



THE AMERICAN CHAMBER OF COMMERCE OF THE PHILIPPINES, INC.
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First AmCham Abroad

August 19, 2011

HON. SERGIO A. F. APOSTOL

Chairman
Committee on Banks and Financial Intermediaries
House of Representatives
Quezon City

Dear Chairman Apostol:

I am writing to express our support for your Committee's efforts to amend Republic Act 7353, or the Rural Banks Act of 1992.

Republic Act 7353 provides that 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.

The passage of a law allowing foreign capital infusion in rural banks will increase their financial capability and thereby allow them to expand their services, improve their lending capacity, and invest in modern technology. Ultimately, this would mean greater accessibility of rural banks, especially in remote areas of the country where commercial and universal banks do not operate.

The pending bills vary in the equity allowed for foreigners. House Bills 4805 and 4854 allow rural banks to have as much as 40 percent foreign equity, while HB 4519 allows 60%. We recommend that the limits on foreign equity should be deleted altogether. Allowing foreign capital to come in would certainly maximize potential investment in rural banks. If limits would be set, exceptions should be allowed in cases of the acquisition of a distressed bank with a reasonable grace period to turnaround and recoup the investment.

We also favor provisions in HBs 4805 and 4854 allowing foreign owners to be represented in the Board of Directors to the extent of their participation in the equity of the rural bank.

Thank you very much for considering our views.

Sincerely yours,


JEFFREY C. WOODRUFF
Executive Director