

Republic of the Philippines  
Bangsamoro Autonomous Region in Muslim Mindanao  
**BANGSAMORO TRANSITION AUTHORITY**  
Cotabato City

**BANGSAMORO TRANSITION AUTHORITY PARLIAMENT**  
*Second Regular Session*

BTA Bill No. 210



Introduced by:

**MP Diamila Disimban-Ramos, MP Ishak Mastura, MP Lanang Ali Jr., MP Rasul Mitmug Jr., MP Amilbahar Mawalil, MP Baintan Ampatuan, MP Eddie Alih, MP Michael Midtimbang, MP Ali Sangki, MP Suharto Ambolodto**

Co-authors:

**MP Dan Asnawie, MP Ali Solaiman, MP Froilyn Mendoza, MP Khalid Hadji Abdullah, MP Tarhata Maglangit, MP Kadil M. Sinolinding Jr., MP Randolph Parcasio, MP Tawakal Midtimbang, MP Jaafar Apollo Mikhail Matalam, MP Don Mustapha Loong, MP Akmad Abas, MP Mohammad Kelie Antao, MP Basit Abas**

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**AN ACT PROVIDING FOR THE BANGSAMORO COOPERATIVE  
AND SOCIAL ENTERPRISE CODE**



1 necessary for their advancement. It shall likewise ensure that the provision for technical  
2 and financial assistance, incentives and other services are free from any condition that  
3 might infringe upon the autonomy or organizational integrity of the social enterprises to  
4 enable them to develop into viable and vital positive change agents.

5 Through this Code, BARMM shall be able to work towards reducing poverty, addressing  
6 inequality, and building peace, social inclusion, and human capital development of its  
7 diverse population.

8 **Section 3. Declaration of Policy.** It is the declared policy of Bangsamoro Government  
9 to:

- 10 a) Promote a just and dynamic social order that will ensure the prosperity and  
11 high level of independence of the region and free the people from poverty  
12 through policies that provide adequate social services, promote full  
13 employment, a rising standard of living, and an improved quality of life for all.  
14
- 15 b) Promote social justice in all aspects of life and all phases of regional  
16 development, value the dignity of every human person and guarantee full  
17 respect for human rights.
- 18 c) Ensure a more equitable distribution of opportunities, income, and wealth; a  
19 sustained increase in the amount of goods and services produced by the  
20 region for the benefit of the people; and an expanding productivity as the key  
21 to raising the quality of life for all, especially the underprivileged.  
22
- 23 d) Recognize the important role of enterprises in the economy as the major  
24 agent of development, creating off-farm employment opportunities and  
25 providing transitional means for improving people's livelihoods.  
26
- 27 e) Ensure that every citizen in its territorial jurisdiction enjoys the provision of the  
28 basic necessities and equal opportunities in life.  
29
- 30 f) Protect and improve the quality of life of its inhabitants by carefully planning  
31 regional and local development considering the ecological balance and the  
32 natural resources that are available for its use and for the use of future  
33 generations.  
34
- 35 g) Promote the effective use of economic resources and endeavor to attain  
36 economic development that facilitates growth and full employment, human  
37 development, and social justice.  
38  
39
- 40 h) Provide equitable opportunities for the development of its constituent local  
41 government units and strengthen governance systems to pursue moral  
42 governance and ensure people's participation in political, social, civic, and  
43 economic affairs.  
44

- 1 i) Develop a self-reliant and independent regional economy and patrimony that  
2 are responsive to the needs of the Bangsamoro people, and effectively  
3 controlled by the Bangsamoro.  
4
- 5 j) Foster the creation and growth of the cooperatives and social enterprises as  
6 practical vehicles for promoting self-reliance and harnessing people power  
7 towards the attainment of economic development, equity, and social justice;  
8
- 9 k) Encourage the private sector to undertake the actual formation and  
10 organization of cooperatives and social enterprises and create an atmosphere  
11 that is conducive to their growth and development;  
12
- 13 l) Promote social mission-driven organizations with specific objectives that  
14 serve their primary purpose of maximizing profits alongside social and  
15 environmental impact;  
16
- 17 m) The Bangsamoro Government and all its branches, subdivisions,  
18 instrumentalities and agencies shall ensure the provision of technical  
19 guidance, financial assistance and other services to enable said cooperatives  
20 and social enterprises to develop into viable and responsive economic  
21 enterprises and thereby bring about strong cooperative and social enterprise  
22 movements that are free from any condition that might infringe upon their  
23 autonomy or organizational integrity;  
24
- 25 n) The Bangsamoro Government recognizes the principle of subsidiarity under  
26 which the cooperative and social enterprise sectors will initiate and regulate  
27 within their own ranks the promotion and organization, training and research,  
28 audit and support services with government assistance where necessary.

29 **Section 4. General Concepts** - A cooperative is an autonomous and duly registered  
30 association of persons, with a common bond of interest, who have voluntarily joined  
31 together to achieve their social, economic, and cultural needs and aspirations by  
32 making equitable contributions to the capital required, patronizing their products and  
33 services and accepting a fair share of the risks and benefits of the undertaking in  
34 accordance with moral governance and universally accepted cooperative principles.

35 A social enterprise refers to any business organization whose primary purpose is  
36 addressing a social, cultural, or environmental challenge where creating profit for  
37 owners or shareholders is secondary. It brings together the entrepreneurial skills of the  
38 private sector and the values of public service. It delivers positive social impact through  
39 its means and ends to achieve social justice, social equity and economic efficiency. To  
40 be considered a social enterprise, the entity must undertake business and economic  
41 opportunities in accordance with moral governance and social enterprise principles. It  
42 must have a clear social purpose included in its governing documents and re-invest a  
43 significant proportion of its profits back into the business for social, cultural, or  
44 environmental purposes.

1 **Section 5. Cooperative Principles.** - Every cooperative in the Bangsamoro  
2 Autonomous Region shall conduct its affairs in accordance with moral governance and  
3 the cultures, good values and experiences of the constituents of the region as well as  
4 the universally accepted principles of cooperation which include, but are not limited to,  
5 the following:

6 i. *Voluntary and Open Membership* - Cooperatives are voluntary organizations,  
7 open to all persons able to use their services and willing to accept the  
8 responsibilities of membership, without gender, social, racial, cultural, political  
9 or religious discrimination.

10  
11 ii. *Democratic Member Control* - Cooperatives are democratic organizations that  
12 are controlled by their members who actively participate in setting their  
13 policies and making decisions. Men and women serving as elected  
14 representatives, directors or officers are accountable to the membership. In  
15 primary cooperatives, members have equal voting rights of one-member, one-  
16 vote. Cooperatives at other levels are organized in the same democratic  
17 manner.

18  
19 iii. *Member Economic Participation* - Members contribute equitably to, and  
20 democratically control the capital of their cooperatives. At least part of that  
21 capital is the common property of the cooperative. They shall receive limited  
22 compensation or limited interest, if any, on capital subscribed and paid as a  
23 condition of membership.

24  
25 Members allocate surpluses for any or all of the following purposes:  
26 developing the cooperative by setting up reserves, part of which should at  
27 least be indivisible; benefitting members in proportion to their patronage of the  
28 cooperative's business; and, supporting other activities approved by the  
29 members.

30  
31 iv. *Autonomy and Independence* - Cooperatives are autonomous, self-help  
32 organizations controlled by their members. If they enter into agreements with  
33 other organizations, including government, or raise capital from external  
34 sources, they shall do so on terms that ensure democratic control of their  
35 members and maintain cooperative autonomy.

36  
37 v. *Education, Training, and Information* - Cooperatives shall provide education  
38 and training for members, elected and appointed representatives, managers,  
39 and employees, so that they can contribute effectively and efficiently to the  
40 development of their cooperatives.

41  
42 vi. *Cooperation Among Cooperatives* - Cooperatives serve their members most  
43 effectively and strengthen the cooperative movement by working together  
44 through local, regional, national and international structures.  
45

- 1       vii. *Concern for Community* - Cooperatives work for the sustainable development  
2       of their communities through policies approved by their members.

3       **Section 6. Social Entrepreneurship Principles.** - Every social enterprise in the  
4       Bangsamoro Autonomous Region shall conduct its affairs in accordance with the  
5       following principles:

- 6           a. *Social Mission* - Social enterprises put primacy to objectives that  
7           improve human wellbeing, promote peace and social cohesion, reduce  
8           inequality, provide access to quality services, and ensure participation  
9           of the poor, low-income, underprivileged, disadvantaged, and  
10          marginalized sectors.  
11  
12          b. *Multiple Bottom-lines* - Social enterprises work towards the  
13          achievement of measurable social and environmental impacts  
14          alongside financial return.  
15  
16          c. *Sustainable, Inclusive, and Equitable Development* - Social enterprises  
17          engage in business and entrepreneurial endeavors that are geared  
18          towards the upliftment of the lives of the people and the achievement  
19          of sustainable, inclusive, and equitable development.

20       **Section 7. Islamic Principles.** - Cooperatives and social enterprises covered by the  
21       Shari'ah Governance Framework shall abide by the following Islamic principles:

- 22          a) Fulfillment of the objectives of Shari'ah (maqasid al-Shair'ah) such as  
23          preservation of faith, preservation of life, preservation of lineage, preservation  
24          of intellect, and preservation of wealth.  
25  
26          b) Promotion of halaal or permissible transactions, products, and services.  
27  
28          c) Generation of wealth from legitimate business and asset-based transactions.  
29  
30          d) Avoidance of harm and sharing of risks in business and financial transactions.  
31          e) Prohibition of usury or interest-based transactions (riba), gambling and games  
32          of chances (maysir), speculative business and financial transactions or those  
33          that involve too much uncertainty or extreme risks (gharar), and haram  
34          products and services.

35       **Section 8. Moral Governance.** - In this Code, moral governance refers to an approach  
36       in governance of cooperatives and social enterprises that is guided by moral principles  
37       of enjoining what is right and forbidding what is wrong. These include the principles of  
38       servitude, purity and sincerity of intentions and deeds, honesty, integrity, accountability,  
39       excellence, stewardship, balance, harmony, consultation, justice, and trust. In the  
40       observance of these principles, the Authority shall issue guidelines on the application of  
41       Moral Governance in the context of cooperatives and social enterprises in the  
42       Bangsamoro Autonomous Region in Muslim Mindanao. As such, these cooperatives  
43       and social enterprises shall:

- 1 a) Abide by the laws of the land and the regulations and guidelines issued by the  
2 Authority and other regulatory bodies;  
3  
4 b) Adopt their own code of moral principles and ethical standards; and  
5  
6 c) Adopt rules, processes, and practices that are completely devoid of graft and  
7 corruption;

8 **Section 9. Shari'ah Governance and Shari'ah Compliance** - Shari'ah governance  
9 refers to structures and processes adopted by an institution to ensure compliance with  
10 Islamic principles and Shar'ah rules in its business operations. The Authority shall adopt  
11 Shari'ah governance framework and policies to guide the compliance of the  
12 cooperatives and social enterprises. This shall include the establishment of a Shari'ah  
13 committee in the cooperatives composed of at least three members who have  
14 competence on Shari'ah. Likewise, the Shari'ah governance framework and policies  
15 shall prescribe responsive measures for compliance of social enterprises to Islamic  
16 principles and Shari'ah rules based on their size, scale, structure, and/or form of  
17 business.

18 **Section 10. Definition of terms** - The following terms shall mean:

- 19 a) *Shari'ah* - Islamic canonical law based on the teachings of the Qu'ran and the  
20 traditions of the Prophet (Hadith and Sunnah), prescribing both religious and  
21 secular duties and sometimes retributive penalties for law breaking. It has  
22 generally been supplemented by legislation adapted to the conditions of the  
23 day, though the manner in which it should be applied in modern states is a  
24 subject of dispute between Islamic fundamentalists and modernists.  
25  
26 b) *Riba* - is a concept in Islam that refers broadly to the concept of growth,  
27 increasing, or exceeding, which in turn forbids interest credited from loans or  
28 deposits. The term "riba" has also been roughly translated as the pursuit of  
29 illegal, exploitative gains made in business or trade under Islamic law, akin to  
30 usury.  
31  
32 c) *Halal* - Refers to an act and deeds in accordance with Shari'ah law. Literally, it  
33 means permissible in Islam.  
34  
35 d) *Haram* - is the opposite of the term halal, to mean prohibited.  
36  
37 e) *Islamic finance* - financial organizations and/or arrangements with risk sharing  
38 as their core element, and in contributing to financial stability through the use  
39 of financial contracts and services that are founded on risk sharing rather than  
40 speculation in compliance with Shari'ah principles to help enterprises achieve  
41 their mandates.  
42

- 1 f) *Members* - persons, either natural or juridical, adhering to the principles set  
2 forth in this Code and in the Articles of Cooperation, who have been admitted  
3 by the cooperative as member;  
4
- 5 g) *General Assembly* - shall mean the full membership of the cooperative duly  
6 assembled for the purpose of exercising all the rights and performing all the  
7 obligations pertaining to cooperatives, as provided by this Code, its articles of  
8 cooperation and bylaws: Provided, That for cooperatives with numerous and  
9 dispersed membership, the general assembly may be composed of delegates  
10 elected by each sector, chapter or district of the cooperative in accordance  
11 with the rules and regulations of the Authority;  
12
- 13 h) *Board of Directors* - shall mean the body entrusted with the governance and  
14 management of the affairs of the cooperative under its Articles of Cooperation  
15 and Bylaws.  
16
- 17 i) *Committee* - shall refer to a group of members of cooperative entrusted with  
18 specific functions and responsibilities under the bylaws or resolution of the  
19 general assembly or the board of directors.  
20
- 21 j) *Articles of Cooperation* - refers to a fundamental document registered under  
22 this Code and includes a registered amendment thereof that outlines the  
23 purpose, structure, and basic information of a cooperative. the articles of  
24 cooperation.  
25
- 26 k) *Bylaws* – are a set of rules and procedures that govern the internal operations  
27 and management of a cooperative.  
28
- 29 l) *Registration* - means the operative act granting juridical personality to a  
30 proposed cooperative and is evidenced by a certificate of registration (COR).  
31
- 32 m) *Cooperative Development Authority (CDA)* - refers to the government agency  
33 in charge of the registration, regulation, and development of cooperatives  
34 outside the Bangsamoro Autonomous Region.  
35
- 36 n) *Universally Accepted Cooperative Principles* – refers to that body of  
37 cooperative principles adhered to worldwide by cooperatives.  
38
- 39 o) *Representative Assembly* – refers to the full membership of a body of  
40 representatives elected by each of the sectors, chapter or district of the  
41 cooperative duly assembled for the purpose of exercising such powers  
42 lawfully delegated unto them by the general assembly in accordance with its  
43 bylaws.  
44
- 45 p) *Officers of the Cooperatives* - shall include the members of the board of  
46 directors, members of the different committees created by the general



1 assembly, general manager or chief executive officer secretary, treasurer and  
2 members holding other positions as may be provided for in the cooperative  
3 bylaws.

