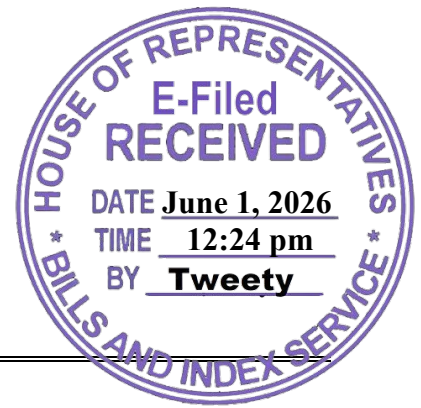


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session



COMMITTEE REPORT NO. 417

Submitted by the Committee on Cooperatives Development, Committee on Ways and Means, Committee on Appropriations on June 1, 2026

Re: **House Bill No. 9584**

Recommending its approval with amendments, in substitution of **House Bills Numbered** 1647, 2070, 2416, 2575, 4540, 6040, 6364, and 8685

Sponsors: Representatives Felimon M. Espares, Atty. Miro S. Quimbo, Mikaela Angela B. Suansing, Miguel Luis R. Villafuerte, Vincenzo Renato Luigi R. Villafuerte, Tsuyoshi Anthony "Hori" G. Horibata, Terry L. Ridon, Maria Kristina Jihan B. Glepa, Ralph Wendel P. Tulfo and Jocelyn P. Tulfo, Nicanor M. Briones, Iris Marie Demesa Montes, Christopherson "Coco" M. Yap, and Kenneth T. Gatchalian.

Mr. Speaker:

The Committee on Cooperatives Development, Committee on Ways and Means, Committee on Appropriations to which were referred **House Bill No. 1647**, introduced by Representatives Miguel Luis R. Villafuerte, Vincenzo Renato Luigi R. Villafuerte, Tsuyoshi Anthony "Hori" G. Horibata, and Terry L. Ridon, entitled:

AN ACT

PROVIDING FOR THE REVISED COOPERATIVE CODE OF THE PHILIPPINES

House Bill No. 2070 introduced by Representative Maria Kristina Jihan B. Glepa, entitled:

AN ACT

PROVIDING FOR THE REVISED COOPERATIVE CODE OF THE PHILIPPINES

House Bill No. 2416, introduced by Representative Felimon M. Espares, entitled:

AN ACT

PROVIDING FOR THE REVISED COOPERATIVE CODE OF THE PHILIPPINES

House Bill 2575, introduced by Representatives Ralph Wendel P. Tulfo and Jocelyn P. Tulfo, entitled:

AN ACT

PROVIDING FOR THE REVISED COOPERATIVE CODE OF THE PHILIPPINES

House Bill 4540, introduced by Representative Nicanor M. Briones, entitled:

**AN ACT
PROVIDING FOR THE REVISED COOPERATIVE CODE OF THE PHILIPPINES**

House Bill No. 6040, introduced by Representative Iris Marie Demesa Montes, entitled:

**AN ACT
PROVIDING FOR THE REVISED COOPERATIVE CODE OF THE PHILIPPINES**

House Bill No. 6364 introduced by Representative Christopherson “Coco” M. Yap, entitled:

**AN ACT
PROVIDING FOR THE REVISED COOPERATIVE CODE OF THE PHILIPPINES**

House Bill No. 8685 introduced by Representative Kenneth T. Gatchalian, entitled:

**AN ACT
PROVIDING FOR THE REVISED COOPERATIVE CODE OF THE PHILIPPINES**

has considered the same and recommend that the attached House Bill **9584** entitled:

**AN ACT
PROVIDING FOR THE REVISED COOPERATIVE CODE OF THE PHILIPPINES**

be approved, in substitution of House Bill Numbered 1647, 2070, 2416, 2575, 4540, 6040, 6364, and 8685 with Honorable Representatives Felimon M. Espares, Atty. Miro S. Quimbo, Mikaela Angela B. Suansing, Miguel Luis R. Villafuerte, Vincenzo Renato Luigi R. Villafuerte, Tsuyoshi Anthony “Hori” G. Horibata, Terry L. Ridon, Maria Kristina Jihan B. Glepa, Ralph Wendel P. Tulfo, Jocelyn P. Tulfo, Nicanor M. Briones, Iris Marie Demesa Montes, Christopherson “Coco” M. Yap, Kenneth T. Gatchalian, Janice Degamo, Ricardo “Ading” Cruz, Girlie E. Veloso, Nathaniel M. Oducado, Jernie Jett V. Nisay, Yevgeny Vincente B. Emano, Ferdinand “B1” Beltran, Bernadette S. Barbers, Carlos Andes Loria, JC M. Abalos, Rufus B. Rodriguez, Brian Poe, Keith Micah “Atty. Mike D.L Tan, Janette L. Garin, Marie Bernadette G Escudero, Jose “Bong” J. Teves Jr., Albert S. Garcia, Arnie B. Fuentebella, Bella Vanessa B. Suansing, Monique Yasmin Maria Q. Lagdameo, Romeo S. Momo Sr., Jose C. Alvarez, Joseph S. Tan, Loreto S. Amante, Alexandria “Quennie” Gonzales, Ma. Isabel L. Sagarbarria, Rodolfo “Ompong” M. Ordanes, Reynante U. Arrogancia, Gerardo “Gerryboy” J. Espina Jr., Dante S. Garcia, Ma. Cristina Talavera Lopez, Milagros Aquino-Magsaysay, Claudine Diana D. Bautista-Lim, Patricia C. Calderon, Timothy Joseph E. Cayton, Ricardo S. Cruz Jr., Maximo Y. Dalog Jr., Antolin A. Oreta III, Rolando M. Valeriano, Florabel C. Yatco, Antonio B. Roman III, Nelson S. Legacion, Dibu S. Tuan, Amado Carlos A. Bolilia IV, Arlyn P. Ayon, Elijah Rumbaoa San Fernando, Audrey Kay T. Zubiri, Jan

Franz Norbert Joselito A. Chan, Mark O. Cojuangco, Jonathan Keith T. Flores, Gerald Cloyd Alexis V. Galang, Atty. Jennifer "Karen" A. Lagbas, Jesus "Jess" R. Marquez, Roman T. Romulo, Linabelle Ruth R. Villarica, Kenneth Paolo Tereng, Wilfrido Mark M. Enverga, Sarah Jane I. Elago, Manuel "Manman" O. Ko, Augustina Dominique "Ditse Tina" C. Pancho, Jose Manuel Lagdameo, Henry F. Oaminal Jr., Joseph Kim C. Yu, Arnan Panaligan, Beverly Rose A. Dimacuha, Eleanor C. Bulut-Begtang, Roy M. Loyola, Ma. Alana Samantha Talino Santos, and John Tracy F. Cagas

Respectfully submitted,



REP. FELIMON M. ESPARES

Chairperson

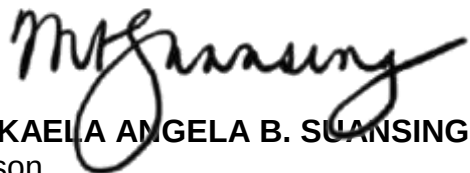
Committee on Cooperatives Development



REP. MIRO S. QUIMBO

Chairperson

Committee on Ways and Means



REP. MIKAELA ANGELA B. SUANSING

Chairperson

Committee on Appropriations

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
Quezon City

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Philippines

TWENTIETH CONGRESS
First Regular Session

House Bill No. **9584**

Introduced by the Honorable Representatives Felimon M. Espares, Atty. Miro S. Quimbo, Mikaela Angela B. Suansing, Miguel Luis R. Villafuerte, Vincenzo Renato Luigi R. Villafuerte, Tsuyoshi Anthony “Hori” G. Horibata, Terry L. Ridon, Maria Kristina Jihan B. Glepa, Ralph Wendel P. Tulfo, Jocelyn P. Tulfo, Nicanor M. Briones, Iris Marie Demesa Montes, Christopherson “Coco” M. Yap, Kenneth T. Gatchalian, Janice V. Degamo, Girlie E. Veloso, Nathaniel M. Oducado, Vincent B. Emano, Ferdinand “B1” Beltran, Bernadette S. Barbers, Carlos Andes Loria, JC M. Abalos, Rufus B. Rodriguez, Brian Poe, Keith Micah “Atty. Mike” D.L Tan, Janette L. Garin, Marie Bernadette G Escudero, Jose “Bong” J. Teves Jr., Albert S. Garcia, Arnie B. Fuentesbella, Bella Vanessa B. Suansing, Monique Yasmin Maria Q. Lagdameo, Romeo S. Momo Sr., Jose C. Alvarez, Joseph S. Tan, Loreto S. Amante, Alexandria “Quennie” Gonzales, Ma. Isabel L. Sagarbarria, Rodolfo “Ompong” M. Ordanes, Reynante U. Arrogancia, Gerardo “Gerryboy” J. Espina Jr., Dante S. Garcia, Ma. Cristina Talavera Lopez, Milagros Aquino-Magsaysay, Claudine Diana D. Bautista-Lim, Patricia C. Calderon, Timothy Joseph E. Cayton, Ricardo S. Cruz Jr., Maximo Y. Dalog Jr., Antolin A. Oreta III, Rolando M. Valeriano, Florabel C. Yatco, Antonio B. Roman III, Nelson S. Legacion, Dibu S. Tuan, Arlyn P. Ayon, Elijah Rumbaoa San Fernando, Audrey Kay T. Zubiri, Jan Franz Norbert Joselito A. Chan, Mark O. Cojuangco, Jonathan Keith T. Flores, Gerald Cloyd Alexis V. Galang, Atty. Jennifer “Karen” A. Lagbas, Jesus “Jess” R. Marquez, Roman T. Romulo, Linabelle Ruth R. Villarica, Wilfrido Mark M. Enverga, Sarah Jane I. Elago, Manuel “Manman” O. Ko, Augustina Dominique “Ditse Tina” C. Pancho, Jose Manuel Lagdameo, Henry F. Oaminal Jr., Joseph Kim C. Yu, Arnan Panaligan, Kenneth Paolo Tereng, Beverly Rose A. Dimacuha, Amado Carlos A. Bolilia IV, Eleanor C. Bulut-Begtang, Roy M. Loyola, Ma. Alana Samantha Talino Santos, and John Tracy F. Cagas

**AN ACT PROVIDING FOR THE
REVISED COOPERATIVE CODE OF THE PHILIPPINES**

**ARTICLE I
GENERAL PROVISIONS**

1 **SECTION 1. Title.** – This Act shall be known and referred to as the
2 “Revised Cooperative 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
5 self-reliance and harnessing people's power towards the attainment of
6 economic development and social justice. The State shall encourage the
7 private sector participation in the actual formation and organization of
8 cooperatives and shall promote an enabling atmosphere for the sustained
9 growth and development of these cooperatives.

10 To this end, the State shall, through the different branches, subdivisions,
11 instrumentalities, and agencies of the government, regulate the conduct
12 of cooperatives and support the growth and development in partnership
13 with the private sector. The State shall also ensure the provision of
14 technical and financial assistance, and other services to enable the
15 cooperatives to develop into viable and responsive economic enterprises
16 towards a strong cooperative movement, free from conditions that infringe
17 upon the objectives and character of cooperatives.

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

22 **Sec. 3. General Concept.** - A *cooperative* is an autonomous and duly
23 registered association of persons with a common bond of interest who
24 voluntarily join together to meet their social, economic, and cultural
25 needs and aspirations by making equitable contributions to the capital
26 required, patronizing its products and services, and accepting a fair share
27 of the risks and benefits of the undertaking in accordance with
28 universally accepted cooperative principles.

29 **Sec. 4. Cooperative Principles and Values.** –

30 a. **Cooperative Principles.** - Every cooperative shall conduct its
31 affairs in accordance with Filipino culture, good values, and
32 experience, and shall adhere to the following universally accepted
33 principles of cooperation:

34 (1) *Voluntary and Open Membership* - Cooperatives are voluntary
35 organizations, open to all persons who are able to use their
36 services and willing to accept the responsibilities of
37 membership, without discrimination based on gender, social,
38 racial, cultural, political, or religious belief.

- 1 (2) *Democratic Member Control* - Cooperatives are democratic
2 organizations controlled by their members, who actively
3 participate in setting policies and making decisions. Elected
4 representatives are accountable to the membership. In
5 primary cooperatives, each member has equal voting rights
6 pursuant to the principle of “one member, one vote”.
7 Cooperatives at other levels are organized and governed in
8 the same democratic manner.
- 9 (3) *Members' Economic Participation* - Members contribute
10 equitably to, and democratically control, the capital of their
11 cooperative. A portion of the capital shall remain the common
12 property of the cooperative. Members may receive limited
13 interest, if any, on capital subscribed and paid as a condition
14 of membership. Members allocate surpluses for any or all of
15 the following purposes: (1) developing their cooperative by
16 setting up reserves, part of which should at least be
17 indivisible; (2) benefiting members in proportion to their
18 patronage of the cooperative’s business; and (3) supporting
19 other activities approved by the membership.
- 20 (4) *Autonomy and Independence* - Cooperatives are autonomous,
21 self-help organizations controlled by their members. If
22 cooperatives enter into agreements with other organizations,
23 including government, or raise capital from external sources,
24 they do so on terms that ensure democratic control by their
25 members and maintain their cooperative autonomy.
- 26 (5) *Education, Training, and Information* - Cooperatives shall
27 provide education and training for their directors, officers,
28 members, and employees, so that they can contribute
29 effectively and efficiently to the development of their
30 cooperatives.
- 31 (6) *Cooperation Among Cooperatives* - Cooperatives serve their
32 members most effectively and strengthen the cooperative
33 movement by working together through local, national,
34 regional, and international structures; and
- 35 (7) *Concern for Community* - Cooperatives work for the
36 sustainable development of their communities through
37 policies approved by their members.
- 38 b. **Cooperative Values** - Cooperatives are based on the values of self-
39 help, self-responsibility, democracy, equality, equity, and solidarity.

1 Cooperative members also uphold the ethical values of honesty,
2 openness, social responsibility and caring for others.

3 **Sec. 5. Definition of Terms.** – As used in this Act:

- 4 a. *Area of Operation* refers to the place where the cooperative operates
5 and conducts its business, including its satellite and branch
6 offices, as provided for in its Articles of Cooperation and By-Laws,
7 and other Rules and Regulations governing cooperatives;
- 8 b. *Articles of Cooperation* refer to the charter document registered with
9 the Authority, including its amendments, that defines and
10 regulates the relations between the cooperative and the State;
- 11 c. *Authority* refers to the Cooperative Development Authority;
- 12 d. *Board of Directors* refers to the collegial body responsible for the
13 strategic planning, direction-setting, and policy-formulation
14 activities of the cooperative;
- 15 e. *By-Laws* refers to the document duly registered with the Authority,
16 including its amendments, that defines and regulates the
17 operations of the cooperative and governs the relations between the
18 cooperative and its members, as well as among themselves;
- 19 f. *Clustering* refers to the grouping together of cooperatives under
20 finance, marketing, public utilities, education and advocacy,
21 agriculture, and human services;
- 22 g. *Committees* refer to a body vested with specific functions and
23 responsibilities, including mandatory committees as required by
24 this Code, and such other committees that the Board of Directors
25 deems necessary for the governance of the cooperative's business
26 affairs. Committees shall be composed solely of members in good
27 standing who are entitled to vote and shall operate in accordance
28 with the By-laws or a resolution passed by the General Assembly or
29 the Board of Directors;
- 30 h. *Compensation* refers to a broad term that includes all forms of
31 remuneration given for services rendered, including salary or wages
32 paid regularly as defined under Article 97 of the Labor Code of the
33 Philippines;
- 34 i. *Education* refers to the teaching and understanding of cooperative
35 principles and values and knowing how to apply them in the day-
36 to-day operations of a cooperative business. It is also concerned

- 1 with the wider education offered to members for their social
2 development and social impact;
- 3 j. *General Assembly* refers to the full membership of the cooperative
4 duly assembled, physically and/or via video conferencing, for the
5 purpose of exercising all the rights and performing all the
6 obligations pertaining to cooperatives, as provided by this Code, its
7 Articles of Cooperation, and By-Laws;
- 8 k. *Honorarium* refers to a token of appreciation granted for gratuitous
9 services rendered for which no fixed price is set;
- 10 l. *Investment* refers to equity participation in an enterprise formed,
11 organized, or existing under the laws of the Philippines;
- 12 m. *Interest on Share Capital* refers to the amount earned by the
13 members on their capital in the cooperative at the end of the
14 calendar year;
- 15 n. *Laboratory Cooperative* refers to a cooperative affiliated with and
16 registered by a primary cooperative and whose membership
17 consists of minors;
- 18 o. *Local Development Hubs (LDH)* refer to farming zones or transport
19 infrastructure, which are generally far from formal markets, and
20 serve a minimum of five hundred (500) farmers, linking them to
21 buyers, who may be, among others, traders, processors, and export
22 companies;
- 23 p. *Member* refers to a person either natural or juridical, who has been
24 admitted by the Board of Directors of the cooperative, federation, or
25 union, and has vowed to adhere to the Articles of Cooperation and
26 its By-Laws. Members shall be classified as regular or associate, as
27 qualified by the cooperative;
- 28 q. *Member entitled to vote* refers to a regular member who has
29 complied with all the membership requirements of the cooperative,
30 fulfilled all of their duties and obligations, and possesses none of
31 the disqualifications as provided by the Articles of Cooperation and
32 By-Laws of the cooperative;
- 33 r. *Net Surplus* refers to the cooperative's collection from transactions
34 with members and non-members minus the expenses incurred,
35 which shall be allocated in accordance with this Code and the
36 cooperatives' By-Laws;

- 1 s. *Patronage Refund* refers to the payment to members of a percentage
2 or portion of the amount availed of, the interest on loans paid, or
3 other services availed from the cooperative during the calendar year
4 after the distribution of the net surplus.
- 5 t. *Officers of the Cooperative* refers to the members of the Board of
6 Directors, members of the different committees, General Manager
7 or Chief Executive Officer, Secretary, Treasurer, and other officers
8 as may be provided for in their By-Laws. As such, they shall
9 exercise their duties and responsibilities within the scope of their
10 defined functions;
- 11 u. *Per diem* refers to the allowance given as reimbursement for extra
12 expenses incurred by one in the performance of duties;
- 13 v. *Primary Cooperative* refers to a cooperative, registered with the
14 Authority, the members of which are natural persons;
- 15 w. *Registration* refers to the operative act granting juridical personality
16 to a proposed cooperative and is evidenced by a Certificate of
17 Registration;
- 18 x. *Reserve Fund* refers to an account of the cooperative which is set
19 aside from the net surplus of a cooperative to cover unexpected
20 losses, and for such other purposes authorized under this Code;
- 21 y. *Secondary Cooperative* refers to a cooperative, the members of
22 which are juridical persons;
- 23 z. *Share Capital* refers to the equitable contribution of a member to
24 the cooperative fund, the working capital fund of the cooperative,
25 which share shall have a par value of at least One Hundred Pesos
26 (Php100.00) but not more than One thousand Pesos (Php1,000.00)
27 and issued as common or preferred shares depending on the type
28 of membership with the cooperative, as provided for under the
29 cooperative's Articles of Cooperation and By-laws;
- 30 aa. *Social Audit* refers to an audit to assess the social impact of the
31 cooperative and its ethical performance vis-à-vis its stated mission,
32 vision, goals, and code of social responsibility. It is a mechanism
33 whereby the cooperative can account for the social performance of
34 the cooperative and evaluate its impact on the community, making
35 the cooperative accountable for its decisions and actions to its
36 members;

- 1 bb. *Subscription Agreement* refers to the document executed by a
2 member to signify the amount that the member intends to
3 contribute to the cooperative fund;
- 4 cc. *Subsidiary Cooperative* refers to a cooperative, all or majority of
5 whose members or shareholders come from another cooperative,
6 organized for any other purpose different from that of, and receives
7 technical, managerial, and financial assistance from the latter, in
8 accordance with the rules and regulations of the Authority;
- 9 dd. *Training* refers to developing the necessary skills of officers,
10 members, and employees in order to run a cooperative in
11 accordance with efficient and ethical business practices and to
12 democratically control and manage their cooperative business
13 responsibly and transparently;
- 14 ee. *Video conferencing* refers to a conference between two (2) or more
15 participants at different sites by using computer networks to
16 transmit audio and video data;
- 17 ff. Voting by proxy means allowing a delegate of a cooperative to
18 represent or vote on behalf of another delegate of the same
19 cooperative; and
- 20 gg. *Worker Beneficiary* refers to a natural person who renders service
21 for value as an employee or laborer in an agricultural enterprise or
22 farm within an agrarian reform cooperative.

23

24

25

ARTICLE II PURPOSES AND ORGANIZATION

26 **Sec. 6. Goals and Objectives of a Cooperative.** - The primary objective
27 of every cooperative is to improve the quality of life of their members.
28 Towards this end, the cooperative shall aim to:

- 29 a. Improve members' economic well-being by increasing income,
30 savings, productivity, and purchasing power through shared
31 resources and equitable distribution of benefits;
- 32 b. Promote thrift and savings mobilization, and provide funds and
33 credit for productive and provident needs;
- 34 c. Develop members' skills and expertise through education and
35 training, and promotion of best and innovative business practices
36 using new technologies;

- 1 d. Strengthen and expand the cooperative movement by collaborating
2 with other cooperatives and the government, promoting
3 membership growth, advancing sustainability, competitiveness,
4 and innovation of cooperatives across industries, and advocating
5 supportive legal and policy frameworks;
- 6 e. Promote people-centered development through cooperatives as
7 instruments of poverty alleviation and community empowerment by
8 providing access to learning, information exchange, and economic
9 opportunities;
- 10 f. Implement policies that shall ensure transparency, accountability,
11 and equitable access to its resources and services, and promote the
12 interests of the members;
- 13 g. Adopt other plans, programs, and activities which shall help foster
14 the welfare of the members, their families, and the community; and
- 15 h. Undertake other lawful activities as may be authorized in the
16 Articles of Cooperation and By-Laws of the Cooperative.

