

**THE BOARD OF ADMINISTRATORS  
COOPERATIVE DEVELOPMENT AUTHORITY  
MANILA**

**RULES AND REGULATIONS IMPLEMENTING  
CERTAIN PROVISIONS OF THE COOPERATIVE  
CODE OF THE PHILIPPINES**

Pursuant to the provisions of Article 123 of Republic Act No. 6938, otherwise known as the Cooperative Code of the Philippines, the Cooperative Development Authority hereby issues the following rules and regulations implementing the provisions of Article 20 (Rule 7), Articles 21 and 22 (Rule 6), the second paragraph of Article 27 (Rule 9), Article 54 (Rule 2), Article 71 (Rule 8), Article 72 (Rule 3), Article 76 (Rule 4), Article 78 (Rule 5), of the said Code.

*RULE 1—Title and Definitions*

**SECTION 1. Title.**—These rules, regulations and guidelines shall be known as the “Rules and Regulations Implementing Certain Provisions of the Cooperative Code of the Philippines”.

**SEC. 2. Definition of Terms.**—As used in these Rules and Regulations, the following terms are defined as follows:

- (a) *Annual Report* shall refer to the organized written report on the state of affairs of a cooperative at the end of its fiscal year.
- (b) *Associate Member* is one who has no right to vote nor be voted upon and shall be entitled only to such rights and privileges as the by-laws may provide.
- (c) *Authority* shall refer to the Cooperative Development Authority (CDA).
- (d) *Authorized Share Capital* is the amount of capitalization of the cooperative as prescribed by the articles of cooperation.
- (e) *Call* shall refer to a written notice of demand made by the cooperative to its members to pay their due and unpaid share capital, in accordance with their membership or subscription agreement, the policies and actions of the board of directors and general assembly.

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- (f) *Capital* shall include but not be limited to the sum total of members' share capital, loans and borrowings including deposits, revolving capital, subsidies, donations, legacies, grants, aids, land, structures, plants, equipments, facilities, machines and other assets of a cooperative as may be utilized to attain its purposes and objectives.
  - (g) *Code* shall refer to Republic Act No. 6938, otherwise known as the Cooperative Code of the Philippines.
  - (h) *Consolidation* shall refer to an amalgamation by agreement between two (2) or more cooperatives whereby their purposes, rights, obligations, franchises, privileges and properties are combined in a single, new cooperative.
  - (i) *Cumulative Interest* shall mean the interest that must be added to future interest if it is not paid when due.
  - (j) *Division* shall mean the act of splitting a single cooperative into two or more cooperatives, wherein the original cooperative shall be dissolved and the resulting cooperatives shall acquire separate and distinct juridical personalities.
  - (k) *Donated Capital* shall include but not be limited to subsidies, grants, donations and aids received from any person, whether natural or juridical, local or foreign.
  - (l) *Fixed Deposit* is the amount actually paid by a member as his contribution to the capitalization of the cooperative.
  - (m) *Guardian Cooperative* shall refer to a cooperative duly registered with the Authority with which a laboratory cooperative is affiliated.
  - (n) *Interest* shall refer to an amount paid for the use of money.
  - (o) *Laboratory Cooperative* shall refer to a cooperative formed and managed principally by minors and which is affiliated with a registered cooperative.
  - (p) *Liquidation* shall refer to the process of winding up the affairs of the cooperative and the subsequent cancellation of the certificate of registration of a cooperative.
  - (q) *Members' Equity* is the residual ownership of members in the assets of a cooperative which is the

excess of assets over liabilities, capital from external sources, statutory reserves and other necessary funds as may be provided for in the articles of cooperation and by-laws of the cooperative.

- (r) *Merger* shall refer to the absorption of one or more existing cooperatives by another cooperative which continues the combined purposes of the absorbed cooperatives.
- (s) *Minors* shall refer to natural persons who are Filipino citizens below eighteen (18) years of age.
- (t) *Non-Cumulative Interest* shall mean the interest that is not added to future interests if not paid when due.
- (u) *Out-of-school Minors* shall refer to those who are not enrolled in any formal education during the current schoolyear.
- (v) *Paid-up Share Capital* is that portion of the authorized share capital which has actually been paid by the members.
- (w) *Publication* shall refer to the posting of the annual report in conspicuous public places within the area of operations of the cooperative or its publication in a newspaper and its distribution to all members of record.
- (x) *Revolving Capital* is an amount raised by the cooperative to strengthen its capital structure by deferring the payment of the patronage refund and interest on share capital of the members or by authorized deduction of a percentage from the products sold or per unit of product handled by the members. It shall also include the amount received from the issuance of cooperative bonds and/or certificates of indebtedness.
- (y) *Share Capital* is the money paid or required to be paid by the members for the conduct of the operations of the cooperative.
- (z) *Subscribed Share Capital* is the portion of the authorized share capital which the members pledge or agree to pay as their share capital in the cooperative.
- (aa) *Total Average Share Month* shall refer to the sum total of the average share month which is determined by adding the monthly ending balances of the member's share capital and dividing the sum

by twelve (12) months. The monthly ending balances shall include share capital paid during the first seven (7) days of the month.

- (ab) *Unpaid Subscription* shall refer to the pledged share capital which is not yet paid by a member.
- (ac) *Winding Up of Affairs* shall refer to the final settlement of the liabilities, the disposal of reserves and the return to the members of their share capital and any remaining assets of a cooperative.

