

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

SENATE

COMMITTEE REPORT NO. 51

Submitted by the Committees on Cooperatives; Banks, Financial Institutions and Currencies; Constitutional Amendments, Revision of Codes and Laws; Finance; Urban Planning, Housing and Resettlement; and Ways and Means on MAY - 7 2008

Re : Senate Bill No. 2264

Recommending its approval in substitution of Senate Bill Nos. 184, 428, 444, 1147, 1553, and 1924.

Sponsor: Senator Zubiri

MR. PRESIDENT:

The Committees on Cooperatives; Banks, Financial Institutions and Currencies; Constitutional Amendments, Revision of Codes and Laws; Finance; Urban Planning, Housing and Resettlement; and Ways and Means to which were referred:

Senate Bill No. 184, introduced by Senator Biazon, entitled:

An Act
Amending Republic Act No. 6938, Otherwise Known as the Cooperative Code of the Philippines

Senate Bill No. 428, introduced by Senator Ejercito Estrada, entitled:

An Act
to Promote and Encourage the Organization and Sustained Development of Cooperatives as Instruments for the Fulfillment of the Basic Need of Housing for the Homeless and Underprivileged and Amending for that Purpose Republic Act No. 6938, the Cooperative Code of the Philippines, and for Other Purposes

Senate Bill No. 444, introduced by Senator Ejercito Estrada, entitled:

An Act
to Strengthen the Structure, Capability for Efficient and Effective Program Implementation and Organizational Management, and Align the Direction of Existing and Future Cooperatives Towards People Empowerment and Balanced Sustained Economic Development of All Cooperatives, Amending for that Purpose Republic Act 6938, The Cooperative Code of the Philippines, and for Other Purposes

Senate Bill No. 1147, introduced by Senator Pimentel Jr., entitled:

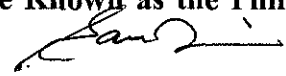
An Act

Expanding Countryside Credit Through Cooperative Banks and Encouraging the Growth and Development of Cooperative Banks by Amending Chapter XIII of Republic Act No. 6938, Otherwise known as the Cooperative Code of the Philippines and for Other Purposes

Senate Bill No. 1553, introduced by Senator Zubiri, entitled:

An Act

Amending the Cooperative Code of the Philippines to be Known as the Philippine Cooperative Code of 2007



And Senate Bill No. 1924, introduced by Senator Manny Villar, entitled:

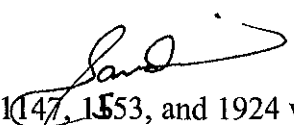
An Act

To Establish A Fund Known As The Transport Cooperatives Loan Fund To Finance The Acquisition Of Vehicles By Transportation Cooperatives

have considered the same and have the honor to report them back to the Senate with the recommendation that the attached bill, Senate Bill No. 2264, prepared by the Committees, entitled:

An Act


Amending the Cooperative Code of the Philippines to be Known as the Philippine Cooperative Code of 2008



be approved in substitution of Senate Bill Nos. 184, 428, 444, ~~1147~~, ~~1553~~, and 1924 with Senators Biazon, Ejercito Estrada, Pimentel Jr., Zubiri, and Villar as authors.

Respectfully submitted:

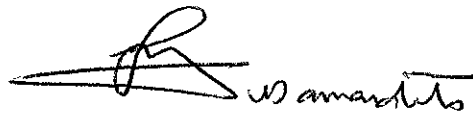
Chairmen:



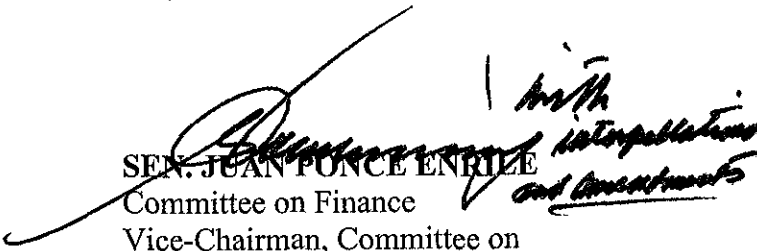
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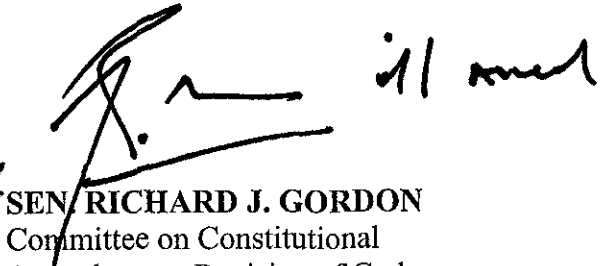
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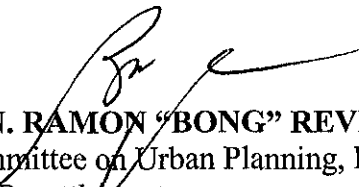
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Committee on Urban Planning, Housing and Resettlement

will integrate and will propose amendments.

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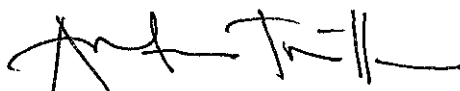
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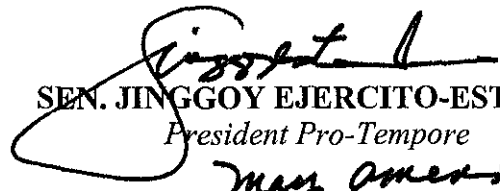
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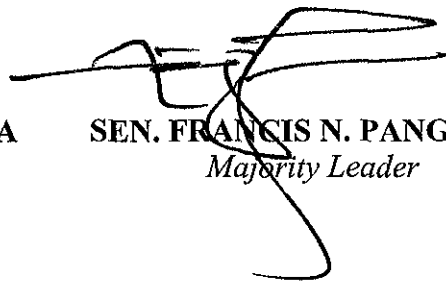
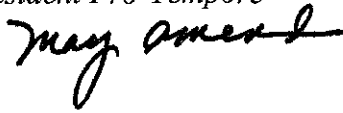
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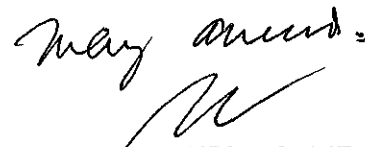
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Majority Leader



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Minority Leader

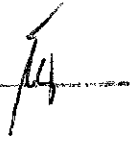
HON. MANNY VILLAR
Senate President
Senate of the Philippines
Pasay City

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

8 MAR 17 2016

SENATE

RECEIVED BY



S. No. 2264

Introduced by Senators BIAZON, ESTRADA, PIMENTEL, ZUBIRI, and VILLAR

AN ACT
AMENDING THE COOPERATIVE CODE OF THE PHILIPPINES TO BE KNOWN AS
THE "PHILIPPINE COOPERATIVE CODE OF 2008"

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

1 **SECTION 1.** Articles 1,2, 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
5 **ARTICLE 1. Title** – This Act shall be known as the ["Cooperative Code of the
6 Philippines".] PHILIPPINE COOPERATIVE CODE OF 2008.

7
8 **ART. 2. Declaration of Policy.** – x x x

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

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

22 (1) [Open and Voluntary] **VOLUNTARY AND OPEN Membership** –
23 [Membership in a cooperative shall be voluntary and available to all individuals

1 regardless of their social, political, racial or religious background or beliefs.]
2 COOPERATIVES ARE VOLUNTARY ORGANIZATIONS, OPEN TO ALL PERSONS
3 ABLE TO USE THEIR SERVICES AND WILLING TO ACCEPT THE
4 RESPONSIBILITIES OF MEMBERSHIP, WITHOUT GENDER, SOCIAL, RACIAL,
5 CULTURAL, POLITICAL, OR RELIGIOUS DISCRIMINATION.

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

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

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

1 DEMOCRATIC CONTROL OF THEIR MEMBERS AND MAINTAIN THEIR
2 COOPERATIVE AUTONOMY.

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

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

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

19
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 REGULATIONS 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** REFERS TO the government agency
36 in charge of the registration [and], regulation AND PROMOTION FOR THE
37 DEVELOPMENT of cooperatives as such, hereinafter referred to as the Authority;

1 (9) **Universally Accepted Principles** mean that body of cooperative principles
2 adhered to worldwide by cooperatives.

3 (10) **OFFICERS OF THE COOPERATIVES** SHALL INCLUDE THE MEMBERS
4 OF THE BOARD OF DIRECTORS, MEMBERS OF THE DIFFERENT COMMITTEES
5 CREATED BY THE GENERAL ASSEMBLY, GENERAL MANAGER OR CHIEF
6 EXECUTIVE OFFICER, SECRETARY, TREASURER AND MEMBERS HOLDING
7 OTHER POSITIONS AS MAYBE PROVIDED FOR IN THE BY-LAWS.

8 (11) **SOCIAL AUDIT** SHALL REFER TO AN AUDIT INTENDED TO
9 DETERMINE HOW WELL THE COOPERATIVE IS ABLE TO FULFILL ITS
10 SOCIAL RESPONSIBILITIES TO ITS MEMBERS AND COMMUNITY.

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

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

20 (14) **SERVICE COOPERATIVES** ARE THOSE WHICH PROVIDE ANY TYPE
21 OF SERVICE TO ITS MEMBERS, INCLUDING BUT NOT LIMITED TO, TRANSPORT,
22 INFORMATION AND COMMUNICATION, INSURANCE, HOUSING, ELECTRIC,
23 HEALTH SERVICES, EDUCATION, BANKING, SAVINGS AND CREDIT, AND
24 BUSINESS PROCESS OUTSOURCING.

25 (15) **SUBSIDIARY** REFERS TO ANY ORGANIZATION ALL OR MAJORITY OF
26 WHOSE MEMBERSHIP OR SHAREHOLDERS COME FROM A COOPERATIVE,
27 ORGANIZED FOR ANY OTHER PURPOSE DIFFERENT FROM THAT OF, AND
28 RECEIVES TECHNICAL, MANAGERIAL AND FINANCIAL ASISTANCE FROM, A
29 COOPERATIVE, IN ACCORDANCE WITH THE RULES AND REGULATIONS OF
30 THE AUTHORITY.

31 (16) **FEDERATION OF COOPERATIVES** REFERS TO THREE OR MORE
32 PRIMARY COOPERATIVES, DOING THE SAME LINE OF BUSINESS, ORGANIZED
33 AT THE MUNICIPAL, PROVINCIAL, CITY, SPECIAL METROPOLITAN POLITICAL
34 SUBDIVISION, OR ECONOMIC ZONES CREATED BY LAW, REGISTERED WITH
35 THE AUTHORITY TO UNDERTAKE BUSINESS ACTIVITIES IN SUPPORT OF ITS
36 MEMBERS.

1 (17) **REPRESENTATIVE ASSEMBLY** REFERS TO A GROUP OF MEMBERS
2 TO WHOM THE GENERAL ASSEMBLY HAS DELEGATED ITS POWERS AS
3 PROVIDED UNDER ITS BY-LAWS.

4
5 **SEC. 2.** Articles 6, 7, 9, 10, 11, 12, 14, 16, 18, 20, 23 and 24 of Chapter II on
6 Organization and Registration of the same Code are hereby amended as follows:

7
8 **ART. 6. [Organization] PURPOSES of Cooperatives.** – A cooperative may be
9 organized and registered [by at least fifteen (15) persons] for any or all of the following
10 purposes:

11 (1) x x x

12 (2) x x x

13 (3) x x x

14 (4) x x x

15 (5) x x x

16 (6) x x x

17 (7) x x x

18 (8) x x x

19 (9) x x x

20 (10) x x x

21 (11) TO ADVOCATE FOR THE CAUSE OF THE COOPERATIVE MOVEMENT;

22 (12) TO ENSURE THE VIABILITY OF COOPERATIVES THROUGH THE
23 UTILIZATION OF NEW TECHNOLOGIES;

24 (13) TO ENCOURAGE AND PROMOTE SELF-HELP OR SELF-EMPLOYMENT
25 AS A DRIVE ENGINE FOR ECONOMIC GROWTH AND POVERTY ALLEVIATION.

26 (14) x x x “

27
28 **Art. 7. Objectives of a Cooperative.** - (1) The primary objective of every
29 cooperative is HUMAN BETTERMENT. TOWARDS THIS END, THE COOPERATIVE
30 SHALL AIM to:

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

36 [A cooperative shall]

37 (B) provide [maximum] OPTIMUM SOCIAL AND economic benefits to its
38 members[.];

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

2 (D) propagate cooperative practices and new ideas in business and
3 management; [and]

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

6 (F) COOPERATE WITH THE GOVERNMENT, OTHER COOPERATIVES
7 AND PEOPLE-ORIENTED ORGANIZATIONS TO FURTHER THE ATTAINMENT OF
8 ANY OF THE FOREGOING OBJECTIVES.

9 (2) EVERY COOPERATIVE SHALL HAVE AT LEAST ONE (1) MAJOR
10 SOCIO-CIVIC UNDERTAKING THAT MUST HAVE A POSITIVE IMPACT ON SUCH
11 SOCIAL CONCERNS AS: MEMBERSHIP EDUCATION, ENVIRONMENT, HEALTH,
12 DEMOCRACY AND/OR SUCH OTHER ASPECTS OF HUMAN BETTERMENT OR
13 EMPOWERMENT.

14
15 **ART. 8. Cooperative Not in Restraint of Trade.** – xxx

16
17 **ART. 9. Cooperative Powers and Capacities.** - A cooperative registered under
18 this Code shall have the following powers, RIGHTS and capacities:

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

21 (2) x x x

22 (3) x x x

23 (4) x x x

24 (5) x x x

25 (6) x x x

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

28 (8) To AVAIL OF LOANS, BE ENTITLED TO CREDIT AND TO accept and
29 receive grants, donations and assistance from foreign and domestic sources, [;and]
30 AND BE PROVIDED ASSISTANCE BY THE AUTHORITY, UPON WRITTEN
31 REQUEST, TO BE ABLE TO FULFILL THE DOCUMENTARY REQUIREMENTS FOR
32 THE SAID LOANS, CREDIT , GRANTS, DONATIONS AND SIMILAR ASSISTANCE.

