

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

4854

Introduced by Representative Pedro P. Romualdo

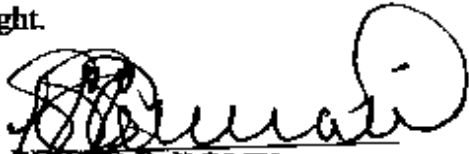
EXPLANATORY NOTE

The Bangko Sentral ng Pilipinas (BSP) has issued Circular No. 696, Series of 2010 on October 29, 2010 increasing the minimum capital requirement for rural banks for the reason that it is no longer adequate to sustain a competitive and robust bank. The last time the BSP increased the required minimum requirements was in December 1999. It is for this reason that we are introducing this amendments to pave the way for the entry of foreign investments in the rural banking sector which will help accelerate growth and promote better economic environment in the rural areas.

The banking industry is one of the engines of development in our country but most universal and top banks are operating in highly urbanized areas and in economically viable towns. Our rural bank industry has a pivotal role in meeting and sustaining the needs of various sectors of the local economy such as the business sector, agriculture and fishery sector, micro-enterprises and small to medium enterprises and the service industries. It is high time that we ought to allow its growth and allow the infusion of fresh capital from interested foreign investors or non-Filipino citizens to this sector.

We see this change in the rural banking policy as a positive step towards a better banking environment among the stakeholders and allow these rural banks the expansion of their services and modernization of their facilities as well as the hiring of highly competent personnel to handle their operations and services.

Your support for the early passage of this bill is highly sought.


PEDRO P. ROMUALDO
Congressman, Lone District of Camiguin

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AN ACT TO ALLOW FOREIGN EQUITY IN THE AUTHORIZED CAPITAL STOCKS 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 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] **BANGKO SENTRAL NG PILIPINAS**. 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 organize 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. **PROVIDED, FURTHER, THAT, NON-FILIPINO CITIZENS MAY OWN, ACQUIRE, OR PURCHASE UP TO FORTY PERCENT (40%) OF THE AUTHORIZED CAPITAL STOCK OF A RURAL BANK. WHERE A NEW BANK MAY ESTABLISHED AS A RESULT OF A MERGER OR CONSOLIDATION OF EXISTING RURAL 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 FORTY PERCENT (40%) OF THE AUTHORIZED CAPITAL STOCK OF RURAL BANKS. THE PERCENTAGE OF THE FOREIGN OWNED AUTHORIZED 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.** [With 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, 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 provision 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 rural 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 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 subscribe and unimpaired capital of the private stockholders or such amount as the Monetary Board may prescribed as may be necessary to promote and expand rural economic development: Provided, however, That such shares of stock subscribe 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 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 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:

[All members of the Board of Directors of the rural bank shall be citizens of the Philippines at the time of their assumption to office: 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 bank.] **NON-FILIPINO CITIZENS MAY BECOME MEMBERS OF THE BOARD OF DIRECTORS OF A RURAL BANK ONLY TO THE EXTENT OF THEIR 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 bank.

SECTION 3. The Bangko Sentral ng Pilipinas consistent with Section 11 of Republic Act No. 7353 shall prescribe the necessary rules and regulations on the amendments of the Rural Bank Act in consultation with various stakeholders as well as disseminate this information to allow entry of foreign equity into our rural bank system to revitalize the rural banking industry and improve access of banking services to the rural areas in the country.

The implementing rules and regulations shall be published within ninety (90) days from the publication of this law in two (2) newspapers of general circulation.

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 at least two (2) national newspapers of general circulation.

Approved.