RULE 2—*Annual Report of Cooperatives*

SECTION 1. *Legal Basis*.—The legal basis for this Rule is Article 54 of the Code, quoted as follows:

“ARTICLE 54. *Annual Reports*.—(1) Every cooperative shall draw up an annual report of its affairs as of the end of every fiscal year, and publish the same furnishing copies to all its members of record. A copy thereof shall be filed with the Cooperative Development Authority within sixty (60) days from the end of every fiscal year. The form and contents of the annual report shall be prescribed by the rules of the Authority. Failure to file the required annual report shall be a ground for revocation of authority of the cooperative to operate as such. The fiscal year of every cooperative shall be the calendar year except as may be provided in the by-laws.

“(2) If any cooperative fails to make, publish and file the report required herein, or fails to include therein any matter required by this Code, the Cooperative Development Authority shall, within fifteen (15) days from the expiration of the prescribed period, send such cooperative a registered notice, directed to its official postal address stating the delinquency and its consequences. If the cooperative fails to make, publish or file a copy of the report within thirty (30) days from receipt of such notice, any member of the cooperative or the Government may petition the court for *mandamus* to compel the cooperative and its officers to make, publish and file such report, as the case may be, and require the cooperative or the officers at fault to pay all the expenses of the proceeding, including counsel fees when the filing is made by a member.”

SEC. 2. *Filing*.—All cooperatives shall file with the Authority a copy of their annual report within sixty (60) days from the end of their respective fiscal years.

SEC. 3. *Format of the Annual Report*.—The following shall be the format of the annual report to be filed by the cooperative:

ANNUAL REPORT

I. GENERAL INFORMATION

Name of Cooperative: .....

Address : .....

Type of Cooperative (Please check the appropriate category):

..... Credit ..... Multi-purpose (agri)

..... Consumers ..... Multi-purpose (non-agri)

..... Marketing ..... Federation

..... Service ..... Union

..... Producers ..... Others

Area of Operations (Please check the appropriate category):

..... Barangay ..... Provincial ..... National

..... Municipal/City ..... Regional

Date Registered/Confirmed: ..... Reg. Conf. No.: .....

II. ORGANIZATIONAL ASPECT

Total Membership: ..... Male: ..... Female: .....

No. of Directors: ..... Male: ..... Female: .....

Total No. of Employees ..... Male: ..... Female: .....

Full time: .....

Volunteers: .....

Part-time: .....

Meetings: Number of Board Meetings Held

Regular: ..... Special: .....

Number and Date/s of General Assembly Meetings Held

Regular: ..... Date: .....

Special: ..... Date: .....

Number of Committee Meetings Held

Election: ..... Education: .....

Credit: ..... Others: .....

Audit: .....

Trainings:

No. of Training Conducted by Cooperative:	Type	Total No. of Participants	Cost of Training
.....	.....	.....	.....
.....	.....	.....	.....
.....	.....	.....	.....

No. of Trainings Attended by Officers: .....

Local: ..... Foreign: .....

Affiliations:

Name of Federation: .....

Address: .....

..... Barangay ..... Provincial ..... National

..... Municipal/City ..... Regional

Name of Union: .....

Address: .....

..... Barangay ..... Provincial ..... National

..... Municipal/City ..... Regional

Laboratory Cooperative, if any: .....

Address: .....

Area of Operation: .....

III. *ECONOMIC ASPECTS*

Total Assets	.....	.....
Current	.....	
Investment	.....	
Fixed	.....	
Others	.....	
Total Liabilities	.....	.....
Accounts Payable	.....	
Interest on Share Capital	.....	
Patronage Refund Payable	.....	
Other Current Liabilities	.....	
Loans Payable	.....	
CETF Payable	.....	
Other Liabilities	.....	
Members' Equity	.....	.....
Paid-up Share Capital/Fixed Deposits	.....	
Donated Capital	.....	
Aid/Grants	.....	
Others	.....	
Total Reserves	.....	.....
General Reserve Fund	.....	
CETF	.....	
Optional Fund	.....	
KB Guarantee Fund	.....	
Other Funds (Specify)	.....	
Interest on Share Capital	.....	.....
Percentage to Net Surplus	.....	
Patronage Refund	.....	.....
Percentage to Net Surplus	.....	
Interest on Loans	.....	.....
Gross Revenue/Receipt from:		
Sales: Member	.....	
Non-member	.....	
Service: Member	.....	
Non-member	.....	
Others (Specify)		
Member	.....	
Non-member	.....	
Total Operating/Administrative Expense	.....	.....
Net Surplus	.....	.....
Total Amount of Loans Granted to Members	.....	.....
No. of Loans Granted to Members	.....	
No. of Members with Loans	.....	

PREPARED BY:

CERTIFIED CORRECT BY:

.....  
*Bookkeeper/Accountant*

.....  
*Chairman/President*

NOTE: This annual report must be filed with the Authority within sixty (60) days from the end of the cooperative's fiscal year.

The Authority is authorized to revise and update the format of this annual report from time to time as the need arises in consultation with the cooperative sector.

SEC. 4. *Preparation of the Annual Report.*—The annual report may be handwritten, typewritten, printed or photocopied, so long as the contents are legible. The accountant or the bookkeeper of the cooperative shall prepare the Annual Report. The chairman, or in his absence the general manager of the cooperative, shall certify as to the truth of the statements contained in the Annual Report.

SEC. 5. *Effect of failure to file the Annual Report.*—(a) The failure of any cooperative to file the Annual Report shall be a ground for the revocation of the authority of the cooperative to operate as such and/or the cancellation of its certificate of registration. No certificate of whatever kind, nature or purpose shall be issued by the Authority to a cooperative which has not filed its annual report.

(b) If the cooperative fails to make, publish and file the annual report, the Authority shall, within fifteen (15) days after the end of the period for filing the annual report, notify the cooperative of such delinquency and its subsequent consequences.

