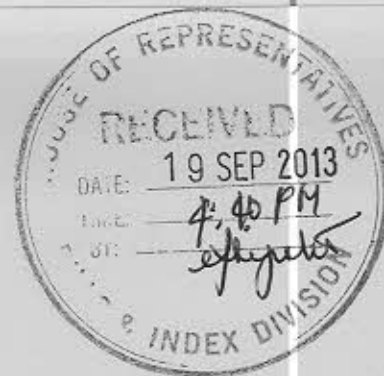


7 Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



SIXTEENTH CONGRESS
First Regular Session

House Bill No. **2942**

Introduced by **HONORABLE JUAN "JOHNNY" R. REVILLA**

EXPLANATORY NOTE

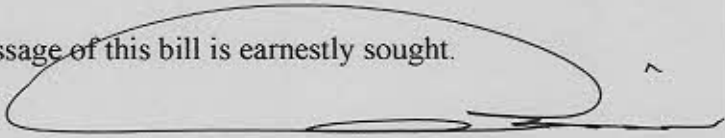
In order to give meaning and realization to the government's mandate to provide adequate care, benefit and other forms of assistance to Overseas Filipino Workers and their dependents, this bill seeks to establish the Philippine OFW Bank.

This OFW Bank will be owned by Overseas Filipino Workers and their families and will foster, improve and develop the financial interest and welfare of our OFWs through the easy access and convenience to its products and services such as efficient remittance, loan and credit assistance services, and protection and maximized benefits for their savings and investment.

As money sent home by Overseas Filipino Workers continue to rise, the need for more bank remittance service provider is necessary to provide more support for the growth of remittances of these modern-day. Some Overseas Filipino Workers are now allotting a major part of their monthly income to their savings and more savings would translate to bigger investment in a bank they own and catering to their financial needs.

As part of its charter, the OFW Bank would also encourage the entrepreneurial spirit of the OFWs by addressing and enhancing their investment potentials as they assure a better future for their families. This is in addition to the benefits that they would derive from the earnings from the bank's net income as shareholders of the bank.

In view of the foregoing, passage of this bill is earnestly sought.



HON. JUAN "JOHNNY" R. REVILLA
OFW Family Party List

Republic of the Philippines
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AN ACT CREATING THE PHILIPPINE OFW BANK, AND FOR OTHER PURPOSES.

Section 1. *Name, Domicile and Place of Business.* There is hereby created a bank to be known as the Philippine OFW Bank, which shall be commonly called the OFW Bank and hereinafter called the "Bank". Its principal domicile and place of business shall be in Metro Manila but branches may be established in the provinces and cities as the Board of Directors may decide.

Section 2. *Corporate Powers and Duties.* The said OFW Bank shall be a body corporate and shall have the power:

- (a) To prescribe its by-laws;
- (b) To adopt and use a seal;
- (c) To sue and be sued;
- (d) To carry on a trust business in accordance with the provisions of laws governing trust corporations;
- (e) To accept remittances from the foreign earnings of Overseas Filipino Workers;
- (f) To grant short term or long-term loans and advances preferably to Overseas Filipino Workers and their dependents against security and real estate and/or other acceptable assets for the establishment, rehabilitation or expansion of small-scale and medium-scale enterprises as well as agriculture, commercial, industrial and other productive enterprises: *Provided*, That the aggregate of such loans shall not exceed the sum total of the paid-up capital and unimpaired surplus, long-term indebtedness and thirty percent of the total deposits: *Provided, further*, That the notarial services in connection with loan applications of not more than Five Thousand Pesos (P 5,000.00) shall be furnished by the Bank free of charge and in case where the OFW Bank has no lawyers, notarial services shall be performed by government notaries public, free of charge;

- (g) To grant loan and credit assistance in easy payment terms to OFWs who will be deployed for overseas employment in order to defray the payment of recruitment expenses including placement, documentation and other fees;
- (h) To invest in stocks, government guaranteed bonds, and secured collaterals having maturities of not more than thirty (30) years: *Provided*, That the priorities in the grant of loans for secured collaterals having maturities of not more than thirty years shall be in accordance with the rules and regulations established by the Central Bank;
- (i) With the approval of the Central Bank Governor, to issue bonds and other certificates of indebtedness against its credits secured by real estate but not in excess of ninety percent of the value thereof. The proceeds from the sale of such bonds and/or certificates of indebtedness are to be used in its lending operations for the agricultural, industrial, and commercial development of the country.

The Board of Directors shall determine the interest rates, maturities, and other requirements of said obligations.

