



House of Representatives
Quezon City
EIGHTEENTH CONGRESS
Second Regular Session



COMMITTEE REPORT No. 1029

Submitted by the Committee on Banks & Financial Intermediaries and the Committee on Ways & Means on **May 31, 2021**

Re: House Bill No. **9543**

Recommending its approval in substitution of House Bills Numbered 4256, 4622, 5143 & 8359

Sponsor: Representative Cua, Junie E.

Mr. Speaker:

The Committee on Banks & Financial Intermediaries and the Committee on Ways & Means to which were referred House Bill No. 4256 by Representatives Garin, Sharon S., Garbin, Alfredo Jr. A., and Bautista, Claudine Diana D., entitled:

**AN ACT
STRENGTHENING RURAL BANKS IN THE PHILIPPINES
AMENDING FURTHER FOR THE PURPOSE REPUBLIC ACT NO. 7353 OTHERWISE
KNOWN AS THE RURAL BANKS ACT OF 1992, AS AMENDED;**

House Bill No. 4622 by Representative Hernandez, Ferdinand L., entitled:

**AN ACT
STRENGTHENING RURAL BANKS IN THE PHILIPPINES
AMENDING FURTHER FOR THE PURPOSE REPUBLIC ACT NO. 7353 OTHERWISE
KNOWN AS THE RURAL BANKS ACT OF 1992, AS AMENDED;**

House Bill No. 5143 by Representative Acosta-Alba, Maria Lourdes, entitled:

**AN ACT
STRENGTHENING RURAL BANKS IN THE PHILIPPINES
AMENDING FURTHER FOR THE PURPOSE REPUBLIC ACT NO. 7353 OTHERWISE
KNOWN AS THE RURAL BANKS ACT OF 1992, AS AMENDED;**

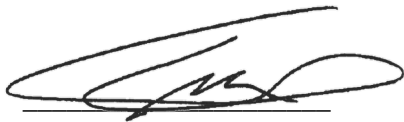
and House Bill No. 8359 by Representative Villafuerte, Luis Raymund "Lray" Jr F., entitled:

**AN ACT
AMENDING SECTION 8 OF REPUBLIC ACT NO. 7353,
ALSO KNOWN AS THE RURAL BANKS OF 1992**

have considered the same and hereby recommend the approval of House Bill No. 9543 entitled:

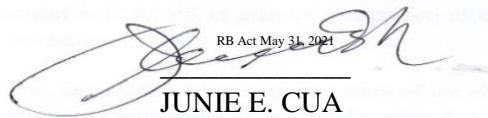
**AN ACT
PROVIDING FOR A NEW RURAL BANKS ACT,
REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 7353,
OTHERWISE KNOWN AS THE RURAL BANKS ACT OF 1992, AS AMENDED**

in substitution of House Bills Numbered 4256, 4622, 5143 & 8359, with Representatives Garin, S., Garbin, Bautista, C.D., Hernandez, Acosta-Alba, Cua, Villafuerte, Tiangco, Maceda, Lusotan, Salceda, Tejada, Tambunting, Nograles, J.J.B., Padiernos, Herrera-Dy, Dagooc, Singson-Meehan, Reyes, A., Barba, Castro, F.L., Nolasco, Haresco, Deloso-Montalla, Robes, Suansing, E. Suansing, Jr., H., Geron, Dy III, F., Tan, A., Ebcas, Violago, Bolilia, Gatchalian, Espino, Quimbo; Tan, A.; Crisologo, Alonte, Estrella, Garcia III, J., Rodriguez, Salimbangon, Atienza, Gorriceta, Arenas, Benitez,, Go, M., Cabochan, Lagon, Bagatsing Tupas, Ong, R., Suntay, Vergara, Nieto, Defensor, R., Lacson, V., Villar, Agabas, Canama, Ong Jr., J, Savellano, De Venecia, Elago, Bascug, Brosas, Macapagal Arroyo; Chatto, Baronda, Belmonte, Go, E., Yu, Legarda, Fortun, Fuentebella, Escudero, Jimenez, Kho, W., Chipeco, and Garcia, P., as authors thereof.



