

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

15th Congress
First Regular Session

House Bill No. 4805

Introduced by Honorable Sergio A. F. Apostol

EXPLANATORY NOTE

Under Section 4 of the Rural Bank Act of 1992, the capital stock of any rural bank shall be fully owned and held directly or indirectly by citizens of the Philippines. With this restriction, rural banks remain the only category of domestic banks that is not allowed any foreign equity.

Amending the Rural Bank Act of 1992 to allow forty percent (40%) foreign ownership for rural banks would open a new source of equity infusion particularly for the smallest lenders that cannot expand and sustain the provision of increasingly sophisticated form of financial services without the benefit of new capital. Foreign equity investments would without doubt fill this gap and be a major stimulus for microfinance, micro-enterprise and agriculture sectors and will therefore be catalysts in countryside development.


SERGIO A. F. APOSTOL
Representative
Second District, Leyte

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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 House of Representatives of the Philippines in Congress assembled:

SECTION 1. Section 4 of Republic Act No. 7353, as amended, is hereby amended to read as follows:

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. **NON- FILIPINO CITIZENS MAY OWN, ACQUIRE, OR PURCHASE UP TO FORTY PERCENT(40%) OF THE VOTING STOCK OF A RURAL BANK. WHERE A NEW BANK IS ESTABLISHED AS A RESULT OF A MERGER OR CONSOLIDATION OF EXISTING RURAL BANKS WITH FOREIGN HOLDINGS, THE RESULTING FOREIGN HOLDINGS SHALL NOT BE INCREASED BUT MAY BE REDUCED, AND ONCE REDUCED SHALL NOT BE INCREASED THEREAFTER BEYOND FORTY PERCENT (40%) OF THE VOTING STOCK OF RURAL BANKS. THE PERCENTAGE OF THE FOREIGN-OWNED VOTING 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.** 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 of 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.

SECTION 2. Section 5 of the same Act is hereby amended to read as follows:

NON-FILIPINO CITIZENS MAY BECOME MEMBERS OF THE BOARD OF DIRECTORS OF A RURAL BANK TO THE EXTENT OF THE FOREIGN PARTICIPATION IN THE EQUITY OF SAID BANK: Provided, however, that nothing in this Act shall be construed as prohibiting any appointive or elective public official from serving as director, officer, consultant or in any capacity in the said bank, subject to the provisions of existing laws.

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

SECTION 4. Repealing Clause. - All laws, decrees, orders and issuances or portions thereof which are inconsistent with the provisions of the Act are hereby repealed or modified accordingly.

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

Approved,