33 (9) TO AVAIL OF BASIC SERVICES, FACILITIES, AND PREFERENTIAL
34 RIGHTS GRANTED TO COOPERATIVES UNDER REPUBLIC ACT NO. 7160,
35 OTHERWISE KNOWN AS THE LOCAL GOVERNMENT CODE, AND OTHER LAWS,
36 PARTICULARLY THOSE IN THE GRANT OF FRANCHISES TO ESTABLISH,
37 CONSTRUCT, OPERATE AND MAINTAIN FERRIES, WHARVES, MARKETS OR
38 SLAUGHTERHOUSES AND TO LEASE PUBLIC UTILITIES;

1 (10) TO ORGANIZE AND OPERATE SCHOOLS IN ACCORDANCE WITH THE
2 EDUCATION ACT AND OTHER PERTINENT LAWS.

3 (11) To exercise such other powers granted by this Code necessary to carry out
4 its purpose or purposes as stated in its articles of cooperation.

5
6 **ART. 10. Organizing a Primary Cooperative.** - Fifteen (15) or more natural
7 persons[,] who are [citizens of the Philippines] OF LEGAL AGE, FILIPINO
8 CITIZENS, having a common bond of interest and are ACTUALLY residing or working
9 in the intended area of operation, may organize a PRIMARY cooperative under this
10 Code. *PROVIDED*, THAT A PROSPECTIVE MEMBER OF A PRIMARY
11 COOPERATIVE MUST HAVE COMPLETED A PRE-MEMBERSHIP EDUCATION
12 SEMINAR (PMES) CONDUCTED BY INSTITUTIONS WITH COOPERATIVE
13 DEVELOPMENT PROGRAMS ACCREDITED BY THE AUTHORITY.

14
15 **ART. 11. Economic Survey.** - Every group of individuals or cooperatives
16 intending to form a cooperative under this Code shall submit to the [Cooperative
17 Development] Authority a general statement describing, AMONG OTHERS the
18 structure[,] AND purposes [and economic feasibility] of the proposed cooperative [,:
19 *PROVIDED*, THAT THE STRUCTURE AND ACTUAL STAFFING PATTERN OF THE
20 COOPERATIVE SHALL INCLUDE A BOOKKEEPER. *PROVIDED, FURTHER*, THAT
21 THEY SHALL NOT BE ALLOWED TO OPERATE WITHOUT THE NECESSARY
22 PERSONNEL AND SHALL ALSO SUBMIT AN ECONOMIC SURVEY, indicating therein
23 the area of operation, the size of membership, and other pertinent data ON A FORMAT
24 PROVIDED BY THE AUTHORITY.

25
26 **ART. 12. Liability.**- A cooperative [shall be] DULY registered under this Code[,]
27 [with] SHALL HAVE limited liability.

28
29 **ART. 13. Term.** - x x x

30
31 **ART. 14. Articles of Cooperation.** - (1) All cooperatives applying for registration
32 shall file with the [Cooperative Development] Authority the articles of cooperation
33 which shall be signed by each of the organizers and acknowledged by them if natural
34 persons, and by the [presidents] CHAIRPERSONS or secretaries, if juridical person,
35 before a notary public.

- 36 (2) x x x
37 (a) x x x
38 (b) x x x

- 1 (c) x x x
- 2 (d) x x x
- 3 (e) x x x
- 4 (f) x x x
- 5 (g) x x x
- 6 (h) x x x

7 (3) x x x

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

11 (5) No cooperative, OTHER THAN A COOPERATIVE UNION AS DESCRIBED
12 UNDER ARTICLE 25 AND AN ADVOCACY COOPERATIVE AS DESCRIBED UNDER
13 ARTICLE 23 HEREOF, shall be registered unless the articles of cooperation is
14 accompanied with the bonds of the accountable officers and a sworn statement of the
15 treasurer elected by the subscribers showing that at least twenty-five *per centum* (25%)
16 of the authorized share capital has been subscribed and at least twenty five *per*
17 *centum* (25%) of the total subscription has been paid: *Provided*, That in no case shall
18 the paid-up share capital be less than [two thousand pesos (P2,000.00)] THIRTY
19 THOUSAND PESOS (P30,000.00).

20 THE AUTHORITY SHALL PERIODICALLY ASSESS THE REQUIRED PAID-UP
21 SHARE CAPITAL AND MAY INCREASE IT EVERY FIVE (5) YEARS WHEN
22 NECESSARY UPON CONSULTATION WITH THE COOPERATIVE SECTOR.

23

24 **ART. 15. *By-laws.*** – x x x

25

26 **ART. 16. *Registration.*** - A cooperative formed or organized under this Code
27 acquires juridical personality from the date the [Cooperative Development] Authority
28 issues a certificate of registration under its official seal. All applications for registration
29 shall be finally disposed of by the [Cooperative Development] Authority within a period
30 of [thirty (30)] SIXTY (60) days from the filing thereof, otherwise the application is
31 deemed approved, unless the cause of the delay is attributable to the applicant[.].
32 [*Provided*, That in case of a denial of the application for registration, an appeal shall lie
33 with the Office of the President within ninety (90) days from receipt of notice of such
34 denial: *Provided further*, That failure of the Office of the President to act on the appeal
35 within ninety (90) days from the filing thereof shall mean approval of said application.]

36

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

38

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

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

19
20 **ART. 19. Contracts Executed Prior to Registration and Effect Thereof.** – x x
21

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

32
33 **ART. 21. Merger and Consolidation of Cooperatives.** - (1) Two (2) or more
34 cooperatives may merge into [a] ONE cooperative[s] or may consolidate into a new
35 single cooperative which shall be the consolidated cooperative.

36 (2) No merger or consolidation shall be valid unless approved by [two-thirds
37 (2/3) of all the members eligible to vote] A THREE-FOURTHS (3/4) VOTE OF ALL
38 THE MEMBERS WITH VOTING RIGHTS, PRESENT AND CONSTITUTING A

1 QUORUM [of] IN each of the constituent cooperatives at separate general assembly
2 meetings. The dissenting members shall have the right to exercise their right to
3 withdraw their membership pursuant to Articles 30[1] and 31[2].

4 (3) The [Cooperative Development] Authority shall issue the guidelines
5 governing the procedure of merger or consolidation of cooperatives. In any case, the
6 merger or consolidation shall be effective upon the issuance of the certificate of merger
7 or consolidation by the [Cooperative Development] Authority.
8

9 **ART. 22. Effects of Merger and Consolidation.** - x x x
10

11 **ART. 23. Types and Categories of Cooperatives.** - (1) *Types of Cooperatives.*

12 - Cooperatives may fall under any of the following types:

13 (a) **ADVOCACY COOPERATIVE** – IS A PRIMARY COOPERATIVE WHICH
14 PROMOTES AND ADVOCATES COOPERATIVISM AMONG ITS MEMBERS AND
15 THE PUBLIC THROUGH SOCIALLY-ORIENTED PROJECTS, EDUCATION AND
16 TRAINING, RESEARCH AND COMMUNICATION, AND OTHER SIMILAR
17 ACTIVITIES TO REACH OUT TO ITS INTENDED BENEFICIARIES.

18 (b) **AGRARIAN REFORM COOPERATIVE** – IS ONE WHOSE MEMBERS
19 ARE MARGINAL FARMERS WHERE THE MAJORITY THEREOF ARE AGRARIAN
20 REFORM BENEFICIARIES ORGANIZED FOR THE PURPOSE OF DEVELOPING
21 AN APPROPRIATE SYSTEM OF LAND TENURE, LAND DEVELOPMENT, LAND
22 CONSOLIDATION OR LAND MANAGEMENT IN AREAS COVERED BY AGRARIAN
23 REFORM;

24 (c) **Consumers Cooperative** is one the primary purpose of which is to procure
25 and distribute commodities to members and non-members;

26 (d) **COOPERATIVE BANK** IS ONE ORGANIZED UNDER THIS CODE, THE
27 PRIMARY PURPOSE OF WHICH IS TO PROVIDE A WIDE RANGE OF FINANCIAL
28 SERVICES TO COOPERATIVES AND THEIR MEMBERS. IT INCLUDES
29 COOPERATIVE RURAL BANKS;

30 (e) **CREDIT COOPERATIVE** IS ONE THAT PROMOTES AND UNDERTAKES
31 SAVINGS AND LENDING SERVICES among its members [and create]. IT
32 GENERATES A COMMON POOL OF funds in order to PROVIDE FINANCIAL
33 ASSISTANCE AND OTHER SERVICES TO ITS MEMBERS [grant loans] for
34 productive and provident purposes;

35 (f) **DAIRY COOPERATIVE** – IS ONE WHOSE MEMBERS ARE ENGAGED IN
36 THE PRODUCTION OF FRESH MILK WHICH MAY BE PROCESSED AND/OR
37 MARKETED AS DAIRY PRODUCTS;

1 (g) **EDUCATION COOPERATIVE** – IS A COOPERATIVE WHOSE PRIMARY
2 PURPOSE IS TO OWN AND OPERATE LICENSED EDUCATIONAL INSTITUTIONS,
3 NOTWITHSTANDING THE PROVISIONS OF THE EDUCATION ACT;

4 (h) **ELECTRIC COOPERATIVE** – IS A SERVICE COOPERATIVE SET UP FOR
5 POWER GENERATION, TRANSMISSION AND FINAL DISTRIBUTION TO ITS
6 HOUSEHOLD MEMBERS;

7 (i) **FISHERMEN COOPERATIVE** – IS ONE ORGANIZED BY MARGINALIZED
8 FISHERMEN IN LOCALITIES WHOSE PRODUCTS ARE MARKETED EITHER AS
9 FRESH GOODS OR AS PROCESSED PRODUCTS;

10 (j) **HEALTH SERVICES COOPERATIVE** – IS A SERVICE COOPERATIVE SET
11 UP TO PROVIDE MEDICAL, DENTAL CARE, AND OTHER HEALTH SERVICES.

12 (k) **HOUSING COOPERATIVE** – IS A SERVICE COOPERATIVE ENGAGED IN
13 ASSISTING OR PROVIDING ACCESS TO HOUSING FOR THE BENEFIT OF ITS
14 REGULAR MEMBERS WHO ACTIVELY PARTICIPATE IN THE SAVINGS PROGRAM
15 FOR HOUSING. IT IS CO-OWNED AND DEMOCRATICALLY CONTROLLED BY ITS
16 MEMBERS;

17 (l) **INSURANCE COOPERATIVE** – IS ONE ENGAGED IN THE BUSINESS OF
18 INSURING LIFE AND PROPERTY OF COOPERATIVES AND THEIR MEMBERS;

19 (m) **Marketing Cooperative** is one which engages in the supply of production
20 inputs to members and markets their products;

21 (n) **Multi-purpose Cooperative** is one which combines two (2) or more of the
22 business activities of these different types of cooperatives;

23 ANY NEWLY ORGANIZED PRIMARY COOPERATIVE MAY BE REGISTERED
24 AS MULTI-PURPOSE COOPERATIVE ONLY AFTER COMPLIANCE WITH THE
25 MINIMUM REQUIREMENTS FOR MULTIPURPOSE COOPERATIVES SET UNDER
26 THIS CODE;

27 (o) **Producers Cooperative** is one that undertakes joint production whether
28 agricultural or industrial;

29 (p) **TRANSPORT COOPERATIVE** - TRANSPORTATION SERVICE
30 COOPERATIVES INCLUDE LAND, SEA AND AIR TRANSPORTATION FOR
31 PASSENGER OR CARGO ORGANIZED UNDER THE PROVISIONS OF THIS CODE;

32 (q) **OTHER TYPES** OF COOPERATIVE AS MAY BE DETERMINED BY THE
33 AUTHORITY.

34 (2) Categories of Cooperatives - xxx

35 (a) x x x

36 (i) x x x

37 (ii) x x x

38 (iii) x x x

1 (b) x x x

2
3 **ART. 24. FUNCTIONS OF A Federation of Cooperatives.** - [(1)] A federation
4 of cooperatives [, whose members are primary and/or secondary cooperatives with
5 single line or multi-purpose business activities, may be registered under this Code for
6 any or all of] SHALL UNDERTAKE the following [purposes] FUNCTIONS:

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

11 (b) [Secondary Purpose – (i)]

12 (c) [(ii)] x x x

13 (d) [(iii)] x x x

14 (e) [(iv)] x x x

15 (f) [(v)] x x x

16 (g) [(vi)] x x x

17 (h) [(vii)] x x x

18 [(2) Registered cooperatives may organize a federation at the provincial, city,
19 regional, and national levels according to the type of business carried on.]

20
21 **ART. 25. Cooperative Unions.** – x x x

22
23 **SEC. 3.** Articles 26, 27, 28, 29, 30 and 31 of Chapter III on Membership of the
24 same Code are hereby renumbered and amended to read as follows:

25
26 **[ART. 26. Who May Be Members of Cooperatives.** – Any natural person, who
27 is a citizen of the Philippines, a cooperative, or non-profit organization with juridical
28 personality shall be eligible for membership in a cooperative if the applicant meets the
29 qualifications prescribed in the bylaws: *Provided,* That, that only natural persons may
30 be admitted as members of a primary cooperative.]

31 **ART. 26. Kinds of Membership.** – x x x

32 A regular member is one WHO HAS COMPLIED WITH ALL THE MEMBERSHIP
33 REQUIREMENTS AND [who is] entitled to all the rights and privileges of membership.
34 An associate member is one who has no right to vote nor be voted upon and shall be
35 entitled only to such rights and privileges as the by-laws may provide: PROVIDED,
36 THAT, AN ASSOCIATE MEMBER WHO MEETS THE MINIMUM REQUIREMENTS
37 OF REGULAR MEMBERSHIP, CONTINUES TO PATRONIZE THE COOPERATIVE

1 FOR ONE (1) YEAR, AND INTENDS TO BE A MEMBER SHALL BE CONSIDERED
2 AS ONE.

3
4 **ART. 27. Government Officers and Employees.** - (1) Any officer or employee
5 of the [Cooperative Development] Authority shall be disqualified to be elected or
6 appointed to any position in a cooperative[:]; *PROVIDED*, THAT THE
7 DISQUALIFICATION DOES NOT EXTEND TO A COOPERATIVE ORGANIZED BY
8 THE OFFICERS OR EMPLOYEES OF THE AUTHORITY.