JOEY SARTE SALCEDA
Chairperson
Committee on Ways & Means

Respectfully submitted,



JUNIE E. CUA
Chairperson
Committee on Banks & Financial Intermediaries

**THE SPEAKER
HOUSE OF REPRESENTATIVES**



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

EIGHTEENTH CONGRESS
Second Regular Session

House Bill No. 9543

(in substitution of House Bills 4256, 4622, 5143 & 8359)

Introduced by Representatives Garin, S., Garbin, Bautista, C.D., Hernandez, Acosta-Alba, Cua, Villafuerte, Tiangco, Maceda, Lusotan, Salceda, Tejada, Tambunting, Nograles, J.J.B., Padiernos, Herrera-Dy, Dagooc, Singson-Meehan, Reyes, A., Barba, Castro, F.L., Nolasco, Haresco, Deloso-Montalla, Robes, Suansing, E. Suansing, Jr., H., Geron, Dy III, F., Tan, A., Ebcas, Violago, Bolilia, Gatchalian, Espino, Quimbo; Tan, A.; Crisolago, Alonte, Estrella, Garcia III, J., Rodriguez, Salimbangon, Atienza, Gorriceta, Arenas, Benitez,, Go, M., Cabochan, Lagon, Bagatsing Tupas, Ong, R., Suntay, Vergara, Nieto, Defensor, R., Lacson, V., Villar, Agabas, Canama, Ong Jr., J, Savellano, De Venecia, Elago, Bascug, Brosas, Macapagal Arroyo; Chatto, Baronda, Belmonte, Go, E., Yu, Legarda, Fortun, Fuentebella, Escudero, Jimenez, Kho, W., Chipeco, and Garcia, P.

AN ACT
PROVIDING FOR A NEW RURAL BANKS ACT,
REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 7353,
OTHERWISE KNOWN AS THE RURAL BANKS ACT OF 1992, AS AMENDED

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

1 Section. 1. **Title.** This Act shall be known as the *"New Rural Banks Act"*.
2

3 Sec. 2. **Declaration of Policy.** The State hereby recognizes the need to promote
4 comprehensive local community development across the country with the end in view of
5 attaining equitable distribution of opportunities, income and wealth, a sustained increase in
6 the amount of goods and services produced by local communities and in expanding
7 productivity as a key objective to improve the quality of life for all, especially the
8 underprivileged.
9

10 Towards these ends, the State shall establish a rural banking system and assist in ensuring the
11 viability of rural banks which are strategic agents for the attainment of financial inclusivity,
12 and in recognition of their long standing contribution in the pursuit of making financial
13 services accessible to all individuals and business entities.
14

15 Sec. 3. **Regulatory and Supervisory Powers of the Monetary Board.** In furtherance of this
16 policy, the Monetary Board of the Bangko Sentral ng Pilipinas (BSP) shall formulate the
17 necessary rules and regulations governing the establishment, supervision, and operation of

1 rural banks to ensure that rural banks operate in a safe and sound manner in the performance
2 of their mandate.

3
4 **Sec. 4. Organization.** Rural banks shall be organized in the form of stock corporations, and
5 no rural bank shall be operated without a certificate of authority from the BSP.

6
7 Duly established cooperatives and corporations primarily organized to hold equities in rural
8 banks may organize a rural bank or subscribe to the shares of stock of any rural bank:
9 *Provided,* That a cooperative or corporation owning or controlling the whole or majority of
10 the voting stock of the rural bank shall be subject to special examination and to such rules and
11 regulations as the Monetary Board may prescribe.

12
13 **Sec. 5. Ownership.** No less than forty percent (40%) of the voting stocks of a rural bank shall
14 be owned by citizens of the Philippines or corporations or associations organized under the
15 laws of the Philippines at least sixty percent (60%) of whose capital is owned by such citizens.
16 Non-Filipino citizens may own, acquire or purchase up to sixty percent (60%) of the voting
17 stocks in a rural bank. The percentage of foreign-owned voting stocks shall be determined by
18 the citizenship of the individual stockholders in that rural bank. The citizenship of the
19 corporation which is a stockholder in a rural bank shall follow the citizenship of the
20 controlling stockholders of the corporation, irrespective of the place of incorporation.

21
22 **Sec. 6. Subscription by Government-Owned or -Controlled Bank or Financial**
23 **Institution.** The following rules on subscription shall apply:

24
25 (a) If subscription of a private shareholders to the capital stock of a rural bank cannot be
26 secured or is not available, or insufficient to meet the normal credit needs of the
27 locality, the Land Bank of the Philippines (LBP), the Development Bank of the
28 Philippines (DBP), or any government-owned or controlled bank or financial
29 institution, on representation of the said private shareholders but subject to the
30 investment guidelines, policies and procedures of the bank or financial institution and
31 upon approval of the Monetary Board of the BSP, shall subscribe to the capital stock
32 of such rural bank, which shall be paid in full at the time of subscription, in an amount
33 equal to the fully paid subscribed and unimpaired capital of the private stockholders or
34 such amount as the Monetary Board may prescribe as may be necessary to promote
35 and expand rural economic development.

