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EXECUTIVE ORDER NO. 81

PROVIDING FOR THE 1986 REVISED CHARTER OF  
THE DEVELOPMENT BANK OF THE PHILIPPINES

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

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

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

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

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

SECTION 1. This Executive Order shall be known as "THE 1986 REVISED CHARTER OF THE DEVELOPMENT BANK OF THE PHILIPPINES".

SEC. 2. Name, Purpose and Domicile. - The Development Bank of the Philippines, hereinafter called the Bank, operating under the provisions of Republic Act No. 85, as amended, shall henceforth operate under the provisions of this 1986 Revised Charter. The Bank shall be a body corporate and shall exist for a period of fifty years.

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

The Bank's principal office and place of business shall be in the National Capital Region, also known as Metro Manila. It may open and maintain branches, agencies or other offices at such places in the Philippines as its Board of Directors may deem advisable, with the prior approval of the Monetary Board of the Central Bank of the Philippines.

SEC. 3. Corporate Powers. The Development Bank of the Philippines shall have the power:

(a) To accept such deposits as are allowed thrift banks under existing law and Central Bank regulations, including, but not limited to demand, savings, and time deposits;

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

✓(c) To accept and manage trust funds and properties and carry on the business of a trust corporation;

(d) To act as official government depository with authority to maintain deposits of the government, its subdivisions, branches, and instrumentalities, and of government-owned or controlled corporations, subject to such rules and regulations as the Monetary Board may prescribe;

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

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

(g) To adopt, amend, or change its By-laws; to adopt, alter and use a seal; to make contracts; to sue and be sued; and to exercise the general powers of a corporation mentioned in the Corporation Code of the Philippines, and of a thrift bank under the General Banking Act, insofar

Unless otherwise provided in this Charter, the exercise of the above-mentioned powers on banking shall be subject to applicable law, as well as regulations promulgated by the Central Bank of the Philippines.

SEC. 4. Loans and Other Investments. - Loans and other investments of the Bank shall be subject to the same limits and ceilings applicable to thrift banks under existing provisions of law and regulations promulgated by the Monetary Board, including but not limited to prescribed limits and ceilings; *Provided*, that loans and equity investments existing as of the date of the effectivity of this Charter and which loans and investments would exceed the prescribed limits as a result of the implementation of its rehabilitation program, as well as those investments authorized under Section 6 hereof, which are in excess of the prescribed limits shall be reduced within five years in accordance with such program of reduction as may be approved by the Monetary Board. The period of reduction may be extended up to another five years by the President of the Philippines upon recommendation by the Monetary Board.

SEC. 5. Issuance of Bonds. - The Bank may issue all kinds of bonds, debentures, and securities, and/or the renewal or refunding thereof (hereinafter called "Bonds"), within and/or outside the Philippines, at such terms, rates, and conditions as the Board of Directors of the Bank may determine, subject to compliance with the provisions of applicable law, and rules and regulations promulgated by the Monetary Board.

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

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

SEC. 6. Private Development Banks, Other Thrift Banks and Rural Banks. - The Bank may assist private development banks and other privately owned banks in the thrift bank category, as well as rural banks, through general credit accommodations including but not limited to conduit lending and rediscounting operations, and extension of technical and managerial assistance: *Provided*, That the Bank may likewise make equity investments in private development banks and other privately owned banks in the thrift bank category, as well as rural banks, if such investment is in connection with the privatization of certain branches of the Bank; *Provided*, further, That the extent of such equity investments may, with the prior approval of the Monetary Board, exceed the ceilings prescribed in Section 4 hereof; and *Provided*, finally, That after five years from

SEC. 7. Authorized Capital Stock - Par Value. - The capital stock of the Bank shall be Five Billion Pesos to be divided into Fifty Million common shares with par value of ₱100 per share. These shares are available for subscription by the National Government. Upon the effectivity of this Charter, the National Government shall subscribe to Twenty-Five Million common shares of stock worth Two Billion Five Hundred Million which shall be deemed paid for by the Government with the net asset values of the Bank remaining after the transfer of assets and liabilities as provided in Section 30 hereof.

SEC. 8. Board of Directors - Composition - Tenure - Per Diems. - The affairs and business of the Bank shall be directed and its properties managed and preserved and its corporate powers exercised, unless otherwise provided in this Charter, by a Board of Directors consisting of nine members, to be appointed by the President of the Philippines. The term of office of the Chairman, Vice-Chairman, and the members of the Board of Directors shall be for a period of one year or until such time as their successors are appointed. *JA*

The Chairman and the Vice Chairman of the Board shall be appointed by the President of the Philippines. The Vice Chairman of the Board shall assist the Chairman and act in his stead in case of absence or incapacity. In case of incapacity or absence of both the chairman and vice-chairman, the Board of Directors shall designate a temporary chairman from among its members.

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

At least four of the members of the Board shall come from the private sector.

Except for the Chairman and the Vice Chairman of the Board, no officer or employee of the Bank may be appointed as a member of the Board of Directors of the Bank; nor shall any director, officer, or employee of any other bank be eligible as a member of the Board of Directors of the Bank.

