

AN ACT TO AMEND ACT NUMBERED TWENTY-FIVE HUNDRED AND EIGHT, AS AMENDED.

Commonwealth Act No. 133, November 06, 1936

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Be it enacted by the National Assembly of the Philippines:

SECTION 1. Section eleven of Act Numbered Twenty-five hundred and eight, known as the Rural Credit Law, is hereby amended to read as follows:

"SEC. 11. No director shall directly or indirectly obtain a loan for himself, nor shall he vote on a loan requested by any member of his family, natural or by affinity, to the third degrees, nor on a loan requested by any person who owes a debt to him or to any member of his family; nor shall he become a bandsman, surety, or indorser on any loan contracted with the association.

"Any violation of this section shall be punishable by dismissal from office of director when found guilty of such violation, and the amount thus obtained by him shall become immediately due and payable. In the event of non-payment in full of the obligation so contracted, the offending director may, by order of the Director of Commerce, who shall be in charge of the enforcement of the provision of this section, be prosecuted before the courts of justice, and if found guilty, punished by arresto mayor, or by a fine of not less than fifty pesos and not more than two hundred and fifty pesos, or both by fine and imprisonment in the discretion of the court."

SEC. 2. Section thirteen of Act Numbered Twenty-five hundred and eight, as amended by Act Numbered Thirty-seven hundred forty-six, is hereby further amended to read as follows:

"SEC. 13. In case a borrower is three months in arrears in the payment of the dues or of the interest on any loan, or when it shall be found that the money borrowed by him from the association has been invested for any purpose other than that which was specified in the loan application approved by the board of directors, the entire loan shall be declared by the board of directors due and payable.

"For the collection of any loan due or for the enforcement of any contract or stipulation thereof with an Agricultural Credit Cooperative Association, the Director of Commerce or his duly authorized representative may bring the necessary and adequate action in court, in the name and representation of the association, the provisions of the law to the contrary notwithstanding."

SEC. 3. Section fifteen of Act Numbered Twenty-five hundred and eight, as amended by Act Numbered Thirty-seven hundred and forty-six, is hereby further amended to read as follows:

"SEC. 15. The period of duration of the loans shall not exceed one year, which period may be extended for a time to exceed five years by annual extensions, but such period of duration shall not be considered extended unless the borrower has so requested in writing and the board of directors shall approve the same: Provided, however, That the Director of Commerce may, in exceptional cases, upon the recommendation of the board of directors, grant further annual extensions, not exceeding five years."

SEC. 4. Section twenty-seven of Act Numbered Twenty-five hundred and eight, as amended by Act Numbered Twenty-five hundred and sixty-six, is hereby further amended to read as follows:

"SEC. 27. The reserve fund shall consist of a sum set aside by the board of directors from the profits at each annual balance prior to the declaration and distribution of any dividend, which sum shall not be less than twenty per centum of said net profits.

"The reserve fund may be invested in securities or investments to be recommended by the Director of Commerce and approved by the Secretary of Agriculture and Commerce and shall be expended for covering the deficits of the association : Provided, however, That not more than twenty per centum of the amount thus set aside may be spent for salaries, the aforesaid amount, after the deduction made for salaries herein authorized, being available only for inspection and supervision, subject to the rules and regulations to be promulgated for the purpose by the Secretary of Agriculture and Commerce, upon the recommendation of the Director of Commerce."

SEC. 5. Section twenty-eight of Act Numbered Twenty-five hundred and eight is hereby amended to read as follows :

"SEC. 28. The by-laws shall determine the qualifications for membership, the form of admission and expulsion, the form of appeal against a resolution refusing admission, and the form of withdrawal from membership. The death of a member shall be considered a withdrawal from membership.

"Each member shall be a resident of the municipality in which the association is organized, and shall have the reputation in the locality of being honest and industrious.

"Nonresidents may, however, be permitted to buy shares in any Agricultural Credit Cooperative Association, but they shall not enjoy the right to borrow money from the said association, nor shall they be allowed to vote in any meeting nor be elected to any office therein.

