

LAW ON COOPERATIVES

MARCH 20, 1996

In order to bring into play the important role of the cooperative economy, create the legal basis for the organization and operation of cooperatives in the multi-sector commodity economy in accordance with the market mechanism under State management and along the socialist orientation;

Pursuant to Articles 15, 20 and 84 of the 1992 Constitution of the Socialist Republic of Vietnam;

This Law sets the provisions on cooperatives,

Chapter I

GENERAL PROVISIONS

Article 1.- Definition of cooperative

A cooperative is a self-governing economic organization established in accordance with provisions of law by laborers who share common need and interests, and volunteer to contribute capital and labor to bring into play the strength of the collective and of individual cooperative members so as to assist one another in carrying out more efficiently production, business and service activities and improving their living conditions, thus contributing to the national economic and social development.

Article 2.- Cooperative group

A cooperative group organized in different forms, and under different names shall enjoy the State's guidance and assistance and benefit from the policies of encouragement to develop into a cooperative when it has the sufficient conditions.

Article 3.- Scope of regulation

This Law applies to cooperatives in all branches and fields of the national economy.

Article 4.- The Model Statute

The Model Statute of the agricultural cooperative and the cooperatives of other branches and trades shall be issued by the Government in accordance with provisions of this Law to serve as the legal basis for the elaboration of the Statute of Cooperative in conformity with the characteristics of each type of cooperative. The Model Statute shall provide for the minimum membership of a cooperative.

Article 5.- The State policies regarding the cooperatives

The State shall protect the legitimate interests of the cooperatives, ensure the right to equality of the cooperatives in production, business and services; issue legal documents and policies to encourage the development of cooperatives; carry out, through cooperatives, policies to support and assist the cooperative members in eradicating hunger and alleviating poverty, achieving equality, justice and social progress. The State shall respect the rights to self - governing and self - responsibility in production, business and services, and shall not interfere in the lawful management and operation of the cooperatives.

Article 6.- Interpretation of terms

In this Law, the terms below shall be construed as follows:

1. "Minimum contributed capital" is the amount of money or monetized assets to be compulsorily contributed by cooperative members when they join the cooperative.
2. "Labor contribution" means the direct participation in the forms of production, business and service labor or the participation in the management of the cooperative to which remuneration is paid in accordance with the contribution as stipulated by the Statute of the cooperative.
3. "The statutory capital of the cooperative" is the total capital contributed by the cooperative members and written in the Statute of the cooperative.

4. "The logo of the cooperative" is the exclusive symbol of each cooperative representing the particular features of such cooperative and to distinguish the cooperative from other cooperatives and enterprises.

5. "Services of the cooperative for its members" mean the supply of goods, services by the cooperative for its members in material or non-material forms, for which the members shall have to pay to the cooperative.

6. "The extent of using services of the cooperative" is the ratio between the value of services supplied by the cooperative for each cooperative member and the total value of services provided by the cooperative for all its members.

7. "Economic commitment between the cooperative and its members" is an agreement clearly specifying the economic relations between the cooperative and its members.

Article 7.- Principles of organization and operation of the cooperative

A cooperative shall be organized and operated in accordance with the following principles:

1. Voluntary joining and leaving the cooperative: all citizens of Vietnam meeting the conditions under this Law and accepting the Statute of the cooperative may become members of the cooperative; a cooperative member is entitled to leave the cooperative in accordance with provisions of the Statute of the cooperative.

2. Democracy and equality in management: all cooperative members are entitled to participate in the management, examination and supervision of the cooperative and have equal voting right.

3. Self-responsibility and mutual benefits: the cooperative bears its own responsibility for the results of its operations in production, business and services; decides by itself the distribution of income, assures benefits of both the cooperative and its members.

4. The division of profits must ensure both the members' interests and the development of the cooperative: after fulfilling tax payment obligations, part of the profits shall be contributed to the funds of the cooperative, part shall be divided according to the capital and labor contributed by the members,

the rest will be divided to the members according to the proportion of their use of the cooperative's services as decided by the Congress of the cooperative members.

5. The cooperative and community development: the cooperative members shall have to develop the collective spirit, heighten the sense of cooperation in the cooperative and in the social community; cooperate with the cooperatives in the country and abroad in accordance with provisions of law.

Article 8.- The rights of the cooperative

The cooperative has the following rights:

1. To select branches, trades, fields, scale of production business and services and the territory of operation in conformity with the capabilities of the cooperative;

2. To decide the form and organizational structure of production, business and services of the cooperative;

3. To conduct export and import, form joint ventures, and cooperate with domestic and foreign organizations and individuals in accordance with provisions of law;

4. To hire labor if the cooperative members fail to meet the requirements of production, business and services of the cooperative as provided for by law;

5. To admit new members, settle the wish of members to leave the cooperative, expel cooperative members in accordance with provisions of the Statute of the cooperative;

6. To divide the revenue, settle the losses of the cooperative;

7. To award those individuals with meritorious deeds in building and developing the cooperative; to discipline those members who violate the Statute of the cooperative; force members to compensate for losses caused to the cooperative;

8. To borrow capital from banks and mobilize capital from other sources, loan capital to members in accordance with provisions of law.

