

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Nineteenth Congress
First Regular Session

House Bill No. 3844



Introduced by **Representative JOEY SARTE SALCEDA**

**AN ACT
PROVIDING FOR A NEW CHARTER
OF THE LAND BANK OF THE PHILIPPINES**

EXPLANATORY NOTE

The Republic Act (R.A.) No. 3844, or the Agricultural Land Reform Code established the Land Bank of the Philippines (LANDBANK), a government financial institution, to finance primarily the acquisition and distribution of agricultural estates for division and resale to small landholders as well as the purchase of the landholdings by agricultural lessees. In accordance with Presidential Decree (PD) No. 251, LANDBANK was given more authority and became the country's first universal bank.

Along with the social objective of promoting rural development, the Bank's expanded commercial banking powers include lending to agricultural, industrial, home finance projects, and other productive enterprises. The Comprehensive Agrarian Reform Law, also known as R.A. No. 6657 (Comprehensive Agrarian Reform Law), as amended by R.A. No. 9700 (CARPER), names LANDBANK as a financial intermediary of the National Government for the Comprehensive Agrarian Reform Program.

Through the years, LANDBANK increased in terms of assets, rising to the position of second-largest full-service commercial bank in the country. Given the rise in the use of electronic banking channels during the pandemic, LANDBANK has likewise hastened its digital transformation to aid in bringing more Filipinos into the formal banking system.

To complete its modernization and digitalization, the Bank has a need for a renewed and stand-alone legal and operational framework to boost the LANDBANK's institutional and financial capacities. The stand-alone charter of the Bank will effectively support the National Government's policy objectives for small farmers and fisherfolk, micro, small and medium enterprises (MSMEs), countryside financial institutions (CFIs), local government units (LGUs), and government agencies for a more robust, sustainable, and inclusive economic growth with the help of the stand-alone charter and the constantly changing Philippine financial landscape.

Among the salient features of the proposed bill is the creation of a stand-alone charter which aligns LANDBANK's mandate to its present activities as a bank which is not only a financial intermediary for activities concerning agrarian reform but as a financial institution that is responsible for broad-based agricultural and rural development and accelerated financial inclusion.

The bill also aims to authorize LANDBANK to issue shares of stocks to all private individuals and entities. This will no longer be subject to the restrictive conditions under Republic Act No. 10878 that, other than to the government, LANDBANK can only issue shares to private entities which represent organizations of agrarian reform beneficiaries (ARBs and small farmers and fisherfolk, strategic investors and rural banks).

To strengthen the priority being placed on the interest of the general public, rather than the private entities, LANDBANK will require at least three-fourths (3/4) ownership by the National Government of the total outstanding capital stock to protect the bank's stake and maintain the function of the bank as a development arm of the government. It will also dispense with the prior consultation with the NEDA and the approval by the President of the Philippines in the issuance by LANDBANK of any form of debt security.

Another feature of this proposed measure is to allow LANDBANK to use part or all of its unrestricted retained earnings to pay for increases in authorized capital stock. From nine (9) seats provided to the Board, it will have two (2) additional members, increasing the number to eleven (11). The NEDA Secretary will be added as an ex-officio member as well as another representative from the private sector. It also aims to align the foreclosure of mortgages over movable collaterals with what is allowed under Republic Act 11057 or the Personal Property Security Act.

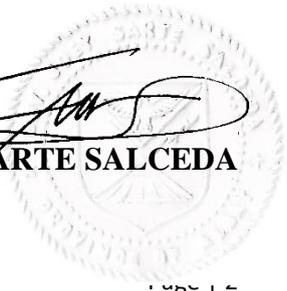
It will also allow other modes of disposal of acquired real estate and other properties in addition to public bidding and authorizes the Bank to sell its acquired real estate and other properties to a Financial Institutions Strategic Transfer Corporation under Republic Act No. 11523 (Financial Institution Strategic Transfer Act), and to take possession of foreclosed properties during the period of redemption, as well as to enjoy its civil fruits with no obligation to account or post bond for the purposes of possession.

Lastly, it will aim to remove the authority of the Board to fix compensation of LANDBANK employees and align the same with the requirements of RA No. 10149 or the GOCC Governance Act for 2011.

