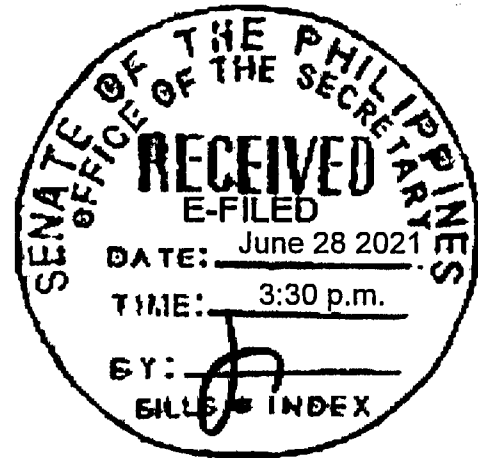


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)

SENATE
S. No. 2305



Introduced by Senator Ralph G. Recto

AN ACT
PROVIDING FOR A NEW CHARTER OF THE DEVELOPMENT BANK OF THE
PHILIPPINES, REPEALING FOR THE PURPOSE EXECUTIVE ORDER NO. 81,
AS AMENDED

EXPLANATORY NOTE

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

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.

DBP is not just an ordinary universal bank. More importantly, it is a government financial institution and a government-owned and controlled corporation which intends to live out its developmental government mandate to the fullest while maintaining sound profitability and strong balance sheet required on universal banks under existing banking laws and regulations.

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) to 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 laws and regulations.

Among the proposed amendments to the DBP Revised Charter to further strengthen the Bank's capability in fulfilling its government mandate within the context of a financially viable and stable banking institution, are as follows:

- a. Increase in DBP's authorized capital stock in the amount of One Hundred Billion Pesos (PhP100,000,000,000.00) and paid-up capital resulting from the government's proposed cash infusion by Fifteen Billion Pesos (PhP15,000,000,000.00) to comply with the prudential standards of banking laws and regulations of BSP, particularly on the capital charge or risk-based capital ratio in relation to the risks continually assumed by the Bank, in order to fulfill its mandate to lend to the priority developmental projects under its Charter;
- b. Authorizes DBP to engage in non-traditional banking service, such as financial leasing;
- c. Allows DBP to act as loan or credit facility program administrator on loans granted by the National Government;
- d. Strengthens DBP's primary objective of being a premier universal government developmental bank by specifying the crucial sectors it will service which are vital to the country's economic growth, such as Infrastructure, Tourism Development Projects, Agriculture-based Entrepreneurial Ventures, Education, Health Care, Socialized Housing, Protection of the Environment and the Public Sector;
- e. Grants the Bank the authority to exercise all such powers and services of a universal bank under the General Banking Law (GBL) of 2000 (Republic Act No. 8791), subject to Monetary Board regulations, in order to perform its mandate;
- f. Expands the authority of the Board of Directors, in order to harmonize the DBP Charter with the provisions of R.A. No. 8791, to include the approval of other credit accommodations, bank guarantees, other financial activities,

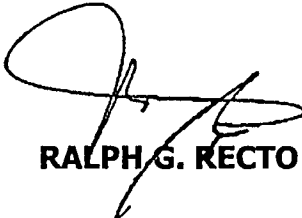
and investment activities, subject to the BSP regulations. Further, it includes the express power of the Board to continually reorganize the Bank personnel so as to provide DBP with greater operational and organizational flexibility to rationalize the organization and structure of DBP in its universal banking activities, including developmental banking activities, to promote cost-savings and efficiency;

- g. Designates the Secretary of Finance as Chairperson of the Board of Directors of DBP to safeguard the National Government's interest and direct DBP towards priority sectors and initiatives. This is similar to the Charter of the Land Bank of the Philippines (LBP) wherein the Secretary of Finance is also the Chairperson;
- h. Provides for DBP's perpetual corporate existence consistent with the recent amendments to the Revised Corporation Code (R. A. No. 11232);
- i. Harmonizes the Right of Redemption of Mortgagors under the DBP Charter with that of the GBL of 2000;
- j. Strengthens the provisions on the avoidance of conflict of interest to ensure good corporate governance; and
- k. Increases the sanctions and penalties for specific violations of the Revised Charter to the current values to be at par and consistent with sanctions provided by prevailing laws.

With these further Charter amendments, DBP will be able to do more and become a more valuable partner for their stakeholders in moving this nation forward amidst the pandemic and other pressing challenges. DBP fully shares this vision which ignites its passion to stay responsive and relevant as a development and infrastructure government bank.

