

NINETEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
*Second Regular Session* )

Office of the Secretary

24 FEB 27 P 6 :00

**SENATE**  
**S. No. 2579**

RECEIVED BY: \_\_\_\_\_

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Introduced by Senator MARK A. VILLAR

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**AN ACT**  
**PROVIDING FOR THE REGISTRATION, REGULATION, AND OPERATION OF**  
**COOPERATIVE BANKS**

EXPLANATORY NOTE

Through the Philippine Cooperative Code of 2008, the cooperative sector has played a huge role in delivering financial services to rural areas especially the extension of loans and credit to marginalized communities. Cooperative banks are crucial and instrumental in aiding the government's effort with poverty alleviation by providing credit and other financial services to the cooperative sector. In a co-existence of both stakeholders, cooperative banks are owned, managed, and financed by primary cooperatives using their funds from their members' shareholding and in turn, these primary cooperatives borrow money from cooperative banks to support their loan programs for their members who are usually farmers, fisherfolk, micro entrepreneurs, and small traders.

As of December 2022, the total operating income of rural and cooperative banks in the Philippines amounted to approximately 41.09 billion Philippine pesos while the value of deposits in rural and cooperative banks in the Philippines amounted to approximately 270 billion Philippine pesos.

This bill aims to create an effective legal framework for cooperative banks and through this bill, cooperative banks will better serve farmers, fisherfolk, micro

entrepreneurs, small traders, and other rural workers. Through this bill, it is hoped that the market reach of cooperative banks will expand to the unbanked Filipinos.

Therefore, immediate passage of this bill is earnestly sought.




**MARK A. VILLAR**

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**AN ACT**  
**PROVIDING FOR THE REGISTRATION, REGULATION, AND OPERATION OF**  
**COOPERATIVE BANKS**

*Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:*

**CHAPTER I**

**DECLARATION OF POLICY AND DEFINITIONS**

1  
2  
3       Sec. 1. *Short Title.* — This Act shall be known as the "*Cooperative Banking Act*  
4 *of 2024*".

5       Sec. 2. *Declaration of Policy.* — The State hereby declares its policy to foster  
6 the creation and growth of cooperatives to promote self-reliance, communal unity and  
7 the attainment of economic development and social justice. The State shall encourage  
8 the private sector to undertake the actual formation and organization of cooperatives  
9 and shall create an atmosphere that is conducive to the growth and development of  
10 these cooperatives.

11       Further, the State hereby declares its policy to: (1) Recognize Cooperative  
12 Banks (CBs) as practical vehicles for the promotion of self-reliance and economic  
13 development and the attainment of social justice; (2) Encourage thrift and savings  
14 mobilization for the achievement of sustainable economic development primarily  
15 among cooperatives and their members; and (3) Regulate and supervise the activities

1 of CBs in order to achieve sound, stable, sustainable, and efficient operations for the  
2 protection of the public interest.

3 Towards these ends, the Government shall encourage and assist in the  
4 establishment of CBs in order to make credit facilities available and readily accessible  
5 on reasonable terms.

6 *Sec. 3. Definition of Terms. — As used in this Act:*

- 7 a) Cooperative Bank – refers to a bank organized under this Act and under the  
8 provisions of R.A. No. 9520, otherwise known as the Philippine Cooperative  
9 Code of 2008, and prior laws, for the primary purpose of providing a wide  
10 range of financial services to cooperatives and their members and the  
11 public, and which was issued by the Bangko Sentral ng Pilipinas (BSP) a  
12 license to operate as such, the majority shares of which are owned and  
13 controlled by the cooperative organizations;
- 14 b) Cooperative organization – refers to any cooperative whether primary,  
15 secondary, tertiary, or a special type of cooperative registered under the  
16 provisions of R.A. No. 9520 and R.A. No. 10744, otherwise known as the  
17 Credit Surety Fund Cooperative Act of 2015; and
- 18 c) Samahang Nayon and Municipal Katipunan ng mga Samahang Nayon –  
19 refers to pre-cooperative organizations established under Presidential  
20 Decree No. 175, on Strengthening the Cooperative Movement.

