



1
2 Republic of the Philippines
3 HOUSE OF REPRESENTATIVES
4 Quezon City, Metro Manila

5
6 TWENTIETH CONGRESS
7 First Regular Session

8 House Bill No. 2416

9
10
11 **Introduced by Representative FELIMON M. ESPARES**
12

13
14 **AN ACT**
15 **PROVIDING FOR THE REVISED COOPERATIVE CODE**
16 **OF THE PHILIPPINES**
17

18
19 **EXPLANATORY NOTE**

20 This bill seeks to revise Republic Act No. 9520, otherwise known as Philippine
21 Cooperative Code of 2008 to further strengthen cooperatives in the country.

22 The role of cooperatives in socio-economic development and nation building is
23 enshrined in the different provisions of our Constitution. Of particular note is Section 15,
24 Article XII of the 1987 Constitution, which mandate. Congress to create an agency to
25 promote the viability and growth of cooperatives as instruments of social justice and
26 economic development.

27 The contribution of cooperatives in promoting social justice and economic
28 development cannot be denied. The more than 26,000 cooperatives nationwide serving
29 more than 14 million members and employing some 530,000 individuals are testaments
30 to the importance of cooperatives in our country. As partners of the State in socio-
31 economic development and nation building, it is imperative that the State grants
32 essential privileges to cooperatives to ensure their sustainability, growth, and
33 development.

34 This bill proposes to grant the most needed privilege of cooperatives - tax
35 exemption, among others. Under Section 61 of Republic Act No. 9520, otherwise known
36 as the "Philippine Cooperaffve Code of 2008" only cooperatives dealing with non-
37 members and with accumulated reserves and undivided net earnings of not more than
38 Ten million pesos are exempt from paying taxes. Cooperatives with accumulated reserves
39 and undivided net earnings of more than Ten million pesos are still required to pay
40 certain taxes. This proposal aims to remove the Ten million pesos threshold.

1 The tax exemption and other policies proposed in this measure will surely bring
2 the needed development not only of the cooperatives and their members but also of the
3 community where they operate.

4 The Corona virus pandemic greatly affected our county, and its socio-economic
5 impact is truly devastating to our people and the country as a whole. A significant number
6 of workers have lost their jobs. It is also in this light that there is a need to continuously
7 develop and strengthen cooperatives so that, or at least, they will be able to provide
8 economic relief to their members.

9 This measure also intends to improve the policy on the use of the cooperatives'
10 reserve fund, community development fund, and optional fund. Under this bill
11 cooperatives may use the reserve fund for any loss that it may incur due to pandemic,
12 state of emergencies and force majeure, By allowing such use, the cooperatives are
13 empowered to meet any unexpected financial obligation, which is actually the true
14 purpose of a reserve fund.

15 The existing use of community development fund is limited to the community
16 where the cooperative operates. This proposed measure removes such limitation- but the
17 area of operation is still the priority of the cooperative. This recommendation authorizes
18 cooperatives to help the community outside their areas of operation.

19 The use of the optional fund is effectively expanded and made dear that the same
20 may be used for the benefit of the members and employees of cooperatives during an
21 exceptional circumstance such as pandemic or crisis.

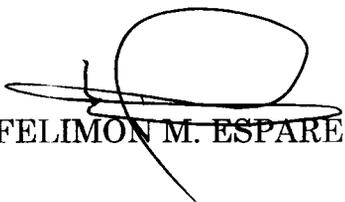
22 The other features of this bill are to increase the required paid-up capital and
23 shorten the period of application for registration. The cooperatives are also guided by this
24 proposal of the proper remedy when the Cooperative Development Authority issues
25 dissolution orders against them.

26 The cooperatives are indispensable partners of the government in the
27 socioeconomic development of the country, and their contributions are undeniable. It is
28 therefore right and just to continue to support the cooperatives.

29 This bill was approved by the House of Representatives during 19th Congress filed
30 Representative Felimon M. Espares with original House Bill no. 1333.

31 Therefore, the immediate passage of this bill is earnestly sought to strengthen
32 the Cooperative Code of the Philippines.

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

20 CHAPTER I

21 GENERAL PROVISIONS

22
23
24 SEC. 1. *Title.* - This Act shall be known as the *Revised Cooperative Code*
25 *of the Philippines.*

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

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

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

5 **SEC. 3. *General Concepts.*** – As used in this Act

6 a. A *cooperative* is an autonomous and duly registered association of
7 persons with a common bond of interest who have voluntarily joined
8 together to achieve their social, economic, and cultural needs and
9 aspirations by making equitable contributions to the capital required,
10 patronizing their products and services, and accepting a fair share of the
11 risks and benefits of the undertaking in accordance with universally
12 accepted cooperative principles;

13
14 b. *Cooperative principles* - Every cooperative shall conduct its affairs in
15 accordance with Filipino culture, good values and experience, and the
16 following universally accepted principles of cooperation:

17
18 1) *Voluntary and Open Membership* - Cooperatives are voluntary
19 organizations, open to all persons able to use their services and
20 willing to accept the responsibilities of membership, without
21 gender, social, racial, cultural, political or religious
22 discrimination.

23
24 2) *Democratic Member Control* - Cooperatives are democratic
25 organizations that are controlled by their members who
26 actively participate in setting their policies and making
27 decisions. Men and women serving as elected representatives,
28 directors or officers are accountable to the membership. In
29 primary cooperatives, members have equal voting rights of one
30 member, one vote. Cooperatives at other levels are organized
31 in the same democratic manner.

32
33 3) *Member Economic Participation* – Members contribute
34 equitably to, and democratically control, the capital of their
35 cooperative. At least part of that capital is the common
36 property of the cooperative. They shall receive limited
37 compensation or limited interest, if any, on capital subscribed
38 and paid as a condition of membership. Members allocate
39 savings for any or all of the following purposes: developing the
40 cooperative by setting up reserves, part of which should at least
41 be indivisible; benefitting members in proportion to their
42 patronage of the cooperative's business; and, supporting other
43 activities approved by the membership.

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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;

- 1 e. *Branch-lite unit* refers to a cooperative bank that performs limited
2 banking activities and records its transactions in the books of the head
3 office or the branch to which it is annexed;
4
- 5 f. *By-laws* refers to the document registered with the Authority, including
6 its amendments, that defines and regulates the operations of the
7 cooperative and governs the relations between the cooperative and its
8 members and among themselves;
9
- 10 g. *Clustering* refers to the grouping together of cooperatives under
11 finance, marketing, public utilities, education and advocacy,
12 agriculture, and human services;
13
- 14 h. *Committees* refer to the mandatory committees under this Code
15 entrusted with specific functions and responsibilities and such other
16 committees that the Board of Directors deem necessary for the
17 governance of the business affairs of the cooperative;
18
- 19 i. *Compensation* refers to a broad term that include remuneration given
20 for services rendered, such as salary paid regularly, or as defined under
21 Art. 97 of the Labor Code of the Philippines;
22
- 23 j. *Cooperative Union* refers to a cooperative whose members are
24 registered cooperatives, federations, or both organized purposely to
25 represent the interest and welfare of all types of cooperatives at the
26 city, provincial, regional, national, and sectoral levels;
27
- 28 k. *Cooperatives values* refer to the values of self-help, self-responsibility,
29 democracy, equality, equity, and solidarity. Cooperative members
30 believe in the ethical values of honesty, openness, social responsibility,
31 and caring for others;
32
- 33 l. *Education* refers to the teaching and understanding of cooperative
34 Principles and Values and knowing how to apply them in the day-to-
35 day operations of a co-operative business. It is also concerned with the
36 wider education offered to members for their social development and
37 social impact;
38
- 39 m. *Federation of Cooperatives* shall refer to a cooperative, the members of
40 which are primary and/or secondary cooperatives, organized to conduct
41 business, undertake enabling or capacity-building activities and
42 delegated supervision in support of its member cooperatives, and its
43 exercise of self-regulation among its members, at the municipal, city,
44 provincial, regional, and national level;
45
- 46 n. *General Assembly* refers to the full membership of the cooperative duly
47 assembled physically, via videoconferencing, or both, for the purpose of

1 exercising all the rights and performing all the obligations pertaining
2 to cooperatives, as provided by this Code, its Articles of Cooperation,
3 and By-laws;

- 4
- 5 o. *Honorarium* refers to the token of appreciation granted for the expert
6 service rendered in the specific field that does not
7 receive compensation;
- 8
- 9 p. *Investment* refers to equity participation in any enterprise formed,
10 organized or existing under the laws of the Philippines;
- 11
- 12 q. *Interest on Share Capital* refers to the amount earned by the members
13 on their contribution in the cooperative. The interest on share capital
14 and the patronage refund shall be determined at the end of the
15 calendar year after the net savings shall have been distributed in
16 accordance with the Articles of Cooperation and By-Laws or by the
17 Board of Directors;
- 18
- 19 r. *Laboratory Cooperative* refers to a cooperative affiliated with and
20 registered by a primary cooperative, and whose membership consists of
21 minors;
- 22
- 23 s. *Local Development Hubs (LDH)* refer to farming zones or transport
24 infrastructure, which are generally far from formal markets, and serve
25 a minimum of one hundred (100) farmers, linking them to buyers, who
26 may be, among others, traders, processors, and export companies;
- 27
- 28 t. *Member* refers to a person either natural or juridical, who has been
29 approved and admitted by the Board of Directors of the cooperative,
30 federation, or union, after undergoing the Pre-Membership Education
31 Seminar and has vowed to adhere to the Articles of Cooperation and its
32 By-laws. Members shall be classified as regular or associate, as
33 qualified by the cooperative;
- 34
- 35 u. *Member Entitled to Vote* refers to a regular member who has complied
36 with all the membership requirements of the cooperative, has fulfilled
37 all of their duties and obligations, and possesses none of the
38 disqualifications as provided by the articles of cooperation and by-laws
39 of the cooperative, as declared by the Board of Directors
- 40
- 41 v. *Net Income* is a cooperative's collection from transactions with non-
42 members minus the expenses incurred in the services rendered or cost
43 of goods sold to non-members during an accounting period;
- 44
- 45 w. *Net Savings* is a cooperative's collections from transactions with
46 members minus the expenses incurred after providing services or
47 products during an accounting period. Net savings is simply the

1 cooperative's excess collection or savings to be returned to members as
2 dividends, Patronage Refund, and statutory funds as listed in Section
3 97 of this Act:
4

- 5 x. *Patronage Refund* refers to the payment to the members of a
6 percentage or portion of the amount availed of, the interest on loans
7 paid, or other services availed from the cooperative. The amount will
8 be determined at the end of the fiscal period after the distribution of
9 the net savings. The percentage of the allocation will be in accordance
10 with the provisions in its Articles of Cooperation, the By-laws, or by the
11 Board of Directors. The formula and basis for the computation of the
12 rate of patronage refund will be determined by the Authority;
13
- 14 y. *Per Diem* refers to the allowance given as reimbursement for extra
15 expenses incurred in the performance of their duties;
16
- 17 z. *Performance Audit* refers to an audit conducted by the Authority on
18 the efficiency, efficacy, and effectiveness of the cooperative's overall
19 performance as a whole, its management and officers, and its various
20 responsibility centers as basis for improving individual, team, or
21 overall performance, and for objectively informing the general
22 membership of the cooperative on such performance;
23
- 24 aa. *Primary Cooperative* refers to a cooperative, registered with the
25 Authority, the members of which are natural persons;
26
- 27 bb. *Registration* refers to the operative act granting juridical personality to
28 proposed cooperative and is evidenced by a Certificate of Registration;
29
- 30 cc. *Representative Assembly* refers to the full membership of a body of
31 representatives elected by each of the sectors, chapters, or districts of
32 the cooperative duly assembled for the purpose of exercising such
33 powers in accordance with its By-laws;
34
- 35 dd. *Reserve Fund* refers to an account by the cooperative which is set aside
36 to cover unexpected losses, or financial obligations. For purposes of this
37 Act, the said fund can be used as stated in Section 97(a) of this Act;
38
- 39 ee. *Samahang Nayon and Municipal Katipunan ng mga Samahang Nayon*
40 refers to pre-cooperative organizations established under Presidential
41 Decree (PD) No. 175 entitled "*Strengthening the Cooperative*
42 *Movement*";
43
- 44 ff. *Secondary Cooperative* refers to a cooperative, the members of which
45 are primary cooperatives, federations, or unions;
46

- 1 gg. *Single-Purpose Cooperative* refers to a cooperative that undertakes
2 only one economic activity, except one that is allowed to undertake
3 allied economic activities;
4
- 5 hh. *Share Capital* refers to the equitable contribution of a member to the
6 cooperative fund, the working capital fund of the cooperative, which
7 shall have a par value of at least One Hundred Pesos (P100.00) and
8 issued as common or preferred shares depending on the type of
9 membership with the cooperative;
10
- 11 ii. *Social Audit* refers to an audit conducted to assess the social impact of
12 the cooperative and its ethical performance vis-à-vis its stated mission,
13 vision, goals, and code of social responsibility. It is a mechanism
14 whereby it can account for the social performance of a cooperative and
15 evaluate its impact on the community, making the cooperative
16 accountable for its decisions and actions to its members;
17
- 18 jj. *Subscription Agreement* refers to the document executed by a member
19 to signify the amount that the member intends to contribute to the
20 cooperative fund;
21
- 22 kk. *Subsidiary Cooperative* refers to a cooperative, all or majority of whose
23 members or shareholders come from a parent cooperative, organized
24 for any other purpose different from that of, and receives technical,
25 managerial, and financial assistance from the latter, in accordance
26 with the rules and regulations of the Authority;
27
- 28 ll. *Training* refers to developing the practical skills members and
29 employees need to run a cooperative in accordance with efficient and
30 ethical business practices and to democratically control their
31 cooperative business responsibly and transparently;
32
- 33 mm. *Video Conferencing* refers to the use of computer networks to transmit
34 audio and video data in order to hold a conference or meeting between
35 and among two (2) or more participants; and
36
- 37 nn. *Worker Beneficiary* refers to a natural person who renders service for
38 value as an employee or laborer in an agricultural enterprise or farm
39 within an agrarian reform cooperative.
40

