

REPUBLIC ACT No. 7353

AN ACT PROVIDING FOR THE CREATION, ORGANIZATION AND OPERATION OF RURAL BANKS, AND FOR OTHER PURPOSES

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

SECTION 1. This Act shall be known and cited as the "Rural Banks Act of 1992."

SEC. 2. The State hereby recognizes the need to promote comprehensive rural development with the end in view of attaining a more equitable distribution of opportunities, income and wealth; a sustained increase in the amount

of goods and services produced by the nation for the benefit of the people; and in expanding productivity as a key to raising the quality of life for all, especially the under-privileged.

Towards these ends, the State hereby encourages and assists in the establishment of a rural banking system designed to make needed credit available and readily accessible in the rural areas on reasonable terms.

SEC. 3. In furtherance of this policy, the Monetary Board of the Central Bank of the Philippines shall formulate the necessary rules and regulations governing the establishment and operation of rural banks for the purpose of providing adequate credit facilities to farmers and merchants, or to cooperatives of such farmers and merchants and, in general, to the people of the rural communities, and to supervise the operation of such banks.

SEC. 4. No rural bank shall be operated without a Certificate of Authority from the Monetary Board of the Central Bank. Rural banks shall be organized in the form of stock corporations. Upon consultation with the rural banks in the area, duly established cooperatives and corporations primarily organized to hold equities in rural banks may organize a rural bank and/or subscribe to the shares of stock of any rural bank: *Provided*, That a cooperative or corporation owning or controlling the whole or majority of the voting stock of the rural bank shall be subject to special examination and to such rules and regulations as the Monetary Board may prescribe. With the exception of shareholdings of corporations organized primarily to hold equities in rural banks as provided for under Section 12-C of Republic Act No. 337, as amended, and of Filipino-controlled domestic banks, the capital stock of any rural bank shall be fully owned and held directly or indirectly by citizens of the Philippines or corporations, associations or cooperatives qualified under Philippine laws to own and hold such capital stock: *Provided*, That any provisions of existing laws to the contrary notwithstanding, stockholdings in a rural bank shall be exempt from any ownership ceiling for a period of ten (10) years from the approval of this Act: *Provided, further*, That any such exemption shall require the approval of the Monetary Board. If subscription of private shareholders to the capital stock of a rural bank cannot be secured or is not available, or insufficient to meet the normal credit needs of the locality, the Land Bank of the Philippines, the Development Bank of the Philippines, or any government-owned or controlled bank or financial

institution, on representation of the said private shareholders but subject to the investment guidelines, policies and procedures of the bank or financial institution 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 and unimpaired capital of the private stockholders or such amount as the Monetary Board may prescribe as may be necessary to promote and expand rural economic development: *Provided, however,* That such shares of stock subscribed by the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or controlled bank or financial institution may be sold at any time at market value to private individuals who are citizens of the Philippines: *Provided, finally,* That in the sale of shares of stock subscribed by the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or controlled bank or financial institution, the registered stockholders shall have the right of pre-emption within one (1) year 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.

SEC. 5. All members of the Board of Directors of the rural bank shall be citizens of the Philippines at the time of their assumption to office: *Provided, however,* That nothing in this Act shall be construed as prohibiting any appointive or elective public official from serving as director, officer, consultant or in any capacity in the bank.

No director or officer of any rural bank shall, either directly or indirectly, for himself or as the representative or agent of another, borrow any of the deposits or funds of such banks, nor shall he become a guarantor, indorser, or surety for loans from such bank to others, or in any manner be an obligor for money borrowed from the bank or loaned by it except with the written approval of the majority of the directors of the bank, excluding the director concerned. Any such approval shall be entered upon the records of the corporation and a copy of such entry shall be transmitted forthwith to the appropriate supervising department. The director/officer of the bank who violates the provisions of this section shall be immediately dismissed from his office and shall be penalized in accordance with Section 26 of this Act.

The Monetary Board may regulate the amount of credit accommodations that may be extended directly to the di-

rectors, officers or stockholders of rural banks of banking institutions. However, the outstanding credit accommodations which a rural bank may extend to each of its stockholders owning two percent (2%) or more of the subscribed capital stock, its directors, or officers shall be limited to an amount equivalent to the respective outstanding deposits and book value of the paid-in capital contributions in the bank.

