



Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**Eighteenth Congress**  
First Regular Session

House Bill No. 4256



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**Introduced by Representatives Sharon S. Garin, Alfredo A. Garbin, Jr.,  
and Claudine Diana D. Bautista**

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**EXPLANATORY NOTE**

Undeniably, rural banks have substantial contribution in the countryside development. Having sufficient capital, rural banks can provide its clientele banking services responsive to its needs, and reach out to the unbanked and undeserved population.

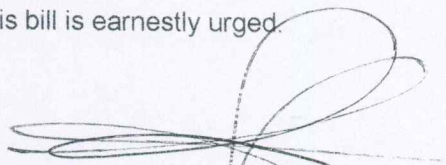
As mandated by law, rural banks primarily serve the agriculture and fisheries sector. Agriculture sector is said to be the second largest generator of employment in the country. Workers from agriculture sectors are also among the poorest citizen. Hence, investment in the sector can help alleviate poverty in the country.

This bill seeks to encourage the establishments of rural banking system in remote and far-flung areas of the country. It also aims to primarily sustain the credit needs of farmers, fisherfolks and similar agricultural workers by mandating the Landbank of the Philippines, Development Bank of the Philippines and other government-owned and controlled banks and financial institution to subscribe to the capital stock of the rural bank requiring the needs of funds. Among others, the measure provides for an easier way in the agricultural sector or workers to borrow money for their livelihood needs.

The presence of sustainable rural banks capable of providing much-needed capital to boost agricultural activities can economically empower farmers, fisher folk and small entrepreneurs, and stir economic activities in the rural areas.

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

  
**SHARON S. GARIN**  
AAMBIS-OWA Party List

  
**ALFREDO A. GARBIN, JR.**  
AKO-BICOL Party List

  
**CLAUDINE DIANA D. BAUTISTA**  
DUMPER PTDA Party List



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House Bill No. 4256

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**Introduced by Representative Sharon S. Garin**

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

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

**SECTION 1.** This act shall be known as the "Rural and Community Banking Act."

**SEC. 2.** Section 2 of the Republic Act No. 7353, as amended, is hereby amended to read as follows :

**"SEC. 2.** The State hereby recognizes the need to promote comprehensive LOCAL COMMUNITY [rural] development ACROSS THE COUNTRY with the end in view of attaining equitable distribution of opportunities, income and wealth; a sustained increase in the amount of goods and services produced by LOCAL COMMUNITIES [the nation of the benefit of the people;] and in expanding productivity as a key OBJECTIVE TO [raising] IMPROVE the quality of life for all, especially the underprivileged.

Towards these ends, the State hereby encourages and assists in the establishment of rural banking system [designed to make needed credit available and readily accessible in the rural areas on reasonable terms] AND THE CONTINUOUS OPERATION OF RURAL BANKS, BEING THE MAIN CHANNEL FOR FINANCIAL INCLUSION - IN THE PURSUIT OF MAKING FINANCIAL SERVICES ACCESSIBLE TO ALL INDIVIDUALS

AND BUSINESS ENTITIES, ESPECIALLY IN THE RURAL AREAS, IRRESPECTIVE OF NET WORTH AND SIZE.”

**SEC. 3.** Section 3 of the Republic Act No. 7353, as amended, is hereby amended to read as follows :

“**SEC. 3.** In furtherance of this policy, the Monetary Board of the [Central Bank of the Philippines] BANGKO SENTRAL NG PILIPINAS shall formulate the necessary rules and regulations governing the establishment, SUPERVISION and operation of rural banks [for the purpose of providing adequate credit facilities to farmers and merchants, or to cooperatives of such farmers and merchants and in general, the people of the rural communities, and to supervise the operation of such banks] TO ENSURE THAT THEY CAN PERFORM THEIR MANDATE.”

**SEC. 4.** Section 4 of the Republic Act No. 7353, as amended, is hereby amended to read as follows :

“**SEC. 4.** [No rural bank shall be operated without a Certificate of Authority from the Monetary Board of the Bangko Sentral ng Pilipinas. Rural banks shall be organized in the form of stock corporations. No less than forty percent (40%) of the voting stocks of a rural bank shall be owned by citizens of the Philippines or corporations or associations organized under the laws of the Philippines at least sixty percent (60%) of whose capital is owned by such citizens. Non-Filipino citizens may own, acquire or purchase up to sixty percent (60%) of the voting stocks in a rural bank. The percentage of foreign-owned voting stocks shall be determined by the citizenship of the individual or corporate stockholders of the rural bank. Upon consultation with the rural banks in the area, duly established cooperatives and corporations primarily organized to hold equities in rural banks may organize a rural bank and/or subscribe to the shares of stock of any rural bank: Provided, That a cooperative or corporation owning or controlling the whole or majority of the voting stock of the rural bank shall be subject to special examination and to such rules and regulations as the Monetary Board may prescribe. If subscription of a private shareholders to the capital stock of a rural bank cannot be secured or is not available, or insufficient to meet the normal credit needs of the locality, the Land Bank of the Philippines, the Development Bank of the Philippines, or any government-owned or controlled bank or financial institution, on representation of the said private shareholders about subject to the investment guidelines, policies and procedures of the bank or financial institution and upon approval of the Monetary Board of the Bangko Sentral ng Pilipinas, shall subscribe to the capital stock of such rural bank, which shall be paid in full at the time of subscription, in an amount equal to the fully paid subscribed and unimpaired capital

of the private stockholders or such amount as the Monetary Board may prescribe as may be necessary to promote and expand rural economic development: Provided, however, That such shares of stock subscribed by the Land Bank of the Philippines or any government-owned or controlled bank or financial institution may be sold at any time at adjusted book value: Provided, finally, That in the sale of shares of stock subscribed by the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or controlled bank or financial institution, the registered stockholders shall have the right of preemption within one (1) year from the date of offer in proportion to their respective holdings, but in the absence of such buyer, preference, however, shall be given to the residents of the locality or province where the rural bank is located.]

RURAL BANKS SHALL BE ORGANIZED IN THE FORM OF STOCK CORPORATIONS, AND NO RURAL BANK SHALL BE OPERATED WITHOUT A CERTIFICATE OF AUTHORITY FROM THE MONETARY BOARD OF THE BANGKO SENTRAL NG PILIPINAS.

UPON CONSULTATION WITH THE RURAL BANKS IN THE AREA, DULY ESTABLISHED COOPERATIVES AND CORPORATIONS PRIMARILY ORGANIZED TO HOLD EQUITIES IN RURAL BANKS MAY ORGANIZE A RURAL BANK AND/OR SUBSCRIBE TO THE SHARES OF STOCK OF ANY RURAL BANK; PROVIDED, THAT A COOPERATIVE OR CORPORATION OWNING OR CONTROLLING THE WHOLE OR MAJORITY OF THE VOTING STOCK OF THE RURAL BANK SHALL BE SUBJECT TO SPECIAL EXAMINATION AND TO SUCH RULES AND REGULATIONS AS THE MONETARY BOARD MAY PRESCRIBE."

**SEC. 5.** A new Section 4.1 is hereby inserted after Section 4 of the Republic Act No. 7353, as amended, to read as follows :

**SEC. 4.1** WITH THE EXCEPTION OF SHAREHOLDINGS OF CORPORATIONS ORGANIZED PRIMARILY TO HOLD EQUITIES IN RURAL BANKS AS PROVIDED FOR UNDER SECTION 12-C OF REPUBLIC ACT NO. 337 – GENERAL BANKING LAW, AS AMENDED, AND OF FILIPINO-CONTROLLED DOMESTIC BANKS, AT LEAST 60% OF THE CAPITAL STOCK OF ANY RURAL BANK SHALL BE OWNED AND HELD DIRECTLY OR INDIRECTLY BY CITIZENS OF THE PHILIPPINES OR CORPORATIONS, ASSOCIATIONS OR COOPERATIVES QUALIFIED UNDER PHILIPPINE LAWS TO OWN AND HOLD SUCH CAPITAL STOCK EXCEPT FOR:

(1) INVESTORS FROM ASEAN COUNTRIES UNDER THE ASEAN INTEGRATION PROGRAM;

(2) EXISTING RURAL BANKS WITH FOREIGN EQUITY UNDER REPUBLIC ACT NO. 10641: AN ACT ALLOWING FULL ENTRY OF FOREIGN BANKS IN THE PHILIPPINES, AND;

(3) ALL OTHER BANKS IN THE PROCESS OF ACCEPTING FOREIGN EQUITY WITHIN ONE YEAR FROM THE EFFECTIVITY OF THIS ACT.

**SEC. 6.** A new Section 4.2 is hereby inserted after Section 4 of the Republic Act No. 7353, as amended, to read as follows :

**"SEC. 4.2** IN CASE THE FOLLOWING CONDITIONS ARE PRESENT, THE LAND BANK OF THE PHILIPPINES, THE DEVELOPMENT BANK OF THE PHILIPPINES, OR ANY GOVERNMENT-OWNED OR CONTROLLED BANK OR FINANCIAL INSTITUTION MUST SUBSCRIBE TO THE CAPITAL STOCK OF SUCH RURAL BANK, WHICH SHALL BE PAID IN FULL AT THE TIME OF SUBSCRIPTION, IN AN AMOUNT EQUAL TO THE FULLY PAID, SUBSCRIBED AND UNIMPAIRED CAPITAL OF THE PRIVATE STOCKHOLDERS, OR SUCH AMOUNT AS THE MONETARY BOARD MAY PRESCRIBE AS MAY BE NECESSARY TO PROMOTE AND EXPAND RURAL ECONOMIC DEVELOPMENT:

(1) TO COMPLY WITH THE MINIMUM CAPITAL REQUIREMENTS AS ESTABLISHED BY THE BANGKO SENTRAL NG PILIPINAS;

(2) TO PROVIDE ADDITIONAL FUNDS OF AN EXISTING RURAL BANK TO MEET THE NORMAL CREDIT NEEDS OF THE LOCALITY.

*PROVIDED, HOWEVER,* THAT SUCH SHARES OF STOCK SUBSCRIBED BY THE LAND BANK OF THE PHILIPPINES, THE DEVELOPMENT BANK OF THE PHILIPPINES OR ANY GOVERNMENT-OWNED OR CONTROLLED BANK OR FINANCIAL INSTITUTION MAY BE SOLD AT ANY TIME AT MARKET VALUE TO QUALIFIED INDIVIDUALS AND JURIDICAL ENTITIES WHO ARE CITIZENS OF THE PHILIPPINES.

*PROVIDED, FINALLY,* THAT IN THE SALE OF SHARES OF STOCK SUBSCRIBED BY THE LAND BANK OF THE PHILIPPINES, THE DEVELOPMENT BANK OF THE PHILIPPINES OR ANY OF SUCH BUYER, PREFERENCE, HOWEVER, SHALL BE GIVEN TO RESIDENTS AND

JURIDICAL ENTITIES OF THE LOCALITY OR PROVINCE  
WHERE THE RURAL BANK IS LOCATED.”

**SEC. 7.** Section 5 of the Republic Act No. 7353, as amended, is hereby amended to read as follows :

“**SEC 5.** [Non-Filipino citizens may become members of the Board of Directors of a rural bank but their participation in the Board shall be limited to their proportionate share in the equity of the rural bank: Provided, however, That at least one (1) independent director shall be elected to the Board of Directors.

No director or officer of any rural bank shall, either directly or indirectly, for himself or as the representative or agent of another, borrow any of the deposits or fund of such banks, nor shall be become a guarantor, indorser, or surety for loans from such bank to others, or in any manner be an obligor for money borrowed from the bank or loaned by it except with the written approval of the majority of the directors of the bank, excluding the director concerned. Any such approval shall be entered upon the records of the corporation and a copy of such entry shall be transmitted forthwith to the appropriate supervising department. The director/officer of the bank who violates the provisions of this section shall immediately dismissed from his office and shall be penalized in accordance with Section 26 of this Act.

