

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Philippines

NINETEENTH CONGRESS
Second Regular Session

House Bill No. **9450**



Introduced by **HON. NICANOR M. BRIONES**
Representative, AGAP Party List

EXPLANATORY NOTE

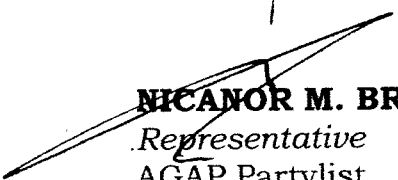
Since its enactment, the Cooperative Code of 2008 has helped thousands of cooperatives organize and flourish in their respective undertakings and enterprises. Fifteen years later, however, many social and economic changes have occurred which now call for concomitant amendments to the existing Code.

President Ferdinand Marcos Jr. himself, during his second State of the Nation Address, called for the timely and much-needed amendment of the Cooperative Code. At present, the impact of the pandemic, geopolitical conflicts, and global economic slowdown led to rising costs of goods and services. Such economic barriers thus hinder the different sectors, especially the agricultural sector, from maximizing production.

The framework of cooperatives makes it a perfect vehicle to empower people to start and continue their enterprises amidst economic crisis. Cooperatives are more resilient. The self-help principle in cooperatives allows them to sustain their business with members patronizing their own products and services. Moreover, cooperatives as an entity can easily facilitate availment of grants and other assistance offered by the government to support their economic activities.

The 1987 Constitution recognizes cooperatives as instruments of social justice and economic development. As such, it is only proper to ensure that the laws governing the organization and regulation of cooperatives are streamlined and responsive to the sector's present needs.

Hence, with the foregoing premises considered, this representation fervently seeks support in the approval of this bill.



NICANOR M. BRIONES

Representative
AGAP Partylist

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

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

4 **CHAPTER I. GENERAL PROVISIONS**

5 **ARTICLE 1. Title.** - This Code shall be known as the "Revised
6 Cooperative Code of the Philippines".

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

14 Towards this end, the Cooperative Development Authority shall be
15 primarily responsible for the institutional development and regulation of
16 cooperatives. The government and all its branches, subdivisions,
17 instrumentalities, and agencies shall ensure the provision of technical
18 guidance, financial assistance, and other services to enable the cooperatives to
19 develop into viable and responsive economic enterprises towards a strong
20 cooperative movement, free from conditions that infringe upon the objectives
21 and character of cooperatives.

Accordingly, the State recognizes the right of the cooperatives to initiate and foster within their own ranks cooperative promotion, organization, training, information gathering, audit, and support services, with government assistance where necessary.

ART. 3. General Concepts. -

- a. A *cooperative* is an autonomous and duly registered association of persons with a common bond of interest who have voluntarily joined together to achieve their social, economic, and cultural needs and aspirations by making equitable contributions to the capital required, patronizing their products and services, and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles;
- b. *Cooperative principles* - Every cooperative shall conduct its affairs in accordance with Filipino culture, practices, good values, and experiences, and the universally accepted principles of cooperation, which include, but are not limited to, the following:
 - (1) *Voluntary and Open Membership* - Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, cultural, political, or religious discrimination.
 - (2) *Democratic Member Control* - Cooperatives are democratic organizations that are controlled by their members who actively participate in setting their policies and making decisions. Men and women serving as elected/appointed representatives, directors or officers are accountable to the membership.
 - (3) *Members' Economic Participation* - Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. Members usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing their cooperative, possibly by setting up reserves, which at least would be indivisible; benefiting members in proportion to their transactions with the cooperative; and supporting other activities approved by the membership.
 - (4) *Autonomy and Independence* - Cooperatives are autonomous, self-help organizations controlled by their members. If they enter into agreements with other organizations, including governments, or raise capital from external sources, they do so on terms that ensure democratic control by their members and maintain their cooperative autonomy.

1 (5) *Education, Training, and Information* - Cooperatives shall provide
2 education and training for their members, elected and appointed
3 representatives, managers, and employees so that they can contribute
4 effectively and efficiently to the development of their cooperatives. They
5 shall also inform the general public - particularly young people and
6 leaders - about the nature and benefits of cooperation.

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

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

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

17 **ART. 4. Definition of Terms.** - The following terms shall mean:

18 a. *Authority* refers to the Cooperative Development Authority (CDA), a
19 government agency created by virtue of Republic Act No. 6939, as
20 reorganized and strengthened by Republic Act No. 11364, in compliance
21 with the provisions of Section 15, Article XII of the 1987 Philippine
22 Constitution which mandates Congress to create an agency to promote the
23 viability and growth of cooperatives as instruments of equity, social justice
24 and economic development;

25 b. *Area of Operation* refers to the place where the cooperative operates and
26 conducts its business, as provided for in its Articles of Cooperation and
27 By-laws;

28 c. *Articles of Cooperation* refers to the document registered with the
29 Authority, including its amendments, that defines and regulates the
30 relations between the cooperative and the State;

31 d. *Board of Directors* refers to the collegial body responsible for the strategic
32 planning, direction-setting, and policy-formulation activities of the
33 cooperative;

34 e. *Branch-lite unit* refers to a cooperative bank that performs limited banking
35 activities and records its transactions in the books of the head office or
36 the branch to which it is annexed;

- 1 f. *By-laws* refers to the document registered with the Authority, including
2 its amendments, that defines and regulates the operations of the
3 cooperative and governs the relations between the cooperative and its
4 members and among themselves;
- 5 g. *Committee* refers the mandatory committees under this Code entrusted
6 with specific functions and responsibilities and such other committees
7 that the Board of Directors deem necessary for the governance of the
8 business affairs of the cooperative;
- 9 h. *Cooperative Union* refers to a cooperative whose members are registered
10 cooperatives and/or federations, organized purposely to represent the
11 interest and welfare of all types of cooperatives at the city, provincial,
12 regional, and national levels;
- 13 i. *Federation of Cooperatives* refers to an aggrupation of cooperatives
14 registered with the Authority to undertake business activities in support
15 of its primary and secondary member cooperatives engaged in the same
16 line of business, organized at the municipal, city, provincial, regional,
17 national, special metropolitan political subdivision, or economic zones
18 created by law;
- 19 j. *Fiscal Year* refers to the operating cycle of business operation and
20 activities of a cooperative, covering a twelve (12) month period. As used in
21 this Code, calendar year shall be adopted as the fiscal period;
- 22 k. *General Assembly* refers to the full membership of the cooperative duly
23 assembled for the purpose of exercising all the rights and performing all
24 the obligations pertaining to cooperatives, as provided by this Code, its
25 Articles of Cooperation, and By-laws;
- 26 l. *Honorarium* refers to token of appreciation granted for the expert service
27 rendered in a specific field which admits of no compensation;
- 28 m. *Investment* refers to equity participation in any enterprise formed,
29 organized or existing under the laws of the Philippines;
- 30 n. *Interest on Share Capital* refers to the amount earned by the members on
31 their investment in the cooperative. The interest on share capital and the
32 patronage refund shall be determined at the end of the fiscal year after the
33 net surplus shall have been computed in accordance with the Articles of
34 Cooperation and By-laws or by the Board of Directors;
- 35 o. *Member* includes a person either natural or juridical, who has been
36 approved and admitted by the Board of Directors of the cooperative,
37 federation, or union, after undergoing the Pre-Membership Education
38 Seminar and has vowed to adhere to the Articles of Cooperation and its

1 By-laws. Members shall be classified as regular or associate, as qualified
2 by the cooperative;

3 p. *Monetary Board* refers to the entity which exercises the powers and
4 functions of the Bangko Sentral ng Pilipinas on the formulation of
5 monetary policies and the supervision of the financial system;

6 q. *Patronage Refund* refers to the payment to the members of a percentage
7 or portion of the amount availed of, the interest on loans paid, or other
8 services availed from the cooperative. The amount will be determined at
9 the end of the fiscal period after the computation of the net surplus. The
10 percentage of the allocation will be in accordance with the provisions in
11 its Articles of Cooperation, the By-laws, or by the Board of Directors. The
12 formula and basis for the computation of the rate of patronage refund will
13 be determined by the Authority.

14 r. *Per diem* refers to the allowance given as reimbursement for extra
15 expenses incurred by one in the performance of his duties;

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

22 t. *Primary Cooperative* refers to a cooperative, registered with the Authority,
23 the members of which are natural persons;

24 u. *Registration* means the operative act granting juridical personality to a
25 proposed cooperative and is evidenced by a Certificate of Registration;

26 v. *Representative Assembly* means the full membership of a body of
27 representatives elected by each of the sectors, chapters, or districts of the
28 cooperative duly assembled for the purpose of exercising such powers in
29 accordance with its By-laws;

30 w. *Samahang Nayon* and *Municipal Katipunan ng mga Samahang Nayon*
31 refers to pre-cooperative organizations established under Presidential
32 Decree No. 175;

33 x. *Secondary Cooperative* refers to a cooperative, the members of which are
34 primary cooperatives;

35 y. *Single-Purpose Cooperative* refers to those types of cooperatives
36 undertaking one economic activity, except those who are allowed to
37 undertake allied economic activity/ies;

- 1 z. *Share Capital* refers to the equitable contribution of a member to the
2 cooperative fund, the working capital fund of the cooperative, which shall
3 have a par value of at least One Hundred Pesos (P100.00) and issued as
4 common or preferred shares depending on the type of membership with
5 the cooperative;
- 6 aa. *Social Audit* refers to an audit to assess the cooperative's social impact
7 and ethical performance vis-à-vis its stated mission, vision, goals, and
8 code of social responsibility. It is a mechanism whereby it can account for
9 its social performance and evaluate its impact on the community and be
10 accountable for its decisions and actions to its members;
- 11 bb. *Subscription Agreement* refers to the document executed by a member to
12 signify the amount that the member intends to contribute to the
13 cooperative fund;
- 14 cc. *Subsidiary Cooperative* refers to a cooperative, all or majority of whose
15 members or shareholders come from a parent cooperative, organized for
16 any other purpose different from that of, and receives technical,
17 managerial, and financial assistance from the latter, in accordance with
18 the rules and regulations of the Authority;
- 19 dd. *Tertiary Cooperative* refers to a cooperative whose members are
20 federations;
- 21 ee. *Worker Beneficiary* refers to a natural person who renders service for value
22 as an employee or laborer in an agricultural enterprise or farm within an
23 agrarian reform cooperative;

24 **CHAPTER II. PURPOSES AND ORGANIZATION**

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

- 28 a. Increase income, savings, investments, productivity, and purchasing
29 power, and promote among themselves equitable distribution of net
30 surplus through maximum utilization of economies of scale, cost sharing
31 and risk-sharing;
- 32 b. Provide optimum social and economic benefits to its members;
- 33 c. Teach them efficient ways of processing tasks in a cooperative manner;

- d. Propagate best practices, innovative ideas in business undertakings and management through the utilization of new technologies;
- e. Empower the marginalized sector to gain opportunities through education and skills training;
- f. Actively collaborate with the government, other cooperatives and people-oriented organizations, to promote cooperatives as a practical means towards sustainable socio-economic development;
- g. Adopt membership expansion mechanism to ensure, the growth of the cooperative movement;
- h. Implement policy guidelines that will ensure transparency, accountability and equitable access to its resources and services, and promote the interests of the members;
- i. Advance the competitiveness and innovativeness of cooperatives in the various industries;
- j. Coordinate with other cooperatives through learning, information exchange, teaching foster sustainable development;
- k. Advocate legal framework and enabling policies appropriate for the development of cooperatives;
- l. Be the voice and the institution of the marginalized for purposes of promoting people-centered development;
- m. Encourage thrift and savings mobilization among the members;
- n. Generate funds and extend credit to the members for productive and provident purposes;
- o. Encourage among members systematic production and marketing;
- p. Provide goods and services and other requirements to the members;
- q. Develop expertise and skills among its members;
- r. Acquire lands and provide housing benefits for the members;
- s. Insure against losses of the members;
- t. Promote and advance the economic, social and educational status of the members;

- 1 u. Establish, own, lease or operate cooperative banks, cooperative wholesale
2 and retail complexes, insurance and agricultural/industrial processing
3 enterprises, and public markets;
- 4 v. Coordinate and facilitate the activities of cooperatives;
- 5 w. Advocate for the cause of the cooperative movements;
- 6 x. Ensure the viability of cooperatives through the utilization of new
7 technologies;
- 8 y. Encourage and promote self-help or self-employment as an engine for
9 economic growth and poverty alleviation; and
- 10 z. Adopt such other plans which may help foster the welfare of the members,
11 their families and the community.

12 **ART. 6. Purpose of a Cooperative.** - A duly organized and registered
13 cooperative under this Code shall engage only in economic or business
14 activities as stated in its Articles of Cooperation and By-laws. The cooperative
15 can only engage in other activities provided its Articles of Cooperation and By-
16 laws are amended accordingly.

17 **ART. 7. Cooperatives Not in Restraint of Trade.** - No cooperative or
18 method or act thereof which complies with this Code shall be deemed a
19 conspiracy or combination in restraint of trade or an illegal monopoly, or an
20 attempt to lessen competition or fix prices arbitrarily in violation of any laws of
21 the Philippines.

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

- 24 a. To the exclusive use of its registered name,
- 25 b. To sue and be sued;
- 26 c. Of succession;
- 27 d. To amend its Articles of Cooperation in accordance with the provisions of
28 this Code;
- 29 e. To adopt By-laws not contrary to law, morals or public policy, and to
30 amend and repeal the same in accordance with this Code;
- 31 f. To purchase, receive, take or grant, hold, convey, sell, lease, pledge,
32 mortgage, and otherwise deal with such real and personal property as the
33 transaction of the lawful affairs of the cooperative may reasonably and

1 necessarily require, subject to the limitations prescribed by law and the
2 Constitution;

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

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

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

8 j. To avail of loans, be entitled to credit, and to accept and receive grants,
9 donations, and assistance from foreign and domestic sources, subject to
10 the conditions of said loans, credits, grants, donations or assistance that
11 will not undermine the autonomy of the cooperative;

12 k. To avail of preferential rights granted to cooperatives under Republic Act
13 No. 7160, otherwise known as the Local Government Code, and other
14 laws, particularly those in the grant of franchises to establish, construct,
15 operate and maintain ferries, wharves, markets or slaughterhouses and
16 to lease public utilities, including access to extension and on-site research
17 services and facilities related to agriculture and fishery activities;

18 l. To establish and operate schools in all levels of the education system;

19 m. To exercise such other powers granted in this Code as shall be necessary
20 to carry out its purposes stated in its Articles of Cooperation.

21 **ART. 9. Organizing a Primary Cooperative.** - Five (5) to fifteen (15)
22 natural persons who are Filipino citizens, of legal age, having a common bond
23 of interest, and are residing or working in the intended area of operation, may
24 organize a primary cooperative under this Code. The cooperators must have
25 attended and completed a Pre-Registration Seminar (PRS) as a prerequisite for
26 registration.