In light of the foregoing, the immediate approval of this bill is earnestly sought.

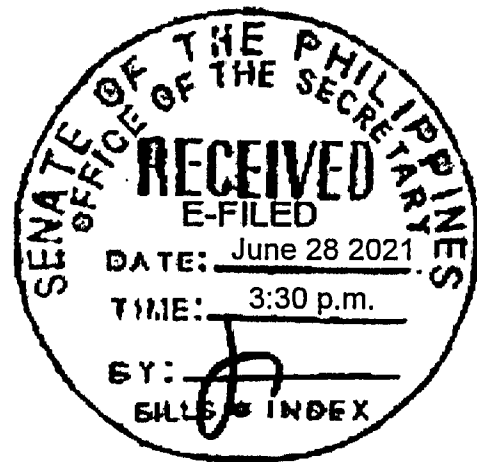
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RALPH G. RECTO

EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Third Regular Session)

SENATE
S. No. 2305



Introduced by Senator Ralph G. Recto

AN ACT
PROVIDING FOR A NEW CHARTER OF THE DEVELOPMENT BANK OF THE
PHILIPPINES, REPEALING FOR THE PURPOSE EXECUTIVE ORDER NO. 81,
AS AMENDED

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

1 Section 1. *Short Title.* – This Act shall be known as “*The New Development*
2 *Bank of the Philippines (DBP) Act*”.

3 Sec 2. *Declaration of Policy.* – It is the policy of the State to strengthen the
4 powers and functions of the Development Bank of the Philippines, hereinafter referred
5 to as the Bank, as a premier government developmental financial institution that
6 provides developmental financing and banking services necessary in the achievement
7 of sustained economic growth. The State recognizes that the Bank plays an important
8 role in the country’s aspiration to meet the challenges of globalization and the
9 integration of the Association of South East Asian Nations (ASEAN) by assisting
10 Philippine industries and other strategic sectors of the economy and enhancing their
11 capability to compete in the global market.

12 The State shall support the Bank in pursuing corporate citizenship programs
13 through initiatives that promote the welfare of the Filipino people, particularly the
14 underprivileged. The Bank shall carry out relevant and meaningful programs through
15 its flagship initiatives in education, health, environmental preservation and social
16 outreach programs.

1 Sec. 3. *Name and Corporate Existence.* – The Bank, shall henceforth operate
2 under the provisions of this Act. The Bank shall continue to exist as a body corporate
3 and shall have perpetual existence from the date of effectivity of this Act.

4 Sec. 4. *Primary Objective of the Bank.* – As a partner in national development,
5 the Bank shall support the programs of the government that enable growth and
6 productivity such as infrastructure programs, tourism development projects,
7 agriculture-based entrepreneurial ventures, socially-beneficial programs in education,
8 health care, and socialized housing, those that support the protection of the
9 environment, and other public sector programs: *Provided,* That this objective shall be
10 pursued with utmost consideration of the need and responsibility to preserve and
11 protect the financial viability of the Bank while ensuring that it remains globally
12 competitive. As a universal bank, it shall at all times safeguard its financial position in
13 order that it can effectively participate in the accomplishment of the national goal of
14 attaining meaningful and inclusive economic growth.

15 Sec. 5. *Corporate Powers.* — In addition to the general powers of a corporation
16 under Republic Act No. 11232 otherwise known as the "Revised Corporation Code of
17 the Philippines", the Bank shall have the power to:

- 18 a) Exercise all such powers and services as may be necessary to carry on
19 the business of a universal bank under Republic Act No. 8791 or "The
20 General Banking Law of 2000" subject to the existing rules and
21 regulations of the Monetary Board in order to perform its mandate under
22 this Act;
- 23 b) Accept and manage trust funds and properties and carry on the business
24 of a trust corporation;
- 25 c) Act as official government depository with authority to maintain deposits
26 and deposit substitutes of the national government, its agencies,
27 bureaus and instrumentalities, and government-owned or controlled
28 corporations, and local government units, subject to such rules and
29 regulations as the Monetary Board may prescribe;
- 30 d) Adopt, amend, or change its by-laws; to adopt, alter and use a seal; to
31 lease or own real and personal property and to sell or otherwise dispose
32 of the same; to make contracts; to sue and be sued; and to exercise the

