

BY-LAWS
OF
_____ **CREDIT SURETY FUND COOPERATIVE**

KNOW ALL MEN BY THESE PRESENTS:

We, the undersigned duly authorized representatives of the Local Government Unit (LGU), Government Financial Institutions (GFIs), our respective Cooperatives and Non-Government Organizations (NGOs), all of legal age and Filipino citizens, have voluntarily agreed to organize a Credit Surety Fund Cooperative, pursuant to the Republic Act No. 10744, otherwise known as the Credit Surety Fund Cooperative Act of 2015 (CSF Cooperative Act), and its Implementing Rules and Regulations (IRR).

ARTICLE I
PURPOSE

The purpose of the _____ CSF Cooperative is that set forth in its Articles of Cooperation.

ARTICLE II
MEMBERSHIP

Section 1. Entities that can be Admitted as Members. Membership in this CSF Cooperative is open to the following entities that have contributed to the Credit Surety Fund (CSF):

- 1. Cooperatives
- 2. NGOs
- 3. LGU
- 4. GFIs
- 5. Government Agencies (GAs)

A cooperative may be a member of more than one CSF Cooperative provided that the former operates and has a branch within the latter’s area of operation.

Section 2. Qualifications for Membership of Cooperatives/NGOs. Only “well-capitalized” and “well-managed” cooperatives, with duly approved application for membership, and have contributed a minimum amount of P100,000.00 may participate as members of this CSF Cooperative. Natural persons even of legal age shall not be allowed as members thereof.

Section 3. A “Well-Capitalized” Cooperative/NGO. To be considered “well-capitalized”, a cooperative/NGO must satisfy these two minimum criteria:

- 1. Adjusted Total Assets must be at least ₱1,000,000. which is computed as Total Assets minus the following:

- a. Past due loans receivable and items under litigation (net of allowance for probable losses); and
 - b. Past due accounts receivable (net of allowance for probable losses).
2. Adjusted Capital to Adjusted Assets Ratio (CAR) must be at least twenty percent (20%), which is computed as Adjusted Capital divided by Adjusted Total Assets.

The Adjusted Capital is computed as:

Adjusted Capital = Paid-up Capital plus Reserve Fund minus Unbooked Allowance for Probable Losses

(Note: Unbooked Allowance for Probable Losses (which includes allowance for credit losses and impairment losses)

Section 4. To be considered “well-managed”,

I. A Cooperative must satisfy the following requirements:

- a. Must be registered with the Cooperative Development Authority (CDA), as evidenced by a Certificate of Registration and a Certificate of Compliance issued by the CDA;
- b. Must be registered with the BIR and other relevant government agencies;
- c. Must be in existence for at least 1 year;
- d. Must be earning based on the latest audited financial statements submitted to CDA;
- e. Must have adopted sound lending policies and practices;
- f. Must have audited financial statements;
- g. Members of the Board and Credit Committee have acquired CDA’s mandatory training hours;
- h. Must have no past due obligations with any of its creditors; and
- i. Must not have any existing leadership dispute or any other cooperative dispute filed with the CDA or any court or tribunal.

II. An NGO must satisfy the following requirements:

- a. Must be registered with the Securities and Exchange Commission (SEC), as evidenced by a Certificate of Registration;
- b. Must be registered with the Bureau of Internal Revenue (BIR) and other relevant government agencies;
- c. Must be in existence for at least 1 year and earning;
- d. Must have adopted sound lending policies and practices;
- e. Must have audited financial statements; and
- f. Must have no past due obligations with any of its creditors.

Section 5. Minimum Contribution to the CSF by member cooperatives/NGOs. Member cooperatives/NGOs must contribute to the CSF an amount of not less than ₱100,000. One percent (1.0%) of contributions shall be booked as paid-up share capital while the 99.0% shall be booked as Restricted Capital for Surety covered by an investment certificate. Contributions of a cooperative/NGO shall be fully paid prior to the signing of the CSF MOA and CDA registration.

Section 6. Regular Members.

Members of this Cooperative shall be all regular members. Regular members are those that have complied with all the membership requirements. They are entitled to vote and be voted upon and to all other rights and privileges of membership.

Section 7. Member cooperatives/NGOs are further classified into two:

1. ***Member in Good Standing*** - refers to a regular member who is entitled to vote and such other privileges as provided in the IRR and in further subsequent amendments of this Bylaws.
2. ***Member Not in Good Standing*** – refers to a regular member who:
 - a. Has unpaid and past due obligations with the CSF Cooperative;
 - b. Has committed violations of this Bylaws, rules, regulations, policies and guidelines of the CSF Cooperative;
 - c. Has not been issued a Certificate of Compliance by the CDA;
 - d. The adjusted capital or CAR falls below standards in subsequent years; and
 - e. Other circumstances as may be determined by the General Assembly or as provided further in subsequent amendments of this Bylaws.

Section 8. Application for Membership. Any application for membership shall be acted upon by the Board of Directors within a reasonable time but not more than two (2) months from date of submission of complete requirements. The application form for membership shall include an undertaking to uphold the Bylaws, policies, guidelines, rules and regulations promulgated by the Board of Directors and the General Assembly.

Section 9. Documentary Requirements. Cooperatives/NGOs interested to join this CSF Cooperative shall submit the following minimum requirements:

1. Approved General Assembly Resolution duly signed by all members of the Board of Directors, authorizing the cooperative/NGO to join or participate in the CSF Cooperative. Said resolution should indicate the amount of initial investment and designation of one representative and one alternate (a board member and/or Manager) who are authorized to sign contracts or agreements with the CSF Cooperative;
2. Copy of the latest audited financial statements of the cooperative with the accompanying notes/schedules;
3. Copy of Certificate of Registration with CDA or SEC and BIR;
4. Certificate of Compliance from CDA;
5. List of current Board of Directors, Manager and Credit or Loan Officer, together with their curriculum vitae or information sheet; and
6. Duly accomplished CSF Membership Application Form.

Section 10. Issuance of Certificate of Membership and Investment. An applicant cooperative/NGO may only be deemed a member after its application has been approved by the Board and has fully paid this CSF Cooperative its contribution and share capital. Once accepted, the CSF Cooperative shall issue Certificate of Membership and Investment.

Section 11. Appeal in Case Application for Membership is Refused or Denied. In case membership is refused or denied by the Board of Directors, an appeal may be made to the General Assembly and the latter’s decision shall be final. For this purpose, the General Assembly may opt to create an Appeal and Grievance Committee, the members of which shall serve for a period of one (1) year and shall decide appeals on membership application within thirty (30) days upon receipt thereof.

Section 12. Duties and Responsibilities of a Member. Every member cooperative/NGO shall have the following duties and responsibilities:

1. Pay the capital subscription and participate in the capital build-up activities of the CSF Cooperative;
2. Patronize the CSF Cooperative’s businesses and services;
3. Participate in the membership education and training programs;
4. Attend and participate in the deliberation of all matters taken during GA meetings;
5. Observe and obey all lawful orders, decisions, rules and regulations adopted by the Board and the GA; and
6. Promote the purposes and goals of the CSF Cooperative, the success of its business, the welfare of its members and the cooperative movement in general.

The member LGU, GFIs, and GAs shall likewise perform the duties and responsibilities mentioned in nos. 4, 5 and 6.

Section 13. Rights and Privileges of Members. A member shall have the following rights and privileges:

1. Cooperatives/NGOs who are Members in Good Standing

- a. Designate the authorized representative to vote and be voted upon in an election for a position in the Board of Directors and Committees, subject to the provisions of this Bylaws;
- b. Entitled to vote in any matters affecting the operation of the CSF Cooperative, subject to the provisions of the IRR and this Bylaws;
- c. Share in the earnings of the CSF Cooperative subject to this Bylaws;
- d. Endorse loans of its members except NGOs;
- e. Directly avail of loans from banks, covered by the CSF; and
- f. Inspect and examine the books of accounts, the minutes books, the share register, and other records of the CSF Cooperative during reasonable office hours;

(Note: Other rights and privileges may be provided as long as they are approved by the General Assembly and are not contrary to the provisions of the CSF law and its IRR.)

