

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

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**SENATE**

**S.B. No. 2811**

**(In Substitution of SB Nos. 418, 2378, and 2480, taking into  
consideration House Bill No. 9673)**

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**Prepared by the Committees on Cooperatives; Constitutional  
Amendments and Revision of Codes; Ways and Means; and Finance, with  
Senators Marcos, Estrada (J), Ejercito (JV) and Legarda as authors thereof.**

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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:*

**CHAPTER I. GENERAL PROVISIONS**

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

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

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

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

18  
19           **SEC. 3. General Concepts.** -

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

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

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

1           (2)     *Democratic Member Control* - Cooperatives are democratic  
2 organizations controlled by its members who actively participate in setting their  
3 policies and making decisions. Elected representatives, directors or officers are  
4 accountable to the membership. In primary cooperatives, members have equal voting  
5 rights of one member-one vote. Cooperatives at other levels are organized in the same  
6 democratic manner.

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

15          (4)     *Autonomy and Independence* - Cooperatives are autonomous, self-help  
16 organizations controlled by their members. If cooperatives enter into agreements with  
17 other organizations, including government, or raise capital from external sources, they  
18 shall do so on terms that ensure democratic control of their members and maintain  
19 cooperative autonomy.

20          (5)     *Education, Training, and Information* - Cooperatives shall provide  
21 education and training for their members, elected and appointed representatives,  
22 managers, and employees, so that they can contribute effectively and efficiently to the  
23 development of their cooperatives.

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

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

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

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

2           **(a)**     *Area of Operation* refers to the place where the cooperative operates  
3 and conducts its business, as provided for in its articles of cooperation and bylaws;

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

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

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

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

14          **(f)**     *Bylaws* refers to the document registered with the Authority, including  
15 its amendments, that defines and regulates the operations of the cooperative and  
16 governs the relations between the cooperative and its members and among  
17 themselves;

18          **(g)**     *Clustering and Consolidation* refers to the grouping together of the crops,  
19 livestock and/or fish producers within a community or adjacent communities on the  
20 basis of proximity of their production areas, similarity of inputs, shared production  
21 activities/processes and/or common final products, where there is potential for unified  
22 management of production activities, sourcing of inputs, access to financing,  
23 processing, logistics, storage, marketing, and enhanced quality of produce. It shall not  
24 be limited to the notion of simply merging contiguous land properties and assets.

25          **(h)**     *Committees* refer to the mandatory committees under this Code  
26 entrusted with specific functions and responsibilities and such other committees that  
27 the Board of Directors deem necessary for the governance of the business affairs of  
28 the cooperative;

29          **(i)**     *Compensation* refers to a broad term that includes all forms of  
30 remuneration given for services rendered, like salary which is paid regularly. It does  
31 not imply an immediate payment or direct return, nor the payment of cash fare or its  
32 equivalent. It also includes any remuneration, by whatever name it may be designated.

1 However, as used in Section 3.b.c. in this Code, compensation shall refer to the interest  
2 on share capital and patronage refund;

3 **(j)** *Cooperative Union* refers to a cooperative whose members are registered  
4 cooperatives, federations, or both, organized purposely to represent the interest and  
5 welfare of all types of cooperatives at the city, provincial, regional, national, and  
6 sectoral levels;

7 **(k)** *Federation of Cooperatives* refers to a cooperative, the members of  
8 which are primary and/or secondary cooperatives, registered with the Authority to  
9 conduct related business in support of its member cooperatives to address common  
10 needs, engage in capacity-building activities and delegated supervision in support of  
11 its member cooperatives and its exercise of self-regulation among its members,  
12 organized at the municipal, city, provincial, regional, national, special metropolitan  
13 political subdivision, or economic zones created by law;

14 **(l)** *General Assembly* refers to the full membership of the cooperative duly  
15 assembled physically, via video conferencing, or both, for the purpose of exercising all  
16 the rights and performing all the obligations pertaining to cooperatives, as provided  
17 by this Code, its articles of cooperation, and bylaws;

18 **(m)** *Honorarium* refers to the token of appreciation granted for the expert  
19 service rendered in the specific field that does not receive compensation;

20 **(n)** *Interest on Share Capital* refers to the amount earned by the members  
21 on their contribution in the cooperative. The interest on share capital and the  
22 patronage refund shall be determined at the end of the calendar year after the net  
23 surplus shall have been distributed in accordance with the articles of cooperation and  
24 bylaws or by the Board of Directors;

25 **(o)** *Investment* refers to equity participation in any enterprise formed,  
26 organized or existing under the laws of the Philippines;

27 **(p)** *Laboratory Cooperative* refers to a cooperative affiliated with and  
28 registered by a primary cooperative, and whose membership consists of minors;

29 **(q)** *Member* refers to a person either natural or juridical, who has been  
30 approved and admitted by the Board of Directors of the cooperative, federation, or  
31 union, after undergoing the Pre-Membership Education Seminar and has vowed to

1 adhere to the articles of cooperation and its bylaws. Members shall be classified as  
2 regular or associate, as qualified by the cooperative;

3       **(r)**       *Member Entitled to Vote* refers to a regular member who has complied  
4 with all the membership requirements of the cooperative, has fulfilled all of their duties  
5 and obligations, and possesses none of the disqualifications as provided by the articles  
6 of cooperation and bylaws of the cooperative, as declared by the Board of Directors;

7       **(s)**       *Patronage Refund* refers to the payment to the members of a percentage  
8 or portion of the amount availed of, the interest on loans paid, or other services availed  
9 from the cooperative. The amount will be determined at the end of the fiscal year after  
10 the distribution of the net surplus. The percentage of the allocation will be in  
11 accordance with the provisions in its articles of cooperation, the bylaws, or by the  
12 Board of Directors. The formula and basis for the computation of the rate of patronage  
13 refund will be determined by the Authority;

14       **(t)**       *Per Diem* refers to the allowance given as reimbursement for extra  
15 expenses incurred in the performance of their duties;

16       **(u)**       *Performance Audit* refers to an audit conducted by the Authority on the  
17 efficiency, efficacy, and effectiveness of the cooperative's overall performance as a  
18 whole, its management and officers, and its various responsibility centers as basis for  
19 improving individual, team, or overall performance, and for objectively informing the  
20 general membership of the cooperative on such performance;

21       **(v)**       Primary Cooperative refers to a cooperative, the members of which are  
22 natural persons. In the case of water service cooperatives, institutional users may be  
23 accepted as associate members;

24       **(w)**       *Registration* refers to the operative act granting juridical personality to a  
25 proposed cooperative and is evidenced by a Certificate of Registration;

26       **(x)**       *Representative Assembly* refers to the full membership of a body of  
27 representatives elected by each of the sectors, chapters, or districts of the cooperative  
28 duly assembled for the purpose of exercising such powers in accordance with its  
29 bylaws;

30       **(y)**       *Samahang Nayon* and *Municipal Katipunan ng mga Samahang Nayon*  
31 refers to pre-cooperative organizations established under Presidential Decree (PD) No.  
32 175 entitled "Strengthening the Cooperative Movement";

- 1           **(z)**     *Secondary Cooperative* refers to a cooperative, the members of which  
2 are primary cooperatives;
- 3           **(aa)**    *Single-Purpose Cooperative* refers to a cooperative that undertakes only  
4 one economic activity, except one that is allowed to undertake allied economic  
5 activities;
- 6           **(bb)**    *Share Capital* refers to the equitable contribution of a member to the  
7 cooperative fund, the working capital fund of the cooperative, which shall have a par  
8 value of at least One hundred pesos (Php100.00) and issued as common or preferred  
9 shares depending on the type of membership with the cooperative;
- 10          **(cc)**    *Social Audit* refers to an audit conducted to assess the social impact of  
11 the cooperative and its ethical performance vis-à-vis its stated mission, vision, goals,  
12 and code of social responsibility. It is a mechanism whereby it can account for the  
13 social performance of a cooperative and evaluate its impact on the community, making  
14 the cooperative accountable for its decisions and actions to its members;
- 15          **(dd)**    *Subscription Agreement* refers to the document executed by a member  
16 to signify the amount that the member intends to contribute to the cooperative fund;
- 17          **(ee)**    *Subsidiary Cooperative* refers to a cooperative, all or majority of whose  
18 members or shareholders come from a parent cooperative, organized for any other  
19 purpose different from that of, and receives technical, managerial, and financial  
20 assistance from the latter, in accordance with the rules and regulations of the  
21 Authority; and
- 22          **(ff)**    *Video conferencing* refers to a conference between two (2) or more  
23 participants at different sites by using computer networks to transmit audio and video  
24 data; and
- 25          **(gg)**    *Worker Beneficiary* refers to a natural person who renders service for  
26 value as an employee or laborer in an agricultural enterprise or farm within an agrarian  
27 reform cooperative.

28

## CHAPTER II. PURPOSES AND ORGANIZATION

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

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

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

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

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

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

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

(g) Adopt membership expansion mechanism to ensure the growth of the cooperative movement;

(h) Implement policy guidelines that will ensure transparency, accountability, and equitable access to its resources and services; and promote the interests of the members;

(i) Advance the sustainability, competitiveness, and innovativeness of cooperatives in various industries;

(j) Coordinate with other cooperatives through learning and information exchange to foster sustainable development;

(k) Advocate legal framework and enabling policies appropriate for the development of cooperatives;

(l) Be the voice and the institution of the marginalized for purposes of promoting ecological and people-centered development;



- 1 (m) Encourage thrift and savings mobilization among the members;
- 2 (n) Generate funds and extend credit to the members for productive and  
3 provident purposes;
- 4 (o) Encourage among members systematic production and market-oriented  
5 production;
- 6 (p) Provide goods and services and other requirements to the members;
- 7 (q) Develop expertise and skills among its members;
- 8 (r) Acquire lands and provide housing benefits for the members;
- 9 (s) Provide insurance programs to cover the risk of financial losses in the  
10 operations of a cooperative, and provide assistance to mitigate effects of economic  
11 shocks or natural calamities or disasters;
- 12 (t) Promote and advance the economic, social, and educational status of the  
13 members;
- 14 (u) Establish, own, lease, or operate cooperative banks, cooperative  
15 wholesale and retail complexes, insurance, agricultural and industrial processing  
16 enterprises, and public markets;
- 17 (v) Coordinate and facilitate the activities of cooperatives;
- 18 (w) Advocate for the cause of the cooperative movement;
- 19 (x) Ensure the viability of cooperatives through the utilization of new  
20 technologies;
- 21 (y) Encourage and promote self-help or self-employment as an engine for  
22 economic growth and poverty alleviation;
- 23 (z) Adopt such other plans which may help foster the welfare of the  
24 members, their families, and the community; and
- 25 (aa) Undertake any activity stated in the articles of cooperation and bylaws  
26 of the cooperative.

27

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

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

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

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

10 (b) To sue and be sued;

11 (c) Of succession;

12 (d) To amend its articles of cooperation in accordance with the provisions of  
13 this Code;

14 (e) To adopt bylaws not contrary to law, morals, or public policy, and amend  
15 or repeal the same in accordance with this Code;

16 (f) To purchase, receive, take or grant, hold, convey, sell, lease, pledge,  
17 mortgage, or otherwise deal with such real and personal property as the transaction  
18 of the lawful affairs of the cooperative may reasonably and necessarily require, subject  
19 to the limitations prescribed by law and the Constitution;

20 (g) To enter into joint venture agreement and partnership, or any other  
21 commercial activity with other cooperatives;

22 (h) To enter into division, merger or consolidation, as provided in this Code;

23 (i) To form subsidiary cooperatives and join federations, unions, or Credit  
24 Surety Fund Cooperatives, as provided in this Code;

25 (j) To avail of loans, be entitled to credit, and accept and receive grants,  
26 donations, and assistance from foreign and domestic sources, subject to the conditions  
27 of the loans, credits, grants, donations or assistance that must not undermine the  
28 autonomy of the cooperative;

29 (k) To avail of preferential rights granted to cooperatives under Republic Act  
30 No. 7160, otherwise known as the "Local Government Code of 1991," and other laws,  
31 particularly the grant of franchises to establish, construct, operate, and maintain  
32 ferries, wharves, markets or slaughterhouses and lease public utilities, including access

1 to extension and on-site research services and facilities related to agriculture and  
2 fishery activities;

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

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

11 (n) To provide training for their officers and members for continued  
12 development and personal improvement. If a cooperative is unable to provide training  
13 for its members, it may engage the services of a federation or union. Government  
14 agencies and experts from the private sector are authorized to assist in the  
15 organization, training, and development of a cooperative and its members if the  
16 cooperative wishes to do so. In this regard, cooperatives and other institutions shall  
17 be accredited as Training Service Providers by the Authority: *Provided*, That a  
18 federation shall only provide training in accordance with its business or specialization  
19 for their members, while a union shall provide basic and other training that benefits  
20 the sector, unless there is no existing or functioning union or federation in the area:  
21 *Provided, further*, That government agencies and experts from the private sector are  
22 authorized to assist in the organization, training, and development of a cooperative  
23 and its members, in coordination with federations and unions; and

24 (o) To exercise such other powers granted in this Code as shall be necessary  
25 to carry out its purposes stated in its articles of cooperation.

26

27 **SEC. 8. Organizing a Primary Cooperative.** – At least fifteen (15) natural  
28 persons who are Filipino citizens, of legal age, having a common bond of interest, and  
29 are residing or working in the intended area of operation, may organize a primary  
30 cooperative under this Code, provided that no cooperative with the same line of  
31 business is operating in the same area of operation. The cooperators shall attend and  
32 complete a Pre-Registration Seminar (PRS) as a prerequisite for registration. The

1 details and requisites of the PRS must be included in the implementing rules and  
2 regulations of this Code: *Provided*, That a prospective member of a primary  
3 cooperative must have completed a Pre-Membership Education Seminar (PMES).

4 Foreign nationals may join in organizing a primary cooperative as associate  
5 members: *Provided*, That the foreign national is a natural-born Filipino citizen who is  
6 a naturalized citizen of a foreign country or is a son or daughter of a Filipino citizen  
7 who is a naturalized citizen of a foreign country: *Provided, further*, That their intention  
8 in joining the cooperative is for the growth and development of a Philippine  
9 cooperative community.

10 Overseas Filipino Workers (OFW) may organize and register primary  
11 cooperatives, subject to the rules and regulations to be promulgated by the Authority.

12 Indigenous cultural communities may organize and register primary cooperatives  
13 consistent with their traditions, culture, practices, beliefs, and value systems.

14 Islamic communities may organize and register primary cooperatives consistent  
15 with the Sharia laws and principles as enunciated by the noble Qur'an and the hadiths  
16 of the Prophet Mohammad.

17 No primary cooperative shall be organized as a multi-purpose cooperative  
18 unless it has been in operation for at least two (2) years and shall have complied  
19 with the minimum requirements for multi-purpose cooperatives as prescribed by the  
20 Authority; *Provided*, That agricultural cooperatives shall be exempt from the  
21 requirements in organizing a multi-purpose cooperative.

22 In order to encourage cooperativism among the youth, a primary cooperative  
23 may organize a laboratory cooperative as defined under this Code. A laboratory  
24 cooperative shall have all the rights, privileges, and duties of a regular cooperative,  
25 and shall be governed by special guidelines to be promulgated by the Authority, in  
26 consultation with the cooperative sector.

27  
28 **SEC. 9. Mandatory Personnel of the Cooperative.** - All cooperatives shall  
29 have a General Manager and a Bookkeeper to be authorized to operate.

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

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**SEC. 11. *Term of Existence of Cooperative.*** - A cooperative shall have perpetual existence from the date of registration unless voluntarily dissolved or the Certificate of Registration is cancelled for reasons provided under this Code and its implementing rules and regulations.

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

In case of cooperative banks, insurance cooperatives, federations, or unions, the articles of cooperation shall be acknowledged by its Chairpersons and Cooperative Secretaries before a notary public. The articles of cooperation shall contain the following provisions:

- (a) Name of the cooperative, which shall include the word "Cooperative", "Coop", "Koop", or "Kooperatiba" and specify the type of cooperative;
- (b) Purpose or purposes and the economic activities for which the cooperative is to be registered;
- (c) Powers and capacities;
- (d) Area of operation, the postal address of its principal office, and the official electronic mail address of the cooperative;
- (e) Names, nationality, and the postal addresses of the cooperators;
- (f) Common bond of membership;
- (g) List of names of the directors;
- (h) Amount of authorized, subscribed, and paid-up share capital, the number of shares, and the par-value of each share, and the names of the cooperators, except for cooperative unions;
- (i) A statement as to whether the cooperative is primary or secondary;
- (j) Other provisions consistent with this Code or any related law; and
- (k) Certificate of Authority from the appropriate government agency.

