

Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 8685



Introduced by Representative Kenneth T. Gatchalian

EXPLANATORY NOTE

Cooperatives remain among the country's most effective people-centered enterprises—mobilizing savings, expanding access to credit, stabilizing livelihoods, and enabling ordinary Filipinos to pool resources and share risks in pursuit of inclusive growth and social justice. As the economy evolves and business models modernize, there is a continuing need to strengthen the legal framework that governs cooperatives to ensure they remain responsive, competitive, and faithful to universally accepted cooperative principles.

Despite their proven value, many cooperatives continue to face persistent challenges such as uneven compliance, governance gaps, limited access to capacity-building, and operational constraints that weaken sustainability and member trust. Clearer rules on organization, registration, and internal accountability can help professionalize cooperative management while preserving democratic member control and autonomy.

This bill seeks to provide for a Revised Cooperative Code of the Philippines that updates key provisions on cooperative formation, governance, registration, and operations, including mechanisms that support transparency, auditability, and responsible stewardship of member resources. It likewise

reinforces the role of the State—through the appropriate agencies—in providing an enabling environment, technical assistance, and responsive regulation that strengthens, rather than substitutes, the cooperative sector’s own initiatives under the principle of subsidiarity.

Further, by clarifying cooperative types and supporting legitimate business expansion – while remaining consistent with competition policy – this measure aims to help cooperatives scale responsibly, innovate, and participate more meaningfully in value chains, public service delivery, and community development. Ultimately, a stronger cooperative framework advances shared prosperity by empowering communities to build enterprises that are both economically viable and socially anchored.

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


KENNETH T. GATCHALIAN

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AN ACT
PROVIDING FOR THE REVISED COOPERATIVE CODE OF THE
PHILIPPINES

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

CHAPTER 1. GENERAL PROVISIONS

1 **SECTION 1.** *Title.* – This Act shall be known as the “*Revised Cooperative*
2 *Code of the Philippines.*”

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

9 Towards this end, the State shall, through the different branches,
10 subdivisions, instrumentalities, and agencies of the government, regulate the
11 conduct of cooperatives and support their growth and development in partnership
12 with the private sector. The State shall also ensure the provision of technical and
13 financial assistance, and other services to enable the cooperatives to develop into

1 viable and responsive economic enterprises towards a strong cooperative movement,
2 free from conditions that infringe upon the objectives and character of cooperatives.

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

7 **SEC. 3. General Concepts. –**

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

15 (b) *Cooperative principles* – Every cooperative shall conduct its affairs in
16 accordance with Filipino culture, good values and experience, and the
17 following universally accepted principles of cooperation:

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

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

- 1 (3) *Member Economic Participation* – Members contribute equitable
2 to, and democratically control, the capital of their cooperative. At
3 least part of that capital is the common property of the cooperative.
4 They shall receive limited compensation or limited interest, if any,
5 on capital subscribed and paid as a condition of membership.
6 Members allocate surpluses for any or all of the following
7 purposes: developing the cooperative by setting up reserves, part
8 of which should at least be indivisible; benefitting members in
9 proportion to their patronage of the cooperative's business; and,
10 supporting other activities approved by the membership.
- 11 (4) *Autonomy and Independence* – Cooperatives are autonomous, self-
12 help organizations controlled by their members. If they enter into
13 agreements with other organizations, including government, or
14 raise capital from external sources, they shall do so on terms that
15 ensure democratic control of their members and maintain their
16 cooperative autonomy.
- 17 (5) *Education, Training, and Information* – Cooperatives shall provide
18 education and training for their members, elected and appointed
19 representatives, managers, and employees, so that they can
20 contribute effectively and efficiently to the development of their
21 cooperatives.
- 22 (6) *Cooperation Among Cooperatives* – Cooperatives serve their
23 members most effectively and strengthen the cooperative
24 movement by working together through local, national, regional
25 and international structures.
- 26 (7) *Concern for Community* – Cooperatives work for the sustainable
27 development of their communities through policies approved by
28 their members.

1 (c) *Cooperative Values* – Cooperatives are based on the values of self-help,
2 self-responsibility, democracy, equality, equity, and solidarity.
3 Cooperative members believe in the ethical values of honesty, openness,
4 social responsibility and caring for others.

5 **SEC. 4. *Definition of Terms*** – As used in this Act.

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

9 (b) *Articles of Cooperation* refers to the document registered with the
10 Cooperative Development Authority, including its amendments, that
11 defines and regulates the relations between the cooperative and the
12 State;

13 (c) *Authority* refers to the Cooperative Development Authority;

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

17 (e) *Branch-lite unit* refers to a cooperative bank that performs limited
18 banking activities and records its transactions in the books of the head
19 office or the branch to which it is annexed;

20 (f) *By-laws* refers to the document registered with the Authority, including
21 its amendments, that defines and regulates the operations of the
22 cooperative and governs the relations between the cooperative and its
23 members and among themselves;

24 (g) *Committees* refer to the mandatory committees under this Code
25 entrusted with specific functions and responsibilities and such other
26 committees that the Board of Directors deem necessary for the
27 governance of the business affairs of the cooperative;

- 1 (h) *Cooperative Union* refers to a cooperative whose members are
2 registered cooperatives, federations, or both, organized purposely to
3 represent the interest and welfare of all types of cooperatives at the city,
4 provincial, regional, national, and sectoral levels;
- 5 (i) *Federation of Cooperatives* refers to an aggrupation of cooperatives
6 registered with the Authority to undertake business activities in support
7 of its primary and secondary member cooperatives to address common
8 needs, engage in capacity-building activities and delegated supervision
9 in support of its member cooperatives, organized at the municipal, city,
10 provincial, regional, national, special metropolitan political
11 subdivision, or economic zones created by law;
- 12 (j) *General Assembly* refers to the full membership of the cooperative duly
13 assembled physically, via videoconferencing, or both, for the purpose
14 of exercising all the rights and performing all the obligations pertaining
15 to cooperatives, as provided by this Code, its Articles of Cooperation,
16 and By-laws;
- 17 (k) *Honorarium* refers to the token of appreciation granted for the expert
18 service rendered in the specific field that does not receive
19 compensation;
- 20 (l) *Investment* refers to equity participation in any enterprise formed,
21 organized or existing under the laws of the Philippines;
- 22 (m) *Interest on Share Capital* refers to the amount earned by the members
23 on their investment in the cooperative. The interest on share capital and
24 the patronage refund shall be determined at the end of the calendar year
25 after the net surplus shall have been computed in accordance with the
26 Articles of Cooperation and By-laws or by the Board of Directors;

- 1 (n) *Laboratory Cooperative* refers to a cooperative affiliated with and
2 registered by a primary cooperative, and whose membership consists
3 of minors;
- 4 (o) *Member* refers to a person either natural or juridical, who has been
5 approved and admitted by the Board of Directors of the cooperative,
6 federation, or union, after undergoing the Pre-Membership Education
7 Seminar and has vowed to adhere to the Articles of Cooperation and its
8 By-laws. Members shall be classified as regular or associate, as
9 qualified by the cooperative;
- 10 (p) *Patronage Refund* refers to the payment to the members of a percentage
11 or portion of the amount availed of, the interest on loans paid, or other
12 services availed from the cooperative. The amount will be determined
13 at the end of the fiscal period after the computation of the net surplus.
14 The percentage of the allocation will be in accordance with the
15 provisions in its Articles of Cooperation, the By-laws, or by the Board
16 of Directors. The formula and basis for the computation of the rate of
17 patronage refund will be determined by the Authority.
- 18 (q) *Performance Audit* refers to an audit conducted by the Authority on the
19 efficiency, efficacy, and effectiveness of the cooperative's overall
20 performance as a whole, its management and officers, and its various
21 responsibility centers as basis for improving individual, team, or
22 overall performance, and for objectively informing the general
23 membership of the cooperative on such performance;
- 24 (r) *Primary Cooperative* refers to a cooperative, registered with the
25 Authority, the members of which are natural persons;
- 26 (s) *Registration* refers to the operative act granting juridical personality to
27 a proposed cooperative and is evidenced by a Certificate of
28 Registration;

- 1 (t) *Representative Assembly* refers to the full membership of a body of
2 representatives elected by each of the sectors, chapters, or districts of
3 the cooperative duly assembled for the purpose of exercising such
4 powers in accordance with its By-laws;
- 5 (u) *Samahang Nayon* and *Municipal Katipunan ng mga Samahang Nayon*
6 refers to pre-cooperative organizations established under Presidential
7 Decree (PD) No. 175 entitled “Strengthening the Cooperative
8 Movement”;
- 9 (v) *Secondary Cooperative* refers to a cooperative, the members of which
10 are primary cooperatives, federations, or unions;
- 11 (w) *Single-Purpose Cooperative* refers to a cooperative that undertakes
12 only one economic activity, except one that is allowed to undertake
13 allied economic activities;
- 14 (x) *Share Capital* refers to the equitable contribution of a member to the
15 cooperative fund, the working capital fund of the cooperative, which
16 shall have a par value of at least One Hundred Pesos (P100.00) and
17 issued as common or preferred shares depending on the type of
18 membership with the cooperative;
- 19 (y) *Social Audit* refers to an audit conducted to assess the social impact of
20 the cooperative and its ethical performance vis-à-vis its stated mission,
21 vision, goals, and code of social responsibility. It is a mechanism
22 whereby it can account for the social performance of a cooperative and
23 evaluate its impact on the community, making the cooperative
24 accountable for its decisions and actions to its members;
- 25 (z) *Subscription Agreement* refers to the document executed by a member
26 to signify the amount that the member intends to contribute to the
27 cooperative fund;

- 1 (aa) *Subsidiary Cooperative* refers to a cooperative, all or majority of whose
2 members or shareholders come from a parent cooperative, organized
3 for any other purpose different from that of, and receives technical,
4 managerial, and financial assistance from the latter, in accordance with
5 the rules and regulations of the Authority; and
6 (bb) *Worker Beneficiary* refers to a natural person who renders service for
7 value as an employee or laborer in an agricultural enterprise or farm
8 within an agrarian reform cooperative.

