

**TWENTIETH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)**

25 JUL 15 P1:36

SENATE
S. B. No. 622

RECEIVED BY

Introduced by SEN. WIN GATCHALIAN

**AN ACT PROVIDING FOR THE
REVISED COOPERATIVE CODE OF THE PHILIPPINES**

EXPLANATORY NOTE

Cooperatives play a vital role in our economy as they help their members become productive citizens, which redound to the overall progress of our country. No less than the 1987 Philippine Constitution has recognized the role of cooperatives in nation building when it mandated the Congress to "create an agency to promote the viability and growth of cooperatives as instruments for social justice and economic development." This has been further affirmed when the Congress enacted Republic Act (RA) No. 6938, otherwise known as the "Cooperative Code of the Philippines", as amended by RA No. 9520 to "foster the creation and growth of cooperatives as a practical vehicle for promoting self-reliance and harnessing people power towards the attainment of economic development and social justice."

Cooperatives help build a better world by providing an inclusive model of economic participation which fosters social cohesion and helps reduce inequalities. In the Philippines, cooperatives have been helpful in empowering and uplifting the lives of people from different segments of the society, including those from the informal sector, who do not have the documentary requirements and financial capacity to access funding from banking institutions. In 2023, there are 20,752 registered cooperatives under the

Cooperative Development Authority, and this number continuously increase over the years.

This bill seeks to amend the existing Cooperative Code, as amended, to address the various issues being faced by cooperatives and their members that hamper their growth and development as well as to encourage the creation of new cooperatives and foster the spirit of cooperativism in order to achieve the state's goal of fostering financial inclusion and economic growth especially for the less marginalized sector.

In view of the foregoing, urgent approval of this measure is earnestly sought.



WIN GATCHALIAN

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AN ACT
PROVIDING FOR THE REVISED COOPERATIVE CODE OF THE PHILIPPINES

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

CHAPTER 1. GENERAL PROVISIONS

1 **SECTION 1. Title.** - This Act shall be known as the "Revised Cooperative
2 Code of the Philippines".

3 **SEC. 2. Declaration of Policy.** - It is the policy of the State to foster the
4 creation and growth of cooperatives as a practical vehicle for promoting self-reliance
5 and harnessing people power towards the attainment of economic development and
6 social justice. The State shall encourage the private sector to undertake the actual
7 formation and organization of cooperatives and shall create an atmosphere that is
8 conducive to the growth and development of these cooperatives.

9 Towards this end, the State shall, through the different branches,
10 subdivisions, instrumentalities, and agencies of the government, regulate the
11 conduct of cooperatives and support their growth and development in partnership
12 with the private sector. The State shall also ensure the provision of technical and

1 financial assistance, and other services to enable the cooperatives to develop into
2 viable and responsive economic enterprises towards a strong cooperative
3 movement, free from conditions that infringe upon the objectives and character of
4 cooperatives.

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

9 **SEC. 3. *Cooperative, Principles and Values.* -**

10 (a) *A cooperative* is an autonomous and duly registered association of persons with
11 a common bond of interest who have voluntarily joined together to achieve
12 their social, economic, and cultural needs and aspirations by making equitable
13 contributions to the capital required, patronizing their products and services,
14 and accepting a fair share of the risks and benefits of the undertaking in
15 accordance with universally accepted cooperative principles;

16 (b) *Cooperative principles* - Every cooperative shall conduct its affairs in
17 accordance with Filipino culture, good values and experience, and the following
18 universally accepted principles of cooperation:

19 (1) *Voluntary and Open Membership* - Cooperatives are voluntary organizations,
20 open to all persons able to use their services and willing to accept the
21 responsibilities of membership, without gender, social, racial, cultural,
22 political or religious discrimination.

23 (2) *Democratic Member Control* - Cooperatives are democratic organizations
24 that are controlled by their members who actively participate in setting their

1 policies and making decisions. Men and women serving as elected
2 representatives, directors or officers are accountable to the membership. In
3 primary cooperatives, members have equal voting rights of one member,
4 one vote. Cooperatives at other levels are organized in the same democratic
5 manner.

6 (3) *Member Economic Participation* – Members contribute equitably to, and
7 democratically control, the capital of their cooperative. At least part of that
8 capital is the common property of the cooperative. They shall receive limited
9 compensation or limited interest, if any, on capital subscribed and paid as a
10 condition of membership. Members allocate surpluses for any or all of the
11 following purposes: developing the cooperative by setting up reserves, part
12 of which should at least be indivisible; benefitting members in proportion to
13 their patronage of the cooperative's business; and, supporting other
14 activities approved by the membership.

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

20 (5) *Education, Training, and Information* - Cooperatives shall provide education
21 and training for their members, elected and appointed representatives,
22 managers, and employees, so that they can contribute effectively and
23 efficiently to the development of their cooperatives.

1 (6) *Cooperation Among Cooperatives* - Cooperatives serve their members most
2 effectively and strengthen the cooperative movement by working together
3 through local, national, regional and international structures.

4 (7) *Concern for Community* - Cooperatives work for the sustainable
5 development of their communities through policies approved by their
6 members.

7 (c) *Cooperative Values* – Cooperatives are based on the values of self-help, self-
8 responsibility, democracy, equality, equity, and solidarity. Cooperative
9 members believe in the ethical values of honesty, openness, social
10 responsibility and caring for others.

11 **SEC. 4. *Definition of Terms.*** - As used in this Act:

12 (a) *Area of Operation* refers to the place where the cooperative operates and
13 conducts its business, as provided for in its Articles of Cooperation and By-
14 laws;

15 (b) *Articles of Cooperation* refers to the document registered with the Cooperative
16 Development Authority, including its amendments, that defines and regulates
17 the relations between the cooperative and the State;

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

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

21 (e) *Branch-lite unit* refers to a cooperative bank that performs limited banking
22 activities and records its transactions in the books of the head office or the
23 branch to which it is annexed;

1 (f) *By-laws* refers to the document registered with the Authority, including its
2 amendments, that defines and regulates the operations of the cooperative and
3 governs the relations between the cooperative and its members and among
4 themselves;

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

8 (h) *Committees* refer to the mandatory committees under this Code entrusted with
9 specific functions and responsibilities and such other committees that the Board
10 of Directors deem necessary for the governance of the business affairs of the
11 cooperative;

12 (i) *Compensation* refers to a broad term that include remuneration given for
13 services rendered, like salary which is paid regularly, or is defined under Art.
14 97 of the Labor Code of the Philippines;

15 (j) *Cooperative Union* refers to a cooperative whose members are registered
16 cooperatives, federations, or both, organized purposely to represent the
17 interest and welfare of all types of cooperatives at the city, provincial, regional,
18 national, and sectoral levels;

19 (k) *Federation of Cooperatives* refers to an aggrupation of cooperatives registered
20 with the Authority to undertake business activities in support of its primary and
21 secondary member cooperatives to address common needs, engage in
22 capacity-building activities and delegated supervision in support of its member
23 cooperatives, organized at the municipal, city, provincial, regional, national,
24 special metropolitan political subdivision, or economic zones created by law;

1 (l) *General Assembly* refers to the full membership of the cooperative duly
2 assembled physically, via videoconferencing, or both, for the purpose of
3 exercising all the rights and performing all the obligations pertaining to
4 cooperatives, as provided by this Code, its Articles of Cooperation, and By-
5 laws;

6 (m) *Honorarium* refers to the token of appreciation granted for the expert service
7 rendered in the specific field that does not receive compensation;

8 (n) *Investment* refers to equity participation in any enterprise formed, organized
9 or existing under the laws of the Philippines;

10 (o) *Interest on Share Capital* refers to the amount earned by the members on their
11 investment in the cooperative. The interest on share capital and the patronage
12 refund shall be determined at the end of the calendar year after the net surplus
13 shall have been computed in accordance with the Articles of Cooperation and
14 By-laws or by the Board of Directors;

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

17 (q) *Member* refers to a person either natural or juridical, who has been approved
18 and admitted by the Board of Directors of the cooperative, federation, or union,
19 after undergoing the Pre-Membership Education Seminar and has vowed to
20 adhere to the Articles of Cooperation and its By-laws. Members shall be
21 classified as regular or associate, as qualified by the cooperative;

22 (r) *Member Entitled to Vote* refers to a regular member who has complied with all
23 the requirements of the cooperative, has fulfilled all of their duties and
24 obligations, and possess es none disqualifications as provided by the Articles

1 of Cooperation and By-laws of the cooperative, as declared by the Board of
2 Directors;

3 (s) *Patronage Refund* refers to the payment to the members of a percentage or
4 portion of the amount availed of, the interest on loans paid, or other services
5 availed from the cooperative. The amount will be determined at the end of the
6 fiscal period after the computation of the net surplus. The percentage of the
7 allocation will be in accordance with the provisions in its Articles of Cooperation,
8 the By-laws, or by the Board of Directors. The formula and basis for the
9 computation of the rate of patronage refund will be determined by the
10 Authority.

11 (t) *Per diem* refers to the allowance given as reimbursement for extra expenses
12 incurred in the performance of their duties

13 (u) *Performance Audit* refers to an audit conducted by the Authority on the
14 efficiency, efficacy, and effectiveness of the cooperative's overall performance
15 as a whole, its management and officers, and its various responsibility centers
16 as basis for improving individual, team, or overall performance, and for
17 objectively informing the general membership of the cooperative on such
18 performance;

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

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

23 (x) *Representative Assembly* refers to the full membership of a body of
24 representatives elected by each of the sectors, chapters, or districts of the

cooperative duly assembled for the purpose of exercising such powers in accordance with its By-laws;

(y) *Reserved Fund* refers to an account by the cooperative which is set aside to cover unexpected losses, or financial obligations. For purposes of this Act, the said fund can be used as stated in Section 98 of this Act.

(z) *Samahang Nayon* and *Municipal Katipunan ng mga Samahang Nayon* refers to pre-cooperative organizations established under Presidential Decree (PD) No. 175 entitled "Strengthening the Cooperative Movement";

(aa) *Secondary Cooperative* refers to a cooperative, the members of which are primary cooperatives, federations, or unions;

(bb) *Single-Purpose Cooperative* refers to a cooperative that undertakes only one economic activity, except one that is allowed to undertake allied economic activities;

(cc) *Share Capital* refers to the equitable contribution of a member to the cooperative fund, the working capital fund of the cooperative, which shall have a par value of at least One Hundred Pesos (P100.00) and issued as common or preferred shares depending on the type of membership with the cooperative;

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

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

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

6 (gg) Video Conferencing- refers to a conference between two (2) or more
7 participants at different physical location by using computer networks, to transmit
8 audio and video data; and

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

12 **CHAPTER II. PURPOSES AND ORGANIZATION**

13 **SEC. 5. *Goals and Objectives of a Cooperative.*** - The primary objective
14 of every cooperative is to help improve the quality of life of its members. Towards
15 this end, the cooperative shall, among others, aim to:

16 (a) Increase income, savings, investments, productivity, and purchasing power of
17 its members; and promote among themselves equitable distribution of net
18 surplus through maximum utilization of economies of scale, cost sharing and
19 risk-sharing;

20 (b) Provide optimum social and economic benefits to its members;

21 (c) Providing trainings for its members on the efficient ways of processing tasks in
22 a cooperative manner;

23 (d) Propagate best practices, innovative ideas in business undertakings and
24 management through the utilization of new technologies;

- 1 (e) Empower the marginalized sector to gain opportunities through education and
2 skills training;
- 3 (f) Actively collaborate with the government, other cooperatives, and people-
4 oriented organizations to promote cooperatives as a practical means towards
5 sustainable socio-economic development;
- 6 (g) Adopt membership expansion mechanism to ensure the growth of the
7 cooperative movement;
- 8 (h) Implement policy guidelines that will ensure transparency, accountability, and
9 equitable access to its resources and services; and promote the interests of the
10 members;
- 11 (i) Advance the competitiveness, innovativeness, and sustainability of
12 cooperatives in various industries;
- 13 (j) Coordinate with other cooperatives through learning and information exchange
14 to foster sustainable development;
- 15 (k) Advocate legal framework and enabling policies appropriate for the
16 development of cooperatives;
- 17 (l) Be the voice and the institution of the marginalized for purposes of promoting
18 ecological and people-centered development;
- 19 (m) Encourage thrift and savings mobilization among the members;
- 20 (n) Generate funds and extend credit to the members for productive and provident
21 purposes;
- 22 (o) Encourage among members systematic production and marketing;
- 23 (p) Provide goods and services and other requirements to the members;
- 24 (q) Develop expertise and skills among its members;

- 1 (r) Acquire lands and provide housing benefits for the members;
- 2 (s) Provide insurance programs to cover the risk of financial losses in the
3 operations of a cooperative;
- 4 (t) Promote and advance the economic, social, and educational status of the
5 members;
- 6 (u) Establish, own, lease, or operate cooperative banks, cooperative wholesale and
7 retail complexes, insurance, agricultural and industrial processing enterprises,
8 and public markets;
- 9 (v) Coordinate and facilitate the activities of cooperatives;
- 10 (w) Advocate for the cause of the cooperative movement;
- 11 (x) Ensure the viability of cooperatives through the utilization of new technologies;
- 12 (y) Encourage and promote self-help or self-employment as an engine for
13 economic growth and poverty alleviation;
- 14 (z) Adopt such other plans which may help foster the welfare of the members,
15 their families, and the community; and
- 16 (aa) Undertake any activity stated in the Articles of Cooperation and By-laws of
17 the cooperative.

18 **SEC. 6. *Cooperatives Not in Restraint of Trade.*** - No cooperative or
19 method or act thereof which complies with this Code shall be deemed a conspiracy
20 or combination in restraint of trade or an illegal monopoly, or an attempt to lessen
21 competition or fix prices arbitrarily in violation of any laws of the Philippines.

22 This notwithstanding, fair competition between cooperatives is paramount in
23 their collective growth. Cooperatives shall support and foster a level playing field in
24 their industries. Accordingly, Sections 6, 7, 21 and 111 of this Code shall be in

1 consonance with Republic Act (RA) No.10667, otherwise known as the "Philippine
2 Competition Act."

3 **SEC. 7. Cooperative Powers and Capacities.** - A cooperative registered
4 under this Code shall have the following powers, rights and capacities:

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

6 (b) To sue and be sued;

7 (c) Of succession;

8 (d) To amend its Articles of Cooperation in accordance with the provisions of this
9 Code;

10 (e) To adopt By-laws not contrary to law, morals, or public policy, and amend or
11 repeal the same in accordance with this Code;

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

16 (g) To enter into joint venture agreement and partnership, or any other commercial
17 activity with other cooperatives;

18 (h) To enter into division, merger or consolidation, as provided in this Code;

19 (i) To form subsidiary cooperatives and join federations, unions, or Credit Surety
20 Fund Cooperatives, as provided in this Code;

21 (j) To avail of loans, be entitled to credit, and accept and receive grants,
22 donations, and assistance from foreign and domestic sources, subject to the
23 conditions of the loans, credits, grants, donations or assistance that must not
24 undermine the autonomy of the cooperative;

1 (k) To avail of preferential rights granted to cooperatives under RA 7160, otherwise
2 known as the "Local Government Code of 1991," and other laws, particularly
3 the grant of franchises to establish, construct, operate and maintain ferries,
4 wharves, markets or slaughterhouses and lease public utilities, including access
5 to extension and on-site research services and facilities related to agriculture
6 and fishery activities;

7 (l) To establish, own, and operate schools in all levels of the education system,
8 subject to the rules and regulations of the Department of Education,
9 Commission on Higher Education, and Technical Education and Skills
10 Development Authority;

11 (m) To operate branch, satellite, and liaison offices within its area of operation,
12 subject to the rules and regulation by the Authority. The Authority and the
13 sector shall issue rules regarding the creation and operation of branch, satellite,
14 and liaison offices of cooperatives;

15 (n) To provide training for their officers and members for continued
16 development and personal improvement. If a cooperative is unable to
17 provide training for its members, it may engage the services of a federation
18 or union. Government agencies and experts from the private sector are
19 authorized to assist in the organization, training, and development of a
20 cooperative and its members if the cooperative wishes to do so. In this
21 regard, cooperatives and other institutions shall be accredited as training
22 service providers by the Authority; and

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

1 **SEC. 8. *Organizing a Primary Cooperative.*** – At least fifteen (15) natural
2 persons who are Filipino citizens, of legal age, having a common bond of interest,
3 and are residing or working in the intended area of operation, may organize a
4 primary cooperative under this Code. The cooperators shall attend and complete a
5 Pre-Registration Seminar (PRS) as a prerequisite for registration. The details and
6 requisites of the PRS must be included in the Implementing Rules and Regulations
7 of this Code.

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

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

17 In order to encourage cooperativism among the youth, a primary cooperative
18 may organize a laboratory cooperative as defined under this Code. A laboratory
19 cooperative shall have all the rights, privileges, and duties of a regular cooperative,
20 and shall be governed by special guidelines to be promulgated by the Authority, in
21 consultation with the cooperative sector.

22 **SEC. 9. *Mandatory Personnel of the Cooperative.*** - All cooperatives shall
23 have a General Manager and a Bookkeeper to be authorized to operate.

1 **SEC. 10. *Liability of the Cooperative.*** – A cooperative duly registered
2 under this Code shall have limited liability.

3 **SEC. 11. *Term of existence of cooperative.*** - A cooperative shall have
4 perpetual existence from the date of registration unless voluntarily dissolved or the
5 Certificate of Registration is cancelled for reasons provided under this Code and its
6 Implementing Rules and Regulations.

7 **SEC. 12. *Articles of Cooperation.*** - All primary cooperatives applying for
8 registration shall present to the Authority the Certificate of Pre-Registration Seminar
9 and the Articles of Cooperation, signed by all cooperators and acknowledged by
10 them before a notary public.

11 In case of cooperative banks, insurance cooperatives, federations, or unions,
12 the Articles of Cooperation shall be acknowledged by its Chairpersons and
13 Cooperative Secretaries before a notary public. The Articles of Cooperation shall
14 contain the following provisions:

- 15 a. Name of the cooperative, which shall include the word "Cooperative", "Coop",
16 "Koop", or "Kooperatiba" and specify the type of cooperative;
- 17 b. Purpose or purposes and the economic activities for which the cooperative is
18 to be registered;
- 19 c. Powers and capacities;
- 20 d. Area of operation, the postal address of its principal office, and the official
21 electronic mail address of the cooperative;
- 22 e. Names, nationality, and the postal addresses of the cooperators;
- 23 f. Common bond of membership;
- 24 g. List of names of the directors;

- 1 h. Amount of authorized, subscribed, and paid-up share capital, the number of
- 2 shares, and the par-value of each share, and the names of the cooperators,
- 3 except for cooperative unions;
- 4 i. A statement as to whether the cooperative is primary or secondary;
- 5 j. Other provisions consistent with this Code or any related law; and
- 6 k. Certificate of Authority from the appropriate government agency.

7 **SEC. 13. *By-laws.*** – Every cooperative to be registered under this Code shall
8 adopt By-laws consistent with the provisions of this Code, which shall be filed
9 together with the Articles of Cooperation. The By-laws of each cooperative shall
10 provide:

- 11 a. The qualifications for admission to membership;
- 12 b. The equitable contribution or interest to be acquired as a condition precedent
- 13 for the exercise of the right of membership;
- 14 c. The rights, privileges, duties, responsibilities, and liabilities of membership;
- 15 d. The circumstances under which membership is acquired, maintained, and
- 16 terminated, and the procedure to be followed;
- 17 e. The conditions under which the transfer of a share or interest of the members
- 18 shall be permitted;
- 19 f. The general conduct of the affairs of the cooperative relative to agenda, time,
- 20 place and manner of calling, convening, and conducting meetings, quorum
- 21 requirements, voting systems of the General Assembly, the Board of Directors,
- 22 committees and the officers, including their qualifications, disqualifications,
- 23 powers, duties, and responsibilities;

- 1 g. The manner in which the capital may be raised and the purposes for which it
- 2 can be utilized;
- 3 h. The accounting and auditing systems;
- 4 i. The manner of contracting loans and borrowings including the limitations
- 5 thereof;
- 6 j. The allocation and distribution of net surplus;
- 7 k. The manner of adopting and amending By-laws;
- 8 l. The institution of a conciliation or mediation mechanism for the amicable
- 9 settlement of disputes among members, directors, officers and committee
- 10 members of the cooperative; and
- 11 m. Other matters incident to the purposes and activities of the cooperative.

