



HOUSE OF REPRESENTATIVES

H. No. 9673

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**AN ACT
PROVIDING FOR THE REVISED COOPERATIVE CODE OF THE
PHILIPPINES**

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

1 **CHAPTER I. GENERAL PROVISIONS**

2 **SECTION 1. Title.** - This Act shall be known as the "Revised
3 Cooperative Code of the Philippines".

1 **SEC. 2. Declaration of Policy.** - It is the policy of the State to foster
2 the creation and growth of cooperatives as a practical vehicle for promoting
3 self-reliance and harnessing people power towards the attainment of
4 economic development and social justice. The State shall encourage the
5 private sector to undertake the actual formation and organization of
6 cooperatives and shall create an atmosphere that is conducive to the growth
7 and development of these cooperatives.

8 Towards this end, the State shall, through the different branches,
9 subdivisions, instrumentalities, and agencies of the government, regulate
10 the conduct of cooperatives and support their growth and development in
11 partnership with the private sector. The State shall also ensure the
12 provision of technical and financial assistance, and other services to enable
13 the cooperatives to develop into viable and responsive economic enterprises
14 towards a strong cooperative movement, free from conditions that infringe
15 upon the objectives and character of cooperatives.

16 Further, the State recognizes the principle of subsidiarity under which
17 the cooperative sector initiates and fosters, within their own ranks,
18 cooperative promotion, organization, training, information gathering, audit,
19 and support services, with government assistance if necessary.

20 **SEC. 3. General Concepts.** -

21 (a) A *cooperative* is an autonomous and duly registered association of
22 persons with a common bond of interest who have voluntarily joined
23 together to achieve their social, economic, and cultural needs and
24 aspirations by making equitable contributions to the capital required,
25 patronizing their products and services, and accepting a fair share of
26 the risks and benefits of the undertaking in accordance with universally
27 accepted cooperative principles;

28 (b) *Cooperative principles* - Every cooperative shall conduct its affairs in
29 accordance with Filipino culture, good values and experience, and the
30 following universally accepted principles of cooperation:

1 (1) *Voluntary and Open Membership* - Cooperatives are voluntary
2 organizations, open to all persons able to use their services and
3 willing to accept the responsibilities of membership, without gender,
4 social, racial, cultural, political or religious discrimination.

5
6 (2) *Democratic Member Control* - Cooperatives are democratic
7 organizations that are controlled by their members who actively
8 participate in setting their policies and making decisions. Men and
9 women serving as elected representatives, directors or officers are
10 accountable to the membership. In primary cooperatives, members
11 have equal voting rights of one member, one vote. Cooperatives at
12 other levels are organized in the same democratic manner.

13 (3) *Member Economic Participation* – Members contribute equitably to,
14 and democratically control, the capital of their cooperative. At least
15 part of that capital is the common property of the cooperative. They
16 shall receive limited compensation or limited interest, if any, on
17 capital subscribed and paid as a condition of membership. Members
18 allocate surpluses for any or all of the following purposes: developing
19 the cooperative by setting up reserves, part of which should at least
20 be indivisible; benefitting members in proportion to their patronage
21 of the cooperative’s business; and, supporting other activities
22 approved by the membership.

23
24 (4) *Autonomy and Independence* - Cooperatives are autonomous, self-
25 help organizations controlled by their members. If they enter into
26 agreements with other organizations, including government, or raise
27 capital from external sources, they shall do so on terms that ensure
28 democratic control of their members and maintain their cooperative
29 autonomy.

30 (5) *Education, Training, and Information* - Cooperatives shall provide
31 education and training for their members, elected and appointed
32 representatives, managers, and employees, so that they can

1 contribute effectively and efficiently to the development of their
2 cooperatives.

3 (6) *Cooperation Among Cooperatives* - Cooperatives serve their members
4 most effectively and strengthen the cooperative movement by
5 working together through local, national, regional and international
6 structures.

7 (7) *Concern for Community* - Cooperatives work for the sustainable
8 development of their communities through policies approved by their
9 members.

10 (c) *Cooperative Values* – Cooperatives are based on the values of self-help,
11 self-responsibility, democracy, equality, equity, and solidarity.
12 Cooperative members believe in the ethical values of honesty,
13 openness, social responsibility and caring for others.

14 **SEC. 4. *Definition of Terms.*** - As used in this Act:

15 (a) *Area of Operation* refers to the place where the cooperative operates and
16 conducts its business, as provided for in its Articles of Cooperation and
17 By-laws;

18 (b) *Articles of Cooperation* refers to the document registered with the
19 Cooperative Development Authority, including its amendments, that
20 defines and regulates the relations between the cooperative and the
21 State;

22 (c) *Authority* refers to the Cooperative Development Authority;

23 (d) *Board of Directors* refers to the collegial body responsible for the
24 strategic planning, direction-setting, and policy-formulation activities
25 of the cooperative;

26 (e) *Branch-lite unit* refers to a cooperative bank that performs limited
27 banking activities and records its transactions in the books of the head
28 office or the branch to which it is annexed;

- 1 (f) *By-laws* refers to the document registered with the Authority, including
2 its amendments, that defines and regulates the operations of the
3 cooperative and governs the relations between the cooperative and its
4 members and among themselves;
- 5 (g) *Committees* refer to the mandatory committees under this Code
6 entrusted with specific functions and responsibilities and such other
7 committees that the Board of Directors deem necessary for the
8 governance of the business affairs of the cooperative;
- 9 (h) *Cooperative Union* refers to a cooperative whose members are registered
10 cooperatives, federations, or both, organized purposely to represent the
11 interest and welfare of all types of cooperatives at the city, provincial,
12 regional, national, and sectoral levels;
- 13 (i) *Federation of Cooperatives* refers to an aggrupation of cooperatives
14 registered with the Authority to undertake business activities in
15 support of its primary and secondary member cooperatives to address
16 common needs, engage in capacity-building activities and delegated
17 supervision in support of its member cooperatives, organized at the
18 municipal, city, provincial, regional, national, special metropolitan
19 political subdivision, or economic zones created by law;
- 20 (j) *General Assembly* refers to the full membership of the cooperative duly
21 assembled physically, via videoconferencing, or both, for the purpose
22 of exercising all the rights and performing all the obligations pertaining
23 to cooperatives, as provided by this Code, its Articles of Cooperation,
24 and By-laws;
- 25 (k) *Honorarium* refers to the token of appreciation granted for the expert
26 service rendered in the specific field that does not receive
27 compensation;
- 28 (l) *Investment* refers to equity participation in any enterprise formed,
29 organized or existing under the laws of the Philippines;

- 1 (m) *Interest on Share Capital* refers to the amount earned by the members
2 on their investment in the cooperative. The interest on share capital
3 and the patronage refund shall be determined at the end of the calendar
4 year after the net surplus shall have been computed in accordance with
5 the Articles of Cooperation and By-laws or by the Board of Directors;
- 6 (n) *Laboratory Cooperative* refers to a cooperative affiliated with and
7 registered by a primary cooperative, and whose membership consists
8 of minors;
- 9 (o) *Member* refers to a person either natural or juridical, who has been
10 approved and admitted by the Board of Directors of the cooperative,
11 federation, or union, after undergoing the Pre-Membership Education
12 Seminar and has vowed to adhere to the Articles of Cooperation and its
13 By-laws. Members shall be classified as regular or associate, as
14 qualified by the cooperative;
- 15 (p) *Patronage Refund* refers to the payment to the members of a percentage
16 or portion of the amount availed of, the interest on loans paid, or other
17 services availed from the cooperative. The amount will be determined
18 at the end of the fiscal period after the computation of the net surplus.
19 The percentage of the allocation will be in accordance with the
20 provisions in its Articles of Cooperation, the By-laws, or by the Board
21 of Directors. The formula and basis for the computation of the rate of
22 patronage refund will be determined by the Authority.
- 23 (q) *Performance Audit* refers to an audit conducted by the Authority on the
24 efficiency, efficacy, and effectiveness of the cooperative's overall
25 performance as a whole, its management and officers, and its various
26 responsibility centers as basis for improving individual, team, or overall
27 performance, and for objectively informing the general membership of
28 the cooperative on such performance;
- 29 (r) *Primary Cooperative* refers to a cooperative, registered with the
30 Authority, the members of which are natural persons;

- 1 (s) *Registration* refers to the operative act granting juridical personality to
2 a proposed cooperative and is evidenced by a Certificate of Registration;
- 3 (t) *Representative Assembly* refers to the full membership of a body of
4 representatives elected by each of the sectors, chapters, or districts of
5 the cooperative duly assembled for the purpose of exercising such
6 powers in accordance with its By-laws;
- 7 (u) *Samahang Nayon* and *Municipal Katipunan ng mga Samahang Nayon*
8 refers to pre-cooperative organizations established under Presidential
9 Decree (PD) No. 175 entitled “Strengthening the Cooperative
10 Movement”;
- 11 (v) *Secondary Cooperative* refers to a cooperative, the members of which
12 are primary cooperatives, federations, or unions;
- 13 (w) *Single-Purpose Cooperative* refers to a cooperative that undertakes only
14 one economic activity, except one that is allowed to undertake allied
15 economic activities;
- 16 (x) *Share Capital* refers to the equitable contribution of a member to the
17 cooperative fund, the working capital fund of the cooperative, which
18 shall have a par value of at least One Hundred Pesos (P100.00) and
19 issued as common or preferred shares depending on the type of
20 membership with the cooperative;
- 21 (y) *Social Audit* refers to an audit conducted to assess the social impact of
22 the cooperative and its ethical performance vis-à-vis its stated mission,
23 vision, goals, and code of social responsibility. It is a mechanism
24 whereby it can account for the social performance of a cooperative and
25 evaluate its impact on the community, making the cooperative
26 accountable for its decisions and actions to its members;
- 27 (z) *Subscription Agreement* refers to the document executed by a member
28 to signify the amount that the member intends to contribute to the
29 cooperative fund;

1 (aa) *Subsidiary Cooperative* refers to a cooperative, all or majority of whose
2 members or shareholders come from a parent cooperative, organized
3 for any other purpose different from that of, and receives technical,
4 managerial, and financial assistance from the latter, in accordance with
5 the rules and regulations of the Authority; and

6 (bb) *Worker Beneficiary* refers to a natural person who renders service for
7 value as an employee or laborer in an agricultural enterprise or farm
8 within an agrarian reform cooperative.

9 **CHAPTER II. PURPOSES AND ORGANIZATION**

10 **SEC. 5. Goals and Objectives of a Cooperative.** - The primary
11 objective of every cooperative is to help improve the quality of life of its
12 members. Towards this end, the cooperative shall, among others, aim to:

13 (a) Increase income, savings, investments, productivity, and purchasing
14 power of its members; and promote among themselves equitable
15 distribution of net surplus through maximum utilization of economies
16 of scale, cost sharing and risk-sharing;

17 (b) Provide optimum social and economic benefits to its members;

18 (c) Providing trainings for its members on the efficient ways of processing
19 tasks in a cooperative manner;

20 (d) Propagate best practices, innovative ideas in business undertakings
21 and management through the utilization of new technologies;

22 (e) Empower the marginalized sector to gain opportunities through
23 education and skills training;

24 (f) Actively collaborate with the government, other cooperatives, and
25 people-oriented organizations to promote cooperatives as a practical
26 means towards sustainable socio-economic development;

- 1 (g) Adopt membership expansion mechanism to ensure the growth of the
2 cooperative movement;
- 3 (h) Implement policy guidelines that will ensure transparency,
4 accountability, and equitable access to its resources and services; and
5 promote the interests of the members;
- 6 (i) Advance the competitiveness and innovativeness of cooperatives in
7 various industries;
- 8 (j) Coordinate with other cooperatives through learning and information
9 exchange to foster sustainable development;
- 10 (k) Advocate legal framework and enabling policies appropriate for the
11 development of cooperatives;
- 12 (l) Be the voice and the institution of the marginalized for purposes of
13 promoting people-centered development;
- 14 (m) Encourage thrift and savings mobilization among the members;
- 15 (n) Generate funds and extend credit to the members for productive and
16 provident purposes;
- 17 (o) Encourage among members systematic production and marketing;
- 18 (p) Provide goods and services and other requirements to the members;
- 19 (q) Develop expertise and skills among its members;
- 20 (r) Acquire lands and provide housing benefits for the members;
- 21 (s) Provide insurance programs to cover the risk of financial losses in the
22 operations of a cooperative;
- 23 (t) Promote and advance the economic, social, and educational status of
24 the members;

1 (u) Establish, own, lease, or operate cooperative banks, cooperative
2 wholesale and retail complexes, insurance, agricultural and industrial
3 processing enterprises, and public markets;

4 (v) Coordinate and facilitate the activities of cooperatives;

5 (w) Advocate for the cause of the cooperative movement;

6 (x) Ensure the viability of cooperatives through the utilization of new
7 technologies;

8 (y) Encourage and promote self-help or self-employment as an engine for
9 economic growth and poverty alleviation;

10 (z) Adopt such other plans which may help foster the welfare of the
11 members, their families, and the community; and

12 (aa) Undertake any activity stated in the Articles of Cooperation and By-
13 laws of the cooperative.

14 **SEC. 6. Cooperatives Not in Restraint of Trade.** - No cooperative
15 or method or act thereof which complies with this Code shall be deemed a
16 conspiracy or combination in restraint of trade or an illegal monopoly, or an
17 attempt to lessen competition or fix prices arbitrarily in violation of any laws
18 of the Philippines.

19 This notwithstanding, fair competition between cooperatives is
20 paramount in their collective growth. Cooperatives shall support and foster
21 a level playing field in their industries. Accordingly, Sections 6, 7, 21 and
22 111 of this Code shall be in consonance with Republic Act (RA) No.10667,
23 otherwise known as the "Philippine Competition Act."

24 **SEC. 7. Cooperative Powers and Capacities.** - A cooperative
25 registered under this Code shall have the following powers, rights and
26 capacities:

27 (a) To the exclusive use of its registered name;

- 1 (b) To sue and be sued;
- 2 (c) Of succession;
- 3 (d) To amend its Articles of Cooperation in accordance with the provisions
4 of this Code;
- 5 (e) To adopt By-laws not contrary to law, morals, or public policy, and
6 amend or repeal the same in accordance with this Code;
- 7 (f) To purchase, receive, take or grant, hold, convey, sell, lease, pledge,
8 mortgage, or otherwise deal with such real and personal property as
9 the transaction of the lawful affairs of the cooperative may reasonably
10 and necessarily require, subject to the limitations prescribed by law
11 and the Constitution;
- 12
- 13 (g) To enter into joint venture agreement and partnership, or any other
14 commercial activity with other cooperatives;
- 15 (h) To enter into division, merger or consolidation, as provided in this Code;
- 16 (i) To form subsidiary cooperatives and join federations, unions, or Credit
17 Surety Fund Cooperatives, as provided in this Code;
- 18 (j) To avail of loans, be entitled to credit, and accept and receive grants,
19 donations, and assistance from foreign and domestic sources, subject
20 to the conditions of the loans, credits, grants, donations or assistance
21 that must not undermine the autonomy of the cooperative;
- 22 (k) To avail of preferential rights granted to cooperatives under RA 7160,
23 otherwise known as the “Local Government Code of 1991,” and other
24 laws, particularly the grant of franchises to establish, construct,
25 operate and maintain ferries, wharves, markets or slaughterhouses and
26 lease public utilities, including access to extension and on-site research
27 services and facilities related to agriculture and fishery activities;

1 (l) To establish, own, and operate schools in all levels of the education
2 system, subject to the rules and regulations of the Department of
3 Education, Commission on Higher Education, and Technical Education
4 and Skills Development Authority;

5 (m) To operate branch, satellite, and liaison offices within its area of
6 operation, subject to the rules and regulation by the Authority. The
7 Authority and the sector shall issue rules regarding the creation and
8 operation of branch, satellite, and liaison offices of cooperatives;

9 (n) To provide training for their officers and members for continued
10 development and personal improvement, in coordination with
11 government agencies and experts from the private sector. In this regard,
12 only cooperatives shall be accredited as Training Service Providers by
13 the Authority. In the event that a cooperative is unable to provide
14 training for its own members, it may engage the services of a federation
15 or union: *Provided*, That a federation shall only provide training in
16 accordance with its business or specialization while a union shall
17 provide basic and other training that benefits the sector: *Provided*,
18 *further*, That government agencies and experts from the private sector
19 are authorized to assist in the organization, training, and development
20 of a cooperative and its members, in coordination with federations and
21 unions; and

22 (o) To exercise such other powers granted in this Code as shall be
23 necessary to carry out its purposes stated in its Articles of Cooperation.

24 **SEC. 8. Organizing a Primary Cooperative.** – At least fifteen (15)
25 natural persons who are Filipino citizens, of legal age, having a common
26 bond of interest, and are residing or working in the intended area of
27 operation, may organize a primary cooperative under this Code. The
28 cooperators shall attend and complete a Pre-Registration Seminar (PRS) as
29 a prerequisite for registration. The details and requisites of the PRS must be
30 included in the Implementing Rules and Regulations of this Code.

1 No primary cooperative, except agricultural cooperatives, shall be
2 organized as a multi-purpose cooperative unless it has been in operation for
3 at least two (2) years and shall have complied with the minimum
4 requirements for multi-purpose cooperatives as prescribed by the Authority.

5 In order to encourage cooperativism among the youth, a primary
6 cooperative shall organize a laboratory cooperative as defined under this
7 Code. A laboratory cooperative shall have all the rights, privileges, and
8 duties of a regular cooperative, and shall be governed by special guidelines
9 to be promulgated by the Authority, in consultation with the cooperative
10 sector.

11 **SEC. 9. Mandatory Personnel of the Cooperative.** - All cooperatives
12 shall have a General Manager and a Bookkeeper to be authorized to operate.

13 **SEC. 10. Liability of the Cooperative.** - A cooperative duly
14 registered under this Code shall have limited liability.

15 **SEC. 11. Term of existence of cooperative.** - A cooperative shall
16 have perpetual existence from the date of registration unless voluntarily
17 dissolved or the Certificate of Registration is cancelled for reasons provided
18 under this Code and its Implementing Rules and Regulations.

19 **SEC. 12. Articles of Cooperation.** - All primary cooperatives
20 applying for registration shall present to the Authority the Certificate of Pre-
21 Registration Seminar and the Articles of Cooperation, signed by all
22 cooperators and acknowledged by them before a notary public.

23 In case of cooperative banks, insurance cooperatives, federations, or
24 unions, the Articles of Cooperation shall be acknowledged by its
25 Chairpersons and Cooperative Secretaries before a notary public. The
26 Articles of Cooperation shall contain the following provisions:

27 a. Name of the cooperative, which shall include the word "Cooperative",
28 "Coop", "Koop", or "Kooperatiba" and specify the type of cooperative;

- 1 b. Purpose or purposes and the economic activities for which the
2 cooperative is to be registered;
- 3 c. Powers and capacities;
- 4 d. Area of operation, the postal address of its principal office, and the
5 official electronic mail address of the cooperative;
- 6 e. Names, nationality, and the postal addresses of the cooperators;
- 7 f. Common bond of membership;
- 8 g. List of names of the directors;
- 9 h. Amount of authorized, subscribed, and paid-up share capital, the
10 number of shares, and the par-value of each share, and the names of
11 the cooperators, except for cooperative unions;
- 12 i. A statement as to whether the cooperative is primary or secondary;
- 13 j. Other provisions consistent with this Code or any related law; and
- 14 k. Certificate of Authority from the appropriate government agency

15 **SEC. 13. *By-laws.*** – Every cooperative to be registered under this Code
16 shall adopt By-laws consistent with the provisions of this Code, which shall
17 be filed together with the Articles of Cooperation. The By-laws of each
18 cooperative shall provide:

- 19 a. The qualifications for admission to membership;
- 20 b. The equitable contribution or interest to be acquired as a condition
21 precedent for the exercise of the right of membership;
- 22 c. The rights, privileges, duties, responsibilities, and liabilities of
23 membership;
- 24 d. The circumstances under which membership is acquired, maintained,
25 and terminated, and the procedure to be followed;

- 1 e. The conditions under which the transfer of a share or interest of the
2 members shall be permitted;
- 3 f. The general conduct of the affairs of the cooperative relative to agenda,
4 time, place and manner of calling, convening, and conducting meetings,
5 quorum requirements, voting systems of the General Assembly, the
6 Board of Directors, committees and the officers, including their
7 qualifications, disqualifications, powers, duties, and responsibilities;
- 8 g. The manner in which the capital may be raised and the purposes for
9 which it can be utilized;
- 10 h. The accounting and auditing systems;
- 11 i. The manner of contracting loans and borrowings including the
12 limitations thereof;
- 13 j. The allocation and distribution of net surplus;
- 14 k. The manner of adopting and amending By-laws;
- 15 l. The institution of a conciliation or mediation mechanism for the
16 amicable settlement of disputes among members, directors, officers
17 and committee members of the cooperative; and
- 18 m. Other matters incident to the purposes and activities of the cooperative.