9 **CHAPTER II. PURPOSES AND ORGANIZATION**

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

- 13 (a) Increase income, savings, investments, productivity, and purchasing
14 power of its members; and promote among themselves equitable
15 distribution of net surplus through maximum utilization of economies
16 of scale, cost sharing and risk-sharing;
17 (b) Provide optimum social and economic benefits to its members;
18 (c) Providing trainings for its members on the efficient ways of processing
19 tasks in a cooperative manner;
20 (d) Propagate best practices, innovative ideas in business undertakings and
21 management through the utilization of new technologies;
22 (e) Empower the marginalized sector to gain opportunities through education
23 and skills training;
24 (f) Actively collaborate with the government, other cooperatives, and
25 people-oriented organizations to promote cooperatives as a practical
26 means towards sustainable socio-economic development;

- (g) Adopt membership expansion mechanism to ensure the growth of the cooperative movement;
- (h) Implement policy guidelines that will ensure transparency, accountability, and equitable access to its resources and services; and promote the interests of the members;
- (i) Advance the competitiveness and innovativeness of cooperatives in various industries;
- (j) Coordinate with other cooperatives through learning and information exchange to foster sustainable development;
- (k) Advocate legal framework and enabling policies appropriate for the development of cooperatives;
- (l) Be the voice and the institution of the marginalized for purposes of promoting people-centered development;
- (m) Encourage thrift and savings mobilization among the members;
- (n) Generate funds and extend credit to the members for productive and provident purposes;
- (o) Encourage among members systematic production and marketing;
- (p) Provide goods and services and other requirements to the members;
- (q) Develop expertise and skills among its members;
- (r) Acquire lands and provide housing benefits for the members;
- (s) Provide insurance programs to cover the risk of financial losses in the operations of a cooperative;
- (t) Promote and advance the economic, social, and educational status of the members;
- (u) Establish, own, lease, or operate cooperative banks, cooperative wholesale and retail complexes, insurance, agricultural and industrial processing enterprises, and public markets;
- (v) Coordinate and facilitate the activities of cooperatives;

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

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

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

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

- 21 (a) To the exclusive use of its registered name;
22 (b) To sue and be sued;
23 (c) Of succession;
24 (d) To amend its Articles of Cooperation in accordance with the provisions
25 of this Code;
26 (e) To adopt By-laws not contrary to law, morals, or public policy, and amend
27 or repeal the same in accordance with this Code;

- 1 (f) To purchase, receive, take or grant, hold, convey, sell, lease, pledge,
2 mortgage, or otherwise deal with such real and personal property as the
3 transaction of the lawful affairs of the cooperative may reasonably and
4 necessarily require, subject to the limitations prescribed by law and the
5 Constitution;
- 6 (g) To enter into joint venture agreement and partnership, or any other
7 commercial activity with other cooperatives;
- 8 (h)) To enter into division, merger or consolidation, as provided in this Code;
- 9 (i) To form subsidiary cooperatives and join federations, unions, or Credit
10 Surety Fund Cooperatives, as provided in this Code;
- 11 (j) To avail of loans, be entitled to credit, and accept and receive grants,
12 donations, and assistance from foreign and domestic sources, subject to
13 the conditions of the loans, credits, grants, donations or assistance that
14 must not undermine the autonomy of the cooperative;
- 15 (k) To avail of preferential rights granted to cooperatives under RA 7160,
16 otherwise known as the “Local Government Code of 1991,” and other
17 laws, particularly the grant of franchises to establish, construct, operate
18 and maintain ferries, wharves, markets or slaughterhouses and lease
19 public utilities, including access to extension and on-site research services
20 and facilities related to agriculture and fishery activities;
- 21 (l) To establish, own, and operate schools in all levels of the education
22 system, subject to the rules and regulations of the Department of
23 Education, Commission on Higher Education, and Technical Education
24 and Skills Development Authority;
- 25 (m) To operate branch, satellite, and liaison offices within its area of
26 operation, subject to the rules and regulation by the Authority. The
27 Authority and the sector shall issue rules regarding the creation and
28 operation of branch, satellite, and liaison offices of cooperatives;

(n)) To provide training for their officers and members for continued development and personal improvement, in coordination with government agencies and experts from the private sector. In this regard, only cooperatives shall be accredited as Training Service Providers by the Authority. In the event that a cooperative is unable to provide training for its own members, it may engage the services of a federation or union: *Provided*, That a federation shall only provide training in accordance with its business or specialization while a union shall provide basic and other training that benefits the sector: *Provided, further*, That government agencies and experts from the private sector are authorized to assist in the organization, training, and development of a cooperative and its members, in coordination with federations and unions; and

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

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

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

In order to encourage cooperativism among the youth, a primary cooperative shall organize a laboratory cooperative as defined under this Code. A laboratory

1 cooperative shall have all the rights, privileges, and duties of a regular cooperative,
2 and shall be governed by special guidelines to be promulgated by the Authority, in
3 consultation with the cooperative sector.

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

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

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

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

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

- 20 a. Name of the cooperative, which shall include the word "Cooperative",
21 "Coop", "Koop", or "Kooperatiba" and specify the type of cooperative;
- 22 b. Purpose or purposes and the economic activities for which the cooperative
23 is to be registered;
- 24 c. Powers and capacities;
- 25 d. . Area of operation, the postal address of its principal office, and the
26 official electronic mail address of the cooperative;
- 27 e. Names, nationality, and the postal addresses of the cooperators;
- 28 f. Common bond of membership;

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

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

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

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

CHAPTER III. REGISTRATION

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

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

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

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

SEC. 15. *Registration.* – A cooperative formed and organized under this Code acquires juridical personality from the date the Authority issues a Certificate of Registration under its official seal. All applications for registration shall be finally

1 disposed of by the Authority within a period of fifteen (15) days from the filing of
2 the complete documentary requirements, both in form and in substance, otherwise
3 the application is deemed approved, unless the cause of the delay is justified as the
4 case may be: *Provided*, That in case of a denial of the application for registration,
5 the applicant may file a Motion for Reconsideration within five (5) days from the
6 receipt of such denial. The Motion for Reconsideration must be resolved within
7 fifteen (15) days from the filing thereof. An appeal to the Board of Directors of the
8 Authority may be filed within fifteen (15) days from receipt of notice of denial of
9 the Motion for Reconsideration. The decision of the Board of Directors shall be final
10 and executory but may be elevated to the Court of Appeals through a petition for
11 review.

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

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

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

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

27 Both the original and amended Articles of Cooperation By-laws shall contain
28 all the provisions required by law. Amendments shall be indicated by underscoring

1 or otherwise appropriately indicating the change or changes made. A copy of the
2 amended Articles of Cooperation or By-laws shall be duly certified under oath by
3 the Cooperative Secretary and majority of the directors, stating the fact that the
4 amendment or amendments to the Articles of Cooperation and By-laws have been
5 duly approved by the required vote of the members. All amendments to the Articles
6 of Cooperation and By-laws shall be submitted to the Authority.

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

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

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

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

26 The dissenting members shall have the right to exercise their right to
27 withdraw their membership pursuant to Section 37 of this Code.

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

4 **CHAPTER IV. MERGER AND CONSOLIDATION** 5 **OF COOPERATIVES**

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

7 (a) Two (2) or more cooperatives may merge or consolidate into a single
8 cooperative.

9 (b) No merger or consolidation shall be valid unless approved by a two-thirds
10 ($\frac{2}{3}$) 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 37
14 of this Code.

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

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

22 (a) In case of merger of cooperatives, the constituent cooperatives shall
23 become a single cooperative or, in the case of consolidation of
24 cooperatives, the consolidated cooperative shall be the new cooperative;

25 (b) The single cooperative or the consolidated cooperative shall possess all
26 the assets, rights, privileges, immunities, and franchises and assume all
27 the liabilities and obligations of each of the constituent cooperatives;

- 1 (c) Any claim, action, or proceeding instituted by or against the constituent
2 cooperatives may be continued by the single or consolidated cooperative;
3 and
4 (d) The merger or consolidation shall not impair the rights of creditors nor
5 any lien upon the property of the constituent cooperatives.