36
37 (b) To provide supplemental capital to any rural bank until it has accumulated enough
38 capital of its own or stimulate private investments in rural banks, and subject to the
39 investment guidelines, policies and procedures of the bank or financial institution, the
40 LBP, the DBP or any government-owned or -controlled bank or financial institution
41 may subscribe to the capital stock of any rural bank from time to time in an amount
42 equal to the total equity investment of the private shareholders which shall be paid in
43 full at the time of the subscription or such amount as may be necessary to promote and
44 expand rural economic development.

45
46 *Provided, however,* That shares of stock issued to the LBP, the DBP or any government-
47 owned or controlled bank or financial institution may, pursuant to this Section, at any time, be
48 paid off at par value and retired in whole or in part if the rural bank has accumulated enough
49 capital strength to permit retirement of such shares, or if an offer is received from private
50 sources to replace the equity investment of the LBP, the DBP or any government- owned or -

1 controlled bank or financial institution: *Provided, further,* That such shares of stock
2 subscribed by the LBP, the DBP or any government-owned or controlled bank or financial
3 institution may be sold at adjusted book value to qualified individuals and juridical entities,
4 subject to the provisions of Section 25-A of Republic Act No. 7653, or the “*New Central*
5 *Bank Act*”, as amended: *Provided, finally,* That in the sale of shares of stock subscribed by the
6 LBP, the DBP or any government-owned or controlled bank or financial institution,
7 preference shall be given to residents and juridical entities of the locality or province where
8 the rural bank is located.

9
10 In case of retirement of stock, replacement of equity investments of the LBP, the DBP or of
11 any government- owned or -controlled bank or financial institution, the registered private
12 shareholders of the rural bank shall have the right of preemption within one (1) year from the
13 date of offer in proportion to their respective holdings.

14
15 **Sec. 7. Board of Directors.** Non-Filipino citizens may become members of the board of
16 directors of a rural bank but their participation in the board shall be limited to their
17 proportionate share in the equity of the rural bank: *Provided, however,* That at least one (1)
18 independent director shall be elected to the board of directors, unless otherwise prescribed by
19 the Monetary Board of the BSP.

20
21 **Sec. 8. Directors and Officers.** No director or officer of any rural bank shall, either directly
22 or indirectly, on their behalf or as the representative or agent of another, borrow any of the
23 deposits or funds of such banks, nor shall they be become a guarantor, endorser, or surety for
24 loans from such bank to others, or in any manner be an obligor for money borrowed from the
25 bank or loaned by it, except when it is with the written approval of the majority of the
26 directors of the bank, excluding the director concerned. Any such approval shall be entered
27 upon the records of the corporation and a copy of such entry shall be transmitted forthwith to
28 the appropriate supervising department of the BSP.

29
30 After due notice to the board of directors of the bank, the office of any bank director or officer
31 who violates the provisions of this section may be declared vacant and the director or officer
32 shall be subject to the penal provisions under Section 23 of this Act.

33
34 **Sec. 9. Restrictions on Bank Exposures to Directors, Officers and their Related Interests.**
35 The Monetary Board may regulate the amount of loans, credit accommodations and
36 guarantees that may be extended, directly or indirectly, by the rural bank to its directors,
37 officers, stockholders and their related interests.

38
39 However, the outstanding loans, credit accommodations and guarantees which a rural bank
40 may extend to each of its stockholders, directors, or officers and their related interests shall be
41 limited to an amount equivalent to the respective unimpaired outstanding deposits and book
42 value of the paid-in capital contributions in the bank.

43
44 **Sec. 10. Loans and Credit Accommodations Against Real Estate.** Loans or advances
45 extended by rural banks shall be primarily for the purpose of meeting the credit needs of
46 farmers, fishermen and farm families. For this purpose, rural banks may accept the following
47 as collateral:

- 48
49 (1) Lands without Torrens Title where the owner of private property can show five (5) years
50 or more of peaceful, continuous and uninterrupted possession in concept of owner; or

1
2 (2) Portions of friar land estates or other lands administered by the Bureau of Lands that are
3 covered by sales contracts and the purchasers have paid at least five (5) years installment
4 thereon, without the necessity of prior approval and consent by the director of lands, or of
5 portions of other estates under the administration of the Department of Agrarian Reform
6 (DAR) or other governmental agency which are likewise covered by sales contracts and
7 the purchasers have paid at least five (5) years instalment thereon, without the necessity
8 of prior approval and consent of the DAR or corresponding governmental agency; or
9

10 (3) Homestead tax declarations or free patent lands pending the issuance of titles but already
11 approved, the provisions of any law or regulations to the contrary notwithstanding:
12 *Provided*, That when the corresponding titles are issued, the same shall be delivered to
13 the Register of Deeds of the province where such lands are situated for the annotation of
14 the encumbrance.
15

