

AN ACT CREATING THE REHABILITATION FINANCE CORPORATION

REPUBLIC ACT NO. 85, October 29, 1946

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/b87608d0d6a8/>

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

Chapter I.—Establishment and functions

SECTION 1. Purposes, name and domicile.—To provide credit facilities for the rehabilitation and development of agriculture, commerce and industry, the reconstruction of property damaged by war, and the broadening and diversification of the national economy, there is hereby created a body corporate to be known as the Rehabilitation Finance Corporation, which shall have its principal place of business in the City of Manila and shall exist for a period of fifty years.

SEC. 2. Corporate powers.—The Rehabilitation Finance Corporation shall have power:

- (a) To grant loans for home building and for the rehabilitation, establishment or development of any agricultural, commercial or industrial enterprise, including public utilities;
- (b) To grant loans to provincial, city and municipal governments for the rehabilitation, construction or reconstruction of public markets, waterworks, toll bridges, slaughterhouses, and other self-liquidating or income-producing services;
- (c) To grant loans to agencies and corporations owned controlled by the Government of the Republic of the Philippines for the production and distribution of electrical power, for the purchase and subdivision of rural and urban estates, for housing projects, for irrigation and waterworks systems, and for other essential industrial and agricultural enterprises;
- (d) To grant loans to cooperative associations to facilitate production, the marketing of crops, and the acquisition of essential commodities;
- (e) To underwrite, purchase, own, sell, mortgage or otherwise dispose of stocks, bonds, debentures, securities and other evidences of indebtedness issued for or in connection with any project or enterprise referred to in the preceding paragraphs;
- (f) To issue bonds, debentures, securities, collaterals, and other obligations with the approval of the President, but in no case to exceed at any one time an aggregate amount equivalent to one hundred per centum of its subscribed capital and surplus. These bonds and other obligations shall be redeemable at the option of the Corporation at or before maturity and in such manner as may be stipulated therein and shall bear such rate of interest as may be fixed by the Corporation. Such obligations shall be secured by the assets of the Corporation, including the stocks, bonds, debentures and other securities underwritten, purchased or held by it under the provisions of this Act. The Corporation shall provide for appropriate reserves for the redemption or retirement of said obligations. Such obligations may be issued and offered for sale at such price or prices as the Corporation may determine, and shall be exempt from taxation both as to principal and interest. The said obligations shall be and are hereby fully and unconditionally guaranteed both as to principal and interest by the Government of the Republic of the Philippines and such guaranty shall be expressed on the face thereof. In the event that the Corporation shall be unable to pay debentures, bonds, collaterals, notes or other such obligations issued by it, the Secretary of Finance shall pay the amount thereof, which is hereby appropriated out of any moneys in the National Treasury not otherwise appropriated; and thereupon, to the extent of the amounts so paid, the Government of the Republic of the Philippines shall succeed to all the rights of the holders of such bonds, notes, debentures, collaterals, or other obligations. Subject to the above provisions, the Corporation is

also authorized to issue "Rehabilitation bonds" in denominations of not less than fifty pesos nor more than one thousand pesos redeemable by the Corporation on demand at the option of the holder of said bonds, which may be of the following types: (1) rehabilitation bonds at progressive staggered interest with cumulative face value; and (2) rehabilitation bonds bearing interest as follows: one per cent a year during the first year; two per cent a year during the second year; and three per cent a year during the third and succeeding years, said interest to become due and payable semi-annually and payment thereof to be annotated on the back of each bond certificate. Maturity of both types of bonds shall be fixed by the Board of Governors but in no case to exceed ten years. The Board of Governors shall have the power to prescribe rules and regulations for the registration of the bonds issued by the Corporation at the request of the holders of such bonds.

(g) To adopt, alter, and use a corporate seal which shall be judicially noticed; to make contracts; to borrow money; to lease or own real and personal property, and to sell, mortgage or otherwise dispose of the same; to sue and be sued; to employ such officers and personnel as may be necessary to carry out the business of the Corporation; and otherwise to do and perform any and all things that may be necessary or proper to carry out the purposes of the Corporation.

