



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 993

Series of 2018

Subject: Adoption of the Know-Your-Member Guidelines for Non-Stock Savings and Loan Associations

Pursuant to Section 2 and its powers under Section 22 of Republic Act (R.A.) No. 8367, otherwise known as the "*Revised Non-Stock Savings and Loan Association Act of 1997*", the Monetary Board, in its Resolution No. 20 dated 5 January 2018, approved the following guidelines for NSSLAs to appropriately establish the true identity and eligibility of persons to become members and adopt effective systems that will provide assurance that membership is confined to their respective well-defined groups.

Section 1. Section 4102S and its Subsections of the Manual of Regulations for Non-Bank Financial Institutions applicable to Non-Stock Savings and Loan Associations, are hereby added to read as follows:

"Section 4102S Know-Your-Member. The NSSLAs shall not be used as a vehicle by unscrupulous persons, its trustees and officers to profit or take advantage of their nature and operations. Thus, the board of trustees (BOT) and management of NSSLAs shall be responsible in putting in place and implementing an effective risk management system, policies, processes and practices towards the effective determination and monitoring of the identity and eligibility of prospective and existing members on a continuing basis. While NSSLAs may create their own systems, the same shall consider the minimum standards set forth under these guidelines.

The membership of persons whose identity and/or membership are questionable and/or ineligible to become members shall cease immediately, and such persons shall solely bear any risk of loss or impairment as a result of their unauthorized membership. This shall be without prejudice to actions that may be taken against the NSSLAs concerned, their trustees, officers, employees and agents/sales representatives for misfeasance or malfeasance, irregularities or omissions, or other similar acts which result in violation of the concept of NSSLAs' well-defined group."

"Subsection 4102S.1 Membership Selection and Screening. An NSSLA shall develop a clearly defined and written selection and screening policies and procedures to ensure compliance with its well-defined group. The selection and screening process employed by NSSLAs should be able to appropriately establish the true identity and eligibility of prospective members. The BOT and senior management of NSSLAs shall be ultimately responsible in the determination of the true identity and eligibility of individuals accepted as members. No reliance shall be made on representations by, nor shall the

membership selection and screening process be delegated to or otherwise assumed by, agents or sales representatives engaged by the associations.

- a. Minimum Documentary Requirements.** An NSSLA shall require a prospective member to submit documents to establish his identity and eligibility. It shall be the responsibility of the BOT and management to enumerate the documentary requirements in their respective policies as well as the consistent and effective implementation thereof. For this purpose, minimum documentary requirements include, among others, the following:

Prospective Employee-Member	Prospective Eligible Immediate Family-Member
Valid identification card ("ID") with photo and signature issued by his/her employer company or department/branch/office of government, and any of the following or their equivalent as proof of eligibility: (1) Certificate of employment*; or (2) Certificate of compensation*; or (3) Endorsement from the company or department/branch/office of government. *In case of an NSSLA which is allowed to accept retirees as its members, proofs of eligibility applicable for a retiree shall be submitted. Member-retiree is not the same as retiree contemplated herein as the former is already a member prior to retirement while the latter is not.	Photo and signature bearing valid ID, such as driver's license, passport or similar documents, and the following as proof of eligibility: (1) NSO-issued marriage certificate for spouse; or (2) NSO-issued birth certificates of the principal member (i.e., the employee-member or member-retiree) and the immediate family.** **The extent of the applicable NSO-issued certificates to be submitted shall depend on the degree of kinship, and shall, on their face, be able to establish the degree of relationship.

In addition to the above requirements, the NSSLA's BOT and management shall ensure that the following minimum information are obtained and documented in an accomplished membership application form: (a) name of the applicant; (b) complete permanent address; (c) contact numbers; (d) name of and relationship with the principal (i.e., employee-member or member-retiree) in case of immediate family; and (e) specimen signatures.