16 **Sec. 11. Loans and Credit Accommodation on the Security of Unissued Homestead or**
17 **Free Patent.** In the case of lands pending issuance of homestead tax declarations or free
18 patent titles, copies of the notices for the presentation of the final proof shall be furnished the
19 creditor rural bank and, if the borrower applicants fail to present the final proof within thirty
20 (30) days from date of notice, the creditor rural bank may do so for them at their expense:
21 *Provided, however*, That proof of improvements made on the land is shown by the loan
22 applicant who proffers an unissued homestead or free patent as security and the loan applied
23 for is to be used for further development of the same or for other productive economic
24 activities: *Provided, further*, That the responsibility for the appraisal and verification of the
25 status of a land shall be incumbent upon the rural bank; and any loan granted on any land
26 which shall be found later to be within a forestland shall be for the sole account of the rural
27 bank.
28

29 **Sec. 12. Loans and other Credit Accommodations on Security of Farm Produce.**
30 Borrowers, especially those who are mere tenants, can secure their loans with the produce
31 corresponding to their share.
32

33 **Sec. 13. Foreclosure of Mortgages.** The foreclosure of mortgages covering loans granted by
34 rural banks and executions of judgment thereon involving real properties levied upon by
35 sheriff shall be exempt from the publications in newspapers as required by law where the total
36 amount of loan, excluding interests due and unpaid, does not exceed One million pesos
37 (P1,000,000.00) or such amount as the Monetary Board may prescribe by taking into account
38 prevailing economic conditions.
39

40 It shall be deemed sufficient publication in such cases where the notices of foreclosure and
41 execution of judgment are posted in the most conspicuous area of the municipal building, the
42 municipal public market, the rural bank, the barangay hall, and the barangay public market, if
43 any, where the land mortgaged is situated, for a period of sixty (60) days immediately
44 preceding the public auction or execution of judgment.
45

46 Proof of publication as required herein shall be accomplished via an affidavit of the sheriff or
47 officer conducting the foreclosure sale or execution of judgment and shall be attached with the
48 records of the case: *Provided*, That when a homestead or free patent is foreclosed, the
49 homesteader or free patent holder, as well as the heirs shall have the right to redeem the same
50 within one (1) year from the date of foreclosure in the case of land not covered by a Torrens

1 Title or one (1) year from the date of the registration of the foreclosure in the case of land
2 covered by a Torrens Title, other laws notwithstanding.

3
4 **Sec. 14. Foreclosure of Real Estate Mortgage.** A rural bank shall be allowed to foreclose
5 lands mortgaged to it including lands covered by Republic Act No. 6657, otherwise known as
6 the Comprehensive Agrarian Reform Law of 1988, as amended: *Provided*, That said lands
7 shall be subject to the retention limits provided under Republic Act No. 6657.

8
9 Rural banks which are not qualified to acquire or hold land in the Philippines shall be allowed
10 to bid and take part in foreclosure sales of real property mortgaged to them, as well as to avail
11 of enforcement and other proceedings, and accordingly to take possession of the mortgaged
12 property, for a period not exceeding five (5)-years from actual possession. *Provided*, That in
13 no event shall title to the property be transferred to such rural bank. In case the rural bank is
14 the winning bidder, it shall, during the said five (5)-year period, transfer its rights to a
15 qualified Philippine national, without prejudice to a borrower's rights under applicable laws.
16 Should a rural bank be not able to transfer such property within the five (5)-year period, the
17 rural bank shall be penalized one-half (1/2) of one percent (1%) *per annum* of the price at
18 which the property was foreclosed until the rural bank is able to transfer the property to a
19 qualified Philippine National.

20
21 **Sec.15. Features of Preferred Shares of Stock Held by LBP, DBP or any Government-**
22 **Owned or -Controlled Bank or Financial Institution.** Shares of stock held by the LBP, the
23 DBP or by any government-owned or -controlled bank or financial institution, under the terms
24 of Section 6 hereof, shall be considered preferred shares of stock only as to assets upon
25 liquidation and without the power to vote and shall share in dividends distribution as declared
26 by the board but not to exceed the prevailing 90-day T-bill rates at the date of declaration.
27 Dividend rates for preferred shares of stock shall follow the same limits: *Provided, however*,
28 That if such shares of stock of the LBP, the DBP or any government-owned or -controlled
29 bank or financial institution is sold to private shareholders, the same may be converted into
30 common shares of stock as provided for in Section 6 hereof: *Provided, further*, That pending
31 the amendment of the Articles of Incorporation of the rural bank, if necessary, for the purpose
32 of reflecting the conversion into common shares of stock of preferred shares of stock sold to
33 private stockholders, the transfer shall be recorded by the rural bank in the stock and transfer
34 book and such shareholders shall thereafter enjoy all the rights and privileges of common
35 stockholders.