- 4
- 5 q) *Social Audit* - is a procedure wherein the cooperative assesses its social  
6 impact and ethical performance vis-a-vis its stated mission, vision, goals and  
7 code of social responsibility for cooperatives to be established by the  
8 Authority in consultation with the cooperative sector. It enables the  
9 cooperatives to develop a process whereby it can account for its social  
10 performance and evaluate its impact in the community and be accountable for  
11 its decisions and actions to its regular members.
- 12
- 13 r) *Governance and Management Audit* – shall refer to the process of auditing  
14 the efficiency and effectiveness of performance of the cooperative through  
15 determining the presence of documents needed to be maintained in the  
16 operation and management of its business. (CDA MC No. 2017-05)
- 17
- 18 s) *A Single-line or Single-purpose Cooperative* - shall include cooperative  
19 undertaking activities which are related to its main line of business or  
20 purpose.
- 21
- 22 t) *Service Cooperatives* - are those which provide any type of service to its  
23 members, including but not limited to, transport, information and  
24 communication, insurance, housing, electric, health services, education,  
25 banking, and savings and credit.
- 26 u) *Subsidiary Cooperative* - refers to any organization all or majority of whose  
27 membership or shareholders come from a cooperative, organized for any  
28 other purpose different from that of, and receives technical, managerial and  
29 financial assistance from, a cooperative, in accordance with the rules and  
30 regulations of the Authority.
- 31
- 32 v) *Federation of Cooperatives* – categorized as a secondary cooperative, this  
33 refers to three or more primary cooperatives, doing the same line of business,  
34 organized at the municipal, provincial, city, or economic zones created by law,  
35 registered with the Authority to undertake business activities in support of its  
36 member-cooperatives.
- 37
- 38 w) *Assets* - refer to all kinds of properties, real or personal, owned by the social  
39 entrepreneur as defined in paragraph (dd) of this Section and used for the  
40 conduct of its business: Provided, that for the purpose of exemption from  
41 taxes and to benefit from other incentives under this Act, this term shall mean  
42 all kinds of properties, real or personal, owned and/or used by the SE for the  
43 conduct of its business.
- 44

- 1 x) *Basic sectors* - shall refer to, non-moro indigenous peoples, farmer-peasant,  
2 artisanal fisherfolk, workers in the formal sector and migrant workers, workers  
3 in the informal sector, youth and students, and urban poor.  
4
- 5 y) *Disadvantaged sectors* - refer to: women, children, senior citizens, differently-  
6 abled persons, indigenous cultural communities, internally displaced persons  
7 whether natural or human-induced, widows and orphans, homeless, victims of  
8 conflicts and atrocities, that affects their well-being and their participation in  
9 community affairs.  
10
- 11 z) *Capability building* - refers to the process of enhancing the viability and  
12 sustainability of social enterprises. It pertains to 1) education, training,  
13 coaching and other learning events such as, but not limited to, study tours; 2)  
14 technical, consultancy and advisory services; 3) assistance in organizational  
15 systems development; 4) technology incubation, development and  
16 dissemination; 5) value chain and subsector development; 6) conduct of SE  
17 trade fairs and missions; 7) networking and policy advocacy initiatives, and  
18 other such activities that enable SEs to be effective and efficient.  
19
- 20 aa) *Civil society organizations (CSOs)* - refer to private voluntary organizations of  
21 citizens that are established to pursue a mission, usually involving the interest  
22 of the public, marginalized groups or specific sectors of society. They include  
23 non-government organizations, socio-civic groups, foundations, and people's  
24 organizations.  
25
- 26 bb) *Foundation* - shall mean the categorization of a non-profit organization duly  
27 registered that typically either donates funds and support to other  
28 organizations or provides the source of funding for its own charitable  
29 purposes. Unlike a company, foundations have no shareholders though they  
30 may have a board, an assembly and voting members. A foundation may hold  
31 assets in its own name for the purposes set out in its constitutive documents,  
32 and its administration and operation are carried out in accordance with its  
33 statutes or Sections of association rather than fiduciary principles.  
34
- 35 cc) *Impact Investors* – refers to individuals or institutions that choose to put in  
36 money to a business endeavor or activity not principally for financial profit but  
37 to fulfill a social mission which may include poverty reduction, concern for  
38 environmental protection, strong organizational governance, and a desire for  
39 a more economically just world.  
40
- 41 dd) *Microfinance* - shall refer to the provision of a broad range of financial  
42 services such as deposits, loans, payment services, money transfers and  
43 insurance products to the poor and low-income households and their  
44 microenterprises and small businesses, to enable them to raise their income  
45 levels and improve their living standards.  
46

- 1 ee) *Minimum basic needs* - shall refer to the needs of a Filipino family pertaining  
2 to survival (food and nutrition; health; water and sanitation), security (shelter;  
3 peace and order; public safety, income and livelihood); and enabling services  
4 (basic education and literacy, participation in community development, family  
5 and psycho-social care); and inclusion (assistive device/technology, personal  
6 assistance, sign language interpreter, accessibility).  
7
- 8 ff) *Non-Government Organization or NGO* - refers to a duly registered non-stock,  
9 non-profit organization focusing on the upliftment of the basic or  
10 disadvantaged sectors of society by providing advocacy, training, community  
11 organizing, research, access to resources, and other similar activities and, as  
12 defined under Section 34 (H)(2)(c) of Republic Act No. 8424, as amended,  
13 otherwise known as the National Internal Revenue Code of 1997, organized  
14 and operated exclusively for scientific, research, educational, character-  
15 building and youth and sports development, health, social welfare, cultural or  
16 charitable purposes, or a combination thereof, and no part of the net income  
17 of which inures to the benefit of any private individual.  
18
- 19 gg) *Private Enterprise* - shall refer to an organization engaged in a business  
20 activity organized for the purpose of accumulating profit and whose primary  
21 stakeholders and beneficiaries are its owners.
- 22 hh) *Sadaqah* – refers to charity given voluntarily. It also describes a voluntary  
23 charitable act towards others, whether through generosity, love, compassion  
24 or faith.  
25
- 26 ii) *Social development* - refers to the continuing process of addressing the  
27 needs of society, beginning with the people's minimum basic needs, through a  
28 systematic implementation of socioeconomic programs or packages.  
29
- 30 jj) *Social entrepreneur* - refers to an innovative individual or institution that  
31 promotes the creation and operationalization of enterprises or livelihood  
32 endeavors for those in need or which address social problems and improve  
33 societal well-being.  
34
- 35 kk) *Social enterprise intermediaries* – refers to organizations that support social  
36 enterprises through training, investment brokering, creating platforms and  
37 networks between social enterprises and other ecosystem stakeholders.  
38 Government intermediaries are excluded from this category.  
39
- 40 ll) *Social entrepreneurship* - entails innovations designed to explicitly improve  
41 societal well-being, housed within entrepreneurial organizations, which  
42 initiate, guide or contribute to change in society.  
43
- 44 mm) *Social reform* - refers to the continuing process of addressing the basic  
45 inequities in society through a systematic, unified and coordinated delivery of  
46 socioeconomic programs or packages.

- 1  
2 nn) *Social value* - refers to the additional benefit to society of procuring a good or  
3 service, over and above the direct benefit and value of the good or service to  
4 the procuring entity. Additional benefits may include support for poor  
5 communities or marginalized groups, advancement of human rights and  
6 social justice, protection of the environment, and community development.  
7  
8 oo) *Waqf* - means assets that are donated, bequeathed, or purchased for being  
9 held in perpetual trust for general or specific charitable causes that are  
10 socially beneficial. In many ways, the concept of waqf is similar to the  
11 Western concept of endowment.  
12  
13 pp) *Zakat* – refers to a form of obligatory charity that has the potential to ease the  
14 suffering of millions. With the literal meaning of the word being 'to cleanse,'  
15 Muslims believe that paying zakat purifies, increases and blesses the  
16 remainder of their wealth.  
17  
18

19 **CHAPTER II. THE STRENGTHENED BANGSAMORO COOPERATIVES AND**  
20 **SOCIAL ENTERPRISE AUTHORITY**

21 **Section 11. Cooperatives and Social Enterprise Authority (CSEA).** - The  
22 Cooperatives and Social Enterprise Authority shall be the primary entity to promote the  
23 viability and growth of Bangsamoro cooperatives and social enterprise in the  
24 Bangsamoro region. It shall be the sole agency of the Bangsamoro Government that  
25 registers cooperatives and social enterprises. This is without prejudice to the authority  
26 of other government bodies and instrumentalities to register forms of businesses other  
27 than cooperatives that would later choose to operate as social enterprises. The  
28 Authority shall enjoy fiscal autonomy and shall be attached to the Office of the Chief  
29 Minister.

30 **Section 12. Mandate.** - The Cooperatives and Social Enterprise Authority with all the  
31 branches, sub-divisions, instrumentalities and agencies of the Bangsamoro Government  
32 shall ensure the provision of technical guidance, financial assistance and other services  
33 to enable the cooperatives to develop into viable and responsive economic enterprises  
34 and be platforms for poverty reduction and sustainable, inclusive, and equitable  
35 development.

36 **Section 13. Powers and Functions** - The Cooperatives and Social Enterprise Authority  
37 shall be headed by an Executive Director with the rank of Director III, with the following  
38 as the Authority's functions:

- 39 a. Formulate, adopt and implement integrated and comprehensive plans and  
40 programs on cooperative and social enterprise development consistent with  
41 the existing policy on cooperatives and the overall socio-economic  
42 development plans of the Bangsamoro Government;  
43

- 1 b. Develop and conduct management and training programs upon request of  
2 cooperatives and social enterprises;  
3
- 4 c. Support the voluntary organization and consensual development of activities  
5 that promote cooperative movements and provide assistance towards  
6 upgrading managerial and technical expertise upon request of the  
7 cooperative concerned;  
8
- 9 d. Ensure that the marginalized, vulnerable and disabled individuals and groups  
10 are able to participate in the new socio-economic model for BARMM;  
11
- 12 e. Coordinate the efforts of the local government units in the Bangsamoro  
13 Autonomous Region and the private sector in the promotion, organization and  
14 development of cooperatives and social enterprise;  
15
- 16 f. Promote and strengthen cooperatives and social enterprises as pathways to  
17 reintegrate former combatants, surrenderees, and disaster-affected  
18 communities, among others;  
19
- 20 g. Support social entrepreneurs on product development, business finance,  
21 market and linkage, and legal accreditation;  
22
- 23 h. Provide social entrepreneurs with capacity development and access to  
24 training, mentoring and funding opportunities;  
25
- 26 i. Promote social enterprise education in schools and universities;  
27
- 28 j. Convene policy dialogues, conduct research and organize study tours to  
29 share knowledge and best practice in creating an enabling environment for  
30 social enterprise;  
31
- 32 k. Require all cooperatives, their federations and unions in the Bangsamoro  
33 Autonomous Region to submit their annual reports and their financial  
34 statements, duly audited by certified public accountants, and general  
35 information sheets;  
36
- 37 l. Assist cooperatives in the Bangsamoro Autonomous Region in accessing  
38 financial and other forms of assistance under such terms and conditions as  
39 are calculated to strengthen their viability and autonomy;  
40
- 41 m. Administer all grants and donations coursed through the Bangsamoro  
42 Government for cooperative development in the Bangsamoro Autonomous  
43 Region without prejudice to the right of cooperatives to directly receive and  
44 administer such grants and donation upon agreement with the grantors and  
45 donors thereof;  
46

- 1 n. Upon request of either or both parties, to mediate and conciliate disputes  
2 within a cooperative or between cooperatives in the Bangsamoro  
3 Autonomous Region;  
4
- 5 o. Formulate and adopt continuing policy initiatives in consultation with the  
6 cooperative and social enterprise sector in the Bangsamoro Autonomous  
7 Region through public hearings; and  
8
- 9 p. Support the voluntary organization and consensual development of activities  
10 that promote cooperative movements and provide assistance towards  
11 upgrading managerial and technical expertise upon request of the  
12 cooperative concerned;  
13
- 14 q. Ensure that the marginalized, vulnerable and disabled individuals and groups  
15 are able to participate in the new socio-economic model for BARMM;  
16
- 17 r. Promote and strengthen cooperatives as pathways to reintegrate former  
18 combatants, surrenderees, and disaster-affected communities, among others;  
19
- 20 s. Support social entrepreneurs on product development, business finance,  
21 market and linkage, and legal accreditation;  
22
- 23 t. Assist cooperatives in the Bangsamoro Autonomous Region in accessing  
24 financial and other forms of assistance under such terms and conditions as  
25 are calculated to strengthen their viability and autonomy;  
26
- 27 u. Administer all grants and donations coursed through the Bangsamoro  
28 Government for cooperative development in the Bangsamoro Autonomous  
29 Region without prejudice to the right of cooperatives to directly receive and  
30 administer such grants and donation upon agreement with the grantors and  
31 donors thereof;  
32
- 33 v. Establish and maintain a continuing educational and capability building  
34 program for the Authority;  
35
- 36 w. Exercise such other powers and functions as may be necessary to implement  
37 the provisions of this Act; and  
38
- 39 x. Perform such other functions under existing laws.