The Monetary Board may regulate the amount of credit accommodations that may be extended directly to the directors, officers or stockholders of rural banks of banking institutions. However, the outstanding credit accommodations which a rural bank may extend to each stockholder owning two percent (2%) or more of the subscribed capital stock, its directors, or officers shall be limited to an amount equivalent to the respective outstanding deposits and book value of the paid-in capital contributions in the bank.]

AT LEAST 60% OF THE MEMBERS OF THE BOARD OF DIRECTORS OF THE RURAL BANK SHALL BE CITIZENS OF THE PHILIPPINES AT THE TIME OF THEIR ASSUMPTION TO OFFICE, SUBJECT TO THE PROVISIONS STATED IN SECTION 4.2 OF THIS ACT.

*PROVIDED, HOWEVER, THAT NOTHING IN THIS ACT SHALL BE CONSTRUED AS PROHIBITING ANY APPOINTIVE OR ELECTIVE PUBLIC OFFICIAL FROM SERVING AS DIRECTOR, OFFICER, CONSULTANT OR IN ANY CAPACITY IN THE BANK.”*

**SEC. 8.** A new Section 5.1 is hereby inserted after Section 5 of the Republic Act No. 7353, as amended, to read as follows :



**“SEC. 5.1** NO DIRECTOR OR OFFICER OF ANY RURAL BANK SHALL, EITHER DIRECTLY OR INDIRECTLY, FOR HIMSELF OR AS THE REPRESENTATIVE OR AGENT OF ANOTHER, BORROW ANY OF THE DEPOSITS OR FUNDS OF SUCH BANKS, NOR SHALL HE BECOME A GUARANTOR, ENDORSER, OR SURETY FOR LOANS FROM SUCH BANK TO OTHERS, OR IN ANY MANNER BE AN OBLIGOR FOR MONEY BORROWED FROM THE BANK OR LOANED BY IT EXCEPT WHEN IT IS WITH THE WRITTEN APPROVAL OF THE MAJORITY OF THE DIRECTORS OF THE BANK, EXCLUDING THE DIRECTOR CONCERNED.

ANY SUCH APPROVAL SHALL BE ENTERED UPON THE RECORDS OF THE CORPORATION AND A COPY OF SUCH ENTRY SHALL BE TRANSMITTED FORTHWITH TO THE APPROPRIATE SUPERVISING DEPARTMENT.

THE DIRECTOR/OFFICER OF THE BANK WHO VIOLATES THE PROVISIONS OF THIS SECTION SHALL BE IMMEDIATELY DISMISSED FROM HIS OFFICE AND SHALL BE PENALIZED IN ACCORDANCE WITH SECTION 25 OF THIS ACT.

**SEC. 9.** A new Section 5.2 is hereby inserted after Section 5 of the Republic Act No. 7353, as amended, to read as follows :

**SEC. 5.2** THE MONETARY BOARD MAY REGULATE THE AMOUNT OF CREDIT ACCOMMODATIONS THAT MAY BE EXTENDED DIRECTLY TO THE DIRECTORS, OFFICERS OR STOCKHOLDERS OF RURAL BANKS OF BANKING INSTITUTIONS.

HOWEVER, THE OUTSTANDING CREDIT ACCOMMODATIONS WHICH A RURAL BANK MAY EXTEND TO EACH OF ITS STOCKHOLDERS OWNING ONE PERCENT (1%) OR MORE OF THE SUBSCRIBED CAPITAL STOCK, ITS DIRECTORS, OR OFFICERS SHALL BE LIMITED TO AN AMOUNT EQUIVALENT TO THE RESPECTIVE UNIMPAIRED OUTSTANDING DEPOSITS AND BOOK VALUE OF THE PAID-IN CAPITAL CONTRIBUTIONS IN THE BANK.”

**SEC. 10.** Section 6 of the Republic Act No. 7353, as amended, is hereby amended to read as follows :

**“SEC. 6** [Loans or advances extended by rural banks organized and operated under this Act shall be primarily for the purpose of meeting the normal credit needs of farmers, fishermen or farm families owning or cultivating land dedicated to agricultural production as well as the normal credit needs of cooperatives

and merchants. In granting of loans, the rural bank shall give preference to the application of farmers and merchant whose cash requirements are small.

Loans may be granted by rural banks on the security of lands without Torrens Title where the owner of private property can show five (5) years on more peaceful, continuous and uninterrupted possession in concept of owner; or of portions of friar land estates or other lands administered by the Bureau of Lands that are covered by sales contracts and the purchase have paid at least five (5) years installment thereon, without the necessity of prior approval and consent by the Director of lands; or of portions of other estates under the administration of the Department of Agrarian Reform or other government agency which are likewise covered by sales contracts and the purchasers have paid at least five (5) years installment thereon, without the necessity of prior approval and consent of the Department of Agrarian Reform or corresponding government agency; or of homesteads or free patent lands pending the issuance of titles but already approved, are issued, the provisions of any law or regulations to the contrary notwithstanding: Provided, That when the corresponding titles are issued, the same shall be delivered to the Register of Deeds of the province where such lands are situated to the annotation of the encumbrance: Provided, further, That in the case of lands pending homestead or free patent titles, copies of notices for the presentation of the final proof shall also be furnished the creditor rural bank and, if the borrower applicants fail to present the final proof within thirty (30) days from date of notice, the creditor rural bank may do so for them at their expense: Provided, furthermore, That the applicant for homestead or free patent has already made improvements on the land and the loan applied for is to be used for further development of the same or for other productive economic activities: Provided, finally, That the appraisal and verification of the status of a land is a full responsibility of the rural bank and any loan granted on any land which shall be found later to be within the forest zone shall be for the sole account of the rural bank.

The foreclosure of mortgage covering loans granted by rural banks and executions of judgment thereon involving real properties levied upon by a sheriff shall be exempt from the publications in newspaper now required by law where the total amount of loan, excluding interest due and unpaid, does not exceed One hundred thousand pesos (P100,000) or such amount as the Monetary Board may prescribe as may be warranted by prevailing economic conditions. It shall be sufficient publication in such cases if the notices of foreclosure and execution of judgment are posted in the most conspicuous area of the municipal building, the municipal public market, the



rural bank, the barangay hall, the barangay public market, if any, where the land mortgaged is situated during the period of sixty (60) days immediately preceding the public auction or execution of judgment. Proof of publication as required herein shall be accomplished by an affidavit of the sheriff or officer conducting the foreclosure sale or execution of judgment and shall be attached with the records of the case: Provided, That when a homestead or free patent is foreclosed, the homesteader or free patent holder, as well as his heirs shall have the right to redeem the same within one (1) year from the date of the registration of the foreclosure in the case of land covered by a Torrens Title: Provided, finally, That in any case, borrowers, especially those who are mere tenants, need only to secure their loans with the procedure corresponding to their share.

A rural bank shall be allowed to foreclose lands mortgaged to it including lands covered by Republic Act No. 6657 (Comprehensive Agrarian Reform Law of 1988) as amended: Provided, That said lands shall be subject to the retention limits provided under Republic Act No. 6657.

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

**RURAL BANKS ORGANIZED AND OPERATED UNDER THIS ACT SHALL BE THE PRIMARY CONDUIT OF GOVERNMENT FUNDS INTENDED FOR THE PURPOSE OF MEETING THE NORMAL CREDIT NEEDS OF INDIVIDUALS, RESIDENTS, ENTREPRENEURS, FARMERS, FISHERMEN AND/OR FARM FAMILIES AS WELL AS FOR THEIR HOUSING AND OTHER PERSONAL CONSUMPTION LOANS AND CREDIT NEEDS.**

**(1) LOANS MAY BE GRANTED BY RURAL BANKS ON THE SECURITY OF LANDS WITHOUT TORRENS TITLE WHERE THE OWNER OF PRIVATE PROPERTY CAN SHOW FIVE (5) YEARS OR MORE OF PEACEFUL,**

CONTINUOUS AND UNINTERRUPTED POSSESSION  
IN CONCEPT OF OWNER; OR

(2) PORTIONS OF FRIAR LAND ESTATES OR OTHER LANDS ADMINISTERED BY THE BUREAU OF LANDS THAT ARE COVERED BY SALES CONTRACTS AND THE PURCHASERS HAVE PAID AT LEAST FIVE (5) YEARS INSTALMENT THEREON, WITHOUT THE NECESSITY OF PRIOR APPROVAL AND CONSENT BY THE DIRECTOR OF LANDS, OR OF PORTIONS OF OTHER ESTATES UNDER THE ADMINISTRATION OF THE DEPARTMENT OF AGRARIAN REFORM OR OTHER GOVERNMENTAL AGENCY WHICH ARE LIKEWISE COVERED BY SALES CONTRACTS AND THE PURCHASERS HAVE PAID AT LEAST FIVE (5) YEARS INSTALMENT THEREON, WITHOUT THE NECESSITY OF PRIOR APPROVAL AND CONSENT OF THE DEPARTMENT OF AGRARIAN REFORM OR CORRESPONDING GOVERNMENTAL AGENCY; OR

(3) HOMESTEAD TAX DECLARATIONS OR FREE PATENT LANDS PENDING THE ISSUANCE OF TITLES BUT ALREADY APPROVED, THE PROVISIONS OF ANY LAW OR REGULATIONS TO THE CONTRARY NOTWITHSTANDING: PROVIDED, THAT WHEN THE CORRESPONDING TITLES ARE ISSUED, THE SAME SHALL BE DELIVERED TO THE REGISTER OF DEEDS OF THE PROVINCE WHERE SUCH LANDS ARE SITUATED FOR THE ANNOTATION OF THE ENCUMBRANCE."

**SEC. 11.** A new Section 6.1 is hereby inserted after Section 6 of the Republic Act No. 7353, as amended, to read as follows :

**"SEC. 6.1** IN THE CASE OF LANDS PENDING ISSUANCE OF HOMESTEAD TAX DECLARATIONS OR FREE PATENT TITLES, COPIES OF THE NOTICES FOR THE PRESENTATION OF THE FINAL PROOF SHALL ALSO BE FURNISHED THE CREDITOR RURAL BANK AND, IF THE BORROWER APPLICANTS FAIL TO PRESENT THE FINAL PROOF WITHIN THIRTY (30) DAYS FROM DATE OF NOTICE, THE CREDITOR RURAL BANK MAY DO SO FOR THEN AT THEIR EXPENSE:

*PROVIDED, HOWEVER, THAT THE APPLICANT FOR HOMESTEAD OR FREE PATENT HAS ALREADY MADE IMPROVEMENTS ON THE LAND AND THE LOAN APPLIED FOR IS TO BE USED FOR FURTHER DEVELOPMENT OF THE SAME OR FOR OTHER PRODUCTIVE ECONOMIC ACTIVITIES:*

*PROVIDED, FURTHER, THAT THE RESPONSIBILITY FOR THE APPRAISAL AND VERIFICATION OF THE STATUS OF A LAND SHALL BE INCUMBENT UPON THE RURAL BANK; AND ANY LOAN GRANTED ON ANY LAND WHICH SHALL BE FOUND LATER TO BE WITHIN THE FOREST ZONE SHALL BE FOR THE SOLE ACCOUNT OF THE RURAL BANK."*

**SEC. 12.** A new Section 6.2 is hereby inserted after Section 6 of the Republic Act No. 7353, as amended, to read as follows :

**"SEC. 6.2** ASIDE FROM THE GRANTING OF LOANS AGAINST LANDS WITHOUT TORRENS TITLE, THE SERVICING RURAL BANK MAY INCLUDE AS ADDITIONAL SERVICE TO THE BORROWER IN EXCHANGE FOR REASONABLE FEES THE FACILITATION WORK IN THE ISSUANCE OF TITLE THROUGH PREPARATION OF PERTINENT DOCUMENTS, GATHERING OF SUPPORTING ARTICLES AND FILING OF APPROPRIATE APPLICATION WITH CONCERNED GOVERNMENT AGENCIES IN BEHALF OF THE OWNER. IN RELATION TO THE REQUIREMENTS IN THE ISSUANCE OF TITLES, THE DEPARTMENT OF ENVIRONMENT NATURAL RESOURCES (DENR) OR OTHER GOVERNMENT AGENCIES WITH LAND SURVEYING FUNCTIONS SHALL PROVIDE FREE LAND SURVEYING SERVICES IN FAVOR OF SMALL FARMERS AND MICRO-ENTREPRENEURS ON THE CONDITION THAT BENEFICIARIES DO NOT HAVE ANY OTHER EXISTING OWNERSHIP OF RESIDENTIAL LAND AND IN THE CASE OF AGRICULTURAL LAND, IT SHOULD NOT BE MORE THAN THREE HECTARES IN AGGREGATE SIZE TO GIVE PREFERENTIAL TREATMENT FOR SMALL FARMERS AND OTHER MARGINALIZED SECTORS."

