

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

House Bill No. 2575



INTRODUCED BY REPRESENTATIVES RALPH WENDEL P. TULFO
AND JOCELYN P. TULFO

AN ACT
PROVIDING FOR THE REVISED COOPERATIVE CODE OF THE PHILIPPINES

EXPLANATORY NOTE

The cooperative movement embodies principles of social responsibility, solidarity, and sustainable development in fostering a more equitable and inclusive society toward collective progress.

Cooperatives have been instrumental in providing a collective voice and power to advocate for the rights and interests of marginalized groups, serving as vehicles for the self-reliance, autonomy, and socio-economic empowerment of communities. Republic Act No. 9520, otherwise known as the "Philippine Cooperative Code of 2008", recognizes the vital role of cooperatives in the country, and provides legal framework on their establishment, cooperation, and organization.

To further strengthen the evolving economic interests and social conditions of the cooperative sector in the country, this measure seeks to comprehensively amend the existing law. Among others, the proposed amendment includes the tax exemption to duly registered cooperatives transacting business with both members and non-members. Further, the transactions of members with the cooperative shall not be subject to any taxes, fees, and charges. This bill also includes the expansion of the use of the reserve fund to ensure the stability and community development of cooperatives, as well as the optional fund for the benefit of cooperatives members under exceptional circumstances.

In its contribution to social empowerment, the cooperative movement serves as a critical instrument of social change in the country, which remains vital to nation-building and democratic governance.

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



RALPH WENDEL P. TULFO
Representative
2nd District of Quezon City



JOCELYN P. TULFO
Representative
ACT-CIS Partylist

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

House Bill No. 2575

**INTRODUCED BY REPRESENTATIVES RALPH WENDEL P. TULFO
AND JOCELYN P. TULFO**

1 **AN ACT**
2 **PROVIDING FOR THE REVISED COOPERATIVE CODE OF THE PHILIPPINES**
3

4 *Be it enacted by the Senate and House of Representative of the Philippines in Congress*
5 *assembled:*
6

7 **CHAPTER I. GENERAL PROVISIONS**
8

9 **SECTION 1. Title.** - This Act shall be known as the "Revised Cooperative Code
10 of the Philippines".
11

12 **SEC.2. Declaration of Policy.** - It is the policy of the State to foster the creation
13 and growth of cooperative as a practical vehicle for promoting self-reliance and
14 harnessing people power towards the attainment of economic development and social
15 justice. The Stat shall encourage the private sector to undertake the actual formation
16 and organization of cooperatives and shall create an atmosphere that is conducive to
17 the growth and development of theses cooperatives.
18

19 Towards this end, the State shall, through the different branches, subdivisions,
20 instrumentalities, and agencies of the government, regulate the conduct of
21 cooperatives and support their growth and development in partnership with the
22 private sector. The State shall also ensure the provision of technical and financial
23 assistance, and other services to enable the cooperatives to develop into viable and
24 responsive economic enterprises towards a strong cooperative movement, free from
25 conditions that infringe upon the objectives and character of cooperatives.
26

27 Further, the State recognizes the principle of subsidiarity under which the
28 cooperative sector initiates and fosters, within their own ranks, cooperative
29 promotion, organization, training, information gathering, audit, and support services,
30 with government assistance if necessary.
31

1 **SEC.3. General Concepts. -**
2

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

10 (b) *Cooperative principles* - Every cooperative shall conduct its affairs in accordance
11 with Filipino culture, good values and experience, and the following universally
12 accepted principles of cooperation:
13

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

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

27 (3) *Member Economic Participation* - Members contribute equitably to, and
28 democratically control, the capital of their cooperative. At least part of that
29 capital is the common property of the cooperative. They shall receive limited
30 compensation or limited interest, if any, on capital subscribed and paid as a
31 condition of membership. Members allocate surpluses for any or all of the
32 following purposes: developing the cooperative by setting up reserves, part
33 of which should at least be indivisible; benefitting members in proportion to
34 their patronage of the cooperatives business; and, supporting other activities
35 approved by the membership.
36

37 (4) *Autonomy and Independence* - Cooperatives are autonomous, self-help
38 organization controlled by their members, if they enter into agreements with
39 other organizations, including government, or raise capital from external
40 sources, they shall do so on terms that ensure democratic control of their
41 members and maintain their cooperative autonomy.
42

43 (5) *Education, Training, and Information* - Cooperatives shall provide education
44 and training for their members, elected and appointed representatives,

1 managers, and employees, so that they can contribute effectively and
2 efficiently to the development of their cooperatives.

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

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

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

15
16 **SEC. 4. Definition of Terms.** – As used in this Act:

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

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

24
25 (c) *Authority* refers to the Cooperative Development Authority;

26
27 (d) *Board of Directors* refers to the collegial body responsible for the strategic planning,
28 direction-setting, and policy-formulation activities of the cooperative;

29
30 (e) *Branch-lite unit* refers to a cooperative bank that performs limited banking
31 activities and records its transaction in the books of the head office or the branch
32 to which it is annexed;

33
34 (f) *By-laws* refers to the document registered with the Authority, including its
35 amendments, that defines and regulates the operations of the cooperative and
36 governs the relations between the cooperative and its members and among
37 themselves;

38
39 (g) *Committees* refer to the mandatory committees under this Code entrusted with
40 specific functions and responsibilities and such other committees that the Board
41 of Directors deem necessary for the governance of the business affairs of the
42 cooperative;

43
44 (h) *Cooperative Union* refers to a cooperative whose members are registered
45 cooperatives, federations, or both, organized purposely to represent the interest

1 and welfare of all types of cooperatives at the city provincial, regional national,
2 and sectoral levels;

3
4 (i) *Federation of Cooperatives* refers to an aggrupation of cooperatives registered with
5 the Authority to undertake business activities in support of its primary and
6 secondary member cooperatives to address common needs, engage in capacity-
7 building activities and delegated supervision in support of its member
8 cooperatives, organized at the municipal, city, provincial, regional, national,
9 special metropolitan political subdivision, or economic zones created by law;

10
11 (j) *General Assembly* refers to the full membership of the cooperative duly assembled
12 physically, via videoconferencing, or both, for the purpose of exercising all the
13 rights and performing all the obligations pertaining to cooperatives, as provided
14 by this Code, its Articles of Cooperation, and By-laws;

15
16 (k) *Honorarium* refers to the token of appreciation granted for the expert service
17 rendered in the specific field that does not receive compensation;

18
19 (l) *Investment* refers to equity participation in any enterprise formed, organized or
20 existing under the laws of the Philippines;

21
22 (m) *Interest on Share Capital* refers to the amount earned by the members on their
23 investment in the cooperative. The interest on share capital and the patronage
24 refund shall be determined at the end of the calendar year after the net surplus
25 shall have been computed in accordance with the Articles of Cooperation and By-
26 laws or by the Board of Directors;

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

30
31 (o) *Member* refers to a person either natural or juridical, who has been approved and
32 admitted by the Board of Directors of the cooperative, federation, or union, after
33 undergoing the Pre-Membership Education Seminar and has vowed to adhere to
34 the Articles of Cooperation and its By-laws. Members shall be classified as regular
35 or associate, as qualified by the cooperative;

36
37 (p) *Patronage Refund* refers to the payment to the members of a percentage or portion
38 of the amount availed of, the interest on loans paid, or other services availed from
39 the cooperative. The amount will be determined at the end of the fiscal period
40 after the computation of the net surplus. The percentage of the allocation will be
41 in accordance with the provisions in its Articles of Cooperation, the By-laws, or
42 by the Board of Directors. The formula and basis for the computation of the rate
43 of patronage refund will be determined by the Authority;

- 1 (q) *Performance Audit* refers to an audit conducted by the Authority on the efficiency,
2 efficacy, and effectiveness of the cooperative's overall performance as a whole, its
3 management and officers, and its various responsibility centers as basis for
4 improving individual, team, or overall performance, and for objectively
5 informing the general membership of the cooperative on such performance;
6
- 7 (r) *Primary Cooperative* refers to a cooperative, registered with the Authority, the
8 members of which are natural persons;
9
- 10 (s) *Registration* refers to the operative act granting juridical personality to a proposed
11 cooperative and is evidenced by a Certificate of Registration;
12
- 13 (t) *Representative Assembly* refers to the full membership of a body of representatives
14 elected by each of the sectors, chapters, or districts of the cooperative duly
15 assembled for the purpose of exercising such powers in accordance with its By-
16 laws;
17
- 18 (u) *Samahang Nayon* and *Municipal Katipunan ng mga Samahang Nayon* refers to pre-
19 cooperative organizations established under Presidential Decree (PD) No. 175
20 entitled "Strengthening the Cooperative Movement";
21
- 22 (v) *Secondary Cooperative* refers to a cooperative, the members of which are primary
23 cooperatives, federations, or unions;
24
- 25 (w) *Single-Purpose Cooperative* refers to a cooperative that undertakes only one
26 economic activity, except one that is allowed to undertake allied economic
27 activities;
28
- 29 (x) *Share Capital* refers to the equitable contribution of a member to the cooperative
30 fund, the working capital fund of the cooperative, which shall have a par value
31 of at least One Hundred Pesos (P100.00) and issued as common or preferred
32 shares depending on the type of membership with the cooperative;
33
- 34 (y) *Social Audit* refers to an audit conducted to assess the social impact of the
35 cooperative and its ethical performance vis-à-vis its stated mission, vision, goals,
36 and code of social responsibility. It is a mechanism whereby it can account for the
37 social performance of a cooperative and evaluate its impact on the community,
38 making the cooperative accountable for its decisions and actions to its members;
39
- 40 (z) *Subscription Agreement* refers to the document executed by a member to signify
41 the amount that the member intends to contribute to the cooperative fund;
42
- 43 (aa) *Subsidiary Cooperative* refers to a cooperative, all or majority of whose members
44 or shareholders come from a parent cooperative, organized for any other purpose

1 different from that of, and receives technical, managerial, and financial assistance
2 from the latter, in accordance with the rules and regulations of the Authority; and
3

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

8 CHAPTER II. PURPOSES AND ORGANIZATION 9

10 **SEC. 5. *Goals and Objectives of a Cooperative.*** - The primary objective of
11 every cooperative is to help improve the quality of life of its members. Towards this
12 end, the cooperative shall, among others, aim to:
13

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

- 1
2 (k) Advocate legal framework and enabling policies appropriate for the
3 development of cooperatives;
4
5 (l) Be the voice and the institution of the marginalized for purposes of promoting
6 people-centered development;
7
8 (m) Encourage thrift and savings mobilization among the members;
9
10 (n)) Generate funds and extend credit to the members for productive and provident
11 purposes;
12
13 (o) Encourage among members systematic production and marketing;
14
15 (p) Provide goods and services and other requirements to the members;
16
17 (q) Develop expertise and skills among its members;
18
19 (r) Acquire lands and provide housing benefits for the members;
20
21 (s) Provide insurance programs to cover the risk of financial losses in the operations
22 of a cooperative;
23
24 (t) Promote and advance the economic, social, and educational status of the
25 members;
26
27 (u)) Establish, own, lease, or operate cooperative banks, cooperative wholesale and
28 retail complexes, insurance, agricultural and industrial processing enterprises,
29 and public markets;
30
31 (v) Coordinate and facilitate the activities of cooperatives;
32
33 (w) Advocate for the cause of the cooperative movement;
34
35 (x) Ensure the viability of cooperatives through the utilization of new technologies;
36
37 (y) Encourage and promote self-help or self-employment as an engine for economic
38 growth and poverty alleviation;
39
40 (z) Adopt such others plans which may help foster the welfare of the members, their
41 families, and the community; and
42
43 (aa) Undertake any activity stated in the Articles of Cooperation and By-laws of the
44 cooperative.
45

1 **SEC. 6. Cooperatives Not in Restraint of Trade.** - No cooperative or method or
2 act thereof which complies with this Code shall be deemed a conspiracy or
3 combination in restraint of trade or an illegal monopoly, or an attempt to lessen
4 competition or fix prices arbitrarily in violation of any laws of the Philippines.
5

6 This notwithstanding, fair competition between cooperatives is paramount in
7 their collective growth. Cooperatives shall support and foster a level playing field in
8 their industries. Accordingly, Sections 6, 7, 21 and 111 of this Code shall be in
9 consonance with Republic Act (RA) No.10667, otherwise known as the "Philippine
10 Competition Act."
11

12 **SEC. 7. Cooperative Powers and Capacities.** - A cooperative registered under this
13 Code shall have the following powers, rights and capacities:
14

- 15 (a) To the exclusive use of its registered name;
- 16
- 17 (b) To sue and be sued;
- 18
- 19 (c) Of succession;
- 20
- 21 (d) To amend its Articles of Cooperation in accordance with the provisions of this
22 Code;
- 23
- 24 (e) To adopt By-laws not contrary to law, morals, or public policy, and amend or
25 repeal the same in accordance with this Code;
- 26
- 27 (f) To purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage,
28 or otherwise deal with such real and personal property as the transaction of the
29 lawful affairs of the cooperative may reasonably and necessarily require, subject
30 to the limitations prescribed by law and the Constitution;
- 31
- 32 (g) To enter into joint venture agreement and partnership, or any other commercial
33 activity with other cooperatives;
- 34
- 35 (h) To enter into division, merger or consolidation, as provided in this Code;
- 36
- 37 (i) To form subsidiary cooperatives and join federations, unions, or Credit Surety
38 Fund Cooperatives, as provided in this Code;
- 39
- 40 (j) To avail of loans, be entitled to credit, and accept and receive grants, donations,
41 and assistance from foreign and domestic sources, subject to the conditions of the
42 loans, credits, grants, donations or assistance that must not undermine the
43 autonomy of the cooperative;
- 44

- 1 (k) To avail of preferential rights granted to cooperatives under RA 7160, otherwise
2 known as the "Local Government Code of 1991," and other laws, particularly the
3 grant of franchises to establish, construct, operate and maintain ferries, wharves,
4 markets or slaughterhouses and lease public utilities, including access to
5 extension and on-site research services and facilities related to agriculture and
6 fishery activities;
7
- 8 (l) To establish, own, and operate schools in all levels of the education system,
9 subject to the rules and regulations of the Department of Education, Commission
10 on Higher Education, and Technical Education and Skills Development
11 Authority;
12
- 13 (m) To operate branch, satellite, and liaison offices within its area of operation,
14 subject to the rules and regulation by the Authority. The Authority and the sector
15 shall issue rules regarding the creation and operation of branch, satellite, and
16 liaison offices of cooperatives;
17
- 18 (n) To provide training for their officers and members for continued development
19 and personal improvement, in coordination with government agencies and
20 experts from the private sector. In this regard, only cooperatives shall be
21 accredited as Training Service Providers by the Authority. In the event that a
22 cooperative is unable to provide training for its own members, it may engage the
23 services of a federation or union: Provided, That a federation shall only provide
24 training in accordance with its business or specialization while a union shall
25 provide basic and other training that benefits the sector: Provided, further, That
26 government agencies and experts from the private sector are authorized to assist
27 in the organization, training, and development of a cooperative and its members,
28 in coordination with federations and unions; and
29
- 30 (o) To exercise such other powers granted in this Code as shall be necessary to carry
31 out its purposes stated in its Articles of Cooperation.
32

33 **SEC. 8. Organizing a Primary Cooperative.** - At least fifteen (15) natural
34 persons who are Filipino citizens, of legal age, having a common bond of interest, and
35 are residing or working in the intended area of operation, may organize a primary
36 cooperative under this Code. The cooperators shall attend and complete a Pre-
37 Registration Seminar (PRS) as a prerequisite for registration. The details and requisites
38 of the PRS must be included in the Implementing Rules and Regulations of this
39 Code.
40

41 No primary cooperative, except agricultural cooperatives, shall be organized
42 as a multi-purpose cooperative unless it has been in operation for at least two (2) years
43 and shall have complied with the minimum requirements for multi-purpose
44 cooperatives as prescribed by the Authority.
45

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

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

10 **SEC. 10. *Liability of the Cooperative.*** - A cooperative duly registered under
11 this Code shall have limited liability.
12

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

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

23 In case of cooperative banks, insurance cooperatives, federations, or unions, the
24 Articles of Cooperation shall be acknowledged by its Chairpersons and Cooperative
25 Secretaries before a notary public. The Articles of Cooperation shall contain the
26 following provisions:
27

- 28 a. Name of the cooperative, which shall include the word "Cooperative", "Coop",
29 "Koop", or "Kooperatiba" and specify the type of cooperative;
- 30
- 31 b. Purpose or purposes and the economic activities for which the cooperative is to be
32 registered;
- 33
- 34 c. Powers and capacities;
- 35
- 36 d. Area of operation, the postal address of its principal office, and the official
37 electronic mail address of the cooperative;
- 38
- 39 e. Names, nationality, and the postal addresses of the cooperators;
- 40
- 41 f. Common bond of membership;
- 42
- 43 g. List of names of the directors;
- 44

- 1 h. Amount of authorized, subscribed, and paid-up share capital, the number of
- 2 shares, and the par-value of each share, and the names of the cooperators, except
- 3 for cooperative unions;
- 4
- 5 i. A statement as to whether the cooperative is primary or secondary;
- 6
- 7 j. Other provisions consistent with this Code or any related law; and
- 8
- 9 k. Certificate of Authority from the appropriate government agency.

