

FURTHER AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT NO. 85, AS AMENDED, OTHERWISE KNOWN AS THE DBP CHARTER

PRESIDENTIAL DECREE NO. 1461, June 11, 1978

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WHEREAS, the Development Bank of the Philippines is the Government agency entrusted with the task of providing credit facilities for the rehabilitation, development and expansion of the country's agriculture and industry, the reconstruction of property damaged by war, the broadening and diversification of the national economy and the promotion and establishment of private development banks in the provinces and cities; and

WHEREAS, there is need to amend the charter of the DBP to update its powers and functions and thus make it more relevant and adaptable to present circumstances and changing times;

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 the following:

"SEC. 2. Corporation Powers.—The Development Bank of the Philippines shall have the power:

- To grant loans for home building or home financing projects and for the rehabilitation, the establishment or development of any agricultural and/or industrial enterprise, including public utilities, mining, livestock industry and fishing; whether offshore or inland;
- To purchase preferred redeemable shares of stock securities other than shares of stock, and obligations of, and to grant loans to, any agricultural and industrial enterprise mentioned in paragraph (a), to finance their fixed and operating capital requirements. All purchases of preferred redeemable shares, securities and obligations and all loans shall be of such sound value or so secured, as reasonably to assure retirement of such shares, securities or obligations or repayment of the loan; and shall be granted only under such terms, conditions and restrictions as the bank shall determine;
- To grant loans to provincial, city and municipal governments for the rehabilitation, construction or reconstruction of public markets, waterworks, toll bridges, slaughterhouses, for cadastral surveys and other self-liquidating or income-producing services, or the purchase and acquisition of municipal electric power plant to agencies and corporations owned or controlled by the Government of the Republic of the Philippines for the production and distribution of electric power, for the purchase and subdivision of rural and urban estates, for housing projects and for immigration and waterworks systems;
- To grant loans to cooperative associations to facilitate production, the marketing of crops, and the acquisition of essential commodities;
- To grant loans to individual employees in a government-owned or controlled corporation or private corporation engaged in the development and/or expansion of agriculture or industry, for the purpose of buying shares of stock directly from such corporation for the purpose of enabling them to participate in the ownership and to share in the profits thereof: Provided, That the yearly amortization of such loan shall not exceed ten percent of the total annual salary and wages of the borrower; Provided, Further, That such loans shall be payable in full within a period of not exceeding ten years; Provided, Finally, That if the borrower should sell any share of stock acquired by from the proceeds of such loans, the corporation that issued said share of stock

shall have preference to purchase the same;

- To underwrite, purchase, own, sell, mortgage or otherwise dispose of stocks, bonds, debentures, securities and other evidence of indebtedness issued for or in connection with any project or enterprise referred to in the preceding paragraphs;

- To accept and manage trust funds and properties and carry on the business of a trust corporation. All loans outstanding as of the date of this Decree granted by the Bank at the instance of the government are hereby deemed to have been undertaken as a trust function and the corresponding funds thereof shall be provided by the government;

- To organize, establish and operate subsidiary corporations whenever necessary to better achieve the purposes of its creation;

- To issue bonds, debentures, securities, collaterals and other obligations and/or the renewal or the refunding of the same upon recommendation of the Secretary of Finance and with the approval of the President, but in no case to exceed at any one time an aggregate amount equivalent to ten times of its paid-in capital and surplus. These bonds and other obligations shall be redeemable at the option of the Bank 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 Bank. Such obligations shall be secured by the assets of the Bank including the stocks, bonds, debentures, and other securities underwritten, purchased or held by it under the provisions of this Act. The Bank 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 at the Bank 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 Bank 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 amount 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 Bank is also authorized to issue "Rehabilitation and development bonds" in denominations of not less than fifty pesos nor more than one thousand pesos redeemable by the Bank on demand at the option of the holder of said bonds, which may be of the following types: (1) rehabilitation and development bonds at progressive staggered interest and cumulative face value; and (2) rehabilitation and development bonds bearing interest as may be determined by the Board of Governors with the advice and consent of the Secretary of Finance and upon approval by the Monetary Board, 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 bond 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 issuance, reissuance, servicing, placement and redemption of the herein authorized to be issued by the Bank as well as the registration of such bonds at the request of the holders thereof, with the approval of the Monetary Board of the Philippines;

- To adopt, alter, and use a corporate seal which shall be judicially noticed; to make contracts; to borrow money; to issue 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 personal as may be necessary to carry out the business of the Bank; and otherwise to do and perform any and all things that may be necessary or proper to carry out the purposes of the Bank;