19 **CHAPTER III. REGISTRATION**

20 **SEC. 14. Requirements for Registration.** - The proposed Articles of
21 Cooperation, By-laws, and such other required documents shall be
22 submitted in accordance with the rules and regulations to be prescribed by
23 the Authority.

24 Except for cooperative unions as described under Section 30 hereof,
25 no cooperative shall be registered unless the Articles of Cooperation is
26 accompanied with the bonds of the accountable officers and a sworn
27 statement of the Treasurer showing that at least twenty-five per centum

1 (25%) of the authorized share capital has been subscribed and at least
2 twenty-five per centum (25%) of the total subscription has been paid.

3 The Authority shall initially fix the minimum paid-up share capital in
4 the Implementing Rules and Regulations of this Code, periodically assess
5 the required paid-up share capital, and may increase or decrease it through
6 subsequent regulation whenever necessary upon consultation with the
7 cooperative sector.

8 The Authority may prescribe such other registration requirements as
9 it may deem necessary.

10 **SEC. 15. Registration.** - A cooperative formed and organized under
11 this Code acquires juridical personality from the date the Authority issues a
12 Certificate of Registration under its official seal. All applications for
13 registration shall be finally disposed of by the Authority within a period of
14 fifteen (15) days from the filing of the complete documentary requirements,
15 both in form and in substance, otherwise the application is deemed
16 approved, unless the cause of the delay is justified as the case may be:
17 *Provided*, That in case of a denial of the application for registration, the
18 applicant may file a Motion for Reconsideration within five (5) days from the
19 receipt of such denial. The Motion for Reconsideration must be resolved
20 within fifteen (15) days from the filing thereof. An appeal to the Board of
21 Directors of the Authority may be filed within fifteen (15) days from receipt
22 of notice of denial of the Motion for Reconsideration. The decision of the
23 Board of Directors shall be final and executory but may be elevated to the
24 Court of Appeals through a petition for review.

25 The grounds for denial of the registration shall be prescribed in the
26 Implementing Rules and Regulations of this Code.

27 **SEC. 16. Certificate of Registration.** - A Certificate of Registration
28 issued by the Authority under its official seal shall be conclusive evidence
29 that the cooperative therein mentioned is duly registered unless it is proved
30 that the registration thereof has been cancelled.

1 **SEC. 17. Amendment of Articles of Cooperation and By-laws. -**

2 Unless otherwise prescribed by this Code and for legitimate purposes, any
3 provision or matter stated in the Articles of Cooperation and By-laws may
4 be amended by two-thirds ($\frac{2}{3}$) vote of all the members entitled to vote,
5 present and constituting a quorum, without prejudice to the right of the
6 dissenting members to exercise their right to withdraw their membership
7 under Section 37 of this Code.

8 Subject to the guidelines to be issued by the Authority, a cooperative
9 may opt to amend its Articles of Cooperation and By-laws through a
10 referendum by a vote of two-thirds ($\frac{2}{3}$) of all the members entitled to vote.

11 Both the original and amended Articles of Cooperation By-laws shall
12 contain all the provisions required by law. Amendments shall be indicated
13 by underscoring or otherwise appropriately indicating the change or
14 changes made. A copy of the amended Articles of Cooperation or By-laws
15 shall be duly certified under oath by the Cooperative Secretary and majority
16 of the directors, stating the fact that the amendment or amendments to the
17 Articles of Cooperation and By-laws have been duly approved by the
18 required vote of the members. All amendments to the Articles of Cooperation
19 and By-laws shall be submitted to the Authority.

20 An application for amendments shall be deemed approved by the
21 Authority within a period of thirty (30) days from the filing thereof: *Provided,*
22 That the documentary requirements are complete in form and substance,
23 unless the cause of the delay is justified.

24 **SEC. 18. Contracts Executed Prior to Registration and Effects**

25 ***Thereof.*** - Subject to the execution of a formal written contract made in the
26 cooperative's name or on its behalf prior to its registration, all contracts
27 executed prior to its registration between private persons and the
28 cooperative shall remain valid and binding between the parties insofar as it
29 redounds to the benefit of the cooperative.

1 **SEC. 19. *Effects of Failure to Operate or Comply with Conditions***
2 ***on Registration.*** - The Certificate of Registration shall be deemed cancelled
3 and the cooperative shall be delisted from the registry of cooperatives if the
4 cooperative failed to commence its authorized business activity within three
5 (3) years from the issuance of its Certificate of Registration.

6 **SEC. 20. *Division of Cooperatives.*** - A registered cooperative,
7 through a resolution approved by a vote of two-thirds ($\frac{2}{3}$) of all the members
8 entitled to vote, present and constituting a quorum, may divide itself into
9 two (2) or more cooperatives. Such division of the cooperative shall be valid:
10 *Provided*, That the purpose of the division is not to defraud the creditors.

11 The dissenting members shall have the right to exercise their right to
12 withdraw their membership pursuant to Section 37 of this Code.

13 The Authority shall prescribe the rules and regulations for the division
14 of the cooperative: *Provided*, That all the requirements set forth in this Code
15 have been complied with by the newly-formed cooperatives.

16 **CHAPTER IV. MERGER AND CONSOLIDATION OF COOPERATIVES**

17 **SEC. 21. *Merger or Consolidation of Cooperatives.*** -

18 (a) Two (2) or more cooperatives may merge or consolidate into a single
19 cooperative.

20 (b) No merger or consolidation shall be valid unless approved by a two-
21 thirds ($\frac{2}{3}$) vote of all the members entitled to vote, present and
22 constituting a quorum of each of the constituent cooperatives at
23 separate General Assembly meetings. The dissenting members shall
24 have the right to exercise their right to withdraw their membership
25 pursuant to Section 37 of this Code.

26 (c) The Authority shall issue the guidelines governing the procedure of
27 merger or consolidation of cooperatives. The merger or consolidation
28 shall be effective upon the issuance by the Authority of the Certificate

1 of Merger, or in the case of a consolidation of cooperatives, a new
2 Certificate of Registration.

3 **SEC. 22. *Effects of Merger and Consolidation.*** - The merger and
4 consolidation of cooperatives shall have the following effects:

5 (a) In case of merger of cooperatives, the constituent cooperatives shall
6 become a single cooperative or, in the case of consolidation of
7 cooperatives, the consolidated cooperative shall be the new cooperative;

8 (b) The single cooperative or the consolidated cooperative shall possess all
9 the assets, rights, privileges, immunities, and franchises and assume
10 all the liabilities and obligations of each of the constituent cooperatives;

11 (c) Any claim, action, or proceeding instituted by or against the constituent
12 cooperatives may be continued by the single or consolidated
13 cooperative;-and

14 (d) The merger or consolidation shall not impair the rights of creditors nor
15 any lien upon the property of the constituent cooperatives.

16 **CHAPTER V. TYPES AND CATEGORIES OF COOPERATIVES**

17 **SEC. 23. *Types and Categories of Cooperatives.*** -

18 (a) Clusters of Cooperatives - Cooperatives may fall under any of the
19 following clusters based on their business activity:

20 (1) *Credit, Finance, Banking, and Insurance Cluster* refers to cooperatives
21 organized for the promotion of financial freedom and literacy among
22 its members, and undertakes savings, lending, and other financial
23 services to its members, such as:

24 (i) Cooperative Banks. - Cooperative banks are organized for
25 the primary purpose of providing a wide range of financial
26 services to cooperatives and their members;

1 (ii) Credit Cooperatives. – Credit cooperatives are engaged
2 solely in lending services;

3 (iii) Credit and Savings Cooperatives. – Credit and savings
4 cooperatives promote and undertake savings and lending
5 services among its members. They generate a common
6 pool of funds in order to provide financial assistance to
7 their members for productive and provident purposes;

8 (iv) Credit Surety Fund Cooperatives. – Credit surety fund
9 cooperatives, in partnership with Local Government Units
10 (LGUs), are comprised of well-capitalized and well-
11 managed member-cooperatives or non-government
12 organizations that meet the criteria and qualifications
13 prescribed by the Authority, LGUs, Government Financial
14 Institutions, and other government agencies;

15 (v) Insurance Cooperatives. – Insurance cooperatives are
16 engaged in the business of insuring the life and property
17 of cooperatives and their members;

18 (vi) Savings and Deposits Cooperatives. – Savings and
19 deposits cooperatives are engaged solely in promoting and
20 encouraging savings among its members; and

21 (vii) Other cooperatives as may be determined by the
22 Authority under this cluster in consultation with the
23 cooperative sector.

24 (2) *Consumers, Marketing, Producers, and Logistics Cluster* refers to
25 cooperatives organized for the supply, procurement, and marketing
26 of products of its members, industrial production, and non-
27 agricultural business activity for the production and processing of
28 raw materials or goods or its derivative, such as:

1 (i) Consumers Cooperatives. – Consumer cooperatives are
2 engaged primarily in procuring and distributing
3 commodities to members and non-members;

4 (ii) Marketing Cooperatives. – Marketing cooperatives are
5 engaged in the supply of production inputs to members
6 and markets their products, including trading and
7 processing;

8 (iii) Logistics Cooperatives. – Logistics cooperatives are
9 engaged in operations involving facilities and supplies
10 whose business is related to the supply chain;

11 (iv) Producers Cooperatives. – Producers cooperatives are
12 engaged in joint production whether agricultural or
13 industrial. They are formed and operated by the members
14 to undertake the production and processing of raw
15 materials or goods produced by the members into
16 finished or processed products for sale by the cooperative.
17 Any end product or its derivative arising from the raw
18 materials produced by the members, sold in the name
19 and for the account of the cooperative, shall be deemed a
20 product of the cooperative and its members; and

21 (v) Other cooperatives as may be determined by the
22 Authority under this cluster in consultation with the
23 cooperative sector.

24 (3) *Human Services, Health, Housing, Workers, and Labor Service Cluster*
25 refers to cooperatives organized for providing employment and
26 business opportunities to its members, housing, and services related
27 to medical, dental, health and wellness, and death care, technology,
28 including digital payment services, such as:

1 (i) Health Services Cooperatives. – Health services
2 cooperatives are organized for the primary purpose of
3 providing medical, dental, paramedic, diagnostic, and
4 other health services, including cooperative health
5 organizations, hospitals, clinics, pharmacies, and
6 transporting of patients;

7 (ii) Housing Services Cooperatives. – Housing services
8 cooperatives are organized to assist or provide access to
9 socialized housing for the benefit of the members who
10 actively participate in the savings program for housing;

11 (iii) Labor Services Cooperatives. – Labor services
12 cooperatives are engaged in providing specific services to
13 a principal under a legitimate contracting or
14 subcontracting arrangement, as defined under existing
15 laws, and in accordance with the cooperative principles
16 set forth under this Code;

17 (iv) Technology Service Cooperatives. – Technology service
18 cooperatives are organized to provide the members with
19 services that are designed to facilitate the use of
20 Information Technology by end-users, or provide
21 specialized technology-oriented solutions by combining
22 the processes and functions of software, hardware,
23 networks, telecommunications, and electronics, among
24 others;

25 (v) Workers Cooperatives. – Workers cooperatives are
26 organized by workers, including the self-employed, who
27 are at the same time the members and owners of the
28 enterprise. The principal purpose of these cooperatives is
29 to provide employment and business opportunities to the
30 members and manage them in accordance with
31 cooperative principles; and

1 (vi) Other cooperatives as may be determined by the
2 Authority under this cluster in consultation with the
3 cooperative sector.

4 (4) *Education and Advocacy Cluster* refers to cooperatives organized for
5 the promotion and advocacy of cooperativism among its members
6 and the public through socially-oriented projects, education and
7 training, research and communication, such as:

8 (i) Advocacy Cooperatives. – Advocacy cooperatives promote
9 cooperativism and advocate policies for the general
10 interest and welfare of the members, the sector, the
11 movement, and the public through socially-oriented
12 projects, education and training, research and
13 communication, campaigns, lobbying, and other similar
14 activities to reach out to intended beneficiaries;

15 (ii) Education Cooperatives. – Education cooperatives are
16 organized for the primary purpose of owning and
17 operating licensed educational institutions, subject to
18 existing laws, rules and regulations; and

19 (iii) Other cooperatives as may be determined by the
20 Authority under this cluster in consultation with the
21 cooperative sector.

22 (5) *Agriculture, Agrarian, Aquaculture, Farmers, Dairy, and Fisherfolk*
23 *Cluster* refers to cooperatives engaged in the raising or culture of
24 plants and animals, and the production and processing of
25 agricultural produce and its derivatives, including cooperatives
26 organized by agrarian reform beneficiaries and marginal farmers, for
27 the purpose of developing a sustainable system of land tenure, land
28 development, land consolidation, or land management, such as:

1 (i) Agrarian Reform Cooperatives. – Agrarian reform
2 cooperatives are organized by marginal farmers, majority
3 of whom are agrarian reform beneficiaries, for the
4 purpose of developing an appropriate system of land
5 tenure, land development, land consolidation or land
6 management areas covered by agrarian reform;

7 (ii) Agricultural Cooperatives. – Agriculture cooperatives are
8 organized as agricultural-based economic enterprises
9 voluntarily established through joint investment, joint
10 ownership and joint management for the purpose of
11 improving agricultural production capacity, agro-
12 industry, agri-business, or services related to agricultural
13 production, which shall include agrarian reform, dairy,
14 fishermen, community forestry, and aquaculture
15 cooperatives, as well as multi-purpose cooperatives
16 whose primary business activity is at least fifty per
17 centum (50%) related to agricultural production, agro-
18 industry, agri-business, or services related to agricultural
19 production;

20 (iii) Dairy Cooperatives. – Dairy cooperatives are engaged in
21 the production and marketing of fresh milk which may be
22 processed or marketed as dairy products;

23 (iv) Farmers Cooperatives. – Farmers cooperatives are
24 organized by marginalized farmers, majority of whom are
25 not agrarian reform beneficiaries, for the purpose of
26 supporting their products, either fresh or processed;

27 (v) Fisherfolk Cooperatives. – Fisherfolk cooperatives are
28 organized by marginalized fisherfolk whose products are
29 marketed either as fresh or processed, for the
30 mobilization of capital in the procurement of fishing

1 boats, nets, gears, and accessories, production of aquatic
2 products, and access to storage and agricultural facilities;

3 (vi) Irrigators Cooperatives. – Irrigators cooperatives are
4 engaged in providing sustainable irrigation services for
5 farmers; and

6 (vii) Other cooperatives as may be determined by the
7 Authority under this cluster in consultation with the
8 cooperative sector.

9 (6) *Public Utilities Cluster* refers to cooperatives organized for the purpose
10 of undertaking electricity generation, utilizing renewable energy
11 sources, including hybrid systems, acquisition and operation of sub-
12 transmission or distribution; operation and management of water
13 systems; land, air, and sea transportation services; and
14 communications services, including telephone and digital
15 communications, which require a franchise or certificate of public
16 convenience and necessity such as:

17 (i) Communications Cooperatives. – Communications
18 cooperatives are organized to own, operate, and manage
19 communication structures and arrangements, such as
20 radio, cable TV, newspaper, and related industries, for
21 the widespread dissemination of information for the
22 members and the public;

23 (ii) Electric Cooperatives. – Electric cooperatives are
24 registered under this Code organized for the primary
25 purpose of undertaking power generation, utilizing
26 renewable energy sources, including hybrid systems,
27 acquisition and operation of sub transmission or
28 distribution to the household members;

1 (iii)Transport Service Cooperatives. – Transport service
2 cooperatives are organized to render public land, water,
3 or air transportation services for the safe conveyance of
4 passengers or cargoes, or are engaged in providing related
5 or auxiliary services to the transport industry;

6 (iv)Water Service Cooperatives. – Water service cooperatives
7 are organized to own, operate, and manage water systems
8 for the provision and distribution of potable water for the
9 members and their households; and

10 (v) Other cooperatives as may be determined by the
11 Authority under this cluster in consultation with the
12 cooperative sector.

13 (b) Categories of Cooperatives. Cooperatives are categorized as follows:

14 (1) In terms of membership, cooperatives may be categorized into:

15 A. Primary Cooperatives; and

16 B. Secondary Cooperatives;

17 (2) In terms of territory, cooperatives are categorized according to areas
18 of operations; and

19 (3) In terms of assets, cooperatives shall follow the business size
20 categories used by the Department of Trade and Industry (DTI).

21 **SEC. 24. Apex of Cooperatives.** – The Apex of Cooperatives refers to
22 the singular cooperative vested with a juridical personality and the mandate
23 to represent the cooperative sector at the national and international levels,
24 fully and voluntarily organized by the members of the cooperative sector. It
25 shall have the mandate to engage in discussions and advise the appropriate
26 authorities on all matters relating to cooperatives, as well as to promote the
27 cooperative identity and culture.

1 **CHAPTER VI. FEDERATION OF COOPERATIVES**

2 **SEC. 25. Area of Coverage.** - A federation of cooperatives may be
3 organized at the municipal or city level, district or provincial level, regional,
4 inter-regional or national levels.

5 **SEC. 26. Members of a Federation of Cooperatives.** - Members of
6 a federation of cooperatives shall consist of cooperatives with common needs
7 or purposes: *Provided*, That a member cooperative may freely withdraw
8 membership from the federation.

9 The minimum number of members shall be at least ten (10) primary
10 or secondary cooperatives for a federation of cooperatives.

11 **SEC. 27. Authorized, Subscribed, and Paid-Up Capital of a**
12 **Federation.** - The authorized share capital of a cooperative shall be provided
13 for in its Articles of Cooperation where at least twenty-five per centum (25%)
14 of the authorized share capital shall be subscribed to by the members and
15 at least twenty-five per centum (25%) of the subscribed share capital shall
16 be paid up prior to its registration.

17 The minimum paid-up share capital for a federation of cooperatives
18 shall be One million pesos (P1,000,000.00).

19 **SEC. 28. Registration of Federation of Cooperatives.** - A
20 federation of cooperatives shall be registered with the Authority.

21 **SEC. 29. Functions of a Federation of Cooperatives.** - A federation
22 of cooperatives shall undertake the following functions:

23 (a) To carry on any cooperative enterprise authorized under Section 5 that
24 complements, augments, or supplements but does not conflict,
25 compete with, nor supplant the business or economic activities of its
26 members;

27 (b) To carry on, encourage, and assist educational and advisory work
28 relating to the business activities of its members;

- 1 (c) To render services designed to encourage simplicity, efficiency, and
2 economy in the conduct of the business of its member cooperatives and
3 to facilitate the implementation of their bookkeeping, accounting, and
4 other systems and procedures;
- 5 (d) To print, publish, and circulate any newspaper or other publication in
6 the interest of its member-cooperatives and enterprises;
- 7 (e) To coordinate and facilitate the activities of its member-cooperatives;
- 8 (f) To enter into joint ventures with local or international cooperatives in
9 the manufacture and sale of products in the Philippines and abroad;
- 10 (g) To mandatorily act as conciliator-mediator in inter-intra cooperative
11 disputes among and between the members and officers of primary
12 cooperatives;
- 13 (h) To assist members in the submission of the required reports and other
14 compliances to the Authority and other government or regulatory
15 bodies;
- 16 (i) To assist in the liquidation of the remaining assets of dissolved or
17 cancelled primary cooperative members;
- 18 (j) To develop programs on education, training, monitoring, coaching,
19 research, and advocacy that complement, augment, or supplement the
20 businesses of their members; and
- 21 (k) To assist the Authority in ensuring the compliance of its member-
22 cooperatives with the laws, regulations, policies, and inspection or
23 examination findings of government regulatory agencies.

24 **CHAPTER VII. COOPERATIVE UNIONS**

25 **SEC. 30. *Organization and Duties.*** - All registered cooperatives may
26 organize or join cooperative unions to protect the interest and promote the
27 welfare of all types of cooperatives: *Provided*, That a member cooperative

1 may freely withdraw membership from the union. The cooperative unions
2 shall represent the constituent cooperatives at the appropriate level—and
3 exercise the following duties and functions:

4 (a) To represent its member organizations;

5 (b) To acquire, analyze, and disseminate economic, statistical, and other
6 information relating to its members and to all types of cooperatives
7 within its area of operation;

8 (c) To sponsor studies in the economic, legal, financial, social and other
9 phases of cooperation, and publish the results thereof;

10 (d) To conduct trainings to member-cooperatives as an accredited training
11 provider;

12 (e) To promote the knowledge of cooperative principles and practices;

13 (f) To develop the cooperative movement;

14 (g) To assist the national and local government units in cooperative
15 development activities within their respective jurisdiction;

16 (h) To assist in the dissemination and monitoring of the Philippine
17 Cooperative Medium Term Plan;

18 (i) To assist the members in the submission of the required reports and
19 other compliances to the Authority and other government or regulatory
20 bodies;

21 (j) To assist the Authority, upon written request, in the performance of its
22 power of inspection or examination by way of providing relevant
23 information, such as research, reports, and financial records;

24 (k) To advise the appropriate authorities on all questions relating to
25 cooperatives at the municipal, city, district, provincial or regional levels;

- 1 (l) To act as liquidators or rendering assistance in the liquidation of the
2 remaining assets of dissolved primary cooperative members; and
- 3 (m) To do and perform such other non-business activities as may be
4 necessary to attain the foregoing objectives.

