

THIRTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

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SENATE
S.B. No. 1299

RECEIVED BY: 

Introduced by **Senator Rodolfo G. Biazon**

EXPLANATORY NOTE


This bill seeks to amend Republic Act No. 6938, otherwise known as the "*Cooperative Code of the Philippines*."

Article XII, Section 1 of the 1986 Constitution provides that "*private enterprises, including corporations, cooperatives, and similar collective organizations shall be encouraged to broaden their base of ownership.*" Section 6 of the same article states that these organizations shall likewise, "*have the right to own, establish, and operate economic enterprises, subject to the duty of the State to promote distributive justice and to intervene when the common good so demands.*"

These aforementioned provisions recognize the important role of cooperatives in the development of the nation. Republic Act No. 6938 was enacted specifically "*to foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice.*"

However, a continuously changing economic climate and studies on the experiences of the cooperative sector indicate that the Cooperative Code has to be amended. This is to realize the vision of achieving the full potential of the cooperative sector. A strong and viable one that is able to create equitable wealth, expand opportunities, generate jobs, and thereby create the conditions to win the people's war on poverty and strengthen the socio-economic middle class in the Philippines.

In view of the foregoing, the early passage of this proposed measure is therefore earnestly sought.


RODOLFO G. BIAZON
Senator

THIRTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

'04 JUL -2 18:59

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SENATE
S. No. 1299

Introduced by **Senator Rodolfo G. Biazon**

AN ACT
AMENDING REPUBLIC ACT NO. 6938, OTHERWISE KNOWN AS THE
COOPERATIVE CODE OF THE PHILIPPINES

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

1 SECTION 1. Articles 2, 3, 4 and 5 of Chapter I of Republic Act No. 6938, otherwise
2 known as the "Cooperative Code of the Philippines" are hereby amended as follows:

3 "ART. 2 *Declaration of Policy.* – It is the declared policy of the State to foster the creation
4 and growth of cooperatives as a practical vehicle for promoting self-reliance, [and] harnessing
5 people power, **AND RATIONAL USE OF RESOURCES** towards the attainment of economic
6 development, [and] social justice **AND EQUITY**. The State shall **CREATE A CONDUCTIVE**
7 **ATMOSPHERE THAT SHALL** encourage the private sector to undertake the actual
8 formation, **REFORMATION, TRANSFORMATION** and organization of cooperatives **THAT**
9 [and] shall **LEAD** [create an atmosphere that is conducive] to the growth, [and] development
10 **AND MODERNIZATION** of these cooperatives **AND THE OTHER SECTORS OF THE**
11 **ECONOMY**.

12 ART. 3. *General Concepts.* – A cooperative is a duly registered association of persons, with
13 a common bond of interest, who have voluntarily joined together to achieve a lawful common
14 social or economic end, **TO BENEFIT FROM ECONOMIES OF SCALE AND**
15 **STRENGTHEN THEIR NEGOTIATING POWER**, making equitable contributions to the
16 capital required, **PATRONIZING THEIR PRODUCTS AND SERVICES** and accepting a fair

1 share of the risks and benefits of the undertaking in accordance with universally accepted
2 cooperative principles.

3 **EVERY COOPERATIVE SHALL ALSO KEEP FAITH WITH THE BASIC**
4 **COOPERATIVE VALUES OF SELF-HELP, DEMOCRACY, EQUALITY, EQUITY,**
5 **SOLIDARITY, HONESTY, OPENNESS, SOCIAL RESPONSIBILITY AND CARING**
6 **FOR OTHERS.**

7 ART. 4. *Cooperative Principles.* – Every cooperative shall conduct its affairs in
8 accordance with Filipino culture, **GOOD VALUES** and experience and the universally accepted
9 principles of cooperation which include **BUT SHALL NOT BE LIMITED TO** the following:

10 (1) *Open and Voluntary Membership.* – Membership in a cooperative shall be **OPEN AND**
11 **voluntary** to all individuals **ABLE TO USE AND PATRONIZE THEIR SERVICES AND**
12 **WILLING TO ACCEPT THE RESPONSIBILITIES OF MEMBERSHIP**, regardless of
13 their **GENDER**, social, political, racial or religious background or beliefs.

14 (2) *Democratic MEMBER Control.* – Cooperatives are democratic organizations[.]
15 [Their affairs shall be administered by persons elected or appointed in a manner agreed upon by
16 the members.] **CONTROLLED AND GOVERNED BY THEIR MEMBERS WHO**
17 **ACTIVELY PARTICIPATE IN SETTING THEIR POLICIES AND MAKING**
18 **DECISIONS. PERSONS SERVING AS ELECTED REPRESENTATIVES, DIRECTORS**
19 **AND OFFICERS SHALL BE ACCOUNTABLE TO THE MEMBERSHIP.** Members of
20 primary cooperatives shall have equal voting rights on a one-member-one-vote principle:
21 *Provided, however,* That in the case of secondary and tertiary cooperatives, the provisions of
22 Article 37 of this Code shall apply.

23 (3) [*Limited Interest in Capital* – Share capital shall receive a strictly limited rate of
24 interest.] **MEMBERSHIP EQUITY - EQUITABLE CONTRIBUTION TO THE**
25 **CAPITALIZATION OF A COOPERATIVE SHALL BE A PRE-CONDITION FOR**
26 **MEMBERSHIP. MEMBERS SHALL RECEIVE IN EQUITABLE PROPORTION**
27 **INTERESTS, NET SURPLUSES, EMOLUMENTS, PROCEEDS OF SALE OF**
28 **PROPERTY, AND BENEFITS FOR THEIR SUBSCRIPTION. NET SURPLUSES MAY**
29 **BE DECLARED BY THE GENERAL MEMBERSHIP FOR DEVELOPMENTAL**

1 **PURPOSES AND OTHER ACTIVITIES THAT MAY BENEFIT THE COOPERATIVE**
2 **AND ITS MEMBERS, OR THESE MAY BE DISTRIBUTED TO THE MEMBERS;**

3 (4) [*Division of Net Surplus* – Net surplus arising out of the operations of a cooperative
4 belongs to its members and shall be equitably distributed for cooperative development, common
5 services, indivisible reserve fund and for limited interest on capital and/or patronage refund in
6 the manner provided in this Code and in the articles of cooperation and bylaws.] **AUTONOMY**
7 **AND INDEPENDENCE. – - OTHER THAN CONTROL IN CONFORMITY WITH THE**
8 **LAWS OF THE LAND, THE STATE GUARANTEES THE AUTONOMY AND**
9 **INDEPENDENCE OF A COOPERATIVE TO OPERATE AND MANAGE ITS OWN**
10 **AFFAIRS; PROVIDED, THAT THE RIGHT OF CONTROL BY ITS MEMBERS OVER**
11 **THEIR COOPERATIVE SHALL BE RETAINED.**

12 (5) *Cooperative Education, TRAINING AND INFORMATION* – All cooperatives shall
13 make provision for the education, **TRAINING AND INFORMATION** of their members,
14 officers and employees and of the general public **TO ENHANCE THEIR SKILLS,**
15 **CAPABILITY AND KNOWLEDGE SO THAT THEY CAN CONTRIBUTE**
16 **EFFECTIVELY AND EFFICIENTLY TO THE DEVELOPMENT OF THEIR**
17 **COOPERATIVES.** [based on the principles of cooperation.]

18 (6) *Cooperation Among Cooperatives.* – All cooperatives[, in order to best serve the
19 interest of their members and communities,] shall actively **COMMUNICATE, LINK AND**
20 cooperate, with other cooperatives at local, national and international levels **TO FACILITATE**
21 **THE TRANSFER OF DATA, TECHNOLOGY, GOODS AND SERVICES THAT SHALL**
22 **IMPROVE THE QUALITY OF LIFE OF ITS MEMBERS AND THE COMMUNITY.**

23 (7) **CONCERN FOR COMMUNITY.** – **COOPERATIVES SHALL WORK FOR THE**
24 **SUSTAINABLE DEVELOPMENT OF THE COMMUNITY, PROTECTION OF THE**
25 **ENVIRONMENT AND PRESERVATION OF NATURAL RESOURCES, THROUGH**
26 **POLICIES APPROVED BY THEIR MEMBERS.**

27 ART. 5. *Definition of Terms.* – The following terms shall mean:

28 (1) *x x x*

1 (2) *General Assembly* shall mean the full membership of the cooperative duly assembled
2 for the purpose of exercising all the rights and performing all the obligations pertaining to
3 cooperatives, as provided by this Code, its articles of cooperation and bylaws: **PROVIDED,**
4 **THAT FOR COOPERATIVES WITH NUMEROUS AND DISPERSED MEMBERSHIP,**
5 **THE GENERAL ASSEMBLY MAY BE COMPOSED OF DELEGATES ELECTED BY**
6 **EACH SECTOR OR CHAPTER OF THE COOPERATIVE;**

7 (3) *x x x*

8 (4) *x x x*

9 (5) *x x x*

10 (6) *x x x*

11 (7) *x x x*

12 (8) *x x x*

13 (9) *Universally Accepted Principles* mean that body of cooperative principles adhered to
14 worldwide by cooperatives in other jurisdictions[.];

15 (10) **REPRESENTATIVE ASSEMBLY SHALL MEAN THE FULL MEMBERSHIP**
16 **OF A BODY OF REPRESENTATIVES ELECTED BY EACH OF THE SECTORS OR**
17 **SUBDIVISIONS OF THE COOPERATIVE DULY ASSEMBLED FOR THE PURPOSE**
18 **OF EXERCISING SUCH POWERS LAWFULLY DELEGATED UNTO THEM BY THE**
19 **GENERAL ASSEMBLY;**

20 (11) **OFFICERS OF THE COOPERATIVES SHALL INCLUDE THE MEMBERS OF**
21 **THE BOARD OF DIRECTORS, MEMBERS OF THE DIFFERENT COMMITTEES**
22 **CREATED BY THE GENERAL ASSEMBLY, GENERAL MANAGER OR CHIEF**
23 **EXECUTIVE OFFICER, SECRETARY AND TREASURER;**

24 (12) **SOCIAL AUDIT SHALL REFER TO ANY AUDIT INTENDED TO**
25 **DETERMINE THE FULFILLMENT AND ACHIEVEMENT OF SOCIAL**
26 **RESPONSIBILITIES AND OBJECTIVES OF A COOPERATIVE;**

27 (13) **PERFORMANCE AUDIT SHALL REFER TO ANY AUDIT ON THE**
28 **EFFICIENCY AND EFFECTIVENESS OF THE COOPERATIVE AS A WHOLE, ITS**
29 **MANAGEMENT, THE OFFICERS AND/OR ITS VARIOUS RESPONSIBILITY**

1 CENTERS AS BASIS FOR IMPROVING INDIVIDUAL, TEAM OR OVERALL
2 PERFORMANCE AND FOR OBJECTIVELY INFORMING THE GENERAL
3 MEMBERSHIP ON SUCH PERFORMANCE;

4 (14) *A SINGLE-LINE OR SINGLE-PURPOSE COOPERATIVE* SHALL REFER TO
5 A COOPERATIVE UNDERTAKING ACTIVITIES WHICH ARE RELATED TO ITS
6 MAIN LINE OR PURPOSE.

7 (15) *BANGKO SENTRAL* SHALL REFER TO THE BANGKO SENTRAL NG
8 PILIPINAS (BSP) CREATED UNDER REPUBLIC ACT NO. 7653.

9 (16) *MONETARY BOARD* SHALL REFER TO THE MONETARY BOARD OF THE
10 BANGKO SENTRAL”

11 SEC. 2. Articles 6, 7, 9, 10, 11, 12, 14, 16, 18, 23 and 24 of Chapter II of the same Code
12 are hereby amended as follows:

13 “ART. 6. **PURPOSES FOR THE** *Organization of Cooperatives.* – A cooperative may be
14 organized and registered by at least [fifteen (15)] **THIRTY (30)** persons for any or all of the
15 following purposes:

16 (1) To [encourage] **PROVIDE A MECHANISM THAT WOULD LEAD**
17 **TO** thrift and savings mobilization among the members;

18 (2) To generate funds **FOR THE PURPOSE OF** [and] extend**ING** credit to
19 the members for productive and provident purposes;

20 (3) To [encourage among members] **PROVIDE A MECHANISM FOR**
21 systematic **COOPERATIVE** production, [and] marketing **AND**
22 **PURCHASING OF GOODS AND SERVICES;**

23 (4) To **ASSIST THE MEMBERS IN THE ACQUISITION OF**
24 **AFFORDABLE AND QUALITY** [provide] goods and services [and
25 other requirements to the members];

26 (5) To **PROVIDE A VENUE FOR THE developMENT AND TRANSFER**
27 **OF** expertise and skills among its members;

28 (6) *x x x*

- 1 (7) To insure against losses of the members **BROUGHT ABOUT BY**
2 **CALAMITIES AND FORTUITOUS EVENTS;**
- 3 (8) To promote and advance the economic, social and educational status of the
4 members;
- 5 (9) To establish, own, lease or operate cooperative banks, [cooperative]
6 wholesale and retail complexes, insurance **ORGANIZATIONS**, [and]
7 agricultural[/] **ENTERPRISES**, industrial processing [enterprises]
8 **PLANTS** and public markets;
- 9 (10) To coordinate,[and] facilitate, **AND ASSIST IN THE**
10 **DEVELOPMENT OF OTHER** [the activities of] cooperatives; and
- 11 (11) To undertake any and all other activities for the effective and efficient
12 implementation of the provisions of this Code.

13 **ART. 7. GOALS AND Objectives of a Cooperative.** – The primary objective of every
14 cooperative is **HUMAN BETTERMENT. TOWARDS THIS END, THE COOPERATIVE**
15 **SHALL [to]:**

- 16 (1) [Provide] **ENHANCE THE CAPABILITY OF ITS MEMBERS TO THE**
17 **ACCESS OF** goods, services and[/or] opportunities **THROUGH ORGANIZED**
18 **COLLECTIVE EFFORTS;**
- 19 (2) [to its members and thus] Enable **ITS MEMBERS** [them] to attain increased
20 income, [and] savings, investments, productivity, purchasing power, and a better
21 way of life;
- 22 (3) [and promote among them] **ACT AS MEDIUM FOR THE** equitable distribution
23 of [net surplus] **INCOME** through optimum utilization of information, technology
24 and other resources;
- 25 (4) **DISTRIBUTE THE BENEFITS OF** economies of scale, cost-[sharing] and risk-
26 sharing without however, conducting the affairs of the cooperative for
27 eleemosynary or charitable purposes;
- 28 (5) Provide [maximum] **OPTIMUM SOCIAL AND** economic benefits **AND**
29 **SERVICES** to its members;

1 (6) [Teach them efficient and effective ways of doing things in a cooperative manner]

2 **IMPART TO THE MEMBERS AND TO THE PUBLIC, THE WISDOM OF**
3 **COOPERATIVISM;**

4 (7) Propagate cooperative practices and new ideas in business and management; [and]

5 (8) Allow the lower income **AND OTHER MARGINALIZED** groups to increase
6 their ownership in the wealth of this nation; **AND**

7 (9) **ESTABLISH LINKAGE WITH THE GOVERNMENT, OTHER**
8 **COOPERATIVES, NON-GOVERNMENT ORGANIZATIONS, PEOPLE-**
9 **ORIENTED ORGANIZATIONS AND SUCH OTHER ORGANIZATIONS**
10 **TO FURTHER THE CAUSE OF COOPERATIVISM.**

11 ART. 8. *Cooperatives Not in Restraint of Trade.* – x x x

12 ART. 9. *Cooperative Powers and Capacities.* – A cooperative registered under this Code
13 shall have the following powers, **RIGHTS** and capacities:

14 **(1) TO THE EXCLUSIVE RIGHT OVER THE USE OF ITS REGISTERED**
15 **NAME;**

16 [1] (2) To sue and be sued [in its cooperative name];

17 [2] (3) **TO PURSUE THE PURPOSE OF ITS ORGANIZATION AND TO**
18 **ENSURE THE SUCCESS OF ITS BUSINESS** [Of succession];

19 (4) **TO ACCEPT OR DENY APPLICATIONS FOR MEMBERSHIP, TO**
20 **CONDUCT PRE-MEMBERSHIP SEMINARS AND OTHER EDUCATIONAL**
21 **ACTIVITIES, AND TO EXPEL OR TERMINATE MEMBERS FROM ITS**
22 **ROSTER AS PROVIDED FOR IN ITS BY-LAWS;**

23 [3] (5) x x x

24 [4] (6) x x x

25 [5] (7) x x x

26 [6] (8) x x x .

27 [7] (9) **To FORM SUBSIDIARIES AND CHAPTERS, AND** join federations or
28 unions, as provided in this Code;

1 [8] (10) To AVAIL OF LOANS, BE ENTITLED TO CREDIT AND TO accept
2 and receive grants, donations and assistance from foreign and domestic sources.

3 COOPERATIVES SHALL ALSO BE PROVIDED FREE ASSISTANCE BY
4 THE AUTHORITY TO FULFILL THE DOCUMENTARY REQUIREMENTS
5 FOR SAID LOANS AND CREDITS AND IN SEEKING GRANTS,
6 DONATIONS AND SIMILAR ASSISTANCE;

7 (11) TO NEGOTIATE, ENTER INTO, OR RESCIND CONTRACTS IN
8 FURTHERANCE OF ITS OBJECTIVES;

9 (12) TO HIRE, COMMISSION OR ENGAGE THE SERVICES OF
10 PROFESSIONAL MANAGERS, DIRECTORS, CONSULTANTS AND
11 OTHER PERSONNEL TO ENSURE THE ATTAINMENT OF ITS
12 OBJECTIVES;

13 (13) TO AVAIL OF PREFERENTIAL RIGHTS AND PRIVILEGES
14 GRANTED TO COOPERATIVES BY LAW PARTICULARLY REPUBLIC
15 ACT 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE,
16 AND REPUBLIC ACT 8435, OTHERWISE KNOWN AS THE
17 AGRICULTURE AND FISHERIES MODERNIZATION ACT OF 1997
18 (AFMA);

19 (14) TO PROVIDE CONTINUITY FOR THE COOPERATIVES BY
20 INCULCATING COOPERATIVISM THROUGH TRAINING, SEMINARS
21 ON COOPERATIVE KNOW-HOW AND SIMILAR OTHER COOPERATIVE
22 ACTIVITIES WHICH ARE GEARED TOWARDS THE ADVANCEMENT OF
23 THE MOVEMENT; AND

24 [9] (15) x x x

25 ART. 10. *Organizing a Primary Cooperative.* – [Fifteen (15)] THIRTY (30) or more
26 natural persons[,] who are [citizens of the Philippines] AT LEAST EIGHTEEN (18) YEARS
27 OF AGE, MAJORITY OF WHOM ARE FILIPINO CITIZENS, having a common bond of
28 interest, WILLING TO ACCEPT AND DISCHARGE THE RESPONSIBILITIES OF
29 THEIR MEMBERSHIP and are ACTUALLY residing, [or] working OR STUDYING in the

1 intended area of operation, may organize **AND REGISTER** a **PRIMARY** cooperative **WHICH**
2 **SHALL ACQUIRE A JURIDICAL PERSONALITY** under this Code. **ANY NEWLY**
3 **ORGANIZED PRIMARY COOPERATIVE CANNOT BE REGISTERED AND**
4 **OPERATED AS A MULTI-PURPOSE COOPERATIVE. A COOPERATIVE MAY**
5 **TRANSFORM INTO A MULTI-PURPOSE COOPERATIVE ONLY AFTER AT LEAST**
6 **TWO (2) YEARS OF OPERATIONS GENERATING A NET SURPLUS.**

7 **ART. 11. [*Economic Survey*] REQUIREMENTS FOR REGISTRATION.** – Every
8 group of individuals or cooperatives intending to form a cooperative under this Code shall
9 submit to the [Cooperative Development] Authority [a general statement describing the structure,
10 purposes and economic feasibility of the proposed cooperative, indicating therein the area of
11 operation, the size of membership and other pertinent data.] **THE FOLLOWING**
12 **DOCUMENTS:**

- 13 (1) **A GENERAL STATEMENT OF THE ORGANIZATION INDICATING**
14 **AMONG OTHERS ITS STRUCTURE, ACTUAL PERSONNEL,**
15 **PURPOSE/S AREA OF OPERATION AND WHETHER IT IS**
16 **COMPOSED OF PRODUCERS, SERVICE PROVIDERS AND/OR**
17 **CONSUMERS;**
- 18 (2) **A FEASIBILITY STUDY OF THE PROPOSED COOPERATIVE;**
- 19 (3) **ARTICLES OF COOPERATION;**
- 20 (4) **COOPERATIVE BY-LAWS;**
- 21 (5) **ORGANIZERS' CERTIFICATE OF COMPLETION OF PRE-**
22 **ORGANIZATION SEMINAR BY THE AUTHORITY OR BY DULY**
23 **ACCREDITED COOPERATIVES;**
- 24 (6) **BONDS OF ACCOUNTABLE OFFICERS; AND**
- 25 (7) **OTHER PERTINENT DOCUMENTS THAT THE AUTHORITY MAY**
26 **REQUIRE.**

27 **THE AUTHORITY SHALL ISSUE THE NECESSARY GUIDELINES FOR THE**
28 **PREPARATION OF THE FEASIBILITY STUDY AND OTHER PERTINENT DATA**

1 **REQUIRED HEREIN WITHIN THREE MONTHS FROM THE APPROVAL OF THIS**
2 **ACT.**

3 ART. 12. *Liability.* – A cooperative [shall be] **DULY** registered under this Code[,] [with]
4 **SHALL HAVE** limited liability.