"Nothing in this law shall preclude any officer or employee of the Government, be it national, provincial or municipal, from holding office or being elected to any office in any association or from receiving compensation therefor."

SEC. 6. Section thirty-two of Act Numbered Twenty-five hundred and eight is hereby amended to read as follows:

"SEC. 32. The directors shall be elected for two years, and two of them shall be renewed each even-numbered year and three each odd-numbered year. During the first and before the next election is held in the second year of the association, the directors to be renewed shall be designated by lot: Provided, however, That no person shall be entitled to qualify for the position to which he was elected, unless his election has been proclaimed by resolution of the Board of Directors and duly certified to the Director of Commerce, who shall confirm said election, after thirty days from the date of the receipt of the certification, if no protest formally presented under oath by any full-fledged member has been filed in the office of said Director of Commerce within said period of thirty days. The Director of Commerce, upon receipt of a protest against an election, shall cause an investigation to be made of the cause or causes contained in the said protest, and in accordance with his findings, or an issue the necessary order either for the confirmation or the annulment of the election so protested, and in the case of annulment, for the holding of a new election. All elections in any Agricultural Credit Cooperative Association shall be presumed to be legal if no protest has been filed in the manner herein prescribed. The decision of the Director of Commerce on matters of election protests may be appealed to the Secretary of Agriculture and Commerce, within fifteen days from the date of the receipt of the notification to the parties concerned, and his decision on the matter shall be final and conclusive.

"It shall be illegal for any person who is actually indebted to the association, or a party in any case in court brought by the association, to qualify for the office to which he has been elected, without first settling his indebtedness thereto or without the case against him having been duly terminated."

SEC. 7. Section thirty-three of Act Numbered Twenty-five hundred and eight, as amended by Acts Numbered Twenty-five hundred and sixty-six and Thirty-seven hundred and forty-four, is hereby further amended to read as follows:

"SEC. 33. Thirty days after their election and each year thereafter upon a date to be fixed by the by-laws, the directors shall elect from amongst themselves a president and shall appoint a secretary and other officers as the by laws may prescribe, the treasurer of the municipality where the association is located to act as ex-officio treasurer of the association, with such compensation as may be approved by the board of directors with the approval of the Director of Commerce. The treasurer of the association shall not be eligible for election as member of the Board of Directors or for appointment to any other office in the association. The directors and officers shall perform the duties intrusted to them by law or by the by-laws and the rules and regulations promulgated under the law for the government or the association. The Board of Directors shall hold a meeting at least once a month to act upon the corporate business of the association. A majority of the directors shall constitute a quorum for the transaction of the corporate business of the association, and every resolution of the majority of the quorum duly assembled in a meeting, shall be valid as a corporate act: Provided, That no loan shall be made except by the affirmative vote of at least three members of the board who are entitled to vote thereon, subject to the provision of section eleven of this Act."

SEC. 8. Section thirty-four of Act Numbered Twenty-five hundred and eight is hereby amended to read as follows:

"SEC. 34. Any director of the association may be removed for cause from office by the stockholders' general assembly, and by the vote of at least two-thirds of all members present at a regular meeting, or a special meeting called for the purpose, upon notification in the latter case to the stock-holders of the intention to propose such removal at such meeting: Provided, however, That the removal of any director from office shall not be effective until after all the proceedings of such removal have been forwarded to the Director of Commerce for review, and the decision of the general assembly of stockholders has been confirmed by the said Director of Commerce. The records of such proceedings shall be forwarded to the Director of Commerce within fifteen days from the date the decision is rendered, and the Director of Commerce may, if the case so warrants, order a reinvestigation of the case, confirm the decision or revoke the same. In case of failure of the stockholders to remove any director found guilty, the Director of Commerce is authorized to remove the said director."

SEC. 9. Section thirty-five of Act Numbered Twenty-five hundred and eight is hereby amended to read as follows:

"SEC. 35. The directors shall be jointly and severally responsible for any transaction made in violation of law, the by-laws, the resolutions of the general assembly of stock-holders, or the rules and regulations promulgated for the purpose, except those who entered a protest at the time when such transaction was acted upon."

