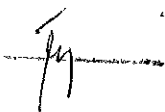


FOURTEENTH CONGRESS OF THE REPUBLIC)
OF THE PHILIPPINES)
First Regular Session)

7 JUL -2 1990

SENATE

RECEIVED BY: 

Senate Bill No. 444

INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

EXPLANATORY NOTE

Cooperatives have demonstrated their value and significant role in the economic development of our people, particularly in the countryside. Since the approval of the Cooperative Code of the Philippines, R.A. No. 6938 and of the Cooperative Development Authority Act, R.A. 6938 on March 10, 1990, the movement for cooperativism has become rooted and flourished in the culture and daily lives of our people. As of 1991, no less than 7,877 cooperatives have been registered. Of this number, 6,934 or about 82% are multi-purpose cooperatives in the agricultural sector and 1,052 cooperatives or 13% are multi-purpose non-agricultural cooperatives. There is no question that within the plan period, the growth and strengthening of cooperatives as instruments of people empowerment and of sustained balanced development of rural areas and the urban centers will be a helping and supporting factor in achieving national goals of poverty incidence reduction, improvement of the quality of life, and of attaining social and distributive justice with greater equality and equity in enjoyment of development benefits.

These proposed amendments have grown out of the rich experience and accumulated knowledge and information about and related to cooperatives and cooperativism. Many have come out from suggestions of a Legislative Agenda Task Force on Cooperatives with suggestions from cooperative leaders from CAR, Iloilo, Naga, Kidapawan, Dagupan, and other key places where cooperatives flourish and help the economy. Since the approval of the law on the Cooperative Code and the Cooperative Development Authority, Congress has approved measures which add to the preferential rights and enhance cooperativism as a way of economic and social upliftment of our people, particularly those in the local government.

For the first time, as suggested by youth leaders who see in cooperativism an avenue for youth in values inculcation within the economic area of life, cooperatives will utilize their education and training fund and other resources to provide work experience for youth and involvement in the business and entrepreneurial life of the area of operation of the cooperative. Youth will ultimately provide the continuity for cooperativism and will take on the leadership of the cooperative when they have gained understanding, work experience and have participated in cooperative activities.

The amendments touch on policy, the requirements for registration, the leadership of the cooperative, and making the cooperative membership 20 for a primary one with a paid-up share capital of not less than P20,000 or only about P1,000 per natural person who organizes a primary cooperative. Chances for

good management are improved *with restrictions* as to membership of relatives up to the 3rd civil degree of consanguinity or affinity in the board, officer group and management staff. Accountability of bounded officers has been buttressed with *requisites* therefore prior to registration and monitored through the annual report. A *key amendment* is the right of cooperatives to as for assistance to meet the conditions and payments of loans, credit, donations, grants and other assistance. Preferential rights are *underscored*, overlapping avoided through defined areas of operation assures that a viable existing cooperative will not have undue competition from a new cooperative of the same type, category and primary purpose within the same area of operation.

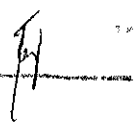
Approval of this measure for the sake of thousands who are members of the registered cooperatives and thousands more of expected new cooperatives are urgent, necessary and crucial for sustained development and people empowerment.


JINGGOY EJERCITO ESTRADA
Senator

FOURTEENTH CONGRESS OF THE REPUBLIC)
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First Regular Session)

7 JUL -2 2018

SENATE

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Senate Bill No. 444

INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

AN ACT
TO STRENGTHEN THE STRUCTURE, CAPABILITY FOR EFFICIENT AND EFFECTIVE PROGRAM IMPLEMENTATION AND ORGANIZATIONAL MANAGEMENT, AND ALIGN THE DIRECTION OF EXISTING AND FUTURE COOPERATIVES TOWARDS PEOPLE EMPOWERMENT AND BALANCED SUSTAINED ECONOMIC DEVELOPMENT OF ALL COOPERATIVES, AMENDING FOR THAT PURPOSE REPUBLIC ACT 6938, THE COOPERATIVE CODE OF THE PHILIPPINES, AND FOR OTHER PURPOSE

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

SECTION 1. *Title.* – This Act shall be known as “An Act to Strengthen the Structure and Capability of Cooperatives Towards People Empowerment and Balanced Sustained Economic Development”.

