

[Act No. 3896, November 16, 1931]

AN ACT TO AUTHORIZE THE ORGANIZATION OF RURAL BANKS IN THE PHILIPPINE ISLANDS, AND FOR OTHER PURPOSES.

Be it enacted by the Senate and House of Representatives of the Philippines in Legislature assembled and by the authority of the same:

SECTION 1. The provisions of existing law to the contrary notwithstanding, rural banks may be organized hereunder in the Philippine Islands by an individual, duly registered general copartnership or corporation residing or established and doing business in the Philippine Islands, provided that the capital set aside, in the case of individuals and registered general copartnerships, or the capital subscribed and the paid-up capital, in the case of corporations, are equivalent to, or in excess, of the amounts fixed by the Philippine National Bank, and that, in the case of corporations, the said paid-up capital is in the possession of the treasurer of the bank.

SEC. 2. Before any individual, registered general copartnership, or corporation may operate a bank under this law, it shall first file an application with the Philippine National Bank, stating, among other things, the amount of capital it has available for investment and that it is willing and prepared to observe the provisions of this law and such rules and regulations as may be prescribed by the Philippine National Bank, which shall issue the corresponding certificate of authority in case it is satisfied that the applicant meets all the necessary requirements.

SEC. 3. Every individual, registered general copartnership, or corporation operating a bank under this Act shall at all times keep the bank's capital separate from all other funds, and such capital or any part thereof shall not be disposed of or employed for purposes other than those for which the bank is organized.

SEC. 4. Every rural bank organized under this Act shall keep its own separate books of account clearly reflecting all its operations.

SEC. 5. Rural banks operating under this law shall have the power of lending money to farmers with or without security under such terms and conditions as may from time to time be fixed by the Philippine National Bank.

Said banks shall likewise have the power of operating as collecting agencies.

SEC. 6. The banks organized under this Act may secure additional capital from the Philippine National Bank in its discretion in the form of a loan at a preferential rate of interest on first mortgage or other good security and under such other terms and conditions as may be fixed by the Philippine National Bank: *Provided*, That banks indebted to the Philippine National Bank shall set aside from their net profits, at each annual closing of accounts, a sum not less than twenty per centum of their net profits, until the amounts so set aside shall be equal to fifty per centum of the outstanding loan: *Provided, further*, That the amounts so set aside may be invested in securities or investments approved by the Philippine National Bank.

SEC. 7. The Philippine National Bank shall have supervisory and directory powers over all banks established under this Act. The supervision and direction herein