SEC. 10. Section thirty-six of Act Numbered Twenty-five hundred and eight is hereby amended to read as follows:

"SEC. 36. The stockholders general assembly shall be composed of such members owning at least one share of stock, as are entitled to vote in general assemblies of the association, and when lawfully constituted, it shall represent all the members. There shall be a regular convention of the general assembly of stockholders at least once each year, on the date fixed in the by-laws, for the purpose of filling vacancies on the board of directors, and receiving the report of the latter on the operations of the preceding year and hearing their recommendations regarding the declaration of the dividend and the distribution of the gains and profits for the same period, and for the purpose of transacting other general business of the association. One-half plus one of the stockholders entitled to vote shall constitute a quorum, but if a quorum is not present on the data fixed in the call, the stockholders present therein may proceed with the transaction of the business of the association:

Provided, That no resolution acted upon therein shall be valid until same has been duly certified to and approved by the Director of Commerce, to whom a copy of the minutes signed by all the stockholders who were present in, had been submitted within ten days from the date the said general assembly was held."

SEC. 11. Subsections (f) and (g) of section thirty-eight of Act Numbered Twenty-five hundred and eight are here by amended to read as follows:

"(f) Powers of the Board of Directors, procedure for passing resolutions, and manner of recording the same and the protest on the part of any member or members.

"(g) Form of organization of the stockholders' general assemblies classes of the latter, manner of calling the same, powers and duties thereof, and procedure for passing resolution"

SEC. 12. Section forty-one of Act Numbered Twenty-five hundred and eight, as amended by Act Numbered Thirty-seven hundred and forty-seven, is hereby further amended to read as follows:

"SEC 41. Agricultural Credit Cooperative Association may be dissolved:

"(a) Upon expiration of the limit prescribed in the articles of incorporation.

"(b) By resolution of the stockholders' general assembly adopted by two-thirds vote of all members at a special meeting called for the purpose, and with the approval of the Director of Commerce.

"(c) On account of bankruptcy of insolvency of the association.

"(d) By order of the Secretary of Agriculture and Commerce and upon the recommendation of the Director of Commerce, wherever it shall appear to the satisfaction of the said officials that the business of said association is being transacted fraudulently, or is causing, or is liable to cause, injury to the public or to any person whomsoever, or that the said association has been consistently disobeying and is still persisting to disobey the orders of the Director of Commerce and /or the Secretary of Agriculture and Commerce or when there is sufficient evidence that the business of said association is being neglected by the board of directors: Provided, That the provision of the corporation Law regarding voluntary or involuntary dissolution of a corporation to the contrary notwithstanding, the Secretary of Agriculture and Commerce is hereby empowered to issue rules and regulations relative to the manner in which the liquidation of the business of the association dissolved in any case provided in this Act shall be conducted and designate the Director of Commerce or any of his duly authorized representatives to act as the receiver of the association in the liquidation and to attend to the enforcement of this Act: Provided, further, That any order issued by the Secretary of Agriculture and Commerce dissolving or decreeing the dissolution of any association specified in the preceding subsections, under any of the terms above mentioned, shall be made in writing and a copy thereof filed in the mercantile registry of the Bureau of Commerce: Provided, finally, That the decision of the Secretary of Agriculture and Commerce decreeing the dissolution of any association shall be final and conclusive."

SEC 13. Subsections (d) and (e) of section forty-two of Act Numbered twenty-five hundred and eight, as amended by Act Numbered Thirty-seven hundred and fifty, is hereby further amended to read as follows:

"(d) These association shall likewise be exempt from the payment of all court and sheriff's fees payable to the Government for and in connection with all actions brought under this Act, or to enforce the payment of obligations contracted in favor of the association.

"(e) The registration of the securities required by the associations for loans upon real estate, property rights, or personal property, or of the deeds of title to any property acquired by an association in accordance with section fourteen of this Act, or any paper or document drawn in connection with any action brought by the association or with any court the payment of all registration fees payable to the Government."

