


SENATE  
S. B. No. **1275**

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Introduced by Senator Miriam Defensor Santiago

EXPLANATORY NOTE

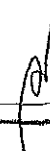
Republic Act No. 7353, Section 8 aims to provide ailing rural banks supplemental capital until they have accumulated enough capital of their own or have stimulated enough private investments. This section mandate that the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or controlled bank or financial institution, shall subscribe to the capital stock of any rural bank from time to time.

The second paragraph of Section 8 further provides the graduated dividend rates to be paid to the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or controlled bank or financial institution for their respective equity investments. These prescribed rates, however, have proven to be too onerous for the banks. There is a need for a more reasonable dividend rate to provide for and to help rehabilitate ailing rural banks.

  
MIRIAM DEFENSOR SANTIAGO

SENATE  
S. B. No. 1275

04 JUL -1 P1:02

APPROVED BY: 

Introduced by Senator Miriam Defensor Santiago

AN ACT  
AMENDING SECTION 8 OF REPUBLIC ACT NO. 7353, ALSO KNOWN AS  
THE RURAL BANKS ACT OF 1992

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

1 SECTION 1. Republic Act No. 7353, Section 8,  
2 Paragraph 2 is hereby amended to read as follows:

3 "Stocks held by the Land Bank of the  
4 Philippines, the Development Bank of the  
5 Philippines or by any government-owned or  
6 controlled bank or financial institution, under  
7 the terms of this Section, shall be made preferred  
8 only as to assets upon liquidation and without the  
9 power to vote and shall share in dividend  
10 distributions from the date of issuance in the  
11 amount of (four percent (4%) on the first and  
12 second years, six percent (6%) on the third and  
13 fourth years, eight percent (8%) on the fifth and  
14 sixth years, ten percent (10%) on the seventh and  
15 eighth years and twelve percent (12%) on the ninth  
16 to the fifteenth years without preference;) SIX  
17 PERCENT (6%) FROM THE FIRST YEAR UP TO THE  
18 FIFTEENTH (15TH) YEARS WITHOUT PREFERENCE:  
19 *Provided, however,* That if such stock of the Land  
20 Bank of the Philippines, the Development Bank of  
21 the Philippines or any government-owned or  
22 controlled bank or financial institution is sold

1 to private shareholders, the same may be converted  
2 into common stock of the class provided for in  
3 Section 10 hereof: *Provided, further,* That  
4 pending the amendment of the Articles of  
5 Incorporation of the rural bank, if necessary, for  
6 the purpose of reflecting the conversion into  
7 common stock of preferred stock sold to private  
8 shareholders, the transfer shall be recorded by  
9 the rural bank in the stock and transfer book and  
10 such shareholders shall thereafter enjoy all the  
11 rights and privileges of common stockholders. The  
12 preferred stocks so transferred shall be  
13 surrendered and cancelled and the corresponding  
14 common stocks shall be issued."

15 SEC. 2. *Separability Clause.* - If any provision, or  
16 part hereof is held invalid or unconstitutional, the  
17 remainder of the law or the provision not otherwise affected  
18 shall remain valid and subsisting.

19 SEC. 3. *Repealing Clause.* - Any law, presidential  
20 decree or issuance, executive order, letter of instruction,  
21 administrative order, rule or regulation contrary to or  
22 inconsistent with, the provisions of this Act is hereby  
23 repealed, modified or amended accordingly.

24 SEC. 4. *Effectivity Clause.* - This Act shall take  
25 effect fifteen (15) days after its publication in at least  
26 two (2) newspapers of general circulation.

Approved,