

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



**HOUSE OF REPRESENTATIVES  
HOUSE BILL NO. 7481**

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**Introduced by REPRESENTATIVE RON P. SALO**

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Non-stock savings and loan associations (NSSLAs) used to be informal savings and credit institutions that are prevalent in developing countries and among immigrant communities in some developed countries. Groups of individuals within a confined group, i.e., professional or institutional, voluntarily pool their savings for investment and as a source of credit. The existence of NSSLAs is brought about by diverse financial market failures that are deemed common in poorer countries. For instance, those under lower income tax brackets face credit constraints due to the absence of collateral. Its system proved to be effective especially for those who are resistant to formal financial institutions. Over decades, NSSLAs grew not just in membership, but also in transaction value, prompting legislators to effect regulation of the same.

Currently, NSSLAs in the country are under the jurisdiction of the *Bangko Sentral ng Pilipinas* (BSP) along with other financial institutions such as universal banks, commercial banks, thrift banks, rural banks, pawnshop, among others. Republic Act no. 8367, otherwise known as the "*Revised Non-Stock Savings and Loan Association Act of 1997*", was enacted with the view of regulating and supervising the activities of non-stock savings and loan associations in order to place their operations on a sound, stable, and efficient basis to the end that they may be able to better provide for the establishment of additional savings and credit facilities in a fair manner to their members and to curtail or prevent acts or practices of these Associations which are prejudicial to their members' interest.

The law conferred the power of supervision over NSSLAs to the BSP. Under the BSP's jurisdiction, NSSLAs were subjected to various rules and regulations that are similar to those of banks. The BSP's objectives in the imposition of these policies are clear: 1) to effect a change in the overall condition and governance of Bangko Sentral-supervised financial institutions (FIs) consistent with relevant laws, 2) to mitigate risk to the FIs and stakeholders to maintain stability of the financial system.

While the vision of BSP is motivated by good intentions, it failed to appreciate the true meaning and purpose for the creation of NSSLAs. Through the issuance of various rigorous rules and regulations, NSSLAs are elevated to the status of a bank – a corporate financial institution which is motivated by profit and funded by huge capital. The BSP failed to recognize that NSSLAs are essentially self-help institutions powered by hard-working employees, such as members of the AFP, the Philippine Navy, and other civilian employees. NSSLAs operate based on the concept of mutuality. It has no function except to gather contributions from members and utilize the same to justify loans.

Overly stringent rules discourage individuals to form and register their own associations. By requiring the establishment of complex systems within NSSLAs, members would rather choose to deposit their money into banks or fail to save at all. It cannot be stressed enough that most NSSLAs do not have the manpower, funding, technical know-how to effect many of the processes demanded by the BSP.

While it is true that NSSLAs are imbued with public interest, being owned and financed by the public itself, balance must be struck between the duty to mitigate the risks of the industry and the duty to foster an environment that encourages frugality and the culture of saving among Filipinos. Failure to recognize the objective for the creation of non-stock savings and loan association is detrimental to its existence.

This Bill aims to transfer jurisdiction of NSSLAs from the Bangko Sentral ng Pilipinas to the Securities and Exchange Commission. NSSLAs share more similarities to cooperatives and

lending companies. Neither of them is placed under the jurisdiction of the BSP. By conferring the authority to SEC, this bill creates a clear distinction between banking institutions and non-stock savings and loan associations.

For the foregoing reasons, the passage of this bill is earnestly sought.



