

AMENDING THE CHARTER OF THE PHILIPPINE VETERANS BANK AND RENAMING IT THE PHILIPPINE MILITARY AND VETERANS BANK

PRESIDENTIAL DECREE NO. 1906,

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WHEREAS, it is desirable that the objective of establishing and developing a commercial bank which shall ultimately be a privately run bank for the benefit of veterans now be accelerated;

WHEREAS, it is desirable that the benefits through such a banking institution which are available to veterans and their beneficiaries shall also be made to military personnel even before their retirement or honorable discharge from the Armed Forces of the Philippines;

WHEREAS, it is desirable that the ultimate goal of becoming an expanded commercial bank should be facilitated through participation of other military personnel, through their various retirement and mutual aid funds or through any other arrangements, thus taking advantage of economies of scale; and

WHEREAS, under Presidential Decree No. 1416, as amended, the President is empowered to undertake such organizational and related improvements as may be appropriate in the light of changing circumstances and new developments;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution and the authority vested in me by Presidential Decree No. 1416, as amended, do hereby decree and ordain:

SECTION 1. Republic Act No. 3518 entitled “An Act Creating the Philippine Veterans Bank, and For Other Purposes,” as amended, is hereby further amended to read as follows:

“SECTION 1. Name — Domicile and Place of Business — Branches. — The Philippine Veterans Bank is hereby reorganized and renamed as the Philippine Military and Veterans Bank. Its principal domicile and place of business shall be in Metropolitan Manila but branches, agencies, offices, or extensions may be established in the provinces and cities in the Philippines or abroad as the Board of Directors may decide, upon prior approval of the Monetary Board.

“SECTION 2. Corporate Powers. — The Philippine Military and Veterans Bank, upon its organization, shall be a body corporate and shall have the power to carry on and engage in the business of commercial banking and, with prior approval of the Monetary Board, expanded commercial banking; to have and exercise, subject to the laws of the Philippines, all rights, privileges, powers and attributes of a commercial bank; to engage in and carry on the business of a trust company; to exercise the general powers of corporations as provided by law insofar as they are not inconsistent and incompatible with the provisions of this act; and to adopt such by-laws and formulate policies, rules and regulations for the effective operation of the Bank in conformity with this Act and other existing laws.

“SECTION 3. Authorized Capital Stock, Par Value of Shares. —

(a) The authorized capital stock of the Philippine Military and Veterans Bank shall be One Billion Pesos (₱ 1,000,000,000) divided into seventy million (70,000,000) common shares and thirty million (30,000,000) preferred shares with a par value of Ten Pesos (₱ 10.00) each: Provided, That the stockholders may, in accordance with the applicable provision of the Corporation Code and subject to the approval by the Monetary Board, increase the capital stock of the Bank: Provided, further, that any such increase shall be registered with the Securities and Exchange Commission.

The seventy million (70,000,000) common shares shall consist of the shares subscribed and fully paid by the National Government for and in behalf of veterans known and determined as of June 30, 1983, and the balance to be subscribed by veterans, military personnel, retirees and pensioners from the Armed Forces of the Philippines, any duly incorporated organization, institution, association or entity formed or organized by or for the benefit of military personnel or retirees or pensioners from the Armed Forces of the Philippines and any other interested investor from the private sector: Provided, That the corporate and individual stockholdings in the Bank shall be within the ceilings prescribed in Sections 12(b) and (d) of Republic Act No. 337, as amended.

The thirty million (30,000,000) preferred shares shall consist of the shares subscribed and fully paid by the National Government in behalf of veterans known and determined as of June 30, 1983 and the balance shall be open for subscription by those who are eligible to subscribe to common shares as provided in the preceding paragraph hereof: Provided, That the preferred shares shall have such features and terms as may be decided upon by the Board of Directors of the Bank, subject to the provisions of existing applicable laws and regulations.

