

Good image
Good reputation

Compliant to standards
Standardized processes
A 3rd party is watching

Supervised by Bangko Sentral ng Pilipinas.

Member, PDIC. Maximum insurance for each depositor, P500,000. Member, *BancNet*

NATCCO 4.0: POSITIONING COOPERATIVES IN A DIGITAL ECONOMY

The Opportunity

AN ACT REORGANIZING AND STRENGTHENING THE COOPERATIVE DEVELOPMENT AUTHORITY. AUGUST 2019

Republic of the Philippines
Congress of the Philippines
Senate
Senate Committee on Banking, Finance, and Insurance
Office of the Secretary

Enacted into Law on August 19, 2019, by the President of the Philippines, Rodrigo Duterte.

[Republic Act No. 11364]

AN ACT REORGANIZING AND STRENGTHENING THE COOPERATIVE DEVELOPMENT AUTHORITY, REPLACING THE PREVIOUS REORGANIZATION ACT AND AMENDING THE COOPERATIVE DEVELOPMENT ACT

As amended by the Senate and House of Representatives of the Philippines in Congress assembled.

60. Conduct regular inspection or examination of a cooperative in accordance with the rules and regulations promulgated by the Authority and, when deemed necessary, conduct examination and investigation to protect the interest and welfare of the members of cooperative and the general public.

For this purpose, cooperative federations, unions, local government units (LGUs), cooperative development offices (CDOs), cooperative federations and unions, and the offices of cooperatives representing all types and categories of cooperatives in the immediate and surrounding help of the Authority, may be requested by the Authority to assist in the inspection and examination of a cooperative.

Conduct regular inspection or examination of a cooperative in accordance with the rules and regulations promulgated by the Authority and when deemed necessary, conduct examination and investigation to protect the interest and welfare of the members of cooperatives and the general public.

For this purpose, cooperative federations.....may be REQUESTED BY THE AUTHORITY TO ASSIST IN THE INSPECTION AND EXAMINATION OF A COOPERATIVE

NATCCO 4.0: POSITIONING COOPERATIVES IN A DIGITAL ECONOMY

Why Self-Regulate?

- Because the government will not regulate us?
- Because the government cannot afford to regulate us? We are so many?
- Because we wanted to improve the image and reputation of cooperatives
- Because we wanted to make sure that cooperatives are safe and sound
- Because we wanted to make sure that the cooperatives will continue its services
- Because we wanted to help IRENE improve her life
- Because we wanted to make sure that the hard-earned money of Irene deposited to us will not be lost
- **Because we wanted to continue to BETTER the LIVES of more IRENES AND IRENEOS**

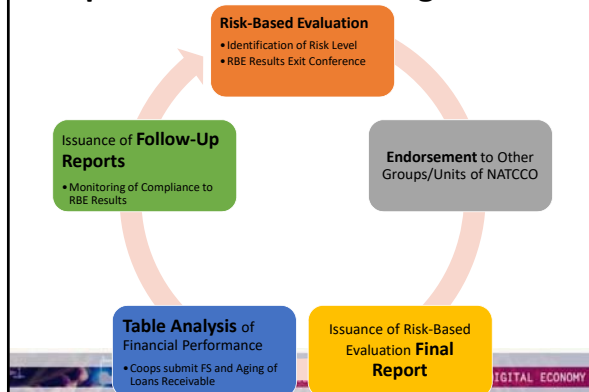
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Stabilization Fund SYSTEM

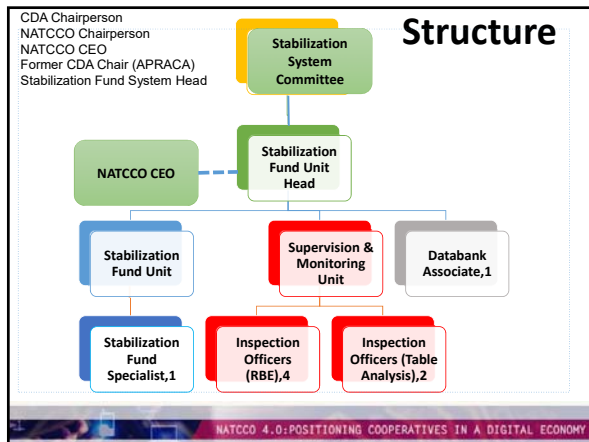
Cooperative Protection Scheme


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Supervision & Monitoring Process



