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BY REPRESENTATIVES ESPARES, QUIMBO, SUANSING (M.A.), VILLAFUERTE (M.L.), VILLAFUERTE (V.R.L.), HORIBATA, RIDON, GLEPA, TULFO (R.W.), TULFO (J.), BRIONES, MONTES, YAP (C.), GATCHALIAN, DY (F.), MARCOS, DEGAMO, VELOSO, ODUCADO, NISAY, EMANO, BELTRAN, BARBERS, LORIA, ABALOS, RODRIGUEZ (R.), POE, TAN (K.M.), GARIN, ESCUDERO, TEVES, GARCIA (A.), FUENTEBELLA, SUANSING (B.V.), LAGDAMEO (M.Y.M.), MOMO, ALVAREZ (J.), TAN (J.), AMANTE, GONZALES (A.), SAGARBARRIA, ORDANES, ARROGANCIA, ESPINA, GARCIA (D.), LOPEZ, AQUINO-MAGSAYSAY, BAUTISTA-LIM, CALDERON, CAYTON, CRUZ (R.), DALOG, ORETA, VALERIANO, YATCO, ROMAN, LEGACION, TUAN, AYON, SAN FERNANDO, ZUBIRI, CHAN (J.F.N.J.), COJUANGCO (M.), FLORES, GALANG, LAGBAS, MARQUEZ, ROMULO, VILLARICA, ENVERGA, ELAGO, KO, PANCHO, LAGDAMEO (J.M.), OAMINAL (H.), YU (J.K.), PANALIGAN, TERENG, DIMACUHA, BOLILIA, BULUT-BEGTANG, LOYOLA, SANTOS (M.A.S.), CAGAS AND SINGSON-MEEHAN

AN ACT PROVIDING FOR THE REVISED COOPERATIVE CODE OF THE PHILIPPINES

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

ARTICLE I
GENERAL PROVISIONS

SECTION 1. *Title.* – This Act shall be known and referred to as the "Revised Cooperative Code of the Philippines."

SEC. 2. *Declaration of Policy.* – It is the policy of the State to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people's power towards the attainment of economic development and social justice. The State shall encourage the private sector participation in the actual formation and organization of cooperatives and shall promote an enabling atmosphere for the sustained growth and development of these cooperatives.

To this end, the State shall, through the different branches, subdivisions, instrumentalities, and agencies of the government, regulate the conduct of cooperatives and support the growth and development in partnership with the private sector. The State shall also ensure the provision of technical and financial assistance, and other services to enable the

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

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

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

SEC. 4. *Cooperative Principles and Values.* –

(a) **Cooperative Principles.** – Every cooperative shall conduct its affairs in accordance with Filipino culture, good values, and experience, and shall adhere to the following universally accepted principles of cooperation:

(1) Voluntary and Open Membership – Cooperatives are voluntary organizations, open to all persons who are able to use their services and willing to accept the responsibilities of membership, without discrimination based on gender, social, racial, cultural, political, or religious belief;

(2) Democratic Member Control – Cooperatives are democratic organizations controlled by their members, who actively participate in setting policies and making decisions. Elected representatives are accountable to the membership. In primary cooperatives, each member has equal voting rights pursuant to the principle of "one member, one vote." Cooperatives at other levels are organized and governed in the same democratic manner;

(3) Members' Economic Participation – Members contribute equitably to, and democratically control, the capital of their cooperative. A portion of the capital shall remain the common property of the cooperative. Members may receive limited interest, if any, on capital subscribed and paid as a condition of membership. Members allocate surpluses for any or all of the following purposes: (i) developing their cooperative by

setting up reserves, part of which should at least be indivisible; (ii) benefiting members in proportion to their patronage of the cooperative's business; and (iii) supporting other activities approved by the membership;

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

(5) Education, Training, and Information – Cooperatives shall provide education and training for their directors, officers, members, and employees, so that they can contribute effectively and efficiently to the development of their cooperatives;

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

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

(b) **Cooperative Values.** – Cooperatives are based on the values of self-help, self-responsibility, democracy, equality, equity, and solidarity. Cooperative members also uphold the ethical values of honesty, openness, social responsibility and caring for others.

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

(a) *Area of Operation* refers to the place where the cooperative operates and conducts its business, including its satellite and branch offices, as provided for in its Articles of Cooperation and By-Laws, and other rules and regulations governing cooperatives;

(b) *Articles of Cooperation* refer to the charter document registered with the Authority, including its amendments, that defines and regulates the relations between the cooperative and the State;

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

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

(e) *By-Laws* refers to the document duly registered with the Authority, including its amendments, that defines and regulates the operations of the cooperative and governs the relations between the cooperative and its members, as well as among themselves;

(f) *Clustering* refers to the grouping together of cooperatives under finance, marketing, public utilities, education and advocacy, agriculture, and human services;

(g) *Committees* refer to a body vested with specific functions and responsibilities, including mandatory committees as required by this Code, and such other committees that the Board of Directors deems necessary for the governance of the cooperative's business affairs. Committees shall be composed solely of members in good standing who are entitled to vote and shall operate in accordance with the By-Laws or a resolution passed by the General Assembly or the Board of Directors;

(h) *Compensation* refers to a broad term that includes all forms of remuneration given for services rendered, including salary or wages paid regularly as defined under Article 97 of the Labor Code of the Philippines;

(i) *Education* refers to the teaching and understanding of cooperative principles and values and knowing how to apply them in the day-to-day operations of a cooperative business. It is also concerned with the wider education offered to members for their social development and social impact;

(j) *General Assembly* refers to the full membership of the cooperative duly assembled, physically and/or via video conferencing, for the purpose of exercising all the rights and performing all the obligations pertaining to cooperatives, as provided by this Code, its Articles of Cooperation, and By-Laws;

(k) *Honorarium* refers to a token of appreciation granted for gratuitous services rendered for which no fixed price is set;

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

(m) *Interest on Share Capital* refers to the amount earned by the members on their capital in the cooperative at the end of the calendar year;

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

(o) *Local Development Hubs (LDH)* refer to farming zones or transport infrastructure, which are generally far from formal markets, and serve a minimum of five hundred (500) farmers, linking them to buyers, who may be, among others, traders, processors, and export companies;

(p) *Member* refers to a person either natural or juridical, who has been admitted by the Board of Directors of the cooperative, federation, or union, and has vowed to adhere to the Articles of Cooperation and its By-Laws. Members shall be classified as regular or associate, as qualified by the cooperative: *Provided,* That, whenever applicable:

(1) *Regular members* refer to persons who has complied with all the membership requirements including the Pre-Membership Education Seminar and shall be entitled to all the rights and privileges of membership; and

(2) *Associate members* refer to persons who have no right to vote nor be voted upon, nor be appointed to any position in the cooperative, and shall be entitled only to such rights and privileges as the By-Laws may provide: *Provided,* That an associate member who meets all the requirements of regular membership, continues to patronize the cooperative for two (2) years and signifies intention to remain a member, shall be considered a regular member.

(q) *Member entitled to vote* refers to a regular member who has complied with all the membership requirements of the cooperative, fulfilled all of their duties and obligations, and possesses none of the disqualifications as provided by the Articles of Cooperation and By-Laws of the cooperative;

(r) *Net Surplus* refers to the cooperative's collection from transactions with members and non-members minus the expenses incurred, which shall be allocated in accordance with this Code and the cooperatives' By-Laws;

(s) *Patronage Refund* refers to the payment to members of a percentage or portion of the amount availed of, the interest on loans paid, or other services availed from the cooperative during the calendar year after the distribution of the net surplus;

(t) *Officers of the Cooperative* refers to the members of the Board of Directors, members of the different committees, General Manager or Chief Executive Officer, Secretary, Treasurer, and other officers as may be provided for in their By-Laws. As such, they shall exercise their duties and responsibilities within the scope of their defined functions;

(u) *Per diem* refers to the allowance given as reimbursement for extra expenses incurred by one in the performance of duties;

(v) *Primary Cooperative* refers to a cooperative, registered with the Authority, the members of which are natural persons;

(w) *Registration* refers to the operative act granting juridical personality to a proposed cooperative and is evidenced by a Certificate of Registration;

(x) *Reserve Fund* refers to an account of the cooperative which is set aside from the net surplus of a cooperative to cover unexpected losses, and for such other purposes authorized under this Code;

(y) *Secondary Cooperative* refers to a cooperative, the members of which are juridical persons;

(z) *Share Capital* refers to the equitable contribution of a member to the cooperative fund, the working capital fund of the cooperative, which share shall have a par value of at least One hundred pesos (P100.00) but not more than One thousand pesos (P1,000.00) and issued as common or preferred shares depending on the type of membership with the cooperative, as provided for under the cooperative's Articles of Cooperation and By-Laws;

(aa) *Social Audit* refers to an audit to assess the social impact of the cooperative and its ethical performance vis-à-vis its stated mission, vision, goals, and code of social responsibility. It is a mechanism whereby the cooperative can account for the social performance of the cooperative and evaluate its impact on the community, making the cooperative accountable for its decisions and actions to its members;

(bb) *Subscription Agreement* refers to the document executed by a member to signify the amount that the member intends to contribute to the cooperative fund;

(cc) *Subsidiary Cooperative* refers to a cooperative, all or majority of whose members or shareholders come from another cooperative, organized for any other purpose different from that of, and receives technical, managerial, and financial assistance from the latter, in accordance with the rules and regulations of the Authority;

(dd) *Training* refers to developing the necessary skills of officers, members, and employees in order to run a cooperative in accordance with efficient and ethical business practices and to democratically control and manage their cooperative business responsibly and transparently;

(ee) *Video conferencing* refers to a conference between two (2) or more participants at different sites by using computer networks to transmit audio and video data;

(ff) *Voting by proxy* means allowing a delegate of a cooperative to represent or vote on behalf of another delegate of the same cooperative; and

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

ARTICLE II
PURPOSES AND ORGANIZATION

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

(a) Improve members' economic well-being by increasing income, savings, productivity, and purchasing power through shared resources and equitable distribution of benefits;

(b) Promote thrift and savings mobilization, and provide funds and credit for productive and provident needs;

(c) Develop members' skills and expertise through education and training, and promotion of best and innovative business practices using new technologies;

(d) Strengthen and expand the cooperative movement by collaborating with other cooperatives and the government, promoting membership growth, advancing sustainability, competitiveness, and innovation of cooperatives across industries, and advocating supportive legal and policy frameworks;

(e) Promote people-centered development through cooperatives as instruments of poverty alleviation and community empowerment by providing access to learning, information exchange, and economic opportunities;

(f) Implement policies that shall ensure transparency, accountability, and equitable access to its resources and services, and promote the interests of the members;

(g) Adopt other plans, programs, and activities which shall help foster the welfare of the members, their families, and the community; and

(h) Undertake other lawful activities as may be authorized in the Articles of Cooperation and By-Laws of the cooperative.