1 general powers of a corporation mentioned in the Revised Corporation
2 Code of the Philippines, including the power to acquire or establish
3 subsidiaries registered with the Securities and Exchange Commission
4 (SEC) and enter into joint venture agreements for purposes of
5 developing or disposing acquired assets and Bank properties, insofar as
6 such powers are not inconsistent or incompatible with the provisions of
7 this Act and banking laws, rules and regulations;

8 e) Obtain from the Government Service Insurance System (GSIS) or other
9 reputable insurance companies duly accredited by the appropriate
10 regulatory body, directors, officers and liability insurance coverage,
11 without prejudice to the right of the bank, as may be determined by its
12 board of directors, to put up its own legal insurance fund;

13 f) Act as loan or credit facility programs administrator with respect to the
14 loans granted by the national government;

15 g) Develop and dispose the Bank's owned properties and acquired assets.
16 To add value to, improve profitability on, and enhance the marketability
17 of bank's owned property and acquired assets, the bank may further
18 develop or renovate the same either with its own capital or through a
19 joint venture arrangement with private companies or individuals, without
20 need of approval by the National Economic Development Authority
21 (NEDA);

22 h) Dispose of its acquired assets which shall not be subject to any injunction
23 or restraining order issued by any court, commission, tribunal or office
24 which shall bar, impede or delay the sale and disposition thereof except
25 on questions of ownership and national or public interest; and

26 i) Engage in financial leasing of movable and immovable properties in
27 connection with government projects.

28 Unless otherwise provided for in this Act, the exercise of the above-mentioned
29 powers shall be subject to applicable laws, as well as regulations promulgated by the
30 Bangko Sentral ng Pilipinas (BSP) and other applicable prevailing laws, rules and
31 regulations. The Bank shall observe utmost transparency in dispensing loans and
32 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 and 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 Metro Manila. It may open and maintain branches and agencies in accordance with existing regulations of the BSP.

Sec. 7. *Authorized Capital Stock-Par Value.* – The capital stock of the Bank shall be One hundred billion pesos (₱100,000,000,000.00) to be divided into one billion (1,000,000,000) common shares with par value of One hundred pesos (P100.00) per share, which shall be fully subscribed by the national government: *Provided, That* the increase in capitalization shall be funded solely from the declared cash dividends of the Bank in favor of the National Government. For this purpose, any and all declared cash dividends of the Bank in favor of the National Government shall be deposited in a special account in the General Fund and earmarked for the payment of the Bank's increase in capitalization. Such payment shall be released and disbursed immediately and shall continue until the increase in capitalization has been fully paid.

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 the delegated or authorized representative, subject to prevailing laws, rules and regulations.

Sec. 9. *Loans and Other Investments.* — Loans and other investments of the Bank shall be subject to the same limits and ceilings imposed on universal banks by the Monetary Board.

1 *Sec. 10. Issuance of Bonds, Eligible Capital Instruments, and other Securities.*

2 — The Bank may issue all kinds of bonds, notes, debentures, other evidences of
3 indebtedness, derivatives, commodities, negotiable instruments, eligible capital
4 instruments, and other securities, and the renewal or refunding thereof within or
5 outside the Philippines, at such terms, rates, and conditions as the Board may
6 determine, subject to compliance with the provisions of applicable laws, and rules and
7 regulations promulgated by the Monetary Board.

8 The Bank shall provide for appropriate reserves for the redemption or
9 retirement of the securities. These securities and other obligations shall be redeemable
10 at the option of the Bank at or before maturity and in such manner as may be
11 stipulated therein and shall bear such rate of interest as may be fixed by the Bank.

12 Such obligations shall be secured by the assets of the Bank, including the
13 stocks, bonds, debentures, and other securities purchased or held by it under the
14 provisions of this Act. These bonds, debentures and other securities may be long-
15 term, medium, or short-term, with fixed interest rate or floating interest rate.

16 *Sec. 11. Board of Directors, Composition, Tenure and Per Diems.* — The affairs
17 and business of the Bank shall be directed, and its properties managed and preserved,
18 by a Board of Directors consisting of nine (9) members, headed by the Secretary of
19 Finance as Chairperson. The other members of the board shall be appointed by the
20 President of the Philippines from a shortlist prepared by the Governance Commission
21 for Government –Owned and –Controlled Corporations (GCG) subject to prior vetting
22 from the BSP and its rules on disqualification, watchlist files and the fit and proper
23 rule, in accordance with the procedure laid down in R.A. No. 10149 otherwise known
24 as the “GOCC Governance Act of 2011”: *Provided, however,* That, the position of
25 Chairperson of the Board and President of the Bank shall not be held by the same
26 person.