5 **SEC. 31. Sources of Funds for Cooperative Unions.** - The funds of
6 a cooperative union and the Apex Cooperative shall be sourced from the
7 membership fees, dues and contributions, remitted cooperative education
8 and training fund (CETF) from member-cooperatives, training fees,
9 fundraising activities, donations, grants, or subsidies from local and foreign
10 sources, whether private or public.

11 **CHAPTER VIII. MEMBERSHIP**

12 **SEC. 32. Membership.** - A cooperative shall have regular members or
13 associate members.

14 A regular member is one who has complied with all the membership
15 requirements, including the Pre-Membership Seminar, and entitled to all the
16 rights and privileges of membership. An associate member is one who has
17 no right to vote nor be voted upon and shall be entitled only to such rights
18 and privileges as the bylaws may provide: *Provided*, That an associate
19 member who meets all the requirements of regular membership, including
20 the Pre-Membership Education Seminar, continues to patronize the
21 cooperative for two (2) years, and signifies the intention to remain a member
22 shall be considered a regular member.

23 **SEC. 33. Qualifications of Membership.** - Members of registered
24 primary cooperatives must be natural persons, Filipino citizens or former
25 natural-born Filipino citizens, of legal age, with capacity to enter into a
26 contract, within the common bond of membership and area of operation, and
27 must possess the qualifications and none of the disqualifications as provided
28 for in the By-laws of the cooperative; *Provided*, that in case of former natural-
29 born Filipino citizens, they must comply with Philippine taxation laws;

1 *Provided, further,* that the age requirement shall not apply to laboratory
2 cooperatives as defined in Section 8. A member must have completed the Pre-
3 Membership Education Seminar.

4 **SEC. 34. Government Officers and Employees. –**

5 (a) All elective officials of the Government shall be ineligible to become
6 officers of cooperatives: *Provided,* That the disqualification does not
7 extend to a party list representative who represents the cooperative
8 sector: *Provided, further,* That nothing precludes cooperatives from
9 engaging in activities in support of party lists representing the sector,
10 such as, but not limited to participating in campaigning or donating
11 funds;

12 (b) Employees of the Authority are allowed to become a member of any
13 cooperative. However, they shall be disqualified to be elected or
14 appointed as an officer, except for cooperatives organized among
15 themselves; and

16 (c) Any government employee or official may, in the discharge of the duties
17 as a member in the cooperative, be allowed by the head of office
18 concerned to use official time for attendance at the General Assembly,
19 Board and committee meetings including cooperative seminars,
20 conferences, workshops, technical meetings, and training courses
21 locally or abroad.

22 **SEC. 35. Processing of Applications for Membership. -** An
23 application for membership shall be acted upon by the Board of Directors
24 within the period fixed in the By-laws but not later than thirty (30) days.
25 Otherwise, the application for membership shall be deemed approved,
26 subject to the condition that the applicant has submitted the duly
27 accomplished application and has paid the membership fees to the
28 cooperative.

1 In case the application for membership is denied by the Board of
2 Directors, an appeal may be made to the Election Committee, sitting as the
3 appeals and grievance body, within fifteen (15) days after receipt of the notice
4 of denial and the decision of the Election Committee shall be final.

5 If the Election Committee fails to decide within the prescribed period,
6 the appeal is deemed approved in favor of the applicant.

7 **SEC. 36. *Liability of Members.*** - A member shall be liable for the
8 debts of the cooperative to the extent of the member's subscription to the
9 share capital of the cooperative.

10 **SEC. 37. *Termination of Membership.*** -

11 (a) A member of a cooperative may withdraw membership from the
12 cooperative by giving written notice to the Board of Directors which
13 shall be acted upon within thirty (30) days from receipt of said notice.

14 (b) The death or insanity of a member in a primary cooperative, and the
15 insolvency or dissolution, de-listing, or cancellation of the certificate of
16 registration of a member in a secondary cooperative shall be considered
17 valid grounds for termination of membership: *Provided*, That in the case
18 of death or insanity of an agrarian reform beneficiary-member of a
19 cooperative, the qualified next-of-kin may assume the duties and
20 responsibilities of the original member;

21 (c) Termination of membership in the cooperative shall be initiated
22 through the filing of a complaint before the ethics committee of the
23 cooperative. The committee shall recommend to the Board of Directors
24 the termination of membership for any of the following causes:

25 (1) Failure to patronize any services of the cooperative for an
26 unreasonable period of time as provided in the By-laws;

27 (2) Failure to comply with the obligations of membership as provided in
28 the By-laws or policies of the cooperative;

- 1 (3) Violation of the By-laws of the cooperative;
- 2 (4) Commission of any act or omission injurious or prejudicial to the
3 interest or the welfare of the cooperative; and
- 4 (5) Others, as may be provided in the By-laws of the cooperative.

5 Such member shall be informed, in writing, and be given an
6 opportunity to be heard by the grievance committee. The result of the
7 investigation shall be referred to the Board of Directors for its consideration.
8 Based on the recommendation of the grievance committee, the Board may
9 terminate membership in the cooperative by a majority vote of all its
10 members. The decision of the Board shall be in writing, and communicated
11 either personally, or by registered or electronic mail. The decision may be
12 appealed to the General Assembly within thirty (30) days from receipt
13 thereof.

14 The General Assembly shall decide on such appeal within thirty (30)
15 days after receipt thereof. Failure of the General Assembly to decide within
16 the prescribed period shall be deemed in favor of the member. The decision
17 of the General Assembly decision shall be final and executor. Pending the
18 final decision, the membership shall remain in force. This notwithstanding,
19 the member may file a petition for review of the decision of the General
20 Assembly with the Authority within fifteen (15) days from receipt thereof.

21 **SEC. 38. Refund of Interests.** - All sums computed in accordance
22 with the By-laws due from the cooperative to a former member shall be paid
23 in accordance with this Code and as prescribed in the Implementing Rules
24 and Regulations: *Provided*, That such refund shall not be made if upon such
25 payment, the value of the assets of the cooperative would be less than the
26 aggregate amount of its debts and liabilities exclusive of the members' share
27 capital contribution.

1 In the computation of the interest due to the former member, the
2 current balance of such member in the ledger of accounts of the cooperative
3 shall be taken into account.

4 **CHAPTER IX. ADMINISTRATION**

5 **SEC. 39. Composition of the General Assembly and**
6 **Representative Assembly.** - The General Assembly shall be the full
7 membership of the cooperative, exercising all the rights and performing all
8 the obligations as provided in this Code, and in its Articles of Cooperation
9 and By-laws.

10 For cooperatives with numerous and dispersed membership, the
11 General Assembly shall delegate the exercise of its powers to a
12 Representative Assembly, the members of which are elected by each sector,
13 chapter, or district of the cooperative: *Provided*, That in cases provided
14 under this Code for the call of a regular or special General Assembly, or the
15 approval or confirmation thereof, the Representative Assembly shall also
16 suffice, where applicable. Such delegation shall be in accordance with the
17 rules and regulations of the Authority.

18 **SEC. 40. Powers of the General Assembly.** - The General Assembly
19 shall be the highest policy-making body of the cooperative and shall exercise
20 such powers as are stated in this Code, and in the Articles of Cooperation
21 and By-laws of the cooperative. The General Assembly, through its members
22 entitled to vote, shall have the following exclusive powers which cannot be
23 delegated:

24 (a) Determine and approve amendments to the Articles of Cooperation and
25 By-laws;

26 (b) Elect, appoint, or remove, the members of the Board of Directors.
27 However, in the case of the electric cooperatives registered under the
28 Authority, the election of the members of the Board shall be in
29 accordance with its By-laws or election guidelines;

- 1 (c) Approve the annual strategic and developmental plans, and the budget
2 of the cooperative;
- 3 (d) Approve or disapprove proposals from the Board of Directors pertaining
4 to external borrowings, investments, grants, donations, and other
5 financial assistance; and
- 6 (e) Decide membership issues within the cooperative.

7 Subject to such other provisions of this Code and only for purposes of
8 prompt and intelligent decision-making, the General Assembly may by a
9 three-fourths (3/4) vote of all its members entitled to vote, present and
10 constituting a quorum, delegate some of its powers to the Board of Directors.
11 These powers shall be enumerated under the By-laws of the cooperative.

12 **SEC. 41. Meetings. –**

- 13 (a) The General Assembly shall conduct a regular annual meeting on a
14 date fixed in the By-laws, which shall be within ninety (90) days or one
15 hundred eighty (180) days after the close of each calendar year, for
16 primary or secondary cooperatives, respectively: *Provided*, That notice
17 of regular meetings shall be sent in writing, by posting or publication,
18 or through other electronic means to all members of record.
- 19 (b) Whenever necessary, a special meeting of the General Assembly may
20 be called at any time by a majority vote of the Board of Directors, or
21 upon petition of at least ten per centum (10%) of the total members who
22 are entitled to vote, or as provided for in the By-laws: *Provided*, That a
23 notice in writing shall be sent one (1) week prior to the meeting to all
24 members who are entitled to vote.

25 If the Board fails to call a regular or special meeting within the
26 given period, the Authority, upon petition of ten per centum (10%) of
27 members entitled to vote, or the quorum as stated in their By-laws, and
28 for good cause shown, shall issue an order to the petitioners directing
29 them to call a meeting of the General Assembly by giving proper notice
30 as required in this Code or in the By-laws;

1 (c) In the case of a newly registered cooperative, a special General
2 Assembly meeting shall be called within sixty (60) days from such
3 approval of its registration, for the following purposes:

4 (1) Presentation of approved Articles of Cooperation and By-laws;

5 (2) Approval of the annual strategic and development plans, and
6 budget; and

7 (3) Other matters, as may be determined by the cooperative.

8 (d) The Authority shall compel the cooperative to call a General or
9 Representative Assembly for the purpose of reporting to the members
10 the result of any examination or other investigation of the cooperative
11 affairs; and

12 (e) Notice of any meeting may be waived, expressly or impliedly, by any
13 member.

14 **SEC. 42. Mode of Conducting Regular or Special Assembly**
15 **Meetings.** - Regular and special assembly meetings may be conducted in
16 any of the following manner:

17 (a) Duly assembled in one venue, wherein the meetings are held on the
18 same day; or

19 (b) Simultaneously, wherein the meetings are held on the same day but in
20 different venues.

21 As a general rule, assembly meetings shall be conducted in a manner
22 provided in the By-laws of the cooperative. However, due to technological
23 advancement, public health and safety measures, increased level of
24 participation of members and other equally important considerations in
25 favor of the viability and growth of cooperatives, cooperatives are allowed to
26 conduct their assembly meetings through videoconferencing or a
27 combination of physical attendance and videoconferencing, except for
28 electric cooperatives: *Provided*, That cooperatives who opt to conduct

1 General Assembly meetings through videoconferencing or a combination of
2 physical attendance and videoconferencing as an alternative mode shall
3 amend their By-laws adopting the same: *Provided, further,* That cooperatives
4 shall adopt policies and procedures sufficiently addressing administrative,
5 technical, and logistical concerns for an effective and efficient
6 videoconference meeting.

7 **SEC. 43. Quorum.** - Unless a higher requirement is provided in the
8 By-laws of the cooperative, a quorum shall consist of at least twenty-five per
9 centum (25%) of all the members entitled to vote: *Provided,* That electric
10 cooperatives shall follow the minimum quorum requirement as may be
11 prescribed by the National Electrification Administration (NEA): *Provided,*
12 *further,* That the quorum for Representative Assembly shall in no case be
13 lower than twenty-five per centum (25%) of the total membership entitled to
14 vote.

15 In the case of federations and unions, the quorum requirement shall
16 be fifty per centum (50%) of the total number of members entitled to vote.

17 **SEC. 44. Voting System.** - Each member of a primary cooperative
18 shall have only one (1) vote regardless of the share capital of such member.
19 In the case of federations, they may opt to adopt in their By-laws incentive
20 voting or share voting.

21 In the case of incentive voting, the member-cooperatives shall have
22 one (1) basic vote and up to five (5) incentive votes, as provided in the By-
23 laws. In case of share voting, the voting rights of the member-cooperatives
24 shall be proportionate to the number of their paid-up shares, subject to the
25 limitation imposed under Section 84 of this Code: *Provided,* That at least
26 one-third (1/3) of the seats in the Board shall be reserved for small
27 shareholders. The votes cast by the delegates shall be deemed as votes cast
28 by the members thereof.

29 The foregoing notwithstanding, the By-laws of a cooperative, other
30 than a primary cooperative, may provide for voting by proxy. Voting by proxy

1 means allowing a delegate of a cooperative to represent or vote on behalf of
2 another delegate of the same cooperative.

3 **SEC. 45. Composition and Term of the Board of Directors.** - The
4 Board of Directors shall be composed of not less than five (5) nor more than
5 fifteen (15) members elected by the General Assembly for a term of two (2)
6 years, but not to exceed three (3) consecutive terms. The Board shall hold
7 office until their successors are duly elected and qualified, or until duly
8 removed for cause.

9 For federations, a member-cooperative shall have only one
10 representative eligible to run and be voted upon as a member of the Board,
11 irrespective of the member-cooperative's share capital holdings.

12 **SEC. 46. Powers of the Board of Directors.** - The Board of Directors
13 shall be responsible for the annual strategic planning, direction-setting and
14 policy-formulation activities of the cooperatives.

15 **SEC. 47. Directors.** -

16 (a) Any member of a cooperative who has the right to vote and be voted
17 upon, and who possesses all the qualifications and none of the
18 disqualifications provided in this Code or in its By-laws shall be
19 eligible for election as director, subject to the limitation imposed by
20 the second paragraph of Section 45 of this Code.

21 (b) The cooperative may, by resolution of its Board of Directors, admit
22 as an *ex officio* director or committee member one appointed by any
23 financing institution from which the cooperative received financial
24 assistance, solely to provide technical knowledge not available within
25 its membership. Such director or committee member need not be a
26 member of the cooperative and shall have no powers, rights, nor
27 responsibilities except to provide technical assistance as required by
28 the cooperative.

1 (c) The members of the Board of Directors shall not hold any other
2 position directly involved in the day to day operation and
3 management of the cooperative.

4 (d) Any member engaged in a business similar to that of the cooperative
5 or who, in any way, has a conflict of interest with it, is disqualified
6 from being elected as a director.

7 **SEC. 48. Meeting of the Board and Quorum Requirement. –**

8 (a) In the case of primary cooperatives, regular meetings of the Board of
9 Directors shall be held at least once a month. Special meetings may be
10 held at any time: i) at the call of the Chairperson, upon prior written
11 notice given at least three (3) days prior to the date of said meeting; ii)
12 or at the call of a majority of the members of the Board, upon prior
13 written notice given at least one (1) day before said meeting: *Provided*,
14 that only two (2) special meetings may be held in one (1) month. Notices
15 may be sent through electronic means, to the official contact number
16 or email account of the officers.

17
18 (b) A majority of the members of the Board shall constitute a quorum for
19 the conduct of business.

20 (c) Each member of the Board shall only have one vote, whether it be a
21 primary or secondary cooperative, irrespective of the share capital
22 holdings of the member-cooperative.

23 (d) Directors cannot attend or vote by proxy at Board meetings.

24 (e) Cooperatives may opt to allow meetings of the Board of Directors and
25 members of the different committees of the cooperative to be conducted
26 either through physical attendance or videoconferencing, or both,
27 subject to the rules on sending of notices, quorum, and voting
28 requirements as provided for in the By-laws. In the conduct of meetings

1 through videoconferencing, cooperatives shall adopt their own policies
2 and procedures which shall be included in their By-laws.

3 **SEC. 49. Vacancy in the Board of Directors.** – In case of a vacancy,
4 other than by expiration of term or an increase in the number of Board of
5 Directors, the Board, if still constituting a quorum, may, in a special meeting
6 called for the purpose, appoint, by majority vote, any member of the
7 cooperative to fill such vacancy: *Provided*, That the director so appointed
8 shall possess all of the qualifications and none of the disqualifications as
9 prescribed under this Code and the By-laws of the cooperative. If the
10 remaining members of the Board do not constitute a quorum, the vacancy
11 shall be filled in an election conducted through a special General Assembly
12 called for the purpose, held within thirty (30) days from the time the vacancy
13 occurs, or during the regular General Assembly, whichever comes first. The
14 director so appointed or elected shall serve only for the unexpired term of
15 the predecessor in office.

16 If the General Assembly fails to fill the vacancy, as directed in the
17 preceding paragraph, or in case of the vacancy of the entire Board of
18 Directors, the Authority shall compel the cooperative, through the Election
19 Committee, to call for a special General Assembly for the purpose of electing
20 a new Board of Directors. In the absence of the Election Committee, the
21 General Assembly may appoint an Ad Hoc Committee that shall be
22 responsible to call for such special General Assembly.

23 **SEC. 50. Officers of the Cooperative.** - The officers of the
24 cooperative shall include the members of the Board of Directors, members
25 of the different committees, General Manager or Chief Executive Officer,
26 Secretary, Treasurer, and other officers as may be provided for in the By-
27 laws. As such, they shall exercise their duties and responsibilities within
28 the scope of their defined functions.

29 The Board of Directors shall elect from among themselves the
30 Chairperson and Vice-Chairperson, and elect or appoint other officers of the
31 cooperative from outside of the Board, in accordance with their By-laws.

1 The Board of Directors is prohibited from appointing any person
2 within the fourth civil degree of consanguinity or affinity of the members of
3 the Board of Directors. Neither shall the appointive officers be related to each
4 other up to the fourth civil degree of consanguinity or affinity. Further, no
5 officer shall engage in a business similar to that of the cooperative nor in
6 any other manner have interests in conflict with the cooperative.

7 **SEC. 51. Committees of Cooperatives. -**

8 (a) The By-laws may create an executive committee, the members of which
9 shall be appointed by the Board of Directors with such powers and
10 duties as may be delegated to it in the By-laws or by a majority vote of
11 all the members of the Board of Directors.

12 (b) The By-laws shall provide for the creation of other committees, such as
13 conciliation-mediation, ethics, gender and development, education,
14 and other committees as may be necessary for the conduct of the affairs
15 of the cooperative. The members of the audit and election committee
16 shall be elected by the General Assembly, while the members of the
17 other remaining committees shall be appointed by the Board.

18 Unless otherwise provided in the By-laws, the Board, in case of a
19 vacancy in the committees, may appoint or call an election to fill the
20 vacancy, as the case may be: *Provided*, that the person so appointed or
21 elected shall serve only for the unexpired portion of the term.

22 **SEC. 52. Functions, Responsibilities and Training Requirements**
23 **of Directors, Officers and Committee Members. -** The functions and
24 responsibilities of directors, officers, and committee members, as well as
25 their training requirements, shall be prescribed in the By-laws of the
26 cooperative, in accordance with the rules and regulations issued by the
27 Authority.

28 **SEC. 53. Liability of Directors, Officers and Committee Members.**
29 - Directors, officers, and committee members shall be jointly and severally

1 liable for all damages or losses to the cooperative, its members, or other
2 persons in case of the following:

- 3 (a) Willfully and knowingly voting for or assenting to patently unlawful
4 acts;
- 5 (b) Gross negligence or bad faith in directing the affairs of the cooperative;
6 or
- 7 (c) Acquiring any personal or pecuniary interest in conflict with their duty.

8 When directors, officers, or committee members attempt to or have
9 acquired, in violation of their duties, any interest or equity adverse to the
10 cooperative in respect to any matter which has been reposed in them in
11 confidence, they shall, as a trustee for the cooperative, be liable for damages
12 and shall be accountable for double the profits which otherwise would have
13 accrued to the cooperative.

14 **SEC. 54. Compensation and Other Emoluments. –**

15 (a) In the absence of any provision in the By-laws fixing their
16 compensation, the directors shall not receive any compensation except
17 for reasonable *per diems*: *Provided*, That no additional compensation
18 other than *per diems* shall be paid during the first year of existence of
19 any cooperative; *Provided, further*, That only the General Assembly shall
20 approve any additional compensation or the increase thereof.

21 (b) The compensation of officers or committee members may be fixed in the
22 By-laws.

23 (c) Directors and officers shall not be entitled to any *per diem* if the
24 cooperative reported a net loss in the preceding calendar year or a had
25 a dividend rate less than the official rate for the same year.