41 CHAPTER II

42 PURPOSES AND ORGANIZATION

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

- 4 a. Increase income, savings, investments, productivity, and purchasing
5 power of its members; and promote among themselves equitable
6 distribution of net savings through maximum utilization of economies of
7 scale, cost sharing and risk-sharing;
- 8
- 9 b. Provide optimum social and economic benefits to its members;
- 10
- 11 c. Providing trainings for its members on the efficient ways of processing
12 tasks in a cooperative manner;
- 13
- 14 d. Propagate best practices, innovative ideas in business undertakings and
15 management through the utilization of new technologies;
- 16
- 17 e. Empower the marginalized sector to gain opportunities through
18 education and skills training;
- 19
- 20 f. Actively collaborate with the government, other cooperatives and
21 people-oriented organizations to promote cooperatives as a practical
22 means towards sustainable socio-economic development;
- 23
- 24 g. Adopt membership expansion mechanism to ensure the growth of the
25 cooperative movement;
- 26
- 27 h. Implement policy guidelines that will ensure transparency,
28 accountability, and equitable access to its resources and services; and
29 promote the interests of the members;
- 30
- 31 i. Advance the competitiveness, innovativeness, and sustainability of
32 cooperatives in various industries;
- 33
- 34 j. Coordinate with other cooperatives through learning and information
35 exchange to foster sustainable development;
- 36
- 37 k. Advocate legal framework and enabling policies appropriate for the
38 development of cooperatives;
- 39
- 40 l. Be the voice and the institution of the marginalized for purposes of
41 promoting people-centered development;
- 42
- 43 m. Encourage thrift and savings mobilization among the members;
- 44

- 1 n. Generate funds and extend credit to the members for productive and
2 provident purposes;
- 3
- 4 o. Encourage among members systematic production and marketing
- 5
- 6 p. Provide goods and services and other necessities to the members:
- 7
- 8 q. Develop expertise and skills among its members:
- 9
- 10 r. Acquire lands and provide housing benefits for the members;
- 11
- 12 s. Provide insurance programs to cover the risk of financial losses in the
13 operations of a cooperative;
- 14
- 15 t. Promote and advance the economic, social, and educational status of the
16 members:
- 17
- 18 u. Establish, own, lease, or operate cooperative banks, cooperative
19 wholesale and retail complexes, insurance, agricultural and industrial
20 processing enterprises, and public markets;
- 21
- 22 v. Coordinate and facilitate the activities of cooperatives:
- 23
- 24 w. Advocate for the cause of the cooperative movement:
- 25
- 26 x. Ensure the viability of cooperatives through the utilization of new
27 technologies;
- 28
- 29 y. Encourage and promote self-help or self-employment as an engine for
30 economic growth and poverty alleviation;
- 31
- 32 z. Adopt such other plans which may help foster the welfare of the
33 members, their families, and the community; and
- 34
- 35 aa. Undertake any activity stated in the Articles of Cooperation and By-
36 laws of the cooperative.

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

41 This notwithstanding, fair competition between cooperatives is
42 paramount in their collective growth. Cooperatives shall support and foster a level
43 playing field in their industries. Accordingly, Sections 6, 7, 21 and 111 of this Code

1 shall be in consonance with Republic Act (RA) No.10663, otherwise known as the
2 "*Philippine Competition Act.*"

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

5 a. To the exclusive use of its registered name;

6

7 b. To sue and be sued;

8

9 c. Of succession;

10

11 d. To amend its Articles of Cooperation in accordance with the provisions of
12 this Code;

13

14 e. To adopt By-laws not contrary to law, morals, or public policy, and amend
15 or repeal the same in accordance with this Code;

16

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

22

23 g. To enter into joint venture agreement and partnership, or any other
24 commercial activity with other cooperatives;

25

26 h. To enter into division, merger or consolidation as provided in this Code;

27

28 i. To form subsidiary cooperatives and join federations, unions, or Credit
29 Surety Fund Cooperatives, as provided in this Code;

30

31 j. To avail of loans, be entitled to credit, and accept and receive grants,
32 donations, and assistance from foreign and domestic sources, subject to
33 the conditions of the loans, credits, grants, donations or assistance that
34 must not undermine the autonomy of the cooperative;

35

36 k. To avail of preferential rights granted to cooperatives under RA 7160,
37 otherwise known as the "Local Government Code of 1991," and other
38 laws, particularly the grant of franchises to establish, construct, operate
39 and maintain ferries, wharves, markets or slaughterhouses and lease
40 public utilities, including access to extension and on-site research
41 services and facilities related to agriculture and fishery activities

42

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

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

10
11 n. To provide training for their officers and members for continued
12 development and personal improvement.

13
14 If a cooperative is unable to provide training for its members, it may
15 engage the services of a federation or union. Government agencies and
16 experts from the private sector are authorized to assist in the
17 organization, training, and development of a cooperative and its
18 members if the cooperative wishes to do so. In this regard, cooperatives,
19 institutions, and experts from the private sector shall be accredited as
20 Training Service Providers by the Authority. *Provided,* That government
21 agencies and experts from the private sector are authorized to assist in
22 the organization, training, and development of a cooperative and its
23 members, in coordination with federations and unions; and

24
25 o. To exercise such other powers granted in this Code as shall be necessary
26 to carry out its purposes stated in its Articles of Cooperation.

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

35 Every group of individuals or cooperatives intending to form a cooperative
36 under this Code shall submit to the Authority a general statement describing,
37 among others the structure and purposes of the proposed cooperative, and shall
38 also submit an economic survey, indicating therein the area of operation, the size
39 of membership, and other pertinent data in a format provided by the Authority.

40 No primary cooperative, except agricultural cooperatives, shall be organized
41 as a multi-purpose cooperative unless it has been in operation for at least two (2)

1 years and shall have complied with the minimum requirements for multi-purpose
2 cooperatives as prescribed by the Authority.

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

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

11 **SEC. 10. *Liability of the Cooperative.*** - A cooperative duly registered
12 under this Code shall have limited liability or only up to the extent of its assets
13 and members' share capital contribution.

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

18 **SEC. 12. *Articles of Cooperation.*** - All primary cooperatives applying for
19 registration shall present to the Authority the Certificate of Pre-Registration
20 Seminar and the Articles of Cooperation, signed by all cooperators and
21 acknowledged by them before a notary public. In case of cooperative banks,
22 insurance cooperatives, federations, or unions, the Articles of Cooperation shall
23 be acknowledged by its Chairpersons and Cooperative Secretaries before a notary
24 public. The Articles of Cooperation shall contain the following provisions:

- 25 a. Name of the cooperative, which shall include the word "Cooperative",
26 "Coop", "*Koop*", or "*Kooperatiba*" and specify the type of cooperative;
27
- 28 b. Purpose or purposes and the economic activities for which the
29 cooperative is to be registered;
30
- 31 c. Powers and capacities;
32
- 33 d. Area of operation, the postal address of its principal office, and the
34 official electronic mail address of the cooperative;
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- 36 e. Names, nationality, and the postal addresses of the cooperators;
37
- 38 f. Common bond of membership;
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- 40 g. List of names of the directors;

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- b. 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 savings;

- 1
2 k. The manner of adopting and amending By-laws;
3
4 l. The institution of a conciliation or mediation mechanism for the amicable
5 settlement of disputes among members, directors, officers and committee
6 members of the cooperative; and
7
8 m. Other matters incident to the purposes and activities of the cooperative.

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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 percent (25%) of the authorized share capital has been subscribed and at least twenty-five percent (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.

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

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

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

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

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

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

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

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

- 1 b. The single cooperative or the consolidated cooperative shall possess all
2 the assets, rights, privileges, immunities, and franchises and assume all
3 the liabilities and obligations of each of the constituent cooperatives;
4
5 c. Any claim, action, or proceeding instituted by or against the constituent
6 cooperatives may be continued by the single or consolidated cooperative;
7 and
8
9 d. The merger or consolidation shall not impair the rights of creditors nor
10 any lien upon the property of the constituent cooperatives.

11 CHAPTER V

12 TYPES AND CATEGORIES OF COOPERATIVES

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

- 14 a. Clusters of Cooperatives - Cooperatives may fall under any of the following
15 clusters based on their business activity:
16
17 1. *Credit, Finance, Banking, and Insurance Cluster* refers to cooperatives
18 organized for the promotion of financial freedom and literacy among its
19 members, and undertakes savings, lending, and other financial services to
20 its members, such as:
21
22 (i) Cooperative Banks. - Cooperative banks are organized for the
23 primary purpose of providing a wide range of financial services to
24 cooperatives and their members;
25
26 (ii) Credit Cooperatives. - Credit cooperatives are engaged solely in
27 lending services;
28
29 (iii) Credit and Savings Cooperatives. - Credit and savings
30 cooperatives promote and undertake savings and lending services
31 among its members. They generate a common pool of funds in
32 order to provide financial assistance to their members for
33 productive and provident purposes;
34
35 (iv) Credit Surety Fund Cooperatives. - Credit surety fund
36 cooperatives, in partnership with Local Government Units
37 (LGUs), are comprised of well-capitalized and well-
38 managed member-cooperatives or non-government organizations
39 that meet the criteria and qualifications prescribed by the
40 Authority, LGUs, Government Financial Institutions, and other
41 government agencies;

1
2 (v) Insurance Cooperatives. – Insurance cooperatives are engaged in
3 the business of providing health, life, and non-life insurance, as
4 well as pre-need plans (education, pension, and memorial plans)
5 of cooperatives and their members;

6
7 (vi) Savings and Deposits Cooperatives. – Savings and deposits
8 cooperatives are engaged solely in promoting and encouraging
9 savings among its members; and

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

13
14 2. *Consumers, Marketing, Producers, and Logistics Cluster* refers to
15 cooperatives organized for the supply, procurement, transport, storage,
16 distribution, and marketing of products of its members, industrial
17 production, and non- agricultural business activity for the production
18 and processing of raw materials or goods or its derivative, such as:

19
20 (i) Consumers Cooperatives. – Consumer cooperatives are
21 engaged primarily in procuring and distributing
22 commodities to members and non-members;

23
24 (ii) Marketing Cooperatives. – Marketing cooperatives are
25 engaged in the supply of production inputs to members and
26 markets their products, including grading and processing;

27
28 (iii) Logistics Cooperatives. – Logistics cooperatives are engaged
29 in operations involving facilities and supplies whose business
30 is related to the supply chain;

31
32 (iv) Producers Cooperatives. – Producers cooperatives are
33 engaged in joint production whether agricultural or
34 industrial. They are formed and operated by the members to
35 undertake the production and processing of raw materials or
36 goods produced by the members into finished or processed
37 products for sale by the cooperative. Any end product or its
38 derivative arising from the raw materials produced by the
39 members, sold in the name and for the account of the
40 cooperative, shall be deemed a product of the cooperative and
41 its members; and

42
43 (v) Other cooperatives as may be determined by the Authority
44 under this cluster in consultation with the cooperative sector.

1
2 3. *Human Services, Health, Housing, Workers, and Labor Service Cluster*
3 refers to cooperatives organized for providing employment and business
4 opportunities to its members, housing, and services related to medical,
5 dental, health and wellness, and death care, technology, including
6 digital payment services, such as:

- 7
8 (i) Health Services Cooperatives. – Health services cooperatives
9 are organized for the primary purpose of providing medical,
10 dental, paramedic, diagnostic, and other health services,
11 including cooperative health organizations, hospitals,
12 clinics, pharmacies, and transporting of patients;
- 13
14 (ii) Housing Services Cooperatives. – Housing services
15 cooperatives are organized to assist or provide access to
16 socialized housing for the benefit of the members who actively
17 participate in the savings program for housing;
- 18
19 (iii) Labor Services Cooperatives. – Labor services cooperatives
20 are engaged in providing specific services to a principal under
21 a legitimate contracting or subcontracting arrangement, as
22 defined under existing laws, and in accordance with the
23 cooperative principles set forth under this Code;
- 24
25 (iv) Technology Service Cooperatives. – Technology service
26 cooperatives are organized to provide the members with
27 services that are designed to facilitate the use of Information
28 Technology by end-users, electronic money issuers licensed by
29 Bangko Sentral ng Pilipinas (BSP), or provide specialized
30 technology-oriented solutions by combining the processes and
31 functions of software, hardware networks,
32 telecommunications, and electronics, among others;
- 33
34 (v) Workers Cooperatives. – Workers cooperatives are organized
35 by workers, including the self-employed, who are at the same
36 time the members and owners of the enterprise. The principal
37 purpose of these cooperatives is to provide employment and
38 business opportunities to the members and manage them in
39 accordance with cooperative principles; and
- 40
41 (vi) Other cooperatives as may be determined by the Authority
42 under this cluster in consultation with the cooperative sector.
43

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

5
6 (i) *Advocacy Cooperatives.* – Advocacy cooperatives promote
7 cooperativism and advocate policies for the general interest
8 and welfare of the members, the sector, the movement, and
9 the public through socially-oriented projects, education and
10 training, research and communication, campaigns, lobbying,
11 and other similar activities to reach out to intended
12 beneficiaries;

