

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

19TH CONGRESS
First Regular Session

House Bill No. 4476



Introduced Representative Michael L. Romero

EXPLANATORY NOTE

The Constitution provides protection for farmers and other members of the agriculture sector. Unfortunately, financial institutions were established for them and yet proved not to cater to their needs the way they should.

This House bill seeks to create the **Philippine Farmers' Bank** to which shall be available to every Filipino farmer. It shall have the same functions as that of commercial banks regulated by the Bangko Sentral ng Pilipinas (**BSP**) so it can still earn and generate its own funds but it will establish its office in the far flung rural areas in our countryside.

The **Philippine Farmer's Bank** shall be the known banks for all farmers, fisherfolks, farm workers, growers of domesticated animals and any other agricultural activities for the purpose of supplying food in the nation.

Earnest approval of this bill is hereby requested.

A handwritten signature in black ink, appearing to read "Michael L. Romero". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

MICHAEL L. ROMERO

Republic of the Philippines
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Introduced by Representative Michael L. Romero

AN ACT

**CREATING THE PHILIPPINE FARMER'S BANK, PROVIDING
FUNDS THEREFOR, DEFINING ITS POWERS AND FUNCTIONS,
AND FOR OTHER PURPOSES**

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

**ARTICLE I
GENERAL PROVISIONS**

SECTION 1. TITLE. — This Act shall be known as the "**Philippine Farmers' Bank Act**".

SECTION 2. DECLARATION OF POLICY. — It is shall hereby be a declared policy of the state to provide for sustainable agricultural development by creating true and viable social and economic productivity of the Filipino farmers, with the end view of achieving dignified existence and financial subsidies to the farmers for the nation's food security and reaching out to the unserved, underserved and unbanked areas of the country.

SECTION 3. ESTABLISHMENT. — The *Philippine Farmer's Bank* is hereby created and established primarily to provide for all kinds of credit system to the Filipino farmers most especially those located in the unbanked and unserved areas. It shall have its principal place of business in Manila and its legal existence shall be for a period of fifty (50) years from the effectivity of this Act.

The Bank shall be subject to such rules and regulations as the Bangko Sentral ng Pilipinas (**BSP**) may from time to time promulgate.

SECTION 4. POWERS AND FUNCTIONS - To carry out this main purpose, the Bank shall have the power:

- (1) To prescribe, repeal, and alter its own by laws, to determine its operating policies, and to issue such rules and regulations as may be necessary to achieve the main purpose for the creation of the Bank;
- (2) To adopt, alter and use a corporate seal;
- (3) To acquire and own real and personal property and to sell, mortgage or otherwise dispose of the same;
- (4) To sue and be sued, make contracts, and borrow money from both local and foreign sources. Such loans shall be subject to approval by the President of the Philippines and shall be fully guaranteed by the Government of the Philippines; and
- (5) Upon recommendation of the Committee on Investments, to hold, own, purchase, acquire, sell or otherwise invest, or reinvest in stocks, bonds or other securities capable of giving the Bank a reasonably assured income sufficient to support its financing activities and give its private stockholders a fair return on their holdings:

Provided, however, That pending the organization of the Committee on Investments, the Bank may exercise the powers herein provided without the recommendation of said Committee on Investments:

Provided, further, That in case of the dissolution of the Farmer's Bank of the Philippines all unsold public lands transferred to it which may be allocated to the Government of the Philippines in

the course of liquidation of the business of the Bank shall revert to the Department of Agriculture.

ARTICLE II SUPPLETORY PROVISIONS

SECTION 5. PLEDGES AND BONDS – Philippine Farmer's Bank shall, upon recommendation by the Board of Trustees and approval of the Monetary Board of the BSP, issue bonds, debentures and other evidences of indebtedness at such terms, rates and conditions as the Bank may determine up to an aggregate amount not exceeding, at any one time, five times its unimpaired capital and surplus.

Such bonds and other obligations shall be secured by the assets of the Bank and shall be fully tax exempt both as to principal and income. Said income shall be paid to the bondholder every six **(6)** months from the date of issue.

These bonds and other obligations shall be fully negotiable and unconditionally guaranteed by the Government of the Republic of the Philippines and shall be redeemable at the option of the Bank at or prior to maturity, which in no case shall exceed twenty-five **(25)** years.