TITLE I. POLICY, ORGANIZATION, MEMBERSHIP, AREAS OF OPERATION

SEC 2. *Policy.* – Article 2 of R.A. 6938 is hereby amended by adding a new paragraph thereto, as follows:

“Art. 2. Declaration of Policy. – “FINALLY, IT IS HEREBY DECLARED TO BE THE POLICY OF THE STATE TO STRENGTHEN THE STRUCTURE, CAPABILITY FOR EFFICIENT AND EFFECTIVE PROGRAM IMPLEMENTATION AND ORGANIZATION MANAGEMENT, AND TO ALIGN THE DIRECTION OF EXISTING AND FUTURE COOPERATIVES TOWARDS PEOPLE EMPOWERMENT AND BALANCED SUSTAINED ECONOMIC DEVELOPMENT OF ALL COOPERATIVES.”

SEC 3. *Organization, Membership, Areas of Operation.* – Articles 6, 10, 24, and 26 of R.A. 6938 are hereby amended as follows:

3-A Organization and Areas of Operation

“Art. 6. Organization of Cooperatives AND AREAS OF OPERATION. – A cooperative may be organized and registered by at

least TWENTY (20) [fifteen (15)] persons for any or all of the following purposes:

“(11) To undertake any an all other activities for the effective and efficient implementation of the provision of this Code.

“AREAS OF OPERATION FOR A COOPERATIVE SHALL BE DETERMINED BY THE COOPERATIVE DEVELOPMENT AUTHORITY IN RULES AND REGULATIONS PROMULGATED PURSUANT TO ARTICLE 123 OF THIS ACT.

“ONLY ONE COOPERATIVE OF THE SAME TYPE AND CATEGORY IN ACCORDANCE WITH ARTICLE 23 OF THIS ACT AND PRIMARY PURPOSE SET FORTH IN THE ARTICLES OF COOPERATION SHALL BE REGISTERED AND ALLOWED TO BE OPERATED IN AN AREA OF OPERATION. WHERE THERE IS A REGISTERED AND FULLY OPERATIONAL COOPERATIVE IN AN AREA OF OPERATION, REGISTRATION OF A NEW COOPERATIVE WITH THE SAME OR SIMILAR PRIMARY PURPOSE AND OF THE SAME TYPE AND CATEGORY WITHIN THE SAME AREA OF OPERATION AS THE EXISTING REGISTERED COOPERATIVE SHALL BE DISALLOWED.

“THE COOPERATIVE DEVELOPMENT AUTHORITY SHALL PROMULGATE APPROPRIATE RULES AND REGULATIONS THE CRITERIA FOR A FULLY OPERATIONAL COOPERATIVE EXISTING AT THE TIME OF APPLICATION FOR A NEW COOPERATIVE AS TO WARRANT DISALLOWANCE OF THE NEW APPLICATION FOR REGISTRATION. A NOTICE OF THE APPLICATION SHALL BE SENT TO THE EXISTING COOPERATIVE WITH THE SAME TYPE AND CATEGORY OPERATING WITHIN THE SAME AREA OF OPERATION WITHIN THIRTY (30) DAYS OF THE APPLICATION FOR REGISTRATION OF THE NEW COOPERATIVE AND PRIOR TO ANY ACTION THEREON SO AS TO PROVIDE TIME FOR THE EXISTING COOPERATIVE TO RESPOND TO THE AUTHORITY AS TO ITS REACTIONS TO THE NEW APPLICATION.”

3-B Organizing a Primary Cooperative

“**ART. 10. Organizing a Primary Cooperative.** – TWENTY (20) [Fifteen (15)] or more natural persons OF AT LEAST EIGHTEEN (18) YEARS OF AGE, who are citizens of the Philippines, having a common bond of interest and ALL of WHOM are residing or working in the intended area of operation or WHO HAVE A BUSINESS OR OTHER PRODUCTIVE ENTERPRISE OR WHO ARE STUDYING WITHIN SAID INTENDED AREA OF OPERATION, MAY ORGANIZE A primary cooperative under this Code.”

