



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE DEPUTY GOVERNOR | FINANCIAL SUPERVISION SECTOR

MEMORANDUM NO. M-2023- 001

To : **ALL COOPERATIVE BANKS**

Subject : **Proposed Templates of Articles of Cooperation (AOC) and By-Laws (BL) of Cooperative Banks**

Attached for reference are the templates of AOC (Annex A) and BL (Annex B) as approved by the Cooperative Development Authority's Board of Directors in its Resolution No. 827, S-2022 dated 10 October 2022 in coordination with the Bangko Sentral ng Pilipinas (BSP).

The templates aim to ensure that the AOC and BL adopted by the Cooperative Banks meet the minimum requirements of Republic Act No. 9520 (The Philippine Cooperative Code of 2008) and the Manual of Regulations for Banks. Furthermore, Cooperative Banks are not precluded from including additional provisions in its AOC and/or BL as said templates are general in nature and cover the minimum requirements of the aforementioned law and regulations. *Provided* That: the same are in accordance with the provisions of the existing laws and BSP regulations.

Finally, the review of the AOC and/or BL, together with the supporting documents, shall be made on a case-to-case basis, notwithstanding the use of the said templates.

For guidance and compliance.


CHUCHI G. FONACIER
Deputy Governor

Digitally signed by
DG Chuchi G. Fonacier
04 January 2023

04 January 2023

**ARTICLES OF COOPERATION
OF THE**

(Name of Cooperative Bank)

KNOW ALL MEN BY THESE PRESENTS:

THAT WE, the undersigned, Filipinos of legal age and residents of the Philippines, duly authorized to represent our respective cooperative organizations, have this day voluntarily associated ourselves together to form a (secondary/tertiary) Cooperative Bank under the laws of the Philippines, primarily Republic Act (RA) No. 9520 or the Philippine Cooperative Code of 2008.

AND WE HEREBY CERTIFY:

ARTICLE I

Name of Cooperative Bank

That the name of the bank shall be the _____ and referred to in this Articles of Cooperation as the “Cooperative Bank.”
(Note: The name of the Bank should contain the word “Cooperative”)

ARTICLE II

Purpose and Scope of Business

That the purpose and scope of business for which the Cooperative Bank is formed are:

1. To provide a wide range of financial services primarily to cooperative organizations and their members, and to the general public; and
2. To perform any or all transactions and banking services offered by other types of banks subject to applicable laws, rules, and regulations.

ARTICLE III

Term of Existence

That the term of existence of the Cooperative Bank is _____ years from the date of registration.

ARTICLE IV

Area of Operation and Postal Address of Principal Office

That this Cooperative Bank shall conduct its business and admit members from _____ and its principal office shall be located in _____.

ARTICLE V

Cooperators

That the names and addresses of the cooperators which are regular

members/common shareholders (cooperators) of the Cooperative Bank, and the names, nationalities, and addresses of their authorized representatives, are as follows:

Name of the Cooperative	Address of the Cooperative	Indicate whether Cooperative is Primary, Secondary, or Tertiary)	Name of Authorized Representative	Nationality of Representative	Residential Address of the Representative

(Use additional rows or attach a separate sheet when necessary.)

That majority of the Cooperative Bank’s voting shares are held by member-cooperatives located in _____.

(Note: Indicate in the blank the province where the Cooperative Bank’s head office is located.)

ARTICLE VI
Common Bond of Membership

That the regular members of the Cooperative Bank are cooperative organizations duly registered with the Cooperative Development Authority (CDA) which are holders of the Cooperative Bank’s common shares.

“Associate members are individuals, which may include but are not limited to individual members of cooperative organizations, which are members of the Cooperative Bank, Samahang Nayon, and MКСN that failed to convert to a full-fledged cooperative within the period prescribed in, and with common shares converted into preferred shares by the cooperative bank pursuant to, Rep. Act No. 9520, government financial institutions and other persons or entities as may be authorized by existing laws, rules and regulations.”

ARTICLE VII
Board of Directors

That the number of directors of the Cooperative Bank shall be_____ (___); and the names, nationalities, and addresses of the first Directors of the Cooperative Bank are as follows:

Name	Nationality	Residential Address
1		
2		

(Use additional rows or attach a separate sheet when necessary)

ARTICLE VIII
Capitalization

Section 1. Authorized Share Capital

That the authorized share capital of the Cooperative Bank is _____ Pesos (PhP_____), divided into _____ common shares with a par value of PhP_____ per share and _____ preferred shares with a par value of PhP_____ per share.

Section 2. Subscribed and Paid-Up Share Capital

That the number and amount of subscribed capital is _____ (PhP_____), and of paid-up capital is _____ (PhP_____).

That the summary of the subscribed and paid-up shares is as follows:

Type of Share	No. of Shares Subscribed	Amount of Subscription	No. of Shares Paid	Amount Paid
Common Shares				
Preferred Shares				
TOTAL		Php		Php

Section 3. Features of Common Shares

That the common shares are subscribed and paid by cooperative organizations which are regular members of the Cooperative Bank. These shares are not withdrawable but may be transferred or sold to qualified cooperative organizations.

That the voting rights of common shareholders are proportionate to the number of their paid-up shares.

That the common shareholders of the Cooperative Bank and their respective shareholdings are as follows:

Name of Cooperative	No. of Shares Subscribed	Amount Subscribed	No. of Shares Paid	Amount Paid
1				
2				
3				
TOTAL		PhP		PhP

(Use additional rows or attach a separate sheet when necessary.)