9 (2) xxx

10 [(3) Any government employee OR OFFICIAL may, in the discharge of his duties
11 as member in the cooperative, be allowed by the head of office concerned to use
12 official time for attendance at the general assembly, board and committee
13 meetings of cooperatives as well as cooperative seminars, conferences,
14 workshops, technical meetings, and training courses locally or abroad: *Provided*,
15 That the operations of the office concerned are not adversely affected.]
16

17 **ART. 28. Application.** - An applicant for membership shall be deemed a member
18 after approval of his membership by the board of directors and shall exercise the rights
19 of members after having made such payments to the cooperative in respect to
20 membership or acquired interest in the cooperative as may be prescribed in the
21 bylaws. In case membership is refused or denied by the board of directors, an appeal
22 may be made to the general assembly and the latter's decision shall be final. FOR
23 THIS PURPOSE, THE GENERAL ASSEMBLY MAY OPT TO CREATE AN APPEAL
24 AND GRIEVANCE COMMITTEE. THE MEMBERS OF THE COMMITTEE SHALL
25 SERVE FOR A PERIOD OF ONE (1) YEAR AND SHALL DECIDE APPEALS ON
26 MEMBERSHIP APPLICATION WITHIN THIRTY DAYS UPON RECEIPT THEREOF. IF
27 THE COMMITTEE FAILS TO DECIDE WITHIN THE PRESCRIBED PERIOD, THE
28 APPEAL IS DEEMED APPROVED IN FAVOR OF THE APPLICANT.

29
30 **ART 29. Liability of Members.**- x x x
31

32 **ART. 30. Termination of Membership.** - (I) A member of a cooperative may, for
33 any VALID reason, withdraw his membership from the cooperative by giving a sixty-
34 (60) day notice to the board of directors. SUBJECT TO THE BY-LAWS OF THE
35 COOPERATIVE, [T]the withdrawing member shall be entitled to a refund of his share
36 capital contribution and all other interests in the cooperative: *Provided*, That such
37 refund shall not be made if upon such payment the value of the assets of the

1 cooperative would be less than the aggregate amount of its debts and liabilities
2 exclusive of his share capital contribution.

3 (2) The death, insanity, insolvency or dissolution of a member shall be
4 considered an automatic termination of membership. HOWEVER, IN THE CASE OF
5 THE DEATH OR INSANITY OF A HOUSING AND AGRARIAN REFORM
6 BENEFICIARY-MEMBER OF A COOPERATIVE, THE NEXT OF KIN MAY ASSUME
7 THE DUTIES AND RESPONSIBILITIES OF THE ORIGINAL MEMBER.

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

11 (a) When a member has not patronized ANY OF the services of the
12 cooperative for an unreasonable period of time as may be fixed
13 BEFOREHAND by the board of directors;

14 (b) x x x

15 (c) x x x

16 (d) x x x

17 A member whose membership the board of directors may wish to terminate shall
18 be informed of such intended action in writing and shall be given an opportunity to be
19 heard before the said board makes its decision. The decision of the board shall be in
20 writing and shall be communicated in person or by registered mail to the member and
21 shall be appealable within thirty (30) days FROM RECEIPT OF [after] the decision [is
22 promulgated] to the general assembly AS PROVIDED UNDER ARTICLE 28. [whose
23 decision therein, whether in a general or special session, shall be final. Pending a
24 decision by the general assembly, the membership remains in force.]

25
26 **ART. 31. Refund of Interests.** – x x x

27
28 **SEC. 4.** Articles 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49,
29 50 and 51 of Chapter IV on Administration of the same Code are hereby renumbered
30 and amended to read as follows:

31
32 **ART. 32. Composition of the General Assembly.** – x x x

33
34 **ART. 33. Powers of the General Assembly.** – x x x

35 (1) x x x

36 (2) To elect or appoint the members of the board of directors, and to remove
37 them for cause[;]. HOWEVER, IN THE CASE OF THE ELECTRIC COOPERATIVES
38 REGISTERED UNDER THIS CODE, ELECTION OF THE MEMBERS OF THE

1 BOARD SHALL BE HELD IN ACCORDANCE WITH THE ADOPTED BY-LAWS OR
2 ELECTION GUIDELINES OF SUCH ELECTRIC COOPERATIVE; AND

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

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

6 SUBJECT TO OTHER PROVISIONS OF THIS CODE AND ONLY FOR
7 PURPOSES OF PROMPT AND INTELLIGENT DECISION-MAKING, THE GENERAL
8 ASSEMBLY MAY, BY A THREE-FOURTHS (3/4) VOTE OF ALL ITS MEMBERS WITH
9 VOTING RIGHTS, PRESENT AND CONSTITUTING A QUORUM, DELEGATE SOME
10 OF ITS POWERS TO THE REPRESENTATIVE ASSEMBLY. THESE POWERS
11 SHALL BE ENUMERATED UNDER THE IMPLEMENTING RULES AND
12 REGULATIONS OF THIS ACT.

13
14 **ART. 34. Meetings.** - (1) A regular meeting shall be held annually by the
15 general assembly on the date fixed in the by-laws, or if not so fixed, on any date within
16 ninety (90) days after the close of each fiscal year: *Provided*, That written notice of
17 regular meetings shall be sent to all members [of record] WHO ARE ENTITLED TO
18 VOTE at their official addresses at least two (2) weeks prior to the meeting, unless a
19 different period is required in the by-laws.

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

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

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

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

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

8 (5) x x x
9

10 **ART. 35. Quorum.** - [Unless otherwise provided in the by-laws,] [a] A quorum
11 shall consist of AT LEAST twenty-five per centum (25%) of all the members entitled to
12 vote. IN THE CASE OF COOPERATIVE BANKS AND ELECTRIC COOPERATIVES
13 REGISTERED UNDER THIS CODE, A QUORUM SHALL BE AS PROVIDED IN
14 THEIR BY-LAWS.
15

16 **ART. 36. Voting System.** – (1) Each member of a primary cooperative shall
17 have only one (1) vote. THE VOTING RIGHTS OF MEMBERS OF SECONDARY OR
18 TERTIARY COOPERATIVES SHALL BE PROVIDED FOR UNDER THE
19 IMPLEMENTING RULES AND REGULATIONS OF THIS ACT. [A secondary or tertiary
20 cooperative shall have voting rights as delegate of members-cooperatives, but such
21 cooperatives shall have only five (5) votes. The votes cast by the delegates shall be
22 deemed as votes cast by the members thereof.]

23 [(2) No voting agreement, or other device to evade the one-member-one-vote
24 provision except as provided under subsection (1) hereof shall be valid. 3) No member
25 of a primary cooperative shall be permitted to vote by proxy [unless provided for
26 specifically in the bylaws of the cooperative.]

27 However, the by-laws of a cooperative other than a primary may provide for
28 voting by proxy. Voting by proxy means allowing a delegate of a cooperative to
29 represent or vote in behalf of another delegate of the same cooperative.
30

31 **ART. 37. Composition AND TERM of the Board of Directors.** – UNLESS
32 OTHERWISE PROVIDED IN THE BY-LAWS, the [conduct] DIRECTION and
33 management of the affairs of a cooperative shall be vested in a board of directors
34 which shall be composed of not less than five (5) nor more than fifteen (15) members
35 elected by the general assembly for a term fixed in the bylaws but not exceeding a
36 term of two (2) years and shall hold office until their successors are duly elected and
37 qualified, or until duly removed FOR CAUSE. [However, no director shall serve for
38 more than three (3) consecutive terms.]

1 **ART. 38. Powers of the Board of Directors.** - The board of directors OF
2 COOPERATIVES SHALL BE RESPONSIBLE FOR THE STRATEGIC PLANNING,
3 DIRECTION-SETTING AND POLICY-FORMULATION ACTIVITIES. [shall direct and
4 supervise the business, manage the property of the cooperative and may, by
5 resolution, exercise all such powers of the cooperative as are not reserved for the
6 general assembly under this Code and the bylaws.]

7
8 **ART. 39. Directors.** - (1) x x x

9 (2) x x x

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

13
14 **ART. 40. Meeting of the Board AND Quorum REQUIREMENT.** - (1) IN THE
15 CASE OF PRIMARY COOPERATIVES, [R]regular meetings of the board of directors
16 [of every cooperative] shall be held AT LEAST ONCE A MONTH [monthly unless the
17 by-laws provide otherwise.]

18 (2) Special meetings of the board of directors may be held at any time upon the
19 call of the [President] CHAIRPERSON OR A MAJORITY OF THE MEMBERS OF THE
20 BOARD [or as provided in the bylaws], *PROVIDED*, THAT NOTICES OF MEETING
21 SPECIFYING THE AGENDA OF THE SPECIAL MEETING SHALL BE GIVEN TO ALL
22 MEMBERS OF THE BOARD AT LEAST ONE (1) WEEK BEFORE THE SAID
23 MEETING.

24 (3) x x x

25 (4) x x x

26
27 **ART. 41. Vacancy in the Board of Directors.-** x x x

28
29 **ART. 42. Officers of the Cooperative.** - The Board of Directors shall elect from
30 among themselves [only the chairman and vice-chairman] THE CHAIRPERSON AND
31 VICE-CHAIRPERSON, and elect or appoint other officers of the cooperative from
32 outside of the board in accordance with [their] the by-laws[.] OF THE COOPERATIVE.
33 All officers shall serve during good behavior and shall not be removed except for a
34 cause after due hearing. Loss of confidence shall not be a valid ground for removal
35 unless evidenced by acts or omission causing loss of confidence in the honesty and
36 integrity of such officer. No two (2) or more persons with relationships up to the [third]
37 SECOND civil degree of consanguinity or affinity NOR SHALL ANY PERSON
38 ENGAGED IN A BUSINESS SIMILAR TO THAT OF THE COOPERATIVE OR WHO IN

1 ANY OTHER MANNER HAS INTERESTS IN CONFLICT WITH THE COOPERATIVE
2 shall serve as elective or appointive officer[s] in the same [board] COOPERATIVE.

3
4 **ART. 43. CommitteeS of Cooperatives.** - (1) x x x

5 (2) The by-laws shall provide for the creation of an audit, [committee,]
6 ELECTION, MEDIATION AND CONCILIATION, ETHICS, AND SUCH OTHER
7 COMMITTEES AS MAY BE NECESSARY FOR THE CONDUCT OF THE AFFAIRS
8 OF THE COOPERATIVE. THE MEMBERS OF BOTH THE AUDIT AND ELECTION
9 COMMITTEES SHALL BE ELECTED BY THE GENERAL ASSEMBLY AND THE
10 REST SHALL BE APPOINTED BY THE BOARD. [and such other committees as may
11 be necessary for the proper conduct of the affairs of the cooperative.] THE AUDIT
12 COMMITTEE SHALL BE DIRECTLY ACCOUNTABLE AND RESPONSIBLE TO THE
13 GENERAL ASSEMBLY. IT SHALL HAVE THE POWER AND DUTY TO
14 CONTINUOUSLY MONITOR THE ADEQUACY AND EFFECTIVENESS OF THE
15 COOPERATIVE'S MANAGEMENT CONTROL SYSTEM AND AUDIT THE
16 PERFORMANCE OF THE COOPERATIVE AND ITS VARIOUS RESPONSIBILITY
17 CENTERS.

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

22
23 **ART. 44. Functions, [and] Responsibilities AND TRAINING REQUIREMENTS**
24 **of Directors, Officers and Committee Members.** - The functions and responsibilities
25 of the directors, officers and committee members shall be IN ACCORDANCE WITH
26 THE RULES AND REGULATIONS ISSUED BY THE AUTHORITY. [OR as prescribed
27 in detail in the bylaws of a cooperative.]

28 WITHIN NINETY (90) DAYS FROM REGISTRATION AND IN NO CASE LATER
29 THAN NINETY (90) DAYS AFTER HAVING BEEN APPOINTED OR ELECTED, ALL
30 DIRECTORS, OFFICERS AND COMMITTEE MEMBERS AND MANAGEMENT STAFF
31 SHALL BE REQUIRED TO UNDERGO TRAININGS TO BE CONDUCTED BY
32 INSTITUTIONS WITH COOPERATIVE DEVELOPMENT PROGRAMS DULY
33 ACCREDITED BY THE AUTHORITY.

34
35 **ART. 45. Liability of Directors, Officers and Committee Members.** - x x x

36 When a director, officer or committee member attempts to acquire or acquires, in
37 violation of his duty, any interest or equity adverse to the cooperative in respect to any
38 matter which has been reposed in him in confidence, he shall, as a trustee for the

1 cooperative, be liable for damages and SHALL BE ACCOUNTABLE for double the
2 profits which otherwise would have accrued to the cooperative.

3
4 **ART. 46. Compensation.** - x x x

5
6 **ART. 47. Dealings of Directors, Officers or Committee Members.** – A
7 contract of the cooperative with one (1) or more of its directors, officers, committee is
8 voidable, at the option of [such] THE cooperative, unless all the following conditions are
9 present:

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

12 (2) x x x

13 (3) x x x

14 (4) x x x

15 Where any of the first two conditions set forth in the preceding paragraph is absent
16 in the case of a contract with a director, such contract may be ratified by a [two-thirds
17 (2/3)] THREE-FOURTHS (3/4) vote of all the members with voting rights, PRESENT
18 AND CONSITUTING A QUORUM in a meeting called for the purpose; *Provided*, That
19 full disclosure of the adverse interest of the directors involved is made at such meeting,
20 and that the contract is fair and reasonable under the circumstances.

21
22 **ART. 48. Disloyalty of a Director.** - A director who, by virtue of his office,
23 acquires for himself an opportunity which should belong to the cooperative shall be
24 liable for damages and must account for double the profits that otherwise would have
25 accrued to the cooperative by refunding the same, unless his act has been ratified by a
26 [two-thirds (2/3)] THREE-FOURTHS (3/4) vote of all the members with voting rights
27 PRESENT AND CONSTITUTING A QUORUM. This provision shall be applicable,
28 notwithstanding the fact that the director used his own funds in the venture.

29
30 **ART. 49. Illegal Use of Confidential Information.** - (1) A director or officer, or
31 an associate of a director or officer, who, [in connection with a transaction relating to
32 shares of a cooperative or a debt obligation of a cooperative and] for his benefit or
33 advantage or that of an associate, makes use of a confidential information that, if
34 generally known might reasonably be expected to ADVERSELY affect THE
35 OPERATION AND VIABILITY OF THE COOPERATIVE [materially the value of the
36 share or the debt obligation], shall be held:

37 (a) Liable to compensate THE COOPERATIVE [any person] for [a]
38 direct lossES suffered by that [person as a result of the transaction

1 unless the information was known or reasonably should have been
2 known to the person at the time of the transaction] COOPERATIVE
3 AS A RESULT OF THE ILLEGAL USE OF INFORMATION; and

4 (b) x x x

5 (2) x x x

6
7 **Art. 50. Removal.** - An [elective] officer [, director, or committee member] may
8 be removed by [a] THREE-FOURTHS (3/4) voteS [of two-thirds (2/3) of the voting] OF
9 THE REGULAR members present and constituting a quorum, in a regular or special
10 general assembly meeting called for the purpose. The person involved shall be given
11 an opportunity to be heard at said assembly.