Structure



 NATCCO PRODUCTS & SERVICES	FINANCIAL SERVICES (BUSINESS)	Deposits and Loans
		Stabilization Fund
		Resiliency Fund
		Remittances and Payments
	SUPPORT SERVICES	Education, Training, Consultancy
		Information Technology
		Microfinance Innovation in COOPS
		Advocacies
	MONITORING	Inspection/Supervision

2014-2019 Supervision & Monitoring Journey							
	2014	2015	2016	2017	2018	July 2019	2019 Target
Coops with RBE* and ACCESS audit	13	17	0	17	34	18	40
Total Coops with RBE*	17	34	34	17	48	63	82
Coops followed-up for RBE Compliance	-	-	-	-	26	16	42
Coops with Table Analysis/VH Updating	-	-	-	-	23	26	35
Non-Stabfund members with table analysis/VH Updating					5	53	315
*2014-2016 : RBE Tool was not yet used							
NATCCO 4.0: POSITIONING COOPERATIVES IN A DIGITAL ECONOMY							



Consolidated Network Ratios

STD		Dec-15	Dec-16	Dec-17	Dec-18		
Total Assets		123 B	150 B	166 B	177 B		
Net Surplus		5.4 B	6.3 B	6.3 B	7.6 B		
# of Coops		557	626	604	352		
Financial Indicators – Ratios							
A1	Asset Quality	Delinquency PAR 1	<5%				
		Delinquency PAR 30	<5%				
P1	Protection	> 12 months	100%				
P2	Protection	1-12 months	35%				
P6	Protection	Solvency	≥110%	115%	115%	114%	114%
E9	Effective Structure	Statutory Fund	≥10%	9%	8%	8%	8%
A2	Asset Quality	Non-earning assets	≤5%	17%	17%	15%	12%
L1	Liquidity	Liquidity – Savings	15%-20%	41%	41%	37%	30%
		Liquidity – Asset	≥10%	16%	16%	15%	12%
E1	Effective Structure	Loans	70% - 80%	61%	60%	63%	69%
E5	Effective Structure	Deposits	55%-65%	39%	40%	41%	39%
E7	Effective Structure	Share Capital	35%-45%	29%	28%	28%	26%
E6	Effective Structure	External Borrowings	0%	12%	14%	16%	21%
R7	Rates of returns and costs	Dividends	> Inf Rate	9%	8%	7%	8%
R9	Rates of returns and costs	Operating expenses	3%-10%	5%	10%	9%	7%
R10	Rates of returns and costs	ROA	> Inf Rate	5%	5%	4%	4%

Green : Low Risk, Yellow : Moderate Risk, Red : High Risk, White : Provisioning Requirement cannot be determined

COMMON RISK AREAS Ranking

2017 - July 2019 RBE Results

RISK AREAS	Total # of Coops	%
CREDIT RISK	47	75%
SECURITY RISK	40	63%
OPERATIONAL RISK – Cash Management	33	52%
OPERATIONAL RISK – Human Resource	33	52%
GOVERNANCE RISK	32	51%
STRATEGIC & ORGANIZATIONAL RISK	31	49%
COMPLIANCE RISK	29	46%
FINANCIAL PERFORMANCE RISK	27	43%
OPERATIONAL RISK – Accounting & Finance	22	35%

*Total # of Risk-Based Evaluations as of July 2019

63

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Consolidated (10 Coops)

