

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

7 SEP 11 AM 10:01

SENATE

RECEIVED BY: 

S.B. No. 1553

Introduced by Senator JUAN MIGUEL F. ZUBIRI

EXPLANATORY NOTE

A significant amount of time already elapsed since the Cooperatives Code of the Philippines became a law. To be truly relevant, its provisions must be amended to keep pace with the changes in the social and political environment.

Cooperatives are social tools to empower the marginalized. Their collective voice reverberates in the halls of government institutions in a gallant effort to be heard. As a registered organization, they enjoy being recognized as juridical entities. With this come the benefits accorded by law, such as exemption from certain taxes. Some laws even mandate banks to appropriate a certain percent of their loan portfolio to cooperatives.

Cooperatives have also taken various forms. There are electric and transport cooperatives for instance which occupied the center stage recently. They, as entities, must be regulated by the government in order to protect the interest of the public.

Attention must be given, more particularly, to the indigenous peoples (IPs) whose rights are often trampled upon in the name of development, mining, and tourism. While the IPRA Law provides procedure protective of their rights, it needs to be strengthened through the institutionalization of a legal entity such as the cooperative.

Thus, it is imperative to synthesize the interests of various sectors claiming as cooperatives. As partners of economic, political and social development, cooperatives must be given more of what the present regime of laws offers.

In view of the foregoing, immediate enactment of this bill is earnestly requested.



JUAN MIGUEL F. ZUBIRI

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AN ACT
AMENDING THE COOPERATIVE CODE OF THE PHILIPPINES TO BE KNOWN AS
THE "PHILIPPINE COOPERATIVE CODE OF 2007"

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

1 **SECTION 1.** Articles 1, 3, 4 and 5 of Chapter I on General Concepts and
2 Principles of Republic Act No. 6938, otherwise known as the "Cooperative Code of the
3 Philippines" are hereby amended to read as follows

4 "ARTICLE 1. Title – This Act shall be known as the ["Cooperative Code of the
5 Philippines".] PHILIPPINE COOPERATIVE CODE OF 2007."

6 ART. 2. Declaration of Policy. – x x x

7 ART. 3. General Concepts - A cooperative is a duly registered association of
8 persons, with a common bond of interest, who have voluntarily joined together to
9 achieve [a] lawful [common] social or economic [end,] AND CULTURAL NEEDS
10 making equitable contributions to the capital required, PATRONIZING THEIR
11 PRODUCTS AND SERVICES and accepting a fair share of the risks and benefits of the
12 undertaking in accordance with universally accepted cooperative principles."

13 EVERY COOPERATIVE SHALL ALSO KEEP FAITH WITH THE BASIC
14 COOPERATIVE VALUES OF SELF-HELP, DEMOCRACY, EQUALITY, EQUITY AND
15 SOLIDARITY, HONESTY, OPENNESS, SOCIAL RESPONSIBILITY AND CARING
16 FOR OTHERS.

17 ART. 4. Cooperative Principles. - Every cooperative shall conduct its affairs in
18 accordance with Filipino culture, GOOD VALUES and experience and the universally
19 accepted principles of cooperation which include BUT ARE NOT LIMITED TO the
20 following:

1 (1) [*Open and Voluntary*] *VOLUNTARY AND OPEN Membership* – [Membership
2 in a cooperative shall be voluntary and available to all individuals regardless of their
3 social, political, racial or religious background or beliefs.] *COOPERATIVES ARE*
4 *VOLUNTARY ORGANIZATIONS, OPEN TO ALL PERSONS ABLE TO USE THEIR*
5 *SERVICES AND WILLING TO ACCEPT THE RESPONSIBILITIES OF MEMBERSHIP,*
6 *WITHOUT GENDER, SOCIAL, RACIAL, CULTURAL, POLITICAL, OR RELIGIOUS*
7 *DISCRIMINATION.*

8 (2) *Democratic MEMBER Control* - Cooperatives are democratic organizations[.]
9 [Their affairs shall be administered by persons elected or appointed in a manner agreed
10 upon by the members. Members of primary cooperatives shall have equal voting rights
11 on a one-member-one-vote principle: Provided, however, That in the case of secondary
12 and tertiary cooperatives, the provisions of Article 37 of this Code shall apply.] *THAT*
13 *ARE CONTROLLED BY THEIR MEMBERS WHO ACTIVELY PARTICIPATE IN*
14 *SETTING THEIR POLICIES AND MAKING DECISIONS. MEN AND WOMEN*
15 *SERVING AS ELECTED REPRESENTATIVES, DIRECTORS AND OFFICERS ARE*
16 *ACCOUNTABLE TO THE MEMBERSHIP. IN PRIMARY COOPERATIVES, MEMBERS*
17 *HAVE EQUAL VOTING RIGHTS (ONE-MEMBER, ONE-VOTE). COOPERATIVES AT*
18 *OTHER LEVELS ARE ORGANIZED IN A DEMOCRATIC MANNER.*

19 (3) [*Limited Interest on Capital* – Share capital shall receive a strictly
20 *limited rate of interest.*] *MEMBER ECONOMIC PARTICIPATION.* – MEMBERS
21 CONTRIBUTE EQUITABLY TO, AND DEMOCRATICALLY CONTROL, THE CAPITAL
22 OF THEIR COOPERATIVE. AT LEAST PART OF THAT CAPITAL IS THE COMMON
23 PROPERTY OF THE COOPERATIVE. THEY SHALL RECEIVE LIMITED
24 COMPENSATION OR LIMITED INTEREST, IF ANY, ON CAPITAL SUBSCRIBED
25 AND PAID AS A CONDITION OF MEMBERSHIP. MEMBERS ALLOCATE
26 SURPLUSES FOR ANY OR ALL OF THE FOLLOWING PURPOSES: DEVELOPING
27 THE COOPERATIVE, BY SETTING UP RESERVES, PART OF WHICH AT LEAST
28 SHOULD BE INDIVISIBLE; BENEFITING MEMBERS IN PROPORTION TO THEIR
29 PATRONAGE OF THE COOPERATIVE'S BUSINESS, AND SUPPORTING OTHER
30 ACTIVITIES APPROVED BY THE MEMBERSHIP.

31 (4) [*Division Of Net Surplus* – Net surplus arising out of the operations
32 of a cooperative belongs to its members and shall be equitably distributed for
33 cooperative development, common services, indivisible reserve fund, and for limited
34 interest on capital and/or patronage refund in the manner provided in this Code and in
35 the articles of cooperation and by-laws.] *AUTONOMY AND INDEPENDENCE.* -
36 *COOPERATIVES ARE AUTONOMOUS, SELF-HELP ORGANIZATIONS*
37 *CONTROLLED BY THEIR MEMBERS. IF THEY ENTER INTO AGREEMENTS WITH*
38 *OTHER ORGANIZATIONS INCLUDING GOVERNMENT, OR RAISE CAPITAL FROM*

1 EXTERNAL SOURCES, THEY SHALL DO SO ON TERMS THAT ENSURE
2 DEMOCRATIC CONTROL OF THEIR MEMBERS AND MAINTAIN THEIR
3 COOPERATIVE AUTONOMY.

4 (5) [*Cooperative Education* – All cooperatives shall make provision for the
5 education of their members, officers and employees and of the general public based on
6 the principles of cooperation.] *EDUCATION, TRAINING AND INFORMATION.* –
7 COOPERATIVES SHALL PROVIDE EDUCATION AND TRAINING FOR THEIR
8 MEMBERS, ELECTED AND APPOINTED REPRESENTATIVES, MANAGERS, AND
9 EMPLOYEES SO THAT THEY CAN CONTRIBUTE EFFECTIVELY AND
10 EFFICIENTLY TO THE DEVELOPMENT OF THEIR COOPERATIVES.

11 (6) *Cooperation Among Cooperatives* - [All cooperatives, in order to best serve
12 the interest of their members and communities, shall actively cooperate with other
13 cooperatives at local, national and international levels.] COOPERATIVES SERVE
14 THEIR MEMBERS MOST EFFECTIVELY AND STRENGTHEN THE COOPERATIVE
15 MOVEMENT BY WORKING TOGETHER THROUGH LOCAL, NATIONAL, REGIONAL
16 AND INTERNATIONAL STRUCTURES.

17 (7) *CONCERN FOR COMMUNITY.* – COOPERATIVES WORK FOR THE
18 SUSTAINABLE DEVELOPMENT OF THEIR COMMUNITY THROUGH POLICIES
19 APPROVED BY THEIR MEMBERS.

20 ART. 5. Definition of Terms -- The following terms shall mean:

21 (1) x x x

22 (2) *General Assembly* shall mean the full membership of the cooperative duly
23 assembled for the purpose of exercising all the rights and performing all the obligations
24 pertaining to cooperatives, as provided by this Code, its articles of cooperation and by-
25 laws[;]: PROVIDED, THAT FOR COOPERATIVES WITH NUMEROUS AND
26 DISPERSED MEMBERSHIP, THE GENERAL ASSEMBLY MAY BE COMPOSED OF
27 DELEGATES ELECTED BY EACH SECTOR, CHAPTER OR DISTRICT OF THE
28 COOPERATIVE IN ACCORDANCE WITH THE RULES AND REGULATION OF THE
29 AUTHORITY.

30 (3) x x x

31 (4) x x x

32 (5) x x x

33 (6) x x x

34 (7) x x x

35 (8) *Cooperative Development Authority* means the government agency in
36 charge of the registration [and], regulation AND PROMOTION FOR THE
37 DEVELOPMENT of cooperatives as such, hereinafter referred to as the Authority;

38 (9) x x x

1 (10) OFFICERS OF THE COOPERATIVES SHALL INCLUDE THE MEMBERS
2 OF THE BOARD OF DIRECTORS, MEMBERS OF THE DIFFERENT COMMITTEES
3 CREATED BY THE GENERAL ASSEMBLY, GENERAL MANAGER OR CHIEF
4 EXECUTIVE OFFICER, SECRETARY, TREASURER AND SUCH OTHERS AS MAYBE
5 PROVIDED FOR IN THE BY-LAWS.

6 (11) SOCIAL AUDIT SHALL REFER TO AN AUDIT INTENDED TO DETERMINE
7 HOW WELL THE COOPERATIVE WAS ABLE TO FULFILL ITS SOCIAL
8 RESPONSIBILITIES.

9 (12) PERFORMANCE AUDIT SHALL REFER TO AN AUDIT ON THE
10 EFFICIENCY AND EFFECTIVENESS OF THE COOPERATIVE AS A WHOLE, ITS
11 MANAGEMENT, THE OFFICERS AND/OR ITS VARIOUS RESPONSIBILITY
12 CENTERS AS BASIS FOR IMPROVING INDIVIDUAL, TEAM OR OVER-ALL
13 PERFORMANCE AND FOR OBJECTIVELY INFORMING THE GENERAL
14 MEMBERSHIP ON SUCH PERFORMANCE;

15 (13) A SINGLE-LINE OR SINGLE-PURPOSE COOPERATIVE SHALL
16 INCLUDE A COOPERATIVE UNDERTAKING ACTIVITIES WHICH ARE RELATED
17 TO ITS MAIN LINE OF BUSINESS OR PURPOSE.

18 (14) SUBSIDIARY REFERS TO ANY ORGANIZATION ALL OR MAJORITY OF
19 WHOSE MEMBERSHIP OR SHAREHOLDERS COME FROM A COOPERATIVE,
20 ORGANIZED FOR ANY OTHER PURPOSE DIFFERENT FROM THAT OF, AND
21 RECEIVES TECHNICAL, MANAGERIAL AND FINANCIAL ASISTANCE FROM A
22 COOPERATIVE, IN ACCORDANCE WITH THE RULES AND REGULATIONS OF
23 THE AUTHORITY.

24 **SEC. 2.** Articles 6, 7, 9, 10, 11, 12, 14, 16, 18, 20, 23 and 24 of Chapter II on
25 Organization and Registration of the same Code are hereby amended as follows:

26 ART. 6. [Organization] PURPOSES of Cooperatives. - A cooperative may be
27 organized and registered [by at least fifteen (15) persons] for any or all of the following
28 purposes:

- 29 (1) x x x
- 30 (2) x x x
- 31 (3) x x x
- 32 (4) x x x
- 33 (5) x x x
- 34 (6) x x x
- 35 (7) x x x
- 36 (8) x x x
- 37 (9) x x x
- 38 (10) x x x

1 (11) x x x "

2 Art. 7. Objectives AND GOALS of a Cooperative. - (1) The primary objective of
3 every cooperative is HUMAN BETTERMENT. TOWARDS THIS END, THE
4 COOPERATIVE SHALL AIM to:

5 (A) provide goods and services to its members and thus enable them
6 to attain increased income and savings, investments, productivity,
7 and purchasing power, and promote among them equitable
8 distribution of net surplus through maximum utilization of
9 economies of scale, cost-sharing and risk-sharing; [without,
10 however, conducting the affairs of the cooperative for
11 eleemosynary or charitable purposes.]

12 [A cooperative shall] (B) provide [maximum] OPTIMUM SOCIAL AND
13 economic
14 benefits to its members[.];

15 (C) teach them efficient ways of doing things in a cooperative
16 manner[.]; [and]

17 (D) propagate cooperative practices and new ideas in business and
18 management; [and]

19 (E) allow the lower income AND LESS PRIVILEGED groups to
20 increase their ownership in the wealth of the nation[.]; AND

21 (F) COOPERATE WITH THE GOVERNMENT, OTHER
22 COOPERATIVES AND PEOPLE-ORIENTED ORGANIZATIONS
23 TO FURTHER THE ATTAINMENT OF ANY OF THE FOREGOING
24 OBJECTIVES.

25 (2) EVERY COOPERATIVE SHALL HAVE AT LEAST ONE (1) MAJOR
26 SOCIAL GOAL, AND IN ORDER TO CONTINUE TO BE ENTITLED TO THE RIGHTS
27 AND PRIVILEGES GRANTED TO COOPERATIVES, MUST HAVE A POSITIVE
28 IMPACT ON SUCH SOCIAL CONCERNS AS: MEMBERSHIP EDUCATION,
29 ENVIRONMENT, HEALTH, DEMOCRACY AND/OR SUCH OTHER ASPECTS OF
30 HUMAN BETTERMENT OR EMPOWERMENT.

31 ART. 8. Cooperative Not in Restraint of Trade. – X X X

32 ART. 9. Cooperative Powers and Capacities. - A cooperative registered under
33 this Code shall have the following powers, RIGHTS and capacities:

34 (1) TO THE EXCLUSIVE USE OF ITS REGISTERED NAME, [T]to sue and be
35 sued [in its cooperative name] ;

36 (2) x x x

37 (3) x x x

38 (4) x x x

1 (5) x x x

2 (6) x x x

3 (7) To FORM SUBSIDIARIES AND join federations or unions, as provided in this
4 Code;

5 (8) To AVAIL OF LOANS, BE ENTITLED TO CREDIT AND TO accept and
6 receive grants, donations and assistance from foreign and domestic sources [;and]
7 SUBJECT TO CONDITIONS OF SAID LOANS, CREDITS, GRANTS, DONATIONS
8 OR ASSISTANCE, AND BE PROVIDED ASSISTANCE BY THE AUTHORITY UPON
9 WRITTEN REQUEST TO BE ABLE TO FULFILL THE DOCUMENTARY
10 REQUIREMENTS FOR THE SAID LOANS, CREDIT , GRANTS, DONATIONS AND
11 SIMILAR ASSISTANCE.

12 (9) TO AVAIL OF PREFERENTIAL RIGHTS GRANTED TO COOPERATIVES
13 UNDER REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL
14 GOVERNMENT CODE, PARTICULARLY THOSE IN THE GRANT OF THE
15 FRANCHISE TO ESTABLISH, CONSTRUCT, OPERATE AND MAINTAIN FERRIES,
16 WHARVES, MARKETS OR SLAUGHTERHOUSES AND TO LEASE PUBLIC
17 UTILITIES;

18 (10) TO AVAIL OF BASIC SERVICES AND FACILITIES UNDER REPUBLIC
19 ACT NO. 7160, OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE,
20 PARTICULARLY THOSE IN THE EXTENSION AND ON-SITE RESEARCH
21 SERVICES AND FACILITIES RELATED TO AGRICULTURE AND FISHERY
22 ACTIVITIES;

23 (11) TO PROVIDE CONTINUITY FOR THE COOPERATIVES BY
24 INCULCATING COOPERATIVISM THROUGH TRAINING, SEMINARS ON
25 COOPERATIVE KNOW-HOW AND SIMILAR OTHER COOPERATIVE ACTIVITIES
26 WHICH ARE GEARED TOWARDS THE ADVANCEMENT OF THE MOVEMENT.

27 (12) TO ORGANIZE AND OPERATE SCHOOLS IN ACCORDANCE WITH THE
28 EDUCATION ACT OF 1982 AND OTHER PERTINENT LAWS.

29 [9] (13) To exercise such other powers granted by this Code necessary to carry
30 out its purpose or purposes as stated in its articles of cooperation.

31 ART. 10. Organizing a Primary Cooperative. - Fifteen (15) or more natural
32 persons[,] who are [citizens of the Philippines] AT LEAST EIGHTEEN (18) YEARS
33 OF AGE, WHO ARE FILIPINO CITIZENS, having a common bond of interest and are
34 ACTUALLY residing [or], working OR STUDYING in the intended area of operation
35 may organize a PRIMARY cooperative under this Code, PROVIDED THAT WITHIN
36 TWO (2) YEARS AFTER REGISTRATION IT SHALL HAVE THIRTY (30) MEMBERS.
37 ANY NEWLY ORGANIZED PRIMARY COOPERATIVE MAYBE REGISTERED AS
38 MULTI-PURPOSE COOPERATIVE ONLY AFTER COMPLIANCE WITH THE

1 MINIMUM REQUIREMENTS FOR MULTIPURPOSE COOPERATIVES TO BE SET
2 BY THE AUTHORITY. A SINGLE-PURPOSE COOPERATIVE MAY TRANSFORM
3 INTO A MULTI-PURPOSE COOPERATIVE OR MAY CREATE SUBSIDIARIES ONLY
4 AFTER AT LEAST TWO (2) YEARS OF OPERATIONS.

5 ART. 11. Economic Survey. - Every group of individuals or cooperatives
6 intending to form a cooperative under this Code shall submit to the [Cooperative
7 Development] Authority a general statement describing, AMONG OTHERS the
8 structure[,] AND purposes [and economic feasibility] of the proposed cooperative [,] :
9 *PROVIDED*, THAT THE STRUCTURE AND ACTUAL STAFFING PATTERN OF THE
10 COOPERATIVE SHALL INCLUDE A BOOKKEEPER. *PROVIDED, FURTHER*, THAT
11 THEY SHALL NOT BE ALLOWED TO OPERATE WITHOUT THE NECESSARY
12 PERSONNEL AND SHALL ALSO SUBMIT A FEASIBILITY STUDY, indicating therein
13 the area of operation, the size of membership, THE PROJECTED CAPITAL
14 REQUIREMENT, SOURCE OF CAPITAL, EXPENSES AND INCOME, AND
15 ORGANIZATIONAL AND OTHER REQUIREMENTS OF ITS BUSINESS and other
16 pertinent data. THE AUTHORITY SHALL ISSUE THE NECESSARY GUIDELINES
17 FOR THE PREPARATION OF THE FEASIBILITY STUDY REQUIRED HEREIN
18 WITHIN SIX (6) MONTHS FROM THE APPROVAL OF THIS ACT.

19 ART. 12. Liability.- A cooperative [shall be] DULY registered under this Code[,]
20 [with] SHALL HAVE limited liability.

21 ART. 13. Term. - x x x

22 ART. 14. Articles of Cooperation. - (1) All cooperatives applying for registration
23 shall file with the [Cooperative Development] Authority the articles of cooperation which
24 shall be signed by each of the organizers and acknowledged by them if natural
25 persons, and by the [presidents] CHAIRPERSONS or secretaries, if juridical person,
26 before a notary public.

27 (2) x x x

28 (a) x x x

29 (b) x x x

30 (c) x x x

31 (d) x x x

32 (e) x x x

33 (f) x x x

34 (g) x x x

35 (h) x x x

36 (3) x x x

1 (4) Four (4) copies of each of the proposed articles of cooperation, by-laws, and
2 the general statement required under Article 11 of this Code shall be submitted to the
3 [Cooperative Development] Authority.

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

12 ART. 15. By-laws. – x x x

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

31 ART. 17. Certificate of Registration. – x x x

32 ART. 18. Amendment of Articles of Cooperation and Bylaws. - Unless otherwise
33 prescribed by this Code and for legitimate purposes, any provision or matter stated in
34 the articles of cooperation AND BYLAWS may be amended by [two-thirds (2/3)] A
35 THREE-FOURTHS (3/4) vote of all the members with voting rights[,] PRESENT AND
36 CONSTITUTING A QUORUM without prejudice to the right of the dissenting members
37 to exercise the right to withdraw their membership under Articles 31 and 32.

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

13 ART. 19. Contracts Executed Prior to Registration and Effect Thereof. – x x x

14 ART. 20. Division of Cooperatives. -- Any registered cooperative may by a
15 resolution approved by a vote of [two-thirds (2/3) of the members eligible to vote at a
16 general assembly meeting,] THREE-FOURTHS (3/4) OF ALL THE MEMBERS WITH
17 VOTING RIGHTS, PRESENT AND CONSTITUTING A QUORUM, resolve to divide
18 itself into two (2) or more cooperatives. The procedure for such division shall be
19 prescribed in the regulations of the [Cooperative Development] Authority. The new
20 cooperatives shall become legally established upon registration with the Authority:
21 *Provided*, That all the requirements set forth in this Code have been complied with by
22 the new cooperatives: *Provided further*, That no division of a cooperative in fraud of
23 creditors shall be valid.

24 ART. 21. Merger and Consolidation of Cooperatives. - (1) Two (2) or more
25 cooperatives may merge into [a] ONE cooperative[s] or may consolidate into a new
26 single cooperative which shall be the consolidated cooperative.

27 (2) No merger or consolidation shall be valid unless approved by [two-thirds
28 (2/3)] VOTE of all the members eligible to vote] A THREE-FOURTHS (3/4) WITH
29 VOTING RIGHTS, PRESENT AND CONSTITUTING A QUORUM [of] IN each of the
30 constituent cooperatives at separate general assembly meetings. The dissenting
31 members shall have the right to exercise their right to withdraw their membership
32 pursuant to Articles 31 and 32.

33 (3) The [Cooperative Development] Authority shall issue the guidelines governing
34 the procedure of merger or consolidation of cooperatives. In any case, the merger or
35 consolidation shall be effective upon the issuance of the certificate of merger or
36 consolidation by the [Cooperative Development] Authority.