27 The directors must always meet the fit and proper requirements under R.A. No.
28 8791 and the guidelines of the BSP and the GCG.

29 The Chairperson shall preside over the meetings of the Board.

30 The President of the Bank shall be the Vice-Chairperson of the Board. In case
31 the Chairperson is absent or incapacitated, the President shall act as Chairperson. In

1 case of incapacity or absence of both the Chairperson and the Vice-Chairperson, the
2 Board shall designate a temporary chairperson from among its members.

3 No person shall be appointed director of the Bank unless that person is a
4 natural-born citizen of the Philippines, not less than thirty-five (35) years of age, of
5 good moral character and has attained proficiency, expertise and recognized
6 competence in one or more of the following: banking, finance, accounting, information
7 technology, information security, economics, law, agriculture, business management,
8 public utility or government administration.

9 At least four (4) of the members of the Board shall come from the private
10 sector. Except for the Chairperson and the President, no incumbent officer or
11 employee of the Bank may be appointed as a member of the Board; nor shall any
12 incumbent director, officer, or employee of any other bank be eligible as a member of
13 the Board.

14 The President and Chief Executive Officer (CEO) shall be elected annually by
15 the members of the Board in accordance with Section 13 hereof.

16 The term of office of the President and the members of the Board shall be for
17 a period of one (1) year or until such time as their successors are appointed.

18 The members of the Board, including the President and CEO, shall receive per
19 diems for every meeting actually attended, and receive such other allowances,
20 incentives and emoluments, including reasonable transportation and representation
21 allowances and performance-based incentives, comparable to those received by
22 directors in private banks of the universal bank category, subject, however, to existing
23 laws and regulations.

24 *Sec. 12. Powers and Duties of the Board of Directors.* — The Board shall have
25 the following duties, powers, and authority:

26 a) To formulate policies necessary to carry out effectively the provisions of
27 this Act and to prescribe, amend, and repeal by-laws, rules and
28 regulations for the effective operation of the Bank, and the manner in
29 which the general business of the Bank may be conducted and the
30 powers granted by law to the Bank are exercised;

31 b) To approve loans, other credit accommodations and guarantees issued
32 or obtained by the Bank, and prescribe terms and conditions to govern

1 the granting of the foregoing, and engage in such other financial
2 activities under such terms and conditions as it may be deemed
3 necessary, consistent with the provisions of this Act and the existing
4 banking laws and regulations promulgated by the Monetary Board:
5 *Provided, That, the Board may delegate the authority to approve loans*
6 *to such officers or committees as may be deemed necessary;*

7 c) To approve investment activities with terms and conditions beneficial to
8 the Bank and subject to the regulations promulgated by the Monetary
9 Board;

10 d) To adopt an annual budget for the effective operation and administration
11 of the Bank;

12 e) To create and establish a "Provident Fund" which shall consist of
13 contributions, made both by the Bank and its officers or employees, to
14 a common fund for the payment of benefits to such officers or
15 employees, or their heirs, under such terms and conditions as the Board
16 may fix;

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

21 g) To appoint, promote or remove officers from the rank of Vice President
22 or its equivalent, and other more senior officer positions, excluding the
23 Chairperson and the Vice Chairperson: *Provided, That no person shall*
24 *be appointed to any executive position in the Bank mentioned in the*
25 *preceding section unless one is of good moral character, of*
26 *unquestionable integrity and responsibility, who is of recognized*
27 *competence in the field of one or more of the following: economics,*
28 *agriculture, industry, law, banking or finance, accounting, information*
29 *technology, information security, and possesses demonstrated*
30 *administrative skill and ability;*