17 **Sec. 7. Cooperatives Not in Restraint of Trade.** – No cooperative
18 organized or operating in accordance with this Act, nor any lawful act
19 performed or agreement entered into pursuant thereto, shall be deemed
20 or construed to constitute a conspiracy, combination in restraint of trade,
21 illegal monopoly, price fixing arrangement or any other act that unduly
22 lessens competition in violation of the laws of the Philippines.

23 Cooperatives collaborating through federations, alliances, unions, or
24 cooperatives for mutual benefit, in accordance with cooperative
25 principles, shall not be considered anti-competitive under Republic Act
26 No. 10667, otherwise known as the Philippine Competition Act (PCA),
27 provided that such collaboration does not unfairly harm consumers or
28 the public interest.

29 **Sec. 8. Powers, Rights, and Capacities of Cooperatives.** - A
30 cooperative registered under this Act shall have the following powers,
31 rights, and capacities:

- 32 a. To have the exclusive use of its registered name;
- 33 b. To sue and be sued;
- 34 c. Of succession;
- 35 d. To amend its Articles of Cooperation in accordance with the
36 provisions of this Act and adopt By-Laws not contrary to law,

- 1 morals, or public policy and amend and repeal the same in
2 accordance with this Act;
- 3 e. To purchase, receive, take or grant, hold, convey, sell, lease, pledge,
4 mortgage, and otherwise deal with such real and personal property
5 as may be reasonably and necessarily required for the transaction
6 of the lawful affairs of the cooperative, subject to the limitations
7 prescribed by law and the Constitution;
- 8 f. To enter into joint venture agreements and partnerships, or any
9 other commercial activity with other cooperatives, corporation,
10 partnerships, the government, or other entities;
- 11 g. To enter into a division, merger, or consolidation in accordance
12 with this Act;
- 13 h. To form subsidiary cooperatives and join apex of cooperatives,
14 federations and/or unions, as provided in this Act;
- 15 i. To avail of loans, be entitled to credit, and to accept and receive
16 grants, donations, and assistance from foreign and domestic
17 sources, subject to conditions that will not undermine the
18 autonomy of the cooperative;
- 19 j. To avail of preferential rights granted to cooperatives under
20 Republic Act No. 7160, otherwise known as the "*Local Government*
21 *Code*," and other laws, particularly the grant of franchises to
22 establish, construct, operate and maintain ferries, wharves,
23 markets or slaughterhouses and lease public utilities, including
24 access to extension and on-site research services and facilities
25 related to agriculture and fishery activities;
- 26 k. To operate branches, satellite, subsidiary, and liaison offices within
27 its area of operation, subject to the rules and regulations issued by
28 the Cooperative Development Authority (CDA) upon consultation
29 with the sector;
- 30 l. To provide training for their officers and members for continued
31 development and personal improvement. If a cooperative is unable
32 to provide training for its members, it may engage the services of a
33 federation where it is a member, a union, an advocacy cooperative,
34 government agencies/entities, or cooperative development offices of
35 local government units; and

1 m. To exercise such other powers granted in this Act as shall be
2 necessary to carry out its purposes stated in its Articles of
3 Cooperation.

4 **Sec. 9. Organizing a Primary Cooperative.** – At least twenty-five (25)
5 natural persons who are Filipino citizens, of legal age, having a common
6 bond of interest, and are residing or working in the intended area of
7 operation, may organize a primary cooperative under this Act. The
8 cooperators must have attended and completed a Pre-Registration
9 Seminar (PRS) as a prerequisite for registration, and as prescribed in the
10 implementing rules and regulations of this Act.

11 Every group of individuals or cooperatives intending to form a cooperative
12 under this Act shall submit to the Authority a general statement
13 describing, among others, the structure and purposes of the proposed
14 cooperative, and shall also submit an economic survey, indicating therein
15 the area of operation, the size of membership, and other pertinent data in
16 a format provided by the Authority.

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

22 To encourage and develop cooperativism among the youth, a primary
23 cooperative may organize a laboratory cooperative. A laboratory
24 cooperative shall refer to a cooperative duly recognized by the Authority,
25 formed and managed primarily by minors, and affiliated with another
26 registered primary cooperative which shall be called the Guardian
27 Cooperative. It shall be supervised by the Guardian Cooperative which
28 organized it, and shall exercise such rights, privileges, and duties as may
29 be provided under the guidelines to be promulgated by the Authority in
30 consultation with the cooperative sector. Primary cooperatives that
31 organize and supervise laboratory cooperatives shall be entitled to
32 technical and financial assistance from the State, subject to the
33 guidelines to be promulgated by the Authority.

34 **Sec. 10. Mandatory Personnel of the Cooperative.** - All cooperatives
35 shall have a General Manager and a Bookkeeper as pre-requisite for
36 authorization to operate.

37 **Sec. 11. Liability of the Cooperative.** – A cooperative duly registered
38 under this Act shall have limited liability.

1 **Sec. 12. Term of existence of cooperative.** - A cooperative shall have
2 perpetual existence from the date of registration unless voluntarily
3 dissolved or the Certificate of Registration is cancelled for causes provided
4 under this Act: *Provided*, That cooperatives registered under the
5 Cooperative Code of 2008 with limited term of existence shall be deemed
6 to have perpetual existence through an amendment of their Articles of
7 Cooperation in accordance with this Act and the rules of the Authority.

8 **Sec. 13. Articles of Cooperation.** - All primary cooperatives applying
9 for registration shall present to the Authority the Certificate of Pre-
10 Registration Seminar and the Articles of Cooperation, signed by all
11 cooperators and acknowledged by them before a notary public. In case of
12 cooperative banks, insurance cooperatives, federations, or unions, the
13 Articles of Cooperation shall be acknowledged by its chairpersons and
14 cooperative secretaries before a notary public.

15 The Articles of Cooperation shall contain the following provisions:

- 16 a. Name of the cooperative which shall include the word
17 "Cooperative", "Coop", "Koop", or "Koooperatiba" and shall likewise
18 specify the type of cooperative;
- 19 b. Purpose or purposes and the economic activities for which the
20 cooperative is to be registered: *Provided*, That a cooperative shall
21 engage only in economic or business activities included in its
22 Articles of Cooperation and By-laws;
- 23 c. Powers and capacities;
- 24 d. Area of operation, the postal address of its principal office, and the
25 official electronic mail address of the cooperative;
- 26 e. Names, nationality, and the postal addresses of the cooperators;
- 27 f. Common bond of membership;
- 28 g. List of names of the directors;
- 29 h. Amount of authorized, subscribed, and paid-up share capital, the
30 number of shares, and the par-value of each share, and the names
31 of the cooperators, except for cooperative unions;
- 32 i. A statement as to whether the cooperative is primary or secondary;
- 33 j. Certificate of Authority from the appropriate government agency;
34 and
- 35 k. Other provisions consistent with this Act or any related law.

1 **Sec. 14. By-Laws.** – Every cooperative to be registered under this
2 Act shall adopt By-Laws consistent with the provisions of this Act. The
3 By-Laws of each cooperative shall provide:

- 4 a. The qualifications for admission to membership;
- 5 b. The equitable contribution or interest to be acquired as a
6 condition precedent for the exercise of the right of membership;
- 7 c. The rights, privileges, duties, responsibilities, and liabilities of
8 membership;
- 9 d. The circumstances under which membership is acquired,
10 maintained, and terminated, and the procedure to be followed;
- 11 e. The conditions under which the transfer of a share or interest of
12 the members shall be permitted;
- 13 f. The general conduct of the affairs of the cooperative relative to
14 agenda, time, place and manner of calling, convening, and
15 conducting meetings, quorum requirements, voting systems of the
16 General Assembly, the Board of Directors, committees and the
17 officers, including their qualifications, disqualifications, powers,
18 duties, and responsibilities;
- 19 g. The manner in which the capital may be raised and the purposes
20 for which it can be utilized;
- 21 h. The accounting and auditing systems as prescribed by the
22 Authority;
- 23 i. The manner of contracting loans and borrowings including the
24 limitations thereof;
- 25 j. The allocation and distribution of net surplus;
- 26 k. The manner of adopting and amending By-Laws;
- 27 l. The institution of a conciliation or mediation mechanism for the
28 amicable settlement of disputes among officers and members of
29 the cooperative; and
- 30 m. Other matters incident to the purposes and activities of the
31 cooperative.

32 **ARTICLE III** 33 **REGISTRATION** 34

35 **Sec. 15. Requirements for Registration.** - The proposed Articles of
36 Cooperation, By-Laws, and such other required documents shall be filed
37 with the Authority in accordance with its rules and regulations.

38 Except for cooperative unions as described under Section 27 hereof, no
39 cooperative shall be registered unless the Articles of Cooperation is

1 accompanied with the surety bonds of the accountable officers and a
2 sworn statement of the Treasurer showing at least twenty-five per centum
3 (25%) of the authorized share capital has been subscribed and at least
4 twenty-five per centum (25%) of the total subscription has been paid.

5 The Authority shall prescribe the minimum initial paid-up share capital
6 required for registration. It shall periodically review the required paid-up
7 share capital and, upon consultation with the cooperative sector, may
8 increase or decrease it through subsequent regulations.

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

11 **Sec. 16. Registration.** - A cooperative formed and organized under
12 this Act acquires juridical personality from the date the Authority issues
13 a Certificate of Registration under its official seal. All applications for
14 registration shall be finally disposed of by the Authority within a period of
15 fifteen (15) calendar days from the filing of the complete documentary
16 requirements, both in form and in substance; otherwise, the application
17 is deemed approved, unless the cause of the delay is justified as the case
18 may be. In case of a denial of the application for registration, the
19 applicant may file a Motion for Reconsideration within five (5) days from
20 receipt of such denial. The Motion for Reconsideration shall be resolved
21 within fifteen (15) days from filing thereof. An appeal to the Board of
22 Directors of the Authority may be filed within fifteen (15) days from
23 receipt of notice of denial of the Motion for Reconsideration. The decision
24 of the Board of Directors shall be final and executory but may be elevated
25 to the Court of Appeals through a Petition for Review.

26 **Sec. 17. Certificate of Registration.** - A Certificate of Registration
27 issued by the Authority under its official seal shall be conclusive evidence
28 that the cooperative therein mentioned is duly registered unless it is
29 proved that the registration thereof has been cancelled or revoked.

30 **Sec. 18. Amendment of Articles of Cooperation and By-Laws.** -
31 Unless otherwise prescribed by this Act and for legitimate purposes, any
32 provision or matter stated in the Articles of Cooperation and By-Laws
33 may be amended by two-thirds ($\frac{2}{3}$) vote of all the members entitled to
34 vote, present at a meeting called for the purpose or through a referendum
35 conducted in accordance with the guidelines issued by the Authority.
36 Such amendment shall be without prejudice to the right of the dissenting
37 members to exercise their right to withdraw their membership under
38 Section 36 of this Act.

39 Both the original and amended Articles of Cooperation and/or By-Laws
40 shall contain all provisions required by law. Amendments shall be

1 indicated by underscoring or otherwise appropriately indicating the
2 change or changes made. A copy of the amended Articles of Cooperation
3 or By-Laws shall be duly certified under oath by the cooperative secretary
4 and a majority of the directors stating the fact that the amendment or
5 amendments to the Articles of Cooperation and/or By-Laws have been
6 duly approved by the required vote of the members. All amendments to
7 the Articles of Cooperation and/or By-Laws shall be submitted to the
8 Authority.

9 The Authority shall act upon an application for amendment within thirty
10 (30) calendar days from receipt of a complete application, otherwise, the
11 application shall be deemed approved by operation of law.

12 **Sec. 19. Contracts Executed Prior to Registration and Effects**
13 **Thereof.** - Contracts executed between private persons and cooperatives
14 prior to the registration of the cooperative shall remain valid and binding
15 between the parties and upon registration of the cooperative, in so far as
16 it redounds to the benefit of the cooperative. A formal written contract
17 shall be adopted and made in the cooperative's name or on its behalf
18 prior to its registration.

19 **Sec. 20. Effects of Failure to Operate or Comply with Conditions on**
20 **Registration.** - Cooperatives that fail to commence or operate its
21 business within a period of three (3) years shall be subject to the
22 provision of Section 102 of this Act.

24 **ARTICLE IV**

25 **TYPES AND CATEGORIES OF COOPERATIVES**

26 **Sec. 21. Clusters and Categories of Cooperatives. –**

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

29 (1) *Credit, Finance, Banking, and Insurance Cluster* refers to
30 cooperatives organized to undertake financial services to
31 promote financial freedom and literacy among its members

32 (i) Cooperative Banks – organized for the primary purpose of
33 providing a wide range of financial services to cooperatives
34 and their members;

35 (ii) Credit Cooperatives – engaged solely in lending services;

36 (iii) Credit and Savings Cooperatives - promote and undertake
37 savings and lending services among its members. They

- 1 generate a common pool of funds in order to provide financial
2 assistance to their members for productive and provident
3 purposes;
- 4 (iv) Credit Surety Fund Cooperatives – cooperatives partnered
5 with local government units (LGUs) and comprised of well-
6 capitalized and well-managed member-cooperatives or non-
7 government organizations that meet the criteria and
8 qualifications prescribed by the Authority, LGUs, government
9 financial institutions, and other government agencies, as
10 provided under Republic Act No. 10744, otherwise known as
11 the “*Credit Surety Fund Cooperative Act of 2015*”;
- 12 (v) Insurance Cooperatives – engaged in the business of
13 providing health, life, and non-life insurance, as well as pre-
14 need plans (education, pension, and memorial plans) of
15 cooperatives and their members;
- 16 (vi) Savings and Deposits Cooperatives - engaged solely in
17 promoting and encouraging savings among its members; and
- 18 (vii) Such other cooperatives as may, in consultation with the
19 sector, be determined by the Authority to fall within this
20 cluster,
- 21
- 22 (2) *Consumers, Marketing, Producers, and Logistics Cluster* refers
23 to cooperatives organized for the supply, procurement,
24 transport, storage, distribution, and marketing of products of
25 its members, including the industrial production, and non-
26 agricultural business activity for the production and
27 processing of raw materials or goods or its derivative, such
28 as:
- 29 (i) Consumers Cooperatives – engaged primarily in procuring
30 and distributing commodities to members and non-members;
- 31 (ii) Marketing Cooperatives - engaged in the supply of
32 production inputs to members and in the marketing, trading,
33 and processing of their products;
- 34 (iii) Logistics Cooperatives - engaged in operations involving
35 facilities and supplies whose business is related to the supply
36 chain;
- 37 (iv) Producers Cooperatives - engaged in joint production and
38 processing, whether agricultural or industrial, of raw

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

6 (v) Such other cooperatives as may, in consultation with the
7 sector, be determined by the Authority to fall within this
8 cluster,

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

16 (i) Health Services Cooperatives – organized for the primary
17 purpose of providing medical, dental, paramedic, diagnostic
18 and other health services, including the establishment of
19 cooperative health organizations, hospitals, clinics,
20 pharmacies, and transporting of patients;

21 (ii) Housing Services Cooperatives – organized to assist or
22 provide access to socialized housing for the benefit of
23 members who actively participate in the savings program for
24 housing;

25 (iii) Labor Services Cooperatives – engaged in providing
26 specific services to a principal under a legitimate contracting
27 or subcontracting agreement, as defined under existing laws,
28 and in accordance with the cooperative principles set forth in
29 this Act;

30 (iv) Technology Services Cooperatives - organize to provide the
31 members with services that are designed to facilitate the use
32 of Information Technology by end users, electronic money
33 issuers licensed by BSP, or provide specialized technology-
34 oriented solutions by combining the processes and functions
35 of software, hardware, networks, telecommunications, and
36 electronics, among others;

37 (v) Workers Cooperatives - organized by workers including the
38 self-employed who are at the same time the members and
39 owners of the enterprise. The principal purpose of these

1 cooperatives is to provide employment and business
2 opportunities to the members and manage them in
3 accordance with cooperative principles; and

4 (vi) Such other cooperatives as may, in consultation with the
5 sector, be determined by the Authority to fall within this
6 cluster,

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

12 (i) Advocacy Cooperatives - promote policies for the general
13 interest and welfare of the members, the sector, and the
14 public to foster community growth and strengthen the
15 cooperative movement through education and training,
16 research and communication, campaigns, lobbying, and
17 other similar activities to reach out to intended beneficiaries.

18 (ii) Education Cooperatives – organized for the primary
19 purpose of owning and operating licensed educational
20 institutions, subject to existing laws, rules and regulations;
21 and

22 (iii) Such other cooperatives as may, in consultation with the
23 sector, be determined by the Authority to fall within this
24 cluster,

25 (5) *Agriculture, Agrarian, Aquaculture, Farmers, Dairy, and*
26 *Fisherfolk Cluster* refers to cooperatives engaged in the
27 raising or culture of plants and animals, including the
28 production and processing of agricultural produce and its
29 derivatives, and includes cooperatives organized by agrarian
30 reform beneficiaries and marginal farmers for developing a
31 sustainable system of land tenure and land development,
32 consolidation, or management, such as:

33 (i) Agrarian reform cooperatives – organized by marginal
34 farmers, majority of whom are agrarian reform beneficiaries,
35 for the purpose of developing an appropriate system of land
36 tenure, land development, land consolidation, or land
37 management of areas covered by agrarian reform;

38 (ii) Agricultural cooperatives – comprised of individuals
39 engaged in agricultural activities, who voluntarily organized

1 themselves as agricultural-based economic enterprises
2 established through joint investment, joint ownership, and
3 joint management for the purpose of improving agricultural
4 production capacity, agro-industry, agri-business, or services
5 related to agricultural production; including other
6 cooperatives whose primary business activity is at least fifty
7 percent (50%) related to agricultural production, agro-
8 industry, agri-business, or other services related to
9 agricultural activities production. Agricultural activities
10 include production, processing, logistics, distribution of
11 products, and other allied activities such as savings and
12 credit, marketing, agricultural extension, farm education, and
13 agri-tourism;

14 (iii) Dairy cooperatives - engaged in the production and
15 marketing of fresh milk which may be processed or marketed
16 as dairy products;

17 (iv) Farmers cooperatives - organized by marginalized
18 farmers, majority of whom are not agrarian reform
19 beneficiaries, for the purpose of supporting their products,
20 either fresh or processed;

21 (v) Fisherfolk cooperatives - organized by marginalized
22 fisherfolk whose products are marketed either as fresh or
23 processed, for the mobilization of capital in the procurement
24 of fishing boats, nets, gears, and accessories, production of
25 aquatic products, and access to storage and agricultural
26 facilities;

27 (vi) Irrigators cooperatives - engaged in providing sustainable
28 irrigation services for farmers; and

29 (vi) Such other cooperatives as may, in consultation with the
30 sector, be determined by the Authority to fall within this
31 cluster,

32 (6) *Public Utilities Cluster* refers to cooperatives organized for the
33 purpose of undertaking electricity generation, utilizing
34 renewable energy sources including hybrid systems,
35 acquisition and operation of sub-transmission or
36 distribution; operation and management of water systems;
37 land, air, and sea transportation services; and
38 communications services including telephone and digital
39 communications, for which a franchise or certificate of public

1 convenience and necessity has been duly issued by the
2 appropriate government agency;

3 (i) Communications cooperatives – organized to own, operate,
4 and manage communication structures and arrangements,
5 such as radio, cable TV, newspaper, and related industries,
6 for the widespread dissemination of information for the
7 members and the public;

8 (ii) Electric cooperatives – organized for the primary purpose
9 of undertaking power generation, utilizing renewable energy
10 sources, including hybrid systems, acquisition and operation
11 of sub-transmission or distribution to the household
12 members;

13 (iii) Transport Service cooperatives – organized to render
14 public transportation services by land, water, or air for the
15 safe conveyance of passengers or cargoes, or are engaged in
16 providing related or auxiliary services to the transport
17 industry;

18 (iv) Water Service cooperatives – organized to own, operate,
19 and manage water systems for the provision and distribution
20 of potable water to the members and households in
21 communities where they operate; and

22 (v) Such other cooperatives as may, in consultation with the
23 sector, be determined by the Authority to fall within this
24 cluster,

25 (7) *Multi-purpose cooperative* refers to a cooperative which
26 combines two (2) or more of the business activities of the
27 different types of cooperatives.

28 (b) Categories of Cooperative. Cooperatives shall be categorized as
29 follows:

30 (1) In terms of membership, cooperatives may be categorized
31 into:

32 (i) Primary - The members of which are natural persons; and
33 (ii) Secondary - The members of which are juridical persons;

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

36 (3) In terms of asset size, cooperatives shall adhere to the
37 enterprise classification prescribed under Section 3 of Republic Act

1 No. 6977, as amended, or such classification as may be adopted by
2 the Department of Trade and Industry (DTI).

3 **Sec. 22. Apex Cooperative.** – The Apex Cooperative refers to the
4 singular cooperative duly registered with the Authority and vested with a
5 juridical personality to represent the cooperative sector at the national
6 and international levels. It shall be fully and voluntarily organized by
7 members of the cooperative sector and shall serve as the principal body
8 for engaging in discussion and advising appropriate authorities on all
9 matters relating to cooperatives, as well as for promoting the cooperative
10 identity and culture.