SEC. 7. *Cooperatives Not in Restraint of Trade.* – No cooperative organized or operating in accordance with this Act, nor any lawful act performed or agreement entered into pursuant thereto, shall be deemed or construed to constitute a conspiracy, combination in restraint of trade, illegal monopoly, price fixing arrangement or any other act that unduly lessens competition in violation of the laws of the Philippines: *Provided,* That nothing in this Act shall be construed or interpreted as diminishing the jurisdiction of the Philippine Competition Commission to conduct inquiry, investigate and hear and decide on cases involving any violation of competition laws *motu proprio* or upon receipt of a verified complaint from an interested party or upon referral by the concerned regulatory agency.

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

SEC. 8. *Powers, Rights, and Capacities of Cooperatives.* – A cooperative registered under this Act shall have the following powers, rights, and capacities:

(a) To have the exclusive use of its registered name;

(b) To sue and be sued;

(c) Of succession;

(d) To amend its Articles of Cooperation in accordance with the provisions of this Act and adopt By-Laws not contrary to law, morals, or public policy and amend and repeal the same in accordance with this Act;

(e) To purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage, and otherwise deal with such real and personal property as may be reasonably and necessarily required for the transaction of the lawful affairs of the cooperative, subject to the limitations prescribed by law and the Constitution;

(f) To enter into joint venture agreements and partnerships, or any other commercial activity with other cooperatives, corporation, partnerships, the government, or other entities;

(g) To enter into a division, merger, or consolidation in accordance with this Act;

(h) To form subsidiary cooperatives and join apex of cooperatives, federations and/or unions, as provided in this Act;

(i) To avail of loans, be entitled to credit, and to accept and receive grants, donations, and assistance from foreign and domestic sources, subject to conditions that will not undermine the autonomy of the cooperative;

(j) To avail of preferential rights granted to cooperatives under Republic Act No. 7160, otherwise known as the "Local Government Code of 1991," and other laws, particularly the grant of franchises to establish, construct, operate and maintain ferries, wharves, markets or slaughterhouses and lease public utilities, including access to extension and on-site research services and facilities related to agriculture and fishery activities;

(k) To operate branches, satellite, subsidiary, and liaison offices within its area of operation, subject to the rules and regulations issued by the Cooperative Development Authority upon consultation with the sector;

(l) To provide training for their officers and members for continued development and personal improvement. If a cooperative is unable to provide training for its members, it may engage the services of a federation where it is a member, a union, an advocacy cooperative, government agencies/entities, or cooperative development offices of local government units; and

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

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

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

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

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

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

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

SEC. 12. *Term of Existence of Cooperative.* – A cooperative shall have perpetual existence from the date of registration unless voluntarily dissolved or the Certificate of Registration is cancelled for causes provided under this Act: *Provided,* That cooperatives registered under Republic Act No. 9520, otherwise known as the "Philippine Cooperative Code of 2008," with limited term of existence shall be deemed to have perpetual existence through an amendment of their Articles of Cooperation in accordance with this Act and the rules of the Authority.

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

The Articles of Cooperation shall contain the following provisions:

(a) Name of the cooperative which shall include the word "Cooperative," "Coop," "*Koop,*" or "*Kooperatiba*" and shall likewise specify the type of cooperative;

(b) Purpose or purposes and the economic activities for which the cooperative is to be registered: *Provided,* That a cooperative shall engage only in economic or business activities included in its Articles of Cooperation and By-Laws;

(c) Powers and capacities;

(d) Area of operation, the postal address of its principal office, and the official electronic mail address of the cooperative;

(e) Names, nationality, and the postal addresses of the cooperators;

(f) Common bond of membership;

(g) List of names of the directors;

(h) Amount of authorized, subscribed, and paid-up share capital, the number of shares, and the par-value of each share, and the names of the cooperators, except for cooperative unions;

(i) A statement as to whether the cooperative is primary or secondary;

(j) Certificate of Authority from the appropriate government agency; and

(k) Other provisions consistent with this Act or any related law.

SEC. 14. *By-Laws.* – Every cooperative to be registered under this Act shall adopt By-Laws consistent with the provisions of this Act. The By-Laws of each cooperative shall contain the following provisions:

(a) The qualifications for admission to membership;

(b) The equitable contribution or interest to be acquired as a condition precedent for the exercise of the right of membership;

(c) The rights, privileges, duties, responsibilities, and liabilities of membership;

(d) The circumstances under which membership is acquired, maintained, and terminated, and the procedure to be followed;

(e) The conditions under which the transfer of a share or interest of the members shall be permitted;

(f) The general conduct of the affairs of the cooperative relative to agenda, time, place and manner of calling, convening, and conducting meetings, quorum requirements, voting systems of the General Assembly, the Board of Directors, committees and the officers, including their qualifications, disqualifications, powers, duties, and responsibilities;

(g) The manner in which the capital may be raised and the purposes for which it can be utilized;

(h) The accounting and auditing systems as prescribed by the Authority;

(i) The manner of contracting loans and borrowings including the limitations thereof;

(j) The allocation and distribution of net surplus;

(k) The manner of adopting and amending By-Laws;

(l) The institution of a conciliation or mediation mechanism for the amicable settlement of disputes among officers and members of the cooperative; and

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

ARTICLE III
REGISTRATION

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

Except for cooperative unions as described under Section 27 hereof, no cooperative shall be registered unless the Articles of Cooperation is accompanied with the surety bonds of the accountable officers and a sworn statement of the Treasurer showing at least twenty-five percent (25%) of the authorized share capital has been subscribed and at least twenty-five percent (25%) of the total subscription has been paid.

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

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

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

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

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

Both the original and amended Articles of Cooperation and By-Laws shall contain all provisions required by law. Amendments shall be indicated by underscoring or otherwise appropriately indicating the change or changes made. A copy of the amended Articles of Cooperation and By-Laws shall be duly certified under oath by the cooperative secretary and a majority of the directors stating the fact that the amendment or amendments to the Articles of Cooperation and By-Laws have been duly approved by the required vote of the members. All amendments to the Articles of Cooperation or By-Laws shall be submitted to the Authority.

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

SEC. 19. *Contracts Executed Prior to Registration and Effects Thereof.* – Contracts executed between private persons and cooperatives prior to the registration of the cooperative shall remain valid and binding between the parties and upon registration of the cooperative, insofar as it redounds to the benefit of the cooperative. A formal written contract shall be adopted and made in the cooperative's name or on its behalf prior to its registration.

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

ARTICLE IV
TYPES AND CATEGORIES OF COOPERATIVES

SEC. 21. *Clusters and Categories of Cooperatives.* – The following are the clusters and categories of cooperatives:

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

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

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

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

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

(iv) Credit Surety Fund Cooperatives – cooperatives partnered with local government units and comprised of well-capitalized and well-managed member-cooperatives or nongovernment organizations that meet the criteria and qualifications prescribed by the Authority, local government units, government financial institutions, and other government agencies, as provided under Republic Act No. 10744, otherwise known as the "Credit Surety Fund Cooperative Act of 2015";

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

(vi) Savings and Deposits Cooperatives – engaged solely in promoting and encouraging savings among its members; and

(vii) Such other cooperatives as may, in consultation with the sector, be determined by the Authority to fall within this cluster;

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

(i) Consumers Cooperatives – engaged primarily in procuring and distributing commodities to members and non-members;

(ii) Marketing Cooperatives – engaged in the supply of production inputs to members and in the marketing, trading, and processing of their products;

(iii) Logistics Cooperatives – engaged in operations involving facilities and supplies whose business is related to the supply chain;

(iv) Producers Cooperatives – engaged in joint production and processing, whether agricultural or industrial, of raw materials or goods by the members for sale by the cooperative. Any end product or its derivative arising from the raw materials produced by the members, sold in the name and for the account of the cooperative, shall be deemed a product of the cooperative and its members; and

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

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

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

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

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

(iv) Technology Services Cooperatives – organize to provide the members with services that are designed to facilitate the use of information technology by end users, electronic money issuers licensed by Bangko Sentral ng Pilipinas, or provide specialized technology-oriented solutions by combining the processes and functions of software, hardware, networks, telecommunications, and electronics, among others;

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

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

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

(i) Advocacy Cooperatives – promote policies for the general interest and welfare of the members, the sector, and the public to foster community growth and strengthen the cooperative movement through education and training, research and communication, campaigns, lobbying, and other similar activities to reach out to intended beneficiaries;

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

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

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

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

(ii) Agricultural cooperatives – comprised of individuals engaged in agricultural activities, who voluntarily organized themselves as agricultural-based economic enterprises established through joint investment, joint ownership, and joint management for the purpose of improving agricultural production capacity, agro-industry, agri-business, or services related to agricultural production; including other cooperatives whose primary business activity is at least fifty percent (50%) related to agricultural production, agro-industry, agri-business, or other services related to agricultural activities production. Agricultural activities include production, processing, logistics, distribution of products, and other allied activities such as savings and credit, marketing, agricultural extension, farm education, and agri-tourism;

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

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

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

(vi) Irrigators cooperatives – engaged in providing sustainable irrigation services for farmers; and

(vii) Such other cooperatives as may, in consultation with the sector, be determined by the Authority to fall within this cluster;

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

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

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

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

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

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

(7) *Multipurpose cooperative* refers to a cooperative which combines two (2) or more of the business activities of the different types of cooperatives.

