

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Philippines

TWENTIETH CONGRESS
First Regular Session

House Bill No. 4540



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. Seventeen 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, this representation re-files this Revised Cooperative Code bill which has been passed on third reading during the 19th Congress, with minor amendments. With the foregoing premises considered, the swift passage of this bill is thus earnestly sought.



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

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

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

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

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

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

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

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

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

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

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

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

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

15 **SEC. 4. *Definition of Terms.*** - The following terms shall mean:

16 a. *Area of Operation* refers to the place where the cooperative operates and
17 conducts its business, as provided for in its articles of cooperation and
18 bylaws;

19 b. *Articles of cooperation* refers to the document registered with the Authority,
20 including its amendments, that defines and regulates the relations
21 between the cooperative and the State;

22 c. *Asset Development* – refers to engaging in growth and improvement
23 activities, with targeted goals and objectives, of resources such as but not
24 limited to land, buildings, equipment, and machinery;

25 d. *Authority* refers to the Cooperative Development Authority;

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

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

32 g. *Bylaws* refers to the document registered with the Authority, including its
33 amendments, that defines and regulates the operations of the cooperative
34 and governs the relations between the cooperative and its members and
35 among themselves;

- 1 h. *Clustering* refers to the grouping together of cooperatives under finance,
2 marketing, public utilities, education and advocacy, agriculture, and
3 human services;
- 4 i. *Committees* refers the mandatory committees under this Code entrusted
5 with specific functions and responsibilities and such other committees
6 that the Board of Directors deem necessary for the governance of the
7 business affairs of the cooperative;
- 8 j. *Compensation* refers to a broad term that includes all forms of
9 remuneration given for services rendered, like salary which is paid
10 regularly or is defined under Article 97 of the Labor Code of the
11 Philippines;
- 12 k. *Cooperative Bank* refers to a bank organized under this Act and prior laws,
13 for the primary purpose of providing a wide range of financial services to
14 cooperatives and their members and the public, licensed by the *Bangko*
15 *Sentral ng Pilipinas* (BSP) to operate as such, the majority shares of which
16 are owned and controlled by cooperatives;
- 17 l. *Cooperative Union* refers to a cooperative whose members are registered
18 cooperatives, federations, or both, organized purposely to protect and
19 represent the interest and welfare of all types of cooperatives at the city,
20 provincial, regional, national, and sectoral levels;
- 21 m. *Federation of Cooperatives* refers to a cooperative whose members are
22 registered primary and/or secondary cooperatives, registered with the
23 Authority to undertake business activities in support of its member
24 cooperatives to address common needs; engage in capacity-building
25 activities and delegated supervision; and exercise self-regulation among
26 its members, organized at the municipal, city, provincial, regional,
27 national, special metropolitan political subdivision, or economic zones
28 created by law;
- 29 n. *General Assembly* refers to the full membership of the cooperative duly
30 assembled, physically and/or via video conferencing, for the purpose of
31 exercising all the rights and performing all the obligations pertaining to
32 cooperatives, as provided by this Code, its articles of cooperation, and
33 bylaws;
- 34 o. *Honorarium* refers to a token of appreciation granted for gratuitous
35 services rendered on account of one's broad and superior knowledge or
36 expertise in a specific field for which, going by custom, tradition or
37 propriety, no fixed price is set;
- 38 p. *Investment* refers to equity participation in any enterprise formed,
39 organized or existing under the laws of the Philippines;

- 1 q. *Interest on Share Capital* refers to the amount earned by the members on
2 their investment in the cooperative. The interest on share capital and the
3 patronage refund shall be determined at the end of the calendar year after
4 the net surplus shall have been distributed in accordance with the articles
5 of cooperation and bylaws or by the Board of Directors;
- 6 r. *Laboratory Cooperative* refers to a cooperative affiliated with and registered
7 by a primary cooperative and whose membership consists of minors;
- 8 s. *Member* refers to a person either natural or juridical, who has been
9 approved and admitted by the Board of Directors of the cooperative,
10 federation, or union, after undergoing the Pre-Membership Education
11 Seminar and has vowed to adhere to the articles of cooperation and its
12 bylaws. Members shall be classified as regular or associate, as qualified
13 by the cooperative;
- 14 t. *Member entitled to vote* refers to a regular member who has complied with
15 all the membership requirements of the cooperative, fulfilled all of their
16 duties and obligations, and possesses none of the disqualifications as
17 provided by the articles of cooperation and bylaws of the cooperative, as
18 declared by the Board of Directors;
- 19 u. *Patronage Refund* refers to the payment to the members of a percentage
20 or portion of the amount availed of, the interest on loans paid, or other
21 services availed from the cooperative. The amount will be determined at
22 the end of the fiscal year after the distribution of the net surplus. The
23 percentage of the allocation will be in accordance with the provisions in
24 its articles of cooperation, the bylaws, or by the Board of Directors. The
25 formula and basis for the computation of the rate of patronage refund will
26 be determined by the Authority.
- 27 v. *Per diem* refers to the allowance given as reimbursement for extra
28 expenses incurred by one in the performance of his duties;
- 29 w. *Performance Audit* refers to an audit conducted by the Authority on the
30 efficiency, efficacy, and effectiveness of the cooperative's overall
31 performance as a whole, its management and officers, and its various
32 responsibility centers as basis for improving individual, team, or overall
33 performance, and for objectively informing the general membership of the
34 cooperative on such performance;
- 35 x. *Primary Cooperative* refers to a cooperative, registered with the Authority,
36 the members of which are natural persons;
- 37 y. *Registration* refers to the operative act granting juridical personality to a
38 proposed cooperative and is evidenced by a Certificate of Registration;

- 1 z. *Representative Assembly* refers to the full membership of a body of
2 representatives elected by each of the sectors, chapters, or districts of the
3 cooperative duly assembled for the purpose of exercising such powers in
4 accordance with its bylaws;
- 5 aa. *Samahang Nayon* and *Municipal Katipunan ng mga Samahang Nayon*
6 refers to pre-cooperative organizations established under Presidential
7 Decree No. 175, entitled “Strengthening the Cooperative Movement”;
- 8 bb. *Secondary Cooperative* refers to a cooperative, the members of which are
9 primary cooperatives;
- 10 cc. *Single-Purpose Cooperative* refers to a cooperative that undertakes only
11 one economic activity, except one that is allowed to undertake allied
12 economic activities;
- 13 dd. *Share Capital* refers to the equitable contribution of a member to the
14 cooperative fund, the working capital fund of the cooperative, which shall
15 have a par value of at least One Hundred Pesos (Php100.00) and issued
16 as common or preferred shares depending on the type of membership with
17 the cooperative;
- 18 ee. *Social Audit* refers to an audit to assess the social impact of the cooperative
19 and its ethical performance vis-à-vis its stated mission, vision, goals, and
20 code of social responsibility. It is a mechanism whereby it can account for
21 the social performance of the cooperative and evaluate its impact on the
22 community, making the cooperative accountable for its decisions and
23 actions to its members;
- 24 ff. *Subscription Agreement* refers to the document executed by a member to
25 signify the amount that the member intends to contribute to the
26 cooperative fund;
- 27 gg. *Subsidiary Cooperative* refers to a cooperative, all or majority of whose
28 members or shareholders come from a parent cooperative, organized for
29 any other purpose different from that of, and receives technical,
30 managerial, and financial assistance from the latter, in accordance with
31 the rules and regulations of the Authority;
- 32 hh. *Tertiary Cooperative* refers to a cooperative whose members are
33 secondary cooperatives;
- 34 ii. *Video conferencing* refers to a conference between two (2) or more
35 participants at different sites by using computer networks to transmit
36 audio and video data; and

- 1 jj. *Worker Beneficiary* refers to a natural person who renders service for value
2 as an employee or laborer in an agricultural enterprise or farm within an
3 agrarian reform cooperative;

4 **CHAPTER II. PURPOSES AND ORGANIZATION**

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

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

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

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

1 This notwithstanding, fair competition between cooperatives is
2 paramount in their collective growth. Cooperatives shall support and foster a
3 level playing field in their industries. Accordingly, Sections 6, 7, 21, and 110
4 of this Code shall be in consonance with Republic Act (RA) No. 10667,
5 otherwise known as the “Philippine Competition Act”.

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

- 8 a. To the exclusive use of its registered name,
- 9 b. To sue and be sued;
- 10 c. Of succession;
- 11 d. To amend its articles of cooperation in accordance with the provisions of
12 this Code;
- 13 e. To adopt bylaws not contrary to law, morals or public policy, and to amend
14 and repeal the same in accordance with this Code;
- 15 f. To purchase, receive, take or grant, hold, convey, sell, lease, pledge,
16 mortgage, and otherwise deal with such real and personal property as the
17 transaction of the lawful affairs of the cooperative may reasonably and
18 necessarily require, subject to the limitations prescribed by law and the
19 Constitution;
- 20 g. To enter into joint venture agreement and partnership, or any other
21 commercial activity with other cooperatives;
- 22 h. To enter into division, merger or consolidation, as provided in this Code;
- 23 i. To form subsidiary cooperatives and join federations, unions, and/or
24 Credit Surety Fund Cooperatives, as provided in this Code;
- 25 j. To avail of loans, be entitled to credit, and to accept and receive grants,
26 donations, and assistance from foreign and domestic sources, subject to
27 the conditions of said loans, credits, grants, donations or assistance that
28 will not undermine the autonomy of the cooperative;
- 29 k. To avail of preferential rights granted to cooperatives under Republic Act
30 No. 7160, otherwise known as the Local Government Code, and other
31 laws, particularly the grant of franchises to establish, construct, operate
32 and maintain ferries, wharves, markets or slaughterhouses and lease
33 public utilities, including access to extension and on-site research services
34 and facilities related to agriculture and fishery activities;

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

m. To operate branch, satellite, and liaison offices within its area of operation, subject to the rules and regulation on such issued by the Authority in consultation with the sector;

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

If a cooperative is unable to provide training for its members, it may engage the services of a union or federation. Government agencies, local cooperative development officers, and experts from the private sector are authorized to assist in the organization, training, and development of a cooperative and its members if the cooperative wishes to do so. In this regard, cooperatives and other institutions shall be accredited as Training Service Providers by the Authority: *Provided*, that a federation shall only provide training in accordance with its business or specialization for their members, while a union shall provide basic and other training that benefits the sector; *Provided further*, that government agencies and experts from the public sector assisting in the organization, training, and development of a cooperative and its members shall coordinate with federations and unions; and

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

SEC. 8. Organizing a Primary Cooperative. – At least twenty-five (25) natural persons who are Filipino citizens, of legal age, having a common bond of interest, and are residing or working in the intended area of operation, may organize a primary cooperative under this Code. The cooperators must have attended and completed a Pre-Registration Seminar (PRS) as a prerequisite for registration. The details and requisites of the PRS shall be included in the implementing rules and regulations of this Code.

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

To encourage and develop cooperativism among the youth, a primary cooperative may organize a laboratory cooperative. A laboratory cooperative shall be supervised by the primary cooperative which created it, and shall exercise all the rights, privileges, and duties of a regular cooperative, as

1 governed by the guidelines to be promulgated by the Authority in consultation
2 with the cooperative sector.

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

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

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

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

15 In case of cooperative banks, insurance cooperatives, federations,
16 unions, tertiary cooperatives, or special types of cooperatives, the articles of
17 cooperation shall be acknowledged by its chairpersons and cooperative
18 secretaries before a notary public. The articles of cooperation shall contain the
19 following provisions:

- 20 a. Name of the cooperative which shall include the word "Cooperative",
21 "Coop", "Koop", or "Koooperatiba" and shall likewise specify the type of
22 cooperative;
- 23 b. Purpose or purposes and the economic activities for which the cooperative
24 is to be registered;
- 25 c. Powers and capacities;
- 26 d. Area of operation, the postal address of its principal office, and the official
27 electronic mail address of the cooperative;
- 28 e. Names, nationality, and the postal addresses of the cooperators;
- 29 f. Common bond of membership;
- 30 g. List of names of the directors;
- 31 h. Amount of authorized, subscribed, and paid-up share capital, the number
32 of shares, and the par-value of each share, and the names of the
33 cooperators, except for cooperative unions;

- i. A statement as to whether the cooperative is a primary, secondary, tertiary, or special type of cooperative;
- j. Certificate of Authority from the appropriate government agency; and
- k. Other provisions consistent with this Code or any related law.

SEC. 13. Bylaws. – Every cooperative to be registered under this Code shall adopt bylaws consistent with the provisions of this Code which shall be filed together with the articles of cooperation. The bylaws 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 bylaws;
- l. The institution of a conciliation or mediation mechanism for the amicable settlement of disputes among members, directors, officers and committee members of the cooperative; and

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

2 CHAPTER III. REGISTRATION

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

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

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

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

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

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

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

1 **SEC. 17. Amendment of articles of cooperation and bylaws.** - Unless
2 otherwise prescribed by this Code and for legitimate purposes, any provision
3 or matter stated in the articles of cooperation and bylaws may be amended by
4 two-thirds ($\frac{2}{3}$) vote of all the members entitled to vote, present and constituting
5 a quorum, without prejudice to the right of the dissenting members to exercise
6 their right to withdraw their membership under Section 38 of this Code.