37 ART. 22. Effects of Merger and Consolidation. - x x x

1 ART. 23. Types and Categories of Cooperatives. - (1) *Types of Cooperatives.* -
2 Cooperatives may fall under any of the following types:

3 (a) *Credit AND/OR FINANCIAL SERVICE Cooperative* is one which promotes
4 thrift AND SAVINGS among its members [and create] TO GENERATE funds in order to
5 PROVIDE CREDIT OR OTHER RELATED FINANCIAL SERVICES TO THEIR
6 MEMBERS [grant loans] for productive and provident purposes;

7 (b) x x x

8 (c) x x x

9 (d) x x x

10 (e) x x x

11 (f) x x x

12 (2) x x x

13 (a) x x x

14 (i) x x x

15 (ii) x x x

16 (iii) x x x

17 (b) x x x

18 ART. 24. Federation of Cooperatives. - (1) A federation of cooperatives, whose
19 members are primary and/or secondary cooperatives [with single line or multi-purpose
20 business activities] OF ONE TYPE OR SEVERAL TYPES, may be registered under this
21 Code TO UNDERTAKE A SINGLE LINE OF BUSINESS ACTIVITY for any or all of the
22 following purposes:

23 (a) Primary Purpose - To carry on any cooperative enterprise authorized under
24 Article 6[;] THAT COMPLEMENTS, AUGMENTS, OR SUPPLEMENTS BUT DOES
25 NOT CONFLICT WITH NOR SUPPLANT THE BUSINESS OR ECONOMIC
26 ACTIVITIES OF ITS MEMBERS;

27 (b) x x x

28 (i) x x x

29 (ii) x x x

30 (iii) x x x

31 (iv) x x x

32 (v) x x x

33 (vi) x x x

34 (2) Registered cooperatives may organize a federation WITH FIFTEEN (15)
35 MEMBERS at the MUNICIPAL, provincial, city, SPECIAL METROPOLITAN
36 POLITICAL SUBDIVISION, ECONOMIC ZONES CREATED BY LAW OR FIVE (5)
37 MEMBERS ON THE regional, and national levels according to the type of business

1 ACTIVITY carried on [.] BY THE COOPERATIVES AND SHALL BE REGISTERED
2 WITH THE AUTHORITY.

3 ART. 25. Cooperative Unions. – x x x

4 **SEC. 3.** Articles 26, 28, 29 and 31 of Chapter III on Membership of the same
5 Code are hereby amended to read as follows:

6 ART. 26. Who May Be Members of Cooperatives. – Any natural person[,] who is
7 [a citizen of the Philippines,] AT LEAST EIGHTEEN (18) YEARS OF AGE, CAPABLE
8 AND WILLING TO PERFORM THE RESPONSIBILITIES OF A MEMBER, a
9 cooperative, or ANY non-profit PEOPLE-ORIENTED organization OR NON-
10 GOVERNMENTAL ORGANIZATION with juridical personality shall be eligible for
11 membership in a cooperative [if]: *PROVIDED*, THAT the applicant FOR MEMBERSHIP
12 IN THE COOPERATIVE meets the qualifications prescribed in the bylaws: *Provided*,
13 [That] FURTHER, that only natural persons may be admitted as members of a primary
14 cooperative[.]: *PROVIDED*, FINALLY THAT PROSPECTIVE MEMBERS OF A
15 PRIMARY COOPERATIVE MUST HAVE COMPLETED A PRE-MEMBERSHIP
16 EDUCATION SEMINAR (PMES) CONDUCTED BY COOPERATIVES, OR
17 EDUCATIONAL INSTITUTIONS WITH COOPERATIVE DEVELOPMENT PROGRAMS
18 ACCREDITED BY THE AUTHORITY IN CONSULTATION WITH THE NATIONAL
19 COOPERATIVE FEDERATIONS AND UNIONS.

20 THE FOREGOING PROVISIONS NOTWITHSTANDING, A DULY REGISTERED
21 COOPERATIVE, REPRESENTED BY ITS GENERAL MANAGER OR CHIEF
22 EXECUTIVE OFFICER OR CHAIRPERSON, MAY BE ADMITTED AS A MEMBER OF
23 A PRIMARY SUBSIDIARY COOPERATIVE THAT IT HELPED ORGANIZE.

24 ART. 27. Kinds of Membership. – x x x

25 ART. 28. Government Officers and Employees. -(1) Any officer or employee of
26 the [Cooperative Development] Authority shall be disqualified to be elected or
27 appointed to any position in a cooperative[.]: *PROVIDED*, THAT THE
28 DISQUALIFICATION DOES NOT EXTEND TO A COOPERATIVE ORGANIZED BY
29 THE OFFICERS OR EMPLOYEES OF THE AUTHORITY.

30 (2) ALL [E]lective officials of the Government[,] [except barangay officials,]
31 shall be ineligible to become officers and directors of cooperatives; *PROVIDED*, THAT
32 THE DISQUALIFICATION DOES NOT EXTEND TO A PARTY LIST
33 REPRESENTATIVE BEING AN OFFICER OF A COOPERATIVE HE OR SHE
34 REPRESENTS; AND

35 (3) Any government employee OR OFFICIAL may, in the discharge of his duties
36 as member in the cooperative, be allowed by the head of office concerned to use
37 official time for attendance at the general assembly, board and committee
38 meetings of cooperatives as well as cooperative seminars, conferences,

1 workshops, technical meetings, and training courses locally or abroad: *Provided*,
2 That the operations of the office concerned are not adversely affected.

3 ART. 29. Application. - An applicant for membership shall be deemed a member
4 after approval of his membership by the board of directors and shall exercise the rights
5 of members after having made such payments to the cooperative in respect to
6 membership or acquired interest in the cooperative as may be prescribed in the
7 bylaws. In case membership is refused or denied by the board of directors, an appeal
8 may be made to the general assembly and the latter's decision shall be final. THE
9 GENERAL ASSEMBLY MAY CREATE AN APPEAL AND GRIEVANCE COMMITTEE
10 WHOSE MEMBERS SHALL SERVE FOR A PERIOD OF ONE (1) YEAR AND SHALL
11 DECIDE APPEALS ON MEMBERSHIP APPLICATION. THE COMMITTEE IS GIVEN
12 THIRTY (30) DAYS FROM RECEIPT THEREOF TO DECIDE ON THE APPEAL. IF
13 THE COMMITTEE FAILS TO DECIDE WITHIN THE PRESCRIBED PERIOD, THE
14 APPEAL IS DEEMED APPROVED IN FAVOR OF THE APPLICANT.

15 ART. 30. Liability of Members.- x x x

16 ART. 31. Termination of Membership. - (I) A member of a cooperative may, for
17 any VALID reason, withdraw his membership from the cooperative by giving a sixty
18 (60) day notice to the board of directors. SUBJECT TO THE BYLAWS OF THE
19 COOPERATIVE, [T]he withdrawing member shall be entitled to a refund of his share
20 capital contribution and all other interests in the cooperative: *Provided*, That such
21 refund shall not be made if upon such payment the value of the assets of the
22 cooperative would be less than the aggregate amount of its debts and liabilities
23 exclusive of his share capital contribution.

24 (2) The death[,] OR insanity[,] [insolvency or dissolution] of a member [shall be
25 considered an automatic termination of membership.] IN A PRIMARY
26 COOPERATIVE, AND THE INSOLVENCY OR DISSOLUTION OF A MEMBER IN A
27 SECONDARY OR TERTIARY COOPERATIVE SHALL BE CONSIDERED VALID
28 GROUNDS FOR TERMINATION OF MEMBERSHIP. HOWEVER, IN THE CASE OF
29 THE DEATH OR INSANITY OF AN AGRARIAN REFORM BENEFICIARY-MEMBER
30 OF A COOPERATIVE, THE NEXT OF KIN SHALL ASSUME THE DUTIES AND
31 RESPONSIBILITIES OF THE ORIGINAL MEMBER.

32 (3) [A member] MEMBERSHIP IN THE COOPERATIVE may be terminated by a
33 vote of the majority of all the members of the board of directors for any of the following
34 causes:

- 35 (a) When a member has not patronized ANY OF the services of the
36 cooperative for an unreasonable period of time as may be fixed
37 BEFOREHAND by the board of directors;
- 38 (b) x x x

1 (c) x x x

2 (d) x x x

3 A member whose membership the board of directors may wish to terminate shall
4 be informed of such intended action in writing and shall be given an opportunity to be
5 heard before the said board makes its decision. The decision of the board shall be in
6 writing and shall be communicated in person or by registered mail to the member and
7 shall be appealable within thirty (30) days FROM RECEIPT OF [after] the decision [is]
8 AS promulgated, to the general assembly whose decision therein, whether in a general
9 or special session, shall be final. THE GENERAL ASSEMBLY MAY CREATE AN
10 APPEAL AND GRIEVANCE COMMITTEE WHOSE MEMBERS SHALL SERVE FOR A
11 PERIOD OF ONE (1) YEAR AND SHALL DECIDE APPEALS ON MEMBERSHIP
12 TERMINATION. THE COMMITTEE IS GIVEN THIRTY (30) DAYS FROM RECEIPT
13 THEREOF TO DECIDE ON THE APPEAL. IF THE COMMITTEE FAILS TO DECIDE
14 WITHIN THE PRESCRIBED PERIOD, THE APPEAL IS DEEMED APPROVED IN
15 FAVOR OF THE MEMBER. Pending a decision by the general assembly, the
16 membership remains in force.

17 ART. 32. Refund of Interests. – x x x

18 **SEC. 4.** Articles 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 48, 49, 50 and
19 51 of Chapter IV on Administration of the same Code are hereby amended to read as
20 follows:

21 ART. 33. Composition of the General Assembly. – x x x

22 ART. 34. Powers of the General Assembly. – x x x

23 (1) x x x

24 (2) To elect or appoint the members of the board of directors, and to remove
25 them for cause[;]. HOWEVER, IN THE CASE OF THE ELECTRIC COOPERATIVES
26 REGISTERED UNDER THIS CODE, ELECTION OF THE MEMBERS OF THE
27 BOARD SHALL BE HELD IN ACCORDANCE WITH THE ADOPTED BY-LAWS OR
28 ELECTION GUIDELINES OF SUCH ELECTRIC COOPERATIVE; AND

29 (3) To approve developmental plans of the cooperative[; and].

30 [(4) Such other matters requiring a two-thirds (2/3) of all the members of the
31 general assembly, as provided in this Code.]

32 SUBJECT TO OTHER PROVISIONS OF THIS CODE AND ONLY FOR
33 PURPOSES OF PROMPT AND INTELLIGENT DECISION-MAKING, THE GENERAL
34 ASSEMBLY MAY, BY A THREE-FOURTHS (3/4) VOTE OF ALL ITS MEMBERS WITH
35 VOTING RIGHTS, PRESENT AND CONSTITUTING A QUORUM, DELEGATE SOME
36 OF ITS POWERS TO A SMALLER BODY OF THE COOPERATIVE OR TO THE
37 REPRESENTATIVE ASSEMBLY.

1 ART. 35. Meetings. - (1) A regular meeting shall be held annually by the general
2 assembly on the date fixed in the by-laws, or if not so fixed, on any date within ninety
3 (90) days after the close of each fiscal year: *Provided*, That written notice of regular
4 meetings shall be sent to all members [of record] WHO ARE ENTITLED TO VOTE at
5 their official addresses at least two (2) weeks prior to the meeting, unless a different
6 period is required in the by-laws.

7 (2) Whenever necessary, a special meeting of the general assembly may be
8 called at any time by a majority vote of the board of directors or [in the cases specified]
9 AS PROVIDED FOR in the bylaws: *Provided*, That at least one (1) week written
10 notice shall be sent to all members WHO ARE ENTITLED TO VOTE. However, a
11 special meeting shall be called by the board of directors after compliance with the
12 required notice within one (1) month after receipt of a request in writing from at least
13 ten *per centum* (10%) of the total members WHO ARE ENTITLED TO VOTE to
14 transact specific business covered by the call.

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

20 (3) In the case of a newly approved cooperative, a special general assembly
21 shall be called, AS FAR AS PRACTICABLE, within ninety (90) days from such
22 approval.

23 (4) The Authority may call a special meeting of the cooperative[:] [(a)] [F]for the
24 purpose of reporting to the members the result of any [audit,] examination, or other
25 investigation of the cooperative affairs ordered or made by [him; or] THE AUTHORITY.

26 [(b) When the cooperative fails to hold an annual general assembly during the
27 period required for the purpose of enabling the members to secure any information
28 regarding the affairs of the cooperative and benefits that they are entitled to receive
29 pursuant to this Code.]

30 (5) x x x

31 ART. 36. Quorum - [Unless otherwise provided in the by-laws,] [a] A quorum
32 shall consist of AT LEAST twenty-five *per centum* (25%) of all the members entitled
33 to vote. IN THE CASE OF ELECTRIC COOPERATIVES REGISTERED UNDER THIS
34 CODE, A QUORUM, UNLESS OTHERWISE PROVIDED IN THE BY-LAWS, SHALL
35 CONSIST OF FIVE PER CENTUM (5%) OF ALL THE MEMBERS ENTITLED TO
36 VOTE

37 ART. 37. Voting System. - (1) Each member of a primary cooperative shall have
38 only one (1) vote. A MEMBER OF A secondary or tertiary cooperative [shall] WHO

1 have voting rights as delegate of members-cooperatives, [but such cooperatives shall
2 have only five (5) votes] SHALL HAVE ONE (1) BASIC VOTE AND AS MANY
3 INCENTIVE VOTES AS PROVIDED IN THE BYLAWS BUT NOT TO EXCEED A
4 MAXIMUM OF FIVE (5) VOTES. The votes cast by the delegates shall be deemed as
5 votes cast by the members thereof.

6 (2) IN A PRIMARY COOPERATIVE, [N]no voting agreement, [or other device]
7 IN WHATEVER FORM SHALL BE ALLOWED to evade the one-member-one-vote
8 provision except as provided under subsection (1) hereof [shall be valid]. [3] No
9 member of a primary cooperative shall be permitted to vote by proxy [unless provided
10 for specifically in the bylaws of the cooperative].

11 However, the bylaws of a cooperative other than a primary may provide for voting
12 by proxy. Voting by proxy means allowing a delegate of a cooperative to represent or
13 vote in behalf of another delegate of the same cooperative.

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

21 ART. 39. Powers of the Board of Directors. - The board of directors OF
22 COOPERATIVES SHALL BE RESPONSIBLE FOR THE STRATEGIC PLANNING,
23 DIRECTION-SETTING AND POLICY-FORMULATION ACTIVITIES. [shall direct and
24 supervise the business, manage the property of the cooperative and may, by
25 resolution, exercise all such powers of the cooperative as are not reserved for the
26 general assembly under this Code and the bylaws.]

27 ART. 40. Directors. - (1) x x x

28 (2) x x x

29 (3) THE MEMBERS OF THE BOARD OF DIRECTORS SHALL NOT HOLD ANY
30 OTHER POSITION DIRECTLY INVOLVED IN THE DAY TO DAY OPERATION AND
31 MANAGEMENT OF THE COOPERATIVE.

32 ART. 41. Meeting of the Board, Quorum. - (1) IN THE CASE OF PRIMARY
33 COOPERATIVES, [R]regular meetings of the board of directors [of every cooperative]
34 shall be held monthly [unless the by-laws provide otherwise].

35 (2) Special meetings of the board of directors may be held at any time upon the
36 call of the [President] CHAIRPERSON OR A MAJORITY OF THE MEMBERS OF THE
37 BOARD [or as provided in the bylaws], PROVIDED THAT NOTICES OF MEETING
38 SPECIFYING THE AGENDA OF THE SPECIAL MEETING SHALL BE GIVEN TO ALL

1 MEMBERS OF THE BOARD AT LEAST ONE (1) WEEK BEFORE THE SAID
2 MEETING.

3 (3) x x x

4 (4) x x x

5 ART. 42. Vacancy in the Board of Directors.- x x x

6 ART. 43. Officers of the Cooperative. - The Board of Directors shall elect from
7 among themselves [only the chairman and vice-chairman] THE CHAIRPERSON AND
8 VICE-CHAIRPERSON, and elect or appoint other officers of the cooperative from
9 outside of the board in accordance with [their] the by-laws[.] OF THE COOPERATIVE.
10 All officers shall serve during good behavior and shall not be removed except for a
11 cause after due hearing. Loss of confidence shall not be a valid ground for removal
12 unless evidenced by acts or omission causing loss of confidence in the honesty and
13 integrity of such officer. No two (2) or more persons with relationships up to the [third]
14 SECOND civil degree of consanguinity or affinity NOR SHALL ANY PERSON
15 ENGAGED IN A BUSINESS SIMILAR TO THAT OF THE COOPERATIVE OR WHO IN
16 ANY OTHER MANNER HAS INTERESTS IN CONFLICT WITH THE COOPERATIVE
17 shall serve as elective or appointive officer[s] in the same [board] COOPERATIVE.

18 ART. 44. CommitteeS of Cooperatives. - (1) x x x

19 (2) The bylaws shall provide for the creation of an audit committee, AN
20 ELECTION COMMITTEE, A MEDIATION AND CONCILIATION COMMITTEE, AND
21 AN ETHICS COMMITTEE, THE MEMBERS OF WHICH SHALL BE ELECTED BY THE
22 GENERAL ASSEMBLY, and such other committees as may be necessary for the
23 proper conduct of the affairs of the cooperative. THE AUDIT COMMITTEE SHALL BE
24 DIRECTLY ACCOUNTABLE AND RESPONSIBLE TO THE GENERAL ASSEMBLY
25 WITH THE POWER AND DUTY TO CONTINUOUSLY MONITOR THE ADEQUACY
26 AND EFFECTIVENESS OF THE COOPERATIVE'S MANAGEMENT CONTROL
27 SYSTEM AND AUDIT THE PERFORMANCE OF THE COOPERATIVE AND ITS
28 VARIOUS RESPONSIBILITY CENTERS.

29 Unless otherwise provided in the by-laws, the board in case of A vacancy in
30 [said] IN THE committees, may [cause] CALL an election to fill the vacancy or appoint
31 a person to fill the same subject to the provision that the person elected or appointed
32 shall serve only for the unexpired portion of the term.

33 ART. 45. Functions, [and] Responsibilities AND TRAINING REQUIREMENTS of
34 Directors, Officers and Committee Members. - The functions and responsibilities of the
35 directors, officers and committee members shall be IN ACCORDANCE WITH THE
36 RULES AND REGULATIONS ISSUED BY THE AUTHORITY OR as prescribed in
37 detail in the bylaws of a cooperative.

1 WITHIN NINETY (90) DAYS FROM REGISTRATION AND IN NO CASE LATER
2 THAN NINETY (90) DAYS AFTER HAVING BEEN APPOINTED OR ELECTED, ALL
3 DIRECTORS, OFFICERS AND COMMITTEE MEMBERS AND MANAGEMENT STAFF
4 SHALL BE REQUIRED TO UNDERGO TRAININGS TO BE CONDUCTED BY DULY
5 ACCREDITED COOPERATIVES OR TRAINORS, AND EDUCATIONAL
6 INSTITUTIONS WITH COOPERATIVE DEVELOPMENT PROGRAMS.

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

8 When a director, officer or committee members attempts to acquire or acquires,
9 in violation of his duty, any interest or equity adverse to the cooperative in respect to
10 any matter which has been reposed in him in confidence, he shall, as a trustee for the
11 cooperative, be liable for damages and SHALL BE ACCOUNTABLE for double the
12 profits which otherwise would have accrued to the cooperative.

13 ART. 47. Compensation. - x x x

14 ART. 48. Dealings of Directors, Officers or Committee Members. – A contract of
15 the cooperative with one (1) or more of its directors, officers, committee is voidable, at
16 the option of [such] THE cooperative, unless all the following conditions are present:

17 (1) That the presence of such director in the board meeting [in which] WHEREIN
18 the contract was approved was not necessary to constitute a quorum for such meeting,

19 (2) x x x

20 (3) x x x

21 (4) x x x

22 Where any of the first two conditions set forth in the preceeding paragraph is
23 absent in the case of a contract with a director, such contract may be ratified by a [two-
24 thirds (2/3)] THREE-FOURTHS (3/4) vote of all the members with voting rights,
25 PRESENT AND CONSITUTING A QUORUM in a meeting called for the purpose;
26 *Provided*, That full disclosure of the adverse interest of the directors involved is made at
27 such meeting, and that the contract is fair and reasonable under the circumstances.

28 ART. 49. Disloyalty of a Director. - A director who, by virtue of his office, acquires
29 for himself an opportunity which should belong to the cooperative shall be liable for
30 damages and must account for double the profits that otherwise would have accrued to
31 the cooperative by refunding the same, unless his act has been ratified by a [two-thirds
32 (2/3)] THREE-FOURTHS (3/4) vote of all the members with voting rights PRESENT
33 AND CONSTITUTING A QUORUM. This provision shall be applicable, notwithstanding
34 fact that the director used his own funds in the venture.

35 ART. 50. Illegal Use of Confidential Information. - (1) A director or officer, or an
36 associate of a director or officer, who, [in connection with a transaction relating to
37 shares of a cooperative or a debt obligation of a cooperative and] for his benefit or
38 advantage or that of an associate, makes use of a confidential information that, if

1 generally known might reasonably be expected to ADVERSELY affect THE
2 OPERATION AND VIABILITY OF THE COOPERATIVE [materially the value of the
3 share or the debt obligation], shall be held:

4 (a) Liable to compensate THE COOPERATIVE [any person] for [a]
5 direct

6 lossES suffered by that [person as a result of the transaction unless
7 the information was known or reasonably should have been known
8 to the person at the time of the transaction] COOPERATIVE AS A
9 RESULT OF THE ILLEGAL USE OF INFORMATION; and

10 (b) x x x

11 (2) x x x

12 Art. 51. Removal. - ACTIONS FOR THE REMOVAL OF ANY OFFICER
13 ELECTED BY THE GENERAL ASSEMBLY MAY BE INITIATED BY THE MAJORITY
14 OF THE BOARD OF DIRECTORS, AUDIT COMMITTEE, ELECTION COMMITTEE,
15 ETHICS COMMITTEE OR TEN PERCENT (10%) OF ALL THE MEMBERS WITH
16 VOTING RIGHTS. ANY MEMBER OF A COOPERATIVE IN GOOD STANDING MAY,
17 FOR JUST AND VALID GROUNDS, FILE A WRITTEN COMPLAINT FOR REMOVAL
18 WITH ANY ONE OF THE AFOREMENTIONED BODIES. SUBJECT TO THE
19 PROVISIONS OF ARTICLE 43, ALL OTHER OFFICERS ELECTED OR APPOINTED
20 OTHER THAN BY THE GENERAL ASSEMBLY MAY BE REMOVED BY THE BODY
21 THAT ELECTED OR APPOINTED THEM OR BY SUCH BODY AS MAY BE
22 PROVIDED IN THE BYLAWS. An [elective] officer [, director, or committee member]
23 ELECTED BY THE GENERAL ASSEMBLY may be removed by a MAJORITY vote [of
24 two-thirds (2/3) of the voting] OF THE members present and constituting a quorum, in a
25 regular or special general assembly meeting called for the purpose. The person
26 involved shall be given an opportunity to be heard at said assembly.

27 IN THE ABSENCE OF A GENERAL ASSEMBLY MEETING, AN OFFICER
28 ELECTED BY THE GENERAL ASSEMBLY MAY BE REMOVED THROUGH A
29 RESOLUTION OF THE MAJORITY MEMBERS OF THE AUDIT COMMITTEE
30 RATIFIED BY WRITTEN ASSENT OF A MAJORITY OF ALL THE MEMBERS WITH
31 VOTING RIGHTS. NO SUCH AUDIT COMMITTEE RESOLUTION SHALL BE
32 PASSED UNTIL THE PERSON INVOLVED HAS BEEN GIVEN AN OPPORTUNITY
33 TO BE HEARD BEFORE THE SAID COMMITTEE.

