



HOUSE OF REPRESENTATIVES

H. No. 4602

BY REPRESENTATIVES AQUINO (A.), CUA (G.), DOMOGAN, PABLO, SYJUCO,
BARINAGA, BIAZON, GULLAS, AMIN, VELARDE, MAGTUBO, SUSANO,
NICOLAS, FIGUEROA, CHATTO, BANAAG, VICENCIO, CLARETE, DUAVIT,
RAMIRO, GUINGONA, CARI, TULAGAN AND ECLEO, PER COMMITTEE
REPORT NO. 1000

AN ACT AMENDING THE COOPERATIVE CODE OF THE
PHILIPPINES TO BE KNOWN AS THE "PHILIPPINE
COOPERATIVE CODE OF 2005"

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

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

4 "ARTICLE 1. *Title.* – This Act shall be known as the
5 ["Cooperative Code of the Philippines".] **'PHILIPPINE**
6 **COOPERATIVE CODE OF 2005'**.

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

8 "ART. 3. *General Concepts.* – A cooperative is a duly
9 registered association of persons, with a common bond of

1 interest, who have voluntarily joined together to achieve [a]
2 lawful [common] social or economic [end,] **AND CULTURAL**
3 **NEEDS** making equitable contributions to the capital required,
4 **PATRONIZING THEIR PRODUCTS AND SERVICES** and accepting a
5 fair share of the risks and benefits of the undertaking in
6 accordance with universally accepted cooperative principles.

7 **EVERY COOPERATIVE SHALL ALSO KEEP FAITH WITH**
8 **THE BASIC COOPERATIVE VALUES OF SELF-HELP,**
9 **DEMOCRACY, EQUALITY, EQUITY AND SOLIDARITY, HONESTY,**
10 **OPENNESS, SOCIAL RESPONSIBILITY AND CARING FOR OTHERS.**

11 *“ART. 4. Cooperative Principles. – Every cooperative*
12 *shall conduct its affairs in accordance with Filipino culture,*
13 **GOOD VALUES** and experience and the universally accepted
14 principles of cooperation which include, **BUT ARE NOT LIMITED**
15 **TO,** the following:

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

25 (2) *Democratic MEMBER Control* – Cooperatives are
26 democratic organizations[.] [Their affairs shall be administered
27 by persons elected or appointed in a manner agreed upon by the

1 members. Members of primary cooperatives shall have equal
2 voting rights on a one-member-one-vote principle: *Provided,*
3 *however,* That, in the case of secondary and tertiary
4 cooperatives, the provisions of Article 37 of this Code shall
5 apply.] **THAT ARE CONTROLLED BY THEIR MEMBERS WHO**
6 **ACTIVELY PARTICIPATE IN SETTING THEIR POLICIES AND**
7 **MAKING DECISIONS. MEN AND WOMEN SERVING AS ELECTED**
8 **REPRESENTATIVES, DIRECTORS AND OFFICERS ARE**
9 **ACCOUNTABLE TO THE MEMBERSHIP. IN PRIMARY**
10 **COOPERATIVES, MEMBERS HAVE EQUAL VOTING RIGHTS (ONE-**
11 **MEMBER, ONE-VOTE). COOPERATIVES AT OTHER LEVELS ARE**
12 **ORGANIZED IN A DEMOCRATIC MANNER.**

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

1 (4) [*Division of Net Surplus* – Net surplus arising out of
2 the operations of a cooperative belongs to its members and shall
3 be equitably distributed for cooperative development, common
4 services, indivisible reserve fund, and for limited interest on
5 capital and/or patronage refund in the manner provided in this
6 Code and in the articles of cooperation and bylaws.] ***AUTONOMY***
7 ***AND INDEPENDENCE – COOPERATIVES ARE AUTONOMOUS,***
8 ***SELF-HELP ORGANIZATIONS CONTROLLED BY THEIR***
9 ***MEMBERS. IF THEY ENTER INTO AGREEMENTS WITH OTHER***
10 ***ORGANIZATIONS INCLUDING GOVERNMENT, OR RAISE CAPITAL***
11 ***FROM EXTERNAL SOURCES, THEY SHALL DO SO ON TERMS***
12 ***THAT ENSURE DEMOCRATIC CONTROL OF THEIR MEMBERS***
13 ***AND MAINTAIN THEIR COOPERATIVE AUTONOMY.***

14 (5) [*Cooperative Education* – All cooperatives shall
15 make provision for the education of their members, officers and
16 employees and of the general public based on the principles of
17 cooperation.] ***EDUCATION, TRAINING AND INFORMATION –***
18 ***COOPERATIVES SHALL PROVIDE EDUCATION AND TRAINING***
19 ***FOR THEIR MEMBERS, ELECTED AND APPOINTED***
20 ***REPRESENTATIVES, MANAGERS, AND EMPLOYEES SO THAT***
21 ***THEY CAN CONTRIBUTE EFFECTIVELY AND EFFICIENTLY TO***
22 ***THE DEVELOPMENT OF THEIR COOPERATIVES.***

23 (6) *Cooperation Among Cooperatives* – [All
24 cooperatives, in order to best serve the interest of their members
25 and communities, shall actively cooperate with other
26 cooperatives at local, national, and international levels.]
27 ***COOPERATIVES SERVE THEIR MEMBERS MOST EFFECTIVELY***

1 AND STRENGTHEN THE COOPERATIVE MOVEMENT BY
2 WORKING TOGETHER THROUGH LOCAL, NATIONAL, REGIONAL
3 AND INTERNATIONAL STRUCTURES.

4 **(7) CONCERN FOR COMMUNITY – COOPERATIVES WORK**
5 **FOR THE SUSTAINABLE DEVELOPMENT OF THEIR COMMUNITY**
6 **THROUGH POLICIES APPROVED BY THEIR MEMBERS.**

7 “ART. 5. *Definition of Terms.* – The following terms shall
8 mean:

9 (1) x x x

10 (2) *General Assembly* shall mean the full membership of
11 the cooperative duly assembled for the purpose of exercising all
12 the rights and performing all the obligations pertaining to
13 cooperatives, as provided by this Code, its articles of
14 cooperation and bylaws[;]; **PROVIDED, THAT FOR**
15 **COOPERATIVES WITH NUMEROUS AND DISPERSED**
16 **MEMBERSHIP, THE GENERAL ASSEMBLY MAY BE COMPOSED**
17 **OF DELEGATES ELECTED BY EACH SECTOR, CHAPTER OR**
18 **DISTRICT OF THE COOPERATIVE IN ACCORDANCE WITH THE**
19 **RULES AND REGULATIONS OF THE AUTHORITY;**

20 (3) x x x

21 (4) x x x

22 (5) x x x

23 (6) x x x

24 (7) x x x

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

1 (9) x x x

2 (10) *OFFICERS OF THE COOPERATIVES* SHALL INCLUDE
3 THE MEMBERS OF THE BOARD OF DIRECTORS, MEMBERS OF
4 THE DIFFERENT COMMITTEES CREATED BY THE GENERAL
5 ASSEMBLY, GENERAL MANAGER OR CHIEF EXECUTIVE
6 OFFICER, SECRETARY, TREASURER AND SUCH OTHERS AS MAY
7 BE PROVIDED FOR IN THE BYLAWS;

8 (11) *SOCIAL AUDIT* SHALL REFER TO AN AUDIT
9 INTENDED TO DETERMINE HOW WELL THE COOPERATIVE WAS
10 ABLE TO FULFILL ITS SOCIAL RESPONSIBILITIES;

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

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

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

1 SEC. 2. Articles 6, 7, 9, 10, 11, 12, 14, 16, 18, 20, 21, 23 and 24 of
 2 Chapter II on Organization and Registration of the same Code are hereby
 3 amended to read as follows:

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

7 (1) x x x

8 (2) x x x

9 (3) x x x

10 (4) x x x

11 (5) x x x

12 (6) x x x

13 (7) x x x

14 (8) x x x

15 (9) x x x

16 (10) x x x

17 (11) x x x

18 “ART. 7. *Objectives AND GOALS of A Cooperative.* – (1)
 19 The primary objective of every cooperative is **HUMAN**
 20 **BETTERMENT TOWARDS THIS END, THE COOPERATIVE SHALL**
 21 **AIM to:**

22 (A) Provide goods and services to its members and thus
 23 enable them to attain increased income and savings, investments,
 24 productivity, and purchasing power and promote among them
 25 equitable distribution of net surplus through maximum utilization
 26 of economies of scale, cost-sharing and risk-sharing; [without,

1 however, conducting the affairs of the cooperative for
2 eleemosynary or charitable purposes.]

3 [A cooperative shall] (B) Provide [maximum] OPTIMUM
4 SOCIAL AND economic benefits to its members[.];

5 (C) Teach them efficient ways of doing things in a
6 cooperative manner[.]; [and]

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

9 (E) Allow the lower income AND LESS PRIVILEGED
10 groups to increase their ownership in the wealth of this nation[.];
11 AND

12 (F) COOPERATE WITH THE GOVERNMENT, OTHER
13 COOPERATIVES AND PEOPLE-ORIENTED ORGANIZATIONS TO
14 FURTHER THE ATTAINMENT OF ANY OF THE FOREGOING
15 OBJECTIVES.

16 (2) EVERY COOPERATIVE SHALL HAVE AT LEAST ONE
17 (1) MAJOR SOCIAL GOAL, AND IN ORDER TO CONTINUE TO BE
18 ENTITLED TO THE RIGHTS AND PRIVILEGES GRANTED TO
19 COOPERATIVES, MUST HAVE A POSITIVE IMPACT ON SUCH
20 SOCIAL CONCERNS AS: MEMBERSHIP EDUCATION,
21 ENVIRONMENT, HEALTH, DEMOCRACY AND/OR SUCH OTHER
22 ASPECTS OF HUMAN BETTERMENT OR EMPOWERMENT.

23 "ART. 8. *Cooperatives Not in Restraint of Trade.* -- x x x

24 "ART.9. *Cooperative Powers and Capacities.* -- A
25 cooperative registered under this Code shall have the following
26 powers, RIGHTS and capacities:

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

3 (2) x x x

4 (3) x x x

5 (4) x x x

6 (5) x x x

7 (6) x x x

8 (7) **To FORM SUBSIDIARIES AND join federations or**
9 **unions, as provided in this Code;**

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

18 (9) **TO AVAIL OF PREFERENTIAL RIGHTS GRANTED TO**
19 **COOPERATIVES UNDER REPUBLIC ACT NO. 7160, OTHERWISE**
20 **KNOWN AS THE LOCAL GOVERNMENT CODE, PARTICULARLY**
21 **THOSE IN THE GRANT OF THE FRANCHISE TO ESTABLISH,**
22 **CONSTRUCT, OPERATE AND MAINTAIN FERRIES, WHARVES,**
23 **MARKETS OR SLAUGHTERHOUSES AND TO LEASE PUBLIC**
24 **UTILITIES;**

25 (10) **TO AVAIL OF BASIC SERVICES AND FACILITIES**
26 **UNDER REPUBLIC ACT NO. 7160, OTHERWISE KNOWN AS THE**
27 **LOCAL GOVERNMENT CODE, PARTICULARLY THOSE IN THE**

1 EXTENSION AND ON-SITE RESEARCH SERVICES AND FACILITIES
2 RELATED TO AGRICULTURE AND FISHERY ACTIVITIES;

3 (11) TO PROVIDE CONTINUITY FOR THE COOPERATIVES
4 BY INCULCATING COOPERATIVISM THROUGH TRAINING,
5 SEMINARS ON COOPERATIVE KNOW-HOW AND SIMILAR OTHER
6 COOPERATIVE ACTIVITIES WHICH ARE GEARED TOWARDS THE
7 ADVANCEMENT OF THE MOVEMENT;

8 (12) TO ORGANIZE AND OPERATE SCHOOLS IN
9 ACCORDANCE WITH THE EDUCATION ACT OF 1982 AND
10 OTHER PERTINENT LAWS; AND

11 [(9)] (13) To exercise such other powers granted by
12 this Code [or] necessary to carry out its purpose or purposes as
13 stated in its articles of cooperation.

14 "ART. 10. *Organizing a Primary Cooperative.* – Fifteen
15 (15) or more natural persons[,] who are [citizens of the
16 Philippines] AT LEAST EIGHTEEN (18) YEARS OF AGE, WHO
17 ARE FILIPINO CITIZENS, having a common bond of interest and
18 are ACTUALLY residing [or], working OR STUDYING in the
19 intended area of operation may organize a PRIMARY cooperative
20 under this Code[:]: *PROVIDED*, THAT WITHIN TWO (2) YEARS
21 AFTER REGISTRATION, IT SHALL HAVE THIRTY (30) MEMBERS.
22 ANY NEWLY ORGANIZED PRIMARY COOPERATIVE MAY BE
23 REGISTERED AS MULTIPURPOSE COOPERATIVE ONLY AFTER
24 COMPLIANCE WITH THE MINIMUM REQUIREMENTS FOR
25 MULTIPURPOSE COOPERATIVES TO BE SET BY THE
26 AUTHORITY. A SINGLE-PURPOSE COOPERATIVE MAY
27 TRANSFORM INTO A MULTIPURPOSE COOPERATIVE OR MAY

1 **CREATE SUBSIDIARIES ONLY AFTER AT LEAST TWO (2) YEARS**
2 **OF OPERATIONS.**

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

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

23 “ART. 13. *Term.* – x x x

24 “ART. 14. *Articles of Cooperation.* – (1) All cooperatives
25 applying for registration shall file with the [Cooperative
26 Development] Authority the articles of cooperation which shall
27 be signed by each of the organizers and acknowledged by them if

1 natural persons, and by the [presidents] CHAIRPERSONS or
2 secretaries, if juridical persons, before a notary public.

3 (2) x x x

4 (a) x x x

5 (b) x x x

6 (c) x x x

7 (d) x x x

8 (e) x x x

9 (f) x x x

10 (g) x x x

11 (h) x x x

12 (3) x x x

13 (4) Four (4) copies OF each of the proposed articles of
14 cooperation, bylaws, and the general statement required under
15 Article 11 of this Code shall be submitted to the [Cooperative
16 Development] Authority.

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

27

1 “ART. 15. *Bylaws.* – x x x

2 “ART. 16. *Registration.* – A cooperative formed or
3 organized under this Code acquires juridical personality from the
4 date the [Cooperative Development] Authority issues a
5 certificate of registration under its official seal. All applications
6 for registration shall be finally disposed of by the [Cooperative
7 Development] Authority within a period of [thirty (30)] SIXTY
8 (60) days from the filing thereof, otherwise the application is
9 deemed approved, unless the cause of the delay is attributable to
10 the applicant: *Provided*, That, in case of a denial of the
11 application for registration, an appeal shall lie with the Office of
12 the President within ninety (90) days from receipt of notice of
13 such denial: *Provided, further*, That failure of the Office of the
14 President to act on the appeal within ninety (90) days from the
15 filing thereof shall mean approval of said application[.]:

16 **PROVIDED, FINALLY, THAT NO COOPERATIVE SHALL BE**
17 **REGISTERED UNLESS THE ORGANIZERS AND FOUNDING**
18 **MEMBERS HAVE ATTENDED AND COMPLETED A PRE-**
19 **MEMBERSHIP SEMINAR CONDUCTED BY COOPERATIVES AND**
20 **EDUCATIONAL INSTITUTIONS WITH COOPERATIVE**
21 **DEVELOPMENT PROGRAMS DULY ACCREDITED BY THE**
22 **AUTHORITY IN CONSULTATION WITH THE NATIONAL**
23 **COOPERATIVE FEDERATIONS AND UNIONS, AND HAVE**
24 **SUBMITTED THE FEASIBILITY STUDY AND OTHER DOCUMENTS**
25 **AS PROVIDED FOR IN THIS CODE.**

26 “ART. 17. *Certificate of Registration.* – x x x

27 “ART. 18. *Amendment of Articles of Cooperation and*
28 *Bylaws.* – Unless otherwise prescribed by this Code and for

1 legitimate purposes, any provision or matter stated in the articles
2 of cooperation AND BYLAWS may be amended by [two-thirds
3 (2/3)] A THREE-FOURTHS (3/4) vote of all the members with
4 voting rights, PRESENT AND CONSTITUTING A QUORUM, without
5 prejudice to the right of the dissenting members to exercise their
6 right to withdraw their membership under Articles 31 and 32.

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

23 “ART. 19. *Contracts Executed Prior to Registration and*
24 *Effects Thereof.* – x x x

25 “ART. 20. *Division of Cooperatives.* – Any registered
26 cooperative may, by a resolution approved by a vote of [two-
27 thirds (2/3) of the members eligible to vote at a general assembly

1 meeting,] **THREE-FOURTHS (3/4) OF ALL THE MEMBERS WITH**
2 **VOTING RIGHTS, PRESENT AND CONSTITUTING A QUORUM,**
3 resolve to divide itself into two (2) or more cooperatives. The
4 procedure for such division shall be prescribed in the regulations
5 of the [Cooperative Development] Authority. The new
6 cooperatives shall become legally established upon registration
7 with the Authority: *Provided*, That all the requirements set forth
8 in this Code have been complied with by the new cooperatives:
9 *Provided, further*, That no division of a cooperative in fraud of
10 creditors shall be valid.

11 "ART. 21. *Merger and Consolidation of Cooperatives.* –

12 (1) Two (2) or more cooperatives may merge into a single
13 cooperative which shall be one of the constituent cooperatives or
14 may consolidate into a new single cooperative which shall be the
15 consolidated cooperative.