SEC. 6. Loans or advances extended by rural banks organized and operated under this Act shall be primarily for the purpose of meeting the normal credit needs of farmers, fishermen or farm families owning or cultivating land dedicated to agricultural production as well as the normal credit needs of cooperatives and merchants. In the granting of loans, the rural bank shall give preference to the application of farmers and merchants whose cash requirements are small.

Loans may be granted by rural banks on the security of lands without Torrens Title where the owner of private property can show five (5) years or more of peaceful, continuous and uninterrupted possession in concept of owner; or of portions of friar land estates or other lands administered by the Bureau of Lands that are covered by sales contracts and the purchasers have paid at least five (5) years installment thereon, without the necessity of prior approval and consent by the Director of Lands, or of portions of other estates under the administration of the Department of Agrarian Reform or other governmental agency which are likewise covered by sales contracts and the purchasers have paid at least five (5) years installment thereon, without the necessity of prior approval and consent of the Department of Agrarian Reform or corresponding governmental agency; or of homesteads or free patent lands pending the issuance of titles but already approved, the provisions or any law or regulations to the contrary notwithstanding: *Provided*, That when the corresponding titles are issued, the same shall be delivered to the Register of Deeds of the province where such lands are situated for the annotation of the encumbrance: *Provided, further*, That in the case of lands pending homestead or free patent titles, copies of notices for the presentation of the final proof shall also be furnished the creditor rural bank and, if the borrower applicants fail to present the final proof within thirty (30) days from date of notice, the creditor rural bank may do so for them at their expense: *Provided, furthermore*, That the applicant for homestead or free patent has already improve-

ments on the land and the loan applied for is to be used for further development of the same or for other productive economic activities: *Provided, finally,* That the appraisal and verification of the status of a land is a full responsibility of the rural bank and any loan granted on any land which shall be found later to be within the forest zone shall be for the sole account of the rural bank.

The foreclosure of mortgages covering loans granted by rural banks and executions of judgment thereon involving real properties levied upon by a sheriff shall be exempt from the publications in newspapers now required by law where the total amount of loan, excluding interests due and unpaid, does not exceed One hundred thousand pesos (P100,000) or such amount as the Monetary Board may prescribe as may be warranted by prevailing economic conditions. It shall be sufficient publication in such cases if the notices of foreclosure and execution of judgment are posted in the most conspicuous area of the municipal building, the municipal public market, the rural bank, the barangay hall, and the barangay public market, if any, where the land mortgaged is situated during the period of sixty (60) days immediately preceding the public auction of execution of judgment. Proof of publication as required herein shall be accomplished by an affidavit of the sheriff or officer conducting the foreclosure sale or execution of judgment and shall be attached with the records of the case: *Provided,* That when a homestead or free patent is foreclosed, the homesteader or free patent holder, as well as his heirs shall have the right to redeem the same within one (1) year from the date of foreclosure in the case of land not covered by a Torrens Title or one (1) year from the date of the registration of the foreclosure in the case of land covered by a Torrens Title: *Provided, finally,* That in any case, borrowers, especially those who are mere tenants, need only to secure their loans with the produce corresponding to their share.

A rural bank shall be allowed to foreclose lands mortgaged to it: *Provided,* That said lands shall be covered under Republic Act No. 6057.

SEC. 7. With the view to ensuring the balanced rural economic growth and expansion, rural banks may, within limits and conditions fixed by the Monetary Board, devote a portion of their loanable funds to meeting the normal credit needs of small business enterprises: *Provided,* That loans shall not exceed fifteen percent (15%) of the net worth of a rural bank or such amount as the Monetary Board may prescribe as may be warranted by pre-

vailing economic conditions, and of essential enterprises or industries, other than those which are strictly agricultural in nature.

SEC. 8. 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 Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or controlled bank or financial institution shall subscribe within thirty (30) days to the capital stock of 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 the subscription or such amount as may be necessary to promote and expand rural economic development: *Provided, however,* That shares of stock issued to the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or controlled bank or financial institution, may, pursuant to this section, at any time, be paid off at par and retired in whole or in part if 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 investment of the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or controlled bank or financial institution with an equivalent investment or more in the equity of such bank. In case of retirement of stock or replacement of equity investments of the Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or controlled bank or financial institution, the registered private shareholders of the rural bank shall have the right of preemption within one (1) year from the date of offer in proportion to their respective holdings.