34 **SEC. 5.** Articles 53, 54, 57, 58, 59, 62 and 63 of Chapter V on Responsibilities,
35 Rights and Privileges of Cooperatives of the same code are hereby amended to read
36 as follows:

37 **ART. 52. Address. – x x x**

1 ART. 53. Books to be Kept Open. - (1) Every cooperative shall have the
2 following [open] DOCUMENTS READY AND ACCESSIBLE to its members and
3 representatives of the Authority for inspection during reasonable office hours at its
4 official address:

5 (a) x x x

6 (b) x x x

7 (c) x x x

8 (d) x x x

9 (e) x x x

10 (f) x x x

11 (g) x x x

12 (h) x x x

13 (2) The [chairman of the audit committee of a cooperative] ACCOUNTANT OR
14 THE BOOKKEEPER OF THE COOPERATIVE shall be responsible for THE
15 MAINTENANCE AND SAFEKEEPING OF THE books and records of account of the
16 cooperative in accordance with generally accepted accounting practices. He shall also
17 be responsible for the production of the same at the time of audit or inspection.

18 THE AUDIT COMMITTEE SHALL BE RESPONSIBLE FOR THE CONTINUOUS
19 AND PERIODIC REVIEW OF THE BOOKS AND RECORDS OF ACCOUNT TO
20 ENSURE THAT THESE ARE IN ACCORDANCE WITH THE COOPERATIVE
21 PRINCIPLES AND GENERALLY ACCEPTED ACCOUNTING PRACTICES.

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

28 (4) Subject to the pertinent provisions of the National Internal Revenue Code and
29 other laws, a cooperative may dispose by way of burning or other method of complete
30 destruction any document, record or book pertaining to its financial and non-financial
31 operations which are already more than five (5) years old except those relating to
32 transactions which are the subject of civil, criminal and administrative proceedings. An
33 inventory of the audited documents, records, and books to be disposed of shall be
34 drawn up and certified to by the [cooperative] secretary OF THE COOPERATIVE and
35 the chairman of the audit committee [of the cooperative] and presented to the board of
36 directors which may thereupon approve the disposition of the said records.

37 ART. 54. [Annual] Reports. - (1) Every cooperative shall draw up [an annual]
38 REGULAR reports of its [affairs] ACTIVITIES AND PROGRAMS INCLUDING THOSE

1 IN PURSUANCE OF SOCIAL GOALS SHOWING THEIR PROGRESS AND
2 ACHIEVEMENTS as of the end of every fiscal year. THE REPORT SHALL BE MADE
3 ACCESSIBLE TO ITS MEMBERS, and COPIES OF SUCH REPORTS SHALL BE
4 FURNISHED [publish the same furnishing copies] to all its members of record. A copy
5 thereof shall be filed with the [Cooperative Development] Authority within [sixty (60)]
6 ONE HUNDRED TWENTY (120) DAYS from the end of [every fiscal] OF THE
7 CALENDAR year. The form and contents of the [annual] reportS shall be prescribed by
8 the rules of the Authority UPON CONSULTATION WITH THE SECTOR. Failure to file
9 the required [annual] reportS shall SUBJECT THE ACCOUNTABLE OFFICER(S) TO
10 FINES AND PENALTIES AS MAYBE PRESCRIBED BY THE AUTHORITY, AND
11 SHALL be a ground for THE revocation of authority of the cooperative to operate as
12 such. The fiscal year of every cooperative shall be the calendar year, except [as may
13 be otherwise provided in the bylaws] FOR THOSE THAT MAYBE ALLOWED BY THE
14 AUTHORITY.

15 (2) If any cooperative fails to make, publish and file the report required herein, or
16 fails to include therein any matter required by this Code, the [Cooperative Development]
17 Authority shall, within fifteen (15) days from the expiration of the prescribed period,
18 send such cooperative a [registered] WRITTEN notice, [directed to its official postal
19 address] stating [the] ITS NON-COMPLIANCE AND THE COMMENSURATE FINES
20 AND PENALTIES THAT WILL BE IMPOSED UNTIL SUCH TIME THAT THE
21 COOPERATIVE HAS COMPLIED WITH THE REQUIREMENTS. [delinquency and its
22 consequences. If the cooperative fails to make, publish or file a copy of the report within
23 thirty (30) days from receipt of such notice, any member of the cooperative or the
24 Government may petition the court for mandamus to compel the cooperative and its
25 officers to make, publish and file such report, as the case may be, and require the
26 cooperative or the officers at fault to pay all the expenses of the proceeding, including
27 counsel fees when the filing is made by a member.]

28 ART. 55. Register of Members as Prima Facie Evidence.- x x x

29 ART. 56. Probative Value of Certified Copies of Entries. – x x x

30 ART. 57. Bonding of Accountable Officers. - Every director, officer and employee
31 handling funds, securities or property on behalf of the cooperative shall BE COVERED
32 BY A SURETY BOND TO BE ISSUED BY A DULY REGISTERED INSURANCE OR
33 BONDING COMPANY [execute and deliver adequate bonds] for the faithful
34 performance of [his] THEIR RESPECTIVE duties and obligations. The board of
35 directors shall determine the adequacy of such bonds.

36 UPON FILING OF THE APPLICATION FOR REGISTRATION OF A
37 COOPERATIVE, THE BONDS OF THE ACCOUNTABLE OFFICERS SHALL BE
38 REQUIRED BY THE AUTHORITY. SUCH BONDS SHALL BE RENEWED ANNUALLY

1 AND THE AUTHORITY SHALL ACCORDINGLY BE INFORMED OF SUCH
2 RENEWAL.

3 ART. 58. Preference of Claims. --

4 (1) Notwithstanding the provisions of existing laws, rules and regulations to
5 the contrary, but subject to the prior claim of the [Cooperative Development] Authority,
6 any debt due a cooperative from a member shall CONSTITUTE [be] A first lien upon
7 any raw materials, production inputs, and products produced; or any land, building,
8 facilities, equipment, goods or services acquired and held, by such member through
9 the proceeds of the loan or credit granted by the cooperative to him for as the same is
10 not fully paid.

11 (2) x x x

12 (3) x x x

13 ART. 59. Instrument for Salary or Wage Deduction. - (1) x x x

14 (2) Upon the execution of such instrument and as may be required by the
15 cooperative contained in a written request, the employer shall make the deduction in
16 accordance with the agreement and remit forthwith the amount so deducted WITHIN
17 TEN (10) DAYS AFTER THE END OF THE PAYROLL MONTH to the cooperative. The
18 employer shall make the deduction for as long as such debt or other demand or any
19 part of it remains unpaid by the employee.

20 (3) x x x

21 (4) The provisionS of this Article shall also apply to all such agreements of the
22 nature referred to in paragraph (1) as were in force on the date of the approval of this
23 Code.

24 (5) NOTWITHSTANDING THE PROVISIONS OF EXISTING LAWS TO THE
25 CONTRARY, THE RESPONSIBILITIES OF THE EMPLOYER AS STATED IN
26 PARAGRAPHS (1) AND (2) OF THIS ARTICLE SHALL BE MANDATORY:
27 *PROVIDED*, THAT IN THE CASE OF A PRIVATE EMPLOYER, THE COOPERATIVE
28 MAY AGREE TO REIMBURSE THE EMPLOYER OF THE ACTUAL AND
29 REASONABLE COSTS OF DEDUCTING AND REMITTING.

30 ART. 60. Primary Lien - x x x

31 ART. 61. Tax Treatment of Cooperatives. -- x x x

32 ART. 62. Tax and Other Exemptions. -- x x x

33 (1) x x x

34 (2) x x x

35 (a) x x x

36 (b) x x x

37 (c) x x x

38 (d) x x x

39 (3) x x x

1 (4) Any judge in his capacity as notary public, ex-officio, shall render service, free of
2 charge, to any person or group of persons requiring either the administration of oath or the
3 acknowledgment of articles of cooperation of a cooperative applicant for registration and
4 instruments of loan from cooperative not exceeding [fifty thousand pesos (P 50,000.00)] TWO
5 HUNDRED FIFTY THOUSAND PESOS (P 250,000.00).

6 (5) Any register of deeds shall accept for registration, free of charge, any instrument
7 relative to a loan made under this Code which does not exceed [fifty thousand pesos (P
8 50,000.00)] TWO HUNDRED FIFTY THOUSAND PESOS (P 250,000.00) or the deeds of title
9 or any property acquired by the cooperative or any paper or document drawn in connection
10 with any action brought by the cooperative or with any court judgment rendered in its favor or
11 any instrument relative to a bond of any accountable officer of a cooperative for the faithful
12 performance of its duties and obligations.

13 (6) x x x

14 (7) x x x

15 (8) x x x

16 ART. 63. Privileges of Cooperatives. – x x x

17 (1) x x x

18 (2) x x x

19 (3) x x x

20 (4) In areas where appropriate cooperatives exist the [preferential right] *RIGHT*
21 *OF FIRST REFUSAL* to supply government institutions and agencies rice, corn and
22 other grains, fish and other marine products, meat, eggs, milk, vegetables, tobacco and
23 other agricultural commodities produced by their members shall be granted to the
24 cooperatives concerned;

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

28 (6) x x x

29 (7) Cooperatives and their federations, such as FARM AND FISHERY
30 PRODUCERS AND SUPPLIERS, market vendor AND OTHER cooperatives[,] WHICH
31 HAVE FOR THEIR PRIMARY PURPOSE PRODUCTION AND/OR THE MARKETING
32 OF PRODUCTS FROM AGRICULTURE, FISHERIES AND SMALL
33 ENTREPRENEURIAL INDUSTRIES AND FEDERATIONS THEREOF, shall have
34 [preferential rights] *THE RIGHT OF FIRST REFUSAL* in THE management of public
35 markets and/or lease of public market facilities, stalls or spaces[:]; *PROVIDED*, THAT
36 THE COOPERATIVES THEMSELVES UTILIZE THESE RIGHTS AND NOT
37 THROUGH A MIDDLE-MAN NOR A PERSON NOT CONNECTED WITH NOR A
38 MEMBER OF THE COOPERATIVE.

1 (8) [Credit] [c]Cooperatives ENGAGED IN CREDIT SERVICES and/or
2 federations shall be entitled to loans, credit lines, rediscounting of their loan notes, and
3 other eligible papers with the Development Bank of the Philippines, [the Philippine
4 National Bank,] the Land Bank of the Philippines and other financial institutions except
5 the [Central Bank of the Philippines] BANGKO SENTRAL NG PILIPINAS.

6 (9) PUBLIC TRANSPORT SERVICE COOPERATIVES SHALL BE ENTITLED
7 TO FINANCING SUPPORT FOR THE ACQUISITION AND/OR MAINTENANCE OF
8 LAND, SEA AND AIR TRANSPORT EQUIPMENT, FACILITIES AND PARTS,
9 THROUGH THE PROGRAM OF DEVELOPMENT BANK OF THE PHILIPPINES,
10 LAND BANK OF THE PHILIPPINES AND OTHER GOVERNMENT FINANCING
11 INSTITUTIONS; AND SHALL HAVE THE *RIGHT OF FIRST REFUSAL* ON THE
12 FOLLOWING:

13 (A) MANAGEMENT AND OPERATION OF PUBLIC TERMINALS AND
14 PORTS WHETHER LAND, SEA OR AIR TRANSPORT WHERE
15 THE COOPERATIVE OPERATES; AND

16 (B) SECURING FRANCHISE FOR ACTIVE OR POTENTIAL ROUTE
17 FOR PUBLIC TRANSPORT;

18 [(9)] (10) x x x

19 [10](11) x x x

20 (12) COOPERATIVES ORGANIZED BY FACULTY MEMBERS AND
21 EMPLOYEES OF EDUCATIONAL INSTITUTIONS SHALL HAVE THE RIGHT OF
22 FIRST REFUSAL IN THE MANAGEMENT OF THE CANTEEN AND OTHER
23 SERVICES RELATED TO THE OPERATION OF THE EDUCATIONAL INSTITUTION
24 WHERE THEY ARE EMPLOYED: PROVIDED, THAT SUCH SERVICES ARE
25 OPERATED WITHIN THE PREMISES OF THE SAID EDUCATIONAL INSTITUTIONS.
26 THE FACULTY MEMBERS AND EMPLOYEES, IN THE DISCHARGE OF THEIR
27 DUTIES AS OFFICERS OR MEMBERS OF THE COOPERATIVE, SHALL BE
28 ALLOWED BY THE OWNERS AND/OR ADMINISTRATORS OF THE EDUCATIONAL
29 INSTITUTION CONCERNED TO USE OFFICIAL TIME FOR ATTENDANCE AT THE
30 GENERAL ASSEMBLY MEETINGS, BOARD AND COMMITTEE MEETINGS OF
31 COOPERATIVES AS WELL AS COOPERATIVE SEMINARS, CONFERENCE,
32 WORKSHOPS, TECHNICAL MEETINGS, AND TRAINING COURSES LOCALLY OR
33 ABROAD: PROVIDED, THAT A WRITTEN REQUEST IS MADE AT LEAST TEN (10)
34 DAYS PRIOR TO THE ACTIVITY.

35 **SEC. 6.** Article 64 of Chapter VI on Insolvency of Cooperatives of the same Code
36 is hereby amended to read as follows:

37 **ART. 64. Proceedings Upon Insolvency.** - In case a cooperative is unable to
38 fulfill its obligations to creditors due to insolvency, such cooperative may apply such

1 remedies as it may deem fit under the provisions of [the Insolvency Law][() Act No.
2 1956 ()], as amended ()] OTHERWISE KNOWN AS THE INSOLVENCY LAW. x x x

3 **SEC. 7.** Articles 65, 66, 69, and 70 of Chapter VII on Dissolution of Cooperatives
4 of the same Code are hereby amended to read as follows:

5 **ART. 65. Voluntary Dissolution Where No Creditors Are Affected.** - If the
6 dissolution of a cooperative does not prejudice the rights of any creditor having a claim
7 against it, the dissolution may be effected by a majority vote of the board of directors,
8 and by a resolution duly adopted by the affirmative vote of at least [two-thirds (2/3)]
9 THREE-FOURTHS (3/4) of all the members with voting rights, PRESENT AND
10 CONSTITUTING A QUORUM at a meeting to be held upon call of the directors:
11 *Provided,* That notice of time, place and object of the meeting shall be published for
12 three (3) consecutive weeks in a newspaper published in the place where the principal
13 office of said cooperative is located, or if no newspaper is published in such place, in a
14 newspaper of general circulation in the Philippines: *Provided further,* That notice of
15 such meeting is sent to each stockholder or member either by registered mail or by
16 personal delivery at least thirty (30) days prior to said meeting. A copy of the resolution
17 authorizing the dissolution shall be certified by a majority of the board of directors and
18 countersigned by the secretary of the cooperative. The [Cooperative Development]
19 Authority shall thereupon issue the certificate of dissolution.

20 **ART. 66. Voluntary Dissolution Where Creditors Affected.** - Where the
21 dissolution of a cooperative may prejudice the rights of any creditor, the petition for
22 dissolution shall be filed with the [Cooperative Development] Authority. The petition
23 shall be signed by a majority of its board of directors or other officers managing its
24 affairs, shall be verified by its [president] CHAIRPERSON or secretary or one of its
25 directors and shall set forth all claims and demands against it and that its dissolution
26 was resolved upon by the affirmative vote of at least [two-thirds (2/3)] THREE-
27 FOURTHS (3/4) of all the members with voting rights, PRESENT AND
28 CONSTITUTING QUORUM at a meeting called for that purpose.

29 x x x

30 **ART. 67. Involuntary Dissolution.**- x x x

31 **ART. 68. Dissolution by Order of the Authority.** - x x x

32 **ART. 69. Dissolution by Failure to Organize and Operate.** - If a cooperative has
33 not commenced business and operation within two (2) years after the date shown on
34 its certificate of registration or has not carried on A business for two (2) consecutive
35 years, the Authority shall send A formal inquiry to the said cooperative as to the status
36 of its operation. Failure of the cooperative to promptly provide justifiable cause for its
37 failure to operate shall warrant the Authority to strike off its name from the register and,
38 for all intents and purposes, the cooperative shall be deemed dissolved.

1 **ART. 70. Cooperative Liquidation.** - Every cooperative whose charter expires
2 by its own limitation or whose cooperative existence is terminated by voluntary
3 dissolution or is terminated by appropriate judicial proceedings shall nevertheless be
4 continued as a body cooperative for three (3) years after the time [when it would have
5 been so] IT IS dissolved, for the purpose of prosecuting and defending suits by or
6 against it; and enabling it to settle and close its affairs, to dispose of and convey its
7 property and to distribute its assets, but not for the purpose of continuing the business
8 for which it was established.

9 At any time during THE said three (3) years, [said] THE cooperative is authorized
10 and empowered to convey all of its property to trustees for the benefit of members,
11 creditors and other persons in interest. From and after any such conveyance by the
12 cooperative of its property in trust for the benefit of its members, creditors and others in
13 interest, all interest which the cooperative had in the property terminates the legal
14 interest vested in the trustees and the beneficial interest vested in the members,
15 creditors, or other persons in interest. x x x

16 ART. 71. Rules and Regulations on Liquidation.- x x x

17 **SEC. 8.** Articles 73, 74, 76, 77, 78 and 80 of Chapter VIII on Capital, Property
18 and Funds of the same Code are hereby amended to read as follows:

19 **ART. 72.** Capital. – x x x

20 ART. 73. Capital Sources. – x x x

21 (1) x x x

22 (2) x x x

23 (3) x x x

24 (4) Subsidies, donations, legacies, grants, aids and such other assistance from
25 any local or foreign institution whether public or private[.]: *PROVIDED*, THAT
26 CAPITAL COMING FROM SUCH SUBSIDIES, DONATIONS, LEGACIES, GRANTS,
27 AIDS AND OTHER ASSISTANCE SHALL NOT BE DIVIDED INTO INDIVIDUAL
28 SHARE CAPITAL HOLDINGS AT ANYTIME BUT SHALL INSTEAD FORM PART OF
29 THE DONATED CAPITAL OR FUND OF THE COOPERATIVE.

30 **ART. 74. Limitation on Share Capital Holdings.** - No member of a cooperative
31 other than a cooperative shall own or hold more than [twenty percent (20%)] *TEN PER*
32 *CENTUM* (10%) of the share capital of the cooperative. Where a member of a
33 cooperative dies, his heir shall be entitled to the shares of the decedent: *Provided*, That
34 the total share holding of the heir does not exceed [twenty percent (20%)] *TEN PER*
35 *CENTUM* (10%) of the share capital of the cooperative: *Provided, further*, That the heir
36 qualify and is admitted as member of the cooperative: *Provided, finally*, That where the
37 heir fails to qualify as such member or where his total share holding exceeds [twenty
38 percent (20%)] *TEN PER CENTUM* (10%) of the share capital, the share or shares in

1 excess will revert to the cooperative upon payment to the heir of the value of such
2 shares.

3 **ART. 75. Assignment of Share Capital Contribution or Interest.- x x x**

4 **ART. 76. [Interest on Share Capital.] CAPITAL BUILD-UP.** - [Interest on share
5 capital shall not exceed the normal rate of return on investments as determined by the
6 Cooperative Development Authority and such interest shall be non-cumulative.] THE
7 BYLAWS OF EVERY COOPERATIVE SHALL PROVIDE FOR A REASONABLE AND
8 REALISTIC MEMBER CAPITAL BUILD-UP PROGRAM TO ALLOW THE
9 CONTINUING GROWTH OF THE MEMBERS' INVESTMENT IN THEIR
10 COOPERATIVE AS THEIR OWN ECONOMIC CONDITIONS CONTINUE TO
11 IMPROVE.

12 **ART. 77. Shares.** -- The term "share" refers to a unit of capital the par value of
13 which may be fixed at any figure but not less than one peso (P1.00) NOR MORE
14 THAN FIVE THOUSAND PESOS (P5,000.00). The share capital of a cooperative is
15 the money paid or required to be paid for to conduct its operations. The method of
16 issuing the share certificates may be prescribed in the bylaws of cooperative.

17 **ART. 78. Fines.** -- The bylaws of a cooperative may prescribe a fine on unpaid
18 subscribed share capital [subject to the guidelines which the Cooperative Development
19 Authority may issue.]; *PROVIDED*, THAT SUCH FINE IS FAIR AND REASONABLE
20 UNDER THE CIRCUMSTANCES.

21 **ART. 79. Investment of Capital.** - x x x

22 **ART. 80. Revolving Capital.** - The general assembly of any cooperative may
23 authorize the board of directors to raise a revolving capital to strengthen its capital
24 structure by deferring the payment of patronage refunds and interest on share capital
25 or by the authorized deduction of a percentage from the proceeds of products sold OR
26 SERVICES RENDERED, or per unit of product OR SERVICES handled. The board of
27 directors shall issue revolving capital certificates with serial number, name, amount,
28 and rate of interest to be paid and shall distinctly set forth that the time of retirement
29 [by] OF such certificates and the amounts to be returned are at the discretion of the
30 board of directors.

31 **SEC. 9.** Article 81 and 82 of Chapter IX on Audit, Inquiry and Members' Right to
32 Examine of the same Code are hereby amended to read as follows:

33 **ART. 81. Annual Audit.** - Cooperatives under this Code shall be subject to an
34 annual FINANCIAL, PERFORMANCE AND SOCIAL audit [by an auditor]. THE
35 FINANCIAL AUDIT SHALL BE CONDUCTED BY AN EXTERNAL AUDITOR who
36 satisfies all the following qualifications:

37 (1) He is independent of the cooperative being audited and of any subsidiary of
38 the cooperative; and

1 (2) He is a member [of any recognized professional accounting or cooperative
2 auditors' association with similar qualifications] IN GOOD STANDING OF THE
3 PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (PICPA) AND IS
4 ACCREDITED BY THE BOARD OF ACCOUNTING AND THE AUTHORITY.

5 ART. 82. Audit Report. - The auditor shall submit to the BOARD OF DIRECTORS
6 AND TO THE audit committee THE [a report of the] FINANCIAL audit [which shall
7 contain a statement of the assets and liabilities of the cooperative, including earnings
8 and expenses, amount of net surplus as well as losses and bad debts, if any.]
9 REPORT WHICH SHALL BE IN ACCORDANCE WITH THE GENERALLY
10 ACCEPTED AUDITING STANDARDS FOR COOPERATIVES AS JOINTLY
11 PROMULGATED BY THE PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC
12 ACCOUNTANTS (PICPA) AND THE AUTHORITY.

13 PERFORMANCE AND SOCIAL AUDIT REPORTS WHICH CONTAIN THE
14 FINDINGS AND RECOMMENDATIONS OF THE AUDITOR SHALL LIKEWISE BE
15 SUBMITTED TO THE BOARD OF DIRECTORS.

16 [The audit committee shall forthwith furnish the board of directors a copy of the audit
17 report.] Thereafter, the board of directors shall present the complete audit report [of]
18 TO the general assembly in its next meeting.

19 SOCIAL AND PERFORMANCE AUDITS SHALL BE CONDUCTED
20 INTERNALLY BY THE AUDIT COMMITTEE OR PAID STAFF OR VOLUNTEER
21 MEMBERS OF THE COOPERATIVE OR EXTERNALLY, BY QUALIFIED EXTERNAL
22 AUDITORS.

23 ART. 83. Non-liability for Defamation. - x x x

24 ART. 84. Right to Examine.- x x x

25 ART. 85. Safety of Records . x x x

26 **SEC. 10.** Articles 86 and 87 of Chapter X on Allocation and Distribution of
27 Surplus of the same Code are hereby amended to read as follows:

28 ART. 86. Net Surplus. - Notwithstanding the provisions of existing laws, the
29 surplus of cooperatives shall be determined in accordance with its by-laws. Every
30 cooperative shall determine its net surplus at the close of every fiscal year and at such
31 other time as may be prescribed by the by-laws.