The proposed amendments not only emphasized the advantages for all entities involved in agriculture, the entire agribusiness value chain, and all other economic sectors, but also the advantages at the national level for promoting fiscal sustainability and fortifying the financial system of the nation.

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


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

SECTION. 1. *Short Title.* – This Act shall be known as the “New Land Bank of the Philippines Act”.

SEC 2. *Purpose and Domicile.* – The Land Bank of the Philippines, hereinafter referred to as the “Bank”, operating under the provisions of Republic Act No. 3844. As amended, otherwise known as the “Agricultural Land Reform Code”, shall henceforth operate under the provisions of this Act as a government financial institution responsible for broad-based agricultural and rural development and accelerated financial inclusion. It shall provide accessible and innovative solutions to deliver timely and responsive financial and support services to rural financial institutions as well as small farmers, fisherfolk and agrarian reform beneficiaries (ARBs). The Bank shall remain to be a body corporate and shall have perpetual existence. It shall be supervised by the Bangko Sentral ng Pilipinas (“BSP”) taking into account its mandated roles of spurring countryside development and supporting the country's financial inclusion objectives.

The principal office and place of business of the Bank shall be in Metro Manila. It may, however, open and maintain branches, agencies or other offices at such places in the Philippines as its Board of Directors may deem advisable, with the prior approval of the Monetary Board of BSP.

In line with its mandate, the Bank shall allocate five percent (5%) of its regular loan portfolio (net of loans to the BSP, interbank loans and availment from domestic bills purchase line), for socialized credit to qualified small farmers, fisherfolk and ARBs. This facility shall solely finance agricultural projects pursuant to the provisions of Section 4 of Republic Act No. 10000. otherwise known as “The Agri-Agra Reform Credit Act of 2009”.

Credits extended to the beneficiaries named therein under this facility shall be based on the feasibility of the project and their paying capacity, their estimated production, and securities they can provide as well as assets as may be acquired by them from the proceeds of the loan.

This facility will be funded through the operations of the Bank itself and will not require additional government funding. All loans extended through this special socialized credit facility shall qualify as part of the Bank's compliance with the Agri-Agra Law.

Credit under this special socialized credit facility shall be extended through the following conduits:

- (a) Farmers' and fisherfolk's cooperatives;
- (b) Farmers' and fisherfolk's organizations or associations;
- (c) Nonagricultural cooperatives (credit and multipurpose);
- (d) Cooperative banks;
- (e) Rural banks;
- (f) Thrift banks;
- (g) Agri-business firms or anchor firms providing credit support to ARBs, and small farmers and fisherfolk; and
- (h) Duly accredited microfinance nongovernment organizations by the Microfinance NGO Regulatory Council.

Loans under this special socialized credit facility shall have an interest rate equivalent to not more than seventy-five percent (75%) of the Bank's prevailing rates for loans to cooperatives: *Provided*, That these conduits shall have an interest spread of not more than five (5) percentage points. The interest spread shall exclude crop insurance premiums and guarantee fees: *Provided, further*, That a conduit cannot lend to another conduit. Criteria for eligibility under this special socialized credit facility shall be determined by the Bank and shall be reflected in the implementing rules and regulations.

SEC. 3. General Powers. – The Bank shall have the power to:

- (a) Prescribe, repeal and alter its own by-laws, to determine its operating policies, and to issue such rules and regulations as may be necessary;
- (b) Adopt, alter and use a corporate seal;
- (c) Hold, purchase, acquire and own real and personal property, introduce necessary improvements thereon to enhance and develop their social and economic value, and to sell, mortgage or otherwise dispose of the same;
- (d) Sue and be sued, make contracts, negotiate and secure loans from both local and foreign sources. Before undertaking any such credit operation, the Bank through the Secretary

of Finance, shall request the opinion, in writing, of the Monetary Board on the monetary implications of the contemplated action. All loans from foreign sources shall be subject to approval by the President of the Philippines and shall be fully guaranteed by the Philippine Government;

(e) Grant short, medium and long term loans and advances against security of real estate or other acceptable assets for the establishment, development or expansion of agricultural, industrial, home building or home financing projects and other productive enterprises;

