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TITLE : AN ACT REORGANIZING THE QUEDAN GUARANTEE FUND BOARD,
RENAMING IT
AS QUEDAN AND RURAL CREDIT GUARANTEE CORPORATION, ENLARGING ITS
POWERS
AND RESOURCES TO SUPPORT FARMERS AND RURAL ENTERPRISES, AND FOR
OTHER
PURPOSES

TEXT :

H. No. 33331

S. No. 1705

Republic of the Philippines
Congress of the Philippines
Metro Manila

Fifth Regular Session

Begun and held in Metro Manila, on Monday, the twenty-second
day of July, nineteen hundred and ninety-one.

[REPUBLIC ACT NO. 7393]

AN ACT REORGANIZING THE QUEDAN GUARANTEE FUND
BOARD, RENAMING IT AS QUEDAN AND RURAL
CREDIT GUARANTEE CORPORATION, ENLARGING ITS
POWERS AND RESOURCES TO SUPPORT FARMERS AND
RURAL ENTERPRISES, AND FOR OTHER PURPOSES

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

SECTION 1. Title. - This Act shall be known as the "Quedan
and Rural Credit Guarantee Corporation Act."

SEC. 2. Declaration of Policy. - It shall be the policy of
the State to accelerate the flow of investments and credit
resources into the countryside so as to trigger the vigorous
growth and development of rural productivity, employment and
enterprises thereby generating more livelihood and income
opportunities for the disadvantaged rural populace. Pursuant

to this policy, there shall be set up a convenient credit-support mechanism and reliable guarantee system that shall effectively:

(a) Improve the bankability of and access by rural workers, their cooperatives and small rural enterprises to formal credit institutions;

(b) Provide incentives for the banking sector to focus upon and enlarge the flow of credit funds and investments into the rural areas;

(c) Institutionalize the quedan or warehouse receipt and other negotiable instruments, evidencing stored agri-aqua produce in bonded warehouses, as the more convenient collateral for obtaining credit financing;

(d) Prioritize financing support to agrarian reform beneficiaries and their cooperatives for their production inputs and labor costs and their acquisition of farm equipment and post-harvest facilities;

(e) Support dynamic cooperativism, capital formation and savings mobilization among the rural populace;

(f) Increase farm income by promoting a system that by-passes unnecessary layers of middlemen and links producers more closely to end-users through auction markets, trading centers, consumer cooperatives and the like; and

(g) Harmonize and coordinate with all government institutions, non-governmental organizations, private voluntary organizations, self-help groups and other aggrupations involved in providing support services to rural inhabitants.

SEC. 3. Defition of Terms. The following terms as used in this Act shall mean:

(a) "Corporation" - The Quedan and Rural Credit Guarantee Corporation;

(b) "Farmer" - Any natural person whose primary livelihood is cultivation of land or the production of agricultural crops, livestock and aquaculture products, in small or commercial scale, either by himself or primarily with the assistance of his immediate farm household or workers, whether the land is owned by him or by another person, under a leasehold tenancy agreement or arrangement with the owner thereof;

(c) "Fisherfolk" - Refers to any natural person whose primary livelihood is fishing or the catching and/or gathering of other marine products, in small or commercial

scale, either by himself or with the assistance of his immediate household or workers, whether the vessel, banca, and other equipment used is owned by him or by another person under lease or other arrangement with the owner thereof and there is no employer-employee relationship; and

(d) "Cooperative" - Refers to a duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve a lawful common social or economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.

SEC. 4. Reorganization. - The Quedan Guarantee Fund Board is hereby reorganized in accordance with the provisions this Act, renamed as the Quedan and Rural Credit Guarantee Corporation and hereafter referred to as the Corporation. The Corporation is hereby attached to the Department of Agriculture pursuant to Administrative Order No. 59 (1988), but subject to the regulatory powers of the Securities and Exchange Commission insofar as allowed under Sections 9, 10 and 13 hereof.

SEC. 5. Place of Business. - The Corporation shall have its principal place of business in Metro Manila and may establish many branches or smaller units of organization in any part of the Philippines as may be necessary in carrying out efficiently and effectively its operations.