NSSLAs are not prohibited from requiring additional documents that they deem necessary to establish the identity and eligibility of their prospective members.

b. Validation of documents/information. The information and documents proving the identity and eligibility of prospective members shall be subjected to validation. The conduct of validation procedures is a must for immediate families of employee-member or member-retiree, and may include, but not limited to, the following:

- (1) Confirming the relationship with the employee-member or retiree-member from duly authenticated official document;
- (2) Verifying the permanent address through evaluation of documents such as utility bills, bank or credit card statement or other documents showing permanent address or through on-site visitation; and
- (3) Confirming the submitted proof of employment directly from the employer of the prospective immediate family member.

c. Face-to-face contact. No prospective member shall be accepted without face-to-face contact with the NSSLA's duly authorized personnel. NSSLAs shall ensure that compliance with this requirement is duly documented. The documentation, at a minimum, shall include the capital contribution account opening and membership application forms, which shall explicitly indicate that face-to-face contact was conducted by and between the member and the specifically named authorized personnel."

"Subsection 4102S.2 Approval. An individual eligible for membership shall become a member of the NSSLA after the approval of his membership by the BOT. In case of delegated authority as allowed in the NSSLA by-laws, it shall be subject to the confirmation by the BOT. Prior to the approval or confirmation by the Board, the Association should ensure compliance with the payment of entrance fee and regulatory fixed capital or higher minimum fixed capital prescribed under the NSSLA's by-laws, as applicable. The Board Resolution on the approval or confirmation with accompanying document on delegated approval of the membership shall be maintained by the Corporate Secretary.

Changes in membership status arising from: (a) retirement of employee-member (i.e., from employee-member to member-retiree); and (b) termination of membership such as due to death, voluntary or involuntary termination by the NSSLA, shall likewise be subject to approval or confirmation by the BOT, as may be applicable. Such changes in membership status shall be duly supported by documentary proof/s.

Upon approval of membership, the NSSLA shall issue Certificate of Membership (pre-numbered) or Membership ID to the new member. Said documents are not substitutable by passbook or other similar documents as proof of membership."

"Subsection 4102S.3 Membership Registry. The NSSLA, through the corporate secretary or board-designated person, shall maintain a registry of all its members which shall clearly identify and show the relationships of members.

Proforma of the registry which shall be maintained and timely updated by the Corporate Secretary or board-designated person is shown below:

Names of Employee- or Member-Retiree	Date of Membership	Immediate Family Members	Date of Membership	Relationship (Up to second degree of consanguinity or affinity)
1. Juan dela Cruz-employee/retiree		1. Maria Dela Cruz		spouse

The NSSLA may adopt a different system, provided that such system shall be able to sufficiently provide the identity and clear relationships of members."

"Subsection 4102S.4 Membership Administration, Record Keeping and Retention. The corporate secretary or board-designated person shall be in-charge in the maintenance and safe storage of all membership identification and eligibility records. Said person shall ensure the integrity of such files.

The original records shall be preserved and safely stored as long as the membership exists. With respect to terminated memberships, the same shall be maintained for at least five (5) years from the date of cessation of membership from the NSSLA unless there is a pending case involved, in which case records shall be maintained until the case is closed with finality. It is understood that original of the records are kept and maintained, and that other forms of the records, e.g., photocopy or scanned copy, may be kept but the originals thereof are made readily available. All records shall be readily available upon request for off-site supervision or during on-site examinations/investigations by the Bangko Sentral or audit by external auditors to verify compliance with the provisions on well-defined group.

Individual membership file shall contain each member's records, which include at the minimum: (a) accomplished membership application form; (b) documentary requirements to establish his identity and eligibility; (c) copy of Board Resolution (BR) of membership approval/confirmation, but alternatively, the BR No. and date of approval may be stamped on the accomplished application form and the BR referred to shall be made readily available; and (d) receipts or proofs for payment of fees required by by-laws and minimum capital contribution.

In case of eligible members who were accepted prior to effectivity of the circular, inclusion of the following documents in the file shall be sufficient: (a) accomplished membership application/update form; (b) documentary requirements to establish identity and eligibility; and (c) copy of a proof that capital contribution exist prior to effectivity of the circular.

Moreover, membership registry shall be updated to reflect the true status of membership of persons within the well-defined group (e.g., change in status from member-employee to member-retiree, termination of membership). In this regard, the BOT shall establish policies, processes and practices to ensure timely updating of status of membership and membership registry.

The BOT shall prescribe the necessary adequate security measures to ensure the confidentiality of such files.”