13
14 (ii) *Education Cooperatives.* – Education cooperatives are
15 organized for the primary purpose of owning
16 and operating licensed educational institutions, subject to
17 existing laws, rules and regulations and

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

21
22 5. *Agriculture, Agrarian, Aquaculture, Farmers, Dairy, and Fisherfolk*
23 *Cluster* refers to cooperatives engaged in the cultivation of plants and
24 animals, including the production and processing of agricultural goods,
25 and those organized by agrarian reform beneficiaries and marginal
26 farmers, such as:

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

34
35 (ii) *Agricultural Cooperatives.* – Agriculture cooperatives are
36 organized as agricultural-based economic enterprises
37 voluntarily established through joint investment joint
38 ownership and joint management for the purpose of
39 improving agricultural production capacity, agro-industry,
40 agri-business, or services related to agricultural production,
41 which shall include agrarian reform, dairy, fishermen,
42 community forestry, as well as consumers, marketing,
43 producers and aquaculture cooperatives, and multi-purpose
44 cooperatives whose primary business activity is at least

1 fifty percent (50%) related to agricultural production, agro-
2 industry, agri-business, or services related to agricultural
3 production;

4
5 (iii) Dairy Cooperatives. – Dairy cooperatives are engaged in the
6 production and marketing of fresh milk which may be
7 processed or marketed as dairy products;

8
9 (iv) Farmers Cooperatives. – Farmers cooperatives are
10 organized by marginalized farmers, majority of whom are not
11 agrarian reform beneficiaries, for the purpose of supporting
12 their products, either fresh or processed;

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

20
21 (vi) Irrigators Cooperatives. – Irrigators cooperatives are engaged
22 in providing sustainable irrigation services for farmers and

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

26
27 6. *Public Utilities Cluster* refers to cooperatives organized for the purpose
28 of undertaking electricity generation, utilizing renewable energy
29 sources, including hybrid systems, acquisition and operation of sub-
30 transmission or distribution; operation and management of water
31 systems; land, air, and sea transportation services; and
32 communications services, including telephone and digital
33 communications, which require a franchise or certificate of public
34 convenience and necessity such as:

35
36 (i) Communications Cooperatives. – Communications
37 cooperatives are organized to own, operate, and manage
38 communication structures and arrangements, such as radio,
39 cable TV, newspaper, and related industries, for the
40 widespread dissemination of information for the members and
41 the public;

42
43 (ii) Electric Cooperatives. – Electric cooperatives are registered
44 under this Code organized for the primary purpose of

1 undertaking power generation, utilizing renewable energy
2 sources, including hybrid systems, acquisition and operation
3 of sub-transmission or distribution to the household members;

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

10
11 (iv) Water Service Cooperatives. – Water service cooperatives are
12 organized to own, operate, and manage water systems for the
13 provision and distribution of potable water for the members
14 and their households; and

15
16 (v) Other cooperatives as may be determined by the Authority
17 under this cluster in consultation with the cooperative sector.

18
19 7. Multi-Purpose Cooperative refers to one which combines two (2) or more
20 of the business activities of the different types of cooperatives.

21
22 b. Categories of Cooperatives. Cooperatives are categorized as follows:

23
24 1. In terms of membership, cooperatives may be categorized into:

25
26 A. Primary Cooperatives; and

27
28 B. Secondary Cooperatives;

29
30 2. In terms of territory, cooperatives are categorized according to areas of
31 operations; and

32
33 3. In terms of assets, cooperatives shall follow the business size categories used
34 by the Department of Trade and Industry (DTI).

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

42

1 CHAPTER VI

2 FEDERATION OF COOPERATIVES

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

6 **SEC. 26. *Members of a Federation of Cooperatives.*** - Members of a
7 federation of cooperatives shall consist of cooperative with common needs or
8 purposes: *Provided,* That a member cooperative may freely withdraw membership
9 from the federation. The minimum number of members shall be at least ten (10)
10 primary or secondary cooperatives for a federation of cooperatives.

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

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

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

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

- 23 a) To carry on any cooperative enterprise authorized under Section 5
24 that complements, augments, or supplements but does not conflict,
25 compete with, nor supplant the business or economic activities of its
26 members;
- 27 b) To carry on, encourage, and assist educational and advisory work
28 relating to the business activities of its members;
- 29
- 30 c) To render services designed to encourage simplicity, efficiency, and
31 economy in the conduct of the business of its member cooperatives
32 and to facilitate the implementation of their bookkeeping, accounting,
33 and other systems and procedures;
- 34
- 35 d) To print, publish, and circulate any newspaper or other publication in
36 the interest of its member-cooperatives and enterprises;
- 37

- 1 e) To coordinate and facilitate the activities of its member-cooperatives;
2
3 f) To enter into joint ventures with local or international cooperatives
4 in the manufacture and sale of products in the Philippines and
5 abroad;
6
7 g) To mandatorily act as conciliator-mediator in inter-intra cooperative
8 disputes among and between the members and officers of primary
9 cooperatives;
10
11 h) To assist members in the submission of the required reports and other
12 compliances to the Authority and other government or regulatory
13 bodies;
14
15 i) To assist in the liquidation of the remaining assets of dissolved or
16 cancelled primary cooperative members;
17
18 j) To develop programs on education, training, monitoring, coaching,
19 research, and advocacy that complement, augment, or supplement
20 the businesses of their members; and
21
22 k) To assist the Authority in ensuring the compliance of its member-
23 cooperatives with the laws, regulations, policies, and inspection or
24 examination findings of government regulatory agencies.
25
26 l) To perform such other functions as may be necessary to attain its
27 objectives.

28 CHAPTER VII

29 COOPERATIVE UNIONS

30
31
32 **SEC. 30. *Organization and Duties.*** - All registered cooperatives may
33 organize or join cooperative unions to protect the interest and promote the welfare
34 of all types of cooperatives: *Provided*, That a member cooperative may freely
35 withdraw membership therefrom.

36 The cooperative unions shall represent the constituent cooperatives at the
37 appropriate level and exercise the following duties and functions:

- 38 a. To represent its member organizations;
39
40 b. To acquire, analyze, and disseminate economic, statistical, and other
41 information relating to its members and to all types of cooperatives within
42 its area of operation;

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

3 A regular member is one who has complied with all the membership
4 requirements, including the Pre-Membership Seminar and entitled to all the
5 rights and privileges of membership.

6 An associate member is one who has no right to vote nor be voted upon, nor
7 be appointed to any position in the cooperative, and shall be entitled only to such
8 rights and privileges as the bylaws may provide: *Provided*, That an associate
9 member who meets all the requirements of regular membership, including the Pre-
10 Membership Education Seminar, continues to patronize the cooperative for
11 two (2) years, and signifies the intention to remain a member shall be considered
12 a regular member.

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

22 **SEC. 34. *Government Officers and Employees.*** -

- 23 a. All elective officials of the Government shall be ineligible to become
24 officers of cooperatives: *Provided*, That the disqualification does not
25 extend to a party list representative who represents the cooperative
26 sector: *Provided, further*, That nothing precludes cooperatives from
27 engaging in activities in support of party lists representing the sector,
28 such as, but not limited to participating in campaigning or donating
29 funds;
30
- 31 b. Employees of the Authority are allowed to become a member of any
32 cooperative. However, they shall be disqualified to be elected or
33 appointed as an officer, except for cooperatives organized among
34 themselves; and
35
- 36 c. Any government employee or official may, in the discharge of the
37 duties as a member in the cooperative, be allowed by the head of office
38 concerned to use official time for attendance at the General Assembly,
39 Board and committee meetings including cooperative seminars.

1 conferences, workshops, technical meetings, and training courses
2 locally or abroad.

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

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

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

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

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

- 19 a. Subject to the Terms and Conditions as stated in the by-laws of the
20 cooperative, a member of a cooperative may withdraw membership
21 from the cooperative by giving written notice to the Board of Directors
22 which shall be acted upon within thirty (30) days from receipt of said
23 notice.
24
- 25 b. The death or insanity of a member in a primary cooperative, and the
26 insolvency or dissolution, de-listing, or cancellation of the certificate
27 of registration of a member in a secondary cooperative shall be
28 considered valid grounds for termination of membership: *Provided,*
29 That in the case of death or insanity of an agrarian reform beneficiary-
30 member of a cooperative, the qualified next-of-kin may assume the
31 duties and responsibilities of the original member;
32
- 33 c. Termination of membership in the cooperative shall be initiated
34 through the filing of a complaint before the ethics committee of the
35 cooperative. The committee shall recommend to the Board of Directors
36 the termination of membership for any of the following causes:
37
- 38 (1) Failure to patronize any services of the cooperative for an
39 unreasonable period of time as provided in the By-laws;
40

- 1 (2) Failure to comply with the obligations of membership as provided
2 in the By-laws or policies of the cooperative;
- 3
- 4 (3) Violation of the By-laws of the cooperative;
- 5
- 6 (4) Commission of any act or omission injurious or prejudicial to the
7 interest or the welfare of the cooperative; and
- 8
- 9 (5) Others, as may be provided in the By-laws of the cooperative.

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

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

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

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

34 CHAPTER IX

35 ADMINISTRATION

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

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

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

- 14 a. Determine and approve amendments to the Articles of Cooperation and
15 By-laws;
- 16
17 b. Elect, appoint, or remove, the members of the Board of Directors.
18 However, in the case of the electric cooperatives registered under the
19 Authority, the election of the members of the Board shall be in
20 accordance with its By-laws or election guidelines;
- 21
22 c. Approve the annual strategic and developmental plans, and the budget
23 of the cooperative;
- 24
25 d. Approve or disapprove proposals from the Board of Directors pertaining
26 to external borrowings, investments, grants, donations, and other
27 financial assistance; and
- 28
29 e. Decide membership issues within the cooperative.

30 Subject to such other provisions of this Code and only for purposes of prompt
31 and intelligent decision-making, the General Assembly may by a three-fourths
32 (3/4) vote of all its members entitled to vote, present and constituting a quorum,
33 delegate some of its powers to the Board of Directors. These powers shall be
34 enumerated under the By-laws of the cooperative.

35 **SEC. 41. Meetings.** -

- 36 a. The General Assembly shall conduct a regular annual meeting on a
37 date fixed in the By-laws, which shall be within ninety (90) days or
38 one hundred eighty (180) days after the close of each calendar year,
39 for primary or secondary cooperatives, respectively. *Provided*, That
40 notice of regular meetings shall be sent in writing, by posting or

1 publication, or through other electronic means to all members of
2 record.

- 3
4 b. Whenever necessary, a special meeting of the General Assembly may
5 be called at any time by a majority vote of the Board of Directors, or
6 upon petition of at least ten percent (10%) of the total members who
7 are entitled to vote, or as provided for in the By-laws: *Provided* That
8 a notice in writing shall be sent one (1) week prior to the meeting to
9 all members who are entitled to vote.

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

- 17
18 c. In the case of a newly registered cooperative, a special General
19 Assembly meeting shall be called within sixty (60) days from such
20 approval of its registration, for the following purposes

- 21
22 1) Presentation of approved Articles of Cooperation and By-laws;
23
24 2) Approval of the annual strategic and development plans, and
25 budget; and
26
27 3) Other matters, as may be determined by the cooperative.

- 28
29 d. The Authority shall compel the cooperative to call a General or
30 Representative Assembly for the purpose of reporting to the members
31 the result of any examination or other investigation of the cooperative
32 affairs; and

- 33
34 e. Notice of any meeting may be waived, expressly or impliedly, by any
35 member.

36 **SEC. 42. *Mode of Conducting Regular or Special Assembly Meetings.***

37 - Regular and special assembly meetings may be conducted in any of the following
38 manner:

- 39 a. Duly assembled in one venue, wherein the meetings are held on the
40 same day; or
41
42 b. Simultaneously, wherein the meetings are held on the same day but
43 in different venues.

1 As a general rule, assembly meetings shall be conducted in a manner
2 provided in the By-laws of the cooperative. However, due to technological
3 advancement, public health and safety measures, increased level of participation
4 of members and other equally important considerations in favor of the viability and
5 growth of cooperatives, cooperatives are allowed to conduct their assembly meeting
6 through videoconferencing or a combination of physical attendance and
7 videoconferencing, except for electric cooperatives: *Provided*, That cooperatives
8 who opt to conduct General Assembly meetings through videoconferencing or a
9 combination of physical attendance and videoconferencing as an alternative mode
10 shall amend their By-laws adopting the same: *Provided, further*, That cooperatives
11 shall adopt policies and procedures sufficiently addressing administrative,
12 technical, and logistical concerns for an effective and efficient videoconference
13 meeting.

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

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

23 **SEC. 44. Voting System.** - Each member of a primary cooperative shall
24 have only one (1) vote regardless of the share capital of such member. In the case
25 of federations or secondary cooperatives, a "one member-cooperative, one vote"
26 system shall apply regardless of the member-primaries' share capital.

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

34 The foregoing notwithstanding, the By-laws of a cooperative, other than a
35 primary cooperative, may provide for voting by proxy. Voting by proxy means
36 allowing a delegate to represent or vote on behalf of another delegate who is from
37 the same federation or union.

38 **SEC. 45. Composition and Term of the Board of Directors.** - The Board
39 of Directors shall be composed of not less than five (5) nor more than fifteen (15)
40 members elected by the General Assembly for a term of two (2) years, but not to

1 exceed three (3) consecutive terms. The Board shall hold office until their
2 successors are duly elected and qualified, or until duly removed for cause.

