

AN ACT CREATING THE AGRICULTURAL AND INDUSTRIAL BANK.

Commonwealth Act No. 459, June 09, 1939

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Be it enacted by the National Assembly of the Philippines:

CHAPTER I. Establishment and Functions, Name, Domicile, and Duration

SECTION 1. There is created a bank to be known as the Agricultural and Industrial Bank of the Philippines, the short name of which shall be the Agricultural and Industrial Bank, which shall have its principal place of business in the City of Manila and shall exist for a period of fifty years.

SEC. 2. The Bank shall begin to operate within one hundred and eighty days from the date of approval of this Act and the President of the Philippines shall fix such date by proclamation upon certification of the Auditor-General and General Manager of the Bank that it is ready to begin operations.

CORPORATE POWERS

SEC. 3. The said Agricultural and Industrial Bank shall be a body corporate and shall have power:

- (a) To grant agricultural loans;
- (b) To grant industrial loans;
- (c) To grant real estate loans;
- (d) To establish and operate bonded warehouses;
- (e) To subscribe for, underwrite, purchase or guarantee bonds issued by agricultural or industrial concerns, or bonds secured by real estate used for commercial purposes ;
- (f) To carry on the business of a trust corporation and to manage and administer the funds and properties now entrusted to the National Investment Board;
- (g) To issue bonds, subject to the requirements provided in this Act;
- (h) To accept savings and time deposits;
- (i) To make by-laws; adopt and use a corporate seal; to buy, hold, transfer, sell, let, lease, mortgage, encumber, and otherwise trade in agricultural and urban real properties and industrial bonds as its aims and the transactions of its business may reasonably and necessarily require ; to contract any obligation to enter into any agreement essential to the proper management of its corporate matters and to carry out its aims and purposes; to execute and foreclose mortgages, pledges, and other contracts; to appoint and dismiss its officers and employees, unless otherwise provided for by this Law and to fix adequate compensation for said officers and employees; to sue and be sued, to have the power of succession, and to exercise such powers as may be reasonably necessary to carry on the business for which it has been created.

CAPITAL AND SHARES

SEC. 4. The capital stock of the Agricultural and Industrial Bank, which shall be exclusively and fully subscribed by the Government of the Philippines, shall be one hundred fifty million pesos, Philippine currency, divided into one hundred fifty thousand shares of the value at par (sf one thousand pesos, Philippine currency, each.

SEC. 5. The power of voting all the shares of the Agricultural and Industrial Bank held by the Government of the Philippines is vested in the President of the Philippines or in such person or persons as he may, from time to time, designate.

SEC. 6. Out of the proceeds of the excise tax on oil, there is appropriated the sum of one hundred and fifty million pesos not otherwise appropriated. The subscription by the Government of the Philippines to the capital stock of the Agricultural and Industrial Bank shall be paid as follows: twenty-five million pesos upon subscription, and the remainder, upon call of the Board of Directors and upon certification by the Secretary of Finance, with the approval of the President of the Philippines, that funds are available in the Treasury of the Philippines for that purpose. Calls for payment of subscription shall not exceed the sum of fifteen million pesos in any year.

LOANS

SEC. 7. The Agricultural and Industrial Bank is authorized to grant agricultural loans secured by real estate mortgages. In no case shall such loans exceed sixty per centum of the appraised value of the securities, which securities shall include the value of all improvements and other assets acquired with the proceeds of such loans. The maturity dates of said agricultural loans and mortgages shall in no case be less than one year from the date thereof nor in excess of thirty years from such date. Said loans may be made payable at one time or in installments.

SEC. 8. The Agricultural and Industrial Bank is also authorized to grant loans for the promotion of industry upon the security of a mortgage of, or deed of trust on, the assets of an industrial establishment, and in no case shall such loans exceed sixty per centum of the market value of the securities, which securities shall include all improvements and other assets acquired with the proceeds of such loans. The maturity dates of said industrial loans and mortgages or deeds of trust shall not be less than one year from the date thereof. The mortgages or deeds of trust may be made payable at one time or in installments.

SEC. 9. Applications for agricultural and industrial loans shall be made in writing and under oath. Said applications shall contain, among other things:

- (a) A detailed description of the real estate or assets of the industrial establishment;
- (b) An appraisal of the real estate or assets of the industrial establishment at their 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 the said loans, or any part thereof, for any purpose or purposes except those set out in said applications. In addition to the corresponding criminal liability, any violation of this clause shall be sufficient cause for the rescission of the contract and the foreclosure of the mortgage.