- (j) To contract any obligation, or enter into any agreement essential to the proper management of its corporate powers and to carry out its aims and purposes;
- (k) To appoint and dismiss its officers and employees;
- (l) To grant loans to cooperative associations to facilitate production, the marketing of crops, and the acquisition of essential commodities: *Provided*, That preference should be given to such cooperative associations which are owned or controlled by the OFWs and their dependents;
- (m) To grant loans to government employees and employees of government-owned or controlled corporations, and to employees of private corporations or entities for the purpose of enabling said employee to buy shares of stocks in corporations or industries engaged in the development and/or expansion of small-scale and medium-scale enterprises, agricultural and commercial industries: *Provided*, That the yearly amortization of such loans shall not exceed ten percent (10%) of the total annual salaries and wages of the employees: *Provided, further*, That such loan shall be payable in full within a period of not exceeding five years and that preference be given to employees who are OFWs;
- (n) To provide, free of charge, investment advice and guidance to OFWs and their families;
- (o) To exercise the powers granted in this Act and such incidental powers as may be necessary to carry on and engage in the business of general banking;
- (p) To exercise the general powers mentioned in the Corporation Law and the General Banking Act, insofar as they are not inconsistent or incompatible with the provisions of this Act.

Section 3. *Authorized Capital Stock Par Value.*

- (a) The capital stock of the OFW Bank shall be One Hundred Million

- (b) (P100,000,000.00) divided into Five Hundred Ten Thousand (510,000) common shares and Four Hundred Ninety Thousand (490,000) preferred shares with a par value of One Hundred (P100.00) Pesos each.
- (c) At least fifty-one percent (51%) of the capital stock of the OFW Bank shall be divided into common shares which shall be fully subscribed by the government of the Republic of the Philippines for and in behalf of the OFWs and their dependents as defined and determined under Section 4, subsection (a) of this Act, and shall be initially paid from the OWWA Trust Fund, and from or out of earnings, dividends or profits from the operations of the OFW Bank. The balance of about forty-nine (49%) per cent shall be divided into preferred shares which shall be opened for subscription by any recognized OFW or his/her dependents at the rate of one (1) preferred share per OFW: *Provided*, That in case of failure of any particular OFW to subscribe for any preferred share of stock so offered to him/her as herein provided, within thirty (30) days from the date of receipt of notice, said share of stock shall be available for subscription to other OFWs in accordance with such rules or regulations as may be promulgated by the Board of Directors. Any share of stock corresponding to the capital stock subscribed and paid by the Republic of the Philippines in the manner aforementioned, shall be issued in the name of the Republic of the Philippines, in trust for the benefit of OFWs and their dependents as determined in this Act, and any share of stock subscribed and paid by individual OFW shall be issued in the name of the individual OFW or his/her dependents. The sale or transfer of a share of stock of an OFW or his/her dependent to a party not an OFW or dependent of an OFW shall not be allowed under any circumstances. Any share may be sold or transferred to the Bank which shall issue the same to the stockholders who are OFWs or their dependents: *Provided*, That no OFW or their dependents shall be issued a total of more than twenty shares.

Section 4. *Determination of OFWs entitled to benefit from this Act.*

- (a) For purposes of this Act, the term "Overseas Filipino Worker" (OFW) shall refer to any person who is to be engaged, is engaged or has been engaged in a remunerated activity in a state of which he or she is not a legal resident;
- (b) The term "organized or acknowledged OFW organizations" as used in this Act shall mean an OFW organization duly recognized or acknowledged as such by the Department of Labor and Employment and the Overseas Workers Welfare Administration ;
- (c) On the basis of the acknowledged or duly established official records and data from the Philippine Overseas Employment Administration, the OWWA shall determine immediately after the approval of this Act, who and how many are the OFWs and their dependents who are entitled to the benefits of this Act;
- (d) The share of each OFW or his/her dependents, in the distribution of the benefits accruing to the Republic of the Philippines, will be equal.

BANKING OPERATION IN GENERAL

Section 5. *Loans, Investigation and Liabilities.* The OFW Bank is hereby authorized:

- (a) To grant loans for the establishment, rehabilitation, expansion or development of any agricultural, commercial or industrial enterprise, or personal service including public utilities, under such rules and regulations as may be prescribed by the Board of Directors and that preference be given to applicants who are Overseas Filipino Workers;
- (b) Generally, to make advances or discount paper for agricultural, manufacturing, industrial or commercial purposes: *Provided*, That loans, discounts or advances made under this section shall have maturities of not exceeding one year, renewable from year to year, in the discretion of the Board of Directors;
- (c) The aggregate amount of loans for any single industry shall at no time exceed twenty percent of the Bank's lending capacity;

