COMMITTEE REPORT No. 1027

Submitted by the Committee on Banks & Financial Intermediaries and the Committee on Ways & Means on May 31, 2021

Re: House Bill No. 9541

 Recommending its approval in substitution of House Bills Numbered 2435, 7765 & 7878

Sponsor: Representative Cua, Junie E.

Mr. Speaker:

The Committees on Banks & Financial Intermediaries and Ways & Means to which were referred House Bill No. 2435, by Rep. CANAMA, SABINIANO S., entitled:

AN ACT

PROVIDING FOR THE CREATION OF THE COOPERATIVE BANKING ACT;

House Bill No. 7765 by Rep. TAMBUNTING, JOY MYRA S. entitled:

AN ACT

PROVIDING FOR THE REGISTRATION, REGULATION AND OPERATION OF COOPERATIVE BANKS AND OTHER PURPOSES;

and House Bill No. 7878 by Rep. GARCIA, PABLO JOHN F. entitled:

AN ACT

PROVIDING FOR THE REGISTRATION, REGULATION AND OPERATION OF COOPERATIVE BANKS AND OTHER PURPOSES.
have considered the same and hereby recommend the approval of House Bill No. 9541 entitled:

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


Respectfully submitted,

JOEY SARTE SALCEDA
Chairperson
Committee on Ways & Means

JUNIE E. CUA
Chairperson
Committee on Banks & Financial Intermediaries

THE SPEAKER
HOUSE OF REPRESENTATIVES
Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
Second Regular Session

House Bill No. 9541
(in substitution of House Bills 2435, 7765 & 7878)

Introduced by Representatives Garcia, P., Tambunting, Canama,
Cua, Padiernos, Tiangeo, Arenas, Lusotan, Ferrer, J., Salceda, Fuente bella, Haresco, Castro,
F.L., Villa, Dagooc, Ong, J., Suansing, E., Suansing, H., Rodriguez, Tejada, Nieto, Arenas, Go,
M., Garcia, J.E., Nograles, J.J.B., Geron, Violago, Garin, S., Ebcas, Savellano, Paduano,
Gorriceta, Lacson, Crisologo, Kho, W., Jimenez, Espino, Bascug, Tan, A.S., Suarez, A.C.,
Legarda, Escudero, Ong, R., Revilla, Dy, F.T. and Deloso-Montalla

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

Section 1. Title. - This Act shall be known as the "Cooperative Banking Act".

Sec. 2. Declaration of Policy. - It is the declared policy of the State to foster the creation and growth of cooperatives to promote self-reliance, communal unity and the attainment of economic development and social justice. The State shall encourage the private sector to undertake the actual formation and organization of cooperatives and shall create an atmosphere that is conducive to the growth and development of these cooperatives.

Further, it is hereby declared the policy of the State to:

a. Recognize Cooperative Banks (CBs) as practical vehicles for the promotion of self-reliance and economic development and the attainment of social justice;
b. Encourage thrift and savings mobilization for the achievement of sustainable economic development primarily among cooperatives and their members; and
c. Regulate and supervise the activities of CBs in order to achieve sound, stable, sustainable, and efficient operations for the protection of the public interest.

Towards these ends, the Government shall encourage and assist in the establishment of CBs in order to make credit facilities available and readily accessible on reasonable terms.
Sec. 3. Definition of Terms. – As used in this Act:

a. **Cooperative Bank** — refers to a bank organized under this Act and under the provisions of R.A. No. 9520, otherwise known as Philippine Cooperative Code of 2008, and prior laws, for the primary purpose of providing a wide range of financial services to cooperatives and their members and the public, and which was issued by the Bangko Sentral ng Pilipinas (BSP) a license to operate as such, the majority shares of which are owned and controlled by the cooperative organizations;

b. **Cooperative organization** — refers to any cooperative whether primary, secondary, tertiary, or a special type of cooperative registered under the provisions of R.A. No. 9520 and R.A. No. 10744, otherwise known as Credit Surety Fund Cooperative Act of 2015;

c. **Samahang Nayon and Municipal Katipunan ng mga Samahang Nayon** — refers to pre-cooperative organizations established under Presidential Decree No. 175, on Strengthening the Cooperative Movement.