Stocks held by the Land Bank of the Philippines, the Development Bank of the Philippines or by any government-owned or controlled bank or financial institution, 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 from the date of issuance in the amount of four percent (4%) on the first and second years, six percent (6%) on the third and fourth years, eight percent (8%) on the fifth and sixth years, ten percent (10%) on the seventh and eighth years and twelve percent (12%) on the ninth to the fifteenth years without preference: *Provided, however,* That if such stock of the Land Bank of the Philippines, the Development Bank of the Philippines or any

government-owned or controlled bank or financial institution is sold to private share holders, the same may be converted into common stock of the class provided for in Section 10 hereof: *Provided, further,* That pending the amendment of the Articles of Incorporation of the rural bank, if necessary, for the purpose of reflecting the conversion into common stock of preferred stock sold to private stockholders, the transfer shall be recorded by the rural bank in the stock and transfer book and such shareholders shall thereafter enjoy all the rights and privileges of common stockholders. The preferred stocks so transferred shall be surrendered and cancelled and the corresponding common stocks shall be issued.

The corporate secretary of the rural bank shall submit to the Central Bank and the Securities and Exchange Commission a report on every transfer of preferred stock to private shareholders, and such report received by the Securities and Exchange Commission shall form part of the corporate records of the rural bank. When all the preferred shares of stock of a rural bank have been sold to private shareholders, the Articles of Incorporation of the rural bank shall be amended to reflect the conversion of the preferred shares of stock into common stock. For this purpose, the President, the corporate secretary, and a majority of the Board of Directors shall issue a certificate that all preferred shares have been sold to private shareholders which, together with a copy of the Articles of Incorporation, as amended, duly certified correct by the President, corporation, as amended, duly certified correct by the President, corporate secretary, and a majority of the Board of Directors, shall be filed with the Securities and Exchange Commission, which shall attach the same to the same to the original Articles of Incorporation on file with said office.

The Securities and Exchange Commission shall not register the amended Articles of Incorporation unless accompanied by the Certificate of Authority required under Section 9 of Republic Act No. 337, as amended.

All supervised past due and restructured past due loans, including those covered under existing rehabilitation programs of the Central Bank, and fifty percent (50%) of non-supervised past due and restructured past due loans including accrued interest thereon of rural banks organized under Republic Act No. 720, as amended, as of December 31, 1986, shall be converted into preferred stocks of the rural bank and issued in favor of the Land Bank of the Philippines, the Development Bank of the Philippines or any government owned or controlled bank

or financial institution;; *Provided*, That penalties thereon are hereby waived except accrued interest on arrearages: *Provided, further*, That the equivalent penalties due from corresponding farmers are likewise waived: *Provided, further*, That rural banks that prefer to settle their arrearages under a plan of payment or a combination of both plan of payment and conversion may do so in accordance with existing regulations and provisions of this Act: *Provided, furthermore*, That rural banks shall match these preferred stocks with private equity in equal annual installments over a period of fifteen (15) years to begin three (3) years after conversion: *Provided, finally*, That the Central Bank, the Land Bank of the Philippines, the Development Bank of the Philippines and any government-owned or controlled bank or financial institution shall continue to rediscount subject to their respective programs, policies and guidelines against papers evidencing a loan granted by a rural bank in order to achieve the declared policy and promote the objectives of this Act.

SEC. 9. The Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or controlled bank or financial institution may obtain from any source as may be authorized under existing laws and regulations such amounts as it may require for the purpose of subscribing to the shares of stock of rural banks, and of granting loans to such banks as provided in Section 13 of this Act.

SEC. 10. Stock certificates shall be issued to represent the contributions to capital stock of the rural bank by the Government through the Land Bank of the Philippines, the Development Bank of the Philippines or through any government-owned or controlled bank or financial institution, and by qualified persons under such terms and conditions as the Monetary Board may prescribe. The powers of the Monetary Board over rural banks shall extend to prescribing the amount, value and class of stock issued by any rural bank, organized under this Act.