26 (d) Unless already fixed in the By-laws, the compensation of all other
27 employees shall be determined by the Board of Directors in accordance
28 with the Regional Tripartite and Wage Productivity Board.

1 **SEC. 55. Dealings of Directors, Officers, or Committee Members.**

2 - A contract entered into by the cooperative with one (1) or more of its
3 directors, or their spouses and relatives within the first civil degree of
4 consanguinity or affinity, is voidable, at the option of the cooperative, unless
5 the following conditions are present:

6 (a) The presence of such director in the Board meeting wherein contract
7 was approved was not necessary to constitute a quorum for such
8 meeting;

9 (b) The vote of such director was not necessary for the approval of the
10 contract; and

11 (c) The contract is fair, reasonable, and beneficial to the cooperative under
12 the circumstances.

13 In the case of contracts executed between the cooperative and its other
14 officers or committee members, or their spouses or relatives within the first
15 civil degree of consanguinity or affinity, such contracts are voidable, at the
16 option of the cooperative, unless previously authorized by the General
17 Assembly or by the Board of Directors, and the contract is fair, reasonable,
18 and beneficial to the cooperative under the circumstances.

19 The Board of Directors shall report any such contract to the General
20 Assembly during its regular meeting for ratification.

21 Where any of the first two conditions set forth in the preceding
22 paragraph is absent, in the case of a contract with a director, such contract
23 may be ratified by a three-fourths (3/4) vote of all the members entitled to
24 vote, present and constituting a quorum in a meeting called for the purpose:
25 *Provided*, That full disclosure of the adverse interest of the directors involved
26 is made at such meeting, and that the contract is fair and reasonable under
27 the circumstances.

28 **SEC. 56. Disloyalty of a Director and Other Officers of the**
29 **Cooperative.** - A director or other officer of the cooperative who, by virtue of

1 such office, directly or indirectly acquires for themselves an opportunity
2 which should belong to the cooperative, shall be liable for damages and must
3 account for double the profits that otherwise would have accrued to the
4 cooperative by refunding the same. This provision shall be applicable,
5 notwithstanding the fact that the director or other officers of the cooperative
6 used their own funds to acquire such opportunity.

7 **SEC. 57. *Illegal Use of Confidential Information.*** –

8 (a) A director, officer, or any person who, in conspiracy or connivance
9 therewith, makes use of confidential information to the benefit or
10 advantage of such person, which, if generally known, may adversely
11 affect the operation and viability of the cooperative, shall be held liable
12 for the direct losses and for the unrealized benefit suffered by the
13 cooperative, as a result of the transaction.

14 (b) The cooperative shall take the necessary steps to enforce the liabilities
15 described in paragraph (a) herein.

16 **SEC. 58. *Removal From Office.*** – No officer may be removed except
17 for cause, as provided in the internal policies of the cooperative, after due
18 notice and hearing. Loss of trust and confidence in the performance of duties
19 shall be a valid ground for removal.

20 All complaints for the removal of any elected officer shall be filed with
21 the Board of Directors, except as otherwise provided herein. Upon finding
22 *prima facie* evidence of guilt, the Board shall inform the officer concerned
23 and present its recommendation for removal in a regular or special General
24 Assembly called for the purpose, wherein such officer shall be given a final
25 opportunity to present his case. The regular or special General Assembly,
26 by a three-fourths ($\frac{3}{4}$) votes of the members entitled to vote present and
27 constituting a quorum, shall approve or disapprove the removal of the
28 officer.

1 In cases involving directors, the complaint shall be filed with the
2 Ethics and Grievance committee, which shall follow the procedure set in the
3 preceding paragraph.

4 In cases involving the removal of any appointive officer, a complaint
5 shall be filed with the Ethics and Grievance committee of the cooperative,
6 which shall submit its recommendation to the Board of Directors for proper
7 action. The decision of the Board of Directors may be appealed to the General
8 Assembly.

9 During the investigation, the Board of Directors or the Ethics and
10 Grievance committee may, as the case may be, upon majority vote, place
11 such officer under preventive suspension, as prescribed in the By-laws.

12 The decision of the General Assembly may be appealed to the
13 Authority.

14 **CHAPTER X. RESPONSIBILITIES, RIGHTS AND PRIVILEGES OF**
15 **COOPERATIVES**

16 **SEC. 59. Address.** - Every cooperative shall have an official postal
17 address where the principal office is located and an electronic mail address
18 to which all communications, reports, notices, and summons may be served,
19 and where all other documents required shall be submitted. The Articles of
20 Cooperation and the By-laws shall be amended accordingly should there be
21 a change in the official postal and electronic mail addresses of the
22 cooperative.

23 For this purpose, an electronic mail registry shall be created in
24 accordance with the guidelines to be promulgated by the Authority.

25 **SEC. 60. Books to be Kept Open.** -

26 (a) Every cooperative shall have the following documents ready and
27 accessible to its members and representatives of the Authority for

1 inspection, examination, and investigation during reasonable office
2 hours at its registered principal office:

- 3 (1) A copy of this Code and all other laws pertaining to cooperatives;
- 4 (2) A copy of the Implementing Rules and Regulations of this Code;
- 5 (3) A copy of the Articles of Cooperation and By-laws of the cooperative;
- 6 (4) A registry of members;
- 7 (5) The books of the minutes of the meetings of the General Assembly,
8 Board of Directors and committees;
- 9 (6) A share and transfer book, except for unions;
- 10 (7) Financial statements and other financial records; and
- 11 (8) Such other documents as may be prescribed by the Authority, laws,
12 and the By-laws.

13 (b) The accountant or the bookkeeper of the cooperative shall be
14 responsible for the maintenance and safekeeping of the books and
15 records of accounts of the cooperative in accordance with generally
16 accepted accounting practices. The accountant or bookkeeper shall
17 also be responsible for the production of the same at the time of audit,
18 inspection, examination, or investigation.

19 The Audit committee shall be responsible for the continuous and
20 periodic review of the books and records of accounts to ensure that
21 such records are in accordance with generally accepted accounting
22 practices. It shall also be responsible for the production of the same at
23 the time of audit or inspection.

24 (c) Each cooperative shall maintain records of accounts such that the true
25 and correct condition and the results of the operation of the cooperative
26 may be ascertained therefrom at any time. The financial statements,
27 audited according to generally accepted auditing standards, principles

1 and practices, shall be published annually and shall be kept posted in
2 conspicuous places in the principal office of the cooperative, its
3 branches, and satellite offices.

4 (d) Subject to the pertinent provisions of the National Internal Revenue
5 Code, as amended, and other laws, a cooperative may dispose, by
6 burning or any method of complete destruction, any document, record
7 or book pertaining to its financial and non-financial operations which
8 are already more than five (5) years old except those relating to
9 transactions which are the subject of civil, criminal, and administrative
10 proceedings. An inventory of the audited documents, records and books
11 to be disposed of shall be drawn up and certified to by the Cooperative
12 Secretary and the Chairman of the audit committee and presented to
13 the Board of Directors, which may thereupon approve the disposition
14 of said records.

15 **SEC. 61. Annual Reports.** - Every cooperative shall prepare an
16 annual progress report with the necessary attachments as may be
17 prescribed by the Authority at the end of every calendar year. The reports
18 shall be made accessible to its members, and copies thereof shall be
19 available upon request of members on record during reasonable office hours.
20 These reports shall be filed with the Authority within one hundred twenty
21 (120) days from the end of the calendar year. The form and contents of the
22 reports shall be as prescribed by the rules of the Authority. Failure to file
23 the required reports on time shall subject the accountable officer to fines
24 and penalties as may be prescribed by the Authority. Failure to file the
25 required reports despite notice shall be a ground for the suspension or
26 cancellation of the Certificate of Registration of the cooperative, subject to
27 the guidelines to be issued by the Authority.

28 If a cooperative fails to make and file the reports required herein, or
29 fails to include therein any matter required by the Code, the Authority shall,
30 within thirty (30) days from the expiration of the prescribed period, send
31 such cooperative a notice stating its non-compliance and the commensurate

1 fines and penalties that will be imposed until such time that the cooperative
2 has complied with the requirements.

3 **SEC. 62. Registry of Members as Prima Facie Evidence.** - A
4 registry of members kept by the cooperative shall be *prima facie* evidence of
5 the following particulars:

6 (a) The date on which the name of any person was entered in such registry
7 or list of members; and

8 (b) The date on which any such person ceased to be a member.

9 However, other information may be required in accordance with the
10 guidelines that shall be prescribed by the Authority.

11 **SEC. 63. Probative Value of Certified Copies of Entries.** - A copy
12 of any entry in any book, registry, or list regularly kept in the course of
13 business of the cooperative shall, if duly certified in accordance with the
14 rules of evidence, be admissible as evidence of the existence of entry and
15 *prima facie* evidence of the matters and transactions therein recorded.

16 No cooperative or person in possession of the books of such
17 cooperative shall, in any legal proceedings to which the cooperative is not a
18 party, be compelled to produce any of the books of the cooperative, unless
19 by order of the Authority in the exercise of its adjudicatory powers or a
20 competent court.

21 **SEC. 64. Bond of Accountable Officers.** - All officers and employees
22 handling funds, securities, or property on behalf of the cooperative shall be
23 covered by a surety bond to be issued by a duly registered insurance or
24 bonding company, the adequacy of which shall be determined by the Board
25 of Directors, for the faithful performance of their respective duties and
26 obligations. The cooperative may likewise secure other insurance policies for
27 its protection against losses of monies, securities, and other properties.

1 Within thirty (30) days upon approval of the registration of a
2 cooperative, the bonds of the accountable officers shall be submitted to the
3 Authority. The bond for the cooperative's Treasurer shall be ten per centum
4 (10%) of the sum of the initial paid-up capital and membership fees. The
5 bonds for all accountable officers shall be renewed annually and adjusted
6 accordingly.

7 **SEC. 65. Preference of Claims. –**

8 (a) Notwithstanding the provisions of existing laws, rules and regulations
9 to the contrary, any debt due to the cooperative from the member shall
10 constitute a first lien upon any raw materials, production, inputs, and
11 products produced; or any land, building, facilities, equipment, goods
12 or services acquired and held, by such member through the proceeds
13 of the loan or credit granted by the cooperative to such member for as
14 long as the same is not fully paid.

15 (b) No property or interest on property which is subject to a lien under
16 paragraph (a) herein shall be sold nor conveyed to third parties without
17 the prior permission of the cooperative. The lien upon the property or
18 interest shall continue to exist even after the sale or conveyance thereof
19 until such lien has been duly extinguished.

20 (c) Notwithstanding the provisions of any law to the contrary, any sale or
21 conveyance made in contravention of the preceding paragraph shall be
22 void.

23 **SEC. 66. Instrument for Salary or Wage Deduction. –**

24 (a) A member of a cooperative shall, notwithstanding the provisions of
25 existing laws to the contrary, execute an instrument in favor of the
26 cooperative authorizing the employer to deduct from the salary or
27 wages, commutation of leave credits, and any other monetary benefits
28 payable by the employer, and remit such amount as maybe specified in

1 satisfaction of a debt, share capital contribution, or other demand due
2 from the member to the cooperative.

3 (b) Upon the execution of such instrument and as may be required by the
4 cooperative contained in a written request, the employer shall make the
5 deduction in accordance with the agreement and remit forthwith to the
6 cooperative the amount so deducted within ten (10) days after the end
7 of the payroll month. The employer shall make the deduction for as long
8 as such debt or other demand remains unpaid by the employee.

9 (c) The term “employer” as used in this Section shall include all private
10 firms, national government agencies, including government-owned and
11 controlled corporations, government instrumentalities with corporate
12 powers, government corporate entities, or government financial
13 institutions, and local government units that employ a member of a
14 cooperative and have agreed to carry out the terms of the instrument
15 mentioned in this Section.

16 (d) The provisions of this Section shall apply to all similar agreements
17 referred to in paragraph (a) herein and were enforced prior to the
18 approval of this Code.

19 (e) Notwithstanding the provisions of existing laws to the contrary, the
20 responsibilities of the employer as stated in paragraphs (a) and (b)
21 herein shall be mandatory and without the need for any prior
22 conditions, accreditation or other similar processes to facilitate or
23 implement the deductions: *Provided*, That in the case of a private
24 employer, the actual and reasonable cost for deducting and remitting
25 may be collected.

26 (f) The member may withdraw such consent at any time and for any
27 reason, which shall also be put in writing. Any person who acts
28 contrary to this provision shall be held liable under this Code and other
29 laws, as the case may be.

1 **SEC. 67. Primary Lien.** – Notwithstanding the provision of any law
2 to the contrary, a cooperative shall have primary lien upon the capital,
3 deposits, or interests of a member for any debt due to the cooperative from
4 such member.

5 **SEC. 68. Tax Treatment of Cooperatives.** – Duly registered
6 cooperatives under this Code which do not transact any business with non-
7 members or the general public shall not be subject to any taxes, fees, and
8 charges imposed under the internal revenue laws and other tax laws.
9 Cooperatives not falling under this Section shall be governed by the
10 succeeding provisions.

11 **SEC. 69. Tax and Other Exemptions.** - Duly registered cooperatives
12 transacting business with both members and non-members shall not be
13 subject to tax on their transactions with members. Further, the transactions
14 of members with the cooperative shall not be subject to any taxes, fees, and
15 charges, including but not limited to final taxes on members' share capital
16 and deposits and corresponding documentary stamp taxes.

17 Notwithstanding the provisions of any law or regulation to the
18 contrary, cooperatives dealing with non-members shall be subject to the
19 following:

20 (a) Duly registered agricultural cooperatives whose Reserve Funds have an
21 existing balance of One hundred million pesos (P100,000,000.00) and
22 below, and non-agricultural cooperatives whose Reserve Funds have an
23 existing balance of Fifty million pesos (P50,000,000.00) and below shall
24 be exempt from all national internal revenue taxes, fees, and charges of
25 whatever name and nature;

26 Such cooperatives shall be exempt from customs duties, advance sales
27 or compensating taxes on their importation of machineries, equipment,
28 batteries, accessories, and spare parts used in the operations of the
29 cooperatives and which are not available locally as certified by the DTI.
30 All tax- and duty-free imports shall not be sold nor the beneficial

1 ownership thereof be transferred to any person until after five (5) years,
2 otherwise, the cooperative and the transferee or assignee shall be
3 solidarily liable to pay twice the amount of the imposed tax or duties;

4 (b) Duly registered agricultural cooperatives whose Reserve Funds have an
5 existing balance of more than One hundred million pesos
6 (P100,000,000.00), and non-agricultural cooperatives whose Reserve
7 Funds have an existing balance of more than Fifty million pesos
8 (P50,000,000.00) shall pay the following taxes at the full rate:

9 (1) Income Tax on income derived from transactions with non-members:

10 *Provided*, That the same tax is not consequently imposed on interest
11 individually received by members. The tax base for all cooperatives
12 liable to pay income tax shall be the income directly related from the
13 business transactions with non-members after deducting the
14 amounts for the statutory funds;

15 (2) Value-Added Tax (VAT) on transactions with non-members: *Provided*,
16 *however*, That duly registered cooperatives shall be exempt from the
17 imposition of VAT, on the following:

18 (i) Sales by Agricultural cooperatives duly registered with the
19 Authority to their members as well as sale of their produce,
20 whether in its original state or processed form, to non-members;
21 their importation of direct farm inputs, machineries and
22 equipment, including spare parts thereof, to be used directly and
23 exclusively in the production and/or processing of their produce,
24 and their resale to other Agricultural cooperatives;

25 (ii) Gross receipts from lending activities by credit or multi-purpose
26 cooperatives duly registered with the Authority; and

27 (iii) Sales by non-agricultural, non-electric and non-credit
28 cooperatives duly registered with the Authority: *Provided*, That the
29 share capital contribution of all members does not exceed Fifteen

1 thousand pesos (P15,000) each and regardless of the aggregate
2 capital and net surplus ratably distributed among the members:

3 *Provided*, That the exempt transactions in the foregoing shall
4 include sales made by cooperatives duly registered with the
5 Authority organized and operated by their members to undertake
6 the production and processing of raw materials or of goods
7 produced by their members into finished or process products for
8 sale by the cooperatives to their members and non-members:

9 *Provided, however*, That any processed product or its derivative
10 arising from the raw materials produced by their members, sold in
11 the name and for the account of the cooperative shall be deemed
12 a product of the cooperative and its members: *Provided, further*,
13 That at least twenty-five per centum (25%) of the net income of the
14 cooperatives is returned to the members in the form of interest
15 and/or patronage refunds: *Provided, finally*, That VAT shall not be
16 imposed for the purchase of modernized vehicles under the Public
17 Utility Vehicle Modernization Program;

18 (3) All sales of goods and/or services rendered for non-members shall
19 be subject to the applicable percentage taxes except sales made by
20 commodities or service cooperatives; and

21 (4) All other taxes unless otherwise provided herein.

22 Donations to duly accredited charitable, research and
23 educational institutions and reinvestment to socioeconomic projects
24 within the area of operation of the cooperative may be tax deductible.

25 (c) All duly registered cooperatives shall be exempt from payment of local
26 taxes, fees and charges whether barangay, municipal, city, or provincial
27 taxes and taxes on transactions with banks and insurance companies.
28 The Authority shall furnish the Municipal, City, or Provincial Assessor's
29 Office a certified list of duly registered cooperatives as basis of their
30 removal from the Assessment Rolls;

- 1 (d) In areas where there are no available notaries public, the judge,
2 exercising his/her ex-officio capacity as notary public, shall render
3 service, free of charge, to any person or group of persons requiring the
4 administration of oath or the acknowledgment of Articles of Cooperation
5 and instruments of loan from cooperatives not exceeding Five Hundred
6 Thousand Pesos (P500,000.00).
- 7 (e) Any register of deeds shall accept for registration, free of charge, any
8 instrument relative to a loan made under this Code which does not
9 exceed Two Hundred and Fifty Thousand Pesos (₱250,000.00) or the
10 deeds of title of any property acquired by the cooperative or any paper
11 or document drawn in connection with any action brought by the
12 cooperative or with any court judgment rendered in its favor or any
13 instrument relative to a bond of any accountable officer of a cooperative
14 for the faithful performance of his/her duties and obligations.
- 15 f. Cooperatives shall be exempt from the payment of all court and sheriff's
16 fees payable to the Philippine Government for and in connection with
17 all actions brought under this Code, or where such action is brought
18 by the Authority before the court, to enforce the payment of obligations
19 contracted in favor of the cooperative.
- 20 g. All cooperatives shall be exempt from putting up a bond for bringing an
21 appeal against the decision of an inferior court or for seeking to set
22 aside any third party claim: *Provided*, That a certification of the
23 Authority showing that the net assets of the cooperative are in excess
24 of the amount of the bond required by the court in similar cases shall
25 be accepted by the court as a sufficient bond.
- 26 h. Any security issued by cooperatives shall be exempt from the
27 provisions of the Securities Act provided such security shall not be
28 speculative.

1 Any public official or employee who violates or in any manner
2 circumvents this provision shall be dealt with in accordance with the penal
3 provisions of this Code.

4 **SEC. 70. Issuance of Certificate of Tax Exemption for**
5 **Cooperatives.** - The Authority shall furnish the Bureau of Internal Revenue
6 (BIR) a certified endorsement of a list of cooperatives in good standing and
7 compliant with the reportorial requirements of the Authority that serves as
8 basis for the issuance of a Certificate of Tax Exemption. The BIR shall
9 formulate the necessary guidelines in streamlining the issuance of
10 Certificate of Tax Exemption for cooperatives.