10
11 **SEC. 13. *By-laws.*** - Every cooperative to be registered under this Code shall
12 adopt By-laws consistent with the provisions of this Code, which shall be filed
13 together with the Articles of Cooperation. The By-laws of each cooperative shall
14 provide:

- 15
- 16 a. The qualifications for admission to membership;
- 17
- 18 b. The equitable contribution or interest to be acquired as a condition precedent for
- 19 the exercise of the right of membership;
- 20
- 21 c. The rights, privileges, duties, responsibilities, and liabilities of membership;
- 22
- 23 d. The circumstances under which membership is acquired, maintained, and
- 24 terminated, and the procedure to be followed;
- 25
- 26 e. The conditions under which the transfer of a share or interest of the members shall
- 27 be permitted;
- 28
- 29 f. The general conduct of the affairs of the cooperative relative to agenda, time, place
- 30 and manner of calling, convening, and conducting meetings, quorum
- 31 requirements, voting systems of the General Assembly, the Board of Directors,
- 32 committees and the officers, including their qualifications, disqualifications,
- 33 powers, duties, and responsibilities;
- 34
- 35 g. The manner in which the capital may be raised and the purposes for which it can
- 36 be utilized;
- 37
- 38 h. The accounting and auditing systems;
- 39
- 40 i. The manner of contracting loans and borrowings including the limitations thereof;
- 41
- 42 j. The allocation and distribution of net surplus;
- 43
- 44 k. The manner of adopting and amending By-laws;

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

7 CHAPTER III. REGISTRATION 8

9 **SEC. 14. *Requirements for Registration.*** - The proposed Articles of
10 Cooperation, By-laws, and such other required documents shall be submitted in
11 accordance with the rules and regulations to be prescribed by the Authority.
12

13 Except for cooperative unions as described under Section 30 hereof, no
14 cooperative shall be registered unless the Articles of Cooperation is accompanied with
15 the bonds of the accountable officers and a sworn statement of the Treasurer showing
16 that at least twenty-five per centum (25%) of the authorized share capital has been
17 subscribed and at least twenty-five per centum (25%) of the total subscription has been
18 paid.
19

20 The Authority shall initially fix the minimum paid-up share capital in the
21 Implementing Rules and Regulations of this Code, periodically assess the required
22 paid-up share capital, and may increase or decrease it through subsequent regulation
23 whenever necessary upon consultation with the cooperative sector.
24

25 The Authority may prescribe such other registration requirements as it may
26 deem necessary.
27

28 **SEC. 15. *Registration.*** - A cooperative formed and organized under this Code
29 acquires juridical personality from the date the Authority issues a Certificate of
30 Registration under its official seal. All applications for registration shall be finally
31 disposed of by the Authority within a period of fifteen (15) days from the filing of the
32 complete documentary requirements, both in form and in substance, otherwise the
33 application is deemed approved, unless the cause of the delay is justified as the case
34 may be: Provided, That in case of a denial of the application for registration, the
35 applicant may file a Motion for Reconsideration within five (5) days from the receipt
36 of such denial. The Motion for Reconsideration must be resolved within fifteen (15)
37 days from the filing thereof. An appeal to the Board of Directors of the Authority may
38 be filed within fifteen (15) days from receipt of notice of denial of the Motion for
39 Reconsideration. The decision of the Board of Directors shall be final and executory
40 but may be elevated to the Court of Appeals through a petition for review.
41

42 The grounds for denial of the registration shall be prescribed in the
43 Implementing Rules and Regulations of this Code.
44

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

5
6 **SEC. 17. *Amendment of Articles of Cooperation and By-laws.*** - Unless
7 otherwise prescribed by this Code and for legitimate purposes, any provision or
8 matter stated in the Articles of Cooperation and By-laws may be amended by two-
9 thirds ($\frac{2}{3}$) vote of all the members entitled to vote, present and constituting a quorum,
10 without prejudice to the right of the dissenting members to exercise their right to
11 withdraw their membership under Section 37 of this Code.

12
13 Subject to the guidelines to be issued by the Authority, a cooperative may opt
14 to amend its Articles of Cooperation and By-Laws through a referendum by a vote of
15 two-thirds ($\frac{2}{3}$) of all members entitled to vote.

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

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

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

36
37 **SEC. 19. *Effects of Failure to Operate or Comply with Conditions on***
38 ***Registration.*** - The Certificate of Registration shall be deemed cancelled and the
39 cooperative shall be delisted from the registry of cooperatives if the 4 cooperatives
40 failed to commence its authorized business activity within three (3) years from the
41 issuance of its Certificate of Registration.

42
43 **SEC. 20. *Division of Cooperatives.*** - A registered cooperative, through a
44 resolution approved by a vote of two-thirds ($\frac{2}{3}$) of all the members entitled to vote,
45 present and constituting a quorum, may divide itself into two (2) or more

1 cooperatives. Such division of the cooperative shall be valid: 10 Provided, That the
2 purpose of the division is not to defraud the creditors.

3
4 The dissenting members shall have the right to exercise their right to withdraw
5 their membership pursuant to Section 37 of this Code.

6
7 The Authority shall prescribe the rules and regulations for the division of the
8 cooperative: Provided, that all the requirements set forth in this Code have been
9 complied with by the newly formed cooperatives.

10
11 **CHAPTER IV. MERGER AND CONSOLIDATION OF COOPERATIVES**

12
13 **SEC. 21. *Merger or Consolidation of Cooperatives.* -**

- 14
15 (a) Two (2) or more cooperatives may merge or consolidate into a single cooperative.
16
17 (b) No merger or consolidation shall be valid unless approved by a two-third ($\frac{2}{3}$) vote
18 of all the members entitled to vote, present and constituting a quorum of each of
19 the constituent cooperatives at separate General Assembly meetings. The
20 dissenting members shall have the right to exercise their right to withdraw their
21 membership pursuant to Section 37 of this Code.
22
23 (c) The Authority shall issue the guidelines governing the procedure of merger or
24 consolidation of cooperatives. The merger or consolidation shall be effective upon
25 the issuance by the Authority of the Certificate of Merger, or in the case of a
26 consolidation of cooperatives, a new Certificate of Registration.

27
28 **SEC. 22. *Effects of Merger and Consolidation.* -** The merger and consolidation
29 of cooperatives shall have the following effects:

- 30
31 (a) In case of merger of cooperatives, the constituent cooperatives shall become a
32 single cooperative or, in the case of consolidation of cooperatives, the
33 consolidated cooperative shall be the new cooperative;
34
35 (b) The single cooperative or the consolidated cooperative shall possess all the assets,
36 rights, privileges, immunities, and franchises and assume all the liabilities and
37 obligation of each of the constituent cooperatives;
38
39 (c) Any claim, action, or proceeding instituted by or against the constituent
40 cooperatives may be continued by the single or consolidated cooperative; -and
41
42 (d) The merger or consolidation shall not impair the rights of creditors nor any lien
43 upon the property of the constituent cooperatives.
44
45

1 **CHAPTER V. TYPES AND CATEGORIES OFF COOPERATIVES**

2
3 **SEC. 23. *Types and Categories of Cooperatives.* -**

4
5 (a) Clusters of Cooperatives - Cooperatives may fall under any of the following
6 clusters based on their business activity:

7
8 (1) *Credit, Finance, Banking, and Insurance Cluster* refers to cooperatives
9 organized for the promotion of financial freedom and literacy among its
10 members, and undertakes savings, lending, and other financial services to
11 its members, such as:

12
13 (i) Cooperative Banks. - Cooperative banks are organized for the
14 primary purpose of providing a wide range of financial
15 services to cooperatives and their members;

16
17 (ii) Credit Cooperatives. - Credit cooperatives are engaged solely
18 in lending services;

19
20 (iii) Credit and Savings Cooperatives. - Credit and savings
21 cooperatives promote and undertake savings and lending
22 services among its members. They generate a common pool of
23 funds in order to provide financial assistance to their members
24 for productive and provident purposes;

25
26 (iv) Credit Surety Fund Cooperatives. - Credit surety fund
27 cooperatives, in partnership with Local Government Units
28 (LGUs), are comprised of well-capitalized and well managed
29 member-cooperatives or non-government organizations that
30 meet the criteria and qualifications prescribed by the
31 Authority, LGUs, Government Financial Institutions, and
32 other government agencies;

33
34 (v) Insurance Cooperatives. - Insurance cooperatives are engaged
35 in the business of insuring the life and property of cooperatives
36 and their members;

37
38 (vi) Savings and Deposits Cooperatives. - Savings and deposits
39 cooperatives are engaged solely in promoting and encouraging
40 savings among its members; and

41
42 (vii) Other cooperatives as may be determined by the Authority
43 under this cluster in consultation with the cooperative sector.
44
45

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

6
7 (i) *Consumers Cooperatives.* - Consumer cooperatives are
8 engaged primarily in procuring and distributing commodities
9 to members and non-members;

10
11 (ii) *Marketing Cooperatives.* - Marketing cooperatives are engaged
12 in the supply of production inputs to members and markets
13 their products, including trading and processing;

14
15 (iii) *Logistics Cooperatives.* - Logistics cooperatives are engaged in
16 operations involving facilities and supplies whose business is
17 related to the supply chain;

18
19 (iv) *Producers Cooperatives.* - Producers cooperatives are engaged
20 in joint production whether agricultural or industrial. They are
21 formed and operated by the members to undertake the
22 production and processing of raw materials or goods produced
23 by the members into finished or processed products for sale by
24 the cooperative. Any end product or its derivative arising from
25 the raw materials produced by the members, sold in the name
26 and for the account of the cooperative, shall be deemed a
27 product of the cooperative and its members; and

28
29 (v) Other cooperatives as may be determined by the Authority
30 under this cluster in consultation with the cooperative sector.

31
32 (3) *Human Services, Health, Housing, Workers, and Labor Service Cluster* refers to
33 cooperatives organized for providing employment and business
34 opportunities to its members, housing, and services related to medical,
35 dental, health and wellness, and death care, technology, including digital
36 payment services, such as:

37
38 (i) *Health Services Cooperatives.* - Health services cooperatives
39 are organized for the primary purpose of providing medical,
40 dental, paramedic, diagnostic, and other health services,
41 including cooperative health organizations, hospitals, clinics,
42 pharmacies, and transporting of patients;

43
44 (ii) *Housing Services Cooperatives.* - Housing services
45 cooperatives are organized to assist or provide access to

1 socialized housing for the benefit of the members who actively
2 participate in the savings program for housing;

3
4 (iii) Labor Services Cooperatives. - Labor services cooperatives are
5 engaged in providing specific services to a principal under a
6 legitimate contracting or subcontracting arrangement, as
7 defined under existing laws, and in accordance with the
8 cooperative principles 16 set forth under this Code;

9
10 (iv) Technology Service Cooperatives. - Technology service
11 cooperatives are organized to provide the members with
12 services that are designed to facilitate the use of Information
13 Technology by end-users, or provide specialized technology-
14 oriented solutions by combining the processes and functions of
15 software, hardware, networks, telecommunications, and
16 electronics, among others;

17
18 (v) Workers Cooperatives. - Workers cooperatives are organized
19 by workers, including the self-employed, who are at the same
20 time the members and owners of the enterprise. The principal
21 purpose of these cooperatives is to provide employment and
22 business opportunities to the members and manage them in
23 accordance with cooperative principles; and

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

27
28 (4) *Education and Advocacy Cluster* refers to cooperatives organized for the
29 promotion and advocacy of cooperativism among its members and the
30 public through socially-oriented projects, education and training, research
31 and communication, such as:

32
33 (i) Advocacy Cooperatives. - Advocacy cooperatives promote
34 cooperativism and advocate policies for the general interest and
35 welfare of the members, the sector, the movement, and the
36 public through socially-oriented projects, education and
37 training, research and communication, campaigns, lobbying,
38 and other similar activities to reach out to intended
39 beneficiaries;

40
41 (ii) Education Cooperatives. - Education cooperatives are
42 organized for the primary purpose of owning and operating
43 licensed educational institutions, subject to existing laws, rules
44 and regulations; and

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

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

11
12 (i) Agrarian Reform Cooperatives. - Agrarian reform cooperatives
13 are organized by marginal farmers, majority of whom are
14 agrarian reform beneficiaries, for the purpose of developing an
15 appropriate system of land tenure, land development, land
16 consolidation or land management areas covered by agrarian
17 reform;
18

19 (ii) Agricultural Cooperatives. - Agriculture cooperatives are
20 organized as agricultural-based economic enterprises
21 voluntarily established through joint investment, joint
22 ownership and joint management for the purpose of improving
23 agricultural production capacity, agro industry, agri-business,
24 or services related to agricultural production, which shall
25 include agrarian reform, dairy, fishermen, community forestry,
26 and aquaculture cooperatives, as well as multi-purpose
27 cooperatives whose primary business activity is at least fifty per
28 centum (50%) related to agricultural production, agro industry,
29 agri-business, or services related to agricultural production;
30

31 (iii) Dairy Cooperatives. - Dairy cooperatives are engaged in the
32 production and marketing of fresh milk which may be
33 processed or marketed as dairy products;
34

35 (iv) Farmers Cooperatives. - Farmers cooperatives are organized by
36 marginalized farmers, majority of whom are not agrarian reform
37 beneficiaries, for the purpose of supporting their products,
38 either fresh or processed;
39

40 (v) Fisherfolk Cooperatives. - Fisherfolk cooperatives are organized
41 by marginalized fisherfolk whose products are marketed either
42 as fresh or processed, for the mobilization of capital in the
43 procurement of fishing boats, nets, gears, and accessories,
44 production of aquatic products, and access to storage and
45 agricultural facilities;

1
2 (vi) Irrigators Cooperatives. – Irrigators cooperatives are engaged in
3 providing sustainable irrigation services for farmers; and
4

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

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

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

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

28 (iii) Transport Service Cooperatives. – Transport service cooperatives are
29 organized to render public land, water, or air transportation services
30 for the safe conveyance of passengers or cargoes, or are engaged in
31 providing related or auxiliary services to the transport industry;
32

33 (iv) Water Service Cooperatives. – Water service cooperatives are
34 organized to own, operate, and manage water systems for the
35 provision and distribution of potable water for the members and
36 their households; and
37

38 (v) Other cooperatives as may be determined by the Authority
39 under this cluster in consultation with the cooperative sector.
40

41 (b) Categories of Cooperatives. Cooperatives are categorized as follows:
42

43 (1) In terms of membership, cooperatives may be categorized into:
44

45 A. Primary Cooperatives; and

1
2 B. Secondary Cooperatives;

3
4 (2) In terms of territory, cooperatives are categorized according to areas of
5 operations; and

6
7 (3) In terms of assets, cooperatives shall follow the business size categories used
8 by the Department of Trade and Industry (DTI).
9

10 **SEC. 24. *Apex of Cooperatives.*** - The Apex of Cooperatives refers to the
11 singular cooperative vested with a juridical personality and the mandate to represent
12 the cooperative sector at the national and international levels, fully and voluntarily
13 organized by the members of the cooperative sector. It shall have the mandate to
14 engage in discussions and advise the appropriate authorities on all matters relating to
15 cooperatives, as well as to promote the cooperative identity and culture.
16

17 **CHAPTER VI. FEDERATION OF COOPERATIVES**
18

19 **SEC. 25. *Area of Coverage.*** - A federation of cooperatives may be organized at
20 the municipal or city level, district or provincial level, regional, inter-regional or
21 national levels.
22

23 **SEC. 26. *Members of a Federation of Cooperatives.*** - Members of a federation
24 of cooperatives shall consist of cooperatives with common needs or purposes:
25 *Provided,* That a member cooperative may freely withdraw membership from the
26 federation.
27

28 The minimum number of members shall be at least ten (10) primary or
29 secondary cooperatives for a federation of cooperatives.
30

31 **SEC. 27. *Authorized, Subscribed, and Paid-Up Capital of a Federation.*** - The
32 authorized share capital of a cooperative shall be provided for in its Articles of
33 Cooperation where at least twenty-five per centum (25%) of the authorized share
34 capital shall be subscribed to by the members and at least twenty-five per centum
35 (25%) of the subscribed share capital shall be paid up prior to its registration.
36

37 The minimum paid-up share capital for a federation of cooperatives shall be
38 One million pesos (P1,000,000.00).
39

40 **SEC. 28. *Registration of Federation of Cooperatives.*** - A federation of
41 cooperatives shall be registered with the Authority.
42
43
44
45

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

- 3
- 4 (a) To represent its member organizations;
- 5
- 6 (b) To acquire, analyze, and disseminate economic, statistical, and other information
7 relating to its members and to all types of cooperatives within its area of
8 operation;
- 9
- 10 (c) To sponsor studies in the economic, legal, financial, social and other phases of
11 cooperation, and publish the results thereof;
- 12
- 13 (d) To conduct trainings to member-cooperatives as an accredited training provider;
- 14
- 15 (e) To promote the knowledge of cooperative principles and practices;
- 16
- 17 (f) To develop the cooperative movement;
- 18
- 19 (g) To assist the national and local government units in cooperative development
20 activities within their respective jurisdiction;
- 21
- 22 (h) To assist in the dissemination and monitoring of the Philippine Cooperative
23 Medium Term Plan;
- 24
- 25 (i) To assist the members in the submission of the required reports and other
26 compliances to the Authority and other government or regulatory bodies;
- 27
- 28 (j) To assist the Authority, upon written request, in the performance of its power of
29 inspection or examination by way of providing relevant information, such as
30 research, reports, and financial records;
- 31
- 32 (k) To advise the appropriate authorities on all questions relating to cooperatives at
33 the municipal, city, district, provincial or regional levels;
- 34
- 35 (l) To act as liquidators or rendering assistance in the liquidation of the remaining
36 assets of dissolved primary cooperative members; and
- 37
- 38 (m) To do and perform such other non-business activities as may be necessary to
39 attain the foregoing objectives.
- 40

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

1 **CHAPTER VIII. MEMBERSHIP**

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

5
6 A regular member is one who has complied with all the membership
7 requirements, including the Pre-Membership Seminar, and entitled to all the rights
8 and privileges of membership. An associate member is one who has no right to vote
9 nor be voted upon and shall be entitled only to such rights and privileges as the
10 bylaws may provide: *Provided*, That an associate member who meets all the
11 requirements of regular membership, including the Pre-Membership Education
12 Seminar, continues to patronize the cooperative for two (2) years, and signifies the
13 intention to remain a member shall be considered a regular member.

