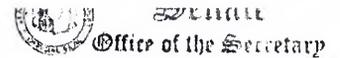


NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



'22 JUL 25 P 2 :07

SENATE
S. No. 856

RECEIVED BY: _____

Introduced by SENATOR RAMON BONG REVILLA, JR.

**AN ACT
PROVIDING PROTECTION TO COOPERATIVE DEPOSITORS AND
ESTABLISHING THE PHILIPPINE COOPERATIVE INSURANCE
CORPORATIONS, DEFINING ITS POWERS AND FUNCTIONS,
APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

Republic Act No. 6938, otherwise known as the "Cooperative Code of the Philippines" was approved on March 10, 1990 and was amended by Republic Act No. 9520 which was approved on February 17, 2009. The law recognizes cooperatives as "a practical vehicle for promoting self-reliance and harnessing people's power towards the attainment of economic development and social justice".

According to the Cooperative Development Authority (CDA), there are a total of 18,848 operating cooperatives as of 2020, majority of which are multipurpose cooperatives. The reporting cooperatives indicated 11.5 million membership and 364.7 thousand employment generated.

The "*Cooperative Depositors Protection Act of 2022*" seeks to further maximize the potentials and contribution of cooperatives in the country by providing a permanent and continuing insurance coverage on all deposits to establish a sound and stable cooperative system. For this purpose, the measure proposes to establish a Philippine Cooperative Deposit Insurance Corporation which, among others, will

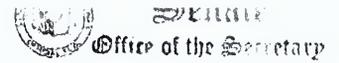
provide a deposit insurance scheme for insured cooperatives and to receive, liquidate and wind up any cooperative.

This measure was filed by Senator Francis N. Pangilinan in the 18th Congress.

In light of the foregoing, the immediate passage of this bill is highly recommended.


RAMON BONG REVILLA, JR.

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

1 Section 1. *Short Title.* - This Act shall be known as the "*Cooperative Depositors*
2 *Protection Act of 2022*".

3 Sec. 2. *Declaration of Principles and Policies.* - Section 1, Article XII of the 1987
4 Constitution declares that the State shall promote the viability and growth of
5 cooperatives as instruments for social justice and economic development. Towards
6 this end, the government must extend all means and mechanisms necessary for the
7 Philippine Cooperative Deposit Insurance Corporation to effectively fulfill its vital task
8 of promoting and safeguarding the interests of the depositing public by way of
9 providing permanent and continuing insurance coverage on all deposits, in order to
10 help develop a sound and stable cooperative system at all times.

11 Sec. 3. *Creation and Nature of the Corporation.* - There is hereby created a
12 Philippine Cooperative Deposit Insurance Corporation which shall have the status of a
13 tax-exempt government corporation attached to the Department of Finance (DOF) for
14 policy coordination and guidance.

15 Sec. 4. *Powers and Functions.* - The Corporation shall have the following
16 powers and functions:

- 1 (a) To provide a deposit insurance scheme for insured cooperatives and to
2 receive, liquidate and wind up any cooperative;
- 3 (b) To formulate and issue rules and regulations for the effective discharge
4 of its responsibilities;
- 5 (c) To organize its office, fix the compensation of an appointed personnel
6 as may be deemed necessary upon the recommendation of the President
7 of the Corporation;
- 8 (d) To direct the management and operation of the Corporation;
- 9 (e) To receive and manage grants, donations, and other forms of assistance;
- 10 (f) To sue and be sued;
- 11 (g) To adopt an annual budget for, and authorize such expenditures by the
12 Corporation;
- 13 (h) To perform such other acts as it may deem necessary for the Corporation
14 to undertake its mandate and functions.

15 *Sec. 5. The Board of Directors.* – The Corporation shall be governed by the
16 Board of Directors which shall be composed of five (5) members as follows:

- 17 (a) The Secretary of Finance who shall be the Ex-Officio Chairman of the
18 Board without compensation.
- 19 (b) The Chairman of the Cooperative Development Authority (CDA), who
20 shall be an Ex-Officio Member of the Board without compensation.
- 21 (c) The President of the Corporation, who shall be appointed by the
22 President of the Philippines from either the Government or private sector
23 to serve on a full-time basis for a term of six (6) years. The President
24 of the Corporation shall also serve as Vice Chairman of the Board.
- 25 (d) Two (2) members from the private sector, to be appointed for a term of
26 six (6) years without reappointment by the President of the Philippines:
27 *Provided, That of those first appointed, the first appointee shall serve*
28 *for a period of two (2) years.*

29 No persons shall be appointed as member of the Board unless he is of
30 good moral character and of unquestionable integrity and responsibility,
31 and who is of recognized competence in cooperativism, economics,
32 banking and finance, law, management administration or insurance, and

1 shall be at least thirty-five (35) years of age. For the duration of their
2 tenure or term in office and for a period of one (1) year thereafter, the
3 appointive members of the Board shall be disqualified from holding any
4 office, position or employment in any insured cooperative.

5 The Secretary of Finance may designate a representative, whose
6 position shall not be lower than an undersecretary or deputy governor
7 respectively, to attend such meetings and to vote on behalf of the
8 principal. Whenever the Chairman of the Board is unable to attend a
9 meeting of the Board, or in the event of a vacancy in the office of the
10 Secretary of Finance, the President of the Corporation shall act as
11 Chairman.

12 The presence of three (3) members shall constitute a quorum. All
13 decisions of the Board of Directors shall require the concurrence of at
14 least three (3) members.

15 The Secretary of Finance shall fix the rate of per diem for every Board
16 meeting attended by the members of the Board of Directors.