12
13 **SEC. 5.** Articles 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62 and 63 of Chapter V on
14 Responsibilities, Rights and Privileges of Cooperatives of the same code are hereby
15 renumbered and amended to read as follows:

16
17 **ART. 51. Address.** - x x x

18
19 **ART. 52. Books to be Kept Open.** - (1) Every cooperative shall have the
20 following [open] DOCUMENTS READY AND ACCESSIBLE to its members and
21 representatives of the Authority for inspection during reasonable office hours at its
22 official address:

23 (a) x x x

24 (b) x x x

25 (c) x x x

26 (d) x x x

27 (e) x x x

28 (f) x x x

29 (g) x x x

30 (h) x x x

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

36 THE AUDIT COMMITTEE SHALL BE RESPONSIBLE FOR THE CONTINUOUS
37 AND PERIODIC REVIEW OF THE BOOKS AND RECORDS OF ACCOUNT TO

1 ENSURE THAT THESE ARE IN ACCORDANCE WITH THE COOPERATIVE
2 PRINCIPLES AND GENERALLY ACCEPTED ACCOUNTING PRACTICES.

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

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

18
19 **ART. 53. [Annual] Reports.** - (1) Every cooperative shall draw up [an annual]
20 REGULAR reportS of its [affairs] PROGRAM OF ACTIVITIES, INCLUDING THOSE
21 IN PURSUANCE OF THEIR SOCIO-CIVIC UNDERTAKINGS, SHOWING THEIR
22 PROGRESS AND ACHIEVEMENTS AT [as of] the end of every fiscal year. THE
23 REPORTS SHALL BE MADE ACCESSIBLE TO ITS MEMBERS, and COPIES
24 THEREOF SHALL BE FURNISHED [publish the same furnishing copies] to all its
25 members of record. THESE REPORTS [A copy thereof] shall be filed with the
26 [Cooperative Development] Authority within [sixty (60)] ONE HUNDRED TWENTY
27 (120) DAYS from the end of [every fiscal] THE CALENDAR year. The form and
28 contents of the [annual] reportS shall be prescribed by the rules of the Authority.
29 Failure to file the required [annual] reportS shall SUBJECT THE ACCOUNTABLE
30 OFFICER(S) TO FINES AND PENALTIES AS MAYBE PRESCRIBED BY THE
31 AUTHORITY, AND SHALL be a ground for THE revocation of authority of the
32 cooperative to operate as such. The fiscal year of every cooperative shall be the
33 calendar year, except [as may be otherwise provided in the bylaws] FOR THOSE
34 THAT MAY BE ALLOWED BY THE AUTHORITY.

35 (2) If any cooperative fails to make, publish and file the report required herein, or
36 fails to include therein any matter required by this Code, the [Cooperative Development]
37 Authority shall, within fifteen (15) days from the expiration of the prescribed period,
38 send such cooperative a [registered] WRITTEN notice, [directed to its official postal

1 address] stating [the] ITS NON-COMPLIANCE AND THE COMMENSURATE FINES
2 AND PENALTIES THAT WILL BE IMPOSED UNTIL SUCH TIME THAT THE
3 COOPERATIVE HAS COMPLIED WITH THE REQUIREMENTS. [delinquency and its
4 consequences. If the cooperative fails to make, publish or file a copy of the report within
5 thirty (30) days from receipt of such notice, any member of the cooperative or the
6 Government may petition the court for mandamus to compel the cooperative and its
7 officers to make, publish and file such report, as the case may be, and require the
8 cooperative or the officers at fault to pay all the expenses of the proceeding, including
9 counsel fees when the filing is made by a member.]

10
11 **ART. 54. Register of Members as Prima Facie Evidence.- x x x**

12
13 **ART. 55. Probative Value of Certified Copies of Entries. – x x x**

14
15 **ART. 56. Bonding of Accountable Officers. -** Every director, officer and
16 employee handling funds, securities or property on behalf of the cooperative shall BE
17 COVERED BY A SURETY BOND TO BE ISSUED BY A DULY REGISTERED
18 INSURANCE OR BONDING COMPANY [execute and deliver adequate bonds] for the
19 faithful performance of [his] THEIR RESPECTIVE duties and obligations. The board of
20 directors shall determine the adequacy of such bonds.

21 UPON FILING OF THE APPLICATION FOR REGISTRATION OF A
22 COOPERATIVE, THE BONDS OF THE ACCOUNTABLE OFFICERS SHALL BE
23 REQUIRED BY THE AUTHORITY. SUCH BONDS SHALL BE RENEWED ANNUALLY
24 AND THE AUTHORITY SHALL ACCORDINGLY BE INFORMED OF SUCH
25 RENEWAL.

26
27 **ART. 57. Preference of Claims. –**

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

35 (2) x x x

36 (3) x x x

1 **ART. 58. Instrument for Salary or Wage Deduction.** - (1) A member of a
2 cooperative may, notwithstanding the provisions of existing laws to the contrary,
3 execute an instrument in favor of the cooperative authorizing his employer to deduct
4 from the salary, wage, LUMP SUM, COMMUTATION OF LEAVE CREDITS AND ANY
5 OTHER MONETARY BENEFITS payable to him by the employer and pay to the
6 cooperative such amount as may be specified in satisfaction of any debt or other
7 demand due from the member to the cooperative.

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

14 (3) x x x

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

18
19 **ART. 59. Primary Lien.** - x x x

20
21 **ART. 60. Tax Treatment of Cooperatives.** - x x x

22
23 **ART. 61. Tax and Other Exemptions.** - x x x

24 (1) x x x

25 (2) x x x

26 (a) x x x

27 (b) x x x

28 (c) x x x

29 (d) x x x

30 (3) x x x

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

36 (5) Any register of deeds shall accept for registration, free of charge, any
37 instrument relative to a loan made under this Code which does not exceed [fifty
38 thousand pesos (P 50,000.00)] TWO HUNDRED FIFTY THOUSAND PESOS (P
39 250,000.00) or the deeds of title or any property acquired by the cooperative or any

1 paper or document drawn in connection with any action brought by the cooperative or
2 with any court judgment rendered in its favor or any instrument relative to a bond of
3 any accountable officer of a cooperative for the faithful performance of its duties and
4 obligations.

5 (6) x x x

6 (7) x x x

7 (8) x x x

8
9 **ART. 62. Privileges of Cooperatives. – x x x**

10 (1) x x x

11 (2) x x x

12 (3) x x x

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

18 (5) [Preferential treatment] *THE RIGHT OF FIRST REFUSAL* in the allocation of
19 fertilizers, INCLUDING SEEDS AND OTHER AGRICULTURAL INPUTS AND
20 IMPLEMENTS, and in rice distribution shall be granted to cooperatives by the
21 appropriate government agencies;

22 (6) x x x

23 (7) Cooperatives and their federations, such as FARM AND FISHERY
24 PRODUCERS AND SUPPLIERS, market vendorS AND OTHERS [cooperatives,]
25 WHICH HAVE FOR THEIR PRIMARY PURPOSE PRODUCTION AND/OR THE
26 MARKETING OF PRODUCTS FROM AGRICULTURE, FISHERIES AND SMALL
27 ENTREPRENEURIAL INDUSTRIES AND FEDERATIONS THEREOF, shall have
28 [preferential rights] *THE RIGHT OF FIRST REFUSAL* in THE management of public
29 markets and/or lease of public market facilities, stalls or spaces[,:]; *PROVIDED*, THAT
30 ONLY THE COOPERATIVES MUST UTILIZE THESE RIGHTS.

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

36 (9) A PUBLIC TRANSPORT SERVICE COOPERATIVE MAY BE ENTITLED TO
37 FINANCING SUPPORT FOR THE ACQUISITION AND/OR MAINTENANCE OF
38 LAND, SEA AND AIR TRANSPORT EQUIPMENT, FACILITIES AND PARTS

1 THROUGH THE PROGRAM OF THE GOVERNMENT FINANCIAL INSTITUTIONS. IT
2 SHALL HAVE THE *RIGHT OF FIRST REFUSAL* ON THE MANAGEMENT AND
3 OPERATION OF PUBLIC TERMINALS AND PORTS WHETHER LAND, SEA OR AIR
4 TRANSPORT WHERE THE COOPERATIVE OPERATES.

5 ~~[(9)]~~(10) x x x

6 [10](11) x x x

7 (12) COOPERATIVES ORGANIZED BY FACULTY MEMBERS AND
8 EMPLOYEES OF EDUCATIONAL INSTITUTIONS SHALL HAVE THE RIGHT OF
9 FIRST REFUSAL IN THE MANAGEMENT OF THE CANTEEN AND OTHER
10 SERVICES RELATED TO THE OPERATION OF THE EDUCATIONAL INSTITUTION
11 WHERE THEY ARE EMPLOYED: PROVIDED, THAT SUCH SERVICES ARE
12 OPERATED WITHIN THE PREMISES OF THE SAID EDUCATIONAL INSTITUTIONS.

13 (13) THE APPROPRIATE HOUSING AGENCIES AND GOVERNMENT
14 FINANCIAL INSTITUTIONS SHALL CREATE A SPECIAL WINDOW FOR FINANCING
15 HOUSING PROJECTS UNDERTAKEN BY COOPERATIVES, WITH INTEREST
16 RATES AND TERMS EQUAL TO, OR BETTER THAN THOSE GIVEN FOR
17 SOCIALIZED HOUSING PROJECTS. THIS FINANCING SHALL BE IN THE FORM OF
18 BLANKET LOANS OR LONG-TERM WHOLESALLOANS TO QUALIFIED
19 COOPERATIVES, WITHOUT NEED FOR INDIVIDUAL PROCESSING.

20
21 **SEC. 6.** Article 64 of Chapter VI on Insolvency of Cooperatives of the same Code
22 is hereby renumbered and amended to read as follows:

23
24 **ART. 63. *Proceedings Upon Insolvency.*** - In case a cooperative is unable to
25 fulfill its obligations to creditors due to insolvency, such cooperative may apply such
26 remedies as it may deem fit under the provisions of ~~the Insolvency Law~~[(] Act No.
27 1956 [)], as amended [)] OTHERWISE KNOWN AS THE INSOLVENCY LAW. x x x

28
29 **SEC. 7.** Articles 65, 66, 67, 68, 69, 70 and 71 of Chapter VII on Dissolution of
30 Cooperatives of the same Code are hereby renumbered and amended to read as
31 follows:

32
33 **ART. 64. *Voluntary Dissolution Where No Creditors Are Affected.*** - If the
34 dissolution of a cooperative does not prejudice the rights of any creditor having a claim
35 against it, the dissolution may be effected by a majority vote of the board of directors,
36 and by a resolution duly adopted by the affirmative vote of at least ~~two-thirds (2/3)]~~
37 **THREE-FOURTHS (3/4)** of all the members with voting rights, **PRESENT AND**
38 **CONSTITUTING A QUORUM** at a meeting to be held upon call of the directors:

1 *Provided*, That notice of time, place and object of the meeting shall be published for
2 three (3) consecutive weeks in a newspaper published in the place where the principal
3 office of said cooperative is located, or if no newspaper is published in such place, in a
4 newspaper of general circulation in the Philippines: *Provided further*, That notice of
5 such meeting is sent to each stockholder or member either by registered mail or by
6 personal delivery at least thirty (30) days prior to said meeting. A copy of the resolution
7 authorizing the dissolution shall be certified by a majority of the board of directors and
8 countersigned by the secretary of the cooperative. The [Cooperative Development]
9 Authority shall thereupon issue the certificate of dissolution.

10
11 **ART. 65. Voluntary Dissolution Where Creditors Are Affected.** - Where the
12 dissolution of a cooperative may prejudice the rights of any creditor, the petition for
13 dissolution shall be filed with the [Cooperative Development] Authority. The petition
14 shall be signed by a majority of its board of directors or other officers managing its
15 affairs, shall be verified by its [president] CHAIRPERSON or secretary or one of its
16 directors and shall set forth all claims and demands against it and that its dissolution
17 was resolved upon by the affirmative vote of at least [two-thirds (2/3)] THREE-
18 FOURTHS (3/4) of all the members with voting rights, PRESENT AND
19 CONSTITUTING QUORUM at a meeting called for that purpose. x x x

20
21 **ART. 66. Involuntary Dissolution.**- x x x

22
23 **ART. 67. Dissolution by Order of the Authority.** - x x x

24
25 **ART. 68. Dissolution by Failure to Organize and Operate.** - If a cooperative
26 has not commenced business and operation within two (2) years after the date shown
27 on its certificate of registration or has not carried on A business for two (2) consecutive
28 years, the Authority shall send A formal inquiry to the said cooperative as to the status
29 of its operation. Failure of the cooperative to promptly provide justifiable cause for its
30 failure to operate shall warrant the Authority to strike off its name from the register and,
31 for all intents and purposes, the cooperative shall be deemed dissolved.

32
33 **ART. 69. Cooperative Liquidation.** - Every cooperative whose charter expires
34 by its own limitation or whose cooperative existence is terminated by voluntary
35 dissolution or is terminated by appropriate judicial proceedings shall nevertheless be
36 continued as a body cooperative for three (3) years after the time [when it would have
37 been so] IT IS dissolved, for the purpose of prosecuting and defending suits by or
38 against it; and enabling it to settle and close its affairs, to dispose of and convey its

1 property and to distribute its assets, but not for the purpose of continuing the business
2 for which it was established.

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

10
11 **ART. 70. Rules and Regulations on Liquidation.-** x x x

12
13 **SEC. 8.** Articles 72, 73, 74, 75, 76, 77, 78, 79 and 80 of Chapter VIII on Capital,
14 Property and Funds of the same Code are hereby renumbered and amended to read
15 as follows:

16
17 **ART. 71. Capital.** – x x x

18
19 **ART. 72. Capital Sources.** – x x x

20 (1) x x x

21 (2) x x x

22 (3) x x x

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

29 UPON DISSOLUTION, SUCH DONATED CAPITAL SHALL FORM PART OF
30 THE RESERVE FUND.

31
32 **ART. 73. Limitation on Share Capital Holdings.** - No member of a PRIMARY
33 cooperative other than a cooperative ITSELF shall own or hold more than [twenty
34 percent (20%)] TEN PER CENTUM (10%) of the share capital of the cooperative.
35 Where a member of a cooperative dies, his heir shall be entitled to the shares of the
36 decedent: *Provided*, That the total share holding of the heir does not exceed [twenty
37 percent (20%)] TEN PER CENTUM (10%) of the share capital of the cooperative:
38 *Provided, further*, That the heir qualify and is admitted as member of the cooperative:

1 *Provided, finally,* That where the heir fails to qualify as such member or where his total
2 share holding exceeds [twenty percent (20%)] TEN PER CENTUM (10%) of the share
3 capital, the share or shares in excess will revert to the cooperative upon payment to
4 the heir of the value of such shares.