SEC. 6. Term of Existence. The term of existence of the Corporation shall be fifty (50) years from the date of effectivity this Act.

SEC. 7. Authorized Capital Stock. - The authorized capital stock of the Corporation shall be Two billion pesos (P2,000,000,000) to be divided into two billion common and voting shares, with the par value of One peso (P1.00) per share, sixty percent (60%) thereof to be subscribed solely by the National Government and/or government-owned or -controlled corporations and forty percent (40%) thereof solely by small farmers, fisherfolk, their cooperatives and other private investors: Provided, however, That the shares of the National Government and government-owned or -controlled corporations may be sold to one another but not to private investors.

SEC. 8. Subscription by National Government. - Upon the effectivity of this Act, the National Government shall be deemed to have subscribed to such number of shares of the Corporation equivalent in par value to, and considered paid for by, the net assets of the Quedan Guarantee Fund Board, as determined and certified by the Commission on Audit within three (3) months from the effectivity hereof. Additional

subscriptions, insofar as allowed by this Act, may be made by the National Government with the profits of the Corporation upon the majority vote of its governing Board in a meeting specially called for that purpose. The Secretary of Agriculture or his representative duly authorized in writing shall vote the shares owned by the National Government. The Chief Executive Officers of the government institutions referred to in Section 23 shall vote for their respective shareholdings.

SEC. 9. Subscription by Private Investors. - No private person, natural or juridical, shall, directly or indirectly, by interlocking directorate or other forms of combinations, by trust, subscription, purchase, lease, mortgage, pledge, or other means of acquisition or encumbrance, own at any one time more than ten percent (10%) of the portion of the Corporation's authorized capital stock that can be subscribed solely by small farmers, fisherfolk, their cooperatives and other private investors. The Corporation in consultation with the Securities and Exchange Commission shall prescribe within sixty (60) days from the effectivity of this Act, implementing rules and regulations which will assure strict observance of the herein section by private investors and stock exchanges, stock-brokers, traders and personnel thereof, if the Corporation is listed in such exchanges for the trading of its shares therein under Section 10 hereof. Violation of any provision of the herein section or its implementing rules and regulations shall be punishable under Section 185 of the Revised Penal Code or, whenever applicable, the Anti-graft and Corrupt Practices Act.

SEC. 10. Listing in Stock Exchanges. - The Corporation shall comply with all the requirements and shall apply for listing in stock exchanges for the purpose of trading its shares within one (1) year and six (6) months from the effectivity of this Act. Failure to comply with the provisions herein shall be prima facie evidence of bad faith on the part of the Corporation's personnel responsible therefor.

SEC. 11. Corporate Powers. - The Corporation, as a body corporate, shall have the following powers and purposes:

(a) Establish a credit-support mechanism for the benefit of farmers, fishermen, rural workers, cooperatives, retailers, wholesalers and primary processors of agricultural and aquatic commodities;

(b) Implement a guarantee system to promote inventory financing of agri-aqua commodities; establishment of production and post-production facilities; acquisition of farm and fishery machineries, equipment and implements; and investment in production inputs and labor;

(c) Set up a system for accrediting the participation in the Corporation's various programs by borrowers, lending banks, financing institutions, bonding and insurance companies;

(d) Franchise-bonded warehouses intended for quedan inventory financing, issue and enforce rules and regulations therefor;

(e) Print and provide uniform negotiable quedan or warehouse receipt forms for the purpose of quedan financing which shall be serially numbered, on security notepaper, in specific quantity denominations of such unit of measurement of subject commodities; and shall contain the name and business address of the warehouseman, the variety, classification, moisture content and quality of the commodity deposited, the warranties of the warehouseman as prescribed by existing laws, rules and regulations, the charges and authorized liens on the stocks in deposit;

(f) Prescribe fees and charges for the Corporation's services; fix interest and penalty charges for delinquent accounts; and impose fines and sanctions for violations of its rules and regulations;

(g) Acquire by purchase or otherwise acquire ownership of and invest in, hold, sell or otherwise dispose of stocks or bonds of any interest in either or any obligation or evidence of indebtedness of any person, firm or corporation; and as owner of such stocks, bonds or interest therein, or other obligations or evidences of indebtedness, exercise the rights, powers and privileges or ownership, including the right to vote thereon or consent in respect thereto for any and all lawful purposes;