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

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

9 **SEC. 47. Directors.** -

- 10 a. Any member of a cooperative who has the right to vote and be voted
11 upon, and who possesses all the qualifications and none of the
12 disqualifications provided in this Code or in its By-laws shall be eligible
13 for election as director, subject to the limitation imposed by the second
14 paragraph of Section 45 of this Code.
- 15
- 16 b. The cooperative may, by resolution of its Board of Directors, admit as
17 an *ex officio* director or committee member one appointed by any
18 financing institution from which the cooperative received financial
19 assistance, solely to provide technical knowledge not available within
20 its membership. Such director or committee member need not be a
21 member of the cooperative and shall have no powers, rights, nor
22 responsibilities except to provide technical assistance as required by
23 the cooperative.
- 24
- 25 c. The members of the Board of Directors shall not hold any other position
26 directly involved in the day-to-day operation and management of the
27 cooperative.
- 28
- 29 d. Any member engaged in a business similar to that of the cooperative or
30 who, in any way, has a conflict of interest with it, is disqualified from
31 being elected as a director.

32 **SEC. 48. Meeting of the Board and Quorum Requirement.** -

- 33 a. In the case of primary cooperatives, regular meetings of the Board of
34 Directors shall be held at least once a month. Special meetings may be
35 held at any time: i) at the call of the Chairperson, upon prior written
36 notice given at least three (3) days prior to the date of said meeting; ii)
37 or at the call of a majority of the members of the Board, upon prior
38 written notice given at least one (1) day before said meeting; Provided,
39 that only two (2) special meetings may be held in one (1) month. Notices

1 may be sent through electronic means, to the official contact number or
2 email account of the officers.

- 3
- 4 b. A majority of the members of the Board shall constitute a quorum for
5 the conduct of business.
- 6
- 7 c. Each member of the Board shall only have one vote, whether it be a
8 primary or secondary cooperative, irrespective of the share capital
9 holdings of the member-cooperative.
- 10
- 11 d. Directors cannot attend or vote by proxy at Board meetings.
- 12
- 13 e. Cooperatives may opt to allow meetings of the Board of Directors and
14 members of the different committees of the cooperative to be conducted
15 either through physical attendance or videoconferencing, or both,
16 subject to the rules on sending of notices, quorum, and voting
17 requirements as provided for in the By-laws. In the conduct of meetings
18 through videoconferencing, cooperatives shall adopt their own policies
19 and procedures which shall be included in their By-laws.

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

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

38 **SEC. 50. *Officers of the Cooperative.*** - The officers of the cooperative
39 shall include the members of the Board of Directors, members of the different
40 committees, General Manager or Chief Executive Officer, Secretary, Treasurer,
41 and other officers as may be provided for in the By-laws. As such, they shall

1 exercise their duties and responsibilities within the scope of their defined
2 functions.

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

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

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

- 13 a. The By-laws may create an executive committee, the members of which
14 shall be appointed by the Board of Directors with such powers and duties
15 as may be delegated to it in the By-laws or by a majority vote of all the
16 members of the Board of Directors.
- 17
- 18 b. The By-laws shall provide for the creation of other committees, such as
19 conciliation-mediation, ethics, gender and development, education, and
20 other committees as may be necessary for the conduct of the affairs of the
21 cooperative. The members of the audit and election committee shall be
22 elected by the General Assembly, while the members of the other remaining
23 committees shall be appointed by the Board.

24

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

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

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

- 38 a. Willfully and knowingly voting for or assenting to patently unlawful
39 acts;

- 1
2 b. Gross negligence or bad faith in directing the affairs of the cooperative;
3 or
4
5 c. Acquiring any personal or pecuniary interest in conflict with their duty.

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

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

- 12 a. In the absence of any provision in the By-laws fixing their compensation, the
13 directors or officers of the cooperative shall not receive any compensation
14 except for reasonable *per diems*; *Provided*, That no additional compensation
15 other than per diems shall be paid during the first year of existence of any
16 cooperative; *Provided, further*, That only the General Assembly shall
17 approve any additional compensation or the increase thereof.
18
19 b. The compensation of officers or committee members may be fixed in the By-
20 laws.
21
22 c. Directors and officers shall not be entitled to any per diem if the cooperative
23 reported a net loss in the preceding calendar year or a had a dividend rate
24 less than the official rate for the same year.
25
26 d. Unless already fixed in the By-laws, the compensation of all other employees
27 shall be determined by the Board of Directors in accordance with the
28 Regional Tripartite and Wage Productivity Board.

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

- 34 a. The presence of such director in the Board meeting wherein contract was
35 approved was not necessary to constitute a quorum for such meeting;
36
37 b. The vote of such director was not necessary for the approval of the contract;
38 and
39

1 c. The contract is fair, reasonable, and beneficial to the cooperative under the
2 circumstances.

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

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

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

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

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

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

25 a. A director, officer, or any person who, in conspiracy or connivance
26 therewith, makes use of confidential information to the benefit or advantage
27 of such person, which, if generally known, may adversely affect the
28 operation and viability of the cooperative, shall be held liable for the direct
29 losses and for the unrealized benefit suffered by the cooperative, as a result
30 of the transaction.

31
32 b. The cooperative shall take the necessary steps to enforce the liabilities
33 described in paragraph (a) herein.

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

1 All complaints for the removal of any elected officer shall be filed with the
2 Board of Directors, except as otherwise provided herein. Upon finding *prima facie*
3 evidence of guilt, the Board shall inform the officer concerned and present its
4 recommendation for removal in a regular or special General Assembly called for
5 the purpose, wherein such officer shall be given a final opportunity to present his
6 case. The regular or special General Assembly, by a three-fourths (¾) votes of the
7 members entitled to vote present and constituting a quorum, shall approve or
8 disapprove the removal of the officer.

9 In cases involving directors, the complaint shall be filed with the Ethics and
10 Grievance committee, which shall follow the procedure set in the preceding
11 paragraph.

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

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

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

20 CHAPTER X

21 RESPONSIBILITIES, RIGHTS AND PRIVILEGES OF COOPERATIVES

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

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

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

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

- 35
36 1. A copy of this Code and all other laws pertaining to
37 cooperatives;

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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

1 are already more than five (5) years old except those relating to
2 transactions which are the subject of civil, criminal, and
3 administrative proceedings. An inventory of the audited documents,
4 records and books to be disposed of shall be drawn up and certified to
5 by the Cooperative Secretary and the Chairman of the audit
6 committee and presented to the Board of Directors, which may
7 thereupon approve the disposition of said records.

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

12 **SEC. 61. *Annual Reports.*** - Every cooperative shall prepare an annual
13 progress report with the necessary attachments as may be prescribed by the
14 Authority at the end of every calendar year. The reports shall be made accessible
15 to its members and properly authorized government agencies with developmental
16 functions and extension services for cooperatives, wherein copies thereof shall be
17 available upon request of members on record during reasonable office hours.

18 These reports shall be filed with the Authority within one hundred twenty
19 (120) days from the end of the calendar year. The form and contents of the reports
20 shall be as prescribed by the rules of the Authority. Failure to file the required
21 reports on time shall subject the accountable officer to fines and penalties as may
22 be prescribed by the Authority. Failure to file the required reports despite notice
23 shall be a ground for the suspension or cancellation of the Certificate of
24 Registration of the cooperative, subject to the guidelines to be issued by the
25 Authority.

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

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

- 35 a. The date on which the name of any person was entered in such registry or
36 list of members; and
37
38 b. The date on which any such person ceased to be a member.

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

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

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

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

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

25 a. Notwithstanding the provisions of existing laws, rules and regulations to
26 the contrary, any debt due to the cooperative from the member shall
27 constitute a first lien upon any raw materials, production, inputs, and
28 products produced; or any land, building, facilities, equipment, goods or
29 services acquired and held by such member through the proceeds of the
30 loan or credit granted by the cooperative to such member for as long as the
31 same is not fully paid.

32
33 b. No property or interest on property which is subject to a lien under
34 paragraph (a) herein shall be sold nor conveyed to third parties without the
35 prior permission of the cooperative. The lien upon the property or interest
36 shall continue to exist even after the sale or conveyance thereof until such
37 lien has been duly extinguished.

38
39 c. Notwithstanding the provisions of any law to the contrary, any sale or
40 conveyance made in contravention of the preceding paragraph shall be void.

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

- 2 a. A member of a cooperative shall, notwithstanding the provisions of existing
3 laws to the contrary, execute an instrument in favor of the cooperative
4 authorizing the employer to deduct from the salary or wages, commutation
5 of leave credits, and any other monetary benefits payable by the employer,
6 and remit such amount as maybe specified in satisfaction of a debt, share
7 capital contribution, or other demand due from the member to the
8 cooperative.
9
- 10 b. Upon the execution of such instrument and as may be required by the
11 cooperative contained in a written notification, the employer shall make the
12 deduction in accordance with the agreement and remit forthwith to the
13 cooperative the amount so deducted within ten (10) days after the end of the
14 payroll month. The employer shall make the deduction for as long as such
15 debt or other demand remains unpaid by the employee.
16
- 17 c. The term "employer" as used in this Section shall include all private firms,
18 national government agencies, including government-owned and controlled
19 corporations, government instrumentalities with corporate powers,
20 government corporate entities, or government financial institutions, and
21 local government units that employ a member of a cooperative and have
22 agreed to carry out the terms of the instrument mentioned in this Section.
23
- 24 d. The provisions of this Section shall apply to all similar agreements referred
25 to in paragraph (a) herein and were enforced prior to the approval of this
26 Code.
27
- 28 e. Notwithstanding the provisions of existing laws to the contrary, the
29 responsibilities of the employer as stated in paragraphs (a) and (b) herein
30 shall be mandatory and without the need for any prior conditions,
31 accreditation or other similar processes to facilitate or implement the
32 deductions: *Provided*, That in the case of a private employer the actual and
33 reasonable cost for deducting and remitting may be collected.
34
- 35 f. The member may withdraw such consent at any time and for any reason,
36 which shall also be put in writing. Any person who acts contrary to this
37 provision shall be held liable under this Code and other laws, as the case
38 may be.

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

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

5 Cooperatives not falling under this Section shall be governed by the succeeding
6 provisions.

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

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

- 15 a. Duly registered agricultural cooperatives and non-agricultural
16 cooperatives whose Reserve Funds have an existing balance of One
17 hundred million pesos (P100,000,000.00) and below, shall be exempt
18 from all national internal revenue taxes, fees, and charges of
19 whatever name and nature imposed under the internal revenue laws
20 and other tax laws.

21
22 Such cooperatives shall be exempt from customs duties,
23 advance sales or compensating taxes on their importation of
24 machineries, equipment, batteries, accessories, and spare parts used
25 in the operations of the cooperatives and which are not available
26 locally as certified by the DTL.

27
28 All tax- and duty-free imports shall not be sold nor the
29 beneficial ownership thereof be transferred to any person until after
30 five (5) years, otherwise, the cooperative and the transferee or
31 assignee shall be solidarily liable to pay twice the amount of the
32 imposed tax or duties;

- 33
34 b. Duly registered agricultural cooperatives and non-agricultural
35 cooperatives whose Reserve Funds have an existing balance of more
36 than One hundred million pesos (P100,000,000.00) shall pay the
37 following taxes at the full rate:

- 38
39 1) Income Tax on income derived from transactions with non-
40 members: *Provided*, That the same tax is not consequently
41 imposed on interest individually received by members:

1 *Provided, further,* That cooperatives regardless of
2 classification, are exempt from income tax from the date of
3 registration with the Authority. The tax base for all
4 cooperatives liable to pay income tax shall be the income
5 directly related from the business transactions with non-
6 member safter deducting the amounts for the statutory funds:
7

8 2) Value-Added Tax (VAT) on transactions with non-members:
9 *Provided, however,* That duly registered cooperatives shall be
10 exempt from the imposition of VAT, on the following:
11

- 12 i. Sales by Agricultural cooperatives duly registered with
13 the Authority to their members as well as sale of their
14 produce, whether in its original state or processed form,
15 to non-members, their importation of direct farm inputs,
16 machineries and equipment, including spare parts
17 thereof, to be used directly and exclusively in the
18 production and/or processing of their produce, and their
19 resale to other Agricultural cooperatives:
20
- 21 ii. Gross receipts from lending activities by credit or multi-
22 purpose cooperatives duly registered with the Authority;
23 and
24
- 25 iii. Sales by non-agriculture, non-electric and non-credit
26 cooperatives duly registered with the Authority:
27 *Provided,* That the share capital contribution of all
28 members does not exceed One hundred thousand pesos
29 (P100,000.00) each and regardless of the aggregate
30 capital and net savings ratably distributed among the
31 members: *Provided,* That the exempt transactions in the
32 foregoing shall include sales made by cooperatives
33 duly registered with the Authority organized and
34 operated by their members to undertake the production
35 and processing of raw materials or of goods produced
36 by their members into finished or process products for
37 sale by the cooperatives to their members and non-
38 members: *Provided, however,* That any processed
39 product or its derivative arising from the raw materials
40 produced by their members, sold in the name and for the
41 account of the cooperative shall be deemed a product of
42 the cooperative and its members: *Provided, further,* That
43 at least twenty-five percent (25%) of the net income of
44 the cooperatives is returned to the members in the form

1 of interest and/or patronage refunds: *Provided, finally,*
2 That VAT shall not be imposed for the purchase of
3 modernized vehicles under the Public Transportation
4 Modernization Program (PTMP);

5
6 3) All sales of goods and/or services rendered for non-members
7 shall be subject to the applicable percentage taxes except sales
8 made by commodities or service cooperatives: and

9
10 4) All other taxes unless otherwise provided herein.

11
12 Donations to duly accredited charitable, research and
13 educational institutions and reinvestment to socioeconomic
14 projects within the area of operation of the cooperative may be
15 tax deductible.

