

## **RULES AND REGULATIONS FOR COOPERATIVE BANKS**

### ***(Appendix to Section 102)***

Pursuant to Monetary Board Resolution No. 192 dated 11 February 2010, following are the revised rules and regulations governing the organization, membership, establishment, administration, activities, supervision and regulation of Cooperative Banks to implement the provisions of Chapter XII of Republic Act No. 9520 otherwise known as the Philippine Cooperative Code of 2008, which amends Republic Act No. 6938 otherwise known as the Cooperative Code of the Philippines.

**Sec. 1 Statement of Policy.** The Bangko Sentral is committed to developing a sound and vibrant cooperative banking sector to support the growth of rural economies and communities. Toward this end, these rules and regulations recognize the unique nature and character of Coop Banks while at the same time ensure that they are operating within a level playing field with other types of banks and thereby comply with banking laws, rules and regulations.

**Sec. 2 Definition of Cooperative Banks.** A Coop Bank is one organized for the primary purpose of providing a wide range of financial services to cooperatives and their members. It shall be organized only by cooperative organizations that are duly established and registered under the Philippine Cooperative Code of 2008 (R.A. No. 9520).

A *cooperative organization* is a duly registered association of persons with a common bond of interest, who have voluntarily joined together to achieve their social, economic and cultural needs and aspirations by making equitable contributions to the capital required patronizing their products and services and accepting a fair share of the risks and benefits of the undertaking in accordance with universally-accepted cooperative principles.

For purposes of these regulations, a Cooperative Bank shall, likewise, be considered a cooperative that should be registered with the Cooperative Development Authority (CDA), subject to the requirements and requisite authorization of the Bangko Sentral.

### **Sec. 3 Registration, Application Procedures and Pre-Operating Requirements for Coop Banks**

1. A prospective Coop Bank shall file its application for licensing as a bank with the Bangko Sentral, and upon approval, shall be registered with the CDA;
2. Duly registered cooperatives applying for authority to establish a Coop Bank shall submit the following documents to the appropriate supervising department of Bangko Sentral;
  - a. Certificate of registration or re-registration with the CDA;

- b. Board resolution authorizing the investment of the cooperative to the Coop Bank;
- c. Board resolution appointing/ designating the authorized representative of the cooperative to the Coop Bank. The authorized representative must either be the chairman, president or secretary of the cooperative;
- d. Latest AFS of the cooperatives;
- e. Articles of Cooperation, Treasurer's Sworn Statement and By-Laws of the proposed Coop Bank in six (6) copies;
- f. Certificate of Good Standing of each cooperative from the CDA;
- g. Bio-data, accomplished in the prescribed form under oath and in triplicate, by each of the authorized representatives of the cooperative members, and proposed members of the board of directors and officers of the Coop Bank;
- h. NBI/BIR clearances of the authorized representatives of the cooperative members and proposed members of the board of directors and officers of the Coop Bank;
- i. Latest statement of assets and liabilities of authorized representatives which must be not earlier than ninety (90) days from date of application;
- j. Projected monthly financial statements for the first three (3) years of operations which must be supported by the following:
  - 1. reasonable assumptions;
  - 2. plantilla of organization including the estimated salaries and allowances of the officers and employees, as well as the members of the board of directors;
  - 3. schedule of proposed banking premises, furniture, fixtures and equipment indicating their estimated cost; and
  - 4. such other information as may be necessary.
- k. Detailed plan of operations which should include the following minimum information:
  - 1. marketing plan describing how the bank expects to generate viable and sustainable business;
  - 2. description of how the bank will be organized and controlled internally to ensure that an appropriate system of corporate governance will be in place; and