5 ART. 13. *Term.* – x x x

6 ART. 14. *Articles of Cooperation.* – (1) All cooperatives applying for registration
7 shall file with the [Cooperative Development] Authority [the] **THEIR DULY NOTARIZED**
8 **AND SIGNED** articles of cooperation which [shall be signed by each of the organizers and
9 acknowledged by them if natural persons, and by the presidents or secretaries, if juridical
10 persons, before a notary public. [2]The articles of cooperation] shall **SET FORTH:**

11 (a) The name[s] **AND CATEGORY** of the cooperative which shall include the word
12 “cooperative”;

13 **(B) A GENERAL STATEMENT OF THE ORGANIZATION INDICATING**
14 **AMONG OTHERS ITS STRUCTURE, ACTUAL PERSONNEL, PURPOSE/S**
15 **AREA OF OPERATION AND WHETHER IT IS COMPOSED OF**
16 **PRODUCERS, SERVICE PROVIDERS AND/OR CONSUMERS;**

17 [(b)] **(C)** x x x

18 [(c)] **(D)** x x x

19 [(d)] **(E)** x x x

20 [(e)] **(F)** The names, **SIGNATURES**, nationality and the postal addresses of the
21 registrants;

22 [(f)] **(G)** x x x

23 [(g)] **(H)** x x x

24 [(h)] **(I)** x x x

25 [3] **(2)** x x x

26 [4] **(3)** Four (4) copies each of the proposed articles of cooperation, By-Laws,
27 **FEASIBILITY STUDY** and the general statement required under Article 11 of this
28 Code shall be submitted to the [Cooperative Development] Authority;

1 [5] (4) No cooperative **OTHER THAN A COOPERATIVE UNION AS**
2 **DESCRIBED UNDER THIS CODE**, shall be registered unless the articles of
3 cooperation is accompanied with the bonds of the accountable officers and a sworn
4 statement of the treasurer elected by the subscribers showing that at least twenty-five
5 per centum (25%) of the authorized share capital has been subscribed and at least
6 twenty five per centum (25%) of the total subscription has been paid: *Provided*, That in
7 no case shall the paid-up share capital be less than [Two thousand pesos (P2,000.00)]
8 **THIRTY THOUSAND PESOS (P30,000.00)**.

9 ART. 15. *By-laws.* – x x x

10 ART. 16. *Registration.* – A cooperative formed or organized under this Code
11 acquires juridical personality from the date the [Cooperative Development] Authority issues a
12 certificate of registration under its official seal. All applications for registration shall be finally
13 disposed of by the [Cooperative Development] Authority within a period of [thirty (30)] **SIXTY**
14 **(60)** days from the filing thereof, otherwise the application is deemed approved, unless the cause
15 of the delay is attributable to the applicant: *Provided*, That, in case of a denial of the application
16 for registration, an appeal shall lie with the Office of the President within ninety (90) days from
17 receipt of notice of such denial: *Provided, further*, That failure of the Office of the President to
18 act on the appeal within ninety (90) days from the filing thereof shall mean approval of said
19 application: **PROVIDED, FINALLY, THAT NO COOPERATIVE SHALL BE**
20 **REGISTERED UNLESS THE ORGANIZERS HAVE ATTENDED AND COMPLETED**
21 **A PRE-MEMBERSHIP SEMINAR CONDUCTED BY THE AUTHORITY OR ITS**
22 **DULY ACCREDITED COOPERATIVE UNIONS, FEDERATIONS AND OTHER**
23 **ENTITIES, AND HAVE SUBMITTED THE NECESSARY REQUIREMENTS FOR**
24 **REGISTRATION AS PROVIDED UNDER THIS CODE.**

25 ART. 17. *Certificate of Registration.* – x x x

26 ART. 18. *Amendment of Articles of Cooperation and Bylaws.* – Unless otherwise
27 prescribed by this Code and for legitimate purposes, any provision or matter stated in the articles
28 of cooperation **AND BY-LAWS** may be amended by two-thirds (2/3) vote of all the members

1 with voting rights, without prejudice to the right of the dissenting members to exercise their right
2 to withdraw their membership under Articles 31 and 32.

3 The original and amended articles **AND BY-LAWS** together shall contain all provisions
4 required by law to be set out in the articles of cooperation [.] **AND BY-LAWS**. Amendments
5 shall be indicated by underscoring or otherwise appropriately indicating the change or changes
6 made and a copy [thereof] **OF THE AMENDED ARTICLES OR AMENDED BY-LAWS**
7 duly certified under oath by the cooperative secretary and a majority of the directors stating the
8 fact that said amendment or amendments **TO THE ARTICLES OF COOPERATION**
9 **AND/OR BY-LAWS** have been duly approved by the required vote of the members. All
10 amendments to the articles of cooperation **AND/OR BY-LAWS** shall be submitted to the
11 [Cooperative Development] Authority. The amendments shall take effect upon its approval by
12 the [Cooperative Development] Authority or within thirty (30) days from the date of filing
13 thereof if not acted upon by the Authority for a cause not attributable to the cooperative.

14 ART. 19. *Contracts Executed Prior to Registration and Effects Thereof.* – x x x

15 ART. 20. *Division of Cooperatives.* – x x x

16 ART. 21. *Merger and Consolidation of Cooperatives.* – x x x

17 ART. 22. *Effects of Merger and Consolidations.* – x x x

18 ART. 23. *Types and Categories of Cooperatives.* – (1) *Types of Cooperatives* –

19 Cooperatives may fall under any of the following types:

20 (a) **SAVINGS AND Credit Cooperative** [is] **REFERS TO** one which promotes thrift **AND**
21 **SAVINGS** among its members [and create] **TO GENERATE** funds in order to grant
22 loans for productive and [provident] **PROVIDENTIAL** purposes;

23 (b) *Consumers Cooperative* **REFERS TO** [is] one **WHICH** [the primary purpose is to]
24 **UNDERTAKES COLLECTIVE** procurement and distribut[e]ION **OF**
25 commodities **AND SERVICES** to members and non-members;

26 (c) *Producers Cooperative* **REFERS TO** [is] one **WHICH** [that] undertakes joint
27 **AGRICULTURAL OR INDUSTRIAL** production **OR BOTH** [whether agricultural
28 or industrial];

- 1 (d) *Marketing Cooperative* **REFERS TO** [is] one which engages in the supply of
2 production inputs to members and markets their products;
- 3 (e) *Service Cooperative* **REFERS TO** [is] one which [engages in] **RENDERS** medical
4 and dental care, hospitalization, [and] transportation, insurance, housing, labor, electric
5 light and power, communication, **IRRIGATION, WATER SUPPLY** and other
6 services;
- 7 (f) **WORKERS COOPERATIVE** **REFERS TO ONE WHOSE MEMBERS ARE AT**
8 **THE SAME TIME THE PAID WORKERS AND/OR THE COOPERATIVE'S**
9 **PRINCIPAL PURPOSE IS TO PROVIDE EMPLOYMENT TO ITS MEMBERS;**
- 10 (g) **MODEL FARM COOPERATIVE** **REFERS TO ONE WHICH HAS FARMERS**
11 **OR FISHERFOLK AND AGRARIAN REFORM BENEFICIARIES AS**
12 **MEMBERS FOR THE EFFICIENT MANAGEMENT AND OPERATION OF**
13 **THEIR CONTIGUOUS AREAS IN ACCORDANCE TO THE PROVISIONS OF**
14 **SECTION 7 OF REPUBLIC ACT NO. 8435, OTHERWISE KNOWN AS THE**
15 **AGRICULTURE AND FISHERIES MODERNIZATION ACT OF 1997 (AFMA);**
- 16 (H) **FARMERS COOPERATIVE** **REFERS TO COOPERATIVES OWNED AND**
17 **OPERATED BY FARMERS ENGAGED PRIMARILY IN THE PRODUCTION**
18 **OF AGRICULTURAL CROPS AND LIVESTOCK;**
- 19 (I) **FISHERFOLK COOPERATIVE** **REFERS TO COOPERATIVES OWNED AND**
20 **OPERATED BY FISHERFOLK PRIMARILY ENGAGED IN THE**
21 **COMMERCIAL PRODUCTION, CULTIVATION AND GATHERING OF**
22 **FISHES AND OTHER MARINE LIFE;**
- 23 (J) **PUBLIC MARKET AND ABTTOIRS COOPERATIVES REFER TO**
24 **COOPERATIVES OWNED AND OPERATED BY MARKET VENDORS**
25 **PRIMARILY ENGAGED IN THE WHOLESALE AND RETAIL OF**
26 **AGRICULTURAL AND FISHERY PRODUCTS INCLUDING THE**
27 **OPERATION, MANAGEMENT AND MAINTENANCE OF PUBLIC**
28 **MARKETS AND ABBATOIRS;**

1 (K) LABORATORY COOPERATIVES REFER TO A COOPERATIVE
2 ORGANIZED BY MINORS AFFILIATED WITH A REGISTERED
3 COOPERATIVE AND GOVERNED BY SPECIAL GUIDELINES TO BE
4 PROMULGATED BY THE AUTHORITY; and

5 [(f)] (L) *Multi-Purpose Cooperative* REFERS TO [is] one which combines two (2) or
6 more of the business activities of the[se] different types of cooperatives
7 ENUMERATED ABOVE.

8 (2) *Categories of Cooperatives.* – Cooperatives shall be categorized according to
9 membership and territorial consideration WHICH ARE as follows:

10 [(a)] In terms of membership, cooperatives shall be categorized into:]

11 (a) [(i)] *Primary* – [The] REFERS TO COOPERATIVES WHOSE members
12 [of which] are natural persons;

13 (b) [(ii)] *Secondary* – [The] REFERS TO COOPERATIVES WHOSE
14 members [of which] are [primaries] PRIMARY COOPERATIVES; and

15 (c) [(iii)] *Tertiary* – [The] REFERS TO COOPERATIVES WHOSE
16 members [of which] are [secondaries upward to one (1) or more apex
17 organizations.] SECONDARY COOPERATIVES OR APEX
18 ORGANIZATIONS OF COOPERATIVES.

19 (b) In terms of territory, cooperatives shall be categorized according to areas of operations
20 which may or may not coincide with the political subdivisions of the country.

21 ART. 24. *Federation of Cooperatives.* – [(1) A federation of cooperatives, whose
22 members are] [p]Primary and/or secondary cooperatives with single line, [or] multipurpose
23 business activities, OR RELATED INTERESTS, may AGREE TO FEDERATE
24 THEMSELVES FOR THE ENHANCEMENT OF THEIR PURPOSES OR FOR ANY
25 OTHER LEGAL ACTIVITY: PROVIDED, THAT THE FEDERATION SHALL be
26 registered under this Code for any or all of the following purposes:

27 (a) *Primary Purpose* – To carry on any cooperative enterprise authorized under Article 6[;]

28 THAT COMPLEMENTS, AUGMENTS, OR SUPPLEMENTS BUT DOES NOT

1 **CONFLICT WITH, NOR SUPPLANT THE BUSINESS/ECONOMIC ACTIVITIES OF**
2 **ITS MEMBERS;**

3 (b) x x x (i) x x x

4 (ii) x x x

5 (iii) x x x

6 (iv) x x x

7 (v) x x x

8 (vi) x x x

9 (2) **AT LEAST FIVE (5) ORGANIZED AND [R]registered cooperatives may organize a**
10 **federation at the MUNICIPAL, provincial, city, SPECIAL METROPOLITAN POLITICAL**
11 **SUBDIVISION, ECONOMIC ZONE CREATED BY LAW, regional, and national levels**
12 **according to the type of business ACTIVITY carried on [.] BY THE COOPERATIVES AND**
13 **SHALL BE REGISTERED WITH THE AUTHORITY.”**

14 SEC. 3. Articles 26, 27, 28, 29 and 31 of Chapter III of the same Code are hereby
15 amended as follows:

16 “ART. 26. *Who May Be ELIGIBLE FOR MEMBERSHIP [of Cooperatives].* -- Any natural
17 person[,] who is **AT LEAST EIGHTEEN (18) YEARS OF AGE, [a citizen of the Philippines],**
18 **CAPABLE AND WILLING TO DISPOSE THE RESPONSIBILITIES OF**
19 **MEMBERSHIP, AND HAS BEEN CERTIFIED BY THE AUTHORITY OR ANY OF ITS**
20 **ACCREDITED AGENCIES TO HAVE COMPLETED THE PRE-MEMBERSHIP**
21 **SEMINAR, MAY BE ELIGIBLE TO JOIN A PRIMARY COOPERATIVE. A [a]**
22 **cooperative, [or] any non-profit organization, OR A NON-GOVERNMENTAL**
23 **ORGANIZATION with juridical personality shall be eligible for membership in a**
24 **SECONDARY OR TERTIARY cooperative: PROVIDED, THAT [if] the applicant FOR**
25 **MEMBERSHIP IN ANY CATEGORY OF COOPERATIVE SHALL meet[s] the**
26 **qualifications prescribed in the by-laws. [Provided, That only natural persons may be admitted as**
27 **members of a primary cooperative;]**

28 **THE FOREGOING PROVISIONS NOTWITHSTANDING, A DULY**
29 **REGISTERED COOPERATIVE, REPRESENTED BY ITS CHIEF EXECUTIVE**

1 OFFICER, MAY BE ADMITTED AS A MEMBER OF A PRIMARY SUBSIDIARY
2 COOPERATIVE THAT IT HELPED ORGANIZE.

3 ART. 27. *Kinds of Membership.* – A cooperative may have two (2) kinds of
4 membership, to wit:

5 (1) *Regular members* REFERS TO THOSE WHO WERE CONFERRED
6 MEMBERSHIP ONLY AFTER THEY HAVE FULLY SATISFIED ALL
7 THE REQUIREMENTS FOR SUCH MEMBERSHIP, AND ARE
8 ENTITLED TO ALL THE RIGHTS AND PRIVILEGES AS PROVIDED IN
9 THE BY-LAWS;; and

10 (2) *Associate members* REFERS TO THOSE WHO HAVE BEEN CONFERRED
11 MEMBERSHIP BY THE BOARD OF DIRECTORS THROUGH SPECIAL
12 CONSIDERATION: *PROVIDED*, THAT THEIR MEMBERSHIP SHALL
13 BE CONFIRMED BY A MAJORITY VOTE OF THE REGULAR
14 MEMBERS IN THE SOONEST HELD GENERAL ASSEMBLY;
15 *PROVIDED FURTHER THAT* [. A regular member is one who is entitled to all
16 the rights and privileges of membership.] associate members [is one who has]
17 *HAVE* no right to neither vote nor be voted upon and shall be entitled only to
18 such rights and privileges as the by-laws may provide.

19 A cooperative organized by minors shall be considered a laboratory cooperative and must
20 be affiliated with a registered cooperative. A laboratory cooperative shall be governed by special
21 guidelines to be promulgated by the [Cooperative Development] Authority.

22 ART. 28. *Government Officers and Employees.* – (1) Any officer or employee of the
23 [Cooperative Development] Authority shall be disqualified to be elected or appointed to any
24 position in a cooperative[;]: *PROVIDED, THAT THE DISQUALIFICATION DOES NOT*
25 *EXTEND TO A COOPERATIVE ORGANIZED BY THE OFFICERS OR EMPLOYEES*
26 *OF THE AUTHORITY, AND WHOSE MEMBERS ARE ALL OFFICERS OR*
27 *EMPLOYEES OF THE AUTHORITY;* (2) ALL [E]lective officials of the Government[,]
28 except Barangay Officials, shall be ineligible to become officers and directors of cooperatives;
29 and (3) Any government employee **OR OFFICIAL** may, in the discharge of his duties as

1 member in the cooperative, be allowed by the head of office concerned to use official time for
2 attendance at the general assembly, board and committee meetings of cooperatives as well as
3 cooperative seminars, conferences, workshops, technical meetings, and training courses locally
4 or abroad: *Provided*, That the operations of the office concerned are not adversely affected.

5 ART. 29. *Application FOR MEMBERSHIP.* - An applicant for membership shall
6 be deemed a member after approval of his membership by the board of directors and shall
7 exercise the rights of members after having made such payments to the cooperative in respect to
8 membership or acquired interest in the cooperative as may be prescribed in the bylaws. In case
9 membership is refused or denied by the board of directors, an appeal may be made to the general
10 assembly and the latter's decision shall be final. **THE GENERAL ASSEMBLY MAY**
11 **DELEGATE THE FUNCTION OF DECIDING APPEALS ON MEMBERSHIP**
12 **APPLICATION TO A BODY INDEPENDENT OF THE BOARD OF DIRECTORS**
13 **WHOSE DECISION SHALL BE FINAL.**

14 ART. 29-A. *RIGHTS AND PRIVILEGES OF A MEMBER.* -- A MEMBER OF A
15 COOPERATIVE SHALL HAVE THE FOLLOWING RIGHTS AND PRIVILEGES:

- 16 (1) THE RIGHT TO PARTICIPATE IN THE DECISION-MAKING
17 PROCESS OF THE COOPERATIVE;
- 18 (2) THE RIGHT TO VOTE ON ALL MATTERS BROUGHT BEFORE
19 MEETINGS;
- 20 (3) THE RIGHT TO BE ELECTED TO POSITIONS IN THE
21 COOPERATIVE;
- 22 (4) THE RIGHT TO BE INFORMED OF COOPERATIVE
23 ACTIVITIES AND OTHER RELEVANT AND VITAL
24 INFORMATION OF THE COOPERATIVE;
- 25 (5) THE RIGHT TO OPEN, INSPECT AND SCRUTINIZE THE
26 COOPERATIVE'S BOOK OF ACCOUNTS, MINUTES OF
27 MEETINGS, SHARE REGISTER AND OTHER PERTINENT
28 RECORDS;

- 1 (6) THE RIGHT TO EQUALLY AVAIL AND SHARE IN THE
2 SERVICES AND BENEFITS THAT THE COOPERATIVE IS
3 EXTENDING TO MEMBERS UPON COMPLIANCE OF
4 CONDITIONS AND REQUIREMENTS;
- 5 (7) THE RIGHT TO REDRESS GRIEVANCES AGAINST ANY
6 OFFICER OR MEMBER OF THE COOPERATIVE IN THE
7 GENERAL ASSEMBLY OR ANY PROPER FORUM;
- 8 (8) THE RIGHT TO WILLFUL WITHDRAWAL OF MEMBERSHIP
9 AND TO THE FULL RECOVERY OF SHARE CAPITAL AND
10 INTERESTS THEREOF: *PROVIDED*, THAT ALL LIABILITIES
11 TO THE COOPERATIVE AND THE PROVISIONS FOR
12 TERMINATION OF MEMBERSHIP UNDER ARTICLE 32 OF
13 THIS ACT SHALL HAVE BEEN SATISFIED;
- 14 (9) THE PRIVILEGE TO ATTEND EDUCATIONAL ACTIVITIES
15 AND SIMILAR SERVICES THAT THE COOPERATIVE MAY
16 EXTEND TO MEMBERS; AND
- 17 (10) THE RIGHT TO ASSIGN MEMBER'S RIGHTS AND
18 PRIVILEGES TO A PERSON OF HIS CHOICE IN HIS ABSENCE
19 AND INCAPACITY: *PROVIDED*, THAT THE ASSIGNEE SHALL
20 BE ABLE TO PRESENT A VALID AUTHORIZATION FROM THE
21 ASSIGNOR; *PROVIDED FURTHER*, THAT THE ASSIGNEE DOES
22 NOT HAVE INTERESTS INIMICAL TO OR IN CONFLICT WITH
23 THAT OF THE COOPERATIVE.

24 **ART. 29-B. DUTIES AND RESPONSIBILITIES OF A MEMBER.** - A MEMBER OF
25 **A COOPERATIVE SHALL HAVE THE FOLLOWING RESPONSIBILITIES:**

- 26 (1) TO PAY CAPITAL STOCK SUBSCRIPTION;
- 27 (2) TO ATTEND AND ACTIVELY PARTICIPATE IN ALL
28 MEETINGS AND FUNCTIONS THAT THE COOPERATIVE MAY

1 CALL REQUIRING A MEMBER'S ATTENDANCE AND IN THE
2 CAPACITY THAT THE COOPERATIVE MAY ASSIGN;

3 (3) TO PATRONIZE THE BUSINESS OPERATION OF THE
4 COOPERATIVE;

5 (4) TO PAY, REIMBURSE OR RETURN TO THE COOPERATIVE
6 LOAN AMORTIZATIONS, BORROWINGS, MATERIALS,
7 BENEFITS OR EMOLUMENTS THAT ARE INTENDED
8 OTHERWISE;

9 (5) TO INFORM THE COOPERATIVE OF MATTERS THAT MAY
10 AFFECT FAVORABLY OR BE PREJUDICIAL TO ITS BUSINESS,
11 INTERESTS OR PROPER FUNCTIONING; AND

12 (6) TO ADVANCE AND PROTECT THE INTERESTS OF THE
13 COOPERATIVE.

14 ART. 30. *Liability of Members.* - x x x

15 ART. 31. *Termination of Membership.* - (1) x x x

16 (2) The death[,] OR insanity[,] [insolvency or dissolution] of a member [shall be
17 considered an automatic termination of membership.] IN A PRIMARY COOPERATIVE,
18 AND THE INSOLVENCY OR DISSOLUTION OF A MEMBER IN A SECONDARY OR
19 TERTIARY COOPERATIVE SHALL BE CONSIDERED VALID GROUNDS FOR
20 TERMINATION OF MEMBERSHIP. HOWEVER, THIS PROVISIO SHALL NOT
21 APPLY TO AGRARIAN REFORM BENEFICIARIES-MEMBERS OF
22 COOPERATIVES.

23 (3) A MEMBER MAY TERMINATE MEMBERSHIP AND TRANSFER SHARE
24 CAPITAL AND ALL THE RIGHTS AND PRIVILEGES PERTINENT TO
25 MEMBERSHIP IN FAVOR OF AN HEIR OR NOMINEE: *PROVIDED*, THAT THE
26 WITHDRAWING MEMBER HAS BEEN CLEARED, IN WRITING, BY THE BOARD
27 OF DIRECTORS, OF DEBTS AND LIABILITIES INCURRED DURING THE
28 INCUMBENCY OF MEMBERSHIP.

