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**SENATE**

Senate Bill No. 1943

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**INTRODUCED BY SEN. MANNY VILLAR**

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**EXPLANATORY NOTE**

Republic Act No. 4670, otherwise known as the "Magna Carta for Public School Teachers", declares as a policy of the State, the promotion and improvement of the social and economic status of public school teachers. The law defines their living and working conditions, their terms of employment and career prospects in order that they may compare favorably with existing opportunities.

In support of said State policy, this bill seeks the creation and organization of a Philippine Teachers Bank that shall operate as a commercial bank available to the *general public*, but primarily to meet the financial and banking needs of all public school teachers. With a bank of their own, it is envisioned that said teachers shall have something to rely on their hour of financial difficulties.

The establishment of a Teachers Bank is conceived in the light of four (4) significant objectives:


1. To encourage members to save whatever extra earnings they have in a bank of their own.
2. To extend to its members credit facilities with nominal rate of interest to save them from the abuses of loan sharks.
3. To provide them with additional income in the form of dividends and similar monetary reward which the bank may declare from time to time.
4. To have an official depository of the Funds of the Philippine Public School Teachers Association (PPSTA) so that such deposits can be used to help members and further strengthen the financial conditions of the association and its members without additional levy on their part.

Immediate approval of the bill is earnestly sought.

  
**MANNY VILLAR**

7 DEC -6 12:15

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INTRODUCED BY SEN. MANNY VILLAR

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AN ACT  
CREATING THE PHILIPPINE TEACHERS BANK  
AND FOR OTHER PURPOSES

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

**SECTION 1. Short Title.** - This Act shall be known and cited as the "*Philippine Teachers Bank Charter of 2007*".

**SEC. 2. Declaration of Policy.** - The declared policy of the State to promote and improve the social and economic status of public school teachers, their living and working conditions, their terms of employment and career prospects in order that they may compare favorably with existing opportunities in other walks of life, attract and retain in the teaching profession more people with the proper qualifications, it being recognized that advancement in education depends on the qualifications and ability of the teaching staff and that education is an essential factor in the economic growth of the nation as a productive investment of vital importance, is hereby reiterated.

**SEC. 3. Definition.** - For the purpose of this Act, the term "teacher" shall refer to all public school teachers holding permanent appointments and on full-time basis, who are engaged in classroom teaching, in any level of instructions, including professional staff of state colleges and universities, guidance counselors, school librarians, industrial arts or vocational instructors, all persons performing supervisory and/or administrative functions, school nurses, school physicians, school dentists, maintenance personnel and such other employees in all schools, colleges and universities operated by the Government or its political subdivisions.

**SEC. 4. Creation; Terms; Existence; Domicile and Place of Business -** There is hereby created a body corporate to be known as the "Philippine Teachers Bank", hereinafter referred to as the "Bank", which shall have legal existence for a period of fifty (50) years from and after the date of the approval of this Act. The principal domicile and place of business shall be in Quezon City, Metropolitan Manila, but branches or agencies may be established in such other areas within the country as the Board of Directors may decide.

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**SEC. 5. Corporate Powers.** - The Bank shall have the following powers:

- (5.1) To prescribe its by-laws;
- (5.2) To adopt, alter, and use a corporate seal;
- (5.3) To enter into contracts, to sue and be sued;
- (5.4) To accept savings and time deposits, and open current/checking accounts;
- (5.5) To borrow money; to own real or personal property and to sell, mortgage or otherwise dispose of them;
- (5.6) To carry on a trust business in accordance with the provisions of law governing trust corporations;
- (5.7) To issue bonds, debentures, securities, collaterals and/or the renewal and refinancing of the same, with the approval of the Bangko Sentral ng Pilipinas (BSP);
- (5.8) To grant loans and advances preferably to teachers, their widows, orphans or compulsory heirs against security of real estate and/or other acceptable assets;
- (5.9) To grant loans to cooperatives/associations preferably to those that are owned or controlled by the teachers, their widows, orphans, or compulsory heirs against security of real estate and/or other acceptable assets;
- (5.10) To exercise the powers granted in this Act and such incidental powers as may be necessary to carry on the business of general banking; and
- (5.11) To exercise the general powers mentioned in the Corporation Code and the General Banking Act insofar as they are not inconsistent or incompatible with the provisions of this Act.