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

7 **SEC. 23. *Types and Categories of Cooperatives.* –**

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

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

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

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

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

24 (iv) Credit Surety Fund Cooperatives. – Credit surety fund
25 cooperatives, in partnership with Local Government Units
26 (LGUs), are comprised of well-capitalized and well managed
27 member-cooperatives or non-government organizations that meet

1 the criteria and qualifications prescribed by the Authority, LGUs,
2 Government Financial Institutions, and other government
3 agencies;

4 (v) Insurance Cooperatives. – Insurance cooperatives are engaged in
5 the business of insuring the life and property of cooperatives and
6 their members;

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

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

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

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

20 (ii) Marketing Cooperatives. – Marketing cooperatives are engaged
21 in the supply of production inputs to members and markets
22 their products, including trading and processing;

23 (iii) Logistics Cooperatives. – Logistics cooperatives are engaged in
24 operations involving facilities and supplies whose business is
25 related to the supply chain;

26 (iv) Producers Cooperatives. – Producers cooperatives are engaged
27 in joint production whether agricultural or industrial. They are
28 formed and operated by the members to undertake the

1 production and processing of raw materials or goods produced
2 by the members into finished or processed products for sale by
3 the cooperative. Any end product or its derivative arising from
4 the raw materials produced by the members, sold in the name
5 and for the account of the cooperative, shall be deemed a
6 product of the cooperative and its members; and

- 7 (v) Other cooperatives as may be determined by the Authority under
8 this cluster in consultation with the cooperative sector.

9 (3) *Human Services, Health, Housing, Workers, and Labor Service*
10 *Cluster* refers to cooperatives organized for providing employment
11 and business opportunities to its members, housing, and services
12 related to medical, dental, health and wellness, and death care,
13 technology, including digital payment services, such as:

- 14 (i) Health Services Cooperatives. – Health services cooperatives
15 are organized for the primary purpose of providing medical,
16 dental, paramedic, diagnostic, and other health services,
17 including cooperative health organizations, hospitals, clinics,
18 pharmacies, and transporting of patients;
- 19 (ii) Housing Services Cooperatives. – Housing services
20 cooperatives are organized to assist or provide access to
21 socialized housing for the benefit of the members who actively
22 participate in the savings program for housing;
- 23 (iii) Labor Services Cooperatives. – Labor services cooperatives are
24 engaged in providing specific services to a principal under a
25 legitimate contracting or subcontracting arrangement, as
26 defined under existing laws, and in accordance with the
27 cooperative principles set forth under this Code;

- 1 (iv) Technology Service Cooperatives. – Technology service
2 cooperatives are organized to provide the members with
3 services that are designed to facilitate the use of Information
4 Technology by end-users, or provide specialized technology-
5 oriented solutions by combining the processes and functions of
6 software, hardware, networks, telecommunications, and
7 electronics, among others;
- 8 (v) Workers Cooperatives. – Workers cooperatives are organized by
9 workers, including the self-employed, who are at the same time
10 the members and owners of the enterprise. The principal
11 purpose of these cooperatives is to provide employment and
12 business opportunities to the members and manage them in
13 accordance with cooperative principles; and
- 14 (vi) Other cooperatives as may be determined by the Authority under
15 this cluster in consultation with the cooperative sector.
- 16 (4) *Education and Advocacy Cluster* refers to cooperatives organized for
17 the promotion and advocacy of cooperativism among its members and
18 the public through socially-oriented projects, education and training,
19 research and communication, such as:
- 20 (i) Advocacy Cooperatives. – Advocacy cooperatives promote
21 cooperativism and advocate policies for the general interest and
22 welfare of the members, the sector, the movement, and the
23 public through socially-oriented projects, education and
24 training, research and communication, campaigns, lobbying,
25 and other similar activities to reach out to intended
26 beneficiaries;
- 27 (ii) Education Cooperatives. – Education cooperatives are
28 organized for the primary purpose of owning and operating

1 licensed educational institutions, subject to existing laws, rules
2 and regulations; and

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

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

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

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

- 1 industry, agri-business, or services related to agricultural
2 production;
- 3 (iii) Dairy Cooperatives. – Dairy cooperatives are engaged in the
4 production and marketing of fresh milk which may be
5 processed or marketed as dairy products;
- 6 (iv) Farmers Cooperatives. – Farmers cooperatives are organized by
7 marginalized farmers, majority of whom are not agrarian
8 reform beneficiaries, for the purpose of supporting their
9 products, either fresh or processed;
- 10 (v) Fisherfolk Cooperatives. – Fisherfolk cooperatives are
11 organized by marginalized fisherfolk whose products are
12 marketed either as fresh or processed, for the mobilization of
13 capital in the procurement of fishing boats, nets, gears, and
14 accessories, production of aquatic products, and access to
15 storage and agricultural facilities;
- 16 (vi) Irrigators Cooperatives. – Irrigators cooperatives are engaged in
17 providing sustainable irrigation services for farmers; and
- 18 (vii) Other cooperatives as may be determined by the Authority under
19 this cluster in consultation with the cooperative sector.
- 20 (6) *Public Utilities Cluster* refers to cooperatives organized for the
21 purpose of undertaking electricity generation, utilizing renewable
22 energy sources, including hybrid systems, acquisition and operation
23 of sub-transmission or distribution; operation and management of
24 water systems; land, air, and sea transportation services; and
25 communications services, including telephone and digital
26 communications, which require a franchise or certificate of public
27 convenience and necessity such as:

- 1 (i) Communications Cooperatives. – Communications
2 cooperatives are organized to own, operate, and manage
3 communication structures and arrangements, such as radio,
4 cable TV, newspaper, and related industries, for the widespread
5 dissemination of information for the members and the public;
- 6 (ii) Electric Cooperatives. – Electric cooperatives are registered
7 under this Code organized for the primary purpose of
8 undertaking power generation, utilizing renewable energy
9 sources, including hybrid systems, acquisition and operation of
10 sub transmission or distribution to the household members;
- 11 (iii) Transport Service Cooperatives. – Transport service
12 cooperatives are organized to render public land, water, or air
13 transportation services for the safe conveyance of passengers
14 or cargoes, or are engaged in providing related or auxiliary
15 services to the transport industry;
- 16 (iv) Water Service Cooperatives. – Water service cooperatives are
17 organized to own, operate, and manage water systems for the
18 provision and distribution of potable water for the members and
19 their households; and
- 20 (v) Other cooperatives as may be determined by the Authority under
21 this cluster in consultation with the cooperative sector.
- 22 (b) Categories of Cooperatives. Cooperatives are categorized as follows:
- 23 (1) In terms of membership, cooperatives may be categorized into:
- 24 A. Primary Cooperatives; and
- 25 B. Secondary Cooperatives;
- 26 (2) In terms of territory, cooperatives are categorized according to areas
27 of operations; and

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

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

CHAPTER VI. FEDERATION OF COOPERATIVES

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

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

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

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

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

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

1 **SEC. 29. *Functions of a Federation of Cooperatives.*** – federation of
2 cooperatives shall undertake the following functions:

3 (a) To carry on any cooperative enterprise authorized under Section 5 that
4 complements, augments, or supplements but does not conflict, compete
5 with, nor supplant the business or economic activities of its members;

6 (b) To carry on, encourage, and assist educational and advisory work relating
7 to the business activities of its members;

8 (c) To render services designed to encourage simplicity, efficiency, and
9 economy in the conduct of the business of its member cooperatives and
10 to facilitate the implementation of their bookkeeping, accounting, and
11 other systems and procedures;

12 (d) To print, publish, and circulate any newspaper or other publication in the
13 interest of its member-cooperatives and enterprises;

14 (e) To coordinate and facilitate the activities of its member-cooperatives;

15 (f) To enter into joint ventures with local or international cooperatives in the
16 manufacture and sale of products in the Philippines and abroad;

17 (g) To mandatorily act as conciliator-mediator in inter-intra cooperative
18 disputes among and between the members and officers of primary
19 cooperatives;

20 (h) To assist members in the submission of the required reports and other
21 compliances to the Authority and other government or regulatory bodies;

22 (i) To assist in the liquidation of the remaining assets of dissolved or
23 cancelled primary cooperative members;

24 (j) To develop programs on education, training, monitoring, coaching,
25 research, and advocacy that complement, augment, or supplement the
26 businesses of their members; and

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

4 **CHAPTER VII. COOPERATIVE UNIONS**

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

- 11 (a) To represent its member organizations;
12 (b) To acquire, analyze, and disseminate economic, statistical, and other
13 information relating to its members and to all types of cooperatives within
14 its area of operation;
15 (c) To sponsor studies in the economic, legal, financial, social and other
16 phases of cooperation, and publish the results thereof;
17 (d) To conduct trainings to member-cooperatives as an accredited training
18 provider;
19 (e) To promote the knowledge of cooperative principles and practices;
20 (f) To develop the cooperative movement;
21 (g) To assist the national and local government units in cooperative
22 development activities within their respective jurisdiction;
23 (h) To assist in the dissemination and monitoring of the Philippine
24 Cooperative Medium Term Plan;
25 (i) To assist the members in the submission of the required reports and other
26 compliances to the Authority and other government or regulatory bodies;

- (j) To assist the Authority, upon written request, in the performance of its power of inspection or examination by way of providing relevant information, such as research, reports, and financial records;
- (k) To advise the appropriate authorities on all questions relating to cooperatives at the municipal, city, district, provincial or regional levels;
- (l) To act as liquidators or rendering assistance in the liquidation of the remaining assets of dissolved primary cooperative members;
- (m) To do and perform such other non-business as may be necessary to attain the foregoing objectives.