5
6 **ART. 74. *Assignment of Share Capital Contribution or Interest.* - x x x**

7
8 **ART. 75. [Interest on Share Capital.] CAPITAL BUILD-UP.** - [Interest on share
9 capital shall not exceed the normal rate of return on investments as determined by the
10 Cooperative Development Authority and such interest shall be non-cumulative.] THE
11 BY-LAWS OF EVERY COOPERATIVE SHALL PROVIDE FOR A REASONABLE AND
12 REALISTIC MEMBER CAPITAL BUILD-UP PROGRAM TO ALLOW THE
13 CONTINUING GROWTH OF THE MEMBERS' INVESTMENT IN THEIR
14 COOPERATIVE AS THEIR OWN ECONOMIC CONDITIONS CONTINUE TO
15 IMPROVE.

16
17 **ART. 76. *Shares.*** -- The term "share" refers to a unit of capital IN A PRIMARY
18 COOPERATIVE the par value of which may be fixed at any figure [but not less than
19 one peso (P1.00)] NOT MORE THAN FIVE THOUSAND PESOS (P5,000.00). The
20 share capital of a cooperative is the money paid or required to be paid for to conduct its
21 operations. The method of issuing the share certificates may be prescribed in the by-
22 laws of cooperative.

23
24 **ART. 77. *Fines.*** -- The by-laws of a cooperative may prescribe a fine on unpaid
25 subscribed share capital [subject to the guidelines which the Cooperative Development
26 Authority may issue.]: *PROVIDED*, THAT SUCH FINE IS FAIR AND REASONABLE
27 UNDER THE CIRCUMSTANCES.

28
29 **ART. 78. *Investment of Capital.* - x x x**

30
31 **ART. 79. *Revolving Capital.*** - The general assembly of any cooperative may
32 authorize the board of directors to raise a revolving capital to strengthen its capital
33 structure by deferring the payment of patronage refunds and interest on share capital
34 or by the authorized deduction of a percentage from the proceeds of products sold OR
35 SERVICES RENDERED, or per unit of product OR SERVICES handled. The board of
36 directors shall issue revolving capital certificates with serial number, name, amount,
37 and rate of interest to be paid and shall distinctly set forth that the time of retirement

1 [by] OF such certificates and the amounts to be returned are at the discretion of the
2 board of directors.

3
4 **SEC. 9.** Article 81, 82, 83, 84 and 85 of Chapter IX on Audit, Inquiry and
5 Members' Right to Examine of the same Code are hereby renumbered and amended
6 to read as follows:

7
8 **ART. 80. Annual Audit.** - Cooperatives under this Code shall be subject to an
9 annual FINANCIAL, PERFORMANCE AND SOCIAL audit [by an auditor]. THE
10 FINANCIAL AUDIT SHALL BE CONDUCTED BY AN EXTERNAL AUDITOR who
11 satisfies all the following qualifications:

12 (1) He is independent of the cooperative being audited and of any subsidiary of
13 the cooperative; and

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

18
19 **ART. 81. Audit Report.** - The auditor shall submit to the BOARD OF DIRECTORS
20 AND TO THE audit committee THE [a report of the] FINANCIAL audit [which shall
21 contain a statement of the assets and liabilities of the cooperative, including earnings
22 and expenses, amount of net surplus as well as losses and bad debts, if any.]
23 REPORT WHICH SHALL BE IN ACCORDANCE WITH THE GENERALLY
24 ACCEPTED AUDITING STANDARDS FOR COOPERATIVES AS JOINTLY
25 PROMULGATED BY THE PHILIPPINE INSTITUTE OF CERTIFIED PUBLIC
26 ACCOUNTANTS (PICPA) AND THE AUTHORITY.

27 PERFORMANCE AND SOCIAL AUDIT REPORTS WHICH CONTAIN THE
28 FINDINGS AND RECOMMENDATIONS OF THE AUDITOR SHALL LIKEWISE BE
29 SUBMITTED TO THE BOARD OF DIRECTORS.

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

33 SOCIAL AND PERFORMANCE AUDITS SHALL BE CONDUCTED
34 INTERNALLY BY THE AUDIT COMMITTEE OR PAID STAFF OR VOLUNTEER
35 MEMBERS OF THE COOPERATIVE OR EXTERNALLY, BY QUALIFIED EXTERNAL
36 AUDITORS.

37
38 **ART. 82. Non-liability for Defamation.** - x x x

1
2 **ART. 83. Right to Examine.**- x x x

3
4 **ART. 84. Safety of Records.** - x x x

5
6 **SEC. 10.** Articles 86 and 87 of Chapter X on Allocation and Distribution of Net
7 Surplus of the same Code are hereby RENUMBERED AND amended to read as
8 follows:

9
10 **ART. 85. Net Surplus.** - Notwithstanding the provisions of existing laws, the
11 surplus of cooperatives shall be determined in accordance with its by-laws. Every
12 cooperative shall determine its net surplus at the close of every fiscal year and at such
13 other time as may be prescribed by the by-laws.

14 ANY PROVISION OF LAW TO THE CONTRARY NOTWITHSTANDING, [T]the
15 net surplus shall not be construed as profit but as excess of payments made by the
16 members for the loans borrowed, or the goods and services bought by them from the
17 cooperative OR THE DIFFERENCE OF THE RIGHTFUL AMOUNT DUE TO THE
18 MEMBERS FOR THEIR PRODUCTS SOLD OR SERVICES RENDERED TO THE
19 COOPERATIVE INCLUDING OTHER INFLOWS OF ASSETS RESULTING FROM ITS
20 OTHER OPERATING ACTIVITIES and which shall be deemed to have been returned
21 to them if the same is distributed as prescribed herein.

22
23 **ART. 86. Order of Distribution.** - The net surplus of every cooperative shall be
24 distributed as follows:

25 (1) An amount for the reserve fund which shall be at least ten per centum
26 (10%) of net surplus: *PROVIDED*, THAT, IN THE FIRST FIVE (5) YEARS OF
27 OPERATION AFTER REGISTRATION, THIS AMOUNT SHALL NOT BE LESS THAN
28 FIFTY PER CENTUM (50%) OF THE NET SURPLUS.

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

33 (b) x x x

34 (c) x x x

35 (i) x x x

36 (ii) x x x

37 (2) An amount for the education and training fund, [which] shall [be] not [more]
38 BE LESS than ten *per centum* (10%) of THE net surplus. The by-laws may provide

1 that certain fees [or fines] or a portion thereof be credited to such fund. THE FUND
2 SHALL PROVIDE FOR THE TRAINING, PROVISION FOR WORK EXPERIENCE
3 AND SIMILAR OTHER COOPERATIVE ACTIVITIES GEARED TOWARDS THE
4 ACHIEVEMENT OF THE OBJECTIVES OF THE MOVEMENT.

5 (a) Half of the amounts transferred to the education and training fund
6 annually under this subsection [may] SHALL be spent by the
7 cooperative for education[,] and training[, and other] purposes;
8 while the other half shall be [credited] REMITTED to [the] A
9 HIGHER LEVEL NON-BUSINESS COOPERATIVE UNION OR
10 FEDERATION [cooperative education and training fund of the
11 respective apex organization] CHOSEN BY THE COOPERATIVE
12 OR of which IT [a cooperative] is a member. THE HIGHER LEVEL
13 NON-BUSINESS COOPERATIVE UNION OR FEDERATION
14 SHALL SUBMIT TO THE AUTHORITY AND ITS CONTRIBUTING
15 COOPERATIVES THE FOLLOWING SCHEDULES: (I) LIST OF
16 COOPERATIVES WHICH HAVE REMITTED THEIR RESPECTIVE
17 COOPERATIVE EDUCATION AND TRAINING FUNDS (CETF); (II)
18 BUSINESS CONSULTANCY ASSISTANCE TO INCLUDE THE
19 NATURE AND COST; AND (III) OTHER TRAINING ACTIVITIES
20 UNDERTAKEN SPECIFYING THEREIN THE NATURE,
21 PARTICIPANTS AND COST OF EACH ACTIVITY. [An apex
22 organization may be a federation or union.]

23 (b) x x x

24 (3) AN AMOUNT FOR THE COMMUNITY DEVELOPMENT FUND, WHICH
25 SHALL NOT BE LESS THAN THREE *PER CENTUM* (3%) OF THE NET SURPLUS.
26 THE COMMUNITY DEVELOPMENT FUND SHALL BE USED FOR PROJECTS OR
27 ACTIVITIES THAT BENEFIT THE COMMUNITY OR COMMUNITIES WHERE THE
28 COOPERATIVE OPERATES.

29 [(3)](4) An optional fund, a land and building, [community development,] and any
30 other necessary fund the total of which [may] SHALL not exceed [ten *per centum*
31 (10%)] SEVEN PER CENTUM (7%).

32 [(4)](5) The remaining net surplus shall be made available to the members in the
33 form of interest ON SHARE CAPITAL not to exceed the normal rate of return on
34 investments and patronage refunds[: PROVIDED, THAT ANY AMOUNT REMAINING
35 AFTER THE ALLOWABLE INTEREST AND THE PATRONAGE REFUND HAVE
36 BEEN DEDUCTED SHALL BE CREDITED TO THE RESERVE FUND AND/OR THE
37 COMMUNITY DEVELOPMENT FUND. x x x

1 **SEC. 11.** Articles 88 to 95 under Chapter XI on the Special Provisions Relating
2 to Agrarian Reform Cooperatives of the same Code are hereby renumbered and
3 amended to read as follows:

4
5 **CHAPTER XI**
6 **AGRARIAN REFORM COOPERATIVES**

7
8 **ART. 87. Coverage.** – x x x

9 [ART. 89. Definition and Purpose - An agrarian reform cooperative within the
10 meaning of this Code is one where the majority of the members are agrarian reform
11 beneficiaries and marginal farmers and organized for any or all of the following
12 purposes:]

13
14 **ART. 88. Cooperative Estates.** - x x x

15
16 **ART. 89. Infrastructure.** - x x x

17
18 **ART. 90. Lease of Public Lands.** - x x x

19
20 **ART. 91. Preferential Right.** – x x x

21
22 **ART. 92. Privileges.** – x x x

- 23 (1) x x x
24 (2) x x x
25 (3) x x x
26 (4) x x x
27 (5) x x x
28 (6) x x x

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

37
38 **ART. 93. Organization and Registration.** - x x x

1 **SEC. 12 .** Articles 96 to 98 of Chapter XII on Special Provisions on Public
2 Service Cooperatives of the same Code are hereby transferred to another chapter.
3 This chapter is now retitled, renumbered and amended to read, as follows:

4
5 **CHAPTER XII**
6 **COOPERATIVE BANK**

7
8 **ART. 94. *Governing Law.*** - [(1)] The provisions of this Chapter shall primarily
9 govern cooperative banks registered under this Code and the other provisions of this
10 Code shall apply to them only insofar as they are not inconsistent with the provisions
11 contained in this Chapter.

12 A COOPERATIVE BANK REGISTERED UNDER THIS CODE SHALL BE
13 UNDER THE SUPERVISION OF THE BANGKO SENTRAL NG PILIPINAS (BSP).

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

18
19 **[ART. 100. *Definition, Classification and Functions.*** – A cooperative bank is
20 one organized by the majority shares of which is owned and controlled by cooperatives
21 primarily to provide financial and credit services to cooperatives. The term
22 "cooperative bank" shall include cooperative rural banks. A cooperative bank may
23 perform the following functions:

- 24 (1) To carry on banking and credit services for the cooperatives;
25 (2) To receive financial aid or loans from the Government and the Central Bank
26 of the Philippines for and in behalf of the cooperative banks and primary cooperatives
27 and their federations engaged in business and to supervise the lending and collection
28 of loans;
29 (3) To mobilize savings of its members for the benefit of the cooperative
30 movement;
31 (4) To act as a balancing medium for the surplus funds of cooperatives and their
32 federations;
33 (5) To discount bills and promissory notes issued and drawn by cooperatives;
34 (6) To issue negotiable instruments to facilitate the activities of cooperatives;
35 (7) To issue debentures subject to the approval of and under conditions and
36 guarantees to be prescribed by the Government;
37 (8) To borrow money from banks and other financial institutions within the limit to
38 be prescribed by the Central Bank; and

1 (9) To carry out all other functions as may be prescribed by the Authority:
2 *Provided*, That the performance of any banking function shall be subject to prior
3 approval by the Central Bank of the Philippines.]
4

5 [ART. 101. **Registration Requirements.** - No entity shall be registered by the
6 Cooperative Development Authority as a cooperative bank unless the articles of
7 cooperation and by-laws thereof as well as its establishment and operation as a
8 cooperative bank have been approved by the Central Bank of the Philippines and it
9 satisfies all requirements for registration as a cooperative.]
10

11 **ART. 95. 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. THERE SHALL ONLY BE ONE COOPERATIVE BANK
19 PER PROVINCE, HOWEVER, THE BSP MAY AUTHORIZE THE ESTABLISHMENT
20 OF ADDITIONAL COOPERATIVE BANKS IF WARRANTED BY FAVORABLE
21 ECONOMIC CONDITIONS IN THE AREA. A COOPERATIVE BANK MAY
22 ESTABLISH BRANCHES WITH PRIOR APPROVAL BY THE BSP IN PLACES
23 WHERE OTHER BANKS ARE ALLOWED TO ESTABLISH BRANCHES.