TRANSFER OF THE FUNCTIONS OF THE NATIONAL INVESTMENT BOARD

SEC. 10. All the powers vested in, and the duties conferred upon, the National Investment Board by Commonwealth Act Numbered Seven, as amended, and by other laws, the funds and properties heretofore placed under the administration of said Board by said Acts, and its assets, accounts, contracts, and choses in action, are transferred to the Agricultural and Industrial Bank, which shall exercise said powers and duties in

accordance with said Acts, except as hereinafter provided, and shall administer, dispose of, handle, or execute said funds, properties, assets, accounts, contracts or agreements, and choose in action in the manner the Agricultural and Industrial Bank may determine in the interest of the funds concerned, and the Agricultural and Industrial Bank shall assume all the liabilities of the National Investment Board in behalf, or as trustee of said funds.

SEC. 11. The National Investment Board shall stand abolished on the date when the Agricultural and Industrial Bank shall begin its operations.

TRUST FUNCTIONS

SEC. 12. The Agricultural and Industrial Bank shall have power to act as trustee on any mortgage or bond issued by any municipality, body politic, or corporation, and to accept and execute any other municipal or corporate trust not inconsistent with law.

BONDS

SEC. 13. The Agricultural and Industrial Bank is authorized to issue real estate bonds of the face value of not less than twenty-five pesos in any sum not to exceed ninety per centum of the amount of real estate loans held by said Bank under section seven of this Act.

SEC. 14. The real estate securities against which the real estate bonds are issued as provided herein shall be deposited with the Treasurer of the Philippines, and each of said bonds when issued shall bear on its face a certificate of the Treasurer of the Philippines in words and figures as follows:

"I certify that there are on deposit in the Treasury of the Philippines first mortgage real estate securities in the sum of one hundred eleven and one-ninth per centum covering farm land of an appraised value of one hundred eighty-five and five-twenty-sevenths per centum of the face value of this bond; which said real estate securities, or other first mortgage real estate farm securities equal value, or the proceeds thereof are to be held by me as security, additional to the promise of the Agricultural and Industrial Bank of the Philippines for the prompt payment of this bond, principal and interest.

Treasurer of the Philippines"

SEC. 15. Changes in this Act or in other laws of the Philippines 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.

SEC. 16. With the approval of the President of the Philippines, the Agricultural and Industrial Bank is authorized to issue debenture bonds of the face value of not less than twenty-five pesos in any sum not to exceed the full amount of its capital. Principal and interest of said debenture bonds may be guaranteed by the Government of the Philippines.

SEC. 17. Said real estate and debenture bonds shall be engraved, signed by the General Manager of the Agricultural and Industrial Bank, and authenticated by the Auditor-General, and shall bind the Agricultural and Industrial Bank to pay to the bearer thereof on the date therein named, unless sooner redeemed in accordance with the provisions of this Act, the principal sum mentioned in said bond, with interest payable semi-annually at such rate as the Agricultural and Industrial Bank may fix. Said bonds shall be payable in Manila except as hereinafter provided, both as to principal and interest, in lawful money of the Philippines.

SEC. 18. Bonds issued in accordance with this Act shall be received by the Insurance Commissioner as securities of insurance companies under the Insurance Act, and by way of security in all customs and

internal-revenue transactions where security is required, and in all other cases, where, by statute, security may be required in deal-ings with the Government.

SEC. 19. Said bonds shall be exempt from all taxes levied or assessed by the Government of the Philippines, or any branch or subdivision thereof.

SEC. 20. The real estate bonds and debentures shall be issued in such amounts and forms, at such times and for such periods as may be expressly provided by resolution of the Board of Directors of the Agricultural and Industrial Bank and approved by the President of the Philippines. 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 a date as the Agricultural and Industrial Bank may designate. 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. The serial numbers of the bonds so selected shall be published once a week for a period of not less than three months in two daily newspapers of general circulation in the Philippines.

SEC. 21. The Board of Directors may, at the request of the holder, authorize the payment of interest on any bond at the branches or agencies of the Agricultural and Industrial Bank in the municipalities of the Philippines or in the United States.

