

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS

First Regular Session

House Bill No. 2072

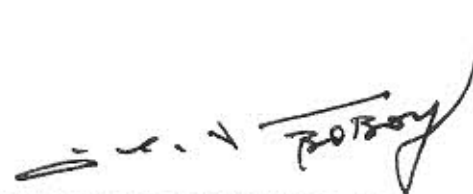
Introduced by REP. AUGUSTO BOBOY SYJUCO, Ph.D.

EXPLANATORY NOTE

Sections 10 and 20 of Article II of the Philippine Constitution mandate one methodology on how the State shall perform its task of accelerating the flow of investments and credit resources to the populace so as to trigger vigorous growth and development, productivity, employment and enterprises thereby generating more livelihood and income opportunities for the disadvantaged populace.

This bill is crafted to strengthen and broaden the function of Quedan and Rural Credit Guarantee Corporation in order for it to become more responsive to the needs of and provide a convenient credit-support mechanism, a reliable guarantee system and a specially emplaced credit and/or guarantee facility for urban and rural workers, their cooperatives, the small urban and rural enterprises to credit or credit institutions and providers.

In this regard, the approval of this bill is earnestly sought.



AUGUSTO BOBOY SYJUCO, Ph.D.
Second District, Province of Iloilo

✓

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

FIFTEENTH CONGRESS

First Regular Session

House Bill No. **2072**

Introduced by REP. AUGUSTO BOBOY SYJUCO, Ph.D.

AN ACT STRENGTHENING QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION, BROADENING ITS POWERS AND RESOURCES TO SUPPORT MICRO, SMALL AND MEDIUM ENTERPRISES, FARMERS, FISHERFOLKS, AND WORKERS, AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7393, OTHERWISE KNOWN AS THE QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION ACT AND FOR OTHER PURPOSES.

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

SECTION 1. *Title.* — This Act shall be known as the "*Quedan Guarantee and Credit Corporation Act.*"

SEC. 2. *Declaration of Policy.* — Sections 10 and 20 of Article II of the Philippine Constitution mandate one methodology on how the State shall perform its task of accelerating the flow of investments and credit resources to the populace so as to trigger vigorous growth and development, productivity, employment and enterprises thereby generating more livelihood and income opportunities for the disadvantaged populace.

Consonant to this, the State shall be set up a convenient credit-support mechanism, a reliable guarantee system and a specially emplaced credit and/or guarantee facility that shall effectively;

(a) Provide avenues of access of urban and rural workers, their cooperatives, the small urban and rural enterprises to credit or credit institutions and providers;

(b) Encourage the participation of private enterprises to support the undertakings of such persons by providing incentives for them, to focus upon, to trust and/or increase the flow of credit, resources and investments into these areas of concerns;

(c) Institutionalize the Quedan Purchase Order/Job Order (PO/JO) and other instruments of such nature as evidence of guarantees and in providing credit assistance;

(d) Institutionalize the quedan or warehouse receipt and other negotiable instruments, evidencing existence of commodities stored in the Corporation's bonded warehouses, as convenient collateral for accessing credit;

From:

*ms PELI AGUIAR
9315001 Loc. HN*

453-34-12

(e) Prioritize financing support and/or the grant of assistance to small enterprises engaged and/or will engage in small production, processing and developmental activities and to those businesses directly supporting such endeavors either as their markets or partners;

(f) Support and encourage dynamic cooperativism, groupings, capital formation and savings mobilization among the populace;

(g) Ascertain income from the above-stated activities in recognition of committed, honest undertakings and services by promoting, adopting or institutionalizing a system that rewards these efforts or by-passes or merges the unnecessary layers of marketing through linkages and voluntary arrangements among its players; and

(h) Harmonize, involve, coordinate and/or team up with other government institutions, nongovernmental organizations, private voluntary organizations, self-help groups and other aggrupations involved in providing support services to these sectors and areas.

