

[REPUBLIC ACT NO. 1097, June 15, 1954]

**AN ACT AMEND CERTAIN SECTIONS OF REPUBLIC ACT
NUMBERED SEVEN HUNDRED TWENTY, OTHERWISE KNOWN AS
THE RURAL BANKS ACT.**

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

SECTION 1. Section four of Republic Act Numbered Seven hundred twenty,
otherwise known as the Rural Banks Act, is hereby amended to read as follows:

"SEC. 4. No Rural Bank shall be operated without a Certificate of Authority of the Monetary Board of the Central Bank. Rural Banks shall be organized in the form of stock corporations. Duly established cooperatives may organize Rural Banks and/or subscribe to the shares of stock of any Rural Bank. At least sixty per cent of the capital stock of any Rural Bank shall be owned and held by citizens of the Philippines: *Provided, however,* That if said subscription of private shareholders to the pita stock of a Rural Bank cannot be secured or is not available, the Rehabilitation Finance Corporation, on representation of the said private shareholders and upon approval of the Monetary Board of the Central Bank, shall subscribe to the capital stock of such rural bank, which shall be paid in full at the time of subscription, in an amount equal to the fully paid subscribed capital of the private shareholders: *Provided, further,* That such shares of stock subscribed by the Rehabilitation Finance Corporation may be sold at any time at par to private individuals who are citizens of the Philippines: *Provided, finally,* That in the sale of the shares of stock subscribed by the Rehabilitation Finance Corporation, the registered stockholders shall have the right of preemption within five years from the date of offer in proportion to their respective holdings, but in the absence of such buyer, preference, however, shall be given to residents of the locality or province where the Rural Bank is located. All members of the Board of Directors of the Rural Banks shall be citizens of the Philippines."

SEC. 2. Section seven of the same Act is amended to read as follows:

"SEC. 7. To provide supplemental capital to any Rural Bank until it has accumulated enough capital of its own or stimulate private investments in Rural Banks, the Rehabilitation Finance Corporation shall, upon certification of the Monetary Board which shall be final, of the existence of such need, subscribe within thirty days to capital stock of any Rural Bank from time to time in an amount equal to but not exceeding the total equity investment of the private shareholders: *Provided, however,* That shares of stock issued to the Rehabilitation Finance Corporation, pursuant to this section, may at any time be paid off at par and retired in whole or