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

24 (3) The [Cooperative Development] Authority shall issue
25 the guidelines governing the procedure of merger or
26 consolidation of cooperatives. In any case, the merger or
27 consolidation shall be effective upon the issuance of the

1 certificate of merger or consolidation by the [Cooperative
2 Development] Authority.

3 "ART. 22. *Effects of Merger and Consolidation.* – x x x

4 "ART. 23. *Types and Categories of Cooperatives.* – (1)
5 *Types of Cooperatives* – Cooperatives may fall under any of the
6 following types:

7 (a) *Credit AND/OR FINANCIAL SERVICE Cooperatives* is
8 one which promotes thrift AND SAVINGS among its members
9 [and creates] TO GENERATE funds in order to [grant loans]
10 **PROVIDE CREDIT OR OTHER RELATED FINANCIAL SERVICES TO**
11 **THEIR MEMBERS** for productive and provident purposes;

12 (b) x x x

13 (c) x x x

14 (d) x x x

15 (e) x x x

16 (f) x x x

17 (2) x x x

18 (a) x x x

19 (i) x x x

20 (ii) x x x

21 (iii) x x x

22 (b) x x x

23 "ART. 24. *Federation of Cooperatives.* – (1) A federation
24 of cooperatives whose members are primary and/or secondary
25 cooperatives [with single line or multipurpose business
26 activities] **OF ONE TYPE OR SEVERAL TYPES**, may be registered

1 under this Code TO UNDERTAKE A SINGLE LINE OF BUSINESS
2 ACTIVITY for any or all of the following purposes:

3 (a) *Primary Purpose* – To carry on any cooperative
4 enterprise authorized under Article 6[;] **THAT COMPLEMENTS,**
5 **AUGMENTS, OR SUPPLEMENTS BUT DOES NOT CONFLICT WITH**
6 **NOR SUPPLANT THE BUSINESS OR ECONOMIC ACTIVITIES OF**
7 **ITS MEMBERS;**

8 (b) x x x

9 (i) x x x

10 (ii) x x x

11 (iii) x x x

12 (iv) x x x

13 (v) x x x

14 (vi) x x x

15 (2) Registered cooperatives may organize a federation
16 **WITH FIFTEEN (15) MEMBERS** at the MUNICIPAL, provincial,
17 city, **SPECIAL METROPOLITAN POLITICAL SUBDIVISION,**
18 **ECONOMIC ZONES CREATED BY LAW OR FIVE (5) MEMBERS ON**
19 **THE** regional, and national levels according to the type of
20 business ACTIVITY carried on[.] **BY THE COOPERATIVES AND**
21 **SHALL BE REGISTERED WITH THE AUTHORITY.”**

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

24 “ART. 26. *Who May Be Members of Cooperatives.* – Any
25 natural person[.] who is [a citizen of the Philippines,] **AT LEAST**
26 **EIGHTEEN (18) YEARS OF AGE, CAPABLE AND WILLING TO**
27 **PERFORM THE RESPONSIBILITIES OF A MEMBER,** a cooperative,
28 or **ANY non-profit PEOPLE-ORIENTED organization OR**

1 NONGOVERNMENTAL ORGANIZATION with juridical personality
 2 shall be eligible for membership in a cooperative [if]:
 3 **PROVIDED, THAT** the applicant FOR MEMBERSHIP IN THE
 4 COOPERATIVE meets the qualifications prescribed in the bylaws:
 5 *Provided, FURTHER,* That only natural persons may be admitted
 6 as members of a primary cooperative[.]: **PROVIDED, FINALLY,**
 7 **THAT PROSPECTIVE MEMBERS OF A PRIMARY COOPERATIVE**
 8 **MUST HAVE COMPLETED A PRE-MEMBERSHIP EDUCATION**
 9 **SEMINAR (PMES) CONDUCTED BY COOPERATIVES, OR**
 10 **EDUCATIONAL INSTITUTIONS WITH COOPERATIVE**
 11 **DEVELOPMENT PROGRAMS ACCREDITED BY THE AUTHORITY**
 12 **IN CONSULTATION WITH THE NATIONAL COOPERATIVE**
 13 **FEDERATIONS AND UNIONS.**

14 **THE FOREGOING PROVISIONS NOTWITHSTANDING, A**
 15 **DULY REGISTERED COOPERATIVE, REPRESENTED BY ITS**
 16 **GENERAL MANAGER OR CHIEF EXECUTIVE OFFICER OR**
 17 **CHAIRPERSON, MAY BE ADMITTED AS A MEMBER OF A**
 18 **PRIMARY SUBSIDIARY COOPERATIVE THAT IT HELPED**
 19 **ORGANIZE.**

20 “ART. 27. *Kinds of Membership.* – x x x

21 “ART. 28. *Government Officers and Employees.* – (1)

22 Any officer or employee of the [Cooperative Development]
 23 Authority shall be disqualified to be elected or appointed to any
 24 position in a cooperative[.]: **PROVIDED, THAT THE**
 25 **DISQUALIFICATION DOES NOT EXTEND TO A COOPERATIVE**
 26 **ORGANIZED BY THE OFFICERS OR EMPLOYEES OF THE**
 27 **AUTHORITY;**

1 (2) ALL [E]lective officials of the Government[,]
2 [except barangay officials,] shall be ineligible to become officers
3 and directors of cooperatives[;]: **PROVIDED, THAT THE**
4 **DISQUALIFICATION DOES NOT EXTEND TO A PARTY LIST**
5 **REPRESENTATIVE BEING AN OFFICER OF A COOPERATIVE HE**
6 **OR SHE REPRESENTS; and**

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

15 “ART. 29. *Application.* – An applicant for membership
16 shall be deemed a member after approval of his membership by
17 the board of directors and shall exercise the rights of members
18 after having made such payments to the cooperative in respect to
19 membership or acquired interest in the cooperative as may be
20 prescribed in the bylaws. In case membership is refused or
21 denied by the board of directors, an appeal may be made to the
22 general assembly and the latter’s decision shall be final. **THE**
23 **GENERAL ASSEMBLY MAY CREATE AN APPEAL AND GRIEVANCE**
24 **COMMITTEE WHOSE MEMBERS SHALL SERVE FOR A PERIOD OF**
25 **ONE (1) YEAR AND SHALL DECIDE APPEALS ON MEMBERSHIP**
26 **APPLICATION. THE COMMITTEE IS GIVEN THIRTY (30) DAYS**
27 **FROM RECEIPT THEREOF TO DECIDE ON THE APPEAL. IF THE**
28 **COMMITTEE FAILS TO DECIDE WITHIN THE PRESCRIBED**

1 **PERIOD, THE APPEAL IS DEEMED APPROVED IN FAVOR OF THE**
 2 **APPLICANT.**

3 “ART. 30. *Liability of Members.* – x x x

4 “ART. 31. *Termination of Membership.* – (I) A member
 5 of a cooperative may, for any **VALID** reason, withdraw his
 6 membership from the cooperative by giving a sixty (60) day
 7 notice to the board of directors. **SUBJECT TO THE BYLAWS OF**
 8 **THE COOPERATIVE, [T]**The withdrawing member shall be
 9 entitled to a refund of his share capital contribution and all other
 10 interests in the cooperative: *Provided,* That such refund shall not
 11 be made if upon such payment the value of the assets of the
 12 cooperative would be less than the aggregate amount of its debts
 13 and liabilities exclusive of his share capital contribution.

14 (2) The death[,] **OR** insanity[, insolvency or dissolution]
 15 of a member [shall be considered an automatic termination of
 16 membership.] **IN A PRIMARY COOPERATIVE, AND THE**
 17 **INSOLVENCY OR DISSOLUTION OF A MEMBER IN A SECONDARY**
 18 **OR TERTIARY COOPERATIVE SHALL BE CONSIDERED VALID**
 19 **GROUND FOR TERMINATION OF MEMBERSHIP. HOWEVER, IN**
 20 **THE CASE OF THE DEATH OR INSANITY OF AN AGRARIAN**
 21 **REFORM BENEFICIARY-MEMBER OF A COOPERATIVE, THE**
 22 **NEXT-OF-KIN SHALL ASSUME THE DUTIES AND**
 23 **RESPONSIBILITIES OF THE ORIGINAL MEMBER.**

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

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

4 (b) x x x

5 (c) x x x

6 (d) x x x

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

25 SEC. 4. Articles 34, 35, 36, 37, 38, 39, 40, 41, 43, 44, 45, 46, 48, 49,
 26 50 and 51 of Chapter IV on Administration of the same Code are hereby
 27 amended to read as follows:

28 “ART. 34. Powers of the General Assembly. – x x x

1 (1) x x x

2 (2) To elect or appoint the members of the board of
 3 directors, and to remove them for cause[;]. **HOWEVER, IN THE**
 4 **CASE OF THE ELECTRIC COOPERATIVES REGISTERED UNDER**
 5 **THIS CODE, ELECTION OF THE MEMBERS OF THE BOARD**
 6 **SHALL BE HELD IN ACCORDANCE WITH THE ADOPTED BYLAWS**
 7 **OR ELECTION GUIDELINES OF SUCH ELECTRIC COOPERATIVE;**
 8 **AND**

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

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

14 **SUBJECT TO OTHER PROVISIONS OF THIS CODE AND**
 15 **ONLY FOR PURPOSES OF PROMPT AND INTELLIGENT DECISION-**
 16 **MAKING, THE GENERAL ASSEMBLY MAY, BY A THREE-**
 17 **FOURTHS (3/4) VOTE OF ALL ITS MEMBERS WITH VOTING**
 18 **RIGHTS, PRESENT AND CONSTITUTING A QUORUM, DELEGATE**
 19 **SOME OF ITS POWERS TO A SMALLER BODY OF THE**
 20 **COOPERATIVE OR TO THE REPRESENTATIVE ASSEMBLY.**

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

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

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

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

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

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

6 (5) x x x

7 "ART. 36. *Quorum.* – [Unless otherwise provided in the
8 bylaws, a] A quorum shall consist of AT LEAST twenty-five
9 *per centum* (25%) of all the members entitled to vote. IN THE
10 CASE OF ELECTRIC COOPERATIVES REGISTERED UNDER THIS
11 CODE, A QUORUM, UNLESS OTHERWISE PROVIDED IN THE
12 BYLAWS, SHALL CONSIST OF FIVE *PER CENTUM* (5%) OF ALL
13 THE MEMBERS ENTITLED TO VOTE.

14 "ART. 37. *Voting System.* – (1) Each member of a
15 primary cooperative shall have only one (1) vote. A MEMBER
16 OF A secondary or tertiary cooperative [shall] WHO have voting
17 rights as delegate of members-cooperatives, [but such
18 cooperatives shall have only five (5) votes] SHALL HAVE ONE (1)
19 BASIC VOTE AND AS MANY INCENTIVE VOTES AS PROVIDED IN
20 THE BYLAWS BUT NOT TO EXCEED A MAXIMUM OF FIVE (5)
21 VOTES. The votes cast by the delegates shall be deemed as votes
22 cast by the members thereof.

23 (2) IN A PRIMARY COOPERATIVE, [N]No voting
24 agreement, [or other device] IN WHATEVER FORM SHALL BE
25 ALLOWED to evade the one-member-one-vote provision except
26 as provided under subsection (1) hereof [shall be valid].

1 [(3) No member of a primary cooperative shall be
2 permitted to vote by proxy unless provided for specifically in the
3 bylaws of the cooperative].

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

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

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

25 "ART. 40. *Directors.* – (1) x x x

26 (2) x x x

1 **(3) THE MEMBERS OF THE BOARD OF DIRECTORS**
 2 **SHALL NOT HOLD ANY OTHER POSITION DIRECTLY INVOLVED**
 3 **IN THE DAY TO DAY OPERATION AND MANAGEMENT OF THE**
 4 **COOPERATIVE.**

5 “ART. 41. *Meeting of the Board, Quorum.* – (1) **IN THE**
 6 **CASE OF PRIMARY COOPERATIVES, [R]Regular meetings of the**
 7 **board of directors [of every cooperative] shall be held monthly[,**
 8 **unless the bylaws provide otherwise].**

9 (2) Special meetings of the board of directors may be
 10 held at any time upon the call of the [President] **CHAIRPERSON**
 11 **OR A MAJORITY OF THE MEMBERS OF THE BOARD [or as**
 12 **provided in the bylaws.]: PROVIDED, THAT NOTICES OF**
 13 **MEETING SPECIFYING THE AGENDA OF THE SPECIAL MEETING**
 14 **SHALL BE GIVEN TO ALL MEMBERS OF THE BOARD AT LEAST**
 15 **ONE (1) WEEK BEFORE THE SAID MEETING.**

16 (3) x x x

17 (4) x x x

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

19 “ART. 43. *Officers of the Cooperative.* – The board of
 20 directors shall elect from among themselves [only the chairman
 21 and vice-chairman,] **THE CHAIRPERSON AND VICE-**
 22 **CHAIRPERSON,** and elect or appoint other officers of the
 23 cooperative from outside of the board in accordance with [their]
 24 **THE bylaws[.] OF THE COOPERATIVE.** All officers shall serve
 25 during good behavior and shall not be removed except for a
 26 cause after due hearing. Loss of confidence shall not be a valid
 27 ground for removal unless evidenced by acts or omission causing

1 loss of confidence in the honesty and integrity of such officer.

2 No two (2) or more persons with relationships up to the [third]

3 **SECOND** civil degree of consanguinity or affinity **NOR SHALL**

4 **ANY PERSON ENGAGED IN A BUSINESS SIMILAR TO THAT OF**

5 **THE COOPERATIVE OR WHO IN ANY OTHER MANNER HAS**

6 **INTERESTS IN CONFLICT WITH THE COOPERATIVE** shall serve

7 as elective or appointive officer[s] in the same [board]

8 **COOPERATIVE.**

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

10 (2) The bylaws shall provide for the creation of an audit

11 committee, **AN ELECTION COMMITTEE, A MEDIATION AND**

12 **CONCILIATION COMMITTEE, AND AN ETHICS COMMITTEE, THE**

13 **MEMBERS OF WHICH SHALL BE ELECTED BY THE GENERAL**

14 **ASSEMBLY, and such other committees as may be necessary for**

15 **the proper conduct of the affairs of the cooperative. THE AUDIT**

16 **COMMITTEE SHALL BE DIRECTLY ACCOUNTABLE AND**

17 **RESPONSIBLE TO THE GENERAL ASSEMBLY WITH THE POWER**

18 **AND DUTY TO CONTINUOUSLY MONITOR THE ADEQUACY AND**

19 **EFFECTIVENESS OF THE COOPERATIVE’S MANAGEMENT**

20 **CONTROL SYSTEM AND AUDIT THE PERFORMANCE OF THE**

21 **COOPERATIVE AND ITS VARIOUS RESPONSIBILITY CENTERS.**

22 Unless otherwise provided in the bylaws, the board, in

23 case of a vacancy in [said] **THE** committees, may [cause] **CALL**

24 an election to fill the vacancy or appoint a person to fill the same

25 subject to the provision that the person elected or appointed shall

26 serve only for the unexpired portion of the term.

27 “ART. 45. *Functions, [and] Responsibilities AND*

28 ***TRAINING REQUIREMENTS of Directors, Officers and Committee***

29 ***Members.*** – The functions and responsibilities of the directors,

1 officers and committee members shall be IN ACCORDANCE WITH
2 THE RULES AND REGULATIONS ISSUED BY THE AUTHORITY OR
3 as prescribed in detail in the bylaws of a cooperative.

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

12 *“ART. 46. Liability of Directors, Officers and Committee*
13 *Members. – x x x*

14 When a director, officer or committee member attempts to
15 acquire or acquires, in violation of his duty, any interest or equity
16 adverse to the cooperative in respect to any matter which has
17 been reposed in him in confidence, he shall, as a trustee for the
18 cooperative, be liable for damages and **SHALL BE**
19 **ACCOUNTABLE** for double the profits which otherwise would
20 have accrued to the cooperative.

21 *“ART. 47. Compensation. – x x x*

22 *“ART. 48. Dealings of Directors, Officers or Committee*
23 *Members. – A contract of the cooperative with one (1) or more*
24 *of its directors, officers [,] OR committee members is voidable,*
25 *at the option of [such] THE cooperative, unless all the following*
26 *conditions are present:*

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

4 (2) x x x

5 (3) x x x

6 (4) x x x

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

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

26 “ART. 50. *Illegal Use of Confidential Information.* – (1)
27 A director or officer, or an associate of a director or officer, who,

1 [in connection with a transaction relating to shares of a
 2 cooperative or a debt obligation of a cooperative and] for his
 3 benefit or advantage or that of an associate, makes use of A
 4 confidential information that, if generally known, might
 5 reasonably be expected to ADVERSELY affect THE OPERATION
 6 AND VIABILITY OF THE COOPERATIVE [materially the value of
 7 the share or the debt obligation], shall be held:

8 (a) Liable to compensate THE COOPERATIVE [any
 9 person] for [a] direct losses suffered by that [person as a result
 10 of the transaction, unless the information was known or
 11 reasonably should have been known to the person at the time of
 12 the transaction] COOPERATIVE AS A RESULT OF THE ILLEGAL
 13 USE OF INFORMATION; and

14 (b) x x x

15 (2) x x x

16 "ART. 51. *Removal.* -- ACTIONS FOR THE REMOVAL OF
 17 ANY OFFICER ELECTED BY THE GENERAL ASSEMBLY MAY BE
 18 INITIATED BY THE MAJORITY OF THE BOARD OF DIRECTORS,
 19 AUDIT COMMITTEE, ELECTION COMMITTEE, ETHICS
 20 COMMITTEE OR TEN PERCENT (10%) OF ALL THE MEMBERS
 21 WITH VOTING RIGHTS. ANY MEMBER OF A COOPERATIVE IN
 22 GOOD STANDING MAY, FOR JUST AND VALID GROUNDS, FILE A
 23 WRITTEN COMPLAINT FOR REMOVAL WITH ANY ONE OF THE
 24 AFOREMENTIONED BODIES. SUBJECT TO THE PROVISIONS OF
 25 ARTICLE 43, ALL OTHER OFFICERS ELECTED OR APPOINTED
 26 OTHER THAN BY THE GENERAL ASSEMBLY MAY BE REMOVED
 27 BY THE BODY THAT ELECTED OR APPOINTED THEM OR BY

1 **SUCH BODY AS MAY BE PROVIDED IN THE BYLAWS. An**
 2 **[elective] officer[, director, or committee member] ELECTED BY**
 3 **THE GENERAL ASSEMBLY** may be removed by a **MAJORITY** vote
 4 **[of two-thirds (2/3) of the voting] OF THE** members present and
 5 constituting a quorum, in a regular or special general assembly
 6 meeting called for the purpose. The person involved shall be
 7 given an opportunity to be heard at said assembly.