40

41 **Section 14. Organizational Structure.** - The Cooperatives and Social Enterprise  
42 Authority shall be headed by an Executive Director with the rank of Director III to be  
43 assisted by four (4) Division Chiefs, with support staff. It shall be composed of the  
44 following divisions: (a) Administrative and Finance Division; (b) Cooperative  
45 Development Division; (c) Social Enterprise Division; and (d) Shari'ah and Legal

1 Division. It shall also be supported by Provincial Offices, headed by Provincial Directors  
2 with the rank of Director I, in the provinces of Maguindanao, Lanao del Sur, Basilan,  
3 Sulu, and Tawi-Tawi. Cotabato City and the Special Geographic Area shall be under the  
4 jurisdiction of the CSEA Provincial Office in Maguindanao.

5 **Section 15. Functions of the Administrative and Finance Division.** - The  
6 Administrative and Finance Division shall be responsible for the day - to - day  
7 operations of the Authority and shall carry out the following functions:

- 8 a. Provide administrative support to the Authority;
- 9
- 10 b. Manage the finances of the Authority; and
- 11
- 12 c. Carry out other administrative functions assigned by the Chief Minister or  
13 other competent authority.

14 **Section 16. Functions and duties of the Cooperative Development Division.** - The  
15 Cooperative Development Division shall be headed by a Division Chief, and shall have  
16 the following functions and duties:

- 17 a. Recommend policies, strategies, plans and programs on cooperatives and  
18 extend necessary support and technical assistance towards upgrading  
19 managerial/ technical and fiscal capabilities of cooperatives;  
20
- 21 b. Conduct research and knowledge management initiatives for the Authority  
22 and cooperatives;  
23
- 24 c. Process applications for and thereafter issue Certificates of Registration, and  
25 Certificate of Compliance, when warranted;  
26
- 27 d. Provide mediation and arbitration services to registered cooperatives;  
28
- 29 e. Conduct monitoring and inspection of cooperatives;  
30
- 31 f. Work on convergence of different ministries, agencies, and offices to ensure  
32 whole of government approach in advancing cooperative development and in  
33 providing necessary services to cooperatives in the region;  
34
- 35 g. Implement measures to strengthen the organization of cooperative  
36 federations, unions, and councils;  
37
- 38 h. Conduct promotional activities, projects, and programs on cooperatives as  
39 vehicle for equity, social justice, and economic development in the region;  
40
- 41 i. Develop and conduct management training and education programs for  
42 members of cooperatives;
- 43 j. Assist the cooperatives in improving their access to financing and marketing  
44 opportunities and implement measures for the cooperatives to improve their

1 production capabilities, increase their production outputs, and maximize their  
2 participation in the value chain;

3  
4 k. Require the submission of annual reports, audited financial statements, and  
5 other necessary reports from registered cooperatives; and

6  
7 l. Perform such other functions as may be provided by law.

8 **Section 17. Functions and duties of the Social Enterprise Division.** - The Social  
9 Enterprise Division shall be headed by a Division Chief, and shall have the following  
10 functions and duties:

11 a. Promote and advocate social enterprise in community development;

12  
13 b. Assist social enterprises in the development of their business and financial  
14 models and plans;

15  
16 c. Encourage SOCIAL PROCUREMENT within government agencies. SOCIAL  
17 PROCUREMENT aims to achieve economic empowerment by purchasing  
18 goods and services from social benefit suppliers and training and employment  
19 of socially and economically disadvantaged people;

20  
21 d. Organize the Bangsamoro Social Enterprise Coalition;

22  
23 e. Provide support and assistance to social enterprises whenever necessary;

24  
25 f. Perform such other functions as may be provided by law;

26  
27 g. Support Social Entrepreneurs on product development, business finance,  
28 market and Linkage and legal accreditation;

29  
30 h. Provide social entrepreneurs with capacity development and access to  
31 training, mentoring and funding opportunities;

32  
33 i. Promote social enterprise education in schools and universities; and

34  
35 j. Convene policy dialogues, conduct research and organize study tours to  
36 share knowledge and best practice in creating an enabling environment for  
37 social enterprise.

38 **Section 18. Functions and duties of the Shari'ah and Legal Division.** - The Shari'ah  
39 and Legal Division shall look into the compliance of the cooperatives and social  
40 enterprises to this Code and other laws and regulation as well as to Shari'ah  
41 governance framework and policies. The Shari'ah and Legal Division shall be headed  
42 by a Division Chief and shall perform the following functions and duties:

43



- 1 a) *Legal and Regulatory Review.* – The division is responsible for assessing  
2 the cooperatives and social enterprises' compliance to this Code, relevant  
3 laws, as well as regulatory measures and directives issued by the Authority  
4 and other regulatory bodies.  
5
- 6 b) *Legal and Policy Research.* – The division should undertake legal research  
7 to produce legal opinions, bill reviews, policy analysis, notes, commentaries,  
8 and other essential legal documents that inform policy and regulatory  
9 measures for cooperatives and social enterprises. The division is also  
10 tasked with drafting policies and regulatory directives for the betterment of  
11 cooperatives and social enterprises, based on intensive research and in  
12 conjunction with the other divisions of the Authority.  
13
- 14 c) *Shari'ah Risk Management and Control.* – The division shall systematically  
15 identify, measure, monitor, and report Shari'ah non-compliance risks within  
16 the operations, business, and activities of cooperatives and social  
17 enterprises in line with the Shari'ah governance and compliance framework  
18 and this Code. The division shall also ensure clear accountability by the  
19 respective Shari'ah committees or units tasked with management and  
20 control functions over these risks.  
21
- 22 d) *Shari'ah Research.* – The divisions shall perform in-depth research and  
23 studies on Shari'ah to ensure responsive regulation on the compliance of  
24 cooperatives and social enterprises to Shari'ah.  
25
- 26 e) *Shari'ah Review and Audit.* – The division shall conduct regular  
27 assessments to verify adherence by cooperatives and social enterprises to  
28 the Shari'ah governance and compliance framework and this Code, in their  
29 operations, business, and activities. It shall also provide an independent  
30 evaluation of the quality and efficiency of the Authority's internal control  
31 mechanisms, risk management systems, governance processes, as well as  
32 the overall Shari'ah compliance in operations, business, and activities of  
33 cooperatives and social enterprises.  
34

35 **Section 19. Support to Local Government Units (LGUs).** – In a province, city or  
36 municipality that has its own Cooperative Development Office, the Authority shall  
37 provide support and assistance whenever necessary. Those local government units  
38 without a Cooperative Development Office shall be assisted by a Cooperative  
39 Development Specialist in the implementation of their cooperative programs.  
40

41 **Section 20. Cooperative Development Officers in LGUs.** – The Local Government  
42 Units (LGUs), in accordance with Republic Act No. 11535, shall appoint Cooperative  
43 Development Officers who shall be responsible for promoting, organizing, registering,  
44 and providing business advice, management guidance, and monitoring cooperatives in  
45 their respective jurisdiction. In addition to those already provided in RA 11535, the  
46 Cooperative Development Officers shall have the following functions:

- 1  
2 a. Facilitate the organizing strategies and initiatives of cooperatives in their  
3 respective local government units;  
4  
5 b. Provide customized guidance, technical assistance, and services to  
6 cooperatives for the enhancement of their financial and operational efficiency  
7 and responsiveness to market;  
8  
9 c. Assess and monitor the performance of cooperatives and provide them with  
10 advice on their compliance to cooperative laws and regulation as well as on  
11 their business operations. The results of the said assessment and monitoring  
12 shall be reported to the Authority;  
13  
14 d. Coordinate with the Authority, relevant agencies, and private sector  
15 organizations for capacity-building activities, facilitating access to funding and  
16 other resources for cooperatives;  
17  
18 e. Initiate and implement specialized programs for the development of  
19 cooperatives in line with the Master Plan for Cooperative Development in the  
20 Bangsamoro, emphasizing sustainability and resilience;  
21  
22 f. Compile and submit comprehensive bi-annual reports to the Authority about  
23 the progress, challenges, opportunities, and evolving needs of cooperatives in  
24 their jurisdiction;  
25  
26 g. Facilitate and foster strategic partnerships among cooperatives, industry  
27 stakeholders, and other relevant organizations to boost cooperation, mutual  
28 support, and collective growth;  
29  
30 h. Perform any additional functions as may be prescribed by the Authority, the  
31 local government unit concerned, and other relevant laws with a focus on  
32 emerging trends and the dynamic needs of the cooperative sector.  
33

## 34 **BOOK II. COOPERATIVE DEVELOPMENT**

### 35 **CHAPTER I. ORGANIZATION AND REGISTRATION OF COOPERATIVES**

36 **Section 1. *Purposes of Cooperatives.*** - A cooperative may be organized and  
37 registered for any or all of the following purposes:

- 38  
39 a) To encourage thrift and savings mobilization among the members;  
40  
41 b) To generate funds and extend credit to the members for productive and  
42 provident purposes;  
43

- 1 c) To encourage among members a members' systematic production and  
2 marketing;  
3  
4 d) To provide goods and services and other requirements to the members;  
5  
6 e) To develop expertise and skills among its members;  
7  
8 f) To acquire lands and provide housing benefits for the members;  
9  
10 g) To insure against losses of the members;  
11  
12 h) To promote and advance the economic, social and educational status of the  
13 members;  
14  
15 i) To establish, own, lease or operate cooperative banks, cooperative wholesale  
16 and retail complexes, insurance and agricultural/industrial processing  
17 enterprises, and public markets;  
18  
19 j) To coordinate and facilitate the activities of cooperatives;  
20  
21 k) To advocate for the cause of the cooperative movement;  
22 l) To ensure the viability of cooperatives through the utilization of new  
23 technologies;  
24  
25 m) To encourage and promote self-help or self-employment as an engine for  
26 economic growth and poverty alleviation; and  
27  
28 n) To undertake any and all other activities for the effective and efficient  
29 implementation of the provisions of this Code;  
30  
31 o) To undertake programs and activities in support to the implementation of  
32 peace and development in the Bangsamoro Autonomous Region.  
33  
34

35 **Section 2. Objectives and Goals of a Cooperative** - The primary objective of every  
36 cooperative is to help improve the quality of life of its members. Towards this end, the  
37 cooperative shall aim to:

- 38 a) Provide goods and services to its members to enable them to attain increased  
39 income, savings, investments, productivity, and purchasing power, and  
40 promote among themselves equitable distribution of net surplus through  
41 maximum utilization of economies of scale, cost-sharing and risk-sharing;  
42  
43 b) Provide optimum social and economic benefits to its members;  
44  
45 c) Teach them efficient ways of doing things in a cooperative manner;

- 1  
2 d) Propagate cooperative practices and new ideas in business and  
3 management;  
4  
5 e) Allow the lower income and less privileged groups to increase their ownership  
6 in the wealth of the nation; and  
7  
8 f) Cooperate with the government, other cooperatives and people-oriented  
9 organizations to further the attainment of any of the foregoing objectives.

10 **Section 3. Cooperatives Not in Restraint of Trade.** - No cooperative or method or act  
11 thereof which complies with this Code shall be deemed a conspiracy or combination in  
12 restraint of trade or an illegal monopoly, or an attempt to lessen competition or fix prices  
13 arbitrarily in violation of any of the laws of the Philippines.

14  
15 **Section 4. Cooperative Powers and Capacities.** - A cooperative registered under this  
16 Code shall have the following powers, rights and capacities:

- 17 a) To the exclusive use of its registered name, to sue and be sued;  
18  
19 b) Of succession;  
20  
21 c) To amend its Articles of Cooperation in accordance with the provisions  
22 of this Code;  
23  
24 d) To adopt bylaws not contrary to law, morals or public policy, and to  
25 amend and repeal the same in accordance with this Code;  
26  
27 e) To purchase, receive, take or grant, hold, convey, sell, lease, pledge,  
28 mortgage, and otherwise deal with such real and personal property as  
29 the transaction of the lawful affairs of the cooperative, may reasonably  
30 and necessarily require, subject to the limitations prescribed by law  
31 and the Constitution;  
32  
33 f) To enter into division, merger or consolidation, as provided in this  
34 Code;  
35  
36 g) To form subsidiary cooperatives and join federations or unions as  
37 provided in this Code;  
38  
39 h) To avail of loans, be entitled to credit and to accept and receive grants,  
40 donations and assistance from foreign and domestic sources, subject  
41 to the conditions of said loans, credits, grants, donations or assistance  
42 that will not undermine the autonomy of the cooperative. The Authority,  
43 upon written request, shall provide necessary assistance in the

1 documentary requirements for the loans, credit, grants, donations and  
2 other financial support;

3  
4 i) To avail of preferential rights granted to cooperatives under Republic  
5 Act No. 7160, otherwise known as the Local Government Code, and  
6 other laws, particularly those in the grant of franchises to establish,  
7 construct, operate and maintain ferries, wharves, markets or  
8 slaughterhouses and to lease public utilities, including access to  
9 extension and on-site research services and facilities related to  
10 agriculture and fishery activities;

11  
12 j) To organize and operate schools in accordance with Republic Act No.  
13 9155, Governance of Basic Education Act of 2001 and Bangsamoro  
14 Education Code and other pertinent laws; and

15  
16 k) To exercise such other powers granted by this Code or necessary to  
17 carry out its purpose or purposes as stated in its Articles of  
18 Cooperation.