2. LGU Member

- a. Shares in the earnings of the CSF Cooperative, subject to this Bylaws;
- b. Designates its authorized representative to the Board as Ex-Officio member without voting rights;
- c. Inspects and examines the books of accounts, the minutes books,

- the share register, and other records of the CSF Cooperative during reasonable office hours; and
- d. Such other rights and privileges as may be granted by the Board or General Assembly, provided not contrary to law and this Bylaws.

3. GFIs and GAs which opted to contribute to the CSF Cooperative

- a. Designate the authorized representative to sit as member of the Board of Directors, with voting rights;
- b. Entitled to vote in any matter affecting the operation of the CSF Cooperative during the General Assembly meeting;
- c. Share in the earnings of the CSF Cooperative, subject to this Bylaws;
- d. Inspect and examine the books of accounts, the minutes books, the share register, and other records of the CSF Cooperative during reasonable office hours; and
- e. Such other rights and privileges as may be granted by the Board or General Assembly, provided not contrary to law and this Bylaws.

Section 14. Termination of Membership. Membership of a cooperative/NGO in the CSF Cooperative may be terminated by a resolution approved by a majority vote of the Board of Directors stating clearly the reasons therefor, and provided that the refund of the contribution shall be subject to the following conditions:

1. Liquidity of the Fund;
2. The value of the assets of the CSF Cooperative would be higher than the aggregate amount of its debts and liabilities after payment of the share capital and contribution of the withdrawing cooperative; and
3. The withdrawing member-cooperative has no outstanding obligation on account of the surety agreements issued.

Section 15. The LGU, GFIs and GAs may only withdraw their contribution upon dissolution of the CSF Cooperative.

Section 16. Termination of member cooperative/NGO may be automatic, voluntary or involuntary which shall have the effect of extinguishing all rights of membership in the CSF Cooperative, subject to refund of share capital contribution.

A. Automatic Termination of Membership. A judicial declaration of bankruptcy or insolvency of a member and cancellation of registration of the cooperative/NGO by the registering agency shall automatically terminate its membership in the CSF Cooperative.

B. Voluntary Termination. A member may voluntarily withdraw or terminate its membership from the CSF Cooperative by giving a sixty (60) day notice and subject to the approval of the Board of Directors.

C. Involuntary Termination. A member may be terminated for any of the following causes:

1. Continuous failure to comply with its obligations as provided for in this Bylaws and in the policies of the CSF Cooperative;

2. Blatant and continuous violation of any provision of the CSF Cooperative Act and its implementing rules and regulations and this Bylaws; and
3. Commission/omission of any act injurious or prejudicial to the interest or welfare of the CSF Cooperative.

Section 17. Procedure for Involuntary Termination. The Board shall notify in writing the official representative of the member cooperative/NGO which is being considered for termination and shall give him/her the opportunity to be heard. The decision of the Board in writing shall be communicated in person or by registered mail to said representative.

Section 18. Appeal. In case of termination of membership, an appeal may be made to the General Assembly and the latter's decision shall be final. For this purpose, the General Assembly may opt to create an Appeal and Grievance Committee, the members of which shall serve for a period of one (1) year and shall decide appeals on termination of membership within thirty (30) days upon receipt thereof. Failure to decide within the prescribed period, the appeal is deemed approved in favor of the member. Pending a decision by the general assembly, the membership remains in force.

ARTICLE III

THE GENERAL ASSEMBLY MEMBERSHIP AND MEETINGS

Section 1. The General Assembly (GA). The General Assembly which is the highest policy making body of the CSF Cooperative shall be composed of the authorized representatives of the contributing cooperatives/NGOs, LGU, GFIs, and GAs.

Section 2. Powers of the General Assembly. The General Assembly shall exercise powers as stated in the CSF Act and its IRR, the Articles of Cooperation and this Bylaws. It shall have the following exclusive powers which cannot be delegated:

1. To determine and approve amendments or adoption of the CSF Cooperative's Articles of Cooperation and Bylaws;
2. To elect cooperatives/NGOs as members of the Board of Directors, and to remove them for cause;
3. To approve the division, or merger or consolidation of the CSF Cooperative with another CSF Cooperative/s;
4. To approve the acquisition, receipt, hold, sale, lease, or otherwise deal with such real and personal property as the transaction of the lawful affairs of the CSF Cooperative may reasonably and necessarily require, subject to the limitations prescribed by the law and the Philippine Constitution;
5. To approve the voluntary dissolution of the CSF Cooperative; and
6. To approve Annual Development Plan.

Section 3. Meetings. Meetings of the General Assembly may be regular or special. All proceedings and businesses undertaken at any meeting of the General Assembly, if within the powers and authority of the CSF Cooperative, there being a quorum, shall be valid. Regular members are required to attend the meetings for the purpose of exercising all the rights and performing all the obligations pertaining to them.

Section 4. Regular General Assembly Meeting. The General Assembly shall hold its annual regular meeting every _____ (*within 120 days after the close of its calendar year*) at the principal office of the Cooperative or at any place as may be determined by the Board.

Section 5. Special General Assembly Meeting. The Board of Directors may, by a majority vote of all its members, call a special General Assembly meeting at any time to consider urgent matters provided that a written notice to that effect shall be sent to all the members within one (1) week prior to the scheduled meeting. The Board of Directors must likewise call a special General Assembly meeting within one (1) month from receipt of a written request from:

- 1. At least ten percent (10%) of the total number of members entitled to vote;
- 2. The Audit Committee; or
- 3. Upon Order of the Cooperative Development Authority.

Section 6. Notice of Meeting. All notices of meetings shall be in writing and shall include the date, time, place, and agenda thereof stated therein.

- 1. **Notice of Regular General Assembly Meeting.** Notice of the annual regular General Assembly meeting shall be served by the Secretary, personally or his/her duly authorized representative, by registered mail, or by electronic means to all members of record at his/her last known postal address, or by posting or publication, or through other electronic means. It shall be accompanied with an agenda, minutes of meeting of the last General Assembly meeting, consolidated reports of the Board of Directors and Committees, audited financial statements, and other papers which may assist the members to intelligently participate in the proceedings.
- 2. **Notice of Special General Assembly Meeting.** Notice of any special General Assembly meeting shall be served by the Secretary personally or his/her duly authorized representative, by registered mail, or by electronic means upon each member who is entitled to vote at his/her last known postal address, or by posting or publication, or through other electronic means. It shall state the purpose and, except for related issues, no other business shall be considered during the meeting.
- 3. **Waiver of Notice.** Notice of any meeting may be waived, expressly or impliedly, by the member concerned.

Section 7. Order of Business. As far as practicable, the order of business of a Regular General Assembly meeting shall be:

- 1. Call to Order;
- 2. Proof of due notice;
- 3. Roll Call;
- 4. Determination of quorum;
- 5. Reading, consideration and approval of the minutes of the previous meeting;

6. Presentation and approval of the reports of the Board of Directors, officers, and the committees, including Cooperative Annual Progress Report and all other required reports;
7. Unfinished business;
8. New business;
 - a. Election of directors and committee members;
 - b. Approval of Development and/or Annual Plan and Budget;
 - c. Engagement of External Auditor; and
 - d. Other related business matters
9. Announcements; and
10. Adjournment

Section 8. Quorum for General Assembly Meeting. During regular or special General Assembly meeting, a simple majority which shall mean one half plus one of the total number of members shall constitute a quorum. The decision of at least a simple majority of the members present at a meeting at which there is a quorum shall be valid.

Section 9. Voting System. Each cooperative/NGO, GFI, and GA that is entitled to vote, shall have only one (1) vote under the cooperative principle of one-man, one-vote.

Section 10. Authorized representative to attend meeting. Each member of the CSF Cooperative shall designate by virtue of a Board Resolution, in the case of Cooperatives/NGOs, or a Letter of Authority in the case of the LGU, GFIs, and GAs, its authorized representative who shall attend the general and/or special meetings of the CSF Cooperative and will continue to function as such until a new representative is designated by the member concerned.

