

FIFTEENTH CONGRESS)
CONGRESS OF THE PHILIPPINES)
Second Regular Session)

OFFICE OF THE SECRETARY
OF THE SENATE

DEC 15 4:38

Senate Bill No. 3089

RECEIVED

Introduced by Senator Edgardo J. Angara

EXPLANATORY NOTE

This bill seeks to amend RA 7353 or the Rural Banks Act of 1992 to create room for more sophisticated forms of financial services and to comply with increased minimum capital requirements.

The existing policy, in seeking to uphold the provisions of Republic Act No. 8791 or the General Banking Law of 2000, bars non-Filipino citizens from owning, acquiring or purchasing voting stock of any rural bank. This policy deprives rural banks from foreign investment and effectively restricts their activity and services.

This bill aims to revitalize the rural banking system and improve access of banking services to rural areas by opening up rural banks to foreign equity. At the same time, it upholds the mandate of the General Banking Law to preserve majority Filipino ownership of rural banks by setting a forty percent ceiling in foreign possession of voting stock.

This bill is expected to stimulate more lively activity among rural banks by creating an environment that is beneficial to foreign investors, local banking patrons, and national economy.

In view of the foregoing, the swift passage of this bill is earnestly sought.


EDGARDO J. ANGARA

DEC 15 1988

Senate Bill No. 3089

Introduced by Senator Edgardo J. Angara

**AN ACT ALLOWING FOREIGN EQUITY IN THE CAPITAL OF RURAL
BANKS, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7353
OTHERWISE KNOWN AS "THE RURAL BANK ACT OF 1992", AS AMENDED
AND FOR OTHER PURPOSES**

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

1
2 *Section 1.* Section 4 of RA No. 7353 is hereby amended as follows:
3

4 **"Sec. 4.** No rural bank shall be operated without a Certificate of Authority from
5 the Monetary Board of the Central Bank. Rural banks shall be organized in the form of
6 stock corporations. **NON-FILIPINO CITIZENS MAY OWN, ACQUIRE, OR**
7 **PURCHASE UP TO FORTY PERCENT (40%) OF THE VOTING STOCK OF A**
8 **RURAL BANK, WHERE A NEW BANK IS ESTABLISHED AS A RESULT OF A**
9 **MERGER OR CONSOLIDATION OF EXISTING RURAL BANKS WITH**
10 **FOREIGN HOLDINGS, THE RESULTING FOREIGN HOLDINGS SHALL NOT**
11 **BE INCREASED BUT MAY BE REDUCED, AND ONCE REDUCED SHALL**
12 **NOT BE INCREASED THEREAFTER BEYOND FORTY PERCENT (40%) OF**
13 **THE VOTINGSTOCK OF RURAL BANKS, THE PERCENTAGE OF THE**
14 **FOREIGN-OWNED VOTING STOCKS SHALL BE DETERMINED BY THE**
15 **CITIZENSHIP OF INDIVIDUAL STOCKHOLDERS AND IN CASE OF**
16 **CORPORATIONS OWNING SHARES, BY THE CITIZENSHIP OF EACH**
17 **STOCKHOLDER IN THE SAID CORPORATIONS.** Upon consultation with the
18 rural banks in the area, duly established cooperatives and corporations primarily organize
19 to hold equities in rural banks may organize a rural bank and/or subscribe to the shares of
20 stock of any rural bank: Provided, That a cooperative or corporation owning or
21 controlling the whole or majority of the voting stock of the rural bank shall be subject to
22 special examination and to such rules and regulations as the Monetary Board may
23 prescribe. [With exception of shareholdings of corporations organized primarily to hold
24 equities in rural banks as provided for under Section 12-C of Republic Act 337, as
25 amended, and of Filipino-controlled domestic banks, the capital stock of any rural bank
26 shall be fully owned and held directly or indirectly by citizens of the Philippines or
27 corporations, associations or cooperatives qualified under Philippine laws to own and
28 hold such capital stock: Provided, That any provisions of existing laws to own and hold
29 such capital stock: Provided, That any provision of existing laws to the contrary
30 notwithstanding, stockholdings in a rural bank shall be exempt from any ownership
31 ceiling for a period of ten (10) years from the approval of this Act: Provided, further,
32 That any such exemption shall require the approval of the Monetary Board.]If
33 subscription of private shareholders to the capital stock of rural cannot be secured or is
34 not available, or insufficient to meet the normal credit needs of the locality, the Land
35 Bank of the Philippines, the Development Bank of the Philippines, or any government-
36 owned or controlled bank or financial institution, on representation of the said private
37 shareholders but subject to the investment guidelines, policies and procedures of the bank
38 or financial institution and upon approval of the Monetary Board of the Central Bank,
39 shall subscribe to the capital stock of such rural bank, which shall be paid in full at the