36
37 **Sec. 16. Report on Sale of Preferred Shares of Stock.** The corporate secretary of the rural
38 bank shall submit to the BSP and the Securities and Exchange Commission (SEC) a report on
39 every transfer of preferred shares of stock to private shareholders, and such report received by
40 the SEC shall form part of the corporate records of the rural bank. When all the preferred
41 shares of stock of a rural bank held by the LBP, the DBP or by any government-owned or -
42 controlled bank or financial institution have been sold to private shareholders, the Articles of
43 Incorporation of the rural bank shall be amended in accordance with the provision of the
44 Revised Corporation Code of the Philippines to reflect the conversion of the preferred shares
45 of stock.

46
47 For this purpose, the application for the amendment of the Articles of Incorporation shall
48 include a certificate issued by the president, the corporate secretary, and a majority of the
49 board of directors that all preferred shares of stock have been sold to private shareholders.

1 This certification shall be attached to the original Articles of Incorporation on file with the
2 SEC.

3
4 The SEC shall not register the amended articles of incorporation unless accompanied by the
5 certificate of authority required under Section 14 of Republic Act No. 8791, otherwise known
6 as the General Banking Law of 2000.
7

8 **Sec. 17. Powers of Rural Banks.** In addition to the operations especially authorized in this
9 Act, and subject to rules and regulations of the BSP, any rural bank may:

- 10
11 (a) Accept savings and time deposits;
12 (b) Open current or checking accounts;
13 (c) Act as correspondent for other financial institutions;
14 (d) Act as a collection agent;
15 (e) Act as (i) official depository of municipal, city, provincial or GOCC funds in the
16 municipality, city, and province where the rural bank is located in areas where there
17 are no government banks, and (ii) depository bank of GOCCs and government
18 agencies as to funds allocated for programs awarded to the rural bank in an amount
19 equivalent to approved guarantee or credit line;
20 (f) Act as conduit bank for the disbursement of government funds intended for lending to
21 agriculture, micro, small and medium enterprises (MSMEs) and projects for local
22 economic development;
23 (g) Participate in government program allocations for agricultural lending, social housing,
24 loans to rural micro enterprises and other initiatives towards inclusive growth;
25 (h) Grant loans;
26 (i) Rediscount paper with any banking institution. Said institutions shall specify the
27 nature of paper deemed acceptable for rediscounting;
28 (j) Offer other banking services such as trust, foreign currency loans and deposits, foreign
29 and domestic remittances, and letters of credit; and
30 (k) Extend credit facilities to private and government employees.
31

32 Nothing in this section shall be construed as precluding a rural bank from performing, with
33 prior approval of the Monetary Board, other services allowed for thrift and commercial banks
34 under an expanded banking authority.
35

36 **Sec. 18. Investment in Allied Undertakings.** Subject to such guidelines as may be
37 established by the Monetary Board, rural banks may invest in equities of allied undertakings
38 as hereinafter enumerated: *Provided, that:* (a) the total investment to equities shall not exceed
39 twenty-five percent (25%) of the net worth of the rural bank; (b) the equity investment in any
40 single enterprise shall be limited to fifteen percent (15%) of the net worth of the rural bank;
41 and (c) the equity investment of the rural bank in any single enterprise shall remain a minority
42 holding in that enterprise: *Provided, further,* That equity investment shall not be permitted in
43 non-related activities.
44

45 Allied undertakings shall include.

- 46
47 (a) Banks, financial institutions and non-bank financial intermediaries;
48 (b) Warehousing and other post-harvest facilities;
49 (c) Fertilizer and agricultural chemical and pesticides distribution;
50 (d) Farm equipment distribution;

- 1 (e) Trucking and transportation of agricultural products;
- 2 (f) Marketing of agricultural products;
- 3 (g) Leasing; and
- 4 (h) Other undertakings as may be determined by the Monetary Board.

5
6 **Sec. 19. Tax Exemptions.** Notwithstanding any law to the contrary:

- 7
- 8 (a) All rural banks created and organized under the provisions of this Act shall be exempt
- 9 from the payment of all taxes, fees and charges of whatever nature and description,
- 10 except the corporate income tax and local taxes, fees and charges, for a period of five
- 11 (5) years from the date of commencement of operations;
- 12
- 13 (b) A surviving or consolidated rural bank which is party to a merger or consolidation
- 14 shall be exempt from the payment of all taxes, fees and charges of whatever nature and
- 15 description, except the corporate income tax and local taxes, fees and charges, for a
- 16 period of five (5) years from the date of commencement of operation. *Provided, That,*
- 17 *the surviving or consolidated rural bank establishes an office or branch in an unbanked*
- 18 *city or municipality as determined by the BSP.*

19
20 **Sec. 20. Exemption from Single Borrower's Limit.** Deposits of rural banks with

21 government- owned or -controlled financial institutions like the LBP, and the DBP, are

22 exempted from the single borrower's limit imposed by the General Banking Law of 2000.