11 **ARTICLE V** 12 **FEDERATION OF COOPERATIVES**

13 **Sec. 23. Definition and Coverage.** –*Federation of Cooperatives* is a
14 cooperative whose members are registered primary cooperatives,
15 secondary cooperatives, or both, and registered with the Authority to
16 undertake business activities in support of its member cooperatives to
17 address common needs; engage in capacity-building activities and
18 delegated supervisor function; and promote self-regulation among its
19 members. It may be organized at the municipal, city, provincial, regional,
20 national, special metropolitan political subdivision, or economic zone
21 levels created by law.

22 **Sec. 24. Members of a Federation of Cooperatives.** - The minimum
23 number of members of a federation of cooperatives shall be at least ten
24 (10) primary and/or secondary cooperatives.

25 Consistent with the principles of cooperation, cooperatives are
26 encouraged to affiliate with or become a member of a duly registered
27 federation operating within its sector, industry, or area of operation, for
28 purposes of representation, coordination, oversight, capacity-building,
29 policy advocacy, shared services, and strengthening of the cooperative
30 movement.

31 The Authority shall promote and facilitate the organization, development,
32 and strengthening of federations of cooperatives and shall issue
33 guidelines to encourage broad-based affiliation among cooperatives while
34 respecting the principle of voluntary membership.

35 A foreign federation may be accepted as an associate member: *Provided*,
36 that its preferred shares shall be limited to a maximum of forty percent
37 (40%) of the authorized share capital of such federation.

38 **Sec. 25. Authorized, Subscribed, and Paid-Up Capital of a**
39 **Federation.** - The authorized share capital of a cooperative shall be

1 provided for in its Articles of Cooperation where at least twenty-five (25%)
2 of the authorized share capital shall be subscribed to by the members
3 and at least twenty-five per centum (25%) of the subscribed share capital
4 shall be paid prior to its registration.

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

7 **Sec. 26. Duties and Functions of a Federation of Cooperatives.** - A
8 federation of cooperatives shall undertake the following duties and
9 functions:

- 10 a. To carry on any cooperative enterprise authorized under this Act
11 that complements, augments, or supplements but does not conflict,
12 compete with, nor supplant the business or economic activities of
13 its members;
- 14 b. To carry on, encourage, and assist educational and advisory work
15 relating to the business activities of its members;
- 16 c. To render services designed to encourage simplicity, efficiency, and
17 economy in the conduct of the business of its member cooperatives
18 and to facilitate the implementation of their bookkeeping,
19 accounting, and other systems and procedures;
- 20 d. To print, publish, and circulate any newspaper or other publication
21 of interest to its member-cooperatives and enterprises;
- 22 e. To coordinate and facilitate the activities of its member-
23 cooperatives;
- 24 f. To enter into joint ventures with local or international cooperatives
25 in the manufacture and sale of products in the Philippines and
26 abroad;
- 27 g. To assist members in the preparation and submission of required
28 reports and ensure compliance with the requirements of the
29 Authority and other government or regulatory bodies;
- 30 h. To act as liquidators or render assistance in the liquidation of the
31 remaining assets of dissolved/cancelled primary cooperative
32 members upon request of the dissolved cooperative;
- 33 i. To develop programs on education, training, monitoring, coaching,
34 research, and advocacy that complement, augment, and
35 supplement the business operation of their members;

- 1 j. To conduct training programs to member-cooperatives in its
2 capacity as an accredited training provider;
- 3 k. To promote knowledge and application of cooperative principles and
4 practices;
- 5 l. To conduct or sponsor studies on the economic, legal, financial,
6 social, and other phases of cooperation, and to publish the results
7 thereof;
- 8 m. To inspect its members, upon the written request of the Authority,
9 to determine compliance with applicable laws, rules, regulations,
10 and policies issued by the Authority
- 11 n. To assist member-cooperative in ensuring their compliance with
12 applicable laws, rules, regulations, and policies, including orders
13 issued as a result of inspection or examination by the appropriate
14 government agency;
- 15 o. To offer financial services including the creation of cooperative
16 protection schemes such as insurance and the creation of stability
17 and resiliency funds; and,
- 18 p. To perform such other functions as may be necessary to attain its
19 objectives.

20 **ARTICLE VI**
21 **COOPERATIVE UNIONS**

22 **Sec. 27. Definition, Organization and Functions of a Cooperative**
23 **Union.** – *Cooperative Union* is a cooperative whose members are
24 registered primary cooperatives, federations, or both, organized purposely
25 to protect and represent the interest and welfare of all types of
26 cooperatives at the city, provincial, regional, national, and sectoral levels.
27 The minimum number of members in a cooperative union shall be ten
28 (10).

29 All registered cooperatives may organize or join cooperative unions to
30 represent the constituent cooperatives at the appropriate level and
31 exercise the following duties and functions:

- 32 (a) To represent its member organizations;
- 33 (b) To acquire, analyze, and disseminate, economic, statistical, and
34 other information relating to its members and to all types of
35 cooperatives within its area of operation;

- 1 (c) To conduct research studies in the economic, legal, financial, social
2 and other phases of cooperation, and publish the results thereof;
- 3 (d) To conduct trainings to member-cooperatives as an accredited
4 training provider;
- 5 (e) To promote knowledge and application of cooperative principles and
6 practices in their respective jurisdictions;
- 7 (f) To assist the national and local government units in cooperative
8 development activities within their respective jurisdiction;
- 9 (g) To assist in the dissemination and monitoring of the Philippine
10 Cooperative Development Plan;
- 11 (h) To assist members in the preparation and submission of the
12 required reports and other compliances to the Authority and other
13 government or regulatory bodies;
- 14 (i) To inspect its members, upon the written request of the Authority,
15 to determine compliance with applicable laws, rules, regulations,
16 and policies issued by the Authority
- 17 (j) To advise the appropriate authorities on matters relating to
18 cooperatives at the municipal, city, provincial or regional levels;
- 19 (k) To act as liquidators or render assistance in the liquidation of the
20 remaining assets of dissolved/cancelled primary cooperative
21 members upon request of the dissolved cooperative;
- 22 (l) To serve as the exclusive conciliator-mediator in the resolution of
23 disputes between member-cooperative and third parties; and,
- 24 (m) To do and perform such other non-business activities as may
25 be necessary, and such other allied services incidental to attaining
26 the foregoing objectives, such as but not limited to, the
27 maintenance of training centers, catering, lease of venue, lodging,
28 publication, and reproduction and sale of training and research
29 materials.

30 The Authority shall promote and facilitate the organization, development,
31 and strengthening of cooperative unions and shall issue guidelines to
32 encourage broad-based affiliation among cooperatives while respecting
33 the principle of voluntary membership.

34 **Sec. 28. Sources of Funds for Cooperative Unions.** -The funds of a
35 cooperative union shall be sourced from the membership fees, dues and

1 contributions, cooperative education and training fund (CETF) from
2 member-cooperatives, training fees, fundraising activities, donations,
3 grants, and subsidies from local and foreign sources, whether private or
4 public: *Provided*, That donations, grants, subsidies, or assistance from
5 public sources, whether local or foreign, shall be subject to existing laws,
6 rules, and regulations, including the applicable general and special
7 provisions of the General Appropriations Act.

8 **ARTICLE VII** 9 **MEMBERSHIP**

10 **Sec. 29. Membership.** – A cooperative shall have regular members or
11 associate members.

12 A regular member is a one who has complied with all the membership
13 requirements including the Pre-Membership Education Seminar and
14 shall be entitled to all the rights and privileges of membership.

15 An associate member is one who has no right to vote nor be voted upon,
16 nor be appointed to any position in the cooperative, and shall be entitled
17 only to such rights and privileges as the By-Laws may provide; *Provided*,
18 that an associate member who meets all the requirements of regular
19 membership, continues to patronize the cooperative for two (2) years, and
20 signifies intention to remain a member, shall be considered a regular
21 member.

22 In cooperatives providing public service services, institutional users may
23 be accepted as associate members.

24 **Sec. 30. Qualifications of Membership.** – Members of registered
25 primary cooperatives, members must be natural persons, Filipino
26 citizens, or former natural-born Filipino citizens, of legal age, with
27 capacity to enter into a contract, having a common bond of membership,
28 and must possess the qualifications and none of the disqualifications as
29 provided for in the By-Laws of the cooperative: *Provided*, That the age
30 requirement shall not apply to laboratory cooperatives as defined in
31 Section 9). A member must have completed the Pre-Membership
32 Education Seminar.

33 **Sec. 31. Government Official eligibility to become officers of**
34 **Cooperatives.** - All elective officials of the Government shall be ineligible
35 to become officers of cooperatives: *Provided*, That the disqualification
36 does not extend to a party list representative who represents the
37 cooperative sector: *Provided*, further, That nothing precludes cooperatives
38 from engaging in activities in support of party lists representing the

1 sector, such as, but not limited to participating in campaigning or
2 donating funds;

3 **Sec. 32. Employees of the Authority.** Employees of the Authority are
4 allowed to become a member of any cooperative. However, they shall be
5 disqualified to be elected or appointed as an officer, except for
6 cooperatives organized among themselves;

7 **Sec. 33. Employee Official Time.** Any government employee who is a
8 member of a cooperative shall, in the discharge of duties related thereto,
9 be credited as his or her official time the period utilized in attending
10 General Assembly, Board and committee meetings, including cooperative
11 seminars, conferences, workshops, technical meetings and training
12 courses whether conducted locally or abroad, subject only to evidentiary
13 documents that his employer may require.

14 **Sec. 34. Processing of Applications for Membership.** -All
15 application for membership shall be acted upon by the Board of Directors
16 as fixed in the By-Laws but not later than 30 days after the submission of
17 complete requirements, otherwise the application shall be deemed
18 approved.

19 In case membership is denied by the Board of Directors, an appeal
20 may be made to the Election Committee, within fifteen (15) days after
21 receipt of the notice of denial, which decision shall be final.

22 **Sec. 35. Member's Subscription.** - A member shall be liable for the
23 debts of the cooperative to the extent of his subscription to the share
24 capital of the cooperative.

25 **Sec. 36. Termination of Membership.** -A member may withdraw
26 from membership in the cooperative by submitting a written notice to
27 the Board of Directors. The Board of Directors shall act upon such
28 notice within 60 days from receipt thereof: *Provided*, that the
29 withdrawal complies with the requirements and procedures prescribed
30 in the By-Laws of the cooperative.

31 **Sec. 37. Death or Insanity of a Member.** The death or insanity of a
32 member in a primary cooperative, and the insolvency or
33 dissolution/cancellation of the certificate of registration of a member in a
34 secondary cooperative shall be valid grounds for termination of
35 membership: *Provided*, That in the case of death or insanity of an
36 agrarian reform beneficiary-member of a cooperative, the qualified next-
37 of-kin may assume the duties and responsibilities of the original member;
38

1 **Sec. 38. Ground of termination of Membership.** Membership may be
2 terminated on the following grounds:

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

11 Termination of membership shall be initiated through the filing of a
12 complaint before the Ethics Committee of the cooperative. The member
13 shall be notified in writing of such complaint and shall be given the
14 opportunity to be heard.

15 The ethics committee shall conduct an investigation accordingly and
16 the recommendation of the said committee shall be referred to the Board
17 of Directors for its consideration. The Board of Directors shall decide by a
18 majority vote. Its decision shall be in writing and shall be communicated
19 either in person or by registered or electronic mail. Such decision shall be
20 appealable to the General Assembly within thirty (30) days from receipt
21 thereof.

22 The General Assembly shall decide within thirty (30) days after receipt
23 of the appeal. Failure of the General Assembly to decide within the
24 prescribed period shall be deemed approval in favor of the member.
25 Pending a final decision, the membership shall remain in force and the
26 concerned member shall continue to enjoy their rights and benefits under
27 the law and the By-laws of the cooperative. This notwithstanding, the
28 member may file a petition for review of the decision of the General
29 Assembly with the Authority within fifteen (15) days from receipt thereof.

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

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

1 **ARTICLE VIII**
2 **ADMINISTRATION**

3 **A. General Assembly**

4 **Sec. 40. General Assembly/ Representative Assembly, Concept. -**

5 The General Assembly is the full membership of the cooperative duly
6 assembled, physically and/or via video conferencing for the purpose of
7 exercising all the rights and performing all the obligations pertaining to
8 cooperatives, as provided in this Act, and in its Articles of Cooperation
9 and By-Laws.

10 For cooperatives with numerous and geographically dispersed members,
11 the General Assembly may delegate the exercise of its powers to a
12 Representative Assembly composed of representatives elected by each of
13 the sector, chapter, or district of the cooperative, in accordance with its
14 Articles of Cooperation and By-Laws. In cases where this Act requires the
15 convening of a regular or special General Assembly, or the approval or
16 confirmation of any act by the General Assembly, the Representative
17 Assembly shall be deemed sufficient. Such delegation shall be subject to
18 the rules and regulations of the Authority.

19 **Sec. 41. Powers of the General Assembly/ Representative**
20 **Assembly. -** The General Assembly shall be the highest policy-making
21 body of the cooperative and shall exercise such powers as are stated in
22 this Act, and in the Articles of Cooperation and By-Laws of the
23 cooperative. The General Assembly may delegate the exercise of its
24 powers to the Board of Directors by $\frac{3}{4}$ vote of all its members entitled to
25 vote, present and constituting a quorum: *Provided*, That such delegated
26 powers shall be specifically enumerated in the By-laws of the cooperative:
27 *Provided, further*, That the following powers cannot be delegated:

- 28 a. Determine and approve amendments to the Articles of
29 Cooperation and By-Laws;
- 30 b. Elect or appoint the members of the Board of Directors, and
31 to remove them for cause. However, in the case of the electric
32 cooperatives registered under this Act, election of the
33 members of the Board of Directors shall be held in
34 accordance with the By-Laws or election guidelines of such
35 electric cooperative; and
- 36 c. Approve developmental and annual strategic plans, and
37 budget of the cooperative.

38 **SEC. 42. Regular Meetings. -** The regular annual general meeting of
39 a cooperative shall be held on a date and place fixed in the By-Laws

1 which date shall be within 90 days from the close of each calendar year
2 for primary cooperatives and within 180 days for secondary
3 cooperatives. Notice of regular meetings shall be in writing to all
4 members of record, either by posting or publication, or through other
5 electronic means.

6 **Sec.43. Special Meetings.** A special meeting of the General Assembly
7 may be called at any time by a majority vote of the Board of Directors, or
8 upon petition of at least ten percent (10%) of the total members who are
9 entitled to vote, or by other modes as may be provided for in the By-Laws:
10 *Provided*, That a notice in writing shall be sent one (1) week prior to the
11 meeting to all members who are entitled to vote.

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

- 15 1. Presentation of approved Articles of Cooperation and By-Laws;
- 16 2. Approval of business plans and annual budget; and
- 17 3. Other matters, as may be determined by the cooperative.

18 The Authority shall compel the cooperative to call a General or
19 Representative Assembly for the purpose of reporting to the members the
20 result of any examination or other investigation of the cooperative affairs;
21 and notice of any meeting may be waived, expressly or impliedly, by any
22 member.

23 **Sec. 44. Failure the Call Meetings.** If the Board of Directors fails to
24 call a regular or a special meeting within the given period, the Authority,
25 upon petition of ten percent (10%) of members entitled to vote and for
26 good cause shown, shall issue an order to the Board of Directors directing
27 them to call a meeting of the General Assembly by giving proper notice as
28 required in this Act or in the By-Laws;

29 **Sec. 45. Mode of Conducting Regular or Special Assembly**
30 **Meetings.** - Regular and special assembly meetings may be conducted in
31 any of the following manner:

- 32 a. Duly assembled in one venue, wherein the meeting is
33 conducted in one day; or
- 34 b. Duly assembled in different venues, wherein the meetings are
35 held on the same day.

36 As a general rule, assembly meetings shall be conducted in the manner
37 prescribed in the cooperative's By-Laws.

1 Notwithstanding the foregoing, a cooperative may conduct its assembly
2 meetings through videoconferencing or by a hybrid mode combining
3 physical attendance and video conferencing, except in the case of electric
4 cooperative.

5 Cooperatives opting to conduct General Assembly meetings through
6 videoconferencing or hybrid mode shall amend its By-Laws to expressly
7 authorize such alternative mode of meeting; *Provided*, That cooperatives
8 shall adopt appropriate policies and procedures that shall sufficiently
9 address administrative, technical, and logistical requirements necessary
10 to ensure the integrity, security and the effective and efficient conduct of
11 such meetings.

12 **Sec. 46. Quorum.** - Unless a higher requirement is provided in the By-
13 laws of the cooperative, a quorum shall consist of at least twenty-five
14 percent (25%) of all the members or in case of representative assembly,
15 the representatives entitled to vote, except electric cooperatives in which
16 case the minimum quorum requirement prescribed by the National
17 Electrification Administration (NEA) shall be followed.

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

21
22 **Sec. 47. Voting System.** - Each member of a primary cooperative shall
23 have only one (1) vote regardless of the amount of share capital of the
24 member.

25 For secondary cooperatives, a member shall have one (1) basic vote and
26 as many incentive votes as provided for in the By-laws but not to exceed
27 five (5) votes. The votes cast by the delegates shall be deemed as votes
28 cast by the members thereof; *Provided*, That such voting system shall be
29 used only for the election of officers during the General Assembly as may
30 be allowed in its By-Laws, and not for matters for consideration by the
31 cooperative. Voting by proxy shall be allowed for secondary cooperatives.

32 **B. Board of Directors**

33 **Sec. 48. Board of Directors.** Unless otherwise provided in the By-
34 Laws, the direction and management of the affairs of a cooperative shall
35 be vested in its Board of Directors. The Board of Directors shall be
36 responsible for the strategic planning and formulating policies for the
37 cooperatives.

38 **Sec.49. Composition and Term.** -The Board of Directors shall be
39 composed of not less than five (5) nor more than fifteen (15) members,
40 elected by the General Assembly for a term of two (2) year each such that

1 approximately one-half of the Board of Directors is elected each year, with
2 maximum term not exceeding three (3) consecutive terms.

3 The Board of Directors shall hold office until their successors are duly
4 elected and qualified, or until duly removed for cause.

5 Registered cooperatives whose operations are regulated by other agencies
6 other than the Authority must comply with the number and term
7 required by such agency.

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

12 **Sec.50. Eligibility for Election.** Any director who has serve for six (6)
13 consecutive years shall be ineligible for election to any elective position
14 for a period of two (2) years. Upon completion of the two-year interval, the
15 member may again be eligible for election, and the six-year consecutive
16 term limit shall apply anew.

17 Any member of a cooperative who has the right to vote and be voted upon
18 and possesses all the qualifications and none of the disqualifications
19 provided in this Act or in its By-Laws shall be eligible for election as
20 director.

21
22 **Sec.51. Ex-Officio Director.** The cooperative may, by resolution of its
23 Board of Directors, admit as an *ex officio* director, or committee member
24 one appointed by any financing institution from which the cooperative
25 received financial assistance, solely for the purpose of providing technical
26 knowledge not available within its membership. Such director or
27 committee member may not be a member of the cooperative in which case
28 the ex-officio member shall have no powers, rights, nor responsibilities
29 except to provide technical assistance as required by the cooperative.

30
31 **Sec.52. Prohibition.** The members of the Board of Directors shall not
32 hold any other position directly involved in the day-to-day operation and
33 management of the cooperative.

34 Any person engaged in a business similar to that of the cooperative or
35 who has interest in conflict with the business of the cooperative, is
36 disqualified from election as a director of said cooperative.

37 **Sec. 53.Meetings of the Board of Directors.** Regular meetings of the
38 Board of Directors shall be held at least once a month, except in the case

1 of federation and union cooperatives which shall be as prescribed in its
2 By- laws.

3 Special meetings of the Board of Directors may be held at any time
4 upon the call of the chairperson or a majority of the members of the
5 Board of Directors. A written notice shall be served three (3) days prior
6 the date of said meeting if called by the chairperson or at least one(1) day
7 before the intended date if called by a majority of the Board of Directors.

8 Only two (2) special meetings may be held within one month.

9 **Sec. 54. Notice of Meetings.** Notices may be sent through electronic
10 means or to the official contact number or email account of the officers.

11 **Sec. 55. Conduct of Meetings.** Cooperatives may authorize the
12 conduct of meetings of the Board of Directors and of the members of
13 different committees through physical attendance, videoconferencing or a
14 combination thereof, subject to compliance with the requirement on
15 notice, quorum, and voting as prescribed in the By-Laws.

16 In case where meetings are conducted through videoconferencing, the
17 cooperative shall adopt clear policies and procedures for the efficient and
18 effective implementation thereof which shall be expressly incorporated in
19 the By-Laws.

20 **Sec. 56. Quorum; Voting of the Board.** - A majority of the members of
21 the Board of Directors shall constitute a quorum to conduct business,
22 unless the By-Laws provides otherwise.

23 Each member of the Board of Directors shall only have one (1) vote,
24 whether it be a primary or secondary cooperative, irrespective of the
25 share capital holdings of the member-cooperative.

26 Directors cannot attend or vote by proxy at Board meetings.

27 **Sec. 57. Vacancy in Seat.** – Any vacancy in the Board of Directors,
28 other than by expiration of term may, in a special meeting called for the
29 purpose, appoint, by the vote of at least a majority of the remaining
30 directors, if still constituting a quorum.