(b) Categories of Cooperative – Cooperatives shall be categorized as follows:

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

(i) Primary - The members of which are natural persons; and

(ii) Secondary - The members of which are juridical persons;

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

(3) In terms of asset size, cooperatives shall adhere to the enterprise classification prescribed under Section 3 of Republic Act No. 6977, as amended, or such classification as may be adopted by the Department of Trade and Industry.

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

ARTICLE V
FEDERATION OF COOPERATIVES

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

SEC. 24. *Members of a Federation of Cooperatives.* – The minimum number of members of a federation of cooperatives shall be at least ten (10) primary or secondary cooperatives, or any combination thereof.

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

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

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

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

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

SEC. 26. *Duties and Functions of a Federation of Cooperatives.* – A federation of cooperatives shall undertake the following duties and functions:

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

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

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

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

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

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

(g) To assist members in the preparation and submission of required reports and ensure compliance with the requirements of the Authority and other government or regulatory bodies;

(h) To act as liquidators or render assistance in the liquidation of the remaining assets of dissolved/cancelled primary cooperative members upon request of the dissolved cooperative;

(i) To develop programs on education, training, monitoring, coaching, research, and advocacy that complement, augment, and supplement the business operation of their members;

(j) To conduct training programs to member-cooperatives in its capacity as an accredited training provider;

(k) To promote knowledge and application of cooperative principles and practices;

(l) To conduct or sponsor studies on the economic, legal, financial, social, and other phases of cooperation, and to publish the results thereof;

(m) To inspect its members, upon the written request of the Authority, to determine compliance with applicable laws, rules, regulations, and policies issued by the Authority;

(n) To assist member-cooperative in ensuring their compliance with applicable laws, rules, regulations, and policies, including orders issued as a result of inspection or examination by the appropriate government agency;

(o) To offer financial services including the creation of cooperative protection schemes such as insurance and the creation of stability and resiliency funds; and

(p) To perform such other functions as may be necessary to attain its objectives.

ARTICLE VI
COOPERATIVE UNIONS

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

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

(a) To represent its member organizations;

(b) To acquire, analyze, and disseminate, economic, statistical, and other information relating to its members and to all types of cooperatives within its area of operation;

(c) To conduct research studies in the economic, legal, financial, social and other phases of cooperation, and publish the results thereof;

(d) To conduct trainings to member-cooperatives as an accredited training provider;

(e) To promote knowledge and application of cooperative principles and practices in their respective jurisdictions;

(f) To assist the national and local government units in cooperative development activities within their respective jurisdiction;

(g) To assist in the dissemination and monitoring of the Philippine Cooperative Development Plan;

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

(i) To inspect its members, upon the written request of the Authority, to determine compliance with applicable laws, rules, regulations, and policies issued by the Authority;

(j) To advise the appropriate authorities on matters relating to cooperatives at the municipal, city, provincial or regional levels;

(k) To act as liquidators or render assistance in the liquidation of the remaining assets of dissolved/cancelled primary cooperative members upon request of the dissolved cooperative;

(l) To serve as the exclusive conciliator-mediator in the resolution of disputes between member-cooperative and third parties; and

(m) To do and perform such other non-business activities as may be necessary, and such other allied services incidental to attaining the foregoing objectives, such as but not limited to, the maintenance of training centers, catering, lease of venue, lodging, publication, and reproduction and sale of training and research materials.

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

SEC. 28. *Sources of Funds for Cooperative Unions.* – The funds of a cooperative union shall be sourced from the membership fees, dues and contributions, Cooperative Education and Training Fund from member-cooperatives, training fees, fundraising activities, donations, grants, and subsidies from local and foreign sources, whether private or public: *Provided,* That donations, grants, subsidies, or assistance from public sources, whether local or foreign, shall be subject to existing laws, rules, and regulations, including the applicable general and special provisions of the annual General Appropriations Act.

ARTICLE VII
MEMBERSHIP

SEC. 29. *Membership.* – A cooperative shall have regular members or associate members.

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

SEC. 30. *Qualifications of Membership.* – Members of registered primary cooperatives must be natural persons, Filipino citizens, or former natural-born Filipino citizens, of legal age, with capacity to enter into a contract, having a common bond of membership, and must possess the qualifications and none of the disqualifications as

provided for in the By-Laws of the cooperative: *Provided,* That the age requirement shall not apply to laboratory cooperatives as defined in Section 9. A member must have completed the Pre-Membership Education Seminar.

SEC. 31. *Government Official Eligibility to Become Officers of Cooperatives.* – All elective officials of the government shall be ineligible to become officers of cooperatives: *Provided,* That the disqualification does not extend to a party-list representative who represents the cooperative sector: *Provided, further,* That nothing precludes cooperatives from engaging in activities in support of party-lists representing the sector, such as, but not limited to, participating in campaigning or donating funds.

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

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

SEC. 34. *Processing of Applications for Membership.* – All application for membership shall be acted upon by the Board of Directors as fixed in the By-Laws but not later than thirty (30) days after the submission of complete requirements, otherwise the application shall be deemed approved.

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

SEC. 35. *Member's Subscription.* – A member shall be liable for the debts of the cooperative to the extent of his subscription to the share capital of the cooperative.

SEC. 36. *Termination of Membership.* – A member may withdraw from membership in the cooperative by submitting a written notice to the Board of Directors. The Board of Directors shall act upon such notice within sixty (60) days from receipt thereof: *Provided,* That the withdrawal complies with the requirements and procedures prescribed in the By-Laws of the cooperative.

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

SEC. 38. *Ground of termination of Membership.* – Membership may be terminated on the following grounds:

(a) Failure to patronize any services of the cooperative for an unreasonable period of time as provided in the By-Laws;

(b) Failure to comply with the other obligations as provided for in the By-Laws;

(c) Violation of the By-Laws and the policies of the cooperative;

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

(e) Others, as may be provided in the By-Laws of the cooperative.

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

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

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

SEC. 39. *Refund of Interests.* – All sums computed in accordance with the By-Laws due from a cooperative to a former member shall be paid to such member by the cooperative, in accordance with this Act and as prescribed in the implementing rules and regulations: *Provided,* That if upon such payment, the value of the assets of the cooperative would be less than the aggregate amount of its debts and liabilities exclusive of the share capital of members contribution, such refund shall not be made.

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

ARTICLE VIII
ADMINISTRATION

(A) General Assembly

SEC. 40. *General Assembly/Representative Assembly, Concept.* – The General Assembly is the full membership of the cooperative duly assembled, physically, via video conferencing, or both for the purpose of exercising all the rights and performing all the obligations pertaining to cooperatives, as provided in this Act, and in its Articles of Cooperation and By-Laws.

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

SEC. 41. *Powers of the General Assembly or Representative Assembly.* – The General Assembly shall be the highest policy-making body of the cooperative and shall exercise such powers as are stated in this Act, and in the Articles of Cooperation and By-Laws of the cooperative. The General Assembly may delegate the exercise of its powers to the Board of Directors by three-fourths (3/4) vote of all its members entitled to vote, present and constituting a quorum: *Provided,* That such delegated powers shall be specifically enumerated in the By-Laws of the cooperative: *Provided, further,* That the following powers cannot be delegated:

(a) Determine and approve amendments to the Articles of Cooperation and By-Laws;

(b) Elect or appoint the members of the Board of Directors, and to remove them for cause. However, in the case of the electric cooperatives registered under this Act, election of the members of the Board of Directors shall be held in accordance with the By-Laws or election guidelines of such electric cooperative; and

(c) Approve developmental and annual strategic plans, and budget of the cooperative.

SEC. 42. Regular *Meetings.* – The regular annual general meeting of a cooperative shall be held on a date and place fixed in the By-Laws which date shall be within ninety (90) days from the close of each calendar year for primary cooperatives and within one hundred eighty (180) days for secondary cooperatives. Notice of regular meetings shall be in writing to all members of record, either by posting or publication, or through other electronic means.

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

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

(a) Presentation of approved Articles of Cooperation and By-Laws;

(b) Approval of business plans and annual budget; and

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

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

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

SEC. 45. *Mode of Conducting Regular or Special Assembly Meetings.* – Regular and special assembly meetings may be conducted in any of the following manner:

(a) Duly assembled in one venue, wherein the meeting is conducted in one day; or
(b) Duly assembled in different venues, wherein the meetings are held on the same day.

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

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

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

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

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

SEC. 47. *Voting System.* – Each member of a primary cooperative shall have only one (1) vote regardless of the amount of share capital of the member.

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

(B) Board of Directors

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

SEC. 49. *Composition and Term.* – The Board of Directors shall be composed of not less than five (5) nor more than fifteen (15) members, elected by the General Assembly for a term of two (2) years each such that approximately one-half of the Board of Directors is elected each year, with maximum term not exceeding three (3) consecutive terms.