- To subscribe out of its funds to the capital stock of private provincial and city development banks created pursuant to the provisions of Republic Act Numbered Four Thousand Ninety Three;

- The provisions of any law to the contrary notwithstanding, to guarantee acceptance credits, loans, transactions, or obligation of any person, co-partnership, association of corporation in favor of any financing or banking institution, whether foreign or domestic: Provided, That the proceeds of such acceptance credits, loans transactions or obligations have been utilized or are earmarked for the development and/or expansion of agriculture or industry;

- To issue performance bonds or guarantee to secure the performance of contracts funded in foreign currency by international financial institutions, provided such contractors are domestic entities, enterprises or corporations the majority of the capital of which is owned by citizens of the Philippines.

To guarantee or counter-guarantee performance bonds or guarantees issued by Philippine or foreign banking and financial institutions, for approved contracts abroad, or for foreign currency funded domestic contracts, in favor of Philippine contractors, provided such contractors are domestic entities, enterprises or corporations majority of the capital of which is owned by citizens of the Philippines; and

- The provision of any law to the contrary notwithstanding the total liabilities of any person, company, corporation or firm, or political subdivision of the government with the exception of money borrowed against obligations of the Central Bank or the Philippine Government, or borrowed with the full guarantee by the Government of payment of principal and interest, shall exclusive of guarantee under paragraph "1" of Section 2 hereof, at no time exceed thirty (30%) percent of the paid-in capital and surplus of the Bank".

SEC. 2. Section Three of Republic Act No. 85 as amended, is hereby further amended to read as follows:

"SEC. 3. Capital Stock.—The capital stock of the Bank shall be FIVE Billion pesos divided into FIVE million 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 of said subscription shall be as follows:

- At least fifty per centum (50%) of the surplus account of the Bank as of June 30, 1962 and at least twenty per centum (20%) of the net profits that may hereafter be realized as well as profits that may be assigned as dividends to the shares of the Government shall be automatically applied to the payment of the subscribed capital stock of the Government until the said capital stock shall have been fully paid for, in which case the said profits shall be utilized for such purposes as may be authorized by the Board of Governors.

- The provisions of Section Three of Republic Act Numbered Seventeen Hundred Eighty-Nine to the contrary notwithstanding, an amount equivalent to fifty per cent of the proceeds from the sale of reparations goods and services for fifteen years following the approval of this Act, is hereby appropriated to cover the payment of the unpaid subscription of the government to the capital stock of the Bank: Provided, That seventy-five million pesos of such amount shall be set aside as a trust fund for the purpose of aiding the establishment of private provincial and city development banks as provided in this Act.

- The portion of the stabilization tax allocated for deposit to a Special Account with the Development Bank of the Philippines, pursuant to Section 4 (c) of Republic Act Numbered Six Thousand One Hundred Twenty Five, as amended, otherwise known as the Stabilization Tax Law, shall be automatically applied to the payment of the Government's subscription to the Capital Stock of the Bank effective as of the date of receipt thereof.

- The obligations of the Development Bank of the Philippines as of April 30, 1973 represented by bonds issued by said Bank and held by the Central Bank of the Philippines including interest thereon rounded to the nearest thousand, and loans or advances made under R.A. No. 265 and R.A. 2081, together with interest thereon, rounded to the nearest thousand, shall be converted into paid-in capital by the Government which shall assume said obligations; and for this purpose, the President of the Philippines, upon recommendation of the Secretary of Finance, shall issue in favor of the Central Bank of the Philippines treasury bonds notes or securities, in such amounts as may be necessary for the settlement of said obligations and under such terms and conditions as shall be recommended by the Secretary of Finance in consultation with the Monetary Board.

- The Secretary of Finance is hereby authorized to program and pay the unpaid subscription of the government corresponding to the increase of the Bank's authorized capital stock from Three Billion Pesos to Five Billion Pesos out of any funds in the National Treasury not otherwise appropriated be they collections from any or all taxes accruing to the general fund of proceeds from loans, the issuance of bonds, treasury bills or notes which are hereby authorized to be incurred or issued for the purpose."

SEC. 3. Section Four of Republic Act No. 85 as amended, is hereby further amended to read as follows:

"SEC. 4. Loans.—The Bank may grant loans against security of real estate and/or other acceptable assets including, subject to the provision of existing laws, leasehold rights and permits from the government: Provided, That any provision of law to the contrary notwithstanding, the bank is authorized to grant loans on the security of real estate without torrens title if the real estate has been declared for purposes of taxation continuously for at least ten years and applicant for loan and his predecessors in interest have been in continuous and uninterrupted possession thereof in the concept of owner for at least ten years, such possession to be established by affidavits of the owners of all the properties adjoining such real estate and other evidence that the Board of Governors may deem necessary."