CHAPTER II

ORGANIZATION

Sec. 4. Organization and Membership. - The organization and membership of a Cooperative Bank (CB) shall be governed by the following:

a. Organization — At least fifteen (15) cooperative organizations duly established and registered under the Cooperative Code may register a CB with the Cooperative Development Authority (CDA), upon compliance with the requirements of and required authorization from the BSP;

b. Membership — Membership in a CB shall be open to:

   (1) cooperatives of all types and categories;
   (2) individuals who are members of a cooperative;
   (3) foreign cooperatives;
   (4) pre-cooperative organizations established under P.D. 175; and
   (5) individuals.

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

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

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

Sec. 6. Establishment of Branches and Other Offices. - The establishment of branches, branch-lite units, or other banking offices shall be governed by the rules and regulations of the BSP.
CHAPTER III
MANAGEMENT AND GOVERNANCE OF COOPERATIVE BANKS

Sec. 7. Management of Cooperative Banks. - The management of the CBs shall be governed by the rules and regulations to be promulgated by the BSP, in consultation with the CDA. To maintain the quality of bank management and accord appropriate protection to depositors and the public in general, the BSP shall prescribe the fit and proper qualifications of bank directors and officers for the purposes of this Section, giving due recognition to the unique nature and character of CBs.

The number, composition, and term of the board of directors shall be defined in the articles of cooperation and by-laws of the CB in accordance with the following guidelines:

a. Board and Committees. - The CB shall constitute, at a minimum, the Board of Directors, Election Committee, and Audit Committee.

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

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

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

Other committees may be created by the board of directors with powers, functions, and responsibilities which shall be defined in the by-laws.

b. Key Management Officers. - The key management officers shall be appointed by the Board and shall include the President, Treasurer, Internal Auditor, and Compliance Officer, or their equivalent ranks. The BSP shall prescribe the qualifications and disqualifications of the key management officers.

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

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

Sec. 9. Compensation. - In the absence of any provision in the by-laws fixing their compensation, the directors shall not receive any compensation except for reasonable per diems: Provided, however, That the directors and officers shall not be entitled to any per diem when, in the preceding calendar year, the CB reported a net loss or had a dividend rate less than the official inflation rate for the same year. Any compensation other than per diems may be granted to directors by a majority vote of the members with
voting rights at a regular or special general assembly meeting specifically called for the purpose:

Provided, That no additional compensation other than per diems shall be paid during the first year of existence of the CB.

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

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

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

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


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

a. Liable to compensate the CB for the direct losses suffered by the CB as a result of the illegal use of information; and

b. Accountable to the CB for any direct benefit or advantage received or yet to be received by the associate, as a result of the transaction.

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

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

Sec. 15. Quorum and Voting Rights. - In meetings of the board of directors, whether special or regular, the quorum requirements shall be one-half plus one of all the members. Each director shall only have one (1) vote.

CHAPTER IV
GENERAL ASSEMBLY

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

Sec. 17. Powers of the General Assembly. - The general assembly shall be the highest policy-making body of the CB and shall exercise such powers as are stated in the Cooperative Code, in the articles of cooperation, and in the by-laws of the CB. The general assembly shall have the following exclusive powers which cannot be delegated:
a. To determine and approve amendments to the articles of cooperation and by-laws;
b. To elect or appoint the members of the board of directors, and to remove
   them for cause; and
c. To approve developmental plans of the CB.

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

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

Whenever necessary, a special meeting of the general assembly may be called at any time by a
majority vote of the board of directors or as provided for in the by-laws: Provided, That a notice shall
be sent one (1) week prior to the meeting to all members who are entitled to vote: Provided, however,
That a special meeting shall be called by the board of directors after compliance with the required
notice or by at least ten percent (10%) of the total members who are entitled to vote to transact specific
business covered by the call.

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

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

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

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

Sec. 19. Quorum and Voting System. - 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.

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

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

CHAPTER V
POWERS, FUNCTIONS, AND ALLIED UNDERTAKINGS

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

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

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

Sec. 21. Investment in Allied Undertakings. - Subject to the requirements and restrictions as may be
imposed by the Monetary Board under its existing rules and regulations, CBs may invest in equities of
allied undertakings which may include the following:

a. Banks, financial institutions and non-bank financial intermediaries;
b. Warehousing and other post-harvest facilities;
c. Fertilizer and agricultural chemical and pesticides distribution;
d. Farm equipment distribution;
e. Trucking and transportation of agricultural products;
f. Marketing of agricultural products;
g. Leasing;
h. Automated teller machine (ATM) networks;
i. Public transportation;
j. Financial technology; and
k. Other undertakings as may be determined by the Monetary Board.