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

CHAPTER VIII. MEMBERSHIP

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

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

SEC. 33. *Qualifications of Membership.* – Members of registered primary cooperatives must be natural persons, Filipino citizens or former natural-born

1 Filipino citizens, of legal age, with capacity to enter into a contract, within the
2 common bond of membership and area of operation, and must possess the
3 qualifications and none of the disqualifications as provided for in the By-laws of the
4 cooperative; Provided, that in case of former natural-born Filipino citizens, they
5 must comply with Philippine taxation laws;

6 *Provided, further, that the age requirement shall not apply to laboratory cooperatives*
7 *as defined in Section 8. A member must have completed the Pre- Membership*
8 *Education Seminar.*

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

10 (a) All elective officials of the Government shall be ineligible to become
11 officers of cooperatives: Provided, That the disqualification does not
12 extend to a party list representative who represents the cooperative sector:
13 *Provided, further, That nothing precludes cooperatives from engaging in*
14 *activities in support of party lists representing the sector, such as, but not*
15 *limited to participating in campaigning or donating funds;*

16 (b) Employees of the Authority are allowed to become a member of any
17 cooperative. However, they shall be disqualified to be elected or
18 appointed as an officer, except for cooperatives organized among
19 themselves; and

20 (c) Any government employee or official may, in the discharge of the duties
21 as a member in the cooperative, be allowed by the head of office
22 concerned to use official time for attendance at the General Assembly,
23 Board and committee meetings including cooperative seminars,
24 conferences, workshops, technical meetings, and training courses locally
25 or abroad.

26 **SEC. 35. *Processing of Applications for Membership.* –** An application for
27 membership shall be acted upon by the Board of Directors within the period fixed
28 in the By-laws but not later than thirty (30) days. Otherwise, the application for

1 membership shall be deemed approved, subject to the condition that the applicant
2 has submitted the duly accomplished application and has paid the membership fees
3 to the cooperative.

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

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

10 **SEC. 36. *Liability of Members.*** – A member shall be liable for the debts of
11 the cooperative to the extent of the member’s subscription to the share capital of the
12 cooperative.

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

14 (a) A member of a cooperative may withdraw membership from the
15 cooperative by giving written notice to the Board of Directors which shall
16 be acted upon within thirty (30) days from receipt of said notice.

17 (b) The death or insanity of a member in a primary cooperative, and the
18 insolvency or dissolution, de-listing, or cancellation of the certificate of
19 registration of a member in a secondary cooperative shall be considered
20 valid grounds for termination of membership: *Provided*, That in the case
21 of death or insanity of an agrarian reform beneficiary-member of a
22 cooperative, the qualified next-of-kin may assume the duties and
23 responsibilities of the original member;

24 (c) Termination of membership in the cooperative shall be initiated through
25 the filing of a complaint before the ethics committee of the cooperative.
26 The committee shall recommend to the Board of Directors the termination
27 of membership for any of the following causes:

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

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

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

SEC. 38. *Refund of Interests.* – All sums computed in accordance with the By-laws due from the cooperative to a former member shall be paid in accordance with this Code and as prescribed in the Implementing Rules and Regulations: Provided, That such refund shall not be made if upon such payment, the value of

1 the assets of the cooperative would be less than the aggregate amount of its debts
2 and liabilities exclusive of the members' share capital contribution.

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

6 CHAPTER IX. ADMINISTRATION

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

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

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

23 (a) Determine and approve amendments to the Articles of Cooperation and
24 By-laws;

25 (b) Elect, appoint, or remove, the members of the Board of Directors.

26 However, in the case of the electric cooperatives registered under the

1 Authority, the election of the members of the Board shall be in accordance
2 with its By-laws or election guidelines;

3 (c) Approve the annual strategic and developmental plans, and the budget of
4 the cooperative;

5 (d) Approve or disapprove proposals from the Board of Directors pertaining
6 to external borrowings, investments, grants, donations, and other financial
7 assistance; and

8 (e) Decide membership issues within the cooperative.

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

14 **SEC. 41. Meetings.** –

15 (a) The General Assembly shall conduct a regular annual meeting on a date
16 fixed in the By-laws, which shall be within ninety (90) days or one
17 hundred eighty (180) days after the close of each calendar year, for
18 primary or secondary cooperatives, respectively: *Provided*, That notice of
19 regular meetings shall be sent in writing, by posting or publication, or
20 through other electronic means to all members of record.

21 (b) Whenever necessary, a special meeting of the General Assembly may be
22 called at any time by a majority vote of the Board of Directors, or upon
23 petition of at least ten per centum (10%) of the total members who are
24 entitled to vote, or as provided for in the By-laws: *Provided*, That a notice
25 in writing shall be sent one (1) week prior to the meeting to all members
26 who are entitled to vote.

27 If the Board fails to call a regular or special meeting within the
28 given period, the Authority, upon petition of ten per centum (10%) of

1 members entitled to vote, or the quorum as stated in their By-laws, and
2 for good cause shown, shall issue an order to the petitioners directing
3 them to call a meeting of the General Assembly by giving proper notice
4 as required in this Code or in the By-laws;

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

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

9 (2) Approval of the annual strategic and development plans, and budget;
10 and

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

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

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

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

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

23 (b) Simultaneously, wherein the meetings are held on the same day but in
24 different venues.

25 As a general rule, assembly meetings shall be conducted in a manner
26 provided in the By-laws of the cooperative. However, due to technological
27 advancement, public health and safety measures, increased level of participation of
28 members and other equally important considerations in favor of the viability and

1 growth of cooperatives, cooperatives are allowed to conduct their assembly
2 meetings through videoconferencing or a combination of physical attendance and
3 videoconferencing, except for electric cooperatives: Provided, That cooperatives
4 who opt to conduct General Assembly meetings through videoconferencing or a
5 combination of physical attendance and videoconferencing as an alternative mode
6 shall amend their By-laws adopting the same: Provided, further, That cooperatives
7 shall adopt policies and procedures sufficiently addressing administrative,
8 technical, and logistical concerns for an effective and efficient videoconference
9 meeting.

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

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

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

22 In the case of incentive voting, the member-cooperatives shall have one (1)
23 basic vote and up to five (5) incentive votes, as provided in the By-laws. In case of
24 share voting, the voting rights of the member-cooperatives shall be proportionate to
25 the number of their paid-up shares, subject to the limitation imposed under Section
26 84 of this Code: *Provided,* That at least one-third (1/3) of the seats in the Board
27 shall be reserved for small shareholders. The votes cast by the delegates shall be
28 deemed as votes cast by the members thereof.

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

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

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

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

16 **SEC. 47. *Directors.*** –

17 (a) Any member of a cooperative who has the right to vote and be voted upon,
18 and who possesses all the qualifications and none of the disqualifications
19 provided in this Code or in its By-laws shall be eligible for election as
20 director, subject to the limitation imposed by the second paragraph of
21 Section 45 of this Code.

22 (b) The cooperative may, by resolution of its Board of Directors, admit as an
23 ex officio director or committee member one appointed by any financing
24 institution from which the cooperative received financial assistance,
25 solely to provide technical knowledge not available within its
26 membership. Such director or committee member need not be a member
27 of the cooperative and shall have no powers, rights, nor responsibilities
28 except to provide technical assistance as required by the cooperative.

1 (c) The members of the Board of Directors shall not hold any other position
2 directly involved in the day to day operation and management of the
3 cooperative.

4 (d) Any member engaged in a business similar to that of the cooperative or
5 who, in any way, has a conflict of interest with it, is disqualified from
6 being elected as a director.

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

8 (a) In the case of primary cooperatives, regular meetings of the Board of
9 Directors shall be held at least once a month. Special meetings may be
10 held at any time: i) at the call of the Chairperson, upon prior written notice
11 given at least three (3) days prior to the date of said meeting; ii) or at the
12 call of a majority of the members of the Board, upon prior written notice
13 given at least one (1) day before said meeting: *Provided*, that only two (2)
14 special meetings may be held in one (1) month. Notices may be sent
15 through electronic means, to the official contact number or email account
16 of the officers.

17 (b) A majority of the members of the Board shall constitute a quorum for the
18 conduct of business.

19 (c) Each member of the Board shall only have one vote, whether it be a
20 primary or secondary cooperative, irrespective of the share capital
21 holdings of the member-cooperative.

22 (d) Directors cannot attend or vote by proxy at Board meetings.

23 (e) Cooperatives may opt to allow meetings of the Board of Directors and
24 members of the different committees of the cooperative to be conducted
25 either through physical attendance or videoconferencing, or both, subject
26 to the rules on sending of notices, quorum, and voting requirements as
27 provided for in the By-laws. In the conduct of meetings through

1 videoconferencing, cooperatives shall adopt their own policies and
2 procedures which shall be included in their By-laws.

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

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

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

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

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

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

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

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

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

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

27 **SEC. 53. *Liability of Directors, Officers and Committee Members.*** –
28 Directors, officers, and committee members shall be jointly and severally liable for

1 all damages or losses to the cooperative, its members, or other persons in case of
2 the following:

3 (a) Willfully and knowingly voting for or assenting to patently unlawful acts;

4 (b) Gross negligence or bad faith in directing the affairs of the cooperative;

5 or

6 (c) Acquiring any personal or pecuniary interest in conflict with their duty.

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

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

13 (a) In the absence of any provision in the By-laws fixing their compensation,
14 the directors shall not receive any compensation except for reasonable per
15 diems: Provided, That no additional compensation other than per diems
16 shall be paid during the first year of existence of any cooperative;
17 *Provided, further,* That only the General Assembly shall approve any
18 additional compensation or the increase thereof.

