

[PRESIDENTIAL DECREE NO. 251, July 01, 1973]

AMENDING CERTAIN PROVISIONS OF REPUBLIC ACT NUMBERED THREE THOUSAND EIGHT HUNDRED FORTY-FOUR, AS AMENDED, ENTITLED "THE CODE OF AGRARIAN REFORM IN THE PHILIPPINES."

WHEREAS, there is imperative need for immediate implementation of agrarian reform envisioned under Presidential Decree Nos. 27 and 85, dated October 21, 1972 and December 25, 1972, respectively;

WHEREAS, the implementation of such a revolutionary program of rural change demands an effective administrative machinery financially and organizationally equipped to mobilize and harness properly all available government resources for the realization of desired agrarian reform; and

WHEREAS, the Land Bank, the only financial institution established for agrarian reform, is presently deficient and inadequate both in capitalization and in organization structure to meet the implementation requirements of the agrarian reform program;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, do hereby order and decree:

SECTION 1. Section seventy-four of Republic Act Numbered Three Thousand Eight Hundred and Forty-Four, as amended, is hereby further amended to read as follows:

"SEC. 74. *Creation.* — To provide timely and adequate financial support in all phases involved in the execution of needed agrarian reform, there is hereby established a body corporate and government instrumentality to be known as the 'Land Bank of the Philippines, hereinafter called the 'Bank,' which shall have its principal place of business in Greater Manila. The legal existence of the Bank shall be for a period of fifty (50) years from the date of approval hereof."

SEC. 2. Section seventy-five of the same Act is hereby amended to read as follows:

"SEC. 75. *Powers in General.* — The Bank shall have the power:

"1. To prescribe, repeal and alter its own by-laws to determine its operating policies, and to issue such rules and regulations as may be necessary;

"2. To adopt, alter and use a corporate seal;

"3. To hold, purchase, acquire and own real and personal property, introduce necessary improvements thereon to enhance and develop their social and economic values, and to sell, mortgage or otherwise dispose of the same;

"4. To sue and be sued, make contracts, negotiate and secure loans from both local and foreign sources. Before undertaking any such credit operation, the Bank, through the Secretary of Finance, shall request the opinion, in writing, of the Monetary Board on the monetary implications of the contemplated action. All loans from foreign sources shall be subject to approval by the President of the Philippines and shall be fully guaranteed by the Philippine Government;

"5. To grant short, medium and long term loans and advances against security of real estate and/or other acceptable assets for the establishment, development or expansion of agricultural, industrial, home building or home financing projects and other productive enterprises;

"6. To grant loans to farmers' cooperatives/associations to facilitate production, marketing of crops and acquisition of essential commodities;

"7. To finance and/or guarantee the acquisition, under Presidential Decree No. 85, dated December 25, 1972, of farm lots transferred to tenant-farmers pursuant-to Presidential Decree No. 27, dated October 21, 1972;

"8. To underwrite, hold, own, purchase, acquire, sell, mortgage, dispose or otherwise invest or reinvest in stocks, bonds, debentures, securities and other evidences of indebtedness of other corporations and of the Government or its instrumentalities which are issued for or in connection with any project or enterprises;

"9. The provision of any law to the contrary notwithstanding, to guarantee acceptance(s), credits, loans, transactions or obligations of any person co-partner ship, association or corporation in favor of any financing or banking institution whether Foreign or domestic: *Provided*, That the proceeds of such acceptances, credits, loans, transactions or obligations are utilized or earmarked for the development and/or expansion of agriculture and industry;

"10. To borrow from, or rediscount notes, bills of exchange and other commercial papers with, the Central Bank. The rate of interest to be charged and the conditions on such obligations or borrowings shall be subject to the rules and regulations of the Monetary Board;

"11. To act as trustee, or administer any trust or hold property in trust in accordance with the provisions of law governing trust corporations; and

"12. To exercise the general powers mentioned in the Corporation Law and the General Banking Act, as amended, insofar as they are not inconsistent or incompatible with this Decree."

SEC. 3. Section seventy-six of the same Act is hereby amended to read as follows:

"SEC. 76. Issuance of Bonds. — The Bank shall, upon recommendation of the Secretary of Finance and after consultation with the National Economic and Development Authority and the Monetary Board, and with the approval of the President of the Philippines, issue bonds, debentures, securities, collaterals and other evidences of indebtedness and/or the renewal or refunding thereof, at such terms, rates and conditions as the

Bank may determine, up to an aggregate amount not exceeding, at any one time, ten times its paid-in capital and surplus. These bonds and other obligations shall be redeemable at the option of the Bank at or before maturity and in such manner as may be stipulated therein and shall bear such rate of interest as may be fixed by the Bank. Such obligations shall be secured by the assets of the Bank including the stocks, bonds, debentures, and other securities underwritten, purchased or held by it under the provisions of this Decree. Such obligations may be issued in payment and/or replacement of certain assets transferred to the Bank and/or offered for sale at such price or prices as the Bank may determine, and shall be exempt from taxation both as to principal and interest, and shall be fully guaranteed by the Government of the Republic of the Philippines, and such guarantee shall be expressed on the face thereof. These instruments of indebtedness shall be negotiable and may be mortgaged in accordance with established banking procedures and practices with government institutions, their existing charters and/or laws to the contrary notwithstanding, to enable the holders of such bonds to make use of them in investments in productive enterprises. The Board of Directors shall have the power to prescribe rules and regulations for the issuance, reissuance, servicing, placement and redemption of the bonds herein authorized to be issued as well as the registration of such bonds at the request of the holders thereof."