SEC. 3. Capital stock.—The capital stock of the Corporation shall be three hundred million pesos divided into three hundred thousand shares having a par value of one thousand Pesos each. The said capital stock shall be fully subscribed by the Government of the Republic of the Philippines, and payment thereof shall be made by authority of the President from appropriations provided by law.

Chapter II.—Officers and employees

SEC. 4. Board of Governors.—The affairs and business of the Corporation shall be directed, its powers exercised, and its property managed and preserved by a Board of Governors consisting of the Chairman and six other members to be appointed by the President of the Philippines with the consent of the Commission on Appointments. The Chairman and three other members of the Board to be designated by the President shall render full time service to the Corporation. The term of office of the Chairman and other members of the Board shall be seven years, except that of the first members which shall be one, two, three, four, five, six, and seven years and which shall be specified in their respective appointments. The compensation of the Chairman and other members of the Board of Governors shall be fixed by the President of the Philippines, who may remove any of them for cause.

SEC. 5. Duties and powers of the Board.—The Board of Governors shall have the following powers:

(a) To prescribe, amend and repeal, with the approval of the President of the Philippines, by-laws, rules and regulations governing the manner in which the general business of the Corporation may be conducted and the powers granted by law to the Corporation may be exercised, including a provision for the formation of such committee or committees as the Board of Governors may deem necessary to facilitate its business;

(b) To fix the rates of interest on loans in accordance with the different classes of transactions and securities provided in this Act;

(c) To establish such branches and agencies as may be deemed necessary and convenient;(d) To provide for the appointment and removal and to fix reasonable compensation of such personnel as may be necessary for the expeditious conduct of the business of the Corporation.

SEC. 6. The Chairman.—The Chairman of the Board shall be the chief executive officer of the Corporation. He shall, on behalf of the Board, have the direction and control of the business of the Corporation in all matters which are not by this Act or by the by-laws of the Corporation specifically reserved to be done by the Board of Governors or other officers of the Corporation. SEC. 7. Legal Counsel.—The Secretary of Justice shall be ex-officio the legal adviser of the Corporation. He shall appoint a representative, who shall be the legal counsel of the Corporation. The assistants and personnel of the legal counsel shall also be appointed by the Secretary of Justice. The operating expenses of the office of the legal counsel and the salaries and traveling expenses of the

officers and employees thereof shall be fixed by the Board of Governors and paid by the Corporation.

SEC. 8. The Auditor.—The Auditor General shall be ex-officio auditor of the Corporation and shall appoint a representative, who shall be the auditor in charge of the auditing office of the Corporation. The Auditor General shall upon the recommendation of the auditor of the Corporation, appoint or remove the personnel of the auditing office. The operating expenses of the auditing office and the salaries and traveling expenses of the officers and employees thereof shall be fixed by the Board of Governors and paid by the Corporation. The representative of the Auditor General shall make a quarterly report on the condition of the Corporation to the President of the Philippines, to the Senate through its President and the House of Representatives through its Speaker, to the Secretary of Finance, to the Auditor General and to the Board of Governors of the Corporation. The report shall contain, among other things, a statement of the resources and liabilities including earnings and expenses, the amount of capital stock, surplus, reserve and profits, as well as the losses, bad debts, and suspended and overdue paper carried in the books as assets of the Corporation, and a plantilla of the Corporation.

SEC. 9. Transfer of Functions, Assets and Liabilities of the Agricultural and Industrial Bank.—All the powers vested in and the duties conferred upon the Agricultural and Industrial Bank by Commonwealth Act No. 459, as amended, the funds and properties heretofore placed under the administration of the said Agricultural and Industrial Bank by said Act, and all its capital, assets, accounts, contracts and choses in action, are transferred to the Rehabilitation Finance Corporation, which shall exercise said powers and duties in accordance with the provisions of said Act, except as herein otherwise provided, and shall administer, dispose of, handle and execute said funds, properties, capital, assets, accounts, contracts, or agreements and choses in action in the manner the Corporation may determine in the interest of the funds concerned, and the Corporation shall assume all the liabilities of the Agricultural and Industrial Bank as such or as trustee, as the case may be. The total amount of the unimpaired capital of the Agricultural and Industrial Bank shall be credited to the subscription of the Government of the Republic of the Philippines to the capital stock of the Corporation. The Agricultural and Industrial Bank shall stand abolished on the date when the Corporation shall begin its operations.

