

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
Third Regular Session

HOUSE BILL NO. 9166



Introduced by **REP. HENRY C. ONG**

EXPLANATORY NOTE

Republic Act No. 3518 (1963), as amended by Republic Act No. 7169 (1992), created the Philippine Veterans Bank ("PVB") to serve as a bank primarily for the benefit of Filipino veterans of World War II, their widows, orphans, and compulsory heirs.

However, the law likewise restricts equity holdings strictly to such beneficiaries. If only World War II veterans and their beneficiaries are allowed to subscribe to the capital stock of PVB, its ability to raise capital to keep up with regulatory requirements and the competitive banking environment will be greatly impaired. With originally 200,000 war veterans that fought and were involved during World War II, at present, there are only around 5,000 veterans living. These are at least 90 years old.¹ Coupled with the increasing competition in today's banking industry greatly driven by the advent of technology, limiting capital source to a select group is highly disadvantageous.

Hence, to assure the bank's financial growth and stability, there is a need to open up equity ownership to a broader base of shareholders and to adapt new approaches to governance and management to increase profitability. This will enable PVB to better serve the needs of the intended beneficiaries as well as other stakeholders.

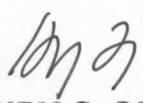
Likewise, it is the intention of this bill to expand the benefits of PVB's banking operations not only to World War II veterans but also to veterans of other Philippine wars and to active and retired military personnel.

¹ <https://www.sunstar.com.ph/article/1746794>. Accessed March 10, 2019

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Thus, in order to achieve said purposes and to ensure the financial viability of the Philippine Veterans Bank, this bill proposes amendments to the bank's charter to effect structural and organizational changes in light of changing economic circumstances and trends in the field of banking. This is especially vital in light of the call of the BSP to innovate and encourage competition.² By adopting these innovations, we not only increase the bank's future viability, but more importantly, we give tribute to our thousands of veterans who risked their lives for the country by ensuring that the specialized bank created for them continue to thrive.

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


HENRY C. ONG 

² <https://www.philstar.com/business/banking/2018/03/13/1796080/bangko-sentral-ng-pilipinas-encourages-competition-innovation-banking-sector>. Accessed March 10, 2019

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City

SEVENTEENTH CONGRESS
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HOUSE BILL NO. 9166

Introduced by **REP. HENRY C. ONG**

"AN ACT CONSOLIDATING ALL SUBSEQUENT AMENDMENTS TO THE CHARTER OF THE PHILIPPINE VETERANS BANK, REENACTING FOR THE SAID PURPOSE THE PERTINENT PORTIONS OF REPUBLIC ACT NO. 3518, AS AMENDED, AND INTRODUCING FURTHER AMENDMENTS THERETO"

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

SECTION. 1. Short Title. – This Act shall be known as the "Philippine Veterans Bank Act of 2019."

SECTION 2. Declaration of Policy. – In order to give meaning and realization to the constitutional mandate of providing immediate and adequate benefits and other forms of assistance to all Filipino war veterans, as well as active and retired military personnel, in recognition of their patriotic services in times of war and peace for the cause of freedom and democracy, including their surviving spouses and orphans, it is hereby declared the policy of the Government to execute a viable plan that will promote the welfare of all Filipino war veterans and military personnel; in line with the policy of the State to foster their socio-economic security and general well-being, by extending to them substantial support for their livelihood and income-generating projects, through the efficient and effective revitalization of the Philippine Veterans Bank, hereinafter known as the Veterans Bank, which is deeply imbued and impressed with public interest.

SECTION 3. Section 2 of Republic Act Number Thirty-Five Eighteen (R.A. No. 3518) is amended, renumbered and further amended to read as follows:

"SECTION 3. Corporate Powers. — The Philippine 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.

The presence of majority of all active stockholders, as determined by the Board of Directors, and notified prior to either a regular or special meeting called for the purpose shall constitute a quorum to do business.