7 Subject to the guidelines to be issued by the Authority, a cooperative may
8 opt to amend its articles of cooperation and bylaws through a referendum by a
9 vote of two-thirds ($\frac{2}{3}$) of all the members entitled to vote.

10 Both the original and amended articles of cooperation and/or bylaws
11 shall contain all provisions required by law. Amendments shall be indicated by
12 underscoring or otherwise appropriately indicating the change or changes
13 made and a copy of the amended articles of cooperation or bylaws duly certified
14 under oath by the cooperative secretary and a majority of the directors stating
15 the fact that the amendment or amendments to the Articles of cooperation
16 and/or bylaws have been duly approved by the required vote of the members.
17 All amendments to the articles of cooperation and/or bylaws shall be submitted
18 to the Authority.

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

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

29 **SEC. 19. Effects of Failure to Operate or Comply with Conditions**
30 ***on Registration.*** - In case the cooperative fails to commence its authorized
31 business activity within three (3) years from the issuance of its Certificate of
32 Registration, its Certificate of Registration shall be deemed cancelled and it
33 shall be delisted from the registry of cooperatives.

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

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

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

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

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

- 8 a. Two (2) or more cooperatives may merge into a single cooperative.
- 9 b. No merger or consolidation shall be valid unless approved by a two-thirds
10 (2/3) vote of all the members entitled to vote, present and constituting a
11 quorum of each of the constituent cooperatives at separate General
12 Assembly meetings. The dissenting members shall have the right to
13 exercise their right to withdraw their membership pursuant to Section 38.
- 14 c. The Authority shall issue the guidelines governing the procedure of merger
15 or consolidation of cooperatives. The merger or consolidation shall be
16 effective upon the issuance by the Authority of the Certificate of Merger,
17 or in the case of a consolidation of cooperatives, a new Certificate of
18 Registration.

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

- 21 a. In case of merger of cooperatives, the constituent cooperatives shall
22 become a single cooperative or, in the case of consolidation of
23 cooperatives, the consolidated cooperative shall be the new cooperative.
- 24 b. The single cooperative and the consolidated cooperative, as the case may
25 be, shall possess all the assets, rights, privileges, immunities, and
26 franchises and assume all the liabilities and obligations of each of the
27 constituent cooperatives.
- 28 c. Any claim, action, or proceeding instituted by or against the constituent
29 cooperatives may be continued by the single or consolidated cooperative,
30 as the case may be.
- 31 d. The merger or consolidation shall not impair the rights of creditors nor
32 any lien upon the property of the constituent cooperatives.

CHAPTER V. TYPES AND CATEGORIES OF COOPERATIVES

SEC. 23. *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, such as:

i. *Cooperative Banks* – organized for the primary purpose of providing a wide range of financial services to cooperatives and their members;

ii. *Credit Cooperatives* – engaged solely in lending services;

iii. *Credit and Savings Cooperatives* - promote and undertake savings and lending services among its members. They generate a common pool of funds in order to provide financial assistance to their members for productive and provident purposes;

iv. *Credit Surety Fund Cooperatives* – in partnership with local government units (LGUs), comprised of well-capitalized and well-managed member-cooperatives or non-government organizations that meet the criteria and qualifications prescribed by the Authority, LGUs, government financial institutions, and other government agencies;

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

vi. *Savings and Deposits Cooperatives* - engaged solely in promoting and encouraging savings among its members; and

vii. Other cooperatives as may be determined by the Authority under this cluster, in consultation with the sector.

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

- 1 i. *Consumers Cooperatives* – engaged primarily in procuring and
2 distributing commodities to members and non-members;
- 3 ii. *Marketing Cooperatives* - engaged in the supply of production
4 inputs to members and markets their products, including trading
5 and processing;
- 6 iii. *Logistics Cooperatives* - engaged in operations involving facilities
7 and supplies whose business is related to the supply chain;
- 8 iv. *Producers Cooperatives* - engaged in joint production whether
9 agricultural or industrial. They are formed and operated by the
10 members to undertake the production and processing of raw
11 materials or goods produced by the members into finished or
12 processed products for sale by the cooperative. Any end product or
13 its derivative arising from the raw materials produced by the
14 members, sold in the name and for the account of the cooperative,
15 shall be deemed a product of the cooperative and its members; and
- 16 v. Other cooperatives as may be determined by the Authority under
17 this cluster, in consultation with the cooperative sector.
- 18 (3) *Human Services, Health, Housing, Workers, and Labor Service Cluster*
19 refers to cooperatives organized for providing employment and business
20 opportunities to its members, housing, and services related to medical,
21 dental, health and wellness and death care, real estate, technology,
22 including digital payment services, such as:
- 23 (a) *Health Services Cooperatives* – organized for the primary
24 purpose of providing medical, dental, paramedic, diagnostic
25 and other health services, including cooperative health
26 organizations, hospitals, clinics, pharmacies, and
27 transporting of patients;
- 28 (b) *Housing Services Cooperatives* – organized to assist or
29 provide access to socialized housing for the benefit of
30 members who actively participate in the savings program for
31 housing;
- 32 (c) *Labor Services Cooperatives* – engaged in providing specific
33 services to a principal under a legitimate contracting or
34 subcontracting agreement, as defined under existing laws,
35 and in accordance with the cooperative principles set forth
36 in this Code;
- 37 (d) *Real Estate Services Cooperatives* - organized to provide
38 members with services related to real estate activities such

as the development, management, buying, selling, and leasing of land and other properties, including commercial, residential, industrial, and institutional properties, and intermediary services related to real estate, such as financing investment, among others;

(e) *Technology Service Cooperatives* - organize to provide the members with services that are designed to facilitate the use of Information Technology by end users, electronic money issuers licensed by BSP, or provide specialized technology-oriented solutions by combining the processes and functions of software, hardware, networks, telecommunications, and electronics, among others;

(f) *Workers Cooperatives* - organized by workers including the self-employed who are at the same time the members and owners of the enterprise. The principal purpose of these cooperatives is to provide employment and business opportunities to the members and manage them in accordance with cooperative principles; and

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

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

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

(b) *Education Cooperatives* – organized for the primary purpose of owning and operating licensed educational institutions, subject to existing laws, rules and regulations; and

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

(5) *Agriculture, Agrarian, Aquaculture, Farmers, Dairy, and Fisherfolk Cluster* refers to cooperatives engaged in the raising or culture of plants

1 and animals, including the production and processing of agricultural
2 produce and its derivatives, and includes cooperatives organized for
3 developing a sustainable system of land tenure, and land development,
4 consolidation or management, such as:

5 (a) *Agrarian reform cooperatives* – organized by marginal
6 farmers, majority of whom are agrarian reform beneficiaries,
7 for the purpose of developing an appropriate system of land
8 tenure, land development, land consolidation, or land
9 management of areas covered by agrarian reform;

10 (b) *Agricultural cooperatives* – comprised of farmers, fisherfolk,
11 agrarian reform beneficiaries, dairy farmers, community
12 forestry farmers, aquaculture farmers, and other individuals
13 engaged in agricultural activities who voluntarily organized
14 themselves as agricultural-based economic enterprises
15 established through joint investment, joint ownership, and
16 joint management for the purpose of improving agricultural
17 production capacity, agro-industry, agri-business, or
18 services related to agricultural production. Also included are
19 consumers, marketing, producers, and multi-purpose
20 cooperatives whose primary business activity is at least fifty
21 percent (50%) related to agricultural production, agro-
22 industry, agri-business, or services related to agricultural
23 production. Agricultural activities include production,
24 processing, logistics, distribution of products, and other
25 allied activities such as savings and credit, marketing,
26 agricultural extension, farm education, and agri-tourism;

27 (c) *Dairy cooperatives* - engaged in the production and
28 marketing of fresh milk which may be processed or marketed
29 as dairy products;

30 (d) *Farmers cooperatives* – organized by marginalized farmers,
31 majority of whom are not agrarian reform beneficiaries, for
32 the purpose of supporting their products, either fresh or
33 processed;

34 (e) *Fisherfolk cooperatives* – organized by marginalized
35 fisherfolk whose products are marketed either as fresh or
36 processed, for the mobilization of capital in the procurement
37 of fishing boats, nets, gears, and accessories, production of
38 aquatic products, and access to storage and agricultural
39 facilities;

- 1 (f) *Irrigators cooperatives* – engaged in providing sustainable
2 irrigation services for farmers;
- 3 (g) Other cooperatives as may be determined by the Authority
4 under this cluster, in consultation with the cooperative
5 sector.
- 6 (6) *Public Utilities Cluster* refers to cooperatives organized for the purpose
7 of undertaking electricity generation, utilizing renewable energy sources
8 including hybrid systems, acquisition and operation of sub-
9 transmission or distribution; operation and management of water
10 systems; land, air, and sea transportation services; and
11 communications services including telephone and digital
12 communications, for which a franchise or certificate of public
13 convenience and necessity has been duly issued by the appropriate
14 government agency;
- 15 (a) *Communications cooperatives* – organized to own, operate,
16 and manage communication structures and arrangements,
17 such as radio, cable TV, newspaper, and related industries,
18 for the widespread dissemination of information for the
19 members and the public;
- 20 (b) *Transport Service cooperatives* – organized to render public
21 land, water, or air transportation for the safe conveyance of
22 passengers or cargoes, or are engaged in providing related or
23 auxiliary services to the transport industry;
- 24 (c) *Water Service cooperatives* – organized to own, operate, and
25 manage water systems for the provision and distribution of
26 potable water for the members and households in
27 communities where they operate;
- 28 (d) *Electric cooperatives* – organized for the primary purpose of
29 undertaking power generation, utilizing renewable energy
30 sources, including hybrid systems, acquisition and
31 operation of sub-transmission or distribution to the
32 household members;
- 33 (e) Other cooperatives as may be determined by the Authority
34 under this cluster, in consultation with the cooperative
35 sector.
- 36 (7) *Multi-purpose cooperative* refer to a cooperative which combines two (2)
37 or more of the business activities of the different types of cooperatives.
38
- 39 b. Categories of Cooperative. Cooperatives shall be categorized as follows:

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

- i. Primary - The members of which are natural persons;
- ii. Secondary - The members of which are primary cooperatives;
- iii. Tertiary - The members of which are secondary cooperatives;
- iv. Special - The membership of which does not fall under the preceding categories, as determined and approved by the Authority under this Code and its Implementing Rules and Regulations

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

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

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

CHAPTER VI. FEDERATION OF COOPERATIVES

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

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

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

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

1 The minimum paid-up share capital for a federation of cooperatives shall
2 be One Million Pesos (P1,000,000.00).

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

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

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

1 m. To conduct studies in the economic, legal, financial, social, and other
2 phases of cooperation, and public the results thereof; and

3 n. To assist the Authority in ensuring the compliance of its member-
4 cooperatives with the laws, regulations, policies, and
5 inspection/examination findings of government regulatory agencies.

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

10 a. Water supply system services;

11 b. Healthcare services;

12 c. Deathcare services;

13 d. Technology services;

14 e. Real estate services;

15 f. Digital payment services;

16 g. Deposit insurance services; and

17 h. Such other services as may be determined by the Authority.

18 Primary cooperatives who federate under this Section are prohibited from
19 engaging in any business activity not related to their original line of business
20 or not authorized under their articles of cooperation and bylaws or under this
21 Code.

22 **CHAPTER VII. COOPERATIVE UNIONS**

23 **SEC. 31. *Organization and Purposes of a Cooperative Union.*** - All
24 registered cooperatives may organize or join cooperative unions to protect,
25 promote, and represent the interest and welfare of all types of cooperatives:
26 *Provided*, That a member cooperative may freely withdraw membership
27 therefrom.

28 Cooperative unions shall represent the constituent cooperatives at the
29 appropriate level and exercise the following duties and functions:

30 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 in their respective jurisdictions;
- 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 Development 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;
- k. To advise the appropriate authorities on all questions relating to cooperatives;
- l. To act as liquidators or render 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, and such other allied services incidental to attaining the foregoing objectives, such as but not limited to, the maintenance of training centers, catering, lease of venue, lodging, publication, and reproduction and sale of training and research materials.

SEC. 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, training fees, fundraising activities, donations/grants, and subsidies from local and foreign sources, whether private or public.

1 **CHAPTER VIII. MEMBERSHIP**

2 **SEC. 33. Membership.** – A cooperative shall have regular members or
3 associate members.

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

12 In water service cooperatives, institutional users may be accepted as
13 associate members.

14 **SEC. 34. Qualifications of Membership.** – Members of registered
15 primary cooperatives must be natural persons, Filipino citizens, or former
16 natural-born Filipino citizens, of legal age, with capacity to enter into a contract,
17 within the common bond of membership and area of operation, and must
18 possess the qualifications and none of the disqualifications as provided for in the
19 bylaws of the cooperative: *Provided*, that in case of former natural-born Filipino
20 citizens, they must comply with Philippine taxation laws: *Provided, further*, that
21 the age requirement shall not apply to laboratory cooperatives as defined in
22 Section 4. A member must have completed the Pre-Membership Education
23 Seminar.

