

HOUSE OF REPRESENTATIVES

H. No. 8164

BY REPRESENTATIVES ROMUALDEZ (Y.M.), ROMUALDEZ (F.M.), MENDOZA, CUA, TIANGCO, MACEDA,
SALCEDA, LACSON AND FERRER (J.M.), PER COMMITTEE REPORT NO. 637

AN ACT
PROVIDING FOR THE REVISED CHARTER OF THE PHILIPPINE VETERANS BANK,
REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 3518, AS AMENDED

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

1 **Section 1.** This Act shall be known as the "*Philippine Veterans Bank Act*".

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

12 **Sec. 3. Name, Domicile and Place of Business.** There is hereby created the Philippine
13 Veterans Bank which shall be commonly called the Veterans Bank, whose principal domicile and
14 place of business shall be at PVB building 101 V.A. Rufino corner Dela Rosa Streets, Legaspi
15 Village, Makati City, but branches or agencies may be established in other provinces and cities as the
16 Board of Directors may decide.

17 **Sec. 4. Corporate Powers and Duties.** - The Veterans Bank shall have the power:

18 (a) To promulgate its by-laws;

19 (b) To adopt and use a seal;

20 (c) To sue and be sued;

21 (d) To carry on a trust business subject to compliance with pertinent provisions of laws and in
22 accordance with the applicable *Bangko Sentral ng Pilipinas* (BSP) rules and regulations;

1 (e) To grant loans and advances in accordance with the Republic Act No. 8791 otherwise
2 known as the General Banking Law of 2000 and the BSP rules and regulations, with preference given
3 to veterans defined in Section 6 (a) hereof;

4 (f) To invest in stocks and other investment instruments in accordance with Republic Act No.
5 8791 and the BSP rules and regulations;

6 (g) To issue bonds and other certificates of indebtedness in accordance with Republic Act No.
7 8791 and the BSP rules and regulations;

8 (h) To contract any obligation, or enter into any agreement essential to the proper
9 management of its corporate powers and carry out its aims and purposes;

10 (i) To appoint and dismiss its officers and employees;

11 (j) To create and/or make equity investments to subsidiaries and affiliates or privately owned
12 financial institutions, subject to such limitations prescribed by Republic Act No. 8791 and the BSP
13 rules and regulations;

14 (k) To exercise the powers granted in this Act and such incidental powers as may be
15 necessary to carry on and engage in the business of general banking; and

16 (l) To exercise the general powers mentioned in Republic Act No. 11232, otherwise known as
17 the Revised Corporation Code of the Philippines and Republic Act No. 8791, in so far as they are not
18 inconsistent or incompatible with the provisions of this Act.

19 *Sec. 5. Authorized Capital Stock, Par Value.-*

20 (a) The capital stock of the Veterans Bank shall be Ten billion pesos (P10,000,000,000.00)
21 divided into seventy five million (75,000,000) common shares and twenty five million
22 (25,000,000) preferred shares with a par value of One hundred pesos (P100.00) each.

23 (b) The seventy-five million (75,000,000) common shares shall include: (1) the original five-
24 hundred ten thousand (510,000) common shares subscribed and fully paid by the government for and
25 in behalf of the World War II veterans and was already issued/transferred to the said veterans; (2) the
26 stock dividends on common shares issued to the stockholders; (3) the common shares issued to the
27 stockholders representing subscription on increases in the authorized capital stock, common,
28 approved by the BSP and the Securities and Exchange Commission (SEC) as of the date of the
29 effectivity of this Act. The unsubscribed balance shall be opened for subscription by the existing
30 stockholders and the other veterans entitled to benefit from this Act as described in Section 6 (a)
31 hereof. The twenty-five million (25,000,000) preferred shares shall include: (1) the original four
32 hundred ninety thousand (490,000) preferred shares subscribed and fully paid by the veterans; (2) the
33 stock dividends on preferred shares issued to the stockholders. The unsubscribed shares on increases
34 in the authorized capital stock, preferred, approved by the BSP and the SEC as of the date of the
35 effectivity of this Act, shall be opened for subscription by the existing stockholders and the other
36 veterans entitled to benefit from this Act as described in Section 6 (a) hereof. The transfer of the
37 share/s of a veteran to the widow, orphan or compulsory heir of a veteran by way of succession or
38 donation shall not be subject to tax. Shares may be opened for investment to non-veterans provided
39 that at all times the majority of shares shall be held by the veterans as defined under this Act.