17 *Sec. 6. The President of the Corporation.* – The President of the Corporation
18 shall be the Chief Executive thereof and his salary shall be fixed by the President of
19 the Philippines. The sum total of the salary of the President and allowances and other
20 emoluments which the Board of Directors may grant him and shall be the ceiling for
21 fixing the salary, allowances and other emoluments of all other personnel in the
22 Corporation. The power and duties of the President of the Corporation are:

- 23 (a) To prepare the agenda for the meeting of the Board and to submit for
24 the consideration of the Board the policies and measures which he
25 believes to be necessary to carry out the purposes and provisions of this
26 Act;
- 27 (b) To execute and administer the policies and measures approved by the
28 Board;
- 29 (c) To direct and supervise the operations and internal administration of the
30 Corporation in accordance with the policies established by the Board.
31 The President may delegate certain parts of his administrative

1 responsibilities to other officers of the Corporation, subject to the rules
2 and regulations of the Board;

3 (d) To represent the Corporation, upon prior authority of the Board, in all
4 dealings with other offices, agencies and instrumentalities of the
5 government and with all other persons or entities, public or private,
6 whether domestic, foreign or international;

7 (e) To authorize, with his signature, upon prior authority of the Board,
8 contracts entered into by the Corporation, notes and securities issued by
9 the Corporations, and the annual reports, balance sheets, profits and
10 loss statements, correspondence and other documents of the
11 Corporation. The signature of the President may be in facsimile
12 wherever appropriate;

13 (f) To represent the Corporation, either personally or through counsel, in all
14 legal proceedings or actions;

15 (g) To delegate, with the prior approval of the Board of Directors, his power
16 to represent the Corporation, as provided in Subsection (d) and (f) of
17 this Section, to other officers of the Corporations; and,

18 (h) To exercise such other powers as may be vested in him by the Board.

19 The President shall be assisted by a Vice President and other officials whose
20 appointment and removal for cause shall be approved and whose salary shall be fixed
21 by the Board of Directors upon recommendation of the President of the Corporation.
22 During the absence or temporary incapacity of the President, or in case of a vacancy
23 or permanent incapacity and pending the appointment of a new President of the
24 Corporation by the President of the Philippines, the Vice President shall act as
25 President and discharge the duties and responsibilities thereof.

26 *Sec. 7. Definition of Terms as Used in this Act. –*

27 (a) *Board of Directors* means the Board of Directors of the Corporation.

28 (b) *Cooperative* shall be synonymous and interchangeable and shall include
29 other types and categories of cooperatives that encourage and accept
30 savings among its members and the general public.

31 (c) *Receiver* includes a receiver, commission, person or other agency
32 charged by law with the duty to take charge of the assets and liabilities

1 of the cooperative which has been forbidden from doing deposit business
2 in the Philippines, as well as the duty to gather, preserve and administer
3 such assets and liabilities for the benefit of the depositors of said
4 cooperative, and to continue into liquidation whenever authorized under
5 this Act or other laws, and to dispose of the assets and wind up the
6 affairs of such cooperative.

7 (d) *Insured Cooperative* means any cooperative the deposits of which are
8 insured in accordance with the provisions of this Act.

9 (e) *Non-insured Cooperative* means any cooperative whose deposits are not
10 insured.

11 (f) *Deposit* means the unpaid balance of money or its equivalent received
12 by a cooperative in the usual course of savings deposit business and for
13 which it has given or is obliged to give credit to a savings, time or thrift
14 account, or issued in accordance with CDA rules and regulations,
15 Republic Act No. 9520 and other applicable laws, together with such
16 other obligations of a cooperative consistent with cooperative principles
17 and practices, the Board of Directors shall determine and prescribe by
18 regulations to be deposit liabilities of the cooperative.

- 19 1) Investment products such as share capital, fix deposits, bonds
20 and securities, trust accounts, and other similar instruments;
- 21 2) Deposit accounts or transactions which are unfunded, or that are
22 fictitious or fraudulent;
- 23 3) Deposit accounts or transactions constituting, and/or emanating
24 from, unsafe and unsound cooperative savings transactions
25 practice/s, as determined by the Corporation, in consultation with
26 the CDA, after due notice and hearing, and publication of a cease
27 and desist order issued by the Corporation against such deposit
28 accounts or transaction; and,
- 29 4) Deposits that are determined to be the proceeds of an unlawful
30 activity as defined under Republic Act No. 7160, as amended.

31 (g) *Insured Deposit* means the amount due to any bona fide depositor for
32 legitimate deposits in an insured cooperative net of any obligation of the

1 depositor to the insured cooperative as of the date of closure, but not to
2 exceed Three hundred thousand pesos (P300,000,00). Such net amount
3 shall be determined according to such regulations as the Board of
4 Directors may prescribe. In determining such amount due to any
5 depositor, there shall be added together all deposits in the cooperative
6 maintained in the same right and capacity for his benefit either in his
7 own name or in the name of others. A joint account regardless of
8 whether the conjunction "and", "or", "and/or" is used, shall be insured
9 separately from any individually-owned deposit account: *Provided*, That
10 (1) If the account is held jointly by two or more natural persons, or by
11 two or more juridical persons or entities, the maximum insured deposit
12 shall be divided into as many equal shares as there are individuals,
13 juridical persons or entities, unless a different sharing is stipulated in the
14 document of deposit; and (2) if the account is hold by a juridical person
15 or entity jointly with one or more natural persons, the maximum insured
16 deposit shall be presumed to belong entirely to such juridical person or
17 entity: *Provided, further*, That the aggregate of the interest of each co-
18 owner over several joint accounts, whether owned by the same or
19 different combinations of individuals, juridical persons or entities, shall
20 likewise be subject to the maximum insured deposit of Five hundred
21 thousand pesos (P500,000.00): *Provided, furthermore*, That the
22 provisions of any law to the contrary notwithstanding, no owner/holder
23 of any negotiable certificate of deposit shall be recognized as a depositor
24 entitled to the rights provided in this Act unless his name is registered
25 as owner / holder thereof in the books of the issuing cooperative:
26 *Provided, finally*, That in case of a condition that threatens the monetary
27 and financial stability of the financial system that may have systemic
28 consequences, as defined in Section 19 hereof, as determined by the
29 Monetary Board, the maximum deposit insurance cover may be adjusted
30 in such amount, for such a period, and/or for such deposit products, as
31 may be determined by a unanimous vote of the Board of Directors in a

1 meeting called for the purpose and chaired by the Secretary of Finance,
2 subject to the approval of the President of the Philippines.

