

SENATE OF THE PHILIPPINES

S. NO. 237.

Introduced by Senator Primicias

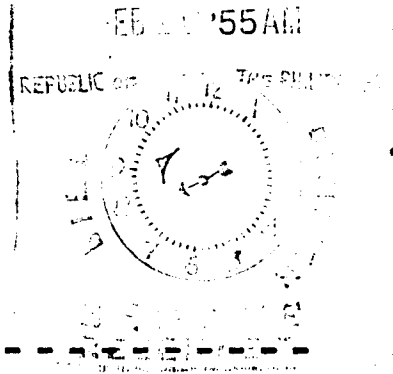
EXPLANATORY NOTE

Strictly speaking, we have no General Cooperative Law which regulates the organization and operation of consumers, service, and industrial cooperatives except Acts Nos. 2508 and 3425, providing for the organization and supervision of the agricultural credit cooperative associations and the cooperative marketing associations, respectively, the latter type being now under the Agricultural Credit and Cooperative Financing Administration, by virtue of Republic Act No. 821. While Commonwealth Act No. 565 authorizes the organization of all kinds of cooperative associations other than rural agricultural credit cooperative associations and cooperative marketing associations, yet by virtue of the provisions of Section 4 thereof, the provisions of Acts No. 2508 and 3425 which are only for agricultural credit cooperatives and farmers cooperative marketing associations, respectively, are made applicable to consumers and other type of cooperatives. It is here emphasized that agricultural credit and marketing cooperatives are very different and distinct from the consumers and other groups in the nature of their operations and purposes. So that by applying to the consumers, service, and industrial groups the provisions of the law intended to regulate specifically the agricultural credit and market cooperatives, it was found that most of the provisions of Acts Nos. 2508 and 3425 are not suited to the consumers type. Hence, difficulty and confusion are encountered in the application of these laws to the consumers groups. The intention of the attached bill is precisely to correct this anomalous situation by providing in concrete form suitable rules containing generally the cooperative principles applicable to all types of cooperative associations.

In other words, the attached bill as its name indicates, will, if enacted into law, be the General Cooperative Act of the Philippines which embraces the general provisions universally accepted as applicable to all kinds of cooperatives. The only exceptions would be those specific type of cooperative associations which, although using the same cooperative principles as embodied in the proposed bill, are regulated by special laws.

The enactment into law of the proposed bill is therefore strongly recommended to avoid difficulty and confusion presently encountered in the application of our old laws to other types of cooperatives not covered by Acts Nos. 2508 and 3425, and Republic Act No. 821 and to provide a simple, clear and easily accessible general cooperative law.

CIPRIANO P. PRIMICIAS



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AN ACT
TO PROVIDE FOR THE ORGANIZATION AND REGULATION OF
COOPERATIVE ASSOCIATIONS AND FOR OTHER PURPOSES

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

- 1 SECTION 1. This Act shall be known and maybe cited as the
2 "General Cooperative Act of the Philippines."
3 SEC. 2. Definition. - In this Act the meaning of the follow-
4 ing terms shall be:
5 a) "Association" means a voluntary and non-profit organiza-
6 tion formed in accordance with this Act for the purpose of meeting
7 their common needs by mutual action, democratic control and share
8 in the economic returns on the basis of participation.
9 b) "Member" means not only a member in a non-stock associa-
10 tion but also a member in a stock association.
11 c) "Net savings" means the total income of an association
12 minus the cost of operation.
13 d) "Patronage refund" or "savings return" means the amount
14 returned to the patrons in proportion to their patronage.
15 e) "Cooperative basis" as applied to any organization refer-
16 red to in this Act, means (1) that each member has only one vote
17 in spite of the number of shares held by him, (2) that the maxi-
18 mum rate at which any return is paid on share or membership capital
19 is limited to not more than six per centum per annum and (3) that

1 the net savings, after payment, if any, of said limited return on
2 capital and the reserve fund is distributed to the members in
3 proportion to their patronage.

4 (f) "Administration" means the Cooperatives Administration
5 Office.

6 (g) "Administrator" refers to the Administrator of the Co-
7 operatives Administration Office.

8 (h) "Federation" refers to the Philippine Federation of Co-
9 operative Associations.

10 SEC. 3. Who may Incorporate; Articles of Incorporation. -

11 Any fifteen or more natural persons, all residents and citizens
12 of the Philippines may organize a cooperative association in ac-
13 cordance with this Act, by preparing a set of articles of incor-
14 poration in duplicate duly signed by the incorporators and acknow-
15 ledged before some officer competent to administer oath, which
16 should be presented to the Administrator for approval.

17 Within the limitations of this Act, the articles of incor-
18 poration shall contain:

19 a) The corporate name of the association in which the word
20 "cooperative" shall be included.

21 b) The purposes.

22 c) The place or location where its principal office will be
23 established or located which place must be within the Philippines.

24 d) The term which it is to exist not exceeding fifty years.

25 e) The names and addresses of incorporators.

26 f) The names and addresses of directors who are to serve as
27 such for the first year or until their successors are duly elected
28 and qualified.

29 If organized with stock, a statement of the amount of autho-
30 rized capital in Philippine currency, and the number of shares
31 into which it is divided and the par value thereof.