1 (4) [(3)] [A member] **MEMBERSHIP IN THE COOPERATIVE** may be terminated by
2 a vote of the majority of all the members of the board of directors **AFTER AN IMPARTIAL**
3 **INQUIRY**, for any of the following causes:

4 (a) When a member has not patronized **EVEN ONE OF** the services of the cooperative for
5 an unreasonable period of time as may be fixed **BEFOREHAND** by the board of directors;

6 (b) When a member has continuously failed to comply with his obligations **OR**
7 **RESPONSIBILITIES**;

8 (c) x x x

9 (d) x x x

10 A member whose membership the board of directors may wish to terminate shall be
11 informed of such intended action in writing and shall be given an opportunity to be heard before
12 the said board makes its decision. The decision of the board shall be in writing and shall be
13 communicated in person or by registered mail to the member and shall be appealable, within
14 thirty (30) days after the decision is promulgated, to the general assembly whose decision
15 therein, whether in a general or special session, shall be final. **THE GENERAL ASSEMBLY**
16 **MAY DELEGATE THE FUNCTION AND POWER OF DECIDING ON APPEALS ON**
17 **MEMBERSHIP TERMINATION TO A BODY INDEPENDENT OF THE BOARD OF**
18 **DIRECTORS WHOSE DECISION SHALL BE FINAL.** Pending a decision by the general
19 assembly, the membership remains in force.

20 SEC. 4. Articles 34, 35, 36, 37, 38, 39, 40, 41, 43, 44, 45, 47 and 51 of Chapter IV of the
21 same Code are hereby amended as follows:

22 “ART. 34. *Powers of the General Assembly.* – The general assembly shall be the
23 highest policy-making body of the cooperative and shall exercise such powers as are stated in
24 this Code, in the articles of cooperation and in the by-laws of the cooperative. The general
25 assembly shall have the following [exclusive] powers [which cannot be delegated]:

26 (a) To determine and approve amendments to the articles of cooperation and by-laws;

27 (b) To elect or appoint the members of the board of directors, and to remove them for
28 cause;

1 (C) TO APPROVE APPLICATION FOR MEMBERSHIP AND TO TERMINATE
2 THE SAME;

3 (D) TO SET THE GENERAL POLICY DIRECTION OF THE COOPERATIVE
4 THAT SHALL SERVE AS THE BASIS FOR THE MANAGEMENT OF THE
5 COOPERATIVE;

6 [c] (E) To approve OR DISAPPROVE POLICIES, CONTRACTS, AND developmental
7 plans of the cooperative PROMULGATED BY THE BOARD OF DIRECTORS;
8 and

9 (F) [d] TO DECIDE ON [S]such other matters requiring a two-thirds (2/3) of all the
10 members of the general assembly, as provided in this Code.

11 SUBJECT TO THE OTHER PROVISIONS OF THIS CODE AND ONLY FOR
12 PURPOSES OF PROMPT AND INTELLIGENT DECISION-MAKING, THE GENERAL
13 ASSEMBLY MAY, BY A TWO-THIRDS (2/3) VOTE OR WRITTEN ASSENT OF ALL
14 ITS MEMBERS WITH VOTING RIGHTS, DELEGATE SOME OF ITS POWERS TO A
15 SMALLER BODY OF THE COOPERATIVE OR TO THE REPRESENTATIVE
16 ASSEMBLY.

17 ART. 35. *Meetings.* -- MEETINGS SHALL BE THE FORUM WHERE THE
18 REGULAR MEMBERS EXERCISE THEIR RIGHT OF CONTROL OVER THE
19 ACTIVITIES OF THEIR COOPERATIVE WHICH ARE HELD ON THE FOLLOWING
20 OCCASIONS:

21 [1] (A) [A regular] THE ANNUAL GENERAL ASSEMBLY meeting WHICH
22 shall be held annually by the general assembly on the date fixed in the by-laws, or if
23 not so fixed, on any date within ninety (90) days after the close of each fiscal year:
24 *Provided,* That written notice of regular meetings shall be sent to all members of
25 record at their official address at least two (2) weeks prior to the meeting, unless a
26 different period is required in the by-laws.

27 [2] (B) THE SPECIAL GENERAL MEETING WHICH MAY BE CALLED
28 whenever necessary [a special meeting of the general assembly may be called at any
29 time] by [a majority vote of] the board of directors THROUGH A MAJORITY

1 VOTE OF ITS MEMBERS OR THROUGH A WRITTEN REQUEST BY THE
2 MAJORITY OF THE AUDIT COMMITTEE OR FROM AT LEAST TEN
3 PERCENT (10%) OF THE TOTAL MEMBERS OF THE COOPERATIVE
4 AND in [the] cases specified in the by-laws[:], TO TRANSACT SPECIFIC
5 BUSINESS THAT NEEDS IMMEDIATE ATTENTION AND ACTION:
6 *Provided*, That at least one (1) week written notice shall be sent to all members. **THE**
7 **BOARD OF DIRECTORS, AFTER COMPLIANCE WITH THE REQUIRED**
8 **NOTICE, SHALL CALL THE SPECIAL MEETING WITHIN TWO (2)**
9 **WEEKS UPON RECEIPT OF SAID WRITTEN REQUEST.** [However, a special
10 meeting shall be called by the board of directors after compliance with the required
11 notice within one (1) month after receipt of a request in writing from at least ten
12 percent (10%) of the total members to transact specific business covered by the call.]

13 [If the board fails to call a regular or a special meeting within the given period, the
14 Cooperative Development Authority, upon petition of ten percent (10%) of all the members of
15 the cooperative, and for good cause shown, may issue an order to the petitioners directing them
16 to call a meeting of the general assembly by giving proper notice required by this Code or by the
17 by-laws.]

18 [(3)] (C) **THE INAUGURAL GENERAL ASSEMBLY IS THE** [In the case]
19 **FIRST GENERAL ASSEMBLY MEETING** of a newly approved cooperative
20 **WHICH** [a special general assembly] shall be called within ninety (90) days from
21 such approval.

22 [(4)] (D) **THE AUTHORITY-INITIATED MEETINGS REFER TO**
23 **MEETINGS CALLED FOR THE FOLLOWING PURPOSES:**

24 (a) For the purpose of reporting to the members the result of any audit,
25 examination, or other investigation of the cooperative'S affairs ordered or
26 made by [it] **THE AUTHORITY; [or] AND**

27 (b) When the cooperative fails to hold an annual general assembly **OR**
28 **SPECIAL GENERAL MEETINGS UPON A WRITTEN REQUEST**
29 **BY THE MAJORITY OF THE AUDIT COMMITTEE OR FROM**

1 **AT LEAST TEN PERCENT (10%) OF THE TOTAL MEMBERS OF**
2 **THE COOPERATIVE PETITION** during the **REQUIRED** period
3 [required] for the purpose of enabling members to secure any information
4 regarding the affairs of the cooperative and benefits that they are entitled
5 to receive pursuant to this Code.

6 [(1)] x x x

7 ART. 36. *Quorum.* – Unless otherwise provided in the by-laws, a quorum shall
8 consist of **AT LEAST** twenty-five *per centum* (25%) of all the members entitled to vote.

9 ART. 37. *Voting System.* – (1) x x x

10 (2) x x x

11 (3) No member of a primary cooperative shall be permitted to vote by proxy [unless
12 provided for specifically in the by-laws of the cooperative]. However, the by-laws of a
13 cooperative other than a primary **COOPERATIVE** may provide for voting by proxy. **FOR A**
14 **COOPERATIVE OTHER THAN A PRIMARY**, [V]voting by proxy [means] **SHALL**
15 **MEAN** allowing a delegate of a cooperative to represent or vote in behalf of another delegate of
16 the same cooperative.

17 ART. 38. *Composition AND TERM OF OFFICE of the Board of Directors* - The
18 [conduct and management of the affairs of the cooperative shall be vested in a] board of directors
19 [which] shall be composed of **AT LEAST** [not less than] five (5) **BUT NOT** [nor] more than
20 fifteen (15) members elected by the general assembly for a term fixed in the by-laws but not
21 exceeding a term of [two (2)] **FOUR** years and shall hold office until their successors are duly
22 elected and qualified, or until duly removed. However, no director shall serve for more than three
23 (3) consecutive terms.

24 ART. 39. *Powers AND FUNCTIONS of the Board of Directors* - The board of directors
25 shall **HAVE THE FOLLOWING POWERS AND FUNCTIONS:**

26 **(1) TO PROMULGATE POLICIES, DIRECTIVES, OR RULES THAT SHALL**
27 **SERVE AS GUIDE TO MANAGEMENT;**

28 **(2) TO NEGOTIATE AND ENTER INTO CONTRACT IN BEHALF OF THE**
29 **COOPERATIVE; AND**

1 (3) [direct, and supervise the business, manage the property of the cooperative and may,]

2 By resolution, **TO** exercise all such powerS of the cooperative **THAT** [as] are not
3 reserved for the general assembly under this Code and the by-laws.

4 **THE BOARD OF DIRECTORS OF COOPERATIVES WITHOUT A FULL-TIME**
5 **MANAGEMENT TEAM shall, IN ADDITION TO THE ABOVEMENTIONED POWERS**
6 **AND FUNCTIONS, DIRECT, SUPERVISE AND MANAGE THE BUSINESS AND**
7 **PROPERTIES OF THE COOPERATIVE.**

8 ART. 40. *Directors. – (1) x x x*

9 (2) x x x

10 (3) **UNLESS OTHERWISE PROVIDED FOR IN THE BY-LAWS, THE MEMBERS**
11 **OF THE BOARD OF DIRECTORS SHALL NOT HOLD ANY OTHER POSITION IN**
12 **THE COOPERATIVE, OTHER THAN AS MEMBERS OF THE BOARD OF**
13 **DIRECTORS. THEY SHALL ELECT AMONG THEMSELVES A CHAIRPERSON AND**
14 **A VICE CHAIRPERSON.**

15 (4) **ANY PERSON ENGAGED IN A BUSINESS SIMILAR TO THAT OF THE**
16 **COOPERATIVE OR WHO IN ANY OTHER WAY HAS A CONFLICT OF INTEREST**
17 **WITH IT, IS DISQUALIFIED FROM ELECTION AS A MEMBER OF THE BOARD OF**
18 **DIRECTORS OF SAID COOPERATIVE.**

19 ART. 41. *MeetingS of the Board, Quorum. – (1) x x x*

20 (2) Special meetings of the board of directors may be held at any time upon the call of the
21 [President] **CHAIRPERSON OR A MAJORITY OF THE MEMBERS OF THE BOARD,**
22 or as provided in the by-laws.

23 (3) x x x

24 (4) x x x

25 ART. 42. *Vacancy in the Board of Directors. – x x x*

26 ART. 43. *Officers of the Cooperative. –* The board of directors shall elect from among
27 themselves [only the chairman and vice-chairman] **THE CHAIRPERSON AND VICE-**
28 **CHAIRPERSON,** and elect or appoint other officers of the cooperative from outside of the
29 board in accordance with their by-laws. All officers shall serve during good behavior and shall.

1 not be removed except for cause after due hearing. Loss of confidence shall not be a valid
2 ground for removal unless evidenced by acts or omission causing loss of confidence in the
3 honesty and integrity of such officer. No two (2) or more persons with relationships up to the
4 [third] **SECOND** civil degree of consanguinity or affinity **OR ANY PERSON ENGAGED IN**
5 **A BUSINESS SIMILAR TO THAT OF THE COOPERATIVE OR WHO IN ANY**
6 **OTHER MANNER HAS INTERESTS IN CONFLICT WITH THE COOPERATIVE**, shall
7 serve as elective or appointive officers in the same [board] **COOPERATIVE**.

8 ART. 44. *Committees of Cooperatives.* – (1) x x x

9 (2) The by-laws shall provide for the creation of an audit committee, **A MEDIATION**
10 **AND CONCILIATION COMMITTEE** and such other committees as may be necessary for the
11 proper conduct of the affairs of the cooperative. **THE AUDIT COMMITTEE SHALL BE**
12 **DIRECTLY ACCOUNTABLE AND RESPONSIBLE TO THE GENERAL ASSEMBLY**
13 **WITH THE POWER AND DUTY TO AUDIT THE COOPERATIVE’S FINANCIAL**
14 **PERFORMANCE AND CONTINUOUSLY MONITOR THE ADEQUACY AND**
15 **EFFECTIVENESS OF THE COOPERATIVE’S FINANCIAL MANAGEMENT**
16 **CONTROL SYSTEM AND OTHER RELATED RESPONSIBILITY CENTERS.**

17 Unless otherwise provided in the by-laws, the board, in case of vacancy in said committees,
18 may cause an election to fill the vacancy or appoint a person to fill the same subject to the
19 provision that the person elected or appointed shall serve only for the unexpired portion of the
20 term.

21 ART. 45. *Functions and Responsibilities of Directors, Officers and Committee Members.* –

22 The functions and responsibilities of the directors, officers and committee members shall be [as]
23 prescribed in detail in the by-laws of a cooperative.

24 **WITHIN NINETY (90) DAYS FROM REGISTRATION AND IN NO CASE LATER**
25 **THAN NINETY (90) DAYS AFTER HAVING BEEN APPOINTED OR ELECTED, ALL**
26 **DIRECTORS, OFFICERS AND COMMITTEE MEMBERS, MANAGEMENT STAFF**
27 **AND EMPLOYEES SHALL BE REQUIRED TO UNDERGO COOPERATIVE**
28 **TRAININGS TO BE CONDUCTED BY THE AUTHORITY OR DULY ACCREDITED**
29 **COOPERATIVES OR TRAINORS.**

1 ART. 46. *Liability of Directors, Officers and Committee Members.* – x x x

2 ART. 47. *Compensation.* – (1) In the absence of any provision in the by-laws fixing their
3 compensation, the directors shall not receive any compensation except for reasonable *per diems*:

4 **PROVIDED, HOWEVER, THAT THE DIRECTORS AND OFFICERS SHALL NOT BE**
5 **ENTITLED TO ANY PER DIEM WHEN, IN THE PRECEDING CALENDAR YEAR,**
6 **THE COOPERATIVE REPORTED A NET LOSS OR HAD A DIVIDEND RATE LESS**
7 **THAN THE OFFICIAL INFLATION RATE FOR THE SAME YEAR.[: *Provided, That*]**

8 [a] Any compensation other than *per diems* may be granted to directors by a majority vote of the
9 members with voting rights at a regular or special general assembly meeting specifically called
10 for the purpose: *Provided, [further]* That no additional compensation other than *per diems* shall
11 be paid during the first year of existence of any cooperative.

12 (2) x x x

13 (3) x x x

14 ART. 48. *Dealings of Directors, Officers or Committee Members.* – x x x

15 ART. 49. *Disloyalty of a Director.* – x x x

16 ART. 50. *Illegal Use of Confidential Information.* – x x x

17 ART. 51. *Removal.* – **FOR JUST AND VALID GROUNDS, ACTIONS FOR**
18 **THE REMOVAL OF ANY OFFICER ELECTED OR APPOINTED BY THE GENERAL**
19 **ASSEMBLY MAY BE INITIATED BY:**

20 (A) **THE MAJORITY OF THE BOARD OF DIRECTORS;**

21 (B) **BY THE MAJORITY OF ANY OF ITS STANDING COMMITTEES;**

22 (C) **TEN PERCENT (10%) OF ALL THE MEMBERS WITH VOTING RIGHTS;**

23 **AND**

24 (D) **ANY MEMBER OF THE COOPERATIVE IN GOOD STANDING.**

25 **SUBJECT TO THE PROVISIONS OF THIS CODE, ALL OTHER OFFICERS**
26 **ELECTED OR APPOINTED OTHER THAN BY THE GENERAL ASSEMBLY, MAY**
27 **BE REMOVED BY THE BODY THAT ELECTED OR APPOINTED THEM OR BY**
28 **SUCH BODY AS MAY BE PROVIDED IN THE BY-LAWS. An [elective] officer [, director,**
29 **or committee member] ELECTED OR APPOINTED BY THE GENERAL ASSEMBLY**

1 may be removed by a vote of two-thirds (2/3) of the voting members present and constituting a
2 quorum, in a regular or special general assembly meeting called for the purpose. The person
3 involved shall be given an opportunity to be heard at said assembly.

4 **IN THE ABSENCE OF A GENERAL ASSEMBLY MEETING, AN OFFICER**
5 **ELECTED BY THE GENERAL ASSEMBLY MAY BE REMOVED THROUGH A**
6 **RESOLUTION APPROVED BY THE MAJORITY OF THE BOARD OF DIRECTORS:**
7 **PROVIDED, THAT SAID RESOLUTION SHALL BE RATIFIED BY A MAJORITY OF**
8 **ALL THE MEMBERS OF THE COOPERATIVE WITH VOTING RIGHTS. NO SUCH**
9 **BOARD OF DIRECTORS' RESOLUTION SHALL BE APPROVED WITHOUT**
10 **GIVING THE PERSON INVOLVED DUE PROCESS.**

11 SEC. 5. Articles 53, 54, 57, 59, 61, 62 and 63 of Chapter V of the same Code are hereby
12 amended as follows:

13 "ART. 53. *Books to be Kept Open.* – (1) x x x

14 (a) x x x

15 (b) x x x

16 (c) x x x

17 (d) x x x

18 (e) x x x

19 (f) x x x

20 (g) x x x

21 (h) x x x

22 (2) The [chairman of the audit committee of a] **ACCOUNTANT OF THE** cooperative
23 shall be responsible for **THE MANAGEMENT, MAINTENANCE AND SAFEKEEPING**
24 **OF THE** books and records of account of the cooperative in accordance with generally accepted
25 accounting practices. He shall also be responsible for the production of the same at the time of
26 audit or inspection. **THE CHAIRPERSON OF THE AUDIT COMMITTEE SHALL BE**
27 **RESPONSIBLE FOR THE CONTINUOUS AND PERIODIC REVIEW OF THE BOOKS**
28 **AND RECORDS OF ACCOUNTS OF THE COOPERATIVE TO ENSURE THAT**

1 **THESE ARE IN ACCORDANCE WITH GENERALLY ACCEPTED COOPERATIVE**
2 **AND ACCOUNTING PRINCIPLES AND PRACTICES.**

3 (3) Each cooperative shall maintain records of accounts such that the true and correct
4 condition and the results of the operation of the cooperative may be ascertained therefrom at any
5 time. The financial statements, audited according to generally accepted auditing standards,
6 principles and practices, shall be published annually[.] **AND SHALL BE KEPT POSTED IN A**
7 **CONSPICUOUS PLACE IN THE PRINCIPAL OFFICE OF THE COOPERATIVE.**

8 (4) x x x

9 ART. 54. *Annual Reports.* – (1) Every cooperative shall draw up an annual report of its
10 [affairs] **ACTIVITIES, PROGRAMS AND AUDITED FINANCIAL STATEMENTS** a[s]T
11 [of] the end of every [fiscal] **CALENDAR** year, and publish the same furnishing copies to all its
12 members of record. A copy thereof shall be filed with the [Cooperative Development] Authority
13 within [sixty (60)] **FORTY-FIVE (45)** days from the end of [every fiscal] **THE CALENDAR**
14 year. The [form and contents of the] annual report shall be **ACCOMPANIED BY THE**
15 **MINUTES OF GENERAL ASSEMBLY MEETINGS, THE LIST OF NEW SET OF**
16 **OFFICERS, AND ALL OTHER MATTERS AS MAY BE** prescribed by the rules of the
17 Authority. Failure to file the required annual report **OF ITS ACTIVITIES, PROGRAMS**
18 **AND AUDITED ANNUAL FINANCIAL STATEMENTS** shall be a ground for **THE**
19 **SUSPENSION OF ITS RIGHTS AND PRIVILEGES AS A COOPERATIVE UNTIL**
20 **SUCH REQUIRMENTS ARE COMPLIED WITH, OR** revocation of authority of the
21 cooperative to operate as such. [The fiscal year of every cooperative shall be the calendar year
22 except as may be otherwise provided in the by-laws.]

23 (2) x x x

24 ART. 55. *Register of Members as Prima Facie Evidence.* – x x x

25 ART. 56. *Probative Value of Certified Copies of Entries.* – x x x

26 ART. 57. *Bonding of Accountable Officers.* – Every director, officer and employee
27 handling funds, securities or property on behalf of any cooperative shall execute and deliver
28 adequate bonds for the faithful performance of [his] **THEIR RESPECTIVE** duties and
29 obligations. The board of directors shall determine the adequacy of such bonds.

1 THE BONDS OF THE ACCOUNTABLE OFFICERS SHALL ACCOMPANY THE
2 ARTICLES OF COOPERATION AS A REQUIREMENT FOR REGISTRATION OF
3 THE COOPERATIVE. THE BONDS SHALL BE KEPT UP-TO-DATE EVERY YEAR
4 AND THE ADEQUACY AND THE FACT OF BEING UP-TO-DATE SHALL BE
5 INCLUDED IN THE ANNUAL REPORT WHICH SHALL BE MADE AVAILABLE TO
6 THE MEMBERS UPON REQUEST AND SHALL ALSO BE SUBMITTED TO THE
7 AUTHORITY.

8 ART. 58. *Preference of Claims.* – x x x

9 ART. 59. *Instrument for Salary or Wage Deduction.* – (1) A member of a cooperative may,
10 notwithstanding the provisions of existing laws to the contrary, execute an instrument in favor of
11 the cooperative authorizing his employer to deduct from the salary, wage, **LUMP SUM,**
12 **COMMUTATION OF LEAVE CREDITS AND ANY OTHER MONETARY BENEFITS**
13 payable to him by the employer and pay to the cooperative such amount as may be specified in
14 satisfaction of any debt or other demand due from the member to the cooperative.