3. adequate operational policies and procedures, internal control procedures and management expertise to operate the proposed bank in a safe and sound manner.
- I. Economic justification. The economic justification for establishing the bank should provide information on the economic profile of the proposed area of operation, i.e., whether it is industrial, agricultural, etc., number of existing business establishments, population, expected competition and such other relevant information.
3. A Coop Bank established under RA No. 9520 shall comply with the pre-operating requirements specified in *Section 11, Appendix 38*.
    - a. Within eight (8) months from receipt of advice of approval of the Monetary Board of its application, the proposed Coop Bank shall:
      1. Complete the construction and furnishing of the bank building which shall be equipped with facilities, furniture, forms and stationery, and vault of reinforced concrete with a steel two (2)-hour fire resistant door and equipped with time delay device, in accordance with the specifications of the Bangko Sentral;
      2. Effect and complete the training/ seminar of directors, officers and employees of the Coop Bank; and
      3. Inaugurate and open the Coop Bank for business.
    - b. At least thirty (30) days prior to the start of operations, the Coop Bank shall submit the following requirements
      1. Certification of compliance with the conditions of approval of the applications duly signed by the cooperators;
      2. Proof of registration of Articles of Cooperation, Treasurer's Sworn Statement and By-Laws of the Bank;
      3. Certificate of deposits of the bank's paid-in capital;
      4. Request for ocular inspection of the bank premises at least thirty (30) days before the scheduled date of operations;
      5. Certificates of training/seminar of officers and employees;

6. Certificates of attendance of the special seminar for members of the board of directors conducted or accredited by the Bangko Sentral;
7. List of principal and junior officers and their respective designations and salaries;
8. Bio-data sheets, NBI/BIR clearances, ITRs for the last two (2) years of directors/ officers who have not had the previous approval of the Monetary Board, for evaluation of their qualifications prior to their appointment;
9. Chart of organization. The chart should show the names of departments/ units/offices with their respective functions and responsibilities, and the designations of positions in each department/unit/office with their respective duties and responsibilities. The internal organization should provide for a management structure with clear accountability, a board of directors with ability to provide independent check on management and independent audit and compliance functions, and should follow the “four eyes” principle, i.e., segregation of various functions, cross checking, dual control of assets, double signatures;
10. Manual of Operations embodying the policies and operating procedures of each department/unit/office covering such areas as signing/delegated authorities;
11. Two (2) sets of specimens of principal bank accounting and other forms;
12. Blueprint of floor layout of bank premises;
13. Contract of lease on bank’s premises, if the same are to be leased;
14. Insurance coverage of bank properties;
15. Fidelity bonds of accountable officers;
16. Excerpts of the minutes of the organizational meetings confirming all organizational and pre-opening transactions relative to activities undertaken to prepare the bank to operate (such as appointment of officers, contract of lease, etc.);
17. An alphabetical list of stockholders with the number and percentage of voting stocks owned by them;
18. A separate list containing the names of persons who own voting stocks in banks and who are related to each other within the 3<sup>rd</sup> degree of consanguinity or affinity, with proper

indication of the combined percentage of voting stocks held by them in the particular bank, as well as corporations which are wholly-owned or a majority of the stock of which is owned by any of such persons, including their wholly or majority-owned subsidiaries;

19. Certification by the president or officer of equivalent rank that no person who is the spouse or relative within the 2<sup>nd</sup> degree of consanguinity or affinity of any person holding the position of chairman, president, executive vice president or any position of equivalent rank, general manager, treasurer, chief cashier or chief accountant will be appointed to any of said positions in the bank;
20. Appointment of an officer of the proposed bank who shall have undergone orientation on the reportorial requirements with the Bangko Sentral and a certification by the manager that he is fully aware of said reportorial requirements and the respective deadlines for submission to the Bangko Sentral;
21. A certification by the PDIC that the organizers had already been briefed on all of its requirements for newly established banks; and
22. Other documents/papers which may be required.

**Sec. 4 Capital Requirements.** Coop Banks that will be established under R.A. No. 9520 shall comply with the minimum paid in capital provided in Sec. 121.

No cooperative member shall own or control more than forty percent (40%) of the total capital contributions of a Coop Bank. This limitation shall also apply to cooperatives purchasing government-held preferred shares of Coop Banks which are converted into common shares.

Coop Banks shall issue par value shares only.

**Sec. 5 Members of the Board of Directors, Officers, Quorum and Voting Rights**

1. The definition, qualifications, responsibilities and duties of the board of directors and officers that are generally applicable to all banks under Secs. 132 to 138 shall also apply to Coop Banks.
2. Coop Banks shall, likewise, comply with the following regulations on the minimum qualification requirements of the members of its board of directors and officers:
  - a. At least one (1) member of the Board of Directors of a Coop Bank shall have a one (1) year experience in banking; and

- b. The manager of a Coop Bank must have actual banking experience (at least manager or assistant manager)
3. The quorum requirement for general assembly meetings, whether special or regular, shall be one-half plus one of the number of voting shares of all the members in good standing.