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

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

33 **ART. 11. Liability of the Board of Directors and Officers.** - Directors,
34 officers and committee members, who willfully and knowingly vote for or assent
35 to patently unlawful acts, or who are guilty of gross negligence or bad faith in
36 directing the affairs of the cooperative, or acquire any personal or pecuniary

1. interest in conflict with their duty as such directors, officers or committee
2 members shall be liable jointly and severally for all damages or profits resulting
3 therefrom to the cooperative, members, and other persons.

4 When a director, officer, or committee member attempts to acquire or
5 acquires, in violation of his duty, any interest or equity adverse to the cooperative
6 in respect to any matter which has been reposed in him in confidence, he shall,
7 as a trustee for the cooperative, be liable for damages and shall be accountable
8 for double the profits which otherwise would have accrued to the cooperative.

9 **ART. 12. Term of existence of cooperative.** - A cooperative shall have
10 perpetual existence from the date of registration unless voluntarily dissolved or
11 the Certificate of Registration is cancelled for reasons provided under this Code
12 and its Implementing Rules and Regulations.

13 **ART. 13. Articles of Cooperation.** - All primary cooperatives applying
14 for registration shall present to the Authority the Certificate of Pre-Registration
15 Seminar and the Articles of Cooperation, signed by all cooperators and
16 acknowledged by them before a notary public.

17 In case of cooperative banks, insurance cooperatives, federations,
18 unions, tertiary cooperatives, or special types of cooperatives, the Articles of
19 Cooperation shall be acknowledged by its Chairpersons and Cooperative
20 Secretaries before a notary public. The Articles of Cooperation shall contain the
21 following provisions:

- 22 a. The name of the cooperative which shall include the word "Cooperative",
23 "Coop", "Koop", or "Koopratiba" and shall likewise specify the type of
24 cooperative;
- 25 b. The purpose or purposes and the economic activities for which the
26 cooperative is to be registered;
- 27 c. Powers and capacities;
- 28 d. The area of operation, the postal address of its principal office, and the
29 official electronic mail address of the cooperative;
- 30 e. The names, nationality, and the postal addresses of the cooperators;
- 31 f. The common bond of membership;
- 32 g. The list of names of the directors;
- 33 h. The amount of authorized, subscribed, and paid-up share capital, the
34 number of shares, and the par-value of each share, and the names of the
35 cooperators, except for cooperative unions;

- i. A statement as to whether the cooperative is a primary, secondary, tertiary, or special type of cooperative;
- j. The Articles of Cooperation may also contain any other provisions consistent with this Code or any related law.
- k. The Certificate of Authority from the appropriate government agency shall be included as part of the Articles of Cooperation.

ART. 14. By-laws. – Every cooperative to be registered under this Code shall adopt By-laws consistent with the provisions of this Code which shall be filed together with the Articles of Cooperation. The By-laws of each cooperative shall provide:

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

- 1 1. 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 m. Other matters incident to the purposes and activities of the cooperative.

5 **CHAPTER III. REGISTRATION**

6 **ART. 15. Requirements for Registration.** - The proposed Articles of
7 Cooperation, By-laws, and such other required documents shall be submitted
8 in accordance with the rules and regulations to be prescribed by the Authority.

9 Except for cooperative unions as described under Article 31 hereof, no
10 cooperative shall be registered unless the Articles of Cooperation is
11 accompanied with the bonds of the accountable officers and a sworn statement
12 of the Treasurer showing that at least twenty-five per centum (25%) of the
13 authorized share capital has been subscribed and at least twenty-five per
14 centum (25%) of the total subscription has been paid.

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

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

22 **ART. 16. Registration.** - A cooperative formed and organized under this
23 Code acquires juridical personality from the date the Authority issues a
24 Certificate of Registration under its official seal. All applications for registration
25 shall be finally disposed of by the Authority within a period of fifteen (15) days
26 from the filing of the complete documentary requirements, both in form and in
27 substance, otherwise the application is deemed approved, unless the cause of
28 the delay is justified as the case may be: *Provided*, That in case of a denial of
29 the application for registration, the applicant may file a Motion for
30 Reconsideration to the CDA Office denying the application. An appeal to the
31 CDA Board of Directors at the CDA Head Office may be filed within fifteen (15)
32 days from receipt of notice of denial of the Motion for Reconsideration. The
33 decision of the CDA Board of Directors shall be final and executory. Any appeal
34 on the CDA Board's decision may be submitted before the Court of Appeals.

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

1 **ART. 17. Certificate of Registration.** - A Certificate of Registration
2 issued by the Authority under its official seal shall be conclusive evidence that
3 the cooperative therein mentioned is duly registered unless it is proved that the
4 registration thereof has been cancelled or revoked.

5 **ART. 18. Amendment of Articles of Cooperation and By-laws.** -
6 Unless otherwise prescribed by this Code and for legitimate purposes, any
7 provision or matter stated in the Articles of Cooperation and By-laws may be
8 amended by two-thirds ($\frac{2}{3}$) vote of all the members entitled to vote, present and
9 constituting a quorum, without prejudice to the right of the dissenting
10 members to exercise their right to withdraw their membership under Article
11 39.

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

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

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

28 **ART. 19. Contracts Executed Prior to Registration and Effects**
29 **Thereof.** - Subject to the execution of a formal written contract made in the
30 cooperative's name or on its behalf prior to its registration, all contracts
31 executed prior to its registration between private persons and the cooperative
32 shall remain valid and binding between the parties in so far as it redounds to
33 the benefit of the cooperative.

34 **ART. 20. Effects of Failure to Operate or Comply with Conditions**
35 **on Registration.** - Failure of the cooperative to commence its authorized
36 business activity after two (2) years from the issuance of its Certificate of
37 Registration, its Certificate of Registration shall be deemed cancelled and it
38 shall be delisted from the registry of cooperatives.

39 **ART. 21. Division of Cooperatives.** - A registered cooperative, through
40 a resolution approved by a vote of two-thirds ($\frac{2}{3}$) of all the members entitled to

1 vote, present and constituting a quorum, may divide itself into two (2) or more
2 cooperatives. Such division of the cooperative shall be valid: *Provided*, That the
3 purpose of the division is not to defraud the creditors.

4 The dissenting members shall have the right to exercise their right to
5 withdraw their membership pursuant to Article 39.

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

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

11 **ART. 22. *Merger or Consolidation of Cooperatives.* –**

- 12 a. Two (2) or more cooperatives may merge into a single cooperative which
13 shall either be one of the constituent cooperatives or the consolidated
14 cooperative.
- 15 b. No merger or consolidation shall be valid unless approved by a two-thirds
16 ($\frac{2}{3}$) vote of all the members entitled to vote, present and constituting a
17 quorum of each of the constituent cooperatives at separate General
18 Assembly meetings. The dissenting members shall have the right to
19 exercise their right to withdraw their membership pursuant to Article 39.
- 20 c. The Authority shall issue the guidelines governing the procedure of merger
21 or consolidation of cooperatives. The merger or consolidation shall be
22 effective upon the issuance by the Authority of the Certificate of Merger,
23 or in the case of a consolidation of cooperatives, a new Certificate of
24 Registration.

25 **ART. 23. *Effects of Merger and Consolidation.*** - The merger and
26 consolidation of cooperatives shall have the following effects:

- 27 a. In case of merger of cooperatives, the constituent cooperatives shall
28 become a single cooperative or, in the case of consolidation of
29 cooperatives, the consolidated cooperative shall be the new cooperative.
- 30 b. The single cooperative and the consolidated cooperative, as the case may
31 be:
- 32 c. Shall possess all the assets, rights, privileges, immunities, and
33 franchises of each of the constituent cooperatives; and

- d. shall be responsible for all the liabilities and obligations of each of the constituent cooperatives.
- e. Any claim, action, or proceeding instituted by or against the constituent cooperative(s) may be continued by the single or consolidated cooperative, as the case may be.
- f. The merger or consolidation shall not impair the rights of creditors nor any lien upon the property of the constituent cooperatives.

CHAPTER V. TYPES AND CATEGORIES OF COOPERATIVES

ART. 24. *Clusters and Categories of Cooperatives.* -

- a. Clusters of Cooperatives - Cooperatives may fall under any of the following clusters based on their business activity:
- (1) *Credit, Finance, Banking, and Insurance Cluster* refers to cooperatives organized for the promotion of financial freedom and literacy among its members, and undertakes savings, lending, and other financial services to its members. This includes insurance cooperatives, credit surety fund cooperatives, and cooperative banks;
 - (2) *Consumers, Marketing, Producers, and Logistics Cluster* refers to cooperatives organized for the supply, procurement, and marketing of products of its members, industrial production, and non-agricultural business activity for the production and processing of raw materials or goods or its derivative;
 - (3) *Human Services, Health, Housing, Workers, and Labor Service Cluster* refers to cooperatives organized for providing employment and business opportunities to its members, housing and services related to medical, dental, health and wellness and death care, technology, including digital payment services;
 - (4) *Education and Advocacy Cluster* refers to cooperatives organized for the promotion and advocacy of cooperativism among its members and the public through socially-oriented projects, education and training, research and communication;
 - (5) *Agriculture, Agrarian, Aquaculture, Farmers, Dairy, and Fisherfolk Cluster* refers to cooperatives whose members are involved or engaged in the raising or culture of plants and animals, including the production and processing of agricultural produce and its derivatives. This includes cooperatives organized by agrarian reform beneficiaries, which includes

1 marginal farmers, for the purpose of developing a sustainable system of
2 land tenure, land development, land consolidation, or land
3 management.

4 (6) *Public Utilities Cluster* refers to cooperatives organized for the purpose
5 of undertaking electricity generation, utilizing renewable energy sources
6 including hybrid systems, acquisition and operation of sub-
7 transmission or distribution; operation and management of water
8 systems; land, air, and sea transportation services; and
9 communications services including telephone and digital
10 communications, for which a franchise or certificate of public
11 convenience and necessity has been duly issued by the appropriate
12 government agency;

13 b. Categories of Cooperative. Cooperatives shall be categorized as follows:

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

15 i. Primary - The members of which are natural persons;

16 ii. Secondary - The members of which are primary cooperatives;

17 iii. Tertiary - The members of which are secondary cooperatives;

18 iv. Special - The membership of which does not fall under the preceding
19 categories, as determined and approved by the Authority under this
20 Code and its Implementing Rules and Regulations

21 (2) In terms of territory, cooperatives shall be categorized according to
22 areas of operations.

23 **CHAPTER VI. FEDERATION OF COOPERATIVES**

24 **ART. 25. Area of Coverage.** - A federation of cooperatives may be
25 organized at the municipal/city, district or provincial level, regional, inter-
26 regional or national levels while a tertiary federation may be organized in the
27 regional, inter-regional or national levels only.

28 **ART. 26. Members of a Federation of Cooperatives.** - Members of a
29 federation of cooperatives shall consist of cooperatives engaged in the same line
30 or type of business as specified in its Articles of Cooperation and By-laws.

31 The minimum number of members shall be at least ten (10) primary
32 cooperatives for a federation of cooperatives and at least ten (10) secondary
33 cooperatives for a tertiary federation of cooperatives.

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

7 The minimum paid-up share capital for a federation of cooperatives shall
8 be One Million Pesos (P1,000,000.00). For tertiary federation of cooperatives,
9 the minimum paid-up share capital is Five Million Pesos (P5,000,000.00).

10 **ART. 28. Registration of Federation of Cooperatives.** – A federation
11 and a tertiary federation of cooperatives shall be registered with the Authority.

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

- 14 a. To carry on any cooperative enterprise authorized under Article 5 that
15 complements, augments, or supplements but does not conflict, compete
16 with, nor supplant the business or economic activities of its members;
- 17 b. To carry on, encourage, and assist educational and advisory work relating
18 to the business activities of its members;
- 19 c. To render services designed to encourage simplicity, efficiency, and
20 economy in the conduct of the business of its member cooperatives and to
21 facilitate the implementation of their bookkeeping, accounting, and other
22 systems and procedures;
- 23 d. To print, publish, and circulate any newspaper or other publication in the
24 interest of its member-cooperatives and enterprises;
- 25 e. To coordinate and facilitate the activities of its member-cooperatives;
- 26 f. To enter into joint ventures with local or international cooperatives in the
27 manufacture and sale of products in the Philippines and abroad;
- 28 g. To mandatorily act as conciliator-mediator in inter-intra cooperative
29 disputes among and between the members and officers of primary
30 cooperatives;
- 31 h. To assist members in the submission of the required reports and other
32 compliances to the Authority and other government or regulatory bodies;
- 33 i. To act as liquidator or assist in the liquidation of the remaining assets of
34 dissolved/cancelled primary cooperative members;

- j. To develop programs on education, training, monitoring, coaching, research, and advocacy which complements, augments, and supplements the businesses of their members; and
- k. To assist the Authority in ensuring the compliance of its member-cooperatives with the laws, regulations, policies, and inspection/examination findings of government regulatory agencies.

ART. 30. Special Types of Federations. - Primary cooperatives that are not in the same line of business may organize a special type of federation for the purpose of delivering the following exclusive services:

- a. Water supply system services;
- b. Healthcare services;
- c. Deathcare services;
- d. Technology services;
- e. Digital payment services; and
- f. Deposit insurance services

Primary cooperatives who federate under this Article are prohibited from engaging in any other business activity not related to the preceding services.

CHAPTER VII. COOPERATIVE UNIONS

ART. 31. Organization and Purposes of a Cooperative Union. - All registered cooperatives and federations at the appropriate levels shall organize or join cooperative unions to represent the interest and welfare of all types of cooperatives. Cooperative unions may have the following purposes:

- a. To represent its member organizations;
- b. To acquire, analyze, and disseminate, economic, statistical, and other information relating to its members and to all types of cooperatives within its area of operation;
- c. To sponsor studies in the economic, legal, financial, social and other phases of cooperation, and publish the results thereof;
- d. To conduct trainings to member-cooperatives as an accredited training provider;

- e. To promote the knowledge of cooperative principles and practices;
- f. To develop the cooperative movement;
- g. To assist the national and local government units in cooperative development activities within their respective jurisdiction;
- h. To assist in the dissemination and monitoring of the Philippine Cooperative Medium Term Plan;
- i. To assist members in the submission of the required reports and other compliances to the Authority and other government or regulatory bodies;
- j. Upon written request of the Authority, to assist the Authority in the performance of its power of inspection/examination by way of providing relevant information, such as, but not limited to, research, reports, and financial records necessary to the inspection and/or examination;
- k. To advise the appropriate authorities on all questions relating to cooperatives;
- l. To act as liquidators or rendering assistance in the liquidation of the remaining assets of dissolved/cancelled primary cooperative members;
- m. To do and perform such other non-business activities as may be necessary to attain the foregoing objectives.

ART. 32. Sources of Funds for Cooperative Unions. - The funds of a cooperative union shall be sourced from the membership fees, dues and contributions, remitted cooperative education and training fund (CETF) from member-cooperatives, donations/grants, and subsidies from local and foreign sources, whether private or public.

ART. 33. Prohibited Practices and Activities of Cooperative Unions.
- Cooperative unions shall be prohibited from:

- a. Engaging in any business activity;
- b. Treating the remitted CETF as income;
- c. Distributing its fund balance to its members;
- d. Accepting training fees during the conduct of trainings;
- e. Competing with, or superseding the training activities of its members;
- f. Engaging in any fundraising activities;

- 1 g. Using any part of its fund for any purpose other than the purposes stated
2 in the Articles of Cooperation; and
- 3 h. Engaging in any activity which is contrary to law, morals, public order, or
4 public policy.

