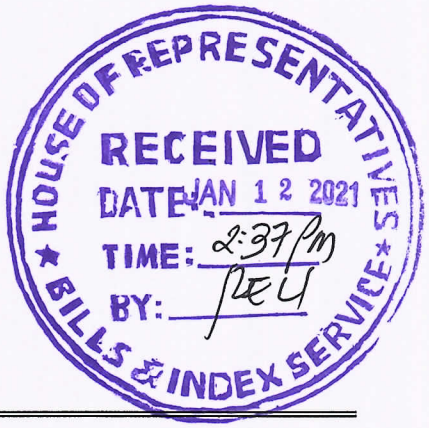
Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 8359



Introduced by **HON. LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.**

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

Republic Act No. 7353, Section 8, aims to provide ailing rural banks and 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.

LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.

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

SECTION 1. Republic Act No. 7353, Section 8, Paragraph 2 is hereby amended to read as follows:

> "Stocks held by the Land Bank of the Philippines, the Development Bank of the Philippines or by any government-owned or controlled bank or financial institution, under the terms of this Section, shall be made preferred only as to assets upon liquidation and without the power to vote and shall share in dividend distributions from the date of issuance in the amount of four percent (4%) on the first and second years, six percent (6%) on the third and fourth years, eight percent (8%) on the fifth and sixth years, ten percent (10%) on the seventh and eighth years and twelve percent (12%) on the ninth to the fifteenth years without preference;) SIX PERCENT (6%) FROM THE FIRST YEAR UP TO THE FIFTEENTH (15%) YEARS WITHOUT PREFERENCE: Provided, however, that if such stock of the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or controlled bank or financial institution is sold to private shareholders, the same may be converted into common stock of the class provided for in Section 10 hereof: Provided, further, That pending the amendment of the Articles of Incorporation of the rural bank, if necessary, for the purpose of reflecting the conversion into common stock of preferred stock sold to private shareholders, the transfer shall be recorded by the rural bank ins the stock and transfer book and such shareholders shall thereafter enjoy all the rights and privileges of common stockholders. The preferred stocks so transferred shall be surrendered and cancelled and the corresponding common stocks shall be

issued."

SECTION 2. Separability Clause. – If any provision or part hereof is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

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

SECITON 4. Effectivity Clause. – This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,