

AN ACT AMEND CERTAIN SECTIONS OF REPUBLIC ACT NUMBERED SEVEN HUNDRED TWENTY, OTHERWISE KNOWN AS THE RURAL BANKS ACT.

REPUBLIC ACT NO. 1097, June 15, 1954

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

SECTION 1. Section four of Republic Act Numbered Seven hundred twenty, otherwise known as the Rural Banks Act, is hereby amended to read as follows:

"SEC. 4. No Rural Bank shall be operated without a Certificate of Authority of the Monetary Board of the Central Bank. Rural Banks shall be organized in the form of stock corporations. Duly established cooperatives may organize Rural Banks and/or subscribe to the shares of stock of any Rural Bank. At least sixty per cent of the capital stock of any Rural Bank shall be owned and held by citizens of the Philippines: Provided, however, That if said subscription of private shareholders to the pita stock of a Rural Bank cannot be secured or is not available, the Rehabilitation Finance Corporation, on representation of the said private shareholders and upon approval of the Monetary Board of the Central Bank, 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 capital of the private shareholders: Provided, further, That such shares of stock subscribed by the Rehabilitation Finance Corporation may be sold at any time at par to private individuals who are citizens of the Philippines: Provided, finally, That in the sale of the shares of stock subscribed by the Rehabilitation Finance Corporation, the registered stockholders shall have the right of preemption within five years from the date of offer in proportion to their respective holdings, but in the absence of such buyer, preference, however, shall be given to residents of the locality or province where the Rural Bank is located. All members of the Board of Directors of the Rural Banks shall be citizens of the Philippines."

SEC. 2. Section seven of the same Act is amended to read as follows:

"SEC. 7. 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 Rehabilitation Finance Corporation shall, upon certification of the Monetary Board which shall be final, of the existence of such need, subscribe within thirty days to capital stock of any Rural Bank from time to time in an amount equal to but not exceeding the total equity investment of the private shareholders: Provided, however, That shares of stock issued to the Rehabilitation Finance Corporation, pursuant to this section, may at any time be paid off at par and retired in whole or in part if, in the opinion of the Monetary Board, 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 investments of the Rehabilitation Finance Corporation with an equivalent investor more in the common stock of such Bank. In case of such retirement of stock or replacement of equity investments of the Rehabilitation Finance Corporation, the registered private shareholders of the Rural Bank shall have the right of preemption within five years from date of offer in proportion to their respective holdings.

"Stock held by the Rehabilitation Finance Corporation, under the terms of this section, shall be made preferred only as to assets upon liquidation and without the power to vote and shall share in dividend distributions not exceeding two per cent thereof without preference: Provided, however, That if such stock of the Rehabilitation

Finance Corporation is sold to private shareholders, the same shall be converted into common stock of the class provided for in section nine."

SEC. 3. Section twelve of the same Act is amended to read as follows:

"SEC. 12. The Rehabilitation Finance Corporation shall, within sixty 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 years, with interest at the rate of two per cent per annum, against security which may be offered by any stockholder 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."

SEC. 4. Section fourteen of the same Act is amended to read as follows:

"SEC. 14. All Rural Banks created and organized under the provisions of this Act, with net assets not exceeding seven hundred thousand pesos, shall be exempt from the payment of all taxes, charges and fees of whatever nature and description."

SEC. 5. Section sixteen of the same Act is amended to read as follows:

"SEC. 16. Any justice of the peace, in his capacity as notary 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 two thousand pesos."

SEC. 6. Section seventeen of the same Act is amended to read as follows:

"SEC. 17. Any register of deeds shall accept from any Rural Bank and its borrowers or 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 transactions extended by a Rural Bank in an amount not exceeding two thousand pesos: Provided, however, That charges if any shall only be collectible on the amount in excess of two thousand pesos; and that in instruments related to assignments of several mortgages consolidated in a single deed, charges or fees, if any, shall be levied only on the amount in excess of two thousand pesos of the consideration in the assignment of each mortgage."

SEC. 7. Section twenty-three of the same Act is amended to read as follows:

"SEC. 23. Any justice of the peace 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 justice of the peace as provided in section sixteen and by said register of deeds as provided in section seventeen of this Act, shall be punished by a fine of not more than one thousand pesos or by imprisonment for not more than one year, or both, at the discretion of this court."

SEC. 8. Section twenty-five of the same Act is amended to read as follows:

"SEC. 25. The Monetary Board of the Central Bank shall submit a report to the Congress as of 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."

SEC. 9. This Act shall take effect upon its approval.

Approved, June 15, 1954.

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