12 **CHAPTER III. REGISTRATION**

13 **SEC. 14. *Requirements for Registration.*** - The proposed Articles of
14 Cooperation, By-laws, and such other required documents shall be submitted in
15 accordance with the rules and regulations to be prescribed by the Authority.

16 Except for cooperative unions as described under Section 30 hereof, no
17 cooperative shall be registered unless the Articles of Cooperation is accompanied
18 with the bonds of the accountable officers and a sworn statement of the Treasurer
19 showing that at least twenty-five per centum (25%) of the authorized share capital
20 has been subscribed and at least twenty-five per centum (25%) of the total
21 subscription has been paid.

22 The Authority shall initially fix the minimum paid-up share capital in the
23 Implementing Rules and Regulations of this Code, periodically assess the required

1 paid-up share capital, and may increase or decrease it through subsequent
2 regulation whenever necessary upon consultation with the cooperative sector.

3 The Authority may prescribe such other registration requirements as it may
4 deem necessary.

5 **SEC. 15. *Registration.*** - A cooperative formed and organized under this
6 Code acquires juridical personality from the date the Authority issues a Certificate of
7 Registration under its official seal. All applications for registration shall be finally
8 disposed of by the Authority within a period of fifteen (15) working days from the
9 filing of the complete documentary requirements, both in form and in substance,
10 otherwise the application is deemed approved, unless the cause of the delay is
11 justified as the case may be: *Provided*, That in case of a denial of the application for
12 registration, the applicant may file a Motion for Reconsideration within five (5) days
13 from the receipt of such denial. The Motion for Reconsideration must be resolved
14 within fifteen (15) days from the filing thereof. An appeal to the Board of Directors
15 of the Authority may be filed within fifteen (15) days from receipt of notice of denial
16 of the Motion for Reconsideration.

17 The decision of the Board of Directors shall be final and executory but may
18 be elevated to the Court of Appeals through a Petition for Review.

19 The grounds for denial of the registration shall be prescribed in the
20 Implementing Rules and Regulations of this Code.

21 **SEC. 16. *Certificate of Registration.*** - A Certificate of Registration issued
22 by the Authority under its official seal shall be conclusive evidence that the
23 cooperative therein mentioned is duly registered unless it is proved that the
24 registration thereof has been cancelled. Moreover, once the Cooperative is issued of

1 certificate of compliance, it shall be valid for five (5) years, unless revoked by the
2 authority after due process due to willful refusal to comply with the reportorial
3 requirements set forth by law.

4 **SEC. 17. *Amendment of Articles of Cooperation and By-laws.*** - Unless
5 otherwise prescribed by this Code and for legitimate purposes, any provision or
6 matter stated in the Articles of Cooperation and By-laws may be amended by two-
7 thirds ($\frac{2}{3}$) vote of all the members entitled to vote, present and constituting a
8 quorum, without prejudice to the right of the dissenting members to exercise their
9 right to withdraw their membership under Section 37 of this Code.

10 A cooperative may opt to amend its Articles of Cooperation and By-laws
11 through a referendum by a vote of two-thirds ($\frac{2}{3}$) of all the members entitled to
12 vote, present and constituting a quorum.

13 Both the original and amended Articles of Cooperation By-laws shall contain
14 all the provisions required by law. Amendments shall be indicated by underscoring
15 or otherwise appropriately indicating the change or changes made. A copy of the
16 amended Articles of Cooperation or By-laws shall be duly certified under oath by the
17 Cooperative Secretary and majority of the directors, stating the fact that the
18 amendment or amendments to the Articles of Cooperation and By-laws have been
19 duly approved by the required vote of the members. All amendments to the Articles
20 of Cooperation and By-laws shall be submitted to the Authority.

21 An application for amendments shall be deemed approved by the Authority
22 within a period of thirty (30) days from the filing thereof: *Provided*, That the
23 documentary requirements are complete in form and substance, unless the cause of
24 the delay is justified.

1 **SEC. 18. *Contracts Executed Prior to Registration and Effects***

2 ***Thereof.*** - Subject to the execution of a formal written contract made in the
3 cooperative's name or on its behalf prior to its registration, all contracts executed
4 prior to its registration between private persons and the cooperative shall remain
5 valid and binding between the parties insofar as it redounds to the benefit of the
6 cooperative.

7 **SEC. 19. *Effects of Failure to Operate or Comply with Conditions on***

8 ***Registration.*** - The Certificate of Registration shall be deemed cancelled and the
9 cooperative shall be delisted from the registry of cooperatives if the cooperative
10 failed to commence its authorized business activity within five (5) years from the
11 issuance of its Certificate of Registration.

12 **SEC. 20. *Division of Cooperatives.*** - A registered cooperative, through a

13 resolution approved by a vote of two-thirds ($\frac{2}{3}$) of all the members entitled to vote,
14 present and constituting a quorum, may divide itself into two (2) or more
15 cooperatives. Such division of the cooperative shall be valid: *Provided*, That the
16 purpose of the division is not to defraud the creditors.

17 The dissenting members shall have the right to exercise their right to
18 withdraw their membership pursuant to Section 37 of this Code.

19 The Authority shall prescribe the rules and regulations for the division of the
20 cooperative: *Provided*, That all the requirements set forth in this Code have been
21 complied with by the newly-formed cooperatives.

22 **CHAPTER IV. MERGER AND CONSOLIDATION OF COOPERATIVES**

23 **SEC. 21. *Merger or Consolidation of Cooperatives.*** –

1 (a) Two (2) or more cooperatives may merge or consolidate into a single
2 cooperative.

3 (b) No merger or consolidation shall be valid unless approved by a two-thirds ($\frac{2}{3}$)
4 vote of all the members entitled to vote, present and constituting a quorum of
5 each of the constituent cooperatives at separate General Assembly meetings.

6 The dissenting members shall have the right to exercise their right to withdraw
7 their membership pursuant to Section 37 of this Code.

8 (c) The Authority shall issue the guidelines governing the procedure of merger or
9 consolidation of cooperatives. The merger or consolidation shall be effective
10 upon the issuance by the Authority of the Certificate of Merger, or in the case
11 of a consolidation of cooperatives, a new Certificate of Registration.

12 **SEC. 22. *Effects of Merger and Consolidation.*** - The merger and
13 consolidation of cooperatives shall have the following effects:

14 (a) In case of merger of cooperatives, the constituent cooperatives shall become
15 a single cooperative or, in the case of consolidation of cooperatives, the
16 consolidated cooperative shall be the new cooperative;

17 (b) The single cooperative or the consolidated cooperative shall possess all the
18 assets, rights, privileges, immunities, and franchises and assume all the
19 liabilities and obligations of each of the constituent cooperatives;

20 (c) Any claim, action, or proceeding instituted by or against the constituent
21 cooperatives may be continued by the single or consolidated cooperative;-and

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

24 **CHAPTER V. TYPES AND CATEGORIES OF COOPERATIVES**

1 **SEC. 23. *Types and Categories of Cooperatives.* -**

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

4 (1) *Credit, Finance, Banking, and Insurance Cluster* refers to cooperatives
5 organized for the promotion of financial freedom and literacy among its
6 members, and undertakes savings, lending, and other financial services to
7 its members, such as:

8 (i) Cooperative Banks. - Cooperative banks are organized for the
9 primary purpose of providing a wide range of financial services
10 to cooperatives and their members;

11 (ii) Credit Cooperatives. – Credit cooperatives are engaged solely in
12 lending services;

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

18 (iv) Credit Surety Fund Cooperatives. – Credit surety fund
19 cooperatives, in partnership with Local Government Units
20 (LGUs), are comprised of well-capitalized and well-managed
21 member-cooperatives or non-government organizations that
22 meet the criteria and qualifications prescribed by the Authority,
23 LGUs, Government Financial Institutions, and other government
24 agencies;

1 (v) Insurance Cooperatives. – Insurance Cooperatives. – Insurance
2 cooperatives are engaged in the business of insuring the life,
3 general, property, and pre-need (life plan, education, and
4 pension) of cooperatives and their members;

5 (vi) Savings and Deposits Cooperatives. – Savings and deposits
6 cooperatives are engaged solely in promoting and encouraging
7 savings among its members; and

8 (vii) Other cooperatives as may be determined by the Authority
9 under this cluster in consultation with the cooperative sector.

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

15 (i) Consumers Cooperatives. – Consumer cooperatives are
16 engaged primarily in procuring and distributing commodities to
17 members and non-members;

18 (ii) Marketing Cooperatives. – Marketing cooperatives are engaged
19 in the supply of production inputs to members and markets their
20 products, including trading and processing;

21 (iii) Logistics Cooperatives. – Logistics cooperatives are engaged in
22 operations involving facilities and supplies whose business is
23 related to the supply chain;

1 (iv) Producers Cooperatives. – Producers cooperatives are engaged
2 in joint production whether agricultural or industrial. They are
3 formed and operated by the members to undertake the
4 production and processing of raw materials or goods produced
5 by the members into finished or processed products for sale by
6 the cooperative. Any end product or its derivative arising from
7 the raw materials produced by the members, sold in the name
8 and for the account of the cooperative, shall be deemed a
9 product of the cooperative and its members; and

10 (v) Other cooperatives as may be determined by the Authority
11 under this cluster in consultation with the cooperative sector.

12 (3) *Human Services, Health, Housing, Workers, and Labor Service Cluster* refers
13 to cooperatives organized for providing employment and business
14 opportunities to its members, housing, and services related to medical,
15 dental, health and wellness, and death care, technology, including digital
16 payment services, such as:

17 (i) Health Services Cooperatives. – Health services cooperatives
18 are organized for the primary purpose of providing medical,
19 dental, paramedic, diagnostic, and other health services,
20 including cooperative health organizations, hospitals, clinics,
21 pharmacies, and transporting of patients;

22 (ii) Housing Services Cooperatives. – Housing services cooperatives
23 are organized to assist or provide access to socialized housing

1 for the benefit of the members who actively participate in the
2 savings program for housing;

3 (iii) Labor Services Cooperatives. – Labor services cooperatives are
4 engaged in providing specific services to a principal under a
5 legitimate contracting or subcontracting arrangement, as
6 defined under existing laws, and in accordance with the
7 cooperative principles set forth under this Code;

8 (iv) Technology Service Cooperatives. – Technology service
9 cooperatives are organized to provide the members with
10 services that are designed to facilitate the use of Information
11 Technology by end-users, electronic money users licensed by
12 *Bangko Sentral ng Pilipinas (BSP)*, or provide specialized
13 technology-oriented solutions by combining the processes and
14 functions of software, hardware, networks,
15 telecommunications, and electronics, among others;

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

22 (vi) Other cooperatives as may be determined by the Authority
23 under this cluster in consultation with the cooperative sector.

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

5 (i) Advocacy Cooperatives. – Advocacy cooperatives promote
6 cooperativism and advocate policies for the general interest and
7 welfare of the members, the sector, the movement, and the
8 public through socially-oriented projects, education and
9 training, research and communication, campaigns, lobbying,
10 and other similar activities to reach out to intended
11 beneficiaries;

12 (ii) Education Cooperatives. – Education cooperatives are organized
13 for the primary purpose of owning and operating licensed
14 educational institutions, subject to existing laws, rules and
15 regulations; and

16 (iii) Other cooperatives as may be determined by the Authority
17 under this cluster in consultation with the cooperative sector.

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

1 (i) Agrarian Reform Cooperatives. – Agrarian reform cooperatives
2 are organized by marginal farmers, majority of whom are
3 agrarian reform beneficiaries, for the purpose of developing an
4 appropriate system of land tenure, land development, land
5 consolidation or land management areas covered by agrarian
6 reform;

7 (ii) Agricultural Cooperatives. – Agriculture cooperatives are
8 organized as agricultural-based economic enterprises
9 voluntarily established through joint investment, joint
10 ownership and joint management for the purpose of improving
11 agricultural production capacity, agro-industry, agri-business, or
12 services related to agricultural production, which shall include
13 agrarian reform, dairy, fishermen, community forestry, and
14 aquaculture cooperatives, as well as multi-purpose cooperatives
15 whose primary business activity is at least fifty per centum
16 (50%) related to agricultural production, agro-industry, agri-
17 business, or services related to agricultural production;

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

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

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

7 (vi) Irrigators Cooperatives. – Irrigators cooperatives are engaged
8 in providing sustainable irrigation services for farmers; and

9 (vii) Other cooperatives as may be determined by the Authority
10 under this cluster in consultation with the cooperative sector.

11 (6) *Public Utilities Cluster* refers to cooperatives organized for the purpose of
12 undertaking electricity generation, utilizing renewable energy sources,
13 including hybrid systems, acquisition and operation of sub-transmission or
14 distribution; operation and management of water systems; land, air, and sea
15 transportation services; and communications services, including telephone
16 and digital communications, which require a franchise or certificate of public
17 convenience and necessity such as:

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

23 (ii) Electric Cooperatives. – Electric cooperatives are registered
24 under this Code organized for the primary purpose of

undertaking power generation, utilizing renewable energy sources, including hybrid systems, acquisition and operation of sub transmission or distribution to the household members;

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

(iv) Water Service Cooperatives. – Water service cooperatives are organized to own, operate, and manage water systems for the provision and distribution of potable water for the members and their households; and

(v) Other cooperatives as may be determined by the Authority under this cluster in consultation with the cooperative sector.

(b) Categories of Cooperatives. Cooperatives are categorized as follows:

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

A. Primary Cooperatives; and

B. Secondary Cooperatives;

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

(3) In terms of assets, cooperatives shall follow the business size categories used by the Department of Trade and Industry (DTI).

SEC. 24. Apex of Cooperatives. – The Apex of Cooperatives refers to the singular cooperative vested with a juridical personality and the mandate to represent

1 the cooperative sector at the national and international levels, fully and voluntarily
2 organized by the members of the cooperative sector. It shall have the mandate to
3 engage in discussions and advise the appropriate authorities on all matters relating to
4 cooperatives, as well as to promote the cooperative identity and culture.

5 **CHAPTER VI. FEDERATION OF COOPERATIVES**

6 **SEC. 25. *Area of Coverage.*** - A federation of cooperatives may be organized
7 at the municipal or city level, district or provincial level, regional, inter-regional or
8 national levels.

9 **SEC. 26. *Members of a Federation of Cooperatives.*** - Members of a
10 federation of cooperatives shall consist of cooperatives with common needs or
11 purposes: *Provided,* That a member cooperative may freely withdraw membership
12 from the federation.

13 The minimum number of members shall be at least ten (10) primary or
14 secondary cooperatives for a federation of cooperatives.

15 **SEC. 27. *Authorized, Subscribed, and Paid-Up Capital of a***
16 ***Federation.*** - The authorized share capital of a cooperative shall be provided for in
17 its Articles of Cooperation where at least twenty-five per centum (25%) of the
18 authorized share capital shall be subscribed to by the members and at least twenty-
19 five per centum (25%) of the subscribed share capital shall be paid up prior to its
20 registration.

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

23 **SEC. 28. *Registration of Federation of Cooperatives.*** – A federation of
24 cooperatives shall be registered with the Authority.

1 **SEC. 29. *Functions of a Federation of Cooperatives.*** - A federation of
2 cooperatives shall undertake the following functions:

3 (a) To carry on any cooperative enterprise authorized under Section 5 that
4 complements, augments, or supplements but does not conflict, compete with,
5 nor supplant the business or economic activities of its members;

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

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

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

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

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

17 (g) To mandatorily act as conciliator-mediator in inter-intra cooperative disputes
18 among and between the members and officers of primary cooperatives;

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

21 (i) To assist in the liquidation of the remaining assets of dissolved or cancelled
22 primary cooperative members;

1 (j) To develop programs on education, training, monitoring, coaching, research,
2 and advocacy that complement, augment, or supplement the businesses of
3 their members; and

4 (k) To assist the Authority in ensuring the compliance of its member-cooperatives
5 with the laws, regulations, policies, and inspection or examination findings of
6 government regulatory agencies.

7 **CHAPTER VII. COOPERATIVE UNIONS**

8 **SEC. 30. *Organization and Duties.*** - All registered cooperatives may
9 organize or join cooperative unions to protect the interest and promote the welfare
10 of all types of cooperatives: *Provided,* That a member cooperative may freely
11 withdraw membership from the union. The cooperative unions shall represent the
12 constituent cooperatives at the appropriate level-and exercise the following duties
13 and functions:

14 (a) To represent its member organizations;

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

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

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

22 (e) To promote the knowledge of cooperative principles and practices;

23 (f) To develop the cooperative movement in their respective jurisdictions;

- 1 (g) To assist the national and local government units in cooperative development
2 activities within their respective jurisdiction;
- 3 (h) To assist in the dissemination and monitoring of the Philippine Cooperative
4 Medium Term Plan;
- 5 (i) To assist the members in the submission of the required reports and other
6 compliances to the Authority and other government or regulatory bodies;
- 7 (j) To assist the Authority, upon written request, in the performance of its power
8 of inspection or examination;
- 9 (k) To advise the appropriate authorities on all questions relating to cooperatives
10 at the municipal, city, district, provincial or regional levels;
- 11 (l) To act as liquidators or rendering assistance in the liquidation of the remaining
12 assets of dissolved primary cooperative members; and
- 13 (m) To do and perform such other non-business activities as may be necessary to
14 attain the foregoing objectives.

15 ***Sec. 31. Sources of Funds for Cooperative Unions.*** - The funds of a
16 cooperative union shall be sourced from the membership fees, dues and
17 contributions, remitted cooperative education and training fund (CETF) from
18 member-cooperatives, training fees,–fundraising activities, donations, grants, or
19 subsidies from local and foreign sources, whether private or public.

20 **CHAPTER VIII. MEMBERSHIP**

21 ***SEC. 32. Membership.*** - A cooperative shall have regular members or
22 associate members.

23 A regular member is one who has complied with all the membership
24 requirements, including the Pre-Membership Seminar, and entitled to all the rights

1 and privileges of membership. An associate member is one who has no right to vote
2 nor be voted upon and shall be entitled only to such rights and privileges as the
3 bylaws may provide: *Provided*, That an associate member who meets all the
4 requirements of regular membership, including the Pre-Membership Education
5 Seminar, continues to patronize the cooperative for two (2) years, and signifies the
6 intention to remain a member shall be considered a regular member.

7 **SEC. 33. *Qualifications of Membership.*** – Members of registered primary
8 cooperatives must be natural persons, Filipino citizens or former natural-born Filipino
9 citizens, of legal age, with capacity to enter into a contract, within the common bond
10 of membership and area of operation, and must possess the qualifications and none
11 of the disqualifications as provided for in the By-laws of the cooperative; *Provided*,
12 that in case of former natural-born Filipino citizens, they must comply with Philippine
13 taxation laws; *Provided, further*, that the age requirement shall not apply to laboratory
14 cooperatives as defined in Section 4 (p). A member must have completed the Pre-
15 Membership Education Seminar.