1           **SEC. 13. *Bylaws.*** – Every cooperative to be registered under this Code shall  
2 adopt bylaws consistent with the provisions of this Code, which shall be filed together  
3 with the articles of cooperation. The bylaws of each cooperative shall provide:

4           (a)     The qualifications for admission to membership;

5           (b)     The equitable contribution or interest to be acquired as a condition  
6 precedent for the exercise of the right of membership;

7           (c)     The rights, privileges, duties, responsibilities, and liabilities of  
8 membership;

9           (d)     The circumstances under which membership is acquired, maintained,  
10 and terminated, and the procedure to be followed;

11          (e)     The conditions under which the transfer of a share or interest of the  
12 members shall be permitted;

13          (f)     The general conduct of the affairs of the cooperative relative to agenda,  
14 time, place and manner of calling, convening, and conducting meetings, quorum  
15 requirements, voting systems of the General Assembly, the Board of Directors,  
16 committees and the officers, including their qualifications, disqualifications, powers,  
17 duties, and responsibilities;

18          (g)     The manner in which the capital may be raised and the purposes for  
19 which it can be utilized;

20          (h)     The accounting and auditing systems;

21          (i)     The manner of contracting loans and borrowings including the limitations  
22 thereof;

23          (j)     The allocation and distribution of net surplus;

24          (k)     The manner of adopting and amending bylaws;

25          (l)     The institution of a conciliation or mediation mechanism for the amicable  
26 settlement of disputes among members, directors, officers and committee members  
27 of the cooperative; and

28          (m)     Other matters incident to the purposes and activities of the cooperative.

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1 **CHAPTER III. REGISTRATION**

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3 **SEC. 14. Requirements for Registration.** - The proposed articles of  
4 cooperation, bylaws, and such other required documents shall be submitted in  
5 accordance with the rules and regulations to be prescribed by the Authority.

6 Except for cooperative unions as described under Section 31 hereof, no  
7 cooperative shall be registered unless the articles of cooperation is accompanied with  
8 the bonds of the accountable officers and a sworn statement of the Treasurer showing  
9 that at least twenty-five percent (25%) of the authorized share capital has been  
10 subscribed and at least twenty-five percent (25%) of the total subscription has been  
11 paid.

12 The Authority shall initially fix the minimum paid-up share capital in the  
13 implementing rules and regulations of this Code, periodically assess the required paid-  
14 up share capital, and may increase or decrease it through subsequent regulation  
15 whenever necessary upon consultation with the cooperative sector.

16 The Authority may prescribe such other registration requirements as it may deem  
17 necessary, in consultation with the cooperative sector.

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

1           The grounds for denial of the registration shall be prescribed in the implementing  
2 rules and regulations of this Code.

3  
4           **SEC. 16. *Certificate of Registration.*** - A Certificate of Registration issued by  
5 the Authority under its official seal shall be conclusive evidence that the cooperative  
6 therein mentioned is duly registered unless it is proved that the registration thereof  
7 has been cancelled. Moreover, once the cooperative is issued a Certificate of  
8 Compliance, it shall be valid for five (5) years, unless revoked by the Authority after  
9 due process due to willful refusal to comply with the reportorial requirements set forth  
10 by law.

11  
12           **SEC. 17. *Amendment of Articles of Cooperation and Bylaws.*** - Unless  
13 otherwise prescribed by this Code and for legitimate purposes, any provision or matter  
14 stated in the articles of cooperation and bylaws may be amended by two-thirds ( $\frac{2}{3}$ )  
15 vote of all the members entitled to vote, without prejudice to the right of the dissenting  
16 members to exercise their right to withdraw their membership under Section 37 of this  
17 Code.

18           A cooperative may opt to amend its articles of cooperation and bylaws through a  
19 referendum by a vote of two-thirds ( $\frac{2}{3}$ ) of all the members entitled to vote, present and  
20 constituting a quorum.

21           Both the original and amended articles of cooperation bylaws shall contain all the  
22 provisions required by law. Amendments shall be indicated by underscoring or  
23 otherwise appropriately indicating the change or changes made. A copy of the  
24 amended articles of cooperation or bylaws shall be duly certified under oath by the  
25 Cooperative Secretary and majority of the directors, stating the fact that the  
26 amendment or amendments to the articles of cooperation and bylaws have been duly  
27 approved by the required vote of the members. All amendments to the articles of  
28 cooperation and bylaws shall be submitted to the Authority.

29           An application for amendments shall be deemed approved by the Authority within  
30 a period of twenty (20) days from the filing thereof: *Provided*, That the documentary  
31 requirements are complete in form and substance.

32



1           **SEC. 18. *Contracts Executed Prior to Registration and Effects Thereof.***

2   - Subject to the execution of a formal written contract made in the cooperative's name  
3   or on its behalf prior to its registration, all contracts executed prior to its registration  
4   between private persons and the cooperative shall remain valid and binding between  
5   the parties insofar as it redounds to the benefit of the cooperative.  
6

7           **SEC. 19. *Effects of Failure to Operate or Comply with Conditions on***  
8   ***Registration.*** - The Certificate of Registration shall be deemed cancelled and the  
9   cooperative shall be delisted from the registry of cooperatives if the cooperative failed  
10   to commence its authorized business activity within five (5) years from the issuance  
11   of its Certificate of Registration.  
12

13           **SEC. 20. *Division of Cooperatives.*** - A registered cooperative, through a  
14   resolution approved by a vote of two-thirds ( $\frac{2}{3}$ ) of all the members entitled to vote,  
15   present and constituting a quorum, may divide itself into two (2) or more cooperatives.  
16   Such division of the cooperative shall be valid: *Provided*, That the purpose of the  
17   division is not to defraud the creditors: *Provided, further*, That the division shall ensure  
18   the continuity of the existing government programs and projects.

19         The dissenting members shall have the right to exercise their right to withdraw  
20         their membership pursuant to Section 38 of this Code.

21         The Authority shall prescribe the rules and regulations for the division of the  
22         cooperative: *Provided*, That all the requirements set forth in this Code have been  
23         complied with by the newly-formed cooperatives.  
24

25           **CHAPTER IV. MERGER AND CONSOLIDATION OF COOPERATIVES**  
26

27           **SEC. 21. *Merger or Consolidation of Cooperatives.*** –

28         (a)       Two (2) or more cooperatives may merge or consolidate into a single  
29         cooperative.

30         (b)       No merger or consolidation shall be valid unless approved by a two-thirds  
31         ( $\frac{2}{3}$ ) vote of all the members entitled to vote, present and constituting a quorum of each  
32         of the constituent cooperatives at separate General Assembly meetings. The

1 dissenting members shall have the right to exercise their right to withdraw their  
2 membership pursuant to Section 38 of this Code.

3 (c) The Authority shall issue the guidelines governing the procedure of  
4 merger or consolidation of cooperatives. The merger or consolidation shall be effective  
5 upon the issuance by the Authority of the Certificate of Merger, or in the case of a  
6 consolidation of cooperatives, a new Certificate of Registration.

7

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

10 (a) In case of merger of cooperatives, the constituent cooperatives shall  
11 become a single cooperative or, in the case of consolidation of cooperatives, the  
12 consolidated cooperative shall be the new cooperative;

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

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

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

20

## 21 **CHAPTER V. TYPES AND CATEGORIES OF COOPERATIVES**

22

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

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

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

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

- 1           (ii)       Credit Cooperatives. – Credit cooperatives are engaged solely in lending  
2 services;
- 3           (iii)       Credit and Savings Cooperatives. – Credit and savings cooperatives  
4 promote and undertake savings and lending services among its members. They  
5 generate a common pool of funds in order to provide financial assistance to their  
6 members for productive and provident purposes;
- 7           (iv)       Credit Surety Fund Cooperatives. – Credit surety fund cooperatives, in  
8 partnership with Local Government Units (LGUs), are comprised of well-capitalized and  
9 well managed member-cooperatives or non-government organizations that meet the  
10 criteria and qualifications prescribed by the Authority, LGUs, Government Financial  
11 Institutions, and other government agencies;
- 12          (v)       Insurance Cooperatives. – Insurance cooperatives are engaged in the  
13 business of insuring the life, general, property, and pre-need (life plan, education, and  
14 pension) of cooperatives and their members;
- 15          (vi)       Savings and Deposits Cooperatives. – Savings and deposits cooperatives  
16 are engaged solely in promoting and encouraging savings among its members; and
- 17          (vii)       Other cooperatives as may be determined by the Authority under this  
18 cluster in consultation with the cooperative sector.
- 19          (2)       *Consumers, Marketing, Producers, and Logistics Cluster* refers to  
20 cooperatives organized for the supply, procurement, transport, storage, distribution,  
21 and marketing of products of its members, industrial production, and nonagricultural  
22 business activity for the production and processing of raw materials or goods or its  
23 derivative, such as:
- 24           (i)       Consumers Cooperatives. – Consumer cooperatives are engaged  
25 primarily in procuring and distributing commodities to members and non-members;
- 26           (ii)       Marketing Cooperatives. – Marketing cooperatives are engaged in the  
27 supply of production inputs to members and markets their products, including trading  
28 and processing;
- 29           (iii)       Logistics Cooperatives. – Logistics cooperatives are engaged in  
30 operations involving facilities and supplies whose business is related to the supply  
31 chain;

1 (iv) Producers Cooperatives. – Producers cooperatives are engaged in joint  
2 production whether agricultural or industrial. They are formed and operated by the  
3 members to undertake the production and processing of raw materials or goods  
4 produced by the members into finished or processed products for sale by the  
5 cooperative. Any end product or its derivative arising from the raw materials produced  
6 by the members, sold in the name and for the account of the cooperative, shall be  
7 deemed a product of the cooperative and its members; and

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

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

14 (i) Health Services Cooperatives. - Health services cooperatives are  
15 organized for the primary purpose of providing medical, dental, paramedic, diagnostic,  
16 and other health services, including cooperative health organizations, hospitals, clinics,  
17 pharmacies, and transporting of patients;

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

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

25 (iv) Technology Service Cooperatives. - Technology service cooperatives are  
26 organized to provide the members with services that are designed to facilitate the use  
27 of Information Technology by end users, electronic money issuers licensed by *Bangko*  
28 *Sentral ng Pilipinas (BSP)*, or provide specialized technology-oriented solutions by  
29 combining the processes and functions of software, hardware, networks,  
30 telecommunications, and electronics, among others;

31 (v) Workers Cooperatives. – Workers cooperatives are organized by  
32 workers, including the self-employed, who are at the same time the members and

1 owners of the enterprise. The principal purpose of these cooperatives is to provide  
2 employment and business opportunities to the members and manage them in  
3 accordance with cooperative principles; and

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

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

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

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

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

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

26 (i) *Agrarian Reform Cooperatives.* - Agrarian reform cooperatives are  
27 organized by marginal farmers, majority of whom are agrarian reform beneficiaries,  
28 for the purpose of developing an appropriate system of land tenure, land development,  
29 land consolidation, or land management areas covered by agrarian reform;

30 (ii) *Agriculture Cooperatives* - Agriculture cooperatives are organized as  
31 agricultural-based economic enterprises voluntarily established through joint  
32 investment, joint ownership, and joint management for the purpose of improving

1 agricultural production capacity, agro-industry, agri-business, or services related to  
2 agricultural production, which shall include agrarian reform, dairy, fishermen,  
3 community forestry, and aquaculture cooperatives, as well as consumers, marketing,  
4 producers, and multi-purpose cooperatives whose primary business activity is at least  
5 fifty percent (50%) related to agricultural production, agro-industry, agri-business, or  
6 services related to agricultural production

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

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

12 (v) Fisherfolk Cooperatives. – Fisherfolk cooperatives are organized by  
13 marginalized fisherfolk whose products are marketed either as fresh or processed, for  
14 the mobilization of capital in the procurement of fishing boats, nets, gears, and  
15 accessories, production of aquatic products, and access to storage and agricultural  
16 facilities;

17 (vi) Irrigators Cooperatives. – Irrigators cooperatives are engaged in  
18 providing sustainable irrigation services for farmers; and

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

21 (6) *Public Utilities Cluster* refers to cooperatives organized for the purpose  
22 of undertaking electricity generation, utilizing renewable energy sources, including  
23 hybrid systems, acquisition and operation of sub-transmission or distribution;  
24 operation and management of water systems; land, air, and sea transportation  
25 services; and communications services, including telephone and digital  
26 communications, which require a franchise or certificate of public convenience and  
27 necessity such as:

28 (i) Communications Cooperatives. – Communications cooperatives are  
29 organized to own, operate, and manage communication structures and arrangements,  
30 such as radio, cable TV, newspaper, and related industries, for the widespread  
31 dissemination of information for the members and the public;

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

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

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

10 (7) *Multi-Purpose Cooperative* refers to one which combines two (2) or more  
11 of the business activities of the different types of cooperatives;

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

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

14 (i) Primary Cooperatives; and

15 (ii) Secondary Cooperatives;

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

18 (3) In terms of assets, cooperatives shall adhere to the categorization of  
19 enterprises as provided under Section 3 of Republic Act No. 6977, as amended.

20  
21 **SEC. 24. Apex of Cooperatives.** – The Apex of Cooperatives refers to the  
22 singular cooperative vested with a juridical personality and the mandate to represent  
23 the cooperative sector at the national and international levels, fully and voluntarily  
24 organized by the members of the cooperative sector. It shall have the mandate to  
25 engage in discussions and advise the appropriate authorities on all matters relating to  
26 cooperatives, as well as to promote the cooperative identity and culture.

## 27 28 **CHAPTER VI. FEDERATION OF COOPERATIVES**

29  
30 **SEC. 25. Area of Coverage.** - A federation of cooperatives may be organized  
31 at the municipal or city level, district or provincial level, regional, inter-regional or  
32 national levels.

1           **SEC. 26. *Members of a Federation of Cooperatives.*** - Members of a  
2 federation of cooperatives shall consist of cooperatives with common needs or  
3 purposes: *Provided,* That a member cooperative may freely withdraw membership  
4 from the federation.

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

7  
8           **SEC. 27. *Authorized, Subscribed, and Paid-Up Capital of a Federation.*** -  
9 The authorized share capital of a cooperative shall be provided for in its articles of  
10 cooperation where at least twenty-five percent (25%) of the authorized share capital  
11 has been subscribed to by the members and at least twenty-five percent (25%) of the  
12 total subscription has been paid prior to its registration.

13           The minimum paid-up share capital for a federation of cooperatives shall be One  
14 million pesos (Php1,000,000.00).

15  
16           **SEC. 28. *Registration of Federation of Cooperatives.*** – A federation of  
17 cooperatives shall be registered with the Authority.

18  
19           **SEC. 29. *Functions of a Federation of Cooperatives.*** - A federation of  
20 cooperatives shall undertake the following functions:

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

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

26           (c) To render services designed to encourage simplicity, efficiency, and  
27 economy in the conduct of the business of its member cooperatives and to facilitate  
28 the implementation of their bookkeeping, accounting, and other systems and  
29 procedures;

30           (d) To print, publish, and circulate any newspaper or other publication in the  
31 interest of its member-cooperatives and enterprises;

32           (e) To coordinate and facilitate the activities of its member-cooperatives;



1 (f) To enter into joint ventures with local or international cooperatives in the  
2 manufacture and sale of products in the Philippines and abroad;

3 (g) To mandatorily act as conciliator-mediator in inter-intra cooperative  
4 disputes among and between the members and officers of primary cooperatives;

5 (h) To assist members in the submission of the required reports and other  
6 compliances to the Authority and other government or regulatory bodies;

7 (i) To render assistance, if requested, in the liquidation of the remaining  
8 assets of dissolved or cancelled primary cooperative members;

9 (j) To develop programs on education, training, monitoring, coaching,  
10 research, and advocacy that complement, augment, or supplement the businesses of  
11 their members; and

12 (k) To assist the Authority in ensuring the compliance of its member-  
13 cooperatives with the laws, regulations, policies, and inspection or examination  
14 findings of government regulatory agencies.

15 (l) To conduct studies in the economic, legal, financial, social and other  
16 phases of cooperation, and publish the results thereof;

17 (m) To conduct trainings to member-cooperatives as an accredited training  
18 provider; and

19 (n) To promote the knowledge of cooperative principles and practices.  
20

21 **SEC. 30. *Special Types of Federations.*** - A special type of federation may be  
22 organized and registered by primary cooperatives who may not necessarily be in the  
23 same line of business but who wish to offer and are able to cater to their members  
24 the following exclusive services:

25 (1) Water supply system services;

26 (2) Healthcare services;

27 (3) Deathcare services;

28 (4) Technology services;

29 (5) Digital payment services;

30 (6) Deposit insurance services; and

31 (7) Such other services as may be determined by the Authority.

