

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

TWENTIETH CONGRESS  
First Regular Session  
**HOUSE BILL NO. 2070**



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Introduced by  
**REPRESENTATIVE MARIA KRISTINA JIHAN B. GLEPA**  
**ONE COOP PARTYLIST**

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#### **EXPLANATORY NOTE**

The Philippine Cooperative Code of 2008 was enacted to fortify the cooperative sector, equip it for a rapidly evolving economic environment, and harness the power of information technology. Since its passage, thousands of cooperatives have successfully organized and expanded their enterprises, demonstrating the Code's positive impact on collective growth.

However, sixteen years later, profound social and economic transformations—including digital disruption, shifting global trade patterns, and new market challenges—necessitate concurrent amendments to ensure the Code remains relevant. In recent years, the impact of the pandemic, geopolitical conflicts, and global economic slowdown led to rising costs of goods and services which in turn hinders the different sectors, especially the agricultural sector, from maximizing production.

The framework of Philippine Cooperatives makes it an ideal vehicle for empowering people to establish and grow their enterprises during economic downturns. They are more resilient and rely on the self-help concept to stay in business with members patronizing their own products and services. Furthermore, cooperatives as an entity can easily facilitate availment of grants and other assistance offered by the government to support their economic activities.

Under the 1987 Constitution, cooperatives are expressly recognized as instruments of social justice and catalysts for balanced economic development. It is incumbent upon the legislature to align the Cooperative Code with this constitutional vision by streamlining procedures, enhancing regulatory oversight, and expanding member protections.

In view of the foregoing, approval of this bill is earnestly sought.

  
**MARIA KRISTINA JIHAN B. GLEPA**

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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**

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

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

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

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

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

- a) *A cooperative* is an autonomous and duly registered association of persons with a common bond of interest who have voluntarily joined together to achieve their social, economic, and cultural needs and aspirations by making equitable contributions to the capital required, patronizing their products and services, and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles;
  
- b) *Cooperative principles* - Every cooperative shall conduct its affairs in

accordance with Filipino culture, good values and experience, and the following universally accepted principles of cooperation:

1. *Voluntary and Open Membership* - Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, cultural, political or religious discrimination.
  2. *Democratic Member Control* - Cooperatives are democratic organizations that are controlled by their members who actively participate in setting their policies and making decisions. Men and women serving as elected representatives, directors or officers are accountable to the membership. In primary cooperatives, members have equal voting rights of one member, one vote. Cooperatives at other levels are organized in the same democratic manner.
  3. *Member Economic Participation* – Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is the common property of the cooperative. They shall receive limited compensation or limited interest, if any, on capital subscribed and paid as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative by setting up reserves, part of which should at least be indivisible; benefitting members in proportion to their patronage of the cooperative's business; and, supporting other activities approved by the membership.
  4. *Autonomy and Independence* - Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including government, or raise capital from external sources, they shall do so on terms that ensure democratic control of their members and maintain their cooperative autonomy.
  5. *Education, Training, and Information* - Cooperatives shall provide education and training for their members, elected and appointed representatives, managers, and employees, so that they can contribute effectively and efficiently to the development of their cooperatives.
  6. *Cooperation Among Cooperatives* - Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional and international structures.
  7. *Concern for Community* - Cooperatives work for the sustainable development of their communities through policies approved by their members.
- c) *Cooperative Values* – Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. Cooperative members believe in the ethical values of honesty, openness, social responsibility and caring for others.

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

- a) *Area of Operation* refers to the place where the cooperative operates and conducts its business, as provided for in its Articles of Cooperation and By-laws;
- b) *Articles of Cooperation* refers to the document registered with the Cooperative Development Authority, including its amendments, that defines and regulates the

relations between the cooperative and the State;

- c) *Authority* refers to the Cooperative Development Authority;
- d) *Board of Directors* refers to the collegial body responsible for the strategic planning, direction-setting, and policy-formulation activities of the cooperative;
- e) *Branch-lite unit* refers to a cooperative bank that performs limited banking activities and records its transactions in the books of the head office or the branch to which it is annexed;
- f) *By-laws* refers to the document registered with the Authority, including its amendments, that defines and regulates the operations of the cooperative and governs the relations between the cooperative and its members and among themselves;
- g) *Committees* refer to the mandatory committees under this Code entrusted with specific functions and responsibilities and such other committees that the Board of Directors deem necessary for the governance of the business affairs of the cooperative;
- h) *Cooperative Union* refers to a cooperative whose members are registered cooperatives, federations, or both, organized purposely to represent the interest and welfare of all types of cooperatives at the city, provincial, regional, national, and sectoral levels;
- i) *Federation of Cooperatives* refers to an aggrupation of cooperatives registered with them Authority to undertake business activities in support of its primary and secondary member cooperatives to address common needs, engage in capacity-building activities and delegated supervision in support of its member cooperatives, organized at the municipal, city, provincial, regional, national, special metropolitan political subdivision, or economic zones created by law;
- j) *General Assembly* refers to the full membership of the cooperative duly assembled physically, via videoconferencing, or both, for the purpose of exercising all the rights and performing all the obligations pertaining to cooperatives, as provided by this Code, its Articles of Cooperation, and By-laws;
- k) *Honorarium* refers to the token of appreciation granted for the expert service rendered in the specific field that does not receive compensation;
- l) *Investment* refers to equity participation in any enterprise formed, organized or existing under the laws of the Philippines;
- m) *Interest on Share Capital* refers to the amount earned by the members on their investment in the cooperative. The interest on share capital and the patronage refund shall be determined at the end of the calendar year after the net surplus shall have been computed in accordance with the Articles of Cooperation and By-laws or by the Board of Directors;
- n) *Laboratory Cooperative* refers to a cooperative affiliated with and registered by a primary cooperative, and whose membership consists of minors;
- o) *Member* refers to a person either natural or juridical, who has been approved and admitted by the Board of Directors of the cooperative, federation, or union, after undergoing the Pre-Membership Education Seminar and has vowed to adhere to the Articles of Cooperation and its By-laws. Members shall be classified as regular or associate, as qualified by the cooperative;
- p) *Patronage Refund* refers to the payment to the members of a percentage or portion of the amount availed of, the interest on loans paid, or other services availed from the cooperative. The amount will be determined at the end of the fiscal period after the computation of the net surplus. The percentage of the allocation will be in accordance with the provisions in its Articles of Cooperation, the By-laws, or by the Board of Directors.

The formula and basis for the computation of the rate of patronage refund will be determined by the Authority;

- q) *Performance Audit* refers to an audit conducted by the Authority on the efficiency, efficacy, and effectiveness of the cooperative's overall performance as a whole, its management and officers, and its various responsibility centers as basis for improving individual, team, or overall performance, and for objectively informing the general membership of the cooperative on such performance;
- r) *Primary Cooperative* refers to a cooperative, registered with the Authority, the members of which are natural persons;
- s) *Registration* refers to the operative act granting juridical personality to a proposed cooperative and is evidenced by a Certificate of Registration;
- t) *Representative Assembly* refers to the full membership of a body of representatives elected by each of the sectors, chapters, or districts of the cooperative duly assembled for the purpose of exercising such powers in accordance with its By-laws;
- u) *Samahang Nayon* and *Municipal Katipunan ng mga Samahang Nayon* refers to pre-cooperative organizations established under Presidential Decree (PD) No. 175 entitled "Strengthening the Cooperative Movement";
- v) *Secondary Cooperative* refers to a cooperative, the members of which are primary cooperatives, federations, or unions;
- w) *Single-Purpose Cooperative* refers to a cooperative that undertakes only one economic activity, except one that is allowed to undertake allied economic activities;
- x) *Share Capital* refers to the equitable contribution of a member to the cooperative fund, the working capital fund of the cooperative, which shall have a par value of at least One Hundred Pesos (P100.00) and issued as common or preferred shares depending on the type of membership with the cooperative;
- y) *Social Audit* refers to an audit conducted to assess the social impact of the cooperative and its ethical performance vis-à-vis its stated mission, vision, goals, and code of social responsibility. It is a mechanism whereby it can account for the social performance of a cooperative and evaluate its impact on the community, making the cooperative accountable for its decisions and actions to its members;
- z) *Subscription Agreement* refers to the document executed by a member to signify the amount that the member intends to contribute to the cooperative fund;
- aa) *Subsidiary Cooperative* refers to a cooperative, all or majority of whose members or shareholders come from a parent cooperative, organized for any other purpose different from that of, and receives technical, managerial, and financial assistance from the latter, in accordance with the rules and regulations of the Authority; and
- bb) *Worker Beneficiary* refers to a natural person who renders service for value as an employee or laborer in an agricultural enterprise or farm within an agrarian reform cooperative.

## 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 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 people-centered development;
- m) Encourage thrift and savings mobilization among the members;
- n) Generate funds and extend credit to the members for productive and provident purposes;
- o) Encourage among members systematic production and marketing;
- p) Provide goods and services and other requirements to the members;
- q) Develop expertise and skills among its members;
- r) Acquire lands and provide housing benefits for the members;
- s) Provide insurance programs to cover the risk of financial losses in the operations of a cooperative;
- t) Promote and advance the economic, social, and educational status of the members;
- u) Establish, own, lease, or operate cooperative banks, cooperative wholesale and retail complexes, insurance, agricultural and industrial processing enterprises, and public markets;

- v) Coordinate and facilitate the activities of cooperatives;
  - w) Advocate for the cause of the cooperative movement;
  - x) Ensure the viability of cooperatives through the utilization of new technologies;
  - y) Encourage and promote self-help or self-employment as an engine for economic growth and poverty alleviation;
  - z) Adopt such other plans which may help foster the welfare of the members, their families, and the community; and
- aa) Undertake any activity stated in the Articles of Cooperation and By-laws of the cooperative.