ARTICLE IV BOARD OF DIRECTORS

Section 1. Composition. The direction and administration of the affairs of the CSF Cooperative shall be vested in the Board of Directors. The Board shall be composed of ____ regular voting members and one (1) ex-officio member (*not less than 7 nor more than 15*), to wit:

1. _____ member cooperatives/NGOs
2. Land Bank of the Philippines
3. Development Bank of the Philippines
4. Local Government Unit (Ex-Officio Member)
5. Government Agencies

Section 2. Powers and Responsibilities. The Board of Directors (the “Board”) shall be responsible for the strategic planning, direction-setting and policy-formulation activities of the CSF Cooperative. The powers and responsibilities of the Board shall include but not limited to the following:

1. Determine and formulate the general policies and guidelines on the proper administration of the CSF Cooperative pursuant to this Bylaws and the IRR;
2. Act as Manager of the CSF until such time that a trustee bank is designated or appointed as trust fund manager;

3. Designate bank/s duly licensed by the BSP to perform trust and other fiduciary functions as trustee bank/s or investment manager/s, which will, among others, manage the investment, reinvestment and disposition of the fund as provided under Republic Act No. 8791, otherwise known as the "General Banking Law of 2000";
4. Accept contribution of new and existing members to the CSF Cooperative;
5. Enter into contracts and transactions involving, affecting or relating to the CSF Cooperative including but not limited to the issuance of the Surety Agreement in favor of lending banks;
6. Sue and be sued in cases involving the CSF Cooperative;
7. Periodically review the CSFs and be responsible for taking appropriate action on the audit of the financial condition and operations of the CSF Cooperative;
8. Create committees and appoint officers subject to the qualifications provided by the Board and this Bylaws;
9. Delegate to the Chairperson, Vice-chairperson, or any member of the Board any of its powers whenever deemed necessary for the best interest of the CSF Cooperative and as allowed by law;
10. Exercise general supervision of all the affairs of the CSF Cooperative including the issuance of policies, rules and regulations governing the operations of the CSF and be directly accountable to the general membership of the CSF Cooperative;
11. Issue the Surety Agreement jointly and severally with the endorsing cooperative-member, in favor of the lending bank to secure the loans of qualified borrowers; and
12. Perform such acts and exercise such powers and duties as may be necessary and proper in order to achieve the purpose for which the CSF was created or for any purpose which will redound to the benefit of the members of the CSF Cooperative.

Section 3. Types of Members of the Board. The members of the Board of Directors are natural persons consisting of the authorized representatives of the member-cooperatives, as elected members; GFIs, and GAs, as appointed members; and LGU as ex-officio member, to wit:

1. **Elected members.** Member-cooperative/NGO of the CSF Cooperative which has the right to vote and possesses all the qualifications and none of the disqualifications provided in the law, the IRR or this Bylaws and shall be eligible for election as member of the Board. The said members of the Board shall be duly elected by the General Assembly. The term of office of the elected members of the Board coming from the authorized representative of the member-cooperatives/NGOs shall be two (2) years and shall hold office until their successors are duly elected and qualified, or until duly removed for cause.
2. **Appointed members.** GFIs, and GAs shall become automatic members of the Board. They have voting rights regardless of the nature of their contributions. Provided that the number of automatic members from GFIs shall not exceed two (2). If necessary, GFI's shall separately choose from among themselves who will sit in the Board.
3. **Ex-officio member.** Refers to the authorized representative of the LGU who shall become an automatic member of the Board but without voting rights.

Section 4. Election of Members of the Board. The members of the Board shall be elected by secret ballot by Members in Good Standing during the annual regular General Assembly meeting or special General Assembly meeting called for the purpose. The Election Committee shall supervise the conduct, manner and procedure of election and other election related activities, subject to duly approved election policies and guidelines.

Section 5. Officers within and outside the Board. Within ten (10) days from the constitution of the Board, it shall convene to elect its Chairperson and Vice-Chairperson from the authorized representatives of member cooperatives/NGOs to the Board. It shall also elect or appoint the Secretary and Treasurer from outside of the Board whose duties and responsibilities are provided in this Bylaws.

Section 6. Term of Office. Unless earlier removed for cause, or have resigned or become incapacitated, the elected members of the Board of Directors shall serve for a term of two (2) years and shall hold office until their successors are duly 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. Thereafter, all Directors shall serve for a term of two (2) years. The term of the Directors shall expire upon the election of their successors in the first regular General Assembly after registration.

Section 7. Regular Meetings. Regular meetings of the Board of Directors shall be held at least once a month at its official place of business. However, upon reasonable cause, a different date and venue of the regular monthly meeting may be set by the Chairperson or by a majority of the members of the Board; Provided, that a written notice shall be served upon all members of the Board at least seven (7) days before such meeting.

Section 8. Special Meetings. Special meetings may be held at any time upon the call of the Chairperson or by a majority of the members of the Board; Provided, that written notices specifying the agenda thereof shall be served upon all members of the Board at least seven days (7) before the said meetings.

Section 9. No Proxy Voting. Directors cannot be represented or vote by proxy at board meetings.

Section 10. Quorum Requirement. A simple majority of the total number of members during regular or special Board meetings, shall constitute a quorum. Simple majority as used in this Bylaws shall mean one half of the total number of members of the Board, plus one. The decision of at least a simple majority of the members present at a meeting at which there is a quorum shall be valid.

Section 11. Voting Requirement. Any resolution or decision passed by the Board shall be valid if voted and approved by one half plus one or by the simple majority of the regular voting members present (excluding ex-officio member) at the said meeting.

Section 12. Disqualifications. A member shall be disqualified to be elected as member of the Board, or to continue as such, under any of the following circumstances:

1. Holding any elective position in the government; Provided, That the disqualification does not extend to a party list representative being an officer of a cooperative he or she represents;
2. Holding any other position that is directly involved in the day-to-day operation and management of the CSF Cooperative;
3. Having direct or indirect personal interest with the business of the CSF Cooperative;
4. An official or employee of the CDA, except the representative of their employees' cooperative; and
5. Having been involved or convicted in administrative proceedings or civil/criminal suits involving financial and/or property accountability.

(Note: Other disqualifications as may be provided in other laws may be included in the enumeration)

Section 13. Procedure for Disqualification. The procedure for disqualification shall be provided in the election guidelines or policy of the CSF Cooperative.

Section 14. Vacancy in the Board of Directors. Any vacancy in the Board, 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 the purpose. A director so elected to fill a vacancy shall serve only the unexpired term of his predecessor in office. Provided, that no such election shall be held if the vacancy occurs less than three (3) months before the expiration of the vacating member's term of office and that a quorum can still be obtained.

In the event that the General Assembly failed to muster a quorum to fill the positions vacated by directors whose term has expired and said directors refuse to continue their functions on a hold-over capacity, the remaining members of the Board, together with the members of the Audit Committee shall designate, from the other qualified members of the General Assembly their replacements who shall serve temporarily as such until their successors shall have been elected and qualified in a regular or special General Assembly meeting called for the purpose.

Section 15. Per Diem. The directors shall not receive any compensation except for reasonable per diems: Provided however, that the directors shall not be entitled to any per diem when, in the preceding calendar year, the CSF Cooperative reported a net loss or had interest on share capital rate less than the official inflation rate for the same year. Provided, further, that no increase in per diems shall be granted during the first five years of existence of the CSF Cooperative.

Section 16. Prohibitions. Any member of the Board of Directors shall not hold any other position directly involved in the day-to-day operation and management of the CSF Cooperative nor engage in any business similar to that of the CSF Cooperative or who in any way has a conflict of interest with it. The extent of conflict of interest shall be clearly defined in the policy of the

CSF Cooperative. Further, no two (2) or more persons with relationships up to the third civil degree of consanguinity or affinity nor shall any person engaged in a business similar to that of the CSF Cooperative nor who, in any other manner, has interests in conflict with the CSF Cooperative, shall serve as an appointive officer.