(b) Shares of stock, common and/or preferred, outstanding as of the date of the effectivity of this Act, fully subscribed and paid by the Government of the Republic of the Philippines for and in behalf of the veterans, their widows, orphans or compulsory heirs as defined and determined under Section 4 hereof shall be distributed equally among the veterans at the rate of one common and/or preferred share for each veteran: Provided, That all common shares of stock which were subscribed by the National Government for and in behalf of veterans of World War II known and determined as of June 30, 1983 which are still in the name of the Republic of the Philippines, including common shares of stock already issued in the name of veterans, their widows, orphans or compulsory heirs but which have not actually been delivered to said veterans, their widows, orphans or compulsory heirs for any reason whatsoever, shall forthwith be held in trust for the veterans, their widows, orphans or compulsory heirs in whose names said shares are issued, or who shall eventually be determined by the Philippine Veterans Affairs Office to be entitled to said shares, and the voting and other rights pertaining to said shares shall be exercised by the President of the Philippines until such time as the shares have been delivered to their rightful owners.

“SECTION 4. Definition of Terms. — The term “veteran or veterans” shall include any person or persons who served in the regularly constituted air, land, or naval services or army, or in such non-regularly organized military units in the Philippines during World War II and whose services with such units are duly recognized by the Republic of the Philippines or by the Government of the United States, those who served in the Philippine Expeditionary Force to Korea and Vietnam, or in any armed conflict in which the Philippines may be involved in the future, and the “retirees and pensioners” of the Armed Forces of the Philippines, and the military personnel who served in the post World War II military service for at least ten years: Provided, That the said veterans or retirees have been discharged under honorable conditions from the service or continue in the active military service or are carried in the military roster on inactive reserve: Provided, further, That for purposes of this Act, the term “veteran or veterans” shall also include the widows, orphans and compulsory heirs of deceased veterans in the direct ascending line and direct descending line, excluding their grandchildren and great-grandchildren.

“Military personnel” shall refer to those persons in active service in any branch of the Armed Forces of the

Philippines.

“Retirees and pensioners” shall include military personnel who have retired or who have been honorably separated from active service in any branch of the Armed Forces of the Philippines.

“SECTION 5. Board of Directors, Composition, Tenure and Qualification. —

(a) The Board of Directors of the Philippine Military and Veterans Bank shall consist of eleven (11) members, with a representative of the Ministry of National Defense designated by the Minister of National Defense and the President of the Bank as ex-officio members. The remaining nine other members shall be elected in accordance with the provisions of the Corporation Code of the Philippines governing election of members of the Board of Directors and shall possess the qualifications, and none of the disqualifications prescribed by the Monetary Board: Provided, That the number of members of the Board of Directors may be increased to not more than 15 or to such number as may be allowed under the provisions of the Corporation Code or Republic Act No. 337, as amended, as may be decided by the stockholders of the Bank in accordance with existing applicable laws and regulations.

“SECTION 6. Powers and Functions of the Board of Directors. — The Board of Directors shall have the following powers and functions:

(a) Exercise all the corporate powers provided in this Act and such other powers of a corporation provided in the Corporation Code not inconsistent with the provisions of this Act, direct the affairs and business of the Philippine Military and Veterans Bank and manage, control and preserve its property;

(b) Formulate policies necessary to carry out effectively the provisions of this Act and adopt such by-laws, rules and regulations for the effective operation of the Bank in conformity with this Act and other existing laws: Provided, That policies on the granting of loans shall take into consideration the credit requirements of military personnel, veterans, and pensioners or their direct ascendants or descendants.

(c) Determine the organization of the Bank by creating the necessary departments or offices as are essential for the efficient operation of the Bank; and

(d) Subject to prior approval of the Monetary Board, establish branches or agencies in provinces or cities within the country and/or in other countries.

“SECTION 7. President and Vice Presidents. — The chief executive officer of the Philippine Military and Veterans Bank shall be the President, who shall be chosen by the Board of Directors. He shall be concurrently the Vice Chairman of the Board of Directors, and shall be assisted by such Vice Presidents as may be appointed by the Board of Directors upon the recommendation of the President. The President and the Vice Presidents shall possess the qualifications, integrity, and expertise in banking and finance prescribed by Central Bank regulations. The salaries of the President and the Vice Presidents shall be fixed by the Board of Directors.

“SECTION 8. Duties and Powers of the President. — The President of the Philippine Military and Veterans Bank shall, among others, execute and administer the policies, measures, orders, and resolutions approved by the Board of Directors, and direct and supervise the operation and administration of the Bank, and he shall have and exercise the powers and duties as may be provided in the by-laws or authorized him by the Board of Directors.

“SECTION 9. Legal Counsel. — The Philippine Military and Veterans Bank shall have its own legal department, the chief of which shall be appointed by the Board of Directors. The Board may engage the professional services of private external legal counsel whenever deemed necessary.

