

**Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City**

**SEVENTEENTH CONGRESS
First Regular Session**

House Bill No. 5181



INTRODUCED BY REPRESENTATIVE ARTHUR C. YAP

EXPLANATORY NOTE

Republic Act No. 10000, otherwise known as the 'Agri-Agra Reform Credit Act of 2009, which repealed Presidential Decree No. 717, aims to increase credit to the agriculture and agrarian reform sectors. The law orders banks to set aside at least 25% of their total loanable funds for agriculture and agrarian reform lending, of which 10% should go to agrarian reform beneficiaries.

Under the said law, banks have alternative modes to comply with the 25% requirement aside from the extension of loans and purchase of eligible loans from other banks. These alternatives include paid subscription of shares of stock in accredited rural financial institutions and investments in the special deposit accounts of accredited rural financial institutions. Banks that fail to comply with the requirements of RA 10000 will have to pay a penalty equivalent to 0.5% of their non-compliance or under-compliance, which will be computed on a quarterly basis.

Records by the BangkoSentral ng Pilipinas (BSP) show that universal and commercial banks have a higher alternative compliance than direct lending. The Bankers Association of the Philippines (BAP) explained its members usually gravitate towards alternative modes of compliance with less risk exposures and are seeking for alternative ways to comply with the requirements of the law. The BAP is of the position that the law's intent should be broadened to 'countryside lending'.

This bill seeks to provide for further alternative modes of compliance with the requirement of RA 10000. It allows the direct lending to rural and cooperative banks and to farmers to strengthen countryside lending. The loans should be directed to borrowers that will use the money for initiatives that will also benefit the agriculture sector.

Furthermore, the proposed measure seeks to allow direct investments to accredited rural financial institutions (RFIs) as another alternative form of

compliance. RFIs act as direct conduits to the agriculture sector and agrarian reform beneficiaries by channeling the funds specifically allotted by other banks for the program. This gives RFIs a critical role in the funding chain.

In view of the foregoing, the immediate passage of this measure is earnestly sought.



ARTHUR C. YAP
Representative

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AN ACT
PROVIDING FOR FURTHER OPTIONS FOR
COMPLIANCE WITH SECTION 7 OF REPUBLIC ACT
NO. 10000, OTHERWISE KNOWN AS THE ‘AGRI-
AGRA REFORM CREDIT ACT OF 2009’

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

1 **SECTION 1. *Additional Mode of Compliance for Agri-Agra***
2 ***Loans.*** –Section 7 of Republic Act No. 10000, otherwise known as the
3 ‘Agri-Agra Reform Credit Act of 2009’, is hereby amended to read as
4 follows:

5 *Section. 7. Modes of Compliance.* - The BSP, the DA and the
6 DAR, in consultation with concerned agencies and sectors,
7 shall promulgate such rules and regulations as may be
8 necessary to implement the provisions of this Act within ninety
9 (90) days after the approval of this Act. Such rules and
10 regulations shall take effect fifteen (15) days after its
11 publication in a newspaper of general circulation in the
12 Philippines. Subject to such rules and regulations, banking
13 institutions may be allowed to:

1 (a) xxx

2 xxx

3 (G) PROVIDE DIRECT LOANS TO RURAL AND
4 COOPERATIVE BANKS AND TO FARMERS;
5 AND,

6 (H) INVEST DIRECTLY TO ACCREDITED RURAL
7 FINANCIAL INSTITUTIONS ACCREDITED BY
8 THE BSP AS SUCH UNDER EXISTING RULES
9 AND REGULATIONS.

10 SECTION 2. *Separability Clause.* – If any provision of this Act or
11 the application of such provision to any person or circumstance is declared
12 unconstitutional, the remainder of this Act or the application of such
13 provision to other persons or circumstances shall not be affected by such
14 declaration.

15 SECTION 3. *Repealing Clause.*– All acts, charters, executive
16 orders, administrative orders, rules and regulations, or parts thereof, in
17 conflict with this Act are hereby repealed or modified accordingly.

18 SECTION 4. *Effectivity.* - This Act shall effect fifteen (15) days
19 after its publication in the Official Gazette or in at least two (2) newspapers
20 of general circulation.

APPROVED,