16 **SEC. 34. *Government Officers and Employees.*** –

17 (a) All elective officials of the Government shall be ineligible to become officers of
18 cooperatives: *Provided*, That the disqualification does not extend to a party list
19 representative who represents the cooperative sector: *Provided, further*, That
20 nothing precludes cooperatives from engaging in activities in support of party
21 lists representing the sector, such as, but not limited to participating in
22 campaigning or donating funds;

1 (b) Employees of the Authority are allowed to become a member of any
2 cooperative. However, they shall be disqualified to be elected or appointed as
3 an officer, except for cooperatives organized among themselves; and

4 Any government employee or official may, in the discharge of the duties as a
5 member in the cooperative, be allowed by the head of office concerned to use official
6 time for attendance at the General Assembly, Board and committee meetings including
7 cooperative seminars, conferences, workshops, technical meetings, and training
8 courses locally or abroad.

9 **SEC. 35. *Processing of Applications for Membership.*** - An application
10 for membership shall be acted upon by the Board of Directors within the period fixed
11 in the By-laws but not later than thirty (30) days. Otherwise, the application for
12 membership shall be deemed approved, subject to the condition that the applicant
13 has submitted the duly accomplished application and has paid the membership fees
14 to the cooperative.

15 In case the application for membership is denied by the Board of Directors,
16 the general assembly may opt to create an appeal committee, and within fifteen (15)
17 days after receipt of the notice of denial and the decision of the said committee shall
18 be final.

19 If the Committee fails to decide within the prescribed period, the appeal is
20 deemed approved in favor of the applicant.

21 **SEC. 36. *Liability of Members.*** - A member shall be liable for the debts of
22 the cooperative to the extent of the member's subscription to the share capital of the
23 cooperative.

24 **SEC. 37. *Termination of Membership.*** -

1 (a) A member of a cooperative may withdraw membership from the cooperative
2 by giving written notice to the Board of Directors which shall be acted upon
3 within thirty (30) days from receipt of said notice.

4 (b) The death or insanity of a member in a primary cooperative, and the insolvency
5 or dissolution, de-listing, or cancellation of the certificate of registration of a
6 member in a secondary cooperative shall be considered valid grounds for
7 termination of membership: *Provided*, That in the case of death or insanity of
8 an agrarian reform beneficiary-member of a cooperative, the qualified next-of-
9 kin may assume the duties and responsibilities of the original member;

10 (c) Termination of membership in the cooperative shall be initiated through the
11 filing of a complaint before the ethics committee of the cooperative. The
12 committee shall recommend to the Board of Directors the termination of
13 membership for any of the following causes:

14 (1) Failure to patronize any services of the cooperative for an unreasonable
15 period of time as provided in the By-laws;

16 (2) Failure to comply with the obligations of membership as provided in the By-
17 laws or policies of the cooperative;

18 (3) Violation of the By-laws of the cooperative;

19 (4) Commission of any act or omission injurious or prejudicial to the interest or
20 the welfare of the cooperative; and

21 (5) Others, as may be provided in the By-laws of the cooperative.

22 Such member shall be informed, in writing, and be given an opportunity to
23 be heard by the grievance committee. The result of the investigation shall be referred
24 to the Board of Directors for its consideration. Based on the recommendation of the

1 grievance committee, the Board may terminate membership in the cooperative by a
2 majority vote of all its members. The decision of the Board shall be in writing, and
3 communicated either personally, or by registered or electronic mail. The decision
4 may be appealed to the General Assembly within thirty (30) days from receipt
5 thereof.

6 The General Assembly shall decide on such appeal within thirty (30) days
7 after receipt thereof. Failure of the General Assembly to decide within the prescribed
8 period shall be deemed in favor of the member. The decision of the General
9 Assembly decision shall be final and executory. Pending the final decision, the
10 membership shall remain in force. This notwithstanding, the member may file a
11 petition for review of the decision of the General Assembly with the Authority within
12 fifteen (15) days from receipt thereof.

13 **SEC. 38. Refund of Interests.** - All sums computed in accordance with the
14 By-laws due from the cooperative to a former member shall be paid in accordance
15 with this Code and as prescribed in the Implementing Rules and Regulations:
16 *Provided,* That such refund shall not be made if upon such payment, the value of
17 the assets of the cooperative would be less than the aggregate amount of its debts
18 and liabilities exclusive of the members' share capital contribution.

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

22 CHAPTER IX. ADMINISTRATION

23 **SEC. 39. Composition of the General Assembly and Representative**
24 **Assembly.** - The General Assembly shall be the full membership of the cooperative,

1 exercising all the rights and performing all the obligations as provided in this Code,
2 and in its Articles of Cooperation and By-laws.

3 For cooperatives with numerous and dispersed membership, the General
4 Assembly shall delegate the exercise of its powers to a Representative Assembly,
5 the members of which are elected by each sector, chapter, or district of the
6 cooperative: *Provided*, That in cases provided under this Code for the call of a regular
7 or special General Assembly, or the approval or confirmation thereof, the
8 Representative Assembly shall also suffice, where applicable. Such delegation shall
9 be in accordance with the rules and regulations of the Authority.

10 **SEC. 40. Powers of the General Assembly.** - The General Assembly shall
11 be the highest policy-making body of the cooperative and shall exercise such powers
12 as are stated in this Code, and in the Articles of Cooperation and By-laws of the
13 cooperative. The General Assembly, through its members entitled to vote, shall have
14 the following exclusive powers which cannot be delegated:

15 (a) Determine and approve amendments to the Articles of Cooperation and By-
16 laws;

17 (b) Elect, appoint, or remove, the members of the Board of Directors. However, in
18 the case of the electric cooperatives registered under the Authority, the election
19 of the members of the Board shall be in accordance with its By-laws or election
20 guidelines;

21 (c) Approve the annual strategic and developmental plans, and the budget of the
22 cooperative;

1 (d) Approve or disapprove proposals from the Board of Directors pertaining to
2 external borrowings, investments, grants, donations, and other financial
3 assistance; and

4 (e) Decide membership issues within the cooperative.

5 Subject to such other provisions of this Code and only for purposes of prompt
6 and intelligent decision-making, the General Assembly may by a three-fourths (3/4)
7 vote of all its members entitled to vote, present and constituting a quorum, delegate
8 some of its powers to the Board of Directors. These powers shall be enumerated
9 under the By-laws of the cooperative.

10 **SEC. 41. Meetings. –**

11 (a) The General Assembly shall conduct a regular annual meeting on a date fixed
12 in the By-laws, which shall be within ninety (90) days or one hundred eighty
13 (180) days after the close of each calendar year, for primary or secondary
14 cooperatives, respectively: *Provided*, That notice of regular meetings shall be
15 sent in writing, by posting or publication, or through other electronic means to
16 all members of record.

17 (b) Whenever necessary, a special meeting of the General Assembly may be called
18 at any time by a majority vote of the Board of Directors, or upon petition of at
19 least ten per centum (10%) of the total members who are entitled to vote, or
20 as provided for in the By-laws: *Provided*, That a notice in writing shall be sent
21 one (1) week prior to the meeting to all members who are entitled to vote.

22 If the Board fails to call a regular or special meeting within the given
23 period, the Authority, upon petition of ten per centum (10%) of members
24 entitled to vote, or the quorum as stated in their By-laws, and for good cause

1 shown, shall issue an order to the petitioners directing them to call a meeting
2 of the General Assembly by giving proper notice as required in this Code or in
3 the By-laws;

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

7 (1) Presentation of approved Articles of Cooperation and By-laws;

8 (2) Approval of the annual strategic and development plans, and budget;
9 and

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

11 (d) The Authority shall compel the cooperative to call a General or Representative
12 Assembly for the purpose of reporting to the members the result of any
13 examination or other investigation of the cooperative affairs; and

14 (e) Notice of any meeting may be waived, expressly or impliedly, by any member.

15 **SEC. 42. Mode of Conducting Regular or Special Assembly**

16 **Meetings.** - Regular and special assembly meetings may be conducted in any of
17 the following manner:

18 (a) Duly assembled in one venue, wherein the meetings are held on the same
19 day; or

20 (b) Simultaneously, wherein the meetings are held on the same day but in
21 different venues.

22 As a general rule, assembly meetings shall be conducted in a manner
23 provided in the By-laws of the cooperative. However, due to technological
24 advancement, public health and safety measures, increased level of participation of

1 members and other equally important considerations in favor of the viability and
2 growth of cooperatives, cooperatives are allowed to conduct their assembly
3 meetings through videoconferencing or a combination of physical attendance and
4 videoconferencing, except for electric cooperatives: *Provided*, That cooperatives
5 who opt to conduct General Assembly meetings through videoconferencing or a
6 combination of physical attendance and videoconferencing as an alternative mode
7 shall amend their By-laws adopting the same: *Provided, further*, That cooperatives
8 shall adopt policies and procedures sufficiently addressing administrative, technical,
9 and logistical concerns for an effective and efficient videoconference meeting.

10 **SEC. 43. Quorum.** - Unless a higher requirement is provided in the By-
11 laws of the cooperative, a quorum shall consist of at least twenty-five per centum
12 (25%) of all the members entitled to vote: *Provided*, That electric cooperatives
13 shall follow the minimum quorum requirement as may be prescribed by the
14 National Electrification Administration (NEA): *Provided, further*, That the quorum
15 for Representative Assembly shall in no case be lower than twenty-five per centum
16 (25%) of the total membership entitled to vote.

17 In the case of federations and unions, the quorum requirement shall be twenty-
18 five per centum (25%) of the total number of members present and entitled to vote.

19 **SEC. 44. Voting System.** — Each member of a primary cooperative shall have
20 only one (1) vote regardless of the share capital of such member. In federations or
21 secondary cooperatives, a one member-coop, one vote system applies regardless of
22 the member-primaries' share capital.

23 The votes cast by the delegates shall be deemed as votes cast by the
24 members thereof.

1 The foregoing notwithstanding, the By-laws of a cooperative, other than a
2 primary cooperative, may provide for voting by proxy. Voting by proxy means
3 allowing a delegate of a cooperative to represent or vote on behalf of another
4 delegate of the same cooperative.

5 **SEC. 45. *Composition and Term of the Board of Directors.*** - The Board
6 of Directors shall be composed of not less than five (5) nor more than fifteen (15)
7 members elected by the General Assembly for a term of two (2) years, but not to
8 exceed three (3) consecutive terms. The Board shall hold office until their successors
9 are duly elected and qualified, or until duly removed for cause.

10 For federations, a member-cooperative shall have only one representative
11 eligible to run and be voted upon as a member of the Board, irrespective of the
12 member-cooperative's share capital holdings.

13 **SEC. 46. *Powers of the Board of Directors.*** - The Board of Directors
14 shall be responsible for the annual strategic planning, direction-setting and policy-
15 formulation activities of the cooperatives.

16 **SEC. 47. *Directors.*** –

17 (a) Any member of a cooperative who has the right to vote and be voted upon,
18 and who possesses all the qualifications and none of the disqualifications
19 provided in this Code or in its By-laws shall be eligible for election as director,
20 subject to the limitation imposed by the second paragraph of Section 45 of
21 this Code.

22 (b) The cooperative may, by resolution of its Board of Directors, admit as an *ex*
23 *officio* director or committee member one appointed by any financing
24 institution from which the cooperative received financial assistance, solely

1 to provide technical knowledge not available within its membership. Such
2 director or committee member need not be a member of the cooperative
3 and shall have no powers, rights, nor responsibilities except to provide
4 technical assistance as required by the cooperative.

5 (c) The members of the Board of Directors shall not hold any other position
6 directly involved in the day to day operation and management of the
7 cooperative.

8 (d) Any member engaged in a business similar to that of the cooperative or who,
9 in any way, has a conflict of interest with it, is disqualified from being elected
10 as a director.

11 **SEC. 48. Meeting of the Board and Quorum Requirement. –**

12 (a) In the case of primary cooperatives, regular meetings of the Board of Directors
13 shall be held at least once a month. Special meetings may be held at any time:
14 i) at the call of the Chairperson, upon prior written notice given at least three
15 (3) days prior to the date of said meeting; ii) or at the call of a majority of the
16 members of the Board, upon prior written notice given at least one (1) day
17 before said meeting: *Provided*, that only two (2) special meetings may be held
18 in one (1) month. Notices may be sent through electronic means, to the official
19 contact number or email account of the officers.

20 (b) A majority of the members of the Board shall constitute a quorum for the
21 conduct of business.

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

1 (d) Directors cannot attend or vote by proxy at Board meetings.

2 (e) Cooperatives may opt to allow meetings of the Board of Directors and members
3 of the different committees of the cooperative to be conducted either through
4 physical attendance or videoconferencing, or both, subject to the rules on
5 sending of notices, quorum, and voting requirements as provided for in the By-
6 laws. In the conduct of meetings through videoconferencing, cooperatives shall
7 adopt their own policies and procedures which shall be included in their By-
8 laws.

9 **SEC. 49. Vacancy in the Board of Directors.** – In case of a vacancy, other
10 than by expiration of term or an increase in the number of Board of Directors, the
11 Board, if still constituting a quorum, may, in a special meeting called for the purpose,
12 appoint, by majority vote, any member of the cooperative to fill such vacancy:
13 *Provided,* That the director so appointed shall possess all of the qualifications and
14 none of the disqualifications as prescribed under this Code and the By-laws of the
15 cooperative. If the remaining members of the Board do not constitute a quorum, the
16 vacancy shall be filled in an election conducted through a special General Assembly
17 called for the purpose, held within thirty (30) days from the time the vacancy occurs,
18 or during the regular General Assembly, whichever comes first. The director so
19 appointed or elected shall serve only for the unexpired term of the predecessor in
20 office.

21 If the General Assembly fails to fill the vacancy, as directed in the preceding
22 paragraph, or in case of the vacancy of the entire Board of Directors, the Authority
23 shall compel the cooperative, through the Election Committee, to call for a special
24 General Assembly for the purpose of electing a new Board of Directors. In the

1 absence of the Election Committee, the General Assembly may appoint an Ad Hoc
2 Committee that shall be responsible to call for such special General Assembly.

3 **SEC. 50. *Officers of the Cooperative.*** - The officers of the cooperative
4 shall include the members of the Board of Directors, members of the different
5 committees, General Manager or Chief Executive Officer, Secretary, Treasurer, and
6 other officers as may be provided for in the By-laws. As such, they shall exercise
7 their duties and responsibilities within the scope of their defined functions.

8 The Board of Directors shall elect from among themselves the Chairperson
9 and Vice-Chairperson, and elect or appoint other officers of the cooperative from
10 outside of the Board, in accordance with their By-laws.

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

17 **SEC. 51. *Committees of Cooperatives.* –**

18 (a) The By-laws may create an executive committee, the members of which shall
19 be appointed by the Board of Directors with such powers and duties as may be
20 delegated to it in the By-laws or by a majority vote of all the members of the
21 Board of Directors.

22 (b) The By-laws shall provide for the creation of other committees, such as
23 conciliation-mediation, ethics, gender and development, education, and other
24 committees as may be necessary for the conduct of the affairs of the

1 cooperative. The members of the audit and election committee shall be elected
2 by the General Assembly, while the members of the other remaining
3 committees shall be appointed by the Board.

4 Unless otherwise provided in the By-laws, the Board, in case of a vacancy in
5 the committees, may appoint or call an election to fill the vacancy, as the case may
6 be: *Provided*, That the person so appointed or elected shall serve only for the
7 unexpired portion of the term.

8 **SEC. 52. Functions, Responsibilities and Training Requirements of**
9 **Directors, Officers and Committee Members.** - The functions and
10 responsibilities of directors, officers, and committee members, as well as their
11 training requirements, shall be prescribed in the By-laws of the cooperative, in
12 accordance with the rules and regulations issued by the Authority.

13 **SEC. 53. Liability of Directors, Officers and Committee Members. -**
14 Directors, officers, and committee members shall be jointly and severally liable for
15 all damages or losses to the cooperative, its members, or other persons in case of
16 the following:

- 17 (a) Willfully and knowingly voting for or assenting to patently unlawful acts;
18 (b) Gross negligence or bad faith in directing the affairs of the cooperative; or
19 (c) Acquiring any personal or pecuniary interest in conflict with their duty.

20 When directors, officers, or committee members attempt to or have acquired,
21 in violation of their duties, any interest or equity adverse to the cooperative in
22 respect to any matter which has been reposed in them in confidence, they shall, as
23 a trustee for the cooperative, be liable for damages and shall be accountable for
24 double the profits which otherwise would have accrued to the cooperative.

1 **SEC. 54. Compensation and Other Emoluments. –**

2 (a) In the absence of any provision in the By-laws fixing their compensation, the
3 directors, or officers of the cooperative shall not receive any compensation
4 except for reasonable *per diems*. *Provided*, That no additional compensation
5 other than *per diems* shall be paid during the first year of existence of any
6 cooperative: *Provided, further*, That only the General Assembly shall approve
7 any additional compensation or the increase thereof.

8 (b) Directors and officers shall not be entitled to any *per diem* if the cooperative
9 reported a net loss in the preceding calendar year or a had a dividend rate less
10 than the official rate for the same year.

11 (c) Unless already fixed in the By-laws, the compensation of all other employees
12 shall be determined by the Board of Directors in accordance with the Regional
13 Tripartite and Wage Productivity Board.

14 **SEC. 55. Dealings of Directors, Officers, or Committee Members. - A**

15 contract entered into by the cooperative with one (1) or more of its directors, or their
16 spouses and relatives within the first civil degree of consanguinity or affinity, is
17 voidable, at the option of the cooperative, unless the following conditions are present:

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

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

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

23 In the case of contracts executed between the cooperative and its other officers
24 or committee members, or their spouses or relatives within the first civil degree of

1 consanguinity or affinity, such contracts are voidable, at the option of the cooperative,
2 unless previously authorized by the General Assembly or by the Board of Directors,
3 and the contract is fair, reasonable, and beneficial to the cooperative under the
4 circumstances.

5 The Board of Directors shall report any such contract to the General Assembly
6 during its regular meeting for ratification.

7 Where any of the first two conditions set forth in the preceding paragraph is
8 absent, in the case of a contract with a director, such contract may be ratified by a
9 three-fourths (3/4) vote of all the members entitled to vote, present and constituting
10 a quorum in a meeting called for the purpose: *Provided*, That full disclosure of the
11 adverse interest of the directors involved is made at such meeting, and that the
12 contract is fair and reasonable under the circumstances.

13 **SEC. 56. *Disloyalty of a Director and Other Officers of the***
14 ***Cooperative.*** - A director or other officer of the cooperative who, by virtue of such
15 office, directly or indirectly acquires for themselves an opportunity which should
16 belong to the cooperative, shall be liable for damages and must account for double
17 the profits that otherwise would have accrued to the cooperative by refunding the
18 same. This provision shall be applicable, notwithstanding the fact that the director
19 or other officers of the cooperative used their own funds to acquire such opportunity.

20 **SEC. 57. *Illegal Use of Confidential Information.*** –

21 (a) A director, officer, or any person who, in conspiracy or connivance therewith,
22 makes use of confidential information to the benefit or advantage of such
23 person, which, if generally known, may adversely affect the operation and

1 viability of the cooperative, shall be held liable for the direct losses and for the
2 unrealized benefit suffered by the cooperative, as a result of the transaction.

3 (b)The cooperative shall take the necessary steps to enforce the liabilities
4 described in paragraph (a) herein.

5 **SEC. 58. Removal From Office.** – No officer may be removed except for
6 cause, as provided in the internal policies of the cooperative, after due notice and
7 hearing. Loss of trust and confidence in the performance of duties shall be a valid
8 ground for removal.

9 All complaints for the removal of any elected officer shall be filed with the
10 Board of Directors, except as otherwise provided herein. Upon finding *prima facie*
11 evidence of guilt, the Board shall inform the officer concerned and present its
12 recommendation for removal in a regular or special General Assembly called for the
13 purpose, wherein such officer shall be given a final opportunity to present his case.
14 The regular or special General Assembly, by a three-fourths ($\frac{3}{4}$) votes of the
15 members entitled to vote present and constituting a quorum, shall approve or
16 disapprove the removal of the officer.