“SECTION 10. Auditor. — The Philippine Military and Veterans Bank shall have its own auditor, who shall be appointed and removed by the Board of Directors.

“SECTION 11. Appointment and Removal of Other Officers and Employees. — All other officers and employees of the Philippine Military and Veterans Bank shall be appointed and removed by the Board of Directors upon recommendation of the President of the Bank: Provided, however, That in the appointment of said personnel, preference shall be given to persons who possess the qualifications, integrity, experience and expertise in banking and finance as determined under pertinent Central Bank regulations.

“SECTION 12. Supervision and Examination by the Central Bank. — The Philippine Military and Veterans Bank shall be subject to supervision and examination by the Central Bank in accordance with Republic Act No. 265, as amended, and Republic Act No. 337, as amended.

“SECTION 13. Prohibition Against Charging Fees in Securing Loans, and Penalties for Violation. — No fee, charge or commission in any form shall be exacted, demanded, or received for obtaining loans, directly or indirectly, by any director, officer, employee, or agent of the Philippine Military and Veterans Bank for his service or for the use of his influence in obtaining a loan from the Bank. Any director, officer, employee or agent so exacting, demanding or receiving any fee in violation of this provision shall be punished by a fine of not exceeding ₱ 10,000 or by imprisonment of not more than five years, or both, such fine or imprisonment to be imposed at the discretion of the Court.

“SECTION 14. Distribution of Net Profits. — Distribution of net profits resulting from operations shall be in accordance with the provisions of the Corporation Code and the rules and regulations of the Central Bank.

“SEC. 15. Term of Legal Existence. — The legal existence of the Philippine Military and Veterans Bank under this Act shall be for a period of fifty (50) years, from and after the date of the approval of this Act: Provided, That, thereafter, the shareholders may, in accordance with the appropriate provisions of the Corporation Code, apply for renewal or extension of the corporate life of the Bank with the Securities and Exchange Commission.

“SECTION 16. Philippine Military and Veterans Bank Authorized to Receive Deposits of Government Funds as a Government Depository. — The Philippine Military and Veterans Bank is hereby authorized to accept deposits from and to render general banking services to the Ministry of National Defense, its subordinate units, and its attached entities. The Bank may be authorized as a government depository or providing general banking services for other government offices and entities in accordance with applicable law and rules.

“SECTION 17. Membership in the Government Service Insurance System or the Social Security System. — Officials and employees already in the service of the Philippine Military and Veterans Bank at the time of the approval of this amended Charter, who are members of the Government Service Insurance System (GSIS), may continue such membership at the option of the Board of Directors and the Bank shall pay the corresponding employer's (government) share of the premia: Provided, That eligibility to benefits arising from such membership shall be in accordance with the applicable GSIS rules and regulations: Provided, however, That officials and employees appointed thereafter shall be covered by the Social Security System for purposes of insurance and retirement.

“SECTION 18. Articles of Incorporation. — This Act, upon its approval, shall be deemed and accepted, for all legal intents and purposes as the statutory articles of incorporation or Charter of the Philippine Military and Veterans Bank; and, notwithstanding the provisions of any existing law to the contrary, the Bank shall be deemed registered and duly authorized to do business and operate as a commercial banking corporation and exercise the powers and functions of a corporation as provided in the Corporation Code not inconsistent with the provisions of this Act as of the date of approval of this Act.

“SECTION 19. By-laws. — Within one month after the approval of this Act, the by-laws of the Philippine Military

and Veterans Bank, for its organizational, functional and operational government and procedures, shall be adopted by the affirmative vote of the stockholders representing a majority of all the subscribed capital stock entitled to vote, whether paid or unpaid, and registered with the Securities and Exchange Commission in accordance with law, subject to certification by the Monetary Board pursuant to Section 10 of Republic Act No. 337, as amended.

The by-laws, duly certified by the Monetary Board and registered with the Securities and Exchange Commission as aforesaid, shall be kept in the principal office of the Philippine Military and Veterans Bank, subject to the inspection by the stockholders during the office hours.

“SECTION 20. Any law or part of law inconsistent with the provisions of this Act is hereby repealed.”