40 (c) The Board of Trustees of the Veterans of World War II, provided for under Section 24
41 hereof, which was originally designated as such under Section 8 of Republic Act No. 7169, otherwise
42 known as "An Act to Rehabilitate the Philippine Veterans Bank", shall continue to be the trustee of all
43 issued but undelivered common and preferred shares.

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2 **Sec. 6. Determination of Veterans Entitled to Benefit from this Act. -**

3 (a) The term "*veteran or veterans*" shall include primarily any person or persons who served
4 in the regularly constituted air, land, or naval services or arms, or in such non-regularly organized
5 military units in the Philippines during World War II, and whose services with such units are duly
6 recognized by the Republic of the Philippines or by the government of the United States of America;
7 *Provided*, that for the purposes of this Act, the term "veteran or veterans" also includes the widow,
8 orphan or a compulsory heir of a deceased veteran, as determined by existing laws; and those veterans
9 referred to under Republic Act No. 6948, as amended by Republic Act No. 7696 and Republic Act
10 No. 9396; *Provided*, That post-World War II veterans and AFP retirees shall enjoy the benefits and
11 privileges provided under this Act after they have invested in Philippine Veterans Bank.

12 (b) The term "*organized or acknowledged veterans' organizations*" as used in this Act shall
13 mean a veterans organization duly recognized or acknowledged as such by the Philippine Veterans
14 Affairs Office (PVAO) and the Armed Forces of the Philippines (AFP); Both shall keep an official
15 roster of such veterans organizations;

16 (c) The share of each beneficiary, war veteran or widow, orphan or compulsory heir of a
17 deceased veteran, in the distribution of the benefits and in the ownership of shares, will be equal,
18 regardless of rank and services rendered; *Provided*, That in the case of orphan or orphans of a
19 deceased veteran, they shall be counted as one unit only and the share of all of them regardless of
20 their number will be the same or equal to that of a surviving war veteran or surviving widow.

21 **Sec. 7. Loans, Investments, and Liabilities. -** The Veterans Bank is hereby authorized:

22 (a) To grant loans, advances, or other credit accommodations for the establishment,
23 rehabilitation, expansion, or development of any agricultural, commercial or industrial enterprise, or
24 personal service, including public utilities, in accordance with Republic Act No. 8791, the BSP rules
25 and regulations, and under such terms as may be prescribed by the Board of Directors and that
26 preference be given to applicants who are veterans as defined under Section 6 (a) hereof, subject to
27 pertinent BSP rules and regulations;

28 (b) To invest in stocks and other investment instruments subject to Republic Act No. 8791,
29 and the BSP rules and regulations;

30 (c) to issue bonds and other certificates of indebtedness subject to Republic Act No. 8791, and
31 the BSP rules and regulations.

32 **Sec. 8. Qualification and Per Diems of the Board of Directors. -**

33 (a) The affairs and business of the Veterans Bank shall be directed and its property managed,
34 controlled and preserved, unless otherwise provided in this act, by a Board of Directors consisting of
35 fifteen (15) members, five of whom shall be independent directors, who shall be elected as provided
36 in Sec. 22 of Republic Act No. 11232. The Board of Directors shall be elected in proportion to the
37 shareholdings of veterans and non-veterans. They shall have formal business training and/or
38 experience in banking and finance and possess the qualifications and none of the disqualifications of
39 directors as prescribed under the BSP rules and regulations, and shall be elected annually by the
40 stockholders in the manner prescribed by Republic Act No. 11232; *Provided*, That unless otherwise
41 allowed under BSP rules and regulations, no director, officer, or employee of any other bank shall be
42 eligible as a member of the Board of Directors of the Veterans Bank, except for independent directors.
43 The members of the Board of Directors shall receive a per diem or allowance for every meeting of the
44 board actually attended by them, the amount of which shall be within the acceptable banking industry
45 rates and shall be set in accordance with the pertinent provisions of Republic Act No. 11232;

1 (b) The Board of Directors, shall upon a majority vote of all its members, elect its
2 chairperson, vice-chairperson, and secretary, at such time and place as shall be provided for in its by-
3 laws.

4 *Sec. 9. Powers and Functions of the Board of Directors.* - The Board of Directors shall

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

8 (b) Determine the organization of the bank by creating the necessary departments or offices as
9 are essential for the efficient operation of the bank;

10 (c) Subject to prior approval of the Monetary Board, establish branches or agencies in other
11 countries; and,

12 (d) Create an executive committee and such other committees as it may deem necessary and
13 proper in the conduct of the business of the corporation, with composition, powers and duties as it
14 may prescribe, subject to BSP rules and regulations, and act on all matters affecting general policies
15 of the bank.