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

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

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

- a) To the exclusive use of its registered name;
- b) To sue and be sued;
- c) Of succession;
- d) To amend its Articles of Cooperation in accordance with the provisions of this Code;
- e) To adopt By-laws not contrary to law, morals, or public policy, and amend or repeal the same in accordance with this Code;
- f) To purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage, or otherwise deal with such real and personal property as the transaction of the lawful affairs of the cooperative may reasonably and necessarily require, subject to the limitations prescribed by law and the Constitution;
- g) To enter into joint venture agreement and partnership, or any other commercial activity with other cooperatives;
- h) To enter into division, merger or consolidation, as provided in this Code;
- i) To form subsidiary cooperatives and join federations, unions, or Credit Surety Fund Cooperatives, as provided in this Code;
- j) To avail of loans, be entitled to credit, and accept and receive grants, donations, and assistance from foreign and domestic sources, subject to the conditions of the loans, credits, grants, donations or assistance that must not undermine the autonomy of the cooperative;
- k) To avail of preferential rights granted to cooperatives under RA 7160, otherwise known as the "Local Government Code of 1991," and other laws, particularly the grant of franchises to establish, construct, operate and maintain ferries, wharves, markets or

slaughterhouses and lease public utilities, including access to extension and on-site research services and facilities related to agriculture and fishery activities;

- l) To establish, own, and operate schools in all levels of the education system, subject to the rules and regulations of the Department of Education, Commission on Higher Education, and Technical Education and Skills Development Authority;
- m) To operate branch, satellite, and liaison offices within its area of operation, subject to the rules and regulation by the Authority. The Authority and the sector shall issue rules regarding the creation and operation of branch, satellite, and liaison offices of cooperatives;
- n) To provide training for their officers and members for continued development and personal improvement, in coordination with government agencies and experts from the private sector. In this regard, only cooperatives shall be accredited as Training Service Providers by the Authority. In the event that a cooperative is unable to provide training for its own members, it may engage the services of a federation or union: *Provided*, That a federation shall only provide training in accordance with its business or specialization while a union shall provide basic and other training that benefits the sector: *Provided, further*, That government agencies and experts from the private sector are authorized to assist in the organization, training, and development of a cooperative and its members, in coordination with federations and unions; and
- o) To exercise such other powers granted in this Code as shall be necessary to carry out its purposes stated in its Articles of Cooperation.

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

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

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

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

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

**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

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

- a) The qualifications for admission to membership;
- b) The equitable contribution or interest to be acquired as a condition precedent for the exercise of the right of membership;
- c) The rights, privileges, duties, responsibilities, and liabilities of membership;
- d) The circumstances under which membership is acquired, maintained, and terminated, and the procedure to be followed;
- e) The conditions under which the transfer of a share or interest of the members shall be permitted;
- f) The general conduct of the affairs of the cooperative relative to agenda, time, place and manner of calling, convening, and conducting meetings, quorum requirements, voting systems of the General Assembly, the Board of Directors, committees and the officers, including their qualifications, disqualifications, powers, duties, and responsibilities;
- g) The manner in which the capital may be raised and the purposes for which it can be utilized;

- h) The accounting and auditing systems;
- i) The manner of contracting loans and borrowings including the limitations thereof;
- j) The allocation and distribution of net surplus;
- k) The manner of adopting and amending By-laws;
- l) The institution of a conciliation or mediation mechanism for the amicable settlement of disputes among members, directors, officers and committee members of the cooperative; and
- m) Other matters incident to the purposes and activities of the cooperative.

### CHAPTER III. REGISTRATION

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

Except for cooperative unions as described under Section 30 hereof, no cooperative shall be registered unless the Articles of Cooperation is accompanied with the bonds of the accountable officers and a sworn statement of the Treasurer showing that at least twenty-five per centum (25%) of the authorized share capital has been subscribed and at least twenty-five per centum (25%) of the total subscription has been paid.

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

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

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

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

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

**SEC. 17. Amendment of Articles of Cooperation and By-laws.** Unless otherwise prescribed by this Code and for legitimate purposes, any provision or matter stated in the Articles of Cooperation and By-laws may be amended by two-thirds ( $\frac{2}{3}$ ) vote of all the members entitled to vote, present and constituting a quorum, without prejudice to the right of the dissenting members to exercise their right to withdraw their membership under Section 37 of this Code.

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

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

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

**SEC. 18. Contracts Executed Prior to Registration and Effects Thereof.** - Subject to the execution of a formal written contract made in the cooperative's name or on its behalf prior to its registration, all contracts executed prior to its registration between private persons and the cooperative shall remain valid and binding between the parties insofar as it redounds to the benefit of the cooperative.

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

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

The dissenting members shall have the right to exercise their right to withdraw their membership pursuant to Section 37 of this Code. The Authority shall prescribe the rules and regulations for the division of the cooperative: *Provided*, That all the requirements set forth in this Code have been complied with by the newly-formed cooperatives.

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

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

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

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

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

- a) In case of merger of cooperatives, the constituent cooperatives shall become a single cooperative or, in the case of consolidation of cooperatives, the consolidated cooperative shall be the new cooperative;
- b) The single cooperative or the consolidated cooperative shall possess all the assets, rights, privileges, immunities, and franchises and assume all the liabilities and obligations of each of the constituent cooperatives;
- c) Any claim, action, or proceeding instituted by or against the constituent cooperatives may be continued by the single or consolidated cooperative; and
- d) The merger or consolidation shall not impair the rights of creditors nor any lien upon the property of the constituent cooperatives.

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

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

- a) Clusters of Cooperatives - Cooperatives may fall under any of the following clusters based on their business activity:
  - 1) *Credit, Finance, Banking, and Insurance Cluster* refers to cooperatives organized for the promotion of financial freedom and literacy among its members, and undertakes savings, lending, and other financial services to its members, such as:
    - (i). Cooperative Banks. - Cooperative banks are organized for the primary purpose of providing a wide range of financial services to cooperatives and their members;
    - (ii). Credit Cooperatives. - Credit cooperatives are engaged solely in lending services;
    - (iii). Credit and Savings Cooperatives. - Credit and savings cooperatives promote and undertake savings and lending services among its members. They generate a common pool of funds in order to provide financial assistance to their members for productive and provident purposes;
    - (iv). Credit Surety Fund Cooperatives. - Credit surety fund cooperatives, in partnership with Local Government Units (LGUs), are comprised of well-capitalized and well-managed member-cooperatives or non-government organizations that meet the criteria and qualifications prescribed by the Authority, LGUs, Government Financial Institutions and other government agencies;
    - (v). Insurance Cooperatives. - Insurance cooperatives are engaged in the business of insuring the life and property of cooperatives and their members;
    - (vi). Savings and Deposits Cooperatives. - Savings and deposits cooperatives are engaged solely in promoting and encouraging savings among its members; and
    - (vii). Other cooperatives as may be determined by the Authority under

this cluster in consultation with the cooperative sector.

- 2) *Consumers, Marketing, Producers, and Logistics Cluster* refers to cooperatives organized for the supply, procurement, and marketing of products of its members, industrial production, and non-agricultural business activity for the production and processing of raw materials or goods or its derivative, such as:
- (i). Consumers Cooperatives. – Consumer cooperatives are engaged primarily in procuring and distributing commodities to members and non-members;
  - (ii). Marketing Cooperatives. – Marketing cooperatives are engaged in the supply of production inputs to members and markets their products, including trading and processing;
  - (iii). Logistics Cooperatives. – Logistics cooperatives are engaged in operations involving facilities and supplies whose business is related to the supply chain;
  - (iv). Producers Cooperatives. – Producers cooperatives are engaged in joint production whether agricultural or industrial. They are formed and operated by the members to undertake the production and processing of raw materials or goods produced by the members into finished or processed products for sale by the cooperative. Any end product or its derivative arising from the raw materials produced by the members, sold in the name and for the account of the cooperative, shall be deemed a product of the cooperative and its members; and
  - (v). Other cooperatives as may be determined by the Authority under this cluster in consultation with the cooperative sector.
- 3) *Human Services, Health, Housing, Workers, and Labor Service Cluster* refers to cooperatives organized for providing employment and business opportunities to its members, housing, and services related to medical, dental, health and wellness, and death care, technology, including digital payment services, such as:
- (i). Health Services Cooperatives – Health services cooperatives are organized for the primary purpose of providing medical, dental, paramedic, diagnostic, and other health services, including cooperative health organizations, hospitals, clinics, pharmacies, and transporting of patients;
  - (ii). Housing Services Cooperatives – Housing services cooperatives are organized to assist or provide access to socialized housing for the benefit of the members who actively participate in the savings program for housing;
  - (iii). Labor Services Cooperatives. – Labor services cooperatives are engaged in providing specific services to principal under a legitimate contracting or subcontracting arrangement, as defined under existing laws, and in accordance with the cooperative principles set forth under this Code;
  - (iv). Technology Service Cooperatives. – Technology service cooperatives are organized to provide the members with services that are designed to facilitate the use of Information Technology by end-users, or provide specialized technology-oriented solutions by combining the processes and functions of software, hardware, networks, telecommunications, and electronics, among others;
  - (v). Workers Cooperatives. – Workers cooperatives are organized by workers, including the self-employed, who are at the same time the members and owners of the enterprise. The principal purpose of these cooperatives is to provide employment and business opportunities to the members and manage them in accordance with cooperative principles; and
  - (vi). Other cooperatives as may be determined by the

Authority under this cluster in consultation with the cooperative sector.

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

- (i). *Advocacy Cooperatives.* – Advocacy cooperatives promote cooperativism and advocate policies for the general interest and welfare of the members, the sector, the movement, and the public through socially-oriented projects, education and training, research and communication, campaigns, lobbying, and other similar activities to reach out to intended beneficiaries;
- (ii). *Education Cooperatives.* – Education cooperatives are organized for the primary purpose of owning and operating licensed educational institutions, subject to existing laws, rules and regulations; and
- (iii). *Other cooperatives* as may be determined by the Authority under this cluster in consultation with the cooperative sector.

