

[PRESIDENTIAL DECREE NO. 1452, June 11, 1978]

FURTHER AMENDING SECTION 7 OF REPUBLIC ACT NUMBERED SEVEN HUNDRED TWENTY, AS AMENDED, OTHERWISE KNOWN AS THE RURAL BANKS' ACT

WHEREAS, under the present law, rural banks have to amend their Articles of Incorporation before private persons acquiring preferred shares of stock held by the government may enjoy the rights and privileges appertaining to common shares of stock; and

WHEREAS, to make investments in rural banks attractive and to further stimulate the growth of such banks, there is need to provide for the automatic conversion of preferred shares of stock into common stock upon sale to private parties.

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution, do hereby order and decree the amendment of Republic Act No. 720, as amended, as follows:

SECTION 1. Section seven of Republic Act Numbered Seven Hundred and Twenty, as amended, is hereby further amended to read as follows:

"SEC. 7. To provide supplemental capital to any Rural Bank until it has accumulated enough capital of its own to stimulate private investments in Rural Banks, the Development Bank of the Philippines shall, upon certification of the Monetary Board which shall be final, of the existence of such need, subscribe within thirty days to capital stock or any Rural Bank from time to time in an amount equal to the total equity investment of the private shareholders which shall be paid in full at the time of subscription but not exceeding one million pesos: *Provided, however,* That shares of stock issued to the Development Bank of the Philippines, 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 in investments of the Development Bank of the Philippines with an equivalent investment or more in the common stock of such Bank. In case of such retirement of stock or replacement of equity investments of the Development Bank of the Philippines, the registered private shareholders of the Rural Bank shall have the right of pre-emption within one year from date of offer in proportion to their respective holdings.

Stock held by the Development Bank of the Philippines, 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 percent thereof without preference: *Provided, however,* That if such stock of the Development Bank of the Philippines is sold to private shareholders, the same shall be converted automatically into common stock of the class provided for in section nine: *Provided, further,* That pending the amendment on the Articles of Incorporation of the Rural Bank, if necessary, for the purpose of reflecting the conversion