9. The cooperative's technological secrets shall be protected in accordance with provisions of law;

10. To refuse requests of organizations and individuals that are contrary to provisions of law.

The cooperative has other relevant rights as stipulated by law.

Article 9.- Obligations of the cooperative

The cooperative has the following obligations:

1. To carry out production, business and services in conformity with the branches, trades, and goods already registered;

2. To correctly implement the regime of accountancy and statistics as stipulated by the State and the regime of auditing of the State;

3. To pay taxes and fulfill other financial obligations in accordance with provisions of law;

4. To preserve and develop the operating capital of the cooperative, manage and use land of which the right to use is assigned by the State in accordance with provisions of law;

5. To be responsible for all debts and other obligations through the entire capital and properties owned by the cooperative;

6. To protect the environment, ecology, landscape, historical relics and projects of national defense and security in accordance with provisions of law;

7. To ensure the rights of its members and fulfill economic commitments to its members;

8. To fulfill obligations to those members who directly work for the cooperative and laborers hired by the cooperative; encourage and create conditions for laborers to become members of the cooperative;

9. To buy social insurance for members as provided by law;

10. To provide education, training, fostering, improvement of knowledge, information for all members so that they will actively participate in building the cooperative;

11. To create favorable conditions for legal socio-political organizations to operate in the cooperative.

Article 10.- The name, logo of a cooperative

A cooperative is entitled to select its own name and logo in accordance with provisions of law.

The seal, signboard and transaction documents of the cooperative must carry the sign "HTX" (Cooperative).

The name, logo (if any) of the cooperative must be registered at the competent State agency and protected in accordance with provisions of law.

Article 11.- The Party and mass organizations in the cooperative

The organization of the Communist Party of Vietnam in the cooperative shall operate in accordance with the Constitution and the law of the State of the Socialist Republic of Vietnam and the provisions of the Communist Party of Vietnam.

The trade union, peasants and other socio-political organizations and militia and self-defense force in the cooperative shall operate in accordance with the Constitution, the law and the Statutes of such organizations.

Chapter II

ESTABLISHMENT AND BUSINESS REGISTRATION

Article 12.- The founding members

1. The founding members are those who initiate the establishment of the cooperative and participate in it.

2. The founding members shall have to report in writing to the People's Committee at the commune, ward, township (hereafter referred to as communal People's Committee) at the place where the head-office of the cooperative is to be located, on the intention of establishment, orientation and program, plan of operation of the cooperative.

3. After receiving the approval of the local communal People's Committee, the founding members are allowed to propagate, persuade those who wish to join the cooperative; to elaborate the orientation of production, business and services; to draft the Statute of the cooperative, and conduct other necessary work for convening the conference to establish the cooperative.

Article 13.- Conference to establish the cooperative

1. The conference to establish the cooperative shall be convened by the founding members. The participants in the conference shall include the founding members and those who wish to become members of the cooperative.

2. The conference shall discuss the orientation of production, business, services and plans of operation of the cooperative; the draft Statute of the cooperative; the name and logo (if any) of the cooperative and establish the list of cooperative members.

3. The conference of the cooperative members shall discuss and take decisions by majority vote on the following issues:
 - a) Approval of the list of the full members;

b) Approval of the Statute of the cooperative;

c) Election of the Manager and other members of the Managing Board or Managing Council (hereunder referred to as Managing Board), the Control Board;

d) Approval of the minutes of the conference to establish the cooperative.

Article 14.- The Statute of the cooperative

1. Each cooperative shall have its own Statute. The Statute of the cooperative has to conform with provisions of this Law, the Model Statute and other provisions of law.

2. The Statute of the cooperative shall contain the following main contents:

a) The name and logo (if any) of the cooperative;

b) The address of the head-office of the cooperative;

c) The lines of production, business and services;

d) The provisions on cooperative membership;

e) The statutory capital of the cooperative;

f) The minimum amount of capital to be contributed, the forms and time limit of capital contribution and return of capital contributed by the cooperative members, the modes of capital mobilization, remuneration, profit division, settlement of losses;

g) Establishment, management and use of the funds of the cooperative;

h) Organizational and managerial structure of the cooperative; functions, tasks and powers of managerial bodies in the cooperative;

i) The procedures to conduct a Congress of cooperative members and to adopt decisions of the Congress.

3. When amending its Statute, the cooperative has to submit the amended Statute attached to the minutes of the Congress of cooperative members to the People's Committee that has awarded the business registration certificate to the cooperative. The amended Statute shall be valid only when it is certified by the agency which has awarded the business registration certificate that it conforms with the provisions of this Law, the Model Statute and other provisions of law.

Article 15.- The Business Registration Dossiers

1. The business registration dossiers comprise:

a) The application for business registration attached to the minutes adopted at the conference to establish the cooperative;

b) The Statute of the cooperative;

c) The list of the Managing Board composed of the Manager and other members, the Control Board;

d) The list of cooperative members, their addresses and occupations;

e) The plan of production, business and services;

f) Licences for the practice of a number of trades and professions as required by law;

2. The Manager of the cooperative must submit the business registration dossiers to the People's Committee of precinct, district, town or city under the province (hereafter referred to as the district

People's Committee) where the head-office of the cooperative is to be located, except for cases stipulated in Article 18 of this Law.