Sec. 22. Limitations on Lending Authority. - Except as the Monetary Board may otherwise prescribe,
the direct indebtedness to CBs of any person, company, corporation, or firm, including the
indebtedness of members of a partnership and association, for money borrowed, shall in no time
exceed twenty five percent (25%) of unimpaired capital and surplus of the CB. However, the direct
indebtedness mentioned shall exclude loans secured by obligations of the BSP; loans fully guaranteed
by the Government as to the payment of principal and interest; loans to the extent covered by the hold-
out on, or assignment of, deposits maintained in the lending CB and held in the Philippines; and other
loans or credits as the Monetary Board may, from time to time, specify non-risk assets.

CHAPTER VI
CAPITALIZATION AND CAPITAL STRUCTURE
Sec. 23. Capital Requirement for Cooperative Banks. - A CB shall have a minimum paid-up capital in such amount as may be required by the BSP. The BSP may prescribe rules and regulations on the types of shares a CB may issue, including the terms thereof and rights appurtenant thereto to determine compliance with laws and regulations governing capital and equity structure of banks: Provided, That CBs shall issue par value shares only.

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

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

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

CHAPTER VII
SUPERVISION

Sec. 27. Supervision of Cooperative Banks. - All CBs shall be under the supervision of the BSP: Provided, however, That the CDA shall monitor the CBs' compliance with cooperative laws, rules, and regulations. With respect to the governance of the CBs, the provisions of the banking laws, rules, and regulations shall prevail, notwithstanding Section 71 of R.A. No. 8791.

Sec. 28. Promulgation of Guidelines. – The BSP and CDA may formulate guidelines to implement or clarify the provisions of the Act: Provided, That the BSP, as the regulator of banks, shall be the primary regulator of cooperative banks consistent with the provisions of RA 8791: Provided, further, That in order to minimize the burden of dually-regulated entities, the BSP shall, in consultation with the CDA, shall in its promulgation of rules and regulations, to the extent allowed in banking and other relevant laws, and insofar as consistent with the BSP’s exercise of supervisory and regulatory powers over banks, consider the requirements of this Act and the CDA for cooperatives in general.

CHAPTER VIII
PRIVILEGES AND INCENTIVES

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

1. Those privileges and incentives accorded to cooperatives under the Cooperative Code and other prior laws including exemption from all national, city, provincial, municipal or barangay taxes, fees and charges of whatever nature and description: Provided, however,
That when a CB has reached an undivided net savings of more than One hundred million pesos (P 100,000,000.00), transactions to non-member will become taxable;

2. The foreclosure of mortgages covering loans granted by CBs and executions of judgment thereon involving real properties levied upon by sheriff shall be exempt from the publications in newspapers where the total amount of loan, excluding interests due and unpaid, does not exceed One million pesos (P1,000,000.00) or such amount as the Monetary Board may prescribe as may be warranted by prevailing economic conditions. It shall be deemed sufficient publication in such cases where the notices of foreclosure and execution of judgment are posted in the most conspicuous areas such as the municipal building, the municipal public market, the CB, and the barangay hall where the land 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 via 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;

3. A CB shall be allowed to foreclose lands mortgaged to it subject to the provisions of Republic Act No. 6657, otherwise known as Comprehensive Agrarian Reform Law of 1988. For agrarian lands foreclosed by a CB, the disposal of the same to another qualified beneficiary under Republic Act 6557 shall be made through the same CB. Further, the amortization of the beneficiary in favor of the Department of Agrarian Reform (DAR) shall be coursed through the servicing CB: Provided, however, That CBs shall be exempt from the landholding limits as prescribed by the DAR or any other law requiring the same;

4. For CBs granted by the BSP with accreditation as Rural Financial Institution (RFI) under Republic Act 10000, the following privileges shall be awarded:
   a. Unrestricted branching rights to set-up agriculture-oriented branches in unbanked municipalities and predominantly agricultural communities, subject to existing regulations on minimum capitalization for banks and the size of branch network;
   b. Automatic eligibility with Philippine Guarantee Corporation (with respect to agricultural credit guarantee), Philippine Crop Insurance Corporation, and governmental agencies providing services towards risk-mitigation in the agriculture sector;
   c. Priority status as credit delivery partner or conduit of government directed programs for agricultural projects through the Department of Agriculture and other government agencies; and
   d. Entitlement to participate free of charge in capability-building activities in agriculture lending such as the exchange of best-practice experiences, study tour, technology transfer among ASEAN members states and other fora of international cooperation.

Sec. 30. Separability Clause. - If any provision or section of this Act or the application thereof to any person or circumstance is held invalid, the other provisions or sections of this Act shall remain valid, and the application of such remaining provisions or sections to the other persons or circumstances shall not be affected thereby.