15 (2) x x x

16 (3) x x x

17 (4) x x x

18 (5) **NOTWITHSTANDING THE PROVISIONS OF EXISTING LAWS TO THE**
19 **CONTRARY, THE RESPONSIBILITIES OF THE EMPLOYER AS STATED IN**
20 **PARAGRAPHS (1) AND (2) OF THIS ARTICLE SHALL BE MANDATORY:**
21 **PROVIDED, THAT IN THE CASE OF A PRIVATE EMPLOYER, THE COOPERATIVE**
22 **MAY AGREE TO REIMBURSE THE EMPLOYER OF THE ACTUAL AND**
23 **REASONABLE COSTS OF DEDUCTING AND REMITTING.**

24 (6) **THE EMPLOYER SHALL REMIT ALL COLLECTIONS FROM THIS**
25 **INSTRUMENT TO THE COOPERATIVE WITHIN FIVE (5) WORKING DAYS AFTER**
26 **THE SALARY DAY.**

27 ART. 60. *Primary Lien.* – x x x

28 ART. 61. *Tax Treatment of Cooperatives.* – [Duly registered cooperatives under this code
29 which do not transact any business with non-members or the general public shall not be subject

1 to any government taxes or fees imposed under the Internal Revenue Laws and other tax laws.
2 Cooperatives not falling under this article shall be governed by the succeeding section.]

3 **COOPERATIVES THAT ARE DULY REGISTERED IN ACCORDANCE WITH THE**
4 **PROVISIONS OF THIS CODE SHALL BE ENTITLED TO THE FOLLOWING TAX**
5 **AND OTHER EXEMPTIONS:**

6 (1) **COOPERATIVES WHICH TRANSACT EXCLUSIVELY WITH MEMBERS,**
7 **WHETHER REGULAR OR ASSOCIATE, REGARDLESS OF THE AMOUNT**
8 **OF THEIR ACCUMULATED RESERVES AND UNDIVIDED NET SAVINGS,**
9 **AND COOPERATIVES WHICH TRANSACT WITH MEMBERS, WHETHER**
10 **REGULAR OR ASSOCIATE, AS WELL AS WITH NON-MEMBERS AND THE**
11 **GENERAL PUBLIC, WITH AVERAGE PAID-UP SHARE CAPITAL OF NOT**
12 **MORE THAN SIXTY THOUSAND PESOS (P 60,000.00) PER MEMBER SHALL**
13 **BE EXEMPT FROM THE PAYMENT OF:**

14 (A) **ALL KINDS OF NATIONAL INTERNAL REVENUE TAXES AND ALL**
15 **OTHER TAXES, FEES AND CHARGES IMPOSED BY THE NATIONAL**
16 **GOVERNMENT OF WHATEVER KIND AND NATURE, INCLUDING,**
17 **BUT NOT LIMITED TO WITHHOLDING TAXES ON ALL FORMS OF**
18 **PASSIVE INCOMES AND CAPITAL GAINS REALIZED FROM THE**
19 **SALE OR EXCHANGE OF ANY PROPERTY OF THE COOPERATIVE,**
20 **WHETHER OR NOT SUCH INCOMES OR GAINS ARE DIRECTLY**
21 **RELATED TO ANY COOPERATIVE ECONOMIC ACTIVITY;**

22 (B) **CITY, PROVINCIAL, MUNICIPAL OR BARANGAY TAXES, FEES AND**
23 **CHARGES, OF WHATEVER KIND OR NATURE, INCLUDING, BUT**
24 **NOT LIMITED TO, ALL FORMS OF LOCAL TAXES, COMMUNITY**
25 **TAXES AND REAL ESTATE TAXES, FEES, CHARGES, IMPOSTS,**
26 **SPECIAL LEVIES AND SPECIAL ASSESSMENTS IMPOSED BY**
27 **VIRTUE OF THE LOCAL GOVERNMENT CODE OF 1991;**

28 (C) **CUSTOMS DUTIES, VALUE ADDED TAX AND OTHER TAXES,**
29 **CHARGES AND FEES ON IMPORTATION OF MACHINERIES,**

1 EQUIPMENTS, SPARE-PARTS AND RAW MATERIALS WHICH ARE
2 NOT MANUFACTURED OR PRODUCED LOCALLY AS CERTIFIED
3 BY THE DEPARTMENT OF TRADE AND INDUSTRY AND WHICH
4 ARE DIRECTLY USED IN THEIR COOPERATIVE ACTIVITIES,
5 MACHINERIES, SPARE-PARTS, AND RAW MATERIALS IMPORTED
6 TAX AND DUTY FREE AS PROVIDED HEREIN SHALL NOT BE
7 TRANSFERRED BY THE COOPERATIVE TO ANY OTHER PERSON
8 OR ENTITY UNTIL AFTER THE LAPSE OF A PERIOD OF FIVE (5)
9 YEARS FROM THE DATE OF RELEASE BY THE BUREAU OF
10 CUSTOMS OF THE IMPORTED ITEMS. OTHERWISE, THE
11 COOPERATIVE AND ITS TRANSFEREE OR ASSIGNEE SHALL BE
12 LIABLE TO PAY TWICE THE AMOUNT OF THE TAX AND/OR
13 DUTIES THEREON; AND

14 (D) ALL OTHER TAXES, FEES AND CHARGES, OF WHATEVER KIND OR
15 NATURE, IMPOSED BY ANY OTHER AGENCY OR
16 INSTRUMENTALITY OF THE GOVERNMENT.

17 THE TWO CLASSES OF COOPERATIVES STATED UNDER PARAGRAPH (1) OF
18 THIS ARTICLE SHALL CONTINUE TO BE ENTITLED TO THE TAX AND OTHER
19 EXEMPTIONS UNDER PARAGRAPHS (1) (A) TO (1) (D) OF THIS ARTICLE AS
20 LONG AS THEY TRANSACT EXCLUSIVELY WITH MEMBERS, REGARDLESS OF
21 THE AVERAGE AMOUNT OF THEIR PAID-UP CAPITAL, OR AS LONG AS THEY
22 CONTINUE TO MAINTAIN AN AVERAGE PAID-UP SHARE CAPITAL OF NOT
23 MORE THAN SIXTY THOUSAND PESOS (P 60,000.00) PER MEMBER EVEN IF
24 THEY TRANSACT WITH NON MEMBERS OR THE GENERAL PUBLIC.

25 (2) COOPERATIVES WITH AVERAGE PAID-UP SHARE CAPITAL OF MORE
26 THAN SIXTY THOUSAND PESOS (P 60,000.00) PER MEMBER AND WHICH
27 TRANSACT WITH MEMBERS AS WELL AS NON-MEMBERS, SHALL ONLY
28 BE EXEMPT FROM THE PAYMENT OF INCOME TAXES IMPOSED BY THE
29 NATIONAL GOVERNMENT FOR A PERIOD OF TEN (10) YEARS

1 COMMENCING FROM ITS DATE OF REGISTRATION WITH THE
2 AUTHORITY. SUCH COOPERATIVES SHALL BE LIABLE TO PAY ALL
3 OTHER NATIONAL OR LOCAL TAXES, CUSTOMS DUTIES, FEES AND
4 CHARGES. PROVIDED, THAT THE LIABILITY FOR TAXES OF A
5 COOPERATIVE FALLING UNDER THIS PARAGRAPH SHALL BE LIMITED
6 ONLY TO INCOME ARISING FROM ITS TRANSACTIONS WITH NON-
7 MEMBERS OR THE GENERAL PUBLIC. ITS INCOME AND TRANSACTIONS
8 WITH MEMBERS SHALL BE ENTITLED TO THE TAX AND OTHER
9 EXEMPTIONS UNDER PARAGRAPHS (1) (A) TO (1) (D) OF THIS ARTICLE.
10 PROVIDED, FURTHER, THAT UPON THE EXPIRATION OF THE TEN (10)
11 YEAR PERIOD HEREIN, A COOPERATIVE FALLING UNDER THIS
12 PARAGRAPH SHALL BE SUBJECT TO INCOME TAX ON ITS
13 TRANSACTIONS WITH NON-MEMBERS OR THE GENERAL PUBLIC
14 IMPOSED BY THE NATIONAL GOVERNMENT IN THE SAME MANNER AS
15 CORPORATIONS AS PROVIDED FOR UNDER THE TAX REFORM ACT OF
16 1997.

17 (3) THE AUTHORITY, UPON ITS APPROVAL OF THE REGISTRATION OF A
18 COOPERATIVE. SHALL ISSUE A CERTIFICATION INDICATING THE
19 NATURE AND EXTENT OF THE TAX EXEMPTION OF THE COOPERATIVE
20 BASED ON THE PROVISIONS OF THIS ARTICLE. THIS CERTIFICATION,
21 WHICH SHALL BE ISSUED IN LIEU OF THE TAX EXEMPTION
22 CERTIFICATE ISSUED BY THE BUREAU OF INTERNAL REVENUE, SHALL
23 SERVE AS EVIDENCE OF THE NATURE AND EXTENT OF THE TAX
24 EXEMPTION STATUS OF THE COOPERATIVE AND SHALL BE
25 RECOGNIZED BY ALL OTHER AGENCIES OF THE GOVERNMENT, AS
26 WELL AS PRIVATE ENTITIES, IN THEIR TRANSACTIONS WITH THE
27 COOPERATIVE. THE CERTIFICATION SHALL BE RENEWED ON AN
28 ANNUAL BASIS UPON APPROVAL BY THE AUTHORITY TO DETERMINE
29 ANY CHANGE IN THE TAX EXEMPTION STATUS OF THE COOPERATIVE.

1 (4) DONATIONS MADE BY ANY PERSON OR ENTITY IN FAVOR OF ANY
2 COOPERATIVE, REGARDLESS OF ITS CLASSIFICATION, SHALL BE
3 EXEMPT FROM ANY AND ALL TAXES, FEES, CHARGES IMPOSED BY THE
4 NATIONAL OR LOCAL GOVERNMENT, INCLUDING BUT NOT LIMITED
5 TO, DONORS TAXES, TRANSFER TAXES, AND, IF THE ITEM TO BE
6 DONATED IS IMPORTED, CUSTOMS DUTIES AND OTHER TAXES, FEES OR
7 CHARGES INCIDENT TO THE IMPORTATION. SUCH DONATIONS SHALL
8 LIKEWISE BE FULLY DEDUCTIBLE FROM THE GROSS INCOMES OF THE
9 DONORS.

10 (5) NOTWITHSTANDING THE PROVISIONS OF THE FOREGOING
11 PARAGRAPHS, ANY COOPERATIVE WHICH IS OTHERWISE, ENTITLED
12 TO ANY OF THE EXEMPTIONS UNDER THIS ARTICLE, BUT DECLARES
13 INTEREST ON ITS MEMBERS' SHARE CAPITAL IN AN AMOUNT WHICH
14 EXCEEDS THE NORMAL RATE OF RETURN ON INVESTMENTS SHALL BE
15 DISQUALIFIED FROM BEING ENTITLED TO SUCH EXEMPTIONS FOR THE
16 TAXABLE YEAR IN WHICH INTEREST WAS DECLARED. PROVIDED
17 THAT, PATRONAGE REFUND, BEING MERE RETURN OF EXCESS
18 PAYMENTS BY THE MEMBERS UNDER ARTICLE 86 OF THE CODE, SHALL
19 NOT BE SUBJECT TO TAX BOTH ON THE PART OF THE COOPERATIVE
20 AND OF THE MEMBERS.

21 (6) NOTHING IN THIS ARTICLE SHALL PRECLUDE THE EXAMINATION OF
22 THE BOOKS OF ACCOUNTS AND OTHER ACCOUNTING RECORDS OF
23 THE COOPERATIVES BY DULY AUTHORIZED NATIONAL INTERNAL
24 REVENUE AND LOCAL GOVERNMENT OFFICERS FOR INTERNAL
25 REVENUE TAX OR LOCAL TAX PURPOSES, PROVIDED THAT PREVIOUS
26 AUTHORIZATION IS OBTAINED FROM THE AUTHORITY”.

27 (7) INTEREST INCOME DERIVED FROM CURRENCY BANK DEPOSITS, YIELD
28 FROM DEPOSIT SUBSTITUTES, TRUST FUND AND OTHER SIMILAR
29 ARRANGEMENTS BY THE COOPERATIVE MEMBERS AS WELL AS BY

1 **THE COOPERATIVE BANK FROM OTHER BANKS SHALL BE EXEMPTED**
2 **FROM THE FINAL TAX.**

3 ART. 62. *[Tax and] Other Exemptions.* **OTHER EXEMPTIONS OF COOPERATIVES.**

4 – [Cooperatives transacting business with both members and nonmembers shall not be subject to
5 tax on their transactions to members. Notwithstanding the provisions of any law or regulation to
6 the contrary, such cooperatives dealing with nonmembers shall enjoy the following tax
7 exemptions:] **ALL COOPERATIVES DULY REGISTERED WITH THE AUTHORITY IN**
8 **ACCORDANCE WITH THE PROVISIONS OF THIS CODE, REGARDLESS OF THEIR**
9 **CLASSIFICATION, SHALL BE ENTITLED TO THE FOLLOWING:**

10 [(1) Cooperatives with accumulated reserves and undivided net savings of not more than
11 Ten million pesos (P10,000,000.00) shall be exempt from all national, city, provincial, municipal
12 or barangay taxes of whatever name and nature. Such cooperatives shall be exempt from custom
13 duties, advance sales or compensating taxes on their importation of machineries, equipment and
14 spare parts used by them and which are not available locally as certified by the Department of
15 Trade and Industry. All tax-free importations shall not be transferred to any person until after
16 five (5) years, otherwise, the cooperative and the transferee or assignee shall be solidarily liable
17 to pay twice the amount of the tax and/or duties thereon.]

18 [(2) Cooperatives with accumulated reserves and undivided net savings of more than Ten
19 million pesos (P10,000,000.00) shall pay the following taxes at the full rate:]

20 [(a)Income Tax – On the amount allocated for interest on capital: *Provided*, That the
21 same tax is not consequently imposed on interest individually received by
22 members;]

23 [(b)Sales Tax – On sales to nonmembers: *Provided however*, That all cooperatives,
24 regardless of classification, are exempt from the payment of income and sales
25 taxes for a period of ten (10) years.]

26 [For cooperatives whose exemptions were removed by Executive Order No. 93, the
27 ten (10)-year period shall be reckoned from the effectivity date of said Executive Order.
28 Cooperatives created after the approval of this Code shall be granted the same exemptions, the
29 period of which shall be reckoned from the date of registration with the Authority: *Provided*,

1 That at least twenty-five *per centum* (25%) of the net income of the cooperatives is returned to
2 the members in the form of interest and/or patronage refunds;]

3 [(c)All other taxes unless otherwise provided herein; and]

4 [(d)Donations to charitable, research and educational institutions and investments to
5 socioeconomic projects within the area of operation of the cooperative may be ta
6 deductible.]

7 [(3) All cooperatives, regardless of the amount of accumulated reserves and undivided net
8 savings shall be exempt from payment of local and undivided net savings shall be exempt from
9 payment of local taxes on transactions with banks and insurance companies; Provided, That all
10 sales or services rendered for non-members shall be subject to the applicable percentage taxes
11 except sales made by producers, marketing or service cooperative; Provided further, That
12 nothing in the articles shall preclude examination of the books of amount or other accounting
13 records of the cooperative by duly authorized internal revenue tax purposes only, after previous
14 authorization by the Authority.]

15 [(4)] (1) Any judge in his capacity as notary public, *ex officio*, shall render service, free of
16 charge, to any person or group of persons requiring either the administration of oath or the
17 acknowledgment of articles of cooperation of a cooperative applicant for registration and
18 instruments of loan from cooperative not exceeding Fifty thousand pesos (P50,000.00).

19 [(5)] (2) Any register of deeds shall accept for registration, free of charge, any instrument
20 relative to a loan made under this Code which does not exceed Fifty thousand pesos
21 (P50,000.00) or the deeds of title or any property acquired by the cooperative or any paper or
22 document drawn in connection with any action brought by the cooperative or with any court
23 judgment rendered in its favor or any instrument relative to a bond of any accountable officer of
24 a cooperative for the faithful performance of its duties and obligations.

25 [(6)] (3) x x x

26 [(7)] (4) x x x

27 [(8)] (5) x x x

28 ART. 63. *Privileges of Cooperatives.* – x x x

29 (1) x x x

1 (2) x x x

2 (3) x x x

3 (4) In areas where appropriate cooperatives exist, the [preferential right] **RIGHT OF**
4 **FIRST REFUSAL** to supply **AT LEAST FIFTEEN PERCENT (15%) OF THE**
5 **REQUIREMENTS FOR ALL TYPES OF MATERIAL SUPPLIES, LABOR AND**
6 **SERVICES OF** government institutions, [and] agencies **OR INSTRUMENTALITIES**
7 **INCLUDING GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS,** [rice,
8 corn and other grains, fish and other marine products, meat, eggs, milk, vegetables, tobacco and
9 other agricultural commodities produced by their members] shall be granted to the cooperatives
10 concerned;

11 (5) [Preferential treatment] **THE RIGHT OF FIRST REFUSAL** in the allocation of
12 fertilizers and in rice distribution shall be granted to cooperatives by the appropriate government
13 agencies;

14 (6) x x x

15 (7) Cooperatives and their federations, such as **FARM AND FISHERY PRODUCERS**
16 **AND SUPPLIERS,** market vendorS **AND OTHER** cooperatives[,] **WHICH HAVE FOR**
17 **THEIR PRIMARY PURPOSE PRODUCTION AND/OR MARKETING OF PRODUCTS**
18 **FROM AGRICULTURE, FISHERIES AND SMALL ENTREPRENEURIAL**
19 **INDUSTRIES AND FEDERATIONS THEREOF,** shall have [preferential rights] **THE**
20 **RIGHT OF FIRST REFUSAL** in **THE OPERATION AND** management of public markets
21 and/or lease of public market facilities, stalls or spaces **AND ABATTOIRS[;]: PROVIDED,**
22 **THAT THE COOPERATIVE ITSELF UTILIZES THESE RIGHTS AND NOT**
23 **THROUGH A MIDDLE-MAN NOR A PERSON NOT CONNECTED WITH NOR A**
24 **MEMBER OF THE COOPERATIVE.**

25 (8) [Credit] [c]Cooperatives and/or federations **ENGAGED IN CREDIT SERVICE** shall
26 be entitled to loans, credit lines, rediscounting of their loan notes, and other eligible papers with
27 the *Development Bank of the Philippines,* [the *Philippine National Bank,*] the *Land Bank of the*
28 *Philippines* and other financial institutions except the [Central Bank of the Philippines]
29 **BANGKO SENTRAL NG PILIPINAS.**

1 THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC) AND OTHER
2 GOVERNMENT AGENCIES, GOVERNMENT-OWNED OR CONTROLLED
3 CORPORATIONS AND GOVERNMENT FINANCIAL INSTITUTIONS SHALL
4 PROVIDE TECHNICAL ASSISTANCE TO REGISTERED NATIONAL
5 FEDERATIONS AND UNIONS OF COOPERATIVES WHICH HAVE SIGNIFICANT
6 ENGAGEMENT IN SAVINGS AND CREDIT OPERATIONS TO ESTABLISH AND/OR
7 STRENGTHEN THE AUTONOMOUS COOPERATIVE DEPOSIT INSURANCE
8 SYSTEM/S OF THESE FEDERATIONS AND UNIONS.

9 (9) x x x

10 (10) x x x

11 (11) COOPERATIVES ORGANIZED BY ACADEMIC OR NON-ACADEMIC
12 PERSONNEL OF EDUCATIONAL INSTITUTIONS SHALL HAVE THE RIGHT OF
13 FIRST REFUSAL IN THE OPERATION AND MANAGEMENT OF SCHOOL
14 COMMERCIAL FACILITIES, INCLUDING, BUT NOT LIMITED TO CANTEENS,
15 BOOK STORES, PHOTOCOPYING STALLS, BOOK RENTAL FACILITIES,
16 JANITORIAL SERVICES, INFORMATION TECHNOLOGY SERVICES AND OTHER
17 SERVICES RELATED TO THE OPERATION OF THE EDUCATIONAL
18 INSTITUTION WHERE THEY ARE EMPLOYED: *PROVIDED*, THAT SUCH
19 SERVICES ARE OPERATED WITHIN THE PREMISES OF SAID EDUCATIONAL
20 INSTITUTION. SAID FACULTY MEMBERS AND EMPLOYEES MAY, IN THE
21 DISCHARGE OF THEIR DUTIES AS OFFICERS OR MEMBERS OF THE
22 COOPERATIVE, BE ALLOWED BY THE OWNERS AND/OR ADMINISTRATORS OF
23 THE EDUCATIONAL INSTITUTION CONCERNED, TO USE OFFICIAL TIME FOR
24 ATTENDANCE IN THE GENERAL ASSEMBLY, BOARD AND COMMITTEE
25 MEETINGS OF COOPERATIVES AS WELL AS COOPERATIVE SEMINARS,
26 CONFERENCES, WORKSHOPS, TECHNICAL MEETINGS, AND TRAINING
27 COURSES LOCALLY OR ABROAD: *PROVIDED*, THAT THE OPERATIONS OF THE
28 EDUCATIONAL INSTITUTION CONCERNED ARE NOT ADVERSELY AFFECTED.

1 (12) GOVERNMENT AGENCIES AND INSTRUMENTALITIES, INCLUDING
2 GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS, SHALL SOURCE
3 AT LEAST TEN PERCENT (10%) OF THEIR SUPPLIES, EQUIPMENT AND OTHER
4 REQUIREMENTS FROM COOPERATIVES OF PERSONS WITH DISABILITIES
5 ENGAGED IN THE MANUFACTURE, FABRICATION OR PRODUCTION OF THE
6 SAME: *PROVIDED*, THAT THE PRICES AND QUALITY OF SUPPLIES, EQUIPMENT
7 OR OTHER REQUIREMENTS OFFERED ARE COMPETITIVE AND THAT DEMAND
8 CAN BE MET BY THESE COOPERATIVES.