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

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

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

27 **SEC. 55. *Dealings of Directors, Officers, or Committee Members.* – A**
28 contract entered into by the cooperative with one (1) or more of its directors, or their

1 spouses and relatives within the first civil degree of consanguinity or affinity, is
2 voidable, at the option of the cooperative, unless the following conditions are present:

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

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

7 (c) The contract is fair, reasonable, and beneficial to the cooperative under
8 the circumstances.

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

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

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

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

24 A director or other officer of the cooperative who, by virtue of such office, directly
25 or indirectly acquires for themselves an opportunity which should belong to the
26 cooperative, shall be liable for damages and must account for double the profits that
27 otherwise would have accrued to the cooperative by refunding the same. This

1 provision shall be applicable, notwithstanding the fact that the director or other
2 officers of the cooperative used their own funds to acquire such opportunity.

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

4 (a) A director, officer, or any person who, in conspiracy or connivance
5 therewith, makes use of confidential information to the benefit or
6 advantage of such person, which, if generally known, may adversely
7 affect the operation and viability of the cooperative, shall be held liable
8 for the direct losses and for the unrealized benefit suffered by the
9 cooperative, as a result of the transaction.

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

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

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

24 In cases involving directors, the complaint shall be filed with the Ethics and
25 Grievance committee, which shall follow the procedure set in the preceding
26 paragraph.

27 In cases involving the removal of any appointive officer, a complaint shall be
28 filed with the Ethics and Grievance committee of the cooperative, which shall

1 submit its recommendation to the Board of Directors for proper action. The decision
2 of the Board of Directors may be appealed to the General Assembly.

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

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

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

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

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

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

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

- 22 (1) A copy of this Code and all other laws pertaining to cooperatives;
- 23 (2) A copy of the Implementing Rules and Regulations of this Code;
- 24 (3) A copy of the Articles of Cooperation and By-laws of the cooperative;
- 25 (4) A registry of members;
- 26 (5) The books of the minutes of the meetings of the General Assembly,
27 Board of Directors and committees;

- 1 (6) A share and transfer book, except for unions;
2 (7) Financial statements and other financial records; and
3 (8) Such other documents as may be prescribed by the Authority, laws,
4 and the By-laws.

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

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

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

23 (d) Subject to the pertinent provisions of the National Internal Revenue Code,
24 as amended, and other laws, a cooperative may dispose, by burning or any
25 method of complete destruction, any document, record or book pertaining
26 to its financial and non-financial operations which are already more than
27 five (5) years old except those relating to transactions which are the
28 subject of civil, criminal, and administrative proceedings. An inventory

1 of the audited documents, records and books to be disposed of shall be
2 drawn up and certified to by the Cooperative Secretary and the Chairman
3 of the audit committee and presented to the Board of Directors, which
4 may thereupon approve the disposition of said records.

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

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

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

- 26 (a) The date on which the name of any person was entered in such registry or
27 list of members; and
28 (b) The date on which any such person ceased to be a member.

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

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

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

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

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

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

25 (a) Notwithstanding the provisions of existing laws, rules and regulations to
26 the contrary, any debt due to the cooperative from the member shall
27 constitute a first lien upon any raw materials, production, inputs, and
28 products produced; or any land, building, facilities, equipment, goods or

1 services acquired and held, by such member through the proceeds of the
2 loan or credit granted by the cooperative to such member for as long as
3 the same is not fully paid.

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

9 (c) Notwithstanding the provisions of any law to the contrary, any sale or
10 conveyance made in contravention of the preceding paragraph shall be
11 void.

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

13 (a) A member of a cooperative shall, notwithstanding the provisions of
14 existing laws to the contrary, execute an instrument in favor of the
15 cooperative authorizing the employer to deduct from the salary or wages,
16 commutation of leave credits, and any other monetary benefits payable by
17 the employer, and remit such amount as maybe specified in satisfaction
18 of a debt, share capital contribution, or other demand due from the
19 member to the cooperative.

20 (b) Upon the execution of such instrument and as may be required by the
21 cooperative contained in a written request, the employer shall make the
22 deduction in accordance with the agreement and remit forthwith to the
23 cooperative the amount so deducted within ten (10) days after the end of
24 the payroll month. The employer shall make the deduction for as long as
25 such debt or other demand remains unpaid by the employee.

26 (c) The term “employer” as used in this Section shall include all private firms,
27 national government agencies, including government-owned and
28 controlled corporations, government instrumentalities with corporate

1 powers, government corporate entities, or government financial
2 institutions, and local government units that employ a member of a
3 cooperative and have agreed to carry out the terms of the instrument
4 mentioned in this Section.

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

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

14 (f) The member may withdraw such consent at any time and for any reason,
15 which shall also be put in writing. Any person who acts contrary to this
16 provision shall be held liable under this Code and other laws, as the case
17 may be.

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

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

26 **SEC. 69. *Tax and Other Exemptions.*** – Duly registered cooperatives
27 transacting business with both members and non-members shall not be subject to
28 tax on their transactions with members. Further, the transactions of members with

1 the cooperative shall not be subject to any taxes, fees, and charges, including but
2 not limited to final taxes on members' share capital and deposits and corresponding
3 documentary stamp taxes.

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

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

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

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

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

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

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

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

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

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

21 *Provided,* That the exempt transactions in the foregoing shall
22 include sales made by cooperatives duly registered with the
23 Authority organized and operated by their members to undertake
24 the production and processing of raw materials or of goods
25 produced by their members into finished or process products for
26 sale by the cooperatives to their members and non-members:
27 *Provided, however,* That any processed product or its derivative
28 arising from the raw materials produced by their members, sold

1 in the name and for the account of the cooperative shall be
2 deemed a product of the cooperative and its members: *Provided,*
3 *further,* That at least twenty-five per centum (25%) of the net
4 income of the cooperatives is returned to the members in the form
5 of interest and/or patronage refunds: *Provided, finally,* That VAT
6 shall not be imposed for the purchase of modernized vehicles
7 under the Public Utility Vehicle Modernization Program;

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

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

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

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

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

27 (e) Any register of deeds shall accept for registration, free of charge, any
28 instrument relative to a loan made under this Code which does not exceed

1 Two Hundred and Fifty Thousand Pesos (₱250,000.00) or the deeds of
2 title of any property acquired by the cooperative or any paper or document
3 drawn in connection with any action brought by the cooperative or with
4 any court judgment rendered in its favor or any instrument relative to a
5 bond of any accountable officer of a cooperative for the faithful
6 performance of his/her duties and obligations.

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

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

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

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

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

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

4 (a) Cooperatives shall enjoy the privilege of depositing their sealed cash
5 boxes or containers, documents or any valuable papers in the safes of the
6 municipal, city, or provincial treasurers, and other government offices
7 free of charge, and the custodian of such articles shall issue a receipt
8 acknowledging the articles received, duly witnessed by another person;

9 (b) Cooperatives organized among government employees, notwithstanding
10 any law or regulation to the contrary, shall enjoy the free use of any
11 available space in their agency, whether owned or rented by the
12 Government;

13 (c) Cooperatives rendering special types of services and facilities such as cold
14 storage, ice plant, electricity, transportation, water, communications, and
15 similar services and facilities shall be given preference in the grant of a
16 franchise or certificate therefor: *Provided*, That such cooperatives shall
17 open their membership to all persons qualified in their areas of operation.
18 In case there are two (2) or more applicants for the same public service
19 franchise or certificate of public convenience and necessity, all things
20 being equal, preference shall be given to a cooperative engaged in public
21 services;

22 (d) In areas where there are agricultural cooperatives, at least fifty per centum
23 (50%) of the supply to government institutions, agencies, and LGUs, of
24 rice, corn, grains, fish and other marine products, meat, eggs, milk,
25 vegetables, and other agricultural commodities such as fertilizers, seeds
26 and other agricultural inputs and implements, and related products, shall
27 be sourced from such cooperatives;

- 1 (e) Preferential and equitable treatment in the allocation or control of
2 bottomries of commercial shipping vessels in connection with the
3 shipment of goods and products of cooperatives;
- 4 (f) Cooperatives and their federations engaged in the production and/or the
5 marketing of products from agriculture, fisheries and small
6 entrepreneurial industries, shall have exclusive preferential rights in the
7 management of public markets, and lease of public market facilities, stalls
8 or spaces, slaughterhouses, and storage facilities: *Provided*, That no
9 cooperative forming a joint venture, partnership or any other similar
10 arrangement with a non-cooperative entity can utilize these rights;
- 11 (g) Cooperatives engaged in credit services shall be entitled to loans, credit
12 lines, rediscounting of their loan notes, and other eligible papers with the
13 Development Bank of the Philippines (DBP), the Land Bank of the
14 Philippines (LBP), and other financial institutions except the *Bangko*
15 *Sentral ng Pilipinas* (BSP);
- 16 The Philippine Deposit Insurance Corporation (PDIC) and other
17 government agencies, government-owned and controlled corporations,
18 and government financial institutions shall provide technical assistance to
19 federations engaged in savings and credit operations to establish and
20 strengthen their own cooperative deposit insurance systems;
- 21 (h) Public transport service cooperatives shall be entitled to financing support
22 from Government Financial Institutions for the acquisition and
23 maintenance of land, sea, and air transport equipment, facilities, and parts,
24 and shall be preferred in securing a franchise for active or potential routes
25 for public transport. They shall have preferential rights to the management
26 and operation of public terminals and ports whether land, sea, or air, and
27 wharves, where the cooperative operates, as well as in the operation of
28 arrastre and stevedoring services therein.