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

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

For federations and unions, a member-cooperative shall have only one (1) representative eligible to run and be voted upon as a member of the Board of Directors irrespective of the member-cooperative's share capital holdings.

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

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

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

SEC. 52. *Prohibition.* – The members of the Board of Directors shall not hold any other position directly involved in the day-to-day operation and management of the cooperative.

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

SEC. 53. *Meetings of the Board of Directors.* – Regular meetings of the Board of Directors shall be held at least once a month, except in the case of federation and union cooperatives which shall be as prescribed in its By-Laws.

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

Only two (2) special meetings may be held within one (1) month.

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

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

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

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

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

Directors cannot attend or vote by proxy at Board meetings.

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

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

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

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

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

(C) Committee Organization and Vacancies

SEC. 60. *Creation of Committees.* – The By-Laws shall provide for the creation of the following committees: Audit, Election, Mediation and Conciliation, Ethics, and Gender and Development. Members of the Audit and Election committees shall be elected by the General Assembly while members of Mediation and Conciliation, Ethics, and Gender and Development shall be appointed by the Board of Directors.

The Audit committee shall be directly accountable and responsible to the General Assembly. It shall have the power and duty to continuously monitor the adequacy and effectiveness of the cooperative's management control system and audit the performance of the cooperative and its various responsibility centers

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

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

SEC. 62. *Vacancy in the Committees.* – Unless otherwise provided in the By-Laws, the Board of Directors, in case of a vacancy in the committees, may call an election to fill the vacancy or appoint a person to fill the same subject to the limitation that the person elected or appointed shall serve only for the unexpired portion of the term.

(D) Responsibility and Accountability of Directors, Officers and Committee Members

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

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

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

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

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

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

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

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

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

SEC. 66. *Dealings of Directors, Officers, or Committee Members.* – A contract entered into by the cooperative with one (1) or more of its directors, or their spouses and relatives within the third civil degree of consanguinity or affinity, is voidable, at the option of the cooperative, unless the following conditions are present:

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

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

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

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

Where any of the first two (2) conditions set forth in the first paragraph of this Section is absent, such contract may be ratified by a three-fourths (3/4) vote of all the members entitled to vote and present at a meeting called for the purpose: *Provided,* That full disclosure of the adverse interest of the directors involved is made at such meeting, and that the contract is fair and reasonable under the circumstances.

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

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

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

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

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

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

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

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

SEC. 70. *Where to File Complaints.* – All complaints for the removal of an officer shall be filed with the Ethics Committee for investigation except for an elected officer who is not a member of the Board of Directors, in which case the investigation shall be conducted by the Board of Directors. The officer concerned may be placed under preventive suspension by a majority vote of the Ethics Committee or the Board of Directors as the case may be.

SEC. 71. *Prima Facie Findings of Guilt.* – Upon finding of *prima facie* evidence of guilt, the Board of Directors or the Ethics Committee shall notify the officer concerned and present its finding in a regular or special General Assembly called for the purpose. The officer concerned shall be given an opportunity to be heard at the said Assembly. Removal of an officer shall require at least three-fourths (3/4) votes of the members entitled to vote and present in a regular or special General Assembly meeting called for the purpose.

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

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

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:

(a) A copy of this Act, its implementing rules and regulations, and all other laws pertaining to cooperatives;

(b) A copy of the Certificate of Registration, including the Articles of Cooperation and the By-Laws of the cooperative;

(c) A registry of members;

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

(e) The stub certificate and transfer book, except for cooperative unions;

(f) Financial statements and other financial records; and

(g) 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.

The Audit Committee shall be responsible for the continuous and periodic review of the books and records of accounts to ensure that these are in accordance with generally accepted accounting practices.

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

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

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

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

SEC. 79. *Period for Filing Reports.* – The report shall be filed within the Authority within one hundred twenty (120) days from the end of the calendar year in such form and content prescribed by the Authority.

SEC. 80. *Failure to File Reports.* – In the event that a cooperative fails to prepare and file the reports required herein, or omits any material information mandated by law or regulation, the Authority shall, within thirty (30) days from the expiration of the prescribed period, issue a

written notice of noncompliance specifying the deficiency and the corresponding fines and penalties that will be imposed until such time that the cooperative has complied with the requirements.

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

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

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

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

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

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

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

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

Within thirty (30) days upon approval of the registration of a cooperative, the bonds of the accountable officers shall be submitted to the Authority. The bond for the cooperative's Treasurer shall be ten percent (10%) of the sum of the initial paid-up capital and membership fees. The bonds for all accountable officers shall be renewed annually and adjusted accordingly. Failure to comply with the bonding requirements may result in the imposition of administrative sanctions as may be determined by the Authority.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(a) 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 shall be

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

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

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

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

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

(ii) Gross receipts from lending activities by credit or multipurpose cooperatives duly registered with the Authority; and

(iii) Sales by non-agricultural, non-electric and non-credit cooperatives duly registered with the Authority: *Provided,* That the share capital contribution of each member does not exceed One hundred thousand pesos (P100,000.00) and regardless of the aggregate capital and net surplus ratably distributed among the members.

Provided, That the exempt transactions in the foregoing shall include sales made by cooperatives duly registered with the Authority organized and operated by their members to undertake the production and processing of raw materials or of goods produced by their members into finished or processed products for sale by the cooperatives to their members and non-members: *Provided, however*, That any processed product or its derivative arising from the raw materials produced by their members, sold in the name and for the account of the cooperative shall be deemed a product of the cooperative and its members: *Provided, further,* That Value-added Tax shall not be imposed for the purchase by transport service cooperatives of modernized vehicles under any national program for the modernization of public transportation, as may hereafter be renamed or amended, currently referred to as the Public Transportation Modernization Program;

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

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

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

(d) Any register of deeds shall accept for registration, free of charge, any instrument relative to a loan made under this Act which does not exceed Five hundred thousand pesos (P500,000.00) or the deeds of title of any property acquired by the cooperative or any paper or document drawn in connection with any action brought by the cooperative or with any court judgment rendered in its favor or any instrument relative to a bond of any accountable officer of a cooperative for the faithful performance of their duties and obligations.

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

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

SEC. 92. *Issuance of Certificate of Tax Exemption for Cooperatives.* – The Authority shall furnish the Bureau of Internal Revenue a certified endorsement of a list of cooperatives in good standing and compliant with the reportorial requirements of the Authority that shall serve as basis for the issuance of a Certificate of Tax Exemption. The Bureau of Internal Revenue and the Authority shall jointly formulate and issue the necessary guidelines in streamlining the issuance of Certificate of Tax Exemption for cooperatives: *Provided,* that the individual taxpayer identification number of members of the cooperative shall not be a requirement in the processing of application and renewal of Certificate of Tax Exemption.

SEC. 93. *Privileges of Cooperatives.* – Notwithstanding the provisions of any law to the contrary, cooperatives registered under this Act shall have the following privileges:

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

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

(c) Cooperatives engaged in the provision of special services and facilities including, but not limited to, cold storage, ice plant, electricity, transportation, water, communications, and similar utilities shall be accorded priority and preferential consideration in the grant of any franchise or certificate of public convenience and necessity: *Provided,* That such cooperatives shall maintain their membership open to all persons qualified within their respective areas of operation;

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

(d) In areas where there are agricultural cooperatives, at least fifty percent (50%) of the total procurement requirement of the government institutions, local government units, and agencies, which includes, but is not limited to, rice, corn, grains, fish and other marine products, meat, eggs, milk, vegetables, whether raw or processed, and other agricultural commodities such as fertilizers, seeds and other agricultural inputs and implements, shall be sourced from such cooperatives;

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

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

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

(h) The Philippine Deposit Insurance Corporation and other government agencies, government-owned and -controlled corporations, and government financial institutions shall provide technical assistance to registered federations with significant engagement in savings and credit operations to establish and strengthen their own cooperative deposit insurance systems and 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 Republic Act 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 Government Procurement and Policy Board, in consultation with the Department of Budget and Management, the Cooperatives Development Authority, 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 or other acts intended to discourage membership in support for such cooperative;

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

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

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

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

ARTICLE X
DIVISION, MERGER AND CONSOLIDATION OF COOPERATIVES

SEC. 94. *Division of Cooperatives.* – A duly registered cooperative may, by a resolution approved by at least a vote of two-thirds (2/3) of all members entitled to vote, divide itself into two (2) or more cooperatives. Such division of the cooperative shall be valid: *Provided,* That the purpose of the division is not to defraud the creditors, and shall ensure the continuity of the existing government programs and projects in which the cooperative participates.

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

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

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

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

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

SEC. 96. *Effects of Merger and Consolidation.* – The merger and consolidation of cooperatives shall have the following effects:

(a) In case of merger of cooperatives, the constituent cooperatives shall become a single cooperative with the surviving cooperative being the entity designated in the duly approved Plan of Merger. In case of consolidation of cooperatives, the consolidated cooperative shall be the new cooperative.

(b) The single cooperative or the consolidated cooperative, as the case may be, shall possess all the assets, rights, privileges, immunities, and franchises, and shall assume all liabilities and obligations of the constituent cooperatives.

(c) Any claim, action, or proceeding instituted by or against the constituent cooperatives may be continued by the single or consolidated cooperative, as the case may be.

(d) The merger or consolidation shall not impair the rights of creditors nor any lien upon the property of the constituent cooperatives.

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

ARTICLE XI
INSOLVENCY, SUSPENSION, DISSOLUTION, LIQUIDATION, AND DELISTING OF COOPERATIVES

SEC. 97. *Proceedings Upon Insolvency.* – If a cooperative is unable to fulfill its obligations to creditors due to insolvency, it may avail of the remedies provided under Republic Act No. 10142, otherwise known as the "Financial Rehabilitation and Insolvency Act (FRIA) of 2010."