3-C Members of Cooperatives

“**ART. 26. Who May Be Members of Cooperatives.** – Any natural person WHO IS AT LEAST EIGHTEEN (18) YEARS OF AGE, AND who is a citizen of the Philippines, ANY DULY-REGISTERED COOPERATIVE, A JURIDICAL PERSON REGISTERED UNDER PHILIPPINE LAWS, or ANY non-profit organization OR NON-GOVERNMENTAL ORGANIZATION with a juridical personality, shall be eligible for membership is a cooperative PROVIDED [if] THE APPLICANT FOR MEMBERSHIP IN THE COOPERATIVE meets the qualifications AND HAS NONE OF THE DISQUALIFICATIONS prescribed in the by-laws of THE COOPERATIVE MEMBERSHP IN WHICH IS BEING APPLIED FOR; *Provided*, That only natural persons AT LEAST EIGHTEEN (18) YEARS OF AGE AND WHO

ARE CITIZENS OF THE PHILIPPINES may be admitted as members of a primary cooperative.”

3-D Members of Federations of Cooperatives

“ART. 24. Federation of Cooperatives. –

“(2) Registered cooperatives may organize a federation at the provincial, SPECIAL METROPOLITAN POLITICAL SUBDIVISION, city, MUNICIPAL, regional, and national levels according to the type of business carried on BY COOPERATIVES. A FEDERATION MAY ALSO BE ORGANIZED BY REGISTERED COOPERATIVES WITHIN AN ECONOMIC ZONE CREATED BY AN AUTHORITY ESTABLISHED BY LAW OR BY THOSE OPERATING WITHIN AN ISLAND OR GROUP OF ISLANDS. FEDERATIONS SHALL BE DULY REGISTERED BY THE COOPERATIVE DEVELOPMENT RULES AND REGULATIONS.”

TITLE II. POWERS, RIGHTS, CAPACITIES, PRIVILEGES

SEC 4. *Powers, Rights, Capacities, and Privileges of Cooperatives.* – Articles 9, 62, 63, 76, and 87 of R.A. No. 6938 are hereby amended as follows:

4-A Powers, Rights, and Capacities

“ART. 9. Cooperative Power, Rights, and Capacities. – A cooperative registered under this Code shall have the following powers, RIGHTS and capacities:

“(1) TO THE EXCLUSIVE USE OF ITS REGISTERED COOPERATIVE NAME, to (To) sue and be sued in its cooperative name, AND TO PLACE THE SAME WITHIN THE AREA OF THE PRINCIPAL OFFICE SO AS TO BE VISIBLE TO THE GENERAL PUBLIC HAVING BUSINESS WITH SAID COOPERATIVE;

“(8) TO MAKE LOANS, BE ENTITLED TO CREDIT AND TO (To) accept and receive grants, donations and assistance from foreign and domestic sources SUBJECT TO CONDITIONS OF SAID LOANS, CREDIT, GRANTS, DONATIONS OR ASSISTANCE AND TO BE PROVIDED HELP AND ASSISTANCE UPON WRITTEN REQUEST TO THE AUTHORITY IN ORDER TO FULFILL REQUIREMENTS TO AVAIL OF SAID LOANS, CREDIT OR BE A RECIPIENT OF GRANTS, DONATIONS AND ASSISTANCE: PROVIDED, THAT ANY COOPERATIVE, UPON WRITTEN REQUEST OF THE BOARD OF DIRECTORS, OFFICERS OR THE GENERAL ASSEMBLY, MAY BE PROVIDED BY THE AUTHORITY THE NECESSARY TECHNICAL, MANAGERIAL, ENTREPRENEURIAL ASSISTANCE OR PROVIDED STANDBY RESOURCES IN ORDER TO RESTRUCTURE LOANS OR CREDIT, COMPLY WITH PAYMENTS THEREFOR, OR TO COMPLY WITH CONDITIONS OF THE GRANT, DONATIONS, OR ASSISTANCE FROM DOMESTIC OR FOREIGN SOURCES; [and]

“(9) TO AVAIL OF PREFERENTIAL RIGHTS GRANTED TO COOPERATIVES UNDER R.A. NO. 7160, THE LOCAL GOVERNMENT CODE PARTICULARLY THOSE IN THE GRANT OF FRANCHISE TO ESTABLISH, CONSTRUCT, OPERATE AND MAINTAIN FERRIES, WHARVES, MARKETS OR SLAUGHTERHOUSES AND TO LEASE PUBLIC UTILITIES;