SEC. 11. The power to supervise the operation of any rural bank by the Monetary Board as herein indicated shall consist in placing limits to the maximum credit allowed to any individual borrower; in prescribing the interest rate; in determining the loan period and loan procedures; in indicating the manner in which technical assistance shall be extended to rural banks; in imposing a uniform accounting system and manner of keeping the accounts and records of rural banks; in instituting periodic surveys of loan and lending procedures, audits,

test-check of cash and other transactions of the rural banks; in conducting training courses for personnel of rural banks; and, in general in supervising the business operations of the rural banks.

The Central Bank shall have the power to enforce the laws, orders, instructions, rules and regulations promulgated by the Monetary Board applicable to rural banks; to require rural banks, their directors, officers and agents to conduct and manage the affairs of the rural banks in a lawful and orderly manner; and, upon proof that the rural bank or its Board of Directors, or officers are conducting and managing the affairs of the bank in a manner contrary to laws, order, instructions, rules and regulations promulgated by the Monetary Board or in a manner substantially prejudicial to the interest of the Government, depositors or creditors, to take over the management of such bank when specifically authorized to do so by the Monetary Board after due hearing process until a new board of directors and officers are elected and qualified without prejudice to the prosecution of the persons responsible for such violations under the provisions of Sections 32, 33 and 34 of Republic Act No. 265, as amended.

The management of the rural bank by the Central Bank shall be without expense to the rural bank, except such as is actually necessary for its operation, pending the election and qualification of a new board of directors and officers to take place of those responsible for the violations or acts contrary to the interest of the Government, depositors or creditors.

The director and the examiners of the department of the Central Bank charged with the supervision of rural banks are hereby authorized to administer oaths to any director, officer or employee of any rural bank or to any voluntary witness and to compel the presentation of all books, documents, papers or records necessary in his or their judgment to ascertain the facts relative to the true condition of any rural bank or to any loan.

SEC. 12. In addition to the operations specifically authorized in this Act, any rural bank may:

- (a) Accept saving and time deposits;
- (b) Open current or checking accounts, provided the rural bank has net assets of at least Five million pesos (P5,000,000) subject to such guidelines as may be established by the Monetary Board;
- (c) Act as corresponding for other financial institutions;
- (d) Act as a collection agent;

(e) Act as official depository of municipal, city or provincial funds in the municipality, city or province where it is located, subject to such guidelines as may be established by the Monetary Board;

(f) Rediscount paper with the Philippine National Bank, the Land Bank of the Philippines, the Development Bank of the Philippines, or any other banking institution, including its branches and agencies. Said institution shall specify the nature of paper deemed acceptable for rediscount, as well as the rediscount rate to be charged by any of these institutions;

(g) Offer other banking services as provided in Section 72 of Republic Act No. 337, as amended; and

h) Extend financial assistance to private and public employees in accordance with the provisions of Section 5 of Republic Act No. 3778, as amended.

With written permission of the Monetary Board of the Central Bank, any rural bank may act as trustee over estates or properties of farmers and merchants.

Nothing in this section shall be construed as precluding a rural bank from performing, with prior approval of the Monetary Board, all the services authorized for savings and mortgage banks, or for commercial banks, under Republic Act No. 337, as amended, or from operating under an expanded banking authority as provided in Section 21-B of the same Act.

SEC. 13. Subject to such guidelines as may be established by the Monetary Board, rural banks may invest in equities of allied undertakings as hereinafter enumerated: *Provided, That:* (a) the total investment in equities shall not exceed twenty-five percent (25%) of the worth of the rural bank; (b) the equity investment in any single enterprise shall be limited to fifteen percent (15%) of the net worth of the rural bank; and (c) the equity investment holding in that enterprise: *Provided, further, That* equity investment shall not be permitted in non-related activities.

Allied undertakings shall include:

(a) Banks, financial institutions and non-bank financial intermediaries;

(b) Warehousing and other post-harvest facilities;

(c) Fertilizer and agricultural chemical and pesticides distribution;

(d) Farm equipment distribution;

(e) Trucking and transportation of agricultural products;

(f) Marketing of agricultural products;

- (g) Leasing; and
- (h) Other undertakings as may be determined by the Monetary Board.