Sec. 31. Repealing Clause. - All laws, issuances, rules, and regulations inconsistent with this Act are hereby modified or amended accordingly.

Section 32. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved.
FACT SHEET

House Bill No. 9541
(As Approved by the Committee on Banks and Financial Intermediaries on January 21, 2021, and the Committee on Ways & Means on May 17, 2021, in substitution of HB Nos. 2435, 7765 & 7878)

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


Committee Referral: COMMITTEE ON BANKS AND FINANCIAL INTERMEDIARIES
Chairperson: JUNIE E. CUA
Committee Referral: COMMITTEE ON WAYS & MEANS
Chairperson: JOEY SARTE SALCEDA

OBJECTIVES:

● To foster the creation and growth of cooperatives as a vehicle for the promotion of self-reliance, communal unity, and the attainment of economic development and social justice.

● To encourage the private sector to engage in the formation and organization of cooperatives in order to create an atmosphere conducive to the growth and development of these cooperatives.

● To encourage thrift and savings mobilization for purposes of sustainable economic development among cooperatives and their members.

● To regulate the activities of cooperative banks to ensure sound, stable, sustainable and efficient operations, and to protect public interest.
KEY PROVISIONS:

- Provides for the establishment, management, and regulation of cooperative banks under the supervision of the Bangko Sentral ng Pilipinas as primary regulator, conformably with the provisions of the General Banking Law of 2000.

- Expands the membership of cooperative banks by opening up the sector to foreign cooperatives, provided that such foreign cooperatives may not own more than forty percent (40%) of the total outstanding voting shares of a cooperative bank.

- Authorizes cooperative banks to engage in a wide range of financial services such as extending credit, deposit taking, discounting and rediscounting, correspondent banking, dealing in debt securities, acting as collection agent, dealing in foreign exchange transactions, acting as government depository and conduit bank for government lending programs, and participating in government allocation programs geared towards the promotion of financial inclusion.

- Authorizes cooperative banks to invest in equities of allied undertakings such as banks, financial institutions and non-bank financial intermediaries; warehousing and other post-harvest facilities; distribution of farm implements and equipment; transportation of agricultural products, leasing, Automated Teller Machine network operations, public transportation, and financial technology.

- Prescribes limitations on the lending authority of a cooperative bank by imposing on private borrowings a ceiling of twenty-five percent (25%) of its unimpaired capital and surplus.

- Authorizes the conversion of funds collected and administered by the Cooperative Development Authority under P.D. 175 as capital, for purposes of augmenting the capitalization of qualified cooperative banks.

- Provides for escheat proceedings for the funds of Samahang Nayon (SNs) and Municipal Katipunan ng mga Samahang Nayon (MKSNs) which hold shares in cooperative banks should they fail to convert into cooperatives within three (3) years from the effectivity of this Act.

- Grants incentives and privileges to cooperative banks including, among others, exemption from all national and local taxes, fees and charges as provided under the Cooperative Code and related laws, subject to certain conditions; exemption
from publication requirements on foreclosed lands, and; exemption from maximum landholding limits under existing agrarian laws.

- Grants unto cooperative banks accredited as Rural Financial Institutions (RFIs) under Republic Act No. 10000 ("Agri-Agra Reform Credit Act of 2009") unrestricted branching rights, automatic eligibility with government agencies providing agriculture-related risk mitigation services such as the Philippine Guarantee Corporation and Philippine Crop Insurance Corporation, priority status as credit delivery partners or conduits for government-directed agricultural programs, free participation in capacity building activities in agricultural lending such as study tours, best practices exposure, and technology transfer among ASEAN member States and in other fora of international cooperation.

**RELATED LAWS:**

- Presidential Decree No. 175, s. 1973 (Strengthening the cooperative movement)
- Republic Act No. 6657, as amended ("Comprehensive Agrarian Reform Law of 1988")
- Republic Act No. 6939, as amended ("Cooperative Code of the Philippines")
- Republic Act No. 7653, as amended (The New Central Bank Act)
- Republic Act No. 8424 (Tax Reform Act of 1997/National Internal Revenue Code)
- Republic Act No. 8791 ("General Banking Law of 2000")
- Republic Act No. 9520 ("Philippine Cooperative Code of 2008")
- Republic Act No. 10000 ("Agri-Agra Reform Credit Act of 2009")
- Republic Act No. 11364 ("Cooperative Development Authority Charter of 2019")