SEC. 4. Section Nine of Republic Act No. 85 as amended, is hereby amended to read as follows:

"SEC. 9. A private development bank shall be organized in the form of a stock corporation and its paid-up capital stock shall not be less than four million pesos for Class A, two million pesos for Class C: Provided, That at least seventy percent of the capital stock subscribed by the private shareholder by the private sector shall be owned and held by citizens of the Philippines: Provided, Further, That if said subscription of private shareholders to the capital stock of a private development bank cannot be secured or is not available, the Bank of representative of the said private shareholders and with the approval of its Board of Governors shall, within thirty days from date of said approval by the Board of Governors, subscribe to the capital stock of such development banks, which shall be paid in full at the time of subscription out of the trust fund herein-above mentioned, in an amount equal to the fully paid subscribed capital of the private stockholders: Provided, Further, That such shares of stock subscribed by the bank shall be preferred shares entitled to cumulative dividends at a rate of one per cent during the first five years, two percent during the following five years, and three per cent thereafter, shall be preferred against common and other preferred stockholders in the distribution of assets in the event of liquidation, and shall be entitled to voting privileges: Provided, Further, That additional subscriptions shall be entitled to dividend rate to be determined by the bank: Provided, Further, That such preferred shares of the bank may be sold at any time at par to private individuals who are citizens of the Philippines and in the sale thereof the qualified registered stockholders shall have the right of pre-emption within one year from the date of offer in proportion of their respective holdings, but in the absence of such buyers, preference shall be given to residents of the province or city where the development bank is located; Provided, Further, That such preferred shares of stock shall be automatically converted to common shares when sold to private individuals: Provided, Finally, That all members of the Board of Directors of the private development banks shall be citizens of the Philippines:"

SEC. 5. Section Twelve of Republic Act No. 85 as amended, is hereby further amended to read as follows:

"SEC. 12. The trust fund shall be used by the Bank in assisting private development banks as follows:

- To pay for its subscription to preferred shares of stock in said private development banks in the manner and subject to the terms and conditions prescribed in section nine hereof;
- To rediscount promissory notes and other credit instruments held by the private development banks under the following conditions and limitations.
- It charges such rediscount or interest rates as it may determine taking into account that the main objective of the private development banks is to engage in medium-and long-term loans for economic development. The

determination of such rediscount or interest rates acceptable to the bank for purposes of this provision shall be made by the said bank upon or immediately after the commencement of operations of a private development bank;

- Funds so acquired shall be used only to finance the establishment and operation of projects within the program of the Bank, or along such projects and activities as the Bank may, from time to time, approve."

"SEC. 14. Board of Governors.—The affairs and business of the Bank shall be directed, its powers exercised, and its property managed and preserved by a Board of Governors consisting of the Chairman and eight other members to be appointed by the President of the Philippines. The Chairman and four members of the Board to be designated by the President shall render full time service to the Bank. 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 shall be fixed by the President of the Philippines who may remove any of them for cause.

The President may designate as Vice-Chairman one of the eight members of the Board. In the absence or temporary incapacity of the Chairman, the Vice-Chairman shall exercise the powers and functions of the Chairman.

No person shall be appointed chairman or member of the Board of Governors unless he be of good moral character and unquestionable integrity and be of recognized competence in economics, agriculture, industry, finance and/or banking.

SEC. 7. The same Act is amended by adding after Section Thirty thereof the following new Section to be denominated Section Thirty One thereof:

"SEC. 31. The provision of any law to the contrary notwithstanding all income of the Bank derived from its operations and the exercise of its function shall be free from all past and future assessment whatsoever except under Section 24 of the National Internal Revenue Code. Taxes due to the National Government on income of the bank under Section 24 of the National Internal Revenue Code shall, beginning with taxes due on income for calendar year 1978, be automatically applied to the payment of the subscribed capital stock of the Government in the Bank."

SEC. 8. Repealing Clause.—The provisions of laws, decrees, orders, rules and regulations or parts thereof which are inconsistent with the provisions of this Decree are hereby repealed or modified accordingly.

SEC. 9. Effectivity.—This Decree shall take effect immediately.

Done in the City of Manila, this 11th day of June, in the year of Our Lord, nineteen hundred and seventy-eight.

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

By the President:

(Sgd.) JACOBO C. CLAVE

Presidential Executive Assistant

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