8 **IN THE ABSENCE OF A GENERAL ASSEMBLY MEETING,**
 9 **AN OFFICER ELECTED BY THE GENERAL ASSEMBLY MAY BE**
 10 **REMOVED THROUGH A RESOLUTION OF THE MAJORITY**
 11 **MEMBERS OF THE AUDIT COMMITTEE RATIFIED BY WRITTEN**
 12 **ASSENT OF A MAJORITY OF ALL THE MEMBERS WITH VOTING**
 13 **RIGHTS. NO SUCH AUDIT COMMITTEE RESOLUTION SHALL BE**
 14 **PASSED UNTIL THE PERSON INVOLVED HAS BEEN GIVEN AN**
 15 **OPPORTUNITY TO BE HEARD BEFORE THE SAID COMMITTEE.”**

16 SEC. 5. Articles 53, 54, 57, 58, 59, 62 and 63 of Chapter V on
 17 Responsibilities, Rights and Privileges of Cooperatives of the same Code are
 18 hereby amended to read as follows:

19 “ART. 53. *Books to be Kept Open.* – (1) Every
 20 *cooperative shall have the following [open] DOCUMENTS READY*
 21 **AND ACCESSIBLE** to its members and representatives of the
 22 Authority for inspection during reasonable office hours at its
 23 official address:

- 24 (a) x x x
 25 (b) x x x
 26 (c) x x x
 27 (d) x x x
 28 (e) x x x

1 (f) x x x

2 (g) x x x

3 (h) x x x

4 (2) The {chairman of the audit committee of a
5 cooperative] ACCOUNTANT OR THE BOOKKEEPER OF THE
6 COOPERATIVE shall be responsible for THE MAINTENANCE AND
7 SAFEKEEPING OF THE books and records of account of the
8 cooperative in accordance with generally accepted accounting
9 practices. He shall also be responsible for the production of the
10 same at the time of audit or inspection.

11 THE AUDIT COMMITTEE SHALL BE RESPONSIBLE FOR
12 THE CONTINUOUS AND PERIODIC REVIEW OF THE BOOKS AND
13 RECORDS OF ACCOUNT TO ENSURE THAT THESE ARE IN
14 ACCORDANCE WITH THE COOPERATIVE PRINCIPLES AND
15 GENERALLY ACCEPTED ACCOUNTING PRACTICES.

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

24 (4) Subject to the pertinent provisions of the National
25 Internal Revenue Code and other laws, a cooperative may
26 dispose by way of burning or other method of complete
27 destruction any document, record or book pertaining to its
28 financial and nonfinancial operations which are already more

1 than five (5) years old except those relating to transactions which
2 are the subject of civil, criminal, and administrative proceedings.
3 An inventory of the audited documents, records, and books to be
4 disposed of shall be drawn up and certified to by the
5 [cooperative] secretary OF THE COOPERATIVE and the chairman
6 of the audit committee [of the cooperative] and presented to the
7 board of directors which may thereupon approve the disposition
8 of THE said records.

9 “ART. 54. *[Annual] Reports.* – (1) Every cooperative
10 shall draw up [an annual] REGULAR reports of its [affairs]
11 ACTIVITIES AND PROGRAMS INCLUDING THOSE IN PURSUANCE
12 OF SOCIAL GOALS SHOWING THEIR PROGRESS AND
13 ACHIEVEMENTS as of the end of every fiscal year. THE REPORT
14 SHALL BE MADE ACCESSIBLE TO ITS MEMBERS, and COPIES OF
15 SUCH REPORTS SHALL BE FURNISHED [publish the same
16 furnishing copies] to all its members of record. A copy thereof
17 shall be filed with the [Cooperative Development] Authority
18 within [sixty (60)] ONE HUNDRED TWENTY (120) DAYS from the
19 end of [every fiscal] THE CALENDAR year. The form and
20 contents of the [annual] reports shall be prescribed by the rules
21 of the Authority UPON CONSULTATION WITH THE SECTOR.
22 Failure to file the required [annual] reports shall SUBJECT THE
23 ACCOUNTABLE OFFICER(S) TO FINES AND PENALTIES AS MAY
24 BE PRESCRIBED BY THE AUTHORITY, AND SHALL be a ground
25 for THE revocation of authority of the cooperative to operate as
26 such. The fiscal year of every cooperative shall be the calendar

1 year, except [as may be otherwise provided in the bylaws] FOR
 2 THOSE THAT MAY BE ALLOWED BY THE AUTHORITY.

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

21 "ART. 55. *Register of Members as Prima Facie*
 22 *Evidence.* – x x x

23 "ART. 56. *Probative Value of Certified Copies of Entries.*
 24 – x x x

25 "ART. 57. *Bonding of Accountable Officers.* – Every
 26 director, officer, and employee handling funds, securities or
 27 property on behalf of any cooperative shall BE COVERED BY A

1 SURETY BOND TO BE ISSUED BY A DULY REGISTERED
2 INSURANCE OR BONDING COMPANY [execute and deliver
3 adequate bonds] for the faithful performance of [his] THEIR
4 RESPECTIVE duties and obligations. The board of directors shall
5 determine the adequacy of such bonds.

6 UPON FILING OF THE APPLICATION FOR REGISTRATION
7 OF A COOPERATIVE, THE BONDS OF THE ACCOUNTABLE
8 OFFICERS SHALL BE REQUIRED BY THE AUTHORITY. SUCH
9 BONDS SHALL BE RENEWED ANNUALLY AND THE AUTHORITY
10 SHALL ACCORDINGLY BE INFORMED OF SUCH RENEWAL.

11 "ART. 58. *Preference of Claims.* – (1) Notwithstanding
12 the provisions of existing laws, rules and regulations to the
13 contrary, but subject to the prior claim of the [Cooperative
14 Development] Authority, any debt due a cooperative from a
15 member shall [be] CONSTITUTE A first lien upon any raw
16 materials, production inputs, and products produced; or any land,
17 building, facilities, equipment, goods or services acquired and
18 held, by such member through the proceeds of the loan or credit
19 granted by the cooperative to him for as long as the same is not
20 fully paid.

21 (2) x x x

22 (3) x x x

23 "ART. 59. *Instrument for Salary or Wage Deduction.* –
24 (1) x x x

25 (2) Upon the execution of such instrument and as may be
26 required by the cooperative contained in a written request, the
27 employer shall make the deduction in accordance with the

1 agreement and remit forthwith the amount so deducted WITHIN
 2 TEN (10) DAYS AFTER THE END OF THE PAYROLL MONTH to the
 3 cooperative. The employer shall make the deduction for as long
 4 as such debt or other demand or any part of it remains unpaid by
 5 the employee.

6 (3) x x x

7 (4) The provisions of this article shall also apply to all
 8 such agreements of the nature referred to in paragraph (1) as
 9 were in force on the date of the approval of this Code.

10 (5) NOTWITHSTANDING THE PROVISIONS OF EXISTING
 11 LAWS TO THE CONTRARY, THE RESPONSIBILITIES OF THE
 12 EMPLOYER AS STATED IN PARAGRAPHS (1) AND (2) OF THIS
 13 ARTICLE SHALL BE MANDATORY: *PROVIDED*, THAT IN THE
 14 CASE OF A PRIVATE EMPLOYER, THE COOPERATIVE MAY
 15 AGREE TO REIMBURSE THE EMPLOYER OF THE ACTUAL AND
 16 REASONABLE COSTS OF DEDUCTING AND REMITTING.

17 "ART. 60. *Primary Lien.* - x x x

18 "ART. 61. *Tax Treatment of Cooperatives.* - x x x

19 "ART. 62. *Tax and Other Exemptions.* - x x x

20 (1) x x x

21 (2) x x x

22 (a) x x x

23 (b) x x x

24 (c) x x x

25 (d) x x x

26 (3) x x x

27 (4) Any judge in his capacity as notary public, *ex officio*,
 28 shall render service, free of charge, to any person or group of

1 persons requiring either the administration of oath or the
 2 acknowledgment of articles of cooperation of a cooperative
 3 applicant for registration and instruments of loan from
 4 cooperative not exceeding [Fifty thousand pesos (P50,000.00)]
 5 **TWO HUNDRED FIFTY THOUSAND PESOS (P250,000.00).**

6 (5) Any register of deeds shall accept for registration,
 7 free of charge, any instrument relative to a loan made under this
 8 Code which does not exceed [Fifty thousand pesos
 9 (P50,000.00)] **TWO HUNDRED FIFTY THOUSAND PESOS**
 10 **(P250,000.00)** or the deeds of title of any property acquired by
 11 the cooperative or any paper or document drawn in connection
 12 with any action brought by the cooperative or with any court
 13 judgment rendered in its favor or any instrument relative to a
 14 bond of any accountable officer of a cooperative for the faithful
 15 performance of his duties and obligations.

16 (6) x x x

17 (7) x x x

18 (8) x x x .

19 "ART. 63. *Privileges of Cooperatives.* - x x x

20 (1) x x x

21 (2) x x x

22 (3) x x x

23 (4) In areas where appropriate cooperatives exist, the
 24 [preferential right] **RIGHT OF FIRST REFUSAL** to supply
 25 government institutions and agencies rice, corn and other grains,
 26 fish and other marine products, meat, eggs, milk, vegetables,

1 tobacco and other agricultural commodities produced by their
2 members shall be granted to the cooperatives concerned;

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

7 (6) x x x

8 (7) Cooperatives and their federations, such as **FARM**
9 **AND FISHERY PRODUCERS AND SUPPLIERS**, market vendor **AND**
10 **OTHER cooperatives[,] WHICH HAVE FOR THEIR PRIMARY**
11 **PURPOSE PRODUCTION AND/OR THE MARKETING OF PRODUCTS**
12 **FROM AGRICULTURE, FISHERIES AND SMALL**
13 **ENTREPRENEURIAL INDUSTRIES AND FEDERATIONS THEREOF,**
14 shall have [preferential rights] **THE RIGHT OF FIRST REFUSAL** in
15 **THE** management of public markets and/or lease of public market
16 facilities, stalls or spaces[:]; **PROVIDED, THAT THE**
17 **COOPERATIVES THEMSELVES UTILIZE THESE RIGHTS AND NOT**
18 **THROUGH A MIDDLE-MAN NOR A PERSON NOT CONNECTED**
19 **WITH, NOR A MEMBER OF THE COOPERATIVE;**

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

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

9 **(A) MANAGEMENT AND OPERATION OF PUBLIC**
10 **TERMINALS AND PORTS WHETHER LAND, SEA OR AIR**
11 **TRANSPORT WHERE THE COOPERATIVE OPERATES; AND**

12 **(B) SECURING FRANCHISE FOR ACTIVE OR POTENTIAL**
13 **ROUTE FOR PUBLIC TRANSPORT;**

14 ~~[(9)]~~ (10) x x x

15 ~~[(10)]~~ (11) x x x

16 **(12) COOPERATIVES ORGANIZED BY FACULTY**
17 **MEMBERS AND EMPLOYEES OF EDUCATIONAL INSTITUTIONS**
18 **SHALL HAVE THE RIGHT OF FIRST REFUSAL IN THE**
19 **MANAGEMENT OF THE CANTEEN AND OTHER SERVICES**
20 **RELATED TO THE OPERATION OF THE EDUCATIONAL**
21 **INSTITUTION WHERE THEY ARE EMPLOYED: PROVIDED, THAT**
22 **SUCH SERVICES ARE OPERATED WITHIN THE PREMISES OF THE**
23 **SAID EDUCATIONAL INSTITUTIONS. THE FACULTY MEMBERS**
24 **AND EMPLOYEES, IN THE DISCHARGE OF THEIR DUTIES AS**
25 **OFFICERS OR MEMBERS OF THE COOPERATIVE, SHALL BE**
26 **ALLOWED BY THE OWNERS AND/OR ADMINISTRATORS OF THE**
27 **EDUCATIONAL INSTITUTION CONCERNED TO USE OFFICIAL**
28 **TIME FOR ATTENDANCE AT THE GENERAL ASSEMBLY**
29 **MEETINGS, BOARD AND COMMITTEE MEETINGS OF**
30 **COOPERATIVES AS WELL AS COOPERATIVE SEMINARS,**

1 CONFERENCES, WORKSHOPS, TECHNICAL MEETINGS, AND
2 TRAINING COURSES LOCALLY OR ABROAD: *PROVIDED*, THAT A
3 WRITTEN REQUEST IS MADE AT LEAST TEN (10) DAYS PRIOR TO
4 THE ACTIVITY.”

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

7 “ART. 64. *Proceedings Upon Insolvency.* – In case a
8 cooperative is unable to fulfill its obligations to creditors due to
9 insolvency, such cooperative may apply for such remedies as it
10 may deem fit under the provisions of [the Insolvency Law (]Act
11 No. 1956, as amended[)], **OTHERWISE KNOWN AS THE**
12 **INSOLVENCY LAW.**

13 x x x.”

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

16 “ART. 65. *Voluntary Dissolution Where No Creditors Are*
17 *Affected.* – If the dissolution of a cooperative does not prejudice
18 the rights of any creditor having a claim against it, the
19 dissolution may be effected by a majority vote of the board of
20 directors, and by a resolution duly adopted by the affirmative
21 vote of at least [two-thirds (2/3)] **THREE-FOURTHS (3/4)** of all
22 the members with voting rights, **PRESENT AND CONSTITUTING A**
23 **QUORUM**, at a meeting to be held upon call of the directors:
24 *Provided*, That notice of time, place and object of the meeting
25 shall be published for three (3) consecutive weeks in a
26 newspaper published in the place where the principal office of
27 said cooperative is located, or if no newspaper is published in

1 such place, in a newspaper of general circulation in the
2 Philippines: *Provided, further*, That notice of such meeting is
3 sent to each stockholder or member either by registered mail or
4 by personal delivery at least thirty (30) days prior to said
5 meeting. A copy of the resolution authorizing the dissolution
6 shall be certified by a majority of the board of directors and
7 countersigned by the secretary of the cooperative. The
8 [Cooperative Development] Authority shall thereupon issue the
9 certificate of dissolution.

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

22 x x x

23 "ART. 67. *Involuntary Dissolution.* – x x x

24 "ART. 68. *Dissolution by Order of the Authority.* – x x x

25 "ART. 69. *Dissolution by Failure to Organize and*
26 *Operate.* – If a cooperative has not commenced business and
27 operation within two (2) years after the date shown on its

1 certificate of registration or has not carried on A business for two
2 (2) consecutive years, the Authority shall send A formal inquiry
3 to the said cooperative as to the status of its operation. Failure of
4 the cooperative to promptly provide justifiable cause for its
5 failure to operate shall warrant the Authority to strike off its
6 name from the register and, for all intents and purposes, the
7 cooperative shall be deemed dissolved.

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

18 At any time during THE said three (3) years, [said] THE
19 cooperative is authorized and empowered to convey all of its
20 [property] PROPERTIES to trustees for the benefit of members,
21 creditors and other persons in interest. From and after any such
22 conveyance by the cooperative of its [property] PROPERTIES in
23 trust for the benefit of its members, creditors and other[s]
24 PERSONS in interest, all interest which the cooperative had in the
25 [property] PROPERTIES terminates the legal interest [vests]
26 VESTED in the trustees and the beneficial interest [vests] VESTED
27 in the members, creditors, or other persons in interest.

1 x x x

2 “ART. 71. *Rules and Regulations on Liquidation.* – x x

3 x.”

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

6 “ART. 73. *Capital Sources.* – x x x

7 (1) x x x

8 (2) x x x

9 (3) x x x

10 (4) Subsidies, donations, legacies, grants, aids and such
11 other assistance from any local or foreign institution whether
12 public or private[.]: **PROVIDED, THAT CAPITAL COMING FROM**
13 **SUCH SUBSIDIES, DONATIONS, LEGACIES, GRANTS, AIDS AND**
14 **OTHER ASSISTANCE SHALL NOT BE DIVIDED INTO INDIVIDUAL**
15 **SHARE CAPITAL HOLDINGS AT ANY TIME BUT SHALL INSTEAD**
16 **FORM PART OF THE DONATED CAPITAL OR FUND OF THE**
17 **COOPERATIVE.**

18 “ART. 74. *Limitation on Share Capital Holdings.* – No
19 member of a cooperative other than a cooperative shall own or
20 hold more than [twenty per centum (20%)] **TEN PER CENTUM**
21 **(10%)** of the share capital of the cooperative.

