

MALACAÑAN PALACE
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 35

CREATING THE BANKING DIVISION OF THE NATIONAL
TREASURY, COMMONWEALTH OF THE PHILIPPINES

WHEREAS, by virtue of Executive Order No. 25, dated November 18, 1944, the books of all banks, their branches and agencies were ordered sealed and existing accounts blocked as of the date of liberation from enemy occupation and control of the places where they are located; and

WHEREAS, until normal banking facilities can be reestablished, it is essential that the Commonwealth Government provide a safe banking depository for the savings of the people, and provide for temporary banking and loan facilities during the emergency period, so that agricultural, industrial and commercial activities may be assisted;

NOW, THEREFORE, I, SERGIO OSMEÑA, President of the Philippines, by virtue of the powers vested in me by the Constitution and the laws of the Commonwealth of the Philippines, do hereby create a Banking Division of the National Treasury, which is empowered to exercise banking functions within all areas free from enemy occupation and control throughout the Philippines, as follows:

1. To accept deposits; to grant loans; and to engage in ex-

change and other banking operations, in accordance with the General Authority and Regulations attached hereto and made part of this Executive Order.

2. (a) The Division hereby created shall be under the direction of an administrator designated as the Chief of the Banking Division of the National Treasury, who will be appointed by the President.

(b) The loaning operations of this Division will be under the supervision of a Loan Committee of three persons, consisting of a Chairman and two Members, all of whom will be appointed by the President.

(c) Separate books of account shall be maintained, and the funds of the Banking Division shall not be commingled with the general funds of the National Treasury.

(d) For reasons of economy and efficiency, the Banking Division is hereby authorized to employ available personnel, and to utilize existing premises, equipment and supplies of the Philippine National Bank, the Agricultural and Industrial Bank, and of provincial and municipal treasurers, where practicable.

(e) The Banking Division of the National Treasury is hereby granted all the authority requisite and necessary to provide the Philippines with temporary banking and loan facilities during the emergency period.

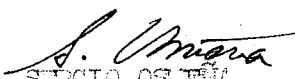
3. The sum of Thirty Million Pesos is hereby allocated

from the Coconut Oil Excise Tax Fund, to provide the initial working fund of the Banking Division of the National Treasury hereby created.


4. (a) The provincial treasurers, when so instructed by the Chief of the Banking Division of the National Treasury, shall cease to accept savings deposits for safekeeping, as provided under Executive Order No. 25, and all funds on hand are to be transferred by the provincial treasurers to the Banking Division.

(b) When normal banking has been restored, the Commonwealth Government, either by legislative act or executive order, will transfer the assets and liabilities of the Banking Division hereby created, to a government-owned banking institution, after giving notice to depositors. Free working funds then remaining shall be released to the National Treasury.

Done at the City of Manila this 10th day of March, in the year of Our Lord, nineteen hundred and forty-five, and of the Commonwealth of the Philippines, the tenth.


SERGIO OSMEÑA
President of the Philippines

By the President:


JOSE S. REYES
Secretary to the President

BY THE PRESIDENT OF THE PHILIPPINES

GENERAL AUTHORITY AND REGULATIONS FOR OPERATION OF THE
BANKING DIVISION OF THE NATIONAL TREASURY, PROMULGATED UNDER
EXECUTIVE ORDER NO. 33 OF MARCH 10, 1945.

NAME - DOMICILE AND PLACE OF BUSINESS

Sec. 1. The General Authority and Regulations contained herein shall accompany and be a part of Executive Order No. 33 dated March 10, 1945, which creates the Banking Division of the National Treasury, Commonwealth of the Philippines. Said Division shall be referred to hereinafter as the Bank. Its principal domicile and place of business shall be in the City of Manila.

POWERS

Sec. 2. The said Bank shall have power:

- (a) To accept deposits;
- (b) To make loans;
- (c) To engage in exchange and other banking operations;
- (d) To adopt and use a seal;
- (e) To make contracts;
- (f) To sue and be sued;
- (g) To exercise the powers granted herein and such incidental powers as may be necessary to transact the business of banking.

DEPOSITS AND WITHDRAWALS

Sec. 3. The Bank is hereby authorized to receive deposits and may pay interest thereon, from the Commonwealth of the Philippines, the provinces, municipalities, Postal Savings Bank, firms, companies, corporations, private persons, allied governments, their departments, agencies and armed forces, of demand, time and savings funds, subject

to withdrawal by check or presentation of savings bank book.