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

- 30 (A) INDIVIDUAL MEMBERS OF THE BANK'S MEMBER-PRIMARY
31 COOPERATIVES; AND
32 (B) SAMAHANG NAYON AND MUNICIPAL KATIPUNAN NG MGA
33 SAMAHANG NAYON (MKSAN) WHICH HELD COMMON SHARES
34 OF COOPERATIVE BANKS PRIOR TO THE EFFECTIVITY OF
35 THIS ACT SHALL APPLY FOR CONVERSION TO FULL-
36 FLEDGED COOPERATIVES IN ORDER TO MAINTAIN THEIR
37 STATUS AS REGULAR MEMBERS OF COOPERATIVE BANKS:
38 *PROVIDED*, THAT THEY SHALL NOTIFY THE COOPERATIVE

1 BANK CONCERNED OF THEIR INTENTION TO CONVERT
2 WITHIN A PERIOD OF NINETY (90) DAYS FROM THE
3 EFFECTIVITY OF THIS ACT. SAMAHANG NAYON AND MKSN
4 ARE HEREBY GIVEN A PERIOD OF ONE (1) YEAR FROM THE
5 EFFECTIVITY OF THIS ACT TO COMPLETE THEIR
6 CONVERSION TO COOPERATIVES. COOPERATIVE BANKS
7 SHALL EXERT REASONABLE EFFORTS TO INFORM THEIR
8 MEMBER SAMAHANG NAYON AND MKSN TO FINALLY
9 CONVERT OR TO GIVE THE NOTICE OF CONVERSION WITHIN
10 THE PRESCRIBED PERIOD. UPON THE FAILURE OF
11 SAMAHANG NAYON OR MKSN TO FINALLY CONVERT TO A
12 FULL-FLEDGED COOPERATIVE WITHIN THE MAXIMUM
13 PERIOD OF ONE YEAR, THE COOPERATIVE BANK
14 CONCERNED MAY CONVERT THE COMMON SHARES HELD
15 BY SUCH ASSOCIATIONS TO PREFERRED SHARES.
16

17 **ART. 96. [Board of Directors.** - The number, composition, and voting rights of
18 the board of directors shall be defined in the articles of cooperation and by-laws of the
19 cooperative bank, notwithstanding provisions of this Code to the contrary.]

20 **ADMINISTRATION OF COOPERATIVE BANKS.** - TO MAINTAIN THE QUALITY OF
21 BANK MANAGEMENT AND ACCORD BETTER PROTECTION TO DEPOSITORS
22 AND THE PUBLIC IN GENERAL, THE BSP MAY PASS UPON AND REVIEW THE
23 QUALIFICATIONS OF PERSONS WHO ARE ELECTED OR APPOINTED BANK
24 DIRECTORS AND OFFICERS, AND DISQUALIFY THOSE UNFIT. THE BSP SHALL
25 PRESCRIBE THE QUALIFICATIONS OF BANK DIRECTORS AND OFFICERS FOR
26 THE PURPOSES OF THIS SECTION, GIVING DUE RECOGNITION TO THE UNIQUE
27 COOPERATIVE NATURE AND CHARACTER OF COOPERATIVE BANKS.

28 NOTWITHSTANDING THE PROVISIONS OF THIS CODE, THE NUMBER,
29 COMPOSITION AND TERM OF THE BOARD OF DIRECTORS SHALL BE DEFINED
30 IN THE ARTICLES OF COOPERATION AND BY-LAWS OF THE COOPERATIVE
31 BANK.
32

33 **ART. 97. QUORUM AND VOTING RIGHTS.** – THE QUORUM REQUIREMENT
34 FOR GENERAL ASSEMBLY MEETINGS, WHETHER SPECIAL OR REGULAR,
35 SHALL BE ONE-HALF PLUS ONE OF THE NUMBER OF VOTING SHARES OF ALL
36 THE MEMBERS IN GOOD STANDING. ON MEETINGS OF THE BOARD OF
37 DIRECTORS, WHETHER SPECIAL OR REGULAR, THE QUORUM REQUIREMENT

1 SHALL BE ONE-HALF PLUS ONE OF THE ENTIRE MEMBERSHIP OF THE BOARD
2 OF DIRECTORS. ONE DIRECTOR SHALL HAVE ONE VOTE EACH.

3 THE VOTING RIGHTS OF STOCKHOLDERS SHALL BE EQUIVALENT TO
4 THE NUMBER OF THEIR PAID-UP SHARES.

5
6 **ART. 98.** [Loans. - Cooperatives may obtain loans from a cooperative bank.
7 Loans granted by a cooperative bank shall be reported to the Central Bank of the
8 Philippines.] **POWERS, FUNCTIONS AND ALLIED UNDERTAKINGS OF**
9 **COOPERATIVE BANKS.** - COOPERATIVE BANKS SHALL PRIMARILY PROVIDE
10 FINANCIAL, BANKING AND CREDIT SERVICES TO COOPERATIVE
11 ORGANIZATIONS AND THEIR MEMBERS. HOWEVER, THE BSP MAY PRESCRIBE
12 APPROPRIATE GUIDELINES, CEILINGS AND CONDITIONS ON BORROWINGS OF
13 A COOPERATIVE ORGANIZATION FROM A COOPERATIVE BANK.

14 THE POWERS AND FUNCTIONS OF A COOPERATIVE BANK SHALL BE
15 SUBJECT TO SUCH RULES AND REGULATIONS AS MAY BE PROMULGATED BY
16 THE BSP.

17 IN ADDITION TO THE POWERS GRANTED BY THIS CODE AND OTHER
18 EXISTING LAWS, ANY COOPERATIVE BANK MAY PERFORM ANY OR ALL OF THE
19 SERVICES OFFERED BY RURAL BANKS UPON PRIOR APPROVAL OF THE BSP.

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

27 COOPERATIVE BANK MAY INVEST IN THE EQUITIES OF COOPERATIVE
28 INSURANCE AND IN OTHER ALLIED UNDERTAKINGS SUBJECT TO GUIDELINES
29 AS MAY BE PRESCRIBED BY THE BSP.

30
31 **ART. 99. Supervision.** - The cooperative banks registered under this Code shall
32 be under the supervision of the [Central Bank] BSP. The [Central Bank] BSP upon
33 consultation with the [agency] AUTHORITY and the [cooperative movement]
34 NATIONAL FEDERATION OF COOPERATIVE BANKS shall formulate guidelines
35 regarding the operations and banking transactions of cooperative banks. These
36 guidelines shall give due recognition to the unique cooperative nature and character of
37 cooperative banks. To this end, cooperative banks may be exempted from [Central
38 Bank] BSP rules and regulations, applicable to other types of banks, which would

1 impede the cooperative rural bank from performing legitimate financial and banking
2 services to its members.

3
4 **ART. 100. Capitalization AND CAPITAL REQUIREMENTS OF COOPERATIVE**

5 **BANKS.** - 1) A national OR LOCAL cooperative bank shall have a minimum
6 [authorized share capital of two hundred million pesos (P200,000,000.00) in relation to
7 Art. 14 (5).] PAID-UP CAPITAL IN SUCH AMOUNT AS MAY BE REQUIRED BY THE
8 BSP IN CONSULTATION WITH THE NATIONAL FEDERATION OF COOPERATIVE
9 BANKS. The authorized share capital shall be divided into such number of shares with
10 a minimum par value of One Thousand Pesos (P1,000.00) per share FOR NATIONAL
11 COOPERATIVE BANKS AND ONE HUNDRED PESOS (P100.00) PAR VALUE PER
12 SHARE FOR LOCAL COOPERATIVE BANKS. For the purpose of primarily
13 determining the permanency of equity, the types of shares a cooperative bank may
14 issue, including the terms thereof and the rights appurtenant thereto, shall be subject to
15 such rules and regulations as the [Central Bank] BSP may prescribe.

16 (2) X X X

17 (3) THE AGRICULTURAL CREDIT POLICY COUNCIL (ACPC) THROUGH ITS
18 EXECUTIVE DIRECTOR, THE AUTHORITY THROUGH ITS BOARD OF
19 ADMINISTRATORS, THE DEPARTMENT OF AGRARIAN REFORM (DAR)
20 THROUGH ITS SECRETARY AND OTHER GOVERNMENT-OWNED AND
21 CONTROLLED NON-FINANCIAL INSTITUTIONS WITH LOANING AND
22 DEVELOPMENT FUNCTIONS AND PROGRAMS, THROUGH THEIR
23 APPROPRIATE AUTHORITIES, MAY UTILIZE FUNDS SUCH AS THE
24 COMPREHENSIVE AGRICULTURAL LOAN FUND (CALF), THE COOPERATIVE
25 DEVELOPMENT LOAN FUND (CDLF), THE COOPERATIVE MARKETING
26 PROJECT FUND (CMPF), THE RICE SEED PRODUCTION PROGRAM FUND
27 (RSPPF), DUTCH RURAL DEVELOPMENT ASSISTANCE PROGRAM FUND
28 (DRDAPF) AND OTHER FUNDS EXISTING OR MAY HEREINAFTER BE CREATED
29 UNDER THEIR RESPECTIVE ADMINISTRATIONS TO SUBSCRIBE TO THE
30 PREFERRED SHARES OF COOPERATIVE BANK EITHER THROUGH THE
31 CONVERSION OF THE LIABILITIES OF COOPERATIVE BANK DUE TO THESE
32 INSTITUTIONS INTO PREFERRED SHARES AND/OR FRESH CAPITAL INFUSION
33 SUBJECT TO MUTUALLY AGREED TERMS AND CONDITIONS BY THE PARTIES.
34 PROVIDED, THAT SUCH PREFERRED SHARES HELD BY SUCH NON-FINANCIAL
35 INSTITUTIONS SHALL BE RETIRED IN WHOLE OR IN PART AT BOOK VALUE
36 WHEN THE COOPERATIVE BANK HAS ACQUIRED ENOUGH CAPITAL
37 STRENGTH TO PERMIT THE RETIREMENT OF SUCH SHARES. PROVIDED,
38 FURTHER, THAT IN THE CASE OF DAR AND OTHER GOVERNMENT-OWNED

1 AND CONTROLLED NON-FINANCIAL INSTITUTIONS WHICH BY REASON OF
2 THEIR CHARTER OR DUE TO CERTAIN LEGAL IMPEDIMENTS, MAY NOT BE
3 ALLOWED BY LAW TO OWN PREFERRED SHARES WITH COOPERATIVE BANK,
4 SHALL DENOMINATE THEIR INVESTMENTS AS " SUBORDINATED LOAN" TO
5 THE COOPERATIVE BANK FOR AT LEAST TEN (10) YEARS, SUBJECT TO
6 OTHER MUTUAL TERMS AND CONDITIONS BY THE PARTIES: AND PROVIDED,
7 FURTHER, THAT THE ACPC, THE CDA, THE DAR AND THE OTHER
8 GOVERNMENT-OWNED AND CONTROLLED NON-FINANCIAL INSTITUTIONS
9 MAY UTILIZE EARNINGS DERIVED FROM SUCH BASIC SOURCE FUNDS SUCH
10 AS THE CALF, CDLF, CMPF, RSPPF, DRDAPF AND OTHER FUNDS CREATED
11 UNDER THEIR ADMINISTRATION FOR INSTITUTION-BUILDING, CREDIT AND
12 CREDIT-RELATED PROGRAMS AND ACTIVITIES.

13
14 (4) IN ORDER TO FURTHER AUGMENT THE CAPITALIZATION OF
15 COOPERATIVE BANKS, THE BARRIO SAVINGS FUND (BSF) AND BARRIO
16 GUARANTEE FUND (BGF) COLLECTED/DEDUCTED BY VARIOUS BANKS
17 THROUGHOUT THE COUNTRY FROM THE LOAN PROCEEDS OF FARMER-
18 BORROWERS WHO WERE MEMBERS OF COOPERATIVES AND SAMAHANG
19 NAYON IN COMPLIANCE TO PD 175 AND ACCOMPANYING LETTER OF
20 INSTRUCTIONS, WHICH ARE STILL FLOATING AND OUTSTANDING EITHER AS
21 ACTIVE OR DORMANT DEPOSIT ACCOUNTS IN THE BOOKS OF THOSE BANKS,
22 SHALL BE REMITTED TO THE COOPERATIVE BANK LOCATED IN THE
23 PROVINCE WHERE THE DEPOSITORY BANKS OF THE BSF AND BGF ARE
24 LOCATED, OR IF THERE IS NO COOPERATIVE BANK IN THE PROVINCE, TO
25 THE COOPERATIVE BANK NEAREST TO THE PROVINCE. THE BSP IN
26 COORDINATION WITH THE NATIONAL FEDERATION OF COOPERATIVE BANKS
27 SHALL COME UP WITH THE IMPLEMENTING GUIDELINES ON HOW TO CREDIT
28 THE OWNERS OF THE FUNDS. THOSE FUNDS WHOSE OWNERS COULD NOT
29 BE LOCATED OR IDENTIFIED SHALL BE ENDOWED TO THE NATIONAL
30 FEDERATION OF COOPERATIVE BANKS IN ORDER TO FINANCE THE
31 COOPERATIVE BANKS STRENGTHENING PROGRAM OF THE FEDERATION.

32 BEFORE THE EFFECTIVITY OF THE RULES WHICH THE BSP IS
33 AUTHORIZED TO PRESCRIBE UNDER THIS PROVISION, SECTION 22 OF THE
34 GENERAL BANKING ACT, AS AMENDED, SECTION 9 OF THE THRIFT BANKS
35 ACT, AND ALL PERTINENT RULES ISSUED PURSUANT THERETO SHALL
36 CONTINUE TO BE IN FORCE.

1 **[ART. 107. Distribution of Net Surplus.** - The provisions of this Code on the
2 allocation and distribution of net surplus shall apply.]