3 (h) *Transfer Deposit* means deposit in an insured cooperative made
4 available to a depositor by the Corporation as payment of insured deposit
5 of such depositor in a closed cooperative and assumed by another
6 insured cooperative.

7 Sec. 8. *Deposit Insurance Coverage.* – The deposit liabilities of any
8 cooperative, which is engaged in the business of receiving deposits as herein defined
9 on the effective date of this Act, or which thereafter may engage in the business of
10 receiving deposits, shall be insured with the Corporation.

11 Sec. 9. *Assessment of Member Cooperative.* –

12 (a) The assessment rate shall be determined by the Board of Directors:
13 *Provided,* That the assessment rate shall not exceed one-fifth (1/5) of
14 one percent (1%) per annum. The semi-annual assessment for each
15 insured cooperative shall be in the amount of the product of one-half
16 (1/2) the assessment rate multiplied by the assessment base but in no
17 case shall it be less than Three thousand pesos (P3,000.00). The
18 assessment base shall be the amount of the liability of the cooperative
19 for deposits as defined under Subsection (f) of Section 7 of this Act
20 without any deduction for indebtedness of depositors.

21 (b) The semi-annual assessment based for one semi-annual period shall be
22 the average of the assessment base of the cooperative as of the close
23 of business on March thirty-one and June thirty and the semi-annual
24 assessment base for the other semi-annual period shall be the average
25 of the assessment base or the cooperative savings deposit as of the close
26 of business on September thirty and December thirty-one: *Provided,*
27 That when any of said days is a non-business day or legal holiday, either
28 national or provincial, the preceding business day shall be used. The
29 certified statements required to be filed with the Corporation under
30 Subsections (b) and (c) of this Section shall be in such form and set forth
31 such supporting information as the Board of Directors shall prescribe.
32 The assessment payments required from the insured cooperatives under

1 Subsections (b) and (c) of this Section shall be made in such manner
2 and at such time or times as the Board of Directors shall prescribe,
3 provided the time so prescribed shall not be later than sixty (60) days
4 after filing the certified statement setting forth the amount of
5 assessment.

6 (c) On or before the 31st of July of each year, each insured cooperative shall
7 file with the Corporation a certified statement showing for the six (6)
8 months ending on the preceding June thirty the amount of the
9 assessment based and the amount of the semi-annual assessment due
10 to the Corporation for the period ending on the following December
11 thirty-one, determined in accordance with Subsection (a) of this Section,
12 which shall contain or be verified by a written declaration that it is made
13 under the penalties of perjury. Each insured cooperative shall pay to
14 the Corporation the amount of the semi-annual assessment it is required
15 to certify. On or before the 31st day of January of each year, each
16 insured cooperative shall file with the Corporation a similar certified
17 statement for the six (6) months ending on the preceding December
18 thirty-one and shall pay to the Corporation the amount of the semi-
19 annual assessment for the period ending on the following June thirty
20 which it is required to certify.

21 (d) Each cooperative which becomes an insured cooperative shall not be
22 required to file any certified statement or pay any assessment for the
23 semi-annual period in which it becomes an insured cooperative. On the
24 expiration of such period, each such cooperative shall comply with the
25 provisions of Subsection (b) of this Section except that the semi-annual
26 assessment base for its first certified statement shall be the assessment
27 base of the cooperative as of the close of business on the proceeding
28 June thirty or December thirty-one, whichever is applicable, determined
29 in accordance with Subsection (a) of this Section. If such cooperative
30 has assumed the liabilities for deposits of another cooperative, it shall
31 include such liabilities in its assessment base. The first certified
32 statement shall show as the amount of the first semi-annual assessment

1 due to the Corporation, an amount equal to the product of one-half of
2 the annual assessment rate multiplied by such assessment base.

3 (e) All assessment collections and income from operations after expenses
4 and charges shall be added to the Deposit Insurance Fund under this
5 Section. Such expenses and charges are: (1) the operating costs and
6 expenses of the Corporation for the calendar year; (2) additions to
7 reserve to provide for insurance and financial assistance losses, net of
8 recoverable amounts from applicable assets and collaterals, during the
9 calendar year; and (3) the net insurance and financial assistance losses
10 sustained in said calendar year.

11 (f) The Corporation (1) may refund to an insured cooperative any payment
12 of assessment in excess of the amount due to the Corporation, or (2)
13 may credit such excess toward the payment of the assessment next
14 becoming due from such cooperative and upon succeeding assessments
15 until the credit is exhausted.

16 (g) Any insured cooperative which fails to file any certified statement
17 required to be filed by it in connection with determining the amount of
18 any assessment payable by the cooperative to the Chairperson may be
19 compelled to file such statement by mandatory injunction or other
20 appropriate remedy in a suit brought for such purpose by the
21 Corporation against the cooperative and any officer or officers thereof in
22 any court of the Philippines of competent jurisdiction in which such
23 cooperative is located.

24 (h) The Corporation, in a suit brought in any court of competent jurisdiction,
25 shall be entitled to recover from any insured cooperative the amount of
26 any unpaid assessment lawfully payable by such insured cooperative to
27 the Corporation, whether or not such cooperative shall have filed any
28 such certified statement and whether or not suit shall have been brought
29 to compel the cooperative to file any such statement. No action or
30 proceeding shall be brought for recovery of any assessment due to the
31 Corporation or for the recovering of any amount paid to the Corporation
32 in excess of the amount due to it, unless such action or proceeding shall

1 have been brought within five (5) years after the right accrued for which
2 the claim is made, except where the insured cooperative has made or
3 filed with the Corporation a false or fraudulent certified statement with
4 the intent to evade, in whole or in part, the payment of assessment, in
5 which case the claim shall not have been deemed to have accrued until
6 the discovery by the Corporation, that the certified statement is false or
7 fraudulent.