24 **SEC. 35. 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 who represents the cooperative sector: *Provided*,
28 *further*, that nothing precludes cooperatives from engaging in activities in
29 support of party lists representing the sector, such as but not limited to,
30 campaigning or donating funds;
- 31 b. Employees of the Authority are allowed to become a member of any
32 cooperative. However, they shall be disqualified to be elected or appointed
33 as an officer, except for cooperatives organized among themselves;
- 34 c. Any government employee or official may, in the discharge of his/her
35 duties as a member in the cooperative, be allowed by the head of office
36 concerned to use official time for attendance at the General Assembly,
37 Board, and committee meetings including cooperative seminars,
38 conferences, workshops, technical meetings, and training courses locally
39 or abroad.

1 **SEC. 36. Processing of Applications for Membership.** - An application
2 for membership shall be acted upon by the Board of Directors within the period
3 fixed in the bylaws but not later than thirty (30) days. Otherwise, the
4 application for membership shall be deemed approved, subject to the condition
5 that the applicant has submitted his/her duly accomplished application and
6 has paid the membership fees to the cooperative.

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

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

13 **SEC. 37. Liability of Members.** - A member shall be liable for the debts
14 of the cooperative to the extent of his subscription to the share capital of the
15 cooperative.

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

17 a. A member of a cooperative may withdraw membership from the
18 cooperative by giving written notice to the Board of Directors which shall
19 be acted upon within thirty (30) days from receipt of said notice: *Provided*,
20 that such withdrawal of membership follows the bylaws of the cooperative;

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

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

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

34 (2) Failure to comply with the other obligations as provided for in the
35 bylaws;

36 (3) Violation of the bylaws and the policies of the cooperative;

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

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

A member whose membership is subject for termination shall be informed of such intended action in writing and shall be given an opportunity to be heard by the grievance committee. The grievance committee shall conduct an investigation accordingly and the results therefrom shall be referred to the Board of Directors for its consideration. The Board of Directors may terminate membership in the cooperative by a majority vote. The decision of the Board shall be in writing and shall be communicated either in person or by registered or electronic mail and shall be appealable to the General Assembly within thirty (30) days from receipt thereof.

The General Assembly shall decide within thirty (30) days after receipt of the appeal. Failure of the General Assembly to decide within the prescribed period shall be deemed approval in favor of the member. Pending a final decision, the membership shall remain in force.

SEC. 39. Refund of Interests. - All sums computed in accordance with the bylaws due from a cooperative to a former member shall be paid to the member by the cooperative, in accordance with this Code and as prescribed in the Implementing Rules and Regulations: *Provided*, that if upon such payment, the value of the assets of the cooperative would be less than the aggregate amount of its debts and liabilities exclusive of the members' share capital contribution, such refund shall not be made.

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

CHAPTER IX. ADMINISTRATION

SEC. 40. Composition of the General Assembly/Representative Assembly. - The General Assembly shall be composed of the full membership of the cooperative duly assembled, exercising all the rights and performing all the obligations pertaining to cooperatives, as provided in this Code, and in its articles of cooperation and bylaws.

For cooperatives with numerous and dispersed membership, the General Assembly shall delegate the exercise of its powers to a Representative Assembly, the members of which shall be elected by each of the sector, chapter, or district of the cooperative, in accordance with its articles of cooperation and bylaws: *Provided*, that in cases provided under this Code for the call of a regular

1 or special General Assembly, or the approval or confirmation thereof, the
2 Representative Assembly shall also suffice, where applicable. Such delegation
3 shall be in accordance with the rules and regulations of the Authority.

4 **SEC. 41. Powers of the General Assembly/Representative Assembly.**

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

- 10 a. Determine and approve amendments to the articles of cooperation and
11 bylaws;
12 b. Elect or appoint the members of the Board of Directors, and to remove
13 them for cause. However, in the case of the electric cooperatives registered
14 under this Code, election of the members of the Board shall be held in
15 accordance with the bylaws or election guidelines of such electric
16 cooperative; and
17 c. Approve developmental and annual plans, and budget of the cooperative;
18 d. Approve or disapprove proposals from the Board of Directors pertaining to
19 all external borrowings, investments, grants, donations and other
20 financial assistance; and
21 e. 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 the Board of Directors. These powers
26 shall be enumerated under the bylaws of the cooperative.

27 **SEC. 42. Meetings. –**

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

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

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

10 (1) Presentation of approved articles of cooperation and bylaws;

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

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

13 d. The Authority shall compel the cooperative to call a General or
14 Representative Assembly for the purpose of reporting to the members the
15 result of any examination or other investigation of the cooperative affairs;
16 and

17 e. Notice of any meeting may be waived, expressly or impliedly, by any
18 member.

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

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

22 a. Duly assembled in one venue, wherein the meetings are held on the same
23 day; or

24 b. Simultaneously, wherein the meetings are held on the same day.

25 As a general rule, assembly meetings shall be conducted in a manner
26 provided in the cooperative's bylaws. However, due to technological
27 advancement, public health and safety measures, increased level of
28 participation of members and other equally important considerations in favor
29 of the viability and growth of cooperatives, cooperatives are allowed to conduct
30 their assembly meetings through videoconferencing or a combination of
31 physical attendance and videoconferencing, except for electric cooperatives:
32 *Provided*, That cooperatives who opt to conduct General Assembly meetings
33 through videoconferencing or a combination of physical attendance and
34 videoconferencing as an alternative mode shall amend their bylaws adopting
35 the same: *Provided, further*, That cooperatives shall adopt policies and
36 procedures sufficiently addressing administrative, technical, and logistical
37 concerns for an effective and efficient video conference meeting.

1 **SEC. 44. Quorum.** - Unless a higher requirement is provided in the
2 bylaws of the cooperative, a quorum shall consist of at least twenty-five per
3 centum (25%) of all the members entitled to vote: *Provided*, That special types
4 of cooperatives regulated by other agencies shall follow the minimum quorum
5 requirement as may be prescribed by pertinent laws: *Provided, further*, That the
6 quorum for Representative Assembly shall be in no case lower than twenty-five
7 per centum (25%) as provided for in the bylaws of the cooperative approved as
8 the Authority.

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

12 **SEC. 45. Voting System.** - Each member of a primary cooperative shall
13 have only one (1) vote regardless of the amount of member's share capital. In
14 the case of members of secondary, tertiary or special types of cooperatives, one
15 (1) member-coop, one (1) vote system applies, regardless of the cooperatives'
16 share capital.

17 However, the bylaws of a cooperative, other than a primary cooperative,
18 may provide for voting by proxy. Voting by proxy means allowing a delegate of
19 a cooperative to represent or vote on behalf of another delegate of the same
20 cooperative.

21 **SEC. 46. Composition and Term of the Board of Directors.** – Unless
22 otherwise provided in the bylaws, the direction and management of the affairs
23 of a cooperative shall be vested in a board of directors. The Board of Directors
24 shall be composed of not less than five (5) nor more than fifteen (15) members
25 elected by the General Assembly for a term of two (2) years, but not to exceed
26 three (3) consecutive terms. The Board shall hold office until their successors
27 are duly elected and qualified, or until duly removed for cause.

28 Registered cooperatives whose operations are supervised by other
29 regulatory agencies must comply with the governance requirements of said
30 agency.

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

34 **SEC. 47. Powers of the Board of Directors.** - The Board of Directors
35 shall be responsible for the strategic planning, direction-setting and policy-
36 formulation activities of the cooperatives.

37 **SEC. 48. Directors.** –

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

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

- 19 a. In the case of primary cooperatives, regular meetings of the Board of
20 Directors shall be held at least once a month. Special meetings of the
21 Board of Directors may be held at any time upon the call of the chairperson
22 or a majority of the members of the Board. In case a special meeting is
23 called by the Chairperson, written notice shall be given three (3) days prior
24 the date of said meeting. On the other hand, if the special meeting is called
25 by a majority of the Board, a prior written notice to other members of the
26 Board at least one (1) day before the intended date of the special meeting
27 will suffice. Only two (2) special meetings may be held in one (1) month.
28 Notices may be sent through electronic means or to the official contact
29 number or email account of the officers.
30
- 31 b. A majority of the members of the Board shall constitute a quorum or the
32 conduct of business, unless the bylaws provides otherwise.
- 33 c. Each member of the Board shall only have one (1) vote, whether it be a
34 primary or secondary cooperative, irrespective of the share capital
35 holdings of the member-cooperative.
- 36 d. Directors cannot attend or vote by proxy at Board meetings.
- 37 e. Cooperatives may opt to allow meetings of the Board of Directors and
38 members of the different committees of cooperatives may be conducted
39 either through physical attendance or videoconferencing, subject to the

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

5 **SEC. 50. Vacancy in the Board of Directors.** - Any vacancy in the
6 Board of Directors, other than by expiration of term or an increase in the
7 number of Board of Directors, may be filled by the vote of at least a majority of
8 the remaining directors, if still constituting a quorum; otherwise, the vacancy
9 must be filled by the General Assembly in a special meeting called for the
10 purpose which must be held not later than thirty (30) days from the time the
11 vacancy occurs or during the regular meeting, whichever comes earlier. The
12 director so elected shall possess all of the qualifications and none of the
13 disqualifications as prescribed under this Code and the bylaws of the
14 cooperative and shall serve only the unexpired term of his/her predecessor in
15 office.

16 In case of vacancy of the entire Board of Directors or failure of the
17 General Assembly to fill the vacancy, the Authority shall compel the cooperative
18 through the Election Committee to call for a special General Assembly meeting
19 for purposes of electing a new set of Board of Directors. In the absence of the
20 Election Committee, the General Assembly may appoint an Ad Hoc Committee
21 who shall be responsible in conducting a special General Assembly meeting.

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

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

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

37 **SEC. 52. Committees of Cooperatives. –**

- 38 a. The bylaws may create an executive committee to be appointed by the
39 Board of Directors with such powers and duties as may be delegated to it

1 in the bylaws or by a majority vote of all the members of the Board of
2 Directors.

- 3 b. The bylaws shall provide for the creation of an audit, election, conciliation-
4 mediation, ethics, gender and development, education, and such other
5 committees as may be necessary for the conduct of the affairs of the
6 cooperative. The members of the audit, election, conciliation-mediation,
7 and ethics committee shall be elected by the General Assembly and the
8 rest shall be appointed by the Board.

9 Unless otherwise provided in the bylaws, the Board, in case of a vacancy
10 in the committees, may call an election or appoint a person to fill the vacancy
11 subject to the provision that the person elected or appointed shall serve only
12 for the unexpired portion of the term.

13 **SEC. 53. Functions, Responsibilities and Training Requirements of**
14 **Directors, Officers and Committee Members.** – The functions and
15 responsibilities of directors, officers and committee members, as well as their
16 training requirements, shall be prescribed in the bylaws of the cooperative, in
17 accordance with the rules and regulations issued by the Authority.

18 **SEC. 54. Liability of Directors, Officers and Committee Members.** -
19 Directors, officers and committee members, who willfully and knowingly vote
20 for or assent to patently unlawful acts or who are guilty of gross negligence or
21 bad faith in directing the affairs of the cooperative or acquire any personal or
22 pecuniary interest in conflict with their duty as such directors, officers or
23 committee members shall be liable jointly and severally for all damages or
24 profits resulting therefrom to the cooperative, members, and other persons.

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

31 **SEC. 55. Compensation and Other Emoluments.** –

- 32 a. In the absence of any provisions in the bylaws fixing their compensation,
33 the directors shall not receive any compensation except for reasonable
34 honorarium/*per diems*: *Provided*, That no additional compensation other
35 than honorarium/*per diems* shall be paid during the first year of existence
36 of any cooperative: *Provided, further*, That only the General Assembly shall
37 approve any additional honorarium/*per diem* or the increase thereof.

1 b. Directors and officers shall not be entitled to any honorarium/*per diem* if
2 the cooperative reported a net loss in the preceding calendar year or had
3 a dividend rate less than the official rate for the same year.

4 c. Unless already fixed in the bylaws, the compensation of all other
5 employees shall be determined by the Board of Directors in accordance
6 with the Regional Tripartite Wages and Productivity Board.

7 **SEC. 56. *Dealings of Directors, Officers, or Committee Members.* -**

8 A contract entered into by the cooperative with one (1) or more of its directors,
9 or their spouses and relatives within the third civil degree of consanguinity or
10 affinity, is voidable, at the option of the cooperative, unless the following
11 conditions are present:

12 a. The presence of such director in the Board meeting wherein contract was
13 approved was not necessary to constitute a quorum for such meeting;

14 b. The vote of such director was not necessary for the approval of the
15 contract;

16 c. The contract is fair, reasonable, and beneficial to the cooperative under
17 the circumstances; and

18 That in the case of a contract entered into between the cooperative and its
19 officer or committee member, or their spouses and/or relatives within the third
20 civil degree of consanguinity or affinity, such contracts are voidable, at the
21 option of the cooperative, unless it has been previously authorized by the
22 General Assembly or by the Board of Directors, and the contract is fair,
23 reasonable, and beneficial to the cooperative under the circumstances.

