

[REPUBLIC ACT NO. 6938, March 10, 1990]

AN ACT TO ORDAIN A COOPERATIVE CODE OF THE PHILIPPINES

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

CHAPTER I GENERAL CONCEPTS AND PRINCIPLES

ARTICLE 1. *Title.* — This Act shall be known as the "Cooperative Code of the Philippines."

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

Toward this end, the Government and all its branches, subdivisions, instrumentalities and agencies shall ensure the provision of technical guidance, financial assistance and other services to enable said cooperatives to develop into viable and responsive economic enterprises and thereby bring about a strong cooperative movement that is free from any conditions that might infringe upon the autonomy or organizational integrity of cooperatives.

Further, the State recognizes the principle of subsidiarity under which the cooperative sector will initiate and regulate within its own ranks the promotion and organization, training and research, audit and support services relating to cooperatives with government assistance where necessary.

ART. 3. *General Concepts.* — A cooperative is a duly registered association of persons, with a common bond of interest, who have voluntarily joined together to achieve a lawful common social or economic end, making equitable contributions to the capital required and accepting a fair share of the risks and benefits of the undertaking in accordance with universally accepted cooperative principles.

ART. 4. *Cooperative Principles.* — Every cooperative shall conduct its affairs in accordance with Filipino culture and experience and the universally accepted principles of cooperation which include the following:

1. Open and Voluntary Membership — Membership in a cooperative shall be voluntary and available to all individuals regardless of their social, political, racial or religious background or beliefs.

2. Democratic Control — Cooperatives are democratic organizations. Their affairs shall be administered by persons elected or appointed in a manner agreed upon by the members. Members of primary cooperatives shall have equal voting rights on a one-member-one-vote principle: Provided, however, That, in the case of secondary and tertiary cooperatives, the provisions of Article 37 of this Code shall apply.
3. Limited Interest in Capital — Share capital shall receive a strictly limited rate of interest.
4. Division of Net Surplus — Net surplus arising out of the operations of a cooperative belongs to its members and shall be equitably distributed for cooperative development, common services, indivisible reserve fund, and for limited interest on capital and/or patronage refund in the manner provided in this Code and in the articles of cooperation and bylaws.
5. Cooperative Education — All cooperatives shall make provision for the education of their members, officers and employees and of the general public based on the principles of cooperation.
6. Cooperation Among Cooperatives — All cooperatives, in order to best serve the interest of their members and communities, shall actively cooperate with other cooperatives at local, national, and international levels.

ART. 5. *Definition of Terms.* — The following terms shall mean:

1. Member includes a person either natural or juridical who, adhering to the principles set forth in this Code and in the articles of cooperation, has been admitted by the cooperative as member;
2. General Assembly shall mean the full membership of the cooperative duly assembled for the purpose of exercising all the rights and performing all the obligations pertaining to cooperatives, as provided by this Code, its articles of cooperation and bylaws;
3. Board of Directors shall mean that body entrusted with the management of the affairs of the cooperative under its articles of cooperation and bylaws;
4. Committee shall refer to any body entrusted with specific functions and responsibilities under the bylaws or resolution of the general assembly or the board of directors;
5. Articles of Cooperation means the articles of cooperation registered under this Code and includes a registered amendment thereof;
6. Bylaws means the bylaws registered under this Code and includes any registered amendment thereof;
7. Registration means the operative act granting juridical personality to a proposed cooperative and is evidenced by a certificate of registration;
8. Cooperative Development Authority means the government agency in charge of the registration and regulation of cooperatives as such, hereinafter referred to as the Authority; and
9. Universally Accepted Principles means that body of cooperative principles adhered to worldwide by cooperatives in other jurisdictions.

CHAPTER II

ORGANIZATION AND REGISTRATION

ART. 6. *Organization of Cooperatives.* — A cooperative may be organized and registered by at least fifteen (15) persons for any or all of the following purposes:

1. To encourage thrift and savings mobilization among the members;
2. To generate funds and extend credit to the members for productive and provident purposes;
3. To encourage among members systematic production and marketing;
4. To provide goods and services and other requirements to the members;
5. To develop expertise and skills among its members;
6. To acquire lands and provide housing benefits for the members;
7. To insure against losses of the members;
8. To promote and advance the economic, social and educational status of the members;
9. To establish, own, lease or operate cooperative banks, cooperative wholesale and retail complexes, insurance and agricultural/industrial processing enterprises, and public markets;
10. To coordinate and facilitate the activities of cooperatives; and
11. To undertake any and all other activities for the effective and efficient implementation of the provisions of this Code.

ART. 7. *Objectives of Cooperative.* — The primary objective of every cooperative is to provide goods and services to its members and thus enable them to attain increased income and savings, investments, productivity, and purchasing power and promote among them equitable distribution of net surplus through maximum utilization of economies of scale, cost-sharing and risk-sharing without, however, conducting the affairs of the cooperative for eleemosynary or charitable purposes.

A cooperative shall provide maximum economic benefits to its members, teach them efficient ways of doing things in a cooperative manner, and propagate cooperative practices and new ideas in business and management and allow the lower income groups to increase their ownership in the wealth of this nation.

