



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
Second Regular Session

House Bill No. 8454



Introduced by Representative Junie E. Cua
Lone District, Quirino

AN ACT
FURTHER AMENDING EXECUTIVE ORDER NO. 81,
OTHERWISE KNOWN AS THE 1986 REVISED CHARTER
OF THE DEVELOPMENT BANK OF THE PHILIPPINES,
AS AMENDED BY REPUBLIC ACT NO. 8523

EXPLANATORY NOTE

As the country continues to march towards progress amidst the COVID-19 pandemic, DBP, the premiere development and universal government bank, supports the National Government, in its shared task of nation-building, so as to achieve its legal mandate to power the country towards sustainable economic growth. As the country's government-mandated infrastructure bank, DBP expands its role as a stimulus for development.

The President of the Philippines has noted that this Nation is a witness to the time immemorial and unwavering commitment of DBP to ensure the country's economic development. For several decades, DBP has been at the forefront of strengthening our economic growth through its array of relevant, responsive and purposeful development financing programs. Its vital role as a provider of reliable funding for essential public infrastructure projects under the government's Build, Build, Build Program is also noteworthy.ⁱ

More than seven decades ago, DBP was tasked to provide an impetus for national rehabilitation to instigate a progressive expansion of the national economy.

More than 70 years later, DBP continues to uphold the principles on which it was created. The undertaking of the Bank constitutes the major part of the rehabilitation and reconstruction of a post-war Philippines before and now during Covid-19 pandemic scenario - to ascertain and fulfill the financial needs of a recovering and again expanding economy amidst the pandemic.

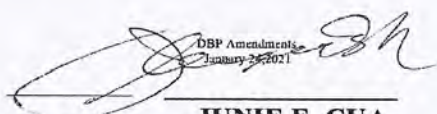
ⁱ Message of President Rodrigo Duterte on June 2019 published in the 2018 DBP Annual Report.

Indeed, DBP continues to play a pivotal role in the inclusive and sustainable growth of the Philippines. As a development partner of both the government and the citizenry, DBP not only provides financial assistance but also shares its expertise to the companies and businesses it serves.

Notwithstanding the foregoing, there is a need, however, to further amend the Revised DBP Charter (Executive Order No. 81, Series of 1986, as amended by Republic Act No. 8523). Said further amendments will improve and expand the powers and functions of DBP with a corresponding needed increase in its capitalization. Consequently, this will enhance the Bank's capability to ensure continuity of developmental service to the nation in the delivery of better products and more effectively serve its clients while complying with the risk-based banking law and regulations. Thus, the following amendments are proposed herein: (1) increase in authorized capital stock to comply with the risk-based capital ratio and other capital related BSP regulations in relation to the risks (e.g. risk weighted assets) continually assumed by the Bank in its developmental mandate; (2) grant of authority to engage in traditional and non-traditional modes of financing businesses that will allow financing of acquisition and construction of government properties under financing leasing arrangement, such as but not limited to, Philippine embassies abroad; (3) grant of perpetual corporate existence in light of the recent amendments to the Revised Corporation Code (Republic Act No. 11232); (4) strengthening the conflict of interest provisions to ensure good corporate governance and align with Republic Act No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees; among others.

As a pioneering development banking institution, DBP needs the further amendments of its Charter so it can continue to push forward with a revitalized resolve to carry out its mandate to fuel the growth of the Philippine economy. After all, the essence of the existence of DBP, is to be the vehicle for the nation's progress, carrying with it the collective hope of the Filipino people for a brighter future.

For the foregoing reasons, immediate passage of this measure is earnestly sought.


DBP Amendments
January 28, 2021
JUNIE E. CUA



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AN ACT
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AS AMENDED BY REPUBLIC ACT 8523

~~{EXECUTIVE ORDER NO. 81
THE 1986 REVISED CHARTER OF THE DEVELOPMENT BANK OF THE PHILIPPINES
(As amended by Republic Act No. 8523)}~~

~~{WHEREAS, it is the policy of the State that the national interest in both the maintenance of economic stability and the promotion of economic development is best served by a system of financial intermediation that places primary reliance on the private sector, on the maintenance of conditions of competition, and on the market mechanism for its effective operations;}~~

~~{WHEREAS, within the context of the general policy there nevertheless exists a clear role for direct government participation in the banking system through a government development bank, particularly in servicing the medium and long term requirements of agriculture, and small and medium scale industry, export development, and the government sector;}~~

~~{WHEREAS, the Development Bank of the Philippines is the government financing institution charged with providing principally medium and long term credit facilities for agriculture, and small and medium scale industry, export development, and the government sector;}~~

~~{WHEREAS, in pursuit of this national policy there is need to restructure the government financial institutions, particularly the Development Bank of the Philippines, to achieve a more efficient and effective use of available resources, to improve their viability, and avoid unfair competition with the private sector; and}~~

~~NOW, THEREFORE, I, CORAZON C. AQUINO, President of the Philippines, do hereby order.}~~

Section 1. *TITLE.* – This [Executive Order] ACT shall be known as “THE [1986 REVISED] NEW CHARTER OF THE DEVELOPMENT BANK OF THE PHILIPPINES.”

SEC 2. DECLARATION OF POLICY. IT IS THE POLICY OF THE STATE TO STRENGTHEN THE POWERS AND FUNCTIONS OF THE DEVELOPMENT BANK OF THE PHILIPPINES, A PREMIER GOVERNMENT DEVELOPMENTAL FINANCIAL

INSTITUTION IN PROVIDING DEVELOPMENTAL FINANCING AND BANKING SERVICES TO PUMP PRIME THE NATIONAL ECONOMY AND SUSTAIN ITS ECONOMIC GROWTH, AS WELL AS TO MAKE THE BANK COMPETITIVE IN THE LOCAL, REGIONAL AND INTERNATIONAL MARKETS. IN RESPONSE TO THE CHALLENGES OF GLOBALIZATION AND ASEAN INTEGRATION, THE BANK SHALL ASSIST PHILIPPINE INDUSTRIES AND OTHER STRATEGIC SECTORS OF THE ECONOMY TO BE GLOBALLY COMPETITIVE.

DBP, AS A CATALYST FOR A PROGRESSIVE AND POVERTY-FREE PHILIPPINES, UPHOLDS ITS CORPORATE CITIZENSHIP PROGRAMS THROUGH INITIATIVES THAT PROMOTE THE WELFARE OF THE FILIPINO PEOPLE PARTICULARLY THE UNDERPRIVILEGED. DBP SHALL BE AT THE FOREFRONT CARRYING OUT RELEVANT AND MEANINGFUL PROGRAMS THROUGH ITS FLAGSHIP INITIATIVES IN MAJOR AREAS OF EDUCATION, ENVIRONMENT AND OUTREACH PROGRAMS, AMONG OTHERS.

Sec. [2]3. *Name, [Purpose and Domicile] TERM.* – The Development Bank of the Philippines, hereinafter called the Bank, shall [operating under the provisions of Republic Act No. 85, as amended, shall henceforth operate under the provisions of this 1986 Revised Charter.] **HENCEFORTH OPERATE UNDER THE PROVISIONS OF THIS ACT.** The Bank shall **CONTINUE TO EXIST** [be] **AS** a body corporate and shall [exist for a period of fifty years] **HAVE PERPETUAL EXISTENCE FROM THE DATE OF EFFECTIVITY OF THIS ACT.**

[The primary purpose of the Bank shall be to provide banking services principally to service the medium and long term needs of agricultural and industrial enterprises, particularly in the country-side and preferably for small and medium scale enterprises; Provided, however, that the pursuit of these objectives shall be undertaken within the context of a financially viable and stable banking institutions; Provided, further that the Bank shall continue to be classified as a development Bank, Provided, finally, that unless otherwise provided herein, the Bank may perform all other functions of a thrift bank.]

