

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Seventeenth Congress
First Regular Session



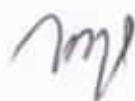
HOUSE OF REPRESENTATIVES
H.B. No. **5974**

Introduced by Representative H. Harry L. Roque Jr.

EXPLANATORY NOTE

Republic Act No. 7353, Section 8, aims to provide ailing rural banks supplemental capital until they have accumulated enough capital of their own or have simulated enough private investments. This section mandates that the Land Bank of the Philippines, the Development Bank of the Philippines, or any government-owned or controlled bank or financial institution shall subscribe to the capital stock of any rural bank from time to time.

The second paragraph of Section 8 further provides the graduated dividend rates to be paid to the Land Bank of the Philippines, the Development Bank of the Philippines, or any government-owned or controlled bank or financial institution for their respective equity investments. These prescribed rates, however, have proven to be too onerous for the banks. There is a need for a more reasonable dividend rate to provide for and to help rehabilitate ailing rural banks.*


H. HARRY L. ROQUE JR.

* This bill was originally by Senator Miriam Defensor Santiago filed during the Sixteenth Congress, First Regular Session.

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1 AN ACT
2 AMENDING SECTION 8 OF REPUBLIC ACT NO. 7353,
3 ALSO KNOWN AS THE "RURAL ACT OF 1992"

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

4 SECTION 1. Republic Act No. 7353, also known as the "Rural Act of 1992," Section
5 8, Paragraph 2 is hereby amended to read as follows:

6 "Stocks held by the Land Bank of the Philippines, the Development
7 Bank of the Philippines or by any government-owned or controlled bank or
8 financial institution, under the terms of this Section, shall be made preferred
9 only as to assets upon liquidation and without the power to vote and shall
10 share in dividend distributions from the date of issuance in the amount of [four
11 percent (4%) on the first and second years, six percent (6%) on the third and
12 fourth years, eight percent (8%) on the fifth and sixth years, ten percent (10%)
13 on the seventh and eighth years and twelve percent (12%) on the ninth to the
14 fifteenth years without preference;] SIX PERCENT (6%) FROM THE FIRST

1 YEAR UP TO THE FIFTEENTH YEAR WITHOUT PREFERENCE:

2 *Provided, however,* that if such stock of the Land Bank of the Philippines, the
3 Development Bank of the Philippines or any government-owned or controlled
4 bank or financial institution is sold to private shareholders, the same may be
5 converted into common stock of the class provided for in Section 10 hereof:

6 *Provided, further,* That pending the amendment of the Articles of
7 Incorporation of the rural bank, if necessary, for the purpose of reflecting the
8 conversion into common stock of preferred stock sold to private shareholders,
9 the transfer shall be recorded by the rural bank in the stock and transfer book
10 and such shareholders shall thereafter enjoy all the rights and privileges of
11 common stockholders. The preferred stocks so transferred shall be surrendered
12 and cancelled and the corresponding common stocks shall be issued.”

13 SECTION 2. *Separability Clause.* - If any provision or part thereof is held invalid or
14 unconstitutional, the remainder of the law or the provision not otherwise affected shall remain
15 valid and subsisting.

16 SECTION 3. *Repealing Clause.* - Any law, presidential decree or issuance, executive
17 order, letter of instruction, administrative order, rule, or regulation contrary to or inconsistent
18 with the provisions of this Act is hereby repealed, modified, or amended accordingly.

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

Approved,