31
32 If the remaining members of the Board of Directors do not constitute a
33 quorum, the vacancy shall be filled in an election conducted through a
34 special General Assembly called for the purpose, held within thirty (30)
35 days from the time the vacancy occurs, or during the regular General
36 Assembly, whichever comes first. The director shall serve only the
37 unexpired term of their predecessor in office.
38

1 **Sec.58. Vacancy of the Entire Board of Directors.** In case of vacancy
2 of the entire Board of Directors or failure of the General Assembly to fill
3 the vacancy, the Authority shall direct the cooperative through the
4 Election Committee to call for a special meeting of the General Assembly
5 for the purpose of electing a new Board of Directors. In the absence of the
6 Election Committee, the General Assembly shall constitute an *Ad Hoc*
7 Committee which shall be responsible for conducting a special General
8 Assembly meeting.

9
10 **Sec.59. Selection of Officers by the Board of Directors.** - The Board
11 of Directors shall elect from among themselves the Chairperson and Vice-
12 Chairperson and elect or appoint other officers of the cooperative who
13 need not be members of the Board in accordance with their By-Laws.

14 The Board of Directors is prohibited from appointing any person within
15 the third civil degree of consanguinity or affinity of the members of the
16 Board as officers. Neither shall the appointive officers be related to each
17 other up to the third civil degree of consanguinity or affinity. Further, no
18 officer shall engage in a business similar to that of the cooperative nor in
19 any other manner have interests in conflict with the cooperative.

20 **C. Committee Organization and Vacancies**

21 **Sec.60. Creation of Committees.** The By-Laws shall provide for the
22 creation of the following committees: Audit, Election, Mediation and
23 Conciliation, Ethics, Gender and Development (GAD). Members of the
24 Audit and Election committee shall be elected by the General Assembly
25 while members of Mediation and Conciliation, Ethics, Gender
26 Development shall be appointed by the Board of Directors.

27 The Audit committee shall be directly accountable and responsible to
28 the general assembly. It shall have the power and duty to continuously
29 monitor the adequacy and effectiveness of the cooperative's management
30 control system and audit the performance of the cooperative and its
31 various responsibility centers

32 **Sec. 61. Optional Committees.** The By-Laws may create an executive
33 committee to be appointed by the Board of Directors with such powers
34 and duties as may be delegated to it in the By-Laws: *Provided*, That the
35 executive committee shall not exercise any power expressly reserved by
36 this Act, or By-Laws, to the General Assembly, nor be re-delegated any
37 function that the General Assembly has delegated to the Board of
38 Directors.

39 The By-Laws may create such other committees as may be necessary
40 for the conduct of the affairs of the cooperative.

1 **Sec. 62. Vacancy in the Committees.** Unless otherwise provided in
2 the bylaws, the Board of Directors, in case of a vacancy in the
3 committees, may call an election to fill the vacancy or appoint a person to
4 fill the same subject to the limitation that the person elected or appointed
5 shall serve only for the unexpired portion of the term.

6
7 **D. Responsibility and Accountability of Directors, Officers and**
8 **Committee Members**

9 **Sec. 63. Functions, Responsibilities and Training Requirements of**
10 **Directors, Officers and Committee Members.** – The By-Laws of the
11 cooperative shall prescribe the functions and responsibilities of directors,
12 officers and committee members, as well as their training requirements,
13 in accordance with the rules and regulations issued by the Authority.

14 **Sec. 64. Liability of Directors, Officers and Committee Members.** -
15 Directors, officers, and committee members shall be jointly and severally
16 liable for all damages or losses to the cooperative, its members, or other
17 persons in case of the following:

- 18 (a) Willfully and knowingly voting for or assenting to patently unlawful
19 acts;
20 (b) Gross negligence or bad faith in directing the affairs of the
21 cooperative; or
22 (c) Acquiring any personal or pecuniary interest in conflict with their
23 duty.

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

30 **Sec. 65. Compensation and Other Emoluments.** – In the absence of
31 any provisions in the By-Laws fixing their compensation, the directors
32 shall not receive any compensation except for reasonable honorarium or
33 *per diems*. Compensation other than honorarium or *per diems* shall be
34 paid only after the first year of existence of any cooperative: *Provided,*
35 That only the General Assembly shall approve any additional
36 honorarium/*per diem* or the increase thereof.

37 Directors and officers shall not be entitled to any honorarium or *per*
38 *diem* if the cooperative reported a net loss in the preceding calendar year.

1 The compensation of all other employees shall be determined by the
2 Board of Directors in accordance with labor laws.

3 **Sec. 66. Dealings of Directors, Officers, or Committee Members. -**

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

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

11 (b) The vote of such director was not necessary for the approval of the
12 contract;

13 (c) The contract is fair, reasonable, and beneficial to the cooperative
14 under the circumstances; and

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

22 Where any of the first two conditions set forth in the first paragraph of
23 this section is absent, such contract may be ratified by a three-fourths
24 (3/4) vote of all the members entitled to vote and present at a meeting
25 called for the purpose: *Provided*, That full disclosure of the adverse
26 interest of the directors involved is made at such meeting, and that the
27 contract is fair and reasonable under the circumstances.

28 Any such contract entered into whether by the members of the Board,
29 officers, committee members and their relatives within the third degree of
30 consanguinity of affinity shall be reported to the General Assembly during
31 its regular meeting for ratification

32 **Sec. 67. Disloyalty of a Director and Other Officers of the**
33 **Cooperative.** – A director or other officers of the cooperative who, by
34 virtue of such office, directly or indirectly acquires for themselves an
35 opportunity which should belong to the cooperative shall be liable for
36 damages and shall account for and refund to the cooperative twice the
37 profits that would have accrued to it.

38 This liability shall be attached notwithstanding that the director or officer
39 used personal funds in acquiring or exploiting such opportunity.

1 **Sec. 68. *Illegal Use of Confidential Information.*** A director or
2 officer, or any person conspiring or conniving with that director or officer,
3 who, for their benefit or advantage or that of an associate, makes use of
4 confidential information that, if generally known, might reasonably be
5 expected to adversely affect the operation and viability of the cooperative,
6 shall be held:

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

9 (2) Accountable to the cooperative for any direct benefit or advantage
10 received or yet to be received by them or their associate, as a result
11 of the transaction.

12 The cooperative shall take the necessary measures to enforce the
13 liabilities herein provided.

14 **Sec. 69. *Removal of Officers.*** – No officer may be removed, except for
15 cause, after due notice and hearing as provided in the By-Laws and
16 internal rules of the cooperative. Loss of trust and confidence in the
17 performance of their duties shall be a valid ground for removal.

18 **Sec. 70. *Where to file Complaints.*** All complaints for the removal of
19 an officer shall be filed with the Ethics Committee for investigation except
20 for an elected officer who is not a member of the Board of Directors, in
21 which case the investigation shall be conducted by the Board of
22 Directors. The officer concerned may be placed under preventive
23 suspension by a majority vote of the Ethics Committee or the Board of
24 Directors as the case may be.

25 **Sec.71. *Prima Facie Findings of Guilt.*** Upon finding of prima facie
26 evidence of guilt, The Board of Directors or the ethics committee shall
27 notify the officer concerned and present its finding in a regular or special
28 General Assembly called for the purpose. The officer concerned shall be
29 given an opportunity to be heard at the said Assembly. Removal of an
30 officer shall require at least three-fourth (3/4) votes of the members
31 entitled to vote and present in a regular or special General Assembly
32 meeting called for the purpose

33 Pending affirmation by the General Assembly of the termination, the
34 concerned officer or director shall continue to enjoy the rights and
35 benefits under the law and the By-laws, unless placed under preventive
36 suspension.

37 **Sec. 72. *Appeal of Decision.*** The decision of the General Assembly
38 may be appealed to the Authority within thirty (30) days upon receipt of
39 the decision.

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ARTICLE IX
RESPONSIBILITIES, RIGHTS AND PRIVILEGES OF COOPERATIVES

Sec. 73. Address. - Every cooperative shall have an official postal address where the principal office is located and an electronic mail address to which all communications, reports, notices, and summons may be served, and through which all other documents required by the Authority shall be submitted. The Articles of Cooperation and the By-Laws shall be amended accordingly for any change in the official postal and electronic mail addresses of the cooperative.

For this purpose, an electronic mail registry shall be created in accordance with the guidelines prescribed by the Authority.

Sec. 74. Books to be Kept Open. -Every cooperative shall maintain at its registered principal office, the following documents, which shall be made available and accessible to its members and the Authority for inspection, examination, and investigation during reasonable office hours:

- (1) A copy of this Act, its implementing rules and regulations, and all other laws pertaining to cooperatives;
- (2) A copy of the Certificate of Registration, including the Articles of Cooperation and the By-Laws of the cooperative;
- (3) A registry of members;
- (4) The books of the minutes of the meetings of the General Assembly, Board of Directors, and committees;
- (5) The stub certificate and transfer book, except for cooperative unions;
- (6) Financial statements and other financial records; and
- (7) Such other documents as may be prescribed by the Authority, laws, and the By-Laws.

Sec. 75. Maintenance and Safekeeping of Books. The accountant or the bookkeeper of the cooperative shall be responsible for the maintenance and safekeeping of the books and records of accounts of the cooperative in accordance with generally accepted accounting practices. Such person, including the audit committee, shall be responsible for the production of the same at the time of audit, inspection, examination, or investigation.

1 The audit committee shall be responsible for the continuous and
2 periodic review of the books and records of accounts to ensure that these
3 are in accordance with generally accepted accounting practices.

4 **Sec. 76. Maintaining Record of Accounts.** Each cooperative shall
5 maintain records of accounts such that the true and correct condition
6 and the results of the operation of the cooperative may be ascertained
7 therefrom at any time. The financial statements, audited according to
8 generally accepted auditing standards, principles and practices, may be
9 published annually but shall be kept posted in conspicuous places in the
10 principal office of the cooperative, its branches, and satellite offices.

11 **Sec. 77. Disposal of Records.** Subject to the pertinent provisions of
12 the National Internal Revenue Code, as amended, and other laws, a
13 cooperative may dispose, by burning or any method of complete
14 destruction, any document, record or book pertaining to its financial and
15 non-financial operations which are already more than seven (7) years old
16 except those relating to transactions which are the subject of civil,
17 criminal, and administrative proceedings. An inventory of the audited
18 documents, records and books to be disposed of shall be drawn up and
19 certified to by the Cooperative Secretary and the Chairperson of the audit
20 committee and presented to the Board of Directors which may thereupon
21 approve the disposition of said records.

22 The processing of information of the cooperative which may contain
23 confidential matters or privileged communication shall adhere to the
24 requirements of Republic Act No. 10173, otherwise known as the "*Data*
25 *Privacy Act of 2012*". Other information may be required in accordance
26 with the guidelines prescribed by the Authority.

27 **Sec. 78. Annual Progress Reports.** – Every cooperative shall prepare
28 and submit an Annual Progress Report at the close of each calendar year,
29 together with such supporting documents and attachments as may be
30 prescribed by the CDA. The cooperative shall ensure that copy of the
31 Report is made available upon request by its members and authorized
32 government agencies during reasonable office hours

33 **Sec.79. Period For Filing Reports.** The Report shall be filed within the
34 Authority within 120 days from the end of the calendar year in such form
35 and content prescribed by the Authority.

36 **Sec.80. Failure to File Reports.** In the event that a cooperative fails to
37 prepare and file the reports required herein, or omits any material
38 information mandated by law or regulation, the Authority shall, within
39 thirty (30) days from the expiration of the prescribed period, issue a
40 written notice of non-compliance specifying the deficiency and the

1 corresponding fines and penalties that will be imposed until such time
2 that the cooperative has complied with the requirements.

3 Failure to file the required reports despite due notice and opportunity to
4 be heard shall be a ground for the non-issuance of a Certificate of
5 Compliance, and for the suspension/cancellation of the Certificate of
6 Registration of the cooperative, with accordance to the guidelines issued
7 by the Authority.

8 The Authority may, for meritorious reasons and upon written application,
9 grant an extension of time for the filing of the Reports, subject to such
10 terms and conditions as it may impose.

11 **Sec. 81. Registry of Members as Prima Facie Evidence.** – A registry
12 of members kept by any registered cooperative shall be *prima facie*
13 evidence of the following particulars entered therein:

14 (a) The date on which the name of any person was entered in such
15 registry or list of members; and

16 (b) The date on which any such person ceased to be a member.

17 **Sec. 82. Probative Value of Certified Copies of Entries.** – A copy of
18 any entry in any book, registry or list regularly kept in the course of
19 business of the cooperative shall, if duly certified in accordance with the
20 rules of evidence, be admissible as evidence of the existence of entry and
21 *prima facie* evidence of the matters and transactions therein recorded.

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

27 **Sec. 83. Bond of Accountable Officers.** - Every director, officer, and
28 employee handling funds, securities, or property on behalf of any
29 cooperative shall be covered by a fidelity bond to be issued by a duly
30 registered insurance or bonding company for the faithful performance of
31 their respective duties and obligations. The Board of Directors shall
32 determine the adequacy of such bonds. However, the cooperative is not
33 precluded from securing other insurance policies to protect from losses of
34 monies, securities, and other property from acts of employees that may
35 result in cooperative loss.

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

1 all accountable officers shall be renewed annually and adjusted
2 accordingly. Failure to comply with the bonding requirements may result
3 in the imposition of administrative sanctions as may be determined by
4 the Authority.

5 **Sec. 84. Preference of Claims.** –Notwithstanding the provisions of
6 contracts entered into, existing laws, rules and regulations to the
7 contrary, any debt due to the cooperative from the member shall
8 constitute a first lien upon any raw materials, production, inputs, and
9 products produced; or any land, building, facilities, equipment, goods or
10 services acquired and held by such member through the proceeds of the
11 loan or credit granted by the cooperative to the member for as long as
12 the same is not fully paid.

13 **Sec. 85. Cooperatives Lien on Property.** No property or interest on
14 property which is subject to a lien in Section 84 shall be sold nor
15 conveyed to third parties without the prior permission of the cooperative.
16 The lien upon the property or interest shall continue to exist even after
17 the sale or conveyance thereof until such lien has been duly
18 extinguished.

19 Notwithstanding the provisions of any law to the contrary, any sale or
20 conveyance made in contravention of this section shall be void.

21 **Sec. 86. Instrument for Salary or Wage Deduction.** — For loans
22 and obligations that are due to the cooperative, a cooperative may require
23 a member who is employed to execute an instrument authorizing their
24 employer to deduct from their salary or wages, commutation of leave
25 credits, or any other monetary benefits payable to them by the employer
26 such amount as may be necessary to pay the same and remit it directly to
27 the cooperative on behalf of the member.

28 For all other voluntary or optional dues, no deduction shall be made
29 unless the member, at his or her option, authorizes the same.

30 **Sec. 87. Deduction By Employer.** Upon the execution of such
31 instrument and as may be required by the cooperative contained in a
32 written request, the employer shall make the deduction in accordance
33 with the agreement and remit forthwith the amount so deducted within
34 ten (10) days after the end of the payroll month to the cooperative. The
35 employer shall make the deduction for as long as such debt or other
36 demand remains unpaid by the employee.

37 The term “employer” as used in this Section shall include all private
38 firms, national and local governments, government-owned and controlled
39 corporations, government instrumentalities with corporate powers,
40 government corporate entities, or government financial institutions that

1 employ a member of a cooperative and have agreed to carry out the terms
2 of the instrument mentioned herein.

3 The provisions of this Section shall apply to all similar agreements
4 which were enforced prior to the approval of this Act.

5 **Sec.88. Mandatory Responsibility of Employer.** Notwithstanding the
6 provisions of existing laws to the contrary, the responsibilities of the
7 employer upon the execution of an instrument shall be mandatory and
8 without the need for any prior conditions, accreditation or other similar
9 processes to facilitate or implement the deductions. *Provided*, That in the
10 case of a private employer, the actual and reasonable cost for deducting
11 and remitting may be collected.

12 The member may withdraw such consent at any time and for any
13 reason which shall be put in writing upon submission of sufficient
14 security.

15 **Sec. 89. Primary Lien.** – Notwithstanding the provision of any law to
16 the contrary, a cooperative shall have primary lien upon the capital,
17 deposits, or interests of a member for any debt due to the cooperative
18 from such member.

19 **Sec. 90. Tax Treatment of Cooperatives.** – Duly registered
20 cooperatives under this Act which do not transact any business with non-
21 members or the general public shall not be subject to any taxes, fees, and
22 charges imposed under the internal revenue laws and other tax laws.

23 Cooperatives not falling under this Section shall be governed by the
24 succeeding provisions.

25 **Sec. 91. Tax and Other Exemptions.** - Duly registered
26 cooperatives transacting business with both members and non-members
27 shall not be subject to tax on their transactions with members. Further,
28 transactions of members with the cooperative shall not be subject to any
29 taxes, fees, and charges, including final taxes on members' share capital
30 and deposits and corresponding documentary stamp taxes.

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

- 34 (a) Duly registered agricultural cooperatives and non-agricultural
35 cooperatives whose Reserve Funds have an existing balance of One
36 Hundred Million pesos (P100,000,000.00) and below shall be
37 exempt from all national internal revenue taxes, fees, and charges
38 of whatever name and nature. Such cooperatives shall be exempt

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

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

12 (1) *Special Income Tax* of ten percent (10%) of net income:
13 *Provided*, That the same tax is not consequently imposed on
14 interest individually received by members. The tax base for
15 all cooperatives liable to pay income tax shall be the income
16 directly related from the business transactions with non-
17 members after deducting the amounts for the statutory
18 funds.

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

22 (i) Sales by Agricultural Cooperatives duly registered
23 with the Authority to their members as well as sale
24 of their produce, whether in its original state or
25 processed form, to non-members; their importation
26 of direct farm inputs, machineries and equipment,
27 including spare parts thereof, to be used directly
28 and exclusively in the production and/or processing
29 of their produce, and their resale to other
30 Agricultural Cooperatives;

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

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

1 *Provided*, That the exempt transactions in the foregoing
2 shall include sales made by cooperatives duly registered
3 with the Authority organized and operated by their
4 members to undertake the production and processing of
5 raw materials or of goods produced by their members into
6 finished or processed products for sale by the cooperatives
7 to their members and non-members: *Provided, however*,
8 That any processed product or its derivative arising from
9 the raw materials produced by their members, sold in the
10 name and for the account of the cooperative shall be
11 deemed a product of the cooperative and its members:
12 *Provided, further*, That VAT shall not be imposed for the
13 purchase by transport service cooperatives of modernized
14 vehicles under any national program for the modernization
15 of public transportation, as may hereafter be renamed or
16 amended, currently referred to as the Public
17 Transportation Modernization Program; and

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

21 (4) All other taxes unless otherwise provided herein. Donations
22 to duly accredited charitable, research and educational
23 institutions and reinvestment to socioeconomic projects
24 within the area of operation of the cooperative may be tax
25 deductible.

26 (c.) All duly registered cooperatives, regardless of amount of
27 accumulated reserves, shall be exempt from payment of all
28 local taxes, fees and charges of whatever name or nature,
29 whether barangay, municipal, city, or provincial, and taxes
30 on transactions with banks and insurance companies. The
31 Authority shall furnish the Municipal, City, or Provincial
32 Assessor's Office a certified list of duly registered cooperatives
33 as basis for their removal from the Assessment Rolls.

34 (d.) Any register of deeds shall accept for registration, free of
35 charge, any instrument relative to a loan made under this Act
36 which does not exceed Five Hundred Thousand Pesos
37 (P500,000.00) or the deeds of title of any property acquired by
38 the cooperative or any paper or document drawn in
39 connection with any action brought by the cooperative or
40 with any court judgment rendered in its favor or any
41 instrument relative to a bond of any accountable officer of a

1 cooperative for the faithful performance of their duties and
2 obligations.

3 (e.) Any security issued by cooperatives shall be exempt from the
4 provisions of the Republic Act No. 8799, otherwise known as
5 “The Securities Regulation Code”, provided, such security
6 shall not be speculative.

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

10 **Sec. 92. Issuance of Certificate of Tax Exemption for**
11 **Cooperatives.** - The Authority shall furnish the Bureau of Internal
12 Revenue (BIR) a certified endorsement of a list of cooperatives in good
13 standing and compliant with the reportorial requirements of the Authority
14 that shall serve as basis for the issuance of a Certificate of Tax
15 Exemption. The BIR and the Authority shall jointly formulate and issue
16 the necessary guidelines in streamlining the issuance of Certificate of Tax
17 Exemption for cooperatives: *Provided*, that the individual taxpayer
18 identification number (TIN) of members of the cooperative shall not be a
19 requirement in the processing of application and renewal of Certificate of
20 Tax Exemption.

21 **Sec. 93. Privileges of Cooperatives.** - Notwithstanding the provisions
22 of any law to the contrary, cooperatives registered under this Act shall
23 have the following privileges:

24 (a) Cooperatives shall enjoy the privilege of depositing their sealed
25 cash boxes or containers, documents or any valuable papers in the
26 safes of the municipal, city, or provincial treasurers and other
27 government offices free of charge. The custodian of such articles
28 shall issue a receipt acknowledging the articles received duly
29 witnessed by another person;

30 (b) All government offices shall allocate, free of charge, suitable and
31 adequate space within their premises for the use of duly registered
32 cooperative organized by their employees, regardless of whether the
33 premises are owned or leased by the government

34 (c) Cooperatives engaged in the provision of special services and
35 facilities, including but not limited to cold storage, ice plant,
36 electricity, transportation, water, communications, and similar
37 utilities shall be accorded priority and preferential consideration in
38 the grant of any franchise or certificate of public convenience and
39 necessity: *Provided*, That such cooperatives shall maintain open

1 their membership to all persons qualified within their respective
2 areas of operation.