## 21 **CHAPTER II**

### 22 **ORGANIZATION**

23 *Sec. 4. Organization and Membership. —* The Organization and membership of  
24 a Cooperative Bank (CB) shall be governed by the following:

- 25 a) Organization – At least fifteen (15) cooperative organizations duly  
26 established and registered under the Cooperative Code may register a CB  
27 with the Cooperative Development Authority (CDA), upon compliance with  
28 the requirements of and required authorization from the BSP;
- 29 b) Membership – Membership in a CB shall be open to:

- 1 a. Cooperatives of all types and categories;
- 2 b. Individuals who are members of a cooperative;
- 3 c. Foreign cooperatives;
- 4 d. Pre-cooperative organizations established under P.D. 175; and
- 5 e. Individuals

6 Membership in a CB is either regular or associate. Regular membership shall be  
7 limited to cooperative organizations and individuals who are members of a domestic  
8 cooperative or foreign cooperative. Associate members shall be pre-cooperative  
9 organizations established under P.D. 175 and individuals who are subscribing and  
10 holding preferred shares only.

11 The common shareholdings of local cooperative organizations shall at all times  
12 be at least sixty percent (60%) of the total outstanding voting shares of the CB.  
13 Common shares held by individuals who are members of a cooperative and foreign  
14 cooperatives shall not be more than forty percent (40%) of the total outstanding  
15 voting shares: *Provided*, That the common shareholdings of each individual who is a  
16 member of a cooperative shall not be more than five percent (5%) of the total  
17 outstanding voting shares.

18 *Sec. 5. Establishment of Cooperative Banks.* — The articles of cooperation and  
19 by-laws of a CB or any amendment thereto shall be registered with the CDA only when  
20 accompanied by a certificate of authority issued by the BSP.

21 *Sec. 6. Establishment of Branches and Other Offices.* — The establishment of  
22 branches, branch-lite units, or other banking offices shall be governed by the rules  
23 and regulations of the BSP.

### 24 **CHAPTER III**

#### 25 **MANAGEMENT AND GOVERNANCE OF COOPERATIVE BANKS**

26 *Sec. 7. Management of Cooperative Banks.* — The management of the CBs  
27 shall be governed by the rules and regulations to be promulgated by the BSP, in  
28 consultation with the CDA. To maintain the quality of bank management and accord  
29 appropriate protection to depositors and the public in general, the BSP shall prescribe

1 the fit and proper qualifications of bank directors and officers for the purposes of this  
2 Section, giving due recognition to the unique nature and character of CBs.

3 The number, composition, and term of the Board of Directors shall be defined  
4 in the articles of cooperation and by-laws of the CB in accordance with the following  
5 guidelines:

6 a) Board and Committees – The CB shall constitute, at a minimum, the Board  
7 of Directors, Election Committee, and Audit Committee.

8 The Board of Directors shall be composed of at least five (5) but not more  
9 than fifteen (15) members, at least one (1) of whom is an independent  
10 director. It shall be entrusted with the management of the affairs of the CB.  
11 It shall be responsible for the policy formulation, strategic planning,  
12 direction-setting and activities of the CB. The members of the Board of  
13 Directors shall be elected by the general assembly or representative  
14 assembly of the cooperative.

15 The election Committee shall be responsible for the formulation and  
16 implementation of election rules and guidelines. It shall supervise the  
17 conduct of election and election-related activities, canvass and certify the  
18 results of the election, and decide cases relative to such election, except  
19 those involving the committee itself or its members. The members of the  
20 Election Committee shall be elected by the general assembly or  
21 representative assembly.

22 The Audit Committee is a board-level committee whose composition,  
23 functions and responsibilities shall be in accordance with the existing  
24 regulations of the BSP. Other board-level committees may be created as  
25 may be directed by the BSP.

26 Other committees may be created by the Board of Directors with powers,  
27 functions, and responsibilities which shall be defined in the by-laws.

28 b) Key Management Officers – The key management officers shall be  
29 appointed by the Board and shall include the President, Treasurer, Internal  
30 Auditor, and Compliance Officer, or their equivalent ranks. The BSP shall

1           prescribe the qualifications and disqualifications of the key management  
2           officers.