- 16
17 c. All duly registered cooperatives shall be exempt from payment of local
18 taxes, fees and charges whether barangay, municipal, city, or
19 provincial taxes and taxes on transactions with banks and insurance
20 companies. The Authority shall furnish the Municipal, City, or
21 Provincial Assessor's Office a certified list of duly registered
22 cooperatives as basis of their removal from the Assessment Rolls;
- 23
24 d. In areas where there are no available notaries public, the judge,
25 exercising his/her ex-officio capacity as notary public, shall render
26 service, free of charge, to any person or group of persons requiring the
27 administration of oath or the acknowledgment of Articles of
28 Cooperation and instruments of loan from cooperatives not exceeding
29 Five Hundred Thousand Pesos (P500,000.00).
- 30
31 e. Any register of deeds shall accept for registration, free of charge, any
32 instrument relative to a loan made under this Code which does not
33 exceed Two Hundred and Fifty Thousand Pesos (P250,000.00) or the
34 deeds of title of any property acquired by the cooperative or any paper
35 or document drawn in connection with any action brought by the
36 cooperative or with any court judgment rendered in its favor or any
37 instrument relative to a bond of any accountable officer of a
38 cooperative for the faithful performance of his/her duties and
39 obligations.
- 40
41 f. Cooperatives shall be exempt from the payment of all court and
42 sheriff's fees payable to the Philippine Government for and in
43 connection with all actions brought under this Code, or where such

1 action is brought by the Authority before the court, to enforce the
2 payment of obligations contracted in favor of the cooperative.

3
4 g. All cooperatives shall be exempt from putting up a bond for bringing
5 an appeal against the decision of an inferior court or for seeking to set
6 aside any third party claim: *Provided*, That a certification of the
7 Authority showing that the net assets of the cooperative are in excess
8 of the amount of the bond required by the court in similar cases shall
9 be accepted by the court as a sufficient bond.

10
11 h. Any security issued by cooperatives shall be exempt from the
12 provisions of Republic Act No. 8799, otherwise known as "The
13 Securities Regulation Act," provided such security shall not be
14 speculative.

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

18 **SEC. 70. *Issuance of Certificate of Tax Exemption for***
19 ***Cooperatives.*** - The Authority shall furnish the Bureau of Internal Revenue (BIR)
20 a certified endorsement of a list of cooperatives in good standing and compliant
21 with the reportorial requirements of the Authority that serves as basis for the
22 issuance of a Certificate of Tax Exemption. The BIR shall formulate the necessary
23 guidelines in streamlining the issuance of Certificate of Tax Exemption for
24 cooperatives; *Provided*, That, individual tax identification number (TIN) of
25 members of the cooperative shall not be a requirement in the processing of
26 application and renewal of Certificate of Tax Exemption

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

30 a. Cooperatives shall enjoy the privilege of depositing their sealed cash
31 boxes or containers, documents or any valuable papers in the safes of
32 the municipal, city, or provincial treasurers, and other government
33 offices free of charge, and the custodian of such articles shall issue a
34 receipt acknowledging the articles received, duly witnessed by
35 another person:

36
37 b. Cooperatives organized among government employees,
38 notwithstanding any law or regulation to the contrary, shall enjoy the
39 free use of any available space in their agency, whether owned or
40 rented by the Government:
41

- 1 c. Cooperatives rendering special types of services and facilities such as
2 cold storage, ice plant, electricity, transportation, water,
3 communications, and similar services and facilities shall be given
4 preference in the grant of a franchise or certificate therefor: *Provided,*
5 That such cooperatives shall open their membership to all persons
6 qualified in their areas of operation. In case there are two (2) or more
7 applicants for the same public service franchise or certificate of public
8 convenience and necessity, all things being equal, preference shall be
9 given to a cooperative engaged in public services;
- 10
- 11 d. In areas where there are agricultural cooperatives, at least fifty
12 percent (50%) of the supply to government institutions, agencies, and
13 LGUs, of rice, corn, grains, fish and other marine products, meat,
14 eggs, milk, vegetables, and other agricultural commodities such as
15 fertilizers, seeds and other agricultural inputs and implements, and
16 related products, shall be sourced from such cooperatives;
- 17
- 18 e. Preferential and equitable treatment in the allocation or control of
19 bottomries of commercial shipping vessels in connection with the
20 shipment of goods and products of cooperatives;
- 21
- 22 f. Cooperatives and their federations engaged in the production and/or
23 the marketing of products from agriculture, fisheries and small
24 entrepreneurial industries, shall have exclusive preferential rights in
25 the management of public markets, and lease of public market
26 facilities, stalls or spaces, slaughterhouses, and storage facilities:
27 *Provided,* That no cooperative forming a joint venture, partnership or
28 any other similar arrangement with a non-cooperative entity can
29 utilize these rights;
- 30
- 31 g. Cooperatives engaged in credit services shall be entitled to loans,
32 credit lines, rediscounting of their loan notes, and other eligible
33 papers with the Development Bank of the Philippines (DBP), the
34 Land Bank of the Philippines (LBP), and other financial institutions
35 except the Bangko Sentral ng Pilipinas (BSP);

36
37 The Philippine Deposit Insurance Corporation (PDIC) and other
38 government agencies, government-owned and controlled
39 corporations, and government financial institutions shall provide
40 technical assistance to federations engaged in savings and credit
41 operations to establish and strengthen their own cooperative deposit
42 insurance systems;

43

- 1 h. Public transport service cooperatives shall be entitled to financing
2 support from Government Financial Institutions for the acquisition
3 and maintenance of land, sea, and air transport equipment, facilities,
4 and parts, and shall be preferred in securing a franchise for active or
5 potential routes for public transport. They shall have preferential
6 rights to the management and operation of public terminals and ports
7 whether land, sea, or air, and wharves where the cooperative
8 operates, as well as in the operation of arrastre and stevedoring
9 services therein.
- 10
- 11 i. Cooperatives shall be given preference in the procurement of
12 government projects subject to the existing procurement laws, rules
13 and regulations.
- 14
- 15 j. Cooperatives shall enjoy the privilege of being represented by the
16 provincial or city fiscal, or the Office of the Solicitor General, free of
17 charge, except when the adverse party is the Republic of the
18 Philippines;
- 19
- 20 k. Cooperatives organized by faculty members and employees of
21 educational institutions shall have the preferential right to manage
22 the school canteen and other services related to the operation of the
23 educational institution where they are employed: *Provided*, That such
24 services are operated within the premises of the said educational
25 institution;
- 26
- 27 l. The relevant regulatory agencies, and LGUs shall not discriminate
28 against duly registered cooperatives seeking accreditation as service
29 providers, or seeking to engage in a particular business: *Provided*,
30 That they possess all other qualifications under the law. Any person
31 who acts contrary to this provision may be held liable under this Code
32 and all other relevant laws and issuances;
- 33
- 34 m. Cooperatives shall be entitled to financing support from the relevant
35 government agencies that shall allocate funds for the establishment
36 of projects and programs for the development and promotion of
37 cooperatives; and
- 38
- 39 n. The relevant government agencies and government financial
40 institutions shall create a special window for financing, in the form of
41 blanket or long-term wholesale loans without need for individual
42 processing, to qualified cooperatives engaged in housing projects.
43 Such shall offer interest rates and terms equal to, or better than those
44 given for socialized housing projects.

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

6 CHAPTER XI

7 INSOLVENCY, SUSPENSION, DISSOLUTION, LIQUIDATION, AND 8 DELISTING OF COOPERATIVES

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

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

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

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

- 22 a. Willful refusal to submit annual progress reports with the necessary
23 attachments within the period mandated by this Code: *Provided*, That in
24 case of newly-registered cooperatives, this provision shall only apply three
25 (3) years after they have registered;
- 26
27 b. Willful refusal to comply with an interlocutory order, a final and executory
28 decision, or award from the CDA Board of Directors, or from any of its
29 Regional Offices or adjudication officers, or by a voluntary arbitrator in
30 relation to an investigation, voluntary arbitration, or adjudication.

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

1 the municipality, city, or province where the cooperative operates, and in its official
2 website and social media accounts.

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

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

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

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

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

- 36 a. The assets and liabilities of the cooperative;
37
38 b. The claim of any creditor;
39
40 c. The number of members;

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

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

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

- 10 a. Having obtained its registration by fraud;
- 11
- 12 b. Engaging in an illegal or unauthorized purpose;
- 13
- 14 c. Willful violation, despite written notice by the Authority, of the
15 provisions of this Code or its Implementing Rules and Regulations, other
16 issuances of the Authority consistent with this Code, or By-laws of the
17 cooperative;
- 18
- 19 d. Willful refusal to comply with an order issued or given by the Authority;
- 20
- 21 e. Willful failure to operate on a cooperative basis; and
- 22
- 23 f. Failure to meet the required minimum capital and minimum number of
24 members in the cooperative.

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

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

36 **SEC. 79. *Liquidation of a Cooperative.*** - Every cooperative whose term
37 of existence expires by its own limitation, or whose existence is terminated by
38 voluntary dissolution or cancellation of its Certificate of Registration by the
39 Authority shall cease to operate. However, it can continue to exist for three (3)

1 years for winding up its affairs, prosecuting and defending suits by or against it,
2 and the disposition, conveyance and distribution of its properties and assets

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

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

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

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

- 15 a. Voluntary Dissolution;
- 16
- 17 b. Involuntary Dissolution;
- 18
- 19 c. Cancellation by Order of the Authority;
- 20
- 21 d. Cancellation by Failure to Operate; and
- 22
- 23 e. Merger or Consolidation.

24 **SEC. 81. *Rules and Regulations on the Insolvency, Suspension,***
25 ***Dissolution, Liquidation, and De-listing Cooperatives.*** – The guidelines on
26 the implementation of this Chapter shall be included in the Implementing Rules
27 and Regulations of this Code, in consultation with the cooperative sector.

28 CHAPTER XII

29 CAPITAL, PROPERTY, AND FUNDS

30 **SEC. 82. *Capital and Funds.*** – The capitalization of cooperatives and
31 federations, or funds in the case of unions, shall be governed by this Code and its
32 Implementing Rules and Regulations to be developed in consultation with the
33 cooperative sector.

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

- 36 a. Member's share capital;
- 37

1 b. Loans and borrowings:

2
3 c. Deposits from members only, except for cooperative banks which accept
4 deposits from both members and non-members, or the general public:

5
6 d. Revolving capital which consists of the deferred payment of patronage
7 refunds, or interest on share capital:

8
9 e. Joint venture partners:

10
11 f. Subsidies, donations, legacies, grants, aids and such other assistance or
12 investment from any local or foreign institution whether public or private:
13 *Provided*, That capital coming from such subsidies, donations, legacies,
14 grants, aids, investments, and other assistance shall not be divided into
15 individual share capital holdings at any time, but instead shall form part of
16 the donated capital or fund of the cooperative. Upon dissolution or
17 cancellation of the cooperative, such donated capital shall be subject to
18 escheat; and

19
20 g. Reserve funds utilized for investment and as capital for the operations of the
21 cooperative as approved by the Board of Directors or General Assembly.

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

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

32 For federations, the share capital holdings of any one member-cooperative shall
33 not exceed forty percent (40%) of the subscribed share capital of the federation,
34 provided that the voting scheme shall be in accordance with Section 44.

35 A foreign federation of cooperatives if admitted as associate member of a
36 Philippine federation of cooperatives may hold or own up to forty percent (40%) of
37 the preferred share capital of said Philippine federation: *Provided*, That the
38 redemption date of such preferred share capital shall be at least five (5) years after
39 effectivity of membership: *Provided, further*, That during the five-year period,
40 withdrawal of the preferred share capital shall not be allowed.

1 **SEC. 85. *Assignment of Share Capital Contribution or Interest.*** -

2 Subject to the provisions of this Code and the approval of the majority of the Board
3 of Directors, no member shall transfer his/her shares or interest in the cooperative
4 or any part thereof unless:

- 5 a. The member has held such share capital contribution or interest for more
6 than one (1) year;
- 7
- 8 b. The assignment is made to the cooperative or to a member of the cooperative
9 or to a person who falls within the field of the membership of the cooperative;
10 and
- 11
- 12 c. The Board of Directors has approved such assignment.

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

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

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

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

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

34 **SEC. 88. *Fines.*** - The policies of a cooperative may prescribe a fine on unpaid
35 subscribed share capital. *Provided*, That such fine is fair and reasonable.

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

- 38 a. Any reputable bank;
- 39

1 approval. The Board of Directors shall be liable under Section 179 of this Code
2 should it fail to present such reports to the General Assembly.

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

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

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

15 a. The member has improperly used any information secured through any
16 prior examination of the records of such cooperative or of any other
17 cooperative; or

18 b. The member is not acting in good faith or for a legitimate purpose in making
19 the demand to examine records.
20

21 If the request to examine is denied based on the aforementioned grounds, the
22 member shall have the burden of proving to the Board that such request is made
23 in good faith and for a legitimate purpose. If the denial is made in bad faith, the
24 directors who voted for such refusal shall be penalized under Section 179 of this
25 Code.

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

32 CHAPTER XIV

33 ALLOCATION AND DISTRIBUTION OF NET SAVINGS

34 **SEC. 96. *Net Savings.*** - Notwithstanding the provisions of existing laws, the
35 net savings of cooperatives shall be determined in accordance with its By-laws.
36 Every cooperative shall determine its net savings at the close of every calendar
37 year.

38 Any provision of law to the contrary notwithstanding, the net savings shall
39 not be construed as profit but as an excess of payments made by the members for

1 the loans borrowed, or the goods and services availed by them from the cooperative
2 or the difference of the rightful amount due to the members for their products sold
3 or services rendered to the cooperative including other inflows of assets resulting
4 from its other operating activities and which shall be deemed to have been returned
5 to them if the same is distributed as prescribed herein.