1 Primary cooperatives who federate under this Section are prohibited from  
2 engaging in any economic or business activity not related to their original line of  
3 business or not authorized under their articles of cooperation and bylaws or under this  
4 Code.

## 6 CHAPTER VII. COOPERATIVE UNIONS

8 **SEC. 31. *Organization and Duties.*** - All registered cooperatives may organize  
9 or join cooperative unions to protect the interest and promote the welfare of all types  
10 of cooperatives: *Provided,* That a member cooperative may freely withdraw  
11 membership from the union. The cooperative unions shall represent the constituent  
12 cooperatives at the appropriate level and exercise the following duties and functions:

- 13 (a) To represent its member organizations;
- 14 (b) To acquire, analyze, and disseminate economic, statistical, and other  
15 information relating to its members and to all types of cooperatives within its area of  
16 operation;
- 17 (c) To sponsor studies in the economic, legal, financial, social and other  
18 phases of cooperation, and publish the results thereof;
- 19 (d) To conduct trainings to member-cooperatives as an accredited training  
20 provider;
- 21 (e) To promote the knowledge of cooperative principles and practices in  
22 their respective jurisdictions;
- 23 (f) To develop the cooperative movement;
- 24 (g) To assist the national agencies and local government units in cooperative  
25 development activities within their respective jurisdiction;
- 26 (h) To assist in the dissemination and monitoring of the Philippine  
27 Cooperative Development Plan;
- 28 (i) To assist the members in the submission of the required reports and  
29 other compliances to the Authority and other government or regulatory bodies;

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

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

6 (l) To act as liquidators or rendering assistance in the liquidation of the  
7 remaining assets of dissolved primary cooperative members upon request of the  
8 dissolved primary cooperative;

9 (m) To do and perform such other non-business activities as may be  
10 necessary to attain the foregoing objectives; and

11 (n) To do and perform such other allied services incidental to the furtherance  
12 of the foregoing objectives, such as but not limited to, the maintenance of training  
13 centers, catering, lease of venue, lodging, publication, and reproduction and sale of  
14 training and research materials.

15  
16 **SEC. 32. Sources of Funds for Cooperative Unions.** - The funds of a  
17 cooperative union shall be sourced from the membership fees, dues, and contributions,  
18 remitted cooperative education and training fund (CETF) from member-cooperatives,  
19 training fees, fundraising activities, donations, grants, or subsidies from local and  
20 foreign sources, whether private or public.

21  
22 **CHAPTER VIII. MEMBERSHIP**

23  
24 **SEC. 33. Membership.** - A cooperative shall have regular members or associate  
25 members.

26 A regular member is one who has complied with all the membership  
27 requirements, including the Pre-Membership Seminar, and entitled to all the rights and  
28 privileges of membership. An associate member is one who has no right to vote nor  
29 be voted upon nor be appointed to any position in the cooperative and shall be entitled  
30 only to such rights and privileges as the bylaws may provide: *Provided*, That an  
31 associate member who meets all the requirements of regular membership, including  
32 the Pre-Membership Education Seminar, continues to patronize the cooperative for

1 two (2) years, and signifies the intention to remain a member shall be considered a  
2 regular member.

3  
4 **SEC. 34. *Qualifications of Membership.*** – Members of registered primary  
5 cooperatives must be natural persons, Filipino citizens or former natural-born Filipino  
6 citizens, of legal age, with capacity to enter into a contract, within the common bond  
7 of membership and area of operation, and must possess the qualifications and none  
8 of the disqualifications as provided for in the bylaws of the cooperative: *Provided*, That  
9 in case of former natural-born Filipino citizens, they must comply with Philippine  
10 taxation laws: *Provided, further*, That the age requirement shall not apply to laboratory  
11 cooperatives as defined in Section 4. A member must have completed the Pre-  
12 Membership Education Seminar.

13  
14 **SEC. 35. *Government Officers and Employees.*** –

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

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

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

29  
30 **SEC. 36. *Processing of Applications for Membership.*** - An application for  
31 membership shall be acted upon by the Board of Directors within the period fixed in  
32 the bylaws but not later than thirty (30) days. Otherwise, the application for

1 membership shall be deemed approved, subject to the condition that the applicant has  
2 submitted the duly accomplished application and has paid the membership fees to the  
3 cooperative.

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

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

10

11 **SEC. 37. Liability of Members.** - A member shall be liable for the debts of the  
12 cooperative to the extent of the member's subscription to the share capital of the  
13 cooperative.

14

15 **SEC. 38. Termination of Membership. –**

16 **(a)** Subject to the Terms and Conditions as stated in the bylaws of the  
17 cooperative, a member of a cooperative may withdraw membership from the  
18 cooperative by giving written notice to the Board of Directors which shall be acted  
19 upon within thirty (30) days from receipt of said notice.

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

26 **(c)** Termination of membership in the cooperative shall be initiated through  
27 the filing of a complaint before the ethics committee of the cooperative. The committee  
28 shall recommend to the Board of Directors the termination of membership for any of  
29 the following causes:

30 (1) Failure to patronize any services of the cooperative for an unreasonable  
31 period of time as provided in the bylaws;

1 (2) Failure to comply with the obligations of membership as provided in the  
2 bylaws or policies of the cooperative;

3 (3) Violation of the bylaws of the cooperative;

4 (4) Commission of any act or omission injurious or prejudicial to the interest  
5 or the welfare of the cooperative; and

6 (5) Others, as may be provided in the bylaws of the cooperative.

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

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

21  
22 **SEC. 39. Refund of Interests.** - All sums computed in accordance with the  
23 bylaws due from the cooperative to a former member shall be paid in accordance with  
24 this Code and as prescribed in the implementing rules and regulations: *Provided*, That  
25 in case of payment where the value of the assets of the cooperative would be less  
26 than the aggregate amount of its debts and liabilities exclusive of the members' share  
27 capital contribution such refund shall not be made.

28 In the computation of the interest due to a former member, the current balance  
29 of such member in the ledger of accounts of the cooperative shall be taken into  
30 account.

31

32



1 its powers to the Board of Directors. These powers shall be enumerated under the  
2 bylaws of the cooperative.

3

4 **SEC. 42. Meetings. –**

5 (a) The General Assembly shall conduct a regular annual meeting on a date  
6 fixed in the bylaws, which shall be within ninety (90) days or one hundred eighty (180)  
7 days after the close of each calendar year, for primary or secondary cooperatives,  
8 respectively: *Provided*, That notice of regular meetings shall be sent in writing, by  
9 posting or publication, or through other electronic means to all members of record.

10 (b) Whenever necessary, a special meeting of the General Assembly may be  
11 called at any time by a majority vote of the Board of Directors, or upon petition of at  
12 least ten percent (10%) of the total members who are entitled to vote, or as provided  
13 for in the bylaws: *Provided*, That a notice in writing shall be sent one (1) week prior  
14 to the meeting to all members who are entitled to vote.

15 If the Board fails to call a regular or special meeting within the given period, the  
16 Authority, upon petition of ten percent (10%) of members entitled to vote, or the  
17 quorum as stated in their bylaws, and for good cause shown, shall issue an order to  
18 the petitioners directing them to call a meeting of the General Assembly by giving  
19 proper notice as required in this Code or in the bylaws;

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

- 23 (1) Presentation of approved articles of cooperation and bylaws;
- 24 (2) Approval of the annual strategic and development plans, and budget;
- 25 and
- 26 (3) Other matters, as may be determined by the cooperative.

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

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



1           **SEC. 43. Mode of Conducting Regular or Special Assembly Meetings. –**

2 Regular and special assembly meetings may be conducted in any of the following  
3 manner:

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

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

8           As a general rule, assembly meetings shall be conducted in a manner provided  
9 in the bylaws of the cooperative. However, due to technological advancement, public  
10 health and safety measures, increased level of participation of members and other  
11 equally important considerations in favor of the viability and growth of cooperatives,  
12 cooperatives are allowed to conduct their assembly meetings through video  
13 conferencing or a combination of physical attendance and video conferencing:  
14 *Provided*, That cooperatives who opt to conduct General Assembly meetings through  
15 video conferencing or a combination of physical attendance and video conferencing as  
16 an alternative mode shall amend their bylaws adopting the same: *Provided, further*,  
17 That cooperatives shall adopt policies and procedures sufficiently addressing  
18 administrative, technical, and logistical concerns for an effective and efficient video  
19 conference meeting.

20  
21           **SEC. 44. Quorum.** - Unless a higher requirement is provided in the bylaws of  
22 the cooperative, a quorum shall consist of at least twenty-five percent (25%) of all the  
23 members entitled to vote: *Provided*, That the quorum for Representative Assembly  
24 shall in no case be lower than twenty-five percent (25%) of the total membership  
25 entitled to vote.

26           In the case of federations and unions, the quorum requirement shall be fifty  
27 percent (50%) of the total number of members entitled to vote.

28  
29           **SEC. 45. Voting System.** - Each member of a primary cooperative shall have  
30 only one (1) vote regardless of the share capital of such member. In the case of  
31 federations, they may opt to adopt in their bylaws incentive voting or share voting.

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

8 The foregoing notwithstanding, the bylaws of a cooperative, other than a primary  
9 cooperative, may provide for voting by proxy. Voting by proxy means allowing a  
10 delegate of a cooperative to represent or vote on behalf of another delegate of the  
11 same cooperative.

12  
13 **SEC. 46. *Composition and Term of the Board of Directors.*** - Unless  
14 otherwise provided in the bylaws, the direction and management of the affairs of a  
15 cooperative shall be vested in a board of directors which shall be composed of not less  
16 than five (5) nor more than fifteen (15) members elected by the general assembly for  
17 a term of two (2) years and shall hold office until their successors are duly elected and  
18 qualified, or until duly removed for cause. However, registered cooperatives or those  
19 applying for specific licenses with other regulatory agencies must comply with the  
20 governance requirements of said agency to operate or function as such.

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

24  
25 **SEC. 47. *Powers of the Board of Directors.*** - The Board of Directors shall be  
26 responsible for the annual strategic planning, direction-setting, and policy-formulation  
27 activities of the cooperatives.

28  
29 **SEC. 48. *Directors.*** –

30 (a) Any member of a cooperative who has the right to vote and be voted  
31 upon, and who possesses all the qualifications and none of the disqualifications

1 provided in this Code or in its bylaws shall be eligible for election as director, subject  
2 to the limitation imposed by the second paragraph of Section 45 of this Code.

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

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

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

14  
15 **SEC. 49. Meeting of the Board and Quorum Requirement. –**

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

24 (b) A majority of the members of the Board shall constitute a quorum for  
25 the conduct of business.

26 (c) Each member of the Board shall only have one (1) vote, whether it be a  
27 primary or secondary cooperative, irrespective of the share capital holdings of the  
28 member-cooperative.

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

30 (e) Cooperatives may opt to allow meetings of the Board of Directors and  
31 members of the different committees of the cooperative to be conducted either  
32 through physical attendance or video conferencing, or both, subject to the rules on

1 sending of notices, quorum, and voting requirements as provided for in the bylaws. In  
2 the conduct of meetings through video conferencing, cooperatives shall adopt their  
3 own policies and procedures which shall be included in their bylaws.

4  
5 **SEC. 50. *Vacancy in the Board of Directors.*** – In case of a vacancy, other  
6 than by expiration of term or an increase in the number of Board of Directors, the  
7 Board, if still constituting a quorum, may, in a special meeting called for the purpose,  
8 appoint, by majority vote, any member of the cooperative to fill such vacancy:  
9 *Provided,* That the director so appointed shall possess all of the qualifications and none  
10 of the disqualifications as prescribed under this Code and the bylaws of the  
11 cooperative. If the remaining members of the Board do not constitute a quorum, the  
12 vacancy shall be filled in an election conducted through a special General Assembly  
13 called for the purpose, held within thirty (30) days from the time the vacancy occurs,  
14 or during the regular General Assembly, whichever comes first. The director so  
15 appointed or elected shall serve only for the unexpired term of the predecessor in  
16 office.

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

23  
24 **SEC. 51. *Officers of the Cooperative.*** - The officers of the cooperative shall  
25 include the members of the Board of Directors, members of the different committees,  
26 General Manager or Chief Executive Officer, Secretary, Treasurer, and other officers  
27 as may be provided for in the bylaws. As such, they shall exercise their duties and  
28 responsibilities within the scope of their defined functions.

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

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

7  
8 **SEC. 52. *Committees of Cooperatives.* –**

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

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

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

23  
24 **SEC. 53. *Functions, Responsibilities, and Training Requirements of***  
25 ***Directors, Officers and Committee Members.*** - The functions and responsibilities  
26 of directors, officers, and committee members, as well as their training requirements,  
27 shall be prescribed in the bylaws of the cooperative, in accordance with the rules and  
28 regulations issued by the Authority.

29  
30 **SEC. 54. *Liability of Directors, Officers, and Committee Members.*** -  
31 Directors, officers, and committee members shall be jointly and severally liable for all

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

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

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

12

13 **SEC. 55. *Honorarium and Other Emoluments.* –**

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

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

23 (c) Unless already fixed in the bylaws, the compensation of all other employees  
24 shall be determined by the Board of Directors in accordance with the Regional  
25 Tripartite and Wage Productivity Board.

26

27 **SEC. 56. *Dealings of Directors, Officers, or Committee Members.* - A**  
28 contract entered into by the cooperative with one (1) or more of its directors, or their  
29 spouses and relatives within the first civil degree of consanguinity or affinity, is  
30 voidable, at the option of the cooperative, unless the following conditions are present:

- 31 (a) The presence of such director in the Board meeting wherein contract  
32 was approved was not necessary to constitute a quorum for such meeting;

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

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

5 In the case of contracts executed between the cooperative and its other officers  
6 or committee members, or their spouses or relatives within the first civil degree of  
7 consanguinity or affinity, such contracts are voidable, at the option of the cooperative,  
8 unless previously authorized by the General Assembly or by the Board of Directors,  
9 and the contract is fair, reasonable, and beneficial to the cooperative under the  
10 circumstances.

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

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

19  
20 **SEC. 57. *Disloyalty of a Director and Other Officers of the Cooperative.***

21 - A director or other officer of the cooperative who, by virtue of such office, directly  
22 or indirectly acquires for themselves an opportunity which should belong to the  
23 cooperative, shall be liable for damages and must account for double the profits that  
24 otherwise would have accrued to the cooperative by refunding the same. This  
25 provision shall be applicable, notwithstanding the fact that the director or other officers  
26 of the cooperative used their own funds to acquire such opportunity.

27  
28 **SEC. 58. *Illegal Use of Confidential Information.*** –

29 (a) A director, officer, or any person who, in conspiracy or connivance  
30 therewith, makes use of confidential information to the benefit or advantage of such  
31 person, which, if generally known, may adversely affect the operation and viability of

1 the cooperative, shall be held liable for the direct losses and for the unrealized benefit  
2 suffered by the cooperative, as a result of the transaction.

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

5

6 **SEC. 59. *Removal From Office.*** – No officer may be removed except for  
7 cause, as provided in the internal policies of the cooperative, after due notice and  
8 hearing. Loss of trust and confidence in the performance of duties shall be a valid  
9 ground for removal.

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

18 In cases involving directors, the complaint shall be filed with the Ethics and  
19 Grievance Committee, which shall follow the procedure set in the preceding paragraph.

20 In cases involving the removal of any appointive officer, a complaint shall be filed  
21 with the Ethics and Grievance Committee of the cooperative, which shall submit its  
22 recommendation to the Board of Directors for proper action. The decision of the Board  
23 of Directors may be appealed to the General Assembly.

24 During the investigation, the Board of Directors or the Ethics and Grievance  
25 Committee may, as the case may be, upon majority vote, place such officer under  
26 preventive suspension, as prescribed in the bylaws.

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

28

29

30

31



1                   **CHAPTER X. RESPONSIBILITIES, RIGHTS AND PRIVILEGES OF**  
2                   **COOPERATIVES**

3  
4           **SEC. 60. Address.** - Every cooperative shall have an official postal address  
5 where the principal office is located and an electronic mail address to which all  
6 communications, reports, notices, and summons may be served, and where all other  
7 documents required shall be submitted. The articles of cooperation and the bylaws  
8 shall be amended accordingly should there be a change in the official postal and  
9 electronic mail addresses of the cooperative.