These negotiable instruments of indebtedness shall be mortgageable in accordance with established banking procedures and practices to government institutions not to exceed sixty per centum of their face value to enable the holders of such bonds to make use of them in investments in productive enterprises.

They shall also be accepted as payments for reparation equipment and materials.

The Board of Trustees shall have the power to prescribe rules and regulations for the registration of the bonds issued by the Bank at the request of the holders thereof.

SECTION 6. EXCLUSIVE GUARANTEE FUND - In the event that the Bank shall be unable to pay the bonds, debentures, and other obligations issued by it, a fixed amount thereof shall be paid from a special guaranty fund to be set up by the Government, to guarantee the obligation of the Farmer's Bank, and established in accordance with this Section, and thereupon, to the extent of the amounts so paid, the Government of the Republic of the Philippines shall succeed to all the rights of the holders of such bonds, debentures or other obligations:

Provided, however, That for the next four years after the establishment of the Bank, the payment to the special guaranty fund should not exceed one million pesos per year, after which period, the Government shall pay into the guaranty fund the sum of five hundred thousand pesos each year until the cumulative total of such guaranty fund is no less than twenty percent of the outstanding net obligation of the Philippine Farmer's Bank at the end of any single calendar year.

The guaranty fund shall be administered by the BSP in the manner most consistent with its charter.

For the purpose of such fund, there shall be appropriated annually the sum of one million pesos out of any moneys in the National Treasury not otherwise appropriated, until the total amount of twenty million pesos shall have been attained.

SECTION 7. PAYMENTS AND TIME DEPOSITS - The Bank, under the supervision of the Monetary Board and subject to the provisions of the General Banking Act, shall receive savings and time deposits from any person and, for this purpose, establish, and maintain branches and offices in such areas as may be necessary to service such deposits.

The Monetary Board shall supervise and authorize the Bank to receive savings and time deposits from the public in areas where facilities for such a service do not exist or cannot be adequately provided by other deposit institutions.

SECTION 8. AUTHORIZED CAPITALIZATION - The authorized capital stock of the Bank shall be Three Billion pesos (**₱3,000,000,000.00**) divided into ninety million shares with a par value of ten pesos each, which shall be fully subscribed by the Government and sixty million preferred shares with a par value of ten pesos each which shall be issued in accordance with the provisions of the prevailing laws.

Of the total capital subscribed by the Government, Two hundred million (*₱200,000,000.00*) pesos shall be paid by the Government within one year from the approval of this Act, and One hundred million (*₱100,000,000.00*) pesos every year thereafter for two years for which purpose the amount of two hundred million pesos is hereby appropriated upon the effectivity of this Act, and one hundred million pesos every year for the next two years thereafter, out 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 but not exceeding four hundred million pesos, the proceeds of which are hereby appropriated:

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

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

this Act hereof shall not exceed in the aggregate the equivalent of two and one-half per centum of its assets limited therein.

SECTION 9. GOVERNMENT SHARES - All shares of stock in the Bank subscribed or owned by the Government shall not be entitled to participate in the income earned by the Bank from its investments and other operations, whether in the form of cash or stock dividends or otherwise.

Amounts expended for the administration of the Bank shall not be deemed as a participation of the Government in income.

SECTION 10. PREFERRED SHARES - All preferred shares of stock issued under this Act shall be entitled to the income earned by the Bank 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 Bank. Such preferred shares shall be fully transferable:

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

SECTION 11. VOTING OF SHARES - The voting power of all the shares of stock of the Philippine Farmer's Bank owned or controlled by the Government shall be vested in the President of the Philippines or in such person or persons as he may from time to time designate.

SECTION 12. BOARD OF TRUSTEES - The affairs and business of the Bank shall be directed, its powers exercised and its property managed and preserved by a Board of Trustees.

Such Board shall be composed of one Chairman and four members. The Chairman and two members of the Board of Trustees shall serve on full-time basis with the Bank.

The Chairman and all members of the Board shall be appointed by the President with the consent of the Commission on Appointments for a term of seven (7) years, except that the first Chairman and members to be appointed under this Act shall serve for a period of three, five and seven years, such terms to be specified in their respective appointments.