Sec. 4. **PRIMARY OBJECTIVE OF THE BANK.** – [The primary purpose of the Bank shall be to provide banking services principally to service the medium and long term needs of agricultural and industrial enterprises, particularly in the country-side and preferably for small and medium scale enterprises; Provided, however, that the pursuit of these objectives shall be undertaken within the context of a financially viable and stable banking institutions; Provided, further that the Bank shall continue to be classified as a development Bank, Provided, finally, that unless otherwise provided herein, the Bank may perform all other functions of a thrift bank]. **THE BANK'S OPERATIONS, IN PARTNERSHIP WITH THE NATIONAL GOVERNMENT, LOCAL GOVERNMENT UNITS, GOVERNMENT AGENCIES AND INSTRUMENTALITIES, ARE INTEGRATED TO THE KEY DEVELOPMENT PROGRAMS OF THE NATIONAL DEVELOPMENT PLAN OF THE GOVERNMENT AND PRIMARILY INTENDED TO SUPPORT PRIORITY DEVELOPMENT PROGRAMS OF THE GOVERNMENT SUCH AS INFRASTRUCTURE, COMMUNITY, COUNTRYSIDE AND TOURISM DEVELOPMENT, RESPONSIBLE ENTREPRENEURSHIP, AGRI-BUSINESS, AGRICULTURAL AND INDUSTRIAL ENTERPRISES, MICRO, SMALL AND MEDIUM ENTERPRISES, EFFICIENT SOCIAL SERVICES TO SECTORS SUCH AS EDUCATION, HEALTH CARE, SOCIALIZED HOUSING AND PROTECTION OF THE ENVIRONMENT AND THE NEEDS OF THE GOVERNMENT SECTOR: PROVIDED, HOWEVER, THAT THE PURSUIT OF THESE OBJECTIVES SHALL BE UNDERTAKEN WITHIN THE CONTEXT OF A FINANCIALLY VIABLE, GLOBALLY COMPETITIVE BANKING INSTITUTION. AS A UNIVERSAL BANK, DBP SHALL SECURE EARNINGS AND SAFEGUARD ITS LIQUIDITY POSITION TO SUSTAIN ITS DEVELOPMENTAL BANKING OPERATIONS IN SUPPORT OF THE GOVERNMENT'S NATIONAL DEVELOPMENT AGENDA AND SUSTAINABLE ECONOMIC GROWTH.**

Sec. [3]5. *Corporate Powers.* — **IN ADDITION TO THE GENERAL POWERS OF A CORPORATION MENTIONED IN THE REVISED CORPORATION CODE OF THE PHILIPPINES, [The Development Bank of the Philippines] THE BANK shall have the power:**

a) [To accept such deposits as are allowed thrift banks under existing law and Central Bank regulations, including but not limited to demand, savings, and time deposits;] **TO EXERCISE ALL SUCH POWERS AND SERVICES AS MAY BE NECESSARY TO CARRY ON THE BUSINESS OF A UNIVERSAL BANK UNDER R.A. 8791 OR “THE GENERAL BANKING LAW OF 2000” AND THE EXISTING RULES AND REGULATIONS OF THE MONETARY BOARD IN ORDER TO PERFORM ITS MANDATE UNDER THIS ACT;**

[b) To grant loans for the establishment, development or expansion of any agricultural or industrial enterprise]

B) [c) To accept and manage trust funds and properties and carry on the business of a trust corporation;] **TO BORROW FROM, OR REDISCOUNT NOTES, BILLS OF EXCHANGE AND OTHER COMMERCIAL PAPERS WITH, THE BSP SUBJECT TO THE RULES AND REGULATIONS OF THE MONETARY BOARD;**

C) [d) To act as official government depository with authority to maintain deposits **AND DEPOSIT SUBSTITUTES** of the **NATIONAL** Government, its **AGENCIES/BUREAUS** [subdivisions, branches,] and instrumentalities, and of government-owned or controlled corporations, **AND LOCAL GOVERNMENT UNITS**, subject to such rules and regulations as the Monetary Board may prescribe;

[e) To acquire, assign, or otherwise dispose of marketable securities and other debt instruments which are essential to the effective conduct of its general banking activities;]

[f) To enter into such contracts of guaranty or suretyship as are generally allowed domestic banking institutions under the General Banking Act; and]

[g)] **D) To adopt, amend, or change its By-laws; to adopt, alter and use a seal; TO LEASE OR OWN REAL AND PERSONAL PROPERTY AND TO SELL OR OTHERWISE DISPOSE OF THE SAME;** to make contracts; to sue and be sued; and to exercise the general powers of a corporation mentioned in the **Revised** Corporation Code of the Philippines, [and of a thrift bank under the General Banking Act], **INCLUDING THE POWER TO ACQUIRE OR ESTABLISH SUBSIDIARIES REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION AND ENTER INTO JOINT VENTURE AGREEMENTS FOR PURPOSES OF DEVELOPING OR DISPOSING ACQUIRED ASSETS AND/OR BANK PROPERTIES,** insofar as such powers are not inconsistent or incompatible with the provisions of this [Charter] **ACT AND THE BANKING LAWS, RULES AND REGULATIONS;**

E) TO OBTAIN FROM GOVERNMENT SERVICE INSURANCE SYSTEM OR OTHER REPUTABLE INSURANCE COMPANIES DULY ACCREDITED BY THE APPROPRIATE REGULATORY BODY DIRECTORS, OFFICERS AND LIABILITY INSURANCE COVERAGE, WITHOUT PREJUDICE TO THE RIGHT OF THE BANK, AS MAY BE DETERMINED BY ITS BOARD OF DIRECTORS (“THE BOARD”), TO PUT UP ITS OWN LEGAL INSURANCE FUND;

F) TO ACT AS LOAN OR CREDIT FACILITY PROGRAMS ADMINISTRATOR WITH RESPECT TO THE LOANS GRANTED BY THE NATIONAL GOVERNMENT;

G) TO BE EXEMPTED FROM CAPITAL CHARGES ON LOANS TO GOVERNMENT BORROWERS DEFINED AS SUCH UNDER BANKING REGULATIONS AND OTHER PREVAILING LAWS, RULES AND REGULATIONS;

H) TO DEVELOP AND DISPOSE THE BANK'S OWNED PROPERTIES. TO ADD VALUE TO, IMPROVE PROFITABILITY ON, AND/OR ENHANCE THE MARKETABILITY OF BANK'S OWNED PROPERTY, THE BANK MAY FURTHER DEVELOP/RENOVATE THE SAME EITHER WITH ITS OWN CAPITAL OR THROUGH A JOINT VENTURE ARRANGEMENT WITH PRIVATE COMPANIES OR INDIVIDUALS, WITHOUT NEED OF APPROVAL BY THE NATIONAL ECONOMIC DEVELOPMENT AUTHORITY;

I) TO DISPOSE OF ITS ACQUIRED ASSETS WHICH SHALL NOT BE SUBJECT TO ANY INJUNCTION OR RESTRAINING ORDER ISSUED BY ANY COURT, COMMISSION, TRIBUNAL OR OFFICE WHICH SHALL BAR, IMPEDE OR DELAY THE SALE AND DISPOSITION THEREOF EXCEPT ON QUESTIONS OF OWNERSHIP AND NATIONAL OR PUBLIC INTEREST; AND

J) TO ENGAGE IN TRADITIONAL AND NON-TRADITIONAL MODES OF FINANCING BUSINESSES CALCULATED TO IMPROVE DELIVERY OF PUBLIC SERVICE OR MEET EXPANSION OR MODERNIZATION PLANS OF A PHILIPPINE ENTERPRISE IN THE PHILIPPINES AND OVERSEAS, INCLUDING FINANCIAL LEASING OF MOVABLE AND IMMOVABLE PROPERTIES.