The total liabilities to the bank of any person, or of any company, corporation, or firm for money borrowed, including in the liabilities of the company or firm, the liabilities of the several members thereof, shall at no time exceed fifteen (15) per centum of the unimpaired capital and surplus of the Bank. But the discount of bills of exchange drawn in good faith against actually existing values owned by the person negotiating the same shall not be considered as money borrowed, and in addition to the fifteen (15) per centum of the unimpaired capital and surplus of the Bank, hereinbefore provided for, the total liabilities of any borrower, may amount to a further fifteen (15) per centum of the unimpaired capital and surplus of the Bank provided such additional liabilities are secured by shipping documents, warehouse receipts or other similar documents transferring or securing title covering readily marketable, non-perishable stocks, when such staples are fully covered by insurance and when such staples have a market value equal to at least one hundred twenty-five per centum of such additional liabilities.

The Bank shall not make any loan upon the security of the stock of any other corporation if the aggregate market value of all such stocks as collateral exceeds an amount equal to ten per centum of the unimpaired capital stock and surplus of the Bank. The term "loan" whenever used in this Act shall include overdrafts and the limitations contained in this section shall apply to any loan of any kind whenever secured wholly or partly by real estate mortgage.

BOARD OF DIRECTORS COMPOSITION AND ORGANIZATION

Section 6. *Qualifications and per diems of the Board of Directors.*

- (a) Within the first five years from the organization of the OFW Bank or until the transfer of the common shares of its capital stock to the OFWs as provided in Section 3 of this Act, the affairs and business of the OFW Bank shall be directed and its property managed, controlled and preserved, unless otherwise provided in this Act, by a Board of Directors consisting of eleven (11) members to be composed of five (5) ex-officio

members to wit: the Secretary of Labor and Employment, the Secretary of Trade and Industry, the Secretary of Finance, the Director General of the National Economic and Development Authority and the OWWA Administrator, and the remaining members, who shall be Reintegrated OFWs of good standing with formal business training and/or experience in banking and finance, shall upon recommendation of the Secretary of Labor, be appointed by the President of the Republic of the Philippines with the consent of the Commission on Appointments. OFW organizations duly recognized or acknowledged by the Department of Labor and Employment shall submit to the President of the Philippines a list of sixteen Reintegrated OFWs from which list the President shall choose six who shall hold office for three years. The members of the Board shall receive a per diem allowance of Ten Thousand Pesos (P10,000.00) for every meeting of the Board actually attended by them.

- (b) The Board of Directors, shall upon a majority vote of all its members, elect its Chairman, Vice Chairman, and Secretary which Secretary may or may not be a member of the Board, at such a time and place as shall be provided for in its By-Laws. Pending the election of its Chairman, the President of the OFW Bank shall preside over the Board of Directors.

POWER AND AUTHORITY OF THE BOARD OF DIRECTORS

Section 7. *The Board of Directors shall:*

- (a) 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;
- (b) Determine the organization of the Bank by creating the necessary department or offices as are essential for the efficient operation of the Bank;
- (c) Subject to prior approval of the Monetary Board, establish branches or agencies in other countries.

THE EXECUTIVE OFFICERS

Section 8. *President and Vice Presidents, Appointment and Removal, Salaries.*

The chief executive of the Bank shall be the President who shall be chosen by the Board of Directors and, during the first five years of Transition, with the advice and consent of the President of the Philippines. He shall be assisted by an Executive Vice-President and such number of Vice-Presidents who shall be elected and may be removed by the Board of Directors. The President and the Executive Vice-President shall possess practical experience in banking or finance as executives for at least five years. The salaries of the President and the Executive Vice-President shall be fixed by the Board of Directors.

THE PRESIDENT'S POWERS AND DUTIES

Section 9. *Duties and Powers of the President.* The President of the 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.

Particularly, the President shall have the power and duty:

- (a) To make loans on commercial paper for such period of time not to exceed twelve months to anyone person, company, corporations, or firm, but he/she is required to submit a report on such loans to the Board of Directors at its succeeding session: *Provided*, That the total amount of such loans shall not exceed five (5%) per cent of the paid-up capital and surplus;
- (b) To make, with the advice and consent of the Board of Directors, all contracts on behalf of the said Bank and to enter into all necessary obligations that this Act requires or permits;
- (c) To report weekly to the Board of Directors the main facts concerning the operations of the Bank during the preceding week and to suggest changes in rates of discount of interest, exchange, or policy which to him may seem best;
- (d) To exercise such powers and perform such other duties, as may be directed by the Board of Directors from time to time.