22 Where a member of a cooperative dies, his heir shall be
23 entitled to the shares of the decedent: *Provided,* That the total
24 share holding of the heir does not exceed [twenty per centum
25 (20%)] **TEN PER CENTUM (10%)** of the share capital of the
26 cooperative: *Provided, further,* That the heir qualify and is
27 admitted as member of the cooperative: *Provided, finally,* That
28 where the heir fails to qualify as such member or where his total

1 share holding exceeds [twenty per centum (20%)] **TEN PER**
2 **CENTUM (10%)** of the share capital, the share or shares in excess
3 will revert to the cooperative upon payment to the heir of the
4 value of such shares.

5 "ART. 75. *Assignment of Share Capital Contribution or*
6 *Interest.* – x x x

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

17 "ART. 77. *Shares.* – The term "share" refers to a unit of
18 capital the par value of which may be fixed at any figure but not
19 less than One peso (P1.00) **NOR MORE THAN FIVE THOUSAND**
20 **PESOS (P5,000.00).** The share capital of a cooperative is the
21 money paid or required to be paid for to conduct its operations.
22 The method of issuing the share certificates may be prescribed in
23 the bylaws of the cooperative.

24 "ART. 78. *Fines.* – The bylaws of a cooperative may
25 prescribe a fine on unpaid subscribed share capital [subject to
26 the guidelines which the Cooperative Development Authority

1 may issue.]: **PROVIDED, THAT SUCH FINE IS FAIR AND**
 2 **REASONABLE UNDER THE CIRCUMSTANCES.**

3 “ART. 79. *Investment of Capital.* – x x x

4 “ART. 80. *Revolving Capital.* – The general assembly of
 5 any cooperative may authorize the board of directors to raise a
 6 revolving capital to strengthen its capital structure by deferring
 7 the payment of patronage refunds and interest on share capital or
 8 by the authorized deduction of a percentage from the proceeds of
 9 products sold **OR SERVICES RENDERED**, or per unit of product
 10 **OR SERVICES** handled. The board of directors shall issue
 11 revolving capital certificates with serial number, name, amount,
 12 and rate of interest to be paid and shall distinctly set forth that
 13 the time of retirement [by] **OF** such certificates and the amounts
 14 to be returned are at the discretion of the board of directors.”

15 SEC. 9. Articles 81 and 82 of Chapter IX on Audit, Inquiry’ and
 16 Members’ Right to Examine of the same Code are hereby amended to read as
 17 follows:

18 “ART. 81. *Annual Audit.* – Cooperatives under this Code
 19 shall be subject to an annual **FINANCIAL, PERFORMANCE AND**
 20 **SOCIAL** audit [by an auditor]. **THE FINANCIAL AUDIT SHALL BE**
 21 **CONDUCTED BY AN EXTERNAL AUDITOR** who satisfies all of the
 22 following qualifications:

23 (1) He is independent of the cooperative being audited
 24 and of any subsidiary of the cooperative; and

25 (2) He is a member [of any recognized professional
 26 accounting or cooperative auditors’ association with similar
 27 qualifications] **IN GOOD STANDING OF THE PHILIPPINE**

1 **INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (PICPA)**
2 **AND IS ACCREDITED BY THE BOARD OF ACCOUNTANCY AND**
3 **THE AUTHORITY.**

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

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

18 [The audit committee shall forthwith furnish the board of
19 directors a copy of the audit report.] Thereafter, the board of
20 directors shall present the complete audit report to the general
21 assembly in its next meeting.

22 **SOCIAL AND PERFORMANCE AUDITS SHALL BE**
23 **CONDUCTED INTERNALLY BY THE AUDIT COMMITTEE OR PAID**
24 **STAFF OR VOLUNTEER MEMBERS OF THE COOPERATIVE OR**
25 **EXTERNALLY, BY QUALIFIED EXTERNAL AUDITORS.”**

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

1 “ART. 86. *Net Surplus.* – Notwithstanding the provisions
2 of existing laws, the net surplus of cooperatives shall be
3 determined in accordance with its bylaws. Every cooperative
4 shall determine its net surplus at the close of every fiscal year
5 and at such other time as may be prescribed by the bylaws.

6 **ANY PROVISION OF LAW TO THE CONTRARY**
7 **NOTWITHSTANDING, [T]**The net surplus shall not be construed
8 as profit but as excess of payments made by the members for the
9 loans borrowed, or the goods and services bought by them from
10 the cooperative **OR THE BALANCE OF THE RIGHTFUL AMOUNT**
11 **DUE TO THE MEMBERS FOR THEIR PRODUCTS SOLD OR**
12 **SERVICES RENDERED TO THE COOPERATIVE** and which shall be
13 deemed to have been returned to them if the same is distributed
14 as prescribed herein.

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

17 (1) x x x

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

22 x x x

23 (b) x x x

24 (c) x x x

25 (i) x x x

26 (ii) x x x

27 (2) An amount for the education and training fund[,
28 which] shall [be] not [more] **BE LESS** than ten *per centum* (10%)

1 of net surplus. The bylaws may provide that certain fees [or
2 fines] or a portion thereof be credited to such fund. **THE FUND
3 SHALL PROVIDE FOR THE TRAINING, PROVISION FOR WORK
4 EXPERIENCE AND SIMILAR OTHER COOPERATIVE ACTIVITIES
5 GEARED TOWARDS THE ACHIEVEMENT OF THE GOALS OF THE
6 MOVEMENT. THE INDIVIDUAL COOPERATIVE MAY DECIDE TO
7 SET ASIDE A PARTICULAR PORTION OF THEIR RESOURCES FOR
8 THIS PROGRAM.**

9 (a) Half of the amounts transferred to the education and
10 training fund annually under this subsection may be spent by the
11 cooperative for education and training and other purposes; while
12 the other half shall be [credited] REMITTED to the [cooperative
13 education and training fund of the respective] apex organization
14 of which the cooperative is a member. **IF THE COOPERATIVE IS
15 NOT A MEMBER OF ANY APEX ORGANIZATION, IT SHALL REMIT
16 HALF OF ITS COOPERATIVE EDUCATION AND TRAINING FUND
17 (CETF) TO THE APEX ORGANIZATION CHOSEN BY ITS BOARD
18 OF DIRECTORS FROM AMONG THE EXISTING APEX
19 ORGANIZATIONS REGISTERED WITH THE AUTHORITY:
20 PROVIDED, THAT THE APEX ORGANIZATION CHOSEN SHALL
21 SUBMIT THE FOLLOWING SCHEDULES: (I) COOPERATIVES
22 WHICH HAVE REMITTED TO THEM THEIR RESPECTIVE
23 COOPERATIVE EDUCATION AND TRAINING FUNDS (CETF);
24 (II) BUSINESS CONSULTANCY ASSISTANCE TO INCLUDE THE
25 NATURE AND COST; AND (III) OTHER TRAINING ACTIVITIES
26 UNDERTAKEN SPECIFYING THEREIN THE NATURE,
27 PARTICIPANTS AND COST OF EACH ACTIVITY. An apex
28 organization may be a federation or union.**

1 (b) x x x

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

8 [(3)] (4) An optional fund, a land and building,
9 [community development,] and any other necessary fund the
10 total of which [may] SHALL not exceed [ten *per centum* (10%)]
11 SEVEN *PER CENTUM* (7%).

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

19 x x x.”

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

23 “ART. 89. *Definition and Purpose.* – An agrarian
24 reform cooperative within the meaning of this Code is one where
25 the majority of the members are agrarian reform beneficiaries
26 [and marginal farmers and organized for any or all of the

1 following purposes:] AND FARMERS WHOSE LEVEL OF INCOME
2 ARE MARGINAL AT THE TIME THEY JOINED THE COOPERATIVE.

3 AN AGRARIAN REFORM COOPERATIVE AS DEFINED
4 SHALL BE ORGANIZED FOR ANY OR ALL OF THE FOLLOWING
5 PURPOSES:

6 x x x

7 "ART. 90. *Cooperative Estates.* - x x x

8 "ART. 91. *Infrastructure.* - x x x

9 "ART. 92. *Lease of Public Lands.* - x x x

10 "ART. 93. *Preferential Right.* - x x x

11 "ART. 94. *Privileges.* - x x x

12 (1) x x x

13 (2) x x x

14 (3) x x x

15 (4) x x x

16 (5) x x x

17 (6) x x x

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

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

3 (6) Such other types of public service as may be engaged
4 in by any cooperative. Such cooperative shall be primarily
5 governed by this Chapter and the *general provisions of this Code*
6 insofar as they may be applicable unless they are inconsistent
7 herewith.

8 “ART. 97. *Registration Requirements.* – No public
9 service cooperative shall be registered unless it satisfies the
10 following requirements:

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

14 (2) Its articles of cooperation and bylaws provide for the
15 membership of the users *and/or producers of the service of such*
16 cooperatives; and

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

23 “ART. 98. *Regulation of Public Service Cooperatives.* –

24 (1) The internal affairs of public service cooperatives such as the
25 rights and privileges of members, the rules and procedures for
26 meetings of the general assembly, board of directors and
27 committees; for the election and qualifications of officers,
28 directors, and committee members; allocation and distribution of

1 FOR THE ECONOMIC AND EFFICIENT CARRIAGE OF
2 PASSENGERS AND GOODS.

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

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

15 (1) THAT IT HAS SECURED A FAVORABLE
16 ENDORSEMENT FROM THE PROPER GOVERNMENT AGENCY
17 AUTHORIZED TO ISSUE THE FRANCHISE OR THE CERTIFICATES
18 OF PUBLIC CONVENIENCE AND NECESSITY;

19 (2) THAT ITS ARTICLES OF COOPERATION AND BYLAWS
20 PROVIDE FOR THE MEMBERSHIP OF THE USERS AND/OR
21 PRODUCERS; AND

22 (3) THAT IT SATISFIES SUCH OTHER REQUIREMENTS AS
23 MAY BE IMPOSED BY OTHER PERTINENT GOVERNMENT
24 AGENCIES CONCERNED.

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

1 **“ART. 103. PREFERENTIAL TREATMENT IN AWARDING**
2 **OF PUBLIC SERVICE FRANCHISE OR BUSINESS**
3 **FRANCHISE/PERMIT TO TRANSPORTATION COOPERATIVES. – IN**
4 **CASES WHERE THERE ARE TWO (2) OR MORE APPLICANTS FOR**
5 **A PUBLIC SERVICE FRANCHISE OR FOR A CERTIFICATE OF**
6 **PUBLIC CONVENIENCE AND NECESSITY, ALL THINGS BEING**
7 **EQUAL, PREFERENTIAL TREATMENT SHALL BE GIVEN TO**
8 **TRANSPORTATION SERVICE COOPERATIVES.**

9 **“ART. 104. ENGAGEMENT IN ALLIED BUSINESSES BY**
10 **TRANSPORTATION SERVICE COOPERATIVES. – SUBJECT TO**
11 **PERTINENT NATIONAL LAWS AND LOCAL ORDINANCES,**
12 **PRIMARY TRANSPORTATION SERVICE COOPERATIVES**
13 **INCLUDING SECONDARY AND TERTIARY FEDERATION OF**
14 **COOPERATIVES MAY ENGAGE IN A BUSINESS RELATED TO**
15 **TRANSPORTATION SERVICES, INCLUDING, BUT NOT LIMITED**
16 **TO:**

17 **(1) IMPORTATION, DISTRIBUTION AND MARKETING OF**
18 **PETROLEUM PRODUCTS IN ACCORDANCE WITH THE EXISTING**
19 **LAW(S);**

20 **(2) OPERATION OF GASOLINE STATIONS AND**
21 **TRANSPORTATION SERVICE CENTERS;**

22 **(3) IMPORTATION, DISTRIBUTION AND MARKETING OF**
23 **AUTO PARTS AND SUPPLIES;**

24 **(4) IMPORTATION, DISTRIBUTION AND MARKETING OF**
25 **VEHICLES;**

26 **(5) OPERATION OF MANUFACTURING AND/OR**
27 **ASSEMBLY PLANT OF VEHICLES;**

28 **(6) OPERATION OF MANUFACTURING OF AUTO PARTS**
29 **AND SUPPLIES;**

1 (7) MARKETING OF VEHICLE/DRIVERS' INSURANCE
2 POLICIES; AND

3 (8) OTHER PRODUCTS AND SERVICES FOR THE USE AND
4 CONSUMPTION OF ITS MEMBERS.

5 "ART. 105. *REGULATION OF TRANSPORTATION*
6 *SERVICE COOPERATIVES.* -- THE REGULATION OF
7 TRANSPORTATION SERVICE COOPERATIVES SHALL BE IN
8 ACCORDANCE WITH EXISTING LAWS IMPLEMENTED BY THE
9 APPROPRIATE GOVERNMENT AGENCIES SUBJECT TO THE
10 PRIVILEGES ACCORDED TO COOPERATIVES UNDER THIS CODE
11 AND OTHER RELEVANT RULES AND REGULATIONS.

12 "ART. 106. *MONITORING.* -- THE AUTHORITY SHALL
13 ESTABLISH A COMMITTEE FOR THE MONITORING OF
14 TRANSPORTATION SERVICE COOPERATIVES COMPOSED OF
15 REPRESENTATIVES FROM THE COOPERATIVE DEVELOPMENT
16 AUTHORITY, THE LAND TRANSPORTATION FRANCHISING AND
17 REGULATORY BOARD, THE LAND TRANSPORTATION OFFICE
18 AND THE NATIONAL FEDERATION OF TRANSPORTATION
19 COOPERATIVES. A LOCAL MONITORING COMMITTEE SHALL
20 LIKEWISE BE ESTABLISHED AT THE EXTENSION OFFICES OF
21 THE AUTHORITY TO FACILITATE THE MONITORING OF
22 TRANSPORTATION COOPERATIVES.

23 "ART. 107. *RENEWAL OF FRANCHISE AND*
24 *REGISTRATION.* -- RENEWALS OF FRANCHISE AND
25 REGISTRATION SHALL NOT BE GRANTED TO TRANSPORTATION
26 SERVICE COOPERATIVES UNLESS SUCH COOPERATIVE
27 PRESENTS A CERTIFICATE OF GOOD STANDING ISSUED BY THE
28 AUTHORITY AS PROOF THAT SAID TRANSPORTATION SERVICE
29 COOPERATIVE HAS CONTINUOUSLY PROVIDED THE REQUIRED
30 PUBLIC TRANSPORTATION SERVICES.

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

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

14 **"C. SPECIAL PROVISIONS ON ELECTRIC**
15 **COOPERATIVES**

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

27 **"ART. 111. REGISTRATION. – IN ADDITION TO THE**
28 **REGISTRATION REQUIREMENTS LISTED HEREIN, THE**
29 **PROPOSED ELECTRIC COOPERATIVE SHALL SUBMIT AN**
30 **ENDORSEMENT FROM THE PROPER GOVERNMENT AGENCY**

1 AUTHORIZED TO ISSUE THE FRANCHISE OR CERTIFICATE OF
2 PUBLIC CONVENIENCE AND NECESSITY FOR THE GENERATION,
3 TRANSMISSION OR DISTRIBUTION OF ELECTRIC POWER. THE
4 ELECTRIC COOPERATIVE MAY ALSO UNDERTAKE SUCH ALLIED
5 UNDERTAKINGS THAT ARE CONSISTENT WITH THEIR PRIMARY
6 PURPOSES.

7 "ART. 112. *EXEMPTIONS.* -- UNDER RULES AND
8 REGULATIONS TO BE SET BY THE AUTHORITY, AND IN
9 CONSULTATION WITH THE DEPARTMENT OF ENERGY,
10 ELECTRIC COOPERATIVES MAY BE EXEMPTED FROM THE
11 PROVISIONS OF THIS CODE WHICH MAY DIRECTLY AFFECT
12 THE INTERNAL STRUCTURE AND THE MANAGEMENT OF SUCH
13 ELECTRIC COOPERATIVES.

14 "ART. 113. *REGULATION OF ELECTRIC COOPERATIVES.*
15 -- (1) THE REGULATION OF ELECTRIC COOPERATIVES IN
16 REGARD TO THEIR CAPITALIZATION AND INVESTMENT
17 REQUIREMENTS, EQUIPMENT AND FACILITIES, RATE-FIXING
18 AND SUCH OTHER MATTERS AFFECTING THEIR OPERATIONS
19 SHALL BE SUPERVISED BY THE DEPARTMENT OF ENERGY.

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

23 (3) THE AUTHORITY AND THE DEPARTMENT OF
24 ENERGY SHALL JOINTLY ISSUE THE RULES AND REGULATIONS
25 ON THE REGULATION AND SUPERVISION OF ELECTRIC
26 COOPERATIVES.

27 "ART. [122] 114. [*Electric Cooperatives*] *ADMINISTRATIVE*
28 *SUPERVISION, TECHNICAL AND FINANCIAL ASSISTANCE TO*
29 *ELECTRIC COOPERATIVES.* -- UPON THE EFFECTIVITY OF THIS

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

20 SEC. 13. Articles 99, 100, 101, 102, 103, 104, 105, 106, 107, 108 and
 21 109 of Chapter XIII on the Special Provisions Relating to Cooperative Banks
 22 are hereby renumbered and amended to read as follows:

23 “ART. [99] 115. *Governing Law.* – [(1)] The provisions
 24 of this Chapter shall primarily govern cooperative banks
 25 registered under this Code and the other provisions of this Code
 26 shall apply to them only insofar as they are not inconsistent with
 27 the provisions contained in this Chapter.

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

7 “ART. [100] 116. [*Definition, Classification and*
8 *Functions.* – A cooperative bank is one organized by, the
9 majority shares of which is owned and controlled by,
10 cooperatives primarily to provide financial and credit services to
11 cooperatives. The term ‘cooperative bank’ shall include
12 cooperative rural banks.