3 **ART. 101. Privileges AND INCENTIVES OF COOPERATIVE BANKS.** -
4 [Cooperative banks shall have the following privileges subject to the approval of the
5 Central Bank and compliance with applicable banking laws, rules and regulations:]

6 (1) The cooperative banks registered under this Code shall be given the same
7 privilegeS AND INCENTIVES granted to the rural banks, private development banks,
8 commercial banks, and all other banks to rediscount notes with the [Central Bank]
9 BSP, the Land Bank of the Philippines, and other government banks without affecting
10 in any way the provisions of this Code; [and]

11 (2) [To act as a depository of government funds. For this purpose, all
12 government departments, agencies and units of the national and local governments
13 including government-owned and controlled corporations are hereby authorized to
14 deposit their funds in any cooperative bank.]SUBJECT TO THE APPROVAL OF THE
15 BSP, A COOPERATIVE BANK SHALL PUBLISH A STATEMENT OF ITS FINANCIAL
16 CONDITION, INCLUDING THOSE OF ITS SUBSIDIARIES AND AFFILIATES, IN SUCH
17 TERMS UNDERSTANDABLE TO THE LAYMAN AND IN SUCH FREQUENCY AS MAY BE
18 PRESCRIBED BY THE BSP, IN ENGLISH OR FILIPINO, AT LEAST ONCE EVERY QUARTER IN
19 A NEWSPAPER OF GENERAL CIRCULATION IN THE CITY OR PROVINCE WHERE THE
20 PRINCIPAL IS LOCATED IN THE CASE OF A DOMESTIC INSTITUTION. BUT IF NO
21 NEWSPAPER IS PUBLISHED IN THE SAME PROVINCE, THEN IN A NEWSPAPER PUBLISHED
22 IN METRO MANILA OR IN THE NEAREST CITY OR PROVINCE. THE BSP, HOWEVER,
23 MAY PRESCRIBE ALTERNATIVE COMPLIANCE THAT MAY CONSTITUTE
24 SUFFICIENT PUBLICATION

25 IN CASES OF FORECLOSURE OF MORTGAGES COVERING LOANS
26 GRANTED BY A COOPERATIVE BANK, AND EXECUTION OF JUDGMENTS
27 THEREON INVOLVING REAL PROPERTIES AND LEVIED UPON BY A SHERIFF,
28 SHALL BE EXEMPT FROM PUBLICATION REQUIREMENT WHERE THE TOTAL
29 AMOUNT OF THE LOAN, EXCLUDING INTEREST AND OTHER CHARGES DUE
30 AND UNPAID, DOES NOT EXCEED TWO HUNDRED FIFTY THOUSAND PESOS
31 (P250,000.00) OR SUCH AMOUNT AS THE BSP MAY PRESCRIBE, AS MAY BE
32 WARRANTED BY THE PREVAILING ECONOMIC CONDITIONS AND BY THE
33 NATURE AND CHARACTER OF COOPERATIVE BANKS. IT SHALL BE
34 SUFFICIENT PUBLICATION IN SUCH CASES IF THE NOTICE OF FORECLOSURE
35 AND EXECUTION OF JUDGMENT ARE POSTED IN CONSPICUOUS AREAS OF
36 THE COOPERATIVE BANK'S PREMISES, THE MUNICIPAL HALL, THE MUNICIPAL
37 PUBLIC MARKET, THE BARANGAY HALL, OR THE BARANGAY PUBLIC MARKET,
38 IF THERE BE ANY, WHERE THE LAND MORTGAGED IS SITUATED, WITHIN A

1 PERIOD OF SIXTY (60) DAYS IMMEDIATELY PRECEDING THE PUBLIC AUCTION
2 OR THE EXECUTION OF JUDGMENT. PROOF OF PUBLICATION AS REQUIRED
3 HEREIN SHALL BE ACCOMPLISHED BY AN AFFIDAVIT OF THE SHERIFF OR
4 OFFICER CONDUCTING THE FORECLOSURE SALE OR EXECUTION OF
5 JUDGMENT, AND SHALL BE ATTACHED TO THE RECORD OF THE CASE.

6 A COOPERATIVE BANK SHALL BE ALLOWED TO FORECLOSE LANDS
7 MORTGAGED TO IT SUBJECT TO THE PROVISIONS OF REPUBLIC ACT. NO.
8 6657, OTHERWISE KNOWN AS THE COMPREHENSIVE AGRARIAN REFORM LAW
9 OF 1988.

10
11 **ART. 102. Assistance to [a] Cooperative Banks.** - IN ACCORDANCE WITH
12 EXISTING POLICIES, GOVERNMENT AGENCIES, GOVERNMENT-OWNED OR
13 CONTROLLED CORPORATIONS AND FINANCIAL INSTITUTIONS SHALL PROVIDE
14 ASSISTANCE, TECHNICAL OR OTHERWISE, TO COOPERATIVE BANKS TO
15 PERMIT THEM TO GROW, DEVELOP AND PERFORM THEIR ROLE IN
16 COUNTRYSIDE DEVELOPMENT AND TOWARDS A SUSTAINABLE NATIONAL
17 ECONOMIC DEVELOPMENT. Whenever a cooperative bank organized under this
18 Code is distressed or may need assistance in the rehabilitation of its financial condition
19 or to avoid bankruptcy, the [Monetary Board of the Central Bank of the Philippines]
20 BSP [shall] MAY designate ONE OF ITS OFFICIALS [an official of the Central Bank]
21 or a person of recognized competence [in], PREFERABLY WITH EXPERIENCE IN
22 COOPERATIVE banking [or] AND finance, as receiver or conservator of the said
23 bank pursuant to the provisions of Section 29 of [Republic Act No. 265, as amended]
24 REPUBLIC ACT NO. 7653, OTHERWISE KNOWN AS THE NEW CENTRAL BANK
25 ACT.

26
27 **ART. 103. SETTLEMENT OF DISPUTES.** – IN CASES OF BANKING-RELATED
28 CONFLICTS, PROVISIONS OF THE GENERAL BANKING ACT AND THE RULES
29 AND REGULATIONS OF THE MONETARY BOARD SHALL PREVAIL.

30
31 **SEC. 13.** Articles 99 to 109 of Chapter XIII on Special Provisions relating to
32 Cooperative Banks of the same Code is hereby transferred to another chapter. This
33 chapter is now retitled, renumbered and amended to read, as follows:

34
35 **CHAPTER XIII**
36 **INSURANCE COOPERATIVE**
37

1 affecting their public service operations shall be governed by the proper government
2 agency concerned.

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

6 (4) THE AUTHORITY SHALL ESTABLISH A COMMITTEE FOR THE
7 MONITORING OF TRANSPORTATION SERVICE COOPERATIVES COMPOSED OF
8 REPRESENTATIVES FROM THE AUTHORITY, THE LAND TRANSPORTATION AND
9 FRANCHISE REGULATORY BOARD (LTFRB), THE LAND TRANSPORTATION
10 OFFICE (LTO), OFFICE OF TRANSPORT COOPERATIVES, OTHER CONCERNED
11 GOVERNMENT AGENCIES, AS MAY BE NECESSARY, AND THE NATIONAL
12 FEDERATION OF TRANSPORTATION COOPERATIVES. A LOCAL MONITORING
13 COMMITTEE SHALL LIKEWISE BE ESTABLISHED AT THE EXTENSION OFFICES
14 OF THE AUTHORITY TO FACILITATE THE MONITORING OF TRANSPORTATION
15 COOPERATIVES.

16
17 **ART. 110. ENGAGEMENT IN ALLIED BUSINESSES BY TRANSPORTATION**
18 **SERVICE COOPERATIVES.** - SUBJECT TO PERTINENT NATIONAL LAWS AND
19 LOCAL ORDINANCES, PRIMARY TRANSPORTATION SERVICE COOPERATIVES
20 INCLUDING SECONDARY AND TERTIARY FEDERATION OF COOPERATIVES MAY
21 ENGAGE IN A BUSINESS RELATED TO TRANSPORTATION SERVICES,
22 INCLUDING BUT NOT LIMITED TO:

- 23 (1) IMPORTATION, DISTRIBUTION AND MARKETING OF PETROLEUM
24 PRODUCTS IN ACCORDANCE WITH THE EXISTING LAW(S);
- 25 (2) OPERATION OF GASOLINE STATIONS AND TRANSPORTATION
26 SERVICE CENTERS;
- 27 (3) IMPORTATION, DISTRIBUTION AND MARKETING OF SPARE PARTS
28 AND SUPPLIES;
- 29 (4) MARKETING OF VEHICLE/DRIVERS INSURANCE POLICIES;

30
31 **SEC. 15.** Articles 115 to 118 of Chapter XV on Special Provisions relating to
32 Cooperative Insurance Societies of the same Code are hereby transferred to another
33 chapter. This chapter is now retitled, renumbered and amended to read, as follows:

34
35 **CHAPTER XV**
36 **CREDIT COOPERATIVE**

37
38 **ART. 111. Coverage.** – xxx

1 **ART. 115. COVERAGE.** – THE PROVISIONS OF THIS ACT MAY APPLY TO
2 ALL ELECTRIC COOPERATIVES INCLUDING THOSE REGISTERED UNDER THE
3 AUTHORITY AND THE NATIONAL ELECTRIFICATION ADMINISTRATION. THIS
4 SHALL ALSO COVER NEW ELECTRIC COOPERATIVES WHICH MAY UNDERTAKE
5 POWER GENERATION, TRANSMISSION AND DISTRIBUTION AS ITS PRIMARY
6 PURPOSES.

7
8 **ART. 116. REGISTRATION OF ELECTRIC COOPERATIVES.** – THE
9 REGISTRATION OF AN ELECTRIC COOPERATIVE WITH THE AUTHORITY UNDER
10 THIS CODE SHALL BE SUBMITTED FOR APPROVAL TO THE MEMBERS IN A
11 GENERAL ASSEMBLY. HOWEVER, THE BOARD OF DIRECTORS MAY INITIALLY
12 APPROVE REGISTRATION WITH THE AUTHORITY BUT ARE REQUIRED TO SEEK
13 CONFIRMATION THROUGH A SPECIAL GENERAL ASSEMBLY CALLED FOR THE
14 PURPOSE.

15
16 **ART. 117. QUORUM REQUIREMENT.** – THE QUORUM REQUIREMENT FOR
17 A GENERAL ASSEMBLY SHALL BE AS CURRENTLY SET FORTH UNDER THE
18 ARTICLES AND BY-LAWS OF THE ELECTRIC COOPERATIVES.

19
20 **ART. 118. REGISTRATION DOCUMENTS TO BE SUBMITTED.** – FOR
21 PURPOSES OF REGISTRATION, ELECTRIC COOPERATIVES SHALL SUBMIT THE
22 FOLLOWING DOCUMENTS:

- 23
- 24 (A) CERTIFIED COPY OF THE ARTICLES OF INCORPORATION AND
25 BY-LAWS;
 - 26 (B) COPY OF THE RESOLUTION FILED BY THE GENERAL ASSEMBLY
27 APPROVING THE REGISTRATION OF THEN COOPERATIVE WITH
28 THE AUTHORITY.
 - 29 (C) COPY OF THE CERTIFICATE OF REGISTRATION WITH THE
30 NATIONAL ELECTRIFICATION ADMINISTRATION;
 - 31 (D) DULY AUDITED FINANCIAL STATEMENTS FOR THE PAST TWO
32 (2) YEARS;
 - 33 (E) LIST OF NAMES OF INCUMBENT BOARD OF DIRECTORS AND
34 THEIR ADDRESSES CERTIFIED BY THE BOARD SECRETARY
35 AND ATTESTED BY THE CHAIRMAN;
 - 36 (F) WITHIN SIX (6) MONTHS FROM THE REGISTRATION, THE
37 TREASURER SHALL SUBMIT A SWORN STATEMENT OF THE
38 AUTHORIZED SHARE CAPITAL, THE SUBSCRIBED SHARE
39 CAPITAL OF MEMBERS, THE PAID-UP SHARE CAPITAL OF

1 MEMBER AND THE AMOUNT OF PAID-UP SHARE CAPITAL
2 RECEIVED BY THE TREASURER; AND
3 (G)BOND OF ACCOUNTABLE OFFICER.

4 **ART. 119. REGISTRATION WITH THE AUTHORITY.** - ELECTRIC
5 COOPERATIVES NOT YET DULY REGISTERED WITH THE AUTHORITY MAY
6 WITHIN TWO (2) YEARS FROM THE EFFECTIVITY OF THIS ACT REGISTER AS
7 SUCH WITH THE AUTHORITY BY SUBMITTING ALL ITS REQUIRED DOCUMENTS.

8
9 **ART. 120. ROLE OF THE ENERGY REGULATORY COMMISSION.** - ALL
10 RATES AND TARIFFS OF ELECTRIC COOPERATIVES REGISTERED UNDER THE
11 AUTHORITY SHALL BE SUBJECT TO THE RULES ON APPLICATION AND
12 APPROVAL OF AND BY THE ENERGY REGULATORY COMMISSION FOR
13 DISTRIBUTION UTILITIES.

14
15 **ART. 121. ROLE OF THE NATIONAL ELECTRIFICATION ADMINISTRATION.**
16 - THE NEA SHALL BE A SOURCE OF TECHNICAL AND FINANCIAL ASSISTANCE
17 AND SUPPORT FOR ELECTRIC COOPERATIVES REGISTERED WITH THE
18 AUTHORITY, UPON REQUEST OF THE ELECTRIC COOPERATIVE CONCERNED.

19
20 **ART. 122. EFFECTS OF REGISTRATION WITH THE AUTHORITY.** -
21 ELECTRIC COOPERATIVES REGISTERED WITH THE AUTHORITY, UPON
22 ISSUANCE OF THE CERTIFICATE OF REGISTRATION, SHALL NO LONGER BE
23 COVERED BY THE PROVISIONS OF SECTIONS 3, 5 AND 7 OF P.D. NO. 1645 AND
24 SECTION 17 OF P.D. NO. 269. *PROVIDED*, THAT ART. 98 OF R.A. NO. 6938 SHALL
25 GOVERN THEIR INTERNAL AFFAIRS. *PROVIDED FURTHER*, THAT NEA SHALL
26 NO LONGER EXERCISE REGULATORY OR SUPERVISORY POWERS OVER
27 THEM WITH RESPECT TO MATTERS RELATING TO FRANCHISE,
28 CAPITALIZATION AND INVESTMENT REQUIREMENTS, PERSONNEL AND HIRING
29 POLICIES, EQUIPMENT AND FACILITIES, RATE STUDIES, SALARIES AND
30 EMOLUMENTS AND PER DIEMS OF EMPLOYEES AND THE DIRECTORS OF THE
31 ELECTRIC COOPERATIVE AND OTHER MATTERS AFFECTING THEIR PUBLIC
32 SERVICE OPERATIONS.

33 ELECTRIC COOPERATIVES THAT HAVE BEEN DULY REGISTERED WITH
34 THE AUTHORITY AND ISSUED A CERTIFICATE OF REGISTRATION SHALL, FROM
35 THE DATE OF REGISTRATION BE COVERED BY THE PROVISIONS OF THE
36 COOPERATIVE CODE OF THE PHILIPPINES AS WELL AS FUTURE RULES AND
37 OTHER ISSUANCES. *PROVIDED, HOWEVER*, THAT THE SECURITY OF TENURE
38 OF MANAGEMENT AND EMPLOYEES SHALL BE RESPECTED, WITH NO

1 DIMINUTION OF THEIR EXISTING SALARIES, EMOLUMENTS, RANKS AND OTHER
2 BENEFITS.

3 THE NEA SHALL RETURN THE MORTGAGE DOCUMENTS COVERING
4 LOANS TO ELECTRIC COOPERATIVES WHICH HAVE BEEN CONDONED UNDER
5 ART. 60 OF THE ELECTRIC POWER INDUSTRY REFORM ACT (RA 9136).