**SEC. 13.** A new Section 6.3 is hereby inserted after Section 6 of the Republic Act No. 7353, as amended, to read as follows :

**"SEC. 6.3** THE FORECLOSURE OF MORTGAGES COVERING LOANS GRANTED BY RURAL BANKS AND EXECUTIONS OF JUDGMENT THEREON INVOLVING REAL PROPERTIES LEVIED UPON BY SHERIFF SHALL BE EXEMPT FROM THE PUBLICATIONS IN NEWSPAPERS REQUIRED BY LAW WHERE THE TOTAL AMOUNT OF LOAN, EXCLUDING INTERESTS DUE AND UNPAID, DOES NOT EXCEED ONE MILLION PESOS (P1,000,000.00) OR SUCH AMOUNT AS THE MONETARY BOARD MAY PRESCRIBE AS MAY BE WARRANTED BY PREVAILING ECONOMIC CONDITIONS. FURTHER, RURAL BANKS MAY BE EXEMPT FROM PAYING "DOCUMENTARY STAMPS (DSTS).

IT SHALL BE DEEMED SUFFICIENT PUBLICATION IN SUCH CASES WHERE THE NOTICES OF FORECLOSURE AND EXECUTION OF JUDGMENT ARE POSTED IN THE MOST CONSPICUOUS AREA OF THE MUNICIPAL BUILDING, THE MUNICIPAL PUBLIC MARKET, THE RURAL BANK, THE BARANGAY HALL, AND THE BARANGAY PUBLIC MARKET, IF ANY, WHERE THE LAND MORTGAGED IS SITUATED DURING THE PERIOD OF SIXTY (60) DAYS IMMEDIATELY PRECEDING THE PUBLIC AUCTION OR EXECUTION OF JUDGMENT.

PROOF OF PUBLICATION AS REQUIRED HEREIN SHALL BE ACCOMPLISHED VIA AN AFFIDAVIT OF THE SHERIFF OR OFFICER CONDUCTING THE FORECLOSURE SALE OR EXECUTION OF JUDGMENT AND SHALL BE ATTACHED WITH THE RECORDS OF THE CASE;

*PROVIDED*, THAT WHEN A HOMESTEAD OR FREE PATENT IS FORECLOSED, THE HOMESTEADER OR FREE PATENT HOLDER, AS WELL AS HIS HEIRS SHALL HAVE THE RIGHT TO REDEEM THE SAME WITHIN ONE (1) YEAR FROM THE DATE OF FORECLOSURE IN THE CASE OF LAND NOT COVERED BY A TORRENS TITLE OR ONE (1) YEAR FROM THE DATE OF THE REGISTRATION OF THE FORECLOSURE IN THE CASE OF LAND COVERED BY A TORRENS TITLE, OTHER LAWS NOTWITHSTANDING.

*PROVIDED, HOWEVER*, THAT IN ANY CASE, BORROWERS, ESPECIALLY THOSE WHO ARE MERE TENANTS, NEED ONLY TO SECURE THEIR LOANS WITH THE PROCEDURE CORRESPONDING TO THEIR SHARE.

**SEC. 14.** A new Section 6.4 is hereby inserted after Section 6 of the Republic Act No. 7353, as amended, to read as follows :

**“SEC. 6.4** FOR AGRARIAN LANDS FORECLOSED BY A RURAL BANK, THE DISPOSAL OF THE SAME TO ANOTHER QUALIFIED BENEFICIARY UNDER REPUBLIC ACT 6557 - COMPREHENSIVE AGRARIAN REFORM LAW OF 1988 SHALL BE MADE THROUGH THE SAME RURAL BANK. FURTHER, THE AMORTIZATION OF THE BENEFICIARY IN FAVOR OF DAR SHALL BE COURSED THROUGH THE SERVICING RURAL BANK. ALL COSTS OF THE TRANSFER, INCLUDING TAXES, SHALL BE FREE.

*PROVIDED, HOWEVER*, THAT RURAL BANKS SHALL BE EXEMPT FROM LANDHOLDING LIMITS AS PRESCRIBED BY DEPARTMENT OF AGRARIAN REFORM (DAR) OR ANY OTHER LAW REQUIRING THE SAME.”

**SEC. 15.** Section 7 of the Republic Act No. 7353, as amended, is hereby amended to read as follows :

**“Sec. 7.** [With the view to ensuring the balanced rural economic growth and expansion, rural banks may, within limits and conditions fixed by the Monetary Board, devote a portion of their loanable funds to meeting the normal credit needs of small business enterprises: provided, That loans shall not exceed fifteen percent (15%) of the net worth of a rural bank of such amount as the Monetary Board may prescribe as may be warranted by prevailing economic conditions, and of essential enterprises or industries, other than those which are strictly agricultural in nature.]

FOR RURAL BANKS GRANTED BY THE BANGKO SENTRAL NG PILIPINAS WITH ACCREDITATION AS RURAL FINANCIAL INSTITUTION (RFI) UNDER REPUBLIC ACT 10000, THE FOLLOWING PRIVILEGES SHALL BE AWARDED:

- (1) UNRESTRICTED BRANCHING RIGHTS TO SET-UP AGRICULTURE-ORIENTED BRANCHES IN UNBANKED MUNICIPALITIES AND PREDOMINANTLY AGRICULTURAL COMMUNITIES, SUBJECT TO EXISTING REGULATIONS ON MINIMUM CAPITALIZATION FOR BANKS AND THE SIZE OF BRANCH NETWORK;
- (2) AUTOMATIC ELIGIBILITY WITH PHILIPPINE GUARANTEE CORPORATION (WITH RESPECT TO AGRICULTURAL CREDIT GUARANTEE), PHILIPPINE CROP INSURANCE CORPORATION (PCIC), AND GOVERNMENTAL AGENCIES PROVIDING SERVICES TOWARDS RISK-MITIGATION IN THE AGRICULTURE SECTOR;
- (3) PRIORITY STATUS AS CREDIT DELIVERY PARTNER OR CONDUIT OF GOVERNMENT DIRECTED PROGRAMS FOR AGRICULTURAL THROUGH THE DEPARTMENT OF AGRICULTURE AND OTHER GOVERNMENT AGENCIES; AND
- (4) ENTITLEMENT TO PARTICIPATE FREE OF CHARGE IN CAPABILITY-BUILDING ACTIVITIES IN AGRICULTURE LENDING SUCH AS, BUT NOT LIMITED TO, EXCHANGE OF BEST-PRACTICE EXPERIENCES, STUDY TOUR, TECHNOLOGY TRANSFER AMONG ASEAN MEMBERS STATES AND OTHER FORUM OF INTERNATIONAL COOPERATION.”

**SEC. 16.** Section 8 of the Republic Act No. 7353, as amended, is hereby amended to read as follows :

**"Sec. 8.** [To provide supplemental capital to any rural bank until it has accumulated enough capital of its own or stimulate private investments in rural banks, the Land Bank of the Philippines or any government-owned or controlled bank or financial institution shall subscribe within thirty (30) days to the capital stock of any rural bank from time to time in an amount equal to the total equity investment of the private shareholders which shall be paid in full at the time of the subscription of such amount as may be necessary to promote and expand rural economic development: Provided, however, That shares of stock issued to the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or -controlled bank or financial institution, may, pursuant to this section, at any time, be paid off at par and retired in whole or in part if the rural bank has accumulated enough capital strength to permit retirement of such shares; or if an offer is received from private sources to replace the equity investment of the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or -controlled bank or financial institution with an equivalent investment or more in the equity of such bank. In case of retirement of stock or replacement of equity investment of the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or -controlled bank or financial institution, the registered private shareholders of the rural bank shall have the right of preemption within one (1) year from the date of offer in proportion to their respective holdings.

Stock 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 power to vote and shall share in dividend distribution 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 fifteen years without preference: Provided, however, That is 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 provide for in Section 10 hereof: Provided, further, That pending the amendment of 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 stockholders, the transfer shall be recorded by the rural bank in 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.]

TO PROVIDE THE CAPITALIZATION REQUIREMENT AND NECESSARY CAPITAL EXPENDITURES, ESPECIALLY INVESTMENTS IN TECHNOLOGY OF RURAL BANKS, THE LAND BANK OF THE PHILIPPINES, THE DEVELOPMENT BANK OF THE PHILIPPINES OR ANY GOVERNMENT-OWNED OR CONTROLLED BANK OR FINANCIAL INSTITUTION SHALL SUBSCRIBE WITHIN THIRTY (30) DAYS TO THE CAPITAL STOCK OF ANY RURAL BANK FROM TIME TO TIME IN AN AMOUNT EQUAL TO THE TOTAL EQUITY INVESTMENT OF THE PRIVATE SHAREHOLDERS WHICH SHALL BE PAID IN FULL AT THE TIME OF THE SUBSCRIPTION OR SUCH AMOUNT AS MAY BE NECESSARY IN ACCORDANCE WITH THE BOARD APPROVED STRATEGIC PLANS OF THE BANK TO PROMOTE AND EXPAND RURAL ECONOMIC DEVELOPMENT. :

*PROVIDED, HOWEVER,* THAT SHARES OF STOCK ISSUED TO THE LAND BANK OF THE PHILIPPINES, THE DEVELOPMENT BANK OF THE PHILIPPINES OR ANY GOVERNMENT-OWNED OR CONTROLLED BANK OR FINANCIAL INSTITUTION, MAY, PURSUANT TO THIS SECTION, AT ANY TIME, BE PAID OFF AT PAR AND RETIRED IN WHOLE OR IN PART IF THE RURAL BANK HAS ACCUMULATED ENOUGH CAPITAL STRENGTH TO PERMIT RETIREMENT OF SUCH SHARES, OR IF AN OFFER IS RECEIVED FROM PRIVATE SOURCES TO REPLACE THE EQUITY INVESTMENT OF THE LAND BANK OF THE PHILIPPINES, THE DEVELOPMENT BANK OF THE PHILIPPINES OR ANY GOVERNMENT OWNED OR CONTROLLED BANK OR FINANCIAL INSTITUTION WITH AN EQUIVALENT INVESTMENT OR MORE IN THE EQUITY OF SUCH BANK.

IN CASE OF RETIREMENT OF STOCK, REPLACEMENT OF EQUITY INVESTMENTS OR COMMON SHARES OF THE LAND BANK OF THE PHILIPPINES, THE DEVELOPMENT BANK OF THE PHILIPPINES OR OF ANY GOVERNMENT-OWNED OR CONTROLLED BANK OR FINANCIAL INSTITUTION, THE REGISTERED PRIVATE SHAREHOLDERS OF THE RURAL BANK SHALL HAVE THE RIGHT OF PREEMPTION WITHIN ONE (1) YEAR FROM THE



DATE OF OFFER IN PROPORTION TO THEIR RESPECTIVE HOLDINGS.”