(h) Purchase or otherwise acquire, sell, lease, convey, mortgage or encumber and otherwise deal with any property, real or personal, or any interest therein;

(i) Act as a receiver;

(j) Adopt and use a corporate seal;

(k) Sue and be sued;

(l) Prescribe, repeal and alter its own bylaws; determine its operating policies and issue such rules and regulations as may be necessary and incidental to implement its various policies, programs and projects; and

(m) Carry on any lawful business whatsoever and do everything suitable, convenient and proper for the exercise of any of the foregoing powers and promote the interests of the Corporation or its properties.

SEC. 12. Governing Board. - The affairs and business of the Corporation shall be directed, its properties managed and preserved, and its corporate powers exercised, unless otherwise provided in this Act, by a governing Board consisting of fifteen (15) members composed initially of the following: the Secretary of Agriculture, the Secretary of Agrarian Reform, the Governor of the Central Bank, the Administrator of the National Food Authority, the Chairman of the Cooperative Development Authority, the President of the Corporation and three (3) other members: a small farmer, a fisherfolk and an agricultural worker to be endorsed by the Department of Agriculture, the Department of Agrarian Reform and by the Cooperative Development Authority and improved by the other members of the governing Board after having been nominated by a nationally organized association of farmers, fisherfolk and farm workers, respectively. Said representatives shall serve for a term of one (1) year. Members of the governing Board who would proportionately represent the private investments in the Corporation shall be decided upon by the initial members of the governing Board.

The Secretary of Agriculture and the President of the Corporation, because of some governmental functions of the Corporation, shall be permanent ex officio Chairman and Vice-Chairman, respectively.

The Chairman shall preside over the meetings of the governing Board where aside from voting regularly he shall vote to break a tie. He shall likewise preside over the stockholders' meetings.

The President of the Corporation, as Vice-Chairman of the Board, shall assist the Chairman and act in his stead in case of the latter's absence or incapacity. In case of incapacity or absence of both the Chairman and Vice-Chairman, the governing Board shall designate a temporary Chairman from among its members.

The governing Board shall prescribe the rules and regulations governing its deliberations and other official actions.

SEC. 13. Election, Terms of Office of Elective Board Members. The additional members of the governing Board to be elected by the initial members of the governing Board shall serve for a term of one (1) year each. The election shall be presided by the Board Chairman, which shall be held in Metro Manila, in a place accessible to the public, and shall be in accordance with provisions of the Corporation Code of the Philippines and other pertinent laws. The first election after the effectivity of this Act shall be held when the initial members of the governing Board shall have been duly constituted and twenty-five percent (25%) of the counterpart

shares for private investors shall have been subscribed, the exact date, time and place to be determined by the governing Board then incumbent. The governing Board of the Corporation, in consultation with the Securities and Exchange Commission, shall prescribe the rules and regulations for the efficient and effective implementation of this section.

SEC. 14. Specific Duties and Powers of Governing Board.

-The governing Board shall have the following specific duties and powers:

(a) Determine the general policies of the Corporation within the scope of its powers, objectives and financial resources;

(b) Approve and adopt annually the Corporation's budget at least three (3) months before the start of the fiscal period in conformity with the guidelines prescribed by the Department of Budget and Management, the Department of Finance and the Government Corporate Monitoring and Coordinating Committee; the Corporation's plan of operations for the year; as well as its medium- and long-term plans, programs and projects;

(c) Monitor the implementation of the Corporation's general policies, plans, budgets and projects;

(d) Upon the recommendation of its President, approve, reorganize or otherwise alter the position structure, staffing pattern, qualifications, powers and functions of the Corporation's officers and employees, in consultation with the Civil Service Commission and the Department of Budget and Management;

(e) Rationalize the rates of salaries, wages, allowances, per diems, consultant's fees, overtime pay and other forms of compensation, including gratuities and fringe benefits, which shall be determined in accordance with the position classification and compensation scheme or policy formulated under existing laws, rules and regulations and in consultation with the Civil Service Commission and the Department of Budget and Management, without prejudice to the compensation, fringe benefits and gratuities enjoyed by or provided for incumbent personnel at the effectivity of this Act;