Thereafter the Chairman and members, with the exception of the ex-officio member, appointed after such initial appointment shall serve for a term of seven (7) years including any Chairman or member who is appointed in place of one who resigns or is removed or otherwise vacates his position before the expiration of his seven-year term.

The Chairman and the two full-time members of the Board shall act as the heads of such operating departments as may be set up by the Board under the authority granted by this Act.

The Chairman shall have authority, exercisable at his discretion, to determine from time to time the organizational divisions to be headed by each member serving full time and to make the corresponding shifts in designations pursuant thereto.

The compensation of the Chairman and the members of the Board of Trustees serving full time shall be Forty thousand **(P40,000.00)** and Thirty thousand **(P30,000.00)** pesos, respectively.

The other members of the Board shall receive a per diem of Two hundred pesos for each session of the Board that they attend.

ARTICLE III COMPOSITION AND QUALIFICATIONS

SECTION 13. THE CHAIRMAN AND VICE-CHAIRMAN - The Chairman of the Board shall be the chief executive officer of the Bank.

He shall have direct control and supervision of the business of the Bank in all matters which are not by this Act or by the by-laws of the Bank specifically reserved to be done by the Board of Trustees.

He shall be assisted by an Executive Vice-Chairman and one or more vice-chairman who shall be chosen and may be removed by the Board of Trustees.

The salaries of the Vice-Chairmen shall be fixed by the Board of Trustees with the approval of the President of the Philippines.

SECTION 14. CREDENTIALS - No person shall be appointed Chairman or member of the Board unless he is a man of accepted integrity, probity, training and experience in the field of banking and finance, at least thirty-five years of age and possessed of demonstrated administrative skill and ability.

SECTION 15. COMMITTEE ON INVESTMENTS - There shall be a Committee on Investments composed of three members; the member of the Board of Trustees elected by the holders of preferred shares as Chairman, one member to be appointed by the President of the Philippines from among the government members of the Board of Trustees, and another member to be selected by the holders of preferred shares under Section eighty-three of this Code.

The Committee on Investments shall recommend to the Board of Trustees the corporations or entities from which the Farmer's Bank of the Philippines shall purchase shares of stock.

The Philippine Farmers' Bank shall not invest in any corporation, partnership or company wherein any member of the Board of Trustees or of the Committee on Investments or his spouse, direct descendant or ascendant has substantial pecuniary interest or has participation in the management or control of the enterprise except with the unanimous vote of the members of the Board of Trustees and of the Committee on Investments, excluding the member interested, in a joint meeting held for that purpose where full and fair information of the extent of such interest or participation has been adequately disclosed in writing and recorded in the minutes of the meeting:

Provided, That such interested member shall not in any manner participate in the deliberations and shall refrain from exerting any pressure or influence whatever on any official or member of the Bank whose functions bear on or relate to the investment of the funds of the Bank in the enterprise:

Provided, further, That the total investment in any single corporation, partnership, company, or association shall not exceed five per centum of the total investible funds.

ARTICLE IV ORGANIZATION AND STAFFING

SECTION 16. WORKFORCE AND COST OF MANAGEMENT - The Administrative expenses of the Bank during any single fiscal year shall not in any case exceed two and one-half per centum of its total assets.

The Board of Trustees shall provide for an organization and staff of officers and employees necessary to carry out the functions of the Bank, fix their compensation, and appoint and remove such officers and employees for cause.

The Bank officers and employees shall be subject to the rules and regulations issued by the Civil Service Commission but shall not fall under the Salary Standardization Law.

The Board of Trustees shall recommend to the Civil Service Commission rules and regulations for the recruitment, appointment, compensation, administration, conduct, promotion and removal of all Bank officers and employees under a strict merit system and prepare and conduct examinations under the supervision of said Commission.

SECTION 17. LEGAL COUNSEL - The Secretary of Justice shall be ex-officio legal adviser of the Bank. Any provision of law to the contrary notwithstanding, the Philippine Farmers' Bank shall have its own Legal Department, the chief and members of which shall be appointed by the Board of Trustees.

The composition, budget and operating expenses of the Office of the Legal Counsel and the salaries and traveling expenses of its officers and employees shall be fixed by the Board of Trustees and paid by the Bank.

SECTION 18. AUDITOR - The Commissioner of the Commission on Audit (COA) shall be the ex-officio auditor of the Bank and shall appoint a representative, who shall be the auditor in charge of the auditing office of the Bank.