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

24
25 **SEC. 34. *Government Officers and Employees.*** -

- 26
27 (a) All elective officials of the Government shall be ineligible to become officers of
28 cooperatives: *Provided*, That the disqualification does not extend to a party list
29 representative who represents the cooperative sector: *Provided*, further, That
30 nothing precludes cooperatives from engaging in activities in support of party
31 lists representing the sector, such as, but not limited to participating in
32 campaigning or donating funds;
- 33
34 (b) Employees of the Authority are allowed to become a member of any cooperative.
35 However, they shall be disqualified to be elected or appointed as an officer, except
36 for cooperatives organized among themselves; and
- 37
38 (c) Any government employee or official may, in the discharge of the duties as a
39 member in the cooperative, be allowed by the head of office concerned to use
40 official time for attendance at the General Assembly, Board and committee
41 meetings including cooperative seminars, conferences, workshops, technical
42 meetings, and training courses locally or abroad.
- 43
44

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

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

13 If the Election Committee fails to decide within the prescribed period, the
14 appeal is deemed approved in favor of the applicant.
15

16 **SEC. 36. *Liability of Members.*** - A member shall be liable for the debts of the
17 cooperative to the extent of the member's subscription to the share capital of the
18 cooperative.
19

20 **SEC. 37. *Termination of Membership.*** -
21

- 22 (a) A member of a cooperative may withdraw membership from the cooperative by
23 giving written notice to the Board of Directors which shall be acted upon within
24 thirty (30) days from receipt of said notice;
25
- 26 (b) The death or insanity of a member in a primary cooperative, and the insolvency
27 or dissolution, de-listing, or cancellation of the certificate of registration of a
28 member in a secondary cooperative shall be considered valid grounds for
29 termination of membership: Provided, That in the case of death or insanity of an
30 agrarian reform beneficiary-member of a cooperative, the qualified next-of-kin
31 may assume the duties and responsibilities of the original member;
32
- 33 (c) Termination of membership in the cooperative shall be initiated through the filing
34 of a complaint before the ethics committee of the cooperative. The committee shall
35 recommend to the Board of Directors the termination of membership for any of
36 the following causes:
37
- 38 (1) Failure to patronize any services of the cooperative for an unreasonable period
39 of time as provided in the By-laws;
40
- 41 (2) Failure to comply with the obligation of membership as provided in the By-
42 laws or policies of the cooperative;
43
- 44 (3) Violation of the By-laws of the cooperative;
45

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

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

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

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

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

33 CHAPTER IX. ADMINISTRATION 34 35

36 **SEC. 39. Composition of the General Assembly and Representative Assembly.**
37 - The General Assembly shall be the full membership of the cooperative, exercising all
38 the rights and performing all the obligations as provided in this Code, and in its
39 Articles of Cooperation and By-laws.
40

41 For cooperatives with numerous and dispersed membership, the General
42 Assembly shall delegate the exercise of its powers to a Representative Assembly, the
43 members of which are elected by each sector, chapter, or district of the cooperative:
44 *Provided,* That in cases provided under this Code for the call of a regular or special
45 General Assembly, or the approval or confirmation thereof, the Representative

1 Assembly shall also suffice, where applicable. Such delegation shall be in accordance
2 with the rules and regulations of the Authority.

3
4 **SEC. 40. Powers of the General Assembly.** - The General Assembly shall be the
5 highest policy-making body of the cooperative and shall exercise such powers as are
6 stated in this Code, and in the Articles of Cooperation and By-laws of the cooperative.
7 The General Assembly, through its members entitled to vote, shall have the following
8 exclusive powers which cannot be delegated:

- 9
10 (a) Determine and approve amendments to the Articles of Cooperation and By-laws;
11
12 (b) Elect, appoint, or remove, the members of the Board of Directors. However, in the
13 case of the electric cooperatives registered under the Authority, the election of the
14 members of the Board shall be in accordance with its By-laws or election
15 guidelines;
16
17 (c) Approve the annual strategic and developmental plans, and the budget of the
18 cooperative;
19
20 (d) Approve or disapprove proposals from the Board of Directors pertaining to
21 external borrowings, investments, grants, donations, and other financial
22 assistance; and
23
24 (e) Decide membership issues within the cooperative.
25

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

31
32 **SEC. 41. Meetings.** -
33

- 34 (a) The General Assembly shall conduct a regular annual meeting on a date fixed in
35 the By-laws, which shall be within ninety days or one hundred eighty (180) days
36 after the close of each calendar year, for primary or secondary cooperatives,
37 respectively: Provided, That notice of regular meetings shall be sent in writing,
38 by posting or publication, or through other electronic means to all members of
39 record.
40
41 (b) Whenever necessary, a special meeting of the General Assembly may be called at
42 any time by a majority vote of the Board of Directors, or upon petition of at least
43 ten per centum (10%) of the total members who are entitled to vote, or as provided
44 for in the By-laws: *Provided*, That a notice in writing shall be sent one (1) week
45 prior to the meeting to all members who are entitled to vote.

1
2 If the Board fails to call a regular or special meeting within the given period,
3 the Authority, upon petition of ten per centum (10%) of members entitled to vote,
4 or the quorum as stated in their By-laws, and for good cause shown, shall issue
5 an order to the petitioners directing them to call a meeting of the General
6 Assembly by giving proper notice as required in this Code or in the By-laws;
7

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

11
12 (1) Presentation of approved Articles of Cooperation and By-laws;

13
14 (2) Approval of the annual strategic and development plans, and budget; and

15
16 (3) Other matters, as may be determined by the cooperative.
17

18 (d) The Authority shall compel the cooperative to call a General or Representative
19 Assembly for the purpose of reporting to the members the result of any
20 examination or other investigation of the cooperative affairs; and
21

22 (e) Notice of any meeting may be waived, expressly or impliedly, by any member.
23

24 **SEC. 42. Mode of Conducting Regular or Special Assembly Meetings.** - Regular
25 and special assembly meetings may be conducted in any of the following manner:
26

27 (a) Duly assembled in one venue, wherein the meetings are held on the same day; or
28

29 (b) Simultaneously, wherein the meetings are held on the same day but in different
30 venues.
31

32 As a general rule, assembly meetings shall be conducted in a manner provided
33 in the By-laws of the cooperative. However, due to technological advancement, public
34 health and safety measures, increased level of participation of members and other
35 equally important considerations in favor of the viability and growth of cooperatives,
36 cooperatives are allowed to conduct their assembly meetings through
37 videoconferencing or a combination of physical attendance and videoconferencing,
38 except for electric cooperatives: *Provided*, That cooperatives who opt to conduct
39 General Assembly meetings through videoconferencing or a combination of physical
40 attendance and videoconferencing as an alternative mode shall amend their By-laws
41 adopting the same: *Provided, further*, That cooperatives shall adopt policies and
42 procedures sufficiently addressing administrative, technical, and logistical concerns
43 for an effective and efficient videoconference meeting.
44

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

8
9 In the case of federations and unions, the quorum requirement shall be fifty
10 per centum (50%) of the total number of members entitled to vote.

11
12 **SEC. 44. Voting System.** - Each member of a primary cooperative shall have
13 only one (1) vote regardless of the share capital of such member. In the case of
14 federations, they may opt to adopt in their By-laws incentive voting or share voting.

15
16 In the case of incentive voting, the member-cooperatives shall have one (1)
17 basic vote and up to five (5) incentive votes, as provided in the By-laws. In case of
18 share voting, the voting rights of the member-cooperatives shall be proportionate to
19 the number of their paid-up shares, subject to the limitation imposed under Section
20 84 of this Code: *Provided*, that at least one-third (1/3) of the seats in the Board shall be
21 reserved for small shareholders. The votes cast by the delegates shall be deemed as
22 votes cast by the members thereof.

23
24 The foregoing notwithstanding, the By-laws of a cooperative, other than a
25 primary cooperative, may provide for voting by proxy. Voting by proxy means
26 allowing a delegate of a cooperative to represent or vote on behalf of another delegate
27 of the same cooperative.

28
29 **SEC. 45. Composition and Term of the Board of Directors.** - The Board of
30 Directors shall be composed of not less than five (5) nor more than fifteen (15)
31 members elected by the General Assembly for a term of two (2) years, but not to
32 exceed three (3) consecutive terms. The Board shall hold office until their successors
33 are duly elected and qualified, or until duly removed for cause.

34
35 For federations, a member-cooperative shall have only one representative
36 eligible to run and be voted upon as a member of the Board, irrespective of the
37 member-cooperative's share capital holdings.

38
39 **SEC. 46. Powers of the Board of Directors.** - The Board of Directors shall be
40 responsible for the annual strategic planning, direction-setting and policy-
41 formulation activities of the cooperatives.

1 **SEC. 47. Directors. -**
2

- 3 (a) Any member of a cooperative who has the right to vote and be voted upon,
4 and who possesses all the qualifications and none of the disqualifications
5 provided in this Code or in its By-laws shall be eligible for election as director,
6 subject to the limitation imposed by the second paragraph of Section 45 of
7 this Code.
8
- 9 (b) The cooperative may, by resolution of its Board of Directors, admit as an *ex*
10 *officio* director or committee member one appointed by any financing
11 institution from which the cooperative received financial assistance, solely to
12 provide technical knowledge not available within its membership. Such
13 director or committee member need not be a member of the cooperative and
14 shall have no powers, rights, nor responsibilities except to provide technical
15 assistance as required by the cooperative.
16
- 17 (c) The members of the Board of Directors shall not hold any other position
18 directly involved in the day to day operation and management of the
19 cooperative.
20
- 21 (d) Any member engaged in a business similar to that of the cooperative or who,
22 in any way, has a conflict of interest with it, is disqualified from being elected
23 as a director.
24

25 **SEC. 48. Meeting of the Board and Quorum Requirement. -**
26

- 27 (a) In the case of primary cooperatives, regular meetings of the Board of Directors
28 shall be held at least once a month. Special meetings may be held at any time: i)
29 at the call of the Chairperson, upon prior written notice given at least three (3)
30 days prior to the date of said meeting; ii) or at the call of a majority of the members
31 of the Board, upon prior written notice given at least one (1) day before said
32 meeting: Provided, that only two (2) special meetings may be held in one (1)
33 month. Notices may be sent through electronic means, to the official contact
34 number or email account of the officers.
35
- 36 (b) A majority of the members of the Board shall constitute a quorum for the conduct
37 of business.
38
- 39 (c) Each member of the Board shall only have one vote, whether it be a primary or
40 secondary cooperative, irrespective of the share capital holdings of the member-
41 cooperative.
42
- 43 (d) Directors cannot attend or vote by proxy at Board meetings.
44

1 (e) Cooperatives may opt to allow meetings of the Board of Directors and members
2 of the different committees of the cooperative to be conducted either through
3 physical attendance or videoconferencing, or both, subject to the rules on sending
4 of notices, quorum, and voting requirements as provided for in the By-laws. In
5 the conduct of meetings through videoconferencing, cooperatives shall adopt
6 their own policies and procedures which shall be included in their By-laws.
7

8 **SEC. 49. Vacancy in the Board of Directors.** - In case of a vacancy, other than
9 by expiration of term or an increase in the number of Board of Directors, the Board, if
10 still constituting a quorum, may, in a special meeting called for the purpose, appoint,
11 by majority vote, any member of the cooperative to fill such vacancy: *Provided*, That
12 the director so appointed shall possess all of the qualifications and none of the
13 disqualifications as prescribed under this Code and the By-laws of the cooperative. If
14 the remaining members of the Board do not constitute a quorum, the vacancy shall be
15 filled in an election conducted through a special General Assembly called for the
16 purpose, held within thirty (30) days from the time the vacancy occurs, or during the
17 regular General Assembly, whichever comes first. The director so appointed or elected
18 shall serve only for the unexpired term of the predecessor in office.
19

20 If the General Assembly fails to fill the vacancy, as directed in the preceding
21 paragraph, or in case of the vacancy of the entire Board of Directors, the Authority
22 shall compel the cooperative, through the Election Committee, to call for a special
23 General Assembly for the purpose of electing a new Board of Directors. In the absence
24 of the Election Committee, the General Assembly may appoint an Ad Hoc Committee
25 that shall be responsible to call for such special General Assembly.
26

27 **SEC. 50. Officers of the Cooperative.** - The officers of the cooperative shall
28 include the members of the Board of Directors, members of the different committees,
29 General Manager or Chief Executive Officer, Secretary, Treasurer, and other officers
30 as may be provided for in the By-laws. As such, they shall exercise their duties and
31 responsibilities within the scope of their defined functions.
32

33 The Board of Directors shall elect from among themselves the Chairperson and
34 Vice-Chairperson, and elect or appoint other officers of the cooperative from outside
35 of the Board, in accordance with their By-laws.
36

37 The Board of Directors is prohibited from appointing any person within the
38 fourth civil degree of consanguinity or affinity of the members of the Board of
39 Directors. Neither shall the appointive officers be related to each other up to the fourth
40 civil degree of consanguinity or affinity. Further, no officer shall engage in a business
41 similar to that of the cooperative nor in any other manner have interests in conflict
42 with the cooperative.
43
44
45

1 **SEC. 51. Committees of Cooperatives. -**
2

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

7
8 (b) The By-laws shall provide for the creation of other committees, such as
9 conciliation-mediation, ethics, gender and development, education, and other
10 committees as may be necessary for the conduct of the affairs of the cooperative.
11 The members of the audit and election committee shall be elected by the General
12 Assembly, while the members of the other remaining committees shall be
13 appointed by the Board.

14
15 Unless otherwise provided in the By-laws, the Board, in case of a vacancy in
16 the committees, may appoint or call an election to fill the vacancy, as the case may be:
17 *Provided*, that the person so appointed or elected shall serve only for the unexpired
18 portion of the term.

19
20 **SEC. 52. Functions, Responsibilities and Training Requirements of Directors,**
21 **Officers and Committee Members. -** The functions and responsibilities of directors,
22 officers, and committee members, as well as their training requirements, shall be
23 prescribed in the By-laws of the cooperative, in accordance with the rules and
24 regulations issued by the Authority.