17 In cases involving directors, the complaint shall be filed with the Ethics and
18 Grievance committee, which shall follow the procedure set in the preceding
19 paragraph.

20 In cases involving the removal of any appointive officer, a complaint shall be
21 filed with the Ethics and Grievance committee of the cooperative, which shall submit
22 its recommendation to the Board of Directors for proper action. The decision of the
23 Board of Directors may be appealed to the General Assembly.

1 During the investigation, the Board of Directors or the Ethics and Grievance
2 committee may, as the case may be, upon majority vote, place such officer under
3 preventive suspension, as prescribed in the By-laws.

4 The decision of the General Assembly may be appealed to the Authority.

5 **CHAPTER X. RESPONSIBILITIES, RIGHTS AND PRIVILEGES OF** 6 **COOPERATIVES**

7 **SEC. 59. *Address.*** - Every cooperative shall have an official postal address
8 where the principal office is located and an electronic mail address to which all
9 communications, reports, notices, and summons may be served, and where all other
10 documents required shall be submitted. The Articles of Cooperation and the By-laws
11 shall be amended accordingly should there be a change in the official postal and
12 electronic mail addresses of the cooperative.

13 For this purpose, an electronic mail registry shall be created in accordance
14 with the guidelines to be promulgated by the Authority.

15 **SEC. 60. *Books to be Kept Open.*** –

16 (a) Every cooperative shall have the following documents ready and accessible to
17 its members and representatives of the Authority for inspection, examination,
18 and investigation during reasonable office hours at its registered principal
19 office:

- 20 (1) A copy of this Code and all other laws pertaining to cooperatives;
- 21 (2) A copy of the Implementing Rules and Regulations of this Code;
- 22 (3) A copy of the Articles of Cooperation and By-laws of the cooperative;
- 23 (4) A registry of members;

- 1 (5) The books of the minutes of the meetings of the General Assembly, Board
2 of Directors and committees;
3 (6) A share and transfer book, except for unions;
4 (7) Financial statements and other financial records; and
5 (8) Such other documents as may be prescribed by the Authority, laws, and the
6 By-laws.

7 (b) The accountant or the bookkeeper of the cooperative shall be responsible for
8 the maintenance and safekeeping of the books and records of accounts of the
9 cooperative in accordance with generally accepted accounting practices. The
10 accountant or bookkeeper shall also be responsible for the production of the
11 same at the time of audit, inspection, examination, or investigation.

12 The Audit committee shall be responsible for the continuous and periodic
13 review of the books and records of accounts to ensure that such records are in
14 accordance with generally accepted accounting practices. It shall also be
15 responsible for the production of the same at the time of audit or inspection.

16 (c) Each cooperative shall maintain records of accounts such that the true and
17 correct condition and the results of the operation of the cooperative may be
18 ascertained therefrom at any time. The financial statements, audited according
19 to generally accepted auditing standards, principles and practices, shall be
20 published annually and shall be kept posted in conspicuous places in the
21 principal office of the cooperative, its branches, and satellite offices.

22 (d) Subject to the pertinent provisions of the National Internal Revenue Code, as
23 amended, and other laws, a cooperative may dispose, by burning or any
24 method of complete destruction, any document, record or book pertaining to

1 its financial and non-financial operations which are already more than five (5)
2 years old except those relating to transactions which are the subject of civil,
3 criminal, and administrative proceedings. An inventory of the audited
4 documents, records and books to be disposed of shall be drawn up and certified
5 to by the Cooperative Secretary and the Chairman of the audit committee and
6 presented to the Board of Directors, which may thereupon approve the
7 disposition of said records.

8 The information and data being examined may contain confidential matters
9 or privilege communication which should not be disclosed or used without
10 the consent of the cooperative in accordance with Republic Act No. 10173,
11 otherwise known as the " Data Privacy Act of 2012."

12 **SEC. 61. *Annual Reports.*** - Every cooperative shall prepare an annual
13 progress report with the necessary attachments as may be prescribed by the
14 Authority at the end of every calendar year. The reports shall be made accessible to
15 its members, and copies thereof shall be available upon request of members on
16 record during reasonable office hours. These reports shall be filed with the Authority
17 within one hundred twenty (120) days from the end of the calendar year. The form
18 and contents of the reports shall be as prescribed by the rules of the Authority.
19 Failure to file the required reports on time shall subject the accountable officer to
20 fines and penalties as may be prescribed by the Authority. Failure to file the required
21 reports despite notice shall be a ground for the suspension or cancellation of the
22 Certificate of Registration of the cooperative, subject to the guidelines to be issued
23 by the Authority.

1 If a cooperative fails to make and file the reports required herein, or fails to
2 include therein any matter required by the Code, the Authority shall, within thirty
3 (30) days from the expiration of the prescribed period, send such cooperative a
4 notice stating its non-compliance and the commensurate fines and penalties that will
5 be imposed until such time that the cooperative has complied with the requirements.

6 **SEC. 62. Registry of Members as Prima Facie Evidence.** - A registry of
7 members kept by the cooperative shall be *prima facie* evidence of the following
8 particulars:

- 9 (a) The date on which the name of any person was entered in such registry or list
10 of members; and
11 (b) The date on which any such person ceased to be a member.

12 However, other information may be required in accordance with the guidelines
13 that shall be prescribed by the Authority in consultation with the cooperative sector.

14 **SEC. 63. Probative Value of Certified Copies of Entries.** - A copy of any
15 entry in any book, registry, or list regularly kept in the course of business of the
16 cooperative shall, if duly certified in accordance with the rules of evidence, be
17 admissible as evidence of the existence of entry and *prima facie* evidence of the
18 matters and transactions therein recorded.

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

23 **SEC. 64. Bond of Accountable Officers.** - All officers and employees
24 handling funds, securities, or property on behalf of the cooperative shall be covered

1 by a surety bond or a fidelity bond to be issued by a duly registered insurance or
2 bonding company, the adequacy of which shall be determined by the Board of
3 Directors, for the faithful performance of their respective duties and obligations. The
4 cooperative may likewise secure other insurance policies for its protection against
5 losses of monies, securities, and other properties.

6 Within thirty (30) days upon approval of the registration of a cooperative, the
7 bonds of the accountable officers shall be submitted to the Authority. The bond for
8 the cooperative's Treasurer shall be ten per centum (10%) of the sum of the initial
9 paid-up capital and membership fees. The bonds for all accountable officers shall be
10 renewed annually and adjusted accordingly.

11 **SEC. 65. *Preference of Claims.* –**

12 (a) Notwithstanding the provisions of existing laws, rules and regulations to the
13 contrary, any debt due to the cooperative from the member shall constitute a
14 first lien upon any raw materials, production, inputs, and products produced;
15 or any land, building, facilities, equipment, goods or services acquired and held,
16 by such member through the proceeds of the loan or credit granted by the
17 cooperative to such member for as long as the same is not fully paid.

18 (b) No property or interest on property which is subject to a lien under paragraph
19 (a) herein shall be sold nor conveyed to third parties without the prior
20 permission of the cooperative. The lien upon the property or interest shall
21 continue to exist even after the sale or conveyance thereof until such lien has
22 been duly extinguished.

23 (c) Notwithstanding the provisions of any law to the contrary, any sale or
24 conveyance made in contravention of the preceding paragraph shall be void.

1 **SEC. 66. *Instrument for Salary or Wage Deduction.* –**

2 (a) A member of a cooperative shall, notwithstanding the provisions of existing
3 laws to the contrary, execute an instrument in favor of the cooperative
4 authorizing the employer to deduct from the salary or wages, commutation of
5 leave credits, and any other monetary benefits payable by the employer, and
6 remit such amount as maybe specified in satisfaction of a debt, share capital
7 contribution, or other demand due from the member to the cooperative.

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

14 (c) The term "employer" as used in this Section shall include all private firms,
15 national government agencies, including government-owned and controlled
16 corporations, government instrumentalities with corporate powers,
17 government corporate entities, or government financial institutions, and local
18 government units that employ a member of a cooperative and have agreed to
19 carry out the terms of the instrument mentioned in this Section.

20 (d) The provisions of this Section shall apply to all similar agreements referred to
21 in paragraph (a) herein and were enforced prior to the approval of this Code.

22 (e) Notwithstanding the provisions of existing laws to the contrary, the
23 responsibilities of the employer as stated in paragraphs (a) and (b) herein shall
24 be mandatory and without the need for any prior conditions, accreditation or

1 other similar processes to facilitate or implement the deductions: *Provided,*
2 That in the case of a private employer, the actual and reasonable cost for
3 deducting and remitting may be collected.

4 (f) The member may withdraw such consent at any time and for any reason, which
5 shall also be put in writing. Any person who acts contrary to this provision shall
6 be held liable under this Code and other laws, as the case may be.

7 **SEC. 67. *Primary Lien.*** – Notwithstanding the provision of any law to the
8 contrary, a cooperative shall have primary lien upon the capital, deposits, or interests
9 of a member for any debt due to the cooperative from such member.

10 **SEC. 68. *Tax Treatment of Cooperatives.*** – Duly registered cooperatives
11 under this Code which do not transact any business with non-members or the
12 general public shall not be subject to any taxes, fees, and charges imposed under
13 the internal revenue laws and other tax laws. Cooperatives not falling under this
14 Section shall be governed by the succeeding provisions.

15 **SEC. 69. *Tax and Other Exemptions.*** - Duly registered cooperatives
16 transacting business with both members and non-members shall not be subject to
17 tax on their transactions with members. Further, the transactions of members with
18 the cooperative shall not be subject to any taxes, fees, and charges, including but
19 not limited to final taxes on members' share capital and deposits and corresponding
20 documentary stamp taxes.

21 Notwithstanding the provisions of any law or regulation to the contrary, such
22 cooperatives dealing with non-members shall enjoy the following tax exemptions:

23 a) Duly registered agricultural cooperatives and non-agricultural
24 cooperatives whose Reserve Funds have an existing balance of Twenty

1 million pesos (P20,000,000.00) and below, shall be exempt from all
2 national internal revenue taxes, fees, and charges of whatever name
3 and nature Imposed under the internal revenue laws and other tax laws.

4 Such cooperatives shall be exempt from customs duties, advance
5 sales or compensating taxes on their importation of machineries,
6 equipment, batteries, accessories, and spare parts used in the
7 operations of the cooperatives and which are not available locally as
8 certified by the DTI. All tax- and duty-free imports shall not be sold nor
9 the beneficial ownership thereof be transferred to any person until after
10 five (5) years, otherwise, the cooperative and the transferee or assignee
11 shall be solidarily liable to pay twice the amount of the imposed tax or
12 duties;

13 b) Duly registered agricultural and non agricultural cooperatives whose
14 Reserve Funds have an existing balance of more than Twenty million
15 pesos (P20,000,000.00), shall pay the following taxes at the full rate:

16 (1) Income Tax on income derived from transactions with non-members:
17 *Provided*, That the same tax is not consequently imposed on interest
18 individually received by members: *Provided, further*, That cooperatives
19 regardless of classification, are exempt from income tax from the date
20 of registration with the Authority. The tax base for all cooperatives liable
21 to pay income tax shall be the income directly related from the business
22 transactions with non-members after deducting the amounts for the
23 statutory funds;

1 (2) Value-Added Tax (VAT) on transactions with non-members:

2 *Provided, however,* That duly registered cooperatives shall be exempt

3 from the imposition of VAT, on the following:

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

12 ii) Gross receipts from lending activities by credit or multi-
13 purpose cooperatives duly registered with the Authority;
14 and

15 iii) Sales by non-agricultural, non-electric and non-credit
16 cooperatives duly registered with the Authority: *Provided,*
17 That the share capital contribution of all members does not
18 exceed Fifteen thousand pesos (P15,000) each and
19 regardless of the aggregate capital and net surplus ratably
20 distributed among the members: *Provided,* That the exempt
21 transactions in the foregoing shall include sales made by
22 cooperatives duly registered with the Authority organized
23 and operated by their members to undertake the production
24 and processing of raw materials or of goods produced by

1 their members into finished or process products for sale by
2 the cooperatives to their members and non-members:
3 *Provided, however,* That any processed product or its
4 derivative arising from the raw materials produced by their
5 members, sold in the name and for the account of the
6 cooperative shall be deemed a product of the cooperative
7 and its members: *Provided, further,* That at least twenty-
8 five per centum (25%) of the net income of the
9 cooperatives is returned to the members in the form of
10 interest and/or patronage refunds.

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

14 (4) All other taxes unless otherwise provided herein.

15 Donations to duly accredited charitable, research and educational institutions
16 and reinvestment to socioeconomic projects within the area of operation of the
17 cooperative may be tax deductible.

18 (c) All duly registered cooperatives shall be exempt from payment of local taxes,
19 fees and charges whether barangay, municipal, city, or provincial taxes and
20 taxes on transactions with banks and insurance companies. The Authority shall
21 furnish the Municipal, City, or Provincial Assessor's Office a certified list of duly
22 registered cooperatives as basis of their removal from the Assessment Rolls;

23 (d) In areas where there are no available notaries public, the judge, exercising
24 his/her ex-officio capacity as notary public, shall render service, free of charge,

1 to any person or group of persons requiring the administration of oath or the
2 acknowledgment of Articles of Cooperation and instruments of loan from
3 cooperatives not exceeding Five Hundred Thousand Pesos (P500,000.00).

4 (e) Any register of deeds shall accept for registration, free of charge, any
5 instrument relative to a loan made under this Code which does not exceed Two
6 Hundred and Fifty Thousand Pesos (P250,000.00) or the deeds of title of any
7 property acquired by the cooperative or any paper or document drawn in
8 connection with any action brought by the cooperative or with any court
9 judgment rendered in its favor or any instrument relative to a bond of any
10 accountable officer of a cooperative for the faithful performance of his/her
11 duties and obligations.

12 (f) Cooperatives shall be exempt from the payment of all court and sheriff's fees
13 payable to the Philippine Government for and in connection with all actions
14 brought under this Code, or where such action is brought by the Authority
15 before the court, to enforce the payment of obligations contracted in favor of
16 the cooperative.

17 (g) All cooperatives shall be exempt from putting up a bond for bringing an appeal
18 against the decision of an inferior court or for seeking to set aside any third
19 party claim: *Provided*, That a certification of the Authority showing that the net
20 assets of the cooperative are in excess of the amount of the bond required by
21 the court in similar cases shall be accepted by the court as a sufficient bond.

22 (h) Any security issued by cooperatives shall be exempt from the provisions of
23 the Securities Act provided such security shall not be speculative.

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

3 **SEC. 70. *Issuance of Certificate of Tax Exemption for Cooperatives.***

4 - The Authority shall furnish the Bureau of Internal Revenue (BIR) a certified
5 endorsement of a list of cooperatives in good standing and compliant with the
6 reportorial requirements of the Authority that serves as basis for the issuance of a
7 Certificate of Tax Exemption. The BIR shall formulate the necessary guidelines in
8 streamlining the issuance of Certificate of Tax Exemption for cooperatives: *Provided,*
9 That individual tax identification number (TIN) of members of the cooperative should
10 not be a requirement in the processing of application and renewal of Certificate of
11 Tax Exemption.

12 **SEC. 71. *Privileges of Cooperatives.*** - Cooperatives registered under this
13 Code, notwithstanding the provisions of any law to the contrary, shall also be
14 accorded the following privileges:

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

20 (b) Cooperatives organized among government employees, notwithstanding any
21 law or regulation to the contrary, shall enjoy the free use of any available space
22 in their agency, whether owned or rented by the Government;

23 (c) Cooperatives rendering special types of services and facilities such as cold
24 storage, ice plant, electricity, transportation, water, communications, and

1 similar services and facilities shall be given preference in the grant of a
2 franchise or certificate therefor: *Provided*, That such cooperatives shall open
3 their membership to all persons qualified in their areas of operation. In case
4 there are two (2) or more applicants for the same public service franchise or
5 certificate of public convenience and necessity, all things being equal,
6 preference shall be given to a cooperative engaged in public services;

7 (d) In areas where there are agricultural cooperatives, at least fifty per centum
8 (50%) of the supply to government institutions, agencies, and LGUs, of rice,
9 corn, grains, fish and other marine products, meat, eggs, milk, vegetables, and
10 other agricultural commodities such as fertilizers, seeds and other agricultural
11 inputs and implements, and related products, shall be sourced from such
12 cooperatives;

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

16 (f) Cooperatives and their federations engaged in the production and/or the
17 marketing of products from agriculture, fisheries and small entrepreneurial
18 industries, shall have exclusive preferential rights in the management of public
19 markets, and lease of public market facilities, stalls or spaces, slaughterhouses,
20 and storage facilities: *Provided*, That no cooperative forming a joint venture,
21 partnership or any other similar arrangement with a non-cooperative entity can
22 utilize these rights;

23 (g) Cooperatives engaged in credit services shall be entitled to loans, credit lines,
24 rediscounting of their loan notes, and other eligible papers with the

1 Development Bank of the Philippines (DBP), the Land Bank of the Philippines
2 (LBP), and other financial institutions except the *Bangko Sentral ng Pilipinas*
3 (BSP);

4 The Philippine Deposit Insurance Corporation (PDIC) and other government
5 agencies, government-owned and controlled corporations, and government
6 financial institutions shall provide technical assistance to federations engaged
7 in savings and credit operations to establish and strengthen their own
8 cooperative deposit insurance systems;

9 (h) Public transport service cooperatives shall be entitled to financing support from
10 Government Financial Institutions for the acquisition and maintenance of land,
11 sea, and air transport equipment, facilities, and parts, and shall be preferred in
12 securing a franchise for active or potential routes for public transport. They
13 shall have preferential rights to the management and operation of public
14 terminals and ports whether land, sea, or air, and wharves, where the
15 cooperative operates, as well as in the operation of arrastre and stevedoring
16 services therein.

17 (i) Cooperatives shall be given preference in the procurement of government
18 projects subject to the existing procurement laws, rules and regulations.

19 (j) Cooperatives shall enjoy the privilege of being represented by the provincial or
20 city fiscal, or the Office of the Solicitor General, free of charge, except when
21 the adverse party is the Republic of the Philippines;

22 (k) Cooperatives organized by faculty members and employees of educational
23 institutions shall have the preferential right to manage the school canteen and
24 other services related to the operation of the educational institution where they

are employed: *Provided*, That such services are operated within the premises of the said educational institution;

(l) The relevant regulatory agencies, and LGUs shall not discriminate against duly registered cooperatives seeking accreditation as service providers, or seeking to engage in a particular business: *Provided*, That they possess all other qualifications under the law. Any person who acts contrary to this provision may be held liable under this Code and all other relevant laws and issuances;

(m) Cooperatives shall be entitled to financing support from the relevant government agencies that shall allocate funds for the establishment of projects and programs for the development and promotion of cooperatives; *and*

(n) The relevant government agencies and government financial institutions shall create a special window for financing, in the form of blanket or long-term wholesale loans without need for individual processing, to qualified cooperatives engaged in housing projects. Such shall offer interest rates and terms equal to, or better than those given for socialized housing projects.

The Authority, in consultation with appropriate government agencies and the cooperative sector, shall issue rules and regulations on all matters concerning housing cooperatives and socialized housing projects. Furthermore, the sector shall be consulted in matters of policy and implementation that will affect the rules and regulations on cooperatives.

CHAPTER XI. INSOLVENCY, SUSPENSION, DISSOLUTION, LIQUIDATION, AND DELISTING OF COOPERATIVES

SEC. 72. *Proceeding Upon Insolvency.* - In case a cooperative is unable to fulfill its obligations to creditors due to insolvency, such cooperative may apply

1 for such remedies as it may deem fit under the provisions of R.A. No. 10142,
2 otherwise known as the Financial Rehabilitation and Insolvency Act.

3 Nothing in this Article, however, precludes creditors from seeking protection
4 from said insolvency law.

5 **SEC. 73. *Effect of Declaration of Insolvency by a Competent Court.* -**

6 Should the cooperative be declared insolvent by the court, its Certificate of
7 Registration shall be cancelled, and it shall be delisted from the registry of
8 cooperatives of the Authority. The coop may appeal.