1 time of subscription, in an amount equal to the fully paid subscribe and unimpaired
2 capital of the private stockholders or such amount as the Monetary Board may prescribed
3 as may be necessary to promote and expand rural economic development: Provided,
4 however, That such shares of stock subscribe by the Land Bank of the Philippines, the
5 Development Bank of the Philippines or any government-owned or controlled bank or
6 financial institution may be sold at any time at market value to private individuals who
7 are citizens of the Philippines: Provided, finally, That in the sale of shares of stock
8 subscribed by the Land Bank of the Philippines, the Development bank of the Philippines
9 or any government-owned or controlled bank or financial institution, the registered
10 stockholders shall have the right of preemption within one (1) year from the date of offer
11 in proportion to their respective holdings, but in the absence of such buyer, preference,
12 however, shall be given to residents of the locality or province where the rural bank is
13 located.”

14
15 *Sec. 2.* Section 5 of the same Act is hereby amended as follows:

16 **“Sec. 5. NON-FILIPINO CITIZENS MAY BECOME MEMBERS OF THE**
17 **BOARD OF DIRECTORS OF A RURAL BANK TO THE EXTENT OF THE**
18 **FOREIGN PARTICIPATION IN THE EQUITY OF SAID BANK** [All members of
19 the Board of Directors of the rural bank shall be citizens of the Philippines at the time of
20 their assumption to office:] Provided, however, That nothing in this Act shall be
21 construed as prohibiting any appointive or elective public official from serving as director,
22 officer, consultant or in any capacity in the bank.

23 No Director or officer of any rural bank shall, either directly or indirectly, for himself or
24 as the representative or agent of another borrow any of the deposits or funds of such
25 banks, nor shall he become a guarantor, indorser, or surety for loans from such bank to
26 others, or in any manner be an obligor for money borrowed from the bank or loaned by it
27 except with the written approval of the majority of the directors of the bank, excluding
28 the director concerned. Any such approval shall be entered upon the records of the
29 corporation and a copy of such entry shall be transmitted forthwith to the appropriate
30 supervising department. The director/officer of the bank who violates the provisions of
31 this section shall be immediately dismissed from his office and shall be penalized in
32 accordance with Section 26 of this Act.

33 The Monetary Board may regulate the amount of credit accommodations that may be
34 extended directly to the directors, officers or stockholders of rural banks of banking
35 institutions. However, the outstanding credit accommodations which a rural bank may
36 extend to each of its stockholders owning two percent (2%) or more of the subscribed
37 capital stock, its directors, or officers shall be limited to an amount equivalent to the
38 respective outstanding deposits and book value of the paid-in capital contributions in the
39 bank.”

40 *Sec. 3.* Separability Clause.- If any provision of this Act is declared unconstitutional, the
41 same shall not affect the validity and effectivity of other provisions thereof.

42 *Sec. 4.* Repealing Clause.- All laws, decrees, orders and issuances or portions thereof
43 which are inconsistent with the provisions of this Act are hereby repealed.

44 *Sec. 5.* Effectivity.- This Act shall take effect fifteen (15) days following its publication
45 in the Official Gazette and in at least two (2) national newspapers of general circulation.

46
47 Approved,
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