3           *Sec. 8. Vacancy in the Board and Committees.* – Any vacancy in the board of  
4 directors, other than by removal or by expiration of term, may be filled by the vote of  
5 at least a majority of the remaining directors, if still constituting a quorum; otherwise,  
6 said vacancy must be filled by the general assembly in a regular or special meeting  
7 called for that purpose. A director so elected to fill a vacancy shall serve only the  
8 unexpired term of the predecessor in office.

9           In case of vacancy in the committees, the Board, unless otherwise provided in  
10 the by-laws, will appoint a person to fill the same, subject to the provision that the  
11 person appointed shall serve only for the unexpired portion of the term.

12           *Sec. 9. Compensation.* – In the absence of any provision in the by-laws fixing  
13 their compensation, the directors shall not receive any compensation except for  
14 reasonable per diems: *Provided, however,* That the directors and officers shall not be  
15 entitled to any per diem when, in the preceding calendar year, the CB reported a net  
16 loss or had a dividend rate less than the official inflation rate for the same year. Any  
17 compensation other than per diems may be granted to directors by a majority vote of  
18 the members with voting rights at a regular or special general assembly meeting  
19 specifically called for that purpose: *Provided,* That no additional compensation other  
20 than per diems shall be paid during the first year of existence of the CB.

21           In no case shall the total yearly compensation of directors exceed ten percent  
22 (10%) of the net income of the CB during the preceding year.

23           *Sec. 10. Liability of Directors, Officers and Committee Members.* – Directors,  
24 Officers, and Committee Members, who willfully and knowingly vote for or assent to  
25 patently unlawful acts or who are guilty of gross negligence or bad faith in directing  
26 the affairs of the CB or acquire any personal or pecuniary interest in conflict with their  
27 duties as such directors, officers or committee members shall be liable jointly and  
28 severally to the CB for the full amount of damages or personal gain resulting  
29 therefrom.

1           Sec. 11. *Disloyalty of Directors and Officers.* – A director or officer who, by  
2 virtue of the office, acquires a financial opportunity which should belong to the CB  
3 shall be liable for damages and must account for double the profits that otherwise  
4 would have accrued to the CB by refunding the same, unless the act was ratified by a  
5 two-thirds (2/3) vote of all the members with voting rights.

6           This provision shall be applicable notwithstanding the fact that the director or  
7 officer used personal funds for the venture.

8           Sec. 12. *Dealings of Directors, Officers, Stockholders and Related Interests*  
9 *(DOSRI).* – Dealings with directors, officers, stockholders and related interests of the  
10 CB shall comply with Section 36 of R.A. No. 8791, otherwise known as the “General  
11 Banking Law of 2000.”

12           Sec. 13. *Illegal Use of Confidential Information.* – A director or officer, or an  
13 associate of a director or officer, who, for the benefit or advantage or that of an  
14 associate, makes use of confidential information that, if generally known, might  
15 reasonably be expected to adversely affect the operations and viability of the CB, shall  
16 be held:

- 17           a) Liable to compensate the CB for the direct losses suffered by the CB as a  
18 result of the illegal use of information; and  
19           b) Accountable to the CB for any direct benefit or advantage received or yet to  
20 be received by the associate, as a result of the transaction.

21           The CB shall take the necessary steps to enforce the liabilities and  
22 accountabilities described herein.

23           Sec. 14. *Bond for Faithful Performance of Duties and Obligations.* – Every officer  
24 or employee handling funds, securities, or property on behalf of a CB shall, before  
25 performing such duties, execute and deliver adequate and appropriate bond for the  
26 faithful performance of one’s duties and obligations.

27           Sec. 15. *Quorum and Voting Rights.* – In meetings of the Board of Directors,  
28 whether special or regular, the quorum requirements shall be one-half plus one of all  
29 the members. Each director shall only have one (1) vote.



1 **CHAPTER IV**

2 **GENERAL ASSEMBLY**

3 Sec. 16. *Composition of the General Assembly.* – The general assembly shall be  
4 composed of regular members who are entitled to vote under the articles of  
5 cooperation and by-laws of the CB.