SEC. 22. The Agricultural and Industrial Bank is authorized to guarantee both as to principal and interest, or either, bonds issued by duly incorporated companies for agricultural, industrial, or commercial purposes. The guarantee by the Agricultural and Industrial Bank on any bond authorized herein shall be lawful only when approved by the President of the Philippines.

UNDERWRITING

SEC. 23. The Agricultural and Industrial Bank is authorized to act as business agents for other banks; to take charge of raising national and local loans secured by bonds, general debentures, and shares; to receive subscriptions thereto; to disburse principal and interest or dividends thereof; and also to underwrite bonds of other companies.

SAVINGS AND FIXED DEPOSITS

SEC. 24. The Agricultural and Industrial Bank is authorized to receive savings and time deposits. The deposits received by the Agricultural and Industrial Bank may be loaned or invested only as follows:

(a) Loans secured by mortgage or deed of trust to the Bank of unencumbered improved real estate in cities and municipalities, or by mortgage or deed of trust to the Bank of actually cultivated and improved agricultural lands. The amount loaned shall not exceed sixty per centum of the appraised value of the real estate including the value of the insured improvements thereon which is security for the loan. In determining the amount to be loaned upon a given parcel of real estate careful consideration shall be given to the prices at which surrounding property has been sold, the assessed value of the property offered as security, and the revenue-producing capacity of such property.

(b) Bonds or evidences of debt, or loans secured by such bonds or evidences of debt of the Government of the United States or of the Philippines or of any province, city, or municipality in the Philippines authorized by law to issue bonds; and bonds or evidences of debt, or loans secured by such bonds or evidences of debt, of any person, firm, company, corporation, or other entity guaranteed both as to principal and interest by the Government of the

United States. Any loan made upon the security of such bonds or evidences of debt shall not exceed the face value of such bonds or evidences of debt, or the market value thereof, whichever may be the smaller;

(c) Loans with first mortgages transferred to the Agricultural and Industrial Bank as collateral security on improved and otherwise unencumbered real estate in cities and municipalities in the Philippines. The mortgages shall not exceed sixty per centum of the appraised value of the real estate and insured improvements which secure such mortgage;

(d) Collateral trust bonds or notes or obligations secured by such bonds or notes secured by a first mortgage or by a participating interest in a first mortgage upon improved urban real estate in cities and municipalities of the Philippines: Provided, That such bonds and notes shall have been outstanding for at least three years prior to their purchase by the Agricultural and Industrial Bank: And provided, That during the period, the earnings of the property mortgaged and available for paying interest have been equal to at least two hundred per centum of the annual interest payable on account of all first mortgage obligations outstanding. No such bonds or notes or obligations secured thereby shall be purchased if the aggregate of first mortgage obligations outstanding against the property exceeds sixty per centum of the appraised value thereof.

SPECIAL SECURITY FOR LOANS

SEC. 25. Except as specially otherwise provided in this Act, real property without Torrens title may be received as security, if it is shown to the satisfaction of the Bank that the debtor is the same who has the possession of the land as owner, and that this possession, together with those of his predecessors, has been continuous and uninterrupted during the last ten years, that he has cleared, bettered, or improved the land during that time, and that the real estate tax has been paid by him and by his predecessors during the said time.

SECURITIES FOR LOANS NOT SUBJECT TO ATTACHMENT

SEC. 26. Securities on loans granted by the Agricultural and Industrial Bank shall not be subject to attachment nor can they be included in the property of insolvent persons or institutions, unless all debts and obligations of the debt—or to the Agricultural and Industrial Bank have been previously paid, including accrued interest, collection expenses, and other charges.

LIMITATION OF LIABILITIES TO THE BANK

SEC. 27. The total liabilities to the Agricultural and Industrial Bank of any person, company, corporation or firm for money borrowed, shall at no time exceed fifteen per centum of the unimpaired capital and surplus of said Bank, except in the case of the instrumentalities of the Government of the Philippines.