**RON P. SALO**

**KABAYAN Party-list**

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**AN ACT**  
**AMENDING REPUBLIC ACT NO. 8367, OTHERWISE KNOWN AS THE REVISED**  
**NON-STOCK SAVINGS AND LOAN ASSOCIATION ACT OF 1997, AND FOR**  
**OTHER PURPOSES**

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

SECTION 1: Section 3 of Republic Act no. 8367 is hereby amended as follows:

**“Section 3. Definition of terms.** – For the purposes of implementing this Act, the following definitions shall apply:

a) Non-stock savings and loan association shall mean a non-stock, non-profit corporation engaged in the business of accumulating the savings of its members and using such accumulations for loans to members to service the needs of households by providing long term financing for home building and development and for personal finance;

b) Association shall refer only to non-stock savings and loan associations organized under this Act and the Corporation Code of the Philippines;

~~c) Monetary Board shall mean the Monetary Board of the Bangko Sentral ng Pilipinas; and~~

~~d) Bangko Sentral shall mean the Bangko Sentral ng Pilipinas.~~

SEC. 2: Section 4 of Republic Act no. 8367 is hereby amended as follows Section 4 of Republic Act no. 8367 is hereby amended as follows:

**“Section 4. Organization of an Association.** – At least five (5) but not more than fifteen (15) members of a well-defined group as provided herein may form an Association under this Act. An Association, prior to transacting any business, shall secure a license ~~from the Monetary Board~~ and register with the Securities and Exchange Commission (SEC). The application for a license, signed by a majority of the incorporators and verified by one of the trustees, shall include:

- a) the proposed articles of incorporation and bylaws together with names and addresses of the incorporators, trustees and officers, with a statement of their character, experience and general fitness to engage in the non-stock savings and loan business;
- b) an itemized statement of the estimated receipts and expenditures of the proposed Association for the first year;
- c) a filing fee in such amount as may be determined by the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION**; and
- d) such other information as the **SECURITIES AND EXCHANGE COMMISSION** ~~Monetary Board~~ may require.

~~The SEC shall not register the articles of incorporation and bylaws of a proposed Association unless the application is accompanied by a certificate of the Monetary Board approving the same. The Monetary Board~~ **THE SECURITIES AND EXCHANGE COMMISSION** may deny the application to organize an Association under this Act if it finds that the Association is being organized for any purpose other than to engage in the business of a legitimate non-stock savings and loan association or that the Association's financial program is unsound, or that the proposed members are adequately served by one or more existing Associations.

The Association shall confine its membership to a well-defined group of persons and shall not transact business with the general public. A "well-defined group" shall be defined by the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION**, and shall consist of, but not be limited to, any of the following:

- (i) Employees, officers and directors/**TRUSTEES** of one (1) company, including member-retirees;
- (ii) Government employees belonging to the same department, branch or office, including member-retirees, and
- (iii) Immediate members of the families (up to second degree of consanguinity or affinity), of those falling under paragraphs 1 and 2 above.

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Associations whose articles of incorporation and bylaws were approved and registered prior to the effectivity of this Act and which allow membership coverage broader than the foregoing definition, shall be allowed to continue. ~~as such, unless otherwise required by the Monetary Board.~~

The ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION** may, as circumstances warrant, require Associations mentioned in the immediately preceding paragraph to amend their bylaws to comply with the concept of a "well-defined group."

In no case shall the total amount of entrance fees exceed one percent (1%) of the amount to be contributed or otherwise paid in by the particular member: *Provided*, that for new members, the said fee shall be based on the amount of contribution computed in accordance with the revaluation of the assets of the Association.

No person, association, partnership or corporation shall do business, or hold itself out as doing business, as an Association, or shall use the term "*Savings and Loan Association*" or any other title or name tending to give the public the impression that it is engaged in the operations and activities of an Association, unless so authorized under this Act.

SEC. 3. Section 7 of Republic Act no. 8367 is hereby amended as follows:

**“Section 7. Powers of Associations.** – The Association shall accept deposits from and grant loans only to its members, subject to such rules and regulations as the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION** may promulgate to ensure sound, stable and efficient operation: Provided, That no deposits shall be sourced or deducted from the loans granted to a member without his or her written consent.