6 Sec. 17. *Powers of the General Assembly.* – The general assembly shall be the  
7 highest policy-making body of the CB and shall exercise such powers as are stated in  
8 the Cooperative Code, in the articles of cooperation, and in the by-laws of the CB. The  
9 general assembly shall have the following exclusive powers which cannot be  
10 delegated:

- 11 a) To determine and approve amendments to the articles of cooperation and  
12 by-laws;  
13 b) To elect or appoint the members of the board of directors, and to remove  
14 them for cause; and  
15 c) To approve developmental plans of the CB.

16 Subject to such other provisions of the Cooperative Code and only for purposes  
17 of prompt and intelligent decision-making, the general assembly may, by a three-  
18 fourths (3/4) vote of all its members with voting rights present and constituting a  
19 quorum, delegate some of its powers to a smaller body of the CB. These powers shall  
20 be enumerated under the by-laws of the CB.

21 Sec. 18. *Meetings.* – A regular meeting shall be held annually by the general  
22 assembly on a date fixed in the by-laws, or if not so fixed, on any date within one  
23 hundred eighty (180) days after the close of each fiscal year: *Provided*, That notice of  
24 regular meetings may be sent through personal delivery, registered mail or other  
25 electronic means, or such other manner as the BSP may allow under its existing  
26 regulations, to all members of record, and posted in conspicuous places within the CB  
27 premises.

28 Whenever necessary, a special meeting of the general assembly may be called  
29 at any time by a majority vote of the Board of Directors or as provided for in the by-

1 laws: *Provided*, That a notice shall be sent one (1) week prior to the meeting to all  
2 members who are entitled to vote: *Provided, however*, That a special meeting shall  
3 be called by the Board of Directors after compliance with the required notice or by at  
4 least ten percent (10%) of the total members who are entitled to vote to transact  
5 specific business covered by the call.

6 If the board fails to call a regular or a special meeting within the given period,  
7 the CDA shall, upon petition of ten percent (10%) of all the members of the CB who  
8 are entitled to vote, and for good cause shown, shall issue an order to the petitioners  
9 directing them to call a meeting of the general assembly by giving proper notice as  
10 required in the Cooperative Code or in the by-laws.

11 In the case of a newly approved CB, a special general assembly shall be called,  
12 as far as practicable, within ninety (90) days from such approval;

13 The CDA may call a special meeting of the CB for the purpose of reporting to  
14 the members the result of any examination or other investigation of the CB affairs;  
15 and

16 Notice of any meeting may be waived, expressly or impliedly, by any member.

17 *Sec. 19. Quorum and Voting System.* – The quorum requirement for general  
18 assembly meetings, whether special or regular, shall be one-half plus one of the  
19 number of voting shares of all the members in good standing.

20 To amend its articles of cooperation and by-laws, at least three-fourths (3/4)  
21 vote of all the members with voting rights, present and constituting a quorum shall be  
22 required. All other voting requirements shall be prescribed by the BSP.

23 The voting rights of the members shall be proportionate to the number of their  
24 paid-up shares.

## 25 **CHAPTER V**

### 26 **POWERS, FUNCTIONS, AND ALLIED UNDERTAKINGS**

1           Sec. 20. *Powers and Functions of Cooperative Banks.* – CBs shall primarily  
2 provide a wide range of financial services to cooperative organizations, their members,  
3 and the public. A CB may perform any or all of the following banking services:

- 4           a) Extend loans and advances primarily for the purpose of meeting the normal  
5           credit needs of farmers, fishermen, or farm families as well as cooperatives,  
6           merchants, and private and public employees: *Provided,* That loans and  
7           advances granted to cooperative organizations shall not be subject to  
8           individual ceilings on loans to DOSRI;
- 9           b) Accept savings and time deposits;
- 10          c) Act as correspondent of other financial institutions;
- 11          d) Discount and rediscount paper with the Land Bank of the Philippines,  
12          Development Bank of the Philippines or any other bank, including its  
13          branches and agencies. Said banks shall specify the nature of paper deemed  
14          acceptable for rediscounting, as well as the rediscount rate to be charged  
15          by any of these banks;
- 16          e) Act as collection agent;
- 17          f) Act as official depository of Local Government Units and other government  
18          agencies or instrumentalities;
- 19          g) Acquire readily marketable bonds and other debt securities;
- 20          h) Buy and sell foreign exchange;
- 21          i) To act as conduit bank for the disbursement of government funds intended  
22          for lending to agriculture, micro, small-medium enterprises (MSMEs) and  
23          projects for local economic development;
- 24          j) To be eligible to participate in government program allocations for  
25          agricultural lending, social housing, loans to rural micro enterprises and  
26          other initiatives towards inclusive growth; and
- 27          k) Offer other banking services as provided for in Section 53 of R.A. No. 8791.

