

AN ACT TO PROVIDE FOR THE REHABILITATION OF PHILIPPINE BANKS, APPROPRIATING FUNDS FOR THAT END, AND FOR OTHER PURPOSES.

Commonwealth Act No. 726, January 15, 1946

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

SECTION 1. The sum of ten million pesos is hereby appropriated, out of any funds in the National Treasury not otherwise appropriated, to constitute a special fund, which shall be designated "Financial Institution Rehabilitation Fund". This fund shall be used to purchase preferredshares of stock of banks organized and now existing under any virtue of the laws of the Philippines, and such part of this fund not so utilized within two years of the effective date of this Act or such earlier date as the President may determine, shall revert to the general fund of the National Treasury: Provided, however, That out of the special fund herein constituted, the sum of two million five hundred thousand pesos shall immediately be transferred to the Postal Savings Bank, and the sum so transferred shall become an asset of the Postal Savings Bank to be utilized together with its other assets in meeting its liabilities and in fulfilling the guaranty of the Government to the depositors of the Bank as provided in section nineteen hundred and ninety-three of the Revised Administrative Code, any provision of this Act to the contrary notwithstanding.

SEC. 2. Afinancial Rehabilitation Board is hereby created which shall be composed of five members. The President shall nominate and with the consent of the Commission on Appointments shall appoint the members of the Financial Rehabilitation Board shall Manage the fund thereby created and shall invest the same under terms and conditions not inconsistent with purposes of this Act, and shall limit salaries and other expenses paid or incurred by the banks receiving aid from the special fund appropriated in this Act. The Board shall issue such further rules and regulations as it may deem necessary to carry out the purposes of this Act.

SEC. 3. The Board may invest the fund entrusted to it for management and investment under this Act in preferred shares of banks applying to it for financial assistance and after the Board is satisfied that the shareholders of the bank have exerted every effort to extend assistance to the applicant. Such shares must be entitled to cumulative dividends at a rate of one per cent during the first five years, two per cent during the second five years and three per cent thereafter, must be preferred as against common and other preferred stockholders in the distribution of assets in the event of liquidation and shall be entitled to voting privileges.

SEC. 4. The Board may sell to the highest bidder in the open market the whole or any part of the preferred stock which it holds.

SEC. 5. All dividends paid on the shares held by the Board shall revert to the general fund of the National Treasury.

SEC. 6. The Board shall meet regularly once a month and at such other time as circumstances require. The Chairman of the Board shall be designated by the President and he shall be the executive officer of the Financial Institution Rehabilitation Board, shall direct and supervise the keeping of a record of all operations concerning the

fund, and shall authorize disbursements from said fund under the supervision of the Board.

SEC. 7. The Board is hereby authorized to utilize not in excess of ten thousand pesos of the sum herein appropriated to cover the necessary expenses of the Board, including salaries of whatever personnel is necessary to assist the Board.

SEC. 8. Banks now existing under the laws of the Philippines are hereby authorized to issue preferred shares of one or more classes in accordance with the provisions of this Act. When, in the opinion of the Bank Commissioner, the financial condition of a bank warrants the retirement of preferred shares, the bank may, as its option or upon the request of the preferred shareholders, retire such shares or a portion thereof by paying the par value plus accumulated dividends: Provided, That the remaining unimpaired capital and surplus shall not be less than one-tenth of its outstanding deposit liabilities: And provided, further, That preferred shares held by the Board shall be retired before other preferred shares.

SEC. 9. If, in accordance with section sixteen hundred and thirty-nine of the Revised Administrative Code, the Bank Commissioner shall find that, instead of liquidating an insolvent bank now existing, it would be more beneficial to its creditors to permit the said bank to resume its operations through the segregation of the excess of its non-preferred liabilities over its assets less the amount of preferred liabilities, and the conversion of said excess into pro rata credits of deferred payment burdening future net profits, the Bank Commissioner may so order. In such case, the deferred liabilities shall not encumber the assets of the bank, but the net profits of the bank shall be devoted, after covering the dividend requirements on any outstanding preferred shares, to the payment of the said deferred liabilities until the same have been paid in full. If creditors of a bank representing twenty-five per centum or more of the bank's liabilities, claim that the order of the Bank Commissioner is arbitrary and prejudicial to the creditors in general, or is null or erroneous for any other reason, they may, within ten days after the bank has been notified of the order of the Commissioner, institute an action in the Supreme Court to annul or modify the same, and the said court shall have original jurisdiction to hear and determine the case, to appoint a Commissioner to receive the evidence, shall shorten and simplify the proceeding, and shall cause the entry of its final judgement of the same to be made within thirty days after the case has been submitted for decision.

SEC. 10. Banks are hereby authorized to issue preferred stock in accordance with the provisions of this Act. Banks which do not receive aid under the provisions of this Act are hereby authorized to issue preferred a common stock, or both, for the purpose of rehabilitating themselves.

SEC. 11. All laws and parts of laws inconsistent with this Act are hereby repealed.

SEC. 12. This Act shall take effect upon its approval.

Approved, January 15, 1946.

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