Unless otherwise provided in this [Charter] ACT, the exercise of the above-mentioned powers [on banking] shall be subject to applicable lawS, as well as regulations promulgated by the [Central Bank of the Philippines] **BSP AND OTHER APPLICABLE PREVAILING LAWS, RULES AND REGULATIONS. THE BANK SHALL OBSERVE UTMOST TRANSPARENCY IN DISPENSING LOANS AND SELLING OF GOVERNMENT ASSETS THE BANK MUST ENSURE THAT ITS RESOURCES ARE NOT BEING UNDULY TAKEN ADVANTAGE OF BY ITS MANAGEMENT TO FAVOR CERTAIN PRIVATE INTERESTS: PROVIDED, THAT, IN ANY CASE: (A) NO GRANT OF LOAN OR DISPOSITION OF ASSET SHALL BE IMPLEMENTED BY THE BANK UNLESS IT UNDERGOES THE REQUISITE EVALUATION/APPROVAL PROCESS; AND (B) THE FILE PERTAINING TO THE TRANSACTION CONTAINS A FULL DISCLOSURE OF: (I) HOW THE ACCOUNT ORIGINATED AND ENDORSED TO THE APPROVING BODIES; AND (II) THE DELIBERATION MADE BY THE APPROVING BODIES ON THE TRANSACTION IS FAITHFULLY RECORDED AND THE RECORD OF SUCH DELIBERATION AND PERTINENT ACCOUNT FILES ARE KEPT AND MADE AVAILABLE FOR AUDIT IN THE FUTURE BY AUTHORIZED OFFICIALS, SUBJECT TO PREVAILING LAWS, RULES AND REGULATIONS ON RETENTION AND MANAGEMENT OF PUBLIC RECORDS.**

SEC. 6. PRINCIPAL OFFICE, BRANCHES, AND OTHER OFFICES. – The Bank's principal office and place of business shall be in [the National Capital Region, also known as] Metro Manila. It may open and maintain branches, agencies **IN ACCORDANCE WITH EXISTING REGULATIONS.** [or other offices at such places in the Philippines as its Board of Directors may deem advisable, with the prior approval of the Monetary Board of] the [Central Bank of the Philippines] **BANGKO SENTRAL NG PILIPINAS (THE "BSP").**

Sec. 7. Authorized Capital Stock-Par Value.— The capital stock of the Bank shall be [Thirty-five billion pesos (P35,000,000,000.00)] **ONE HUNDRED BILLION PESOS (P100,000,000,000.00)** to be divided into [Three hundred fifty million (350,000,000)] **ONE BILLION (1,000,000,000)** common shares with par value of P100.00 per share, which shall be fully subscribed by the [n]National [g]Government. [Upon the effectivity of this Charter, the National Government shall initially subscribe to One hundred twenty-five million (125,000,000) common shares of stock worth Twelve billion five hundred million pesos (P12,500,000,000.00), Five billion pesos (P5,000,000,000.00) of which shall be deemed paid for by the government and the balance shall be paid for by the government out of the stock dividends to be declared by the Bank from its unappropriated retained earnings: Provided, That the

dividends due the national government pursuant o Republic Act No. 7656 shall first be paid.] **PROVIDED THAT FIFTEEN BILLION PESOS (PHP15,000,000,000.00) OF THE INCREASE IN CAPITALIZATION SHALL BE FULLY PAID FOR BY THE NATIONAL GOVERNMENT UPON EFFECTIVITY OF THIS AMENDATORY ACT AND THE BALANCE TO BE PAID FROM SUCCEEDING APPROPRIATIONS FOR THIS PURPOSE, PROVIDED, FURTHER, THAT NO CASH DIVIDEND IN FAVOR OF THE NATIONAL GOVERNMENT SHALL BE DECLARED AND REMITTED UNTIL THE ENTIRE AUTHORIZED CAPITALIZED STOCK AND INCREASE THEREOF HAS BEEN FULLY SUBSCRIBED TO AND PAID BY THE NATIONAL GOVERNMENT.**

THE PRESIDENT OF THE PHILIPPINES, MAY APPROVE THE INCREASE OF THE CAPITALIZATION OF THE BANK TO BE FULLY SUBSCRIBED BY THE NATIONAL GOVERNMENT, UPON THE RECOMMENDATION OF THE BOARD AND THE CONCURRENCE OF THE SECRETARY OF FINANCE, UP TO SUCH AN AMOUNT AS MAY BE NECESSARY TO ATTAIN THE OBJECTIVES OF THIS ACT.

SEC. 8. VOTING OF SHARES. — THE VOTING POWER OF ALL THE COMMON SHARES OF STOCK OF THE BANK SHALL BE VESTED IN THE PRESIDENT OF THE PHILIPPINES OR TO HIS DELEGATED/AUTHORIZED REPRESENTATIVE, SUBJECT TO PREVAILING LAWS, RULES AND REGULATIONS.

Sec. [4]9. *Loans and other Investments.* — Loans and other investments of the Bank shall be subject to the same limits and ceilings [applicable to thrift banks under existing provisions of law and regulations promulgated by the Monetary Board, including but not limited to prescribed limits and ceilings; Provided, that loans and investments existing as of the date of the effectivity of this Charter and which loans and investments would exceed the prescribed limits as a result of the implementation of its rehabilitation program, as well as those investment authorized under Section 6 hereof, which are in excess of the prescribed limits shall be reduced within five years in accordance with such program of reduction as may be approved by the Monetary Board. The period of reduction may be extended up to another five years by the President of the Philippines upon recommendation by the Monetary Board.] **IMPOSED ON UNIVERSAL BANKS BY THE MONETARY BOARD, EXCEPT AS PROVIDED IN SEC. 5.**

Sec. [5]10. *Issuance of Bonds, ELIGIBLE CAPITAL INSTRUMENTS, AND OTHER SECURITIES.* — The Bank may issue all kinds of bonds, NOTES, debentures, **OTHER EVIDENCES OF INDEBTEDNESS, DERIVATIVES, COMMODITIES, NEGOTIABLE INSTRUMENTS, ELIGIBLE CAPITAL INSTRUMENTS,** and **OTHER** securities, and/or the renewal or refunding thereof [(hereinafter called "Bonds")] within and/or outside the Philippines, at such terms, rates, and conditions as the Board [of Directors of the Bank] may determine, subject to compliance with the provisions of applicable law, and rules and regulations promulgated by the Monetary Board.

The Bank shall provide for appropriate reserves for the redemption or retirement of the bonds. 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 purchased or held by it under the provisions of this [Charter] ACT. These bonds and debentures may be long-term, medium, or short-term, with fixed interest rate or floating interest rate.

[Sec. 6. *Private Development Banks, Other Thrift Banks and Rural Banks.* — The Bank may assist private development banks and other privately owned banks in the thrift bank category, as well as rural banks, through general credit accommodations including but not limited to conduit lending and

rediscounting operations, and extension of technical and managerial assistance; Provided, That the Bank may likewise make equity investments in private development banks and other private owned banks in the thrift bank category, as well as rural banks, if such investment is in connection with the privatization of certain branches of the Bank; Provided, further, That the extent of such equity investment may, with the prior approval of the Monetary Board, exceed the ceilings prescribed in Section 4 hereof; and, Provided, finally, That after five years from effectivity of this Charter, any equity investment shall not exceed thirty (30%) per cent of the equity in any such bank nor shall its total equity investments exceed the prescribed aggregate ceiling on such investments.]