16 *Sec. 10. President and Vice-Presidents; Appointment and Removal; Salaries.* - The chief
17 operating officer of the bank shall be the President who shall be chosen by the Board of Directors.
18 The President shall be assisted by such number of Vice-Presidents who shall be elected and may be
19 removed by the Board of Directors. The President and the Vice-Presidents shall possess practical
20 experience in banking and finance as top executives, at least 10 years for the President and at least
21 five (5) years for the Vice Presidents. The salaries of the President and the Vice-Presidents shall be
22 reasonable, and shall be set and approved by the Board of Directors in accordance with applicable
23 laws and sound corporate governance practices.

24 *Sec. 11. Duties and Powers of the President.* - The President of the bank shall, among others,
25 execute and administer the policies, measures, orders, and resolutions approved by the Board of
26 Directors, and direct and supervise the operation and administration of the bank.

27 Particularly, the President shall have the power and duty to:

28 (a) Approve loans, investments, and other instruments in accordance with Republic Act No.
29 8791 and the existing BSP rules and regulations: *Provided, That* the total amount of such loans,
30 investments and other instruments shall not exceed five (5%) per cent of the paid-up capital and
31 surplus: *Provided, further,* That any loan, investment and other instrument in excess therewith shall
32 be approved by the Board of Directors;

33 (b) Make, with the advice and consent of the Board of Directors, all contracts on behalf of the
34 said bank and enter into all necessary obligations that this Act requires or permits;

35 (c) Report monthly to the Board of Directors the main facts concerning the operations of the
36 bank during the preceding month and to suggest changes in rates of discount of interest, exchange, or
37 policy which to him may seem best;

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

40 *Sec. 12. Legal Counsel.* - The Veterans Bank shall have its own legal department, the chief
41 and members of which shall be appointed by the Board of Directors. The Board may engage the
42 professional services of private external legal counsel whenever deemed necessary.

1 **Sec. 13. Bank Auditor Reports.** - The Veterans Bank shall have its own auditing department,
2 the head of which shall be appointed by the Board of Directors preferably from among recognized
3 veterans or their heirs of good standing who are certified public accountants and with actual
4 experience in the work of a comptroller or auditor. The auditor shall not suffer any diminution in
5 salary during the auditor's term of office, and may not be removed except for cause.

6 The auditor shall make a report to the Board of Directors and to government regulatory
7 authorities on the condition of the bank. The Board of Directors shall set the frequency of submission
8 of the auditor's report to the Board, subject to BSP rules and regulations.

9 **Sec. 14. Appointments, Removal and Salaries of other Bank Officers.** - All other officers of
10 the bank shall be appointed and removed by the Board of Directors upon recommendation of the
11 human resources committee of the Board: *Provided, however,* That, all other circumstances being
12 equal, preference in the appointment of said bank officers shall be given to veterans, or their widows,
13 orphans or compulsory heirs, who must likewise possess the qualifications, integrity, experience and
14 expertise in banking and finance under pertinent BSP rules and regulations. Said officers shall have
15 duties and compensation which shall be set by the human resources committee with the approval of
16 the Board of Directors.

17 **Sec. 15. Supervision and Examination of the BSP.** - The Veterans Bank shall be subject to
18 supervision and examination by the BSP in accordance with Republic Act No. 7653 otherwise known
19 as the "New Central Bank Act", as amended, and Republic Act No. 8791.

20 **Sec. 16. Prohibition Against Owning Stock in or Incurring Indebtedness to the Bank.** - The
21 Secretary of Finance, the Governor of the BSP, all other members of the Monetary Board, and the
22 head of the Auditing Department of the Veterans Bank, except if they are respectively veteran
23 stockholders or heirs, are hereby prohibited from owning stock in the Veterans Bank, or from
24 becoming indebted to said bank, directly or indirectly.

25 **Sec. 17. Loans to Officers, Directors, and Employees; Restriction and Limitation.** - The
26 Veterans Bank shall not directly or indirectly, grant loans to any director, officer, employee, or agent
27 of the bank, and no loans shall be granted to a corporation, partnership, or company wherein any
28 member of the Board of Directors is a shareholder, agent or employee in any manner, except by the
29 unanimous vote of the members of the Board present in a meeting, excluding the interested member:
30 *Provided,* That the total liabilities to the bank of any corporation wherein any member of the Board of
31 Directors of the Veterans Bank is a shareholder, agent or employee in any manner, shall at no time
32 exceed five (5%) per centum of the surplus and paid-up capital of the bank.

