

THIRTEENTH CONGRESS OF THE REPUBLIC }  
OF THE PHILIPPINES }  
First Regular Session }

'04 JUN 30 P3:37

RECEIVED BY: AS

SENATE

S. No. 277

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**Introduced by Senator S. R. Osmeña III**

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**EXPLANATORY NOTE**

P.D. 717, otherwise known as the Agri-Agra Law requires banks to allocate at least 25% of their loanable funds for Agricultural or Agrarian Reform credit. This was designed to relieve the perceived scarcity of credit in the countryside, especially among poor farmers. In a banking system with an estimated P250 billion in total loanable funds, at least P130 billion should have been available for countryside credit. Ironically, the records show that more than 50% of these funds end up in government securities which can substitute for Agri-Agra credit in compliance with the law. Of the actual portfolio of commercial banks, a significant proportion is channeled to the agri-business ventures of large multinational corporations, leaving a small residual for the small farmers whom the law intended as beneficiaries.

The problem with countryside credit is apparently not as much it shortage, as the inability of farmers to qualify for and hence access such credit. The high default rates associated with countryside credit make it a very unattractive proposition for commercial banks and has rendered numerous credit programs to increase agricultural productivity unsustainable. Clearly, countryside credit thus far channeled through traditional financial institutions has proven inadequate in transforming farmers to entrepreneurial producers.

This bill seeks to strengthen the cooperative bank as the institution that will help develop skills and values among the farmers, serve as a vehicle for savings mobilization, and consolidate the market power of small producers so that they can profitably participate in market exchange. In the experience of developed countries, cooperatives have been the proven method for broadening ownership and control of economic organizations, increasing the number of market participants and building bridges between human and non-human resources in productive activity. Using the Bangladesh Grameen Bank model of peer monitoring and peer group pressure mechanisms, we envision cooperative banks to be the effective retailers of credit which can in the future transform *agricredits to an attractive investments outlet for commercial loans*, rendering redundant the mandated allocation among commercial banks.

This bill provides the regulatory mechanisms that will place the cooperative banks under the joint and coordinated supervision of the Bangko

Sentral ng Pilipinas and the Cooperative Development Authority, in order to safeguard the interests of the public, while allowing leeway for the peculiar nature of cooperative banks. It also allows government owned and controlled financial institutions and other agencies of the government to contribute credit resources to countryside development, but with cooperatives as the lead institutions, countryside development is envisioned to be primarily a self-help effort.

In view of the foregoing, early passage of this bill is earnestly requested.



**SERGIO OSMEÑA III**

Senator

'04 JUN 30 09:37

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AN ACT  
EXPANDING COUNTRYSIDE CREDIT THROUGH COOPERATIVE BANKS  
AND ENCOURAGING THE GROWTH AND DEVELOPMENT OF  
COOPERATIVE BANKS BY AMENDING CHAPTER XIII OF REPUBLIC ACT  
NO. 6938, OTHERWISE KNOWN AS THE COOPERATIVE CODE OF THE  
PHILIPPINES, AND FOR OTHER PURPOSES

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

1 SECTION 1. *Short Title* -- This Act shall be known as the "**Cooperative**  
2 **Bank Act of 2004.**"

3 SECTION 2. Chapter XIII of Republic Act No. 6938, otherwise known  
4 as the Cooperative Code of the Philippines, is hereby amended to read as  
5 follows:

6 "ARTICLE 99. *Governing Law* [(1)] The provisions of this  
7 Chapter shall primarily govern cooperative banks registered under this  
8 Code and the other provisions of this Code shall apply to them only  
9 insofar as they are not inconsistent with the provisions contained in this  
10 Chapter.

11 "[2) Cooperatives duly established and registered under the  
12 provisions of this Code may organize among themselves a cooperative  
13 bank which shall likewise be considered a cooperative registerable under

1 the provisions of this Code subject to the requirements of and requisite  
2 authorization from the Central Bank.]

3 "ARTICLE 100. [*Definition, Classification and Functions.* A  
4 cooperative bank is one organized by and the majority shares of which is  
5 owned and controlled by cooperatives primarily to provide financial and  
6 credit services to cooperatives. The term "cooperative bank" shall include  
7 cooperative rural banks.

8 "A cooperative bank may perform the following functions:

- 9 (1) To carry on banking and credit services for the cooperative;
- 10 (2) To receive financial aid or loans from the Government and the  
11 Central Bank of the Philippines for and in behalf of the  
12 cooperative banks and primary cooperatives and their  
13 federations engaged in business and to supervise the lending  
14 and collection of loans
- 15 (3) To mobilize the savings of its members for the benefit of the  
16 cooperative movement;
- 17 (4) To act as the balancing medium for the surplus funds of  
18 cooperatives and their federations;
- 19 (5) To discount bills and promissory notes issued and drawn by  
20 cooperatives;
- 21 (6) To issue negotiable instruments to facilitate the activities of  
22 cooperative;
- 23 (7) To issue debentures subject to the approval of and under  
24 conditions and guarantees to be prescribed by the  
25 Government;
- 26 (8) To borrow money from banks and other financial institutions  
27 within the limit to be prescribed by the Central Bank; and
- 28 (9) To carry out all other functions as may be prescribed by the  
29 Authority: *Provided*, That the performance of any banking

1 function shall be subject to prior approval by the Central Bank  
2 of the Philippines.]

3 *DECLARATION OF POLICY* - IN ADDITION TO THE  
4 DECLARATION OF POLICIES STATED UNDER ARTICLE 2 OF THIS  
5 CODE, IT IS HEREBY DECLARED THE POLICY OF THE STATE TO:

6 (A) RECOGNIZE COOPERATIVE BANKS AS EFFECTIVE  
7 VEHICLES FOR BROADENING PARTICIPATION IN ECONOMIC  
8 DEVELOPMENT, ESPECIALLY AMONG THE POOR, THEREBY  
9 HARNESSING THEIR POTENTIAL FOR PRODUCTIVITY AND  
10 EFFICIENCY AND ACHIEVING ECONOMIC GROWTH WITH  
11 SOCIAL JUSTICE;

12 (B) ENCOURAGE AND ASSIST THE GROWTH AND  
13 DEVELOPMENT OF COOPERATIVE BANKS IN ORDER TO MEET  
14 THE REQUIREMENTS OF CAPITAL, CREDIT AND CREDIT  
15 FACILITIES PRIMARILY FOR THE COOPERATIVES AND THEIR  
16 MEMBERS;

17 (C) ENCOURAGE THRIFT AND SAVINGS MOBILIZATION FOR  
18 THE ACHIEVEMENT OF SUSTAINABLE ECONOMIC DEVELOPMENT,  
19 EQUITY AND SOCIAL JUSTICE PRIMARILY AMONG  
20 COOPERATIVES AND THEIR MEMBERS; AND

21 (D) REGULATE AND SUPERVISE THE ACTIVITIES OF  
22 COOPERATIVE BANKS IN ORDER TO ACHIEVE SOUND, STABLE  
23 AND EFFICIENT OPERATIONS FOR THE PROTECTION OF THE  
24 PUBLIC INTEREST.