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

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

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

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

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

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

If the petition is sufficient in form and substance, the Authority shall issue an order reciting the purpose of the petition and shall fix a date for such purpose which shall not be less than thirty (30) nor more than sixty (60) days after the entry of the Order. Before such date, a copy of the Order shall be published at least once in a newspaper of general circulation published in the municipality or city where the principal office of the cooperative is situated, or in the absence of such local newspaper, in a newspaper of general circulation in the Philippines at the expense of the cooperative, a copy shall likewise be posted for three (3) consecutive weeks in three (3) public places in the municipalities or cities where the cooperative's area of operation is located, and through its official website and social media accounts.

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

(a) The assets and liabilities of the cooperative;

(b) The claim of any creditor;

(c) The number of members;

(d) The nature and extent of the interests of the members of the cooperative; and

(e) The appointment of liquidators.

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

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

(a) Having obtained its registration by fraud;

(b) Engaging in an illegal and/or unauthorized purpose;

(c) Willful violation, despite written notice by the Authority, of the provisions of this Act or its implementing rules and regulations, other issuances of the Authority, or the cooperative's By-Laws;

(d) Willful refusal to comply with any lawful order, written instruction, or directive of the Authority;

(e) Willful failure to operate on a cooperative basis, or based on cooperative principles and practices;

(f) Failure to meet the required minimum capital and minimum number of members in the cooperative; or

(g) Failure to commence business operations within three (3) years from issuance of its Certificate of Registration.

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

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

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

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

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

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

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

SEC. 104. *Delisting of Cooperatives.* – A cooperative may be delisted from the Registry of Cooperatives due to any of the following causes:

(a) Voluntary Dissolution;

(b) Involuntary Dissolution;

(c) Cancellation by Order of the Authority;

(d) Cancellation by Failure to Operate; and

(e) Merger or Consolidation.

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) Share capital of Members;

(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.

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

(a) The member has held such share capital contribution or interest for more than one (1) year;

(b) The assignment is made to the cooperative, to another member of the cooperative, or to a person who falls within the field of membership of the cooperative; and

(c) In case of death or legal incapacity of a member, the member's shares or interest may be assigned or transferred to the heir, legal representative, the cooperative, or a qualified person within the field of membership of the cooperative.

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

SEC. 109. *Shares.* – The term "share" refers to a unit of capital in a cooperative, except for cooperative unions. The par value of a share may be fixed at any figure not less than One hundred pesos (P100.00) but not more than One thousand pesos (P1,000.00): *Provided,* That shares shall be issued and subscribed in amounts divisible by One hundred pesos (P100.00). The share capital of the cooperative is the money paid or required to be paid by the members for the operations of the cooperative.

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

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

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

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

SEC. 111. *Investment of Capital.* – A cooperative, upon approval of at least three-fourths (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; and

(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, and is accredited by both the Board of Accountancy and the Authority.

However, if the assets of cooperatives are Three million pesos (P3,000,000.00) 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 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 General Assembly in its next meeting for approval and adoption. The Board of Directors shall be subject to administrative sanctions under Section 193 of this Act should it fail to present such reports to the General Assembly.

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

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

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

(a) The member has improperly used any information secured through any prior examination of the records of such cooperative or of any other cooperative; or

(b) The member is not acting in good faith or for a legitimate purpose in making the demand to examine records.

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

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

ARTICLE XIV
ALLOCATION AND DISTRIBUTION OF NET SURPLUS

SEC. 118. *Net Surplus.* – Notwithstanding the provisions of existing laws, the net surplus of cooperatives shall be determined in accordance 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 percent (10%) of the net surplus, or at least thirty percent (30%) for the first five (5) 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 eighty percent (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 Cooperative Education and Training Fund 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 or union that the cooperative opted to join, which shall redound to the benefit and development of the member-cooperatives, through trainings, seminars, and other related activities.

Should a cooperative have multiple affiliations, it shall have the discretion on how to allocate the Cooperative Education and Training Fund, provided that at least ten percent (10%) of such amount shall be allocated to each union with which it is affiliated.

While cooperatives are not required to join any union or federation, said half of the Cooperative Education and Training Fund shall still be remitted to a union or federation of their choice, subject to the minimum ten percent (10%) allocation to a union.

(2) Upon dissolution of the cooperative, any unexpended balance of the Cooperative Education and Training Fund shall be remitted to the federation or union with which the cooperative is affiliated, to be used exclusively for cooperative education and training purposes.

(c) The *Community Development Fund (CDF),* which shall not be less than three percent (3%) of the net surplus, shall be used for projects or activities that will benefit the community where the cooperative operates. In the case of cooperatives whose common bond of

membership is institutional, the community refers to the institution where the cooperative is operating, subject to the allowed assistance as provided in the succeeding paragraphs.

For medium and large cooperatives, the Community Development Fund shall be used for infrastructure projects, which must be at least fifty percent (50%) but not exceed sixty percent (60%) of the total Community Development Fund allocated, while the remaining amount shall be used for social services. For micro and small cooperatives, the Community Development Fund shall be used for infrastructure projects and social services at their desired percentage of allocation.

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

Total allocation for calamity, disaster, or national emergency assistance, whether within or outside its area of operation, shall not exceed fifty percent (50%) of the total allocation for Community Development Fund.

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

(d) The *Optional Fund,* which shall not exceed seven percent (7%), shall be used for the acquisition of land, construction of buildings, digitalization, and other expenses for compliance with regulatory requirements, as approved by the General Assembly.

This fund may also be used for the benefit of members and employees under exceptional circumstances, such as a pandemic, crisis, or force majeure. However, if the Optional Fund is insufficient, any deficiency may be charged to direct expenses.

(e) The sum of the Community Development Fund and Optional Fund shall not exceed ten percent (10%).

(f) The remaining net surplus shall be made available in full to the members in the form of patronage refund or interest on share capital, following the formula for computation as provided by the Authority: *Provided,* That this is approved by a majority of the members entitled to vote, present at a meeting called for the

purpose: *Provided, further,* That the amount to be returned to the members shall not be lower than twenty-five percent (25%) of the net surplus: *Provided, furthermore,* That at least thirty percent (30%) of such amount shall be returned in the form of patronage refund.

(g) The sum allocated for patronage refunds shall be made available at the same rate to all patrons of the cooperative in proportion to their individual patronage: *Provided,* That:

(1) In the case of a member patron with paid-up share capital contribution, their proportionate amount of patronage refund shall be paid to such member unless they agree to credit the amount to their account as additional share capital contribution;

(2) In the case of a member patron with unpaid share capital contribution, their proportionate amount of patronage refund shall be credited to their account until their share capital contribution has been fully paid;

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

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

ARTICLE XV
AGRICULTURAL COOPERATIVES

SEC. 120. *Coverage.* – This Article shall apply to all agricultural cooperatives, as defined in this Act: *Provided,* That the provisions of the other articles of this Act shall apply suppletorily.

SEC. 121. *Cooperative Business Activities and Allied Services.* – A duly registered agricultural cooperative may engage in all or any of the following activities:

(a) Raising or culture of plants, high-value crops, animals, fish, poultry, livestock, and other agri-products as source of food, feed, and fiber;

(b) Marine and inland fishing;

(c) Production of salt;

(d) Community and social forestry;

(e) Provision of credit facilities for marginal farmers and fishermen;

(f) Facilitating the production, procurement, marketing, and distribution of farm inputs/implements for its members such as, but not limited to, meat-type and dairy animals, planting materials, semen, silage, feeds, veterinary supplies, seeds, fertilizers and chemicals, farm equipment, food processing and engineering supplies/equipment, and other inputs as may be needed by the agricultural industry;

(g) Propagation, production, harvest, postharvest, processing, packing, repacking, marketing, exportation, and sale of members' agri-products and by-products, and/or produce;

(h) Maintenance and management of irrigation systems, water impounding, and other agricultural facilities;

(i) Other allied services such as, but not limited to, warehousing, cold storage, and other post-harvest services, hauling, and transport of members' products/produce and such other similar business services and activities that will reduce cost and/or value addition of output; and

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

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

SEC. 122. *Pre-Cooperative Agricultural Organization.* – A group of natural persons intending to form an agricultural cooperative may voluntarily form a Pre-Cooperative Agricultural Organization that shall have its own juridical personality or accreditation with the local government unit to undertake activities.

The Department of Agriculture and the Authority, in coordination with the local government unit-Cooperative Development Offices, shall assist Pre-Cooperative Agricultural Organizations so that they can formally organize as cooperatives under this Act: *Provided,* That should the Pre-Cooperative Agricultural Organization decide to formally organize as a cooperative, it must comply with the provisions of Sections 9 and 15 of this Act. Further, Section 19 shall apply to all contracts executed by pre-cooperative organizations prior to registration under this Act.

The Department of Agriculture, Department of the Interior and Local Government, and the Authority shall jointly issue guidelines on the mechanisms for Pre-Cooperative Agricultural Organizations.

SEC. 123. *Registration of Agricultural Cooperatives.* – The registration of agricultural cooperatives shall be in accordance with Sections 15 and 16 of this Act.

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

SEC. 124. *Minimum Capital Requirements of Agricultural Cooperatives.* – Primary agricultural cooperatives shall be exempt from any increase in the minimum initial capital requirement, which shall remain at Fifteen thousand pesos (P15,000.00).