6 **SEC. 97. *Net Savings Allocation and Statutory Funds.*** - The net savings
7 shall be subject to the allocation of the following statutory funds, which shall be
8 recorded in the books of account, for the cooperative's growth and development:

- 9 a. The reserve fund which shall be at least ten percent (10%) of the net
10 savings for the stability of the cooperative and to cover net losses in its
11 operations, including losses incurred during a pandemic, state of
12 emergency, and other such force majeure, as may be approved or
13 confirmed by the General Assembly, as the case may be.

14
15 The fund shall be recorded in the books of account of the cooperative,
16 and earmarked as such, and can also be made available for the
17 cooperative's operations and for investment to enhance the growth and
18 development of the cooperative, upon the approval by at least a
19 majority vote of all members entitled to vote: *Provided*, That
20 cooperative may use up to fifty percent (50%) of the reserve funds;
21 *Provided, further*, that the liquidity of the cooperative shall be taken
22 into account when utilizing a portion of the reserve fund for
23 investment; *Provided, finally*, That when utilizing the portion of the
24 reserve funds for investment, the board of directors shall conduct due
25 diligence and only invest in short-term low-risk investment options.

26
27 However, for cooperatives in their first five (5) years of operation, the
28 amount allocated shall not be less than thirty percent (30%) of the net
29 savings.

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

33
34 Upon the dissolution of the cooperative, the reserve fund shall be
35 distributed in accordance with the rules and regulations on liquidation
36 to be issued by the Authority.

- 37
38 b. The Cooperative Education and Training Fund (CETF), equivalent to
39 at least five percent (5%) but not exceeding ten percent (10%), shall be
40 used for the training, development and similar other cooperative
41 activities geared towards the growth of the cooperative movement:
42

1 1) Half of the CETF shall be used to provide for the education and
2 training of its officers, members, and employees; while the
3 other half shall be remitted to a federation and/or union, which
4 must redound to the benefit and development of the member-
5 cooperatives, such as, but not limited to trainings, seminars,
6 and other related activities.

7
8 Should a cooperative have multiple affiliations, it shall have
9 the discretion on how to allocate the CETF.

10
11 While primary cooperatives are not required to join any union
12 or federation, said half of the CETF shall still be remitted to a
13 union and/or federation of their choice.

14
15 2) Upon the dissolution of the cooperative, the unexpended
16 balance of the CETF shall be credited to the cooperative
17 education and training fund of the federation and or union in
18 which it is a member or affiliated, as determined by the
19 cooperative.

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

28 In the case of cooperatives whose common bond of membership
29 is institutional, the community refers to the institution where the
30 cooperative is operating, subject to the allowed assistance as provided
31 in the preceding paragraph.

32 The cooperative shall allocate a certain percentage of the CDF,
33 but not to exceed 50% of the total CDF allocated, for calamity, disaster
34 or national emergency: *Provided*, That part of the community
35 development fund should be allocated for climate resiliency programs,
36 environmental programs, including support in insuring crops and
37 related agri-agra products of the cooperatives.

38 In the case of cooperatives whose common bond of membership
39 is institutional, the community refers to the institution where the
40 cooperative is operating.

41 The allocation for the CDF for the current year shall be fully
42 utilized in the following year unless the projects or activities as

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

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

- 7 d. The optional fund, which shall not exceed seven percent (7%) of the net
8 savings, shall be used for the acquisition of land and construction of
9 building, and any other expenses anent to it. *Provided*, it is approved
10 by at least three-fourths (¾) of all members entitled to vote, present
11 and constituting a quorum, which shall be in accordance with the
12 Implementing Rules and Regulations to be promulgated by the
13 Authority.

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

- 19 e. The remaining net savings shall be made available in full to the
20 members in the form of interest on share capital following the formula
21 for computation as provided by the Authority: *Provide 1*, That this is
22 approved by a majority of the members entitled to vote, present and
23 constituting a quorum.

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

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

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

35 (3) In the case of a non-member patron, his/her proportionate
36 amount of patronage refund shall be set aside in a fund created
37 for the purpose and shall be allocated to individual non-member
38
39
40
41
42
43

1 patrons only upon request and presentation of evidence of the
2 amount of his/her patronage. The amount so allocated shall be
3 credited to such patrons toward payment of the minimum capital
4 contribution for membership. When a sum equal to this amount
5 has accumulated at any time within two (2) years from the start
6 of his/her patronage, such patron shall be deemed and become a
7 member of the cooperative if he so agrees or requests and complies
8 with the provisions of the By-laws for admission to membership;
9 and

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

18 CHAPTER XV

19 AGRICULTURAL COOPERATIVES

20
21 **SEC. 98. *Definition and Coverage.*** - This Chapter shall apply to all
22 agricultural cooperatives, as defined in this Code: *Provided*, That the provisions of
23 the other chapters of this Code shall apply suppletorily except insofar as this
24 Chapter otherwise provides.

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

- 28 a. Raising and/or culture of plants, high-value crops, animals, fish, poultry,
29 livestock, other agri-products as source of food, feed, and fiber, and other
30 agri-fishery or non-food commodities;
- 31
32 b. Production of salt;
- 33
34 c. Community and social forestry;
- 35
36 d. Provision of credit facilities for marginal farmers and fishermen;
- 37
38 e. Facilitating the procurement and distribution of farm inputs/ implements
39 for its members;
- 40

- 1 f. Processing, marketing, and sale of members' agri-products and/or produce;
2
3 g. Maintenance and management of irrigation systems, water impounding,
4 and other agricultural facilities; and
5
6 h. Other allied services such as but not limited to warehousing, cold storage,
7 and other post-harvest services, hauling, and transport of members'
8 products/produce and such other similar business services and activities
9 that will reduce cost and/or value addition of output.

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

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

23 The DA and the Authority shall jointly issue guidelines on the mechanisms
24 for PCAOs.

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

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

34 **SEC. 102. *Capital Requirements of Agricultural Cooperatives.*** - The
35 capital requirements and registration of agriculture cooperative shall be in
36 accordance with Section 14 hereof; *Provided*, That the paid-up capitalization
37 requirement for primary cooperatives shall not be less than Fifteen Thousand
38 Pesos (P15,000.00).

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

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

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

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

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

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

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

39 **SEC. 106. *Commitment of Financial Portfolio.*** – Federations and shall
40 reserve not less than fifteen percent (15%) of their financial portfolio for the

1 extension of loans, credit, savings facilities, and others, to agricultural
2 cooperatives; Provided, that any federation that shall willfully misrepresent facts
3 or circumstances in order to circumvent compliance with this provision shall be
4 held liable under this Code and all other applicable laws, rules, and regulations.
5 Cooperative banks shall comply with the thresholds set by the BSP

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

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

13 *Provided,* That the NCC-CD shall coordinate with the DA and the Farmers and
14 Fisherfolk Enterprise Development Council (FFEDC) on matters related to the
15 growth, development, and sustainability of the agricultural and fisheries
16 cooperatives.

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

- 18 a. Ensure the appointment of Cooperative Development Officers, in
19 compliance with Republic Act No. 11535;
- 20
21 b. Create a Committee on Agricultural cooperatives Development in the
22 Local Government Legislative Council which shall focus on addressing
23 legislative concerns on Agricultural cooperatives;
- 24
25 c. Legislate necessary ordinances for the promotion and development of
26 agricultural cooperatives;
- 27
28 d. Disseminate information to people and facilitate the establishment and
29 development of the management and operations of agricultural
30 cooperatives in their respective localities;
- 31
32 e. Expedite the issuance of the necessary permits for the implementation of
33 programs and projects of the Authority and other national government
34 agencies for the benefit of agricultural cooperatives;
- 35
36 f. Upon written request of the Authority, assist in the resolution of inter-
37 cooperative disputes among agricultural cooperatives operating within
38 their localities;
- 39

- 1 g. Facilitate and conduct seminars, trainings, and or conferences necessary
2 for the organization, registration, management and operations of
3 agricultural cooperatives, in coordination with federations and unions;
4
- 5 h. Provide technical assistance and skills training for farmers, farm
6 workers, and fisherfolk to engage in income-generating activities;
7
- 8 i. Provide access to land for agricultural and fisheries cooperatives for
9 farming and other purposes which include leasing or allocating public
10 lands for cooperatives use;
11
- 12 j. Offer financial support to agricultural and fisheries cooperatives through
13 grants, subsidies, or low-interest loans; and
14
- 15 k. Facilitate linkage between agricultural and fisheries cooperatives and
16 other institutions offering assistance/services.

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

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

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

29 a. Taxes, Duties, and Liens:

- 30
- 31 1. All benefits, privileges, and tax treatments of cooperatives as
32 defined and enumerated under Chapter X of this Code shall apply
33 to agricultural cooperatives;
34
- 35 2. Agricultural cooperatives shall be exempt from customs duties,
36 advance sales or compensating taxes on their importation and
37 local purchase of machineries, equipment, accessories, batteries,
38 and spare parts used by them: Provided, That all tax- and duty-
39 free imports and local purchases shall not be sold nor the beneficial
40 ownership thereof be transferred to any person until after five (5)
41 years, otherwise, the cooperative and the transferee or assignee

1 shall be solidarily liable to pay twice the amount of the imposed
2 tax and/or duties; and

3
4 3. All real properties owned, and those directly used for the
5 operations, management, and maintenance of agricultural
6 cooperatives shall be exempt from the payment of real property
7 taxes imposed under existing laws.

8
9 b. Trainings and Conferences - All trainings and conferences necessary for the
10 organization, registration, management and operations of an agriculture
11 cooperative, rendered by the appropriate government agency shall be given
12 free of charge, including costs of venue, training materials, speakers and
13 resource persons. The CDOs shall be primarily responsible for these
14 trainings and conferences within their respective localities;

15
16 c. Consolidation - Agricultural cooperatives may consolidate agricultural lands
17 owned by its members within in a contiguous area for purposes of
18 agricultural development; and

19
20 d. Direct Purchase by National and Local Government Agencies – To promote
21 and support agricultural cooperatives, national and local government
22 agencies shall directly purchase at least fifty percent (50%) of their targeted
23 agricultural products from accredited agricultural cooperatives; *Provided*,
24 That said products are necessary in the performance of their respective
25 mandates.

26
27 For the purposes of this Code, the procurement by national agencies
28 and local government units of said agricultural products shall be exempt
29 from the application of the bidding process prescribed under relevant
30 government procurement laws; *Provided*, That said agencies shall undergo
31 a negotiated procurement under the applicable guidelines of the
32 Government Procurement Policy Board.

33
34 e. Loans and Grants:

35
36 1) All loans applied for by agricultural cooperatives in any
37 government-owned or -controlled banks or government
38 financial institutions shall enjoy preferential treatment as to
39 the requirements, rates, securities, and collaterals; and

40
41 2) The DA shall coordinate with the BSP to lower the
42 requirements for all loans applied for and granted to
43 agricultural cooperatives.

1 marketing of farm products for agrarian reform beneficiaries and their
2 immediate family:

- 3
4 c. To provide financial facilities to ARBs for provident or productive purposes
5 at reasonable costs:
6
7 d. To arrange and facilitate the expeditious transfer of appropriate and
8 suitable technology to ARBs and marginal farmers at the lowest possible
9 cost:
10
11 e. To provide social security benefits, health, medical and social insurance
12 benefits, and other social and economic benefits that promote the general
13 welfare of the ARBs and marginal farmers:
14
15 f. To provide non-formal education, vocational and technical training, and
16 livelihood programs to ARBs and marginal farmers:
17
18 g. To act as conduits for external assistance and services to the ARBs and
19 marginal farmers:
20
21 h. To undertake a comprehensive and integrated development program in
22 agrarian reform and resettlement areas with special concern for the
23 development of agro-based, marine-based, and cottage-based industries:
24
25 i. To represent the ARBs on any or all matters that affect their interest; and
26
27 j. To undertake such other economic or social activities as may be necessary
28 or incidental in the pursuit of the foregoing purposes.

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

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

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

40 **SEC. 119. *Lease of Public Lands.*** - The Government may lease public lands
41 to any agrarian reform cooperative for a period not exceeding twenty-five (25)

1 years, subject to renewal for another twenty-five (25) years only: *Provided*, That
2 the application for renewal shall be made one (1) year before the expiration of the
3 lease: *Provided, further*, That such lease shall be for the exclusive use and benefit
4 of the ARBs and the marginal farmers subject to the provisions of the
5 Comprehensive Agrarian Reform Program, as amended.

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

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

- 24 a. Supply and distribution of consumer, agricultural, aquacultural, and
25 industrial goods, production inputs, and raw materials and supplies,
26 machinery, equipment, facilities, and other services and
27 requirements of the ARBs and marginal farmers at reasonable prices;
28
- 29 b. Marketing of the products and services of the ARBs in local and
30 foreign markets;
31
- 32 c. Processing of the products of the members into finished consumer or
33 industrial goods for domestic consumption or for export;
34
- 35 d. Provision of essential public services at cost, such as power, irrigation,
36 potable water, passenger or cargo transportation by land or sea,
37 communication services, and public health and medical care services;
38
- 39 e. Management, conservation, and commercial development of marine,
40 forestry, mineral, water, and other natural resources subject to
41 compliance with the laws and regulations on environmental and
42 ecological controls; and
43

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

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

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

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

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

21 CHAPTER XVII

22 COOPERATIVE BANKS

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

- 26 a. **Organization** - At least fifteen (15) cooperatives duly established and
27 registered under this Code may register a cooperative bank with the
28 Authority, upon compliance with the requirements of and required
29 authorization from the BSP.
30
- 31 b. **Registration** - The application for the registration of the Articles of
32 Cooperation and By-laws, including its amendments, by a cooperative bank
33 with the Authority shall be accompanied by a Certificate of Authority issued
34 by the BSP.
35
- 36 c. **Membership** - Membership in a cooperative bank shall be open to:
37
- 38 1) cooperatives of all types and categories;
 - 39 2) foreign cooperatives;
 - 40

1
2 3) pre-cooperative organizations established under Presidential
3 Decree No. 175; and

4
5 4) individuals.