SEC. 3. *Definition of Terms.* — The following terms as used in this Act shall mean:

(a) "Corporation" — The Quedan Credit and Guarantee and Corporation;

(b) "Farmer" — Any natural person whose primary livelihood is cultivation of land or the production of agricultural crops, livestock and aquaculture products, in small or commercial scale, either by himself or primarily with the assistance of his immediate farm household or workers for the secondary purpose of gaining profit, whether the land is owned by him or by another person, under a leasehold tenancy agreement or arrangement with the owner thereof;

(c) "Fisherfolk" — Refers to any natural person whose primary livelihood is fishing or the catching and/or gathering of other marine products, in small or commercial scale, either by himself or with the assistance of his immediate household or workers for the secondary purpose of gaining profit, whether the vessel, banca, and other equipment used is owned by him or by another person under lease or other arrangement with the owner thereof and there is no employer-employee relationship;

(d) "Worker" — Refers to any natural person whose primary livelihood is employment whether with an employer or by himself engaging or will engage in a livelihood activity in small scale either by himself or with the assistance of his immediate household or family members for the primary purpose of augmenting their family income which may not be necessarily to gain profit.

(e) "Enterprise" — Refers to an activity of a production, processing or development-based undertakings, or of such combination or trading thereof, engaged either for profit, or as a source of daily sustenance or for addition thereto;

(f) "Banks" — Refer to entity or entities which per authority from the Bangko Sentral ng Pilipinas are authorized to lend and accept deposits;

(g) "Providers" — Refer to legally operating businesses that render services or that provide merchandise to clients or borrowers of the Corporation for an undertaking;



(h) "Clients and Borrowers" – Refer to any person or persons whether natural, juridical or recognized aggrupations that avail or are availing of the loan or guarantee services of the Corporation;

(i) "Partners" – Refer to any person, natural or juridical, that supports the realization and implementation of the loan and guarantee programs of the Corporation other than a client, borrower or provider;

(j) "Recognized Lending Entities" – Refer to any person, natural or juridical, other than banks, that lend its cash, goods or services to the clients or borrowers under any of the programs of the Corporation, which loan is intended to be covered by the guarantee of the Corporation.

SEC 4. *Reorganization.* — The Quedan and Rural Credit Guarantee Corporation is hereby reorganized in accordance with the provisions of this Act and renamed as Quedan Credit and Guarantee Corporation and hereafter referred to as the Corporation.

The Corporation, in consideration of its role in national development, is hereby attached to the Office of the President of the Republic of the Philippines and subject to the regulatory powers of the Securities and Exchange Commission insofar as allowed under Sections 6, 7, 9, 10, 13 and 31 hereof.

SEC. 5. *Place of Business.* — The Corporation shall have its principal place of business in Metro Manila and may establish as many branches or smaller units of organization in any part of the Philippines as may be necessary in carrying out efficiently and effectively its operations.

SEC. 6. *Term of Existence.* — The term of existence of the Corporation shall be fifty (50) years from the date of effectivity of this Act.

SEC. 7. *Authorized Capital Stock.* — The authorized capital stock of the Corporation is hereby increased from Two Billion Pesos (P2,000,000,000.00) to Twenty-Five Billion Pesos (P25,000,000,000) to be divided into twenty five billion common and voting shares, with the par value of One peso (P1.00) per share, sixty percent (60%) thereof to be subscribed solely by the National Government, government-owned or -controlled corporations and/or any other government instrumentalities as allowed by their respective charters and forty percent (40%) by private investors: Provided, however, That the shares of the National Government, government-owned or-controlled corporations or any other government instrumentalities may be sold to one another but not to private investors.

SEC. 8. *Subscription by National Government.* — Upon the effectivity of this Act, the National Government shall be deemed to have subscribed to such number of shares of the Corporation equivalent in par value to, and considered paid for by, the net assets of Quedan and Rural Credit Guarantee Corporation, as determined and certified by the Commission on Audit within three (3) months from the effectivity hereof.

All other Government Agencies whose heads are ex-officio members of the Governing Board of the Corporation are mandated to subscribe in the stocks of the Corporation to cover a total of at least one fourth (1/4) of the required subscriptions of the government in pro rata basis as is necessary to cover the required subscriptions of the Government and which may be sourced from their annual budgets. Ten (10) percent of such subscriptions shall be paid in the immediate year succeeding the approval of this Act. The remaining shall be paid at ten (10) percent yearly from their approved budgets or from the dividend of their subscriptions in accordance with the succeeding paragraph hereof until the subscribed stocks shall have been fully paid.

Subject to the approval of the majority of members of the Governing Board, in a meeting called for the purpose, profit accruing to the investment of the above-mentioned agencies, in accordance to the provision of Section 22 of this Act, may be used as part of their compliance to the required subscriptions. The permanent representative of the Office of the President of the Republic of the Philippines or his duly authorized representative shall vote corresponding to the National Government's shareholding.