The quorum requirement for amendments of articles of cooperation and by-laws shall be three-fourths (3/4) of the number of voting shares of all the members with voting rights, present and constituting a quorum.

4. The voting rights of members shall be proportionate to the number of their paid-up shares. Existing Coop Banks shall amend their Articles of Cooperation to conform to this provision within a period of one (1) year from 06 March 2010.
5. In the meetings of the board of directors, whether special or regular, the quorum requirement shall be one-half plus one of all the members of the board of directors. Each director shall only have one (1) vote.

#### **Sec. 6 Membership in a Coop Bank**

Membership in a Coop Bank shall either be regular or associate. Regular membership shall be limited to cooperative organizations which are holders of common shares of bank. Such common shares shall not be withdrawable but may be sold or transferred to qualified member cooperative organizations.

Associate members are those that subscribe and hold preferred shares of the bank, the features of which shall be defined in the Articles of Cooperation. Associate members may include, but shall not be limited to, individual members of the bank's member-primary cooperatives.

In the case of Samahang Nayon (SN) and Municipal Katipunan ng mga Samahang Nayon (MKSAN) which held common shares of Coop Banks prior to the effectivity of R.A. No. 9520, they shall apply for conversion to full-fledged cooperatives in order to maintain their status as regular members of cooperative banks.

Coop Banks shall inform their members SN and MKSAN that they have to convert to full-fledged cooperatives within a period of one (1) year from 22 March 2009. If the SN or MKSAN fails to do so, the Coop Bank concerned shall convert the common shares held by such associations to preferred shares. The conversion to full-fledged cooperatives and conversion of common shares to preferred shares shall both be reported to the Bangko Sentral within six (6) months from 06 March 2010.

**Sec. 7 Establishment of Coop Banks**

1. At least five (5) cooperatives may form a Coop Bank: *Provided*, That majority of the Coop Bank's voting shares of stock shall be held by member-cooperatives located in the said province where the head office is located. The said majority requirement shall be maintained on an ongoing basis, except in meritorious cases as may be allowed by the Monetary Board.
2. Only one (1) Coop Bank may be established in each province. However, an additional Coop Bank may be established in the same province: *Provided*, That the additional Coop Bank may be located in a city or municipality other than the city or municipality where the first Coop Bank is located. The establishment of another Coop Bank will be authorized depending on the economic conditions of the province as may be determined by the Bangko Sentral.

The Articles of Cooperation and By-Laws of any Coop Bank, or any amendment thereto, shall be registered with the CDA only when accompanied by a certificate of authority issued by the Monetary Board, under its official seal.

**Sec. 8 Establishment of Branches and Other Offices**

The establishment of branches/branch-lite units/other banking offices by Coop Banks shall be governed by the provisions of Sec. 105, as applicable.

**Sec. 9 Powers, Functions and Allied Undertakings of Coop Banks**

1. A Coop Bank shall primarily provide financial, banking and credit services to cooperatives and their members, although it may provide the same services to non-members or the general public.
2. The powers and functions of a Coop Bank shall be subject to such rules and regulations as may be promulgated by the Bangko Sentral. In addition to the powers granted to Coop banks under existing laws, any Coop Bank may perform any or all of the banking services offered by other types of banks, subject to prior approval of the Bangko Sentral.

Consistent with existing rules and regulations applicable to banks other than universal banks on limits on investments in the equities of financial allied undertakings under Sec. 373, a Coop Bank with existing investments in insurance companies, including insurance cooperatives, shall not increase but may reduce and once reduced, shall not increase such equity holdings: *Provided*, That the entire equity holding shall be divested within a period of five (5) years from 06 March 2010.

**Sec. 10 Privileges, Incentives and Assistance for Coop Banks.** The Coop Banks shall be given the same privileges and incentives granted to RBs, TBs, KBs and UBs to rediscount notes with the Bangko Sentral, the Land Bank of the Philippines, and other government banks.