Section 4. Features of Preferred Shares

That the preferred shares are subscribed to and paid by associate members only.

That the preferred shareholders and their respective shareholdings are as follows:

Name of Individual/ Organization	No. of Shares Subscribed	Amount Subscribed	No. of Shares Paid	Amount Paid
1				
2				
3				
TOTAL		PHP		PHP

(Use additional rows or attach a separate sheet when necessary)

ARTICLE IX
(Other Provisions)

ARTICLE X
Treasurer

That Mr./Ms. _____ has been elected/appointed, as provided for in the By-Laws, by the cooperators as Treasurer of the Cooperative Bank to act as such until his/her successor is duly elected/appointed and qualified in accordance with the By-Laws, and that as Treasurer, he/she has been authorized to receive payments and issue receipts for share capital subscriptions and other revenues in the name of the Cooperative Bank.

IN WITNESS WHEREOF, we have hereunto set our hands this _____ day of _____, 20_____ at _____, Philippines.

NAME AND SIGNATURE OF COOPERATORS

Name of Cooperator	Name of Chairperson (if cooperative)	Signature

(Use additional rows if necessary)

NAME, ADDRESS, AND SIGNATURE OF WITNESSES

Name of Witness/s	Address	Signature

(Use additional rows if necessary.)

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
PROVINCE/CITY/MUNICIPALITY OF _____) S.S.

Before me, a Notary Public for and in the Province/City/Municipality of _____, on this _____ day of _____, 20____, the following persons personally appeared with their Proof of Competent Identification as indicated opposite their respective names:

Name of Cooperator	Name of Chairperson (if Cooperative)	Competent Evidence of Identity of Authorized Representative	Date and Place of Issue
1			
2			
3			

(Use additional rows if necessary)

all known to me to be the same persons who executed the foregoing instrument, and who acknowledged to me that the same is their free will and voluntary deed.

This instrument refers to Articles of Cooperation of the (Name of Cooperative Bank), consists of _____ pages including Annexes and this page where the acknowledgment is written, signed by the parties and their instrumental witnesses on each and every page thereof.

WITNESS my hand and seal this day and place first mentioned above.

Notary Public

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Series of:

TREASURER’S AFFIDAVIT

REPUBLIC OF THE PHILIPPINES)
PROVINCE/CITY/MUNICIPALITY OF _____) S.S.

I, (Name of Treasurer) after having been duly sworn to in accordance with the law,
do hereby depose and say:

- 1. That I am the duly elected/appointed Treasurer of the (Name of Cooperative Bank) to act as such until my successor shall have been elected/appointed and qualified in accordance with the By-Laws of the Cooperative Bank;
- 2. That as Treasurer, I hereby certify that at least twenty-five percent (25%) of the authorized share capital of the Cooperative Bank has been subscribed, in the amount of_____;
- 3. That at least twenty-five percent (25%) of the total subscription has been fully paid and received by me as follows:

Type of Share	Amount Paid (in words)	Amount Paid (in figures)
Common Shares		
Preferred Shares		
TOTAL		PhP

- 4. That the total paid-up capital as of the execution of this Affidavit and the Articles of Cooperation is [(amount in words) (PhP amount in figures)], which is equal to/more than the minimum required paid-up capital for Cooperative Banks.

IN WITNESS WHEREOF, I have hereunto affixed my signature on this _____
day of 20__in _____ City.

Printed Name and Signature of Treasurer

SUBSCRIBED AND SWORN to before me this _____ day of _____,
20_____, in _____, Philippines, by (Name of Treasurer), with proof of
Competent Identification.

Notary Public

Doc No.
Page No.
Book No.
Series of:

**BY-LAWS
OF THE**

(Name of Cooperative Bank)

KNOW ALL MEN BY THESE PRESENTS:

THAT WE, the undersigned, all of legal age, citizens and residents of the Philippines duly representing the majority of cooperatives which are members of this Cooperative Bank do hereby adopt the following By-Laws:

**ARTICLE I
Name of Cooperative Bank**

This bank shall be known as the _____, and referred to in these By-Laws as the “Cooperative Bank”.

**ARTICLE II
Membership**

Section 1. Membership

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 and may own preferred shares. Associate members are those subscribing and holding preferred shares, which are limited to individuals who are members of the Cooperative Bank’s duly registered member-primary cooperatives, Samahang Nayon and MKSN that failed to convert to a full-fledged cooperative within the period prescribed in, and with common shares converted into preferred shares by the Cooperative Bank pursuant to Republic Act No. 9520, as well as entities whose purposes are similar to said Samahang Nayon and MKSN; and government financial institutions, and other entities as may be authorized by existing laws, rules and regulations.

“Associate members are individuals, which may include but are not limited to individual members of cooperative organizations, which are members of the Cooperative Bank, Samahang Nayon and MKSN that failed to convert to a full-fledged cooperative within the period prescribed in, and with common shares converted into preferred shares by the cooperative bank pursuant to, Rep. Act No. 9520, government financial institutions and other persons or entities as may be authorized by existing laws, rules and regulations.”

Section 2. Application for Membership

The application for membership, whether regular or associate, shall be subject to the approval of the Board of Directors.