5 **CHAPTER VIII. MEMBERSHIP**

6 **ART. 34. *Membership.*** - All members of cooperatives shall be regular
7 members, except as provided in Article 123, Chapter XXII of this Code.

8 A regular member is a person who has complied with all the
9 qualifications of membership including the Pre-Membership Education
10 Seminar and shall be entitled to all the rights and privileges of membership.

11 **ART. 35. *Qualifications of Membership.*** -

- 12 a. Primary Cooperative – members of registered primary cooperatives must
13 be natural persons, Filipino citizens, of legal age, with capacity to enter
14 into a contract, within the common bond of membership and area of
15 operation, and must possess the qualifications and none of the
16 disqualifications provided for in the By-laws. A member must have
17 completed the Pre-Membership Education Seminar (PMES).
- 18 b. Secondary Cooperative – only registered primary cooperatives shall be
19 members of a secondary cooperative.
- 20 c. Tertiary Cooperative – only registered secondary cooperatives shall be
21 members of a tertiary cooperative.
- 22 d. Special Types of Cooperatives - members are either natural persons,
23 juridical persons, and/or registered primary and secondary cooperatives.

24 **ART. 36. *Government Officers and Employees.*** -

- 25 a. All elective officials of the Government shall be ineligible to become officers
26 of cooperatives: *Provided*, That the disqualification does not extend to a
27 party list representative being an officer of the cooperative he or she
28 represents;
- 29 b. Employees of the Authority are allowed to become a member of any
30 cooperative. However, they shall be disqualified to be elected or appointed
31 as an officer, except for cooperatives organized among themselves;
- 32 c. Any government employee or official may, in the discharge of his/her
33 duties as a member in the cooperative, be allowed by the head of office

concerned to use official time for attendance at the General Assembly, Board, and committee meetings including cooperative seminars, conferences, workshops, technical meetings, and training courses locally or abroad.

ART. 37. Application. - An application for membership shall be acted upon by the Board of Directors within the period fixed in the By-laws but not later than thirty (30) days. Otherwise, the application for membership shall be deemed approved, subject to the condition that the applicant has submitted his/her duly accomplished application and has paid the membership fees to the cooperative.

In case membership is denied by the Board of Directors, an appeal may be made to the General Assembly through the Election Committee, sitting as the appeals and grievance body, within fifteen (15) days after receipt of the notice of denial and the latter's decision shall be final.

If the committee fails to decide within the prescribed period, the appeal is deemed approved in favor of the applicant.

ART. 38. Liability of Members. - A member shall be liable for the debts of the cooperative to the extent of his subscription to the share capital of the cooperative.

ART. 39. Termination of Membership. -

- a. A member of a cooperative may withdraw membership from the cooperative by giving written notice to the Board of Directors which shall be acted upon within thirty (30) days from receipt of said notice.
- b. The death or insanity of a member in a primary cooperative, and the insolvency or dissolution/cancellation of a member in a secondary or tertiary cooperative shall be considered valid grounds for termination of membership: *Provided*, That in the case of death or insanity of an agrarian reform beneficiary-member of a cooperative, the qualified next-of-kin may assume the duties and responsibilities of the original member;
- c. Termination of membership in the cooperative shall be initiated through the filing of a complaint before the ethics committee of the cooperative. The committee shall recommend to the Board of Directors the termination of membership for any of the following causes:
 - (1) When a member has not patronized any services of the cooperative for an unreasonable period of time as provided in the By-laws;
 - (2) When a member has continuously failed to comply with the other obligations as provided for in the By-laws;

1 (3) When a member has acted in violation of the By-laws and the policies
2 of the cooperative;

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

5 (5) When a member has been declared as a member not in good standing
6 for a period of two (2) consecutive years.

7 Membership in the cooperative may be terminated by a vote of the
8 majority of all the members of the Board of Directors. A member whose
9 membership the Board of Directors may wish to terminate shall be informed of
10 such intended action in writing and shall be given an opportunity to be heard.
11 The decision of the Board shall be in writing and shall be communicated in
12 person, by registered mail, or by electronic mail to said member and shall be
13 appealable within thirty (30) days from receipt thereof to the General Assembly.

14 An appeal may be made to the General Assembly through the Election
15 Committee, sitting as the appeals and grievance body, within thirty (30) days
16 after receipt of the appeal, and the latter's decision shall be final. When the
17 committee fails to decide within the prescribed period, the appeal is deemed
18 approved in favor of the member. Pending a final decision, the membership
19 shall remain in force.

20 **ART. 40. Refund of Interests.** - All sums computed in accordance with
21 the By-laws due from a cooperative to a former member shall be paid to the
22 member by the cooperative, in accordance with this Code and as prescribed in
23 the Implementing Rules and Regulations: *Provided*, That such refund shall not
24 be made if upon such payment, the value of the assets of the cooperative would
25 be less than the aggregate amount of its debts and liabilities exclusive of the
26 members' share capital contribution.

27 **CHAPTER IX. ADMINISTRATION**

28 **ART. 41. Composition of the General Assembly/Representative**
29 **Assembly.** - The General Assembly shall be composed of the full membership
30 of the cooperative duly assembled, exercising all the rights and performing all
31 the obligations pertaining to cooperatives, as provided in this Code, and in its
32 Articles of Cooperation and By-laws.

33 For cooperatives with numerous and dispersed membership, the
34 Representative Assembly shall be the full membership of the body of
35 representatives elected by each of the sector, chapter, or district of the
36 cooperative duly assembled for the purpose of exercising such powers lawfully

1 delegated unto them by the General Assembly in accordance with the rules and
2 regulations of the Authority.

3 **ART. 42. Powers of the General Assembly/Representative Assembly.**

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

- 9 a. To determine and approve amendments to the Articles of Cooperation and
10 By-laws;
- 11 b. To elect or appoint the members of the Board of Directors, and to remove
12 them for cause. However, in the case of the electric cooperatives registered
13 under this Code, election of the members of the Board shall be held in
14 accordance with the By-laws or election guidelines of such electric
15 cooperative; and
- 16 c. To approve developmental plans, annual plans, and budgets of the
17 cooperative.
- 18 d. To approve or disapprove proposals from the Board of Directors pertaining
19 to all external borrowings, investments, grants, donations and other
20 financial assistance; and
- 21 e. To decide membership issues within the cooperative.

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

27 **ART. 43. Meetings. -**

- 28 a. The General Assembly shall conduct a regular annual meeting on a date
29 fixed in the By-laws, which shall be within ninety (90) days for primary
30 cooperatives and within one hundred eighty (180) days for secondary,
31 tertiary, and special types of cooperatives after the close of each calendar
32 year: *Provided*, That notice of regular meetings shall be sent in writing, by
33 posting or publication, or through other electronic means to all members
34 of record.
- 35 b. Whenever necessary, a special meeting of the General Assembly may be
36 called at any time by a majority vote of the Board of Directors or as
37 provided for in the By-laws: *Provided*, That a notice in writing shall be sent
38 one (1) week prior to the meeting to all members who are entitled to vote.

1 However, a special meeting shall be called by the Board of
2 Directors upon petition of at least ten per centum (10%) of the total
3 members who are entitled to vote, to transact specific business after
4 compliance with the required notice.

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

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

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

15 (2) Approval of business plans and annual budget; and

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

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

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

23 **ART. 44. Mode of Conducting Regular or Special Assembly**
24 **Meetings.** - Regular and special assembly meetings may be conducted in any
25 of the following manner:

26 a. Duly assembled in one venue, wherein the meetings are held on the same
27 day;

28 b. Simultaneously, wherein the meetings are held on the same day; or

29 c. Sequentially, wherein the meetings are held for a certain number of days
30 and adjournment will be done on the last day.

31 The conduct of sequential General Assembly meetings shall not exceed
32 sixty (60) days from the opening of the meeting up to its adjournment.

33 As a general rule, assembly meetings shall be conducted in a manner
34 provided in the cooperative's By-laws. However, due to technological

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

12 **ART. 45. Quorum.** - Unless a higher requirement is provided in the
13 cooperative By-laws, a quorum shall consist of at least twenty-five per centum
14 (25%) of all the members entitled to vote: *Provided*, That special types of
15 cooperatives regulated by other agencies shall follow the minimum quorum
16 requirement as may be prescribed by pertinent laws: *Provided, further*, That the
17 quorum for Representative Assembly shall be in no case lower than twenty-five
18 per centum (25%) as provided for in the By-laws of the cooperative approved as
19 the Authority.

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

23 In the conduct of sequential General Assembly meetings, cooperatives shall
24 be required to muster the quorum in any of the following manner:

- 25 a. Quorum shall be determined and declared for each of the number of days
26 scheduled for the conduct of General Assembly meeting until adjournment
27 on the last day;
- 28 b. Quorum shall be determined and declared on the day the percentage
29 required is achieved; or
- 30 c. Quorum shall be determined and declared on the day prior to the
31 adjournment.

32 **ART. 46. Voting System.** - Each member of a primary cooperative shall
33 have only one (1) vote regardless of the amount of member's share capital. In
34 the case of members of secondary, tertiary or special types of cooperatives, they
35 shall have one (1) basic vote and as many incentive votes as provided for in the
36 By-laws but not to exceed five (5) votes. The votes cast by the delegates shall
37 be deemed as votes cast by the members thereof.

38 However, the By-laws of a cooperative, other than a primary cooperative,
39 may provide for voting by proxy. Voting by proxy means allowing a delegate of

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

3 **ART. 47. Composition and Term of the Board of Directors.** - The
4 Board of Directors shall be composed of not less than five (5) nor more than
5 fifteen (15) members elected by the General Assembly for a term of two (2) years
6 and shall hold office until their successors are duly elected and qualified, or
7 until duly removed for cause. However, no director shall serve for more than
8 three (3) consecutive terms.

9 **ART. 48. Powers of the Board of Directors.** - The Board of Directors
10 shall be responsible for the strategic planning, direction-setting and policy-
11 formulation activities of the cooperatives.

12 **ART. 49. Directors. -**

- 13 a. Any member of a cooperative who has the right to vote and be voted upon
14 who possesses all the qualifications and none of the disqualifications
15 provided in this Code or in its By-laws shall be eligible for election as
16 director.
- 17 b. The cooperative may, by resolution of its Board of Directors, admit as
18 directors, or committee member one appointed by any financing
19 institution from which the cooperative received financial assistance solely
20 to provide technical knowledge not available within its membership. Such
21 director or committee member need not be a member of the cooperative
22 and shall have no powers, rights, nor responsibilities except to provide
23 technical assistance as required by the cooperative.
- 24 c. The members of the Board of Directors shall not hold any other position
25 directly involved in the day to day operation and management of the
26 cooperative.
- 27 d. Any person engaged in a business similar to that of the cooperative or who
28 in any way has a conflict of interest with it, is disqualified from election as
29 a director of said cooperative.
- 30 e. Any member of the Board of Directors shall not hold any other elective or
31 appointive positions, in the same cooperative, other than oversight
32 functions as defined in the implementing rules and regulations to be
33 promulgated by the Authority.

34 **ART. 50. Meeting of the Board and Quorum Requirement. -**

- 35 a. In the case of primary cooperatives, regular meetings of the Board of
36 Directors shall be held at least once a month.

- 1 b. Special meetings of the Board of Directors may be held at any time upon
2 the call of the chairperson or a majority of the members of the Board. In
3 case a special meeting is called by the Chairperson, written notice shall
4 be given three (3) days prior the date of said meeting. On the other hand,
5 if the special meeting is called by a majority of the Board, a prior written
6 notice to other members of the Board at least one (1) day before the
7 intended date of the special meeting will suffice. Notices may be sent
8 through electronic means or to the official contact number or email
9 account of the officers.
- 10 c. A majority of the members of the Board shall constitute a quorum or the
11 conduct of business, unless the By-laws provides otherwise.
- 12 d. Directors cannot attend or vote by proxy at Board meetings.
- 13 e. Cooperatives may opt to allow meetings of the Board of Directors and
14 members of the different committees of cooperatives may be conducted
15 either through physical attendance or videoconferencing, subject to the
16 rules on sending of notices, quorum, and voting requirements as provided
17 for in the By-laws. In the conduct of meetings through videoconferencing,
18 cooperatives shall adopt their own policies and procedures which shall be
19 included in their By-laws.

20 **ART. 51. Vacancy in the Board of Directors.** - Any vacancy in the
21 Board of Directors, other than by expiration of term or an increase in the
22 number of Board of Directors, may be filled by the vote of at least a majority of
23 the remaining directors, if still constituting a quorum; otherwise, the vacancy
24 must be filled by the General Assembly in a special meeting called for the
25 purpose which must be held not later than thirty (30) days from the time the
26 vacancy occurs or during the regular meeting, whichever comes earlier. A
27 director so elected to fill a vacancy shall serve only the unexpired term of
28 his/her predecessor in office.

29 In case of vacancy of the entire Board of Directors or failure of the
30 General Assembly to call a meeting, the Authority shall compel the cooperative
31 through the Election Committee to call for a special General Assembly meeting
32 for purposes of electing a new set of Board of Directors. In the absence thereof,
33 the General Assembly may appoint an Ad Hoc Committee who shall be
34 responsible in conducting a special General Assembly meeting.

35 **ART. 52. Officers of the Cooperative.** - The officers of the cooperative
36 shall include the members of the Board of Directors, members of the different
37 committees created by the General Assembly, General Manager or Chief
38 Executive Officer, Secretary, Treasurer, and other officers as may be provided
39 for in their By-laws. As such they are entrusted with the power of exercising

1, authority within the scope of their defined functions which shall include the
2 exercise of control and discretion in the performance of their duties.

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

6 The Board of Directors is prohibited to appoint as officers any person
7 related to them up to the fourth civil degree of consanguinity or affinity. Neither
8 shall the appointive officers be related to each other up to the fourth civil degree
9 of consanguinity or affinity. Further, no officer shall engage in a business
10 similar to that of the cooperative nor in any other manner has interests in
11 conflict with the cooperative.

12 **ART. 53. Committees of Cooperatives. -**

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

23 Unless otherwise provided in the By-laws, the Board, in case of a vacancy
24 in the committees, may call an election to fill the vacancy or appoint a person
25 to fill the same subject to the provision that the person elected or appointed
26 shall serve only for the unexpired portion of the term.

27 **ART. 54. Functions, Responsibilities and Training Requirements of**
28 **Directors, Officers and Committee Members. -** The functions and
29 responsibilities of directors, officers and committee members, as well as their
30 training requirements, shall be prescribed in the cooperative's By-laws in
31 accordance with the rules and regulations issued by the Authority.

32 **ART. 55. Liability of Directors, Officers and Committee Members. -**
33 Directors, officers and committee members, who willfully and knowingly vote
34 for or assent to patently unlawful acts or who are guilty of gross negligence or
35 bad faith in directing the affairs of the cooperative or acquire any personal or
36 pecuniary interest in conflict with their duty as such directors, officers or
37 committee members shall be liable jointly and severally for all damages or
38 profits resulting therefrom to the cooperative, members, and other persons.