(f) Grant loans to farmers' cooperatives and associations to facilitate farm production, marketing of crops and acquisition of essential commodities;

(g) Underwrite, hold, own, purchase, acquire, sell, mortgage, dispose or otherwise invest or reinvest in stocks, bonds, debentures, securities and other evidences of indebtedness of other corporations and the government or its instrumentalities which are issued for or in connection with any project or enterprise;

(h) Guarantee acceptances, credits, loans, transactions or obligations of any person, co-partnership, association or corporation in favor of any financing or banking institution, whether foreign or domestic: *Provided*, That the proceeds of such acceptances, credits, loans, transactions or obligations are utilized or earmarked for the development and/or expansion of agriculture and industry the provision of any law to the contrary notwithstanding;

(i) Borrow from, or rediscount notes, bills of exchange and other credit instruments with the BSP subject to the provisions of Chapter IV of Republic Act No. 7653 as amended by Republic Act No. 11211, otherwise known as the New Central Bank Act and relevant BSP rules and regulations;

(j) Act as a trustee, or administer any trust or hold property in trust in accordance with the provisions of law governing trust corporations;

(k) Act as an official government depository with full authority to maintain deposits of the government, its branches, subdivisions and instrumentalities, and of government-owned or controlled corporations which deposits shall be subject to liquidity floor or reserve requirements as may be imposed by the Monetary Board upon other commercial banks;

(l) Strengthen the capital base of the Bank, to establish a national marketing federation of farmers and fisheries cooperatives to attract massive capital formation from savings deposits of the cooperative members nationwide;

(m) Offer and issue common and preferred shares of stocks in such manner and in such quantities as approved by the Secretary of Finance upon the recommendation of the Board of Directors and in accordance with applicable laws, rules and regulations: *Provided, however*, That the National Government shall maintain, at all times, at least three-fourths (3/4) ownership of the total outstanding capital stock of the Bank.

The holders of preferred shares of stock shall be non-voting. Other features of preferred shares shall be determined by the Board of Directors in accordance with applicable laws and regulations; and

(n) Exercise the general powers provided for in Republic Act No. 11232, otherwise known as the “Revised Corporation Code of the Philippines”, and the universal banking powers under Republic Act No. 8791, otherwise known as “The General Banking Law of 2000”, insofar as they are not inconsistent or incompatible with this Charter.

SEC. 4. *Issuance of Bonds.* – The Bank, shall, upon the approval of the Secretary of Finance, issue all kinds of bonds, debentures, securities, collaterals and other evidence of indebtedness and/or the renewal or refunding thereof; at such terms, rates and conditions as the Bank may determine, up to an aggregate amount not exceeding, at any one time, ten times its paid-in capital and surplus, subject to compliance with the provisions of applicable law, and rules and regulations promulgated by the Monetary Board.

These bonds and other obligations shall be redeemable at the option of the Bank at or before maturity and in such manner as may be stipulated therein and shall bear such rate of interest as may be fixed by the Bank. Such obligations shall be secured by the assets of the Bank including the stocks, bonds, debentures, and other securities underwritten, purchased or held by it under the provisions of this Charter. Such obligations may be issued in payment or replacement of certain assets transferred to the Bank or offered for sale at such price or prices as the Bank may determine, and shall be fully guaranteed by the Government of the Republic of the Philippines, and such guarantee shall be expressed on the face thereof.

These instruments of indebtedness shall be negotiable and may be mortgaged in accordance with established banking procedures and practices with government institutions, their existing charters and existing law to the contrary notwithstanding, to enable the holders of such bonds to make use of them in investments in productive enterprises. The Board of Directors shall have the power to prescribe rules and regulations for the issuance, reissuance, servicing, placement and redemption of the bonds herein authorized to be issued as well as the registration of such bonds at the request of the holders thereof.

SEC. 5. *Investment by Government-Owned or Controlled Corporations.* – The provisions of their respective charters to the contrary notwithstanding, all government-owned or controlled corporations, including government financial institutions, are authorized to invest in preferred shares of the Bank or accept those shares in exchange for any of their assets or properties under such terms and conditions as shall be agreed upon between the corporations or institutions concerned and the Bank.