Sec. [8]11. *Board of Directors — Composition — Tenure — Per Diems.* — The affairs and business of the Bank shall be directed, and its properties managed and preserved [and its corporate powers exercised, unless otherwise provided in this Charter], by a Board of Directors consisting of nine (9) members [,. **MEMBERS OF THE BOARD SHALL** [to] be appointed by the President of the Philippines **FROM A SHORTLIST PREPARED BY THE GOVERNANCE COMMISSION FOR GOVERNMENT –OWNED AND –CONTROLLED CORPORATIONS (GCG) SUBJECT TO PRIOR CLEARANCE OF BSP DISQUALIFICATION / WATCHLIST / FIT AND PROPER RULE IN ACCORDANCE WITH THE PROCEDURE LAID DOWN IN R.A. NO. 10149:** Provided, [T] that the position of [c] Chairman of the Board and [p]President of the Bank shall not be held by the same person.

THE DIRECTORS MUST ALWAYS MEET THE FIT AND PROPER REQUIREMENTS UNDER R.A. NO. 8791, OTHERWISE KNOWN AS THE GENERAL BANKING LAW OF 2000 AND THE GUIDELINES OF THE BSP AND THE GCG.

The Chairman shall be appointed by the President of the Philippines from among the members of the Board.

The Chairman shall preside at meetings of the Board [and of the stockholders].

The President of the Bank shall be vice-chairman of the Board, and as such, shall assist the Chairman and act in his stead in case of absence or incapacity. In case of incapacity or absence of both the [c]Chairman and the Vice-chairman, the Board [of Directors] shall designate a temporary chairman from among its members.

No person shall be appointed director of the Bank unless he is a natural-born citizen of the Philippines, not less than thirty-five (35) years of age, of good moral character and has attained proficiency, expertise and recognized competence in one or more of the following: banking, finance, **ACCOUNTING, INFORMATION TECHNOLOGY, INFORMATION SECURITY**, economics, law, agriculture, business management, public utility or government administration.

At least four of the members of the Board shall come from the private sector. Except for the Chairman and the President, no **INCUMBENT** officer or employee of the Bank may be appointed as a member of the Board [of directors of the Bank]; nor shall any **INCUMBENT** director, officer, or employee of any other bank be eligible as a member of the Board [of Directors of the Bank].

[Unless otherwise set by the Board and approved by the President of the Philippines, members of the Board shall be paid a per diem of One thousand pesos (₱1,000.00) for each meeting of the Board of Directors actually attended: Provided, that the total amount of per diems for every single month shall not exceed the sum of Seven thousand five hundred pesos (₱7,500.00).]

THE PRESIDENT AND CHIEF EXECUTIVE OFFICER (CEO) SHALL BE ELECTED ANNUALLY BY THE MEMBERS OF THE BOARD IN ACCORDANCE WITH SEC. 13 HEREOF.

The term of office of the Chairman, President and the members of the Board [of Directors] shall be for a period of one year or until such time as their successors are appointed.

THE MEMBERS OF THE BOARD, INCLUDING THE PRESIDENT AND CEO, SHALL RECEIVE PER DIEMS FOR EVERY MEETING ACTUALLY ATTENDED, AND RECEIVE SUCH OTHER ALLOWANCES, INCENTIVES AND SUCH OTHER EMOLUMENTS, INCLUDING BUT NOT LIMITED TO REASONABLE TRANSPORTATION AND REPRESENTATION ALLOWANCES AND PERFORMANCE-BASED INCENTIVES, COMPARABLE TO THOSE RECEIVED BY DIRECTORS IN PRIVATE BANKS OF THE UNIVERSAL BANK CATEGORY, SUBJECT, HOWEVER, TO EXISTING LAWS AND REGULATIONS.

Sec. [9]12. *Powers and Duties of the Board of Directors.* — The Board [of Directors] shall have, among others, the following duties, powers and authority:

a) To formulate policies necessary to carry out effectively the provisions of this [Charter] ACT and to prescribe, amend, and repeal by-laws, rules and regulations for the effective operation of the Bank, and the manner in which the general business of the Bank may be conducted and the powers granted by law to the Bank exercised;

b) To approve loans, **OTHER CREDIT ACCOMMODATIONS AND GUARANTEES ISSUED/OBTAINED BY THE BANK**, [to fix rates of interest on loans] and [to] prescribe [such] terms and conditions [for loans and credits] **TO GOVERN THE GRANTING OF THE FOREGOING, AND ENGAGE IN SUCH OTHER FINANCIAL ACTIVITIES UNDER SUCH TERMS AND CONDITIONS** as IT may be deemed necessary, consistent with the provisions of this [Charter] ACT AND THE EXISTING BANKING LAWS AND REGULATIONS PROMULGATED BY THE MONETARY BOARD[:]; Provided, that the Board may delegate the authority to approve loans to such officers OR COMMITTEES as may be deemed necessary;

C) TO APPROVE INVESTMENT ACTIVITIES WITH TERMS AND CONDITIONS BENEFICIAL TO THE BANK AND SUBJECT TO THE REGULATIONS PROMULGATED BY THE MONETARY BOARD;

[c]D) To adopt an annual budget for the effective operation and administration of the Bank;

[d]E) To create and establish a "Provident Fund" which shall consist of contributions, made both by the Bank and its officers or employees, to a common fund for the payment of benefits to such officers or employees, or their heirs, under such terms and conditions as the Board [of Directors] may fix;

[e]F) To compromise or release, in whole or in part, any claim or settled liability to the Bank regardless of the amount involved, under such terms and conditions it may impose to protect the interests of the Bank. This authority to compromise shall extend to claims against the Bank; [and]

[f]G) To appoint, promote or remove officers from the rank of Vice President or its equivalent, and other more senior officer positions, excluding the Chairman and the Vice Chairman. **PROVIDED, THAT NO PERSON SHALL BE APPOINTED TO ANY EXECUTIVE POSITION IN THE BANK MENTIONED IN THE PRECEDING SECTION UNLESS HE IS OF GOOD MORAL CHARACTER AND OF UNQUESTIONABLE INTEGRITY AND RESPONSIBILITY, AND WHO IS OF RECOGNIZED COMPETENCE IN THE FIELD OF ONE OR MORE OF THE FOLLOWING: ECONOMICS, AGRICULTURE, INDUSTRY, LAW, BANKING AND/OR FINANCE, ACCOUNTING, INFORMATION TECHNOLOGY, INFORMATION SECURITY, AND POSSESSED OF DEMONSTRATED ADMINISTRATIVE SKILL AND ABILITY;**

H) TO ESTABLISH SUCH BRANCHES, AGENCIES AND/OR OTHER OFFICES WHICH THE BOARD SHALL DETERMINE TO BE NECESSARY AND CONVENIENT IN ACCORDANCE WITH EXISTING RULES AND REGULATIONS OF THE BSP;

I) TO ESTABLISH A HUMAN RESOURCE MANAGEMENT SYSTEM WHICH SHALL GOVERN THE SELECTION, HIRING, APPOINTMENT, TRANSFER, PROMOTION OR DISMISSAL OF ALL PERSONNEL, AND DETERMINATION OF COMPENSATION AND BENEFITS OF ALL EMPLOYEES SUBJECT TO EXISTING LAWS AND REGULATIONS SUCH AS BUT NOT LIMITED TO R. A. NO. 10149. SUCH SYSTEM SHALL AIM TO ESTABLISH PROFESSIONALISM AND EXCELLENCE AT ALL LEVELS OF THE BANK IN ACCORDANCE WITH SOUND PRINCIPLES OF MANAGEMENT;