(c) After receipt of said notice, the delinquent cooperative shall be given thirty (30) days from receipt of notice within which to make, publish or file a copy of the Report.

(d) If the cooperative fails to make, publish or file a copy of the report within thirty (30) days from receipt of such notice, any member of the cooperative or the Government may petition the court for *mandamus* to compel the cooperative and its officers to make, publish and file such report, as the case may be, and require the cooperative or the officers at fault to pay all the expenses of the proceeding, including counsel fees when the filing is made by a member. Said petition is without prejudice to the filing of any criminal action under the provisions of the fourth paragraph of Article 124 of the Code.

SEC. 6. *Fiscal Year.*—Unless otherwise stated in the by-laws of the cooperative, the fiscal year is understood to be the calendar year.

**RULE 3—*The Capital, Property and Funds of Cooperatives and the Accounting Therefor***

SECTION 1. *Legal Basis.*—The legal basis for this Rules is Article 72 of the Code, quoted as follows:

“ARTICLE 72. *Capital.*—The capitalization of cooperatives and the accounting therefor shall be governed by the provisions of this Code and the regulations issued thereunder.”

SEC 2. *Share Capital.*—The share capital of a cooperative may consist of common share capital and preferred share

capital, if the latter is provided for under the cooperative's articles of cooperation and by-laws.

(a) Common share capital shall be issued only to regular members. Its holders shall be entitled to vote and be voted upon under the principle of one-man, one-vote, and shall receive interest, the rate of which should not exceed the rate authorized by the Authority.

(b) Preferred share capital may be issued to regular and associate members. Its holders shall not be eligible to vote nor be voted upon on account of such shareholdings but shall be entitled to, among others, the following:

- (1) Preference in the payment of interest as provided for in the by-laws of the cooperative; and
- (2) In case of liquidation, priority in the distribution of the net assets of the cooperative.

Subject to the articles of cooperation, by-laws, policies and actions of the board of directors and the general assembly, the cooperative may offer preferred share capital non-members; *Provided* however, That the total amount of preferred share capital offered to non-members shall not exceed the total amount of preferred share capital offered to or held by members.

SEC. 3. *Accounting for Capital.*—The accounting system to be installed/maintained in the cooperative shall be in accordance with the generally accepted accounting principles and practices, taking into consideration cooperative principles and practices.

SEC. 4. *Limitation.*—No member of a cooperative other than a cooperative shall own or hold more than twenty per centum (20%) of the subscribed share capital of the cooperative.

SEC. 5. *Withdrawal of Share Capital.*—A member of a cooperative may, for any reason, withdraw his membership in the cooperative by giving sixty (60) days notice to the board of directors. The withdrawing member shall be entitled to a refund of his share capital contribution and all other interests in the cooperative; *Provided*, That such refund shall not be made if upon such payment, the value of the assets of the cooperative would be less than the aggregate amount of its debts and liabilities exclusive of his share capital contribution.

RULE 4.—*Interest on Share Capital and Patronage Refund*

SECTION 1. *Legal Basis.*—The legal basis for this rule is Article 76 of the Code, quoted as follows:

"ARTICLE 76. *Interest on Share Capital.*—Interest on share capital shall not exceed the normal rate of return on

investments as determined by the Cooperative Development Authority and such interest shall be noncumulative.”

SEC. 2. *Rate of Interest.*—Unless otherwise provided for in the by-laws of the cooperative, share capital shall earn interest, the rate of which shall be computed as follows:

$$\text{Rate of Interest} = \frac{\text{X x (Net Surplus less Statutory Reserves)}}{\text{Total Average Share Month}}$$

where: X shall be a percentage to be determined by the board of directors allocated for interest on share capital; *Provided however*, That the amount allocated for patronage refund shall not be less than thirty per cent (30%) of the net surplus after deducting the statutory reserves based on the principle of equity: *Provided further*, That in no case shall the rate of patronage refund be more than twice the rate of interest on share capital; and *Provided finally*, That no allocation of interest on share capital shall be made without the approval of the general assembly which may increase or decrease any or both.

SEC. 3. *Payment of Interest.*—Unless otherwise provided for in the by-laws, payment of a member’s interest on paid share capital must be made on such date as may be determined by the board of directors. The general assembly, however, upon the recommendation of the board of directors, may defer payment of such interest including patronage refund to raise revolving capital in accordance with Articles 80 and 87 of the Code.

SEC. 4. *Prohibition on Cumulative Interest.*—No cumulative interest shall be allowed for any kind or class of share issued by the cooperative.

SEC. 5. *Principle of Limited Interest.*—Share capital shall receive a strictly limited rate of interest, as herein provided in Section 2 of this Rule.

SEC. 6. *Patronage Refund.*—The principle of patronage refund is a principle of equity wherein an equal right of members to participate in the organization and to equitably share in the benefits accruing is established. Under the principle, the net surplus shall not be construed as profit but as excess of payments made by the members for the loans borrowed, or the goods and services bought by them from the cooperative and which shall be deemed to have been returned to them if the same is distributed as prescribed in the Code and this Rule.

RULE 5.—*Fines on Unpaid Subscribed Share Capital*

SECTION 1. *Legal Basis.*—The legal basis for this Rule is Article 78 of the Code, quoted as follows:

“ARTICLE 78. *Fines.*—The by-laws of a cooperative may prescribe a fine on unpaid subscribed share capital subject to the guidelines which the cooperative Development Authority may issue.”