28           In addition to the powers granted to CBs by this Act and other existing laws,  
29 any CB may perform any or all of the banking services offered by other types of banks  
30 subject to the prior approval of the BSP.



1 the terms thereof and rights appurtenant thereto to determine compliance with laws  
2 and regulations governing capital and equity structure of banks: *Provided, That* CBs  
3 shall issue par value shares only.

4 *Sec. 24. Barrio Savings Fund (BSF), Barrio Guarantee Fund (BGF), Cooperative*  
5 *Development Loan Fund (CDLF), Cooperative Marketing Program (CMP), and other*  
6 *funds administered by CDA.* – In order to augment the capitalization of CBs, the  
7 aforementioned funds collected or deducted by various CBs throughout the country  
8 from the loan proceeds of farmer borrowers in compliance with P.D. 175, which are  
9 still floating and outstanding either as active or dormant accounts in the books of  
10 those banks, shall be converted as capital of the CB located in the province where the  
11 depository banks of the BSF and BGF are located.

12 *Sec. 25. Samahang Nayon and Municipal Katipunan ng mga Samahang Nayon.*  
13 – The Samahang Nayon (SN) and Municipal Katipunan ng mga Samahang Nayon  
14 (MKSAN) which held common shares of CBs prior to the effectivity of R.A. No. 9520  
15 shall apply for conversion to cooperatives in order to maintain their status as regular  
16 members of CBs: *Provided, That* the CBs shall exert efforts to inform and assist the  
17 SN and MKSAN to convert within a period of three (3) years from the effectivity of this  
18 Act. Upon failure of the SN and MKSAN to finally convert to a cooperative within said  
19 period, the funds held in the name of such SN and MKSAN shall be considered as  
20 preferred shares and shall remain as capital of the CB.

21 *Sec. 26. Additional Source of Capital of the CBs.* — The funds or common shares  
22 in CBs held in the name of cooperatives whose certificates of registration have already  
23 been cancelled by the CDA and which failed to liquidate such funds or shares during  
24 its liquidation shall remain as capital in said CBs and shall be treated as preferred  
25 shares.

## 26 **CHAPTER VII**

### 27 **SUPERVISION**

28 *Sec. 27. Supervision of Cooperative Banks.* – All CBs shall be under the  
29 supervision of the BSP: *Provided, however, That* the CDA shall monitor the CBs'  
30 compliance with cooperative laws, rules, and regulations. With respect to the

1 governance of the CBs, the provisions of the banking laws, rules, and regulations shall  
 2 prevail, notwithstanding Section 71 of R.A. No. 8791.

3         *Sec. 28. Promulgation of Guidelines.* – The BSP and CDA may formulate  
 4 guidelines to implement or clarify the provisions of the Act: *Provided,* That the BSP,  
 5 as the regulator of banks, shall be the primary regulator of cooperative banks  
 6 consistent with the provisions of R.A. No. 8791: *Provided, further,* That in order to  
 7 minimize the burden of dually-regulated entities, the BSP shall, in consultation with the  
 8 CDA, shall in its promulgation of rules and regulations, to the extent allowed in banking  
 9 and other relevant laws, and insofar as consistent with the BSP’s exercise of  
 10 supervisory and regulatory powers over banks, consider the requirements of this Act  
 11 and the CDA for cooperatives in general.