J) TO CONTINUALLY REORGANIZE THE BANK PERSONNEL AS THE BOARD MAY, FROM TIME TO TIME, DEEM NECESSARY; AND TO RATIONALIZE THE ORGANIZATION AND STRUCTURE OF THE BANK TO PROMOTE COST-SAVINGS AND EFFICIENCY. THE BOARD IS AUTHORIZED TO DESIGN AND ADOPT AN EARLY RETIREMENT OR SEPARATION INCENTIVE PLAN FOR THE PURPOSE OF PROVIDING A FINANCIAL PACKAGE OF BENEFITS, APART FROM THAT GRANTED UNDER THE GSIS LAW, DUE TO RETRENCHMENT, REORGANIZATION, STREAMLINING OF ITS ORGANIZATION, MERGER WITH ANOTHER BANK OR A SIMILAR OCCURRENCE TO ENABLE ITS PERSONNEL WHO MAY OR MAY NOT YET BE QUALIFIED FOR OPTIONAL RETIREMENT UNDER EXISTING RETIREMENT LAWS TO RETIRE OR BE SEPARATED FROM THE SERVICE WITH ADDITIONAL FINANCIAL BENEFITS: PROVIDED, THAT THE PROVISIONS OF THE CIVIL SERVICE LAW AND ITS IMPLEMENTING RULES SHALL, AT ALL TIMES, BE OBSERVED: PROVIDED, FURTHER, THAT ANY SEPARATION BENEFITS AND INCENTIVES WHICH MAY BE GRANTED BY THE BANK EQUIVALENT TO AT LEAST TWO MONTHS BASIC SALARY FOR EVERY YEAR OF SERVICE, IN ADDITION TO THOSE PROVIDED UNDER EXISTING LAWS, FOR THOSE PERSONNEL REFERRED TO IN THIS SECTION SHALL BE SOURCED FROM THE CORPORATE FUNDS OF THE BANK. THIS PROVISION SHALL BE SUBJECT TO APPLICABLE EXISTING RULES AND REGULATIONS;

K) TO PROMOTE AND SPONSOR THE LOCAL OR FOREIGN TRAINING OR STUDY OF OFFICERS AND EMPLOYEES IN THE RELATED FIELDS SUCH AS BANKING, FINANCE, TREASURY, MONEY MARKET, RISK MANAGEMENT, INFORMATION TECHNOLOGY AND LAW. TOWARD THIS END, THE BANK IS AUTHORIZED TO DEFRAY THE COSTS OF SUCH TRAINING OR STUDY. THE BOARD SHALL PROVIDE RULES AND REGULATIONS TO GOVERN THE TRAINING OR STUDY PROGRAMS OF THE BANK SUBJECT TO APPLICABLE EXISTING REGULATIONS ON TRAINING AND STUDY, AS WELL AS ACCOUNTING AND AUDITING RULES; AND

L) TO OBTAIN FROM GOVERNMENT SERVICE INSURANCE SYSTEM OR OTHER REPUTABLE INSURANCE COMPANIES, DULY ACCREDITED BY THE APPROPRIATE REGULATORY BODY DIRECTORS, OFFICERS AND LIABILITY INSURANCE COVERAGE, WITHOUT PREJUDICE TO THE RIGHT OF THE BANK, AS MAY BE DETERMINED BY THE BOARD, TO PUT UP ITS OWN LEGAL INSURANCE FUND, SUBJECT TO THE REGULATIONS ISSUED BY THE GCG.

THE BOARD SHALL EXERCISE ITS POWERS IN A MANNER CONSISTENT WITH THE PRINCIPLES OF TRANSPARENCY, FAIRNESS AND ACCOUNTABILITY.

Sec. [10]13. *President and Chief Executive Officer.* — The Chief Executive Officer of the Bank shall be the President who shall be elected by the Board [of Directors] from among themselves with the **WRITTEN** advice and consent of the President of the Philippines. No person shall be appointed President of the Bank unless he is at least forty (40) years of age, of good moral character and reputation,

with at least ten (10) years previous experience in banking, and has a reputed proficiency, expertise and recognized competence in banking or financial management.

The President shall, among other powers and duties, execute, carry out and administer the policies, measures, orders and resolutions approved by the Board; direct and supervise the operation and administration of the Bank; and exercise such other powers and perform such other functions or duties as may be directed to assigned to him by law, **REGULATIONS, EXECUTIVE ISSUANCES** or by the Board from time to time.

Particularly, he shall have the power and duty:

(a) To sign and execute all contracts concluded by the Bank and enter into all necessary obligations required or permitted by this [Charter] **ACT**, upon proper authorization by the Board; and sign all notes, securities certificates, and other major documents of the Bank;

(b) To exercise, as Chief Executive Officer of the Bank, the powers of control and supervision over decisions and actions of subordinate officers and all other powers that may be granted by the Board;

(c) To report to the Board the main facts concerning the operations of the Bank and to recommend changes in policies which he may deem advisable;

(d) To submit an annual report to the President of the Philippines on the result of the operations of the Bank;

(e) To recommend to the Board the appointment, promotion, or removal of all officers of the Bank, with the rank of at least vice-president or its equivalent;

(f) To appoint, promote or remove employees and officers below the rank of vice-president or its equivalent: Provided, That promotions, transfers, assignments or reassignments of officers and personnel of the Bank are personnel actions deemed made in the interest of the service and not disciplinary, any provision of the Civil Service Law to contrary notwithstanding; and

(g) As required by circumstances, to delegate any of his powers, duties or functions to any officer or director of the Bank, with the approval of the Board.

[Sec. 11. (Repealed by RA 8523)]

Sec. [12]14. *Legal matters and cases.* — The Bank shall have its own **CHIEF LEGAL COUNSEL AS HEAD OF THE** Legal Department, **WHO** [the head of which] shall be appointed by the Board [of Directors] of the **Bank** upon recommendation of [the] **ITS** President [of the Bank]. **THE OTHER MEMBERS OF THE LEGAL DEPARTMENT SHALL BE APPOINTED IN ACCORDANCE WITH THE BANK'S POLICIES ON HIRING AND PROMOTION.**

In appropriate cases, the Bank may avail also of the legal services of any government legal office authorized to render such services to government-owned or controlled corporations.

NOTWITHSTANDING SECTION 10 of CHAPTER 3, TITLE III, BOOK IV OF EXECUTIVE ORDER 292, THE LEGAL DEPARTMENT CAN ALSO ACT AS THE PRINCIPAL LAW OFFICE OF THE BANK DULY AUTHORIZED TO APPEAR IN ITS BEHALF IN ANY COURT OR QUASI-JUDICIAL BODY. THE HIRING OF ANY EXTERNAL PRIVATE COUNSEL MAY BE AUTHORIZED BY THE BOARD, UPON THE RECOMMENDATION OF THE CHIEF LEGAL COUNSEL, WITHOUT NEED OF SECURING THE APPROVAL OF THE OFFICE OF THE GOVERNMENT CORPORATE

COUNSEL AND THE COMMISSION ON AUDIT, ANY PROVISION OF A GENERAL OR SPECIAL LAW TO THE CONTRARY NOTWITHSTANDING.

The Bank may, upon the recommendation of its Chief Legal Counsel, deputize any member of its legal staff to act as special sheriff in foreclosure cases, in the sale or attachment of the debtor's properties and in the enforcement of court writs and processes in cases involving the Bank. The special sheriff of the Bank shall make a report to the proper court after any action taken by him, which shall treat such action as if it were an act of its own sheriffs in all respects.

[SEC. 15. *Officer to Conduct Sale.* –] In case of sale of mortgaged properties under the provisions of existing laws or of this [Charter] ACT, such sale shall be conducted under the direction of the sheriff of the Province or any special sheriff of the Bank, or of a municipal judge or notary public of the City or Municipality where the sale is to be made, who shall be entitled to collect the fees provided for in the Rules of the Court with respect to sale of properties under execution.