SEC. 14. An Additional subsection to be known as subsection (n) is hereby added to the end of section forty-two of Act Numbered Twenty-five hundred and eight, as amended, to read as follows:

"(n) They shall also be exempt from putting up a bond for bringing an appeal against the decision of an inferior court or for seeking to set aside any third party claim. A certification as to entire assets of the association signed by the treasurer and the majority of the members of the Board of Directors thereof, showing that the total amount of said assets is not less than the amount of the bond required by the court of similar cases shall be accepted by the court as a sufficient bond, which shall be held primarily liable in case of execution against the said bond decreed by the court. In such a case, the Director of Commerce shall issue the necessary order for the payment of the legal damages suffered by the appellee or third party claimant, out of the funds of the association, but in no case shall said payment be in any one month more than one-third of its total net receipts."

SEC. 15. Section forty-three of Act Numbered Twenty-five hundred and eight as amended by act Numbered Thirty-seven hundred and forty-seven, is hereby further amended to read as follows:

"SEC. 43. It shall be the duty of the Director of Commerce, either by himself or through his agents or deputies to make propaganda in the provinces for the proper and speedy organization of the association created and established by this Act, and he shall act as adviser to said association and shall review and pass upon by the laws of each association, either approving them, modifying them, or disapproving them to toto. The Director of Commerce shall issue, with the approval of the Secretary of Agriculture and Commerce, the necessary orders and rules regarding the manner in which they shall conduct their affairs and keep their account books and records, the general manner of investing their funds of all kinds and of disposing of their property, and the terms upon which they shall make loans to their members, and likewise the terms upon which they may receive loans and deposits from private or official persons or corporations.

"The opinions rendered and the rules promulgated by the Director of Commerce in accordance with the preceding paragraph shall be binding upon, and enforceable in, every Agricultural Credit Cooperative Association and its members, and can only be reversed by any competent court upon action brought therein by any member.

"Said Director of Commerce shall, either personally or through his agents and deputies, exercise supervisory power over said associations, and at least once every six months, cause an examination to be made of the operations of each association in order to ascertain whether its operations are in accordance with law, the by-laws, or the order and rules issued by the said Director. In case he finds that any association violates any provision of law, the by-laws, or the rules and regulations promulgated by the Director of Commerce for the government of these associations, he shall give the necessary order to the Board of Directors of said association to have the defect promptly remedied, and in case of noncompliance, said Director of Commerce shall, either personally or through his agents or deputies, cause an investigation to be made of the charges against the persons alleged to be responsible for the violation of the law, the by-laws or the orders and rules governing them, and in accordance with his findings, issue the necessary orders for either the exoneration or the removal of the offending director or directors, and in case of removal from office of any director, he shall appoint a substitute or substitutes to serve for the unexpired period or until the next election for directors of the association: Provided, however, That the director concerned may appeal from the decision of the Director of Commerce removing him from office, within thirty days from the receipt of notice of his removal, to the Secretary of Agriculture and Commerce, whose decision on the matter shall be final and conclusive.

"For the purpose of the investigation of any irregularity in the operation of an association organized under this Act, the Director of Commerce and/or his duly authorized agents or deputies are hereby empowered to administer oath and to issue subpoenas and subpoenas duces tecum, and any officer of the law shall be in duty bound to serve said subpoenas.

"The Treasurer of the province where the association is located and the Auditor General, either personally or

through their authorized representatives, shall examine the books and accounts of the treasurer of the association at the same time that his books and accounts as municipal treasurer are examined, or at such other times as the Director of Commerce may request, the result of which shall be reported to the Director of Commerce.

"Any person who shall willfully disregard the orders issued by the Director of Commerce, or his duly authorized agents or deputies, or voluntarily ignore the subpoenas issued in connection with any investigation made in the operations of any association established under this Act, or any officer of law who shall directly or indirectly maliciously interfere in such investigation with the view to embarrass or in any way obstruct the ordinary course of the same shall, upon conviction by a competent court, be punishable by arresto mayor, or a fine of not less than fifty pesos nor more than two hundred and fifty pesos, or both imprisonment and fine, in the discretion of the court."

SEC. 16. This Act shall take effect upon its approval.

Approved, November 6, 1936.

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