12   **CHAPTER VIII**

13   **PRIVILEGES AND INCENTIVES**

14         *Sec. 29. Privileges of Cooperative Banks.* – CBs registered under this Act and  
 15 the Cooperative Code shall have the following privileges and incentives:

- 16             1. Those privileges and incentives accorded to cooperatives under the
- 17                 Cooperative Code and other prior laws including exemption from all
- 18                 national, city, provincial, municipal or barangay taxes, fees and charges of
- 19                 whatever nature and description: *Provided, however,* That when a CB has
- 20                 reached an undivided net savings of more than one hundred million pesos
- 21                 (P100,000,000.00), transactions to non-member will become taxable;
- 22             2. The foreclosure of mortgages covering loans granted by CBs and executions
- 23                 of judgments thereon involving real properties levied upon by sheriff shall
- 24                 be exempt from the publications in newspapers where the total amount of
- 25                 loan, excluding interests due and unpaid, does not exceed one million pesos
- 26                 (P1,000,000.00) or such amount as the Monetary Board may prescribe as
- 27                 may be warranted by prevailing economic conditions. It shall be deemed
- 28                 sufficient publication in such cases where the notices of foreclosure and
- 29                 execution of judgment are posted in the most conspicuous areas such as
- 30                 the municipal building, the municipal public market, the CB, and the

1 barangay hall where the land mortgaged is situated during the period of sixty  
2 (60) days immediately preceding the public auction or execution of  
3 judgment. Proof of publication as required herein shall be accomplished via  
4 an affidavit of the sheriff or officer conducting the foreclosure sale or  
5 execution of judgment and shall be attached to the records of the case;

6 3. A CB shall be allowed to foreclose lands mortgaged to it subject to the  
7 provisions of R.A. No. 6657, otherwise known as the "*Comprehensive*  
8 *Agrarian Reform Law of 1988*". For agrarian lands foreclosed by a CB, the  
9 disposal of the same to another qualified beneficiary under R.A. No. 6657  
10 shall be made through the same CB. Further, the amortization of the  
11 beneficiary in favor of the Department of Agrarian Reform (DAR) shall be  
12 coursed through the servicing CB: *Provided, however,* That CBs shall be  
13 exempt from the landholding limits as prescribed by the DAR or any other  
14 law requiring the same;

15 4. For CBs granted by the BSP with accreditation as Rural Financial Institution  
16 (RFI) under R.A. No. 10000, the following privileges shall be awarded:

17 a. Unrestricted branching rights to set-up agriculture-oriented branches  
18 in unbanked municipalities and predominantly agricultural  
19 communities, subject to existing regulations on minimum  
20 capitalization for banks and the size of branch network;

21 b. Automatic eligibility with the Philippine Guarantee Corporation (with  
22 respect to agricultural credit guarantee), Philippine Crop Insurance  
23 Corporation, and governmental agencies providing services towards  
24 risk-mitigation in the agricultural sector;

25 c. Priority status as credit delivery partner or conduit of government  
26 directed programs for agricultural projects through the Department  
27 of Agriculture (DA) and other government agencies; and

28 d. Entitlement to participate free of charge in capability-building  
29 activities in agriculture lending such as the exchange of best-practice  
30 experiences, study tour, technology transfer among ASEAN member  
31 states and other for a of international cooperation.

1           5. Notwithstanding the provisions herein, privileges and incentives granted to  
2           rural banks pursuant to R.A. No. 7353 or the "*Rural Act of 1992*", shall also  
3           be granted to cooperative banks duly registered under this Act.

4           Sec. 30. *Separability Clause.* – If any provision of this Act or the application  
5           thereof to any person or circumstance is declared invalid or unconstitutional, the  
6           provisions and application to other persons and circumstances not affected thereby  
7           shall continue to be in full force and effect.

8           Sec. 31. *Repealing Clause.* – All laws, executive orders, presidential decrees,  
9           presidential proclamations, letter of instruction, rules and regulations or parts thereof  
10          inconsistent with the provisions of this Act are hereby repealed or modified  
11          accordingly.

12          Sec. 32. *Effectivity.* – This Act shall take effect fifteen (15) days after its  
13          publication in the Official Gazette or in a newspaper of general circulation.

*Approved,*