**SEC. 6. Authorized Capital Stock; Par Value.** - The authorized capital stock of the Bank shall be one billion pesos (₱1,000,000,000.00) divided into ten million (10,000,000) shares with a par value of one hundred pesos (₱100.00) each. The shares shall be divided into the following four classes, denominated as Series "A", Series "B", Series "C", and Series "D", as follows:

(a) Series "A" shall comprise four hundred million pesos (₱400,000,000.00) equivalent to four million (4,000,000) preferred shares to be subscribed solely by teachers, such shares to be entitled to cumulative dividends of four percent (4%) per annum and with preference as against common stockholders in the distribution of assets in the event of liquidation: *Provided*, That the Board of Directors shall provide a mechanism whereby all teachers shall be given an opportunity to subscribe to at least one Series "B" shares of stocks;

(b) Series "B" shall comprise one hundred million (₱100,000,000.00) pesos equivalent to one million (1,000,000) common shares to be subscribed by the following government corporations and financial institutions:

- (b.1) Government Service Insurance System (GSIS) – Sixty Million Pesos (P60M), equivalent to six hundred thousand (600,000) common shares;
- (b.2) Social Security System (SSS) - Twenty Million Pesos (₱20M), equivalent to two hundred thousand (200,000) shares; and
- (b.3) Development Bank of the Philippines (DBP) - Twenty Million Pesos (P20M), equivalent to two hundred thousand (200,000) shares.

(c) Series "C" shall comprise four hundred million (₱400,000,000.00) pesos equivalent to four million (4,000,000) common shares to be subscribed solely by citizens of the Philippines and domestic corporations or entities, particularly the Philippine Public School Teachers Association (PPSTA), seventy percent (70%) of the equity of which is owned by the citizens of the Philippines: *Provided*, That preference in the subscription of this class of shares shall be given to the PPSTA, the teachers, their widows, orphans or compulsory heirs; and

(d) Series "D" shall comprise one hundred million (P100,000,000.00) pesos equivalent to one million (1,000,000) common shares which shall be available for subscription of foreign nationals, their corporation and/or associations.

**SEC. 7. Lending Limits** - The Bank shall observe the following limits in its lending Operations:

(a) The total Liabilities of any person, company, corporation or firm, excluding loans or credits prescribed by law or by the Monetary Board as non-risk assets, shall at no time exceed fifteen percent (15%) of the unimpaired capital and surplus of the Bank; and

(b) No director or officer of the Bank shall, either directly or indirectly, for himself or as the representative or agent of others, borrow any of the deposits or funds of the Bank, nor shall he become a guarantor, indorser, or surety for loans from the Banks to others, or in any manner to be an obligor in money borrowed from the Bank or loaned by it, except with the written approval of the majority of the directors of the Bank, excluding the director concerned. The credit accommodation to such director or officer of the Bank which the Board of Directors may authorize shall in no case exceed his outstanding deposits or the book value of his paid-in capital in the Bank. Any such approval shall be entered into the records of the Bank and a copy of such entry shall be transmitted forthwith to the appropriate supervising department of the Bangko Sentral ng Pilipinas. The office of any director or officer of the Bank who violates the provisions of this Section shall immediately become vacant and the director or officer shall be subject to criminal prosecution and suffer the penalties provided by law.

**SEC. 8. Board of Directors, Composition and Organization.** – The affairs and business of the Bank shall be directed and its property managed and preserved, unless otherwise provided in this Act, by a Board of Directors consisting of nine (9) members duly elected as hereinafter provided, who shall receive, for each session of the Board attended by them, a per them in such amount as the Board of Directors may determine.

**SEC. 9. Election of Board of Directors.** – Annually on the first Monday of March, the stockholders shall meet to elect the members of the Board of Directors for the current year. Each stockholder or proxy shall be entitled to as many votes as he may have shares of stock, registered in his name at the time of the election. Immediately after the election, the directorate shall organize as such and elect from among themselves a chairman, a vice-chairman who shall assist the chairman and act in his stead in case of absence or incapacity of the latter. In case of incapacity or absence of both the other members of the Board of Directors constituting a quorum shall designate a temporary chairman from among its members: *Provided*, further, That no full-time appointive or elective public official shall at the same time serve as officer, director, legal counsel or

consultant of the bank except in cases where such service is in the exercise of the stockholders rights of the Government or is incident to financial assistance provided by the Government, its agencies or instrumentalities to the Bank.

**SEC. 10. Powers and Authority of the Board of Directors –**

The powers and authority of the Board of Directors shall be as follows:

(a) Formulate policies necessary to carry out effectively the provisions of this Act and adopt such by-laws, rules and regulations for the effective operation of the Bank, in conformity with this Act and existing laws;

(b) Determine the organizational set-up of the Bank by creating the necessary departments or offices as are essential for the efficient operation of the Bank;

(c) To establish upon previous authority of the Bangko Sentral ng Pilipinas, branches, agencies or offices in such points within the Philippines, as it may deem advisable, which shall perform functions as may be delegated to them by the Board of Directors.

**SEC. 11. Executive Officers.** - The Chief Executive of the Bank shall be the President, assisted by an Executive Vice-president and such number of Vice-presidents, who shall be elected and may be removed by the Board of Directors. The President and the Executive Vice-president shall possess practical experience in banking or finance as executives for five (5) years. There shall also be a secretary, a treasurer, an auditor and a legal counsel who shall be chosen by the Board of Directors. Their terms of office and compensation shall be determined by the Board of Directors.