SEC. 9. *Subscription by Private Investors.* — No private person, natural or juridical, shall directly or indirectly, by interlocking directorate or other forms of combinations, by trust, subscription, purchase, lease, mortgage, pledge, or other means of acquisition or encumbrance, own at any one time more than ten percent (10%) of the portion of the Corporation's authorized capital stock that can be subscribed solely by private investors. The Corporation in consultation with the Securities and Exchange Commission shall prescribe within ninety (90) days from the effectivity of this Act, implementing rules and regulations which will assure strict observance of the herein section by private investors and stock exchanges, stock-brokers, traders and personnel thereof, if the Corporation is listed in such exchanges for the trading of its shares therein under Section 10 hereof. Violation of any provision of the herein section or its implementing rules and regulations shall be punishable under Section 185 of the Revised Penal Code or, whenever applicable, the Anti-graft and Corrupt Practices Act.

SEC. 10. *Submission to the Securities and Exchange Commission.* — The concerned officers of the Corporation are mandated to submit to the Securities and Exchange Commission a copy of this Act not later than six (6) months from its effectivity.

Failure to comply with the provisions herein shall be prima facie evidence of bad faith on the part of the Corporation's personnel responsible therefor.

SEC. 11. *Corporate Powers.* — The Corporation, as a body corporate, shall have the following powers and purposes:

- (a) Establish a credit-support mechanism for the benefit of and assistance to its clients, borrowers and partners;
- (b) Establish, institutionalize and Implement a guarantee system to promote inventory financing of storable commodities; establishment of production and post-production facilities;

✓

issuances of bonds and notes to finance the co-lending and guarantee activities of the Corporation as authorized under this Act.

SEC. 12. *Governing Board.* — The affairs and business of the Corporation shall be directed, its properties managed and preserved, and its corporate powers exercised, unless otherwise provided in this Act, by a governing Board consisting of fifteen (15) members composed initially of the following: a permanent representative from the Office of the President of the Republic of the Philippines, the Director General of the National Economic Development Authority (NEDA), the Secretaries of the Department of Budget and Management (DBM, Department of Finance (DOF), Department of Interior and Local Government (DILG), the Governor of Bangko Sentral ng Pilipinas, the president of the Philippine Chamber of Commerce and Industry (PCCI), the president and Chief Executive Officer (CEO) of the Corporation and three (3) other members: a small farmer or fisherfolk to be endorsed by the Department of Agriculture, a worker to be endorsed by the Department of Labor and Employment and a government employee to be endorsed by the Civil Service Commission and approved by the other members of the Governing Board after having been nominated by a nationally organized association of farmers or fisherfolks, workers and employees, respectively. Said representatives shall serve for a term of two (2) year. Members of the Governing Board who would proportionately represent the private investments in the Corporation shall be decided upon by the initial members of the Governing Board as provided for under Section 13 hereof.

In the interest of the State, the representative of the Office of the President of the Republic of the Philippines and the Director General of NEDA shall be the Chairman and Vice-Chairman, respectively, which functions shall not be delegated through representation.

The Chairman shall preside over the meetings of the governing Board where aside from voting regularly he shall vote to break a tie. He shall likewise preside over the stockholder's meetings.

The Vice-Chairman of the Board shall assist the Chairman and act in his stead in case of the latter's absence or incapacity. In case of incapacity or absence of both the Chairman and Vice-Chairman, the Governing Board shall, upon determination of a quorum and counting the present representatives of the Chairman and Vice-Chairman, but who must not vote, by the corporate secretary, shall elect from among themselves a temporary Chairman from among its members and whose authority to act as such shall be for the particular instance and/or duration only.

After the determination of the quorum, recognized representatives of any of the members of the Governing Board shall be allowed to share their views, present propositions and motions which can be voted upon and vote on matters requiring such during their representation. Provided, however, that delegation of representation to attend a meeting by any member of the Governing Board shall only be valid for not more than two (2) consecutive meetings.

SEC. 13. *Election, Terms of Office of Elective Board Members.* — The additional members of the Governing Board to be elected by the initial members of the Governing Board and henceforth shall serve for a term of one (1) year each and can be reelected to serve for a continuous term of three (3) years. The election shall be presided by the Board Chairman, which shall be held in Metro Manila, in a place accessible to the public, and shall be in accordance with provisions of the Corporation Code of the Philippines and other pertinent laws. The first election after the effectivity of this Act shall be held when the initial members of the governing Board shall have been duly constituted and twenty-five percent (25%) of the counterpart shares for private investors shall have been subscribed, the exact date, time and place to be determined by the governing Board then incumbent. The governing Board of the Corporation, in consultation with the Securities and Exchange Commission, shall prescribe the rules and regulations for the efficient and effective implementation of this section.