RESERVES

Sec. 4. The Bank shall at all times keep on hand in its vaults a sum in lawful money either of the Philippines or of the United States which shall be computed as follows:

Twenty per cent of the demand deposits outstanding and credited on its books, and of the fixed deposits maturing within thirty days: PROVIDED, That if the Bank shall have funds subject to check with National Banks or Federal Reserve Banks in the United States, such funds may be considered as constituting a part of the twenty per cent specified in this section up to a sum to be fixed from time to time by the Secretary of Finance, with the approval of the President of the Philippines.

Five per centum of the total savings deposits.

Whenever the reserve kept by the Bank in its vaults, as required in this section shall be below the amount herein prescribed, the Bank shall not diminish the amount of such reserve by making any new loans or discounts until the required proportion between the aggregate amount of its deposits and its reserve has been restored.

LOANS AND INVESTMENTS

Sec. 5. To enable said Bank to be of the greatest possible assistance to the economy of the Philippines during the period of emergency, it is hereby authorized:

- (a) To make personal and business loans with or without security;
- To make chattel mortgage loans;
- To make real estate loans;
- To make loans against insurance policies;
- To engage in installment financing;
- To engage in foreign trade financing;

(b) To purchase or discount promissory notes, drafts and bills of exchange issued or drawn for agricultural, industrial or commercial purposes, or the proceeds of which have been used or are to be used for such purposes.

(c) To make loans on, or to discount notes secured by, harvested and stored crops; PROVIDED, That no loan on the security of such harvested and stored crops shall exceed seventy per centum of the market value thereof on the date of the loan: PROVIDED, FURTHER, That the crops so mortgaged shall be insured by the mortgagor for the benefit of the Bank for their entire market value; and PROVIDED, finally, That if, owing to any circumstance whatever the value of the crops given as security shall diminish, the mortgagor shall obligate himself to furnish additional security or refund such part of the loan as the Bank may deem necessary. Such loans shall be granted for a period of three months, subject to three months' extension, in the discretion of the Bank.

(d) To make loans to agriculturists in installments, secured by growing or standing crops of the natural products of the Philippines such as rice, hemp, copra, sugar, tobacco, corn, maguey, etc., not in excess of three-fifths of the estimated value of such crops: PROVIDED, HOWEVER, That before granting such loans, the Bank may require additional security in the nature of mortgages on real estate or chattel mortgages, including those on live stock, machinery, and agricultural implements, or personal bonds with sufficient surety or sureties, satisfactory to the Bank.

(e) To make loans for agricultural purposes, secured by first mortgages on real estate in the Philippines. Such loans shall not exceed sixty per cent of the actual value of said real estate, including the value of the permanent improvements thereon, such as buildings and machinery if the same form an integral part of the agricultural develop-

ment: PROVIDED, HOWEVER, That whenever the Bank may deem it advisable, the mortgages shall contain a clause obliging the mortgagor to insure to their full value in the name of the Bank, such buildings and improvements. The due date of said mortgages shall not be more than five years from the date thereof. The said mortgages, may by their terms, be made payable at one time, or in installments. Application for such loans shall be in writing and under oath, and shall contain among other things:

A detailed description of the real estate;

An appraisal thereof at its reasonable market value;

A full statement of the purposes for which the loan is desired.

It shall be unlawful to use the proceeds of said loan or any part thereof for any purpose or purposes, except the purpose or purposes set out in said application. Any violation of this clause shall be sufficient cause for the rescission of the contract and the foreclosure of the mortgage.

Any Justice of the Peace, in his capacity as notary public ex-officio, shall render service free of charge to any person applying for an agricultural or crop loan not exceeding Two Hundred Pesos from the Bank, either in administering the oath or in the acknowledgment of instruments relative to said loan. Any Register of Deeds shall make proper entry in the books and records of his office, free of charge, of any instruments relative to agricultural or crop loans not exceeding Two Hundred Pesos made to any borrower by the Bank.

(f) To make loans to the several provincial and municipal governments and to any other branch or subdivision of the Commonwealth of the Philippines on promissory notes guaranteed by the National Government, as shown by the endorsement thereon of the Secretary of

...ance, approved by the President of the Philippines; or to purchase
...onds lawfully issued by the Commonwealth of the Philippines, or by
...uch provincial and municipal governments and any other branch or
...ubdivision of the Commonwealth of the Philippines.

(g) Generally, to make advances, or discount paper for agri-
cultural, manufacturing, industrial, or commercial purposes: PROVIDED, that
loans, discounts or advances made under this section (excepting loans
authorized in preceding sub-section e), shall have maturities not
exceeding one year.