SEC. 14. The Land Bank of the Philippines, the Development Bank of the Philippines or any government-owned or-controlled bank or financial institution shall, within sixty (60) days of certification of the Monetary Board, which shall be final, extend to a rural bank a loan or loans from time to time repayable in ten (10) years, with concessional rates of interest, against security which may be offered by any stock or stockholders of the rural bank: *Provided:*

- (a) That the Monetary Board is convinced that the resources of the rural bank are inadequate to meet the legitimate credit requirements of the locality wherein the rural bank is established;
- (b) That there is a dearth of private capital in the locality; and
- (c) That it is not possible for the stockholders of the rural bank to increase the paid-up capital thereof.

SEC. 15. All rural banks created and organized under the provisions of this Act shall be exempt from the payment of all taxes, fees and charges of whatever nature and description, except the corporate income tax and local taxes, fees and charges, for a period of five (5) years from the date of commencement of operations.

All rural banks in operations as of the date of approval of this Act shall be exempt from the payment of all taxes, fees and charges of whatever nature and description, except the corporate income tax and local taxes, fees and charges, for a period of five (5) years from the approval of this Act.

SEC. 16. In an emergency or when a financial crisis is imminent, the Central Bank may give a loan to any rural bank against assets of the rural bank which may be considered acceptable by a concurrent vote of at least four (4) members of the Monetary Board.

In normal times, the Central Bank may rediscount against paper evidencing a loan granted by a rural bank to any of its customers which can be liquidated within a period of three hundred sixty (360) days: *Provided, however,* That for the purpose of implementing a nationwide program of agricultural and industrial development, rural banks are hereby authorized, under such terms and conditions as the Central Bank shall prescribe, to borrow, on a medium-or long -terms basis, funds that the Central Bank or any other government financing institution

shall borrow from the Development Bank of the Philippines or other international or foreign-lending institutions for the specific purpose of financing the abovestated agricultural and industrial program. Repayment of loans obtained by the Central Bank of the Philippines or any other government financing institution from said foreign-lending institutions under this section shall be guaranteed by the Republic of the Philippines.

SEC. 17. Deposits of rural banks with government-owned or -controlled financial institutions like the Land Bank of the Philippines, the Development Bank of the Philippines, and the Philippine National Bank are exempted from Single Borrower's Limit imposed by the General Banking Act.

In areas where there are no government banks, rural banks may deposit in private banks more than the amount prescribed by the Single Borrower's Limit, subject to Monetary Board regulations.

SEC. 18. To encourage consolidation and merges of rural banks, if there are five (5) or more rural banks within the region that merge and consolidate within three (3) years from the enactment of this Act, the merged or consolidated entity will be given the following incentives for a period of seven (7) years:

(a) Its deposits liabilities shall be subjected to only one-third ($\frac{1}{3}$) of reserves normally required for rural banks:

(b) Its reserve requirement can all be maintained under interest bearing government securities but kept unencumbered with government financial institutions or the Central Bank; and

(c) It shall have unrestricted branching right within the region, free from any assessment or surcharges required in setting up a branch but under coordination with the Central Bank which will have to assess that there are qualified personnel, control and procedures to operate the branch.

SEC. 19. The Central Bank of the Philippines shall extend technical assistance to any rural bank in the process of organization or during the course of operations whenever it is requested to do so or whenever the Monetary Board deems it necessary to preserve, protect and promote the objectives of this Act: *Provided, however,* That said assistance shall be without cost or obligation on the part of the rural bank.

SEC. 20. Any city or municipal trial court judge in his capacity as notary public *ex officio* shall administer the

oath to or acknowledge the instruments of any rural bank and its borrowers or mortgagors, free from all charges, fees and documentary stamp tax, collectible under existing laws, relative to any loan or transaction not exceeding Fifty thousand (P50,000), or such amount as the Secretary of Finance, upon recommendation of the Monetary Board may prescribe as may be necessary to promote and expand the rural economy.

SEC. 21. Any Register of Deeds shall accept from any rural bank and its borrowers and mortgagors for registration, free from all charges, fees and documentary stamp tax, collectible under existing laws, any instruments, whether voluntary or involuntary, relating to loans or transaction extended by a rural bank in an amount not exceeding Fifty thousand pesos (P50,000): *Provided*, however, That charges, if any shall be collectible on the amount in excess of Fifty thousand pesos (P50,000); and an instruments related to assignments of several mortgages consolidated in a single deed, if any, shall be devied only on the amount in excess of Fifty thousand pesos (P50,000) of the consideration in the assignment of each mortgage, or such amount as the Secretary of Finance, upon recommendation of the Monetary Board, may prescribe as may be necessary to promote and expand the rural economy.