ART. 8. *Cooperatives Not in Restraint of Trade.* — No cooperative or method or act thereof which complies with this Code shall be deemed a conspiracy or combination in restraint of trade or an illegal monopoly, or an attempt to lessen competition or fix prices arbitrarily in violation of any of the laws of the Philippines.

ART. 9. *Cooperative Powers and Capacities.* — A cooperative registered under this Code shall have the following powers and capacities:

1. To sue and be sued in its cooperative name;
2. Of succession;
3. To amend its articles of cooperation in accordance with the provisions of this Code;
4. To adopt bylaws not contrary to law, morals or public policy, and to amend and repeal the same in accordance with this Code;
5. To purchase, receive, take or grant, hold, convey, sell, lease, pledge, mortgage, and otherwise deal with such real and personal

- property, as the transaction of the lawful affairs of the cooperative may reasonably and necessarily require, subject to the limitations prescribed by law and the Constitution;
6. To enter into division, merger or consolidation, as provided in this Code;
 7. To join federations or unions, as provided in this Code;
 8. To accept and receive grants, donations and assistance from foreign and domestic sources; and
 9. To exercise such other powers granted by this Code or necessary to carry out its purpose or purposes as stated in its articles of cooperation.

ART. 10. *Organizing a Primary Cooperative.* — Fifteen (15) or more natural Persons, who are citizens of the Philippines, having a common bond of interest and are residing or working in the intended area of operation may organize a cooperative under this Code.

ART. 11. *Economic Survey.* — Every group of individuals or cooperatives intending to form a cooperative under this Code shall submit to the Cooperative Development Authority a general statement describing the structure, purposes and economic feasibility of the proposed cooperative, indicating therein the area of operation, the size of membership and other pertinent data.

ART. 12. *Liability.* — A cooperative shall be registered under this Code, with limited liability.

ART. 13. *Term.* — A cooperative shall exist for a period not exceeding fifty (50) years from the date of registration unless sooner dissolved or unless said period is extended. The cooperative term, as originally stated in the articles of cooperation, may be extended for periods not exceeding fifty (50) years in any single instance by an amendment of the articles of cooperation, in accordance with this Code: Provided, That no extension can be made earlier than five (5) years prior to the original or subsequent expiry date/dates unless there are justifiable reasons for an earlier extension as may be determined by the Cooperative Development Authority.

ART. 14. *Articles of Cooperation.* — (1) All cooperatives applying for registration shall file with the Cooperative Development Authority the articles of cooperation which shall be signed by each of the organizers and acknowledged by them if natural persons, and by the presidents or secretaries, if juridical persons, before a notary public.

(2) The articles of cooperation shall set forth:

- a. The name of the cooperative which shall include the word "cooperative";
- b. The purpose or purposes and scope of business for which the cooperative is to be registered;
- c. The term of existence of the cooperative;
- d. The area of operation and the, postal address of its principal office;
- e. The names, nationality, and the postal addresses of the registrants;
- f. The common bond of membership;
- g. The list of names of the directors who shall manage the cooperative; and

- h. The amount of its share capital, the names and residences of its contributors and a statement of whether the cooperative is primary, secondary or tertiary in accordance with Article 23 hereof.

(3) The articles of cooperation may also contain any other provisions not inconsistent with this Code or any related law.

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

(5) No cooperative shall be registered unless the articles of cooperation is accompanied with the bonds of the accountable officers and a sworn statement of the treasurer elected by the subscribers showing that at least twenty-five per centum (25%) of the authorized share capital has been subscribed and at least twenty-five per centum (25%) of the total subscription has been paid: Provided, That in no case shall the paid-up share capital shall be less than Two thousand pesos (P2,000.00).

ART. 15. *Bylaws.* — (1) Each cooperative to be registered under this Code shall adopt bylaws not inconsistent with the provisions of this Code. The bylaws shall be filed at the same time as the articles of cooperation.

(2) The bylaws of each cooperative shall provide:

- a. The qualifications for admission to membership and the payment to be made or interest to be acquired as a condition for the exercise of the right of membership;
- b. The rights and liabilities of membership;
- c. The circumstances under which membership is acquired, maintained and lost;
- d. The procedure to be followed in cases of termination of membership;
- e. The conditions under which the transfer of a share or interest of the members shall be permitted;
- f. The rules and procedures on the agenda, time, place and manner of calling, convening, conducting meetings, quorum requirements, voting systems, and other matters relative to the business affairs of the general assembly, board of directors, and committees;
- g. The general conduct of the affairs of the cooperative, including the powers and duties of the general assembly, the board of directors, committees and the officers, and their qualifications and disqualifications;
- h. The manner in which the capital may be raised and the purposes for which it can be utilized;
- i. The mode of custody and of investment of net surplus;
- j. The accounting and auditing systems;
- k. The manner of loaning and borrowing, including limitations thereof;
- l. The method of distribution of net surplus;
- m. The manner of adopting, amending, repealing, and abrogating bylaws;