1 When a director, officer or committee member attempts to acquire or
2 acquires, in violation of his/her duty, any interest or equity adverse to the
3 cooperative in respect to any matter which has been reposed in him/her in
4 confidence, he shall, as a trustee for the cooperative, be liable for damages and
5 shall be accountable for double the profits which otherwise would have accrued
6 to the cooperative.

7 **ART. 56. Compensation and Other Emoluments. –**

- 8 a. In the absence of any provisions in the By-laws fixing their compensation,
9 the directors shall not receive any compensation except for reasonable *per*
10 *diems*: *Provided*, That no additional compensation other than *per diems*
11 shall be paid during the first year of existence of any cooperative: *Provided*,
12 *further*, That entitlement to *per diem* shall be limited to attendance to two
13 (2) meetings in a month, regardless of the number of meetings conducted:
14 *Provided, finally*, That no increase in compensation shall take effect during
15 the term of the incumbent Board of Directors approving such increase.
- 16 b. The compensation of officers of the cooperative as well as the members of
17 the committee as well as the members of the committees created pursuant
18 to this Code or its By-laws may be fixed in the By-laws.
- 19 c. Unless already fixed in the By-laws, the compensation of all other
20 employees shall be determined by the Board of Directors in accordance
21 with the Regional Tripartite Wage (RTW) Board.

22 **ART. 57. Dealings of Directors, Officers, or Committee Members. -**

23 A contract entered into by the cooperative with one (1) or more of its directors,
24 or their spouses and relatives within the third civil degree of consanguinity or
25 affinity, is voidable, at the option of the cooperative, unless the first three (3)
26 conditions are present:

- 27 a. That the presence of such director in the Board meeting wherein contract
28 was approved was not necessary to constitute a quorum for such meeting;
- 29 b. That the vote of such director was not necessary for the approval of the
30 contract;
- 31 c. That the contract is fair, reasonable, and beneficial to the cooperative
32 under the circumstances; and
- 33 d. That in the case of an officer or committee member, the contract with the
34 officer or committee member, or their spouses and/or relatives within the
35 third civil degree of consanguinity or affinity, has been previously
36 authorized by the General Assembly or by the Board of Directors.

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

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

9 For contracts entered into with officers and/or committee members, only
10 the conditions set forth in paragraphs (c) and (d) of this Article shall apply.

11 **ART. 58. Disloyalty of a Director and Other Officers of the**
12 **Cooperative.** - A director or other officers of the cooperative who, by virtue of
13 such office, directly or indirectly acquires for themselves an opportunity which
14 should belong to the cooperative shall be liable for damages and must account
15 for double the profits that otherwise would have accrued to the cooperative by
16 refunding the same. This provision shall be applicable, notwithstanding the
17 fact that the director or other officers of the cooperative used their own funds
18 to acquire such opportunity.

19 **ART. 59. Illegal Use of Confidential Information. -**

20 a. A director or officer, or any person conspiring or conniving with that
21 director or officer, who, for his/her benefit or advantage or that of an
22 associate, makes use of confidential information that, if generally known,
23 might reasonably be expected to adversely affect the operation and
24 viability of the cooperative, shall be held:

25 (1) Liable to compensate the cooperative for the direct losses suffered by
26 the cooperative as a result of the illegal use of information; and

27 (2) Accountable to the cooperative for any direct benefit or advantage
28 received or yet to be received by him/her or his/her associate, as a
29 result of the transaction.

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

32 **ART. 60. Removal.** - All officers shall serve during good behavior and
33 shall not be removed, except for cause after due notice and hearing as provided
34 in their internal policies. Loss of trust and confidence in the performance of
35 their duties shall be a valid ground for removal: *Provided*, That due process is
36 observed.

1 All complaints for the removal of any elected officer shall be filed with the
2 Board of Directors. Such officers shall be given the opportunity to be heard.
3 Majority of the Board of Directors may place the officer concerned under
4 preventive suspension as may be provided in their internal policies, subject to
5 the length of the investigation. Upon finding *prima facie* evidence of guilt, the
6 Board shall present its recommendation for removal to the General Assembly.

7 Such elected officers may be removed by three-fourths ($\frac{3}{4}$) votes of the
8 members entitled to vote present and constituting a quorum, in a regular or
9 special General Assembly meeting called for the purpose. The officer concerned
10 shall be given an opportunity to be heard at said assembly.

11 In cases involving the removal of a member of the Board of Directors, a
12 complaint may be filed with the Authority in accordance with the Implementing
13 Rules and Regulations to be promulgated by the Authority.

14 In cases involving the removal of any appointive officer, a complaint shall
15 be filed with the ethics committee of the cooperative, which shall submit its
16 recommendation to the Board of Directors for proper action. In the case of
17 removal of the General Manager or the Chief Executive Officer or its
18 counterpart positions, a complaint may be filed before the Authority in cases
19 provided under the rules and regulations issued by the Authority.

20 **CHAPTER X. RESPONSIBILITIES, RIGHTS AND PRIVILEGES OF** 21 **COOPERATIVES**

22 **ART. 61. Address.** - Every cooperative shall have an official postal
23 address where the principal office is located and an electronic mail address to
24 which all communications, reports, notices, and summons may be served, and
25 where all other documents required by the Authority shall be submitted. The
26 Articles of Cooperation and the By-laws shall be amended accordingly should
27 there be a change in the official postal and electronic mail addresses of the
28 cooperative.

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

31 **ART. 62. Books to be Kept Open. –**

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

- 36 (1) A copy of this Code and all other laws pertaining to cooperatives;

- (2) A copy of the Implementing Rules and Regulations of the Authority;
- (3) A copy of the Articles of Cooperation and By-laws of the cooperative;
- (4) A registry of members;
- (5) The books of the minutes of the meetings of the General Assembly, Board of Directors and committees;
- (6) Except for Cooperative Union, a share and transfer book;
- (7) Financial statements and other financial records; and
- (8) Such other documents as may be prescribed by the Authority, laws, and the By-laws.

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

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

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

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

1 **ART. 63. Reports.** - Every cooperative shall prepare an annual progress
2 report with the necessary attachments as may be prescribed by the Authority
3 at the end of every calendar year. The reports shall be made accessible to its
4 members, and copies thereof shall be available upon request of members on
5 record during reasonable office hours. These reports shall be filed with the
6 Authority within one hundred twenty (120) days from the end of the calendar
7 year. The form and contents of the reports shall be as prescribed by the rules
8 of the Authority. Failure to file the required reports on time shall subject the
9 accountable officer/s to fines and penalties as may be prescribed by the
10 Authority. Failure to file the required reports despite notice shall be a ground
11 for the suspension/cancellation of the Certificate of Registration of the
12 cooperative, subject to the guidelines to be issued by the Authority.

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

19 **ART. 64. Registry of Members as Prima Facie Evidence.** - A registry
20 of members kept by any registered cooperative shall be *prima facie* evidence of
21 the following particulars entered therein:

- 22 a. The date on which the name of any person was entered in such registry or
23 list of members; and
- 24 b. The date on which any such person ceased to be a member.

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

27 **ART. 65. Probative Value of Certified Copies of Entries.** - A copy of
28 any entry in any book, registry or list regularly kept in the course of business
29 in the possession of a cooperative shall, if duly certified in accordance with the
30 rules of evidence, be admissible as evidence of the existence of entry and *prima*
31 *facie* evidence of the matters and transactions therein recorded.

32 No cooperative or person in possession of the books of such cooperative
33 shall, in any legal proceedings to which the cooperative is not a party, be
34 compelled to produce any of the books of the cooperative, the contents of which
35 can be proved and the matters, transactions and accounts therein recorded,
36 unless by order of the Authority in the exercise of its adjudicatory powers or a
37 competent court.

38 **ART. 66. Bond of Accountable Officers.** - Every director, officer, and
39 employee handling funds, securities or property on behalf of any cooperative

shall be covered by a surety bond to be issued by a duly registered insurance or bonding company for the faithful performance of their respective duties and obligations. The Board of Directors shall determine the adequacy of such bonds. However, the cooperative is not precluded from securing other insurance policies to protect from losses of monies, securities, and other property from employees who have a manifest intent to cause the cooperative loss.

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

ART. 67. Preference of Claims. –

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

ART. 68. Instrument for Salary or Wage Deduction. –

- a. A member of a cooperative shall, notwithstanding the provisions of existing laws to the contrary, execute an instrument in favor of the cooperative authorizing his/her employer to deduct from his/her salary or wages, commutation of leave credits and any other monetary benefits payable to him/her by the employer and remit such amount as maybe specified in satisfaction of a debt, share capital contribution, or other demand due from the member to the cooperative.
- b. Upon the execution of such instrument and as may be required by the cooperative contained in a written request, the employer shall make the deduction in accordance with the agreement and deduction in accordance with the agreement and remit forthwith the amount so deducted within

ten (10) days after the end of the payroll month to the cooperative. The employer shall make the deduction for as long as such debt or other demand remains unpaid by the employee.

c. The term “employer” as used in this Article shall include all private firms and the national and local governments, government-owned and controlled corporations, government instrumentalities with corporate powers, government corporate entities, or government financial institutions that employ a member of a cooperative and have agreed to carry out the terms of the instrument mentioned in paragraphs (a) and (b) of this Article.

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

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

ART. 69. Primary Lien. – Notwithstanding the provision of any law to the contrary, a cooperative shall have primary lien upon the capital, deposits, or interests of a member for any debt due to the cooperative from such a member.

ART. 70. Tax Treatment of Cooperatives. – For purposes of taxation, cooperatives duly registered under this Code shall be classified according to the extent of tax exemptions granted:

a. Duly registered cooperatives under this Code which transact business with members only; and

b. Duly registered cooperatives under this Code which transacts business with both members and non-members are further sub-classified in accordance with the following:

(1) Cooperatives whose Reserve Funds have an existing balance of not more than One Hundred Million pesos (P100,000,000.00); and

(2) Cooperatives whose Reserve Funds have an existing balance of more than One Hundred Million pesos (P100,000,000.00).

ART. 71. Tax and Other Exemptions. - Duly registered cooperatives falling under paragraph (a) of the preceding Article, regardless of the amount

of Reserve Fund, shall not be subject to any taxes, fees, and charges imposed under the internal revenue laws and other tax laws.

Duly registered cooperatives transacting business with both members and non-members shall not be subjected to tax on their transactions with members. In relation to this, the transactions of members with the cooperative shall not be subject to any taxes, fees, and charges, including but not limited to final taxes on members' share capital and deposits and corresponding documentary stamp tax.

Notwithstanding the provisions of any law or regulation to the contrary, such cooperatives dealing with non-members shall enjoy the following tax exemptions:

- a. Duly registered cooperatives whose Reserve Funds have an existing balance of not more than One Hundred Million pesos (P100,000,000.00) shall be exempt from all national internal revenue taxes, fees, and charges of whatever name and nature.

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

- b. Duly registered cooperatives whose Reserve Funds have an existing balance of more than One Hundred Million pesos (P100,000,000.00) shall pay the following taxes at the full rate:

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

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

- (i) Sales by Agriculture Cooperatives duly registered with the Authority to their members as well as sale of their produce, whether in its original state or processed form, to non-members; their importation of direct farm inputs, machineries and equipment, including spare

1, parts thereof, to be used directly and exclusively in the production
2 and/or processing of their produce, and their resale to other
3 Agriculture Cooperatives;

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

6 (iii) Sales by non-agricultural, non-electric and non-credit cooperatives
7 duly registered with the Authority: *Provided*, That the share capital
8 contribution of all members does not exceed Fifteen thousand pesos
9 (P15,000) each and regardless of the aggregate capital and net
10 surplus ratably distributed among the members; and

11 (iv) Electric cooperatives duly registered with the Authority shall be
12 exempt from VAT on revenues on systems loss and VAT on revenues
13 on distribution, supply, metering, and lifeline subsidy of electricity to
14 their members;

15 *Provided*, That the exempt transactions in the foregoing shall include
16 sales made by cooperatives duly registered with the Authority
17 organized and operated by their members to undertake the
18 production and processing of raw materials or of goods produced by
19 their members into finished or process products for sale by the
20 cooperatives to their members and non-members: *Provided, however*,
21 That any processed product or its derivative arising from the raw
22 materials produced by their members, sold in the name and for the
23 account of the cooperative: *Provided, further*, That at least twenty-five
24 per centum (25%) of the net income of the cooperatives is returned to
25 the members in the form of interest and/or patronage refunds:
26 *Provided, finally*, That VAT and e-VAT shall not be imposed for the
27 purchase of modernized vehicles, machineries, equipment, batteries,
28 accessories, spare parts, petroleum products, and/or motor fuels by
29 transport cooperatives whether imported, locally manufactured, or
30 produced; and

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

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

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

38 c. All duly registered cooperatives shall be exempt from payment of local
39 taxes, fees and charges whether barangay, municipal, city, or provincial

taxes and taxes on transactions with banks and insurance companies. The Authority shall furnish the Municipal, City, or Provincial Assessor's Office a certified list of duly registered cooperatives as basis of their removal from the Assessment Rolls;

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

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

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

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

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

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

ART. 72. Issuance of Certificate of Tax Exemption for Cooperatives.

- The Authority shall furnish the Bureau of Internal Revenue (BIR) a certified endorsement of a list of cooperatives in good standing and compliant with the reportorial requirements of the Authority that serves as basis for the *motu proprio* issuance of a Certificate of Tax Exemption.