6
7 **ART. 123. SHARE CAPITAL IN THE ELECTRIC COOPERATIVES.** - THE
8 ELECTRIC COOPERATIVE SHALL DISTRIBUTE SHARE CERTIFICATES UNDER
9 THE NAME OF THEIR MEMBER, TAKING INTO CONSIDERATION THEIR
10 PREVIOUS EQUITY CONTRIBUTIONS AND THE AMORTIZATION COMPONENT
11 THROUGH THE PAYMENTS MADE. THE ELECTRIC COOPERATIVE SHALL
12 VALUATE THE ASSETS OF THE ELECTRIC COOPERATIVE, INCLUDING LOANS
13 CODONED, SUBSIDIES, GRANTS AND AWARD SHARE CERTIFICATES
14 EVIDENCING OWNERSHIP, ACCORDING TO THE FORMULA, SCHEDULE AND
15 THE TIME TABLE TO BE DETERMINED BY THE AUTHORITY.

16
17 **SEC. 17.** The Miscellaneous Provisions on Chapter XVI, Articles 119 to 121 of
18 this Code are hereby transferred, renumbered and amended under this Chapter to
19 read, as follows:

20
21 **CHAPTER [XVI] XVII**
22 **MISCELLANEOUS PROVISIONS**

23
24 **ART. 124. Compliance With Other Laws.** - (1) x x x
25 (2) x x x
26 (3) x x x

27
28 **ART. 125. Register of Cooperatives.** - x x x

29
30 **ART. 126. Settlement of Disputes[.], CONCILIATION, AND MEDIATION**
31 **PROCEEDINGS.** - Disputes among members, officers, directors, and committee
32 members, and intra-cooperative, INTER-COOPERATIVE, INTRA-FEDERATION OR
33 INTER-FEDERATION disputes shall, as far as practicable, be settled amicably in
34 accordance with the conciliation or mediation mechanisms embodied in the by-laws of
35 cooperative and in applicable laws.

36 THE CONCILIATION AND MEDIATION COMMITTEE OF THE COOPERATIVE
37 SHALL FACILITATE THE AMICABLE SETTLEMENT OF INTRA-COOPERATIVE
38 DISPUTES AND DISPUTES AMONG MEMBERS, OFFICERS, DIRECTORS, AND

1 COMMITTEE MEMBERS. Should such conciliation [/] OR mediation proceeding fail,
2 the matter shall be settled [in a court of competent jurisdiction.] THRU VOLUNTARY
3 ARBITRATION: *PROVIDED, HOWEVER, THAT THE CONCILIATION AND*
4 *MEDIATION COMMITTEE OF THE COOPERATIVE AND THE HIGHER LEVEL NON-*
5 *BUSINESS COOPERATIVE UNION OR FEDERATION TO WHICH IT BELONGS*
6 *SHALL ISSUE A CERTIFICATION THAT, AFTER DUE EFFORT, THE*
7 *CONCILIATION OR MEDIATION PROCEEDINGS HAVE FAILED BEFORE ANY*
8 *PARTY CAN VALIDLY FILE A COMPLAINT WITH THE AUTHORITY FOR*
9 *VOLUNTARY ARBITRATION. FOR THIS PURPOSE, THE AUTHORITY SHALL*
10 *CONSTITUTE AND QUALIFY A LIST OF QUALIFIED VOLUNTARY ARBITRATORS.*

11 THE JURISDICTION OF VOLUNTARY ARBITRATORS SHALL BE EXCLUSIVE
12 AND ORIGINAL AND THEIR DECISIONS SHALL BE APPEALABLE TO THE OFFICE
13 OF THE PRESIDENT. THE AUTHORITY SHALL ISSUE AND ADOPT THE PROPER
14 RULES OF PROCEDURE GOVERNING ARBITRATION AS THE PRIMARY AND
15 EXCLUSIVE MODE FOR DISPUTE RESOLUTION IN ACCORDANCE WITH THE
16 ALTERNATIVE DISPUTE RESOLUTION ACT OF 2004.

17

18 **SEC. 18.** The Final Provisions on Chapter XVII of this Code are hereby
19 transferred, renumbered and amended under this Chapter to read, as follows:

20

21

CHAPTER [XVII] XVIII
FINAL PROVISIONS

22

23

24 **[ART. 122.** Electric Cooperatives. – Electric cooperatives shall be covered by this
25 Code. However, there shall be a transition period of three (3) years within which the
26 Cooperative Development Authority and the National Electrification Administration
27 shall help and assist electric cooperatives to qualify under this Code. The Cooperative
28 Development Authority and the National Electrification Administration shall jointly
29 promulgate rules and regulations to the end that the provisions of this law are
30 harmonized with the provisions of Presidential Decree No. 269.]

31

32 **ART. 127. *Implementing Rules and Regulations.*** - (1) The [Cooperative
33 Development] Authority [may] SHALL issue RULES AND regulations to implement
34 [those] THE provisions of this Code IN CONSULTATION WITH CONCERNED
35 GOVERNMENT AGENCIES AND THE COOPERATIVE SECTOR. [which expressly
36 call for the issuance thereof. This paragraph shall not apply to those cases wherein a
37 specific provision of this Code expressly designates particular government agencies
38 which shall issue the regulations called for by any provision of this Code.]

1 [(2) Where a provision of this Code does not expressly call for nor authorize the
2 issuance of regulation, no regulation shall be issued thereon. Any regulation issued in
3 violation of this paragraph shall be null and void *ab initio*.]

4 [(3)](2) x x x

5 (a) x x x

6 (b) x x x

7 (c) x x x

8 (d) x x x

9
10 **ART. 128. Penal Provisions.** - The following acts or omissions affecting
11 cooperatives are hereby prohibited:

12T (1) The use of the word "cooperative" by any person or of persons or
13 organizations, [domestic or foreign,] unless duly registered as a cooperative under this
14 Code. In case of violation hereof, the individual or individuals concerned, or in the
15 case of an organization, its officers and directors shall upon conviction, each suffer the
16 penalty of imprisonment [for one (1) year] OF NOT LESS THAN TWO (2) YEARS
17 NOR MORE THAN FIVE (5) YEARS and a fine not exceeding [one thousand pesos
18 (P1,000.00)] TWENTY THOUSAND PESOS (P20, 000.00) or both at the discretion of
19 the court;

20 THE AUTHORITY SHALL MOTU PROPRIO, INITIATE ANY COMPLAINTS FOR
21 VIOLATIONS OF THIS PROVISION.

22 (2) ANY PERSON WHO WILLFULLY ATTEMPTS IN ANY MANNER TO EVADE
23 OR DEFEAT TAX IN VIOLATION OF THE PROVISIONS OF ARTICLES 60 AND 61
24 OF THIS CODE SHALL, IN ADDITION TO OTHER PENALTIES PROVIDED BY
25 LAW, UPON CONVICTION THEREOF, BE PUNISHED BY A FINE OF NOT LESS
26 THAN THIRTY THOUSAND PESOS (P30,000.00) BUT NOT MORE THAN ONE
27 HUNDRED THOUSAND PESOS (P100,000.00) AND SUFFER IMPRISONMENT OF
28 NOT LESS THAN TWO (2) YEARS BUT NOT MORE THAN FOUR (4) YEARS:
29 *PROVIDED, THAT THE CONVICTION OR ACQUITTAL OBTAINED UNDER THIS*
30 *SECTION SHALL NOT BE A BAR TO THE FILING OF A CIVIL SUIT FOR THE*
31 *COLLECTION OF TAXES.*

32 (3) ANY ABUSE OR CIRCUMVENTION OF THE PROVISIONS OF
33 ARTICLES 60 AND 61 OF THIS CODE BY ANY OFFICER OR EMPLOYEE OF THE
34 GOVERNMENT SHALL BE DEALT WITH IN ACCORDANCE WITH THE
35 PROVISIONS OF E.O. 292, THE ADMINISTRATIVE CODE OF 1987.

36 THE COOPERATIVE OR ANY OF ITS MEMBERS CAN FILE A CASE AGAINST
37 ANY OFFICER OR EMPLOYEE OF THE BUREAU OF INTERNAL REVENUE OR OF
38 ANY OTHER GOVERNMENT AGENCY WITH THE OMBUDSMAN, CIVIL SERVICE

1 COMMISSION, OTHER APPROPRIATE GOVERNMENT AGENCY OR THE COURTS
2 OF LAW.

3 ~~[(2)]~~ (4) x x x

4 (a) x x x

5 (b) x x x

6 (c) x x x

7 (d) x x x

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

16 ~~[(3)]~~ (4) A director, officer or committee member who violates the provisions of
17 Article ~~[47]~~ 45 ON THE ~~[(1)]~~ ~~[(1)]~~Liability of ~~[d]~~Directors, ~~[o]~~Officers and ~~[c]~~Committee
18 ~~[m]~~Members, Article ~~[50]~~ 48 ON THE ~~[(1)]~~~~[d]~~Disloyalty of a ~~[d]~~Director), and Article ~~[51]~~
19 49 ON THE ~~[(1)]~~ ~~[(i)]~~Illegal ~~[u]~~Use of ~~[c]~~Confidential ~~[(i)]~~Information) shall upon conviction
20 suffer a fine of not less than five thousand pesos (P5,000.00) nor more than five
21 hundred thousand pesos (P500,000.00) or imprisonment of not less than five (5) years
22 but not more than ten (10) years or both at the court's discretion;

23 ~~[(4)]~~ (5) x x x

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

28 (A) OMISSION OR REFUSAL TO FURNISH ANY INFORMATION, REPORT
29 OR OTHER DOCUMENT THAT IS REQUIRED TO BE FURNISHED
30 UNDER THIS CODE;

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

34 (C) OMISSION OR REFUSAL TO KEEP A BOOK OR REGISTER
35 REQUIRED UNDER THIS ACT OR TO MAKE A REQUIRED ENTRY
36 THEREIN;

- 1 (D) MAKING AN ENTRY REQUIRED UNDER THIS CODE IN A BOOK OR
2 REGISTER, WHICH THE PERSON KNOWS TO BE FALSE OR
3 MISLEADING;
- 4 (E) HINDERING A PERSON WHO, AS PART OF THE PERSON'S DUTIES,
5 IS MAKING AN INSPECTION, AN AUDIT, AN EXAMINATION OR AN
6 INVESTIGATION UNDER THIS CODE;
- 7 (F) FAILURE TO COMPLY WITH AN ORDER OR WRITTEN
8 INSTRUCTIONS ISSUED OR GIVEN BY THE AUTHORITY;
- 9 (G) VIOLATION OF THE PROVISIONS REGARDING TRANSACTIONS
10 WITH A RESTRICTED PARTY; AND
- 11 (H) ABETTING, COUNSELING, ALLOWING, AUTHORIZING OR
12 COMMANDING ANOTHER PERSON TO COMMIT AN OFFENSE
13 PUNISHABLE BY THIS CODE: *PROVIDED*, THAT IN CASE THE
14 VIOLATOR IS A COOPERATIVE OR JURIDICAL PERSON, THE
15 PENALTY SHALL BE IMPOSED ON ITS DIRECTORS AND OFFICERS.

16
17 **ART. 129. *Printing and Distribution.*** - (1) x x x

18 (2) x x x

19
20 **ART. 130. *Interpretation and Construction.*** - x x x

21
22 **ART. 131. *Repeal[s]ING CLAUSE.*** - Except as expressly provided by this
23 Code, Presidential Decree No. 175 and all other laws, or parts thereof, inconsistent
24 with any provision of this Code shall be deemed repealed: *PROVIDED*, THAT THE
25 PROVISIONS OF SECTIONS 3, 5, AND 7 OF PRESIDENTIAL DECREE NO. 1645
26 AND SECTION 17 OF PRESIDENTIAL DECREE NO. 269, EXECUTIVE ORDER 623
27 SERIES OF 2007, REVENUE REGULATION NO. 20-2001, AND ALL LAWS,
28 DECREES, EXECUTIVE ORDERS, IMPLEMENTING RULES AND REGULATIONS,
29 BIR CIRCULARS, MEMORANDUM ORDERS, LETTERS OF INSTRUCTIONS,
30 LOCAL GOVERNMENT ORDINANCES, OR PARTS THEREOF INCONSISTENT
31 WITH ANY OF THE PROVISIONS OF THIS ACT ARE HEREBY REPEALED,
32 AMENDED OR MODIFIED ACCORDINGLY. [*Provided, however*, That nothing in this
33 Code shall be interpreted to mean the amendment or repeal of any provision of
34 Presidential Decree No. 269 *Provided, further*, That the electric cooperatives which
35 qualify as such under this Code shall fall under the coverage thereof.]

36
37 **ART. 132. *TRANSITORY PROVISIONS.*** - all cooperatives registered under
38 Presidential Decree Nos.175 and 775, Executive Order No. 898, REPUBLIC ACT NOS.

1 6938 AND 6939, and all other laws shall be deemed registered with the [Cooperative
2 Development] A[a]uthority: *Provided, however,* That they shall submit to the nearest
3 [Cooperative Development Authority] office of the Authority their certificate of
4 registration, copies of the articles of cooperation and by-laws, and their latest duly
5 audited financial statements within one (1) year from the effectivity of this Act, otherwise
6 their registration shall be cancelled: *Provided, further,* That ALL cooperatives
7 INCLUDING THOSE created under Presidential Decree No. 269, as amended by
8 Presidential Decree No. 1645, NOT YET REGISTERED WITH THE AUTHORITY shall
9 be given [three (3) years] TWO (2) YEARS within which to qualify and register with the
10 Authority. [*Provided, finally,* That after these cooperatives shall have qualified and
11 registered, the provisions of sections 3, 5 and 7 of PD no. 1645 shall no longer be
12 applicable to said cooperatives.]

13

14 **ART. 133. Separability Clause.** – Should any provision of this Code be declared
15 unconstitutional, the [rest of the provisions shall not be affected thereby] VALIDITY OF
16 THE REMAINING PROVISIONS HEREOF SHALL REMAIN IN FULL FORCE AND
17 EFFECT.

18

19 **Art. 134. Effectivity Clause.** - This Act shall take effect fifteen days after its
20 publication in two (2) newspapers of general circulation.

21

22 Approved,