SEC. 15. FORECLOSURE BY THE BANK. — UNLESS WARRANTED BY THE CIRCUMSTANCES AS MAY BE DETERMINED BY THE BOARD OR OTHERWISE DIRECTED BY THE PRESIDENT OR HIS DULY AUTHORIZED REPRESENTATIVE FOR JUSTIFIABLE REASONS, THE BANK, AFTER THE LAPSE OF SIXTY (60) DAYS FROM THE DATE THE ACCOUNT BECAME PAST DUE, SHALL IMMEDIATELY FORECLOSE THE COLLATERALS AND/OR SECURITIES FOR ANY LOAN, CREDIT, ACCOMMODATION, AND/OR GUARANTEES GRANTED BY THE BANK WHENEVER THE ARREARAGES ON SUCH ACCOUNT, INCLUDING ACCRUED INTEREST AND OTHER CHARGES, AMOUNT TO AT LEAST TWENTY PERCENT (20%) OF THE TOTAL OUTSTANDING OBLIGATIONS, INCLUDING INTEREST AND OTHER CHARGES, AS APPEARING IN THE BOOKS OF ACCOUNT AND/OR RELATED RECORDS OF THE BANK.

UPON APPLICATION OF FORECLOSURE OF THE COLLATERAL OF DELINQUENT BORROWERS, WHETHER JUDICIALLY OR EXTRAJUDICIALLY, BY THE BANK, THE COURT AND/OR OFFICIALS CONCERNED SHALL IMMEDIATELY ACT AND GIVE PRIORITY TO THE SAME AND SCHEDULE THE PUBLICATION THEREOF WITHIN FIVE (5) DAYS FROM RECEIPT OF THE APPLICATION, THE AUCTION SALE TO BE HELD NOT LATER THAN TEN (10) DAYS FROM DATE OF THE LAST PUBLICATION. THE CERTIFICATE OF SALE MUST BE ISSUED ON THE DATE OF SALE AND THE SAME MUST BE REGISTERED BY THE REGISTER OF DEEDS CONCERNED NOT LATER THAN FIVE (5) DAYS AFTER SUBMISSION OF THE CERTIFICATE OF SALE.

AS A RESULT OF FORECLOSURE OR ANY OTHER LEGAL PROCEEDINGS WHEREIN THE PROPERTIES OF THE DEBTOR WHICH ARE FORECLOSED, ATTACHED, OR LEVIED UPON IN SATISFACTION OF A JUDGMENT ARE SOLD TO THE BANK, THE SAID PROPERTIES SHALL BE PLACED IN THE POSSESSION AND CONTROL OF THE BANK, WITH THE ASSISTANCE OF THE PHILIPPINE NATIONAL POLICE WHENEVER NECESSARY. THE PETITION FOR WRIT OF POSSESSION SHALL BE ACTED UPON BY THE COURT WITHIN FIFTEEN (15) DAYS FROM THE DATE OF FILING.

THE BANK IS HEREBY DIRECTED TO REPORT TO THE OFFICE OF THE PRESIDENT OF THE PHILIPPINES ANY OFFICIAL WHO DELAYS THE PROCEEDINGS AS PROVIDED HEREIN OR WHO VIOLATES ANY OF THE PROVISIONS OF THIS SECTION.

THIS PROVISION IS WITHOUT PREJUDICE TO THE RIGHT OF THE BANK TO ENTER INTO A COMPROMISE AGREEMENT PURSUANT TO SECTION 12(F) OF THIS ACT.

Sec. 16. *Right of Redemption.* — ANY INDIVIDUAL OR JURIDICAL MORTGAGOR OF THE BANK WHOSE REAL PROPERTY HAS BEEN JUDICIALLY SOLD AT PUBLIC AUCTION, OR [A]ny INDIVIDUAL mortgagor of the Bank whose real property has been extrajudicially sold at public auction shall, within one (1) year counted from the date of registration of the certificate of FORECLOSURE sale **WITH THE APPLICABLE REGISTER OF DEEDS**, have the right to redeem the real property by paying to the Bank all of the latter's claims against him, as determined by the Bank.

NOTWITHSTANDING ACT 3135, AS AMENDED, JURIDICAL MORTGAGORS WHOSE REAL PROPERTY HAS BEEN EXTRAJUDICIALLY SOLD AT PUBLIC AUCTION SHALL HAVE THE RIGHT TO REDEEM THE PROPERTY UNTIL BUT NOT AFTER THE REGISTRATION OF THE CERTIFICATE OF FORECLOSURE SALE WITH THE APPLICABLE REGISTER OF DEEDS, WHICH REGISTRATION SHALL IN NO CASE BE MORE THAN THREE (3) MONTHS FROM THE DATE OF FORECLOSURE, WHICHEVER IS EARLIER.

The Bank may take possession of the foreclosed property during the redemption period. When the Bank takes possession during such period, it shall be entitled to the fruits of the property with no obligation to account for them, the same being considered compensation for the interest that would otherwise accrue on the account. Neither shall the Bank be obliged to post a bond for the purpose of such possession.

Sec. [14]17. *Exemption from Attachment.* — The provisions of any law to the contrary notwithstanding, **COLLATERALS**, securities on loans and/or other **CREDIT** accommodation **AND GUARANTEES** granted by the Bank or its predecessors-in-interest shall not be subject to attachment, execution or any other court process, nor shall they be included in the property of insolvent persons or institutions, unless all debts and obligations of the debtor to the Bank and its predecessors-in-interest have been previously paid, including accrued interest, penalties, collection expenses, and other charges.

NO ATTACHMENT OR EXECUTION SHALL BE ISSUED AGAINST THE BANK OR ITS PROPERTY BEFORE FINAL JUDGMENT IN ANY SUIT, ACTION OR PROCEEDING IN ANY COURT.

Sec. [13]18. *[Other Officers and Employments] PERSONNEL.* — The Board [of Directors] shall provide for an organization and staff of officers and employees of the Bank [and upon recommendation of the President of the Bank, fix their remunerations and other emoluments.] **AND ESTABLISH A BANK PERSONNEL MANAGEMENT SYSTEM WHICH SHALL GOVERN THE SELECTION, HIRING, APPOINTMENT, TRANSFER, PROMOTION, OR DISMISSAL OF ALL BANK PERSONNEL, INCLUDING THE CONTINUOUS REORGANIZATION THEREOF.**

APPOINTMENTS IN THE BANK, EXCEPT THOSE WHICH ARE POLICY-DETERMINING, PRIMARILY CONFIDENTIAL OR HIGHLY TECHNICAL IN NATURE, SHALL BE MADE ONLY ACCORDING TO THE CIVIL SERVICE LAW AND REGULATIONS: PROVIDED, THAT NO QUALIFICATION OR ELIGIBILITY REQUIREMENTS FOR POSITIONS IN THE BANK SHALL BE IMPOSED OTHER THAN THOSE SET BY THE BOARD: PROVIDED, FURTHER, THAT, THE BOARD OR THE PRESIDENT IN ACCORDANCE WITH SECTIONS 12 AND 13 OF THIS ACT, RESPECTIVELY, MAY WITHOUT NEED OF OBTAINING PRIOR APPROVAL FROM ANY OTHER GOVERNMENT AGENCY, APPOINT ITS CONTRACTUAL PERSONNEL

WHOSE SERVICES ARE DEEMED NECESSARY IN ORDER NOT TO UNDULY DISRUPT THE OPERATIONS OF THE BANK.

All positions in the Bank shall be governed by the [c]Compensation [,] AND [p]Position [c]Classification [s]System (CPCS) and qualification standards approved **BY THE BOARD** based on a comprehensive job analysis of actual duties and responsibilities[.] AND [T]the compensation plan shall be comparable with the prevailing compensation plans **OF UNIVERSAL BANKS** in the private sector.

THE BOARD SHALL FIX THE TOTAL COMPENSATION PACKAGE AND OTHER REMUNERATIONS AND EMOLUMENTS OF BANK PERSONNEL, INCLUDING THE PRESIDENT AND CHIEF EXECUTIVE OFFICER. THE TOTAL COMPENSATION PACKAGE SHALL INCLUDE REASONABLE ALLOWANCES, INCENTIVES, BONUSES, PRIVILEGES AND OTHER BENEFITS, COMPARABLE TO THOSE GIVEN IN PRIVATE BANKS OF THE UNIVERSAL BANK CATEGORY, AS MAY BE NECESSARY OR PROPER FOR THE EFFECTIVE MANAGEMENT, OPERATION AND ADMINISTRATION OF THE BANK.