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

12  
13           **SEC. 61. Books to be Kept Open. –**

14           (a) Every cooperative shall have the following documents ready and  
15 accessible to its members and representatives of the Authority for inspection,  
16 examination, and investigation during reasonable office hours at its registered principal  
17 office:

- 18           (1) A copy of this Code and all other laws pertaining to cooperatives;  
19           (2) A copy of the implementing rules and regulations of this Code;  
20           (3) A copy of the articles of cooperation and bylaws of the cooperative;  
21           (4) A registry of members;  
22           (5) The books of the minutes of the meetings of the General Assembly,  
23 Board of Directors and committees;  
24           (6) A share and transfer book, except for unions;  
25           (7) Financial statements and other financial records; and  
26           (8) Such other documents as may be prescribed by the Authority, laws, and  
27 the bylaws.

28           (b) The accountant or the bookkeeper of the cooperative shall be  
29 responsible for the maintenance and safekeeping of the books and records of accounts  
30 of the cooperative in accordance with generally accepted accounting practices. The  
31 accountant or bookkeeper shall also be responsible for the production of the same at  
32 the time of audit, inspection, examination, or investigation.

1 The Audit Committee shall be responsible for the continuous and periodic review  
2 of the books and records of accounts to ensure that such records are in accordance  
3 with generally accepted accounting practices. It shall also be responsible for the  
4 production of the same at the time of audit or inspection.

5 (c) Each cooperative shall maintain records of accounts such that the true  
6 and correct condition and the results of the operation of the cooperative may be  
7 ascertained therefrom at any time. The financial statements, audited according to  
8 generally accepted auditing standards, principles and practices, shall be published  
9 annually and shall be kept posted in conspicuous places in the principal office of the  
10 cooperative, its branches, and satellite offices.

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

20 The information and data being examined which may contain confidential matters  
21 or privileged communication should not be disclosed or used without the consent of  
22 the cooperative in accordance with Republic Act No. 10173, otherwise known as the  
23 "Data Privacy Act of 2012."  
24

25 **SEC. 62. Annual Reports.** - Every cooperative shall prepare an annual progress  
26 report with the necessary attachments as may be prescribed by the Authority at the  
27 end of every calendar year. The reports shall be made accessible to its members, and  
28 copies thereof shall be available upon request of members on record and properly  
29 authorized government agencies with developmental functions and extension services  
30 for cooperatives during reasonable office hours. These reports shall be filed with the  
31 Authority within one hundred twenty (120) days from the end of the calendar year.  
32 The form and contents of the reports shall be as prescribed by the rules of the

1 Authority. Failure to file the required reports on time shall subject the accountable  
2 officer to fines and penalties as may be prescribed by the Authority. Failure to file the  
3 required reports despite notice shall be a ground for the suspension or cancellation of  
4 the Certificate of Registration of the cooperative, subject to the guidelines to be issued  
5 by the Authority.

6 If a cooperative fails to make and file the reports required herein, or fails to  
7 include therein any matter required by the Code, the Authority shall, within thirty (30)  
8 days from the expiration of the prescribed period, send such cooperative a notice  
9 stating its non-compliance and the commensurate fines and penalties that will be  
10 imposed until such time that the cooperative has complied with the requirements.

11  
12 **SEC. 63. Registry of Members as Prima Facie Evidence.** - A registry of  
13 members kept by the cooperative shall be *prima facie* evidence of the following  
14 particulars:

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

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

18 However, other information may be required in accordance with the guidelines  
19 that shall be prescribed by the Authority in consultation with the cooperative sector.

20  
21 **SEC. 64. Probative Value of Certified Copies of Entries.** - A copy of any  
22 entry in any book, registry, or list regularly kept in the course of business of the  
23 cooperative shall, if duly certified in accordance with the rules of evidence, be  
24 admissible as evidence of the existence of entry and *prima facie* evidence of the  
25 matters and transactions therein recorded.

26 No cooperative or person in possession of the books of such cooperative shall, in  
27 any legal proceedings to which the cooperative is not a party, be compelled to produce  
28 any of the books of the cooperative, unless by order of the Authority in the exercise  
29 of its adjudicatory powers or a competent court.

30  
31 **SEC. 65. Bond of Accountable Officers.** - All officers and employees handling  
32 funds, securities, or property on behalf of the cooperative shall be covered by a surety

1 bond or a fidelity bond to be issued by a duly registered insurance or bonding  
2 company, the adequacy of which shall be determined by the Board of Directors, for  
3 the faithful performance of their respective duties and obligations. The cooperative  
4 may likewise secure other insurance policies for its protection against losses of monies,  
5 securities, and other properties.

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

11  
12 **SEC. 66. Preference of Claims. –**

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

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

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

26  
27 **SEC. 67. Instrument for Salary or Wage Deduction. –**

28 (a) A member of a cooperative shall, notwithstanding the provisions of  
29 existing laws to the contrary, execute an instrument in favor of the cooperative  
30 authorizing the employer to deduct from the salary or wages, commutation of leave  
31 credits, and any other monetary benefits payable by the employer, and remit such

1 amount as may be specified in satisfaction of a debt, share capital contribution, or  
2 other demand due 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 deduction in  
5 accordance with the agreement and remit forthwith to the cooperative the amount so  
6 deducted within ten (10) days after the end of the payroll month. The employer shall  
7 make the deduction for as long as such debt or other demand remains unpaid by the  
8 employee.

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

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

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

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

27

28 **SEC. 68. Primary Lien.** – Notwithstanding the provision of any law to the  
29 contrary, a cooperative shall have primary lien upon the capital, deposits, or interests  
30 of a member for any debt due to the cooperative from such member.

31

1           **SEC. 69. Tax Treatment of Cooperatives.** – Duly registered cooperatives  
2 under this Code which do not transact any business with nonmembers or the general  
3 public shall not be subject to any taxes, fees, and charges imposed under the internal  
4 revenue laws and other tax laws. Cooperatives not falling under this Section shall be  
5 governed by the succeeding provisions.

6  
7           **SEC. 70. Tax and Other Exemptions.** - Duly registered cooperatives shall not  
8 be subject to tax on their transactions with members. Further, the transactions of  
9 members with the cooperative, including member's share capital and deposits shall  
10 not be subject to any taxes, fees, and charges, including but not limited to final taxes  
11 on members' share capital and deposits and corresponding documentary stamp taxes.

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

14           (a) Duly registered agricultural cooperatives and non-agricultural  
15 cooperatives whose Reserve Funds have an existing balance of One hundred million  
16 pesos (Php100,000,000.00) and below shall be exempt from all national internal  
17 revenue taxes, fees, and charges of whatever name and nature imposed under the  
18 internal revenue laws and other tax laws;

19           Such cooperatives shall be exempt from customs duties, advance sales or  
20 compensating taxes on their importation of machineries, equipment, batteries,  
21 accessories, and spare parts used in the operations of the cooperatives and which are  
22 not available locally as certified by the Department of Trade and Industry (DTI). All  
23 tax- and duty-free imports shall not be sold nor the beneficial ownership thereof be  
24 transferred to any person until after five (5) years, otherwise, the cooperative and the  
25 transferee or assignee shall be solidarily liable to pay twice the amount of the imposed  
26 tax or duties;

27           (b) Non-agricultural cooperatives transacting with non-members whose  
28 Reserve Funds have an existing balance of more than One hundred million pesos  
29 (Php100,000,000.00) shall pay the following taxes at the full rate:

30           (1) Special Income Tax of ten percent (10%) of net surplus: *Provided*, That  
31 the same tax is not consequently imposed on interest individually received by  
32 members. The tax base for all cooperatives liable to pay income tax shall be the income

1 directly related from the business transactions with non-members after deducting the  
2 amounts for the statutory funds; and

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

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

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

14 (iii) Sales by non-agricultural, non-electric and non-credit cooperatives duly  
15 registered with the Authority: *Provided,* That the share capital contribution of all  
16 members does not exceed One hundred thousand pesos (Php100,000.00) each and  
17 regardless of the aggregate capital and net surplus ratably distributed among the  
18 members:

19 *Provided,* That the exempt transactions in the foregoing shall include sales made  
20 by cooperatives duly registered with the Authority organized and operated by their  
21 members to undertake the production and processing of raw materials or of goods  
22 produced by their members into finished or process products for sale by the  
23 cooperatives to their members and non-members: *Provided, however,* That any  
24 processed product or its derivative arising from the raw materials produced by their  
25 members, sold in the name and for the account of the cooperative shall be deemed a  
26 product of the cooperative and its members: *Provided, further,* That at least twenty-  
27 five percent (25%) of the net income of the cooperatives is returned to the members  
28 in the form of interest and/or patronage refunds: *Provided, finally,* That VAT shall not  
29 be imposed for the purchase of modernized vehicles under the Public Utility Vehicle  
30 Modernization Program;

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

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

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

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

13 (d) In areas where there are no available notaries public, the judge,  
14 exercising his/her ex-officio capacity as notary public, shall render service, free of  
15 charge, to any person or group of persons requiring the administration of oath or the  
16 acknowledgment of articles of cooperation and instruments of loan from cooperatives  
17 not exceeding Five hundred thousand pesos (Php500,000.00);

18 (e) Any register of deeds shall accept for registration, free of charge, any  
19 instrument relative to a loan made under this Code which does not exceed Two  
20 hundred and fifty thousand pesos (Php250,000.00) or the deeds of title of any property  
21 acquired by the cooperative or any paper or document drawn in connection with any  
22 action brought by the cooperative or with any court judgment rendered in its favor or  
23 any instrument relative to a bond of any accountable officer of a cooperative for the  
24 faithful performance of their duties and obligations;

25 (f) Cooperatives shall be exempt from the payment of all court and sheriff's  
26 fees payable to the Philippine Government for and in connection with all actions  
27 brought under this Code, or where such action is brought by the Authority before the  
28 court, to enforce the payment of obligations contracted in favor of the cooperative;

29 (g) All cooperatives shall be exempt from putting up a bond for bringing an  
30 appeal against the decision of an inferior court or for seeking to set aside any third  
31 party claim: *Provided*, That a certification of the Authority showing that the net assets



1 of the cooperative are in excess of the amount of the bond required by the court in  
2 similar cases shall be accepted by the court as a sufficient bond; and

3 (h) Any security issued by cooperatives shall be exempt from the provisions  
4 of Republic Act No. 8799, otherwise known as "The Securities Regulation Code",  
5 provided, such security shall not be speculative.

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

8

9 **SEC. 71. Issuance of Certificate of Tax Exemption for Cooperatives. -**

10 The Authority shall furnish the Bureau of Internal Revenue (BIR) a certified  
11 endorsement of a list of cooperatives in good standing and compliant with the  
12 reportorial requirements of the Authority that serves as basis for the issuance of a  
13 Certificate of Tax Exemption. The BIR shall formulate the necessary guidelines in  
14 streamlining the issuance of Certificate of Tax Exemption for cooperatives; *Provided,*  
15 That, individual tax identification number (TIN) of members of the cooperative should  
16 not be a requirement in the processing of application and renewal of Certificate of Tax  
17 Exemption.

18

19 **SEC. 72. Privileges of Cooperatives. -** Cooperatives registered under this  
20 Code, notwithstanding the provisions of any law to the contrary, shall also be accorded  
21 the following privileges:

22 (a) Cooperatives shall enjoy the privilege of depositing their sealed cash  
23 boxes or containers, documents or any valuable papers in the safes of the municipal,  
24 city, or provincial treasurers, and other government offices free of charge, and the  
25 custodian of such articles shall issue a receipt acknowledging the articles received,  
26 duly witnessed by another person;

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

30 (c) Cooperatives rendering special types of services and facilities such as  
31 cold storage, ice plant, electricity, transportation, water, communications, and similar  
32 services and facilities shall be given preference in the grant of a franchise or certificate

1 therefor: *Provided*, That such cooperatives shall open their membership to all persons  
2 qualified in their areas of operation. In case there are two (2) or more applicants for  
3 the same public service franchise or certificate of public convenience and necessity, all  
4 things being equal, preference shall be given to a cooperative engaged in public  
5 services;

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

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

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

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

29 (h) Public transport service cooperatives shall be entitled to financing  
30 support from Government Financial Institutions for the acquisition and maintenance  
31 of land, sea, and air transport equipment, facilities, and parts, and shall be preferred  
32 in securing a franchise for active or potential routes for public transport. They shall

1 have preferential rights to the management and operation of public terminals and  
2 ports whether land, sea, or air, and wharves, where the cooperative operates, as well  
3 as in the operation of arrastre and stevedoring services therein.

4 (i) Cooperatives shall be given preference in the procurement of  
5 government projects subject to the existing procurement laws, rules and regulations.

6 (j) Cooperatives shall enjoy the privilege of being represented by the  
7 provincial or city fiscal, or the Office of the Solicitor General, free of charge, except  
8 when the adverse party is the Republic of the Philippines;

9 (k) Cooperatives organized by faculty members and employees of  
10 educational institutions shall have the preferential right to manage the school canteen  
11 and other services related to the operation of the educational institution where they  
12 are employed: *Provided*, That such services are operated within the premises of the  
13 said educational institution;

14 (l) The relevant regulatory agencies, and LGUs shall not discriminate  
15 against duly registered cooperatives seeking accreditation as service providers, or  
16 seeking to engage in a particular business: *Provided*, That they possess all other  
17 qualifications under the law. Any person who acts contrary to this provision may be  
18 held liable under this Code and all other relevant laws and issuances;

19 (m) Cooperatives shall be entitled to financing support from the relevant  
20 government agencies that shall allocate funds for the establishment of projects and  
21 programs for the development and promotion of cooperatives; *and*

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

27 The Authority, in consultation with appropriate government agencies and the  
28 cooperative sector, shall issue rules and regulations on all matters concerning housing  
29 cooperatives and socialized housing projects. Furthermore, the sector shall be  
30 consulted in matters of policy and implementation that will affect the rules and  
31 regulations on cooperatives.

32

1                   **CHAPTER XI. INSOLVENCY, SUSPENSION, DISSOLUTION,**  
2                   **LIQUIDATION, AND DELISTING OF COOPERATIVES**

3  
4           **SEC. 73. *Proceeding Upon Insolvency.*** - In case a cooperative is unable to  
5 fulfill its obligations to creditors due to insolvency, such cooperative may apply for  
6 such remedies as it may deem fit under the provisions of Republic Act No. 10142,  
7 otherwise known as the "Financial Rehabilitation and Insolvency Act."

8  
9           **SEC. 74. *Effect of Declaration of Insolvency by a Competent Court.*** -  
10 Should the cooperative be declared insolvent by the court, its Certificate of Registration  
11 shall be cancelled, and it shall be delisted from the registry of cooperatives of the  
12 Authority.

13  
14           **SEC. 75. *Suspension of Certificate of Registration.*** - A penalty of  
15 suspension, after due process, shall be imposed on a cooperative on any of the  
16 following grounds:

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

21           (b) Willful failure or refusal to comply with an interlocutory order, a final and  
22 executory decision, or award from the Board of Directors of the Authority, or from any  
23 of its Regional Offices or adjudication officers, or by a voluntary arbitrator in relation  
24 to an investigation, voluntary arbitration, or adjudication.

25  
26           **SEC. 76. *Voluntary Dissolution Where no Creditors are Affected.*** - If the  
27 dissolution of a cooperative does not prejudice the rights of any creditor having a claim  
28 against it, the dissolution may be effected by a majority vote of the Board of Directors,  
29 and by a resolution duly adopted by the affirmative vote of at least three-fourths (3/4)  
30 of all the members entitled to vote, present and constituting a quorum in a special  
31 General Assembly called by the directors for such purpose: *Provided*, That the notice  
32 of time, place, and object of the meeting shall be posted for three (3) consecutive

1 weeks in the principal office of said cooperative, in a public place in the municipality,  
2 city, or province where the cooperative operates, and in its official website and social  
3 media accounts.

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

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

11  
12 **SEC. 77. Voluntary Dissolution Where Creditors Are Affected.** - In case  
13 creditors of the cooperative are affected, the petition for dissolution, signed by a  
14 majority of its Board of Directors or the Chief Executive Officer or General Manager,  
15 as the case may be, and verified by the Chairperson of the Board or the Cooperative  
16 Secretary, shall be filed with the Authority. The petition shall state that the dissolution  
17 was affirmed by a vote of at least three-fourths (3/4) of all the members entitled to  
18 vote, present and constituting a quorum in a special General Assembly called for the  
19 purpose, and shall set forth all the claims and demands against the cooperative.