25 Article 101. [*Registration Requirements* - No entity shall be  
26 registered by the Cooperative Development Authority as a cooperative  
27 bank unless the articles of cooperation and by-laws thereof as well as  
28 its establishment and operation as a cooperative bank have been  
29 approved by the Central Bank of the Philippines and it satisfies all

1 requirements for registration as a cooperative] *DEFINITION OF TERMS*

2 - THE FOLLOWING DEFINITIONS SHALL APPLY WITHIN THIS  
3 CHAPTER:

4 (A) "COOPERATIVE BANK" SHALL REFER TO A BANK  
5 ORGANIZED UNDER THIS CODE, THE MAJORITY SHARES OF  
6 WHICH ARE OWNED AND CONTROLLED BY COOPERATIVE  
7 ORGANIZATIONS, THE PURPOSE OF WHICH IS PRIMARILY TO  
8 PROVIDE FINANCIAL AND CREDIT SERVICES TO COOPERATIVES  
9 AND THEIR MEMBERS. IT SHALL ALSO INCLUDE COOPERATIVE  
10 RURAL BANKS;

11 (B) "BANGKO SENTRAL" SHALL REFER TO THE BANGKO  
12 SENTRAL NG PILIPINAS (BSP) CREATED UNDER REPUBLIC ACT  
13 NO 7653;

14 (C) "MONETARY BOARD" SHALL REFER TO THE MONETARY  
15 BOARD OF THE BANGKO SENTRAL NG PILIPINAS;

16 (D) "COOPERATIVE ORGANIZATION" SHALL REFER TO ANY  
17 COOPERATIVE, WHETHER PRIMARY, SECONDARY OR TERTIARY,  
18 REGISTERED UNDER THE PROVISIONS OF THIS CODE AND WITH  
19 THE COOPERATIVE DEVELOPMENT AUTHORITY;

20 (E) "COOPERATIVE DEVELOPMENT AUTHORITY" SHALL  
21 REFER TO THE AGENCY OF GOVERNMENT MANDATED TO  
22 REGULATE AND SUPERVISE COOPERATIVES, CREATED UNDER  
23 REPUBLIC ACT NO 6939.

24 ARTICLE 102. [*Membership* - Membership in a cooperative  
25 bank shall include only cooperatives and federation of cooperatives.]  
26 ORGANIZATION, MEMBERSHIP AND ESTABLISHMENT OF  
27 COOPERATIVE BANKS

28 "SECTION 1. ORGANIZATION. - COOPERATIVE  
29 ORGANIZATIONS DULY ESTABLISHED AND REGISTERED UNDER

1 THIS CODE MAY ORGANIZE A COOPERATIVE BANK, WHICH  
2 SHALL LIKEWISE BE CONSIDERED A COOPERATIVE  
3 REGISTERABLE UNDER THE PROVISIONS OF THIS CODE  
4 SUBJECT TO THE REQUIREMENTS AND REQUISITE  
5 AUTHORIZATION FROM THE BANGKO SENTRAL.

6 SECTION 2. *MEMBERSHIP.* - MEMBERSHIP IN A  
7 COOPERATIVE BANK MAY BE DIVIDED INTO REGULAR AND  
8 ASSOCIATE MEMBERS. REGULAR MEMBERSHIP SHALL BE OPEN  
9 ONLY TO COOPERATIVE ORGANIZATIONS WHICH ARE HOLDERS  
10 OF COMMON SHARES OF THE BANK.

11 "ASSOCIATE MEMBERS ARE THOSE SUBSCRIBING AND  
12 HOLDING PREFERRED SHARES OF THE BANK, WHICH MAY  
13 INCLUDE BUT ARE NOT LIMITED TO THE FOLLOWING:

14 (A) NON-COOPERATIVE ORGANIZATIONS OR ASSOCIATIONS

15 (B) INDIVIDUAL MEMBERS OF THE BANK'S MEMBER-  
16 PRIMARY COOPERATIVES;

17 (C) LOCAL GOVERNMENT UNITS; AND

18 (D) GOVERNMENT AGENCIES AND GOVERNMENT-OWNED  
19 OR CONTROLLED FINANCIAL INSTITUTIONS.

20 "SAMAHANG NAYONS AND MUNICIPAL KATIPUNANS NG  
21 MGA SAMAHANG NAYONS (MKSNS) WHICH HELD COMMON  
22 STOCKS OF COOPERATIVE BANKS PRIOR TO THE EFFECTIVITY  
23 OF THIS ACT SHALL APPLY FOR CONVERSION TO FULL-FLEDGED  
24 COOPERATIVES IN ORDER TO MAINTAIN THEIR STATUS AS  
25 REGULAR MEMBERS OF COOPERATIVE BANKS; *PROVIDED,*  
26 THAT THEY SHALL NOTIFY THE COOPERATIVE BANK CONCERNED  
27 OF THEIR INTENTION TO CONVERT WITHIN A PERIOD OF NINETY  
28 (90) DAYS FROM THE EFFECTIVITY OF THIS ACT. SAMAHANG  
29 NAYONS AND MKSNS ARE HEREBY GIVEN A PERIOD OF ONE (1)

1 YEAR FROM THE EFFECTIVITY OF THIS ACT TO COMPLETE THEIR  
2 CONVERSION TO COOPERATIVES. COOPERATIVE BANKS SHALL  
3 EXERT REASONABLE EFFORTS TO INFORM THEIR MEMBER  
4 SAMAHANG NAYONS AND MKSNs ABOUT THE REQUIREMENTS  
5 SET IN THIS PARAGRAPH. UPON THE FAILURE OF SAMAHANG  
6 NAYONS OR MKSNs TO FINALLY CONVERT OR TO GIVE THE  
7 NOTICE OF CONVERSION WITHIN THE PRESCRIBED PERIODS,  
8 THE COOPERATIVE BANK CONCERNED MAY CONVERT THE  
9 COMMON STOCKS HELD BY SUCH ASSOCIATIONS TO  
10 PREFERRED SHARES.

11 "SECTION 3 - *ESTABLISHMENT OF COOPERATIVE BANKS* -  
12 THE ARTICLES OF COOPERATION AND BY-LAWS OF ANY  
13 COOPERATIVE BANK, OR ANY AMENDMENT THERETO, SHALL BE  
14 REGISTERED ONLY WHEN ACCOMPANIED BY A CERTIFICATE OF  
15 AUTHORITY ISSUED BY THE MONETARY BOARD, UNDER ITS  
16 OFFICIAL SEAL. SUCH CERTIFICATE SHALL BE ISSUED IF THE  
17 MONETARY BOARD IS SATISFIED FROM THE EVIDENCE  
18 SUBMITTED TO IT THAT: (A) ALL THE REQUIREMENTS OF  
19 EXISTING LAWS AND REGULATIONS TO ENGAGE IN BUSINESS  
20 FOR WHICH THE APPLICANT IS PROPOSED TO BE REGISTERED  
21 HAVE BEEN COMPLIED WITH; (B) PUBLIC INTEREST AND  
22 ECONOMIC CONDITIONS, BOTH GENERAL AND LOCAL, JUSTIFY  
23 THE AUTHORIZATION ; AND (C ) THE AMOUNT OF CAPITAL, THE  
24 FINANCING ORGANIZATION, DIRECTION AND ADMINISTRATION,  
25 AS WELL AS THE INTEGRITY AND RESPONSIBILITY OF THE  
26 ORGANIZERS AND ADMINISTRATORS REASONABLY ASSURE THE  
27 SAFETY OF THE INTEREST WHICH THE PUBLIC MAY ENTRUST TO  
28 THEM.