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

- (i). *Agrarian Reform Cooperatives* – Agrarian reform cooperatives are organized by marginal farmers, majority of whom are agrarian reform beneficiaries, for the purpose of developing an appropriate system of land tenure, land development, land consolidation or land management areas covered by agrarian reform;
- (ii). *Agricultural Cooperatives.* – Agriculture cooperatives are organized as agricultural-based economic enterprises voluntarily established through joint investment, joint ownership and joint management for the purpose of improving agricultural production capacity, agro-industry, agri-business, or services related to agricultural production, which shall include agrarian reform, dairy, fishermen, community forestry, and aquaculture cooperatives, as well as multi-purpose cooperatives whose primary business activity is at least fifty per centum (50%) related to agricultural production, agro-industry, agri-business, or services related to agricultural production;
- (iii). *Dairy Cooperatives.* – Dairy cooperatives are engaged in the production and marketing of fresh milk which may be processed or marketed as dairy products;
- (iv). *Farmers Cooperatives.* – Farmers cooperatives are organized by marginalized farmers, majority of whom are not agrarian reform beneficiaries, for the purpose of supporting their products, either fresh or processed;
- (v). *Fisherfolk Cooperatives.* – Fisherfolk cooperatives are organized by marginalized fisherfolk whose products are marketed either as fresh or processed, for the mobilization of capital in the procurement of fishing boats, nets, gears, and accessories, production of aquatic products, and access

- to storage and agricultural facilities;
- (vi). Irrigators Cooperatives. – Irrigators cooperatives are engaged in providing sustainable irrigation services for farmers; and
- (vii). Other cooperatives as may be determined by the Authority under this cluster in consultation with the cooperative sector.

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

- (i). Communications Cooperatives. – Communications cooperatives are organized to own, operate, and manage communication structures and arrangements, such as radio, cable TV, newspaper, and related industries, for the widespread dissemination of information for the members and the public;
- (ii). Electric Cooperatives. – Electric cooperatives are registered under this Code organized for the primary purpose of undertaking power generation, utilizing renewable energy sources, including hybrid systems, acquisition and operation of sub transmission or distribution to the household members;
- (iii). Transport Service Cooperatives. – Transport service cooperatives are organized to render public land, water, or air transportation services for the safe conveyance of passengers or cargoes, or are engaged in providing related or auxiliary services to the transport industry;
- (iv). Water Service Cooperatives. – Water service cooperatives are organized to own, operate, and manage water systems for the provision and distribution of potable water for the members and their households; and
- (v). Other cooperatives as may be determined by the Authority under this cluster in consultation with the cooperative sector.

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

- 1) In terms of membership, cooperatives may be categorized into:
  - i. Primary Cooperatives; and
  - ii. Secondary Cooperatives;
- 2) In terms of territory, cooperatives are categorized according to areas of operations; and;
- 3) In terms of assets, cooperatives shall follow the business size categories used by the Department of Trade and Industry (DTI).

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

## CHAPTER VI. FEDERATION OF COOPERATIVES

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

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

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

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

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

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

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

- a.) To carry on any cooperative enterprise authorized under Section 5 that complements, augments, or supplements but does not conflict, compete with, nor supplant the business or economic activities of its members;
- b.) To carry on, encourage, and assist educational and advisory work relating to the business activities of its members;
- c.) To render services designed to encourage simplicity, efficiency, and economy in the conduct of the business of its member cooperatives and to facilitate the implementation of their bookkeeping, accounting, and other systems and procedures;
- d.) To print, publish, and circulate any newspaper or other publication in the interest of its member-cooperatives and enterprises;
- e.) To coordinate and facilitate the activities of its member-cooperatives;
- f.) To enter into joint ventures with local or international cooperatives in the manufacture and sale of products in the Philippines and abroad;
- g.) To mandatorily act as conciliator-mediator in inter-intra cooperative disputes among and between the members and officers of primary cooperatives;
- h.) To assist members in the submission of the required reports and other compliances to the Authority and other government or regulatory bodies;
- i.) To assist in the liquidation of the remaining assets of dissolved or cancelled primary cooperative members;
- j.) To develop programs on education, training, monitoring, coaching, research, and advocacy that complement, augment, or supplement the businesses of their members; and

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

## **CHAPTER VII. COOPERATIVE UNIONS**

**SEC. 30. *Organization and Duties.*** - All registered cooperatives may organize or join cooperative unions to protect the interest and promote the welfare of all types of cooperatives: *Provided*, That a member cooperative may freely withdraw membership from the union. The cooperative unions shall represent the constituent cooperatives at the appropriate level and exercise the following duties and functions:

- a.) To represent its member organizations;
- b.) To acquire, analyze, and disseminate economic, statistical, and other information relating to its members and to all types of cooperatives within its area of operation;
- c.) To sponsor studies in the economic, legal, financial, social and other phases of cooperation, and publish the results thereof;
- d.) To conduct trainings to member-cooperatives as an accredited training provider;
- e.) To promote the knowledge of cooperative principles and practices;
- f.) To develop the cooperative movement;
- g.) To assist the national and local government units in cooperative development activities within their respective jurisdiction;
- h.) To assist in the dissemination and monitoring of the Philippine Cooperative Medium Term Plan;
- i.) To assist the members in the submission of the required reports and other compliances to the Authority and other government or regulatory bodies;
- j.) To assist the Authority, upon written request, in the performance of its power of inspection or examination by way of providing relevant information, such as research, reports, and financial records;
- k.) To advise the appropriate authorities on all questions relating to cooperatives at the municipal, city, district, provincial or regional levels;
- l.) To act as liquidators or rendering assistance in the liquidation of the remaining assets of dissolved primary cooperative members; and
- m.) To do and perform such other non-business activities as may be necessary to attain the foregoing objectives.

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

## **CHAPTER VIII. MEMBERSHIP**

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

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

and signifies the intention to remain a member shall be considered a regular member.

**SEC. 33. Qualifications of Membership.** – Members of registered primary cooperatives must be natural persons, Filipino citizens or former natural-born Filipino citizens, of legal age, with capacity to enter into a contract, within the common bond of membership and area of operation, and must possess the qualifications and none of the disqualifications as provided for in the By-laws of the cooperative; *Provided*, that in case of former natural-born Filipino citizens, they must comply with Philippine taxation laws; *Provided, further*, that the age requirement shall not apply to laboratory cooperatives as defined in Section 8. A member must have completed the Pre- Membership Education Seminar.

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

- a.) All elective officials of the Government shall be ineligible to become officers of cooperatives: *Provided*, That the disqualification does not extend to a party list representative who represents the cooperative sector: *Provided, further*, That nothing precludes cooperatives from engaging in activities in support of party lists representing the sector, such as, but not limited to participating in campaigning or donating funds;
- b.) Employees of the Authority are allowed to become a member of any cooperative. However, they shall be disqualified to be elected or appointed as an officer, except for cooperatives organized among themselves; and
- c.) Any government employee or official may, in the discharge of the duties as a member in the cooperative, be allowed by the head of office concerned to use official time for attendance at the General Assembly, Board and committee meetings including cooperative seminars, conferences, workshops, technical meetings, and training courses locally or abroad.

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

In case the application for membership is denied by the Board of Directors, an appeal may be made to the Election Committee, sitting as the appeals and grievance body, within fifteen (15) days after receipt of the notice of denial and the decision of the Election Committee shall be final. If the Election Committee fails to decide within the prescribed period, the appeal is deemed approved in favor of the applicant.

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

**SEC. 37. Termination of Membership.** –

- a.) A member of a cooperative may withdraw membership from the cooperative by giving written notice to the Board of Directors which shall be acted upon within thirty (30) days from receipt of said notice.
- b.) The death or insanity of a member in a primary cooperative, and the insolvency or dissolution, de-listing, or cancellation of the certificate of registration of a member in a secondary cooperative shall be considered valid grounds for termination of membership: *Provided*, That in the case of death or insanity of an agrarian reform beneficiary-member of a cooperative, the qualified next-of-kin may assume the duties and responsibilities of the original member;
- c.) Termination of membership in the cooperative shall be initiated through the filing of a complaint before the ethics committee of the cooperative. The committee shall

recommend to the Board of Directors the termination of membership for any of the following causes:

- 1) Failure to patronize any services of the cooperative for an unreasonable period of time as provided in the By-laws;
- 2) Failure to comply with the obligations of membership as provided in the By-laws or policies of the cooperative;
- 3) Violation of the By-laws of the cooperative;
- 4) Commission of any act or omission injurious or prejudicial to the interest or the welfare of the cooperative; and
- 5) Others, as may be provided in the By-laws of the cooperative.

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

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

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

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

## CHAPTER IX. ADMINISTRATION

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

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

**SEC. 40. Powers of the General Assembly.** - The General Assembly shall be the highest policy-making body of the cooperative and shall exercise such powers as are stated in this Code, and in the Articles of Cooperation and By-laws of the cooperative. The General Assembly,

through its members entitled to vote, shall have the following exclusive powers which cannot be delegated:

- a.) Determine and approve amendments to the Articles of Cooperation and By-laws;
- b.) Elect, appoint, or remove, the members of the Board of Directors. However, in the case of the electric cooperatives registered under the Authority, the election of the members of the Board shall be in accordance with its By-laws or election guidelines;
- c.) Approve the annual strategic and developmental plans, and the budget of the cooperative;
- d.) Approve or disapprove proposals from the Board of Directors pertaining to external borrowings, investments, grants, donations, and other financial assistance; and
- e.) Decide membership issues within the cooperative.

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

#### **SEC. 41. Meetings. –**

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

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

- c.) In the case of a newly registered cooperative, a special General Assembly meeting shall be called within sixty (60) days from such approval of its registration, for the following purposes:
  - 1) Presentation of approved Articles of Cooperation and By-laws;
  - 2) Approval of the annual strategic and development plans, and budget; and
  - 3) Other matters, as may be determined by the cooperative.
  - 4) The Authority shall compel the cooperative to call a General or Representative Assembly for the purpose of reporting to the members the result of any examination or other investigation of the cooperative affairs; and
  - 5) Notice of any meeting may be waived, expressly or impliedly, by any member.

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

- a.) Duly assembled in one venue, wherein the meetings are held on the same day; or
- b.) Simultaneously, wherein the meetings are held on the same day but in different venues.

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

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

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

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

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

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

The foregoing notwithstanding, the By-laws of a cooperative, other than a primary cooperative, may provide for voting by proxy. Voting by proxy means allowing a delegate of a cooperative to represent or vote on behalf of another delegate of the same cooperative.

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

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

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

the cooperatives.