- 1 (i) Cooperatives shall be given preference in the procurement of government
2 projects subject to the existing procurement laws, rules and regulations.
- 3 (j) Cooperatives shall enjoy the privilege of being represented by the
4 provincial or city fiscal, or the Office of the Solicitor General, free of
5 charge, except when the adverse party is the Republic of the Philippines;
- 6 (k) Cooperatives organized by faculty members and employees of
7 educational institutions shall have the preferential right to manage the
8 school canteen and other services related to the operation of the
9 educational institution where they are employed: *Provided*, That such
10 services are operated within the premises of the said educational
11 institution;
- 12 (l) The relevant regulatory agencies, and LGUs shall not discriminate against
13 duly registered cooperatives seeking accreditation as service providers, or
14 seeking to engage in a particular business: *Provided*, That they possess all
15 other qualifications under the law. Any person who acts contrary to this
16 provision may be held liable under this Code and all other relevant laws
17 and issuances;
- 18 (m) Cooperatives shall be entitled to financing support from the relevant
19 government agencies that shall allocate funds for the establishment of
20 projects and programs for the development and promotion of
21 cooperatives; *and*
- 22 (n) The relevant government agencies and government financial institutions
23 shall create a special window for financing, in the form of blanket or long-
24 term wholesale loans without need for individual processing, to qualified
25 cooperatives engaged in housing projects. Such shall offer interest rates
26 and terms equal to, or better than those given for socialized housing
27 projects.

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

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

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

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

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

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

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

1 arbitrator in relation to an investigation, voluntary arbitration, or
2 adjudication.

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

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

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

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

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

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

- 18 a. The assets and liabilities of the cooperative;
- 19 b. The claim of any creditor;
- 20 c. The number of members;
- 21 d. The nature and extent of the interests of the members of the cooperative;
- 22 and
- 23 e. The appointment of the liquidators.

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

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

1 Having obtained its registration by fraud;

2 a. Having obtained its registration by fraud;

3 b. Engaging in an illegal or unauthorized purpose;

4 c. Willful violation, despite written notice by the Authority, of the provisions
5 of this Code or its Implementing Rules and Regulations, other issuances

6 of the Authority consistent with this Code, or By-laws of the cooperative;

7 d. Willful refusal to comply with an order issued or given by the Authority;

8 e. Willful failure to operate on a cooperative basis; and

9 f. Failure to meet the required minimum capital and minimum number of
10 members in the cooperative.

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

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

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

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

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

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

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

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

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

21 **CHAPTER XII. CAPITAL, PROPERTY, AND FUNDS**

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

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

- 27 a. Member's share capital;

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

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

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

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

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

14 **SEC. 86.** *Capital Build-Up.* – The By-laws of every cooperative, except for
15 cooperative unions, shall prescribe a reasonable and realistic member capital or
16 deposits build-up program to allow the continuing growth of the contribution of the
17 members to the cooperative as their economic conditions continue to improve.
18 Upon approval of the membership, the member shall execute a subscription
19 agreement on his equitable contribution to the cooperative. Upon full payment
20 thereof, the member may apply for an additional share capital subscription, and
21 execute a new subscription 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 at
24 any figure not less than One hundred pesos (P100.00) but not more than One
25 thousand pesos (P1,000.00). The share capital of the cooperative is the money paid
26 or required to be paid by the members for the operations of the cooperative.

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

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

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

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

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

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

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

21 **CHAPTER XIII. AUDIT, INQUIRY, AND MEMBERS' RIGHT TO** 22 **EXAMINE**

23 **SEC. 91. *Audit of Cooperatives.*** – Cooperatives registered under this Code
24 shall be subject to an annual audit of its financial and social performance in
25 accordance with the Implementing Rules and Regulations to be promulgated by the
26 Authority. The financial audit shall be conducted by an external auditor who shall
27 independent from the cooperative or any of its subsidiaries, and must be a member

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

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

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

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

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

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

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

27 If the request to examine is denied based on the aforementioned grounds, the
28 member shall have the burden of proving to the Board that such request is made in

1 good faith and for a legitimate purpose. If the denial is made in bad faith, the
2 directors who voted for such refusal shall be penalized under Section 177 of this
3 Code.

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

10 **CHAPTER XIV. ALLOCATION AND DISTRIBUTION OF NET** 11 **SURPLUS**

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

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

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

- 25 a. The reserve fund which shall be at least ten per centum (10%) of the net
26 surplus for the stability of the cooperative and to cover net losses in its
27 operations, including losses incurred during a pandemic, state of

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

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

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

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

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

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

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

1 2. Upon the dissolution of the cooperative, the unexpended balance of the
2 CETF shall be utilized within the succeeding calendar year following
3 its allocation.

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

11 In the case of cooperatives whose common bond of membership is
12 institutional, the community refers to the institution where the cooperative
13 is operating.

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

20 d. The optional fund, which shall not exceed seven per centum (7%) of the
21 net surplus, shall be used for the acquisition of land and construction of
22 building, and any other expenses anent to it, *Provided*, it is approved by
23 at least three-fourths ($\frac{3}{4}$) of all members entitled to vote, present and
24 constituting a quorum, which shall be in accordance with the
25 Implementing Rules and Regulations to be promulgated by the Authority.
26 This fund may also be used for the benefit of its members and employees
27 under exceptional circumstances such as the occurrence of a pandemic,

1 crisis, or *force majeure*. However, if the optional fund is insufficient, the
2 cooperative may charge any deficiency to direct expenses.

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

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

11 1. In the case of a member patron with paid-up share capital contribution,
12 his/her proportionate amount of patronage refund shall be paid to
13 him/her unless he agrees to credit the amount to his/her account as
14 additional share capital contribution;

15 2. In the case of a member patron with unpaid share capital contribution,
16 his/her proportionate amount of patronage refund shall be credited to
17 his/her account until his/her account until his/her share capital
18 contribution has been fully paid;

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

1 complies with the provisions of the By-laws for admission to
2 membership; and

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

10 **CHAPTER XV. AGRICULTURAL COOPERATIVES**

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

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

- 18 a. Raising and/or culture of plants, high-value crops, animals, fish, poultry,
19 livestock, other agri-products as source of food, feed, and fiber, and other
20 agri-fishery or non-food commodities;
21 b. Production of salt;
22 c. Community and social forestry;
23 d. Provision of credit facilities for marginal farmers and fishermen;
24 e. Facilitating the procurement and distribution of farm inputs/implements
25 for its members;
26 f. Processing, marketing, and sale of members' agri-products and/or
27 produce;

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

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

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

20 The DA and the Authority shall jointly issue guidelines on the mechanisms
21 for PCAOs.

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

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

4 **SEC. 102. *Capital Requirements of Agricultural Cooperatives.*** – The
5 authorized share capital of an agriculture cooperative shall be stated in its Articles
6 of Cooperation and that prior to its registration, at least twenty five per centum
7 (25%) of the authorized share capital shall be subscribed to by the members and at
8 least twenty five (25%) of the subscribed share capital shall be paid-up: *Provided,*
9 That the paid-up capitalization requirement for primary cooperatives shall not be
10 less than Fifteen Thousand Pesos (P15,000.00).

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

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

24 **SEC. 104. *Clustering and Consolidation.*** – In order to pool their resources
25 for increased viability and market competitiveness, the DA, DAR, DTI, and CDA
26 shall jointly establish a program that will promote, encourage agricultural
27 cooperatives and facilitate their cooperation into clusters that will encompass the

1 whole agricultural value chain, including but not limited to land consolidation,
2 postharvest processing, distribution, logistics, marketing, and promotions.

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

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

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

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

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

27 **SEC. 107. *Role of National Coordinating Committee on Cooperatives***
28 *Development.* – The Authority shall mobilize the National Coordinating Committee

1 on Cooperative Development (NCC-CD) for the promotion of the growth, viability,
2 and development of Agricultural cooperatives.

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

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

26 **SEC. 109.** *Role of Cooperative Development Councils and National*
27 *Government Agencies.* – The Authority shall, in collaboration with the LGUs
28 through the Regional, Provincial, City, and Municipal Cooperative Development

1 Councils and the Cooperative Development Officers, facilitate programs and
2 policies affecting agricultural cooperatives in accordance with a Joint
3 Memorandum Circular to be promulgated by the Authority and the LGU.

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

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

10 a. Taxes, Duties, and Liens:

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

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

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

26 b. Trainings and Conferences - All trainings and conferences necessary for
27 the organization, registration, management and operations of an
28 agriculture cooperative, rendered by the appropriate government agency,

1 shall be given free of charge, including costs of venue, training materials,
2 speakers and resource persons. The CDOs shall be primarily responsible
3 for these trainings and conferences within their respective localities;

4 c. Consolidation - Agricultural cooperatives may consolidate agricultural
5 lands owned by its members within in a contiguous area for purposes of
6 agricultural development; and

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

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

18 e. Loans and Grants:

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

23 (2) The DA shall coordinate with the BSP to lower the requirements for
24 all loans applied for and granted to agricultural cooperatives.