Article 16.- Conditions for awarding a business registration certificate

In order to be awarded the business registration certificate, the cooperative must meet the following conditions:

1. Having all the business registration dossiers in due form as provided for in Clause 1, Article 15 of this Law;
2. The number of members of the cooperative is not smaller than the minimum number of cooperative members stipulated in the Model Statute for each type of cooperative;
3. Having clear operation objectives;
4. Having a statutory capital. For a cooperative doing business in branches or trades that, as stipulated by the Government, must have a given prescribed capital, the statutory capital shall not be less than the prescribed capital;
5. Having the office certified by the communal People's Committee of the locality where the office is to be located.

Article 17.- Conditions for awarding or refusing to award the business registration certificate

Within fifteen days from the date of receipt of all the dossiers in due form, the district People's Committee must consider, certify the Statute of the cooperative and award the cooperative the business registration certificate; In case of refusal, the answer must be made in writing.

Article 18.- Registration of business in branches and trades under separate provisions of the Government

1. The Government shall stipulate the list of branches and trades in which a cooperative shall have to ask for permission from the competent State agencies, and meet the conditions for doing business.

2. The cooperative doing business in the branches and trades specified in Clause 1 of this Article shall have to register business at the People's Committee of province or city directly under the Central Government (hereafter referred to as provincial People's Committee) in accordance with the steps and procedures provided for by the Government.

Article 19.- The right to protest and initiate a lawsuit against the refusal to award business registration certificate

In case of disagreement with the decision not to award the business registration by the People's Committee as stipulated in Articles 17 and 18 of this Law, the cooperative is entitled to make a complaint or initiate a lawsuit to the competent State agency for settlement in accordance with provisions of law.

Article 20.- The legal person status of the cooperative

The cooperative shall have the legal person status from the date of award of the business registration certificate.

Article 21.- Branches and representative offices

1. The cooperative is entitled to open a branch and a representative office in localities other than its local district, province, throughout the country, provided that there is permission from the authorized People's Committee of the locality where the cooperative plans to open its branch or representative office.

2. Within fifteen days from the date of permission to open the branch or representative office, the cooperative shall have to inform the People's Committee which has awarded it the business registration certificate of the opening of its branch or representative office.

3. The opening of branches and representative offices of a cooperative abroad shall comply with the provisions of the Government.

Chapter III

THE COOPERATIVE MEMBER

Article 22.- Conditions to become a cooperative member

1. Every Vietnamese citizen aged from eighteen years upward who has the capacity for civil acts, who contributes capital and labor, who approves the Statute of the cooperative and voluntarily joining the cooperative, can become member of the cooperative.
2. A person can be member of many cooperatives of different branches and trades if the Statute of the cooperative does not otherwise stipulate.
3. A family household can become member of the cooperative. The conditions to become member of cooperative, the procedures of admission and cooperative membership of the household shall be stipulated by the Government.

Article 23.- Rights of a cooperative member

A cooperative member has the following rights:

1. To enjoy the priority to work for the cooperative and enjoy remuneration in accordance with provisions of its Statute;
2. To enjoy the profit divided according to the amount of capital and labor he/she has contributed and the extent he/she uses the services of the cooperative;
3. To be provided with necessary economic and technical information by the cooperative; and with training, skill fostering and upgrading organized by the cooperative;

4. To benefit from the common social welfare of the cooperative, the fulfilment of economic commitments by the cooperative and participate in social insurance in accordance with provisions of law;
5. To be rewarded if he/she has made meritorious contributions to the building and development of the cooperative;
6. To participate in the Congress or to elect delegates to the Congress, participate in the meetings of the cooperative members to discuss and vote on the work of the cooperative;
7. To stand for, or be elected as member of the Managing Board, Chairman, member of the Control Board or other elected positions of the cooperative.
8. To make proposals or suggestions to the Managing Board, the Manager, the Control Board of the cooperative and request for reply; request the Managing Board, the Manager and the Control Board to convene an extraordinary Congress of cooperative members in accordance with Clause 4, Article 26 of this Law;
9. To transfer his/her contributed capital and rights and obligations to other persons in accordance with provisions of the Statute of the cooperative;
10. To ask for leaving the cooperative as provided for by the Statute of the cooperative;
11. To get back the contributed capital and other interests when leaving the cooperative. In the event that the cooperative member dies, the capital he/she has contributed and his/her other interests and obligations shall be settled in accordance with the law on inheritance;

Article 24.- Obligations of a cooperative member

A cooperative member has the following obligations:

1. To comply with the Statute, regulations of the cooperative and the resolutions of the Congress of the cooperative members;

2. To contribute capital in accordance with provisions of the Statute of the cooperative; the contributed capital may be greater than the minimum level of capital contribution, but must not, under no circumstances, exceed 30% (thirty percent) of the total statutory capital of the cooperative.