25
26 **SEC. 53. Liability of Directors, Officers and Committee Members. -** Directors,
27 officers, and committee members shall be jointly and severally liable for all damages
28 or losses to the cooperative, its members, or other persons in case of the following:
29

- 30 (a) Willfully and knowingly voting for or assenting to patently unlawful acts;
31
32 (b) Gross negligence or bad faith in directing the affairs of the cooperative; or
33
34 (c) Acquiring any personal or pecuniary interest in conflict with their duty.
35

36 When directors, officers, or committee members attempt to or have acquired,
37 in violation of their duties, any interest or equity adverse to the cooperative in respect
38 to any matter which has been reposed in them in confidence, they shall, as a trustee
39 for the cooperative, be liable for damages and shall be accountable for double the
40 profits which otherwise would have accrued to the cooperative.
41
42
43
44
45

1 **SEC. 54. Compensation and Other Emoluments. -**
2

3 (a) In the absence of any provision in the By-laws fixing their compensation, the
4 directors shall not receive any compensation except for reasonable per diems:
5 *Provided*, That no additional compensation other than per diems shall be paid
6 during the first year of existence of any cooperative; *Provided, further*, that only
7 the General Assembly shall approve any additional compensation or the increase
8 thereof.

9
10 (b) The compensation of officers or committee members may be fixed in the By-laws.

11
12 (c) Directors and officers shall not be entitled to any per diem if the cooperative
13 reported a net loss in the preceding calendar year or a had a dividend rate less
14 than the official rate for the same year.

15
16 (d) Unless already fixed in the By-laws, the compensation of all other employees shall
17 be determined by the Board of Directors in accordance with the Regional
18 Tripartite and Wage Productivity Board.

19
20 **SEC. 55. Dealings of Directors, Officers, or Committee Members. -** A contract
21 entered into by the cooperative with one (1) or more of its directors, or their spouses
22 and relatives within the first civil degree of consanguinity or affinity, is voidable, at
23 the option of the cooperative, unless the following conditions are present:

24
25 (a) The presence of such director in the Board meeting wherein contract was
26 approved was not necessary to constitute a quorum for such meeting;

27
28 (b) The vote of such director was not necessary for the approval of the contract; and

29
30 (c) The contract is fair, reasonable, and beneficial to the cooperative under the
31 circumstances.

32
33 In the case of contracts executed between the cooperative and its other officers
34 or committee members, or their spouses or relatives within the first civil degree of
35 consanguinity or affinity, such contracts are voidable, at the option of the cooperative,
36 unless previously authorized by the General Assembly or by the Board of Directors,
37 and the contract is fair, reasonable, and beneficial to the cooperative under the
38 circumstances.

39
40 The Board of Directors shall report any such contract to the General Assembly
41 during its regular meeting for ratification.

42
43 Where any of the first two conditions set forth in the preceding paragraph is
44 absent, in the case of a contract with a director, such contract may be ratified by a
45 three-fourths (3/4) vote of all the members entitled to vote, present and constituting

1 a quorum in a meeting called for the purpose: Provided, That full disclosure of the
2 adverse interest of the directors involved is made at such meeting, and that the
3 contract is fair and reasonable under the circumstances.
4

5 **SEC. 56. *Disloyalty of a Director and Other Officers of the Cooperative.*** - A
6 director or other officer of the cooperative who, by virtue of such office, directly or
7 indirectly acquires for themselves an opportunity which should belong to the
8 cooperative, shall be liable for damages and must account for double the profits that
9 otherwise would have accrued to the cooperative by refunding the same. This
10 provision shall be applicable, notwithstanding the fact that the director or other
11 officers of the cooperative used their own funds to acquire such opportunity.
12

13 **SEC. 57. *Illegal Use of Confidential Information.*** -
14

- 15 (a) A director, officer, or any person who, in conspiracy or connivance therewith,
16 makes use of confidential information to the benefit or advantage of such person,
17 which, if generally known, may adversely affect the operation and viability of
18 the cooperative, shall be held liable for the direct losses and for the unrealized
19 benefit suffered by the cooperative, as a result of the transaction.
20
- 21 (b) The cooperative shall take the necessary steps to enforce the liabilities described
22 in paragraph (a) herein.
23

24 **SEC. 58. *Removal From Office.*** - No officer may be removed except for cause,
25 as provided in the internal policies of the cooperative, after due notice and hearing.
26 Loss of trust and confidence in the performance of duties shall be a valid ground for
27 removal.
28

29 All complaints for the removal of any elected officer shall be filed with the
30 Board of Directors, except as otherwise provided herein. Upon finding *prima facie*
31 evidence of guilt, the Board shall inform the officer concerned and present its
32 recommendation for removal in a regular or special General Assembly called for the
33 purpose, wherein such officer shall be given a final opportunity to present his case.
34 The regular or special General Assembly, by a three-fourths ($\frac{3}{4}$) votes of the members
35 entitled to vote present and constituting a quorum, shall approve or disapprove the
36 removal of the officer.
37

38 In cases involving directors, the complaint shall be filed with the Ethics and
39 Grievance committee, which shall follow the procedure set in the preceding
40 paragraph.
41

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

1
2 During the investigation, the Board of Directors or the Ethics and Grievance
3 committee may, as the case may be, upon majority vote, place such officer under
4 preventive suspension, as prescribed in the By-laws.

5
6 The decision of the General Assembly may be appealed to the Authority.

7
8 **CHAPTER X. RESPONSIBILITIES, RIGHTS AND PRIVILEGES OF**
9 **COOPERATIVES**

10
11 **SEC. 59. *Address.*** - Every cooperative shall have an official postal address
12 where the principal office is located and an electronic mail address to which all
13 communications, reports, notices, and summons may be served, and where all other
14 documents required shall be submitted. The Articles of Cooperation and the By-laws
15 shall be amended accordingly should there be a change in the official postal and
16 electronic mail addresses of the cooperative.

17
18 For this purpose, an electronic mail registry shall be created in accordance with
19 the guidelines to be promulgated by the Authority.

20
21 **SEC. 60. *Books to be Kept Open.*** -

- 22
23 (a) Every cooperative shall have the following documents ready and accessible to its
24 members and representatives of the Authority for inspection, examination, and
25 investigation during reasonable office hours at its registered principal office:
26
27 (1) A copy of this Code and all other laws pertaining to cooperatives;
28
29 (2) A copy of the Implementing Rules and Regulations of this Code;
30
31 (3) A copy of the Articles of Cooperation and By-laws of the cooperative;
32
33 (4) A registry of members;
34
35 (5) The books of the minutes of the meetings of the General Assembly, Board of
36 Directors and committees;
37
38 (6) A share and transfer book, except for unions;
39
40 (7) Financial statements and other financial records; and
41
42 (8) Such other documents as may be prescribed by the Authority, laws, and the
43 By-laws.
44

1 (b) The accountant or the bookkeeper of the cooperative shall be responsible for the
2 maintenance and safekeeping of the books and records of accounts of the
3 cooperative in accordance with generally accepted accounting practices. The
4 accountant or bookkeeper shall also be responsible for the production of the same
5 at the time of audit, inspection, examination, or investigation.
6

7 The Audit committee shall be responsible for the continuous and periodic
8 review of the books and records of accounts to ensure that such records are in
9 accordance with generally accepted accounting practices. It shall also be responsible
10 for the production of the same at the time of audit or inspection.
11

12 (c) Each cooperative shall maintain records of accounts such that the true and correct
13 condition and the results of the operation of the cooperative may be ascertained
14 therefrom at any time. The financial statements, audited according to generally
15 accepted auditing standards, principles and practices, shall be published
16 annually and shall be kept posted in conspicuous places in the principal office of
17 the cooperative, its branches, and satellite offices.
18

19 (d) Subject to the pertinent provisions of the National Internal Revenue Code, as
20 amended, and other laws, a cooperative may dispose, by burning or any method
21 of complete destruction, any document, record or book pertaining to its financial
22 and non-financial operations which are already more than five (5) years old
23 except those relating to transactions which are the subject of civil, criminal, and
24 administrative proceedings. An inventory of the audited documents, records and
25 books to be disposed of shall be drawn up and certified to by the Cooperative
26 Secretary and the Chairman of the audit committee and presented to the Board of
27 Directors, which may thereupon approve the disposition of said records.
28

29 **SEC. 61. Annual Reports.** - Every cooperative shall prepare an annual progress
30 report with the necessary attachments as may be prescribed by the Authority at the
31 end of every calendar year. The reports shall be made accessible to its members, and
32 copies thereof shall be available upon request of members on record during
33 reasonable office hours. These reports shall be filed with the Authority within one
34 hundred twenty (120) days from the end of the calendar year. The form and contents
35 of the reports shall be as prescribed by the rules of the Authority. Failure to file the
36 required reports on time shall subject the accountable officer to fines and penalties as
37 may be prescribed by the Authority. Failure to file the required reports despite notice
38 shall be a ground for the suspension or cancellation of the Certificate of Registration
39 of the cooperative, subject to the guidelines to be issued by the Authority.
40

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

1
2 **SEC. 62. Registry of Members as Prima Facie Evidence.** - A registry of members
3 kept by the cooperative shall be prima facie evidence of the following particulars:
4

- 5 (a) The date on which the name of any person was entered in such registry or list of
6 members; and
7
8 (b) The date on which any such person ceased to be a member.
9

10 However, other information may be required in accordance with the guidelines
11 that shall be prescribed by the Authority.
12

13 **SEC. 63. Probative Value of Certified Copies of Entries.** - A copy of any entry
14 in any book, registry, or list regularly kept in the course of business of the cooperative
15 shall, if duly certified in accordance with the rules of evidence, be admissible as
16 evidence of the existence of entry and *prima facie* evidence of the matters and
17 transactions therein recorded.
18

19 No cooperative or person in possession of the books of such cooperative shall,
20 in any legal proceedings to which the cooperative is not a party, be compelled to
21 produce any of the books of the cooperative, unless by order of the Authority in the
22 exercise of its adjudicatory powers or a competent court.
23

24 **SEC. 64. Bond of Accountable Officers.** - All officers and employees handling
25 funds, securities, or property on behalf of the cooperative shall be covered by a surety
26 bond to be issued by a duly registered insurance or bonding company, the adequacy
27 of which shall be determined by the Board of Directors, for the faithful performance
28 of their respective duties and obligations. The cooperative may likewise secure other
29 insurance policies for its protection against losses of monies, securities, and other
30 properties.
31

32 Within thirty (30) days upon approval of the registration of a cooperative, the
33 bonds of the accountable officers shall be submitted to the Authority. The bond for the
34 cooperative's Treasurer shall be ten per centum (10%) of the sum of the initial paid-
35 up capital and membership fees. The bonds for all accountable officers shall be
36 renewed annually and adjusted accordingly.
37

38 **SEC. 65. Preference of Claims.** -
39

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

- 1
2 (b) No property or interest on property which is subject to a lien under paragraph (a)
3 herein shall be sold nor conveyed to third parties without the prior permission of
4 the cooperative. The lien upon the property or interest shall continue to exist even
5 after the sale or conveyance thereof until such lien has been duly extinguished.
6
7 (c) Notwithstanding the provisions of any law to the contrary, any sale or
8 conveyance made in contravention of the preceding paragraph shall be void.
9

10 **SEC. 66. *Instrument for Salary or Wage Deduction.* -**
11

- 12 (a) A member of a cooperative shall, notwithstanding the provisions of existing laws
13 to the contrary, execute an instrument in favor of the cooperative authorizing the
14 employer to deduct from the salary or wages, commutation of leave credits, and
15 any other monetary benefits payable by the employer, and remit such amount as
16 maybe specified in satisfaction of a debt, share capital contribution, or other
17 demand due from the member to the cooperative.
18
19 (b) Upon the execution of such instrument and as may be required by the
20 cooperative contained in a written request, the employer shall make the 5
21 deduction in accordance with the agreement and remit forthwith to the
22 cooperative the amount so deducted within ten (10) days after the end of the
23 payroll month. The employer shall make the deduction for as long 8 as such debt
24 or other demand remains unpaid by the employee.
25
26 (c) The term "employer" as used in this Section shall include all private firms,
27 national government agencies, including government-owned and controlled
28 corporations, government instrumentalities with corporate powers, government
29 corporate entities, or government financial institutions, and local government
30 units that employ a member of a cooperative and have agreed to carry out the
31 terms of the instrument mentioned in this Section.
32
33 (d) The provisions of this Section shall apply to all similar agreements referred to in
34 paragraph (a) herein and were enforced prior to the approval of this Code.
35
36 (e) Notwithstanding the provisions of existing laws to the contrary, the
37 responsibilities of the employer as stated in paragraphs (a) and (b) herein shall be
38 mandatory and without the need for any prior conditions, accreditation or other
39 similar processes to facilitate or implement the deductions: *Provided*, That in the
40 case of a private employer, the actual and reasonable cost for deducting and
41 remitting may be collected.
42
43 (f) The member may withdraw such consent at any time and for any reason, which
44 shall also be put in writing. Any person who acts contrary to this provision shall
45 be held liable under this Code and other laws, as the case may be.

1
2 **SEC. 67. Primary Lien.** - Notwithstanding the provision of any law to the
3 contrary, a cooperative shall have primary lien upon the capital, deposits, or interests
4 of a member for any debt due to the cooperative from such member.
5

6 **SEC. 68. Tax Treatment of Cooperatives.** - Duly registered cooperatives under
7 this Code which do not transact any business with non-members or the general public
8 shall not be subject to any taxes, fees, and charges imposed under the internal revenue
9 laws and other tax laws. Cooperatives not falling under this Section shall be governed
10 by the succeeding provisions.
11

12 **SEC. 69. Tax and Other Exemptions.** - Duly registered cooperatives transacting
13 business with both members and non-members shall not be subject to tax on their
14 transactions with members. Further, the transactions of members with the cooperative
15 shall not be subject to any taxes, fees, and charges, including but not limited to final
16 taxes on members' share capital and deposits and corresponding documentary stamp
17 taxes.
18

19 Notwithstanding the provisions of any law or regulation to the contrary,
20 cooperatives dealing with non-members shall be subject to the following:
21

- 22 (a) Duly registered agricultural cooperatives whose Reserve Funds have an existing
23 balance of One hundred million pesos (P100,000,000.00) and below, and non-
24 agricultural cooperatives whose Reserve Funds have an existing balance of Fifty
25 million pesos (P50,000,000.00) and below shall be exempt from all national
26 internal revenue taxes, fees, and charges of whatever name and nature;
27

28 Such cooperatives shall be exempt from customs duties, advance sales or
29 compensating taxes on their importation of machineries, equipment, batteries,
30 accessories, and spare parts used in the operations of the cooperatives and which
31 are not available locally as certified by the DTI. All tax- and duty-free imports
32 shall not be sold nor the beneficial ownership thereof be transferred to any person
33 until after five (5) years, otherwise, the cooperative and the transferee or assignee
34 shall be solidarily liable to pay twice the amount of the imposed tax or duties;
35

- 36 (b) Duly registered agricultural cooperatives whose Reserve Funds have an existing
37 balance of more than One hundred million pesos 6 (P100,000,000.00), and non-
38 agricultural cooperatives whose Reserve Funds have an existing balance of more
39 than Fifty million pesos (P50,000,000.00) shall pay the following taxes at the full
40 rate:
41

- 42 (1) Income Tax on income derived from transactions with non-members:
43 *Provided,* That the same tax is not consequently imposed on interest
44 individually received by members. The tax base for all cooperatives liable to
45 pay income tax shall be the income directly related from the business

1 transactions with non-members after deducting the amounts for the statutory
2 funds;

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

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

14
15 (ii) Gross receipts from lending activities by credit or multi-purpose
16 cooperatives duly registered with the Authority; and

17
18 (iii) Sales by non-agricultural, non-electric and non-credit cooperatives
19 duly registered with the Authority: *Provided,* That the share capital
20 contribution of all members does not exceed Fifteen thousand pesos
21 (P15,000) each and regardless of the aggregate capital and net surplus
22 ratably distributed among the members:

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

38
39 (3) All sales of goods and/or services rendered for non-members shall be subject
40 to the applicable percentage taxes except sales made by commodities or
41 service cooperatives; and

42
43 (4) All other taxes unless otherwise provided herein.
44

1 Donations to duly accredited charitable, research and educational
2 institutions and reinvestment to socioeconomic projects within the area of
3 operation of the cooperative may be tax deductible.
4

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

11 (d) In areas where there are no available notaries public, the judge, exercising his/her
12 ex-officio capacity as notary public, shall render service, free of charge, to any
13 person or group of persons requiring the administration of oath or the
14 acknowledgment of Articles of Cooperation and instruments of loan from
15 cooperatives not exceeding Five Hundred Thousand Pesos (P500,000.00).
16

17 (e) Any register of deeds shall accept for registration, free of charge, any instrument
18 relative to a loan made under this Code which does not exceed Two Hundred and
19 Fifty Thousand Pesos (P250,000.00) or the deeds of title of any property acquired
20 by the cooperative or any paper or document drawn in connection with any
21 action brought by the cooperative or with any court judgment rendered in its
22 favor or any instrument relative to a bond of any accountable officer of a
23 cooperative for the faithful performance of his/her duties and obligations.
24

25 (f) Cooperatives shall be exempt from the payment of all court and sheriff's fees
26 payable to the Philippine Government for and in connection with all actions
27 brought under this Code, or where such action is brought by the Authority before
28 the court, to enforce the payment of obligations contracted in favor of the
29 cooperative.
30

31 (g) All cooperatives shall be exempt from putting up a bond for bringing an appeal
32 against the decision of an inferior court or for seeking to set aside any third party
33 claim: Provided, That a certification of the Authority showing that the net assets
34 of the cooperative are in excess of the amount of the bond required by the court
35 in similar cases shall be accepted by the court as a sufficient bond.
36

37 (h) Any security issued by cooperatives shall be exempt from the provisions of the
38 Securities Act provided such security shall not be speculative.
39

40 Any public official or employee who violates or in any manner circumvents
41 this provision shall be dealt with in accordance with the penal provisions of this Code.
42

43 **SEC. 70. Issuance of Certificate of Tax Exemption for 5 Cooperatives.** - The
44 Authority shall furnish the Bureau of Internal Revenue (BIR) a certified endorsement
45 of a list of cooperatives in good standing and compliant with the reportorial

1 requirements of the Authority that serves as basis for the issuance of a Certificate of
2 Tax Exemption. The BIR shall formulate the necessary guidelines in streamlining the
3 issuance of Certificate of Tax Exemption for cooperatives.