11 **SEC. 71. Privileges of Cooperatives.** - Cooperatives registered under
12 this Code, notwithstanding the provisions of any law to the contrary, shall
13 also be accorded the following privileges:

14 a. Cooperatives shall enjoy the privilege of depositing their sealed cash
15 boxes or containers, documents or any valuable papers in the safes of
16 the municipal, city, or provincial treasurers, and other government
17 offices free of charge, and the custodian of such articles shall issue a
18 receipt acknowledging the articles received, duly witnessed by another
19 person;

20 (b) Cooperatives organized among government employees,
21 notwithstanding any law or regulation to the contrary, shall enjoy the
22 free use of any available space in their agency, whether owned or rented
23 by the Government;

24 (c) Cooperatives rendering special types of services and facilities such as
25 cold storage, ice plant, electricity, transportation, water,
26 communications, and similar services and facilities shall be given
27 preference in the grant of a franchise or certificate therefor: *Provided,*
28 That such cooperatives shall open their membership to all persons
29 qualified in their areas of operation. In case there are two (2) or more
30 applicants for the same public service franchise or certificate of public

1 convenience and necessity, all things being equal, preference shall be
2 given to a cooperative engaged in public services;

3 (d) In areas where there are agricultural cooperatives, at least fifty per
4 centum (50%) of the supply to government institutions, agencies, and
5 LGUs, of rice, corn, grains, fish and other marine products, meat, eggs,
6 milk, vegetables, and other agricultural commodities such as fertilizers,
7 seeds and other agricultural inputs and implements, and related
8 products, shall be sourced from such cooperatives;

9 (e) Preferential and equitable treatment in the allocation or control of
10 bottomries of commercial shipping vessels in connection with the
11 shipment of goods and products of cooperatives;

12 (f) Cooperatives and their federations engaged in the production and/or
13 the marketing of products from agriculture, fisheries and small
14 entrepreneurial industries, shall have exclusive preferential rights in
15 the management of public markets, and lease of public market
16 facilities, stalls or spaces, slaughterhouses, and storage facilities:
17 *Provided*, That no cooperative forming a joint venture, partnership or
18 any other similar arrangement with a non-cooperative entity can utilize
19 these rights;

20 (g) Cooperatives engaged in credit services shall be entitled to loans, credit
21 lines, rediscounting of their loan notes, and other eligible papers with
22 the Development Bank of the Philippines (DBP), the Land Bank of the
23 Philippines (LBP), and other financial institutions except the *Bangko*
24 *Sentral ng Pilipinas* (BSP);

25 The Philippine Deposit Insurance Corporation (PDIC) and other
26 government agencies, government-owned and controlled corporations,
27 and government financial institutions shall provide technical
28 assistance to federations engaged in savings and credit operations to
29 establish and strengthen their own cooperative deposit insurance
30 systems;

- 1 (h) Public transport service cooperatives shall be entitled to financing
2 support from Government Financial Institutions for the acquisition and
3 maintenance of land, sea, and air transport equipment, facilities, and
4 parts, and shall be preferred in securing a franchise for active or
5 potential routes for public transport. They shall have preferential rights
6 to the management and operation of public terminals and ports
7 whether land, sea, or air, and wharves, where the cooperative operates,
8 as well as in the operation of arrastre and stevedoring services therein.
- 9 (i) Cooperatives shall be given preference in the procurement of
10 government projects subject to the existing procurement laws, rules
11 and regulations.
- 12 (j) Cooperatives shall enjoy the privilege of being represented by the
13 provincial or city fiscal, or the Office of the Solicitor General, free of
14 charge, except when the adverse party is the Republic of the
15 Philippines;
- 16 (k) Cooperatives organized by faculty members and employees of
17 educational institutions shall have the preferential right to manage the
18 school canteen and other services related to the operation of the
19 educational institution where they are employed: *Provided*, That such
20 services are operated within the premises of the said educational
21 institution;
- 22 (l) The relevant regulatory agencies, and LGUs shall not discriminate
23 against duly registered cooperatives seeking accreditation as service
24 providers, or seeking to engage in a particular business: *Provided*, That
25 they possess all other qualifications under the law. Any person who
26 acts contrary to this provision may be held liable under this Code and
27 all other relevant laws and issuances;
- 28
29 (m) Cooperatives shall be entitled to financing support from the relevant
30 government agencies that shall allocate funds for the establishment of

1 projects and programs for the development and promotion of
2 cooperatives; *and*

3
4 (n) The relevant government agencies and government financial
5 institutions shall create a special window for financing, in the form of
6 blanket or long-term wholesale loans without need for individual
7 processing, to qualified cooperatives engaged in housing projects. Such
8 shall offer interest rates and terms equal to, or better than those given
9 for socialized housing projects.

10 The Authority, in consultation with appropriate government agencies
11 and the cooperative sector, shall issue rules and regulations on all matters
12 concerning housing cooperatives and socialized housing projects.
13 Furthermore, the sector shall be consulted in matters of policy and
14 implementation that will affect the rules and regulations on cooperatives.

15 **CHAPTER XI. INSOLVENCY, SUSPENSION, DISSOLUTION,**
16 **LIQUIDATION, AND DELISTING OF COOPERATIVES**

17 **SEC. 72. *Proceeding Upon Insolvency.*** - In case a cooperative is
18 unable to fulfill its obligations to creditors due to insolvency, such
19 cooperative may apply for such remedies as it may deem fit under the
20 provisions of R.A. No. 10142, otherwise known as the Financial
21 Rehabilitation and Insolvency Act.

22 Nothing in this Article, however, precludes creditors from seeking
23 protection from said insolvency law.

24 **SEC. 73. *Effect of Declaration of Insolvency by a Competent***
25 ***Court.*** - Should the cooperative be declared insolvent by the court, its
26 Certificate of Registration shall be cancelled, and it shall be delisted from
27 the registry of cooperatives of the Authority.

1 **SEC. 74. Suspension of Certificate of Registration.** - A penalty of
2 suspension, after due process, shall be imposed on a cooperative on any of
3 the following grounds:

4 a. Willful failure to submit annual progress reports with the necessary
5 attachments within the period mandated by this Code: *Provided*, That
6 in case of newly-registered cooperatives, this provision shall only apply
7 three (3) years after they have registered;

8 b. Willful failure or refusal to comply with an interlocutory order, a final
9 and executory decision, or award from the CDA Board of Directors, or
10 from any of its Regional Offices or adjudication officers, or by a
11 voluntary arbitrator in relation to an investigation, voluntary
12 arbitration, or adjudication.

13 **SEC. 75. Voluntary Dissolution Where no Creditors are Affected.**

14 - If the dissolution of a cooperative does not prejudice the rights of any
15 creditor having a claim against it, the dissolution may be effected by a
16 majority vote of the Board of Directors, and by a resolution duly adopted by
17 the affirmative vote of at least three-fourths (3/4) of all the members entitled
18 to vote, present and constituting a quorum in a special General Assembly
19 called by the directors for such purpose: *Provided*, That the notice of time,
20 place, and object of the meeting shall be posted for three (3) consecutive
21 weeks in the principal office of said cooperative, in a public place in the
22 municipality, city, or province where the cooperative operates, and in its
23 official website and social media accounts.

24 The notice of such meeting shall be sent to each member of record
25 either by personal delivery, registered mail, or through electronic means at
26 least thirty (30) days prior to said meeting. A copy of the resolution
27 authorizing the dissolution shall be certified to by a majority of the Board of
28 Directors and countersigned by the Cooperative Secretary.

29 Upon compliance with all the requisites for voluntary dissolution, the
30 Authority shall issue the Certificate of Dissolution.

1 **SEC. 76. Voluntary Dissolution Where Creditors Are Affected. -**

2 In case creditors of the cooperative are affected, the petition for dissolution,
3 signed by a majority of its Board of Directors or the Chief Executive Officer
4 or General Manager, as the case may be, and verified by the Chairperson of
5 the Board or the Cooperative Secretary, shall be filed with the Authority. The
6 petition shall state that the dissolution was affirmed by a vote of at least
7 three-fourths (3/4) of all the members entitled to vote, present and
8 constituting a quorum in a special General Assembly called for the purpose,
9 and shall set forth all the claims and demands against the cooperative.

10 If the petition is sufficient in form and substance, the Authority shall
11 issue an order reciting the purpose of the petition and shall fix a period for
12 the filing of any oppositions thereto, which shall not be less than thirty (30)
13 nor more than sixty (60) days after the entry of the order. Before such period,
14 a copy of the order shall be published at least once in a newspaper of general
15 circulation published in the municipality or city where the principal office
16 of the cooperative is situated or in the absence of such local newspaper, in
17 a newspaper of general circulation in the Philippines at the expense of the
18 cooperative, and a copy shall likewise be posted for three (3) consecutive
19 weeks in three (3) public places in the municipality or city where the
20 cooperative's office is located: *Provided*, That the publication requirement
21 shall not apply to micro and small cooperatives.

22 Upon the expiry of such period, the Authority shall proceed to hear
23 the petition and try any issue raised in the opposition filed. If there is no
24 opposition or such is insufficient, and the material allegations in the petition
25 are proven, the Authority shall issue a Certification of Dissolution and direct
26 the disposition of assets of the cooperative in accordance with existing rules
27 and regulations. The Certificate of Dissolution shall set forth:

- 28 a. The assets and liabilities of the cooperative;
- 29 b. The claim of any creditor;
- 30 c. The number of members;

- 1 d. The nature and extent of the interests of the members of the
- 2 cooperative; and
- 3 e. The appointment of the liquidators.

4 The Authority shall issue a Certificate of Cancellation of Registration
5 upon approval of the final report of the liquidators.

6 **SEC. 77. Cancellation by Order of the Authority.** - The Authority
7 may cancel, after due notice and hearing, the cooperative's Certificate of
8 Registration on any of the following grounds:

- 9 a. Having obtained its registration by fraud;
- 10 b. Engaging in an illegal or unauthorized purpose;
- 11 c. Willful violation, despite written notice by the Authority, of the
- 12 provisions of this Code or its Implementing Rules and Regulations,
- 13 other issuances of the Authority consistent with this Code, or By-laws
- 14 of the cooperative;
- 15 d. Willful refusal to comply with an order issued or given by the Authority;
- 16 e. Willful failure to operate on a cooperative basis; and
- 17 f. Failure to meet the required minimum capital and minimum number
- 18 of members in the cooperative.

19 The decision of the Authority on the cancellation of the Certificate of
20 Registration of a cooperative may be appealed to the Authority's Board of
21 Directors within thirty (30) days from the receipt of thereof. The decision of
22 the Authority's Board of Directors shall be final and executory.

23 **SEC. 78. Cancellation by Failure to Operate.** - If a cooperative has
24 not commenced operations within three (3) years after the issuance of its
25 Certificate of Registration, or has not carried on its business for three (3)
26 consecutive years, the Authority shall send a show cause order for the
27 cooperative to explain its failure to operate. Failure to provide justifiable

1 cause shall authorize the Authority, after due notice, to cancel the Certificate
2 of Registration and delist it from the registry.

3 **SEC. 79. Liquidation of a Cooperative.** - Every cooperative whose
4 term of existence expires by its own limitation, or whose existence is
5 terminated by voluntary dissolution or cancellation of its Certificate of
6 Registration by the Authority shall cease to operate. However, it can
7 continue to exist for three (3) years for winding up its affairs, prosecuting
8 and defending suits by or against it, and the disposition, conveyance and
9 distribution of its properties and assets.

10 The cooperative is authorized to convey all of its interests in the
11 properties to trustees for the benefit of its members, creditors, and other
12 persons in interest, after which, all interests which the cooperative had in
13 the properties are terminated.

14 Upon the winding up of the cooperative affairs, any asset distributable
15 to any creditor, shareholder, or member who is unknown or cannot be found
16 shall be given to the federation or union to which the cooperative is affiliated
17 with.

18 A cooperative shall only distribute its assets or properties upon lawful
19 dissolution, and after payment of all its debts and liabilities, except in the
20 case of decrease of share capital of the cooperative, and as otherwise allowed
21 by this Code.

22 **SEC. 80. Delisting of Cooperatives.** - Cooperatives may be delisted
23 from the Registry of Cooperatives due to the following causes:

- 24 a. Voluntary Dissolution;
- 25 b. Involuntary Dissolution;
- 26 c. Cancellation by Order of the Authority;
- 27 d. Cancellation by Failure to Operate; and

1 e. Merger or Consolidation.

2 **SEC. 81. Rules and Regulations on the Insolvency, Suspension,**
3 **Dissolution, Liquidation, and De-listing Cooperatives.** – The guidelines
4 on the implementation of this Chapter shall be included in the Implementing
5 Rules and Regulations of this Code.

6 **CHAPTER XII. CAPITAL, PROPERTY, AND FUNDS**

7 **SEC. 82. Capital and Funds.** – The capitalization of cooperatives and
8 federations, or funds in the case of unions, shall be governed by this Code
9 and its Implementing Rules and Regulations.

10 **SEC. 83. Capital Sources.** - Cooperatives registered under this Code
11 may derive their capital from any or all of the following sources:

12 a. Member's share capital;

13 b. Loans and borrowings;

14 c. Deposits from members;

15 d. Revolving capital which consists of the deferred payment of patronage
16 refunds, or interest on share capital;

17 e. Joint venture partners;

18 f. Subsidies, donations, legacies, grants, aids and such other assistance
19 or investment from any local or foreign institution whether public or
20 private: *Provided*, That capital coming from such subsidies, donations,
21 legacies, grants, aids, investments, and other assistance shall not be
22 divided into individual share capital holdings at any time, but instead
23 shall form part of the donated capital or fund of the cooperative. Upon
24 dissolution or cancellation of the cooperative, such donated capital
25 shall be subject to escheat; and

1 g. Reserve funds utilized for investment and as capital for the operations
2 of the cooperative as approved by the Board of Directors or General
3 Assembly.

4 **SEC. 84. *Limitation on Share Capital Subscription*** - No member
5 of primary cooperative other than the cooperative itself shall own or hold
6 more than twenty per centum (20%) of the subscribed share capital of the
7 cooperative.

8 Where a member of a cooperative dies, his heir shall be entitled to the
9 shares of the decedent: *Provided*, That the total share holding of the heir
10 does not exceed twenty per centum (20%) of the share capital of the
11 cooperative: *Provided, further*, That the heir qualifies and is admitted as a
12 member of the cooperative: *Provided, finally*, That where the heir fails to
13 qualify as a member or where his total share holding exceeds twenty per
14 centum (20%) of the share capital, the shares in excess will revert to the
15 cooperative upon payment to the heir of the value of such shares.

16 For federations, the share capital holdings of any one member-
17 cooperative shall not exceed forty per centum (40%) of the subscribed share
18 capital of the federation.

19 **SEC. 85. *Assignment of Share Capital Contribution or Interest.*** -
20 Subject to the provisions of this Code and the approval of the majority of the
21 Board of Directors, no member shall transfer his/her shares or interest in
22 the cooperative or any part thereof unless:

23 a. The member has held such share capital contribution or interest for
24 more than one (1) year;

25 b. The assignment is made to the cooperative or to a member of the
26 cooperative or to a person who falls within the field of the membership
27 of the cooperative; and

28 c. The Board of Directors has approved such assignment.

1 **SEC. 86. Capital Build-Up.** - The By-laws of every cooperative, except
2 for cooperative unions, shall prescribe a reasonable and realistic member
3 capital or deposits build-up program to allow the continuing growth of the
4 contribution of the members to the cooperative as their economic conditions
5 continue to improve. Upon approval of the membership, the member shall
6 execute a subscription agreement on his equitable contribution to the
7 cooperative. Upon full payment thereof, the member may apply for an
8 additional share capital subscription, and execute a new subscription
9 agreement.

10 **SEC. 87. Shares.** - The term “share” refers to a unit of capital in a
11 cooperative, except for cooperative unions, the par value of which may be
12 fixed at any figure not less than One hundred pesos (P100.00) but not more
13 than One thousand pesos (P1,000.00). The share capital of the cooperative
14 is the money paid or required to be paid by the members for the operations
15 of the cooperative.

16 Unless otherwise provided for in its policies, the cooperative shall
17 issue Share Certificates at the end of the calendar year based on the number
18 of shares fully paid for the said period.

19 Cooperatives are prohibited from issuing multiple types of shares with
20 different par values, and from increasing or decreasing the par value of the
21 share capital without amending their Articles of Cooperation and By-laws.

22 A share can either be a common share issued to a regular member, or
23 a preferred share issued to associate members.

24 **SEC. 88. Fines.** – The policies of a cooperative may prescribe a fine
25 on unpaid subscribed share capital. *Provided*, That such fine is fair and
26 reasonable.

27 **SEC. 89. Investment of Capital.** – A cooperative, upon approval as
28 provided in its By-laws, may invest its capital in any of the following:

29 a. Any reputable bank;

- 1 b. Securities issued or guaranteed by the Government;
- 2 c. Real estate primarily for the use of the cooperative or its members; or
- 3 d. Any other manner authorized in the By-laws.

4 **SEC. 90. *Revolving Capital.*** - The General Assembly may authorize
5 the Board of Directors to raise a revolving capital from the proceeds of
6 products sold or services rendered, or per unit of product or services
7 handled, to strengthen its capital structure.

8 **CHAPTER XIII. AUDIT, INQUIRY, AND MEMBERS' RIGHT TO EXAMINE**

9 **SEC. 91. *Audit of Cooperatives.*** - Cooperatives registered under this
10 Code shall be subject to an annual audit of its financial and social
11 performance in accordance with the Implementing Rules and Regulations to
12 be promulgated by the Authority. The financial audit shall be conducted by
13 an external auditor who shall independent from the cooperative or any of its
14 subsidiaries, and must be a member in good standing of the Philippine
15 Institute of Certified Public Accountants (PICPA), and is accredited by both
16 the Board of Accountancy and the Authority.

17 The social performance audit may be conducted by the audit
18 committee, by the internal auditor of the cooperative, or by an independent
19 auditor engaged by the cooperative.

20 **SEC. 92. *Audit Report.*** - The complete audit reports shall be
21 submitted to the Board of Directors, which shall be presented to the General
22 Assembly for approval. The Board of Directors shall be liable under Section
23 179 of this Code should it fail to present such reports to the General
24 Assembly.

25 **SEC. 93. *Non-Liability for Defamations.*** - The auditor shall not be
26 held liable in any action for defamation for acts done or for any statement
27 made by him/her in good faith in connection with the conduct of audit of
28 the cooperative.

1 **SEC. 94. Right to Examine.** - All members shall have the right to
2 examine the records of the cooperative under Section 60 of this Code at any
3 time during reasonable hours of the operating days of the cooperative:
4 *Provided*, That the member submits a letter request three (3) days prior to
5 the date of his demand to examine the records and stating therein the
6 purpose of the request.

7 The Board of Directors shall consider the purpose and reason for the
8 request to examine the records to determine its propriety. The Board of
9 Directors shall have the right to refuse the request after proper consultation
10 with the requesting member, upon the following grounds:

- 11 a. The member has improperly used any information secured through
12 any prior examination of the records of such cooperative or of any
13 other cooperative; or
14 b. The member is not acting in good faith or for a legitimate purpose in
15 making the demand to examine records.

16 If the request to examine is denied based on the aforementioned
17 grounds, the member shall have the burden of proving to the Board that
18 such request is made in good faith and for a legitimate purpose. If the denial
19 is made in bad faith, the directors who voted for such refusal shall be
20 penalized under Section 177 of this Code.

21 **SEC. 95. Safety of Records.** - Every cooperative shall, at its principal
22 office, keep and carefully preserve the records required by this Code to be
23 prepared and maintained. The By-laws shall also provide the condition and
24 the accountable persons for the safekeeping of the records in accordance
25 with applicable laws on data privacy. The cooperative shall take all
26 necessary precautions to prevent its loss, destruction, or falsification.

27 **CHAPTER XIV. ALLOCATION AND DISTRIBUTION OF NET SURPLUS**

28 **SEC. 96. Net Surplus.** - Notwithstanding the provisions of existing
29 laws, the net surplus of cooperatives shall be determined in accordance with

1 its By-laws. Every cooperative shall determine its net surplus at the close of
2 every calendar year.

3 Any provision of law to the contrary notwithstanding, the net surplus
4 shall not be construed as profit but as an excess of payments made by the
5 members for the loans borrowed, or the goods and services availed by them
6 from the cooperative or the difference of the rightful amount due to the
7 members for their products sold or services rendered to the cooperative
8 including other inflows of assets resulting from its other operating activities
9 and which shall be deemed to have been returned to them if the same is
10 distributed as prescribed herein.

11 **SEC. 97. Net Surplus Allocation and Statutory Funds.** - The net
12 surplus shall be subject to the allocation of the following statutory funds,
13 which shall be recorded in the books of account, for the cooperative's growth
14 and development:

15 a. The reserve fund which shall be at least ten per centum (10%) of the net
16 surplus for the stability of the cooperative and to cover net losses in its
17 operations, including losses incurred during a pandemic, state of
18 emergency, and other such *force majeure*, as may be approved or
19 confirmed by the General Assembly, as the case may be.

20 The fund shall be recorded in the books of account of the cooperative,
21 and earmarked as such, and can be made available for investment to
22 enhance the growth and development of the cooperative; *Provided*, That
23 the utilization of the reserve fund for investment shall be at the option
24 of the General Assembly; *Provided, further*, that the liquidity of the
25 cooperative shall be taken into account when utilizing a portion of the
26 reserve fund for investment. However, for cooperatives in their first five
27 (5) years of operation, the amount allocated shall not be less than thirty
28 per centum (30%) of the net surplus.

29 The general assembly may decrease the amount allocated to the reserve
30 fund when the reserve fund already exceeds the share capital.

1 Upon the dissolution of the cooperative, the reserve fund shall be
2 distributed in accordance with the rules and regulations on liquidation
3 to be issued by the Authority.

4 b. The Cooperative Education and Training Fund (CETF), which shall not
5 exceed ten per centum (10%) of the net surplus, shall be used for the
6 training, development and similar other cooperative activities geared
7 towards the growth of the cooperative movement:

8 (1) Half of the CETF shall be used to provide for the education and
9 training of its officers, members, and employees; while the other half
10 shall be remitted to a federation and/or union that the cooperative
11 opted to join, which must redound to the benefit and development of
12 the member-cooperatives, such as, but not limited to trainings,
13 seminars, and other related activities.