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

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

32 **SEC. 57. *Disloyalty of a Director and Other Officers of the***
33 ***Cooperative.* -** A director or other officers of the cooperative who, by virtue of
34 such office, directly or indirectly acquires for themselves an opportunity which
35 should belong to the cooperative shall be liable for damages and must account
36 for double the profits that otherwise would have accrued to the cooperative by
37 refunding the same. This provision shall be applicable, notwithstanding the

fact that the director or other officers of the cooperative used their own funds to acquire such opportunity.

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

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

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

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

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

SEC. 59. *Removal.* – No officer may be removed, except for cause, after due notice and hearing as provided in the bylaws and internal rules of the cooperative. Loss of trust and confidence in the performance of their duties shall be a valid ground for removal.

All complaints for the removal of any elected officer shall be filed with the Board of Directors for investigation. Upon finding *prima facie* evidence of guilt, the Board shall give due notice to the officer concerned and present its recommendation for removal in a regular or special General Assembly called for the purpose. The officer concerned shall be given an opportunity to be heard at said assembly.

Removal of an officer may be done by a three-fourths ($\frac{3}{4}$) votes of the members entitled to vote present and constituting a quorum, in a regular or special General Assembly meeting called for the purpose.

In cases involving the removal of a member of the Board of Directors or any appointive officer, a complaint shall be filed with the ethics and grievance committee of the cooperative. The concerned director or officer shall also be afforded the opportunity to be heard. The ethics and grievance committee shall conduct its investigation, during which the officer concerned may be placed under preventive suspension by a majority vote of either the Board of Directors or the ethics and grievance committee. After the investigation, the Board of Directors shall decide on the matter based on the recommendation of the ethics and grievance committee. The decision of the Board of Directors may be

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

3 **CHAPTER X. RESPONSIBILITIES, RIGHTS AND PRIVILEGES OF** 4 **COOPERATIVES**

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

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

14 **SEC. 61. *Books to be Kept Open.*** -

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

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

20 (2) A copy of the Implementing Rules and Regulations of the Authority;

21 (3) A copy of the articles of cooperation and bylaws of the cooperative;

22 (4) A registry of members;

23 (5) The books of the minutes of the meetings of the General Assembly,
24 Board of Directors, and committees;

25 (6) a share and transfer book, except for cooperative unions;

26 (7) Financial statements and other financial records; and

27 (8) Such other documents as may be prescribed by the Authority, laws, and
28 the bylaws.

29 b. The accountant or the bookkeeper of the cooperative shall be responsible
30 for the maintenance and safekeeping of the books and records of accounts
31 of the cooperative in accordance with generally accepted accounting

1 practices. He/she shall also be responsible for the production of the same
2 at the time of audit, inspection, examination, or investigation.

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

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

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

25 e. The processing of information of the cooperative which may contain
26 confidential matters or privileged communication shall adhere with
27 Republic Act No. 10173, otherwise known as the "Data Privacy Act of
28 2012".

29 **SEC. 62. Reports.** - Every cooperative shall prepare an annual progress
30 report with the necessary attachments as may be prescribed by the Authority
31 at the end of every calendar year. The reports shall be made accessible to its
32 members, and copies thereof shall be available upon request of members on
33 record and authorized government agencies during reasonable office hours.
34 These reports shall be filed with the Authority within one hundred twenty (120)
35 days from the end of the calendar year. The form and contents of the reports
36 shall be as prescribed by the rules of the Authority. Failure to file the required
37 reports on time shall subject the accountable officer to fines and penalties as
38 may be prescribed by the Authority. Failure to file the required reports despite
39 notice shall be a ground for the suspension/cancellation of the Certificate of
40 Registration of the cooperative, subject to the guidelines to be issued by the
41 Authority.

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

7 **SEC. 63. Registry of Members as Prima Facie Evidence.** - A registry
8 of members kept by any registered cooperative shall be *prima facie* evidence of
9 the following particulars entered therein:

10 a. The date on which the name of any person was entered in such registry or
11 list of members; and

12 b. The date on which any such person ceased to be a member.

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

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

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

24 **SEC. 65. Bond of Accountable Officers.** - Every director, officer, and
25 employee handling funds, securities or property on behalf of any cooperative
26 shall be covered by a surety bond to be issued by a duly registered insurance
27 or bonding company for the faithful performance of their respective duties and
28 obligations. The Board of Directors shall determine the adequacy of such
29 bonds. However, the cooperative is not precluded from securing other
30 insurance policies to protect from losses of monies, securities, and other
31 property from employees who have a manifest intent to cause the cooperative
32 loss.

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

38 **SEC. 66. Preference of Claims.** -

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

15 **SEC. 67. Instrument for Salary or Wage Deduction. –**

- 16 a. A member of a cooperative shall, notwithstanding the provisions of
17 existing laws to the contrary, execute an instrument in favor of the
18 cooperative authorizing his/her employer to deduct from his/her salary or
19 wages, commutation of leave credits and any other monetary benefits
20 payable to him/her by the employer and remit such amount as maybe
21 specified in satisfaction of a debt, share capital contribution, or other
22 demand due from the member to the cooperative.
- 23 b. Upon the execution of such instrument and as may be required by the
24 cooperative contained in a written request, the employer shall make the
25 deduction in accordance with the agreement and deduction in accordance
26 with the agreement and remit forthwith the amount so deducted within
27 ten (10) days after the end of the payroll month to the cooperative. The
28 employer shall make the deduction for as long as such debt or other
29 demand remains unpaid by the employee.
- 30 c. The term “employer” as used in this Section shall include all private firms,
31 national and local governments, government-owned and controlled
32 corporations, government instrumentalities with corporate powers,
33 government corporate entities, or government financial institutions that
34 employ a member of a cooperative and have agreed to carry out the terms
35 of the instrument mentioned in paragraphs (a) and (b) of this Section.
- 36 d. The provisions of this Section shall apply to all similar agreements referred
37 to in paragraph (a) and were enforced prior to the approval of this Code.
- 38 e. Notwithstanding the provisions of existing laws to the contrary, the
39 responsibilities of the employer under this Section shall be mandatory and

1 without the need for any prior conditions, accreditation or other similar
2 processes to facilitate or implement the deductions. *Provided*, That in the
3 case of a private employer, the actual and reasonable cost for deducting
4 and remitting may be collected.

- 5 f. The member may withdraw such consent at any time and for any reason,
6 which shall be put in writing. Any person who acts contrary to this
7 provision shall be held liable under this Code and other laws, as the case
8 may be.

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

12 **SEC. 69. Tax Treatment of Cooperatives.** – Duly registered
13 cooperatives under this Code which do not transact any business with non-
14 members or the general public shall not be subject to any taxes, fees, and
15 charges imposed under the internal revenue laws and other tax laws.
16 Cooperatives not falling under this Section shall be governed by the succeeding
17 provisions.

18 **SEC. 70. Tax and Other Exemptions.** - Duly registered cooperatives
19 transacting business with both members and non-members shall not be
20 subjected to tax on their transactions with members. In relation to this, the
21 transactions of members with the cooperative shall not be subject to any taxes,
22 fees, and charges, including but not limited to final taxes on members' share
23 capital and deposits and corresponding documentary stamp tax.

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

- 27 a. Duly registered agricultural cooperatives and non-agricultural
28 cooperatives whose Reserve Funds have an existing balance of One
29 Hundred Million pesos (P100,000,000.00) and below shall be exempt from
30 all national internal revenue taxes, fees, and charges of whatever name
31 and nature.

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

b. Duly registered non-agricultural 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) *Special Income Tax* of ten percent (10%) of net surplus: *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 parts thereof, to be used directly and exclusively in the production and/or processing of their produce, and their resale to other Agriculture Cooperatives;

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

(iii) Sales by non-agricultural, non-electric and non-credit cooperatives duly registered with the Authority: *Provided*, That the share capital contribution of all members does not exceed One hundred thousand pesos (P100,000) each and regardless of the aggregate capital and net surplus ratably distributed among the members; and

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

Vehicle Modernization Program, machineries, equipment, batteries, accessories, spare parts, petroleum products, and/or motor fuels by transport cooperatives whether imported, locally manufactured, or produced; and

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

(4) All other taxes unless otherwise provided herein.

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

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

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

e. Any register of deeds shall accept for registration, free of charge, any instrument relative to a loan made under this Code which does not exceed Two Hundred 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

1 showing that the net assets of the cooperative are in excess of the amount
2 of the bond required by the court in similar cases shall be accepted by the
3 court as a sufficient bond.

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

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

10 **SEC. 71. Issuance of Certificate of Tax Exemption for Cooperatives.**

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

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

- 22 a. Cooperatives shall enjoy the privilege of depositing their sealed cash boxes
23 or containers, documents or any valuable papers in the safes of the
24 municipal, city, or provincial treasurers and other government offices free
25 of charge, and the custodian of such articles shall issue a receipt
26 acknowledging the articles received duly witnessed by another person;
- 27 b. Cooperatives organized among government employees, notwithstanding
28 any law or regulation to the contrary, shall enjoy the free use of any
29 available space in their agency, whether owned or rented by the
30 Government;
- 31 c. Cooperatives rendering special types of services and facilities such as cold
32 storage, ice plant, electricity, transportation, water, communications, and
33 similar services and facilities shall be given preference in the grant of a
34 franchise or certificate therefor: *Provided*, That such cooperatives shall
35 open their membership to all persons qualified in their areas of operation.
36 In case there are two (2) or more applicants for the same public service
37 franchise or certificate of public convenience and necessity, all things
38 being equal, preference shall be given to a cooperative engaged in public
39 services;

- 1 d. In areas where there are agricultural cooperatives, at least fifty per centum
2 (50%) of the supply of the government institutions, LGUs, and agencies,
3 which includes but is not limited to rice, corn, grains, fish and other
4 marine products, meat, eggs, milk, vegetables, and other agricultural
5 commodities such as fertilizers, seeds and other agricultural inputs and
6 implements, shall be sourced from such cooperatives;
- 7 e. Preferential and equitable treatment in the allocation or control of
8 bottomries of commercial shipping vessels in connection with the
9 shipment of goods and products of cooperatives;
- 10 f. Cooperatives and their federations engaged in the production and/or the
11 marketing of products from agriculture, fisheries and small
12 entrepreneurial industries, shall have exclusive preferential rights in the
13 management of public markets and lease of public market facilities, stalls
14 or spaces, slaughterhouses, and/or cold storage facilities: *Provided, That*
15 *these rights shall only be utilized exclusively by cooperatives: Provided,*
16 *further, That no cooperative forming a joint venture, partnership or any*
17 *other similar arrangement with a non-cooperative entity can utilize these*
18 *rights;*
- 19 g. Cooperatives engaged in credit services shall be entitled to loans, credit
20 lines, rediscounting of their loan notes, and other eligible papers with the
21 Development Bank of the Philippines (DBP), the Land Bank of the
22 Philippines (LBP), and other financial institutions except BSP;
- 23 The Philippine Deposit Insurance Corporation (PDIC) and other
24 government agencies, government-owned and controlled corporations,
25 and government financial institutions shall provide technical assistance
26 to registered federations of cooperatives which have significant
27 engagement in savings and credit operations in order for these federations
28 to establish and strengthen their own cooperative deposit insurance
29 systems;
- 30 h. Public transport service cooperatives shall be entitled to financing support
31 for the acquisition and/or maintenance of land, sea, and air transport
32 equipment, facilities and parts through the program of the Government
33 Financial Institutions. It shall have the preferential right to the
34 management and operation of public terminals and ports whether land,
35 sea, or air transport, wharves, including arrastre and stevedoring services,
36 where the cooperative operates and on securing a franchise for active or
37 potential routes for the public transport;
- 38 i. Cooperatives transacting business with the Government of the Philippines
39 or any of its political subdivisions or any of its agencies or
40 instrumentalities, including government-owned and controlled

corporations shall be given preference in the procurement of government projects subject to existing procurement laws, rules and regulations.

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

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

l. The relevant regulatory agencies and LGUs shall not discriminate against duly registered cooperatives seeking accreditation as service providers, or seeking to engage in a particular business: *Provided*, that they possess all other qualifications and none of the disqualifications under the law. Any person who acts contrary to this provisions may be held liable under this Code and all other relevant laws and issuances;

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

n. The relevant government agencies and government financial institutions shall create a special window for financing to qualified cooperatives engaged in housing projects, with interest rates and terms equal to, or better than those given for socialized housing projects. This financing shall be in the form of blanket loans or long-term wholesale loans to qualified cooperatives, without need for individual processing.

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

CHAPTER XI. INSOLVENCY OF COOPERATIVES

SEC. 73. Proceeding Upon Insolvency. - In case a cooperative is unable to fulfill its obligations to creditors due to insolvency, such cooperative may apply for such remedies as it may deem fit under the provisions of Republic Act 10142, otherwise known as the "Financial Rehabilitation and Insolvency Act" (FRIA).

1 Nothing in this Section, however, precludes creditors from seeking
2 protection from said insolvency law.

3 **SEC. 74. *Effect of Declaration of Insolvency by a Competent Court.***

4 - Should a cooperative be declared insolvent by the court, its Certificate of
5 Registration shall be cancelled and it shall be delisted from the registry of
6 cooperatives of the Authority.