ADDITIONAL SECURITIES—DISPOSAL OF SAME—ADVANCED MATURITY OF CREDITS

SEC. 28. If, from any cause whatsoever, any of the securities specified for the loans or advances provided for in this Act or accepted by the Agricultural and Industrial Bank as security for loans or advances decline or depreciate in market value in part or as a whole, or if said securities are insufficient, or if the loans have become or are unsecured, or on non-performance of any promise made to secure the loan, the said Bank may demand additional securities, and if the debtor fails to submit such additional securities, may forthwith declare any such obligation due and payable and upon three days' notice, demand, sell, assign, transfer, and deliver the whole of said securities or any part thereof, or any substitutes therefor, or any addition thereto, or any other securities or property given unto or left in the possession of, or hereafter given unto or left in the possession of, or hereafter given unto or left in the possession of the said Bank, or in any bank or corporation controlled by the Government, or in any of its branches, agencies, and instrumentalities, for safe-keeping or otherwise, at any

broker's board or at public or private sale, at the option of said Bank: Provided, however, That if the securities consist of a real estate mortgage, the sale of the said securities shall be made after a judicial foreclosure of the mortgage or following the procedure provided for in Act Numbered Three thousand one hundred thirty-five, as amended.

SEC. 29. In case of sale for any cause, after de-ducting all costs of expenses of any kind for collection, sale, or delivery, the Agricultural and Industrial Bank may apply the residue of the proceeds of the sale so made, to pay one or more or any of the said liabilities to the said Bank, as its General Manager shall deem proper, whether then due or not. granting proper rebate for interest on liabilities not then due. If the proceeds of the sale do not cover the full amount of the loan, together with the interest and other charges thereon, the Agricultural and Industrial Bank may proceed against the debtor for the dif-ference, but any amount exceeding the full indebtedness to the Bank shall be delivered to the debtor.

EXTRAJUDICIAL FORECLOSURE OF REAL ESTATE MORTGAGE

SEC. 30. When the securities given to the Agricultural and Industrial Bank consist of a real estate mort-gage, the sale of said securities may be made in accordance with Act Numbered Three thousand one hundred thirty-five, as amended, without publishing the notice of sale in the newspapers if the assessed value of the property does not exceed one thousand pesos, and publish-ing same in the Official Gazette if it exceeds said sum, and sending in any case the notice of sale to the debtor and the treasurer of the city or municipality where the property is located, by registered mail. If the highest bid-der in the sale is a person other than the creditor, the official conducting the sale may charge a commission on the money which passes through his hands at the rate fixed in such cases for the sheriff.

REDEMPTION OF REAL PROPERTY

SEC. 31. The mortgagor or debtor to the Agricul-tural and Industrial Bank, whose real property has been sold at public auction, judicially or extra-judicially, for the full or partial payment of an obligation to said Bank, shall, within one year from the date of the auction sale, have the right to redeem the real property by paying to the Bank all the amount he owed the latter on the date of the sale, with interest on the total indebtedness at the rate agreed upon in the obligation from said date, unless the bidder has taken material possession of the property or unless this has been delivered to him, in which case the proceeds of the property shall compensate the interest. If the Agricultural and Industrial Bank was not the high-est bidder at the auction sale, the Bank shall, in case of redemption, return to the bidder the amount it received from him as a result of the auction sale with the corres-ponding interest paid by the debtor.

HOLDING OF REAL ESTATE

SEC. 32. The Agricultural and Industrial Bank is au-thorized to the extent of ten per centum of its paid-up capital 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 and agencies; but real estate acquired in the collection of debts shall be sold by the said Agricultural and Industrial Bank within five years after the date on which ownership of the real estate thus acquired is vested in the Agricultural and Industrial Bank.

DEPOSIT RESERVE

SEC. 33. The Agricultural and Industrial Bank shall, at all times, keep on deposit the reserve required by exist-ing laws.

DIVIDENDS AND DISPOSAL OF PROFITS

SEC. 34. The Agricultural and Industrial Bank shall not, during the time it shall continue its banking opera-tions,

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 declared; and no dividend shall ever be declared by the Bank in an amount greater than its net profits 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.

SEC. 35. After deducting of the administrative expenses, and after making such provisions as the Board of Directors thinks proper for bad and doubtful debts, depreciation in assets, pension funds, or retiring allowance for the staff and all such other matters as are usually provided for by banks, the net profits or gains resulting from the operations of the Agricultural and Industrial Bank shall be apportioned semi-annually as follows:

- (a) For the creation and maintenance of a reserve, a sum equal to fifty per centum of the net profits.
- (b) The remaining fifty per centum shall be paid to the Government of the Philippines in the form of dividends. The dividends so paid shall not exceed in any calendar year twelve per centum of the paid up capital, and in case there is 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.

