



HOUSE OF REPRESENTATIVES

H. No. 9541

BY REPRESENTATIVES GARCIA (P.J.), TAMBUNTING, CANAMA, CUA, PADIERNOS, TIANGCO, ARENAS, LUSOTAN, FERRER (J.M.), SALCEDA, FUENTEBELLA, HARESCO, CASTRO (F.L.), VILLA, DAGOOC, ONG (J.), SUANSING (E.), SUANSING (H.), RODRIGUEZ, TEJADA, NIETO, GO (M.), GARCIA (J.E.), NOGRALES, (J.J.), GERON, VIOLAGO, GARIN (S.), EBCAS, SAVELLANO, GORRICETA, LACSON, CRISOLOGO, KHO (W.), JIMENEZ, ESPINO, BASCUG, TAN (A.S.), SUAREZ (A.), LEGARDA, ESCUDERO, ONG (R.), REVILLA, DY (F.M.C.), DELOSO-MONTALLA, DALIPE, MACEDA, TAN (A.), VILLARICA AND ECLEO, PER COMMITTEE REPORT NO. 1027

AN ACT
PROVIDING FOR THE REGISTRATION, REGULATION,
AND OPERATION OF COOPERATIVE BANKS

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

CHAPTER I

DECLARATION OF POLICY AND DEFINITIONS

1 SECTION 1. *Title.* – This Act shall be known as the “Cooperative Banking Act”.

2 SEC. 2. *Declaration of Policy.* – It is the declared policy of the State to foster the creation and
3 growth of cooperatives to promote self-reliance, communal unity and the attainment of economic
4 development and social justice. The State shall encourage the private sector to undertake the actual
5 formation and organization of cooperatives and shall create an atmosphere that is conducive to the
6 growth and development of these cooperatives.

7 Further, it is hereby declared the policy of the State to:

8 (a) Recognize Cooperative Banks (CBs) as practical vehicles for the promotion of self-reliance
9 and economic development and the attainment of social justice;

10 (b) Encourage thrift and savings mobilization for the achievement of sustainable economic
11 development primarily among cooperatives and their members, and

12 (c) Regulate and supervise the activities of CBs in order to achieve sound, stable, sustainable,
13 and efficient operations for the protection of the public interest.

14 Towards these ends, the government shall encourage and assist in the establishment of CBs in
15 order to make credit facilities available and readily accessible on reasonable terms.

1 preceding calendar year, the CB reported a net loss or had a dividend rate less than the official
2 inflation rate for the same year. Any compensation other than *per diems* may be granted to directors by
3 a majority vote of the members with voting rights at a regular or special general assembly meeting
4 specifically called for the purpose: *Provided*. That no additional compensation other than *per diems*
5 shall be paid during the first year of existence of the CB

6 In no case shall the total yearly compensation of directors exceed ten percent (10%) of the net
7 income of the CB during the preceding year.

8 SEC. 10. *Liability of Directors, Officers and Committee Members.* – Directors, officers, and
9 committee members, who willfully and knowingly vote for or assent to patently unlawful acts or who
10 are guilty of gross negligence or bad faith in directing the affairs of the CB or acquire any personal or
11 pecuniary interest in conflict with their duties as such directors, officers or committee members, shall
12 be liable jointly and severally to the CB for the full amount of damages or personal gain resulting
13 therefrom.

14 SEC. 11. *Disloyalty of Directors and Officers.* – A director or officer who, by virtue of the
15 office, acquires a financial opportunity which should belong to the CB shall be liable for damages and
16 must account for double the profits that otherwise would have accrued to the CB by refunding the
17 same, unless the act was ratified by a two-thirds (2/3) vote of all the members with voting rights.

18 This provision shall be applicable notwithstanding the fact that the director or officer used
19 personal funds for the venture.

20 SEC. 12. *Dealings of Directors, Officers, Stockholders and Related Interests (DOSRI).* –
21 Dealings with directors, officers, stockholders and related interests of the CB shall comply with
22 Section 36 of Republic Act No. 8791, otherwise known as “The General Banking Law of 2000”.

23 SEC. 13. *Illegal Use of Confidential Information.* – A director or officer, or an associate of a
24 director or officer, who, for the benefit or advantage or that of an associate, makes use of confidential
25 information that, if generally known, might reasonably be expected to adversely affect the operations
26 and viability of the CB, shall be held:

27 (a) Liable to compensate the CB for the direct losses suffered by the CB as a result of the
28 illegal use of information; and

29 (b) Accountable to the CB for any direct benefit or advantage received or yet to be received by
30 the associate, as a result of the transaction.