9 COOPERATIVES OF PERSONS WITH DISABILITIES MUST BE DULY
10 REGISTERED AND IN GOOD STANDING WITH THE AUTHORITY AND
11 CERTIFIED BY THE NATIONAL COUNCIL FOR THE WELFARE OF DISABLED
12 PERSONS. ACCREDITATION WITH THE COUNCIL MUST BE MADE EVERY TWO
13 (2) YEARS; AND

14 (13) TO AVAIL OF BASIC SERVICES AND FACILITIES UNDER R.A. NO 7160,
15 THE LOCAL GOVERNMENT CODE, PARTICULARLY EXTENSION AND ON-SITE
16 RESEARCH SERVICES AND FACILITIES RELATED TO AGRICULTURE AND
17 FISHERY ACTIVITIES BOTH AS TO PROVIDING PRODUCTS FOR DISPERSAL AS
18 WELL AS TO BE RECIPIENTS OF DISPERSAL PROGRAMS OF LOCAL
19 GOVERNMENT UNITS.

20 SEC. 6. Articles 73, 74, 76 and 80 of Chapter VIII of the same Code are hereby amended
21 as follows:

22 ART. 73. *Capital Sources.* - x x x

23 (1) x x x

24 (2) x x x

25 (3) x x x

26 (4) Subsidies, donations, legacies, grants, aids and such other assistance from any local or
27 foreign institution whether public or private[.]: *PROVIDED*, THAT CAPITAL COMING
28 FROM SUCH SUBSIDIES, DONATIONS, LEGACIES, GRANTS, AIDS AND OTHER
29 ASSISTANCE SHALL NOT BE DIVIDED INTO INDIVIDUAL SHARE CAPITAL

1 **HOLDINGS AT ANYTIME BUT SHALL INSTEAD FORM PART OF THE DONATED**
2 **CAPITAL OR FUND OF THE COOPERATIVE.**

3 ART. 74. *Limitation on Share Capital Holdings.* – No member of a cooperative other than
4 a cooperative shall own or hold more than [twenty per centum (20%)] **TEN PER CENTUM**
5 **(10%)** of the share capital of the cooperative. Where a member of a cooperative dies, his heir
6 shall be entitled to the shares of the decedent: *Provided,* That the total share holding of the heir
7 does not exceed [twenty per centum (20%)] **TEN PER CENTUM (10%)** of the share capital of
8 the cooperative: *Provided, further,* That the heir qualify and is admitted as member of the
9 cooperative: *Provided, finally,* That where the heir fails to qualify as such member or where his
10 total share holding exceeds [twenty per centum (20%)] **TEN PER CENTUM (10%)** of the share
11 capital, the share or shares in excess will revert to the cooperative upon payment to the heir of
12 the value of such shares.

13 ART. 75. *Assignment of Share Capital Contribution or Interest.* – x x x

14 ART. 76. [*Interest on Share Capital*] **CAPITAL BUILD-UP.** – [Interest on share capital
15 shall not exceed the normal rate of return on investments as determined by the Cooperative
16 Development Authority and such interest shall be non-cumulative.] **THE BY-LAWS OF**
17 **EVERY COOPERATIVE SHALL PROVIDE FOR A REASONABLE AND REALISTIC**
18 **MEMBER CAPITAL BUILD-UP PROGRAM TO ALLOW THE CONTINUING**
19 **GROWTH OF THE MEMBERS' INVESTMENT IN THEIR COOPERATIVE.**

20 ART. 77. *Shares.* – x x x

21 ART. 78. *Fines.* – x x x

22 ART. 79. *Investment of Capital.* – x x x

23 ART. 80. *Revolving Capital.* – The general assembly of any cooperative may authorize the
24 board of directors to raise a revolving capital to strengthen its capital structure by deferring the
25 payment of patronage refunds and interest on share capital or by the authorized deduction of a
26 percentage from the proceeds of products sold **OR SERVICES RENDERED**, or per unit of
27 product **OR SERVICES** handled. The board of directors shall issue revolving capital
28 certificates with serial number, name, amount, and rate of interest to be paid and shall distinctly

1 set forth that the time of retirement by such certificates and the amounts to be returned are at the
2 discretion of the board of directors.”

3 SEC. 7. Article 82 of Chapter IX of the same Code is hereby amended as follows:

4 “ART. 82. *Audit Report, SOCIAL AND PERFORMANCE AUDITS.* – The auditor shall
5 submit to the **COOPERATIVE’S BOARD OF DIRECTORS AND** audit committee a report
6 of the audit which shall contain a statement of the assets and liabilities of the cooperative,
7 including earnings and expenses, [amount of net surplus as well as losses and bad debts, if any.]
8 **STATEMENT OF CASH FLOW AND AUDITOR’S FINDINGS AND**
9 **RECOMMENDATIONS. IN ADDITION, AUDITS SHALL BE CONDUCTED**
10 **PERIODICALLY BY THE COOPERATIVE TO DETERMINE ITS SOCIAL IMPACT**
11 **AND PERFORMANCE.**

12 [The audit committee shall forthwith furnish the board of directors a copy of the audit
13 report.] Thereafter, the board of directors shall present the complete audit report to the general
14 assembly in its next meeting.

15 SEC. 8. Articles 86 and 87 of Chapter X of the same Code are hereby amended as follows:

16 “ART. 86. *Net Surplus.* – Notwithstanding the provisions of existing laws, the net surplus
17 of cooperatives shall be determined in accordance with its by-laws. Every cooperative shall
18 determine its net surplus at the close of every fiscal year and at such other time as may be
19 prescribed by the by-laws.

20 **ANY PROVISION OF LAW TO THE CONTRARY NOTWITHSTANDING, [T]he**
21 **net surplus shall not be construed as profit but as excess of payments made by the members for**
22 **the loans borrowed, or the goods and services bought by them from the cooperative OR THE**
23 **BALANCE OF THE RIGHTFUL AMOUNT DUE THE MEMBERS FOR THEIR**
24 **PRODUCTS SOLD OR SERVICES RENDERED TO THE COOPERATIVE** and which
25 shall be deemed to have been returned to them if the same is distributed as prescribed herein.

26 ART. 87. *Order of Distribution.* – x x x

27 (1) x x x .

1 (a) The reserve fund shall be used for the stability of the cooperative and to meet net losses
2 in its operations. The general assembly may decrease the amount allocated to the reserve fund
3 when **THE** reserve fund already exceeds the share capital.

4 Any sum recovered on items previously charged to the reserve fund shall be credited to
5 such fund.

6 (b) *x x x*

7 (c) *x x x*

8 (i) *x x x*

9 (ii) *x x x*

10 (2) An amount for the education and training fund, which shall [be] not [more] **BE LESS**
11 than ten *per centum* (10%) of net surplus. The by-laws may provide that certain fees [or fines] or
12 a portion thereof be credited to such fund. **THE FUND SHALL PROVIDE FOR THE**
13 **TRAINING, PROVISION FOR WORK EXPERIENCE AND SIMILAR OTHER**
14 **COOPERATIVE ACTIVITIES GEARED TOWARDS THE ATTAINMENT OF THE**
15 **MISSION, VISION, GOALS AND OBJECTIVES OF THE COOPERATIVE. A**
16 **COOPERATIVE MAY DECIDE TO SET ASIDE A PARTICULAR PORTION OF**
17 **THEIR RESOURCES FOR THIS PROGRAM.**

18 (a) Half of the amounts transferred to the education and training fund annually under this
19 subsection may be spent by the cooperative for education and training and other purposes; while
20 the other half shall be [credited] **REMITTED** to the cooperative education and training fund of
21 the respective apex organization of which the cooperative is a member. **IF THE**
22 **COOPERATIVE IS NOT A MEMBER OF ANY APEX ORGANIZATION, IT SHALL**
23 **REMIT HALF OF ITS COOPERATIVE EDUCATION AND TRAINING FUND (CETF)**
24 **TO AN APEX ORGANIZATION CHOSEN BY ITS BOARD OF DIRECTORS FROM**
25 **AMONG THE EXISTING APEX ORGANIZATIONS REGISTERED WITH THE**
26 **AUTHORITY; PROVIDED, THAT THE APEX ORGANIZATION CHOSEN SHALL**
27 **SUBMIT THE FOLLOWING SCHEDULES: (A) COOPERATIVES WHICH HAVE**
28 **REMITTED TO THEM THEIR RESPECTIVE COOPERATIVE EDUCATION AND**
29 **TRAINING FUND (CETF); (B) NATURE AND COST OF BUSINESS CONSULTANCY**

1 ASSISTANCE TO COOPERATIVES; AND (C) OTHER TRAINING ACTIVITIES
2 UNDERTAKEN SPECIFYING THEREIN THE NATURE, PARTICIPANTS AND COST
3 OF EACH ACTIVITY. An apex organization may be a federation or union.

4 A PORTION OF THE COOPERATIVE EDUCATION AND TRAINING FUND OF
5 THE PRIMARY COOPERATIVE SHALL BE ALLOCATED FOR THE TRAINING,
6 PROVISION FOR WORK EXPERIENCE AND OTHER SIMILAR ACTIVITIES,
7 ESPECIALLY OF THE YOUTH WITHIN ITS AREA OF OPERATION IN ADDITION
8 TO WHATEVER RESOURCES IT SHALL SET ASIDE FOR THE INVOLVEMENT OF
9 THE YOUTH IN THE COOPERATIVE MOVEMENT.

10 (b) Upon the dissolution of [the] A cooperative, the unexpended balance of the education
11 and training fund appertaining to the cooperative shall be credited to the cooperative education
12 and training fund of the apex organization **OF WHICH DISSOLVED COOPERATIVE IS A**
13 **MEMBER.**

14 (3) AN AMOUNT FOR THE COMMUNITY DEVELOPMENT FUND, WHICH
15 SHALL NOT BE LESS THAN THREE *PERCENT* (3%) OF THE NET SURPLUS. THE
16 COMMUNITY DEVELOPMENT FUND SHALL BE USED FOR PROJECTS OR
17 ACTIVITIES THAT BENEFIT THE COMMUNITY OR COMMUNITIES WHERE THE
18 COOPERATIVE OPERATES.

19 [(3)] (4) An optional fund, a land and building, [community development,] and any other
20 necessary fund the total of which [may] **SHALL** not exceed [ten *per centum* (10%)] **SEVEN**
21 ***PERCENT* (7%).**

22 [(4)] (5) The remaining net surplus shall be made available to the members in the form of
23 interest not to exceed the normal rate of return on investments and patronage refunds[.]:
24 ***PROVIDED*, THAT ANY AMOUNT REMAINING AFTER THE ALLOWABLE**
25 **INTEREST AND THE PATRONAGE REFUND HAVE BEEN DEDUCTED, SHALL BE**
26 **CREDITED TO THE RESERVE FUND AND/OR TO THE COMMUNITY**
27 **DEVELOPMENT FUND.**

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

1 (a) x x x

2 (b) x x x

3 (b) x x x

4 (d) x x x

5 SEC. 9. Article 94 of the same Code is hereby amended as follows:

6 "ART. 9 4. *Privileges.* – Subject to such reasonable terms and conditions as the Department
7 of Agrarian Reform and the Authority may impose, agrarian reform cooperatives may be given
8 the exclusive right to do any or all of the following economic activities in agrarian reform and
9 resettlement areas:

10 (1) x x x

11 (2) x x x

12 (3) x x x

13 (4) x x x

14 (5) x x x

15 (6) x x x

16 The Government shall provide the necessary financial and technical assistance to agrarian
17 reform cooperatives to enable them to discharge effectively their purposes under this article.
18 [The Department of Agrarian Reform, the Cooperative Development Authority and the Central
19 Bank of the Philippines shall draw up a joint program for the organization and financing of the
20 agrarian reform cooperatives subject to this Chapter. The joint program shall be geared towards
21 the beneficiaries' gradual assumption of full ownership and management control of the agrarian
22 reform cooperatives within ten (10) years from the date of registration of said cooperatives.]

23 SEC. 10. ew Article after Article 99 of Chapter XIII of the same Code shall be inserted to
24 read as follows:

25 **ART. 99-A. GOVERNING PRINCIPLES - COOPERATIVE BANKS ARE**
26 **PRACTICAL VEHICLES TO:**

27 **(A) PROMOTE SELF-RELIANCE AMONG OUR PEOPLE AND HARNESS**
28 **PEOPLE POWER TOWARDS THE ATTAINMENT OF ECONOMIC DEVELOPMENT**
29 **AND SOCIAL JUSTICE;**

1 (B) ENCOURAGE THRIFT AND SAVINGS MOBILIZATION FOR THE
2 ACHIEVEMENT OF SUSTAINABLE ECONOMIC DEVELOPMENT, EQUITY AND
3 SOCIAL JUSTICE PRIMARILY AMONG COOPERATIVES AND THEIR MEMBERS.

4 THE STATE SHALL REGULATE AND SUPERVISE THE ACTIVITIES OF
5 COOPERATIVE BANKS IN ORDER TO ACHIEVE SOUND, STABLE AND
6 EFFICIENT OPERATIONS FOR THE PROTECTION OF THE PUBLIC INTEREST.

7 SEC. 11. Articles 101, 102, 103, 104, 105, 106, 107, 108 and 109 under Chapter XIII of the
8 same Code are hereby amended as follows:

9 "ART. 101. *Registration Requirements.* – No entity shall be registered by the
10 [Cooperative Development] Authority as a cooperative bank unless the articles of cooperation
11 and by-laws thereof as well as its establishment and operation as a cooperative bank **SHALL**
12 have been approved by the **MONETARY BOARD OF THE** [Central Bank of the Philippines]
13 **BANGKO SENTRAL** and it satisfies all requirements for registration as a cooperative.

14 ART. 102. *Membership.* – [Membership of a cooperative bank shall include only
15 cooperatives and federations of cooperatives.] **MEMBERSHIP IN A COOPERATIVE BANK**
16 **MAY BE CATEGORIZED AS REGULAR OR ASSOCIATE. REGULAR MEMBERS**
17 **SHALL REFER TO HOLDERS OF COMMON SHARES OF THE BANK AND SHALL**
18 **ONLY BE OPEN TO COOPERATIVE ORGANIZATIONS. ASSOCIATE MEMBERS**
19 **SHALL REFER TO MEMBERS SUBSCRIBING AND HOLDING PREFERRED**
20 **SHARES OF THE BANK, WHICH MAY INCLUDE BUT SHALL NOT BE LIMITED**
21 **TO THE FOLLOWING:**

22 (1) **INDIVIDUAL MEMBERS OF THE BANK'S MEMBER-PRIMARY**
23 **COOPERATIVES; AND**

24 (2) **PEOPLES ORGANIZATIONS THAT ARE NOT COOPERATIVES WHICH**
25 **HOLD COMMON SHARES OF COOPERATIVE BANKS PRIOR TO THE**
26 **EFFECTIVITY OF THIS ACT.**

27 ART. 103. *Board of Directors.* – The number, composition, **TERM** and voting rights of the
28 board of directors shall be defined in the articles of cooperation and by-laws of the cooperative
29 bank, notwithstanding provisions of this Code to the contrary. **EX OFFICIO MEMBERSHIP**

1 IN THE BOARD OF DIRECTORS OF A COOPERATIVE BANK SHALL BE
2 ALLOWED SUBJECT TO THE PROVISIONS OF ARTICLE 40(2) OF THIS CODE.

3 IN ORDER TO MAINTAIN THE QUALITY OF BANK MANAGEMENT AND
4 ACCORD BETTER PROTECTION TO DEPOSITORS AND THE PUBLIC IN
5 GENERAL, THE MONETARY BOARD MAY REVIEW THE QUALIFICATIONS OF
6 PERSONS WHO ARE ELECTED OR APPOINTED BANK DIRECTORS AND
7 OFFICERS, INCLUDING EX-OFFICIO BOARD MEMBERS, AND DISQUALIFY
8 THOSE UNFIT. THE MONETARY BOARD SHALL PRESCRIBE THE
9 QUALIFICATIONS OF BANK DIRECTORS AND OFFICERS FOR THE PURPOSE OF
10 THIS SECTION, GIVING DUE RECOGNITION TO THE UNIQUE NATURE AND
11 CHARACTER OF COOPERATIVE BANKS.

12 ART. 104. [*Loans.* – Cooperatives may obtain loans from a cooperative bank. Loans
13 granted by a cooperative bank shall be reported to the Central Bank of the Philippines.]

14 ***POWERS, FUNCTIONS AND ALLIED UNDERTAKINGS OF COOPERATIVE BANKS.*** –
15 COOPERATIVE BANKS SHALL PRIMARILY PROVIDE FINANCIAL, BANKING
16 AND CREDIT SERVICES TO COOPERATIVE ORGANIZATIONS AND THEIR
17 MEMBERS. HOWEVER, THE MONETARY BOARD MAY PRESCRIBE
18 APPROPRIATE CEILINGS AND CONDITIONS ON BORROWINGS OF A
19 COOPERATIVE ORGANIZATION FROM A COOPERATIVE BANK.

20 (1) SUBJECT TO SUCH GUIDELINES AS MAY BE ESTABLISHED BY THE
21 MONETARY BOARD, A COOPERATIVE BANK MAY:

22 (A) ACCEPT SAVINGS AND TIME DEPOSITS;

23 (B) MOBILIZE SAVINGS FOR THE BENEFIT OF THE COOPERATIVE
24 MOVEMENT;

25 (C) RECEIVE FINANCIAL AID OR LOANS FROM ANY INSTITUTION AND
26 THE BANGKO SENTRAL FOR AND IN BEHALF OF ITS MEMBERS;

27 (D) ACT AS A BALANCING MEDIUM FOR THE SURPLUS FUNDS OF
28 COOPERATIVE ORGANIZATIONS;

1 (E) ISSUE NEGOTIABLE INSTRUMENTS TO FACILITATE THE ACTIVITIES
2 OF COOPERATIVE ORGANIZATIONS;

3 (F) ISSUE DEBENTURES SUBJECT TO THE APPROVAL OF AND UNDER
4 CONDITIONS AND GUARANTEES TO BE PRESCRIBED BY THE
5 GOVERNMENT;

6 (G) OPEN LETTERS OF CREDIT AND BANK DRAFTS;

7 (H) BORROW MONEY FROM BANKS AND OTHER FINANCIAL
8 INSTITUTIONS WITHIN THE LIMIT TO BE PRESCRIBED BY THE
9 BANGKO SENTRAL;

10 (I) DISCOUNT AND REDISCOUNT PAPER WITH PRIVATE OR
11 GOVERNMENT FINANCIAL INSTITUTIONS;

12 (J) ISSUE MORTGAGE AND CHATTEL MORTGAGE CERTIFICATES, BUY
13 AND SELL THEM FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF
14 OTHERS, OR ACCEPT OR RECEIVE THEM IN PAYMENT FOR OR
15 AMORTIZATION OF ITS LOAN;

16 (K) PURCHASE, HOLD AND CONVEY REAL ESTATE UNDER THE SAME
17 CONDITIONS AS THOSE GOVERNING AS COMMERCIAL BANKS
18 SPECIFIED UNDER SECTION 51 OF REPUBLIC ACT NO. 8791.

19 (L) ENGAGE IN QUASI-BANKING MONEY MARKET OPERATIONS;

20 (M) EXTEND CREDIT AGAINST THE SECURITY OF JEWELRY,
21 PRECIOUS STONES AND ARTICLES OF SIMILAR NATURE, SUBJECT TO
22 SUCH RULES AND REGULATIONS AS THE MONETARY BOARD MAY
23 PRESCRIBE.

24 THE POWERS AND FUNCTIONS UNDER ITEMS (E), (F), (G), (J), (K), AND (L)
25 OF THIS SUB-SECTION MAY BE PERFORMED BY A COOPERATIVE BANK
26 SUBJECT TO SUCH RULES AND REGULATIONS AS MAY BE PROMULGATED BY
27 THE MONETARY BOARD.

28 IN ADDITION TO THE POWERS GRANTED BY THIS CODE AND OTHER
29 EXISTING LAWS, ANY COOPERATIVE BANK MAY PERFORM ANY OR ALL OF

1 THE SERVICES OFFERED BY RURAL BANKS UPON PRIOR APPROVAL BY THE
2 MONETARY BOARD, INCLUDING THE FOLLOWING :

3 (A) OFFER CURRENT OR CHECKING ACCOUNTS SUBJECT TO SUCH
4 GUIDELINES AS MAY BE ESTABLISHED BY THE PHILIPPINE CLEARING
5 HOUSE CORPORATION;

6 (B) ACT AS CORRESPONDENT FOR OTHER FINANCIAL INSTITUTIONS;

7 (C) ACT AS COLLECTION AND/OR WITHHOLDING AGENT FOR GOVERN-
8 MENT ENTITIES, INCLUDING BUT NOT LIMITED TO THE BUREAU OF
9 INTERNAL REVENUE, THE SOCIAL SECURITY SYSTEM AND THE
10 BUREAU OF CUSTOMS;

11 (D) ACT AS OFFICIAL DEPOSITORY OF NATIONAL AGENCIES, AND OF
12 MUNICIPAL, CITY OR PROVINCIAL GOVERNMENT UNITS IN THE
13 MUNICIPALITY, CITY OR PROVINCE WHERE THE COOPERATIVE
14 BANK IS LOCATED, SUBJECT TO SUCH GUIDELINES AS MAY BE
15 ESTABLISHED BY THE MONETARY BOARD AND THE DEPARTMENT OF
16 FINANCE;

17 (E) EXTEND CREDIT FACILITIES TO PRIVATE AND GOVERNMENT
18 EMPLOYEES: *PROVIDED*, THAT IN THE CASE OF A BORROWER WHO IS
19 A PERMANENT EMPLOYEE OR WAGE EARNER, THE TREASURER,
20 CASHIER OR PAYMASTER OF THE OFFICE EMPLOYING HIM IS
21 AUTHORIZED, NOTWITHSTANDING THE PROVISIONS OF ANY
22 EXISTING LAW, RULES OR REGULATIONS TO THE CONTRARY, TO
23 MAKE DEDUCTIONS FROM HIS SALARY, WAGE OR INCOME
24 PURSUANT TO THE TERMS OF HIS LOAN, TO REMIT DEDUCTIONS TO
25 THE COOPERATIVE BANK CONCERNED, AND COLLECT SUCH
26 REASONABLE FEES FOR HIS SERVICES;

27 NOTHING IN THIS SECTION SHALL BE CONSTRUED AS PRECLUDING A
28 COOPERATIVE BANK FROM PERFORMING, WITH PRIOR APPROVAL OF THE
29 MONETARY BOARD, COMMERCIAL BANKING SERVICES, OR FROM

1 OPERATING UNDER AN EXPANDED BANKING AUTHORITY, OR FROM
2 EXERCISING, WHENEVER APPLICABLE AND NOT INCONSISTENT WITH THE
3 PROVISIONS OF THIS ACT AND BANGKO SENTRAL REGULATIONS, SUCH
4 OTHER POWERS INCIDENT TO A CORPORATION.