**SEC. 17.** A new Section 8.1 is hereby inserted after Section 8 of the Republic Act No. 7353, as amended, to read as follows :

“**SEC. 8.1** 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 DIVIDENDS DISTRIBUTION AS DECLARED BY THE BOARD BUT NOT TO EXCEED THE PREVAILING 90-DAY T-BILL RATES AT THE DATE OF DECLARATION. DIVIDEND RATES FOR PREFERRED SHARES SHALL FOLLOW THE SAME LIMITS. THE PREFERRED SHARES HELD BY GOVERNMENT FINANCIAL INSTITUTIONS IN THE EQUITY STOCK OF RURAL BANKS ARE DEEMED PERPETUAL AND CUMULATIVE IN NATURE AS RETIREMENT OF SUCH SHARES IS PRE-CONDITIONED WITH A REPLACEMENT OF AN EQUIVALENT INVESTMENT FROM PRIVATE SOURCES AS PROVIDED FOR UNDER SECTION 8 OF THIS ACT. THESE PREFERRED SHARES SHALL BE CLASSIFIED AND RECORDED UNDER TIER 2 CAPITAL THUS INCLUDED IN THE COMPUTATION OF CAPITAL ADEQUACY RATIO OF RURAL BANKS.

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 AND/OR PREFERRED STOCKS OF THE CLASS PROVIDED FOR IN SECTION 9 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 STOCKHOLDERS, THE TRANSFER SHALL BE RECORDED BY THE RURAL BANK IN 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."

**SEC. 18.** A new Section 8.2 is hereby inserted after Section 8 of the Republic Act No. 7353, as amended, to read as follows :

"**SEC. 8.2** THE CORPORATE SECRETARY OF THE RURAL BANK SHALL SUBMIT TO THE BANGKO SENTRAL NG PILIPINAS (BSP) AND THE SECURITIES AND EXCHANGE COMMISSION (SEC) A REPORT ON EVERY TRANSFER OF PREFERRED STOCK TO PRIVATE SHAREHOLDERS, AND SUCH REPORT RECEIVED BY THE SECURITIES AND EXCHANGE COMMISSION SHALL FORM PART OF THE CORPORATE RECORDS OF THE RURAL BANK. WHEN ALL THE PREFERRED SHARES OF STOCK OF RURAL BANK HAVE BEEN SOLD TO PRIVATE SHAREHOLDERS, THE ARTICLES OF INCORPORATION OF THE RURAL BANK SHALL BE AMENDED TO REFLECT THE CONVERSION OF THE PREFERRED SHARES OF STOCK INTO COMMON STOCK.

FOR THIS PURPOSE, THE PRESIDENT, THE CORPORATE SECRETARY, AND A MAJORITY OF THE BOARD OF DIRECTORS SHALL ISSUE A CERTIFICATE THAT ALL PREFERRED SHARES HAVE BEEN SOLD TO PRIVATE SHAREHOLDERS WHICH, TOGETHER WITH A COPY OF THE ARTICLES OF INCORPORATIONS, AS AMENDED, AND A MAJORITY OF THE BOARD OF DIRECTORS CONCURRING, SHALL BE FILED WITH THE SECURITIES AND EXCHANGE COMMISSION. THE SAME SHALL THEN BE ATTACHED TO THE ORIGINAL ARTICLES OF INCORPORATION ON FILE WITH SAID OFFICE.

THE SECURITIES AND EXCHANGE COMMISSION SHALL NOT REGISTER THE AMENDED ARTICLES OF INCORPORATION UNLESS ACCOMPANIED BY THE CERTIFICATE OF AUTHORITY REQUIRED UNDER SECTION 9 OF REPUBLIC ACT NO. 337 OTHERWISE KNOWN AS THE GENERAL BANKING LAW, AS AMENDED."

**SEC. 19.** A new Section 8.3 is hereby inserted after Section 8 of the Republic Act No. 7353, as amended, to read as follows :

"**SEC. 8.3** THE LAND BANK OF THE PHILIPPINES AND THE DEVELOPMENT BANK OF THE PHILIPPINES SHALL WITHIN 60 DAYS FROM THE EFFECTIVITY OF THIS ACT, SUBSCRIBE AND PAY IN FULL, TO PREFERRED OR COMMON SHARES OF ALL RURAL BANKS, EQUIVALENT TO ALL PAST DUE AND RESTRUCTURED PAST DUE LOANS,

INCLUDING THOSE COVERED UNDER EXISTING REHABILITATION PROGRAMS FOR ANY REASON EXCEPT FRAUD.

SUBSEQUENT REQUIREMENTS FOR ADDITIONAL LOAN LOSS PROVISIONING THAT WILL RESULT TO CAPITAL IMPAIRMENT ARISING FROM CALAMITIES OR REGULATORY REQUIREMENTS IN COMPLIANCE WITH INTERNATIONAL STANDARDS SHALL LIKEWISE BE FUNDED ACCORDINGLY, AT THE CALL OF THE RURAL BANK.

*PROVIDED, HOWEVER,* THAT RURAL BANKS THAT PREFER TO SETTLE THEIR ARREARAGES UNDER A PLAN OF PAYMENT OR A COMBINATION OF BOTH PLAN OF PAYMENT AND CONVERSION MAY DO SO IN ACCORDANCE WITH EXISTING REGULATIONS AND PROVISIONS OF THIS ACT.

*PROVIDED, FURTHER,* THAT RURAL BANKS SHALL MATCH THESE PREFERRED STOCKS WITH PRIVATE EQUITY IN EQUAL ANNUAL INSTALLMENTS OVER A PERIOD OF FIFTEEN (15) YEARS TO BEGIN THREE (3) YEARS AFTER CONVERSION;

*PROVIDED, FINALLY,* THAT THE BANGKO SENTRAL NG PILIPINAS, THE LAND BANK OF THE PHILIPPINES, THE DEVELOPMENT BANK OF THE PHILIPPINES AND ANY GOVERNMENT-OWNED OR CONTROLLED BANK OR FINANCIAL INSTITUTION SHALL CONTINUE TO REDISCOUNT SUBJECT TO THEIR RESPECTIVE PROGRAMS, POLICIES AND GUIDELINES AGAINST PAPERS EVIDENCING A LOAN GRANTED BY A RURAL BANK IN ORDER TO ACHIEVE THE DECLARED POLICY AND PROMOTE THE OBJECTIVES OF THIS ACT.

**SEC. 20.** A new Section 8.4 is hereby inserted after Section 8 of the Republic Act No. 7353, as amended, to read as follows :

**"SEC. 8.4** IN ORDER TO DEFRAY THE HIGHER COST OF ADMINISTERING LOANS TO SMALL FARMERS AND MICRO-ENTREPRENEURS WITH THEIR SMALL LOAN SIZES AND SHORT MATURITIES AND THE COST OF RISK OF DEFAULT ARISING FROM VULNERABILITY OF FARM PRODUCTION AND MICROENTERPRISES TO ADVERSE NATURAL FACTORS AND UNFAVORABLE MARKET FORCES, A RISK PREMIUM SHALL BE AWARDED TO RURAL BANKS. THIS PREMIUM SHALL BE IN THE FORM OF 50% REDUCTION OF THE PREVAILING REDISCOUNTING RATE OF THESE GOVERNMENT FINANCIAL INSTITUTIONS ON THE

**CONDITION THAT THE REDISCOUNTED NOTES ARE LENT TO THESE SECTORS."**

**SEC. 21.** Section 9 of the Republic Act No. 7353, as amended, is hereby amended to read as follows :

**SEC. 9.** The Land Bank of the Philippines, the Development Bank of the Philippines, or any government-owned or – controlled bank or financial institution may obtain from any source as may be authorized under existing laws and regulations such amount as it may require for the purpose of subscribing to the shares of stock of rural [bank: as provided in Section 13 of this Act.] **BANKS, AND OF GRANTING LOANS TO SUCH BANKS AS PROVIDED IN SECTION 14 OF THIS ACT.**

**SEC. 22.** Section 11 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**"SEC. 11.** [The power to supervise the operation of any rural bank by the Monetary Board as herein indicated shall consists in placing limits to the maximum credit allowed to any individual borrower; in prescribing the interest rate; in determining the loan period and loan procedures; in indicating the manner in which technical assistance shall be extended to rural banks; in imposing a uniform accounting system and manner of keeping the accounts and records of rural banks; in instituting periodic surveys of loan and lending procedures, audits, test-check of cash and other transactions of the rural banks; and, in general in supervising the business operations of the rural banks.

The Central bank shall have the power to enforce the laws, orders, instructions, rules and regulations promulgated by the Monetary Board applicable to rural banks; to require rural banks, their directors, officers and agents to conduct and manage the affairs of the rural banks in a lawful and orderly manner, and, upon proof that the rural bank of its Board of Directors, or officers are conducting and managing the affairs of the banking in a manner contrary to the laws, orders, instructions, rules and regulations promulgated by the Monetary Board or in a manner substantially prejudicial in the interest of the Government, depositors or creditors, to take over the management of such bank when specifically authorized to do so by the Monetary Board after due hearing process until a new board of directors and officers are elected and qualified without prejudice to the prosecution of the persons for such violations under the provisions of Sections 32, 33 and 34 of Republic Act No. 265, as amended.

The management of the rural bank by the Central Bank shall be without expense to the rural bank, except such as is actually necessary for its operation, pending the election and qualification of a new board of directors and officers to take place of those responsible for the violations or acts contrary to the interest of the Government, depositors or creditors.

The director and the examiners of the department of the Central Bank charged with the supervision of rural banks are hereby authorized to administer oaths to any director, officer or employee of any rural bank or to any voluntary witness and to compel the presentation of all books, documents, papers or records necessary in his or their judgment to ascertain the facts relative to the true condition of any rural bank or to any loan.]

THE POWER TO SUPERVISE THE OPERATION OF ANY RURAL BANK BY THE MONETARY BOARD AS HEREIN INDICATED SHALL EXCLUSIVELY BE THROUGH THE DEPARTMENT OF RURAL BANKS (DRB) OF THE BANGKO SENTRAL NG PILIPINAS, WHOSE FUNCTIONS SHALL INCLUDE:

- (1) PLACING LIMITS ON THE MAXIMUM CREDIT ALLOWED TO ANY INDIVIDUAL BORROWER;
- (2) DETERMINING THE LOAN PERIOD AND LOAN PROCEDURES;
- (3) PROVIDING TECHNICAL ASSISTANCE TO RURAL BANKS, INCLUDING BUT NOT LIMITED TO CORE BANKING SYSTEMS, ACCOUNTING AND REPORTING SYSTEM, RECORD RETENTION SYSTEM AND ALL OTHER APPLICATIONS AND TOOLS, TO ENSURE BUSINESS AND OPERATIONAL SUSTAINABILITY AND CONTINUITY;
- (4) INSTITUTING PERIODIC SURVEYS ON LOAN AND LENDING PROCEDURES, AUDITS, TEST-CHECKS OF CASH AND OTHER TRANSACTIONS OF THE RURAL BANKS;
- (5) CRAFTING UNIFORM OPERATING MANUALS SPECIFICALLY FOR RURAL BANKS AND CONDUCTING TRAINING COURSES THEREON;
- (6) CRAFTING SEPARATE PERFORMANCE RATING SYSTEM WHICH SHALL BE GEARED TOWARDS ACHIEVEMENT OF THE SOCIAL MISSION OF RURAL BANKS TO COMPLEMENT FINANCIAL INDICATORS AS APPLIED TO OTHER BANKS; AND

(7) IN GENERAL, SUPERVISING THE BUSINESS OPERATIONS OF THE RURAL BANKS;

THE DEPARTMENT OF RURAL BANKS OF THE BANGKO SENTRAL NG PILIPINAS, WHICH SHALL BE FORMED WITHIN ONE YEAR FROM THE APPROVAL OF THIS ACT, SHALL HAVE THE POWER TO ENFORCE THE LAWS, ORDERS, INSTRUCTIONS, RULES AND REGULATIONS PROMULGATED BY THE MONETARY BOARD APPLICABLE TO RURAL BANKS IN FURTHERANCE OF SECTIONS 2 AND 3 OF THIS ACT; TO REQUIRE RURAL BANKS, THEIR DIRECTORS, OFFICERS AND AGENTS TO CONDUCT AND MANAGE THE AFFAIRS OF THE RURAL BANKS IN A LAWFUL AND ORDERLY MANNER.