3
4 In the event that two (2) or more applicants seek the same
5 franchise or certificate for public service, and their qualifications
6 and compliance with applicable requirements are substantially
7 equivalent, preference shall be mandatorily granted in favor of the
8 cooperative applicant.

9
10 (d) In areas where there are agricultural cooperatives, at least fifty per
11 centum (50%) of the total procurement requirement of the
12 government institutions, LGUs, and agencies, which includes but is
13 not limited to rice, corn, grains, fish and other marine products,
14 meat, eggs, milk, vegetables, whether raw or processed, and other
15 agricultural commodities such as fertilizers, seeds and other
16 agricultural inputs and implements, shall be sourced from such
17 cooperatives;

18 (e) Preferential and equitable treatment in the allocation or control of
19 bottomries of commercial shipping vessels in connection with the
20 shipment of goods and products of cooperatives;

21 (f) Cooperatives and their federations engaged in the production
22 and/or the marketing of products from agriculture, fisheries and
23 small entrepreneurial industries, shall be granted exclusive
24 preferential rights in the management of public markets and lease
25 of public market facilities, including stalls or spaces,
26 slaughterhouses, and/or cold storage facilities: *Provided*, That such
27 rights shall be exercised solely and directly by cooperatives and
28 their federations: *Provided, further*, Any cooperative which enters
29 into a joint venture, partnership or similar arrangement with a
30 non-cooperative entity shall be disqualified from availing these
31 rights: *Provided, Finally*, That all required legal fees shall be fully
32 paid prior to the exercise of such rights;

33 (g) Government financial institutions shall establish and maintain
34 dedicated credit facilities, financing windows and financial services
35 tailored to the requirements of cooperatives and shall ensure the
36 availability of accessible and affordable financing for cooperative
37 enterprises.

38 (h) The Philippine Deposit Insurance Corporation (PDIC) and other
39 government agencies, government-owned and controlled
40 corporations, and government financial institutions shall provide
41 technical assistance to registered federations with significant
42 engagement in savings and credit operations to establish and

strengthen their own cooperative deposit insurance systems and/or stabilization fund;

- (i) Public transport cooperatives shall be granted the right of first refusal in the operation of public land, water, and air transport services, as well as in the provision, management and operation of transport-related services within the area where the cooperative is duly operating, subject to the regulatory authority of the appropriate government agencies. No franchise covering route where a qualified cooperative is ready and able to operate shall be granted to any entity unless such cooperative formally declines or fails to meet the regulatory requirement prescribed by the appropriate authority
- (j) Government procuring entities shall promote and facilitate the active participation of duly registered cooperatives in public procurement programs, in accordance with R.A. No. 12009, otherwise known as the “New Government Procurement Act,” its Implementing Rules and Regulations, and applicable guidelines of the Government Procurement and Policy Board.

In recognition of the role of cooperatives in promoting inclusive economic development, procuring entities shall adopt inclusive procurement measures to enable qualified cooperatives to participate in government-funded projects and procurement contracts, subject to procurement planning, availability of appropriations, eligibility, price reasonableness, value-for-money, and applicable laws, rules and regulations.

The GPPB, in consultation with the DBM, the CDA, and other relevant agencies, shall formulate and implement the rules and guidelines to ensure the effective implementation of this provision.

- (k) Cooperatives shall enjoy the privilege of being represented by the provincial or city fiscal or the Office of the Solicitor General, free of charge, except when the adverse party is the Republic of the Philippines;
- (l) Cooperatives duly organized by faculty members and employees of educational institutions shall be granted the management of school canteen and other auxiliary services operated within the premises of the educational institution, at the option of the cooperative. No school official, administrator or governing body shall interfere with, restrain, or coerce members in the exercise of their right to join or participate in a cooperative, nor impose discriminatory conditions

1 or other acts intended to discourage membership in support for
2 such cooperative;

3 (m) In recognition of the tax-exempt status of cooperatives under
4 this Act, and the principle that such entities do not avail of income
5 tax deductions or credit as incentives or reimbursement
6 mechanism, the imposition of mandatory discount schemes that
7 rely on tax recoverability shall not apply to cooperatives;

8 (n) The relevant regulatory agencies and LGUs shall not discriminate
9 against duly registered cooperatives seeking licenses and permits
10 as service providers, or seeking to engage in a particular business:
11 *Provided*, that they possess all other qualifications and none of the
12 disqualifications under the law. Any person who acts contrary to
13 these provisions may be held liable under this Act and all other
14 relevant laws and issuances;

15 (o) Cooperatives shall be provided with adequate and sustained
16 financing support from relevant government agencies. For this
17 purpose, the government, its agencies and instrumentalities are
18 hereby directed to allocate and earmarked funds within their
19 respective budgets for the establishment, implementation and
20 expansion of program and projects for the development, promotion,
21 and strengthening of cooperatives; and

22 (p) Relevant government agencies and government financial
23 institutions shall establish and maintain a dedicated financing
24 window for qualified cooperatives engaged in housing projects, with
25 interest rates and terms equal to or more favorable than those
26 extended to socialized housing programs. Such financing shall be
27 structured as blanket loans or long-term wholesale loans in favor of
28 duly qualified cooperatives, without the need for individual loan
29 processing for their members.

30 **ARTICLE X**

31 **DIVISION, MERGER AND CONSOLIDATION OF COOPERATIVES**

32 **Sec. 94. Division of Cooperatives.** - A duly registered cooperative
33 may, by a resolution approved by at least a vote of two-thirds ($\frac{2}{3}$) of all
34 members entitled to vote, divide itself into two (2) or more cooperatives.
35 Such division of the cooperative shall be valid: *Provided*, That the purpose
36 of the division is not to defraud the creditors, and shall ensure the
37 continuity of the existing government programs and projects in which the
38 cooperative participates.

39 Dissenting members shall have the right to exercise their right to
40 withdraw their membership pursuant to Section 36.

1 The Authority shall prescribe the rules and regulations governing
2 such division: *Provided*, That all requirements of this Act have been
3 complied with by the newly-formed cooperatives.

4 **Sec. 95. Merger or Consolidation of Cooperatives.** – Two (2) or
5 more cooperatives may merge into a single cooperative in accordance with
6 the guidelines, rules and regulations prescribed by the Authority.

7 No merger or consolidation shall be valid unless approved by at least two-
8 thirds ($\frac{2}{3}$) of all the members entitled to vote and present at respective
9 General Assembly meetings of each constituent cooperative. The
10 dissenting members shall have the right to exercise their right to
11 withdraw their membership pursuant to Section 36 of this Act.

12 The merger or consolidation shall be effective upon the issuance by the
13 Authority of the Certificate of Merger, or in the case of a consolidation of
14 cooperatives, a new Certificate of Registration.

15 **Sec. 96. Effects of Merger and Consolidation.** - The merger and
16 consolidation of cooperatives shall have the following effects:

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

32 A cooperative that merges with, or absorbs a distressed cooperative
33 shall be entitled to such incentives as may be provided by the Authority
34 and other relevant government agencies, which include, but are not
35 limited to: (a) technical and financial assistance; (b) priority access to
36 government programs and credit facilities; and (c) regulatory relief
37 measures as may be appropriate

38
39 **ARTICLE XI**
40 **INSOLVENCY, SUSPENSION, DISSOLUTION, LIQUIDATION, AND**
41 **DELISTING OF COOPERATIVES**

1 **Sec. 97. Proceedings Upon Insolvency.** - If a cooperative is
2 unable to fulfill its obligations to creditors due to insolvency, it may avail
3 of the remedies provided under Republic Act No. 10142, otherwise known
4 as the “Financial Rehabilitation and Insolvency Act (FRIA).”

5 Nothing in this Section, shall prevent creditors from seeking relief
6 under said law.

7 **Sec. 98. Effect of Declaration of Insolvency by a Competent**
8 **Court.** - Should a cooperative be declared insolvent by a competent court,
9 its Certificate of Registration shall be cancelled and it shall be delisted
10 from the registry of cooperatives of the Authority.

11 **Sec. 99. Voluntary Dissolution Where No Creditors are**
12 **Affected.** - If the dissolution of a cooperative does not prejudice the
13 rights of any creditor having a claim against it, the dissolution may be
14 effected by a majority vote of the Board of Directors, and by a resolution
15 duly adopted by the affirmative vote of at least three-fourths (3/4) of all
16 members entitled to vote and present at a meeting called for the purpose:
17 *Provided,* That the notice of time, place and object of the meeting shall be
18 posted for three (3) consecutive weeks in all offices and establishments of
19 said cooperative, and a copy shall likewise be posted for three (3)
20 consecutive weeks in three (3) public places in the municipalities or cities
21 where the cooperative’s area of operation is located, and through its
22 official website and social media accounts.

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

28 Upon compliance with all the requisites for voluntary dissolution,
29 the Authority shall thereupon issue the Certificate of Dissolution.

30 **Sec. 100. Voluntary Dissolution Where Creditors Are Affected.**
31 - Whenever there are creditors affected, a petition for dissolution shall be
32 filed with the Authority. The petition shall be signed by a majority of the
33 cooperatives’ Board of Directors or officers managing its affairs, verified
34 by the Chairperson or Cooperative Secretary, or any director and shall set
35 forth all claims and demands against the cooperative, and that the
36 dissolution was approved by at least three-fourths (3/4) of all members
37 entitled to vote and present at a meeting called for that purpose.

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

1 the cooperative, a copy shall likewise be posted for three (3) consecutive
2 weeks in three (3) public places in the municipalities or cities where the
3 cooperative's area of operation is located, and through its official website
4 and social media accounts.

5 Any interested party shall have five (5) days' notice within which to
6 file objections to the petition. Upon expiration of such period, the
7 Authority shall proceed to hear the petition and try any issue raised in
8 the objection filed. If no objection is filed, or if the objection is insufficient,
9 and the material allegations are proven, it shall issue a Certification of
10 Dissolution and direct the disposition of its assets in accordance with
11 existing rules and regulations. The Certificate of Dissolution shall set
12 forth therein:

- 13 a. The assets and liabilities of the cooperative;
- 14 b. The claim of any creditor;
- 15 c. The number of members;
- 16 d. The nature and extent of the interests of the members of the
17 cooperative; and
- 18 e. The appointment of liquidators.

19 The dissolution shall take effect only upon the issuance by the Authority
20 of a Certificate of Dissolution.

21 **Sec. 101. Cancellation by Order of the Authority.** – After due
22 notice and hearing, the Authority may cancel a cooperative's Certificate of
23 Registration on any of the following grounds:

- 24 a. Having obtained its registration by fraud;
- 25 b. Engaging in an illegal and/or unauthorized purpose;
- 26 c. Willful violation, despite written notice by the Authority, of the
27 provisions of this Act or its Implementing Rules and Regulations,
28 other issuances of the Authority, or the cooperative's By-Laws;
- 29 d. Willful refusal to comply with any lawful order, written
30 instruction, or directive of the Authority
- 31 e. Willful failure to operate on a cooperative basis, or based on
32 cooperative principles and practices;
- 33 f. Failure to meet the required minimum capital and minimum
34 number of members in the cooperative; or
- 35 g. Failure to commence business operations within three (3) years
36 from issuance of its Certificate of Registration.

37 The decision of the Authority on the cancellation of the Certificate of
38 Registration may be appealed to the Authority's Board of Directors within
39 thirty (30) days from the receipt of the Order. The decision of the Board of
40 Directors shall be final and executory.

1 **Sec. 102. Cancellation by Failure to Operate.** - If a cooperative
2 has not commenced operations within three (3) years after the issuance of
3 its Certificate of Registration, or has failed to carry on its business for
4 three (3) consecutive years, the Authority shall issue a show cause order
5 requiring the cooperative to explain such failure. Failure to provide
6 justifiable cause shall authorize the Authority, after due notice, to cancel
7 the Certificate of Registration and delist it from the registry.

8 **Sec. 103. Liquidation of a Cooperative.** – Every cooperative whose
9 existence is terminated by voluntary dissolution or cancellation of its
10 Certificate of Registration by the Authority shall cease to operate.
11 However, it can continue to exist for three (3) years from dissolution or
12 cancellation for the purpose of winding up its affairs, including
13 prosecuting and defending suits by or against it, settlement and closure
14 of its affairs, disposition, conveyance and distribution of its properties
15 and assets.

16 The cooperative is authorized to convey all its interests in its
17 properties to trustees for the benefit of its members, creditors, and other
18 interested persons, after which, all its interests in such properties are
19 terminated.

20 Upon the winding up of the cooperative affairs, any asset
21 distributable to any creditor, shareholder, or member who is unknown or
22 cannot be found shall be held in trust for a period of three (3) years by
23 the federation or union to which the cooperative is affiliated with until
24 such creditor, shareholder, or member becomes known, otherwise the
25 asset shall become the property of the federation or union upon the
26 expiration of three (3) years of reasonable search.

27 A cooperative shall only distribute its assets or properties upon
28 lawful dissolution and after full payment of all its debts and liabilities,
29 except in the case of decrease of share capital of the cooperative and as
30 otherwise allowed by this Act.

31 In case of voluntary dissolution, the Authority shall issue a
32 Certificate of Cancellation upon the approval of the final report of the
33 liquidators.

34 **Sec. 104. Delisting of Cooperatives.** - A cooperative may be
35 delisted from the Registry of Cooperatives due to any of the following
36 causes:

- 37 a. Voluntary Dissolution;
- 38 b. Involuntary Dissolution;
- 39 c. Cancellation by Order of the Authority;
- 40 d. Cancellation by Failure to Operate; and
- 41 e. Merger or Consolidation.

42

ARTICLE XII
CAPITAL

Sec. 105. Capital Sources. - Cooperatives registered under this Act may derive their capital from any or all of the following sources:

- a. Members' share capital;
- b. Loans, borrowings, and payables;
- c. Deposits from members only, except for cooperative banks which accepts deposits from both members and non-members or the general public;
- d. Revolving capital consisting of deferred payment of patronage refunds, or interest on share capital;
- e. Joint venture partners and partnerships; and
- f. Subsidies, donations, legacies, grants, aids and such other assistance from any local or foreign institution whether public or private: *Provided*, That capital coming from such subsidies, donations, legacies, grants, aids and other assistance shall not be divided into individual share capital holdings at any time but shall instead form part of the donated capital or fund of the cooperative. Upon dissolution or cancellation of the cooperative, such donated capital shall be subject to escheat.

Sec. 106. Limitation on Share Capital Holdings. - No member of a primary cooperative, other than the cooperative itself, shall own or hold more than twenty percent (20%) of the authorized share capital of the cooperative.

Where a member of a cooperative dies, the heir of such member shall be entitled to the shares of the decedent: *Provided*, That the heir's total shareholding does not exceed twenty percent (20%) of the share capital of the cooperative: *Provided, further*, That the heir qualifies for 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 shareholding exceeds twenty percent (20%) of the share capital of the cooperative, the excess shall revert to the cooperative upon payment of the value of such shares to the heir.

In case of federations, the share capital holdings of any member-cooperative shall not exceed forty percent (40%) of the authorized share capital of the federation.

A foreign federation of cooperatives admitted as an associate member of a local federation of cooperatives may hold preferred shares up to forty percent (40%) of the authorized share capital of the said local federation: *Provided*, That such preferred share capital shall not be redeemable or withdrawable within five (5) years from the effectivity of membership.

1 **Sec. 107. Assignment of Share Capital Contribution or**
2 **Interest.** - Subject to the provisions of this Act and the approval of the
3 majority of the Board of Directors, no member shall transfer their shares
4 or interest in the cooperative or any part thereof, unless:

- 5 a. The member has held such share capital contribution or interest
6 for more than one (1) year;
- 7 b. The assignment is made to the cooperative, to another member of
8 the cooperative, or to a person who falls within the field of
9 membership of the cooperative; and
- 10 c. In case of death or legal incapacity of a member, the member's
11 shares or interest may be assigned or transferred to the heir,
12 legal representative, the cooperative, or a qualified person within
13 the field of membership of the cooperative.

14 **Sec. 108. Capital Build-Up.** - The By-Laws of every cooperative,
15 except for cooperative unions, shall provide for a reasonable and realistic
16 member capital build-up program to allow the continuing growth of the
17 members' contribution to their cooperative as their economic conditions
18 continue to improve. The cooperative shall execute a subscription
19 agreement upon approval of their membership. Upon full payment
20 thereof, the member may apply for an additional share capital
21 subscription, and execute a new subscription agreement.

22 **Sec. 109. Shares.** - The term "share" refers to a unit of capital in a
23 cooperative, except for cooperative unions. The par value of a share may
24 be fixed at any figure not less than One hundred pesos (₱100.00) but not
25 more than One thousand pesos (₱1,000.00): *Provided*, That shares shall
26 be issued and subscribed in amounts divisible by One hundred pesos
27 (₱100.00). The share capital of the cooperative is the money paid or
28 required to be paid by the members for the operations of the cooperative.

29 The cooperative shall issue Share Certificates at the end of the
30 calendar year based on the number of shares fully paid for the said
31 period.

32 Cooperatives are prohibited from issuing multiple types of shares
33 with different par values, and from increasing or decreasing the par value
34 of the shares, without corresponding amendment of their Articles of
35 Cooperation and By-Laws.

36 Shares may be classified as common or preferred shares, and may
37 be issued to a regular member in accordance with the Articles of
38 Cooperation and By-Laws

39 **Sec. 110. Fines.** - A cooperative may prescribe a fine on unpaid
40 subscribed share capital, as may be provided in its policies: *Provided*,
41 That such fine is fair and reasonable under the circumstances.

42 **Sec. 111. Investment of Capital.** - A cooperative, upon approval of
43 at least three-fourths ($\frac{3}{4}$) of all members entitled to vote, present at a

meeting called for the purpose, may invest its capital in any of the following:

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

Sec. 112. *Revolving Capital.* – The General Assembly of a cooperative may authorize its Board of Directors to raise revolving capital from the proceeds of products sold or services rendered, or per unit of product or services handled, to strengthen its capital structure.

ARTICLE XIII AUDIT, INQUIRY, AND MEMBERS' RIGHT TO EXAMINE

Sec. 113. *Audit of Cooperatives.* - Cooperatives registered under this Act shall be subject to an annual audit of its financial and social performance in accordance with the Implementing Rules and Regulations to be promulgated by the Authority.

The financial audit shall be conducted by an external auditor who shall be independent from the cooperative or any of its subsidiaries, is a member in good standing of the Philippine Institute of Certified Public Accountants (PICPA), and is accredited by both the Board of Accountancy and the Authority.

However, if the assets of cooperatives are Three Million Pesos (₱3,000,000.00) and below, the financial statements may instead be certified under oath by the bookkeeper / accountant or treasurer, and the chairperson / manager of the cooperative.

The social performance audit may be conducted by the audit committee, by the internal auditor of the cooperative, or by an independent auditor engaged by the cooperative. The Authority, in consultation with the cooperative sector, shall promulgate the rules and standards for the social audit of cooperatives.

The federation and/or union representative may assist, or upon delegation by the Authority, conduct visits, inspections, and investigations of their member cooperative to ensure compliance with laws and regulations, and to protect their members and the public in general, in accordance with this Act: *Provided*, That the final report shall be subject to the review and approval of the Authority.

Sec. 114. *Audit Report.* - The complete audit reports shall be submitted to the Board of Directors, which shall be presented to the

1 General Assembly in its next meeting for approval and adoption. The
2 Board of Directors shall be subject to administrative sanctions under
3 Section 193 of this Act should it fail to present such reports to the
4 General Assembly.

5 **Sec. 115. *Non-Liability for Defamations.*** – Internal and external
6 auditors shall not be held liable to any person in an action for defamation
7 for acts done or for any statement made by them in good faith in
8 connection with the conduct of audit of the cooperative.

9 **Sec. 116. *Right to Examine.*** - All members shall have the right to
10 examine the records of the cooperative under Section 74 of this Act at any
11 time during reasonable hours of the operating days of the cooperative:
12 *Provided*, That the member submits a letter request thirty (30) days prior
13 to the date of his demand to examine the records and stating therein the
14 purpose of the request.

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

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

24 If the request to examine is denied based on the aforementioned
25 grounds, the member shall have the burden of proving to the Board of
26 Directors that such request is made in good faith and for a legitimate
27 purpose. If the denial is made in bad faith, the directors who voted for
28 such refusal shall be subject to administrative sanctions under Section
29 193.

30 **Sec. 117. *Safety of Records.*** – Every cooperative shall, at its
31 principal office, keep and carefully preserve the records required by this
32 Act to be prepared and maintained. The By-Laws shall also provide the
33 condition and the accountable person/s for the safekeeping of the records
34 in accordance with applicable laws on data privacy. The cooperative shall
35 take all necessary precautions to prevent its loss, destruction, or
36 falsification.

37
38 **ARTICLE XIV**
39 **ALLOCATION AND DISTRIBUTION OF NET SURPLUS**

40 **Sec. 118. *Net Surplus.*** - Notwithstanding the provisions of existing
41 laws, the net surplus of cooperatives shall be determined in accordance
42 with its By-Laws and computed at the close of every calendar year.

Any provision of law to the contrary notwithstanding, the net surplus shall not be construed as profit, but as an excess of payments made by the members for the loans, goods or services availed by them from the cooperative, or as the difference of the rightful amount due to the members for their products sold or services rendered to the cooperative, including other inflows of assets from its other operating activities. When distributed in accordance with this Act, such net surplus shall be deemed returned to the members.