5 (2) *INVESTMENTS IN ALLIED UNDERTAKINGS.* - SUBJECT TO SUCH
6 GUIDELINES AS MAY BE ESTABLISHED BY THE MONETARY BOARD,
7 COOPERATIVE BANKS MAY INVEST IN EQUITIES OF ALLIED UNDERTAKINGS
8 AS HEREINAFTER ENUMERATED: *PROVIDED*, THAT:

9 (A) THE TOTAL INVESTMENT IN EQUITIES SHALL NOT EXCEED TWENTY-
10 FIVE *PERCENT* (25%) OF THE NET WORTH OF THE COOPERATIVE
11 BANK;

12 (B) THE EQUITY INVESTMENT IN ANY SINGLE ENTERPRISE SHALL BE
13 LIMITED TO FIFTEEN *PERCENT* (15%) OF THE NET WORTH OF THE
14 COOPERATIVE BANK; AND

15 (C) THE EQUITY INVESTMENT IN OTHER BANKS SHALL BE SUBJECT TO
16 THE SAME PROVISIONS GOVERNING SIMILAR INVESTMENTS OF
17 COMMERCIAL BANKS AND SHALL BE DEDUCTED FROM THE
18 INVESTING BANK'S NET WORTH FOR THE PURPOSE OF COMPUTING
19 THE PRESCRIBED RATIO AS PROVIDED IN SECTION 2, ARTICLE 106
20 HEREOF: *PROVIDED, FURTHER*, THAT EQUITY INVESTMENTS SHALL
21 NOT BE PERMITTED IN NON-RELATED ACTIVITIES. WHERE THE
22 ALLIED ACTIVITY IS A WHOLLY OR MAJORITY-OWNED SUBSIDIARY
23 OF THE COOPERATIVE BANK, THE BANGKO SENTRAL MAY SUBJECT
24 IT TO EXAMINATION.

25 INVESTMENT IN ALLIED UNDERTAKINGS SHALL MEAN INVESTING IN
26 INSTITUTIONS ENGAGED IN THE FOLLOWING ACTIVITIES:

27 (I) BANKING AND FINANCING;

28 (II) WAREHOUSING AND OTHER POST-HARVEST ACTIVITIES;

1 (III) FERTILIZER AND AGRICULTURAL CHEMICAL AND PESTICIDE
2 DISTRIBUTION;
3 (IV) FARM EQUIPMENT DISTRIBUTION;
4 (V) TRUCKING AND TRANSPORTATION OF AGRICULTURAL PRODUCTS;
5 (VI) MARKETING OF AGRICULTURAL PRODUCTS;
6 (VII) LEASING; AND
7 (VIII) OTHER UNDERTAKINGS AS MAY BE DETERMINED BY THE
8 MONETARY BOARD.

9 (3) *LIMITATIONS ON LENDING AUTHORITY.* - COOPERATIVE
10 ORGANIZATIONS, THEIR MEMBERS, AND THE BANK'S DEPOSITORS MAY
11 OBTAIN LOANS FROM A COOPERATIVE BANK, SUBJECT TO SUCH
12 LIMITATIONS AS MAY BE PROVIDED FOR BY THE BANGKO SENTRAL.

13 EXCEPT WHEN THE MONETARY BOARD MAY OTHERWISE PRESCRIBE,
14 THE DIRECT INDEBTEDNESS TO COOPERATIVE BANK/S OF ANY PERSON OR
15 ASSOCIATION FOR MONEY BORROWED, EXCLUDING:

16 (A) LOANS SECURED BY OBLIGATIONS OF THE BANGKO SENTRAL;

17 (B) LOANS FULLY GUARANTEED BY THE GOVERNMENT AS TO THE
18 PAYMENT OF PRINCIPAL AND INTEREST;

19 (C) LOANS TO THE EXTENT COVERED BY THE HOLD-OUT, OR
20 ASSIGNMENT OF, DEPOSITS MAINTAINED IN THE PHILIPPINES;

21 (D) LOANS TO COOPERATIVE ORGANIZATIONS OF THEIR MEMBERS
22 FROM FUNDS PASSED THROUGH THE COOPERATIVE BANK AS A CONDUIT IN
23 ANY PRIVATE OR GOVERNMENT LENDING PROGRAM; AND

24 (E) OTHER LOANS OR CREDITS, AS THE MONETARY BOARD MAY FROM
25 TIME TO TIME SPECIFY AS NON-RISK ASSETS, SHALL AT NO TIME EXCEED
26 TWENTY PERCENT (20%) OF THE UNIMPAIRED CAPITAL AND SURPLUS OF
27 THE COOPERATIVE BANK.

28 NOTWITHSTANDING THE PROVISIONS OF THE PRECEDING PARAGRAPH
29 AND SUBJECT TO SUCH REGULATIONS THAT THE MONETARY BOARD MAY

1 PRESCRIBE, THE TOTAL INDEBTEDNESS OF ANY BORROWER TO THE
2 COOPERATIVE BANK MAY AMOUNT TO A FURTHER TEN PERCENT (10%) OF
3 THE UNIMPAIRED CAPITAL AND SURPLUS OF SUCH BANK: PROVIDED, THAT
4 THE ADDITIONAL INDEBTEDNESS IS FOR THE PURPOSE OF FINANCING A
5 SUBDIVISION OR HOUSING DEVELOPMENT, MEDIUM-INCOME OR LOW-
6 INCOME BORROWERS, OR AGRICULTURE, ON A FULLY SECURED BASIS.

7 THE MONETARY BOARD MAY REGULATE THE AMOUNT OF CREDIT
8 ACCOMMODATIONS THAT MAY BE EXTENDED DIRECTLY OR INDIRECTLY,
9 BY COOPERATIVE BANKS TO THEIR DIRECTORS, OFFICERS OR
10 SHAREHOLDERS. HOWEVER, THE OUTSTANDING CREDIT
11 ACCOMMODATIONS WHICH A COOPERATIVE BANK MAY EXTEND TO EACH
12 OF ITS DIRECTORS, OFFICERS OR SHAREHOLDERS, EXCEPT MEMBER
13 COOPERATIVE-SHAREHOLDERS, SHALL BE LIMITED TO AN AMOUNT
14 EQUIVALENT TO THE RESPECTIVE UNENCUMBERED DEPOSITS AND BOOK
15 VALUE OF THEIR PAID-IN CAPITAL CONTRIBUTION IN THE BANK.

16 ART. 105. *Supervision OF COOPERATIVE BANKS.* – (1) *SUPERVISION* – The
17 cooperative banks registered under this Code shall be under the supervision of the [Central Bank]
18 BANGKO SENTRAL. [The Central Bank upon consultation with the agency and the
19 cooperative movement shall formulate guidelines regarding the operations and banking
20 transactions of cooperative banks. These guidelines shall give due recognition to the unique
21 cooperative nature and character of cooperative banks. To this end, cooperative banks may be
22 exempted from Central Bank rules and regulations, applicable to other types of banks, which
23 would impede the cooperative rural bank from performing legitimate financial and banking
24 services to its members.] THE MONETARY BOARD, SHALL ISSUE GUIDELINES,
25 RULES AND REGULATIONS TO IMPLEMENT THE PROVISIONS OF THIS ACT, IN
26 CONSULTATION WITH THE AUTHORITY, AND THE NATIONAL FEDERATIONS
27 AND UNIONS OF COOPERATIVES.

28 (2) *POWER OF THE BANGKO SENTRAL OVER COOPERATIVE BANKS.* – THE
29 BANGKO SENTRAL SHALL HAVE THE POWER TO:

- 1 (a) ENFORCE THE LAWS, ORDERS, INSTRUCTIONS, RULES AND
2 REGULATIONS PROMULGATED BY THE MONETARY BOARD
3 APPLICABLE TO COOPERATIVE BANKS;
- 4 (b) REQUIRE COOPERATIVE BANKS, THEIR DIRECTORS, OFFICERS
5 AND AGENTS TO CONDUCT AND MANAGE THE AFFAIRS OF THE
6 COOPERATIVE BANK IN A LAWFUL AND ORDERLY MANNER;
7 AND
- 8 (c) UPON PROOF THAT THE COOPERATIVE BANK OR ITS BOARD OF
9 DIRECTORS OR OFFICERS ARE CONDUCTING AND MANAGING
10 THE AFFAIRS OF THE BANK IN A MANNER CONTRARY TO
11 LAWS, ORDERS, INSTRUCTIONS, RULES AND REGULATIONS
12 PROMULGATED BY THE MONETARY BOARD OR IN A MANNER
13 SUBSTANTIALLY PREJUDICIAL TO THE INTEREST OF THE
14 GOVERNMENT, DEPOSITORS, CREDITORS, OR THE GENERAL
15 PUBLIC, APPOINT A CONSERVATOR PURSUANT TO SECTION 29
16 OF REPUBLIC ACT NO. 7653 WITHOUT PREJUDICE TO THE
17 PROSECUTION OF PERSONS RESPONSIBLE FOR SUCH
18 VIOLATIONS UNDER THE PROVISIONS OF SECTIONS 36 AND 37
19 OF REPUBLIC ACT NO. 7653.

20 ART. 106. *Capitalization AND CAPITAL REQUIREMENTS OF COOPERATIVE*
21 *BANKS.* – (1) *CAPITALIZATION* – A national OR LOCAL cooperative bank shall have a
22 minimum [authorized share capital of Two hundred million pesos (P200,000,000.00) in relation
23 to Art. 14 (5).] **PAID-UP CAPITAL IN SUCH AMOUNT AS MAY BE REQUIRED BY**
24 **THE MONETARY BOARD.** The authorized share capital shall be divided into such number
25 of shares with a minimum par value of One thousand pesos (P1,000.00) per share. For the
26 purpose primarily of determining the permanency of equity, the types of shares a cooperative
27 bank may issue, including the terms thereof and the rights appurtenant thereto, shall be subject to
28 such rules and regulations as the [Central Bank] **BANGKO SENTRAL** may prescribe.

1 (2) **CAPITAL REQUIREMENTS.** – A local cooperative bank shall have a minimum
2 [authorized share] **PAID-UP** capital of [Twenty million pesos (P20,000,000.00)] **IN SUCH**
3 **AMOUNT AS MAY BE REQUIRED BY THE MONETARY BOARD. THE**
4 **AUTHORIZED SHARE CAPITAL OF A NATIONAL COOPERATIVE BANK SHALL**
5 **AT LEAST BE TWO HUNDRED MILLION PESOS (P200,000,000.00)** divided into such
6 number of shares with a minimum par value of One thousand pesos (P100.00) per share. For the
7 purpose of primarily determining the permanency of equity, the types of share of a cooperative
8 bank may issue, including the terms thereof and the rights appurtenant thereto, shall be subject to
9 such rules as the [Central Bank] **BANGKO SENTRAL** may prescribe.

10 ART. 107. [Distribution of Net Surplus. – The provisions of this Code on the
11 allocation and distribution of net surplus shall apply.] **PROHIBITED ACT.** – **ANY BANK**
12 **NOT ORGANIZED AND REGISTERED UNDER THIS CODE, AND ANY PERSON,**
13 **ASSOCIATION, OR CORPORATION DOING THE BUSINESS OF BANKING, NOT**
14 **AUTHORIZED UNDER THIS CODE OR EXISTING LAWS, WHICH SHALL USE THE**
15 **WORDS “COOPERATIVE BANK” AS PART OF ITS NAME OR TITLE AS SUCH**
16 **BANK OR SUCH PERSON, ASSOCIATION OR CORPORATION, SHALL BE**
17 **PUNISHED BY A FINE OF NOT LESS THAN ONE HUNDRED PESOS (P100.00) BUT**
18 **IN NO CASE EXCEED THIRTY THOUSAND PESOS (P30,000.00) FOR EACH DAY**
19 **DURING WHICH THE SAID WORDS ARE SO USED.**

20 ART. 108. *Privileges AND INCENTIVES OF COOPERATIVE BANKS.* – [Cooperative
21 banks shall have the following privileges subject to the approval of the Central Bank and
22 compliance with applicable banking laws, rules and regulations:]

23 (1) [The] Cooperative banks registered under this Code shall be given the same privileges
24 **AND INCENTIVES** granted to the rural banks, private development banks, commercial banks
25 and all other banks to rediscount notes with the [Central Bank] **BANGKO SENTRAL**, the Land
26 Bank of the Philippines, and other government banks without affecting in any way the provisions
27 of this Code; [and]

28 (2) [To act as a depository of government funds. For this purpose, all government
29 departments, agencies and units of the national and local governments including government-

1 owned and -controlled corporations are hereby authorized to deposit their funds in any
2 cooperative bank.] **SUBJECT TO THE APPROVAL OF THE MONETARY BOARD, A**
3 **COOPERATIVE BANK MAY PUBLISH ITS STATEMENT OF CONDITION IN A**
4 **NEWSPAPER OF GENERAL CIRCULATION, OR A LOCAL NEWSPAPER**
5 **COVERING ITS AREA OF OPERATIONS, AND POST IT IN AN ACCESSIBLE AREA**
6 **OF ITS PREMISES, THE MUNICIPAL BUILDING, THE MUNICIPAL PUBLIC**
7 **MARKET, THE BARANGAY HALL OR THE BARANGAY PUBLIC MARKET, IF**
8 **THERE BE ANY, WHERE THE COOPERATIVE BANK IS LOCATED.**

9 **HOWEVER, CASES OF FORECLOSURE OF MORTGAGES COVERING LOANS**
10 **GRANTED BY A COOPERATIVE BANK AND EXECUTIONS OF JUDGMENTS**
11 **THEREON INVOLVING REAL PROPERTIES AND LEVIED UPON BY A SHERIFF,**
12 **SHALL BE EXEMPT FROM PUBLICATION REQUIREMENT WHERE THE TOTAL**
13 **AMOUNT OF THE LOAN, EXCLUDING INTEREST DUE AND UNPAID, DOES NOT**
14 **EXCEED FIVE HUNDRED THOUSAND PESOS (P500,000.00) OR SUCH AMOUNT AS**
15 **THE MONETARY BOARD MAY PRESCRIBE. IT SHALL BE SUFFICIENT**
16 **PUBLICATION IN SUCH CASES IF THE NOTICE OF FORECLOSURE AND**
17 **EXECUTION OF JUDGMENT ARE POSTED IN ACCESSIBLE AREAS OF THE**
18 **COOPERATIVE BANK'S PREMISES, THE MUNICIPAL HALL, THE MUNICIPAL**
19 **PUBLIC MARKET, THE BARANGAY HALL, OR THE BARANGAY PUBLIC**
20 **MARKET, IF THERE BE ANY, WHERE THE LAND MORTGAGED IS SITUATED,**
21 **WITHIN A PERIOD OF SIXTY (60) DAYS IMMEDIATELY PRECEDING THE**
22 **PUBLIC AUCTION OR THE EXECUTION OF JUDGMENT. PROOF OF**
23 **PUBLICATION AS REQUIRED HEREIN SHALL BE ACCOMPLISHED BY AN**
24 **AFFIDAVIT OF THE SHERIFF OR OFFICER CONDUCTING THE FORECLOSURE**
25 **SALE OR EXECUTION OF JUDGMENT, AND SHALL BE ATTACHED TO THE**
26 **RECORD OF THE CASE.**

27 **A COOPERATIVE BANK SHALL BE ALLOWED TO FORECLOSE LANDS**
28 **MORTGAGED TO IT SUBJECT TO THE PROVISIONS OF REPUBLIC ACT NO. 6657,**
29 **AS AMENDED.**

1 (3) IN ADDITION TO THE PRIVILEGES GENERALLY GRANTED TO
2 COOPERATIVES UNDER THIS CODE, A COOPERATIVE BANK SHALL ALSO BE
3 ENTITLED TO TAX EXEMPTION PRIVILEGES AS PROVIDED FOR UNDER THIS
4 CODE.

5 ART. 109. *Assistance to Cooperative Banks.* – IN ACCORDANCE WITH
6 EXISTING POLICIES, GOVERNMENT AGENCIES, GOVERNMENT-OWNED OR
7 CONTROLLED CORPORATIONS AND FINANCIAL INSTITUTIONS SHALL
8 PROVIDE ASSISTANCE, WHETHER TECHNICAL OR FINANCIAL OR
9 OTHERWISE, TO COOPERATIVE BANKS TO PERMIT THEM TO GROW,
10 DEVELOP AND PERFORM THEIR ROLE IN COUNTRYSIDE DEVELOPMENT AND
11 TOWARDS A SUSTAINABLE NATIONAL ECONOMIC DEVELOPMENT. Whenever a
12 cooperative bank organized under this Code is distressed or may need assistance in the
13 rehabilitation of its financial condition or to avoid bankruptcy, the Monetary Board of the
14 [Central Bank of the Philippines] **BANGKO SENTRAL NG PILIPINAS** shall designate an
15 official of the [Central Bank] **BANGKO SENTRAL** or a person of recognized competence [in],
16 **PREFERABLY WITH EXPERIENCE IN COOPERATIVE** banking [or] **AND** finance, as
17 receiver or conservator of the said bank pursuant to the provisions of Section 29 of [Republic Act
18 No. 265, as amended] **REPUBLIC ACT NO. 7653.**”

19 SEC. 12. The title of Chapter XIV of the same Code is hereby amended as follows:

20 **“CHAPTER XIV**
21 **SPECIAL PROVISIONS RELATING TO SAVINGS AND CREDIT COOPERATIVE”**

22 SEC. 13. Articles 110, 111, 112, 113 and 114 of Chapter XIV of the same Code are hereby
23 amended as follows:

24 “ART. 110. *Coverage.* – This Chapter shall apply only to **SAVINGS AND** credit
25 cooperatives and the rest of the provisions of this Code shall apply to them insofar as the same
26 are not inconsistent with the provisions of this Chapter.

27 ART. 111. *Definition and Objectives.* – A **SAVINGS AND** credit cooperative is a financial
28 organization owned and operated by its members with the following objectives:

29 (1) x x x

1 (2) x x x

2 (3) x x x

3 ART. 112. *Organization and Registration.* – SAVINGS AND [C]credit cooperatives shall
4 be organized and registered in accordance with the general provisions of this Code[.]:
5 **PROVIDED, HOWEVER, THAT REGISTERED MULTIPURPOSE COOPERATIVES,**
6 **AND UNIONS AND FEDERATIONS OF COOPERATIVES WITH SIGNIFICANT**
7 **INVOLVEMENT IN SAVINGS AND CREDIT OPERATIONS SHALL FORMALLY**
8 **INFORM THE AUTHORITY ABOUT THIS FACT WITHIN THREE (3) MONTHS**
9 **FROM THE EFFECTIVITY OF THIS ACT AND SHALL SUBMIT A SEPARATE**
10 **ANNUAL AUDITED FINANCIAL REPORT FOR SUCH SAVINGS AND CREDIT**
11 **OPERATIONS TO THE AUTHORITY: PROVIDED, FURTHER, THAT ALL**
12 **MULTIPURPOSE COOPERATIVES, AND UNIONS AND FEDERATIONS OF**
13 **COOPERATIVES WHICH SHALL HENCEFORTH BE FORMED AND SHALL**
14 **REGISTER WITH THE AUTHORITY SHALL INDICATE IN THEIR APPLICATION**
15 **FOR REGISTRATION IF THEY HAVE SIGNIFICANT INVOLVEMENT IN SAVINGS**
16 **AND CREDIT OPERATIONS AND SHALL ALSO SUBMIT A SEPARATE ANNUAL**
17 **AUDITED FINANCIAL REPORT FOR SUCH SAVINGS AND CREDIT OPERATIONS**
18 **TO THE AUTHORITY.**

19 THE AUTHORITY AND THE BANGKO SENTRAL NG PILIPINAS SHALL,
20 UPON CONSULTATION WITH THE COOPERATIVE MOVEMENT, JOINTLY
21 FORMULATE:

22 (1) GUIDELINES REGARDING THE DEPOSIT-TAKING TRANSACTIONS OF
23 THESE COOPERATIVES;

24 (2) MINIMUM STANDARDS OF OPERATION OF THESE COOPERATIVES;

25 AND

26 (3) UNIFORM ACCOUNTING AND AUDITING STANDARDS.

27 TO ENSURE MINIMUM COMPLIANCE WITH STANDARD REGULATORY
28 AND SUPERVISORY PROCEDURES FOR FINANCIAL INSTITUTIONS, THE
29 BANGKO SENTRAL NG PILIPINAS SHALL PROVIDE TECHNICAL ASSISTANCE

1 **TO THE AUTHORITY IN ITS FULFILLMENT OF ITS REGULATORY FUNCTION**
2 **OVER SAVINGS AND CREDIT COOPERATIVES.**

3 ART. 113. *Organizational Linkage.* – **SAVINGS AND** [C]credit cooperatives may
4 organize chapters or subsidiaries, or join leagues and federations for the purpose of providing
5 commonly needed essential services including but not limited to the following:

6 (1) x x x

7 (3) x x x

8 (3) x x x

9 (4) x x x

10 (5) x x x

11 (6) x x x

12 (7) x x x

13 (8) x x x

14 (9) x x x

15 Existing support organizations such as federations of **SAVINGS AND** credit cooperatives,
16 **SAVINGS AND** credit cooperatives at the provincial, regional and national levels may continue
17 as such under this Code.