19 **Section 5. Organizing a Primary Cooperative.** - Fifteen (15) or more natural persons  
20 who are Filipino citizens, of legal age, having a common bond of interest and are  
21 actually residing or working in the intended area of operation, may organize a primary  
22 cooperative under this Code: Provided, that a prospective member of a primary  
23 cooperative must have completed a Pre-registration Seminar (PRS).

24 Any newly organized primary cooperative may be registered as multipurpose  
25 cooperative only after compliance with the minimum requirements for multipurpose  
26 cooperatives to be set by the Authority.

27 A single-purpose cooperative may transform into a multipurpose or may create  
28 subsidiaries only after at least two (2) years of operations and with proof of economic  
29 viability as determined by the Authority.

30 **Section 6. Economic Survey.** - Every group of individuals or cooperatives intending to  
31 form a cooperative under this Code shall submit to the Authority a general statement  
32 describing, among others the structure and purposes of the proposed cooperative:  
33 Provided, That the structure and actual staffing pattern of the cooperative shall  
34 include a bookkeeper: Provided, further, That they shall not be allowed to operate  
35 without the necessary personnel and shall also submit an economic survey, indicating  
36 therein the area of operation, the size of membership, and other pertinent data in a  
37 format provided by the Authority.

38 **Section 7. Liability.** - A cooperative duly registered under this Code shall have limited  
39 liability.

40 **Section 8. Term.** - A cooperative shall exist for a period not exceeding fifty (50) years  
41 from the date of registration unless sooner dissolved or unless said period is extended.  
42 The cooperative term, as originally stated in the Articles of Cooperation, may be

1 extended for periods not exceeding fifty (50) years, in any single instance by an  
2 amendment of the Articles of Cooperation, in accordance with this Code: Provided, That  
3 no extension can be made earlier than five (5) years prior to the original or subsequent  
4 expiry date/dates unless there are justifiable reasons for an earlier extension as may be  
5 determined by the Authority.

6 **Section 9. Articles of Cooperation.**

- 7 a) All cooperatives applying for registration shall file with the Authority the  
8 Articles of Cooperation which shall be signed by each of the organizers and  
9 acknowledged by them if natural persons, and by the chairpersons or  
10 secretaries, if juridical persons, before a notary public.  
11
- 12 b) The Articles of Cooperation shall set forth:
- 13 1) The name of the cooperative which shall include the word  
14 'cooperative';
  - 15 2) The purpose or purposes and scope of business for which the  
16 cooperative is to be registered;
  - 17 3) The term of existence of the cooperative;
  - 18 4) The area of operation and the postal address of its principal office;
  - 19 5) The names, nationality, and the postal addresses of the registrants;
  - 20 6) The common bond of membership;
  - 21 7) The list of names of the directors who shall manage the cooperative;  
22 and
  - 23 8) The amount of its share capital, the names and residences of its  
24 contributors and a statement of whether the cooperative is primary,  
25 secondary or tertiary in accordance with Section 20 of this Chapter.  
26
- 27 c) The Articles of Cooperation may also contain any other provisions not  
28 inconsistent with this Code or any related law.  
29
- 30 d) Four (4) copies each of the proposed Articles of Cooperation, bylaws, and the  
31 general statement required under Section 6 of this Chapter shall be submitted  
32 to the Authority.  
33  
34

35 No cooperative, other than a cooperative union as described under Section 22 of  
36 this Chapter, shall be registered unless the Articles of Cooperation is accompanied  
37 with the bonds of the accountable officers and a sworn statement of the treasurer  
38 elected by the subscribers showing that at least twenty-five per centum (25%) of the  
39  
40  
41  
42  
43  
44

1 authorized share capital has been subscribed and at least twenty-five per centum  
2 (25%) of the total subscription has been paid: Provided, That in no case shall the  
3 paid-up share capital be less than fifteen thousand pesos (P15,000.00), and that the  
4 membership fees and the paid-up shared capital have been paid as certified by the  
5 treasurer.

6 The Authority shall periodically assess the progress of paying the required paid-up  
7 share capital by the members and may increase it every five (5) years, when  
8 necessary, upon consultation with the cooperative sectors and the Bangsamoro  
9 Planning and Development Authority (BPDA).

10

11 **Section 10. Bylaws** - Each cooperative to be registered under this Code shall adopt  
12 bylaws not inconsistent with the provisions of this Code. The bylaws shall be filed at the  
13 same time as the Articles of Cooperation.

14 The bylaws of each cooperative shall provide:

- 15 a) The qualifications for admission to membership and the payment to be made  
16 or interest to be acquired as a condition for the exercise of the right of  
17 membership;
- 18 b) The rights and privileges, duties and responsibilities and liabilities of  
19 membership;
- 20 c) The circumstances under which membership is acquired, maintained and lost;
- 21 d) The procedure to be followed in cases of termination of membership;
- 22 e) The conditions under which the transfer of a share or interest of the members  
23 shall be permitted;
- 24 f) The rules and procedures on the agenda, time, place and manner of calling,  
25 convening, conducting meetings, quorum requirements, voting systems, and  
26 other matters relative to the business affairs of the general assembly, board of  
27 directors, and committees;
- 28 g) The general conduct of the affairs of the cooperative, including the powers  
29 and duties of the general assembly, the board of directors, committees and  
30 the officers, and their qualifications and disqualifications;
- 31 h) The manner in which the capital may be raised and the purposes for which it  
32 can be utilized;
- 33 i) The mode of custody and of investment of net surplus;
- 34 j) The accounting and auditing systems;
- 35  
36  
37  
38  
39  
40  
41  
42  
43

- 1 k) The manner of loaning and borrowing including the limitations thereof;  
2 Cooperatives that choose to operate under Islamic principles shall adhere to  
3 the Shari'ah compliance provisions of this Code and the pertinent rules and  
4 regulation issued by the Authority;  
5  
6 l) The method of distribution of net surplus;  
7  
8 m) The manner of adopting, amending, repealing, and abrogating bylaws;  
9  
10 n) A conciliation or mediation mechanism for the amicable settlement of disputes  
11 among members, directors, officers and committee members of the  
12 cooperative; and  
13  
14 o) Other matters incident to the purposes and activities of the cooperative.

15 **Section 11. Registration of Cooperatives.** - A cooperative formed or organized under  
16 this Code acquires juridical personality from the date the Authority issues a certificate of  
17 registration under its official seal. All applications for registration shall be finally disposed  
18 of by the Authority within a period of sixty (60) days from the filing thereof, otherwise  
19 the application is deemed approved, unless the cause of the delay is attributable to the  
20 applicant: Provided, That in case of a denial of the application for registration, an appeal  
21 shall be filed with the Authority within ninety (90) days from receipt of the notice of such  
22 denial: Provided, further, That failure of the Authority to act on the appeal within ninety  
23 (90) days from the filing thereof shall mean approval of said application.

24 **Section 12. Certificate of Registration (COR).** - A certificate of registration issued by  
25 the Authority under its official seal shall be conclusive evidence that the cooperative  
26 therein mentioned is duly registered unless it is proved that the registration thereof has  
27 been cancelled.

28 **Section 13. Certificate of Compliance (COC).** - A certificate of compliance shall be  
29 issued to register cooperative after a year of operation and upon compliance of all  
30 requirements thereto as set forth by the Authority.

31 **Section 14. Inactive Cooperatives.** - All cooperatives are required to submit semi-  
32 annual and annual reports to the Authority which shall include list of activities such as  
33 meetings, business dealings and transactions and a declaration informing the Authority  
34 of the cooperative's failure to operate.

35 Failure to operate at the end of the first six (6) months from the date of registration as  
36 declared in the cooperative's official reports, the Authority will intervene to provide  
37 support, assistance, guidance and close monitoring to help the cooperative to operate  
38 within the next six (6) months.

39 Failure to operate for a period of one year shall mean denial of issuance of COC  
40 thereby rendering the cooperative inactive officially.



1 **Section 15. Amendment of Articles of Cooperation and Bylaws** - Unless otherwise  
2 prescribed by this Code and for legitimate purposes, any provision or matter stated in  
3 the Articles of Cooperation and bylaws may be amended by two-thirds (2/3) vote of all  
4 the members with voting rights, without prejudice to the right of the dissenting members  
5 to exercise their right to withdraw their membership under Section 27, Chapter II.

6 Both the original and amended Sections and/or bylaws shall contain all provisions  
7 required by law to be set out in the Articles of Cooperation and bylaws. Amendments  
8 shall be indicated by underscoring or otherwise appropriately indicating the change or  
9 changes made and a copy of the amended Sections or amended bylaws duly certified  
10 under oath by the cooperative secretary and a majority of the directors stating the fact  
11 that said amendment or amendments to the Sections of cooperation and/or bylaws have  
12 been duly approved by the required vote of the members. All amendments to the  
13 Articles of Cooperation and/or bylaws shall be submitted to the Authority. The  
14 amendments shall take effect upon its approval by the Authority or after thirty (30) days  
15 from the date of filing thereof if not acted upon by the Authority for a cause not  
16 attributable to the cooperative.

17 **Section 16. Contracts Executed Prior to Registration and Effects Thereof.** -  
18 Contracts executed between private persons and cooperatives prior to the registration  
19 of the cooperative shall remain valid and binding between the parties and upon  
20 registration of the cooperative. A formal written contract shall be adopted and made in  
21 the cooperative's name or on its behalf prior to its registration.

22 **Section 17. Division of Cooperatives.** - Any registered cooperative may, by a  
23 resolution approved by a vote of three-fourths (3/4) of all the members with voting  
24 rights, present and constituting a quorum, resolve to divide itself into two (2) or more  
25 cooperatives. The procedure for such division, shall be prescribed in the regulations of  
26 the Authority: Provided, that all the requirements set forth in this Code have been  
27 complied with by the new cooperatives: Provided, further, That no division of a  
28 cooperative in fraud of creditors shall be valid.

29 **Section 18. Merger and Consolidation of Cooperatives.**

- 30 a) Two (2) or more cooperatives may merge into a single cooperative which  
31 shall either be one of the constituent cooperatives or the consolidated  
32 cooperative.  
33
- 34 b) No merger or consolidation shall be valid unless approved by a three-fourths  
35 (3/4) vote of all the members with voting rights, present and constituting a  
36 quorum of each of the constituent cooperatives at separate general assembly  
37 meetings. The dissenting members shall have the right to exercise their right  
38 to withdraw their membership pursuant to Section 27, Chapter II.  
39
- 40 c) The Authority shall issue the guidelines governing the procedure of merger or  
41 consolidation of cooperatives. In any case, the merger or consolidation shall  
42 be effective upon the issuance of the certificate of merger or consolidation.

1 **Section 19. *Effects of Merger and Consolidation of cooperative.*** - The merger or  
2 consolidation of cooperatives shall have the following effects:

- 3 a) The constituent cooperatives shall become a single cooperative which, in  
4 case of merger, shall be the surviving cooperative, and, in case of  
5 consolidation, shall be the consolidated cooperative;  
6  
7 b) The separate existence of the constituent cooperatives shall cease, except  
8 that of the surviving or the consolidated cooperative;  
9  
10 c) The surviving or the consolidated cooperative shall possess all the rights,  
11 privileges, immunities and powers and shall be subject to all the duties and  
12 liabilities of a cooperative organized under this Code;  
13  
14 d) The surviving or the consolidated cooperative shall possess all the assets,  
15 rights, privileges, immunities and franchises of each of the constituent  
16 cooperatives; and  
17  
18 e) The surviving or the consolidated cooperative shall be responsible for all the  
19 liabilities and obligations of each of the constituent cooperatives in the same  
20 manner as if such surviving or consolidated cooperative had itself incurred  
21 such liabilities or obligations. Any claim, action or proceeding pending by or  
22 against any such constituent cooperatives may be prosecuted by or against  
23 the surviving or consolidated cooperative, as the case may be. Neither the  
24 rights of creditors nor any lien upon the property of any of such constituent  
25 cooperatives shall be impaired by such merger or consolidation.

26 **Section 20. *Types and Categories of Cooperatives.***

- 27 a) Types of Cooperatives – Cooperatives in the Bangsamoro region may fall  
28 under any of the following types;  
29 1) Credit Cooperative is one that promotes and undertakes savings and  
30 lending services among its members. It generates a common pool of  
31 funds in order to provide financial assistance and other related financial  
32 services to its members for productive and provident purposes;  
33 2) Consumers Cooperative is one of the primary purposes of which is to  
34 procure and distribute commodities to members and non-members;  
35 3) Producers Cooperative is one that undertakes joint production whether  
36 agricultural or industrial. It is formed and operated by its members to  
37 undertake the production and processing of raw materials or goods  
38 produced by its members into finished or processed products for sale by  
39 the cooperative. Any end product or its derivative arising from the raw  
40 materials produced by its members, sold in the name and for the account  
41 of the cooperative, shall be deemed a product of the cooperative and its  
42 members;  
43 4) Marketing Cooperative is one which engages in the supply of production  
44 inputs to members and markets their products;

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

6 21) Other types of cooperative as may be determined by the Authority.  
7

8 b) Categories of Cooperatives - Cooperatives shall be categorized according to  
9 membership and territorial considerations as follows:

10 1) In terms of membership, cooperative shall be categorized into:

- 11 i. Primary - The members of which are natural persons;
- 12 ii. Secondary - The members of which are primaries; and
- 13 iii. Tertiary - The members of which are secondary cooperatives;
- 14 and

15 2) In terms of territory, cooperatives shall be categorized according to areas  
16 of operations which may or may not coincide with the political subdivisions  
17 of the country.