"(10) TO AVAIL OF BASIC SERVICES AND FACILITIES UNDER R.A. NO. 7160, THE LOCAL GOVERNMENT CODE, PARTICULARLY EXTENSION AND ON-SITE RESEARCH SERVICES AND FACILITIES RELATED TO AGRICULTURE AND FISHERY ACTIVITIES BOTH AS TO PROVIDING THE PRODUCTS FOR DISPERSAL AS WELL AS TO BE RECIPIENT OF DISPERSAL PROGRAMS OF LOCAL GOVERNMENT UNITS;

"(11) PROVIDE CONTINUITY FOR THE COOPERATIVE AND COOPERATIVISM THROUGH TRAINING, PROVIDING WORK EXPERIENCE AND PARTICIPATORY COOPERATIVE INVOLVEMENT OF YOUTH WITHIN THE AREA OF OPERATION; AND

"(12) [(9)] TO EXERCISE SUCH OTHER POWERS GRANTED BY THIS Code or WHICH ARE necessary to carry out its purpose or purposes as stated in its articles of cooperation."

4-B Privileges and Preferential Treatment

"ART. 63. Privileges AND PREFERENTIAL TREATMENT of Cooperative.

"(7) Cooperatives and their federations, such as FARM AND FISHERY PRODUCERS AND SUPPLIERS, market vendors and OTHER cooperatives WHICH HAVE FOR THEIR PRIMARY PURPOSE PRODUCTION AND/OR MARKETING OF PRODUCTS FROM AGRICULTURE, FISHERY AND ENTREPRENEURIAL INDUSTRIES AND FEDERATIONS THEREOF shall have preferential rights in THE management of public markets and/or lease of public market facilities, stall or spaces: *PROVIDED*, THAT THE COOPERATIVE ITSELF UTILIZES THESE RIGHTS AND NOT THROUGH A MIDDLE-MAN NOR A PERSON NOT CONNECTED WITH NOR A MEMBER OF THE COOPERATIVE.

4-C Services From a Judge or Register of Deeds

"ART. 62. Tax and Other Exemptions. –

"(4) Any judge in his capacity as notary public, ex-officio, shall render service, free of charge, to any person or group of persons, requiring either the administration of oath or the acknowledgment of articles of cooperation or a cooperative applicant for registration and instruments of loan BY OR from ANY cooperative IN THE AMOUNT not exceeding ONE HUNDRED [Fifty] Thousand Pesos (P100,000.00) [(P50,000.00)]

"(5) Any register of deed shall accept for registration, free of charge, any instrument relative to a loan made under this Code THE AMOUNT OF WHICH does not exceed ONE HUNDRED [Fifty] Thousand Pesos (P100,000.00) [(P50,000.00)], or the deeds of title of any property acquired by the cooperative, or any paper or document drawn in connection with any action brought by the cooperative, or with any court judgment rendered in its favor, or any instrument relative to a bond of any accountable officer of a cooperative for the faithful performance of his duties and obligations."

4-D Right to Interest on Share Capital

"ART. 76. Interest on Share Capital. – Interest on share capital shall not exceed the normal rate of return on investments as determined to the Cooperative Development Authority PURSUANT TO ITS RULE-MAKING POWERS UNDER THIS ACT, BUT IN NO CASE SHALL THE

SAID RATE TO RETURN EXCEED FIFTEEN PERCENT (15%) PER ANNUM.”

4-E Fund for Education and Training

“**ART. 87. Order of Distribution.** – The net surplus of every cooperative shall be distributed as follows:

“(1)

“(2) An amount for the education and training funds, which shall be not LESS [more] than ten percentum (10%) of net surplus. The by-laws may provide that certain fees or fines or a portion thereof be credited to such fund. THE FUND SHALL PROVIDE FOR THE TRAINING, PROVISION OF WORK EXPERIENCE AND COOPERATIVE INVOLVEMENT OF YOUTH WITHIN PURSUANT TO ARTICLE 9 PARAGRAPH (11) OF THIS CODE IN ADDITION TO WHATEVER RESOURCES A COOPERATIVE MAY DECIDE TO SET ASIDE FOR THIS PROGRAM FOR CONTINUITY OF COOPERATIVISM.”