23 In areas where there are no government banks, rural banks may deposit in private banks more

24 than the amount prescribed by the single borrower's limit, subject to the rules and regulations

25 of the BSP.

26
27 **Sec. 21. Exemption from Registration Fees.** Any Register of Deeds shall accept from any

28 rural bank, its borrowers and mortgagors for registration, free from all charges, fees and

29 documentary stamp tax, collectible under existing laws, any instrument, whether voluntary or

30 involuntary, relating to loans or transaction extended by a rural bank in an amount not

31 exceeding one million pesos (P1,000,000.00): *Provided, however,* That charges, if any, shall

32 be collectible on the amount in excess of One million pesos; and that in instruments related to

33 assignments of several mortgages consolidated in a single deed, if any, shall be levied only on

34 the amount in excess of One million pesos of the consideration in the assignment of each

35 mortgage, or such amount as the Secretary of Finance, upon recommendation of the Monetary

36 Board, may prescribe as may be necessary to promote and expand the rural economy.

37
38 **Sec. 22. Conduit of LBP and DBP.** Rural banks organized and operated under the provisions

39 of this Act may act as agents or conduits of the LBP and the DBP in places where these banks

40 have no offices, subject to accreditation guidelines.

41
42 **Sec. 23. Prohibited Acts.** Without prejudice to any prosecution under any law which may

43 have been violated, a fine of not more than One million pesos (P1,000,000.00) or a penalty of

44 not less than *prision correccional* and not more than *reclusion temporal*, or both, at the

45 discretion of the court, shall be imposed upon:

- 46
- 47 1. Any officer, employee, or agent of a rural bank who shall:
- 48

- 1 (a) make false entries in any bank report or statement thereby affecting the financial
2 interest of, or causing damage to, the bank or any person;
- 3 (b) without order of a court of competent jurisdiction, disclose any information
4 relative to the funds or properties in the custody of the bank belonging to private
5 individuals, corporations, or any other entity; or
- 6 (c) accept gifts, fees or commission or any other form of remuneration in connection
7 with the approval of a loan from said bank; or
- 8 (d) overvalue or aid in overvaluing any security for the purpose of influencing in
9 any way of the action of the bank on any loan; or
- 10 (e) appear and sign as guarantor, endorser, or surety for loans granted; or
- 11 (f) violate any of the provisions of this Act.

12
13 2. Any applicant for a loan from, or borrower of, a rural bank who shall:

- 14 (a) misuse, misapply, or divert the proceeds of the loan obtained by him from its
15 declared purpose; or
- 16 (b) fraudulently overvalue property offered as security for a loan from said bank; or
- 17 (c) give out or furnish false or willful misrepresentation of material facts for the
18 purpose of obtaining, renewing, or increasing a loan or extending the period
19 thereof; or
- 20 (d) attempt to defraud the said bank in the event of court action to recover a loan; or
- 21 (e) offer any officer, employee or agent of a rural bank as a gift, fee, commission or
22 other form of compensation in order to influence such bank personnel into
23 approving a loan application; or
- 24 (f) dispose or encumber the property or the crops offered as security for the loan.

25
26
27 **Sec. 24. Unauthorized Advertisement of Business Representation.** Any bank not organized
28 under this Act, and any person, association, or corporation doing the business of banking, not
29 authorized under this Act which shall use the words "rural bank" as part of the name or title of
30 such bank or of such person, association, or corporation, shall be punished by a fine of not
31 less than Five thousand pesos (P5,000.00) for each day during which said words are so used.

32
33 **Sec. 25. Assistance of Other Government Agencies in Implementation.** For the purpose of
34 carrying out the objectives of this Act, the BSP is authorized to enlist the assistance of any
35 branch, department, bureau, office, agency, or instrumentality of the government, including
36 government-owned or -controlled corporations, which may include the use of its personnel,
37 facilities and resources.

38
39 **SEC. 26. Implementing Rules and Regulations.** The BSP shall promulgate the rules and
40 regulations for the effective enforcement of the provisions of this Act.

41
42 **SEC. 27. Separability Clause.** Should any provision of this Act or any part thereof be
43 declared invalid, the other provisions, insofar as they are separable from the invalid ones, shall
44 remain in full force and effect.

45 **SEC. 28. Applicability of Other Laws.** The provisions of Republic Act No. 7653, as
46 amended, and Republic Act No. 8791, insofar as they are applicable and not in conflict with
47 any provision of this Act, shall apply to rural banks organized hereunder.