- 8 (i) The Corporation shall not terminate the insured status of any
9 cooperative which continues to operate or receive deposits. Should any
10 insured cooperative fail or refuse to pay any assessment required to be
11 paid by such cooperative under any provision of this Act, and should the
12 cooperative not correct such failure or refusal within thirty (30) days
13 after written notice has been given by the Corporation to an officer of
14 the cooperative citing this Subsection, and stating that the cooperative
15 has failed or refused to pay as required by the law, the Corporation may,
16 at its discretion, file a case for collection before the appropriate court
17 without prejudice to the imposition of administrative sanctions allowed
18 under the provisions of this law on the cooperative officials responsible
19 for the non-payment of assessment fees.

20 *Sec. 10. Sanctions Against Unsafe and Unsound Cooperative Practices. –*

- 21 (a) Whenever upon examination by the Corporation into the condition of
22 any insured cooperative, it shall be disclosed that an insured cooperative
23 or its directors or agents have committed, are committing or about to
24 commit unsafe or unsound practices in conducting the savings deposit
25 business of the cooperative or have violated, are violating or about to
26 violate any provisions of any law or regulation to which the insured
27 cooperative is subject, the Board of Directors shall submit the report of
28 the examination to the CDA to secure corrective action thereon. If no
29 such corrective action is taken by the CDA within forty-five (45) days
30 from the submission of the report, the Board of Directors shall, *motu*
31 *proprio*, institute corrective action which it deems necessary. The Board
32 of Directors may thereafter issue a cease and desist order, and require

1 the cooperative or its directors or agents concerned to correct the
2 practices or violations within forty-five (45) days. However, if the
3 practice or violations is likely to cause insolvency or substantial
4 dissipation of assets or earnings of the cooperative, or is likely to
5 seriously weaken the condition of the cooperative or otherwise seriously
6 prejudice the interests of its depositors and the cooperative, the period
7 to take corrective action shall not be more than fifteen (15) days. The
8 order may also include the imposition of fines provided in Section 22 (f)
9 hereof. The Board of Directors shall duly inform the CDA of action it has
10 taken under this Subsection with respect to such practices or violations.

11 (b) The actions and proceedings provided in the preceding subsection may
12 be undertaken by the Corporation if, in its opinion, an insured
13 cooperative or its directors or agents have violated, or violating or about
14 to violate any provision of this Act or any order, rule or instruction issued
15 by the Corporation or any written condition imposed by the Corporation
16 in connection with any transaction with or grant by the Corporation.

17 (c) The Corporation shall not terminate the insured status of any
18 cooperative which continues to operate or receive deposits. Should any
19 insured cooperative fail or refuse to pay any assessment required to be
20 paid by such cooperative under any provision of this Act, and should the
21 cooperative not correct such failure or refusal within thirty (30) days
22 after written notice has been given by the Corporation to an officer of
23 the cooperative citing this Subsection, and stating that the cooperative
24 has failed or refused to pay as required by the law, the Corporation may,
25 at its discretion, file a case for collection before the appropriate court
26 without prejudice to the imposition of administrative sanctions allowed
27 under the provisions of this law on the cooperative officials responsible
28 for the non-payment of assessment fees,

29 *Sec. 11. Powers, Responsibilities, and Prohibitions. –*

30 (a) The Board of Directors shall administer the affairs of the Corporation
31 fairly and impartially and without discrimination.

1 (b) The Board of Directors shall appoint examiners who shall have the
2 power, on behalf of the Corporation to examine any insured cooperative.
3 Each such examiner shall have the power to make a thorough
4 examination of all savings of the cooperative and in doing so, he shall
5 have the power to administer oaths, to examine and take and preserve
6 the testimony of any of the officers and agents thereof, and, to compel
7 the presentation of books, documents, papers, or records necessary in
8 his judgement to ascertain the facts relative to the condition of the
9 cooperative; and shall make full and detailed report of the condition of
10 the cooperative to the Corporation. The Board of Directors in like
11 manner shall appoint claim agents who shall have the power to
12 investigate and examine all claims for insured deposits and transferred
13 deposits. Each claim agent shall have the power to administer oaths
14 and to examine under oath and take and preserve testimony of any
15 person relating to such claim.

16 The investigators appointed by the Board of Directors shall have the
17 power on behalf of the Corporation to conduct investigations on frauds,
18 irregularities and anomalies in relation to saving transactions committed
19 in cooperatives, based on reports of examination conducted by the
20 Corporation and CDA or complaints from depositors or from other
21 government agencies. Each investigator shall have the power to
22 administer oaths, and examine, take, and preserve the testimony of any
23 persons relating to the subject of investigation.

24 (c) Each insured cooperative shall make to the Corporation reports of
25 condition in such form and at such times as the Board of Directors may
26 require such reports to be published in such manner, not inconsistent
27 with any applicable law, as it may direct. Every such cooperative which
28 fails to make or publish any such report within such time, not less than
29 five (5) days, as the Board of Directors may require, shall be subject to
30 a penalty of not more than One hundred pesos (P100.00) for each day
31 of such failure recoverable by the Corporation for its use.

1 (d) The Corporation shall have access to reports of examination made by,
2 and reports of conditions made to the CDA or its appropriate supervising
3 agencies.

4 (e) Each insured cooperative shall keep and maintain a true and accurate
5 record or statement of its daily deposit transactions consistent with the
6 standards set by the CDA and the Corporation. Compliance with such
7 standards shall be duly certified by the Chairman / President of the
8 cooperative or the compliance officer: *Provided*, That refusal or willful
9 failure to issue the required certification shall constitute a violation of
10 this Section and shall subject such officers of the cooperative to the
11 sanctions provided for under Section 22 (f) of this Act.

12 (f) Personnel of the Corporation are hereby prohibited from:

13 (1) being an officer, director, consultant, employee or member,
14 directly or indirectly, of any cooperative;

15 (2) receiving any gift or thing of value from any officer, director or
16 employee thereof;

17 (3) revealing in any manner, except as provided in this Act or under
18 order of the court, information relating to the condition of
19 business of any such cooperative. This prohibition shall not apply
20 to the giving of information to the Board of Directors, the
21 President of the Corporation, Congress, any agency of
22 government authorized by law, or to any person authorized by
23 either of them in writing to receive such information.