1 **ART. 73. Privileges of Cooperatives.** - Cooperatives registered under
2 this Code, notwithstanding the provisions of any law to the contrary, be also
3 accorded the following privileges:

- 4 a. Cooperatives shall enjoy the privilege of depositing their sealed cash boxes
5 or containers, documents or any valuable papers in the safes of the
6 municipal or city treasurers and other government offices free of charge,
7 and the custodian of such articles shall issue a receipt acknowledging the
8 articles received duly witnessed by another person;
- 9 b. Cooperatives organized among government employees, notwithstanding
10 any law or regulation to the contrary, shall enjoy the free use of any
11 available space in their agency, whether owned or rented by the
12 Government;
- 13 c. Cooperatives rendering special types of services and facilities such as cold
14 storage, ice plant, electricity, transportation, water, communications, and
15 similar services and facilities shall be given preference in the grant of a
16 franchise or certificate therefor: *Provided*, That such cooperatives shall
17 open their membership to all persons qualified in their areas of operation.
18 In case there are two (2) or more applicants for the same public service
19 franchise or certificate of public convenience and necessity, all things
20 being equal, preference shall be given to a cooperative engaged in public
21 services;
- 22 d. In areas where there are Agriculture Cooperatives, at least fifty per centum
23 (50%) of the supply, of the government institutions, Local Government
24 Units and agencies, which includes but is not limited to rice, corn, grains,
25 fish and other marine products, meat, eggs, milk, vegetables, and other
26 agricultural commodities such as fertilizers, seeds and other agricultural
27 inputs and implements, shall be sourced from such cooperatives;
- 28 e. Preferential and equitable treatment in the allocation or control of
29 bottomries of commercial shipping vessels in connection with the
30 shipment of goods and products of cooperatives;
- 31 f. Cooperatives and their federations engaged in the production and/or the
32 marketing of products from agriculture, fisheries and small
33 entrepreneurial industries, shall have preferential rights in the
34 management of public markets and/or lease of public market facilities,
35 stalls or spaces, slaughterhouses, and/or cold storage facilities: *Provided*,
36 That these rights shall only be utilized exclusively by cooperatives:
37 *Provided, further*, That no cooperative forming a joint venture, partnership
38 or any other similar arrangement with a non-cooperative entity can utilize
39 these rights;

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

6 The Philippine Deposit Insurance Corporation (PDIC) and other
7 government agencies, government-owned and controlled corporations,
8 and government financial institutions shall provide technical assistance
9 to registered national federations of cooperatives which have significant
10 engagement in savings and credit operations in order for these federations
11 to establish and/or strengthen their own cooperative deposit insurance
12 systems;

13 h. A public transport service cooperative may be entitled to financing support
14 for the acquisition and/or maintenance of land, sea, and air transport
15 equipment, facilities and parts through the program of the Government
16 Financial Institutions. It shall have the preferential right to the
17 management and operation of public terminals and ports whether land,
18 sea, or air transport, wharves, including arrastre and stevedoring services,
19 where the cooperative operates and on securing a franchise for active or
20 potential routes for the public transport;

21 i. Cooperatives transacting business with the Government of the Philippines
22 or any of its political subdivisions or any of its agencies or
23 instrumentalities, including government-owned and controlled
24 corporations shall be allowed to participate in bidding government
25 procurement. Notwithstanding the provisions of Republic Act No. 9184,
26 otherwise known as the Government Procurement Act, government
27 entities are authorized for the direct procurement of essential goods or
28 basic necessities with producers and agriculture cooperatives.

29 j. Cooperative shall enjoy the privilege of being represented by the provincial
30 or city fiscal or the Office of the Solicitor General, free of charge, except
31 when the adverse party is the Republic of the Philippines;

32 k. Cooperatives organized by faculty members and employees of educational
33 institutions shall have the preferential right to manage the school canteen
34 and other services related to the operation of the educational institution
35 where they are employed: *Provided*, That such services are operated within
36 the premises of the said educational institution; and

37 l. The appropriate housing agencies and government financial institutions
38 shall create a special window for financing housing projects undertaken
39 by cooperatives, with interest rates and terms equal to, or better than
40 those given for socialized housing projects. This financing shall be in the

1 form of blanket loans or long-term wholesale loans to qualified
2 cooperatives, without need for individual processing.

3 The Authority, in consultation with appropriate government agencies
4 and the cooperative sector, shall issue rules and regulations on all matters
5 concerning housing cooperatives and socialized housing projects.

6 **CHAPTER XI. INSOLVENCY OF COOPERATIVES**

7 **ART. 74. *Proceeding Upon Insolvency.*** - In case a cooperative is unable
8 to fulfill its obligations to creditors due to insolvency, such cooperative may
9 apply for such remedies as it may deem fit under the provisions of Republic Act
10 10142, otherwise known as the Financial Rehabilitation and Insolvency Act
11 (FRIA).

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

14 **ART. 75. *Effect of Declaration of Insolvency by a Competent Court.***
15 - Declaration of insolvency of a cooperative by a competent court shall be a
16 ground for cancellation of its Certificate of Registration by the Authority and
17 the delisting of such cooperative in the Authority's registry.

18 **CHAPTER XII. SUSPENSION OF COOPERATIVES**

19 **ART. 76. *Suspension of Certificate of Registration.*** - A penalty of
20 suspension shall be imposed on a cooperative, after due process, on any of the
21 following grounds:

- 22 a. Willful failure to submit annual progress reports with the necessary
23 attachments within the period mandated by this Code: *Provided*, That
24 newly-registered cooperatives are given two (2) years to organize and
25 operate; in which case, this provision shall only apply to them after two
26 (2) years;
- 27 b. Willful failure or refusal to comply with an interlocutory order or a final
28 and executory decision or award of the CDA Board of Directors, any of its
29 Regional Offices, adjudication officer, or voluntary arbitrator/s by reason
30 of or as a consequence of an investigation, voluntary arbitration, or
31 adjudication.

1 The Authority shall commence suspension proceedings in accordance
2 with the procedure provided in the Implementing Rules and Regulations of this
3 Code.

4 **CHAPTER XIII. VOLUNTARY DISSOLUTION OF COOPERATIVES**

5 **ART. 77. Voluntary Dissolution Where no Creditors are Affected. -**

6 If the dissolution of a cooperative does not prejudice the rights of any creditor
7 having a claim against it, the dissolution may be effected by a majority vote of
8 the Board of Directors, and by a resolution duly adopted by the affirmative vote
9 of at least three-fourths (3/4) of all the members entitled to vote, present and
10 constituting a quorum at a meeting to be held upon call of the directors:
11 *Provided*, That the notice of time, place and object of the meeting shall be
12 posted for three (3) consecutive weeks in the principal office of said cooperative,
13 and a copy shall likewise be posted for three (3) consecutive weeks in three (3)
14 public places in the municipality or city where the cooperative's office is located
15 and through its official website and social media accounts.

16 For micro cooperatives, in lieu of publication, posting in conspicuous
17 places within their area of operations shall suffice. *Provided, further*, That the
18 notice of such meeting is sent to each member of record either by registered
19 mail, by personal delivery or through other electronic means at least thirty (30)
20 days prior to said meeting. A copy of the resolution authorizing the dissolution
21 shall be certified to by a majority of the Board of Directors and countersigned
22 by the Cooperative Secretary.

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

25 **ART. 78. Voluntary Dissolution Where Creditors Are Affected. -**

26 Whenever there are creditors affected, the petition for dissolution shall be filed
27 with the Authority. The petition shall be signed by a majority of its Board or
28 directors or other officers managing its affairs, verified by its chairperson or
29 Cooperative Secretary or one of its directors and shall set forth all claims and
30 demands against it and that its dissolution was resolved upon by the
31 affirmative vote of at least three-fourths (3/4) of all the members entitled to
32 vote, present and constituting a quorum at a meeting called for that purpose.

33 If the petition is sufficient in form and substance, the Authority shall
34 issue an order reciting the purpose of the petition and shall fix a date which
35 shall not be less than thirty (30) nor more than sixty (60) days after the entry
36 of the order. Before such date, a copy of the order shall be published at least
37 once in a newspaper of general circulation published in the municipality or city
38 where the principal office of the cooperative is situated or in the absence of
39 such local newspaper, in a newspaper of general circulation in the Philippines

at the expense of the cooperative, and a copy shall likewise be posted for three (3) consecutive weeks in three (3) public places in the municipality or city where the cooperative's office is located.

Upon expiry of the five (5) day notice to file objections, the Authority shall proceed to hear the petition and try any issue raised in the objection filed. If there is no objection or the objection is insufficient and the material allegations are proven, it shall issue a Certification of Dissolution and direct the disposition of its assets in accordance with existing rules and regulations. The Certificate of Dissolution shall set forth therein:

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

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

CHAPTER XIV. INVOLUNTARY DISSOLUTION OF COOPERATIVES

ART. 79. Cancellation by Order of the Authority. - The Authority may cancel, after due notice and hearing, the cooperative's Certificate of Registration on any of the following grounds:

- a. Having obtained its registration by fraud;
- b. Engaging in an illegal and/or unauthorized purpose;
- c. Willful violation, despite written notice by the Authority, of the provisions of this Code or its Implementing Rules and Regulations and all other issuances of the Authority or By-laws of the cooperative;
- d. Willful refusal to comply with an order or written instructions or directives issued or given by the Authority;
- e. Willful failure to operate on a cooperative basis; and
- f. Failure to meet the required minimum capital and minimum number of members in the cooperative; and
- g. If a cooperative has not commenced business operations within two (2) years after the issuance of its Certificate of Registration.

1 The decision of the Authority on the cancellation of the Certificate of
2 Registration of a cooperative may be appealed to the Authority's Board of
3 Directors within thirty (30) days from the receipt of the Order of the Authority.
4 The decision of the Authority's Board of Directors shall be final and executory.

5 **ART. 80. Cancellation by Failure to Operate.** - If a cooperative has
6 not commenced business and its operations within two (2) years after the
7 issuance of its Certificate of Registration or has not carried on its business for
8 two (2) consecutive years, the Authority shall send a formal notice to the said
9 cooperative to explain its failure to operate. Failure of the cooperative to
10 promptly provide justifiable cause for its failure to operate shall warrant the
11 Authority the power to delete its name from the roster of registered cooperatives
12 and its Certificate of Registration is be deemed cancelled.

13 **ART. 81. Rules and Regulations on Cancellation.** - The Authority
14 shall issue the appropriate implementing guidelines for the cancellation of
15 cooperatives.

16 **CHAPTER XV. LIQUIDATION OF COOPERATIVES**

17 **ART. 82. Liquidation of a Cooperative.** - Every cooperative whose term
18 of existence expires by its own limitation or whose existence is terminated by
19 voluntary dissolution or cancellation of its Certificate of Registration by the
20 Authority shall cease to operate, but can continue to exist for three (3) years
21 after the time it is dissolved or cancelled; not to continue the business for which
22 it was established but for the purpose of prosecuting and defending suits by or
23 against it; settlement and closure of its affairs; disposition, conveyance and
24 distribution of its properties and assets.

25 At any time during the said three (3) years, the cooperative is authorized
26 and empowered to convey all of its interests in the properties to trustees for the
27 benefit of its members, creditors and other persons in interest. From and after
28 any such conveyance, all interests which the cooperative had in the properties
29 are terminated.

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

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

1 In case of voluntary dissolution, the Authority shall issue a Certificate of
2 Cancellation upon the approval of the final report of the liquidators.

3 **ART. 83. Rules and Regulations on Liquidation.** – The Authority shall
4 issue the appropriate implementing guidelines for the liquidation of
5 cooperatives.

6 **CHAPTER XVI. DELISTING OF COOPERATIVES**

7 **ART. 84. Delisting of Cooperatives.** - Cooperatives may be delisted
8 from the Registry of Cooperatives due to the following causes:

- 9 a. Voluntary Dissolution;
- 10 b. Involuntary Dissolution;
- 11 c. Cancellation by Order of the Authority;
- 12 d. Cancellation by Failure to Operate; and
- 13 e. Merger and Consolidation

14 **ART. 85. Rules and Regulations on Delisting Cooperatives.** – The
15 Authority shall issue the appropriate implementing guidelines for the delisting
16 of cooperatives.

17 **CHAPTER XVII. CAPITAL, PROPERTY, AND FUNDS**

18 **ART. 86. Capital and Funds.** – The capitalization of cooperatives or
19 funds in the case of unions and the accounting procedures shall be governed
20 by the provisions of this Code and the regulations which shall be issued.

21 **ART. 87. Capital Sources.** - Cooperatives registered under this Code
22 may derive their capital from any or all of the following sources:

- 23 a. Member's share capital;
- 24 b. Loans and borrowings;
- 25 c. Deposits from members only, except for cooperative banks which accepts
26 deposits from both members and non-members or the general public;
- 27 d. Revolving capital which consists of the deferred payment of patronage
28 refunds, or interest on share capital; and

- e. Subsidies, donations, legacies, grants, aids and such other assistance from any local or foreign institution whether public or private: *Provided*, That capital coming from such subsidies, donations, legacies, grants, aids and other assistance shall not be divided into individual share capital holdings at any time but shall instead form part of the donated capital or fund of the cooperative. Upon dissolution or cancellation of the cooperative, such donated capital shall be subject to escheat.
- f. Reserve funds utilized for investment and as capital for the operations of the cooperative as approved by the General Assembly.

ART. 88. Limitation on Share Capital Subscription - No member of primary cooperative other than the cooperative itself shall own or hold more than twenty per centum (20%) of the subscribed share capital of the cooperative.

ART. 89. Assignment of Share Capital Contribution or Interest. - Subject to the provisions of this Code and the approval of the majority of the Board of Directors, no member shall transfer his/her shares or interest in the cooperative or any part thereof unless:

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

ART. 90. Capital Build-Up. - The By-laws of every cooperative, except for cooperative unions, shall provide for a reasonable and realistic member capital build-up program to allow the continuing growth of the members' contribution to their cooperative as their economic conditions continue to improve. The cooperative shall execute a subscription agreement upon admission and approval of their membership and in cases of additional subscription by the member upon full payment of his/her initial subscription.

ART. 91. Shares. - The term "share" refers to a unit of capital in a cooperative, except for cooperative unions, the par value of which may be fixed at any figure not less than One hundred pesos (P100.00) but not more than One thousand pesos (P1,000.00). The share capital of the cooperative is the money paid or required to be paid by the members for the operations of the cooperative.

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

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

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

9 **ART. 92. Fines.** – The policies of a cooperative may prescribe a fine on
10 unpaid subscribed share capital. *Provided*, That such fine is fair and
11 reasonable under the circumstances.

12 **ART. 93. Investment of Capital.** – A cooperative upon approval of at
13 least three-fourths (¾) of all members entitled to vote, present and constituting
14 a quorum, may invest its capital in any of the following:

- 15 a. In any reputable bank;
- 16 b. In securities issued or guaranteed by the Government;
- 17 c. In real estate primarily for the use of the cooperative or its members; or
- 18 d. In any other manner authorized in the By-laws.

19 **ART. 94. Revolving Capital.** - The General Assembly of any cooperative
20 may authorize the Board of Directors to raise a revolving capital from the
21 proceeds of products sold or services rendered, or per unit of product or
22 services handled, to strengthen its capital structure.

23 **CHAPTER XVIII. AUDIT, INQUIRY, AND MEMBERS' RIGHT TO** 24 **EXAMINE**

25 **ART. 95. Audit of Cooperatives.** - Cooperatives registered under this
26 Code shall be subject to an annual audit of its financial, governance, and social
27 performance in accordance with the Implementing Rules and Regulations to be
28 promulgated by the Authority. The financial audit shall be conducted by an
29 external auditor with the following qualifications:

- 30 a. He is a third party, independent from the cooperative or any of its
31 subsidiary that he is auditing; and

1 b. He is a member in good standing of the Philippine Institute of Certified
2 Public Accountants (PICPA) and is accredited by both the Board of
3 Accountancy and the Authority.

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

7 **ART. 96. Audit Report.** - The complete audit reports shall be submitted
8 to the Board of Directors, which shall be presented to the General Assembly in
9 its next meeting for approval and adoption. The Board of Directors shall be
10 liable under Article 179 of this Code should it fail to present such reports to
11 the General Assembly.

12 **ART. 97. Non-Liability for Defamations.** - The auditor shall not be held
13 liable to any person in an action for defamation for acts done or for any
14 statement made by him/her in good faith in connection with the conduct of
15 audit of the cooperative.