Section 3. Duties and Responsibilities of a Member

Every member shall have the following duties:

- a. Promote the aims and purposes of the Cooperative Bank, the success of its business, the welfare of its members, and of the cooperative movement as a whole;
- b. Pay the share capital subscription and participate in the capital build-up programs of the Cooperative Bank;

- c. Patronize the business and/or services of the Cooperative Bank;
- d. Attend and participate in the deliberation of all matters taken during General Assembly meetings;
- e. Attend the orientation seminar to be conducted by the cooperative bank to be attended by the individuals or all officers of the cooperatives or institutions;
- f. Observe and obey all lawful orders, decisions, rules, and regulations adopted by the Board of Directors and the General Assembly; and
- g. Comply with applicable laws, rules, and regulations.

Section 4. Rights of a Member

A. Members Entitled to Vote

Every regular member in good standing with voting rights through their authorized representative shall have the following rights:

- a. Participate in deliberations and vote on all matters brought before the General Assembly meetings, whether regular or special;
- b. Elect members of the Board of Directors and members of the Election Committee, provided that their voting rights shall be proportionate to the number of their paid-up shares;
- c. Avail of the services of the Cooperative Bank, subject to compliance with relevant conditions and requirements;
- d. Receive interest on share capital/dividends and patronage refunds, if any, subject to the regulations of the BSP;
- e. Inspect and examine the books, as enumerated under Article 52 of RA 9520, of the Cooperative Bank at its office address and during office hours; and
- f. Exercise other rights and privileges of membership, not inconsistent with the provisions of RA 9520 and other applicable laws, rules, and regulations.

B. Members Not Entitled to Vote

Every associate member, who has no right to vote and be voted upon, shall be entitled to the following rights and privileges:

- a. Participate in deliberations on all matters brought before the General Assembly meetings, whether regular or special;
- b. Avail of the services of the Cooperative Bank, subject to compliance with relevant conditions and requirements;
- c. Receive interest on share capital/dividends and patronage refunds, if any, subject to the regulations of BSP;
- d. Inspect and examine the books, as enumerated under Article 52 of RA 9520, of the Cooperative Bank at its office address and during office hours; and
- e. Exercise other rights and privileges of membership, not inconsistent with the provisions of RA 9520 and other applicable laws, rules and regulations.

Section 5. Sale or Transfer of Shares

A regular member may sell or transfer his common or preferred shares to other

qualified regular members, subject to existing rules and regulations.

No transfer shall be valid, unless approved by the BSP, as applicable, and until the transfer is recorded in the share and transfer book of the Cooperative Bank, so as to show the names of the parties to the transaction, the date of the transfer, the number of shares transferred and the number of Certificates issued.

Prior to the issuance of a new Certificate, the old Certificate must be surrendered for cancellation. If the number of shares to be transferred is less than the total number of shares represented by the old Certificate, new Certificates shall be issued, one bearing the number of transferred shares, and another bearing the number of the remaining shares, which shall be in the name of the original holder/transferor.

The stock and transfer book shall be closed for transfer twenty (20) days before the regular General Assembly meeting and ten (10) days before the declaration of interest on share capital/dividends and patronage refunds if any.

ARTICLE III

Issuance of Share Capital Certificate

Section 1. Share Capital Certificate

The share capital of a member shall be evidenced by a Share Capital Certificate which shall be recorded in the share and transfer book of the Cooperative Bank. The Certificate shall be issued by the Cooperative Bank only upon full payment of the subscribed share capital.

Section 2. Loss or Destruction of Share Capital Certificate

In case of loss or destruction of a Share Capital Certificate, a replacement may be issued upon execution of an Affidavit of Loss or Destruction by the member or its duly authorized representative.

ARTICLE IV

General Assembly

Section 1. General Assembly

The General Assembly shall be composed of all members of cooperative organizations who are regular members. They shall be represented by their individual members, duly authorized by their respective Board of Directors.

Section 2. Powers and Duties

The General Assembly has the following exclusive powers which cannot be delegated:

- a. Elect members of the Board of Directors, and remove them for a cause;
- b. Elect members of an Election Committee and Audit Committee;
- c. Hear and pass upon reports of the Board of Directors, management staff, and committees;
- d. Determine and approve mergers/consolidations and amendments to the Articles of Cooperation and/or By-Laws. The voting requirement for such mergers/consolidations shall be three-fourths (3/4) of the number of voting

- shares of all members with voting rights, present and constituting a quorum;
and
- e. Approve development plans of the Cooperative Bank.

Section 3. Regular Meeting

A regular General Assembly meeting shall be held annually on _____, at a place within the province where the principal office is located.

The Board of Directors, by a resolution, adopted fifteen (15) days before the regular meeting, and with proper notice to General Assembly members, may change the date, time, and place of the meeting if an annual regular meeting cannot take place due to justifiable circumstances. The meeting as reset shall be considered a regular meeting. Any meeting to be called thereafter shall be considered a special meeting.

A written notice of the meeting shall be sent one (1) week prior to the meeting through postal mail, publication, or electronic means to all General Assembly members. The notice of meeting may be waived, expressly or impliedly, by any General Assembly member.

Section 4. Special Meeting

Whenever necessary, a special General Assembly meeting may be called at any time by a majority vote of the Board of Directors, or as provided for in the By-Laws. A special meeting may also be called by the Board of Directors within one (1) month after receipt of a written request with justifiable reason, from at least ten percent (10%) of the General Assembly members with voting rights.

The notice of the meeting shall be disseminated in accordance with the provisions of Article IV, Section 3 of the By-Laws.

Section 5. Prescribed Meeting

If the Board of Directors fails to call a regular/special meeting within the prescribed period, the CDA, with good cause and upon petition of ten percent (10%) of all General Assembly members with voting rights, shall issue an order compelling the Board of Directors to call the necessary meeting, in accordance with the By-Laws and not inconsistent with RA 9520 and other applicable laws, rules, and regulations.

