

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **4480**

Introduced by REP. Michael L. Romero

EXPLANATORY NOTE

The Department of Budget and Management (DBM) had provide an additional P30 billion in capitalization—P20 billion to Land Bank of the Philippines (LBP) and P10 billion to DBP—to improve the resiliency and stability of the state-owned banks.

This additional capital would help these banks better comply with the higher capital ratios implemented in 2014 under the stricter Basel III.

Basel III is an updated set of reforms meant to strengthen the regulation, supervision and risk management of banks.

Since January 2014, the Bangko Sentral ng Pilipinas (BSP) required banks to maintain a minimum Tier 1 capital of 7.5 percent, a minimum common equity Tier 1 ratio of six percent, and a capital conservation buffer of 2.5 percent. The capital adequacy ratio (CAR), meanwhile, has been kept at 10 percent.

Latest data from the BSP showed universal and commercial banks kept their capital ratios above the mandated levels in end-2014, showing they have sufficient buffer against their risk-taking activities.

LBP, meanwhile, saw its net income jump 24 percent to P3.6 billion from January to March from P2.9 billion a year ago, latest data showed.

Thus, the early passage of this bill is earnestly requested.



MICHAEL L. ROMERO Ph.D

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AN ACT

**MANDATING THE LAND BANK OF THE PHILIPPINES (LBP) TO PROVIDE
ADDITIONAL FUND ALLOTMENT FOR THE FULL IMPLEMENTATION OF RA
NO. 3844 OTHERWISE KNOWN AS "THE AGRICULTURAL LAND REFORM
CODE", AND FOR OTHER PURPOSES**

*Be it enacted by the Senate and House of Representative of the
Philippines in congress assembled:*

SECTION 1. Declaration of Policy — As in **Section 81 of RA 3844**, as amended by **Section 4 of RA 7907**, provides that the LBP Board, upon the recommendation of the Secretary of the Department of Finance (DOF) and with the approval of the President, may increase the capitalization of LBP up to such amount as may be necessary to attain the objectives of RA 3844.

There is hereby authorized the Land Bank of the Philippines (LBP) to appropriate an additional Two(2) billion pesos (**₱2,000,000,000.00**) of funds necessary to carry-out into effect the provisions of this act.

SECTION 2. Capitalization -- the DOF Secretary has endorsed and recommended the approval of the request of LBP to increase its authorized capital stock from P25 Billion to P200 Billion as stated in Executive Order (EO) 198 series of 2016.

This shall be issued in accordance with the provisions of Sections 77 and 83 of RA3844. Of the funds in the National Treasury not otherwise appropriated for the purpose:

Provided, That if there are not enough funds in the National Treasury for the appropriation herein made, the Secretary of Finance, with the approval of the President of the Philippines, shall issue bonds or other evidence of indebtedness to be negotiated either locally or abroad in such amount as may be necessary to cover any deficiency in the amount above-appropriated, the proceeds of which are hereby appropriated:

Provided, further, That the bonds to be issued locally shall not be supported by the BSP:

Provided, finally, That there is automatically appropriated out of the unappropriated funds in the National Treasury such amounts as is necessary to cover the losses which shall include among other things loss of earnings occasioned by the limitation of the resale cost herein provided such that said amount together with the administrative expenses mentioned in Section 9 of RA2844, hereof shall not exceed in the aggregate the equivalent of two and one-half per centum of its assets limited therein.

SECTION 3. Government Shares — All shares of stock in the Land Bank of the Philippines (LBP) subscribed or owned by the Government shall not be entitled to participate in the income earned by the LBP from its investments and

other operations, whether in the form of cash or stock dividends or otherwise. Amounts expended for the administration of the LBP shall not be deemed as a participation of the Government in income.

SECTION 4. Preferred Shares — All preferred shares of stock issued under this Act shall be entitled to the income earned by the LBP on its investments and other operations and shall have a limited right to elect annually one member of the Board of Trustees and one member of the Committee on Investments:

Provided, That the holders of such preferred shares of stock shall not bring derivative suits against the LBP. Such preferred shares shall be fully transferable:

Provided, further, That upon the liquidation of the LBP, the redemption of such preferred shares shall be given priority and shall be guaranteed at par value.

SECTION 5. Voting of Shares — The voting power of all the shares of stocks of the LBP owned or controlled by the Government shall be vested in the President of the republic of the Philippines or in such person or persons as he may from time to time designate.

SECTION 6. Use of Bonds — The bonds issued by the LBP may be used by the holder thereof and shall be accepted in the amount of their face value as any of the following:

- (1) Payment for agricultural lands or other real properties purchased from the Government;

(2) Payment for the purchase of shares of stock of all or substantially all of the assets of the following Government Owned or Controlled Corporations (GOCC) stated in Section 85 of RA3844.

Upon offer by the bondholder, the corporation owned or controlled by the Government shall, through its Board of Directors, negotiate with such bondholder with respect to the price and other terms and conditions of the sale.

In case there are various bondholders making the offer, the one willing to purchase under terms and conditions most favorable to the corporation shall be preferred.

If no price is acceptable to the corporation, the same shall be determined by a Committee of Appraisers composed of three members, one to be appointed by the corporation, another by the bondholder making the highest or only offer, and the third by the two members so chosen. The expenses of appraisal shall be borne equally by the corporation and the successful purchaser.

Should the Government offer for sale to the public any or all of the shares of stock or the assets of any of the Government owned or controlled corporations enumerated herein, the bidder who offers to pay in bonds of the LBP shall be preferred provided that the various bids be equal in every respect except in the medium of payment.

(3) Surety or performance bonds in all cases where the Government may require or accept real property as bonds; and

(4) Payment for, reparations goods.

SECTION 7. Repealing Clause. All laws, executive orders, issuances, rules and regulations inconsistent with this Act are hereby amended, repealed or modified accordingly.

SECTION 8. Separability Clause. If, for any reason or reasons, any portion or provision of this Act shall be held unconstitutional or invalid, the remaining provisions not affected thereby shall continue to be in full force and effect.

SECTION 9. Effectivity Clause. This Act shall take effect fifteen (15) days after its publication in any newspaper of general circulation.

Approved,