14 Should a cooperative have multiple affiliations, it shall have the
15 discretion on how to allocate the CETF.

16 (2) Upon the dissolution of the cooperative, the unexpended balance of
17 the CETF shall be utilized within the succeeding calendar year
18 following its allocation.

19 c. The Community Development Fund (CDF), which shall not be less than
20 three per centum (3%) of the net surplus, shall be used for projects or
21 activities that will benefit the community where the cooperative
22 operates. However, the cooperative may extend assistance to
23 marginalized communities or affected areas outside its area of
24 operation in times of calamities, disaster, or national emergency, at the
25 discretion of the General Assembly.

26 In the case of cooperatives whose common bond of membership is
27 institutional, the community refers to the institution where the
28 cooperative is operating.

1 The allocation for the CDF for the current year shall be fully utilized in
2 the following year unless the projects or activities as approved by a
3 majority of the members entitled to vote, present and constituting a
4 quorum in a General Assembly meeting, require multi-year utilization.
5 For multi-year projects or programs, the allocation shall be fully utilized
6 within the period as stated in the plan.

- 7 d. The optional fund, which shall not exceed seven per centum (7%) of the
8 net surplus, shall be used for the acquisition of land and construction
9 of building, and any other expenses anent to it, *Provided*, it is approved
10 by at least three-fourths ($\frac{3}{4}$) of all members entitled to vote, present
11 and constituting a quorum, which shall be in accordance with the
12 Implementing Rules and Regulations to be promulgated by the
13 Authority.

14 This fund may also be used for the benefit of its members and
15 employees under exceptional circumstances such as the occurrence of
16 a pandemic, crisis, or *force majeure*. However, if the optional fund is
17 insufficient, the cooperative may charge any deficiency to direct
18 expenses.

- 19 e. The remaining net surplus shall be made available in full to the
20 members in the form of interest on share capital following the formula
21 for computation as provided by the Authority: *Provided*, That this is
22 approved by a majority of the members entitled to vote, present and
23 constituting a quorum.

- 24 f. The sum allocated for patronage refunds shall be made available at the
25 same rate to all patrons of the cooperative in proportion to their
26 individual patronage: *Provided*, That:

- 27 (1) In the case of a member patron with paid-up share capital
28 contribution, his/her proportionate amount of patronage refund
29 shall be paid to him/her unless he agrees to credit the amount to
30 his/her account as additional share capital contribution;

1 (2) In the case of a member patron with unpaid share capital
2 contribution, his/her proportionate amount of patronage refund
3 shall be credited to his/her account until his/her account until
4 his/her share capital contribution has been fully paid;

5 (3) In the case of a non-member patron, his/her proportionate amount
6 of patronage refund shall be set aside in a fund created for the
7 purpose and shall be allocated to individual non-member patrons
8 only upon request and presentation of evidence of the amount of
9 his/her patronage. The amount so allocated shall be credited to such
10 patrons toward payment of the minimum capital contribution for
11 membership. When a sum equal to this amount has accumulated at
12 any time within two (2) years from the start of his/her patronage,
13 such patron shall be deemed and become a member of the
14 cooperative if he so agrees or requests and complies with the
15 provisions of the By-laws for admission to membership; and

16 (4) Any non-member patron who has accumulated the sum necessary
17 for membership but who does not request nor agree to become a
18 member or fails to comply with the provisions of the By-laws for
19 admission to membership, the amount so accumulated or credited
20 to their account together with any part of the general fund for non-
21 member patrons shall be credited to any of the statutory funds as
22 approved by a majority of the members entitled to vote, present and
23 constituting a quorum.

24 **CHAPTER XV. AGRICULTURAL COOPERATIVES**

25 **SEC. 98. *Definition and Coverage.*** - This Chapter shall apply to all
26 agricultural cooperatives, as defined in this Code: *Provided*, That the
27 provisions of the other chapters of this Code shall apply suppletorily except
28 insofar as this Chapter otherwise provides.

1 **SEC. 99. Cooperative Business Activities and Allied Services.** - A
2 duly registered agriculture cooperative may engage in all or any of the
3 following activities:

- 4 a. Raising and/or culture of plants, high-value crops, animals, fish,
5 poultry, livestock, other agri-products as source of food, feed, and fiber,
6 and other agri-fishery or non-food commodities;
- 7 b. Production of salt;
- 8 c. Community and social forestry;
- 9 d. Provision of credit facilities for marginal farmers and fishermen;
- 10 e. Facilitating the procurement and distribution of farm
11 inputs/implements for its members;
- 12 f. Processing, marketing, and sale of members' agri-products and/or
13 produce;
- 14 g. Maintenance and management of irrigation systems, water
15 impounding, and other agricultural facilities; and
- 16 h. Other allied services such as but not limited to warehousing, cold
17 storage, and other post-harvest services, hauling, and transport of
18 members' products/produce and such other similar business services
19 and activities that will reduce cost and/or value addition of output.

20 **SEC. 100. Pre-Cooperative Agricultural Organization.** – Prior to
21 registration with the Authority, a group of natural persons intending to form
22 an agriculture cooperative may voluntarily form a Pre-Cooperative
23 Agricultural Organization (PCAO) that shall have its own juridical
24 personality to undertake activities that shall determine the viability of the
25 creation of a cooperative under this Code. Prior to registration, the PCAO
26 must be registered as such with the Cooperative Development Officers
27 (CDOs).

1 The Department of Agriculture (DA) and the Authority, in coordination
2 with the CDOs, shall assist PCAOs so that they can formally organize as
3 cooperatives under this Code; *Provided*, that should the PCAO decide to
4 formally organize into a cooperative, it must comply with the provisions of
5 Articles 8 and 14 of this Code. Further, Section 18 shall apply to all contracts
6 executed by pre-cooperative organizations prior to registration under this
7 Code.

8 The DA and the Authority shall jointly issue guidelines on the
9 mechanisms for PCAOs.

10 **SEC. 101. *Registration of Agricultural Cooperatives.*** -
11 Agricultural cooperatives shall file their application for registration with the
12 regional office of the Authority that has jurisdiction over its area of
13 operation. The requirements and procedure for registration of agricultural
14 cooperatives shall be in accordance with the rules and regulations to be
15 promulgated by the Authority.

16 No fees shall be assessed or charged to any agricultural cooperative
17 by any government entity, national or local, at any stage of its organization
18 and registration process.

19 **SEC. 102. *Capital Requirements of Agricultural Cooperatives.*** -
20 The authorized share capital of an agriculture cooperative shall be stated in
21 its Articles of Cooperation and that prior to its registration, at least twenty
22 five per centum (25%) of the authorized share capital shall be subscribed to
23 by the members and at least twenty five (25%) of the subscribed share
24 capital shall be paid-up: *Provided*, That the paid-up capitalization
25 requirement for primary cooperatives shall not be less than Fifteen
26 Thousand Pesos (P15,000.00).

27 **SEC. 103. *Bond of Membership.*** - The bond of membership of
28 agricultural cooperatives shall be any of the following:

- 1 a. Residential – members are farmers, farm workers, fisherfolk who are
2 actually and physically residing within the area of operation;
- 3 b. Occupational – members are those who are engage in raising, culture
4 of plants, animals, as well as those from the technical and scientific
5 communities of the agriculture sector;
- 6 c. Associational – members are from registered associations, groups,
7 clubs, cultural and other similar aggrupation of farmers, farm workers,
8 and fisherfolk; and
- 9 d. Institutional - members consist of employees, workers and/or officers
10 of a particular institution who will undertake or are undertaking
11 agricultural projects.

12 **SEC. 104. *Clustering and Consolidation.*** – In order to pool their
13 resources for increased viability and market competitiveness, the DA, DAR,
14 DTI, and CDA shall jointly establish a program that will promote, encourage
15 agricultural cooperatives and facilitate their cooperation into clusters that
16 will encompass the whole agricultural value chain, including but not limited
17 to land consolidation, postharvest processing, distribution, logistics,
18 marketing, and promotions.

19 Within sixty (60) days from the effectivity of this Code, The DA, DAR,
20 DTI and CDA, in consultation with the sector, shall jointly issue the
21 guidelines for the implementation of the foregoing program, and shall
22 provide the necessary assistance at every step of the clustering and
23 consolidation process, including the formulation of cluster development
24 plans.

25 **SEC. 105. *Partnership and Joint Venture with Private Entities.*** –
26 Duly registered private entities may enter into a partnership or joint venture
27 with agricultural cooperatives in order to provide the latter with investments
28 and technical support, such as, but not limited to technological, logistics,
29 and facilities support, among others. Such partnership or joint venture shall

1 be registered with the necessary regulatory authorities, including the CDA,
2 and enjoy the relevant exemptions and privileges under this Code.

3 This notwithstanding, the equity or contribution of such private entity
4 shall not exceed forty per centum (40%) of the partnership or joint venture.

5 **SEC. 106. Commitment of Financial Portfolio.** – Federations and
6 shall reserve not less than fifteen per centum (15%) of their financial
7 portfolio for the extension of loans, credit, savings facilities, and others, to
8 agricultural cooperatives; *Provided*, that any federation that shall willfully
9 misrepresent facts or circumstances in order to circumvent compliance with
10 this provision shall be held liable under this Code and all other applicable
11 laws, rules, and regulations. Cooperative banks shall comply with the
12 thresholds set by the BSP.

13 Credit and Credit and Savings cooperatives shall reserve not less than
14 ten per centum (10%) of their portfolio for the extension of loans, credit,
15 saving facilities, and others to cooperative members in relation to
16 agricultural purposes.

17 **SEC. 107. Role of National Coordinating Committee on**
18 **Cooperatives Development.** - The Authority shall mobilize the National
19 Coordinating Committee on Cooperative Development (NCC-CD) for the
20 promotion of the growth, viability, and development of Agricultural
21 cooperatives.

22 **SEC. 108. Role of LGUs.** - The Local Government Units shall:

23 a. Ensure the appointment of Cooperative Development Officers, in
24 compliance with Republic Act No. 11535;

25 b. Create a Committee on Agricultural cooperatives Development in the
26 Local Government Legislative Council which shall focus on addressing
27 legislative concerns on Agricultural cooperatives;

- 1 c. Legislate necessary ordinances for the promotion and development of
2 agricultural cooperatives;
- 3 d. Disseminate information to people and facilitate the establishment and
4 development of the management and operations of agricultural
5 cooperatives in their respective localities;
- 6 e. Expedite the issuance of the necessary permits for the implementation
7 of programs and projects of the Authority and other national
8 government agencies for the benefit of agricultural cooperatives;
- 9 f. Upon written request of the Authority, assist in the resolution of inter-
10 cooperative disputes among agricultural cooperatives operating within
11 their localities;
- 12 g. Facilitate and conduct seminars, trainings, and/or conferences
13 necessary for the organization, registration, management and
14 operations of agricultural cooperatives, in coordination with federations
15 and unions; and
- 16 h. Provide technical assistance and skills training for farmers, farm
17 workers, and fisherfolk to engage in income-generating activities.

18 **SEC. 109. Role of Cooperative Development Councils and**
19 **National Government Agencies.** - The Authority shall, in collaboration
20 with the LGUs through the Regional, Provincial, City, and Municipal
21 Cooperative Development Councils and the Cooperative Development
22 Officers, facilitate programs and policies affecting agricultural cooperatives
23 in accordance with a Joint Memorandum Circular to be promulgated by the
24 Authority and the LGU.

25 Agricultural cooperatives shall be entitled to financing support from
26 the relevant government agencies that shall allocate funds for the
27 establishment of projects and programs for the development and promotion
28 of agricultural cooperatives.

1 **SEC. 110. Benefits and Privileges of Agricultural cooperatives. -**

2 An agriculture cooperative shall enjoy the following benefits and privileges:

3 a. Taxes, Duties, and Liens:

4 (1) All benefits, privileges, and tax treatments of cooperatives as defined
5 and enumerated under Chapter X of this Code shall apply to
6 agricultural cooperatives;

7 (2) Agricultural cooperatives shall be exempt from customs duties,
8 advance sales or compensating taxes on their importation and local
9 purchase of machineries, equipment, accessories, batteries, and
10 spare parts used by them: *Provided*, That all tax- and duty-free
11 imports and local purchases shall not be sold nor the beneficial
12 ownership thereof be transferred to any person until after five (5)
13 years, otherwise, the cooperative and the transferee or assignee shall
14 be solidarily liable to pay twice the amount of the imposed tax and/or
15 duties; and

16 (3) All real properties owned, and those directly used for the operations,
17 management, and maintenance of agricultural cooperatives shall be
18 exempt from the payment of real property taxes imposed under
19 existing laws.

20 b. Trainings and Conferences - All trainings and conferences necessary for
21 the organization, registration, management and operations of an
22 agriculture cooperative, rendered by the appropriate government
23 agency, shall be given free of charge, including costs of venue, training
24 materials, speakers and resource persons. The CDOs shall be primarily
25 responsible for these trainings and conferences within their respective
26 localities;

27 c. Consolidation - Agricultural cooperatives may consolidate agricultural
28 lands owned by its members within in a contiguous area for purposes
29 of agricultural development; and

1 d. Direct Purchase by National and Local Government Agencies – To
2 promote and support agricultural cooperatives, national and local
3 government agencies shall directly purchase agricultural products from
4 accredited agricultural cooperatives; *Provided*, that said products are
5 necessary in the performance of their respective mandates.

6 For the purposes of this Code, the procurement by national and local
7 government agencies of said agricultural products shall be exempt from
8 the application of the bidding process prescribed under relevant
9 government procurement laws; *Provided*, that said agencies shall
10 undergo a negotiated procurement under the applicable guidelines of
11 the Government Procurement Policy Board.

12 e. Loans and Grants:

13 (1) All loans applied for by agricultural cooperatives in any government-
14 owned or -controlled banks or government financial institutions shall
15 enjoy preferential treatment as to the requirements, rates, securities,
16 and collaterals; and

17 (2) The DA shall coordinate with the BSP to lower the requirements for
18 all loans applied for and granted to agricultural cooperatives.

19 **SEC. 111. *Merger and Consolidation of Agricultural***
20 ***Cooperatives.*** - Notwithstanding the provisions of this Code, the merger
21 and consolidation of agricultural cooperatives shall be in accordance with
22 the Implementing Rules and Regulations to be promulgated by the
23 Authority.

24 **SEC. 112. *Inter-Cooperative Arrangements of Agricultural***
25 ***Cooperatives.*** - Agricultural cooperatives shall be allowed to enter into
26 inter-cooperative arrangements with and among other cooperatives and
27 other entities to pursue value and supply chain solutions and other
28 agribusiness development programs, subject to the guidelines to be
29 promulgated by the Authority.

1 **SEC. 113. Local Development Hubs.** - Local Development Hub (LDH)
2 refers to a farming zone or transport infrastructure, which is generally far
3 from formal markets, and serves a minimum of one hundred (100) farmers,
4 linking them to buyers, who may be, among others, traders, processors, and
5 export companies. The DA and CDA shall jointly establish LDHs in order to
6 strengthen the market linkages between farmers and buyers, fostering
7 agricultural development and economic growth at the local level. Further,
8 they shall jointly issue the guidelines for the operations and maintenance
9 thereof.

10 **SEC. 114. Annual Trade Fair and Awards.** - The DA, in
11 coordination with the CDA, shall establish and hold the Annual Agricultural
12 cooperatives Trade Fair and Awards to showcase the exemplary business
13 achievement, latest innovations, and other emerging trends in the sector.

14 **CHAPTER XVI. AGRARIAN REFORM COOPERATIVES**

15 **SEC. 115. Coverage.** - The provisions of this Chapter shall primarily
16 govern agrarian reform cooperatives, including Agrarian Reform
17 Beneficiaries (ARBs) Cooperative as defined in Department of Agrarian
18 Reform (DAR) Administrative Order No. 05, Series of 2009: *Provided*, That
19 the provisions of the other chapters of this Code shall apply suppletorily
20 except insofar as this Chapter otherwise provides.

21 **SEC. 116. Purpose.** - An agrarian reform cooperative as defined shall
22 be organized for any of the following purposes:

- 23 a. To develop an appropriate system of land tenure, land development,
24 land consolidation or land management in areas covered by agrarian
25 reform;
- 26 b. To coordinate and facilitate the dissemination of scientific methods of
27 production, and provide assistance in the storage, transport, and
28 marketing of farm products for agrarian reform beneficiaries and their
29 immediate family;

- 1 c. To provide financial facilities to ARBs for provident or productive
2 purposes at reasonable costs;
- 3 d. To arrange and facilitate the expeditious transfer of appropriate and
4 suitable technology to ARBs and marginal farmers at the lowest
5 possible cost;
- 6 e. To provide social security benefits, health, medical and social insurance
7 benefits, and other social and economic benefits that promote the
8 general welfare of the ARBs and marginal farmers;
- 9 f. To provide non-formal education, vocational and technical training,
10 and livelihood programs to ARBs and marginal farmers;
- 11 g. To act as conduits for external assistance and services to the ARBs and
12 marginal farmers;
- 13 h. To undertake a comprehensive and integrated development program in
14 agrarian reform and resettlement areas with special concern for the
15 development of agro-based, marine-based, and cottage-based
16 industries;
- 17 i. To represent the ARBs on any or all matters that affect their interest;
18 and
- 19 j. To undertake such other economic or social activities as may be
20 necessary or incidental in the pursuit of the foregoing purposes.

21 **SEC. 117. Cooperative Estate.** – Landholdings acquired by the State,
22 like plantations, estates, or haciendas for the benefit of the workers in
23 accordance with the Comprehensive Agrarian Reform Program shall be
24 collectively owned by the worker-beneficiaries under a cooperative set-up.

25 **SEC. 118. Infrastructure.** - In agrarian reform and resettlement
26 areas, the Government shall grant to agrarian reform cooperatives
27 preferential treatment in the construction, maintenance and management
28 of roads, bridges, canals, wharves, ports, reservoirs, irrigation systems,

1 waterworks systems, and other infrastructures with government funding.
2 For this purpose, the Government shall provide technical assistance,
3 facilities, and equipment to such agrarian reform cooperatives.

4 **SEC. 119. *Lease of Public Lands.*** - The Government may lease
5 public lands to any agrarian reform cooperative for a period not exceeding
6 twenty-five (25) years, subject to renewal for another twenty-five (25) years
7 only: *Provided*, That the application for renewal shall be made one (1) year
8 before the expiration of the lease: *Provided, further*, That such lease shall be
9 for the exclusive use and benefit of the ARBs and the marginal farmers
10 subject to the provisions of the Comprehensive Agrarian Reform Program,
11 as amended.

12 **SEC. 120. *Preferential Right.*** - In agrarian reform areas, an
13 agrarian reform cooperative shall have the preferential right in the grant of
14 franchise and certificate of public convenience and necessity for the
15 operation of public utilities and services: *Provided*, That it meets the
16 requirements and conditions imposed by the appropriate government
17 agency granting the franchise or certificate of public convenience and
18 necessity. In cases where there is an electric service provider in the area, it
19 shall, upon the request of an agrarian reform cooperative, immediately
20 provide electric services to the agrarian reform areas. If the electric service
21 provider fails to provide the services requested within a period of one (1)
22 year, the agrarian reform cooperative concerned may undertake to provide
23 the electric services in the area through its own resources. All investments
24 made by the said agrarian reform cooperative for the electrification of the
25 agrarian reform resettlement areas shall be the subject of sale to the electric
26 service provider once it takes on the service.

27 **SEC. 121. *Special Privileges.*** - Subject to such reasonable terms
28 and conditions as the DAR and the Authority may impose, agrarian reform
29 cooperatives may be given the exclusive right to do any of the following
30 economic activities in agrarian reform and resettlement areas;

- 1 a. Supply and distribution of consumer, agricultural, aquacultural, and
2 industrial goods, production inputs, and raw materials and supplies,
3 machinery, equipment, facilities, and other services and requirements
4 of the ARBs and marginal farmers at reasonable prices;
- 5 b. Marketing of the products and services of the ARBs in local and foreign
6 markets;
- 7 c. Processing of the products of the members into finished consumer or
8 industrial goods for domestic consumption or for export;
- 9 d. Provision of essential public services at cost, such as power, irrigation,
10 potable water, passenger or cargo transportation by land or sea,
11 communication services, and public health and medical care services;
- 12 e. Management, conservation, and commercial development of marine,
13 forestry, mineral, water, and other natural resources subject to
14 compliance with the laws and regulations on environmental and
15 ecological controls; and
- 16 f. Provision of financial, technological, and other services and facilities
17 required by the ARBs in their daily lives and livelihood.