**ARTICLE V
COMMITTEES**

Section 1. The following committees shall be created:

1. Election Committee
2. Audit Committee
3. Credit Committee
4. Mediation and Conciliation Committee
5. Ethics Committee

The members of both the Audit and Election Committees shall be elected by the General Assembly and the rest shall be appointed by the Board of Directors.

Section 2. Each committee shall formulate its own rules and regulations, policies and guidelines in the performance of its functions and initiate programs and activities for the furtherance of the CSF Cooperative’s goals and objectives, in accordance with this Bylaws and CSF Cooperative Act and its IRR. All actions and initiatives made by the committees shall be approved by Board or the General Assembly, as the case may be.

Section 3. Term of Office. The Committee Chairperson and Members shall hold office for a term of one (1) year or until their successors shall have been elected/appointed and qualified.

Section 4. Vacancy. If a vacancy occurs in any elective committee, it shall be filled by the remaining members of the said committee, if still constituting a quorum, otherwise, the Board, in its discretion, may appoint or hold a special election to fill such vacancy. In case of a vacancy in all other committees, the Board may call an election to fill the vacancy or appoint a person to fill the same subject to the condition that the person elected or appointed shall serve only for the unexpired portion of the term.

Section 5. Election Committee. This committee shall be composed of three (3) members including the Committee Chairperson. No member of the committee shall hold any other position in the CSF Cooperative during his/her term of office. The committee shall be responsible for the following:

- a. Formulate election rules and guidelines and recommend to the General/Representative Assembly for approval;
- b. Recommend necessary amendments to the election rules and guidelines, in coordination with the Board of Directors, for the General Assembly's approval;
- c. Implement election rules and guidelines duly approved by the General Assembly;
- d. Supervise the conduct, manner and proceedings of election and other election- related activities and act on the changes thereto;

- e. Canvass and certify the results of the election;
- f. Proclaim the winning candidates;
- g. Decide election and other election-related cases except those involving the Election Committee or its members; and
- h. Perform such other functions as prescribed in the By-laws or authorized by the General Assembly.

Section 6. Audit Committee. This committee shall be composed of three (3) members including the Committee Chairperson. No member of the committee shall hold any other position in the CSF Cooperative during his/her term of office. The committee shall be responsible for the following:

- a. Audit the performance of the cooperative and its various responsibility centers;
- b. Monitor the adequacy and effectiveness of the Cooperative'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 principles and generally accepted accounting procedures;
- d. Review the internal audit report of the Cooperative;
- 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 operation to the General 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 Assembly.

Section 7. Credit Committee. This committee shall be composed of three (3) members including the Committee Chairperson. No member of the committee shall hold any other position in the CSF Cooperative during his/her term of office. The functions of the committee are as follows:

- a. Evaluate and recommend loan applications with surety cover of the member cooperatives/NGOs for approval of the Board in accordance with the IRR and the standard criteria set by the CSF Cooperative;
- b. Act on applications of the members within their discretionary and approving authority as set by the Board; and
- c. Perform other duties and responsibilities as may be delegated by the Board.

Section 8. Mediation and Conciliation Committee. This committee shall be composed of three (3) members including the Committee Chairperson. No member of the committee shall hold any other position in the CSF Cooperative during his/her term of office. The committee shall be responsible for the following:

- 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 Authority 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 9. Ethics Committee. This committee shall be composed of three (3) members including the Committee Chairperson. No member of the committee shall hold any other position in the CSF Cooperative during his/her term of office. The committee shall be responsible for the following:

- 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 Assembly;
- b. Conduct initial investigation or inquiry upon receipt of a complaint involving violations of the Code of Governance and Ethical Standards and submit report to the Board together with the appropriate sanctions;
- c. Submit 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 Bylaws or authorized by the Board of Directors.

Section 10. Other Committees. The Board of Directors, may by a majority vote of all its members, create such other committees as may be deemed necessary for the operation of the Cooperative.

Section 11. Qualifications and Disqualifications of Committee Members. The qualifications and disqualifications of the Board of Directors shall also apply to all the members of the committees.

Section 12. Per Diem. The heads and members of the committees shall not receive any compensation except for reasonable per diems approved by the General Assembly. Provided however, that they shall not be entitled to any per diem when, in the preceding calendar year, the CSF Cooperative reported a net loss. Provided further, that no increase in per diems shall be granted during the first five years of existence of the CSF Cooperative.

ARTICLE VI

OFFICERS AND MANAGEMENT STAFF

Section 1. Officers and their Duties. The officers of the cooperative shall include the Members of the Board of Directors, Members of the Different Committees, General Manager/Chief Executive Officer, Secretary and Treasurer who shall serve according to the functions and responsibilities of their respective offices as follows:

a. **Chairperson.** The Chairperson shall:

1. Set and prepare the agenda for board meetings in coordination with the other members of the Board;
2. Preside over all meetings of the Board of Directors and of General Assembly;
3. Exercise general supervision as deemed necessary to determine whether the resolutions, orders or directives of the Board and any of its authorized committees have been carried out;
4. Sign surety agreements, contracts, certificates and other documents on behalf of the CSF Cooperative as authorized by the Board of Directors or by the General Assembly; and
5. Perform such other functions as may be authorized by the Board of Directors.

b. **The Vice-Chairperson shall:**

1. Perform all duties and functions of the Chairperson in the absence of the latter; and
2. Perform such other duties as may be delegated by the Board of Directors.

c. **Treasurer.** The Treasurer shall:

1. Ensure that all cash collections are deposited in accordance with the policies set by the Board of Directors;
2. Have custody of funds, securities, and documentations relating to assets, liabilities, income and expenditures;
3. Prepare and issue official receipts for all cash receipts, including contributions to the Cooperative;
4. Monitor and review the financial management operations of the cooperative, subject to such limitations and control as may be prescribed by the Board of Directors;
5. Maintain full and complete records of cash transactions; and
6. Maintain a Petty Cash Fund and Daily Cash Position Report

d. **Secretary.** The Secretary shall:

1. Keep an updated and complete registry of all members;
2. Record, prepare and maintain records of all minutes of all meetings of the Board of Directors and the General Assembly;
3. Ensure that the necessary actions and decisions of the Board of Directors are transmitted to the management for compliance and implementation;
4. Prepare and issue Certificate of Investment/Contribution;

5. Issue and certify the list of members who are entitled to vote as determined by the Board of Directors;
6. Serve notice of all meetings called and certify the presence of quorum in the conduct of all meetings of the Board of Directors and the General Assembly;
7. Keep copies of the Treasurer's reports and other reports; and
8. Serve as custodian of the cooperative seal.

Section 2. Management Staff. The core management team of the cooperative composed of manager, cashier, bookkeeper, accountant, and other position as provided for in the Human Resource Manual shall take charge of the day-to-day operations of the cooperative. The Board of Directors shall appoint and fix their compensation. Said management staff shall perform the following functions and responsibilities:

a. Manager. The Manager shall:

1. Oversee the overall day to day business operations of the cooperative by providing general direction, supervision, management and administrative control;
2. Formulate and recommend the Cooperative's Annual and Medium Term Development Plan, programs and projects;
3. Implement the duly approved plans and programs of the cooperative and any other directive or instruction of the Board of Directors;
4. Provide and submit to the Board of Directors monthly reports on the status of the cooperative's operation vis-a-vis its target and recommend appropriate policy or operational changes, if necessary;
5. Represent the cooperative in any agreement, contract, business dealings, and in any other official business transaction as may be authorized by the Board of Directors;
6. Ensure compliance with all administrative and other requirements of regulatory bodies; and
7. Provide systems and procedures in the implementation of policies.

b. Accountant. The Accountant, who is under the supervision and control of the Manager, shall have the following duties and responsibilities:

1. Record and update books of accounts;
2. Keep, maintain and preserve all books of accounts, documents, vouchers, contracts and other records concerning the business of the CSF Cooperative and make them available for auditing purposes to the Board or Audit Committee;
3. Install an adequate and effective accounting system;
4. Render reports on the financial condition and operations of the Cooperative monthly, annually or as may be required by the Board and/or the General Assembly;
5. Provide assistance to the Board in the preparation of annual budget; and
6. Perform such other duties as the Board may require.

c. Bookkeeper. The bookkeeper who is under the supervision and control of the Accountant shall:

1. Record and update books of accounts;

2. Provide assistance in the preparation of reports on the financial condition and operations of the Cooperative monthly, annually or as may be required by the Board of Directors and/or the General Assembly;
3. Keep, maintain and preserve all books of accounts, documents, vouchers, contracts and other records concerning the business of the Cooperative and make them available for auditing purposes to the Chairperson of the Audit Committee; and
4. Perform such other duties as the Board of Directors may require.

d. Cashier. The Cashier of the Cooperative, who shall be under the supervision and control of the General Manager shall:

1. Handle monetary transactions;
2. Receive/collect payments;
3. Be responsible for money received and expended;
4. Prepares reports on money matters; and
5. Perform such other duties as the Board of Directors may require.

