs of said bank and shall from time to time fix the rate of interest, discount or exchange to be charged by said bank and make public announcement of the same at the head office. The board of directors may also fix different rates of interest on loans in accordance with the different classes of securities herein specified: Provided, That it shall not be lawful for said National Bank to charge interest on overdrafts. The board of directors shall make and publish semiannually a general balance of the business of said bank.

SEC. 33. The said National Bank, by this Act created, may establish not to exceed two branches or agencies in the United States of America, at such points as may be determined upon by the board of directors of the said National Bank. It shall be the function of each of the said agencies-

- (a) To receive, transmit and disburse any funds of the Philippine Government payable in the United States.
- (b) To receive, transmit and disburse any funds of the United States Government which may be placed on deposit with, or entrusted to it.
- (c) To receive, transmit and disburse any funds of individuals, firms, companies or corporations engaged in business with the Philippine Islands, or having interests therein.
- (d) 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.

SEC. 34. The National Bank may establish branch banks in the provincial capitals and in those municipalities in which, in the judgment of the board of directors, 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-two 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 Governor-General 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. 35. The branch banks of the National Bank are authorized to exercise the powers conferred upon them by the board of directors of the bank.

SEC. 36. The branch banks shall make detailed daily reports of their transactions to the central office of the National Bank at Manila, and shall submit to a periodical examination by an examiner to be designated by the board of directors of the National Bank.

SEC. 37. The National Bank shall never at any time, under any circumstances, directly or indirectly grant to any individual, company of individuals, firm, corporation, Insular, provincial or municipal government any real estate mortgage loan exceeding the sum of fifty thousand pesos, or any -other loan exceeding the sum of three hundred thousand pesos: Provided, That nothing contained in this section 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. 38. The National Bank shall not directly or indirectly grant loans to any of the members of the board of directors of the bank nor to agents of the branch banks. Said National Bank is hereby prohibited from making any loan directly or indirectly in excess of one thousand pesos to any member of the Philippine Legislature or to any official or employee of the Insular, provincial, or municipal governments except upon satisfactory real estate security.

SEC. 39. 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 three years after the date of its acquisition.

SEC. 40. 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. 41. 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. 42. If, from any cause whatsoever, any of the securities specified for the loans cited in sections twelve and fourteen of this Act is damaged and thereby suffers depreciation in its value, the bank may order such securities to be sold fifteen days after having called upon the debtor, in writing, to increase the amount of such security, if in the meantime said debtor has failed to comply with such request. These sales shall be made, upon ten days public notice, at public auction, without the requirement of any judicial order or process, in the presence of a notary public, who shall draw up the proper record. In order to avoid delay or difficulty in the disposal of such securities, 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 security given is to be considered as transferred to the bank without any further formality, under the conditions set forth therein.

SEC. 43. 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. 44. 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. 45. 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. 46. 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 provided further, That in case there is a surplus after the necessary provision has been made for the reserve and dividend above mentioned, such surplus shall be transferred to the account of undivided profits.

SEC. 47. All profits assigned as dividends to the shares de of the Government shall be paid into the Insular Treasury, for the general funds thereof, and shall be available for any appropriation.

SEC. 48. The legal existence of the Philippine National Bank created 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. 49. 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. 50. For a period of six months from and after the enactment of this Act, the president, with the approval of the board of directors of the National Bank, may, with the prior approval of the proper head of Department in which such official or employee is employed, require the services of any official or employee of the Insular or provincial governments for the purpose of assisting in the organization of the National Bank: Provided, however, That the National Bank shall reimburse to the Bureau or Office concerned the amount of the salary, including the proportionate part of accrued leave, of such officer or employee: And provided further, That the detail of an officer or employee as herein contemplated shall in no case be for a period longer than six months.

SEC. 51. The board of directors of the National Bank is hereby authorized to adopt the necessary regulations for its operation, in conformity with this Act and the Corporation Law.

SEC. 52. All Acts or parts of Acts inconsistent or incompatible with the provisions of this Act are hereby repealed.

SEC. 53. Any person who shall violate 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. 54. This Act shall take effect on its passage.

Enacted, February 4, 1916.

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