18 **Section 21. Federation of Cooperatives.** – Three or more registered cooperatives in  
19 the Region of the same type of services may form a federation to advance their mutual  
20 interest and development. It shall undertake the following function:

- 21 1) To carry on any cooperative enterprise authorized under Section 6 that  
22 complements, augments, or supplements but does not conflict,  
23 compete with, nor supplant the business or economic activities of its  
24 members;
- 25 2) To carry on, encourage, and assist educational and advisory work  
26 relating to its member cooperatives;
- 27 3) To render services designed to encourage simplicity, efficiency, and  
28 economy in the conduct of the business of its member cooperatives  
29 and to facilitate the implementation of their bookkeeping, accounting,  
30 and other systems and procedures;
- 31 4) To print, publish, and circulate any newspaper or other publication in  
32 the interest of its member cooperatives and enterprises;
- 33 5) To coordinate and facilitate the activities of its member cooperatives;
- 34 6) To enter into joint ventures with national or international cooperatives  
35 of other countries in the manufacture and sale of products and/or  
36 services in the Philippines and abroad; and
- 37 7) To perform such other functions as may be necessary to attain its  
38 objectives.

39 A federation of cooperatives may be registered by carrying out the formalities for  
40 registration of a cooperative.

41 Registered cooperatives may organize a federation according to the type of business  
42 activity engaged in by the cooperatives.

1 **Section 22. Cooperative Unions.** – Registered cooperatives and federations at the  
2 appropriate levels may organize or join cooperative unions to represent the interest and  
3 welfare of all types of cooperatives at the provincial, city, regional, and national levels.  
4 Cooperative unions may have the following purposes:

- 5 a) To represent its member organizations;
- 6 b) To acquire, analyze, and disseminate economic, statistical, and other  
7 information relating to its members and to all types of cooperatives within its  
8 area of operation;
- 9 c) To sponsor studies in the economic, legal, financial, social and other phases  
10 of cooperation, and publish the results thereof;
- 11 d) To promote the knowledge of cooperative principles and practices;
- 12 e) To develop the cooperative movement in their respective jurisdictions;
- 13 f) To advise the appropriate authorities on all questions relating to cooperatives;
- 14 g) To raise funds through membership fees, dues and contributions, donations,  
15 and subsidies from local and foreign sources whether private or government;  
16 and
- 17 h) To do and perform such other non-business activities as may be necessary to  
18 attain the foregoing objectives.

19 Cooperative unions may assist the national, regional, and local governments in the  
20 latter's development activities in their respective jurisdictions.

## 21 22 **CHAPTER II**

### 23 **MEMBERSHIP IN COOPERATIVES**

24  
25 **Section 23. Kinds of Membership.** - A cooperative may have two (2) kinds of  
26 members, to with (1) regular members and (2) associate members.

27 A regular member is one who has complied with all the membership requirements and  
28 entitled to all the rights and privileges of membership.

29 An associate member is one who has no right to vote nor be voted upon and shall be  
30 entitled only to such rights and privileges as the bylaws may provide: Provided, That an  
31 associate member who meets the minimum requirements of regular membership,  
32 continues to patronize the cooperative for two (2) years, and signifies his/her intention to  
33 remain a member shall be considered a regular member.

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

37 **Section 24. Limitation of membership.** -

- 1            1) Any person shall be eligible for membership in a cooperative in the  
2 region only twice. An employee working in a government or private  
3 institution may join an employee's cooperative as well as cooperative  
4 based in the community at the same time.
- 5            2) Government Officers and Employees - Any officer or employee of the  
6 Authority shall be disqualified to be elected or appointed to any  
7 position in a cooperative: Provided, That the disqualification does not  
8 extend to a cooperative organized by the officers or employees of the  
9 Authority.
- 10           3) All elective officials of the Government shall be ineligible to become  
11 officers and directors of cooperatives: Provided, That the  
12 disqualification does not extend to a party list representative being an  
13 officer of a cooperative he or she represents; and
- 14           4) Any government employee or official may, in the discharge of his duties  
15 as member in the cooperative, be allowed by the head of office  
16 concerned to use official time for attendance at the general assembly,  
17 board and committee meetings of cooperatives as well as cooperative  
18 seminars, conferences, workshops, technical meetings, and training  
19 courses locally or abroad: Provided, That the operations of the office  
20 concerned are not adversely affected.

21 **Section 25. Application.** - An applicant for membership shall be deemed a member  
22 after approval of his membership by the board of directors and shall exercise the rights  
23 of member after having made such payments to the cooperative in respect to  
24 membership or acquired interest in the cooperative as may be prescribed in the bylaws.

25 In case membership is refused or denied by the board of directors, an appeal may be  
26 made to the general assembly and the latter's decision shall be final. For this purpose,  
27 the general assembly may opt to create an appeal and grievance committee, the  
28 members of which, shall serve for a period of one (1) year and shall decide appeals on  
29 membership application within thirty (30) days upon receipt thereof. If the committee  
30 fails to decide within the prescribed period, the appeal is deemed approved in favor of  
31 the applicant.

32 **Section 26. Liability of Members.** - A member shall be liable for the debts of the  
33 cooperative to the extent of his/her contribution to the share capital of the cooperative.

34 **Section 27. Termination of Membership.** -

35 1) A member of a cooperative may, for any valid reason, withdraw his membership  
36 from the cooperative by giving a sixty (60) day notice to the board of directors. Subject  
37 to the bylaws of the cooperative, the withdrawing member shall be entitled to a refund of  
38 his share capital contribution and all other interests in the cooperative: Provided, That  
39 such refund shall not be made if upon such payment the value of the assets of the  
40 cooperative would be less than the aggregate amount of its debts and liabilities  
41 exclusive of his share capital contribution.

1 2) The death or insanity of a member in a primary cooperative, and the insolvency  
2 or dissolution of a member in a secondary or tertiary cooperative may be considered  
3 valid grounds for termination of membership: Provided, That in case of death or insanity  
4 of an agrarian reform beneficiary-member of a cooperative, the next-of-kin may assume  
5 the duties and responsibilities of the original member.

6 3) Membership in the cooperative may be terminated by a vote of the majority of all  
7 the members of the board of directors for any of the following causes:

- 8 i. When a member has not patronized any of the services of the cooperative for  
9 an unreasonable period of time as may be previously determined by the  
10 board of directors;
- 11 ii. When a member has continuously failed to comply with his obligations;
- 12 iii. When a member has acted in violation of the bylaws and the rules of the  
13 cooperative; and
- 14 iv. For any act or omission injurious or prejudicial to the interest or the welfare of  
15 the cooperative.

16 A member whose membership in the board of directors may wish to terminate shall be  
17 informed of such intended action in writing and shall be given an opportunity to be heard  
18 before the said board makes its decision. The decision of the board shall be in writing  
19 and shall be communicated in person or by registered mail to said member and shall be  
20 appealable within thirty (30) days from receipt thereof to the general assembly whose  
21 decision shall be final. The general assembly may create an appeal and grievance  
22 committee whose members shall serve for a period of one (1) year and shall decide  
23 appeals on membership termination. The committee is given thirty (30) days from  
24 receipt thereof to decide on the appeal. Failure to decide within the prescribed period,  
25 the appeal is deemed approved in favor of the member. Pending a decision by the  
26 general assembly, the membership remains in force.

27 **Section 28. Refund.** - All sums computed in accordance with the bylaws to be due from  
28 a cooperative to a former member shall be paid either by the cooperative or by the  
29 approved transferee, as the case may be, in accordance with this Code.

### 31 CHAPTER III.

#### 32 ADMINISTRATION AND MANAGEMENT OF COOPERATIVES

33  
34 **Section 29. Composition of the General Assembly.** – The general assembly shall be  
35 composed of such members who are entitled to vote under the articles of cooperation  
36 and bylaws of the cooperative.

37 **Section 30. Powers of the General Assembly.** – The general assembly shall be  
38 composed of such members who are entitled to vote under the articles of cooperation  
39 and bylaws of the cooperative.

1 Administration and management of cooperatives is lodged with General Assembly, the  
2 Board of Directors, and the working committees as specified in the By-laws and the  
3 Articles of Cooperation of cooperatives.

4 **Section 31. Powers of the General Assembly.** - the general assembly composed of  
5 members with voting rights shall be the highest policy making body of the cooperative  
6 and shall exercise such powers as are stated in this Code, in the articles of cooperation  
7 and in the bylaws of the cooperative. The general assembly shall have the following  
8 exclusive powers which cannot be delegated:

- 9 1) To determine and approve amendments to the Articles of Cooperation and  
10 bylaws;
- 11 2) To elect or appoint the members of the board of directors, and to remove  
12 them for cause. However, in the case of the electric cooperatives registered  
13 under this Code, election of the members of the board shall be held in  
14 accordance with its bylaws or election guidelines of such electric cooperative;  
15 and
- 16 3) To approve developmental plans of the cooperative

17 Subject to such other provisions of this Code and only for purposes of prompt and  
18 intelligent decision-making, the general assembly may, by a three-fourths. (3/4) vote of  
19 all its members with voting rights, present and constituting a quorum, delegate some of  
20 its powers to a smaller body of the cooperative. These powers shall be enumerated  
21 under the bylaws of the cooperative.

22 **Section 32. Meetings.** - (1) A regular meeting shall be held annually by the general  
23 assembly on a date fixed in the bylaws, or if not so fixed, on any date within ninety (90)  
24 days after the close of each fiscal year: Provided, That notice of regular meetings shall  
25 be sent in writing, by posting or publication, or through other electronic means to all  
26 members of record.

27 "(2) Whenever necessary, a special meeting of the general assembly may be called at  
28 any time by a majority vote of the board of directors or as provided for in the bylaws:  
29 Provided, That a notice in writing shall be sent one (1) week prior to the meeting to all  
30 members who are entitled to vote. However, a special meeting shall be called by the  
31 board of directors after compliance with the required notice within one (1) month after  
32 receipt of a request in writing from at least ten per centum (10%) of the total members  
33 who are entitled to vote to transact specific business covered by the call.

34 "If the board fails to call a regular or a special meeting within the given period, the  
35 Authority, upon petition of ten per centum (10%) of all the members of the cooperative  
36 who are entitled to vote, and for good cause shown, shall issue an order to the  
37 petitioners directing them to call a meeting of the general assembly by giving proper  
38 notice as required in this Code or in the bylaws;

39 "(3) In the case of a newly approved cooperative, a special general assembly shall be  
40 called, as far as practicable, within ninety (90) days from such approval;

1 "(4) The Authority may call a special meeting of the cooperative for the purpose of  
2 reporting to the members the result of any examination or other investigation of the  
3 cooperative affairs; and

4 "(5) Notice of any meeting may be waived, expressly or impliedly, by any member.

5 **Section 33. Quorum.** – A quorum shall consist of at least twenty-five per centum (25%)  
6 of all the members entitled to vote. In the case of cooperative banks, the quorum shall  
7 be as provided in Article 99 of this Code. In the case of electric cooperatives registered  
8 under this Code, a quorum, unless otherwise provided in the bylaws, shall consist of five  
9 per centum (5%) of all the members entitled to vote.

10 **Section 34. Voting System.** - Each member of a primary cooperative shall have only  
11 one (1) vote. In the case of members of secondary or tertiary cooperatives, they shall  
12 have one (1) basic vote and as many incentive votes as provided for in the bylaws but  
13 not to exceed five (5) votes. The votes cast by the delegates shall be deemed as votes  
14 cast by the members thereof.

15 However, the bylaws of a cooperative other than a primary may provide for voting by  
16 proxy. Voting by proxy means allowing a delegate of a cooperative to represent or vote  
17 in behalf of another delegate of the same cooperative.

18 **Section 35. Composition and Term of the Board of Directors.** – Unless otherwise  
19 provided in the bylaws, the direction and management of the affairs of a cooperative  
20 shall be vested in a board of directors which shall be composed of not less than five (5)  
21 nor more than fifteen (15) members elected by the general assembly for a term of two  
22 (2) years and shall hold office until their successors are duly elected and qualified, or  
23 until duly removed for caused.

24 **Section 36. Powers of the Board of Directors.** - The board of directors shall be  
25 responsible for the strategic planning, direction-setting and policy- formulation activities  
26 of the cooperatives.

27 **Section 37. Directors.** – (1) Any member of a cooperative who under the bylaws of the  
28 cooperative, has the right to vote and who possesses all the qualifications and none of  
29 the disqualifications provided in the laws or bylaws shall be eligible for election as  
30 director.

31 (2) The cooperative may, by resolution of its board of directors, admit as consultant in its  
32 board or committees one appointed by any financing institution from which the  
33 cooperative received financial assistance solely to provide technical knowledge not  
34 available within its membership. Such consultant or committee member need not be a  
35 member of the cooperative and shall have no powers, rights, nor responsibilities except  
36 to provided technical assistance as required by the cooperative.

37 (3) The members of the board of directors shall not hold any other position directly  
38 involved in the day-to-day operation and management of the cooperative;



1 (4) Any person engaged in a business similar to that of the cooperative or who in any  
2 way has a conflict of interest with it, is disqualified from election as director of said  
3 cooperative.

