


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

'22 JUL 12 P4 :58

SENATE
S.B. No. 418

RECEIVED BY 

Introduced by **SENATOR IMEE R. MARCOS**

**AN ACT AMENDING REPUBLIC ACT NO. 6938, OTHERWISE KNOWN AS THE
"COOPERATIVE CODE OF THE PHILIPPINES," AS AMENDED,
AND FOR OTHER PURPOSES**

EXPLANATORY NOTE

Article 2, Section 20 of the 1987 Constitution provides that *"the State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments"*.

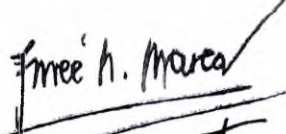
Foreign investors are disturbed about the restrictiveness of the Foreign Investment Negative List (Negative List). As such, there is a need to open up certain sectors in the Negative List to foreign investment in order to improve the competitive position of the country with respect to its ASEAN neighbors, promote competition within the local economy, and address the lack of investment and infrastructure in regulated industries.

Looking at the current 11th Negative List, issued through EO 65 s. 2018, foreign investment in the cooperative sector is hampered by Chapter III, Article 26 of Republic Act (R.A.) No. 6938, as amended by Chapter II, Article 10 of R.A. No. 9520, also known as the "Philippine Cooperative Code of 2008". Chapter II, Article 10 of the Philippine Cooperative Code limits membership of cooperatives to Filipino Citizens, while Chapter VIII, Article 72 limits the capital of the cooperatives to (1) member's share capital, (2) loans and borrowings, (3) revolving capital, and (4) donations.

There are more than 20,000 cooperatives registered in the Cooperative Development Authority with approximately 11 million individual members. As such, opening up cooperatives to foreign investments will greatly benefit our people by allowing cooperatives additional capital to expand their activities.


This bill seeks to facilitate foreign investments in the cooperative sector by relaxing the citizenship requirement for cooperative members. Foreigners shall now be allowed to invest up to 40% of the membership shares in the cooperatives, with the proviso that a majority of the members of the cooperatives shall be Filipino natural born citizens. This will allow foreigners to invest in cooperatives while allowing control of cooperatives to remain in local hands.

Given the abovementioned circumstances, the immediate passage of this bill is necessary.


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

1 SECTION 1. Article 10 of Republic Act (R.A.) No. 6938, as amended by R.A. No. 9520,
2 shall be amended to read as follows:

3 "ART. 10. *Organizing a Primary Cooperative.* – Fifteen (15) or more
4 natural persons who are [Filipino citizens,] of legal age, having a common
5 bond of interest and are actually residing or working in the intended area
6 of operation **FOR AT LEAST SIX (6) MONTHS**, may organize a primary
7 cooperative under this Code: *Provided*, That a prospective member of a
8 primary cooperative must have completed a Pre-Membership Education
9 Seminar (PMES). **PROVIDED, FURTHER THAT, MAJORITY OF SUCH**
10 **SHALL BE FILIPINO CITIZENS."**

11 x x x."

12 SEC. 2. Article 26 of R.A. No. 6938, as amended by R.A. No. 9520, shall be amended
13 to read as follows:

14 "ART. 26. *Kinds of Membership.* – A cooperative may have two (2) kinds
15 of members, to wit: (1) regular members and (2) associate members.

16 "A regular member is one who has complied with all the membership
17 requirements and entitled to all the rights and privileges of membership.

1 An associate member is one who has no right to vote nor be voted upon
2 and shall be entitled only to such rights and privileges as the bylaws may
3 provide: *Provided*, That an associate who meets the minimum
4 requirements of regular membership, continues to patronize the
5 cooperative for two (2) years, and signifies his/her intention to remain a
6 member shall be considered a regular member. **PROVIDED, FURTHER**
7 **THAT, MAJORITY OF ALL MEMBERS, WHETHER REGULAR OR**
8 **ASSOCIATE, SHALL BE FILIPINO CITIZENS.**

9 x x x."

10 SEC. 3. Article 73 of R.A. No. 6938, as amended by R.A. No. 9520, shall be amended
11 to read as follows:

12 "ART. 73. Limitation on Share Capital Holdings. – No member of primary
13 cooperative other than cooperative itself shall own or hold more than
14 [ten] **FORTY per centum [(10%)] (40%)** of the share capital of the
15 cooperative.

16 "Where a member of cooperative dies, his heir shall be entitled to the
17 shares of the decedent: *Provided*, That the total shareholding of the heir
18 does not exceed [ten] **FORTY per centum [(10%)] (40%)** of the share
19 capital of the cooperative; *Provided*, further, That the heir qualify and is
20 admitted as members of the cooperative: *Provided* finally , That where
21 the heir fails to qualify as a member or where his total shareholding
22 exceeds [ten] **FORTY per centum [(10%)] (40%)** of the share capital ,
23 the share or shares excess will revert to the cooperative upon payment
24 to the heir of the value of such shares."

25 SEC. 4. *Repealing Clause*. – All laws, decrees, executive orders, issuances or regulations
26 inconsistent which the provisions of this Act are hereby revised or amended
27 accordingly.

28 SEC. 5. *Separability Clause*. – If any part of this Act is declared unconstitutional or
29 invalid, such parts or provisions thereof not so declared shall remain valid and
30 subsisting.

31 SEC. 6. *Effectivity Clause*. – This Act shall take effect fifteen (15) days after its
32 publication in at least two (2) newspapers of general circulation.

Approved,