SEC. 2. *Payment of Unpaid Subscribed Share Capital.*—Subject to the by-laws of the cooperative, the board of directors may issue a reminder for payment of the due and unpaid subscribed share capital and all amounts accruing thereto, in accordance with their membership or subscription agreement. In the absence of a provision in the by-laws or the membership or subscription agreement, the board of directors shall determine the percentage of the due and unpaid subscription to be paid as the needs of the cooperative may require, and shall issue a call therefor.

SEC. 3. *Imposable Fine.*—In the absence of a provision in the by-laws or the membership or subscription agreement, or a general assembly policy, the board of directors shall determine the reasonable fine and the terms and conditions to be imposed on the due and unpaid subscribed share capital without prejudice to other impositions and sanctions as it may determine.

SEC. 4. *Sanctions.*—If within the period specified in the agreement, reminder or call, the member failed to comply, the board of directors may declare such member as not in good standing or withdraw the privileges granted to said member or both until compliance with the reminder or call.

RULE 6 —*Merger and Consolidation of Cooperatives*

SECTION 1. *Legal Basis.*—The legal basis for this Rule is Articles 21 and 22 of the Code, quoted as follows:

“ARTICLE 21. *Merger and Consolidation of Cooperatives.*  
—(1) Two (2) or more cooperatives may merge into a single cooperative which shall be one of the constituent cooperatives or may consolidate into a single new cooperative which shall be the consolidated cooperative.

“(2) No merger or consolidation shall be valid unless approved by two-thirds (2/3) of all the members eligible to vote of each of the constituent cooperatives at separate general assembly meetings. The dissenting members shall have the right to exercise their right to withdraw their membership pursuant to Articles 31 and 32.

“(3) The Cooperative Development Authority shall issue the guidelines governing the procedure of merger or con-

solidation of cooperatives. In any case, the merger or consolidation shall be effective upon the issuance of the certificate of merger or consolidation by the Cooperative Development Authority.

“ARTICLE 22. *Effects of Merger and Consolidation.*—The merger or consolidation of cooperatives shall have the following effects:

“(1) The constituent cooperatives shall become a single cooperative which, in case of merger, shall be the surviving cooperative, and, in case of consolidation, shall be the consolidated cooperative;

“(2) The separate existence of the constituent cooperatives shall cease, except that of the surviving or the consolidated cooperative;

“(3) The surviving or the consolidated cooperative shall possess all the assets, rights privileges, immunities and powers and; shall be subject to all the duties and liabilities of a cooperative organized under this Code;

“(4) The surviving or the consolidated cooperative shall possess all the assets, rights privileges, immunities and franchises of each of the constituent cooperatives.

“(5) The surviving or the consolidated cooperative shall be responsible for all the liabilities and obligations of the constituent cooperatives in the same manner as if such surviving or consolidated cooperative had itself incurred such liabilities or obligations. Any claim, action or proceeding pending by or against any such constituent cooperatives may be prosecuted by or against the surviving or consolidated cooperative as the case may be. Neither the rights of creditors nor any lien upon the property of any of such constituent cooperatives shall be impaired by such merger or consolidation.”

SEC. 2. *Plan of Merger or Consolidation.*—A plan of merger or consolidation and its attendant resolution may be initiated by the board of directors, or the general assembly. If initiated by the board of directors; the plan shall be approved by a majority of the directors. The plan may likewise be initiated by at least ten per cent (10%) of the total members with voting rights, of each cooperative. Such plan initiated by the members shall also constitute a notice to the board of directors to call a general assembly meeting to discuss such plan.

SEC. 3. *Contents of the Plan.*—The plan of merger or consolidation shall include the following:

- (a) The rationale for such merger or consolidation;
- (b) The names, addresses and certificates of registration of the constituent cooperatives and their respective areas of operation;

- (c) The name and address of the surviving or consolidated cooperative and its area of operations;
- (d) The proposed articles of cooperation and by-laws, if it is a consolidated cooperative. The proposed amendments to the surviving cooperative's articles of cooperation and by-laws, if necessary, if the plan refers to a merger;
- (e) The duly audited statements of financial condition to include the schedules of assets, liabilities and capital of the merging or consolidating cooperatives; and
- (f) List of the members of each cooperative intending to merge or consolidate, duly certified by the board secretary and attested by the board chairman.

SEC. 4. *General Assembly Meeting.*—The board of directors of the merging or consolidating cooperative shall call their respective general assembly meetings to act on such plan of merger or consolidation with notice to all members of record and creditors at least thirty (30) days prior to the scheduled meeting.

SEC. 5. *Approval of the Plan of Merger or Consolidation.*—No merger or consolidation shall be valid unless the plan is approved by two-thirds (2/3) of all the members eligible to vote of each of the constituent cooperatives at separate general assembly meetings.

SEC. 6. *Dissenting Members.*—Dissenting members of each cooperative may withdraw their membership in accordance with Articles 31 and 32 of the Code. Such members shall be entitled to a refund of their share capital and all other interests in the cooperative within thirty (30) days from the date of the notice of withdrawal.

SEC. 7. *Publication.*—(a) Within seven (7) days after the date of approval of the merger or consolidation, the officers of the merging or consolidating cooperatives shall publish an announcement of such merger or consolidation once a week for three (3) consecutive weeks in a local newspaper in their areas of operation. Said publication may also be supplemented by radio and television announcements.

(b) Alternatively, the announcement of the merger or consolidation may also be done by posting in at least three (3) conspicuous public places including the barangay, municipal or provincial halls within the area of operations of the cooperative. All expenses incurred in the publication and posting shall be paid from the funds of the merging or consolidating cooperatives.

(c) The officers of the merging or consolidating co-operatives shall also send letters, by registered mail, to the creditors of their respective cooperatives announcing such merger or consolidation.

