

[REPUBLIC ACT NO. 7393, April 13, 1992]

**AN ACT REORGANIZING THE QUEDAN GUARANTEE FUND BOARD,
RENAMING IT AS QUEDAN AND RURAL CREDIT GUARANTEE
CORPORATION, ENLARGING ITS POWERS AND RESOURCES TO
SUPPORT FARMERS AND RURAL ENTERPRISES, 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 "Quedan and Rural Credit Guarantee Corporation Act."

SEC. 2. *Declaration of Policy.* - It shall be the policy of the State to accelerate the flow of investments and credit resources into the countryside so as to trigger the vigorous growth and development of rural productivity, employment and enterprises thereby generating more livelihood and income opportunities for the disadvantaged rural populace. Pursuant to this policy, there shall be set up a convenient credit-support mechanism and reliable guarantee system that shall effectively:

- a. Improve the bankability of and access by rural workers, their cooperatives and small rural enterprises to formal credit institutions;
- b. Provide incentives for the banking sector to focus upon and enlarge the flow of credit funds and investments into the rural areas;
- c. Institutionalize the quedan or warehouse receipt and other negotiable instruments, evidencing stored agri-aqua produce in bonded warehouses, as the more convenient collateral for obtaining credit financing;
- d. Prioritize financing support to agrarian reform beneficiaries and their cooperatives for their production inputs and labor costs and their acquisition of farm equipment and post-harvest facilities;
- e. Support dynamic cooperativism, capital formation and savings mobilization among the rural populace;
- f. Increase farm income by promoting a system that by-passes unnecessary layers of middlemen and links producers more closely to end-users through auction markets, trading centers, consumer cooperatives and the like; and
- g. Harmonize and coordinate with all government institutions, nongovernmental organizations, private voluntary organizations, self-help groups and other aggrupations involved in providing support services to rural inhabitants.

SEC. 3. *Definition of Terms.* - The following terms as used in this Act shall mean:

- a. "Corporation" - The Quedan and Rural Credit Guarantee Corporation;
- b. "Farmer" - Any natural person whose primary livelihood is cultivation of land or the production of agricultural crops, livestock and aquaculture products, in small or commercial scale, either by himself or primarily with the assistance of

his immediate farm household or workers, whether the land is owned by him or by another person, under a leasehold tenancy agreement or arrangement with the owner thereof;

- c. "Fisherfolk" - Refers to any natural person whose primary livelihood is fishing or the catching and/or gathering of other marine products, in small or commercial scale, either by himself or with the assistance of his immediate household or workers, whether the vessel, banca, and other equipment used is owned by him or by another person under lease or other arrangement with the owner thereof and there is no employer-employee relationship; and
- d. "Cooperative" - Refers to a duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve a lawful common social or economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.

SEC. 4. *Reorganization.* - The Quedan Guarantee Fund Board is hereby reorganized in accordance with the provisions of this Act, renamed as the Quedan and Rural Credit Guarantee Corporation and hereafter referred to as the Corporation. The Corporation is hereby attached to the Department of Agriculture pursuant to Administrative Order No. 59 (1988), but subject to the regulatory powers of the Securities and Exchange Commission insofar as allowed under Sections 9, 10 and 13 hereof.

SEC. 5. *Place of Business.* - The Corporation shall have its principal place of business in Metro Manila and may establish as many branches or smaller units of organization in any part of the Philippines as may be necessary in carrying out efficiently and effectively its operations.

SEC. 6. *Term of Existence.* - The term of existence of the Corporation shall be fifty (50) years from the date of effectivity of this Act.

SEC. 7. *Authorized Capital Stock.* - The authorized capital stock of the Corporation shall be Two billion pesos (P2,000,000,000) to be divided into two billion common and voting shares, with the par value of One peso (P1.00) per share, sixty percent (60%) thereof to be subscribed solely by the national government and/or government-owned or -controlled corporations and forty percent (40%) thereof solely by small farmers, fisherfolk, their cooperatives and other private investors: *Provided, however,* That the shares of the national government and government-owned or -controlled corporations may be sold to one another but not to private investors.