The foreclosure of mortgages covering loans granted by Coop Banks and execution of judgment thereon involving real properties levied upon by a sheriff shall be exempt from the publications in newspaper now required by law where the total amount of loan, excluding interest due and unpaid, does not exceed P250,000 or such amount as the Bangko Sentral may prescribe as may be warranted by prevailing economic conditions and by the nature and character of the Coop Banks. It shall be sufficient publication in such cases if the notices of foreclosure and execution of judgment are posted in conspicuous areas in the bank's premises, municipal hall, the municipal public market, the barangay hall and the barangay public market, if any, where the property mortgaged is situated during the period of sixty (60) days immediately preceding the public auction or execution of judgment and shall be attached to the records of the case.

**Sec. 11 Applicability of Banking Laws** With respect to the operations and governance of Coop Banks, the provisions of the banking laws, rules and regulations shall prevail, notwithstanding Section 71 of R.A. No. 8791, otherwise known as the General Banking Act of 2000.

*(Circular Nos. 987 dated 28 December 2017, 969 dated 22 August 2017, 932 dated 16 December 2016, and 917 dated 08 July 2016)*

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## **INSTRUCTIONS FOR DIRECTORS AND OFFICERS OF PROPOSED COOPERATIVE BANKS**

The term *officers* shall include the president, senior vice-president, vice president, manager, secretary, cashier, and others mentioned as officers of the bank, or those whose duties as such are defined in the by-laws, or are generally known to be the officers of the bank (or any of its branches and offices other than the head office) either thru announcement, representation, publication or any kind of communication made by the bank.

The term *directors* shall include: (1) directors who are named as such in the Articles of Cooperation; (2) directors duly elected in subsequent meetings of authorized representative of each cooperative-member, and (3) those elected to fill vacancies in the board of directors.

The following are the qualifications and disqualifications of directors and officers of Coop Banks:

1. Qualifications for directors. A director must have the following minimum qualifications:



- (a) He shall be at least twenty-five (25) years of age at the time of his election or appointment;
- (b) He shall be at least a college graduate or have at least five (5) years experience in business;
- (c) He must have attended a special seminar for board of directors conducted or accredited by the Bangko Sentral within a period of six (6) months from the date of his election; and
- (d) He must be fit and proper for the position of a director of the Coop Bank. In determining whether a person is fit and proper for the position of a director, the following matters must be considered:
  - integrity/probity;
  - competence;
  - education;
  - diligence; and
  - experience/training.

At least one (1) of the members of the board of directors must, in addition to the above-mentioned minimum qualifications, have at least one (1) year experience in banking.

The foregoing qualifications for directors shall be in addition to those already required or prescribed under existing laws.

2. Persons disqualified to become directors. Without prejudice to specific provisions of law prescribing disqualifications for directors, the following persons are disqualified from becoming directors:

- (a) Permanently disqualified

Directors/officers/employees permanently disqualified by the Monetary Board from holding a director position:

- (1) Persons who have been convicted by final judgment of the court for offenses involving dishonesty or breach of trust such as estafa, embezzlement, extortion, forgery, malversation, swindling and theft;
- (2) Persons who have been convicted by final judgment of the court for violation of banking laws;

- (3) Persons who have been judicially declared insolvent, spendthrift or incapacitated to contract; or
- (4) Directors, officers or employees of closed banks/QBs/trust entities who were responsible for such institution's closure as determined by the Monetary Board.

(b) Temporarily disqualified

Directors/officers/employees disqualified by the Monetary Board from holding a director position for a specific/ indefinite period of time. Included are:

- (1) Persons who refuse to fully disclose the extent of their business interest to the appropriate supervising department of Bangko Sentral when required pursuant to a provision of law or of a circular, memorandum or rule or regulation of the Bangko Sentral. This disqualification shall be in effect as long as the refusal persists;
- (2) Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the board of directors during their incumbency, or any twelve (12) month period during said incumbency. This disqualification applies for purposes of the succeeding election;
- (3) Persons who are delinquent in the payment of their obligations as defined hereunder:
  - (a) Delinquency in the payment of obligations means that an obligation of a person with a bank/QB/trust entity where he/she is a director or officer, or at least two (2) obligations with other banks/FIs, under different credit lines or loan contracts, are past due pursuant to Sec. 304 and Sec. 4306Q;
  - (b) Obligations shall include all borrowings from a bank/QB obtained by:
    - (i) A director or officer for his own account or as the representative or agent of others or where he/she acts as a guarantor, endorser, or surety for loans from such FIs;
    - (ii) The spouse or child under the parental authority of the director or officer;
    - (iii) Any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director or officer;
    - (iv) A partnership of which a director or officer, or his/her spouse is the managing

partner or a general partner owning a controlling interest in the partnership; and

- (v) A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of persons mentioned in the foregoing Items “i”, “ii” and “iv”;

This disqualification shall be in effect as long as the delinquency persists.