25 **SEC. 111. *Merger and Consolidation of Agricultural Cooperatives.*** –

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

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

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

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

18 **CHAPTER XVI. AGRARIAN REFORM COOPERATIVES**

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

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

- a. To develop an appropriate system of land tenure, land development, land consolidation or land management in areas covered by agrarian reform;
- b. To coordinate and facilitate the dissemination of scientific methods of production, and provide assistance in the storage, transport, and marketing of farm products for agrarian reform beneficiaries and their immediate family;
- 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 ARBs 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 and 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 acquired by the State, like plantations, estates, or haciendas for the benefit of the workers in accordance with the Comprehensive Agrarian Reform Program shall be collectively owned by the worker-beneficiaries under a cooperative set-up.

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

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

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

27 **SEC. 121. *Special Privileges.*** – Subject to such reasonable terms and
28 conditions as the DAR and the Authority may impose, agrarian reform cooperatives

1 may be given the exclusive right to do any of the following economic activities in
2 agrarian reform and resettlement areas;

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

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

23 The Government shall provide the necessary financial and technical
24 assistance to agrarian reform cooperatives to enable them to effectively discharge
25 their purposes under this Chapter. The DAR, the Authority and the BSP shall draw
26 up a joint program for the organization and financing of agrarian reform
27 cooperatives. The joint program shall be geared towards the gradual assumption of

1 full ownership and management control by ARBs of the agrarian reform
2 cooperatives.

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

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

10 **CHAPTER XVII. COOPERATIVE BANKS**

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

- 14 a. *Organization* - At least fifteen (15) cooperatives duly established and
15 registered under this Code may register a cooperative bank with the
16 Authority.
- 17 b. *Registration* - The application for the registration of the Articles of
18 Cooperation and By-laws, including its amendments, by a cooperative
19 bank with the Authority shall be accompanied by a Certificate of
20 Authority issued by the BSP.
- 21 c. *Membership* - Membership in a cooperative bank shall be open to:
- 22 (1) cooperatives of all types and categories;
- 23 (2) natural persons who are members of a cooperative;
- 24 (3) foreign cooperatives;
- 25 (4) pre-cooperative organizations established under Presidential Decree
26 No. 175; and
- 27 (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 members
4 shall be pre-cooperative organizations established under Presidential Decree No.
5 175, as well as individuals and other institutions, such as foreign cooperative
6 institutions that have subscribed to preferred shares only.

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

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

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

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

- 21 a. Extend loans and advances primarily for the purpose of meeting the
22 normal credit needs of cooperatives as well as farmers, farm workers,
23 fisherfolks, or their families, merchants, and private and public
24 employees: *Provided*, That loans and advances granted to cooperatives
25 shall not be subject to individual ceilings on loans to directors, officers,
26 stockholders, and related interests (DOSRI);
- 27 b. Accept savings and time deposits;
- 28 c. Act as a correspondent bank of other financial institutions;

- d. Discount and Rediscount paper with the LBP, DBP or any other bank, including its branches and agencies. Said banks shall specify the nature of paper deemed acceptable for rediscounting, as well as the rediscount rate to be charged by any of these banks;
- e. Act as collection agent;
- f. Act as a depository bank of LGUs and other government agencies or instrumentalities;
- g. Acquire readily marketable bonds and other debt securities;
- h. Buy and sell foreign exchange;
- i. Act as conduit bank for the disbursement of government funds intended for lending to agriculture, small-medium enterprises (SMEs) and projects for local economic development;
- j. Eligible to participate in government program allocations for agricultural lending, social housing, loans to rural micro enterprises and other initiatives towards inclusive growth;
- k. Offer financial technology services, such as digital lending and payment, and digital wealth management, among others, subject to prior approval of the BSP; and
- l. Offer other banking services as provided in Section 53 of Republic Act No. 8791.

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

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

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

10 a. *Board and Committees.* - The cooperative bank shall constitute, at a
11 minimum, the Board of Directors, Election Committee, and Audit
12 Committee.

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

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

27 The Audit Committee is a Board-level committee whose composition,
28 functions and responsibilities shall be in accordance with the existing

1 regulations of the BSP. Other Board-level committees may be created as
2 may be directed by the BSP.

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

- 5 b. *Key Management Officers.* - The key management officers shall be
6 appointed by the Board and shall include the President, Treasurer, Internal
7 Auditor, and Compliance Officer, or their equivalent ranks. The BSP shall
8 prescribe the qualifications and disqualifications of the key management
9 officers.

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

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

27 **SEC. 129. *Dealings of Directors, Officers, Stockholders, and Related***
28 *Interests (DOSRI).* – Dealings with directors and officers of the Cooperative Bank

1 shall comply with the provisions of Section 36 of RA 8791, otherwise known as
2 General Banking Law (GBL) of 2000. However, the limits on loans to dealings of
3 directors, officers, stockholders, and related interests shall not apply to loans, other
4 credit accommodations, or guarantees extended by the cooperative bank to its
5 member primary cooperatives.

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

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

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

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

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

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

27 **SEC. 136. *Quorum and Voting System.*** – The quorum requirement for
28 General Assembly meetings of cooperative banks, whether special or regular, shall

1 be one-half ($\frac{1}{2}$) plus one (1) of the number of voting shares of all the members
2 entitled to vote.

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

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

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

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

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

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

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

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

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

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

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

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

- 24 a. Those privileges and incentives accorded to cooperatives under this Code
25 and other prior laws including exemption from all national, provincial,
26 city, municipal or barangay taxes, fees, and charges of whatever nature
27 and description. *Provided, however,* That when a cooperative bank has

1 reached an undivided net savings of more than One Hundred Million
2 Pesos (P100,000,000.00), transactions to non-members shall be taxable.

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

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

- 1 d. For cooperative banks granted by the BSP with accreditation as Rural
2 Financial Institution (RFI) under RA 10000, the following privileges shall
3 be awarded:
- 4 (1) Unrestricted branching rights to set-up agriculture-oriented branches
5 in unbanked municipalities and predominantly agricultural
6 communities, subject to existing regulations on minimum
7 capitalization for banks and the size of branch network;
- 8 (2) Automatic eligibility with Philippine Guarantee Corporation (with
9 respect to agricultural credit guarantee), Philippine Crop Insurance
10 Corporation (PCIC), and governmental agencies providing services
11 towards risk-mitigation in the agriculture sector;
- 12 (3) Priority status as credit delivery partner or conduit of government-
13 directed programs for agricultural through the DA and other
14 government agencies; and
- 15 (4) Entitlement to participate free of charge in capability-building
16 activities in agriculture lending such as, but not limited to, exchange
17 of best-practice experiences, study tour, technology transfer among
18 ASEAN member-states and other fora of international cooperation;
19 and
- 20 e. Notwithstanding the provisions herein, privileges and incentives granted
21 to rural banks pursuant to RA 7353, otherwise known as the “Rural Act
22 of 1992,” shall also be granted to cooperative banks duly registered under
23 this Act.

24 **CHAPTER XVIII. INSURANCE COOPERATIVES**

25 **SEC. 145. *Insurance Cooperative.*** – Existing cooperatives may organize
26 themselves into an insurance cooperative for the purpose of engaging in the

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

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

10 **SEC. 147. *Applicability of Insurance Laws.*** – The provisions of the Insurance
11 Code and all other laws and regulations relative to the organization and operation
12 of an insurance company shall apply to insurance cooperatives organized under this
13 Code. The requirements on capitalization, investments and reserves of insurance
14 firms may be liberally modified upon consultation with the Authority and the
15 cooperative sector, but in no case may the requirement be reduced to less than half
16 of those provided for under the Insurance Code and other related laws.

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

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

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

24 **SEC. 149. *Definition and Coverage.*** – A cooperative engaged in public
25 services refers to one organized to render public services, as authorized under a
26 franchise, certificate of public convenience, certificate of public convenience and
27 necessity, concession, or any other appropriate form of authorization or permit duly

1 issued by the appropriate government agency. Such services may include but is not
2 limited to the following:

- 3 a. Health services;
- 4 b. Power generation, transmission, and/or distribution;
- 5 c. Ice plants and cold storage services;
- 6 d. Communication services including telephone and digital
7 communications, and other value-added services;
- 8 e. Land, water, and air transportation services for passengers and/or cargoes;
- 9 f. Public markets, slaughterhouses, management of land transport terminals
10 and ports, and other similar services;
- 11 g. Water supply and distribution system services; and
- 12 h. Such other types of public services as may be engaged in by any
13 cooperative.

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

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

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

24 **SEC. 151. *Regulation of Cooperatives Engaged in Public Services.*** – The
25 internal affairs of cooperatives engaged in public services, such as: i) the rights and
26 privileges of members; ii) the rules and procedures for meetings of the General
27 Assembly, Board of Directors and committees; iii) the election and qualifications

1 of officers, directors, and committee members; iv) allocation and distribution of
2 surpluses; and v) all other such matters, shall be governed by this Code.

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

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

11 **CHAPTER XX. TRANSPORT SERVICE COOPERATIVES**

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

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

- 21 a. Importation, distribution, and marketing of petroleum products in
22 accordance with existing laws;
- 23 b. Operation of gasoline stations, automotive service centers, and
24 management of land transport terminals and ports;
- 25 c. Importation, distribution, marketing, and sale of spare parts, automotive
26 supplies, and accessories;

- d. Marketing of vehicle and drivers insurance policies as an agent or liaison of a licensed insurance company;
- e. Establishment and operation of fleet management services; and
- f. Automotive maintenance credit facilities for the purpose of extending loans for the maintenance and repair of public utility vehicles.