UPON PROOF AND AFTER DUE HEARING WITH THE MONETARY BOARD, THAT THE RURAL BANK OR ITS BOARD OF DIRECTORS, OR OFFICERS ARE CONDUCTING AND MANAGING THE AFFAIRS OF THE BANK IN A MANNER CONTRARY TO LAWS, ORDERS, INSTRUCTIONS, RULES AND REGULATIONS PROMULGATED BY THE MONETARY BOARD OR IN A MANNER SUBSTANTIALLY PREJUDICIAL TO THE INTEREST OF THE GOVERNMENT, DEPOSITORS OR CREDITORS, THE DEPARTMENT OF RURAL BANKS OF THE BANGKO SENTRAL NG PILIPINAS SHALL TAKE OVER THE MANAGEMENT OF SUCH BANK, WITH APPROVAL OF THE MONETARY BOARD.

THE MANAGEMENT TAKEOVER SHALL BE ONLY FOR A MAXIMUM PERIOD OF TWO (2) YEARS OR UNTIL A NEW BOARD OF DIRECTORS AND OFFICERS ARE ELECTED AND QUALIFIED, OR A NEW SET OF OWNERS ARE INSTALLED THROUGH BUYOUT, CONSOLIDATION OR MERGER, WITHOUT PREJUDICE TO THE PROSECUTION OF THE PERSONS RESPONSIBLE FOR SUCH VIOLATIONS UNDER THE PROVISIONS OF EXISTING LAWS;

THE MANAGEMENT OF THE RURAL BANK BY THE DEPARTMENT OF RURAL BANKS SHALL BE WITHOUT EXPENSE TO THE RURAL BANK, EXCEPT SUCH AS IS ACTUALLY NECESSARY FOR ITS OPERATION, PENDING THE ELECTION AND QUALIFICATION OF A NEW BOD AND OFFICERS TO TAKE PLACE OF THOSE RESPONSIBLE FOR THE VIOLATIONS OR ACTS CONTRARY TO THE INTEREST OF THE GOVERNMENT, DEPOSITORS OR CREDITORS; OR PENDING THE TAKEOVER OF NEW MANAGEMENT AS A RESULT OF BUYOUT, MERGER OR CONSOLIDATION;

THE DIRECTOR AND EXAMINERS OF THE DEPARTMENT OF RURAL BANKS CHARGED WITH THE SUPERVISION OF

RURAL BANKS ARE HEREBY AUTHORIZED TO ADMINISTER OATHS TO ANY DIRECTOR, OFFICER OR EMPLOYEE OF ANY RURAL BANK OR TO ANY VOLUNTARY WITNESS AND TO COMPEL THE PRESENTATION OF ALL BOOKS, DOCUMENTS, PAPERS OR RECORDS NECESSARY IN HIS OR THEIR JUDGMENT TO ASCERTAIN THE FACTS RELATIVE TO THE TRUE CONDITION OF ANY RURAL BANK OR TO ANY LOAN.

**SEC. 23.** Section 12 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**"SEC. 12.** In addition to the operations especially authorized in this Act, any rural bank may:

- (a) Accept saving and time deposit;
- (b) Open current or checking accounts, provided the rural bank has net assets of \_\_\_\_\_ at least Five million (P5,000,000) subject to such guidelines as may be established by the Monetary Board;
- (c) Act as correspondent for other financial institutions;
- (d) Act as a collection agent;
- [(e) Act as official depository of municipal, city or provincial funds in the municipality, city or province where it is located, subject to such guidelines as may be established by the Monetary Board;]
- (e) ACT AS 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 SUBJECT TO SUCH GUIDELINES AS MAY BE ESTABLISHED BY THE MONETARY BOARD; FURTHER, IF THE FUNDS DEPOSITED DO NOT EXCEED THE INSURED DEPOSIT LIMITS OF THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC), THERE SHALL BE NO NECESSITY FOR MONETARY BOARD APPROVAL ALTHOUGH THE BANK MUST REPORT TO THE DEPARTMENT OF RURAL BANKS THE FACT OF SUCH DEPOSIT BY THE SAID LGU OR AGENCY;
- [(f) Rediscount paper with the Philippine National Bank, the Land Bank of the Philippines, the Development Bank of the Philippines, or any other banking institution, including its branches and agencies. Said institution shall specify the nature of



paper deemed acceptable for rediscount, as well as the rediscount rate to be charged by any of these institutions;]

(f) TO ACT AS CONDUIT BANK FOR THE DISBURSEMENT OF GOVERNMENT FUNDS INTENDED FOR LENDING TO AGRICULTURE, SMALL-MEDIUM ENTERPRISES (SMES) AND PROJECTS FOR LOCAL ECONOMIC DEVELOPMENT;

[(g) Offer other banking service as provided in Section 72 of Republic Act No. 337, as amended, and]

(g) TO BE AUTOMATICALLY ELIGIBLE TO PARTICIPATE IN GOVERNMENT PROGRAM ALLOCATIONS FOR AGRICULTURAL LENDING, SOCIAL HOUSING, LOANS TO RURAL MICRO ENTERPRISES AND OTHER INITIATIVES TOWARDS INCLUSIVE GROWTH;

[(h) Extend financial assistance to public and private employees in accordance with the provisions of Section 5 of Republic Act No. 3779, as amended.]

(h) GRANT LOANS TO PRIVATE EMPLOYEES AND BE GIVEN PRIORITY IN GRANTING SALARY LOANS TO PUBLIC EMPLOYEES IN THEIR RESPECTIVE COMMUNITIES WHERE THE RURAL BANK IS LOCATED, SUBJECT TO THE RULES AND REGULATIONS OF THE BANGKO SENTRAL NG PILIPINAS AND RECEIVE PAYMENT THROUGH SALARY DEDUCTION IN ACCORDANCE WITH THE RULES AND REGULATIONS OF THE CONCERNED AGENCY OR ENTITY. PROVIDED, THAT THE TREASURER, CASHIER, OR PAYMASTER OF THE OFFICE EMPLOYING SUCH PUBLIC OR PRIVATE EMPLOYEE IS MANDATED, NOTWITHSTANDING THE PROVISION OF ANY EXISTING LAW, RULE AND REGULATION TO THE CONTRARY, TO MAKE DEDUCTIONS FROM HIS SALARY, WAGE, INCOME OR RETIREMENT PENSION PURSUANT TO THE TERMS OF HIS LOAN AND ALL OTHER DEDUCTIONS AUTHORIZED BY THE PUBLIC OR PRIVATE EMPLOYEE, TO REMIT SUCH DEDUCTIONS TO THE RURAL BANK CONCERNED, AND TO COLLECT SUCH REASONABLE FEE FOR HIS SERVICES AS MAY BE AUTHORIZED BY THE RULES OF THE BANGKO SENTRAL NG PILIPINAS: PROVIDED, FURTHER, THAT OBLIGATIONS DUE TO RURAL BANKS AND

OTHER ENTITIES AUTHORIZED UNDER EXISTING LAWS TO MAKE SUCH DEDUCTIONS SHALL BE SATISFIED IN THE ORDER BY WHICH THEY WERE INCURRED BY THE PUBLIC OR PRIVATE EMPLOYEE;

(i) ACT AS DEPOSITORY BANK OF GOCC'S AND GOVERNMENT AGENCIES AS TO FUNDS ALLOCATED FOR PROGRAMS AWARDED TO THE RURAL BANK IN AN AMOUNT EQUIVALENT TO APPROVED GUARANTEE OR CREDIT LINE;

(j) REDISCOUNT PAPER WITH THE LBP, DBP OR ANY BANKING INSTITUTION, INCLUDING ITS BRANCHES AND AGENCIES. SAID INSTITUTION SHALL SPECIFY THE NATURE OF PAPER DEEMED ACCEPTABLE FOR REDISCOUNTING. IN THE CASE OF LBP OR DBP, THE REDISCOUNTING RATE SHALL BE NOT MORE THAN 90-DAY T-BILL RATE LESS 1 PERCENTAGE POINT;

(k) OFFER OTHER BANKING SERVICES AS MAY BE ALLOWED BY LAW SUCH AS BUT NOT LIMITED TO TRUST, FOREIGN CURRENCY LOANS AND DEPOSITS, FOREIGN AND DOMESTIC REMITTANCES, LETTERS OF CREDIT;

(l) ACT AS TRUSTEE OVER ESTATES OF PROPERTIES OF FARMERS AND MERCHANTS, WITH WRITTEN PERMISSION OF THE MONETARY BOARD.

[With written permission of the Monetary Board of the Central bank, any rural bank may act as trustee over estates or properties of farmer and merchants.]

MOREOVER, A RURAL BANK SHALL BE EXEMPTED FROM ANY MANDATORY CREDITS.

Nothing in this section shall be construed as precluding a rural bank from performing, with prior approval of the Monetary Board, all the services ALLOWED OF THRIFT AND COMMERCIAL BANKS [authorized and mortgage banks, of for commercial banks,] under an expanded banking authority as provided in [Section 21-B] SECTION 20 of the same Act.

**SEC. 24.** Section 13 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**"Sec. 13.** [Subject to such guidelines as may be established by the Monetary, rural banks may invest in equities of the allied undertakings are hereinafter enumerated: Provided, That: (a) the total investment in equities shall not exceed twenty-five percent (25%) of the net worth of the rural bank; (b) the equity investment in any single enterprise shall be limited to fifteen percent (15%) of the net worth of the rural bank; and (c) the equity investment of the rural bank in any single enterprise shall remain a minority holding in that enterprise: Provided, further, That equity investment shall not be permitted in non-related activities.

Allied undertaking shall include:

- a. banks, financial institutions and non-bank financial intermediaries;
- b. Warehousing and other post-harvested facilities;
- c. Fertilizer and agricultural chemical and pesticides distribution;
- d. Farm equipment distribution;
- e. Trucking and transportation of agricultural products;
- f. Marketing and agricultural products;
- g. Leasing; and Other undertakings as may be determined by the Monetary Board.]

ALL AGRICULTURAL LOANS GRANTED BY RURAL BANKS SHALL BE COVERED BY CROP GUARANTY INSURANCE TO BE PROVIDED BY THE PHILIPPINE GUARANTEE CORPORATION WITH AN EXPANDED COVERAGE OF THE ENTIRE AGRICULTURE VALUE-CHAIN FROM PRODUCTION, PROCESSING AND MARKETING OF FOOD, NON-FOOD CROPS SUCH AS AGRO-FORESTRY PRODUCTS, CULTIVATED FLORA FOR INDUSTRIAL USE INCLUDING MEDICINAL HERBAL PLANTS WITH COMMERCIAL VALUE, ORNAMENTAL AND HORTICULTURAL PLANTS FOR GARDENING, LANDSCAPING AND OTHER PROJECTS

RURAL BANKS SHALL BE ENTITLED TO FULL INSURANCE SUBSIDY BY PHILIPPINE CROP INSURANCE CORPORATION (PCIC) IN FINANCING SMALL FARMERS REGARDLESS OF CROP TYPE ON THE CONDITION THAT AGGREGATE FARM SIZE DOES NOT EXCEED THREE (3) HECTARES. THIS INSURANCE SUBSIDY SHALL ALSO APPLY TO LOANS GRANTED TO SMALL FISHER-FOLKS AND LIVESTOCK RAISERS AS DEFINED BY AGRICULTURAL CREDIT POLICY COUNCIL OR OTHER PERTINENT GOVERNMENT BODY.