SECTION 4. Section 3 of R.A. No. 3518 is hereby further amended and renumbered to read as follows:

"SECTION 4. Authorized capital stock — Par value. —

- (a) The capital stock of the Veterans Bank shall be Twelve Billion Pesos (P 12,000,000,000.00) divided into Eighty-Four Million (84,000,000) common shares and Thirty-Six Million (36,000,000) preferred shares with a par value of One Hundred Pesos (P100.00) each. The 84,000,000 common shares shall include: (i) the original Five Hundred Ten Thousand (510,000) common shares subscribed and fully paid by the National Government for and in behalf of World War II veterans known and determined, whether delivered or undelivered; and (ii) the additional common shares issued by way of increases in the authorized capital stock of the Veterans Bank, approved by the Monetary Board and the Securities and Exchange Commission as of the date of the effectivity of this Act. The unsubscribed balance of the 84,000,000 common shares shall be open for subscription by veterans, retirees and pensioners from the Armed Forces of the Philippines, military personnel in active service, 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; and *provided further*, that the total private sector investment subscription shall not exceed forty-nine percent (49%) of the authorized capital stock.
- (b) The 36,000,000 preferred shares shall include: (i) the original Four Hundred Ninety Thousand (490,000) shares subscribed and fully paid by the National Government in behalf of veterans known and determined and (ii) the additional preferred shares issued by way of subsequent increases in the authorized capital stock of the Veterans Bank, and approved by the Monetary Board and the Securities and Exchange Commission as of the date of the effectivity of this Act. The unsubscribed balance of

the 36,000,000 preferred shares 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 Veterans Bank, subject to the provisions of existing applicable laws and regulations.

- (c) Shares of stock, common and/or preferred, outstanding as of the date of the effectivity of Republic Act No. 7169, 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 5 hereof; 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 be held in trust by the Board of Trustees of Philippine Veterans, as provided under Section 21 hereof, 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 subscribed shares shall be exercised by the President of the Philippine Veterans Bank until such time as the shares have been delivered to their rightful owners.
- (d) Shares of stock may be sold or transferred to any party veteran, widow, orphan or compulsory heir of a veteran, to a party who is qualified to subscribe under Section 4 (a) and (b) hereof. Any share may likewise be sold or transferred to the Bank, which may issue the same to the stockholders, including those from the private sector; Provided that private sector ownership does not exceed the 49% ceiling under Section 3(b) hereof.
- (e) 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 Veterans Bank: Provided that, any such increase shall be registered with the Securities and Exchange Commission; and Provided further, that such increase shall not be subject to any pre-emptive rights on the part of the existing stockholders."

SECTION 5. Pursuant to subsequent amendatory laws particularly, Presidential Decree 1855, and other related laws, Section 4 of R.A. No. 3518 is hereby further re-numbered and amended to read as follows:

"SECTION 5. Determination of veterans entitled to benefit from this Act. —

- (a) The term "veteran or veterans" shall include: (i) any person or persons who served in the regularly constituted air, land or naval services or arms, 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, (ii) those who served in the Philippine Expeditionary Force to Korea during the Korean Campaign, or in any armed conflict in which the Philippines may be involved in the future, and (iii) the retirees of the Armed Forces of the Philippines who served in the military service for at least ten years: Provided, That, the said veterans or retirees have been honorably discharged or separated 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 legal heirs of deceased veterans;
- (b) The term "organized or acknowledged veterans organizations" as used in this Act shall mean a veteran organization duly recognized or acknowledged as such by the Philippine Veterans Affairs Office, and Armed Forces of the Philippines which shall keep official rosters of such veterans organizations;
- (c) On the basis of the acknowledged or duly established official records and data from the Treasury of the Philippines and any other record or evidence admissible under the rules of evidence, such as the records of the Philippine Veterans Affairs Office and of the Armed Forces of the Philippines, the aforementioned government entities shall determine immediately after the approval of this Act who and how many are the veterans of the Philippines as enumerated in Paragraph (a) of this section, who are entitled to the benefits of this Act. The decision of the Philippine Veterans Affairs Office and the Armed Forces of the Philippines on the matter shall be final, unless appeal for review within fifteen days from notice thereof, is made to the President of the Philippines or to the Supreme Court whose decision shall be final. The appeal shall be perfected in the same manner as in other proceedings and it may be prosecuted by the interested party or by the head of any acknowledged veteran organization;
- (d) The share of each beneficiary, war veteran or widow, orphan or legal heir of a deceased veteran, in the distribution of the benefits accruing to the shares in the name of, or previously in the name of the Republic of the Philippines, shall be equal regardless of rank and services rendered; Provided, That in case of a widow, orphans, or legal heirs of a deceased veteran, they shall be counted as one

unit only and the share of all of them regardless of their number shall be the same or equal to that of a surviving war veteran;