3. To cooperate with one another, to further his/her study so as to raise the educational and skill level and contribute to the promotion of the cooperative's development;

4. To fulfill the economic commitment with the cooperative; pay social insurance in accordance with provisions of law;

5. To bear, within the scope of his/her contributed capital, the common responsibility for the debts, risks, damage and losses of the cooperative;

6. To compensate for the losses caused by himself/herself to the cooperative in accordance with provisions of the Statute of the cooperative.

Article 25.- Termination of cooperative membership

1. The cooperative membership shall be terminated in the following cases:

a) The cooperative member dies;

b) The cooperative member loses the capacity for civil acts;

c) The cooperative member is allowed to leave the cooperative in accordance with provisions of the Statute of the cooperative;

d) The cooperative member's contributed capital as well as his/her rights and obligations have been fully transferred to other people in accordance with provisions of Clause 9, Article 23 of this Law;

e) The cooperative member is expelled from the cooperative by the Congress of cooperative members;

f) Other cases as stipulated by the Statute of the cooperative;

2. The settlement of the interests and obligations regarding the cooperative members in cases stipulated in Clause 1 of this Article shall be defined by the Statute of the cooperative.

Chapter IV

ORGANIZATION AND MANAGEMENT OF THE COOPERATIVE

Article 26.- The Congress of cooperative members

1. The Congress of cooperative members is the highest decision making body of the cooperative.

2. A cooperative with a large membership may organize a Congress of delegates of cooperative members; the election of delegates to the Congress shall be stipulated by the Statute of the cooperative. The Congress of delegates of the cooperative members has the same powers and responsibilities as the Congress of all cooperative members.

3. The regular Congress of cooperative members shall be convened once a year by the Managing Board within three months from the closing date of the annual financial accounting.

4. The extraordinary Congress of cooperative members shall be convened by the Managing Board or the Control Board of the cooperative to make decisions on necessary issues that are beyond the powers of the Managing Board or the Control Board.

If at least one third of the total number of cooperative members request the Managing Board or the Control Board to convene a Congress of cooperative members within fifteen days from the date of receipt of the request, the Managing Board shall have to convene the Congress of cooperative members; if past that time limit the Managing Board still fails to convene the Congress, the Control Board shall convene the extraordinary Congress of cooperative members to settle the issues mentioned in the request.

Article 27.- The contents of the Congress of cooperative members

The Congress of cooperative members shall discuss and make decisions on the following issues:

1. The annual report on the results of the production, business and service activities of the cooperative, the report on the activities of the Managing Board and the Control Board;
2. The open statement on the finance and accounts, the draft plan of profit sharing and settlement of losses;
3. Orientation of production, business and services; the cooperative's plan of operation and capital mobilization for the next year;
4. The increase or decrease of the statutory capital; the setting up of funds of the cooperative;
5. To elect a new Manager and relieve the incumbent Manager of the cooperative from his/her post; to elect supplementary members or dismiss incumbent members of the Managing Board and the Control Board;
6. Approving the admission of new cooperative members and allowing one or several cooperative members to leave the cooperative; expelling one or several cooperative members;
7. Merger, splitting or dissolution of the cooperative;
8. Amending the Statute and regulations of the cooperative;
9. The level of remuneration for the Manager and other members of the Managing Board, Control Board and other posts in the cooperative;
10. Other issues proposed by the Managing Board, the Control Board or at least one third of the cooperative members.

Article 28.- The mandatory number of delegates and the voting rules at the Congress of cooperative members

1. The Congress of cooperative members must be attended by at least two thirds of the total number of cooperative members or of the total number of the delegates of cooperative members. If the number of participants falls short of this level, the Congress must be postponed; the Managing Board or the Control Board must reconvene the Congress.

2. The decisions on the Statute amendment, the merger, splitting or dissolution of the cooperative shall be adopted only when at least three fourths of the cooperative members present at the Congress vote in its favor. The decisions on other issues shall be adopted when they are voted for by more than one half of the delegates present at the Congress.

3. The voting at the Congress of cooperative members and meetings of cooperative members shall not depend on the capital contributions or the positions of the cooperative members in the cooperative. Each cooperative member or delegate of cooperative members has only one vote.

Article 29.- Notification on convening the Congress of cooperative members

At least ten days before the opening of the Congress of cooperative members, the convening body must notify each cooperative member or delegate of cooperative members of the date and venue of the meeting and the agenda of the Congress. The Congress shall discuss and make decision only on the issues that have been put on the agenda of the Congress and the new issues proposed by at least one third of the cooperative members.

Article 30.- The Managing Board of the cooperative

1. The Managing Board is the body that manages and handles the daily work of the cooperative, elected directly by the Congress of cooperative members. It shall be composed of the Manager of the cooperative and other members. The number of members of the Managing Board shall be determined by the Statute of the cooperative. The cooperative with less than fifteen members can elect only the Manager to carry out the tasks and powers of the Managing Board. A large cooperative can elect the Managing Council to carry out the tasks and powers of the Managing Board as stipulated in this Law.

2. The term of office of the Managing Board of the cooperative shall be stipulated by the Statute of the cooperative, but shall not be less than two years and shall not exceed five years.

3. The Managing Board shall hold a meeting at least once every month, convened and presided over by the Manager or another member of the Board who is authorized by the Manager. A meeting of the Managing Board shall be regarded as valid only when it is attended by two thirds of the members of the Board. The Managing Board shall operate in accordance with the principles of collective work and majority vote. In case the number of votes for equals the number of votes against, the decision shall be made according to the vote of the person who presides over the meeting.