Section 6. Quorum and Voting Rights

The quorum requirement for General Assembly meetings, whether regular or special, shall be one-half plus one of the numbers of voting shares of all members in good standing. If a quorum is not present, the Chairperson of the meeting or a majority of the voting members present may decide to adjourn and reconvene at a time that a quorum is in attendance. The quorum requirements for amendments of articles of cooperation and by-laws shall be a three-fourths (3/4) vote of all the members with voting rights, present and constituting a quorum. The voting rights of the members shall be proportionate to the number of their paid-up shares.

All other voting requirements shall be as prescribed by the BSP.

Section 7. Order of Business

The order of business in regular General Assembly meetings shall, at a minimum, include the following:

- a. Call to order by the Chairperson;
- b. Proof of notice;
- c. Roll call and declaration of quorum;
- d. Reading and disposition of the minutes of the previous General Assembly meeting;
- e. Annual reports of:
 - Chairperson of the Board of Directors;
 - General Manager and/or other officers; and
 - Committees;
- f. Audit report of the external auditor;
- g. Approval of development plan/annual plan and budget;
- h. Election of the members of the Board of Directors, if applicable;
- i. Other matters; and
- j. Adjournment.

As far as practicable, the order of business at special General Assembly meetings shall be as follows:

- a. Call to order by the Chairperson;
- b. Proof of notice;
- c. Roll call and declaration of quorum;
- d. Business for which the meeting is called; and
- e. Adjournment.

ARTICLE V Board of Directors

Section 1. Board of Directors

The direction and management of the business affairs of the Cooperative Bank shall be vested in a Board of Directors composed of _____ members, of which the number of independent directors shall be based on existing BSP rules and regulations. The members of the Board of Directors shall be elected by the General Assembly in the manner provided in this By-Laws.

Section 2. Eligibility of the Board of Directors

The members of the Board of Directors shall possess all the qualifications and none of the disqualifications prescribed by existing laws, rules, and, regulations of the BSP and the CDA.

Section 3. Term of Office

The election of the members of the Board of Directors shall be held every _____. To promote the independence of the Board of Directors from the views of Senior Management, the General Assembly shall elect a sufficient number of qualified non-executive members of the Board of Directors, which shall include the Independent Directors.

Unless earlier removed for cause, or have resigned or become incapacitated due to illness or death or disqualified by law or by BSP rules and regulations, the Board of Directors shall hold office for a term of _____ years [but not exceeding a term of two (2) years] or until their successors shall have been elected and qualified: *Provided*, That majority of the elected Directors obtaining the highest number of votes during the first election after registration shall serve for two (2) years and the remaining Directors for one (1) year.

The term of the cooperating Directors shall expire upon the election of their successors in the first regular meeting of the General Assembly, after registration: *Provided*, that Independent Directors may only serve as such for a maximum cumulative term as prescribed in existing BSP regulations.

Section 4. Powers, Responsibilities, and Duties of the Board of Directors

a. Powers of the Board of Directors

The corporate powers of a Cooperative Bank shall be exercised, its business conducted and all its property controlled and held, by its Board of Directors. The directors hold their office charged with the duty to exercise sound and objective judgment for the best interest of the bank.

b. General Responsibility of the Board of Directors

The Board of Directors is primarily responsible for approving and overseeing the implementation of the Cooperative Bank's strategic objectives, risk strategy, compliance program, corporate governance, and corporate values. It is also responsible for monitoring and overseeing the performance of Senior Management as the latter manages the day-to-day affairs of the Cooperative Bank.

c. The Board of Directors shall have all the powers, responsibilities, and duties provided for under existing rules and regulations issued by the BSP and CDA.

Section 5. Meetings and Quorum

The Board of Directors shall hold regular meetings at least once a month in the principal office or in any place within the area of business operations.

Special meetings may be called by the Chairperson, or in his absence, by the Vice Chairperson, or by a majority of the members of the Board of Directors; *Provided*, that written notice of the meeting specifying the agenda of the meeting shall be given to all members of the Board of Directors at least one week before the said meeting.

The quorum requirement in meetings of the Board of Directors, whether special or regular, shall be one-half plus one of all the members. Each Director shall only have one vote.

Section 6. Vacancies

Any vacancy in the Board of Directors, other than 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, the vacancy must be filled by the General Assembly in a regular or special meeting called for this purpose.

Section 7. Removal of Directors

Any Director may be removed from office by three-fourths (3/4) of the number of voting shares of all members with voting rights, present and constituting a quorum, in a regular or special General Assembly meeting called for this purpose. The Director concerned shall be given an opportunity to be heard in this meeting.

Section 8. Compensation and Per Diem

The per diem and/or compensation of the Board of Directors shall be _____ and _____, respectively, subject to the following conditions:

- a. That the Directors and Officers shall not be entitled to any per diem when, in the preceding calendar year, the Cooperative Bank reported a net loss or had a dividend rate less than the official inflation rate for the same year.
- b. Any compensation other than per diems may be granted to Directors by a majority vote of regular members at General Assembly meeting called for this purpose (*shall be indicated only when the directors' compensation is not fixed in the By-laws*).
- c. No compensation other than per diems shall be paid during the first year of existence of the Cooperative Bank.

