



HOUSE OF REPRESENTATIVES

H. No. 5360

BY REPRESENTATIVES APOSTOL, RODRIGUEZ (R.), RODRIGUEZ (M.),
ROMUALDO, GOLEZ (R.), CORTUNA, LICO, PAEZ, PICHAY, DEFENSOR,
LAPUS AND GUANLAO, PER COMMITTEE REPORT NO. 1423

AN ACT ALLOWING FOREIGN EQUITY IN RURAL BANKS,
AMENDING FOR THE PURPOSE REPUBLIC ACT NO. 7353,
OTHERWISE KNOWN AS THE "RURAL BANKS ACT OF 1992"

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

1 SECTION 1. Section 4 of Republic Act No. 7353 is hereby amended to
2 read as follows:

3 "SEC. 4. No rural bank shall be operated without a
4 certificate of authority from the Monetary Board of the [Central
5 Bank] **BANGKO SENTRAL NG PILIPINAS**. Rural banks shall be
6 organized in the form of stock corporations. [Upon consultation
7 with the rural banks in the area, duly established cooperatives
8 and corporations primarily organized to hold equities in rural
9 banks may organize a rural bank and/or subscribe to the shares of
10 stock of any rural bank: *Provided*, That a cooperative or
11 corporation owning or controlling the whole or majority of the
12 voting stock of the rural bank shall be subject to special
13 examination and to such rules and regulations as the Monetary

1 Board may prescribe. With the exception of shareholdings of
2 corporations organized primarily to hold equities in rural banks
3 as provided for under Section 12-C of Republic Act No. 337, as
4 amended, and of Filipino-controlled domestic banks, the capital
5 stock of any rural bank shall be fully owned and held directly or
6 indirectly by citizens of the Philippines or corporations,
7 associations or cooperatives qualified under Philippine laws to
8 own and hold such capital stock: *Provided*, That any provisions
9 of existing laws to the contrary notwithstanding, stockholdings in
10 a rural bank shall be exempt from any ownership ceiling for a
11 period of ten (10) years from the approval of this Act: *Provided*,
12 *further*, That any such exemption shall require the approval of
13 the Monetary Board.] **NON-FILIPINO CITIZENS MAY OWN,
14 ACQUIRE, OR PURCHASE UP TO FORTY PERCENT (40%) OF THE
15 VOTING STOCK OF A RURAL BANK. WHERE A NEW BANK IS
16 ESTABLISHED AS A RESULT OF A MERGER OR CONSOLIDATION
17 OF A RURAL BANK WITH ANOTHER BANK WITH FOREIGN
18 HOLDINGS, THE RESULTING FOREIGN HOLDINGS IN EXCESS OF
19 THE CEILING PRESCRIBED HEREIN SHALL NOT BE INCREASED
20 BUT MAY BE REDUCED, AND ONCE REDUCED, SHALL NOT BE
21 INCREASED THEREAFTER BEYOND FORTY PERCENT (40%) OF
22 THE VOTING STOCK OF THE RURAL BANK. THE PERCENTAGE
23 OF THE FOREIGN-OWNED VOTING STOCKS IN A RURAL BANK
24 SHALL BE DETERMINED BY THE CITIZENSHIP OF THE
25 INDIVIDUAL STOCKHOLDERS IN THAT RURAL BANK. THE
26 CITIZENSHIP OF THE CORPORATION WHICH IS A
27 STOCKHOLDER IN A RURAL BANK SHALL FOLLOW THE
28 CITIZENSHIP OF ITS CONTROLLING STOCKHOLDERS
29 IRRESPECTIVE OF THE PLACE OF INCORPORATION. If**

1 subscription of private shareholders to the capital stock of a rural
2 bank cannot be secured or is not available, or insufficient to meet
3 the normal credit needs of the locality, the Land Bank of the
4 Philippines, the Development Bank of the Philippines, or any
5 government-owned or -controlled bank or financial institution,
6 on representation of the said private shareholders but subject to
7 the investment guidelines, policies and procedures of the bank or
8 financial institution and upon approval of the Monetary Board of
9 the [Central Bank] BANGKO SENTRAL NG PILIPINAS, shall
10 subscribe to the capital stock of such rural bank, which shall be
11 paid in full at the time of subscription, in an amount equal to the
12 fully paid subscribed and unimpaired capital of the private
13 stockholders or such amount as the Monetary Board may
14 prescribe as may be necessary to promote and expand rural
15 economic development: *Provided, however,* That such shares of
16 stock subscribed by the Land Bank of the Philippines, the
17 Development Bank of the Philippines or any government-owned
18 or -controlled bank or financial institution may be sold at any
19 time at market value to private individuals who are citizens of the
20 Philippines: *Provided, finally,* That in the sale of shares of stock
21 subscribed by the Land Bank of the Philippines, the
22 Development Bank of the Philippines or any government-owned
23 or -controlled bank or financial institution, the registered
24 stockholders shall have the right of preemption within one (1)
25 year from the date of offer in proportion to their respective
26 holdings, but in the absence of such buyer, preference, however,
27 shall be given to residents of the locality or province where the
28 rural bank is located.”

1 SEC. 2. Section 5 of the same Act is hereby amended to read as
2 follows:

3 “SEC. 5. [All members of the Board of Directors of the
4 rural bank shall be citizens of the Philippines at the time of their
5 assumption to office] **NON-FILIPINO CITIZENS MAY BECOME**
6 **MEMBERS OF THE BOARD OF DIRECTORS OF A RURAL BANK TO**
7 **THE EXTENT OF THEIR FOREIGN PARTICIPATION IN THE**
8 **EQUITY OF SAID BANK: *Provided, however,*** That nothing in this
9 Act shall be construed as prohibiting any appointive or elective
10 public official from serving as director, officer, consultant or in
11 any capacity in the bank.

12 “X X X.”

13 SEC. 3. The Bangko Sentral ng Pilipinas, consistent with Section 11 of
14 Republic Act No. 7353, shall prescribe the necessary rules and regulations on
15 the amendments of the Rural Banks Act of 1992 in consultation with various
16 stakeholders as well as disseminate this information to allow entry of foreign
17 equity into our rural bank system to revitalize the rural banking industry and
18 improve access of banking services to the rural areas in the country.

19 The implementing rules and regulations shall be published within ninety
20 (90) days from the publication of this Act in two (2) newspapers of general
21 circulation.

22 SEC. 4. This Act shall take effect fifteen (15) days following the
23 completion of its publication either in the *Official Gazette* or in any newspaper
24 of general circulation in the Philippines.

 Approved,