SEC. 14. *Specific Duties and Powers of Governing Board.* — The Governing Board shall have the following specific duties and powers:

(a) Determine the general policies of the Corporation within the scope of its powers, objectives and financial resources;

(b) Approve and adopt annually the Corporation's budget at least three (3) months before the start of the fiscal period in conformity with the guidelines prescribed by the Department of Budget and Management, the Department of Finance and the Government Corporate Monitoring and Coordinating Committee; the Corporation's plan of operations for the year, as well as its medium- and long-term plans, programs and projects;

(c) Monitor the implementation of the Corporation's general policies, plans, budgets, and projects;

(d) Upon the recommendation of its President and CEO of the Corporation, approve, reorganize or otherwise alter the position structure, staffing pattern, qualifications, powers and functions of the Corporation's officers and employees in consultation with the Civil Service Commission and the Department of Budget and Management;

(e) With the same power as that of other Government Owned and Controlled Corporation, rationalize the rates of salaries, wages, allowances, per diems, consultant's fees, overtime pay and other forms of compensation, including gratuities and fringe benefits, without prejudice to the compensation, fringe benefits and gratuities enjoyed by or provided for incumbent personnel at the effectivity of this Act;

(f) Approve, upon the recommendation of its President and CEO, the appointment of senior corporate officials from the rank of Vice Presidents, in accordance with the pertinent provisions of the Civil Service Law, rules and regulations;

(g) Evaluate the financial reports of the Corporation and the comments of the Auditor thereon; and



(l) Submit to the President of the Philippines, the Congress of the Philippines, the National Economic Development Authority, Department of Finance, the Department of Budget and Management, and the Government Corporate Monitoring and Coordinating Committee, an annual report of the Corporation's operations which shall include the following audited financial statements: balance sheet or statement of assets and liabilities; income statement or statement of income and expenditures; and statement of sources and application of funds.

Such reports shall also include an analysis of any surplus or deficit of the Corporation and other additional statements and information necessary to make known the financial conditions and operations of the Corporation such as the outstanding domestic and foreign borrowings, the amount of government capital and/or dividend that will be credited to the Bureau of Treasury during the fiscal year, and pursuant to Section 7 hereof the appropriations needed to restore capital impairments, if any, subject to pertinent laws, rules and regulations; and such other reports and statements that the Government Corporate Monitoring and Coordinating Committee may prescribe.

SEC. 15. *President.* — The management of the day-to-day operation of the Corporation shall be vested in the President as its Chief Executive Officer.

No person shall be appointed President by the Governing Board unless he is of good moral character and reputation, in the government career service, is at least forty (40) years of age and has proven expertise in banking, finance, economics, law, agriculture, business management, or public administration and is recommended by at least two nationally recognized farmer's association and the employees association of the Quedan and Credit Guarantee Corporation. The tenure of the President and CEO of the Corporation shall be four (4) years subject to renewal or reappointment by the appointing authority and with the confirmation of the Commission on Appointments.

In no case shall the Corporation be headed by an officer-in-charge for a period of not more than three (3) months, counted cumulatively from the time of his first assumption to such post.

SEC. 16. *Powers and Duties of President.* — The President of the Corporation shall have the following powers and duties:

- (a) Direct and manage the affairs and business of the Corporation;
- (b) Implement or cause the implementation of its budget, policies, programs and projects approved by the Governing Board;
- (c) Represent and enter into and execute, in behalf of the Corporation, all contracts and authorized transactions;
- (d) Appoint, promote, remove, suspend or otherwise discipline for cause, any subordinate officer or employee of the Corporation pursuant to the Civil Service Law, rules and regulations: Provided, however, that with respect to officers and with rank equivalent to or higher than Vice-President, such action shall be subject to the approval of the governing Board;

(e) Ensure that the officers concerned prepare the annual and financial reports, including the analysis required in Section 14 hereof on or before the time fixed therein;

(g) Perform such other powers or duties as may be appropriately and reasonably assigned to him by the governing Board from time to time.