10 **SEC. 74. *Suspension of Certificate of Registration.* -** A penalty of

11 suspension, after due process, shall be imposed on a cooperative on any of the
12 following grounds:

- 13 a. Willful refusal to submit annual progress reports with the necessary
14 attachments within the period mandated by this Code: *Provided*, That in case
15 of newly-registered cooperatives, this provision shall only apply three (3) years
16 after they have registered;
- 17 b. Willful refusal to comply with an interlocutory order, a final and executory
18 decision, or award from the CDA Board of Directors, or from any of its Regional
19 Offices or adjudication officers, or by a voluntary arbitrator in relation to an
20 investigation, voluntary arbitration, or adjudication.

21 **SEC. 75. *Voluntary Dissolution Where no Creditors are Affected.* -** If

22 the dissolution of a cooperative does not prejudice the rights of any creditor having
23 a claim against it, the dissolution may be effected by a majority vote of the Board of
24 Directors, and by a resolution duly adopted by the affirmative vote of at least three-

1 fourths (3/4) of all the members entitled to vote, present and constituting a quorum
2 in a special General Assembly called by the directors for such purpose: *Provided*,
3 That the notice of time, place, and object of the meeting shall be posted for three
4 (3) consecutive weeks in the principal office of said cooperative, in a public place in
5 the municipality, city, or province where the cooperative operates, and in its official
6 website and social media accounts.

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

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

14 **SEC. 76. Voluntary Dissolution Where Creditors Are Affected.** - In
15 case creditors of the cooperative are affected, the petition for dissolution, signed by
16 a majority of its Board of Directors or the Chief Executive Officer or General Manager,
17 as the case may be, and verified by the Chairperson of the Board or the Cooperative
18 Secretary, shall be filed with the Authority. The petition shall state that the
19 dissolution was affirmed by a vote of at least three-fourths (3/4) of all the members
20 entitled to vote, present and constituting a quorum in a special General Assembly
21 called for the purpose, and shall set forth all the claims and demands against the
22 cooperative.

23 If the petition is sufficient in form and substance, the Authority shall issue an
24 order reciting the purpose of the petition and shall fix a period for the filing of any

1 oppositions thereto, which shall not be less than thirty (30) nor more than sixty (60)
2 days after the entry of the order. Before such period, a copy of the order shall be
3 published at least once in a newspaper of general circulation published in the
4 municipality or city where the principal office of the cooperative is situated or in the
5 absence of such local newspaper, in a newspaper of general circulation in the
6 Philippines at the expense of the cooperative, and a copy shall likewise be posted
7 for three (3) consecutive weeks in three (3) public places in the municipality or city
8 where the cooperative's office is located: *Provided*, That the publication requirement
9 shall not apply to micro and small cooperatives.

10 Upon the expiry of such period, the Authority shall proceed to hear the
11 petition and try any issue raised in the opposition filed. If there is no opposition or
12 such is insufficient, and the material allegations in the petition are proven, the
13 Authority shall issue a Certification of Dissolution and direct the disposition of assets
14 of the cooperative in accordance with existing rules and regulations. The Certificate
15 of Dissolution shall set forth:

- 16 a. The assets and liabilities of the cooperative;
- 17 b. The claim of any creditor;
- 18 c. The number of members;
- 19 d. The nature and extent of the interests of the members of the cooperative; and
- 20 e. The appointment of the liquidators.

21 The Authority shall issue a Certificate of Cancellation of Registration upon
22 approval of the final report of the liquidators.

1 **SEC. 77. Cancellation by Order of the Authority.** - The Authority may
2 cancel, after due notice and hearing, the cooperative's Certificate of Registration on
3 any of the following grounds:

- 4 a. Having obtained its registration by fraud;
- 5 b. Engaging in an illegal or unauthorized purpose;
- 6 c. Willful violation, despite written notice by the Authority, of the provisions of
7 this Code or its Implementing Rules and Regulations, other issuances of the
8 Authority consistent with this Code, or By-laws of the cooperative;
- 9 d. Willful refusal to comply with an order issued or given by the Authority;
- 10 e. Willful failure to operate on a cooperative basis; and
- 11 f. Failure to meet the required minimum capital and minimum number of
12 members in the cooperative.

13 The decision of the Authority on the cancellation of the Certificate of
14 Registration of a cooperative may be appealed to the Authority's Board of Directors
15 within thirty (30) days from the receipt of thereof. The decision of the Authority's
16 Board of Directors shall be final and executory unless elevated or appealed to a
17 regular court.

18 **SEC. 78. Cancellation by Failure to Operate.** - If a cooperative has not
19 commenced operations within three (3) years after the issuance of its Certificate of
20 Registration, or has not carried on its business for three (3) consecutive years, the
21 Authority shall send a show cause order for the cooperative to explain its failure to
22 operate. Failure to provide justifiable cause shall authorize the Authority, after due
23 notice, to cancel the Certificate of Registration and delist it from the registry.

1 **SEC. 79. Liquidation of a Cooperative.** - Every cooperative whose term
2 of existence expires by its own limitation, or whose existence is terminated by
3 voluntary dissolution or cancellation of its Certificate of Registration by the Authority
4 shall cease to operate. However, it can continue to exist for three (3) years for
5 winding up its affairs, prosecuting and defending suits by or against it, and the
6 disposition, conveyance and distribution of its properties and assets.

7 The cooperative is authorized to convey all of its interests in the properties to
8 trustees for the benefit of its members, creditors, and other persons in interest, after
9 which, all interests which the cooperative had in the properties are terminated.

10 Upon the winding up of the cooperative affairs, any asset distributable to any
11 creditor, shareholder, or member who is unknown or cannot be found shall be given
12 to the federation or union to which the cooperative is affiliated with.

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

16 **SEC. 80. Delisting of Cooperatives.** - Cooperatives may be delisted from
17 the Registry of Cooperatives due to the following causes:

- 18 a. Voluntary Dissolution;
- 19 b. Involuntary Dissolution;
- 20 c. Cancellation by Order of the Authority;
- 21 d. Cancellation by Failure to Operate; and
- 22 e. Merger or Consolidation.

23 **SEC. 81. Rules and Regulations on the Insolvency, Suspension,**
24 **Dissolution, Liquidation, and De-listing Cooperatives.** – The guidelines on the

1 implementation of this Chapter shall be included in the Implementing Rules and
2 Regulations of this Code, in consultation with the cooperative sector.

3 **CHAPTER XII. CAPITAL, PROPERTY, AND FUNDS**

4 **SEC. 82. *Capital and Funds.*** – The capitalization of cooperatives and
5 federations, or funds in the case of unions, shall be governed by this Code and its
6 Implementing Rules and Regulations that will be developed in consultation with the
7 cooperative sector.

8 **SEC. 83. *Capital Sources.*** - Cooperatives registered under this Code may
9 derive their capital from any or all of the following sources:

- 10 a. Member's share capital;
- 11 b. Loans and borrowings;
- 12 c. Deposits from members;
- 13 d. Revolving capital which consists of the deferred payment of patronage refunds,
14 or interest on share capital;
- 15 e. Joint venture partners;
- 16 f. Subsidies, donations, legacies, grants, aids and such other assistance or
17 investment from any local or foreign institution whether public or private:
18 *Provided, That capital coming from such subsidies, donations, legacies, grants,*
19 *aids, investments, and other assistance shall not be divided into individual share*
20 *capital holdings at any time, but instead shall form part of the donated capital*
21 *or fund of the cooperative. Upon dissolution or cancellation of the cooperative,*
22 *such donated capital shall be subject to escheat; and*
- 23 g. Reserve funds utilized for investment and as capital for the operations of the
24 cooperative as approved by the Board of Directors or General Assembly.

SEC. 84. Limitation on Share Capital Subscription - No member of primary cooperative other than the cooperative itself shall own or hold more than twenty per centum (20%) of the subscribed share capital of the cooperative.

Where a member of a cooperative dies, his heir shall be entitled to the shares of the decedent: *Provided*, That the total share holding of the heir does not exceed twenty per centum (20%) of the share capital of the cooperative: *Provided, further*, That the heir qualifies and is admitted as a member of the cooperative: *Provided, finally*, That where the heir fails to qualify as a member or where his total share holding exceeds twenty per centum (20%) of the share capital, the shares in excess will revert to the cooperative upon payment to the heir of the value of such shares.

For federations as stated in its Articles of Cooperation and By-laws, the share capital holdings of any one member-cooperative shall not exceed forty per centum (40%) of the subscribed share capital of the federation: *Provided*, That the voting scheme shall be one cooperative, one vote.

A foreign federation of Cooperatives if admitted as associate member of a Philippine federation of cooperatives may hold or own up to 40% of the preferred share capital of said Philippine federation: *Provided*, That the redemption date of such preferred share capital shall be at least (5) years after effectivity of membership; *Provided, further*, That during the five-year period, withdrawal of the preferred shared capital shall not be allowed.

SEC. 85. Assignment of Share Capital Contribution or Interest. - Subject to the provisions of this Code and the approval of the majority of the Board of Directors, no member shall transfer his/her shares or interest in the cooperative or any part thereof unless:

- a. The member has held such share capital contribution or interest for more than one (1) year;
- b. The assignment is made to the cooperative or to a member of the cooperative or to a person who falls within the field of the membership of the cooperative; and
- c. The Board of Directors has approved such assignment.

SEC. 86. Capital Build-Up. - The By-laws of every cooperative, except for cooperative unions, shall prescribe a reasonable and realistic member capital or deposits build-up program to allow the continuing growth of the contribution of the members to the cooperative as their economic conditions continue to improve. Upon approval of the membership, the member shall execute a subscription agreement on his equitable contribution to the cooperative. Upon full payment thereof, the member may apply for an additional share capital subscription, and execute a new subscription agreement.

SEC. 87. Shares. - The term "share" refers to a unit of capital in a cooperative, except for cooperative unions, the par value of which may be fixed at any figure not less than One hundred pesos (P100.00) but not more than One thousand pesos (P1,000.00). The share capital of the cooperative is the money paid or required to be paid by the members for the operations of the cooperative.

Unless otherwise provided for in its policies, the cooperative shall issue Share Certificates at the end of the calendar year based on the number of shares fully paid for the said period.

1 Cooperatives are prohibited from issuing multiple types of shares with
2 different par values, and from increasing or decreasing the par value of the share
3 capital without amending their Articles of Cooperation and By-laws.

4 A share can either be a common share issued to a regular member, or a
5 preferred share issued to associate members.

6 **SEC. 88. *Fines.*** – The policies of a cooperative may prescribe a fine on
7 unpaid subscribed share capital. *Provided,* That such fine is fair and reasonable.

8 **SEC. 89. *Investment of Capital.*** – A cooperative, upon approval as
9 provided in its By-laws, may invest its capital in any of the following:

- 10 a. Any reputable bank;
- 11 b. Securities issued or guaranteed by the Government;
- 12 c. Real estate primarily for the use of the cooperative or its members;
- 13 d. Federation investment to a cooperative, or primary cooperative investment to
14 another primary cooperative, subject to the rules or guidelines that will be
15 developed by the Authority in consultation with the cooperative sector; or
- 16 e. Any other manner authorized in the By-laws.

17 **SEC. 90. *Revolving Capital.*** - The General Assembly may authorize the
18 Board of Directors to raise a revolving capital from the proceeds of products sold or
19 services rendered, or per unit of product or services handled, to strengthen its capital
20 structure.

21 **CHAPTER XIII. AUDIT, INQUIRY, AND MEMBERS' RIGHT TO EXAMINE**

22 **SEC. 91. *Audit of Cooperatives.*** - Cooperatives registered under this Code
23 shall be subject to an annual audit of its financial and social performance in
24 accordance with the Implementing Rules and Regulations to be promulgated by the

1 Authority in consultation with the cooperative sector. The financial audit shall be
2 conducted by an external auditor who shall independent from the cooperative or any
3 of its subsidiaries, and must be a member in good standing of the Philippine Institute
4 of Certified Public Accountants (PICPA), and is accredited by both the Board of
5 Accountancy and the Authority. However, if the total assets or total liabilities of
6 agricultural, fisheries and other cooperatives is less than Three Million Pesos (P
7 3,000,000.00), or such amount as maybe determined appropriate by the Department
8 of Agriculture (DA), and concerned agencies, the financial statements maybe
9 certified under oath by the bookkeeper, treasurer, and the president.

10 The social performance audit may be conducted by the audit committee, by
11 the internal auditor of the cooperative, or by an independent auditor engaged by the
12 cooperative.

13 The federation representative may assist the Authority in the visit, inspections
14 and investigation of their member cooperative, to ensure compliance with laws and
15 regulations, and to protect their members and the public in general.

16 **SEC. 92. Audit Report.** - The complete audit reports shall be submitted to
17 the Board of Directors, which shall be presented to the General Assembly for
18 approval. The Board of Directors shall be liable under Section 170 of this Code should
19 it fail to present such reports to the General Assembly.

20 **SEC. 93. Non-Liability for Defamations.** - The auditor shall not be held
21 liable in any action for defamation for acts done or for any statement made by
22 him/her in good faith in connection with the conduct of audit of the cooperative.

23 **SEC. 94. Right to Examine.** - All members shall have the right to examine
24 the records of the cooperative under Section 60 of this Code at any time during

1 reasonable hours of the operating days of the cooperative: *Provided*, That the
2 member submits a letter request three (3) days prior to the date of his demand to
3 examine the records and stating therein the purpose of the request.

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

- 8 a. The member has improperly used any information secured through any prior
9 examination of the records of such cooperative or of any other cooperative;
10 or
11 b. The member is not acting in good faith or for a legitimate purpose in making
12 the demand to examine records.

13 If the request to examine is denied based on the aforementioned grounds,
14 the member shall have the burden of proving to the Board that such request is made
15 in good faith and for a legitimate purpose. If the denial is made in bad faith, the
16 directors who voted for such refusal shall be penalized under Section 177 of this
17 Code.

18 **SEC. 95. *Safety of Records.*** - Every cooperative shall, at its principal office,
19 keep and carefully preserve the records required by this Code to be prepared and
20 maintained. The By-laws shall also provide the condition and the accountable
21 persons for the safekeeping of the records in accordance with applicable laws on
22 data privacy. The cooperative shall take all necessary precautions to prevent its loss,
23 destruction, or falsification.

24 **CHAPTER XIV. ALLOCATION AND DISTRIBUTION OF NET SURPLUS**

1 **SEC. 96. Net Surplus.** - Notwithstanding the provisions of existing laws, the
2 net surplus of cooperatives shall be determined in accordance with its By-laws. Every
3 cooperative shall determine its net surplus at the close of every calendar year.

4 Any provision of law to the contrary notwithstanding, the net surplus shall not
5 be construed as profit but as an excess of payments made by the members for the
6 loans borrowed, or the goods and services availed by them from the cooperative or
7 the difference of the rightful amount due to the members for their products sold or
8 services rendered to the cooperative including other inflows of assets resulting from
9 its other operating activities and which shall be deemed to have been returned to
10 them if the same is distributed as prescribed herein.

11 **SEC. 97. Net Surplus Allocation and Statutory Funds.** - The net surplus
12 shall be subject to the allocation of the following statutory funds, which shall be
13 recorded in the books of account, for the cooperative's growth and development:

- 14 a. An amount for the reserve fund which shall be at least ten per centum (10%) of
15 the net surplus, provided, that in the first 5 years of operation after registration,
16 the amount allocated for the reserved fund shall not be less than 30% of the net
17 surplus;

18 The Reserved fund shall be used for the stability of the cooperative and to
19 cover net losses in its operations, including losses incurred during a pandemic, state
20 of emergency, and other such *force majeure*, : provided , that if any of the
21 aforementioned events occur necessitating the use of the reserved fund,
22 cooperative may use not greater than fifteen percent (15%) of the latter to mitigate
23 the losses incurred, as may be approved or confirmed by the General Assembly, as

1 the case may be. Any sum recorded on items previously charged to the reserved
2 fund shall be credited to such fund.

3 The fund shall be recorded in the books of account of the cooperative, and
4 the cash allocation for the reserved fund shall be deposited separately in an account
5 established for that purpose.

6 The general assembly may decrease the amount allocated to the
7 reserve fund when the reserve fund already exceeds the share capital.

8 Upon the dissolution of the cooperative, the reserve fund shall be distributed in
9 accordance with the rules and regulations on liquidation to be issued by the
10 Authority.

11 b. The Cooperative Education and Training Fund (CETF), which shall not exceed
12 ten per centum (10%) of the net surplus, shall be used for the training,
13 development and similar other cooperative activities geared towards the
14 growth of the cooperative movement:

15 (1) Half of the CETF shall be used to provide for the education and training of
16 its officers, members, and employees; while the other half shall be remitted
17 to a federation and/or union that the cooperative opted to join, which must
18 redound to the benefit and development of the member-cooperatives, such
19 as, but not limited to trainings, seminars, and other related activities.

20 Should a cooperative holds multiple affiliations, the primary cooperative has
21 the discretion on the allocation of its CETF.

22 (2) The balance of the CETF shall be utilized within the succeeding fiscal year
23 following its allocation and shall be utilized in accordance with the policies
24 and guidelines issued by the Authority.

1 (3) Upon the dissolution of the cooperative, the unexpended balance of the
2 CETF shall be credited to the cooperative education and training fund of the
3 federation and or union in which it is a member or affiliated with.

4 **c.** The Community Development Fund (CDF), which shall not be less than five
5 percentum (5%) of the net surplus, shall be used for projects or activities that
6 will benefit the community where the cooperative operates. However, the
7 cooperative may extend assistance to marginalized communities or affected
8 areas outside its area of operation in times of calamities, disaster, or national
9 emergency.

10 The cooperative shall allocate certain percentage of the Community
11 Development Fund (CDF) but not to exceed 50% of the total CDF allocated, for
12 calamity, disaster or national emergency: *Provided, further,* That part of the
13 community development fund should be allocated for climate resiliency programs,
14 environmental programs, including support in insuring crops and related Agri-Agra
15 products of the cooperatives.

16 In the case of cooperatives whose common bond of membership is
17 institutional, the community refers to the institution where the cooperative is
18 operating.

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

1 d. The optional fund, which shall not exceed five per centum (5%) of the net
2 surplus, shall be used for the acquisition of land and construction of building,
3 and any other expenses anent to it, *Provided*, it is approved by at least three-
4 fourths ($\frac{3}{4}$) of all members entitled to vote, present and constituting a
5 quorum, which shall be in accordance with the Implementing Rules and
6 Regulations to be promulgated by the Authority.

7 This fund may also be used for the benefit of its members and
8 employees under exceptional circumstances such as the occurrence of a
9 pandemic, crisis, or *force majeure*. However, if the optional fund is
10 insufficient, the cooperative may charge any deficiency to direct expenses.

11 e. The remaining net surplus shall be made available in full to the members in
12 the form of interest on share capital following the formula for computation as
13 provided by the Authority: *Provided*, That this is approved by a majority of
14 the members entitled to vote, present and constituting a quorum.

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

18 (1) In the case of a member patron with paid-up share capital contribution,
19 his/her proportionate amount of patronage refund shall be paid to him/her
20 unless he agrees to credit the amount to his/her account as additional share
21 capital contribution;

22 (2) In the case of a member patron with unpaid share capital contribution,
23 his/her proportionate amount of patronage refund shall be credited to

1 his/her account until his/her account until his/her share capital contribution
2 has been fully paid;

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

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

20 **CHAPTER XV. AGRICULTURAL COOPERATIVES**

21 **SEC. 98. *Definition and Coverage.*** - This Chapter shall apply to all
22 agricultural cooperatives, as defined in this Code: *Provided*, That the provisions of
23 the other chapters of this Code shall apply suppletorily except insofar as this Chapter
24 otherwise provides.

