

REPUBLIC ACT NO. 7907

AN ACT AMENDING REPUBLIC ACT NUMBERED THIRTY-EIGHT HUNDRED FORTY-FOUR, AS AMENDED, OTHERWISE KNOWN AS THE "CODE OF AGRARIAN REFORM IN THE PHILIPPINES"

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

SECTION 1. Section 75 of Republic Act No. 3844, as amended, is hereby further amended by adding the following subsections to read as follows:

"(12) to act as an official government depository with full authority to maintain deposits of the government, its branches, subdivisions and instrumentalities, and of government-owned or controlled corporations which deposits shall be subject to liquidity floor and/or reserve requirements as may be imposed by the Monetary Board upon other commercial banks;

"(13) for the strengthening of the capital base of the bank, to establish a national marketing umbrella for farmers and fisheries cooperatives to attract massive capital formation from savings deposits of the cooperative members nationwide."

The existing subsection 12 is hereby renumbered as subsection 14.

SEC. 2. Section 78 of the same Act is hereby further amended by adding a new paragraph thereto to read as follows:

"Apart from the foregoing which pertains to the twenty-five years bonds previously issued by the bank and pursuant to its role as the financial intermediary of the Comprehensive Agrarian Reform Program, mandated under Republic Act No. 6657, the National Government through the Presidential Agrarian

Reform Council (PARC), shall provide and/or allocate from the existing Agrarian Reform Fund or other unappropriated funds of the National Treasury an amount sufficient to pay all maturing bonds, debentures and all other obligations together with interest due thereon issued and/or incurred by the bank as compensation to the landowners including expenses related thereto. In the apportionment and distribution of funds from the Agrarian Reform Fund, the PARC shall give priority and preference to the payment of landowner compensation in the chronological sequence or order at which the voluntary offers of sale were made by the landowners."

SEC. 3. Section 80 of the same Act is hereby further amended by adding a new subsection thereto to read as follows:

"(7) At least sixty percent (60%) of the proceeds of the sale of the stocks, securities and other assets of the government now under administration by the Asset Privatization Trust (APT) shall be transferred to the Land Bank of the Philippines for use in the payment of agricultural lands acquired pursuant to Presidential Decree No. 27 and Republic Act No. 6657."

SEC. 4. Section 81 of the same Act is hereby amended to read as follows:

"SEC. 81. *Capital.* – The authorized capital stock of the Bank shall be nine billion pesos, divided into seven hundred and eighty million common shares with a par value of ten pesos each, which shall be fully subscribed by the Government, and one hundred and twenty million preferred shares with a par value of ten pesos each, which shall be issued in accordance with the provisions of Sections seventy-seven and eighty-three of this Code. These preferred shares shall be non-voting. The Board, upon the recommendation of the Secretary of Finance and with the approval of the President of the Philippines, may increase the capitalization of the Bank up to such an amount as may be necessary to attain the objectives of this Act. The total capital stock subscribed by the Government shall be paid by the Agrarian Reform Fund Commission created under Presidential Decree No. 85, hereinafter referred to as the "Commission," as follows: four hundred million pesos within sixty (60) days from the approval of this Decree, and

at least one hundred million pesos every year thereafter until the total subscription of the Government is fully paid: *Provided*, That the common and preferred shares of the Bank which have been issued, including those already subscribed, shall form part of the increased capitalization of the Bank: *Provided, further*, That the additional common shares subscribed by the Government shall be paid by the bank through its banking operations in an amount equivalent to at least ten percent (10%) of its annual net income or any form of retained earnings until fully paid: *Provided, finally*, That the dividends due the Government shall first be paid.

SEC. 5. Sec. 86 of the same Act relating to the membership of its Board of Directors, as amended, is hereby further amended to read as follows:

"SEC. 86. *The Board of Directors; Membership; Per Diem.*—The affairs and business of the Bank shall be directed and its property managed and preserved by a Board of Directors consisting of nine (9) members to be composed of the Secretary of Finance, as chairman, the President of the Bank as vice-chairman, the Secretary of Agrarian Reform, the Secretary of Labor, and the Secretary of Agriculture as *ex officio* members. The President of the Philippines shall appoint two (2) members of the Board who shall represent the agrarian reform beneficiaries and two (2) members who shall represent the private sector. The two (2) remaining members shall be elected from the shareholders coming from the public sector to the extent that they may be entitled to two (2) seats in proportion to the outstanding capital stock.

"Annually, on the first Tuesday after the first Monday in December, the stockholders shall meet to take up, among others, the election of two (2) members of the Board of Directors for the succeeding year. Each stockholder or proxy shall be entitled to as many votes as he may have shares of stock registered in his name on the 31st day of October last preceding and held by him at the time of the election. The two (2) members of the Board of Directors shall be elected preferably from the holders of the preferred shares on the basis of the outstanding amount of shares as follows:

"(a) Not exceeding P100 M – one member

"(b) Exceeding P100 M – two members

"The appointive members of the Board shall hold a term of office for one (1) year and shall continue to hold office until their successor shall have been appointed and qualified. The Board shall convene as often as necessary to discharge its responsibilities properly, but shall meet at least once every two (2) weeks. The Board may be convoked either by the chairman or in his absence, the vice-chairman.

"The majority of the Board members shall constitute a quorum. All decisions of the Board shall require the concurrence of at least a majority.