13 A cooperative bank may perform the following functions:

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

16 (2) To receive financial aid or loans from the
17 Government and the Central Bank of the Philippines for and in
18 behalf of the cooperative banks and primary cooperatives and
19 their federations engaged in business and to supervise the
20 lending and collection of loans;

21 (3) To mobilize savings of its members for the benefit of
22 the cooperative movement;

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

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

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

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

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

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

16 **(1) ENCOURAGE THRIFT AND SAVINGS MOBILIZATION**
17 **FOR THE ACHIEVEMENT OF SUSTAINABLE ECONOMIC**
18 **DEVELOPMENT, EQUITY AND SOCIAL JUSTICE PRIMARILY**
19 **AMONG COOPERATIVES AND THEIR MEMBERS; AND**

20 **(2) REGULATE AND SUPERVISE THE ACTIVITIES OF**
21 **COOPERATIVE BANKS IN ORDER TO ACHIEVE SOUND, STABLE**
22 **AND EFFICIENT OPERATIONS FOR THE PROTECTION OF THE**
23 **PUBLIC INTEREST.**

24 “ART. [101] 117. [*Registration Requirements.* – No
25 entity shall be registered by the Cooperative Development
26 Authority as a cooperative bank unless the articles of cooperation
27 and bylaws thereof as well as its establishment and operation as a
28 cooperative bank have been approved by the Central Bank of the

1 Philippines and it satisfies all requirements for registration as a
 2 cooperative.] *DEFINITION OF TERMS.* – THE FOLLOWING
 3 DEFINITIONS SHALL APPLY IN THIS CHAPTER:

4 (1) *COOPERATIVE BANK* SHALL REFER TO A BANK
 5 ORGANIZED UNDER THIS CODE, THE MAJORITY SHARES OF
 6 WHICH ARE OWNED AND CONTROLLED BY COOPERATIVE
 7 ORGANIZATIONS, THE PURPOSE OF WHICH IS PRIMARILY TO
 8 PROVIDE FINANCIAL AND CREDIT SERVICES TO COOPERATIVES
 9 AND THEIR MEMBERS. IT SHALL ALSO INCLUDE COOPERATIVE
 10 RURAL BANKS;

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

14 (3) *MONETARY BOARD* SHALL MEAN THE MONETARY
 15 BOARD OF THE BANGKO SENTRAL NG PILIPINAS; AND

16 (4) *COOPERATIVE ORGANIZATION* SHALL REFER TO ANY
 17 COOPERATIVE WHETHER PRIMARY, SECONDARY OR
 18 TERTIARY, REGISTERED UNDER THE PROVISIONS OF THIS
 19 CODE AND WITH THE AUTHORITY.

20 “ART. [102] 118. *ORGANIZATION, Membership AND*
 21 *ESTABLISHMENT OF COOPERATIVE BANK.* – [Membership of a
 22 cooperative bank shall include only cooperatives and federations
 23 of cooperatives.] (1) COOPERATIVE ORGANIZATIONS DULY
 24 ESTABLISHED AND REGISTERED UNDER THIS CODE MAY
 25 ORGANIZE A COOPERATIVE BANK, WHICH SHALL LIKEWISE BE
 26 CONSIDERED A COOPERATIVE REGISTERABLE UNDER THE
 27 PROVISIONS OF THIS CODE SUBJECT TO THE REQUIREMENTS

1 AND REQUISITE AUTHORIZATION FROM THE BANGKO
2 SENTRAL.

3 (2) MEMBERSHIP IN A COOPERATIVE BANK SHALL
4 EITHER BE REGULAR OR ASSOCIATE. REGULAR MEMBERSHIP
5 SHALL BE OPEN ONLY TO COOPERATIVE ORGANIZATIONS
6 WHICH ARE HOLDERS OF COMMON SHARES OF THE BANK.
7 ASSOCIATE MEMBERS ARE THOSE SUBSCRIBING AND HOLDING
8 PREFERRED SHARES OF THE BANK, WHICH MAY INCLUDE, BUT
9 ARE NOT LIMITED TO, THE FOLLOWING:

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

12 (B) SAMAHANG NAYONS AND THE MUNICIPAL
13 KATIPUNANS NG MGA SAMAHANG NAYONS (MKSN) WHICH
14 HELD COMMON SHARES OF COOPERATIVE BANKS PRIOR TO
15 THE EFFECTIVITY OF THIS ACT SHALL APPLY FOR
16 CONVERSION TO FULL-PLEGDED COOPERATIVES IN ORDER TO
17 MAINTAIN THEIR STATUS AS REGULAR MEMBERS OF
18 COOPERATIVE BANKS: *PROVIDED*, THAT THEY SHALL NOTIFY
19 THE COOPERATIVE BANK CONCERNED OF THEIR INTENTION TO
20 CONVERT WITHIN A PERIOD OF NINETY (90) DAYS FROM THE
21 EFFECTIVITY OF THIS ACT. SAMAHANG NAYONS AND MKSN
22 ARE HEREBY GIVEN A PERIOD OF ONE (1) YEAR FROM THE
23 EFFECTIVITY OF THIS ACT TO COMPLETE THEIR CONVERSION
24 TO COOPERATIVES. COOPERATIVE BANKS SHALL EXERT
25 REASONABLE EFFORTS TO INFORM THEIR MEMBER
26 SAMAHANG NAYONS AND MKSN TO FINALLY CONVERT OR TO
27 GIVE THE NOTICE OF CONVERSION WITHIN THE PRESCRIBED
28 PERIODS. THE COOPERATIVE BANK CONCERNED MAY
29 CONVERT THE COMMON SHARES HELD BY SUCH ASSOCIATIONS
30 TO PREFERRED SHARES.

1 **(3) THE ARTICLES OF COOPERATION AND BYLAWS OF**
2 **ANY COOPERATIVE BANK, OR ANY AMENDMENT THERETO,**
3 **SHALL BE REGISTERED ONLY WHEN ACCOMPANIED BY A**
4 **CERTIFICATE OF AUTHORITY ISSUED BY THE MONETARY**
5 **BOARD, UNDER ITS OFFICIAL SEAL. SUCH CERTIFICATE SHALL**
6 **BE ISSUED ONLY IF THE MONETARY BOARD IS SATISFIED**
7 **FROM THE EVIDENCE SUBMITTED THAT:**

8 **(A) ALL THE REQUIREMENTS OF EXISTING LAWS AND**
9 **REGULATIONS TO ENGAGE IN BUSINESS FOR WHICH THE**
10 **APPLICANT IS PROPOSED TO BE REGISTERED HAVE BEEN**
11 **COMPLIED WITH;**

12 **(B) PUBLIC INTEREST AND ECONOMIC CONDITIONS,**
13 **BOTH GENERAL AND LOCAL, JUSTIFY THE AUTHORIZATION,**
14 **DIRECTION AND ADMINISTRATION; AND**

15 **(C) THE AMOUNT OF CAPITAL, THE FINANCING**
16 **ORGANIZATION, DIRECTION AND ADMINISTRATION, AS WELL**
17 **AS THE INTEGRITY AND RESPONSIBILITY OF THE ORGANIZERS**
18 **AND ADMINISTRATORS REASONABLY ASSURE THE SAFETY OF**
19 **THE INTEREST WHICH THE PUBLIC MAY ENTRUST TO THEM.**

20 **“ART. [103] 119. [Board of Directors. – The number,**
21 **composition, and voting rights of the board of directors shall be**
22 **defined in the articles of cooperation and bylaws of the**
23 **cooperative bank, notwithstanding provisions of this Code to the**
24 **contrary.] ADMINISTRATION OF COOPERATIVE BANKS. – (1) TO**
25 **MAINTAIN THE QUALITY OF BANK MANAGEMENT AND ACCORD**
26 **BETTER PROTECTION TO DEPOSITORS AND THE PUBLIC IN**
27 **GENERAL, THE MONETARY BOARD MAY PASS UPON AND**
28 **REVIEW THE QUALIFICATIONS OF PERSONS WHO ARE ELECTED**
29 **OR APPOINTED BANK DIRECTORS AND OFFICERS INCLUDING EX**

1 **OFFICIO BOARD MEMBERS, AND DISQUALIFY THOSE UNFIT.**
2 **THE MONETARY BOARD SHALL PRESCRIBE THE**
3 **QUALIFICATIONS OF BANK DIRECTORS AND OFFICERS FOR THE**
4 **PURPOSES OF THIS ARTICLE, GIVING DUE RECOGNITION TO**
5 **THE UNIQUE COOPERATIVE NATURE AND CHARACTER OF**
6 **COOPERATIVE BANKS.**

7 **(2) NOTWITHSTANDING THE PROVISIONS OF THIS**
8 **CODE, THE NUMBER, COMPOSITION, TERM AND VOTING**
9 **RIGHTS OF THE MEMBERS OF THE BOARD OF DIRECTORS AS**
10 **WELL AS THE VOTING RIGHTS OF THE SHAREHOLDERS SHALL**
11 **BE DEFINED IN THE ARTICLES OF COOPERATION AND BYLAWS**
12 **OF THE COOPERATIVE BANK.**

13 ***EX OFFICIO* MEMBERSHIP IN THE BOARD OF DIRECTORS**
14 **OF A COOPERATIVE BANK SHALL BE ALLOWED SUBJECT TO**
15 **THE PROVISIONS OF ARTICLE 40(2) OF THIS CODE.**

16 **“ART. [104] 120. [*Loans.* – Cooperatives may obtain**
17 **loans from a cooperative bank. Loans granted by a cooperative**
18 **bank shall be reported to the Central Bank of the Philippines.]**

19 ***POWERS, FUNCTIONS AND ALLIED UNDERTAKINGS OF***
20 ***COOPERATIVE BANKS.* – COOPERATIVE BANKS SHALL**
21 **PRIMARILY PROVIDE FINANCIAL, BANKING AND CREDIT**
22 **SERVICES TO COOPERATIVE ORGANIZATIONS AND THEIR**
23 **MEMBERS. HOWEVER, THE MONETARY BOARD MAY**
24 **PRESCRIBE APPROPRIATE CEILINGS AND CONDITIONS ON**
25 **BORROWINGS OF A COOPERATIVE ORGANIZATION FROM A**
26 **COOPERATIVE BANK.**

27 **(1) SUBJECT TO SUCH GUIDELINES AS MAY BE**
28 **ESTABLISHED BY THE MONETARY BOARD, A COOPERATIVE**
29 **BANK MAY:**

1 (A) ACCEPT SAVINGS AND TIME DEPOSITS;

2 (B) MOBILIZE SAVINGS FOR THE BENEFIT OF THE
3 COOPERATIVE MOVEMENT;

4 (C) RECEIVE FINANCIAL AID OR LOANS FROM ANY
5 INSTITUTION AND THE BANGKO SENTRAL FOR AND IN BEHALF
6 PRIMARILY OF THE COOPERATIVE BANKS AND COOPERATIVE
7 ORGANIZATIONS ENGAGED IN BUSINESS AND SUPERVISE THE
8 LENDING AND COLLECTION OF LOANS;

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

11 (E) ISSUE NEGOTIABLE INSTRUMENTS TO FACILITATE
12 THE ACTIVITIES OF COOPERATIVE ORGANIZATIONS;

13 (F) ISSUE DEBENTURES SUBJECT TO THE APPROVAL OF
14 AND UNDER CONDITIONS AND GUARANTEES TO BE PRESCRIBED
15 BY THE GOVERNMENT;

16 (G) OPEN DOMESTIC LETTERS OF CREDIT AND BANK
17 DRAFTS;

18 (H) BORROW MONEY FROM BANKS AND OTHER
19 FINANCIAL INSTITUTIONS WITHIN THE LIMIT TO BE
20 PRESCRIBED BY THE BANGKO SENTRAL;

21 (I) DISCOUNT AND REDISCOUNT PAPER WITH PRIVATE
22 OR GOVERNMENT FINANCIAL INSTITUTIONS;

23 (J) ISSUE REAL ESTATE MORTGAGE AND CHATTEL
24 MORTGAGE CERTIFICATES, BUY AND SELL THEM FOR ITS OWN
25 ACCOUNT OR FOR THE ACCOUNT OF OTHERS, OR ACCEPT OR
26 RECEIVE THEM IN PAYMENT FOR OR AMORTIZATION OF ITS
27 LOAN;

28 (K) PURCHASE, HOLD AND CONVEY REAL ESTATE
29 UNDER THE CONDITIONS PROVIDED IN SECTIONS 51 AND 52 OF

1 **REPUBLIC ACT NO. 8791, OTHERWISE KNOWN AS THE**
2 **GENERAL BANKING LAW OF 2000;**

3 **(L) ENGAGE IN QUASI-BANKING MONEY MARKET**
4 **OPERATIONS; AND**

5 **(M) EXTEND CREDIT AGAINST THE SECURITY OF**
6 **JEWELRY, PRECIOUS STONES AND ARTICLES OF SIMILAR**
7 **NATURE, SUBJECT TO SUCH RULES AND REGULATIONS AS THE**
8 **MONETARY BOARD MAY PRESCRIBE.**

9 **THE POWERS AND FUNCTIONS UNDER ITEMS (E), (F), (G),**
10 **(J), (K), AND (L) OF THIS SUBARTICLE MAY BE PERFORMED BY**
11 **A COOPERATIVE BANK SUBJECT TO SUCH RULES AND**
12 **REGULATIONS AS MAY BE PROMULGATED BY THE MONETARY**
13 **BOARD.**

14 **IN ADDITION TO THE POWERS GRANTED BY THIS CODE**
15 **AND OTHER EXISTING LAWS, AND ANY OR ALL OF THE**
16 **SERVICES OFFERED BY RURAL BANKS UPON PRIOR APPROVAL**
17 **OF THE MONETARY BOARD, A COOPERATIVE BANK MAY ALSO**
18 **PERFORM THE FOLLOWING SERVICES:**

19 **(I) OFFER CURRENT OR CHECKING ACCOUNTS**
20 **SUBJECT TO SUCH GUIDELINES AS MAY BE ESTABLISHED BY**
21 **THE PHILIPPINE CLEARING HOUSE CORPORATION;**

22 **(II) ACT AS CORRESPONDENT FOR OTHER FINANCIAL**
23 **INSTITUTIONS;**

24 **(III) ACT AS COLLECTION AND/OR WITHHOLDING**
25 **AGENT FOR GOVERNMENT ENTITIES, INCLUDING BUT NOT**
26 **LIMITED TO THE BUREAU OF INTERNAL REVENUE, THE**
27 **SOCIAL SECURITY SYSTEM AND THE BUREAU OF CUSTOMS;**

28 **(IV) ACT AS OFFICIAL DEPOSITORY OF NATIONAL**
29 **AGENCIES, AND OF MUNICIPAL, CITY OR PROVINCIAL**

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

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

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

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

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

4 (B) THE EQUITY INVESTMENT IN ANY SINGLE
5 ENTERPRISE SHALL BE LIMITED TO FIFTEEN *PER CENTUM*
6 (15%) OF THE NET WORTH OF THE COOPERATIVE BANK; AND

7 (C) THE EQUITY INVESTMENT IN OTHER BANKS SHALL
8 BE SUBJECT TO THE SAME PROVISIONS GOVERNING SIMILAR
9 INVESTMENTS OF RURAL BANKS AND SHALL BE DEDUCTED
10 FROM THE INVESTING BANK'S NET WORTH FOR THE PURPOSE
11 OF COMPUTING THE PRESCRIBED RATIO AS PROVIDED IN
12 SUBARTICLE 2, ARTICLE 122 HEREOF: *PROVIDED, FURTHER,*
13 THAT EQUITY INVESTMENTS SHALL NOT BE PERMITTED IN
14 NON-RELATED ACTIVITIES. WHERE THE ALLIED ACTIVITY IS A
15 WHOLLY OR MAJORITY-OWNED SUBSIDIARY OF THE
16 COOPERATIVE BANK, THE BANGKO SENTRAL MAY SUBJECT IT
17 TO EXAMINATION.

18 INVESTMENT IN ALLIED UNDERTAKINGS SHALL MEAN
19 INVESTING IN INSTITUTIONS ENGAGED IN THE FOLLOWING
20 ACTIVITIES:

21 (I) BANKING AND FINANCING;

22 (II) WAREHOUSING AND OTHER POST-HARVEST
23 ACTIVITIES;

24 (III) FERTILIZER AND AGRICULTURAL CHEMICAL AND
25 PESTICIDE DISTRIBUTION;

26 (IV) FARM EQUIPMENT DISTRIBUTION;

27 (V) TRUCKING AND TRANSPORTATION OF
28 AGRICULTURAL PRODUCTS;

29 (VI) MARKETING OF AGRICULTURAL PRODUCTS;

- 1 (VII) LEASING;
2 (VIII) COOPERATIVE INSURANCE; AND
3 (IX) OTHER UNDERTAKINGS AS MAY BE DETERMINED
4 BY THE MONETARY BOARD.

5 (3) LOANS THAT A COOPERATIVE BANK MAY EXTEND
6 TO COOPERATIVE ORGANIZATIONS, THEIR MEMBERS, AND TO
7 ITS BANK'S DEPOSITORS SHALL BE SUBJECT TO SUCH
8 LIMITATIONS AS MAY BE PROVIDED FOR BY THE BANGKO
9 SENTRAL.

10 EXCEPT AS THE MONETARY BOARD MAY OTHERWISE
11 PRESCRIBE FOR REASONS OF NATIONAL INTEREST, THE TOTAL
12 AMOUNT OF LOANS, CREDIT ACCOMMODATIONS AND
13 GUARANTEES AS MAY BE DEFINED BY THE MONETARY BOARD,
14 THAT MAY BE EXTENDED BY A COOPERATIVE BANK TO ANY
15 PERSON, PARTNERSHIP, ASSOCIATION SHALL AT NO TIME
16 EXCEED TWENTY *PER CENTUM* (20%) OF THE NET WORTH OF
17 SUCH BANK. THE BASIS FOR DETERMINING COMPLIANCE
18 WITH *SINGLE-BORROWER LIMIT* IS THE TOTAL CREDIT
19 COMMITMENT OF THE BANK TO THE BORROWER.