TITLE III. REGISTRATION REQUIREMENTS, BY-LAWS, ANNUAL REPORTS

SEC 5. *Registration Requirements, By-Laws, Annual Reports of Cooperatives.* – Articles 11, 14, 16, 17, 18 and 54 of R.A. 6938 are hereby amended as follows:

5-A Economic Survey as a Basis of Registration

“**ART. 11. Economic Survey AS A BASIS OF REGISTRATION.** – Every group of individuals or cooperatives intending to form a cooperative under this Code shall submit to the Cooperative Development Authority a general statement describing the structure, purposes and economic feasibility of the proposed cooperative, indicating therein the area of operation, the size of membership and other pertinent data WHICH PROVIDE AN ECONOMIC SURVEY AS A BASIS OF REGISTRATION AND THE PERCEIVED ROLE OF THE COOPERATIVE IN SUSTAINED BALANCED DEVELOPMENT WITHIN THE INTENDED AREAS OF OPERATION AND THE NATION AS A WHOLE.”

5-B Signature on Articles of Cooperation

“**ART. 14. Article of Cooperation.** – (1) All cooperatives applying for registration shall file with Cooperative Development Authority the articles of cooperation which shall be signed by each of the organizers AND ALL THE COOPERATORS and acknowledge by THE ORGANIZER AND MAJORITY OF THE COOPERATORS [the] if natural persons, and by the President or Secretaries, if *juridical persons*, before a notary public.

“(5) No cooperative shall be registered unless the articles of cooperation ARE [is] accompanied with the bonds of the accountable officers and a sworn statement of the treasurer elected by the subscribers showing that at least twenty-five percentum (25%) of the authorized share capital has been subscribed and at least twenty-five percentum (25%) of the total subscription has been paid; *Provided*, That in no case shall the paid-up share capital [shall] be less than TWENTY [two] Thousand Pesos (P20,000.00) [(P2,000.00)].”

5-C Pre-Membership Seminar Requisite for Registration

"ART. 16. Registration. – NO COOPERATIVE SHALL BE REGISTERED UNLESS THE PRE-MEMBERSHIP SEMINAR HAS BEEN COMPLETED AND PROOF OF COMPLETION THEREOF WITH A LIST OF PARTICIPANTS THERETO INCLUDED IS SUBMITTED TO THE AUTHORITY

5-D Registration Documents

"ART. 17. Certificate of Registration AND REGISTRATION DOCUMENTS. –

"THE CERTIFICATE SHALL BE ACCOMPANIED WITH REGISTRATION DOCUMENTS INDICATING THE APPROVED AREA OF OPERATION OF THE REGISTERED COOPERATIVE, THE FIELD OF MEMBERSHIP AND THE NATURE OF THE BUSINESS OF THE COOPERATIVE."

5-E Amendment of Articles of Cooperation and By-Laws

"ART. 18. Amendment to Articles of Cooperation and By-Laws.
– Unless otherwise prescribed by this Code and for legitimate purposes, any provision or matter stated in the articles of cooperation and by-laws MAY BE AMENDED by two-third (2/3) vote of all the members with voting rights, without prejudice to the rights of the dissenting members to exercise their right to withdraw their membership under Article 31 and 32. THE LIST OF MEMBERS CONSTITUTING THE TWO-THIRDS AFFIRMATIVE VOTE OF ALL THE MEMBERS AND THE LIST OF MEMBERS WHO DISSENTED FROM THE VOTE ON THE AMENDMENTS TOGETHER WITH THE NAMES OF THOSE MEMBERS WITH VOTING RIGHTS WHO WERE NOT PRESENT AT THE VOTING ON SAID AMENDMENTS SHALL BE RECORDED AND SUBMITTED, WITH THE PROPOSED AMENDMENTS TO THE ARTICLES OF COOPERATIVE OR TO THE BY-LAWS, TO THE COOPERATIVE DEVELOPMENT AUTHORITY.