“Subsection 4102S.5 *Orientation of members.* To empower members and address their expectations, the BOT and management of NSSLAs shall ensure that prospective members are provided with adequate orientation prior to the approval of their applications for membership. Such orientation shall cover their rights and privileges, particularly voting rights; expectations on earnings/net income distribution; participation during general membership assemblies; complaints mechanism and disclosure of results of operations, among others.”

“Subsection 4102S.6 *Sanctions.* Any violation of the provisions of this Section and/or the provision on well-defined group under Section 4 of R.A. No. 8367 and/or the By-Laws of the NSSLA shall subject the NSSLA, its trustee/s, officer/s and agent/s to applicable sanctions as the Monetary Board may impose pursuant to R.A. No. 8367 (The Revised Non-Stock Savings and Loan Association Act of 1997), these rules, and any pertinent laws or regulations.”

“Subsection 4102S.7 *Transitory Provisions.* For existing members prior to the effectivity of this Circular, NSSLAs shall comply with the foregoing requirements, and attain full compliance with the determination of the identity and eligibility of such members within one (1) year from effectivity of the circular. In this regard, an NSSLA shall submit, within thirty (30) days from effectivity of the circular, its plan of action/s, duly approved by its BOT, showing measures undertaken or to be undertaken to achieve full compliance with the requirements under this Section with respect to its existing members accepted prior to the effectivity of this circular.

The membership in the NSSLA of the existing members found to be ineligible by the BOT or thru examination conducted by the Bangko Sentral, pursuant to the provisions of this Section, shall immediately cease, and that members’ corresponding outstanding balances shall be subject to an acceptable divestment plan duly approved by the NSSLA’s BOT. Provided that, an acceptable divestment plan shall be submitted to the appropriate

Department of the Bangko Sentral within thirty (30) calendar days from end of the one year period to determine the identity and eligibility of existing members, and the NSSLAs concerned shall thereafter submit a detailed quarterly status and monitoring report thereon. Provided further that, non-compliance with the acceptable divestment plan, as determined in off-site monitoring or on-site examinations or investigations conducted by the Bangko Sentral, without justifiable cause/reason, shall subject the NSSLAs, its trustees and/or officers to applicable enforcement action."

Section 2. Section 4101S shall be amended to read as follows:

"Section 4101S Statement of Policy and Scope of Authority of Non-Stock Savings and Loan Associations.

The Bangko Sentral adopts the policy of the State to lay down the minimum requirements and the standards under which non-stock savings and loan associations (NSSLAs) may organize and operate in a sound and efficient manner.

An NSSLA shall include any non-stock non-profit corporation engaged in the business of accumulating the savings of its members and using such accumulations for loans to members to service the needs of households by providing long term financing for home building and development and for personal finance. An NSSLA may also engage in a death benefit program meant exclusively for the benefit of its members.

An NSSLA shall accept deposits from and grant loans to its members only. The NSSLAs shall provide assurance to their members and to supervisory authorities that they confine their membership to a well-defined group of persons and not to transact business with the general public."

Section 3. Subsection 4101S.1 shall be amended as follows:

"Subsection 4101S.1 Membership.

a. An NSSLA shall confine its membership to well-defined group of persons.

A well-defined group shall consist of any of the following:

- (1) Employees, officers, and trustees of one company, including member-retirees;
- (2) Government employees belonging to the same office, branch, or department, including member-retirees; and
- (3) Immediate members of the families up to second degree of consanguinity or affinity of those falling under Items "(1)" and "(2)" above.

NSSLAs whose articles of incorporation and by-laws were approved and registered prior to the effectivity of R.A. No. 8367 and which limit and/or allow membership coverage broader or narrower than the foregoing definition, shall be allowed to continue as such.

The Monetary Board may, as circumstances warrant, require NSSLAs mentioned in the immediately preceding paragraph to amend their by-laws to comply with the concept of a well-defined group.

- b. In no case shall the total amount of entrance fee exceed one percent (1%) of the amount to be contributed or otherwise paid-in by the particular member: Provided That, for new members, the fee shall be based on the amount of contributions computed in accordance with the revaluation of the assets of the NSSLA."

Section 4. This Circular shall take effect fifteen (15) days after its publication either in the Official Gazette or in a newspaper of general circulation.

For the Monetary Board:


NESTOR A. ESPENILLA, JR.
Governor

29 January 2018