4
5 **SEC. 71. Privileges of Cooperatives.** - Cooperatives registered under this Code,
6 notwithstanding the provisions of any law to the contrary, shall also be accorded the
7 following privileges:

- 8
9 a. Cooperatives shall enjoy the privilege of depositing their sealed cash boxes or
10 containers, documents or any valuable papers in the safes of the municipal, city,
11 or provincial treasurers, and other government offices free of charge, and the
12 custodian of such articles shall issue a receipt acknowledging the articles
13 received, duly witnessed by another person;
14
15 b. Cooperatives organized among government employees, notwithstanding any
16 law or regulation to the contrary, shall enjoy the free use of any available space in
17 their agency, whether owned or rented by the Government;
18
19 c. Cooperatives rendering special types of services and facilities such as cold
20 storage, ice plant, electricity, transportation, water, communications, and similar
21 services and facilities shall be given preference in the grant of a franchise or
22 certificate therefor: *Provided*, that such cooperatives shall open their membership
23 to all persons qualified in their areas of operation. In case there are two (2) or more
24 applicants for the same public service franchise or certificate of public
25 convenience and necessity, all things being equal, preference shall be given to a
26 cooperative engaged in public services;
27
28 d. In areas where there are agricultural cooperatives, at least fifty per centum (50%)
29 of the supply to government institutions, agencies, and LGUs, of rice, corn, grains,
30 fish and other marine products, meat, eggs, milk, vegetables, and other
31 agricultural commodities such as fertilizers, seeds and other agricultural inputs
32 and implements, and related products, shall be sourced from such cooperatives;
33
34 e. Preferential and equitable treatment in the allocation or control of bottomries of
35 commercial shipping vessels in connection with the shipment of goods and
36 products of cooperatives;
37
38 f. Cooperatives and their federations engaged in the production and/or the
39 marketing of products from agriculture, fisheries and small entrepreneurial
40 industries, shall have exclusive preferential rights in the management of public
41 markets, and lease of public market facilities, stalls or spaces, slaughterhouses,
42 and storage facilities: *Provided*, That no cooperative forming a joint venture,
43 partnership or any other similar arrangement with a non-cooperative entity can
44 utilize these rights;
45

1 g. Cooperatives engaged in credit services shall be entitled to loans, credit lines,
2 rediscounting of their loan notes, and other eligible papers with the Development
3 Bank of the Philippines (DBP), the Land Bank of the Philippines (LBP), and other
4 financial institutions except the *Bangko Sentral ng Pilipinas* (BSP);
5

6 The Philippine Deposit Insurance Corporation (PDIC) and other government
7 agencies, government-owned and controlled corporations, and government
8 financial institutions shall provide technical assistance to federations engaged in
9 savings and credit operations to establish and strengthen their own cooperative
10 deposit insurance systems;
11

12 h. Public transport service cooperatives shall be entitled to financing support from
13 Government Financial Institutions for the acquisition and maintenance of land,
14 sea, and air transport equipment, facilities, and parts, and shall be preferred in
15 securing a franchise for active or potential routes for public transport. They shall
16 have preferential rights to the management and operation of public terminals and
17 ports whether land, sea, or air, and wharves, where the cooperative operates, as
18 well as in the operation of arrastre and stevedoring services therein.
19

20 i. Cooperatives shall be given preference in the procurement of government
21 projects subject to the existing procurement laws, rules and regulations.
22

23 j. Cooperatives shall enjoy the privilege of being represented by the provincial or
24 city fiscal, or the Office of the Solicitor General, free of charge, except when the
25 adverse party is the Republic of the Philippines;
26

27 k. Cooperatives organized by faculty members and employees of educational
28 institutions shall have the preferential right to manage the school canteen and
29 other services related to the operation of the educational institution where they
30 are employed: *Provided*, that such services are operated within the premises of the
31 said educational institution.
32

33 l. The relevant regulatory agencies, and LGUs shall not discriminate against duly
34 registered cooperatives seeking accreditation as service providers or seeking to
35 engage in a particular business: *Provided*, That they possess all other qualifications
36 under the law. Any person who acts contrary to this provision may be held liable
37 under this Code and all other relevant laws and issuances;
38

39 m. Cooperatives shall be entitled to financing support from the relevant government
40 agencies that shall allocate funds for the establishment of projects and programs
41 for the development and promotion of cooperatives; and
42

43 n. The relevant government agencies and government financial institutions shall
44 create a special window for financing, in the form of blanket or long-term
45 wholesale loans without need for individual processing, to qualified cooperatives

1 engaged in housing projects. Such shall offer interest rates and terms equal to, or
2 better than those given for socialized housing projects.

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

9
10 **CHAPTER XI. INSOLVENCY, SUSPENSION, DISSOLUTION, 16**
11 **LIQUIDATION, AND DELISTING OF COOPERATIVES**

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

17
18 Nothing in this Article, however, precludes creditors from seeking protection
19 from said insolvency law.

20
21 **SEC. 73. *Effect of Declaration of Insolvency by a Competent 25 Court.*** - Should
22 the cooperative be declared insolvent by the court, its 26 Certificate of Registration
23 shall be cancelled, and it shall be delisted from the registry of cooperatives of the
24 Authority.

25
26 **SEC. 74. *Suspension of Certificate of Registration.*** - A penalty of suspension,
27 after due process, shall be imposed on a cooperative on any of the following grounds:

- 28
29 a. Willful failure to submit annual progress reports with the necessary attachments
30 within the period mandated by this Code: Provided, that in case of newly-
31 registered cooperatives, this provision shall only apply three (3) years after they
32 have registered;
33
34 b. Willful failure or refusal to comply with an interlocutory order, a final and
35 executory decision, or award from the CDA Board of Directors, or from any of its
36 Regional Offices or adjudication officers, or by a voluntary arbitrator in relation
37 to an investigation, voluntary arbitration, or adjudication.

38
39 **SEC. 75. *Voluntary Dissolution Where no Creditors are Affected.*** - If the
40 dissolution of a cooperative does not prejudice the rights of any creditor having a
41 claim against it, the dissolution may be effected by a majority vote of the Board of
42 Directors, and by a resolution duly adopted by the affirmative vote of at least three-
43 fourths (3/4) of all the members entitled to vote, present and constituting a quorum
44 in a special General Assembly called by the directors for such purpose: *Provided*, That
45 the notice of time, place, and object of the meeting shall be posted for three (3)

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

4
5 The notice of such meeting shall be sent to each member of record either by
6 personal delivery, registered mail, or through electronic means at least thirty (30) days
7 prior to said meeting. A copy of the resolution authorizing the dissolution shall be
8 certified to by a majority of the Board of 28 Directors and countersigned by the
9 Cooperative Secretary.

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

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

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

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

- 41
42 a. The assets and liabilities of the cooperative;
43
44 b. The claim of any creditor;
45

- 1 c. The number of members;
- 2
- 3 d. The nature and extent of the interest of the members of the cooperative; and
- 4
- 5 e. The appointment of the liquidators.
- 6

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

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

- 13
- 14 a. Having obtained its registration by fraud;
- 15
- 16 b. Engaging in an illegal or unauthorized purpose;
- 17
- 18 c. Willful violation, despite written notice by the Authority, of the provisions of this
19 Code or its Implementing Rules and Regulations, other issuances of the Authority
20 consistent with this Code, or By-laws of the cooperative;
- 21
- 22 d. Willful refusal to comply with an order issued or given by the Authority;
- 23
- 24 e. Willful failure to operate on a cooperative basis; and
- 25
- 26 f. Failure to meet the required minimum capital and minimum number of members
27 in the cooperative.
- 28

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

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

40
41 **SEC. 79. *Liquidation of a Cooperative.*** - Every cooperative whose term of
42 existence expires by its own limitation, or whose existence is terminated by voluntary
43 dissolution or cancellation of its Certificate of Registration by the Authority shall cease
44 to operate. However, it can continue to exist for three (3) years for winding up its

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

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

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

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

15
16 **SEC. 80. *Delisting of Cooperatives.*** - Cooperatives may be delisted 23 from the
17 Registry of Cooperatives due to the following causes:

- 18
19 a. Voluntary Dissolution;
20
21 b. Involuntary Dissolution;
22
23 c. Cancellation by Order of the Authority;
24
25 d. Cancellation by Failure to Operate; and
26
27 e. Merger or Consolidation.

28
29 **SEC. 81. *Rules and Regulations on the Insolvency, Suspension, 3 Dissolution,***
30 ***Liquidation, and De-listing Cooperatives.*** - The guidelines 4 on the implementation
31 of this Chapter shall be included in the Implementing 5 Rules and Regulations of this
32 Code.

33
34 **CHAPTER XII. CAPITAL, PROPERTY, AND FUNDS**

35
36 **SEC. 82. *Capital and Funds.*** - The capitalization of cooperatives and 8
37 federations, or funds in the case of unions, shall be governed by this Code 9 and its
38 Implementing Rules and Regulations.

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

- 3
4 a. Member's share capital;
5
6 b. Loans and borrowings;
7
8 c. Deposits from members;
9
10 d. Revolving capital which consists of the deferred payment of patronage refunds,
11 or interest on share capital;
12
13 e. Joint venture partners;
14
15 f. Subsidies, donations, legacies, grants, aids and such other assistance or
16 investment from any local or foreign institution whether public or private:
17 *Provided,* That capital coming from such subsidies, donations, legacies, grants,
18 aids, investments, and other assistance shall not be divided into individual share
19 capital holdings at any time, but instead shall form part of the donated capital or
20 fund of the cooperative. Upon dissolution or cancellation of the cooperative, such
21 donated capital shall be subject to escheat; and
22
23 g. Reserve funds utilized for investment and as capital for the operations of the
24 cooperative as approved by the Board of Directors or General Assembly.
25

26 **SEC. 84. Limitation on Share Capital Subscription** - No member of primary
27 cooperative other than the cooperative itself shall own or hold more than twenty per
28 centum (20%) of the subscribed share capital of the cooperative.
29

30 Where a member of a cooperative dies, his heir shall be entitled to the shares of
31 the decedent: *Provided,* That the total shareholding of the heir does not exceed twenty
32 per centum (20%) of the share capital of the cooperative: *Provided, further,* That the heir
33 qualifies and is admitted as a member of the cooperative: *Provided, finally,* That where
34 the heir fails to qualify as a member or where his total shareholding exceeds twenty
35 per centum (20%) of the share capital, the shares in excess will revert to the cooperative
36 upon payment to the heir of the value of such shares.
37

38 For federations, the share capital holdings of anyone-member cooperative shall
39 not exceed forty per centum (40%) of the subscribed share capital of the federation.
40
41
42
43
44

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

- 5
6 a. The member has held such share capital contribution or interest for more than
7 one (1) year;
8
9 b. The assignment is made to the cooperative or to a member of the cooperative or
10 to a person who falls within the field of the membership of the cooperative; and
11
12 c. The Board of Directors has approved such assignment.
13

14 **SEC. 86. *Capital Build-Up.*** - The By-laws of every cooperative, except for
15 cooperative unions, shall prescribe a reasonable and realistic member capital or
16 deposits build-up program to allow the continuing growth of the contribution of the
17 members to the cooperative as their economic conditions continue to improve. Upon
18 approval of the membership, the member shall execute a subscription agreement on
19 his equitable contribution to the cooperative. Upon full payment thereof, the member
20 may apply for an additional share capital subscription, and execute a new
21 subscription agreement.
22

23 **SEC. 87. *Shares.*** - The term "share" refers to a unit of capital in a cooperative,
24 except for cooperative unions, the par value of which may be fixed at any figure not
25 less than One hundred pesos (P100.00) but not more than One thousand pesos
26 (P1,000.00). The share capital of the cooperative is the money paid or required to be
27 paid by the members for the operations of the cooperative.
28

29 Unless otherwise provided for in its policies, the cooperative shall issue Share
30 Certificates at the end of the calendar year based on the number of shares fully paid
31 for the said period.
32

33 Cooperatives are prohibited from issuing multiple types of shares with
34 different par values, and from increasing or decreasing the par value of the share
35 capital without amending their Articles of Cooperation and By-laws.
36

37 A share can either be a common share issued to a regular member, or a
38 preferred share issued to associate members.
39

40 **SEC. 88. *Fines.*** - The policies of a cooperative may prescribe a fine on unpaid
41 subscribed share capital. *Provided*, that such fine is fair and reasonable.
42
43
44

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

- 3
4 a. Any reputable bank;
5
6 b. Securities issued or guaranteed by the Government;
7
8 c. Real estate primarily for the use of the cooperative or its members; or
9
10 d. Any other manner authorized in the By-laws.

11
12 **SEC. 90. *Revolving Capital.*** - The General Assembly may authorize the Board
13 of Directors to raise a revolving capital from the proceeds of products sold or services
14 rendered, or per unit of product or services handled, to strengthen its capital structure.
15

16 **CHAPTER XIII. AUDIT, INQUIRY, AND MEMBERS' RIGHT TO EXAMINE**
17

18 **SEC. 91. *Audit of Cooperatives.*** - Cooperatives registered under this Code shall
19 be subject to an annual audit of its financial and social performance in accordance with
20 the Implementing Rules and Regulations to be promulgated by the Authority. The
21 financial audit shall be conducted by an external auditor who shall independent from
22 the cooperative or any of its subsidiaries, and must be a member in good standing of
23 the Philippine Institute of Certified Public Accountants (PICPA), and is accredited by
24 both the Board of Accountancy and the Authority.
25

26 The social performance audit may be conducted by the audit committee, by the
27 internal auditor of the cooperative, or by an independent auditor engaged by the
28 cooperative.
29

30 **SEC. 92. *Audit Report.*** - The complete audit reports shall be submitted to the
31 Board of Directors, which shall be presented to the General Assembly for approval.
32 The Board of Directors shall be liable under Section 179 of this Code should it fail to
33 present such reports to the General Assembly.
34

35 **SEC. 93. *Non-Liability for Defamations.*** - The auditor shall not be 26 held
36 liable in any action for defamation for acts done or for any statement 27 made by
37 him/her in good faith in connection with the conduct of audit of 28 the cooperative.
38

39 **SEC. 94. *Right to Examine.*** - All members shall have the right to examine the
40 records of the cooperative under Section 60 of this Code at any time during reasonable
41 hours of the operating days of the cooperative: *Provided*, That the member submits a
42 letter request three (3) days prior to 5 the date of his demand to examine the records
43 and stating therein the 6 purpose of the request.
44

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

- 5
- 6 a. The member has improperly used any information secured through any prior
7 examination of the records of such cooperative or of any other cooperative; or
 - 8
 - 9 b. The member is not acting in good faith or for a legitimate purpose in making the
10 demand to examine records.

11

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

16

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

23

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

25

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

29

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

37

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

- 41
- 42 a. The reserve fund which shall be at least ten per centum (10%) of the net surplus
43 for the stability of the cooperative and to cover net losses in its operations,
44 including losses incurred during a pandemic, state of emergency, and other such

1 *force majeure*, as may be approved or confirmed by the General Assembly, as the
2 case may be.

3
4 The fund shall be recorded in the books of account of the cooperative, and
5 earmarked as such, and can be made available for investment to enhance the
6 growth and development of the cooperative; *Provided*, That the utilization of the
7 reserve fund for investment shall be at the option of the General Assembly;
8 *Provided, further*, that the liquidity of the cooperative shall be taken into account
9 when utilizing a portion of the reserve fund for investment. However, for
10 cooperatives in their first five (5) years of operation, the amount allocated shall
11 not be less than thirty per centum (30%) of the net surplus.