(f) Approve, upon the recommendation of its President, the appointment of senior corporate officials in accordance with the pertinent provisions of the Civil Service Law, rules and regulations;

(g) Evaluate the financial reports of the Corporation and the comments of the Auditor thereon and, after approval such financial reports, consider each item thereof in respect of

which the Auditor has expressed a reservation, or made an observation, or has refrained from expressing an opinion; and

(h) Submit to the President of the Philippines, the Congress of the Philippines, the Department of Finance, the Department of Budget and Management, the Department of Agriculture, and the Government Corporate Monitoring and Coordinating Committee, an annual report of the Corporation's operations which shall include the following audited financial statements: balance sheet or statement of assets and liabilities; income statement or statement of income and expenditures; and statement of sources and application of funds. Such report shall also include an analysis of any surplus or deficit of the Corporation and other additional statements and information necessary to make known the financial conditions and operations of the Corporation such as the outstanding domestic and foreign borrowings, the amount of government capital and/of dividend that will be credited to the Bureau of Treasury during the fiscal year, and appropriations needed to restore capital impairments, if any, subject to pertinent laws, rules and regulations; and such other reports and statements that the Government Corporate Monitoring and Coordinating Committee may prescribe.

SEC. 15. President. The management of the day-today operations of the Corporation shall be vested in the President as its Chief Executive Officer.

No person shall be appointed President by the governing Board unless he is in the government career service, is at least thirty-five (35) years of age and has expertise in banking, finance, economics, law, agriculture, business management, or public administration.

SEC. 16. Powers and Duties of President. - The President of the Corporation shall have the following powers and duties:

(a) Direct and manage the affairs and business of the Corporation;

(b) Implement the budget, policies, programs and projects approved by the governing Board;

(c) Enter into and execute, in behalf of the Corporation, all contracts and authorized transactions;

(d) Appoint, promote, remove, suspend or otherwise discipline for cause, any subordinate officer or employee of the Corporation pursuant to the Civil Service Law, rules and regulations: Provided, however, That with respect to officers with rank equivalent to or higher than Vice-President, such action shall be subject to the approval of the governing Board;

(e) Ensure that the officers concerned prepare the annual and financial reports, including the analysis required in Section 14 hereof on or before the time fixed therein;

(h) Delegate any of his powers or duties to any officer of the Corporation as may be deemed expedient for its efficient and effective management; and

(g) Perform such other powers or duties as may be appropriately and reasonably assigned to him by the governing Board from time to time.

SEC. 17. Solicitation of Grants. The Chairman or President of the Corporation is hereby authorized, subject to the approval of the governing Board, to directly solicit, negotiate for and receive grants from any source, domestic or foreign, public or private, in accordance with existing laws.

For the purposes of this Act, grants shall include legacies, devises, gifts, donations, endowments and other transfers from any source, domestic or foreign, public or private, or the ownership and/or possession of real or personal properties, which transfers are free from any monetary consideration, it being understood that counterpart funding for such grants shall not be deemed as such consideration.

With respect to such grants, the following are hereby prescribed:

(a) No grant shall be accepted if its terms and conditions are disadvantageous to the Corporation or the Government;

(b) The disbursement or use by the Corporation of any cash grant shall be, pursuant to a special budget approved by the governing Board, in consultation with the Department of Budget and Management, and subject to accounting and auditing laws, rules and regulations;

(c) The Bureau of Customs shall give priority for the expeditious, safe, efficient and effective release from its premises of grants given to the Corporation under this Act;

(d) The Chairman or President of the Corporation may, in his sound discretion, deputize members of the Integrated Police, Philippine Constabulary and other security forces of the Government to escort and/or guard the grants given to the Corporation under this Act in order to ensure their safe and speedy transportation, delivery and custody by the Corporation's representatives;

(e) Grants given to the Corporation under this Act shall be accorded utmost priority in transportation by national flag

carriers and domestic common carriers; and

(f) Not later than forty (40) days from the start of or receipt thereof, the President shall submit to the Director General of the National Economic and Development Authority a report about the grants being negotiated for and/or received by the Corporation, specifying therein the peso value, general descriptions, sources, summaries of terms and conditions, purposes, and date of start of negotiation or receipt of such grants.

