

PROTECTING COOP MEMBERS' DEPOSIT THROUGH THE DEPOSIT GUARANTEE SYSTEM

VITALIANO N. NAÑAGAS II

President & CEO, CODIS Federation of Cooperatives

Director, National Cooperative Movement

Independent Director, NCM Mutual Fund of the Phil., Inc.

Former President, PDIC

Former Chairman, Development Bank of the Philippines



PDIC

- a government instrumentality created on June 22, 1963 by RA 3591

Goals

- to promote and safeguard the interests of the depositing public by way of providing permanent and continuing insurance coverage on all insured deposits
- to strengthen the mandatory deposit insurance coverage system to generate, preserve, and maintain faith and confidence in the country's banking system, and protect it from illegal schemes and machinations.



PDIC

***Mandatory for all
types of banks***

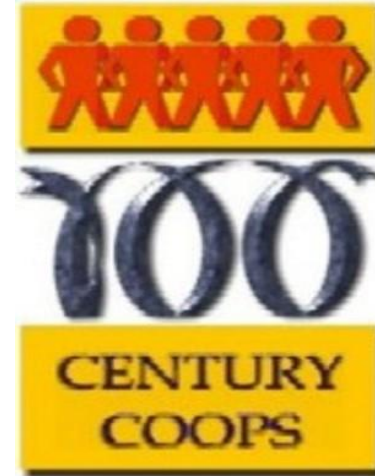
***not for financial service
coops***

***created by law just like
other deposit guarantee
systems worldwide***

DEPOSIT GUARANTEE SYSTEM FOR COOPS

RA 9520, Art. 62, Sec. 8, Par. 2

The Philippine Deposit Insurance Corporation (PDIC) and other government agencies, government-owned and controlled corporations and government financial institutions shall provide technical assistance to registered national federations and unions of cooperatives which have significant engagement in savings and credit operations **in order for these federations and unions to establish and/or strengthen their own autonomous cooperative deposit insurance systems**



4th Century Coops Conference

November 9 - 11, 2007

Hotel Dominique, Tagaytay City

4th Century Cooperatives Conference, 2007



The participants at the 4th Century Coops Conference held at Tagaytay City on November 9-11, 2007. They passed the resolution creating the Task Force to study the organizing of a Coop Deposit Insurance System.

ABOUT CREDIT UNION DEPOSIT GUARANTEE CORP. CUDGC - SASKATCHEWAN, CANADA

- **formed in 1953**
- **the 1st deposit guarantor in Canada**
- **guarantees C\$250,000.00 of deposits of members with their cooperatives (as of to-date, all deposits fully guaranteed)**
- **Since 1953, CUDGC does not allow failure or bankruptcy of cooperatives**
- **CUDGC is the only deposit guarantee system in the world that was independently organized by Canadian cooperatives**
- **The Credit Union Act of 1998 empowers CUDGC, in consultation with the Registrar of Credit Unions, to establish Standards of Sound Business Practice**

**ABOUT
CREDIT UNION DEPOSIT GUARANTEE CORP.
SASKATCHEWAN, CANADA**

A Good Model to Follow

- **established and enforces standards of sound business practice**
 - **effective corporate governance**
 - **sound strategic management**
 - **capital management**
 - **risk management processes**
- **standards emphasize necessary actions against non-compliance:**
 - **reduction or restriction of coop's authorities and limits**
 - **preventive intervention**
 - **placing coop under supervision or administration**

***COOP DEPOSIT INSURANCE SYSTEM (CODIS)
WAS CONCEIVED***



CODIS

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PDIC FOR COOPS

***ORGANIZED BY COOPS, FOR THE COOPS
REPLICATING CUDGC – SASKATCHEWAN, CA***

LAUNCHED AUGUST 8, 2008

COOP DEPOSIT INSURANCE SYSTEM (CODIS)



PRINCIPAL GOAL . . .

***TO PROTECT COOP MEMBERS' DEPOSITS
AGAINST RISK OF
COOP'S FAILURE OR CLOSURE***



OBJECTIVES OF CODIS

- To design, develop and implement a coop deposit guarantee system to safeguard the deposit liabilities of member-cooperatives;
- To develop **COOP SUSTAINABILITY STANDARDS** of good governance and sound management practices;
- To evaluate and validate member-cooperatives' performance using the coop sustainability standards;
- To provide technical and management advisory services to member- cooperatives;



OBJECTIVES OF CODIS

- To monitor **SUSTAINABILITY** of member-coops through evaluation and validation;
- To safeguard deposits of individual members of member-cooperatives.
- To collect and manage member-cooperatives' liquidity reserve funds.
- To establish linkages with cooperative organizations and other financing institutions that can provide financial assistance to distressed member-coops;



OBJECTIVES OF CODIS

- To undertake rehabilitation/restructuring of failing member-cooperatives and supervise, administer, liquidate and reimburse cooperative members' pre-determined deposits of failed/closed member-cooperatives.