The loans shall not exceed the members' deposits and contributions in the Association, plus twelve (12) months of his regular salaries as the Association may allow and/or ninety percent (90%) of the fair market value of any property acceptable as collateral on first mortgage that he may offer as security: *Provided*, That no loan shall have the maturity date of more than five (5) years, except loans on the security of unencumbered real estate for the purpose of home building and home development, which may be granted with maturities not exceeding ~~twenty-five~~ **THIRTY (30) YEARS**, and medium and long-term loans to finance agricultural projects, subject to regulations prescribed by the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION**: *Provided, further*, That the treasurer, cashier, or paymaster of the office employing a member is required, notwithstanding the provision of any existing law, rule and regulation to the contrary, to make deductions from his salary, wage, income or retirement pension pursuant to the terms of his loan, and all other deductions authorized by the member, to remit such deductions to the Association concerned, and to collect such reasonable fee for his services as may be authorized by rules promulgated by the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION**.

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b) invest its funds in any sound non-speculative enterprises as well as in bonds, security, and other obligations issued by the Government of the Philippines, or any of its political subdivisions, instrumentalities, or corporations including government-owned or -controlled corporations, subject to the rules and regulations of the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION**.

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- c) allow members to participate in the profits of the Association;
- d) borrow money or incur such obligations not exceeding twenty percent (20%) of the total assets of the Association, from any lending institution. The ~~Monetary Board~~, **SECURITIES AND EXCHANGE COMMISSION** may, in meritorious cases, raise the ceiling on the borrowing capacity of an Association to an amount not exceeding thirty percent (30%) of its total assets: *Provided*, That any such Association organized by employees of an entity or corporation may borrow funds from said entity or corporation but not vice-versa: *Provided, further*, That the number of the Association's creditors shall not exceed nineteen (19) at any one time; xxx."

SEC. 4. Section 9 of Republic Act no. 8367 is hereby amended as follows:

**"Section 9. Service units.** – An Association shall open, maintain and operate service units as may be necessary in order to deliver services to its members subject to approval of the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION**.

SEC. 5. Section 10 of Republic Act no. 8367 is hereby amended as follows:

**"Section 10. Agents and salesmen.** – No person shall act as an agent or sales representative of an Association or operate an agency without obtaining a license from the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION**.  
xxx."

SEC. 6. Section 11 of Republic Act no. 8367 is hereby amended as follows:

**"Section 11. Merger or consolidation of Associations.** – To achieve simplicity, economy and efficiency, different associations of one company or department or office may merge or consolidate upon approval of the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION**."

SEC. 7. Section 12 of Republic Act no. 8367 is hereby amended as follows:

**“Section 12. Trustees.** – Only members are eligible as trustees of an Association: Provided, That in the case of a merger or consolidation of Associations duly approved by the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION** , the limitation on the maximum number of trustees in a corporation, as provided for in the Corporation Code, shall not be applied for a maximum period of three (3) years so that membership in the new board may include up to the total number of trustees provided for in the respective articles of incorporation of the merging or consolidating Associations.”

SEC. 8. Section 13 of Republic Act no. 8367 is hereby amended as follows:

**“Section 13. Bond of officers and employees.** – All officers and employees of an Association who, in the regular discharge of their duties have access to money or negotiable securities shall, before entering upon such duties, furnish to the employing Association a good and sufficient bond, the form and amount of which shall be prescribed by the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION**, and providing for indemnity to the Association against the loss of money or securities, by reason of their dishonesty.

SEC. 9. Section 14 of Republic Act no. 8367 is hereby amended as follows:

**“Section 14. Compensation of trustees, officers and employees.** –

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All increase in the compensation, in any form, of all trustees and trustee-officers in excess of ten percent (10%) thereof per annum shall require the approval of the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION**.

SEC. 10. Section 15 of Republic Act no. 8367 is hereby amended as follows:

**“Section 15. Limitations on lending authority.** –

a) xxx

b) No Association shall directly or indirectly make any loans to any trustee or officer of such Association, either for himself or as agent or as partner of another, except with the written approval of the majority of the trustees of

the Association, excluding the trustee concerned: *Provided*, That the total loans, direct or indirect, granted at any one time to such trustees and officers shall not exceed twenty percent (20%) of the total capital contributions of the Association; in all cases of the credit accommodations granted to trustees and officers under this sub Sec., the written approval of the majority of the trustees of the Association, excluding the trustee concerned, shall be entered upon the records of the Association and a copy of such entry shall be transmitted forthwith to the ~~Bangko Sentral~~ **SECURITIES AND EXCHANGE COMMISSION**.  
xxx.”