- (e) Notice of the decision of the Philippine Veterans Affairs Office and the Armed Forces of the Philippines on the question of who are entitled to participate in the benefits accruing to the Veterans Trust Fund shall immediately be served on the interested parties, either directly or thru the organization to which they belong in writing and by registered mail. In addition, the Philippine Veterans Affairs Office and the Armed Forces of the Philippines shall publish for three consecutive weeks a notice in two newspapers of general circulation in the Philippines to the effect that the Philippine Veterans Affairs Office and the Armed Forces of the Philippines have already completed their work of determining the number and the identity of those entitled to participate in the trust fund and advising any party interested who has not received yet the notice of the decision served upon him that he may verify his inclusion or exclusion from the official register in the Philippine Veterans Affairs Office and the Armed Forces of the Philippines. These offices shall keep complete lists and official register of those included and excluded from the enjoyment of the benefit, which lists shall be available for inspection during office hours. The official registry books shall constitute as irrevocable public record, certified true copies of which may be released by the custodian of records for official purpose only."

SECTION 6. Section 6 of R.A. No. 3518 is hereby amended as follows:

"SECTION 6. Qualifications and per diems of the Board of Directors. —

- (a) The Board of Directors of the Philippine Veterans Bank shall consist of FIFTEEN (15) members, who shall be elected in accordance with the provisions of the Corporation Code of the Philippines, as amended, governing election of members of the Board of Directors; and shall possess the qualifications, and none of the disqualifications prescribed by the Monetary Board. The members of the Board shall receive a per diem allowance for every meeting of the Board actually attended by them; as determined by the Board of Directors.
- (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 Veterans Bank shall preside over the Board of Directors."

SECTION 7. Section 7 of R.A. No. 3518 is hereby amended, as follows:

"SECTION 7. The Board of Directors shall have the power and authority to:

- (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 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;
- (c) Declare stockholders or subscribed shares of stock inactive for purposes of quorum under Section 6 or re-purchase by the Bank in accordance with Section 21 hereof;
- (d) Determine the organization of the Bank by creating the necessary departments or offices as are essential for the efficient operation of the Bank; and
- (e) Subject to prior approval of the Monetary Board, establish branches or agencies in other countries."

SECTION 8. Section 8 of R.A. No. 3518 is hereby amended, as follows:

"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 who need not be a stockholder. He shall be assisted by an Executive Vice-President and such number of Vice-Presidents who shall be appointed 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."

SECTION 9. Section 9 of R.A. No. 3518 is hereby amended, as follows:

"SECTION 9. Duties and powers of the President. — The President of the Philippine 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 by law, in the by-laws, or authorized by the Board of Directors."

SECTION 10. Section 10 of R.A. No. 3518 is hereby amended, as follows:

"SECTION 10. Legal Counsel. — The Philippine 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 11. Section 11 of R.A. No. 3518 is hereby amended, as follows:

"SECTION 11. Bank Auditor — The Philippine Veterans Bank shall have its own auditor, who shall be appointed and removed by the Board of Directors."

SECTION 12. Section 12 of R.A. No. 3518 is hereby amended, as follows:

"SECTION 12. Appointment and Removal of Other Officers and Employees. — All other officers and employees of the Philippine 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 relatives of veterans, retirees of the Armed Forces of the Philippines, or military personnel in active service, who must likewise possess the qualifications, integrity, experience and expertise in banking and finance as determined under pertinent Central Bank regulations."

SECTION 13. Section 13 of R.A. No. 3518 is hereby re-enacted, as follows:

"SECTION 13. Supervision and Examination by the Central Bank. — The Philippine 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 14. Section 14 of R.A. No. 3518 is hereby reenacted *in toto*:

"SECTION 14. Prohibition against owing stock in or incurring indebtedness to the Bank. — The Secretary of Finance, the Governor of the Bangko Sentral ng Pilipinas, all other members of the Monetary Board, and the Chief of the Auditing Department of the Veterans Bank are hereby prohibited from owing stock in the Veterans Bank, or from becoming indebted to said Bank, directly or indirectly."

SECTION 15. Section 21 of R.A. No. 3518 is now Section 15 hereof and further amended, as follows:

"SECTION 15. 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 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 P10,000 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 16. Section 22 of R.A. No. 3518 is hereby amended and renumbered, as follows:

"SECTION 16. Allocation of Net Profits. — At the close of each calendar year, the Bank shall determine the net result of its operations, in the calculation of which, adequate allowances shall be made for probable losses. From the net profit arrived at, twenty percent (20%) per cent, or such other percentage as may be determined by the Board of Directors to assure the Bank's financial growth and viability, shall be earmarked and reserved by the Bank and shall be available for 'grants-in-aid' to veterans, their widows, orphans, or heirs, for educational, social, charitable, and rehabilitation purposes, to organizations doing service for the cause of the veterans, and for such other purposes beneficial to the veterans. The remaining net profit shall be distributed according to the Corporation Code, as amended.