SEC. 6. *Capital.* – The Board, upon the recommendation of the Secretary of Finance and with the approval of the President of the Philippines, may increase the capitalization of the Bank up to such an amount as may be necessary to attain the objectives of this Charter, and may allocate part or all of the Bank's unrestricted retained earnings towards paying for the increase in authorized capital stock.

SEC. 7. *Preferred Shares.* – All preferred shares of stock issued under this Charter shall be entitled to the income earned by the Bank on its investment and other operations; *Provided*, That the holders of such preferred shares of stock shall not bring derivative suits against the Bank.

SEC. 8. *Voting of Shares.* – The voting power of all the common shares of stock of the Bank owned and controlled by the Government shall be vested in the President of the

Philippines or in any ex-officio member of the Board of Directors of the Bank or their respective alternates, as may be designated by the ex-officio member.

SEC. 9. *The Board of Directors and Membership.* – The affairs and business of the Bank shall be directed and its property managed and preserved by a Board of Directors consisting of eleven (11) members to be composed of the Secretary of Finance as Chairperson, the President of the Bank as Vice Chairperson, the Secretary of Agrarian Reform, the Secretary of Labor, the Secretary of the National Economic and Development Authority and the Secretary of Agriculture as ex-officio members. The President of the Philippines shall appoint two (2) members of the Board who shall represent the agrarian reform beneficiaries and three (3) members who shall represent the private sector in accordance with the appointment process under Republic Act No 10149, otherwise known as the “GOCC Governance Act of 2011”.

The annual stockholders meeting shall be held on the first Tuesday of December.

The appointive members of the Board shall hold a term of office for one (1) year and shall continue to hold office until their successor shall have been qualified and appointed. The Board shall convene as often as necessary to discharge its responsibilities properly, but shall meet at least once every two (2) weeks. The Board may be convoked either by the Chairperson or in one's absence, the Vice- Chairperson.

The majority of the board members shall constitute a quorum. All decisions of the Board shall require the concurrence of at least the majority of its members.

No person shall be elected or appointed director of the Bank unless such person is a natural born citizen of the Philippines, not less than thirty-five (35) years of age, of good moral character, and has attained proficiency, expertise and recognized competence in one or more of the following: banking, finance, economics, law, agriculture, agrarian reform, business management.

SEC. 10. *Powers and Responsibilities of the Board.* – The Board of Directors shall have the following specific powers and responsibilities:

(a) Formulate policies, rules and regulations for the effective operation of the Bank and issue such rules and regulations as it may deem necessary to effectively implement the provisions of this Charter;

(b) Decide on matters concerning loans, as well as fix the rates of interest thereon, guarantees, investments, borrowings by the Bank, furnishing of technical assistance and other operations of the Bank;

(c) Establish such branches and agencies as may be deemed necessary and convenient;

(d) Ensure the appointment and removal of such personnel as may be necessary for the expeditious conduct of the business of the Bank, except the President of the Bank, who shall also be exempt from the manner of appointment and removal provided under Section 18 of Republic Act No. 10149: *Provided*, That, the President and CEO of the Bank shall be subject to appointment and removal by the President of the Philippines, upon recommendation by the Secretary of Finance;

(e) Notwithstanding any law to the contrary, adopt and review the organizational structure, staffing pattern and personnel qualification standards of the Bank and to reorganize, rationalize and restructure the same, or realign the various functions in the Bank to ensure effective accomplishment of its mandates and strategic goals, the alignment of its organizational structure and staffing pattern with industry standards, and its responsiveness to regulatory requirements;

(f) Design, adopt and revise, as it may deem necessary, an early separation plan for employees of the Bank to ensure the availability of a human resource pool qualified and capable of implementing the Bank's authorities under this Charter a manner responsive and attuned to market developments, and to provide incentives for those who shall be separated from the service. Notwithstanding any law to the contrary, these incentives shall be in addition to all gratuities and benefits the employee is entitled under existing laws;

(g) Approve the budget of the Bank for its operations; and

(h) Enter into compromise or release in whole or in part, any claim or liability whatsoever for or against the Bank, including interest penalties, fees and other charges, under such terms and conditions as the board may find acceptable and practicable in accordance with standard banking practices, subject to its best business judgment, and the best interest of the corporation.