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

5-F Annual Reports

"ART. 54. Annual Reports. – (1) Every cooperative shall draw up an annual report of its ACTIVITIES AND PROGRAMS [affairs] as of the end of every CALENDAR [fiscal] year, and publish the same furnishing copies to all its members of record, a copy thereof shall be filed with the Cooperative Development Authority within NINETY (90) [sixty (60)] days from the DATE OF THE COOPERATIVE'S REGULAR GENERAL ASSEMBLY MEETING AND IN NO CASE LATER THAN NINETY (90) DAYS FROM THE END OF CALENDAR YEAR. The form and contents of the annual report shall be prescribed by the rules of the Authority. Failure to file the required annual report shall be a ground for CANCELLATION OF THE CERTIFICATE OF REGISTRATION OF THE COOPERATIVE

ISSUED BY THE AUTHORITY OR FOR revocation of authority of the cooperative to operate as such. The fiscal year of every cooperative shall be the calendar year, except as may be otherwise provided in the By-Laws."

TITLE IV. ADMINISTRATION, VOTING, BOARD OF DIRECTORS, OFFICERS

SEC 6. *Administration, Voting, Board of Directors, Officers.* – Articles 28, 35, 36, 37, 38, 40, 41, 43, 45, and 51 of R.A. No. 6938 are hereby amended as follows:

6-A Meeting, Quorum and Voting

"ART. 35. Meetings. – A regular meeting shall be held annually by the General Assembly [on a date fixed in the by-law], or [if not so fixed] on any date within ninety (90) days after the close of each CALENDAR [fiscal] year; *Provided*, That written notice of regular meetings shall be sent to all members of record at their official addresses at least two (2) weeks prior to the meeting, unless a different period FOR THE WRITTEN NOTICE is required in the by-laws.

"(4) The Authority may call a special meeting of the cooperative;

"(a) For the purpose of reporting to the members the result of any audit, examination, or other investigation of the cooperative [affairs] ACTIVITIES AND PROGRAMS ordered or made by SAID AUTHORITY [him]; or"

"ART. 36. Quorum. – [unless otherwise provided in the by-laws, a] A quorum shall consist of AT LEAST twenty-five percentum of all the members entitled to vote."

"ART. 37. Voting System. –

"(1) x x x x x x

"(2) x x x x x x

"(3) No member of a primary cooperative shall be permitted to vote by proxy. [unless provided for specifically in the by-laws of cooperative] However, the by-laws of a cooperative other than a primary COOPERATIVE may provide for voting by proxy. Voting by proxy means allowing a delegate of a cooperative to represent or vote in behalf of another delegate of the delegate of the same cooperative."

6-B Board of Directors, Officers, Disqualifications and Prohibitions, and Removal

"ART. 28. Government Officers and Employees. –

"(1) Any officer or employee of the Cooperative Development Authority shall be disqualified to be elected to any position in a cooperative; *PROVIDED*, THAT THE DISQUALIFICATION OF ANY OFFICER OR EMPLOYEE OF THE COOPERATIVE DEVELOPMENT AUTHORITY SHALL NOT EXTEND TO ANY COOPERATIVE ORGANIZED EXCLUSIVELY BY THE OFFICERS OR EMPLOYEES OF THE AUTHORITY WHOSE MEMBERS ARE ALL AUTHORITY OFFICIALS OR EMPLOYEES;

“(2) Elective officials of the Government, except barangay officials, AND APPOINTED OFFICIALS OF THE GOVERNMENT shall be ineligible to become officers and directors of cooperatives; *PROVIDED*, THAT THE DISQUALIFICATION DOES NOT EXTEND TO A COOPERATIVE ORGANIZED EXCLUSIVELY BY THE OFFICERS OR EMPLOYEES OF A GOVERNMENT OFFICE OR AGENCY AND WHOSE MEMBERS ARE ALL OFFICERS OR EMPLOYEES OF SAID GOVERNMENT OFFICE OR AGENCY;

“(3) Any government employee OR OFFICIAL may, in the discharge of his duties as member in the cooperative, be allowed by the head of the office concerned to use official time for attendance at the general assembly, board and committee meetings of cooperatives, as well as cooperative seminars, conferences, workshops, technical meetings, and training courses locally or abroad; *Provided*, That the operations of the office concerned are not adversely affected.”