SEC. 18. Operating Principles. - The Corporation in the exercise of its powers shall be guided by the following operating principles:

(a) The loanable value and guarantee cover under its various programs shall be scaled progressively in favor of rural-based cooperatives and micro-enterprises vis-a-vis small- and medium-size businesses:

(b) The rate of guarantee fees and charges shall be commensurate to the risk covered;

(c) Aggregate contingent liability, that is, its outstanding guarantee obligation at any given time, shall not exceed five (5) times its net worth;

(d) For agri-aqua commodities stored in bonded warehouses, the guarantee shall be their physical existence when covered by a quedan or warehouse receipt, chattel mortgage, deed of assignment, trust receipt, and other forms of collateral instruments on said commodities;

(e) For production and post-production facilities, farm machineries, equipment and implements, the guarantee shall be on the loan extended by a bank or lending institution on the basis of a mortgage thereon, without prejudice to the requirement for an additional or substitute collateral;

(f) For production inputs and labor, the guarantee shall be on the loan, provided that it is granted to rural cooperatives, without prejudice to the requirement for a counter-guarantee from nongovernmental organizations, or for some form of acceptable collaterals;

(g) The credit-support mechanism, as contemplated herein, may be in the form of assistance in client prospecting, credit evaluation, collateral appraisal, account monitoring, special time deposit, co-financing arrangement, co-guarantee, interest stabilization, liquidity access and other similar incentives for rural borrowers and lending institutions;

(h) The guarantee and credit-support system shall be oriented to promote capital formation and savings

mobilization in the rural areas;

(i) Secondary trading market and liquidity access for participating banks and lending institutions, especially for those operating in small municipalities, shall be developed and promoted by the Corporation for its guaranteed loan papers; and

(j) Working relationships shall be harmonized with other government institutions, agencies and instrumentalities engaged in agricultural or rural development.

SEC. 19. Sovereign Guarantee. - In accordance with pertinent laws, rules and regulations, the Republic of the Philippines shall answer for the payment of guarantee obligations duly incurred by the Corporation under the provisions of this Act: Provided, however, That the Corporation's assets shall have been first fully exhausted to satisfy its guarantee obligations.

SEC. 20. Compliance with Agri-Agra Law. - Investment by any banking institution in the authorized capital stock of the Corporation shall be considered compliance with Presidential Decree No. 717 (1975), otherwise known as the Agri-Agra Law, to the extent of its equity holdings in the Corporation. Likewise, loans extended by bank institutions to farmers, fishermen, cooperatives, rural workers and rural enterprises covered by the guarantees of the Corporation shall be deemed as compliance with the Agri-Agra Law. Rediscounting by secondary banks of originating banks' loan receivables having the guarantee cover of the Corporation shall likewise be deemed compliance with the same law.

SEC. 21. Protection for Corporation's Guarantees and Other Accommodations. - The provisions of any local, regional, national, special or general law to the contrary notwithstanding, securities on guarantees and/or accommodations granted by, or subrogated to, the Corporation or its predecessors-in-interest shall not be subject to attachment, execution or any other court process, nor shall they be included in the property of insolvent persons or institutions, unless aB debts and obligations of the debtor to the Corporation and its predecessors-in-interest shall have been previously paid, including accrued interest, penalties, collection expenses, and other charges.

SEC. 22. Dividend for Government Shareholdings. - The annual dividends that may be declared by the Corporation pertaining to the National Government shareholdings shall be in the form of stock dividends in order to build up the capital base of the Corporation: Provided, however, That this provision shall not operate to prejudice the declaration of cash dividends to private stock-holders.

SEC. 23. Investment by Other Government Entities. - The Department of Agriculture, the Department of Agrarian Reform, the Technology and Livelihood Resource Center, the Philippine Amusement and Gaming Corporation, the Philippine National Bank, the Development Bank of the Philippines, the Land Bank of the Philippines, the Government Service Insurance System, the Social Security System, other government agencies and government-owned or -controlled corporations, are hereby authorized to invest in the capital stock of the Corporation in conformity with Sections 8, 10 and 12 hereof, and may, in a trust, provide the Corporation with credit or guarantee fund to service particular clients, cooperatives and rural aggrupations, as may be specified by any of these institutions, in accordance with their respective charters.