SEC. 99. Cooperative Business Activities and Allied Services. - A duly registered agriculture cooperative may engage in all or any of the following activities:

- a. Raising and/or culture of plants, high-value crops, animals, fish, poultry, livestock, other agri-products as source of food, feed, and fiber, and other agri-fishery or non-food commodities;
- b. Production of salt;
- c. Community and social forestry;
- d. Provision of credit facilities for marginal farmers and fishermen;
- e. Facilitating the procurement and distribution of farm inputs/implements for its members;
- f. Facilitating the production, procurement, repacking, importation, distribution and marketing farm inputs/implements for its members such as but not limited to, meat type, and dairy animals, planting materials, semen, silage, feed, veterinary supplies, seeds, fertilizers and chemicals, farm equipment, food processing, and engineering supplies/equipment, and other inputs as maybe needed by the agricultural industry;
- g. Propagation, production, harvest, postharvest, processing, packing, repacking, marketing exportation, and sale of members' agri-products, dairy products, and by-products and produce;marketing, and sale of members' agri-products and/or produce;
- h. Maintenance and management of irrigation systems, water impounding, and other agricultural facilities; and
- i. Other allied services such as but not limited to warehousing, cold storage, and other post-harvest services, hauling, and transport of members'

1 products/produce and such other similar business services and activities that
2 will reduce cost and/or value addition of output.; and

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

5 **SEC. 100. *Pre-Cooperative Agricultural Organization.*** – Prior to
6 registration with the Authority, a group of natural persons intending to form an
7 agriculture cooperative may voluntarily form a Pre-Cooperative Agricultural
8 Organization (PCAO) that shall have its own juridical personality to undertake
9 activities that shall determine the viability of the creation of a cooperative under this
10 Code. Prior to registration, the PCAO must be registered as such with the Cooperative
11 Development Officers (CDOs).

12 The Department of Agriculture (DA) and the Authority, in coordination with
13 the CDOs, shall assist PCAOs so that they can formally organize as cooperatives
14 under this Code: *Provided*, That should the PCAO decide to formally organize into a
15 cooperative, it must comply with the provisions of Sections 8 and 14 of this Code.
16 Further, Section 18 shall apply to all contracts executed by pre-cooperative
17 organizations prior to registration under this Code.

18 The DA and the Authority shall jointly issue guidelines on the mechanisms for
19 PCAOs.

20 **SEC. 101. *Registration of Agricultural Cooperatives.*** - Agricultural
21 cooperatives shall file their application for registration with the regional office of the
22 Authority that has jurisdiction over its area of operation. The requirements and
23 procedure for registration of agricultural cooperatives shall be in accordance with

1 the rules and regulations to be promulgated by the Authority in consultation with
2 the cooperative sector.

3 **SEC. 102. *Capital Requirements of Agricultural Cooperatives.*** - The
4 authorized share capital of an agriculture cooperative shall be stated in its Articles
5 of Cooperation and that prior to its registration, at least twenty five per centum
6 (25%) of the authorized share capital shall be subscribed to by the members and at
7 least twenty five (25%) of the subscribed share capital shall be paid-up: *Provided,*
8 That the paid-up capitalization requirement for primary cooperatives shall not be
9 less than Fifteen Thousand Pesos (P15,000.00).

10 **SEC. 103. *Bond of Membership.*** - The bond of membership of agricultural
11 cooperatives shall be any of the following:

- 12 a. Residential – members are farmers, farm workers, fisherfolk who are actually
13 and physically residing within the area of operation;
- 14 b. Occupational – members are those who are engage in raising, culture of plants,
15 animals, as well as those from the technical and scientific communities of the
16 agriculture sector;
- 17 c. Associational – members are from registered associations, groups, clubs,
18 cultural and other similar aggrupation of farmers, farm workers, and fisherfolk;
19 and
- 20 d. Institutional - members consist of employees, workers and/or officers of a
21 particular institution who will undertake or are undertaking agricultural
22 projects.

23 **SEC. 104. *Clustering and Consolidation.*** – In order to pool their
24 resources for increased viability and market competitiveness, the DA, DAR, DTI, the

1 Authority and the cooperative sector shall institutionalize the farm and fisheries
2 clustering and consolidation (F2C2) program that will promote, encourage
3 agricultural cooperatives and facilitate their cooperation into clusters that will
4 encompass the whole agricultural value chain, including but not limited to land
5 consolidation, postharvest processing, distribution, logistics, marketing, and
6 promotions.

7 Within sixty (60) days from the effectivity of this Code, The DA, DAR, DTI and
8 CDA, in consultation with the sector, shall jointly issue the guidelines for the
9 implementation of the foregoing program, and shall provide the necessary assistance
10 at every step of the clustering and consolidation process, including the formulation
11 of cluster development plans.

12 **SEC. 105. *Partnership and Joint Venture with Private Entities.*** – Duly
13 registered private entities, such as those conducting Agricultural Research and
14 Development, among others, may enter into a partnership or joint venture with
15 agricultural cooperatives in order to provide the latter with investments and technical
16 support, such as, but not limited to technological, logistics, and facilities support,
17 among others. Such partnership or joint venture shall be registered with the
18 necessary regulatory authorities, including the CDA, and enjoy the relevant
19 exemptions and privileges under this Code.

20 The details of the joint venture or partnership with private entities shall be left
21 to the discretion of the cooperatives. Further details shall be laid down in the
22 implementing rules and regulations of this code.

23 **SEC. 106. *Role of National Coordinating Committee on Cooperatives***
24 ***Development.*** - The Authority shall mobilize the National Coordinating Committee

on Cooperative Development (NCC-CD) for the promotion of the growth, viability, and development of Agricultural cooperatives. Provided, That the NCC-CD shall coordinate with the DA and the farmers and fisherfolk Enterprise Development Council (FFEDC) on matters related to growth, development, and sustainability of the agriculture and fisheries cooperatives.

SEC. 107. Role of LGUs. - The Local Government Units shall:

- a. Ensure the appointment of Cooperative Development Officers, in compliance with Republic Act No. 11535;
- b. Create a Committee on Agricultural cooperatives Development in the Local Government Legislative Council which shall focus on addressing legislative concerns on Agricultural cooperatives;
- c. Legislate necessary ordinances for the promotion and development of agricultural cooperatives;
- d. Disseminate information to people and facilitate the establishment and development of the management and operations of agricultural cooperatives in their respective localities;
- e. Expedite the issuance of the necessary permits for the implementation of programs and projects of the Authority and other national government agencies for the benefit of agricultural cooperatives;
- f. Upon written request of the Authority, assist in the resolution of inter-cooperative disputes among agricultural cooperatives operating within their localities;

- g. Facilitate and conduct seminars, trainings, and/or conferences necessary for the organization, registration, management and operations of agricultural cooperatives, in coordination with federations and unions; and
- h. Provide technical assistance and skills training for farmers, farm workers, and fisherfolk to engage in income-generating activities.

SEC. 108. *Role of Cooperative Development Councils and National Government Agencies.* - The Authority shall, in collaboration with the LGUs through the Regional, Provincial, City, and Municipal Cooperative Development Councils and the Cooperative Development Officers, facilitate programs and policies affecting agricultural cooperatives in accordance with a Joint Memorandum Circular to be promulgated by the Authority and the LGU.

Agricultural cooperatives shall be entitled to financing support from the relevant government agencies that shall allocate funds for the establishment of projects and programs for the development and promotion of agricultural cooperatives.

SEC. 109. *Benefits and Privileges of Agricultural Cooperatives.* - An agriculture cooperative shall enjoy the following benefits and privileges:

a. Taxes, Duties, and Liens:

(1) All benefits, privileges, and tax treatments of cooperatives as defined and enumerated under Chapter X of this Code shall apply to agricultural cooperatives;

(2) Agricultural cooperatives shall be exempt from customs duties, advance sales or compensating taxes on their importation and local purchase of machineries, equipment, accessories, batteries, and spare parts used by

1 them: *Provided*, That all tax- and duty-free imports and local purchases shall
2 not be sold nor the beneficial ownership thereof be transferred to any person
3 until after five (5) years, otherwise, the cooperative and the transferee or
4 assignee shall be solidarily liable to pay twice the amount of the imposed tax
5 and/or duties; and

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

9 b. Trainings and Conferences - All trainings and conferences necessary for the
10 organization, registration, management and operations of an agriculture
11 cooperative, rendered by the appropriate government agency, shall be given
12 free of charge, including costs of venue, training materials, speakers and
13 resource persons. The CDOs shall be primarily responsible for these trainings
14 and conferences within their respective localities;

15 c. Consolidation - Agricultural cooperatives may consolidate agricultural lands
16 owned by its members within in a contiguous area for purposes of agricultural
17 development; and

18 d. Direct Purchase by National and Local Government Agencies – To promote and
19 support agricultural cooperatives, national and local government agencies shall
20 directly purchase agricultural products from accredited agricultural
21 cooperatives: *Provided*, That said products are necessary in the performance
22 of their respective mandates.

23 For the purposes of this Code, the procurement by national and local
24 government agencies of said agricultural products shall be exempt from the

1 application of the bidding process prescribed under relevant government
2 procurement laws: *Provided*, That said agencies shall undergo a negotiated
3 procurement under the applicable guidelines of the Government Procurement
4 Policy Board.

5 e. Loans and Grants:

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

10 (2) The DA shall coordinate with the BSP to lower the requirements for all loans
11 applied for and granted to agricultural cooperatives.

12 **SEC. 110. *Merger and Consolidation of Agricultural Cooperatives.* -**

13 Notwithstanding the provisions of this Code, the merger and consolidation of
14 agricultural cooperatives shall be in accordance with the Implementing Rules and
15 Regulations to be promulgated by the Authority.

16
17 **SEC. 111. *Inter-Cooperative Arrangements of Agricultural***
18 ***Cooperatives.* -**

19 Agricultural cooperatives shall be allowed to enter into inter-cooperative
20 arrangements with and among other cooperatives and other entities to pursue value
21 and supply chain solutions and other agribusiness development programs, subject
22 to the guidelines to be promulgated by the Authority in consultation with the
23 cooperative sector.

1 **SEC. 112. *Local Development Hubs.*** - Local Development Hub (LDH)

2 refers to a farming zone or transport infrastructure, which is generally far from
3 formal markets, and serves a minimum of one hundred (100) farmers, linking them
4 to buyers, who may be, among others, traders, processors, and export companies.
5 The DA and CDA shall jointly establish LDHs in order to strengthen the market
6 linkages between farmers and buyers, fostering agricultural development and
7 economic growth at the local level. Further, they shall jointly issue the guidelines for
8 the operations and maintenance thereof.

9 **SEC. 113. *Annual Trade Fair and Awards.*** - The DA, in coordination with

10 the CDA, and in partnership with the cooperative sector, and other stakeholders shall
11 establish and hold the Annual Agricultural cooperatives Trade Fair and Awards to
12 showcase the exemplary business achievement, latest innovations, and other
13 emerging trends in the sector.

14 **CHAPTER XVI. AGRARIAN REFORM COOPERATIVES**

15 **SEC. 114. *Coverage.*** - The provisions of this Chapter shall primarily govern

16 agrarian reform cooperatives, including Agrarian Reform Beneficiaries (ARBs)
17 Cooperative as defined in Department of Agrarian Reform (DAR) Administrative
18 Order No. 05, Series of 2009: *Provided,* That the provisions of the other chapters of
19 this Code shall apply suppletorily except insofar as this Chapter otherwise provides.

20 Provincial, city and municipal government units acquiring private agricultural
21 lands by expropriation or other modes of acquisition to be used for actual, direct
22 and exclusive public purposes, such as roads and bridges, public markets, school
23 sites, resettlement sites, local government facilities, public parks and barangay
24 plazas or squares, consistent with the approved local comprehensive land use plan,

1 shall not be subject to the five (5)-hectare retention limit under this Section and
2 Sections 70 and 73(a) of Republic Act No. 6657, as amended. Moreover,
3 cooperatives acquiring private agricultural lands by modes of acquisition to be used
4 for actual, direct and exclusive public purposes, such as large scale farming, shall
5 also not be subject to the five (5)-hectare retention limit under this Section and
6 Sections 70 and 73(a) of Republic Act No. 6657, as amended. Within six (6) months
7 from the effectivity of this Act, the DAR shall submit a comprehensive study on the
8 land size appropriate for each type of crop to Congress for a possible review of limits
9 of land sizes, including provided in this Act."¹

10 **SEC. 115. Purpose.** - An agrarian reform cooperative as defined shall be
11 organized for any of the following purposes:

- 12 a. To develop an appropriate system of land tenure, land development, land
13 consolidation or land management in areas covered by agrarian reform;
- 14 b. To coordinate and facilitate the dissemination of scientific methods of
15 production, and provide assistance in the storage, transport, and marketing of
16 farm products for agrarian reform beneficiaries and their immediate family;
- 17 c. To provide financial facilities to ARBs for provident or productive purposes at
18 reasonable costs;
- 19 d. To arrange and facilitate the expeditious transfer of appropriate and suitable
20 technology to ARBs and marginal farmers at the lowest possible cost;

¹ RA 9700 (CARP with extension Sec 6A and 6B)

- e. To provide social security benefits, health, medical and social insurance benefits, and other social and economic benefits that promote the general welfare of the ARBs and marginal farmers;
- f. To provide non-formal education, vocational and technical training, and livelihood programs to ARBs and marginal farmers;
- g. To act as conduits for external assistance and services to the ARBs and marginal farmers;
- h. To undertake a comprehensive and integrated development program in agrarian reform and resettlement areas with special concern for the development of agro-based, marine-based, and cottage-based industries;
- i. To represent the ARBs on any or all matters that affect their interest; and
- j. To undertake such other economic or social activities as may be necessary or incidental in the pursuit of the foregoing purposes.

SEC. 116. *Cooperative Estate.* – Landholdings acquired by the State, like plantations, estates, or haciendas for the benefit of the workers in accordance with the Comprehensive Agrarian Reform Program shall be collectively owned by the worker-beneficiaries under a cooperative set-up.

SEC. 117. *Infrastructure.* - In agrarian reform and resettlement areas, the Government shall grant to agrarian reform cooperatives preferential treatment in the construction, maintenance and management of roads, bridges, canals, wharves, ports, reservoirs, irrigation systems, waterworks systems, and other infrastructures with government funding. For this purpose, the Government shall provide technical assistance, facilities, and equipment to such agrarian reform cooperatives.

1 **SEC. 118. *Lease of Public Lands.*** - The Government may lease public
2 lands to any agrarian reform cooperative for a period not exceeding twenty-five (25)
3 years, subject to renewal for another twenty-five (25) years only: *Provided,* That the
4 application for renewal shall be made one (1) year before the expiration of the lease:
5 *Provided, further,* That such lease shall be for the exclusive use and benefit of the
6 ARBs and the marginal farmers subject to the provisions of the Comprehensive
7 Agrarian Reform Program, as amended.

8 **SEC. 119. *Preferential Right.*** - In agrarian reform areas, an agrarian
9 reform cooperative shall have the preferential right in the grant of franchise and
10 certificate of public convenience and necessity for the operation of public utilities
11 and services: *Provided,* That it meets the requirements and conditions imposed by
12 the appropriate government agency granting the franchise or certificate of public
13 convenience and necessity. In cases where there is an electric service provider in
14 the area, it shall, upon the request of an agrarian reform cooperative, immediately
15 provide electric services to the agrarian reform areas. If the electric service provider
16 fails to provide the services requested within a period of one (1) year, the agrarian
17 reform cooperative concerned may undertake to provide the electric services in the
18 area through its own resources. All investments made by the said agrarian reform
19 cooperative for the electrification of the agrarian reform resettlement areas shall be
20 the subject of sale to the electric service provider once it takes on the service.

21 **SEC. 120. *Special Privileges.*** - Subject to such reasonable terms and
22 conditions as the DAR and the Authority may impose, agrarian reform cooperatives
23 may be given the exclusive right to do any of the following economic activities in
24 agrarian reform and resettlement areas;

- a. Supply and distribution of consumer, agricultural, aquacultural, and industrial goods, production inputs, and raw materials and supplies, machinery, equipment, facilities, and other services and requirements of the ARBs and marginal farmers at reasonable prices;
- b. Marketing of the products and services of the ARBs in local and foreign markets;
- c. Processing of the products of the members into finished consumer or industrial goods for domestic consumption or for export;
- d. Provision of essential public services at cost, such as power, irrigation, potable water, passenger or cargo transportation by land or sea, communication services, and public health and medical care services;
- e. Management, conservation, and commercial development of marine, forestry, mineral, water, and other natural resources subject to compliance with the laws and regulations on environmental and ecological controls; and
- f. Provision of financial, technological, and other services and facilities required by the ARBs in their daily lives and livelihood.

The foregoing notwithstanding, an agrarian reform cooperative cannot, on its own, by policy or any other means, disqualify a member as an ARB, whether directly or constructively.

The Government shall provide the necessary financial and technical assistance to agrarian reform cooperatives to enable them to effectively discharge their purposes under this Chapter. The DAR, the Authority and the BSP shall draw up a joint program for the organization and financing of agrarian reform cooperatives.

1 The joint program shall be geared towards the gradual assumption of full ownership
2 and management control by ARBs of the agrarian reform cooperatives.

3 **SEC. 121. *Organization and Registration.*** - Agrarian reform cooperatives
4 may be organized and registered in accordance with the requirements of this Code
5 only upon prior certification by the DAR that said proposed cooperative is needed
6 and that its organization is feasible and will be economically viable in its operations.

7 The Authority, in consultation with the concerned government agencies and
8 cooperative sector, shall issue appropriate rules and regulations pertaining to the
9 provisions of this Chapter.

10 **CHAPTER XVII. COOPERATIVE BANKS**

11 **SEC. 122. *Organization, Registration, and Membership.*** – The
12 organization and membership of a Cooperative Bank shall be governed by the
13 following provisions:

14 a. *Organization* - At least fifteen (15) cooperatives duly established and registered
15 under this Code may register a cooperative bank with the Authority.

16 b. *Registration* - The application for the registration of the Articles of Cooperation
17 and By-laws, including its amendments, by a cooperative bank with the
18 Authority shall be accompanied by a Certificate of Authority issued by the BSP.

19 c. *Membership* - Membership in a cooperative bank shall be open to:

20 (1) cooperatives of all types and categories;

21 (2) natural persons who are members of a cooperative;

22 (3) foreign cooperatives;

23 (4) pre-cooperative organizations established under Presidential Decree No.

24 175; and

1 (5) individuals.

2 Membership in a cooperative bank is either regular or associate. Regular
3 membership shall be limited to cooperative organizations, individuals who are
4 members of a domestic cooperative, or a foreign cooperative. Associate members
5 shall be pre-cooperative organizations established under Presidential Decree No.
6 175, as well as individuals and other institutions, such as foreign cooperative
7 institutions that have subscribed to preferred shares only.

8 The common shareholdings of a local cooperative shall at all times be at least
9 sixty per centum (60%) of the total outstanding voting shares of the cooperative
10 bank.

11 Common shares held by individuals who are members of a cooperative, and
12 foreign cooperatives shall not be more than forty per centum (40%) of the total
13 outstanding voting shares: *Provided*, That the common shareholdings of each
14 individual who is a member of a cooperative shall not be more than five per centum
15 (5%) of the total outstanding voting shares.