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

(a) *Residential* – members are farmers, farm workers, fisherfolk who are actually and physically residing within the area of operation;

(b) *Occupational* – members are those who are engaged in raising, culture of plants, animals, as well as those from the technical and scientific communities of the agriculture sector;

(c) *Associational* – members are from registered associations, groups, clubs, cultural and other similar aggrupation of farmers, farm workers, and fisherfolk; and

(d) *Institutional* – members consist of employees, workers and/or officers of a particular institution who will undertake or are undertaking agricultural projects.

SEC. 126. *Clustering and Consolidation.* – In order to pool their resources for increased viability and market competitiveness, the Department of Agriculture, in collaboration with the Department of Agrarian Reform, Department of Trade and Industry, Cooperative Development Authority, and the cooperative sector, shall jointly establish a program and guidelines to promote and encourage agricultural cooperatives, and facilitate their cooperation into clusters that will encompass the whole agricultural value chain including, but

not limited to, land consolidation, postharvest processing, distribution, logistics, marketing, and promotions within ninety (90) days from the effectivity of this Act.

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

The terms and conditions of the partnership or joint venture shall be determined by the cooperative, subject to such additional requirements as may be prescribed in the implementing rules and regulations of this Act.

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

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

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

SEC. 129. *Role of National Coordinating Committee for Agricultural Cooperatives Development.* – The Authority shall mobilize and provide technical, administrative, and funding support to the National Coordinating Committee on Cooperatives Development for the promotion of the growth, viability, and development of agricultural cooperatives, including the inter-agency coordination with the Farmers and Fisherfolk Enterprise Development Council on relevant programs and initiatives.

SEC. 130. *Role of the Local Government Units.* – The Local Government Units shall:

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

(b) Create a Committee on Agricultural Cooperatives Development in the Local Legislative Council which shall focus on addressing legislative concerns on agricultural cooperatives;

(c) Legislate necessary ordinances for the promotion and development of agricultural cooperatives;

(d) Disseminate information to people and facilitate the establishment and development of the management and operations of agricultural cooperatives in their respective localities;

(e) Facilitate or expedite the issuance of necessary local permits and clearances for the operation of agricultural cooperatives, as well as for the programs and projects of the Authority and other national government agencies that are implemented within their respective localities for the benefit of agricultural cooperatives;

(f) Upon written request of the Authority, assist in the resolution of inter-cooperative disputes among agricultural cooperatives operating within their localities;

(g) Facilitate and conduct free and regular seminars, trainings, or conferences necessary for the organization, registration, management and operations of agricultural cooperatives;

(h) Provide technical assistance and skills training for farmers, farm workers, and fisherfolk to engage in income-generating activities;

(i) Provide access to land for agricultural cooperatives for farming and other purposes which include leasing or allocating public lands for cooperatives use;

(j) Offer financial support to agricultural cooperatives through grants, subsidies, or low-interest on loans; and

(k) Facilitate linkage between agricultural cooperatives and other institutions offering assistance or services.

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

(a) Taxes, Duties, and Liens:

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

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

shall be solidarily liable to pay twice the amount of the imposed tax and/or duties;

(b) Training and Conferences – All training and/or conferences necessary for the organization, registration, management and operations of an agricultural cooperative shall be given free of charge, including costs of venue, training materials, and honoraria for speakers and resource persons. The Cooperative Development Officers shall be primarily responsible for these trainings and conferences within their respective localities;

(c) Consolidation – refers to a process by which fragmented and scattered landholdings are reorganized or restructured into larger, more contiguous plots. This can be done through voluntary reallocation, sales, land exchanges or swaps, lease, and other means;

(d) Direct Purchase by National and Local Government Agencies – To promote and support agricultural cooperatives, national and local government agencies shall directly purchase at least fifty percent (50%) of their required agricultural products, whether raw or processed, from qualified and accredited agricultural cooperatives subject to Republic Act No. 12009, its implementing rules and regulations, and applicable guidelines issued by the Government Procurement and Policy Board: *Provided,* That said procurement may be undertaken through Negotiated Procurement-Community Participation, Negotiated Procurement-*Sagip Saka*, or such other appropriate mode of procurement as may be applicable: *Provided, further,* That said products are necessary in the performance of their respective mandates; and

(e) Loans and Grants:

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

(2) The Authority shall coordinate with the Bangko Sentral ng Pilipinas to promote the adoption of policies that may lower applicable thresholds and requirements for loans granted to agricultural cooperatives.

SEC. 132. ***Inter-Cooperative Arrangements of Agricultural Cooperatives.*** – Agricultural cooperatives shall be authorized and encouraged to enter into inter-cooperative arrangements, joint ventures, consortiums, or other collaborative mechanisms with other cooperatives, federations, government agencies, private entities, and relevant stakeholders to strengthen agricultural value and supply chains, improve market access, promote shared facilities and services, and pursue

agribusiness development programs, subject to guidelines to be promulgated by the Authority.

SEC. 133. *Establishment of LDH.* – The Department of Agriculture, Department of Trade and Industry and the Authority shall jointly establish and issue guidelines for the establishment and operation of LDH to strengthen market linkages between agricultural cooperatives and buyers, fostering agricultural development and economic growth.

SEC. 134. *Annual Trade Fair and Awards.* – The Department of Agriculture, in coordination with the Authority, and in partnership with the cooperative sector, shall establish and hold the Annual Agricultural Cooperatives Trade Fair and Awards, and other development-oriented projects and activities to showcase the exemplary business achievement, latest innovations, and other emerging trends in the sector.

ARTICLE XVI
AGRARIAN REFORM COOPERATIVES

SEC. 135. *Coverage.* – The provisions of this Article shall primarily govern agrarian reform cooperatives under this law, including Agrarian Reform Beneficiaries Cooperative as defined in Department of Agrarian Reform Administrative Order No. 05, Series of 2009: *Provided,* That the provisions of the other articles of this Act shall apply suppletorily, except insofar as this Article otherwise provides.

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

SEC. 136. *Purpose.* – An agrarian reform cooperative as defined shall be organized for any or all of the following purposes:

(a) To develop appropriate systems of land tenure, land development, land consolidation, and land management in areas covered by agrarian reform;

(b) To coordinate and facilitate the dissemination of scientific methods of production, and provide assistance in the storage, transport, and marketing of farm products for Agrarian Reform Beneficiaries and their immediate family;

(c) To provide financial facilities to Agrarian Reform Beneficiaries and marginal farmers for provident or productive purposes at reasonable costs;

(d) To arrange and facilitate the expeditious transfer of appropriate and suitable technology to beneficiaries and marginal farmers at the lowest possible cost;

(e) To provide social security benefits, health, medical and social insurance benefits, and other social and economic benefits that promote the general welfare of the Agrarian Reform Beneficiaries and marginal farmers;

(f) To provide non-formal education, vocational/technical training, and livelihood programs to Agrarian Reform Beneficiaries and marginal farmers;

(g) To act as conduits for external assistance and services to the Agrarian Reform Beneficiaries and marginal farmers;

(h) To undertake a comprehensive and integrated development program in agrarian reform and resettlement areas with special concern for the development of agro-based, marine-based, and cottage-based industries;

(i) To represent the Agrarian Reform Beneficiaries on any or all matters that affect their interest; and

(j) To undertake such other economic or social activities as may be necessary or incidental in the pursuit of the foregoing purposes.

The government shall provide the necessary financial and technical assistance to agrarian reform cooperatives to enable them to discharge effectively their purposes under this Article. The Department of Agrarian Reform, the Authority, and the People's Credit and Finance Corporation shall formulate a joint program for the organization and financing of the agrarian reform cooperatives subject of this Article. The joint program shall be geared towards the Agrarian Reform Beneficiaries' gradual assumption of full ownership and management control of the agrarian reform cooperatives.

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

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

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

SEC. 139. *Lease of Public Lands.* – The government may lease public lands to any agrarian reform cooperative for a period not exceeding twenty-five (25) years, renewable for another twenty-five (25) years: *Provided,* That the application for renewal shall be made not later than

six (6) months before the expiration of the lease: *Provided, further*, That such lease shall be for the exclusive use and benefit of the Agrarian Reform Beneficiaries and/or non-Agrarian Reform Beneficiaries subject to the provisions of the Comprehensive Agrarian Reform Program, as amended.

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

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

SEC. 141. *Special Privileges.* – Subject to such reasonable terms and conditions as may be imposed by the Department of Agrarian Reform and the Authority, agrarian reform cooperatives may be given the exclusive right to undertake any or all of the following economic activities in agrarian reform and resettlement areas:

(a) Supply and distribution of consumer, agricultural, aquacultural, and industrial goods, production inputs, and raw materials and supplies, machinery, equipment, facilities and other services and requirements of the beneficiaries and marginal farmers at reasonable prices;

(b) Marketing of the products and services of the Agrarian Reform Beneficiaries in local and foreign markets;

(c) Processing of the members' products into finished consumer or industrial goods for domestic consumption or for export;

(d) Provision of essential public services at cost, such as power, irrigation, potable water, passenger and/or cargo transportation by land or sea, communication services, and public health and medical care services;

(e) Management, conservation, and commercial development of marine, forestry, mineral, water, and other natural resources subject to compliance with the laws and regulations on environmental and ecological controls; and

(f) Provision of financial, technological, and other services and facilities required by the Agrarian Reform Beneficiaries in their daily lives and livelihood.

SEC. 142. *Organization and Registration.* – The organization and registration of agricultural cooperatives shall be in accordance with Sections 15 and 16 of this Act, and only upon prior certification by the Department of Agrarian Reform that the proposed cooperative is necessary, feasible, and economically viable.

ARTICLE XVII
COOPERATIVE BANKS

SEC. 143. *Concept.* – A cooperative bank is a bank organized under this Act and prior laws, and licensed by the Bangko Sentral ng Pilipinas to operate as such for the primary purpose of providing a wide range of financial services to cooperatives, their members, and the public: *Provided,* That the majority of its shares shall be owned and controlled by cooperatives.