20 THE DIRECT INDEBTEDNESS TO A COOPERATIVE BANK
21 BY ANY PERSON OR ASSOCIATION, FOR MONEY BORROWED,
22 SHALL EXCLUDE:

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

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

27 (C) LOANS TO THE EXTENT COVERED BY THE
28 HOLDOUT, OR ASSIGNMENT OF, DEPOSITS MAINTAINED IN THE
29 PHILIPPINES;

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

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

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

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

29 "ART. [105] 121. *Supervision.* - The cooperative banks
30 registered under this Code shall be under the supervision of the

1 [Central Bank] **BANGKO SENTRAL**. The [Central Bank]
2 **BANGKO SENTRAL** upon consultation with the agency and the
3 cooperative movement shall formulate guidelines regarding the
4 operations and banking transactions of cooperative banks. These
5 guidelines shall give due recognition to the unique cooperative
6 nature and character of cooperative banks. To this end,
7 cooperative banks may be exempted from [Central Bank]
8 **BANGKO SENTRAL** rules and regulations, applicable to other
9 types of banks, which would impede the cooperative rural bank
10 from performing legitimate financial and banking services to its
11 members.

12 “ART. [106] 122. *Capitalization AND CAPITAL REQUIREMENTS*
13 *OF COOPERATIVE BANKS*. – (1) A national OR LOCAL
14 cooperative bank shall have a minimum {authorized share capital
15 of Two hundred million pesos (P200,000,000.00) in relation to
16 Article 14(5).} PAID-UP CAPITAL IN SUCH AMOUNT AS MAY BE
17 REQUIRED BY THE MONETARY BOARD IN CONSULTATION
18 WITH AND AS MAY BE PRESCRIBED BY THE SECTOR
19 CONCERNED. The authorized share capital shall be divided into
20 such number of shares with a minimum par value of One
21 thousand pesos (P1,000.00) per share. For the purpose OF
22 primarily [of] determining the permanency of equity, the types of
23 shares a cooperative bank may issue, including the terms thereof
24 and the rights appurtenant thereto, shall be subject to such rules
25 and regulations as the [Central Bank] **BANGKO SENTRAL** may
26 prescribe.

1 (2) A local cooperative bank shall have a minimum
2 authorized share capital of Twenty million pesos
3 (P20,000,000.00) divided into such number of shares with a
4 minimum par value of One hundred pesos (P100.00) per share.

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

24 (4) **THE MONETARY BOARD SHALL PRESCRIBE THE**
25 **MINIMUM RATIO WHICH THE NET WORTH OF A BANK MUST**
26 **BEAR TO ITS TOTAL RISK ASSETS WHICH MAY INCLUDE**
27 **CONTINGENT ACCOUNTS. FOR PURPOSES OF THIS ARTICLE,**
28 **THE MONETARY BOARD MAY REQUIRE THAT SUCH RATIO BE**
29 **DETERMINED ON THE BASIS OF THE NET WORTH AND RISK**
30 **ASSETS OF A BANK AND ITS SUBSIDIARIES, FINANCIAL OR**

1 OTHERWISE, AS WELL AS PRESCRIBE THE COMPOSITION AND
2 THE MANNER OF DETERMINING THE NET WORTH AND TOTAL
3 RISK ASSETS OF BANKS AND THEIR SUBSIDIARIES: *PROVIDED*,
4 THAT IN THE EXERCISE OF THIS AUTHORITY, THE MONETARY
5 BOARD SHALL, TO THE EXTENT FEASIBLE, CONFORM TO
6 INTERNATIONALLY ACCEPTED STANDARDS, INCLUDING THOSE
7 OF THE BANK FOR INTERNATIONAL SETTLEMENTS (BIS),
8 RELATING TO RISK-BASED CAPITAL REQUIREMENTS:
9 *PROVIDED, FURTHER*, THAT IT MAY ALTER OR SUSPEND
10 COMPLIANCE WITH SUCH RATIO WHENEVER NECESSARY FOR A
11 MAXIMUM PERIOD OF ONE (1) YEAR: *PROVIDED, FINALLY*,
12 THAT SUCH RATIO SHALL BE APPLIED UNIFORMLY TO BANKS
13 OF THE SAME CATEGORY.

14 IN CASE A BANK DOES NOT COMPLY WITH THE
15 PRESCRIBED MINIMUM RATIO, THE MONETARY BOARD MAY
16 LIMIT OR PROHIBIT THE DISTRIBUTION OF NET PROFITS BY
17 SUCH BANK AND MAY REQUIRE THAT PART OR ALL OF THE NET
18 PROFITS BE USED TO INCREASE THE CAPITAL ACCOUNTS OF
19 THE BANK UNTIL THE MINIMUM REQUIREMENT HAS BEEN MET.
20 THE MONETARY BOARD MAY, FURTHERMORE, RESTRICT OR
21 PROHIBIT THE ACQUISITION OF MAJOR ASSETS AND THE
22 MAKING OF NEW INVESTMENTS BY THE BANK, WITH THE
23 EXCEPTION OF PURCHASES OF READILY MARKETABLE
24 EVIDENCES OF INDEBTEDNESS OF THE REPUBLIC OF THE
25 PHILIPPINES AND OF THE BANGKO SENTRAL AND ANY OTHER
26 EVIDENCES OF INDEBTEDNESS OR OBLIGATIONS THE
27 SERVICING AND REPAYMENT OF WHICH ARE FULLY
28 GUARANTEED BY THE REPUBLIC OF THE PHILIPPINES, UNTIL
29 THE MINIMUM REQUIRED CAPITAL RATIO HAS BEEN
30 RESTORED.

1 IN CASE OF A BANK MERGER OR CONSOLIDATION, OR
2 WHEN A BANK IS UNDER REHABILITATION UNDER A PROGRAM
3 APPROVED BY THE BANGKO SENTRAL, THE MONETARY
4 BOARD MAY TEMPORARILY RELIEVE THE SURVIVING BANK,
5 CONSOLIDATED BANK, OR CONSTITUENT BANK OR
6 CORPORATIONS UNDER REHABILITATION FROM FULL
7 COMPLIANCE WITH THE REQUIRED CAPITAL RATIO UNDER
8 SUCH CONDITIONS AS IT MAY PRESCRIBE.

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

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

1 “ART. [108] 124. *Privileges AND INCENTIVES OF*
2 **COOPERATIVE BANKS.** – [Cooperative banks shall have the
3 following privileges subject to the approval of the Central Bank
4 and compliance with applicable banking laws, rules and
5 regulations:] (1) The cooperative banks registered under this
6 Code shall be given the same privileges AND INCENTIVES
7 granted to the rural banks, private development banks,
8 commercial banks, and all other banks to rediscount notes with
9 the [Central Bank] BANGKO SENTRAL, the Land Bank of the
10 Philippines, and other government banks without affecting in any
11 way the provisions of this Code. [and]

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

1 PROVINCE, THEN IN A NEWSPAPER PUBLISHED IN METRO
2 MANILA OR IN THE NEAREST CITY OR PROVINCE.

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

27 A COOPERATIVE BANK SHALL BE ALLOWED TO
28 FORECLOSE LANDS MORTGAGED TO IT SUBJECT TO THE
29 PROVISIONS OF REPUBLIC ACT NO. 6657, OTHERWISE KNOWN
30 AS THE COMPREHENSIVE AGRARIAN REFORM LAW OF 1988.

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

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

25 **SEC. 14. A new article is inserted in Chapter XIII on the Special**
26 **Provisions Relating to Cooperative Banks of the same Code and shall read as**
27 **follows:**

1 **“ART. 126. SETTLEMENT OF DISPUTES. – IN CASES OF**
2 **BANKING-RELATED CONFLICTS, PROVISIONS OF THE GENERAL**
3 **BANKING ACT AND THE RULES AND REGULATIONS OF THE**
4 **MONETARY BOARD SHALL PREVAIL.”**

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

9 New Articles 131, 132, 133, 134, 135, 136, 137 and 138 have been
10 inserted to form part of the amended Chapter XIV which is now retitled as
11 Special Provisions Relating to Credit Cooperatives and/or Financial Service
12 Cooperatives. Chapter XIV, as amended, shall now read as follows:

13 **“CHAPTER XIV**
14 **SPECIAL PROVISIONS RELATING TO**
15 **CREDIT COOPERATIVES**
16 **AND/OR FINANCIAL SERVICE COOPERATIVES**

17 **“ART. [110] 127. Coverage. – This Chapter shall apply**
18 **[only] to credit cooperatives AND TO ALL OTHER**
19 **COOPERATIVES, INCLUDING MULTIPURPOSE COOPERATIVES,**
20 **THAT PROVIDE SAVINGS, CREDIT OR OTHER RELATED**
21 **FINANCIAL SERVICES TO THEIR MEMBERS, WHICH, FOR THE**
22 **PURPOSES OF THIS CHAPTER, SHALL HEREINAFTER BE**
23 **REFERRED TO AS FINANCIAL SERVICE COOPERATIVES. [and**
24 **the] THE rest of the provisions of this Code shall apply to them**
25 **insofar as the same are not inconsistent with the provisions of**
26 **this Chapter.**

1 “ART. [111] 128. *Definition* *and* *[Objectives]*

2 **FUNCTIONS.** – (1) A [credit] FINANCIAL SERVICE cooperative is
3 a financial organization owned and operated by its members
4 **AUTHORIZED TO ACCEPT SAVINGS AND TIME DEPOSITS AND**
5 **OTHER FUNDS FROM ITS MEMBERS AND TO ENGAGE IN THE**
6 **EXTENSION OF LOANS AND OTHER CREDIT ACCOMMODATIONS**
7 **TO ITS MEMBERS. [with the following objectives:**

8 (1) To encourage savings among its members;

9 (2) To create a pool of such savings for which loans for
10 productive or provident purposes may be granted to its members;
11 and

12 (3) To provide related services to enable its members to
13 maximize the benefit from such loans.]

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

22 (A) **ACT AS FINANCIAL AGENT AND BUY AND SELL, BY**
23 **ORDER OF AND FOR THE ACCOUNT OF THEIR MEMBERS,**
24 **SHARES, EVIDENCES OF INDEBTEDNESS AND ALL TYPES OF**
25 **SECURITIES;**

26 (B) **MAKE COLLECTIONS AND PAYMENTS AND**
27 **PERFORM SUCH OTHER SERVICES FOR THEIR MEMBERS AS ARE**

1 NOT INCOMPATIBLE WITH THEIR FINANCIAL INTERMEDIATION
2 BUSINESS;

3 (C) EXTEND AND PROVIDE OTHER FINANCIAL
4 PRODUCTS AND SERVICES TO ITS MEMBERS;

5 (D) OFFER CURRENT OR CHECKING ACCOUNTS OR
6 ACCEPT DEMAND DEPOSITS NOTWITHSTANDING SECTION 33
7 OF REPUBLIC ACT NO. 8791, OTHERWISE KNOWN AS THE
8 GENERAL BANKING ACT OF 2000, AND ANY OTHER PROVISION
9 OF LAW TO THE CONTRARY;

10 (E) ACT AS CORRESPONDENT FOR OTHER FINANCIAL
11 INSTITUTIONS; AND

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

15 THE AUTHORITY SHALL, FIVE (5) YEARS AFTER THE
16 EFFECTIVITY OF THIS ACT AND EVERY TWO (2) YEARS
17 THEREAFTER, ADJUST THE REQUIRED MINIMUM NUMBER OF
18 MEMBERS AND MINIMUM AMOUNT OF PAID-UP CAPITAL
19 NECESSARY FOR COOPERATIVES TO QUALIFY FOR THESE
20 ADDITIONAL POWERS.

21 (3) A PRIMARY FINANCIAL SERVICE COOPERATIVE IS
22 EMPOWERED TO PURSUE ITS ACTIVITIES IN THE CITY OR
23 PROVINCE THAT THE COOPERATIVE HAS DESIGNATED AS ITS
24 PRINCIPAL OFFICE, AND TO OPERATE BRANCHES WITHIN THE
25 CITY OR PROVINCE WHERE ITS PRINCIPAL OFFICE IS LOCATED:
26 *PROVIDED*, THAT THE OPENING OF BRANCHES MUST HAVE THE
27 PRIOR APPROVAL OF THE FINANCIAL SERVICE COOPERATIVE
28 FEDERATION OF WHICH IT IS A MEMBER. OPENING OR
29 SETTING UP OF BRANCHES IN A CITY OR PROVINCE OTHER
30 THAN WHERE THE PRINCIPAL OFFICE IS LOCATED SHALL

1 REQUIRE THE APPROVAL OF THE FINANCIAL SERVICE
2 COOPERATIVE FEDERATION AND THE AUTHORITY.

3 (4) A FINANCIAL SERVICE COOPERATIVE FEDERATION
4 SHALL HAVE THE FOLLOWING FUNCTIONS:

5 (A) DEVELOP AND PROVIDE SERVICES FOR THE
6 BENEFIT OF ITS AFFILIATES AND THEIR MEMBERS,
7 INCLUDING THOSE FUNCTIONS/SERVICES ENUMERATED
8 UNDER PARAGRAPH 2 HEREOF;

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

11 (C) ESTABLISH AND ADMINISTER FUNDS SUCH AS
12 LIQUIDITY FUND, LOAN FUND, INVESTMENT FUND,
13 STABILIZATION FUND AND OTHER FUNDS;

14 (D) DEFINE COMMON OBJECTIVES FOR THE NETWORK
15 AND TO COORDINATE ITS ACTIVITIES; AND

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

19 NOTWITHSTANDING ARTICLE 24 OF THIS CODE, A
20 MINIMUM OF FIFTY (50) MEMBER PRIMARY FINANCIAL
21 SERVICE COOPERATIVES WITH FIVE MILLION PESOS
22 (P5,000,000.00) PAID-UP CAPITAL IS REQUIRED FOR A
23 FINANCIAL SERVICE COOPERATIVE FEDERATION TO BE
24 REGISTERED: *PROVIDED*, THAT A FEDERATION MUST HAVE AT
25 LEAST ONE HUNDRED MILLION PESOS (P100,000,000.00) IN
26 TOTAL ASSETS WITHIN THREE (3) YEARS AFTER ITS
27 REGISTRATION: *PROVIDED, FURTHER*, THAT COOPERATIVE
28 FEDERATIONS ENGAGED IN SAVINGS, CREDIT AND OTHER
29 RELATED FINANCIAL SERVICES ALREADY REGISTERED AT THE

1 TIME OF THE APPROVAL OF THIS ACT SHALL BE GIVEN THREE
2 (3) YEARS FROM SUCH APPROVAL TO COMPLY WITH THE
3 REQUIRED MINIMUM NUMBER OF MEMBERS, PAID-UP CAPITAL,
4 AND TOTAL ASSETS. EXCEPT WHERE INCOMPATIBLE, THE
5 PROVISIONS OF THIS CHAPTER AND THE REGULATIONS MADE
6 THEREUNDER SHALL LIKEWISE APPLY TO FINANCIAL SERVICE
7 COOPERATIVE FEDERATIONS.

8 (5) NOTHING IN THIS ARTICLE SHALL BE CONSTRUED
9 AS PRECLUDING A FINANCIAL SERVICE COOPERATIVE OR A
10 FINANCIAL SERVICE COOPERATIVE FEDERATION FROM
11 PROVIDING FOR THEIR MEMBERS, UPON PRIOR APPROVAL OF
12 THE AUTHORITY AND, IF NECESSARY, THE MONETARY
13 BOARD, FINANCIAL SERVICES THAT ARE PERFORMED BY
14 BANKS.

15 "ART. [112.] 129. *Organization and Registration.* –
16 FINANCIAL SERVICE [Credit] cooperatives shall be organized
17 and registered in accordance with the general provisions of this
18 Code[.] AND SHALL INDICATE IN THEIR APPLICATION FOR
19 REGISTRATION IF THEY WILL ENGAGE IN SAVINGS AND CREDIT
20 AND OTHER RELATED FINANCIAL SERVICE OPERATIONS.
21 COOPERATIVES, INCLUDING CREDIT AND MULTIPURPOSE
22 COOPERATIVES EXISTING AT THE TIME OF THE EFFECTIVITY
23 OF THIS ACT THAT INTEND OR WISH TO CONTINUE THEIR
24 SAVINGS AND CREDIT AND OTHER RELATED FINANCIAL
25 SERVICE OPERATIONS SHALL FORMALLY INFORM THE
26 AUTHORITY OF SUCH OPERATIONS WITHIN ONE (1) YEAR
27 FROM THE EFFECTIVITY OF THIS ACT. ALL FINANCIAL
28 SERVICE COOPERATIVES SHALL SUBMIT A SEPARATE ANNUAL
29 AUDITED FINANCIAL REPORT FOR THEIR FINANCIAL SERVICE

1 OPERATIONS TO THE AUTHORITY. OTHERWISE, THE
2 AUTHORITY SHALL ORDER THE SUSPENSION OF THE
3 FINANCIAL SERVICE OPERATIONS OF THE COOPERATIVE:
4 *PROVIDED*, THAT IN THE CASE OF A COOPERATIVE OTHER
5 THAN A FEDERATION, IT MUST ALSO SUBMIT A CERTIFIED
6 COPY OF THE RESOLUTION OF THE BOARD OF DIRECTORS OF A
7 NATIONAL FEDERATION COMMITTING TO ACCEPT THE
8 COOPERATIVE AS A MEMBER. AT THE ORGANIZATIONAL
9 MEETING, THE FOUNDING MEMBERS OF A COOPERATIVE OR
10 LOCAL FEDERATION MUST PASS A RESOLUTION RATIFYING
11 THE MEMBERSHIP OF THE COOPERATIVE WITH THE FINANCIAL
12 SERVICE COOPERATIVE FEDERATION THAT HAS UNDERTAKEN
13 TO ACCEPT IT AS A MEMBER: *PROVIDED, FURTHER*, THAT IN
14 THE CASE OF A FEDERATION, IT MUST ALSO SUBMIT A
15 CERTIFIED COPY OF THE RESOLUTION OF EACH OF THE
16 FOUNDING COOPERATIVES. THE AUTHORITY MAY REQUIRE
17 REASONABLE ADDITIONAL DOCUMENTS OR INFORMATION FOR
18 THE EXAMINATION OF THE APPLICATION.