Section 3. Qualifications of the General Manager. No person shall be appointed to the position of general manager unless he/she possesses the following qualifications and none of the disqualifications herein enumerated:

- a. Must be familiar with the surety business operation of the Cooperative;
- b. Must have at least two (2) years of experience in the operations of Cooperative or related business;
- c. Must not be engaged directly or indirectly in any activity similar to the business of the Cooperative;
- d. Must not have been convicted of any administrative, civil or criminal cases involving moral turpitude, gross negligence or grave misconduct in the performance of his/her duties;
- e. Must be of good moral character;
- f. Must not have been convicted of any administrative, civil or criminal case involving financial and/or property accountabilities at the time of his/her appointment; and
- g. Must undergo pre-service and/or in-service trainings.

Section 4. Qualifications of Accountant, Cashier, and Bookkeeper. Persons appointed to the positions of accountant, cashier and bookkeeper must possess the following qualifications and none of the disqualifications herein enumerated:

- a. Bachelors degree in accountancy must be required for Accountant, however, Cashier and Bookkeeper must be knowledgeable in handling monetary transactions, accounting and/or bookkeeping, respectively;
- b. Must have at least two (2) years experience in Cooperative or related business;
- c. Must not be engaged directly or indirectly in any activity similar to the business of the Cooperative;
- d. Must not be convicted of any administrative, civil or criminal case involving moral turpitude, gross negligence or grave misconduct in the performance of his/her duties;
- e. Must be of good moral character;

- f. Must be willing to undergo pre-service and/or in-service trainings in accounting; and
- g. Must not have been convicted of any administrative, civil or criminal case involving financial and/or property accountabilities at the time of his/her appointment.

Section 5. Compensation and Per Diem. The officer or any member of the management staff, excluding the directors and committee members, hired by the Board as a regular and full-time employee of the CSF Cooperative, shall be entitled to full compensation together with the necessary benefits provided under the Labor Code of the Philippines and other pertinent laws and regulations.

However, the officer or any member of the management staff may be appointed by the Board to perform functions indicated above on a part-time basis, without employer-employee relationship, and not subject to direct control and supervision by management. In such case, the officer or member of the management staff shall be entitled to reasonable allowances and per diems, and reimbursement of actual and necessary expenses while performing functions for and in behalf of the CSF Cooperative.

Section 6. Bond of Accountable Officers. The Treasurer and every director, officer, and employee handling funds, securities or property on behalf of the CSF Cooperative shall be covered by a surety bond to be issued by a duly registered insurance or bonding company for the faithful performance of their respective duties and obligations. The Board shall determine the adequacy of such bonds.

Section 7. 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 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, 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 CSF Cooperative in respect to any matter which has been reposed in him/her in confidence, he/she shall, as a trustee for the CSF Cooperative, be liable for damages or loss of profits which otherwise would have accrued to the CSF Cooperative.

ARTICLE VII REMOVAL OR SUSPENSION OF DIRECTORS, OFFICERS AND COMMITTEE MEMBERS

Section 1. Grounds for Removal. All officers shall not be removed except for cause after due hearing. Any violation of this Bylaws and other pertinent rules, regulations, laws and ethical standards set by the CSF Cooperative shall be a ground for removal of directors or officers. 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.

Section 2. Removal of Directors and Officers. All complaints for the removal of any officer shall be filed with the Board. Such officer shall be given the opportunity to be heard. Majority of the Board may place the officer concerned under preventive suspension pending the resolution of the investigation. Upon finding of a prima facie evidence of guilt, the Board shall present its recommendation for removal to the General Assembly. The officer/s complained of may be removed by three-fourths (3/4) votes of the members present and constituting a quorum, in a regular or special General Assembly meeting called for the purpose.

Section 3. The provisions of the Cooperative Code and its implementing rules and regulations pertaining to the Audit Committee, Election Committee, Mediation and Conciliation Committee and Ethics Committee shall be made suppletory to this Bylaws.

ARTICLE VIII CAPITAL STRUCTURE

Section 1. Capital. The capital of this CSF Cooperative consists of common share capital and preferred share capital. The share capital contribution of the members shall be considered as equity. Provided, that it shall not be withdrawn and should not be used in offsetting obligations whether past due or current while the membership subsists.

Section 2. Common Shares. Common shares refer to shares issued to member cooperatives/NGOs and to GFIs and GAs that opted to treat their CSF contributions as investments. Holders shall be entitled to vote and be voted upon under the principle of one-man-one-vote, and shall receive interest, the rate of which shall not exceed the normal rate on investment. They shall have the duties, responsibilities as well as rights and privileges provided under the IRR and in this bylaws. In the event of liquidation, common shareholders have rights to this CSF Cooperative's assets in accordance with the law on preference of credits.

Section 3. Preferred Shares. Preferred shares refer to shares issued only to the LGU which shall be entitled to receive interest on share capital for the investment made as when declared by the Board to common shareholders at such rate and period as may be fixed by the Board. The holder thereof shall, however, have no voting rights. In case of liquidation, the preferred shareholder shall enjoy a right of preference in the return of share capital.

Section 4. Source of Capital. – The Cooperative may derive its funds from any or all of the following sources:

1. Member's share capital contribution;
2. Revolving capital which consists of the deferred payment of interest on share capital and proceeds of services rendered; and

3. Other sources of funds as may be authorized by law.

Section 5. Revolving Capital. To strengthen the capital structure of the CSF Cooperative, the General Assembly may authorize the Board to raise a revolving capital by deferring the payment of patronage refunds and interest on share capital, and authorized deduction of percentage from proceeds of services rendered for the first five years of the CSF Cooperative and retaining it as Restricted Capital for Surety, or such other schemes as may be legally adopted. To implement this provision, the Board shall issue a Revolving Capital Certificate with serial number and name.

Section 6. Share Capital Certificate. The Board shall issue a Share Capital Certificate only to a member who has fully paid its 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 CSF Cooperative. All certificates issued and/or transferred shall be registered in the cooperative's Share and Transfer Book. The number of paid share required for the issuance of Share Capital Certificate shall be determined by the Board. The shares may be purchased, owned or held only by entities that are eligible for membership.

Section 7. Lost or Destroyed Share Certificates. In case of lost or destroyed share certificate, the Board may issue a replacement after the owner thereof executes a sworn affidavit, setting forth the following:

1. Circumstances as to how, when and where said certificate was lost or destroyed;
2. The serial number of the certificate; and the number of shares it represents;
3. The lost or destroyed certificate has never been transferred, sold or endorsed to any third party, that should the same be found, the owner shall surrender it to the CSF Cooperative; and
4. That any false representation or statement made in the aforesaid affidavit shall be a ground for expulsion from the CSF Cooperative.

Section 8. Capital Build-Up. The Board shall come up and provide for a reasonable and realistic member-capital build-up program to allow the continuing growth of the members' investments in their cooperative as their own economic conditions continue to improve.