- 1 h) To establish such branches, agencies and other offices which the Board
2 shall determine to be necessary and convenient in accordance with
3 existing rules and regulations of the BSP;
- 4 i) To establish a human resource management system which shall govern
5 the selection, hiring, appointment, transfer, promotion or dismissal of all
6 personnel, and determination of compensation and benefits of all
7 employees, subject to existing laws and regulations such as R.A. No.
8 10149. Such system shall aim to establish professionalism and
9 excellence at all levels of the Bank in accordance with sound principles
10 of management;
- 11 j) To reorganize the bank personnel as the Board may deem necessary;
12 and to rationalize the organization and structure of the Bank to promote
13 cost-savings and efficiency. The Board is authorized to design and adopt
14 an early retirement or separation incentive plan for the purpose of
15 providing a financial package of benefits, apart from that granted under
16 the GSIS law, due to retrenchment, reorganization, streamlining of its
17 organization, merger with another bank or a similar occurrence to enable
18 its personnel who may or may not yet be qualified for optional retirement
19 under existing retirement laws to retire or be separated from the service
20 with additional financial benefits: *Provided*, That the provisions of the
21 Civil Service Law and its implementing rules shall, at all times, be
22 observed: *Provided, further*, That any separation benefit and incentive
23 which may be granted by the Bank equivalent to at least two (2) months
24 basic salary for every year of service, in addition to those provided under
25 existing laws, for those personnel referred to in this section shall be
26 sourced from the corporate funds of the Bank. This provision shall be
27 subject to applicable existing laws, rules and regulations;
- 28 k) To promote and sponsor the local or foreign training or study of officers
29 and employees in the related fields such as banking, finance, treasury,
30 money market, risk management, information technology and law.
31 Toward this end, the Bank is authorized to defray the costs of such
32 training or study. The Board shall provide rules and regulations to govern

1 the training or study programs of the Bank, subject to applicable existing
2 regulations on training and study, as well as accounting and auditing
3 rules; and

- 4 I) To obtain from GSIS or other reputable insurance companies, duly
5 accredited by the appropriate regulatory body, directors, officers and
6 liability insurance coverage, without prejudice to the right of the Bank,
7 as may be determined by the Board, to put up its own legal insurance
8 fund, subject to the regulations issued by the GCG.

9 The Board shall exercise its powers in a manner consistent with the principles
10 of transparency, fairness and accountability.

11 *Sec. 13. President and Chief Executive Officer.* — The President of the Bank
12 shall be the Chief Executive Officer who shall be elected by the Board from among
13 themselves with the written advice and consent of the President of the Philippines. No
14 person shall be appointed President of the Bank unless one is at least forty (40) years
15 of age, of good moral character and reputation, with at least ten (10) year previous
16 experience in banking, and has a reputed proficiency, expertise and recognized
17 competence in banking or financial management.

18 The President shall, among other powers and duties, execute, carry out and
19 administer the policies, measures, orders and resolutions approved by the Board;
20 direct and supervise the operation and administration of the Bank; and exercise such
21 other powers and perform such other function or duty as may be directed or assigned
22 by law, regulations, executive issuances or by the Board from time to time.

23 The President shall have the following powers and duties:

- 24 a) To sign and execute all contracts concluded by the Bank and enter into
25 all necessary obligations required or permitted by this Act, upon proper
26 authorization by the Board; and sign all notes, securities certificates, and
27 other major documents of the Bank;
- 28 b) To exercise, as Chief Executive Officer of the Bank, the powers of control
29 and supervision over decisions and actions of subordinate officers and
30 all other powers that may be granted by the Board;

- 1 c) To report to the Board the main facts concerning the operations of the
2 Bank and to recommend changes in policies which one may deem
3 advisable;
- 4 d) To submit an annual report to the President of the Philippines on the
5 result of the operations of the Bank;
- 6 e) To recommend to the Board the appointment, promotion, or removal of
7 all officers of the Bank, with the rank of at least vice-president or its
8 equivalent;
- 9 f) To appoint, promote or remove employees and officers below the rank
10 of vice-president or its equivalent: *Provided*, That promotions, transfers,
11 assignments or reassignments of officers and personnel of the Bank are
12 personnel actions deemed made in the interest of the service and not
13 disciplinary, any provision of the Civil Service Law to contrary
14 notwithstanding; and
- 15 g) As required by circumstances, to delegate any of the powers, duties or
16 functions to any officer or director of the Bank, with the approval of the
17 Board.

18 *Sec. 14. Legal Matters and Cases.* — The Bank shall have its own chief legal
19 counsel as head of the legal department, who shall be appointed by the Board of the
20 Bank upon recommendation of its President. The other members of the legal
21 department shall be appointed in accordance with the Bank's policies on hiring and
22 promotion.

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

26 Notwithstanding Section 10 of Chapter 3, Title III, Book IV of Executive Order
27 292, otherwise known as the "Administrative Code of 1987", the Legal Department
28 can also act as the principal law office of the Bank duly authorized to appear in its
29 behalf in any court or quasi-judicial body. The hiring of any external private counsel
30 may be authorized by the Board, upon the recommendation of the chief legal counsel,
31 without need of securing the approval of the Office of the Government Corporate

1 Counsel (OGCC) and the Commission on Audit (COA), any provision of a general or
2 special law to the contrary notwithstanding.