CHAPTER II.—Officers and Employees

BOARD OF DIRECTORS

SEC. 36. The affairs and business of the Agricultural and Industrial Bank shall be directed and its property managed and preserved, unless otherwise provided in this Act, by a Board of Directors consisting of seven members to be appointed by the President of the Philippines, with the consent of the Commission on Appointments of the National Assembly. If they are not officers or employees of the Government receiving a fixed compensation or salary from public funds, they shall be paid a per diem in no case to exceed twenty-five pesos for each session of the said Board of Directors attended by them.

SEC. 37. No director or employee of any private bank shall be eligible as member of the Board of Directors of the Agricultural and Industrial Bank.

SEC. 38. Within the first twenty days after the approval of this Act, and annually on the first Tuesday after the first Monday of March, beginning with the year nineteen hundred and forty, the President of the Philippines shall appoint the members of the Board of Directors. Immediately after their appointment, the Directors shall organize as such and elect from among themselves a Chairman and a Vice-Chairman. The latter shall assist the Chairman and act in his stead in the case of his absence or incapacity.

DUTIES AND POWERS OF THE BOARD OF DIRECTORS

SEC. 39. The Board of Directors shall have the following powers and duties.

- (a) To fix, from time to time, the rate of interest to be charged by said Agricultural and Industrial Bank and have the same published in the central office;
- (b) To fix different rates of interest on loans in accordance with the different classes of securities herein specified;
- (c) To establish branches and agencies of the Bank in the provincial capitals and in those municipalities in which, in their judgment, industrial or agricultural needs may require it;
- (d) To provide adequate personnel so as to determine promptly and at the least expense possible to the borrower the validity and sufficiency of the securities offered to guaranty the payment of the loans applied for.

SEC. 40. The branches and agencies of the Agricultural and Industrial Bank shall be authorized to exercise the powers conferred upon them by the Board of Directors and shall submit detailed reports of their operations as may be required by the central office at Manila.

SEC. 41. The officers, agents, and employees of said branches and agencies shall be appointed and may be removed in accordance with the provisions of sections forty-seven and forty-eight of this Act.

SEC. 42. With the authorization of the proper Department Secretary first had, the Board of Directors may appoint as agents, cashiers, or tellers of said Agricultural and Industrial Bank, the provincial or municipal treasurers, who shall receive such additional compensation as the Agricultural and Industrial Bank may determine, and shall be removable from office, not only as such agents, cashiers, or tellers, but also as such provincial and municipal treasurers by the President of the Philippines for violation of the provisions of this Act or of by the by-laws of the Agricultural and Industrial Bank, or of any instruction received by them from said Bank.

GENERAL MANAGER AND ASSISTANT GENERAL MANAGERS

SEC. 43. The orders and resolutions of the Board of Directors shall be carried out by a General Manager, who shall be the chief executive of the Agricultural and Industrial Bank, and one or more Assistant General Managers, who shall assist the General Manager. Said officers shall be paid salaries to be fixed by the Board of Directors with the approval of the President of the Philippines. In the event of the absence of the General Manager or of his incapacity to act, the Board of Directors shall designate the Assistant General Manager who shall take his place. The General Manager and the Assistant General Managers shall be appointed by the Board of Directors, with the approval of the President of the Philippines, and may be removed in like manner.

DUTIES AND POWERS OF THE GENERAL MANAGER

SEC. 44. The General Manager of the Bank shall, among others, have the following powers and duties:

- (a) To grant long term loans for agricultural or industrial purposes for periods of time not to exceed five years 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 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 Agricultural and Industrial Bank and to incur 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 Agricultural and Industrial Bank during the preceding week and to suggest changes in rates of interest or of policy which may to him seem best;
- (d) To furnish, upon request of the President of the Philippines, or the Secretary of Finance, any information in his possession regarding the operations of said Agricultural and Industrial Bank.

AUDITOR

SEC. 45. The Auditor-General shall be ex-officio auditor of the Agricultural and Industrial Bank and shall appoint and fix the salary of a representative who shall be the auditor in charge of the auditing office of the Agricultural and Industrial Bank. The Auditor-General shall, upon the recommendation of the Auditor of the Agricultural and Industrial Bank, appoint and fix the salaries of 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 payable by the Agricultural and Industrial Bank, and the Board of Directors shall make the necessary appropriation therefor. The representative of the Auditor-General shall make a quarterly report on the condition of the Bank to the President of the Philippines, through the Secretary of Finance, to the Speaker of the National Assembly, to the Auditor-General 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 amount 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 date on which the statements are compiled.