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

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

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

SEC. 156. *Oversight Committee.* – A multi-sectoral committee on transport service cooperatives, composed of representatives from the Authority, the DOTr, the Department of the Interior and Local Government (DILG), the Land Transportation Franchising and Regulatory Board (LTFRB), the Land Transportation Office (LTO), other concerned government agencies, as may be necessary, and the federation of transport service cooperatives, the regional clustered organizations, and the national alliance of cooperatives, shall be established and thereafter be charged with the monitoring, recommendation of

1 policies and programs affecting the operations of transport service cooperatives,
2 and such other functions.

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

5 The functions of the monitoring committees shall be prescribed in the
6 Implementing Rules and Regulations to be promulgated by the Authority, in
7 coordination with the relevant government agencies.

8 **CHAPTER XXI. CREDIT AND SAVINGS COOPERATIVES** 9 **AND CREDIT COOPERATIVES**

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

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

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

1 **SEC. 159.** *Regulation and Supervision of Cooperatives Engaged in Credit*
2 *and Credit and Savings.* – Pursuant to its powers, functions, and responsibilities
3 under RA 11364, the Authority shall exercise regulatory powers and supervision
4 over the operations of the cooperatives engaged in credit, and credit and savings.

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

8 **CHAPTER XXII. ELECTRIC COOPERATIVES**

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

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

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

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

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

- 25 (a) Copy of the Board Resolution certifying to the result of the vote approved
26 through a referendum approving the registration of the cooperative with
27 the Authority in compliance with Section 162 of this Code;

- 1 (b) Certified copy of the Articles of Incorporation or Cooperation and By-
2 laws as required by the Authority;
3 (c) Duly audited financial statements for the past two (2) years;
4 (d) List of names of the incumbent Board of Directors and their addresses
5 certified by the Board Secretary and attested by the Chairperson;
6 (e) Within six (6) months from the registration, the Treasurer shall submit a
7 sworn statement of the authorized share capital, the subscribed share
8 capital of members, and the amount of paid-up share capital received by
9 the Treasurer; and
10 (f) Bonds of accountable officers.

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

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

21 **SEC. 166.** *Effects of Registration with the Authority.* –

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

1 *further*, that provisions of this Code consistent with PD No. 269, as
2 amended, shall apply suppletorily.

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

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

27 The NEA shall, within ten (10) days upon final completion of reconciliation
28 of relevant loan accounts with the electric cooperative concerned, issue a

1 certification on the aggregate amount of payments made on the principal component
2 of the amortizations, as the basis for the issuance of equity share certificates by the
3 electric cooperatives to its Member-Customer-Owners (MCOs) on record.

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

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

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

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

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

22 **CHAPTER XXIII. FOREIGN PARTNERSHIPS**

23 **SEC. 169.** *Membership of Foreign Cooperatives in Federations.* – Foreign
24 cooperatives may invest, partner with, or become members of federations:
25 *Provided*, that they are recognized by international coalitions of cooperatives or by
26 the relevant authority in the country of origin, as well as registered with the
27 Authority; *Provided, further*, That they comply with all relevant laws allowing them

1 to do business in the Philippines. The details of their investment, participation, or
2 membership shall be left to the discretion of the local federation. Further details
3 shall be laid down in the Implementing Rules and Regulations of this Code.

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

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

14 **CHAPTER XXV. MISCELLANEOUS PROVISIONS**

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

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

22 **SEC. 172. *Registry of Cooperatives.*** – The Authority shall keep a registry
23 which shall contain a chronological entry of the name of every cooperative
24 registered, suspended, dissolved, or cancelled under this Code together with other
25 relevant information. The Authority shall publish and post on its website a list of
26 existing cooperatives, cooperatives under dissolution or suspension, and those

1 whose registration have been cancelled, together with other relevant information,
2 as may be prescribed in the Implementing Rules and Regulations of this Code.

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

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

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

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

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

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

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

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

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

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

16 **CHAPTER XXVI. FINAL PROVISIONS**

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

- 19 (a) The use of the word “cooperative” shall not be allowed unless authorized
20 under this Code. In case of violation, the penalty of imprisonment of not
21 less than two (2) years nor more than five (5) years and a fine not
22 exceeding Two hundred thousand pesos (P200,000.00) or both at the
23 discretion of the court, shall be imposed, upon conviction, on the
24 individual or, in the case of an organization, its officers and directors.
25 The Authority may, motu proprio, file complaints for violation of this
26 provision.

1 (b) Any person who willfully attempts in any manner to evade or defeat tax
2 in violation of Articles 68 and 69 of this Code shall, in addition to the
3 payment of double the amount of the tax due, be punished by a fine of not
4 less than Five hundred thousand pesos (P500,000.00) but not more than
5 Ten million pesos (P10,000,000.00) and suffer imprisonment of not less
6 than six (6) years but not more than ten (10) years: *Provided*, That the
7 conviction or acquittal obtained under this Section shall not be a bar to
8 the filing of a civil suit for the collection of taxes;

9 (c) Direct or indirect violation or circumvention of the provisions of Sections
10 68 and 69 of this Code committed by any public official or employee of
11 any bureau, office or agency of the government that deprives, diminishes
12 or in any manner hinders or restricts any duly registered cooperative from
13 the full enjoyment of the exemption from the payment of the taxes, fees
14 and charges enumerated therein, shall upon conviction, suffer a penalty
15 of not less than seven (7) years but not more than twelve (12) years
16 imprisonment or a fine in the amount of not less than Five hundred
17 thousand pesos (P500,000.00) but not more than One million pesos
18 (P1,000,000.00) or both at the discretion of the court and shall further be
19 disqualified to hold any other office;

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

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

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

- 1 (3) Requesting or demanding for the creation of positions or
2 organizational units, or recommending any person for appointment,
3 transfer, or removal from his/her position; or
4 (4) Any other acts inimical or adverse to the autonomy and independence
5 of cooperatives.

6 (e) A director, officer or committee member who violated the provisions of
7 Section 53 on the Liability of Directors, Officers and Committee
8 Members, Section 56 on the Disloyalty of a Director, and Section 57 on
9 the Illegal Use of Confidential Information shall upon conviction suffer a
10 fine of not less than Five hundred thousand pesos (P500,000.00) nor more
11 than One million pesos (P1,000,000.00) or imprisonment of not less than
12 five (5) years but not more than ten (10) years or both at the court's
13 discretion;

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

- 18 (1) Omission or refusal to furnish any information, report or other
19 document that is required under this Code;
20 (2) Providing information, reports or other documents to the Authority
21 that are required under this Code which the person knows to be false
22 or misleading;
23 (3) Omission or refusal to keep a book or registry under this Code or to
24 make the required entry therein;
25 (4) Making an entry required under this Code in a book or registry, which
26 the person knows to be false or misleading;
27 (5) Hindering an authorized person from making an inspection, audit,
28 examination or investigation required under this Code;

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

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

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

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

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

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

24 **SEC. 178. Administrative Sanctions.** – The Authority shall conduct
25 investigations, file necessary charges, discipline, suspend or remove erring officers
26 and members of the cooperative for violation of cooperative laws, rules, regulations,
27 issuances of the Authority, the Articles of Cooperation, and By-laws, after due

1 process, and direct the General Assembly to replace the suspended or removed
2 officers.

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

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

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

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

21 **SEC. 182. *Transitory Provisions.*** –

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

24 (b) Registration of electric cooperatives with the Authority shall not be
25 considered as a transfer of ownership of its assets and liabilities nor shall
26 it constitute a change in the nature, structure, and status of the cooperative.
27 Said registration shall not result in the revocation of the condoned loans
28 under RA 9136, otherwise known as the “*Electric Power Industry Reform*

1 *Act of 2001, ”: Provided, That electric cooperatives with existing loans*
2 shall not be subject to the control and supervision of its creditors and shall
3 only be limited to the fulfillment of each civil obligations.

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

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

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

14 **SEC. 185. *Repealing Clause.*** – Except as expressly provided by this Code,
15 RA 6938, RA 9520, and all other laws, or parts thereof, inconsistent with any
16 provision of this Code shall be deemed repealed: *Provided, That the provisions of*
17 Revenue Regulation No. 20-2001, and all laws, decrees, executive orders,
18 implementing rules and regulations, BIR circulars, CDA memorandum circulars,
19 memorandum orders, letters of instruction, local government ordinances, or parts
20 thereof inconsistent with any of the provisions of this Act are hereby repealed,
21 amended or modified accordingly; *Provided, further, that* nothing in this Code shall
22 eliminate, diminish, or reduce the powers, functions, authority, and responsibilities
23 of the NEA over electric cooperatives under PD No. 269, as amended, and other
24 existing laws; *Provided, finally, that* nothing in this Act shall be construed or
25 interpreted as diminishing the jurisdiction of the Philippine Competition
26 Commission under the PCA to conduct inquiry, investigate, and hear and decide on
27 cases involving any violation of the PCA and other existing competition laws motu

1 proprio or upon receipt of a verified complaint from an interested party or upon
2 referral by the concerned regulatory agency.

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

Approved,