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

9 The sale of mortgaged properties under the provisions of existing laws or of
10 this Act shall be conducted under the direction of the sheriff of the province or any
11 special sheriff of the Bank, or of a municipal judge or notary public of the city or
12 municipality where the sale is to be made, who shall be entitled to collect the fees
13 provided for in the Rules of Court with respect to sale of properties under execution.

14 *Sec. 15. Foreclosure by the Bank.* — Unless warranted by the circumstances as
15 may be determined by the Board or otherwise directed by the President of the Bank
16 or his duly authorized representative for justifiable reasons, the Bank, after the lapse
17 of sixty (60) days from the date the account became past due as defined under the
18 rules and regulations of the BSP, shall immediately foreclose the collaterals and/or
19 securities for any loan, credit, accommodation, and/or guarantees granted by the Bank
20 whenever the arrearages on such account, including accrued interest and other
21 charges, amount to at least twenty percent (20%) of the total outstanding obligations,
22 including interest and other charges, as appearing in the books of account and/or
23 related records of the Bank.

24 Upon application of foreclosure of the collateral of delinquent borrowers,
25 whether judicially or extra-judicially, by the Bank, the court and/or officials concerned
26 shall immediately act and give priority to the same and schedule the publication
27 thereof within five (5) days from receipt of the application, the auction sale to be held
28 not later than ten (10) days from date of the last publication. The certificate of sale
29 must be issued on the date of sale and the same must be registered by the Register
30 of Deeds concerned not later than five (5) days after submission of the certificate of
31 sale.

1 As a result of foreclosure or any other legal proceedings wherein the properties
2 of the debtor which are foreclosed, attached, or levied upon in satisfaction of a
3 judgment are sold to the Bank, the said properties shall be placed in the possession
4 and control of the Bank, with the assistance of the Philippine National Police whenever
5 necessary. The petition for writ of possession shall be acted upon by the court within
6 fifteen (15) days from the date of filing.

7 The Bank is hereby directed to report to the Office of the President of the
8 Philippines any official who delays the proceedings as provided herein or who violates
9 any of the provisions of this section.

10 This provision is without prejudice to the right of the Bank to enter into a
11 compromise agreement pursuant to Section 12(f) of this Act.

12 *Sec. 16. Right of Redemption.* — Any individual or juridical mortgagor of the
13 Bank whose real property has been judicially sold at public auction, or any individual
14 mortgagor of the Bank whose real property has been extra-judicially sold at public
15 auction shall, within one (1) year counted from the date of registration of the
16 certificate of foreclosure sale with the applicable Register of Deeds, has the right to
17 redeem the real property by paying to the Bank all of the latter's claims as determined
18 by the Bank.

19 Notwithstanding the provisions of Act No. 3135 entitled "An Act to Regulate the
20 Sale of Property Under Special Powers Inserting In or Annexed to Real Estate
21 Mortgage", as amended, juridical mortgagors whose real property has been extra-
22 judicially sold at public auction shall have the right to redeem the property until, but
23 not after the registration of the certificate of foreclosure sale with the applicable
24 Register of Deeds, which registration shall in no case be more than three (3) months
25 from the date of foreclosure, whichever is earlier.

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

1 Sec. 17. *Exemption from Attachment.* — The provisions of any law to the
2 contrary notwithstanding, collaterals, securities on loans or other credit
3 accommodation and guarantees granted by the Bank or its predecessors-in-interest
4 shall not be subject to attachment, execution or any other court process, nor shall
5 they be included in the property of insolvent persons or institutions, unless all debts
6 and obligations of the debtor to the Bank and its predecessors-in-interest have been
7 previously paid, including accrued interest, penalties, collection expenses, and other
8 charges.

9 No attachment or execution shall be issued against the Bank or its property
10 before final judgment in any suit, action or proceeding in any court.

11 Sec. 18. *Personnel.* — The Board shall provide for an organization and staff of
12 officers and employees of the Bank and establish a bank personnel management
13 system which shall govern the selection, hiring, appointment, transfer, promotion, or
14 dismissal of all bank personnel, including the continuous reorganization thereof.