1 SEC. 29. **Repealing Clause.** Republic Act Nos. 7353 and 10574 are hereby repealed. All
2 laws, executive orders, rules and regulations or parts thereof which are inconsistent with this
3 Act are likewise hereby repealed or amended accordingly.

4

5 SEC. 30. **Effectivity.** This Act shall take effect fifteen (15) days after its complete publication
6 in the *Official Gazette* or in a newspaper of general circulation.

7

8

9 Approved.

FACT SHEET

House Bill No. 9543

AN ACT PROVIDING FOR A NEW RURAL BANKS ACT, REPEALING FOR THE PURPOSE REPUBLIC ACT NO. 7353, OTHERWISE KNOWN AS THE RURAL BANKS ACT OF 1992, AS AMENDED

*(As Approved by the Committee on Banks & Financial Intermediaries on May 14, 2021,
and the Committee on Ways & Means on May 03, 2021,
in substitution of House Bills. 4256,4622 & 5143 & 8359)*

Introduced by: REPRESENTATIVES GARIN, S., GARBIN, BAUTISTA, C.D., HERNANDEZ, ACOSTA-ALBA, CUA, VILLAFUERTE, TIANGCO, MACEDA, LUSOTAN, SALCEDA, TEJADA, TAMBUNTING, NOGRALES, J.J.B., PADIERNOS, HERRERA-DY, DAGOOC, SINGSON-MEEHAN, REYES, A., BARBA, CASTRO, F.L., NOLASCO, HARESCO, DELOSO-MONTALLA, ROBES, SUANSING, E. SUANSING, JR., H., GERON, DY III, F., TAN, A., EBCAS, VIOLAGO, BOLILIA, GATCHALIAN, ESPINO, QUIMBO; TAN, A.; CRISOLOGO, ALONTE, ESTRELLA, GARCIA III, J., RODRIGUEZ, SALIMBANGON, ATIENZA, GORRICETA, ARENAS, BENITEZ,, GO, M., CABOCHAN, LAGON, BAGATSING TUPAS, ONG, R., SUNTAY, VERGARA, NIETO, DEFENSOR, R., LACSON, V., VILLAR, AGABAS, CANAMA, ONG JR., J, SAVELLANO, DE VENECIA, ELAGO, BASCUG, BROSAS, MACAPAGAL ARROYO; CHATTO, BARONDA, BELMONTE, GO, E., YU, LEGARDA, FORTUN, FUENTEBELLA, ESCUDERO, JIMENEZ, KHO, W., CHIPECO, AND GARCIA, P.

Committee Referral: COMMITTEE ON BANKS & FINANCIAL INTERMEDIARIES

Chairperson: JUNIE E. CUA

Committee Referral: COMMITTEE ON WAYS & MEANS

Chairperson: JOEY SARTE SALCEDA

OBJECTIVES:

- To promote comprehensive local community development in the country with a view to attaining equitable distribution of opportunities, income and wealth, sustained increase in the amount of goods and services produced by local communities and expanding productivity to improve the quality of life for all, especially the underprivileged.
- To encourage and assist in the establishment of a rural banking system and in the operation of rural banks as a channel for financial inclusion and in recognition of their longstanding contribution in making financial services accessible to all.

KEY PROVISIONS:

- Mandates the Monetary Board to formulate rules and regulations governing the establishment, supervision, and operation of rural banks to ensure that they operate in a safe and sound manner.
- Provides that rural banks shall be organized as stock corporations with certificate of authority to operate from the Bangko Sentral ng Pilipinas (BSP).
- Authorizes existing cooperatives and corporations organized to hold equities in rural banks to organize and acquire equity in a rural bank subject to such rules as may be prescribed by the Monetary Board.
- Provides that at least forty percent (40%) of the voting stocks of a rural bank shall be owned by Filipino citizens or domestic corporations at least sixty percent (60%) of whose capital is owned by Filipino citizens. Non-Filipino citizens are allowed to acquire up to sixty percent (60%) of the voting stocks and may become members of the board of directors but their participation shall be limited to their proportionate share in the equity. At least one (1) independent director shall be elected to the board unless otherwise prescribed by the Monetary Board.
- Authorizes the Land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP) and other government financial institution (GFI) to subscribe to the capital stock of a rural bank under the following conditions: (a) in the event that equity cannot be secured from private investors, or is not available, or insufficient to meet the normal credit needs of the locality, and (b) to provide supplemental capital until the rural bank has accumulated enough capital of its own or to stimulate private investments in rural banks. Such investment shall be subject to the guidelines, policies and procedures of the concerned GFI and approval of the Monetary Board, as the case may be.
- Mandates the Monetary Board to regulate and impose restrictions on the amount of loans, credit accommodations and guarantees extended by a rural bank to its directors, officers, stockholders and their related interests, which in no case shall not exceed an amount equivalent to unimpaired outstanding deposits and book value of paid-in capital contributions in the bank.
- Provides that loans or advances extended by rural banks shall be primarily for the purpose of meeting the credit needs of farmers, fishermen and farm families. Such loans and advances may be secured by: (1) lands without Torrens title, (2)

friar land estates and lands administered by the Bureau of Lands, Department of Agrarian Reform and other government agency, and (3) homestead tax declarations or free patent lands, subject to certain conditions. Loans and other credit accommodation may also be secured by farm produce if the borrowers are mere tenants.