12
13 The general assembly may decrease the amount allocated to the reserve fund
14 when the reserve fund already exceeds the share capital.

15
16 Upon the dissolution of the cooperative, the reserve fund shall be distributed in
17 accordance with the rules and regulations on liquidation to be issued by the
18 Authority.

- 19
20 b. The Cooperative Education and Training Fund (CETF), which shall not 5 exceed
21 ten per centum (10%) of the net surplus, shall be used for the 6 training,
22 development and similar other cooperative activities geared 7 towards the
23 growth of the cooperative movement:

24
25 (1) Half of the CETF shall be used to provide for the education and training of its
26 officers, members, and employees; while the other half shall be remitted to a
27 federation and/or union that the cooperative opted to join, which must
28 redound to the benefit and development of the member-cooperatives, such as,
29 but not limited to trainings, seminars, and other related activities.

30
31 Should a cooperative have multiple affiliations, it shall have the discretion on
32 how to allocate the CETF.

33
34 (2) Upon the dissolution of the cooperative, the unexpended balance of the CETF
35 shall be utilized within the succeeding calendar year following its allocation.

- 36
37 c. The Community Development Fund (CDF), which shall not be less than three per
38 centum (3%) of the net surplus, shall be used for projects or activities that will
39 benefit the community where the cooperative operates. However, the cooperative
40 may extend assistance to marginalized communities or affected areas outside its
41 area of operation in times of calamities, disaster, or national emergency, at the
42 discretion of the General Assembly.

43
44 In the case of cooperatives whose common bond of membership is institutional,
45 the community refers to the institution where the cooperative is operating.

1
2 The allocation for the CDF for the current year shall be fully utilized in the
3 following year unless the projects or activities as approved by a majority of the
4 members entitled to vote, present and constituting a quorum in a General
5 Assembly meeting, require multi-year utilization. For multi-year projects or
6 programs, the allocation shall be fully utilized within the period as stated in the
7 plan.
8

- 9 d. The optional fund, which shall not exceed seven per centum (7%) of the net
10 surplus, shall be used for the acquisition of land and construction of building, and
11 any other expenses anent to it, *Provided*, it is approved by at least three-fourths
12 ($\frac{3}{4}$) of all members entitled to vote, present and constituting a quorum, which
13 shall be in accordance with the Implementing Rules and Regulations to be
14 promulgated by the Authority.
15

16 This fund may also be used for the benefit of its members and employees under
17 exceptional circumstances such as the occurrence of a pandemic, crisis, or *force*
18 *majeure*. However, if the optional fund is insufficient, the cooperative may charge
19 any deficiency to direct expenses.
20

- 21 e. The remaining net surplus shall be made available in full to the members in the
22 form of interest on share capital following the formula for computation as *provided*
23 by the Authority: *Provided*, that this is approved by a majority of the members
24 entitled to vote, present and constituting a quorum.
25

- 26 f. The sum allocated for patronage refunds shall be made available at the same rate
27 to all patrons of the cooperative in proportion to their individual patronage:
28 *Provided*, That:
29

30 (1) In the case of a member patron with paid-up share capital contribution,
31 his/her proportionate amount of patronage refund shall be paid to him/her
32 unless he agrees to credit the amount to his/her account as additional share
33 capital contribution;
34

35 (2) In the case of a member patron with unpaid share capital contribution, his/her
36 proportionate amount of patronage refund shall be credited to his/her
37 account until his/her account until his/her share capital contribution has been
38 fully paid;
39

40 (3) In the case of a non-member patron, his/her proportionate amount of
41 patronage refund shall be set aside in a fund created for the purpose and shall
42 be allocated to individual non-member patrons only upon request and
43 presentation of evidence of the amount of his/her patronage. The amount so
44 allocated shall be credited to such patrons toward payment of the minimum
45 capital contribution for membership. When a sum equal to this amount has

1 accumulated at any time within two (2) years from the start of his/her
2 patronage, such patron shall be deemed and become a member of the
3 cooperative if he so agrees or requests and complies with the provisions of the
4 By-laws for admission to membership; and
5

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

14 CHAPTER XV. AGRICULTURAL COOPERATIVES 15

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

21 **SEC. 99. *Cooperative Business Activities and Allied Services.*** - A duly
22 registered agriculture cooperative may engage in all or any of the following activities:
23

- 24 a. Raising and/or culture of plants, high-value crops, animals, fish, poultry,
25 livestock, other agri-products as source of food, feed, and fiber, and other agri-
26 fishery or non-food commodities;
27
28 b. Production of salt;
29
30 c. Community and social forestry;
31
32 d. Provision of credit facilities for marginal farmers and fishermen;
33
34 e. Facilitating the procurement and distribution of farm inputs/implements for its
35 members;
36
37 f. Processing, marketing, and sale of members' agri-products and/or produce;
38
39 g. Maintenance and management of irrigation systems, water impounding, and
40 other agricultural facilities; and
41
42 h. Other allied services such as but not limited to warehousing, cold storage, and
43 other post-harvest services, hauling, and transport of members'
44 products/produce and such other similar business services and activities that will
45 reduce cost and/or value addition of output.

1
2 **SEC. 100. *Pre-Cooperative Agricultural Organization.*** - Prior to registration
3 with the Authority, a group of natural persons intending to form an agriculture
4 cooperative may voluntarily form a Pre-Cooperative Agricultural Organization
5 (PCAO) that shall have its own juridical personality to undertake activities that shall
6 determine the viability of the creation of a cooperative under this Code. Prior to
7 registration, the PCAO must be registered as such with the Cooperative Development
8 Officers (CDOs).

9
10 The Department of Agriculture (DA) and the Authority, in coordination with
11 the CDOs, shall assist PCAOs so that they can formally organize as cooperatives under
12 this Code; *Provided*, that should the PCAO decide to formally organize into a
13 cooperative, it must comply with the provisions of Articles 8 and 14 of this Code.
14 Further, Section 18 shall apply to all contracts executed by pre-cooperative
15 organizations prior to registration under this 7 Code.

16
17 The DA and the Authority shall jointly issue guidelines on the mechanisms for
18 PCAOs.

19
20 **SEC. 101. *Registration of Agricultural Cooperatives.*** - Agricultural
21 cooperatives shall file their application for registration with the regional office of the
22 Authority that has jurisdiction over its area of operation. The requirements and
23 procedure for registration of agricultural cooperatives shall be in accordance with the
24 rules and regulations to be promulgated by the Authority.

25
26 No fees shall be assessed or charged to any agricultural cooperative by any
27 government entity, national or local, at any stage of its organization and registration
28 process.

29
30 **SEC. 102. *Capital Requirements of Agricultural Cooperatives.*** - The authorized
31 share capital of an agriculture cooperative shall be stated in its Articles of Cooperation
32 and that prior to its registration, at least twenty five per centum (25%) of the
33 authorized share capital shall be subscribed to by the members and at least twenty
34 five (25%) of the subscribed share capital shall be paid-up: *Provided*, That the paid-
35 up capitalization requirement for primary cooperatives shall not be less than Fifteen
36 Thousand Pesos (P15,000.00).

37
38 **SEC. 103. *Bond of Membership.*** - The bond of membership of agricultural
39 cooperatives shall be any of the following:

- 40
41 a. Residential - members are farmers, farm workers, fisherfolk who are actually and
42 physically residing within the area of operation;

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

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

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

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

32 This notwithstanding, the equity or contribution of such private entity shall not
33 exceed forty per centum (40%) of the partnership or joint venture.
34

35 **SEC. 106. *Commitment of Financial Portfolio.*** – Federations and shall reserve
36 not less than fifteen per centum (15%) of their financial portfolio for the extension of
37 loans, credit, savings facilities, and others, to agricultural cooperatives; Provided, that
38 any federation that shall willfully misrepresent facts or circumstances in order to
39 circumvent compliance with this provision shall be held liable under this Code and
40 all other applicable laws, rules, and regulations. Cooperative banks shall comply with
41 the thresholds set by the BSP.
42

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

1
2 **SEC. 107. *Role of National Coordinating Committee on Cooperatives***
3 ***Development.*** - The Authority shall mobilize the National Coordinating Committee
4 on Cooperative Development (NCC-CD) for the promotion of the growth, viability,
5 and development of Agricultural cooperatives.
6

7 **SEC. 108. *Role of LGUs.*** - The Local Government Units shall:
8

- 9 a. Ensure the appointment of Cooperative Development Officers, in compliance
10 with Republic Act No. 11535;
11
12 b. Create a Committee on Agricultural Cooperatives Development in the Local
13 Government Legislative Council which shall focus on addressing legislative
14 concerns on Agricultural cooperatives;
15
16 c. Legislate necessary ordinances for the promotion and development of
17 agricultural cooperatives;
18
19 d. Disseminate information to people and facilitate the establishment and
20 development of the management and operations of agricultural cooperatives in
21 their respective localities;
22
23 e. Expedite the issuance of the necessary permits for the implementation of
24 programs and projects of the Authority and other national government agencies
25 for the benefit of agricultural cooperatives;
26
27 f. Upon written request of the Authority, assist in the resolution of inter
28 cooperative disputes among agricultural cooperatives operating within their
29 localities;
30
31 g. Facilitate and conduct seminars, trainings, and/or conferences necessary for the
32 organization, registration, management and operations of agricultural
33 cooperatives, in coordination with federations and unions; and
34
35 h. Provide technical assistance and skills training for farmers, farm workers, and
36 fisherfolk to engage in income-generating activities.
37

38 **SEC. 109. *Role of Cooperative Development Councils and National***
39 ***Government Agencies.*** - The Authority shall, in collaboration with the LGUs through
40 the Regional, Provincial, City, and Municipal Cooperative Development Councils and
41 the Cooperative Development Officers, facilitate programs and policies affecting
42 agricultural cooperatives in accordance with a Joint Memorandum Circular to be
43 promulgated by the Authority and the LGU.
44

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

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

8
9 a. Taxes, Duties, and Liens:

10
11 (1) All benefits, privileges, and tax treatments of cooperatives as defined and
12 enumerated under Chapter X of this Code shall apply to agricultural cooperatives;

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

21
22 (3) All real properties owned, and those directly used for the operations,
23 management, and maintenance of agricultural cooperatives shall be exempt from the
24 payment of real property taxes imposed under existing laws;

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

32
33 c. Consolidation - Agricultural cooperatives may consolidate agricultural lands
34 owned by its members within in a contiguous area for purposes of agricultural
35 development; and

36
37 d. Direct Purchase by National and Local Government Agencies - To promote
38 and support agricultural cooperatives, national and local government agencies
39 shall directly purchase agricultural products from accredited agricultural
40 cooperatives; *Provided*, that said products are necessary in the performance of
41 their respective mandates.

42
43 For the purposes of this Code, the procurement by national and local
44 government agencies of said agricultural products shall be exempt from the
45 application of the bidding process prescribed under relevant government

1 procurement laws; *Provided*, that said agencies shall undergo a negotiated
2 procurement under the applicable guidelines of the Government Procurement
3 Policy Board;

4
5 e. Loans and Grants:

- 6
7 (1) All loans applied for by agricultural cooperatives in any government owned or -
8 controlled banks or government financial institutions shall enjoy preferential
9 treatment as to the requirements, rates, securities, and collaterals; and
10
11 (2) The DA shall coordinate with the BSP to lower the requirements for all loans applied
12 for and granted to agricultural cooperatives.
13

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

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

25 **SEC. 113. *Local Development Hubs.*** - Local Development Hub (LDH) refers to a
26 farming zone or transport infrastructure, which is generally far from formal markets, and
27 serves a minimum of one hundred (100) farmers, linking them to buyers, who may be, among
28 others, traders, processors, and export companies. The DA and CDA shall jointly establish
29 LDHs in order to strengthen the market linkages between farmers and buyers, fostering
30 agricultural development and economic growth at the local level. Further, they shall jointly
31 issue the guidelines for the operations and maintenance thereof.
32

33 **SEC. 114. *Annual Trade Fair and Awards.*** - The DA, in coordination with the CDA,
34 shall establish and hold the Annual Agricultural cooperatives Trade Fair and Awards to
35 showcase the exemplary business achievement, latest innovations, and other emerging trends
36 in the sector.
37

38 **CHAPTER XVI. AGRARIAN REFORM COOPERATIVES**
39

40 **SEC. 115. *Coverage.*** - The provisions of this Chapter shall primarily govern
41 agrarian reform cooperatives, including Agrarian Reform Beneficiaries (ARBs)
42 Cooperative as defined in Department of Agrarian Reform (DAR) Administrative
43 Order No. 05, Series of 2009: *Provided*, That the provisions of the other chapters of
44 this Code shall apply suppletorily except insofar as this Chapter otherwise provides.
45
46
47

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

- 3
- 4 a. To develop an appropriate system of land tenure, land development, land
5 consolidation or land management in areas covered by agrarian reform;
- 6
- 7 b. To coordinate and facilitate the dissemination of scientific methods of
8 production, and provide assistance in the storage, transport, and marketing of
9 farm products for agrarian reform beneficiaries and their immediate family;
- 10
- 11 c. To provide financial facilities to ARBs for provident or productive purposes at
12 reasonable costs;
- 13
- 14 d. To arrange and facilitate the expeditious transfer of appropriate and suitable
15 technology to ARBs and marginal farmers at the lowest possible cost;
- 16
- 17 e. To provide social security benefits, health, medical and social insurance
18 benefits, and other social and economic benefits that promote the general
19 welfare of the ARBs and marginal farmers;
- 20
- 21 f. To provide non-formal education, vocational and technical training, and
22 livelihood programs to ARBs and marginal farmers;
- 23
- 24 g. To act as conduits for external assistance and services to the ARBs and marginal
25 farmers;
- 26
- 27 h. To undertake a comprehensive and integrated development program in
28 agrarian reform and resettlement areas with special concern for the
29 development of agro-based, marine-based, and cottage-based industries;
- 30
- 31 i. To represent the ARBs on any or all matters that affect their interest; and
- 32
- 33 j. To undertake such other economic or social activities as may be necessary or
34 incidental in the pursuit of the foregoing purposes.
- 35

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

40

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

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

3
4 **SEC. 119. *Lease of Public Lands.*** - The Government may lease public lands to
5 any agrarian reform cooperative for a period not exceeding twenty-five (25) years,
6 subject to renewal for another twenty-five (25) years only: *Provided*, That the
7 application for renewal shall be made one (1) year before the expiration of the lease:
8 *Provided, further*, That such lease shall be for the exclusive use and benefit of the ARBs
9 and the marginal farmers subject to the provisions of the Comprehensive Agrarian
10 Reform Program, as amended.