32 If organized with capital stock, the amount of capital stock
33 actually subscribed, the names and residences of persons subscribing;

1 the amount subscribed by each and the sum paid by each on his sub-
2 scription. The capital stock maybe divided into preferred and com-
3 mon stock. If so divided, the articles of incorporation must com-
4 tain a statement of the number of shares or stocks to which pre-
5 ference is granted, the nature and definite extent of the prefer-
6 ences and privileges granted to each and the manner of redeeming
7 or retiring such shares of preferred stock.

8 If organized without capital stock, whether the property
9 rights and interest of its members shall be equal or unequal, the
10 general rule or rules applicable to all members by which the pro-
11 perty rights and interest, respectively, of each member may and
12 shall be determined and fixed, and provisions for the admission of
13 new members who shall be entitled to share in the property in dis-
14 solution with the old membership in accordance with such rule or
15 rules.

16 g) The name of the treasurer elected by the incorporators or
17 subscribers who is authorized to receive for the association and to
18 accept in its name for all subscription paid in by said subscribers.

19 The articles may also contain any other provision not incon-
20 sistent with law or with this Act, for the conduct of the associa-
21 tion's affairs.

22 SEC. 4. Purposes. - An association may be incorporated under
23 this Act to engage in any one or more lawful mode or modes of ac-
24 quiring, producing, building, operating, manufacturing, furnishing,
25 exchanging, or distributing any type or types of property, commodi-
26 ties, goods, or services for the primary and mutual benefit of the
27 members of the association as ultimate consumers.

28 SEC. 5. Powers. 9 An association organized under this Act
29 shall have the following powers:

- 30 a) To make contracts.
31 b) To sue and to be sued.
32 c) To adopt and use a common seal and alter the same at
33 pleasure.

1 d) To acquire, own, hold, sell, pledge, mortgage, or other-
2 wise dispose of any property incident to its purposes and acti-
3 vities.

4 e) To own and hold membership in and share capital of other
5 associations and any type of bonds or obligations of the govern-
6 ment of the Philippines; and while the owner thereof, to exercise
7 the rights of ownership.

8 f) To borrow money, contract debts, and make contracts, in-
9 cluding agreements of mutual aid of federations with other associa-
10 tions other groups organized on the cooperative basis.

11 g) To exercise all powers not inconsistent with this act which
12 maybe necessary, convenient, or expedient for the accomplishment of
13 its purposes, and, to that end, the foregoing enumeration of powers
14 shall not be deemed exclusive.

15 SEC. 6. Registration of the Articles of Incorporation and
16 Bylaws. - The articles of incorporation and bylaws shall be sub-
17 mitted to the Administrator for his approval. If he finds them
18 to be in accordance with law he shall register them and issue the
19 corresponding certificate of registration upon the payment of re-
20 gistration fees.

21 After the issuance of the certificate of registration, the
22 association shall become a body corporate and as such, subject to
23 the limitations herein contained, shall be vested with all the
24 powers and charged with all liabilities conferred and imposed by
25 this Act upon association organized hereunder.

26 SEC. 7. Amendments of the Articles of Incorporation. - The
27 articles of incorporation maybe altered or amended at any regular
28 or special meeting held for that purpose. An amendment must be
29 approved by the majority vote of the members of the association
30 constituting a quorum. If on the date specified to consider any
31 amendment to the articles of incorporation there is no quorum,
32 the members present, provided their number is not less than fifteen,
33 may proceed with the meeting and consider the proposed amendments

1 subject to the requirements of Section 15 of this Act. The approved amendments or amendments must be filled in duplicate with the Administration, for the approval of the Administrator. If he finds some objections, the same shall be returned to the association indicating his objections.

2 SEC. 8. Bylaws. - Each association organized under this Act must adopt for its government and internal control a code of bylaws not inconsistent with the provision of this Act, its articles of incorporation and the rules and regulations issued by the Administrator. The majority vote of all the members or stockholders constituting a quorum is necessary for the adoption of such bylaws.

3 SEC. 9. Amendments and Keeping of the Bylaws and Articles of Incorporation. - The bylaws may be amended or altered in the same manner as the articles of incorporation as provided for in Section 7 of this Act. Copies of the articles of incorporation and bylaws shall be kept by the secretary of the association at its principal office subject to the inspection of the members or stockholders during office hours.

4 SEC. 10. Contents of Bylaws. - The bylaws may, within the limitations of this Act, provide for the following:

5 a) The methods and terms of admission to membership and the disposal of member's interests on cessation of membership for any reason.

6 b) The time, place, and manner of calling and conducting meetings.

7 c) The number, qualifications, powers, duties, term of office, and manner, time and vote for election of directors and officers; and the division or classification, if any, of directors to provide for rotating or overlapping terms;

8 d) The compensation, if any, of the directors, and the number of directors necessary to constitute a quorum.

9 e) The method of distributing the net savings.

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1 f) Penalties for violation of the bylaws.

2 g) The various discretionary provisions of this Act as well
3 as other provisions incident to the purposes and activities of
4 the association.

5 SEC. 11. Registration Fees. - Each association incorporated
6 under this Act, with or without capital stock, shall pay to the
7 Administration the following registration fees:

8 a) For filing articles of incorporation, P15.00.

9 b) For filing amendments to articles of incorporation, P5.00.

10 c) For filing bylaws, P2.00.

11 d) For filing amendments to bylaws, P1.00

12 SEC. 12. The Fiscal Year, Regular and Special Meetings. -

13 The fiscal year of each association shall end on December 31.

14 Regular meetings of members shall be held during the month of the
15 following January and at such time and place as its bylaws shall
16 prescribe. Special meetings may be held in the manner indicated
17 in the bylaws.