15 The appointments in the Bank, except those which are policy-determining,
16 primarily confidential or highly technical in nature, shall be made only according to the
17 Civil Service Law and regulations: *Provided*, That no qualification or eligibility
18 requirements for positions in the Bank shall be imposed other than those set by the
19 Board: *Provided, further*, That the Monetary Board shall prescribe, pass upon and
20 review the qualifications of individuals appointed as officers and disqualify those found
21 unfit: *Provided, finally*, That the Board or the President in accordance with Sections
22 12 and 13 of this Act, respectively, may without need of obtaining prior approval from
23 any other government agency, appoint its contractual personnel whose services are
24 deemed necessary in order not to unduly disrupt the operations of the Bank except in
25 the conduct of business involving bank deposits.

26 All positions in the bank shall be governed by the compensation and position
27 classification system (CPCS) and qualification standards approved by the Board based
28 on a comprehensive job analysis of actual duties and responsibilities and the
29 compensation plan shall be comparable with the prevailing compensation plans of
30 universal banks in the private sector.

31 The Board shall fix the total compensation package and other remunerations
32 and emoluments of bank personnel, including the President and Chief Executive

1 Officer. The total compensation package shall include reasonable allowances,
2 incentives, bonuses, privileges and other benefits, comparable to those given in
3 private banks of the universal bank category, as may be necessary or proper for the
4 effective management, operation and administration of the Bank.

5 The Bank's CPCS shall be subject to periodic review by the Board once every
6 two (2) years, without prejudice to yearly merit or increases based on the bank's
7 productivity and profitability. The Bank shall be exempt from all existing laws, rules,
8 and regulations on compensation, position classification and qualification standards.

9 The foregoing actions of the Board in the immediately preceding three (3)
10 paragraphs of this section shall be subject to existing laws and regulations, such as R.
11 A. No. 10149.

12 No officer or employee of the Bank subject to the Civil Service Law shall be
13 dismissed except for cause as provided by law.

14 *Sec. 19. Inhibition from Board Meeting of Member with Personal Interest. —*
15 Whenever any member attending a meeting of the Board of Directors, or any of one's
16 relatives within the fourth civil degree of consanguinity or affinity has a personal or
17 pecuniary interest, directly or indirectly, in any matter in the agenda of the board
18 meeting or in the discussion or resolution of any given matter, said member shall
19 disclose said interest to the Board and shall not participate in the discussion or
20 resolution of the matter and must retire from the meeting during the deliberation
21 thereon. The members of the Board of Directors present in the meeting should still
22 constitute a quorum despite the inhibition of the member with personal or pecuniary
23 interest in any matter, discussion or resolution in the same meeting.

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

27 For this purpose, the member of the Board shall, at the beginning of their
28 respective terms, disclose to the Board any and all interests they may have in any
29 corporation, partnership or association and shall, thereafter, disclose to the Board, any
30 change thereto.

31 *Sec. 20. Prohibition on Persons with Personal/Pecuniary Interest. —* No member
32 of the Board, officer, attorney, agent, or employee of the Bank shall in any manner,

1 directly participate in the deliberation upon or the determination of any question
2 affecting one's direct personal interest or the personal interests of relatives within the
3 fourth civil degree of consanguinity or affinity, or of any corporation, partnership, or
4 association in which the member, officer, attorney, agent, or employee has a direct
5 interest. Any person violating the provisions of this section shall be removed from
6 office and shall upon conviction be punished with a fine of not less than Fifty thousand
7 pesos (P50,000) nor more than Two million pesos (P2,000,000) or by imprisonment
8 of not less than two (2) years nor more than ten (10) years, or by both fine and
9 imprisonment at the discretion of the court.

10 *Sec. 21. Borrowing by Directors, Officers and Employees; Restriction and*
11 *Limitation.* — No (1) director, officer or employee of the Bank; or (2) any corporation,
12 partnership, or company wherein any member of the Bank's Board of Directors, officer
13 or employee, or their relatives within the first civil degree of consanguinity or affinity
14 is a director, officer or controlling shareholder either directly or indirectly, for one's
15 self or as representative or agent of others, borrow any of the deposits of funds from
16 the Bank, nor shall become a guarantor, or in any manner be an obligor for money
17 borrowed from the Bank or loaned by it: *Provided*, That this prohibition on loans to
18 directors, officers and employees shall not include loans allowed in the form of fringe
19 benefits granted in accordance with rules and regulations as may be prescribed by the
20 Monetary Board: *Provided, further*, That this prohibition shall not apply to loans to
21 corporations wherein the director, officer or employee of the Bank sits on the board
22 of the borrower corporation to represent the interest of the Bank.