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

1 ART. 87. Order of Distribution. - The net surplus of every cooperative shall be
2 distributed as follows:

3 (1) x x x

4 (a) The reserve fund shall be used for the stability of the cooperative
5 and to meet net losses in its operations. The general assembly may
6 decrease the amount allocated to the reserve fund when THE
7 reserve fund already exceeds the share capital. x x x

8 (b) x x x

9 (c) x x x

10 (i) x x x

11 (ii) x x x

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

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

1 PARTICIPANTS AND COST OF EACH ACTIVITY. An apex
2 organization may be a federation or union.

3 (b) x x x

4 (3) AN AMOUNT FOR THE COMMUNITY DEVELOPMENT FUND, WHICH
5 SHALL NOT BE LESS THAN THREE *PER CENTUM* (3%) OF THE NET SURPLUS.
6 THE COMMUNITY DEVELOPMENT FUND SHALL BE USED FOR PROJECTS OR
7 ACTIVITIES THAT BENEFIT THE COMMUNITY OR COMMUNITIES WHERE THE
8 COOPERATIVE OPERATES.

9 [(3)](4) An optional fund, a land and building, [community development,] and any
10 other necessary fund the total of which [may] SHALL not exceed [ten *per centum*
11 (10%)] SEVEN PER CENTUM (7%).

12 [(4)](5) The remaining net surplus shall be made available to the members in the
13 form of interest not to exceed the normal rate of return on investments and patronage
14 refunds[.]: *PROVIDED*, THAT ANY AMOUNT REMAINING AFTER THE ALLOWABLE
15 INTEREST AND THE PATRONAGE REFUND HAVE BEEN DEDUCTED SHALL BE
16 CREDITED TO THE RESERVE FUND AND/OR THE COMMUNITY DEVELOPMENT
17 FUND. x x x

18 **SEC. 11.** Articles 89 and 94 of Chapter XI on the Special Provisions Relating to
19 Agrarian Reform Beneficiaries of the same Code are hereby amended to read as
20 follows:

21 ART. 88. Coverage. – x x x

22 ART. 89. Definition and Purpose - An agrarian reform cooperative within the
23 meaning of this Code is one where the majority of the members are agrarian reform
24 beneficiaries [and marginal farmers and organized for any or all of the following
25 purposes :] AND FARMERS WHOSE LEVEL OF INCOME ARE MARGINAL AT THE
26 TIME THEY JOINED THE COOPERATIVE.

27 AN AGRARIAN REFORM COOPERATIVE AS DEFINED SHALL BE
28 ORGANIZED FOR ANY OR ALL OF THE FOLLOWING PURPOSES: x x x

29 ART. 90. Cooperative Estates.- x x x

30 ART. 91. Infrastructure .- x x x

31 ART. 92. Lease of Public Lands.- x x x

32 ART. 93. Preferential Right. – x x x

33 ART. 94. Privileges. – x x x

34 (1) x x x

35 (2) x x x

36 (3) x x x

37 (4) x x x

38 (5) x x x

1 (6) x x x

2 The Government shall provide the necessary financial and technical assistance
3 to agrarian reform cooperatives to enable them to discharge effectively their purposes
4 under this Article. [The Department of Agrarian Reform, the Cooperative Development
5 Authority and the Central Bank of the Philippines shall draw up a joint program for the
6 organization and financing of the agrarian reform cooperatives subject to this Chapter.
7 The joint program shall be geared towards the beneficiaries gradual assumption of full
8 ownership and management control of the agrarian reform cooperatives within ten (10)
9 years from the date of registration of said cooperatives.]

10 ART. 95. Organization and Registration.- x x x

11 SEC. 12 . Articles 96, 97 and 98 of Chapter XII on Special Provisions on Public
12 Service Cooperatives of the same Code is hereby placed under a new Subsection A
13 entitled, General Provisions. Under the same Chapter XII, a new Subsection B and C
14 were inserted to contain the Articles on the Special Provisions on Transport Service
15 Cooperatives and the Special Provisions on Electric Cooperatives, respectively. Thus,
16 Chapter XII as reformatted shall now read as follows:

17 CHAPTER XII

18 SPECIAL PROVISIONS ON PUBLIC SERVICE COOPERATIVES

19 A. GENERAL PROVISIONS

20 ART. 96. Definition and Coverage. – A public service cooperative, within the
21 meaning of this Code, is one organized to render public service as authorized under a
22 franchise or certificate of public convenience and necessity duly issued by the
23 appropriate government agency. Such services may include the following:

24 (1) Power generation, transmission, and/or distribution;

25 (2) Ice plants and cold storage services. Electric cooperatives created under
26 Presidential Decree No. 269 shall be governed by this Chapter if they qualify as
27 cooperative under the provisions of this Code;

28 (3) Communications services including telephone, telegraph, and
29 telecommunications;

30 (4) Land, sea, and air transportation cooperatives for passenger and/or cargo.
31 Transport cooperatives organized under the provisions of Executive Order No. 898,
32 Series of 1983, shall be governed by this Chapter;

33 (5) Public markets, slaughterhouses and other similar services; and

34 (6) Such other types of public service as may be engaged in by any
35 cooperative. Such cooperative shall be primarily governed by this Chapter and the
36 general provisions of this Code insofar as they may be applicable unless they are
37 inconsistent herewith.

1 ART. 97. Registration Requirements. – No public service cooperative shall be
2 registered unless it satisfies the following requirements:

3 (1) It has the favorable endorsement of the proper government agency
4 authorized to issue the franchise or certificates of public convenience and necessity;

5 (2) Its articles of cooperation and by-laws provide for the membership of the
6 users and/or producers of the service of such cooperatives; and

7 (3) It satisfies such other requirements as may be imposed by the other pertinent
8 government agencies concerned. In case there are two (2) or more applicants for the
9 same public service franchise or certificate of public convenience and necessity, all
10 things being equal, preference shall be given to a public service cooperative.

11 ART. 98. Regulation of Public Service Cooperatives.

12 (1) The internal affairs of public service cooperatives such as the rights and
13 privileges of members, the rules and procedures for meetings of the general assembly,
14 board of directors and committees; for the election and qualifications of officers,
15 directors, and committee members, allocation and distribution of surpluses, and all
16 other matters relating to their internal affairs, shall be governed by this Code.

17 (2) All matters relating to the franchise or certificate of public convenience and
18 necessity of public service cooperatives such as capitalization and investment
19 requirements, equipment and facilities, frequencies, rate-fixing and such other matters
20 affecting their public service operations shall be governed by the proper government
21 agency concerned.

22 (3) [The Cooperative Development] Authority and the proper government agency
23 concerned shall jointly issue the necessary rules and regulations to implement this
24 Chapter.

25
26 B. SPECIAL PROVISIONS ON
27 TRANSPORT SERVICE COOPERATIVES

28 ART. 99. DEFINITION. - TRANSPORTATION SERVICE COOPERATIVES
29 INCLUDE LAND, SEA AND AIR TRANSPORTATION FOR PASSENGER OR CARGO
30 ORGANIZED UNDER THE PROVISIONS OF THIS CODE.

31 A TRANSPORTATION SERVICE COOPERATIVE REFERS TO AN
32 ORGANIZATION REGISTERED WITH THE COOPERATIVE DEVELOPMENT
33 AUTHORITY COMPOSED OF GROUPS OF PERSONS INCLUDING DRIVERS,
34 PILOTS, AIRPLANE OR SHIP CREW, INVESTORS OR OWNERS OF VEHICLES,
35 AIRCRAFT OR SEA VESSELS, AND ALL ALLIED WORKERS OF THE PUBLIC
36 TRANSPORT INDUSTRY WHO HAVE VOLUNTARILY AGREED TO POOL THEIR
37 SKILLS, RESOURCES, SAVINGS, AND OTHER RESOURCES INCLUDING
38 VEHICLES, AIRCRAFT/AIRPLANES OR SEA VESSELS/SHIPS TO OPERATE A

1 COOPERATIVE BUSINESS ENTERPRISE THAT SHALL PROVIDE ITS MEMBERS
2 AND THE PUBLIC AT LARGE THE NECESSARY FACILITIES AND SERVICES FOR
3 THE ECONOMIC AND EFFICIENT CARRIAGE OF PASSENGERS AND GOODS.

4 ART. 100. COVERAGE. - A TRANSPORTATION SERVICE COOPERATIVE,
5 WITHIN THE MEANING OF THIS CODE, IS ONE ORGANIZED TO RENDER PUBLIC
6 TRANSPORTATION SERVICE AS AUTHORIZED UNDER A FRANCHISE OR
7 CERTIFICATE OF PUBLIC CONVENIENCE AND NECESSITY DULY ISSUED BY THE
8 APPROPRIATE GOVERNMENT AGENCY.

9 ART. 101. REGISTRATION REQUIREMENTS. IN ADDITION TO THE
10 REGISTRATION REQUIREMENTS FOR COOPERATIVES UNDER THIS CODE, NO
11 PUBLIC TRANSPORTATION SERVICE COOPERATIVES SHALL BE REGISTERED
12 UNLESS IT COMPLIES WITH THE FOLLOWING REQUIREMENTS:

- 13 (1) THAT IT HAS SECURED A FAVORABLE ENDORSEMENT FROM THE
14 PROPER GOVERNMENT AGENCY AUTHORIZED TO ISSUE THE
15 FRANCHISE OR THE CERTIFICATES OF PUBLIC CONVENIENCE AND
16 NECESSITY;
- 17 (2) THAT ITS ARTICLES OF COOPERATION AND BY-LAWS PROVIDE
18 FOR THE MEMBERSHIP OF THE USERS AND/OR PRODUCERS;
- 19 (3) THAT IT SATISFIES SUCH OTHER REQUIREMENTS AS MAYBE
20 IMPOSED BY OTHER PERTINENT GOVERNMENT AGENCIES
21 CONCERNED;

22 ART. 102. MEMBERSHIP. - MEMBERSHIP IN A TRANSPORTATION SERVICE
23 COOPERATIVE SHALL BE OPEN TO OPERATORS AND/OR INVESTORS OF
24 PUBLIC TRANSPORTATION VEHICLES, DRIVERS, PILOT, AIRPLANE OR SHIP
25 CREW, ALLIED WORKERS SUCH AS CONDUCTORS, DISPATCHERS,
26 MECHANICS, AMONG OTHERS, AND IN APPROPRIATE CASES, USERS OR
27 COMMUTERS/PASSENGERS.

28 ART. 103. PREFERENTIAL TREATMENT IN AWARDING OF PUBLIC
29 SERVICE FRANCHISE OR BUSINESS FRANCHISE/PERMIT TO TRANSPORTATION
30 COOPERATIVES.- IN CASES WHERE THERE ARE TWO (2) OR MORE
31 APPLICANTS FOR A PUBLIC SERVICE FRANCHISE OR FOR A CERTIFICATE OF
32 PUBLIC CONVENIENCE AND NECESSITY, ALL THINGS BEING EQUAL,
33 PREFERENTIAL TREATMENT SHALL BE GIVEN TO TRANSPORTATION SERVICE
34 COOPERATIVES.

35 ART. 104. ENGAGEMENT IN ALLIED BUSINESSES BY TRANSPORTATION
36 SERVICE COOPERATIVES. - SUBJECT TO PERTINENT NATIONAL LAWS AND
37 LOCAL ORDINANCES, PRIMARY TRANSPORTATION SERVICE COOPERATIVES
38 INCLUDING SECONDARY AND TERTIARY FEDERATION OF COOPERATIVES MAY

1 ENGAGE IN A BUSINESS RELATED TO TRANSPORTATION SERVICES,
2 INCLUDING BUT NOT LIMITED TO:

- 3 (1) IMPORTATION, DISTRIBUTION AND MARKETING OF PETROLEUM
4 PRODUCTS IN ACCORDANCE WITH THE EXISTING LAW(S);
- 5 (2) OPERATION OF GASOLINE STATIONS AND TRANSPORTATION
6 SERVICE CENTERS;
- 7 (3) IMPORTATION, DISTRIBUTION AND MARKETING OF AUTO PARTS
8 AND SUPPLIES;
- 9 (4) IMPORTATION, DISTRIBUTION AND MARKETING OF VEHICLES;
- 10 (5) OPERATION OF MANUFACTURING AND/OR ASSEMBLY PLANT OF
11 VEHICLES;
- 12 (6) OPERATION OF MANUFACTURING OF AUTO PARTS AND SUPPLIES;
- 13 (7) MARKETING OF VEHICLE/DRIVERS INSURANCE POLICIES;
- 14 (8) OTHER PRODUCTS AND SERVICES FOR USE AND CONSUMPTION
15 OF ITS MEMBERS.

16 ART. 105. REGULATION OF TRANSPORT SERVICE COOPERATIVES. - THE
17 REGULATION OF TRANSPORTATION SERVICE COOPERATIVES SHALL BE IN
18 ACCORDANCE WITH EXISTING LAWS IMPLEMENTED BY THE APPROPRIATE
19 GOVERNMENT AGENCIES SUBJECT TO THE PRIVILEGES ACCORDED TO
20 COOPERATIVES UNDER THIS CODE AND OTHER RELEVANT RULES AND
21 REGULATIONS.

22 ART. 106. MONITORING. - THE AUTHORITY SHALL ESTABLISH A
23 COMMITTEE FOR THE MONITORING OF TRANSPORTATION SERVICE
24 COOPERATIVES COMPOSED OF REPRESENTATIVES FROM THE COOPERATIVE
25 DEVELOPMENT AUTHORITY, THE LAND TRANSPORTATION AND FRANCHISE
26 REGULATORY BOARD, THE LAND TRANSPORTATION OFFICE AND THE
27 NATIONAL FEDERATION OF TRANSPORTATION COOPERATIVES. A LOCAL
28 MONITORING COMMITTEE SHALL LIKEWISE BE ESTABLISHED AT THE
29 EXTENSION OFFICES OF THE AUTHORITY TO FACILITATE THE MONITORING OF
30 TRANSPORTATION COOPERATIVES.

31 ART. 107. RENEWAL OF FRANCHISE AND REGISTRATION. - RENEWALS
32 OF FRANCHISE AND REGISTRATION SHALL NOT BE GRANTED TO
33 TRANSPORTATION SERVICE COOPERATIVES UNLESS SUCH COOPERATIVE
34 PRESENTS A CERTIFICATE OF GOOD STANDING ISSUED BY THE AUTHORITY
35 AS PROOF THAT SAID TRANSPORTATION SERVICE COOPERATIVE HAS
36 CONTINUOUSLY PROVIDED THE REQUIRED PUBLIC TRANSPORTATION
37 SERVICES.

1 ART. 108. SPECIAL PLATE. - SUBJECT TO THE FAVORABLE
2 ENDORSEMENT FROM THE NATIONAL FEDERATION OF TRANSPORTATION
3 COOPERATIVES, SPECIAL PLATES SHALL BE ISSUED BY THE LAND
4 TRANSPORTATION OFFICE TO ALL VEHICLES AFFILIATED WITH
5 TRANSPORTATION SERVICE COOPERATIVES FOR PROPER IDENTIFICATION
6 AND MONITORING.

7 ART. 109. - ASSISTANCE TO TRANSPORTATION SERVICE
8 COOPERATIVES.- TRANSPORTATION SERVICE COOPERATIVES MAY BE
9 GRANTED FINANCIAL ASSISTANCE AND TECHNICAL ASSISTANCE BY THE
10 GOVERNMENT AND/OR PRIVATE INSTITUTIONS SUBJECT TO THE RULES AND
11 REGULATIONS OF THE AGENCY CONCERNED.

12 **C. SPECIAL PROVISIONS ON ELECTRIC COOPERATIVES**

13 ART. 110. *COVERAGE*. - THESE PROVISIONS SHALL APPLY TO ALL
14 COOPERATIVES TO BE REGISTERED WITH THE AUTHORITY, UNDERTAKING
15 ELECTRIC POWER GENERATION, TRANSMISSION AND DISTRIBUTION AS ITS
16 PRIMARY PURPOSES; PROVIDED, THAT EXISTING ELECTRIC COOPERATIVES
17 PREVIOUSLY REGISTERED WITH THE NATIONAL ELECTRIFICATION
18 ADMINISTRATION, AND HAVE OPTED TO BE REGISTERED WITH THE
19 AUTHORITY, SHALL BE COVERED BY THESE PROVISIONS ONLY AFTER
20 FULFILLING THE REQUIREMENTS SET FORTH IN THE TRANSITORY
21 PROVISIONS OF THIS CODE.

22 ART. 111. *REGISTRATION*. - IN ADDITION TO THE REGISTRATION
23 REQUIREMENTS LISTED HEREIN, THE PROPOSED ELECTRIC COOPERATIVE
24 SHALL SUBMIT AN ENDORSEMENT FROM THE PROPER GOVERNMENT AGENCY
25 AUTHORIZED TO ISSUE THE FRANCHISE OR CERTIFICATE OF PUBLIC
26 CONVENIENCE AND NECESSITY FOR THE GENERATION, TRANSMISSION OR
27 DISTRIBUTION OF ELECTRIC POWER. THE ELECTRIC COOPERATIVE MAY
28 ALSO UNDERTAKE SUCH ALLIED UNDERTAKINGS THAT ARE CONSISTENT WITH
29 *THEIR PRIMARY PURPOSES*.

30 ART. 112. *EXEMPTIONS*.- UNDER RULES AND REGULATIONS TO BE SET
31 BY THE AUTHORITY, AND IN CONSULTATION WITH THE DEPARTMENT OF
32 ENERGY, ELECTRIC COOPERATIVES MAY BE EXEMPTED FROM THE
33 PROVISIONS OF THIS CODE WHICH MAY DIRECTLY AFFECT THE INTERNAL
34 STRUCTURE AND THE MANAGEMENT OF SUCH ELECTRIC COOPERATIVES.

35 ART.113. *REGULATION OF ELECTRIC COOPERATIVES*.- (1) THE
36 REGULATION OF ELECTRIC COOPERATIVES IN REGARD TO THEIR
37 CAPITALIZATION AND INVESTMENT REQUIREMENTS, EQUIPMENT AND

1 FACILITIES, RATE-FIXING AND SUCH OTHER MATTERS AFFECTING THEIR
2 OPERATIONS SHALL BE SUPERVISED BY THE DEPARTMENT OF ENERGY .

3 (2) THE INTERNAL AFFAIRS OF THE ELECTRIC COOPERATIVE SHALL BE
4 GOVERNED BY THIS CODE AND ITS IMPLEMENTING AGENCY.

5 (3) THE AUTHORITY AND THE DEPARTMENT OF ENERGY SHALL JOINTLY
6 ISSUE THE RULES AND REGULATIONS ON THE REGULATION AND
7 SUPERVISION OF ELECTRIC COOPERATIVES.

8 **ART. [122]114.** [Electric Cooperatives] ADMINISTRATIVE SUPERVISION,
9 TECHNICAL AND FINANCIAL ASSISTANCE TO ELECTRIC COOPERATIVES. –
10 UPON THE EFFECTIVITY OF THIS ACT, ALL [E]lectric cooperatives shall be
11 covered by this Code. IN CASE THE ELECTRIC COOPERATIVE SHOULD OPT TO
12 REGISTER WITH THE [COOPERATIVE DEVELOPMENT] AUTHORITY [However],
13 there shall be a transition period of [three (3) years] TWO (2) YEARS within which the
14 [Cooperative Development] Authority and the National Electrification Administration
15 shall help and assist THESE electric cooperatives to qualify FOR REGISTRATION
16 under this Code[.]: *PROVIDED*, THAT WHILE THE AUTHORITY WILL HAVE
17 GENERAL SUPERVISION OVER THE ELECTRIC COOPERATIVES,
18 PARTICULARLY WITH THEIR INTERNAL AND INSTITUTIONAL CONCERNS, THE
19 NATIONAL ELECTRIFICATION ADMINISTRATION MAY CONTINUE ITS FINANCIAL
20 AND TECHNICAL SUPERVISION OF THE ELECTRIC COOPERATIVES. The
21 [Cooperative Development] Authority and the National Electrification Administration
22 shall jointly promulgate rules and regulations to the end that the provisions of this law
23 are EFFECTIVELY IMPLEMENTED AND ARE harmonized with the provisions of
24 Presidential Decree No. 269[.] WHICH HAVE NOT BEEN AMENDED BY THIS ACT.

25 **SEC. 13.** Articles 99, 100, 101, 102, 103, 104, 105, 106, 107, 108 and 109 of
26 Chapter XIII on the Special Provisions Relating to Cooperative Banks are hereby re-
27 numbered and amended to read as follows:

28 **ART. [99]115.** Governing Law. - [(1)] The provisions of this Chapter shall
29 primarily govern cooperative banks registered under this Code and the other provisions
30 of this Code shall apply to them only insofar as they are not inconsistent with the
31 provisions contained in this Chapter.

32 [(2) Cooperatives duly established and registered under the provisions of this
33 Code may organize among themselves a cooperative bank which shall likewise be
34 considered a cooperative registerable under the provisions of this Code subject to the
35 requirements of and requisite authorization from the Central Bank.]

36 **ART. [100]116.** [Definition, Classification and Functions. - A cooperative bank is
37 one organized by the majority shares of which is owned and controlled by
38 cooperatives primarily to provide financial and credit services to cooperatives. The

1 term "cooperative bank" shall include cooperative rural banks. A cooperative bank may
2 perform the following functions:

3 (1) To carry on banking and credit services for the cooperatives;

4 (2) To receive financial aid or loans from the Government and the Central Bank
5 of the Philippines for and in behalf of the cooperative banks and primary cooperatives
6 and their federations engaged in business and to supervise the lending and collection
7 of loans;

8 (3) To mobilize savings of its members for the benefit of the cooperative
9 movement;

10 (4) To act as a balancing medium for the surplus funds of cooperatives and their
11 federations;

12 (5) To discount bills and promissory notes issued and drawn by cooperatives;

13 (6) To issue negotiable instruments to facilitate the activities of cooperatives;

14 (7) To issue debentures subject to the approval of and under conditions and
15 guarantees to be prescribed by the Government;

16 (8) To borrow money from banks and other financial institutions within the limit to
17 be prescribed by the Central Bank; and

18 (9) To carry out all other functions as may be prescribed by the Authority:
19 *Provided*, That the performance of any banking function shall be subject to prior
20 approval by the Central Bank of the Philippines.] DECLARATION OF POLICY. - IN
21 ADDITION TO THE DECLARATION OF POLICIES STATED UNDER ARTICLE 2 OF
22 THIS CODE, IT IS HEREBY DECLARED THE POLICY OF THE STATE TO:

23 (1) ENCOURAGE THRIFT AND SAVINGS MOBILIZATION FOR THE
24 ACHIEVEMENT OF SUSTAINABLE ECONOMIC DEVELOPMENT, EQUITY AND
25 SOCIAL JUSTICE PRIMARILY AMONG COOPERATIVES AND THEIR MEMBERS;
26 AND

27 (2) REGULATE AND SUPERVISE THE ACTIVITIES OF COOPERATIVE
28 BANKS IN ORDER TO ACHIEVE SOUND, STABLE AND EFFICIENT OPERATIONS
29 FOR THE PROTECTION OF THE PUBLIC INTEREST.