18 SEC. 13. Notice of Meetings. - The secretary shall give
19 notice of the time and place of meetings, either regular or
20 special, including meetings by units as hereinafter provided to
21 each member at his last known address not less than fifteen days
22 in advance of the date of the meeting specified in the notice.

23 In case of special meeting the notice shall specify the purpose
24 for which such meeting is called.

25 SEC. 14. Meetings by Units of the Members. - The bylaws may
26 provide for the holding of meetings by units of the membership
27 and may provide for a method of transmitting the votes they cast
28 to the central meeting, or for a method of representation by the
29 election of delegates to the central meeting; or a combination of
30 both such methods.

31 SEC. 15. Quorum. - One-half plus one of the members entitled
32 to vote shall constitute a quorum but if a quorum is not present
33 on the date fixed in the call and the number of members present

1 is not less than fifteen, the members present therein may pro-
2 ceed with the transaction of the business of the association for
3 which it is called: Provided, that no resolution acted upon
4 therein shall be valid until same has been duly approved by the
5 Administration, to whom a copy of the minutes certified to by the
6 Secretary of the association, had been submitted within ten days
7 from the date the said general meeting was held. Provided, fur-
8 ther, that if the association has adopted the sys tem of voting
9 by mail as provided in Sections 17 and 18, then the votes cast
10 by mail shall be considered in determining the quorum provided
11 herein.

12 SEC. 16. One-Member-One-Vote; No Proxy. - Each member of
13 an association shall have one and only one vote.

14 No voting agreement or other device to evade the one-member-
15 one-vote rule shall be enforceable at law or equity.

16 No member shall be permitted to vote by proxy.

17 SEC. 17. Voting by Mail. - The bylaws may provide for either
18 or both of the following types of voting by mail: (a) That the
19 secretary shall send to the members a copy of any proposal sche-
20 duled to be offered at a meeting, together with the notice of
21 said meeting, and that the mail votes cast by the members shall
22 be counted together with those cast at the meeting if such mail
23 votes are returned to the association within a specified number
24 of days; (b) that the secretary shall send to any member absent
25 from a meeting an exact copy of the proposal acted upon at the
26 meeting, and that the mail vote of the member upon such proposal,
27 if returned within a specified number of days, shall be counted
28 together with the votes cast at the said meeting.

29 SEC. 18. Application of Voting Provisions in this Act of
30 Voting by Mail. - If an association has provided for voting by
31 mail, any provision of this Act referring to votes cast by the
32 members shall be construed to include the votes cast by mail.

33 SEC. 19. Application of voting Provisions in this Act of

1 Voting of Delegates. - If an association has provided for voting
2 by delegates any provision of this Act referring to votes cast
3 by the members shall apply to votes cast by the delegates; but
4 this shall not permit delegates to vote by mail.

5 SEC. 20. Directors. - An association shall be managed by a
6 board of directors of not less than five nor more than eleven,
7 who shall be elected for a term fixed in the bylaws not to ex-
8 ceed three years, by and from the members of the association and
9 shall hold office until their successors are elected and have
10 qualified or until removed. Vacancies in the board of directors,
11 otherwise than by removal or expiration of term, shall be filled
12 by the remaining members of the board. The bylaws may provide
13 for a method of apportioning the number of directors among the
14 units into which the association may be divided, and for the
15 election of directors by their respective units to which they
16 are apportioned.

17 Meetings of directors shall be held at least once a month
18 or oftener as maybe provided in the bylaws.

19 SEC. 21. Officers. - The officers of an association shall
20 include a president, one or more vice-presidents, a secretary
21 and treasurer, or a secretary-treasurer. The officers shall be
22 elected annually by the directors unless the bylaws otherwise
23 provide. The president, and at least one vice-president must be
24 directors but no other officer need be a director.

25 SEC. 22. Removal of Directors and Officers. - A director or
26 officer maybe removed for cause by a vote of two-thirds of the
27 members voting at a regular or special meeting. The director
28 or officer involved shall have an opportunity to be heard at
29 said meeting and he must be furnished a copy of the charge
30 against him five days before the meeting. A vacancy caused by
31 such removal shall be filled by the remaining members of the
32 board.

33 SEC. 23. Liability of Directors. - The directors shall be

1 jointly and severally liable for any transaction made in viola-
2 tion of law, the articles of incorporation, the bylaws, the re-
3 solutions of the assembly of shareholders or members, or the
4 rules and regulations promulgated for the purpose except those
5 who entered a protest at the time when such transaction was
6 acted upon.

7 SEC. 24. Compensation; Bonus. - The members of the Board
8 of Directors as such shall receive no compensation except that
9 they shall be reimbursed for actual and necessary expenses in-
10 curred during meetings or conferences attended.

11 The general manager and treasurer shall receive compensation
12 which shall be determined by the members of the association.
13 Salaries of minor employees of the association shall be deter-
14 mined and fixed by the board of directors.

15 In lieu of salaries of the manager and the treasurer as herein
16 provided, bonuses at the end of every six months or year, at the
17 option of the recipients, maybe given them by the members of the
18 association. Bonuses for minor employees shall be determined and
19 fixed by the Board of Directors.

20 In no case shall the total amount for salaries or bonuses
21 exceeds twenty-five per centum of the gross profits realized by
22 the association during the year.