19 “ART. [113. *Organizational Linkage*. – Credit
20 cooperatives may organize chapter or subsidiaries, or join
21 leagues and federations for the purpose of providing commonly
22 needed essential services including but not limited to the
23 following:

- 24 (1) Interlending of surplus fund;
- 25 (2) Mutual benefits;
- 26 (3) Deposit guarantee;
- 27 (4) Bonding;
- 28 (5) Education and training;
- 29 (6) Professional and technical assistance;

1 (7) Research and development;

2 (8) Representation; and

3 (9) Other services needed to improve their performance.

4 Existing support organizations such as federations of
5 credit cooperatives, credit cooperatives at the provincial,
6 regional and national levels may continue as such under this
7 Code.] 130. *MEMBERSHIP AND AFFILIATION.* – (1) A

8 FINANCIAL SERVICE COOPERATIVE MAINTAINS TWO (2) TYPES
9 OF MEMBERS:

10 (A) REGULAR MEMBERS, WHO ARE NATURAL PERSONS;

11 AND

12 (B) ASSOCIATE MEMBERS, WHO ARE NATURAL
13 PERSONS NOT COMPLYING WITH THE REQUIREMENTS FOR
14 MEMBERSHIP OR THE COMMON CHARACTERISTICS SET OUT IN
15 THE ARTICLES OF COOPERATION AND BYLAWS OR WHO ARE
16 LEGAL PERSONS. ALL ASSOCIATE MEMBERS SHALL ONLY
17 HAVE THE RIGHT TO MAKE DEPOSITS AND TO BORROW TO THE
18 EXTENT OF THEIR SHAREHOLDINGS AND DEPOSITS.

19 MINORS AND PERSONS WITHOUT THE LEGAL CAPACITY
20 TO CONTRACT MAY ONLY BECOME ASSOCIATE MEMBERS:
21 *PROVIDED*, THAT MINORS WHO ARE MEMBERS MAY OPEN
22 ACCOUNTS, DEPOSIT FUNDS IN AND WITHDRAW FROM THEIR
23 ACCOUNT, SUBJECT TO THE BYLAWS AND RULES OF THE
24 COOPERATIVE AND THE FEDERATION OF WHICH THE
25 COOPERATIVE IS A MEMBER, AND THE RULES AND
26 REGULATIONS OF THE AUTHORITY, NOTWITHSTANDING THE
27 PROVISIONS OF EXISTING LAWS TO THE CONTRARY.

28 (2) ONLY FINANCIAL SERVICE COOPERATIVES MAY BE
29 REGULAR MEMBERS OF A FINANCIAL SERVICE COOPERATIVE

1 FEDERATION. ANY OTHER COOPERATIVE OR ANY NONSTOCK,
2 NONPROFIT ORGANIZATION AS MAY BE RECOMMENDED BY A
3 MEMBER COOPERATIVE MAY ALSO BE ADMITTED AS AN
4 ASSOCIATE MEMBER OF A FINANCIAL SERVICE COOPERATIVE
5 FEDERATION.

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

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

27 (1) ISSUE RULES AND REGULATIONS FOR THE SAFE AND
28 SOUND CONDUCT OF OPERATIONS OF FINANCIAL SERVICE
29 COOPERATIVES;

1 (2) PRESCRIBE RATIOS, CEILINGS, LIMITATIONS, OR
2 OTHER FORMS OF REGULATION ON THE DIFFERENT TYPES OF
3 ACCOUNTS AND PRACTICES OF FINANCIAL SERVICE
4 COOPERATIVES WHICH SHALL, UP TO THE EXTENT POSSIBLE,
5 CONFORM TO INTERNATIONALLY ACCEPTED STANDARDS;

6 (3) ESTABLISH STANDARDS OF OPERATION FOR
7 UNIFORM APPLICATION TO ALL FINANCIAL SERVICE
8 COOPERATIVES;

9 (4) CONDUCT REGULAR EXAMINATION OF THE BOOKS
10 OF ACCOUNTS, RECORDS AND OTHER DOCUMENTS OF
11 FINANCIAL SERVICE COOPERATIVES;

12 (5) OVERSEE TO ASCERTAIN THAT EXISTING LAWS AND
13 REGULATIONS ARE COMPLIED WITH;

14 (6) INVESTIGATE TO DETERMINE WHETHER A
15 FINANCIAL SERVICE COOPERATIVE IS CONDUCTING ITS
16 BUSINESS ON A SAFE AND SOUND BASIS;

17 (7) INQUIRE INTO THE SOLVENCY AND LIQUIDITY OF A
18 FINANCIAL SERVICE COOPERATIVE;

19 (8) SELECT, DESIGNATE AND DEPUTIZE FEDERATIONS,
20 THROUGH AN APPROVED ACCREDITATION CRITERIA, THAT
21 WILL SUPERVISE PRIMARY FINANCIAL SERVICE COOPERATIVES
22 AND ISSUE BASIC GUIDELINES THEREFOR;

23 (9) ACCREDIT EXTERNAL AUDITORS AND ISSUE
24 GUIDELINES FOR AUDIT;

25 (10) PROVIDE REMEDIAL MEASURES IN THE
26 OPERATIONS OF DISTRESSED PRIMARY FINANCIAL SERVICE
27 COOPERATIVES AT THE REQUEST OF THE DEPUTIZED
28 SUPERVISOR OR WHEN THE DEPUTIZED SUPERVISOR FAILS TO
29 PERFORM ITS FUNCTIONS; AND

1 (11) REQUIRE THE SUBMISSION OF RELEVANT REPORTS
2 FROM THE DEPUTIZED SUPERVISOR.

3 THE AUTHORITY MAY ORDER A COOPERATIVE OR
4 FEDERATION TO CEASE AND DESIST FROM TAKING ANY ACTION
5 THAT DOES NOT ADHERE TO SOUND AND PRUDENT
6 MANAGEMENT PRACTICES OR ARE INCONSISTENT WITH THE
7 PROVISIONS OF THIS CODE, TO OTHER APPLICABLE
8 COOPERATIVE LAWS, RULES, REGULATIONS, CIRCULARS OR
9 ORDERS AS MAY BE ISSUED BY THE AUTHORITY. THE
10 AUTHORITY SHALL REQUIRE THE COOPERATIVE CONCERNED
11 TO UNDERTAKE CORRECTIVE OR REMEDIAL MEASURES
12 RELATIVE THERETO.

13 “ART. 132. *FEDERATIONS AS DEPUTIZED*
14 *SUPERVISORS.* – SUBJECT TO THE RULES AND REGULATIONS
15 THAT MAY BE ISSUED BY THE AUTHORITY, FINANCIAL
16 SERVICE COOPERATIVE FEDERATIONS MAY BE DEPUTIZED BY
17 THE AUTHORITY TO SUPERVISE, EXAMINE AND REGULARLY
18 MONITOR THE FINANCIAL PERFORMANCE OF AND
19 COMPLIANCE BY THEIR MEMBER FINANCIAL SERVICE
20 COOPERATIVES WITH THE PROVISIONS OF THIS CODE, OTHER
21 COOPERATIVE LAWS AND THE RULES AND REGULATIONS,
22 CIRCULARS, ORDERS AND LEGAL ISSUANCES AS MAY BE ISSUED
23 BY THE AUTHORITY: *PROVIDED*, THAT SUCH FEDERATION
24 HAS DIRECT ACCESS TO THE PRIMARY FINANCIAL SERVICE
25 COOPERATIVE: *PROVIDED, FURTHER*, THAT SUCH
26 FEDERATION HAS PASSED THE AUTHORITY’S ACCREDITATION
27 CRITERIA FOR DEPUTIZED SUPERVISORS.

28 ALL FINANCIAL SERVICE COOPERATIVES, INCLUDING
29 MULTIPURPOSE AND OTHER COOPERATIVES ENGAGED IN
30 SAVINGS, CREDIT AND OTHER RELATED FINANCIAL SERVICES

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

14 “ART. 133. *FUNCTIONS AND POWERS OF DEPUTIZED*
15 *COOPERATIVE FEDERATIONS.* – IN ADDITION TO THE POWERS
16 IT MAY EXERCISE UNDER THIS ACT, A COOPERATIVE
17 FEDERATION THAT HAS BEEN DEPUTIZED AS SUPERVISOR BY
18 THE AUTHORITY MAY:

19 (1) ISSUE ADDITIONAL STANDARDS FOR ITS MEMBER-
20 COOPERATIVES IN ACCORDANCE WITH THE RULES,
21 REGULATIONS AND STANDARDS TO BE ISSUED BY THE
22 AUTHORITY;

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

25 (3) PROVIDE REMEDIAL ASSISTANCE IN THE
26 OPERATIONS AND MANAGEMENT OF THE MEMBER FINANCIAL
27 SERVICE COOPERATIVE WHEN IT FAILS TO PERFORM AS
28 DESIRED;

1 (4) PROVIDE COMPTROLLERSHIP AND RECEIVERSHIP
2 FUNCTION WHEN NECESSARY UPON THE AUTHORITY OF AND
3 WHEN SO APPOINTED BY THE AUTHORITY;

4 (5) ACT, UPON THE APPROVAL OF THE AUTHORITY, AS
5 THE TEMPORARY OR PROVISIONAL ADMINISTRATOR OR AS
6 THE LIQUIDATOR OF A MEMBER-COOPERATIVE;

7 (6) ACT AS THE LIQUIDATOR OR SEQUESTRATOR FOR
8 THE PERFORMANCE OF AN OBLIGATION SECURED BY A
9 MORTGAGE UPON THE AUTHORITY OF AND WHEN SO
10 APPOINTED BY THE AUTHORITY; AND

11 (7) TRANSMIT RELEVANT AND REQUIRED
12 INFORMATION REGARDING THE OPERATIONS AND
13 PERFORMANCE OF MEMBER-COOPERATIVES TO THE
14 AUTHORITY.

15 SUBJECT TO THE APPROVAL OF THE AUTHORITY, THE
16 DEPUTIZED FEDERATION SHALL IMPOSE REASONABLE FEES
17 TO DEFRAY COST OF SUPERVISION AND EXAMINATION. A
18 COOPERATIVE IS BOUND TO PAY THE ASSESSMENTS OF THE
19 FEDERATION OF WHICH IT IS A MEMBER. COOPERATIVES
20 SHALL FURNISH TO THE FEDERATION OF WHICH THEY ARE A
21 MEMBER ANY REPORT THAT THE FEDERATION MAY REQUIRE
22 PURSUANT TO ITS STANDARDS TO DETERMINE THE AMOUNT OF
23 ASSESSMENTS.

24 THE AUTHORITY SHALL ISSUE THE NECESSARY
25 GUIDELINES FOR THE OPERATIONS OF FEDERATIONS THAT
26 HAVE BEEN DEPUTIZED AS SUPERVISORS. THE FEDERATIONS
27 IN THE EXERCISE OF THEIR SUPERVISORY POWERS AND
28 FUNCTIONS SHALL FOLLOW SUCH GUIDELINES.

29 THE AUTHORITY SHALL CONDUCT MONITORING AND
30 EVALUATION OF THE PERFORMANCE AND OPERATIONS OF
31 FINANCIAL SERVICE COOPERATIVES SUBJECT TO SUPERVISION

1 BY A DEPUTIZED SUPERVISOR TO DETERMINE COMPLIANCE BY
2 SUCH DEPUTIZED SUPERVISOR TO THE ESTABLISHED
3 GUIDELINES AND PROCEDURES FOR SUPERVISION.

4 "ART. 134. *CREATION OF A FINANCIAL SERVICE*
5 *COOPERATIVE REGULATORY AND SUPERVISION OFFICE.* –
6 WITHIN SIX (6) MONTHS FROM THE APPROVAL OF THIS ACT,
7 THE APPROPRIATE OFFICE OR DEPARTMENT WITHIN THE
8 AUTHORITY SHALL BE CREATED FOR THE EFFECTIVE
9 REGULATION AND SUPERVISION OF FINANCIAL SERVICE
10 COOPERATIVES. SAID OFFICE SHALL IMPLEMENT THE
11 REGULATIONS, RULES, POLICIES, GUIDELINES AND STANDARDS
12 APPLICABLE SOLELY TO FINANCIAL SERVICE COOPERATIVES
13 AND DEPUTIZED FEDERATIONS INSOFAR AS THEIR SAVINGS,
14 CREDIT AND OTHER RELATED FINANCIAL SERVICES ARE
15 CONCERNED.

16 THE REGULATION AND SUPERVISION OFFICE SHALL, AT
17 LEAST ONCE A YEAR, INSPECT OR COMMISSION THE
18 INSPECTION OF THE INTERNAL AFFAIRS AND THE ACTIVITIES
19 OF THE DEPUTIZED FEDERATIONS.

20 THE PURPOSE OF THE ANNUAL INSPECTION IS TO
21 EVALUATE THE OPERATIONS AND PRACTICES AND THE
22 INTERNAL CONTROL SYSTEMS OF THE FINANCIAL SERVICE
23 COOPERATIVES AND DEPUTIZED FEDERATIONS, TO VERIFY THE
24 ACCURACY OF THEIR FINANCIAL STATEMENTS AND TO ENSURE
25 THAT THEY ARE COMPLYING WITH THIS ACT, THE
26 REGULATIONS, THE BYLAWS, THE STANDARDS AND THE
27 WRITTEN INSTRUCTIONS APPLICABLE TO THEM UNDER THIS
28 CHAPTER.

29 "ART. 135. *SAVINGS GUARANTEE.* – ALL FINANCIAL
30 SERVICE COOPERATIVES SHALL BE REQUIRED TO ESTABLISH A
31 SAVINGS GUARANTEE SYSTEM FOR THE PROTECTION OF THEIR

1 MEMBER-DEPOSITORS WITHIN THREE (3) YEARS FROM THE
2 APPROVAL OF THIS ACT.

3 THE PHILIPPINE DEPOSIT INSURANCE CORPORATION
4 (PDIC), THE AUTHORITY AND OTHER GOVERNMENT
5 AGENCIES, GOVERNMENT-OWNED OR -CONTROLLED
6 CORPORATIONS AND GOVERNMENT FINANCIAL INSTITUTIONS
7 SHALL PROVIDE TECHNICAL AND OTHER ASSISTANCE, AS MAY
8 BE ALLOWED BY THEIR CHARTERS, TO FINANCIAL SERVICE
9 COOPERATIVE FEDERATIONS IN ORDER FOR THESE
10 FEDERATIONS TO JOINTLY OR SINGLY ESTABLISH AND/OR
11 STRENGTHEN THEIR OWN COOPERATIVE SAVINGS GUARANTEE
12 SYSTEM. THE TECHNICAL ASSISTANCE TO BE PROVIDED
13 SHALL INCLUDE TRAINING ON SUPERVISION AND
14 EXAMINATION.

15 "ART. 136. *AMENDMENTS OF BYLAWS OF*
16 *COOPERATIVES AND FEDERATIONS.* - ALL FINANCIAL
17 SERVICE COOPERATIVES, FINANCIAL SERVICE COOPERATIVE
18 FEDERATIONS AND OTHER COOPERATIVES COVERED BY THIS
19 ACT SHALL, WITHIN TWO (2) YEARS FROM ITS APPROVAL,
20 AMEND THEIR ARTICLES OF COOPERATION AND BYLAWS TO
21 CONFORM TO THIS ACT, AND SUBMIT THE SAME TO THE
22 AUTHORITY AND TO THE NATIONAL FEDERATION OF WHICH
23 THEY ARE A MEMBER.

24 "ART. 137. *JURISDICTION OVER FINANCIAL SERVICE*
25 *COOPERATIVES.* - COOPERATIVES COVERED BY THIS ACT AS
26 DEFINED UNDER ARTICLE 127 HEREOF ARE NOT COVERED BY
27 REPUBLIC ACT NO. 8791, OTHERWISE KNOWN AS THE
28 GENERAL BANKING LAW OF 2000, AND OTHER BANKING

1 LAWS AND ARE NOT UNDER THE REGULATION AND
2 SUPERVISION OF THE BANGKO SENTRAL NG PILIPINAS.

3 "ART. [114] 138. *Prohibition.* – The term 'credit
4 cooperative', 'SAVINGS AND CREDIT COOPERATIVE', AND
5 'FINANCIAL SERVICE COOPERATIVE' shall be used exclusively
6 by those who are duly registered under this Chapter, and no
7 person or group of persons, or organizations shall use the said
8 term unless duly registered herein."