Sec. 119. Net Surplus Allocation and Statutory Funds. - To ensure the cooperative's growth and development, the net surplus shall be recorded in the books of accounts and earmarked as such, subject to the allocation of the following statutory funds:

- a. The *Reserve Fund* which shall be at least ten per centum (10%) of the net surplus, or at least 30% for the first five years of a cooperative, to cover for unexpected losses such as, but not limited to, losses incurred during pandemic and state of emergency subject to approval or confirmation of the General Assembly. Any sum recovered on items previously charged to the reserve fund shall be credited back to such fund.

Taking into account its liquidity and subject to the approval of at least a majority vote of all members entitled to vote and duly approved business plan, a cooperative may invest up to fifty percent (50%) of its reserve fund, except for compliant agricultural cooperatives which may invest up to 80% of such fund. Any such investment shall be limited to short-term, low-risk instruments and undertaken only after the exercise of due diligence by the Board of Directors.

In no case shall the Reserve Fund be used for operating expenses, administrative costs, or routine cash-flow support.

The general assembly may reduce the percentage allocated to the reserve fund when the reserve fund already exceeds the share capital.

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

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

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

1 the benefit and development of the member-cooperatives,
2 through trainings, seminars, and other related activities.

3 Should a cooperative have multiple affiliations, it shall
4 have the discretion on how to allocate the CETF, provided
5 that at least ten percent (10%) of such amount shall be
6 allocated to each union with which it is affiliated.

7 While cooperatives are not required to join any union
8 or federation, said half of the CETF shall still be remitted to
9 a union and/or federation of their choice, subject to the
10 minimum ten (10%) percent allocation to a union.

11 (2) Upon dissolution of the cooperative, any unexpended
12 balance of the CETF shall be remitted to the federation or
13 union with which the cooperative is affiliated, to be used
14 exclusively for cooperative education and training purposes.

15 c. The *Community Development Fund (CDF)*, which shall not be less
16 than three (3%) of the net surplus, shall be used for projects or
17 activities that will benefit the community where the cooperative
18 operates. In the case of cooperatives whose common bond of
19 membership is institutional, the community refers to the
20 institution where the cooperative is operating, subject to the
21 allowed assistance as provided in the succeeding paragraphs.

22 For medium and large cooperatives, the CDF shall be used
23 for infrastructure projects, which must be at least fifty percent
24 (50%) but not exceed sixty percent (60%) of the total CDF
25 allocated, while the remaining amount shall be used for social
26 services. For micro and small cooperatives, the CDF shall be
27 used for infrastructure projects and social services at their
28 desired percentage of allocation.

29 The cooperative may extend assistance to marginalized
30 communities or affected areas outside of its area of operation in
31 times of calamities, disaster, national emergency and other
32 similar programs including support for insuring crops and agri-
33 agra products of cooperatives, at the discretion of the General
34 Assembly.

35 Total allocation for calamity, disaster, or national emergency
36 assistance, whether within or outside its area of operation, shall
37 not exceed fifty per cent (50%) of the total allocation for CDF.

38 The allocation for the CDF for the current year shall be fully
39 utilized in the following year unless the projects or activities, as
40 approved by a majority of the members entitled to vote, present
41 and constituting a quorum in a General Assembly meeting,
42 require multi-year utilization. For multi-year projects or
43 programs, the allocation shall be fully utilized within the period
44 as stated in the plan.

- 1 d. The *optional fund*, which shall not exceed seven percent (7%),
2 shall be used for the acquisition of land, construction of
3 buildings, digitalization, and other expenses for compliance with
4 regulatory requirements, as approved by the General Assembly.
- 5 This fund may also be used for the benefit of members and
6 employees under exceptional circumstances, such as a
7 pandemic, crisis, or force majeure. However, if the Optional Fund
8 is insufficient, any deficiency may be charged to direct expenses.
- 9 e. The sum of the CDF and optional fund shall not exceed ten
10 percent (10%).
- 11 f. The remaining net surplus shall be made available in full to the
12 members in the form of patronage refund and/or interest on
13 share capital, following the formula for computation as provided
14 by the Authority: *Provided*, That this is approved by a majority of
15 the members entitled to vote, present at a meeting called for the
16 purpose; *Provided*, further, That the amount to be returned to
17 the members shall not be lower than twenty-five percent (25%) of
18 the net surplus; *Provided*, furthermore, That at least thirty
19 percent (30%) of such amount shall be returned in the form of
20 patronage refund.
- 21 g. The sum allocated for patronage refunds shall be made available
22 at the same rate to all patrons of the cooperative in proportion to
23 their individual patronage: *Provided*, That:
- 24 (1) In the case of a member patron with paid-up share capital
25 contribution, the proportionate amount of patronage refund
26 shall be paid to such member unless he agrees to credit the
27 amount to their account as additional share capital
28 contribution;
- 29 (2) In the case of a member patron with unpaid share capital
30 contribution, their proportionate amount of patronage
31 refund shall be credited to their account until their share
32 capital contribution has been fully paid;
- 33 (3) In the case of a non-member patron, their proportionate
34 amount of patronage refund shall be set aside in a fund
35 created for the purpose and shall be allocated to individual
36 non-member patrons only upon request and presentation of
37 evidence of the amount of their patronage. The amount so
38 allocated shall be credited to such patrons toward payment
39 of the minimum capital contribution for membership. When
40 a sum equal to this amount has accumulated at any time
41 within two (2) years from the start of their patronage, such
42 patron shall be deemed and become a member of the
43 cooperative if he so agrees or requests and complies with the
44 provisions of the By-Laws for admission to membership; and

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

10 **ARTICLE XV**
11 **AGRICULTURAL COOPERATIVES**

12 **Sec. 120. Coverage.** - This Article shall apply to all agricultural
13 cooperatives, as defined in this Act: *Provided*, That the provisions of the
14 other articles of this Act shall apply suppletorily.

15 **Sec. 121. Cooperative Business Activities and Allied Services.** -
16 A duly registered agricultural cooperative may engage in all or any of the
17 following activities:

- 18 a. Raising and/or culture of plants, high-value crops, animals, fish,
19 poultry, livestock, and other agri-products as source of food,
20 feed, and fiber;
- 21 b. Marine and inland fishing;
- 22 c. Production of salt;
- 23 d. Community and social forestry;
- 24 e. Provision of credit facilities for marginal farmers and fishermen;
- 25 f. Facilitating the production, procurement, marketing, and
26 distribution of farm inputs/implements for its members such as
27 but not limited to, meat-type and dairy animals, planting
28 materials, semen, silage, feeds, veterinary supplies, seeds,
29 fertilizers and chemicals, farm equipment, food processing and
30 engineering supplies/equipment, and other inputs as may be
31 needed by the agricultural industry;
- 32 g. Propagation, production, harvest, postharvest, processing,
33 packing, repacking, marketing, exportation, and sale of members'
34 agri-products and by-products, and/or produce;
- 35 h. Maintenance and management of irrigation systems, water
36 impounding, and other agricultural facilities;
- 37 i. Other allied services such as but not limited to warehousing, cold
38 storage, and other post-harvest services, hauling, and transport
39 of members' products/produce and such other similar business
40 services and activities that will reduce cost and/or value addition
41 of output; and

1 j. Learning site entrepreneurship for extension, technology
2 demonstration, agri-tourism, and farm business schools.

3 Agricultural cooperatives shall be given priority access to the
4 agricultural research, development, extension, mechanization,
5 digitization, and modernization programs of the Department of
6 Agriculture.

7 **Sec. 122. Pre-Cooperative Agricultural Organization.** – A group
8 of natural persons intending to form an agricultural cooperative may
9 voluntarily form a Pre-Cooperative Agricultural Organization (PCAO) that
10 shall have its own juridical personality or accreditation with the LGU to
11 undertake activities.

12 The Department of Agriculture (DA) and the Authority, in
13 coordination with the LGU-Cooperative Development Offices (CDOs), shall
14 assist PCAOs so that they can formally organize as cooperatives under
15 this Act; *Provided*, that should the PCAO decide to formally organize as a
16 cooperative, it must comply with the provisions of Sections 9 and 15 of
17 this Act. Further, Section 19 shall apply to all contracts executed by pre-
18 cooperative organizations prior to registration under this Act.

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

21 **Sec. 123. Registration of Agricultural Cooperatives.** - The
22 registration of agricultural cooperatives shall be in accordance with
23 Sections 15 and 16 of this Act.

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

27 **Sec. 124. MinimumCapital Requirements of Agricultural**
28 **Cooperatives.** - Primary agricultural cooperatives shall be exempt from
29 any increase in the minimum initial capital requirement, which shall
30 remain at Fifteen Thousand Pesos (P15,000.00).

31 **Sec. 125. Bond of Membership.** – The bond of membership of
32 agricultural cooperatives shall be any of the following:

- 33 a. *Residential* – members are farmers, farm workers, fisherfolk who
34 are actually and physically residing within the area of operation.
- 35 b. *Occupational* – members are those who are engaged in raising,
36 culture of plants, animals, as well as those from the technical
37 and scientific communities of the agriculture sector.
- 38 c. *Associational* – members are from registered associations,
39 groups, clubs, cultural and other similar aggrupation of farmers,
40 farm workers, and fisherfolk.

1 d. *Institutional* - members consist of employees, workers and/or
2 officers of a particular institution who will undertake or are
3 undertaking agricultural projects.

4 **Sec. 126. Clustering and Consolidation.** – In order to pool their
5 resources for increased viability and market competitiveness, the DA, in
6 collaboration with the DAR, DTI, CDA, and the cooperative sector, shall
7 jointly establish a program and guidelines to promote and encourage
8 agricultural cooperatives, and facilitate their cooperation into clusters
9 that will encompass the whole agricultural value chain, including but not
10 limited to land consolidation, postharvest processing, distribution,
11 logistics, marketing, and promotions within ninety (90) days from the
12 effectivity of this Act.

13 **Sec. 127. Partnership and Joint Venture with Non-Cooperative**
14 **Private Entities.** - Duly registered private entities may enter into a
15 partnership or joint venture with agricultural cooperatives in order to
16 provide the latter with investments and technical support, such as, but
17 not limited to technological, logistics, value-chain, and facilities support.
18 Such partnership or joint venture shall be registered with the necessary
19 regulatory authorities, including the CDA, and enjoy the relevant
20 exemptions and privileges under this Act.

21 The terms and conditions of the partnership or joint venture shall be
22 determined by the cooperative, subject to such additional requirements
23 as may be prescribed in the Implementing Rules and Regulations of this
24 Act.

25 This notwithstanding, the equity or contribution of such private
26 entities shall not exceed forty percent (40%) of the partnership or joint
27 venture.

28 **Sec. 128. Commitment of Financial Portfolio.** – Federations with
29 agricultural cooperative members shall reserve not less than fifteen
30 percent (15%) of their financial portfolio for the extension of loans, credit,
31 savings facilities, and others to agricultural cooperatives.

32 Primary Credit and Savings cooperatives in agricultural areas shall
33 reserve not less than ten percent (10%) of their portfolio for the extension
34 of loans, credit, saving facilities, and others to cooperative members for
35 agricultural purposes.

36 **Sec. 129. Role of National Coordinating Committee for**
37 **Agricultural Cooperatives Development.** - The Authority shall mobilize
38 and provide technical, administrative, and funding support to the
39 National Coordinating Committee on Cooperatives Development (NCC-CD)
40 for the promotion of the growth, viability, and development of agricultural
41 cooperatives, including the inter-agency coordination with the Farmers
42 and Fisherfolk Enterprise Development Council (FFEDC) on relevant
43 programs and initiatives.

44 **Sec. 130. Role of LGUs.** - The Local Government Units shall:

- 1 a. Ensure the appointment of Cooperative Development Officers, in
2 compliance with Republic Act No. 11535;
- 3 b. Create a Committee on Agricultural Cooperatives Development in
4 the Local Legislative Council which shall focus on addressing
5 legislative concerns on Agricultural cooperatives;
- 6 c. Legislate necessary ordinances for the promotion and
7 development of agricultural cooperatives;
- 8 d. Disseminate information to people and facilitate the
9 establishment and development of the management and
10 operations of agricultural cooperatives in their respective
11 localities;
- 12 e. Facilitate or expedite the issuance of necessary local permits and
13 clearances for the operation of agricultural cooperatives, as well
14 as for the programs and projects of the Authority and other
15 national government agencies that are implemented within their
16 respective localities for the benefit of agricultural cooperatives;
- 17 f. Upon written request of the Authority, assist in the resolution of
18 inter-cooperative disputes among agricultural cooperatives
19 operating within their localities;
- 20 g. Facilitate and conduct free and regular seminars, trainings,
21 and/or conferences necessary for the organization, registration,
22 management and operations of agricultural cooperatives;
- 23 h. Provide technical assistance and skills training for farmers, farm
24 workers, and fisherfolk to engage in income-generating activities;
- 25 i. Provide access to land for agricultural cooperatives for farming
26 and other purposes which include leasing or allocating public
27 lands for cooperatives use;
- 28 j. Offer financial support to agricultural cooperatives through
29 grants, subsidies, or low-interest on loans; and
- 30 k. Facilitate linkage between agricultural cooperatives and other
31 institutions offering assistance or services.

32 **Sec. 131. Benefits and Privileges of Agricultural Cooperatives.** – An
33 agricultural cooperative shall enjoy the following benefits and privileges:

- 34 a. Taxes, Duties, and Liens:
 - 35 (1) All real properties owned, and those directly used for the
36 operations, management, and maintenance of agricultural
37 cooperatives shall be exempt from the payment of real
38 property taxes imposed under existing laws.
 - 39 (2) Agricultural cooperatives shall be exempt from customs
40 duties, advance sales or compensating taxes on their
41 importation and local purchase of machineries, equipment,

- 1 accessories, batteries, and spare parts used by them;
2 *Provided*, That all tax and duty-free imports and local
3 purchases shall not be sold nor the beneficial ownership
4 thereof be transferred to any person until after five (5) years,
5 otherwise, the cooperative and the transferee or assignee
6 shall be solidarily liable to pay twice the amount of the
7 imposed tax and/or duties.
- 8 b. Training and Conferences - All training and/or conferences
9 necessary for the organization, registration, management and
10 operations of an agricultural cooperative shall be given free of
11 charge, including costs of venue, training materials, and
12 honoraria for speakers and resource persons. The Cooperative
13 Development Officers shall be primarily responsible for these
14 trainings and conferences within their respective localities.
- 15 c. Consolidation - refers to a process by which fragmented and
16 scattered landholdings are reorganized or restructured into
17 larger, more contiguous plots. This can be done through
18 voluntary reallocation, sales, land exchanges or swaps, lease,
19 and other means;
- 20 d. Direct Purchase by National and Local Government Agencies – To
21 promote and support agricultural cooperatives, national and
22 local government agencies shall directly purchase at least fifty
23 percent (50%) of their required agricultural products, whether
24 raw or processed, from qualified and accredited agricultural
25 cooperatives subject to Republic Act No. 12009, otherwise known
26 as the “New Government Procurement Act”, its Implementing
27 Rules and Regulations, and applicable guidelines issued by the
28 GPPB: *Provided*, That said procurement may be undertaken
29 through Negotiated Procurement-Community Participation,
30 Negotiated Procurement-*Sagip Saka*, or such other appropriate
31 mode of procurement as may be applicable: *Provided, further*,
32 That said products are necessary in the performance of their
33 respective mandates.
- 34 e. Loans and Grants:
- 35 (1) All loans applied for by agricultural cooperatives in any
36 government-owned or controlled banks or government
37 financial institutions shall enjoy preferential treatment as to
38 the requirements, rates, securities, and collaterals; and
- 39 (2) The Authority shall coordinate with the BSP to promote the
40 adoption of policies that may lower applicable thresholds
41 and requirements for loans granted to agricultural
42 cooperatives.

43 **Sec. 132. Inter-Cooperative Arrangements of Agricultural**
44 **Cooperatives.** — Agricultural cooperatives shall be authorized and

1 encouraged to enter into inter-cooperative arrangements, joint ventures,
2 consortiums, or other collaborative mechanisms with other cooperatives,
3 federations, government agencies, private entities, and relevant
4 stakeholders to strengthen agricultural value and supply chains, improve
5 market access, promote shared facilities and services, and pursue
6 agribusiness development programs, subject to guidelines to be
7 promulgated by the Authority.

8 **Sec. 133. Establishment of Local Development Hubs.** - The DA,
9 DTI and the Authority shall jointly establish and issue guidelines for the
10 establishment and operation of Local Development Hubs (LDHs) to
11 strengthen market linkages between agricultural cooperatives and
12 buyers, fostering agricultural development and economic growth.

13 **Sec. 134. Annual Trade Fair and Awards.** - The DA, in
14 coordination with the Authority, and in partnership with the cooperative
15 sector, shall establish and hold the Annual Agricultural Cooperatives
16 Trade Fair and Awards, and other development-oriented projects and
17 activities to showcase the exemplary business achievement, latest
18 innovations, and other emerging trends in the sector.

19
20 **ARTICLE XVI**
21 **AGRARIAN REFORM COOPERATIVES**

22 **Sec. 135. Coverage.** - The provisions of this Article shall primarily
23 govern agrarian reform cooperatives under this law, including Agrarian
24 Reform Beneficiaries (ARBs) Cooperative as defined in Department of
25 Agrarian Reform (DAR) Administrative Order No. 05, Series of 2009:
26 *Provided*, That the provisions of the other articles of this Act shall apply
27 suppletorily, except insofar as this Article otherwise provides.

28 Cooperatives acquiring private agricultural lands by modes of
29 acquisition for actual and direct use, such as large-scale farming, shall
30 not be subject to the five (5)-hectare retention limit under this Section
31 and Sections 70 and 73(a) of Republic Act No. 6657, otherwise known as
32 *“The Comprehensive Agrarian Reform Law of 1988,”* as amended.

33 **Sec. 136. Purpose.** - An agrarian reform cooperative as defined shall be
34 organized for any or all of the following purposes:

- 35 a. To develop appropriate systems of land tenure, land
36 development, land consolidation, and land management in areas
37 covered by agrarian reform;
- 38 b. To coordinate and facilitate the dissemination of scientific
39 methods of production, and provide assistance in the storage,
40 transport, and marketing of farm products for ARBs and their
41 immediate family;
- 42 c. To provide financial facilities to ARBs and marginal farmers for
43 provident or productive purposes at reasonable costs;

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

19 The Government shall provide the necessary financial and technical
20 assistance to agrarian reform cooperatives to enable them to discharge
21 effectively their purposes under this Article. The DAR, the Authority, and
22 the People's Credit and Finance Corporation (PCFC) shall formulate a
23 joint program for the organization and financing of the agrarian reform
24 cooperatives subject of this Article. The joint program shall be geared
25 towards the ARBs' gradual assumption of full ownership and
26 management control of the agrarian reform cooperatives.

27 **Sec. 137. Cooperative Estate.** - Landholdings such as plantations,
28 estates, or haciendas acquired by the State for the benefit of the workers
29 pursuant to the Comprehensive Agrarian Reform Program shall be
30 collectively owned by the worker-beneficiaries under a cooperative set-up.

31 **Sec. 138. Infrastructure.** - In agrarian reform and resettlement areas,
32 the Government shall prioritize agrarian reform cooperatives services in
33 the construction of government-funded roads, bridges, canals, wharves,
34 ports, reservoirs, irrigation systems, waterworks systems, and other
35 infrastructure, and shall grant them preferential treatment in the
36 maintenance and management thereof.

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

40 **Sec. 139. Lease of Public Lands.** - The Government may lease public
41 lands to any agrarian reform cooperative for a period not exceeding
42 twenty-five (25) years, renewable for another twenty-five (25) years:

1 *Provided*, That the application for renewal shall be made not later than
2 six (6) months before the expiration of the lease: *Provided, further*, That
3 such lease shall be for the exclusive use and benefit of the ARBs and/or
4 non-ARBs subject to the provisions of the Comprehensive Agrarian
5 Reform Program, as amended.

6 **Sec. 140. Preferential Rights in Public Utility Franchises and**
7 **Services.** - In agrarian reform areas, an agrarian reform cooperative shall
8 have the preferential right in the grant of franchises and certificates of
9 public convenience and necessity for the operation of public utilities and
10 services: *Provided*, That it meets the requirements and conditions
11 imposed by the appropriate government agency granting the franchise or
12 certificate of public convenience and necessity.

13 In cases where there is an electric service provider in the area, it
14 shall, upon the request of an agrarian reform cooperative, immediately
15 provide electric services to the agrarian reform areas. If the electric
16 service provider fails to provide the services requested within a period of
17 one (1) year, the agrarian reform cooperative concerned may undertake to
18 provide the electric services in the area through its own resources. All
19 investments made by the said agrarian reform cooperative for the
20 electrification of the agrarian reform resettlement areas shall be the
21 subject of sale to the electric service provider once it takes on the service.

22 **Sec. 141. Special Privileges.** - Subject to such reasonable terms and
23 conditions as may be imposed by the DAR and the Authority, agrarian
24 reform cooperatives may be given the exclusive right to undertake any or
25 all of the following economic activities in agrarian reform and resettlement
26 areas:

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

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

3 **Sec. 142. Organization and Registration.** - The organization and
4 registration of agricultural cooperatives shall be in accordance with
5 Sections 15 and 16 of this Act, and only upon prior certification by the
6 DAR that the proposed cooperative is necessary, feasible, and
7 economically viable.

8 **ARTICLE XVII**
9 **COOPERATIVE BANKS**

10 **Sec. 143. Concept.** A *Cooperative Bank* is a bank organized under this
11 Act and prior laws, and licensed by the Bangko Sentral ng Pilipinas (BSP)
12 to operate as such for the primary purpose of providing a wide range of
13 financial services to cooperatives, their members, and the public:
14 *Provided*, That the majority of its shares shall be owned and controlled by
15 cooperatives.