23 Within thirty days from the beginning of the fiscal year the
24 Board of Directors shall submit an annual budget to the Administra-
25 tor covering expenses of the association for salaries and sundries
26 for his approval.

27 SEC. 25. Referendum. - The bylaws may provide that within a
28 specified period of time any action taken by the directors must
29 be referred to the members for approval or disapproval if demanded
30 by a petition of at least ten per centum of all the members or by
31 a vote of at least a majority of the directors: Provided, however,
32 that the rights of said parties which have vested between the time
33 of such action and such referendum shall not be impaired thereby.

1 SEC. 26. Limitations upon the Returns of Capital. - The
2 returns or dividends on capital shall not exceed six per centum
3 per annum upon the said paid-up capital and shall be non-cumulative.

4 Total returns upon capital distributed for any single period
5 shall not exceed fifty per centum of the net savings for that period.

6 SEC. 27. Eligibility in Admission to Membership. - Any
7 natural person, or association organized on a cooperative basis
8 shall be eligible for membership in an association organized un-
9 der this Act if it has met the qualifications for eligibility as
10 provided in the bylaws and shall be deemed a member upon payment
11 in full for the par value of one share or the minimum amount of
12 membership capital stated in the bylaws and the payment of entrance
13 fee.

14 SEC. 28. Share and Membership Certificate; Issuance and
15 Contents. - No certificate for share or membership capital shall
16 be issued until the par value thereof has been paid for in full.
17 There shall be printed upon each certificate issued by an associa-
18 tion a full and condensed statement of the requirements of Sec-
19 tions 16 and 29.

20 SEC. 29. Transfer of Shares and Membership; Withdrawal. -
21 If a member desires to withdraw from the association or dispose
22 of any or all of his holdings therein, the directors shall have the
23 power to purchase such holdings by paying him the par value of any
24 or all of the holdings offered. The directors shall then reissue
25 or cancel the same.

26 If the association fails within sixty days of the original
27 offer, to purchase all or any part of the holdings offered, the
28 member may dispose of the unpurchased interest elsewhere sub-
29 ject to the approval of the transferee by a majority vote of
30 the directors. Any would-be transferee not approved by the
31 directors may appeal to the members at their first regular or
32 special meeting thereafter and the action of the meeting shall
33 be final. If such transferee is not approved, the director

1 shall exercise their power to purchase, if and when such pur-
2 chase can be made without jeopardizing the solvency of the
3 association.

4 SEC. 30. Shares and Membership Certificates; Recall. -

5 The bylaws may give the directors the power to use their reserve
6 funds to recall, at par value, the holdings of any member in ex-
7 cess of the amount requisite for membership; and may also provide
8 that if any member has failed to patronize the association during
9 a period of time specified in the bylaws, the directors may use
10 their reserve fund to recall all his holdings and thereupon he
11 shall cease to be a member of the association. When so recalled,
12 such certificates of share or membership capital, shall either
13 be reissued or cancelled.

14 SEC. 31. Share and Membership Certificate; Attachment. -

15 The holdings of any member of an association to the extent of the
16 minimum amount necessary for membership but not to exceed P500
17 shall be exempt from attachment, execution, or garnishment for
18 the debts of the owner. If any holding in excess of this amount
19 is subject to such liability, the directors of the association
20 may either admit the purchaser thereof to membership or may pur-
21 chase from him such holding at par value.

22 SEC. 32. Liability of Members. - Members shall not be

23 jointly or severally liable for any debts of the association nor
24 shall they be so liable except to the extent of the unpaid am-
25 ount on the shares or membership certificates subscribed by them.
26 No member shall be released from such liability by reason of any
27 assignment of his interest in the shares or membership certifi-
28 cate, but shall remain jointly and severally liable with the
29 assignee until the shares or certificates are fully paid up, ex-
30 cept when the assignee assumes the full liability to the satis-
31 faction of the board of directors.

32 SEC. 33. Expulsion. A member may be expelled by the vote
33 of a majority of the members voting at a regular or special meeting.

1 The member against whom the charges are to be preferred shall
2 be informed thereof in writing at least five days in advance of
3 the meeting, and shall have an opportunity to be heard in person
4 or by counsel at said meeting. On decision of the association
5 to expel a member, the board of directors shall purchase the
6 member's holding at par value, if and when there are sufficient
7 reserve funds.

8 SEC. 34. Reserve. - All membership fees and fines provided
9 by the bylaws and twenty per centum of the net earnings of each
10 year before the declaration of any dividend, shall be set aside
11 as a regular reserve against losses as maybe specified in the by-
12 laws in accordance with the regulations that maybe prescribed un-
13 der this Act; provided, however, that when the regular reserve
14 thus established shall equal fifty per centum of the paid up cap-
15 ital, no further transfer of net earnings to such regular reserve
16 shall be required except that such amount in an excess of twenty
17 per centum ratio shall be transferred. This reserve fund maybe
18 used in the general conduct of the business. The amount appor-
19 tioned to the reserve fund shall be allocated on the books of the
20 association on a patronage basis, so that in case of dissolution,
21 if deemed advisable, such reserves maybe returned to the members
22 who have contributed the same subject to the limitations of Sec-
23 tion 42, paragraph (d).

24 SEC. 35. Dividends and Distribution of Net Savings. - At the
25 annual meeting a dividend maybe declared by the members from the
26 remaining net earnings on recommendation of the board of directors
27 which dividend shall be paid on all paid-up share or upon the
28 membership capital certificate of a non-stock association out-
29 standing at the end of the preceding fiscal year. Shares which
30 become wholly paid up during such year shall be entitled to a
31 proportionate part of the said dividend calculated on the first
32 day of the month following such payment in full. All excess net
33 savings after setting aside reserves and payment of dividends on

1 share not to exceed six per cent and ten per cent for educational
2 fund, shall be returned as patronage refund to the members and
3 patrons in proportion to their individual patronage, subject to
4 the following:

5 a) In the case of a member patron, his proportionate amount
6 of savings returns shall be distributed to him unless he agrees
7 that the association should credit the amount to his account to-
8 wards the purchase of an additional share or shares or additional
9 membership capital.

10 b) In the case of anon-member patron, his proportionate
11 amount of savings returns shall be set aside in a general fund
12 for such patrons and shall be allocated to individual non-member
13 patrons only upon request and presentation of evidence of the
14 amount of their patronage. Any savings return so allocated shall
15 be credited to such patron toward the payment of the minimum am-
16 ount of share or membership capital necessary for membership.

17 When a sum equal to this amount has accumulated at any time with-
18 in a period of time specified in the bylaws, such patron shall be
19 deemed and become a member of the association if he so agrees or
20 request in writing, and complies with any provisions in the by-
21 laws for admission to membership. The certificates of shares or
22 membership to which he is entitled shall then be issued to him.

23 c) If within any period of time specified in the bylaws
24 any non-member patron has not accumulated in his individual ac-
25 ount the sum necessary for membership, or any non-member patron
26 has accumulated the sum necessary for membership but neither re-
27 quest nor agrees to become a member, or fails to comply with the
28 provisions of the bylaws, if any, for admission to membership,
29 then the amount so accumulated or paid in and any part of the general
30 eral fund for non-member patrons which has not been allocated to
31 individual non-member patrons shall go to the educational fund
32 and thereafter no non-member patrons shall have any rights in
33 said paid-in capital or accumulated savings return as such;

however
1 Provided further, that nothing in this section shall prevent an
2 association under this Act which is engaged in rendering services
3 from disposing of the net savings from rendering of such services
4 in such manner as to lower the fees charged for services or other
5 wise to further the common benefit of the members: And provided
6 further, that nothing in this section shall prevent an association
7 from adopting a system whereby the payment of savings returns
8 which would otherwise be distributed shall be deferred for a fixed
9 period of months or years; nor from adopting a system, whereby the
10 savings returns distributed shall be partly in cash or goods, part-
11 ly in shares, such shares to be retired at a fixed future date in
12 the order of their serial number of date of issue.

13 SEC. 36. Bonds. - Every officer or employee of an association
14 handling funds securities or properties amounting to P1,000 or
15 more in any one year, shall be covered by an adequate and suffi-
16 cient bond which shall be determined by the Board of Directors
17 from time to time subject to the approval of the Administrator,
18 and at the expense of the association.

19 SEC. 37. Books; Auditing. - To record its business operations,
20 every association shall keep a set of books and records which shall
21 be audited once a year by an experienced bookkeeper or accountant
22 who shall not be an officer or director. Where the annual busin-
23 ness amounts to less than P5,000, the audit maybe performed by an
24 auditing committee of three, who shall not be directors, officers
25 or employees. A written report of the audit, including a state-
26 ment of the amount of business transacted with members, and the
27 income and expense, shall be submitted to the annual meeting of
28 the association.

29 SEC. 38. Annual Report. - Every association shall annually,
30 within thirty days from the end of the fiscal year, make a finan-
31 cial statement, certified to by the secretary and attested to by
32 the president of the association, which statement shall be filed
33 with the Administration not later than the end of February of

1 each year. The financial report shall state the following:

2 (a) The name and principal address of the association.

3 (b) The names, addresses, occupations and date of expira-
4 tion of terms of the officers, and their compensation, if any.

5 (c) The amount and nature of its authorized, subscribed and
6 paid-in capital, the number of its shareholders, and the number
7 admitted and withdrawn during the year, and the amount of member-
8 ship fees received.

9 (d) The receipts, expenditures, assets and liabilities of
10 the association.

11 A copy of this financial statement shall be kept on file in
12 the principal office of the association. Any person who shall
13 subscribe or make oath to such financial statement containing a
14 materially false statements, known to such persons to be false,
15 shall upon conviction of such offense be punished by a fine of
16 not more than P1,000, or by imprisonment of not more than two
17 years, or both such fine and imprisonment in the discretion of
18 the Court.

19 SEC. 39. Notice of Delinquent Reports - Mandamus. - If an
20 association fails to make such report within the required period
21 of thirty days, the Administrator shall within thirty days from
22 the expiration of said period send such association a registered
23 letter directed to its principal office, stating the delinquency
24 and its consequences. If the association fails to file the re-
25 port within thirty days from the date of the receipt of such
26 notice, the provincial fiscal or the city attorney of the pro-
27 vince or city in which the association is doing business may,
28 upon representation made to him in writing by the Administrator,
29 petition for mandamus against the association and its proper
30 officers to compel the filing of such reports, and in such case
31 the Court shall require the association or officers at fault to
32 pay all the expenses of the proceedings.

33 SEC. 40. Dissolution. - Any association organized under

1 this Act maybe dissolved:

2 a) By the expiration of its coprorate existence.

3 b) By a vote of two-thirds of the entire membership at any
4 regular or special meeting legally called, in which case, three
5 of their number shall be designated as trustees, who shall, in
6 behalf of the association and within a time fixed in their de-
7 signation or within any extension thereof, liquidate its assets,
8 and shall distribute them in the manner set forth in Section 42,
9 paragraph (d) of this Act.

10 c) By involuntary dissolution for any legal cause or causes
11 mentioned and prosecuted in the manner set forth in Section 42,
12 paragraph (d) of this Act including the distribution of its assets.

13 SEC. 41. Promotion, Organization and Supervision by the
14 Cooperatives Administration Office. - The Cooperatives Administra-
15 tion Office under the Department of Commerce and Industry is here-
16 by charged with the functions of promoting, organizing, and super-
17 vising all associations organized under this Act including those
18 cooperative associations formed in accordance with the existing
19 cooperative law prior to the enactment of this Act, except the
20 agricultural credit cooperative association and the farmers'
21 cooperative marketing association which are under the jurisdic-
22 tion of the Agricultural Credit and Cooperative Financing Adminis-
23 tration under Republic Act No. 821.

24 It shall be the duty of the Administrator, either by him-
25 self or through his agent or representative to make propaganda
26 in the provinces for the promotion and proper and speedy organi-
27 zation of association under this Act and he shall act as the
28 legal and technical adviser to such associations.

29 Each association shall be subject to the examination by, and
30 for this purpose shall make its books and records accessible to,
31 the Administrator or to any of his agents or representatives,
32 who may examine under oath any officer, employee or member of the
33 association.

1 Any officer or employee of any association who shall
2 deliberately refuse to produce the books and records when de-
3 manded by the Administrator or his agents or representatives
4 for the purpose of examination shall upon conviction suffer the
5 penalty of a fine not exceeding P500 or an imprisonment not to
6 exceed one year, or both, in the discretion of the Court.

7 SEC. 42. Certain Powers of the Administrator. - The Ad-
8 ministrator shall have the power:

9 a) To prescribe rules and regulations for the administra-
10 tion of this Act, including the merger, consolidation and dis-
11 solution of all associations under this Act.

12 Such rules and regulations when approved by the Secretary of
13 Commerce and Industry and published in the Official Gazette shall
14 have the force of law until amended, revoked or repealed.

15 b) To order the keeping of books and records of any association
16 under this Act and to have the reports made on forms approved
17 by the Administrator.

18 c) To make investigations and to conduct researches and
19 studies of the problems of all associations under this Act, the
20 methods or means of solving them and devising systems for their
21 growth and improvement.

22 d) In case of voluntary liquidations as provided in Sec-
23 tion 40 paragraph (b) of this Act, the Administrator, upon his
24 findings that such voluntary liquidation is not being conducted
25 in an orderly and efficient manner to the best interest of its
26 members, may terminate such voluntary liquidation and place such
27 association in involuntary liquidation and appoint a liquidating
28 agent, the provisions of the Rules of Court and the Corporation
29 Law to the contrary notwithstanding.

30 If the Administrator finds that any association under this
31 ^act is bankrupt or insolvent, or has violated any provision of
32 its articles of incorporation, its bylaws or of this Act, or any
33 regulation issued hereunder, he shall place it in involuntary

1 liquidation and appoint a liquidating agent therefor, the pro-
2 visions of the Rules of Court and the Corporation Law (Act No.
3 1459, as amended) to the contrary notwithstanding.

4 Such liquidating agent shall have power and authority, sub-
5 ject to the control and supervision of the Administrator and
6 under such rules and regulations as the Administrator may pre-
7 scribe: (a) to receive and take possession of the books, re-
8 cords, assets, and property of every description of the associa-
9 tion in liquidation, to set, enforce collection of, and liquidate
10 all such assets and property, to compound bad or doubtful debts,
11 to sue and to be sued in his own name or in the name of the as-
12 sociation in liquidation, and defend such action as maybe brought
13 against him as liquidating agent or against the association; (b)
14 to receive, examine and pass upon all claims against the associa-
15 tion in liquidation, including claims of members on shares; (c)
16 to make distribution and payment to creditors and members as
17 their interest may appear; (d) to execute such documents and papers
18 and to such other acts and things which he may deem necessary or
19 desirable to discharge his duties hereunder.

20 Subject to the control and supervision of the Administrator
21 and under such rules and regulations as the Administrator may
22 prescribe, the liquidating agent of an association in involuntary
23 liquidation shall: (a) cause notice to be given to creditors and
24 members to present their claims and make legal proof thereof
25 which notice shall be published once a week for three successive
26 weeks in a newspaper of a general circulation in the town or city
27 in which the association in liquidation maintained an office or
28 branch for the transaction of business on the date it ceased un-
29 restricted operation; Provided, that whenever the aggregate book
30 value of the assets and property of an association in involuntary
31 liquidation is less than ₱1,000, unless the Administration shall
32 find that its books and records do not contain a true and ac-
33 curate records of its liabilities, he shall declare such

1 association in liquidation to be a "no publication" liquidation
2 and publication or notice to creditors and members shall not be
3 required in such case, (b) from time to time make a ratable
4 dividend on all such claims as may have been proved to his
5 satisfaction or adjudicated in a court of competent jurisdiction
6 and, after the assets of such association has been liquidated,
7 shall make further dividends on all claims previously proved or
8 adjudicated; and the liquidating agent may accept in lieu of a
9 formal proof of claims in behalf of any creditor or member the
10 statement of any amount due to such creditor or member as shown
11 on the books and records of the association: Provided, that all
12 claims not filed before payment of the final dividend shall be
13 barred and claims rejected or disallowed by the liquidating agent
14 shall be likewise barred unless suit be instituted thereon with-
15 in three months after notice of rejection of disallowance; (c)
16 in "no publication" liquidation, determined from all sources
17 available to him, and within the limits of available funds of
18 the association, the amount due the creditors and members and
19 after sixty days have elapsed from the date of his appointment,
20 shall distribute the funds of the association to creditors and
21 members ratably as their interests may appear.

22 Upon certification of the liquidating agent in the case of
23 an involuntary liquidation, and upon such proof as shall be
24 satisfactory with the Administrator in the case of a voluntary
25 liquidation, that distribution has been made and that liquida-
26 tion has been completed, as provided herein, the Administrator
27 shall cancel the certificate of registration of such association:
28 Provided, that the corporate existence of the association shall
29 continue for a period of three years from the date of such
30 cancellation of its certificate or registration, during which
31 period the liquidating agent, or his duly appointed successor,
32 or such person as the Administrator shall designate, may act
33 in behalf of the Association for the purpose of paying, satisfying

1 and discharging any existing liabilities or obligations, collect-
2 ing and distributing its assets, in doing all other acts required
3 to adjust and wind up its business and affairs and it may sue
4 and be sued in its corporate name.

5 (e) After the expiration of five years from the date of
6 cancellation of the certificate of registration of an association
7 the Administrator may, in his discretion, destroy any or all books
8 and records of such association in his possession or under his
9 control.

10 (f) To execute any and all functions and perform any and all
11 duties vested in him thereby, through persons as he shall desig-
12 nate or employ; and he may delegate to any person or persons in-
13 cluding any association operating under the general supervision
14 of the Administration, the performance and discharge of any autho-
15 rity, power, or function vested in him by this Act.

16 (g) To issue subpoena or subpoena duces tecum to any officer
17 or member of any association whenever necessary in connection
18 with any investigation being conducted by him or his duly autho-
19 rized representative.

20 SEC. 43. Federation of Cooperative Associations - Fifteen
21 or more associations under this Act may establish the Federation
22 of Cooperative Associations, for the purpose of rendering services
23 in common and beneficial to all associations which compose said
24 federation.

25 The Federation of Cooperative Associations shall have towards
26 the federated associations the same purposes and duties that the
27 said associations have towards their members; and it may engage
28 in any activity necessary to encourage and promote the coopera-
29 tive movement in the Philippines and may act as the wholesaler
30 and buyer for and in behalf of the member associations.

31 The articles of incorporation of the Federation of Cooperative
32 Associations shall fulfill all the requirements exacted from as-
33 sociations under Sections 2 and 6 of this Act: Provided, however,

1 that the same shall be signed by a member duly authorized by each
2 association incorporating the federation. Each member of the
3 Federation shall have one vote, which vote shall be cast by a
4 duly authorized proxy.

5 The Federation of Cooperative Associations which maybe
6 organized under this Act shall be known as The Philippine Federa-
7 tion of Cooperative Associations and shall be under the super-
8 vision of the Administration. The Administrator shall have the
9 same power over the Federation as he has over the association un-
10 der the provisions of this Act.

11 SEC. 44. Exemption from Taxes. - Business transactions con-
12 ducted exclusively by associations under this Act with its members
13 as ultimate consumers of goods and services are exempted from the
14 payment of all kinds of taxes and government fees of whatever
15 name and description, excepting the fees as provided in Section
16 11 of this Act. But those transacted with non-members shall be
17 subject to the payment of all kinds of taxes as in ordinary cor-
18 porations.

19 The associations shall also be exempt from the payment of
20 all court and sheriff's fees to the Government for and in con-
21 nection with all actions brought under this Act, or to enforce
22 the payment of obligation contracted in favor of the association.

23 SEC. 45. Use of Name "Cooperative"; Penalty. - Only asso-
24 ciations organized under this Act and those organized as coop-
25 erative associations under existing laws previous to the enact-
26 ment of this Act shall be entitled to use the term "cooperative"
27 or any abbreviation or derivative thereof, as part of their busi-
28 ness name or to represent themselves, in their advertising or
29 otherwise, as conducting business on a cooperative basis.

30 Any person, firm or corporation violating this provision
31 shall upon conviction of such offense be punished by a fine not
32 exceeding ₱500 or by imprisonment not exceeding six months or
33 by both such fine and imprisonment in the discretion of the Court.

1 Should a court of competent jurisdiction decide that any
2 person, firm, or corporation using the name "cooperative" prior
3 to the enactment of this Act, and not organized on cooperative
4 basis, is entitled to continue in such use, any such business
5 shall always place immediately after its name the words "not
6 operating under the General Cooperative Act of the Philippines",
7 in the same kind of type, and in letters not less than two-thirds
8 as large as those used in the term "cooperative".

9 SEC. 46. Spreading False Report; Penalty. - Any person,
10 firm, corporation, or association which maliciously and knowingly
11 spread false reports about the management or finances of any
12 association shall, upon conviction of such offense, be punished
13 by a fine of not exceeding ₱1,000.00 or by imprisonment of not
14 exceeding six months or both such fines and imprisonment in the
15 discretion of the Court.

16 SEC. 47. Transfer of Functions and Records. - The functions
17 of registering cooperative associations organized under this Act
18 is hereby transferred from the Securities and Exchange Commission
19 to the Cooperatives Administration Office, except the registration
20 of farmers cooperative marketing associations organized under Re-
21 public Act No. 821, known as the Agricultural Credit and Coopera-
22 tive Financing Administration. The articles of incorporation,
23 bylaws and other records of cooperative associations falling under
24 this Act and registered with the Securities and Exchange Commise
25 sion, excepting farmers cooperative marketing associations, are
26 hereby transferred to the Cooperatives Administration Office.

27 SEC. 48. Legality Declared and in Restraint of Trade. -
28 No association or method or act thereof which complies with this
29 Act, shall be deemed a conspiracy or combination in restraint
30 of trade or an illegal monopoly or an attempt to lessen competi-
31 tion or fix price arbitrarily.

32 SEC. 49. Conflicting Legislation. - All laws and parts of
33 laws in conflict herewith are hereby repealed.

1 SEC. 50 Separability and Constitutionality. -- If any pro-
2 vision of this Act, or the application thereof to any person or
3 circumstances, shall be held unconstitutional or otherwise in-
4 valid for any reason, the validity of the remainder of this Act
5 and the application of such provision to other persons or cir-
6 cumstances shall not be affected thereby.

7 SEC. 51. This Act shall take effect upon its approval.

APPROVED.



Senate Archives (LRAS)

REPUBLIC OF THE PHILIPPINES
S E N A T E
Manila

Feb. 14, 1955

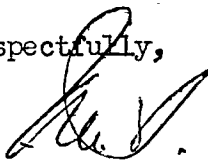
S i r :

I have the honor to inform you that, in the session of the Senate held on **Feb. 14, 1955** , the President ordered to refer to your Committee the following matters:

(S. No. 237)

AN ACT TO PROVIDE FOR THE ORGANIZATION AND REGULATION OF COOPERATIVE ASSOCIATIONS AND FOR OTHER PURPOSES.

Very respectfully,


Secretary of the Senate


The Honorable
The Chairman, Committee on Commerce
and Industry
Or

(Senator Gea)

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
MANILA

OFFICE OF THE SECRETARY

MAY 23 5:57 PM
May 23, 1957

Mr. President:

I have been directed to inform your honorable body that the House of Representatives on May 23, 1957, has agreed to the Report of the Committee of Conference on the disagreeing votes of the two Houses regarding House Bill No. 5876, entitled:

AN ACT TO PROVIDE THE GENERAL BASIC CO-OPERATIVE LAW AND TO CONSOLIDATE AND AMEND EXISTING LAWS ON NON-AGRICULTURAL CO-OPERATIVES IN THE PHILIPPINES WITH SPECIAL PROVISIONS FOR GIVEN TYPES OF CO-OPERATIVES,

and Senate Bill No. 237, entitled:

AN ACT TO PROVIDE FOR THE ORGANIZATION AND REGULATION OF COOPERATIVE ASSOCIATIONS AND FOR OTHER PURPOSES.

Very respectfully,

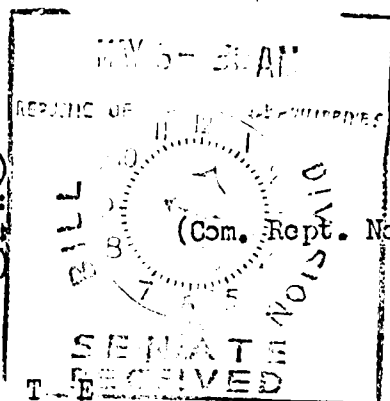



W. PIMENTEL
Acting Secretary, House of Representatives

The Honorable
The President of the Senate
Manila

EP/fpm

Ca
Third Congress of the Republic
of the Philippines
Second Session



610

S E N A T E

REPORT OF PERMANENT COMMITTEE

Filed by the Committee on Commerce and Industry *May 6/55*

Submitted to the Senate on *May 7*, ~~April 29~~, 1955

Subject: S. B. No. 237

Recommendation: That it be approved without amendment.

Sponsor: Senator Cea

Mr. President:

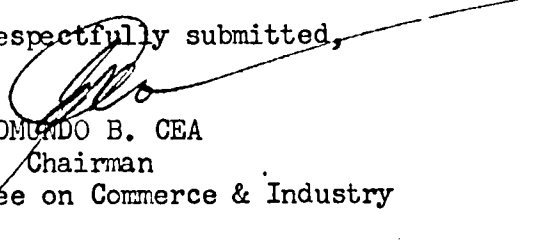
The Committee on Commerce and Industry
to which was referred S. B. No. 237
introduced by Senator Primicias
entitled:

AN ACT TO PROVIDE FOR THE ORGANIZATION AND REGULATION
OF COOPERATIVE ASSOCIATIONS AND FOR OTHER PUR-
POSES.

has considered the same and has the honor to report it back to
the Senate with the following recommendation:

THAT IT BE APPROVED WITHOUT AMENDMENT.

Respectfully submitted,


EDMUNDO B. CEA
Chairman
Committee on Commerce & Industry

The Honorable
The President of the Senate
M a n i l a

GIL J. PUYAT

Res. M. C. Delgado
FRANCISCO A. DELGADO

J. C. Loocsin
JOSE C. LOCSIN

~~CIPRIANO P. PRIMICIAS~~

LORENZO M. TAÑADA

RUPERTO KANGLEON

M. Peralta, Jr.
MACARIO PERALTA, JR.



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