9 SEC. 16. Articles 115, 116, 117 and 118 of Chapter XV on Special
10 Provisions Relating to Cooperative Insurance Societies of the same Code are
11 hereby renumbered as follows:

12 "CHAPTER XV

13 SPECIAL PROVISIONS RELATING TO
14 COOPERATIVE INSURANCE SOCIETIES

15 "ART. [115] 139. *Cooperative Insurance Societies.* –

16 x x x

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

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

19 "ART. [118] 142. *Implementing Rules.* – x x x."

20 SEC. 17. Chapter XVI on Miscellaneous Provisions of the same Code
21 is hereby retitled as Special Provisions Relating to Housing Cooperatives, and
22 shall now read as follows:

"CHAPTER XVI

**SPECIAL PROVISIONS RELATING TO
HOUSING COOPERATIVES**

"ART. 143. *COVERAGE.* – THIS CHAPTER SHALL APPLY ONLY TO HOUSING COOPERATIVES AND THE REST OF THE PROVISIONS OF THIS CODE SHALL APPLY TO THEM INSOFAR AS THE SAME ARE NOT INCONSISTENT WITH THE PROVISIONS OF THIS CHAPTER.

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

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

"ART. 145. *ORGANIZATION AND REGISTRATION.* – (1) A PRIMARY HOUSING COOPERATIVE MAY BE ORGANIZED AND REGISTERED BY AT LEAST FIFTEEN (15) NATURAL PERSONS. A PRIMARY HOUSING COOPERATIVE GUARANTEES ITS MEMBERS THROUGH A CERTIFICATE OR TITLE OF PART-OWNERSHIP, PERPETUAL LIVING RIGHTS IN A DWELLING HOUSE OR UNIT

1 OWNED BY THE PRIMARY. ONLY MEMBERS OF THE PRIMARY
2 COOPERATIVE CAN ACQUIRE SUCH LIVING RIGHTS.

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

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

9 (A) INITIATE AND DEVELOP A SAVINGS PROGRAM TO
10 ENABLE MEMBERS TO SAVE FOR THEIR HOUSING NEEDS;

11 (B) PROVIDE FOR MEMBERS' NEEDS FOR AFFORDABLE
12 AND GOOD QUALITY HOUSING; SECURITY OF TENURE AND SAFE
13 NEIGHBORHOODS;

14 (C) ACQUIRE, OWN AND DEVELOP LAND, BUILDINGS
15 AND PROPERTIES IN FURTHERANCE OF ITS OBJECTIVES;

16 (D) ENTER INTO CONTRACTS WITH GOVERNMENT AND
17 OTHER PRIVATE ENTITIES FOR FINANCING AND
18 CONSTRUCTING THE HOUSING PROJECT;

19 (E) SUSTAIN THE HOUSING PROJECT AND UNDERTAKE
20 COMMUNITY-BUILDING AND SITE-DEVELOPMENT ACTIVITIES;

21 (F) UNDERTAKE EDUCATION, TRAINING AND
22 INFORMATION COMMUNICATION ACTIVITIES TO HELP THE
23 MEMBERS DEEPEN THEIR COMMITMENT TO COOPERATIVISM,
24 FULFILL THEIR RESPONSIBILITIES AND DEVELOP THE
25 COOPERATIVE;

26 (G) ADVOCATE AND PROMOTE HOUSING
27 COOPERATIVES, ESPECIALLY IN THE AREA WHERE THE
28 COOPERATIVE IS OPERATING; AND

1 **(H) PERFORM SUCH OTHER FUNCTIONS AS MAY BE**
2 **NECESSARY TO ATTAIN ITS OBJECTIVES.**

3 **(4) HOUSING COOPERATIVE FEDERATIONS MAY BE**
4 **ORGANIZED FOR ANY OR ALL OF THE FOLLOWING ADDITIONAL**
5 **PURPOSES:**

6 **(A) FORM AND REGISTER PRIMARIES FOR HOUSING**
7 **PROJECTS THAT THE FEDERATION IS DEVELOPING;**

8 **(B) CARRY OUT, ENCOURAGE AND ASSIST**
9 **EDUCATIONAL AND ADVISORY WORK RELATING TO ITS**
10 **MEMBER-COOPERATIVES;**

11 **(C) PROVIDE TECHNICAL AND OTHER SERVICES**
12 **DESIGNED TO ENCOURAGE EFFECTIVENESS, EFFICIENCY AND**
13 **ECONOMY IN THE CONDUCT OF THE BUSINESS OF ITS MEMBER-**
14 **COOPERATIVES;**

15 **(D) COORDINATE AND FACILITATE THE ACTIVITIES OF**
16 **ITS MEMBER ORGANIZATIONS; AND**

17 **(E) REPRESENT THEIR MEMBER-COOPERATIVES AND**
18 **INDIVIDUAL MEMBERS ON MATTERS THAT AFFECT THEIR**
19 **INTERESTS.**

20 **"ART. 146. MEMBERSHIP IN A FEDERATION. -**
21 **INDIVIDUAL PERSONS ARE ALLOWED TO BECOME MEMBERS OF**
22 **THE HOUSING COOPERATIVE FEDERATION: PROVIDED, THAT**
23 **THEY ACTIVELY PARTICIPATE IN THE SAVINGS PROGRAM FOR**
24 **HOUSING OF THE FEDERATION.**

25 **"ART. 147. TYPES OF HOUSING COOPERATIVES AND**
26 **CERTIFICATES OF PART OWNERSHIP. - HOUSING**
27 **COOPERATIVES MAY BE OF TWO (2) TYPES:**

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

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

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

1 UNLESS ACCOMPANIED BY A CERTIFICATE OF APPROVAL FROM
2 THE MANAGEMENT OF THE HOUSING COOPERATIVE.

3 "ART. 148. *PREFERENTIAL RIGHTS.* - A DULY
4 REGISTERED HOUSING COOPERATIVE SHALL HAVE THE
5 FOLLOWING PREFERENTIAL RIGHTS IN ADDITION TO THOSE
6 PROVIDED IN THIS CODE:

7 (1) TO AVAIL OF THE COMMUNITY MORTGAGE
8 PROGRAM AS A LEGALLY ORGANIZED ASSOCIATION WITH
9 UNDERPRIVILEGED AND HOMELESS CITIZENS AS COOPERATIVE
10 MEMBERS OR ON BEHALF OF SAID CITIZENS IN THE
11 COMMUNITY THE COOPERATIVE SERVES PURSUANT TO THE
12 PERTINENT PROVISIONS OF REPUBLIC ACT NO. 7279,
13 OTHERWISE KNOWN AS THE URBAN DEVELOPMENT AND
14 HOUSING ACT OF 1992;

15 (2) TO AVAIL OF THE GROUP LAND ACQUISITION
16 DEVELOPMENT PROGRAM (GLADP) OF THE PAG-IBIG
17 FUND THAT PROVIDES ORGANIZED GROUPS OF PAG-IBIG
18 FUND MEMBERS FOR THE ACQUISITION AND DEVELOPMENT OF
19 RAW OR PARTIALLY DEVELOPED LAND WHICH SHALL SERVE
20 AS THE SITE FOR THEIR HOUSING UNITS;

21 (3) ALL PROJECTS OF HOUSING COOPERATIVES
22 PRIMARILY INTENDED FOR UNDERPRIVILEGED AND HOMELESS
23 MEMBERS SHALL BE CONSIDERED TO BE IN COMPLIANCE WITH
24 THE PROVISION UNDER SECTION 20 OF REPUBLIC ACT NO.
25 7279, THE URBAN DEVELOPMENT AND HOUSING ACT, ON
26 BALANCED HOUSING DEVELOPMENT, REGARDLESS OF THE
27 COST;

28 (4) HOUSING COOPERATIVES SHALL HAVE
29 PREFERENTIAL RIGHT TO ACQUIRE, LEASE, DEVELOP AND

1 MANAGE IDLE GOVERNMENT LANDS AND BUILDINGS
2 IDENTIFIED FOR HOUSING WITHIN ITS AREA OF OPERATIONS;

3 (5) HOUSING COOPERATIVE PROJECTS SHALL BE
4 RECOGNIZED AS UNITS FOR LIVELIHOOD AND PRODUCTIVITY
5 UNDER REPUBLIC ACT NO. 6657, OTHERWISE KNOWN AS
6 THE COMPREHENSIVE AGRARIAN REFORM LAW OF 1988,
7 FOR MEMBERS WHO ARE AGRARIAN REFORM
8 GRANTEES/BENEFICIARIES; AND

9 (6) HOUSING COOPERATIVES SHALL HAVE THE RIGHT
10 TO AVAIL OF GOVERNMENT TECHNICAL ASSISTANCE,
11 FACILITIES AND EQUIPMENT FOR THE CONSTRUCTION AND
12 MAINTENANCE OF THE COOPERATIVE-OWNED HOUSING
13 PROJECT.

14 “ART. 149. *SPECIAL FINANCING WINDOW FOR*
15 *HOUSING COOPERATIVES.* – THE APPROPRIATE HOUSING
16 AGENCIES AND GOVERNMENT FINANCIAL INSTITUTIONS SHALL
17 CREATE A SPECIAL WINDOW FOR FINANCING HOUSING
18 PROJECTS UNDERTAKEN BY HOUSING COOPERATIVES, WITH
19 INTEREST RATES AND TERMS EQUAL TO, OR BETTER THAN
20 THOSE GIVEN FOR SOCIALIZED HOUSING PROJECTS. THIS
21 FINANCING SHALL BE IN THE FORM OF BLANKET LOANS OR
22 LONG-TERM WHOLESALE LOANS TO QUALIFIED
23 COOPERATIVES, WITHOUT NEED FOR INDIVIDUAL PROCESSING.
24 A NEW HOUSING COOPERATIVE MAY AVAIL OF LOANS FROM
25 THIS FINANCING WINDOW IF IT IS GUARANTEED BY A HOUSING
26 COOPERATIVE FEDERATION OR ANOTHER PRIMARY HOUSING
27 COOPERATIVE THAT IS FINANCIALLY STABLE.

28 “ART. 150. *ORGANIZATIONAL LINKAGE.* – HOUSING
29 COOPERATIVES MAY JOIN OR ORGANIZE CHAPTERS,
30 SUBSIDIARIES, LEAGUES OR FEDERATIONS FOR THE PURPOSE

1 OF PROVIDING COMMONLY NEEDED ESSENTIAL SERVICES
2 SUCH AS:

- 3 (1) INTERLENDING OF SURPLUS FUND;
4 (2) DEVELOPMENT ACTIVITIES;
5 (3) PROFESSIONAL AND TECHNICAL ASSISTANCE;
6 (4) RESEARCH AND DEVELOPMENT;
7 (5) REPRESENTATION; AND
8 (6) OTHER SERVICES NEEDED TO CONTINUOUSLY
9 IMPROVE THEIR PERFORMANCE.

10 “ART. 151. *PROHIBITION.* – THE TERM ‘HOUSING
11 COOPERATIVE’ SHALL BE USED EXCLUSIVELY BY
12 COOPERATIVES DULY REGISTERED UNDER THE PROVISIONS OF
13 THIS CHAPTER. NO PERSON, GROUP OF PERSONS OR
14 ORGANIZATIONS SHALL USE SAID TERM UNLESS DULY
15 REGISTERED HEREIN. A HOUSING COOPERATIVE IS
16 PROHIBITED FROM TRANSFORMING INTO AND REGISTERING AS
17 A MULTIPURPOSE COOPERATIVE.”

18 SEC. 18. The present Chapter XVI on Miscellaneous Provisions is
19 hereby renumbered as Chapter XVII. Articles 119 and 120 therein are hereby
20 renumbered. Article 121 of the same Chapter is likewise renumbered and
21 amended. The new Chapter XVII on Miscellaneous Provisions shall now read
22 as follows:

23 “CHAPTER [XVI] XVII

24 MISCELLANEOUS PROVISIONS

25 “ART. [119] 152. *Compliance with Other Laws.* – (1)

26 x x x

27 (2) x x x

28 (3) x x x

1 “ART. [120] 153. *Register of Cooperatives.* – x x x

2 “ART. [121] 154. *Settlement of Disputes*[.], *CONCILIATION,*
3 *AND MEDIATION PROCEEDINGS.* – Disputes among members,
4 officers, directors, and committee members, [and] intra-
5 cooperative, INTER-COOPERATIVE, INTRA-FEDERATION OR
6 INTER-FEDERATION disputes shall, as far as practicable, be
7 settled amicably in accordance with the conciliation or mediation
8 mechanisms embodied in the bylaws of the cooperative, and in
9 applicable laws.

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

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

24 SEC. 19. Chapter XVII on Final Provisions of the same Code is hereby
25 renumbered as Chapter XVIII.

26 Article 122 thereof is deleted from this Chapter and is transposed to the
27 Special Provisions on Electric Cooperatives as Article 114 under Chapter XII,
28 Subsection C on Special Provisions on Electric Cooperatives.

- 1 (a) x x x
2 (b) x x x
3 (c) x x x
4 (d) x x x.”

5 “ART. [124] 156. *Penal Provisions.* – The following acts
6 or omissions affecting cooperatives are hereby prohibited:

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

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

1 [(2)] (3) x x x

2 (a) x x x

3 (b) x x x

4 (c) x x x

5 (d) x x x

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

17 [(3)] (4) A director, officer or committee member who
 18 [violated] VIOLATES the provisions of Article [47] 46 ON THE
 19 [(l)] [i]Liability of [d]Directors, [o]Officers and [c]Committee
 20 [m]Members[]], Article [50] 49 ON THE [(l)] [d]Disloyalty of a
 21 [d]Director[]], and Article [51] 50 ON THE [(l)] [i]Illegal [u]Use
 22 of [c]Confidential [i]Information[]] shall upon conviction suffer
 23 a fine of not less than Five thousand pesos (P5,000.00) nor more
 24 than Five hundred thousand pesos (P500,000.00) or
 25 imprisonment of not less than five (5) years but not more than
 26 ten (10) years or both at the court's discretion;

1 ~~[(4)]~~ (5) x x x

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

7 (A) OMISSION OR REFUSAL TO FURNISH ANY
8 INFORMATION, REPORT OR OTHER DOCUMENT THAT IS
9 REQUIRED TO BE FURNISHED UNDER THIS CODE;

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

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

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

20 (E) HINDERING A PERSON WHO, AS PART OF THE
21 PERSON'S DUTIES, IS CONDUCTING AN INSPECTION, AN AUDIT,
22 AN EXAMINATION OR AN INVESTIGATION UNDER THIS CODE;

23 (F) FAILURE TO COMPLY WITH AN ORDER OR WRITTEN
24 INSTRUCTIONS ISSUED OR GIVEN BY THE AUTHORITY;

25 (G) VIOLATION OF THE PROVISIONS REGARDING
26 TRANSACTIONS WITH A RESTRICTED PARTY; AND

27 (H) ABETTING, COUNSELING, ALLOWING,
28 AUTHORIZING OR COMMANDING ANOTHER PERSON TO
29 COMMIT AN OFFENSE PUNISHABLE BY THIS CODE: *PROVIDED,*

1 **THAT, IN CASE THE VIOLATOR IS A COOPERATIVE OR A**
2 **JURIDICAL PERSON, THE PENALTY SHALL BE IMPOSED ON ITS**
3 **DIRECTORS AND OFFICERS.**

4 “ART. [125] 157. *Printing and Distribution.* – (1) x x x
5 (2) x x x

6 “ART. [126] 158. *Interpretation and Construction.* – x x x

7 “ART. [127] 159. *Repeals.* – Except as expressly
8 provided by this Code, Presidential Decree No. 175 and all other
9 laws, or parts thereof, inconsistent with any provision of this
10 Code shall be deemed repealed: *Provided, however,* That
11 nothing in this Code shall be interpreted to mean the amendment
12 or repeal of any provision of Presidential Decree No. 269 WITH
13 REGARD TO THE ORGANIZATION AND STRUCTURE OF THE
14 NATIONAL ELECTRIFICATION ADMINISTRATION (NEA):
15 *Provided, further,* That the electric cooperatives which qualify as
16 such under this Code shall fall under the coverage thereof.

17 “ART. [128] 160. *Transitory Provisions.* – (1) ALL
18 COOPERATIVES PREVIOUSLY REGISTERED WITH THE
19 AUTHORITY UNDER REPUBLIC ACTS NUMBERED 6938 AND
20 6939 SHALL BE DEEMED REGISTERED UNDER THIS ACT:
21 ***PROVIDED, HOWEVER,*** THAT THEY SHALL SUBMIT TO THE
22 NEAREST EXTENSION OFFICE OF THE AUTHORITY A COPY OF
23 THEIR CERTIFICATE OF REGISTRATION OR CONFIRMATION,
24 THE ARTICLES OF COOPERATION AND BYLAWS AND THE
25 LATEST DULY AUDITED FINANCIAL STATEMENT WITHIN ONE
26 (1) YEAR FROM THE EFFECTIVITY OF THIS ACT, OTHERWISE
27 THEY WILL NOT BE CONSIDERED AS REGISTERED.

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

1 **DECREE NO. 1645 SHALL NO LONGER BE APPLICABLE TO**
2 **SAID COOPERATIVES.**

3 “ART. [129] 161. *Separability.* – x x x

4 “ART. [130] 162. *Effectivity.* – x x x.”

5 SEC. 20. *Separability Clause.* – If any provision of this Act is
6 subsequently declared unconstitutional, the validity of the remaining provisions
7 hereof shall remain in full force and effect.

8 SEC. 21. *Repealing Clause.* – The pertinent provisions of the National
9 Internal Revenue Code and Sections 33 and 79 of Republic Act No. 8791, and
10 all other laws, decrees, orders or regulations or parts thereof that are
11 inconsistent with this Act are hereby repealed or modified accordingly.

12 SEC. 22. *Effectivity Clause.* – This Act shall take effect upon its
13 approval.

 Approved,

O