31 The CB shall take the necessary steps to enforce the liabilities and accountabilities described
32 herein.

33 SEC. 14. *Bond for Faithful Performance of Duties and Obligations.* – Every officer or employee
34 handling funds, securities, or property on behalf of a CB shall, before performing such duties, execute
35 and deliver adequate and appropriate bond for the faithful performance of one’s duties and obligations.

36 SEC. 15. *Quorum and Voting Rights.* – In the meetings of the Board of Directors, whether
37 special or regular, the quorum requirements shall be one-half plus one of all the members. Each
38 director shall only have one (1) vote.

39 CHAPTER IV

40 GENERAL ASSEMBLY

41 SEC. 16. *Composition of the General Assembly.* – The general assembly shall be composed of
42 regular members who are entitled to vote under the articles of cooperation and bylaws of the CB.

1 SEC. 17. *Powers of the General Assembly.* – The general assembly shall be the highest
2 policy-making body of the CB and shall exercise such powers as are stated in the Cooperative Code, in
3 the articles of cooperation, and in the bylaws of the CB. The general assembly shall have the following
4 exclusive powers which cannot be delegated:

5 (a) To determine and approve amendments to the articles of cooperation and bylaws;

6 (b) To elect or appoint the members of the Board of Directors, and to remove them for cause;
7 and

8 (c) To approve developmental plans of the CB.

9 Subject to such other provisions of the Cooperative Code and only for purposes of prompt and
10 intelligent decision-making, the general assembly may, by a three-fourths (3/4) vote of all its members
11 with voting rights present and constituting a quorum, delegate some of its powers to a smaller body of
12 the CB. These powers shall be enumerated under the bylaws of the CB.

13 SEC. 18. *Meetings.* – A regular meeting shall be held annually by the general assembly on a date
14 fixed in the bylaws, or if not so fixed, on any date within one hundred eighty (180) days after the close
15 of each fiscal year: *Provided*, That notice of regular meetings may be sent through personal delivery,
16 registered mail or other electronic means, or such other manner as the BSP may allow under its
17 existing regulations, to all members of record, and posted in conspicuous places within the CB
18 premises.

19 Whenever necessary, a special meeting of the general assembly may be called at any time by a
20 majority vote of the Board of Directors or as provided for in the bylaws: *Provided*, That a notice shall
21 be sent one (1) week prior to the meeting to all members who are entitled to vote: *Provided, however*,
22 That a special meeting shall be called by the Board of Directors after compliance with the required
23 notice or by at least ten percent (10%) of the total members who are entitled to vote to transact specific
24 business covered by the call.

25 If the Board fails to call a regular or a special meeting within the given period, the CDA shall,
26 upon petition of ten percent (10%) of all the members of the CB who are entitled to vote, and for good
27 cause shown, shall issue an order to the petitioners directing them to call a meeting of the general
28 assembly by giving proper notice as required in the Cooperative Code or in the bylaws.

29 In the case of a newly approved CB, a special general assembly shall be called, as far as
30 practicable, within ninety (90) days from such approval.

31 The CDA may call a special meeting of the CB for the purpose of reporting to the members the
32 result of any examination or other investigation of the CB affairs.

33 Notice of any meeting may be waived, expressly or impliedly, by any member.

34 SEC. 19. *Quorum and Voting System.* – The quorum requirement for general assembly meetings,
35 whether special or regular, shall be one-half plus one of the number of voting shares of all the
36 members in good standing.

37 To amend its articles of cooperation and bylaws, at least three-fourths (3/4) vote of all the
38 members with voting rights, present and constituting a quorum, shall be required. All other voting
39 requirements, shall be prescribed by the BSP.

40 The voting rights of the members shall be proportionate to the number of their paid-up shares.

1 CHAPTER V

2 POWERS, FUNCTIONS, AND ALLIED UNDERTAKINGS

3 SEC. 20. *Powers and Functions of Cooperative Banks.* – CBs shall primarily provide a wide
4 range of financial services to cooperative organizations, their members, and the public. A CB may
5 perform any or all of the following banking services:

6 (a) Extend loans and advances primarily for the purpose of meeting the normal credit needs of
7 farmers, fishermen, or farm families as well as cooperatives, merchants, and private and public
8 employees: *Provided,* That loans and advances granted to cooperative organizations shall not be
9 subject to individual ceilings on loans to DOSRI;

10 (b) Accept savings and time deposits;

11 (c) Act as correspondent of other financial institutions;

12 (d) Discount and rediscount paper with the Land Bank of the Philippines, Development Bank
13 of the Philippines or any other bank, including its branches and agencies. Said banks shall specify the
14 nature of paper deemed acceptable for rediscounting, as well as the rediscount rate to be charged by
15 any of these banks;

16 (e) Act as collection agent;

17 (f) Act as official depository of local government units and other government agencies or
18 instrumentalities;

19 (g) Acquire readily marketable bonds and other debt securities;

20 (h) Buy and sell foreign exchange:

21 (i) To act as conduit bank for the disbursement of government funds intended for lending to
22 agriculture, micro, small and medium enterprises (MSMEs) and projects for local economic
23 development;

24 (j) To be eligible to participate in government program allocations for agricultural lending,
25 social housing, loans to rural microenterprises and other initiatives towards inclusive growth; and

26 (k) Offer other banking services as provided for in Section 53 of Republic Act No. 8791.