**SEC. 12. Duties and Powers of the President.** - The President of the Bank shall among others, execute and administer the policies, measures, orders and resolutions approved by the Board of Directors, and direct and supervise the operation and administration of the Bank.

Particularly he shall have the power and duty:

(a) To make loans on commercial paper for such period of time not to exceed four months, in sums not exceeding fifteen thousand pesos (P15,000.00) to anyone person, company, corporations, or firm, but he is required to submit a report on such loans to the Board of Directors at its succeeding session: *Provided*, That the total amount of such loans shall not exceed five (5%) percent of the paid-up capital and surplus;

(b) To make, with the advice and consent of the Board of Directors, all contracts on behalf of the said Bank and to enter into all necessary obligations that this Act requires or permits;

(c) To report weekly to the Board of Directors the main faces concerning the operations of the Bank during the preceding week and to suggest changes in rates of discount or interest, exchange, or policy which to him may seem best; and

(d) To exercise such other powers and perform such other duties as may be directed by the Board of Directors from time to time.

**SEC. 13. Appointment, Removal and Salaries of the Other Officers and Employees.** – All other officers and employees of the Bank shall be appointed and removed by the Board of Directors upon recommendation of the President of the Bank: *Provided*, however, That all other circumstances being equal, preference shall be given to the spouses of teachers, or their widows, orphans or compulsory heirs in the appointment of said personnel. Said officers and employees shall have duties and compensation which shall be fixed by the President with the approval of the Board of Directors.

**SEC. 14. Fidelity Bond for Officers and Employees.** - The Board of Directors may require any officer and employee of the Bank and its branches, before entering upon the performance of their duties, to furnish a fidelity bond for the benefit of the Bank in the form and amount prescribed by the Board of Directors. For this purpose, and for this purpose only, all officers and employees of whom a bond is required shall be deemed public officers and employees, respectively, and the provisions of the Public Bonding Law, and related legislations are hereby made applicable to them.

**SEC. 15. Allocation of Net Profits.** - At the close of each calendar year, the Bank shall determine the net result of its operations, in the calculation of which, adequate allowance shall be made for probable losses, and the net profit arrived thereat shall be distributed as follows:

(a) Twenty percent (20%) of such not profit shall accrue to the reserve account: *Provided*, That should the accumulated reserves equal to or in excess of the authorized capital of the Bank the twenty (20%) percent herein authorized to be accumulated shall be distributed under the subsection immediately following;

(b) From the remaining eighty percent (80%) of the net profit shall be deducted the guaranteed earnings of the preferred shares of stock owned by individual teachers, their widows, orphans or compulsory heirs: *Provided*, That the share in the net profits corresponding to the government corporations and financial institutions mentioned in Sec. 6 (b.1 to b.3) hereof shall first be applied in payment of their capital stock subscriptions, until saw shares shall have been fully paid.

**SEC. 16. Government Depository.** - The Secretary of Education, the Secretary of Finance, the National Treasurer and their authorized representatives, city and municipal treasurers, as well as official custodians of public funds or those belonging to government-owned or controlled corporations are hereby authorized, if they so desire to make and actually maintain deposits of any government corporate funds with the Bank, which is hereby declared to be a government depository,

**SEC. 17. Articles of Incorporation.** - This Act, upon its approval, shall be deemed and accepted to all legal intents and purposes as the statutory articles of incorporation or Charter of the Philippine Teachers Bank; and that, notwithstanding the provisions of any existing law to the contrary, said Bank shall be deemed registered and duly authorized to do business and operate as a commercial bank as of the date of approval of this Act.

**SEC. 18. By-Laws.** - Within three (3) months after the approval of this Act, the by-laws of the Bank for its organizational, functional and operational government and procedures shall be adopted by the affirmative vote of the stockholders representing a majority of all the subscribed capital stock entitled to

vote, whether paid or unpaid, subject to certification by the Monetary Board pursuant to Section ten (10) of Republic Act No. Three Hundred Thirty Seven (337), as amended (General Banking Act).

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

**SEC. 19. *Transitory Provision.*** - For a period not exceeding two (2) years, from the effectivity of this Act, the Secretary of Education in consultation with the Secretary of Finance and the Philippine Public School Teachers Association, shall prescribe the necessary rules and regulations for the initial organization and operations of the Bank: *Provided*, That this authority shall immediately cease upon formal organization of the Bank and the election of the regular members of the Board of Directors as herein provided.

**SEC. 20. *Repealing Clause.*** - All laws, presidential decrees, executive orders, issuances, rules and regulations, or any part thereof, contrary to the provisions of this Act are hereby amended or repealed accordingly.

**SEC. 21. *Effectivity Clause.*** - This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,