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

31 Upon the expiry of such period, the Authority shall proceed to hear the petition  
32 and try any issue raised in the opposition filed. If there is no opposition or such is

1 insufficient, and the material allegations in the petition are proven, the Authority shall  
2 issue a Certification of Dissolution and direct the disposition of assets of the  
3 cooperative in accordance with existing rules and regulations. The Certificate of  
4 Dissolution shall set forth:

5 (a) The assets and liabilities of the cooperative;

6 (b) The claim of any creditor;

7 (c) The number of members;

8 (d) The nature and extent of the interests of the members of the  
9 cooperative; and

10 (e) The appointment of the liquidators.

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

13  
14 **SEC. 78. Cancellation by Order of the Authority.** - The Authority may  
15 cancel, after due notice and hearing, the cooperative's Certificate of Registration on  
16 any of the following grounds:

17 (a) Having obtained its registration by fraud;

18 (b) Engaging in an illegal or unauthorized purpose;

19 (c) Willful violation, despite written notice by the Authority, of the provisions  
20 of this Code or its implementing rules and regulations, other issuances of the Authority  
21 consistent with this Code, or bylaws of the cooperative;

22 (d) Willful refusal to comply with an order issued or given by the Authority;

23 (e) Willful failure to operate on a cooperative basis; or

24 (f) Failure to meet the required minimum capital and minimum number of  
25 members in the cooperative.

26 The decision of the Authority on the cancellation of the Certificate of Registration  
27 of a cooperative may be appealed to the Authority's Board of Directors within thirty  
28 (30) days from the receipt thereof. The decision of the Authority's Board of Directors  
29 shall be final and executory unless elevated or appealed to a regular court.

30  
31 **SEC. 79. Cancellation by Failure to Operate.** - If a cooperative has not  
32 commenced operations within three (3) years after the issuance of its Certificate of

1 Registration, or has not carried on its business for three (3) consecutive years, the  
2 Authority shall issue a show cause order for the cooperative to explain its failure to  
3 operate. Failure to provide justifiable cause shall authorize the Authority, after due  
4 notice, to cancel the Certificate of Registration and delist it from the registry.

5  
6 **SEC. 80. Liquidation of a Cooperative.** - Every cooperative whose term of  
7 existence expires by its own limitation, or whose existence is terminated by voluntary  
8 dissolution or cancellation of its Certificate of Registration by the Authority shall cease  
9 to operate. However, it can continue to exist for three (3) years for winding up its  
10 affairs, prosecuting and defending suits by or against it, and the disposition,  
11 conveyance and distribution of its properties and assets.

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

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

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

21  
22 **SEC. 81. Delisting of Cooperatives.** - Cooperatives may be delisted from the  
23 Registry of Cooperatives due to any of 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; or  
28 (e) Merger or Consolidation.

29  
30 **SEC. 82. Rules and Regulations on the Insolvency, Suspension,**  
31 **Dissolution, Liquidation, and De-listing of Cooperatives.** – The guidelines on

1 the implementation of this Chapter shall be included in the implementing rules and  
2 regulations of this Code.

3  
4 **CHAPTER XII. CAPITAL, PROPERTY, AND FUNDS**

5  
6 **SEC. 83. *Capital and Funds.*** – The capitalization of cooperatives and  
7 federations, or funds in the case of unions, shall be governed by this Code and its  
8 implementing rules and regulations that will be developed in consultation with the  
9 cooperative sector.

10  
11 **SEC. 84. *Capital Sources.*** - Cooperatives registered under this Code may  
12 derive their capital from any or all of the following sources:

- 13 (a) Member’s share capital;  
14 (b) Loans and borrowings;  
15 (c) Deposits from members only, except for cooperative banks which accept  
16 deposits from both members and non-members, or the general public;  
17 (d) Revolving capital which consists of the deferred payment of patronage  
18 refunds, or interest on share capital;  
19 (e) Joint venture partners; and  
20 (f) Subsidies, donations, legacies, grants, aids, and such other assistance or  
21 investment from any local or foreign institution whether public or private: *Provided,*  
22 That capital coming from such subsidies, donations, legacies, grants, aids,  
23 investments, and other assistance shall not be divided into individual share capital  
24 holdings at any time, but instead shall form part of the donated capital or fund of the  
25 cooperative. Upon dissolution or cancellation of the cooperative, such donated capital  
26 shall be subject to escheat.

27  
28 **SEC. 85. *Limitation on Share Capital Subscription*** - No member of primary  
29 cooperative other than the cooperative itself shall own or hold more than twenty  
30 percent (20%) of the subscribed share capital of the cooperative.

31 Where a member of a cooperative dies, their heir shall be entitled to the shares  
32 of the decedent: *Provided,* That the total shareholding of the heir does not exceed



1 twenty percent (20%) of the share capital of the cooperative: *Provided, further,* That  
2 the heir qualifies and is admitted as a member of the cooperative: *Provided, finally,*  
3 That where the heir fails to qualify as a member or where their total shareholding  
4 exceeds twenty percent (20%) of the share capital, the shares in excess will revert to  
5 the cooperative upon payment to the heir of the value of such shares.

6 For federations as stated in its articles of cooperation and bylaws, the share  
7 capital holdings of any one member-cooperative shall not exceed forty percent (40%)  
8 of the subscribed share capital of the federation. A foreign federation of cooperatives  
9 if admitted as associate member of a Philippine federation of cooperatives may hold  
10 or own up to forty percent (40%) of the preferred share capital of said Philippine  
11 federation: *Provided,* That the redemption date of such preferred share capital shall  
12 be at least five (5) years after effectivity of membership; *Provided, further,* That during  
13 the five-year period, withdrawal of the preferred share capital shall not be allowed.

14  
15 **SEC. 86. Assignment of Share Capital Contribution or Interest.** - Subject  
16 to the provisions of this Code and the approval of the majority of the Board of  
17 Directors, no member shall transfer their shares or interest in the cooperative or any  
18 part thereof unless:

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

21 (b) The assignment is made to the cooperative or to a member of the  
22 cooperative or to a person who falls within the field of the membership of the  
23 cooperative; and

24 (c) The Board of Directors has approved such assignment.

25  
26 **SEC. 87. Capital Build-Up.** - The bylaws of every cooperative, except for  
27 cooperative unions, shall prescribe a reasonable and realistic member capital or  
28 deposits build-up program to allow the continuing growth of the contribution of the  
29 members to the cooperative as their economic conditions continue to improve. Upon  
30 approval of the membership, the member shall execute a subscription agreement on  
31 their equitable contribution to the cooperative. Upon full payment thereof, the member

1 may apply for an additional share capital subscription, and execute a new subscription  
2 agreement.

3

4 **SEC. 88. Shares.** - The term "share" refers to a unit of capital in a cooperative,  
5 except for cooperative unions, the par value of which may be fixed at any figure not  
6 less than One hundred pesos (Php100.00) but not more than One thousand pesos  
7 (Php1,000.00). The share capital of the cooperative is the money paid or required to  
8 be paid by the members for the operations of the cooperative.

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

12 Cooperatives are prohibited from issuing multiple types of shares with different  
13 par values, and from increasing or decreasing the par value of the share capital without  
14 amending their articles of cooperation and bylaws.

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

17

18 **SEC. 89. Fines.** – The policies of a cooperative may prescribe a fine on unpaid  
19 subscribed share capital: *Provided*, That such fine is fair and reasonable.

20

21 **SEC. 90. Investment of Capital.** – A cooperative, upon approval as provided  
22 in its bylaws, may invest its capital in any of the following:

- 23 (a) Any reputable bank;
- 24 (b) Securities issued or guaranteed by the Government;
- 25 (c) Real estate primarily for the use of the cooperative or its members; or
- 26 (d) Any other manner authorized in the bylaws.

27

28 **SEC. 91. Revolving Capital.** - The General Assembly may authorize the Board  
29 of Directors to raise a revolving capital from the proceeds of products sold or services  
30 rendered, or per unit of product or services handled, to strengthen its capital structure.

31

32

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

2  
3           **SEC. 92. *Audit of Cooperatives.*** - Cooperatives registered under this Code  
4 shall be subject to an annual audit of its financial and social performance in accordance  
5 with the implementing rules and regulations to be promulgated by the Authority. The  
6 financial audit shall be conducted by an external auditor who shall be independent  
7 from the cooperative or any of its subsidiaries, and must be a member in good standing  
8 of the Philippine Institute of Certified Public Accountants (PICPA), and is accredited by  
9 both the Board of Accountancy and the Authority. However, if the total assets or total  
10 liabilities of agricultural and fisheries cooperatives is less than Three million pesos  
11 (Php3,000,000.00), or such other amount as may be determined appropriate by the  
12 Department of Agriculture (DA), the financial statements may be certified under oath  
13 by the bookkeeper, treasurer, and the president.

14           The social performance audit may be conducted by the Audit Committee, by the  
15 internal auditor of the cooperative, or by an independent auditor engaged by the  
16 cooperative. The Authority, in consultation with the cooperative sector, shall  
17 promulgate the rules and standards for the social audit of cooperatives.

18  
19           **SEC. 93. *Audit Report.*** - The complete audit reports shall be submitted to the  
20 Board of Directors, which shall be presented to the General Assembly for approval.  
21 The Board of Directors shall be liable under Section 170 of this Code should it fail to  
22 present such reports to the General Assembly.

23  
24           **SEC. 94. *Non-Liability for Defamations.*** - The auditor shall not be held liable  
25 in any action for defamation for acts done or for any statement made by them in good  
26 faith in connection with the conduct of audit of the cooperative.

27  
28           **SEC. 95. *Right to Examine.*** - All members shall have the right to examine the  
29 records of the cooperative under Section 61 of this Code at any time during reasonable  
30 hours of the operating days of the cooperative: *Provided*, That the member submits a  
31 letter request three (3) days prior to the date of their demand to examine the records  
32 and stating therein the purpose of the request.

1 The Board of Directors shall consider the purpose and reason for the request to  
2 examine the records to determine its propriety. The Board of Directors shall have the  
3 right to refuse the request after proper consultation with the requesting member on  
4 any of the following grounds:

5 (a) The member has improperly used any information secured through any  
6 prior examination of the records of such cooperative or of any other cooperative; or

7 (b) The member is not acting in good faith or for a legitimate purpose in  
8 making the demand to examine records.

9 If the request to examine is denied based on the aforementioned grounds, the  
10 member shall have the burden of proving to the Board that such request is made in  
11 good faith and for a legitimate purpose. If the denial is made in bad faith, the directors  
12 who voted for such refusal shall be penalized under Section 170 of this Code.

13  
14 **SEC. 96. *Safety of Records.*** - Every cooperative shall, at its principal office,  
15 keep and carefully preserve the records required by this Code to be prepared and  
16 maintained. The bylaws shall also provide the condition and the accountable persons  
17 for the safekeeping of the records in accordance with applicable laws on data privacy.  
18 The cooperative shall take all necessary precautions to prevent its loss, destruction, or  
19 falsification.

#### 20 21 **CHAPTER XIV. ALLOCATION AND DISTRIBUTION OF NET SURPLUS**

22  
23 **SEC. 97. *Net Surplus.*** - Notwithstanding the provisions of existing laws, the  
24 net surplus of cooperatives shall be determined in accordance with its bylaws. Every  
25 cooperative shall determine its net surplus at the close of every calendar year.

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

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**SEC. 98. Net Surplus Allocation and Statutory Funds.** - The net surplus

shall be subject to the allocation of the following statutory funds, which shall be recorded in the books of account, for the cooperative’s growth and development:

(a) An amount for the reserve fund which shall be at least ten percent (10%) of the net surplus provided, that in the first five (5) years of operation after registration, the amount allocated for the reserve fund shall not be less than thirty percent (30%) of the net surplus.

The reserve fund shall be used for the stability of the cooperative and to cover net losses in its operations, including losses incurred during a pandemic, state of emergency, and other such *force majeure*: provided, that if any of the aforementioned events occur, necessitating the use of the reserve fund, cooperatives may use not greater than fifteen percent (15%) of the latter to mitigate the losses incurred, as may be approved or confirmed by the general assembly, as the case may be. Any sum recovered on items previously charged to the reserve fund shall be credited to such fund.

The fund shall be recorded in the books of account of the cooperative and the cash allocation for the reserve fund shall be deposited separately in an account established for that purpose.

The general assembly may decrease the amount allocated to the reserve fund when the reserve fund already exceeds the share capital and may approve the utilization of the reserve fund for investment to enhance the growth and development of the cooperative: *Provided*, That the liquidity of the cooperative shall be taken into account when utilizing a portion of the reserve fund for investment: *Provided, further*, That the cooperative may only utilize no more than fifty percent (50%) of the reserve fund for investment upon approval of at least a majority vote of all members entitled to vote, present and constituting a quorum: *Provided, finally*, That the board of directors shall conduct due diligence and only invest in short-term low-risk investment options.

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

1 (b) The Cooperative Education and Training Fund (CETF), which shall not  
2 exceed ten percent (10%) of the net surplus, shall be used for the training,  
3 development, and similar other cooperative activities geared towards the growth of  
4 the cooperative movement:

5 (1) Half of the CETF shall be used to provide for the education and training of  
6 its officers, members, and employees; while the other half shall be remitted to a  
7 federation and/or union that the cooperative of which it is a member, which must  
8 redound to the benefit and development of the member-cooperatives.

9 Should a cooperative have multiple affiliations, seventy percent (70%) of the  
10 CETF remittance shall be given to the cooperative union/s to which it is a member  
11 while the remaining thirty percent (30%) shall be distributed between the federations  
12 it is affiliated with.

13 (2) The balance of the CETF shall be utilized within the succeeding fiscal  
14 year following its allocation and shall be utilized in accordance with the policies and  
15 guidelines to be promulgated by the Authority;

16 (3) Upon the dissolution of the cooperative, the unexpended balance of the  
17 CETF shall be credited to the cooperative education and training fund of the union in  
18 which it is a member or the union where it was last affiliated with.

19 (c) The Community Development Fund (CDF), which shall not be less than  
20 five percent (5%) of the net surplus, shall be used for projects or activities that will  
21 benefit the community where the cooperative operates. However, the cooperative may  
22 extend assistance to marginalized communities or affected areas outside its area of  
23 operation in times of calamities, disaster, or national emergency, at the discretion of  
24 the General Assembly.

25 In the case of cooperatives whose common bond of membership is institutional,  
26 the community refers to the municipality or city where the principal or branch office is  
27 located.

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

1           The utilization of the CDF shall be in accordance with the guidelines to be  
2 promulgated by the Authority.

3           (d)     The optional fund, which shall not exceed five percent (5%) of the net  
4 surplus, may be used for the acquisition of land and construction of building, and any  
5 other necessary fund; *Provided*, That it is approved by at least three-fourths ( $\frac{3}{4}$ ) of  
6 all members entitled to vote, present and constituting a quorum, which shall be in  
7 accordance with the implementing rules and regulations to be promulgated by the  
8 Authority.

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

13           (e)     The remaining net surplus shall be made available in full to the members  
14 in the form of interest on share capital following the formula for computation as  
15 provided by the Authority: *Provided*, That this is approved by a majority of the  
16 members entitled to vote, present and constituting a quorum.

17           (f)     The sum allocated for patronage refunds shall be made available at the  
18 same rate to all patrons of the cooperative in proportion to their individual patronage:  
19 *Provided*, That:

20           (1)     In the case of a member patron with paid-up share capital contribution,  
21 the member patron's proportionate amount of patronage refund shall be paid to the  
22 member patron unless the member patron agrees to credit the amount to the member  
23 patron's account as additional share capital contribution;

24           (2)     In the case of a member patron with unpaid share capital contribution,  
25 the member patron's proportionate amount of patronage refund shall be credited to  
26 the member patron's account until the share capital contribution has been fully paid;

27           (3)     In the case of a non-member patron, the non-member patron's  
28 proportionate amount of patronage refund shall be set aside in a fund created for this  
29 purpose and shall be allocated to individual non-member patrons only upon request  
30 and presentation of evidence of the amount of their patronage. The amount allocated  
31 shall be credited to such patrons toward payment of the minimum capital contribution  
32 for membership. When a sum equal to this amount has accumulated at any time within

1 two (2) years from the start of their patronage, such patrons shall be deemed and  
2 become members of the cooperative if they agree or request and comply with the  
3 provisions of the bylaws for admission to membership; and

4 (4) Any non-member patron who has accumulated the sum necessary for  
5 membership but who does not request nor agree to become a member or fails to  
6 comply with the provisions of the bylaws for admission to membership, the amount so  
7 accumulated or credited to their account together with any part of the general fund  
8 for non-member patrons shall be credited to any of the statutory funds as approved  
9 by a majority of the members entitled to vote, present and constituting a quorum.