SEC. 17. *Solicitation of Grants.* — The Chairman or President and CEO of the Corporation is hereby authorized, subject to the approval of the governing Board, to directly solicit, negotiate for and receive grants or fund in trust for the Corporation from any source, domestic or foreign, public or private, in accordance with existing laws.

For the purposes of this Act, grants shall include legacies, devises, gifts, donations, endowments and other transfers from any source, domestic or foreign, public or private, or the ownership and/or possession of real or personal properties, which are free from any monetary considerations except for the cost of its transfer to the Corporation and which ownership is deemed transferred to the Corporation.

With respect to such grants, the following are hereby prescribed:

(a) No grant shall be accepted if its terms and conditions are patently and grossly disadvantageous to the Corporation or the Government;

(b) The disbursement or use by the Corporation of any cash grant shall be, pursuant to a special budget approved by the governing Board, in consultation with the Department of Budget and Management, and subject to accounting and auditing laws, rules and regulations;

(c) In case of foreign sourced items that need to pass through the Bureau of Customs, the Bureau shall give priority for the expeditious, safe, efficient and effective release from its premises of grants given to the Corporation under this Act;

(d) The President and CEO of the Corporation may, upon authority of the Governing Board, in his sound discretion, deputize members of deputize the Philippine National Police and other security forces of the Government to escort and/or guard the grants given to the Corporation under this Act in order to ensure their safe and speedy transportation, delivery and custody by the Corporation's representatives;

(e) Grants given to the Corporation under this Act shall be accorded utmost priority in transportation by national flag carriers and domestic common carriers; and

(f) Not later than forty (40) days from the start of or receipt thereof, the President and CEO of the Corporation shall submit to the Director General of the National Economic and Development Authority a report about the grants being negotiated for and/or received by the Corporation, specifying therein the peso value, general descriptions, sources, summaries of terms and conditions, purposes, and date of start of negotiation or receipt of such grants.

SEC. 18. *Operating Principles.* — The Corporation in the exercise of its powers shall be guided by the following operating principles:

(a) The guarantee cover and loan under its various programs shall be scaled progressively in favor of micro-enterprises vis-a-vis small and medium-sized businesses;

(b) The rate of guarantee fees and other corporate charges shall be commensurate to the risk covered;

(c) Yearly fund allocations for its programs shall be always on a sixty (60)/ forty (40) basis in favor of its sole guarantee versus its guaranteed co-financing programs.

(d) The aggregate contingent liability, that is, its outstanding guarantee obligation at any given time, shall not exceed three (3) times its available guarantee fund;

(e) The guarantee for storable commodities stored in bonded warehouses covered by a quedan or warehouse receipt shall be based on their physical presence.

(f) The guarantee program for production and post-production facilities, farm-aqua machineries, equipment and implements, shall be on the loan extended by a bank or lending institution on the basis of a mortgage thereon, without prejudice to the requirement for an additional or substitute collateral;

(g) The guarantee for production inputs and labor or provision of goods and/or services for an undertaking may either be on the loan if granted by a bank or recognized lending entity or over the obligation of the performance of the Corporation's clients and/or borrower to pay its value without prejudice to the requirement for a counter-guarantee from non-governmental organizations, or for some form of acceptable collaterals;

(h) The credit-support mechanism may be in the form of assistance or any of the combination thereof in client prospecting, credit evaluation, collateral appraisal, account monitoring, special time deposit, co-financing arrangement, co-guarantee, interest stabilization, liquidity access or a combination of any thereof and other similar incentives whichever is applicable;

(i) The guarantee cover, credit-support system and the credit to be extended by the Corporation shall be oriented to promote capital formation, savings mobilization investment and private participation;

(j) Secondary trading market and liquidity access for participating banks and lending institutions, especially for those operating in small municipalities, shall be developed and promoted by the Corporation for its guaranteed loan papers;

(k) Working relationships shall be harmonized with other government institutions, agencies and instrumentalities engaged in national development; and

(l) Program evaluation shall be made on a yearly basis with the operations officers as the main sources of information in cooperation with program recipients. Recommendations of the operations officers shall be the basis for the furtherance, modification or cancellation of the program. A feedback mechanism to this effect shall be defined by the Governing Board within 90 days from its first meeting.

SEC. 19. *Sovereign Guarantee.* — In accordance with pertinent laws, rules and regulations, the Republic of the Philippines shall answer for the payment of guarantee obligations duly incurred by the Corporation under the provisions of this Act: Provided,

however, that the Corporation's assets shall have been first fully exhausted to satisfy its guarantee obligations.

