



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 682
Series of 2010

Subject: Rules and Regulations for Cooperative Banks

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

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

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

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

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

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Section 3. Registration, Application Procedures and Pre-Operating Requirements for Cooperative Banks

1. A prospective Cooperative Bank shall file its application for licensing as a bank with the BSP, and upon approval, shall be registered with the CDA.
2. Duly registered cooperatives applying for authority to establish a Cooperative Bank shall submit the documents enumerated in Section 4, Appendix 38 of the MORB to the Central Applications and Licensing Group, SES.
3. A Cooperative Bank established under R.A. No. 9520 shall comply with the pre-operating requirements specified in Section 11, Appendix 38 of the MORB.

Section 4. Capital Requirements. Cooperative Banks that will be established under R.A. No. 9520 shall have a minimum paid in capital of Ten Million Pesos (Php 10,000,000.00).

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

Cooperative Banks shall issue par value shares only.

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

1. The definition, qualifications, responsibilities and duties of the Board of Directors and Officers that are generally applicable to all banks under Sections X141 to X143 of the Manual of Regulations for Banks (MORB) shall also apply to Cooperative Banks.
2. Cooperative Banks shall, likewise, comply with the following regulations on the minimum qualification requirements of the members of its Board of Directors and Officers:
 - a. At least one (1) member of the Board of Directors of a Cooperative Bank shall have one (1) year experience in banking, and
 - b. The manager of a Cooperative Bank must have actual banking experience (at least manager or assistant manager).
3. The quorum requirement for general assembly meetings, whether special or regular, shall be one-half plus one of the number of voting shares of all the members in good standing.

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

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

Section 6. Membership in a Cooperative Bank

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

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

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

Cooperative Banks shall inform their member SN and MKSAN that they have to convert to full-fledged cooperatives within a period of one year from 22 March 2009 (effectivity of R.A. No. 9520). If the SN or MKSAN fails to do so, the Cooperative Bank concerned shall convert the common shares held by such associations to preferred shares. The conversion to full-fledged cooperatives and conversion of common shares to preferred shares shall both be reported to the BSP within six (6) months from effectivity of this Circular.

Section 7. Establishment of Cooperative Banks

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

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

Section 8. Establishment of Branches and Other Offices

1. The Cooperative Bank of the province may set up branches/extension offices/other banking offices (OBOs) anywhere within the province subject to compliance with the applicable branching rules and regulations as provided in Section X151 of the MORB.
2. Cooperative Banks from other provinces may set up branches/extension offices/OBOs in cities or municipalities where there are no other Cooperative Bank head office/branch/extension office.
3. The establishment of branches/extension offices mentioned in Items 1 and 2 above shall be subject to the following minimum combined capital requirement:
 - a. At least Php 10 Million (Php 10,000,000.00) to establish branches/extension offices anywhere within the province where its head office is located;
 - b. At least Php 50 Million (Php 50,000,000.00) to establish branches/extension offices in any island group (i.e., Luzon, Visayas, Mindanao) where the head office is located, except in Metro Manila;
 - c. At least Php 100 Million (Php 100,000,000.00) to establish branches/extension offices anywhere in the country except in Metro Manila unless the Cooperative Bank is qualified to establish a branch/extension office in Metro Manila and/or restricted areas as provided in Items d.1 and d.2 of Subsection X151.4 of the MORB on the branching guidelines.
4. Other relevant branching rules and regulations which are not inconsistent with the above provisions shall continue to be governed by Section X151 of the MORB.

Section 9. Powers, Functions and Allied Undertakings of Cooperative Banks.

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

Consistent with existing rules and regulations applicable to banks other than universal banks on limits on investments in the equities of financial allied undertakings under Section X378 of the MORB, a Cooperative Bank with existing investments in insurance companies, including insurance cooperatives, shall not increase but may reduce and once reduced, shall not increase such equity

holdings: *Provided*, That the entire equity holdings shall be divested within a period of five (5) years from the effectivity of this Circular.

Section 10. Privileges, Incentives and Assistance for Cooperative Banks. The Cooperative Banks shall be given the same privileges and incentives granted to rural banks, thrift banks, commercial banks, and universal banks to rediscount notes with the BSP, the Land Bank of the Philippines, and other government banks.

The foreclosure of mortgages covering loans granted by Cooperative Banks and execution of judgment thereon involving real properties levied upon by a sheriff shall be exempt from the publications in newspapers now required by law where the total amount of loan, excluding interests due and unpaid, does not exceed Php 250 Thousand (Php 250,000.00) or such amount as the BSP may prescribe as may be warranted by prevailing economic conditions and by the nature and character of the Cooperative Banks. It shall be sufficient publication in such cases if the notices of foreclosure and execution of judgment are posted in conspicuous areas in the bank's premises, municipal hall, the municipal public market, the barangay hall and the barangay public market, if any, where the property mortgaged is situated during the period of sixty (60) days immediately preceding the public auction or execution of judgment. Proof of publication as required herein shall be accomplished by an affidavit of the sheriff or officer conducting the foreclosure sale or execution of judgment and shall be attached to the records of the case.

Section 10. Applicability of Banking Laws. With respect to the operations and governance of cooperative banks, the provisions of the banking laws, rules and regulations shall prevail, notwithstanding Section 71 of RA 8791, otherwise known as the General Banking Act of 2000.

Section 11. Effectivity. This Circular shall take effect fifteen calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD.



DIWA C. GUINIGUNDO

Officer-in-Charge

15 February 2010