4 **Section 38. Vacancy in the Board of Directors.** - Any vacancy in the board of  
5 directors, other than by expiration of term, may be filled by the vote of at least a majority  
6 of the remaining directors, if still constituting a quorum; otherwise, the vacancy must be  
7 filled by the general assembly in a regular or special meeting called for the purpose. A  
8 director so elected to fill a vacancy shall serve only the unexpired term of his  
9 predecessor in office.

10 **Section 39. Meeting of the Board and Quorum Requirement.** – (1) In the case of  
11 primary cooperatives, regular meetings of the board of directors shall be held at least  
12 once a month.

13 (2) Special meetings of the board of directors may be held at any time upon the call of  
14 the chairperson or a majority of the members of the board: Provided, That written  
15 notices of the meeting specifying the agenda of the special meeting shall be given to all  
16 members of the board at least one (1) week before the said meeting.

17 (3) A majority of the members of the Board shall constitute a quorum or the conduct of  
18 business, unless the bylaws proved otherwise.

19 (4) Directors cannot attend or vote by proxy at board meetings.

20

21 **Section 40. Officers of the Cooperative.** -The Officers of the cooperatives are the  
22 Chairperson, the Vice Chairperson and elected or appointed other officers like the  
23 Secretary and Treasurer appointed from among the directors or outside of the Board.  
24 The manner of election or appointment of officers is as follows:

25 a. The board of directors shall elect from among themselves the chairperson  
26 and vice-chairperson, and elect or appoint other officers of the cooperative  
27 from outside of the board in accordance with their bylaws.

28  
29 b. All officers shall serve with good behavior and shall not be removed except  
30 for cause and after observance of due process. Loss of confidence shall not  
31 be a valid ground for removal unless evidenced by acts or omission causing  
32 loss of confidence in the honesty and integrity of such officer.

33  
34 c. c) No two (2) or more persons with relationships up to the third civil degree  
35 of consanguinity or affinity nor shall any person engaged in a business similar  
36 to that of the cooperative nor who in any other manner has interests in conflict  
37 with the cooperative shall serve as an appointive officer.

38 **Section 41. Committees of the Cooperative.** -

- 1 a) The bylaws may create an executive committee to be appointed by the board  
2 of directors with such powers and duties as may be delegated to it in the  
3 bylaws or by a majority vote of all the members of the board of directors.  
4
- 5 b) The bylaws shall provide for the creation of an audit, election, mediation and  
6 conciliation, ethics, and such other committees as may be necessary for the  
7 conduct of the affairs of the cooperative. Those who choose to operate under  
8 Islamic principles and the Shar'iah governance framework shall include in its  
9 Bylaws the creation of a Shari'ah Committee.

10 The members of both the audit and election committees shall be elected by the general  
11 assembly and the rest shall be appointed by the board. The audit committee shall be  
12 directly accountable and responsible to the general assembly.

13 It shall have the power and duty to continuously monitor the adequacy and  
14 effectiveness of the cooperative's management control system and audit the  
15 performance of the cooperative and its various responsibilities.

16 Unless otherwise provided in the bylaws, the board, in case of a vacancy in the  
17 committees, may call an election to fill the vacancy or appoint a person to fill the same  
18 subject to the provision that the person elected or appointed shall serve only for the  
19 unexpired portion of the term.

20 **Section 42. Function, Responsibilities and Training.** - The functions and  
21 responsibilities of the directors, officers and committee members, as well as their  
22 training requirements, shall be in accordance with the rules and regulations issued by  
23 the Authority.

24 **Section 43. Remuneration of the Directors, Officers and Committee members and**  
25 **other Employees of the Cooperative. -**

- 26 a) In the absence of any provision in the bylaws fixing their compensation, the  
27 directors shall not receive any compensation except for reasonable per  
28 diems:  
29

30 Provided, however, That the directors and officers shall not be entitled to any  
31 per diem when, in the preceding calendar year, the cooperative reported a net  
32 loss or had a dividend rate less than the official inflation rate for the same  
33 year.  
34

35 Any compensation other than per diems may be granted to directors by a  
36 majority vote of the members with voting rights at a regular or special general  
37 assembly meeting specifically called for the purpose: Provided, that no  
38 additional compensation other than per diems shall be paid during the first  
39 year of existence of any cooperative.  
40

- 1       b)     The compensation of officers of the cooperative as well as the members of  
2             the committees created pursuant to this Code or its bylaws may be fixed in  
3             the bylaws.  
4  
5       c)     Unless already fixed in the bylaws, the compensation of all other employees  
6             shall be determined by the board of directors.

7     **Section 44. Liability of Directors, Officers and Committee members and other**  
8     **Offices of the Cooperative.** – Directors, officers and committee members, who willfully  
9     and knowingly vote for or assent to patently unlawful acts or who are guilty of gross  
10    negligence or bad faith in directing the affairs of the cooperative or acquire any personal  
11    or pecuniary interest in conflict with their duty as such directors, officers or committee  
12    members shall be liable jointly and severally for all damages or profits resulting  
13    therefrom to the cooperative, members, and other persons.

14  
15    When a director, officer or committee member attempts to acquire or acquires, in  
16    violation of his duty, any interest or equity adverse to the cooperative in respect to any  
17    matter which has been reposed in him in confidence, he shall, as a trustee for the  
18    cooperative, be liable for damages and shall be accountable for double the profits which  
19    otherwise would have accrued to the cooperative.

20    When a director, officer or committee member attempts to acquire or acquires, in  
21    violation of his duty, any interest or equity adverse to the cooperative in respect to  
22    any matter which has been reposed in him in confidence, he shall, as a trustee for the  
23    cooperative, be liable for damages and shall be accountable for double the profits which  
24    otherwise would have accrued to the cooperative;

25    **Section 45. Disloyalty of a Director.** - A director who, by virtue of his office, acquires  
26    for himself an opportunity which should belong to the cooperative shall be liable for  
27    damages and must account for double the profits that otherwise would have accrued to  
28    the cooperative by refunding the same, unless his act has been ratified by a three-  
29    fourths (3/4) vote of all the members with voting rights, present and constituting a  
30    quorum. This provision shall be applicable, notwithstanding the fact that the director  
31    used his own funds in the venture.

32    **Section 46. Illegal use of confidential information.** -

- 33       a)     A director or officer, or an associate of a director or officer, who, for his benefit  
34             or advantage or that of an associate, makes use of confidential information  
35             that, if generally known, might reasonably be expected to adversely affect the  
36             operation and viability of the cooperative, shall be held:  
37       b)     Liable to compensate the cooperative for the direct losses suffered by the  
38             cooperative as a result of the illegal use of information; and  
39       c)     Accountable to the cooperative for any direct benefit or advantage received or  
40             yet to be received by him or his associate, as a result of the transaction.

1 The cooperative shall take the necessary steps to enforce the liabilities described in  
2 Item (a, b and c) of this Section [Correct Reference of Section later].

3 **Section 47. Removal.** – All complaints for the removal of any elected officer shall be  
4 filed with the board of directors. Such officer shall be given the opportunity to be heard.  
5 Majority of the board of directors may place the officer concerned under preventive  
6 suspension pending the resolution of the investigation. Upon finding of prima facie  
7 evidence of guilt, the board shall present its recommendation for removal to the general  
8 assembly.

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

13 **Section 48. Dealings of Directors, Officers or Committee Members.** - A contract  
14 entered into by the cooperative with one (1) or more of its directors, officers, and  
15 committee members is voidable, at the option of the cooperative, unless all the following  
16 conditions are present:

- 17 a) That the presence of such director in the board meeting wherein the contract  
18 was approved was not necessary to constitute a quorum for such meeting;
- 19 b) That the vote of such director was not necessary for the approval of the  
20 contract;
- 21 c) That the contract is fair and reasonable under the circumstances; and
- 22 d) That in the case of an officer or committee member, the contract with the  
23 officer or committee member has been previously authorized by the general  
24 assembly or by the board of directors.

25 Where any of the first two conditions set forth in the preceding paragraph is absent, in  
26 the case of a contract with a director, such contract may be ratified by a three-fourths  
27 (3/4) vote of all the members with voting rights, present and constituting a quorum in a  
28 meeting called for the purpose: Provided, That full disclosure of the adverse interest of  
29 the directors involved is made at such meeting, and that the contract is fair and  
30 reasonable under the circumstances.

31

32

## CHAPTER IV

33

### RESPONSIBILITIES, RIGHTS AND PRIVILEGES OF COOPERATIVES

34 **Section 49. Responsibilities of Cooperative.** – Any registered cooperative under this  
35 Code shall have the following responsibilities

36 **Section 50. Address.** – Every cooperative shall have an official postal address to which  
37 all notices and communications shall be sent. Such address and every change thereof  
38 shall be registered with the Authority.

1 **Section 51. Cooperative Documents to be kept open for Inspection. -**

2 a) Documents upon inspection - Every Cooperative shall have the following  
3 documents ready and accessible to its members and representatives of the Authority for  
4 inspection during reasonable office hours:

- 5 1) Copy of the articles of cooperation and bylaws.
- 6 2) List of its members, Board of Directors and Executive Officers.
- 7 3) Books of the minutes of the general assembly, board of directors and  
8 committees.
- 9 4) Cooperative books of accounts and shares as well as financial statements,
- 10 5) Such other documents or may be prescribed by the bylaws of the  
11 cooperative.
- 12 6) Copy of the Cooperative Code and other laws pertaining to the cooperative  
13 and
- 14 7) Copy of the policy, rules and regulations of the Authority.

15 b) The accountant or the bookkeeper of the cooperative shall be responsible  
16 for the maintenance of the cooperative in accordance with generally accepted  
17 accounting practices. He/she shall also be responsible for the production of the same at  
18 the time of audit or inspection.

19 The audit committee shall be responsible for the continuous and periodic review of the  
20 books and records of account to ensure that these are in accordance with the  
21 cooperative principles and generally accepted accounting practices.

22 c) Each cooperative shall maintain records of accounts such that the true  
23 and correct condition and the results of the operation of the cooperative may be  
24 ascertained therefrom at any time.

25 The financial statements, audited according to generally accepted auditing standards,  
26 principles and practices, shall be published annually and shall be kept posted in a  
27 conspicuous place in the principal office of the cooperative.

28 d) Subject to the pertinent provisions of the National Internal Revenue Code  
29 and other laws, a cooperative may dispose by way of burning or other method of  
30 complete destruction any document, record or book pertaining to its financial and  
31 nonfinancial operations which are already more than five (5) years old except those  
32 relating to transactions which are the subject of civil, criminal, and administrative  
33 proceedings.

34 An inventory of the audited documents, records, and books to be disposed of shall be  
35 drawn up and certified to by the board secretary and the chairman of the audit  
36 committee and presented to the board of directors which may thereupon approve the  
37 disposition of said records.

38 **Section 52. Cooperative Documents for Submission to the Authority and its**  
39 **penalty for failure to comply. -**

- 1 a) The- following are mandatory for any cooperative to submit to the Authority.
- 2 1) List of members of the board not later than thirty (30) days after its annual  
3 general assembly.
- 4 2) Minutes of all general meetings not later than thirty (30) days after the date of  
5 said meeting.
- 6 3) Such other information as the Authority may request in regards to the bylaws  
7 or laws of the cooperative, membership, and condition of the cooperative  
8 including minutes of the board meeting.

9

10 b) Any cooperative who fails to comply with this section hereof commits an offense  
11 and shall upon conviction be liable;

- 12 1) To a fine not exceeding fifty thousand (P50,000.00) pesos, in case of the  
13 cooperative; and
- 14 2) Concerned cooperative shall not be eligible for application of Certificate of  
15 Compliance (COC) in case of renewal or Certificate of Registration (COR) in  
16 case of new registrant, as the case may be, until the penalty is settled with  
17 the Authority.

18

19 **Section 53. Report.** – (1) Every cooperative shall draw up regular reports of its  
20 program of activities, including those in pursuance of their socio-civic undertakings,  
21 showing their progress and achievements at the end of every fiscal year.

22 The reports shall be made accessible to its members, and copies thereof shall be  
23 furnished to all its members or record. These reports shall be filed with the Authority  
24 within one hundred twenty (120) days from the end of the calendar year. The form and  
25 contents of the reports shall be as prescribed by the rules of the Authority. Failure to file  
26 the required reports shall subject the accountable officer/s to fines and penalties as may  
27 be prescribed by the Authority, and shall be a ground for the revocation of authority of  
28 the cooperative to operate as such. The fiscal year of every cooperative shall be the  
29 calendar year except as may be otherwise provided in the bylaws.

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

35

36 **Section 54. Register of Members as Prima Facie Evidence.** - Any register or list of  
37 members or shares kept by any registered cooperative shall be prima facie evidence of  
38 the following particulars entered therein:

- 1 i. The date on which the name of any person was entered in such register or  
2 list as member; and  
3 ii. The date on which any such person ceased to be a member.  
4

5 **Section 55. Probative Value of Certified Copies of Entries. -**

- 6 i. A copy of any entry in any book, register or list regularly kept in the course of  
7 business in the possession of a cooperative shall, if duly certified in  
8 accordance with the rules of evidence, be admissible as evidence of the  
9 existence of the entry and prima facie evidence of the matters and  
10 transactions therein recorded;  
11 ii. No person or a cooperative in possession of the books of such cooperative  
12 shall, in any legal proceedings to which the cooperative is not a party be  
13 compelled to produce any of the books of the cooperative, the contents of  
14 which can be proved and the matters, transactions and accounts therein  
15 recorded, unless by order of a competent court.

