

[BSP CIRCULAR NO. 1264, December 08, 1990]

ORGANIZATION OF RURAL BANKS BY COOPERATIVES

The Monetary Board, in its Resolution No. 1155 dated October 26, 1990 approved the amendment of the Guidelines for the Organization of Rural Banks by Cooperatives, embodied in Appendix 5 a to Subsection 3175.9 of the Manual of Regulations for Banks and Other Financial Intermediaries, Book III, and the issuance of the attached revised Guidelines for the Organization of Cooperative Banks.

This Circular shall take effect immediately.

Adopted: 08 Dec. 1990

(SGD.) JOSE L. CUISIA, JR.
Governor

Guidelines for the Organization of Cooperative Banks
(Appendix to Sub-section 3175.9)

Pursuant to Monetary Board Resolution No. 1155 dated October 26, 1990, and in line with the provisions of the Cooperative Code of the Philippines (Republic Act No. 6938), the Rural Banks Act (Republic Act No. 720 as amended) and other related laws, the following rules and regulations governing the establishment of cooperative banks are hereby promulgated.

SECTION 1. Cooperative Defined — A cooperative is a duly registered association of persons with a common bond of interest, who have voluntarily joined together to achieve a lawful common social or economic end, making equitable contributions to the capital required 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, all cooperative organizations registered or re-registered with the Cooperative Development Authority (CDA) under Republic Act No. 6938 shall be considered cooperatives.

SECTION 2. Organizers of Cooperative Banks — Only duly established cooperatives and federations of cooperatives which are registered or re-registered with the Cooperative Development Authority (CDA) under R.A. No. 6938 may become members/organizers of cooperative banks organized in accordance with the provisions of these guidelines. At least fifteen (15) such cooperatives organized in the province applied for may form and operate a cooperative bank.

SECTION 3. Registration Requirements — A prospective cooperative bank shall file its application for licensing as a bank with the Central Bank of the Philippines (CBP)

and upon approval shall be registered with the CDA.

SECTION 4. Application Documents — Duly registered cooperatives applying for authority to establish a cooperative bank shall submit the following documents to CBP-SES Department III

- a. Certificate of registration or re-registration of the various prospective cooperative-members of the cooperative bank;
- b. Articles of cooperation and by-laws of the proposed cooperative bank in five (5) copies
- c. Bio-data, accomplished in the prescribed form under oath and in triplicate, by each of the authorized representatives of the cooperative-members, and proposed officers of the cooperative bank;
- d. List of prospective cooperative bank personnel (manager, Cashier, Bookkeeper and Inspector) together with their bio-data (the aforementioned form under 4(c) may be used for this purpose), also under oath in triplicate and
- e. Pertinent data and information to show that there is economic justification for the establishment of a cooperative bank in the province applied for.

SECTION 5. Limitation on the Establishment of Cooperative Bank. — Only one cooperative bank shall be established in each province, which must be located in place accessible to the public.

SECTION 6. Limitation on Capital Contribution of Cooperatives — Capital contributions in a cooperative bank shall be as widely dispersed as possible. No cooperative-member shall own or control more than thirty percent (30%) of the total capital contributions of a cooperative bank. This limitation shall also apply to cooperative purchasing government held preferred shares of cooperatives banks which are converted into common stock.

SECTION 7. Capitalization — A local cooperative bank shall have a minimum paid-up capital contribution of not less than P1,250,000 net of government capital contribution. In addition, Land Bank of the Philippines shall invest at least P1,000,000 as counterpart capital.

SECTION 8. Members of the Board of Directors — The number of members of the Board of Directors of a cooperative bank shall not be less than five (5) nor more than fifteen (15) which shall at all times be in odd numbers. These directors shall come from the ranks of the authorized representatives of the cooperative-member.

SECTION 9. Qualifications and Disqualifications of Officers and Directors. — Officers, such as President, Vice-President, Manager, Treasurer, Cashier and Accountant and directors of the cooperative bank must possess the qualifications and none of the disqualifications prescribed under the attached Annex "A" (Instructions for Directors and Officers of Proposed Cooperative Banks).

SECTION 10. Limitation on Officership/Directorship — Any officer or employee of the Cooperative Development Authority shall be disqualified to be elected or appointed

to any position in a cooperative bank. Elective officials of the Government, except barangay officials, shall also be ineligible of the Government, except barangay officials, shall also be ineligible to become officers and directors of cooperative banks.

SECTION 11. Pre-Cooperative Bank Operation Requirements — Before the application is submitted to the Monetary Board for action, the proposed cooperative bank is required to submit the location plan and the cost estimates of the proposed bank building and proposed lease contract, if it is to be leased and/or deed of sale of bank lot, if it is to be purchased. In the case of leased premises, a cooperative bank may initially hold its office in said leased premises on a 5-year term, renewable for the same period at the option of the bank.

Within eight (8) month from receipt of advice of approval of the Monetary Board of its application, the proposed cooperative bank shall:

- a. Complete the construction and furnishing of the bank building which shall be equipped with facilities, furniture, forms and stationery, and vault of reinforced concrete with a steel two-hour fire resistant door in accordance with the specifications of the Central Bank.
- b. Effect and complete the training/seminar of directors, officers and employees of the cooperative bank.
- c. Submit the plantilla of organization and bonds of accountable officers; and
- d. Inaugurate and open the cooperative bank for business.

SECTION 12. Training of Personnel, Directors and Officers — The following personnel of the cooperative bank as well as the directors and officers are required to undergo training at the Central Bank Institute.

- a. The Manager who must possess the qualifications and none of the disqualifications as enumerated in the attached Annex "A".
- b. The Cashier who must also possess the qualifications and none of the disqualifications as enumerated in the attached Annex "A".
- c. The Bookkeeper who must be at least 21 years old, a college degree holder, and must have at least 18 units in accounting.
- d. The Field Inspector-Appraiser who must be at least 21 years old, at least a high school graduate, and must have knowledge/experience in farming, preferably an Agriculture graduate.

SECTION 13. Validity Period of Authority to Operate the Cooperative Bank — The cooperative bank shall be organized and opened for business within eight (8) months upon receipt by the proposed cooperative bank of the notice of approval of its application by the Monetary Board, otherwise, the authority to operate shall be deemed automatically revoked.

SECTION 14. These rules and regulations supersede the Guidelines for the