23 *Sec. 22. Rules and Regulations on Conflict of Interest.* — The Board of Directors
24 is hereby authorized to issue rules and regulations for the purposes of determining
25 and resolving conflict of interest questions, which rules shall, in particular, include the
26 requirement on all officers and employees of the Bank to disclose any shareholdings
27 they, or their relatives within the fourth civil degree of consanguinity or affinity, may
28 have in any corporation, partnership, or company in excess of two percent (2%) of
29 the equity of said corporation, partnership, or company or in any related party
30 transactions defined by the Monetary Board of the BSP and the Board of Directors of
31 the Bank.

1 *Sec. 23. Prohibition on Officers and Employees of the Bank.* — Except as
2 required by law, or upon order of a court of competent jurisdiction, or the express
3 order of the President of the Philippines or written permission of the client, no officer
4 or employee of the Bank shall reveal nor allow to be examined, inquired or looked
5 into, by any third person, government official, bureau or office any information relative
6 to details of individual accounts or specific banking transactions, condition or business
7 of any of its clients, or funds or properties in the custody of the Bank belonging to
8 private individuals: *Provided,* That in respect to deposits or whatever nature, the
9 provisions of existing law shall apply.

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

13 *Sec. 24. Exaction of Fee, Commission, Gift or Charge.* — No unauthorized fee,
14 commission, gift, or charge of any kind shall be exacted, demanded, or paid, for
15 obtaining loans from the Bank, and any officer, employee, or agent of the Bank found
16 guilty of exacting, demanding, or receiving any fee services in obtaining any service
17 or transaction from the Bank, shall be punished by a fine of not less than Fifty
18 thousand pesos (P50,000) nor more than Two million pesos (P2,000,000),
19 imprisonment for not less than six (6) years and one (1) month nor more than fifteen
20 (15) years, and perpetual disqualification from public office and confiscation or
21 forfeiture in favor of the government of any prohibited interest and unexplained
22 wealth.

23 *Sec. 25. Examination of the Bank.* — The Bank shall be subject to supervision
24 and examination by the appropriate department of the BSP, and audit by the COA.

25 *Sec. 26. General Penal Provisions.* — Any director, officer or employee of the
26 Bank who violates, or permits any of the officers, employees or agents of said Bank
27 or any other person to violate, any of the provisions of this Act not specifically punished
28 in the preceding sections and any person violating any provision of this Act or aiding
29 and abetting the violation thereof, shall be punished with a fine not less than Fifty
30 thousand pesos (P50,000) nor more than Two million pesos (P2,000,000) or by
31 imprisonment for not less than two (2) years nor more than ten (10) years, or both,
32 at the discretion of the court.

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

6 *Sec. 28. Liability of Directors, Officers or Partners of Offending Corporation or*
7 *Partnership.* — If the violation of the provisions of this Act is committed by a
8 corporation or partnership, the directors, officers or partners hereof who participated
9 in the violation shall be criminally liable for such violation.

10 *Sec. 29. Applicability of Banking Laws.* — The provisions of R.A. No. 7653,
11 otherwise known as the New Central Bank Act, as amended by R.A. No. 11211, R.A.
12 No. 8791, and other applicable banking laws, insofar as they are not in conflict with
13 any provision of this Act, shall apply to the Bank.

14 The penal provisions of Section 66 R.A. No. 8791, in relation to Sections. 34,
15 35, 36 and 37 of R.A. No. 7653, as amended by R.A. No. 11211 shall be applicable to
16 directors, officers, employees and borrowers of the Bank.

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

21 *Sec. 31. Repealing Clause.* — The provisions of Presidential Decree No. 985,
22 Presidential Decree No. 1597, R.A. No. 6758, as amended, Joint Resolution No. 4, the
23 provisions of any other law, special charters, executive orders, administrative orders,
24 proclamations, rules and regulations issued pursuant to Executive Order No. 81, as
25 amended, or parts thereof, or any other laws, rules and regulations which may be
26 inconsistent with any of the provisions of this Act, are hereby amended accordingly.

27 Executive Order No. 81, as amended, is hereby repealed.

28 *Sec. 32. Effectivity.* — This Act shall take effect fifteen (15) days after its
29 publication in the *Official Gazette* or in a newspaper of general circulation in the
30 Philippines.

Approved,