SEC. 8. *Subscription by National Government.* - Upon the effectivity of this Act, the National Government shall be deemed to have subscribed to such number of shares of the Corporation equivalent in par value to, and considered paid for by the net assets of the Quedan Guarantee Fund Board, as determined and certified by the Commission on Audit within three (3) months from the effectivity hereof. Additional subscriptions, insofar as allowed by this Act, may be made by the National Government with the profits of the Corporation upon the majority vote of its governing Board in a meeting specially called for that purpose. The Secretary of Agriculture or his representative duly authorized in writing shall vote the shares owned by the national government. The chief executive officers of the government institutions referred to in Section 23 shall vote for their respective shareholdings.

SEC. 9. *Subscription by Private Investors.* - No private person, natural or juridical, shall, directly or indirectly, by interlocking directorate or other forms of combinations, by trust, subscription, purchase, lease, mortgage, pledge, or other means of acquisition or encumbrance, own at any one time more than ten percent (10%) of the portion of the Corporation's authorized capital stock that can be subscribed solely by small farmers, fisherfolk, their cooperatives and other private investors. The Corporation in consultation with the Securities and Exchange Commission shall prescribe within sixty (60) days from the effectivity of this Act, implementing rules and regulations which will assure strict observance of the herein section by private investors and stock exchanges, stock-brokers, traders and personnel thereof, if the Corporation is listed in such exchanges for the trading of its shares therein under Section 10 hereof. Violation of any provision of the herein section or its implementing rules and regulations shall be punishable under Section 185 of the Revised Penal Code or, whenever applicable, the Anti-graft and Corrupt Practices Act.

SEC. 10. *Listing in Stock Exchanges.* - The Corporation shall comply with all the requirements and shall apply for listing in stock exchanges for the purpose of trading its shares within one (1) year and six (6) months from the effectivity of this Act. Failure to comply with the provisions herein shall be *prima facie* evidence of bad faith on the part of the Corporation's personnel responsible therefor.

SEC. 11. *Corporate Powers.* - The Corporation, as a body corporate, shall have the following powers and purposes:

- a. Establish a credit-support mechanism for the benefit of farmers, fishermen, rural workers, cooperatives, retailers, wholesalers and primary processors of agricultural and aquatic commodities;
- b. Implement a guarantee system to promote inventory financing of agri-aqua commodities; establishment of production and post-production facilities; acquisition of farm and fishery machineries, equipment and implements; and investment in production inputs and labor;
- c. Set up a system for accrediting the participation in the Corporation's various programs by borrowers, lending banks, financing institutions, bonding and insurance companies;
- d. Franchise-bonded warehouses intended for quedan inventory financing, issue and enforce rules and regulations therefor;
- e. Print and provide uniform negotiable quedan or warehouse receipt forms for the purpose of quedan financing which shall be serially numbered, on security notepaper, in specific quantity denominations of such unit of measurement of subject commodities; and shall contain the name and business address of the warehouseman, the variety, classification, moisture content and quality of the commodity deposited, the warranties of the warehouseman as prescribed by existing laws, rules and regulations, the charges and authorized liens on the stocks in deposit;
- f. Prescribe fees and charges for the Corporation's services; fix interest and penalty charges for delinquent accounts; and impose fines and sanctions for violations of its rules and regulations;
- g. Acquire by purchase or otherwise acquire ownership of and invest in, hold, sell or otherwise dispose of stocks or bonds of any interest in either or any obligation or evidence of indebtedness of any person, firm or corporation; and

as owner of such stocks, bonds or interest therein, or other obligations or evidences of indebtedness, exercise the rights, powers and privileges or ownership, including the right to vote thereon or consent in respect thereto for any and all lawful purposes;

- h. Purchase or otherwise acquire, sell, lease, convey, mortgage or encumber and otherwise deal with any property, real or personal, or any interest therein;
- i. Act as a receiver;
- j. Adopt and use a corporate seal;
- k. Sue and be sued;
- l. Prescribe, repeal and alter its own bylaws; determine its operating policies and issue such rules and regulations as may be necessary and incidental to implement its various policies, programs and projects; and
- m. Carry on any lawful business whatsoever and do everything suitable, convenient and proper for the exercise of any of the foregoing powers and promote the interests of the Corporation or its properties.

SEC. 12. *Governing Board.* - The affairs and business of the Corporation shall be directed, its properties managed and preserved, and its corporate powers exercised, unless otherwise provided in this Act, by a governing Board consisting of fifteen (15) members composed initially of the following: the Secretary of Agriculture, the Secretary of Agrarian Reform, the Governor of the Central Bank, the Administrator of the National Food Authority, the Chairman of the Cooperative Development Authority, the President of the Corporation and three (3) other members: a small farmer, a fisherfolk and an agricultural worker to be endorsed by the Department of Agriculture, the Department of Agrarian Reform and by the Cooperative Development Authority and approved by the other members of the governing Board after having been nominated by a nationally organized association of farmers, fisherfolk and farm workers, respectively. Said representatives shall serve for a term of one (1) year. Members of the governing Board who would proportionately represent the private investments in the Corporation shall be decided upon by the initial members of the governing Board.

The Secretary of Agriculture and the President of the Corporation, because of some governmental functions of the Corporation, shall be permanent *ex officio* chairman and vice-Chairman, respectively.

The chairman shall preside over the meetings of the governing Board where aside from voting regularly he shall vote to break a tie. He shall likewise preside over the stockholders' meetings.

The President of the Corporation, as vice-chairman of the Board, shall assist the chairman and act in his stead in case of the latter's absence or incapacity. In case of incapacity or absence of both the chairman and vice-chairman, the governing Board shall designate a temporary Chairman from among its members.

The governing Board shall prescribe the rules and regulations governing its deliberations and other official actions.

SEC. 13. *Election, Terms of Office of Elective Board Members.* - The additional members of the governing Board to be elected by the initial members of the governing Board shall serve for a term of one (1) year each. The election shall be presided by the Board Chairman, which shall be held in Metro Manila, in a place

accessible to the public, and shall be in accordance with provisions of the Corporation Code of the Philippines and other pertinent laws. The first election after the effectivity of this Act shall be held when the initial members of the governing Board shall have been duly constituted and twenty-five percent (25%) of the counterpart shares for private investors shall have been subscribed, the exact date, time and place to be determined by the governing Board then incumbent. The governing Board of the Corporation, in consultation with the Securities and Exchange Commission, shall prescribe the rules and regulations for the efficient and effective implementation of this section.

SEC. 14. *Specific Duties and Powers of Governing Board.* - The governing Board shall have the following specific duties and powers:

- a. Determine the general policies of the Corporation within the scope of its powers, objectives and financial resources;
- b. Approve and adopt annually the Corporation's budget at least three (3) months before the start of the fiscal period in conformity with the guidelines prescribed by the Department of Budget and Management, the Department of Finance and the Government Corporate Monitoring and Coordinating Committee; the Corporation's plan of operations for the year; as well as its medium- and long-term plans, programs and projects;
- c. Monitor the implementation of the Corporation's general policies, plans, budgets and projects;
- d. Upon the recommendation of its President, approve, reorganize or otherwise alter the position structure, staffing pattern, qualifications, powers and functions of the Corporation's officers and employees, in consultation with the Civil Service Commission and the Department of Budget and Management;
- e. Rationalize the rates of salaries, wages, allowances, per diems, consultant's fees, overtime pay and other forms of compensation, including gratuities and fringe benefits, which shall be determined in accordance with the position classification and compensation scheme or policy formulated under existing laws, rules and regulations and in consultation with the Civil Service Commission and the Department of Budget and Management, without prejudice to the compensation, fringe benefits and gratuities enjoyed by or provided for incumbent personnel at the effectivity of this Act;
- f. Approve, upon the recommendation of its president, the appointment of senior corporate officials in accordance with the pertinent provisions of the Civil Service Law, rules and regulations;
- g. Evaluate the financial reports of the Corporation and the comments of the Auditor thereon and, after approval such financial reports, consider each item thereof in respect of which the Auditor has expressed a reservation, or made an observation, or has refrained from expressing an opinion; and
- h. Submit to the President of the Philippines, the Congress of the Philippines, the Department of Finance, the Department of Budget and Management, the Department of Agriculture, and the Government Corporate Monitoring and Coordinating Committee, an annual report of the Corporation's operations which shall include the following audited financial statements: balance sheet or statement of assets and liabilities; income statement or statement of income and expenditures; and statement of sources and application of funds. Such report shall also include an analysis of any surplus or deficit of the Corporation and other additional statements and information necessary to make known the financial conditions and operations of the Corporation such as the outstanding