7 **CHAPTER XII. SUSPENSION OF COOPERATIVES**

8 **SEC. 75. *Suspension of Certificate of Registration.*** - A penalty of
9 suspension shall be imposed on a cooperative, after due process, on any of the
10 following grounds:

- 11 a. Willful failure to submit annual progress reports with the necessary
12 attachments within the period mandated by this Code: *Provided*, That in
13 the case of newly-registered cooperatives, this provision shall only apply
14 to them three (3) years after their registration; or
- 15 b. Willful failure or refusal to comply with an interlocutory order or a final
16 and executory decision or award of the CDA Board of Directors, any of its
17 Regional Offices, adjudication officer, or voluntary arbitrator by reason of
18 or as a consequence of an investigation, voluntary arbitration, or
19 adjudication.

20 The Authority shall commence suspension proceedings in accordance
21 with the procedure provided in the Implementing Rules and Regulations of this
22 Code.

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

24 **SEC. 76. *Voluntary Dissolution Where no Creditors are Affected.*** -

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

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

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

8 **SEC. 77. Voluntary Dissolution Where Creditors Are Affected. -**

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

16 If the petition is sufficient in form and substance, the Authority shall
17 issue an order reciting the purpose of the petition and shall fix a date which
18 shall not be less than thirty (30) nor more than sixty (60) days after the entry
19 of the order. Before such date, a copy of the order shall be published at least
20 once in a newspaper of general circulation published in the municipality or city
21 where the principal office of the cooperative is situated or in the absence of
22 such local newspaper, in a newspaper of general circulation in the Philippines
23 at the expense of the cooperative, and a copy shall likewise be posted for three
24 (3) consecutive weeks in three (3) public places in the municipality or city where
25 the cooperative's office is located.

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

- 32 a. The assets and liabilities of the cooperative;
- 33 b. The claim of any creditor;
- 34 c. The number of members;
- 35 d. The nature and extent of the interests of the members of the cooperative;
- 36 and
- 37 e. The appointment of liquidators.

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

3 **CHAPTER XXIV. INVOLUNTARY DISSOLUTION OF COOPERATIVES**

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

- 7 a. Having obtained its registration by fraud;
- 8 b. Engaging in an illegal and/or unauthorized purpose;
- 9 c. Willful violation, despite written notice by the Authority, of the provisions
10 of this Code or its Implementing Rules and Regulations and all other
11 issuances of the Authority or bylaws of the cooperative;
- 12 d. Willful refusal to comply with an order or written instructions or directives
13 issued or given by the Authority;
- 14 e. Willful failure to operate on a cooperative basis; and
- 15 f. Failure to meet the required minimum capital and minimum number of
16 members in the cooperative; and
- 17 g. If a cooperative has not commenced business operations within three (3)
18 years after the issuance of its Certificate of Registration.

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

23 **SEC. 79. Cancellation by Failure to Operate.** - If a cooperative has not
24 commenced operations within three (3) years after the issuance of its Certificate
25 of Registration, or has not carried on its business for three (3) consecutive
26 years, the Authority shall send a show cause order for the cooperative to
27 explain its failure to operate. Failure to provide justifiable cause shall authorize
28 the Authority, after due notice, to cancel the Certificate of Registration and
29 delist it from the registry.

30 **CHAPTER XV. LIQUIDATION OF COOPERATIVES**

1 **SEC. 80. Liquidation of a Cooperative.** - Every cooperative whose term
2 of existence expires by its own limitation or whose existence is terminated by
3 voluntary dissolution or cancellation of its Certificate of Registration by the
4 Authority shall cease to operate. However, it can continue to exist for three (3)
5 years after the time it is dissolved or cancelled, not to continue the business
6 for which it was established but for the purpose of prosecuting and defending
7 suits by or against it, settlement and closure of its affairs, disposition,
8 conveyance and distribution of its properties and assets.

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

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

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

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

23 **CHAPTER XVI. DELISTING OF COOPERATIVES**

24 **SEC. 81. Delisting of Cooperatives.** - Cooperatives may be delisted
25 from the Registry of Cooperatives due to the following causes:

- 26 a. Voluntary Dissolution;
- 27 b. Involuntary Dissolution;
- 28 c. Cancellation by Order of the Authority;
- 29 d. Cancellation by Failure to Operate; and
- 30 e. Merger and Consolidation

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

1 **SEC. 82. Capital and Funds.** – The capitalization of cooperatives and
2 federations, or funds in the case of unions, shall be governed by the provisions
3 of this Code and the regulations which shall be issued in consultation with the
4 cooperative sector.

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

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

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

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

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

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

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

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

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

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

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

34 A share can either be a common and/or preferred share issued to a
35 regular member as defined in the cooperative's articles of cooperation and
36 bylaws.

1 **SEC. 88. Fines.** – The policies of a cooperative may prescribe a fine on
2 unpaid subscribed share capital. *Provided*, That such fine is fair and
3 reasonable under the circumstances.

4 **SEC. 89. Investment of Capital.** – A cooperative upon approval of at
5 least three-fourths ($\frac{3}{4}$) of all members entitled to vote, present and constituting
6 a quorum, may invest its capital in any of the following:

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

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

15 **CHAPTER XVII. AUDIT, INQUIRY, AND MEMBERS' RIGHT TO** 16 **EXAMINE**

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

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

28 **SEC. 92. Audit Report.** - The complete audit reports shall be submitted
29 to the Board of Directors, which shall be presented to the General Assembly in
30 its next meeting for approval and adoption. The Board of Directors shall be
31 liable under Section 175 of this Code should it fail to present such reports to
32 the General Assembly.

33 **SEC. 93. Non-Liability for Defamations.** - The auditor shall not be held
34 liable to any person in an action for defamation for acts done or for any

1 statement made by him/her in good faith in connection with the conduct of
2 audit of the cooperative.

3 **SEC. 94. Right to Examine.** - All members shall have the right to
4 examine the records of the cooperative under Section 61 of this Code at any
5 time during reasonable hours of the operating days of the cooperative: *Provided,*
6 That the member submits a letter request three (3) days prior to the date of his
7 demand to examine the records and stating therein the purpose of the request.

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

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

17 If the request to examine is denied based on the aforementioned grounds,
18 the member shall have the burden of proving to the Board that such request is
19 made in good faith and for a legitimate purpose. If the denial is made in bad
20 faith, the directors who voted for such refusal shall be penalized under Section
21 175 of this Code.

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

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

29 **SEC. 96. Net Surplus.** - Notwithstanding the provisions of existing laws,
30 the net surplus of cooperatives shall be determined in accordance with its
31 bylaws. Every cooperative shall determine its net surplus at the close of every
32 fiscal year.

33 Any provision of law to the contrary notwithstanding, the net surplus
34 shall not be construed as profit but as an excess of payments made by the
35 members for the loans borrowed, or the goods and services availed by them
36 from the cooperative or the difference of the rightful amount due to the

1 members for their products sold or services rendered to the cooperative
2 including other inflows of assets resulting from its other operating activities
3 and which shall be deemed to have been returned to them if the same is
4 distributed as prescribed herein.

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

- 9 a. The reserve fund which shall be at least ten per centum (10%) of the net
10 surplus for the stability of the cooperative and to cover net losses in its
11 operations, including losses incurred during a pandemic, state of
12 emergency, and other such *force majeure*: *Provided*, that if any of the
13 aforementioned events occur, necessitating the use of the reserve fund,
14 as may be approved or confirmed by the General Assembly, as the case
15 may be. Any sum recovered on items previously charged to the reserve
16 fund shall be credited to such fund.

17
18 The fund shall be recorded in the books of account of the cooperative, and
19 earmarked as such, and can be made available for investment to enhance
20 the growth and development of the cooperative; *Provided*, That the
21 utilization of the reserve fund for investment shall be at the option of the
22 General Assembly; *Provided, further*, that the liquidity of the cooperative
23 shall be taken into account when utilizing a portion of the reserve fund for
24 investment. However, for cooperatives in their first five (5) years of
25 operation, the amount allocated shall not be less than thirty per centum
26 (30%) of the net surplus.

27
28 The general assembly may decrease the amount allocated to the reserve
29 fund when the reserve fund already exceeds the share capital.

30
31 Upon the dissolution of the cooperative, the reserve fund shall be
32 distributed in accordance with the rules and regulations on liquidation to
33 be issued by the Authority.

- 34
35 b. The Cooperative Education and Training Fund (CETF) which shall not
36 exceed ten per centum (10%) of the net surplus, shall be used for the
37 training, development and similar other cooperative activities geared
38 towards the growth of the cooperative movement:

- 39 (1) Half of the CETF shall be used to provide for the education and training
40 of its officers, members, and employees; while the other half shall be
41 remitted to a federation and/or union that the cooperative opted to join,
42 which must redound to the benefit and development of the member-

1 cooperatives, such as, but not limited to trainings, seminars, and other
2 related activities.

3
4 Should a cooperative have multiple affiliations, it shall have the discretion
5 on how to allocate the CETF.
6

7 (2) Upon the dissolution of the cooperative, the unexpended balance of the
8 CETF shall be utilized within the succeeding calendar year following its
9 allocation.
10

- 11 c. The Community Development Fund (CDF) which shall not be less than
12 three per centum (3%) of the net surplus shall be used for projects or
13 activities that will benefit the community where the cooperative operates.
14 However, the cooperative may extend assistance to marginalized
15 communities or affected areas outside its area of operation in times of
16 calamities, disaster, or national emergency and allocate percentage of
17 such fund for climate resiliency programs, environmental programs, and
18 support for insuring crops and related agri-agra products of cooperative,
19 subject to the discretion of the General Assembly.

20 In the case of cooperatives whose common bond of membership is
21 institutional, the community refers to the institution where the
22 cooperative is operating.

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

- 29 d. The optional fund in the amount of seven per centum (7%) shall be used
30 for the acquisition of land and construction of building, and any other
31 expenses anent to it, *Provided*, it is approved by at least three-fourths ($\frac{3}{4}$)
32 of all members entitled to vote, present and constituting a quorum, which
33 shall be in accordance with the Implementing Rules and Regulations to be
34 promulgated by the Authority.

35 This fund may also be used for the benefit of its members and employees
36 under exceptional circumstances such as the occurrence of a pandemic,
37 crisis, or *force majeure*. However, if the optional fund is insufficient, the
38 cooperative may charge any deficiency to direct expenses.
39

- 40 e. The remaining net surplus shall be made available in full to the members
41 in the form of interest on share capital following the formula for

1 computation as provided by the Authority: *Provided*, That a majority of the
2 members entitled to vote, present and constituting a quorum, approves.

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

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

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

14 (3) In the case of a non-member patron, his/her proportionate amount of
15 patronage refund shall be set aside in a fund created for the purpose
16 and shall be allocated to individual non-member patrons only upon
17 request and presentation of evidence of the amount of his/her
18 patronage. The amount so allocated shall be credited to such patrons
19 toward payment of the minimum capital contribution for membership.
20 When a sum equal to this amount has accumulated at any time within
21 two (2) years from the start of his/her patronage, such patron shall be
22 deemed and become a member of the cooperative if he so agrees or
23 requests and complies with the provisions of the bylaws for admission
24 to membership; and

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

32 **CHAPTER XX. AGRICULTURE COOPERATIVES**

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

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

- 4 a. Raising and/or culture of plants, high-value crops, animals, fish, poultry,
5 livestock, and other agri-products as source of food, feed, and fiber;
- 6 b. Marine and inland fishing;
- 7 c. Production of salt;
- 8 d. Community and social forestry;
- 9 e. Provision of credit facilities for marginal farmers and fishermen;
- 10 f. Facilitating the production, procurement, marketing, and distribution of
11 farm inputs/implements for its members such as but not limited to, meat-
12 type and dairy animals, planting materials, semen, silage, feeds,
13 veterinary supplies, seeds, fertilizers and chemicals, farm equipment, food
14 processing and engineering supplies/equipment, and other inputs as may
15 be needed by the agricultural industry;
- 16 g. Propagation, production, harvest, postharvest, processing, packing,
17 repacking, marketing, exportation, and sale of members' agri-products
18 and by-products, and/or produce;
- 19 h. Maintenance and management of irrigation systems, water impounding,
20 and other agricultural facilities;
- 21 i. Other allied services such as but not limited to warehousing, cold storage,
22 and other post-harvest services, hauling, and transport of members'
23 products/produce and such other similar business services and activities
24 that will reduce cost and/or value addition of output; and
- 25 j. Learning site entrepreneurship for extension, technology demonstration,
26 agri-tourism, and farm business schools.

27 **SEC. 100. Pre-Cooperative Agricultural Organization.** – Prior to
28 registration with the Authority, a group of natural persons intending to form
29 an agriculture cooperative may voluntarily form a Pre-Cooperative Agricultural
30 Organization (PCAO) that shall have its own juridical personality to undertake
31 activities that shall determine the viability of the creation of a cooperative under
32 this Code. Prior to registration, the PCAO must be accredited as such with the
33 Cooperative Development Office of the LGU created pursuant to RA 11535.