1           “ARTICLE 103. [Board of Directors. ] *ADMINISTRATION OF*  
2           *COOPERATIVE BANKS.*

3           “SECTION 1. *BANK MANAGEMENT.* IN ORDER TO MAINTAIN  
4           THE QUALITY OF BANK MANAGEMENT AND ACCORD BETTER  
5           PROTECTION TO DEPOSITORS AND THE PUBLIC IN GENERAL,  
6           THE MONETARY BOARD MAY PASS UPON AND REVIEW THE  
7           QUALIFICATIONS OF PERSONS WHO ARE ELECTED OR  
8           APPOINTED BANK DIRECTORS AND OFFICERS, AND DISQUALIFY  
9           THOSE UNFIT. THE MONETARY BOARD SHALL PRESCRIBE THE  
10          QUALIFICATIONS OF BANK DIRECTORS AND OFFICERS FOR  
11          PURPOSES OF THIS SECTION, GIVING DUE RECOGNITION TO THE  
12          UNIQUE COOPERATIVE NATURE AND CHARACTER OF  
13          COOPERATIVE BANKS.

14          “SECTION 2. *Board of Directors* - The number, composition, and  
15          voting rights of the Board of Directors shall be defined in the articles of  
16          cooperation and by-laws of the cooperative bank, notwithstanding  
17          provisions of this Code to the contrary.

18          “EX-OFFICIO MEMBERSHIP IN THE BOARD OF DIRECTORS  
19          OF A COOPERATIVE BANK SHALL BE SUBJECT TO THE APPROVAL  
20          OF THE BANK’S BOARD OF DIRECTORS.

21          “ARTICLE 104. [*Loans* - Cooperatives may obtain loans from a  
22          cooperative bank. Loans granted by a cooperative bank shall be  
23          reported to the Central Bank of the Philippines] *POWERS, FUNCTIONS*  
24          *AND ALLIED UNDERTAKINGS OF COOPERATIVE BANKS.*

25          “SECTION 1. *POWERS AND FUNCTIONS* -- COOPERATIVE  
26          BANKS SHALL PRIMARILY PROVIDE FINANCIAL, BANKING AND  
27          CREDIT SERVICES TO COOPERATIVE ORGANIZATIONS AND THEIR  
28          MEMBERS.

1 "IN ADDITION TO THE POWERS GRANTED BY THIS CODE  
2 AND OTHER EXISTING LAWS, ANY COOPERATIVE BANK MAY:

3 (A) ACCEPT SAVINGS AND TIME DEPOSITS;

4 (B) MOBILIZE SAVINGS FOR THE BENEFIT OF THE  
5 COOPERATIVE MOVEMENT;

6 (C) RECEIVE FINANCIAL AID OR LOANS FROM THE  
7 GOVERNMENT AND THE BANGKO SENTRAL FOR AND IN BEHALF  
8 PRIMARILY OF THE COOPERATIVE BANKS AND COOPERATIVE  
9 ORGANIZATIONS ENGAGED IN BUSINESS AND SUPERVISE THE  
10 LENDING AND COLLECTION OF LOANS;

11 (D) ACT AS A BALANCING MEDIUM FOR THE SURPLUS  
12 FUNDS OF COOPERATIVE ORGANIZATIONS;

13 (E) ISSUE NEGOTIABLE INSTRUMENTS TO FACILITATE THE  
14 ACTIVITIES OF COOPERATIVE ORGANIZATIONS;

15 (F) ISSUE DEBENTURES SUBJECT TO THE APPROVAL OF  
16 AND UNDER CONDITIONS AND GUARANTEES TO BE PRESCRIBED  
17 BY THE GOVERNMENT;

18 (G) BORROW MONEY FROM BANKS AND OTHER FINANCIAL  
19 INSTITUTIONS WITHIN THE LIMIT TO BE PRESCRIBED BY THE  
20 BANGKO SENTRAL;

21 (H) OPEN CURRENT AND CHECKING ACCOUNTS;  
22 *PROVIDED*, THAT THE COOPERATIVE BANK HAS NET ASSETS OF  
23 AT LEAST FIVE MILLION PESOS (P5,000,000), SUBJECT TO SUCH  
24 GUIDELINES AS MAY BE ESTABLISHED BY THE MONETARY  
25 BOARD; AND SHALL BE ALLOWED TO DIRECTLY CLEAR ITS  
26 DEMAND DEPOSIT OPERATIONS WITH THE BANGKO SENTRAL  
27 AND/OR THE PHILIPPINE CLEARING HOUSE CORPORATION;

28 (I) ACT AS CORRESPONDENT FOR OTHER FINANCIAL  
29 INSTITUTIONS;

1 (J) ACT AS COLLECTION AGENT FOR GOVERNMENT  
2 ENTITIES, INCLUDING BUT NOT LIMITED TO THE BUREAU OF  
3 INTERNAL REVENUE, THE SOCIAL SECURITY SYSTEM AND THE  
4 BUREAU OF CUSTOMS;

5 (K) ACT AS OFFICIAL DEPOSITORY OF NATIONAL AGENCIES,  
6 AND OF MUNICIPAL, CITY OR PROVINCIAL GOVERNMENT UNITS  
7 IN THE MUNICIPALITY, CITY OR PROVINCE WHERE THE  
8 COOPERATIVE BANK IS LOCATED, SUBJECT TO SUCH  
9 GUIDELINES AS MAY BE ESTABLISHED BY THE MONETARY  
10 BOARD;

11 (L) DISCOUNT AND REDISCOUNT PAPER WITH PRIVATE OR  
12 GOVERNMENT FINANCIAL INSTITUTIONS;

13 (M) ISSUE MORTGAGE AND CHATTEL MORTGAGE  
14 CERTIFICATES, BUY AND SELL THEM FOR ITS OWN ACCOUNT OR  
15 FOR THE ACCOUNT OF OTHERS, OR ACCEPT OR RECEIVE THEM  
16 IN PAYMENT FOR OR AMORTIZATION OF ITS LOAN;

17 (N) PURCHASE, HOLD AND CONVEY REAL ESTATE UNDER  
18 THE SAME CONDITIONS AS THOSE GOVERNING COMMERCIAL  
19 BANKS AS SPECIFIED UNDER SECTION 25 OF REPUBLIC ACT NO  
20 337, AS AMENDED;

21 (O) ENGAGE IN QUASI-BANKING AND MONEY MARKET  
22 OPERATIONS;

23 (P) OPEN LETTERS OF CREDIT AND BANK DRAFTS;