The total liabilities to the Bank of any person, or of any
company, corporation, or firm, including in the liabilities of the
company or firm, the liabilities of the several members thereof, shall
at no time exceed fifteen per centum of the designated working fund of
the Bank, and in addition to the fifteen per centum of the designated
working fund of the Bank, hereinbefore provided for, the total liabilities
of any borrower may amount to a further fifteen per centum of said work-
ing fund of the Bank, provided such additional liabilities are secured by
shipping documents, warehouse receipts or other similar documents
transferring or securing title covering readily marketable staples, when
such staples are fully covered by insurance and when such staples have
a market value equal to at least one hundred twenty-five per centum of
such additional liabilities. The discount of bills of exchange drawn
in good faith against actually existing values and the discount of
commercial or business paper actually owned by the person negotiating
the same shall not be computed when determining as money the total
liabilities permitted under this restriction.

The Bank shall not make any loan upon the stock of any corporation as collateral if the aggregate market value of all such stock held as collateral exceeds an amount equal to fifteen per centum of the designated working fund of the Bank.

The term "loan" whenever used in this General Authority and Regulations, includes overdrafts and trust receipt facilities.

ADMINISTRATION

Sec. 6. The affairs, business and administration of the Bank shall be directed and its assets managed and preserved by the Chief of the Banking Division of the National Treasury, Commonwealth of the Philippines, referred to hereinafter as the Chief. He shall be appointed and may be removed only by the President of the Philippines, and his salary shall be fixed by the President.

POWERS OF THE CHIEF OF THE BANKING DIVISION

Sec. 7. The Chief, shall among other duties, powers and authority, be charged with the following:

- (a) Fix the rates of discount, remittance fees or exchange to be charged by said Bank, and to issue regulations governing deposits;
- (b) To fix in agreement with the Loan Committee, the rates of interest that may be paid on deposits and charged on loans;
- (c) Before any loans, discounts or other advances are made in accordance with the authority of the Loan Committee, he shall cause the officer or agent designated for this purpose to obtain in proper form and hold safely, the required security, and in case of a mortgage, order the registration of the proper documents in the office of the Register of Deeds of the city or province in which the property is situated;

(d) Establish accounts with such bank or banks outside of the Philippines as may be designated as depositaries by the President of the Philippines.

(e) With the consent of the President of the Philippines, to establish an agency in New York, N. Y., U.S.A., and to appoint an agent who shall be authorized to appoint an assistant or assistants and engage such employees as he may deem necessary. This agency in New York shall be empowered to engage in such transactions as are permitted by the New York State banking laws and regulations governing agencies of foreign banks.

(f) Establish branches or agencies of the Bank in provincial capitals and other municipalities of the Philippines where, in his judgment, the industrial, commercial or agricultural development or rehabilitation require it.

The agents and other officers and employees of said branches or agencies shall be appointed and may be removed by the Chief.

(g) All signature authorizations shall be issued by the Chief, provided that in the case of checks, drafts, or other instruments directing the payment of money, two authorized signatures shall be required.

(h) The Chief may appoint as agents, cashiers or tellers of branches or agencies, the provincial or municipal treasurers, who shall in this case furnish bond and receive such additional compensation as the Chief may determine, and shall be removable by the Chief, as such agents, cashiers, or tellers.

(i) To make all contracts on behalf of the said Bank and to enter into all obligations required in the conduct of the business of the Bank.

(j) To furnish, upon request of the Secretary of Finance, or the President of the Philippines, any information in his possession regarding the operations of said Bank.

LOAN COMMITTEE

Sec. 8. All loans and other credit facilities extended by the Bank shall be authorized by a Loan Committee consisting of a Chairman and two additional members. They shall be appointed or removed only by the President of the Philippines who shall fix their compensation.

The duties of the Loan Committee shall be:

(a) To authorize such loans and credit facilities as in their judgment are proper and in accord with the purposes of Executive Order No. 55 dated March 10, 1945, and to specify conditions under which officers or agents of the Bank may extend loans and credit facilities authorized by the Committee.

(b) To extend authority and prescribe limits as to amounts and maturities under which officers and agents of the Bank may grant loans and credit facilities without prior reference to the Committee.

(c) To study and recommend to the President of the Philippines a detailed plan for early extension of small relief and rehabilitation loans.

(d) To cause a permanent record to be kept of the minutes of its meetings.