34 The Department of Agriculture (DA) and the Authority, in coordination
35 with the CDOs, shall assist PCAOs so that they can formally organize as

1 cooperatives under this Code; *Provided*, that should the PCAO decide to
2 formally organize into a cooperative, it must comply with the provisions of
3 Sections 8 and 14 of this Code. Further, Section 18 shall apply to all contracts
4 executed by pre-cooperative organizations prior to registration under this Code.

5 The DA, Department of Interior and Local Government (DILG), and the
6 Authority shall jointly issue guidelines on the mechanisms for PCAOs.

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

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

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

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

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

36 **SEC. 104. Clustering and Consolidation** - In order to pool their
37 resources for increased viability and market competitiveness, the DA, DAR,

DTI, and CDA shall jointly establish a program that will promote, encourage agricultural cooperatives and facilitate their cooperation into clusters that will encompass the whole agricultural value chain, including but not limited to land consolidation, postharvest processing, distribution, logistics, marketing, and promotions.

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

SEC. 105. Partnership and Joint Venture with Private Entities. -

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

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

SEC. 106. Commitment of Financial Portfolio. –

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

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

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

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

- a. Ensure the appointment of Cooperative Development Officers, in compliance with Republic Act No. 11535;

- b. Legislate necessary ordinances for the promotion and development of agriculture cooperatives;
- c. Disseminate information to people and facilitate the establishment and development of the management and operations of agriculture cooperatives in their respective localities;
- d. Expedite the issuance of the necessary permits for the implementation of programs and projects of the Authority and other national government agencies for the benefit of 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;
- g. Provide technical assistance and skills training for farmers, farm workers, and fisherfolk to engage in income-generating activities.
- h. Provide access to land for agricultural and fisheries cooperatives for farming and other purposes which include leasing or allocating public lands for cooperatives use;
- i. Offer financial support to agricultural and fisheries cooperatives through grants, subsidies, or low-interest rates; and
- j. Facilitate linkage between agricultural and fisheries cooperatives and other institutions offering assistance/services.

SEC. 109. 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.

SEC. 110. 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; *Provided*, That all tax- and duty-free imports and local purchases shall not be sold nor the beneficial ownership thereof be transferred to any person until after five (5) years, otherwise, the cooperative and the transferee or assignee shall be solidarily liable to pay twice the amount of the imposed tax and/or duties; and

(3) All real properties owned, and those directly used for the operations, management, and maintenance of 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. Consolidation - Agricultural cooperatives may consolidate agricultural lands owned by its members within in a contiguous area for purposes of agricultural development;

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

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

e. Loans and Grants:

(1) All loans applied for by 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 BSP to lower the thresholds for all loans applied for and granted to agriculture cooperatives.

1 **SEC. 111. Merger and Consolidation of Agriculture Cooperatives.** -
2 Notwithstanding the provisions of this Code, the merger and consolidation of
3 agriculture cooperatives shall be in accordance with the Implementing Rules
4 and Regulations to be promulgated by the Authority.

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

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

19 **SEC. 114. Annual Trade Fair and Awards.** - The DA, in coordination
20 with the Authority, and in partnership with the cooperative sector, shall
21 establish and hold the Annual Agricultural Cooperatives Trade Fair and
22 Awards, and other development-oriented projects and activities to showcase
23 the exemplary business achievement, latest innovations, and other emerging
24 trends in the sector.

25 **CHAPTER XXI. AGRARIAN REFORM COOPERATIVES**

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

32 **SEC. 116. Definition and Purpose.** - An agrarian reform cooperative as
33 defined shall be organized for any or all of the following purposes:

- 34 a. To develop an appropriate system of land tenure, land development, land
35 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 ARBs and their immediate family;
- c. To provide financial facilities to ARBs 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 ARBs and marginal farmers;
- f. To provide non-formal education, vocational/technical training, and livelihood programs to ARBs and marginal farmers;
- g. To act as conduits for external assistance and services to the ARBs 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 ARBs 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.

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

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

SEC. 119. Lease of Public Lands. - The Government may lease public lands to any agrarian reform cooperative for a period not exceeding twenty-five (25) years, subject to renewal for another twenty-five (25) years only: *Provided*, That the application for renewal shall be made one (1) year before the expiration

1 of the lease: *Provided, further*, That such lease shall be for the exclusive use
2 and benefit of the beneficiaries and marginal farmers subject to the provisions
3 of the Comprehensive Agrarian Reform Program, as amended.

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

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

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

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

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

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

16 **CHAPTER XXII. COOPERATIVE BANKS**

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

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

23 b. *Registration* - The application for the registration of the articles of
24 cooperation and bylaws, including its amendments, by a cooperative bank
25 with the Authority shall be accompanied by a Certificate of Authority
26 issued by the BSP.

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

28 (1) cooperatives of all types and categories;

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

30 (3) foreign cooperatives;

31 (4) pre-cooperative organizations established under Presidential Decree No.
32 175; and

33 (5) individuals.

1 Membership in a cooperative bank is either regular or associate. Regular
2 membership shall be limited to cooperative organizations, individuals who are
3 members of a domestic cooperative, or a foreign cooperative. Associate
4 members shall be pre-cooperative organizations established under Presidential
5 Decree No. 175, as well as individuals who are subscribing and holding
6 preferred shares only.

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

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

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

- 19 a. Extend loans and advances primarily for the purpose of meeting the
20 normal credit needs of cooperatives as well as farmers, farm workers,
21 fisherfolks, or their families, merchants, and private and public
22 employees: *Provided*, That loans and advances granted to cooperatives
23 shall not be subject to individual ceilings on loans to directors, officers,
24 stockholders, and related interests (DOSRI);
- 25 b. Accept savings and time deposits;
- 26 c. Act as a correspondent bank of other financial institutions;
- 27 d. Discount and Rediscount paper with the Land Bank of the Philippines,
28 Development Bank of the Philippines or any other bank, including its
29 branches and agencies. Said banks shall specify the nature of paper
30 deemed acceptable for rediscounting, as well as the rediscount rate to be
31 charged by any of these banks;
- 32 e. Act as collection agent;
- 33 f. Act as official depository bank of Local Government Units and other
34 government agencies or instrumentalities;
- 35 g. Acquire readily marketable bonds and other debt securities;
- 36 h. Buy and sell foreign exchange;

- i. Acquire shares of publicly listed companies;
- j. Act as conduit bank for the disbursement of government funds intended for lending to agriculture, small-medium enterprises (SMEs) and projects for local economic development;
- k. Eligible to participate in government program allocations for agricultural lending, social housing, loans to rural micro enterprises and other initiatives towards inclusive growth;
- l. Offer financial technology services, such as digital lending and payment, and digital wealth management, among others, subject to prior approval of the BSP;
- m. Participate in treasury and money market operations such as:
 - a. Repurchase Agreements with the BSP;
 - b. Reverse Repurchase Agreements with the BSP;
 - c. Overnight Lending Facility of the BSP;
 - d. Overnight Deposits with the BSP;
 - e. Term Deposit Facility with the BSP; and
 - f. Sales and Marketing of Financial Products;
- n. Offer credit card services;
- o. Act as lending banks for credit surety fund cooperatives, as provided under Republic Act No. 10744, otherwise known as the "Credit Surety Fund Cooperative Act of 2015";
- p. Act as depository bank of cooperatives with regard to their reserve funds, if such banks exist in their area of operations; and
- q. Offer other banking services as provided in Section 53 of Republic Act No. 8791.

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

SEC. 125. Establishment of Branches and Other Offices. - The establishment of branches, branch-lite units, or other banking offices by cooperative banks shall be governed by the rules and regulations of the BSP. The cooperative bank shall furnish the Authority with a copy of the Certificate of Authority issued by the BSP. In no case shall a cooperative bank be

1 prohibited or restricted from establishing a branch in a province, city, or
2 municipality, solely on the ground that another cooperative bank already exists
3 in the same area.

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

14 a. *Board and Committees.* - The cooperative bank shall constitute, at a
15 minimum, the Board of Directors, Election Committee, and Audit
16 Committee.

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

24 The Election Committee shall be responsible for the formulation and
25 implementation of election rules and guidelines. It shall supervise the
26 conduct of election, election-related activities, canvass and certify the
27 results of the election, and decide cases relative to such election, except
28 those involving the committee itself or its members. The members of the
29 Election Committee shall be elected by the General Assembly or
30 Representative Assembly.

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

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

39 b. *Key Management Officers.* - The key management officers shall be
40 appointed by the Board and shall include the President, Treasurer,

1 Internal Auditor, and Compliance Officer, or their equivalent ranks. The
2 BSP shall prescribe the qualifications and disqualifications of the key
3 management officers.

4 **SEC. 127. Vacancy in the Board and Committees.** - In case of vacancy
5 in the Board of Directors, such vacancy may be filled by a vote of at least a
6 majority of the remaining directors, if still constituting a quorum; otherwise,
7 said vacancy must be filled by the general assembly in a regular or special
8 meeting called for that purpose. A director so elected to fill a vacancy shall serve
9 only the unexpired term of the predecessor in office.

10 In case of vacancy in the committees, the Board of Directors, unless
11 otherwise provided in the bylaws, will appoint a person to fill the same, subject
12 to the provision that the person appointed shall serve only for the unexpired
13 portion of the term.

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

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

28 **SEC. 129. Dealings of Directors, Officers, Stockholders, and**
29 **Related Interests (DOSRI).** - Dealings with directors and officers of the
30 Cooperative Bank shall comply with the provisions of Section 36 of R.A. No.
31 8791, otherwise known as General Banking Law (GBL) of 2000. However, the
32 limits on loans to dealings of directors, officers, stockholders, and related
33 interests shall not apply to loans, other credit accommodations, or guarantees
34 extended by the cooperative bank to its member primary cooperatives.

35 **SEC. 130. Composition of the General Assembly.** - The General
36 Assembly shall be composed of regular members who are entitled to vote under
37 the articles of cooperation and bylaws of the cooperative bank.

38 **SEC. 131. Powers of the General Assembly.** - The General Assembly
39 shall be the highest policy-making body of the cooperative bank and shall
40 exercise the same powers as enumerated in Section 41 of this Code. The

1 General Assembly, however, shall have the following exclusive powers which
2 cannot be delegated:

- 3 a. To determine and approve amendments to the articles of cooperation
4 and bylaws;
- 5 b. To elect or appoint the members of the board of directors and to remove
6 them for cause;
- 7 c. To approve developmental plans of the cooperative bank;
- 8 d. To approve or disapprove proposals from the Board of Directors
9 pertaining to external borrowings, investments, grants, donations, and
10 other forms of financial assistance, when the amounts involved are
11 material or if they exceed one hundred percent (100%) of the cooperative
12 bank's equity; and
- 13 e. To serve as the final arbiter in resolving all issues and dispute
14 pertaining to membership within the cooperative bank.

15 Subject to such other provisions of this Code and only for the purposes
16 of prompt and intelligent decision-making, the general assembly may, by a
17 three-fourths. (3/4) vote of all its members with voting rights present and
18 constituting a quorum, delegate some of its powers to a smaller body of the
19 cooperative bank. These powers shall be enumerated under the bylaws of the
20 cooperative bank.

21 **SEC. 132. Meetings.** - The conduct of meetings of the General Assembly
22 of cooperative banks shall adhere to the provisions specified in Section 42 of
23 this Code.

24 **SEC. 133. Quorum and Voting System.** - (a) In case of primary
25 cooperatives, regular meetings of the Board of Directors shall be held at least
26 once a month, Special meetings may be held at any time:

- 27 i. At the call of the Chairperson, upon prior written notice given at
28 least three (3) days prior to the date of said meeting;
- 29 ii. Or at the call of a majority of the members of the Board, upon prior
30 written notice given at least one (1) days before said meeting:
31 *Provided*, That only two (2) special meetings may be held in one (1)
32 month. Notices may be sent through electronic means, to the
33 official contact number or email account of the officers.

34
35 (b) A majority of the members of the Board shall constitute a quorum for the
36 conduct of business.

37
38 (c) Each member of the Board shall only have one (1) vote, whether it be a
39 primary or secondary cooperative, irrespective of the share capital
40 holdings of the member-cooperative.
41

1 (d) Directors cannot attend by proxy at Board meetings.

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

10 **SEC. 134. *Investment in Allied Undertakings.*** - Subject to the
11 requirements and restrictions as may be imposed by the Monetary Board under
12 its existing rules and regulations, Cooperative Banks may invest in equities of
13 allied undertakings which may include, but are not limited to the following:

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

26 **SEC. 135. *Limitations on Lending Authority.*** - Except as the
27 Monetary Board may otherwise prescribe, the direct indebtedness to
28 Cooperative Banks of any person, company, corporation, or firm, including the
29 indebtedness of members of a partnership and association, for money
30 borrowed, shall in no time exceed twenty five per centum (25%) of unimpaired
31 capital and surplus of the cooperative bank. However, the direct indebtedness
32 mentioned shall exclude loans secured by obligations of the BSP; loans fully
33 guaranteed by the Government as to the payment of principal and interest;
34 loans to the extent covered by the hold-out on, or assignment of, deposits

1 maintained in the lending cooperative bank and held in the Philippines; and
2 other loans or credits as the Monetary Board may, from time to time, specify
3 non-risk assets.