24 (g) The Corporation shall underwrite or advance litigation costs and
25 expenses, including legal fees and other expenses of external counsel,
26 or provide legal assistance to, directors, officers, employees or agents
27 of the Corporation in connection with any civil, criminal, administrative
28 or any other action or proceedings, to which such director, officer,
29 employee or agent is made a party by reason of, or in connection with,
30 the exercise of authority or performance of functions and duties under
31 this Act: *Provided*, That such legal protection shall not apply to any civil,
32 criminal, administrative or any action or proceeding that may be initiated

1 by the Corporation, in whatever capacity, against such director, officer,
2 employee or agent: *Provided, further,* That directors, officers,
3 employees or agents who shall resign, retire, transfer to another agency
4 or be separated from the service, shall continue to be provided with such
5 legal protection in connection with any act done or omitted to be done
6 by them in good faith during their tenure or employment with the
7 Corporation: *Provided, finally,* That in the event of a settlement or
8 compromise, indemnification shall be provided only in connection with
9 such matters covered by the settlement as to which the Corporation is
10 advised by counsel that the persons to be indemnified did not commit
11 any negligence or misconduct.

12 (h) The costs and expenses incurred in defending the aforementioned
13 action, suit or proceeding may be paid by the Corporation in advance of
14 the final disposition of such action, suit or proceeding upon receipt of an
15 undertaking by or on behalf of the director, officer, employee or agent
16 to repay the amount advanced should it ultimately be determined by the
17 Board of Directors that he is not entitled to be indemnified as provided
18 in this Subsection.

19 Unless the actions of the Corporation or any of its officers and employees
20 are found to be in willful violation of this Act, performed in bad faith,
21 with malice and/or gross negligence, the Corporation, its directors,
22 officers, employees and agents are held free and harmless to the fullest
23 extent permitted by law from any liability, and they shall be indemnified
24 for any and all liabilities, losses, claims, demands, damages, deficiencies,
25 costs and expenses of whatsoever kind and nature that may arise in
26 connection with the performance of their functions, without prejudice to
27 any criminal liability under existing laws.

28 Legal assistance shall include the grant or advance of reasonable legal
29 fees as determined by the Board of Directors to enable the concerned
30 directors, officers, employees or agent to engage counsel of his choice,
31 subject to approval by the Board of Directors.

1 Notwithstanding the provisions of this Section and Section 4 and 5,
2 members of the Board of Directors and personnel of the Corporation
3 may become directors and officers of any cooperative in connection with
4 financial assistance extended by the Corporation to such institution and
5 when, in the opinion of the Board, it is appropriate to make such
6 designation to protect the interest of the Corporation.

7 *Sec. 12. Receivership and Liquidation. –*

- 8 (a) The provisions of other laws, general or special, to the contrary
9 notwithstanding, whenever it shall be appropriate for the CDA to appoint
10 a receiver of any cooperative pursuant to existing laws, the CDA shall
11 give prior notice and appoint the Corporation as receiver.
- 12 (b) The Corporation as receiver shall control, manage and administer the
13 affairs of the closed cooperative. Effective immediately upon takeover
14 as receiver of such cooperative, the powers, functions and duties, as
15 well as all allowances, remunerations and perquisites of the directors,
16 officers, and shareholders of such cooperative are suspended, and the
17 relevant provisions of the Articles of Corporation and By-Laws of the
18 closed cooperative are likewise deemed suspended.
- 19 (c) The assets of the closed cooperative under receivership shall be deemed
20 in custodia legis in the hands of the receiver. From the time the closed
21 cooperative is placed under such receivership, its assets shall not be
22 subject to attachment, garnishment, execution, levy or any other court
23 processes.
- 24 (d) In addition to the powers of the receiver pursuant to existing laws, the
25 Corporation is empowered to:
- 26 (1) bring suits to enforce liabilities to or recoveries of the closed
27 cooperative;
 - 28 (2) appoint and hire persons or entities of recognized competence in
29 cooperativism as its deputies and assistants, to perform such
30 powers and functions of the Corporation as receiver or liquidator
31 of the closed cooperative;

- 1 (3) suspend or terminate the employment of officers and employees
2 of the closed cooperative: *Provided*, That payment of separation
3 pay or benefits shall be made only after the closed cooperative
4 has been placed under liquidation and that such payment shall be
5 made from available funds of the cooperative after deducting
6 reasonable expenses for receivership and liquidation;
- 7 (4) pay accrued utilities, rentals and salaries of personnel of the
8 closed cooperative for a period not exceeding three (3) months,
9 from available fund of the closed cooperative;
- 10 (5) collect loans and other claims of the closed cooperative, and for
11 the purpose, modify, compromise or restructure the terms and
12 conditions of such loans or claims as may be deemed
13 advantageous to the interest of the creditors and claimants of the
14 closed cooperative;
- 15 (6) hire or retain private counsels as may be necessary;
- 16 (7) borrow or obtain a loan, or mortgage, pledge or encumber any
17 asset of the closed cooperative, when necessary, to preserve or
18 prevent dissipation of the assets, or to redeem foreclosed assets
19 of the closed cooperative, or to minimize losses to the depositors
20 and creditors;
- 21 (8) if the stipulated interest on deposits is unusually high compared
22 with the prevailing applicable interest rate, the Corporation as
23 receiver may exercise such powers which may include a reduction
24 of the interest rate to a reasonable rate: *Provided*, That any
25 modification or reduction shall apply only to unpaid interest; and,
- 26 (9) exercise such other powers as are inherent and necessary for the
27 effective discharge of the duties of the Corporation as a receiver.

28 The Board of Directors shall adopt such policies and guidelines as may be
29 necessary for the performance of the above powers by personnel, deputies and agents
30 of the Corporation.