18 The foregoing notwithstanding, an agrarian reform cooperative cannot,
19 on its own, by policy or any other means, disqualify a member as an ARB,
20 whether directly or constructively.

21 The Government shall provide the necessary financial and technical
22 assistance to agrarian reform cooperatives to enable them to effectively
23 discharge their purposes under this Chapter. The DAR, the Authority and
24 the BSP shall draw up a joint program for the organization and financing of
25 agrarian reform cooperatives. The joint program shall be geared towards the
26 gradual assumption of full ownership and management control by ARBs of
27 the agrarian reform cooperatives.

1 Membership in a cooperative bank is either regular or associate.
2 Regular membership shall be limited to cooperative organizations,
3 individuals who are members of a domestic cooperative, or a foreign
4 cooperative. Associate members shall be pre-cooperative organizations
5 established under Presidential Decree No. 175, as well as individuals and
6 other institutions, such as foreign cooperative institutions that have
7 subscribed to preferred shares only.

8 The common shareholdings of a local cooperative shall at all times be
9 at least sixty per centum (60%) of the total outstanding voting shares of the
10 cooperative bank.

11 Common shares held by individuals who are members of a cooperative,
12 and foreign cooperatives shall not be more than forty per centum (40%) of
13 the total outstanding voting shares: *Provided*, That the common
14 shareholdings of each individual who is a member of a cooperative shall not
15 be more than five per centum (5%) of the total outstanding voting shares.

16 Other provisions of this Code shall apply suppletorily insofar as they
17 are not inconsistent with this Chapter.

18 **SEC. 124. Powers and Functions of Cooperative Banks.** -
19 Cooperative banks shall primarily provide a wide range of financial services
20 to cooperative organizations, their members, and to the public. A cooperative
21 bank may perform any of the following banking services:

22 a. Extend loans and advances primarily for the purpose of meeting the
23 normal credit needs of cooperatives as well as farmers, farm workers,
24 fisherfolks, or their families, merchants, and private and public
25 employees: *Provided*, That loans and advances granted to cooperatives
26 shall not be subject to individual ceilings on loans to directors, officers,
27 stockholders, and related interests (DOSRI);

28 b. Accept savings and time deposits;

29 c. Act as a correspondent bank of other financial institutions;

- 1 d. Discount and Rediscount paper with the LBP, DBP or any other bank,
2 including its branches and agencies. Said banks shall specify the
3 nature of paper deemed acceptable for rediscounting, as well as the
4 rediscount rate to be charged by any of these banks;
- 5 e. Act as collection agent;
- 6 f. Act as a depository bank of LGUs and other government agencies or
7 instrumentalities;
- 8 g. Acquire readily marketable bonds and other debt securities;
- 9 h. Buy and sell foreign exchange;
- 10 i. Act as conduit bank for the disbursement of government funds
11 intended for lending to agriculture, small-medium enterprises (SMEs)
12 and projects for local economic development;
- 13 j. Eligible to participate in government program allocations for
14 agricultural lending, social housing, loans to rural micro enterprises
15 and other initiatives towards inclusive growth;
- 16 k. Offer financial technology services, such as digital lending and
17 payment, and digital wealth management, among others, subject to
18 prior approval of the BSP; and
- 19 l. Offer other banking services as provided in Section 53 of Republic Act
20 No. 8791.

21 In addition to the powers granted to cooperative banks by this Code
22 and other existing laws, any cooperative bank may perform any or all of the
23 banking services offered by other types of banks subject to the prior approval
24 of the BSP.

25 **SEC. 125. Establishment of Branches and Other Offices.** - The
26 establishment of branches, branch-lite units, or other banking offices by
27 cooperative banks shall be governed by the rules and regulations of the BSP.

1 The cooperative bank shall furnish the Authority with a copy of the
2 Certificate of Authority issued by the BSP.

3 **SEC. 126. Management of Cooperative Banks.** - The management
4 of the cooperative banks shall be governed by the rules and regulations to
5 be promulgated by the BSP, in consultation with the Authority. To maintain
6 the quality of bank management and accord appropriate protection to
7 depositors and the public in general, the BSP shall prescribe the fit and
8 proper qualifications of bank directors and officers for the purposes of this
9 Article, giving due recognition to the unique nature and character of
10 cooperative banks. The number, composition, and term of the Board of
11 Directors shall be defined in the Articles of Cooperation and By-laws of the
12 cooperative bank, in accordance with the following guidelines:

13 a. *Board and Committees.* - The cooperative bank shall constitute, at a
14 minimum, the Board of Directors, Election Committee, and Audit
15 Committee.

16 The Board of Directors shall be composed of at least five (5) but not
17 more than fifteen (15) members, at least one (1) of whom is an
18 independent director. It shall be entrusted with the management of the
19 affairs of the Cooperative Bank. It shall be responsible for the strategic
20 planning, direction-setting and policy formulation activities of the
21 cooperative bank. The members of the Board of Directors shall be
22 elected by the General Assembly or Representative Assembly.

23 The Election Committee shall be responsible for the formulation and
24 implementation of election rules and guidelines. It shall supervise the
25 conduct of election, election-related activities, canvass and certify the
26 results of the election, and decide cases relative to such election, except
27 those involving the committee itself or its members. The members of
28 the Election Committee shall be elected by the General Assembly or
29 Representative Assembly.

1 The Audit Committee is a Board-level committee whose composition,
2 functions and responsibilities shall be in accordance with the existing
3 regulations of the BSP. Other Board-level committees may be created
4 as may be directed by the BSP.

5 Other committees may be created by the Board of Directors with
6 powers, functions, and responsibilities which shall be defined in the
7 By-laws; and

- 8 b. *Key Management Officers.* - The key management officers shall be
9 appointed by the Board and shall include the President, Treasurer,
10 Internal Auditor, and Compliance Officer, or their equivalent ranks. The
11 BSP shall prescribe the qualifications and disqualifications of the key
12 management officers.

13 **SEC. 127. Vacancy in the Committees.** - In case of vacancy in the
14 committees, the Board of Directors of the cooperative bank, unless otherwise
15 provided in the By-laws, will appoint a person to fill the same, subject to the
16 provision that the person appointed shall serve only for the unexpired
17 portion of the term.

18 **SEC. 128. Compensation of Directors.** - In the absence of any
19 provision in the By-laws fixing their compensation, the directors shall not
20 receive any compensation except for reasonable *per diems*: *Provided,*
21 *however,* That the directors and officers shall not be entitled to any *per diem*
22 when, in the preceding calendar year, the cooperative bank reported a net
23 loss or had a dividend rate less than the official inflation rate for the same
24 year. Any compensation other than *per diems* may be granted to directors
25 by a majority vote of the members with voting rights at a regular or special
26 general assembly meeting specifically called for the purpose: *Provided,* That
27 no additional compensation other than *per diems* shall be paid during the
28 first year of existence of the Cooperative Bank.

1 In no case shall the total yearly compensation of directors exceed ten
2 per centum (10%) of the net income of the cooperative bank during the
3 preceding year.

4 **SEC. 129. Dealings of Directors, Officers, Stockholders, and**
5 **Related Interests (DOSRI).** - Dealings with directors and officers of the
6 Cooperative Bank shall comply with the provisions of Section 36 of RA 8791,
7 otherwise known as General Banking Law (GBL) of 2000. However, the limits
8 on loans to dealings of directors, officers, stockholders, and related interests
9 shall not apply to loans, other credit accommodations, or guarantees
10 extended by the cooperative bank to its member primary cooperatives.

11 **SEC. 130. Illegal Use of Confidential Information.** - The liability of
12 a director or officer, or an associate of a director or officer, who, for his/her
13 benefit or advantage or that of an associate, makes use of confidential
14 information that, if generally known, might reasonably be expected to
15 adversely affect the operations and viability of the cooperative bank shall
16 adhere to the provisions of Section 57 of this Code.

17 **SEC. 131. Bond for Faithful Performance of Duties and**
18 **Obligations.** - The bond for the faithful performance of duties and
19 obligations of accountable officers of the cooperative bank shall adhere to
20 the provisions of Section 64.

21 **SEC. 132. Quorum Requirement and Voting Rights of the**
22 **Cooperative Bank Board of Directors.** - In meetings of the Board of
23 Directors of the Cooperative Bank, the same provisions under Section 48 of
24 this Code shall apply.

25 **SEC. 133. Composition of the General Assembly.** - The General
26 Assembly shall be composed of regular members who are entitled to vote
27 under the Articles of Cooperation and By-laws of the cooperative bank.

1 **SEC. 134. Powers of the General Assembly.** - The General Assembly
2 shall be the highest policy-making body of the cooperative bank and shall
3 exercise the same powers as enumerated in Section 40 of this Code.

4 **SEC. 135. Meetings.** - The conduct of meetings of the General
5 Assembly of cooperative banks shall adhere to the provisions specified in
6 Section 41 of this Code.

7 **SEC. 136. Quorum and Voting System.** - The quorum requirement
8 for General Assembly meetings of cooperative banks, whether special or
9 regular, shall be one-half ($\frac{1}{2}$) plus one (1) of the number of voting shares of
10 all the members entitled to vote.

11 To amend its Articles of Cooperation and by-laws, at least three-
12 fourths ($\frac{3}{4}$) vote of all the members with voting rights, present and
13 constituting a quorum shall be required. All other voting requirements shall
14 be prescribed by the BSP.

15 The voting rights of the members shall be proportionate to the number
16 of their paid-up shares.

17 The cooperative bank may opt to amend its Articles of Cooperation
18 and By-laws through a referendum, subject to the guidelines to be issued
19 by the Authority. However, the vote requirement shall still be two-thirds ($\frac{2}{3}$)
20 vote of all the members entitled to vote.

21 **SEC. 137. Investment in Allied Undertakings.** - Subject to the
22 requirements and restrictions as may be imposed by the Monetary Board
23 under its existing rules and regulations, Cooperative Banks may invest in
24 equities of allied undertakings which may include, but are not limited to the
25 following:

- 26 a. Banks, financial institutions and non-bank financial intermediaries;
27 b. Warehousing and other post-harvest facilities;
28 c. Fertilizers, agricultural chemicals, and pesticides distribution;

- 1 d. Farm equipment distribution;
- 2 e. Trucking and transportation of agricultural products;
- 3 f. Marketing of agricultural products;
- 4 g. Leasing;
- 5 h. Automated teller machine (ATM) networks;
- 6 i. Public transportation;
- 7 j. Financial technology; and
- 8 k. Other undertakings as may be determined by the Monetary Board of
9 the BSP.

10 **SEC. 138. *Limitations on Lending Authority.*** - Except as the
11 Monetary Board may otherwise prescribe, the direct indebtedness to
12 Cooperative Banks of any person, company, corporation, or firm, including
13 the indebtedness of members of a partnership and association, for money
14 borrowed, shall in no time exceed twenty five per centum (25%) of
15 unimpaired capital and surplus of the cooperative bank. However, the direct
16 indebtedness mentioned shall exclude loans secured by obligations of the
17 BSP; loans fully guaranteed by the Government as to the payment of
18 principal and interest; loans to the extent covered by the hold-out on, or
19 assignment of, deposits maintained in the lending cooperative bank and
20 held in the Philippines; and other loans or credits as the Monetary Board
21 may, from time to time, specify non-risk assets.

22 **SEC. 139. *Capital Requirement for Cooperative Banks.*** - A
23 cooperative bank shall have a minimum paid-up capital in such amount as
24 may be required by the BSP. The BSP may prescribe rules and regulations
25 on the types of shares a cooperative bank may issue, including the terms
26 thereof and rights appurtenant thereto to determine compliance with laws
27 and regulations governing capital and equity structure of banks. *Provided,*
28 That Cooperative Banks shall issue par value shares only.

1 **SEC. 140. Samahang Nayon and Municipal Katipunan ng mga**
2 **Samahang Nayon.** - Samahang Nayon (SN) and Municipal Katipunan ng
3 mga Samahang Nayon (MКСN) which held common shares of cooperative
4 banks prior to the effectivity of RA 9520 shall apply for conversion to
5 cooperatives in order to maintain their status as regular members of
6 cooperative banks: *Provided*, That the cooperative banks shall exert efforts
7 to inform and assist the SN and MКСN to convert within a period of three (3)
8 years from the effectivity of this Code. Upon failure of the SN and MКСN to
9 finally convert to a cooperative within said period, the funds held in the
10 name of such SN and MКСN shall be considered as preferred shares and
11 shall remain as capital of the cooperative bank.

12 **SEC. 141. Additional Source of Capital of the Cooperative Banks.**
13 - The funds or common shares in cooperative banks held in the name of
14 cooperatives whose Certificates of Registration have already been cancelled
15 by the Authority and which failed to liquidate such funds or shares during
16 its liquidation shall remain as capital in said cooperative banks and shall be
17 treated as preferred shares.

18 **SEC. 142. Supervision and Regulation of Cooperative Banks.** - All
19 cooperative banks shall be under the supervision of the BSP: *Provided*,
20 *however*, that the Authority shall monitor the cooperative banks' compliance
21 with cooperative laws, rules, and regulations. With respect to the governance
22 of the cooperative banks, the provisions of the banking laws, rules, and
23 regulations shall prevail, notwithstanding Section 71 of RA 8791.

24 **SEC. 143. Promulgation of Guidelines.** – The BSP and the Authority
25 may formulate guidelines to implement or clarify the provisions of this
26 Chapter. *Provided*, That the BSP, as the regulator of banks, shall be the
27 primary regulator of cooperative banks consistent with the provisions of RA
28 8791: *Provided, further*, That in order to minimize the burden of dually-
29 regulated entities, the BSP shall, in consultation with the Authority, in its
30 promulgation of rules and regulations, to the extent allowed in banking and
31 other relevant laws, and insofar as consistent with its exercise of supervisory

1 and regulatory powers over banks, in its promulgation of rules and
2 regulations, consider the requirements of this Code and the Authority for
3 cooperatives in general.

4 **SEC. 144. Privileges of Cooperative Banks.** - Cooperative banks
5 registered under this Code shall have the following privileges and incentives:

6 a. Those privileges and incentives accorded to cooperatives under this
7 Code and other prior laws including exemption from all national,
8 provincial, city, municipal or barangay taxes, fees, and charges of
9 whatever nature and description. *Provided, however,* That when a
10 cooperative bank has reached an undivided net savings of more than
11 One Hundred Million Pesos (P100,000,000.00), transactions to non-
12 members shall be taxable.

13 b. The foreclosure of mortgages covering loans granted by cooperative
14 banks and executions of judgment thereon involving real properties
15 levied upon by sheriff shall be exempt from the publications in
16 newspapers where the total amount of loan, excluding interests due
17 and unpaid, does not exceed One Million Pesos (P1,000,000.00) or such
18 amount as the Monetary Board may prescribe as may be warranted by
19 prevailing economic conditions. It shall be deemed sufficient
20 publication in such cases where the notices of foreclosure and
21 execution of judgment are posted in the most conspicuous areas such
22 as the municipal building, the municipal public market, the cooperative
23 bank, and the barangay hall where the land mortgaged is situated
24 during the period of sixty (60) days immediately preceding the public
25 auction or execution of judgment. Proof of publication as required
26 herein shall be accomplished via an affidavit of the sheriff or officer
27 conducting the foreclosure sale or execution of judgment and shall be
28 attached with the records of the case;

29 c. A cooperative bank shall be allowed to foreclose lands mortgaged to it
30 subject to the provisions of RA 6657, as amended. For agrarian lands
31 foreclosed by a cooperative bank, the disposal of the same to another

1 qualified beneficiary under RA 6657, as amended, shall be made
2 through the same cooperative bank. Further, the amortization of the
3 beneficiary in favor of DAR shall be coursed through the servicing
4 cooperative bank: *Provided, however,* that cooperative banks shall be
5 exempt from the landholding limits as prescribed by DAR or any other
6 law requiring the same;

7 d. For cooperative banks granted by the BSP with accreditation as Rural
8 Financial Institution (RFI) under RA 10000, the following privileges
9 shall be awarded:

10 (1) Unrestricted branching rights to set-up agriculture-oriented
11 branches in unbanked municipalities and predominantly
12 agricultural communities, subject to existing regulations on
13 minimum capitalization for banks and the size of branch network;

14 (2) Automatic eligibility with Philippine Guarantee Corporation (with
15 respect to agricultural credit guarantee), Philippine Crop Insurance
16 Corporation (PCIC), and governmental agencies providing services
17 towards risk-mitigation in the agriculture sector;

18 (3) Priority status as credit delivery partner or conduit of government-
19 directed programs for agricultural through the DA and other
20 government agencies; and

21 (4) Entitlement to participate free of charge in capability-building
22 activities in agriculture lending such as, but not limited to, exchange
23 of best-practice experiences, study tour, technology transfer among
24 ASEAN member-states and other fora of international cooperation;
25 and

26 e. Notwithstanding the provisions herein, privileges and incentives
27 granted to rural banks pursuant to RA 7353, otherwise known as the
28 “Rural Act of 1992,” shall also be granted to cooperative banks duly
29 registered under this Act.

1 **SEC. 149. Definition and Coverage.** - A cooperative engaged in
2 public services refers to one organized to render public services, as
3 authorized under a franchise, certificate of public convenience, certificate of
4 public convenience and necessity, concession, or any other appropriate form
5 of authorization or permit duly issued by the appropriate government
6 agency. Such services may include but is not limited to the following:

7 a. Health services;

8 b. Power generation, transmission, and/or distribution;

9 c. Ice plants and cold storage services;

10 d. Communication services including telephone and digital
11 communications, and other value-added services;

12 e. Land, water, and air transportation services for passengers and/or
13 cargoes;

14 f. Public markets, slaughterhouses, management of land transport
15 terminals and ports, and other similar services;

16 g. Water supply and distribution system services; and

17 h. Such other types of public services as may be engaged in by any
18 cooperative.

19 Such cooperatives shall be primarily governed by this Chapter and the
20 general provisions of this Code insofar as they may be applicable unless they
21 are inconsistent herewith.

22 **SEC. 150. Registration Requirements.** - In addition to the
23 requirements provided under Section 14 of this Code, no cooperative
24 engaged in public services shall be registered unless it satisfies the following
25 requirements:

26 a. Its Articles of Cooperation and By-laws provide for the membership of
27 the users and/or producers of the service of such cooperatives; and

1 b. Such other requirements as may be imposed by the other pertinent
2 government agencies concerned.

3 **SEC. 151. Regulation of Cooperatives Engaged in Public**
4 **Services.** - The internal affairs of cooperatives engaged in public services,
5 such as: i) the rights and privileges of members; ii) the rules and procedures
6 for meetings of the General Assembly, Board of Directors and committees;
7 iii) the election and qualifications of officers, directors, and committee
8 members; iv) allocation and distribution of surpluses; and v) all other such
9 matters, shall be governed by this Code.

10 All matters relating to the franchise, certificate of public convenience,
11 certificate of public convenience and necessity, concession, or any other
12 appropriate form of authorization or permit of cooperatives engaged in
13 public services such as capitalization and investment requirements,
14 equipment and facilities, frequencies, rate-fixing and such other matters
15 affecting their public service operations shall be governed by the proper
16 government agency concerned.

17 The Authority together with other concerned government agencies
18 shall jointly issue rules and regulations necessary to implement this
19 Chapter.

20 **CHAPTER XX. TRANSPORT SERVICE COOPERATIVES**

21 **SEC. 152. Definition and Coverage.** - This Chapter shall govern
22 transport service cooperatives as defined in this Code, including those
23 organized under the provisions of Executive Order No. 898, series of 1983
24 and by vehicle operators defined or provided for under the PUVMP of the
25 Department of Transportation (DOTr).

26 **SEC. 153. Engagement in Allied Business by Transport Service**
27 **Cooperatives.** - Subject to pertinent national laws and local ordinances,
28 primary transport service cooperatives including federations of cooperatives,

1 may engage in a business related to transportation service, including but
2 not limited to:

3 a. Importation, distribution, and marketing of petroleum products in
4 accordance with existing laws;

5 b. Operation of gasoline stations, automotive service centers, and
6 management of land transport terminals and ports;

7 c. Importation, distribution, marketing, and sale of spare parts,
8 automotive supplies, and accessories;

9 d. Marketing of vehicle and drivers insurance policies as an agent or
10 liaison of a licensed insurance company;

11 e. Establishment and operation of fleet management services; and

12 f. Automotive maintenance credit facilities for the purpose of extending
13 loans for the maintenance and repair of public utility vehicles.

14 **SEC. 154. *Registration, Regulation, and Supervision of***
15 ***Transport Service Cooperatives.*** - The Authority shall have jurisdiction
16 over the registration, regulation, and supervision of transport service
17 cooperatives only in relation to their organization and management. This
18 notwithstanding, the relevant regulatory agencies shall have jurisdiction
19 over the technical operations of such cooperatives as transport service
20 entities.