16 **ART. 98. Right to Examine.** - All members shall have the right to
17 examine the records of the cooperative under Article 62 of this Code at any time
18 during reasonable hours of the operating days of the cooperative: *Provided,*
19 That the member submits a letter request three (3) days prior to the date of his
20 demand to examine the records and stating therein the purpose of the request.

21 The Board of Directors shall consider the purpose and reason for the
22 request to examine the records to determine its propriety. The Board of
23 Directors shall have the right to refuse the request after proper consultation
24 with the requesting member.

25 **ART. 99. Safety of Records.** - Every cooperative shall, at its principal
26 office, keep and carefully preserve the records required by this Code to be
27 prepared and maintained. The By-laws shall also provide the condition and the
28 accountable person/s for the safekeeping of the records in accordance with
29 applicable laws on data privacy. It shall take all necessary precautions to
30 prevent its loss, destruction, or falsification.

31 **CHAPTER XIX. ALLOCATION AND DISTRIBUTION OF NET SURPLUS**

32 **ART. 100. Net Surplus.** - Notwithstanding the provisions of existing
33 laws, the net surplus of cooperatives shall be determined in accordance with
34 its By-laws. Every cooperative shall determine its net surplus at the close of
35 every fiscal year.

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

9 **ART. 101. Net Surplus Allocation and Statutory Funds.** - The net
10 surplus shall be subject to the allocation of the following statutory funds, which
11 shall be recorded in the books of account, for the cooperative's growth and
12 development:

- 13 a. The reserve fund which shall be ten per centum (10%) of the net surplus
14 for the stability of the cooperative and to cover net losses in its operation.
15 The fund shall be included in the books of account of the cooperative and
16 can be made available for investment: *Provided*, That the amount is viable
17 for investment and the purpose of the investment will ensure a return to
18 the cooperative's growth and development: *Provided, further*, That any
19 amount charged to the reserve fund shall be refunded to it: *Provided*,
20 *finally*, That the utilization of the reserve fund shall be subject to the
21 guidelines formulated by the Authority for the purpose of protecting the
22 internal operations of the cooperative. However, for cooperatives in its first
23 five (5) years of operation, the amount allocated shall not be less than
24 thirty per centum (30%) of the net surplus.

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

- 28 b. The Cooperative Education and Training Fund (CETF) in the amount of
29 ten per centum (10%) of the net surplus shall be used for the training,
30 development and similar other cooperative activities geared towards the
31 growth of the cooperative movement:

- 32 (1) Five per centum (5%) of the cooperative education and training fund
33 annually shall be used to provide for the education and training
34 purposes of its officers, members, and employees; while the other five
35 per centum (5%) shall be remitted to a cooperative union in which it is
36 a member.

37 Should the cooperative have multiple affiliations, it shall have the
38 discretion to apportion the cooperative education and training fund to
39 the union(s) where said cooperative is a member.

1 (2) Upon the dissolution of the cooperative, the unexpended balance of the
2 education and training fund pertaining to the cooperative shall be
3 utilized within the succeeding fiscal year following its allocation or at
4 the option of the cooperative to credit the same to the cooperative
5 education and training fund of the union to which it is a member.

6 The utilization of the education and training fund shall be in accordance
7 with the policies and guidelines to be promulgated by the Authority.

- 8 c. The Community Development Fund (CDF) in the amount of five per
9 centum (5%) shall be used for projects or activities that will benefit the
10 community where the cooperative operates. However, the cooperative may
11 extend assistance to marginalized communities or affected areas outside
12 its area of operation in times of calamities, disaster, or national
13 emergency.

14 In the case of cooperatives whose common bond of membership is
15 institutional, the community refers to the institution where the
16 cooperative is operating.

17 The allocation for the CDF for the current year shall be fully utilized in the
18 following year unless the projects or activities as approved by a majority
19 of the members entitled to vote, present and constituting a quorum in a
20 General Assembly meeting, require multi-year utilization. For multi-year
21 projects/programs, the allocation shall be fully utilized within the period
22 as stated in the plan.

23 The utilization of the community development fund shall be in accordance
24 with the guidelines to be promulgated by the Authority.

- 25 d. The optional fund in the amount of five per centum (5%) shall be used for
26 the acquisition of land and construction of building, and any other
27 expenses anent to it, *Provided*, it is approved by at least three-fourths ($\frac{3}{4}$)
28 of all members entitled to vote, present and constituting a quorum, which
29 shall be in accordance with the Implementing Rules and Regulations to be
30 promulgated by the Authority.

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

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

- (1) In the case of a member patron with paid-up share capital contribution, his/her proportionate amount of patronage refund shall be paid to him/her unless he agrees to credit the amount to his/her account as additional share capital contribution;
- (2) In the case of a member patron with unpaid share capital contribution, his/her proportionate amount of patronage refund shall be credited to his/her account until his/her account until his/her share capital contribution has been fully paid;
- (3) In the case of a non-member patron, his/her proportionate amount of patronage refund shall be set aside in a fund created for the purpose and shall be allocated to individual non-member patrons only upon request and presentation of evidence of the amount of his/her patronage. The amount so allocated shall be credited to such patrons toward payment of the minimum capital contribution for membership. When a sum equal to this amount has accumulated at any time within two (2) years from the start of his/her patronage, such patron shall be deemed and become a member of the cooperative if he so agrees or requests and complies with the provisions of the By-laws for admission to membership; and
- (4) Any non-member patron who has accumulated the sum necessary for membership but who does not request nor agree to become a member or fails to comply with the provisions of the By-laws for admission to membership, the amount so accumulated or credited to their account together with any part of the general fund for non-member patrons shall be credited to any of the statutory funds as approved by a majority of the members entitled to vote, present and constituting a quorum.

CHAPTER XX. AGRICULTURE COOPERATIVES

ART. 102. Definition and Coverage. - This Chapter shall apply to all cooperatives which are agricultural-based economic enterprises voluntarily established by persons with their joint investment, joint ownership and joint management for the purpose of improving agricultural production capacity, agro-industry, agri-business, or services related to agricultural production. Agriculture cooperatives shall include agrarian reform, dairy, fishermen, community forestry, and aquaculture cooperatives, as well as multi-purpose cooperatives whose primary business activity is at least fifty per centum (50%) related to agricultural production, agro-industry, agri-business, or services related to agricultural production.

ART. 103. Cooperative Business Activities and Allied Services. - A duly registered agriculture cooperative may engage in all or any of the following activities:

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

ART. 104. Registration of Agriculture Cooperatives. - Agriculture cooperatives shall file their application for registration with the regional office of the Authority that has jurisdiction over its area of operation. The requirements and procedure for registration of agriculture cooperatives shall be in accordance with the rules and regulations to be promulgated by the Authority.

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

ART. 105. Capital Requirements of Agriculture Cooperatives. - The authorized share capital of an agriculture cooperative shall be stated in its Articles of Cooperation and that prior to its registration, at least twenty five per centum (25%) of the authorized share capital shall be subscribed to by the members and at least twenty five (25%) of the subscribed share capital shall be paid-up: *Provided*, That the paid-up capitalization requirement for primary cooperatives shall not be less than Fifteen Thousand Pesos (P15,000.00).

1 **ART. 106. Bond of Membership.** - The bond of membership of
2 agriculture cooperatives shall be any of the following:

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

14 **ART. 107. Dual Membership.** - The By-laws of an agriculture
15 cooperative may provide for the prohibition of the admission as members of
16 those who are already members of an existing agriculture cooperative operating
17 within the same area.

18 **ART. 108. Role of National Coordinating Committee on**
19 **Cooperatives Development.** - The Authority shall mobilize the National
20 Coordinating Committee on Cooperative Development (NCC-CD) for the
21 promotion of the growth, viability, and development of Agriculture
22 Cooperatives.

23 **ART. 109. Role of LGUs.** - The Local Government Units shall:

- 24 a. Create a Committee on Agriculture Cooperatives Development in the Local
25 Government Legislative Council which shall focus on addressing
26 legislative concerns on Agriculture Cooperatives;
- 27 b. Legislate necessary ordinances for the promotion and development of
28 agriculture cooperatives;
- 29 c. Disseminate information to people and facilitate the establishment and
30 development of the management and operations of agriculture
31 cooperatives in their respective localities;
- 32 d. Expedite the issuance of the necessary permits for the implementation of
33 programs and projects of the Authority and other national government
34 agencies for the benefit of agriculture cooperatives;

- e. Upon written request of the Authority, assist in the resolution of inter-cooperative disputes among agriculture cooperatives operating within their localities;
- f. Facilitate and conduct free and regular seminars, trainings, and/or conferences necessary for the organization, registration, management and operations of agriculture cooperatives; and
- g. Provide technical assistance and skills training for farmers, farm workers, and fisherfolk to engage in income-generating activities.

ART. 110. Role of Cooperative Development Councils. - The Authority shall, in collaboration with the LGUs through the Municipal and/or City Cooperative Development Councils and the Cooperative Development Officers, facilitate programs and policies affecting agriculture cooperatives in accordance with a Joint Memorandum Circular to be promulgated by the Authority and the LGU.

ART. 111. Benefits and Privileges of Agriculture Cooperatives. - An agriculture cooperative shall enjoy the following benefits and privileges:

a. Taxes, Duties, and Liens:

- (1) All benefits, privileges, and tax treatments of cooperatives as defined and enumerated under Chapter X of this Code shall apply to agriculture cooperatives;
- (2) Agriculture cooperatives shall be exempt from customs duties, advance sales or compensating taxes on their importation and local purchase of machineries, equipment, accessories, batteries, and spare parts used by them; and
- (3) All real properties owned, and those directly used for the operations, management, and maintenance of agriculture cooperatives shall be exempt from the payment of real property taxes imposed under existing laws.

b. Trainings and Conferences - All training and/or conferences necessary for the organization, registration, management and operations of an agriculture cooperative shall be given free of charge, including costs of venue, training materials, speakers and resource persons. The cooperative development officers shall be primarily responsible for these trainings and conferences within their respective localities.

c. Loans and Grants:

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

(2) The Authority shall coordinate with the Bangko Sentral ng Pilipinas to lower the thresholds for all loans applied for and granted to agriculture cooperatives.

ART. 112. Reportorial Requirements of Agriculture Cooperatives. -

All agriculture cooperatives shall submit reports to the Authority as required under this Code and to such other government agencies as may be required.

ART. 113. Merger and Consolidation of Agriculture Cooperatives. -

Notwithstanding the provisions of this Code, the merger and consolidation of agriculture cooperatives shall be in accordance with the Implementing Rules and Regulations to be promulgated by the Authority.

ART. 114. Inter-Cooperative Arrangements of Agriculture Cooperatives. - Agriculture cooperatives shall be allowed to enter into inter-cooperative arrangements with and among other cooperatives and other entities to pursue value and supply chain solutions and other agribusiness development programs, subject to the guidelines to be promulgated by the Authority.

CHAPTER XXI. AGRARIAN REFORM COOPERATIVES

ART. 115. Coverage. - The provisions of this Chapter shall primarily govern agrarian reform cooperatives: *Provided*, That the provisions of the other chapters of this Code shall apply suppletorily except insofar as this Chapter otherwise provides.

ART. 116. Definition and Purpose. - An agrarian reform cooperative refers to one organized by marginal farmers majority of which are agrarian reform beneficiaries, duly registered with the Authority, for the purpose of developing an appropriate system of land tenure, land development, land consolidation or land management in areas covered by agrarian reform. It shall also refer to Agrarian Reform Beneficiaries Cooperative (ARB Coop) as defined in DAR Administrative Order No. 05, Series of 2009.

An agrarian reform cooperative as defined shall be organized for any or all of the following purposes:

- a. To develop an appropriate system of land tenure, land development, land consolidation or land management in areas covered by agrarian reform;

- b. To coordinate and facilitate the dissemination of scientific methods of production, and provide assistance in the storage, transport, and marketing of farm products for agrarian reform beneficiaries and their immediate family, hereinafter referred to as "beneficiaries";
- c. To provide financial facilities to beneficiaries for provident or productive purposes at reasonable costs;
- d. To arrange and facilitate the expeditious transfer of appropriate and suitable technology to beneficiaries and marginal farmers at the lowest possible cost;
- e. To provide social security benefits, health, medical and social insurance benefits and other social and economic benefits that promote the general welfare of the agrarian reform beneficiaries and marginal farmers;
- f. To provide non-formal education, vocational/technical training, and livelihood programs to beneficiaries and marginal farmers;
- g. To act as conduits for external assistance and services to the beneficiaries and marginal farmers;
- h. To undertake a comprehensive and integrated development program in agrarian reform and resettlement areas with special concern for the development of agro-based, marine-based, and cottage-based industries;
- i. To represent the beneficiaries on any or all matters that affect their interest; and
- j. To undertake such other economic or social activities as may be necessary or incidental in the pursuit of the foregoing purposes.

ART. 117. Cooperative Estate. - Cooperative Estates refer to landholdings like plantations, estates or haciendas acquired by the State for the benefit of the workers in accordance with the Comprehensive Agrarian Reform Program which shall be collectively owned by the worker-beneficiaries under a cooperative set-up.

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

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

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

22 **ART. 121. Special Privileges.** - Subject to such reasonable terms and
23 conditions as the Department of Agrarian Reform (DAR) and the Authority may
24 impose, agrarian reform cooperatives may be given the exclusive right to do any
25 or all of the following economic activities in agrarian reform and resettlement
26 areas;

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

1 compliance with the laws and regulations on environmental and ecological
2 controls; and

- 3 f. Provision of financial, technological, and other services and facilities
4 required by the beneficiaries in their daily lives and livelihood.

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

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

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

20 **CHAPTER XXII. COOPERATIVE BANKS**

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

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

- 27 b. *Registration* - The application for the registration of the Articles of
28 Cooperation and By-laws, including its amendments, by a cooperative
29 bank with the Authority shall be accompanied by a Certificate of Authority
30 issued by the Bangko Sentral ng Pilipinas.

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

32 (1) cooperatives of all types and categories;

33 (2) natural persons who are members of a cooperative;

1 (3) foreign cooperatives;

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

4 (5) individuals.

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

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

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

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

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

29 b. Accept savings and time deposits;

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

31 d. Discount and Rediscount paper with the Land Bank of the Philippines,
32 Development Bank of the Philippines or any other bank, including its
33 branches and agencies. Said banks shall specify the nature of paper
34 deemed acceptable for rediscounting, as well as the rediscount rate to be
35 charged by any of these banks;

36 e. Act as collection agent;

- 1 f. Act as a depository bank of Local Government Units and other government
2 agencies or instrumentalities;
- 3 g. Acquire readily marketable bonds and other debt securities;
- 4 h. Buy and sell foreign exchange;
- 5 i. Act as conduit bank for the disbursement of government funds intended
6 for lending to agriculture, small-medium enterprises (SMEs) and projects
7 for local economic development;
- 8 j. Eligible to participate in government program allocations for agricultural
9 lending, social housing, loans to rural micro enterprises and other
10 initiatives towards inclusive growth;
- 11 k. Offer financial technology services, such as digital lending and payment,
12 and digital wealth management, among others, subject to prior approval
13 of the Bangko Sentral ng Pilipinas; and
- 14 l. Offer other banking services as provided in Section 53 of Republic Act No.
15 8791.

