

[BSP CIRCULAR NO. 682, S. OF 2010, February 15, 2010]

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.

SECTION 3. Registration, Application Procedure 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
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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 requirements 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 requirements 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