Chapter III.—Miscellaneous Provisions

SEC. 10. Rehabilitation Funds for Domestic Banks and Insurance Companies.—All authority, control and administration of the rehabilitation funds provided in Commonwealth Act Numbered Seven hundred twenty-six and in Executive Order No. 107 dated April 20, 1946, as amended, are hereby transferred to the Rehabilitation Finance Corporation, which shall hereafter be the owner of and have the sole power of disposition and control over said funds. Such disposition and control shall be in accordance with the provisions of said Act and Executive Order until the purposes thereof shall have been accomplished. All stock heretofore issued to the Government in exchange for contributions or subscriptions made out of said funds shall be transferred to and issued in the name of the Corporation, and the total amount of said funds shall be credited to the subscription of the Government of the Republic of the Philippines to the capital stock of the Corporation. The powers and functions heretofore conferred upon the Financial Rehabilitation Board shall be assumed and exercised by the Board of Governors of the Corporation.

SEC. 11. Obligations of the Corporation.—Obligations on the Corporation shall be lawful investments, and may be accepted as security for all fiduciary, insurance, trust, and public funds the investment or deposit of which are under the authority, control, or supervision of the Government or any of its officer or officers.

SEC. 12. Prohibitions and penalties.—No member of the Board of Governors, officer, attorney, agent, or employee of the Corporation shall in any manner, directly or indirectly, participate in the deliberation upon or the determination of any question affecting his personal interests, or the interests of any corporation, partnership, or association in which he is directly or indirectly interested. Any person violating the provisions of this section shall

be summarily removed from office and shall upon conviction be punished with a fine not to exceed ten thousand pesos and with imprisonment not to exceed five years.

SEC. 13. No officer or employee of the Corporation nor any government official who may exercise executive or supervisory authority over the said Corporation, either directly or indirectly, for himself or as the representative or agent of others, shall borrow money from the Corporation, nor shall he become a guarantor, indorser, or surety for loans from the said Corporation to others, or in any manner be an obligor for moneys borrowed of the said Corporation. Any such officer or employee who violates the provisions of this section shall be immediately removed by competent authority and said officer or employee shall be punished by imprisonment not less than one year nor exceeding five years and by a fine of not less than one thousand nor more than five thousand pesos.

SEC. 14. No loan shall be granted by the Corporation to a corporation, partnership, or company wherein any member of its Board of Governors is a shareholder, agent or employee in any capacity, except by the unanimous vote of the members of the Board of Governors, excluding the member interested, and with the approval of the President. Any member of the Board of Governors who violates the provisions of this section shall immediately be removed by the President of the Philippines and he shall, furthermore, be punished as provided in the next preceding section.

SEC. 15. No fee, commission, gift, or charge of any kind shall be exacted, demanded, or paid, for obtaining loans from the Corporation, and any officer, employee, or agent of the Corporation exacting, demanding, or receiving any fee for service in obtaining a loan, shall be punished by a fine of not less than one thousand nor more than three thousand pesos and imprisonment for not less than one year nor more than three years.

SEC. 16. Any person who, for the purpose of obtaining, renewing, or increasing a loan or the extension of the period thereof in his own or another's behalf, should give any false information or cause, through his intrigue or machination, the existence and production of any false information with regard to the identity, situation, productivity, or value of the security, or with regard to a point which would affect the granting or denial of the loan, whether the latter has been consummated or not, and every officer or employee of the Corporation who, through connivance or negligence, should allow by action or omission such false information to pass unnoticed, thereby causing damage to the Corporation or exposing the latter to the danger of suffering such damage, shall be punished with imprisonment for not less than three months nor more than three years, and a fine of not less than the amount of the loan obtained or applied for, nor more than three times such amount.

SEC. 17. Any officer or employee of the Corporation who violates, or permits any of the officers, agents, or servants of said Corporation or any other person to violate any of the provisions of this Act not specifically punished in the preceding sections, and any person violating any provision of this Act or aiding and abetting the violation thereof, shall be punished with a fine not to exceed ten thousand pesos and with imprisonment not to exceed five years.

SEC. 18. This Act shall take effect upon its approval.

Approved, October 29, 1946.

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.