16 In addition to the powers granted to cooperative banks by this Code and
17 other existing laws, any cooperative bank may perform any or all of the banking
18 services offered by other types of banks subject to the prior approval of the
19 Bangko Sentral ng Pilipinas.

20 **ART. 125. Establishment of Branches and Other Offices.** - The
21 establishment of branches, branch-lite units, or other banking offices by
22 cooperative banks shall be governed by the rules and regulations of the Bangko
23 Sentral ng Pilipinas. The cooperative bank shall furnish the Authority with a
24 copy of the Certificate of Authority issued by the Bangko Sentral ng Pilipinas.

25 **ART. 126. Management of Cooperative Banks.** - The management of
26 the cooperative banks shall be governed by the rules and regulations to be
27 promulgated by the Bangko Sentral ng Pilipinas, in consultation with the
28 Authority. To maintain the quality of bank management and accord
29 appropriate protection to depositors and the public in general, the Bangko
30 Sentral ng Pilipinas shall prescribe the fit and proper qualifications of bank
31 directors and officers for the purposes of this Article, giving due recognition to
32 the unique nature and character of cooperative banks. The number,
33 composition, and term of the Board of Directors shall be defined in the Articles
34 of Cooperation and By-laws of the cooperative bank, in accordance with the
35 following guidelines:

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

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

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

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

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

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

35 **ART. 128. Compensation of Directors.** - In the absence of any
36 provision in the By-laws fixing their compensation, the directors shall not
37 receive any compensation except for reasonable *per diems*: *Provided, however,*
38 That the directors and officers shall not be entitled to any *per diem* when, in
39 the preceding calendar year, the cooperative bank reported a net loss or had a
40 dividend rate less than the official inflation rate for the same year. Any

1 compensation other than *per diems* may be granted to directors by a majority
2 vote of the members with voting rights at a regular or special general assembly
3 meeting specifically called for the purpose: *Provided*, That no additional
4 compensation other than *per diems* shall be paid during the first year of
5 existence of the Cooperative Bank.

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

9 **ART. 129. Dealings of Directors, Officers, Stockholders, and**
10 **Related Interests (DOSRI).** - Dealings with directors and officers of the
11 Cooperative Bank shall comply with the provisions of Section 36 of R.A. No.
12 8791, otherwise known as General Banking Law (GBL) of 2000. However, the
13 limits on loans to dealings of directors, officers, stockholders, and related
14 interests shall not apply to loans, other credit accommodations, or guarantees
15 extended by the cooperative bank to its member primary cooperatives.

16 **ART. 130. Illegal Use of Confidential Information.** - The liability of a
17 director or officer, or an associate of a director or officer, who, for his/her
18 benefit or advantage or that of an associate, makes use of confidential
19 information that, if generally known, might reasonably be expected to adversely
20 affect the operations and viability of the cooperative bank shall adhere to the
21 provisions of Article 59 of this Code.

22 **ART. 131. Bond for Faithful Performance of Duties and Obligations.**
23 - The bond for the faithful performance of duties and obligations of accountable
24 officers of the cooperative bank shall adhere to the provisions of Article 66.

25 **ART. 132. Quorum Requirement and Voting Rights of the**
26 **Cooperative Bank Board of Directors.** - In meetings of the Board of Directors
27 of the Cooperative Bank, the same provisions under Article 50 of this Code
28 shall apply.

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

32 **ART. 134. Powers of the General Assembly.** - The General Assembly
33 shall be the highest policy-making body of the cooperative bank and shall
34 exercise the same powers as enumerated in Article 42 of this Code.

35 **ART. 135. Meetings.** - The conduct of meetings of the General Assembly
36 of cooperative banks shall adhere to the provisions specified in Article 43 of
37 this Code.

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

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

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

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

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

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

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

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

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

18 **ART. 140. Barrio Savings Fund (BSF), Barrio Guarantee Fund (BGF),**
19 **Cooperative Development Loan Fund (CDLF), Cooperative Marketing**
20 **Program (CMP), and other funds administered by CDA.** - In order to
21 augment the capitalization of cooperative banks, the aforementioned funds
22 collected or deducted by various cooperative banks throughout the country
23 from the loan proceeds of farmer borrowers in compliance with P.D. 175, which
24 are still floating and outstanding either as active or dormant accounts in the
25 books of those banks, shall be converted as capital of the cooperative bank
26 located in the province where the depository banks of the BSF and BGF are
27 located.

28 **ART. 141. Samahang Nayon and Municipal Katipunan ng mga**
29 **Samahang Nayon.** - Samahang Nayon (SN) and Municipal Katipunan ng mga
30 Samahang Nayon (MKSAN) which held common shares of cooperative banks
31 prior to the effectivity of R.A. No. 9520 shall apply for conversion to cooperatives
32 in order to maintain their status as regular members of cooperative banks:
33 *Provided*, That the cooperative banks shall exert efforts to inform and assist the
34 SN and MKSAN to convert within a period of three (3) years from the effectivity
35 of this Code. Upon failure of the SN and MKSAN to finally convert to a cooperative
36 within said period, the funds held in the name of such SN and MKSAN shall be
37 considered as preferred shares and shall remain as capital of the cooperative
38 bank.

39 **ART. 142. Additional Source of Capital of the Cooperative Banks.** -
40 The funds or common shares in cooperative banks held in the name of
41 cooperatives whose Certificates of Registration have already been cancelled by
42 the Authority and which failed to liquidate such funds or shares during its

1 liquidation shall remain as capital in said cooperative banks and shall be
2 treated as preferred shares.

3 **ART. 143. Supervision and Regulation of Cooperative Banks.** - All
4 cooperative banks shall be under the supervision of the Bangko Sentral ng
5 Pilipinas: *Provided, however,* that the Authority shall monitor the cooperative
6 banks' compliance with cooperative laws, rules, and regulations. With respect
7 to the governance of the cooperative banks, the provisions of the banking laws,
8 rules, and regulations shall prevail, notwithstanding Section 71 of R.A. No.
9 8791.

10 **ART. 144. Promulgation of Guidelines.** - The Bangko Sentral ng
11 Pilipinas and the Authority may formulate guidelines to implement or clarify
12 the provisions of this Chapter. *Provided,* That the Bangko Sentral ng Pilipinas,
13 as the regulator of banks, shall be the primary regulator of cooperative banks
14 consistent with the provisions of Republic Act No. 8971: *Provided, further,* That
15 in order to minimize the burden of dually-regulated entities, the Bangko Sentral
16 ng Pilipinas shall, in consultation with the Authority, in its promulgation of
17 rules and regulations, to the extent allowed in banking and other relevant laws,
18 and insofar as consistent with the Bangko Sentral ng Pilipinas' exercise of
19 supervisory and regulatory powers over banks, in its promulgation of rules and
20 regulations, consider the requirements of this Code and the Authority for
21 cooperatives in general.

22 **ART. 145. Privileges of Cooperative Banks.** - Cooperative banks
23 registered under this Code shall have the following privileges and incentives:

- 24 a. Those privileges and incentives accorded to cooperatives under this Code
25 and other prior laws including exemption from all national, provincial,
26 city, municipal or barangay taxes, fees, and charges of whatever nature
27 and description. *Provided, however,* That when a cooperative bank has
28 reached an undivided net savings of more than One Hundred Million Pesos
29 (P100,000,000.00), transactions to non-members shall be taxable.
- 30 b. The foreclosure of mortgages covering loans granted by cooperative banks
31 and executions of judgment thereon involving real properties levied upon
32 by sheriff shall be exempt from the publications in newspapers where the
33 total amount of loan, excluding interests due and unpaid, does not exceed
34 One Million Pesos (P1,000,000.00) or such amount as the Monetary Board
35 may prescribe as may be warranted by prevailing economic conditions. It
36 shall be deemed sufficient publication in such cases where the notices of
37 foreclosure and execution of judgment are posted in the most conspicuous
38 areas such as the municipal building, the municipal public market, the
39 cooperative bank, and the barangay hall where the land mortgaged is
40 situated during the period of sixty (60) days immediately preceding the
41 public auction or execution of judgment. Proof of publication as required

herein shall be accomplished via an affidavit of the sheriff or officer conducting the foreclosure sale or execution of judgment and shall be attached with the records of the case;

c. A cooperative bank shall be allowed to foreclose lands mortgaged to it subject to the provisions of Republic Act No. 6657, as amended. For agrarian lands foreclosed by a cooperative bank, the disposal of the same to another qualified beneficiary under R.A. 6557, as amended, shall be made through the same cooperative bank. Further, the amortization of the beneficiary in favor of DAR shall be coursed through the servicing cooperative bank: *Provided, however*, that cooperative banks shall be exempt from the landholding limits as prescribed by DAR or any other law requiring the same.

d. For cooperative banks granted by the Bangko Sentral ng Pilipinas with accreditation as Rural Financial Institution (RFI) under Republic Act No. 10000, the following privileges shall be awarded:

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

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

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

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

e. Notwithstanding the provisions herein, privileges and incentives granted to rural banks pursuant to Republic Act No. 7353, or the "Rural Act of 1992", shall also be granted to cooperative banks duly registered under this Act.

CHAPTER XXIII. INSURANCE COOPERATIVES

ART. 146. Insurance Cooperative. - Existing cooperatives may organize themselves into an insurance cooperative for the purpose of engaging in the

1 business of insuring life, non-life, health, and property of cooperatives and their
2 members.

3 **ART. 147. *Types of Insurance Provided.*** - Under the cooperative
4 insurance program established and formed by the virtue of the provisions of
5 this Code, the insurance cooperative shall provide its constituting cooperatives
6 and their members different types of insurance coverage consisting of, but not
7 limited to, life insurance with special group coverage, loan protection,
8 retirement plans, endowment, health and accident coverage, pre-need plans,
9 fire insurance, marine insurance, motor vehicle coverage, bonding, crop and
10 livestock protection and equipment insurance.

11 **ART. 148. *Applicability of Insurance Laws.*** - The provisions of the
12 Insurance Code and all other laws and regulations relative to the organization
13 and operation of an insurance company shall apply to insurance cooperatives
14 organized under this Code. The requirements on capitalization, investments
15 and reserves of insurance firms may be liberally modified upon consultation
16 with the Authority and the cooperative sector, but in no case may the
17 requirement be reduced to less than half of those provided for under the
18 Insurance Code and other related laws.

19 **ART. 149. *Implementing Rules.*** - The Insurance Commission and the
20 Authority, in consultation with the concerned cooperative sector, shall issue
21 the appropriate rules and regulations implementing the provisions of this
22 Chapter.

23 **CHAPTER XXIV. COOPERATIVES ENGAGED IN PUBLIC SERVICES**

24 **ART. 150. *Definition and Coverage.*** - A cooperative engaged in public
25 services refers to one organized to render public services, as authorized under
26 a franchise, certificate of public convenience, certificate of public convenience
27 and necessity, concession, or any other appropriate form of authorization or
28 permit duly issued by the appropriate government agency. Such services may
29 include but is not limited to the following:

- 30 a. Power generation, transmission, and/or distribution;
- 31 b. Ice plants and cold storage services;
- 32 c. Communication services including telephone and digital communications;
- 33 d. Land, water, and air transportation services for passengers and/or
34 cargoes;

- 1 e. Public markets, slaughterhouses, management of land transport
2 terminals and ports, and other similar services;
- 3 f. Water supply and distribution system services; and
- 4 g. Such other types of public services as may be engaged in by any
5 cooperative.

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

9 **ART. 151. Registration Requirements.** - In addition to the
10 requirements provided under Article 15 of this Code, no cooperative engaged
11 in public services shall be registered unless it satisfies the following
12 requirements:

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

17 **ART. 152. Regulation of Cooperatives Engaged in Public Services.** -
18 The internal affairs of cooperatives engaged in public services such as the rights
19 and privileges of members, the rules and procedures for meetings of the
20 General Assembly, Board of Directors and committees; for the election and
21 qualifications of officers, directors, and committee members; allocation and
22 distribution of surpluses; and all other matters relating to their internal affairs
23 shall be governed by this Code.

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

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

31
32 **CHAPTER XXV. TRANSPORT SERVICE COOPERATIVES**

33 **ART. 153. Definition and Coverage.** - Transport service cooperatives
34 are cooperatives organized to render public services such as land, water, and

1 air transportation services for the safe conveyance of passengers and/or
2 cargoes. Transport service cooperatives organized under the provisions of
3 Executive Order No. 898, series of 1983 and by vehicle operators defined or
4 provided for under the Department of Transportation Public Utility Vehicles
5 Modernization Program (PUVMP) shall be governed by this Chapter.

6 **ART. 154. Engagement in Allied Business by Transport Service**
7 **Cooperatives.** - Subject to pertinent national laws and local ordinances,
8 primary transport service cooperatives including federations of cooperatives,
9 may engage in a business related to transportation service, including but not
10 limited to:

- 11 a. Importation, distribution, and marketing of petroleum products in
12 accordance with existing laws;
- 13 b. Operation of gasoline stations, automotive service centers, and
14 management of land transport terminals and ports;
- 15 c. Importation, distribution, marketing, and sale of spare parts, automotive
16 supplies, and accessories;
- 17 d. Marketing of vehicle/drivers insurance policies as an agent or liaison of a
18 licensed insurance company; and
- 19 e. Automotive maintenance credit facilities for the purpose of extending
20 loans for the maintenance and repair of public utility vehicles.

21 **ART. 155. Registration, Regulation, and Supervision of Transport**
22 **Service Cooperatives.** - The Authority shall have sole jurisdiction over the
23 registration, regulation, and supervision of transport service cooperatives with
24 regard to its organization and management as a cooperative, to the exclusion
25 of any other agency.

26 **ART. 156. Renewal of Franchise and Vehicle Registration.** -
27 Renewals of franchise and vehicle registration shall be granted to transport
28 service cooperatives: *Provided*, That such cooperative presents Certificates of
29 Good Standing and Compliance with the regulations implemented by the
30 Authority and the local government unit concerned as proof of its continuous
31 operation and provision of public transportation services.

32 **ART. 157. Oversight Committee.** A multi-sectoral committee on
33 transport service cooperatives, composed of representatives from the Authority,
34 the Department of Transportation (DOTr), the Department of the Interior and
35 Local Government (DILG), the Land Transportation Franchising and Regulatory
36 Board (LTFRB), the Land Transportation Office (LTO), other concerned
37 government agencies, as may be necessary, and the federation of transport
38 service cooperatives, the regional clustered organizations, and the national

1 alliance of cooperatives, shall be established and thereafter be charged with the
2 monitoring, recommendation of policies and programs affecting the operations
3 of transport service cooperatives, and such other functions.

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

6 The Authority shall spearhead such committees both at the national and
7 regional levels. The functions of the monitoring committees shall be prescribed
8 in the Implementing Rules and Regulations to be promulgated by the Authority.

9 **CHAPTER XXVI. CREDIT AND SAVINGS COOPERATIVES** 10 **AND CREDIT COOPERATIVES**

11 **ART. 159. Coverage.** - This Chapter shall apply to credit cooperatives
12 and credit and savings cooperatives, including multi-purpose cooperatives and
13 federations. The provisions of the other chapters of this Code shall apply
14 suppletorily except insofar as this Chapter otherwise provides.