- (4) Persons convicted for offenses involving dishonesty, breach of trust or violation of banking laws but whose conviction has not yet become final and executory;
- (5) Directors and officers of closed banks/QBs/trust entities pending their clearance by the Monetary Board;
- (6) Directors disqualified for failure to observe/discharge their duties and responsibilities prescribed under existing regulations. This disqualification applies until the lapse of the specific period of disqualification or upon approval by the Monetary Board on recommendation by the appropriate supervising department of Bangko Sentral of such directors' election/re-election;
- (7) Directors who failed to attend the special seminar for board of directors required under Item “3” of Sec. 132 or Subsec. 4141Q.2. This disqualification applies until the director concerned had attended such seminar;
- (8) Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity;
- (9) Those under preventive suspension; or
- (10) Persons with derogatory records with the NBI, court, police, Interpol and monetary authority (central bank) of other countries (for foreign directors and officers) involving violation of any law, rule or regulation of the government or any of its instrumentalities adversely affecting the integrity and/or ability to discharge the duties of a bank/QB/trust entity director/ officer. This disqualification applies until they have cleared themselves of involvement in the alleged irregularity.

### 3. Qualification for officers

- (a) He shall be at least twenty-one (21) years of age;

- (b) He shall be at least a college graduate, or have at least five (5) years experience in banking or trust operations or related activities or in a field related to his position and responsibilities, or have undergone training in banking acceptable to the appropriate supervising department of Bangko Sentral; and
- (c) He must be fit and proper for the position he is being proposed/appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered:
- integrity/probity;
  - competence;
  - education;
  - diligence; and
  - experience/training.

Any one of the president, chief operating officer or general manager of a national Coop Bank must, in addition to the abovementioned minimum qualifications, have at least two (2) years actual banking experience in a senior management capacity (head or assistant head) while the manager of a local Coop Bank must have actual banking experience (at least manager or assistant manager).

The foregoing qualifications for officers shall be in addition to those already required or prescribed under existing laws.

4. Persons disqualified to become officers. The grounds for disqualification for directors shall likewise apply to officers, except that stated in Items "2.b.2" and "2.b.7".
- (a) Except as may be authorized by the Monetary Board or the Governor, the spouse or a relative within the second degree of consanguinity or affinity of any person holding the position of chairman, president, executive vice president or any position of equivalent rank, general manager, treasurer, chief cashier or chief accountant is disqualified from holding or being elected or appointed to any of said positions in the same bank; and the spouse or relative within the second degree of consanguinity or affinity of any person holding the position of manager, cashier, or accountant of a branch or office of a bank is disqualified from holding or being appointed to any of said positions in the same branch or office.
- (b) Any officer or employee of the CDA or any appointive or elective public official, except a barangay official;

(c) Except as may otherwise be allowed under C.A. No. 108, otherwise known as “The Anti-Dummy Law”, as amended, foreigners cannot be officers or employees of a Coop Bank.

The foregoing disqualifications for officers shall be in addition to those already required or prescribed under existing laws.

#### 5. Government officers and employees.

Any officer or employee of the CDA shall be disqualified to be elected or appointed to any position in a cooperative; and (2) elective officials of the government, except barangay officials, shall be ineligible to become officers and directors of cooperatives.

However, any government employee may, in the discharge of his duties as member in the cooperative, be allowed by the head office concerned to use official time for attendance at the general assembly, board and committee meetings of cooperatives as well as cooperative seminars, conferences, workshops, technical meetings, and training courses locally or abroad: *Provided*, That the operations of the office concerned are not adversely affected.

Unless otherwise provided, officers elected or appointed without possessing the qualifications or possessing any of the disqualifications as enumerated herein, shall vacate their respective positions immediately.