(d) Within thirty (30) days after the last date of publication or posting of the announcement, any person objecting to the merger or consolidation of the co-operatives shall file his objections with the Authority. The Authority may conduct hearings to resolve any objections raised. Such hearings shall be terminated within three (3) months from the receipt of such objections.

SEC. 8. *Requirements for Registration.*—Within fifteen (15) days from the date of the last publication or posting of the announcement, the officers of the merged or consolidated cooperatives shall file with the Authority the following requirements for registration.

- (a) The resolutions of merger or consolidation certified by the secretary and attested by the Chairman or presiding officer of each cooperative;
- (b) The approved plan of merger or consolidation with the duly adopted articles of cooperation and by-laws;
- (c) The minutes of the general assembly meetings of the merging or consolidating cooperatives with their respective attendance sheets duly certified by the secretary and chairman or presiding officer;
- (d) The bonds of accountable officers;
- (e) The original certificates of registration of the merging or consolidating cooperatives; and
- (f) Registration fee.

SEC. 9. *Contents of the Certificate of Registration of Merger or Consolidation.*—The certificate of registration of merger or consolidation shall contain the names and addresses of the constituent cooperatives, the reasons for the merger or consolidation, and the name and principal office address of the surviving or consolidated cooperative.

SEC. 10. *Effects of Merger or Consolidation.*—The merger or consolidation of cooperatives shall have the following effects:

- (a) The constituent cooperatives shall become a single cooperative which, in case of merger, shall be the surviving cooperative, and in the case of consolidation, it shall be the consolidated cooperative.

- (b) The separate existence of the constituent co-operatives shall cease except that of the surviving or consolidated cooperative.
- (c) The surviving or the consolidated cooperative shall possess all the rights, privileges, immunities and powers and shall be subject to all the duties and liabilities of a cooperative organized under this Code.
- (d) The surviving or the consolidated cooperative shall possess all the assets, rights, privileges, immunities and franchises of each of the constituent cooperatives.

SEC. 11. *Claims Against the Constituent Cooperatives.*—The surviving or consolidated cooperative shall be responsible for all the liabilities and obligations of each of the constituent cooperatives in the same manner as if such surviving or consolidated cooperative had itself incurred such liabilities or obligations. Any claims, action or proceeding pending for or against any such constituent cooperatives may be prosecuted by or against the surviving or consolidated cooperative as the case may be.

SEC. 12. *Non-Impairment of Rights.*—Neither the rights of creditors nor any lien upon the property of such constituent cooperatives shall be impaired by such merger or consolidation.

#### RULE 7—*Division of Cooperatives*

SECTION 1. *Legal Basis.*—The legal basis for this Rule is Article 20 of the Code, quoted as follows:

“ARTICLE 20. *Division of Cooperatives.*—Any registered cooperative may, by a resolution approved by a vote of two-thirds (2/3) of the members eligible to vote in a general assembly meeting, resolve to divide itself into two (2) or more cooperatives. The procedure for such division shall be prescribed in the regulations of the Cooperative Development Authority. The new cooperatives shall become legally established upon registration with the Authority; *Provided*, That all the requirements set forth in this Code have been complied with by the new cooperatives; *Provided, further*. That no division or a cooperative in fraud of creditors shall be valid.”

SEC. 2. *Plan of Division.*—A plan of division and its attendant resolution may be initiated by the board of directors or the general assembly. If initiated by the board of directors, the plan shall be approved by a majority

of the directors. The plan may likewise be initiated by at least ten per cent (10%) of the total members with voting rights of each cooperative. Such plan initiated by the members shall also constitute a notice to the board of directors to call a general assembly meeting to discuss such plan.

SEC. 3. *Contents of the Plan of Division.*—The plan of division must include the following:

- (a) The rationale or justification for the division of the cooperative;
- (b) A financial statement duly certified by an independent certified public accountant including a schedule of assets, liabilities and share capital;
- (c) A proposed valuation division of assets, liabilities, statutory reserves, undivided surpluses and capital between or among the cooperatives;
- (d) A list of all claims against the cooperative and all receivables of the cooperative;
- (e) Procedure for the allocation and settlement of the obligations of the cooperative and the collection of receivables;
- (f) A list of members certified by the secretary and attested by the board chairman; and
- (g) The proposed areas of operation of the new cooperatives.

SEC. 4. *Approval of the Plan of Division.*—The board of directors shall call a general assembly meeting to act on such plan of division with notice to all members of record and creditors at least thirty (30) days prior to the scheduled meeting. The plan of division shall be approved by a vote of two-thirds (2/3) of the members entitled to vote in such general assembly meeting.

SEC. 5. *Preference of Members.*—Upon approval by the general assembly in the meeting called for the purpose, members of the original cooperative shall be allowed within two (2) weeks to choose the new cooperative they prefer. The management of the original cooperative shall then transfer the member's share to his elected cooperative. In the event that a member refuses to join any of the new cooperatives, he shall be entitled to a refund of his share capital and all other interests under Articles 31 and 32 of the Code.

SEC. 6. *Publication.*—(a) Within seven (7) days after the date of approval of the division of the cooperative, the officers of the divided cooperative shall publish an announcement of such division once a week for three

(3) consecutive weeks in a local newspaper in its area of operation. Said publication may also be supplemented by radio and television announcements.

(b) Alternatively, the announcement of the division may also be done by posting in at least three (3) conspicuous public places including the barangay, municipal or province halls within the area of operations of the cooperative. All expenses incurred in the publication and posting shall be paid from the funds of the divided cooperative.

(c) The officers of the divided cooperative shall also send letters, by registered mail, to their creditors announcing such division.