30 ART. [101]117. [Registration Requirements. - No entity shall be registered by the
31 Cooperative Development Authority as a cooperative bank unless the articles of
32 cooperation and by-laws thereof as well as its establishment and operation as a
33 cooperative bank have been approved by the Central Bank of the Philippines and it
34 satisfies all requirements for registration as a cooperative.] DEFINITION OF TERMS. -
35 THE FOLLOWING DEFINITIONS SHALL APPLY IN THIS CHAPTER:

36 (1) *COOPERATIVE BANK* SHALL REFER TO A BANK ORGANIZED UNDER
37 THIS CODE, THE MAJORITY SHARES OF WHICH ARE OWNED AND
38 CONTROLLED BY COOPERATIVE ORGANIZATIONS, THE PURPOSE OF WHICH

1 IS PRIMARILY TO PROVIDE FINANCIAL AND CREDIT SERVICES TO
2 COOPERATIVES AND THEIR MEMBERS. IT SHALL ALSO INCLUDE
3 COOPERATIVE RURAL BANKS;

4 (2) *BANGKO SENTRAL* SHALL REFER TO THE BANGKO SENTRAL NG
5 PILIPINAS (BSP) CREATED UNDER REPUBLIC ACT NO. 7653;

6 (3) *MONETARY BOARD* SHALL MEAN THE MONETARY BOARD OF THE
7 BANGKO SENTRAL NG PILIPINAS;

8 (4) *COOPERATIVE ORGANIZATION* SHALL REFER TO ANY COOPERATIVE
9 WHETHER PRIMARY, SECONDARY OR TERTIARY, REGISTERED UNDER THE
10 PROVISIONS OF THIS CODE AND WITH THE AUTHORITY.

11 ART. [102]118. ORGANIZATION, Membership AND ESTABLISHMENT OF
12 COOPERATIVE BANK . - [Membership of a cooperative bank shall include only
13 cooperatives and federations of cooperatives.] (1) COOPERATIVE ORGANIZATIONS
14 DULY ESTABLISHED AND REGISTERED UNDER THIS CODE MAY ORGANIZE A
15 COOPERATIVE BANK, WHICH SHALL LIKEWISE BE CONSIDERED A
16 COOPERATIVE REGISTERABLE UNDER THE PROVISIONS OF THIS CODE
17 SUBJECT TO THE REQUIREMENTS AND REQUISITE AUTHORIZATION FROM
18 THE BANGKO SENTRAL.

19 (2) MEMBERSHIP IN A COOPERATIVE BANK SHALL EITHER BE
20 REGULAR OR ASSOCIATE. REGULAR MEMBERSHIP SHALL BE OPEN ONLY TO
21 COOPERATIVE ORGANIZATIONS WHICH ARE HOLDERS OF COMMON SHARES
22 OF THE BANK. ASSOCIATE MEMBERS ARE THOSE SUBSCRIBING AND
23 HOLDING PREFERRED SHARES OF THE BANK, WHICH MAY INCLUDE BUT ARE
24 NOT LIMITED TO THE FOLLOWING:

25 (A) INDIVIDUAL MEMBERS OF THE BANK'S MEMBER-PRIMARY
26 COOPERATIVES; AND

27 (B) SAMAHANG NAYONS AND MUNICIPAL KATIPUNANS NG MGA
28 SAMAHANG NAYONS (MKSNS) WHICH HELD COMMON
29 SHARES OF COOPERATIVE BANKS PRIOR TO THE
30 EFFECTIVITY OF THIS ACT SHALL APPLY FOR CONVERSION
31 TO FULL-PLEDGED COOPERATIVES IN ORDER TO MAINTAIN
32 THEIR STATUS AS REGULAR MEMBERS OF COOPERATIVE
33 BANKS: *PROVIDED*, THAT THEY SHALL NOTIFY THE
34 COOPERATIVE BANK CONCERNED OF THEIR INTENTION TO
35 CONVERT WITHIN A PERIOD OF NINETY (90) DAYS FROM THE
36 EFFECTIVITY OF THIS ACT. SAMAHANG NAYONS AND
37 MKSNS ARE HEREBY GIVEN A PERIOD OF ONE (1) YEAR
38 FROM THE EFFECTIVITY OF THIS ACT TO COMPLETE THEIR

1 CONVERSION TO COOPERATIVES. COOPERATIVE BANKS
2 SHALL EXERT REASONABLE EFFORTS TO INFORM THEIR
3 MEMBER SAMAHANG NAYONS AND MKSNS TO FINALLY
4 CONVERT OR TO GIVE THE NOTICE OF CONVERSION WITHIN
5 THE PRESCRIBED PERIODS. THE COOPERATIVE BANK
6 CONCERNED MAY CONVERT THE COMMON SHARES HELD
7 BY SUCH ASSOCIATIONS TO PREFERRED SHARES.

8 (3) THE ARTICLES OF COOPERATION AND BYLAWS OF ANY
9 COOPERATIVE BANK, OR ANY AMENDMENT THERETO, SHALL BE REGISTERED
10 ONLY WHEN ACCOMPANIED BY A CERTIFICATE OF AUTHORITY ISSUED BY
11 THE MONETARY BOARD, UNDER ITS OFFICIAL SEAL. SUCH CERTIFICATE
12 SHALL BE ISSUED ONLY IF THE MONETARY BOARD IS SATISFIED FROM THE
13 EVIDENCE SUBMITTED THAT:

14 (A) ALL THE REQUIREMENTS OF EXISTING LAWS AND
15 REGULATIONS TO ENGAGE IN BUSINESS FOR WHICH THE
16 APPLICANT IS PROPOSED TO BE REGISTERED HAVE BEEN
17 COMPLIED WITH;

18 (B) PUBLIC INTEREST AND ECONOMIC CONDITIONS, BOTH
19 GENERAL AND LOCAL, JUSTIFY THE AUTHORIZATION,
20 DIRECTION AND ADMINISTRATION; AND

21 (C) THE AMOUNT OF CAPITAL, THE FINANCING ORGANIZATION,
22 DIRECTION AND ADMINISTRATION, AS WELL AS THE
23 INTEGRITY AND RESPONSIBILITY OF THE ORGANIZERS AND
24 ADMINISTRATORS REASONABLY ASSURE THE SAFETY OF
25 THE INTEREST WHICH THE PUBLIC MAY ENTRUST TO THEM.

26 **ART. [103]119.** [Board of Directors. - The number, composition, and voting
27 rights of the board of directors shall be defined in the articles of cooperation and by-
28 laws of the cooperative bank, notwithstanding provisions of this Code to the contrary.]

29 ADMINISTRATION OF COOPERATIVE BANKS. - (1) TO MAINTAIN THE QUALITY
30 OF BANK MANAGEMENT AND ACCORD BETTER PROTECTION TO DEPOSITORS
31 AND THE PUBLIC IN GENERAL, THE MONETARY BOARD MAY PASS UPON AND
32 REVIEW THE QUALIFICATIONS OF PERSONS WHO ARE ELECTED OR
33 APPOINTED BANK DIRECTORS AND OFFICERS INCLUDING EX OFFICIO BOARD
34 MEMBERS, AND DISQUALIFY THOSE UNFIT. THE MONETARY BOARD SHALL
35 PRESCRIBE THE QUALIFICATIONS OF BANK DIRECTORS AND OFFICERS FOR
36 THE PURPOSES OF THIS SECTION, GIVING DUE RECOGNITION TO THE UNIQUE
37 COOPERATIVE NATURE AND CHARACTER OF COOPERATIVE BANKS.

1 (2) NOTWITHSTANDING THE PROVISIONS OF THIS CODE, THE NUMBER,
2 COMPOSITION, TERM AND VOTING RIGHTS OF THE MEMBERS OF THE BOARD
3 OF DIRECTORS AS WELL AS THE VOTING RIGHTS OF THE SHAREHOLDERS
4 SHALL BE DEFINED IN THE ARTICLES OF COOPERATION AND BYLAWS OF THE
5 COOPERATIVE BANK.

6 EX-OFFICIO MEMBERSHIP IN THE BOARD OF DIRECTORS OF A
7 COOPERATIVE BANK SHALL BE ALLOWED SUBJECT TO THE PROVISIONS OF
8 ARTICLE 40 (2) OF THIS CODE.

9 **ART. [104]120.** [Loans. - Cooperatives may obtain loans from a cooperative
10 bank. Loans granted by a cooperative bank shall be reported to the Central Bank of the
11 Philippines.] POWERS, FUNCTIONS AND ALLIED UNDERTAKINGS OF
12 COOPERATIVE BANKS. - COOPERATIVE BANKS SHALL PRIMARILY PROVIDE
13 FINANCIAL, BANKING AND CREDIT SERVICES TO COOPERATIVE
14 ORGANIZATIONS AND THEIR MEMBERS. HOWEVER, THE MONETARY BOARD
15 MAY PRESCRIBE APPROPRIATE CEILINGS AND CONDITIONS ON BORROWINGS
16 OF A COOPERATIVE ORGANIZATION FROM A COOPERATIVE BANK.

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

- 19 (A) ACCEPT SAVINGS AND TIME DEPOSITS;
20 (B) MOBILIZE SAVINGS FOR THE BENEFIT OF THE
21 COOPERATIVE
22 MOVEMENT;
23 (C) RECEIVE FINANCIAL AID OR LOANS FROM ANY
24 INSTITUTION AND THE BANGKO SENTRAL FOR AND IN
25 BEHALF PRIMARILY OF THE COOPERATIVE BANKS AND
26 COOPERATIVE ORGANIZATIONS ENGAGED IN BUSINESS
27 AND SUPERVISE THE LENDING AND COLLECTION OF LOANS;
28 (D) ACT AS A BALANCING MEDIUM FOR THE SURPLUS FUNDS
29 OF
30 COOPERATIVE ORGANIZATIONS;
31 (E) ISSUE NEGOTIABLE INSTRUMENTS TO FACILITATE THE
32 ACTIVITIES OF COOPERATIVE ORGANIZATIONS;
33 (F) ISSUE DEBENTURES SUBJECT TO THE APPROVAL OF AND
34 UNDER CONDITIONS AND GUARANTEES TO BE PRESCRIBED
35 BY THE GOVERNMENT;
36 (G) OPEN DOMESTIC LETTERS OF CREDIT AND BANK DRAFTS;
37 (H) BORROW MONEY FROM BANKS AND OTHER FINANCIAL

- 1 INSTITUTIONS WITHIN THE LIMIT TO BE PRESCRIBED BY
2 THE BANGKO SENTRAL;
- 3 (I) DISCOUNT AND REDISCOUNT PAPER WITH PRIVATE OR
4 GOVERNMENT FINANCIAL INSTITUTIONS;
- 5 (J) ISSUE REAL ESTATE MORTGAGE AND CHATTEL MORTGAGE
6 CERTIFICATES, BUY AND SELL THEM FOR ITS OWN
7 ACCOUNT OR FOR THE ACCOUNT OF OTHERS, OR ACCEPT
8 OR RECEIVE THEM IN PAYMENT FOR OR AMORTIZATION OF
9 ITS LOAN;
- 10 (K) PURCHASE, HOLD AND CONVEY REAL ESTATE UNDER
11 THE CONDITIONS PROVIDED IN SECTIONS 51 AND 52 OF
12 REPUBLIC ACT NO. 8791, OTHERWISE KNOWN AS THE
13 GENERAL BANKING LAW OF 2000;
- 14 (L) ENGAGE IN QUASI-BANKING MONEY MARKET OPERATIONS;
- 15 (M) EXTEND CREDIT AGAINST THE SECURITY OF JEWELRY,
16 PRECIOUS STONES AND ARTICLES OF SIMILAR NATURE,
17 SUBJECT TO SUCH RULES AND REGULATIONS AS THE
18 MONETARY BOARD MAY PRESCRIBE.

19 THE POWERS AND FUNCTIONS UNDER ITEMS (E), (F), (G), (J), (K), AND (L)
20 OF THIS SUBSECTION MAY BE PERFORMED BY A COOPERATIVE BANK
21 SUBJECT TO SUCH RULES AND REGULATIONS AS MAY BE PROMULGATED BY
22 THE MONETARY BOARD.

23 IN ADDITION TO THE POWERS GRANTED BY THIS CODE AND OTHER
24 EXISTING LAWS, ANY COOPERATIVE BANK MAY PERFORM ANY OR ALL OF
25 THE SERVICES OFFERED BY RURAL BANKS UPON PRIOR APPROVAL OF THE
26 MONETARY BOARD, AND THE FOLLOWING:

- 27 (I) OFFER CURRENT OR CHECKING ACCOUNTS SUBJECT TO
28 SUCH
29 GUIDELINES AS MAY BE ESTABLISHED BY THE PHILIPPINE
30 CLEARING HOUSE CORPORATION;
- 31 (II) ACT AS CORRESPONDENT FOR OTHER FINANCIAL
32 INSTITUTIONS;
- 33 (III) ACT AS COLLECTION AND/OR WITHHOLDING AGENT FOR
34 GOVERNMENT ENTITIES, INCLUDING BUT NOT LIMITED TO
35 THE BUREAU OF INTERNAL REVENUE, THE SOCIAL
36 SECURITY SYSTEM AND THE BUREAU OF CUSTOMS;
- 37 (IV) ACT AS OFFICIAL DEPOSITORY OF NATIONAL AGENCIES,
38 AND OF MUNICIPAL, CITY OR PROVINCIAL GOVERNMENT

1 UNITS IN THE MUNICIPALITY, CITY OR PROVINCE WHERE
2 THE COOPERATIVE BANK IS LOCATED, SUBJECT TO SUCH
3 GUIDELINES AS MAY BE ESTABLISHED BY THE MONETARY
4 BOARD AND THE DEPARTMENT OF FINANCE;

5 (V) EXTEND CREDIT FACILITIES TO PRIVATE AND GOVERNMENT
6 EMPLOYEES: *PROVIDED*, THAT IN THE CASE OF A
7 BORROWER WHO IS A PERMANENT EMPLOYEE OR WAGE
8 EARNER, THE TREASURER, CASHIER OR PAYMASTER OF
9 THE OFFICE EMPLOYING HIM IS AUTHORIZED,
10 NOTWITHSTANDING THE PROVISIONS OF ANY EXISTING
11 LAW, RULES OR REGULATIONS TO THE CONTRARY, TO
12 MAKE DEDUCTIONS FROM HIS SALARY, WAGE OR INCOME
13 PURSUANT TO THE TERMS OF HIS LOAN, TO REMIT
14 DEDUCTIONS TO THE COOPERATIVE BANK CONCERNED,
15 AND COLLECT SUCH REASONABLE FEES FOR HIS
16 SERVICES;

17 NOTHING IN THIS ARTICLE SHALL BE CONSTRUED AS PRECLUDING A
18 COOPERATIVE BANK FROM PERFORMING, WITH PRIOR APPROVAL OF THE
19 MONETARY BOARD, THRIFT BANKING SERVICES, COMMERCIAL BANKING
20 SERVICES, OR FROM OPERATING UNDER AN EXPANDED BANKING AUTHORITY,
21 OR FROM EXERCISING, WHENEVER APPLICABLE AND NOT INCONSISTENT
22 WITH THE PROVISIONS OF THIS ACT AND BANGKO SENTRAL REGULATIONS,
23 SUCH OTHER POWERS INCIDENT TO A CORPORATION.

24 (2) SUBJECT TO SUCH GUIDELINES AS MAY BE ESTABLISHED BY THE
25 MONETARY BOARD, COOPERATIVE BANKS MAY INVEST IN EQUITIES OF
26 ALLIED UNDERTAKINGS AS HEREINAFTER ENUMERATED: *PROVIDED*, THAT:

27 (A) THE TOTAL INVESTMENT IN EQUITIES SHALL NOT EXCEED
28 TWENTY-FIVE *PER CENTUM* (25%) OF THE NET WORTH OF
29 THE COOPERATIVE BANK;

30 (B) THE EQUITY INVESTMENT IN ANY SINGLE ENTERPRISE
31 SHALL BE LIMITED TO FIFTEEN *PER CENTUM* (15%) OF THE
32 NET WORTH OF THE COOPERATIVE BANK; AND

33 (C) THE EQUITY INVESTMENT IN OTHER BANKS SHALL BE
34 SUBJECT TO THE SAME PROVISIONS GOVERNING SIMILAR
35 INVESTMENTS OF RURAL BANKS AND SHALL BE DEDUCTED
36 FROM THE INVESTING BANK'S NET WORTH FOR THE
37 PURPOSE OF COMPUTING THE PRESCRIBED RATIO AS
38 PROVIDED IN SUBARTICLE 2, ARTICLE 106 HEREOF:

1 *PROVIDED*, FURTHER, THAT EQUITY INVESTMENTS SHALL
2 NOT BE PERMITTED IN NON-RELATED ACTIVITIES. WHERE
3 THE ALLIED ACTIVITY IS A WHOLLY OR MAJORITY-OWNED
4 SUBSIDIARY OF THE COOPERATIVE BANK, THE BANGKO
5 SENTRAL MAY SUBJECT IT TO EXAMINATION.

6 INVESTMENT IN ALLIED UNDERTAKINGS SHALL MEAN INVESTING IN
7 INSTITUTIONS ENGAGED IN THE FOLLOWING ACTIVITIES:

- 8 (I) BANKING AND FINANCING;
- 9 (II) WAREHOUSING AND OTHER POST-HARVEST ACTIVITIES;
- 10 (III) FERTILIZER AND AGRICULTURAL CHEMICAL AND PESTICIDE
11 DISTRIBUTION;
- 12 (IV) FARM EQUIPMENT DISTRIBUTION;
- 13 (V) TRUCKING AND TRANSPORTATION OF AGRICULTURAL
14 PRODUCTS;
- 15 (VI) MARKETING OF AGRICULTURAL PRODUCTS;
- 16 (VII) LEASING;
- 17 (VIII) COOPERATIVE INSURANCE; AND
- 18 (IX) OTHER UNDERTAKINGS AS MAY BE DETERMINED BY THE
19 MONETARY BOARD.

20 (3) LOANS THAT A COOPERATIVE BANK MAY EXTEND TO
21 COOPERATIVE ORGANIZATIONS, THEIR MEMBERS, AND TO ITS BANK'S
22 DEPOSITORS SHALL BE SUBJECT TO SUCH LIMITATIONS AS MAY BE PROVIDED
23 FOR BY THE BANGKO SENTRAL.

24 EXCEPT AS THE MONETARY BOARD MAY OTHERWISE PRESCRIBE FOR
25 REASONS OF NATIONAL INTEREST, THE TOTAL AMOUNT OF LOANS, CREDIT
26 ACCOMMODATIONS AND GUARANTEES AS MAY BE DEFINED BY THE
27 MONETARY BOARD, THAT MAY BE EXTENDED BY A COOPERATIVE BANK TO
28 ANY PERSON, PARTNERSHIP, ASSOCIATION SHALL AT NO TIME EXCEED
29 TWENTY PER CENTUM (20%), OF THE NETWORTH OF SUCH BANK. THE BASIS
30 FOR DETERMINING COMPLIANCE WITH SINGLE-BORROWER LIMIT IS THE
31 TOTAL CREDIT COMMITMENT OF THE BANK TO THE BORROWER.

32 THE DIRECT INDEBTEDNESS TO A COOPERATIVE BANK BY ANY PERSON
33 OR ASSOCIATION, FOR MONEY BORROWED, SHALL EXCLUDE:

- 34 (A) LOANS SECURED BY OBLIGATIONS OF THE BANGKO SENTRAL;
- 35 (B) LOANS FULLY GUARANTEED BY THE GOVERNMENT AS TO THE
36 PAYMENT OF PRINCIPAL AND INTEREST;
- 37 (C) LOANS TO THE EXTENT COVERED BY THE HOLD-OUT, OR
38 ASSIGNMENT OF, DEPOSITS MAINTAINED IN THE PHILIPPINES;

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

5 (E) OTHER LOANS OR CREDITS AS THE MONETARY BOARD MAY,
6 FROM TIME TO TIME, SPECIFY AS NON-RISK ASSETS.

7 NOTWITHSTANDING THE PROVISIONS OF THE PRECEDING PARAGRAPH
8 AND SUBJECT TO SUCH REGULATIONS THAT THE MONETARY BOARD MAY
9 PRESCRIBE, THE TOTAL INDEBTEDNESS OF ANY BORROWER TO THE
10 COOPERATIVE BANK MAY AMOUNT TO A FURTHER TEN PERCENT (10%) OF
11 THE NET WORTH OF THE BANKS UNIMPAIRED CAPITAL AND SURPLUS:
12 PROVIDED, THAT THE ADDITIONAL INDEBTEDNESS IS FOR THE PURPOSE OF
13 FINANCING A SUBDIVISION OR HOUSING DEVELOPMENT, MEDIUM-INCOME OR
14 LOW-INCOME BORROWERS, OR AGRICULTURE, ON A FULLY SECURED BASIS.

15 THE MONETARY BOARD MAY REGULATE THE AMOUNT OF CREDIT,
16 ACCOMMODATIONS THAT MAY BE EXTENDED DIRECTLY OR INDIRECTLY, BY
17 COOPERATIVE BANKS TO THEIR DIRECTORS, OFFICERS OR SHAREHOLDERS.
18 HOWEVER, THE OUTSTANDING CREDIT ACCOMMODATIONS WHICH A
19 COOPERATIVE BANK MAY EXTEND TO EACH OF ITS DIRECTORS, OFFICERS
20 OR SHAREHOLDERS, EXCEPT MEMBER COOPERATIVE-SHAREHOLDERS,
21 SHALL BE LIMITED TO AN AMOUNT EQUIVALENT TO THE RESPECTIVE
22 UNENCUMBERED DEPOSITS AND BOOK VALUE OF THEIR PAID-UP CAPITAL
23 CONTRIBUTION IN THE BANK.

24 **ART. [105] 121. Supervision** - The cooperative banks registered under this
25 Code shall be under the supervision of the [Central Bank] BANGKO SENTRAL. The
26 [Central Bank] BANGKO SENTRAL upon consultation with the agency and the
27 cooperative movement shall formulate guidelines regarding the operations and banking
28 transactions of cooperative banks. These guidelines shall give due recognition to the
29 unique cooperative nature and character of cooperative banks. To this end,
30 cooperative banks may be exempted from [Central Bank] BANGKO SENTRAL rules
31 and regulations, applicable to other types of banks, which would impede the
32 cooperative rural bank from performing legitimate financial and banking services to its
33 members.

34 **ART. [106]122.** - Capitalization AND CAPITAL REQUIREMENTS OF
35 COOPERATIVE BANKS. - 1) A national OR LOCAL cooperative bank shall have a
36 minimum [authorized share capital of two hundred million pesos (P200,000,000.00) in
37 relation to Art. 14 (5).] PAID-UP CAPITAL IN SUCH AMOUNT AS MAYBE
38 REQUIRED BY THE MONETARY BOARD IN CONSULTATION WITH AND AS MAY

1 BE PRESCRIBED BY THE SECTOR CONCERNED. The authorized share capital
2 shall be divided into such number of shares with a minimum par value of one thousand
3 pesos (P1,000.00) per share. For the purpose of primarily determining the
4 permanency of equity, the types of shares a cooperative bank may issue, including the
5 terms thereof and the rights appurtenant thereto, shall be subject to such rules and
6 regulations as the [Central Bank] BANGKO SENTRAL may prescribe.