LEGAL DEPARTMENT

Section 10. *Legal Counsel.* The OFW Bank shall have its own Legal Department, the chief and members of which shall be appointed by the Board of Directors.

AUDITING DEPARTMENT

Section 11. *Bank Auditor Reports.* The OFW Bank shall have its own Auditing Department, the chief of which shall be appointed by the Board of Directors who is Certified Public Accountant and with actual experience in the work of a comptroller. The auditor may not be removed except for cause and neither may his/her salary be reduced during his/her term of office. All other employees of the auditing department shall be appointed by the Auditor with the advice and consent of the Board of Directors. Unless otherwise prescribed by the Board of Directors, the Auditor of the OFW Bank shall have the rank and pay of a Vice-President. The Auditor, with the approval of the Board of Directors, shall fix the salaries of the employees of the Auditing Department.

The Auditor shall make an annual report of the condition of the Bank to the Board of Directors. 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 reserved, and

undivided profits, as well as the losses, bad debts and suspended and overdue papers carried in the Bank's assets as of the day in which the statements are complied.

APPOINTMENTS, REMOVAL AND SALARIES OF THE OTHER OFFICERS AND EMPLOYEES OF THE BANK

Section 12. *Appointments, Removal and Salaries of Other Officers and Employees.* All other officers and employees of the Bank shall be appointed and removed by the Board of Directors: *Provided, however,* That all other circumstances being equal, preference shall be given to returning or reintegrated OFWs in the appointment of said personnel. Said officers and employees shall have duties and compensation which shall be fixed by the President with the approval of the Board of Directors.

Section 13. *Fidelity bond of officers and employees.* The Board of Directors may require any officer and employees of the Bank and its branches, before entering upon the performance of their duties, to furnish a fidelity bond for the benefit of the Bank, in the form and amount prescribed by the Board of Directors.

Section 14. *Inspection by the Central Bank.* The OFW Bank shall be subject to inspection by the Central Bank in accordance with Republic Act Number Two Hundred Sixty-Five and Republic Act Number Three Hundred Thirty-Seven.

Section 15. *Prohibition Against Owing Stock in or Incurring Indebtedness to the Bank.* The Governor of the Central Bank, and all other members of the Monetary Board, and the Chief of the Auditing Department of the OFW Bank are hereby prohibited from owing stock in the OFW Bank, or from becoming indebted to said Bank, directly or indirectly.

PROHIBITED LOANS

Section 16. *Loans to Officers, Directors, and Employees; Restriction and Limitation.* The OFW Bank shall not directly or indirectly, grant loans to any Director, Officer, Employee, or Agent of the Bank, and no loans shall be granted to a corporation, partnership, or company wherein any member of the Board of Directors is a shareholder, agent or employee in any matter, except by the unanimous vote of the members of the Board present, excluding the member interested: *Provided,* That the total liabilities to the Bank of any corporation wherein any member of the Board of Directors of the OFW Bank is a shareholder, agent or employee in any manner, shall at no time exceed five (5%) per centum of the surplus and paid-up capital of the Bank.

ACQUISITION AND DISPOSAL OF REAL ESTATE

Section 17. *Purchase, Ownership and Disposal of Real Estate.* The OFW Bank is hereby authorized to purchase, own and dispose 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, but real estate acquired in the collection of debts shall be sold by the Bank within five (5) years after the date of its acquisition.

REDEMPTION OF MORTGAGED PROPERTY

Section 18. *Right of Redemption of Property Foreclosed.* The mortgagor shall have the right, within one year after the sale of the real estate as a result of the foreclosure of a mortgage, to redeem the property by paying the amount fixed by the court in the order of execution, with interest thereon at the rate specified in the mortgage, and all the costs and other judicial expenses incurred by the Bank by reason of the execution and sale, and for the custody of said property.

Section 19. *Right to Demand Additional Securities; Disposal of Same; Advanced Maturity of Credits; Right to Collect Deficiency.* If, from any cause whatsoever, any of the securities specified for the loans provided for in this Act or accepted by said Bank as security for loans or discounts should decline or depreciate in market value in part or as a whole, or upon non-performance of any promise made to secure the loan or discount, or bill of exchange, notes and checks, the said Bank may demand additional securities or 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 substitute therefor, or any addition thereto, or any other securities given unto or left in the possession of, or hereafter given unto or left in the possession of the said Bank for safekeeping or otherwise, at any broker's board or at public or private sale, at the option of said Bank, and at such sale, if public, the said Bank may itself purchase the whole or any part of the property sold, free from any right of redemption on the part of the mortgagor or pledger. In case of sale for any cause, after deducting all costs, or expenses of any kind for collection, sale or delivery, the said Bank may apply the residue of the proceeds of the sale so made, to pay the said Bank, as its President shall deem proper whether then due or not due, making proper rebate for interest or liabilities not then due, returning the overplus, if any, to the mortgagor or pledger, who shall remain liable to and pay to said Bank any deficiency arising upon such sale or sales.