SEC. 11. *Corporate Social Responsibility Principles.* – As an integral part of the National Government, the Bank is inherently mandated to be socially responsible, to act and operate as good corporate citizens. The Governing Board of the Bank shall recognize and perform obligations that the Bank has towards the National Government, its majority stockholder, as well as the minority stockholders when existing together with the employees, suppliers, customers and other stakeholders, and the communities in which it operates.

SEC. 12. *Foreclosure of Collaterals and Disposal of Bank Acquired Properties.* – The foreclosure of collaterals and disposal of bank acquired properties shall be governed by the following:

(a) *Foreclosure of Mortgage Collaterals.* – Foreclosure of mortgage collaterals to loan may be made either judicially or extrajudicially: *Provided*, That movable collaterals may be foreclosed in its present condition or following any commercially reasonable manner in accordance with Republic Act No. 11057 otherwise known as the “Personal Property Security Act”;

(b) *Deputization of Legal Staff.* – The Bank may, with the approval of the court, deputize any member of its legal staff to act as special sheriff in foreclosure cases, in the sale or attachment of debtor's properties and in the enforcement of court writs and processes in cases involving the Bank. The special sheriff of the Bank shall make a report to the proper court after any action has been taken by such special sheriff, which court shall treat such actions as if it were an act of its own sheriffs in all respect;

(c) *Disposal of Real Estate and Other Properties in the Collection of Debt.* – Real estate and other properties acquired by the Bank in the collection of debts or investment by way of foreclosure or other means shall be sold or disposed of in accordance with law within five (5) years after their respective dates of acquisition.

The Bank is also authorized to sell its acquired real estate and other properties to a Financial Institutions Strategic Transfer Corporation (FISTC), in accordance with the provisions of Republic Act No. 11523 or the “Financial Institutions Strategic Transfer (FIST) Act”.

For this purpose, the Board of Directors shall be the appropriate regulatory authority and promulgate the necessary implementing rules and regulations;

(d) *Exemption from Attachment.* – The provisions of any law to the contrary notwithstanding, securities on loans and other credit accommodations granted by the Bank shall not be subject to attachment or execution or any other court process, nor shall they be included in the property of insolvent persons or institutions, unless all debts and obligations of the debtors to the bank have been paid, including accrued interest, penalties, collection expenses, and other charges; and

(e) *Right of Redemption of Foreclosed Property, Right of Possession during Redemption Period.* – Within the redemption period provided for in Section 47 of the General Banking Law of 2000, the mortgagor shall have the right to redeem the property by paying all claims of the Bank against such mortgagor on the date of the sale including all the cost and other expenses incurred by reason of the foreclosure sale and custody of the property, as well as charges and accrued interest. The Bank may take possession of the foreclosed property during the redemption period. When the Bank takes possession during such period, it shall be entitled to the fruits of the property with no obligation to account for them, the same being considered compensation for the interest that would otherwise accrue on the account. Neither shall the Bank be obliged to post a bond for the purpose of such possession.

SEC. 13. *Compensation of Executive Officers.* – The President of the Bank shall be its Chief Executive Officer whose salary shall be based on the Compensation and Position Classification System developed by the Governance Commission for Government-Owned or Controlled Corporations (GCG) and as approved by the President of the Philippines upon recommendation by the Secretary of Finance. The sum total of the salary allowances, benefits and other emoluments of the President of the Bank shall be higher than the compensation package of the next highest ranking executive of the Bank.

The President shall be assisted by Vice Presidents and other officials whose appointment and removal for cause shall be approved by the Board of Directors upon recommendation of the President of the Bank. The salary of the Vice President and other officials shall be based on the Compensation and Classification System established by the GCG and as approved by the President of the Philippines upon recommendation of the Secretary of Finance. During the absence or temporary incapacity of the President, or in case of vacancy or permanent incapacity and pending appointment of a new President of the Bank, the Board of Directors shall designate the officer-in-charge of the Bank.

SEC. 14. *Duties and Powers of the Bank President.* – The President of the Bank shall execute the policies, measures, orders and resolutions promulgated by the Board of Directors and supervise and administer the operations of the Bank. The President shall be the legal representative of the Bank and shall make all contracts, enter into all necessary obligations on behalf of the Bank required or permitted by this Charter. The President shall report periodically to the Board of Directors the main facts concerning the operations of the Bank, and

recommended changes of policies which may seem best. The President shall furnish, upon the request of the President of the Philippines, any information regarding the operations of the Bank.