24 (Q) EXTEND CREDIT FACILITIES TO PRIVATE AND  
25 GOVERNMENT EMPLOYEES; *PROVIDED*, THAT IN THE CASE OF  
26 A BORROWER WHO IS A PERMANENT EMPLOYEE OR WAGE  
27 EARNER, THE TREASURER, CASHIER OR PAYMASTER OF THE  
28 OFFICE EMPLOYING HIM IS AUTHORIZED, NOTWITHSTANDING  
29 THE PROVISIONS OF ANY EXISTING LAW, RULES OR

1 REGULATIONS TO THE CONTRARY, TO MAKE DEDUCTIONS  
2 FROM HIS SALARY, WAGE OR INCOME PURSUANT TO THE TERMS  
3 OF HIS LOAN, TO REMIT DEDUCTIONS TO THE COOPERATIVE  
4 BANK CONCERNED, AND COLLECT SUCH REASONABLE FEES  
5 FOR HIS SERVICES;

6 (R) EXTEND CREDIT AGAINST THE SECURITY OF JEWELRY,  
7 PRECIOUS STONES AND ARTICLES OF SIMILAR NATURE,  
8 SUBJECT TO SUCH RULES AND REGULATIONS AS THE  
9 MONETARY BOARD MAY PRESCRIBE;

10 (S) OFFER OTHER BANKING SERVICES AS PROVIDED  
11 UNDER SUBSECTIONS (H), (J), (K), (M), AND (O) OF THIS  
12 SECTION ONLY UPON PRIOR APPROVAL OF THE MONETARY  
13 BOARD.

14 "NOTHING IN THIS SECTION SHALL BE CONSTRUED AS  
15 PRECLUDING A COOPERATIVE BANK FROM PERFORMING WITH  
16 PRIOR APPROVAL OF THE MONETARY BOARD, COMMERCIAL  
17 BANKING SERVICES OR FROM OPERATING UNDER AN EXPANDED  
18 BANKING AUTHORITY OR FROM EXERCISING, WHENEVER  
19 APPLICABLE AND NOT INCONSISTENT WITH THE PROVISIONS OF  
20 THIS ACT AND BANGKO SENTRAL REGULATIONS, SUCH OTHER  
21 POWERS INCIDENT TO A CORPORATION.

22 "SECTION 2. *INVESTMENTS IN ALLIED UNDERTAKINGS* -  
23 SUBJECT TO SUCH GUIDELINES AS MAY BE ESTABLISHED BY THE  
24 MONETARY BOARD, COOPERATIVE BANKS MAY INVEST IN  
25 EQUITIES OF ALLIED UNDERTAKINGS AS HEREINAFTER  
26 ENUMERATED, PROVIDED THAT (A) THE TOTAL INVESTMENT IN  
27 EQUITIES SHALL NOT EXCEED TWENTY FIVE PER CENTUM (25%)  
28 OF THE NET WORTH OF THE COOPERATIVE BANK; (B) THE  
29 EQUITY INVESTMENT IN ANY SINGLE ENTERPRISE SHALL BE

1 LIMITED TO FIFTEEN PER CENTUM (15%) OF THE NET WORTH OF  
2 THE COOPERATIVE BANK; AND (C ) THE EQUITY INVESTMENT IN  
3 OTHER BANKS SHALL BE SUBJECT TO THE SAME PROVISIONS  
4 GOVERNING SIMILAR INVESTMENTS OF COMMERCIAL BANKS AND  
5 SHALL BE DEDUCTED FROM THE INVESTING BANK'S NET WORTH  
6 FOR THE PURPOSE OF COMPUTING THE PRESCRIBED RATIO AS  
7 PROVIDED IN SECTION 2 ARTICLE 106 HEREOF; *PROVIDED*  
8 *FURTHER*, THAT EQUITY INVESTMENTS SHALL NOT BE  
9 PERMITTED IN NON-RELATED ACTIVITIES. WHERE THE ALLIED  
10 ACTIVITY IS A WHOLLY OR MAJORITY-OWNED SUBSIDIARY OF  
11 THE COOPERATIVE BANK, THE BANGKO SENTRAL MAY SUBJECT  
12 IT TO EXAMINATION.

13 "INVESTMENT IN ALLIED UNDERTAKINGS SHALL INCLUDE  
14 ENGAGING IN THE FOLLOWING ACTIVITIES:

15 (A) BANKING AND FINANCING;

16 (B) WAREHOUSING AND OTHER POST-HARVEST ACTIVITIES;

17 (C) FERTILIZER AND AGRICULTURAL CHEMICAL AND  
18 PESTICIDE DISTRIBUTION;

19 (D) FARM EQUIPMENT DISTRIBUTION;

20 (E) TRUCKING AND TRANSPORTATION OF AGRICULTURAL  
21 PRODUCTS;

22 (F) MARKETING OF AGRICULTURAL PRODUCTS;

23 (G) LEASING; AND

24 (H) OTHER UNDERTAKINGS AS MAY BE DETERMINED BY  
25 THE MONETARY BOARD.

26 "SECTION 3. *LIMITATIONS ON LENDING AUTHORITY --*  
27 COOPERATIVE ORGANIZATIONS, THEIR MEMBERS, AND THE  
28 BANK'S DEPOSITORS MAY OBTAIN LOANS FROM A COOPERATIVE

1 BANK, SUBJECT TO SUCH LIMITATIONS AS MAY BE PROVIDED  
2 FOR BY THE BANGKO SENTRAL.

3 "EXCEPT AS THE MONETARY BOARD MAY OTHERWISE  
4 PRESCRIBE, THE DIRECT INDEBTEDNESS TO COOPERATIVE  
5 BANKS OF ANY PERSON OR ASSOCIATION, EXCEPT  
6 COOPERATIVE ORGANIZATIONS, FOR MONEY BORROWED,  
7 EXCLUDING: (A) LOANS SECURED BY OBLIGATIONS OF THE  
8 BANGKO SENTRAL; (B) LOANS FULLY GUARANTEED BY THE  
9 GOVERNMENT AS TO THE PAYMENT OF PRINCIPAL AND  
10 INTEREST; (C) LOANS TO THE EXTENT COVERED BY THE HOLD-  
11 OUT ON, OR ASSIGNMENT OF DEPOSITS MAINTAINED IN THE  
12 PHILIPPINES; (D) LOANS TO COOPERATIVE ORGANIZATIONS OR  
13 THEIR MEMBERS FROM FUNDS PASSED THROUGH THE  
14 COOPERATIVE BANK AS A CONDUIT IN ANY PRIVATE OR  
15 GOVERNMENT LENDING PROGRAM; AND (E) OTHER LOANS OR  
16 CREDITS AS THE MONETARY BOARD MAY, FROM TIME TO TIME,  
17 SPECIFY AS NON-RISK ASSETS, SHALL AT NO TIME EXCEED  
18 FIFTEEN PER CENTUM (15%) OF THE UNIMPAIRED CAPITAL AND  
19 SURPLUS OF THE COOPERATIVE BANK.