Article 31.- The criteria of a member of the Managing Board

A member of the Managing Board must be a cooperative member having the necessary professional qualification, the ability to manage the cooperative and ethical qualities.

A member of the Managing Board shall not be at the same time a member of the Control Board, or the Chief Accountant or Cashier of the cooperative, or their parents, spouses, children, biological brothers or sisters; other criteria (if any) shall be stipulated by the Statute of the cooperative.

Article 32.- The duties and powers of the Managing Board

1. The Managing Board has the following duties and powers:

a) To select and appoint the Chief Accountant, decide the organizational structure of the specialized bodies of the cooperative;

b) To organize the implementation of the resolutions of the Congress of the cooperative members;

c) To prepare the report on the cooperative's plan for production, business, services and capital mobilization, the report on the activities of the Managing Board, which will be submitted to the Congress of cooperative members;

d) To prepare the agenda of the Congress of cooperative members and convene the Congress of cooperative members;

e) To appraise the results of production, business and service activities of the cooperative; approve the financial statement to be submitted to the Congress of cooperative members;

f) To consider the admission of new cooperative members and allow members to leave the cooperative (except for the expulsion of cooperative members), then report to the Congress of cooperative members for approval.

g) Other duties and powers as stipulated by the Statute of the cooperative.

2. The Managing Board shall be responsible for its decisions before the Congress of cooperative members and law.

Article 33.- Duties and powers of the Manager of the cooperative

1. The Manager of the cooperative has the following duties and powers:

a) To represent the cooperative before law;

b) To organize the implementation of the plan and manage all production, business and service activities of the cooperative;

c) To convene and preside over the meetings of the Managing Board; organize the implementation of the resolutions of the Congress of cooperative members and the decisions of the Managing Board;

d) To organize the exercise of the rights and obligations of the cooperative as stipulated in Articles 8 and 9 of this Law.

2. The Manager of the cooperative shall be responsible before the Congress of cooperative members and the Managing Board for the work assigned to him/her.

In his/her absence, the Manager of the cooperative can authorize the Deputy Manager or a member of the Managing Board to manage the work of the cooperative.

3. The post of Deputy Manager of the cooperative shall be stipulated by the Statute of the cooperative.

Article 34.- The Control Board

1. The Control Board is the body which supervises and controls all activities of the cooperative in conformity with law and the Statute of the cooperative.

2. The Control Board shall be directly elected by the Congress of cooperative members. The number of its members shall be stipulated by the Statute of the cooperative. The Control Board shall elect its Chairman to manage its work; a cooperative with a small membership may elect only one comptroller.

3. The qualifications of the members of the Control Board are similar to those of the members of the Managing Board. A member of the Managing Board cannot be at the same time a member of the Control Board, Chief Accountant or Cashier of the cooperative. Neither can their spouse, parents, children, biological brothers or sisters hold such posts.

4. The term of office of the Control Board corresponds with that of the Managing Board.

Article 35.- Duties and powers of the Control Board

The Control Board has the following duties and powers:

1. To examine the observance of the Statute, regulations of the cooperative and resolutions of the Congress of cooperative members;

2. To supervise the activities of the Managing Board, the Manager of the cooperative and cooperative members in accordance with law, the Statute and regulations of the cooperative;

3. To examine the finance, accounts, distribution of income, settlement of losses and the use of the funds of the cooperative, use of properties, borrowed capital and subsidies from the State;

4. To receive and settle complaints and denunciations related to the work of the cooperative;

5. To be entitled to attend meetings of the Managing Board;

6. To notify the Managing Board of the results of the control and report them at the Congress of cooperative members; to suggest measures for the Managing Board, the Manager of the cooperative to overcome weaknesses in production, business and services of the cooperative and settle the violations of the Statute and regulations of the cooperative;

7. To demand the concerned persons in the cooperative to provide necessary accounts, documents, vouchers and necessary information to serve the control work, but not to use such documents and information for other purposes.

8. To prepare the agenda for the Extraordinary Congress of cooperative members, which shall be convened in one of the following cases:

a) The Managing Board fails to apply or inefficiently applies prevention measures against acts of violation of the law, the Statute or regulations of the cooperative and the resolutions of the Congress of cooperative members as requested by the Control Board;

b) The Managing Board fails to convene the Extraordinary Congress of cooperative member at the request of the cooperative members as stipulated in Clause 4, Article 26 of this Law.

Chapter V

PROPERTIES AND FINANCE OF THE COOPERATIVE

Article 36.- Shares contributed by the cooperative members

1. When joining the cooperative, the cooperative members shall contribute shares in accordance with the provisions of Article 24 of this Law.

A cooperative member may contribute the share at one time at the beginning or in several instalments; the amount, form and time limit of the share contribution shall be stipulated by the Statute of the cooperative.

The share to be contributed by the cooperative members shall be readjusted in accordance with the decisions of the Congress of cooperative members.