16 Other provisions of this Code shall apply suppletorily insofar as they are not
17 inconsistent with this Chapter.

18 **SEC. 123. Powers and Functions of Cooperative Banks.** - Cooperative
19 banks shall primarily provide a wide range of financial services to cooperative
20 organizations, their members, and to the public. A cooperative bank may perform
21 any of the following banking services:

- 22 a. Extend loans and advances primarily for the purpose of meeting the normal
23 credit needs of cooperatives as well as farmers, farm workers, fisherfolks, or
24 their families, merchants, and private and public employees: *Provided*, That

1 loans and advances granted to cooperatives shall not be subject to individual
2 ceilings on loans to directors, officers, stockholders, and related interests
3 (DOSRI);

4 b. Accept savings and time deposits;

5 c. Act as a correspondent bank of other financial institutions;

6 d. Discount and Rediscount paper with the LBP, DBP or any other bank, including
7 its branches and agencies. Said banks shall specify the nature of paper deemed
8 acceptable for rediscounting, as well as the rediscount rate to be charged by
9 any of these banks;

10 e. Act as collection agent;

11 f. Act as a depository bank of LGUs and other government agencies or
12 instrumentalities;

13 g. Acquire readily marketable bonds and other debt securities;

14 h. Buy and sell foreign exchange;

15 i. Act as conduit bank for the disbursement of government funds intended for
16 lending to agriculture, small-medium enterprises (SMEs) and projects for local
17 economic development;

18 j. Eligible to participate in government program allocations for agricultural
19 lending, social housing, loans to rural micro enterprises and other initiatives
20 towards inclusive growth;

21 k. Offer financial technology services, such as digital lending and payment, and
22 digital wealth management, among others, subject to prior approval of the
23 BSP; and

24 l. Offer other banking services as provided in Section 53 of Republic Act No. 8791.

1 In addition to the powers granted to cooperative banks by this Code and other
2 existing laws, any cooperative bank may perform any or all of the banking services
3 offered by other types of banks subject to the prior approval of the BSP.

4 **SEC. 124. *Establishment of Branches and Other Offices.*** - The
5 establishment of branches, branch-lite units, or other banking offices by cooperative
6 banks shall be governed by the rules and regulations of the BSP. The cooperative
7 bank shall furnish the Authority with a copy of the Certificate of Authority issued by
8 the BSP.

9 **SEC. 125. *Management of Cooperative Banks.*** - The management of
10 the cooperative banks shall be governed by the rules and regulations to be
11 promulgated by the BSP, in consultation with the Authority. To maintain the quality
12 of bank management and accord appropriate protection to depositors and the public
13 in general, the BSP shall prescribe the fit and proper qualifications of bank directors
14 and officers for the purposes of this Article, giving due recognition to the unique
15 nature and character of cooperative banks. The number, composition, and term of
16 the Board of Directors shall be defined in the Articles of Cooperation and By-laws of
17 the cooperative bank, in accordance with the following guidelines:

18 a. *Board and Committees.* - The cooperative bank shall constitute, at a minimum,
19 the Board of Directors, Election Committee, and Audit Committee.

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

1 formulation activities of the cooperative bank. The members of the Board of
2 Directors shall be elected by the General Assembly or Representative Assembly.
3 The Election Committee shall be responsible for the formulation and
4 implementation of election rules and guidelines. It shall supervise the conduct
5 of election, election-related activities, canvass and certify the results of the
6 election, and decide cases relative to such election, except those involving the
7 committee itself or its members. The members of the Election Committee shall
8 be elected by the General Assembly or Representative Assembly.

9 The Audit Committee is a Board-level committee whose composition, functions
10 and responsibilities shall be in accordance with the existing regulations of the
11 BSP. Other Board-level committees may be created as may be directed by the
12 BSP.

13 Other committees may be created by the Board of Directors with powers,
14 functions, and responsibilities which shall be defined in the By-laws; and

- 15 b. *Key Management Officers.* - The key management officers shall be appointed
16 by the Board and shall include the President, Treasurer, Internal Auditor, and
17 Compliance Officer, or their equivalent ranks. The BSP shall prescribe the
18 qualifications and disqualifications of the key management officers.

19 **SEC. 126. *Vacancy in the Committees.*** - In case of vacancy in the
20 committees, the Board of Directors of the cooperative bank, unless otherwise
21 provided in the By-laws, will appoint a person to fill the same, subject to the provision
22 that the person appointed shall serve only for the unexpired portion of the term.

23 **SEC. 127. *Compensation of Directors.*** - In the absence of any provision
24 in the By-laws fixing their compensation, the directors shall not receive any

1 compensation except for reasonable *per diems*. *Provided, however,* That the
2 directors and officers shall not be entitled to any *per diem* when, in the preceding
3 calendar year, the cooperative bank reported a net loss or had a dividend rate less
4 than the official inflation rate for the same year. Any compensation other than *per*
5 *diems* may be granted to directors by a majority vote of the members with voting
6 rights at a regular or special general assembly meeting specifically called for the
7 purpose: *Provided,* That no additional compensation other than *per diems* shall be
8 paid during the first year of existence of the Cooperative Bank.

9 In no case shall the total yearly compensation of directors exceed ten per
10 centum (10%) of the net income of the cooperative bank during the preceding year.

11 **SEC. 128. *Dealings of Directors, Officers, Stockholders, and Related***
12 ***Interests (DOSRI).*** - Dealings with directors and officers of the Cooperative Bank
13 shall comply with the provisions of Section 36 of RA 8791, otherwise known as
14 General Banking Law (GBL) of 2000. However, the limits on loans to dealings of
15 directors, officers, stockholders, and related interests shall not apply to loans, other
16 credit accommodations, or guarantees extended by the cooperative bank to its
17 member primary cooperatives.

18 **SEC. 129. *Illegal Use of Confidential Information.*** - The liability of a
19 director or officer, or an associate of a director or officer, who, for his/her benefit or
20 advantage or that of an associate, makes use of confidential information that, if
21 generally known, might reasonably be expected to adversely affect the operations
22 and viability of the cooperative bank shall adhere to the provisions of Section 57 of
23 this Code.

1 **SEC. 130. *Bond for Faithful Performance of Duties and Obligations.***

2 - The bond for the faithful performance of duties and obligations of accountable
3 officers of the cooperative bank shall adhere to the provisions of Section 64.

4 **SEC. 131. *Quorum Requirement and Voting Rights of the***
5 ***Cooperative Bank Board of Directors.*** - In meetings of the Board of Directors of
6 the Cooperative Bank, the same provisions under Section 48 of this Code shall apply.

7 **SEC. 132. *Composition of the General Assembly.*** - The General
8 Assembly shall be composed of regular members who are entitled to vote under the
9 Articles of Cooperation and By-laws of the cooperative bank.

10 **SEC. 133. *Powers of the General Assembly.*** - The General Assembly shall
11 be the highest policy-making body of the cooperative bank and shall exercise the
12 same powers as enumerated in Section 40 of this Code.

13 **SEC. 134. *Meetings.*** - The conduct of meetings of the General Assembly of
14 cooperative banks shall adhere to the provisions specified in Section 41 of this Code.

15 **SEC. 135. *Quorum and Voting System.*** - The quorum requirement for
16 General Assembly meetings of cooperative banks, whether special or regular, shall
17 be one-half ($\frac{1}{2}$) plus one (1) of the number of voting shares of all the members
18 entitled to vote.

19 To amend its Articles of Cooperation and by-laws, at least three-fourths ($\frac{3}{4}$)
20 vote of all the members with voting rights, present and constituting a quorum shall
21 be required. All other voting requirements shall be prescribed by the BSP.

22 The voting rights of the members shall be proportionate to the number of
23 their paid-up shares.

1 The cooperative bank may opt to amend its Articles of Cooperation and By-
2 laws through a referendum, subject to the guidelines to be issued by the Authority.
3 However, the vote requirement shall still be two-thirds ($\frac{2}{3}$) vote of all the members
4 entitled to vote.

5 **SEC. 136. *Investment in Allied Undertakings.*** - Subject to the
6 requirements and restrictions as may be imposed by the Monetary Board under its
7 existing rules and regulations, Cooperative Banks may invest in equities of allied
8 undertakings which may include, but are not limited to the following:

- 9 a. Banks, financial institutions and non-bank financial intermediaries;
- 10 b. Warehousing and other post-harvest facilities;
- 11 c. Fertilizers, agricultural chemicals, and pesticides distribution;
- 12 d. Farm equipment distribution;
- 13 e. Trucking and transportation of agricultural products;
- 14 f. Marketing of agricultural products;
- 15 g. Leasing;
- 16 h. Automated teller machine (ATM) networks;
- 17 i. Public transportation;
- 18 j. Financial technology; and
- 19 k. Other undertakings as may be determined by the Monetary Board of the BSP.

20 **SEC. 137. *Limitations on Lending Authority.*** - Except as the Monetary
21 Board may otherwise prescribe, the direct indebtedness to Cooperative Banks of any
22 person, company, corporation, or firm, including the indebtedness of members of a
23 partnership and association, for money borrowed, shall in no time exceed twenty
24 five per centum (25%) of unimpaired capital and surplus of the cooperative bank.

1 However, the direct indebtedness mentioned shall exclude loans secured by
2 obligations of the BSP; loans fully guaranteed by the Government as to the payment
3 of principal and interest; loans to the extent covered by the hold-out on, or
4 assignment of, deposits maintained in the lending cooperative bank and held in the
5 Philippines; and other loans or credits as the Monetary Board may, from time to
6 time, specify non-risk assets.

7 **SEC. 138. *Capital Requirement for Cooperative Banks.*** - A cooperative
8 bank shall have a minimum paid-up capital in such amount as may be required by
9 the BSP. The BSP may prescribe rules and regulations on the types of shares a
10 cooperative bank may issue, including the terms thereof and rights appurtenant
11 thereto to determine compliance with laws and regulations governing capital and
12 equity structure of banks. *Provided,* That Cooperative Banks shall issue par value
13 shares only.

14 **SEC. 139. *Samahang Nayon and Municipal Katipunan ng mga***
15 ***Samahang Nayon.*** - Samahang Nayon (SN) and Municipal Katipunan ng mga
16 Samahang Nayon (MKSAN) which held common shares of cooperative banks prior to
17 the effectivity of RA 9520 shall apply for conversion to cooperatives in order to
18 maintain their status as regular members of cooperative banks: *Provided,* That the
19 cooperative banks shall exert efforts to inform and assist the SN and MKSAN to convert
20 within a period of three (3) years from the effectivity of this Code. Upon failure of
21 the SN and MKSAN to finally convert to a cooperative within said period, the funds
22 held in the name of such SN and MKSAN shall be considered as preferred shares and
23 shall remain as capital of the cooperative bank.

1 **SEC. 140. *Additional Source of Capital of the Cooperative Banks.* -**

2 The funds or common shares in cooperative banks held in the name of cooperatives
3 whose Certificates of Registration have already been cancelled by the Authority and
4 which failed to liquidate such funds or shares during its liquidation shall remain as
5 capital in said cooperative banks and shall be treated as preferred shares.

6 **SEC. 141. *Supervision and Regulation of Cooperative Banks.* - All**

7 cooperative banks shall be under the supervision of the BSP: *Provided, however,*
8 that the Authority shall monitor the cooperative banks' compliance with cooperative
9 laws, rules, and regulations. With respect to the governance of the cooperative
10 banks, the provisions of the banking laws, rules, and regulations shall prevail,
11 notwithstanding Section 71 of RA 8791.

12 **SEC. 142. *Promulgation of Guidelines.* – The BSP and the Authority may**

13 formulate guidelines to implement or clarify the provisions of this Chapter. *Provided,*
14 That the BSP, as the regulator of banks, shall be the primary regulator of cooperative
15 banks consistent with the provisions of RA 8791: *Provided, further,* That in order to
16 minimize the burden of dually-regulated entities, the BSP shall, in consultation with
17 the Authority and the cooperative banks, in its promulgation of rules and regulations,
18 to the extent allowed in banking and other relevant laws, and insofar as consistent
19 with its exercise of supervisory and regulatory powers over banks, in its promulgation
20 of rules and regulations, consider the requirements of this Code and the Authority
21 for cooperatives in general.

22 **SEC. 143. *Privileges and Incentives of Cooperative Banks.* -**

23 Cooperative banks registered under this Code shall have the following privileges and
24 incentives:

- 1 a. Those privileges and incentives accorded to cooperatives under this Code and
2 other prior laws including exemption from all national, provincial, city,
3 municipal or barangay taxes, fees, and charges of whatever nature and
4 description: *Provided, however,* That when a cooperative bank has reached an
5 undivided net savings of more than One Hundred Million Pesos
6 (P100,000,000.00), transactions to non-members shall be taxable.
- 7 b. The foreclosure of mortgages covering loans granted by cooperative banks and
8 executions of judgment thereon involving real properties levied upon by sheriff
9 shall be exempt from the publications in newspapers where the total amount
10 of loan, excluding interests due and unpaid, does not exceed One Million Pesos
11 (P1,000,000.00) or such amount as the Monetary Board may prescribe as may
12 be warranted by prevailing economic conditions. It shall be deemed sufficient
13 publication in such cases where the notices of foreclosure and execution of
14 judgment are posted in the most conspicuous areas such as the municipal
15 building, the municipal public market, the cooperative bank, and the barangay
16 hall where the land mortgaged is situated during the period of sixty (60) days
17 immediately preceding the public auction or execution of judgment. Proof of
18 publication as required herein shall be accomplished via an affidavit of the
19 sheriff or officer conducting the foreclosure sale or execution of judgment and
20 shall be attached with the records of the case;
- 21 c. A cooperative bank shall be allowed to foreclose lands mortgaged to it subject
22 to the provisions of RA 6657, as amended. For agrarian lands foreclosed by a
23 cooperative bank, the disposal of the same to another qualified beneficiary
24 under RA 6657, as amended, shall be made through the same cooperative

1 bank. Further, the amortization of the beneficiary in favor of DAR shall be
2 coursed through the servicing cooperative bank: *Provided, however,* that
3 cooperative banks shall be exempt from the landholding limits as prescribed by
4 DAR or any other law requiring the same;

5 d. For cooperative banks granted by the BSP with accreditation as Rural Financial
6 Institution (RFI) under RA 10000, the following privileges shall be awarded:

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

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

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

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

22 e. Notwithstanding the provisions herein, privileges and incentives granted to
23 rural banks pursuant to RA 7353, otherwise known as the "Rural Act of 1992,"
24 shall also be granted to cooperative banks duly registered under this Act.

CHAPTER XVIII. INSURANCE COOPERATIVES

SEC. 144. *Insurance Cooperative.* - Existing cooperatives may organize themselves into an insurance cooperative for the purpose of engaging in the business of insuring life, non-life, pre-need (life plan, education, and pension) health, and property of cooperatives and their members.

SEC. 145. *Types of Insurance Provided.* - Under the cooperative insurance program established and formed by the virtue of the provisions of this Code, the insurance cooperative shall provide its constituting cooperatives and their members different types of insurance coverage consisting of life insurance with special group coverage, loan protection, retirement plans, endowment, health and accident coverage, pre-need plans, fire insurance, marine insurance, motor vehicle coverage, bonding, crop and livestock protection, and equipment insurance, among others.

SEC. 146. *Applicability of Insurance Laws.* - The provisions of the Insurance Code and all other laws and regulations relative to the organization and operation of an insurance company shall apply to insurance cooperatives organized under this Code. The requirements on capitalization, investments and reserves of insurance firms may be liberally modified upon consultation with the Authority and the cooperative sector, but in no case may the requirement be reduced to less than half of those provided for under the Insurance Code and other related laws.

Other provisions of this Code shall apply suppletorily insofar as they are not inconsistent with this Chapter.

In case of conflict of law, the Insurance Code law shall prevail.

1 **SEC. 147. *Implementing Rules for Insurance Cooperatives.*** — The
2 Insurance Commission and the Authority, in consultation with the concerned
3 cooperative sector, shall issue the appropriate rules and regulations implementing
4 the provisions of this Chapter.

5 **CHAPTER XIX. COOPERATIVES ENGAGED IN PUBLIC SERVICES**

6 **SEC. 148. *Definition and Coverage.*** - A cooperative engaged in public
7 services refers to one organized to render public services, as authorized under a
8 franchise, certificate of public convenience, certificate of public convenience and
9 necessity, concession, or any other appropriate form of authorization or permit duly
10 issued by the appropriate government agency. Such services may include but is not
11 limited to the following:

- 12 a. Health services;
- 13 b. Power generation, transmission, and/or distribution;
- 14 c. Ice plants and cold storage services;
- 15 d. Communication services including telephone and digital communications, and
16 other value-added services;
- 17 e. Land, water, and air transportation services for passengers and/or cargoes;
- 18 f. Public markets, slaughterhouses, management of land transport terminals and
19 ports, and other similar services;
- 20 g. Water supply and distribution system services; and
- 21 h. Such other types of public services as may be engaged in by any cooperative.

22 Such cooperatives shall be primarily governed by this Chapter and the general
23 provisions of this Code insofar as they may be applicable unless they are inconsistent
24 herewith.

1 **SEC. 149. *Registration Requirements.*** - In addition to the requirements
2 provided under Section 14 of this Code, no cooperative engaged in public services
3 shall be registered unless it satisfies the following requirements:

- 4 a. Its Articles of Cooperation and By-laws provide for the membership of the users
5 and/or producers of the service of such cooperatives; and
6 b. Such other requirements as may be imposed by the other pertinent
7 government agencies concerned.

8 **SEC. 150. *Regulation of Cooperatives Engaged in Public Services.*** -
9 The internal affairs of cooperatives engaged in public services, such as: i) the rights
10 and privileges of members; ii) the rules and procedures for meetings of the General
11 Assembly, Board of Directors and committees; iii) the election and qualifications of
12 officers, directors, and committee members; iv) allocation and distribution of
13 surpluses; and v) all other such matters, shall be governed by this Code.

14 All matters relating to the franchise, certificate of public convenience,
15 certificate of public convenience and necessity, concession, or any other appropriate
16 form of authorization or permit of cooperatives engaged in public services such as
17 capitalization and investment requirements, equipment and facilities, frequencies,
18 rate-fixing and such other matters affecting their public service operations shall be
19 governed by the proper government agency concerned.

20 The Authority together with other concerned government agencies shall
21 jointly issue rules and regulations necessary to implement this Chapter.

22 **CHAPTER XX. TRANSPORT SERVICE COOPERATIVES**

23 **SEC. 151. *Definition and Coverage.*** – This Chapter shall govern transport
24 service cooperatives as defined in this Code, including those

1 organized under the provisions of Executive Order No. 898, series of 1983 and
2 by vehicle operators defined or provided for under the Public Transport Modernization
3 Program of the Department of Transportation (DOTr).

4 **SEC. 152. *Engagement in Allied Business by Transport Service***

5 ***Cooperatives.*** - Subject to pertinent national laws and local ordinances, primary
6 transport service cooperatives including federations of cooperatives, may engage in
7 a business related to transportation service, including but not limited to:

8 a. Importation, distribution, and marketing of petroleum products in accordance
9 with existing laws;

10 b. Operation of gasoline stations, automotive service centers, and management
11 of land transport terminals and ports;

12 c. Importation, distribution, marketing, and sale of spare parts, automotive
13 supplies, and accessories;

14 d. Marketing of vehicle and drivers insurance policies as an agent or liaison of a
15 licensed insurance company;

16 e. Establishment and operation of fleet management services; and

17 f. Automotive maintenance credit facilities for the purpose of extending loans for
18 the maintenance and repair of public utility vehicles.

19 g. Business directly related to the transport sector such as food hubs and canteens
20 in terminal.

21 **SEC. 153. *Registration, Regulation, and Supervision of Transport***

22 ***Service Cooperatives.*** - The DOTr-Office of Transport Cooperatives shall have
23 jurisdiction over accreditation, regulation and supervision of Transport service
24 cooperatives

1 This notwithstanding, the relevant regulatory agencies shall have jurisdiction
2 over the technical operations of such cooperatives as transport service entities.

3 The Authority shall have jurisdiction over the registration .of transport service
4 cooperatives only in relation to their organization and management including its
5 compliance with this Act and other relevant laws.