SEC. 11. Section 18 of Republic Act no. 8367 is hereby amended as follows:

**“Section 18. Limitations on investment.** - a) No Association at any one time shall invest in bonds and securities in a total amount in excess of ten percent (10%) of the total assets of such Association without prior written approval of the ~~Bangko Sentral~~ **SECURITIES AND EXCHANGE COMMISSION**.  
xxx”

SEC. 12. Section 19 of Republic Act no. 8367 is hereby amended as follows:

**“Section 19. Reserves.** - Every Association shall create a withdrawable share reserve which shall consist of two percent (2%) of the total capital contributions of the members which the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION** may increase to a maximum of three percent (3%), as the situation warrants.  
xxx”

SEC. 13. Section 20 of Republic Act no. 8367 is hereby amended as follows:

**“Section 20. Withdrawal by a member.** - For the sole purpose of allowing an equitable valuation and distribution of assets for withdrawing members, an Association shall, upon the effectivity of this Act, impute revalued surplus to be added to the withdrawn capital, subject to such rules as the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION** may prescribe. Such rules shall allow a reasonable period between withdrawal

of capital and payment of the share of the member from the revalued surplus.

SEC. 14. Section 21 of Republic Act no. 8367 is hereby amended as follows:

**Section 21. Annual reports by the Association.** – Every Association shall, within one hundred twenty (120) calendar days after the close of its fiscal year furnish the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION** and post in any of the Association's bulletin board or in any other conspicuous place a copy of its financial statement showing, in such form and detail as the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION** shall require, the amount and character of the assets and liabilities of the Association at the end of the preceding fiscal year. The ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION** may, in addition to the foregoing, require the disclosure of such other information as it shall deem necessary for the protection of the members of the Association.

SEC. 15. Section 22 of Republic Act no. 8367 is hereby amended as follows:

**“Section 22. Regulatory powers over Associations.** – ~~Notwithstanding the provisions of Sec. 130 of Republic Act No. 7653, the power to regulate the operations of any Association by the Monetary Board shall continue and consist of the following:~~ **THE SECURITIES AND EXCHANGE COMMISSION IS HEREBY EMPOWERED TO ENFORCE THE PROVISIONS OF THIS ACT AND ITS IMPLEMENTING REGULATIONS, INCLUDING:**

a) xxx

b) xxx

c) in requiring all accountable officers and employees of every Association to post bonds for the faithful performance of their duties in reasonable sums and with such sureties as the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION** may require;

d) xxx

e) xxx

f) in conducting such investigations, taking such remedial measures and exercising all powers under Republic Act No. ~~7653~~ **8799**, 11232 insofar as they are applicable in the enforcement of this Act.

The ~~Bangko Sentral~~ **SECURITIES AND EXCHANGE COMMISSION** shall have the power to enforce the laws, orders, instructions, rules and regulations ~~promulgated by the Monetary Board~~ applicable to Associations; to require Associations, their trustees, officers and agents to conduct and manage the affairs of the Association in a lawful and orderly manner. After due notice and hearing, the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION** may revoke or suspend the license of any Association, for such period as it determines necessary, particularly when the solvency of an Association is imperiled by losses or irregularities, and/or when an Association willfully violates any provisions of this Act or any rule or regulations promulgated hereunder.

The director and examiners of the department of the ~~Bangko Sentral~~ **SECURITIES AND EXCHANGE COMMISSION** charged with the regulation of Associations are hereby authorized to administer oaths to any trustee, officer or employee of any Association or to any voluntary witness and to compel the presentation of all books, documents, papers or records ~~necessary in his judgment to ascertain the facts relative to the true condition~~ of any Association or to any loan.