THE BANK'S CPCS [and] shall be subject to periodic review by the Board [of Directors] once every two (2) years, without prejudice to yearly merit or increases based on the Bank's productivity and profitability. The Bank shall [, therefore,] be exempt from ALL existing laws, rules, and regulations on [c]Compensation, [p]Position [c]Classification and [q]Qualification [s]Standards[.],

THE FOREGOING ACTIONS OF THE BOARD IN THE IMMEDIATELY PRECEDING THREE (3) PARAGRAPHS OF THIS SECTION SHALL BE EFFECTIVE, SUBJECT TO EXISTING LAWS AND REGULATIONS, SUCH AS BUT NOT LIMITED TO R. A. NO. 10149.

[The Bank shall however, endeavor to make its system conform as possible with the principles under Compensation and Position Classification Act of 1989 (Republic Act No. 6758, as amended).]

No officer or employee of the Bank subject to Civil Service Law shall be dismissed except for cause as provided by law. [(As amended by RA 8523)]

Sec. [17]19. Inhibition from Board Meeting of Member with Personal Interest. — Whenever any member attending a meeting of the Board of Directors, or any of his relatives within the [second] FOURTH civil degree or consanguinity or [second civil degree of] affinity has A PERSONAL OR PECUNIARY INTEREST, DIRECTLY OR INDIRECTLY, IN ANY MATTER IN THE AGENDA OF THE BOARD MEETING OR [such an interest, has a direct personal interest] in the discussion or resolution of any given matter, said member shall DISCLOSE SAID INTEREST TO THE BOARD AND SHALL not participate in the discussion or resolution of the matter and must retire from the meeting during the deliberation thereon. THE MEMBERS OF THE BOARD OF DIRECTORS PRESENT IN THE MEETING SHOULD STILL CONSTITUTE A QUORUM DESPITE OF THE INHIBITION OF THE MEMBER WITH PERSONAL OR PECUNIARY INTEREST IN ANY MATTER/DISCUSSION/RESOLUTION IN THE SAME MEETING.

The minutes of the meeting, which shall note the subject matter, when resolve, the fact that a member had a personal interest in it, and the withdrawal of the member concerned, may be made available to the public.

For this purpose, the member of the Board shall, at the beginning of their respective terms, disclose to the board any and all interests they may have in any corporation, partnership or association and shall, thereafter, disclosed to the Board, any charges thereto.

Sec. [18]20. *Prohibition on Persons with Personal/PECUNIARY Interest.* — No member of the Board, officer, attorney, agent, or employee of the Bank shall in any manner, directly participate in the deliberation upon or the determination of any question affecting his direct personal interest or the personal interests of his relatives within the [second] **FOURTH** civil degree of consanguinity or **FOURTH** [second] civil degree of affinity, or of any corporation, partnership, or association in which he has a direct interest. Any person violating the provisions of this section shall be [summarily] removed from office and shall upon conviction be punished with a not less than [one] **FIFTY T**[t]housand **P**[p]esos (**P50,000**) nor more than [ten thousand] **TWO MILLION P**[p]esos (**P2,000,000**) or [with] **BY** imprisonment of not less than [one] **TWO** yearS nor more than [five] **TEN** years, or by both fine and imprisonment at the discretion of the court.

Sec. [19]21. *Borrowing by Directors, Officers and Employees — Restriction and Limitation.* — No director or officer or employees of the Bank or any corporation, partnership, or company wherein any member of the Board of Directors, officer or employee, [and/] or **THEIR RELATIVES WITHIN THE FIRST CIVIL DEGREE OF CONSANGUINITY OR AFFINITY, OR ANY CORPORATION, PARTNERSHIP, OR COMPANY WHEREIN ANY MEMBER OF THE BOARD OF DIRECTORS, OFFICER OR EMPLOYEE, AND/OR THEIR RELATIVES WITHIN THE FIRST CIVIL DEGREE OF CONSANGUINITY OR AFFINITY, IS A DIRECTOR, OFFICER OR CONTROLLING SHAREHOLDER** [their respective immediate family is a controlling shareholder, or wherein he is a director or officer shall,] either directly or indirectly, for himself or as representative or agent of others, borrow any of the deposits of funds from the **B**[b]ank, nor shall he become a guarantor, or in any manner be an obligor for money borrowed from the **B**[b]ank or loaned by it: Provided, That this prohibition on loans to directors, officers and employees shall not include loans allowed in the form of fringe benefits granted in accordance with rules and regulations as may be prescribed by the Monetary Board [of the Central Bank.]: **PROVIDED, FURTHER, THAT THIS PROHIBITION SHALL NOT APPLY TO LOANS TO CORPORATIONS WHEREIN THE DIRECTOR, OFFICER OR EMPLOYEE OF THE BANK SITS ON THE BOARD OF THE BORROWER CORPORATION TO REPRESENT THE INTEREST OF THE BANK.**

Sec. [20]22. *Rules and Regulations on Conflict of Interest.* — The foregoing provisions notwithstanding and in addition thereto, the Board of Directors is hereby authorized to issue rules and regulations for the purposes of determining and resolving conflict of interest questions, which rules shall, in particular, include the requirement on all officers and employees of the Bank to disclose any shareholdings they, or their relatives within the [second] **FOURTH** civil degree of consanguinity or [second civil degree of] affinity, may have in any corporation, partnership, or company in excess of 2% of the equity of said corporation, partnership, or company **OR IN ANY RELATED PARTY TRANSACTIONS DEFINED BY THE MONETARY BOARD OF THE BSP AND THE BOARD OF DIRECTORS OF THE BANK.**

Sec. [22]23. *Prohibition on Officers and Employees of the Bank.* — Except as required by law, or upon order of a court of competent jurisdiction, or the express order of the President of the Philippines or written permission of the client, no officer or employee of the Bank shall reveal to, nor allow to be examined, inquired or looked into, by any third person, government official, bureau or office any information relative to details of individual accounts or specific banking transactions[:], **CONDITION OR BUSINESS OF ANY OF ITS CLIENTS, OR FUNDS OR PROPERTIES IN THE CUSTODY OF THE BANK BELONGING TO PRIVATE INDIVIDUALS: Provided,** that in respect to deposits or whatever nature, the provisions of existing law shall apply.

This prohibition shall not apply to the exchange of confidential credit information among government financial institutions or among banks, in accordance with established banking practices or as may be allowed by law.

Sec. [23]24. *Exaction of Fee, Commission, Gift or Charge.* — No unauthorized fee, commission, gift, or charge of any kind shall be exacted, demanded, or paid, for obtaining loans from

the Bank, and any officer, employee, or agent of the Bank found guilty of exacting, demanding, or receiving any fee services in obtaining [a loan] **ANY SERVICE OR TRANSACTION FROM THE BANK**, shall be punished by a fine of not less than [one] **FIFTY THOUSAND PESOS (P50,000)** nor more than [twenty thousand] **TWO MILLION [p]Pesos (P2,000,000)**, imprisonment for not less than [one] **SIX yearS AND ONE MONTH** nor more than [ten] **FIFTEEN years**, and perpetual disqualification from public office **AND CONFISCATION OR FORFEITURE IN FAVOR OF THE GOVERNMENT OF ANY PROHIBITED INTEREST AND UNEXPLAINED WEALTH.**

Sec. [21]**25. Examination of the Bank.** — The Bank shall be subject to supervision and examination by the appropriate department of the [Central Bank of the Philippines] **BSP, AND AUDIT BY THE COMMISSION ON AUDIT.**

Sec. [25]**26. General Penal Provisions.** — Any **DIRECTOR**, officer or employee of the Bank who violates, or permits any of the officers, employees or agents of said Bank[s] or any other person to violate, any of the provision of this [Chapter] **ACT** not specifically punished in the preceding sections and any person violating any provision of this [Charter] **ACT** or aiding and abetting the violation thereof, shall be punished with a fine not less than [one] **FIFTY THOUSAND PESOS (P50,000)** nor more than [ten thousand] **TWO MILLION [p]Pesos (P2,000,000)** [and with] **OR BY** imprisonment not less than [one] **TWO yearS** nor more than [five] **TEN years**, **OR BOTH, AT THE DISCRETION OF THE COURT.**

Sec. [26]**27. Other Liability of Guilty Officer or Employee.** — Any member of the Board of Directors or officer or employee of the Bank who willfully violates any of the provisions of this [Charter] **ACT** shall, in[,] addition to the criminal and administrative liability resulting from such act, be held liable for any loss or injury suffered by the Bank as a result of such violation.