Matrix of Compliance 2017-2018 RBE Findings

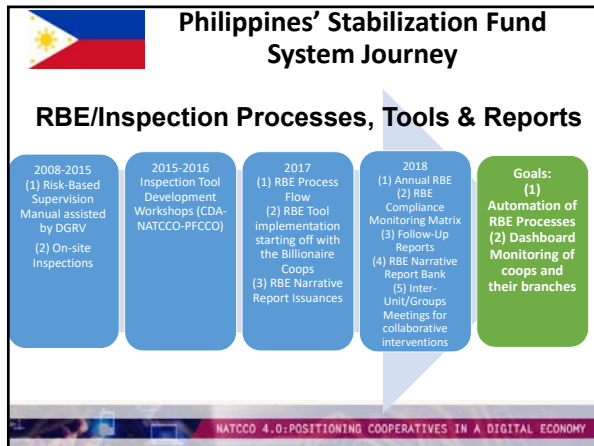
Risk Areas	Open	Partially Regularized	Close
I. Finance	48%	45%	6%
II. Credit	62%	21%	16%
III. Cash Management	37%	35%	27%
IV. Accounting	54%	30%	16%
V. Human Resource	54%	36%	10%
VI. Strategic and Organizational	48%	26%	26%
VII. Governance	73%	19%	8%
VIII. Security	80%	10%	10%
IX. Compliance	24%	10%	67%
TOTAL % of RBE COMPLIANCE	55%	26%	18%
# of Findings	197	94	66

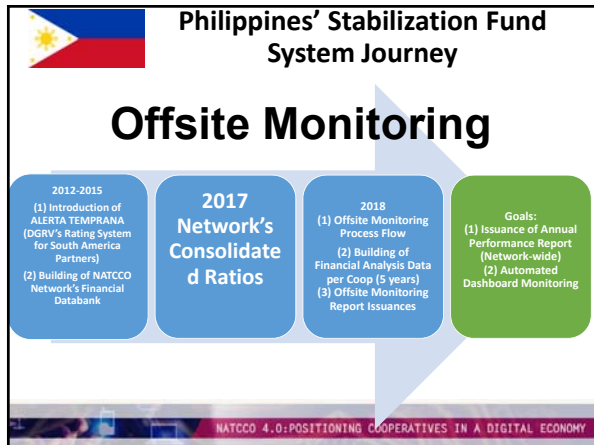
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2017 - July 2019 RDE Results				
OBSERVATIONS	# of Cases	CONSULTANCY INTERVENTION	TRAINING	COOP's INTERNAL PROCESS FIXING
CREDIT RISK	47			
Poor Loan Documentation	62	✓	✓	✓
Weak Loan Evaluation Process	49	✓	✓	✓
Delinquent DOSRI Accounts	48			✓
Absence/Unupdated of Comprehensive Codified Credit Policies and Procedures	39	✓		✓
Improper Loan Restructuring Process	38	✓		
SECURITY RISK	40			
No Written Security Program	50	✓		
No Disaster Recovery Plan	48	✓		
No Anti-burglary Alarm System	46			✓
No Records & Information Management Policy	31	✓		
No written IT Policy	29	✓		
OPERATIONAL RISK – Human Resource	33			
No Succession Program	48	✓		
Absence of Institutionalized Performance Management System	44	✓		
Absence of Training Plan (Linked to Performance Management & Career Pathing)	43	✓		
No 201 Files Maintained	18			✓
Unorganized Work/Portfolio	14			✓

2017 - July 2019 RBE Results				
OBSERVATIONS	# of Cases	CONSULTANCY INTERVENTION	TRAINING	COOP's INTERNAL PROCESS FIXING
OPERATIONAL RISK - Cash Management	33			
No Controls on Dormant Accounts	46			✓
Absence of Updated and Comprehensive Cash Operations Manual	43	✓		
Tellers Can Transact their Own Accounts (No system restriction)	43			✓
Teller's Cage Weak physical Set-up	30			✓
Weak Controls on Cash in Vault	22			✓
Signature Cards are not obtained	15			✓
GOVERNANCE RISK	32			
Unupdated Policies and Procedures	51	✓		✓
No CEO, BOD and Officers' Performance Evaluation	47			
Absence of Governance Manual	32		✓	
No Comprehensive and Codified Policy manuals	21	✓		
BOD involved in HR/Operational Matters	10		✓	✓
STRATEGIC & ORGANIZATIONAL RISK	31			
No Risk Management Policy and Risk Register	46		✓	
No Regular Reporting of Strategic Plan Updates	45			✓
Issues on Transactional Software	37			✓
Annual Business Plan and Strategic Plan not aligned to the current Financial and Operational Performance	17			✓
Corporate Plan/Strategic Plan Lacked Key Performance Indicators	12			✓