The Chief of the Banking Division shall not be a member of the Loan Committee, but he or the officers or agents designated by and responsible to him shall be charged with the handling of all loans granted under authority of the Committee.

Decisions of the Committee shall be made by majority vote.

LEGAL COUNSEL

Sec. 9. The Secretary of Justice shall be attorney for said Bank and may, whenever he may deem it proper, in specific cases delegate his duties to the Solicitor-General, the fiscal of the City of Manila, or any provincial fiscal, as the case may be: PROVIDED, HOWEVER, That the Chief of said Bank, with the approval of the Secretary of Justice, shall have power to employ such additional attorneys as may be necessary.

AUDITING SECTION

Sec. 10. The Auditor General shall be ex-officio auditor of the Bank and shall, with the advice and consent of the President of the Philippines, appoint a representative who shall be the chief of the Auditing Section of the Bank. All the other employees of the section shall be appointed by the Auditor General, who with the approval of the President of the Philippines, shall fix the salaries of the same, as well as that of his representative, the chief of the section. The expenses of the section and the salaries and traveling expenses of the employees thereof shall be payable by the Bank. The representative of the Auditor General shall make a monthly report on the condition of the Bank to the President of the Philippines, through the Secretary of Finance, to the Auditor General and to the Chief. The report shall contain among other things a statement of the resources and liabilities, including earnings and expenses, the working fund of the Bank, and undivided profits, as well as the losses, bad debts, and overdue accounts carried in the Bank's assets, as of the day in which the statements are compiled.

APPOINTMENT AND REMOVAL OF PERSONNEL

Sec. 11. All the other officers, agents, and employees of the Bank shall be appointed and removed by the Chief. Said officers, agents, and employees shall not be subject to the Civil Service Law, and their duties and compensation shall be fixed by the Chief.

FIDELITY INSURANCE OF OFFICERS AND EMPLOYEES

Sec. 12. The members of the Loan Committee, and all officers, agents and employees of the Bank shall be bonded and their fidelity insured in accordance with the provisions of the Public Bonding Law.

PROHIBITION AGAINST BEING INDEBTED TO BANK

Sec. 13. The Secretary of Finance, the Auditor General, and the latter's representative, the chief of the Auditing Section of the Bank are hereby prohibited from becoming indebted to said Bank, directly or indirectly.

PROHIBITED LOANS

Sec. 14. The Bank shall not, directly or indirectly, grant loans to any of the members of the Loan Committee, the Chief, other officers and employees of the Bank, nor to agents or employees of the branches or agencies, and no loan shall be granted to a corporation, partnership or company wherein any member of the Loan Committee is a shareholder, partner, agent or employee in any manner, except by the unanimous vote of the members of the Committee, excluding the member interested.

ACQUISITION AND DISPOSAL OF REAL ESTATE

Sec. 15. The Bank is hereby authorized to purchase and own or lease such real estate as may be necessary for the purpose of carrying on its

business. It is also authorized to hold such real estate as it may find necessary to acquire in the collection of debts due to the said Bank or to its branches; but real estate acquired in the collection of debts shall be sold by said Bank within five years after the date of its acquisition.

WAREHOUSES

Sec. 16. The Bank is hereby authorized to buy erect, or lease warehouses for depositing therein goods given to it in pledge or custody, in any provincial capital or any municipality where the commercial, industrial, or agricultural development or rehabilitation of the place may require it.

PROHIBITED REMUNERATION

Sec. 17. No fees or charge of any kind by way of commission shall be exacted, demanded or paid, for obtaining loans, and any officer, employee, or agent of the Bank exacting, demanding, or receiving any fee for service in obtaining a loan or for use of his influence to obtain a loan, shall be punished as hereafter provided.

PENALTIES

Sec. 18. The Chief of the Banking Division or any member of the Loan Committee who knowingly violates or knowingly permits any of the officers, agents, or employees of the Bank to violate any of the provisions of this General Authority and Regulations, and any officer, agent, or employee of the Bank who violates any of the provisions thereof, and any person aiding and abetting the violation of any of the provisions thereof, shall be punished by a fine not to exceed

Ten Thousand Pesos, or by imprisonment not to exceed five years,
or by both such fine and imprisonment.

Done in City of Manila, this 10th day of March, in the year of
Our Lord, nineteen hundred and forty-five, and of the Commonwealth
of the Philippines, the tenth.


SERGIO OSMEÑA

President of the Philippines

By the President:


JOSE S. REYES

Secretary to the President