7 (2) X X X

8 (3) THE LAND BANK OF THE PHILIPPINES (LBP) MAY SUBSCRIBE TO AT
9 LEAST TWENTY PER CENTUM (20%) OF THE PREFERRED SHARES OF A
10 COOPERATIVE BANK. OTHER GOVERNMENT-OWNED AND CONTROLLED
11 FINANCIAL INSTITUTIONS MAY ALSO SUBSCRIBE TO THE PREFERRED
12 SHARES OF A COOPERATIVE BANK. HOWEVER, SUCH SUBSCRIPTIONS OF
13 THE LBP AND OTHER GOVERNMENT-OWNED AND CONTROLLED FINANCIAL
14 INSTITUTIONS SHALL BE SUBJECT TO THE APPROVAL OF THE BOARD OF
15 DIRECTORS OF THE COOPERATIVE BANK. SUCH CAPITAL INFUSION SHALL BE
16 CONSIDERED AS PARTIAL COMPLIANCE BY THE GOVERNMENT-OWNED AND
17 CONTROLLED FINANCIAL INSTITUTIONS CONCERNED WITH THE PROVISIONS
18 OF PRESIDENTIAL DECREE NO. 717 OTHERWISE KNOWN AS THE AGRI-AGRA
19 LAW. THE SHARES HELD BY GOVERNMENT FINANCIAL INSTITUTIONS SHALL
20 BE PAID OFF AT PAR AND RETIRED IN WHOLE OR IN PART WHEN THE
21 COOPERATIVE BANK HAS ACQUIRED ENOUGH CAPITAL STRENGTH TO
22 PERMIT RETIREMENT OF SHARES.

23 (4) THE MONETARY BOARD SHALL PRESCRIBE THE MINIMUM RATIO WHICH THE
24 NET WORTH OF A BANK MUST BEAR TO ITS TOTAL RISK ASSETS WHICH MAY INCLUDE
25 CONTINGENT ACCOUNTS. FOR PURPOSES OF THIS SECTION, THE MONETARY
26 BOARD MAY REQUIRE THAT SUCH RATIO BE DETERMINED ON THE BASIS OF THE
27 NET WORTH AND RISK ASSETS OF A BANK AND ITS SUBSIDIARIES, FINANCIAL OR
28 OTHERWISE, AS WELL AS PRESCRIBE THE COMPOSITION AND THE MANNER OF
29 DETERMINING THE NET WORTH AND TOTAL RISK ASSETS OF BANKS AND THEIR
30 SUBSIDIARIES: *PROVIDED*, THAT IN THE EXERCISE OF THIS AUTHORITY, THE
31 MONETARY BOARD SHALL, TO THE EXTENT FEASIBLE, CONFORM TO
32 INTERNATIONALLY ACCEPTED STANDARDS, INCLUDING THOSE OF THE BANK
33 FOR INTERNATIONAL SETTLEMENTS (BIS), RELATING TO RISK-BASED CAPITAL
34 REQUIREMENTS: *PROVIDED, FURTHER*, THAT IT MAY ALTER OR SUSPEND
35 COMPLIANCE WITH SUCH RATIO WHENEVER NECESSARY FOR A MAXIMUM PERIOD OF
36 ONE (1) YEAR: *PROVIDED, FINALLY*, THAT SUCH RATIO SHALL BE APPLIED UNIFORMLY
37 TO BANKS OF THE SAME CATEGORY.

1 IN CASE A BANK DOES NOT COMPLY WITH THE PRESCRIBED MINIMUM RATIO, THE
2 MONETARY BOARD MAY LIMIT OR PROHIBIT THE DISTRIBUTION OF NET PROFITS BY
3 SUCH BANK AND MAY REQUIRE THAT PART OR ALL OF THE NET PROFITS BE USED
4 TO INCREASE THE CAPITAL ACCOUNTS OF THE BANK UNTIL THE MINIMUM
5 REQUIREMENT HAS BEEN MET. THE MONETARY BOARD MAY, FURTHERMORE,
6 RESTRICT OR PROHIBIT THE ACQUISITION OF MAJOR ASSETS AND THE MAKING OF
7 NEW INVESTMENTS BY THE BANK, WITH THE EXCEPTION OF PURCHASES OF
8 READILY MARKETABLE EVIDENCES OF INDEBTEDNESS OF THE REPUBLIC OF THE
9 PHILIPPINES AND OF THE BANGKO SENTRAL AND ANY OTHER EVIDENCES OF
10 INDEBTEDNESS OR OBLIGATIONS THE SERVICING AND REPAYMENT OF WHICH ARE
11 FULLY GUARANTEED BY THE REPUBLIC OF THE PHILIPPINES, UNTIL THE MINIMUM
12 REQUIRED CAPITAL RATIO HAS BEEN RESTORED.

13 IN CASE OF A BANK MERGER OR CONSOLIDATION, OR WHEN A BANK IS
14 UNDER REHABILITATION UNDER A PROGRAM APPROVED BY THE BANGKO
15 SENTRAL, THE MONETARY BOARD MAY TEMPORARILY RELIEVE THE SURVIVING BANK,
16 CONSOLIDATED BANK, OR CONSTITUENT BANK OR CORPORATIONS UNDER
17 REHABILITATION FROM FULL COMPLIANCE WITH THE REQUIRED CAPITAL RATIO
18 UNDER SUCH CONDITIONS AS IT MAY PRESCRIBE.

19 BEFORE THE EFFECTIVITY OF THE RULES WHICH THE MONETARY
20 BOARD IS AUTHORIZED TO PRESCRIBE UNDER THIS PROVISION, SECTION 22 OF
21 THE GENERAL BANKING ACT, AS AMENDED, SECTION 9 OF THE THRIFT BANKS ACT,
22 AND ALL PERTINENT RULES ISSUED PURSUANT THERETO, SHALL CONTINUE TO BE
23 IN FORCE.

24 **ART. [107]123.** [Distribution of Net Surplus. - The provisions of this Code on the
25 allocation and distribution of net surplus shall apply.] PROHIBITED ACT. - ANY BANK
26 NOT ORGANIZED AND REGISTERED UNDER THIS CODE, AND ANY PERSON,
27 ASSOCIATION, OR CORPORATION DOING THE BUSINESS OF BANKING, NOT
28 AUTHORIZED UNDER THIS CODE OR EXISTING LAWS, WHICH SHALL USE THE
29 WORDS "COOPERATIVE BANK" AS PART OF ITS NAME OR TITLE AS SUCH BANK
30 OR SUCH PERSON, ASSOCIATION OR CORPORATION, SHALL BE PUNISHED BY
31 A FINE OF NOT LESS THAN ONE THOUSAND PESOS (P1,000.00) BUT IN NO
32 CASE TO EXCEED THIRTY THOUSAND PESOS (P30,000.00) FOR EACH DAY
33 DURING WHICH THE SAID WORDS ARE SO USED.

34 **ART. [108]124.** Privileges AND INCENTIVES OF COOPERATIVE BANKS. -
35 [Cooperative banks shall have the following privileges subject to the approval of the
36 Central Bank and compliance with applicable banking laws, rules and regulations:]

37 (1) The cooperative banks registered under this Code shall be given the same
38 privilegeS AND INCENTIVES granted to the rural banks, private development banks,

1 commercial banks, and all other banks to rediscount notes with the [Central Bank]
2 BANGKO SENTRAL, the Land Bank of the Philippines, and other government banks
3 without affecting in any way the provisions of this Code; [and]

4 (2) [To act as a depository of government funds. For this purpose, all
5 government departments, agencies and units of the national and local governments
6 including government-owned and controlled corporations are hereby authorized to
7 deposit their funds in any cooperative bank.]SUBJECT TO THE APPROVAL OF THE
8 MONETARY BOARD, A COOPERATIVE BANK SHALL PUBLISH A STATEMENT OF ITS
9 FINANCIAL CONDITION, INCLUDING THOSE OF ITS SUBSIDIARIES AND AFFILIATES,
10 IN SUCH TERMS UNDERSTANDABLE TO THE LAYMAN AND IN SUCH FREQUENCY AS
11 MAY BE PRESCRIBED BY THE BANGKO SENTRAL, IN ENGLISH OR FILIPINO, AT LEAST
12 ONCE EVERY QUARTER IN A NEWSPAPER OF GENERAL CIRCULATION IN THE CITY OR
13 PROVINCE WHERE THE PRINCIPAL OFFICE, IN THE CASE OF A DOMESTIC INSTITUTION,
14 OR THE PRINCIPAL BRANCH OR OFFICE IN THE CASE OF A FOREIGN BANK, IS LOCATED,
15 BUT IF NO NEWSPAPER IS PUBLISHED IN THE SAME PROVINCE, THEN IN A NEWSPAPER
16 PUBLISHED IN METRO MANILA OR IN THE NEAREST CITY OR PROVINCE.

17 HOWEVER, IN CASES OF FORECLOSURE OF MORTGAGES COVERING
18 LOANS GRANTED BY A COOPERATIVE BANK AND EXECUTIONS OF
19 JUDGMENTS THEREON INVOLVING REAL PROPERTIES AND LEVIED UPON BY
20 A SHERIFF SHALL BE EXEMPT FROM PUBLICATION REQUIREMENT WHERE
21 THE TOTAL AMOUNT OF THE LOAN, EXCLUDING INTEREST AND OTHER
22 CHARGES DUE AND UNPAID, DOES NOT EXCEED FIVE HUNDRED THOUSAND
23 PESOS (P500,000.00) OR SUCH AMOUNT AS THE MONETARY BOARD MAY
24 PRESCRIBE, AS MAY BE WARRANTED BY THE PREVAILING ECONOMIC
25 CONDITIONS AND BY THE NATURE AND CHARACTER OF COOPERATIVE
26 BANKS. IT SHALL BE SUFFICIENT PUBLICATION IN SUCH CASES IF THE
27 NOTICE OF FORECLOSURE AND EXECUTION OF JUDGMENT ARE POSTED IN
28 CONSPICUOUS AREAS OF THE COOPERATIVE BANK'S PREMISES, THE
29 MUNICIPAL HALL, THE MUNICIPAL PUBLIC MARKET, THE BARANGAY HALL, OR
30 THE BARANGAY PUBLIC MARKET, IF THERE BE ANY, WHERE THE LAND
31 MORTGAGED IS SITUATED, WITHIN A PERIOD OF SIXTY (60) DAYS
32 IMMEDIATELY PRECEDING THE PUBLIC AUCTION OR THE EXECUTION OF
33 JUDGMENT. PROOF OF PUBLICATION AS REQUIRED HEREIN SHALL BE
34 ACCOMPLISHED BY AN AFFIDAVIT OF THE SHERIFF OR OFFICER
35 CONDUCTING THE FORECLOSURE SALE OR EXECUTION OF JUDGMENT, AND
36 SHALL BE ATTACHED TO THE RECORD OF THE CASE.

37 A COOPERATIVE BANK SHALL BE ALLOWED TO FORECLOSE LANDS
38 MORTGAGED TO IT SUBJECT TO THE PROVISIONS OF REPUBLIC ACT. NO.

1 6657, OTHERWISE KNOWN AS THE COMPREHENSIVE AGRARIAN REFORM LAW
2 OF 1988.

3 (3) IN ADDITION TO THE PRIVILEGES GENERALLY GRANTED TO
4 COOPERATIVES UNDER THIS CODE, A COOPERATIVE BANK SHALL ALSO BE
5 ENTITLED TO TAX EXEMPTION PRIVILEGES AS MAY BE APPLICABLE UNDER
6 ARTICLE 61 OF THIS CODE.

7 ART. [109] 125. Assistance to [a] Cooperative Banks. - IN ACCORDANCE
8 WITH EXISTING POLICIES, GOVERNMENT AGENCIES, GOVERNMENT-OWNED
9 OR CONTROLLED CORPORATIONS AND FINANCIAL INSTITUTIONS SHALL
10 PROVIDE ASSISTANCE, TECHNICAL OR OTHERWISE, TO COOPERATIVE BANKS
11 TO PERMIT THEM TO GROW, DEVELOP AND PERFORM THEIR ROLE IN
12 COUNTRYSIDE DEVELOPMENT AND TOWARDS A SUSTAINABLE NATIONAL
13 ECONOMIC DEVELOPMENT. Whenever a cooperative bank organized under this
14 Code is distressed or may need assistance in the rehabilitation of its financial condition
15 or to avoid bankruptcy, the Monetary Board of the [Central Bank of the Philippines]
16 BANGKO SENTRAL shall designate an official of the [Central Bank] BANGKO
17 SENTRAL or a person of recognized competence [in], PREFERABLY WITH
18 EXPERIENCE IN COOPERATIVE banking [or] AND finance, as conservator of the
19 said bank pursuant to the provisions of Section 29 of [Republic Act No. 265, as
20 amended] REPUBLIC ACT NO. 7653, OTHERWISE KNOWN AS THE NEW
21 CENTRAL BANK ACT.

22 **SEC. 14.** A new Article is inserted in Chapter XIII on the Special Provisions
23 Relating to Cooperative Banks of the same Code, and shall read as follows:

24 ART. 126. SETTLEMENT OF DISPUTES. - IN CASES OF BANKING-RELATED
25 CONFLICTS, PROVISIONS OF THE GENERAL BANKING ACT AND THE RULES
26 AND REGULATIONS OF THE MONETARY BOARD SHALL PREVAIL.

27 **SEC. 15.** Articles 110, 111, 112 and 114 of Chapter XIV on Special Provisions
28 Relating to Credit Cooperatives of the same Code are hereby amended. Article 113 on
29 Organizational Linkages of the same Chapter is hereby deleted.

30 New Articles 131, 132, 133, 134, 135, 136, 137 and 138 have been inserted to
31 form part of the amended Chapter XIV which is now re-titled as Special Provisions
32 Relating to Credit Cooperatives and/or Financial Service Cooperatives. Chapter XIV
33 as amended shall now read as follows:

34 CHAPTER XIV

35 SPECIAL PROVISIONS RELATING TO
36 CREDIT COOPERATIVES AND/OR FINANCIAL SERVICE COOPERATIVES

37 **ART. [110] 127. Coverage.** - This Chapter shall apply [only] to credit
38 cooperatives AND TO ALL OTHER COOPERATIVES, INCLUDING MULTI-PURPOSE

1 COOPERATIVES, THAT PROVIDE SAVINGS, CREDIT OR OTHER RELATED
2 FINANCIAL SERVICES TO THEIR MEMBERS, WHICH, FOR THE PURPOSES OF
3 THIS CHAPTER, SHALL HEREINAFTER BE REFERRED TO AS FINANCIAL
4 SERVICE COOPERATIVES. [and the] THE rest of the provisions of this Code shall
5 apply to them insofar as the same are not inconsistent with the provisions of this
6 Chapter.

7 **ART. [111] 128. Definition and [Objectives] FUNCTIONS.** – 1. A [credit]
8 FINANCIAL SERVICE cooperative is a financial organization owned and operated by its
9 members AUTHORIZED TO ACCEPT SAVINGS AND TIME DEPOSITS AND OTHER
10 FUNDS FROM ITS MEMBERS AND TO ENGAGE IN THE EXTENSION OF LOANS
11 AND OTHER CREDIT ACCOMODATIONS TO ITS MEMBERS. [with the following
12 objectives:

- 13 (1) To encourage savings among its members;
14 (2) To create a pool of such savings for which loans for productive or provident
15 purposes may be granted to its members; and
16 (3) To provide related services to enable its members to maximize the benefit
17 from such loans.]

18 2. UPON PRIOR APPROVAL BY THE AUTHORITY AND SUBJECT TO SUCH
19 CONDITIONS AND RULES THAT MAY BE SET BY THE AUTHORITY, A FINANCIAL
20 SERVICE COOPERATIVE THAT HAS ONE HUNDRED FIFTY (150) MEMBERS OR
21 MORE AND FIVE MILLION PESOS (P5,000,000.00) OR MORE IN PAID-UP SHARE
22 CAPITAL MAY, IN ADDITION TO THE FUNCTIONS ENUMERATED UNDER
23 PARAGRAPH 1, PERFORM ANY OF THE FOLLOWING:

- 24 (A) ACT AS FINANCIAL AGENT AND BUY AND SELL, BY ORDER
25 OF
26 AND FOR THE ACCOUNT OF THEIR MEMBERS, SHARES,
27 EVIDENCES OF INDEBTEDNESS AND ALL TYPES OF
28 SECURITIES;
29 (B) MAKE COLLECTIONS AND PAYMENTS AND PERFORM SUCH
30 OTHER SERVICES FOR THEIR MEMBERS AS ARE NOT
31 INCOMPATIBLE WITH THEIR FINANCIAL INTERMEDIATION
32 BUSINESS;
33 (C) EXTEND AND PROVIDE OTHER FINANCIAL PRODUCTS AND
34 SERVICES TO ITS MEMBERS.
35 (D) OFFER CURRENT OR CHECKING ACCOUNTS OR ACCEPT
36 DEMAND DEPOSITS NOTWITHSTANDING SECTION 33 OF
37 REPUBLIC ACT NO. 8791, OTHERWISE KNOWN AS THE

1 GENERAL BANKING ACT OF 2000, AND ANY OTHER
2 PROVISION OF LAW TO THE CONTRARY;

3 (E) ACT AS CORRESPONDENT FOR OTHER FINANCIAL
4 INSTITUTIONS; AND

5 (F) CARRY ON THE ACTIVITIES THAT A TRUST ENTITY MAY
6 UNDERTAKE UNDER REPUBLIC ACT NO. 8791,
7 NOTWITHSTANDING SECTION 79 OF THE SAID ACT.

8 THE AUTHORITY SHALL, FIVE (5) YEARS AFTER THE EFFECTIVITY OF
9 THIS ACT AND EVERY TWO (2) YEARS THEREAFTER, ADJUST THE REQUIRED
10 MINIMUM NUMBER OF MEMBERS AND MINIMUM AMOUNT OF PAID-UP CAPITAL
11 NECESSARY FOR COOPERATIVES TO QUALIFY FOR THESE ADDITIONAL
12 POWERS

13 3. A PRIMARY FINANCIAL SERVICE COOPERATIVE IS EMPOWERED TO
14 PURSUE ITS ACTIVITIES IN THE CITY OR PROVINCE THAT THE COOPERATIVE
15 HAS DESIGNATED AS ITS PRINCIPAL OFFICE, AND TO OPERATE BRANCHES
16 WITHIN THE CITY OR PROVINCE WHERE ITS PRINCIPAL OFFICE IS LOCATED.
17 PROVIDED, THAT THE OPENING OF BRANCHES MUST HAVE THE PRIOR
18 APPROVAL OF THE FINANCIAL SERVICE COOPERATIVE FEDERATION OF
19 WHICH IT IS A MEMBER. OPENING OR SETTING UP OF BRANCHES IN A CITY OR
20 PROVINCE OTHER THAN WHERE THE PRINCIPAL OFFICE IS LOCATED SHALL
21 REQUIRE THE APPROVAL OF THE FINANCIAL SERVICE COOPERATIVE
22 FEDERATION AND THE AUTHORITY.

23 4. A FINANCIAL SERVICE COOPERATIVE FEDERATION SHALL HAVE THE
24 FOLLOWING FUNCTIONS:

25 (A) DEVELOP AND PROVIDE SERVICES FOR THE BENEFIT OF ITS
26 AFFILIATES AND THEIR MEMBERS, INCLUDING THOSE
27 FUNCTIONS/SERVICES ENUMERATED UNDER PARAGRAPH 2
28 HEREOF;

29 (B) SEE TO THE ORDERLY DEVELOPMENT OF ITS NETWORK;

30 (C) ESTABLISH AND ADMINISTER FUNDS SUCH AS LIQUIDITY
31 FUND, LOAN FUND, INVESTMENT FUND, STABILIZATION
32 FUND AND OTHER FUNDS;

33 (D) DEFINE COMMON OBJECTIVES FOR THE NETWORK AND TO
34 COORDINATE ITS ACTIVITIES; AND

35 (E) ACT AS A SUPERVISORY BODY OVER FINANCIAL SERVICE
36 COOPERATIVES THAT ARE ITS MEMBERS, TO THE EXTENT
37 PROVIDED FOR IN THIS ACT.

1 NOTWITHSTANDING ARTICLE 24 OF THIS CODE, A MINIMUM OF FIFTY (50)
2 MEMBER PRIMARY FINANCIAL SERVICE COOPERATIVES WITH FIVE MILLION
3 (P5,000,000.00) PESOS PAID-UP CAPITAL IS REQUIRED FOR A FINANCIAL
4 SERVICE COOPERATIVE FEDERATION TO BE REGISTERED: PROVIDED, THAT A
5 FEDERATION MUST HAVE AT LEAST ONE HUNDRED (P100,000.00) MILLION
6 PESOS IN TOTAL ASSETS WITHIN THREE (3) YEARS AFTER ITS REGISTRATION.
7 PROVIDED, FURTHER, THAT COOPERATIVE FEDERATIONS ENGAGED IN
8 SAVINGS, CREDIT AND OTHER RELATED FINANCIAL SERVICES ALREADY
9 REGISTERED AT THE TIME OF THE APPROVAL OF THIS ACT SHALL BE GIVEN
10 THREE (3) YEARS FROM SUCH APPROVAL TO COMPLY WITH THE REQUIRED
11 MINIMUM NUMBER OF MEMBERS, PAID-UP CAPITAL AND TOTAL ASSETS.
12 EXCEPT WHERE INCOMPATIBLE, THE PROVISIONS OF THIS CHAPTER AND THE
13 REGULATIONS MADE THEREUNDER SHALL LIKEWISE APPLY TO FINANCIAL
14 SERVICE COOPERATIVE FEDERATIONS.

15 5. NOTHING IN THIS ARTICLE SHALL BE CONSTRUED AS PRECLUDING A
16 FINANCIAL SERVICE COOPERATIVE OR A FINANCIAL SERVICE COOPERATIVE
17 FEDERATION FROM PROVIDING FOR THEIR MEMBERS, UPON PRIOR
18 APPROVAL OF THE AUTHORITY AND, IF NECESSARY, THE MONETARY BOARD,
19 FINANCIAL SERVICES THAT ARE PERFORMED BY BANKS.

