

AUTHORIZING BANKS TO INVEST IN THE EQUITY OF VENTURE CAPITAL CORPORATIONS ORGANIZED TO ASSIST SMALL AND MEDIUM-SCALE ENTERPRISES

PRESIDENTIAL DECREE NO. 1688, April 03, 1980

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WHEREAS, it is the declared policy of the State to encourage the growth and development of small and medium-scale enterprises vital to the economic stability of the country;

WHEREAS, it is necessary to make available capital funds to such small and medium-scale enterprises, which funds may be extended by banks;

WHEREAS, it is indispensable to provide and grant banks greater flexibility in assisting enterprises organized to cater to small and medium-scale enterprises;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree:

SECTION 1. With the prior approval of the Monetary Board and subject to existing banking laws, banks may acquire a majority of the equity of a venture capital corporation organized to assist small and medium-scale enterprises primarily in the form of equity financing: Provided, That (a) the equity investment of a bank or of two or more banks shall not exceed sixty per cent (60%) of the total equity of the voting stock in that corporation; (b) the initial paid-up capital of the venture capital corporation shall not exceed five million pesos (P5,000,000.00); (c) any increases in paid-up capital of the venture capital corporation shall be subject to prior Monetary Board approval; and (d) a bank shall not invest in more than one (1) venture capital corporation.

Small and medium-scale enterprises shall refer to enterprises with total assets not exceeding four million pesos or such amount as the Monetary Board may prescribe as may be warranted by prevailing economic conditions.

SEC. 2. Existing provisions of law governing equity investments of banks, insofar as they are not inconsistent with the provisions of this Decree, shall likewise apply to equity investments of a bank in a venture capital corporation. Provided that the venture capital corporation may invest in any small and medium-scale enterprise up to 100% of the equity of the latter.

SEC. 3. The Monetary Board shall issue such rules and regulations as may be necessary to implement this Decree.

SEC. 4. This Decree shall take effect immediately.

DONE in the City of Manila, this 3rd day of April, in the year of Our lord, nineteen hundred and eighty.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(Sgd.) JUAN C. TUVERA

Presidential Assistant

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