"No person shall be elected or appointed director of the Bank unless he is natural born citizen of the Philippines, not less than thirty-five (35) years of age, of good moral character, and has attained proficiency, expertise and recognized competence in one or more of the following: banking, finance, economics, law, agriculture, agrarian reform, business management: *Provided, further*, That no director, shareholder or employee of any other bank shall be eligible for election or appointment as member of the Board of Directors of the Bank.

"The chairman and the members of the Board shall receive a *per diem* of One thousand five hundred pesos (P1,500) for each session of the Board attended but in no case not to exceed Seven thousand five hundred pesos (P7,500) a month."

SEC. 6. Section 86-A of the same Act relating to the powers and responsibilities of the Board is hereby amended by adding subsection 6 which reads as follows:

"6. To compromise or release, in whole or in part, any claim or liability whatsoever for or against the bank, including interest, penalties, fees and/or other charges, under such terms and conditions as the board may find acceptable and practicable

subject to their best business judgment and to the best interest of the corporation in accord with standard banking practices."

SEC. 7. A new Section 86-B is hereby added to read as follows:

"Section 86-b foreclosure of collaterals and disposal of bank acquired properties –

"1. *Foreclosure of Mortgage Collaterals* - Foreclosure of mortgage collaterals to loans may be made either judicially or extrajudicially.

"2. *Deputization of Legal Staff* - The bank may, with the approval of the court, deputize any member of its legal staff to act as special sheriff in foreclosure cases, in the sale or attachment of debtor's properties and in the enforcement of court writs and processes in cases involving the bank. The Special Sheriff of the bank shall make a report to the proper court after any action has been taken by him, which court shall treat such actions as if it were an act of its own sheriffs in all respect.

"3. *Disposal of Real Estate and Other Properties in the Collection of Debt* - Real estate and other properties acquired by the bank in the collection of debts or investment by way of foreclosure or other means shall be sold or disposed of in accordance with law, within five (5) years after date of acquisition. The sale or disposal shall be effected through public bidding, in accordance with law.

"4. *Exemption from Attachment* - The provisions of any law to the contrary notwithstanding, securities on loans and/or other credit accommodations granted by the bank shall not be subject to attachment, execution to any other court process, nor shall they be included in the property of insolvent persons or institutions, unless all debts and obligations of the debtors to the bank have been paid, including accrued interest, penalties, collection expenses, and other charges.

"5. *Right of Redemption of Foreclosed Property; Right of Possession during Redemption Period* - Within one (1) year from

the registration of the foreclosure sale of real estate, the mortgagor shall have the right to redeem the property by paying all claims of the bank against him on the date of the sale including all the cost and other expenses incurred by reason of the foreclosure sale and custody of the property, as well as charges and accrued interest. The bank may take possession of the foreclosed property during the redemption period. The bank shall be eligible to post a bond for the purpose of such possession."

SEC. 8. Section 87 of the same Act is hereby amended to read as follows:

"Section 87. *Executive Officers: Compensation.* – The chief executive of the Bank shall be the president, who shall be chosen and may be removed by the Board of Directors with the advice and consent of the President of the Philippines. His salary shall be fixed by the Board of Directors with the approval of the President of the Philippines. The president shall be assisted by vice-presidents as may be required, whose appointments and removal shall be approved and whose salaries shall be fixed in accordance with Section 90 hereof by the Board of Directors upon recommendation of the president of the Bank."

SEC. 9. Section 88 of the same Act prescribing the qualifications of executive officers is also hereby amended to read as follows:

"No person shall be appointed to any executive position in the Bank mentioned in the preceding section unless he be of good moral character and of unquestionable integrity and responsibility, and who is of recognized competence in the field of economics, agriculture, industry, law, banking and/or finance, and possessed of demonstrated administrative skill and ability."

SEC. 10. Section 90 of the same Act is hereby amended to read as follows:

"Section 90. *Personnel.* – The Board of Directors shall provide for an organization and staff of officers and employees of

the Bank and upon recommendation of the president of the Bank, appoint and fix their remunerations and other emoluments, and remove such officers and employees: *Provided*, That the Board shall have exclusive and final authority to promote, transfer, assign or reassign personnel of the Bank, any provisions of existing law to the contrary notwithstanding.

"All positions in the Bank shall be governed by a compensation, position classification system and qualification standards approved by the Bank's Board of Directors based on a comprehensive job analysis and audit of actual duties and responsibilities. The compensation plan shall be comparable with the prevailing compensation plans in the private sector and shall be subject to periodic review by the Board no more than once every two (2) years without prejudice to yearly merit reviews or increases based on productivity and profitability. The Bank shall therefore be exempt from existing laws, rules and regulations on compensation position classification and qualification standards. It shall however endeavor to make its system conform as closely as possible with the principles under Republic Act No. 6758.

"The Bank officers and employees, including all members of the Board, shall not engage directly or indirectly in partisan activities or take part in any election except to vote.

"No officer or employee of the Bank subject to the Civil Service Law and Regulations shall be removed or suspended except for cause as provided by law."

SEC. 11. *Separability Clause.* – If any provision or part hereof is held invalid, the other provisions not affected thereby shall remain and continue in full force and effect.

SEC. 12. *Repealing Clause.* – All laws, executive orders, rules and regulations or parts thereof inconsistent with any provision hereof are hereby repealed or modified accordingly.

SEC. 13. *Effectivity.* – This Act shall take effect upon its approval.

Approved, February 23, 1995.