SEC. 22. Any rural bank organized under this Act may, pursuant to regulations promulgated for the purpose by the Monetary Board, be required to contribute to the Central Bank an annual fee to help defray the cost of maintaining the appropriate supervising within the Central Bank in an amount to be determined by the Monetary Board but in no to exceed one-fortieth of one percent ($1/40$ of 1%) of its average total assets during the preceding year, as shown on its end-of-month balance sheets, after deducting its cash on hand and amounts due from banks, including the Central Bank.

SEC. 23. Every individual acting as officer or employee of a rural bank and handling funds or securities amounting to Five thousand pesos (P5,000) or more, in any one (1) year, shall be covered by an adequate bond as determined by the Monetary Board; and the bylaws of the rural bank may also provide for the bonding of other employees or officers of rural banks.

SEC. 24. For the purpose of carrying out the objectives of this Act, the Central Bank is authorized to require the services and facilities of any department or instrumentality of the Government or any officer or employee of any such department or government instrumentality.

SEC. 25. Rural banks organized and operated under the provisions of this Act shall acts agent of the Philippine National Bank, the Land Bank of the Philippines and the Development Bank of the Philippines in places where these banks have no offices, subject to accreditation guidelines.

SEC. 26. Without prejudice to any prosecution under any law which may have been violated, a fine of not more than Ten thousand pesos (P10,000) or imprisonment for not less than six (6) months but more than ten (10) years, or both, at the discretion of the court, shall be imposed upon:

(a) Any officer, employee, or agent of a rural bank who shall:

(1) Make false entries in any bank report or statement thereby affecting the financial interest of, or causing damage to, the bank or any without person; or

(2) Without order of a court of competent jurisdiction, disclose any information relative to the funds or properties in the custody of the bank belonging to private individuals, corporations, or any other entity; or

(3) Accept gifts, fees or commission or any other form of remuneration in connection with the approval of a loan from said bank; or

(4) Overvalue or aid in overvaluing any security for the purpose of influencing in any way the action of the bank on any loan; or

(5) Appear and sign as guarantor, indorser, or surety for loans granted; or

(6) Violate any of the provisions of this Act.

(b) Any applicant for a loan from, or borrower of a rural bank who shall:

(1) Misuse, misapply, or divert the proceeds of the loan obtained by him from its declared purpose; or

(2) Fraudulently overvalue property offered as security for a loan from said bank; or

(3) Give out or furnish or willfull misrepresentation of materials facts for the purpose of obtaining, renewing, or increasing a loan or extending the period thereof; or

(4) Attempt to defraud the said bank in the event of court action to recover a loan; or

(5) Offer any officer, employee or agent of a rural bank as a gift, fee, commission or other form of compensation in order to influence such bank personnel into approving a loan application; or

(6) Dispose or encumber the property or the crops offered as security for the loan.

(c) Any examiner, or officer or employee of the Central Bank of the Philippines or any department, bureau, office, branch or agency of the Government who is assigned to examine, supervise, assist or render technical service to rural banks and who has shall connive or aid in the commission of the same.

SEC. 27. Any municipal trial court judge or register of deeds who shall demand or accept, directly or indirectly, any gift, fee, commission or other form of compensation in connection with the service, or shall arbitrarily or without reasonable cause delay the acknowledgement or administration of oath or the registration of documents required to be performed by said judge as provided in Section 20 and by said register of deeds as provided in Section 21 of this Act, shall be punished by a fine of not more than One thousand pesos (P1,000) or by imprisonment for not more than one (1) year, or both, at the discretion of the court.

SEC. 28. Any bank not organized under this Act and any person, association, or corporation doing the business of banking, not authorized under this Act which use the words "Rural Bank" as part of the name or title of such bank or of such person, association, or corporation, shall be punished by a fine of not less than Fifty pesos (P50) for each day during which said words are so used.

SEC. 29. The Monetary Board of the Central Bank submit a report to the Congress of the Philippines as of the end of each calendar year of all the rules and regulations promulgated by it in accordance with the provisions of this Act, as well as its other actuations in connection with rural banks, together with an explanation of its reasons therefor.

SEC. 30. If any provision or section of this Act or the application thereof to any person or circumstances is held invalid, the other provisions or sections of this Act, and the application of such provision or section to other persons or circumstances, shall not be affected thereby.