COOP DEPOSIT INSURANCE SYSTEM



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**PESOS PLUS:
COOP SUSTAINABILITY
STANDARDS**



DESCRIPTIVE RATING OF PESOS PLUS

> 90% - 100%

Long-term Sustainable

> 80% – 90%

Highly Sustainable

> 70% – 80%

Sustainable

70% and below

Marginally Sustainable



FOUNDING COOPERATORS





The founding members of CODIS Federation of Cooperatives show off their checks representing their investment in the Federation.



OPERATIONAL ACTIVITIES: Creation of Validation Team

- Two validators from member coops preferably the general manager, internal auditor, finance officer or accounting manager
- Two validators from the academe
- One validator from PICPA/CPA practitioner
- Lead Validator from NCM
- Team Head, CODIS President and CEO



OPERATIONAL ACTIVITIES: Validators Training

Expectations from Validators

- *understand the concept of CODIS and PESOS Plus*
- *conduct self- assessment subject to validation of validators from member coops, academe and accountancy profession;*
- *have common understanding of accounts used in PESOS Plus viz-a-viz coops' financial statements and standard chart of accounts*



OPERATIONAL ACTIVITIES: Field Validation

- *Requirement*
 - *Self-assessment of members/applicant for membership*
- *Objectives*
 - *To substantiate and/or confirm results of member's/ applicant's self-assessment*
 - *To promote transparency and accountability of members*
 - *To award recognition of member-coops as **sustainable cooperative***
 - *At a certain extent, to determine the management advisory assistance that may be given to members*



Field Validation Process

PROCEDURE	COOP	CODIS
<ul style="list-style-type: none"> ▪ Submission of Self-Assessment 	X	
<ul style="list-style-type: none"> • Table Evaluation 		X
<ul style="list-style-type: none"> • Scheduling of Field Validation 		X
<ul style="list-style-type: none"> • Confirmation of Schedule 	X	
<ul style="list-style-type: none"> • Travel to Destination – Coop 		X
<ul style="list-style-type: none"> • Actual Field Validation – Review of Documents, Interviews, Project Visits 	X	X
<ul style="list-style-type: none"> • Deliberation of Validators and Scoring 		X
<ul style="list-style-type: none"> • Presentation of Findings & Recommendations 	X	X
<ul style="list-style-type: none"> • Awarding of Descriptive Rating 	X	X



Benefits Of Validation

- *Assurance that member-coops are in “good health”*
- *Early diagnosis of possible financial failure*
- *Early detection of unacceptable practices in coop governance, management and financial reporting*
- *Immediate remedial measures to be undertaken to prevent failure/closure (management advisory services or financial assistance from CODIS network and linkages)*



Members of the Board of Directors and General Managers of credit cooperatives and multi-purpose cooperatives with credit operations participate in a conference for the validation of PESOS Plus as CODIS standards on June 26, 2009 held at Great Eastern Hotel in Makati City. With them are NCM Chair Emeritus Butz A. Aquino, NCM Chair Senen C. Bacani, NCM Vice-Chair Cesar Cortes and CODIS President Vitaliano N. Nanagas II.

Validators Training



The officers, managers and staff of member-cooperatives of CODIS attended the 1st Validators Training-Workshop on PESOS Plus held at Crown Regency Hotel, Makati City on June 9-10, 2010. With them are CODIS Pres. Lanny Nanagas, Prof. Ellen Mantalaba, CODIS staff Ivy Ventocilla and Joma Leongson.



Membership

- ❖ Membership is voluntary
- ❖ Membership to CODIS is not without cost.
- ❖ Membership fee – P200,000 to cover
 - ✓ training of directors, officers and validators
 - ✓ table evaluation
 - ✓ field validation.
- ❑ Sustainability numeric rating of >70 or a descriptive rating of **SUSTAINABLE**



Membership

Responsibilities of Membership

- Openness of members to be evaluated and validated by CODIS – submission of financial reports and documents, interviews, project visits.
- Coop's capacity to accept findings during validation and to conform to the recommendations of the team.
- Annual validation of members with Sustainable rating
- Bi-annual validation of members with Highly Sustainable rating



Membership

Financial Responsibilities of Membership

- ✓ Capital contribution
- ✓ Deposit of 1% of deposit liabilities to liquidity reserve fund
- ✓ Annual validation fee
- ✓ Insurance premium.