**SEC. 47. Directors. –**

- a.) Any member of a cooperative who has the right to vote and be voted upon, and who possesses all the qualifications and none of the disqualifications provided in this Code or in its By-laws shall be eligible for election as director, subject to the limitation imposed by the second paragraph of Section 45 of this Code.
- b.) The cooperative may, by resolution of its Board of Directors, admit as an *ex officio* director or committee member one appointed by any financing institution from which the cooperative received financial assistance, solely to provide technical knowledge not available within its membership. Such director or committee member need not be a member of the cooperative and shall have no powers, rights, nor responsibilities except to provide technical assistance as required by the cooperative.
- c.) The members of the Board of Directors shall not hold any other position directly involved in the day-to-day operation and management of the cooperative.
- d.) Any member engaged in a business similar to that of the cooperative or who, in any way, has a conflict of interest with it, is disqualified from being elected as a director.

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

- a.) In the case of primary cooperatives, regular meetings of the Board of Directors shall be held at least once a month. Special meetings may be held at any time: i) at the call of the Chairperson, upon prior written notice given at least three (3) days prior to the date of said meeting; ii) or at the call of a majority of the members of the Board, upon prior written notice given at least one (1) day before said meeting: *Provided*, that only two (2) special meetings may be held in one (1) month. Notices may be sent through electronic means, to the official contact number or email account of the officers.
- b.) A majority of the members of the Board shall constitute a quorum for the conduct of business.
- c.) Each member of the Board shall only have one vote, whether it be a primary or secondary cooperative, irrespective of the share capital holdings of the member-cooperative.
- d.) Directors cannot attend or vote by proxy at Board meetings.
- e.) Cooperatives may opt to allow meetings of the Board of Directors and members of the different committees of the cooperative to be conducted either through physical attendance or videoconferencing, or both, subject to the rules on sending of notices, quorum, and voting requirements as provided for in the By-laws. In the conduct of meetings

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- b.) A majority of the members of the Board shall constitute a quorum for the conduct of business.
- c.) Each member of the Board shall only have one vote, whether it be a primary or secondary cooperative, irrespective of the share capital holdings of the member-cooperative.
- d.) Directors cannot attend or vote by proxy at Board meetings.
- e.) Cooperatives may opt to allow meetings of the Board of Directors and members of the different committees of the cooperative to be conducted either through physical attendance or videoconferencing, or both, subject to the rules on sending of notices, quorum, and voting requirements as provided for in the By-laws. In the conduct of meetings through videoconferencing, cooperatives shall adopt their own policies and procedures which shall be included in their By-laws.

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

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

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

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

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

**SEC. 51. Committees of Cooperatives.** –

- a.) The By-laws may create an executive committee, the members of which shall be appointed by the Board of Directors with such powers and duties as may be delegated to it in the By-laws or by a majority vote of all the members of the Board of Directors.
- b.) The By-laws shall provide for the creation of other committees, such as conciliation-mediation, ethics, gender and development, education, and other committees as may

be necessary for the conduct of the affairs of the cooperative. The members of the audit and election committee shall be elected by the General Assembly, while the members of the other remaining committees shall be appointed by the Board.

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

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

**SEC. 53. Liability of Directors, Officers and Committee Members** - Directors, officers, and committee members shall be jointly and severally liable for all damages or losses to the cooperative, its members, or other persons in case of the following:

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

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

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

- a.) In the absence of any provision in the By-laws fixing their compensation, the directors shall not receive any compensation except for reasonable *per diems*: *Provided*, That no additional compensation other than *per diems* shall be paid during the first year of existence of any cooperative; *Provided, further*, That only the General Assembly shall approve any additional compensation or the increase thereof.
- b.) The compensation of officers or committee members may be fixed in the By-laws.
- c.) Directors and officers shall not be entitled to any *per diem* if the cooperative reported a net loss in the preceding calendar year or a had a dividend rate less than the official rate for the same year.
- d.) Unless already fixed in the By-laws, the compensation of all other employees shall be determined by the Board of Directors in accordance with the Regional Tripartite and Wage Productivity Board.

**SEC. 55. Dealings of Directors, Officers, or Committee Members** - A contract entered into by the cooperative with one (1) or more of its directors, or their spouses and relatives within the first civil degree of consanguinity or affinity, is voidable, at the option of the cooperative, unless the following conditions are present:

- a.) The presence of such director in the Board meeting wherein contract was approved

was not necessary to constitute a quorum for such meeting;

- b.) The vote of such director was not necessary for the approval of the contract; and
- c.) The contract is fair, reasonable, and beneficial to the cooperative under the circumstances.

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

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

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

**SEC. 56. *Disloyalty of a Director and Other Officers of the Cooperative.***

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

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

- a.) A director, officer, or any person who, in conspiracy or connivance therewith, makes use of confidential information to the benefit or advantage of such person, which, if generally known, may adversely affect the operation and viability of the cooperative, shall be held liable for the direct losses and for the unrealized benefit suffered by the cooperative, as a result of the transaction.
- b.) The cooperative shall take the necessary steps to enforce the liabilities described in paragraph (a) herein.

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

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

In cases involving directors, the complaint shall be filed with the Ethics and Grievance committee, which shall follow the procedure set in the preceding paragraph. In cases involving the removal of any appointive officer, a complaint shall be filed with the Ethics and Grievance committee of the cooperative, which shall submit its recommendation to the Board of Directors for proper action. The decision of the Board of Directors may be appealed to the General Assembly.

During the investigation, the Board of Directors or the Ethics and Grievance

committee may, as the case may be, upon majority vote, place such officer under preventive suspension, as prescribed in the By-laws.

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

## **CHAPTER X. RESPONSIBILITIES, RIGHTS AND PRIVILEGES OF COOPERATIVES**

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

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

### **SEC. 60. Books to be Kept Open.** –

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

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

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

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

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

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

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

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

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

1. The date on which the name of any person was entered in such registry or list of members; and
2. The date on which any such person ceased to be a member.

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

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

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

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

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

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

- a.) Notwithstanding the provisions of existing laws, rules and regulations to the contrary, any debt due to the cooperative from the member shall constitute a first lien upon any raw materials, production, inputs, and products produced; or any land, building, facilities, equipment, goods or services acquired and held, by such member through the proceeds of the loan or credit granted by the cooperative to such member for as long as the same is not fully paid.
- b.) No property or interest on property which is subject to a lien under paragraph (a) herein shall be sold nor conveyed to third parties without the prior permission of the cooperative. The lien upon the property or interest shall continue to exist even after the sale or conveyance thereof until such lien has been duly extinguished.
- c.) Notwithstanding the provisions of any law to the contrary, any sale or conveyance made in contravention of the preceding paragraph shall be void.

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

- a.) A member of a cooperative shall, notwithstanding the provisions of existing laws to the contrary, execute an instrument in favor of the cooperative authorizing the employer to deduct from the salary or wages, commutation of leave credits, and any other monetary benefits payable by the employer, and remit such amount as maybe specified in satisfaction of a debt, share capital contribution, or other demand due from the member to the cooperative.
- b.) Upon the execution of such instrument and as may be required by the cooperative contained in a written request, the employer shall make the deduction in accordance with the agreement and remit forthwith to the cooperative the amount so deducted within ten (10) days after the end of the payroll month. The employer shall make the deduction for as long as such debt or other demand remains unpaid by the employee.
- c.) The term "employer" as used in this Section shall include all private firms, national government agencies, including government-owned and controlled corporations, government instrumentalities with corporate powers, government corporate entities, or government financial institutions, and local government units that employ a member of a cooperative and have agreed to carry out the terms of the instrument mentioned in this Section.
- d.) The provisions of this Section shall apply to all similar agreements referred to in paragraph (a) herein and were enforced prior to the approval of this Code.
- e.) Notwithstanding the provisions of existing laws to the contrary, the responsibilities of the employer as stated in paragraphs (a) and (b) herein shall be mandatory and without the need for any prior conditions, accreditation or other similar processes to facilitate or implement the deductions: *Provided*, That in the case of a private employer, the actual and reasonable cost for deducting and remitting may be collected.
- f.) The member may withdraw such consent at any time and for any reason, which shall also be put in writing. Any person who acts contrary to this provision shall be held liable under this Code and other laws, as the case may be.

**SEC. 67. *Primary Lien.* –** Notwithstanding the provision of any law to the

contrary, a cooperative shall have primary lien upon the capital, deposits, or interests of a member for any debt due to the cooperative from such member.

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

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

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

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

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

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

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

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

- (i). Sales by Agricultural cooperatives duly registered with the Authority to their members as well as sale of their produce, whether in its original state or processed form, to non-members; their importation of direct farm inputs, machineries and equipment, including spare parts thereof, to be used directly and exclusively in the production and/or processing of their produce, and their resale to other Agricultural cooperatives;
- (ii). Gross receipts from lending activities by credit or multi-purpose cooperatives duly registered with the Authority; and
- (iii). Sales by non-agricultural, non-electric and non-credit cooperatives duly registered with the Authority: *Provided*, That the share capital contribution of all members does not exceed

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

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

3. All sales of goods and/or services rendered for non-members shall be subject to the applicable percentage taxes except sales made by commodities or service cooperatives; and
4. All other taxes unless otherwise provided herein.

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

- c.) All duly registered cooperatives shall be exempt from payment of local taxes, fees and charges whether barangay, municipal, city, or provincial taxes and taxes on transactions with banks and insurance companies. The Authority shall furnish the Municipal, City, or Provincial Assessor's Office a certified list of duly registered cooperatives as basis of their removal from the Assessment Rolls;
- d.) In areas where there are no available notaries public, the judge, exercising his/her ex-officio capacity as notary public, shall render service, free of charge, to any person or group of persons requiring the administration of oath or the acknowledgment of Articles of Cooperation and instruments of loan from cooperatives not exceeding Five Hundred Thousand Pesos (P500,000.00).
- e.) Any register of deeds shall accept for registration, free of charge, any instrument relative to a loan made under this Code which does not exceed Two Hundred and Fifty Thousand Pesos (₱250,000.00) or the deeds of title of any property acquired by the cooperative or any paper or document drawn in connection with any action brought by the cooperative or with any court judgment rendered in its favor or any instrument relative to a bond of any accountable officer of a cooperative for the faithful performance of his/her duties and obligations.
- f.) Cooperatives shall be exempt from the payment of all court and sheriff's fees payable to the Philippine Government for and in connection with all actions brought under this Code, or where such action is brought by the Authority before the court, to enforce the payment of obligations contracted in favor of the cooperative.
- g.) All cooperatives shall be exempt from putting up a bond for bringing an appeal against the decision of an inferior court or for seeking to set aside any third party claim: *Provided*, That a certification of the Authority showing that the net assets of the cooperative are in excess of the amount of the bond required by the court in similar cases shall be

accepted by the court as a sufficient bond.