**SEC. 25.** Section 14 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**"SEC. 14.** [The Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or –controlled bank or financial institution shall, within sixty (60) days of certification of the Monetary Board, which shall be final, extend to a rural bank a loan or loans from time to time repayable in ten (10) years, with concessional rates of interest, against security which may be offered by any stockholders or stockholders of the rural bank: Provided:

- a. That the Monetary Board is convinced that the resources of the rural bank are inadequate to meet the legitimate credit requirements of the locality wherein the rural bank is established.;
- b. That there is a dearth of private capital in the said locality; and
- c. That it is not possible for the stockholders of the rural bank to increase the paid-up capital thereof.]

SUBJECT TO SUCH GUIDELINES AS MAY BE ESTABLISHED BY THE MONETARY BOARD, RURAL BANKS MAY INVEST IN EQUITIES OF ALLIED UNDERTAKINGS AS HEREINAFTER ENUMERATED:

*PROVIDED, THAT:* (A) THE TOTAL INVESTMENT TO EQUITIES SHALL NOT EXCEED TWENTY-FIVE PERCENT (25%) OF THE NET WORTH OF THE RURAL BANK; (B) THE EQUITY INVESTMENT IN ANY SINGLE ENTERPRISE SHALL BE LIMITED TO FIFTEEN PERCENT (15%) OF THE NET WORTH OF THE RURAL BANK; AND (C) *PROVIDED, THAT IN THE CASE OF EQUITY INVESTMENTS IN ANOTHER RURAL BANK FOR THE PURPOSE OF CAPITAL INFUSION, THERE SHALL BE NO CEILING AS TO HOLDING IN ANY SINGLE ENTERPRISE;*

*PROVIDED, FURTHER, THAT EQUITY INVESTMENT SHALL NOT BE PERMITTED IN NON-RELATED ACTIVITIES.*

ALLIED UNDERTAKINGS SHALL INCLUDE:

- (A) BANKS, FINANCIAL INSTITUTIONS AND NON-BANK FINANCIAL INTERMEDIARIES;
- (B) WAREHOUSING AND OTHER POST-HARVEST FACILITIES;
- (C) FERTILIZER AND AGRICULTURAL CHEMICAL AND PESTICIDES DISTRIBUTION;

(D) FARM EQUIPMENT DISTRIBUTION;

(E) TRUCKING AND TRANSPORTATION OF AGRICULTURAL PRODUCTS;

(F) MARKETING OF AGRICULTURAL PRODUCTS;

(G) LEASING; AND

(H) LAND DEVELOPMENT OF ROPA FOR PURPOSES OF SOCIAL HOUSING AND EQUITABLE DISTRIBUTION OF LAND;

(I) SECURITY AND MANPOWER SERVICES AND OTHER ACTIVITIES AS MAY BE OUTSOURCED BY THE BANK.

**SEC. 26.** A new Section 14.1 is hereby inserted after Section 14 of the Republic Act No. 7353, as amended, to read as follows :

**“SEC. 14.1** ASIDE FROM ALLIED UNDERTAKINGS, RURAL BANKS MAY ALSO ENTER JOINT-VENTURE PROJECTS WITH GOVERNMENT OR PRIVATE AGENCIES AND INDIVIDUALS USING ITS PHYSICAL, HUMAN AND OTHER ASSETS AS COUNTERPART IN ECONOMIC, SOCIAL AND CULTURAL INITIATIVES IN PURSUIT OF BUSINESS OBJECTIVES OR DEMONSTRATION OF CORPORATE SOCIAL RESPONSIBILITY FOR THE DEVELOPMENT AND BENEFIT COMMUNITIES THEY SERVE.”

**SEC. 27.** Section 15 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**“Sec. 15.** [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.

All rural banks in operation as of the date of approval of this Act shall be exempt from the payment of all taxes, fees and charges of whatsoever nature and description, except the corporate income tax and local taxes, fees and charges, for a period of five (5) years from the approval of this Act.]

THE LAND BANK OF THE PHILIPPINES, THE DEVELOPMENT BANK OF THE PHILIPPINES OR ANY GOVERNMENT-OWNED OR CONTROLLED BANK OR FINANCIAL INSTITUTION SHALL WITHIN SIXTY (60) DAYS OF CERTIFICATION OF THE DEPARTMENT OF THE RURAL BANKS, WHICH SHALL BE FINAL, EXTEND TO A RURAL

BANK A LOAN OR LOANS FROM TIME TO TIME REPAYABLE IN TEN (10) YEARS, WITH CONCESSIONAL RATES OF INTEREST, AGAINST SECURITY WHICH MAY BE OFFERED BY ANY STOCKHOLDER OR STOCKHOLDERS OF THE RURAL BANK:

*PROVIDED, THAT THE DEPARTMENT OF RURAL BANKS (DRB) IS CONVINCED THROUGH A FULL SUBSTANTIATION THAT THE RESOURCES OF THE RURAL BANK ARE INADEQUATE TO MEET THE LEGITIMATE CREDIT REQUIREMENTS OF THE LOCALITY WHEREIN THE RURAL BANK IS ESTABLISHED: PROVIDED, HOWEVER, THAT THERE IS A DEARTH OF PRIVATE CAPITAL IN THE SAID LOCALITY: PROVIDED, FURTHER, THAT IT IS NOT POSSIBLE FOR THE STOCKHOLDERS OF THE RURAL BANK TO INCREASE THE PAID-UP CAPITAL THEREOF."*

**SEC. 28.** Section 16 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**"Sec. 16.** [In an emergency or when a financial crisis is imminent, the Central Bank may give a loan to any rural bank against assets of the rural bank which may be considered acceptable by a concurrent vote of at least four (4) members of the Monetary Board.

In normal times the Central bank may rediscount against paper evidencing a loan granted by a rural bank to any of its customers which can be liquefied for a period of three hundred sixty (360) days: Provided, however, That for the purpose of implementing a nationwide program of agricultural and industrial development, rural banks are hereby authorized, under such terms and conditions as the Central bank shall prescribe, to borrow, on a medium – or long-term basis, funds that the Central Bank or any other government financing institution shall borrow from the Development Bank of the Philippines or other international or foreign-lending institutions for the specific purpose of financing the abovestated agricultural and industrial program. Repayment of loans obtained by the Central Bank of the Philippines or any other government financing institutions from said foreign-lending institutions under this section shall be guaranteed by the Republic of the Philippines.]

**NOTWITHSTANDING ANY LAW TO THE CONTRARY:**

**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 LOCAL TAXES, FEES AND**

CHARGES, FOR A PERIOD OF FIVE (5) YEARS FROM THE DATE OF COMMENCEMENT OF OPERATIONS.

B. ALL RURAL BANKS IN OPERATION AS OF THE DATE OF APPROVAL OF THIS ACT SHALL BE EXEMPT FROM THE PAYMENT OF ALL TAXES, FEES AND CHARGES OF WHATEVER NATURE AND DESCRIPTION, EXCEPT LOCAL TAXES, FEES AND CHARGES, FOR A PERIOD OF FIVE (5) YEARS FROM THE APPROVAL OF THIS ACT.

C. ALLOW IMMEDIATE FULL TAX DEDUCTIBILITY OF ANY ADDITIONS TO THE ALLOWANCE FOR CREDIT LOSS, UP TO 150% OF THE ACTUAL PAST-DUE LOANS AND LOANS-IN-LITIGATION. FOR ADDED GUARANTEE, 50% OF THE LOAN LOSS ALLOWANCE MUST BE DEPOSITED WITH THE BANGKO SENTRAL NG PILIPINAS WITH CORRESPONDING INTEREST."

**SEC. 29.** Section 17 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**"SEC. 17.** [Deposits of rural banks with government-owned or – controlled financial institutions like the Land Bank of the Philippines, the Development Bank of the Philippines, and the Philippine national Bank are exempted from the Single Borrower's Limit imposed by the General Banking Act.

In areas where there are no government banks, rural banks may deposit in private banks more than the amount prescribed by the Single Borrower's Limit subject to Monetary Board regulations.]

IN AN EMERGENCY OR WHEN A FINANCIAL CRISIS IS IMMINENT, THE BANGKO SENTRAL NG PILIPINAS MAY GIVE A LOAN TO ANY RURAL BANK AGAINST ASSETS OF THE RURAL BANK WHICH SHALL BE CONSIDERED ACCEPTABLE BY A CONCURRENT VOTE OF A LEAST FOUR (4) MONETARY BOARD MEMBERS.

IN NORMAL TIMES, THE BANGKO SENTRAL NG PILIPINAS MAY REDISCOUNT AGAINST PAPER EVIDENCING A LOAN GRANTED BY A RURAL BANK TO ANY OF ITS CUSTOMERS WHICH CAN BE LIQUEFIED UP TO THE MATURITY DATE OF THE REDISCOUNTED NOTE (NOT JUST WITHIN A PERIOD OF THREE HUNDRED SIXTY (360) DAYS);

*PROVIDED*, THAT FOR THE PURPOSE OF IMPLEMENTING A NATIONWIDE PROGRAM OF AGRICULTURAL AND MSME DEVELOPMENT, RURAL BANKS ARE HEREBY AUTHORIZED TO BORROW FROM THE BANGKO SENTRAL



NG PILIPINAS ON A MEDIUM OR LONG-TERM BASIS. FOR THIS PURPOSE, THE BANGKO SENTRAL NG PILIPINAS OR ANY OTHER GOVERNMENT FINANCING INSTITUTION MAY BORROW OR SOURCE-OUT GRANTS AND DONATIONS FROM ANY LOCAL OR INTERNATIONAL INSTITUTION.

REPAYMENT OF LOANS OBTAINED BY THE BANGKO SENTRAL NG PILIPINAS OR ANY OTHER GOVERNMENT-FINANCING INSTITUTION FROM SAID FOREIGN LENDING INSTITUTIONS UNDER THIS SECTION SHALL BE GUARANTEED BY THE REPUBLIC OF THE PHILIPPINES.

**SEC. 30.** Section 17 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**“SEC. 18.** [To encourage consolidation and mergers of rural banks, if there are five (5) or more rural banks within the region that merge and consolidate within three (3) years from the enactment of this Act, the merged or consolidated entity will be given the following incentives for a period of seven (7) years:

- a. Its deposit liabilities shall be subjected to only one-third (1/3) of reserves normally required for rural banks;
- b. Its reserve requirement can all be maintained under interest-bearing government securities but kept unencumbered with government financial institutions or the Central Bank; and
- c. It shall have unrestricted branching right within the region, free from any assessment or surcharge required in setting up a branch but under coordination with the Central bank which will have to assess that there are qualified personnel, control and procedures to operate the branch.]

DEPOSITS OF RURAL BANKS WITH GOVERNMENT-OWNED OR CONTROLLED FINANCIAL INSTITUTIONS LIKE THE LAND BANK OF THE PHILIPPINES, AND THE DEVELOPMENT BANK OF THE PHILIPPINES, ARE EXEMPTED FROM THE SINGLE BORROWER'S LIMIT IMPOSED BY THE GENERAL BANKING ACT.

MOREOVER, ALL DEPOSITS OF RURAL BANKS TO THE BANGKO SENTRAL NG PILIPINAS INCLUDING RESERVE REQUIREMENTS, SHALL EARN THE PREVAILING REDISCOUNTING RATES ESTABLISHED AT THE TIME OF PLACEMENT.

IN AREAS WHERE THERE ARE NO GOVERNMENT BANKS, RURAL BANKS MAY DEPOSIT IN PRIVATE BANKS MORE THAN THE AMOUNT PRESCRIBED BY THE SINGLE BORROWER'S LIMIT OR ONE HUNDRED

MILLION PESOS (P100,000,000.00), WHICHEVER IS HIGHER, SUBJECT TO MONETARY BOARD REGULATIONS.