Sec. [27]**28. Liability of Directors, Officers or Partners of Offending Corporation or Partnership.** — If the violation of the provisions of this [Charter] **ACT** is committed by a corporation or partnership, the directors, officers or partners hereof who participated in the violation shall be criminally liable for such violation.

Sec. [28]**29. Applicability of Banking Laws.** — The provisions of Republic Act No. [265, as amended] **7653 (THE NEW CENTRAL BANK ACT), AS AMENDED BY R.A. 11211**, and Republic Act No. [337, as amended] **8791 (THE GENERAL BANKING LAW OF 2000), AND OTHER APPLICABLE BANKING LAWS**, insofar as [applicable and] not in conflict with any provision of this [Charter] **ACT**, shall apply to the Bank.

[Sec. 24. *Penal provisions of the General Banking Act.* –] The penal provisions of Section [87-A of the General Banking Act] **66 OF THE GENERAL BANKING LAW OF 2000 (R.A. NO. 8791), IN RELATION TO SECS. 34, 35, 36 AND 37 OF THE NEW CENTRAL BANK ACT (R.A. NO. 7653), AS AMENDED BY R.A. 11211** shall be applicable to **DIRECTORS**, officers, employees and borrowers of the Bank.

Sec. **30. Separability Clause.** — In the event that any provision of this [Charter] **ACT** or the applicability of such provisions to any person or circumstances is declared invalid, the remainder of the [Charter] **ACT** or the application of said provision to other persons or circumstances shall not be affected by such declaration.

Sec. **31. Repealing Clause.** — [All acts, executive, orders, administrative orders, proclamations, rules and regulations or parts thereof inconsistent with any of the provisions of this charter are hereby repealed or modified accordingly.]**THE PROVISIONS OF PRESIDENTIAL DECREE NO. 985, PRESIDENTIAL DECREE NO. 1597, REPUBLIC ACT NO. 6758, AS AMENDED, JOINT RESOLUTION NO. 4, THE PROVISIONS OF ANY OTHER LAW, SPECIAL CHARTERS, EXECUTIVE ORDERS, ADMINISTRATIVE ORDERS, PROCLAMATIONS, RULES AND REGULATIONS ISSUED PURSUANT TO EXECUTIVE ORDER NO. 81, AS AMENDED, OR**

PARTS THEREOF, WHICH MAY BE INCONSISTENT WITH ANY OF THE PROVISIONS OF THIS ACT, ARE HEREBY AMENDED OR REPEALED ACCORDINGLY.

Sec. 32. *Effectivity.* — This [Charter] ACT shall take effect [upon its approval.] **FIFTEEN (15) DAYS AFTER ITS PUBLICATION IN THE OFFICIAL GAZETTE OR IN A NEWSPAPER OF GENERAL CIRCULATION.**

APPROVED

TRANSITORY PROVISIONS

[Sec. 29. *Preparatory Work.* — Upon the effectivity of this Charter, the Board of Directors and management of the Bank shall undertake the appropriate steps to establish its current financial condition for the purpose of determining its net asset values and the book value of shares thereof. The shares of stock held by the Government of the Philippines in the Bank are deemed cancelled and exchange for common voting shares of the Bank.]

[Sec. 30. *Transfer of Assets and Liabilities of the Development Bank of the Philippines.* — The Bank shall transfer to the National Government such of its assets and liabilities as may be necessary to rehabilitate the bank and to start its operations under the Revised Charter on a viable basis, as determined by the appropriate authorities, such assets to include but need not be limited to its acquired assets and non-performing accounts and such liabilities to include real as well as contingent liabilities. The National Government is hereby authorized to accept the same under terms and conditions as may be mutually acceptable to the Bank and the National Government.]

[Sec. 31. *Maintenance, Care and Preservation of Assets Transferred to the National Government.* — The Bank is hereby authorized to enter into an agreement with the National Government as transferee of assets from the Bank as hereinabove provided, either as an interim arrangement or otherwise and under such terms and conditions as may be necessary to preserve and/or to maintain and/or to dispose of such assets transferred to the National Government.]

[Sec. 32. *Authority to Reorganize.* — In view of the new scope of operations of the Bank, a reorganization of the Bank and a reduction in force are hereby authorized to achieve simplicity and economy in operations, including adopting a new staffing pattern to suit the reduced operations envisioned. The formulation of the program of reorganization shall be completed within six months after the approval of this Charter, and the full implementation of the reorganization program within thirty months thereafter.]

[Sec. 33. *Implementing Details; Organization and Staffing of the Bank.* — Upon the effectivity of this Charter, the Board of Directors of the Bank shall be constituted and its Chairman appointed. The Chairman is hereby authorized, subject to the approval of the Board of Directors as appropriate, to issue such orders, rules and regulations as may be necessary to implement the provisions of this Charter including those relative to the financial aspects, if any, and to the reorganization of the Bank as hereinabove authorized which will involve the determination and adoption of (1) the new internal structure of the Bank as reorganized down to the divisional section or lowest organizational levels, including such appropriate units as may be needed to handle caretaking activities such as the disposition of certain assets and the collection of certain accounts; (2) a new staffing pattern including appropriate salary rates, and (3) the initial operating budget.]

[In the implementation of the reorganization of the Bank, as authorized under the preceding section, qualified personnel of the Bank may be appointed to appropriate positions in the new staffing pattern thereof and those not so appointed are deemed separated from the service. No preferential or priority rights shall be given to or enjoyed by any officer or personnel of the Bank for appointment to any position in the new staffing pattern nor shall any officer or personnel be considered as having prior

or vested rights with respect to retention in the Bank or in any position as may have been created in its new staffing pattern, even if he should be the incumbent of a similar position thereon.

Pending the completion of the personnel actions above provided and the issuance of the appropriate implementing orders, all present remaining incumbents of position in the Bank shall continue to exercise their usual functions, duties and responsibilities.]

[Sec. 34. *Separation Benefits*. — All those who shall retire from the service or are separated therefrom on account of the reorganization of the Bank under the provisions of this Charter shall be entitled to all gratuities and benefits provided for under existing laws and/or supplementary retirement plans adopted by and effective in the Bank: Provided, that any separation benefits and incentives which may be granted by the Bank subsequent to June 1, 1986, which may be in addition to those provided under existing laws and previous retirement programs of the Bank prior to the said date, for those personnel referred to in this section shall be funded by the National Government; Provided, further, that, any supplementary retirement plan adopted by the Bank after the effectivity of this Chapter shall require the prior approval of the Minister of Finance.]

[Sec. 35. *Banking Operations under 1986 Revised Charter, Government Laws*. — The banking operations of the Bank shall be governed by the provisions of the 1986 Revised Charter beginning on January 2, 1987 on such subsequent date as may be determined by the President of the Philippines upon the recommendation of the Minister of Finance.]