- h.) Any security issued by cooperatives shall be exempt from the provisions of the Securities Act provided such security shall not be speculative.

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

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

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

- a.) Cooperatives shall enjoy the privilege of depositing their sealed cash boxes or containers, documents or any valuable papers in the safes of the municipal, city, or provincial treasurers, and other government offices free of charge, and the custodian of such articles shall issue a receipt acknowledging the articles received, duly witnessed by another person;
- b.) Cooperatives organized among government employees, notwithstanding any law or regulation to the contrary, shall enjoy the free use of any available space in their agency, whether owned or rented by the Government;
- c.) Cooperatives rendering special types of services and facilities such as cold storage, ice plant, electricity, transportation, water, communications, and similar services and facilities shall be given preference in the grant of a franchise or certificate therefor: *Provided*, That such cooperatives shall open their membership to all persons qualified in their areas of operation. In case there are two (2) or more applicants for the same public service franchise or certificate of public convenience and necessity, all things being equal, preference shall be given to a cooperative engaged in public services;
- d.) In areas where there are agricultural cooperatives, at least fifty per centum (50%) of the supply to government institutions, agencies, and LGUs, of rice, corn, grains, fish and other marine products, meat, eggs, milk, vegetables, and other agricultural commodities such as fertilizers, seeds and other agricultural inputs and implements, and related products, shall be sourced from such cooperatives;
- e.) Preferential and equitable treatment in the allocation or control of bottomries of commercial shipping vessels in connection with the shipment of goods and products of cooperatives;
- f.) Cooperatives and their federations engaged in the production and/or the marketing of products from agriculture, fisheries and small entrepreneurial industries, shall have exclusive preferential rights in the management of public markets, and lease of public market facilities, stalls or spaces, slaughterhouses, and storage facilities: *Provided*, That no cooperative forming a joint venture, partnership or any other similar arrangement with a non-cooperative entity can utilize these rights;
- g.) Cooperatives engaged in credit services shall be entitled to loans, credit lines, rediscounting of their loan notes, and other eligible papers with the Development Bank of the Philippines (DBP), the Land Bank of the Philippines (LBP), and other financial institutions except the *Bangko Sentral ng Pilipinas* (BSP);

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

- h.) Public transport service cooperatives shall be entitled to financing support from Government Financial Institutions for the acquisition and maintenance of land, sea, and air transport equipment, facilities, and parts, and shall be preferred in securing a franchise for active or potential routes for public transport. They shall have preferential rights to the management and operation of public terminals and ports whether land, sea, or air, and wharves, where the cooperative operates, as well as in the operation of arrastre and stevedoring services therein.
- i.) Cooperatives shall be given preference in the procurement of government projects subject to the existing procurement laws, rules and regulations.
- j.) Cooperatives shall enjoy the privilege of being represented by the provincial or city fiscal, or the Office of the Solicitor General, free of charge, except when the adverse party is the Republic of the Philippines;
- k.) Cooperatives organized by faculty members and employees of educational institutions shall have the preferential right to manage the school canteen and other services related to the operation of the educational institution where they are employed: *Provided*, That such services are operated within the premises of the said educational institution;
- l.) The relevant regulatory agencies, and LGUs shall not discriminate against duly registered cooperatives seeking accreditation as service providers or seeking to engage in a particular business: *Provided*, That they possess all other qualifications under the law. Any person who acts contrary to this provision may be held liable under this Code and all other relevant laws and issuances;
- m.) Cooperatives shall be entitled to financing support from the relevant government agencies that shall allocate funds for the establishment of projects and programs for the development and promotion of cooperatives; *and*
- n.) The relevant government agencies and government financial institutions shall create a special window for financing, in the form of blanket or long-term wholesale loans without need for individual processing, to qualified cooperatives engaged in housing projects. Such shall offer interest rates and terms equal to, or better than those given for socialized housing projects.

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

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

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

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

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

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

- a.) Willful failure to submit annual progress reports with the necessary attachments within the period mandated by this Code: *Provided*, That in case of newly-registered cooperatives, this provision shall only apply three (3) years after they have registered;
- b.) Willful failure or refusal to comply with an interlocutory order, a final and executory decision, or award from the CDA Board of Directors, or from any of its Regional Offices or adjudication officers, or by a voluntary arbitrator in relation to an investigation, voluntary arbitration, or adjudication.

**SEC. 75. *Voluntary Dissolution Where no Creditors are Affected*** - If the dissolution of a cooperative does not prejudice the rights of any creditor having a claim against it, the dissolution may be effected by a majority vote of the Board of Directors, and by a resolution duly adopted by the affirmative vote of at least three-fourths (3/4) of all the members entitled to vote, present and constituting a quorum in a special General Assembly called by the directors for such purpose: *Provided*, That the notice of time, place, and object of the meeting shall be posted for three (3) consecutive weeks in the principal office of said cooperative, in a public place in the municipality, city, or province where the cooperative operates, and in its official website and social media accounts.

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

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

**SEC. 76. *Voluntary Dissolution Where Creditors Are Affected***. - In case creditors of the cooperative are affected, the petition for dissolution, signed by a majority of its Board of Directors or the Chief Executive Officer or General Manager, as the case may be, and verified by the Chairperson of the Board or the Cooperative Secretary, shall be filed with the Authority. The petition shall state that the dissolution was affirmed by a vote of at least three-fourths (3/4) of all the members entitled to vote, present and constituting a quorum in a special General Assembly called for the purpose and shall set forth all the claims and demands against the cooperative.

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

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

- a.) The assets and liabilities of the cooperative;
- b.) The claim of any creditor;
- c.) The number of members;
- d.) The nature and extent of the interests of the members of the cooperative; and
- e.) The appointment of the liquidators.

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

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

- a.) Having obtained its registration by fraud;
- b.) Engaging in an illegal or unauthorized purpose;
- c.) Willful violation, despite written notice by the Authority, of the provisions of this Code or its Implementing Rules and Regulations, other issuances of the Authority consistent with this Code, or By-laws of the cooperative;
- d.) Willful refusal to comply with an order issued or given by the Authority;
- e.) Willful failure to operate on a cooperative basis; and
- f.) Failure to meet the required minimum capital and minimum number of members in the cooperative.
- g.) The decision of the Authority on the cancellation of the Certificate of Registration of a cooperative may be appealed to the Authority's Board of Directors within thirty (30) days from the receipt of thereof. The decision of the Authority's Board of Directors shall be final and executory.

**SEC. 78. Cancellation by Failure to Operate.** - If a cooperative has not commenced operations within three (3) years after the issuance of its Certificate of Registration or has not carried on its business for three (3) consecutive years, the Authority shall send a show cause order for the cooperative to explain its failure to operate. Failure to provide justifiable cause shall authorize the Authority, after due notice, to cancel the Certificate of Registration and delist it from the registry.

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

The cooperative is authorized to convey all of its interests in the properties

to trustees for the benefit of its members, creditors, and other persons in interest, after which, all interests which the cooperative had in the properties are terminated.

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

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

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

- a.) Voluntary Dissolution;
- b.) Involuntary Dissolution;
- c.) Cancellation by Order of the Authority;
- d.) Cancellation by Failure to Operate; and
- e.) Merger or Consolidation.

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

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## CHAPTER XII. CAPITAL, PROPERTY, AND FUNDS

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

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

- a.) Member's share capital;
- b.) Loans and borrowings;
- c.) Deposits from members;
- d.) Revolving capital which consists of the deferred payment of patronage refunds, or interest on share capital;
- e.) Joint venture partners;
- f.) Subsidies, donations, legacies, grants, aids and such other assistance or investment from any local or foreign institution whether public or private: *Provided*, That capital coming from such subsidies, donations, legacies, grants, aids, investments, and other assistance shall not be divided into individual share capital holdings at any time, but instead shall form part of the donated capital or fund of the cooperative. Upon dissolution or cancellation of the cooperative, such donated capital shall be subject to escheat; and

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

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

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

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

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

- a.) The member has held such share capital contribution or interest for more than one (1) year;
- b.) The assignment is made to the cooperative or to a member of the cooperative or to a person who falls within the field of the membership of the cooperative; and
- c.) The Board of Directors has approved such assignment

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

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

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

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

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

**SEC. 88. Fines.** – The policies of a cooperative may prescribe a fine on unpaid

subscribed share capital. *Provided*, That such fine is fair and reasonable.

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

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

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

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

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

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

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

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

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

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

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

to examine records.

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

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

#### CHAPTER XIV. ALLOCATION AND DISTRIBUTION OF NET SURPLUS

**SEC. 96. Net Surplus.** - Notwithstanding the provisions of existing laws, the net surplus of cooperatives shall be determined in accordance with its By-laws. Every cooperative shall determine its net surplus at the close of every calendar year.

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

**SEC. 97. 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.) The reserve fund which shall be at least ten per centum (10%) of the net surplus 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*, as may be approved or confirmed by the General Assembly, as the case may be.

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

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

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.

- b.) The Cooperative Education and Training Fund (CETF), which shall not exceed ten per centum (10%) of the net surplus, shall be used for the training, development and similar other cooperative activities geared towards the growth of the cooperative movement:
  1. Half of the CETF shall be used to provide for the education and training of its officers, members, and employees; while the other half shall be remitted to a

federation and/or union that the cooperative opted to join, which must redound to the benefit and development of the member-cooperatives, such as, but not limited to trainings, seminars, and other related activities.

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

2. Upon the dissolution of the cooperative, the unexpended balance of the CETF shall be utilized within the succeeding calendar year following its allocation.
- c.) The Community Development Fund (CDF), which shall not be less than three per centum (3%) of the net surplus, shall be used for projects or activities that will benefit the community where the cooperative operates. However, the cooperative may extend assistance to marginalized communities or affected areas outside its area of operation in times of calamities, disaster, or national emergency, at the discretion of the General Assembly.