Pursuant to the above, the Department of Budget and Management and the Congress of the Republic of the Philippines shall include in its yearly appropriations a fund for the Corporation in consonance with Sections 7 and 14 of this Act, the approval of which shall not be delayed. In the same manner, Congress shall give preferential consideration to budgets presented by Government agencies intended for investment to the stocks of the Corporation or for trust to the Corporation under Section 23 hereof.

SEC. 20. *Compliance with Agri-Agra Law.* — Other than those incentives already provided by the Government, investment by any banking institution in the authorized capital stock of the Corporation shall be considered compliance with Presidential Decree No. 717 (1975), otherwise known as the Agri-Agra Law, in such equivalent as to their equity holdings in the Corporation and yearly computed at its present market value. Likewise, loans extended by a bank and covered by a guarantee of the Corporation shall be deemed as compliance with the Agri-Agra Law. Rediscounting by secondary banks of originating banks' loan receivables having the guarantee cover of the Corporation shall likewise be deemed compliance with the same law and loans released by a bank to an entity acting as partner of the Corporation shall likewise be considered as compliance of the Agri-Agra Law to the value of the loan granted.

SEC. 21. *Protection for Corporation's Guarantees and Other Accommodations.* — The provisions of any local, regional, national, special or general law to the contrary notwithstanding, securities on guarantees and/or accommodations granted by, or subrogated to, the Corporation 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 Corporation and its predecessors-in-interest shall have been previously paid, including accrued interest, penalties, collection expenses, and other charges.

The right of the Corporation over the indebtedness of its clients or borrowers shall, except for the payment of matured taxes, the payment of salaries and wages for work already rendered by workers of the subject entities, are considered superior over any other rights in the attachments and garnishments of the properties of its clients and borrowers that may be filed by other creditors for obligation still contracted by the Corporation's clients and borrowers after the existence of the borrowers' loan with the Corporation.

SEC. 22. *Dividend for Government Shareholdings.* — Subject to the provisions of Sections 7 and 14 (i) hereof, the annual dividends that may be declared by the Corporations pertaining to the National Government shareholdings shall be in the form of stock dividends in order to build up the capital base of the Corporation in accordance with Section 8 hereof.

In no instance, however, shall the subscription of the National Government exceed the authorized share in the authorized stock of the Corporation.

✓

SEC. 23. *Funds as Trust to the Corporation* – The National Government and all other government instrumentalities including government owned and controlled corporations in pursuance of their mandates, are hereby authorized to place funds in the Corporation in the nature of trust for credit and/or guarantee programs in such arrangements and purposes as may be agreed upon by the entrustee and entrustor to service particular clients, borrowers and activities.

Countrywide Development Funds of the members of Congress may likewise be placed in the Corporation in the nature and purpose as herein contemplated.

Subject to rules and procedures, foreign entities are also allowed to place funds to the Corporation in the same nature of trust in accordance with this Act.

SEC. 24. *Corporate Secretary*. — The Corporate Secretary, who shall be a lawyer, and who shall have a regular item as one officer of the Corporation that must be appointed by the Governing Board and under the supervision of its Chairman, shall record the deliberations and other official actions of the governing Board and shall take custody of the records and other papers pertaining to it.

Unless replaced for cause, the Corporate Secretary, who can be reappointed, shall have a tenure of three (3) years.

SEC. 25. *Legal Affairs*. — The Corporation shall have its own Legal Affairs Department to be headed by the Corporate Legal Counsel, with the rank not lower than Senior Vice President, and whose nature and terms of appointment shall be the same as that of other senior officers of the Corporation under Section 14 (f) hereof.

In appropriate cases, the Corporation may also avail of the legal services of any government legal office authorized to render such services to government-owned or-controlled corporations or subject to rules and regulations, hire private law firms to support its collection activities.

The Corporation may, upon the recommendation of its Corporate Legal Counsel, deputize 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 Corporation. Such special sheriff of the Corporation shall make a report to the proper court on any action taken by him, which shall treat such action as if it were an act of its own sheriffs in all respects.

SEC. 26. *Internal Audit*. – An Internal Audit Unit to be attached to the Office of the President and CEO of the Corporation and must be headed by a person whose salary grade shall not be lower than the rank of Senior Vice President and to be appointed by the President and CEO of the Corporation upon the recommendation of the Governing Board, shall also be established in this Act as a tool of both the Governing Body and the management for the evaluation of corporate programs, policies and directions.