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

25
26 **SEC. 121. *Special Privileges.*** - Subject to such reasonable terms and conditions
27 as the DAR and the Authority may impose, agrarian reform cooperatives may be
28 given the exclusive right to do any of the following economic activities in agrarian
29 reform and resettlement areas:

- 30
- 31 a. Supply and distribution of consumer, agricultural, aquacultural, and industrial
32 goods, production inputs, and raw materials and supplies, machinery,
33 equipment, facilities, and other services and requirements of the ARBs and
34 marginal farmers at reasonable prices;
 - 35
 - 36 b. Marketing of the products and services of the ARBs in local and foreign markets;
37
 - 38 c. Processing of the products of the members into finished consumer or industrial
39 goods for domestic consumption or for export;
 - 40
 - 41 d. Provision of essential public services at cost, such as power, irrigation, potable
42 water, passenger or cargo transportation by land or sea, communication services,
43 and public health and medical care services;
 - 44

- 1 e. Management, conservation, and commercial development of marine, forestry,
2 mineral, water, and other natural resources subject to compliance with the laws
3 and regulations on environmental and ecological controls; and
4
5 f. Provision of financial, technological, and other services and facilities required by
6 the ARBs in their daily lives and livelihood.
7

8 The foregoing notwithstanding, an agrarian reform cooperative cannot, on its
9 own, by policy or any other means, disqualify a member as an ARB, whether directly
10 or constructively.
11

12 The Government shall provide the necessary financial and technical assistance
13 to agrarian reform cooperatives to enable them to effectively discharge their purposes
14 under this Chapter. The DAR, the Authority and the BSP shall draw up a joint
15 program for the organization and financing of agrarian reform cooperatives. The joint
16 program shall be geared towards the gradual assumption of full ownership and
17 management control by ARBs of the agrarian reform cooperatives.
18

19 **SEC. 122. *Organization and Registration.*** - Agrarian reform cooperatives may
20 be organized and registered in accordance with the requirements of this Code only
21 upon prior certification by the DAR that said proposed cooperative is needed and that
22 its organization is feasible and will be economically viable in its operations.
23

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

28 CHAPTER XVII. COOPERATIVE BANKS 29

30 **SEC. 123. *Organization, Registration, and Membership.*** - The organization
31 and membership of a Cooperative Bank shall be governed by the following
32 provisions:
33

- 34 a. *Organization* - At least fifteen (15) cooperatives duly established and registered
35 under this Code may register a cooperative bank with the Authority.
36
37 b. *Registration* - The application for the registration of the Articles of Cooperation
38 and By-laws, including its amendments, by a cooperative bank with the
39 Authority shall be accompanied by a Certificate of Authority issued by the BSP.
40
41 c. *Membership* - Membership in a cooperative bank shall be open to:
42
43 (1) cooperatives of all types and categories;
44
45 (2) natural persons who are members of a cooperative;

1
2 (3) foreign cooperatives;

3
4 (4) pre-cooperative organizations established under Presidential Decree No. 175;
5 and

6
7 (5) individuals.
8

9 Membership in a cooperative bank is either regular or associated. Regular
10 membership shall be limited to cooperative organizations, individuals who are
11 members of a domestic cooperative, or a foreign cooperative. Associate members shall
12 be pre-cooperative organizations established under Presidential Decree No. 175, as
13 well as individuals and other institutions, such as foreign cooperative institutions that
14 have subscribed to preferred shares only.
15

16 The common shareholdings of a local cooperative shall at all times be at least
17 sixty per centum (60%) of the total outstanding voting shares of the cooperative bank.
18

19 Common shares held by individuals who are members of a cooperative, and
20 foreign cooperatives shall not be more than forty per centum (40%) of the total
21 outstanding voting shares: Provided, That the common shareholdings of each
22 individual who is a member of a cooperative shall not be more than five per centum
23 (5%) of the total outstanding voting shares.
24

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

28 **SEC. 124. Powers and Functions of Cooperative Banks.** - Cooperative banks
29 primarily provide a wide range of financial services to cooperative organizations, their
30 members, and to the public. A cooperative bank may perform any of the following
31 banking services:
32

- 33 a. Extend loans and advances primarily for the purpose of meeting the normal
34 credit needs of cooperatives as well as farmers, farm workers, fisherfolks, or their
35 families, merchants, and private and public employees: Provided, that loans and
36 advances granted to cooperatives shall not be subject to individual ceilings on
37 loans to directors, officers, stockholders, and related interests (DOSRI);
38
39 b. Accept savings and time deposits;
40
41 c. Act as a correspondent bank of other financial institutions;
42
43 d. Discount and Rediscount paper with the LBP, DBP or any other bank, including
44 its branches and agencies. Said banks shall specify the nature of paper deemed

1 acceptable for rediscounting, as well as the rediscount rate to be charged by any
2 of these banks;

3
4 e. Act as collection agent;

5
6 f. Act as a depository bank of LGUs and other government agencies or
7 instrumentalities;

8
9 g. Acquire readily marketable bonds and other debt securities;

10
11 h. Buy and sell foreign exchange;

12
13 i. Act as conduit bank for the disbursement of government funds intended for
14 lending to agriculture, small-medium enterprises (SMEs) and projects for local
15 economic development;

16
17 j. 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 k. Offer financial technology services, such as digital lending and payment, and
22 digital wealth management, among others, subject to prior approval of the BSP;
23 and

24
25 l. Offer other banking services as provided in Section 53 of Republic Act 20 No.
26 8791.

27
28 In addition to the powers granted to cooperative banks by this Code and other
29 existing laws, any cooperative bank may perform any or all of the banking services
30 offered by other types of banks subject to the prior approval of the BSP.

31
32 **SEC. 125. *Establishment of Branches and Other Offices.*** - The establishment of
33 branches, branch-lite units, or other banking offices by cooperative banks shall be
34 governed by the rules and regulations of the BSP. 86 The cooperative bank shall
35 furnish the Authority with a copy of the Certificate of Authority issued by the BSP.

36
37 **SEC. 126. *Management of Cooperative Banks.*** - The management of the
38 cooperative banks shall be governed by the rules and regulations to be promulgated
39 by the BSP, in consultation with the Authority. To maintain the quality of bank
40 management and accord appropriate protection to depositors and the public in
41 general, the BSP shall prescribe the fit and proper qualifications of bank directors and
42 officers for the purposes of this Article, giving due recognition to the unique nature
43 and character of cooperative banks. The number, composition, and term of the Board
44 of Directors shall be defined in the Articles of Cooperation and By-laws of the
45 cooperative bank, in accordance with the following guidelines:

- 1
2 a. *Board and Committees.* - The cooperative bank shall constitute, at a minimum, the
3 Board of Directors, Election Committee, and Audit Committee.
4

5 The Board of Directors shall be composed of at least five (5) but not more than
6 fifteen (15) members, at least one (1) of whom is an independent director. It shall
7 be entrusted with the management of the affairs of the Cooperative Bank. It shall
8 be responsible for the strategic planning, direction-setting and policy formulation
9 activities of the cooperative bank. The members of the Board Directors shall be
10 elected by the General Assembly or Representative Assembly.
11

12 The Election Committee shall be responsible for the formulation and
13 implementation of election rules and guidelines. It shall supervise the conduct of
14 elections, election-related activities, canvass and certify the results of the election,
15 and decide cases relative to such election, except those involving the committee
16 itself or its members. The members of the Election Committee shall be elected by
17 the General Assembly or 29 Representative Assembly.
18

19 The Audit Committee is a Board-level committee whose composition, functions
20 and responsibilities shall be in accordance with the existing regulations of the
21 BSP. Other Board-level committees may be created as may be directed by the BSP.
22

23 Other committees may be created by the Board of Directors with powers,
24 functions, and responsibilities which shall be defined in the By-laws; and
25

- 26 b. *Key Management Officers.* - The key management officers shall be appointed by the
27 Board and shall include the President, Treasurer, Internal Auditor, and
28 Compliance Officer, or their equivalent ranks. The BSP shall prescribe the
29 qualifications and disqualifications of the key management officers.
30

31 **SEC. 127. *Vacancy in the Committees.*** - In case of vacancy in the committees,
32 the Board of Directors of the cooperative bank, unless otherwise provided in the By-
33 laws, will appoint a person to fill the same, subject to the provision that the person
34 appointed shall serve only for the unexpired portion of the term.
35

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

1
2 In no case shall the total yearly compensation of directors exceed ten per
3 centum (10%) of the net income of the cooperative bank during the preceding year.
4

5 **SEC. 129. *Dealings of Directors, Officers, Stockholders, and Related Interests***
6 **(DOSRI).** - Dealings with directors and officers of the Cooperative Bank shall comply
7 with the provisions of Section 36 of RA 8791, otherwise known as General Banking
8 Law (GBL) of 2000. However, the limits on loans to dealings of directors, officers,
9 stockholders, and related interests shall not apply to loans, other credit
10 accommodations, or guarantees extended by the cooperative bank to its member
11 primary cooperatives.
12

13 **SEC. 130. *Illegal Use of Confidential Information.*** - The liability of a director
14 or officer, or an associate of a director or officer, who, for his/her benefit or advantage
15 or that of an associate, makes use of confidential information that, if generally known,
16 might reasonably be expected to adversely affect the operations and viability of the
17 cooperative bank shall adhere to the provisions of Section 57 of this Code.
18

19 **SEC. 131. *Bond for Faithful Performance of Duties and Obligations.*** - The bond
20 for the faithful performance of duties and obligations of accountable officers of the
21 cooperative bank shall adhere to the provisions of Section 64.
22

23 **SEC. 132. *Quorum Requirement and Voting Rights of the Cooperative Bank***
24 ***Board of Directors.*** - In meetings of the Board of Directors of the Cooperative Bank,
25 the same provisions under Section 48 of this Code shall apply.
26

27 **SEC. 133. *Composition of the General Assembly.*** - The General Assembly shall
28 be composed of regular members who are entitled to vote under the Articles of
29 Cooperation and By-laws of the cooperative bank.
30

31 **SEC. 134. *Powers of the General Assembly.*** - The General Assembly shall be
32 the highest policy-making body of the cooperative bank and shall exercise the same
33 powers as enumerated in Section 40 of this Code.
34

35 **SEC. 135. *Meetings.*** - The conduct of meetings of the General Assembly of
36 cooperative banks shall adhere to the provisions specified in Section 41 of this Code.
37

38 **SEC. 136. *Quorum and Voting System.*** - The quorum requirement for General
39 Assembly meetings of cooperative banks, whether special or regular, shall be one-half
40 ($\frac{1}{2}$) plus one (1) of the number of voting shares of all the members entitled to vote.
41

42 To amend its Articles of Cooperation and by-laws, at least three fourths ($\frac{3}{4}$)
43 vote of all the members with voting rights, present and constituting a quorum shall
44 be required. All other voting requirements shall be prescribed by the BSP.
45

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

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

8
9 **SEC. 137. *Investment in Allied Undertakings.*** - Subject to the requirements and
10 restrictions as may be imposed by the Monetary Board under its existing rules and
11 regulations, Cooperative Banks may invest in equities of allied undertakings which
12 may include, but are not limited to the following:

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

24
25
26
27
28
29
30
31
32
33
34
35
36 **SEC. 138. *Limitations on Lending Authority.*** - Except as the Monetary Board
37 may otherwise prescribe, the direct indebtedness to Cooperative Banks of any person,
38 company, corporation, or firm, including the indebtedness of members of a
39 partnership and association, for money borrowed, shall in no time exceed twenty five
40 per centum (25%) of unimpaired capital and surplus of the cooperative bank.
41 However, the direct indebtedness mentioned shall exclude loans secured by
42 obligations of the BSP; loans fully guaranteed by the Government as to the payment
43 of principal and interest; loans to the extent covered by the hold-out on, or assignment
44 of, deposits maintained in the lending cooperative bank and held in the Philippines;

1 and other loans or credits as the Monetary Board may, from time to time, specify non-
2 risk assets.

3
4 **SEC. 139. *Capital Requirement for Cooperative Banks.*** - A cooperative bank
5 shall have a minimum paid-up capital in such amount as may be required by the BSP.
6 The BSP may prescribe rules and regulations on the types of shares a cooperative bank
7 may issue, including the terms thereof and rights appurtenant thereto to determine
8 compliance with laws and regulations governing capital and equity structure of
9 banks. *Provided, That Cooperative Banks shall issue par value shares only.*

10
11 **SEC. 140. *Samahang Nayon and Municipal Katipunan ng mga Samahang***
12 ***Nayon.*** - Samahang Nayon (SN) and Municipal Katipunan ng mga Samahang Nayon
13 (MKSAN) which held common shares of cooperative banks prior to the effectivity of
14 RA 9520 shall apply for conversion to cooperatives in order to maintain their status as
15 regular members of cooperative banks: *Provided, That the cooperative banks shall*
16 *exert efforts to inform and assist the SN and MKSAN to convert within a period of three*
17 *(3) years from the effectivity of this Code. Upon failure of the SN and MKSAN to finally*
18 *convert to a cooperative within said period, the funds held in the name of such SN*
19 *and MKSAN shall be considered as preferred shares and shall remain as capital of the*
20 *cooperative bank.*

21
22 **SEC. 141. *Additional Source of Capital of the Cooperative Banks.*** - The funds
23 or common shares in cooperative banks held in the name of cooperatives whose
24 Certificates of Registration have already been cancelled by the Authority, and which
25 failed to liquidate such funds or shares during its liquidation shall remain as capital
26 in said cooperative banks and shall be treated as preferred shares.

27
28 **SEC. 142. *Supervision and Regulation of Cooperative Banks.*** - All cooperative
29 banks shall be under the supervision of the BSP: *Provided, however, that the Authority*
30 *shall monitor the cooperative banks' compliance with cooperative laws, rules, and*
31 *regulations. With respect to the governance of the cooperative banks, the provisions*
32 *of the banking laws, rules, and regulations shall prevail, notwithstanding Section 71*
33 *of RA 8791.*

34
35 **SEC. 143. *Promulgation of Guidelines.*** - The BSP and the Authority may
36 formulate guidelines to implement or clarify the provisions of this Chapter. *Provided,*
37 *That the BSP, as the regulator of banks, shall be the primary regulator of cooperative*
38 *banks consistent with the provisions of RA 8791: *Provided, further, That in order to**
39 *minimize the burden of dually regulated entities, the BSP shall, in consultation with*
40 *the Authority, in its promulgation of rules and regulations, to the extent allowed in*
41 *banking and other relevant laws, and insofar as consistent with its exercise of*
42 *supervisory and regulatory powers over banks, in its promulgation of rules and*
43 *regulations, consider the requirements of this Code and the Authority for cooperatives*
44 *in general.*

45

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

- 3
- 4 a. Those privileges and incentives accorded to cooperatives under this Code and
5 other prior laws including exemption from all national, provincial, city,
6 municipal or barangay taxes, fees, and charges of whatever nature and
7 description. *Provided, however,* that when a cooperative bank has reached an
8 undivided net savings of more than One Hundred Million Pesos
9 (P100,000,000.00), transactions to non-members shall be taxable;
- 10
- 11 b. The foreclosure of mortgages covering loans granted by cooperative banks and
12 executions of judgment thereon involving real properties levied upon by sheriff
13 shall be exempt from the publications in newspapers where the total amount of
14 loan, excluding interests due and unpaid, does not exceed One Million Pesos
15 (P1,000,000.00) or such amount as the Monetary Board may prescribe as may be
16 warranted by prevailing economic conditions. It shall be deemed sufficient
17 publication in such cases where the notices of foreclosure and execution of
18 judgment are posted in the most conspicuous areas such as the municipal
19 building, the municipal public market, the cooperative bank, and the barangay
20 hall where the land mortgaged is situated during the period of sixty (60) days
21 immediately preceding the public auction or execution of judgment. Proof of
22 publication as required herein shall be accomplished via an affidavit of the sheriff
23 or officer conducting the foreclosure sale or execution of judgment and shall be
24 attached with the records of the case;
- 25
- 26 c. A cooperative bank shall be allowed to foreclose lands mortgaged to it subject to
27 the provisions of RA 6657, as amended. For agrarian lands foreclosed by a
28 cooperative bank, the disposal of the same to another qualified beneficiary under
29 RA 6657, as amended, shall be made through the same cooperative bank. Further,
30 the amortization of the beneficiary in favor of DAR shall be coursed through the
31 servicing cooperative bank: *Provided, however,* that cooperative banks shall be
32 exempt from the landholding limits as prescribed by DAR or any other law
33 requiring the same;
- 34
- 35 d. For cooperative banks granted by the BSP with accreditation as Rural Financial
36 Institution (RFI) under RA 10000, the following privileges shall be awarded:
- 37
- 38 (1) Unrestricted branching rights to set up agriculture-oriented branches in
39 unbanked municipalities and predominantly agricultural communities,
40 subject to existing regulations on minimum capitalization for banks and the
41 size of branch network;
- 42
- 43 (2) Automatic eligibility with Philippine Guarantee Corporation (with respect to
44 agricultural credit guarantee), Philippine Crop Insurance Corporation (PCIC),

1 and governmental agencies providing services towards risk-mitigation in the
2 agriculture sector;

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

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

12
13 e. Notwithstanding the provisions herein, privileges and incentives granted to rural
14 banks pursuant to RA 7353, otherwise known as the "Rural Act of 1992," shall
15 also be granted to cooperative banks duly registered under this Act.

16 17 **CHAPTER XVIII. INSURANCE COOPERATIVES**

18
19 **SEC. 145. *Insurance Cooperative.*** - Existing cooperatives may organize
20 themselves into an insurance cooperative for the purpose of engaging in the business
21 of insuring life, non-life, health, and property of cooperatives and their members.

22
23 **SEC. 146. *Types of Insurance Provided.*** - Under the cooperative insurance
24 program established and formed by the virtue of the provisions of this Code, the
25 insurance cooperative shall provide its constituting cooperatives and their members
26 different types of insurance coverage consisting of life insurance with special group
27 coverage, loan protection, retirement plans, endowment, health and accident
28 coverage, pre-need plans, fire insurance, marine insurance, motor vehicle coverage,
29 bonding, crop and livestock protection, and equipment insurance, among others.

30
31 **SEC. 147. *Applicability of Insurance Laws.*** - The provisions of the Insurance
32 Code and all other laws and regulations relative to the organization and operation of
33 an insurance company shall apply to insurance cooperatives organized under this
34 Code. The requirements on capitalization, investments and reserves of insurance
35 firms may be liberally modified upon consultation with the Authority and the
36 cooperative sector, but in no case may the requirement be reduced to less than half
37 of those provided for under the Insurance Code and other related laws.

38
39 Other provisions of this Code shall apply suppletorily insofar as they are not
40 inconsistent with this Chapter.

41
42 **SEC. 148. *Implementing Rules for Insurance Cooperatives.*** -- The Insurance
43 Commission and the Authority, in consultation with the concerned cooperative sector,
44 shall issue the appropriate rules and regulations implementing the provisions of this
45 Chapter.