ARTICLE VI Committees

Section 1. Election Committee

The Election Committee shall be composed of three (3) members elected by the General Assembly. Within ten (10) days after their appointment, they shall elect from among themselves a Chairperson, Vice Chairperson, and a Secretary who shall serve for a term of at least one (1) year. No member of the Election Committee shall hold any other position within the Cooperative Bank during his term of office.

The duties and responsibilities of the Election Committee are as follows:

- a. Formulate election rules and guidelines and recommend them to the General Assembly for approval;
- b. Implement election rules and guidelines duly approved by the General Assembly;
- c. Recommend necessary amendments to election rules/guidelines in consultation with the Board of Directors, for approval of the General Assembly;
- d. Supervise the conduct, manner, and procedure of election and other election-related activities, and act on the changes, if any;
- e. Canvass and certify the results of the election;
- f. Proclaim winning candidates;
- g. Decide on the election and election-related cases, except those involving the Election Committee or its members; and
- h. Perform such other election-related functions as prescribed in the By-laws or as authorized by the General Assembly.

Section 2. General Assembly Elected Audit Committee

The Committee shall be composed of three (3) members to be elected during a General Assembly meeting and shall hold office for a term of one (1) year or until their successors shall have been elected and qualified. Within ten (10) days after their election, they shall elect from among themselves a Chairperson, Vice Chairperson, and a Secretary. No member of the committee shall hold any other position within the Cooperative Bank during his/her term of office. The Committee shall provide internal audit service, maintain a complete record of its examination and inventory, and submit an audit report quarterly or as may be required by the Board and the General Assembly.

The Committee shall be directly accountable and responsible to the General Assembly.

The duties and responsibilities of the Audit Committee are as follows:

- a. Audit the performance of the Cooperative Bank and its various responsibility centers;
- b. Monitor the adequacy and effectiveness of the Cooperative Bank's management and internal control system;
- c. Review continuously and periodically the books of account, financial records, and policies governing internal control, accounting, and risk management to ensure that these are in accordance with the Cooperative Bank's principles and generally accepted accounting procedures;
- d. Review the internal audit report of the Cooperative Bank;
- e. Follow up actions on the internal and external audit recommendations;
- f. Discuss the result of the internal audit with the Board of Directors;
- g. Submit reports on the result of the internal audit and recommend necessary changes on policies and other related matters on the operation to the General/Representative Assembly;
- h. Review, approve or amend the report and recommendation of the Ethics Committee involving violations of the Code of Governance and Ethical Standards if the remaining members of the Board of Directors fail to act on said report and recommendation within a period of thirty (30) days, or the violation is committed by the majority of the Board of Directors; and
- i. Perform such other functions as may be prescribed in the By-Laws or authorized by the General/Representative Assembly.

Section 3. Board-Level Audit Committee

The Board-Level Audit Committee shall be composed of at least three (3) members of the Board of Directors, elected/appointed by the latter from among themselves, who shall all be non-executive Directors majority of whom shall be Independent Directors including the Chairperson with accounting, auditing, or related financial management expertise or experience commensurate with the size, complexity of operations and risk profile of the Cooperative Bank.

Further, the Chief Executive Officer, Chief Financial Officer, and/or Treasurer, or officers holding equivalent positions, shall not be appointed as members of the Board-Level Audit Committee.

Duties and Responsibilities of the Committee. The Committee shall:

- (1) Oversee the financial reporting framework. The committee shall oversee the financial reporting process, practices, and controls. It shall ensure that the reporting framework enables the generation and preparation of accurate and comprehensive information and reports.
- (2) Monitor and evaluate the adequacy and effectiveness of the internal control system. The committee shall oversee the implementation of internal control policies and activities. It shall also ensure that periodic assessment of the internal control system is conducted to identify the weaknesses and evaluate its robustness considering the BSFI's risk profile and strategic direction.
- (3) Oversee the internal audit function. The committee shall be responsible for the appointment/selection, remuneration, and dismissal of the internal auditor. It shall review and approve the audit scope and frequency. The committee shall ensure that the scope covers the review of the effectiveness of the BSFI's internal controls, including financial, operational, and compliance controls, and the risk management system. The committee shall functionally meet with the head of internal audit and such meetings shall be duly minuted and adequately documented. In this regard, the audit committee shall review and approve the performance and compensation of the head of internal audit, and the budget of the internal audit function.
- (4) Evaluate the capability and qualification and recommend for the approval of the General/Representative Assembly the engagements of the services of an External Auditor. The committee shall be responsible for the fees to be paid by an external auditor. It shall review and approve the engagement contract and ensure that the scope of the audit likewise covers areas specifically prescribed by the Bangko Sentral and other regulators.
- (5) Oversee implementation of corrective actions. The committee shall receive key audit reports, and ensure that senior management is taking necessary corrective actions in a timely manner to address the weaknesses, non-compliance with policies, laws, regulations, and, other issues identified by auditors and other control functions.
- (6) Investigate significant issues/concerns raised. The committee shall have explicit authority to investigate any matter within its terms of reference, have full access to and cooperation by management, and have full discretion to invite any director or executive officer to attend its meetings.
- (7) Establish a whistleblowing mechanism. The committee shall establish and maintain mechanisms by which officers and staff shall, in confidence, raise concerns about possible improprieties or malpractices in matters of financial reporting, internal control, auditing, or other issues to persons or entities that have the power to take corrective action. It shall ensure that arrangements are in place for the independent investigation, appropriate follow-up action, and subsequent resolution of complaints.