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

13 The common shareholdings of a local cooperative shall at all times be
14 at least sixty percent (60%) of the total outstanding voting shares of the
15 cooperative bank.

16 Common shares held by individuals who are members of a
17 cooperative, and foreign cooperatives shall not be more than forty percent
18 (40%) of the total outstanding voting shares: Provided, That the common
19 shareholdings of each individual who is a member of a cooperative shall not
20 be more than five percent (5%) of the total outstanding voting shares.

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

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

- 27 a. Extend loans and advances primarily for the purpose of meeting the normal
28 credit needs of cooperatives as well as farmers, farm workers, fisherfolks, or
29 their families, merchants, and private and public employees. *Provided*, That
30 loans and advances granted to cooperatives shall not be subject to individual
31 ceilings on loans to directors, officers, stockholders, and related interests
32 (DOSRI);
33
34 b. Accept savings and time deposits;
35
36 c. Act as a correspondent bank of other financial institutions;
37
38 d. Discount and Rediscount paper with the LBP, DBP or any other bank,
39 including its branches and agencies. Said banks shall specify the nature of
40 paper deemed acceptable for rediscounting, as well as the rediscount rate to
41 be charged by any of these banks;

- 1
2 e. Act as collection agent;
3
4 f. Act as a depository bank of LGUs and other government agencies or
5 instrumentalities;
6
7 g. Acquire readily marketable bonds and other debt securities;
8
9 h. Buy and sell foreign exchange;
10
11 i. Acquire shares of publicly listed companies;
12
13 j. Act as conduit bank for the disbursement of government funds intended for
14 lending to agriculture, small-medium enterprise (SMEs) and projects for
15 local economic development;
16
17 k. Eligible to participate in government program allocations for agricultural
18 lending, social housing, loans to rural micro enterprises and other initiatives
19 towards inclusive growth;
20
21 l. Offer financial technology services, such as digital lending and payment, and
22 digital wealth management, among others, subject to prior approval of the
23 BSP;
24
25 m. Participate in treasury and money market operations such as:
26 a. Repurchase Agreements with the BSP;
27 b. Reverse Repurchase Agreements with the BSP;
28 c. Overnight Lending Facility of the BSP;
29 d. Overnight Deposits with the BSP;
30 e. Term Deposit Facility with the BSP; and
31 f. Sales and Marketing of Financial Products;
32
33 n. Offer credit card services;
34
35 o. Act as lending banks for credit surety fund cooperatives, as provided under
36 Republic Act No. 10744, otherwise known as the "*Credit Surety Fund*
37 *Cooperative Act of 2015*";
38
39 p. Act as depository bank of cooperatives with regard to their reserve funds, if
40 such banks exist in their area of operations; and
41
42 q. Offer other banking services as provided in Section 53 of Republic Act No.
43 8791, otherwise known as "*General Banking Law (GBL) of 2000*."

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

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

9 The CB shall furnish the Authority with a copy of the Certificate of Authority
10 issued by the BSP. In no case shall a cooperative bank be prohibited or restricted
11 from establishing a branch in a province, city, or municipality, solely on the ground
12 that another CB already exists in the same area.

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

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

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

33
34 The Election Committee shall be responsible for the formulation and
35 implementation of election rules and guidelines. It shall supervise the
36 conduct of election, election-related activities, canvass and certify the
37 results of the election, and decide cases relative to such election, except
38 those involving the committee itself or its members. The members of the
39 Election Committee shall be elected by the General Assembly or
40 Representative Assembly.

1 The Audit Committee is a Board-level committee whose composition
2 functions and responsibilities shall be in accordance with the existing
3 regulations of the BSP; *Provided*, That the Audit Committee shall have
4 at least one-third (1/3) but not less than two (2) members of the Board of
5 Directors as independent directors. Other Board-level committees may
6 be created as may be directed by the BSP.

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

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

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

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

31 In no case shall the total yearly compensation of directors exceed ten percent
32 (10%) of the net income of the cooperative bank during the preceding year.

33 **SEC. 129. *Dealings of Directors, Officers, Stockholders, and Related***
34 ***Interests (DOSRI).*** - Dealings with directors and officers of the Cooperative Bank
35 shall comply with the provisions of Section 36 of Republic Act No. 8791. However,
36 the limits on loans to dealings of directors, officers, stockholders, and related
37 interests shall not apply to loans, other credit accommodations, or guarantees
38 extended by the cooperative bank to its member primary cooperatives.

39 **SEC. 130. *Illegal Use of Confidential Information.*** - The liability of a
40 director or officer, or an associate of a director or officer, who, for his/her benefit or
41 advantage or that of an associate, makes use of confidential information that, if

1 generally known, might reasonably be expected to adversely affect the operations
2 and viability of the cooperative bank shall adhere to the provisions of Section 57 of
3 this Code.

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

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

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

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

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

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

23 To amend its Articles of Cooperation and by-laws, at least three-fourths ($\frac{3}{4}$)
24 vote of all the members with voting rights, present and constituting a quorum shall
25 be required. All other voting requirements shall be prescribed by the BSP. In the
26 alternative, the cooperative bank may opt to amend its Articles of Cooperation and
27 By-laws through a referendum, subject to the guidelines to be issued by the
28 Authority. However, the voting requirement shall be two-thirds ($\frac{2}{3}$) of all members
29 entitled to vote.

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

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

36 **SEC. 137. *Investment in Allied Undertakings.*** - Subject to the
37 requirements and restrictions as may be imposed by the Monetary Board under its

1 existing rules and regulations, Cooperative Banks may invest in equities of allied
2 undertakings which may include, but are not limited to the following:

- 3 a. Banks, financial institutions and non-bank financial intermediaries
4 including but not limited to insurance cooperatives and trust banks;
- 5
- 6 b. Warehousing and other post-harvest facilities;
- 7
- 8 c. Fertilizers, agricultural chemicals, and pesticides distribution;
- 9
- 10 d. Farm equipment distribution;
- 11
- 12 e. Trucking and transportation of agricultural products;
- 13
- 14 f. Marketing of agricultural products;
- 15
- 16 g. Leasing;
- 17
- 18 h. Automated teller machine (ATM) networks;
- 19
- 20 i. Public transportation;
- 21
- 22 j. Financial technology; and
- 23
- 24 k. Other undertakings as may be determined by the Monetary Board of the
25 BSP.

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

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

1 **SEC. 140. Samahang Nayon and Municipal Katipunan ng mga**
2 **Samahang Nayon.** - *Samahang Nayon (SN) and Municipal Katipunan ng mga*
3 *Samahang Nayon (MKSAN)* which held common shares of cooperative banks prior
4 to the effectivity of Republic Act No. 9520 shall apply for conversion to cooperatives
5 in order to maintain their status as regular members of cooperative banks:
6 Provided, That the cooperative banks shall exert efforts to inform and assist the
7 SN and MKSAN to convert within a period of five (5) years from the effectivity of
8 this Code. Upon failure of the SN and MKSAN to finally convert to a cooperative
9 within said period, the funds held in the name of such SN and MKSAN shall be
10 considered as preferred shares and shall remain as capital of the cooperative bank.
11 Within six (6) months from the conversion of preferred shares, the Cooperative
12 Bank (CB) may, at its option, reclassify such shares as treasury shares at the same
13 value at which they were liquidated.

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

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

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

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

37 a. Those privileges and incentives accorded to cooperatives under this
38 Code and other prior laws including exemption from all national,
39 provincial, city, municipal or barangay taxes, fees, and charges of
40 whatever nature and description. *Provided, however,* That when a
41 cooperative bank has reached an undivided net savings of more than

1 One Hundred Million Pesos (P100,000,000.00), transactions to non-
2 members shall be taxable.

3
4 b. The foreclosure of mortgages covering loans granted by cooperative
5 banks and executions of judgment thereon involving real properties
6 levied upon by sheriff shall be exempt from the publications in
7 newspapers where the total amount of loan, excluding interests due
8 and unpaid, does not exceed One Million Pesos (P1,000,000.00) or
9 such amount as the Monetary Board may prescribe as may be
10 warranted by prevailing economic conditions. It shall be deemed
11 sufficient publication in such cases where the notices of foreclosure
12 and execution of judgment are posted in the most conspicuous areas
13 such as the municipal building, the municipal public market, the
14 cooperative bank, and the barangay hall where the land mortgaged is
15 situated during the period of sixty (60) days immediately preceding
16 the public auction or execution of judgment. Proof of publication as
17 required herein shall be accomplished via an affidavit of the sheriff or
18 officer conducting the foreclosure sale or execution of judgment and
19 shall be attached with the records of the case;

20
21 c. A cooperative bank shall be allowed to foreclose lands mortgaged to it
22 subject to the provisions of RA 6657, as amended. For agrarian lands
23 foreclosed by a cooperative bank, the disposal of the same to another
24 qualified beneficiary under RA 6657, as amended, shall be made
25 through the same cooperative bank. Further, the amortization of the
26 beneficiary in favor of DAR shall be coursed through the servicing
27 cooperative bank: Provided, however, that cooperative banks shall be
28 exempt from the landholding limits as prescribed by DAR or any other
29 law requiring the same;

30
31 d. For cooperative banks granted by the BSP with accreditation as Rural
32 Financial Institution (RFI) under RA 10000, the following privileges
33 shall be awarded:

34
35 1) Unrestricted branching rights to set-up agriculture-oriented
36 branches in unbanked municipalities and predominantly
37 agricultural communities, subject to existing regulations on
38 minimum capitalization for banks and the size of branch
39 network;

40
41 2) Automatic eligibility with Philippine Guarantee Corporation
42 (with respect to agricultural credit guarantee), Philippine Crop
43 Insurance Corporation (PCIC), and governmental agencies

1 providing services towards risk-mitigation in the agriculture
2 sector:

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

7
8 4) Entitlement to participate free of charge in capability-building
9 activities in agriculture lending such as, but not limited to,
10 exchange of best-practice experiences, study tour, technology
11 transfer among ASEAN member-states and other fora of
12 international cooperation; and

13
14 e. Notwithstanding the provisions herein, privileges and
15 incentives granted to rural banks pursuant to RA 7353, otherwise
16 known as the "Rural Act of 1992," shall also be granted to cooperative
17 banks duly registered under this Act.

18 CHAPTER XVIII

19 INSURANCE COOPERATIVES

20 **SEC. 145. *Insurance Cooperative.*** - Existing cooperatives may organize
21 themselves into an insurance cooperative for the purpose of providing health, life,
22 and non-life insurance, as well as pre-need plans (education pension, and
23 memorial plans) of cooperatives and their members.

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

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

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

- 1 e. Establishment and operation of fleet management services;
- 2
- 3 f. Automotive maintenance credit facilities for the purpose of extending
- 4 loans for the maintenance and repair of public utility vehicles; and
- 5
- 6 g. Other auxiliary services related to the transport sector such as the
- 7 establishment and operation of food hubs and canteens in terminals.

8 **SEC. 154. *Registration, Regulation, and Supervision of Transport***
9 ***Service Cooperatives.*** - The DOTr-Office of Transport Cooperatives shall have
10 jurisdiction over the accreditation, regulation, and supervision of transport service
11 cooperatives. This notwithstanding, the relevant regulatory agencies shall have
12 jurisdiction over the technical operations of such cooperatives as transport service
13 entities.

14 The Authority shall have jurisdiction over the registration of transport
15 service cooperatives only in relation to their organization and management
16 including its compliance with this Act and other relevant laws.

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

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

26 **SEC. 156. *Oversight Committee.*** A multi-sectoral committee on transport
27 service cooperatives, composed of representatives from the Authority, the DOTr,
28 the Department of the Interior and Local Government (DILG), the Land
29 Transportation Franchising and Regulatory Board (LTFRB), the Land
30 Transportation Office (LTO), other concerned government agencies, as may be
31 necessary, and the federation of transport service cooperatives, the regional
32 clustered organizations, the national alliance of cooperatives, and other
33 stakeholders shall be established and thereafter be charged with the monitoring,
34 recommendation of policies and programs affecting the operations of transport
35 service cooperatives, and such other functions.

36 A regional monitoring committee shall likewise be established at the
37 regional offices of the Authority for the same purpose. The functions of the
38 monitoring committees shall be prescribed in the Implementing Rules and
39 Regulations to be promulgated by the Authority, in coordination with the relevant
40 government agencies.

1 or practice which is prejudicial to the interests of their members and
2 the general public.

3 **SEC. 161. *Regulation and Supervision of Cooperatives Engaged in***
4 ***Credit and Credit and Savings.*** - Pursuant to its powers, functions, and
5 responsibilities under RA 11364, the Authority shall exercise regulatory powers
6 and supervision over the operations of the cooperatives engaged in credit, and
7 credit and savings.

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

11 CHAPTER XXII

12 ELECTRIC COOPERATIVES

13
14 **SEC. 162. *Coverage.*** - The provisions of this Code shall apply to all electric
15 cooperatives registered with the Authority. This shall also cover new distribution
16 utilities that will register with the Authority.

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

20 **SEC. 163. *Registration of Electric Cooperatives.*** - The registration of an
21 electric cooperative with the Authority under this Code shall be submitted to the
22 members for approval through a referendum, called for the purpose as provided for
23 under Articles 164 and 165 of this Code.