4 **SEC. 136. Capital Requirement for Cooperative Banks.** - A
5 cooperative bank shall have a minimum paid-up capital in such amount as
6 may be required by the BSP. The BSP may prescribe rules and regulations on
7 the types of shares a cooperative bank may issue, including the terms thereof
8 and rights appurtenant thereto to determine compliance with laws and
9 regulations governing capital and equity structure of banks. *Provided*, That
10 Cooperative Banks shall issue par value shares only.

11 **SEC. 137. Barrio Savings Fund (BSF), Barrio Guarantee Fund (BGF),**
12 **Cooperative Development Loan Fund (CDLF), Cooperative Marketing**
13 **Program (CMP), and other funds administered by CDA.** - In order to
14 augment the capitalization of cooperative banks, the aforementioned funds
15 collected or deducted by various cooperative banks throughout the country
16 from the loan proceeds of farmer borrowers in compliance with P.D. 175, which
17 are still floating and outstanding either as active or dormant accounts in the
18 books of those banks, shall be converted as capital of the cooperative bank
19 located in the province where the depository banks of the BSF and BGF are
20 located.

21 **SEC. 138. Samahang Nayan and Municipal Katipunan ng mga**
22 **Samahang Nayan.** - Samahang Nayan (SN) and Municipal Katipunan ng mga
23 Samahang Nayan (MKSAN) which held common shares of cooperative banks
24 prior to the effectivity of R.A. No. 9520 shall apply for conversion to cooperatives
25 in order to maintain their status as regular members of cooperative banks:
26 *Provided*, That the cooperative banks shall exert efforts to inform and assist the
27 SN and MKSAN to convert within a period of five (5) years from the effectivity of
28 this Code. Upon failure of the SN and MKSAN to finally convert to a cooperative
29 within said period, the funds held in the name of such SN and MKSAN shall be
30 considered as preferred shares and shall remain as capital of the cooperative
31 bank. Within six (6) months from the conversion of preferred shares, the
32 cooperative bank may, at its option, reclassify such shares as treasury shares
33 at the same value at which they were liquidated.

34 **SEC. 139. Additional Source of Capital of the Cooperative Banks.** -
35 The funds or common shares in cooperative banks held in the name of
36 cooperatives whose Certificates of Registration have already been cancelled by
37 the Authority and which failed to liquidate such funds or shares during its
38 liquidation shall remain as capital in said cooperative banks and shall be
39 treated as preferred shares.

40 **SEC. 140. Supervision and Regulation of Cooperative Banks.** - All
41 cooperative banks shall be under the supervision of the BSP: *Provided*,

1 *however*, that the Authority shall monitor the cooperative banks' compliance
2 with cooperative laws, rules, and regulations. With respect to the governance
3 of the cooperative banks, the provisions of the banking laws, rules, and
4 regulations shall prevail, notwithstanding Section 71 of R.A. No. 8791.

5 **SEC. 141. *Promulgation of Guidelines.*** – The BSP and the Authority
6 may formulate guidelines to implement or clarify the provisions of this Chapter.
7 *Provided*, That the BSP, as the regulator of banks, shall be the primary
8 regulator of cooperative banks consistent with the provisions of Republic Act
9 No. 8971: *Provided, further*, That in order to minimize the burden of dually-
10 regulated entities, the BSP shall, in consultation with the Authority, in its
11 promulgation of rules and regulations, to the extent allowed in banking and
12 other relevant laws, and insofar as consistent with the BSP's exercise of
13 supervisory and regulatory powers over banks, in its promulgation of rules and
14 regulations, consider the requirements of this Code and the Authority for
15 cooperatives in general.

16 **SEC. 142. *Privileges of Cooperative Banks.*** - Cooperative banks
17 registered under this Code shall have the following privileges and incentives:

- 18 a. Those privileges and incentives accorded to cooperatives under this Code
19 and other prior laws including exemption from all national, provincial,
20 city, municipal or barangay taxes, fees, and charges of whatever nature
21 and description. *Provided, however*, That when a cooperative bank has
22 reached an undivided net savings of more than One Hundred Million Pesos
23 (P100,000,000.00), transactions to non-members shall be taxable.
- 24 b. The foreclosure of mortgages covering loans granted by cooperative banks
25 and executions of judgment thereon involving real properties levied upon
26 by sheriff shall be exempt from the publications in newspapers where the
27 total amount of loan, excluding interests due and unpaid, does not exceed
28 One Million Pesos (P1,000,000.00) or such amount as the Monetary Board
29 may prescribe as may be warranted by prevailing economic conditions. It
30 shall be deemed sufficient publication in such cases where the notices of
31 foreclosure and execution of judgment are posted in the most conspicuous
32 areas such as the municipal building, the municipal public market, the
33 cooperative bank, and the barangay hall where the land mortgaged is
34 situated during the period of sixty (60) days immediately preceding the
35 public auction or execution of judgment. Proof of publication as required
36 herein shall be accomplished via an affidavit of the sheriff or officer
37 conducting the foreclosure sale or execution of judgment and shall be
38 attached with the records of the case;
- 39 c. A cooperative bank shall be allowed to foreclose lands mortgaged to it
40 subject to the provisions of Republic Act No. 6657, as amended. For
41 agrarian lands foreclosed by a cooperative bank, the disposal of the same

1 to another qualified beneficiary under R.A. 6557, as amended, shall be
2 made through the same cooperative bank. Further, the amortization of the
3 beneficiary in favor of DAR shall be coursed through the servicing
4 cooperative bank: *Provided, however*, that cooperative banks shall be
5 exempt from the landholding limits as prescribed by DAR or any other law
6 requiring the same.

7 d. For cooperative banks granted by the BSP, with accreditation as Rural
8 Financial Institution (RFI) under Republic Act No. 10000, the following
9 privileges shall be awarded:

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

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

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

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

25 e. Notwithstanding the provisions herein, privileges and incentives granted
26 to rural banks pursuant to Republic Act No. 7353, or the "Rural Act of
27 1992", shall also be granted to cooperative banks duly registered under
28 this Act.

29 **CHAPTER XXIII. INSURANCE COOPERATIVES**

30 **SEC. 143. Insurance Cooperative.** - Existing cooperatives may organize
31 themselves into an insurance cooperative for the purpose of engaging in the
32 business of insuring life, non-life, pre-need (life plan, education, and pension)
33 health, and property of cooperatives and their members.

34 **SEC. 144. Types of Insurance Provided.** - Under the cooperative
35 insurance program established and formed by the virtue of the provisions of
36 this Code, the insurance cooperative shall provide its constituting cooperatives
37 and their members different types of insurance coverage consisting of, but not

1 limited to, life insurance with special group coverage, loan protection,
2 retirement plans, endowment, health and accident coverage, pre-need plans,
3 fire insurance, marine insurance, motor vehicle coverage, bonding, crop and
4 livestock protection and equipment insurance, among others.

5 **SEC. 145. *Applicability of Insurance Laws.*** - The provisions of the
6 Insurance Code and all other laws and regulations relative to the organization
7 and operation of an insurance company shall apply to insurance cooperatives
8 organized under this Code. The requirements on capitalization, investments,
9 and reserves of insurance firms may be liberally modified upon consultation
10 with the Authority and the cooperative sector, but in no case may the
11 requirement be reduced to less than half of those provided for under the
12 Insurance Code and other related laws.

13 Other provisions of this Code shall apply suppletorily insofar as they are
14 not inconsistent with this Chapter. In case of conflict, the Insurance Code shall
15 prevail.

16 **SEC. 146. *Implementing Rules.*** — The Insurance Commission and the
17 Authority, in consultation with the concerned cooperative sector, shall issue
18 the appropriate rules and regulations implementing the provisions of this
19 Chapter.

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

21 **SEC. 147. *Definition and Coverage.*** - A cooperative engaged in public
22 services refers to one organized to render public services, as authorized under
23 a franchise, certificate of public convenience, certificate of public convenience
24 and necessity, concession, or any other appropriate form of authorization or
25 permit duly issued by the appropriate government agency. Such services may
26 include but is not limited to the following:

- 27 a. Health services;
- 28 b. Power generation, transmission, and/or distribution;
- 29 c. Ice plants and cold storage services;
- 30 d. Communication services including telephone and digital communications;
- 31 e. Land, water, and air transportation services for passengers and/or
32 cargoes;
- 33 f. Public markets, slaughterhouses, management of land transport
34 terminals and ports, and other similar services;

1 g. Water supply and distribution system services; and

2 h. Such other types of public services as may be engaged in by any
3 cooperative.

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

7 **SEC. 148. *Registration Requirements.*** - In addition to the
8 requirements provided under Section 14 of this Code, no cooperative engaged
9 in public services shall be registered unless it satisfies the following
10 requirements:

11 a. Its articles of cooperation and bylaws provide for the membership of the
12 users and/or producers of the service of such cooperatives; and

13 b. Such other requirements as may be imposed by the other pertinent
14 government agencies concerned.

15 **SEC. 149. *Regulation of Cooperatives Engaged in Public Services.*** -
16 The internal affairs of cooperatives engaged in public services such as the rights
17 and privileges of members; the rules and procedures for meetings of the
18 General Assembly, Board of Directors and committees; the election and
19 qualifications of officers, directors, and committee members; allocation and
20 distribution of surpluses; and all other matters relating to their internal affairs
21 shall be governed by this Code.

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

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

30 **CHAPTER XXV. TRANSPORT SERVICE COOPERATIVES**

31 **SEC. 150. *Definition and Coverage.*** - This Chapter shall govern
32 transport service cooperatives as defined in this Code, including those
33 organized under the provisions of Executive Order No. 898, series of 1983 and

1 by vehicle operators defined or provided for under the Public Utility Vehicles
2 Modernization Program (PUVMP) of the Department of Transportation.

3 **SEC. 151. Engagement in Allied Business by Transport Service**
4 **Cooperatives.** - Subject to pertinent national laws and local ordinances,
5 primary transport service cooperatives including federations of cooperatives,
6 may engage in a business related to transportation service, including but not
7 limited to:

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

19 **SEC. 152. Registration, Regulation, and Supervision of Transport**
20 **Service Cooperatives.** - The Authority shall have jurisdiction over the
21 registration, regulation, and supervision of transport service cooperatives with
22 regard to its organization and management as a cooperative. This
23 notwithstanding, the relevant regulatory agencies shall have jurisdiction over
24 the technical operations of such cooperatives as transport service entities.

25 **SEC. 153. Renewal of Franchise and Vehicle Registration.** -
26 Renewals of franchise and vehicle registration shall be granted to transport
27 service cooperatives: *Provided*, That such cooperative presents Certificates of
28 Good Standing and Compliance issued by the Authority, Office of Transport
29 Cooperatives of the Department of Transportation (DOTr), and LGU concerned
30 as proof of its continuous operation and provision of public transportation
31 services.

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

35 **SEC. 154. Oversight Committee.** A multi-sectoral committee on
36 transport service cooperatives, composed of representatives from the Authority,

1 the DOTr the DILG, the Land Transportation Franchising and Regulatory Board
2 (LTFRB), the Land Transportation Office (LTO), other concerned government
3 agencies, as may be necessary, and the federation of transport service
4 cooperatives, the regional clustered organizations, and the national alliance of
5 cooperatives, shall be established and thereafter be charged with the
6 monitoring, recommendation of policies and programs affecting the operations
7 of transport service cooperatives, and such other functions.

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

10 The functions of the monitoring committees shall be prescribed in the
11 Implementing Rules and Regulations to be promulgated by the Authority.

12 **CHAPTER XXVI. CREDIT AND SAVINGS COOPERATIVES** 13 **AND CREDIT COOPERATIVES**

14 **SEC. 155. Coverage.** - This Chapter shall apply to credit cooperatives
15 and credit and savings cooperatives, including multi-purpose cooperatives and
16 federations. The provisions of the other chapters of this Code shall apply
17 suppletorily except insofar as this Chapter otherwise provides.

18 **SEC. 156. Purposes and Objectives.** - Cooperatives engaged solely in
19 credit or in both credit and savings services, owned and operated by its
20 members, shall have the following purposes and objectives:

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

32 **SEC. 157. Regulation and Supervision of Cooperatives Engaged in**
33 **Credit and/or Credit and Savings.** - Pursuant to its powers, functions, and
34 responsibilities under Republic Act No. 11364, the Authority shall exercise

1 regulatory powers and supervision over the operations of the cooperatives
2 engaged in credit and/credit and savings.

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

6 **CHAPTER XXVII. ELECTRIC COOPERATIVES**

7 **SEC. 158. Coverage.** - The provisions of this Code shall apply to all
8 electric cooperatives registered with the Authority. This shall also cover new
9 distribution utilities that will register with the Authority.

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

13 **SEC. 159. Registration of Electric Cooperatives.** - The registration of
14 an electric cooperative with the Authority under this Code shall be submitted
15 to the members for approval through a referendum, wherein the required
16 number of votes for registration with the Authority shall be twenty per centum
17 (20%) of all members entitled to vote.

18 **SEC. 160. Voting Requirement for Registration.** - In compliance with
19 the referendum as a voting procedure, the required number of votes for
20 registration with the Authority shall be a majority of all members entitled to
21 vote.