SEC. 16. Section 23 of Republic Act no. 8367 is hereby amended as follows:

**“Section 23. Penalties.** - a) The APPLICABLE provisions of THE REVISED CORPORATION CODE shall ~~Sec. 34 of Republic Act No. 7653. Republic Act no. 8799.~~ apply to any agent, manager, or other officer-in-charge of any Association who willfully refuses any lawful examination into the affairs of such Association.

b) The willful making of a false statement or misleading statement on a material fact to the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION** or to the director of the department of the ~~Bangko Sentral~~ charged with the regulation of Associations or to his examiners shall be punished in accordance with ~~Sec. 35 of Republic Act No. 7653. Republic Act no. 8799.~~ **APPLICABLE PROVISIONS OF THE REVISED CORPORATION CODE.**

c) Whenever any Association, person or entity willfully violates this Act or any order, instruction, rule or regulation issued by the ~~Monetary Board~~ **SECURITIES AND EXCHANGE COMMISSION** applicable to

Associations, the persons responsible for such violation shall be punished in accordance with ~~Sec. 36 of Republic Act No. 7653. Republic Act no. 8799.~~ WITH THE APPLICABLE PROVISIONS OF THE REVISED CORPORATION CODE.

d) xxx

e) xxx

f) Whenever any examiner, officer or employee of the ~~Bangko Sentral~~ **SECURITIES AND EXCHANGE COMMISSION**, who is assigned to examine, assist or render technical service to an Association, overvalues or aids in overvaluing any security for the purpose of influencing in any way the action of the Association on any loan or connives or aids in the commission of the same, he shall be punished by a fine of not more than Ten thousand pesos (P10,000) or three times the loan amount involved, whichever is higher, or imprisonment for not more than one (1) year, at the discretion of the court."

SEC. 17. Section 24 of Republic Act no. 8367 is hereby amended as follows:

~~"Section 24. Annual EXAMINATION fees. - Consistent with the provisions of Sec. 28 of Republic Act No. 7653, SUBJECT TO THE REGULATIONS THAT MAYBE BE PRESCRIBED BY THE SECURITIES AND EXCHANGE COMMISSION, ANY Association organized under this Act may, pursuant to regulations promulgated for the purpose by the Monetary Board, be required to contribute to the Bangko Sentral examination fees to be determined by the Monetary Board.~~

SEC. 18. Section 25 of Republic Act no. 8367 is hereby amended as follows:

~~"Section 25. Implementation. - For the purpose of carrying the objectives of this Act, the Bangko Sentral~~ **SECURITIES AND EXCHANGE COMMISSION** is authorized to require the services and facilities of any department or instrumentality of the government or any officer or employee of any such department or instrumentality."

SEC. 19. Section 26 of Republic Act no. 8367 is hereby amended as follows:

***“Section 26. Annual report of the ~~Monetary Board~~ SECURITIES AND EXCHANGE COMMISSION. - The ~~Monetary Board~~ SECURITIES AND EXCHANGE COMMISSION shall submit a report to the Congress of the Philippines as of the end of each calendar year of all the rules and regulations promulgated by it in accordance with the provisions of this Act, together with the explanations of its reasons therefor.”***

SEC. 20. Section 27 of Republic Act no. 8367 is hereby amended as follows:

***“Section 28. ~~Applicability of other laws.~~ -REPEALING CLAUSE- ANY PROVISIONS OF EXISTING LAWS IN CONFLICT OR INCONSISTENT WITH THE PROVISIONS OF THIS ACT SHALL BE REPEALED ACCORDINGLY. ~~The provisions of Republic Act No. 7653 and, Republic Act No. 337, as amended, insofar as they are applicable and not in conflict with any provision of this Act, shall apply to Associations organized hereunder.”~~***

SEC. 21. This Act shall take effect fifteen (15) days following the completion of its publication in the Official Gazette or in two (2) national newspapers of general circulation.

*Approved,*