SEC. 144. *Organization and Registration.* – The organization of a cooperative bank shall be governed by the following provisions:

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

(b) Registration – The application for the registration by a cooperative bank with the Authority shall be accompanied by a Certificate of Authority issued by the Bangko Sentral ng Pilipinas.

SEC. 145. *Membership.* – After the organization and registration of the cooperative bank, membership therein shall be open to:

(a) Cooperatives of all types and categories, except Credit Surety Fund cooperatives;

(b) Foreign cooperatives;

(c) Pre-cooperative organizations established under Presidential Decree No. 175; and

(d) Individuals.

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

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

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

SEC. 147. *Voting.* – The voting system shall be in accordance with Section 47 of this Act, without prejudice to existing regulations allowing incentive or proportional voting, consistent with sound banking practices and guidelines issued by the Bangko Sentral ng Pilipinas.

SEC. 148. *Powers and Functions of Cooperative Banks.* – A cooperative bank may perform any or all of the following banking services:

(a) Extend loans and advances primarily for the purpose of meeting the normal credit needs of cooperatives and their members, although it may provide the same services to non-members or the general public: *Provided,* That loans and advances granted to cooperatives shall not be subject to individual ceilings on loans to directors, officers, stockholders, and related interests (DOSRI);

(b) Accept savings and time deposits;

(c) Act as a correspondent bank of other financial institutions;

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

(e) Act as collection agent;

(f) Act as official depository bank of local government units and other government agencies or instrumentalities;

(g) Acquire readily marketable bonds and other debt securities;

(h) Buy and sell foreign exchange;

(i) Acquire shares of publicly listed companies;

(j) Act as conduit bank for the disbursement of government funds intended for lending to agriculture, small-medium enterprises and projects for local economic development;

(k) Eligible to participate in government program allocations for agricultural lending, socialized housing, loans to rural micro enterprises and other initiatives towards inclusive growth;

(l) Offer financial technology services, such as digital lending and payment, and digital wealth management, among others, subject to prior approval of the Bangko Sentral ng Pilipinas;

(m) Participate in treasury and money market operations such as:

(1) Repurchase Agreements with the Bangko Sentral ng Pilipinas;

(2) Reverse Repurchase Agreements with the Bangko Sentral ng Pilipinas;

(3) Overnight Lending Facility of the Bangko Sentral ng Pilipinas;

(4) Overnight Deposits with the Bangko Sentral ng Pilipinas;

(5) Term Deposit Facility with the Bangko Sentral ng Pilipinas; and

(6) Sales and Marketing of Financial Products;

(n) Offer credit card services;

(o) Act as lending banks for credit surety fund cooperatives, as provided under Republic Act No. 10744, otherwise known as the "Credit Surety Fund Cooperative Act of 2015";

(p) Act as depository bank of cooperatives with regard to their Reserve Funds, if such banks exist in their area of operations; and

(q) Offer other banking services as provided in Section 53 of Republic Act No. 8791, otherwise known as the "The General Banking Law of 2000."

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

SEC. 149. *Establishment of Branches and Other Offices.* – The establishment of branches, branch-lite units, or other banking offices by cooperative banks shall be governed by the rules and regulations of the Bangko Sentral ng Pilipinas. The cooperative bank shall furnish the Authority with a copy of the Certificate of Authority issued by the Bangko Sentral ng

Pilipinas. In no case shall a cooperative bank be prohibited or restricted from establishing a branch in a province, city, or municipality, solely on the ground that another cooperative bank already exists in the same area.

SEC. 150. *Management of Cooperative Banks.* – The management of the cooperative banks shall be governed by the rules and regulations to be promulgated by the Bangko Sentral ng Pilipinas, in consultation with the Authority. To maintain the quality of bank management and accord appropriate protection to depositors and the public in general, the Bangko Sentral ng Pilipinas shall prescribe the fit and proper qualifications of bank directors and officers for the purposes of this Section, giving due recognition to the unique nature and character of cooperative banks. The number, composition, and term of the Board of Directors shall be defined in the Articles of Cooperation and By-Laws of the cooperative bank, in accordance with the following guidelines:

(a) *Board of Directors and Committees.* – The cooperative bank shall constitute, at a minimum, the Board of Directors, Election Committee, and Audit Committee.

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

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

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

Additional Board-level committees may be created as required by the Bangko Sentral ng Pilipinas. The Board of Directors may create other committees, with powers and functions defined in the By-Laws.

(b) *Key Management Officers.* – The Key Management Officers shall be appointed by the Board of Directors and shall include the President/Chief Executive Officer, Treasurer, Internal Auditor, and Compliance Officer, or their equivalent positions. The Bangko Sentral ng Pilipinas shall prescribe the qualifications and disqualifications of the Key Management Officers.

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

SEC. 152. *Dealings of Directors, Officers, Stockholders, and Related Interests.* – Dealings with directors and officers of the cooperative bank shall comply with the provisions of Section 36 of Republic Act No. 8791, otherwise known as *"General Banking Law (GBL) of 2000."* However, the limits on loans to dealings of directors, officers, stockholders, and related interests shall not apply to loans, other credit accommodations, or guarantees extended by the cooperative bank to its member primary cooperatives.

SEC. 153. *Powers of the General Assembly.* – In addition to those enumerated in Section 41 of this Act, the General Assembly shall have exclusive powers to approve or disapprove proposals of the Board of Directors pertaining to external borrowings, investments, grants, donations, and other forms of financial assistance, when the amounts involved are material or exceed one hundred percent (100%) of the cooperative bank's equity.

SEC. 154. *Investment in Allied Undertakings.* – Subject to the requirements and restrictions as may be imposed by the Monetary Board under its existing rules and regulations, cooperative banks may invest in equities of allied undertakings which may include, but are not limited to the following:

(a) Banks, financial institutions and non-bank financial intermediaries including, but not limited to, insurance cooperatives and trust banks;

(b) Warehousing and other post-harvest facilities;

(c) Fertilizers, agricultural chemicals, and pesticides distribution;

(d) Farm equipment distribution;

(e) Trucking and transportation of agricultural products;

(f) Marketing of agricultural products;

(g) Leasing;

(h) Automated teller machine networks;

(i) Public transportation;

(j) Financial technology; and

(k) Other undertakings as may be determined by the Monetary Board.

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

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

SEC. 156. ***Capital Requirement for Cooperative Banks.*** – A cooperative bank shall have a minimum paid-up capital in such amount as may be required by the Bangko Sentral ng Pilipinas. The Bangko Sentral ng Pilipinas may prescribe rules and regulations on the types of shares a cooperative bank may issue, including their terms and rights: *Provided,* That cooperative banks shall issue par value shares only.

SEC. 157. ***Barrio Savings Fund, Barrio Guarantee Fund.*** – To augment the capitalization of cooperative banks, the aforementioned funds collected or deducted by various cooperative banks from the loan proceeds of farmer-borrowers pursuant to Presidential Decree No. 175, and which remain floating or outstanding, whether as active or dormant accounts in the books of such banks, shall be converted into capital by such cooperative bank.

SEC. 158. ***Conversion into Treasury Shares.*** – The following shares or funds shall be converted into treasury shares at the same book value or reclassified value, as the case may be:

(a) All common shares held in cooperative banks by Samahang Nayon and Municipal Katipunan ng mga Samahang Nayon prior to the effectivity of Republic Act No. 9520, whether such Samahang Nayon and Municipal Katipunan ng mga Samahang Nayon were converted, reclassified, continued to exist, or did not convert but remain existing; and

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

SEC. 159. *Supervision and Regulation of Cooperative Banks.* – All cooperative banks shall be under the supervision of the Bangko Sentral ng Pilipinas: *Provided, however,* That the Authority shall monitor the cooperative banks' compliance with cooperative laws, rules, and regulations. Pursuant to Section 71 of Republic Act No. 8791, the organization, ownership and capital requirements, powers, supervision, and general conduct of business of cooperative banks shall be governed by this Act, and the provisions of Republic Act No. 8791 shall likewise apply insofar as they are not in conflict with this Act.

SEC. 160. *Privileges of Cooperative Banks.* – Cooperative banks registered under this Act shall have the following privileges and incentives:

(a) Those privileges and incentives accorded to cooperatives under this Act and other prior laws including exemption from all national, provincial, city, municipal or barangay taxes, fees, and charges of whatever nature and description: *Provided, however,* That when the Reserve Fund of a cooperative bank has reached more than One hundred million pesos (P100,000,000.00), its transactions to non-members shall be taxable;

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

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

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

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

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

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

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

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

SEC. 161. *Promulgation of Guidelines.* – The Bangko Sentral ng Pilipinas, 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 Bangko Sentral ng Pilipinas 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 of public convenience and necessity, concession, or any other appropriate form of authorization or permit duly issued by the appropriate government agency or local government unit. Such services may include but is not limited to the following:

(a) Health services;

(b) Power generation, transmission, and/or distribution;

(c) Ice plants and cold storage services;

(d) Communication services including telephone and digital communications;

(e) Land, water, and air transportation services for passengers and/or cargoes;

(f) Public markets, slaughterhouses, management of land transport terminals and ports, and other similar services;

(g) Water supply and distribution system services; and

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

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

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

(a) Its Articles of Cooperation and By-Laws shall provide for the membership of the users and/or producers of the service of such cooperative; and

(b) It shall submit proof of compliance with such other requirements as may be imposed by the proper government agency concerned.