21 **SEC. 155. *Renewal of Franchise and Vehicle Registration.*** -
22 Renewals of franchise and vehicle registration shall be granted to
23 transportation service cooperatives: *Provided,* That such cooperative
24 presents a certificate of good standing issued by the Authority, Office of
25 Transport Cooperatives of the DOTr, and the LGU concerned as proof that
26 it has continuously provided the required public transportation services.

1 The Authority, in consultation with the concerned government
2 agencies and cooperative sector, shall issue appropriate rules and
3 regulations pertaining to the provisions of this Chapter.

4 **SEC. 156. Oversight Committee.** A multi-sectoral committee on
5 transport service cooperatives, composed of representatives from the
6 Authority, the DOTr, the Department of the Interior and Local Government
7 (DILG), the Land Transportation Franchising and Regulatory Board (LTFRB),
8 the Land Transportation Office (LTO), other concerned government agencies,
9 as may be necessary, and the federation of transport service cooperatives,
10 the regional clustered organizations, and the national alliance of
11 cooperatives, shall be established and thereafter be charged with the
12 monitoring, recommendation of policies and programs affecting the
13 operations of transport service cooperatives, and such other functions.

14 A regional monitoring committee shall likewise be established at the
15 regional offices of the Authority for the same purpose.

16 The functions of the monitoring committees shall be prescribed in the
17 Implementing Rules and Regulations to be promulgated by the Authority, in
18 coordination with the relevant government agencies.

19 **CHAPTER XXI. CREDIT AND SAVINGS COOPERATIVES**
20 **AND CREDIT COOPERATIVES**

21 **SEC. 157. Coverage.** - This Chapter shall apply to credit cooperatives
22 and credit and savings cooperatives, including multi-purpose cooperatives
23 and federations. The provisions of the other chapters of this Code shall apply
24 suppletorily except insofar as this Chapter otherwise provides.

25 **SEC. 158. Purposes and Objectives.** - Cooperatives engaged solely
26 in credit or in both credit and savings services, owned and operated by its
27 members, shall have the following purposes and objectives:

- 28 a. To encourage savings among its members;

- 1 b. To provide loans for productive or provident purposes to its members
2 and related services to enable its members to maximize the benefit from
3 such loans;
- 4 c. To promote the cooperatives engaged in credit and credit and savings
5 as preferred financial institutions among Filipinos; and
- 6 d. To promote the safe, sound, stable, and sustainable operations of
7 cooperatives engaged in credit and credit and savings by regulating and
8 supervising their operations and curtailing or preventing any act or
9 practice which is prejudicial to the interests of their members and the
10 general public.

11 **SEC. 159. Regulation and Supervision of Cooperatives Engaged**
12 **in Credit and Credit and Savings.** - Pursuant to its powers, functions,
13 and responsibilities under RA 11364, the Authority shall exercise regulatory
14 powers and supervision over the operations of the cooperatives engaged in
15 credit, and credit and savings.

16 The Authority shall, in consultation with the concerned government
17 agencies and cooperative sector, issue appropriate rules and regulations
18 pertaining to the provisions of this Chapter.

19 **CHAPTER XXII. ELECTRIC COOPERATIVES**

20 **SEC. 160. Coverage.** - The provisions of this Code shall apply to all
21 electric cooperatives registered with the Authority. This shall also cover new
22 distribution utilities that will register with the Authority.

23 Electric cooperatives may undertake power generation utilizing
24 renewable energy sources, including hybrid systems, acquisition and
25 operation of subtransmission or distribution as its primary purposes.

26 **SEC. 161. Registration of Electric Cooperatives.** - The registration
27 of an electric cooperative with the Authority under this Code shall be

1 submitted to the members for approval through a referendum, called for the
2 purpose as provided for under Articles 162 and 163 of this Code.

3 **SEC. 162. Voting Requirement for Registration.** – In compliance
4 with the referendum as a voting procedure, the required number of votes for
5 registration with the Authority shall be a majority of all members entitled to
6 vote.

7 **SEC. 163. Documents to be Submitted for Registration with the**
8 **Authority.** - For purposes of registration, electric cooperatives shall submit
9 the following documents:

10 (a) Copy of the Board Resolution certifying to the result of the vote
11 approved through a referendum approving the registration of the
12 cooperative with the Authority in compliance with Section 162 of this
13 Code;

14 (b) Certified copy of the Articles of Incorporation or Cooperation and By-
15 laws as required by the Authority;

16 (c) Duly audited financial statements for the past two (2) years;

17 (d) List of names of the incumbent Board of Directors and their addresses
18 certified by the Board Secretary and attested by the Chairperson;

19 (e) Within six (6) months from the registration, the Treasurer shall submit
20 a sworn statement of the authorized share capital, the subscribed share
21 capital of members, and the amount of paid-up share capital received
22 by the Treasurer; and

23 (f) Bonds of accountable officers.

24 **SEC. 164. Registration Options of Electric Cooperatives.** - Electric
25 Cooperatives registered with the National Electrification Administration
26 (NEA) under Presidential Decree No. 269, as amended, which opt not to
27 register with the Authority are allowed to retain the word “cooperative” in

1 their registered names: *Provided*, that they shall not be entitled to the
2 benefits and privileges under this Code.

3 **SEC. 165. Role of the Energy Regulatory Commission.** - All rates
4 and tariffs of electric cooperatives registered under the Authority shall be
5 subject to the rules on application and approval of and by the Energy
6 Regulatory Commission (ERC) for distribution utilities.

7 **SEC. 166. Effects of Registration with the Authority.** -

8 a. Upon the effectivity of this Code, electric cooperatives that are duly
9 registered with the Authority, and issued a Certificate of Registration,
10 shall be covered by the provisions of this Code as well as future rules
11 and issuances of the Authority; *Provided*, that electric cooperatives
12 shall remain under the supervisory powers of the NEA, pursuant to
13 Presidential Decree (PD) No. 269, as amended, and other existing laws;
14 *Provided, further*, that provisions of this Code consistent with PD
15 No. 269, as amended, shall apply suppletorily.

16 b. Electric cooperatives registered with the Authority are entitled to
17 congressional allocations, grants, subsidiaries and other financial
18 assistance for rural electrification which can be coursed through the
19 Department of Energy, National Electrification Administration, or local
20 government units, as may be appropriate. The electric cooperatives
21 registered under this Code can avail of the financial services and
22 technical assistance provided by government financial institutions and
23 technical development agencies on terms respecting their
24 independence as autonomous cooperatives;

25 c. All condoned loans, subsidies, grants, and other assistance shall form
26 part of the donated capital and funds of the electric cooperatives and,
27 as such, it shall not be sold, traded, nor be divided into shareholdings
28 at any time. The donated capital/fund shall be valuated for the sole
29 purpose of determining the equity participation of the members:

1 *Provided*, That in the case of dissolution of the cooperative, said
2 donated capital shall be subject to escheat; and

- 3 d. Electric cooperatives registered and confirmed with the Authority under
4 Republic Act No. 6938 and Republic Act No. 9520 are hereby deemed
5 registered under this Code.

6 **SEC. 167. *Share Capital in the Electric Cooperatives.*** - The
7 electric cooperatives registered with the Authority shall issue and distribute
8 share certificates under the name of each of their members, taking into
9 consideration their previous equity contributions, the amortization
10 component through the payments made, capital build-up and other capital
11 contributions.

12 The NEA shall, within ten (10) days upon final completion of
13 reconciliation of relevant loan accounts with the electric cooperative
14 concerned, issue a certification on the aggregate amount of payments made
15 on the principal component of the amortizations, as the basis for the
16 issuance of equity share certificates by the electric cooperatives to its
17 Member-Customer-Owners (MCOs) on record.

18 The ERC shall, within forty-five (45) days from the close of each fiscal
19 year, issue a certificate to the electric cooperative concerned on the total
20 amount collected for capital contributions from the MCOs for such period,
21 for which equity share certificate will be issued.

22 No share capital certificate shall be issued to a subscriber until the
23 full amount of his/her subscription together with interest and expenses, if
24 any is due, has been paid. The distribution of share capital certificates shall
25 be done annually preferably during the General Assembly meeting.

26 In case of loss or destruction, the electric cooperative may issue a
27 duplicate certificate, if such certificate is proven to have been lost, destroyed,
28 defaced, mutilated, torn or is surrendered to the electric cooperative upon
29 execution and submission by a member of an Affidavit of Loss or such other

1 documents evidencing defacement/mutilation or surrender of such share
2 capital certificate.

3 **SEC. 168. Cancellation of Registration with the Authority.** – The
4 cancellation of the registration of an electric cooperative shall be granted by
5 the Authority as provided under Chapter XI of this Code.

6 The Authority, in consultation with the concerned cooperative sector,
7 shall issue appropriate rules and regulations pertaining to the provisions of
8 this Chapter.

9 **CHAPTER XXIII. FOREIGN PARTNERSHIPS**

10 **SEC. 169. Membership of Foreign Cooperatives in Federations.** -
11 Foreign cooperatives may invest, partner with, or become members of
12 federations: *Provided*, that they are recognized by international coalitions of
13 cooperatives or by the relevant authority in the country of origin, as well as
14 registered with the Authority; *Provided, further*, That they comply with all
15 relevant laws allowing them to do business in the Philippines. The details of
16 their investment, participation, or membership shall be left to the discretion
17 of the local federation. Further details shall be laid down in the
18 Implementing Rules and Regulations of this Code.

19 Foreign cooperatives that shall transact with local federations must
20 comply with Philippine taxation laws, the Anti-Money Laundering Act, and
21 other pertinent laws. Further, foreign cooperatives shall not interfere,
22 directly or indirectly, in the management and internal affairs of the
23 federations in accordance with the generally accepted cooperative principles
24 of independence and autonomy, notwithstanding that local cooperatives
25 shall be one hundred per centum (100%) wholly owned and controlled by
26 Filipinos.

27 **SEC. 170. Limitations.** – The equity or share capital of the foreign
28 cooperative shall not exceed forty per centum (40%) of the total equity or

1 subscribed share capital of the partnership or federation, as the case may
2 be.

3 **CHAPTER XXV. MISCELLANEOUS PROVISIONS**

4 **SEC. 171. Compliance With Other Laws.** - All cooperatives duly
5 registered under this Code shall, at all times, be subject to all relevant laws,
6 rules and regulations, as well as issuances and directives issued by a duly
7 authorized government regulatory body in exercise of its jurisdiction.

8 This notwithstanding, cooperatives that are registered or applying for
9 specific licenses with other regulatory agencies must comply with the
10 governance requirements of said agency to operate or function as such.

11 **SEC. 172. Registry of Cooperatives.** - The Authority shall keep a
12 registry which shall contain a chronological entry of the name of every
13 cooperative registered, suspended, dissolved, or cancelled under this Code
14 together with other relevant information. The Authority shall publish and
15 post on its website a list of existing cooperatives, cooperatives under
16 dissolution or suspension, and those whose registration have been
17 cancelled, together with other relevant information, as may be prescribed in
18 the Implementing Rules and Regulations of this Code.

19 **SEC. 173. Settlement of Disputes, Conciliation, Mediation, and**
20 **Arbitration Proceedings.** - Disputes among members, officers, directors,
21 and committee members, and intra-cooperative, inter-cooperative, intra-
22 federation or inter-federation disputes shall, as far as practicable, be settled
23 amicably in accordance with the conciliation or mediation mechanisms
24 embodied in the By-laws of cooperatives and in such other applicable laws.

25 The Conciliation-Mediation Committee of the cooperative shall
26 facilitate the amicable settlement of intra-cooperative disputes or disputes
27 among members, officers, directors, and committee members.

28 Should such conciliation or mediation proceeding fail, the party may
29 settle the dispute through arbitration or adjudication: *Provided, however,*

1 That before any party can validly file a complaint with the Authority for
2 voluntary arbitration or adjudication, it must first secure a certification from
3 its Conciliation-Mediation Committee and from the cooperative union or
4 federation to which it is affiliated that despite all efforts to settle the issues,
5 the conciliation-mediation proceeding failed.

6 Once the arbitrators or the appropriate adjudication division acquires
7 jurisdiction over the case, it shall have exclusive jurisdiction. The decision
8 of the arbitrator shall be final and executory. For this purpose, the Authority
9 shall create a database of qualified arbitrators which shall also be posted in
10 its official website

11 Decisions rendered by the Authority in the exercise of its adjudicatory
12 powers shall be appealable to the Court of Appeals in accordance with the
13 applicable rules.

14 In case of election-related issues, the aggrieved party may elevate the
15 case for adjudication to the proper regional office of the Authority in
16 accordance with the CDA Omnibus Rules of Procedure without undergoing
17 alternative dispute resolution.

18 Settlement of disputes of electric cooperatives shall be governed by the
19 provisions of PD No. 269, as amended, and other applicable laws.

20 **SEC. 174. Joint Congressional Oversight Committee on**
21 **Cooperatives (JCOCC).** - There is hereby created a Joint Congressional
22 Oversight Committee composed of the Chairperson of the Senate Committee
23 on Cooperatives and the Chairperson of the House Committee on
24 Cooperatives Development, with four (4) members each from both Houses.
25 The said members shall be duly appointed by the Senate President and the
26 Speaker of the House of Representatives from the members of the respective
27 committee.

1 employee of any bureau, office or agency of the government that
2 deprives, diminishes or in any manner hinders or restricts any duly
3 registered cooperative from the full enjoyment of the exemption from
4 the payment of the taxes, fees and charges enumerated therein, shall
5 upon conviction, suffer a penalty of not less than seven (7) years but
6 not more than twelve (12) years imprisonment or a fine in the amount
7 of not less than Five hundred thousand pesos (P500,000.00) but not
8 more than One million pesos (P1,000,000.00) or both at the discretion
9 of the court and shall further be disqualified to hold any other office;

10 (d) Direct or indirect interference or intervention by any public official or
11 employee in the internal affairs of a cooperative of which he is not a
12 member, such as, but not limited to, the following:

13 (1) Influencing the election or appointment of officers, directors,
14 committee members and employees through public or private
15 endorsement or campaign for or against any person or group of
16 persons;

17 (2) Requiring prior clearance for any policy or decision within the
18 cooperative;

19 (3) Requesting or demanding for the creation of positions or
20 organizational units, or recommending any person for appointment,
21 transfer, or removal from his/her position; or

22 (4) Any other acts inimical or adverse to the autonomy and
23 independence of cooperatives.

24 (e) A director, officer or committee member who violated the provisions of
25 Section 53 on the Liability of Directors, Officers and Committee
26 Members, Section 56 on the Disloyalty of a Director, and Section 57 on
27 the Illegal Use of Confidential Information shall upon conviction suffer
28 a fine of not less than Five hundred thousand pesos (P500,000.00) nor
29 more than One million pesos (P1,000,000.00) or imprisonment of not

1 less than five (5) years but not more than ten (10) years or both at the
2 court's discretion;

3 (f) The following are considered offenses punishable by a penalty of
4 imprisonment of not less than one (1) year nor more than five (5) years
5 or a fine of not more than One hundred thousand pesos (P100,000.00)
6 or both at the discretion of the court:

7 (1) Omission or refusal to furnish any information, report or other
8 document that is required under this Code;

9 (2) Providing information, reports or other documents to the Authority
10 that are required under this Code which the person knows to be false
11 or misleading;

12 (3) Omission or refusal to keep a book or registry under this Code or to
13 make the required entry therein;

14 (4) Making an entry required under this Code in a book or registry,
15 which the person knows to be false or misleading;

16 (5) Hindering an authorized person from making an inspection, audit,
17 examination or investigation required under this Code;

18 (6) Failure to comply with an order or written instructions issued or
19 given by the Authority;

20 (7) Violation of the provisions regarding transactions with a restricted
21 party; and

22 (8) Abetting, counseling, allowing, authorizing or commanding another
23 person to commit an offense punishable by this Code: *Provided*, That
24 in case the violator is a cooperative or juridical person, the penalty
25 shall be imposed on its directors and officers.

26 (g) Any violation of any provision of this Code for which no penalty is
27 imposed shall be punished by imprisonment of not less than six (6)

1 months nor more than one (1) year and a fine of not less than Ten
2 thousand pesos (P10,000.00), or both at the discretion of the court.

3 The cooperative or any of its members can file a case against any officer
4 or employee of the BIR or of any other government agency with the
5 Ombudsman, the Civil Service Commission, other appropriate government
6 agency or the courts of law.

7 In case of violation of any provision of this Code, the individual or
8 individuals, and in the case of organizations or government agencies, its
9 officers, and directors shall, upon conviction by a Court, each suffer a
10 penalty of not less than two (2) years but not more than five (5) years
11 imprisonment or a fine in the amount of not less than Fifty thousand pesos
12 (P50,000.00), or both at the discretion of the court. In the case of a public
13 official or employee, the offender shall upon conviction, suffer the accessory
14 penalty of temporary absolute disqualification.

15 **SEC. 178. Administrative Sanctions.** - The Authority shall conduct
16 investigations, file necessary charges, discipline, suspend or remove erring
17 officers and members of the cooperative for violation of cooperative laws,
18 rules, regulations, issuances of the Authority, the Articles of Cooperation,
19 and By-laws, after due process, and direct the General Assembly to replace
20 the suspended or removed officers.

21 Any violations on the procedures of the rules on adjudication shall
22 likewise be penalized under this Article. Such administrative sanctions shall
23 be implemented in accordance with the rules and regulations to be
24 promulgated by the Authority.

25 **SEC. 179. Printing and Distribution.** - The National Printing Office
26 shall publish this Code in the Official Gazette in full within sixty (60) days
27 from the date of approval thereof. Copies of this Code shall be given to every
28 department, agency, and instrumentality of the National Government,
29 including regional, provincial offices, and local governments including
30 government-owned and controlled corporations.

1 **SEC. 180. Interpretation and Construction.** - In case of doubt as
2 to the meaning of any provision in this Code or the regulations issued in
3 pursuance thereof, the same shall be resolved liberally in favor of the
4 cooperatives and their members.

5 **SEC. 181. Implementing Rules and Regulations.** - Within ninety
6 (90) days from the effectivity of this Act, the Authority shall issue rules and
7 regulations to implement this Code, including the amendments thereto.
8 Within the same period, the particular government agencies expressly
9 designated under specific provisions in this Code shall also issue the
10 regulations called for by such respective provisions.

11 **SEC. 182. Transitory Provisions. –**

12 (a) All cooperatives registered with the Authority under RA 6938, as
13 amended by RA 9520, are hereby deemed registered under this Code.

14 (b) Registration of electric cooperatives with the Authority shall not be
15 considered as a transfer of ownership of its assets and liabilities nor
16 shall it constitute a change in the nature, structure, and status of the
17 cooperative. Said registration shall not result in the revocation of the
18 condoned loans under RA 9136, otherwise known as the “*Electric Power*
19 *Industry Reform Act of 2001*,”: *Provided*, That electric cooperatives with
20 existing loans shall not be subject to the control and supervision of its
21 creditors and shall only be limited to the fulfillment of each civil
22 obligations.

23 (c) The authority granted to non-cooperatives as Training Service Providers
24 shall continue to be effective until their expiration or six (6) months
25 from the promulgation of the implementing rules and regulations of this
26 Code, whichever comes later.

27 **SEC. 183. Ipso-Facto Clause.** –Except as may be inconsistent with
28 the provisions of this Code, cooperatives are entitled to the privileges,
29 benefits, and exemptions granted by RA 7160, and other existing laws.

1 **SEC. 184. Separability Clause.** –If any part of this Code is declared
2 unconstitutional, the remaining parts or provisions shall remain in full force
3 and effect.

4 **SEC. 185. Repealing Clause.** - Except as expressly provided by this
5 Code, RA 6938, RA 9520, and all other laws, or parts thereof, inconsistent
6 with any provision of this Code shall be deemed repealed: *Provided*, That the
7 provisions of Revenue Regulation No. 20-2001, and all laws, decrees,
8 executive orders, implementing rules and regulations, BIR circulars, CDA
9 memorandum circulars, memorandum orders, letters of instruction, local
10 government ordinances, or parts thereof inconsistent with any of the
11 provisions of this Act are hereby repealed, amended or modified accordingly;
12 *Provided, further, that* nothing in this Code shall eliminate, diminish, or
13 reduce the powers, functions, authority, and responsibilities of the NEA over
14 electric cooperatives under PD No. 269, as amended, and other existing
15 laws; *Provided, finally*, that nothing in this Act shall be construed or
16 interpreted as diminishing the jurisdiction of the Philippine Competition
17 Commission under the PCA to conduct inquiry, investigate, and hear and
18 decide on cases involving any violation of the PCA and other existing
19 competition laws motu proprio or upon receipt of a verified complaint from
20 an interested party or upon referral by the concerned regulatory agency.

21 **SEC. 186. Effectivity Clause.** - This Code shall take effect fifteen (15)
22 days after its publication in the *Official Gazette* or in a newspaper of general
23 circulation.

Approved,