20 **ART. [112.] 129. Organization and Registration.** – FINANCIAL SERVICE
21 [credit] cooperatives shall be organized and registered in accordance with the general
22 provisions of this Code[.] AND SHALL INDICATE IN THEIR APPLICATION FOR
23 REGISTRATION IF THEY WILL ENGAGE IN SAVINGS AND CREDIT AND OTHER
24 RELATED FINANCIAL SERVICE OPERATIONS. COOPERATIVES, INCLUDING
25 CREDIT AND MULTI-PURPOSE COOPERATIVES EXISTING AT THE TIME OF THE
26 EFFECTIVITY OF THIS ACT THAT INTEND OR WISH TO CONTINUE THEIR
27 SAVINGS AND CREDIT AND OTHER RELATED FINANCIAL SERVICE OPERATIONS
28 SHALL FORMALLY INFORM THE AUTHORITY OF SUCH OPERATIONS WITHIN
29 ONE (1) YEAR FROM THE EFFECTIVITY OF THIS ACT. ALL FINANCIAL SERVICE
30 COOPERATIVES SHALL SUBMIT A SEPARATE ANNUAL AUDITED FINANCIAL
31 REPORT FOR THEIR FINANCIAL SERVICE OPERATIONS TO THE AUTHORITY.
32 OTHERWISE, THE AUTHORITY SHALL ORDER THE SUSPENSION OF THE
33 FINANCIAL SERVICE OPERATIONS OF THE COOPERATIVE: PROVIDED, THAT IN
34 THE CASE OF A COOPERATIVE OTHER THAN A FEDERATION, IT MUST ALSO
35 SUBMIT A CERTIFIED COPY OF THE RESOLUTION OF THE BOARD OF
36 DIRECTORS OF A NATIONAL FEDERATION COMMITTING TO ACCEPT THE
37 COOPERATIVE AS A MEMBER. AT THE ORGANIZATIONAL MEETING, THE
38 FOUNDING MEMBERS OF A COOPERATIVE OR LOCAL FEDERATION MUST PASS

1 A RESOLUTION RATIFYING THE MEMBERSHIP OF THE COOPERATIVE WITH THE
2 FINANCIAL SERVICE COOPERATIVE FEDERATION THAT HAS UNDERTAKEN TO
3 ACCEPT IT AS A MEMBER: PROVIDED, FURTHER, THAT IN THE CASE OF A
4 FEDERATION, IT MUST ALSO SUBMIT A CERTIFIED COPY OF THE RESOLUTION
5 OF EACH OF THE FOUNDING COOPERATIVES. THE AUTHORITY MAY REQUIRE
6 REASONABLE ADDITIONAL DOCUMENTS OR INFORMATION FOR THE
7 EXAMINATION OF THE APPLICATION.

8 [ART. 113. Organizational Linkage. – Credit cooperatives may organize chapters or
9 subsidiaries, or join leagues and federations for the purpose of providing commonly
10 needed essential services including but not limited to the following:

- 11 (1) Interlending of surplus fund;
- 12 (2) Mutual benefits;
- 13 (3) Deposit guarantee;
- 14 (4) Bonding;
- 15 (5) Education and training;
- 16 (6) Professional and technical assistance;
- 17 (7) Research and development;
- 18 (8) Representation; and
- 19 (9) Other services needed to improve their performance.

20 Existing support organizations such as federations of credit cooperatives, credit
21 cooperatives at the provincial, regional and national levels may continue as such under
22 this Code.]

23 **Art. [113] 130. MEMBERSHIP AND AFFILIATION.** – (1) A FINANCIAL
24 SERVICE COOPERATIVE MAINTAINS TWO TYPES OF MEMBERS:

- 25 (A) REGULAR MEMBERS, WHO ARE NATURAL PERSONS; AND
- 26 (B) ASSOCIATE MEMBERS, WHO ARE NATURAL PERSONS NOT
27 COMPLYING WITH THE REQUIREMENTS FOR MEMBERSHIP OR THE
28 COMMON CHARACTERISTICS SET OUT IN THE ARTICLES OF
29 COOPERATION AND BYLAWS OR WHO ARE LEGAL PERSONS. ALL
30 ASSOCIATE MEMBERS SHALL ONLY HAVE THE RIGHT TO MAKE
31 DEPOSITS AND TO BORROW TO THE EXTENT OF THEIR
32 SHAREHOLDINGS AND DEPOSITS.

33 MINORS AND PERSONS WITHOUT THE LEGAL CAPACITY TO
34 CONTRACT MAY ONLY BECOME ASSOCIATE MEMBERS:
35 PROVIDED, THAT MINORS WHO ARE MEMBERS MAY OPEN
36 ACCOUNTS, DEPOSIT FUNDS IN AND WITHDRAW FROM THEIR
37 ACCOUNT, SUBJECT TO THE BY-LAWS AND RULES OF THE
38 COOPERATIVE AND THE FEDERATION OF WHICH THE

1 COOPERATIVE IS A MEMBER, AND THE RULES AND REGULATIONS
2 OF THE AUTHORITY, NOTWITHSTANDING THE PROVISIONS OF
3 EXISTING LAWS TO THE CONTRARY.

4 (2) ONLY FINANCIAL SERVICE COOPERATIVES MAY BE REGULAR
5 MEMBERS OF A FINANCIAL SERVICE COOPERATIVE FEDERATION. ANY OTHER
6 COOPERATIVE OR ANY NON-STOCK, NON-PROFIT ORGANIZATION AS MAY BE
7 RECOMMENDED BY A MEMBER COOPERATIVE MAY ALSO BE ADMITTED AS AN
8 ASSOCIATE MEMBER OF A FINANCIAL SERVICE COOPERATIVE FEDERATION.

9 (3) EVERY FINANCIAL SERVICE COOPERATIVE MUST BE A MEMBER OF
10 ONLY ONE (1) FINANCIAL SERVICE COOPERATIVE FEDERATION: PROVIDED,
11 THAT ALL UNAFFILIATED FINANCIAL SERVICE COOPERATIVES ALREADY
12 REGISTERED AT THE TIME THIS LAW TAKES EFFECT SHALL BE GIVEN TWO (2)
13 YEARS WITHIN WHICH TO BECOME A MEMBER OF ONE (1) FINANCIAL SERVICE
14 COOPERATIVE FEDERATION: PROVIDED, FURTHER, THAT ALL REGISTERED
15 FINANCIAL SERVICE COOPERATIVES, WHICH ARE MEMBERS OF MORE THAN
16 ONE (1) FINANCIAL SERVICE FEDERATION SHALL BE GIVEN TWO (2) YEARS
17 WITHIN WHICH TO CHOOSE ONE (1) FINANCIAL SERVICE COOPERATIVE
18 FEDERATION OF WHICH IT SHALL CONTINUE TO BE A MEMBER: PROVIDED,
19 FINALLY, THAT OTHER REGISTERED COOPERATIVES COVERED BY THIS
20 CHAPTER MAY STILL AFFILIATE WITH FEDERATIONS OTHER THAN FINANCIAL
21 SERVICE COOPERATIVE FEDERATIONS.

22 **ART. 131. REGULATION AND SUPERVISION OF FINANCIAL SERVICE**
23 **COOPERATIVES.** – THE AUTHORITY SHALL HAVE OVERALL SUPERVISION OVER
24 THE OPERATIONS AND EXERCISE REGULATORY POWERS OVER FINANCIAL
25 SERVICE COOPERATIVES AS FOLLOWS:

26 1. ISSUE RULES AND REGULATIONS FOR THE SAFE AND SOUND
27 CONDUCT OF OPERATIONS OF FINANCIAL SERVICE COOPERATIVES;

28 2. PRESCRIBE RATIOS, CEILINGS, LIMITATIONS, OR OTHER FORMS OF
29 REGULATION ON THE DIFFERENT TYPES OF ACCOUNTS AND PRACTICES OF
30 FINANCIAL SERVICE COOPERATIVES WHICH SHALL, UP TO THE EXTENT
31 POSSIBLE, CONFORM TO INTERNATIONALLY ACCEPTED STANDARDS;

32 3. ESTABLISH STANDARDS OF OPERATION FOR UNIFORM APPLICATION
33 TO ALL FINANCIAL SERVICE COOPERATIVES;

34 4. CONDUCT REGULAR EXAMINATION OF THE BOOKS OF ACCOUNTS,
35 RECORDS AND OTHER DOCUMENTS OF FINANCIAL SERVICE COOPERATIVES;

36 5. OVERSEE TO ASCERTAIN THAT EXISTING LAWS AND REGULATIONS
37 ARE COMPLIED WITH;

1 6. INVESTIGATE TO DETERMINE WHETHER A FINANCIAL SERVICE
2 COOPERATIVE IS CONDUCTING ITS BUSINESS ON A SAFE AND SOUND BASIS;

3 7. INQUIRE INTO THE SOLVENCY AND LIQUIDITY OF A FINANCIAL
4 SERVICE COOPERATIVE;

5 8. SELECT, DESIGNATE AND DEPUTIZE FEDERATIONS, THROUGH AN
6 APPROVED ACCREDITATION CRITERIA, THAT WILL SUPERVISE PRIMARY
7 FINANCIAL SERVICE COOPERATIVES AND ISSUE BASIC GUIDELINES
8 THEREFOR;

9 9. ACCREDIT EXTERNAL AUDITORS AND ISSUE GUIDELINES FOR AUDIT;

10 10. PROVIDE REMEDIAL MEASURES IN THE OPERATIONS OF
11 DISTRESSED PRIMARY FINANCIAL SERVICE COOPERATIVES AT THE REQUEST
12 OF THE DEPUTIZED SUPERVISOR OR WHEN THE DEPUTIZED SUPERVISOR
13 FAILS TO PERFORM ITS FUNCTIONS; AND

14 11. REQUIRE THE SUBMISSION OF RELEVANT REPORTS FROM THE
15 DEPUTIZED SUPERVISOR.

16 THE AUTHORITY MAY ORDER A COOPERATIVE OR FEDERATION TO
17 CEASE AND DESIST FROM TAKING ANY ACTION THAT DOES NOT ADHERE TO
18 SOUND AND PRUDENT MANAGEMENT PRACTICES OR ARE INCONSISTENT
19 WITH THE PROVISIONS OF THIS CODE, TO OTHER APPLICABLE COOPERATIVE
20 LAWS, RULES, REGULATIONS, CIRCULARS OR ORDERS AS MAY BE ISSUED BY
21 THE AUTHORITY. THE AUTHORITY SHALL REQUIRE THE COOPERATIVE
22 CONCERNED TO UNDERTAKE CORRECTIVE OR REMEDIAL MEASURES
23 RELATIVE THERETO.

24 **ART. 132. FEDERATIONS AS DEPUTIZED SUPERVISORS.** - SUBJECT TO
25 THE RULES AND REGULATIONS AS MAY ISSUED BY THE AUTHORITY,
26 FINANCIAL SERVICE COOPERATIVE FEDERATIONS MAY BE DEPUTIZED BY THE
27 AUTHORITY TO SUPERVISE, EXAMINE AND REGULARLY MONITOR THE
28 FINANCIAL PERFORMANCE OF AND COMPLIANCE BY THEIR MEMBER
29 FINANCIAL SERVICE COOPERATIVES WITH THE PROVISIONS OF THIS CODE,
30 OTHER COOPERATIVE LAWS AND THE RULES AND REGULATIONS, CIRCULARS,
31 ORDERS AND LEGAL ISSUANCES AS MAY BE ISSUED BY THE AUTHORITY:
32 PROVIDED, THAT SUCH FEDERATION HAS DIRECT ACCESS TO THE PRIMARY
33 FINANCIAL SERVICE COOPERATIVE: PROVIDED, FURTHER, THAT SUCH
34 FEDERATION HAS PASSED THE AUTHORITY'S ACCREDITATION CRITERIA FOR
35 DEPUTIZED SUPERVISORS.

36 ALL FINANCIAL SERVICE COOPERATIVES, INCLUDING MULTI-PURPOSE
37 AND OTHER COOPERATIVES ENGAGED IN SAVINGS, CREDIT AND OTHER
38 RELATED FINANCIAL SERVICES MUST BE A MEMBER OF ONLY ONE (1)

1 DEPUTIZED FEDERATION: PROVIDED, THAT ALL UNAFFILIATED
2 COOPERATIVES, ALREADY REGISTERED AT THE TIME THIS LAW TAKES
3 EFFECT SHALL BE GIVEN TWO (2) YEARS WITHIN WHICH TO BECOME A
4 MEMBER OF A FEDERATION THAT HAS BEEN DEPUTIZED AS SUPERVISOR BY
5 THE AUTHORITY: PROVIDED, FURTHER, THAT ALL REGISTERED FINANCIAL
6 SERVICE COOPERATIVES, INCLUDING MULTI-PURPOSE AND OTHER
7 COOPERATIVES ENGAGED IN SAVINGS, CREDIT AND OTHER RELATED
8 FINANCIAL SERVICES THAT ARE MEMBERS OF MORE THAN ONE (1) DEPUTIZED
9 FEDERATION SHALL BE GIVEN TWO (2) YEARS TO CHOOSE ONLY ONE (1)
10 DEPUTIZED FEDERATION OF WHICH IT SHALL CONTINUE TO BE A MEMBER.

11 **ART. 133. FUNCTIONS AND POWERS OF DEPUTIZED COOPERATIVE**
12 **FEDERATIONS.** - IN ADDITION TO THE POWERS IT MAY EXERCISE UNDER THIS
13 ACT, A COOPERATIVE FEDERATION THAT HAS BEEN DEPUTIZED AS
14 SUPERVISOR BY THE AUTHORITY MAY:

15 (1) ISSUE ADDITIONAL STANDARDS FOR ITS MEMBER-COOPERATIVES IN
16 ACCORDANCE WITH THE RULES, REGULATIONS AND STANDARDS TO BE
17 ISSUED BY THE AUTHORITY;

18 (2) EXERCISE BOTH ON-SITE AND OFF-SITE SUPERVISORY POWERS
19 OVER THE MEMBER-COOPERATIVES;

20 (3) PROVIDE REMEDIAL ASSISTANCE IN THE OPERATIONS AND
21 MANAGEMENT OF THE MEMBER FINANCIAL SERVICE COOPERATIVE WHEN IT
22 FAILS TO PERFORM AS DESIRED;

23 (4) PROVIDE COMPTROLLERSHIP AND RECEIVERSHIP FUNCTION WHEN
24 NECESSARY UPON THE AUTHORITY OF AND WHEN SO APPOINTED BY THE
25 AUTHORITY;

26 (5) ACT, UPON THE APPROVAL OF THE AUTHORITY, AS THE TEMPORARY
27 OR PROVISIONAL ADMINISTRATOR OR AS THE LIQUIDATOR OF A MEMBER
28 COOPERATIVE;

29 (6) ACT AS THE LIQUIDATOR OR SEQUESTRATOR FOR THE
30 PERFORMANCE OF AN OBLIGATION SECURED BY A MORTGAGE UPON THE
31 AUTHORITY OF AND WHEN SO APPOINTED BY THE AUTHORITY; AND

32 (7) TRANSMIT RELEVANT AND REQUIRED INFORMATION REGARDING
33 THE OPERATIONS AND PERFORMANCE OF MEMBER-COOPERATIVES TO THE
34 AUTHORITY.

35 SUBJECT TO THE APPROVAL OF THE AUTHORITY, THE DEPUTIZED
36 FEDERATION SHALL IMPOSE REASONABLE FEES TO DEFRAY COST OF
37 SUPERVISION AND EXAMINATION. A COOPERATIVE IS BOUND TO PAY THE
38 ASSESSMENTS OF THE FEDERATION OF WHICH IT IS A MEMBER.

1 COOPERATIVES SHALL FURNISH TO THE FEDERATION OF WHICH THEY ARE A
2 MEMBER ANY REPORT THAT THE FEDERATION MAY REQUIRE PURSUANT TO
3 ITS STANDARDS TO DETERMINE THE AMOUNT OF ASSESSMENTS.

4 THE AUTHORITY SHALL ISSUE THE NECESSARY GUIDELINES FOR THE
5 OPERATIONS OF FEDERATIONS THAT HAVE BEEN DEPUTIZED AS
6 SUPERVISORS. THE FEDERATIONS IN THE EXERCISE OF THEIR SUPERVISORY
7 POWERS AND FUNCTIONS SHALL FOLLOW SUCH GUIDELINES.

8 THE AUTHORITY SHALL CONDUCT MONITORING AND EVALUATION OF
9 THE PERFORMANCE AND OPERATIONS OF FINANCIAL SERVICE
10 COOPERATIVES SUBJECT TO SUPERVISION BY A DEPUTIZED SUPERVISOR TO
11 DETERMINE COMPLIANCE BY SUCH DEPUTIZED SUPERVISOR TO THE
12 ESTABLISHED GUIDELINES AND PROCEDURES FOR SUPERVISION.

13 **ART. 134. CREATION OF A FINANCIAL SERVICE COOPERATIVE**
14 **REGULATORY AND SUPERVISION OFFICE.** - WITHIN SIX (6) MONTHS FROM
15 THE APPROVAL OF THIS ACT, THE APPROPRIATE OFFICE OR DEPARTMENT
16 WITHIN THE AUTHORITY SHALL BE CREATED FOR THE EFFECTIVE
17 REGULATION AND SUPERVISION OF FINANCIAL SERVICE COOPERATIVES.
18 SAID OFFICE SHALL IMPLEMENT THE REGULATIONS, RULES, POLICIES,
19 GUIDELINES AND STANDARDS APPLICABLE SOLELY TO FINANCIAL SERVICE
20 COOPERATIVES AND DEPUTIZED FEDERATIONS INSOFAR AS THEIR SAVINGS,
21 CREDIT AND OTHER RELATED FINANCIAL SERVICES ARE CONCERNED.

22 THE REGULATION AND SUPERVISION OFFICE SHALL, AT LEAST ONCE A
23 YEAR, INSPECT OR COMMISSION THE INSPECTION OF THE INTERNAL AFFAIRS
24 AND THE ACTIVITIES OF THE DEPUTIZED FEDERATIONS.

25 THE PURPOSE OF THE ANNUAL INSPECTION IS TO EVALUATE THE
26 OPERATIONS AND PRACTICES AND THE INTERNAL CONTROL SYSTEMS OF
27 THE FINANCIAL SERVICE COOPERATIVES AND DEPUTIZED FEDERATIONS, TO
28 VERIFY THE ACCURACY OF THEIR FINANCIAL STATEMENTS AND TO ENSURE
29 THAT THEY ARE COMPLYING WITH THIS ACT, THE REGULATIONS, THE BY-
30 LAWS, THE STANDARDS AND THE WRITTEN INSTRUCTIONS APPLICABLE TO
31 THEM UNDER THIS CHAPTER.

32 **ART. 135. SAVINGS GUARANTEE.** - ALL FINANCIAL SERVICE
33 COOPERATIVES SHALL BE REQUIRED TO ESTABLISH A SAVINGS GUARANTEE
34 SYSTEM FOR THE PROTECTION OF THEIR MEMBER-DEPOSITORS WITHIN
35 THREE (3) YEARS FROM THE APPROVAL OF THIS ACT.

36 THE PHILIPPINE DEPOSIT INSURANCE CORPORATION (PDIC), THE
37 AUTHORITY AND OTHER GOVERNMENT AGENCIES, GOVERNMENT OWNED OR
38 CONTROLLED CORPORATIONS AND GOVERNMENT FINANCIAL INSTITUTIONS

1 SHALL PROVIDE TECHNICAL AND OTHER ASSISTANCE, AS MAY BE ALLOWED
2 BY THEIR CHARTERS, TO FINANCIAL SERVICE COOPERATIVE FEDERATIONS IN
3 ORDER FOR THESE FEDERATIONS TO JOINTLY OR SINGLY ESTABLISH AND/OR
4 STRENGTHEN THEIR OWN COOPERATIVE SAVINGS GUARANTEE SYSTEM. THE
5 TECHNICAL ASSISTANCE TO BE PROVIDED SHALL INCLUDE TRAINING ON
6 SUPERVISION AND EXAMINATION.

7 **ART. 136. AMENDMENTS OF BY-LAWS OF COOPERATIVES AND**
8 **FEDERATIONS** - ALL FINANCIAL SERVICE COOPERATIVES, FINANCIAL SERVICE
9 COOPERATIVE FEDERATIONS AND OTHER COOPERATIVES COVERED BY THIS
10 ACT SHALL, WITHIN TWO (2) YEARS FROM ITS APPROVAL, AMEND THEIR
11 ARTICLES OF COOPERATION AND BY-LAWS TO CONFORM TO THIS ACT, AND
12 SUBMIT THE SAME TO THE AUTHORITY AND TO THE NATIONAL FEDERATION
13 OF WHICH THEY ARE A MEMBER.

14 **ART. 137. JURISDICTION OVER FINANCIAL SERVICE COOPERATIVES -**
15 COOPERATIVES COVERED BY THIS ACT AS DEFINED UNDER ARTICLE 127
16 HEREOF ARE NOT COVERED BY REPUBLIC ACT NO. 8791, OTHERWISE KNOWN
17 AS THE GENERAL BANKING LAW OF 2000, AND OTHER BANKING LAWS AND
18 ARE NOT UNDER THE REGULATION AND SUPERVISION OF THE BANGKO
19 SENTRAL NG PILIPINAS.

20 **ART. [114] 138. Prohibition.** – The term “credit cooperative”, “SAVINGS AND
21 CREDIT COOPERATIVE”, AND “FINANCIAL SERVICE COOPERATIVE” shall be used
22 exclusively by those who are duly registered under this Chapter, and no person or
23 group of persons, or organizations shall use the said term unless duly registered herein.

24 SEC. 16. Articles 115, 116, 117 and 118 of Chapter XV on Special Provisions
25 Relating to Cooperative Insurance Societies of the same Code are hereby re-numbered
26 as follows:

27 CHAPTER XV

28 SPECIAL PROVISIONS RELATING TO COOPERATIVE INSURANCE SOCIETIES

29 **ART. [115] 139. Cooperative Insurance Societies.** – x x x

30 **ART. [116] 140. Types of Insurance Provided.** – x x x

31 **ART. [117] 141. Applicability of Insurance Laws.** – x x x

32 **ART. [118] 142. Implementing Rules.** - x x x

33 SEC. 17. Chapter XVI on Miscellaneous Provisions of the same
34 Code is hereby re-titled as Special Provisions Relating to Housing Cooperatives, and
35 shall now read as follows:

36 CHAPTER XVI

37 SPECIAL PROVISIONS RELATING TO HOUSING COOPERATIVES

1 **ART. 143. COVERAGE** – THIS CHAPTER SHALL APPLY ONLY TO HOUSING
2 COOPERATIVES AND THE REST OF THE PROVISIONS OF THIS CODE SHALL
3 APPLY TO THEM INsofar AS THE SAME ARE NOT INCONSISTENT WITH THE
4 PROVISIONS OF THIS CHAPTER.

5 **ART. 144. DEFINITION AND OBJECTIVES.** – HOUSING COOPERATIVES ARE
6 SERVICE COOPERATIVES ENGAGED IN ASSISTING OR PROVIDING ACCESS TO
7 HOUSING FOR THE BENEFIT OF ITS REGULAR MEMBERS WHO ACTIVELY
8 PARTICIPATE IN THE SAVINGS PROGRAM FOR HOUSING. IT IS OWNED AND
9 DEMOCRATICALLY CONTROLLED BY ITS MEMBERS. A COOPERATIVE IS
10 DISTINGUISHED FROM OTHER HOUSING ASSOCIATIONS BY ITS OWNERSHIP
11 STRUCTURE AND ITS COMMITMENT TO THE UNIVERSALLY ADOPTED
12 COOPERATIVE PRINCIPLES AND VALUES.

13 HOUSING COOPERATIVES AIM TO MEET THEIR MEMBERS' NEEDS FOR
14 AFFORDABLE AND GOOD QUALITY HOUSING, SECURITY OF TENURE, AND
15 SAFE, SECURE NEIGHBORHOODS. THEY ALSO WORK TO CREATE
16 ENVIRONMENTS WHERE MEMBERS GIVE AND RECEIVE SUPPORT BEYOND
17 THEIR SHELTER NEEDS AND TREAT EACH OTHER WITH RESPECT AND
18 TOLERANCE.

19 **ART. 145. ORGANIZATION AND REGISTRATION.** – (1) A PRIMARY
20 HOUSING COOPERATIVE MAY BE ORGANIZED AND REGISTERED BY AT LEAST
21 FIFTEEN (15) NATURAL PERSONS. A PRIMARY HOUSING COOPERATIVE
22 GUARANTEES ITS MEMBERS THROUGH A CERTIFICATE OR TITLE OF PART-
23 OWNERSHIP, PERPETUAL LIVING RIGHTS IN A DWELLING HOUSE OR UNIT
24 OWNED BY THE PRIMARY. ONLY MEMBERS OF THE PRIMARY COOPERATIVE
25 CAN ACQUIRE SUCH LIVING RIGHTS.