## 11 **CHAPTER XV. AGRICULTURAL COOPERATIVES**

13 **SEC. 99. Definition and Coverage.** - This Chapter shall apply to all agricultural  
14 cooperatives, as defined in this Code: *Provided*, That the provisions of the other  
15 chapters of this Code shall apply suppletorily except insofar as this Chapter otherwise  
16 provides.

18 **SEC. 100. Cooperative Business Activities and Allied Services.** - A duly  
19 registered agricultural cooperative may engage in all or any of the following activities:

20 (a) Raising and/or culture of plants, high-value crops, animals, fish, poultry,  
21 dairy and meat-type livestock, other agri-products as source of food, feed, and fiber,  
22 and other agrifishery or non-food commodities;

23 (b) Marine and inland fishing;

24 (c) Production and/or sale of salt;

25 (d) Community and social forestry;

26 (e) Provision of credit facilities for marginal farmers and fishermen;

27 (f) Facilitating the production, procurement, repacking, importation,  
28 distribution and marketing of farm inputs/implements for its members such as but not  
29 limited to, meat-type and dairy animals, planting materials, semen, silage, feeds,  
30 veterinary supplies, seeds, fertilizers and chemicals, farm equipment, food processing  
31 and engineering supplies/equipment, and other inputs as may be needed by the  
32 agricultural industry;



1 (g) Propagation, production, harvest, postharvest, processing, packing,  
2 repacking, marketing, exportation, and sale of members' agri-products, dairy products  
3 and by-products, and/or produce;

4 (h) Maintenance and management of irrigation systems, water impounding,  
5 and other agricultural facilities;

6 (i) Other allied services such as but not limited to warehousing, cold storage  
7 and cold chain, other post-harvest services, hauling, transport of members'  
8 products/produce, and such other similar business services and activities that will  
9 reduce cost and/or value addition of output; and

10 (j) Learning site entrepreneurship for extension, technology demonstration,  
11 agri-tourism, and farm business schools.

12  
13 **SEC. 101. *Pre-Cooperative Agricultural Organization.*** – Prior to  
14 registration with the Authority, a group of natural persons intending to form an  
15 agriculture cooperative may voluntarily form a Pre-Cooperative Agricultural  
16 Organization (PCAO) that shall have its own juridical personality to undertake activities  
17 that shall determine the viability of the creation of a cooperative under this Code. Prior  
18 to registration, the PCAO must be registered as such with the local Cooperative  
19 Development Officers (LCDOs).

20 The DA and the Authority, in coordination with the CDOs, shall assist PCAOs so  
21 that they can formally organize as cooperatives under this Code: *Provided*, That should  
22 the PCAO decide to formally organize into a cooperative, it must comply with the  
23 provisions of Sections 8 and 14 of this Code. Section 18 shall apply to all contracts  
24 executed by pre-cooperative organizations prior to registration under this Code.

25 The DA and the Authority shall jointly issue guidelines on the mechanisms for  
26 PCAOs.

27  
28 **SEC. 102. *Registration of Agricultural Cooperatives.*** - Agricultural  
29 cooperatives shall file their application for registration with the regional office of the  
30 Authority that has jurisdiction over its area of operation. The requirements and  
31 procedure for registration of agricultural cooperatives shall be in accordance with the  
32 rules and regulations to be promulgated by the Authority.

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

4  
5 **SEC. 103. *Capital Requirements of Agricultural Cooperatives.*** - The  
6 authorized share capital of an agriculture cooperative shall be stated in its articles of  
7 cooperation and that prior to its registration, at least twenty five percent (25%) of the  
8 authorized share capital shall be subscribed to by the members and at least twenty-  
9 five percent (25%) of the subscribed share capital shall be paid-up: *Provided,* That the  
10 paid-up capitalization requirement for primary cooperatives shall not be less than  
11 Fifteen thousand pesos (Php15,000.00).

12  
13 **SEC. 104. *Bond of Membership.*** - The bond of membership of agricultural  
14 cooperatives shall be any of the following:

15 (a) Residential – members are farmers, farm workers, fisherfolk who are  
16 actually and physically residing within the area of operation;

17 (b) Occupational – members are those who are engaged in raising, culture  
18 of plants, animals, as well as those from the technical and scientific communities of  
19 the agriculture sector;

20 (c) Associational – members are from registered associations, groups, clubs,  
21 cultural and other similar aggrupation of farmers, farm workers, and fisherfolk; or

22 (d) Institutional - members consist of employees, workers and/or officers of  
23 a particular institution who will undertake or are undertaking agricultural projects.

24  
25 **SEC. 105. *Clustering and Consolidation.*** – In order to pool their resources  
26 for increased viability and market competitiveness, the DA, in collaboration with the  
27 Department of Agrarian Reform (DAR), the DTI, the Authority, and the cooperative  
28 sector shall institutionalize the farm and fisheries clustering and consolidation (F2C2)  
29 program that will promote, encourage agricultural cooperatives and facilitate their  
30 cooperation into clusters that will encompass the whole agricultural value chain,  
31 including but not limited to land consolidation, postharvest processing, distribution,  
32 logistics, marketing, and promotions.

1           Within sixty (60) days from the effectivity of this Code, the DA, the DAR, the DTI  
2 and the Authority, in consultation with the cooperative sector, shall jointly issue the  
3 guidelines for the implementation of the program, and shall provide the necessary  
4 assistance at every step of the clustering and consolidation process, including the  
5 formulation of cluster development plans.

6  
7           **SEC. 106. *Partnership and Joint Venture with Private Entities.*** – Duly  
8 registered private entities may enter into a partnership or joint venture with  
9 agricultural cooperatives in order to provide the latter with investments and technical  
10 support, such as, but not limited to technological, logistics, and facilities support,  
11 among others.

12           Such partnership or joint venture shall be registered with the necessary  
13 regulatory authorities, including the Authority, and enjoy the relevant exemptions and  
14 privileges under this Code.

15           The details of the joint venture or partnership with private entities shall be left  
16 to the discretion of the cooperatives. Further details shall be laid down in the  
17 implementing rules and regulations of this Code.

18  
19           **SEC. 107. *Role of the National Coordinating Committee on***  
20 ***Cooperatives Development.*** - The Authority shall mobilize the National  
21 Coordinating Committee on Cooperative Development (NCC-CD) in partnership with  
22 the cooperative sector and other stakeholders for the promotion of the growth,  
23 viability, and development of Agricultural and fisheries cooperatives. *Provided,* That  
24 the NCC-CD shall coordinate with the DA and the Farmers and Fisherfolk Enterprise  
25 Development Council (FFEDC) on matters related to the growth, development, and  
26 sustainability of the agricultural and fisheries cooperatives.

27  
28           **SEC. 108. *Role of LGUs.*** - The Local Government Units shall:

29           (a)       Ensure the appointment of Cooperative Development Officers, in  
30 compliance with Republic Act No. 11535;

1 (b) Create a Committee on Agricultural Cooperatives Development in the  
2 Local Government Legislative Council which shall focus on addressing legislative  
3 concerns on agricultural cooperatives;

4 (c) Legislate necessary ordinances for the promotion and development of  
5 agricultural cooperatives;

6 (d) Disseminate information to people and facilitate the establishment and  
7 development of the management and operations of agricultural cooperatives in their  
8 respective localities;

9 (e) Expedite the issuance of the necessary permits for the implementation  
10 of programs and projects of the Authority and other national government agencies for  
11 the benefit of agricultural cooperatives;

12 (f) Upon written request of the Authority, assist in the resolution of inter-  
13 cooperative disputes among agricultural cooperatives operating within their localities;

14 (g) Facilitate and conduct seminars, trainings, and/or conferences necessary  
15 for the organization, registration, management and operations of agricultural  
16 cooperatives, in coordination with federations and unions;

17 (h) Provide technical assistance and skills training for farmers, farm workers,  
18 and fisherfolk to engage in income-generating activities;

19 (i) Provide access to land for agricultural and fisheries cooperatives for  
20 farming and other purposes which include leasing or allocating public lands for  
21 cooperatives use;

22 (j) Offer financial support to agricultural and fisheries cooperatives through  
23 grants, subsidies, or low-interest loans; and

24 (k) Facilitate linkage between agricultural and fisheries cooperatives and  
25 other institutions offering assistance/services.

26  
27 **SEC. 109. Role of Cooperative Development Councils and National**  
28 **Government Agencies.** - The Authority shall, in collaboration with the LGUs through  
29 the Regional, Provincial, City, and Municipal Cooperative Development Councils and  
30 the Cooperative Development Officers, facilitate programs and policies affecting  
31 agricultural cooperatives in accordance with a Joint Memorandum Circular to be  
32 promulgated by the Authority and the LGU.

1 Agricultural cooperatives shall be entitled to financing support from the relevant  
2 government agencies that shall allocate funds for the establishment of projects and  
3 programs for the development and promotion of agricultural cooperatives.  
4

5 **SEC. 110. *Benefits and Privileges of Agricultural Cooperatives.*** - An  
6 agriculture cooperative shall enjoy the following benefits and privileges:

7 (a) Taxes, Duties, and Liens:

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

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

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

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

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

29 (d) Direct Purchase by National and Local Government Agencies – To  
30 promote and support agricultural cooperatives, national and local government  
31 agencies shall directly purchase agricultural products from accredited agricultural

1 cooperatives: *Provided*, That said products are necessary in the performance of their  
2 respective mandates.

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

8 (e) Loans and Grants:

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

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

14

15 **SEC. 111. *Merger and Consolidation of Agricultural Cooperatives.*** -  
16 Notwithstanding the provisions of this Code, the merger and consolidation of  
17 agricultural cooperatives shall be in accordance with the implementing rules and  
18 regulations to be promulgated by the Authority.

19

20 **SEC. 112. *Inter-Cooperative Arrangements of Agricultural***  
21 ***Cooperatives.*** - Agricultural cooperatives shall be allowed to enter into inter-  
22 cooperative arrangements with and among other cooperatives and other entities to  
23 pursue value and supply chain solutions and other agribusiness development  
24 programs, subject to the guidelines to be promulgated by the Authority in consultation  
25 with the cooperative sector.

26

27 **SEC. 113. *Local Development Hubs.*** - Local Development Hub (LDH) refers  
28 to a farming zone or transport infrastructure, which is generally far from formal  
29 markets, and serves a minimum of one hundred (100) farmers, linking them to buyers,  
30 who may be, among others, traders, processors, and export companies. The DA, the  
31 DTI, and the Authority shall jointly establish or make use of the existing LDHs in order  
32 to strengthen the market linkages between farmers and buyers, fostering agricultural

1 development and economic growth at the local level. They shall jointly issue the  
2 guidelines for the operations and maintenance thereof.

3

4 **SEC. 114. Annual Trade Fair and Awards.** - The DA, in coordination with the  
5 Authority, and in partnership with the cooperative sector shall establish and hold the  
6 Annual Agricultural Cooperatives Trade Fair and Awards and other development-  
7 oriented projects and activities to showcase the exemplary business achievement,  
8 latest innovations, and other emerging trends in the sector.

9

## 10 **CHAPTER XVI. AGRARIAN REFORM COOPERATIVES**

11

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

17

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

20 (a) To develop an appropriate system of land tenure, land development,  
21 land consolidation or land management in areas covered by agrarian reform;

22 (b) To coordinate and facilitate the dissemination of scientific methods of  
23 production and provide assistance in the storage, transport, and marketing of farm  
24 products for agrarian reform beneficiaries and their immediate family;

25 (c) To provide financial facilities to ARBs for provident or productive  
26 purposes at reasonable costs;

27 (d) To arrange and facilitate the expeditious transfer of appropriate and  
28 suitable technology to ARBs and marginal farmers at the lowest possible cost;

29 (e) To provide social security benefits, health, medical and social insurance  
30 benefits, and other social and economic benefits that promote the general welfare of  
31 the ARBs and marginal farmers;

1 (f) To provide non-formal education, vocational and technical training, and  
2 livelihood programs to ARBs and marginal farmers;

3 (g) To act as conduits for external assistance and services to the ARBs and  
4 marginal farmers;

5 (h) To undertake a comprehensive and integrated development program in  
6 agrarian reform and resettlement areas with special concern for the development of  
7 agro-based, marine-based, and cottage-based industries;

8 (i) To represent the ARBs on any or all matters that affect their interest;  
9 and

10 (j) To undertake such other economic or social activities as may be  
11 necessary or incidental in the pursuit of the foregoing purposes.

12  
13 **SEC. 117. Cooperative Estate.** – Landholdings acquired by the State, like  
14 plantations, estates, or haciendas for the benefit of the workers in accordance with  
15 the Comprehensive Agrarian Reform Program shall be collectively owned by the  
16 worker-beneficiaries under a cooperative set-up.

17  
18 **SEC. 118. Infrastructure.** - In agrarian reform and resettlement areas, the  
19 Government shall grant to agrarian reform cooperatives preferential treatment in the  
20 construction, maintenance, and management of roads, bridges, canals, wharves,  
21 ports, reservoirs, irrigation systems, waterworks systems, and other infrastructures  
22 with government funding. For this purpose, the Government shall provide technical  
23 assistance, facilities, and equipment to such agrarian reform cooperatives.

24  
25 **SEC. 119. Lease of Public Lands.** - The Government may lease public lands  
26 to any agrarian reform cooperative for a period not exceeding twenty-five (25) years,  
27 subject to renewal for another twenty-five (25) years only: *Provided*, That the  
28 application for renewal shall be made one (1) year before the expiration of the lease:  
29 *Provided, further*, That such lease shall be for the exclusive use and benefit of the  
30 ARBs and the marginal farmers subject to the provisions of Republic Act No. 6657  
31 otherwise known as “The Comprehensive Agrarian Reform Law of 1988,” as amended.

32



1           **SEC. 120. *Preferential Right.*** - In agrarian reform areas, an agrarian reform  
2 cooperative shall have the preferential right in the grant of franchise and Certificate of  
3 Public Convenience and Necessity for the Operation of Public Utilities and Services:  
4 *Provided,* That it meets the requirements and conditions imposed by the appropriate  
5 government agency granting the franchise or Certificate of Public Convenience and  
6 Necessity. In cases where there is an electric service provider in the area, it shall, upon  
7 the request of an agrarian reform cooperative, immediately provide electric services  
8 to the agrarian reform areas. If the electric service provider fails to provide the services  
9 requested within a period of one (1) year, the agrarian reform cooperative concerned  
10 may undertake to provide the electric services in the area through its own resources.  
11 All investments made by the said agrarian reform cooperative for the electrification of  
12 the agrarian reform resettlement areas shall be the subject of sale to the electric  
13 service provider once it takes on the service.

14  
15           **SEC. 121. *Special Privileges.*** - Subject to such reasonable terms and  
16 conditions as the DAR and the Authority may impose, agrarian reform cooperatives  
17 may be given the exclusive right to do any of the following economic activities in  
18 agrarian reform and resettlement areas:

19           (a)       Supply and distribution of consumer, agricultural, aquacultural, and  
20 industrial goods, production inputs, raw materials and supplies, machinery, equipment,  
21 facilities, and other services and requirements of the ARBs and marginal farmers at  
22 reasonable prices;

23           (b)       Marketing of the products and services of the ARBs in local and foreign  
24 markets;

25           (c)       Processing of the products of the members into finished consumer or  
26 industrial goods for domestic consumption or for export;

27           (d)       Provision of essential public services at cost, such as power, irrigation,  
28 potable water, passenger or cargo transportation by land or sea, communication  
29 services, and public health and medical care services;

30           (e)       Management, conservation, and commercial development of marine,  
31 forestry, mineral, water, and other natural resources subject to compliance with the  
32 laws and regulations on environmental and ecological controls; and

1 (f) Provision of financial, technological, and other services and facilities  
2 required by the ARBs in their daily lives and livelihood.

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

6 The Government shall provide the necessary financial and technical assistance to  
7 agrarian reform cooperatives to enable them to effectively discharge their purposes  
8 under this Chapter. The DAR, the Authority and the BSP shall draw up a joint program  
9 for the organization and financing of agrarian reform cooperatives. The joint program  
10 shall be geared towards the gradual assumption of full ownership and management  
11 control by ARBs of the agrarian reform cooperatives.

12  
13 **SEC. 122. *Organization and Registration.*** - Agrarian reform cooperatives  
14 may be organized and registered in accordance with the requirements of this Code  
15 only upon prior certification by the DAR that said proposed cooperative is needed and  
16 that its organization is feasible and will be economically viable in its operations.