27 In addition to the powers granted to CBs by this Act and other existing laws, any CB may
28 perform any or all of the banking services offered by other types of banks subject to the prior approval
29 of the BSP.

30 SEC. 21. *Investment in Allied Undertakings.* – Subject to the requirements and restrictions as
31 may be imposed by the Monetary Board under its existing rules and regulations, CBs may invest in
32 equities of allied undertakings which may include the following:

33 (a) Banks, financial institutions and nonbank financial intermediaries;

34 (b) Warehousing and other post-harvest facilities;

35 (c) Fertilizer and agricultural chemical and pesticides distribution;

36 (d) Farm equipment distribution;

37 (e) Trucking and transportation of agricultural products;

38 (f) Marketing of agricultural products;

39 (g) Leasing;

- 1 (h) Automated teller machine (ATM) networks:
2 (i) Public transportation:
3 (j) Financial technology; and
4 (k) Other undertakings as may be determined by the Monetary Board.

5 SEC. 22. *Limitations on Lending Authority.* – Except as the Monetary Board may otherwise
6 prescribe, the direct indebtedness to CBs of any person, company, corporation, or firm, including the
7 indebtedness of members of a partnership and association, for money borrowed, shall in no time
8 exceed twenty-five percent (25%) of unimpaired capital and surplus of the CB. However, the direct
9 indebtedness mentioned shall exclude loans secured by obligations of the BSP; loans fully guaranteed
10 by the government as to the payment of principal and interest; loans to the extent covered by the
11 holdout on, or assignment of, deposits maintained in the lending CB and held in the Philippines; and
12 other loans or credits as the Monetary Board may, from time to time, specify non-risk assets.

13 CHAPTER VI

14 CAPITALIZATION AND CAPITAL STRUCTURE

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16 SEC. 23. *Capital Requirement for Cooperative Banks.* – A CB shall have a minimum paid-up
17 capital in such amount as may be required by the BSP. The BSP may prescribe rules and regulations
18 on the types of shares a CB may issue, including the terms thereof and rights appurtenant thereto to
19 determine compliance with laws and regulations governing capital and equity structure of banks:
20 *Provided, That* CBs shall issue par value shares only.

21
22 SEC. 24. *Barrio Savings Fund (BSF), Barrio Guarantee Fund (BGF), Cooperative Development*
23 *Loan Fund (CDLF), Cooperative Marketing Program (CMP), and Other Funds Administered by the*
24 *CDA.* – In order to augment the capitalization of CBs, the aforementioned funds collected or deducted
25 by various CBs throughout the country from the loan proceeds of farmer borrowers in compliance with
26 Presidential Decree No. 175, which are still floating and outstanding either as active or dormant
27 accounts in the books of those banks, shall be converted as capital of the CB located in the province
28 where the depository banks of the BSF and BGF are located.

29
30 SEC. 25. *Samahang Nayon and Municipal Katipunan ng mga Samahang Nayon.* – The
31 *Samahang Nayon (SN)* and *Municipal Katipunan ng mga Samahang Nayon (MKSN)* which held
32 common shares of CBs prior to the effectivity of Republic Act No. 9520 shall apply for conversion to
33 cooperatives in order to maintain their status as regular members of CBs: *Provided, That* the CBs shall
34 exert efforts to inform and assist the SN and MKSN to convert within a period of three (3) years from
35 the effectivity of this Act. Upon failure of the SN and MKSN to finally convert to a cooperative within
36 said period, the funds held in the name of such SN and MKSN shall be considered as preferred shares
37 and shall remain as capital of the CB.

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39 SEC. 26. *Additional Source of Capital of the CBs.* – The funds or common shares in CBs held in
40 the name of cooperatives whose certificates of registration have already been cancelled by the CDA
41 and which failed to liquidate such funds or shares during its liquidation shall remain as capital in said
42 CBs and shall be treated as preferred shares.

