

PRESIDENTIAL DECREE NO. 1794

AMENDING FURTHER REPUBLIC ACT NO. 720, AS AMENDED, OTHERWISE KNOWN AS THE "RURAL BANKS ACT"

WHEREAS, to effectively supervise rural banks controlled by a cooperative or a corporation, the Central Bank should exercise some form of authority over such cooperative or corporation;

WHEREAS, the Central Bank should be able to act with deliberate speed in preventing erosion of public confidence in mismanaged banks.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution do hereby decree and order as follows:

Section 1. Section 4 of Republic Act No. 720, as amended, is hereby amended further 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 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. 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, as amended, and of Filipino-controlled domestic banks, the capital stock of any Rural Bank shall be owned and held directly or indirectly by citizens of the Philippines. If subscription of private shareholders to the capital stock of a Rural Bank cannot be secured or is not available, or is insufficient to meet the normal credit needs of the locality, the Development Bank of the Philippines, 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 but not exceeding one million pesos 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 stocks subscribed by the Development Bank of the Philippines may be sold at any time at par to private individuals who are citizens of the Philippines: Provided, finally, That in the sale of shares of stock subscribed by the Development Bank of the Philippines, the registered stockholders shall have the right of preemption within one 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 residents of the locality or province where the Rural Bank is located."

All members of the Board of Directors of the Rural Bank shall be citizens of the Philippines: Provided, however, That no appointive or elective public official, whether full-time or part-time, shall at the same time serve as officer of any Rural Bank except in cases where such service is incident to financial assistance provided by the Government or a government-owned or controlled corporation to the bank.

Sec. 2. The second paragraph of Section 10 of the same Decree is hereby amended further to read as follows:

"The Director of the Department of the Central Bank designated by the Monetary Board to supervise Rural Banks 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 Bank in a lawful and orderly manner; and, upon proof 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 interests 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 responsible for such violations under the provisions of sections thirty-two, thirty-three and thirty-four of Republic Act Numbered Two Hundred Sixty-Five, as amended."

Sec. 3. All laws, decrees, rules and regulations inconsistent with this Decree are hereby repealed or modified accordingly.

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Sec. 4. This Decree shall take effect immediately.

Done in the City of Manila this 16th day of January, in the year of Our Lord, nineteen hundred and eighty-one.