Section 9. Subscription Agreement. The cooperative shall execute a subscription agreement upon admission of additional members and whenever additional subscription shall be made by existing member/s upon full payment of initial subscription. The cooperative shall issue Share Certificates at least every end of the calendar year based on the number of shares fully paid for the said period.

Section 10. Transfer or Assignment of Shares. The members of the CSF Cooperative shall have the first option to buy any share offered for sale. The amount to be paid for such shares shall be the par value provided that:

1. It has held such shares or interests for not less than one (1) year;
2. The transfer is made to a member of the CSF Cooperative, or to another cooperative provided the same is acceptable to the CSF Cooperative; and

3. The Board has approved such transfer.

Section 11. The transfer of shares shall not be binding to the cooperative 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 CSF Cooperative 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 policy.

Section 12. A member cooperative/NGO may own more than ten percent (10%) of the total share capital of the CSF Cooperative but not more than fifty percent (50%) of the total subscribed capital.

Section 13. Fines on Unpaid Subscribed Share Capital. A fine of three percent (3%) shall be charged against a delinquent member for the unpaid subscribed share capital.

ARTICLE IX DONORS

Section 1. Acceptance of Donations.

The Cooperative may accept donations from any individual or private entity desiring to contribute to the CSF Cooperative in the form of grants.

Section 2. Treatment of Donations.

Donors shall not be considered as members of the Cooperative and their contribution, covered by a Deed of Donation, shall be booked as Restricted Capital for Surety which shall share in the earnings/losses of the CSF Cooperative. Imputed earnings of donors' contributions shall not be distributed but shall remain in the Restricted Capital for Surety until the dissolution of the CSF Cooperative.

While not exclusive, the following entities may be treated as donors:

- a. Individuals;
- b. Private banks and other financial institutions;
- c. Associations of businessmen or entrepreneurs;
- d. Multilateral or bilateral international institutions or agencies;
- e. International grants and aides; and
- f. Any person or entity which the Board may subsequently accept as donors.

ARTICLE X CSF OPERATIONS

Section 1. Usage of the Fund. The contributions pooled from cooperatives/NGOs, LGU, GFIs, GAs and individuals/private entities, shall constitute the Restricted Capital for Surety, to be used as surety for the loans of qualified borrowers from lending banks. The Restricted Capital for Surety shall be deposited in trustee bank/s designated by the Board immediately after its constitution and transfer to the same, after completion of the Trust

Agreement, the contributions of the member-cooperatives/NGOs to allow the fund to grow while waiting for the receipt of the LGUs and partners' contributions.

Section 2. Maximum Loan Availment. The amount that may be borrowed by qualified borrowers or endorsed through the CSF shall not exceed ten (10) times the contributions of the member/endorsing cooperative to the Fund at any given time. However, if the borrower-cooperative has no endorser, the maximum loanable amount shall be five (5) times the amount of its contribution.

For purposes of determining the maximum loan availment limit, the contribution shall mean the total of the cooperatives' investment in Restricted Capital for Surety.

Section 3. The qualified borrower as defined in this Rules shall file application for business loan with surety cover, as follows:

- a. If the borrower is an MSME-member of a contributor-cooperative, the loan application with surety cover together with the documentary requirements shall be filed with the contributor-cooperative.
- b. If the borrower is a cooperative/NGO without a qualified endorser, the loan application with surety cover together with the documentary requirements shall be filed directly with the CSF Cooperative.
- c. If the borrower is a cooperative with a qualified endorser, the loan application with surety cover together with the documentary requirements shall be filed with the contributor-cooperative of which it is a member.

A. Evaluation of Applicants

Section 4. In evaluating the loan application with surety cover, the endorsing cooperative shall consider viability of the business, credit worthiness of its member-borrower, and that risks are managed and controlled.

Section 5. The endorsing cooperative, after satisfying itself of the merits of the application, shall then issue a board resolution endorsing the said loan application to this CSF Cooperative for an independent evaluation.

Section 6. The CSF Cooperative shall review every loan application favorably endorsed by the endorsing cooperative and those filed directly by the borrower-cooperative/NGO with no endorser, and submit to the bank for independent evaluation. Its review shall be confined to compliance by the endorsing cooperative or by the borrower-cooperative/NGO, with best practices on cooperative governance, credit evaluation, credit investigation and risk management and the terms and conditions of the board approval.

B. Qualifications for Surety Coverage

Section 7. An MSME borrower shall be endorsed by a cooperative which is a member of the CSF Cooperative in order to qualify for the issuance of surety agreement.

Section 8. In case the end-user borrower is a primary cooperative/NGO and the purpose of the loan is for its own business activity, including relending to its members, the endorsement shall be made by the secondary cooperative/federation, which is a member of the CSF Cooperative. However, the borrowing primary cooperative/NGO, in the absence of any endorser, may apply directly to the CSF cooperative for issuance of surety cover in favor of the lending bank subject to certain conditions imposed by the Board.

Section 9. The purpose of the loan of the end-user borrower must always be productive in nature such as additional working capital for business, acquisition of equipment, purchase of goods, additional inputs for agricultural and commercial projects, lending and other purposes that will generate economic activities.

C. MSME Direct Loans from Banks

Section 10. The borrower can either be an MSME member of a contributor-cooperative or the cooperative/NGO itself engaged in business. In case the borrower is the contributing-cooperative/NGO, the application for surety cover shall be endorsed by an endorser.

Section 11. In all cases, the Board reserves the right to review the financial capacity of the cooperative/federation endorsing the loan of the borrowing cooperative/NGO or MSME.

D. MSME Loans through Credit Lines of Cooperatives

Section 12. A member-cooperative may apply for a credit line with any participating lending bank to be used for relending purposes to its member-borrowers in good standing and engaged in business activities, whose loans are secured by the surety agreement.

Section 13. The CSF Cooperative shall issue surety agreement to the loan of the cooperative-borrower.

Section 14. All loan proposals and applications for surety cover of sub-borrowers shall be evaluated and endorsed by the member-cooperative and the loans shall be considered as availments from its credit line with the lending bank.

Section 15. The surety agreement issued for loan of borrowing member-cooperative shall be executed by the endorsing cooperative and the Board, or just the Board in the absence of an endorser.

Section 16. The Board shall promulgate rules on the requirement of submission of business plans and other requirements such as but not limited to the list of loans for relending/rediscouting with attached sub-borrower's profile.

Section 17. The Board may designate its Chairperson to approve surety cover for cooperative loan applications that are booked as availments against its credit line, based on certain conditions and limitations as may be imposed by the Board. Provided, that any loan application by a cooperative which authorized representative is also the Chairperson of the Board, shall be endorsed to the lending bank by the Vice Chairperson of the Board.

E. Role of the Board of Directors of the CSF Cooperative in the Credit Process

Section 18. The Board of Directors shall receive the recommended loan applications from the Credit Committee for review and approval/disapproval by simple majority of the members present.

Section 19. The Board may approve or disapprove any proposal for issuance of a Surety Agreement. Such decision shall be contained in a resolution stating, among other things, the terms and conditions of approval or the reasons for disapproval. A copy of said resolution of the Board shall be furnished to the endorsing cooperative and the lending bank.

Section 20. Once approved by the Board, the authorized representative of the endorsing cooperative and the Chairperson of the Board (or the Vice-Chairperson as alternate signatory) shall sign on the Surety Agreement to be issued to the lending bank.

F. Issuance of Surety Agreement and Pertinent Risk Controls

Section 21. The CSF Cooperative shall issue the Surety Agreement after the borrower (i) has complied with all the terms and conditions of the cooperative/NGO under which such loan was approved for endorsement to the bank, (ii) the bank's notification for its issuance has been received, and (iii) this CSF Cooperative's share in the service fee has been remitted to the Treasurer of this Cooperative.

Section 22. In case of an approved credit line, the Surety Agreement shall be issued per availment of loan.

Section 23. The Surety Agreement should coincide with the term of the loan.

Section 24. The Board shall designate through a resolution, the Chairperson or in his/her absence, any other authorized officer of the Board to sign the Surety Agreement.