20 "NOTWITHSTANDING THE PROVISIONS OF THE PRECEDING  
21 PARAGRAPH AND SUBJECT TO SUCH REGULATIONS THAT THE  
22 MONETARY BOARD MAY PRESCRIBE, THE TOTAL INDEBTEDNESS  
23 OF ANY BORROWER TO THE COOPERATIVE BANK MAY AMOUNT  
24 TO A FURTHER FIFTEEN PER CENTUM (15%) OF THE  
25 UNIMPAIRED CAPITAL AND SURPLUS OF SUCH BANK; *PROVIDED*  
26 THAT THE ADDITIONAL INDEBTEDNESS IS FOR THE PURPOSE  
27 OF FINANCING A SUBDIVISION OR HOUSING DEVELOPMENT,  
28 MEDIUM-INCOME OR LOW-INCOME BORROWERS, OR  
29 AGRICULTURE, ON A FULLY SECURED BASIS.

1 "THE MONETARY BOARD MAY REGULATE THE AMOUNT OF  
2 CREDIT ACCOMMODATIONS THAT MAY BE EXTENDED, DIRECTLY  
3 OR INDIRECTLY, BY COOPERATIVE BANKS TO THEIR DIRECTORS,  
4 OFFICERS OR SHAREHOLDERS. HOWEVER, THE OUTSTANDING  
5 CREDIT ACCOMMODATIONS WHICH A COOPERATIVE BANK MAY  
6 EXTEND TO EACH OF ITS DIRECTORS, OFFICERS OR  
7 SHAREHOLDERS, EXCEPT MEMBER COOPERATIVE-  
8 SHAREHOLDERS, SHALL BE LIMITED TO AN AMOUNT  
9 EQUIVALENT TO THE RESPECTIVE OUTSTANDING DEPOSITS  
10 AND BOOK VALUE OF THEIR PAID-IN CAPITAL CONTRIBUTION IN  
11 THE BANK.

12 "THE MONETARY BOARD MAY PRESCRIBE APPROPRIATE  
13 CEILINGS AND CONDITIONS ON BORROWINGS OF A  
14 COOPERATIVE ORGANIZATION FROM A COOPERATIVE BANK.

15 "ARTICLE 105. *SUPERVISION OF COOPERATIVE BANKS.*

16 "SECTION 1. *Supervision* - The cooperative banks registered  
17 under this Code shall be under the supervision of the [ Central Bank ]  
18 BANGKO SENTRAL, THROUGH THE MONETARY BOARD, upon  
19 consultation with the [agency] COOPERATIVE DEVELOPMENT  
20 AUTHORITY and the NATIONAL FEDERATIONS AND UNIONS OF  
21 COOPERATIVES, shall formulate ORDERS, INSTRUCTIONS, RULES  
22 AND REGULATIONS AND guidelines regarding the operations and  
23 banking transactions of cooperative banks. [These] SUCH ORDERS,  
24 INSTRUCTIONS RULES AND REGULATION AND guidelines shall give  
25 due recognition to the unique cooperative nature and character of  
26 cooperative banks. To this end, cooperative banks may be exempted  
27 from [Central Bank] BANGKO SENTRAL rules and regulations,  
28 applicable to other types of banks, which would impede the cooperative

1 [rural] bank from performing legitimate financial and banking services to  
2 its members.

3 "SECTION 2. *POWER OF THE BANGKO SENTRAL OVER*  
4 *COOPERATIVE BANKS* -- THE BANGKO SENTRAL SHALL HAVE  
5 THE POWER TO ENFORCE THE LAWS, ORDERS, INSTRUCTIONS,  
6 RULES AND REGULATIONS PROMULGATED BY THE MONETARY  
7 BOARD APPLICABLE TO COOPERATIVE BANKS; TO REQUIRE  
8 COOPERATIVE BANKS, THEIR DIRECTORS, OFFICERS AND  
9 AGENTS TO CONDUCT AND MANAGE THE AFFAIRS OF THE  
10 COOPERATIVE BANK IN A LAWFUL AND ORDERLY MANNER; AND,  
11 UPON PROOF THAT THE COOPERATIVE BANK OR ITS BOARD OF  
12 DIRECTORS OR OFFICERS ARE CONDUCTING AND MANAGING  
13 THE AFFAIRS OF THE BANK IN A MANNER CONTRARY TO LAWS,  
14 ORDERS, INSTRUCTIONS, RULES AND REGULATIONS  
15 PROMULGATED BY THE MONETARY BOARD OR IN A MANNER  
16 SUBSTANTIALLY PREJUDICIAL TO THE INTEREST OF THE  
17 GOVERNMENT, DEPOSITORS, CREDITORS OR THE GENERAL  
18 PUBLIC, TO APPOINT A CONSERVATOR PURSUANT TO SECTION  
19 29 OF REPUBLIC ACT NO. 7653 WITHOUT PREJUDICE TO THE  
20 PROSECUTION OF PERSONS RESPONSIBLE FOR SUCH  
21 VIOLATIONS UNDER THE PROVISIONS OF SECTIONS 36 AND 37  
22 OF REPUBLIC ACT NO 7653.

23 "THE DIRECTOR AND EXAMINERS OF THE DEPARTMENT OF  
24 THE BANGKO SENTRAL CHARGED WITH THE SUPERVISION OF  
25 COOPERATIVE BANKS ARE HEREBY AUTHORIZED TO  
26 ADMINISTER OATHS TO ANY DIRECTOR, OFFICER OR EMPLOYEE  
27 OF ANY COOPERATIVE BANK OR TO ANY VOLUNTARY WITNESS,  
28 AND TO COMPEL THE PRESENTATION OF ALL BOOKS,  
29 DOCUMENTS, PAPERS OR RECORDS NECESSARY TO ASCERTAIN



1 THE FACTS RELATIVE TO THE TRUE CONDITION OF ANY  
2 COOPERATIVE BANK OR TO ANY LOAN EXTENDED.

3 "ARTICLE 106. CAPITALIZATION AND CAPITAL  
4 REQUIREMENTS OF COOPERATIVE BANKS --

5 "SECTION 1. *Capitalization.* -- (1) A national cooperative bank  
6 shall have a minimum authorized share capital of two hundred million  
7 pesos (P200,000,000) in relation to Article 14 (5). The authorized  
8 share capital shall be divided into such number of shares with a  
9 minimum par value of one thousand pesos (P1,000) per share. For the  
10 purpose primarily of determining the permanency of equity, the types of  
11 shares a cooperative bank may issue, including the terms thereof and  
12 the rights appurtenant thereto, shall be subject to such rules and  
13 regulations as the [Central Bank] BANGKO SENTRAL may prescribe.

14 "(2) A local cooperative bank shall have a minimum authorized  
15 share capital of twenty million pesos (P20,000,000) divided into such  
16 number of shares with a minimum par value of one hundred pesos  
17 (P100) per share.

18 "(3) THE LAND BANK OF THE PHILIPPINES (LBP) SHALL  
19 SUBSCRIBE TO AT LEAST TWENTY PERCENTUM (20%) OF THE  
20 PREFERRED SHARES OF A COOPERATIVE BANK. OTHER  
21 GOVERNMENT-OWNED AND CONTROLLED FINANCIAL  
22 INSTITUTIONS AS WELL AS PRIVATE COMMERCIAL BANKS MAY  
23 ALSO SUBSCRIBE TO THE PREFERRED SHARES OF A  
24 COOPERATIVE BANK. HOWEVER, SUCH SUBSCRIPTIONS OF THE  
25 LBP, OTHER GOVERNMENT-OWNED AND CONTROLLED FINANCIAL  
26 INSTITUTIONS AND PRIVATE COMMERCIAL BANKS SHALL BE  
27 SUBJECT TO THE APPROVAL OF THE BANK'S BOARD OF  
28 DIRECTORS. SUCH CAPITAL INFUSION SHALL BE CONSIDERED  
29 AS PARTIAL COMPLIANCE BY THE GOVERNMENT-OWNED AND

1 CONTROLLED FINANCIAL INSTITUTIONS AND COMMERCIAL  
2 BANKS CONCERNED WITH THE PROVISIONS OF PRESIDENTIAL  
3 DECREE NO. 717, OTHERWISE KNOWN AS THE AGRI-AGRA LAW.  
4 THE SHARES HELD BY GOVERNMENT FINANCIAL INSTITUTIONS  
5 AND PRIVATE COMMERCIAL BANKS SHALL BE PAID OFF AT PAR  
6 AND RETIRED IN WHOLE OR IN PART WHEN THE COOPERATIVE  
7 BANK HAS ACQUIRED ENOUGH CAPITAL STRENGTH TO PERMIT  
8 RETIREMENT OF SUCH SHARES.

9           “(4) THE AGRICULTURAL CREDIT POLICY COUNCIL (ACPC)  
10 THROUGH ITS EXECUTIVE DIRECTOR, THE COOPERATIVE  
11 DEVELOPMENT AUTHORITY (CDA), THROUGH ITS BOARD OF  
12 ADMINISTRATORS, AND OTHER GOVERNMENT-OWNED OR  
13 CONTROLLED NON-FINANCIAL INSTITUTIONS WITH LOANING AND  
14 DEVELOPMENT FUNCTIONS AND PROGRAMS, THROUGH THEIR  
15 APPROPRIATE AUTHORITIES, MAY UTILIZE FUNDS SUCH AS THE  
16 COMPREHENSIVE AGRICULTURAL LOAN FUND (CALF) THE  
17 COOPERATIVE DEVELOPMENT LOAN FUND (CDLF), THE  
18 COOPERATIVE MARKETING PROJECT FUND (CMPF) AND OTHER  
19 FUNDS EXISTING OR HEREINAFTER CREATED UNDER THEIR  
20 RESPECTIVE ADMINISTRATIONS TO SUBSCRIBE TO THE  
21 PREFERRED SHARES OF A COOPERATIVE BANK THROUGH THE  
22 CONVERSION OF THE LIABILITIES OF THE BANK DUE TO THESE  
23 INSTITUTIONS INTO PREFERRED SHARES AND/OR FRESH  
24 CAPITAL INFUSION SUBJECT TO MUTUAL AGREEMENT OF THE  
25 PARTIES; *PROVIDED* THAT SUCH PREFERRED SHARES HELD BY  
26 SUCH NON-FINANCIAL INSTITUTIONS SHALL BE RETIRED IN  
27 WHOLE OR IN PART AT BOOK VALUE WHEN THE COOPERATIVE  
28 BANK HAS ACQUIRED ENOUGH CAPITAL STRENGTH TO PERMIT  
29 THE RETIREMENT OF SUCH SHARES; *PROVIDED, FURTHER, THAT*

1 THE ACPC, THE CDA AND THE OTHER GOVERNMENT-OWNED  
2 AND CONTROLLED NON-FINANCIAL INSTITUTIONS MAY UTILIZE  
3 EARNINGS DERIVED FROM SUCH BASIC SOURCE FUNDS SUCH  
4 AS CALF, CDLF, CMPF AND OTHER FUNDS CREATED UNDER  
5 THEIR ADMINISTRATION FOR INSTITUTION-BUILDING, CREDIT  
6 AND CREDIT-RELATED PROGRAMS AND ACTIVITIES.

7 "SECTION 2. COMBINED CAPITAL ACCOUNTS – THE  
8 COMBINED CAPITAL ACCOUNTS OF EACH COOPERATIVE BANK  
9 SHALL NOT BE LESS THAN AN AMOUNT EQUAL TO TEN  
10 PERCENTUM (10%) OF ITS RISK ASSETS, WHICH IS DEFINED AS  
11 ITS TOTAL ASSETS MINUS THE FOLLOWING ASSETS:

12 (A) CASH ON HAND;

13 (B) AMOUNTS FROM THE BANGKO SENTRAL;

14 (C) EVIDENCES OF INDEBTEDNESS OF THE REPUBLIC OF  
15 THE PHILIPPINES, AND OF THE BANGKO SENTRAL, AND ANY  
16 OTHER EVIDENCES OF INDEBTEDNESS OR OBLIGATIONS THE  
17 SERVICING AND REPAYMENT OF WHICH ARE FULLY  
18 GUARANTEED BY THE REPUBLIC OF THE PHILIPPINES;

19 (D) LOANS TO THE EXTENT COVERED BY HOLD-OUT ON, OR  
20 ASSIGNMENT OF DEPOSITS MAINTAINED IN, THE LENDING BANK  
21 AND HELD IN THE PHILIPPINES; AND

22 (E) OTHER NON-RISK ITEMS AS THE MONETARY BOARD  
23 MAY FROM TIME TO TIME, AUTHORIZE TO BE DEDUCTED FROM  
24 TOTAL ASSETS.

25 "THE MONETARY BOARD SHALL PRESCRIBE THE MANNER  
26 OF DETERMINING THE TOTAL ASSETS OF COOPERATIVE BANKS  
27 FOR PURPOSES FO THIS SECTION.

28 "WHENEVER THE CAPITAL ACCOUNTS OF A COOPERATIVE  
29 BANK ARE DEFICIENT WITH RESPECT TO THE REQUIREMENTS OF

1 THE PRECEDING PARAGRAPH, THE MONETARY BOARD, AFTER  
2 CONSIDERING THE REPORT OF THE APPROPRIATE SUPERVISING  
3 DEPARTMENT ON THE STATE OF SOLVENCY OF THE  
4 INSTITUTION, SHALL LIMIT OR PROHIBIT THE DISTRIBUTION OF  
5 NET PROFITS AND SHALL REQUIRE THAT PART OR ALL OF THE  
6 NET PROFITS BE USED TO INCREASE THE CAPITAL ACCOUNTS  
7 OF THE INSTITUTION UNTIL THE MINIMUM REQUIREMENT HAS  
8 BEEN MET. THE MONETARY BOARD MAY, AFTER CONSIDERING  
9 THE AFORESAID REPORT OF THE APPROPRIATE SUPERVISING  
10 DEPARTMENT AND IF THE AMOUNT OF THE DEFICIENCY  
11 JUSTIFIES IT, RESTRICT OR PROHIBIT THE MAKING OF NEW  
12 INVESTMENT OF ANY SORT BY THE BANK, WITH THE EXCEPTION  
13 OF PURCHASES OF EVIDENCES OF INDEBTEDNESS INCLUDED  
14 UNDER SUBSECTION (C ) OF THIS SECTION UNTIL THE MINIMUM  
15 REQUIRED CAPITAL RATIO HAS BEEN RESTORED.