**SEC. 31.** Section 17 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**"Sec. 19.** [The Central Bank of the Philippines shall extend technical assistance to any rural bank in the process of organization or during the course of operations whenever it is requested to do so or whenever the Monetary Board deems it necessary to preserve, protect and promote the objectives of this Act: Provided, however, That said assistance shall be without cost or obligation on the part of the rural bank.]

TO ENSURE THE CONTINUOUS OPERATION OF A RURAL BANK, CONSOLIDATION, MERGERS, AND ACQUISITIONS OF RURAL BANKS SHALL BE ENCOURAGED. IN EVERY CASE OF CONSOLIDATION, MERGER AND ACQUISITION, THE FOLLOWING BENEFITS SHALL BE GIVEN FOR A PERIOD OF SEVEN YEARS:

(A) DEPOSIT LIABILITIES SUBJECTED TO ONLY 1/3 OF THE RESERVES NORMALLY REQUIRED FOR RURAL BANKS;

(B) RESERVE REQUIREMENTS CAN ALL BE MAINTAINED UNDER INTEREST BEARING GOVERNMENT SECURITIES BUT KEPT UNENCUMBERED WITH GOVERNMENT FINANCIAL INSTITUTIONS OR THE BANGKO SENTRAL NG PILIPINAS;

(C) TAX BENEFIT UNDER SECTION 16 FOR A PERIOD OF SEVEN YEARS."

**SEC. 32.** A new Section 19.1 is hereby inserted after Section 19 of the Republic Act No. 7353, as amended, to read as follows :

**"SEC. 19.1** IN CASES OF NATURAL CALAMITIES OR DISASTERS, EMERGENCIES OR SIMILAR OCCURRENCES AS DEFINED UNDER SECTION 3 (II) OF REPUBLIC ACT 10121 (AN ACT STRENGTHENING THE PHILIPPINE DISASTER RISK REDUCTION AND MANAGEMENT SYSTEM, PROVIDING FOR THE NATIONAL DISASTER RISK REDUCTION AND MANAGEMENT FRAMEWORK AND INSTITUTIONALIZING THE NATIONAL DISASTER RISK REDUCTION AND MANAGEMENT PLAN, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES) , RURAL BANKS WHOSE HEAD OFFICES OR BRANCHES ARE

LOCATED IN THE LOCALITY WHERE A STATE OF CALAMITY IS DECLARED BY COMPETENT AUTHORITY, ARE HEREBY ENTITLED TO THE FOLLOWING:

(A) AUTOMATIC REGULATORY RELIEF GRANTED BY THE BANGKO SENTRAL NG PILIPINAS AND OTHER REGULATORY AGENCIES, FOR A PERIOD OF ONE YEAR FROM THE TIME OF DECLARATION OF A STATE OF CALAMITY;

(B) EXEMPTED FROM PAYMENT OF ALL TAXES, FEES AND CHARGES OF WHATEVER NATURE AND DESCRIPTION, EXCEPT LOCAL TAXES, FEES AND CHARGES, FOR A PERIOD OF ONE (1) YEAR FROM THE DATE OF DECLARATION OF A STATE OF CALAMITY;

(C) GRANTED A NO INTEREST LOAN BY THE LAND BANK OF THE PHILIPPINES OR DEVELOPMENT BANK OF THE PHILIPPINES PAYABLE IN A PERIOD OF FIVE (5) YEARS IN SUCH AMOUNT AS MAY BE NECESSARY TO REPAIR ITS FACILITIES DESTROYED BY THE CALAMITY OR DISASTER.

*PROVIDED*, THAT THE PROVISIONS OF THIS SECTION SHALL ONLY APPLY TO THE BRANCHES THAT ARE AFFECTED BY THE CALAMITY.

**SEC. 33.** Section 20 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**"Sec. 20.** [Any city or municipal trial court in his capacity as notary public ex officio shall administer the oath to or acknowledgement the instruments of any rural bank and to borrowers or mortgagors, free from all charges, fees and documentary stamp tax, collectible under existing laws, relative to any loan or transaction not exceeding Fifty thousand pesos (P50,000), or such amount as the Secretary of Finance, upon recommendation of the Monetary Board may prescribe as may be necessary to promote and expand the rural economy.]

THE DEPARTMENT OF RURAL BANKS OF THE BANGKO SENTRAL NG PILIPINAS SHALL EXTEND TECHNICAL ASSISTANCE TO ANY RURAL BANK IN THE PROCESS OF ORGANIZATION OR DURING THE COURSE OF OPERATIONS WHENEVER IT IS REQUESTED TO DO SO OR WHENEVER THE MONETARY BOARD DEEMS IT NECESSARY TO PRESERVE, PROTECT AND PROMOTE THE OBJECTIVES OF THIS ACT; PROVIDED, HOWEVER, THAT SAID ASSISTANCE SHALL BE WITHOUT COST OR OBLIGATION ON THE PART OF THE RURAL BANK.

**SEC. 34.** A new Section 20.1 is hereby inserted after Section 20 of the Republic Act No. 7353, as amended, to read as follows :

**"SEC. 20.1** THE DEPARTMENT OF AGRICULTURE, DEPARTMENT OF TRADE AND INDUSTRY, NATIONAL HOUSING AUTHORITY AND OTHER GOVERNMENT AGENCIES INCLUDING THEIR ATTACHED BUREAUS SHALL PROVIDE RURAL BANKS THE SERVICES OF THEIR FIELD TECHNICIANS AND OTHER PROFESSIONALS IN THE CONDUCT OF SUPERVISED CREDIT PROGRAMS IN SMALL AGRICULTURAL PRODUCTION, ENTREPRENEURSHIP, SOCIAL HOUSING AND OTHER LIVELIHOOD PROJECTS FOR LOW-INCOME SEGMENTS WITHOUT EXPENSE TO THE RURAL BANK, EXCEPT SUCH AS IS ACTUALLY NECESSARY FOR THE CONDUCT OF TECHNICAL ASSISTANCE."

**SEC. 35.** Section 17 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**"Sec. 21.** [Any Register of Deeds shall accept from any rural bank and its borrowers and mortgagors for registration, free from all charges, fees and documentary stamp tax, collectible under existing laws, any instrument, whether voluntary or involuntary, relating to loans or transaction extended by a rural bank in an amount not exceeding Fifty thousand pesos (P50,000): Provided, however, That charges, if any, shall be collectible on the amount in excess of Fifty thousand pesos (P50,000); and that in instruments related to assignments of several mortgage consolidated in a single deed, if any, shall be levied only on the amount in excess of Fifty thousand pesos (P50,000) of the consideration in the assignments of each mortgage, of such amount as the Secretary of Finance, upon recommendation of the Monetary Board may prescribe as may be necessary to promote and expand the rural economy.]

ALL PUBLIC OFFICERS COMMISSIONED TO ACT AS NOTARY PUBLIC EX OFFICIO SHALL ADMINISTER THE OATH TO OR ACKNOWLEDGE THE INSTRUMENTS OF ANY RURAL BANK AND ITS BORROWERS OR MORTGAGORS, FREE FROM ALL CHARGES, FEES AND DOCUMENTARY STAMP TAX, COLLECTIBLE UNDER EXISTING LAWS, RELATIVE TO ANY LOAN OR TRANSACTION NOT EXCEEDING ONE MILLION PESOS (1M) OR SUCH AMOUNT AS THE SECRETARY OF FINANCE, UPON RECOMMENDATION OF THE MONETARY BOARD, MAY PRESCRIBE AS MAY BE NECESSARY TO PROMOTE AND EXPAND THE RURAL ECONOMY."

**SEC. 36.** Section 22 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**"Sec. 22.** [Any rural bank organized under this Act may, pursuant to regulations promulgated for the purpose by the Monetary Board, be required to contribute to the Central Bank an annual fee to help defray the cost of maintaining the appropriate supervising department within the central bank in an amount to be determined by the Monetary Board but in no case to exceed one-fortieth of one percent ( $1/40$  of 1%) of its average total assets during the preceding year, as shown on its end-of-month balance sheets, after deducting its cash on hand and amounts due from banks, including the Central Bank.]

ANY REGISTER OF DEEDS SHALL ACCEPT FROM ANY RURAL BANK AND ITS BORROWERS AND MORTGAGORS FOR REGISTRATION, FREE FROM ALL CHARGES, FEES AND DOCUMENTARY STAMP TAX, COLLECTIBLE UNDER EXISTING LAWS, ANY INSTRUMENT, WHETHER VOLUNTARY OR INVOLUNTARY, RELATING TO LOANS OR TRANSACTION EXTENDED BY A RURAL BANK IN AN AMOUNT NOT EXCEEDING ONE MILLION PESOS (P1,000,000.00);

PROVIDED, HOWEVER, THAT CHARGES, IF ANY, SHALL BE COLLECTIBLE ON THE AMOUNT IN EXCESS OF ONE MILLION PESOS; AND THAT IN INSTRUMENTS RELATED TO ASSIGNMENTS OF SEVERAL MORTGAGES CONSOLIDATED IN A SINGLE DEED, IF ANY, SHALL BE LEVIED ONLY ON THE AMOUNT IN EXCESS OF ONE MILLION PESOS OF THE CONSIDERATION IN THE ASSIGNMENT OF EACH MORTGAGE, OR SUCH AMOUNT AS THE SECRETARY OF FINANCE, UPON RECOMMENDATION OF THE MONETARY BOARD, MAY PRESCRIBE AS MAY BE NECESSARY TO PROMOTE AND EXPAND THE RURAL ECONOMY."

**SEC. 37.** Section 23 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**"Sec. 23.** [Every individual acting as officer or employee of a rural bank and handling funds or securities amounting to Five thousand pesos (P5,000) or more than one (1) year, shall be covered by an adequate bond as determined by the Monetary Board; and the bylaws of the rural bank may also provide for the bonding of other employees or officers of rural banks.]

ANY RURAL BANK ORGANIZED UNDER THIS ACT MAY, PURSUANT TO REGULATIONS PROMULGATED FOR THE PURPOSE BY THE MONETARY BOARD, BE REQUIRED TO CONTRIBUTE TO THE BANGKO SENTRAL NG PILIPINAS AN

ANNUAL FEE TO HELP DEFRAY THE COST OF MAINTAINING THE APPROPRIATE SUPERVISING DEPARTMENT WITHIN THE BANGKO SENTRAL NG PILIPINAS IN AN AMOUNT TO BE DETERMINED BY THE MONETARY BOARD BUT IN NO CASE TO EXCEED ONE FORTIETH OF ONE PERCENT (1/40 OF 1%) OF ITS AVERAGE TOTAL ASSETS DURING THE PRECEDING YEARS, AS SHOWN ON ITS END-OF-MONTH BALANCE SHEETS, AFTER DEDUCTING ITS CASH ON HAND AND AMOUNTS DUE FROM BANKS, INCLUDING THE BANGKO SENTRAL NG PILIPINAS."

**SEC. 38.** Section 25 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**Sec. 24.** [For the purpose of carrying out the objectives of this Act, the Central Bank is authorized to require the services and facilities of any department or instrumentality of the Government or any officer or employee of any such department or government instrumentality.]

EVERY INDIVIDUAL ACTING AS OFFICER OR EMPLOYEE OF A RURAL BANK AND HANDLING FUNDS OR SECURITIES AMOUNTING TO FIFTY THOUSAND PESOS (P50,000) OR MORE, IN ANY ONE (1) YEAR, SHALL BE COVERED BY AN ADEQUATE BOND AS DETERMINED BY THE MONETARY BOARD; AND THE BYLAWS OF THE RURAL BANK MAY ALSO PROVIDE FOR THE BONDING OF OTHER EMPLOYEES OR OFFICERS OF RURAL BANKS.

