

FIFTEENTH CONGRESS)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

HOUSE OF REPRESENTATIVES

Introduced by Representative Rufus B. Rodriguez and
Representative Maximo B. Rodriguez, Jr.

House Bill No. **4519**

EXPLANATORY NOTE

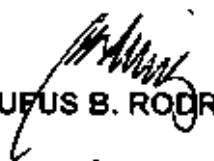
Under Republic Act 7353, otherwise known as the Rural Banks Act of 1992, the capital stock of rural banks shall be fully owned by citizens of the Philippines.

It is fully understandable why 100 percent Filipino ownership is required. However, recent experiences show that a shift in view may be necessary. Since last June 2010, numerous rural banks were in the brink of ruin and no less than Philippine Deposit Insurance Corporation (PDIC) president Jose Nograles admitted that more or less 15 percent or 179 of the rural bank population have been weakened and under some form of financial distress.

While the Banko Sentral ng Pilipinas (BSP) is doing everything it can in order to save these rural banks, it is not enough. Deputy BSP governor Nestor Espenilla Jr said that a plan to allow foreign interests to acquire equity in rural banks had been abandoned as this requires a change in legislation.

It is in this line that this bill is filed. It is about time that foreign investors be allowed to infuse their money in rural banks. According to the Rural Bankers Association of the Philippines, industry placers have received proposals from foreign investors but it cannot push thru because the law prohibits it.

In view of the foregoing, immediate passage of this bill is earnestly requested.


RUFUS B. RODRIGUEZ


MAXIMO B. RODRIGUEZ, JR.

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AN ACT

**AMENDING REPUBLIC ACT 7353, OTHERWISE KNOWN AS THE RURAL
BANKS ACT OF 1992 BY ALLOWING LIMITED FOREIGN OWNERSHIP
OF RURAL BANKS IN THE PHILIPPINES**

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

SECTION 1. Section 31 of Republic Act 9165 is hereby amended to read as
follows:

Sec. 4. No rural bank shall be operated without a Certificate of Authority from the Monetary Board of the Central Bank. Rural banks shall be organized in the form of stock corporations. Upon consultation with the rural banks in the area, duly established cooperatives and corporations primarily organized to hold equities in rural banks may organize a rural bank and/or subscribe to the shares of stock of any rural bank: Provided, That a cooperative or corporation owning or controlling the whole or majority of the voting stock of the rural bank shall be subject to special examination and to such rules and regulations as the Monetary Board may prescribe. With the exception of shareholdings of corporations organized primarily to hold equities in rural banks as provided for under Section 12-C of Republic Act No. 337, as amended, and of Filipino-controlled domestic banks, **AT LEAST FORTY PERCENT (40%) OF THE VOTING STOCK OF A RURAL BANK SHALL BE OWNED BY CITIZENS OF THE PHILIPPINES, EXCEPT WHERE A NEW BANK MAY BE ESTABLISHED AS A RESULT OF A MERGER OR CONSOLIDATION OF EXISTING THRIFT BANKS WITH FOREIGN HOLDINGS IN WHICH CASE, THE RESULTING FOREIGN HOLDINGS SHALL NOT BE INCREASED BUT MAY BE REDUCED AND, ONCE**

REDUCED, SHALL NOT BE INCREASED THEREAFTER BEYOND SIXTY PERCENT (60%) OF THE CAPITAL STOCK OF RURAL BANKS. THE PERCENTAGE OF THE FOREIGN-OWNED CAPITAL STOCKS SHALL BE DETERMINED BY THE CITIZENSHIP OF INDIVIDUAL STOCKHOLDERS AND IN CASE OF CORPORATIONS OWNING SHARES, BY THE CITIZENSHIP OF EACH STOCKHOLDER IN THE SAID CORPORATIONS. [the capital stock of any rural bank shall be fully owned and held directly or indirectly by citizens of the Philippines or corporations, associations or cooperatives qualified under Philippine laws to own and hold such capital stock] : *Provided*, That any provisions of existing laws to the contrary notwithstanding, stockholdings in a rural bank shall be exempt from any ownership ceiling for a period of ten (10) years from the approval of this Act: *Provided*, further, That any such exemption shall require the approval of the Monetary Board. If subscription of private shareholders to the capital stock of a rural bank cannot be secured or is not available, or insufficient to meet the normal credit needs of the locality, the Land Bank of the Philippines, the Development Bank of the Philippines, or any government-owned or controlled bank or financial institution, on representation of the said private shareholders but subject to the investment guidelines, policies and procedures of the bank or financial institution and upon approval of the Monetary Board of the Central Bank, shall subscribe to the capital stock of such rural bank, which shall be paid in full at the time of subscription, in an amount equal to the fully paid subscribed and unimpaired, capital of the private stockholders or such amount as the Monetary Board may prescribe as may be necessary to promote and expand rural economic development: *Provided*, however, That such shares of stock subscribed by the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or controlled bank or financial institution may be sold at any time at market value to private individuals who are citizens of the Philippines: *Provided*, finally, that in the sale of shares of stock subscribed by the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or controlled bank or financial institution, the registered stockholders shall have the right of preemption within one (1) year from the date of offer in proportion to their respective holdings, but in the absence of such

buyer, preference, however, shall be given to residents of the locality or province where the rural bank is located.

SEC. 2. *Repealing Clause.* – All laws, executive orders, rules and regulations or parts thereof in conflict with the provision of this Act are hereby repealed or amended accordingly.

SEC. 3. *Separability Clause.* – If for any reason any section or provision of this Act, or any portion thereof, or the application of such section, provision or portion thereof to any person, group or circumstance is declared invalid or unconstitutional, the remainder of this Act shall not be affected by such declaration and shall remain in force and effect.

SEC. 3. *Effectivity.* – This Act shall take effect after fifteen (15) days following its full and complete publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved.