

14th Congress of the Republic)
of the Philippines)
First Regular Session)

7 JUL -4 P5:01

SENATE

RECEIVED BY: 

S. No. 1147

Introduced by Senator Aquilino Q. Pimentel, Jr.

EXPLANATORY NOTE

A cooperative bank is one which is organized, owned and controlled by cooperative organizations, for the purpose of providing financial and credit services to cooperatives and their members. Its members are either regular or associate. Only cooperative organizations that hold common shares may be regular members. Non-cooperative organizations or associations, individual members of the bank's member-primary cooperatives, local government units, government agencies and government-owned and controlled financial institutions holding preferred shares may be associate members.

The proposed bill provides for the strengthening of the cooperative banking system in the country, particularly in rural and remote areas where credit and financial services are sorely needed.

Towards this end, the bill extends a package of incentives, which are at present enjoyed by thrift banks under Republic Act No. 7906 and rural banks under Republic Act No. 7353.

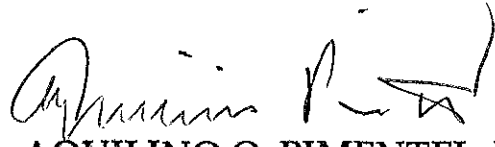
Cooperative banks will also be given the following privileges:

1. The reserve requirement imposed on any cooperative bank by the Monetary Board shall enjoy equitable preferential terms over those imposed on any other type or class of bank.
2. Cooperative banks shall have unrestricted branching rights free from any stipulation, assessment, or surcharges required in setting up a branch.
3. A cooperative bank may publish its statement of condition in a newspaper of general circulation or a local newspaper covering its area of operations.
4. The foreclosure of mortgages covering loans granted by a cooperative bank and executions of judgments thereon involving real properties and levied upon by a Sheriff shall be exempt from publication requirements where the total amount of the loan does not exceed P500, 000.00.
5. Cooperative banks will be exempted from the payment of taxes, licenses, fees or charges for a period of ten years.
6. Government agencies and government-owned and controlled financial institutions shall give financial and technical assistance to cooperative banks.

7. The Land Bank, Development Bank of the Philippines and the government-owned and controlled financial institutions may provide funds to cooperative banks, whenever necessary at minimal interest rates.

The measures further allows the modification or relaxation of rules relating to certain provisions of Republic Act No. 337 (General Banking Act) to enable said banks to participate more fully in government lending programs and extend more services to their members.

In view of the beneficial and significant innovations which the bill will bring to the countryside, its immediate passage is requested.



AQUILINO Q. PIMENTEL, JR.

14th Congress of the Republic)
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7 JUL -4 P5:11

SENATE

RECEIVED BY: 

S. No. 1147

Introduced by Senator Aquilino Q. Pimentel, Jr.

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:

SECTION 1. Chapter XIII of Republic Act No. 6938, otherwise known as the Cooperative Code of the Philippines, is hereby amended as follows:

ART. 99 thereunder on Governing Law is hereby repealed.

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

"[(2) Cooperatives duly established and registered under the provisions of this Code may organize among themselves a cooperative bank which shall likewise be considered a cooperative registerable under the provisions of this Code subject to the requirements of and requisite authorization from the Central Bank.]

SEC. 2. Art. 100 is renumbered as Art. 99 and amended by adding new provisions therein which read as follows:

"ART. [100] 99. [Definition, Classification and Functions. - A cooperative bank is one organized by and the majority shares of which is owned and controlled by cooperatives primarily to provide financial and credit services to cooperatives. The term "cooperative bank" shall include cooperative rural banks.

"A cooperative bank may perform the following functions:

(1) To carry on banking and credit services for the cooperatives;

(2) To receive financial aid or loans from the Government and the Central Bank of the Philippines for and in behalf of the cooperative banks and primary cooperatives and their federations engaged in business and to supervise the lending and collection of loans.

(3) To mobilize the savings of its members for the benefit of the cooperative movement;

(4) To act as the balancing medium for the surplus funds of cooperatives and their federations;

(5) To discount bills and promissory notes issued and drawn by cooperatives;

(6) To issue negotiable instruments to facilitate the activities of cooperatives;

(7) To issue debentures subject to the approval of and under conditions and guarantees to be prescribed by the Government;

(8) To borrow money from banks and other financial institutions within the limit to be prescribed by the Central Bank; and

(9) To carry out all other functions as may be prescribed by the Authority: Provided, That the performance of any banking function shall be subject to prior approval by the Central Bank of the Philippines.]

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

(A) RECOGNIZE COOPERATIVE BANKS AS PRACTICAL VEHICLES FOR THE PROMOTION OF SELF-RELIANCE AND THE HARNESSING OF

PEOPLE POWER TOWARDS THE ATTAINMENT OF ECONOMIC DEVELOPMENT AND SOCIAL JUSTICE.

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

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

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

SEC. 3. Art. 101 is hereby repealed and in lieu thereof a new provision entitled Definitions of Terms shall be inserted to be known as Art. 100, which shall be read as follows:

"ART. [101] 100. [Registration Requirements. - No entity shall be registered by the Cooperative Development Authority as a cooperative bank unless the articles of cooperation and by-laws thereof as well as its establishment and operation as cooperative have been approved by the Central Bank of the Philippines and it satisfies all requirements for registration as a cooperative.]
DEFINITIONS OF TERMS. - THE FOLLOWING DEFINITIONS SHALL APPLY WITHIN THIS CHAPTER:

(A) "COOPERATIVE BANK" SHALL REFER TO A BANK ORGANIZED UNDER THIS CODE, THE MAJORITY SHARES OF WHICH ARE OWNED AND CONTROLLED BY COOPERATIVE ORGANIZATIONS, THE PURPOSE OF WHICH IS PRIMARILY TO PROVIDE TECHNICAL AND CREDIT SERVICES TO COOPERATIVES AND THEIR MEMBERS. IT SHALL ALSO INCLUDE

COOPERATIVE RURAL BANKS;

(B) "BANGKO SENTRAL" SHALL REFER TO THE BANGKO SENTRAL NG PILIPINAS (BSP) CREATED UNDER REPUBLIC ACT NO. 147653;

(C) "MONETARY BOARD" SHALL MEAN THE MONETARY BOARD OF THE BANGKO SENTRAL NG PILIPINAS;

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

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

SEC. 4. Art. 102 is hereby repealed and in lieu thereof a new paragraph to be denominated as Art. 101 on *Organization, Membership and Establishment of Cooperative Banks* shall be inserted, to read as follows:

"ART. [102] 101. [Membership. - Membership in a cooperative bank shall include only cooperatives and federation of cooperatives]. ORGANIZATION, MEMBERSHIP AND ESTABLISHMENT OF COOPERATIVE BANKS.

SECTION 1. ORGANIZATION. - COOPERATIVE ORGANIZATIONS DULY ESTABLISHED AND REGISTERED UNDER THIS CODE MAY ORGANIZE A COOPERATIVE BANK, WHICH SHALL LIKWISE BE CONSIDERED A COOPERATIVE REGISTERABLE UNDER THE PROVISIONS OF THIS CODE SUBJECT TO THE REQUIREMENTS AND REQUISITE AUTHORIZATION FROM THE BANGKO SENTRAL.

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

BANK.

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

(A) NON-COOPERATIVE ORGANIZATIONS OR ASSOCIATIONS;

(B) INDIVIDUAL MEMBERS OF THE BANK'S MEMBER- PRIMARY COOPERATIVE; AND

(C) LOCAL GOVERNMENT UNITS, GOVERNMENT AGENCIES AND GOVERNMENT-OWNED OR CONTROLLED FINANCIAL INSTITUTIONS.

"SAMAHANG NAYONS AND MUNICIPAL KATIPUNANS NG MGA SAMAHANG NAYONS (MKSNS) WHICH HELD COMMON STOCKS OF COOPERATIVE BANKS PRIOR TO THE EFFECTIVITY OF THIS SHALL APPLY FOR CONVERSION TO FULL-FLEDGED COOPERATIVES IN ORDER TO MAINTAIN THEIR STATUS AS REGULAR MEMBERS OF COOPERATIVE BANKS: PROVIDED, THAT THEY SHALL NOTIFY THE COOPERATIVE BANK CONCERNED OF THEIR INTENTION TO CONVERT WITHIN A PERIOD OF NINETY (90) DAYS FROM THE EFFECTIVITY OF THIS ACT. SAMAHANG NAYONS AND MKSNS ARE HEREBY GIVEN A PERIOD OF ONE (1) YEAR FROM THE EFFECTIVITY OF THIS ACT TO COMPLETE THEIR CONVERSION TO COOPERATIVES. COOPERATIVE BANKS SHALL EXERT REASONABLE EFFORTS TO INFORM THEIR MEMBER SAMAHANG NAYONS AND MKSNS ABOUT THE REQUIREMENTS SET IN THIS PARAGRAPH UPON THE FAILURE OF SAMAHANG NAYONS OR MKSNS TO FINALLY CONVERT OR TO GIVE THE NOTICE OF CONVERSION WITHIN THE PRESCRIBED PERIODS, THE COOPERATIVE BANK CONCERNED MAY CONVERT THE COMMON STOCKS HELD BY SUCH ASSOCIATIONS TO PREFERRED SHARES.

"SECTION 3. ESTABLISHMENT OF COOPERATIVE BANKS. - THE ARTICLES OF COOPERATION AND BY-LAWS OF ANY COOPERATIVE BANK

OR ANY AMENDMENT THERETO, SHALL BE REGISTERED ONLY WHEN ACCOMPANIED BY A CERTIFICATE OF AUTHORITY ISSUED BY THE MONETARY BOARD, UNDER ITS OFFICIAL SEAL. SUCH CERTIFICATE SHALL BE ISSUED IF THE MONETARY BOARD IS SATISFIED FROM THE EVIDENCE SUBMITTED TO IT THAT: (A) ALL THE REQUIREMENTS OF EXISTING LAWS AND REGULATIONS TO ENGAGED IN BUSINESS FOR WHICH THE APPLICANT IS PROPOSED TO BE REGISTERED HAVE BEEN COMPLIED WITH; (B) PUBLIC INTEREST AND ECONOMIC CONDITIONS, BOTH GENERAL AND LOCAL, JUSTIFY THE AUTHORIZATION, DIRECTION AND ADMINISTRATION; AND (C) THE AMOUNT OF CAPITAL, THE FINANCING ORGANIZATION, DIRECTION AND ADMINISTRATION, AS WELL AS THE INTEGRITY AND RESPONSIBILITY OF THE ORGANIZERS AND ADMINISTRATORS REASONABLY ASSURE THE SAFETY OF THE INTEREST WHICH THE PUBLIC MAY ENTRUST TO THEM.

SEC. 5. Art. 103 is hereby amended by denominating it as Art. 102, on Administration of Cooperative Banks, and a new paragraph shall be inserted therein to read as follows:

"ART. [103] 102. [Board of Directors.] ADMINISTRATION OF COOPERATIVE BANKS.

"SECTION 1. BANK MANAGEMENT. - IN ORDER TO MAINTAIN THE QUALITY OF BANK MANAGEMENT AND ACCORD BETTER PROTECTION TO DEPOSITORS AND THE PUBLIC IN GENERAL, THE MONETARY BOARD MAY PASS UPON AND REVIEW THE QUALIFICATIONS OF PERSONS WHO ARE ELECTED OR APPOINTED BANK DIRECTORS AND OFFICERS, AND DISQUALIFY THOSE UNFIT. THE MONETARY BOARD SHALL PRESCRIBE THE QUALIFICATIONS OF BANK DIRECTORS AND OFFICERS FOR PURPOSES OF THIS SECTION, GIVING DUE RECOGNITION TO THE UNIQUE COOPERATIVE NATURE

AND CHARACTER OF COOPERATIVE BANKS.

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

"EX OFFICIO MEMBERSHIP IN THE BOARD OF DIRECTORS OF A COOPERATIVE BANK SHALL BE SUBJECT TO THE APPROVAL OF THE BANK'S BOARD OF DIRECTORS.

SEC. 6. Art. 104 shall be denominated as Art. 103, and shall enumerate the powers, functions and allied undertakings of cooperative banks, to read as follows:

"ART. [104] 103. [Loans. - Cooperatives may obtain loans from a cooperative bank. Loans granted by a cooperative bank shall be reported to the Central Bank of the Philippines.] POWERS, FUNCTIONS AND ALLIED UNDERTAKINGS OF COOPERATIVE BANKS.

"SECTION 1. POWERS AND FUNCTIONS. - COOPERATIVE BANKS SHALL PRIMARILY PROVIDE FINANCIAL, BANKING AND CREDIT SERVICES TO COOPERATIVE ORGANIZATIONS AND THEIR MEMBERS.

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

- (A) ACCEPT SAVINGS AND TIME DEPOSITS;
- (B) MOBILIZE SAVINGS FOR THE BENEFIT OF THE COOPERATIVE MOVEMENT;
- (C) RECEIVE FINANCIAL AID OR LOANS FROM THE GOVERNMENT AND THE BANGKO SENTRAL FOR AND IN BEHALF PRIMARILY OF THE COOPERATIVE BANKS AND COOPERATIVE ORGANIZATIONS ENGAGED IN BUSINESS AND SUPERVISE THE LENDING AND COLLECTION OF LOANS;
- (D) ACT AS A BALANCING MEDIUM FOR THE SURPLUS FUNDS OF

COOPERATIVE ORGANIZATIONS;

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

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

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

(H) OPEN CURRENT AND CHECKING ACCOUNTS: PROVIDED, THAT THE COOPERATIVE BANK HAS NET ASSETS OF AT LEAST FIVE MILLION PESOS (₱5,000,000.00), SUBJECT TO SUCH GUIDELINES AS MAY BE ESTABLISHED BY THE MONETARY BOARD; AND SHALL BE ALLOWED TO DIRECTLY CLEAR ITS DEMAND DEPOSIT OPERATIONS WITH THE BANGKO SENTRAL AND/OR THE PHILIPPINE CLEARING HOUSE CORPORATION;

(I) ACT AS CORRESPONDENT FOR OTHER FINANCIAL INSTITUTIONS;

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

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

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

(M) ISSUE MORTGAGE AND CHATTEL MORTGAGE CERTIFICATES, BUY AND SELL THEM FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF

OTHERS, OR ACCEPT OR RECEIVE THEM IN PAYMENT FOR OR AMORTIZATION OF ITS LOAN;

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

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

(P) OPEN LETTERS OF CREDIT AND BANK DRAFTS;

(Q) EXTEND CREDIT FACILITIES TO PRIVATE AND GOVERNMENT EMPLOYEES: PROVIDED, THAT IN CASE OF A BORROWER WHO IS A PERMANENT EMPLOYEE OR WAGE EARNER, THE TREASURER, CASHIER OR PAYMASTER OR THE OFFICE EMPLOYING HIM IS AUTHORIZED, NOTWITHSTANDING THE PROVISIONS OF ANY EXISTING LAW, RULES OR REGULATIONS TO THE CONTRARY, TO MAKE DEDUCTIONS FROM HIS SALARY, WAGE OR INCOME PURSUANT TO THE TERMS OF HIS LOAN, TO REMIT DEDUCTIONS TO THE COOPERATIVE BANK CONCERNED, AND COLLECT SUCH REASONABLE FEES FOR HIS SERVICES;

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

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

"NOTHING IN THIS SECTION SHALL BE CONSTRUED AS PRECLUDING A COOPERATIVE BANK FROM PERFORMING, WITH PRIOR APPROVAL OF THE MONETARY BOARD, COMMERCIAL BANKING SERVICES, OR FROM OPERATING UNDER AN EXPANDED BANKING AUTHORITY, OR FROM EXERCISING, WHENEVER APPLICABLE AND NOT INCONSISTENT WITH THE PROVISIONS OF THIS ACT AND BANGKO SENTRAL REGULATIONS,

SUCH OTHER POWERS INCIDENT TO A CORPORATION.

"SECTION 2. INVESTMENT IN ALLIED UNDERTAKINGS. - SUBJECT TO SUCH GUIDELINES AS MAY BE ESTABLISHED BY THE MONETARY BOARD, COOPERATIVE BANKS MAY INVEST IN EQUITIES OF ALLIED UNDERTAKINGS AS HEREINAFTER ENUMERATED: PROVIDED, THAT (A) THE TOTAL INVESTMENT IN EQUITIES SHALL NOT EXCEED TWENTY-FIVE PERCENT (25%) OF THE NET WORTH OF THE COOPERATIVE BANK; (B) THE EQUITY INVESTMENT IN ANY SINGLE ENTERPRISE SHALL BE LIMITED TO FIFTEEN PERCENT (15%) OF THE NET WORTH OF THE COOPERATIVE BANK; AND (C) THE EQUITY INVESTMENT IN OTHER BANKS SHALL BE SUBJECT TO THE SAME PROVISIONS GOVERNING SIMILAR INVESTMENT OF COMMERCIAL BANKS AND SHALL BE DEDUCTED FROM THE INVESTING BANK'S NET WORTH FOR THE PURPOSE OF COMPUTING THE PRESCRIBED RATIO AS PROVIDED IN SECTION 2, ARTICLE 106 HEREOF: PROVIDED, FURTHER, THAT EQUITY INVESTMENTS SHALL NOT BE PERMITTED IN NON-RELATED ACTIVITIES, WHERE THE ALLIED ACTIVITY IS A WHOLLY OR MAJORITY-OWNED SUBSIDIARY OF THE COOPERATIVE BANK, THE BANGKO SENTRAL MAY SUBJECT IT TO EXAMINATION.

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

- (A) BANKING AND FINANCING;
- (B) WAREHOUSING AND OTHER POST-HARVEST ACTIVITIES;
- (C) FERTILIZER AND AGRICULTURAL CHEMICAL AND PESTICIDE DISTRIBUTION;
- (D) FARM EQUIPMENT DISTRIBUTION;
- (E) MARKETING OF AGRICULTURAL PRODUCTS;
- (F) LEASING; AND
- (G) OTHER UNDERTAKINGS AS MAY IS DETERMINED BY THE MONETARY BOARD.

"SECTION 3. LIMITATIONS ON LENDING AUTHORITY. -
COOPERATIVE ORGANIZATIONS, THEIR MEMBERS, AND THE BANK'S
DEPOSITORS MAY OBTAIN LOANS FROM A COOPERATIVE BANK, SUBJECT
TO SUCH LIMITATIONS AS MAY BE PROVIDED FOR BY THE BANGKO
SENTRAL.

"EXCEPT AS THE MONETARY BOARD MAY OTHERWISE PRESCRIBE,
THE DIRECT INDEBTEDNESS TO COOPERATIVE BANK OR ANY PERSON OR
ASSOCIATION, EXCEPT COOPERATIVE ORGANIZATIONS, FOR MONEY
BORROWED, EXCLUDING: (A) LOANS SECURED BY OBLIGATIONS OF THE
BANGKO SENTRAL; (B) LOANS FULLY GUARANTEES BY THE
GOVERNMENT AS TO THE PAYMENT OF PRINCIPAL AND INTEREST; (C)
LOANS TO THE EXTENT COVERED BY THE HOLD-OUT, OR ASSIGNMENT
OF DEPOSITS MAINTAINED IN THE PHILIPPINES; (D) LOANS TO
COOPERATIVE ORGANIZATIONS FOR THEIR MEMBERS FROM FUNDS
PASSED THROUGH THE COOPERATIVE BANK AS A CONDUIT IN ANY
PRIVATE OR GOVERNMENT LENDING PROGRAM; AND (E) OTHER
LOANS OR CREDIT AS THE MONETARY BOARD MAY, FROM TIME TO
TIME, SPECIFY AS NON-RISK ASSETS, SHALL AT NO TIME EXCEED FIFTEEN
PERCENT (15%) OF THE UNIMPAIRED CAPITAL AND SURPLUS OF THE
COOPERATIVE BANK.

"NOTWITHSTANDING THE PROVISIONS OF THE PRECEDING
PARAGRAPH AND SUBJECT TO SUCH REGULATIONS THAT THE
MONETARY BOARD MAY PRESCRIBE, THE TOTAL INDEBTEDNESS OF ANY
BORROWER TO THE COOPERATIVE BANK ANY AMOUNT TO A FURTHER
FIFTEEN PERCENT (15%) OF THE UNIMPAIRED CAPITAL AND SURPLUS OF
SUCH BANK: PROVIDED, THAT THE ADDITIONAL INDEBTEDNESS IS FOR
THE PURPOSE OF FINANCING A SUBDIVISION OR HOUSING
DEVELOPMENT MEDIUM-INCOME OR LOW-INCOME BORROWERS, OR
AGRICULTURE, ON A FULLY SECURED BASIS.

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

"THE MONETARY BOARD MAY PRESCRIBE APPROPRIATE CEILINGS AND CONDITIONS ON BORROWING OF A COOPERATIVE ORGANIZATION FROM A COOPERATIVE BANK.

SEC. 7. Art. 105 shall be renumbered as Art. 104 and shall be amended to read as follows:

"ART. [105] 104. SUPERVISION OF COOPERATIVE BANKS.

SECTION 1. Supervision. - The cooperative banks registered under this Code shall be under the supervision of the [Central Bank] BANGKO SENTRAL. The [Central Bank] BANGKO SENTRAL, THROUGH THE MONETARY BOARD, upon consultation with the [agency] COOPERATIVE DEVELOPMENT AUTHORITY and the NATIONAL FEDERATIONS AND UNIONS OF cooperative (movement), shall formulate ORDERS, INSTRUCTIONS, RULES AND REGULATIONS, AND guidelines regarding the operation and banking transactions of cooperative banks. [These] SUCH ORDERS, INSTRUCTIONS, RULES AND REGULATIONS, AND guidelines shall give due recognition to the unique cooperative nature and character of cooperative banks. To this end, cooperative banks may be exempted from [Central Bank] BANGKO SENTRAL rules and regulations, applicable to our types of banks, which would impede the cooperative [rural] bank from performing legitimate financial and banking services

to its members.

"SECTION 2. POWER OF THE BANGKO SENTRAL OVER COOPERATIVE BANKS. - THE BANGKO SENTRAL SHALL HAVE THE POWER TO ENFORCE THE LAWS, ORDERS, INSTRUCTIONS, RULES AND REGULATIONS PROMULGATED BY THE MONETARY BOARD APPLICABLE TO COOPERATIVE BANKS; TO REQUIRE COOPERATIVE BANKS, THEIR DIRECTORS, OFFICERS AND AGENTS TO CONDUCT AND MANAGE THE AFFAIRS OF THE COOPERATIVE BANK IN A LAWFUL AND ORDERLY MANNER; AND UPON PROOF THAT THE COOPERATIVE BANK OR ITS BOARD OF DIRECTORS OR OFFICERS ARE CONDUCTING AND MANAGING THEIR AFFAIRS OF THE BANK IN A MANNER CONTRARY TO LAWS, ORDERS, INSTRUCTIONS, RULES AND REGULATIONS PROMULGATED BY THE MONETARY BOARD OR IN A MANNER SUBSTANTIALLY PREJUDICIAL TO THE INTEREST OF THE GOVERNMENT, DEPOSITORS, CREDITORS OR THE GENERAL PUBLIC, TO APPOINT A CONSERVATOR PURSUANT TO SECTION 29 OR REPUBLIC ACT NO. 7653 WITHOUT PREJUDICE TO THE PROSECUTION OF PERSONS RESPONSIBLE FOR SUCH VIOLATIONS UNDER THE PROVISIONS OF SECTIONS AND 737 OF REPUBLIC ACT NO. 7653.

"THE DIRECTOR AND EXAMINER OF THE DEPARTMENT OF THE BANGKO SENTRAL CHARGED WITH THE SUPERVISION OF COOPERATIVE BANKS ARE HEREBY AUTHORIZED TO ADMINISTER OATHS TO ANY DIRECTOR, OFFICER OR EMPLOYEE OF ANY COOPERATIVE BANK OR TO ANY VOLUNTARY WITNESS, AND TO COMPEL THE PRESENTATION OF ALL BOOKS, DOCUMENTS, PAPERS, OR RECORDS NECESSARY TO ASCERTAIN THE FACTS RELATIVE TO THE TRUE CONDITION OF ANY COOPERATIVE BANK OR TO ANY LOAN EXTENDED.

SEC. 8. Art. 106 shall be renumbered as Art. 105 and shall be amended to

read as follows:

"ART. [106] 105. CAPITALIZATION AND CAPITAL REQUIREMENTS OF COOPERATIVE BANKS.

"SECTION 1. Capitalization. - (1) A national cooperative bank shall have a minimum authorized share capital of Two hundred million pesos (₱200,000,000.00) in relation to Article 14(5). The authorized share capital shall be divided into such number of shares with a minimum par value of One thousand pesos (₱1,000.00) per share. For the purpose of primarily determining the permanency of equity, the types of shares a cooperative bank may issue, including the terms thereof, and the rights appurtenant thereto, shall be subject to such rules and regulations as the [Central Bank] BANGKO SENTRAL may prescribe.

"(2) A local cooperative bank shall have a minimum Twenty million pesos (₱20,000,000.00) divided into such number of shares with a minimum par value of One hundred pesos (₱100.00) per share.

"(3) THE LAND BANK OF THE PHILIPPINES (LBP) SHALL SUBSCRIBE TO AT LEAST TWENTY PERCENT (20%) OF THE PREFERRED SHARES OF A COOPERATIVE BANK. OTHER GOVERNMENT-OWNED AND CONTROLLED FINANCIAL INSTITUTIONS MAY ALSO SUBSCRIBE TO THE PREFERRED SHARES OF A COOPERATIVE BANK. HOWEVER, SUCH SUBSCRIPTIONS OF THE LBP AND OTHER GOVERNMENT-OWNED AND CONTROLLED FINANCIAL INSTITUTIONS SHALL BE SUBJECT TO THE APPROVAL OF THE BANK'S BOARD OF DIRECTORS. SUCH CAPITAL INFUSION SHALL BE CONSIDERED AS PARTIAL COMPLIANCE BY THE GOVERNMENT-OWNED AND CONTROLLED FINANCIAL INSTITUTIONS CONCERNED WITH THE PROVISIONS OF PRESIDENTIAL DECREE NO. 717, OTHERWISE KNOWN AS THE AGRI-AGRA LAW. THE SHARES HELD BY GOVERNMENT FINANCIAL INSTITUTIONS SHALL BE PAID OFF AT PAR AND RETIRED IN WHOLE OR IN PART WHEN THE COOPERATIVE BANK HAS ACQUIRED ENOUGH CAPITAL STRENGTH TO PERMIT RETIREMENT OF SUCH SHARES.

"(4) THE AGRICULTURAL CREDIT POLICY COUNCIL (ACPC), THOROUGH ITS EXECUTIVE DIRECTOR, THE COOPERATIVE DEVELOPMENT AUTHORITY (CDA), THROUGH ITS BOARD OF ADMINISTRATORS, AND OTHER GOVERNMENT-OWNED AND CONTROLLED NON-FINANCIAL INSTITUTIONS WITH LOANING AND DEVELOPMENT FUNCTIONS AND PROGRAMS, THROUGH THEIR APPROPRIATE AUTHORITIES, MAY UTILIZE FUNDS SUCH AS THE COMPREHENSIVE AGRICULTURAL LOAN FUND (CALF), THE COOPERATIVE DEVELOPMENT LOAN FUND (CDLF), THE COOPERATIVE MARKETING PROJECT FUND (CMPF) AND OTHER FUNDS EXISTING OR HEREINAFTER CREATED UNDER THEIR RESPECTIVE ADMINISTRATIONS TO SUBSCRIBE TO THE PREFERRED SHARES OF A COOPERATIVE BANK THROUGH THE CONVERSION OF THE LIABILITIES OF BANK DUE TO THESE INSTITUTIONS INTO PREFERRED SHARES AND/OR FRESH CAPITAL INFUSION SUBJECT TO MUTUAL AGREEMENT OF THE PARTIES: PROVIDED, THAT SUCH PREFERRED SHARES HELD BY SUCH NON- FINANCIAL INSTITUTION SHALL BE RETIRED IN WHOLE OR IN PART AT BOOK VALUE WHEN THE COOPERATIVE BANK HAS ACQUIRED ENOUGH CAPITAL STRENGTH TO PERMIT THE RETIREMENT OF SUCH SHARES: PROVIDED, FURTHER, THAT THE ACPC, THE CDA AND THE OTHER GOVERNMENT OWNED AND CONTROLLED NON-FINANCIAL INSTITUTIONS MAY UTILIZE EARNINGS DERIVED FROM SUCH BASIC SOURCE FUNDS SUCH AS CALF, CDLF, CMPF AND OTHER FUNDS CREATED UNDER THEIR ADMINISTRATION FOR INSTITUTION-BUILDING, CREDIT AND CREDIT-RELATED PROGRAMS AND ACTIVITIES.

"SECTION 2. COMBINE CAPITAL ACCOUNTS. - THE COMBINED CAPITAL ACCOUNTS OF EACH COOPERATIVE BANK SHALL NOT BE LESS THAN AN AMOUNT EQUAL TO TEN PERCENT (10%) OF ITS RISK ASSETS, WHICH IS DEFINED AS ITS TOTAL ASSETS MINUS THE FOLLOWING

ASSETS: (A) CASH ON HAND;

(B) AMOUNTS FROM THE BANGKO SENTRAL;

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

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

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

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

"WHENEVER THE CAPITAL ACCOUNTS OF A COOPERATIVE BANK ARE DEFICIENT WITH RESPECT TO THE REQUIREMENTS OF THE PRECEDING PARAGRAPH, THE MONETARY BOARD, AFTER CONSIDERING THE REPORT OF THE APPROPRIATE SUPERVISING DEPARTMENT ON THE STATE OF SOLVENCY OF THE INSTITUTION, SHALL LIMIT OR PROHIBIT THE DISTRIBUTION OF NET PROFITS AND SHALL REQUIRE THAT PART OR ALL OF THE NET PROFITS BE USED TO INCREASED THE CAPITAL ACCOUNTS OF THE INSTITUTION UNTIL THE MINIMUM REQUIREMENT HAS BEEN MET. THE MONETARY BOARD MAY, AFTER CONSIDERING THE AFORESAID REPORT OF THE APPROPRIATE SUPERVISING DEPARTMENT AND IF THE AMOUNT OF THE DEFICIENCY JUSTIFIES IT, RESTRICT OR PROHIBIT THE MAKING OF NEW INVESTMENT OF ANY SORT BY THE BANK, WITH THE EXCEPTION OF PURCHASES OF EVIDENCES OF

INDEBTEDNESS INCLUDED UNDER SUBSECTION (C) OF THIS SECTION, UNTIL THE MINIMUM REQUIRED CAPITAL RATIO HAS BEEN RESTORED.

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

SEC. 9. Art. 107 shall be renumbered as Art. 106 and shall be amended to read as follows:

"ART. [107] 106. [Distribution of Net Surplus. - The provisions of this Code on the allocation of net surplus shall apply.] PROHIBITED ACTS. - WITHOUT PREJUDICE TO ANY PROSECUTION UNDER ANY LAW WHICH MAY HAVE BEEN VIOLATED, A FINE OF NOT MORE THAN TEN THOUSAND PESOS (₱ 10,000.00) OR IMPRISONMENT OF NOT LESS THAN SIX (6) MONTHS BUT NOT MORE THAN TEN (10) YEARS, OR BOTH, AT THE DISCRETION OF THE COURT, SHALL BE IMPOSED UPON:

(A) ANY OFFICER, EMPLOYEE OR AGENT OF A COOPERATIVE BANK WHO SHALL:

1. MAKE FALSE ENTRIES IN ANY BANK REPORT OR STATEMENT THEREBY AFFECTING THE FINANCIAL INTEREST OF, OR CAUSING DAMAGE TO THE BANK OR TO ANY PERSON; OR

2. WITHOUT ORDER OF A COURT OF COMPETENT JURISDICTION, DISCLOSE ANY INFORMATION RELATIVE TO THE FUNDS OR PROPERTIES IN THE CUSTODY OF A COOPERATIVE BANK; OR

3. ACCEPT GIFTS, FEES OR COMMISSIONS OR ANY OTHER FORM OF REMUNERATION IN CONNECTION WITH THE APPROVAL OF A LOAN FROM SAID BANK; OR

4. OVERVALUE OR AID IN THE OVERVALUING OF ANY SECURITY FOR THE PURPOSE OF INFLUENCING IN ANY WAY THE ACTION OF THE BANK ON ANY LOAN; OR

5. APPEAR AND SIGN AS GUARANTOR, INDORSER, OR SURETY OR LOANS GRANTED; OR

6. VIOLATE ANY PROVISIONS OF THIS CODE;

(B) ANY APPLICANT FOR LOAN OR BORROWER OF A COOPERATIVE BANK WHO SHALL:

(1) MISUSE, MISAPPLY OR DIVERT THE PROCEEDS OF A LOAN OBTAINED BY HIM FROM ITS DECLARED PURPOSE; OR

(2) FRAUDULENTLY OVERVALUE PROPERTY OFFERED AS SECURITY FOR A LOAN FROM SAID BANK; OR

(3) GIVE OUT OR FURNISH FALSE STATEMENTS OR WILLFULLY MISREPRESENT OR CONCEAL MATERIAL FACTS FOR THE PURPOSE OF OBTAINING, RENEWING, OR INCREASING A LOAN OR EXTENDING THE PERIOD THEREOF; OR

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

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

(6) DISPOSE OF ENCUMBER THE PROPERTY OFFERED AS SECURITY FOR A LOAN; AND

(C) ANY EXAMINER, OR OTHER OFFICER OR EMPLOYEE OF THE BANGKO SENTRAL OR OF ANY DEPARTMENT, BUREAU, OFFICE, BRANCH OR AGENCY OF THE GOVERNMENT WHO IS ASSIGNED TO EXAMINE, SUPERVISE, ASSIST OR RENDER TECHNICAL SERVICE TO COOPERATIVE BANKS WHO SHALL CONNIVE OR AID IN THE COMMISSION OF THE ACTS

PROHIBITED IN THIS ARTICLE.

"ANY METROPOLITAN, MUNICIPAL, OR MUNICIPAL CIRCUIT TRIAL COURT JUDGE OR REGISTER OF DEEDS WHO SHALL DEMAND OR ACCEPT, DIRECTLY OR INDIRECTLY, ANY GIFT, FEE, COMMISSION, OR ANY OTHER FORM OF COMPENSATION IN CONNECTION WITH THE SERVICE, OR SHALL ARBITRARILY AND WITHOUT REASONABLE CAUSE DELAY THE ACKNOWLEDGEMENT OR ADMINISTRATION OF AN OATH, OR THE REGISTRATION OF DOCUMENTS REQUIRED TO BE PERFORMED BY SAID JUDGE OR SAID REGISTER OF DEEDS SHALL BE PUNISHED WITH A FINE OF NOT MORE THAN ONE THOUSAND PESOS (₱1,000.00) OR BY IMPRISONMENT OF NOT MORE THAN ONE (1) YEAR, OR BOTH, AT THE DISCRETION OF THE COURT.

"ANY BANK NOT ORGANIZED AND REGISTERED UNDER THIS CODE, AND ANY PERSON, ASSOCIATION OR CORPORATION DOING THE BUSINESS OF BANKING, NOT AUTHORIZED UNDER THIS CODE OR EXISTING LAWS, WHICH SHALL USE THE WORDS "COOPERATIVE BANK" AS PART OF ITS NAME OR TITLE AS SUCH BANK OR SUCH PERSON, ASSOCIATION OR CORPORATION SHALL BE PUNISHED BY A FINE OF NOT LESS THAN ONE HUNDRED PESOS (₱100.00) BUT IN NO CASE TO EXCEED THIRTY THOUSAND PESOS (₱30,000.00) FOR EACH DAY DURING WHICH THE SAID WORDS ARE SO USED.

"SECTION 5. PRIVILEGES. - IN ADDITION TO THE PRIVILEGES GENERALLY GRANTED TO COOPERATIVES UNDER THIS CODE, A COOPERATIVE BANK SHALL ALSO BE EXEMPTED FROM THE PAYMENT OF ALL TAXES, LICENSES, FEES AND CHARGES OF WHATEVER TYPE, NATURE AND DESCRIPTION, WHETHER NATIONAL OR LOCAL, FOR A PERIOD OF TEN YEARS FROM THE EFFECTIVITY OF THESE AMENDMENTS TO THE COOPERATIVE CODE OR FROM THE DATE OF REGISTRATION OF A COOPERATIVE BANK WITH THE COOPERATIVE DEVELOPMENT

AUTHORITY, WHICHEVER COMES LATER.

SEC. 10. Art. 109 is hereby amended to read as follows:

"ART. 109. Assistance to Cooperative Banks.

"SECTION 1. GENERAL. - IN ACCORDANCE WITH EXISTING POLICIES, GOVERNMENT AGENCIES, GOVERNMENT- OWNED OR CONTROLLED CORPORATIONS AND FINANCIAL INSTITUTIONS SHALL PROVIDE ASSISTANCE, WHETHER TECHNICAL OR FINANCIAL OR OTHERWISE, TO COOPERATIVE BANKS TO PERMIT THEM TO GROW, DEVELOP AND PERFORM THEIR ROLE IN COUNTRYSIDE DEVELOPMENT AND TOWARDS A SUSTAINABLE NATIONAL ECONOMIC DEVELOPMENT.

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

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

as (receiver or) conservator of the said bank pursuant to the provisions of Section 29 of Republic Act No. 7653, as amended."

SEC. 11. Any provision of law, presidential decree or issuance, executive order, letter of instruction, rule or regulation, inconsistent with the provisions of this Act is hereby repealed, amended or modified accordingly.

SEC. 12. If any provision of this Act or the application thereof to any person or circumstances is held invalid or unconstitutional, the other provisions of this Act and the application of such provisions to other persons and circumstances shall not be affected thereby.

SEC. 13. This Act shall take effect fifteen (15) days following its publication in at least two (2) national newspapers of general circulation.

Approved,