“ART. 38. Composition of the Board of Directors. –

“(1) x x x x x

“A DIRECTOR WHO HAS SERVED THREE (3) CONSECUTIVE TERMS, IS ELIGIBLE FOR REELECTION AFTER THREE (3) CONSECUTIVE YEARS OF NOT SERVING ON THE BOARD OF DIRECTORS OF A COOPERATIVE.

“ART. 40. Directors. –

“(1) x x x x x

“(2) x x x x x

“(3) THE MEMBERS OF THE BOARD OF DIRECTORS SHALL NOT ONLY ANY OTHER POSITION IN THE COOPERATIVE, OTHER THAN AS MEMBERS OF THE BOARD OF DIRECTORS. THEY SHALL ELECT FROM AMONG THEMSELVES A CHAIRMAN AND A VICE-CHAIRMAN.”

“ART. 41. Meeting of the Board, Quorum. –

“(1) x x x x x

“(2) Special meeting of the board of directors may be held at any time upon the call of the CHAIRMAN [President] or as provided in the by-laws.

“ x x x x x

“ART. 43. Officer of the Cooperatives. – The board of directors shall elect from among themselves only the Chairman and Vice-Chairman, and elect or appoint other officers of the cooperative from outside of the board in accordance with THE [their] by-laws OF THE COOPERATIVE. All officers shall serve during good behavior and shall not be removed except for cause after due hearing. Loss of confidence shall not be a valid ground for removal unless proven by evidence by acts or omissions causing loss of confidence in the honesty and integrity of such officer. No two (2) or more persons with relationships up to the third civil degree of consanguinity or affinity shall serve as elective or appointive officers in the same Board OR COMMITTEES.

"NO TWO OR MORE PERSONS WITH RELATIONSHIP UP TO THE THIRD CIVIL DEGREE OF CONSANGUINITY OR AFFINITY SHALL SERVE IN THE SAME MANAGEMENT STAFF OF ANY COOPERATIVE.

"THE SECRETARY OF THE BOARD NEED NOT BE A PERSON OUTSIDE THOSE ELECTED TO THE BOARD OF DIRECTORS.

"NO TWO OR MORE PERSONS WITH RELATIONSHIPS UP TO THE THIRD CIVIL DEGREE OF CONSANGUINITY OR AFFINITY SHALL SERVE TOGETHER WHERE ONE IS AN OFFICER OUTSIDE THE BOARD AND THE OTHER IS A DIRECTOR OR A STAFF MEMBER."

"ART. 45. Functions and Responsibilities of Directors, Officers and Committee Members. – The functions and responsibilities of the directors, officers and committee members of the directors, officers and committee members shall be as prescribed in detail in the by-laws of a cooperative.

"WITHIN SIXTY (60) DAYS FROM REGISTRATION AND IN NO CASE LATER THAN SIXTY (60) DAYS FROM HAVING BEEN ELECTED OR APPOINTED, ALL DIRECTORS, OFFICERS, COMMITTEE MEMBERS, MANAGEMENT STAFF AND EMPLOYEES ARE REQUIRED TO UNDERGO RIGID TRAINING IN THEIR FUNCTIONS AND RESPONSIBILITIES TO BE CONDUCTED BY THE AUTHORITY AND ANY DULY ACCREDITED GOVERNMENT OR NON-GOVERNMENT ORGANIZATION."

"ART. 51. Removal. – An elective officer, director or committee member may be removed by a vote of two-thirds (2/3) of the voting members present and constituting a quorum, in a regular or special general assembly meeting called for the purpose. The person involved shall be given an opportunity to be heard at said assembly.

"APPOINTIVE OFFICERS OR COMMITTEE MEMBERS APPOINTED BY THE BOARD OF DIRECTORS MAY, FOR GOOD CAUSE SHOWN, BE REMOVED BY A MAJORITY VOTE OF ALL THE MEMBERS OF THE BOARD OF DIRECTORS, IN ALL CASES, THE PERSON CONCERNED SHALL BE GIVEN AN OPPORTUNITY TO BE HEARD BY THE BOARD OF DIRECTORS OR BY THE GENERAL ASSEMBLY.

"A DIRECTOR WHO HAS SERVED THREE (3) CONSECUTIVE TERMS, IS ELIGIBLE FOR REELECTION AFTER THREE (3) CONSECUTIVE YEARS OF NOT SERVING ON THE BOARD OF DIRECTORS OF A COOPERATIVE.