Unless otherwise set by the Board and approved by the President of the Philippines, members of the Board shall be paid a per diem of one thousand pesos for each meeting of the Board of Directors actually attended: Provided, that the total amount of per diems for every single month shall not exceed the sum of Five Thousand Pesos.

**SEC. 9. Powers and Duties of the Board of Directors.** - The Board of Directors shall have, among others, the following duties, powers and authority:

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

(b) To approve loans, to fix rates of interest on loans and to prescribe such terms and conditions for loans and credits as may be deemed necessary, consistent with the provisions of this Charter; Provided, that the Board may delegate the authority to approve loans to such officer or officers as may be deemed necessary;

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

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

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

(f) To appoint, promote or remove officers from the rank of Vice President or its equivalent, and other more senior officer positions, excluding the Chairman and the Vice Chairman.

Charter or by the By-Laws of the Bank specifically reserved to be done by the Board or other officers of the Bank. For this purpose, he shall, among other powers and duties, execute, carry out, and administer the policies, measures, orders, and resolutions approved by the Board; direct and supervise the operation and administration of the Bank; and exercise such other powers and perform such other functions or duties as may be directed or assigned to him by law or by the Board from time to time.

Particularly, he shall have the power and duty:

- (a) To sign and execute all contracts concluded by the Bank and enter into all necessary obligations required or permitted by this Charter, upon proper authorization by the Board; and sign all notes, securities, certificates, and other major documents of the Bank;
- (b) To exercise, as Chief Executive Officer of the Bank, the powers of control and supervision over decisions and actions of subordinate officers and all other powers that may be granted by the Board;
- (c) To report to the Board the main facts concerning the operations of the Bank and to recommend changes in policies which he may deem advisable;
- (d) To submit an annual report to the President of the Philippines on the result of the operations of the Bank;
- (e) To recommend to the Board the appointment, promotion, or removal of all officers of the Bank, with the rank of at least vice president or its equivalent;
- (f) To appoint, promote or remove employees and officers below the rank of vice president or its equivalent; **Provided**, that promotions, transfers, assignments or reassignments of officers and personnel of the Bank are personnel actions deemed made in the interest of the service and not disciplinary, any provision of the Civil Service law to the contrary notwithstanding; and
- (g) As required by circumstances, to delegate any of his powers, duties or functions to any officer or director of the Bank, with the approval of the Board.

SEC. 11. Vice Chairman and Chief Operating Officer. - The Vice Chairman shall be the Chief Operating Officer of the Bank and shall assume and exercise such specific duties and responsibilities as may be delegated to him by the Chairman.

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

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

SEC. 13. Other Officers and Employees - The Board of Directors shall provide for an organization and staff of officers and employees of the Bank and upon recommendation of the Chairman of the Board, fix their remunerations and other emoluments.

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

SEC. 14. Exemption from Attachment. - The provisions of any law to the contrary notwithstanding, securities on loans and/or other accommodations granted by the Bank or its predecessors-in-interest shall not be subject to attachment, execution or any other court process, nor shall they be included in the property of insolvent persons or institutions, unless all debts and obligations of the debtor to the Bank and its predecessors-in-interest have been previously paid, including accrued interest, penalties, collection expenses, and other charges, subject to the provisions of paragraph (e) of Section 9 of this Charter.

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

**SEC. 16. Right of Redemption.** - Any mortgagor of the Bank whose real property has been extrajudicially sold at public auction shall, within one (1) year counted from the date of registration of the certificate of sale, have the right to redeem the real property by paying to the Bank all of the latter's claims against him, as determined by the Bank.

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

**SEC. 17. Inhibition from Board Meeting of Member with Personal Interest.** - Whenever any member attending a meeting of the Board of Directors has a direct personal interest in the discussion or resolution of any given matter, or any of his relatives within the second civil degree of consanguinity or second civil degree of affinity has such an interest, said member shall not participate in the discussion or resolution of the matter and must retire from the meeting during the deliberation thereon. The minutes of the meeting, which shall note the subject matter, when resolved, the fact that a member had a personal interest in it, and the withdrawal of the member concerned, may be made available to the public.

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

**SEC. 18. Prohibition on Persons with Personal Interest.** - No member of the Board, officer, attorney, agent, or employee of the Bank shall in any manner, directly or indirectly participate in the deliberation upon or the determination of any question affecting his direct personal interest or the personal interests of his relatives within the second civil degree of consanguinity or second civil degree of affinity, or of any corporation, partnership, or association in which he has a direct interest. Any person violating the provision of this section shall be summarily removed from office and shall upon conviction be punished with a fine not less than one thousand pesos nor more than ten thousand pesos or with imprisonment of not less than one year nor more than five years, or by both fine and imprisonment at the discretion of the court.

**SEC. 19.**



is a director or officer shall, either directly or indirectly, for himself or as representative or agent of others, borrow any of the deposits of funds from the bank, nor shall he become a guarantor, indorser, or surety for loans from the bank to others, or in any manner be an obligor for money borrowed from the bank or loaned by it: **Provided**, That this prohibition on loans to directors, officers and employees shall not include loans allowed in the form of fringe benefits granted in accordance with rules and regulations as may be prescribed by the Monetary Board of the Central Bank.