33 **Sec. 18. Authority To Purchase And Own Such Real Estate As May Be Necessary For The**
34 **Purpose Of Carrying On Its Business.** - The Veterans Bank is hereby authorized to hold such real
35 estate as it may find necessary to acquire in the collection of debts due to the said bank or to its
36 branches: *Provided,* That the real estate acquired in the collection of debts shall be sold by the bank
37 within five (5) years after the date of its acquisition.

38 **Sec. 19. Right of Redemption of Property Foreclosed.** The mortgagor shall have the right,
39 within one (1) year after the sale of the real estate as a result of the foreclosure of a mortgage, to
40 redeem the property by paying the amount fixed by the court in the order of execution, with interest
41 thereon at the rate specified in the mortgage, and all the costs and other judicial expenses incurred by
42 the bank by reason of the execution and sale, and for the custody of said property.

43 **Sec. 20. Right to Demand Additional Securities; Disposal of Same Securities; Advanced**
44 **Maturity of Credits; Right to Collect Deficiency.** - The right of Veterans Bank to demand additional
45 securities, dispose of the same, advance the maturity of credits in case of loss or decline in the market
46 value of the collaterals, default or non-performance of obligation by the debtor, and collect deficiency,

1 if any, for loans and other credit accommodations granted under or against securities and collaterals,
2 shall be subject to the provisions of Republic Act No. 8791 and other applicable laws on collaterals,
3 mortgage, foreclosure and redemption, and their implementing rules and regulations.

4 *Sec. 21. Action to Collect Balance of Indebtedness.* - If the proceeds of the sale of securities
5 held as collateral for loans by said bank do not cover the full amount of the loan, together with the
6 interest and other charges thereon, the bank may proceed against the debtor for the difference:
7 *Provided,* That any amount exceeding the full indebtedness to the bank shall be paid to the debtor.

8 *Sec. 22. Prohibition Against Charging Fees in Securing Loans; Penalties for Violation.* - No
9 fee, charge or commission in any form shall be exacted, demanded, or paid, for obtaining loans,
10 directly or indirectly, by any director, officer, employee, or agent of the Veterans Bank. Any director,
11 officer, employee or agent so exacting, demanding or receiving any fee for the service or for the use
12 of the influence in obtaining a loan shall be punished by a fine of not exceeding One hundred
13 thousand pesos (P100,000.00) or by imprisonment of not more than five (5) years, or both, at the
14 discretion of the court.

15 *Sec. 23. Allocation of Net Profit and Unrestricted Retained Earnings.* - At the close of each
16 calendar year, the bank shall include in the determination of its net profit the provisions for
17 impairment allowances, in accordance with pertinent BSP rules and regulations, and the net profit
18 arrived thereat shall be allocated, as follows:

19 (a) Twenty per cent (20%) of such net profit or such amount necessary to meet the capital
20 build up program of the Veterans Bank, shall accrue to the reserve account;

21 (b) From the remaining amount of the net profit after deducting the amount accrued to the
22 reserve account shall be deducted the guaranteed earnings of the preferred shares and the ten (10%)
23 per cent dividends on common shares: *Provided, however,* That the declaration of these dividends
24 shall be out of the unrestricted and free retained earnings in accordance with the pertinent provisions
25 of Republic Act No. 11232, Republic Act No. 8791, and the BSP rules and regulations;

26 Thereafter, twenty per cent (20%) of the net profit after deducting the guaranteed earnings of
27 the preferred shares and the 10% dividends on common shares, or the amount of thirty million pesos
28 (P30,000,000.00), whichever is lower, shall be paid in cash to the Board of Trustees of the Veterans
29 of World War II (BTVWWII) as hereinafter provided in Section 24 hereof for disposition and shall be
30 available for 'grants-in-aid' to veterans, their widows, orphans, or compulsory heirs, for educational,
31 social, charitable, and rehabilitation purposes, to organizations doing service for the cause of the
32 veterans, and for such other purposes beneficial to the veterans, including maintenance and
33 improvement of its offices, buildings, museum as well as the construction and development within the
34 2.4 hectare portion of the property along Veterans Center, Taguig City, that is currently being
35 occupied by the BTVWWII and covered by Proclamation No. 192 by the President of the Philippines,
36 dated April 4, 1967, which maximum limit may be increased upon mutual agreement between
37 Veterans Bank and the BTVWWII: *Provided,* That the latter shall render an accounting of the funds
38 received ? FROM the former and shall be audited annually by a reputable external auditing firm.

39 The remaining profits shall be at the disposition of the Board of Directors of Veterans Bank in
40 accordance with the pertinent provisions of Republic Act No. 11232, Republic Act No. 8791, and the
41 BSP rules and regulations.