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TITLE V. SETTLEMENT OF DISPUTES, CONCILIATION, BONDING OF ACCOUNTABLE OFFICERS, PENALTIES

SEC 7. *Bonding of Accountable Officers.* – Article 57 of R.A. No. 6938 is hereby amended as follows:

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

“THE BONDS OF THE ACCOUNTABLE OFFICERS SHALL ACCOMPANY THE ARTICLES OF COOPERATION AS A REQUIREMENT OF REGISTRATION ON THE COOPERATIVE. THE BONDS SHALL BE KEPT UP-TO-DATE EVERY YEAR AND THE ADEQUACY AND THE FACT OF BEING UP-TO-DATE SHALL BE INCLUDED IN THE ANNUAL REPORT PURSUANT TO ARTICLE 54 OF THIS ACT AND WHICH REPORT IS FURNISHED ALL MEMBERS OF RECORD AND IS SUBMITTED TO THE COOPERATIVE DEVELOPMENT AUTHORITY. THE AUTHORITY MAY, BY RULES AND REGULATIONS, SET THE CRITERIA AND GUIDELINES AS TO THE ADEQUACY OF THE BONDS OF ACCOUNTABLE OFFICERS OF A COOPERATIVE.”

SEC 8. *Settlement of Disputes and Conciliation.* – Article 121 of R.A. No. 6938 is hereby amended as follows:

“ART. 121. Settlement of Disputes, CONCILIATION AND MEDIATION PROCEEDINGS. – Disputes among members, officers, directors, and committee members and intra-federation or inter-federation disputes AS WELL AS INTER-COOPERATIVE, INTRA-FEDERATION OR INTER-FEDERATION DISPUTES shall, as far as practicable, be settled amicably in accordance with the conciliation or mediation mechanism embodied in the by-laws of cooperative FOR INTRA-COOPERATIVE DISPUTES, IN THE BY-LAWS OF DISPUTANT COOPERATIVES FOR INTER-COOPERATIVE DISPUTES, IN THE BY-LAWS OF THE FEDERATION FOR INTRA-FEDERATION DISPUTES AND IN THE BY-LAWS OF DISPUTANT FEDERATIONS FOR INTER-FEDERATION DISPUTES, and in applicable laws.

“Should such a conciliation or mediation proceedings fail, the matter shall be settled in a court of competent jurisdiction.”

SEC 9. *Penalties.* – Article 124 of R.A. No. 6938 is hereby amended as follows:

“ART. 124. Penal Provision. – The following acts or omission affecting cooperatives are hereby prohibited:

“(1) The use of the word “cooperative” by any person or persons or organizations, domestic or foreign, unless duly registered as a cooperative under this Code. In case of violation hereof, the individual or individuals concerned, or in the case of an organization, its officers and directors shall upon conviction, suffer the penalty of imprisonment OF NOT LESS THAN [for] one (1) year NOR MORE THAN FIVE (5) years and a fine not exceeding FIVE [One] Thousand Pesos (P5,000.00) [(P1,000.00)] or both at the discretion of the court;

“(2) x x x x x

“In case of violation of any provision of this subsection, the individual or individuals, and in the case of organizations, its officers and directors, shall upon conviction by a court, suffer a penalty of not less than TWO (2) YEARS [one (1) year] but not more than SIX (6) [five (5)] years imprisonment or a fine of an amount not less than Five Thousand Pesos (P5,000.00) or both at the discretion of the court. IN THE CASE OF A PUBLIC OFFICIAL OR EMPLOYEE, HE SHALL, UPON CONVICTION, SUFFER THE NECESSARY PENALTY OF TEMPORARY ABSOLUTE DISQUALIFICATION.”

TITLE VI. FINAL PROVISIONS

SEC 10. *Separability Clause.* – Should any part of this Act be declared unconstitutional or invalid for any reason, the rest of the provisions shall not be affected thereby.

SEC 11. *Repealing Clause.* – All laws, decrees, executive orders, proclamations, rules and regulations, and other issuance and parts thereof which are inconsistent with the provisions of this Act, are hereby repealed or modified accordingly.

SEC 12. *Effectivity Clause.* – This Act shall take effect upon its publication in at least two (2) national newspapers of general circulation.

Approved,