**SEC. 20. Rules and Regulations on Conflict of Interest . -** The foregoing provisions notwithstanding and in addition thereto, the Board of Directors is hereby authorized to issue rules and regulations for the purpose of determining and resolving conflict of interest questions, which rules shall, in particular, include the requirement on all officers and employees of the Bank to disclose any shareholdings they, or their relatives within the second civil degree of consanguinity or second civil degree of affinity, may have in any corporation, partnership, or company, in excess of 2% of the equity of said corporation, partnership, or company.

**SEC. 21. Examination of the Bank. -** The Bank shall be subject to supervision and examination by the appropriate department of the Central Bank of the Philippines.

**SEC. 22. Prohibition on Officers and Employees of the Bank. -** Except as required by law, or upon order of a court of competent jurisdiction, or the express order of the President of the Philippines or written permission of the client, no officer or employee of the Bank shall reveal to, nor allow to be examined, inquired, or looked into, by any third person, government official, bureau or office any information relative to details of individual accounts or specific banking transactions: **Provided**, that in respect to deposits of whatever nature, the provisions of existing law shall apply.

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

**SEC. 23. Exaction of Fee, Commission, Gift or Charge. -** No unauthorized fee, commission, gift, or charge of any kind shall be exacted, demanded, or paid, for obtaining loans from the Bank, and any officer, employee, or agent of the Bank found guilty of exacting, demanding, or receiving any fee for services in obtaining a loan, shall be punished by a fine of not less than one thousand nor more

than twenty thousand pesos, imprisonment for not less than one year nor more than ten years, and perpetual disqualification from public office.

SEC. 24. **Penal Provisions of General Banking Act.** - The penal provisions of Section 87-A of the General Banking Act shall be applicable to officers, employees and borrowers of the Bank.

SEC. 25. **General Penal Provision.** - Any officer or employee of the Bank who violates, or permits any of the officers, employees or agents of said Bank or any other person to violate, any of the provisions of this Charter not specifically punished in the preceding sections, and any person violating any provision of this Charter or aiding and abetting the violation thereof, shall be punished with a fine not less than one thousand nor more than ten thousand pesos and with imprisonment not less than one year nor more than five years.

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

SEC. 27. **Liability of Directors, Officers or Partners of Offending Corporation or Partnership.** - If the violation of the provisions of this Charter is committed by a corporation or partnership, the directors, officers or partners thereof who participated in the violation shall be criminally liable for such violation.

SEC. 28. **Applicability of Banking Laws.** - The provisions of Republic Act No. 265, as amended, and Republic Act No. 337, as amended, insofar as applicable and not in conflict with any provision of this Charter, shall apply to the Bank.

#### TRANSITORY PROVISIONS

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

SEC. 30. **Transfer of Assets and Liabilities of the Development Bank of the Philippines.** - ~~The Bank~~ shall transfer to the National Government such of its assets and liabilities as may be necessary to rehabilitate the bank and to start its operations under the Revised Charter on a viable basis, as determined by the appropriate authorities, such assets to include but need not be limited to its acquired assets and non-performing accounts and such liabilities to include real as well as con-

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

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

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

In the implementation of the reorganization of the Bank, as authorized under the preceding section, qualified personnel of the Bank may be appointed to appropriate positions in the new staffing pattern thereof and those not so appointed are deemed separated from the service. No preferential or priority rights shall be given to or enjoyed by any officer or personnel of the Bank for appointment to any position in the new staffing pattern nor shall any officer or personnel be considered as having prior or vested rights with respect to retention in the Bank or in any position as may have been created in its new staffing pattern, even if he should be the incumbent of a similar position therein.

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

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

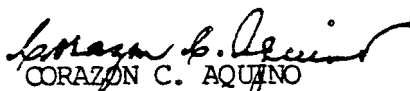
SEC. 35. Banking Operations under 1986 Revised Charter, Governing Laws. - The banking operations of the Bank shall be governed by the provisions of the 1986 Revised Charter beginning on January 2, 1987 or on such subsequent date as may be determined by the President of the Philippines upon the recommendation of the Minister of Finance.

SEC. 36. Separability Clause. - In the event that any provision of this Charter or the applicability of such provision to any person or circumstance is declared invalid, the remainder of the Charter or the application of said provision to other persons or circumstances shall not be affected by such declaration.

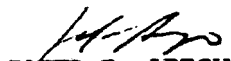
SEC. 37. Repealing Clause. - All acts, executive orders, administrative orders, proclamations, rules and regulations or parts thereof inconsistent with any of the provisions of this Charter are hereby repealed or modified accordingly.

SEC. 38. Effectivity. This Charter shall take effect upon its approval.

Done in the City of Manila, this 3rd day of December, in the year of our Lord, Nineteen Hundred and Eighty-Six.

  
CORAZON C. AQUINO  
President of the Philippines

BY THE PRESIDENT:

  
JOKER P. ARROYO  
Executive Secret