1 Sec. 13. *Court Fees and Other Fees.* – In all cases or actions filed by the
2 Corporation as receiver for the recovery of, or involving any assets of the closed
3 cooperative, payment of all docket and other court fees shall be free.

4 Sec. 14. *Receivership Expenses.* – Before any distribution of the assets of the
5 closed cooperative in accordance with the preference established by the Philippine
6 Cooperative Code and other laws, the Corporation shall periodically charge against
7 said assets reasonable receivership expenses and subject to approval by the proper
8 court, reasonable liquidation expenses, it has incurred as part of the cost of
9 receivership / liquidation proceedings and collect payment therefore from available
10 assets.

11 After the payment of all liabilities and claims against the closed cooperative,
12 the Corporation shall pay any surplus dividends at the legal rate of interest from date
13 of takeover to date of distribution, to creditors and claimants of the closed cooperative
14 in accordance with legal priority before distribution to the shareholders of the closed
15 cooperative.

16 Sec. 15. *Permanent Insurance Funds.* – To carry out the purposes of this Act,
17 the permanent insurance fund shall be Five hundred million pesos (P500,000,000.00).

18 The Deposit Insurance Fund shall be the capital account of the Corporation and
19 shall principally consist of the following: (i) the Permanent Insurance Fund; (ii)
20 assessment collection, subject to the charges enumerated in Section 6 (d); (iii)
21 reserves for insurance and financial assistance losses; and (iv) retained earnings:
22 *Provided,* That the reserves for insurance and financial assistance losses and retained
23 earnings shall be maintained at a reasonable level to ensure capital adequacy:
24 *Provided, further,* That the Corporation may, within two (2) years from the passage
25 of this Act, and every five (5) years thereafter, conduct a study on the need to adjust
26 the amount of the Permanent Insurance Fund, insurance cover, assessment rate and
27 assessment base, and thereafter make the necessary recommendation to Congress.
28 For this purpose, the Corporation may hire the services of actuarial consultants to
29 determine, among others, the affordability of assessment rates, analysis and
30 evaluation of insurance risk, and advisability of imposing varying assessment rates or
31 insurance cover of different cooperatives.

1 Sec. 16. *Payment of Insured Deposits.* – Whenever an insured cooperative
2 shall have been closed by the CDA, payment of the insured deposits on such closed
3 cooperative shall be made by the Corporation as soon as possible either (1) by cash
4 or (2) by making available to each depositor a transferred deposit in another insured
5 cooperative in an amount equal to insured deposit of such depositor: *Provided,*
6 *however,* That the Corporation, in its discretion, may require proof of claims to be filed
7 before paying the insured deposits, and that in any case where the Corporation is not
8 satisfied as to the viability of a claim for an insured deposit, it may require final
9 determination of a court of competent jurisdiction before paying such claim: *Provided,*
10 *further,* That failure to settle the claim, within six (6) months from the date of filing of
11 claim for insured deposit, where such failure was due to grave abuse of discretion,
12 gross negligence, bad faith, or malice, shall, upon conviction, subject to directors,
13 officers, or employees of the Corporation responsible for the delay, to imprisonment
14 from six (6) months to one (1) year: *Provided, furthermore,* That the period shall not
15 apply if the validity of the claim requires the resolution of issues of facts and/or law
16 by another office, body or agency including the case mentioned in the first proviso or
17 by the Corporation together with such other office, body or agency.

18 Sec. 17. *Subrogation.* – The Corporation upon payment of any depositor, shall
19 be subrogated to all rights of the depositor against the closed cooperative to the extent
20 of such payment. Such subrogation shall include the right on the part of the
21 Corporation to receive the same payments from the proceeds of assets of such closed
22 cooperative and recoveries on account of cooperatives debtors as would have been
23 payable to the depositor on a claim for the insured deposits but, such depositor shall
24 retain his claim for any uninsured portion of his deposit. All payments by the
25 Corporation of insured deposits in closed cooperatives partake of the nature of public
26 funds, and as such, must be considered a preferred credit similar to taxes due to the
27 national government in the order of preference under Article 2244 of the New Civil
28 Code.

29 Sec. 18. *Determination of Insured Deposits.* –

30 (a) The Corporation shall commence the determination of insured deposits
31 due the depositors of a closed cooperative upon its actual takeover of
32 the closed cooperative. The Corporation shall give notice to the

1 depositors of the closed cooperative of the insured deposits due them
2 by whatever means deemed appropriate by the Board of Directors:
3 *Provided*, That the Corporation shall publish the notice once a week for
4 at least three (3) consecutive weeks in a newspaper of general
5 circulation or, when appropriate, in a newspaper circulated in the
6 community or communities where the closed cooperative or its branches
7 are located and post the same in the office of the cooperative.

8 (b) Payment of an insured deposit to any person by the Corporation shall
9 discharge the Corporation, and payment of transferred deposit to any
10 person by the new cooperative or by an insured cooperative in which a
11 transferred deposit has been made available shall discharge the
12 Corporation and such new cooperative or other insured cooperative, to
13 the same extent that payment to such person by the closed cooperative
14 have discharged it from liability for the insured deposit.

15 (c) Except as otherwise prescribed by the Board of Directors, neither the
16 Corporation nor such other insured cooperative shall be required to
17 recognize as the owner of any portion of a deposit appearing on the
18 records of the closed cooperative under a name other than that of the
19 claimant, any person whose name or interest as such owner is not
20 disclosed on the records of such closed cooperative as part owner of said
21 deposit, if such recognition would increase the aggregate amount of the
22 insured deposits in such closed cooperative.

23 (d) The Corporation may withhold payment of such portion of the insured
24 deposit of any depositor in a closed cooperative as may be required to
25 provide for the payment of any liability of such depositor as a
26 shareholder of the closed cooperative, or of any liability of such depositor
27 to the closed cooperative or its receiver, which is not offset against a
28 claim due from such cooperative, pending the determination and
29 payment of such liability by such depositor or any other liable therefor.