18 ART. 114. *Prohibition.* – The term “**SAVINGS AND** credit cooperative” shall be
19 used exclusively by those who are duly registered under this Chapter, and no person or group of
20 persons, or organizations shall use the said term unless duly registered herein.”

21 SEC. 14. Three (3) new Chapters shall be inserted after Chapter XV of the same Code and
22 shall read as follows:

23 **CHAPTER XVI**

24 **SPECIAL PROVISIONS RELATING TO HOUSING COOPERATIVES**

25 **ART. 118. COVERAGE.** – **THIS CHAPTER SHALL APPLY ONLY TO HOUSING**
26 **COOPERATIVES AND THE REST OF THE PROVISIONS OF THIS CODE SHALL**
27 **APPLY TO THEM INsofar AS THE SAME ARE NOT INCONSISTENT WITH THE**
28 **PROVISIONS OF THIS CHAPTER.**

1 **ART. 119. DEFINITION AND OBJECTIVES – A HOUSING COOPERATIVE IS**
2 **ONE WHICH ENGAGES PRIMARILY IN ASSISTING ITS MEMBERS AND THE**
3 **MEMBERS OF THE COMMUNITY IT SERVES, IN THE PROVISION OF HOUSING**
4 **AND THE AMENITIES THAT ACCOMPANY THE BASIC NEED OF SHELTER ON A**
5 **CONTINUING BASIS, IS COLLECTIVELY OWNED AND CONTROLLED BY ITS**
6 **MEMBERS, AND IS COMMITTED TO ADHERE TO UNIVERSALLY ADOPTED**
7 **COOPERATIVE PRINCIPLES AND VALUES.**

8 **A HOUSING COOPERATIVE SHALL HAVE THE FOLLOWING OBJECTIVES:**

- 9 **(1) TO UNDERTAKE PLANS, PROGRAMS AND ACTIONS TO PROVIDE FOR**
10 **THEIR MEMBERS' NEEDS FOR AFFORDABLE, SUSTAINABLE AND**
11 **QUALITY HOUSING, SECURITY OF TENURE AND SAFE AND SECURE**
12 **NEIGHBORHOODS;**
- 13 **(2) TO ENCOURAGE THRIFT AND SAVINGS MOBILIZATION AMONGS ITS**
14 **MEMBERS;**
- 15 **(3) TO GENERATE FUNDS FOR HOUSING EQUITY REQUIREMENTS,**
16 **ACQUISITION OF LAND, BUILDINGS, COMMUNITY FACILITIES AND**
17 **AMENITIES, OTHER PROPERTIES AND IMPROVEMENT THEREOF FOR**
18 **SATISFACTION OF MEMBERS' HOUSING NEEDS AND WANTS;**
- 19 **(4) TO DIRECTLY OR INDIRECTLY ENGAGE IN THE PRODUCTION AND**
20 **DEVELOPMENT OF A HOUSING COMMUNITY WITHIN A CONTIGUOUS**
21 **AREA;**
- 22 **(5) TO FOSTER AND STRENGTHEN THE PRINCIPLES OF COOPERATIVISM**
23 **BY PROMOTING COMPREHENSIVE AND INTEGRATED COMMUNITY**
24 **DEVELOPMENT PROGRAMS WHICH ARE PLANNED AND MANAGED BY**
25 **THE COOPERATIVE MEMBERS THEREBY ENSURING A SUSTAINED**
26 **AND SELF-RELIANT COOPERATIVE COMMUNITY;**
- 27 **(6) TO PROMOTE AND ADVANCE THE ECONOMIC, SOCIAL POLITICAL**
28 **AND CULTURAL LIFE OF COOPERATIVE AND COMMUNITY MEMBERS;**

- 1 (7) TO ACQUIRE, OWN AND DEVELOP LAND BUILDINGS AND PROPERTIES
2 IN THE FURTHERANCE OF THEIR OBJECTIVES;
- 3 (8) TO ENTER INTO CONTRACTS WITH GOVERNMENT AND OTHER
4 PRIVATE ENTITIES FOR FINANCING AND CONSTRUCTING HOUSING
5 PROJECTS;
- 6 (9) TO UNDERTAKE EDUCATION, TRAINING AND INFORMATION
7 DISSEMINATION ACTIVITIES FOR THE BENEFIT OF THE
8 COOPERATIVE, ITS MEMBERS AND THE COMMUNITY; AND
- 9 (10) TO UNDERTAKE ANY AND ALL OTHER ACTIVITIES FOR THE
10 EFFECTIVE AND EFFICIENT IMPLEMENTATION OF THE PROVISIONS
11 OF THIS CODE.

12 ART. 120. *MEMBERSHIP* - PROVIDED THAT APPLICANTS MEET
13 QUALIFICATIONS SPECIFIED IN THE GENERAL PROVISIONS OF THIS
14 CODE, THEY SHALL BE CONSIDERED ELIGIBLE FOR MEMBERSHIP IN
15 HOUSING COOPERATIVES. THE SHELTER NEEDS OF INFORMAL
16 DWELLERS, THE ELDERLY, THE PHYSICALLY HANDICAPPED, WORKERS,
17 STUDENTS AND MEMBERS OF OTHER MARGINALIZED SECTORS SHALL
18 BE GIVEN DUE ATTENTION THROUGH THEIR MEMBERSHIP IN HOUSING
19 COOPERATIVES.

20 ART. 121. *ORGANIZATION AND REGISTRATION REQUIREMENTS* - A
21 PRIMARY HOUSING COOPERATIVE MAY BE ORGANIZED AND
22 REGISTERED IN ACCORDANCE WITH THE GENERAL PROVISIONS OF
23 THIS CODE.

24 ART. 122. *PREFERENTIAL RIGHTS* - A DULY REGISTERED HOUSING
25 COOPERATIVE SHALL HAVE THE FOLLOWING PREFERENTIAL RIGHTS
26 IN ADDITION TO THOSE PROVIDED IN THIS CODE:

- 27 (A) ALL PROJECTS OF HOUSING COOPERATIVES PRIMARILY
28 INTENDED FOR UNDERPRIVILEGED AND HOMELESS
29 MEMBERS SHALL BE CONSIDERED TO BE IN COMPLIANCE

1 WITH THE PROVISION OF RA 7279, THE URBAN
2 DEVELOPMENT AND HOUSING ACT, ON BALANCED HOUSING
3 DEVELOPMENT, REGARDLESS OF THE COST OF HOUSING
4 UNITS;

5 (B) HOUSING COOPERATIVES SHALL HAVE PREFEREBTIAL
6 RIGHT TO ACQUIRE, LEASE, DEVELOP AND MANAGE IDLE
7 GOVERNMENT LANDS AND BUILDINGS WITHIN ITS AREA OF
8 OPERATIONS;

9 (C) HOUSING COOPERATIVES SHALL HAVE THE RIGHT OF FIRST
10 REFUSAL TO ACQUIRE, LEASE, DEVELOP AND MANAGE
11 EXISTING GOVERNMENT LANDS AND BUILDINGS IDENTIFIED
12 FOR HOUSING;

13 (D) HOUSING COOPERATIVE PROJECTS SHALL BE RECOGNIZED
14 AS UNITS FOR LIVELIHOOD AND PRODUCTIVITY UNDER RA
15 6657 FOR MEMBERS WHO ARE AGRARIAN REFORM
16 GRANTEES; AND

17 (E) HOUSING COOPERATIVES SHALL HAVE THE RIGHT TO AVAIL
18 OF GOVERNMENT TECHNICAL ASSISTANCE, FACILITIES AND
19 EQUIPMENT FOR THE CONSTRUCTION AND MAINTENANCE
20 OF THE COOPERATIVE-OWNED HOUSING PROJECT.

21 *ART. 123. SPECIAL FINANCING WINDOW FOR HOUSING COOPERATIVES –*
22 THE APPROPRIATE HOUSING AGENCIES AND GOVERNMENT FINANCIAL
23 INSTITUTIONS SHALL CREATE A SPECIAL WINDOW FOR FINANCING
24 HOUSING PROJECTS UNDERTAKEN BY HOUSING COOPERATIVES, WITH
25 INTEREST RATES AND TERMS EQUAL TO, OR BETTER THAN THOSE GIVEN
26 FOR SOCIALIZED HOUSING PROJECTS. THIS FINANCING SHALL BE IN THE
27 FORM OF BLANKET LOANS OR LONG-TERM WHOLESALE LOANS TO
28 QUALIFIED COOPERATIVES, WITHOUT NEED FOR INDIVIDUAL PROCESSING.
29 A NEW HOUSING COOPERATIVE MAY AVAIL OF LOANS FROM THIS

1 FINANCING WINDOW IF IT IS GUARANTEED BY A HOUSING COOPERATIVE
2 FEDERATION OR ANOTHER PRIMARY HOUSING COOPERATIVE THAT IS
3 FINANCIALLY STABLE.

4 ART. 124. *TAX INCENTIVES AND PRIVILEGES OF HOUSING COOPERATIVES* -
5 ANY HOUSING PROJECT OF A HOUSING COOPERATIVE, REGARDLESS OF THE
6 COST, SHALL BE TREATED AS A SOCIALIZED HOUSING PROJECT, AND SHALL
7 ENJOY THE SAME EXMEPTIONS AND PRIVILEGES GRANTED TO SOCIALIZED
8 HOUSING PROJECTS SUCH AS, BUT SHALL NOT BE LIMITED TO:

- 9 (A) CAPITAL GAINS TAX, BOTH FOR THE SELLER TO THE
10 COOPERATIVE AND FOR THE COOPERATIVE AS SELLER
11 TO ITS MEMBERS, ON SALE OF LAND FOR USE IN THE
12 PROJECT;
- 13 (B) VALU-ADDED TAX FOR THE PROJECT CONTRACTOR;
- 14 (C) PROJECT-RELATED COOPERATIVE OR INDIVIDUAL
15 INCOME TAXES ON INCOME DIRECTLY REALIZED FROM
16 THE DEVELOPMENT AND IMPROVEMENT OF HOUSING
17 SITES;
- 18 (D) TRANSFER TAX FOR BOTH RAW AND COMPLETED
19 PROJECTS;
- 20 (E) DONOR'S TAX FOR LAND CERTIFIED BY LGUs TO HAVE
21 BEEN DONATED FOR SOCIALIZED HOUSING OR
22 COOPERATIVE HOUSING PURPOSES;
- 23 (F) EXPANDED WITHHOLDING TAX;
- 24 (G) DOCUMENTARY STAMP TAX
- 25 (H) REAL ESTATE TAX; AND
- 26 (I) REGISTRATION FEES AND OTHER FEES RELATED TO THE
27 HOUSING PROJECTS.

28 THE GENERAL PROVISIONS OF THIS CODE ON THE TAX TREATMENT OF
29 COOPERATIVES SHALL APPLY TO HOUSING COOPERATIVES REGARDLESS OF

1 THE AVERAGE SHARE CAPITAL, INsofar AS THE SAME ARE NOT
2 INCONSISTENT WITH THE PROVISIONS OF THIS CHAPTER.

3 ART. 125. *DISTRIBUTION OF NET SURPLUS* - THE NET SURPLUS OF
4 HOUSING COOPERATIVES SHALL BE DISTRIBUTED IN ACCORDANCE WITH
5 THE GENERAL PROVISIONS OF THIS CODE PROVIDED THAT THE AMOUNT
6 ALLOCATED TO THE OPTIONAL FUND SHALL BE USED AS A MAINTENANCE
7 RESERVE FUND IN ACCORDANCE WITH THE BY-LAWS OF THE COOPERATIVE
8 THIS SHALL NOT PRECLUDE THE COOPERATIVE FROM SETTING UP ITS OWN
9 FUND FOR THIS PURPOSE.

10 ART. 126. *INTEREST ON SHARE CAPITAL AND PATRONAGE REFUND* - AT
11 LEAST FIFTY PERCENT (50%) OF INTEREST ON SHARE CAPITAL AND
12 PATRONAGE REFUND, ALLOCATED AND DISTRIBUTED IN ACCORDANCE
13 WITH THE PROVISIONS OF THIS CODE, SHALL BE RE-INVESTED IN THE
14 COOPERATIVE. THE SUM ALLOCATED FOR RE-INVESTMENT SHALL BE
15 CREDITED TO ALL MEMBERS AND PATRONS OF THE COOPERATIVE IN
16 PROPOSRTION TO THEIR INDIVIDUAL CAPITAL AND PATRONAGE.

17 ART. 127. *PROHIBITION* - THE TERM "HOUSING COOPERATIVE"
18 SHALL BE USED EXCLUSIVELY BY COOPERATIVES DULY REGISTERED UNDER
19 THE PROVISIONS OF THIS CHAPTER. NO PERSON, GROUP OF PERSONS OR
20 ORGANIZATIONS SHALL USE SAID TERM UNLESS DULY REGISTERED HEREIN.
21 A HOUSING COOPERATIVE IS PROHIBITED FROM TRANSFORMING INTO AND
22 REGISTERING AS A MULTI-PURPOSE COOPERATIVE.

23 ART. 128. *ORGANIZATIONAL LINKAGE* - HOUSING COOPERATIVES MAY
24 JOIN OR ORGANIZE CHAPTERS, SUBSIDIARIES, LEAGUES OR FEDERATIONS,
25 FOR THE PURPOSE OF PROVIDING COMMONLY NEEDED ESSENTIAL
26 SERVICES WHICH INCLUDES BUT SHALL NOT BE LIMITED TO THE
27 FOLLOWING:

- 28 (A) INTER-LENDING OF SURPLUS FUND;
29 (B) DEVELOPMENT ACTIVITIES;

- 1 (C) PROFESSIONAL AND TECHNICAL ASSISTANCE;
2 (D) RESEARCH AND DEVELOPMENT;
3 (E) REPRESENTATION; AND
4 (F) OTHER SERVICES NEEDED TO CONTINUOUSLY IMPROVE THEIR
5 PERFORMANCE.

6
7 CHAPTER XVII

8 SPECIAL PROVISIONS RELATING TO FARMERS' FISHERFOLK AND MARKET
9 VENDORS COOPERATIVES

10 ART. 129. *COVERAGE* – THE PROVISIONS OF THIS CHAPTER SHALL APPLY
11 ONLY TO FARMERS, FISHERFOLK AND MARKET VENDORS COOPERATIVES,
12 FEDERATIONS AND UNIONS INsofar AS THE SAME ARE NOT INCONSISTENT
13 WITH THIS CODE.

14 ART. 130. *DEFINITION OF TERMS* – FOR THE PURPOSES OF THIS CHAPTER,
15 THE FOLLOWING TERMS SHALL BE DEFINED AS FOLLOWS:

16 (A) *FARMERS' COOPERATIVES* - REFERS TO COOPERATIVES
17 OWNED AND OPERATED BY FARMERS ENGAGED PRIMARILY IN
18 THE PRODUCTION OF AGRICULTURAL CROPS AND
19 LIVESTOCK;

20 (B) *FISHERFOLK COOPERATIVES* – REFERS TO COOPERATIVES
21 OWNED AND OPERATED BY FISHERFOLK PRIMARILY
22 ENGAGED IN THE COMMERCIAL PRODUCTION, CULTIVATION
23 AND GATHERING OF FISHES AND OTHER MARINE LIFE;

24 (C) *PUBLIC MARKET* – REFERS TO THE PHYSICAL AREA AND
25 STRUCTURE THAT IS OWNED AND ESTABLISHED BY THE
26 GOVERNMENT FOR THE PURPOSE OF FACILITATING THE SALE
27 AND TRANSFER OF GOODS FROM VENDORS TO CONSUMERS
28 AND FOR RAISING REVENUES OUT OF THE TRANSACTIONS;

1 (D) *PUBLIC ABATTOIR* – REFERS TO THE PLACE WHERE ANIMALS
2 ARE CUSTOMARILY SLAUGHTERED BEFORE THESE ARE SOLD
3 IN THE PUBLIC MARKET; AND

4 (E) *PUBLIC MARKET AND ABATTOIRS COOPERATIVES* – REFERS TO
5 COOPERATIVES OWNED AND OPERATED BY MARKET
6 VENDORS PRIMARILY ENGAGED IN THE WHOLESALE AND
7 RETAIL OF AGRICULTURAL AND FISHERY PRODUCTS
8 INCLUDING THE OPERATION, MANAGEMENT AND
9 MAINTENANCE OF PUBLIC MARKETS AND ABATTOIRS.

10 ART. 131. *OBJECTIVES* – FARMERS, FISHERFOLK, AND MARKET VENDORS
11 MAY FORM THEMSELVES INTO COOPERATIVES, FEDERATIONS, MERGERS,
12 FEDERATIONS AND UNIONS FOR THE FOLLOWING OBJECTIVES:

13 (A) TO ESTABLISH A DIRECT LINKAGE BETWEEN FARMS AND
14 FISHING VILLAGES WITH PUBLIC MARKET VENDORS TO
15 ENSURE THE CONTINUOUS SUPPLY AND STABILITY OF PRICES
16 OF AGRICULTURAL AND FISHERY PRODUCTS FOR THE
17 BENEFIT OF THE CONSUMERS;

18 (B) TO ESTABLISH COORDINATION BETWEEN AGRICULTURAL
19 PRODUCTION AND MARKETING THAT SHALL LEAD TO THE
20 ESTABLISHMENT OF THE NATIONAL MARKETING UMBRELLA
21 AS STIPULATED UNDER CHAPTER 5 OF REPUBLIC ACT 8435,
22 OTHERWISE KNOWN AS THE AGRICULTURE AND FISHERIES
23 MODERNIZATION ACT OF 1997 (AFMA).

24 (C) TO ENCOURAGE THE ENSUING COOPERATIVES, MERGERS,
25 FEDERATIONS AND UNIONS TO TAKE OVER MANAGEMENT,
26 OPERATION AND SUPERVISION OF PUBLIC MARKETS AND
27 ABATTOIRS, AND OTHER RETAIL OUTLETS;

1 (D) TO PROVIDE A MECHANISM FOR MARKET VENDORS TO
2 ASSIST IN THE FINANCING OF AGRICULTURAL AND FISHERY
3 PRODUCTION, PROCESSING AND MARKETING; AND

4 (E) TO PREPARE A MECHANISM THAT WOULD HELP SUSTAIN
5 COMPETITIVENESS OF LOCAL AGRICULTURE AND FISHERIES
6 TO MEET GLOBAL CHALLENGES.

7 ART. 132. *ORGANIZATION AND REGISTRATION* – FARMERS, FISHERFOLK
8 AND MARKET VENDORS COOPERATIVES, MERGERS, FEDERATIONS AND
9 UNIONS MAY BE ORGANIZED AND REGISTERED IN ACCORDANCE WITH THE
10 GENERAL PROVISIONS OF THIS CODE.

11 ART. 133. *ORGANIZATIONAL LINKAGE*. – FARMERS', FISHERFOLK AND
12 MARKET VENDORS AND ABATTOIRS COOPERATIVES MAY BUY OWNERSHIP
13 OF SHARE CAPITAL INTO EACH OTHER FOR PURPOSES OF ATTAINING THEIR
14 OBJECTIVES: *PROVIDED*, THAT THE BUYING COOPERATIVE SHALL BE AN
15 ASSOCIATE MEMBER AND SHALL NOT OWN MORE THAN TWENTY PERCENT
16 (20%) OF THE OUTSTANDING CAPITAL SHARES OF THE MOTHER
17 COOPERATIVE.

18 ART. 134. *PRIVATIZATION OF PUBLIC MARKETS AND ABATTOIRS*. – IN
19 CONSONANCE WITH THE GOVERNMENT POLICY OF PRIVATIZATION, ANY
20 LOCAL GOVERNMENT UNIT MAY PRIVATIZE THE OPERATION AND
21 MANAGEMENT OF ITS PUBLIC MARKET AND/OR ABATTOIR: *PROVIDED*, THAT
22 THE LOCAL GOVERNMENT UNIT SHALL OFFER THE RIGHT OF FIRST
23 REFUSAL TO THE EXISTING PUBLIC MARKET VENDORS' COOPERATIVE;
24 *PROVIDED FURTHER*, THAT SUCH AN OFFER SHALL BE FREE AND
25 UNQUALIFIED AND SHALL NOT INCLUDE ANY RESTRICTION NOR
26 DETERRENT TO THE COOPERATIVE; *PROVIDED FINALLY*, THAT THE
27 COOPERATIVE SHALL BE GIVEN A MAXIMUM OF TWO (2) YEARS TO
28 CONFIRM THE OFFER. IN THE ABSENCE OF AN EXISTING MARKET VENDORS'
29 COOPERATIVE, THE MARKET VENDORS' ASSOCIATION OR ANY FORM OF

1 VENDORS' ORGANIZATION WITHIN THE PUBLIC MARKET SHALL BE
2 ALLOWED TO FORM ITSELF INTO A COOPERATIVE.

3 THE LOCAL GOVERNMENT UNIT, HOWEVER, SHALL BE FREE TO
4 NEGOTIATE WITH OTHER INTERESTED PARTIES UNDER THE FOLLOWING
5 CONDITIONS:

6 (A) WHEN THE COOPERATIVE FAILS TO INDICATE IN WRITING,
7 ITS INTEREST TO THE OFFER WITHIN THE SPECIFIED PERIOD;

8 (B) WHEN THE COOPERATIVE FAILS TO UNDERTAKE THE TERMS
9 AND CONDITIONS OF THE OFFER AFTER IT WAS ACCEPTED
10 AND CONFIRMED; AND

11 (C) WHEN THE COOPERATIVE EXPRESSLY INDICATES ITS
12 INCAPACITY AND DISINTEREST TO THE OFFER AFTER THE
13 SPECIFIED PERIOD OF CONFIRMATION.