Section 4. Mediation and Conciliation Committee

A Mediation and Conciliation Committee shall be composed of three (3) members to be appointed by the Board of Directors. Within ten (10) days after their appointment,

they shall elect from among themselves a Chairperson, Vice Chairperson and a Secretary who shall serve for a term of one (1) year or until their successors shall have been appointed and qualified and without prejudice to their reappointment. No member of the Committee shall hold any other position in the Cooperative during his/her term of office.

The duties and responsibilities of the Mediation and Conciliation Committee are as follows:

- a. Conduct mediation-conciliation proceedings and services;
- b. Formulate, develop and improve the Conciliation-Mediation policies, guidelines and program and ensure its proper implementation;
- c. Monitor Conciliation-Mediation program and processes;
- d. Submit semi-annual reports of cooperative cases to the CDA within fifteen (15) days after the end of every semester;
- e. Accept and file Evaluation Reports;
- f. Submit recommendations for improvement to the Board of Directors;
- g. Recommend to the Board of Directors any member of the cooperative for Conciliation-Mediation Trainings as Cooperative Conciliator-Mediator;
- h. Issue the Certificate of Non-Settlement (CNS);
- i. Act as conciliator-mediator during their term, provided the persons who will mediate are mutually selected by both parties; and
- j. Perform such other functions as may be prescribed in the By-Laws or authorized by the Board of Directors.

Section 5. Ethics Committee

An Ethics Committee shall be composed of three (3) members to be appointed by the Board of Directors. Within ten (10) days after their appointment, they shall elect from among themselves a Chairperson, Vice Chairperson and a Secretary who shall serve for a term of one (1) year or until their successors shall have been appointed and qualified and without prejudice to their reappointment. No member of the Committee shall hold any other position in the Cooperative during his/her term of office.

The duties and responsibilities of the Ethics Committee are as follows:

- a. Formulate, develop, implement and monitor the Code of Governance and Ethical Standards (CGES) to be observed by the members, officers, and employees of the cooperative subject to the approval of the Board of Directors and ratification by the General/Representative Assembly;
- b. Conduct initial investigation or inquiry, upon receipt of a complaint involving violations of the Code of Governance and Ethical Standards;
- c. Submit a report on its recommendation together with the appropriate sanctions, to the Board of Directors for its proper action, or to the remaining members of the Board of Directors, if the violation is committed by any members of the Board of Directors: *Provided*, That if the remaining members of the Board of Directors fail to act on the report within a period of thirty (30) days, or the violation is committed by the majority of the Board of Directors, the Audit Committee shall act on the same; and
- d. Perform such other functions as may be prescribed in the By-Laws or authorized by the Board of Directors.

Section 6. Gender and Development (GAD) Committee

The Board of Directors shall create a GAD Committee and appoint its members.

The Committee shall be composed of at least three (3) members, provided that at least one member shall come from the Board. The Committee shall elect from among themselves a Chairperson. The Committee members shall hold office until replaced by the Board.

The duties and responsibilities of the GAD Committee are as follows:

- a. Conduct gender analysis;
- b. Develop and recommend GAD and gender equality (GE) policies and programs/activities/projects of the Board;
- c. Monitor and assess progress in the implementation of GAD programs/activities/projects towards achieving GE;
- d. Submit report to the Board;
- e. Provide directional guidance; and
- f. Perform such other function as may be prescribed in the by-laws or authorized by the Board of Directors.

Section 7. Other Committees

By a majority vote, the Board of Directors may form other committees deemed necessary for the operation of the Cooperative Bank. Each committee shall consist of at least three (3) members elected by the Board of Directors. Each committee shall possess and exercise such powers and authority as the Board of Directors may delegate.

Section 8. Quorum

A majority of the members of any committee shall constitute a quorum for the transaction of its business.

Section 9. Keeping of Records

All committees shall keep records of their proceedings and submit the same to the Board of Directors at its meetings, or earlier if required.

ARTICLE VII Officers and Management Staff

Section 1. Officers and their Duties

The officers of the Cooperative Bank shall include members of the different committees enumerated in Article VI, General Manager/Chief Executive Officer/President or equivalent position, Chief Compliance Officer, Internal Auditor, Secretary, and Treasurer who shall serve according to the functions and responsibilities of their respective offices in accordance with the rules and regulations promulgated by the BSP and CDA.

The Board of Directors may appoint or employ other officers, subject to the general provisions, rules, and regulations of the BSP and the CDA. They shall perform such duties as may be prescribed by the Board of Directors.

Section 2. Removal

All officers shall serve during good behavior and shall not be removed except for

cause after due process, and subject to applicable laws, rules, and regulations. Loss of confidence shall not be a valid ground for removal unless evidenced by acts or omission causing loss of confidence in the honesty and integrity of such officer. rules, and regulations of the BSP and the CDA. They shall perform such duties as may be prescribed by the Board of Directors.

ARTICLE VIII

Liabilities 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 Cooperative Bank or acquire any personal or pecuniary interest in conflict with their duties as directors, officers or committee members shall be liable jointly and severally for all damages resulting therefrom to the Cooperative Bank, members, and other persons.

When a director, officer, or committee member attempts to acquire or acquires in violation of his/her duties, any interest or equity adverse to the Cooperative Bank in respect to any matter which has been reposed in him/her in confidence, he/she shall, as a trustee for the Cooperative Bank, be liable for damages or loss of profits which otherwise would have accrued to the Cooperative Bank.