(d) Within thirty (30) days after the last date of publication or posting of the announcement, any person objecting to the division of the cooperative shall file his objections with the Authority. The Authority may conduct hearings to resolve any objections raised. Such hearings shall be terminated within three (3) months from the receipt of such objections.

SEC. 7. *Requirements for Registration.*—Within fifteen (15) days from the date of the last publication or posting of the announcement, the officers of the cooperatives shall file with the Authority the following requirements for registration;

- (a) The resolution of division as approved by the original cooperative certified by the board chairman/presiding officer and secretary;
- (b) The articles of cooperation and by-laws of the new cooperatives;
- (c) The financial statements of each of the new cooperatives as certified by the treasurer and chairman;
- (d) The plan of division;
- (e) Proof of notice of publication and/or posting;
- (f) A list of the officers of the original cooperative and a list of the officers and members of each of the new cooperatives;
- (g) Bonds of accountable officers;
- (h) Appropriate bonds in an amount equivalent to the total liabilities of the original cooperative to answer for any liability to creditors; and
- (i) Registration fee.

SEC. 8. *Registration.*—The new cooperatives shall become legally established upon the issuance of the certificates of registration; *Provided however*, That the certificate of registration of the original cooperative shall

be surrendered to the Authority for cancellation; *Provided finally*. That pending the issuance of the certificates of registration of the new cooperatives, the original cooperative shall continue to exercise its cooperative powers and functions.

SEC. 9. *Treatment of Cooperatives*.—The newly-registered cooperatives shall then be treated as juridical personalities with each exercising its own functions, powers and purposes.

SEC. 10. *Division Not Valid*.—No division of a cooperative made in order to defraud creditors shall be valid. Any division of a cooperative made in order to defraud creditors may be a ground for the suspension or revocation of the certificate of registration under Article 68 (1) of the Code.

SEC. 11. *Debts and Obligations*.—In the absence of any agreement to the contrary, any and all valid obligations of the original cooperative to third persons or entities shall be jointly and severally assumed by the newly registered cooperatives.

#### RULE 8—*Liquidation of Cooperatives*

SEC. 1. *Legal Basis*.—The legal basis for this Rule is Article 71 of the Code, quoted as follows:

“ARTICLE 71. *Rules and Regulations on Liquidation*.—The Authority shall issue the appropriate guidelines for the liquidation of cooperatives.”

SEC. 2. *Cooperative Liquidation*.—Every cooperative whose charter expires by its own limitation or whose cooperative existence is terminated by voluntary dissolution or is terminated by appropriate judicial proceedings shall nevertheless be continued as a body cooperative for a period of three (3) years after the time when it would have been so dissolved, for the purpose of prosecuting and defending suits by or against it and enabling it to settle and close its affairs, to dispose of and convey its property and distribute its assets, but not for the purpose of continuing the business for which it was established.

SEC. 3. *Meeting of the General Assembly*.—(a) In the case of voluntary dissolutions, the incumbent board of directors or the Authority shall, immediately upon the receipt of the certificate of dissolution, set the date, time and place for the holding of a meeting of the general assembly which should not be more than forty-five (45) days following the issuance of such certificate. The pur-

pose of the meeting shall be to inform the members of the cooperative of the approval of the dissolution of the cooperative. The general assembly shall also elect from among themselves the cooperative board of liquidators who shall take charge of the activities of winding up the affairs of the cooperative. In the absence of any provision in the bylaws of the cooperative on the distribution of assets upon dissolution, the general assembly may also agree upon the distribution of the net surplus of the cooperative, if any.

(b) In cases of involuntary dissolutions, the meeting of the general assembly shall be called by the liquidator appointed by the Authority or the proper court within thirty (30) days from the date he took his oath of office as liquidator. The meeting shall be to inform the members of the effects of such order or judgment of dissolution issued and the manner in which liquidation of the cooperative shall take place.

SEC. 4. *Cooperative Board of Liquidators.*—(a) In voluntary dissolutions, the members of the cooperative entitled to vote shall elect from among themselves the cooperative board of liquidators, which shall not be less than three (3) nor more than five (5) in number. The members of the cooperative board of liquidators or the duly appointed liquidator shall take their oaths of office before the Authority or any officer authorized by law to administer an oath of office, prior to assuming their functions and responsibilities.

(b) The cooperative board of liquidators or appointed liquidators shall post an adequate bond as may be fixed by the Authority during the period of liquidation to be paid out of the funds of the cooperative.

(c) The liquidators shall be allowed to receive a reasonable honorarium, as may be determined by the Authority or the proper court, out of the cooperative funds.

SEC. 5. *Functions, Powers and Obligations of the Cooperative Board of Liquidators and Appointed Liquidators.*—(a) The cooperative board of liquidators and appointed liquidators shall have the following functions, powers and obligations:

- (1) To make an inventory of all the assets and to determine all liabilities including shareholdings;
- (2) To preserve the existing assets of the cooperative;
- (3) To convert all assets of the cooperative to cash, if applicable; and
- (4) To pay the outstanding obligations including any and all valid claims against the cooperative.

(b) In the pursuance of the above-mentioned functions, the cooperative board of liquidators or appointed liquidator may sue and be sued under the name of the cooperative in order to protect and defend the rights and interests of the cooperative. He may also exercise reasonable legitimate means to enforce the rights and interests of the cooperative.

SEC. 6. *Period of Winding Up the Affairs of the Cooperative.*—The Liquidators shall have a period of three (3) years from the date of the issuance of the certificate of dissolution within to wind up the affairs of the cooperative. If the liquidators find that the winding up activities cannot be accomplished within the above-stated period, they may petition the Authority for an extension of the winding up period. They may also petition the Authority to appoint a receiver who shall continue the winding up activities for the cooperative.

SEC. 7. *Payment to Creditors.*—Payment to creditors shall be in accordance with the contract and the provisions of the New Civil Code on the Preference and Concurrence of Credits.

SEC. 8. *Statutory Funds.*—All the statutory funds, such as the Reserve Fund, the Cooperative Education and Training Fund, and other funds established by the cooperative shall be disposed of in accordance with the provisions of Article 87 of the Code; *Provided, however,* That in case the cooperative is not affiliated with any federation or union, the funds shall be donated to the community where the cooperative operated.

SEC. 9. *Distribution of Assets.*—Subject to the preceding section, any assets remaining after the payment of the cooperative's obligations to its creditors shall be distributed to the members in payment of their respective share capital or fixed deposits, if sufficient, in accordance with the provisions of the by-laws of the cooperative. If no such provision was made in the by-laws, the distribution of the remaining assets of the cooperative shall be made in proportion to the share capital of the member.

SEC. 10. *Undistributed Assets.*—After the winding up of the affairs of the cooperative, the assets distributable to any, creditor or shareholder or member who is unknown or cannot be found shall be given in trust to the federation, union or association with which the cooperative is affiliated. After the lapse of five (5) years from the date of the deed of trust, the principal amount of the trust shall be turned over to the community where

the cooperative operated and the same shall be utilized for cooperative development.

SEC. 11. *Final Report*.—The Cooperative Board of Liquidators shall render a final report to the members of the liquidated cooperative and to the Authority, federation, union or association with which the cooperative was affiliated. The said report shall include the terms found in Section 5 hereof and the disposition of the distributable assets, if any.

SEC. 12. *Appeals*.—Appeals from the decision of the liquidators shall be submitted directly to the Authority within fifteen (15) days from the receipt of such decision of the liquidators.

SEC. 13. *Cancellation of Registration*.—Upon the approval of the Final Report of the Liquidators, the Authority shall release the said liquidators from their duties and functions and the certificate of registration shall be surrendered and cancelled by the Authority.

SEC. 14. *Other Laws*.—The provisions of Chapters Two and Three of Title 19 on the Concurrence and Preference of Credits under the New Civil Code and the provisions of Rule 104 of the Revised Rules of Court on the Voluntary Dissolution of Corporations shall be used as supplements to this Rule.

#### RULE 9—*Guidelines for Laboratory Cooperatives*

SECTION 1. *Legal Basis*.—The legal basis for this Rule is the second paragraph of Article 27 of the Code, quoted as follows:

“A cooperative organized by minors shall be considered a laboratory cooperative and must be affiliated with a registered cooperative. A laboratory cooperative shall be governed by special guidelines to be promulgated by the Cooperative Development Authority.”

SEC. 2. *Organization of Laboratory Cooperatives*.—A laboratory cooperative, which must be affiliated with a duly registered cooperative, shall be organized by at least fifteen (15) minors for any or all of the following purposes:

- (a) To serve as a training ground for its members in the management and operation of cooperatives in order to prepare them for membership in regular cooperatives;
- (b) To encourage thrift and savings mobilization among its members;

- (c) To generate funds and extend credit to the members for productive and provident purposes;
- (d) To encourage among members systematic production and marketing;
- (e) To provide goods and services and other requirements to its members;
- (f) To develop experties and skills among its members;
- (g) To promote and advance Filipino social and cultural values, the economic and educational status of its members, and ecological awareness and sustainable development; and
- (h) To coordinate and facilitate the activities of other laboratory cooperatives.

The laboratory cooperatives shall endeavor to distance their members from the use and abuse of prohibited drugs and other forms of vices.

SEC. 3. *Powers and Capacities of Laboratory Cooperatives.*—Laboratory cooperatives organized under this Rule shall have the following powers and capacities:

- (a) To sue and be sued through the guardian cooperative;
- (b) Of Succession;
- (c) To enter into contracts through the guardian cooperative;
- (d) To adopt, amend, alter, modify their articles of cooperation and by-laws in accordance with the provisions of the Code;
- (e) To purchase, receive, take, grant, hold, convey, sell or lease such personal property as the transaction of lawful affairs of the cooperative may require with the approval of the board of advisers;
- (f) To accept and receive grants, donations and assistance from domestic and foreign sources with the approval of the board of advisers; and
- (g) To appoint a general manager of their choice.

The laboratory cooperative shall have limited up to the extent of the members' subscribed share capital.

SEC. 4. *Articles of Cooperation.*—The article of cooperation of laboratory cooperatives, approved by the minor-cooperators and concurred in by the board of advisers, shall include the following:

- (a) The name of the cooperative which shall include the words "Laboratory Cooperative".
- (b) The purpose or purposes for which it is organized;

- (c) The term of existence;
- (d) The area of operations and the postal address of its principal office;
- (e) The names, ages and postal addresses of the founding minor-cooperators;
- (f) The common bond of membership;
- (g) The members of the board of directors who shall principally manage the laboratory cooperative;
- (h) The name and address of its guardian cooperative;
- (i) The names and addresses of the members of the board of advisers; and
- (j) The amount of its share capital, the names and addresses of its founding minor-cooperators.

SEC. 5. *By-laws.*—The by-laws of a laboratory cooperative, prepared by the board of advisers and approved by the minor-cooperators, shall contain the same provisions as outlined in Article 15, paragraph 2, of the Code. In addition, it shall contain a section defining the powers and responsibilities of the board of advisers and the guardian cooperative.