Section 25. In issuing the Surety Agreement, the CSF Cooperative shall implement the following risk management and prudential measures:

- a. The maximum amount of loans that a contributor-cooperative/NGO can endorse or borrow shall not exceed ten (10) times the amount of its contribution to the CSF Cooperative, at any given time;
- b. The aggregate outstanding balance of loans granted by all participating banks shall not exceed three (3) times the CSF Cooperative's Restricted Capital for Surety, at any given time. The 3x leverage shall be subject to annual review for

- progressive increase as warranted by the CSF Cooperative's performance, but not to exceed five (5) times the CSF Cooperative's Restricted Capital for Surety;
- c. The CSF Cooperative shall maintain at all times a twenty percent (20%) minimum ratio of its liquid assets, investments and time deposits with banks to outstanding contingent liabilities on account of Surety Agreements issued;
 - d. The CSF Cooperative shall cease issuing Surety Agreement to an endorsing cooperative whenever the outstanding past due loans of that endorsing cooperative reach ten percent (10%) of the total outstanding loans covered by Surety Agreement; and
 - e. The CSF Cooperative shall cease issuing Surety Agreement to all member-cooperative whenever the outstanding past due loans in the books of all or any of participating lending banks reach ten percent (10%) of the total outstanding loans covered by Surety Agreement.

ARTICLE XI SURETY AGREEMENT

Section 1. Requirements for Issuance of Surety Agreement. The CSF Cooperative shall issue the Surety Agreement after the borrower or endorsing cooperative has met the following requirements:

- a. Complied with all the terms and conditions of the cooperative under which such loan was approved for endorsement to the bank;
- b. Receipt of the bank's notification for issuance of surety agreement;
- c. Payment of the service fees due from the borrower or endorsing cooperative; and
- d. Compliance with all other requirements as may be required by the Board.

Section 2. Signatories of the Surety Agreement. A surety agreement shall be issued by the CSF Cooperative signed by its Chairperson and the authorized representative of the endorsing cooperative. However, in the absence of an endorser, the CSF Cooperative by itself may solely execute a Surety Agreement in favor of the lending bank. Subject to a resolution of the Board, the Chairperson, or in his absence, the Vice-Chairperson, or other alternate signatory, shall be the authorized officer of the CSF Cooperative to sign the surety agreement.

Section 3. Maximum Obligation of the CSF Cooperative. The maximum obligation of the endorsing cooperative and the CSF Cooperative under its Surety Agreement shall be 80% of the outstanding unpaid principal loan balance only.

Section 4. The surety agreement shall not cover any extension, renewal or novation of the loan in the nature of new, separate and additional loans without approval of the CSF Cooperative.

Section 5. The Board may issue a group or an individual surety agreement for the account of the endorsing cooperative or its MSME member, whichever is more appropriate in the efficient processing of a loan.

Section 6. The surety agreement shall be valid until the maturity of the loan, which is the same as the maturity date of the promissory note.

Section 7. The payment of reproduction and notarial expenses shall be for the account of the borrowing or endorsing cooperative.

ARTICLE XII
SERVICE FEES AND CHARGES

Section 1. Service Fees. The endorsing cooperatives may charge their MSME-borrowers reasonable annual service fees computed based on the amount of the outstanding principal loan granted by the lending bank per transaction, but in no case shall fees be more than five percent (5%) per annum.

Section 2. The borrowing or endorsing cooperative shall pay to the CSF Cooperative an annual service fee at a certain percentage of the outstanding loan determined by the Board, prior to the issuance of the surety agreement.

Section 3. The payment of service fees shall be based on the outstanding principal balance of the loan. It shall be made per annum as long as the surety agreement is still in effect and subsisting. For loans with terms of less than one year, the service fee may be paid proportionately.

Section 4. For non-payment of the required service fees, the Board may cancel the surety agreement previously issued. Proper notice shall be sent to the lending bank.

ARTICLE XIII
ALLOCATION AND DISTRIBUTION OF NET SURPLUS

Section 1. Net Surplus – refers to the excess payments made by members on services availed of from the CSF Cooperative which shall also refer to the sum of current year’s revenue on interests on trust investment (net of management and trustee fee) and savings/time deposits, and other income on CSF-related activities, less operating and administrative expenses.

Section 2. Imputed Income - shall refer to the earnings generated by the contributions of the LGU, GFIs and GAs treated as grants as well as the earnings generated by the contributions of an individual or private entity, which shall not be distributed but shall remain in the Restricted Capital for Surety until the dissolution of the CSF Cooperative.

Section 3. Order of Distribution. The net surplus of the CSF Cooperatives, shall be distributed as follows:

- 1. **General Reserves.** An amount for the General Reserve Fund which shall not be less than fifty percent (50%) of net surplus for the first five years, and not less than ten percent (10%) in the succeeding years. This

fund shall be used for the stability of the CSF Cooperative and to meet net losses in its operations;

2. **Education and Training Fund.** An amount for the education and training fund, which shall not be more than ten percent (10%) of the net surplus. The fund shall provide for the training, development and similar other activities geared towards the growth of the cooperative movement as provided in the Cooperative Code;
3. **Community Development Fund.** An amount for the community development fund, which shall not be less than three per centum (3%) of the net surplus. The community development fund shall be used for projects or activities that will benefit the community where the cooperative operates;
4. **Optional Fund.** An optional fund, a land and building, and any other necessary fund the total of which shall not exceed seven percent (7%); and
5. The remaining net surplus, net of imputed income on LGU contributions and grants, shall be made available to the members in the form of patronage refund while the interest on share capital, being a return of investments, shall be credited to members' respective Restricted Capital for Surety.

Section 4. Patronage Refund – refers to the amount returned to members who patronized the services of the CSF Cooperative in proportion to their individual patronage. The sum allocated for patronage refund shall be made available at the same rate to all patrons of the cooperative in proportion to their individual patronage in accordance with Article 86 of the Cooperative Code. For purposes of computation of the patronage refund, the basis shall be the net surplus from operations which is computed as the total gross income from the surety fees, service fees and other income, other than net income from investment in trust fund, less operating expenses and other charges. Patronage refund is computed proportionately based on the amount of loans endorsed or availed (and subsequently approved) by the member cooperative.

Section 5. Interest on Share Capital – refers to the share of the CSF cooperative members on the net earnings after deducting operational expenses, statutory reserves and patronage refund. Interest on share capital shall be computed based on the ratio of average daily balance of the member's contribution as provided in the implementing rules and regulations of the Cooperative Code. Interest on share capital may be declared but shall be credited to members' respective Restricted Capital for Surety.

Section 6. The Fund and its income or losses shall be shared or borne by the members of the CSF Cooperative in proportion to their share capital. If the contribution is treated as a grant, income shall be computed which shall remain as Restricted Capital for Surety until the dissolution of the CSF Cooperative.

Section 7. Losses from past due loans shall be charged in the following order of priority:

1. Share in the Restricted Capital for Surety of the endorsing or borrowing cooperative;
2. General Reserves; and
3. Borne proportionately by all members of this CSF Cooperative as deduction from their share in the Restricted Capital for Surety.

Section 8. Payment of interest on share capital must be made on such date as may be determined by the Board of Directors. The General Assembly, however, upon the recommendation of the Board of Directors, may defer the payment of such interest on share capital in order to raise revolving capital.

Section 9. Regular Members Not in Good Standing shall also share in the interest on share capital provided the same shall be applied first to their unpaid past due loans. In the case of member patron that has unpaid share capital contribution, delinquent or not, its proportionate amount of patronage refund shall be credited to its account until the share capital has been fully paid.

ARTICLE XIV

FINANCE, ACCOUNTING, BOOKS AND RECORDS

Section 1. Accounting System. The CSF Cooperative shall keep, maintain and preserve all its books of accounts and other financial records in accordance with generally accepted accounting principles and practices, applied consistently from year to year, and subject to existing laws, rules and regulations.