15 **ART. 160. Purposes and Objectives.** - Cooperatives engaged solely in
16 credit or in both credit and savings services, owned and operated by its
17 members, shall have the following purposes and objectives:

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

29 **ART. 162. Regulation and Supervision of Cooperatives Engaged in**
30 **Credit and/or Credit and Savings.** - Pursuant to its powers, functions, and
31 responsibilities under Republic Act No. 11364, the Authority shall exercise
32 regulatory powers and supervision over the operations of the cooperatives
33 engaged in credit and/credit and savings.

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

4 **CHAPTER XXVII. ELECTRIC COOPERATIVES**

5 **ART. 163. Coverage.** - The provisions of this Code shall apply to all
6 electric cooperatives registered with the Authority. This shall also cover new
7 distribution utilities that will register with the Authority.

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

11 **ART. 164. Registration of Electric Cooperatives.** - The registration of
12 an electric cooperative with the Authority under this Code shall be submitted
13 to the members for approval through a referendum, wherein the required
14 number of votes for registration with the Authority shall be twenty per centum
15 (20%) of all members entitled to vote.

16 **ART. 165. Applications of Registration of Electric Cooperatives.** -
17 Applications for registration as an electric cooperative under this Code shall be
18 filed solely with the Authority, which shall process the registration in
19 accordance with its guidelines.

20 **ART. 166. Documents to be Submitted for Registration with the**
21 **Authority.** - For purposes of registration with the Authority, electric
22 cooperatives registered with other regulatory agencies shall submit the
23 following documents:

- 24 a. Copy of the Board Resolution certifying to the result of the vote approved
25 through a referendum approving the registration of such entities with the
26 Authority in compliance with Article 164;
- 27 b. Certified copy of the Articles of Cooperation and By-laws as required by
28 the Authority;
- 29 c. Duly audited financial statements for the past two (2) years;
- 30 d. List of names of Board of Directors and their addresses certified by the
31 Board Secretary and attested by the Chairperson;
- 32 e. Within six (6) months from the registration, the Treasurer shall submit a
33 sworn statement of the authorized share capital, the subscribed share

capital of members, and the amount of paid-up share capital received by the Treasurer;

f. Bonds of accountable officers; and

g. Such other requirements under Art. 15 of this Code.

ART. 167. Registration Options of Electric Cooperatives. - Electric Cooperatives registered with the National Electrification Administration (NEA) under Presidential Decree No. 269, as amended, shall register with the Authority in order to be entitled to the benefits and privileges under this Code.

Should electric service providers or electric cooperatives opt to register with the NEA following the conduct of a referendum as provided for under Article 164, shall no longer be eligible for registration or accreditation with the Authority. As such, they shall be prohibited from retaining or using the term "cooperative" or any variants thereof in their business name. Any electric service provider not registered with the Authority who misrepresent themselves as electric cooperatives shall be penalized under Article 179 of this Code.

ART. 168. Role of the Energy Regulatory Commission. - All rates and tariffs of electric cooperatives registered under the Authority shall be subject to the rules on application and approval of the Energy Regulatory Commission for distribution utilities.

ART. 169. Effects of Registration with the Authority. -

- a. Upon the effectivity of this Code, electric cooperatives that are duly registered with the Authority, and issued a Certificate of Registration, shall no longer be covered by Presidential Decree No. 269, as amended by Presidential Decree No. 1645: *Provided*, That electric cooperatives registered with the Authority shall now be covered by the provisions of this Code as well as future rules and issuances of the Authority: *Provided, however*, That the security of tenure and the collective bargaining agreement between the cooperative management and the employees shall be respected, with no diminution of their existing salaries, emoluments, ranks and other benefits: *Provided, finally*, That any other provision of law, Presidential Decree, Executive Order, or rules and regulations inconsistent with this Chapter are hereby repealed;
- b. The electric cooperatives registered with the Authority with existing loans obtained from NEA after June 26, 2001 shall continue to observe the terms of such loans until full payment or settlement thereof;
- c. Except as provided in the immediately preceding paragraph, the NEA shall no longer exercise regulatory or supervisory powers on electric cooperatives duly registered with the Authority;

- 1 d. Electric cooperatives registered with the Authority are entitled to
2 congressional allocations, grants, subsidiaries and other financial
3 assistance for rural electrification which can be coursed through the
4 Department of Energy, the Authority, and/or local government units. The
5 electric cooperatives registered under this Code can avail of the financial
6 services and technical assistance provided by government financial
7 institutions and technical development agencies on terms respecting their
8 independence as autonomous cooperatives;
- 9 e. All condoned loans, subsidies, grants, and other assistance shall form part
10 of the donated capital and funds of the electric cooperatives and, as such,
11 it shall not be sold, traded, nor be divided into shareholdings at any time.
12 The donated capital/fund shall be valuated for the sole purpose of
13 determining the equity participation of the members: *Provided*, That in the
14 case of dissolution of the cooperative, said donated capital shall be subject
15 to escheat; and
- 16 f. Electric cooperatives registered and confirmed with the Authority under
17 Republic Act No. 6938, Republic Act No. 6939, and Republic Act No. 9520
18 are hereby deemed registered under this Code.

19 **ART. 170. Share Capital in the Electric Cooperatives.** - The electric
20 cooperatives shall issue and distribute share certificates under the name of
21 each of their members. Said share certificates shall take into consideration,
22 among others, the previous equity contributions and the amortization
23 component through the payments made to capital build-up and other capital
24 contributions.

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

31 The Energy Regulatory Commission (ERC) shall, within forty-five (45)
32 days from the close of each fiscal year, issue a certificate to the electric
33 cooperative concerned on the total amount collected for capital contributions
34 (Reinvestment Fund for Sustainable Capex or RFSC) from the MCOs, for such
35 period, as the basis for the electric cooperative's determination of at least ten
36 per centum (10%) that the electric cooperative will credit to each individual
37 account of the MCO and for which equity share certificate will be issued.

38 No share capital certificate shall be issued to a subscriber until the full
39 amount of his/her subscription together with interest and expenses, if any is

1 due, has been paid. The distribution of share capital certificates shall be done
2 annually preferably during the General Assembly meeting.

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

9 **ART. 171. Rules and Regulations.** – The Authority, in consultation
10 with the concerned government agencies, shall issue appropriate rules and
11 regulations pertaining to the provisions of this Chapter.

12 **CHAPTER XXVIII. FOREIGN PARTNERSHIPS**

13 **ART. 172. Foreign Partnership with Local Cooperatives.** - Foreign
14 cooperatives may be allowed to engage with local cooperatives in the form of
15 partnership, subject to a partnership agreement entered into by both, with the
16 subject project strictly in line with the business undertaking and purposes of
17 the latter as provided in its Articles of Cooperation and By-laws.

18 Upon approval of the Partnership Agreement in accordance with the guidelines
19 to be promulgated by the Authority, the foreign cooperative shall be liable
20 under the provisions of the Anti-Money Laundering Act, and other pertinent
21 laws, classified under the Philippines' Foreign Investment Negative List for
22 foreign equity restrictions under the Philippine Constitution and specific laws,
23 and shall be under the regulation of the necessary agencies for the
24 implementation of the subject project.

25 Foreign cooperatives, including its members, shall be precluded from becoming
26 members of local cooperatives, except for cooperative banks, and may only act
27 solely as partners. As such, they shall not interfere, directly or indirectly, in the
28 management and internal affairs of the local cooperative in accordance with
29 the generally accepted cooperative principles of independence and autonomy,
30 notwithstanding that local cooperatives shall be one hundred per centum
31 (100%) wholly owned and controlled by Filipinos.

32 **CHAPTER XXIX. MISCELLANEOUS PROVISIONS**

33 **ART. 173. Compliance With Other Laws.** - Cooperatives shall comply
34 with all other pertinent laws and all other social legislations in the course of its
35 existence and operation.

1 **ART. 174. Registry of Cooperatives.** - The Authority shall keep a
2 registry which shall contain a chronological entry of the name of every
3 cooperative registered, suspended, dissolved, or cancelled under this Code
4 together with its relevant information. The Authority shall publish and post on
5 its website a list of existing cooperatives, cooperatives under dissolution,
6 cooperatives under suspension, and those whose registration are cancelled
7 during the year together with such information on each of them, as may be
8 prescribed in the rules and regulations.

9 **ART. 175. Settlement of Disputes, Conciliation, Mediation, and**
10 **Arbitration Proceedings.** - Disputes among members, officers, directors, and
11 committee members, and intra-cooperative, inter-cooperative, intra-federation
12 or inter-federation disputes shall, as far as practicable, be settled amicably in
13 accordance with the conciliation or mediation mechanisms embodied in the By-
14 laws of cooperatives and in such other applicable laws.

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

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

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

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

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

37 **ART. 176. Joint Congressional Oversight Committee on Cooperative**
38 **(JCOCQ).** - There is hereby created a Joint Congressional Oversight Committee
39 composed of the Chairperson of the Senate Committee on Cooperatives and the
40 Chairperson of the House Committee on Cooperatives Development, with four

(4) members each from both Houses. The said members shall be duly appointed by the Senate President and the Speaker of the House of Representatives from the members of the respective committee.

The Joint Oversight Committee shall monitor the proper implementation of the rules and regulations of this Code.

The annual appropriation for the Oversight Committee shall be charged to the budget of both Houses of Congress in the General Appropriations Act (GAA).

ART. 177. Issuance of Injunctive Relief on the Authority. - No restraining order or injunction shall be issued by the court, other than the Court of Appeals or Supreme Court, enjoining the Authority from examining and investigating cooperatives subject to supervision or examination by the Authority.

CHAPTER XXX. FINAL PROVISIONS

ART. 178. Implementing Rules and Regulations. - The Authority shall issue the rules and regulations to implement those provisions of this Code which expressly call for the issuance thereof. This paragraph shall not apply to those cases wherein a specific provision of this Code expressly designates particular government agencies which shall issue the regulations called for by any provision of this Code.

ART. 179. Penal Provisions. - The following acts or omissions affecting cooperatives are hereby prohibited:

- a. The use of the word "cooperative" by any person(s) or organizations that is not duly registered with the Authority shall not be allowed. In case of violation, the penalty of imprisonment of not less than two (2) years nor more than five (5) years and a fine not exceeding Two hundred thousand pesos (P200,000.00) or both at the discretion of the court, shall be imposed, upon conviction, on the individual(s) or, in the case of an organization, its officers and directors.

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

- b. Any person who willfully attempts in any manner to evade or defeat tax in violation of Articles 70 and 71 of this Code shall, in addition to the payment of double the amount of the tax due, be punished by a fine of not less than Five hundred thousand pesos (P500,000.00) but not more than Ten million pesos (P10,000,000.00) and suffer imprisonment of not less

1 than six (6) years but not more than ten (10) years: *Provided*, That the
2 conviction or acquittal obtained under this Article shall not be a bar to the
3 filing of a civil suit for the collection of taxes;

4 c. Direct or indirect violation or circumvention of the provisions of Articles
5 70 and 71 of this Code committed by any public official or employee of any
6 bureau, office or agency of the government that deprives, diminishes or in
7 any manner hinders or restricts any duly registered cooperative from the
8 full enjoyment of the exemption from the payment of the taxes, fees and
9 charges enumerated therein, shall upon conviction, suffer a penalty of not
10 less than seven (7) years but not more than twelve (12) years
11 imprisonment or a fine in the amount of not less than Five hundred
12 thousand pesos (P500,000.00) but not more than One million pesos
13 (P1,000,000.00) or both at the discretion of the court and shall further be
14 disqualified to hold any other office;

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

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

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

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

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

28 e. A director, officer or committee member who violated the provisions of
29 Article 55 on the Liability of Directors, Officers and Committee Members,
30 Article 58 on the Disloyalty of a Director, and Article 59 on the Illegal Use
31 of Confidential Information shall upon conviction suffer a fine of not less
32 than Five hundred thousand pesos (P500,000.00) nor more than One
33 million pesos (P1,000,000.00) or imprisonment of not less than five (5)
34 years but not more than ten (10) years or both at the court's discretion;

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

- (1) Omission or refusal to furnish any information, report or other document that is required under this Code;
 - (2) Providing information, reports or other documents to the Authority that are required under this Code which the person knows to be false or misleading;
 - (3) Omission or refusal to keep a book or registry under this Code or to make the required entry therein;
 - (4) Making an entry required under this Code in a book or registry, which the person knows to be false or misleading;
 - (5) Hindering an authorized person from making an inspection, audit, examination or investigation required under this Code;
 - (6) Failure to comply with an order or written instructions issued or given by the Authority;
 - (7) Violation of the provisions regarding transactions with a restricted party; and
 - (8) Abetting, counseling, allowing, authorizing or commanding another person to commit an offense punishable by this Code: *Provided*, That in case the violator is a cooperative or juridical person, the penalty shall be imposed on its directors and officers.
- g. Any violation of any provision of this Code for which no penalty is imposed shall be punished by imprisonment of not less than six (6) months nor more than one (1) year and a fine of not less than Ten thousand pesos (P10,000.00), or both at the discretion of the court.

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

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

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

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

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

ART. 183. Repealing Clause. - Except as expressly provided by this Code, Presidential Decree No. 175, Republic Act No. 6938, Republic Act No. 9520, and all other laws, or parts thereof, inconsistent with any provision of this Code shall be deemed repealed: *Provided*, That the provisions of Secs. 3, 5, and 7 of Presidential Decree No. 1645, Executive Order No. 623, series of 2007, Sec. 18 of Republic Act No. 10531, Revenue Regulation No. 20-2001, and all laws, decrees, executive orders, implementing rules and regulations, BIR circulars, CDA memorandum circulars, memorandum orders, letters of instruction, local government ordinances, or parts thereof inconsistent with any of the provisions of this Act are hereby repealed, amended or modified accordingly.

ART. 184. Transitory Provisions. -

a. All cooperatives registered with the Authority under Republic Act No. 9520 are hereby deemed registered under this Code.

b. Registration of electric cooperatives with the Authority shall not be considered as a transfer of ownership of its assets and liabilities nor shall it constitute a change in the nature, structure, and status of the cooperative. Said registration shall not result in the revocation of the condoned loans under Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act:

Provided, That electric cooperatives with existing loans shall not be subject to the control and supervision of its creditors and shall only be limited to the fulfillment of each civil obligations.

c. For cooperatives whose fiscal period does not coincide with the calendar year, they shall be mandated to amend their Articles of Cooperation and By-laws to adhere to the fiscal year as defined under this Code.

ART. 185. *Ipsso-Facto Clause.* - All privileges, benefits, and exemptions granted to the cooperatives by prior laws, including R. A. No. 7160, R.A. No. 6938 as amended, R.A. No. 9520, and other existing laws shall be accorded to cooperatives under this Code.

ART. 186. *Separability Clause.* - Should any part of this Code be declared unconstitutional, the validity of remaining provision hereof shall remain in full effect.

ART. 187. *Effectivity Clause.* - This Code shall take effect fifteen (15) days from its publication in a newspaper of general circulation.

Approved,