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

## 20 21 **CHAPTER XVII. COOPERATIVE BANKS**

22  
23 **SEC. 123. *Organization, Registration, and Membership.*** – The  
24 organization and membership of a Cooperative Bank shall be governed by the following  
25 provisions:

26 (a) *Organization* - At least fifteen (15) cooperatives duly established and  
27 registered under this Code may register a cooperative bank with the Authority.

28 (b) *Registration* - The application for the registration of the articles of  
29 cooperation and bylaws, including its amendments, by a cooperative bank with the  
30 Authority shall be accompanied by a Certificate of Authority issued by the BSP.

31 (c) *Membership* - Membership in a cooperative bank shall be open to:

32 (1) cooperatives of all types and categories;

- 1 (2) natural persons who are members of the bank's member-primary  
2 cooperatives;
- 3 (3) foreign cooperatives;
- 4 (4) pre-cooperative organizations established under Presidential Decree No. 175;  
5 and
- 6 (5) individuals.

7 Membership in a cooperative bank shall either be regular or associate. Regular  
8 membership shall be limited to cooperative organizations, individual members of the  
9 bank's member-primary cooperatives or foreign cooperatives. Associate members shall  
10 be pre-cooperative organizations established under P.D. No. 175 and individuals who  
11 are subscribing and holding preferred shares only.

12 The common shareholdings of domestic cooperative organizations shall at all  
13 times be at least sixty percent (60%) of the total outstanding voting shares of the  
14 Cooperative Bank. Common shares held by individual members of the bank's member-  
15 primary cooperatives and foreign cooperatives shall not be more than forty percent  
16 (40%) of the total outstanding voting shares: *Provided*, That the common shares held  
17 by individual members shall not be more than five percent (5%) of the total  
18 outstanding voting shares.

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

21

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

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

32 (b) Accept savings and time deposits;

- 1 (c) Act as a correspondent bank of other financial institutions;
- 2 (d) Discount and rediscount paper with the LBP, DBP or any other bank,  
3 including its branches and agencies. Said banks shall specify the nature of paper  
4 deemed acceptable for rediscounting, as well as the rediscount rate to be charged by  
5 any of these banks;
- 6 (e) Act as collection agent;
- 7 (f) Act as a depository bank of LGUs and other government agencies or  
8 instrumentalities;
- 9 (g) Acquire readily marketable bonds and other debt securities;
- 10 (h) Buy and sell foreign exchange;
- 11 (i) Acquire shares of publicly listed companies;
- 12 (j) Act as conduit bank for the disbursement of government funds intended  
13 for lending to agriculture, small-medium enterprises (SMEs), and projects for local  
14 economic development;
- 15 (k) Eligible to participate in government program allocations for agricultural  
16 lending, social housing, loans to rural micro enterprises, and other initiatives towards  
17 inclusive growth;
- 18 (l) Offer financial technology services such as digital lending and payment,  
19 and digital wealth management, among others, subject to prior approval of the BSP;
- 20 (m) Participate in treasury and money market operations such as:
- 21 (i) Repurchase Agreements with the BSP;
- 22 (ii) Reverse Repurchase Agreements with the BSP;
- 23 (iii) Overnight Lending Facility of the BSP;
- 24 (iv) Overnight Deposits with the BSP;
- 25 (v) Term Deposit Facility with the BSP; and
- 26 (vi) Sales and Marketing of Financial Products
- 27 (n) Offer credit card services
- 28 (o) Act as lending banks for credit surety fund cooperatives, as provided  
29 under Republic Act No. 10744, otherwise known as the "Credit Surety Fund  
30 Cooperative Act of 2015";
- 31 (p) Act as depository bank of cooperatives with regard to their reserve funds,  
32 if such banks exist in their area of operations; and

1 (q) Offer other banking services as provided in Section 53 of Republic Act  
2 No. 8791.

3 In addition to the powers granted to cooperative banks by this Code and other  
4 existing laws, any cooperative bank may perform any or all of the banking services  
5 offered by other types of banks subject to the prior approval of the BSP.  
6

7 **SEC. 125. *Establishment of Branches and Other Offices.*** - The  
8 establishment of branches, branch-lite units, or other banking offices by cooperative  
9 banks shall be governed by the rules and regulations of the BSP. The cooperative bank  
10 shall furnish the Authority with a copy of the Certificate of Authority issued by the BSP.  
11

12 **SEC. 126. *Management of Cooperative Banks.*** - The management of the  
13 cooperative banks shall be governed by the rules and regulations to be promulgated  
14 by the BSP, in consultation with the Authority. To maintain the quality of bank  
15 management and accord appropriate protection to depositors and the public in  
16 general, the BSP shall prescribe the fit and proper qualifications of bank directors and  
17 officers for the purposes of this Article, giving due recognition to the unique nature  
18 and character of cooperative banks. The number, composition, and term of the Board  
19 of Directors shall be defined in the articles of cooperation and bylaws of the  
20 cooperative bank, in accordance with the following guidelines:

21 (a) ***Board and Committees.*** - The cooperative bank shall constitute, at a  
22 minimum, the Board of Directors, Election Committee, and Audit Committee.

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

29 The Election Committee shall be responsible for the formulation and  
30 implementation of election rules and guidelines. It shall supervise the conduct of  
31 election, election-related activities, canvass and certify the results of the election, and  
32 decide cases relative to such election, except those involving the committee itself or

1 its members. The members of the Election Committee shall be elected by the General  
2 Assembly or Representative Assembly.

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

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

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

12

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 provided  
15 in the bylaws, will appoint a person to fill the same, subject to the provision that the  
16 person appointed shall serve only for the unexpired portion of the term.

17

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

28 In no case shall the total yearly compensation of directors exceed ten percent  
29 (10%) of the net income of the cooperative bank during the preceding year.

30

31 **SEC. 129. *Dealings of Directors, Officers, Stockholders, and Related***  
32 ***Interests (DOSRI).*** - Dealings with directors and officers of the Cooperative Bank

1 shall comply with the provisions of Section 36 of Republic Act No. 8791, otherwise  
2 known as "The General Banking Law of 2000". However, the limits on loans to dealings  
3 of directors, officers, stockholders, and related interests shall not apply to loans, other  
4 credit accommodations, or guarantees extended by the cooperative bank to its  
5 member primary cooperatives.

6  
7 **SEC. 130. *Illegal Use of Confidential Information.*** - The liability of a  
8 director or officer, or an associate of a director or officer, who, for their benefit or  
9 advantage or that of an associate, makes use of confidential information that, if  
10 generally known, might reasonably be expected to adversely affect the operations and  
11 viability of the cooperative bank shall adhere to the provisions of Section 58 of this  
12 Code.

13  
14 **SEC. 131. *Bond for Faithful Performance of Duties and Obligations.*** -  
15 The bond for the faithful performance of duties and obligations of accountable officers  
16 of the cooperative bank shall adhere to the provisions of Section 65.

17  
18 **SEC. 132. *Quorum Requirement and Voting Rights of the Cooperative***  
19 ***Bank Board of Directors.*** - In meetings of the Board of Directors of the Cooperative  
20 Bank, the same provisions under Section 49 of this Code shall apply.

21  
22 **SEC. 133. *Composition of the General Assembly.*** - The General Assembly  
23 shall be composed of regular members who are entitled to vote under the articles of  
24 cooperation and bylaws of the cooperative bank.

25  
26 **SEC. 134. *Powers of the General Assembly.*** - The General Assembly shall  
27 be the highest policy-making body of the cooperative bank and shall exercise the same  
28 powers as enumerated in Section 41 of this Code.

29  
30 **SEC. 135. *Meetings.*** - The conduct of meetings of the General Assembly of  
31 cooperative banks shall adhere to the provisions specified in Section 42 of this Code.

1           **SEC. 136. *Quorum and Voting System.*** - The quorum requirement for  
2 General Assembly meetings of cooperative banks, whether special or regular, shall be  
3 one-half (½) plus one (1) of the number of voting shares of all the members entitled  
4 to vote.

5           To amend its articles of cooperation and bylaws, at least three-fourths (3/4) vote  
6 of all the members with voting rights, present and constituting a quorum shall be  
7 required. All other voting requirements shall be prescribed by the BSP.

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

10          The cooperative bank may opt to amend its articles of cooperation and bylaws  
11 through a referendum, subject to the guidelines to be issued by the Authority. However,  
12 the vote requirement shall still be two-thirds (⅔) vote of all the members entitled to  
13 vote.

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

- 18           (a)     Banks, financial institutions and non-bank financial intermediaries;
- 19           (b)     Warehousing and other post-harvest facilities;
- 20           (c)     Fertilizers, agricultural chemicals, and pesticides distribution;
- 21           (d)     Farm equipment distribution;
- 22           (e)     Trucking and transportation of agricultural products;
- 23           (f)     Marketing of agricultural products;
- 24           (g)     Leasing;
- 25           (h)     Automated teller machine (ATM) networks;
- 26           (i)     Public transportation;
- 27           (j)     Financial technology; and
- 28           (k)     Other undertakings as may be determined by the Monetary Board of  
29 the BSP.

30  
31          **SEC. 138. *Limitations on Lending Authority.*** - Except as the Monetary Board  
32 may otherwise prescribe, the direct indebtedness to Cooperative Banks of any person,



1 company, corporation, or firm, including the indebtedness of members of a partnership  
2 and association, for money borrowed, shall in no time exceed twenty five percent  
3 (25%) of unimpaired capital and surplus of the cooperative bank. Direct indebtedness  
4 shall exclude loans secured by obligations of the BSP; loans fully guaranteed by the  
5 Government as to the payment of principal and interest; loans to the extent covered  
6 by the hold-out on, or assignment of, deposits maintained in the lending cooperative  
7 bank and held in the Philippines; and other loans or credits which the Monetary Board  
8 may, from time to time, specify as non-risk assets.

9  
10 **SEC. 139. *Capital Requirement for Cooperative Banks.*** - A cooperative  
11 bank shall have a minimum paid-up capital in such amount as may be required by the  
12 BSP. The BSP may prescribe rules and regulations on the types of shares a cooperative  
13 bank may issue, including the terms thereof and rights appurtenant thereto to  
14 determine compliance with laws and regulations governing capital and equity structure  
15 of banks: *Provided,* That Cooperative Banks shall issue par value shares only.

16  
17 **SEC. 140. *Samahang Nayon and Municipal Katipunan ng mga***  
18 ***Samahang Nayon.*** - Samahang Nayon (SN) and Municipal Katipunan ng mga  
19 Samahang Nayon (MKSAN) which held common shares of cooperative banks prior to  
20 the effectivity of Republic Act No. 9520 shall apply for conversion to cooperatives in  
21 order to maintain their status as regular members of cooperative banks: *Provided,*  
22 That the cooperative banks shall exert efforts to inform and assist the SN and MKSAN  
23 to convert within three (3) years from the effectivity of this Code: *Provided, further,*  
24 That the funds held in the name of the SN and the MKSAN that failed to convert to a  
25 cooperative within the said period shall be converted to preferred shares and shall  
26 remain as capital of the cooperative bank.

27  
28 **SEC. 141. *Additional Source of Capital of the Cooperative Banks.*** - The  
29 unliquidated funds or common shares in cooperative banks held in the name of  
30 cooperatives whose Certificates of Registration are cancelled shall be converted to  
31 preferred shares and shall remain as capital in said cooperative banks.

1           **SEC. 142. *Supervision and Regulation of Cooperative Banks.*** - All  
2 cooperative banks shall be under the supervision of the BSP: *Provided, however,* That  
3 the Authority shall monitor the cooperative banks' compliance with cooperative laws,  
4 rules, and regulations. With respect to the governance of the cooperative banks, the  
5 provisions of the banking laws, rules, and regulations shall prevail, notwithstanding  
6 Section 71 of Republic Act No. 8791.

7  
8           **SEC. 143. *Promulgation of Guidelines.*** – The BSP and the Authority may  
9 formulate guidelines to implement or clarify the provisions of this Chapter: *Provided,*  
10 That the BSP, as the regulator of banks, shall be the primary regulator of cooperative  
11 banks consistent with the provisions of R.A. No. 8791: *Provided, further,* That in order  
12 to minimize the burden of dually-regulated entities, the BSP, in consultation with the  
13 Authority and the cooperative banks, shall consider the requirements for cooperatives  
14 provided in this Code and by the Authority to the extent allowed in banking and other  
15 relevant laws in its promulgation of rules and regulations.

16  
17           **SEC. 144. *Privileges and Incentives of Cooperative Banks.*** - Cooperative  
18 banks registered under this Code shall have the following privileges and incentives:

19           (a) Those privileges and incentives accorded to cooperatives under this Code  
20 and other laws including exemption from all national, provincial, city, municipal or  
21 barangay taxes, fees, and charges of whatever nature and description: *Provided,* That  
22 when a cooperative bank has reached an undivided net savings of more than One  
23 hundred million pesos (Php100,000,000.00), transactions to non-members shall be  
24 taxable;

25           (b) The foreclosure of mortgages covering loans granted by cooperative  
26 banks and executions of judgment involving real properties levied upon by sheriff shall  
27 be exempt from publication in newspapers where the total amount of loan, excluding  
28 due and unpaid interests, does not exceed One million pesos (Php1,000,000.00) or  
29 such amount as the Monetary Board may prescribe as may be warranted by prevailing  
30 economic conditions. It shall be deemed sufficient publication in such cases if the  
31 notices of foreclosure and execution of judgment are posted in the most conspicuous  
32 areas such as the municipal building, the municipal public market, the cooperative

1 bank, and the barangay hall where the land mortgaged is situated sixty (60) days  
2 immediately preceding the public auction or execution of judgment. Proof of  
3 publication as required herein shall be accomplished via an affidavit of the sheriff or  
4 officer conducting the foreclosure sale or execution of judgment and shall be attached  
5 with the records of the case;

6 (c) A cooperative bank shall be allowed to foreclose lands mortgaged to it  
7 subject to the provisions of Republic Act No. 6657, otherwise known as "The  
8 Comprehensive Agrarian Reform Law of 1988," as amended. For agrarian lands  
9 foreclosed by a cooperative bank, the disposal of the same to another qualified  
10 beneficiary under Republic Act No. 6657, as amended, shall be made through the same  
11 cooperative bank. The amortization of the beneficiary in favor of DAR shall be coursed  
12 through the servicing cooperative bank: *Provided*, That cooperative banks shall be  
13 exempt from the landholding limits as prescribed by DAR or any other law requiring  
14 the same;

15 (d) For cooperative banks granted by the BSP with accreditation as Rural  
16 Financial Institution (RFI) under Republic Act No. 10000, otherwise known as "The  
17 Agri-Agra Reform Credit Act of 2009", the following privileges shall be awarded:

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

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

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

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

1 (e) Notwithstanding the provisions herein, privileges and incentives granted  
2 to rural banks pursuant to Republic Act No. 7353, otherwise known as the "Rural Act  
3 of 1992," shall also be granted to cooperative banks duly registered under this Act.  
4

## 5 **CHAPTER XVIII. INSURANCE COOPERATIVES**

6

7 **SEC. 145. *Insurance Cooperatives.*** - Existing cooperatives may organize  
8 themselves into an insurance cooperative for the purpose of engaging in the business  
9 of insuring life, non-life, pre-need (life plan, education, and pension) health, and  
10 property of cooperatives and their members.  
11

12 **SEC. 146. *Types of Insurance Coverage.*** - Under the cooperative insurance  
13 program established and formed by the virtue of the provisions of this Code, the  
14 insurance cooperative shall provide its constituting cooperatives and their members  
15 different types of insurance coverage consisting of life insurance with special group  
16 coverage, loan protection, retirement plans, endowment, health and accident  
17 coverage, pre-need plans, fire insurance, marine insurance, motor vehicle coverage,  
18 bonding, crop and livestock protection, and equipment insurance, among others.  
19

20 **SEC. 147. *Applicability of Insurance Laws.*** - The provisions of the Insurance  
21 Code and all other laws, rules and regulations relative to the organization and  
22 operation of an insurance company shall apply to insurance cooperatives organized  
23 under this Code. The requirements on capitalization, investments and reserves of  
24 insurance firms may be liberally modified upon consultation with the Authority and the  
25 cooperative sector, but in no case may the requirement be reduced to less than half  
26 of those provided for under the Insurance Code and other related laws.

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

29 In case of conflict of law, the Insurance Code shall prevail.  
30

31 **SEC. 148. *Implementing Rules and Regulations for Insurance***  
32 ***Cooperatives.*** — The Insurance Commission and the Authority, in consultation with

1 the concerned cooperative sector, shall issue the appropriate rules and regulations  
2 implementing the provisions of this Chapter.