1 CHAPTER VII

2 SUPERVISION

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4 **SEC. 27. Supervision of Cooperative Banks.** – All CBs shall be under the supervision of the
5 **BSP: Provided, however,** That the CDA shall monitor the CBs' compliance with cooperative laws,
6 rules, and regulations. With respect to the governance of the CBs, the provisions of the banking laws,
7 rules, and regulations shall prevail, notwithstanding Section 71 of Republic Act No. 8791.

8 **SEC. 28. Promulgation of Guidelines.** – The BSP and CDA may formulate guidelines to
9 implement or clarify the provisions of this Act: *Provided,* That the BSP, as the regulator of banks,
10 shall be the primary regulator of cooperative banks consistent with the provisions of Republic Act
11 No. 8791: *Provided, further,* That in order to minimize the burden of dually-regulated entities, the
12 BSP shall, in consultation with the CDA, shall in its promulgation of rules and regulations, to the
13 extent allowed in banking and other relevant laws, and insofar as consistent with the BSP's exercise of
14 supervisory and regulatory powers over banks, consider the requirements of this Act and the CDA for
15 cooperatives in general.

16 CHAPTER VIII

17 PRIVILEGES AND INCENTIVES

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19 **SEC. 29. Privileges of Cooperative Banks.** – CBs registered under this Act and the Cooperative
20 Code shall have the following privileges and incentives:

21 (a) Those privileges and incentives accorded to cooperatives under the Cooperative Code and
22 other prior laws including exemption from all national, city, provincial, municipal or barangay taxes,
23 fees and charges of whatever nature and description: *Provided, however,* That when a CB has reached
24 an undivided net savings of more than One hundred million pesos (P100,000,000.00), transactions to
25 nonmember will become taxable;

26 (b) The foreclosure of mortgages covering loans granted by CBs and executions of judgment
27 thereon involving real properties levied upon by sheriff shall be exempt from the publications in
28 newspapers where the total amount of loan, excluding interests due and unpaid, does not exceed One
29 million pesos (P1,000,000.00) or such amount as the Monetary Board may prescribe as may be
30 warranted by prevailing economic conditions. It shall be deemed sufficient publication in such cases
31 where the notices of foreclosure and execution of judgment are posted in the most conspicuous areas
32 such as the municipal building, the municipal public market, the CB, and the barangay hall where the
33 land mortgaged is situated during the period of sixty (60) days immediately preceding the public
34 auction or execution of judgment. Proof of publication as required herein shall be accomplished via an
35 affidavit of the sheriff or officer conducting the foreclosure sale or execution of judgment and shall be
36 attached to the records of the case;

37 (c) A CB shall be allowed to foreclose lands mortgaged to it subject to the provisions of
38 Republic Act No. 6657, otherwise known as the Comprehensive Agrarian Reform Law of 1988. For
39 agrarian lands foreclosed by a CB, the disposal of the same to another qualified beneficiary under
40 Republic Act No. 6557 shall be made through the same CB. Further, the amortization of the
41 beneficiary in favor of the Department of Agrarian Reform (DAR) shall be coursed through the
42 servicing CB: *Provided, however,* That CBs shall be exempt from the landholding limits as prescribed
43 by the DAR or any other law requiring the same;

44 (d) For CBs granted by the BSP with accreditation as Rural Financial Institution (RFI) under
45 Republic Act No. 10000, the following privileges shall be awarded:

46 (1) Unrestricted branching rights to set up agriculture-oriented branches in unbanked
47 municipalities and predominantly agricultural communities, subject to existing regulations on
48 minimum capitalization for banks and the size of branch network;

1 (2) Automatic eligibility with Philippine Guarantee Corporation (with respect to agricultural
2 credit guarantee), Philippine Crop Insurance Corporation, and governmental agencies providing
3 services towards risk mitigation in the agriculture sector.

4 (3) Priority status as credit delivery partner or conduit of government-directed programs for
5 agricultural projects through the Department of Agriculture and other government agencies; and

6 (4) Entitlement to participate free of charge in capability-building activities in agriculture
7 lending such as the exchange of best-practice experiences, study tour, technology transfer among
8 ASEAN member states and other fora of international cooperation.

9 SEC. 30. *Separability Clause.* – If any provision or section of this Act or the application thereof
10 to any person or circumstance is held invalid, the other provisions or sections of this Act shall remain
11 valid, and the application of such remaining provisions or sections to other persons or circumstances
12 shall not be affected thereby.

13 SEC. 31. *Repealing Clause.* – All laws, issuances, rules, and regulations inconsistent with this
14 Act are hereby modified or amended accordingly.

15 SEC. 32. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the
16 *Official Gazette* or in a newspaper of general circulation.

Approved,