16 "WHEN IN THE PROCESS OF A BANK MERGER OR  
17 CONSOLIDATION, THE MERGED OR CONSTITUENT BANK MAY  
18 NOT BE ABLE TO COMPLY FULLY WITH THE NET WORTH TO RISK  
19 ASSET RATIO HEREIN PRESCRIBED, THE MONETARY BOARD  
20 MAY, AT ITS DISCRETION TEMPORARILY RELIEVE THE BANK  
21 FROM FULL COMPLIANCE WITH THIS REQUIREMENT UNDER SUCH  
22 CONDITIONS IT MAY PRESCRIBE.

23 "ARTICLE 107. [*Distribution of net surplus* -- The provisions of  
24 this Code on the allocation of net surplus shall apply.] *PROHIBITED*  
25 *ACTS* -- WITHOUT PREJUDICE TO ANY PROSECUTION UNDER ANY  
26 LAW WHICH MAY HAVE BEEN VIOLATED, A FINE OF NOT MORE  
27 THAN TEN THOUSAND PESOS (P10,000) OF IMPRISONMENT OF  
28 NOT LESS THAN SIX (6) MONTHS BUT NOT MORE THAN TEN (10)

1 THE PURPOSE OF OBTAINING, RENEWING, OR INCREASING A  
2 LOAN OR EXTENDING THE PERIOD THEREOF; OR

3 4) ATTEMPT TO DEFRAUD THE COOPERATIVE BANK IN THE  
4 EVENT OF COURT ACTION TO RECOVER THE LOAN; OR

5 5) OFFER ANY OFFICER, EMPLOYEE OR AGENT OF THE  
6 COOPERATIVE BANK A GIFT, FEE, COMMISSION OR OTHER  
7 FORMS OF COMPENSATION IN ORDER TO INFLUENCE SUCH  
8 BANK PERSONNEL INTO APPROVING A LOAN APPLICATION; OR

9 6) DISPOSE OR ENCUMBER THE PROPERTY OFFERED AS  
10 SECURITY FOR A LOAN; AND

11 (C) ANY EXAMINER, OR OTHER OFFICER OR EMPLOYEE OF  
12 THE BANGKO SENTRAL OR OF ANY DEPARTMENT, BUREAU,  
13 OFFICE, BRANCH OR AGENCY OF THE GOVERNMENT WHO IS  
14 ASSIGNED TO EXAMINE, SUPERVISE, ASSIST OR RENDER  
15 TECHNICAL SERVICE TO COOPERATIVE BANKS AND WHO SHALL  
16 CONNIVE OR AID IN THE COMMISSION OF THE ACTS PROHIBITED  
17 IN THIS ARTICLE.

18 "ANY METROPOLITAN, MUNICIPAL OR MUNICIPAL CIRCUIT  
19 TRIAL COURT JUDGE OR REGISTER OF DEEDS WHO SHALL  
20 DEMAND OR ACCEPT, DIRECTLY OR INDIRECTLY, ANY GIFT,  
21 FEE, COMMISSION, OR ANY OTHER FORM OF COMPENSATION IN  
22 CONNECTION WITH THE SERVICE OR SHALL ARBITRARILLY AND  
23 WITHOUT REASONABLE CASE DELAY THE ACKNOWLEDGMENT  
24 OR ADMINISTRATION OF AN OATH OR THE REGISTRATION OF  
25 DOCUMENTS REQUIRED TO BE PERFORMED BY SAID JUDGE OR  
26 SAID REGISTER OF DEEDS SHALL BE PUNISHED WITH A FINE OF  
27 NOT MORE THAN ONE THOUSAND PESOS (P1,000) OR BY  
28 IMPRISONMENT OF NOT MORE THAN ONE (1) YEAR, OR BOTH,  
29 AT THE DISCRETION OF THE COURT.

1 "ANY BANK NOT ORGANIZED AND REGISTERED UNDER THIS  
2 CODE AND ANY PERSON, ASSOCIATION OR CORPORATION  
3 DOING THE BUSINESS OF BANKING, NOT AUTHORIZED UNDER  
4 THIS CODE OR EXISTING LAWS, WHICH SHALL USE THE WORDS  
5 "COOPERATIVE BANK" AS PART OF ITS NAME OR TITLE AS SUCH  
6 BANK OR SUCH PERSON, ASSOCIATION OR CORPORATION,  
7 SHALL BE PUNISHED BY A FINE OF NOT LESS THAN ONE  
8 HUNDRED PESOS (P100) BUT IN NO CASE TO EXCEED THIRTY  
9 THOUSAND PESOS (P30,000) FOR EACH DAY DURING WHICH THE  
10 SAID WORDS ARE SO USED.

11 Article 108. *Privileges [ - ] AND INCENTIVES OF*  
12 *COOPERATIVE BANKS -* [Cooperative Banks shall have the following  
13 privileges subject to the approval of the Central Bank and compliance  
14 with applicable banking laws, rules and regulations.

15 (1) The cooperative banks registered under this Code shall be  
16 given the same privilege granted to rural banks, private development  
17 banks, commercial banks and all other banks to rediscount notes with  
18 the Central Bank, the Land Bank of the Philippines and other  
19 government banks without affecting in any way the provisions of this  
20 Code; and

21 (2) To act as depository of government funds. For this purpose,  
22 all government departments, agencies and units of the national and local  
23 government, including government-owned and controlled corporations  
24 are hereby authorized to deposit their funds in any cooperative bank.]

25 "SECTION 1. *RESERVE REQUIREMENT DIFFERENTIAL -* THE  
26 RESERVE REQUIREMENT IMPOSED ON ANY COOPERATIVE BANK  
27 BY THE MONETARY BOARD SHALL ENJOY EQUITABLE  
28 PREFERENTIAL TERMS OVER THOSE IMPOSED ON ANY OTHER  
29 TYPE OR CLASS OF BANK, INCLUDING RURAL BANKS AND

1 THRIFT BANKS; *PROVIDED* THAT THE MONETARY BOARD MAY  
2 CHANGE SUCH RESERVE DIFFERENTIALS FOR THE PURPOSE OF  
3 STIMULATING ECONOMIC GROWTH IN THE COUNTRYSIDE,  
4 THEREBY PROMOTING NATIONAL ECONOMIC DEVELOPMENT.

5 SECTION 2. *LIBERALIZED BRANCHING RULES* --  
6 COOPERATIVE BANKS SHALL HAVE UNRESTRICTED BRANCHING  
7 RIGHTS FREE FROM ANY STIPULATION, ASSESSMENT OR  
8 SURCHARGES REQUIRED IN SETTING UP A BRANCH, BUT IN  
9 COORDINATION WITH THE BANGKO SENTRAL WHICH SHALL  
10 ASSESS THAT THERE ARE QUALIFIED PERSONNEL, CONTROLS  
11 AND PROCEDURES TO OPERATE SUCH BRANCH OR BRANCHES.

12 "SECTION 3. *PUBLICATION OF STATEMENT OF CONDITION* -  
13 - SUBJECT TO THE APPROVAL OF THE MONETARY BOARD, A  
14 COOPERATIVE BANK MAY PUBLISH ITS STATEMENT OF  
15 CONDITION IN A NEWSPAPER OF GENERAL CIRCULATION, OR A  
16 LOCAL NEWSPAPER COVERING ITS AREA OF OPERATIONS, OR  
17 POST IT IN THE MOST CONSPICUOUS AREA OF ITS PREMISES,  
18 THE MUNICIPAL BUILDING, THE MUNICIPAL MARKET, THE  
19 BARANGAY HALL, OR THE BARANGAY PUBLIC MARKET, IF  
20 THERE BE ANY, WHERE THE COOPERATIVE BANK IS LOCATED.

21 "SECTION 4. *EXEMPTION FROM PUBLICATION*  
22 *REQUIREMENT* -- THE FORECLOSURE OR MORTGAGES  
23 COVERING LOANS GRANTED BY A COOPERATIVE BANK AND  
24 EXECUTIONS OF JUDGMENTS THEREON INVOLVING REAL  
25 PROPERTIES AND LEVIED UPON BY A SHERIFF SHALL BE  
26 EXEMPT FROM PUBLICATION REQUIREMENTS WHERE THE TOTAL  
27 AMOUNT OF THE LOAN, EXCLUDING INTEREST DUE AND UNPAID,  
28 DOES NOT EXCEED FIVE HUNDRED THOUSAND PESOS (P500,000)  
29 OR SUCH AMOUNT AS THE MONETARY BOARD MAY PRESCRIBE,

1 AS MAY BE WARRANTED BY THE PREVAILING ECONOMIC  
2 CONDITIONS AND BY THE NATURE AND CHARACTER OF  
3 COOPERATIVE BANKS. IT SHALL BE SUFFICIENT PUBLICATION IN  
4 SUCH CASES IF THE NOTICE OF FORECLOSURE AND EXECUTION  
5 OF JUDGEMENT ARE POSTED IN CONSPICUOUS AREAS OF THE  
6 COOPERATIVE BANK'S PREMISES, THE MUNICIPAL HALL, THE  
7 MUNICIPAL PUBLIC MARKET, THE BARANGAY HALL OR THE  
8 BARANGAY PUBLIC MARKET, IF THERE BE ANY, WHERE THE  
9 LAND MORTGAGED IS SITUATED, WITHIN A PERIOD OF SIXTY  
10 (60) DAYS IMMEDIATELY PRECEDING THE PUBLIC AUCTION OR  
11 THE EXECUTION OF JUDGEMENT. PROOF OF PUBLICATION AS  
12 REQUIRED HEREIN SHALL BE ACCOMPLISHED BY AN AFFIDAVIT  
13 OF THE SHERIFF OR OFFICER CONDUCTING THE FORECLOSURE  
14 SALE OR EXECUTION OF JUDGMENT, AND SHALL BE ATTACHED  
15 TO THE RECORD OF THE CASE.

16 "A COOPERATIVE BANK SHALL BE ALLOWED TO  
17 FORECLOSE LANDS MORTGAGED TO IT; *PROVIDED* THAT SAID  
18 LANDS SHALL BE COVERED UNDER REPUBLIC ACT NO. 6657, AS  
19 AMENDED.

20 "SECTION 5. *PRIVILEGES* -- IN ADDITION TO THE  
21 PRIVILEGES GENERALLY GRANTED TO COOPERATIVES UNDER  
22 THIS CODE, A COOPERATIVE BANK SHALL ALSO BE EXEMPTED  
23 FROM THE PAYMENT OF ALL TAXES, LICENSES, FEES AND  
24 CHARGES OF WHATEVER TYPE, NATURE AND DESCRIPTION,  
25 WHETHER NATIONAL OR LOCAL, FOR A PERIOD OF TEN YEARS  
26 FROM THE EFFECTIVITY OF THESE AMENDMENTS TO THE  
27 COOPERATIVE CODE OR FROM THE DATE OF REGISTRATION OF  
28 A COOPERATIVE BANK WITH THE COOPERATIVE DEVELOPMENT  
29 AUTHORITY, WHICHEVER COMES LATER.



1 "ARTICLE 109. *Assistance to Cooperative Banks*

2 "SECTION 1. .GENEREAL - IN ACCORDANCE WITH  
3 EXISTING POLICIES, GOVERNMENT AGENCIES, GOVERNMENT-  
4 OWNED OR CONTROLLED CORPORATIONS AND FINANCIAL  
5 INSTITUTIONS SHALL PROVIDE ASSISTANCE WHETHER  
6 TECHINICAL OR FINANCIAL OR OTHERWISE, TO COOPERATIVE  
7 BANKS TO PERMIT THEM TO GROW, DEVELOP AND PERFORM  
8 THEIR ROLE IN COUNTRYSIDE DEVELOPMENT AND TOWARDS A  
9 SUSTAINABLE NATIONAL ECONOMIC DEVELOPMENT.

10 "SECTION 2. *GOVERNMENT FUNDING* - WHENEVER  
11 NECESSARY AND NOTWITHSTANDING PROVISIONS OF THIS CODE  
12 TO THE CONTRARY, THE BANGKO SENTRAL MAY, UPON  
13 CONSULTATION WITH THE NATIONAL FEDERATIONS AND UNIONS  
14 OF COOPERATIVES AND THE CDA, AUTHORIZE THE LAND BANK  
15 OF THE PHILIPPINES, THE DEVELOPMENT BANK OF THE  
16 PHILIPPINES, AND OTHER GOVERNMENT ORGANIZATIONS AND  
17 INSTRUMENTALITIES TO INFUSE FRESH CAPITAL INTO  
18 COOPERATIVE BANKS, AND TO PROVIDE FUNDS FOR  
19 COOPERATIVE BANKS AT MINIMAL INTEREST RATES, SUBJECT  
20 TO SUCH RULES AND REGULATIONS THAT THE BANGKO  
21 SENTRAL MAY PROMULGATE FROM TIME TO TIME.

22 "Section 3. [*Assistance to cooperative Banks*] *DISTRESSED*  
23 *COOPERATIVE BANKS* -- Whenever a cooperative bank organized  
24 under this Code is distressed or may need assistance in the  
25 rehabilitation of its financial condition or to avoid bankruptcy, the  
26 Monetary Board of the [Central Bank of the Philippines] BANGKO  
27 SENTRAL shall designate an official of the [Central Bank] BANGKO  
28 SENTRAL or a person of recognized competence in banking or finance

1 as [receiver or] conservator of the said bank pursuant to the provisions  
2 of Section 29 of Republic Act No. 7553, as amended.”

3 SECTION 2. Any provision of law inconsistent with the provisions of  
4 this Act is hereby repealed, amended or modified accordingly.

5 SECTION 3. If any provision of this Act or the application thereof to  
6 any person or circumstances is held invalid, the other provisions of this Act  
7 and the application of such provisions to other persons and circumstances shall  
8 not be affected thereby.

9 SECTION 4. This Act shall take effect fifteen (15) days following its  
10 publication in at least two (2) newspapers of general circulation.

Approved,