26 (2) A HOUSING COOPERATIVE FEDERATION MAY BE ORGANIZED AND
27 REGISTERED BY AT LEAST FIVE (5) PRIMARY HOUSING COOPERATIVES.

28 (3) HOUSING COOPERATIVES, BOTH PRIMARIES AND FEDERATIONS,
29 MAY BE ORGANIZED FOR ANY OR ALL OF THE FOLLOWING PURPOSES:

- 30 (A) INITIATE AND DEVELOP A SAVINGS PROGRAM TO ENABLE
31 MEMBERS TO SAVE FOR THEIR HOUSING NEEDS;
32 (B) PROVIDE FOR MEMBERS' NEEDS FOR AFFORDABLE AND
33 GOOD QUALITY HOUSING, SECURITY OF TENURE AND SAFE
34 NEIGHBORHOODS;
35 (C) ACQUIRE, OWN AND DEVELOP LAND, BUILDINGS AND
36 PROPERTIES IN FURTHERANCE OF ITS OBJECTIVES;

- 1 (D) ENTER INTO CONTRACTS WITH GOVERNMENT AND OTHER
2 PRIVATE ENTITIES FOR FINANCING AND CONSTRUCTING
3 THE HOUSING PROJECT;
4 (E) SUSTAIN THE HOUSING PROJECT AND UNDERTAKE
5 COMMUNITY-BUILDING AND SITE-DEVELOPMENT ACTIVITIES;
6 (F) UNDERTAKE EDUCATION, TRAINING AND INFORMATION
7 COMMUNICATION ACTIVITIES TO HELP THE MEMBERS
8 DEEPEN THEIR COMMITMENT TO COOPERATIVISM, FULFILL
9 THEIR RESPONSIBILITIES AND DEVELOP THE COOPERATIVE
10 (G) ADVOCATE AND PROMOTE HOUSING COOPERATIVES,
11 ESPECIALLY IN THE AREA WHERE THE COOPERATIVE IS
12 OPERATING; AND
13 (H) PERFORM SUCH OTHER FUNCTIONS AS MAY BE
14 NECESSARY TO ATTAIN ITS OBJECTIVES.

15 (4) HOUSING COOPERATIVE FEDERATIONS MAY BE ORGANIZED FOR
16 ANY OR ALL OF THE FOLLOWING ADDITIONAL PURPOSES:

- 17 (A) FORM AND REGISTER PRIMARIES FOR HOUSING PROJECTS
18 THAT THE FEDERATION IS DEVELOPING;
19 (B) CARRY OUT, ENCOURAGE AND ASSIST EDUCATIONAL
20 AND ADVISORY WORK RELATING TO ITS MEMBER
21 COOPERATIVES;
22 (C) PROVIDE TECHNICAL AND OTHER SERVICES DESIGNED TO
23 ENCOURAGE EFFECTIVENESS, EFFICIENCY AND ECONOMY
24 IN THE CONDUCT OF THE BUSINESS OF ITS MEMBER
25 COOPERATIVES;
26 (D) COORDINATE AND FACILITATE THE ACTIVITIES OF ITS
27 MEMBER ORGANIZATIONS; AND
28 (E) REPRESENT THEIR MEMBER- COOPERATIVES AND
29 INDIVIDUAL MEMBERS ON MATTERS THAT AFFECT THEIR
30 INTERESTS.

31 **ART. 146. MEMBERSHIP IN A FEDERATION.** – INDIVIDUAL PERSONS ARE
32 ALLOWED TO BECOME MEMBERS OF THE HOUSING COOPERATIVE
33 FEDERATION: PROVIDED, THAT THEY ACTIVELY PARTICIPATE IN THE SAVINGS
34 PROGRAM FOR HOUSING OF THE FEDERATION.

35 **ART. 147. TYPES OF HOUSING COOPERATIVES AND CERTIFICATES OF**
36 **PART OWNERSHIP.** - HOUSING COOPERATIVES MAY BE OF TWO (2) TYPES:

1 (1) A HOUSING COOPERATIVE THAT ALLOWS INDIVIDUAL OWNERSHIP
2 OF HOUSING UNITS AND MAINTAINS OWNERSHIP ONLY OF THE
3 COMMON AREAS.

4 (B) A HOUSING COOPERATIVE THAT MAINTAINS OWNERSHIP OF THE
5 HOUSING UNITS INCLUDING THE COMMON AREAS. IN THIS TYPE,
6 THE COOPERATIVE GRANTS AND GUARANTEES ITS MEMBERS,
7 THROUGH A CERTIFICATE OF PART-OWNERSHIP, PERPETUAL
8 OCCUPANCY RIGHT IN A DWELLING HOUSE OR UNIT OWNED BY
9 THE PRIMARY. ONLY MEMBERS OF THE PRIMARY CAN
10 ACQUIRE SUCH OCCUPANCY RIGHT. SUCH RIGHT AND
11 CERTIFICATE OF PART-OWNERSHIP SHALL BE TRANSFERABLE
12 SUBJECT TO THE BY-LAWS AND RULES OF THE HOUSING
13 COOPERATIVE. THE PROVISIONS ON CO-OWNERSHIP IN THE CIVIL
14 CODE SHALL NOT APPLY TO HOUSING COOPERATIVES OF THIS
15 TYPE.

16 UPON REGISTRATION OF AN INSTRUMENT COVERING THE GRANT OF
17 SUCH OCCUPANCY RIGHT, THE REGISTER OF DEEDS SHALL, UPON PAYMENT
18 OF THE PROPER FEES, ENTER AND ANNOTATE THE GRANT ON THE
19 CERTIFICATE OF TITLE COVERING THE LAND ON WHICH THE HOUSING UNIT IS
20 LOCATED, AND THE GRANTEE SHALL BE ENTITLED TO THE ISSUANCE OF A
21 "HOUSING COOPERATIVE MEMBER'S" COPY OF THE PERTINENT PORTION OF
22 SUCH CERTIFICATE OF TITLE. A COPY OF THE DESCRIPTION OF THE LAND, A
23 BRIEF DESCRIPTION OF THE HOUSING UNIT, THE NAME AND PERSONAL
24 CIRCUMSTANCES OF THE HOUSING COOPERATIVE MEMBER SHALL BE
25 SUFFICIENT FOR THE PURPOSES OF THE "HOUSING COOPERATIVE
26 MEMBER'S" COPY OF THE CERTIFICATE OF TITLE. NO SUBSEQUENT
27 CONVEYANCE OF THE HOUSING UNIT OR PART THEREOF SHALL BE
28 REGISTERED UNLESS ACCOMPANIED BY A CERTIFICATE OF APPROVAL FROM
29 THE MANAGEMENT OF THE HOUSING COOPERATIVE.

30 **ART. 148. PREFERENTIAL RIGHTS.** – A DULY REGISTERED HOUSING
31 COOPERATIVE SHALL HAVE THE FOLLOWING PREFERENTIAL RIGHTS IN
32 ADDITION TO THOSE PROVIDED IN THIS CODE:

33 (1) TO AVAIL OF THE COMMUNITY MORTGAGE PROGRAM AS A
34 LEGALLY ORGANIZED ASSOCIATION WITH UNDERPRIVILEGED AND
35 HOMELESS CITIZENS AS COOPERATIVE MEMBERS OR ON BEHALF
36 OF SAID CITIZENS IN THE COMMUNITY THE COOPERATIVE SERVES
37 PURSUANT TO THE PERTINENT PROVISIONS OF REPUBLIC ACT

1 NO. 7279, OR THE URBAN DEVELOPMENT AND HOUSING ACT OF
2 1992;

3 (2) TO AVAIL OF THE GROUP LAND ACQUISITION DEVELOPMENT
4 PROGRAM (GLADP) OF THE PAG-IBIG FUND THAT PROVIDES
5 ORGANIZED GROUPS OF PAG-IBIG FUND MEMBERS FOR THE
6 ACQUISITION AND DEVELOPMENT OF RAW OR PARTIALLY
7 DEVELOPED LAND WHICH SHALL SERVE AS THE SITE FOR THEIR
8 HOUSING UNITS;

9 (3) ALL PROJECTS OF HOUSING COOPERATIVES PRIMARILY
10 INTENDED FOR UNDERPRIVILEGED AND HOMELESS MEMBERS
11 SHALL BE CONSIDERED TO BE IN COMPLIANCE WITH THE
12 PROVISION UNDER SEC. 20 OF REPUBLIC ACT NO. 7279, THE
13 URBAN DEVELOPMENT AND HOUSING ACT, ON BALANCED
14 HOUSING DEVELOPMENT, REGARDLESS OF THE COST;

15 (4) HOUSING COOPERATIVES SHALL HAVE PREFERENTIAL RIGHT TO
16 ACQUIRE, LEASE, DEVELOP AND MANAGE IDLE GOVERNMENT
17 LANDS AND BUILDINGS IDENTIFIED FOR HOUSING WITHIN ITS
18 AREA OF OPERATIONS;

19 (5) HOUSING COOPERATIVE PROJECTS SHALL BE RECOGNIZED AS
20 UNITS FOR LIVELIHOOD AND PRODUCTIVITY UNDER REPUBLIC
21 ACT NO. 6657, OTHERWISE KNOWN AS THE COMPREHENSIVE
22 AGRARIAN REFORM LAW OF 1988, FOR MEMBERS WHO ARE
23 AGRARIAN REFORM GRANTEES/BENEFICIARIES; AND

24 (6) HOUSING COOPERATIVES SHALL HAVE THE RIGHT TO AVAIL OF
25 GOVERNMENT TECHNICAL ASSISTANCE, FACILITIES AND
26 EQUIPMENT FOR THE CONSTRUCTION AND MAINTENANCE OF THE
27 COOPERATIVE-OWNED HOUSING PROJECT.

28 **ART. 149. SPECIAL FINANCING WINDOW FOR HOUSING**
29 **COOPERATIVES.**— THE APPROPRIATE HOUSING AGENCIES AND GOVERNMENT
30 FINANCIAL INSTITUTIONS SHALL CREATE A SPECIAL WINDOW FOR FINANCING
31 HOUSING PROJECTS UNDERTAKEN BY HOUSING COOPERATIVES, WITH
32 INTEREST RATES AND TERMS EQUAL TO, OR BETTER THAN THOSE GIVEN FOR
33 SOCIALIZED HOUSING PROJECTS. THIS FINANCING SHALL BE IN THE FORM OF
34 BLANKET LOANS OR LONG-TERM WHOLESALE LOANS TO QUALIFIED
35 COOPERATIVES, WITHOUT NEED FOR INDIVIDUAL PROCESSING. A NEW
36 HOUSING COOPERATIVE MAY AVAIL OF LOANS FROM THIS FINANCING
37 WINDOW IF IT IS GUARANTEED BY A HOUSING COOPERATIVE FEDERATION OR
38 ANOTHER PRIMARY HOUSING COOPERATIVE THAT IS FINANCIALLY STABLE.

1 **ART. [124]156.** Penal Provisions. - The following acts or omissions affecting
2 cooperatives are hereby prohibited:

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

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

21 [(2)](3) x x x

22 (a) x x x

23 (b) x x x

24 (c) x x x

25 (d) x x x

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

34 [(3)] (4) A director, officer or committee member who violates the provisions of
35 Article [47] 46 ON THE [(] [l]Liability of [d]Directors, [o]Officers and [c]Committee
36 [m]Members, Article [50] 49 ON THE [(][d]Disloyalty of a [d]Director), and Article [51]
37 50 ON THE [(]

1 [i]Illegal [u]Use of [c]Confidential [i]Information) shall upon conviction suffer a fine of not
2 less than five thousand pesos (P5,000.00) nor more than five hundred thousand pesos
3 (P500,000.00) or imprisonment of not less than five (5) years but not more than ten
4 (10) years or both at the court's discretion;

5 [(4)] (5) x x x

6 THE FOLLOWING ARE CONSIDERED OFFENSES PUNISHABLE BY THE
7 PENALTY OF IMPRISONMENT OF NOT LESS THAN ONE (1) YEAR NOR MORE
8 THAN FIVE (5) YEARS OR A FINE OF NOT MORE THAN FIFTY (P50,000.00)
9 THOUSAND PESOS OR BOTH AT THE DISCRETION OF THE COURT:

10 (A) OMISSION OR REFUSAL TO FURNISH ANY INFORMATION, REPORT
11 OR OTHER DOCUMENT THAT IS REQUIRED TO BE FURNISHED
12 UNDER THIS CODE;

13 (B) PROVIDING TO THE AUTHORITY INFORMATION, REPORTS OR
14 OTHER DOCUMENTS THAT ARE REQUIRED UNDER THIS CODE
15 WHICH THE PERSON KNOWS TO BE FALSE OR MISLEADING;

16 (C) OMISSION OR REFUSAL TO KEEP A BOOK OR REGISTER
17 REQUIRED UNDER THIS ACT OR TO MAKE A REQUIRED ENTRY
18 THEREIN;

19 (D) MAKING AN ENTRY REQUIRED UNDER THIS CODE IN A BOOK OR
20 REGISTER, WHICH THE PERSON KNOWS TO BE FALSE OR
21 MISLEADING;

22 (E) HINDERING A PERSON WHO, AS PART OF THE PERSON'S DUTIES,
23 IS

24 MAKING AN INSPECTION, AN AUDIT, AN EXAMINATION OR AN
25 INVESTIGATION UNDER THIS CODE;

26 (F) FAILURE TO COMPLY WITH AN ORDER OR WRITTEN
27 INSTRUCTIONS

28 ISSUED OR GIVEN BY THE AUTHORITY;

29 (G) VIOLATION OF THE PROVISIONS REGARDING TRANSACTIONS
30 WITH A RESTRICTED PARTY; AND

31 (H) ABETTING, COUNSELING, ALLOWING, AUTHORIZING OR
32 COMMANDING ANOTHER PERSON TO COMMIT AN OFFENSE
33 PUNISHABLE BY THIS CODE: PROVIDED, THAT, IN CASE THE
34 VIOLATOR IS A COOPERATIVE OR JURIDICAL PERSON, THE
35 PENALTY SHALL BE IMPOSED ON ITS DIRECTORS AND OFFICERS.

36 **ART. [125]157.** Printing and Distribution. - (1) x x x

37 (2) x x x

38 **ART. [126]158.** Interpretation and Construction. - x x x

- 1 (d) Duly audited financial statements for the past two (2) years;
2 (e) List of names of incumbent Board of Directors and their addresses
3 certified by the Board Secretary and attested by the Chairman;
4 (f) Within six (6) months from the registration, the Treasurer in a sworn
5 statement state the authorized share capital, the subscribed share
6 capital of members, the paid-up share capital of member and the
7 amount of paid-up share capital received by the Treasurer; and
8 (g) Bond of Accountable officer.

9
10 **Art. 163. Nature of Registration with the Authority**

11 The cooperative shall comply with the provisions of this Chapter and its
12 by-laws, particularly, but not limited to the following:

- 13
14 (a) Rights, privileges and responsibilities of members whether regular or
15 associate;
16 (b) Rules and procedures of meetings of the General Assembly, Board of
17 Directors and Committee;
18 (c) Qualifications and disqualification for the election of directors, officers
19 and committee members;
20 (d) Election of Directors, Officers and Committee members shall be by
21 District and shall have a term of three (3) years;
22 (e) Allocation and distribution of surplus.

23
24 **Art. 164. Matters Pertaining to the Franchise.**

25
26 The existing franchise issued to electric cooperative by the National
27 Electrification Commission shall be transferred to the electric cooperatives registered
28 by the Authority. An EC heretofore registered with the Authority shall retain its
29 franchise rights. All existing franchise shall be allowed to their full term.

30
31 **Art. 165. Share Capital in the Electric Cooperatives (ECs).**

32
33 The amount of share capital, the names and residences of its members,
34 taking into account their previous equity contributions in their amortization from
35 the time said member-consumer had started paying his electric bill wherein is
36 included a certain amount as contribution to the amortization of loan paid to the
37 NEA up to time said loan has been condoned in June 26, 2001, further

1 including the equity contribution of each member-consumer based on the
2 proportionate share in the 5% reinvestment fund of the ECs.

3
4 That said fact should be set forth in the following Articles of Cooperation
5 to be submitted by the EC within the time enunciated under Article 154 hereof.

6
7 **Art. 166. Effects of Registration of ECs under Republic Act 6938**

8
9 ECs that have been duly registered with the CDA and issued a
10 Certificate of Registration shall, from the date of Registration be covered by
11 the provisions of the Cooperative Code of the Philippines and these Chapter
12 as well as future rules and other issuances. Provided however, that the
13 security of tenure of management and employees shall be respected; including
14 their current terms of employment and compensation and that there will be no
15 diminution of their salaries and benefits.

16
17 By virtue of the principle of non-interference in the management and
18 operation of cooperatives enshrined in Section 1 of R.A 6939 and the
19 underlying principle enshrined in Article 4 (2) of R.A 6938 sayng that
20 cooperatives are democratic organizations and that *their affairs shall be*
21 *administered by persons elected or appointed in a manner agreed upon by the*
22 *members, EC's registered under this code, the President does not have the*
23 *authority to appoint or remove members of the Board of Directors of all*
24 *cooperatives including Electric Cooperatives registered under this Code.*
25 *Furthermore, upon the registration of an Electric Cooperative in the Authority,*
26 *the power of regulation, control and supervision of the NEA shall cease to*
27 *exist.*

28
29 **Art. 167. Tax Exemption.**

30 Electric Cooperatives registered with the Authority shall not be subject to
31 any government taxes or fees, whether local or national as well those imposed
32 under the Internal Revenue laws and other tax laws, including but not limited to
33 the Value Added Tax.

34
35 **Art. 168. Existing Rights and Interests:**

36 Existing rights and interests of electric cooperatives shall not be adversely
37 affected by registration with the Authority and shall continue to be in full force
38 and effect.

1
2 **Art. 169. General Provisions**

3
4 (a) The Registration of ECs under R.A. 6938 shall not be considered
5 as a change in the nature of the ECs, nor any change in the
6 ownership of the assets of said ECs.

7
8 (b) ECs registered by the CDA shall be given a period of two (2)
9 years from the date of registration to file their Articles of
10 Cooperation and By-laws in conformity with the provisions of R.A.
11 6938.

12
13 However, should the ECs fail to comply within two (2) years, they may
14 be given another year within which to comply submission of requirements,
15 given meritorious reason and duly supported by Board Resolution. The Board
16 of Administrators may grant another extension. Failure to comply with the
17 requirements above shall be a ground for the cancellation of the registration.

18
19 (c) ECs are hereby given two (2) years from the effectivity of this Act
20 to register with the Authority under R.A. 6938. After the lapse of
21 the aforesaid period, such cooperative shall undergo the
22 required procedure for Registration of a new cooperative,
23 including the submission of an economic survey.

24
25 **Art. 170. Cooperative Name**

26 Electric Cooperatives not registered with the Authority under this Chapter shall
27 be barred from using the word "cooperative".

28
29 **Art. 171. Issuance of Rules/Guidelines.**

30 The Authority after consultation with duly registered electric cooperatives, may
31 issue such rules/guidelines as may be necessary under this Chapter

32
33 **ART. [128] 172. Transitory Provisions. - (1) ALL COOPERATIVES**
34 **PREVIOUSLY REGISTERED WITH THE AUTHORITY UNDER REPUBLIC ACTS**
35 **NUMBERED 6938 AND 6939 SHALL BE DEEMED REGISTERED UNDER THIS ACT:**
36 ***PROVIDED, HOWEVER, THAT THEY SHALL SUBMIT TO THE NEAREST***
37 ***EXTENSION OFFICE OF THE AUTHORITY A COPY OF THEIR CERTIFICATE OF***
38 ***REGISTRATION OR CONFIRMATION, THE ARTICLES OF COOPERATION, BY-***

1 LAWS AND THE LATEST DULY AUDITED FINANCIAL STATEMENT WITHIN ONE (1)
2 YEAR FROM THE EFFECTIVITY OF THIS ACT, OTHERWISE THEY WILL NOT BE
3 CONSIDERED AS REGISTERED.

4 (2) ALL ELECTRIC COOPERATIVES REGISTERED UNDER PRESIDENTIAL
5 DECREE NO. 269, AS AMENDED, ARE GIVEN TWO (2) YEARS FROM THE
6 EFFECTIVITY OF THIS ACT WITHIN WHICH TO REGISTER WITH THE AUTHORITY:
7 *PROVIDED*, THAT THE EXISTING FRANCHISES ISSUED TO THE ELECTRIC
8 COOPERATIVES BY THE NATIONAL ELECTRIFICATION COMMISSION SHALL BE
9 TRANSFERRED TO THOSE ELECTRIC COOPERATIVES REGISTERED:
10 *PROVIDED, HOWEVER*, THAT ELECTRIC COOPERATIVES WHICH HAVE NOT
11 REGISTERED WITH THE AUTHORITY AT THE END OF THE TWO-YEAR PERIOD
12 SHALL BE PROHIBITED FROM USING THE WORD "COOPERATIVE" IN THEIR
13 BUSINESS NAMES, AND SHALL BE REFERRED TO AS "ELECTRIC ENTITIES" AS
14 DEFINED UNDER SECTION 3 OF PRESIDENTIAL DECREE NO. 269, AS AMENDED:
15 *PROVIDED, FURTHER*, THAT SHOULD ELECTRIC COOPERATIVES OPT TO
16 REGISTER WITH THE AUTHORITY AFTER THE TWO-YEAR PERIOD GRANTED
17 UNDER THIS PROVISION SHALL DO SO UNDER RULES AND REGULATIONS TO
18 BE PROMULGATED BY THE AUTHORITY: *PROVIDED, FURTHERMORE*, THAT
19 THE REGISTRATION OF THE ELECTRIC COOPERATIVE UNDER THIS CODE
20 SHALL NOT BE CONSIDERED AS A TRANSFER OF OWNERSHIP OF ITS ASSETS
21 AND LIABILITIES NOR A CHANGE IN THE NATURE AND STRUCTURE OF THE
22 COOPERATIVE AS A CONDITION FOR THE CONDONATION OF THEIR LOANS
23 UNDER THE ELECTRIC POWER INDUSTRY REFORM ACT; AND *PROVIDED*,
24 *FINALLY*, THAT UPON THEIR REGISTRATION WITH THE AUTHORITY, THE
25 PROVISIONS OF SECTIONS 3 AND 5 OF PRESIDENTIAL DECREE NO. 1645 SHALL
26 NO LONGER BE APPLICABLE TO SAID COOPERATIVES.

27
28 ART. ~~[129]~~173. Separability. – x x x If any provision of this Act is subsequently
29 declared unconstitutional, the validity of the remaining provisions hereof shall remain in
30 full force and effect.

31
32 ART. ~~[166]~~174. Repealing Clause. - The pertinent provisions of the National
33 Internal Revenue Code, and Sections 33 and 79 of RA 8791, E.O 623, Sections 3,5,7
34 and 17 of P.D 269 as amended by PD and all other laws, decrees, orders or
35 regulations or parts thereof, that are inconsistent with this Act are hereby repealed or
36 modified accordingly.

37 Art. 175. Effectivity Clause. - This Act shall take effect upon its approval.

38 Approved,