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

"SEC. 77. *Issuance of Preferred Shares of Stock to Finance Acquisition of Farm Lots and Other Assets.* — The Bank shall issue, from time to time, preferred shares of stock in such quantities as may be necessary to pay the landowners in accordance with Sections eighty and eighty-one of this Code, and for acquisition of other assets should the seller elect to accept such payment. The amount of shares that the Bank may issue shall not exceed the aggregate amount needed to pay the landowners in the proportion prescribed in said Section eighty of this Code. The Board of Directors shall include as a necessary part of the by-laws that it shall issue under Section seventy-five of this Code, such formula as it deems adequate for determining the net asset value of its holdings as a guide and basis for the issuance of preferred shares. The shares of stock issued under the authority of this provision shall be guaranteed a rate of return of at least six per centum per annum. In the event that the earnings of the Bank for any single fiscal year are not sufficient to enable the Bank, after making reasonable allowance for administration, contingencies and growth, to declare dividends at the guaranteed rate, the amount equivalent to the difference between the Bank's earnings available for dividends and that necessary to pay the guaranteed rate shall be paid by the Bank out of its own assets but the Government shall, on the same day that the Bank make such payment reimburse the latter in full, for which purpose such amounts as may be necessary to enable the Government to make such reimbursements are hereby appropriated out of any moneys in the National Treasury not otherwise appropriated. The Bank shall give sufficient notice to the Budget Commissioner and the Secretary of Finance in the event that it is not able to pay the guaranteed

rate of return on any fiscal period. The guaranteed rate of return on these shares shall not preclude the holders thereof from participating at a percentage higher than six per centum should the earnings of the Bank for the corresponding fiscal period exceed the guaranteed rate of return. The Board of Directors shall declare and distribute dividends within three months after the close of each fiscal year at the guaranteed rate unless a higher rate of return is justified by the Bank's earnings after making reasonable allowance for administration, contingencies and growth, in which case, dividends shall be declared and distributed at a higher rate. The capital gains derived from the sale or transfer of such shares and all income derived therefrom in the form of dividends shall be fully tax-exempt."

SEC 5. Section seventy-eight of the same Act is hereby amended to read as follows:

"SEC. 78. *Special Guaranty Fund.* — In the event that the Bank shall be unable to pay the bonds, debentures and other obligations issued by it, a fixed amount thereof shall be paid from a special guaranty fund to be set up by the Government, to guarantee the obligation of the Bank, and established in accordance with this Section and, thereupon, to the extent of the amounts so paid, the Government of the Republic of the Philippines shall succeed to all the rights of the holders of such bonds, debentures or other obligations: *Provided, however,* That the Government shall pay into the guaranty fund the sum of five million pesos each year until the cumulative total of such guaranty fund is no less than twenty percent of the outstanding net obligation of the Bank at the end of any calendar year.

"The special guaranty fund shall be administered by the Central Bank of the Philippines in the manner most consistent with its Charter. For the purpose of such funds, the sum of five million pesos is hereby appropriated annually out of any moneys in the National Treasury not otherwise appropriated, until the total amount of one hundred million pesos shall have been attained therefrom."

SEC. 6. Section seventy-nine of the same Act is hereby amended to read as follows:

"SEC. 79. *Receipt of Deposits.* — The Bank, subject to the provisions of the General Banking Act, as amended, is authorized to receive demand, savings and time deposits.

"The Secretary of Finance, the National Treasurer and his authorized representatives, city and municipal treasurers as well as custodians of funds or those belonging to government-owned or controlled corporations, may be authorized by the Monetary Board to make and actually maintain deposits of any government or corporate funds with the Land Bank."

"SEC. 79-A. *Administration of Agricultural Guarantee Funds.* — All agricultural guarantee funds shall be converted into a trust fund to be administered by the Bank."

SEC. 7. Section eighty of the same Act is hereby amended to read as follows:

"SEC. 80. Modes of Payment. The Bank shall finance the acquisition of farm lots under any of the following modes of settlement:

"1. Cash payment of 10% and balance in 25-year tax-free 6% Land Bank bonds;

"2. Payment of 30% in preferred shares of stock issued by the Bank and balance in 25-year tax-free 6% Land Bank bonds;

"3. Full guarantee on the payment of the fifteen (15) equal annual amortizations to be made by the tenant/farmer;

"4. Payment through the establishment of annuities or pensions with insurance;

"5. Exchange arrangement for government stocks in government-owned or controlled corporations or private corporations where the Government has holdings;

"6. Such other modes of settlement as may be further adopted by the Board of Directors and approved by the President of the Philippines.

"In the event there is existing lien or encumbrance on the land in favor of any Government lending institution at the time of acquisition by the Bank, the landowner shall be paid the net value of the land (i.e., the value of the land determined under Presidential Decree No. 27 minus the outstanding balance/s of the obligation/s secured by the lien/s or encumbrance/s), and the outstanding balance/s of the obligations to the lending institution/s shall be paid by the Land Bank in Land Bank bonds or other securities, existing charters of those institutions to the contrary notwithstanding. A similar settlement may be negotiated by the Land Bank in the case of obligations secured by liens or encumbrances in favor of private parties or institutions.

"Whenever the Bank pays the whole or a portion of the total cost of farm lots, the Bank shall be subrogated by reason thereof, to the right of the landowner to collect and receive the yearly amortizations on farm lots or the amount paid including interest thereon, from tenant-farmers in whose favor said farm lots had been transferred pursuant to Presidential Decree No. 27, dated October 21, 1972.

"The profits accruing from payment shall be exempt from tax on capital gains."

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

"SEC. 81. *Capital* — The authorized capital stock of the Bank shall be three billion pesos, divided into one 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