2017 - July 2019 RBE Results				
OBSERVATIONS	# of Cases	CONSULTANCY INTERVENTION	TRAINING	COOP's INTERNAL PROCESS FIXING
COMPLIANCE RISK	29			
Truth in Lending Act Not Posted	38			✓
Non-Compliance to Data Privacy Act	37		✓	
No Authority to Use Computerized Accounting Software or Loose-Leaf Book of Accounts	37			✓
Acceptance of deposits from Institutions & Transacting with Non-Members	18			✓
Non-Compliance to CISA	15			✓
FINANCIAL PERFORMANCE RISK	27			
Insufficient Allowance for Loan Probable Losses	36	✓		
Negative or Low Level of Net Institutional Capital	36	✓		
High Delinquency	35	✓		
Declining Loan Yield	25	✓		
Investment Concentration	25	✓		
High Non-Earning Assets	20	✓		
Low Net Loan Structure	18	✓		
Branches' Performance	18	✓		
OPERATIONAL RISK – Accounting & Finance	22			
Sl-Gt Variances of Major FS Accounts	44			✓
No Fund Management System	24	✓		
No terms of Payment of Branches and other businesses' borrowings	19			✓
No Monthly Bank Reconciliation	18			✓
No Monthly Accrual of Interest Expense on Deposits	16			✓
Non-Booking of After Cut-Off Transactions	16			✓
Absence or Unupdated of Codified Policies and Procedures	16			✓





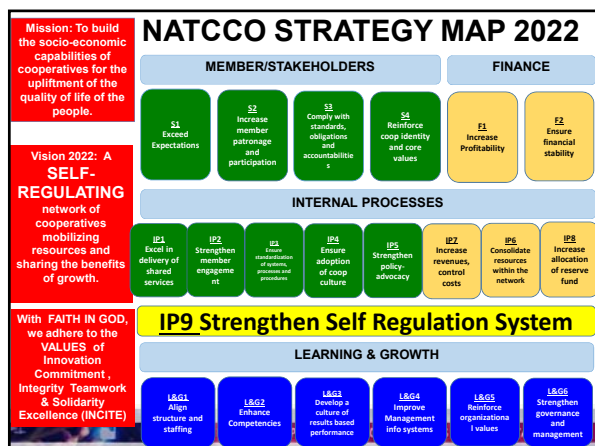


NATCCO's Management Committee, CDA Executive Committee and DGRV Representatives discussion on Cooperative Regulation and Cooperative Protection Scheme (Feb 13, 2019)









Ranking as to Total Assets
Universal and Commercial Bank Group
As of March 31, 2019
(Amounts in Million Pesos)

RANK	NAME OF BANK	TOTAL ASSETS
1	BDO UNIBANK INC	2,889,812.21
2	METROPOLITAN BANK & TCO	1,912,883.25
3	LAND BANK OF THE PHILIPPINES	1,895,104.59
4	BANK OF THE PHIL ISLANDS	1,790,656.98
5	PHIL NATIONAL BANK	952,622.38
6	CHINA BANKING CORP	798,650.34
7	SECURITY BANK CORP	765,215.38
8	DEVELOPMENT BANK OF THE PHIL	635,276.63
9	UNION BANK OF THE PHILS	631,299.27
10	RIZAL COMM'L BANKING CORP	537,644.44
11	EAST WEST BANKING CORP	353,899.18
12	UNITED COCONUT PLANTERS BANK	311,223.27
13	CITIBANK, N.A.	305,351.84
14	ASIA UNITED BANK CORPORATION	230,479.83
15	HONGKONG & SHANGHAI BANKING CORP	195,920.09