Section 2. Financial Audit, Performance Audit, and Social Audit. At least once a year, the Board shall cause, in consultation with the Audit Committee, the audit of the books of accounts of the CSF Cooperative, performance audit and social audit by CDA Accredited Independent Certified Public Accountant, Accredited Social Auditor, and Cooperative Compliance Officer/Audit Committee.

Section 3. External Auditor. The financial audit shall be conducted by an external auditor who satisfies all the following qualifications:

1. He is independent of the cooperative or any of its subsidiary that he is auditing; and
2. He is a member in good standing of the Philippine Institute of Certified Public Accountants (PICPA) and is accredited by both the Board of Accountancy and the CDA.

Section 4. Audit Report. The External Auditor shall submit to the Board of Directors and to the Audit Committee the financial audit report which shall be in accordance with the generally accepted auditing standards for cooperatives. Thereafter, the Board shall present the complete audit report to the General Assembly.

Section 5. This CSF Cooperative shall keep and carefully preserve at its principal office a record of all business transactions and minutes of all meetings of members, or of the Board of Directors, which shall set forth in detail the time and place of holding the meeting, how authorized, the notice given, whether the meeting was regular or special, if special its object, those present and absent, and every act done or ordered done at the meeting.

Upon the demand of any director, or member, the time when any director or member entered or left the meeting must be noted in the minutes; and on a similar demand, the yeas and nays must be taken on any motion or proposition, and a record thereof carefully made. The protest of any director or member on any action or proposed action must be recorded in full on his demand.

Section 6. The records of all business transactions of this CSF Cooperative and the minutes of any meetings shall be open to inspection by any director or member of the CSF Cooperative at reasonable hours on business days and he may demand, in writing, for a copy of excerpts from said records or minutes, at his expense.

Section 7. Right to Financial Statements. Within ten (10) days from receipt of a written request of any shareholder or member, the cooperative shall furnish its most recent Financial Statement, which shall include a balance sheet as of the end of the last taxable year and a profit or loss statement for said taxable year, showing in reasonable detail the assets and liabilities and the result of its operations. At the regular meeting, the Board of Directors shall present to such members a financial report of the operations of the CSF Cooperative for the preceding year which shall include financial statements, duly signed and certified by an independent certified public accountant.

Section 8. Budgets. This CSF Cooperative shall conduct an Annual Budgeting simultaneous with its Annual Planning and each Committee shall be required to submit their proposed budgetary requirements in order to accomplish their goals and activities for each year. The proposed budgets shall be consolidated and approved by the Board, afterwards submitted to the General Assembly for concurrence.

**ARTICLE XV
REPORTS**

Section 1. Required Reports. During the annual regular assembly meeting, the CSF cooperative shall present a report of its operation to the General Assembly together with the Cooperative Annual Progress Report, Social Audit Report , Performance Audit Report and Audited Financial Statements and List of officers and trainings undertaken and other kinds of reports as required by the General Assembly. The annual report shall be certified by the chairperson and the general manager as true and correct in all aspects to the best of their knowledge. The audited financial statement shall be duly signed and certified by a CDA accredited external auditor, duly recommended by the audit and risk management committee and approved by the Board.

**ARTICLE XVI
SETTLEMENT OF DISPUTES**

Section 1. Mediation and Conciliation. Disputes among members, officers, directors and committee members shall be settled amicably in accordance with the conciliation and mediation mechanism of this CSF cooperative. The conciliation and mediation committee shall facilitate the amicable settlement of said disputes. Should such conciliation and mediation proceeding failed, the matter shall be settled by the court of competent jurisdiction. Provided,

however, that before any party can validly file a complaint with the court, it must first secure a certification from the conciliation and mediation committee that despite all efforts to settle the issues, the same have failed.

**ARTICLE XVII
MISCELLANEOUS**

Section 1. Prohibited acts or omissions by members affecting this CSF Cooperative shall be governed by the following provisions of the Philippine Cooperative Code of 2018:

- a. Item 4 of Article 140 of the Cooperative Code on the liability of public officers shall not be applicable to GFIs and other institutions/GAs; and
- b. The officers and directors of the members of the CSF Cooperative consisting of the contributing cooperatives, NGOs, GFIs and other institutions/GAs may be held jointly and severally liable for the actions of its authorized representatives or appointed delegates elected as directors and officers of the CSF Cooperative for violations committed by the latter as provided under Article 140 of the Cooperative Code.

Section 2. Fiscal year. For accounting and other purposes, the fiscal year shall be the same as the calendar year which shall begin on the first day of January and end on the last day of December of each year.

Section 3. No Debtor-Creditor Relationship. The participation to the CSF Cooperative does not create a debtor-creditor relationship between the parties, and all monies, funds, assets or securities of the CSF Cooperative are not covered by the Philippine Deposit Insurance Corporation (PDIC). Losses, if any, which are not due to the Board’s and trustee bank’s willful misconduct, gross negligence or fraud or the failure to exercise the skill, care, prudence and diligence required by law, shall be for the sole account and risk of the members concerned.

Section 4. Dissolution of the CSF Cooperative. The dissolution of a CSF Cooperative shall be effected by a majority vote of the members of the Board, and confirmed by at least two-thirds (2/3) vote of all the members of the CSF Cooperative. The Board shall thereafter constitute itself as liquidator of the CSF Cooperative and distribute the assets for the benefit of members, creditors and other persons in interest in accordance with law. Provided that in the liquidation of a CSF Cooperative, any distribution of the assets of said CSF Cooperative should be net of the guarantees that it had issued. The debts of the CSF Cooperative shall be paid in accordance with the rules on concurrence and preference of credit as provided under the Civil Code of the Philippines and relevant laws. Accordingly, the applicable provisions of Republic Act No. 10142 - Financial Rehabilitation, Republic Act 9520 - Cooperative Code of the Philippines on and Insolvency Act and Corporation Code of the Philippines shall apply suppletorily in such order.

Section 5. A copy of this Bylaws shall be among the documents required to be kept ready and accessible for inspection and examination by the members of the CSF Cooperative and the CDA.

Section 6. The applicable provisions of Republic Act 9520 or the Cooperative Code of the Philippines, as well as the Special Rules, Circulars, Orders and other issuances by the CDA, BSP and appropriate government agencies in pursuance of the provisions of the CSF Cooperative Act shall have suppletory application to this Bylaws.

**ARTICLE XVIII
AMENDMENTS**

Section 1. Amendment of Articles of Cooperation and By-laws. Amendments to the Articles of Cooperation and this By-Laws may be adopted by at least two-thirds (2/3) votes of all members with voting rights without prejudice to the rights of dissenting members to withdraw their membership under the provisions of the CSF Cooperative Act and the Cooperative Code of the Philippines.

Section 2. The amendment/s shall take effect upon approval by the Cooperative Development Authority.

Voted and adopted this ____ day of _____, 20__ in _____, Philippines

**Provincial/City
Government of**
By:

Governor/Mayor

Development Bank of the Philippines
By:

**Land Bank of the
Philippines**
By:

MEMBER COOPERATIVES AND NGOS

<div>Cooperative 1</div> <div></div>	<div>Cooperative 2</div> <div></div>
<div>Cooperative 3</div> <div></div>	<div>Cooperative 4</div> <div></div>
<div>Cooperative 5</div> <div></div>	<div>Cooperative 6</div> <div></div>
<div>Cooperative 7</div> <div></div>	<div>Cooperative 8</div> <div></div>
<div>Cooperative 9</div> <div></div>	<div>Cooperative 10</div> <div></div>
<div>Cooperative 11</div> <div></div>	<div>Cooperative 12</div> <div></div>
<div>Cooperative 13</div> <div></div>	<div>Cooperative 14</div> <div></div>

We, constituting the majority of the Board of Directors / Members of the _____ Credit Surety Fund Cooperative do hereby certify that the foregoing instrument is the Code of By-laws of this Cooperative.

Signed this _____ of _____ 2019 in _____.

Chairman

Director

Director

Director

Director

LBP Representative

Director

Director

Director

Director

DBP Representative

Province/City of _____
Ex-Officio Director