ARTICLE IX

Capital Structure

Section 1. Source of Funds

The Cooperative Bank may derive its funds from any or all of the following sources:

- a. Member's share capital contribution;
- b. Loans and borrowings including deposits;
- c. Revolving capital build-up which consists of the deferred payment of patronage refund or interest on share capital;
- d. Subsidies, grants, legacies, aids, donations, awards and winnings, and such other assistance from any local or foreign institution, public or private;
- e. Retentions from the proceeds of services acquired or goods procured by members; and
- f. Other sources of funds as may be authorized by law.

Section 2. Continuous Capital Build-Up

The Cooperative Bank shall provide for a reasonable and realistic member capital build-up program to allow the continuing growth of the member's investment in the Cooperative Bank as their economic conditions continue to improve.

Section 3. Revolving Capital

To strengthen the capital structure of the Cooperative Bank, the General Assembly may authorize the Board of Directors to raise a revolving capital by deferring the payment of patronage refunds and interest on share capital, or such other schemes as may be legally adopted. To implement this provision, the Board of Directors shall issue a Revolving Capital Certificate with serial number, name, rate of interest, date of retirement, and such other privileges or restrictions as may be deemed just and equitable.

Section 4. Share Capital Contribution

Share Capital Contribution refers to the value of the paid subscription by a member in accordance with its Articles of Cooperation.

Section 5. Share Capital Certificate

The Board of Directors shall issue a Share Capital Certificate only to a member who has fully paid his/her subscription. The Certificate shall be serially numbered and contain the shareholder's name, the number of shares owned, the par value, and duly signed by the Chairperson and the Secretary, and bearing the official seal of the Cooperative Bank. All certificates issued and/or transferred shall be registered in the Cooperative Bank's Share and Transfer Book.

The number of paid shares required for the issuance of the Share Capital Certificate shall be determined by the Board of Directors.

The shares may be purchased, owned, or held only by persons who are eligible for membership. Subject to existing government rules or laws, interests shall be paid only to paid-up shares which may be in cash; or credited as payment of unpaid subscriptions, outstanding accounts, or additional shares or to the revolving fund of the Cooperative Bank.

Section 6. Assignment of Share Capital Contribution or Interest

No member shall transfer his/her shares or interest in the Cooperative Bank or any part thereof unless:

- a. He/she has held such share capital contribution or interest for not less than one (1) year;
- b. The assignment is made to the Cooperative Bank or to a person who falls within the field of membership of the Cooperative Bank; and
- c. The Board of Directors has approved such an assignment.

The assignment of shares shall not be binding to the Cooperative Bank until such transfer has been registered in the share and transfer book. No transfer shall be completed until the old certificate has been endorsed and surrendered to the Cooperative Bank and a new certificate is issued in the name of the member-transferee. The corresponding transfer fee shall be collected from the transferee as prescribed in the Cooperative Bank policy.

In case of a lost or destroyed share certificate, the Board of Directors may issue a replacement after the owner thereof executes a sworn affidavit, setting forth the following:

- a. Circumstances as to how, when, and where said certificate was lost or destroyed;
- b. The serial number of the certificate and the number of shares it represents;
- c. The lost or destroyed certificate has never been transferred, sold, or endorsed to any third party, provided, that should the same be found, the owner shall surrender it to the Cooperative Bank; and

- d. That any false representation or statement made in the aforesaid affidavit shall be a ground for expulsion from the Cooperative Bank.

ARTICLE X

Allocation/Distribution of Net Surplus

Section 1. Allocation

At the end of its calendar year, the Cooperative Bank shall allocate and distribute its net surplus as follows:

- a. Reserve Fund. _____ percent (____ %) (which shall be at least 10% of the net surplus) shall be set aside for reserve fund: *Provided*, that in the first five (5) years of operations after registration, this amount shall not be less than fifty percent (50%) of the net surplus. The reserve fund shall be subjected to the following rules:
 - i. The reserve fund shall be used for the stability of the Cooperative Bank and to meet net losses in its operations. The General Assembly may decrease the amount allocated to the reserve fund when it has already exceeded the authorized share capital. Any sum recovered on items previously charged to the reserve fund shall be credited to such fund.
 - ii. The reserve fund shall not be utilized for investments, other than those allowed in the Cooperative Code. Such a sum of the reserve fund in excess of the authorized share capital may be used at any time for any project that would expand the operations of the Cooperative Bank upon the resolution of the General Assembly.
 - iii. Upon the dissolution of the Cooperative Bank, the reserve fund shall not be distributed among the members. However, the General Assembly may resolve:

To establish a usufructuary trust fund for the benefit of any federation or union to which the Cooperative Bank is affiliated; or

To donate, contribute or otherwise dispose of the amount for the benefit of the community where the Cooperative Bank operates. If the member could not decide on the disposition of the reserve fund, the same shall be given to the federation or union to which the Cooperative Bank is affiliated.

- b. Education and Training Fund. _____ percent (____ %) (which shall not be more than 10% of the net surplus) shall be set aside for Education and Training Fund.
 - i. Half of the amount allocated to the education and training fund annually under this subsection shall be spent by the Cooperative Bank for education and training purposes; while the other half may be remitted to a union or federation chosen by the Cooperative Bank or of which it is a member.
 - ii. Upon the dissolution of the Cooperative Bank, the unexpended balance of the education and training fund pertaining to the Cooperative Bank shall be credited to the cooperative education and training fund of the chosen union or federation.

c. Community Development Fund. _____ percent (___ %) (which shall not be less than 3% of the net surplus) shall be used for projects and activities that will benefit the community where the Cooperative Bank operates.

d. Optional Fund, Land and Building, and any other necessary fund. _____ percent (___ %) (which shall not exceed 7% of the net surplus) shall be set aside for this purpose.