LEGAL COUNSEL

SEC. 46. The Secretary of Justice shall be ex-officio attorney for said Agricultural and Industrial Bank and may, whenever he may deem it proper, in specific cases delegate his duties to the Solicitor-General, the Fiscal of the City of Manila, or any provincial fiscal. The Board of Directors of said Bank, with the approval of the Secretary of Justice, shall have the power to employ such additional attorney as may be necessary.

OTHER OFFICERS AND EMPLOYEES

SEC. 47. All the other officers and employees of the Agricultural and Industrial Bank shall be appointed and removed by the Board of Directors, on recommendation of the General Manager.

SEC. 48. Said officers and employees shall not be subject to the Civil Service Law, and their duties and compensation shall be fixed by the General Manager, with the approval of the Board of Directors.

FIDELITY INSURANCE OF OFFICERS AND EMPLOYEES

SEC. 49. The officers and employees of the Agricultural and Industrial Bank, including those of its branches and agencies, whose duties require the custody of funds or property for which they are accountable, shall be bonded and their fidelity insured in accordance with the provisions of the Public Bonding Law.

LIFE INSURANCE OF OFFICERS AND EMPLOYEES

SEC. 50. The regular and permanent officers and employees of the Agricultural and Industrial Bank and of its branches and agencies in the Philippines shall be regular members of the Government Insurance System.

EXAMINATION OF THE BANK

SEC. 51. The Bank Commissioner shall exercise supervisory powers over the Agricultural and Industrial Bank in accordance with the provisions of the Administrative Code.

CONFIDENTIAL INFORMATION

SEC. 52. The Auditor-General and the other officers designated by him or by the President to inspect or investigate the condition of the Agricultural and Industrial Bank, shall not reveal to any person other than the President, the Secretary of Finance, and the Board of Directors the details of such inspection or investigation, nor shall they give any information relative to the funds or properties in its custody belonging to private individuals, corporations, or any other entity except by order of a court of competent jurisdiction.

CHAPTER III.—Prohibition and Penalties

SEC. 53. No officer or employee of the Agricultural and Industrial Bank nor any Government official who may exercise executive or supervisory authority over the said Bank, either directly or indirectly, shall borrow money from the Bank, nor shall he become a guarantor, indorser, or surety for loans from the said Bank to others, or in any manner be an obligor for moneys borrowed of the said Bank or loaned by it. Any such officer or employee who knowingly violates the provisions of this section shall immediately be removed by competent authority and said officer or employee shall be punished by imprisonment not exceeding five years and by a fine of not less than one thousand nor more than five thousand pesos.

SEC. 54. No loan shall be granted by the Agricultural and Industrial Bank to a corporation, partnership, or company wherein any member of its 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. The total liabilities

to the Agricultural and Industrial 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 five per centum of the paid-up capital of the Bank. Any director of the Agricultural and Industrial Bank who knowingly 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. 55. No fee, commission, gift, or charge of any kind shall be exacted, demanded, or paid, for obtaining loans from the Agricultural and Industrial Bank and any officer, employee, or agent of the Agricultural and Industrial Bank exacting, demanding, or receiving any fee for service in obtaining a loan, shall be punished by a fine of not less than one hundred nor more than six thousand pesos or imprisonment for not less than one month nor more than three years, or both, at the discretion of the court.

SEC. 56.. Anyone 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 out any false information with regard to the identity, situation, production, 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 Agricultural and Industrial Bank, who, through connivance or negligence, should allow by action or omission such false information to pass unnoticed, thereby causing damage to the Bank 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 not less than the amount of the loan obtained or desired nor more than three times such amount.

SEC. 57. Any officer or employee of the Agricultural and Industrial Bank who knowingly violates, or permits any of the officers, agents, or servants of said Bank or any other person to violate any of the provisions of this Act not specially 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 or with imprisonment not to exceed five years, or both, at the discretion of the court.

SEC. 58. This Act shall take effect upon its approval. APPROVED, June 9, 1939.

[Annotations: The Agricultural and Industrial Bank subsequently became the Rehabilitation Finance Corporation (R.A. No. 85 as amended), and is now known as the Development Bank of the Philippines. (As amended by R.A. Nos. 2081, 3147, 3517.)]

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