SEC. 31. Republic Act No. 720 as amended, is hereby repealed: The provisions of Republic Act No. 265, as amended, and Republic Act No. 337, as amended, insofar as they are applicable and not in conflict with any provision of this Act, are hereby made a part of this Act.

SEC. 32. This Act shall take effect upon its approval.

Approved, April 2, 1992.

S. No. 240
H. No. 35146

REPUBLIC ACT No. 7355

AN ACT PROVIDING FOR THE RECOGNITION OF
NATIONAL LIVING TREASURES, OTHERWISE
KNOWN AS THE MANLILIKHA NG BAYAN, AND
THE PROMOTION AND DEVELOPMENT OF TRA-
DITIONAL FOLK ARTS, PROVIDING FUNDS
THEREFOR, AND FOR OTHER PURPOSES

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

SECTION 1. *Title*.—This Act shall be known as the Man-
lilikha ng Bayan Act.

SEC. 2. *Policy and Objectives*.—It is hereby declared to
be the policy of the State to preserve and promote its tra-
ditional folk arts whether visual, performing, or literary,
for their cultural value, and to honor and support tradi-
tional folk artists for their contribution to the national
heritage by ensuring that the artistic skills which they
have painstakingly cultivated and preserved are encouraged
and passed on to future generations of Filipinos.

The objectives of this Act shall be as follows:

- a) to acknowledge the importance of traditional folk
artist as singular conduit between skills of the past and
the future;
- b) to revitalize a community's artistic tradition thereby
protecting a valuable facet of Philippine culture;
- c) to provide mechanisms for identifying and assisting
qualified traditional folk artists to transfer their skills to
the community; and
- d) to create opportunities for popularizing their works
locally and internationally.

SEC. 3. *Definition of Terms*.—For the purpose of this
Act, Manlilikha ng Bayan shall mean a citizen or a group
of citizens engaged in any traditional art uniquely Fili-
pino, whose distinctive skills have reached such a high
level of technical and artistic excellence and have been
passed on to and widely practiced by the present genera-
tion in his/her community with the same degree of tech-
nical and artistic competence.

“Traditional Folk Art” refers to expressions of distinc-
tiveness and artistic quality created to serve a decorative
and/or utilitarian of sociocultural functions of traditional
folk artists commonly known for such works.

SEC. 4. *Criteria and Qualifications.*—To become a Manlilikha ng Bayan, the candidate must satisfy the following minimum criteria:

a) *Technical and creative skill*—The candidate must possess a mastery of the tools and materials needed by the art, and must have an established reputation in the art as master and maker of works of extraordinary technical quality;

b) *Artistic quality*—The work of the candidate must be outstanding aesthetically, and he/she must have consistently produced over a significant period, works of superior quality;

c) *Community tradition*—The candidate must have transferred and/or willing to transfer to other members of the community, skills in the folk art for which the community has become nationally known;

d) *Folk art tradition*—The candidate must have engaged in folk art tradition that has been in existence and documented for at least fifty (50) years; and

e) *Character and integrity*—As a precious treasure of the country, the candidate must command the respect and admiration of the country for his character and integrity.

The implementing agency may require additional criteria and qualifications in pursuance of the purposes of this Act.

SEC. 5. *Award and other Incentives.*—The award given to the Manlilikha ng Bayan shall be called Gawad sa Manlilikha ng Bayan.

In addition, the following incentives shall be enjoyed:

a) *Plaque/Medal*—The awardee shall each receive a commemorative plaque and/or medal, a duplicate set of which is to be donated to and permanently displayed in the pertinent provincial museum or largest cultural center in order to broaden community awareness of the significance of our traditional folk arts and to accord them the recognition they richly deserve;

b) An initial grant of One hundred thousand pesos (P100,000.00) and Ten thousand pesos (P10,000.00) a month thereafter for life, shall be given, unless the Commission after due hearing finds good reason to discontinue the grant arising from violations of pertinent terms and conditions herein stated.