30 (e) Unless otherwise waived by the Corporation, if the depositor in the
31 closed cooperative shall fail to claim his insured deposits with the
32 Corporation within two (2) years from actual takeover of the closed

1 cooperative by the receiver, or does not enforce his claim filed with the
2 Corporation within two (2) years after the two-year period to file a claim
3 as mentioned hereinabove, all rights of the depositor against the
4 Corporation with respect to the insured deposit shall be barred;
5 however, all rights of the depositor against the closed cooperative or the
6 receivership estate to which the Corporation may have become
7 subrogated, shall thereupon revert to the depositor. Thereafter, the
8 Corporation shall be discharged from any liability on the insured deposit.

9 **Sec. 19. *Corporate Funds and Financial Assistance.* –**

10 (a) Money of the Corporation not otherwise employed shall be invested in
11 obligation of the Republic of the Philippines or in obligation guaranteed
12 as to principal and interest by the Republic of the Philippines.

13 (b) The banking or checking accounts of the Corporation shall be kept with
14 the Bangko Sentral ng Pilipinas, with the Land Bank of the Philippines,
15 or with any other bank designated as depository or fiscal agent of the
16 Philippine government.

17 (c) It is hereby declared to be the policy of the State that the Deposit
18 Insurance Fund of the Corporation shall be preserved and maintained at
19 all times: *Provided*, That the Corporation shall be exempt from income
20 tax, final withholding tax, value-added tax on assessments collected
21 from member cooperatives, and local taxes.

22 (d) When the Corporation has determined that an insured cooperative is in
23 danger of closing, in order to prevent such closing, the Corporation, in
24 the discretion of its Board of Directors, is authorized to make loans to,
25 or purchase the assets of or assume liabilities of, or make deposits in,
26 such insured cooperative, upon such terms and condition as the Board
27 of Directors may prescribe, when in the opinion of the Board of Directors,
28 the continued operation of such cooperative is essential to provide
29 adequate cooperative saving service in the community or maintain
30 financial stability in the economy.

31 The authority of the Corporation under the foregoing paragraph to
32 extend financial assistance to, assume liabilities of purchase the assets

1 of an insured cooperative may also be exercised in the case of a closed
2 insured cooperative if the Corporation finds that the resumption of
3 operations of such cooperative is vital to the interests of the community:
4 *Provided*, That the reopening and resumption of operations of the closed
5 cooperative shall be subject to the prior approval of the CDA.

6 The Corporation may provide any corporation acquiring control of,
7 merging or consolidating with or acquiring the assets of an insured
8 cooperative danger of closing in order to prevent such closing or of a
9 closed insured cooperative in order to restore to normal operations, with
10 such financial assistance as it could provide an insured cooperative under
11 this Subsection: *Provided*, That within sixty (60) days from date of
12 assistance, the Corporation shall submit a report thereof to the CDA.

13 The Corporation, prior to the exercise of the powers under this Section,
14 shall determine that actual payoff and liquidation thereof will be more
15 expensive than the exercise of this power: *Provided*, That when the CDA
16 has determined that there are systemic consequences of a probable
17 failure or closure of an insured cooperative, the Corporation may grant
18 financial assistance to such insured cooperative in such amount as may
19 be necessary to prevent its failure or closure and/or restore the insured
20 cooperative to viable operations, under such terms and conditions as
21 may be deemed necessary by the Board of Directors, subject to
22 concurrence by the CDA and without additional cost to the Deposit
23 Insurance Fund.

24 **Sec. 20. Authority to Borrow.** – The Corporation is authorized to borrow from
25 the Bangko Sentral ng Pilipinas and the Bangko Sentral is authorized to lend the
26 Corporation on such terms as may be agreed upon by the Corporation and the Bangko
27 Sentral, such funds as in the judgement of the Board of Directors of the Corporation
28 are from time to time required for insurance purpose and financial assistance provided
29 for in Section 19 (d) of this Act: *Provided*, That any such loan as may be granted by
30 the Bangko Sentral shall be consistent with monetary policy: *Provided, further*, That
31 the rate of interest thereon shall be fixed by the Monetary Board but shall not exceed
32 the treasury bill rate.

1 When in judgement of the Board of Directors, the funds of the Corporation are
2 not sufficient to provide for an emergency or urgent need to attain the purposes of
3 this Act, the Corporation is likewise authorized to borrow money, obtain loans or
4 arrange credit lines or other credit accommodations from any bank designated as
5 depository or fiscal agent of the Philippine Government: *Provided*, That such loan shall
6 be short-term duration.

7 Sec. 21. *Reports and Audit.* —

8 (a) The Corporation shall annually make a report of its operation to the
9 Congress as soon as practicable after the first day of January of each
10 year.

11 (b) The financial transactions of the Corporation shall be audited by the
12 Commission on Audit in accordance with the principle and procedures
13 applicable to commercial corporate transactions and under such rules
14 and regulations as may be prescribed by the Commission on Audit, the
15 audit shall be conducted at the place or places where accounts of the
16 Corporation are normally kept. Except as to matters relating to the
17 function of the Corporation as receiver which shall be subject to visitorial
18 audit only, the representatives of the Commission on Audit shall have
19 access to all books, accounts, records, reports, files and all other papers,
20 things or property belongings to or in use by the Corporation pertaining
21 to its financial transactions and necessary to facilitate the audit, and they
22 shall be afforded full facilities for verifying transactions with the balances
23 or securities held by depositories, fiscal agents, and custodians. All such
24 books, accounts, records, reports, files, papers, and property of the
25 Corporation shall remain in possession and custody of the Corporation.