16 **Section 56. Preference of Claims. -**

17 1) Notwithstanding the provisions of existing laws, rules and regulations to  
18 the contrary, but subject to the prior claim of the Authority, any debt due to  
19 the cooperative from a member shall constitute a first lien upon any raw  
20 materials, production inputs, and products produced; or any land, building,  
21 facilities, equipment, goods or services acquired and held, by such member  
22 through the proceeds of the loan or credit granted by the cooperative to him  
23 for as long as the same is not fully paid;  
24

25 2) No property or interest on property which is subject to a lien under  
26 paragraph (1) hereof shall be sold nor conveyed to third parties without the  
27 prior permission of the cooperative. The lien upon the property or interest  
28 shall continue to exist even after the sale or conveyance thereof until such  
29 lien has been duly extinguished;  
30

31 3) Notwithstanding the provisions of any law to the contrary, any sale or  
32 conveyance made in contravention of paragraph (2) hereof shall be void.  
33

34 **Section 57. Instrument for Salary or Wage Deduction. -**

35 a. A member of a cooperative may, notwithstanding the provisions of existing laws  
36 to the contrary, execute an instrument in favor of the cooperative authorizing it to deduct  
37 from his/her salary or wages, commutation of leave credits and any other monetary  
38 benefits payable to him and remit such amount as may be specified in satisfaction of a  
39 debt or other demand due from the member/employee to the cooperative;

40 b. Upon the execution of such instrument and as may be required by the  
41 cooperative contained in a written request, the employer shall make the deduction in

1 accordance with the agreement and remit forthwith the amount so deducted within ten  
2 (10) days after the end of the payroll month to the cooperative. The employer shall  
3 make the deduction for as long as such debt or other demand remains unpaid by the  
4 employee.

5 c. The term 'employer' as used in this Section shall include all private firms and the  
6 national and local governments and government-owned or controlled corporations who  
7 have under their employ a member of a cooperative and have agreed to carry out the  
8 terms of the instrument mentioned in sub-section e, item 1 and sub-section e, item 2 of  
9 this section;

10 d. The provisions of this Section shall apply to all similar agreements referred to in  
11 sub-section e, item 1 of this section and were enforced prior to the approval of this  
12 Code;

13 e. Notwithstanding the provisions of existing laws to the contrary, the responsibilities  
14 of the employer has stated in item 1 and 2 of subsection e, hereof shall be mandatory.

15 f. Primary Lien - Notwithstanding the provisions of any law to the contrary, a  
16 cooperative shall have a primary lien upon the capital, deposits or interest of a member  
17 for any debt due to the cooperative from such a member.

18

19 **Section 58. Tax Treatment and Other Exemptions. -**

20 1) Cooperatives that are Tax-Free - Duly registered cooperatives under this Code  
21 which do not transact any business with non-members or the general public shall not be  
22 subject to any taxes and fees imposed under the Bangsamoro internal revenue laws  
23 and other tax laws.

24

25 2) Cooperatives with Tax Exemptions - Notwithstanding the provisions of any law or  
26 regulation to the contrary, such cooperatives dealing with non-members shall enjoy the  
27 following tax exemptions from the government:

28 i. Cooperatives with accumulated reserves and undivided net savings of not more  
29 than Ten million pesos (P10,000,000.00) shall be exempt from all national, city,  
30 provincial, municipal or barangay taxes of whatever name and nature. Such  
31 cooperatives shall be exempt from customs duties, advance sales or compensating  
32 taxes on their importation of machineries, equipment and spare parts used by them and  
33 which are not available locally as certified by the Department of Trade and Industry  
34 (DTI) or the Ministry of Trade Industry and Tourism (MTIT).

35 All tax-free importations shall not be sold nor the beneficial ownership thereof be  
36 transferred to any person until after five (5) years. Otherwise, the cooperative and the  
37 transferee or assignee shall be solidarily liable to pay twice the amount of the imposed  
38 tax and/or duties.



1 3) Cooperatives with accumulated reserves and undivided net savings of more than  
2 Ten million pesos (P10,000,000.00) shall pay the following taxes at the full rate:

3 ii. Income Tax - On the amount allocated for interest on capitals: Provided, That the  
4 same tax is not consequently imposed on interest individually received by members:  
5 Provided, further, That cooperatives, regardless of classification, are exempt from  
6 income tax from the date of registration with the Authority;

7 iii. Value-Added Tax - On transactions with non-members: Provided, however, That  
8 cooperatives duly registered with the Authority, are exempt from the payment of value-  
9 added tax, subject to Section 109, sub-sections L, M and N of Republic Act No. 9337,  
10 the National Internal Revenue Code,(and provisions of BARMM Revenue Code) as  
11 amended: Provided, That the exempt transaction under Section 109 (L) shall include  
12 sales made by cooperatives duly registered with the Authority organized and operated  
13 by its members to undertake the production and processing of raw materials or of  
14 goods produced by its members into finished or processed products for sale by the  
15 cooperative to its members and non-members: Provided, further, That any processed  
16 product or its derivative arising from the raw materials produced by its members, sold in  
17 the name and for the account of the cooperative, shall be deemed a product of the  
18 cooperative: Provided, finally, That at least twenty-five per centum (25%) of the net  
19 income of the cooperatives is returned to the members in the form of interest and/or  
20 patronage refunds;

21 iv. All other taxes unless otherwise provided herein; and

22 v. Donations to charitable, research and educational institutions and reinvestment  
23 to socioeconomic projects within the area of operation of the cooperative may be tax  
24 deductible.

25 4) All cooperatives, regardless of the number of accumulated reserves and  
26 undivided net savings shall be exempt from payment of local taxes and taxes on  
27 transactions with banks and insurance companies.

28 Provided, That all sales or services rendered for non-members shall be subject to the  
29 applicable percentage taxes except sales made by producers, marketing or service  
30 cooperatives: Provided, further, That nothing in this Section shall preclude the  
31 examination of the books of accounts or other accounting records of the cooperative by  
32 duly authorized internal revenue officers for internal revenue tax purposes only, after  
33 previous authorization by the Authority.

34 5) In areas where there are no available notaries public, the judge, exercising his  
35 ex-officio capacity as notary public, shall render service, free of charge, to any person  
36 or group of persons requiring the administration of oath or the acknowledgment of  
37 Articles of Cooperation and instruments of loan from cooperatives not exceeding Five  
38 hundred thousand pesos (P500,000.00).

39 6) Any register of deeds shall accept for registration, free of charge, any instrument  
40 relative to a loan made under this Code which does not exceed Two hundred fifty  
41 thousand pesos (P250,000.00) or the deeds of title of any property acquired by the

1 cooperative or any paper or document drawn in connection with any action brought by  
2 the cooperative or with any court judgment rendered in its favor or any instrument  
3 relative to a bond of any accountable officer of a cooperative for the faithful performance  
4 of his/her duties and obligations.

5 7) Cooperatives shall be exempt from the payment of all court and sheriffs' fees  
6 payable to the Philippine Government for and in connection with all actions brought  
7 under this Code, or where such actions are brought by the Authority before the court, to  
8 enforce the payment of obligations contracted in favor of the cooperative.

9 8) All cooperatives shall be exempt from putting up a bond for bringing an appeal  
10 against the decision of an inferior court or for seeking to set aside any third-party claim:  
11 Provided, That a certification of the Authority showing that the net assets of the  
12 cooperative are in excess of the amount of the bond required by the court in similar  
13 cases shall be accepted by the court as a sufficient bond.

14 9) Any security issued by cooperatives shall be exempt from the provisions of the  
15 Securities Act provided such security shall not be speculative.

16 **Section 59. Privileges of Cooperatives.** – Cooperatives registered under this Code,  
17 notwithstanding the provisions of any law to the contrary, be also accorded the following  
18 privileges:

19 a) Cooperatives shall enjoy the privilege of depositing their sealed cash boxes or  
20 containers, documents or any valuable papers in the safes of the municipal or city  
21 treasurers and other government offices free of charge.

22 The custodian of such Sections shall issue a receipt acknowledging the Sections  
23 received duly witnessed by another person;

24 b) Cooperatives organized among government employees, notwithstanding any law  
25 or regulation to the contrary, shall enjoy the free use of any available space in their  
26 agency, whether owned or rented by the Government;

27 c) Cooperatives rendering special types of services and facilities such as cold  
28 storage, ice plant, electricity, transportation, and similar services and facilities shall  
29 secure a franchise therefor, and such cooperatives shall open their membership to all  
30 persons qualified in their areas of operation;

31 d) In areas where appropriate cooperatives exist, the preferential right to supply  
32 government institutions and agencies rice, corn and other grains, fish and other marine  
33 products, meat, eggs, milk, vegetables, tobacco and other agricultural commodities  
34 produced by their members shall be granted to the cooperatives concerned;

35 e) Preferential treatment in the allocation of fertilizers, including seeds and other  
36 agricultural inputs and implements, and in rice distribution shall be granted to  
37 cooperatives by the appropriate government agencies;

- 1 f) Preferential and equitable treatment in the allocation or control of bottomries of  
2 commercial shipping vessels in connection with the shipment of goods and products of  
3 cooperatives;
- 4 g) Cooperatives and their federations, such as farm and fishery producers and  
5 suppliers, market vendors and such other cooperatives, which have for their primary  
6 purpose the production and/or the marketing of products from agriculture, fisheries and  
7 small entrepreneurial industries and federations thereof, shall have preferential rights in  
8 the management of public markets and/or lease of public market facilities, stalls or  
9 spaces: Provided, That these rights shall only be utilized exclusively by cooperatives:  
10 Provided, further, That no cooperative forming a joint venture, partnership or any other  
11 similar arrangement with a non-cooperative entity can utilize these rights;
- 12 h) Cooperatives engaged in credit services and/or federations shall be entitled to  
13 loans, credit lines, rediscounting of their loan notes, and other eligible papers with the  
14 Development Bank of the Philippines, the Land Bank of the Philippines and other  
15 financial institutions except the Bangko Sentral ng Pilipinas (BSP);
- 16 The Philippine Deposit Insurance Corporation (PDIC) and other government agencies,  
17 government- owned and controlled corporations and government financial institutions  
18 shall provide technical assistance to registered national federations and unions of  
19 cooperatives which have significant engagement in savings and credit operations in  
20 order for these federations and unions to establish and/or strengthen their own  
21 autonomous cooperative deposit insurance systems.
- 22 i) A public transport service cooperative may be entitled to financing support for the  
23 acquisition and/or maintenance of land and sea transport equipment, facilities and parts  
24 through the program of the government financial institutions. It shall have the  
25 preferential right to the management and operation of public terminals and ports  
26 whether land or sea transport where the cooperative operates and on securing a  
27 franchise for active or potential routes for the public transport;
- 28 j) Cooperatives transacting business with the Government of the Philippines or any  
29 of its political subdivisions or any of its agencies or instrumentalities, including  
30 government-owned and controlled corporations shall be exempt from prequalification  
31 bidding requirements, notwithstanding the provisions of Republic Act No. 9184,  
32 otherwise known as, the Government Procurement Act;
- 33 k) Cooperatives shall enjoy the privilege of being represented by the provincial or  
34 city fiscal or the Office of the Solicitor General, free of charge, except when the adverse  
35 party is the Republic of the Philippines;
- 36 l) Cooperatives organized by faculty members and employees of educational  
37 institutions shall have the preferential right in the management of the canteen and other  
38 services related to the operation of the educational institution where they are employed:  
39 Provided, That such services are operated within the premises of the said educational  
40 institution; and

1 m) The appropriate housing agencies and government financial institutions shall  
2 create a special window for financing housing projects undertaken by cooperatives, with  
3 interest rates and terms equal to, or better than those given for socialized housing  
4 projects. This financing shall be in the form of blanket loans or long-term wholesale  
5 loans to qualified cooperatives, without need for individual processing.

6 The Authority, in consultation with the appropriate government agencies and concerned  
7 cooperative sector, shall issue rules and regulations on all matters concerning housing  
8 cooperatives.

## 9 CHAPTER V.

### 10 INSOLVENCY AND DISSOLUTION OF COOPERATIVES

11  
12 **Section 60. *Insolvency.*** – A cooperative registered under this Code that fails or is  
13 unable to fulfill its obligations to creditors may apply for remedies under the provision of  
14 Republic Act No. 10142, otherwise known as the Financial Rehabilitation and  
15 Insolvency Act (FRIA) of 2010.

16 Nothing in this Section, however, precludes creditors from seeking protection from said  
17 Insolvency law.

18 **Section 61. *Any Registered Cooperative under this Code shall or may undergo***  
19 ***the process of dissolution on the following grounds or causes, to wit;***

20 a) *Dissolution by Failure to Operate* – Cooperative registered under this Code who  
21 has not commenced business and its operation within one (1) year after its issuance of  
22 Certificate of Registration (COR) or has not carried on its business for one (1) year. The  
23 cooperative shall send a formal notice to the Authority to show cause as to reason(s) for  
24 its failure to operate.

25 Failure to operate without justifiable cause shall warrant the Authority to delete its name  
26 from the roster of registered cooperative and shall be deemed dissolved, provided due  
27 process is observed.

28 b) *Voluntary Dissolution where no Creditors Affected* – If the dissolution of a  
29 cooperative does not prejudice the rights of any creditor having a claim against it, the  
30 dissolution may be affected by a majority vote of the board of directors, and by a  
31 resolution duly adopted by the affirmative vote of at least three-fourths (3/4) of all the  
32 members with voting rights, present and constituting a quorum at a meeting to be held  
33 upon call of the directors: Provided, That the notice of time, place and object of the  
34 meeting shall be published for three (3) consecutive weeks in a newspaper published in  
35 the place where the principal office of said cooperative is located, or if no newspaper is  
36 published in such place, in a newspaper of general circulation in the Philippines:  
37 Provided, further, That the notice of such meeting is sent to each member of record  
38 either by registered mail or by personal delivery at least thirty (30) days prior to said  
39 meeting.