SEC. 24. Corporate Secretary. - The Corporate Secretary, who shall be a lawyer, appointed by the governing Board and under the supervision of its Chairman, shall record the deliberations and other official actions of the governing Board and shall take custody of the records and other papers pertaining to it.

SEC. 25. Legal Affairs. - The Corporation shall have its own Legal Affairs Department to be headed by the Corporate Legal Counsel who shall be appointed by the governing Board upon the recommendation of the President.

In appropriate cases, the Corporation may also avail of the legal services of any government legal office authorized to render such services to government-owned or -controlled corporations.

The Corporation may, upon the recommendation of its Corporate Legal Counsel, deputize any member of its legal staff to act as special sheriff in foreclosure cases, in the sale or atof the debtor's properties, and in the enforcement of court writs and processes in cases involving the Corporation. Such special sheriff of the Corporation shall make a report to the proper court on any action taken by him, which shall treat such action as if it were an act of its own sheriffs in all respects.

SEC. 26. COA Personnel and Expenditures. - The number of personnel to be assigned by the Commission on Audit in the Corporation and the concomitant expenses to be incurred in the performance of their duties shall be determined in such manner as to harmonize equitably the need of the Commission on Audit to undertake efficiently and effectively its constitutional powers and functions and the obligation of the Corporation to economize in the use of its funds, considering that it is the Corporation which shall defray the expenses for the audit of its operations. In case of disagreement between the Commission on Audit and the Corporation as to the reasonableness of the number of such personnel and their

auditing expenditures, the opinion of the former shall prevail.

SEC. 27. Transitory Provisions. - Upon the effectivity of this Act, the governing Board shall immediately be constituted and convened. All incumbent officers and employees of the Quedan Guarantee Fund Board shall continue in office as personnel of the Corporation without demotion in rank nor diminution in compensation and fringe benefits. The incumbent Executive Director of the Quedan Guarantee Fund Board shall be the President of the Corporation until a new President shall have been elected by the governing Board. The President shall, as soon as possible, prepare and submit to the governing Board such plans and programs which will ensure harmonious and effective transitional activities towards the full operations of the Corporation.

SEC. 28. Authority to Expand Personnel Complement. - In view of the expanded scope of the operations of the Corporation, it is hereby authorized to reorganize and expand its personnel complement. in consultation with the Civil Service Commission and in accordance with Section 14 hereof, in order to achieve efficiency and effectiveness in the delivery of its mandated services.

SEC. 29. Obligations and Liabilities. - All rights, claims and interests of the Quedan Guarantee Fund Board, upon the effectivity of this Act, shall be deemed transferred to the Corporation and all existing obligations and liabilities of the former shall be assumed by the latter.

SEC. 30. Suppletory Application of Corporation Code. - Matters not provided for in this Act shall be governed by the Corporation Code of the Philippines in a suppletory character insofar as it is applicable.

SEC. 31. Separability. - Any portion or provision of this Act that may be unconstitutional or invalid shall not have the effect of nullifying other portions or provisions hereof as long as such portions or provisions can still subsist and be given legal force and effect in their entirety.

SEC. 32. Repeal - All laws, ordinances, rules, regulations and other issuances or parts thereof, contrary to or inconsistent herewith, are hereby repealed or modified accordingly.

SEC. 33. Effectivity. - This Act shall take effect upon its approval.

Approved,

MITRA
NEPTALI A. GONZALES
President of the Senate

RAMON V.
Speaker of the House
of Representatives

This Act which is a consolidation of House Bill No. 33331 and Senate Bill No. 1705 was finally passed by the House of Representatives and the Senate on February 6, 1992 and February 5, 1992, respectively.

SABIO
ANACLETO D. BADOY, JR.
Secretary of the Senate

CAMILO L.
Secretary General
House of Representatives

Approved: April 13, 1992

CORAZON C. AQUINO
President of the Philippines