In the case of cooperatives whose common bond of membership is institutional, the community refers to the institution where the cooperative is operating. The allocation for the CDF for the current year shall be fully utilized in the following year unless the projects or activities as approved by a majority of the members entitled to vote, present and constituting a quorum in a General Assembly meeting, require multi-year utilization. For multi-year projects or programs, the allocation shall be fully utilized within the period as stated in the plan.

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

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

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

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

1. In the case of a member patron with paid-up share capital contribution, his/her proportionate amount of patronage refund shall be paid to him/her unless he agrees to credit the amount to his/her account as additional share capital contribution;
2. In the case of a member patron with unpaid share capital contribution, his/her proportionate amount of patronage refund shall be credited to his/her account until his/her account until his/her share capital contribution has been fully paid;
3. In the case of a non-member patron, his/her proportionate amount of patronage refund shall be set aside in a fund created for the purpose and shall be allocated to individual non-member patrons only upon request and presentation of evidence of the amount of his/her patronage. The amount so allocated shall be credited to such patrons toward payment of the minimum capital contribution for membership. When a sum equal to this amount has accumulated at any time within two (2) years from the start of his/her patronage, such patron shall be

deemed and become a member of the cooperative if he so agrees or requests and complies with the provisions of the By-laws for admission to membership; and

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

## **CHAPTER XV. AGRICULTURAL COOPERATIVES**

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

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

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

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

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

The DA and the Authority shall jointly issue guidelines on the mechanisms

for PCAOs.

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

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

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

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

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

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

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

**SEC. 105. *Partnership and Joint Venture with Private Entities***. – Duly registered private entities may enter into a partnership or joint venture with agricultural cooperatives in order to provide the latter with investments and technical support, such as, but not limited to technological, logistics, and facilities support, among others. Such partnership or joint venture shall be registered with the necessary regulatory authorities, including the CDA, and enjoy the relevant exemptions and privileges under this Code.

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

**SEC. 106. *Commitment of Financial Portfolio***. – Federations and shall reserve not less than fifteen per centum (15%) of their financial portfolio for the extension of loans, credit, savings facilities, and others, to agricultural cooperatives; *Provided*, that any federation that shall willfully misrepresent facts or circumstances in order to circumvent compliance with this provision shall

be held liable under this Code and all other applicable laws, rules, and regulations. Cooperative banks shall comply with the thresholds set by the BSP.

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

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

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

- a. Ensure the appointment of Cooperative Development Officers, in compliance with Republic Act No. 11535;
- b. Create a Committee on Agricultural cooperatives Development in the Local Government Legislative Council which shall focus on addressing legislative concerns on Agricultural cooperatives;
- c. Legislate necessary ordinances for the promotion and development of agricultural cooperatives;
- d. Disseminate information to people and facilitate the establishment and development of the management and operations of agricultural cooperatives in their respective localities; Expedite the issuance of the necessary permits for the implementation of programs and projects of the Authority and other national government agencies for the benefit of agricultural cooperatives;
- e. Upon written request of the Authority, assist in the resolution of inter-cooperative disputes among agricultural cooperatives operating within their localities;
- f. Facilitate and conduct seminars, trainings, and/or conferences necessary for the organization, registration, management and operations of agricultural cooperatives, in coordination with federations and unions; and
- g. Provide technical assistance and skills training for farmers, farm workers, and fisherfolk to engage in income-generating activities.

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

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

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

- a. Taxes, Duties, and Liens:
  - 1) All benefits, privileges, and tax treatments of cooperatives as defined and enumerated under Chapter X of this Code shall apply to agricultural cooperatives;
  - 2) Agricultural cooperatives shall be exempt from customs duties, advance sales or compensating taxes on their importation and local purchase of machineries, equipment, accessories, batteries, and spare parts used by them: Provided, That all tax- and duty-free imports and local purchases shall not be sold nor the beneficial ownership thereof be transferred to any person until after five (5) years, otherwise, the cooperative and the transferee or assignee shall be solidarily liable to pay twice the amount of the imposed tax and/or duties; and
  - 3) All real properties owned, and those directly used for the operations, management, and maintenance of agricultural cooperatives shall be exempt from the payment of real property taxes imposed under existing laws.

- b. Trainings and Conferences - All trainings and conferences necessary for the organization, registration, management and operations of an agriculture cooperative, rendered by the appropriate government agency, shall be given free of charge, including costs of venue, training materials, speakers and resource persons. The CDOs shall be primarily responsible for these trainings and conferences within their respective localities;
- c. Consolidation - Agricultural cooperatives may consolidate agricultural lands owned by its members within in a contiguous area for purposes of agricultural development; and
- d. Direct Purchase by National and Local Government Agencies – To promote and support agricultural cooperatives, national and local government agencies shall directly purchase agricultural products from accredited agricultural cooperatives; Provided, that said products are necessary in the performance of their respective mandates.

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

- e. Loans and Grants:
  - 1) All loans applied for by agricultural cooperatives in any government-owned or -controlled banks or government financial institutions shall enjoy preferential treatment as to the requirements, rates, securities, and collaterals; and
  - 2) The DA shall coordinate with the BSP to lower the requirements for all loans applied for and granted to agricultural cooperatives.

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

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

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

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

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

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

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

- 1) To develop an appropriate system of land tenure, land development, land consolidation or land management in areas covered by agrarian reform;
- 2) To coordinate and facilitate the dissemination of scientific methods of production, and provide assistance in the storage, transport, and marketing of farm products for agrarian reform beneficiaries and their immediate family;
- 3) To provide financial facilities to ARBs for provident or productive purposes at reasonable costs;
- 4) To arrange and facilitate the expeditious transfer of appropriate and suitable technology to ARBs and marginal farmers at the lowest possible cost;
- 5) To provide social security benefits, health, medical and social insurance benefits, and other social and economic benefits that promote the general welfare of the ARBs and marginal farmers;
- 6) To provide non-formal education, vocational and technical training, and livelihood programs to ARBs and marginal farmers;
- 7) To act as conduits for external assistance and services to the ARBs and marginal farmers;
- 8) To undertake a comprehensive and integrated development program in agrarian reform and resettlement areas with special concern for the development of agro-based, marine-based, and cottage-based industries;
- 9) To represent the ARBs on any or all matters that affect their interest; and
- 10) To undertake such other economic or social activities as may be
- 11) necessary or incidental in the pursuit of the foregoing purposes.

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

**SEC. 118. Infrastructure.** - In agrarian reform and resettlement areas, the Government shall grant to agrarian reform cooperatives preferential treatment in the construction, maintenance and management of roads, bridges, canals, wharves, ports, reservoirs, irrigation systems, waterworks systems, and other infrastructures with government funding.

For this purpose, the Government shall provide technical assistance, facilities, and equipment to such agrarian reform cooperatives.

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

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

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

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

The foregoing notwithstanding, an agrarian reform cooperative cannot, on its own, by policy or any other means, disqualify a member as an ARB, whether directly or constructively. The Government shall provide the necessary financial and technical assistance to agrarian reform cooperatives to enable them to effectively discharge their purposes under this Chapter. The DAR, the Authority and the BSP shall draw up a joint program for the organization and financing of agrarian reform cooperatives. The joint program shall be geared towards the gradual assumption of full ownership and management control by ARBs of the agrarian reform cooperatives.

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

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

## **CHAPTER XVII. COOPERATIVE BANKS**

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

- a) Organization - At least fifteen (15) cooperatives duly established and registered under this Code may register a cooperative bank with the Authority.
- b) Registration - The application for the registration of the Articles of Cooperation and By-laws, including its amendments, by a cooperative bank with the Authority shall be accompanied by a Certificate of Authority issued by the BSP.
- c) Membership - Membership in a cooperative bank shall be open to:
  - 1) cooperatives of all types and categories;
  - 2) natural persons who are members of a cooperative;
  - 3) foreign cooperatives;
  - 4) pre-cooperative organizations established under Presidential Decree No. 175; and individuals.

Membership in a cooperative bank is either regular or associate. Regular membership shall be limited to cooperative organizations, individuals who are members of a domestic cooperative, or a foreign cooperative. Associate members shall be pre-cooperative organizations established under Presidential Decree No. 175, as well as individuals and other institutions, such as foreign cooperative institutions that have

subscribed to preferred shares only.

The common shareholdings of a local cooperative shall at all times be at least sixty per centum (60%) of the total outstanding voting shares of the cooperative bank. Common shares held by individuals who are members of a cooperative, and foreign cooperatives shall not be more than forty per centum (40%) of the total outstanding voting shares: *Provided*, That the common shareholdings of each individual who is a member of a cooperative shall not be more than five per centum (5%) of the total outstanding voting shares.

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

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

- a) Extend loans and advances primarily for the purpose of meeting the normal credit needs of cooperatives as well as farmers, farm workers, fisherfolks, or their families, merchants, and private and public employees: *Provided*, That loans and advances granted to cooperatives shall not be subject to individual ceilings on loans to directors, officers, stockholders, and related interests (DOSRI);
- b) Accept savings and time deposits;
- c) Act as a correspondent bank of other financial institutions;
- d) Discount and Rediscount paper with the LBP, DBP or any other bank, including its branches and agencies. Said banks shall specify the nature of paper deemed acceptable for rediscounting, as well as the rediscount rate to be charged by any of these banks;
- e) Act as collection agent;
- f) Act as a depository bank of LGUs and other government agencies or instrumentalities;
- g) Acquire readily marketable bonds and other debt securities;
- h) Buy and sell foreign exchange;
- i) Act as conduit bank for the disbursement of government funds intended for lending to agriculture, small-medium enterprises (SMEs) and projects for local economic development;
- j) Eligible to participate in government program allocations for agricultural lending, social housing, loans to rural micro enterprises and other initiatives towards inclusive growth;
- k) Offer financial technology services, such as digital lending and payment, and digital wealth management, among others, subject to prior approval of the BSP; and
- l) Offer other banking services as provided in Section 53 of Republic Act No. 8791.