Section 20. *Action to Collect Balance of Indebtedness.* If the proceeds of the sale of securities held as collateral for loans by said Bank do not cover the full amount of the loan, together with the interest and other charges thereon, the Bank may proceed against the debtor for the difference, but any amount exceeding the full indebtedness to the Bank shall be paid to the debtor.

PROHIBITED RENUMERATION

Section 21. *Prohibition Against Charging Fees In Securing Loans, Penalties for Violation.* No fee, charge or commission in any form shall be exacted, demanded or paid, for obtaining loans directly or indirectly, by any director, officer, employee, or agent of the OFW Bank. Any

director, officer, employee or agent so exacting, demanding or receiving any fee for his service or for the use of his influence in obtaining a loan shall be punished as hereinafter provided for, for the violation of this Act.

NET PROFIT

Section 22. *Allocation of Net Profit.* At the close of each calendar year, the Bank shall determine the net result of its operation, in the calculation of which, adequate allowances shall be made for probable losses, and the net profit arrived thereat shall be distributed as follows:

- (a) Twenty (20%) percent of such net profit shall accrue to the reserve account: *Provided, That,* should the accumulated reserves equal to or in excess of the authorized capital of the Bank, the twenty percent herein authorized to be accumulated shall be distributed under the subsection immediately following:
- (b) From the remaining eighty (80%) percent of the net profit shall be deducted the guaranteed earning of the preferred shares of stock owned by individual OFWs or their dependents: *Provided, That* the share in the net profits corresponding to the Republic of the Philippines shall first be applied in payment of its capital stock subscription, until said shares shall have been fully paid. Thereafter, twenty per centum of the net profits after deducting the guaranteed earnings of the preferred shares shall be paid in cash to the Board of Trustees as hereinafter provided in Section 23 hereof for disposition and shall be available for 'garnts-in-aid' to OFWs or their dependents for educational, social, charitable and rehabilitation purposes, to organized or acknowledged OFW organizations doing service for the cause of the OFWs, and for such other purposes beneficial to the veterans.

The remaining profits shall be paid as dividends on common shares held by the individual OFWs as provided in Section Three of this Act.

LEGAL EXISTENCE

Section 23. *Term of Legal Existence.* The legal existence of the Bank under this Act shall be for a period of fifty (50) years, from and after the date of the approval of this Act.

PENALTIES

Section 24. *Penalties for Violation of the Provisions of this Act.* Any director, officer, employee, or agent of the Bank who violates or permits the violation of any of the provisions of this Act, or any person aiding or abetting the violation of any provision of this Act, shall be punished by a fine not exceeding One Hundred Thousand (P100,000.00) Pesos or imprisonment of not more than five (5) years, or both, in the discretion of the court.

OFW BANK A GOVERNMENT DEPOSITORY

Section 25. *OFW Bank Authorized To Receive Deposit Of Government Funds As A Government Depository.* The Secretary of Finance, The National Treasurer and his authorized representatives, provincial, city and municipal treasurers as well as official custodians of public funds or those belonging to government-owned or controlled corporations are hereby authorized, if they so desire, to make and actually maintain deposits of any government or corporate funds with the OFW Bank, which is hereby declared to be a government depository.

GENERAL PROVISIONS

Section 26. *Articles of Incorporation.* This Act, upon its approval, shall be deemed and accepted, to all legal intents and purposes as the statutory Articles of Incorporation or Charter of the Philippine OFW Bank; and that notwithstanding the provisions of any existing law to the contrary, said Bank shall be deemed registered and duly authorized to do business and operate as a commercial bank as of the date of approval of this Act.

Section 27. *By-Laws.* Within one month after the approval of this Act, the By-Laws of the Philippine OFW 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, subject to certification by the Monetary Board pursuant to Section Ten of Republic Act Numbered Three Hundred Thirty Seven.

The By-Laws, duly certified by the Monetary Board as aforesaid, shall be signed by the stockholders voting for them and shall be kept in the principal office of the Bank, subject to the inspection of the stockholders during office hours, and a copy thereof, duly certified by a majority of the Directors and countersigned by the Bank Secretary, shall be filed and registered with the Securities and Exchange Commission.

Section 28. All laws, decrees, orders, rules and regulations, other issuances, or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

Section 29. This Act shall take effect upon its approval.

Approved,