1
2 **CHAPTER XIX. COOPERATIVES ENGAGED IN PUBLIC SERVICES**
3

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

- 10
11 a. Health services;
12
13 b. Power generation, transmission, and/or distribution;
14
15 c. Ice plants and cold storage services;
16
17 d. Communication services including telephone and digital communications, and
18 other value-added services;
19
20 e. Land, water, and air transportation services for passengers and/or cargoes.
21
22 f. Public markets, slaughterhouses, management of land transport terminals and
23 ports, and other similar services.
24
25 g. Water supply and distribution system services; and
26
27 h. Such other types of public services as may be engaged in by any cooperative.
28

29 Such cooperatives shall be primarily governed by this Chapter and the general
30 provisions of this Code insofar as they may be applicable unless they are inconsistent
31 herewith.
32

33 **SEC. 150. *Registration Requirements.*** - In addition to the requirements
34 provided under Section 14 of this Code, no cooperative engaged in public services
35 shall be registered unless it satisfies the following requirements:
36

- 37 a. Its Articles of Cooperation and By-laws provide for the membership of the users
38 and/or producers of the service of such cooperatives; and
39
40 b. Such other requirements as may be imposed by the other pertinent government
41 agencies concerned.
42

43 **SEC. 151. *Regulation of Cooperatives Engaged in Public Services.*** - The internal
44 affairs of cooperatives engaged in public services, such as: i) the rights and privileges
45 of members; ii) the rules and procedures for meetings of the General Assembly, Board

1 of Directors and committees; iii) the election and qualifications of officers, directors,
2 and committee members; iv) allocation and distribution of surpluses; and v) all other
3 such matters, shall be governed by this Code.

4
5 All matters relating to the franchise, certificate of public convenience, certificate
6 of public convenience and necessity, concession, or any other appropriate form of
7 authorization or permit of cooperatives engaged in public services such as
8 capitalization and investment requirements, equipment and facilities, frequencies,
9 rate-fixing and such other matters affecting their public service operations shall be
10 governed by the proper government agency concerned.

11
12 The Authority together with other concerned government agencies shall jointly
13 issue rules and regulations necessary to implement this Chapter.

14 **CHAPTER XX. TRANSPORT SERVICE COOPERATIVES**

15
16
17 **SEC. 152. *Definition and Coverage.*** - This Chapter shall govern transport
18 service cooperatives as defined in this Code, including those organized under the
19 provisions of Executive Order No. 898, series of 1983 and by vehicle operators defined
20 or provided for under the PUVMP of the Department of Transportation (DOTr).

21
22 **SEC. 153. *Engagement in Allied Business by Transport Service Cooperatives.*** -
23 Subject to pertinent national laws and local ordinances, primary transport service
24 cooperatives including federations of cooperatives, may engage in a business related
25 to transportation service, including but not limited to:

- 26
27 a. Importation, distribution, and marketing of petroleum products in accordance
28 with existing laws;
29
30 b. Operation of gasoline stations, automotive service centers, and management of
31 land transport terminals and ports;
32
33 c. Importation, distribution, marketing, and sale of spare parts, automotive
34 supplies, and accessories;
35
36 d. Marketing of vehicle and drivers' insurance policies as an agent or liaison of a
37 licensed insurance company;
38
39 e. Establishment and operation of fleet management services; and
40
41 f. Automotive maintenance credit facilities for the purpose of extending loans for
42 the maintenance and repair of public utility vehicles.
43
44

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

- 3
- 4 (a) Copy of the Board Resolution certifying to the result of the vote approved
5 through a referendum approving the registration of the cooperative with the
6 Authority in compliance with Section 162 of this Code;
- 7
- 8 (b) Certified copy of the Articles of Incorporation or Cooperation and By laws as
9 required by the Authority;
- 10
- 11 (c) Duly audited financial statements for the past two (2) years;
- 12
- 13 (d) List of names of the incumbent Board of Directors and their addresses certified
14 by the Board Secretary and attested by the Chairperson;
- 15
- 16 (e) Within six (6) months from the registration, the Treasurer shall submit a sworn
17 statement of the authorized share capital, the subscribed share capital of
18 members, and the amount of paid-up share capital received by the Treasurer; and
19
- 20 (f) Bonds of accountable officers.

21

22 **SEC. 164. Registration Options of Electric Cooperatives.** - Electric
23 Cooperatives registered with the National Electrification Administration (NEA)
24 under Presidential Decree No. 269, as amended, which opt not to register with the
25 Authority are allowed to retain the word "cooperative" in 101 their registered names:
26 *Provided*, that they shall not be entitled to the benefits and privileges under this Code.
27

28 **SEC. 165. Role of the Energy Regulatory Commission.** - All rates and tariffs of
29 electric cooperatives registered under the Authority shall be subject to the rules on
30 application and approval of and by the Energy Regulatory Commission (ERC) for
31 distribution utilities.
32

33 **SEC. 166. Effects of Registration with the Authority.** -
34

- 35 a. Upon the effectivity of this Code, electric cooperatives that are duly registered
36 with the Authority, and issued a Certificate of Registration, shall be covered by
37 the provisions of this Code as well as future rules and issuances of the Authority;
38 *Provided*, that electric cooperatives shall remain under the supervisory powers of
39 the NEA, pursuant to Presidential Decree (PD) No. 269, as amended, and other
40 existing laws; *Provided, further*, that provisions of this Code consistent with PD
41 No. 269, as amended, shall apply suppletorily.
- 42
- 43 b. Electric cooperatives registered with the Authority are entitled to congressional
44 allocations, grants, subsidiaries and other financial assistance for rural
45 electrification which can be coursed through the Department of Energy, National

1 Electrification Administration, or local government units, as may be appropriate.
2 The electric cooperatives registered under this Code can avail of the financial
3 services and technical assistance provided by government financial institutions
4 and technical development agencies on terms respecting their independence as
5 autonomous cooperatives.
6

- 7 c. All condoned loans, subsidies, grants, and other assistance shall form part of the
8 donated capital and funds of the electric cooperatives and, as such, it shall not be
9 sold, traded, nor be divided into shareholdings at any time. The donated
10 capital/fund shall be valued for the sole purpose of determining the equity
11 participation of the members: *Provided*, that in the case of dissolution of the
12 cooperative, said donated capital shall be subject to escheat; and
13
- 14 d. Electric cooperatives registered and confirmed with the Authority under
15 Republic Act No. 6938 and Republic Act No. 9520 are hereby deemed registered
16 under this Code
17

18 **SEC. 167. Share Capital in the Electric Cooperatives.** - The electric cooperatives
19 registered with the Authority shall issue and distribute share certificates under the
20 name of each of their members, taking into consideration their previous equity
21 contributions, the amortization component through the payments made, capital
22 build-up and other capital contributions.
23

24 The NEA shall, within ten (10) days upon final completion of reconciliation of
25 relevant loan accounts with the electric cooperative concerned, issue a certification on
26 the aggregate amount of payments made on the principal component of the
27 amortizations, as the basis for the issuance of equity share certificates by the electric
28 cooperatives to its Member-Customer-Owners (MCOs) on record.
29

30 The ERC shall, within forty-five (45) days from the close of each fiscal year,
31 issue a certificate to the electric cooperative concerned on the total amount collected
32 for capital contributions from the MCOs for such period, for which equity share
33 certificate will be issued.
34

35 No share capital certificate shall be issued to a subscriber until the full amount
36 of his/her subscription together with interest and expenses, if any is due, has been
37 paid. The distribution of share capital certificates shall be done annually, preferably
38 during the General Assembly meeting.
39

40 In case of loss or destruction, the electric cooperative may issue a duplicate
41 certificate, if such certificate is proven to have been lost, destroyed, defaced, mutilated,
42 torn or is surrendered to the electric cooperative upon execution and submission by a
43 member of an Affidavit of Loss or such other documents evidencing
44 defacement/mutilation or surrender of such share capital certificate.
45

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

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

8 **CHAPTER XXIII. FOREIGN PARTNERSHIPS**

9

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

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

27 **SEC. 170. *Limitations.*** - The equity or share capital of the foreign cooperative
28 shall not exceed forty per centum (40%) of the total equity or subscribed share capital
29 of the partnership or federation, as the case may be.
30

31 **CHAPTER XXV. MISCELLANEOUS PROVISIONS**

32

33 **SEC. 171. *Compliance With Other Laws.*** - All cooperatives duly registered
34 under this Code shall, at all times, be subject to all relevant laws, rules and regulations,
35 as well as issuances and directives issued by a duly authorized government regulatory
36 body in exercise of its jurisdiction.
37

38 This notwithstanding, cooperatives that are registered or applying for specific
39 licenses with other regulatory agencies must comply with the governance
40 requirements of said agency to operate or function as such.
41

42 **SEC. 172. *Registry of Cooperatives.*** - The Authority shall keep a registry which
43 shall contain a chronological entry of the name of every cooperative registered,
44 suspended, dissolved, or cancelled under this Code together with other relevant
45 information. The Authority shall publish and post on its website a list of existing

1 cooperatives, cooperatives under dissolution or suspension, and those whose
2 registration have been cancelled, together with other relevant information, as may be
3 prescribed in the Implementing Rules and Regulations of this Code.
4

5 **SEC. 173. *Settlement of Disputes, Conciliation, Mediation, and Arbitration***
6 ***Proceedings.*** - Disputes among members, officers, directors, and committee members,
7 and intra-cooperative, inter-cooperative, intra federation or inter-federation disputes
8 shall, as far as practicable, be settled amicably in accordance with the conciliation or
9 mediation mechanisms embodied in the By-laws of cooperatives and in such other
10 applicable laws.
11

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

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

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

28 Decisions rendered by the Authority in the exercise of its adjudicatory powers
29 shall be appealable to the Court of Appeals in accordance with the applicable rules.
30

31 In case of election-related issues, the aggrieved party may elevate the case for
32 adjudication to the proper regional office of the Authority in accordance with the CDA
33 Omnibus Rules of Procedure without undergoing alternative dispute resolution.
34

35 Settlement of disputes of electric cooperatives shall be governed by the
36 provisions of PD No. 269, as amended, and other applicable laws.
37

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

- 1 (d) Direct or indirect interference or intervention by any public official or
2 employee in the internal affairs of a cooperative of which he is not a member,
3 such as, but not limited to, the following:
4
- 5 (1) Influencing the election or appointment of officers, directors, committee
6 members and employees through public or private endorsement or
7 campaign for or against any person or group of persons;
8
 - 9 (2) Requiring prior clearance for any policy or decision within the cooperative;
10
 - 11 (3) Requesting or demanding for the creation of positions or organizational
12 units, or recommending any person for appointment, transfer, or removal
13 from his/her position; or
14
 - 15 (4) Any other acts inimical or adverse to the autonomy and independence of
16 cooperatives.
17
- 18 (e) A director, officer or committee member who violated the provisions of Section
19 53 on the Liability of Directors, Officers and Committee Members, Section 56
20 on the Disloyalty of a Director, and Section 57 on the Illegal Use of Confidential
21 Information shall upon conviction suffer a fine of not less than Five hundred
22 thousand pesos (P500,000.00) nor more than One million pesos (P1,000,000.00)
23 or imprisonment of not less than five (5) years but not more than ten (10) years
24 or both at the court's discretion;
25
- 26 (f) The following are considered offenses punishable by a penalty of
27 imprisonment of not less than one (1) year nor more than five (5) years or a fine
28 of not more than one hundred thousand pesos (P100,000.00) or both at the
29 discretion of the court:
30
- 31 (1) Omission or refusal to furnish any information, report or other document
32 that is required under this Code;
33
 - 34 (2) Providing information, reports or other documents to the Authority that are
35 required under this Code which the person knows to be false or misleading;
36
 - 37 (3) Omission or refusal to keep a book or registry under this Code or to make
38 the required entry therein;
39
 - 40 (4) Making an entry required under this Code in a book or registry, which the
41 person knows to be false or misleading;
42
 - 43 (5) Hindering an authorized person from making an inspection, audit,
44 examination or investigation required under this Code;
45

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

3
4 (7) Violation of the provisions regarding transactions with a restricted party;
5 and

6
7 (8) Abetting, counseling, allowing, authorizing or commanding another person
8 to commit an offense punishable by this Code: *Provided*, That in case the
9 violator is a cooperative or juridical person, the penalty shall be imposed on
10 its directors and officers.

11
12 (g) Any violation of any provision of this Code for which no penalty is imposed
13 shall be punished by imprisonment of not less than six (6) months nor more
14 than one (1) year and a fine of not less than Ten thousand pesos (P10,000.00),
15 or both at the discretion of the court.

16
17 The cooperative or any of its members can file a case against any officer or
18 employee of the BIR or of any other government agency with the Ombudsman, the
19 Civil Service Commission, other appropriate government agency or the courts of law.

20
21 In case of violation of any provision of this Code, the individual or individuals,
22 and in the case of organizations or government agencies, its officers, and directors
23 shall, upon conviction by a Court, each suffer a penalty of not less than two (2) years
24 but not more than five (5) years imprisonment or a fine in the amount of not less than
25 Fifty thousand pesos (P50,000.00), or both at the discretion of the court. In the case of
26 a public official or employee, the offender shall upon conviction, suffer the accessory
27 penalty of temporary absolute disqualification.

28
29 **SEC. 178. *Administrative Sanctions.*** - The Authority shall conduct
30 investigations, file necessary charges, discipline, suspend or remove erring officers
31 and members of the cooperative for violation of cooperative laws, rules, regulations,
32 issuances of the Authority, the Articles of Cooperation, and By-laws, after due
33 process, and direct the General Assembly to replace the suspended or removed
34 officers.

35
36 Any violations on the procedures of the rules on adjudication shall likewise be
37 penalized under this Article. Such administrative sanctions shall be implemented in
38 accordance with the rules and regulations to be promulgated by the Authority.

39
40 **SEC. 179. *Printing and Distribution.*** - The National Printing Office shall
41 publish this Code in the Official Gazette in full within sixty (60) days from the date of
42 approval thereof. Copies of this Code shall be given to every department, agency, and
43 instrumentality of the National Government, including regional, provincial offices,
44 and local governments including government-owned and controlled corporations.

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

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

11 **SEC. 182. Transitory Provisions.** -
12

13 (a) All cooperatives registered with the Authority under RA 6938, as amended by
14 RA 9520, are hereby deemed registered under this Code.
15

16 (b) Registration of electric cooperatives with the Authority shall not be considered as
17 a transfer of ownership of its assets and liabilities nor shall it constitute a change
18 in the nature, structure, and status of the cooperative. Said registration shall not
19 result in the revocation of the condoned loans under RA 9136, otherwise known
20 as the "*Electric Power Industry Reform Act of 2001*,"; Provided, That electric
21 cooperatives with existing loans shall not be subject to the control and
22 supervision of its creditors and shall only be limited to the fulfillment of each civil
23 obligations.
24

25 (c) The authority granted to non-cooperatives as Training Service Providers shall
26 continue to be effective until their expiration or six (6) months from the
27 promulgation of the implementing rules and regulations of this Code, whichever
28 comes later.
29

30 **SEC. 183. Ipso-Facto Clause.** -Except as may be inconsistent with the
31 provisions of this Code, cooperatives are entitled to the privileges, benefits, and
32 exemptions granted by RA 7160, and other existing laws.
33

34 **SEC. 184. Separability Clause.** -If any part of this Code is declared
35 unconstitutional, the remaining parts or provisions shall remain in full force and
36 effect.
37

38 **SEC. 185. Repealing Clause.** - Except as expressly provided by this Code, RA
39 6938, RA 9520, and all other laws, or parts thereof, inconsistent with any provision of
40 this Code shall be deemed repealed: Provided, That the provisions of Revenue
41 Regulation No. 20-2001, and all laws, decrees, executive orders, implementing rules
42 and regulations, BIR circulars, CDA memorandum circulars, memorandum orders,
43 letters of instruction, local government ordinances, or parts thereof inconsistent with
44 any of the provisions of this Act are hereby repealed, amended or modified
45 accordingly; *Provided, further*, that nothing in this Code shall eliminate, diminish, or

1 reduce the powers, functions, authority, and responsibilities of the NEA over electric
2 cooperatives under PD No. 269, as amended, and other existing laws; *Provided, finally,*
3 that nothing in this Act shall be construed or interpreted as diminishing the
4 jurisdiction of the Philippine Competition Commission under the PCA to conduct
5 inquiry, investigate, and hear and decide on cases involving any violation of the PCA
6 and other existing competition laws motu proprio or upon receipt of a verified
7 complaint from an interested party or upon referral by the concerned regulatory
8 agency.

9
10 **SEC. 186. *Effectivity Clause.*** - This Code shall take effect fifteen (15) days after
11 its publication in the Official Gazette or in a newspaper of general circulation.

12
13 Approved,