This grant may be increased whenever circumstances so warrant provided that the increase shall not be given retroactive effect;

c) *Documentation*—All surviving samples of works by the awardee shall be catalogued and photographed, and

his/her work methods and tools shall likewise be documented;

d) A vocational course using materials, tools, methods and designs of the awardee may be offered at the nearest arts and trades school through the cooperative efforts of the Department of Trade and Industry, the Department of Education, Culture and Sports, and a private foundation and/or private corporation, to effect the transfer of his/her skills and the preservation of folk art tradition;

e) A feasibility study of converting the awardee's art into a specialized cottage industry in the awardee's province, preferably in the recipient's barangay or town, may be undertaken by the Department of Trade and Industry in collaboration with private investors; and

f) The recipient shall be invited to Manila-based and regional cultural events that salute the importance of traditional folk arts in the Filipino cultural heritage;

SEC. 6. *Duties and Responsibilities of Awardees.*—The Manlilikha ng Bayan is a link between the past, in which his/her traditional folk art found fertile soil for growth, and the future, during which he/she seeks his/her art to be permanently sustained. It becomes his/her responsibility therefore to undertake the following:

a) to transfer the skills of his/her traditional folk art to the younger generation through apprenticeship and such other training methods as are found to be effective;

b) to cooperate with the implementing agency, as provided for in Section 7 of this Act, in the promotion and propagation of his/her traditional folk arts; and

c) to donate to the National Museum a sample or copy of his/her work.

SEC. 7. *Implementing Agency.*—The Presidential Commission on Culture and Arts, created under Executive Order No. 118, dated January 30, 1987, shall develop and adopt a program to effectuate the provisions of this Act and promulgate such rules, regulations and criteria that will govern the selection of the Manlilikha ng Bayan.

For purposes of this Act, the Commission shall have the following powers and functions:

a) to constitute and appoint panels of experts including, but not limited to, the nominees of the Office of Muslim Affairs, Office for Southern Cultural Communities and Office for Northern Cultural Communities in each of the traditional folk arts categories to assist the Commission in a thorough search for and fair selection of the awardees; such categories of traditional folk arts shall include but will not be limited to the following: weaving, wood-

carving, metal-working, jewelry-making, embroidery, furniture-making using indigenous materials, dance, song, instrumental folk music, folk literature, drama, boat-making, pottery-making, and other indigenous technology and architecture such as rice-terracing;

b) to increase the monetary grant whenever circumstances so warrant provided that the increase shall not be given retroactive effect;

c) to design, monitor and evaluate appropriate programs that shall ensure that the Manlilikha ng Bayan transfers his/her skills to others, and to coordinate with pertinent agencies, public and private, for program implementation;

d) to undertake measures that shall protect the intellectual/cultural property rights of the awardees;

e) to promote the widest utilization and improvement of the awardees' design and patterns as well as their materials, tools and techniques in coordination with pertinent agencies, public and private;

f) to undertake information dissemination programs intended to broaden community awareness of and instill pride in the achievements of the Manlilikha ng Bayan;

g) to facilitate or undertake activities, public and private in coordination with the Department of Trade and Industry, the Department of Science and Technology, and the Department of Tourism, that shall make the efforts of the awardees not only aesthetically rewarding but also economically profitable; and

h) to generate funds from the Government and the private sector for the implementation of the provisions of this Act.

SEC. 8. *Appropriations.*—The amount necessary to carry out the provisions of this Act shall be included in the General Appropriations Act of the year following its enactment into law and thereafter.

SEC. 9. *Tax Privileges.*—Pursuant to the existing provisions under the National Internal Revenue Code (NIRC), as amended, and the Tariff and Customs Code of the Philippines (TCCP), as amended, any gifts or donations which shall be made to or for the use of the Philippine Commission on Culture and Arts, exclusively for the Manlilikha ng Bayan, shall be entitled to the following privileges:

a) Exemption from donor's tax pursuant to Section 94(a) (3) of the NIRC, as amended;

b) Deductibility of donations from the donor's gross income for purposes of computing taxable income in ac-

cordance with Section 29 (h) of the NIRC, as amended;
and

c) Exemption from taxes and duties of donations from foreign countries subject to the provisions of Section 105 of the TCCP, as amended, and Section 103 of the NIRC, as amended.

SEC. 10. *Repealing Clause.*—All laws, issuances, decrees, or any part or parts thereof inconsistent with the provisions of this Act are deemed amended or repealed accordingly.

SEC. 11. *Effectivity Clause.*—This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved, April 3, 1992.