✓

Reports and recommendations of the said unit shall be directly given to the President and CEO of the Corporation, to the next in rank post in the Corporation and to the Governing Body for their reference and basis in their decision for Corporate efficiency.

SEC. 27. *COA Personnel and Expenditures.* — The number of personnel to be assigned by the Commission on Audit in the Corporation and the concomitant expenses to be incurred in the performance of their duties shall be determined in such manner as to harmonize equitably the need of the Commission on Audit to undertake efficiently and effectively its constitutional powers and functions and the obligation of the Corporation to economize in the use of its funds, considering that it is the Corporation which shall defray the expenses for the audit of its operations. In case of disagreement between the Commission on Audit and the Corporation as to the reasonableness of the number of such personnel and their auditing expenditures, the opinion of the former shall prevail.

As much as possible, the nature, function and accomplishments of the mandate of the Corporation being performed by it shall be more on service and economic stimulation rather than on proprietary basis and as being inept of governmental power, must be given due weight by its audit as proper as it can be in comparison to those government instrumentalities which inherently have been accorded governmental powers or of those which are primarily established by it primarily for its proprietary function.

SEC. 28. *Transitory Provisions.* — Upon the effectivity of this Act, the Governing Board shall immediately be constituted and convened. All incumbent officers and employees of the Quedan Credit and Guarantee Corporation shall continue in office as personnel of the Corporation without demotion in rank or diminution in compensation and fringe benefits. All contractual employees who have rendered at least 2 years of continuous service to the corporation shall be given regular permanent status within 90 days from effectivity of this Act.

The incumbent President of the Quedan and Credit Guarantee Corporation shall be the President of the Corporation until a new President who shall have fulfilled the requirements of the position subject to the provisions of Section 15 of this Act shall have been appointed by the President of the Republic of the Philippines. The President and CEO shall, as soon as possible, prepare and submit to the Governing Board such plans and programs which will ensure harmonious and effective transitional activities towards the full operation of the Corporation.

Collections and recoveries from the loan programs of Quedan and Rural Credit Guarantee Corporation sourced from loans or bonds issued by it to fund the same shall be immediately returned by the Corporation to its sources as part of its strategy to liquidate its obligations from such sources. Gains from operations of the Corporation under this Act may be additionally used by the Corporation to pay off the indebtedness previously contracted by Quedan and Rural Credit Guarantee Corporation.

Notwithstanding any law to the contrary, the Corporation shall continue to be the Corporation being referred to under the Agriculture and Fisheries Modernization Act (AFMA)

and as the fund manager of Guarantees and loan funds for the government as issued by the same for developmental purposes.

SEC. 29. *Authority to Expand Personnel Complement.* — In view of the expanded scope of the operations of the Corporation, it is hereby authorized to reorganize and expand its personnel complement, in consultation with the Civil Service Commission and in accordance with Section 14 hereof, in order to achieve efficiency and effectiveness in the delivery of its mandated services.

SEC. 30. *Obligations and Liabilities.* — All rights, claims and interests of the Quedan Guarantee Fund Board, upon the effectivity of this Act, shall be deemed transferred to the Corporation and all existing obligations and liabilities of the former shall be assumed by the latter.

SEC. 31. *Suppletory Application of Corporation Code.* — The provisions of Republic Act 7393 otherwise known “An Act Reorganizing The Quedan Guarantee Fund Board, Renaming It As Quedan And Rural Credit Guarantee Corporation, Enlarging Its Powers And Resources To Support Farmers And Rural Enterprises, And For Other Purposes” shall serve as suppletory to the provisions of this act in so far as it is not in full conflict with the provisions of this Act. Moreover, matters not provided for in this Act shall be governed by the Corporation Code of the Philippines and on the other accepted incidents of a principle of a corporation, in suppletory character insofar as it is applicable.

SEC. 32. *Separability.* — Any portion or provision of this Act that may be unconstitutional or invalid shall not have the effect of nullifying other portions or provisions hereof as long as such portions or provisions can still subsist and be given legal force and effect in their entirety.

SEC. 33. *Repeal.* — All laws, ordinances, rules, regulations and other issuances or parts thereof, contrary to or inconsistent herewith, are hereby repealed or modified accordingly.

SEC. 34. *Effectivity.* — This Act shall take effect upon its approval.

Approved.