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

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

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

- a) **Board and Committees.** - The cooperative bank shall constitute, at a minimum, the Board of Directors, Election Committee, and Audit Committee.
  - i. The Board of Directors shall be composed of at least five (5) but not more than fifteen (15) members, at least one (1) of whom is an independent director. It shall be entrusted with the management of the affairs of the Cooperative Bank. It shall be responsible for the strategic planning, direction-setting and policy formulation activities of the cooperative bank. The members of the Board of Directors shall be elected by the General Assembly or Representative Assembly.
  - ii. The Election Committee shall be responsible for the formulation and implementation of election rules and guidelines. It shall supervise the conduct of election, election-related activities, canvass and certify the results of the election, and decide cases relative to such election, except those involving the committee itself or its members. The members of the Election Committee shall be elected by the General Assembly or Representative Assembly.
  - iii. The Audit Committee is a Board-level committee whose composition, functions and responsibilities shall be in accordance with the existing regulations of the BSP. Other Board-level committees may be created as may be directed by the BSP.
  - iv. Other committees may be created by the Board of Directors with powers, functions, and responsibilities which shall be defined in the By-laws; and
- b) **Key Management Officers.** - The key management officers shall be appointed by the Board and shall include the President, Treasurer, Internal Auditor, and Compliance Officer, or their equivalent ranks. The BSP shall prescribe the qualifications and disqualifications of the key management officers.

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

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

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

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

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

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

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

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

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

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

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

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

The voting rights of the members shall be proportionate to the number of their paid-up shares. The cooperative bank may opt to amend its Articles of Cooperation and By-laws through a referendum, subject to the guidelines to be issued by the Authority. However, the vote requirement shall still be two-thirds ( $\frac{2}{3}$ ) vote of all the members entitled to vote.

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

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

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

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

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

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

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

**SEC. 143. Promulgation of Guidelines.** – The BSP and the Authority may formulate guidelines to implement or clarify the provisions of this Chapter. *Provided*, That the BSP, as the regulator of banks, shall be the primary regulator of cooperative banks consistent with the provisions of RA 8791: *Provided*, further, That in order to minimize the burden of dually-regulated entities, the BSP shall, in consultation with the Authority, in its promulgation of rules and regulations, to the extent allowed in banking and other relevant laws, and insofar as consistent with its exercise of supervisory and regulatory powers over banks, in its promulgation of rules and regulations, consider the requirements of this Code and the Authority for cooperatives in general.

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

- a) Those privileges and incentives accorded to cooperatives under this Code and other prior laws including exemption from all national, provincial, city, municipal or barangay taxes, fees, and charges of whatever nature and description. *Provided*, however, That when a cooperative bank has reached an undivided net savings of more than One Hundred Million Pesos (P100,000,000.00), transactions to non- members shall be taxable.
- b) The foreclosure of mortgages covering loans granted by cooperative banks and executions of judgment thereon involving real properties levied upon by sheriff shall be exempt from the publications in newspapers where the total amount of loan, excluding interests due and unpaid, does not exceed One Million Pesos (P1,000,000.00) or such amount as the Monetary Board may prescribe as may be

- warranted by prevailing economic conditions. It shall be deemed sufficient publication in such cases where the notices of foreclosure and execution of judgment are posted in the most conspicuous areas such as the municipal building, the municipal public market, the cooperative bank, and the barangay hall where the land mortgaged is situated during the period of sixty (60) days immediately preceding the public auction or execution of judgment. Proof of publication as required herein shall be accomplished via an affidavit of the sheriff or officer conducting the foreclosure sale or execution of judgment and shall be attached with the records of the case;
- c) A cooperative bank shall be allowed to foreclose lands mortgaged to it subject to the provisions of RA 6657, as amended. For agrarian lands foreclosed by a cooperative bank, the disposal of the same to another qualified beneficiary under RA 6657, as amended, shall be made through the same cooperative bank. Further, the amortization of the beneficiary in favor of DAR shall be coursed through the servicing cooperative bank: *Provided*, however, that cooperative banks shall be exempt from the landholding limits as prescribed by DAR or any other law requiring the same;
  - d) For cooperative banks granted by the BSP with accreditation as Rural Financial Institution (RFI) under RA 10000, the following privileges shall be awarded:
    - i. Unrestricted branching rights to set-up agriculture-oriented branches in unbanked municipalities and predominantly agricultural communities subject to existing regulations on minimum capitalization for banks and the size of branch network;
    - ii. Automatic eligibility with Philippine Guarantee Corporation (with respect to agricultural credit guarantee), Philippine Crop Insurance Corporation (PCIC), and governmental agencies providing services towards risk-mitigation in the agriculture sector;
    - iii. Priority status as credit delivery partner or conduit of government- directed programs for agricultural through the DA and other government agencies; and
    - iv. Entitlement to participate free of charge in capability-building activities in agriculture lending such as, but not limited to, exchange of best-practice experiences, study tour, technology transfer among ASEAN member-states and other fora of international cooperation; and
  - e) Notwithstanding the provisions herein, privileges and incentives granted to rural banks pursuant to RA 7353, otherwise known as the “Rural Act of 1992,” shall also be granted to cooperative banks duly registered under this Act.

## **CHAPTER XVIII. INSURANCE COOPERATIVES**

**SEC. 145. Insurance Cooperative.** - Existing cooperatives may organize themselves into an insurance cooperative for the purpose of engaging in the business of insuring life, non-life, health, and property of cooperatives and their members.

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

**SEC. 147. Applicability of Insurance Laws.** - The provisions of the Insurance Code and all other laws and regulations relative to the organization and operation of an insurance company shall apply to insurance cooperatives organized under this Code. The requirements on

capitalization, investments and reserves of insurance firms may be liberally modified upon consultation with the Authority and the cooperative sector, but in no case may the requirement be reduced to less than half of those provided for under the Insurance Code and other related laws. Other provisions of this Code shall apply suppletorily insofar as they are not inconsistent with this Chapter.

**SEC. 148. Implementing Rules for Insurance Cooperatives.** – The Insurance Commission and the Authority, in consultation with the concerned cooperative sector, shall issue the appropriate rules and regulations implementing the provisions of this Chapter.

## **CHAPTER XIX. COOPERATIVES ENGAGED IN PUBLIC SERVICES**

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

- 1) Health services;
- 2) Power generation, transmission, and/or distribution;
- 3) Ice plants and cold storage services;
- 4) Communication services including telephone and digital communications, and other value-added services;
- 5) Land, water, and air transportation services for passengers and/or cargoes;
- 6) Public markets, slaughterhouses, management of land transport terminals and ports, and other similar services; Water supply and distribution system services; and

Such other types of public services as may be engaged in by any cooperative. Such cooperatives shall be primarily governed by this Chapter and the general provisions of this Code insofar as they may be applicable unless they are inconsistent herewith.

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

- a.) Its Articles of Cooperation and By-laws provide for the membership of the users and/or producers of the service of such cooperatives; and
- b.) Such other requirements as may be imposed by the other pertinent government agencies concerned.

**SEC. 151. Regulation of Cooperatives Engaged in Public Services.** - The internal affairs of cooperatives engaged in public services, such as:

- i) the rights and privileges of members;
- ii) the rules and procedures for meetings of the General Assembly, Board of Directors and committees;
- iii) the election and qualifications of officers, directors, and committee members;
- iv) allocation and distribution of surpluses; and
- v) all other such matters, shall be governed by this Code.

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

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

## **CHAPTER XX. TRANSPORT SERVICE COOPERATIVES**

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

**SEC. 153. Engagement in Allied Business by Transport Service Cooperatives.** - Subject to pertinent national laws and local ordinances, primary transport service cooperatives including federations of cooperatives, may engage in a business related to transportation service, including but not limited to:

- a.) Importation, distribution, and marketing of petroleum products in accordance with existing laws;
- b.) Operation of gasoline stations, automotive service centers, and management of land transport terminals and ports;
- c.) Importation, distribution, marketing, and sale of spare parts, automotive supplies, and accessories;
- d.) Marketing of vehicle and drivers insurance policies as an agent or liaison of a licensed insurance company;
- e.) Establishment and operation of fleet management services; and
- f.) Automotive maintenance credit facilities for the purpose of extending loans for the maintenance and repair of public utility vehicles.

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

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

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

**SEC. 156. Oversight Committee.** A multi-sectoral committee on transport service cooperatives, composed of representatives from the Authority, the DOTr, the Department of the Interior and Local Government (DILG), the Land Transportation Franchising and Regulatory Board (LTFRB), the Land Transportation Office (LTO), other concerned government agencies, as may be necessary, and the federation of transport service cooperatives, the regional clustered organizations, and the national alliance of cooperatives, shall be established and thereafter be charged with the monitoring, recommendation of policies and programs affecting the operations of transport service cooperatives, and such other functions. A regional monitoring committee shall likewise be established at the regional offices of the Authority for the same purpose. The functions of the monitoring committees shall be prescribed in the Implementing Rules and Regulations to be promulgated by the Authority, in coordination with the relevant government agencies.

## **CHAPTER XXI. CREDIT AND SAVINGS COOPERATIVES AND CREDIT COOPERATIVES**

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

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

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

**SEC. 159. Regulation and Supervision of Cooperatives Engaged in Credit and Credit and Savings.** - Pursuant to its powers, functions, and responsibilities under RA 11364, the Authority shall exercise regulatory powers and supervision over the operations of the cooperatives engaged in credit, and credit and savings. The Authority shall, in consultation with the concerned government agencies and cooperative sector, issue appropriate rules and regulations pertaining to the provisions of this Chapter.

## **CHAPTER XXII. ELECTRIC COOPERATIVES**

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

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

**SEC. 161. Registration of Electric Cooperatives.** - The registration of an electric cooperative with the Authority under this Code shall be submitted to the members for approval through a referendum, called for the purpose as provided for under Articles 162 and 163 of this Code.

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

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

- a.) Copy of the Board Resolution certifying to the result of the vote approved through a referendum approving the registration of the cooperative with the Authority in compliance with Section 162 of this Code;
- b.) Certified copy of the Articles of Incorporation or Cooperation and By-laws as required by the Authority;
- c.) Duly audited financial statements for the past two (2) years;
- d.) List of names of the incumbent Board of Directors and their addresses certified by the Board Secretary and attested by the Chairperson;
- e.) Within six (6) months from the registration, the Treasurer shall submit a sworn statement of the authorized share capital, the subscribed share capital of members, and the amount of paid-up share capital received by the Treasurer; and
- f.) Bonds of accountable officers.