The COA Commissioner shall, upon the recommendation of the auditor of the Bank, appoint or remove the personnel of the auditing office. The compensation, budget and operating expenses of the auditing office and the salaries and traveling expenses of the officers and employees thereof shall be fixed by the Board of Trustees and paid by the Bank notwithstanding any provision of law to the contrary.

ARTICLE V PROGRESS REPORT

SECTION 19. STATUS REPORT - The representative of the COA shall make a quarterly report on the condition of the Bank to the President of the Philippines, to the Senate through its President, to the House of Representatives through its Speaker, to the Secretary of Finance, to the COA and to the Board of Trustees of the Bank.

The report shall contain, among other things, a statement of the resources and liabilities including earnings and expenses, the amount of capital stock, surplus, reserve and profits, as well as losses, bad debts, and suspended and overdue paper carried in the books as assets of the Bank, and a plantilla of the Bank.

SECTION 20. IMPLEMENTING RULES AND REGULATIONS - The COA shall, with respect to the Bank, formulate improved and progressive auditing rules and regulations designed to expedite the operations of the Bank and prevent the occurrence of delays and bottlenecks in its work.

ARTICLE VI PARITY PROVISIONS

SECTION 21. EJECTION OF MEMBERS - The President of the Philippines may, at any time, remove the Chairman or any member of the Board appointed by him if the interest of the Bank so requires, for any of the following causes:

- (1) Mismanagement, grave abuse of discretion, infidelity in the conduct of fiduciary relations, or gross neglect in the performance of duties;
- (2) Dishonesty, corruption, or any act involving moral turpitude; and
- (3) Any act or performance tending to prejudice or impair the substantial rights of the stockholders.

Conviction of the Chairman or a member for a crime carrying with it a penalty greater than *arresto mayor* shall cause the removal of such Chairman or member without the necessity of Presidential action.

The Chairman or member may, in any of the above cases, be civilly liable for any damage that may have been suffered by the stockholders.

SECTION 22. DIRECTIVE - The Bank shall not be subject to the laws, rules and regulations governing banks and other financial institutions of whatever type except with respect to the receipt of savings and time deposits in accordance with Section 7 of this Act, in which case the legal reserve and other requirements prescribed by the BSP for such deposits shall apply.

The Bank shall be operated as an autonomous body and shall be under the supervision of the BSP.

SECTION 23. TAX EXCEPTION - The operations, as well as holdings, equipment, property, income and earnings of the Bank from whatever sources shall be fully exempt from taxation.

SECTION 24. ASSOCIATION OF BANK - The Bank shall be organized within one year from the date that this Act takes effect.

SECTION 25. DEFINITE MARKET - The Philippine Farmers Bank shall cater to far flung areas, the unbanked, the unserved and underserved.

ARTICLE VII PENAL PROVISIONS

SECTION 26. PENALTIES AND SANCTIONS. - Any trustee, officer, employee or agent of the Bank who violates or permits the violation of any of the

provisions of this Chapter, or any person aiding or abetting the violations of any of the provisions of this Chapter, shall be punished by a fine not less than One hundred (**₱100,000.00**) thousand pesos or by imprisonment of not less than five years, or both such fine and imprisonment at the discretion of the Court.

ARTICLE VIII FUNDING

SECTION 27. APPROPRIATIONS - There shall hereby appropriate the amount of Two Billion (**₱2,000,000,000.00**) pesos for salaries, wages, purchase of motor vehicles, supplies, equipment, and other sundry expenses.

The amount appropriated herein shall be carried in the appropriations for the General Appropriations Acts of the Department of Agriculture for succeeding fiscal years.

ARTICLE IX MISCELLANEOUS PROVISIONS

SECTION 28. SEPARABILITY CLAUSE. — If, for any reason, any provision of this Act is declared invalid or unconstitutional, the remaining provisions not affected thereby shall continue to be in force and effect.

SECTION 29. REPEALING CLAUSE. — All laws, decrees, executive orders, proclamations, rules and regulations, and other issuance, or parts thereof, which are inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 30. EFFECTIVITY CLAUSE. — This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in at least two (2) newspapers of general circulation, whichever is earlier.

Approved,