SEC. 6. *Affiliation.*—A laboratory cooperative must be affiliated with a duly registered cooperative, to be known as the guardian-cooperative, before it shall be recognized by the Authority. If the laboratory cooperative is primarily composed of students from a particular school, it shall be affiliated with the school's cooperative, if any. In the absence of any such cooperative, it shall affiliate with a cooperative within or nearest its area of operations. A laboratory cooperative composed primarily of out-of-school minors shall affiliate with a cooperative of its choice within or nearest its area of operations.

In the absence of a duly registered cooperative in the area or the refusal of a duly registered cooperative to accept the affiliation of a laboratory cooperative, the said laboratory cooperative may request the nearest federation, union or non-government organization to recommend the nearest duly registered cooperative as its guardian cooperative.

The duly registered cooperative which will be known as a guardian cooperative will pass a resolution approved by its board of directors wherein the cooperative accepts, among others, the responsibility for management training and value formation for the officers and members, of the laboratory cooperative in accordance with the cooperative principles and practices.

SEC. 7. *Requirements for Recognition of Laboratory Cooperatives.*—A laboratory cooperative seeking recognition as such shall submit, through the guardian cooperative, the following requirements to the Authority for the issuance of a certificate of recognition:

- (a) Articles of cooperation and by-laws; and
- (b) Resolution of the guardian cooperative accepting the laboratory cooperative as its affiliate and accepting the responsibilities therewith; and
- (c) Recognition fee.

*Provided, however,* That a certificate of recognition does not bestow a laboratory cooperative with a juridical personality.

SEC. 8. *Board of Advisers.*—The board of directors of the guardian cooperative shall form and appoint the board of advisers, composed of not less than three (3) nor more than five (5) members, to advise the laboratory cooperative in its management and operations. Persons closely involved in the formation of the laboratory cooperative may be appointed as members of the board of advisers. The board of advisers shall act on matters where the laboratory cooperative needs the assistance of adult members, such as but not limited to the signing of contracts, acceptance of donations, the prosecution and defense of civil actions relating to the laboratory cooperative and such other matters.

SEC. 9. *Membership.*—Any minor shall be eligible for membership in a laboratory cooperative, if he meets the qualifications for membership as prescribed in the by-laws.

SEC. 10. *Termination of Membership.*—Membership in a laboratory cooperative may be terminated owing to any of the following causes:

- (1) Voluntary withdrawal at any time and for any cause by giving notice to the board of directors;
- (2) The death or insanity of a member;
- (3) Termination by a majority vote of all the members of the board of directors for the following causes:
  - a. When a member has not patronized the services of the cooperative for an unreasonable period of time as may be fixed by the board of directors;
  - b. When a member has continuously failed to comply with his obligations;
  - c. When a member has acted in violation of the by-laws and rules of the cooperative; and

d. For any act or omission injurious or prejudicial to the interest or the welfare of the cooperative.

(4) Upon reaching the age of eighteen (18).

(b) Upon the termination of membership, the former member shall be entitled to a refund of his share capital contribution and all other interests in the laboratory cooperative in accordance with Articles 31 and 32 of the Code.

SEC. 11. *Meetings*.—During any meeting of the general assembly or the board of directors of the laboratory cooperative, at least one (1) member of the board of advisers shall always be present to give such advices to the laboratory cooperative as may be solicited except in such cases where the approval of the board of advisers is required, as provided in Section 8 of this Rule.

SEC. 12. *General Provisions*.—All other provisions of the Code shall be applicable to laboratory cooperative in the same manner as duly registered cooperatives except as herein otherwise stated. Laboratory cooperatives are specifically prohibited from dividing their cooperative.

#### RULE 10—*Common Provisions*

SEC. 1. *Requirement*.—A copy of these Rules shall be among the documents required to be kept open for inspection and examination of the members of the cooperative and the Authority in accordance with Article 53 of the Code.

SEC. 2. *Interpretation*.—Unless otherwise stated in these Rules, in case of doubt as to the meaning of any provision of these Rules, the same shall be resolved and interpreted liberally in favor of the cooperative and its members.

SEC. 3. *Suppletory Rule*.—These Rules shall apply in a suppletory character to cooperatives covered by special rules and other circulars issued by the appropriate government agencies.

SEC. 4. *Amendments*.—Any amendments or repeal of these Rules shall follow the processes prescribed in Article 123 of the Code.

SEC. 5. *Mandate*.—The Authority is mandated to implement and enforce these Rules and Regulations.

SEC. 6. *Applicability*.—The provisions of this Rule shall apply to Rules 1 to 9.

SEC. 7. *Separability*.—If any provision of these Rules and Regulations is held invalid or unconstitutional, the

other provisions not affected thereby shall continue in force and effect.

SEC. 8. *Effectivity.*—These Rules and Regulations shall take effect thirty (30) days from their publication in the *Official Gazette*. The Authority may also publish these Rules and Regulations in a national newspaper of general circulation.

RECOMMENDING APPROVAL:

THE BOARD OF ADMINISTRATION  
COOPERATIVE DEVELOPMENT AUTHORITY

(Sgd.) EDNA E. ABERILLA  
*Chairperson*

(Sgd.) VICENTE D. QUINTANA  
*Administrator*

(Sgd.) PACIFICO J. ABRAHAM  
*Administrator*

(Sgd.) MYRON A. GAWIGAWEN  
*Administrator*

(Sgd.) FLORENCIO S. CORRAL  
*Administrator*

(Sgd.) JOSE MARI A. VILLANUEVA  
*Administrator*

(Sgd.) ALFONSO V. LAGUNA  
*Administrator*

APPROVED, Manila, Philippines, .....

[SEAL] (Sgd.) CORAZON C. AQUINO  
*President of the Philippines*

By the President:

(Sgd.) FRANKLIN DRILON  
*Executive Secretary*