16 **Sec.144. Organization and Registration.** The organization of a
17 Cooperative Bank shall be governed by the following provisions:

18 a. *Organization* - For purposes of the initial organization and
19 registration of a cooperative bank, at least fifteen (15)
20 cooperatives, except Credit Surety Fund (CSF) cooperatives, duly
21 established and registered under this Act, may organize and
22 register a cooperative bank with the Authority.

23 b. *Registration* - The application for the registration by a cooperative
24 bank with the Authority shall be accompanied by a Certificate of
25 Authority issued by the BSP.

26 **Sec.145. Membership** - After the organization and registration of the
27 cooperative bank, membership therein shall be open to:

- 28 (1) Cooperatives of all types and categories, except CSF cooperatives;
29 (2) Foreign cooperatives;
30 (3) Pre-cooperative organizations established under Presidential Decree
31 No. 175; and
32 (4) Individuals.

33 Membership in a cooperative bank may be either regular or associate.
34 Regular membership shall be limited to cooperative organizations,
35 individuals who are members of a local cooperative, or a foreign
36 cooperative. Associate members shall be pre-cooperative organizations
37 established under Presidential Decree No. 175, as well as individuals who
38 are subscribing and holding preferred shares only.

1 **Sec.146. Common Shareholdings.** The common shareholdings of a
2 local cooperative shall, at all, times be at least sixty percent (60%) of the
3 total outstanding voting shares of the cooperative bank.

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

9 **Sec. 147. Voting.** The voting system shall be in accordance with
10 Section 47 of this Act, without prejudice to existing regulations allowing
11 incentive and/or proportional voting, consistent with sound banking
12 practices and guidelines issued by the BSP.

13 **Sec. 148. Powers and Functions of Cooperative Banks.** - A
14 cooperative bank may perform any or all of the following banking
15 services:

- 16 a. Extend loans and advances primarily for the purpose of meeting
17 the normal credit needs of cooperatives and their members,
18 although it may provide the same services to non-members or
19 the general public: *Provided*, That loans and advances granted to
20 cooperatives shall not be subject to individual ceilings on loans
21 to directors, officers, stockholders, and related interests (DOSRI);
- 22 b. Accept savings and time deposits;
- 23 c. Act as a correspondent bank of other financial institutions;
- 24 d. Discount and Rediscount paper with the Land Bank of the
25 Philippines, Development Bank of the Philippines or any other
26 bank, including its branches and agencies. Said banks shall
27 specify the nature of paper deemed acceptable for rediscounting,
28 as well as the rediscount rate to be charged by any of these
29 banks;
- 30 e. Act as collection agent;
- 31 f. Act as official depository bank of Local Government Units and
32 other government agencies or instrumentalities;
- 33 g. Acquire readily marketable bonds and other debt securities;
- 34 h. Buy and sell foreign exchange;
- 35 i. Acquire shares of publicly listed companies;
- 36 j. Act as conduit bank for the disbursement of government funds
37 intended for lending to agriculture, small-medium enterprises
38 (SMEs) and projects for local economic development;
- 39 k. Eligible to participate in government program allocations for
40 agricultural lending, socialized housing, loans to rural micro
41 enterprises and other initiatives towards inclusive growth;

- 1 l. Offer financial technology services, such as digital lending and
2 payment, and digital wealth management, among others, subject
3 to prior approval of the BSP;
- 4 m. Participate in treasury and money market operations such as:
- 5 (1) Repurchase Agreements with the BSP;
- 6 (2) Reverse Repurchase Agreements with the BSP;
- 7 (3) Overnight Lending Facility of the BSP;
- 8 (4) Overnight Deposits with the BSP;
- 9 (5) Term Deposit Facility with the BSP; and
- 10 (6) Sales and Marketing of Financial Products;
- 11 n. Offer credit card services;
- 12 o. Act as lending banks for credit surety fund cooperatives, as
13 provided under Republic Act No. 10744, otherwise known as the
14 “*Credit Surety Fund Cooperative Act of 2015*”;
- 15 p. Act as depository bank of cooperatives with regard to their
16 reserve funds, if such banks exist in their area of operations; and
- 17 q. Offer other banking services as provided in Section 53 of
18 Republic Act No. 8791.

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

23 **Sec. 149. Establishment of Branches and Other Offices.** - The
24 establishment of branches, branch-lite units, or other banking offices by
25 cooperative banks shall be governed by the rules and regulations of the
26 BSP. The cooperative bank shall furnish the Authority with a copy of the
27 Certificate of Authority issued by the BSP. In no case shall a cooperative
28 bank be prohibited or restricted from establishing a branch in a province,
29 city, or municipality, solely on the ground that another cooperative bank
30 already exists in the same area.

31 **Sec. 150. Management of Cooperative Banks.** - The management of
32 the cooperative banks shall be governed by the rules and regulations to
33 be promulgated by the BSP, in consultation with the Authority. To
34 maintain the quality of bank management and accord appropriate
35 protection to depositors and the public in general, the BSP shall prescribe
36 the fit and proper qualifications of bank directors and officers for the
37 purposes of this Section, giving due recognition to the unique nature and
38 character of cooperative banks. The number, composition, and term of
39 the Board of Directors shall be defined in the Articles of Cooperation and
40 By-Laws of the cooperative bank, in accordance with the following
41 guidelines:

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

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

10 The Election Committee shall formulate and implement election
11 rules and guidelines, supervise the conduct of elections and
12 related activities, canvass and certify election results, and resolve
13 election-related cases, except those involving the committee itself
14 or its members. Members of the Election Committee shall be
15 elected by the General Assembly or Representative Assembly

16 The Audit Committee shall be a Board-level committee whose
17 composition, functions, and responsibilities shall comply with
18 BSP regulations: *Provided*, That it shall include independent
19 directors comprising at least two (2) non-executive directors.

20 Additional Board-level committees may be created as required by
21 the BSP. The Board of Directors may create other committees,
22 with powers and functions defined in the By-Laws.

- 23 b. *Key Management Officers.* - The key management officers shall be
24 appointed by the Board of Directors and shall include the
25 President / CEO, Treasurer, Internal Auditor, and Compliance
26 Officer, or their equivalent positions. The BSP shall prescribe the
27 qualifications and disqualifications of the key management
28 officers.

29 **Sec. 151. Compensation and Other Emoluments.** - The
30 compensation and other emoluments of directors and officers shall be
31 subject to Section 65 of this Act. In no case shall the total yearly
32 compensation of directors and officers exceed ten percent (10%) of the net
33 surplus of the cooperative bank during the preceding year.

34 **Sec. 152. Dealings of Directors, Officers, Stockholders, and**
35 **Related Interests (DOSRI).** - Dealings with directors and officers of the
36 Cooperative Bank shall comply with the provisions of Section 36 of R.A.
37 No. 8791, otherwise known as "*General Banking Law (GBL) of 2000.*"
38 However, the limits on loans to dealings of directors, officers,
39 stockholders, and related interests shall not apply to loans, other credit
40 accommodations, or guarantees extended by the cooperative bank to its
41 member primary cooperatives.

42 **Sec. 153. Powers of the General Assembly.** - In addition to those
43 enumerated in Section 41 of this Act, the General Assembly shall have
44 exclusive powers to approve or disapprove proposals of the Board of
45 Directors pertaining to external borrowings, investments, grants,

1 donations, and other forms of financial assistance, when the amounts
2 involved are material or exceed one hundred percent (100%) of the
3 cooperative bank's equity.

4 **Sec. 154. *Investment in Allied Undertakings.*** - Subject to the
5 requirements and restrictions as may be imposed by the Monetary Board
6 under its existing rules and regulations, Cooperative Banks may invest in
7 equities of allied undertakings which may include, but are not limited to
8 the following:

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

23 **Sec. 155. *Limitations on Lending Authority.*** - Except as may
24 otherwise be provided by the Monetary Board, the total direct
25 indebtedness to Cooperative Banks of any person, company, corporation,
26 or firm, including the indebtedness of members of a partnership or
27 association, for money borrowed, shall at no time exceed twenty-five
28 percent (25%) of the unimpaired capital and surplus of the cooperative
29 bank.

30 The foregoing limitation shall not apply to: (a) loans secured by
31 obligations of the BSP; (b) loans fully guaranteed by the Government as to
32 the payment of principal and interest; (c) loans to the extent covered by
33 the hold-out on, or assignment of, deposits maintained in the lending
34 cooperative bank and held in the Philippines; and (d) such other loans or
35 credits as the Monetary Board may, from time to time, classify as non-
36 risk assets.

37 **Sec. 156. *Capital Requirement for Cooperative Banks.*** - A
38 cooperative bank shall have a minimum paid-up capital in such amount
39 as may be required by the BSP. The BSP may prescribe rules and
40 regulations on the types of shares a cooperative bank may issue,

1 including their terms and rights: *Provided*, That Cooperative Banks shall
2 issue par value shares only.

3 **Sec. 157. Barrio Savings Fund (BSF), Barrio Guarantee Fund**
4 **(BGF)**-To augment the capitalization of cooperative banks, the
5 aforementioned funds collected or deducted by various cooperative banks
6 from the loan proceeds of farmer-borrowers pursuant to P.D. 175, and
7 which remain floating or outstanding, whether as active or dormant
8 accounts in the books of such banks, shall be converted into capital by
9 such cooperative bank.

10 **Sec. 158. Conversion into Treasury Shares.** — The following
11 shares or funds shall be converted into treasury shares at the same book
12 value or reclassified value, as the case may be:

13 (a) All common shares held in cooperative banks by
14 SamahangNayon (SN) and Municipal Katipunan ng
15 mgaSamahangNayon (MKSAN) prior to the effectivity of
16 Republic Act No. 9520, whether such SN and MKSAN were
17 converted, reclassified, continued to exist, or did not convert
18 but remain existing; and

19 (b) Funds or common shares in cooperative banks held in the
20 name of cooperatives whose Certificates of Registration have
21 been cancelled by the Authority and which were not
22 liquidated during liquidation.

23 **Sec. 159. Supervision and Regulation of Cooperative Banks.** —
24 All cooperative banks shall be under the supervision of the BSP: *Provided*,
25 *however*, That the Authority shall monitor the cooperative banks'
26 compliance with cooperative laws, rules, and regulations. Pursuant to
27 Section 71 of Republic Act No. 8791, the organization, ownership and
28 capital requirements, powers, supervision, and general conduct of
29 business of cooperative banks shall be governed by this Act, and the
30 provisions of Republic Act No. 8791 shall likewise apply insofar as they
31 are not in conflict with this Act.

32 **Sec. 160. Privileges of Cooperative Banks.** - Cooperative banks
33 registered under this Act shall have the following privileges and
34 incentives:

35 a. Those privileges and incentives accorded to cooperatives under this
36 Act and other prior laws including exemption from all national,
37 provincial, city, municipal or barangay taxes, fees, and charges of
38 whatever nature and description. *Provided, however*, That when the
39 Reserve Fund of a cooperative bank has reached more than One
40 Hundred Million Pesos (P100,000,000.00), its transactions to non-
41 members shall be taxable.

42 b. The foreclosure of mortgages covering loans granted by cooperative
43 banks and executions of judgment thereon involving real properties
44 levied upon by sheriff shall be exempt from the publications in
45 newspapers where the total amount of loan, excluding interests due

1 and unpaid, does not exceed One Million Pesos (P1,000,000.00) or
2 such amount as the Monetary Board may prescribe as may be
3 warranted by prevailing economic conditions. It shall be deemed
4 sufficient publication in such cases where the notices of foreclosure
5 and execution of judgment are posted in the most conspicuous
6 areas such as the municipal building, the municipal public market,
7 the cooperative bank, and the barangay hall where the land
8 mortgaged is situated during the period of sixty (60) days
9 immediately preceding the public auction or execution of judgment.
10 Proof of publication as required herein shall be accomplished via an
11 affidavit of the sheriff or officer conducting the foreclosure sale or
12 execution of judgment and shall be attached with the records of the
13 case;

- 14 c. A cooperative bank shall be allowed to foreclose lands mortgaged to
15 it subject to the provisions of Republic Act No. 6657, as amended.
16 For agrarian lands foreclosed by a cooperative bank, the disposal of
17 the same to another qualified beneficiary under R.A. 6657, as
18 amended, shall be made through the same cooperative bank.
19 Further, the amortization of the beneficiary in favor of DAR shall be
20 coursed through the servicing cooperative bank: *Provided, however,*
21 *that cooperative banks shall be exempt from the landholding limits*
22 *as prescribed by DAR or any other law requiring the same.*
- 23 d. For cooperative banks granted by the BSP with accreditation as
24 Rural Financial Institution (RFI) under Republic Act No. 10000, the
25 following privileges shall be awarded:
- 26 (1) Unrestricted branching rights to set-up agriculture-oriented
27 branches in unbanked municipalities and predominantly
28 agricultural communities, subject to existing regulations on
29 minimum capitalization for banks and the size of branch
30 network;
- 31 (2) Automatic eligibility with Philippine Guarantee Corporation
32 (with respect to agricultural credit guarantee), Philippine
33 Crop Insurance Corporation (PCIC), and governmental
34 agencies providing services towards risk-mitigation in the
35 agriculture sector;
- 36 (3) Priority status as credit delivery partner or conduit of
37 government-directed programs for agricultural through the
38 Department of Agriculture and other government agencies;
39 and
- 40 (4) Entitlement to participate free of charge in capability-building
41 activities in agriculture lending such as, but not limited to,
42 exchange of best-practice experiences, study tour, technology
43 transfer among ASEAN member-states and other fora of
44 international cooperation; and
- 45 e. Notwithstanding the provisions herein, privileges and incentives
46 granted to rural banks pursuant to Republic Act No. 7353, or the

“*Rural Act of 1992*”, shall also be granted to cooperative banks duly registered under this Act.

Sec. 161. *Promulgation of Guidelines.* — The BSP, in consultation with the Authority and the concerned cooperative sector, shall formulate the guidelines to implement the provisions of this Article: *Provided*, That in the exercise of its supervisory and regulatory powers over cooperative banks, the BSP shall, to the extent allowed by banking and other relevant laws, consider the requirements of this Act applicable to cooperatives in general, with due regard to the unique nature and character of cooperative banks and the need to minimize the regulatory burden on dually regulated entities.

ARTICLE XVIII

INSURANCE COOPERATIVES

Sec. 162. Coverage. - This Article shall apply to insurance cooperatives as defined under this Act.

Sec. 163. Types of Insurance Provided. - Under the cooperative insurance program established and formed by virtue of the provisions of this Act, the insurance cooperative shall provide its constituting cooperatives and their members different types of insurance coverage consisting of, but not limited to, life insurance with special group coverage, loan protection, retirement plans, endowment, health and accident coverage, pre-need plans, fire insurance, marine insurance, motor vehicle coverage, bonding, crop and livestock protection and equipment insurance, among others.

Sec. 164. *Applicability of Insurance Laws.* - The provisions of the Insurance Code and all other laws and regulations relative to the organization and operation of insurance companies shall apply to insurance cooperatives organized under this Act. The requirements on capitalization, investments, and reserves of insurance firms may be liberally modified upon consultation with the Authority and the cooperative sector, but in no case may the requirement be reduced to less than half of those provided for under the Insurance Code and other related laws. In case of conflict, the Insurance Code shall prevail.

Sec. 165. *Implementing Rules for Insurance Cooperatives.* — The Insurance Commission and the Authority, in consultation with the concerned cooperative sector, shall issue the appropriate rules and regulations implementing the provisions of this Article.

ARTICLE XIX
COOPERATIVES ENGAGED IN PUBLIC SERVICES

Sec. 166. Definition and Coverage. - A cooperative engaged in public services refers to one organized to render public services, as authorized under a franchise, certificate of public convenience, certificate

1 of public convenience and necessity, concession, or any other appropriate
2 form of authorization or permit duly issued by the appropriate
3 government agency and/or local government unit. Such services may
4 include but is not limited to the following:

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

17 Such cooperatives shall be primarily governed by this Article and the
18 general provisions of this Act insofar as they may be applicable unless
19 they are inconsistent herewith.

20 **Sec. 167. Registration Requirements.** - For purposes of the initial
21 registration of a cooperative engaged in public services with the Authority,
22 and in addition to the requirements provided under Section 15 of this
23 Act, the cooperative shall first secure the necessary approval,
24 authorization, permit, or certification from the proper government agency
25 concerned, and comply with the following requirements:

- 26 a. Its Articles of Cooperation and By-Laws shall provide for the
27 membership of the users and/or producers of the service of such
28 cooperative; and
- 29 b. It shall submit proof of compliance with such other requirements
30 as may be imposed by the proper government agency concerned.

31 **Sec. 168. Regulation of Cooperatives Engaged in Public**
32 **Services.** - The internal affairs of cooperatives engaged in public services
33 shall be governed by this Act. Matters relating to their franchise,
34 certificate of public convenience, certificate of public convenience and
35 necessity, concession, or any other form of authorization or permit,
36 including capitalization and investment requirements, equipment and
37 facilities, frequencies, rate-fixing, and other matters affecting their public
38 service operations, shall be governed by the proper government agency
39 concerned.

40
41 **ARTICLE XX**

TRANSPORT SERVICE COOPERATIVES

Sec. 169. Coverage. – This Article shall govern transport service cooperatives as defined in this Act, including those organized under the provisions of Executive Order No. 898, series of 1983 and including vehicle operators defined or provided for under the Public Transport Modernization Program (PTMP) of the Department of Transportation, or other government-approved transport modernization measures.

Sec. 170. Engagement in Allied Business by Transport Service Cooperatives. -Subject to pertinent national laws and local ordinances, transport service cooperatives including federations of cooperatives, may engage in a business related to transportation service, including but not limited to:

- a. Importation, distribution, and marketing of petroleum products in accordance with existing laws;
- b. Operation of fuel refilling stations, automotive service centers, and management of land transport terminals and ports, including the establishment and operation of food hubs and canteens in terminals;
- c. Importation, distribution, marketing, and sale of spare parts, automotive supplies, and accessories;
- d. Facilitation of vehicle and driver insurance policies as agent or liaison of a licensed insurance company;
- e. Engage in fleet management services for third parties; and
- f. Other auxiliary services related to the transport sector.

Sec. 171. Registration, Regulation, and Supervision of Transport Service Cooperatives. - The Authority shall have jurisdiction over the transport service cooperatives only in relation to their organization and administration, including compliance with this Act and other relevant laws. Notwithstanding the foregoing, the Department of Transportation (DOTr), and its relevant attached and line agencies: Office of Transportation Cooperatives, Maritime Industry Authority, Civil Aviation Authority of the Philippines, Civil Aviation Board, and relevant agencies or offices, shall have jurisdiction over the technical operations of transport service cooperatives, including their accreditation, regulation, and supervision as transport service entities.

Sec. 172. Authority To Operate Public Transportation Acquisition and Renewal. — Applications for authority to operate a public transportation, shall be granted to transport service cooperatives: *Provided*, That in case of acquisition, such cooperative presents Certificates of Compliance and Good Standing issued by the Authority, the DOTr, and its attached or line agencies, respectively and within their jurisdiction, and the concerned LGU and; *Provided, further*, That in case

of franchise renewal, the cooperative shall also submit proof of its continuous safe operation and provision of public transportation services.

Sec. 173. Oversight Committee. — There shall be established a multi-sectoral committee on transport service cooperatives charged with the monitoring of, and recommendation of policies and programs affecting, the operations of transport service cooperatives, and such other functions as may be appropriate. The Authority shall serve as the lead agency with members composed of representatives from the CDA, the DOTr, the Department of the Interior and Local Government (DILG), the Land Transportation Franchising and Regulatory Board (LTFRB), the Land Transportation Office (LTO), Office of Transportation Cooperatives (OTC), Maritime Industry Authority (MARINA), and such other concerned government agencies as may be necessary, and the federation of transport service cooperatives, the national alliance of cooperatives, and other stakeholders.

A regional monitoring committee shall likewise be established at the regional offices of the Authority with the same composition and purpose.

Funding for the establishment and operations of the national and regional monitoring committees shall be charged against the appropriations of the Authority, subject to existing budgeting, accounting, and auditing laws, rules, and regulations.

Sec. 174. Government Assistance and Subsidy. - Government financial assistance may be provided to qualified drivers and operators who modernize their units, whether pursuant to the Public Transport Modernization Program (PTMP) or other government-approved transport modernization measures: *Provided, That* the amount, coverage, qualifications, conditions, and release thereof shall be determined by the concerned implementing agency, subject to the funds specifically appropriated for the purpose under the annual General Appropriations Act or other appropriations law, and applicable laws, rules, and regulations. The government may extend subsidies and other incentives to qualified local manufacturers that invest in the modernization of public utility vehicles, subject to the same requirements.

Sec. 175. LGU Support for Common Terminals. - LGUs with existing common terminals, as well as those that may hereafter establish such terminals, shall prioritize transport service cooperatives in the use and availment thereof.

ARTICLE XXI
CREDIT, AND CREDIT AND SAVINGS COOPERATIVES

Sec. 176. Coverage. - This Article shall apply to credit cooperatives, credit and savings cooperatives, including multi-purpose cooperatives and federations with credit and savings services.

1 **Sec. 177. Purposes and Objectives.** - Cooperatives engaged solely
2 in credit or in both credit and savings services shall have the following
3 purposes and objectives:

4 (a) To promote thrift and encourage savings among its members;

5 (b) To provide its members with accessible and competitive loans for
6 productive or provident purposes, and related services to enable
7 them to maximize the benefits therefrom;

8 (c) To promote cooperatives engaged in credit and/or credit and
9 savings services as preferred financial institutions among Filipinos;

10 (d) To promote safe, sound, stable, and sustainable credit and savings
11 operations that safeguard the interests of its members and the
12 general public;

13 (e) To promote digital services, such as digital lending and payment,
14 among others; and

15 (f) To promote financial literacy among its members.