14 ART. 135. *OPERATION AND MANAGEMENT.* - AFTER TRANSFER OF
15 OPERATION AND MANAGEMENT OF A PUBLIC MARKET AND/OR ABATTOIR, A
16 PUBLIC MARKET VENDORS' COOPERATIVE SHALL BE GIVEN LIBERTY TO
17 OPERATE AND MANAGE THESE FACILITIES WITHOUT ANY RESTRICTION
18 FROM THE LGU; *PROVIDED*, THAT NO LAW OR LOCAL ORDINANCE SHALL BE
19 VIOLATED AND THAT THE TERMS AND CONDITIONS ARE MET BY THE
20 COOPERATIVE CONCERNED TO THE SATISFACTION OF THE LOCAL
21 GOVERNMENT UNIT.

22 ART. 136. *LEASE OF FACILITIES.* - THE GOVERNMENT MAY LEASE THE
23 LAND WHERE THE PUBLIC MARKET OR ABATTOIR IS LOCATED TO THE
24 COOPERATIVE FOR A PERIOD NOT EXCEEDING TWENTY-FIVE (25) YEARS,
25 SUBJECT TO RENEWAL FOR ANOTHER TWENTY-FIVE (25) YEARS; *PROVIDED*,
26 THAT THE APPLICATION FOR RENEWAL SHALL BE MADE ONE (1) YEAR
27 BEFORE THE EXPIRATION OF THE LEASE; *PROVIDED FURTHER*, THAT SUCH
28 LEASE SHALL BE FOR THE EXCLUSIVE USE AND BENEFIT OF THE
29 COOPERATIVE AND FOR THE FURTHERANCE OF ITS BUSINESS.

- 1 (B) TO ENGAGE IN THE BULK BUYING AND DISTRIBUTION OF GOODS
2 NEEDED BY ITS MEMBERS, ;
- 3 (C) TO ENHANCE THE SKILLS OF MEMBERS AND UTILIZE THEM IN
4 PROVIDING SERVICES IN AN ENTREPRENEURIAL UNDERTAKING
5 AND/OR BUSINESS;
- 6 (D) WITH THE HELP OF A DULY REGISTERED PRIMARY HOUSING
7 COOPERATIVE, TO ENGAGE IN COOPERATIVE HOUSING ACTIVITIES
8 BY PROVIDING AND MANAGING DORMITORIES OR LODGING
9 HOUSES FOR ITS MEMBERS;
- 10 (E) TO INTRODUCE ACTIVITIES THAT WOULD HELP EXPLORE
11 CREATIVE ABILITIES OF MEMBERS; AND
- 12 (F) TO PROMOTE AND ADVANCE FILIPINO SOCIAL AND CULTURAL
13 VALUES, ECOLOGICAL AWARENESS AND SUSTAINABLE
14 DEVELOPMENT.

15 ART. 141. *MEMBERSHIP*. – THERE SHALL BE TWO KINDS OF MEMBERS IN
16 A PRIMARY YOUTH COOPERATIVE WHICH SHALL BE DEFINED AS FOLLOWS:

- 17 (A) REGULAR MEMBERS – REFERS TO THOSE WHO ARE BETWEEN
18 EIGHTEEN (18) AND THIRTY-FIVE (35) YEARS OLD AND ARE ENTITLED
19 TO ALL RIGHTS AND PRIVILEGES OF MEMBERSHIP; AND
- 20 (B) ASSOCIATE MEMBERS – REFERS TO THOSE WHO ARE BELOW
21 EIGHTEEN AND HAVE NO RIGHT TO VOTE NOR BE VOTED UPON AND
22 SHALL BE ENTITLED ONLY TO SUCH RIGHTS AND PRIVILEGES AS
23 THYE BY-LAWS MAY PROVIDE.

24 ART. 142. *AFFILIATION* – A YOUTH COOPERATIVE SHALL BE AFFILIATED
25 WITH A DULY REGISTERED PRIMARY COOPERATIVE OPERATING WITHIN
26 THE SAME AREA OF ITS OPERATIONS THAT IS WILLING TO ACT AS ITS
27 GUARDIAN COOPERATIVE.

28 A GUARDIAN COOPERATIVE SHALL BE RESPONSIBLE FOR THE
29 MANAGEMENT TRAINING AND VALUE FORMATION OF THE OFFICERS AND

1 MEMBERS OF THE YOUTH COOPERATIVE IN ACCORDANCE WITH
2 UNIVERSALLY ACCEPTED PRINCIPLES AND PRACTICES OF COOPERATION.

3 ART. 143. *ADVISORY BOARD.* – AN ADVISORY BOARD SHALL BE
4 CONSTITUTED BY THE YOUTH COOPERATIVE WHOSE MEMBERS SHALL
5 INCLUDE THE FOLLOWING:

6 (A) FOR SCHOOL-BASED YOUTH COOPERATIVES – (1) THE
7 CHAIRPERSON OR ANY MEMBER OF THE BOARD OF DIRECTORS
8 OF THE PRIMARY COOPERATIVE TO WHICH IT IS AFFILIATED; (2)
9 THE DEAN OF STUDENT AFFAIRS/SERVICES OF THE SCHOOL OR
10 HIS/HER DULY RECOGNIZED REPRESENTATIVE; (3) A
11 REPRESENTATIVE OF A UNION OR FEDERATION IN THE SAME
12 AREA; AND (4) COOPERATOR/S WHO ORGANIZED THE YOUTH
13 COOPERATIVE.

14 (B) FOR COMMUNITY-BASED YOUTH COOPERATIVES – (1) THE
15 CHAIRPERSON OR A REPRESENTATIVE OF THE PRIMARY
16 COOPERATIVE TO WHICH IT IS AFFILIATED; (2) THE
17 COOPERATIVE DEVELOPMENT SPECIALIST ASSIGNED BY THE
18 AUTHORITY IN ITS AREA OF OPERATIONS; (3) A REPRESENTATIVE
19 OF A UNION OR FEDERATION IN THE SAME AREA; AND (4)
20 COOPERATOR/S WHO ORGANIZED THE COOPERATIVE.

21 ART. 144. *FUNCTIONS OF ADVISORY BOARDS.* – ADVISORY BOARDS OF
22 YOUTH COOPERATIVES SHALL HAVE THE FOLLOWING FUNCTIONS:

23 (A) TO CONFIRM THE APPOINTMENT OF THE MANAGER OF THE
24 YOUTH COOPERATIVE AND RECOMMEND REPLACEMENT IF
25 CIRCUMSTANCES WARRANT;

26 (B) TO REQUIRE THE SUBMISSION OF MONTHLY REPORTS SUCH AS
27 FINANCIAL STATEMENTS, MANAGER'S OPERATIONS REPORT,
28 MEMBERSHIP GROWTH, POLICIES, OPERATING PROCEDURES,
29 RULES AND REGULATIONS AND SUCH OTHER REPORTS THAT IT

1 MAY DEEM NECESSARY TO FACILITATE ITS TASK OF ADVISING
2 AND ASSISTING THE YOUTH COOPERATIVE;

3 (C) TO RECOMMEND MODIFICATIONS OR REVISIONS OF POLICIES,
4 OPERATING PROCEDURES, RULES AND REGULATIONS THAT IT
5 DEEMS NECESSARY FOR THE IMPROVEMENT AND PROTECTION OF
6 THE INTERESTS OF THE YOUTH COOPERATIVE AND ITS MEMBERS;

7 (D) TO PREPARE AND SUBMIT PERIODIC REPORTS ON THE STATE OF
8 THE YOUTH COOPERATIVE TO THE GUARDIAN COOPERATIVE;

9 (E) FOR ONE OF ITS MEMBERS TO BE PRESENT DURING MEETINGS OF
10 THE YOUTH COOPERATIVE; AND

11 (F) SUCH OTHER FUNCTIONS AS MAY BE NECESSARY TO HELP THE
12 YOUTH COOPERATIVE ATTAIN ITS VISION, MISSION, GOALS AND
13 OBJECTIVES.

14 ART. 145. *TERMINATION OF MEMBERSHIP.* – MEMBERSHIP IN A YOUTH
15 COOPERATIVE MAY BE TERMINATED FOR REASONS AS PROVIDED IN ITS BY-
16 LAWS.

17 ART. 146. *OFFICE SPACE FOR YOUTH COOPERATIVES.* – THE
18 EDUCATIONAL INSTITUTION WHERE A YOUTH COOPERATIVE OPERATES
19 SHALL PROVIDE FOR AN OFFICE, SPACE OR FACILITY FOR ITS OPERATIONS
20 FREE OF RENT OR ANY CHARGES. THE LOCAL GOVERNMENT UNIT THROUGH
21 SHALL LIKEWISE GRANT THE SAME PRIVILEGE TO COMMUNITY-BASED
22 YOUTH COOPERATIVES.

23 ART. 147. *SCHOLARSHIP FUND.* – THE AMOUNT OF THE NET SURPLUS
24 ALLOCATED TO THE OPTIONAL FUND SHALL BE USED BY A YOUTH
25 COOPERATIVE FOR SCHOLARSHIP OF ITS MEMBERS SUBJECT TO THE
26 PROVISIONS OF ITS BY-LAWS.

27 SEC. 15. Chapter XVI of the same Code is hereby amended as follows:

28 “Chapter [XVI] XVIII

29 MISCELLANEOUS PROVISIONS

1 ART. [119] 148. *Compliance with Other Laws* – (1) x x x

2 (2) x x x

3 (3) x x x

4
5 ART. [120] 149. *Register of Cooperatives*. – x x x

6 ART. [121] 150. *Settlement of Disputes*[], **CONCILIATION AND MEDIATION**
7 **PROCEEDINGS**. – Disputes among members, officers, directors, and committee members,
8 [and] intra-cooperative, **INTER-COOPERATIVE, INTRA-FEDERATION OR INTER-**
9 **FEDERATION** disputes shall, as far as practicable, be settled amicably in accordance with the
10 conciliation or mediation mechanisms embodied in the bylaws of the cooperative and in
11 applicable laws.

12 **THE CONCILIATION AND MEDIATION COMMITTEE OF THE**
13 **COOPERATIVE SHALL FACILITATE THE AMICABLE SETTLEMENT OF**
14 **DISPUTES AMONG MEMBERS, OFFICERS, DIRECTORS AND COMMITTEE**
15 **MEMBERS, AND INTRA-COOPERATIVE DISPUTES.**

16 Should such a conciliation [/] **OR** mediation proceeding fail, the matter shall be settled in a
17 court of competent jurisdiction[]: **PROVIDED, HOWEVER, THAT THE CONCILIATION**
18 **AND MEDIATION COMMITTEE OF THE COOPERATIVE AND THE APEX**
19 **ORGANIZATION/S TO WHICH THE COOPERATIVE BELONGS SHALL ISSUE A**
20 **CERTIFICATION THAT, AFTER DUE EFFORT, THE CONCILIATION OR**
21 **MEDIATION PROCEEDINGS HAVE FAILED BEFORE ANY PARTY CAN VALIDLY**
22 **FILE A COMPLAINT WITH THE APPROPRIATE BODY.”**

23 SEC. 16. Chapter XVII of the same Code is hereby amended as follows:

24 “Chapter [XVII] **XIX**

25 **FINAL PROVISIONS**

26 ART. [122] 151. *Electric Cooperatives*. – Electric cooperatives shall be covered by this
27 Code. However, there shall be a transition period of [three (3) years] **ONE (1) YEAR** within
28 which the [Cooperative Development] Authority and the National Electrification Administration
29 shall help and assist electric cooperatives to qualify under this Code[]: **PROVIDED, THAT**

1 WHILE THE AUTHORITY WILL HAVE GENERAL SUPERVISION OVER THE
2 ELECTRIC COOPERATIVES, PARTICULARLY WITH THEIR INTERNAL AND
3 INSTITUTIONAL CONCERNS, THE NATIONAL ELECTRIFICATION
4 ADMINISTRATION (NEA) WILL MAINTAIN ITS FINANCIAL AND TECHNICAL
5 SUPERVISION OF THE ELECTRIC COOPERATIVES. The [Cooperative Development]
6 Authority and the National Electrification Administration shall jointly promulgate rules and
7 regulations to the end that the provisions of this law are **EFFECTIVELY IMPLEMENTED**
8 **AND ARE** harmonized with the provisions of Presidential Decree No. 269.

9 ART. [123] 152. *Regulations.* - (1) The [Cooperative Development] Authority may issue
10 regulations to implement those provisions of this Code which expressly call for the issuance
11 thereof. This paragraph shall not apply to those cases wherein a specific provision of this Code
12 expressly designates particular government agencies which shall issue the regulations called for
13 by any provision of this Code.

14 (2) x x x

15 (3) x x x

16 (a) x x x

17 (b) x x x

18 (c) x x x

19 (d) x x x

20 ART. [124] 153. *Penal Provisions.* - The following acts or omissions affecting
21 cooperatives are hereby prohibited:

22 (1) The use of the word "cooperative" by any person or of persons or organizations,
23 domestic or foreign, unless duly registered as a cooperative under this Code. In case of violation
24 hereof, the individual or individuals concerned, or in the case of an organization, its officers and
25 directors shall upon conviction, each suffer the penalty of imprisonment [for one (1) year] **OF**
26 **NOT LESS THAN TWO (2) YEARS NOR MORE THAN FIVE (5) YEARS** and a fine not
27 exceeding [One thousand pesos (P1,000.00)] **TWENTY THOUSAND PESOS (P20, 000.00)** or
28 both at the discretion of the court;

1 (2) ANY PERSON WHO WILLFULLY ATTEMPTS IN ANY MANNER TO
2 EVADE OR DEFEAT TAX IN VIOLATION OF THE PROVISIONS OF ARTICLES 61
3 AND 62 OF THIS CODE SHALL, IN ADDITION TO OTHER PENALTIES PROVIDED
4 BY LAW, UPON CONVICTION THEREOF, BE PUNISHED BY A FINE OF NOT LESS
5 THAN THIRTY THOUSAND PESOS (P30,000.00) BUT NOT MORE THAN ONE
6 HUNDRED THOUSAND PESOS (P100,000.00) AND SUFFER IMPRISONMENT OF
7 NOT LESS THAN TWO (2) YEARS BUT NOT MORE THAN FOUR (4) YEARS:
8 *PROVIDED*, THAT THE CONVICTION OR ACQUITTAL OBTAINED UNDER THIS
9 SECTION SHALL NOT BE A BAR TO THE FILING OF A CIVIL SUIT FOR THE
10 COLLECTION OF TAXES.

11 [2](3) Direct or indirect interference or intervention by any public official or employee into
12 the internal affairs of a cooperative of which he is not a member, such as, but not limited to, the
13 following:

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

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

18 (c) Requesting or demanding for the creation of positions or organizational units, or
19 recommending any person for appointment, transfer, or removal from his position; or

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

21 In case of violation of any provision of this subsection, the individual or individuals, and in
22 the case of organizations, its officers and directors shall, upon conviction by a court, each suffer
23 a penalty of not less than [one (1) year] **TWO (2) YEARS** but not more than five (5) years
24 imprisonment or a fine in the amount of not less than [Five thousand pesos (P5,000.00)]
25 **TWENTY THOUSAND PESOS (P20,000.00)**, or both at the discretion of the court. **IN THE**
26 **CASE OF A PUBLIC OFFICIAL OR EMPLOYEE, THE OFFENDER SHALL UPON**
27 **CONVICTION, SUFFER THE ACCESSORY PENALTY OF TEMPORARY ABSOLUTE**
28 **DISQUALIFICATION.**

1 [3](4) A director, officer or committee member who violated the provisions of Article [47]
2 46 (liability of directors, officers and committee members), Article [50] 49 (disloyalty of a
3 director) and Article [51] 50 (illegal use of confidential information) shall upon conviction suffer
4 a fine of not less than Five thousand pesos (P5,000.00) nor more than Five hundred thousand
5 pesos (P500,000.00) or imprisonment of not less than five (5) years but not more than ten (10)
6 years or both at the court's discretion;

7 [4](5) Any violation of any provision of this Code for which no penalty is imposed shall be
8 punished by imprisonment of not less than six (6) months nor more than one (1) year and a fine
9 of not less than One thousand pesos (P 1,000.00), or both at the discretion of the court.”

10 ART. [125] 154. *Printing and Distribution.* – x x x

11 ART. [126] 155. *Interpretation and Construction.* – x x x

12 ART. [127] 156. *Repeals.* - Except as expressly provided by this Code, Presidential Decree
13 No. 175 and all other laws, or parts thereof, inconsistent with any provision of this Code shall be
14 deemed repealed: *Provided, however,* That nothing in this Code shall be interpreted to mean the
15 amendment or repeal of any provision of Presidential Decree No. 269 **WITH REGARD TO**
16 **THE ORGANIZATION AND STRUCTURE OF THE NATIONAL ELECTRIFICATION**
17 **ADMINISTRATION (NEA):** *Provided, further,* That the electric cooperatives which qualify
18 as such under this Code shall fall under the coverage thereof.”

19 ART. [128] 157. *Transitory Provisions.* – [All cooperatives registered under Presidential
20 Decree Nos. 175 and 775, and Executive Order No. 398 shall be deemed registered with the
21 Cooperative Development Authority: *Provided however,* That they shall submit to the nearest
22 Cooperative Development Authority office their certificates of registration, copies of their
23 articles of incorporation and by-laws, and their latest duly audited financial statements within
24 one (1) year from the effectivity of this Act, otherwise, their registration shall be cancelled:
25 *Provided further,* That cooperatives created under Presidential Decree No. 269, as amended by
26 Presidential Decree No. 164.5, shall be given three (3) years within which to qualify and register
27 with the Authority, *Provided finally,* That after these cooperatives shall have qualified and
28 registered, the provisions of Section 3 and 5 of Presidential Decree No. 1645 shall no longer be
29 applicable to the said cooperatives.]

1 (1) ALL COOPERATIVES REGISTERED UNDER REPUBLIC ACT NOS. 6938
2 AND 6939 SHALL BE DEEMED REGISTERED WITH THE AUTHORITY: *PROVIDED*,
3 THAT ALL COOPERATIVES CREATED UNDER PRESIDENTIAL DECREE NO. 269,
4 AS AMENDED BY PRESIDENTIAL DECREE NO. 1645, SHALL BE GIVEN ONE (1)
5 YEAR FROM THE EFFECTIVITY OF THIS ACT WITHIN WHICH TO QUALIFY
6 AND REGISTER WITH THE AUTHORITY: *PROVIDED, HOWEVER*, THAT
7 ELECTRIC COOPERATIVES WHICH HAVE NOT YET CONVERTED AT THE END
8 OF THE ONE-YEAR PERIOD PROVIDED FOR BY THIS ACT SHALL BE
9 PROHIBITED FROM USING THE WORD "COOPERATIVE" IN THEIR NAMES;
10 THEY SHALL INSTEAD BE CALLED "ELECTRIC ASSOCIATIONS" AND SHALL
11 CONTINUE TO BE UNDER THE SUPERVISION OF THE NEA: *PROVIDED*,
12 *FURTHER*, THAT SUCH ELECTRIC ASSOCIATIONS SHALL HAVE THE OPTION
13 TO CONVERT AND REGISTER WITH THE AUTHORITY AT ANY TIME AS
14 PROVIDED FOR UNDER THIS ACT: *PROVIDED, FINALLY*, THAT AFTER THESE
15 COOPERATIVES SHALL HAVE QUALIFIED AND REGISTERED, THE
16 PROVISIONS OF SECTIONS 3 AND 5 OF PRESIDENTIAL DECREE NO. 1645 SHALL
17 NO LONGER BE APPLICABLE TO SAID COOPERATIVES.

18 (2) THE BOARD OF DIRECTORS OF ELECTRIC COOPERATIVES WHICH
19 HAVE NOT YET CONVERTED AND QUALIFIED UNDER REPUBLIC ACT NO'S.
20 6938 AND 6939 SHALL WITHIN TWO (2) MONTHS AFTER THE EFFECTIVITY OF
21 THIS ACT CREATE AND CONVENE A SPECIAL COMMITTEE WHICH SHALL: (A)
22 PREPARE AND DISTRIBUTE TO ALL ITS MEMBERS A PROPOSED ARTICLES OF
23 CONVERSION AND BYLAWS OR AN ACCURATE SUMMARY THEREOF; AND (B)
24 CONDUCT AN INFORMATION AND EDUCATION CAMPAIGN AMONG ITS
25 MEMBERS REGARDING THE PROPOSED CONVERSION: *PROVIDED*, THAT THE
26 SAID COMMITTEE SHALL INCLUDE THE REPRESENTATIVES OF THE
27 AUTHORITY, THE NEA, THE LOCAL COOPERATIVE DEVELOPMENT COUNCILS
28 (CDCS), THE LOCAL GOVERNMENT UNITS (LGUS), THE COOPERATIVE
29 FEDERATIONS AND UNIONS AND CONCERNED NON GOVERNMENT

1 ORGANIZATIONS (NGOs) AND PEOPLES ORGANIZATIONS (POs) IN THE AREA:
2 *PROVIDED, FURTHER, THAT THE REPRESENTATIVES OF THE CDCS,*
3 *COOPERATIVE FEDERATIONS AND UNIONS, NGOs AND POs SHALL BE CHOSEN*
4 *BY THE RESPECTIVE ORGANIZATIONS FROM THEIR MEMBERS WHO ARE*
5 *ALSO MEMBERS OF THE ELECTRIC COOPERATIVES.”*

6 SEC. 17. *Separability Clause.* – If any provision of this Act is subsequently declared
7 unconstitutional, the validity of the remaining provisions hereof shall remain in full force and
8 effect.

9 SEC. 18. *Repealing Clause.* – The pertinent provisions of the National Internal Revenue
10 Code, and all other laws, decrees, orders or regulations or parts thereof, that are inconsistent with
11 this Act are hereby repealed or modified accordingly.

12 SEC. 19. *Effectivity* – This Act shall take effect upon its approval:

13 Approved,

14