42 *Sec. 24. Board of Trustees of the Veterans of World War II to be Reorganized as Board of*
43 *Trustees of Veterans.* - When the shareholdings of the post-world war II veterans and AFP retirees
44 have surpassed the shareholdings of the veterans of World War II and their compulsory heirs, then the
45 Board of Trustees of the Veterans of World War II shall be reorganized into the Board of Trustees of
46 Veterans as defined in Sec. 6 (a) of this Act. It shall consist of eleven (11) members who shall be

1 elected from among all the veterans by the stockholders of the Veterans Bank in its annual
2 stockholders meeting. Immediately after their election, the members of the Board of Trustees shall
3 elect from among themselves a Chairperson and a Vice-Chairperson. The members of the Board of
4 Trustees shall serve without compensation other than actual and necessary expenses incurred either in
5 attendance upon meetings of the board or upon other official business authorized by resolution
6 thereof: *Provided, however,* That a vote of the majority of all the members shall be necessary to
7 authorize the disposal of the funds held by the board.

8 The Board of Trustees shall appoint a Secretary and such other necessary officials and
9 employees. The compensation of these officials and employees shall be reasonable and in accordance
10 with applicable laws and sound corporate governance practices. All the powers, privileges, duties and
11 responsibilities of the previous Board of Trustees of Veterans of World War II shall be transferred to
12 the new Board of Veterans.

13 *Sec. 25. Term of Legal Existence.* - The legal existence of the bank under this Act shall be
14 perpetual in accordance with Section 11 of Republic Act No. 11232.

15 *Sec. 26. Prohibition Against the Use of the Word "Veterans"; Penalty for Violation.* - All
16 banks other than the Veterans Bank, and such other banks now licensed to do business in the
17 Philippines whose names already include the word "veterans" are prohibited from using the word
18 "veterans" as a part of their names or titles. Any party violating this provision shall be subject to a fine
19 of not less than Ten thousand pesos (P10,000.00) for each day during which said violation is
20 committed or repeated, which penalty shall be enforced by the Veterans Bank.

21 *Sec. 27. Penalties for Violation of the Provisions of this Act.* - Any director, officer,
22 employee, or agent of the bank who violates or permits the violation of any of the provisions of this
23 Act, or any person aiding or abetting the violation of any provision of this Act, shall be punished by a
24 fine not exceeding One hundred thousand (P100,000.00) pesos or imprisonment of not more than five
25 (5) years, or both, at the discretion of the court.

26 *Sec. 28. Authority to Receive Deposit of Government Funds as an Official Government*
27 *Depository.* - The Secretary of Finance, the National Treasurer, and their authorized representatives,
28 all city and municipal treasurers as well as official custodians of public funds, or those belonging to
29 government owned or controlled corporations are hereby authorized, if they so desire, to make and
30 actually maintain deposits of any government or corporate fund with the Veterans Bank, which is
31 hereby declared to be an official government depository.

32 *Sec. 29. Articles of Incorporation.* - Upon its approval, this Act shall be deemed and accepted,
33 for all legal intents and purposes, as the statutory articles of incorporation or charter of the Veterans
34 Bank; and that, notwithstanding the provisions of any existing law to the contrary, said bank shall
35 continue to be deemed registered and duly authorized to do business and operate as a private
36 commercial bank as of the date of approval of this Act.

37 *Sec. 30. Separability Clause.* - If any provision of this Act is held unconstitutional or invalid,
38 all other provisions not affected thereby shall remain valid.

39 *Sec. 31. Repealing Clause.* - Republic Act No. 3518, as amended, is hereby repealed. The
40 provisions of Republic Act No. 7169 and the existing Articles of Incorporation of the Veterans Bank
41 approved by the BSP and the SEC which are inconsistent with any of the provisions of this Act are
42 hereby repealed or modified accordingly: *Provided,* That insofar as not inconsistent with this Act, the
43 operations and changes in the capital structure of the Veterans Bank, the upgrade or downgrade of its
44 license, and change of its principal office address as well as other amendments to its Articles of
45 Incorporation and By-Laws, shall be in accordance with Republic Act No. 11232, Republic Act No.
46 8791, and other related laws. The provisions of the existing by-laws of Veterans Bank approved by

1 the BSP and the Securities and Exchange Commission which are inconsistent with any of the
2 provisions of this Act are hereby repealed or modified accordingly. All laws, Acts, executive orders,
3 administrative orders, proclamations, rules and regulations or parts thereof inconsistent with any of
4 the provisions of this Act are hereby repealed or modified accordingly.

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