SECTION 2. The Minister of Finance, the Minister of the Budget and the Governor of the Central Bank, immediately after the issuance of this Presidential Decree, shall take the necessary steps to implement the restructuring of the capital of the Philippine Military and Veterans Bank so that the book value of the 746,223 common and preferred shares of stock of the Bank issued to and/or reserved for veterans known and determined as of June 30, 1983 shall be Ten Pesos (₱ 10.00) per share before the infusion of other new equity funds. For this purpose, the Central Bank shall determine, on the basis of the results of its examination of the Bank as of June 30, 1983, the amount necessary to raise to ₱ 10.00 the book value per share of stock in the Bank and such determination shall be final and conclusive. The Bank shall issue a share of stock of the recognized Bank in exchange for each outstanding share of stock. The Corporate Secretary of the Bank shall, within the soonest time practicable after the issuance of this Presidential Decree, prepare and submit to the Ministry of Finance, the Ministry of the Budget and the Central Bank, a certified list of the 746,223 shares issued and outstanding, particularly indicating the name of the veteran to whom the shares were issued, the number thereof and whether the shares have been delivered or are yet to be delivered to the veterans in whose names the shares are issued.

The Philippine Veterans Administration shall similarly within the same period of time submit a certified copy of the roster of veterans duly recognized and acknowledged as such by the Philippine Veterans Administration as of June 30, 1983. Additional shares of stock, common or preferred, may be issued to each veteran, widow, orphan or compulsory heir corresponding to his pro rata entitlement from any additional fund infusion arising from a release from the General Fund pursuant to an appropriation for the purpose specifically for the benefit of veterans shareholders determined and named at the time of approval of this Presidential Decree or other resources as may be generated by the old veterans stockholders group. Any such additional share shall be issued in the name of the individual veteran beneficiary. Similarly, collections from accounts previously identified and classified by the Central bank as losses shall be credited pro rata to the equity holdings of the veterans-stockholders known and determined as such as of June 30, 1983.

SECTION 3. The paid-in capital of the Philippine Military and Veterans Bank shall be increased through the initial investment of at least Two Hundred Million Pesos (₱ 200,000,000) by other investors, including organizations, institutions, associations or entities formed or organized by or for the benefit of military personnel or relatives of pensioners from the Armed Forces of the Philippines, such as, but not limited to, the Armed Forces Retirement and Separation Benefits System.

SECTION 4. The Board of Directors of the Bank is hereby authorized to negotiate and enter into any agreement with prospective investors for the purpose of restructuring and further strengthening the capital base of the Bank, subject to the provisions of this Presidential Decree.

SECTION 5. The Bank shall be reorganized within six months from the issuance of this Presidential Decree and the present personnel complement of the Bank may be transferred, reassigned or laid off. Officials and employees who are laid off as a result of the reorganization shall be entitled to all benefits and gratuities provided under

existing applicable laws. Pending the adoption of a new collective bargaining agreement, the terms of employment of those who will remain with the Bank after the reorganization shall be determined by the Board of Directors, the provisions of any law or agreement to the contrary notwithstanding.

SECTION 6. The restructuring and reorganization of the Bank is hereby declared as affecting the national interest and to ensure the attainment of the objectives of this Decree and to facilitate the quasi-reorganization of the Bank, the Minister of Labor shall assume jurisdiction over all labor disputes causing or likely to cause strikes or lockouts in the Bank which may occur within a period of three (3) years from the date of issuance of this Decree and decided it or certify the same to the National Labor Relations Commission for compulsory arbitration. Such assumption or certification shall have the effect of automatically enjoining the intended or impending strike or lockout, any provision of law to the contrary notwithstanding: Provided, however, that nothing in the provisions of this Presidential Decree shall preclude or militate against the right of any employee of the Bank to form or belong to any labor organization.

SECTION 7. All laws, decrees, orders, proclamations, rules, regulations, or parts thereof, which are inconsistent with any of the provisions of this Presidential Decree, are hereby repealed or modified accordingly.

SECTION 8. Any portion or provision of this Presidential Decree that may be declared unconstitutional shall not have the effect of nullifying the other provisions thereof: Provided, That such remaining portions can still stand and be given effect in their entirety to accomplish the objectives of this Decree.

SECTION 10. This Presidential Decree shall take effect immediately.

Done in the City of Manila, this 29th day of February, in the year of our Lord, nineteen hundred and eighty-three.

(SGD.) FERDINAND E. MARCOS

President of the Philippines

By the President:

(SGD.) JUAN C. TUVERA

Presidential Executive Assistant

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