22 **SEC. 161. Documents to be Submitted for Registration with the**
23 **Authority.** - For purposes of registration with the Authority, electric
24 cooperatives registered with other regulatory agencies shall submit the
25 following documents:

- 26 a. Copy of the Board Resolution certifying to the result of the vote approved
27 through a referendum approving the registration of such entities with the
28 Authority in compliance with Section 159;
- 29 b. Certified copy of the articles of cooperation and bylaws as required by the
30 Authority;
- 31 c. Duly audited financial statements for the past two (2) years;
- 32 d. List of names of the incumbent Board of Directors and their addresses
33 certified by the Board Secretary and attested by the Chairperson;

1 e. Within six (6) months from the registration, the Treasurer shall submit a
2 sworn statement of the authorized share capital, the subscribed share
3 capital of members, and the amount of paid-up share capital received by
4 the Treasurer; and

5 f. Bonds of accountable officers.

6 **SEC. 162. Registration Options of Electric Cooperatives.** - Electric
7 Cooperatives registered with the National Electrification Administration (NEA)
8 under Presidential Decree No. 269, as amended, which opt not to register with
9 the Authority are allowed to retain the word “cooperative” in their registered
10 names: *Provided*, that they shall not be entitled to the benefits and privileges
11 under this Code.

12 **SEC. 163. Role of the Energy Regulatory Commission.** - All rates and
13 tariffs of electric cooperatives registered under the Authority shall be subject to
14 the rules on application and approval of the Energy Regulatory Commission for
15 distribution utilities.

16 **SEC. 164. Effects of Registration with the Authority.** -

17 a. Upon the effectivity of this Code, electric cooperatives that are duly
18 registered with the Authority, and issued a Certificate of Registration, shall
19 be covered by the provisions of this Code as well as future rules and
20 issuances of the Authority; *Provided*, that electric cooperatives shall
21 remain under the supervisory powers of the NEA, pursuant to Presidential
22 Decree (PD) No. 269, as amended, and other existing laws; *Provided*,
23 *further*, that provisions of this Code consistent with PD No. 269, as
24 amended, shall apply suppletorily.
25

26 b. Electric cooperatives registered with the Authority are entitled to
27 congressional allocations, grants, subsidiaries, and other financial
28 assistance for rural electrification which can be coursed through the
29 Department of Energy, National Electrification Administration, or local
30 government units, as may be appropriate. The electric cooperatives
31 registered under this Code can avail of the financial services and technical
32 assistance provided by government financial institutions and technical
33 development agencies on terms respecting their independence as
34 autonomous cooperatives;

35 c. All condoned loans, subsidies, grants, and other assistance shall form part
36 of the donated capital and funds of the electric cooperatives and, as such,
37 it shall not be sold, traded, nor be divided into shareholdings at any time.
38 The donated capital/fund shall be valued for the sole purpose of
39 determining the equity participation of the members: *Provided*, That in the

1 case of dissolution of the cooperative, said donated capital shall be subject
2 to escheat; and

- 3 d. Electric cooperatives registered and confirmed with the Authority under
4 Republic Act No. 6938, Republic Act No. 6939, and Republic Act No. 9520
5 are hereby deemed registered under this Code.

6 **SEC. 165. Share Capital in the Electric Cooperatives.** - The electric
7 cooperatives shall issue and distribute share certificates under the name of
8 each of their members, taking into consideration their previous equity
9 contributions, the amortization component through the payments made,
10 capital build-up, and other capital contributions.

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

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

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

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

31 **CHAPTER XXVIII. FOREIGN PARTNERSHIPS**

32 **SEC. 166. Engagement of Foreign Cooperatives in Local**
33 **Cooperatives.** - Foreign cooperatives may invest, partner with, or enter into
34 joint ventures with local federations: *Provided*, that they are recognized by
35 international coalitions of cooperatives or by the relevant authority in the
36 country of origin, as well as registered with the Authority: *Provided, further*,
37 that they comply with all relevant laws allowing them to do business in the

Philippines: *Provided, finally*, that their engagement with local cooperatives shall be subject to an agreement which shall be submitted for the approval of the Authority, pursuant to its implementing rules and regulations.

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

SEC. 167. Limitations. – The equity or share capital of the foreign cooperative shall not exceed forty per centum (40%) of the total equity or subscribed share capital of the partnership or federation, as the case may be.

CHAPTER XXIX. MISCELLANEOUS PROVISIONS

SEC. 168. Compliance With Other Laws. – All cooperatives duly registered under this Code shall, at all times, be subject to all relevant laws, rules and regulations, as well as issuances and directives issued by a duly authorized government regulatory body in exercise of its jurisdiction.

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

SEC. 169. Registry of Cooperatives. - The Authority shall keep a registry which shall contain a chronological entry of the name of every cooperative registered, suspended, dissolved, or cancelled under this Code together with its relevant information. The Authority shall publish and post on its website a list of existing cooperatives, cooperatives under dissolution, cooperatives under suspension, and those whose registration are cancelled during the year together with such information on each of them, as may be prescribed in the rules and regulations.

SEC. 170. Settlement of Disputes, Conciliation, Mediation, and Arbitration Proceedings. - Disputes among members, officers, directors, and committee members, and intra-cooperative, inter-cooperative, intra-federation or inter-federation disputes shall, as far as practicable, be settled amicably in accordance with the conciliation or mediation mechanisms embodied in the bylaws of cooperatives and in such other applicable laws.

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

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

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

16 Decisions rendered by the Authority in the exercise of its adjudicatory
17 powers shall be appealable to the Court of Appeals in accordance with the
18 applicable rules.

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

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

25 **SEC. 171. Joint Congressional Oversight Committee on Cooperative**
26 **(JCOC).** - There is hereby created a Joint Congressional Oversight Committee
27 composed of the Chairperson of the Senate Committee on Cooperatives and the
28 Chairperson of the House Committee on Cooperatives Development, with four
29 (4) members each from both Houses. The said members shall be duly appointed
30 by the Senate President and the Speaker of the House of Representatives from
31 the members of the respective committee.

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

34 **SEC. 172. Appropriations.** - The amount necessary to carry out the
35 provisions of this Code shall be included in the annual General Appropriations
36 Act.

37 **SEC. 173. Issuance of Injunctive Relief on the Authority.** - No
38 restraining order or injunction shall be issued by the court, other than the

1 Court of Appeals or Supreme Court, enjoining the Authority from examining
2 and investigating cooperatives subject to supervision or examination by the
3 Authority.

4 **CHAPTER XXX. FINAL PROVISIONS**

5 **SEC. 174. *Implementing Rules and Regulations.*** – Within ninety (90)
6 days from the effectivity of this Act, the Authority, in coordination with relevant
7 government agencies, shall issue the rules and regulations to implement this
8 Code.

9 **SEC. 175. *Penal Provisions.*** - The following acts or omissions affecting
10 cooperatives are hereby prohibited:

- 11 a. The use of the word “cooperative” shall not be allowed unless authorized
12 under this Code. However, organizations registered with other government
13 agencies are allowed to retain the word “cooperative” in their registered
14 names: *Provided*, that said organizations have interests, affiliation,
15 collaboration, and/or partnership with a cooperative or the cooperative
16 sector; *Provided, further*, that if said organizations shall register with the
17 Securities and Exchange Commission (SEC), it should register as a non-
18 stock, non-profit entity and shall affix the word “Incorporated” or “Inc.” to
19 its business name; *Provided, finally*, that these organizations shall not be
20 entitled to the benefits and privileges under this Code.

21 In case of violation, the penalty of imprisonment of not less than two (2)
22 years nor more than five (5) years and a fine not exceeding Two hundred
23 thousand pesos (P200,000.00) or both at the discretion of the court, shall
24 be imposed, upon conviction, on the individual(s) or, in the case of an
25 organization, its officers and directors.

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

- 28 b. Any person who willfully attempts in any manner to evade or defeat tax in
29 violation of Sections 69 and 70 of this Code shall, in addition to the
30 payment of double the amount of the tax due, be punished by a fine of not
31 less than Five hundred thousand pesos (P500,000.00) but not more than
32 Ten million pesos (P10,000,000.00) and suffer imprisonment of not less
33 than six (6) years but not more than ten (10) years: *Provided*, That the
34 conviction or acquittal obtained under this Section shall not be a bar to
35 the filing of a civil suit for the collection of taxes;

- 36 c. Direct or indirect violation or circumvention of the provisions of Sections
37 69 and 70 of this Code committed by any public official or employee of any

bureau, office or agency of the government that deprives, diminishes or in any manner hinders or restricts any duly registered cooperative from the full enjoyment of the exemption from the payment of the taxes, fees and charges enumerated therein, shall upon conviction, suffer a penalty of not less than seven (7) years but not more than twelve (12) years imprisonment or a fine in the amount of not less than Five hundred thousand pesos (P500,000.00) but not more than One million pesos (P1,000,000.00) or both at the discretion of the court and shall further be disqualified to hold any other office;

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

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

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

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

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

e. A director, officer or committee member who violated the provisions of Section 54 on the Liability of Directors, Officers and Committee Members, Section 55 on the Disloyalty of a Director, and Section 56 on the Illegal Use of Confidential Information shall upon conviction suffer a fine of not less than Five hundred thousand pesos (P500,000.00) nor more than One million pesos (P1,000,000.00) or imprisonment of not less than five (5) years but not more than ten (10) years or both at the court's discretion;

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

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

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

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

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

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

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

9 (7) Violation of the provisions regarding transactions with a restricted
10 party; and

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

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

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

27 **SEC. 176. Administrative Sanctions.** - The Authority shall conduct
28 investigations, file necessary charges, discipline, suspend and/or remove
29 erring officers and members of the cooperative for violation of cooperative laws,
30 rules, regulations, issuances of the Authority, the articles of cooperation, and
31 bylaws, after due process, and direct the General Assembly to replace the
32 suspended or removed officers.

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

1 **SEC. 177. Printing and Distribution.** - The National Printing Office
2 shall publish this Code in the Official Gazette in full within sixty (60) days from
3 the date of approval thereof. Copies of this Code shall be given to every
4 department, agency, and instrumentality of the National Government,
5 including regional, provincial offices, and local governments including
6 government-owned and controlled corporations.

7 **SEC. 178. Interpretation and Construction.** - In case of doubt as to
8 the meaning of any provision in this Code or the regulations issued in
9 pursuance thereof, the same shall be resolved liberally in favor of the
10 cooperatives and their members.

11 **SEC. 179. Repealing Clause.** - Except as expressly provided by this
12 Code, Presidential Decree No. 175, Republic Act No. 6938, Republic Act No.
13 9520, and all other laws, or parts thereof, inconsistent with any provision of
14 this Code shall be deemed repealed: *Provided*, That the provisions of Revenue
15 Regulation No. 20-2001, and all laws, decrees, executive orders, implementing
16 rules and regulations, BIR circulars, CDA memorandum circulars,
17 memorandum orders, letters of instructions, local government ordinances, or
18 parts thereof inconsistent with any of the provisions of this Act are hereby
19 repealed, amended, or modified accordingly; *Provided, further*, that nothing in
20 this Code shall eliminate, diminish, or reduce the powers, functions, authority,
21 and responsibilities of the NEA over electric cooperatives under PD No. 269, as
22 amended, and other existing laws; *Provided, finally*, that nothing in this Act
23 shall be construed or interpreted as diminishing the jurisdiction of the
24 Philippine Competition Commission under the PCA to conduct inquiry,
25 investigate, and hear and decide on cases involving any violation of the PCA
26 and other existing competition laws *motu proprio* or upon receipt of a verified
27 complaint from an interested party or upon referral by the concerned regulatory
28 agency.

29 **SEC. 180. Transitory Provisions. –**

- 30 a. All cooperatives registered with the Authority under Republic Act No.
31 6938, as amended by RA 9520, are hereby deemed registered under this
32 Code.
- 33 b. Registration of electric cooperatives with the Authority shall not be
34 considered as a transfer of ownership of its assets and liabilities nor shall
35 it constitute a change in the nature, structure, and status of the
36 cooperative. Said registration shall not result in the revocation of the
37 condoned loans under Republic Act No. 9136, otherwise known as the
38 Electric Power Industry Reform Act: *Provided*, That electric cooperatives
39 with existing loans shall not be subject to the control and supervision of
40 its creditors and shall only be limited to the fulfillment of each civil
41 obligations.

1 c. The authority granted to non-cooperatives as training service providers
2 shall continue to be effective until their expiration or six (6) months from
3 the promulgation of the implementing rules and regulations of this Code,
4 whichever comes later.

5 **SEC. 181. *Ipso-Facto Clause.*** – Except as may be inconsistent with the
6 provisions of this Code, cooperatives are entitled to all privileges, benefits, and
7 exemptions granted to the cooperatives by prior laws, including R. A. No. 7160,
8 R.A. No. 6938 as amended, R.A. No. 9520, and other existing laws.

9 **SEC. 182. *Separability Clause.*** - Should any part of this Code be
10 declared unconstitutional, the validity of remaining provision hereof shall
11 remain in full effect.

12 **SEC. 183. *Effectivity Clause.*** - This Code shall take effect fifteen (15)
13 days from its publication in the *Official Gazette* or in a newspaper of general
14 circulation.

15 *Approved,*