24 **SEC. 164. *Voting Requirement for Registration.*** - In compliance with
25 the referendum as a voting procedure, the required number of votes for registration
26 with the Authority shall be a majority of all members entitled to vote.

27 **SEC. 165. *Documents to be Submitted for Registration with the***
28 ***Authority.*** - For purposes of registration, electric cooperatives shall submit the
29 following documents:

- 30 a. Copy of the Board Resolution certifying to the result of the vote
31 approved through a referendum approving the registration of the
32 cooperative with the Authority in compliance with Section 164 of this
33 Code;
- 34 b. Certified copy of the Articles of Incorporation or Cooperation and By-
35 laws as required by the Authority;
- 36 c. Duly audited financial statements for the past two (2) years;
- 37
- 38

- 1
2 d. List of names of the incumbent Board of Directors and their addresses
3 certified by the Board Secretary and attested by the Chairperson;
4
5 e. Within six (6) months from the registration, the Treasurer shall
6 submit a sworn statement of the authorized share capital, the
7 subscribed share capital of members, and the amount of paid-up share
8 capital received by the Treasurer; and
9
10 f. Bonds of accountable officers.

11 **SEC. 166. *Registration Options of Electric Cooperatives.*** – Electric
12 Cooperatives registered with the National Electrification Administration (NEA)
13 under Presidential Decree (PD) No. 269, as amended, which opt not to register with
14 the Authority are allowed to retain the word “cooperative” in their registered
15 names: Provided, that they shall not be entitled to the benefits and privileges under
16 this Code.

17 **SEC. 167. *Role of the Energy Regulatory Commission.*** - All rates and
18 tariffs of electric cooperatives registered under the Authority shall be subject to the
19 rules on application and approval of and by the Energy Regulatory Commission
20 (ERC) for distribution utilities.

21 **SEC. 168. *Effects of Registration with the Authority.*** -

- 22 a. Upon the effectivity of this Code, electric cooperatives that are duly
23 registered with the Authority, and issued a Certificate of
24 Registration, shall be covered by the provisions of this Code as well
25 as future rules and issuances of the Authority; Provided, that electric
26 cooperatives shall remain under the supervisory powers of the NEA,
27 pursuant to PD No. 269, as amended, and other existing laws;
28 *Provided, further,* that provisions of this Code consistent with PD No.
29 269, as amended, shall apply suppletorily.
30
31 b. Electric cooperatives registered with the Authority are entitled to
32 congressional allocations, grants, subsidiaries and other financial
33 assistance for rural electrification which can be coursed through the
34 Department of Energy, National Electrification Administration, or
35 local government units, as may be appropriate. The electric
36 cooperatives registered under this Code can avail of the financial
37 services and technical assistance provided by government financial
38 institutions and technical development agencies on terms respecting
39 their independence as autonomous cooperatives;
40
41 c. All condoned loans, subsidies, grants, and other assistance shall form
42 part of the donated capital and funds of the electric cooperatives and,

1 as such, it shall not be sold, traded, nor be divided into shareholdings
2 at any time. The donated capital/fund shall be valued for the sole
3 purpose of determining the equity participation of the members:
4 *Provided*, That in the case of dissolution of the cooperative, said
5 donated capital shall be subject to escheat: and

- 6
7 d. Electric cooperatives registered and confirmed with the Authority
8 under Republic Act No. 6938 and Republic Act No. 9520 are hereby
9 deemed registered under this Code.

10 **SEC. 169. *Share Capital in the Electric Cooperatives.*** – The electric
11 cooperatives registered with the Authority shall issue and distribute share
12 certificates under the name of each of their members, taking into consideration
13 their previous equity contributions, the amortization component through the
14 payments made, capital build-up and other capital contributions.

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

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

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

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

34 **SEC. 170. *Cancellation of Registration with the Authority.*** – The
35 cancellation of the registration of an electric cooperative shall be granted by the
36 Authority as provided under Chapter XI of this Code. Upon cancellation of
37 registration, the privileges and benefits afforded under this Code shall also be
38 revoked.

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CHAPTER XXIII

FOREIGN PARTNERSHIPS

SEC. 171. *Engagement of Foreign Cooperatives with Local Federations.* - Foreign cooperatives may invest, partner with, or enter into joint ventures with local 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, in consultation with the cooperative sector; *Provided, finally*, That their engagement with the local cooperatives shall be subject to an agreement which shall be submitted for the approval of the Authority, pursuant to its implementing rules.

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 independence and autonomy, notwithstanding that local cooperatives shall be one hundred percent (100%) wholly owned and controlled by Filipinos.

SEC. 172. *Limitations.* - The equity or share capital of the foreign cooperative shall not exceed forty percent (40%) of the total equity or subscribed share capital of the partnership or federation, as the case may be.

CHAPTER XXV

MISCELLANEOUS PROVISION

SEC. 173. *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.

Moreover, 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. 174. *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

1 existing cooperatives, cooperatives under dissolution or suspension, and those
2 whose registration have been cancelled, together with other relevant information,
3 as may be prescribed in the Implementing Rules and Regulations of this Code.

4 **SEC. 175. *Settlement of Disputes, Conciliation, Mediation, and***
5 ***Arbitration Proceedings.*** - Disputes among members, officers, directors, and
6 committee members, and intra-cooperative, inter-cooperative, intra-federation or
7 inter-federation disputes shall, as far as practicable, be settled amicably in
8 accordance with the conciliation or mediation mechanisms embodied in the By-
9 laws of cooperatives and in such other applicable laws.

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

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

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

24 Decisions rendered by the Authority in the exercise of its adjudicatory
25 powers shall be appealable to the Court of Appeals in accordance with the
26 applicable rules.

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

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

33 **SEC. 176. *Joint Congressional Oversight Committee on Cooperatives***
34 ***(JCOC).*** - There is hereby created a Joint Congressional Oversight Committee
35 composed of the Chairperson of the Senate Committee on Cooperatives and the
36 Chairperson of the House Committee on Cooperatives Development, with four (4)
37 members each from both Houses. The said members shall be duly appointed by the
38 Senate President and the Speaker of the House of Representatives from the
39 members of the respective committee.

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

8
9 d. Direct or indirect interference or intervention by any public official or
10 employee in the internal affairs of a cooperative of which he is not a
11 member, such as, but not limited to, the following:

12
13 1) Influencing the election or appointment of officers, directors,
14 committee members and employees through public or private
15 endorsement or campaign for or against any person or group of
16 persons;

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

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

24
25 4) Any other acts inimical or adverse to the autonomy and
26 independence of cooperatives.

27
28 The public officer shall upon conviction suffer a fine of suffer a penalty
29 of not less than one (1) year nor more than five (5) years imprisonment or a
30 fine in the amount of not less than Two hundred thousand pesos
31 (P200,000.00) but not more than Five hundred thousand pesos(P500,000.00)
32 or both at the discretion of the court.

33
34 e. A director, officer or committee member who violated the provisions
35 of Section 53 on the Liability of Directors, Officers and Committee
36 Members, Section 56 on the Disloyalty of a Director, and Section 57
37 on the Illegal Use of Confidential Information shall upon conviction
38 suffer a fine of not less than Five hundred thousand pesos
39 (P500,000.00) nor more than One million pesos (P1,000,000.00) or
40 imprisonment of not less than five (5) years but not more than ten
41 (10) years or both at the court's discretion;

42
43 f. The following are considered offenses punishable by a penalty of
44 imprisonment of not less than one (1) year nor more than five (5) years

1 or a fine of not less than Fifty thousand (P50,000.00) but not more
2 than One hundred thousand pesos (P100,000.00) or both at the
3 discretion of the court:

- 4 1) Omission or refusal to furnish any information, report or other
5 document that is required under this Code;
- 6 2) Providing information, reports or other documents to the
7 Authority that are required under this Code which the person
8 knows to be false or misleading;
- 9 3) Omission or refusal to keep a book or registry under this Code
10 or to make the required entry therein;
- 11 4) Making an entry required under this Code in a book or registry,
12 which the person knows to be false or misleading;
- 13 5) Hindering an authorized person from making an inspection,
14 audit, examination or investigation required under this Code;
- 15 6) Failure to comply with an order or written instructions issued
16 or given by the Authority;
- 17 7) Violation of the provisions regarding transactions with a
18 restricted party; and
- 19 8) Abetting, counseling, allowing, authorizing or commanding
20 another person to commit an offense punishable by this Code:
21 *Provided*, That in case the violator is a cooperative or juridical
22 person, the penalty shall be imposed on its directors and
23 officers.

24 g. Any violation of any provision of this Code for which no penalty is
25 imposed shall be punished by imprisonment of not less than six (6)
26 months nor more than one (1) year and a fine of not less than Ten
27 thousand pesos (P10,000.00) but more than Fifty thousand
28 (P50,000.00), or both at the discretion of the court.

29 The cooperative or any of its members can file a case against any
30 officer or employee of the BIR or of any other government agency with
31 the Ombudsman, the Civil Service Commission, other appropriate
32 government agencies, or the courts of law.

1 In case of violation of any provision of this Code, the individual or
2 individuals, and in the case of organizations or government agencies, its officers,
3 and directors shall, upon conviction by a Court, each suffer a penalty of not less
4 than two (2) years but not more than five (5) years imprisonment or a fine in the
5 amount of not less than Fifty thousand pesos (P50,000.00) but not more than One
6 hundred thousand (P100,000.00), or both at the discretion of the court. In the case
7 of a public official or employee, the offender shall upon conviction, suffer the
8 accessory penalty of temporary absolute disqualification.

9 **SEC. 180. *Administrative Sanctions.*** - The Authority shall conduct
10 investigations, file necessary charges, discipline, suspend or remove erring officers
11 and members of the cooperative for violation of cooperative laws, rules, regulations,
12 issuances of the Authority, the Articles of Cooperation and By-laws, after due
13 process, and direct the General Assembly to replace the suspended or removed
14 officers.

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

19 **SEC. 181. *Printing and Distribution.*** - The National Printing Office shall
20 publish this Code in the Official Gazette in full within sixty (60) days from the date
21 of approval thereof. Copies of this Code shall be given to every department, agency,
22 and instrumentality of the National Government, including regional, provincial
23 offices, and local governments including government-owned and controlled
24 corporations.

25 **SEC. 182. *Interpretation and Construction.*** - In case of doubt as to the
26 meaning of any provision in this Code or the regulations issued in pursuance
27 thereof, the same shall be resolved liberally in favor of the cooperatives and their
28 members.

29 **SEC. 183. *Implementing Rules and Regulations.*** - Within ninety (90)
30 days from the effectivity of this Act, the Authority shall issue rules and regulations
31 to implement this Code, including the amendments thereto, in consultation with
32 the relevant agencies, the cooperative sector, and other stakeholders.

33 Within the same period, the particular government agencies expressly
34 designated under specific provisions in this Code shall also issue the regulations
35 called for by such respective provisions.

36 **SEC. 184. *Transitory Provisions.*** -

- 37 a. All cooperatives registered with the Authority under Republic Act No. 6938,
38 as amended by Republic Act No. 9520, are hereby deemed registered under
39 this Code.

1
2 b. Registration of electric cooperatives with the Authority shall not be
3 considered as a transfer of ownership of its assets and liabilities nor shall it
4 constitute a change in the nature, structure, and status of the cooperative.
5 Said registration shall not result in the revocation of the condoned loans
6 under Republic Act No. 9136, otherwise known as the "*Electric Power*
7 *Industry Reform Act of 2001*"; *Provided*, That electric cooperatives with
8 existing loans shall not be subject to the control and supervision of its
9 creditors and shall only be limited to the fulfillment of each civil obligations.

10
11 c. The authority granted to non-cooperatives as Training Service Providers
12 shall continue to be effective and may be renewed upon expiration.

13 **SEC. 185. *Ipsso-Facto Clause.*** – Except as may be inconsistent with the
14 provisions of this Code, CDA-registered cooperatives are entitled to the privileges,
15 benefits, and exemptions granted by Republic Act No. 7160, and other existing
16 laws.

17 **SEC. 186. *Separability Clause.*** –If any part of this Code is declared
18 unconstitutional, the remaining parts or provisions shall remain in full force and
19 effect.

20 **SEC. 187. *Repealing Clause.*** - Except as expressly provided by this Code,
21 Republic Act No. 6938, Republic Act No. 9520, and all other laws, or parts thereof,
22 inconsistent with any provision of this Code shall be deemed repealed; *Provided*,
23 That the provisions of Revenue Regulation No. 20-2001, and all laws, decrees,
24 executive orders, implementing rules and regulations, BIR circulars, CDA
25 memorandum circulars, memorandum orders, letters of instruction, local
26 government ordinances, or parts thereof inconsistent with any of the
27 provisions of this Act are hereby repealed, amended or modified accordingly;
28 *Provided, further*, That nothing in this Code shall eliminate, diminish, or reduce
29 the powers, functions, authority, and responsibilities of the NEA over electric
30 cooperatives under PD No. 269, as amended, and other existing laws; *Provided*,
31 *finally*, That nothing in this Act shall be construed or interpreted as diminishing
32 the jurisdiction of the Philippine Competition Commission under the PCA to
33 conduct inquiry, investigate, and hear and decide on cases involving any violation
34 of the PCA and other existing competition laws motu proprio or upon receipt of a
35 verified complaint from an interested party or upon referral by the concerned
36 regulatory agency.

37 **SEC. 188. *Effectivity Clause.*** - This Code shall take effect fifteen (15) days
38 after its publication in the Official Gazette or in a newspaper of general circulation.

39 Approved.