SEC. 15. *Qualifications of Executive Officers.* – No person shall be appointed to any executive position in the Bank mentioned in the preceding section unless that person is of good moral character and of unquestionable integrity and responsibility, and who is of recognized competence in the field of economics, agriculture, industry, law, banking or finance, and possessed of demonstrated administrative skill and ability.

SEC. 16. *Withdrawal of Persons having Personal Interest.* – In addition to the requirements of Republic Act No. 6713, otherwise known as the “Code of Conduct and Ethical Standards for Public Officials and Employees”, whenever any member attending a meeting of the Board has a personal interest in the discussion or resolution of any given matter, or any of the relatives within the fourth degree of consanguinity or a second degree of affinity has such interest, said member shall disclose such interest to the Board and shall not participate in the discussion or resolution of the matter and must retire from the meeting during the deliberations thereon. The subject matter, when resolved, and the fact that a member had a personal interest in it shall be disclosed to the public. The minutes of the meeting shall reflect the disclosure made and the recusal of the member concerned.

SEC. 17. *Personnel.* – The Board of Directors shall provide for an organization and staff of officers and employees of the Bank and upon recommendation of the President of the Bank, appoint and remove such officers and employees: *Provided*, That the Board shall have exclusive and final authority to promote, transfer, assign or reassign personnel of the Bank, any provisions of existing law to the contrary notwithstanding.

All positions in the Bank shall be governed by the Compensation and Classification System established by the GCG and as approved by the President of the Philippines upon recommendation by the Secretary of Finance.

The Bank officers and employees, including all members of the Board, shall not engage directly or indirectly in partisan political activities or take part in any election except to vote.

No officer or employee of the Bank subject to civil service law and regulations shall be removed or suspended except for cause as provided for by law and after due process of law.

SEC. 18. *Legal Counsel.* – Any provision of existing law or executive order to the contrary notwithstanding, the Bank shall have its own Legal Department which shall have the power to represent the Bank in cases filed before courts, tribunals, and quasi-judicial bodies, render opinions, prepare and review contracts/agreements. The Head and members of the Legal Department shall be appointed by the Board of Directors.

In appropriate cases, the Bank may also avail of the legal services of the Office of the Government Corporate Counsel: *Provided, however*, That the present Legal Services Group in the Bank shall serve as its in-house legal counsel.

TRANSITORY PROVISIONS

SEC. 19. *Reorganization of the Bank.* – Within one hundred eighty (180) days after the effectivity of this Act, and whenever necessary thereafter, the Bank is hereby authorized to reorganize and/or rationalize the Bank's organizational structure to attract fresh and critical talents to join the Bank's workforce in response to dynamic industry trends, incentivize early separation of tenured employees and those with medical conditions who will be considered for retirement before the optional retirement age of sixty (60) years old, and improve headcount management and succession planning.

All those who shall retire from the service or are separated therefrom on account of the reorganization of the Bank under the provisions of this Charter shall be entitled to all gratuities and benefits provided for under existing laws and/or supplementary retirement plans adopted by and effective in the Bank.

SEC. 20. *Penalty for Violation of the Provisions of this Charter.* – Any director officer, employee or agent of the Bank who violates or permits the violation of any of the provisions of this Charter or any person aiding or abetting the violation of any of the provisions of this Charter, shall be punished by a fine of not to exceed Five hundred thousand pesos (P 500,000.00) or by imprisonment of not more than five (5) years, or both such fine and imprisonment at the discretion of the Court.

SEC. 21. *Separability Clause.* – If any provision of this Act is subsequently declared invalid or unconstitutional, the other provisions hereof which are not affected thereby shall remain in full force and effect.

SEC. 22. *Repealing Clause.* – Sections 74 to 100 of Republic Act No. 3844. Otherwise known as the Agricultural Land Reform Code, as amended, are hereby repealed. All laws, executive orders, rules and regulations, or parts thereof inconsistent with any provisions hereof are hereby repealed or modified accordingly.

SEC. 23. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,