**SEC. 39.** Section 25 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

"**Sec. 25.** [Rural banks organized and operated under the provisions of this Act shall act as agents of the Philippine National Bank, the Land Bank of the Philippines and the Development Bank of the Philippines in places where these banks have no offices, subject to accreditation guidelines.]

FOR THE PURPOSE OF CARRYING OUT THE OBJECTIVES OF THIS ACT, THE DEPARTMENT OF RURAL BANKS OF THE BANGKO SENTRAL NG PILIPINAS IS AUTHORIZED TO REQUIRE THE SERVICES AND FACILITIES OF ANY DEPARTMENT OR INSTRUMENTALITY OF THE GOVERNMENT OR ANY OFFICER OR EMPLOYEE OF ANY SUCH DEPARTMENTS OR GOVERNMENT INSTRUMENTALITY FREE OF CHARGE EXCEPT FOR NECESSARY OPERATIONAL COSTS."

**SEC. 40.** Section 26 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**“SEC. 26.** [Without prejudice to any prosecution under any law which may have been violated a fine of not more than ten thousand pesos (P10,000) or imprisonment of not less than six (6) months but not more than ten (10) years, or both, at the discretion of the court, shall imposed upon:

- a. Any officer, employee, or agent of a rural bank who shall:
  1. Make fake entries in any bank report or statement thereby affecting the financial interest of or causing damage to, the bank or any person;
  2. Without order of a court of competent jurisdiction, disclose any information relative to the funds or properties in the custody of the bank belonging to private individuals, corporations, or any other entity;
  3. Accept gifts, fees or commission or any other form of remuneration in connection with the approval of a loan from said bank; or
  4. Overvalue or aid in overvaluing any security for the purpose of influencing in any way the action of the bank on any loan; or
  5. Appear and sign as guarantor, indorser, or surety for loans granted; or
  6. Violate any of the provisions of this Act.
- b. Any applicant for a loan from, or borrower of a rural bank who shall:
  1. Misuse, misapply, or divert the proceeds of the loan obtained by him from its declared purpose; or
  2. Fraudulently overvalue property offered as security for loan from said bank; or
  3. Give out or furnish false misrepresentation of material facts for the purpose of obtaining, renewing, or increasing a loan or extending the period thereof; or
  4. Attempt to defraud the said bank in the event of court action to recover a loan; or
  5. Offer any officer, employee, or agent of a rural bank as a gift, fee, commission, or other form of compensation in order to influence such bank personality in approving an application; or
  6. Dispose or encumber the property or the crops offered as security for the loan.
- c. Any examiner, or officer or employee of the Central Bank of the Philippines or other department, bureau, office, branch or agency of the Government who is assigned to examine,



supervise, assist or render technical services to rural banks and who shall connive or aid in the commission of the same.】

RURAL BANKS ORGANIZED AND OPERATED UNDER THE PROVISIONS OF THIS ACT SHALL ACT AS AGENTS OR CONDUITS OF THE LAND BANK OF THE PHILIPPINES, THE DEVELOPMENT BANK OF THE PHILIPPINES IN PLACES WHERE THESE HAVE NO OFFICES, SUBJECT TO ACCREDITATION GUIDELINES.”

**SEC. 41.** Section 27 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

“**Sec. 27.** [Any municipal trial court judge or register of deeds who shall demand or accept, directly or indirectly, any gift, fee, commission or other form of compensation in connection with the service, or the registration of documents required to be as provided in Section 20 and by said register of deeds as proposed in Section 21 of this Act, shall be punished by One thousand pesos (P1,000) or by imprisonment for not more than one (1) year, or both, at the discretion of the court.】

WITHOUT PREJUDICE TO ANY PROSECUTION UNDER ANY LAW WHICH MAY HAVE BEEN VIOLATED, A FINE OF NOT MORE THAN ONE MILLION PESOS OR A PENALTY OF NOT LESS THAN PRISON CORRECTIONAL AND NOT MORE THAN RECLUSION TEMPORAL, OR BOTH, AT THE DISCRETION OF THE COURT, SHALL BE IMPOSED UPON:

1. ANY OFFICER, EMPLOYEE, OR AGENT OF A RURAL BANK WHO SHALL:

(A) MAKE FALSE ENTRIES IN ANY BANK REPORT OR STATEMENT THEREBY AFFECTING THE FINANCIAL INTEREST OF, OR CAUSING DAMAGE TO, THE BANK OR ANY PERSON;

(B) WITHOUT ORDER OF A COURT OF COMPETENT JURISDICTION, DISCLOSE ANY INFORMATION RELATIVE TO THE FUNDS OR PROPERTIES IN THE CUSTODY OF THE BANK BELONGING TO PRIVATE INDIVIDUALS, CORPORATIONS, OR ANY OTHER ENTITY; OR

(C) ACCEPT GIFTS, FEES OR COMMISSION OR ANY OTHER FORM OF REMUNERATION IN CONNECTION WITH THE APPROVAL OF A LOAN FROM SAID BANK; OR

(D) OVERVALUE OR AID IN OVERVALUING ANY SECURITY FOR THE PURPOSE OF INFLUENCING IN ANY WAY OF THE ACTION OF THE BANK ON ANY LOAN; OR

(E) APPEAR AND SIGN AS GUARANTOR, ENDORSER, OR SURETY FOR LOANS GRANTED; OR

(F) VIOLATE ANY OF THE PROVISIONS OF THIS ACT.

2. ANY APPLICANT FOR A LOAN FROM, OR BORROWER OF A RURAL BANK WHO SHALL:

(A) MISUSE, MISAPPLY, OR DIVERT THE PROCEEDS OF THE LOAN OBTAINED BY HIM FROM ITS DECLARED PURPOSE; OR

(B) FRAUDULENTLY OVERVALUE PROPERTY OFFERED AS SECURITY FOR A LOAN FROM SAID BANK; OR

(C) GIVE OUT OR FURNISH FALSE OR WILLFUL MISREPRESENTATION OF MATERIAL FACTS FOR THE PURPOSE OF OBTAINING, RENEWING, OR INCREASING A LOAN OR EXTENDING THE PERIOD THEREOF; OR

(D) ATTEMPT TO DEFRAUD THE SAID BANK IN THE EVENT OF COURT ACTION TO RECOVER A LOAN; OR

(E) OFFER ANY OFFICER, EMPLOYEE OR AGENT OF A RURAL BANK AS A GIFT, FEE, COMMISSION OR OTHER FORM OF COMPENSATION IN ORDER TO INFLUENCE SUCH BANK PERSONNEL INTO APPROVING A LOAN APPLICATION; OR

(F) DISPOSE OR MONETARY BOARD THE PROPERTY OR THE CROPS OFFERED AS SECURITY FOR THE LOAN; OR

(G) WILLFULLY REFUSES TO PAY THE LOAN.

3. ANY EXAMINER, OR OFFICER OR EMPLOYEE OF THE BANGKO SENTRAL NG PILIPINAS OR OF ANY DEPARTMENT, BUREAU, OFFICE, BRANCH OR AGENCY OF THE GOVERNMENT WHO IS ASSIGNED TO EXAMINE, SUPERVISE, ASSIST OR RENDER TECHNICAL SERVICE TO RURAL BANKS AND WHO SHALL CONNIVE OR AID IN THE COMMISSION OF THE VIOLATIONS BY BANK OFFICERS, DIRECTORS, EMPLOYEES AND BANK CLIENTS, SHALL BE

LIABLE UNDER THIS ACT WITHOUT PREJUDICE TO THE PENALTIES UNDER THE CIVIL SERVICE LAW.

**SEC. 42.** Section 28 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**"Sec. 28.** [Any bank not organized under this Act and any person, association, or corporation doing the business of banking, not authorized under this Act which shall use the words "Rural Bank" as part of the name or title of such bank or of such person, association, or corporations, shall be punished by a fine of not less than Fifty pesos (P50) for each day during which said words are so used.]

ANY MUNICIPAL TRIAL COURT JUDGE OR REGISTER OF DEEDS WHO SHALL DEMAND OR ACCEPT, DIRECTLY OR INDIRECTLY, ANY GIFT, FEE, COMMISSION OR OTHER FORM OF COMPENSATION IN CONNECTION WITH THE SERVICE, OR SHALL ARBITRARILY OR WITHOUT REASONABLE CAUSE DELAY THE ACKNOWLEDGMENT OR ADMINISTRATION OF OATH OR THE REGISTRATION OF DOCUMENTS REQUIRED TO BE PERFORMED BY SAID JUDGE AS PROVIDED IN SECTION 21 AND BY SAID REGISTER OF DEEDS AS PROVIDED IN SECTION 22 OF THIS ACT, SHALL BE PUNISHED UNDER THE REPUBLIC ACT 3019 OTHERWISE KNOWN AS THE ANTI-GRAFT AND CORRUPT PRACTICES ACT.

**SEC. 43.** Section 29 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**"Sec. 29.** [The Monetary Board of the Central Bank shall submit a report to the Congress of the Philippines at the end of each calendar year of all the rules and regulations promulgated by it in accordance with the provisions of this Act, as well as its other actuations in connection with rural banks, together with an explanation of its reasons therefor.]

ANY BANK NOT ORGANIZED UNDER THIS ACT AND ANY PERSON, ASSOCIATION, OR CORPORATION DOING THE BUSINESS OF BANKING, NOT AUTHORIZED UNDER THIS ACT WHICH SHALL USE THE WORDS "RURAL BANK OR COMMUNITY BANK" AS PART OF THE NAME OR TITLE OF SUCH BANK OR OF SUCH PERSON, ASSOCIATION, OR CORPORATION, SHALL BE PUNISHED BY A FINE OF NOT LESS THAN FIVE THOUSAND PESOS (P5,000) FOR EACH DAY DURING WHICH SAID WORDS ARE SO USED."

**SEC. 44.** Section 30 of the Republic Act No. 7353, as amended, is hereby amended to read as follows:

**“Sec. 30.** [If any provision or section of this Act or the application thereof to any person or circumstances is held invalid, the other provisions or sections of this Act, and the application of such provision or section to other persons or circumstances, shall not be affected thereby.]

THE MONETARY BOARD OF THE BANGKO SENTRAL NG PILIPINAS SHALL SUBMIT A REPORT TO CONGRESS AT THE END OF EACH CALENDAR YEAR OF ALL THE RULES AND REGULATIONS PROMULGATED BY IT IN ACCORDANCE WITH THE PROVISIONS OF THIS ACT, AS WELL AS ITS OTHER ACTUATIONS IN CONNECTION WITH RURAL BANKS, TOGETHER WITH AN EXPLANATION OF ITS REASONS THEREOF. FAILURE TO SUBMIT THIS ANNUAL REPORT SHALL BE CONSIDERED A VIOLATION OF THIS ACT.

ANY RULE OR REGULATION THAT IS INCONSISTENT WITH THE PROVISIONS OF THIS ACT SHALL BE CONSIDERED ULTRA VIRES AND OF NO EFFECT. ITS IMPLEMENTATION THEREFORE SHALL BE HELD IN ABEYANCE UNTIL A COURT OF COMPETENT JURISDICTION SHALL RULE ON THE MATTER.”

SEC. 45. Implementing Rules and Regulations. – The Bangko Sentral ng Pilipinas, and the Department of Finance shall promulgate the rules and regulations for the effective enforcement of the provisions of this Act.

SEC. 46. Separability Clause. – Should any provision of this Act or any part thereof be declared invalid, the other provisions, insofar as they are separable from the invalid ones, shall remain in full force and effect.

SEC. 47. Repealing Clause. – All laws, executive orders, rules and regulations or parts thereof which are inconsistent with this Act are hereby repealed or amended accordingly.

SEC. 48. Effectivity. – This Act shall take effect fifteen (15) days after its complete publication in at least two (2) newspapers of general circulation.

Approved,