

# [ PRESIDENTIAL DECREE NO. 447, May 07, 1974 ]

## PROVIDING FOR THE INCREASE IN CAPITALIZATION OF RURAL BANKS

**WHEREAS**, the rural banking system is an effective instrument that can be employed in the implementation of the agrarian reform program envisioned in Presidential Decree No. 27;

**WHEREAS**, mobilization of funds from both the government and private sectors for agricultural credit through the rural banking system will speed up the attainment of widespread increased agricultural and industrial production and commercial activities in the countryside or rural areas;

**WHEREAS**, existing capital inadequacy in the rural banking system impairs its active involvement in the current effort of the government to accelerate the implementation of the objectives outlined in the preceding paragraphs;

**WHEREAS**, outstanding rediscounting obligations of the rural banks with the Central Bank of the Philippines can be utilized as additional capitalization of rural banks through conversion thereof into government counterpart investments in such rural banks under terms and conditions as may be prescribed by the Central Bank of the Philippines.

**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 that:

**SECTION 1.** In order to strengthen the capital base of rural banks and expand their capacity to meet the credit needs of their respective areas in the countryside, especially those covered by the agrarian reform program, their present government and private capitalizations shall be increased to such amounts, in such proportion, and within such periods as the Central Bank of the Philippines shall determine.

**SEC. 2.** Subject to such terms and conditions as it may prescribe, the Central Bank of the Philippines, the provisions of any existing law to the contrary notwithstanding, is authorized to convert the rediscounting obligations of rural banks into equity in the name of the Land Bank of the Philippines, and the Secretary of Finance shall correspondingly issue government bonds in favor of the Central Bank of the Philippines. In consideration of the equity acquired by it, the Land Bank shall issue its own shares of stock in favor of the Republic of the Philippines.

**SEC. 3.** Whenever the outstanding rediscounting obligations of a rural bank, when converted into government equity, are insufficient to meet the required capitalization as determined in Section 1 hereof, the Government shall directly subscribe to the balance thereof, such investment to be paid by government bonds to be issued by the Secretary of Finance to the rural bank concerned, which bonds may be pledged, sold or otherwise disposed of by the rural bank in accordance with rules and regulations that the Monetary Board shall prescribe. In case a rural bank has no outstanding rediscounting obligations with the Central Bank, the Secretary of Finance shall likewise issue the necessary amount of government bonds in favor of the rural bank to raise the Government equity to the desired level: *Provided, however,* That the total sum of such, direct investment of the Government and the