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

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 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, 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 Department of Transportation, and its attached or line agencies, respectively and within their jurisdiction, and the concerned local government unit 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 Cooperative Development Authority, the Department of Transportation, the Department of the Interior and Local Government, the Land Transportation Franchising and Regulatory Board, the Land Transportation Office, Office of Transportation Cooperatives, Maritime Industry Authority, 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 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. *Local Government Unit Support for Common Terminals.* – Local government units 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 multipurpose cooperatives and federations with credit and savings services.

SEC. 177. *Purposes and Objectives.* – Cooperatives engaged solely in credit or in both credit and savings services shall have the following purposes and objectives:

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

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

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

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

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

(f) To promote financial literacy among its members.

SEC. 178. *Applicability of the Credit Information System Act.* – Republic Act No. 9510, otherwise known as the "Credit Information System Act," shall apply only to medium and large cooperatives as submitting entities, subject to phased compliance based on their risk, size, and operational capacity. Micro and small cooperatives may voluntarily opt to be covered as a submitting entity under the Credit Information System Act.

The Credit Information Corporation and the Cooperative Development Authority shall issue joint implementing rules and regulations for such purpose.

ARTICLE XXII
ELECTRIC COOPERATIVES

SEC. 179. *Coverage.* – The provisions of this Act shall apply to all electric cooperatives registered with the Authority, and shall likewise extend to existing cooperatives for registration with the Authority as electric cooperatives, as well as new distribution utilities that may hereafter register under this Act.

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

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

SEC. 181. *Documents to be Submitted for Registration with the Authority.* – For purposes of registration with the Authority, electric cooperatives registered with other regulatory agencies shall submit the following documents:

(a) Copy of the Board Resolution certifying to the result of the vote approved through a referendum approving the registration of such entities with the Authority in compliance with Section 180 of this Act;

(b) Certified copy of the Articles of Cooperation and By-Laws as required by the Authority;

(c) Duly audited financial statements for the past two (2) years;

(d) List of names of the incumbent Board of Directors and their addresses certified by the Board Secretary and attested by the Chairperson;

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

(f) Bonds of accountable officers; and

(g) Other documents as may be necessary.

SEC. 182. *Registration Options of Electric Cooperatives.* – Electric Cooperatives registered with the National Electrification Administration under Presidential Decree No. 269, as amended, which opt not to register with the Authority are allowed to retain the word "cooperative" in their registered names: *Provided,* That they shall not be entitled to the benefits and privileges under this Act: *Provided, further,* That nothing in this Act shall eliminate, diminish, or reduce the powers, functions, authority, and responsibilities of the National Electrification Administration over electric cooperatives under Presidential Decree No. 269, as amended, and other existing laws.

SEC. 183. *Role of the Energy Regulatory Commission.* – All rates and tariffs of electric cooperatives registered under the Authority shall be subject to the rules on application and approval of the Energy Regulatory Commission for distribution utilities.

SEC. 184. *Effects of Registration with the Authority.* – Electric cooperatives that are duly registered with the Authority, and issued a Certificate of Registration, shall be covered by the provisions of this Act as well as future rules and issuances of the Authority: *Provided,* That the technical operations of such electrical cooperatives shall be under the supervisory power of the National Electrification Administration subject to the provisions of Section 32 of Presidential Decree No. 269, as amended by Republic Act No. 10531, otherwise known as "National Electrification Administration Reform Act of 2013."

Registration of electric cooperatives with the Authority shall not be considered as a transfer of ownership of its assets and liabilities nor shall it constitute a change in the nature, structure, and status of the cooperative. Said registration shall not result in the revocation of the condoned loans under Republic Act No. 9136, otherwise known as the "Electric Power Industry Reform Act of 2001": *Provided,* That electric cooperatives with existing loans shall not be subject to the control and supervision of its creditors and shall only be limited to the fulfillment of each civil obligations.

SEC. 185. *Assistance.* – Electric cooperatives registered with the Authority are entitled to congressional allocations, grants, subsidies, and other financial assistance for rural electrification which can be coursed through the Department of Energy, National Electrification Administration, or local government units, as may be appropriate. The

electric cooperatives registered under this Act can avail of the financial services and technical assistance provided by government financial institutions and technical development agencies on terms respecting their independence as autonomous cooperatives.

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

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

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

The Energy Regulatory Commission shall, within forty-five (45) days from the close of each fiscal year, issue a certificate to the electric cooperative concerned on the total amount collected for capital contributions from the Member-Customer-Owners for such period, for which equity share certificate will be issued.

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

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

ARTICLE XXIII
FOREIGN PARTNERSHIPS

SEC. 187. *Engagement of Foreign Cooperatives in Local Federations.* – Foreign cooperatives may invest, partner with, or enter into joint ventures with local federations: *Provided,* That they are recognized by international coalitions of cooperatives or by the relevant

authority in the country of origin: *Provided, further,* That they comply with all relevant laws allowing them to do business in the Philippines: *Provided, finally,* That their engagement with local federations shall be subject to an agreement which shall be submitted for the approval of the Authority, pursuant to its implementing rules and regulations.

Foreign cooperatives which transact with local federations must comply with Philippine taxation laws, Republic Act No. 9160, otherwise known as the "Anti-Money Laundering Act of 2001," as amended, and other pertinent laws. Further, foreign cooperatives shall not interfere, directly or indirectly, in the management and internal affairs of the local federations in accordance with the generally accepted cooperative principles of independence and autonomy, notwithstanding that local federations shall be one hundred percent (100%) wholly owned and controlled by Filipinos.

SEC. 188. ***Limitations.*** – The preferred share capital held by foreign cooperatives shall not exceed forty percent (40%) of the total equity as authorized in the By-Laws.

ARTICLE XXIV
MISCALLANEOUS PROVISION

SEC. 189. ***Compliance with Other Laws.*** – All cooperatives duly registered under this Act shall, at all times, be subject to all relevant laws, rules and regulations, as well as issuances and directives issued by a duly authorized government regulatory body in exercise of its jurisdiction.

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

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

SEC. 191. ***Joint Congressional Oversight Committee on Cooperative.*** – There is hereby created a Joint Congressional Oversight Committee composed of the Chairperson of the Senate Committee on Cooperatives and the Chairperson of the House Committee on Cooperatives Development, with four (4) members each from both Houses. The said members shall be duly appointed by the Senate

President and the Speaker of the House of Representatives from the members of the respective committee.

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

ARTICLE XXV
FINAL PROVISIONS

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

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

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

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

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

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

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

SEC. 193. *Prohibited Acts and Penalties.* – The following acts or omissions affecting cooperatives are hereby prohibited:

(a) The use of the word "cooperative" in the names of juridical entities shall be prohibited, unless authorized under this Act. However, organizations registered with other government agencies are allowed to retain the word "cooperative" in their registered names: *Provided,* That said organizations have interests, affiliation, collaboration, and/or partnership with a cooperative or the cooperative sector: *Provided, further,* That if said organizations shall register with the Securities and Exchange Commission, they shall register as a non-stock, non-profit entity and shall affix the word "Incorporated" or "Inc." to its business name: *Provided, finally,* That these organizations shall not be entitled to the benefits and privileges under this Act;

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

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

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

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

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

(1) Influencing the election or appointment of an officer, director, committee member or employee through public or private endorsement, or campaign for or against any person or group of persons;

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

After due notice and hearing, the Authority may impose appropriate administrative sanctions, including fines, suspension, or removal from office, and disqualification from holding any position in any cooperative.

The Authority may likewise order the preventive suspension of any officer, director, or committee member during the pendency of the investigation or proceedings when there is a risk of continued violation, dissipation of cooperative assets, or interference with the investigation.

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

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

The foregoing administrative sanctions shall be imposed and implemented in accordance with the rules and regulations promulgated by the Authority, without prejudice to the institution of appropriate civil or criminal actions under applicable laws.

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

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

(b) Willful failure or refusal to comply with an interlocutory order, or a final and executory decision or award of the Cooperative Development Authority Board of Directors, any of its Regional Offices, adjudication officer, or voluntary arbitrator in connection with an investigation, voluntary arbitration, or adjudication; or

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

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

SEC. 197. *Implementing Rules and Regulations.* – Within ninety (90) days from the effectivity of this Act, the Chairperson of the Authority shall, in coordination with relevant government agencies and the cooperative sector, promulgate the necessary rules and regulations for the effective implementation of this Act.

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

SEC. 199. *Repealing Clause.* – Except as expressly provided by this Act, Republic Act No. 6938, as amended, and all other laws, or part thereof, inconsistent with any provision of this Act shall be deemed repealed. All other laws, decrees, orders, issuances, rules and

regulations, memoranda, circulars, letters of instructions, and ordinances inconsistent with any provision of this Act are hereby repealed, amended, or modified accordingly.

SEC. 200. *Automatic Registration.* – All cooperatives registered with the Authority under Republic Act No. 9520, are hereby deemed registered under this Act: *Provided,* That such cooperatives are active in status and are compliant with all annual reporting requirements of the Cooperative Development Authority upon the effectivity of this Act: *Provided, further,* That non-compliant cooperatives shall be given a period of two (2) years from the effectivity of this Act within which to comply with Cooperative Development Authority reportorial requirements.

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

SEC. 201. *Ipso-Facto Clause.* – Except as may be inconsistent with the provisions of this Act, cooperatives are entitled to all privileges, benefits, and exemptions granted to the cooperatives by prior laws, including Republic Act No. 7160, Republic Act No. 6938 as amended, Republic Act No. 9520, and other existing laws.

SEC. 202. *Separability Clause.* – If any provision or part of this Act is declared invalid or unconstitutional, the remaining parts or provisions not affected shall remain in force and effect.

SEC. 203. *Effectivity.* – This Act shall take effect fifteen (15) days from its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,