26 (c) A report of the Audit for each fiscal year ending on June 30 shall be
27 made by the Auditor General to the Congress not later than January 15
28 following the close of such fiscal year. On or before December 15
29 following such a fiscal year, the Auditor General shall furnish the
30 Corporation a short form report showing the financial position of the
31 Corporation at the close of fiscal year. The report to Congress shall set
32 forth the scope of the audit and shall include a statement of assets and

1 liabilities and surplus or deficit; a statement of surplus or deficit analysis;
2 a statement of income and expenses; a statement of sources and
3 application of funds and such comments and information as may be
4 deemed necessary to inform Congress of the financial operations and
5 condition of the Corporation, together with such recommendations with
6 respect thereto as the Auditor General may deem advisable. The report
7 shall also show specifically any program, expenditure, or other financial
8 transactions or undertaking observed in the course of the audit, which
9 in the opinion of the Auditor General, has been carried on or made
10 without authority of law. A copy of each report shall be furnished to the
11 President of the Philippines, to the Governor of the Bangko Sentral ng
12 Pilipinas, and the Corporation at the time submitted to Congress.

13 **Sec. 22. Penalties. —**

- 14 (a) Every insured cooperative shall display at each place of business
15 maintained by it a sign or signs, and shall include a statement in all its
16 advertisements to the effect that its deposits are insured by the
17 Corporation.
- 18 (b) No insured cooperative shall pay any dividend on its share capital or
19 distribute any of its capital assets while it remains in default in the
20 payment of any assessment due to the Corporation: *Provided*, That if
21 such default is due to a dispute between the insured cooperative and
22 the Corporation over the amount of such assessment, this subsection
23 shall not apply if such cooperative shall deposit security satisfactory to
24 the Corporation for payment upon final determination of the issue.
- 25 (c) Without prior written consent by the Corporation, no insured cooperative
26 shall (1) merge or consolidate with any cooperative, or (2) assume
27 liability to pay any deposits made in, or similar liabilities of, any
28 cooperative, or (3) transfer assets to any cooperative in consideration of
29 the assumption of liabilities for any portion of the deposits made in such
30 insured cooperative.
- 31 (d) The Corporation may require an insured cooperative to provide
32 protection and indemnity against burglary, defalcation, losses arising

1 from discharge of duties by, or particular acts of defaults of its directors,
2 officers, or employees, and other similar insurable losses. The Board of
3 Directors in consultation with the CDA, shall determine the bonding
4 requirement as it refers to directors, officers and employers of the
5 insured cooperative as well as the form and amount of the bond.
6 Whenever any insured cooperative refuses to comply with any such
7 requirement, the Corporation may contract for such protection and add
8 the cost thereof to the assessment otherwise payable by such
9 cooperative.

10 (e) Any assessment payable by an insured cooperative under this Act shall
11 be subject to payment of interest computed from the date such
12 assessment became due and payable and at the legal rate for loans as
13 prescribed by law or appropriate authority and in case of willful failure
14 or refusal to pay such assessment and interest thereon, there shall be
15 added a penalty equivalent to twice the amount of interest payable as
16 computed herein for each day such violations continue, which the
17 interest and penalty the Corporation may recover for its use: *Provided,*
18 That the penalty shall not be applicable under the circumstances stated
19 in the provisions of Subsection (b) of this Section.

20 (f) If the penalty of *prision mayor* or a fine of not less than Fifty thousand
21 pesos (P50,000.00) but not more than Two million pesos
22 (P2,000,000.00), or both, at the discretion of the court, shall be imposed
23 upon any director, officer, employee or agent of a cooperative:

24 (1) for any willful refusal to submit reports as required by law, rules
25 and regulations;

26 (2) any unjustified refusal to permit examination and audit of the
27 deposit records or the affairs of the cooperative;

28 (3) any willful making of a false statement or entry in any cooperative
29 report or document required by the Corporation;

30 (4) submission of false material information in connection with or in
31 relation to any financial assistance of the Corporation extended
32 to the cooperative;

1 (5) splitting of deposits or creation of fictitious loans or deposit
2 accounts.

3 Splitting of deposit occurs whenever a deposit account with an
4 outstanding balance of more than the statutory maximum amount
5 of insured deposit maintain under the name of natural or juridical
6 persons is broken down and transferred in two (2) or more
7 accounts in the name/s of natural or juridical persons or entities
8 who have no beneficial ownership on transferred deposits in their
9 names within one hundred and twenty (120) days immediately
10 preceding or during a cooperative declared holiday, or
11 immediately preceding a closure order issued by the CDA for the
12 purpose of availing of the maximum deposit insurance coverage;

13 (6) refusal to allow the Corporation to take over a closed cooperative
14 placed under its receivership or obstructing such action of the
15 Corporation;

16 (7) refusal to turn over or destroying or tampering cooperative
17 records;

18 (8) fraudulent disposal, transfer or concealment of any assets,
19 property or liability of the closed cooperative under the
20 receivership of the Corporation;

21 (9) violation of, or causing any person to violate, the exemption from
22 garnishment, levy, attachment or execution;

23 (10) any willful failure or refusal to comply with, or violation of
24 any provisions of this Act, or commission of any other
25 irregularities, and/or conducting business in an unsafe or unsound
26 manner as may be determined by the Board of Directors.

27 The Board of Directors is hereby authorized to impose administrative fines for
28 any act or omission, enumerated in the preceding Subsection, and for violation of any
29 order, instruction, rule or regulation issued by the Corporation, against a cooperative
30 and/or any of its directors, officers or agents responsible for such act, omission, or
31 violation, in amounts as may be determined to be appropriate, but in no case to exceed
32 three (3) times the amount of the damages or costs cause by the transaction for each

1 day that the violation subsists, taking into consideration the attendant circumstances,
2 such as the nature and gravity of the violation or irregularity and the assets of the
3 cooperative.

4 Sec. 23. *Separability Clause.* – If any provision or part hereof is held invalid or
5 unconstitutional, the remainder of the law or the provision or part not otherwise
6 affected shall remain valid and subsisting.

7 Sec. 24. *Repealing Clause.* – Any law, presidential decree or issuance,
8 executive order, letter of instruction, administrative order, rule, or regulation contrary
9 to or inconsistent with the provisions of this Act are hereby repealed, modified, or
10 amended accordingly.

11 Sec. 25. *Effectivity.* – This Act shall take effect fifteen (15) days after its
12 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,