

[Commonwealth Act No. 133, November 06, 1936]

AN ACT TO AMEND ACT NUMBERED TWENTY-FIVE HUNDRED AND EIGHT, AS AMENDED.

Be it enacted by the National Assembly of the Philippines:

SECTION 1. Section eleven of Act Numbered Twenty-five hundred and eight, known as the Rural Credit Law, is hereby amended to read as follows:

"SEC. 11. No director shall directly or indirectly obtain a loan for himself, nor shall he vote on a loan requested by any member of his family, natural or by affinity, to the third degrees, nor on a loan requested by any person who owes a debt to him or to any member of his family; nor shall he become a bandsman, surety, or indorser on any loan contracted with the association.

"Any violation of this section shall be punishable by dismissal from office of director when found guilty of such violation, and the amount thus obtained by him shall become immediately due and payable. In the event of non-payment in full of the obligation so contracted, the offending director may, by order of the Director of Commerce, who shall be in charge of the enforcement of the provision of this section, be prosecuted before the courts of justice, and if found guilty, punished by arresto mayor, or by a fine of not less than fifty pesos and not more than two hundred and fifty pesos, or both by fine and imprisonment in the discretion of the court."

SEC. 2. Section thirteen of Act Numbered Twenty-five hundred and eight, as amended by Act Numbered Thirty-seven hundred forty-six, is hereby further amended to read as follows:

"SEC. 13. In case a borrower is three months in arrears in the payment of the dues or of the interest on any loan, or when it shall be found that the money borrowed by him from the association has been invested for any purpose other than that which was specified in the loan application approved by the board of directors, the entire loan shall be declared by the board of directors due and payable.

"For the collection of any loan due or for the enforcement of any contract or stipulation thereof with an Agricultural Credit Cooperative Association, the Director of Commerce or his duly authorized' representative may bring the necessary and adequate action in court, in the name and representation of the association, the provisions of the law to the contrary notwithstanding."

SEC. 3. Section fifteen of Act Numbered Twenty-five hundred and eight, as amended by Act Numbered Thirty-seven hundred and forty-six, is hereby further amended to read as follows:

"SEC. 15. The period of duration of the loans shall not exceed one year, which period may be extended for a time to exceed five years by annual extensions, but such period of duration shall not be considered extended unless the borrower has so requested in writing and the board of directors shall approve the same: *Provided, however,* That the Director of Commerce may, in exceptional cases, upon the recommendation of the board of directors, grant further annual extensions, not exceeding five years."

SEC. 4. Section twenty-seven of Act Numbered Twenty-five hundred and eight, as amended by Act Numbered Twenty-five hundred and sixty-six, is hereby further amended to read as follows:

"SEC. 27. The reserve fund shall consist of a sum set aside by the board of directors from the profits at each annual balance prior to the declaration and distribution of any dividend, which sum shall not be less than twenty *per centum* of said net profits.

"The reserve fund may be invested in securities or investments to be recommended by the Director of Commerce and approved by the Secretary of Agriculture and Commerce and shall be expended for covering the deficits of the association : *Provided, however,* That not more than twenty per centum of the amount thus set aside may be spent for salaries, the aforesaid amount, after the deduction made for salaries herein authorized, being available only for inspection and supervision, subject to the rules and regulations to be promulgated for the purpose by the Secretary of Agriculture and Commerce, upon the recommendation of the Director of Commerce."

SEC. 5. Section twenty-eight of Act Numbered Twenty-five hundred and eight is hereby amended to read as follows :

"SEC. 28. The by-laws shall determine the qualifications for membership, the form of admission and expulsion, the form of appeal against a resolution refusing admission, and the form of withdrawal from membership. The death of a member shall be considered a withdrawal from membership.

"Each member shall be a resident of the municipality in which the association is organized, and shall have the reputation in the locality of being honest and industrious.

"Nonresidents may, however, be permitted to buy shares in any Agricultural Credit Cooperative Association, but they shall not enjoy the right to borrow money from the said association, nor shall they be allowed to vote in any meeting nor be elected to any office therein.

"Nothing in this law shall preclude any officer or employee of the Government, be it national, provincial or municipal, from holding office or being elected to any office in any association or from receiving compensation therefor."

SEC. 6. Section thirty-two of Act Numbered Twenty-five hundred and eight is hereby amended to read as follows:

"SEC. 32. The directors shall be elected for two years, and two of them shall be renewed each even-numbered year and three each odd-numbered year. During the first and before the next election is held in the second year of the association, the directors to be renewed shall be designated by lot: *Provided, however,* That no person shall be entitled to qualify for the position to which he was elected, unless his election has been proclaimed by resolution of the Board of Directors and duly certified to the Director of Commerce, who shall confirm said election, after thirty days from the date of the receipt of the certification, if no protest formally presented under oath by any full-fledged member has been filed in the office of said Director of Commerce within said period of thirty days. The Director of Commerce, upon receipt of a protest against an election, shall cause an investigation to be made of the cause or causes contained in the said protest, and in accordance with his findings, or an issue the necessary order either for the confirmation or the annulment of the election so protested, and in the case of annulment, for the holding of a new election. All elections in any Agricultural Credit Cooperative Association shall be presumed to be legal if no protest has been filed in the manner herein prescribed. The decision of the Director of Commerce on matters of election protests may be appealed to the Secretary of Agriculture and Commerce, within fifteen days from the date of the receipt of the notification to the parties concerned, and his decision on the matter shall be final and conclusive.

"It shall be illegal for any person who is actually indebted to the association, or a party in any case in court brought by the association, to qualify for the office to which he has been elected, without first settling his indebtedness thereto or without the case against him having been duly terminated."

SEC. 7. Section thirty-three of Act Numbered Twenty-five hundred and eight, as amended by Acts Numbered Twenty-five hundred and sixty-six and Thirty-seven hundred and forty-four, is hereby further amended to read as follows:

"SEC. 33. Thirty days after their election and each year thereafter upon a date to be fixed by the by-laws, the directors shall elect from amongst themselves a president and shall appoint a secretary and other officers as the by laws may prescribe, the treasurer of the municipality where the association is located to act as ex-officio treasurer of the association, with such compensation as may be approved by the board of directors with the approval of the Director of Commerce. The treasurer of the association shall not be eligible for election as member of the Board of Directors or for appointment to any other office in the association. The directors and officers shall perform the duties intrusted to them by law or by the by-laws and the rules and regulations promulgated under the law for the government or the association. The Board of Directors shall hold a meeting at least once a month to act upon the corporate business of the association. A majority of the directors shall constitute a quorum for the transaction of the corporate business of the association, and every resolution of the majority of the quorum duly assembled in a meeting,

shall be valid as a corporate act: *Provided*, That no loan shall be made except by the affirmative vote of at least three members of the board who are entitled to vote thereon, subject to the provision of section eleven of this Act."

SEC. 8. Section thirty-four of Act Numbered Twenty-five hundred and eight is hereby amended to read as follows:

"SEC. 34. Any director of the association may be removed for cause from office by the stockholders' general assembly, and by the vote of at least two-thirds of all members present at a regular meeting, or a special meeting called for the purpose, upon notification in the latter case to the stock-holders of the intention to propose such removal at such meeting: *Provided, however*, That the removal of any director from office shall not be effective until after all the proceedings of such removal have been forwarded to the Director of Commerce for review, and the decision of the general assembly of stockholders has been confirmed by the said Director of Commerce. The records of such proceedings shall be forwarded to the Director of Commerce within fifteen days from the date the decision is rendered, and the Director of Commerce may, if the case so warrants, order a reinvestigation of the case, confirm the decision or revoke the same. In case of failure of the stockholders to remove any director found guilty, the Director of Commerce is authorized to remove the said director."

SEC. 9. Section thirty-five of Act Numbered Twenty-five hundred and eight is hereby amended to read as follows:

"SEC. 35. The directors shall be jointly and severally responsible for any transaction made in violation of law, the by-laws, the resolutions of the general assembly of stock-holders, or the rules and regulations promulgated for the purpose, except those who entered a protest at the time when such transaction was acted upon."

SEC. 10. Section thirty-six of Act Numbered Twenty-five hundred and eight is hereby amended to read as follows:

"SEC. 36. The stockholders general assembly shall be composed of such members owning at least one share of stock, as are entitled to vote in general assemblies of the association, and when lawfully constituted, it shall represent all the members. There shall be a regular convention of the general assembly of stockholders at least once each year, on the date fixed in the by-laws, for the purpose of filling vacancies on the board of directors, and receiving the report of the latter on the operations of the preceding year and hearing their recommendations regarding the declaration of the dividend and the distribution of the gains and profits for the same period, and for the purpose of transacting other general business of the association. One-half plus one of the stockholders entitled to vote shall constitute a quorum, but if a quorum is not present on the date fixed in the call, the stockholders present therein may proceed with the transaction of the business of the association: *Provided*, That no resolution acted upon therein shall be valid until same has been duly certified to and approved by the Director of Commerce, to whom a copy