16 **Sec. 178. Applicability of the Credit Information System Act.**

17 — Republic Act No. 9510, otherwise known as the Credit Information
18 System Act (CISA), shall apply only to medium and large cooperatives as
19 submitting entities, subject to phased compliance based on their risk,
20 size, and operational capacity. Micro and small cooperatives may
21 voluntarily opt to be covered as a submitting entity under the CISA.

22 The Credit Information Corporation (CIC) and the CDA shall issue
23 joint implementing rules and regulations for such purpose.

24
25 **ARTICLE XXII**
26 **ELECTRIC COOPERATIVES**

27
28 **Sec. 179. Coverage.** - The provisions of this Act shall apply to all
29 electric cooperatives registered with the Authority, and shall likewise
30 extend to existing cooperatives for registration with the Authority as
31 electric cooperatives, as well as new distribution utilities that may
32 hereafter register under this Act.

33 Electric cooperatives may undertake power generation utilizing
34 renewable energy sources, and hybrid systems, including the acquisition
35 and operation of sub transmission or distribution as its primary
36 purposes.

37 **Sec. 180. Registration of Electric Cooperatives.**- An existing
38 electric cooperative not yet registered with the Authority under this Act
39 may register with the Authority upon approval, through a referendum, of
40 at least twenty percent (20%) of all its members entitled to vote.

1 **Sec. 181. Documents to be Submitted for Registration with the**
2 **Authority.** -For purposes of registration with the Authority, electric
3 cooperatives registered with other regulatory agencies shall submit the
4 following documents:

- 5 a. Copy of the Board Resolution certifying to the result of the vote
6 approved through a referendum approving the registration of
7 such entities with the Authority in compliance with Section 180
8 of this Act;
- 9 b. Certified copy of the Articles of Cooperation and By-Laws as
10 required by the Authority;
- 11 c. Duly audited financial statements for the past two (2) years;
- 12 d. List of names of the incumbent Board of Directors and their
13 addresses certified by the Board Secretary and attested by the
14 Chairperson;
- 15 e. Within six (6) months from the registration, the Treasurer shall
16 submit a sworn statement of the authorized share capital, the
17 subscribed share capital of members, and the amount of paid-up
18 share capital received by the Treasurer; and
- 19 f. Bonds of accountable officers.
- 20 g. Other documents as may be necessary.

21 **Sec. 182. Registration Options of Electric Cooperatives.** -
22 Electric Cooperatives registered with the National Electrification
23 Administration (NEA) under Presidential Decree No. 269, as amended,
24 which opt not to register with the Authority are allowed to retain the word
25 “cooperative” in their registered names: *Provided*, that they shall not be
26 entitled to the benefits and privileges under this Act.

27 **Sec. 183. Role of the Energy Regulatory Commission.** - All rates
28 and tariffs of electric cooperatives registered under the Authority shall be
29 subject to the rules on application and approval of the Energy Regulatory
30 Commission for distribution utilities.

31 **Sec. 184. Effects of Registration with the Authority.** -Electric
32 cooperatives that are duly registered with the Authority, and issued a
33 Certificate of Registration, shall be covered by the provisions of this Act
34 as well as future rules and issuances of the Authority: *Provided*, That the
35 technical operations of such electrical cooperatives shall be under the
36 supervisory power of the NEA. Registration of electric cooperatives
37 with the Authority shall not be considered as a transfer of ownership of
38 its assets and liabilities nor shall it constitute a change in the nature,
39 structure, and status of the cooperative. Said registration shall not result
40 in the revocation of the condoned loans under Republic Act No. 9136,
41 otherwise known as the Electric Power Industry Reform Act: *Provided*,
42 That electric cooperatives with existing loans shall not be subject to the

1 control and supervision of its creditors and shall only be limited to the
2 fulfillment of each civil obligations.

3 **Sec. 185. Assistance.** Electric cooperatives registered with the
4 Authority are entitled to congressional allocations, grants, subsidies, and
5 other financial assistance for rural electrification which can be coursed
6 through the Department of Energy, National Electrification
7 Administration, or local government units, as may be appropriate. The
8 electric cooperatives registered under this Act can avail of the financial
9 services and technical assistance provided by government financial
10 institutions and technical development agencies on terms respecting their
11 independence as autonomous cooperatives;

12 All subsidies, condoned loans, grants, and other assistance shall form
13 part of the donated capital and funds of the electric cooperatives and, as
14 such, it shall not be sold, traded, nor be divided into shareholdings at any
15 time. The donated capital/fund shall be valuated for the sole purpose of
16 determining the equity participation of the members: *Provided*, That in the
17 case of dissolution of the cooperative, said donated capital shall be
18 subject to escheat; and

19 **Sec. 186. Share Capital in the Electric Cooperatives.** - The
20 electric cooperatives shall issue and distribute share certificates under
21 the name of each of their members, taking into consideration their
22 previous equity contributions, the amortization component through the
23 payments made, capital build-up, and other capital contributions.

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

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

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

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

44

1 **ARTICLE XXIII**
2 **FOREIGN PARTNERSHIPS**

3 **Sec. 187. Engagement of Foreign Cooperatives in Local**
4 **Federations.** - Foreign cooperatives may invest, partner with, or enter
5 into joint ventures with local federations: *Provided*, that they are
6 recognized by international coalitions of cooperatives or by the relevant
7 authority in the country of origin: *Provided, further*, that they comply
8 with all relevant laws allowing them to do business in the Philippines:
9 *Provided, finally*, that their engagement with local federations shall be
10 subject to an agreement which shall be submitted for the approval of the
11 Authority, pursuant to its implementing rules and regulations.

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

20 **Sec. 188. Limitations.** - The preferred share capital held by
21 foreign cooperatives shall not exceed forty percent (40%) of the total
22 equity as authorized in the By-laws.

23 **ARTICLE XXIV**
24 **MISCELLANEOUS PROVISION**

25 **Sec. 189. Compliance With Other Laws.** - All cooperatives duly
26 registered under this Act shall, at all times, be subject to all relevant
27 laws, rules and regulations, as well as issuances and directives issued by
28 a duly authorized government regulatory body in exercise of its
29 jurisdiction.

30 This notwithstanding, cooperatives that are registered or applying
31 for specific licenses with other regulatory agencies must comply with the
32 governance requirements prescribed by such agency to operate or
33 function as such.

34 **Sec. 190. Registry of Cooperatives.** - The Authority shall keep a
35 registry which shall contain a chronological entry of the name of every
36 cooperative registered, suspended, dissolved, or cancelled under this Act
37 together with its relevant information. The Authority shall publish and
38 post on its website a list of existing cooperatives, cooperatives under
39 dissolution, cooperatives under suspension, and those whose registration
40 are cancelled during the year together with such information on each of
41 them, as may be prescribed in the rules and regulations.

42 **Sec. 191. Joint Congressional Oversight Committee on**
43 **Cooperative (JCOC).** - There is hereby created a Joint Congressional
44 Oversight Committee composed of the Chairperson of the Senate
45 Committee on Cooperatives and the Chairperson of the House Committee

1 on Cooperatives Development, with four (4) members each from both
2 Houses. The said members shall be duly appointed by the Senate
3 President and the Speaker of the House of Representatives from the
4 members of the respective committee.

5 The Joint Oversight Committee shall monitor the proper
6 implementation of the rules and regulations of this Act.

7
8 **ARTICLE XXV**
9 **FINAL PROVISION**

10 **Sec.192. Settlement of Disputes, Conciliation, Mediation, and**
11 **Arbitration Proceedings.** - Disputes among members, directors, officers,
12 staff, and inter-cooperative disputes shall, as far as practicable, be settled
13 amicably in accordance with the conciliation or mediation mechanisms
14 set forth in the By-Laws of cooperatives, or in case of inter-cooperatives,
15 in the By-Laws of the federation or union to which it is affiliated with, and
16 in other applicable laws.

17 The Conciliation-Mediation Committee of the cooperative shall
18 facilitate the amicable settlement of intra-cooperative disputes or disputes
19 among members, directors, officers, and staff.

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

27 Once the arbitrators or the appropriate adjudication division
28 acquires jurisdiction over the case, they shall have original and exclusive
29 jurisdiction over the dispute, and their decision shall be appealable to the
30 Court of Appeals. If no appeal is filed, such Decision/Award becomes
31 final and executory.

32 For this purpose, the Authority shall create a database of qualified
33 arbitrators which shall also be posted in its official website.

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

38 Disputes involving electric cooperatives shall be governed by the
39 provisions of Presidential Decree No. 269, as amended, and other
40 applicable laws.

41 **Sec. 193. Prohibited Acts and Penalties.** - The following acts or
42 omissions affecting cooperatives are hereby prohibited:

1 a. The use of the word “cooperative” shall be prohibited, unless
2 authorized under this Act. However, organizations registered with
3 other government agencies are allowed to retain the word
4 “cooperative” in their registered names: *Provided*, that said
5 organizations have interests, affiliation, collaboration, and/or
6 partnership with a cooperative or the cooperative sector;
7 *Provided, further*, that if said organizations shall register with the
8 Securities and Exchange Commission (SEC), they shall register
9 as a non-stock, non-profit entity and shall affix the word
10 “Incorporated” or “Inc.” to its business name; *Provided, finally*,
11 that these organizations shall not be entitled to the benefits and
12 privileges under this Act.

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

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

21 b. Any person who willfully attempts in any manner to evade or
22 defeat tax in violation of Sections 90 and 91 of this Act shall, in
23 addition to the payment of double the amount of the tax due, be
24 punished by a fine of not less than Five hundred thousand pesos
25 (P500,000.00) but not more than Ten million pesos
26 (P10,000,000.00) and suffer imprisonment of not less than six (6)
27 years but not more than ten (10) years: *Provided*, That the
28 conviction or acquittal obtained under this Section shall not be a
29 bar to the filing of a civil suit for the collection of taxes;

30 c. Direct or indirect violation or circumvention of the provisions of
31 Sections 90 and 91 of this Act committed by any public official or
32 employee of any bureau, office or agency of the government that
33 deprives, diminishes or in any manner hinders or restricts any
34 duly registered cooperative from the full enjoyment of the
35 exemption from the payment of the taxes, fees and charges
36 enumerated therein, shall upon conviction, suffer a penalty of
37 not less than ten (10) years but not more than fifteen (15) years
38 imprisonment or a fine in the amount of not less than
39 One hundred thousand pesos (P100,000.00) but not more than
40 Five hundred thousand pesos (P500,000.00) or both at the
41 discretion of the court and shall further be disqualified to hold
42 any other office;

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

- 1 (1) Influencing the election or appointment of an officer,
2 director, committee member or employee through public or
3 private endorsement, or campaign for or against any person
4 or group of persons;
- 5 (2) Requiring prior clearance for any policy or decision within
6 the cooperative;
- 7 (3) Requesting or demanding for the creation of positions or
8 organizational units, or recommending any person for
9 appointment, transfer, or removal from their position; or
- 10 (4) Any other acts inimical or adverse to the autonomy and
11 independence of cooperatives.

12 Any person found guilty of committing any of the foregoing acts
13 shall, upon conviction, be punished by imprisonment of not less
14 than two (2) years but not more than five (5) years, or a fine of not
15 less than Fifty thousand pesos (P50,000.00), or both, at the
16 discretion of the court. The offender shall likewise suffer the
17 accessory penalty of temporary absolute disqualification.

18 e. A director, officer or committee member who violates the
19 provisions of Section 64 on the Liability of Directors, Officers and
20 Committee Members, Section 67 on the Disloyalty of a Director,
21 and Section 68 on the Illegal Use of Confidential Information
22 shall upon conviction suffer a fine of not less than Five hundred
23 thousand pesos (P500,000.00) nor more than One million pesos
24 (P1,000,000.00) or imprisonment of not less than five (5) years
25 but not more than ten (10) years or both at the court's discretion;

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

- 30 (1) Omission or refusal to furnish any information, report or
31 other document that is required under this Act;
- 32 (2) Providing information, reports or other documents to the
33 Authority that are required under this Act which the person
34 knows to be false or misleading;
- 35 (3) Omission or refusal to keep a book or registry under this Act
36 or to make the required entry therein;
- 37 (4) Making an entry required under this Act in a book or
38 registry, which the person knows to be false or misleading;
- 39 (5) Hindering an authorized person from making an inspection,
40 audit, examination or investigation required under this Act;
- 41 (6) Failure to comply with an order or written instructions
42 issued or given by the Authority;

- 1 (7) Violation of the provisions regarding transactions with a
2 restricted party; and
- 3 (8) Abetting, counseling, allowing, authorizing or commanding
4 another person to commit an offense punishable by this Act:
5 Provided, That in case the violator is a cooperative or
6 juridical person, the penalty shall be imposed on its
7 directors and officers.

8 g. In case of violation of any provision of this Act for which no
9 penalty is specifically imposed, the individual or individuals
10 responsible, and in the case of organizations or government
11 agencies, their officers and directors, shall, upon conviction by a
12 court, each suffer the penalty of imprisonment of not less than
13 two (2) years but not more than five (5) years, or a fine of not less
14 than Fifty thousand pesos (P50,000.00), or both, at the
15 discretion of the court. In the case of a public official or
16 employee, the offender shall, upon conviction, suffer the
17 accessory penalty of temporary absolute disqualification.

18 **Sec. 194. Administrative Sanctions.** – The Authority shall have
19 the power, *motu proprio* or upon verified complaint, to conduct
20 investigations, institute appropriate administrative charges, and impose
21 disciplinary sanctions against any officer, director, committee member, or
22 member of a cooperative for violation of this Act, laws, rules and
23 regulations and issuances of the Authority, and the cooperative's Articles
24 of Cooperation and By-Laws.

25 For this purpose, the Authority may issue subpoenas *ad*
26 *testificandum* or subpoenas *duces tecum*, administer oaths, require the
27 submission and production of books, records and other pertinent
28 documents and such other powers to effectively carry out its investigative
29 functions.

30 After due notice and hearing, the Authority may impose appropriate
31 administrative sanctions, including fines, suspension, or removal from
32 office, and disqualification from holding any position in any cooperative.
33 The Authority may likewise order the preventive suspension of any officer,
34 director, or committee member during the pendency of the investigation
35 or proceedings when there is a risk of continued violation, dissipation of
36 cooperative assets, or interference with the investigation.

37 In case of suspension or removal, the Authority shall direct the
38 cooperative, through the General Assembly or the appropriate body as
39 may be provided in its By-Laws, to effect the immediate replacement of
40 the concerned officer in accordance with law or its internal rules.

41 Violation of the prescribed procedure under the Authority's rules on
42 adjudication, including willful disregard or abuse thereof, shall also
43 constitute a ground for administrative sanction under this Section.

44 The foregoing administrative sanctions shall be imposed and
45 implemented in accordance with the rules and regulations promulgated

1 by the Authority, without prejudice to the institution of appropriate civil
2 or criminal actions under applicable laws.

3 **Sec. 195. Suspension of Certificate of Registration.** – A
4 cooperative may, after due process, be penalized with suspension on any
5 of the following grounds:

6 a. Willful failure to submit annual progress reports with the
7 necessary attachments within the period mandated by this Act:
8 *Provided*, That in the case of newly-registered cooperatives, this
9 provision shall only apply to them three (3) years after their
10 registration;

11 b. Willful failure or refusal to comply with an interlocutory order, or
12 a final and executory decision or award of the CDA Board of
13 Directors, any of its Regional Offices, adjudication officer, or
14 voluntary arbitrator in connection with an investigation,
15 voluntary arbitration, or adjudication; or

16 c. Willful refusal to comply with a lawful order issued in relation to
17 an inspection or examination conducted by the Authority.

18 **Sec. 196. Appropriations.** – The amount necessary to carry out
19 the provisions of this Act shall be included in the annual General
20 Appropriations Act.

21 **Sec. 197. Implementing Rules and Regulations.** – Within ninety
22 (90) days from the effectivity of this Act, the Authority, in coordination
23 with relevant government agencies and the cooperative sector, shall issue
24 the rules and regulations to implement this Act.

25 **Sec. 198. Interpretation and Construction.** – In case of doubt as
26 to the meaning of any provision in this Act or the regulations issued in
27 pursuance thereof, the same shall be resolved liberally in favor of the
28 cooperatives and their members.

29 **Sec. 199. Repealing Clause.** – Except as expressly provided by
30 this Act, Republic Act No. 6938 as amended, all other laws, decrees,
31 orders issuances, rules and regulations, memoranda, circulars, letters of
32 instructions, and ordinances inconsistent with any provision of this Act
33 shall be deemed repealed, amended, or modified accordingly.

34 **Sec. 200. Automatic Registration.** All cooperatives registered
35 with the Authority under R.A. No. 9520, are hereby deemed registered
36 under this Act; *Provided*, that such cooperatives are active in status and
37 are compliant with all annual reporting requirements of the CDA upon
38 the effectivity of this Act: *Provided, further*, that non-compliant
39 cooperatives shall be given a period of two (2) years from the effectivity of
40 this Act within which to comply with CDA reportorial requirements.

41 Cooperatives that fail to comply with the requirements within the
42 prescribed period shall be deemed delisted or cancelled *motu proprio*.

1 **Sec. 201. *Ipsso-Facto Clause.*** – Except as may be inconsistent with
2 the provisions of this Act, cooperatives are entitled to all privileges,
3 benefits, and exemptions granted to the cooperatives by prior laws,
4 including R. A. No. 7160, R.A. No. 6938 as amended, R.A. No. 9520, and
5 other existing laws.

6 **Sec. 202. *Separability Clause.*** - Should any part of this Act be
7 declared unconstitutional, the validity of remaining provision hereof shall
8 remain in full effect.

9 **Sec. 203. *Effectivity Clause.*** - This Act shall take effect fifteen
10 (15) days from its publication in the Official Gazette or in a newspaper of
11 general circulation.

12 ***Approved,***

House of Representatives
Committee Affairs Department

FACT SHEET

House Bill No. 9584

(In substitution of House Bills Numbered 1647, 2070, 2416, 2575, 4540, 6040, 6364, 8685)

**AN ACT PROVIDING FOR THE REVISED COOPERATIVE ACT OF THE
PHILIPPINES**

(Authored by Honorable Representatives Felimon M. Espares, Miro S. Quimbo, Mikaela Angela B. Suansing Miguel Luis Villafuerte, Renato Luigi Vincenzo, Tsuyoshi Anthony Horibata, Terry Ridon L. Ridon, Maria Cristina Jihan G. Glepa, Ralph Wendel P. Tulfo and Jocelyn P. Tulfo, Nicanor M. Briones, Iris Marie Demesa Montes, and Christopherson “Coco” M. Yap, Kenneth T. Gatchalian)

LEGISLATIVE HISTORY:

- Approved on third reading on December 12, 2023 and transmitted to the Senate on December 13, 2023
- Refiled in the 20th Congress
- Approved by the Committee on December 3, 2025

OBJECTIVES:

- To update the provisions of R.A. 9520, Philippine Cooperative Code of 2008 with the current situations in the coop sector specifically in the agriculture sector.
- Promote cooperatives as instruments of economic development, social justice, and people empowerment.
- Enhance the quality of life of members through improved income, savings, productivity, and access to services
- Ensure technical, financial, and regulatory support from government while maintaining cooperative autonomy
- Position cooperatives as tools for poverty alleviation, community empowerment, and inclusive g
- Introduce reforms to improve transparency, accountability, and operational efficiency of cooperatives.

KEY PROVISIONS:

- Requires 25 natural persons as the minimum number to organize a primary cooperative with the proposed cooperators mandated to attend and complete

the Pre-registration Seminar (PRS) as a prerequisite for the organization and registration of cooperatives.

- Recognizes perpetual existence of duly registered cooperatives under the Code.
- Introduces cluster-based classification of cooperatives to amplify their impact by pooling resources, strengthening bargaining power and facilitating access to large scale markets.
- Provides a clearer rule on dispute resolution process, accountability of officers and stronger enforcement of disciplinary powers of the Cooperative Development Authority.
- Exemption of duly registered agricultural cooperatives and non-agricultural cooperatives whose Reserve Funds have an existing balance of One Hundred Million pesos (P100,000,000.00) and below from all national internal revenue taxes, fees, and charges of whatever name and nature.
- Limits individual shareholding to 20% of total share capital.
- Grants duly registered cooperatives preferential access to government procurement, financing and credit facilities, public utilities franchises, and infrastructure and services.
- converted into capital the funds collected or deducted by various cooperative banks from the loan proceeds of farmer-borrowers pursuant to P.D. 175 which remain floating or outstanding whether as active or dormant accounts in the books of such banks

RELATED LAW/S:

- Republic Act No. 12009 or the New Government Procurement Act
- Republic Act No. 10000 or the Agri-Agra Reform Act of 2009;
- National Internal Revenue Code of 1997, as amended;
- Cooperative Development Authority, Memorandum Circular No. 2015-05 on the Guidelines for the Registration of Agriculture Cooperative;
- Republic Act No. 9520, or the "Philippine Cooperative Code of 2008"
- PD. 175, Strengthening The Cooperative Movement
- OTC Administrative Order No. 2000-001, November 28, 2000, as amended
- Executive Order No. 898, series of 1983
- Republic Act No. 9510, otherwise known as the Credit Information System Act (CISA)
- Presidential Decree No. 269, as amended
- Republic Act No. 9136, otherwise known as the Electric Power Industry Reform Act
- Presidential Decree No. 269, as amended