**SEC. 164. Registration Options of Electric Cooperatives.** - Electric Cooperatives registered with the National Electrification Administration (NEA) under Presidential Decree No. 269, as amended, which opt not to register with the Authority are allowed to retain the word "cooperative" in their registered names: *Provided*, that they shall not be entitled to the benefits and privileges under this Code.

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

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

- a.) Upon the effectivity of this Code, electric cooperatives that are duly registered with the Authority, and issued a Certificate of Registration, shall be covered by the provisions of this Code as well as future rules and issuances of the Authority; *Provided*, that electric cooperatives shall remain under the supervisory powers of the NEA, pursuant to Presidential Decree (PD) No. 269, as amended, and other existing laws; *Provided*, further, that provisions of this Code consistent with PD No. 269, as amended, shall apply supplementary
- b.) Electric cooperatives registered with the Authority are entitled to congressional allocations, grants, subsidiaries and other financial assistance for rural electrification which can be coursed through the Department of Energy, National Electrification Administration, or local government units, as may be appropriate. The electric cooperatives registered under this Code can avail of the financial services and technical assistance provided by government financial institutions and technical development agencies on terms respecting their independence as autonomous cooperatives;
- c.) All condoned loans, subsidies, grants, and other assistance shall form part of the donated capital and funds of the electric cooperatives and, as such, it shall not be sold, traded, nor be divided into shareholdings at any time. The donated capital/fund shall be valued for the sole purpose of determining the equity participation of the members: *Provided*, That in the case of dissolution of the cooperative, said donated capital shall be subject to escheat; and
- d.) Electric cooperatives registered and confirmed with the Authority under Republic Act No. 6938 and Republic Act No. 9520 are hereby deemed registered under this Code.

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

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

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

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

In case of loss or destruction, the electric cooperative may issue a duplicate certificate, if such certificate is proven to have been lost, destroyed, defaced, mutilated, torn or is surrendered to the electric cooperative upon execution and submission by a member of an Affidavit of Loss or such other documents evidencing defacement/mutilation or surrender of such share capital certificate.

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

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

### **CHAPTER XXIII. FOREIGN PARTNERSHIPS**

**SEC. 169. Membership of Foreign Cooperatives in Federations.** - Foreign cooperatives may invest, partner with, or become members of federations: Provided, that they are recognized by international coalitions of cooperatives or by the relevant authority in the country of origin, as well as registered with the Authority; Provided, further, That they comply with all relevant laws allowing them to do business in the Philippines. The details of their investment, participation, or membership shall be left to the discretion of the local federation.

Further details shall be laid down in the Implementing Rules and Regulations of this Code. Foreign cooperatives that shall transact with local federations must comply with Philippine taxation laws, the Anti-Money Laundering Act, and other pertinent laws. Further, foreign cooperatives shall not interfere, directly or indirectly, in the management and internal affairs of the federations in accordance with the generally accepted cooperative principles of independence and autonomy, notwithstanding those local cooperatives shall be one hundred per centum (100%) wholly owned and controlled by Filipinos.

**SEC. 170. Limitations.** – The equity or share capital of the foreign cooperative shall not exceed forty per centum (40%) of the total equity or subscribed share capital of the partnership or federation, as the case may be.

### **CHAPTER XXV. MISCELLANEOUS PROVISIONS**

**SEC. 171. Compliance With Other Laws.** - All cooperatives duly registered under this Code shall, at all times, be subject to all relevant laws, rules and regulations, as well as issuances and directives issued by a duly authorized government regulatory body in exercise of its jurisdiction. This notwithstanding, cooperatives that are registered or applying for specific licenses with other regulatory agencies must comply with the governance requirements of said agency to operate or function as such.

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

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

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

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

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

Decisions rendered by the Authority in the exercise of its adjudicatory powers shall be appealable to the Court of Appeals in accordance with the applicable rules. In case of election-related issues, the aggrieved party may elevate the case for adjudication to the proper regional office of the Authority in accordance with the CDA Omnibus Rules of Procedure without undergoing alternative dispute resolution.

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

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

**SEC. 175. Appropriations.** - The amount necessary to carry out the provisions of this Code shall be included in the annual General Appropriations Act.

**SEC. 176. Issuance of Injunctive Relief on the Authority.** - Only the Court of Appeals or Supreme Court may issue a restraining order or injunction enjoining the Authority from examining and investigating cooperatives subject to its supervision or examination.

## CHAPTER XXVI. FINAL PROVISIONS

**SEC. 177. Penal Provisions.** - The following acts or omissions affecting cooperatives are hereby prohibited:

- a.) The use of the word “cooperative” shall not be allowed unless authorized under this Code. In case of violation, the penalty of imprisonment of not less than two (2) years nor more than five (5) years and a fine not exceeding Two hundred thousand pesos (P200,000.00) or both at the discretion of the court, shall be imposed, upon conviction, on the individual or, in the case of an organization, its officers and directors. The Authority may, motu proprio, file complaints for violation of this provision.
- b.) Any person who willfully attempts in any manner to evade or defeat tax in violation of Articles 68 and 69 of this Code shall, in addition to the payment of double the amount of the tax due, be punished by a fine of not less than Five hundred thousand pesos (P500,000.00) but not more than Ten million pesos (P10,000,000.00) and suffer imprisonment of not less than six (6) years but not more than ten (10) years: Provided, That the conviction or acquittal obtained under this Section shall not be a bar to the filing of a civil suit for the collection of taxes;
- c.) Direct or indirect violation or circumvention of the provisions of Sections 68 and 69 of this Code committed by any public official or employee of any bureau, office or agency of the government that deprives, diminishes or in any manner hinders or restricts any duly registered cooperative from the full enjoyment of the exemption from the payment of the taxes, fees and charges enumerated therein, shall upon conviction, suffer a penalty of not less than seven (7) years but not more than twelve (12) years imprisonment or a fine in the amount of not less than Five hundred thousand pesos (P500,000.00) but not more than One million pesos (P1,000,000.00) or both at the discretion of the court and shall further be disqualified to hold any other office;

- d.) Direct or indirect interference or intervention by any public official or employee in the internal affairs of a cooperative of which he is not a member, such as, but not limited to, the following:
- i. Influencing the election or appointment of officers, directors committee members and employees through public or private endorsement or campaign for or against any person or group of persons;
  - ii. Requiring prior clearance for any policy or decision within the cooperative;
  - iii. Requesting or demanding for the creation of position or organizational units, or recommending any person for appointment, transfer, or removal from his/her position; or
  - iv. Any other acts inimical or adverse to the autonomy and independence of cooperatives.
- e.) A director, officer or committee member who violated the provisions of Section 53 on the Liability of Directors, Officers and Committee Members, Section 56 on the Disloyalty of a Director, and Section 57 on the Illegal Use of Confidential Information shall upon conviction suffer a fine of not less than Five hundred thousand pesos (P500,000.00) nor more than One million pesos (P1,000,000.00) or imprisonment of not less than five (5) years but not more than ten (10) years or both at the court's discretion;
- f.) The following are considered offenses punishable by a penalty of imprisonment of not less than one (1) year nor more than five (5) years or a fine of not more than One hundred thousand pesos (P100,000.00) or both at the discretion of the court:
- 1) Omission or refusal to furnish any information, report or other document that is required under this Code;
  - 2) Providing information, reports or other documents to the Authority that are required under this Code which the person knows to be false or misleading;
  - 3) Omission or refusal to keep a book or registry under this Code or to make the required entry therein;
  - 4) Making an entry required under this Code in a book or registry, which the person knows to be false or misleading;
  - 5) Hindering an authorized person from making an inspection, audit, examination or investigation required under this Code;
  - 6) Failure to comply with an order or written instructions issued or given by the Authority;
  - 7) Violation of the provisions regarding transactions with a restricted party; and
  - 8) Abetting, counseling, allowing, authorizing or commanding another person to commit an offense punishable by this Code: Provided, That in case the violator is a cooperative or juridical person, the penalty shall be imposed on its directors and officers.
  - 9) Any violation of any provision of this Code for which no penalty is imposed shall be punished by imprisonment of not less than six (6) months nor more than one (1) year and a fine of not less than Ten thousand pesos (P10,000.00), or both at the discretion of the court. The cooperative or any of its members can file a case against any officer or employee of the BIR or of any other government agency with the Ombudsman, the Civil Service Commission, other appropriate government agency or the courts of law.

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

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

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

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

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

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

**SEC. 182. Transitory Provisions.**

- a.) All cooperatives registered with the Authority under RA 6938, as amended by RA 9520, are hereby deemed registered under this Code.
- b.) Registration of electric cooperatives with the Authority shall not be considered as a transfer of ownership of its assets and liabilities nor shall it constitute a change in the nature, structure, and status of the cooperative. Said registration shall not result in the revocation of the condoned loans under RA 9136, otherwise known as the "Electric Power Industry Reform Act of 2001,": Provided, That electric cooperatives with existing loans shall not be subject to the control and supervision of its creditors and shall only be limited to the fulfillment of each civil obligations.
- c.) The authority granted to non-cooperatives as Training Service Providers shall continue to be effective until their expiration or six (6) months from the promulgation of the implementing rules and regulations of this Code, whichever comes later.

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

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

**SEC. 185. Repealing Clause.** - Except as expressly provided by this Code, RA 6938, RA 9520, and all other laws, or parts thereof, inconsistent with any provision of this Code shall be deemed repealed: Provided, That the provisions of Revenue Regulation No. 20-2001, and

all laws, decrees, executive orders, implementing rules and regulations, BIR circulars, CDA memorandum circulars, memorandum orders, letters of instruction, local government ordinances, or parts thereof inconsistent with any of the provisions of this Act are hereby repealed, amended or modified accordingly; Provided, further, that nothing in this Code shall eliminate, diminish, or reduce the powers, functions, authority, and responsibilities of the NEA over electric cooperatives under PD No. 269, as amended, and other existing laws; Provided, finally, that nothing in this Act shall be construed or interpreted as diminishing the jurisdiction of the Philippine Competition Commission under the PCA to conduct inquiry, investigate, and hear and decide on cases involving any violation of the PCA and other existing competition laws motu proprio or upon receipt of a verified complaint from an interested party or upon referral by the concerned regulatory agency.

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

Approved,