3

4 **CHAPTER XIX. COOPERATIVES ENGAGED IN PUBLIC SERVICE**

5

6 **SEC. 149. *Definition and Coverage.*** - A cooperative engaged in public service  
7 refers to one organized to render public service, authorized under a franchise,  
8 certificate of public convenience, certificate of public convenience and necessity,  
9 concession, or any other appropriate form of authorization or permit duly issued by  
10 the appropriate government agency. Such public service include, but is not limited, to  
11 the following:

- 12 (a) Health services;
- 13 (b) Power generation, transmission, and/or distribution;
- 14 (c) Ice plants and cold storage services;
- 15 (d) Communication services including telephone and digital communications,  
16 and other value-added services;
- 17 (e) Land, water, and air transportation services for passengers and/or  
18 cargoes;
- 19 (f) Public markets, slaughterhouses, management of land transport  
20 terminals and ports, and other similar services;
- 21 (g) Water supply and distribution system services; and
- 22 (h) Such other types of public service as may be engaged in by any  
23 cooperative.

24 Such cooperatives shall be primarily governed by this Chapter and the general  
25 applicable provisions of this Code.

26

27 **SEC. 150. *Registration Requirements.*** - In addition to the requirements  
28 provided under Section 14 of this Code, no cooperative engaged in public service shall  
29 be registered unless it satisfies the following requirements:

- 30 (a) Its articles of cooperation and bylaws provide for the membership of the  
31 users and/or producers of the service of the cooperative; and

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

3  
4 **SEC. 151. Regulation of Cooperatives Engaged in Public Service.** - The  
5 internal affairs of cooperatives engaged in public service, such as:

6 (a) the rights and privileges of members;

7 (b) the rules and procedures for meetings of the General Assembly, Board  
8 of Directors and committees;

9 (c) the election and qualifications of officers, directors, and committee  
10 members;

11 (d) allocation and distribution of surpluses; and

12 (e) all other such matters, shall be governed by this Code.

13 All matters relating to the franchise, Certificate of Public Convenience, Certificate  
14 of Public Convenience and Necessity, concession, or any other appropriate form of  
15 authorization or permit of cooperatives engaged in public service such as capitalization  
16 and investment requirements, equipment and facilities, frequencies, rate-fixing and  
17 such other matters affecting public service operations of cooperatives shall be  
18 governed by the proper government agency concerned.

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

21  
22 **CHAPTER XX. TRANSPORT SERVICE COOPERATIVES**

23  
24 **SEC. 152. Definition and Coverage.** – This Chapter shall govern transport  
25 service cooperatives as defined in this Code, including cooperatives organized under  
26 the provisions of Executive Order No. 898, series of 1983 and by vehicle operators  
27 defined under the Public Utility Vehicle Modernization Program (PUVMP) of the  
28 Department of Transportation (DOTr).

29  
30 **SEC. 153. Engagement in Allied Business by Transport Service**  
31 **Cooperatives.** - Subject to pertinent national laws and local ordinances, primary

1 transport service cooperatives including federations of cooperatives, may engage in  
2 businesses related to transportation service, including but 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, automotive  
8 supplies, and accessories;

9 (d) Marketing of vehicle and drivers insurance policies as an agent or liaison  
10 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  
15 **SEC. 154. *Registration, Regulation, and Supervision of Transport***  
16 ***Service Cooperatives.*** - The DOTr-Office of Transport Cooperatives shall have  
17 jurisdiction over the registration, regulation, and supervision of transport service  
18 cooperatives.

19  
20 **SEC. 155. *Renewal of Franchise and Vehicle Registration.*** - Renewals of  
21 franchise and vehicle registration shall be granted to transportation service  
22 cooperatives: *Provided,* That such cooperative presents a certificate of good standing  
23 issued by the Office of Transport Cooperatives of the DOTr, and the concerned LGU  
24 as proof that it has continuously provided the required public transportation services.

25 The Office of Transport Cooperatives of the DOTr, in consultation with the  
26 concerned government agencies and cooperative sector, shall issue appropriate rules  
27 and regulations pertaining to the provisions of this Chapter.

28  
29 **SEC. 156. *Oversight Committee.*** A multi-sectoral committee on transport  
30 service cooperatives composed of representatives from the DOTr, the Department of  
31 the Interior and Local Government, the Land Transportation Franchising and  
32 Regulatory Board, the Land Transportation Office, other concerned government

1 agencies, as may be necessary, the federation of transport service cooperatives, the  
2 regional clustered organizations, and the national alliance of cooperatives shall be  
3 established and thereafter shall be charged with the monitoring, recommendation of  
4 policies and programs affecting the operations of transport service cooperatives, and  
5 such other functions.

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

8 The functions of the monitoring committees shall be prescribed in the  
9 implementing rules and regulations to be promulgated by the DOTr, in coordination  
10 with the relevant government agencies.

11  
12 **CHAPTER XXI. CREDIT AND SAVINGS COOPERATIVES**  
13 **AND CREDIT COOPERATIVES**  
14

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

19  
20 **SEC. 158. Purposes and Objectives.** - Cooperatives engaged solely in credit  
21 or in both credit and savings services, owned and operated by its members, shall have  
22 the following purposes and objectives:

23 (a) To encourage savings among its members;

24 (b) To provide loans for productive or provident purposes to its members  
25 and related services to enable its members to maximize the benefit from such loans;

26 (c) To promote the cooperatives engaged in credit and credit and savings  
27 as preferred financial institutions among Filipinos; and

28 (d) To promote the safe, sound, stable, and sustainable operations of  
29 cooperatives engaged in credit and credit and savings by regulating and supervising  
30 their operations and curtailing or preventing any act or practice which is prejudicial to  
31 the interests of their members and the general public.

32





1 of local federations: *Provided*, That they are recognized by international coalitions of  
2 cooperatives or by the relevant authority in the country of origin, as well as registered  
3 with the Authority: *Provided, further*, That they comply with all relevant laws allowing  
4 them to do business in the Philippines: *Provided, finally*, That their engagement with  
5 the local cooperatives shall be subject to an agreement which shall be submitted for  
6 the approval of the Authority, pursuant to its implementing rules and regulations.

7 Foreign cooperatives that shall transact with local federations must comply with  
8 Philippine taxation laws, the Anti-Money Laundering Act, and other pertinent laws,  
9 classified under the Philippines' foreign investment negative list for foreign equity  
10 restrictions under the Philippine Constitution and specific laws, and shall be under the  
11 regulation of the pertinent agencies for the duration of their engagement with the  
12 federations. Foreign cooperatives shall not interfere, directly or indirectly, in the  
13 management and internal affairs of the federations in accordance with the generally  
14 accepted cooperative principles of independence and autonomy, notwithstanding that  
15 local cooperatives shall be one hundred percent (100%) wholly owned and controlled  
16 by Filipinos.

17  
18 **SEC. 163. *Limitations.*** – The equity or share capital of the foreign cooperative  
19 shall not exceed forty percent (40%) of the total equity or subscribed share capital of  
20 the partnership or federation, as the case may be.

21  
22 **CHAPTER XXIV. MISCELLANEOUS PROVISIONS**

23  
24 **SEC. 164. *Compliance With Other Laws.*** - All cooperatives duly registered  
25 under this Code shall, at all times, be subject to all relevant laws, rules and regulations,  
26 as well as issuances and directives issued by a duly authorized government regulatory  
27 body in exercise of its jurisdiction.

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

1           **SEC. 165. *Registry of Cooperatives.*** - The Authority shall keep a registry  
2 which shall contain a chronological entry of the name of every cooperative registered,  
3 suspended, dissolved, or cancelled under this Code together with other relevant  
4 information. The Authority shall publish and post on its website a list of existing  
5 cooperatives, cooperatives under dissolution or suspension, and cooperatives whose  
6 registration have been cancelled, together with other relevant information, as may be  
7 prescribed in the implementing rules and regulations of this Code.

8  
9           **SEC. 166. *Settlement of Disputes, Conciliation, Mediation, and***  
10 ***Arbitration Proceedings.*** - Disputes among members, officers, directors, and  
11 committee members, and intra-cooperative, inter-cooperative, intra-federation or  
12 inter-federation disputes shall, as far as practicable, be settled amicably in accordance  
13 with the conciliation or mediation mechanisms embodied in the bylaws of cooperatives  
14 and in other applicable laws.

15           The Conciliation-Mediation Committee of the cooperative shall facilitate the  
16 amicable settlement of intra-cooperative disputes or disputes among members,  
17 officers, directors, and committee members.

18           Should such conciliation or mediation proceeding fail, the party may settle the  
19 dispute through arbitration or adjudication: *Provided, however,* That before any party  
20 can validly file a complaint with the Authority for voluntary arbitration or adjudication,  
21 it must first secure a certification from its Conciliation-Mediation Committee and from  
22 the cooperative union or federation to which it is affiliated that despite all efforts to  
23 settle the issues, the conciliation-mediation proceeding failed.

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

28           Decisions rendered by the Authority in the exercise of its adjudicatory powers  
29 shall be appealable to a regular court in accordance with the applicable rules.

30           In case of election-related issues, the aggrieved party may elevate the case for  
31 adjudication to the proper regional office of the Authority in accordance with the

1 Authority's Omnibus Rules of Procedure without undergoing alternative dispute  
2 resolution.

3

4 **SEC. 167. Joint Congressional Oversight Committee on Cooperatives**  
5 **(JCOCOC).** - There is hereby created a Joint Congressional Oversight Committee which  
6 shall be composed of the Chairperson of the Senate Committee on Cooperatives and  
7 the Chairperson of the House Committee on Cooperatives Development and four (4)  
8 members each from both Houses duly appointed by the Senate President and the  
9 Speaker of the House of Representatives from the members of the respective  
10 committees.

11

12 **SEC. 168 Issuance of Injunctive Relief on the Authority.** – Only the Court  
13 of Appeals or Supreme Court shall issue a restraining order or injunction enjoining the  
14 Authority from examining and investigating cooperatives subject to its supervision or  
15 examination.

16

17

## CHAPTER XXV. FINAL PROVISIONS

18

19 **SEC. 169. Penal Provisions.** - The following acts or omissions affecting  
20 cooperatives are hereby prohibited:

21 **(a)** The use of the word "cooperative" shall not be allowed unless authorized  
22 under this Code. However, organizations registered with other government agencies  
23 are allowed to retain the word "cooperative" in their registered names: *Provided,* That  
24 these organizations shall not be entitled to the benefits and privileges under this Code.

25 In case of violation, the penalty of imprisonment of not less than two (2) years  
26 but not more than five (5) years or a fine not exceeding Two hundred thousand pesos  
27 (Php200,000.00), or both, at the discretion of the court, shall be imposed, upon  
28 conviction, on the individual or, in the case of an organization, its officers and directors.

29 The Authority may, *motu proprio,* file complaints for violation of this provision.

30 **(b)** Any person who willfully attempts in any manner to evade or defeat tax  
31 in violation of Sections 69 and 70 of this Code shall, in addition to the payment of  
32 double the amount of the tax due, be punished by a fine of at least Five hundred

1 thousand pesos (Php500,000.00) but not exceeding Ten million pesos  
2 (Php10,000,000.00) and suffer imprisonment of not less than six (6) years but not  
3 more than ten (10) years: *Provided*, That the conviction or acquittal obtained under  
4 this Section shall not be a bar to the filing of a civil suit for the collection of taxes;

5 (c) Direct or indirect violation or circumvention of the provisions of Sections  
6 Sections 69 and 70 of this Code committed by any public official or employee of any  
7 bureau, office or agency of the government that deprives, diminishes or in any manner  
8 hinders or restricts any duly registered cooperative from the full enjoyment of the  
9 exemption from the payment of the taxes, fees and charges enumerated therein, shall  
10 upon conviction, suffer a penalty of imprisonment of not less than seven (7) years but  
11 not more than twelve (12) years or a fine of at least Five hundred thousand pesos  
12 (Php500,000.00) but not exceeding One million pesos (Php1,000,000.00), or both, at  
13 the discretion of the court and shall further be disqualified to hold any other office;

14 (d) Direct or indirect interference or intervention by any public official or  
15 employee in the internal affairs of a cooperative of which he is not a member,  
16 including, but not limited to, the following:

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

20 (2) Requiring prior clearance for any policy or decision within the  
21 cooperative;

22 (3) Requesting or demanding for the creation of positions or organizational  
23 units, or recommending any person for appointment, transfer, or removal from  
24 position; or

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

27 (e) A director, officer or committee member who violates the provisions of  
28 Section 54 on the Liability of Directors, Officers and Committee Members, Section 57  
29 on the Disloyalty of a Director, and Section 58 on the Illegal Use of Confidential  
30 Information shall upon conviction suffer a fine of at least Five hundred thousand pesos  
31 (Php500,000.00) but not exceeding One million pesos (Php1,000,000.00) or

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

3 (f) The following are considered offenses punishable by a penalty of  
4 imprisonment of not less than one (1) year but not more than five (5) years or a fine  
5 of not more than One hundred thousand pesos (Php100,000.00), or both, at the  
6 discretion of the court:

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

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

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

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

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

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

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

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

25 The cooperative or any of its members can file a case against any officer or  
26 employee of the BIR or of any other government agency with the Ombudsman, the  
27 Civil Service Commission, other appropriate government agency or the courts.

28 In case of violation of any provision of this Code, the individual or individuals,  
29 and in the case of organizations or government agencies, its officers, and directors  
30 shall, upon conviction by a court, each suffer a penalty of not less than two (2) years  
31 but not more than five (5) years imprisonment or a fine of at least Fifty thousand  
32 pesos (Php50,000.00), or both, at the discretion of the court. In the case of a public

1 official or employee, the offender shall upon conviction, suffer the accessory penalty  
2 of temporary absolute disqualification.

3

4 **SEC. 170. *Administrative Sanctions.*** - The Authority shall conduct  
5 investigations, file necessary charges, discipline, suspend or remove erring officers and  
6 members of the cooperative for violation of cooperative laws, rules, regulations,  
7 issuances of the Authority, its articles of cooperation, and bylaws, after due process,  
8 and direct the General Assembly to replace the suspended or removed officers.

9 Any violation of the rules on adjudication shall likewise be penalized under this  
10 Section. Such administrative sanctions shall be imposed by the Authority in accordance  
11 with its rules and regulations.

12

13 **SEC. 171. *Interpretation.*** - Any doubt in the interpretation of any provision of  
14 this Act shall be liberally interpreted in favor of the cooperatives and its members.

15

16 **SEC. 172. *Ipsa-Facto Clause.*** - Unless otherwise provided by law,  
17 cooperatives are entitled to the privileges, benefits, and exemptions granted by R.A.  
18 NO. 7160, and other existing laws.

19

20 **SEC. 173. *Transitory Provisions.*** -

21 (a) All cooperatives registered with the Authority under Republic Act no.  
22 6938, otherwise known as the "Cooperative Code of the Philippines", as amended, are  
23 hereby deemed registered under this Code; and

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

27

28 **SEC. 174. *Printing and Distribution.*** - The National Printing Office shall  
29 publish this Code in the Official Gazette in full within sixty (60) days from the date of  
30 approval thereof. Copies of this Code shall be given to every department, agency, and  
31 instrumentality of the National Government, including regional, provincial offices, and

1 local governments including government-owned and controlled corporations by the  
2 Authority.

3

4 **SEC. 175. *Implementing Rules and Regulations.*** - Within ninety (90) days  
5 from the effectivity of this Act, the Authority shall promulgate rules and regulations to  
6 implement the provisions of this Act. Within the same period, the particular  
7 government agencies expressly designated under specific provisions in this Code, after  
8 prior consultation with the cooperative sector, shall issue the regulations called for by  
9 such respective provisions.

10

11 **SEC. 176. *Appropriations.*** – The amount necessary to carry out the provisions  
12 of this Code shall be included in the annual General Appropriations Act.

13

14 **SEC. 177. *Separability Clause.*** – If any provision of this Act is declared  
15 unconstitutional, the remainder thereof not otherwise affected shall remain in full force  
16 and effect.

17

18 **SEC. 178. *Repealing Clause.*** - R.A. No. 6938, as amended, is hereby  
19 repealed. All other laws, presidential decrees, executive orders, letters of instruction,  
20 proclamations or administrative regulations that are inconsistent with the provisions  
21 of this Act are hereby repealed, amended, or modified accordingly.

22

23 **SEC. 179. *Effectivity Clause.*** - This Act shall take effect after fifteen (15) days  
24 following its publication in the *Official Gazette* or newspaper of general circulation.

25

26 Approved,