- Exempts from the legal publication requirement all foreclosure of mortgages and executions of judgment where the amount loaned by a rural bank does not exceed One million pesos (P1,000,000.00) or such amount as may be prescribed by the Monetary Board.
- Authorizes rural banks to foreclose mortgaged lands covered by *Republic Act No. 6657*, as amended, also known as the Comprehensive Agrarian Reform Law of 1988, subject to the observance of retention limits.
- Mandates rural banks to submit to BSP and the Securities and Exchange Commission a report on every transfer of preferred stock to private shareholders, including shares held by LBP, DBP or by any government-owned or controlled bank or financial institution.
- Empowers rural banks to perform the services permitted for thrift and commercial banks with prior approval from the Monetary Board, as well as the following functions: (a) Accept saving and time deposit; (b) Open current or checking accounts; (c) Act as correspondent for other financial institutions; (d) Act as a collection agent; (e) Act as (i) official depository of municipal, city, provincial or GOCC funds in the municipality, city, and province where the rural bank is located in areas where there are no government banks, and (ii) depository bank of GOCCs and government agencies as to funds allocated for programs awarded to the rural bank in an amount equivalent to approved guarantee or credit line; (f) Act as conduit bank for the disbursement of government funds intended for lending to agriculture, micro, small and medium enterprises (MSMEs) and projects for local economic development; (g) Participate in government program allocations for agricultural lending, social housing, loans to rural micro enterprises and other initiatives towards inclusive growth; (h) Grant loans; (i) Rediscount paper with any banking institution. Said institutions shall specify the nature of paper deemed acceptable for rediscounting; (j) Offer other banking services such as, but not limited to, trust, foreign currency loans and deposits, foreign and domestic remittances, and letters of credit; and (k) Extend credit facilities to private and government employees.
- Authorizes rural banks to invest in the equity of allied undertakings subject to the condition that the total investment does not exceed twenty-five percent (25%) of net worth. Further, equity investment in any single enterprise shall be limited to

fifteen percent (15%) of net worth, and such investment must remain a minority holding in said enterprise. No equity investment is permitted in non-related activities.

- Grants certain tax exemptions and privileges to rural banks, as follows: (a) All rural banks created and organized under the provisions of this Act shall be exempt from the payment of all taxes, fees and charges of whatever nature and description, except the corporate income tax and local taxes, fees and charges, for a period of five (5) years from the date of commencement of operations; (b) Surviving or consolidated Rural Bank which is party to a merger or consolidation shall be exempt from the payment of all taxes, fees and charges of whatever nature and description, except the corporate income tax and local taxes, fees and charges, for a period of five (5) years from the date of commencement of operation. *Provided, That*, the surviving or consolidated Rural Bank establishes an office or branch in an unbanked city or municipality as determined by the BSP.
- Exempts rural banks from the single borrower's limit imposed on deposits with GFIs by the General Banking Law of 2000. Rural banks may also deposit more than the amount prescribed by the single borrower's limit in private banks in areas where there are no government banks, subject to BSP regulations.
- Authorizes rural banks organized and operated under this Act to act as agents or conduits of LBP and DBP in places where these banks have no offices, subject to accreditation guidelines.
- Repeals Republic Act No. 7353 ("The Rural Bank Act of 1992") and its amendatory law, Republic Act No. 10574, which allowed the infusion of foreign equity in the capital of rural banks.

RELATED LAWS:

Republic Act No. 7353, as amended ("The Rural Bank Act of 1992")

Republic Act No. 10574 (Allowing The Infusion Of Foreign Equity In The Capital Of Rural Banks)

Republic Act No. 8791 ("General Banking Law of 2000")

Republic Act No. 7653, as amended ("The New Central Bank Act")

Republic Act No. 6657, as amended ("Comprehensive Agrarian Reform Law of 1988")

Republic Act No. 8424 (Tax Reform Act of 1997/National Internal Revenue Code)

Republic Act No. 11232 (“Revised Corporation Code of the Philippines”)
Presidential Decree No. 1529 (“Property Registration Decree”)