SECTION 17. Section 23 of R.A. No. 3518 is hereby amended and renumbered, as follows:

"SECTION 17. Board of Trustees of Philippine Veterans — There is hereby created a Board of Trustees for all Philippine veterans as defined in Section 4(a) to be known as "The Board of Trustees of Philippine Veterans ", consisting of eleven (11) members to be selected from among the current veteran members of the Veterans Federation of the Philippines by the Supreme Council pursuant to Republic Act Numbered Twenty-six hundred and forty."

The Board of Trustees of Philippine Veterans shall be organized within ninety (90) days after the approval of this Act. Immediately after its organization the members of the Board of Trustees shall elect from among themselves a Chairman and a Vice-Chairman. The members of the Board of Trustees shall serve without compensation other than actual and necessary expenses incurred either in attendance upon meetings of the Board or upon other official business authorized by resolution thereof, but a vote of the majority of all the members shall be necessary to authorize the disposal of the funds held by the Board.

The Board shall appoint a secretary and such necessary other officials and employees and fix their compensations.

The Board of Trustees of Philippine Veterans shall act as trustee of all undelivered shares that are still in the name of the Republic of the

Philippines or those already transferred in the name of veterans, their widows, orphans or legal heirs, but have not been delivered. The Board of Trustees will receive the proceeds and benefits of the stocks in trust for the benefit of the real owners.

The Board of Trustees shall hold the undelivered shares until such time that the undelivered shares are declared inactive by the Board of Directors of the Bank at a meeting held for the purpose. The Board of Trustees is hereby authorized to sell the inactive shares to the Bank to revitalize its financial structure and facilitate decision making; the proceeds of which shall be held in trust for the named owners of the inactive stocks. After selling the inactive shares to the Bank, the Board of Directors may proceed with the re-issuance pursuant to Section 4(d) hereof.

The members of the Board of Trustees of World War II under Section 23 of RA 3518 shall serve as members of the Board of Trustees of Philippine Veterans until their successors are selected."

SECTION 18. Section 24 of R.A. No. 3518 is hereby amended and re-numbered as follows:

"SECTION 18. Term of legal existence. — The legal existence of the Bank under this Act shall be for a period of fifty (50) years, extendible for another fifty (50) years, from and after the date of the approval of this Act."

SECTION 19. Section 25 of R.A. No. 3518 is hereby amended and re-numbered as follows:

"SECTION 19. Prohibition against the use of the word "Veterans" — Penalty for violation. — All banks other than the Veterans Bank, and such other banks now licensed to do business in the Philippines whose names already include the word "veterans" are prohibited from using the word "veterans" as a portion of their names or titles. Any party violating this provision shall be subject to a fine of not less than Ten Thousand Pesos (P10,000.00) pesos for each day during which said violation is committed or repeated."

SECTION 20. Section 27 of R.A. No. 3518 is hereby amended and re-numbered as follows:

"SECTION 20. Veterans Bank authorized to receive deposit of government funds as a Government Depository. — The Secretary of Finance, the National Treasurer and his authorized representatives, heads of government agencies, city and municipal treasurers, as well as official custodians of public funds, including 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 Veterans Bank, which is hereby declared to be a government depository."

SECTION 21. Section 28 of R.A. No. 3518 is hereby re-enacted and re-numbered as follows:

"SECTION 21. 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 Veterans' 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 22. Section 29 of R.A. No. 3518 is hereby re-enacted and re-numbered as follows:

"SECTION 22. By-laws. — Within one month after the approval of this Act, the by-laws of the Philippine Veterans' Bank for its organizational, functional and operational government and procedures shall be adopted by the affirmative vote of majority of the stockholders present at a meeting called for the purpose, 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 Veterans 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 Commissioner.

SECTION 23. All Sections of R.A. No. 3518 that were not re-enacted or amended are deemed expressly repealed; particularly, Sections 13, 16, 17, 20, 21, and 26. Any law or part of laws inconsistent with the provisions of this Act is hereby repealed.

SECTION 24. Batas Pambansa Blg. 68, as amended, Republic Act No. 337 as amended, Republic Act No. 7653, Republic Act No. 8791 as amended, and all related laws not inconsistent with the provisions of this Act shall apply suppletorily.

SECTION 25. This Act shall take effect fifteen (15) days after complete publication in a newspaper of general circulation.