2. The share shall be returned to the cooperative member in cases specified in Points b, c, e and f of Clause 1, Article 25 of this Law. The return of the share contributed by the cooperative member shall be based on the financial situation of the cooperative at the time of capital redemption after the cooperative has made the annual balance statement and settled all the economic interests and obligations of the cooperative member towards the cooperative. The modes and time limit for returning the share to the cooperative member shall be stipulated by the Statute of the cooperative.

Article 37.- Mobilization of capital

1. The cooperative is entitled to borrow capital from banks in accordance with provisions of law.

2. The cooperative is entitled to mobilize capital contributed by the cooperative members in accordance with the decisions of the Congress of cooperative members.

3. The cooperative is entitled to borrow capital from its members or other organizations under the conditions mutually agreed upon by both sides, but not contrary to the provisions of law.

4. The cooperative is entitled to receive and use the capital, subsidies of the State, domestic and foreign organizations and individuals as mutually agreed upon by the parties, and in accordance with provisions of law.

Article 38.- Operating capital of the cooperative

The operating capital of the cooperative is formed by the shares of the cooperative members, the accumulative capital of the cooperative, borrowed capital and other sources of mobilization.

The operating capital of the cooperative shall be managed and used in accordance with provisions of this Law, other provisions of law and the Statute of the cooperative.

Article 39.- The funds of the cooperative

1. The profits of the cooperative shall be used with priority to establishing the production development fund and the reserve fund while other funds shall be determined by the Statute of the cooperative and the Congress of cooperative members depending on the concrete conditions of each cooperative.

2. The purposes and modes of management and use of the funds of the cooperative shall be determined by the Statute of the cooperative.

Article 40.- The assets of the cooperative

1. The assets of the cooperative are assets owned by the cooperative which are generated by the operating capital of the cooperative.

2. The assets of the cooperative shall be managed and used in accordance with the provisions of the Statute of the cooperative and other provisions of law. The cooperative shall, in no case, be allowed to divide to the cooperative members the capital supplied by the State, public welfare projects and infrastructure in service of the community.

Article 41.- Settlement of assets and capital of the cooperative in case of its dissolution

When it is dissolved, the cooperative shall have to transfer to the local administration assets that are not allowed to be divided as provided for in Clause 2, Article 40 of this Law, for management and common use by the community.

The land of which the right to use is assigned by the State to the cooperative shall be settled in accordance with provisions of the law on land.

The remaining assets, capital and funds, after clearing all the debts of the cooperative and expenses for the dissolution, shall be divided to the cooperative members.

Article 42.- Distribution of profits

1. After fulfilling the tax payment obligations, the profits of the cooperative shall be distributed as follows:

a) To make up for the losses of the previous year (if any);

b) To supply the funds of the cooperative; the rest shall be divided in proportion to the capital and labor contributed by each cooperative after deduction of the cost of the service provided by the cooperative.

2. On the basis of the results of production, business and services, the Congress of cooperative members shall decide the ratio of annual profit distribution.

Article 43.- Settlement of losses

The losses of the cooperative caused by objective reasons shall be made up for by the profit of the following, or be deducted from the cooperative's funds or contributed capital of the cooperative members as decided by the Congress of cooperative members. If the losses are caused by subjective factors, the responsible person/persons shall, depending on the extent of the losses, have to make compensation in accordance with the decisions of the Congress of cooperative members.

Chapter VI

MERGER, SPLITTING, DISSOLUTION, BANKRUPTCY OF THE COOPERATIVE

Article 44.- Merger or splitting of the cooperative

The Congress of cooperative members shall decide to merge two or more cooperatives into one cooperative, or to break up one cooperative into two or more cooperatives.

Article 45.- Procedures for merger and splitting of the cooperative

1. The Managing Boards of the cooperatives which wish to merge, or the cooperative which wishes to split shall:

a) Establish a Council to settle the merger or splitting. The Merger Council shall comprise the Managers of the cooperatives which wish to merge; the Splitting Council shall comprise the Manager of the cooperative which wishes to split and the representatives of the cooperatives to be formed. The Councils shall have to hold discussion and consultation in order to reach agreement on settling the issues related to the merger or splitting of the cooperatives; establish the dossiers applying for the merger or splitting of the cooperatives; to perform the tasks of the preparatory boards of new cooperatives.

b) Elaborate plans on handling assets, capital, funds, organization, and personnel in case of merger or splitting, which shall be decided by the Congress of cooperative members; map out the orientation of production, business, services; draft the new Statute of the cooperative which shall be decided by the Congress of cooperative members;

c) Convene the Congress of cooperative members to decide the plans to settle assets, capital, funds, organization, and personnel when the cooperatives are merged or split; and take the steps as provided for in Clauses 2 and 3, Article 13 of this Law;

d) Inform in writing creditors, organizations and individuals having economic ties with the cooperative of the decision on merger or splitting, and settle related economic issues;

e) Submit the dossiers applying for the merger or splitting of the cooperatives to the People's Committees that has awarded the business licenses, comprising:

- The application for the merger or splitting of the cooperative;

- The resolution of the Congress of cooperative members on merger or splitting of the cooperative;

- Plans on the settlement of issues related to the merger or splitting that have been discussed with the creditors, the organizations or individuals having economic ties with the cooperatives;

- The Statute of the newly merged cooperative or the Statutes of the cooperatives newly formed by splitting.

2. Within thirty days from the date of receipt of the dossiers applying for merger or splitting, the People's Committee that has awarded the business licenses shall announce its approval or disapproval of the merger or splitting of the cooperatives. If they disagree with the decision on disapproval of the merger or splitting of the cooperatives, the cooperatives are entitled to lodge complaints, initiate a lawsuit to the competent State agencies for settlement in accordance with provisions of law.

The People's Committee that awards the business licenses to the merged or split cooperatives shall recover the licenses of the cooperatives which have been merged or split; the competent State agencies shall recover the seals of the cooperatives that have been merged or split. The registration of business of the newly merged or split cooperatives shall comply with provisions of Chapter II of this Law.

3. The merged or divided cooperatives having branches or representative offices shall inform the People's Committees that have permitted the opening of such branches and offices of the decisions on merger or splitting, and of the continuation or termination of operation of such branches and representative offices.

Article 46.- Dissolution of the cooperative

1. Voluntary dissolution.

In case of voluntary dissolution under the resolution of the Congress of cooperative members, the cooperative shall submit an application for dissolution and the resolution of the Congress of cooperative members to the People's Committee that has awarded the business registration certificate to the cooperative, and at the same time publish in local newspapers for three consecutive issues the application for dissolution and the time limit for debt payment and liquidation of contracts.

Within thirty days from the expiration of the duration of debt payment and contract liquidation date, the People's Committee that receives the application shall issue a notice about its approval or disapproval of the application for dissolution of the cooperative.

Within thirty days from the date of receipt of the notice of approval of the application for dissolution by the People's Committee, the cooperative shall pay for the costs of dissolution, return the shares to the cooperative members and other payments which are their due in accordance with the Statute of the cooperative.

2. Compulsory dissolution

The People's Committee that has awarded business registration certificates shall be entitled to decide the compulsory dissolution of a cooperative in the following cases:

- a) After twelve months from the date of award of the business license, the cooperative still fails to operate;
- b) The cooperative has not operated for twelve consecutive months;
- c) For six months in a row, the membership of the cooperative does not reach the minimum provided for in the Model Statute of each type of cooperative;
- d) For eighteen consecutive months, the cooperative fails to organize its regular Congress of cooperative members without a plausible reason;
- e) Other cases as provided for by law.

3. The People's Committee that issues the decision on compulsory dissolution shall establish a Dissolution Council and appoint its Chairperson to organize the dissolution of the cooperative.

The Dissolution Council shall publish in local newspapers on three consecutive issues the decision on dissolution of the cooperative; announce the steps, procedures and time limit for debt payment,

contract liquidation, asset liquidation, return of contributed capital to the cooperative members and settlement of their other relevant interests.

The maximum time limit for debt payment, contract liquidation shall be one hundred and eighty days from the date of the first announcement in the newspapers.

4. From the date on which the cooperative receives the notice of dissolution, the People's Committee that has awarded the business license shall have to recover the license and cross out the name of the cooperative in the license registration book; the cooperative shall have to immediately remit its seal to the competent State agency.

5. If the cooperative disagrees with the decision by the People's Committee on dissolution of the cooperative, it shall be entitled to lodge a complaint or initiate a lawsuit to the competent State agencies for settlement in accordance with provisions of the law.

Article 47.- Handling of the request of a cooperative to declare bankruptcy

The request to declare bankruptcy of a cooperative shall be handled in accordance with the law on bankruptcy of enterprises.

Chapter VII

THE UNION OF COOPERATIVES AND FEDERATION OF COOPERATIVES

Article 45.- The Union of cooperatives

1. The cooperatives which have the need can jointly establish a union of cooperatives if they so wish.

The Union of cooperatives is an economic organization operating in accordance with the cooperative principle, aimed at increasing efficiency of production, business and services of the member cooperatives, assisting one another each other in their operations and meeting other requirements of the participating members.

The Union of cooperatives shall register business at the provincial People's Committee.

2. The Union of cooperatives shall be entitled to choose its own name and logo in accordance with law. The seal, signboard, transaction documents of the Union of cooperatives must bear the sign "LHHTX" (Union of cooperatives).

3. The objectives, functions, tasks and organizational structure of the Union of cooperatives shall be stipulated in the Statute of the Union of cooperatives to be adopted by the Congress of its members.

4. The establishment, registration of business, organization of operation of Unions of cooperatives shall be stipulated by the Government.

Article 49.- The Federation of cooperatives

1. The cooperatives and Unions of cooperatives shall be entitled to voluntarily establish a Federation of cooperatives of one branch and a Federation of all cooperatives of all economic branches. Federations of cooperatives shall be set up at central and provincial levels.

2. A Federation of cooperatives is a non-governmental organization functioning as a representative and protector of the legitimate interests of the cooperatives and Unions of cooperatives; a promoter for the development of cooperatives providing consultancy, service and assistance to cooperatives and Union of cooperatives; a participant in the building of policies and legislation on cooperatives; the representative of cooperatives and unions of cooperatives in the coordination between domestic and foreign cooperative members in accordance with provisions of law.

The functions, tasks, powers, organizational structure, names and finance of the Federation of cooperatives shall be stipulated by the Statute of the Federation of cooperatives.

3. The Prime Minister shall issue the decision to recognize the Federation of cooperatives at the central level; and the Presidents of the provincial People's Committees shall issue the decisions to recognize the Federations of cooperatives at the provincial level.

Chapter VIII

THE STATE MANAGEMENT OVER COOPERATIVES

Article 50.- The content of the State management performed by the Government over cooperatives

1. The Government shall uniformly perform the function of State management over cooperatives throughout the country with the following contents:

a) To elaborate and direct the implementation of the strategy, planning, plans of development of cooperatives within the country;

b) To promulgate, on the basis of the Law on Cooperatives, the Model Statutes for various types of cooperatives suitable to the features of each branch, each field of the national economy.

c) On the basis of the requirement to develop cooperatives and features of each branch, each specific territory, to promulgate preferential policies supporting cooperatives with regard to land, taxation, credit, investment, export and import, training, education of cadres, scientific and technological information; issue policies on profit tax relief for cooperatives in certain branches, trades or territories that face many difficulties.

d) To create conditions for the Federations of cooperatives at the central and provincial levels to operate in accordance with law;

e) To stipulate in details the powers, tasks of Ministries, branches and provincial People's Committees regarding the State management over cooperatives.

f) To perform the functions of inspection, examination of cooperatives in accordance with provisions of the law.

2. The Ministries, the ministerial-level Agencies, the Agencies attached to the Government shall, within their respective functions, tasks and powers, assist the Government in performing State management over cooperatives in their assigned domains.

Article 51.- Tasks and powers of the People's Councils and People's Committees at various levels regarding the cooperatives.

1. The People's Councils at various levels shall work out policies and measures to build and develop cooperatives in their localities; mobilize the population to join cooperatives and supervise the implementation of the Law on Cooperatives.

2. The People's Committees at various levels shall, within their respective tasks and powers:

a) Provide implementation guidance, examine and inspect the implementation of Law on Cooperatives, the Model Statute and other relevant legal documents;

b) Campaign and create favorable conditions for and assist the formation and development of cooperatives in their localities;

c) Provide guidance for and urge the cooperatives to coordinate their operations for the benefits of the local people;

d) Resolve, within their power, the complaints, denunciations, disputes and acts of violation of the Law on Cooperatives.

e) Implement the other contents of State management over cooperatives in accordance with law.

3. Specialized agencies under the People's Committees at various levels, within their respective functions, tasks and powers, shall assist the People's Committees in performing State management over the cooperatives in their assigned domains.

Article 52.- The relationship between the State agencies and the Vietnam Fatherland Front and its member organizations, and the roles of these organizations with regard to the cooperatives:

1. The State agencies shall have to cooperate with the Vietnam Fatherland Front and its member organizations in organizing the implementation of the Law on Cooperatives.

2. The Vietnam Fatherland Front and its member organizations shall campaign among the population for building and developing the cooperatives; and join the State agencies in working out policies and supervising the implementation of the Law on Cooperatives.

Chapter IX

COMMENDATION AND HANDLING OF VIOLATIONS

Article 53.- Commendation

The following organizations and individuals shall be commended in accordance with law:

1. The cooperatives and Unions of cooperatives which operate efficiently and contribute notably to the socio-economic development of the localities.
2. The organizations, individuals and cooperative members that have recorded outstanding achievements in labor, production, business and development of the cooperatives.

Article 54.- Handling of violation

1. The persons who violate the Law on Cooperatives, the Model Statute and the Statute of the cooperative shall, depending on the nature and seriousness of the violation, be censured, warned, dismissed, expelled from the cooperative or be subject to administrative sanctions or examined for penal liability; they have to make compensation for the damage caused by them, if any.
2. An organization or individual that misuses the name of the cooperative to operate, a cooperative which operates without business license or contrarily to the registered branches or trades shall be forced to terminate their operations and dealt with according to law.
3. The persons who commit fraudulent acts in registering business, or take advantage of their positions and powers to award business licenses contrarily to the provisions of this Law; deliberately refuse to award business licenses to the organizations which are qualified to become cooperatives shall,

depending on the nature and the seriousness of the violation, be subject to administrative sanctions, disciplinary measures or examined for penal liability.

Chapter X

IMPLEMENTATION PROVISION

Article 55.- Enforcement

This Law takes effect on January 1st, 1997.

All earlier regulations which are contrary to this Law are now annulled.

From the effective date of this Law, the cooperatives and Unions of cooperatives which are currently operating shall register their business in accordance with this Law.

Article 56.- Guidance on the implementation of this Law

The Government shall issue detailed provisions on the procedures, modalities and time limit for the transformation and registration of all types of cooperatives and unions of cooperatives which are currently in operation, in order to ensure their stable development in conformity with the situation and specific features of each type of cooperative in different branches and areas of the national economy.

The Government shall stipulate in details the implementation of this Law.

This Law was adopted by the National Assembly of the Socialist Republic of Vietnam, IXth Legislature, 9th Session, on March 20, 1996.

The Chairman of the National Assembly

NONG DUC MANH