Governance and Management

General Assembly elects Board of Directors

- Chairperson Dr. Garibaldi Leonardo, *SDCC*
- Vice-Chairpersons
- Luzon Rev. Fr. Danilo C. Bermudo, *HCSCC*
- Visayas Mr. Macario Quevedo, *CPMPC*
- Mindanao Ms. Imelda S. Magabilen, *USPD-CC*
- Directors Cong. Rico Geron, *SIDC*
 Mr. Christian Rellevo, *FICCO*
 Ms. Nena Espinola, *NOVADECI*



Governance and Management

Appointed Volunteer Officers

- President and CEO *Vitaliano N. Nañagas II*
- Treasurer *Senen C. Bacani*
- Corporate Secretary *Atty. Vicente Gerochi*
- Lead Validator *Prof. Elenita S. Mantalaba*
- Adviser *Sen. Agapito “Butz” Aquino*



Governance and Management

Office Staff

- Asst. Executive Officer Ivy M. Ventocilla
- Compliance Officer Michael S. Pechardo
- Sr. Evaluation Analyst Annie delos C. Reyes
- Jr. Evaluation Analyst Arlan A. Cruz
- Training Assistant Lourdes B. Navarro



Volunteer Validators

■ Cooperatives

Lilian Silubrico. *HCSCC*

Bryan Yap, *CPMPC*

Imelda Magabilen, *USPD-CC*

Ruby Reyes, *SIDC*

Cielito Garrido, *SDCC*

Nanette Bernardo, *SDCC*

Rommel Martinez, *NOVADECI*

Ailene Liban, *NVAKMPC*

Raymond de Guzman, *NVAKMPC*

Emma Leona, *HCSCC*

Grace Unabia, *CPMPC*

George Pupa. *USPD-CC*

Noel Datinginoo, *SIDC*

Maricris Bautista, *SDCC*

Shiela Bautista, *NOVADECI*



VOLUNTEER VALIDATORS

- **Academe**

Rebecca Palma, *PUP*

Alex Saclayan, *PUP*

Zandro, Estela, *PUP*

Michael Pechardo, *PUP*

Ireneo delas Armas, *PUP*

- **PICPA**

Sally Pangilinan

Linda Dizon

Ramon Banta

Ma. Elma Ilagan-Ame

Michelle Castillo

- **NCM/CODIS**

Lanny Nañagas

Ellen Mantalaba



Challenges

- Full replication of Credit Union Deposit Guarantee Corp
 - All deposits regardless of amounts are insured
 - Regulation and monitoring of sustainability of all member-credit unions
 - Strict observance of Standards of Sound Business Practices established by CUDGC
 - No credit union has been closed since 1953 when CUDGC was established



Challenges

- Coops' acceptance of self-regulation
- Coops' understanding and adoption of PESOS Pus as coop sustainability standards
- Coops' willingness to be evaluated and validated by a third-party cooperative federation
- Coops' self-responsibility to improve financial and non-financial performance.

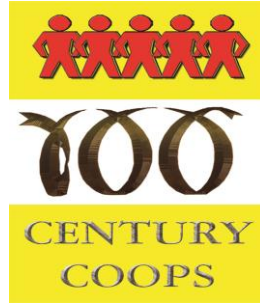
WEAVERS OF DREAMS - 1844



ROCHDALE PIONEERS

WEAVERS OF DREAMS

21st Century Philippines



And many more...

What do they dream of?

- A strong cooperative movement, less government intervention toward self-regulation;
- Cooperatives, whatever type, are in the mainstream of the Philippine economy specifically the financial system.
- Deposits and capital of members would not be lost;
- More capital contribution of members to finance coop's and their members' businesses

What do they dream of?

- Cooperatives will level the playing field of business:
 - pure goods, fair price;
 - income and benefits will not only trickle down to their members but will be distributed equitably;
 - equality in rights and privileges in the society will prevail but not without corresponding responsibility;
 - educational services will be available at all levels
- Coops to promote cooperativism as a way of life where there is no poverty – economic, political and spiritual poverty.

COOP DEPOSIT INSURANCE SYSTEM



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THANK YOU!

GOD BLESS US ALL!