Section 2. Interest in Share Capital and Patronage Refund

The remaining net surplus shall be made available to the members in the form of interest on share capital not to exceed the normal rate of return on investment and patronage refunds. *Provided*, that any amount remaining after the allowable interest and the patronage refund have been deducted shall be credited to the reserved fund. The sum allocated for patronage refund shall be made available at the same rate to all patrons of the Cooperative Bank in proportion to their individual patronage, provided that:

- a. In the case of a member patron with paid-up share capital contribution, his/her proportionate amount of patronage refund shall be paid to him/her unless he/she agrees to credit the amount to his/her account as additional share capital contribution;
- b. In the case of a member patron with unpaid share capital contribution, his/her proportionate amount of patronage refund shall be credited to his/her account until the share capital contribution has been fully paid;
- c. In the case of a non-member patron, his/her proportionate amount of patronage refunds shall be set aside in a general fund for such patron and shall be allocated to individual non-member patron and only upon request and presentation of evidence of the amount of his/her patronage. The amount so allocated shall be credited to such patron toward the payment of the minimum capital contribution for membership. When a sum equal to this amount has accumulated at any time within _____ () years, such patron shall be deemed and become a member of the Cooperative Bank if he/she so agrees or requests and complies with the provisions of the by-laws for admission to membership; and
- d. If within the period specified hereof, any subscriber who has not fully paid his/her subscribed share capital or any non-member patron who has accumulated, the sum necessary for membership, but who does not request nor agree to become a member or fails to comply with the provisions of this by-laws for admission to membership, the amount so accumulated or credited to their account together with any part of the general fund for non-member patron shall be credited to the Reserve Fund or to the Education and Training Fund of the Cooperative Bank, at the option of the Cooperative Bank.

ARTICLE XI Arbitral Clause

Any dispute, controversy, or claim arising out of or relating to this By-Laws, the cooperative laws, and related rules, administrative guidelines of the CDA shall be exclusively referred to and finally resolved by voluntary arbitration under the institutional rules promulgated by the CDA, after compliance with the conciliation or mediation mechanisms embodied in the By-Laws and in such other pertinent laws and issuances.

ARTICLE XII Settlement of Disputes

Section 1. Mediation and Conciliation

All inter and intra-cooperative disputes shall be settled within the Cooperative Bank in accordance with the pertinent issuances of the CDA, Alternative Dispute Resolution Act of 2004, and its suppletory laws.

ARTICLE XIII Miscellaneous

Section 1. Investment of Capital

The Cooperative Bank may invest its capital, in any or all manner approved by the General Assembly subject to BSP rules and regulations.

Section 2. Annual Report

During the annual Regular Assembly meeting, the Officers shall submit a report of the operations to the General Assembly together with the audited financial statements, performance audit, social audit reports, and list of officers and training are undertaken/completed. The annual report shall be certified by the Chairperson and General Manager/ Chief Executive Officer or equivalent position of the Cooperative Bank as true and correct in all aspects to the best of their knowledge.

The Cooperative Bank shall submit the web-based Cooperative Annual Progress Report (CAPR) together with the following attachments to the CDA within (120) days from the end of every calendar year:

- a. Social Audit Report;
- b. Performance Report including semi-annual Mediation and Conciliation Report;
- c. Audited Financial Statement;
- d. List of officers and training is undertaken/completed; and
- e. Other reports may be required by the BSP and the CDA.

The Cooperative Bank shall likewise submit to the BSP a copy of its Annual Report, in accordance with existing BSP rules and regulations.

Section 3. Amendments

Subject to the approval of the BSP and the CDA, the By-Laws may be amended or repealed in whole or in part, at any regular or special meeting of the General Assembly, by three-fourths (3/4) of the number of voting shares of all members with voting rights, present and constituting a quorum. The voting rights of members shall be proportionate to the number of their paid-up shares.

Section 4. Rules and Regulations

All rules and regulations duly promulgated by the BSP, CDA, and other government agencies pursuant to RA 9520, and other applicable laws, pertaining to Cooperative Banks, are hereby made an integral part of these By-Laws.

VOTED UPON AND ADOPTED this _____ day of _____ in the year of our Lord, _____ at _____, Philippines by the undersigned.

Name of Cooperator	Chairperson (of the Cooperative)	Signature

(Use additional rows as necessary)

ACKNOWLEDGEMENT

REPUBLIC OF THE PHILIPPINES)
PROVINCE/CITY/MUNICIPALITY OF _____) S.S.

Before me, a Notary Public for and in the Province/City/Municipality of _____, on this _____ day of _____, 20____, the following persons personally appeared with their Proof of Competent Identification as indicated opposite their respective names:

Name of Cooperator	Chairperson of Cooperative	Competent Evidence of Identity of Authorized Representative	Date and Place of Issue
1			
2			
3			
4			
5			

(Use additional rows if necessary).

all known to me to be the same persons who executed the foregoing instrument, and who acknowledged to me that the same is their free will and voluntary deed.

This instrument refers to Articles of Cooperation of the (Name of Cooperative Bank), consists of _____ pages including Annexes and this page where the acknowledgment is written, signed by the parties and their instrumental witnesses on each and every page thereof.

WITNESS my hand and seal this day and place first mentioned above.

Notary Public

Doc. No.
Page No.
Book No.
Series of: