

REVISED RULES AND REGULATIONS IMPLEMENTING CERTAIN AND SPECIAL PROVISIONS OF THE PHILIPPINE COOPERATIVE CODE OF 2008

Pursuant to the provisions of Article 139 of Republic Act No. 9520, otherwise known as the Philippine Cooperative Code of 2008, the Cooperative Development Authority hereby issues the following rules and regulations implementing the provisions of the said Code.

“Article 139. Implementing Rules and Regulations. The Authority shall issue rules and regulations to implement those provisions of this Code which expressly call for the issuance thereof. This paragraph shall not apply to those cases wherein a specific provision of this Code expressly designates particular government agencies which shall issue the regulations called for by any provision of this Code.”

TITLE AND DEFINITIONS

Section 1. Title. These Rules shall be known as the “Revised Rules and Regulations Implementing Certain and Special Provisions of the Philippine Cooperative Code of 2008.

Section 2. Definition of Terms. For the purpose of these Rules and Regulations, the following terms are defined, as follows:

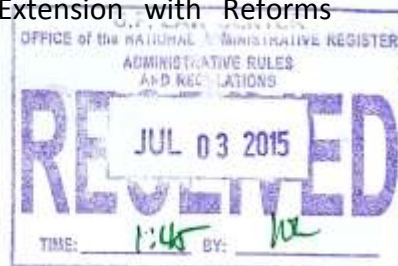
1. **Agrarian Reform Cooperative (ARCo)** - refers to one organized by marginal farmers majority of which are Agrarian Reform Beneficiaries, duly registered with the Authority, for the purpose of developing an appropriate system of land tenure, land development, land consolidation or land management in areas covered by agrarian reform. It shall also refer to Agrarian Reform Beneficiaries Cooperative (ARB Coop) as defined in DAR Administrative Order No. 05, Series of 2009.

For purposes of this definition, the following terms shall mean:

- a. **Agrarian Reform Area** - refers to the area subject for coverage under the Comprehensive Agrarian Reform Program (CARP)/Comprehensive Agrarian Reform Program Extension with Reforms (CARPER).
- b. **Agrarian Reform Beneficiaries (ARBs)** - refers to qualified beneficiaries under the Comprehensive Agrarian Reform Program (CARP), as defined under Section 22, Chapter VII of R.A. 6657.
- c. **Agrarian Reform Community (ARC)** - refers to a community composed and managed by ARBs who are willing to be organized and to undertake the integrated development of an area and/or their organizations or cooperatives as defined under RA 9700, otherwise known as the Comprehensive Agrarian Reform Program Extension with Reforms (CARPER) Act.

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- d. **CLOA** - refers to the Certificate of Land Ownership Award.
 - e. **DAR** - refers to the Department of Agrarian Reform.
 - f. **Marginal Farmers** - refers to farmers who are tilling an area of not more than three (3) hectares.
 - g. **Next of Kin** – for purposes of ARB cooperative succession, refers to a natural person who is an heir of an agrarian reform beneficiary and who is qualified to be a member of the cooperative under its By-laws and as determined by DAR.
2. **Alternative Dispute Resolution (ADR)** - refers to a process or procedure used to resolve a dispute or controversy, other than by adjudication of a presiding Judge of Court or an officer of a government agency, in which a neutral third party participates to assist in the resolution of issues, which includes arbitration, mediation, conciliation, early neutral evaluation, mini trial, or a combination thereof.

For purposes of this definition, the following terms shall mean:

- a. **Arbitrator** - refers to the person appointed to render an Award, in a dispute that is the subject of an arbitration agreement.
- b. **Award** - refers to any partial or final decision by an Arbitrator in resolving the issues in a controversy.
- c. **Conciliation** - refers to the process whereby a neutral third party takes an active role in assisting disputants to formulate between and among themselves an acceptable solution to reach an amicable settlement.
- d. **Dispute** - refers to intra/inter cooperative controversy or grievance arising from any violation or disagreement over any provision of law, including violations of the rights and conditions of membership provided in the By-laws of the cooperative and/or in the Cooperative Code, which may be the subject of a formal or informal request for conciliation/mediation or arbitration assistance sought by either parties.
- e. **Mediation** –refers to the process wherein a mediator, selected by the disputing parties, facilitates communication and negotiation, and assists the parties in reaching a voluntary agreement relative to the dispute.
- f. **Settlement** - refers to any compromise or agreements reached between the disputants to settle the matters in dispute and thus dispose of controversy.
- g. **Submission Agreement** - refers to the written agreement signed by the disputing parties to submit the dispute to voluntary arbitration.
- h. **Voluntary Arbitration**- refers to a dispute resolution process wherein any intra/inter cooperative dispute is settled by a voluntary arbitrator/s chosen by the disputing parties or appointed by the Authority from a list of accredited arbitrators, who shall render an Award.
- i. **Voluntary Arbitrator/Arbitrators** - refers to any accredited and authorized employee of the Authority or an accredited private

individual chosen by the parties or appointed by the Authority to hear, decide, and render an award in a dispute.

3. **Area of Operation** - refers to the area where the cooperative operates and where its members come from as provided for in their Articles of Cooperation and By-laws.
4. **Articles of Cooperation** - refers to the Articles of Cooperation of a registered cooperative, including registered amendments thereto, if any.
5. **Associate Member** - refers to a member of a cooperative who has no right to vote nor be voted upon and is entitled only to limited rights, privileges and membership duration as provided in the By-laws of the cooperative, the Philippine Cooperative Code of 2008, and its Implementing Rules and Regulation.
6. **Authority** - refers to the Cooperative Development Authority (CDA).
7. **Bond of Membership** - refers to the conditions where members group themselves to attain their common goals and objectives which may either be residential, occupational, associational, or institutional.
8. **By-Laws** - refers to the By-laws of a registered cooperative which includes its registered amendments, if any.
9. **Capital** - refers to the totality of the members' share capital, loans and borrowings including deposits, deferred payment of interest on share capital and patronage refund, subsidies, donations, legacies, grants, aids, lands, structures, plants, equipment, facilities, machines and other assets of the cooperative.

For purposes of this definition, the following terms shall mean:

- a. **Authorized Share Capital** - refers to the capitalization of the cooperative as provided in the Articles of Cooperation and as approved by the Authority.
- b. **Donated Capital** - refers to the subsidies, grants, donations and aids received by the cooperative from any person or institution, local or foreign. It shall form part of the capital of the cooperative.
- c. **Equity** - refers to the excess of cooperative assets over liabilities.
- d. **Financial Statements** - refer to the documents showing Statement of Financial Condition (Balance Sheet), Statement of Operation (Income Statement), Statement of Cash Flows, and Statement of Changes in Equity in a given period.
- e. **Interest on Share Capital** –refers to the interest earned by the members' paid up capital. It is computed by multiplying the rate of interest on share capital by members' average shares. The rate of interest on share capital is computed by dividing the amount allocated for total interest on share capital by the total average share month.
- f. **Net Surplus** – refers to the excess payments made by members, which shall not be construed as profits, from the loans or goods and services availed of or the difference of the rightful amount due to the members for their products sold or services rendered to the cooperative. It

includes other inflow of assets resulting from its other operating activities, which shall be returned to the members as prescribed in the Code.

- g. **Net Worth** - refers to equity inclusive of members' equity, donations, grants and reserve funds less unbooked allowances for probable losses on loans, accounts receivable, investment and non-performing assets and other capital adjustments as may be allowed by the Authority.
 - h. **Paid-up Share Capital** - refers to the portion of a member's share capital that has been paid.
 - i. **Patronage Refund** - refers to the amount returned to the individual members in proportion to their individual patronage of the cooperative's products and services.
 - j. **Revolving Capital** - refers to the amount constituting the patronage refund and interest on share capital of the members, the payment of which has been deferred by the cooperative. A corresponding revolving capital certificate shall be issued to the members.
 - k. **Revolving Capital Certificate** – refers to the certificate issued by the Board of Directors of the cooperative indicating the serial number, name, amount, and rate of interest to be paid and shall distinctly set forth the time of retirement of such certificate and the amount to be returned.
 - l. **Risk Asset** - refers to the cooperative's total assets less cash on hand, evidence of indebtedness, loans to the extent covered by hold-outs or assignments of deposits, lands owned used for operations, buildings and land improvements net of depreciation, furniture and fixtures and equipment net of depreciation, real estate mortgage, loans and other non-risk items as the Authority may, from time to time, authorize to be deducted from total assets.
 - m. **Share Capital** - refers to the money paid or required to be paid by the members for the conduct of the operations of the cooperative.
 - n. **Total Average Share Month** – refers to the sum total of the average share month which is determined by adding the monthly ending balances of a member's share capital and dividing the sum by twelve (12) months.
 - o. **Unpaid Subscription** - refers to a member' sunpaid subscribed share capital.
- 10. **COC** - refers to the Certificate of Compliance issued by the Authority to all types of cooperatives after compliance with the rules of the Authority.
 - 11. **Code** - refers to Republic Act No. 9520, otherwise known as the Philippine Cooperative Code of 2008.
 - 12. **Cooperative Bank** - refers to a cooperative organized primarily to provide a wide range of financial services to cooperatives and their members.
 - 13. **Credit Cooperative** - refers to a cooperative that promotes thrift and wise use of money and undertakes savings and lending services among its members. It generates a common pool of funds in order to provide financial assistance and

other related financial services to its members for productive and provident purposes.

14. **Dairy Cooperative** - refers to a cooperative engaged in the production of fresh milk which may be processed and/or marketed as dairy products. All matters relating to the technical operations of the dairy business shall be supervised by the following government agencies:
 - a. **NDA** - refers to the National Dairy Authority.
 - b. **FDA** - refers to the Food and Drugs Administration.
 - c. **DOH** - refers to the Department of Health.
15. **Dissenting Member** - refers to a member who votes against a proposed activity/project of a cooperative.
16. **Division** - refers to the act of splitting a single cooperative into two or more cooperatives, wherein the original cooperative shall be dissolved and the resulting cooperatives shall acquire separate and distinct juridical personalities.
17. **Electric Cooperative** - refers to a cooperative organized primarily for the purpose of undertaking power generation, utilizing renewable energy sources, including hybrid system, acquisition and operation of sub- transmission or distribution to its household members.

For purposes of this definition, the following terms shall mean:

- a. **Distribution of Electricity** - refers to the conveyance of electric power by a distribution utility through its distribution system pursuant to the provisions of the EPIRA Law.
- b. **Distribution Utility** - refers to any Electric Cooperative, private corporation, government-owned utility, or existing local government unit which has an exclusive franchise to operate a distribution system in accordance with the EPIRA Law.
- c. **EPIRA** - refers to the Electric Power Industry Reform Act of 2001.
- d. **Referendum** - refers to a mechanism to secure the approval of the general membership of an Electric Cooperative on issues relative to its registration, operation and management.
- e. **Renewable Energy Resources** - refer to energy resources such as, but not limited to, biomass, solar, wind, hydro, geothermal and ocean energy. These resources do not have an upper limit on the total quantity of energy to be used and are renewable on a regular basis, the renewable rate of which is rapid enough to consider availability over an indefinite time.
- f. **Sub-transmission Assets** - refer to the facilities related to the power delivery service below the transmission voltages and based on the functional assignment of assets, including, but not limited to, step-down transformers used solely by load customers, associated switchyard/substation, control and protective equipment, reactive compensation equipment to improve customer power factor, overhead lines, and the land where such facilities / equipment are located. These include NPC assets linking transmission system and the distribution system which are neither classified as generation nor transmission.

- g. **Supply of Electricity** - refers to the sale of electricity by a party other than a generator or a distributor in the franchise area of a distribution utility using the wires of the distribution utility concerned.
 - h. **Transmission of Electricity** - refers to the conveyance of electricity through the high voltage system.
18. **Escheat** - refers to the power of the State to succeed to property, real or personal, for which there is no owner, heir or claimant.
 19. **Extension Offices** - refers to the regional offices of the Authority.
 20. **Financial Service Cooperative (FSC)** - refers to a cooperative organized for the primary purpose of engaging in savings and credit services and enhanced financial services subject to the regulations of the Bangko Sentral ng Pilipinas (BSP).

For purposes of this definition, the following terms shall mean:

- a. **BSP** - refers to the Bangko Sentral ng Pilipinas.
 - b. **Conservator** - refers to any person appointed by the Authority, empowered to take charge of the assets, liabilities, and the management of the cooperative, after finding that the cooperative is in a state of continuing inability or unwillingness to maintain a condition of liquidity which is deemed adequate to protect the interest of members and creditors of the cooperative.
 - c. **Internal Control** - refers to all the systems and procedures adopted to safeguard the cooperative's assets, check the accuracy and reliability of its accounting data, promote operational efficiency and encourage adherence to prescribed managerial policies.
 - d. **Receiver** - refers to any person of recognized competence appointed by the Authority and is empowered to take charge and administer all the assets and liabilities of the cooperative for the benefit of its creditors and exercises such other powers as provided under the Revised Rules of Court.
21. **General Assembly** –refers to the full membership of the cooperative duly assembled for the purpose of exercising all the rights and performing all the obligations pertaining to cooperatives as provided by the Code, its Articles of Cooperation and By-laws.
 22. **Housing Cooperative** - refers to a cooperative organized to assist or provide access to housing for the benefit of its regular members who actively participate in the savings program for housing. It is co-owned and controlled by its members.

For purposes of this definition, the following terms shall mean:

- a. **Blanket Loan/Wholesale Loan** - refers to a housing loan contracted/obtained by a housing cooperative intended to identify member-beneficiaries for land acquisition, land improvement, house

construction, home improvement, or renovation and other similar purposes.

- b. **Cooperative Housing Program** - refers to an alternative housing approach, in partnership with government/non-government agencies involved in a housing program, undertaken by a financially and organizationally stable cooperative to address the housing problems of its members, primarily the low-income earners, through its own cooperative efforts in planning and direct production of affordable, decent and adequate housing units.
 - c. **DBP** –refers to the Development Bank of the Philippines.
 - d. **DENR** –refers to the Department of Environment and Natural Resources.
 - e. **HDMF** - refers to the Home Development Mutual Fund or Pag-IBIG Fund.
 - f. **HGC** –refers to the Home Guarantee Corporation.
 - g. **HLURB** - refers to the Housing and Land Use Regulatory Board.
 - h. **HUDCC** –refers to the Housing and Urban Development Coordinating Council.
 - i. **Housing Beneficiaries** - refer to regular members in good standing of the Housing Cooperative who actively participate in the savings programs for housing and qualify to own a unit as provided in the By-laws and duly approved internal policies of the cooperative.
 - j. **LBP** –refers to the Land Bank of the Philippines.
 - k. **NHA** - refers to the National Housing Authority.
 - l. **SSS** - refers to the Social Security System.
 - m. **Socialized Housing** - refers to the housing program and project undertaken by the government and private sector for the underprivileged and homeless which may also be undertaken by a Housing Cooperative. This includes sites and services development, long-term financing and liberalized terms on interest payments.
 - n. **SHFC** –refers to the Social Housing Finance Corporation.
 - o. **Technical Plan** - refers to all technical documents required in planning a housing project namely, the bar chart and construction schedule, systematic development plan, the architectural and detailed engineering and housing design, contract documents, technical and material specification.
22. **Insurance Cooperative** - refers to a cooperative engaged in the business of insuring life and property of the constituting cooperatives and their members. It shall also refer to Cooperative Insurance Societies (CIS).

For purposes of this definition the following terms shall mean:

- a. **Commission** - refers to the Insurance Commission.
- b. **Insurance-like Activity**- refers to any activity involving regular collection of premiums, fees, contributions, or charges prior to the occurrence of contingent event and the payment of guaranteed benefits upon the

occurrence of such event. The term excludes risk pooling practices such as “damayan” or “abuloy” system wherein an individual or group of individuals voluntarily pledge and contribute a certain amount of money to a fund and the benefits are not pre-determined but are contingent to the amounts collected.

- c. **Micro-Insurance** - refers to an activity providing specific insurance and other similar products and services that meet the needs of the low-income sector for risk protection and relief against distress, misfortune and other contingent events. This shall include all forms of insurance and other similar activities, as may be defined by concerned regulatory bodies with features such as: premiums, contributions, fees or charges collected/deducted prior to the occurrence of a contingent event and guaranteed benefits provided upon the occurrence of a contingent event.
 - d. **Micro-Insurance Product** - refers to a financial product or service that meets the risk protection needs of the poor where the amount of premiums, contributions, fees or charges computed on a daily basis does not exceed seven and a half percent (7.5%) of the current daily minimum wage rate for non-agricultural workers in Metro Manila, as approved by the National Wages Productivity Board (NWPB)/Regional Tripartite Wages Productivity Board (RTWPB), and the maximum sum of guaranteed benefits is not more than 1,000 times the daily minimum wage rate for non-agricultural workers in Metro Manila.
 - e. **Regular Insurance Product** - refers to all other insurance policies not covered by Micro-Insurance Product.
23. **Laboratory Cooperative** - refers to a cooperative duly recognized by the Authority, formed and managed principally by minors and is affiliated with another registered cooperative which is called the guardian cooperative.

For purposes of this definition, the following terms shall mean:

a. Guardian Cooperative - refers to a duly registered cooperative with which a laboratory cooperative is affiliated.

b. Minor - refers to an individual below eighteen (18) years of age.

24. **Labor Service Cooperative**- refers to a cooperative organized primarily to engage in providing a specific work, job, or service to a principal under a contracting or subcontracting arrangement as may be defined under existing laws and in accordance with the cooperative principles set forth under the Philippine Cooperative Code of 2008 (RA 9520).
25. **Liquidation** - refers to the process of settlement and closure of the cooperative affairs, disposition, conveyance and distribution of its assets.

For purposes of this definition, the following terms shall mean:

- a. **Voluntary Dissolution**- refers to the termination of the juridical personality of a cooperative at its own initiative or instance after complying with the requirements set forth in the Code, these rules and issuances by the Authority.
 - b. **Involuntary Dissolution** - refers to the termination of the juridical personality of a cooperative through an appropriate judicial proceeding or by Order of the Authority.
26. **Member in Good Standing** - refers to a regular member who is entitled to vote and to such other privileges as provided in the by-laws.
27. **Merger** - refers to a union of two or more existing cooperatives belonging to the same category whereby the surviving cooperative, retaining its identity, absorbs one or more constituent cooperatives/s.

For purposes of this definition, the following terms shall mean:

- a. **Certificate of Merger** - refers to the document issued by the Authority evidencing registration of merger.
 - b. **Consolidation** - refers to a union of two or more existing cooperatives belonging to the same category to form a new cooperative called the consolidated cooperative.
 - c. **Constituent Cooperatives** - refer to two or more existing cooperatives which are parties to a merger or consolidation.
 - d. **Plan of Merger or Consolidation** - refers to a written document containing the proposed merger or consolidation of cooperatives duly approved by the General Assembly of each of the constituent cooperatives at separate General/Representative Assembly Meetings.
 - e. **Registration** - refers to the operative act granting juridical personality to a proposed cooperative as evidenced by a Certificate of Registration.
28. **Multipurpose Cooperative** - refers to a cooperative, which combines two (2) or more business activities.
29. **Primary Cooperative** - refers to a cooperative, the members of which are natural persons. In case of electric and water service cooperatives, institutional users may be accepted as associate members.
30. **Regular Members** –refer to one who has complied with all the membership requirements and is entitled to all the rights and privileges of membership.
31. **Reports** - refer to any document or statement to be submitted regularly by the cooperative to the Authority.

For purposes of this definition, the following term shall mean:

- a. **Sanctions** - refer to the penalties provided for in the by-laws of the cooperative, these Rules, and other administrative issuances of the Authority, the Code and other related laws.

32. **Representative Assembly**— refers to the full membership of the body of representatives elected from each of the sectors, chapters or districts of the cooperative, duly assembled for the purpose of exercising such powers lawfully delegated by the general assembly in accordance with the By-laws of the cooperative.

For purposes of this definition, the following terms shall mean:

- a. **Election Deputies** —refer to those members of the cooperative from the sector, chapter or district appointed by the election committee as approved by the board of directors, tasked to facilitate the conduct of the election of the Representative/Delegate in their respective sector, chapter or district, in accordance with the By-laws of the cooperative, which shall not be more than five (5) for each sector, chapter, or district.
 - b. **Representative/Delegate** - refers to a member duly elected during the sector, chapter or district meetings who shall represent his/her sector, chapter or district to the representative assembly meeting.
 - c. **Numerous and Dispersed Membership** - refers to a cooperative with a large number of membership who are scattered/dispersed by reason of geographical location, work shift or other similar conditions making it impossible and difficult to conduct its general assembly meeting.
 - d. **Sector, Chapter or District** - refers to an aggrupation of a cooperative membership, by reason of geographical location, work shift or other similar conditions.
 - e. **Sequential Election of Representative** - refers to the election of the representatives during meetings held in sequence, in different days and/or at various venues, by several sectors, chapters or districts of a cooperative for the purpose of electing their respective Representatives to the representative assembly meeting.
 - f. **Simultaneous Election of Representative** - refers to the election of the representatives during the meetings held, on the same day and at various venues, by several sectors, chapters, or districts of a cooperative for the purpose of electing their respective Representatives to the representative assembly meeting.
33. **Service Cooperative** – refers to a cooperative organized primarily to provide any type of service to its members including, but not limited to, labor, transport, information and communication, insurance, housing, electric, health services, education, banking and savings, and credit.
34. **Secondary Cooperative** - refers to a cooperative the members of which are primary cooperatives.
35. **Subsidiary Cooperative** - refers to a cooperative all or majority of whose membership or shareholders come from a cooperative called a parent cooperative. It is organized for a purpose other than that of the parent cooperative, and receives technical, managerial, and financial assistance from the said parent cooperative.

For purposes of this definition, the following term shall mean:

- a. **Parent Cooperative** - refers to a cooperative which organizes a subsidiary and provides technical, managerial and financial assistance thereto.
- 36. **Tertiary Cooperative** - refers to a cooperative, the members of which are secondary cooperatives.
- 37. **Transportation Service Cooperative** - refers to a cooperative organized primarily to provide land and sea/water transportation, provided that sea/water transportation shall be limited to small vessels as defined under Philippine Maritime laws.

For purposes of this definition, the following terms shall mean:

- a. **Accreditation** - refers to the recognition extended by the OTC to a registered Transportation Service Cooperative, as evidenced by a Certificate of Accreditation.
 - b. **CPCN / Franchise / Permit** - refers to the Certificate of Public Convenience and Necessity issued by the appropriate government agency.
 - c. **Cooperative Education and Transport Operation Seminar (CETOS)** - refers to seminars conducted by OTC for the purpose of providing continuing education on cooperative and transport service operations to enhance the knowledge and capability of the officers and members of the Transportation Service Cooperative.
 - d. **DILG** –refers to the Department of the Interior and Local Government.
 - e. **DOTC** - refers to the Department of Transportation and Communications.
 - f. **LGU** - refers to the Local Government Unit.
 - g. **LTFRB** - refers to the Land Transportation Franchising and Regulatory Board.
 - h. **LTO** - refers to the Land Transportation Office.
 - i. **MARINA** - refers to the Maritime Industry Authority.
 - j. **OTC** - refers to the Office of Transportation Cooperatives.
 - k. **PCG** - refers to the Philippine Coast Guard.
- 38. **Water Service Cooperative** - refers to a cooperative organized primarily to own, operate and/or manage water supply distribution system to serve its members and their households.

For purposes of this definition, the following terms shall mean:

- a. **LWUA** - refers to the Local Water Utilities Administration, created under PD 198, as amended.
- b. **NWRB** - refers to the National Water Resources Board, created under PD 424.

- c. **Water Permit** - refers to the authority to appropriate and use water, issued by the NWRB.
 - d. **Water Right** - refers to the privilege granted by the government to appropriate and use water.
 - e. **Water Tariff** - refers to the water rate charged for water consumption as determined by the cooperative and approved by the NWRB.
39. **Workers Cooperative**—refers to a cooperative organized primarily by workers, including the self-employed, who are at the same time the member-owner of the enterprise, the purpose of which is to provide employment, business opportunities to its member-owners in accordance with the cooperative principles.

PART I CERTAIN PROVISIONS

RULE 1 REPRESENTATIVE ASSEMBLY

Section 1. Legal Basis. The Legal basis for this Rule is Article 5 (2), (10) of the Code, quoted as follows:

"(2) General Assembly shall mean the full membership of the cooperative duly assembled for the purpose of exercising all the rights and performing all the obligations pertaining to cooperatives, as provided by this Code, its articles of cooperation and by-laws. Provided; that for cooperatives with numerous and dispersed membership, the general assembly may be composed of delegates elected by each sector, chapter or district of the cooperative and in accordance with the rules and regulations of the Cooperative Development Authority."

"(10) Representative Assembly means the full membership of the body of representatives elected by each of the sectors, chapter or district of the cooperative duly assembled for the purpose of exercising such powers lawfully delegated unto them by the general assembly in accordance with its by-laws."

Section 2. Coverage. These Rules shall apply to a cooperative opting to conduct its general assembly meeting by way of representative assembly as provided for under Article 5 (2) and (10) of RA 9520.

Section 3. Contents of the By-laws of the Cooperative with Representative Assembly Option. These Rules apply to cooperatives with numerous and dispersed membership; *Provided*, That the adoption of representative assembly shall be stipulated in their By-laws.

3.1 Basis for determining Sector, Chapter, or District. The number of the members of the cooperative, which shall be at least One Thousand (1,000), and the geographical

location, scope of operation, cluster, work shift, or other similar conditions shall be the basis in dividing the cooperative into sector, chapter, or district.

3.2 Composition of Sector, Chapter, or District. The By-laws shall provide for the number of the regular members comprising each sector, chapter, or district.

3.3 Quorum requirement for Sector, Chapter or District meeting. At least twenty-five per centum (25%) of the members entitled to vote in each sector, chapter, or district shall constitute a quorum.

3.4 Number of Sector, Chapter or District Representative. The number of elected representatives of a sector, chapter, or district as provided in the By-laws, shall be within the range of 1% to 10% of the total number of the regular members entitled to vote in the sector, chapter, or district.

3.5 Term of Office of the Sector, Chapter, or District Representatives. The term of office of the Representative or Delegate shall be provided in the By-laws which shall not exceed two (2) years, commencing on the first regular representative assembly meeting.

3.6 Qualifications and Disqualifications of the Representative or Delegate. The sector, chapter, or district representative or delegate shall possess all the qualifications and none of the disqualifications as provided in the cooperative By-laws.

Section 4. Powers, Functions, and Responsibilities of the Representative or Delegate. The Representative or Delegate shall have the following powers, functions, and responsibilities:

1. To represent the sector, chapter, or district in the Representative Assembly Meeting;
2. To present, after due consultation with the sector, chapter or district, the respective decision of the sector, chapter or district on issues and matters to be decided upon by the representative assembly. Discretion, however, is given to the respective representative/delegate to decide on new matters raised during the said representative assembly; and
3. To present to his/her sector, chapter, or district the report and the minutes of the proceedings of the Representative Assembly Meeting.

Section 5. Election of Sector, Chapter, or District Representative or Delegate. The election of sector, chapter, or district Representative/Delegate shall be held not later than sixty (60) days before the scheduled date of the regular representative assembly meeting as provided for in the By-laws.

The Board of Directors shall mandate the Election Deputies, through the Election Committee, to conduct the election of the sector, chapter, or district Representatives/Delegates, either simultaneously or sequentially.

In case the sector, chapter, or district fails to elect its Representative/s or Delegate/s, the right to send its Representatives/Delegates on the preceding representative assembly meetings shall be deemed waived.

Section 6. Vacancy in the Sector, Chapter, or District Representative or Delegate. Any vacancy shall be filled up in accordance with the provisions of the cooperative By-laws. The Delegate or Representative elected/appointed to fill a vacancy shall serve only the unexpired term of his/her predecessor.

Section 7. Resignation, Removal, Incapacity or Death of Sector, Chapter, or District Representative or Delegate. The sector, chapter, or district Representative or Delegate may, for any valid reason, resign as Representative or Delegate of his/her sector, chapter, or district. The Board of Directors shall act on the resignation within sixty (60) days from receipt thereof, otherwise, the resignation shall be deemed approved. Any sector, chapter, or district Representative/Delegate may be removed by a vote of three-fourths (3/4) of all the members with voting rights present and constituting a quorum at a sector, chapter, or district meeting called for the purpose on the following grounds:

1. Failure to attend the immediately preceding representative assembly meeting for unjustifiable reason;
2. Non-performance of any functions and responsibilities stated in the By-laws;
3. Any violation of the provisions of the Code, the By-laws of the cooperative and other issuances of the Authority; and
4. Any acts or omissions inimical or prejudicial to the interest of the cooperative.

During the same meeting, the sector, chapter, or district shall fill the vacancy caused by the removal, resignation, incapacity or death of the Representative or Delegate. In case said Representative or Delegate is an incumbent Officer of the Cooperative, his/her position shall be declared vacant and shall be filled up in accordance with the Rule of Succession as provided for in the By-laws of the Cooperative. Unless otherwise provided for in the By-laws, such successor shall not necessarily assume the position of his/her predecessor. However, in the case of membership in the committee, the vacated post shall be filled up by the Board of Directors of the Cooperative from among the Representatives / Delegates.

Section 8. Sector, Chapter, or District Assembly Meeting. The sector, chapter, or district meetings of the cooperative adopting this scheme shall be as follows:

- a. Regular meeting
- b. Special meeting

A regular meeting shall be conducted to elect the sector, chapter, or district Representatives or Delegates, to discuss and decide the matters which shall be taken during the representative assembly meeting and for such other purposes as maybe provided in the By-laws.

A special meeting shall be conducted to report on the proceedings during the representative assembly meeting and for such other purposes as maybe provided in the By-laws. After the

conduct of the representative assembly meeting and within thirty (30) days, the officers of the cooperative shall prepare a report on the agreement reached thereon and shall be distributed to all members on record. Said report shall also be included in the special meeting of the sector, chapter, or district.

In either case, the conduct of the meeting shall be called and conducted by the elected delegates presided by the Lead Representative or Delegate. Such Lead Representative or Delegate shall be the Representative or Delegate who obtained the highest number of votes during the last sector, chapter, or district election.

Section 9. Quorum Requirements for Representative Assembly. At least twenty-five per centum (25%) of all Representatives/Delegates shall constitute a quorum for the representative assembly meeting.

Section 10. Power of the Representative Assembly. The Representative Assembly shall exercise the powers provided for in the By-laws.

Section 11. Conduct of Representative Assembly Meeting. Representative Assembly Meeting shall be conducted in accordance with the provision of the cooperative By-laws. In the absence thereof, the following shall be observed:

1. The representative assembly meeting shall be held in accordance with the order of business addressing the agenda prepared by the Board of Directors;
2. The Chairperson or in his/her absence, the Vice Chairperson or any member of the Board of Directors shall preside over the meeting;
3. The Election Committee shall supervise the election of the Board of Directors and committee members of the cooperative; and
4. Each Representative or Delegate shall be entitled to one (1) vote. The votes of the sector, chapter, or district Representatives or Delegates shall be considered the votes of all the members of the sector, chapter, or district they represent.

The decision of the Representative Assembly shall be considered a valid cooperative act.

Section 12. Eligibility and Term of Office of the Representative or Delegate to be elected as Officers of the Cooperative. The elected Officers of the cooperative shall come from the Representative/s or Delegate/s of the sector, chapter, or district. These Officers shall be elected during the Representative Assembly Meeting for a term fixed in the By-laws which shall in no case exceed two (2) years and shall hold office until their successors are duly elected and qualified, or until duly removed for cause.

The term of office of the Officer of the Cooperative at the time of adoption of the Representative Assembly shall expire on the first representative assembly meeting.

RULE 2

SUBSIDIARY COOPERATIVE

Section 1. Legal Basis. The legal basis for this Rule is Article 5 (16) of the Code, quoted as follows:

"Art. 5 (16) Subsidiary Cooperative refers to any organization all or majority of whose membership or shareholders come from a cooperative, organized for any other purpose different from that of, and receives technical, managerial and financial assistance from, a cooperative, in accordance with the rules and regulations of the Authority."

Section 2. General Requirements. A parent cooperative may organize a subsidiary cooperative provided that:

1. The creation of a subsidiary cooperative and the technical, managerial and financial assistance to be provided shall be approved by at least two-thirds (2/3) vote of the members of the parent cooperative with voting rights, present and constituting a quorum in a regular or special general assembly/representative assembly meeting called for the purpose.
2. The Parent cooperative has been in operation for at least two (2) years and has not incurred a net loss for the last two (2) preceding years of operation
3. It has a total net worth of at least Fifty Million Pesos (Php50,000,000.00) as shown in its latest Audited Financial Statement.
4. The purpose of the subsidiary cooperative shall be different from that of the parent cooperative.
5. All or majority of the members of the subsidiary cooperative must come from the parent cooperative.
6. The Parent Cooperative shall be required to submit a feasibility study.

Section 3. Conditions. The following conditions shall be considered in the registration and operation of Subsidiary Cooperatives:

1. Assistance in the form of technical, managerial and financial assistance shall be provided by the Parent Cooperative to its Subsidiary Cooperative;
2. Directors or Officers of the Parent Cooperative cannot be elected or appointed as Officers of the Subsidiary Cooperative. However, the Parent Cooperative through its General / Representative Assembly may appoint its Representative to act as Ex-Officio member of the Board of Directors of the Subsidiary Cooperative;
3. The Management Staff of the Parent Cooperative cannot at the same time be the Management Staff of the Subsidiary Cooperative;
4. Transfer of shares of members and other related interests from the Parent Cooperative to the Subsidiary Cooperative and vice versa is prohibited; and
5. In case of dissolution of the Parent Cooperative, the Subsidiary Cooperative cannot be a recipient of any grant, donations or other interests from the Parent Cooperative.

Section 4. Name of Subsidiary Cooperative. The name of the Parent Cooperative shall appear in the name of the Subsidiary Cooperative.

Section 5. Assistance from Parent Cooperative. The financial assistance to be provided shall not exceed ten per centum (10%) of the net worth of the Parent Cooperative which shall be in the form of loans or donations. In case of grants/donations it shall not be distributed as member share capital. The technical and managerial assistance shall depend upon the needs of the Subsidiary Cooperative and capacity of the Parent Cooperative, which shall be taken up in the book at actual cost.

A Memorandum of Agreement containing the terms and conditions of the financial and other assistance provided by the parent cooperative to the subsidiary cooperative shall be entered into by both cooperatives.

Section 6. Effect of Dissolution of Parent or Subsidiary Cooperative. The dissolution of either cooperative shall not affect the existence of the other.

However, in case of the dissolution of the parent cooperative, the Subsidiary Cooperative shall subsequently amend its cooperative name to remove the words "Subsidiary Cooperative of (Name of Parent Cooperative)".

RULE 3

MULTIPURPOSE COOPERATIVE

Section 1. Legal Basis. The legal basis for this Rule is Article 10 of the Code quoted as follows:

"Art. 10. Organizing a Primary Cooperative.

Any newly organized primary cooperative may be registered as multipurpose cooperative only after compliance with the minimum requirements for multipurpose cooperatives to be set by the Authority. A single-purpose cooperative may transform into a multipurpose or may create subsidiaries only after at least two (2) years of operation."

Section 2. Coverage. No cooperative shall be registered as a multipurpose cooperative unless it has been in operation for at least two (2) years.

Section 3. Minimum Capitalization Requirements. With the exception of the agriculture cooperatives and agrarian reform cooperatives, only those cooperatives with a minimum paid-up capital of One Hundred Thousand Pesos (Php100,000.00) or as required in the feasibility study, whichever is higher, may be allowed to transform into a multipurpose cooperative.

Section 4. Requirements for Registration. The following requirements shall be submitted to the Authority:

- a. Cooperative Name Reservation Notice(CNRN), in case of change of name;
- b. Amended Articles of Cooperation and By-Laws;
- c. A Resolution certified by the cooperative's Secretary and by the majority of the Board of Directors stating the fact that said amendments have been duly approved by at least two-thirds (2/3) vote of all the members with voting rights;
- d. Surety Bond of Accountable Officers;
- e. Audited Financial Statement showing profitable operations for the past two (2) years;
- f. Undertaking to Change Name in the event that another cooperative has acquired a prior right to the use of the proposed name;
- g. Favorable Endorsement from Other Government Agencies, if applicable;
- h. Feasibility Study indicating viability of each proposed business activity;
- i. Certificate that the cooperative has complied with the auditing and accounting standards prescribed by the Authority;
- j. Proof of business track records of the cooperative; and
- k. Amendment Fee.

Section 5. Book of Accounts. Cooperatives covered by this Rule shall be required to maintain separate recording for each business activity in the books of account.

RULE 4 DIVISION OF COOPERATIVES

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

"Art. 20. Division of Cooperatives. - Any registered cooperative may, by a resolution approved by a vote of three-fourths (3/4) of all the members with voting rights, present and constituting a quorum, resolve to divide itself into two (2) or more cooperatives. The procedure for such division shall be prescribed in the regulations of the Authority. The new cooperatives shall become legally established upon registration with the Authority: Provided, That all the requirements set forth in this Code have been complied with by the new cooperatives: Provided, further, That no division of cooperative in fraud of creditors shall be valid."

Section 2. Procedure for Division of Cooperatives. The procedure for the division of cooperatives shall be, as follows:

1. Approval of Proposal to Divide;
2. Formulation of Plan of Division;
3. Presentation and Approval of the Plan of Division to the General Assembly;
4. Posting and Publication of the Notice of Division;

5. Written Notification to Creditors;
6. Filing with the Authority of the Required Documents for the Registration of Division; and
7. Issuance of the Certificate of Registration.

Section 3. Proposal for Division. The majority members of the Board of Directors or at least ten per centum (10%) of members with voting rights may propose for division, which must be approved by at least majority of the members of the cooperative with voting rights, present and constituting a quorum, in a general/representative assembly meeting called for the purpose. Upon approval of the proposal to divide, a committee to formulate the Plan of Division shall be constituted by the General/Representative Assembly.

Section 4. Preference of Members. Upon approval of the proposed division of the cooperative by the General/Representative Assembly in a meeting called for the purpose, members of the original cooperative shall be allowed within two (2) weeks to choose the new cooperative they prefer to join. The management of the original cooperative shall then transfer the member's share and all other interests to his/her chosen cooperative.

Section 5. Presentation and Approval of the Plan of Division. The Board of Directors shall call a General/Representative Assembly meeting to act on such Plan of Division with notice to all members of record and Creditors at least thirty (30) days prior to the scheduled meeting. The Plan of Division shall be approved by a vote of three-fourths (3/4) of all members with voting rights, present and constituting a quorum in such general/representative assembly meeting.

Section 6. Right of a Dissenting Member. A dissenting member shall be entitled to a refund of his/her share capital and all other interests under Article 30 of the Code.

Section 7. Contents of the Plan of Division. The Plan of Division shall include the following:

1. The rationale or justification for the division of the cooperative;
2. A Financial Statement duly certified by an independent Certified Public Accountant including a schedule of assets, liabilities and share capital of the cooperative intending to divide;
3. A proposed revaluation of assets, determination of liabilities, statutory reserves, undivided net surplus and members' share capital;
4. List of all the receivables of the cooperative;
5. List of all the Creditors and their respective claims against the cooperative;
6. Procedure for the division of assets, allocation and settlement of the obligations and the collection of receivables of the cooperative;
7. Feasibility study ensuring the viability and sustainability of both cooperatives;
8. List of members showing their share capital contributions certified by the Secretary and attested by the Board Chairperson of the cooperative;
9. The proposed name, address and area of operation of the new cooperatives; and
10. Benefit package for Management Staff to be affected by the plan.

Section 8. Publication. Within seven (7) days after the date of approval of the division of the cooperative, the Secretary of the cooperative, duly noted by the Chairperson, shall publish such plan of division once a week for three (3) consecutive weeks in a newspaper of general circulation within its area of operation. Said publication may also be supplemented by radio and television announcements.

Alternatively, the announcement of the division may also be done by posting in at least three (3) conspicuous public places for three (3) consecutive weeks within its area of operation.

Likewise, letters/notices duly signed by the Chairperson announcing such division shall be sent by the Secretary of the cooperative through registered mails to their creditors.

Section 9. Objection by a Third Party. Within fifteen (15) days from the day of posting or from the last day of publication, a party may file an objection or opposition to the Plan of Division before the Authority, copy furnished the cooperative concerned, which shall be decided upon, within sixty (60) days from receipt of the objection or opposition. If the objection or opposition is meritorious and in order not to prejudice the interest of the third party, the Authority shall cause the deferment or disapproval of the registration of the new cooperatives.

After the lapse of the period to file an objection/opposition and no objection/opposition has been filed or after all objections/oppositions have been resolved, the cooperative can file its application for registration.

Section 10. Additional Requirements for Registration. In addition to the regular requirements for registration of cooperatives, the following documents shall be filed with the Authority:

1. The resolution of division as approved by the General/Representative Assembly duly certified by the Secretary and duly noted by the Chairperson;
2. The Plan of Division including all its attachments;
3. The Minutes of the General/Representative Assembly Meeting approving the Plan of Division;
4. The Financial Statements of each of the new cooperatives duly certified by the respective Treasurers and Chairpersons;
5. Proof of Notice of Publication and/or posting of the announcement of such division;
6. Proof of Notice to the Creditors;
7. Written Agreement to Settle Obligation;
8. Original Certificate of Registration; and
9. Written approval or recommendation from the concerned government agency, if applicable.

Section 11. Issuance of Certificate. Once the registration requirements are found to be complete and in order, the Authority shall issue the Certificates of Registration to the new cooperatives.

Section 12. Effect of Registration. Cooperatives formed and organized under this Rule shall acquire juridical personality from the date of the issuance of their respective Certificates of Registration.

RULE 5

GUIDELINES GOVERNING THE PROCEDURE FOR MERGER OR CONSOLIDATION

Section 1. Legal Basis. The legal bases for this Rule are Articles 21 and 22 of the Code, quoted, as follows:

"Art. 21. Merger and Consolidation of Cooperatives. -

- (1) Two (2) or more cooperatives may merge into a single cooperative which shall be either one of the constituent cooperatives or the consolidated cooperatives.*
- (2) No merger or consolidation shall be valid unless approved by three-fourths (3/4) vote of all members with voting rights, present and constituting a quorum of each of the constituent cooperatives at separate general assembly meetings. The dissenting members shall have the right to exercise their right to withdraw their membership pursuant to Article 30.*
- (3) The Authority shall issue the guidelines governing the procedure of merger or consolidation of cooperatives. In any case, the merger or consolidation shall be effective upon the issuance of the Certificate of Merger or Consolidation by the Authority.*

Art. 22. Effects of Merger and Consolidation. - The merger or consolidation of the cooperatives shall have the following effects:

- (1) The constituent cooperatives shall become a single cooperative which, in case of merger, shall be the surviving cooperative, and, in case of consolidation, shall be the consolidated cooperative;*
- (2) The separate existence of the constituent cooperatives shall cease, except that of the surviving or the consolidated cooperative;*
- (3) The surviving or the consolidated cooperative shall possess all rights, privileges, immunities and powers and shall be subject to all the duties and liabilities of a cooperative organized under this Code;*

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

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

Section 2. Parties to the Merger or Consolidation. Only cooperatives belonging to the same category can be parties to the Merger or Consolidation. A primary cooperative can only merge or consolidate with another primary cooperative, a secondary with another secondary cooperative, and a tertiary with another tertiary cooperative.

Section 3. Procedure for Merger or Consolidation. The procedure for the Merger or Consolidation of cooperatives shall be, as follows:

1. Duly approved board resolution of each constituent cooperatives to enter into merger or consolidation;
2. Execution of a Memorandum of Understanding to Merge or Consolidate, stating the creation of a joint committee to formulate the plan and proposal to merge or consolidate;
3. Formulation of Plan of Merger or Consolidation by the representatives of the constituent cooperatives to the joint committee;
4. Calling of a General/Representative Assembly to present and approve the Proposal and Plan of Merger or Consolidation of each constituent cooperative and the Amendment / New Articles of Cooperation and By-laws;
5. Posting/Publication of the Notice of Merger or Consolidation;
6. Written Notification to Creditors through registered mail with return card and other applicable electronic means;
7. Filing with the Authority of the required documents for the registration of merger or consolidation; and
8. Issuance of Certificate of Registration of Merger/Consolidation by the Authority.

Section 4. Contents of Plan of Merger or Consolidation. The Plan of Merger or Consolidation shall set forth the following:

1. Statement of Purpose of such Merger or Consolidation;

2. The Registered Names, Addresses and Registration/Confirmation Numbers, Contact Details and Respective Areas of Operation of the Constituent Cooperatives;
3. The Proposed Amendments to the Surviving Cooperative's Articles of Cooperation and By-laws, in case of Merger and with respect to Consolidation, the Proposed Articles of Cooperation and By-laws;
4. List of Members of each Constituent Cooperatives showing their Share Capital Contribution duly certified by the respective Board Secretaries and attested to by the respective Board Chairpersons;
5. The Name, Address and Area of Operation of the Surviving Cooperative, in case of Merger, the Proposed Name, Address and Area of Operation, in case of Consolidation;
6. Feasibility Study indicating the Viability and Sustainability of the Merging/Consolidating Cooperatives;
7. The Audited Financial Statements as of the immediate preceding year including the schedule of assets, liabilities and capital of the merging or consolidating cooperatives; and
8. Package Benefits of the Management Staff to be affected by the Plan.

Section 5. Proposal for Merger or Consolidation. The proposal to merge or consolidate shall be made and approved by at least majority of the members of the respective Board of Directors of each constituent cooperative.

During the same meeting, the respective Board of Directors shall appoint or elect the representatives to the joint committee that will draft the Plan of Merger or Consolidation.

Section 6. Approval of the Plan of Merger or Consolidation. The Plan of Merger or Consolidation jointly prepared by the representatives of the constituent cooperatives to the joint committee shall be submitted for approval to the members of each constituent cooperative at separate general/representative assembly meetings duly called for the purpose. Notice of such meeting shall be given to all members of the respective cooperative, served either personally, or by registered mail with return card, or by electronic means, within the period as indicated in their By-laws.

The affirmative vote of at least three-fourths (3/4) of all members with voting rights, present and constituting a quorum from each of the constituent cooperatives, at separate general/representative assembly meetings, shall be necessary for the approval of the Plan of Merger or Consolidation, or amendments thereto, if any.

Section 7. The Articles of Cooperation and By-Laws. In the case of Merger, the Amended Articles of Cooperation and By-Laws, if applicable, shall be attested to by the incumbent directors of the surviving cooperative. In the case of Consolidation, the Articles and By-Laws shall be signed by the Board of Directors of the consolidated cooperative.

Section 8. Posting/Publication. Announcement of the Merger or Consolidation may be done by posting in at least three (3) conspicuous places in their respective areas of operation, or by publication in a newspaper of general circulation once a week for three (3) consecutive

weeks. Said publication may also be supplemented by radio and television announcements or any other electronic means of communication.

Section 9. Notice to Creditors and Investors. The Officers of the Merged or Consolidated Cooperatives shall also notify by registered mail the creditors and investors of their respective cooperatives to inform them of such Merger or Consolidation.

Section 10. Objection/s by a Third Party. Within fifteen (15) days after the date of posting or from the last day of publication, a third party may file an objection or opposition to the Plan of Merger or Consolidation before the Authority which shall be decided within sixty (60) days from receipt of the objection or opposition. Upon a finding that the objection or opposition is meritorious, and in order not to prejudice the interest of the third party, the Authority will cause the deferment or disapproval of the registration of the Merger or Consolidation.

After the period to file an objection has lapsed and all objections have been resolved, the surviving cooperative, in case of merger; or the consolidated cooperative, in case of consolidation, may file its application for registration.

Section 11. Additional Requirements for Registration. The Officers of the Merged or Consolidated cooperatives shall file with the Authority the following additional requirements for registration:

A. For Merger

1. The Original Certificate of Registration of the absorbed cooperative;
2. The resolution of the Board of Directors of both merging cooperatives approving the proposal to merge, duly certified by the respective Secretaries and attested to by the respective Chairpersons;
3. The General/Representative Assembly resolutions of both constituent cooperatives approving the proposed Plan of Merger duly certified by the respective Secretaries and attested to by the respective Chairpersons;
4. The excerpts from the minutes of the Board of the General/Representative Assembly meeting stating among others the approval of the Merger;
5. Certification of the respective Secretaries duly attested to by the Chairpersons of the constituent cooperatives that there was a quorum in the General/Representative Assembly meetings conducted and the required number of votes for the approval was met;
6. The approved Plan of Merger and all its attachments as required under Section 4 of this Rule;
7. The proposed amendment to the Articles of Cooperation and By-laws of the Surviving Cooperative, if necessary;
8. Surety Bond of Accountable Officers;
9. Proof of Publication/Posting of the Announcement of Merger;
10. Proof of Notice to Creditors;
11. Written Agreement to settle Obligations;

12. Favorable endorsement from the concerned government agency if necessary/applicable; and
13. Registration fee in accordance with the Schedule of Fees prescribed by the Authority.

B. For Consolidation

1. The Original Certificate of Registration of both constituent cooperatives;
2. The resolution of the Board of Directors of both constituent cooperatives approving the proposal to consolidate duly certified by the respective Secretaries and attested to by the Chairpersons of the Consolidating Cooperatives;
3. The General/Representative Assembly resolutions of both constituent cooperatives approving the proposed plan of consolidation duly certified by the respective Secretaries and attested to by the Chairpersons of the Consolidating Cooperatives;
4. The excerpts from the minutes of the General/Representative Assembly meetings of the Consolidating Cooperatives with their respective attendance sheets duly certified by the Secretary and Chairperson or Presiding Officer;
5. Certification of the Secretaries duly attested to by the Chairpersons of the Constituent Cooperatives that there was a quorum in the General/Representative Assembly meetings conducted and the required number of votes for the approval was met;
6. The approved Plan of Consolidation and all its attachments as required under Section 4 of this Rule;
7. The Economic Survey;
8. The proposed Articles of Cooperation and By-laws of the Consolidated Cooperative;
9. Surety Bond of Accountable Officers;
10. Proof of Publication/Posting of the announcement of consolidation;
11. Proof of Notice to Creditors;
12. Written Agreement to settle Obligations;
13. Undertaking to Change Name in the event that another cooperative has acquired prior right to the use of the proposed name; and
14. Registration fee in accordance with the Schedule of Fees prescribed by the Authority.

Section 12. Issuance of Certificate. Once the registration requirements are complied with, the Authority shall issue the Certificate of Merger, in cases of merger. In cases of consolidation, a new Certificate of Registration shall be issued in addition to the Certificate of Consolidation. The absorbed cooperative in cases of Merger, and the consolidated cooperatives in cases of Consolidation, shall surrender their respective original Certificates of Registration to the Authority.

RULE 6

GUIDELINES FOR LABORATORY COOPERATIVES

Section 1. Legal Basis. The legal basis for this Rule is the third paragraph of Article 26 of the Code, quoted as follows:

"Art. 26. Kinds of Membership.

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

Section 2. Organizing a Laboratory Cooperative. A cooperative may assist in the organization of a laboratory cooperative composed of fifteen (15) or more individuals who are minors, who may be students or out of school minors, Filipino citizens and are actually studying or residing within the nearest area of operation of the intended guardian cooperative.

Section 3. Purposes of Laboratory Cooperatives. A Laboratory Cooperative shall be organized for any or all of the following purposes:

1. To serve as a training ground for its members to prepare them for membership in regular cooperatives;
2. To teach the values of thrift and saving mobilization among its members;
3. To instill cooperative values, principles, financial discipline, business skills and leadership skills among its members;
4. To promote and advocate Filipino social and cultural values, financial education ecological awareness and sustainable development.

Section 4. Requirements for Recognition of Laboratory Cooperative. The Guardian Cooperative shall submit the following requirements to the Authority for the issuance of a Certificate of Recognition of the proposed Laboratory Cooperative:

1. Articles of Cooperation and By-laws of the Guardian Cooperative stating the acceptance of its responsibilities as Guardian Cooperative; and
2. Resolution of the Board of Directors of the Guardian Cooperative accepting its responsibility and liability as Guardian of the Laboratory Cooperative.

Section 5. Affiliation. A Laboratory Cooperative shall be affiliated with a duly registered cooperative, to be known as the Guardian Cooperative, before the Authority shall issue a Certificate of Recognition.

A Laboratory Cooperative primarily composed of students from a particular school may affiliate with the school's cooperative, if any, or appoint a cooperative of its choice within its area of operation. If the Laboratory Cooperative is composed primarily of out-of-school

minors, it shall be affiliated with a cooperative of its own choice within or nearest its area of operation.

Section 6. Responsibility of the Guardian Cooperative. The Guardian Cooperative shall supervise, monitor, and act for and in behalf of the Laboratory Cooperative in its dealings and transactions with third parties when capacity to contract is required.

The Guardian Cooperative shall be responsible for the cooperative education and training of all officers and members of the laboratory cooperative.

Submission of reports to the Authority on the activities and economic operations of the Laboratory Cooperative shall likewise be the responsibility of the Guardian Cooperative.

Section 7. Liability of the Guardian Cooperative. The Guardian Cooperative exercising supervisory authority over the laboratory cooperative shall be liable for any violations in the operation of the Laboratory Cooperative.

Section 8. Issuance of Certificate of Recognition. A Certificate of Recognition shall be issued by the Authority upon compliance with all the requirements set forth by this Rule. The Certificate shall be a conclusive evidence that the Laboratory Cooperative named therein is duly recognized unless such recognition has been earlier revoked or cancelled.

The issuance of the Certificate of Recognition does not bestow upon a Laboratory Cooperative a juridical personality.

Section 9. Termination of Membership. The following shall be the conditions for termination of membership in a Laboratory Cooperative:

1. Upon reaching the age of majority (18 years of age); and
2. Such other conditions as may be provided for in the By-laws of the Guardian Cooperative.

Section 10. Option of Member Who Reaches the Age of Majority. Any member reaching the age of majority may opt to join the Guardian Cooperative by signifying his/her intention to become a member of the Guardian Cooperative and upon compliance with all the requirements for membership therein.

Section 11. Miscellaneous Provision. A Guardian Cooperative may supervise more than one (1) laboratory cooperative.

The Guidelines for the creation, organization, supervision and monitoring of laboratory cooperatives shall be prescribed by the Authority.

RULE 7

FUNCTIONS, RESPONSIBILITIES AND TRAINING REQUIREMENTS OF DIRECTORS, OFFICERS AND COMMITTEE MEMBERS

Section 1. Legal Basis. The legal basis for this Rule is Article 44 of the Code, quoted as follows:

"Art. 44. Functions, Responsibilities, and Training Requirements of Directors, Officers, and Committee Members. The functions and responsibilities of the directors, officers and committee members, as well as their training requirements shall be in accordance with the rules and regulations issued by the Authority."

Section 2. Officers of the Cooperative. The Officers of the cooperative shall include the members of the Board of Directors, members of the different committees created by the General Assembly, General Manager or Chief Executive Officer, Secretary, Treasurer and Members holding other positions as maybe provided for in their By-laws. As such they are entrusted with the power of exercising authority within the scope of their defined functions which shall include the exercise of control and discretion in the performance of their duties.

Section 3. Committees of Cooperatives. The By-laws shall provide for the creation of the following committees:

1. Audit Committee;
2. Election Committee;
3. Mediation and Conciliation Committee;
4. Ethics Committee; and
5. Other Committees as may be necessary for the conduct of the affairs of the cooperative.

The members of both the Audit and Election Committees shall be elected by the General Assembly and the rest shall be appointed by the Board of Directors.

Section 4. Functions and Responsibilities of the Officers of the Cooperative. The Officers of the cooperative shall have the following functions and responsibilities:

4.1. Board of Directors. The Board of Directors shall have the following functions and responsibilities:

- a. Provide over-all policy direction;
- b. Formulate development plan;
- c. Review the annual plan and budget and recommend for the approval of the General/Representative Assembly;
- d. Evaluate the capability and qualification and recommend for the approval of the General/Representative Assembly the engagements of the services of an External Auditor;

- e. Appoint and terminate, based on just cause, the General Manager or Chief Executive Officer (CEO);
- f. Review, monitor and evaluate the effectiveness of the programs, projects and activities;
- g. Formulate and review the vision, mission and goals of the cooperative;
- h. Establish risk management system;
- i. Establish performance evaluation system at all levels;
- j. Review and approve the organizational and operational structures;
- k. Establish policies and procedures for the effective operation and ensure proper implementation of such;
- l. Appoint the members of the Mediation and Conciliation Committee, Ethics Committee, Education and Training Committee and other Officers as specified in the Code and By-laws of the cooperative;
- m. Decide election-related cases involving the Election Committee and its members;
- n. Act on the recommendation of the Ethics Committee on cases involving violations of the Code of Governance and Ethical Standards;
- o. Ensure compliance by the cooperative with the regulations of the Authority and other statutory requirements of appropriate government agencies;
- p. Report to the general/representative assembly the performance and achievements of the cooperative;
- q. Present to the general/representative assembly policies which require confirmation as provided under the law, the cooperative by-laws, and regulations;
- r. Present to the general/representative assembly the financial, social and performance reports; and
- s. Perform such other functions as may be prescribed in the By-laws or authorized by the General/Representative Assembly.

4.1.1. The Chairperson shall:

- a. Set and prepare the agenda for board meetings in coordination with the other members of the Board of Directors;
- b. Preside all meetings of the Board of Directors and General/Representative Assembly;
- c. Sign contracts, agreements, certificates and other documents on behalf of the cooperative as authorized by the Board of Directors or by the General/Representative Assembly as prescribed in their By-laws; and
- d. Perform such other functions as may be authorized by the Board of Directors.

4.1.2. The Vice Chairperson shall:

- a. Perform all duties and functions of the Chairperson in the absence of the latter; and

- b. Perform such other duties as may be delegated to him/her by the Board of Directors.

4.2. Other Officers

4.2.1. The Treasurer shall:

- a. Ensure that all cash collections are deposited in accordance with the policies set by the Board of Directors;
- b. Have custody of funds, securities, and documentations relating to assets, liabilities, income and expenditures;
- c. Monitor and review the financial management operations of the cooperative, subject to such limitations and control as may be prescribed by the Board of Directors;
- d. Ensure the maintenance of full and complete records of cash transactions;
- e. Ensure maintenance of a Petty Cash Fund;
- f. Maintain a Daily Cash Position Report; and
- g. Perform such other functions as may be prescribed in the By-laws or authorized by the Board of Directors.

4.2.2. The Secretary shall:

- a. Keep an updated and complete registry of all members;
- b. Record, prepare and maintain records of all minutes of meetings of the Board of Directors and the General/Representative Assembly;
- c. Ensure that the necessary actions and decisions of the Board of Directors are transmitted to the management for compliance and implementation;
- d. Issue and certify the list of members who are entitled to vote as determined by the Board of Directors;
- e. Prepare and issue Share Certificates and maintain the share and transfer book;
- f. Serve notice of all meetings called and certify the presence of quorum in the conduct of all meetings of the Board of Directors and the General/Representative Assembly;
- g. Keep copies of the Treasurer's reports and other reports;
- h. Serve as custodian of the cooperative seal; and
- i. Perform such other functions as may be prescribed in the By-laws or authorized by the Board of Directors.

4.3. Committees of the Cooperative

4.3.1. The Election Committee shall:

- a. Formulate election rules and guidelines and recommend to the General/Representative Assembly for approval;

- b. Recommend necessary amendments to the election rules and guidelines, in coordination with the Board of Directors, for the General/Representatives Assembly's approval;
- c. Implement election rules and guidelines duly approved by the General/Representative Assembly;
- d. Supervise the conduct, manner and proceedings of election and other election-related activities and act on the changes thereto;
- e. Canvass and certify the results of the election;
- f. Proclaim the winning candidates;
- g. Decide election and other election-related cases except those involving the Election Committee or its members; and
- h. Perform such other functions as prescribed in the By-laws or authorized by the General/Representative Assembly.

4.3.2. The Audit Committee shall:

- a. Audit the performance of the cooperative and its various responsibility centers;
- b. Monitor the adequacy and effectiveness of the cooperative's management and internal control system;
- c. Review continuously and periodically the books of account, financial records, and policies governing internal control, accounting and risk management to ensure that these are in accordance with the cooperative principles and generally accepted accounting procedures;
- d. Review the internal audit report of the cooperative;
- e. Follow up actions on the internal and external audit recommendations;
- f. Discuss the result of the internal audit with the Board of Directors;
- g. Submit reports on the result of the internal audit and recommend necessary changes on policies and other related matters on operation to the General/Representative Assembly;
- h. Review, approve or amend the report and recommendation of the Ethics Committee involving violations of the Code of Governance and Ethical Standards if the remaining members of the Board of Directors fail to act on said report and recommendation within a period of thirty (30) days, or the violation is committed by the majority of the Board of Directors; and
- i. Perform such other functions as may be prescribed in the By-laws or authorized by the General/Representative Assembly.

4.3.3. The Mediation and Conciliation Committee shall:

- a. Conduct mediation-conciliation proceedings and services;
- b. Formulate, develop and improve the Conciliation-Mediation policies, guidelines and program and ensure its proper implementation;
- c. Monitor Conciliation-Mediation program and processes;
- d. Submit semi-annual reports of cooperative cases to the Authority within fifteen (15) days after the end of every semester;
- e. Accept and file Evaluation Reports;

- f. Submit recommendations for improvement to the Board of Directors;
- g. Recommend to the Board of Directors any member of the cooperative for Conciliation-Mediation Trainings as Cooperative Conciliator-Mediator;
- h. Issue the Certificate of Non-Settlement (CNS);
- i. Act as conciliator-mediator during their term, provided the persons who will mediate are mutually selected by both parties; and
- j. Perform such other functions as may be prescribed in the By-laws or authorized by the Board of Directors.

4.3.4. The Ethics Committee shall:

- a. Formulate, develop, implement and monitor the Code of Governance and Ethical Standards (CGES) to be observed by the members, officers and employees of the cooperative subject to the approval of the Board of Directors and ratification by the General/Representative Assembly;
- b. Conduct initial investigation or inquiry, upon receipt of a complaint involving violations of the Code of Governance and Ethical Standards.
- c. Submit report on its recommendation together with the appropriate sanctions, to the Board of Directors for its proper action, or to the remaining members of the Board of Directors, if the violation is committed by any members of the Board of Directors. Provided, that if the remaining members of the Board of Directors fail to act on the report within a period of thirty (30) days, or the violation is committed by the majority of the Board of Directors, the Audit committee shall act on the same; and
- d. Perform such other functions as may be prescribed in the By-laws or authorized by the Board of Directors.

4.3.5. Other Committees. Other committees that may be created shall assist in the formulation of policies and rules and in the implementation of the service of the cooperative. Their powers, functions, and responsibilities shall be defined in the By-laws.

4.4. General Manager or Chief Executive Officer or equivalent position. The General Manager or Chief Executive Officer or equivalent position shall:

- a. Oversee the overall day to day business operations of the cooperative by providing direction, supervision, management and administrative control over all the operating departments subject to such limitations as may be set forth by the Board of Directors or the General/Representative Assembly;
- b. Assist the Board of Directors in the formulation of the Cooperative's Development Plan including Annual Plan and Budget, Programs and Projects, for approval of the General/Representative Assembly;
- c. Provide systems and procedures in the implementation of policies;
- d. Implement the duly approved plans and programs of the cooperative and any other directive or instruction of the Board of Directors;

- e. Provide and submit to the Board of Directors monthly reports on the status of the cooperative's operation vis-a-vis its targets and recommend appropriate policy or operational changes, if necessary;
- f. Represent the cooperative in any agreement, contract, business dealing, and in any other official business transaction as may be authorized by the Board of Directors;
- g. Ensure compliance with all administrative and other requirements of regulatory bodies; and
- h. Perform such other functions as may be prescribed in the By-laws delegated by the Board of Directors or authorized by the General/Representative Assembly.

Section 5. Training Requirements for the Officers of the Cooperative. The following officers of the cooperative regardless of type and size, such as:

- 1. Board of Directors;
- 2. Secretary;
- 3. Treasurer;
- 4. Election Committee;
- 5. Audit Committee;
- 6. Ethics Committee;
- 7. Mediation and Conciliation Committee;
- 8. Other Committees created by the General/Representative Assembly; and
- 9. General Manager or Chief Executive Officer,

shall be required to undergo a minimum of sixteen (16) hours of training on the fundamentals of cooperatives and another sixteen (16) hours on governance and management of cooperatives within the first half of their term. Provided, That, in case of micro-cooperatives, they shall only undergo sixteen (16) hours of training on the fundamentals, governance and management of cooperatives. The content of the training program shall be prescribed by the Authority in consultation with the accredited training providers and the cooperative sector.

In addition to the above-mentioned trainings, the officers of cooperatives engaged in savings and credit operations shall be required to undergo an additional sixteen (16) hours of specialized training on financial management, risk management and credit management, provided that these cooperatives have at least Five Million Pesos (Php5,000,000.00) worth of deposit liabilities based on the latest Audited Financial Statement of the cooperative.

Cooperative officers shall likewise endeavor to undergo additional appropriate trainings.

Section 6. Training Provider. The trainings shall be conducted by federations, unions, training institutions, or local cooperative development offices and National Government Agencies (NGA) duly accredited by the Authority.

Advocacy cooperatives which promote and advocate cooperativism through socially-oriented projects, education and training, research and communication and other similar activities, may also be accredited as training providers.

Section 7. Sanction for Non-Compliance with the Training Requirements.

- a. Willful failure of the cooperative to comply with the training requirements for its officers despite due notice from the Authority shall be a ground for the non-issuance of Certificate of Compliance for the succeeding year.
- b. Failure of any officer/s of a cooperative to undergo the prescribed trainings shall disqualify said officer/s to hold any elective or appointive position.

RULE 8 REPORTS REQUIRED FOR COOPERATIVES

Section 1. Legal Basis. The legal basis for this Rule is Art. 53 of this Code, quoted as follows:

"Art. 53. Reports.

(1) Every cooperative shall draw up regular reports of its program of activities, including those in pursuance of their socio-civic undertakings, showing their progress and achievements at the end of every fiscal year. The reports shall be made accessible to its members, and copies thereof shall be furnished to all its members of record. These reports shall be filed with the Authority within one hundred twenty (120) days from the end of the calendar year. The form and contents of the reports shall be as prescribed by the rules of the Authority. Failure to file the required reports shall subject the accountable officer/s to fines and penalties as may be prescribed by the Authority, and shall be a ground for the revocation of authority of the cooperative to operate as such. The fiscal year of every cooperative shall be the calendar year, except as may be otherwise provided in the by-laws.

(2) If a cooperative fails to make, publish and file the reports required herein, or fails to include therein any matter required by this Code, the Authority shall, within fifteen (15) days from the expiration of the prescribed period, send such cooperative a written notice, stating its non-compliance and the commensurate fines and penalties that will be imposed until such time that the cooperative has complied with the requirements."

Section 2. Required Regular Reports. All cooperatives registered with the Authority shall be required to submit annually, the Cooperative Annual Progress Report (CAPR) with the following attachments:

- a. Social Audit Report including its program of activities pursuant to its socio-civic goals of the cooperative;
- b. Performance Audit Report, including copies of the semi-annual Report on mediation and conciliation as received by the Authority pursuant to EO 97;
- c. Audited Financial Statements; and
- d. List of Officers and Trainings Undertaken /Completed.

In the case of CDA registered electric cooperatives, they shall be required to submit the List of Members issued with Share Capital Certificate in addition to the Cooperative Annual Progress Report (CAPR).

The Cooperative Annual Progress Report (CAPR) including all of the reports shall be made part of the Annual Report of the cooperative to its members during the Annual General Assembly Meeting.

Section 3. Additional Attachments for Federations and Unions. In addition to the above, Federations and Unions shall submit to the Authority the following on an annual basis:

1. List of affiliates and cooperatives which have remitted their respective Cooperative Education and Training Funds (CETF);
2. Business consultancy assistance to include the nature and cost, including the use of CETF; and
3. Other training activities undertaken specifying therein the nature, participants, and cost of each activity.

Section 4. Mode of Filing Reports. All registered cooperatives shall file with the Authority a copy of the required reports either through personal delivery, by registered mail, by courier service, or by electronic means, within one hundred twenty (120) days from the end of each calendar year. The date of mailing the required reports either by registered mail, by courier service, or by electronic means shall be considered the date of filing.

For reports submitted by electronic means, the Authority shall be furnished the printed copy of the electronically transmitted report within five (5) days from the date of transmission. Failure of the cooperative to furnish the Authority with a printed copy shall be considered as if no report has been filed, hence the cooperative shall be considered in delay in the submission. Likewise, any material alterations or tampering, which made the electronic documents different from the original shall be considered as if no report has been filed and the electronic documents have never been received.

Section 5. Form of the Reports. The reports shall be typewritten or printed in a form prescribed by the Authority, duly certified by the Accountable Officers as specified in Section 8 hereof.

Section 6. Delay in the Filing of the Report. Failure to file the reports on the prescribed time as provided in this Rule shall be considered in Delay. However, if the delay is due to fortuitous events, including but not limited to fire, storms, or other natural calamities; an order from any competent court or government agency; or a declared national emergency

or public disorder including strikes and lockout, the period for such delay may be excused, provided that the Authority is given due notice within fifteen (15) days from the cessation of the cause of the delay. Thereafter, the cooperative shall be given another thirty (30) days to file the required report, the lapse of which shall consider the cooperative in delay.

Delay shall commence on the day following the last day prescribed for the filing of reports. However, should the last day of filing fall on a non-working holiday, the last day for filing shall be on the next working day.

For the purpose of establishing delay, partial compliance shall be considered non-compliance and the cooperative shall be in delay until such time that the filing of the required reports have been fully complied with.

Without prejudice to the commencement of the period of delay and within fifteen (15) days from the lapse of the period to file the required reports, the Authority shall notify the cooperatives of their non-compliance, stating among others that delay has commenced to run, and the commensurate fines and penalties that will be imposed as a result of its failure to file the required reports.

However, for newly registered cooperatives, the Authority may provide technical assistance to enable said cooperatives to submit reports as required by law. Such technical assistance shall be prescribed in the guidelines to be issued by the Authority.

Section 7. Sanction for Delayed Filing. Failure to file the required regular reports with the corresponding attachments on time shall subject the Accountable Officers to a fine of One Hundred Pesos (Php100.00) per day of delay.

Within thirty (30) calendar days from receipt of notice of non-compliance and failure to file the required reports, the cooperative or its accountable officers may request for reconsideration and the lifting of the commensurate fine or penalty only on grounds of excusable delay as provided under Section 6 of these Rules. Failure of the Authority to act on such request within sixty (60) days from receipt thereof shall result to the granting of such request. The decision of the Authority is final and executory.

Filing the Cooperative Annual Progress Report (CAPR) without or with incomplete attachments shall be considered non-compliance and shall subject the Accountable Officers to fines and penalties as if there was delay.

Other than the imposition of monetary penalties, the Authority may dissolve/revoke, after due process, the certificate of registration of the cooperative.

Cooperatives with assets of Three Million Pesos (Php3,000,000.00) and below shall be exempted from the monetary penalties but may be meted the penalty of non-issuance of Certificate of Compliance.

Section 8. The Accountable Officers. For the purpose of this Rule, accountable officers shall refer to the employees or officers of the cooperative responsible for the preparation of the

required regular reports and its attachments, and in whose fault or negligence the delay may be attributed.

RULE 9

GUIDELINES FOR THE LIQUIDATION OF COOPERATIVES

Section 1. Legal Basis. The legal bases for the Rule are Art. 69, 70, Art. 72, par. 1, subsection 4 and par. 2, of the Code, quoted as follows:

"Art. 69. Liquidation of a Cooperative. - Every cooperative whose charter expires by its own limitation or whose existence is terminated by voluntary dissolution or through an appropriate judicial proceeding shall nevertheless continue to exist for three (3) years after the time it is dissolved, not to continue the business for which it was established but for the purpose of prosecuting and defending suits by or against it; settlement and closure of its affairs; disposition, conveyance and distribution of its properties and assets.

At any time during the said three (3) years, the cooperative is authorized and empowered to convey all of its properties to trustees for the benefit of its members, creditors and other persons in interest. From and after any such conveyance, all interests which the cooperative had in the properties are terminated.

Upon the winding up of the cooperative affairs, any asset distributable to any creditor, shareholder or member who is unknown or cannot be found shall be given to the federation or union to which the cooperative is affiliated with.

A cooperative shall only distribute its assets or properties upon lawful dissolution and after payment of all its debts and liabilities, except in the case of decrease of share capital of the cooperative and as otherwise allowed by this Code."

"Art. 70. Rules and Regulations on Liquidation. - The Authority shall issue the appropriate implementing guidelines for the liquidation of cooperatives."

"Art. 72. Capital Sources.-

(4) Subsidies, donations, legacies, grants, aids and such other assistance from any local or foreign institution whether public or private: Provided, That capital coming from such subsidies, donations, legacies, grants, aids and other assistance shall not be divided into individual share capital holdings at any time but shall instead form part of the donated capital or fund of the cooperative.

Upon dissolution, such donated capital shall be subject to escheat."

Section 2. Coverage of Liquidation. These Guidelines shall cover the following:

1. Cooperatives whose charter expires by its own limitation.
2. Cooperatives whose existence is terminated by voluntary dissolution.
3. Cooperatives whose existence is terminated by appropriate judicial proceedings.
4. Cooperatives whose existence is dissolved by Order of the Authority.

Section 3. Modes of Liquidation. The liquidation or winding up of cooperatives shall be in the manner provided for in the By-laws unless it is inconsistent with law.

In this jurisdiction, the cooperative may avail of the following modes of liquidation:

1. Liquidation by cooperative itself through a Board of Liquidators. The members of cooperative entitled to vote shall elect from among themselves their Board of Liquidators; and/or
2. By conveying all the cooperative assets to the Board of Trustees which will take charge of liquidation.

Section 4. Procedure of Liquidation. The following procedure shall be observed in liquidation:

1. Constitution of the Board of Liquidators/Trustees.
2. Inventory of Assets and Liabilities of the Cooperative.
3. Payments of Creditors in accordance with the Provisions of the New Civil Code on the Preference and Concurrence of Credits.
4. Transfer of the Statutory Funds to the intended beneficiaries.
5. Distribution of the remaining assets.
6. Submission by the Board of Liquidators/Trustees of the Liquidation's Final Report.
7. Cancellation of the Certificate of Registration and delisting of the name of the cooperative in the Cooperative Registry.

Section 5. Board of Liquidators/Trustees. Within sixty (60) days from receipt of the Order of Dissolution from the Authority or competent Court, the Board of Directors shall select/constitute the Board of Liquidators/Trustees. In the event the Board of Directors fails or refuses to constitute the Board of Liquidators/Trustees, at least twenty five per centum (25%) of the members entitled to vote shall convene and select/appoint the Liquidators/Trustees. In case the Board of Directors and the General/Representative Assembly fail to select the Board of Liquidators/Trustees, the Authority shall appoint the same.

The Board of Liquidators/Trustees shall not be less than three (3) but not more than five (5) members. They shall take their oath of office before the Authority prior to assumption of their functions and responsibilities.

The Board of Liquidators/Trustees shall post an adequate bond as may be fixed by the Authority during the period of liquidation, to be paid out of the funds of the cooperative.

The Board of Liquidators/Trustees shall be allowed to receive a reasonable honorarium to be paid out from the funds of the cooperative which shall be equal to but not less than the honorarium being received by the Board of Directors of the cooperative before its dissolution.

Section 6. Functions, Powers and Obligations of the Board of Liquidators/Trustees. The Board of Liquidators/Trustees shall:

1. Make an inventory of all assets and determine all liabilities including Share Capital holdings;
2. Preserve the existing assets of the cooperative;
3. Convert all assets of the cooperative into cash;
4. Pay the outstanding obligations including any and all valid claims against the cooperative;
5. Distribute remaining assets pursuant to the provision of the Code and these Rules; and
6. Make final report on the liquidation and submit the same to the Authority.

Section 7. Power to Sue and Be Sued. In the discharge of the above-mentioned functions, the Board of Liquidators/Trustees may sue and be sued under the name of the cooperative in order to protect and defend its rights and interests.

Section 8. Payment of Creditors. Payment of creditors shall be in accordance with the contract upon which it is based and the provision of the New Civil Code on the Preference and Concurrence of Credits.

Section 9. Statutory Funds. All the statutory funds established by the cooperative shall be disposed of in accordance with the provisions of Article 86 of the Code.

Section 10. Treatment of Donated Capital. All subsidies, donations, legacies, grants, aids and such other assistance from any local or foreign institutions whether public or private shall be subjected to escheat.

Section 11. Distribution of Assets. Subject to the preceding sections and upon written approval from the Authority, any assets remaining after the payments of the cooperative's obligations to its creditors shall be distributed to the members in payment of their respective share capital. If the remaining asset is not sufficient to pay the full share capital contribution of the members, the distribution shall be done in proportion to their capital.

Section 12. Undistributed Assets. After the winding up of the affairs of the cooperative, the assets distributable to a creditor or member whose whereabouts is unknown or cannot be found shall be given to the federation/union to which the cooperative is affiliated with, for cooperative development, at the option of the Board of Liquidators/Trustees. In case of

non-affiliation, the undistributed assets shall be given to the community where the cooperative operates.

Section 13. Periods Allowed for the Winding Up of the Affairs of the Cooperative. The dissolved cooperative shall continue to exist for three (3) years from the issuance of the Order of Dissolution. The purpose of which is not to continue the business for which it was established but for the purpose of prosecuting and defending suits filed by or against the cooperative, settlement and closure of its affairs, disposition, conveyance and distribution of its assets.

Nevertheless, at any time during the said three (3) year period, the cooperative is authorized and empowered to convey all its properties to Trustees for the benefit of its members, creditors and other persons in interest, after which, all interests which the cooperative had in the properties are terminated.

Section 14. Submission of the Board of Liquidators/Trustees' Final Report. The Cooperative Board of Liquidators/Trustees shall submit a final report to the members of the liquidated cooperative and to the Authority, Federation, or Union to which the cooperative is affiliated with.

Upon receipt of the Final Report of the Board of Liquidators/Trustees and upon a finding that said final report is complete and in order, the Authority shall release the Liquidators/Trustees from their duties and functions. Thereafter, the Authority shall effect the cancellation of the Certificate of Registration of the subject cooperative and the delisting of its name in the Cooperative Registry.

Until and unless the Board of Liquidators/Trustees submits the Final Report, it shall not be released from its duties and functions and the Authority shall issue no clearance for each of the members thereof.

Section 15. Summary Proceedings. For cooperative with assets of not more than One Hundred Thousand Pesos (Php100,000.00) as shown in the Audited Financial Statements and with no known creditors, the Authority may choose to initiate summary proceedings.

The following documents shall be required to be submitted by the Board of Directors to the Authority:

1. Schedule of Assets;
2. Proposal of Distribution of Assets to its members;
3. List of intended beneficiaries of the Statutory Funds;
4. Affidavit of No Creditors; and
5. Audited Financial Statement.

After due evaluation by the Authority, the same shall issue a written authority to the Board of Directors to distribute the assets of the cooperative. After which, the Board of Directors shall submit a final report on the Summary Proceedings.

Section 16. Supplementary Laws. The provisions of Chapters 2 and 3 of Title 19 on the Concurrence and Preference of Credit under the New Civil Code and Rule 104 of the Revised Rules of Court on Voluntary Dissolution of Corporations shall apply suppletorily.

Section 17. Outright Cancellation of the Certificate of Registration. The Authority, at its own discretion, may proceed for the outright cancellation of the Certificate of Registration of a cooperative which has been proven to have no assets, or its whereabouts is unknown, despite diligent efforts to ascertain it. Such facts shall be stated in the Order of Cancellation.

In either case, winding up of affairs of cooperative shall no longer be observed.

RULE 10

CAPITALIZATION AND ACCOUNTING PROCEDURES OF COOPERATIVES

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

"Art. 71. Capital. - The capitalization of cooperatives and the accounting procedures shall be governed by the provisions of this Code and the regulations which shall be issued."

Section 2. Capital Sources. Capitalization of a duly registered cooperative may be derived from any or all of the following sources;

1. Members' Share Capital;
2. Loans and Borrowings including Deposits;
3. Revolving Capital which consists of the deferred payment of patronage refunds, or interest on share capital; and
4. Subsidies, donations, legacies, grants, aids and such other assistance from any local or foreign institution whether public or private; Provided, That, capital coming from such subsidies, donations, legacies, grants, aids and other assistance shall not be divided into individual share capital holdings at any time but shall instead form part of the donated capital or fund of the cooperative.

Section 3. Share Capital. The Share Capital of a cooperative may consist of common share capital and preferred share capital if the latter is provided for under the cooperative's Articles of Cooperation and By-laws. The share capital contribution of the members shall be considered as equity. *Provided*, That it shall not be withdrawn and should not be used in offsetting obligations whether past due or current while the membership subsists.

Section 4. Preferred Shares. Issuance and limitation on Preferred Share Capital shall be prescribed in the By-laws of the cooperative.

Should preferred share capital be provided in the By-Laws, it shall not exceed twenty five (25%) of the total authorized capital of the cooperative.

Section 5. Capital Build-Up. The By-laws of every cooperative shall provide for a reasonable and realistic member capital build-up program to allow the continuing growth of the members' investments in their cooperative as their own economic conditions continue to improve.

Section 6. Subscription Agreement. The cooperative shall execute a subscription agreement upon admission of members and whenever additional subscription shall be made by member/s upon full payment of initial subscription. Unless otherwise provided for in the By-Laws, the cooperative shall issue Share Certificates at least every end of the calendar year based on the number of shares fully paid for the said period.

Section 7. List of Share Capital Certificate Issued. All cooperatives, regardless of type and category, shall issue to all their members, share capital certificate equivalent to their share capital contribution. A list of Share Capital Certificates issued to members shall be maintained by the cooperative.

Section 8. Par Value. In a primary cooperative, the par value may be fixed at any amount but not less than Php100.00 nor more than Php1,000.00.

Cooperatives are prohibited from issuing multiple types of Common Shares with different par value per share. It is likewise prohibited for any cooperative to increase/decrease the par value of the share capital by way of amending their Articles of Cooperation and By-laws.

Section 9. Limitation on Share Capital Holdings. No member of a primary cooperative other than a cooperative itself shall own or hold more than ten per centum (10%) of the share capital of the cooperative.

Section 10. Fines on Unpaid Subscribed Share Capital. The By-laws of a cooperative shall prescribe a fine on unpaid subscribed share capital. Provided, that such fine is fair and reasonable under the circumstances as determined by the Board of Directors.

Section 11. Assignment of Share Capital Contribution or Interest. Subject to the provisions of the Code, no member shall transfer his/her shares or interest in the cooperative or any part thereof unless:

1. He/She has held such share capital contribution or interest for not less than one (1) year;
2. The assignment is made to the cooperative or to a person who falls within the field of membership of the cooperative; and
3. The Board of Directors has approved such assignment.

Section 12. Interest on Share Capital. Interest on share capital shall not exceed the Rate of Return on Investment.

Unless otherwise provided for in the By-laws of the cooperative, share capital shall earn interest. The rate of interest shall be computed, as follows:

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

Where:

X shall be a percentage to be determined by the Board of Directors allocated for interest on share capital.

No allocation of interest on share capital shall be made without the approval of the Board of Directors.

Payment of interest, unless otherwise provided for in the By-laws, must be made on such date as may be determined by the Board of Directors. The General/Representative Assembly, however, upon the recommendation of the Board of Directors, may defer the payment of such interest including patronage refund in order to raise revolving capital.

Share capital shall receive a monthly limited rate of interest.

Section 13. Withdrawal of Share Capital. A member of a cooperative may, for any valid reason, withdraw his/her membership from the cooperative by giving a sixty (60)-day notice to the Board of Directors. Subject to the By-laws of the cooperative, the withdrawing member shall be entitled to a refund of his/her share capital contribution and all other interests in the cooperative. *Provided*, That such refund shall not be made if upon such payment, the value of the assets of the cooperative would be less than the aggregate amount of its debts and liabilities exclusive of his/her share capital contribution.

Section 14. Patronage Refund. The principle of Patronage Refund is a principle of equity wherein an equal right of members to participate in the organization and to equitably share in the benefits accruing there from is established. Under this principle, the Net Surplus shall not be construed as profit, but as excess payments made by them from the cooperative and which shall be deemed to have been returned to them if the same is distributed as prescribed by the Code and by this Rule. *Provided*, however, that the amount allocated for patronage refund shall not be less than thirty percent (30%) of the net surplus after deducting the statutory reserves based on the principle of equity. *Provided, further*, That in no case shall the rate of patronage refund be more than twice the rate of interest on share capital.

Section 15. Accounting Procedure. The accounting system to be instituted/maintained in the cooperative shall be in accordance with the generally accepted accounting principles and practices. The cooperative shall use the Standard Chart of Accounts and its accompanying Accounting Manual prescribed by the Authority.

RULE 11

SOCIAL AUDIT OF COOPERATIVE

Section 1. Legal Basis. The legal basis for this Rule is Article 80, of the Code, quoted as follows:

"Art. 80. Annual Audit. - Cooperatives registered under this Code shall be subject to an annual financial, performance and social audit."

"The social audit shall be conducted by an independent social auditor accredited by the Authority."

"The Authority, in consultation with the cooperative sector, shall promulgate the rules and standards for the social audit of cooperatives."

Section 2. Coverage. All registered cooperatives regardless of type or category shall be subject to social audit.

Section 3. Social Audit. The Social Audit is a procedure where the cooperative assesses its social impact and ethical performance vis-a-vis its stated goals and social missions. The cooperative's actual social and ethical performances shall be quantified and qualified according to the parameters to be identified by the Authority.

Section 4. Objectives and Purposes of Social Audit. The cooperative is both an economic and social enterprise. As such, the social contribution of the cooperative shall indicate the improvement on the social welfare of the members and the community as a whole.

Social Audit validates the adherence of the cooperative to the seventh cooperative principle which is on the "Concern for Community" and determines whether the cooperative works for the community's sustainable development through policies and programs approved by their members.

The audit focuses not only on the economic side of the cooperative but also on the social aspect of the organization. It appraises the cooperative performance as value-based organization usually participative; community oriented; and non-profit but service-oriented organization thereby fulfilling its social responsibility to its members and the community as a whole.

Social Auditing is the systematic review of the attitudes, values, behavior, and degree of interaction of people within the cooperative as well as the policies, programs and activities being implemented by the cooperative.

Section 5. Scope of Social Audit. During a social audit, the cooperative shall look into the following key areas:

- a. Level of participation of the Members and Officers to the operations of the cooperative

- b. Impact of the Cooperative Programs and Policies to the Community
- c. Uses of Community Development Fund

The Authority shall issue the Guidelines concerning Social Audit.

Section 6. Applicability. A social audit of a cooperative shall be undertaken by an independent social auditor accredited by the Authority, who shall submit the social audit report to the Board of Directors of the cooperative. Said report shall form part of the Cooperative Annual Progress Report (CAPR) to be filed with the Authority.

Section 7. Sanctions. Failure of the cooperative to submit to the Authority the required Social Audit Report as an attachment to the CAPR shall constitute non-compliance as provided in Rule 8 of these Rules.

Section 8. Transitory Provisions. The Internal Auditor/Audit Committee shall conduct the social audit of the cooperative pending the accreditation of Social Auditors by the Authority.

Upon approval of the Accreditation Guidelines of Cooperative Social Auditors, the following shall apply:

1. For cooperatives with assets of at least ONE BILLION PESOS (Php1,000,000,000.00), the social audit shall be undertaken by an independent social auditor accredited by the Authority;
2. For cooperatives with assets less than ONE BILLION PESOS (Php1,000,000,000.00), the social audit shall be undertaken by the internal auditor or the audit committee of the cooperative.

RULE 12

FINANCIAL SERVICE COOPERATIVE (FSC)

Section 1. Legal Basis. The legal basis for this Rule is Article 121 (1) and (14) of the Code, quoted as follows:

"Art. 121. Regulation and Supervision. - The Authority shall exercise lead regulatory powers and supervision over the operations of the financial service cooperatives, to wit:

(1) Issue rules and regulations for the safe and sound conduct of operations of financial service cooperatives.

(14) Appoint a conservator or a receiver as may be necessary subject to the rules and regulations to be promulgated by the Authority in coordination with the BSP, taking into consideration the grounds, powers and procedures under Sections 29 and 30 of Republic Act. No. 7653 as may be deemed appropriate to financial service cooperatives.

The Authority shall include in its rules and regulation appropriate sanctions and penalties, on the financial service cooperatives, its members, and officers and responsible persons, for any action that fails to adhere to sound and prudent management practices or are inconsistent with the provisions of this Code."

Section 2. Functions of Financial Service Cooperative. A Financial Service Cooperative (FSC) is a financial organization owned and operated by its members and authorized to provide the following services, exclusively to its members: (a) the functions of credit cooperatives and other cooperatives, including multipurpose cooperatives that provide savings and credit to their members; and (b) other financial services subject to regulation by the BSP.

Section 3. Coverage.(1) All FSC organized for the primary purpose of engaging in savings and credit services and other financial services, and (2) Existing cooperatives with savings and credit facilities which have formally notified the Authority of their intention to exercise enhanced functions and have satisfied the requirements of the Authority for conversion to Financial Service Cooperative.

Section 4. Registration. The Articles of Cooperation and By-laws of any FSC, or any amendment thereto, shall be registered with the Authority, only if accompanied by a Certificate of Authority issued by the BSP. Any existing cooperative engaged in credit and multi-purpose activities, after it has notified the Authority of its decision to exercise enhanced functions and satisfied the requirements for the conversion to FSC, shall, upon approval of the Authority and favorable certification of the BSP, register its amended Articles of Cooperation and By-laws with the Authority.

Section 5. Documentary Requirements. In addition to the documents required by the Authority for registration of new cooperative/amendments, the following shall likewise be submitted:

1. Certificate of Authority from BSP;
2. Resolution of the Board stating that:
 - 2.1 The function or one of the functions of the cooperative shall be savings, credit and other financial services;
 - 2.2 The amount of paid-up capital allocated for such purposes shall be at least Ten Million Pesos (Php10,000,000.00);
 - 2.3 Undertaking to accomplish within a year from the issuance of Certificate of Registration to establish the business site equipped with facilities, forms, stationeries, and vault and provide required special training/seminar for officers of the cooperative;
 - 2.4 Audited Financial Statement of the immediately preceding year in case of existing cooperative; and
 - 2.5 Other documents, which may be required by Authority.

Section 6. Minimum Capitalization Requirements. Only those cooperatives with minimum paid-up capital of at least Ten Million pesos (Php10,000,000.00) shall qualify to register as

FSC without prejudice to additional capital requirements that maybe prescribed by the BSP for a particular financial service regulated by the BSP that will be offered by the FSC.

Section 7. Reportorial Requirements. The FSC shall submit the regular reports as required under Rule 8 of this IRR.

Section 8. Membership and Affiliation. An FSC shall have two (2) types of members: (1) Regular members, who are natural persons; and (2) Associate members who are natural persons but who do not immediately qualify under the requirements for membership set out in the By-laws of the cooperative. All associate members who are natural persons shall be given two (2) years to become regular members. Failure to convert within the said period shall mean automatic withdrawal of their associate membership. They may, however, re-apply as regular members after two (2) years. Minors who are dependents of regular members can qualify as associate members. When they reach the age of majority and within two (2) years from acceptance of their associate membership, they have the option to convert into regular members. As associate members, they may open accounts, deposit funds, and withdraw from their account, subject to the By-laws and rules of the cooperative, and the rules and regulations of the Authority, notwithstanding the provisions of existing laws to the contrary.

Section 9. Officers. The officers of the FSC shall be composed of the Members of the Board of Directors, Committee Members, General Manager or Chief Executive Officer, Secretary, Treasurer and Members holding other positions as may be provided for in their By-laws.

Section 10. Bond of Accountable Officers. Every Director, Officer, and Employee handling funds, securities, or property on behalf of the FSC shall be covered by a surety bond to be issued by a duly registered insurance or bonding company for the faithful performance of his/her respective duties and obligations. The Board of Directors shall determine the adequacy of such bonds.

Section 11. Compensation. In the absence of any provision in the By-laws fixing their compensation, the Directors, shall not receive any compensation except for reasonable per diems: Provided, however, That the Directors and Officers shall not be entitled to any per diem when, in the preceding calendar year, the cooperative reported a net loss or had dividend rate less than the official inflation rate for the year. Any compensation other than per diems may be granted to Directors by a majority vote of the members with voting rights at a regular or special general assembly meeting specifically called for the purpose: *Provided further*, That no additional compensation other than per diems shall be paid during the first year of existence of the FSC. *Provided finally*, That the immediately preceding proviso shall not apply to cooperatives which converted into FSC. The compensation of Officers as well as the Members of the Committees created pursuant to the Code or its By-laws maybe fixed in the By-laws.

Section 12. Removal of Officers. All complaints for the removal of any elected officer shall be filed with the Board of Directors. Such officer shall be given the opportunity to be heard. Majority of the Board of Directors may place the officer concerned under preventive suspension pending the resolution of the investigation which period shall be specified in the

By-laws or policies of the cooperative duly approved by the General/Representative Assembly. Upon findings of a prima facie evidence of guilt, the Board of Directors shall present its recommendation for removal to the General/Representative Assembly.

An elective officer may be removed by three-fourths (3/4) vote of the regular members present and constituting a quorum in a regular or special general assembly meeting called for the purpose. The officer concerned shall be given an opportunity to be heard at said assembly.

Section 13. Net Worth. The Net Worth of the FSC shall not, at all times, be less than an amount equal to eight percent (8%) of its risk assets. The net worth positions should be sufficient to meet competitive pressure and adverse economic conditions as they arise. It should enhance the safety of the members' share and keep pace with growth in FSC assets.

Section 14. Deposit and Borrowing Operations. Savings and Time Deposits with FSC may be opened with a minimum amount to be determined by the Board of Directors. Only members and its affiliate laboratory cooperative may open savings and/or time deposit accounts. The FSC, through the Board of Directors, as authorized by the General Assembly, may borrow from any source at the best terms or conditions available and in such amount that may be needed.

Section 15. Reserve Requirements against Deposit Liabilities. The FSC shall maintain a Liquidity Reserve Fund that will be restricted in nature, equivalent to at least two per centum (2%) of their savings and time deposit liabilities.

Section 16. Loans. The Board of Directors shall be responsible for setting loan policies and lending procedures. It shall comply with the provisions of R.A. 3765, otherwise known as the "Truth in Lending Act" and shall make the true and effective cost of borrowing, an integral part of every loan contract.

Section 17. Investment Program. A sound investment program shall be the sole responsibility and accountability of the Board of Directors. The scope of the program will depend largely on the FSC size and the extent of its surplus funds. Investment policies should be in writing and should address the safety, liquidity and yield, diversification, delegation of authority, and valuation/assessment of securities. The FSC shall not invest in any single entity more than twenty per centum (20%) of its net worth.

Section 18. Internal Control. The FSC shall adopt a proper plan of organization, accounting control, accounting system, administrative control, internal control standards, accounting records procedures and other measures to safeguard the FSC's assets, check the accuracy and reliability of accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies.

Section 19. Performance Standards. A policy of transparency and openness must always be maintained whereby the Books of Accounts, General/Representative Assembly Board Resolutions and Committee Reports are properly kept and made accessible to members,

and the regular financial statements are periodically prepared and made known to the members, to the Authority and to other parties interested in the FSC's operations.

Section 20. Standard Chart of Accounts. All FSCs shall adopt the Standard Chart of Accounts and its accompanying Accounting Manual for Credit and Other Types of Cooperatives with Credit Service issued by the Authority.

Section 21. Manual of Rules and Regulations. The Authority shall develop a Manual that will cover: (1) the Rules and Regulations for the safe and sound conduct of operations of FSCs; (2) Rules and Regulations for the appointment of a Conservator or a Receiver as may be necessary in coordination with the BSP, taking into consideration the grounds, powers and procedures under Section 29 and 30 of Republic Act No. 7653 as may be deemed appropriate to FSCs; and (3) the appropriate sanctions and penalties on the FSCs, its members, officers and responsible persons, for any action that fails to adhere to sound and prudent management practices or are inconsistent with the provisions of the Code, other applicable laws on cooperatives, rules, regulations, circulars or orders issued by the Authority, and require the cooperative to undertake corrective or remedial measures relative thereto.

The appropriate prudential Rules and Regulations applicable to the FSCs will be developed by the BSP, in coordination with the Authority.

Section 22. Revocation of Authority. The authority granted, may be revoked by the BSP if any of the grounds for receivership mentioned under Section 30 of Republic Act. No. 7653, otherwise known as The New Central Bank Act and Sections 53 and 56 of Republic Act No. 8791, otherwise known as An Act Providing for the Regulation of the Organization and Operations of Banks, Quasi-Banks, Trust Entities and for Other Purposes are present or if the FSC has willfully violated the Code or any of the related rules and regulations.

Section 23. Prohibition. The terms 'Credit Cooperatives', 'Financial Service Cooperative', and 'Financial Service Cooperative Federation' shall be used exclusively by those who are duly registered under the Code, and no person, group of persons, or organization shall use the said terms unless duly registered with the Authority. Violations of this prohibition shall be punishable in accordance with Article 140 of the Code.

RULE 13

VOLUNTARY ARBITRATION

Section 1. Legal Basis. The legal basis for this Rule is Article 137 of the Code, quoted as follows:

"Art. 137. Settlement of Disputes, Conciliation, and Mediation Proceedings. - Disputes among members, officers, directors, and committee members, and intra-cooperative, inter-cooperative, intra-federation or inter-federation disputes shall, as far as practicable, be settled amicably in accordance with the conciliation or mediation mechanism embodied in the By-laws of cooperatives and in such other applicable laws.

The conciliation and mediation committee of the cooperative shall facilitate the amicable settlement of intra-cooperative disputes and disputes among members, officers, directors, and committee members.

Should such conciliation or mediation proceedings fail, the matter shall be settled through voluntary arbitration: Provided, however, That before any party can validly file a complaint with the Authority for voluntary arbitration, it must first secure a certification from its conciliation and mediation committee and from the cooperative union or federation to which it belongs that despite all efforts to settle the issues, the same have failed.

The jurisdiction of the voluntary arbitrators shall be exclusive and original and their decisions shall be appealable to the Office of the President. The Authority shall issue and adopt the proper rules of procedure governing arbitration as the primary and exclusive mode for dispute resolution in accordance with the Alternative Dispute Resolution Act of 2004.

For this purpose, the Authority shall constitute a list of Qualified Voluntary Arbitrators."

Section 2. Policy and Objectives. These Rules shall provide a fair and expeditious settlement of intra-cooperative and inter-cooperative disputes through voluntary arbitration as an alternative to judicial proceedings.

Section 3. Applicability of Rules and Judicial Technical Rules. These Rules shall apply to voluntary arbitration proceedings before the Authority.

Voluntary Arbitration is an administrative proceeding where the technical rules applicable to court or judicial proceedings shall be liberally applied in the interest of substantive due process.

CHAPTER I. SOLE ARBITRATOR/ARBITRAL TRIBUNAL

Section 4. Qualifications of Arbitrators. An Arbitrator must possess all of the following qualifications:

- a. Filipino;
- b. Of legal age;
- c. In full enjoyment of his/her civil rights;
- d. Know how to read and write;
- e. Not related by blood or marriage within the sixth degree to either parties in the controversy;
- f. Must not have any financial, fiduciary or other interest in the controversy;
- g. Has no personal bias which might prejudice the right of any party to a fair and impartial award;

- h. Possesses the competence to resolve the cooperative issues involved; and
- i. Must be accredited by the Authority.

The Authority shall issue a list of Accredited Voluntary Arbitrators, who shall be called upon or appointed to conduct Arbitration Proceedings on a cooperative dispute.

Any employee or officer of the Authority may likewise be appointed as Voluntary Arbitrator if he/she possesses the necessary qualification.

Section 5. Powers/Authority of the Voluntary Arbitrator/s. The Voluntary Arbitrator/s shall have the following powers/authority:

- a. To conduct hearings and receive evidence necessary to resolve the issue/s subject of the dispute;
- b. To require the attendance of persons in hearing/s as a witness
- c. To cause the production of documents that are relevant and material to the resolution of the case;
- d. To administer oath;
- e. To cite in contempt any person who shall disrupt the proceedings and/or who willfully defy lawful orders of the Voluntary Arbitrator/Arbitrators;
- f. To render an Award;
- g. To order any party to avail provisional reliefs for the protection of the subject matter of the dispute, pursuant to the provisions of R.A. 9285 and its Implementing Rules and Regulations;
- h. To issue Writs of Execution; and
- i. To exercise such other powers and functions as may be necessary to resolve the dispute.

Section 6. Number of Arbitrators. A Sole Arbitrator or an Arbitral Tribunal composed of three (3) Arbitrators shall be appointed to resolve a dispute. The CDA shall confirm the appointment of the Arbitrator/s as chosen and agreed upon by the parties and embodied in the Arbitration Agreement or submission for arbitration.

If within fifteen (15) days from receipt of the notice sent by the Secretariat, the parties are unable to agree on the method of constituting the Arbitral Tribunal, the CDA taking into consideration the issues of the dispute/s shall appoint the Voluntary Arbitrators in accordance with these Rules.

Section 7. Sole Arbitrator. Where the parties have agreed that the dispute(s) shall be resolved by a Sole Arbitrator, each party shall nominate three (3) qualified Voluntary Arbitrators from the list of CDA– Accredited Arbitrators in the order of their preference for appointment as Voluntary Arbitrators. If the parties fail to submit the names of their nominees within the period prescribed by these Rules, the CDA shall appoint the Sole Arbitrator.

If the parties have a common nominee, the CDA shall appoint him/her as Sole Arbitrator, provided he/she is not disqualified and has declared his/her availability. In the absence of a

common nominee or in cases where the common nominee is disqualified or is not available, the CDA, shall appoint a Sole Arbitrator who is not a nominee of any of the parties provided he/she is not disqualified and is available for appointment.

Section 8. Arbitral Tribunal. Where the parties agree that the dispute shall be resolved by an Arbitral Tribunal, each party shall nominate four (4) Arbitrators from the list of CDA Accredited Arbitrators in the order of their preference for appointment as Voluntary Arbitrators. If there is no common nominee, the CDA shall appoint as members of the Arbitral Tribunal, one (1) from the nominees of the Complainant and another from the nominees of the Respondent. The Third Arbitrator shall be selected by the two (2) Arbitrators first appointed within fifteen (15) days from acceptance of their appointment. The three (3) Arbitrators shall decide among themselves who will be the Chairperson. In case of failure to agree on the third member within such period, the CDA shall, within fifteen (15) days thereafter, appoint the third member from its list of accredited arbitrators.

If there is a common nominee, the CDA shall appoint such nominee and one (1) other nominee from each list submitted by the parties. If there are two (2) common nominees, the CDA shall appoint them and the third member shall be selected by the first two (2) appointees within the period prescribed above. If there are three (3) common nominees, all of them shall be appointed.

The appointees so constituted as Arbitral Tribunal shall designate the Chairperson from among themselves.

Section 9. Disqualification of or Non-acceptance by Nominees. If the nominee/s of a Party is disqualified, fails or refuses to accept the appointment, the CDA shall choose and appoint from among the accredited and qualified Arbitrators.

Section 10. Challenge. The appointment of an Arbitrator may be challenged by a party at any time after his appointment but before the lapse of the period to file a memoranda under Section 60 of these Rules on the ground of his/her partiality, bias, incompetence, professional misconduct or other grounds for the disqualification of an Arbitrator. A party may also request the inhibition of an Arbitrator on the same grounds.

The challenge, motion, or request shall be in the form of a verified complaint stating the facts complained of, supported by affidavits and documents, if any, of persons having personal knowledge of the facts alleged.

Within fifteen (15) days from receipt of the challenge, the challenged Arbitrator shall decide whether he/she shall accept the challenge or reject it. If he/she accepts the challenge, he/she shall voluntarily withdraw as Arbitrator. If he/she rejects it, he/she shall communicate, within the same period of time, his/her rejection of the challenge and state the facts and arguments relied upon for such rejection. In the case of an Arbitral Tribunal, the challenge shall be decided by the Tribunal itself. If the Sole Arbitrator or Arbitrator concerned rejects the challenge, the challenging party may request the CDA in writing to decide on the challenge within thirty (30) days after having received notice of the decision rejecting the challenge. The CDA shall decide on the challenge within fifteen (15) days from

receipt of the request. The decision of the Arbitral Tribunal or the CDA to accept or reject a challenge is not subject to appeal or motion for reconsideration.

In case the challenged arbitrator voluntarily inhibits himself/herself or is removed, the CDA shall appoint his/her replacement. If the Arbitrator concerned is the third member of the Arbitral Tribunal, the first two (2) members thereof shall select his/her replacement. The decision of the CDA to retain, remove or replace a Voluntary Arbitrator shall be final.

Section 11. When Arbitrator Previously Acted as Conciliator/Mediator. A Voluntary Arbitrator who previously acted as conciliator/mediator in the same controversy cannot act as Arbitrator for the same case when brought to arbitration, unless all the parties consent to his appointment in writing.

Section 12. Communication of Appointments. The Secretariat shall communicate to the Arbitrator/s their appointment.

Section 13. Disclosure by Arbitrator of Disqualification. Upon acceptance of an appointment, the Arbitrator/s shall disclose in writing to the CDA any circumstance that may create bias or which he/she believes might disqualify him/her as an impartial Arbitrator. The written disclosure shall be communicated immediately to the parties by the Secretariat. The disclosure shall enable either party to investigate and ascertain whether there is a substantial legal basis to file a motion for inhibition/challenge of the arbitrator concerned or seek his/her replacement.

Section 14. Acceptance or Refusal. The Sole Arbitrator must communicate to the Secretariat his/her acceptance or refusal of the appointment within five (5) working days from receipt thereof. If no communication is received within the prescribed period, the CDA shall appoint another from the list of the party who nominated him/her or, if none is available or qualified, from the list of CDA Accredited Arbitrators. The parties shall be notified in writing by the Secretariat of such acceptance.

Section 15. Vacancies. If any Arbitrator should resign, be incapacitated, refuse , or be disqualified for any reason to perform his/her duties, the CDA shall, within five (5) working days from the occurrence of a vacancy or refusal/inability to accept appointment, appoint a substitute to be chosen from a list of alternatives previously agreed upon by the parties. In the absence of such a list, the CDA shall fill the vacancy from the list of CDA Accredited Voluntary Arbitrators.

Section 16. Extent of Power of Arbitrator. The Sole Arbitrator or the Arbitral Tribunal shall decide on issues submitted for adjudication. They have no power to modify, alter or amend any of the terms of the contract or any supplementary agreement thereto, or any rule, regulation or policy promulgated by the CDA.

Section 17. Appointment of Experts. The service of technical or legal experts may be engaged in the settlement of disputes if requested by any of the parties or by the Sole Arbitrator/Arbitral Tribunal. If the request for an expert is done by either or by both of the

parties, it is necessary that the engagement of the expert be confirmed by the Sole Arbitrator/Arbitral Tribunal.

Whenever the parties request for the services of an expert, they shall equally shoulder the expert's fees and expenses, half of which shall be deposited with the Secretariat before the expert renders service. When only one party makes the request, he/she shall deposit the whole amount required.

If the engagement of an expert is required by the Arbitrator/s, the cost of such service/s shall be considered part of the arbitration expenses which may be ordered to be paid by the losing party or by both parties as the arbitrator/s in his/her/their award may adjudge, in the absence of a provision in the Terms of Reference signed by the parties relative to the sharing of these expenses; provided, however, both parties consented to the engagement of an expert.

CHAPTER II. JURISDICTION.

Section 18. Jurisdiction of the Sole Arbitrator/Arbitral Tribunal. It shall have original, exclusive and primary jurisdiction over disputes among members, officers, directors, committee members, intra-cooperative, inter-cooperative, intra-federation or inter-federation disputes which were not settled amicably in accordance with the Conciliation/Mediation Mechanisms. Moreover, the Sole Arbitrator/Arbitral Tribunal shall continue to exercise exclusive and original jurisdiction over the afore-mentioned disputes although the arbitration is commercial pursuant to R.A. 9285, Section 21, the Alternative Dispute Resolution Act of 2004. It shall likewise have jurisdiction over cooperatives with arbitration agreements in their Articles of Cooperation, By-laws, contracts or other form of written communication between and among the parties or in the absence of an Arbitration Agreement, the parties agree to submit to Voluntary Arbitration and shall submit a copy of their written agreement to submit their dispute to Voluntary Arbitration or the parties may submit a Submission Agreement.

These rules shall not apply to disputes arising from employer-employee relationships, cases involving criminal liability, and other matters which by law cannot be subject of a compromise.

Section 19. Submission to CDA Institutional Voluntary Arbitration Jurisdiction. An arbitration clause/arbitration agreement or a submission to arbitration of a cooperative dispute shall be deemed an agreement to submit an existing or future controversy to the jurisdiction of the CDA Institutional Voluntary Arbitration proceedings, notwithstanding the reference to a different arbitration institution or arbitral body in any document, contract or submission.

An arbitration agreement or a submission to arbitration shall preferably be in writing, or in some other forms, as long as the intent is clear that the parties agree to submit a present or future controversy arising from disputes mentioned in Article 137 of R.A. 9520.

It may be in the form of exchange of letters sent by post, courier, electronic means or by telefax, telegrams or any other mode of communication.

Section 20. Jurisdictional Challenge. A Motion to Dismiss may be filed on the basis of lack of jurisdiction which shall be resolved by the appointed Arbitral Tribunal/Sole Arbitrator.

Section 21. Exclusive and Original Jurisdiction of the Voluntary Arbitrator/s. The Voluntary Arbitrator/s mutually chosen by the parties, or appointed by the Appointing Authority in accordance with these Rules, shall have exclusive and original jurisdiction over the dispute, and their decision shall be appealable to the Office of the President of the Republic of the Philippines. The Appeal is taken by filing a Notice of Appeal within fifteen (15) days after receipt of the copy of the Award appealed from. If no appeal is filed within the time as provided herein, such Award becomes final and executory.

Section 22. Interpretation and Application of Rules. The Sole Arbitrator or the Arbitral Tribunal shall interpret and apply these Rules in so far as they relate to his/its powers and duties. Where there is an Arbitral Tribunal, and a disagreement arises among the Arbitrators concerning the meaning or application of these Rules, the same shall be decided by a majority vote.

CHAPTER III. EFFECT OF THE AGREEMENT TO ARBITRATE.

Section 23. When Arbitration Cannot Proceed. Where there is no existing arbitration agreement, or there was no submission for arbitration by the parties in the manner provided by these Rules, the arbitration cannot proceed and the claimants shall be informed of that fact.

Section 24. Failure or Refusal to Arbitrate. Where a complaining party properly invokes the jurisdiction of the Authority to resolve the dispute through voluntary arbitration by filing a Verified Request/Complaint for Arbitration, the failure or refusal of the respondent to arbitrate shall not affect the proceedings. In such a case, the CDA shall appoint the Sole Arbitrator or the members of the Arbitral Tribunal from among the list of accredited arbitrators. In the absence of any agreement as to the number of voluntary arbitrators who shall compose the tribunal, the default number shall be three (3) voluntary arbitrators. In case of disputes covered by small claims, the same shall be resolved by a Sole Arbitrator. The arbitration proceeding shall continue notwithstanding the absence or lack of participation of the Respondent, and the award shall be made on the basis of the evidence presented by the complainant. If at any time before the award, the Respondent shall appear and offer to present his evidence, the Arbitrator/s shall reopen the proceedings and allow the Respondent to present his evidence, but evidence already received and recorded shall not be affected by the reopening of the proceedings.

CHAPTER IV. FILING.

Section 25. Contents of the Verified Request/Complaint. The Verified Request/Complaint shall contain:

1. The Names and Addresses of the Complainant/s and Respondent/s;
2. A Brief Description of the statement of claim and the Documentary Evidence, if any; and
3. The Relief Prayed For.

Section 26. Condition Precedent.

A complaint filed by an affiliated primary cooperative shall include a Certificate of Non-Settlement issued by its federation/union.

If the primary cooperative is unaffiliated, its Conciliation/Mediation Committee shall issue a Certificate of Non-settlement and a Certificate of Non-Affiliation signed by the Chairperson of the Board of Directors.

Failure or refusal of the conciliation/mediation committee to conduct the conciliation/mediation proceedings and/or to issue a Certificate of Non-Settlement within five (5) calendar days from the request to conciliate/mediate, the party in interest shall submit an Affidavit stating such fact.

Any complaint which does not satisfy the documentary requirements shall be considered as not filed.

Section 27. Summons. The Secretariat shall issue a notice/summons together with a copy of the Verified Request/Complaint within ten (10) working days to the respondent.

Section 28. Time to Answer. The Respondent shall, within fifteen (15) days from receipt of the summons and verified request/complaint, file his/her Answer containing statements of defense and including such counterclaims as he/she may assert. The Complainant shall be furnished a copy of the Answer. The Respondent, however, may apply to the Secretariat for an extension of time not to exceed ten (10) days to file his answer. Failure of the Respondent to file his/her Answer, the Arbitration Proceedings will commence.

Section 29. Reply to Counterclaim. The Complainant shall file a reply to the answer and to the counterclaim, if any, and shall furnish respondent a copy thereof within ten (10) days from date of receipt of the Answer.

Section 30. Number of Copies. All pleadings and other documents submitted by the parties, shall be filed in four (4) original copies, with proof of service.

Section 31. Mode of Service and Filing. All pleadings and other documents shall be filed and served through personal service or registered mail, *Provided*, That there is sufficient explanation why resort to such mode of service was made. If a party is represented by

Counsel, service of notice and other pleadings and communications to Counsel is considered notice to the party concerned.

Section 32. Notices. Notifications or communications from the Secretariat and/or the Arbitrator/s shall be validly made if they are delivered against receipt or forwarded by registered mail to the address or last known address on record of the party/ies for which the same are intended.

CHAPTER V. COMMENCEMENT OF ACTION.

Section 33. Filing of Complaint. A party to a dispute not settled through a Conciliation/Mediation Proceeding in the primary and union/federation level may file an action for Voluntary Arbitration by filing a Verified Complaint with a Certificate of Non-Forum Shopping, in the prescribed form and number of copies with the Authority's Legal Division, serving as the Secretariat. The CDA-Extension Offices can likewise receive complaints and shall transmit the same to the Secretariat. The date of the commencement of the action shall be the date of receipt of the verified complaint by the Secretariat.

Section 34. Preliminary Conference. A preliminary conference shall be conducted, after the Respondent has filed his/her Answer. The Arbitrator/Arbitral Tribunal shall notify the parties at least five (5) days before the date set for the preliminary conference, to consider the following:

- a. Possibility of an amicable settlement;
- b. Necessity of amendments to pleadings;
- c. Possibility of obtaining stipulations or admission of facts and/or documents to avoid unnecessary proof;
- d. Limitation of the number of witnesses;
- e. Simplification of issues; and
- f. Such other matters as may aid in the just and speedy disposition of the case.

Section 35. Effect of Non-Appearance of Parties. The non-appearance of the complainant without a valid excuse shall be a ground for the dismissal of the complaint. In the case of the non-appearance of the respondent, the complainant may file a Motion to continue with the proceedings.

In case Respondent's whereabouts are unknown or cannot be ascertained, a notice by publication in a newspaper of general circulation shall be made at the expense of the Complainant, otherwise the complaint shall be dismissed and a Certificate of Non-Resolution shall be issued to the Complainant. In both instances, the expenses shall be for the account of the complainant.

If the parties appear in the Preliminary Conference, and no intent to submit to arbitration has been manifested and conveyed, they shall be required to sign a Submission Agreement.

Section 36. Contents of the Terms of Reference (TOR). The TOR shall be formulated on the basis of the documents submitted and agreements reached in the preliminary and subsequent conferences of the parties and shall include the following:

1. Full names of the parties and their personal circumstances;
2. Addresses of the parties to where notices shall be sent;
3. Summary of the parties' respective claims;
4. Definition of the issues to be determined;
5. Arbitrators' full names, and addresses;
6. Place of arbitration;
7. Application for interim relief;
8. Language to be used;
9. Agreement as to the payment fees; and
10. Such other agreements as may be necessary for the enforcement of the Arbitral Award.

The TOR shall be signed by the parties and the Arbitrator/s within fifteen (15) days from the date of the preliminary conference or from the date of the last meeting held for the purpose of finalizing the TOR. It shall be transmitted to the Secretariat within three (3) days. Upon the Arbitrator's request, the CDA, through the Secretariat, may, in exceptional circumstances, extend this period.

Section 37. Arbitration to Proceed Even Without the Terms of Reference. Except in cases where arbitration cannot proceed under Section 13 of these Rules, arbitration shall proceed despite the absence of the TOR due to the refusal of any of the parties to sign, participate despite a valid arbitration complaint or for reasons other than the exceptions stated above. In the absence of a TOR, all of the issues and related matters in the pleadings filed by the parties and admitted by the Sole Arbitrator or the Arbitral Tribunal, as the case may be, shall be deemed submitted for resolution by the appointed arbitrator/s. In this instance, the Sole Arbitrator/Arbitral Tribunal shall have full control of the proceedings.

Section 38. Venue, Date and Time of Hearing. The venue, date and time of the arbitral proceedings shall be mutually agreed upon by the parties and the Sole Arbitrator or an Arbitral Tribunal. In case of disagreement, the choice of the Sole Arbitrator/Arbitral Tribunal shall prevail.

CHAPTER VI. ARBITRATION PROCEEDINGS.

Section 39. Attendance During Hearings. Persons having direct interest in the arbitration are entitled to attend the hearings. It shall be discretionary upon the Sole Arbitrator/Arbitral Tribunal to determine the propriety of the attendance of any other person. The Sole Arbitrator/Arbitral Tribunal shall have the power to require the exclusion of any witness.

Section 40. Recording of Proceedings. Proceedings before a Sole Arbitrator or an Arbitral Tribunal may be recorded by a personnel designated by the CDA or the Arbitrator/s by

means of any audio and/or audio visual recording equipment, such as, but not limited to, tape recorders, compact discs and video cameras, or if a stenographer is available, either through stenographic notes or minutes taken of the proceedings. All recordings on tapes, films, cassettes, discs, or diskettes shall be done by a personnel designated by the CDA. The custody, safekeeping and eventual disposal of such recordings after the resolution of the case shall be with the Secretariat. Copies of such recordings including transcripts and minutes of the proceedings shall be made available to the parties upon request for a nominal fee. The Sole Arbitrator or the Chairperson of the Arbitral Tribunal, as the case may be, may opt to dispense with the use of recording devices or stenographic services and take down notes of the proceedings himself/herself/themselves. Such notes taken shall be filed with the CDA and shall be part of the records of the case. Copies of the notes filed shall be made available to the parties, upon request, at reproduction cost.

Section 41. Control over Proceedings. The Sole Arbitrator/Arbitral Tribunal shall exercise complete control over all proceedings to ensure a speedy, adequate and justifiable disposition of all dispute/s and case/s submitted to them for resolution.

Section 42. Adjournments. The Sole Arbitrator/Arbitral Tribunal for good cause shown may adjourn the hearing upon his/its own initiative or upon the request of one of the parties. Adjournment, as far as practicable, shall not be more than fifteen (15) working days. Hearings may be adjourned for more than fifteen (15) working days when such have been suspended due to payment defaults of any or both of the parties. The Sole Arbitrator/Arbitral Tribunal shall order the suspension of hearings upon advice by the CDA of non-payment of arbitration fees by one or both parties. Hearings shall resume upon notice by the CDA of compliance by the non-complying party/ies.

Section 43. Arbitration in the Absence of the Party. After the preliminary conference, the Arbitration may proceed despite the absence of any party who after due notice fails to be present or fails to obtain an adjournment. An award, however, shall not be made solely due to the default of a party but on the basis of evidence submitted and proven.

Section 44. Waiver of of Right to Object. Should a party proceeds with the arbitration despite knowledge of non-compliance of the provisions or requirements of these Rules and fails to state his/her objection thereto in writing prior to the rendition of the award, he/she shall be deemed to have waived his/her right to object.

Section 45. Expenses and Deposit. Arbitration expenses shall include the filing fee, administrative charges, arbitrator's fees, fee and expenses of the expert, and other fees which may be imposed by the institution.

The administrative charges and arbitrator's fees shall be in accordance with the Schedule of Administrative Charges and Arbitrator's Fees as promulgated by the CDA.

There shall be a filing fee of Three Hundred Pesos (P300.00) plus a deposit equivalent to 10% of the expected arbitrator/s' fees or P 5,000.00, whichever is higher, upon filing of the claim. The Respondents shall likewise pay the deposit as specified.

Section 46. Freedom to Settle. The parties shall be free to settle the dispute/s at any time during the course of the arbitration proceedings. In such case, the actual expenses incurred for arbitration shall be charged against the deposit. If the deposit is insufficient, the parties shall equally shoulder the balance. Where the arbitrators have been appointed and proceedings have commenced, the arbitration fees to be charged against the parties shall be in accordance with the stage of proceedings. If the arbitrator/s have already been appointed, the parties may jointly withdraw from or submit to the arbitrator/s their compromise agreement for the rendition of the award.

Section 47. Quorum. Two members of the tribunal shall comprise a quorum for the purpose of conducting a hearing.

Section 48. Briefing on Rules and Procedures. During the initial hearing, the Sole Arbitrator/Arbitral Tribunal shall inform the parties of the general rules and procedures that will be adopted to ensure a speedy and adequate disposition of the issues.

Section 49. Opening Statements. The initial proceedings shall start with an opening statement by the parties or an explanation of the issues and allegations, evidence to prove the issues to substantiate the allegations and the relief sought.

Section 50. Clarification of the Issues. After the opening statements, the Sole Arbitrator/Arbitral Tribunal shall clarify and further redefine the issues, if necessary.

Section 51. Order of Presentation. The Sole Arbitrator/Arbitral Tribunal shall determine the order of presentation. The party who seeks to enforce a right or establish a claim shall present his/her evidence first, followed by the adverse party.

Section 52. Expeditious Procedures. The Sole Arbitrator/Arbitral Tribunal shall at all times adopt the expeditious procedure in the introduction and reception of evidence, and shall ensure that equal opportunity is granted to the parties in the presentation of their respective evidence.

Section 53. Presentation of Evidence. The parties shall present their evidence and such other additional documents and witnesses as the Sole Arbitrator/Arbitral Tribunal shall deem necessary for the resolution of the dispute/s. The Sole Arbitrator/Arbitral Tribunal shall act according to the merits of the case, and shall not be bound by any technical rules of evidence. All evidence shall be taken in the presence of the Arbitrator or a majority of the Arbitrators in an Arbitral Tribunal, and before all the parties, unless a party has waived his right to be present or is absent.

Upon motion of either or both of the parties, or on the initiative of the Sole Arbitrator/Arbitral Tribunal, any person, board, body, tribunal, government office, agency, instrumentality, or cooperative may be requested to produce real or documentary evidence for the proper adjudication of the issues.

The Sole Arbitrator/Arbitral Tribunal may likewise direct a person to testify during the arbitration proceedings.

Unless the parties agree on a different method of presentation of evidence, the Sole Arbitrator/Arbitral Tribunal shall require the simultaneous or successive submission of affidavits of the witnesses which shall contain the direct and rebuttal testimony, and the documents in support of their respective declarations.

Section 54. Examination by Sole Arbitrator/Arbitral Tribunal. The Sole Arbitrator/Arbitral Tribunal shall conduct the direct and cross-examination of the witnesses regardless of whether the parties are represented by counsel. A party may request for a counsel to conduct a direct or cross-examination of the witness presented

Section 55. Documentary Evidence. All documentary evidence presented and offered shall be accepted unless the same is found to be completely irrelevant or fraudulent by the Sole Arbitrator/Arbitral Tribunal.

Section 56. Offer of Documents. All documents shall be offered and filed within five (5) days from the termination of the hearing. All parties shall be afforded the opportunity to examine the submitted documents.

Section 57. Ocular Inspection. The Sole Arbitrator/Arbitral Tribunal may, with due notice to the parties, during office hours, conduct an ocular inspection on building, and shall inquire from any officer, employee, laborer, or any other person, information or data relative to the object of the controversy.

Section 58. Power of the Sole Arbitrator/Arbitral Tribunal to Grant Interim Measures.

(a) Unless otherwise agreed by the parties, the Sole Arbitrator/Arbitral Tribunal may, at the request of a party, and any time during the proceedings, issue interim measures or modify provisional reliefs for the protection of the subject matter of the dispute. Such interim measures may include, but shall not be limited to, preliminary injunction, appointment of a receiver or the, preservation or inspection of property subject of the dispute.

(b) Rules on the Availment of Provisional Relief:

1. A written application for provisional relief shall be made by a party against an adverse party stating the relief requested, the grounds for the request and the evidence in support of the provisional relief requested.
2. Grounds for the grant of provisional relief:
 - a. To prevent irreparable loss or injury;
 - b. To provide security for the performance of an obligation;
 - c. To produce or preserve evidence, or
 - d. To compel the performance of an appropriate act.
3. The order granting provisional relief may be conditioned upon the provision of security or any act or omission specified in the order

4. The order granting or denying an application for interim relief shall be binding upon the parties.
5. A party may apply for assistance with the Court in the implementation or enforcement of the provisional relief issued by the Sole Arbitrator/Arbitral Tribunal.

A party who does not comply with the interim measures/provisional relief issued shall be liable for damages including expenses in the enforcement of the provisional relief and attorney's fees.

(c) The sole arbitrator/arbitral tribunal shall, before rendering an award, without prejudice to the rights of any party to petition the court, shall take measures to safeguard the subject of the dispute.

Section 59. Termination of the Hearings. The hearing shall be terminated after the presentation and offer of evidence shall have been completed.

Section 60. Submission of Memoranda. The parties shall submit their respective memoranda within five (5) working days from the date of the termination of the hearing or from the date of the filing of additional documents, if previously agreed upon by the parties, whichever comes first.

Section 61. Award on the Pleadings. In lieu of a formal hearing, the parties may, after the filing of pleadings, documents, evidences, or memoranda, agree to submit the issues for resolution.

CHAPTER VII. ARBITRAL AWARD.

Section 62. Time of Award. The Sole Arbitrator/Arbitral Tribunal shall render an Award within thirty (30) days from the date the parties agreed to submit the case for resolution or upon the lapse of the period to file their respective memoranda. The period to render the Award shall not be extended unless approved by the CDA.

Section 63. Form and Contents of Award. The Award must be in writing and shall set forth in clear, concise and unequivocal terms the facts and the law and/or contract upon which the Award was based and signed by the Arbitrator/s. In the case of an Award by an Arbitral Tribunal, the decision of the majority shall prevail. However, each Arbitrator must indicate his/her concurrence or dissenting opinion on the Award. A copy of the Award shall be furnished the CDA.

Section 64. Award by virtue of a Settlement. If the parties settle their dispute/s during the course of the arbitration proceeding, the Sole Arbitrator/Arbitral Tribunal shall render an Award based on the agreed settlement of the parties.

Section 65. Award, What is Included. The award shall also include the cost of the arbitration proceedings and the sharing of fees.

Section 66. Termination of Jurisdiction. The jurisdiction of the Sole Arbitrator/Arbitral Tribunal over the dispute shall be terminated upon the finality of the Award. However, in cases where an appeal is taken, its jurisdiction is terminated only upon the final disposition of the case by the appellate Body.

Section 67. Notification to Parties on the Award Rendered. The Secretariat shall notify and send copies of the Award to the parties and their respective Counsels. Additional copies may be obtained from the Secretariat for a fee.

Section 68. Deposit of Award. The Secretariat shall be the depository of Awards rendered in accordance with these Rules.

Section 69. Motion for Correction of Award. A Motion for Correction on the Award rendered shall be filed within fifteen (15) days from receipt thereof when there is a typographical error, error in the stated figures or arithmetical errors, errors on the date, errors in the description of a person or property referred to in the award.

The filing of Motion for Correction on the Award on the grounds herein mentioned shall interrupt the running of the period to appeal.

Section 70. Appeal to the Office of the President of the Republic of the Philippines. A Notice of Appeal shall be taken within fifteen (15) days from receipt of the copy of the Award to the Office of the President. If no appeal is filed within the time provided, the Award shall become final and executory.

Section 71. When Executory. An arbitral award shall become executory upon the lapse of fifteen (15) days from receipt thereof by the parties. If the Award is appealed it shall become executory only upon the issuance of an Entry of Judgment in the appellate Body.

CHAPTER VIII. EXECUTION OF FINAL AWARD.

Section 72. Execution and Enforcement of Awards. The Sole Arbitrator/Arbitral Tribunal with the concurrence of the CDA, *motu proprio* or upon motion of the prevailing party, shall issue a writ of execution on an Award that has become final and executory to the Sheriff or other proper officer for its enforcement

CHAPTER IX. CONFIDENTIALITY AND EXEMPTIONS FROM LIABILITY FOR OFFICIAL ACTS.

Section 73. Confidentiality of Proceedings. Arbitration Proceedings shall be confidential and shall not be published, except: (i) with the consent of the parties, or (ii) when necessary in case resort to the court is made under the Rules of Court.

The term "arbitration proceedings" shall include communications to or from the CDA and/or Voluntary Arbitrator, the pleadings, applications and other papers filed with the CDA and/or voluntary arbitrator, sworn statements, documentary and testimonial evidence, reports and minutes taken of the proceedings, orders, award or resolutions issued by the Sole Arbitrator/Arbitral Tribunal.

Section 74. Exemptions from Liability for Official Acts. Voluntary Arbitrators shall not be liable for acts done in the performance of their official duties except in a clear case of bad faith, malice or gross negligence, as provided in Section 38 (1), Chapter 9, Book 1, of the Revised Administrative Code of 1987.

PART II SPECIAL PROVISIONS

RULE I HOUSING COOPERATIVES

Pursuant to the provisions of Art. 62(13) (par.2) under Chapter V of Republic Act No. 9520, otherwise known as the Philippine Cooperative Code of 2008, the Cooperative Development Authority, in consultation with NHA, HDMF, HLURB, HUDCC, SSS, LBP, SHFC, DBP, HGC, DILG, DENR and the concerned cooperative sector, hereby promulgates these rules and regulations for Housing Cooperatives.

Section 1. Coverage. This Rule shall cover all cooperatives duly registered with the Authority under R.A. 9520 organized to assist or provide access to housing for the benefit of their regular members.

Section 2. Organization. Fifteen (15) or more natural persons who are Filipino citizens, of legal age, having a common bond of interest and actually residing or working in the intended area of operation, may organize a housing cooperative.

Section 3. Purposes and Objectives. A Housing Cooperative shall be organized primarily to facilitate access and provide affordable housing units to its members, and for any or all of the following purposes:

1. To create a resource mobilization program to ensure financial stability for the cooperative.
2. To foster and strengthen the principle of cooperativism by promoting a comprehensive and integrated community development program which is planned and managed by the cooperative members thereby ensuring a sustained and self-reliant cooperative community.

3. To develop collaborative efforts and partnership with other cooperatives, with the CDA, NHA, HDMF, SSS, LBP, DBP, HUDCC, HLURB, DILG, SHFC, HGC and other public or private entities thereby assuring availability of resources and lower cost of housing development.
4. To expand the cooperative business operations by stabilizing the available resources for the continuing production of housing units for its members.
5. To undertake such other economic or social activities as may be necessary or incidental in the pursuit of the foregoing purposes.

Section 4. Housing Projects. Housing Cooperatives may engage in the construction, development and/or management of housing projects.

Section 5. Registration Jurisdiction. Housing Cooperatives shall file their duly accomplished application for registration with the CDA Extension Office, which shall have jurisdiction over the said cooperative.

Section 6. Capitalization. For purposes of registration with the Authority, a housing cooperative shall have a minimum paid-up capitalization of Fifteen Thousand Pesos (Php 15,000.00).

Section 7. Requirements for Registration. The following shall be complied with upon filing of application:

A. New Applicant

- (1) Cooperative Name Reservation Notice (CNRN);
- (2) Articles of Cooperation and By-Laws;
- (3) Sworn Statement of the treasurer elected by the subscribers showing that at least twenty-five per centum (25%) of the authorized share capital has been subscribed and at least twenty-five per centum (25%) of the total subscription has been paid: *Provided*, That in no case shall the paid-up share capital be less than Fifteen Thousand Pesos (15,000.00);
- (4) Surety Bond of Accountable Officers handling funds, properties and securities;
- (5) Pre-Membership Education Seminar (PMES);
- (6) Economic Survey;
- (7) Pre-Feasibility Study of the housing projects undertaking as reviewed by NHA;
- (8) Undertaking to Change Name in the event that another cooperative has acquired prior right to the use of the proposed name; and
- (9) Registration Fee.

B. Existing Cooperative

- (1) Amended Articles of Cooperation and By-laws;
- (2) A Resolution certified by the Board Secretary and by the majority of the Board of Directors stating that the said amendments have been duly approved by at least two-thirds (2/3) vote of the members with voting rights;

- (3) Audited Financial Statements showing profitable operations for the past two (2) years;
- (4) Pre-feasibility study of the housing projects undertaking as reviewed by NHA;
- (5) Proof of business track record of the cooperative; and
- (6) Amendment Fee.

Section 8. Financing and Technical Assistance. The Authority, in coordination with the appropriate government agencies and financial institutions, shall assist the housing cooperative in availing technical and financial assistance for its housing projects.

A blanket loan or long term wholesale loans for the financing of the housing projects undertaken by housing cooperatives shall be created by the appropriate housing agencies and government financial institutions (GFIs) with interest rates and terms equal to, or better than those given for socialized housing project in accordance with their charters and rules and regulations.

CDA and GFIs shall exercise prudence in providing special loan windows to housing projects of cooperatives and shall craft the Joint Implementing Rules and Regulations on Establishing Special Loan Windows for Housing Projects of Cooperatives which includes the system of identifying, measuring, monitoring and controlling risks arising from said activity.

Provided further, That the created special loan window complies and observes the provisions of the Manual of Regulations for Banks (MORB), specifically Section X395, as follows:

- a) It is within the provision of their respective charters;
- b) Duly coordinated with the general credit policies and corresponding Schedule of Credit Priorities as embodied in Appendix 23; and
- c) Limit their credit to the economic activities falling Priority II of said schedule to fifty percent (50%) of their outstanding loans at any time.

The financing shall be in the form of blanket loans or wholesale loans to qualified cooperatives without need for individual processing in accordance with existing laws, rules and regulations.

Section 9. Documentary Requirements in Availing for Technical and/or Financial Assistance. The cooperative in availing technical and/or financial assistance shall file its application with the appropriate government financial institutions. GFIs shall provide special accommodation/assistance and leniency to cooperatives relative to evaluation and assessment for the availing of loan under the special loan window for housing projects of cooperatives.

Section 10. Conditions for the Proposed Housing Project. The proposed housing project of the cooperative shall have the following features as certified by the NHA or any other appropriate government agency:

1. **Availability of Land Suitable for Housing.** The land proposed for housing is classified as a safe and buildable area and not affected by any government infrastructure project, agricultural or industrial reserve.
2. **Land Ownership.** The land is owned by the cooperative or there is an on-going negotiation between the landowner and cooperative through a Contract to Sell or Reservation Agreement between the landowner and the cooperative and that the land is free from any liens and encumbrances.
3. **Target Beneficiaries.** The proposed housing project should have at least thirty (30) initial target member-beneficiaries.

Section 11. Membership. Membership in Housing Cooperatives shall be open to all natural Filipino citizens who meet the qualifications for membership prescribed in the Articles of Cooperation and By-laws.

Section 12. Regulatory Power. The Authority shall have the power to regulate the internal affairs of Housing Cooperatives such as:

- a. Exercise of rights and privileges of members;
- b. Formulation of rules and procedures and the conduct of meetings of General Assembly, Board of Directors and Committees;
- c. Manner of election and qualifications of Officers, Directors and Committee Members;
- d. Allocation and distribution of net surplus; and
- e. Other matters relating to the internal affairs of Housing Cooperatives.

All matters relating to the technical aspects of the housing program and such other similar matters affecting the Housing Cooperatives shall be in accordance with the standards promulgated by existing laws.

Section 13. Joint Monitoring and Evaluation Committee. A Joint Monitoring and Evaluation Committee has been created, composed of CDA, as the lead agency, NHA, HLURB, HDMF, HUDCC, SSS, LBP, DBP, SHFC, HGC, DILG, DENR, concerned cooperative sector and other appropriate government agencies and financial institutions.

The Committee shall have the following functions:

1. To formulate joint standards for the proper implementation, monitoring, organization, management, and development of cooperative housing project, all matters relating thereto.
2. To assist in settling inter/intra cooperative disputes.
3. To submit annual accomplishment report to the Authority.
4. To recommend changes to this IRR from time to time as it may deem necessary.

Section 14. Settlement of Disputes. Intra/inter cooperative disputes shall be settled as far as practicable through the conciliation-mediation mechanism embodied under RA 9520, Art. 137, cooperative by-laws, and pertinent issuances.

Should such conciliation-mediation proceedings fail, the matter shall be settled through voluntary arbitration.

However, in cases where the dispute/s fall within the jurisdiction of the HLURB, the same shall be referred to the said agency and it shall be resolved in accordance with the HLURB regulations.

RULE II

AGRARIAN REFORM COOPERATIVES

Pursuant to the provisions of Art.93 (6) and Art.94 (par. 2) under Chapter XI of Republic Act. No. 9520, otherwise known as the Philippine Cooperative Code of 2008, the Authority, in consultation with the DAR, BSP, LBP, and the concerned cooperative sector, hereby promulgates these rules and regulations for Agrarian Reform Cooperatives.

Section 1. Coverage. This Rule shall cover all Agrarian Reform Cooperatives duly registered with the Authority under R.A. No. 9520.

Section 2. Organization. At least fifteen (15) marginal farmers, majority of whom are Agrarian Reform Beneficiaries in an agrarian reform area may organize an Agrarian Reform Cooperative.

Section 3. Purposes and Objectives. Agrarian Reform Cooperatives shall be organized for any or all of the following purposes:

1. To develop an appropriate system of land tenure, land development, land consolidation or land management in areas covered by agrarian reform;
2. To coordinate and facilitate the dissemination of scientific methods of production;
3. To engage in the business of production, processing, storage, transport, and marketing of farm products for Agrarian Reform Beneficiaries and their immediate families, hereinafter referred to as "beneficiaries";
4. To provide financial facilities to beneficiaries for provident or production purposes at the least possible costs;
5. To arrange and facilitate the expeditious transfer of appropriate and suitable technology to beneficiaries and marginal farmers at the lowest possible costs;
6. To provide social security benefits, health, medical and social insurance benefits and other social and economic benefits that promote the general welfare of the agrarian reform beneficiaries and marginal farmers;
7. To provide a non-formal education, vocational/technical training and livelihood program to beneficiaries and marginal farmers;
8. To act as channels for external assistance and services to the beneficiaries and marginal farmers;
9. To undertake a comprehensive and integrated development program in agrarian reform and resettlement areas with special concern for the development of agro-based, marine-based, and cottage-based industries;

10. To represent the beneficiaries on any or all matters that affect their interest; and
11. To undertake such other economic or social activities as may be necessary or incidental in the pursuit of the foregoing purposes.

Section 4. Registration Jurisdiction. Agrarian Reform Cooperatives shall file their duly accomplished application for registration with the CDA Extension Office, which has jurisdiction over the said cooperatives.

Section 5. Registration Requirements. The following shall be complied with upon filing of application:

1. Cooperative Name Reservation Notice (CNRN);
2. Articles of Cooperation and By-Laws;
3. Sworn Statement of the Treasurer elected by the subscribers showing that at least twenty-five per centum (25%) of the authorized share capital has been subscribed and at least twenty-five per centum (25%) of the total subscription has been paid: *Provided*, That in no case shall the paid-up share capital be less than Fifteen Thousand Pesos (Php15,000.00);
4. Surety Bond of Accountable Officers;
5. Pre-Membership Education Seminar (PMES);
6. Economic Survey;
7. Undertaking to Change Name in the event that another cooperative has acquired prior right to the use of the proposed name;
8. Collective CLOA in case of plantation based ARBs;
9. Written verification from the DAR to the effect that the cooperative organization is needed and desired by the beneficiaries; results of a study that has been conducted, fairly indicate the economic feasibility of organizing the same and that it will be economically viable in its operations; that at least a majority of the members are Agrarian Reform Beneficiaries, and the same may now be organized and registered in accordance with the requirements of the Philippine Cooperative Code of 2008; and
10. Registration fee.

Section 6. Cooperative Name. All cooperatives organized for any or all of the purposes/objectives enumerated under Section 3 of this Rule shall always bear the word "Agrarian Reform" whether engaged in the operation of public utilities and services and/or other business activities/services.

Existing ARB Coops under DAR Administrative Order No. 05, s2009, shall amend their cooperative name to conform to this Section.

Section 7. Amendments of Articles of Cooperation and By-laws. Agrarian Reform Cooperatives intending to engage in the operation of public utilities and services shall amend their Articles of Cooperation and By-Laws providing for such services. They shall also comply with the other requirements imposed by the Authority and the appropriate government agencies.

Section 8. Capitalization. For purposes of registration with the Authority, Agrarian Reform Cooperatives shall have a minimum paid up capitalization of Fifteen Thousand Pesos (Php15,000.00). However, to engage in the operation of public utilities and services, the minimum capitalization shall be in accordance with the Rules and Regulations prescribed by the Authority for Multi-Purpose Cooperatives under Rule 3, Part I of the Revised Rules and Regulations Implementing Certain and Special Provisions of the Philippine Cooperative Code of 2008 and by the concerned government agency.

In case the ARB Cooperative engages in public utilities and services, it shall comply with the corresponding requirements prescribed in these Rules and Regulation.

Section 9. Membership Termination and Valuation and/or Transfer of Share Capital. Agrarian Reform Cooperatives, other than plantation-based Agrarian Reform Cooperatives shall be governed by Articles 30, 31 and 74 of RA 9520 and the By-laws of the Cooperative.

However, any plantation-based Agrarian Reform Cooperative which is covered by collective Certificate of Land Ownership Award (CLOA), shall be governed by the Joint DAR-CDA Administrative Order No. 09, Series of 2008 titled "Revised Rules and Regulations on ARB Membership Status and Valuation and/or Transfer of Paid-Up Share Capital in Agrarian Reform Plantation-Based Cooperatives dated September 4, 2008" including any amendments thereto or subsequent issuances.

Section 10. Privileges. Subject to reasonable terms and conditions that may be imposed by the DAR and the Authority, an Agrarian Reform Cooperative duly registered with the Authority may be given exclusive right to do any or all of the following economic activities in agrarian reform and resettlement areas:

- (1) Supply and distribution of consumer, agricultural, aqua-cultural, and industrial goods, production inputs, and raw materials and supplies, machinery, equipment, facilities and other services and requirements of the beneficiaries and marginal farmers at reasonable prices;
- (2) Marketing of the products and services of the beneficiaries in local and foreign markets;
- (3) Provision of essential public services at cost such as power, irrigation, potable water, passenger and/or cargo transportation by land or sea, communication services, and public health and medical care services;
- (4) Management, conservation, and commercial development of marine, forestry, mineral, water and other natural resources subject to compliance with the laws and regulations on environmental and ecological controls; and
- (5) Provision of financial, technological, and other services and facilities required by the beneficiaries in their daily lives and livelihood.

Such terms and conditions shall be jointly formulated by the DAR and the Authority.

Section 11. Preferential Right/Treatment. In agrarian reform and resettlement areas, a duly registered Agrarian Reform Cooperative shall have preferential right/treatment from the government in the following matters:

- (1) In the construction, maintenance and management of roads, bridges, canals, wharves, ports, reservoirs, irrigation systems, waterworks systems, and other infrastructures with government funding. The technical assistance, facilities and equipment for such agrarian reform cooperative shall be provided by the Government.
- (2) In the grant of Franchise and Certificate of Public Convenience and Necessity for the operation of public utilities and services: *Provided*, That it meets the requirements and conditions imposed by the appropriate government agency granting the Franchise or Certificate of Public Convenience and Necessity,

In case of electric service provider in the area, it shall, upon the request of an Agrarian Reform Cooperative, immediately provide electric services in the agrarian reform areas. If the electric service provider fails to provide the services requested within a period of one (1) year, the Agrarian Reform Cooperative may undertake to provide the electric services in the area through its own resources. All investments made by the said Agrarian Reform Cooperative for the electrification of the agrarian reform resettlement areas shall be the subject of sale to the electric service provider once it takes on the service.

Section 12. Lease of Public Lands. Agrarian Reform Cooperatives may lease public lands for a period not exceeding twenty five (25) years, subject to renewal for another twenty five (25) years only, provided the application for renewal shall be made one (1) year before the expiration of the lease and such lease shall be for the exclusive use and benefit of the beneficiaries and marginal farmers subject to the provisions of the CARP, as amended.

Section 13. Cooperative Estates. Landholdings like plantations, estates, or haciendas acquired by the State in accordance with the CARP, as amended, for the benefit of the workers shall be collectively owned through a Collective CLOA by the worker beneficiaries under a cooperative set-up.

Section 14. Assistance. The Government shall provide the necessary financial and technical assistance to Agrarian Reform Cooperatives to enable them to discharge the purposes and objectives under Section 3 of this Rule which shall be in accordance with a joint program for the organization and financing of the Agrarian Reform Cooperatives. The joint program shall be geared towards the gradual assumption of full ownership and management control of the cooperative estate by the Agrarian Reform Cooperatives.

Section 15. Regulatory Power. The Authority shall have the power to regulate the internal affairs of Agrarian Reform Cooperatives such as:

- a. Exercise of rights and privileges of members;
- b. Formulation of rules and procedures and the conduct of meetings of General Assembly, Board of Directors and Committees;
- c. Manner of election and qualifications of Officers, Directors, and Committee Members;
- d. Allocation and distribution of net surplus; and

- e. Other matters relating to the internal affairs of Agrarian Reform Cooperatives.

All matters relating to land acquisition, development of an appropriate system of land tenure, land development, land consolidation, or land management in areas covered by agrarian reform and such other similar matters affecting the Agrarian Reform Cooperatives shall be regulated by the DAR.

All matters relating to land valuation and assessment shall be regulated by the LBP.

Section 16. Financing Program. Any Financing Program to be availed of by Agrarian Reform Cooperatives shall be in accordance with the joint program to be developed by the DAR, the BSP, GFIs, concerned cooperative banks and the Authority.

Section 17. Settlement of Disputes. Intra/inter cooperative disputes shall be settled as far as practicable through the conciliation-mediation mechanism embodied under RA 9520, Art. 137, cooperative by-laws, and pertinent issuances.

Should such conciliation-mediation proceedings fail, the matter shall be settled through voluntary arbitration.

However, in cases where the dispute/s fall within the jurisdiction of the DAR, the same shall be referred to the said agency and it shall be resolved in accordance with the DAR regulation.

RULE III INSURANCE COOPERATIVES

Pursuant to the provisions of Art.108 under Chapter XIII of Republic Act. No. 9520, otherwise known as the Philippine Cooperative Code of 2008, the Authority, in consultation with the Insurance Commission and the concerned cooperative sector hereby promulgate these rules and regulations for Insurance Cooperatives.

Section 1. Coverage. This Rule shall cover all Insurance Cooperatives duly registered under R.A. 9520 organized for the purpose of engaging in the business of insuring the life and property of cooperatives and their members.

Section 2. Organization. Fifteen (15) or more duly registered cooperatives may organize as Insurance Cooperative.

Section 3. Purposes and Objectives. An Insurance Cooperative shall provide its constituting cooperatives and their members with life and property insurance coverage/products, which may include but not limited to, life insurance with special group coverage, loan protection, retirement plans, endowment, health and accident coverage, fire insurance, motor vehicle coverage, bonding, crop, livestock protection and equipment insurance.

It may also provide “micro-insurance products” and the regular insurance products to cooperatives and its members.

Section 4. Membership. Membership in Insurance Cooperative shall be open to all duly registered cooperatives of all types and categories.

Section 5. Registration Jurisdiction. Any applicant cooperative proposing to engage into the business of insuring life and property of cooperatives and their members shall file their duly accomplished application for registration with the CDA Central Office Registration Division. *Provided,* That no application shall be processed unless there is a prior endorsement from the Commission.

Section 6. Capitalization. An Insurance Cooperative shall have a minimum capitalization of at least 50% of those provided under the Insurance Code of the Philippines, as amended, and applicable rules, regulations and laws.

Section 7. Certificate of Authority. An Insurance Cooperative registered with the Authority pursuant to this Rule shall secure a Certificate of Authority from the Commission before it can engage in the business of insurance. Failure to secure the Certificate of Authority within two (2) years from the date of its registration shall be a ground for the revocation/cancellation of the Certificate of Registration.

Said Certificate of Authority shall expire on the last day of December, three (3) years following its date of issuance, and shall be renewable every three (3) years thereafter, subject to the insurance cooperative’s continuing compliance with the provisions of the Insurance Code, circulars, instructions, rulings or decisions of the Commission.

Section 8. Suspension or Revocation of Certificate of Authority. The Commission may, after due notice and hearing, suspend or revoke the Certificate of Authority issued to an Insurance Cooperative for violation of any existing laws, rules or regulations, or any provisions of the Insurance Code.

Section 9. Regulatory Power. The Authority shall have the power to regulate the internal affairs of Insurance Cooperative such as:

- a. Exercise of rights and privileges of members;
- b. Formulation of rules and procedures and the conduct of meetings of the General Assembly, Board of Directors and Committees;
- c. Manner of election and qualifications of Officers, Directors, and Committee Members;
- d. Allocation and distribution of net surplus; and
- e. Other matters relating to the internal affairs of Insurance Cooperatives.

All matters relating to the organization and operations concerning insurance business of such Insurance Cooperative shall be regulated by the Commission as provided for in the Insurance Code and other related rules, regulations and laws.

Section 10. Joint Committee. In order to fully implement the provisions of this Rule, a Joint Committee, to be composed of two (2) representatives each from the Authority and the Commission and a representative from the Insurance Cooperatives shall be formed. The representative from the Authority shall Chair the Committee.

The Joint Committee shall be constituted within thirty (30) days upon effectivity of these Rules and Regulations.

Section 11. Functions of the Joint Committee. The Joint Committee shall have the following functions:

1. To oversee the implementation of this Rule;
2. To ensure compliance with the administrative and other requirements of the Authority and the Commission;
3. To make recommendation on the amendment of this Rule as maybe necessary; and
4. Such other function as it may deem necessary.

Section 12. Limitation. Cooperatives intending to engage in insurance, insurance-like, and other similar activities shall register with the Authority and secure a Certificate of Authority from the Commission.

However, Cooperative Insurance Societies (CIS) are not allowed to serve the insurance needs of other cooperatives that are not member-owners of the CIS. A CIS serving the insurance needs of non-member cooperatives and the general public shall be required to get a commercial insurance license from the Insurance Commission.

Primary Cooperatives which are not licensed by the Commission to engage in insurance business as a commercial insurance are prohibited to engage in insurance, insurance-like and other similar business activities with their members and the public. However, those already engaged in such shall be given a transition period by the Commission to undertake any of the following options:

- (1) To organize an insurance cooperative with other primary cooperatives that have the same insurance-like business activity;
- (2) To organize as a Life or Non-life insurance company;
- (3) To organize as a Mutual Benefit Association; or
- (4) To affiliate with an existing Insurance Cooperative or Mutual Benefit Association.

All existing Insurance Cooperatives with members which are not duly registered with the Authority are hereby given a five (5)-year period from the effectivity of these Rules to terminate and remove such entities from their member registry or convert into a cooperative and register with the Authority. Failure to comply within the given period shall constitute a violation of this Rule and shall be dealt with in accordance with the provisions of RA 9520 and other applicable laws.

Section 13. Settlement of Disputes. Intra/inter cooperative disputes shall be settled as far as practicable through conciliation-mediation mechanism embodied under RA 9520, Art. 137, cooperative by-laws, and pertinent issuances.

Should such conciliation-mediation proceedings fail, the matter shall be settled through voluntary arbitration.

However, in cases where the dispute/s fall within the jurisdiction of the Insurance Commission, the same shall be referred to the said agency and it shall be resolved in accordance with the Commission's regulations.

RULE IV WATER SERVICE COOPERATIVES

Pursuant to the provisions of Art.111 (3) under Chapter XIV of Republic Act. No. 9520, otherwise known as the Philippine Cooperative Code of 2008, the Authority, in consultation with the NWRB, the LWUA, and the concerned cooperative sector, hereby promulgates these rules and regulations for the Water Service Cooperative.

Section 1. Coverage. This Rule shall apply to all cooperatives duly registered with the Authority under R.A. 9520 whose main purpose or one of its purposes is to own, operate, and manage water supply systems for the provision and distribution of potable water to their members and other consumers/customers.

Section 2. Organization. Fifteen (15) or more natural persons who are Filipino citizens, of legal age, having a common bond of interest and actually residing or working in the intended area of operation, may organize a Water Service Cooperative.

Section 3. Membership in Water Service Cooperative. Membership in Water Service Cooperative is composed of two kinds:

- a. Regular Member - refers to a natural person (member-consumer) with water service connection; having the right to vote and be voted upon; and is entitled to all the rights and privileges of membership under the Code.
- b. Associate Member - refers to member-institution or entity availing of the services of Water Service Cooperative, such as, but not limited to: corporation, industrial and commercial establishment, joint venture, other cooperatives, place of worship, local government building or facility, etc, as maybe represented by the head of such establishment or entity, but is not entitled to vote and be voted upon. However, it shall be entitled to the preferential rights and privileges as indicated in the Cooperative By-laws and under the Code.

Section 4. Requirements for Registration. The following shall be complied with upon filing of application:

1. Cooperative Name Reservation Notice (CNRN);
2. Articles of Cooperation and By-laws;
3. Sworn Statement of the Treasurer elected by the subscribers showing that at least twenty-five per centum (25%) of the authorized share capital has been subscribed and at least twenty-five per centum (25%) of the total subscription has been paid: *Provided*, That in no case shall the paid-up share capital be less than Fifteen Thousand Pesos (P15,000.00);
4. Surety Bond of Accountable Officers handling funds properties and securities;
5. Certificate of Pre-Membership Education Seminar (PMES);
6. Economic Survey;
7. Undertaking to Change Name in the event that another cooperative has acquired prior right to the use of the proposed name;
8. Authority to access and use the land by the registered owner and proof of ownership or possession of the land; and
9. Registration fee.

Section 5. Registration Jurisdiction. Water Service Cooperatives shall file their duly accomplished application with the CDA Extension Office, having jurisdiction over the said cooperatives.

Section 6. Capitalization. For purposes of registration with the Authority, a Water Service Cooperative shall have a minimum paid-up capitalization of Fifteen Thousand Pesos (Php15,000.00).

Section 7. Service Area. The cooperative shall only provide services within the area specified in the Certificate of Public Convenience (CPC). In case of expansion, the cooperative shall apply for an extension of service area with the NWRB.

Section 8. Water Permit. Every Water Service Cooperative shall secure a water permit from the NWRB in accordance with the provisions of the Water Code of the Philippines.

Section 9. Regulatory Power. The Authority shall have the power to regulate the internal affairs of Water Service Cooperatives, such as:

- a. Exercise of rights and privileges of members;
- b. Formulation of rules and procedures and the conduct of meetings of the General Assembly, Board of Directors and Committees;
- c. Manner of election and qualifications of Officers, Directors, and Committee Members;
- d. Allocation and Distribution of net surplus; and
- e. Other matters relating to the internal affairs of Water Service Cooperatives.

All matters relating to the CPC such as capitalization and investment requirements, equipment and facilities, water tariff, and such other matters affecting their water service operations shall be governed by the NWRB.

Section 10. Role of LWUA. The LWUA may have the following roles relating to Water Service Cooperatives:

1. To provide technical assistance such as capacity building;
2. To assist in the determination of water potability; and
3. Such other assistance as may be requested by the cooperatives.

Section 11. Preferential Rights. Whenever two or more public service entities have competing interests with respect to the granting and renewal of CPC and one is a Water Service Cooperative duly registered with the Authority under R.A. 9520, the NWRB shall accord preference to the latter over any type of public service entity.

Section 12. Responsibility of Water Service Cooperative. Every Water Service Cooperative shall operate, maintain, and provide safe and adequate potable water service. The concerned Water Service Cooperative shall give notice to its member-consumers in advance of any contemplated interruption of water supply and the probable duration thereof in the area(s) affected. In addition, the Water Service Cooperative's responsibilities shall include:

1. Service Standards
 - a. Service Coverage
 - b. Water Quality
 - c. Reliability of Supply
2. Operational Performance
 - a. Operational Efficiency
 - b. Financial Viability
3. Customer Service
 - a. Service Request and Complaints
 - b. Standard Response Time
4. Operating Policies and Procedures on Billing and Collection
5. Protection of Member-Consumers

In relation to this Section, the cooperative shall develop its own Customer Service Code consistent with its By-laws and in compliance with the NWRB Economic Regulatory Guidelines.

Section 13. Reporting Requirements. All Water Service Cooperatives shall submit reports to the Authority as required under Rule 8 of Part I of the Revised Rules and Regulations Implementing Certain and Special Provisions of the Philippine Cooperative Code of 2008. Other reports required by the NWRB, DOH and other government agencies shall likewise be submitted to the concerned agency.

Section 14. Sanctions and Penalties. All Water Service Cooperatives shall be subjected to corresponding sanctions and penalties as may be imposed by the Authority and the NWRB for violation or non-compliance with administrative and statutory requirements.

Section 15. Effect of Not Securing Water Permit and/or CPC. For Water Service Cooperative operating without water permit and/or CPC, the Authority shall report the matter to the NWRB for appropriate action. The NWRB shall notify the Authority of whatever action taken on the matter. Failure of the cooperative to legalize its operation within two (2) years from the date of referral to the NWRB shall be considered a valid ground for the revocation of its Certificate of Registration, after due process.

Section 16. Action on the Application for CPC. Upon submission of the complete requirements for the issuance of CPC, the NWRB shall either approve or reject the same within six (6) months from date of receipt thereof.

Section 17. Settlement of Disputes. Intra/inter cooperative disputes shall be settled as far as practicable through the conciliation-mediation mechanism embodied under RA 9520, Art. 137, cooperative by-laws, and pertinent issuances.

Should such conciliation-mediation proceedings fail, the matter shall be settled through voluntary arbitration.

However, in cases where the issue/s fall within the jurisdiction of the NWRB, the same shall be referred to the said agency and it shall be resolved in accordance with the NWRB regulation.

RULE V TRANSPORTATION SERVICE COOPERATIVES

Pursuant to the provisions of Art.113 (par. 2) under Chapter XIV of Republic Act. No. 9520, otherwise known as the Philippine Cooperative Code of 2008, the Authority, in consultation with the DOTC, LTO, LTFRB, MARINA, OTC and the concerned cooperative sector, hereby promulgates these rules and regulations for Transportation Service Cooperatives.

Section 1. Coverage. This Rule shall cover all Transportation Service Cooperatives duly registered with the Authority under RA 9520 which are organized to render public services such as land and sea/water transportation services, but is limited to small vessels, for the safe conveyance of passengers and/or cargoes. Transportation Service Cooperatives organized under the provisions of Executive Order No. 898, Series of 1983, shall be governed by Chapter XIV of RA 9520, and by this Rule.

Section 2. Allied Businesses by Transportation Service Cooperative. Subject to pertinent national laws and local ordinances, primary Transportation Service Cooperatives including secondary and tertiary federation of transportation service cooperatives, may engage in a business related to transportation service, including but not limited to:

1. Importation, distribution and marketing of petroleum products in accordance with existing laws;
2. Operation of gasoline stations and transportation service centers;
3. Importation, distribution and marketing of spare parts and supplies; and
4. Marketing of vehicle/drivers insurance policies.

Section 3. Multi-purpose Cooperatives intending to engage in Transportation Service.

Multi-purpose Cooperatives intending to engage in regular passenger and/or cargo services as an additional activity shall comply with the following requirements:

1. Amended Articles of Cooperation and By-Laws;
2. CETOS;
3. Franchise and vehicle units requirement, as provided in this Rule and other requirements as may be prescribed by appropriate regulatory agencies; and
4. Amendment Fee.

Section 4. Registration Jurisdiction. Transportation Service Cooperative shall file their duly accomplished application with the CDA-Extension Office where its principal office is located, which shall have jurisdiction over the said cooperative.

Section 5. Capitalization. For purposes of registration with the Authority, Transportation Service Cooperatives shall have a minimum paid up capitalization of Fifteen Thousand Pesos (Php15,000.00).

However, to operate as such, the minimum capitalization and number of units owned by the cooperative shall be in accordance with the rules and regulations prescribed by the concerned government agency as shown below:

TYPE OF VEHICLE	MINIMUM CAPITALIZATION	NO. OF UNITS
A. Land		
Tricycle	P15,000.00	5
Jeepney	P30,000.00	5
Taxi	P30,000.00	5
AUV/FX/VAN	P30,000.00	5
Mini Bus/Bus	P50,000.00	2
Trucks for Hire	P50,000.00	2
B. Water		
Ship	P10,000,000.00	1
Ferry Boat	P5,000,000.00	1
Motorized Banca	P100,000.00	1

Newly registered cooperatives and those intending to include transport services as one of their business activities shall have five (5) years from the date of registration/approval of

amendments to comply with the minimum number of units owned by the cooperative as required above.

Existing transportation service cooperatives shall have three (3) years, from the effectivity of this Revised Rule, within which to comply with the above requirements.

Failure to comply with the required number of units owned by the transportation service cooperatives shall cause the cancellation of the Certificate of Registration after due process.

Section 6. Registration Requirements. The following shall be complied with upon filing of application:

1. Cooperative Name Reservation Notice (CNRN);
2. Articles of Cooperation and By-laws;
3. Sworn Statement of the treasurer elected by the subscribers showing that at least twenty-five per centum (25%) of the authorized share capital has been subscribed and at least twenty-five per centum (25%) of the total subscription has been paid: *Provided*, That in no case shall the paid-up share capital be less than Fifteen Thousand Pesos (Php15,000.00);
4. Pre-Membership Education Seminar (PMES);
5. Cooperative Education and Transport Operation Seminar (CETOS);
6. Surety Bond of Accountable Officers handling funds, properties and sureties;
7. Economic Survey;
8. Undertaking to Change Name in the event that another cooperative has acquired prior right to the use of the proposed name;
9. Undertaking to comply with the auditing and accounting standards prescribed by the Authority;
10. Favorable endorsement from the Office of Transportation Cooperative (OTC) or other government agency designated by DOTC;
11. Other requirements as may be required by law; and
12. Registration Fee.

Section 7. Regulatory Power. The Authority shall have the power to regulate the internal affairs of Transportation Service Cooperative, such as:

- a. Exercise of rights and privileges of members;
- b. Formulation of rules and procedures and the conduct of meetings of the General Assembly, Board of Directors and Committees;
- c. Manner of election and qualifications of Officers, Directors, and Committee Members;
- d. Allocation and distribution of net surplus; and
- e. Other matters relating to the internal affairs of Transportation Service Cooperatives.

All matters relating to the Franchise or Certificate of Public Convenience and Necessity of Transportation Service Cooperatives such as capitalization and investment requirements, equipment and facilities, frequencies, rate-fixing, registration, dropping and substitution of

units, and such other matters affecting their transportation service operations shall be governed by the following government agency:

- a. For land transportation - LTFRB/LTO/OTC
- b. For water transportation - MARINA/PCG
- c. For tricycle - LGU/LTO

In case there are two (2) or more applicants for the same public service Franchise or Certificate of Public Convenience and Necessity, all things being equal, preference shall be given to a Transportation Service Cooperative by the concerned government agency.

Section 8. Monitoring Committee. A monitoring committee has been created, composed of a representative from the Authority, who shall be the Ex-Officio Chairperson thereof, and representatives of the LTO, LTFRB, OTC, LGU, other concerned government agencies as may be necessary, and the National Federation of Transportation Cooperatives as members.

Likewise, a Local Monitoring Committee has been created in all CDA extension offices to facilitate the monitoring of these Transportation Service Cooperatives.

The permanent Secretariat shall come from the Authority.

The Committee shall have the following functions:

1. To oversee the implementation of this Rule;
2. To assist as far as practicable the cooperative in settling inter and intra cooperative disputes;
3. To submit quarterly accomplishment report including recommendation/resolution to be adopted in the settlement of the aforesaid disputes to the CDA Board of Administrators through the Executive Director and to the OTC Board of Directors through its Executive Director furnishing all other agencies involved with a copy of the same; and
4. To recommend changes on this Rule from time to time as it may deem necessary.

Section 9. Continuing Education and Training. The concerned government agencies shall coordinate to support registered cooperatives by conducting seminars for the purpose of continuing education on cooperative and other related trainings in order to enhance the knowledge and capability of the officers as well as members of the cooperative. The concerned agencies involved in the Transportation Service Cooperative shall form a trainer's team which shall formulate educational program/module to be used in the training seminar.

Section 10. Marketing of Vehicle/Driver's Insurance Policies as Allied Business. The marketing of vehicle/driver's insurance policies is an allied business service and not an independent activity of the transportation service cooperative. The cooperative is considered only as an agent and/or liaison of a licensed insurance company.

The concerned transportation service cooperative engaged in allied service shall establish its business relation with the primary provider of the insurance coverage in the form of a Memorandum of Agreement or Contract, as the case may be.

The income derived thereat shall become part of the income of the cooperative and shall be recorded in its books of accounts.

Section 11. Settlement of Disputes. Intra/inter cooperative disputes shall be settled as far as practicable through the conciliation-mediation mechanism embodied under RA 9520, Art.137, cooperative by-laws, and pertinent issuances.

Should such conciliation-mediation proceedings fail, the matter shall be settled through voluntary arbitration.

However, in cases where the issue/s fall within the jurisdiction of the DOTC, LTFRB, LTO, MARINA, and OTC the same shall be referred to the said agencies and shall be resolved in accordance with their regulations.

RULE VI ELECTRIC COOPERATIVES

Pursuant to the provisions of Art. 134 (par.2) under Chapter XVII of Republic Act No. 9520, otherwise known as the Philippine Cooperative Code of 2008, the Authority, in consultation with the concerned cooperative sector hereby promulgates these rules and regulations for Electric Cooperatives.

Section 1. Purposes and Objectives. Electric Cooperatives (ECs) shall be organized to undertake power generation utilizing new and renewable energy sources, including hybrid systems, acquisition, and operation of sub-transmission and/or distribution and supply of electricity as its primary purpose. However, it shall not be precluded to venture into any other purpose allowed by law, rules, regulations, and its own By-laws as long as it is related to the primary purpose and objective of the cooperative. It shall also continue to undertake the implementation of the Rural Electrification Program in its respective areas of coverage in consonance with the terms and conditions appurtenant to its Certificate of Franchise; provided that the right of the EC to exercise the power of eminent domain in furtherance of the Rural Electrification Program, shall not be diminished, instead it shall be in full force and effect, subject to the requirements of the Constitution and existing relevant laws.

Section 2. Coverage. This Rule shall apply to all ECs registered with the Authority under R.A. 9520 that may undertake power generation utilizing renewable energy sources, including hybrid systems, acquisition and operation of sub transmission or distribution as its primary purpose. This Rule shall also cover new distribution utilities that will register with the Authority.

Section 3. Cooperative Principles and Practices. ECs registered with the Authority shall conduct their affairs in accordance with Filipino culture, good values and experience and the universally accepted principle of cooperation in accordance with Article 4 of RA 9520.

Section 4. Membership in the Electric Cooperatives. Membership in ECs registered with the Authority shall have the following types:

- a. Regular Member - refers to a natural person (member-consumer)(MCOs/member-customer owners) with electrical service connection who has the right to vote and be voted upon and entitled to all the rights and privileges of membership under the Code.
- b. Associate Member - refers to a member-institution or entity availing of the services of electric cooperative, such as, but not limited to: corporation, industrial and commercial establishment, joint venture, other cooperatives, place of worship, local government building or facility, etc, as represented by the head of such establishment or entity, but is not entitled to vote and be voted upon. However, it shall be entitled to the preferential rights and privileges as indicated in the By-laws and under the Code.

Section 5. Registration Requirements. The following are the requirements for the registration of ECs which shall be submitted in four (4) copies to the Authority:

A. Registration Documents:

a.1. For NEA registered cooperatives:

1. Certified true copy of the board resolution on the result of the referendum approving the registration of the cooperative with the Authority in compliance with laws;
2. Certified copy of Articles of Incorporation and By-Laws;
3. Duly audited financial statement for the past two (2) immediately preceding years;
4. List of names of incumbent Board of Directors and their addresses certified by the Board Secretary and attested to by the Chairperson;
5. Sworn Statement of the Treasurer of the authorized share capital, the subscribed share capital of the members, and the amount of paid-up share capital of members and the amount of paid-up share capital received by the Treasurer, to be submitted within six (6) months from the registration; and
6. Surety Bond of Accountable Officers handling funds, properties and sureties;

a.2. For new ECs:

1. Cooperative Name Reservation Notice (CNRN);
2. Articles of Cooperation and By-laws;
3. Sworn Statement of the Treasurer elected by the subscribers showing that at least twenty-five per centum (25%) of the authorized share capital has been subscribed and at least twenty-five per centum (25%) of the

total subscription has been paid: *Provided*, That in no case shall the paid-up share capital be less than Fifteen Thousand Pesos (Php15,000.00);

4. Surety Bond of Accountable Officers handling funds, properties and sureties;
5. Certificate of Pre-Membership Education Seminar (PMES);
6. Economic Survey;
7. Undertaking to Change Name in the event that another cooperative has acquired prior right to the use of the proposed name;
8. Detailed feasibility study indicating viability of the proposed business activity; and
9. Undertaking to comply with the auditing and accounting standards prescribed by the Authority.

B. Registration Fee as prescribed by the Authority.

Section 6. Compliance with Other Requirements. All cooperatives which seek to engage in power generation, sub-transmission, and/or power distribution and supply are required to secure the necessary secondary certificate from the appropriate government agencies.

Section 7. Jurisdiction upon Registration. ECs intending to register with the Authority shall file their application with the CDA Extension Office, having jurisdiction over them. However, if an EC opts to register with the CDA Central Office and such registration has been processed and approved by it, the registration records shall be forwarded to the CDA Extension Office where the cooperative is located and said Extension Office shall assume jurisdiction over it.

Section 8. Registration Options. ECs registered with the National Electrification Administration (NEA) under Presidential Decree No. 269, as amended, which opt not to register with the Authority, are allowed to retain the word "cooperative" in their registered names, but they shall not be entitled to the benefits and privileges provided under R.A. 9520.

Section 9. Procedure in the Conduct of Referendum for Conversion. Procedure in the conduct of referendum for conversion shall be in accordance with the prescribed guidelines of the Department of Energy (DOE) or National Electrification Administration (NEA), in coordination with the Authority.

Section 10. Amendments of Existing Articles of Cooperation and By-laws. Any provision or part of the existing Articles of Cooperation and By-laws of the cooperative found to be inconsistent or contrary to the provisions of the Code and of this Rule shall be amended accordingly. Such amendments shall conform to the provisions of Article 18 of the Code. The application for amendments shall be filed with the concerned CDA Extension Office or the CDA Central Office, at the option of the Cooperative, for registration which shall be in four (4) copies.

Section 11. Capitalization. An EC shall not be registered with the Authority unless it complies with the financial requirement of minimum paid up capitalization of Fifteen Thousand Pesos (Php15,000.00).

Section 12. Capital in the Electric Cooperatives. ECs shall issue and distribute share certificates under the name of each of their members. Said share certificates shall take into consideration, among others, the previous equity contributions, and the amortization component, through the payments made, capital build-up and other capital contributions. The interest on share capital shall be paid to the members in accordance with the provision of Section 12, Rule 10, Part I of the Revised Rules and Regulations Implementing Certain and Special Provisions of the Philippine Cooperative Code of 2008 .

The National Electrification Administration (NEA) shall, within ten (10) days upon final completion of reconciliation of relevant loan accounts with the EC concerned, issue a certification on the aggregate amount of payments made on the principal component of the amortizations, as the basis for the issuance of equity share certificates by the ECs to its Member-Customer-Owners (MCOs) on record.

The Energy Regulatory Commission (ERC) shall, within forty-five (45) days from the close of each fiscal year, issue a certificate to the EC concerned on the total amount collected for capital contributions (Reinvestment Fund for Sustainable Capex, or RFSC) from the MCOs, for such period, as the basis for the EC's determination of at least ten per centum (10%) that the EC will credit to each individual account of the MCO and for which equity share certificate will be issued.

No share capital certificate shall be issued to a subscriber until the full amount of his/her subscription together with interest and expenses, if any is due, has been paid. The distribution of share capital certificates shall be done annually preferably on the General Assembly. In case of loss or destruction, the EC may issue a duplicate certificate, if such certificate is proven to have been lost or destroyed or defaced or mutilated or torn or is surrendered to the electric cooperative upon execution and submission by a member of an Affidavit of Loss or such other documents evidencing defacement/mutilation or surrender of such share capital certificate.

Section 13. Quorum Requirement. Unless otherwise provided in the By-laws of the EC, quorum shall be five per centum (5%) of all the members entitled to vote.

Section 14. Term of Office. Unless otherwise provided in the By-laws of the EC, the term of office of the members of the Board shall not exceed three (3) years; however, they shall be eligible for re-election.

Section 15. Rates and Tariffs. All electricity rates and tariffs of EC registered under the Authority shall be subject to the rules on application and approval of the Energy Regulatory Commission.

Section 16. Additional Report. All ECs duly registered with the Authority shall submit a List of Members with Share Capital Certificates as mandated under the Revised Implementing Rules and Regulations Implementing Certain and Special Provision of Republic Act No. 9520.

In case of non-compliance despite due notice, the EC shall pay the penalty in the amount of One Hundred Pesos (Php 100.00) per day of delay; Provided that ECs shall be given two (2) years from the effectivity of these rules within which to comply with the provisions of herein.

Section 17. Settlement of Disputes. Intra/inter cooperative disputes shall be settled as far as practicable through the conciliation-mediation mechanism embodied under RA 9520, Art. 137, cooperative by-laws, and pertinent issuances.

Should such conciliation - mediation proceedings fail, the matter may be settled through voluntary arbitration.

However, in cases where the issue/s fall within the jurisdiction of the Energy Regulatory Commission or the NEA, the same shall be referred to the said agency and shall be resolved in accordance with their respective rules and regulation.

RULE VII DAIRY COOPERATIVES

Pursuant to the provisions of Republic Act. No. 9520, otherwise known as the Philippine Cooperative Code of 2008, the Authority in consultation with the National Dairy Authority hereby promulgates these rules and regulations for Dairy Cooperatives.

Section 1. Coverage. This Rule shall cover all dairy Cooperatives duly registered under R.A. 9520 organized for the purpose of engaging in the procurement, processing and marketing of milk and dairy products.

Section 2. Organization. Fifteen (15) or more natural persons who are Filipino citizens, of legal age, having a common bond of interest and actually residing or working in the intended area of operation, may organize a dairy cooperative.

Section 3. Purposes and Objectives. A Dairy Cooperative shall be organized for any or all of the following purposes:

1. To standardize the quality, uniformity of grade of milk, and other dairy products;
2. To assist its members a guaranteed market outlet, to bargain for the best price terms possible in the market place, including over-order premiums in milk marketing orders, and to market the milk efficiently, i.e., balancing plant needs, diverting milk surpluses, and assembling producer milk and to have the highest quality producer milk possible in the market; and

3. To effectively represent their constituting members in the legislative, regulatory and public relations arenas.

Section 4. Membership. Membership in Dairy Cooperatives shall be open to all dairy farmers.

Section 5. Registration Jurisdiction. Any applicant Dairy Cooperative shall file its duly accomplished application for registration with the CDA Extension Office, having jurisdiction over the said cooperative.

Section 6. Registration Requirements. The following shall be complied with upon filing of application:

1. Cooperative Name Reservation Notice (CNRN);
2. Articles of Cooperation and By-laws;
3. Sworn Statement of the treasurer elected by the subscribers showing that at least twenty-five per centum (25%) of the authorized share capital has been subscribed and least twenty-five per centum (25%) of the total subscription has been paid: *Provided*, That in no case shall the paid-up share capital be less than Fifteen Thousand Pesos (P15,000.00);
4. Pre-Membership Education seminar (PMES);
5. Surety Bond of Accountable Officers handling funds, properties and sureties;
6. Economic Survey;
7. Undertaking to Change Name in the event that another cooperative has acquired prior right to the use of the proposed name;
8. Undertaking to comply with the auditing and accounting standards prescribed by the Authority;
9. Other requirements as may be required by law; and
10. Registration Fee.

Section 7. Capitalization. A Dairy Cooperative shall have a minimum paid-up capitalization of at least Fifteen Thousand Pesos (Php15,000.00).

Section 8. Regulatory Power. The Authority shall have the power to regulate the internal affairs of Dairy Cooperatives, such as:

- a. Exercise of rights and privileges of members;
- b. Formulation of rules and procedures and the conduct of meetings of the General Assembly, Board of Directors and Committees;
- c. Manner of election and qualifications of Officers, Directors, and Committee Members;
- d. Allocation and distribution of net surplus; and
- e. Other matters relating to the internal affairs of Dairy Cooperatives.

All matters relating to the technical and operations concerning dairy business of such Dairy Cooperative shall be regulated by the NDA, DOH-FDA and other concerned government agencies.

Section 9. Settlement of Disputes. Intra/inter cooperative disputes shall be settled as far as practicable through the conciliation-mediation mechanism embodied under RA 9520, Art. 137, cooperative by-laws, and pertinent issuances.

Should such conciliation-mediation proceedings fail, the matter may be settled through voluntary arbitration.

However, in cases where the issue/s fall within the jurisdiction of the NDA, DOH-FDA the same shall be referred to the said agencies and shall be resolved in accordance with their regulations.

RULE VIII

LABOR SERVICE COOPERATIVE AND WORKERS COOPERATIVE

Section 1. Legal Basis. The legal basis for this Rule are as follows:

"ART. 23. Type and Categories of Cooperatives. – (1) Types of Cooperatives – Cooperatives may fall under any of the following types:

(e) Service Cooperative is one which engages in medical and dental care, hospitalization, transportation, insurance, housing, labor, electric light and power, communication, professional and other services;

"(t) Workers Cooperative is one organized by workers, including the self-employed, who are at same time the members and owners of the enterprise. Its principal purpose is to provide employment and business opportunities to its members and manage it in accordance with cooperative principles."

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

These Rules shall serve as a guide to service cooperatives which are engaged in labor contracting and sub-contracting arrangements as defined under existing laws, and workers cooperative that provides labor to, and produces products in, an enterprise owned by the worker-members.

Section 3. Applicability. This Rule shall cover the following:

- a. Labor service cooperative refers to a cooperative that is engaged in providing a specific labor, job, or service to a principal under a contracting or sub-contracting arrangements as may be defined under existing laws and in accordance with the cooperative principles set forth under the Philippine Cooperative Code of 2008 (RA9520); and
- b. Workers cooperative refers to a cooperative organized by workers, including the self-employed, who are at the same time members and owners of the enterprise. The principal purpose is to provide employment and business opportunities to its worker-members and to manage it in accordance with the cooperative principles.

Section 4. Distinction and Authorized Activities. The following shall be the distinction between labor service cooperative and workers cooperative:

	Labor Service Cooperative	Workers Cooperative
As to nature of activities	Engaged in contracting and sub-contracting arrangements as defined by law.	May engage in labor and production, including contracting and subcontracting arrangements in support of its main activity as defined by law.
As to existence of employer employee relationship	Existence of employer employee relationship is at all times observed in contracting and sub-contracting arrangements during the deployment of the member. Trilateral relationship exists between and among the principal, contractor, and the member-employees.	Self-employed individual is allowed by the cooperative in regard to its enterprise.

Section 5. Definition of terms. The meaning of each term as used in this Rule shall be as follows:

- I. For those falling under Workers Cooperative.
 - a. **Self-employed** -refers to an individual who has his/her own personal occupational capacity put to productive use applying his/her own capital jointly with other self-employed persons pursuing related occupational interest.

- b. **Skilled Worker** -refers to a worker who possesses technical knowledge and expertise to accomplish a work.
- c. **Worker Cooperative** -refers to a cooperative organized by workers, including self-employed individuals who are owners and members of the enterprise.
- d. **Worker-member** - refers to a member-owner, who works in the cooperative or is deployed to a principal who has availed of the services offered by the cooperative.

Worker-member ownership refers to the work and the management jointly carried out without the limitations of individual work, nor under the rules of conventional wage-based labor.

II. For those falling under Labor Service Cooperatives:

- a. **Cabo** –refers to a person or group of persons or to a labor group which, in the guise of cooperative, supplies individual members or workers to an employer, with or without any monetary or other consideration, whether in the capacity of an agent of the employer or as an ostensible independent contractor.
- b. **Contracting or Sub-contracting or Labor Contracting** -refers to an arrangement whereby the principal agrees to put out or farm out with a contractor for the performance or completion of a specific job, work or service within a definite or predetermined period, whether such job, work or service is to be performed or completed within or outside the premises of the principal.
- c. **Contractor** - refers to a labor service cooperative engaged in a legitimate contracting or subcontracting arrangement providing either labor services, skilled or temporary workers, including individual member-employees, or a combination of services to a principal under a Service Agreement.
- d. **Contractor's member-employee** – refers to an individual member of a cooperative who has been deployed by the cooperative to perform or complete a job, work, or service pursuant to a Service Agreement. It also refers to regular members-employees of the contractor whose functions are not dependent on the performance or completion of a specific job, work, or service within a definite period of time, such as, administrative staff.
- e. **Principal** -refers to a person or entity, including government agencies and government-owned and controlled-corporations, who puts out or farms out a specific job, service or work to a contractor.
- f. **Service Agreement** - refers to the contract between the principal and contractor containing the terms and conditions governing the performance or completion of a specific job, work or service being farmed out for a definite or predetermined period.
- g. **Solidary liability** -refers to the liability of the principal as direct employer pursuant to the provision of Article 109 of the Labor Code, jointly with the contractor for any violation of the provisions of the Labor Code, as amended, and these Rules.

It also refers to the liability of the principal, in the same manner and extent that he/she is liable to his/her direct employees, to the extent of the work performed under the contract when the contractor fails to pay the wages of his/her employees, as provided in Article 106 of the Labor Code, as amended, and these Rules.

- h. **Substantial Capital** - refers to the capital required by DOLE for labor service cooperatives to engage in labor contracting and sub-contracting arrangement. However, for purposes of registration with the Authority, the minimum paid up capital requirement is Fifteen Thousand (Php15, 000.00) Pesos.
- i. **Trilateral Relationship** -refers to the relationship in a contracting or subcontracting arrangement where there is a contract for a specific job, work or service between the principal and the contractor, and a contract of employment between the contractor and its worker-member. The parties involved in these arrangements are: the Principal who decides to farm out a job, work or service to a contractor; the Contractor who has the capacity to independently undertake the performance of the job, work or service; and the Contractual Employees who may or may not be cooperative members, engaged by the contractor to accomplish the job, work or service.

Section 6. Legitimate Contracting or Subcontracting. Contracting or Subcontracting undertaken by a cooperative shall be considered legitimate, if all the following circumstances concur:

(a) The contractor must be registered as a labor service cooperative with the Authority in accordance with these Rules, and carries a distinct and independent business and undertakes to perform the job, work or service on its own responsibility, according to its own manner and method, and free from control and direction of the principal in all matters connected with the performance of the work except as to the results thereof;

(b) The contractor has substantial capital and/or investment; and

(c) The Service Agreement is compliant with the rights and benefits due to the worker-members under existing laws.

Section 7. Trilateral Relationship in Contracting Arrangements undertaken by a Cooperative. In legitimate contracting or subcontracting arrangement undertaken by a cooperative, there exists:

(a) An employer-employee relationship between the contractor and the worker-member it engaged to perform the specific job, work or service being contracted. Any cooperative that does not recognize the existence of this relationship shall not be considered as engaged in legitimate contracting or subcontracting arrangements; and

(b) A contractual relationship between the principal and the contractor as governed by the provisions of the Civil Code.

Any violation of the provision in the Labor Code, including the failure to pay wages, the principal and the contractor are solidarily liable, to the extent of the work performed under the employment contract.

The Principal, however, shall be deemed to be the direct employer of the contractors' worker-members where there is a finding by a competent authority that prohibited activities such as of labor-only contracting, or commission of prohibited activities as defined under existing laws, rules, and regulations has been committed.

Section 8. Labor-only Contracting and other Prohibited Activities. Labor Service Cooperatives and Workers Cooperatives are prohibited from engaging in the following activities:

A. Labor-only Contracting refers to an arrangement where:

- i. The cooperative does not have substantial capital or investment in the form of tools, equipment, machineries, work, premises, among others and the employee recruited and deployed are performing activities which are usually necessary or desirable to the operation of the company, or directly related to the main business of the principal within a definite or predetermined period, regardless of whether such job, work, or service is to be performed or completed within or outside the premises of the principal; or
- ii. The cooperative does not exercise the right to control the method in the performance of the work of the worker-member.

B. Other Prohibitions. Notwithstanding the preceding paragraph, the following activities are hereby declared prohibited for being contrary to law or public policy:

1. Contracting out of jobs, work or services when not done in good faith and not justified by the exigencies of the business such as the following:
 - i. Contracting out of jobs, works, services when the same results in the termination or reduction of regular employees and reduction of work hours or reduction or splitting of the bargaining unit.
 - ii. Contracting out of work with a "*Cabo*".
 - iii. Taking undue advantage of the economic situation or lack of bargaining strength of the contractor's employees, or undermining their security of tenure or basic rights, or circumventing the provisions of regular employment, in any of the following instances:

- a) Requiring them to perform functions which are currently being performed by the regular employees of the principal; and
 - b) Requiring them to sign, as a precondition to employment or continued employment, an antedated resignation letter; a blank payroll; a waiver of labor standards including minimum wages and social or welfare benefits; or a quitclaim releasing the principal, contractor or from any liability as payment of future claims.
- iv. Contracting out of a job, work or service through an in-house agency.
- v. Contracting out of a job work or service that is necessary or desirable or directly related to the business or operation of the principal by reason of a strike or lockout whether actual or imminent.
- vi. Contracting out of job, work or service being performed by union members when such will interfere with, restrain or coerce employees in the exercise of their rights to self-organization as provide in Article 248 of the Labor Code, as amended.
- vii. Repeated re-hiring of employees under the employment contract of short duration or under a Service Agreement of short duration with the same and different contractors, which circumvents the Labor Code provision on the security of tenure.
- viii. Requiring employees under a subcontracting arrangement to sign the contract fixing the period of the employment to a term shorter than the term of the Service Agreement, unless the contract is divisible into phases for which substantially different skills are required and this is made known to the employee at the time of the engagement.
- ix. Refusal to provide a copy of a Service Agreement and the employment contract between the contractor and employees deployed to work in the bargaining unit of the principal's certified bargaining agent to the sole and exclusive bargaining agent. (SEBA)

Section 9. Required contracts under these Rules.

(a) Membership agreement between the cooperative and the worker-member that includes the following:

- (i) entitlement of the individual member to enjoy the rights and privileges as a member of the cooperative, including the share in patronage refund and dividends, when due;
- (ii) voluntary acceptance by the individual member to comply with his obligations as defined under the cooperative by-laws, its policies and practices, including payment of share capital contribution and capital build up; and
- (iii) adherence to cooperative principles in accordance with law;

(b) Employment contract between the contractor and worker-member shall include the following terms and conditions:

- (i) specific description of the job, work or service to be performed by the worker-member;
- (ii) place of work and terms and conditions of employment, including a statement of the wage rate applicable to the worker-member; and
- (iii) term or duration of employment that must be co-extensive with the Service Agreement or with the specific phase of work for which the worker-member is engaged.

The contractor shall inform the worker-member of the foregoing terms and conditions of employment in writing on or before the first day of his/her employment.

(c) Service Agreement between the principal and the contractor shall include the following:

- (i) specific description of the job, work or service being subcontracted.
- (ii) place of work and terms and conditions governing the contracting arrangement, to include the agreed amount of the services to be rendered, the standard administrative fee of not less than ten percent (10%) of the total contract cost.
- (iii) Provisions ensuring compliance with all the rights and benefits of the worker-member under the Labor Code and these Rules;
- (iv) provision on the Net Financial Contracting Capacity of the contractor, which must be at least equal to the total contract cost.
- (v) contractor or subcontractor shall directly remit monthly the employers' share and employees' contribution to the SSS, ECC, Philhealth and Pag-IBIG.
- (vi) The term or duration of engagement must be specific;
- (vii) The Service Agreement must conform to the Standard Service Agreement as defined under existing laws, rules, and regulations. The Standard computation of Administrative fees shall be as follows:

REIMBURSABLE COSTS:

a. Payable directly to member-employees

(i)	Salaries	xxx
(ii)	Night differential premium	xxx
(iii)	ECOLA	xxx
(iv)	13 th month pay	xxx
(v)	SIL	xxx

Subtotal	xxx
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b. Mandatory contributions for member-employees benefits as employer share payable to the:

(i)	SSS	xxx
(ii)	Philhealth	xxx
(iii)	ECC Insurance	xxx
(iv)	Pag-IBIG Fund	xxx

Subtotal	xxx
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TOTAL REIMBURSABLE COSTS	xxx
ADMINISTRATIVE FEE (10%)	xxx
TOTAL CONTRACT COST	xxx

Reimbursable costs as herein defined shall not form part of the income of the contractor. It shall be treated as a refund by the principal of the funds advanced by the contractor.

Section 10. Bond of Membership. The bond of membership for both labor service and workers cooperative shall be occupational.

Section 11. Scope of Operations. Labor service and workers cooperative may operate nationwide provided that the cooperative can show that it has the technical and financial capacity to pursue its undertaking, and that its members may be able to exercise their rights and privileges as such in accordance with law.

Section 12. Membership in the Labor Service Cooperatives and Workers Cooperatives. Membership in the labor service cooperatives and worker cooperatives registered with the Authority shall have the following types:

- a. *Regular Member* - refers to a worker-member who has the right to vote and be voted upon and entitled to all the rights and privileges of membership under the Code.

b. *Associate Member* - refers to a worker-member not entitled to vote and be voted upon. However, he/she shall be entitled to the preferential rights and privileges as indicated in the By-laws and under the Code. An associate member who has patronized the cooperative for two (2) years, may apply for regular membership provided he/she meets the minimum requirements of regular membership. Failure of the associate member to apply for regular membership after the lapse of two (2) years as mentioned herein shall mean termination of his/her membership in the cooperative.

Section 13.Rights and Obligations of worker-member. All worker-member shall be entitled to all the rights and privileges as provided for in the Labor Code as amended and RA 9520 and shall have the duty to comply with their respective obligations as members of the cooperative as provided under RA 9520 and related laws, rules, regulations and jurisprudence.

Section 14.Security of Tenure of Contractor's Employees. Termination of membership shall not mean automatic termination of employment. However, it shall be a ground to terminate employment if the basis of the termination of membership constitutes violation of the policies, rules, and regulation of the cooperative;

Section 15.Observance of Required Standards of Due Process; Requirements of Notice. In all cases of termination of employment, the standards of due process laid down by law shall be complied with. In cases of termination of membership of the worker-member, the procedures laid down in the by-laws and the cooperative's policies, rules, and regulations shall be observed.

Section 16.Termination of Membership and Employment, Effects. Termination of employment does not automatically terminate membership. However, refusal of the member to be deployed by the cooperative without justifiable reason may be a ground to terminate membership in accordance with the by-laws, policies, rules, and regulations of the cooperative, provided, that those who have reached the mandatory retirement age shall not be denied continued membership.

Section 17.Mandatory Registration/Accreditation of Cooperatives as Contractors/Sub-contractors with the DOLE. Consistent with the rules of the Department of Labor and Employment (DOLE), all labor service cooperatives and multi-purpose cooperatives engaged in labor service contracting shall register and seek accreditation with the Regional Office of the DOLE where they principally operate.

Section 18.Procedures.

1. Technical assistance. The proposed cooperative may inquire from the CDA Extension Office the list of requirements, and the Cooperative Development Specialist (CDS) shall assist in explaining the procedure and compliance hereto.
2. Submission of required documents in accordance with the guidelines in the registration of primary cooperatives issued by the Authority.

Section 19.Cooperative Name and Prohibition. No cooperative name shall be allowed by the Authority if the proposed name is identical or deceptively or confusingly similar to that of any existing cooperative, contrary to public policy, moral and existing laws.

The use of the following in the names of the cooperative shall not be allowed:

1. "Manpower",
2. "Development",
3. "Integrated",
4. "Incorporated",
5. "Corporation",
6. "Partnership",
7. Other similar connotation and abbreviations.

In addition, the use of the word "federation" and "union" in the name of the proposed primary cooperative is likewise prohibited except if it is part of the registered name of the association or institution where the members of the proposed cooperative come from.

Section 20.Compliance with Other Laws. Labor Service Cooperatives shall comply with the Labor Code, the Social Security Act, the Medical Care Act, and all other social legislations and, all other laws, executive orders whose provisions are applicable to cooperatives and not contrary to R.A. 9520 and this Implementing Rules and Regulations, and existing jurisprudence.

Section 21. Transitory Provision. Existing cooperatives engaged in labor service, manpower service, and workers service registered with the Authority previous to the issuance of these Rules shall strictly comply with the requirements prescribed herein. The necessary amendment to registered objectives and purposes including membership qualification should be modified accordingly following the process of amendment within two (2) years from the effectivity of this IRR.

Section 22.Monitoring and Inspection. The Extension Office (EO) concerned shall monitor and conduct inspection of the said Labor Service Cooperatives and Workers Cooperatives to ensure compliance with these guidelines, laws, rules and regulations, issuances of the Authority and other appropriate government agencies.

Section 23.Repealing Clause. Any provisions of previous issuances of the Authority which are inconsistent with these Rules are hereby repealed or modified accordingly.

COMMON PROVISIONS

Section 1.Requirements.A copy of these Rules shall be among the documents required to be kept ready and accessible for inspection and examination by the members of the cooperative and the Authority in accordance with RA 9520, Art. 52.

Section 2. Interpretation. Unless otherwise stated in these Rules, any doubt as to the meaning of any provision thereof shall be resolved and interpreted liberally in favor of the cooperatives and their members.

Section 3. Suppletory Rule. Special Rules, Circulars, Orders and other issuances by appropriate government agencies in pursuance to the provisions of the RA 9520 and these Rules, and which are not inconsistent therewith, shall have suppletory application to these Rules.

Section 4. Mandate. The Authority is mandated to implement and enforce these Rules and Regulations.





Section 5. Separability. If any provision of these Rules and Regulations is declared null and void or unconstitutional, the other provisions not affected thereby shall continue to be in force and effect.

Section 6. Amendment. These Rules and Regulations shall be subject to automatic review three (3) years after the effectivity thereof. Any amendment thereto, shall be subject to the review of the JCOC.



Section 7. Effectivity. These Rules and Regulations shall take effect fifteen (15) days after publication in the Official Gazette or in a newspaper of general circulation.

Promulgated this 18th day of March 2015, Quezon City, Philippines.

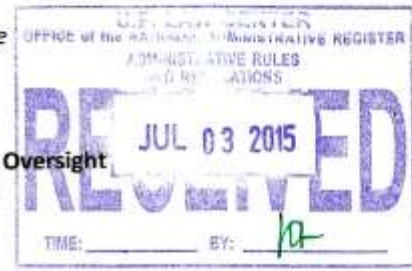
The Board of Administrators
Cooperative Development Authority

 NEZON B. ALINDOGAN Administrator	 PENDARON B. DISIMBAN Administrator	 MERCEDES D. CASTILLO Administrator
 EULOGIO T. CASTILLO, PH.D. Administrator/Officer-in-Charge		

Noted by:

 SEN. MANUEL "LITO" M. LAPID Chair, Senate Panel	 REP. CRESENTE C. PAEZ Chair, House Panel
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Chairpersons of the Joint Congressional Oversight Committee on Cooperatives



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7-1-2015