6 **SEC. 154. *Renewal of Franchise and Vehicle Registration.*** - Renewals
7 of franchise and vehicle registration shall be granted to transportation service
8 cooperatives: *Provided,* That such cooperative presents a certificate of good
9 standing issued by the Authority **(or Certificate of Compliance)** Office of
10 Transport Cooperatives of the DOTr, and the LGU concerned as proof that it has
11 continuously provided the required public transportation services.

12 The Authority, in consultation with the concerned government agencies and
13 cooperative sector, shall issue appropriate rules and regulations pertaining to the
14 provisions of this Chapter.

15 **SEC. 155. *Oversight Committee.*** A multi-sectoral committee on transport
16 service cooperatives, composed of representatives from the Authority, the DOTr, the
17 Department of the Interior and Local Government (DILG), the Land Transportation
18 Franchising and Regulatory Board (LTFRB), the Land Transportation Office (LTO),
19 other concerned government agencies, as may be necessary, and the federation of
20 transport service cooperatives, and other stakeholders shall be established and
21 thereafter be charged with the monitoring, recommendation of policies and
22 programs affecting the operations of transport service cooperatives, and such other
23 functions.

1 A regional monitoring committee shall likewise be established at the regional
2 offices of the Authority for the same purpose.

3 The functions of the monitoring committees shall be prescribed in the
4 Implementing Rules and Regulations to be promulgated by the Authority, in
5 coordination with the relevant government agencies.

6 **SEC. 156. *Vehicle Service Dealer/Provider*** - All vehicle service providers
7 must adhere to the provisions of R.A. No. 10642 or the Lemon Law of the Philippines
8 in terms of repairs , maintenance, and after sales issues of vehicles acquired through
9 the PUVMP or the Public Transport Modernization Program.

10 Moreover, the government shall extend subsidies and other incentives for local
11 manufacturers who will invest in the modernization of public utility vehicles.

12 The Department of Trade and Industry (DTI), the Department of Transportation
13 (DOTr), and in consultation with concerned agencies and cooperative sector, shall
14 issue appropriate rules and regulations pertaining to the provisions of this chapter.

15 **SEC. 157. *Financial Assistance, Government Subsidy*** - Government
16 financial assistance provided to drivers/operators who elect to modernize shall not be
17 lower than twenty percent (20%) of the price per unit to lighten the capital burden of
18 modernization. Moreover, the DOTR shall work with the public and private institutions
19 such as cooperative banks, and other financial services cooperatives to name a few,
20 provide equitable financing for these modernized vehicles.

21 **SEC. 158. *Access to data and loan information*** - Subject to data privacy
22 act, government financial institutions shall provide the necessary data and information
23 regarding loan transactions related to PUV modernization program.

1 **SEC. 159. LGU Support for Common Terminals-** The Local
2 Government Unit within the route of the public transportation shall provide a common
3 terminal free of charge in the first year of operation in order to provide safe, accessible
4 and maximum service to the commuting public.

5 **CHAPTER XXI. CREDIT AND SAVINGS COOPERATIVES**
6 **AND CREDIT COOPERATIVES**

7 **SEC. 160. Coverage.** - This Chapter shall apply to credit cooperatives and
8 credit and savings cooperatives, including multi-purpose cooperatives and
9 federations. The provisions of the other chapters of this Code shall apply suppletorily
10 except insofar as this Chapter otherwise provides.

11 **SEC. 161. Purposes and Objectives.** - Cooperatives engaged solely in
12 credit or in both credit and savings services, owned and operated by its members,
13 shall have the following purposes and objectives:

- 14 a. To encourage savings among its members;
- 15 b. To provide loans for productive or provident purposes to its members and
16 related services to enable its members to maximize the benefit from such loans;
- 17 c. To promote the cooperatives engaged in credit and credit and savings as
18 preferred financial institutions among Filipinos; and
- 19 d. To promote the safe, sound, stable, and sustainable operations of cooperatives
20 engaged in credit and credit and savings by regulating and supervising their
21 operations and curtailing or preventing any act or practice which is prejudicial
22 to the interests of their members and the general public.

23 **SEC. 162. Regulation and Supervision of Cooperatives Engaged in**
24 **Credit and Credit and Savings.** - Pursuant to its powers, functions, and

responsibilities under RA 11364, the Authority shall exercise regulatory powers and supervision over the operations of the cooperatives engaged in credit, and credit and savings.

The Authority shall, in consultation with the concerned government agencies and cooperative sector, issue appropriate rules and regulations pertaining to the provisions of this Chapter.

CHAPTER XXII. ELECTRIC COOPERATIVES

SEC. 163. Coverage. - The provisions of this Code shall apply to all electric cooperatives registered with the Authority. This shall also cover new distribution utilities that will register with the Authority.

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

SEC. 164. Registration of Electric Cooperatives. - The registration of an electric cooperative with the Authority under this Code shall be submitted to the members for approval through a referendum, called for the purpose as provided for under Articles 165 and 166 of this Code.

SEC. 165. Voting Requirement for Registration. – In compliance with the referendum as a voting procedure, the required number of votes for registration with the Authority shall be a majority of all members entitled to vote.

SEC. 166. Documents to be Submitted for Registration with the Authority. - For purposes of registration, electric cooperatives shall submit the following documents:

- 1 (a) Copy of the Board Resolution certifying to the result of the vote approved
2 through a referendum approving the registration of the cooperative with the
3 Authority in compliance with Section 162 of this Code;
- 4 (b) Certified copy of the Articles of Incorporation or Cooperation and By-laws as
5 required by the Authority;
- 6 (c) Duly audited financial statements for the past two (2) years;
- 7 (d) List of names of the incumbent Board of Directors and their addresses certified
8 by the Board Secretary and attested by the Chairperson;
- 9 (e) Within six (6) months from the registration, the Treasurer shall submit a sworn
10 statement of the authorized share capital, the subscribed share capital of
11 members, and the amount of paid-up share capital received by the Treasurer;
12 and
- 13 (f) Bonds of accountable officers.

14 **SEC. 167. *Effects of Registration with the Authority.*** -Upon the
15 effectivity of this Code, electric cooperatives that are duly registered with the
16 Authority, and issued a Certificate of Registration, shall be covered by the provisions
17 of this Code as well as future rules and issuances of the Authority; *Provided*, that
18 electric cooperatives shall remain under the supervisory powers of the NEA, pursuant
19 to Presidential Decree (PD) No. 269, as amended, and other existing laws; *Provided*,
20 *further*, that provisions of this Code consistent with PD No. 269, as amended, shall
21 apply suppletorily.

- 22 a. Electric cooperatives registered with the Authority are entitled to congressional
23 allocations, grants, subsidiaries and other financial assistance for rural
24 electrification which can be coursed through the Department of Energy,

1 National Electrification Administration, or local government units, as may be
2 appropriate. The electric cooperatives registered under this Code can avail of
3 the financial services and technical assistance provided by government financial
4 institutions and technical development agencies on terms respecting their
5 independence as autonomous cooperatives;

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

12 c. Electric cooperatives registered and confirmed with the Authority under
13 Republic Act No. 6938 and Republic Act No. 9520 are hereby deemed registered
14 under this Code.

15 **SEC. 168. *Share Capital in the Electric Cooperatives.*** - The electric
16 cooperatives registered with the Authority shall issue and distribute share certificates
17 under the name of each of their members, taking into consideration their previous
18 equity contributions, the amortization component through the payments made,
19 capital build-up and other capital contributions.

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

1 The ERC shall, within forty-five (45) days from the close of each fiscal year,
2 issue a certificate to the electric cooperative concerned on the total amount collected
3 for capital contributions from the MCOs for such period, for which equity share
4 certificate will be issued.

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

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

14 **SEC. 169. *Registration Options of Electric Cooperatives.*** - Electric
15 Cooperatives registered with the National Electrification Administration (NEA) under
16 Presidential Decree No. 269, as amended, which opt not to register with the
17 Authority are allowed to retain the word "cooperative" in their registered names:
18 *Provided,* that they shall not be entitled to the benefits and privileges under this
19 Code.

20 **SEC. 170. *Role of the Energy Regulatory Commission.*** - All rates and
21 tariffs of electric cooperatives registered under the Authority shall be subject to the
22 rules on application and approval of and by the Energy Regulatory Commission (ERC)
23 for distribution utilities.

1 **SEC. 171. *Cancellation of Registration with the Authority.*** – The
2 cancellation of the registration of an electric cooperative shall be granted by the
3 Authority as provided under Chapter XI of this Code.

4 The Authority, in consultation with the concerned cooperative sector, shall
5 issue appropriate rules and regulations pertaining to the provisions of this Chapter.

6 **CHAPTER XXIII. FOREIGN PARTNERSHIPS**

7 **SEC. 172. *Membership of Foreign Cooperatives in Federations.*** -
8 Foreign cooperatives may invest, partner with, or become members of federations:
9 *Provided,* that they are recognized by international coalitions of cooperatives or by
10 the relevant authority in the country of origin, as well as registered with the
11 Authority: *Provided, further,* That they comply with all relevant laws allowing them
12 to do business in the Philippines. The details of their investment, participation, or
13 membership shall be left to the discretion of the local federation. Further details shall
14 be laid down in the Implementing Rules and Regulations of this Code, in consultation
15 with the cooperative sector: *Provided, finally,* That their engagement with the local
16 cooperatives shall be subject to an agreement which shall be submitted for the
17 approval of the Authority, pursuant to its implementing rules.

18 Foreign cooperatives that shall transact with local federations must comply with
19 Philippine taxation laws, the Anti-Money Laundering Act, and other pertinent laws,
20 classified under the Philippines' foreign investment negative list for foreign equity
21 restrictions under the Philippine Constitution and specific laws, and shall be under the
22 regulation of the pertinent agencies for the duration of their engagement with the
23 federations. Foreign cooperatives shall not interfere, directly or indirectly, in the
24 management and internal affairs of the federations in accordance with the generally

1 accepted cooperative principles of independence and autonomy, notwithstanding that
2 local cooperatives shall be one hundred percent (100%) wholly owned and controlled
3 by Filipinos.

4 **SEC. 173. *Limitations.*** – The equity or share capital of the foreign
5 cooperative shall not exceed forty per centum (40%) of the total equity or subscribed
6 share capital of the partnership or federation, as the case may be.

7 **CHAPTER XXV. MISCELLANEOUS PROVISIONS**

8 **SEC. 174 . *Compliance With Other Laws.*** - All cooperatives duly
9 registered under this Code shall, at all times, be subject to all relevant laws, rules
10 and regulations, as well as issuances and directives issued by a duly authorized
11 government regulatory body in exercise of its jurisdiction.

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

15 **SEC. 175. *Registry of Cooperatives.*** - The Authority shall keep a registry
16 which shall contain a chronological entry of the name of every cooperative
17 registered, suspended, dissolved, or cancelled under this Code together with other
18 relevant information. The Authority shall publish and post on its website a list of
19 existing cooperatives, cooperatives under dissolution or suspension, and those
20 whose registration have been cancelled, together with other relevant information,
21 as may be prescribed in the Implementing Rules and Regulations of this Code.

22 **SEC. 176. *Settlement of Disputes, Conciliation, Mediation, and***
23 ***Arbitration Proceedings.*** - Disputes among members, officers, directors, and
24 committee members, and intra-cooperative, inter-cooperative, intra-federation or

1 inter-federation disputes shall, as far as practicable, be settled amicably in
2 accordance with the conciliation or mediation mechanisms embodied in the By-laws
3 of cooperatives and in such other applicable laws.

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

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

13 Once the arbitrators or the appropriate adjudication division acquires
14 jurisdiction over the case, it shall have exclusive jurisdiction. The decision of the
15 arbitrator shall be final and executory. For this purpose, the Authority shall create a
16 database of qualified arbitrators which shall also be posted in its official website

17 Decisions rendered by the Authority in the exercise of its adjudicatory powers
18 shall be appealable to the Court of Appeals in accordance with the applicable rules.

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

22 Settlement of disputes of electric cooperatives shall be governed by the
23 provisions of PD No. 269, as amended, and other applicable laws.

1 **SEC. 177 *Joint Congressional Oversight Committee on Cooperatives***

2 **(JCOCO).** - There is hereby created a Joint Congressional Oversight Committee
3 composed of the Chairperson of the Senate Committee on Cooperatives and the
4 Chairperson of the House Committee on Cooperatives Development, with four (4)
5 members each from both Houses. The said members shall be duly appointed by the
6 Senate President and the Speaker of the House of Representatives from the
7 members of the respective committee.

8 **SEC. 178. *Issuance of Injunctive Relief on the Authority.*** – Only the
9 Court of Appeals or Supreme Court may issue a restraining order or injunction
10 enjoining the Authority from examining and investigating cooperatives subject to its
11 supervision or examination.

12 **CHAPTER XXVI. FINAL PROVISIONS**

13 **SEC. 179. *Penal Provisions.*** - The following acts or omissions affecting
14 cooperatives are hereby prohibited:

15 (a) The use of the word “cooperative” shall not be allowed unless authorized under
16 this Code. However, organizations registered with other government agencies
17 are allowed to retain the word “cooperative” in their registered names,
18 *Provided, That* these organizations shall not be entitled to the benefits and
19 privileges under this Code.

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

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

2 (b) Any person who willfully attempts in any manner to evade or defeat tax in
3 violation of Articles 68 and 69 of this Code shall, in addition to the payment of
4 double the amount of the tax due, be punished by a fine of not less than Five
5 hundred thousand pesos (P500,000.00) but not more than Ten million pesos
6 (P10,000,000.00) and suffer imprisonment of not less than six (6) years but
7 not more than ten (10) years: *Provided*, That the conviction or acquittal
8 obtained under this Section shall not be a bar to the filing of a civil suit for the
9 collection of taxes;

10 (c) Direct or indirect violation or circumvention of the provisions of Sections 68 and
11 69 of this Code committed by any public official or employee of any bureau,
12 office or agency of the government that deprives, diminishes or in any manner
13 hinders or restricts any duly registered cooperative from the full enjoyment of
14 the exemption from the payment of the taxes, fees and charges enumerated
15 therein, shall upon conviction, suffer a penalty of not less than seven (7) years
16 but not more than twelve (12) years imprisonment or a fine in the amount of
17 not less than Five hundred thousand pesos (P500,000.00) but not more than
18 One million pesos (P1,000,000.00) or both at the discretion of the court and
19 shall further be disqualified to hold any other office;

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

1 (1) Influencing the election or appointment of officers, directors, committee
2 members and employees through public or private endorsement or
3 campaign for or against any person or group of persons;

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

5 (3) Requesting or demanding for the creation of positions or organizational
6 units, or recommending any person for appointment, transfer, or removal
7 from his/her position; or

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

10 (e) A director, officer or committee member who violated the provisions of Section
11 53 on the Liability of Directors, Officers and Committee Members, Section 56
12 on the Disloyalty of a Director, and Section 57 on the Illegal Use of Confidential
13 Information shall upon conviction suffer a fine of not less than Five hundred
14 thousand pesos (P500,000.00) nor more than One million pesos
15 (P1,000,000.00) or imprisonment of not less than five (5) years but not more
16 than ten (10) years or both at the court's discretion;

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

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

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

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

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

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

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

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

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

14 (g) Any violation of any provision of this Code for which no penalty is imposed shall
15 be punished by imprisonment of not less than six (6) months nor more than
16 one (1) year and a fine of not less than Ten thousand pesos (P10,000.00), or
17 both at the discretion of the court.

18 The cooperative or any of its members can file a case against any officer or
19 employee of the BIR or of any other government agency with the Ombudsman, the
20 Civil Service Commission, other appropriate government agency or the courts of law.

21 In case of violation of any provision of this Code, the individual or individuals,
22 and in the case of organizations or government agencies, its officers, and directors
23 shall, upon conviction by a Court, each suffer a penalty of not less than two (2) years
24 but not more than five (5) years imprisonment or a fine in the amount of not less

1 than Fifty thousand pesos (P50,000.00), or both at the discretion of the court. In
2 the case of a public official or employee, the offender shall upon conviction, suffer
3 the accessory penalty of temporary absolute disqualification.

4 **SEC. 180. *Administrative Sanctions.*** - The Authority shall conduct
5 investigations, file necessary charges, discipline, suspend or remove erring officers
6 and members of the cooperative for violation of cooperative laws, rules, regulations,
7 issuances of the Authority, the Articles of Cooperation, and By-laws, after due
8 process, and direct the General Assembly to replace the suspended or removed
9 officers.

10 Any violations on the procedures of the rules on adjudication shall likewise be
11 penalized under this Article. Such administrative sanctions shall be implemented in
12 accordance with the rules and regulations to be promulgated by the Authority.

13 **SEC. 181. *Interpretation*** - any doubt in the interpretation of any provision
14 in this Act shall be liberally interpreted in favor of the cooperatives and its members.

15 **SEC. 182. *Ipso-Facto Clause.*** –Unless otherwise provided by law,
16 cooperatives are entitled to the privileges, benefits, and exemptions granted by RA
17 7160, and other existing laws.

18 **SEC. 183. *Transitory Provisions.*** –

19 (a) All cooperatives registered with the Authority under RA 6938, as amended
20 by RA 9520, are hereby deemed registered under this Code.

21 (b) Registration of electric cooperatives with the Authority shall not be
22 considered as a transfer of ownership of its assets and liabilities nor
23 shall it constitute a change in the nature, structure, and status of the
24 cooperative. Said registration shall not result in the revocation of the

condoned loans under R. A. No. 9136, otherwise known as the "*Electric Power Industry Reform Act of 2001*,". *Provided*, That electric cooperatives with existing loans shall not be subject to the control and supervision of its creditors and shall only be limited to the fulfillment of each civil obligations.

(c) The authority granted to non-cooperatives as Training Service Providers shall continue to be effective and can be renewed upon expiration.

SEC. 184. *Printing and Distribution.* - The National Printing Office shall publish this Code in the Official Gazette in full within sixty (60) days from the date of approval thereof. Copies of this Code shall be given to every department, agency, and instrumentality of the National Government, including regional, provincial offices, and local governments including government-owned and controlled corporations.

SEC. 185. *Implementing Rules and Regulations.* - Within ninety (90) days from the effectivity of this Act, the Authority shall promulgate rules and regulation to implement the the provisions of this Act. Within the same period, the particular government agencies expressly designated under specific provisions in this Code, after prior consultation with the cooperative sector, shall also issue the regulations called for by such respective provisions.

SEC. 186. *Appropriations.* – The amount necessary to carry out the provisions of this Code shall be included in the annual General Appropriations Act.

SEC. 187. *Separability Clause.* –If any part of this Code is declared unconstitutional, the remaining parts or provisions shall remain in full force and effect.

SEC. 188. *Repealing Clause.* - Except as expressly provided by this Code, R. A. No. 6938, R. A. No. 9520, and all other laws, or parts thereof, inconsistent with

1 any provision of this Code shall be deemed repealed: *Provided*, That the provisions
2 of Revenue Regulation No. 20-2001, and all laws, decrees, executive orders,
3 implementing rules and regulations, BIR circulars, CDA memorandum circulars,
4 memorandum orders, letters of instruction, local government ordinances, or parts
5 thereof inconsistent with any of the provisions of this Act are hereby repealed,
6 amended or modified accordingly: *Provided, further, that* nothing in this Code shall
7 eliminate, diminish, or reduce the powers, functions, authority, and responsibilities
8 of the NEA over electric cooperatives under PD No. 269, as amended, and other
9 existing laws: *Provided, finally*, that nothing in this Act shall be construed or
10 interpreted as diminishing the jurisdiction of the Philippine Competition Commission
11 under the PCA to conduct inquiry, investigate, and hear and decide on cases
12 involving any violation of the PCA and other existing competition laws *motu proprio*
13 or upon receipt of a verified complaint from an interested party or upon referral by
14 the concerned regulatory agency.

15 **SEC. 189. Effectivity Clause.** - This Code shall take effect fifteen (15) days
16 after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,