1 A copy of the resolution authorizing the dissolution shall be certified to by a majority of  
2 the board of directors and countersigned by the board secretary. The Authority shall  
3 thereupon issue the certificate of dissolution.

4 c) *Voluntary Dissolution Where Creditors Are Affected.* – Where the dissolution of a  
5 cooperative may prejudice the rights of any creditor, the petition for dissolution shall be  
6 filed with the Authority. The petition shall be signed by a majority of its board of directors  
7 or other officers managing its affairs, verified by its chairperson or board secretary or  
8 one of its directors and shall set forth all claims and demands against it and that its  
9 dissolution was resolved upon by the affirmative vote of at least three-fourths (3/4) of all  
10 the members with voting rights, present and constituting a quorum at a meeting called  
11 for that purpose.

12 If the petition is sufficient in form and substance, the Authority shall issue an order  
13 reciting the purpose of the petition and shall fix a date which shall not be less than thirty  
14 (30) nor more than sixty (60) days after the entry of the order. Before such date, a copy  
15 of the order shall be published at least once a week for three (3) consecutive weeks in a  
16 newspaper of general circulation published in the municipality or city where the principal  
17 office of the cooperative is situated or in the absence of such local newspaper, in a  
18 newspaper of general circulation in the Philippines, and a copy shall likewise be posted  
19 for three (3) consecutive weeks in three (3) public places in the municipality or city  
20 where the cooperative's office is located.

21 Upon expiry of the five (5) day notice to file objections, the Authority shall proceed to  
22 hear the petition and try any issue raised in the objection filed; and if the objection is  
23 sufficient and the material allegations of the petition are proven, it shall issue an order to  
24 dissolve the cooperative and direct the disposition of its assets in accordance with  
25 existing rules and regulations. The order of dissolution shall set forth therein:

26 (1) The assets and liabilities of the cooperative;

27 (2) The claim of any creditor;

28 (3) The number of members; and

29 (4) The nature and extend of the interests of the members of the cooperative.

30 d) *Involuntary Dissolution.* – A cooperative may be dissolved by order of a  
31 competent court after due hearing on the grounds of:

32 1) Violation of any law, regulation, or provisions of its bylaws, or

33 2) Insolvency

34 e) *Dissolution of Cooperative by Order of the Authority* - The Authority may suspend  
35 or revoke, after due notice and hearing, the Certificate of Registration of a Cooperative  
36 on any of the following grounds:

37 1) Having obtained its registration by fraud;

- 1 2) Existing for an illegal purpose;
- 2 3) Willful violation, despite notice by the Authority, of the provisions of this Code or  
3 its bylaws;
- 4 4) Willful failure to operate on a cooperative basis; and
- 5 5) Failure to meet the required minimum number of members in the cooperative.
- 6 f) Dissolution by Failure to Organize and Operate. - If a cooperative has not  
7 commenced business and its operation within two (2) years after the issuance of its  
8 certificate of registration or has not carried on its business for two (2) consecutive years,  
9 the Authority shall send a formal notice to the said cooperative to show cause as to its  
10 failure to operate. Failure of the cooperative to promptly provide justifiable cause for its  
11 failure to operate shall warrant the Authority to delete its name from the roster of  
12 registered cooperatives and shall be deemed dissolved.
- 13 g) Liquidation of a Cooperative - Every cooperative whose charter expires by its  
14 own limitation or whose existence is terminated by voluntary dissolution or through an  
15 appropriate judicial proceeding shall nevertheless continue to exist for three (3) years  
16 after the time it is dissolved; not to continue the business for which it was established  
17 but for the purpose of prosecuting and defending suits by or against it; settlement and  
18 closure of its affairs; disposition, conveyance and distribution of its properties and  
19 assets.
- 20 1) At any time during the said three (3) years, the cooperative is authorized and  
21 empowered to convey all of its properties to trustees for the benefit of its members,  
22 creditors and other persons in interest. From and after any such conveyance, all  
23 interests which the cooperative had in the properties are terminated.
- 24 2) Upon the winding of the cooperative affairs, and asset distributable to any  
25 creditor, shareholders who is unknown or cannot be found, shall be given to the  
26 federation or union to which the cooperative is affiliated with.
- 27 3) A cooperative shall only distribute its assets or properties upon lawful dissolution  
28 and after payment of all its debts and liabilities, except in the case of decrease or share  
29 capital of the cooperative and as otherwise allowed by this Code.

30 **Section 62. Rules and Regulation on Liquidation.** - The Authority shall issue the  
31 appropriate implementing guidelines for the liquidation of cooperatives.

32

## 33 **CHAPTER VI. CAPITAL, PROPERTY, AND FUNDS**

34 **Section 63. Capital.** - The capitalization of cooperatives and the accounting procedures  
35 shall be governed by the provisions of this Code and the regulations which shall be  
36 issued.

1 **Section 64. Capital Sources.** - Cooperatives registered under this Code may derive  
2 their capital from any or all of the following sources:

3 a) Member's share capital;

4 b) Loans and borrowings including deposits;

5 c) Revolving capital which consists of the deferred payment of patronage refunds,  
6 or interest on share capital; and

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

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

13 **Section 65. Limitation on Share Capital Holdings.** - No member of primary  
14 cooperative other than cooperative itself shall own or hold more than ten per centum  
15 (10%) of the share capital of the cooperative.

16 Where a member of cooperative dies, his heir shall be entitled to the shares of the  
17 deceased: Provided, That the total shareholding of the heir does not exceed ten per  
18 centum (10%) of the share capital of the cooperative; Provided, further, That the heir  
19 qualify and is admitted as members of the cooperative: Provided finally, That where the  
20 heir fails to qualify as a member or where his total shareholding exceeds ten per centum  
21 (10%) of the share capital, the share or shares in excess will revert to the cooperative  
22 upon payment of the value of such shares.

23 **Section 66. Assignment of Share Capital Contribution or Interest.** - Subject to the  
24 provisions of this Code, no member shall transfer his shares or interest in the  
25 cooperative or any part thereof unless.

26 a) He has held such share capital contribution or interest for not less than one (1)  
27 year;

28 b) The assignment is made to the cooperative or to a member of the cooperative or  
29 to a person who falls within the field of the membership of the cooperative; and

30 c) The board of directors has approved such assignment.

31 **Section 67. Capital Build-Up.** - The bylaws of every cooperative shall be provided for a  
32 reasonable and realistic member capital build-up program to allow the continuing growth  
33 of the members' investment in their cooperative as their economic conditions continue  
34 to improve.

35 **Section 68. Shares.** - The term "share" refers to a unit of capital in a primary  
36 cooperative the par value of which may be fixed to any figure not more than One  
37 thousand pesos (P1,000.00). The share of capital of a cooperative is the money paid or

1 required to be paid for the operations of the cooperative. The method for the issuance of  
2 share certificates shall be prescribed in its bylaws.

3 **Section 69. Fines.** - The bylaws of a cooperative may prescribe a fine on unpaid  
4 subscribed share capital. Provided, that such fine is fair and reasonable under the  
5 circumstances.

6 **Section 70. Investment of Capital.** - A cooperative may invest its capital in any of the  
7 following:

- 8 a) In shares or debentures or securities of any other cooperative;
- 9 b) In any reputable bank in the locality, or any cooperative;
- 10 c) In securities issued or guaranteed by the Government;
- 11 d) In real state primarily for the use of the cooperative or its members; or
- 12 e) In any other manner authorized in the bylaws.

13 **Section 71. Revolving Capital.** – The general assembly of any cooperative may  
14 authorize the board of directors to raise a revolving capital to strengthen its capital  
15 structure by deferring the payment of patronage refunds and interest on share capital or  
16 by the authorized deduction of a percentage from the proceeds of products sold or  
17 services rendered, or per unit of product or services handled. The board of directors  
18 shall issue revolving capital certificates with serial number, name, amount, and rate of  
19 interest to be paid and shall distinctly set forth the time of retirement of such certificates  
20 and the amounts to be returned.

21

## 22 CHAPTER VII.

22

### 23 AUDIT, INQUIRY AND MEMBERS RIGHT TO EXAMINE

23

24

25 **Section 72. Annual Audit.** – Cooperatives registered under this Code shall be subject  
26 to an annual financial, performance and social audit. The financial audit shall be  
27 conducted by an external auditor who satisfies all the following qualifications:

- 28 a) Independent of the cooperative or any of its subsidiary that is being audited; and
- 29 b) A member in good standing of the Philippine Institute of Certified Public  
30 Accountants (PICPA) and is accredited by both the Board and Accountancy and the  
31 Authority

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



1 Performance and social audit reports which contain the findings and recommendations  
2 of the auditor shall be submitted to the Board of Directors.

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

5 **Section 73. Audit Report.** – The auditor shall submit to the Board of Directors and to  
6 the audit committee the financial audit report which shall be in accordance with the  
7 generally accepted auditing standards for cooperatives as jointly promulgated by the  
8 Philippine Institute of Certified Public Accountants (PICPA) and the Authority.

9 Thereafter, the Board of Directors shall present the complete audit report to the general  
10 assembly in its next meeting.

11 **Section 74. Nonliability for Defamations.** – The auditor is not liable to any person in  
12 an action for defamation based on any act, done, or any statement made by him in good  
13 faith in connection with any matter he is authorized or required to do pursuant to this  
14 Code.

15 **Section 75. Right to Examine.** – A member shall have the right to examine the records  
16 required to be kept by the cooperative under Section 69, Chapter VI of this Code during  
17 reasonable hours on business days and may demand, in writing, for a copy of excerpts  
18 from said records without charge except the cost of production.

19 Any officer of the cooperative who shall refuse to allow any member of the cooperative  
20 to examine and copy excerpts from its records shall be liable to such member for  
21 damages and shall be guilty of an offense which shall be punishable under Sub-item  
22 (1), Item d, Section \_\_\_\_, Chapter XIII of this Code:

23 Provided, That if such refusal is pursuant to a resolution or order of the Board of  
24 Directors, the liability under this Section shall be imposed upon the directors who voted  
25 for such refusal: Provided, further, That it shall be a defense to any action under this  
26 Section that the member demanding to examine and copy excerpts from the  
27 cooperative records has improperly used any information secured through any prior  
28 examination of the records of such cooperative or was not acting in good faith or for a  
29 legitimate purpose in making his demand.

30

31 **Section 76. Safety of Records.** – Every cooperative shall, at its principal office, keep  
32 and carefully preserve the records required by this Code to be prepared and  
33 maintained. It shall take all necessary precaution to prevent its loss, destruction or  
34 falsification.

35

36

## CHAPTER VIII.

37

### ALLOCATION AND DISTRIBUTION OF NET SURPLUS

1

2 **Section 77. Net Surplus.** – Notwithstanding the provisions of existing laws, the net  
3 surplus of cooperatives shall be determined in accordance with its bylaws. Every  
4 cooperative shall determine its net surplus at the close of every fiscal year and at such  
5 other times as may be prescribed by the bylaws.

6 Any provision of law to the contrary notwithstanding, the net surplus shall not be  
7 construed as profit but as an excess of payments made by the members for the loans  
8 borrowed, or the goods and services availed by them from the cooperative or the  
9 difference of the rightful amount due to the members for their products sold or services  
10 rendered to the cooperative including other inflows of assets resulting from its other  
11 operating activities and which shall be deemed to have been returned to them if the  
12 same is distributed as prescribed herein.

13 **Section 78. Order of Distribution.** – The net surplus of every cooperative shall be  
14 distributed as follows:

15 a. An amount for the reserve fund which shall be at least ten per centum (10%) of  
16 net surplus: Provided, That, in the first five (5) years of operation after registration, this  
17 amount shall not be less than fifty per centum (50%) of the net surplus:

18 1. The reserve fund shall be used for the stability of the cooperative and to meet net  
19 losses in its operations. The general assembly may decrease the amount allocated to  
20 the reserve fund when the reserve fund already exceeds the share capital.

21 Any sum recovered on items previously charged to the reserve fund shall be credited to  
22 such fund.

23 2. The reserve fund shall not be utilized for investment, other than those allowed in  
24 this Code. Such sum of the reserve fund in excess of the share capital may be used at  
25 any time for any project that would expand the operations of the cooperative upon the  
26 resolution of the general assembly.

27 3. Upon the dissolution of the cooperative, the reserve fund shall not be distributed  
28 among the members. The general assembly may resolve:

29 i. To establish a usufructuary trust fund for the benefit of any federation or union to  
30 which the cooperative is affiliated; and

31 ii. To donate, contribute, or otherwise dispose of the amount for the benefit of the  
32 community where the cooperative operates. If the members cannot decide upon the  
33 disposal of the reserve fund, the same shall go to the federation or union to which the  
34 cooperative is affiliated.

35 b. An amount for the education and training fund, shall not be more than ten per  
36 centum (10%) of the net surplus. The bylaws may provide that certain fee or a portion  
37 thereof be credited to such fund. The fund shall provide for the training, development

1 and similar other cooperative activities geared towards the growth of the cooperative  
2 movement:

3 1. Half of the amounts transferred to the education and training fund annually under  
4 this subsection shall be spent by the cooperative for education and training purposes;  
5 while the other half may be remitted to a union or federation chosen by the cooperative  
6 or of which it is a member. The said union or federation shall submit to the Authority and  
7 to its contributing cooperatives the following schedules:

8 i. List of cooperatives which have remitted their respective Cooperative Education  
9 and Training Funds (CETF);

10 ii. Business consultancy assistance to include the nature and cost; and

11 iii. Other training activities undertaken specifying therein the nature, participants and  
12 cost of each activity.

13 2. Upon the dissolution of the cooperative, the unexpended balance of the  
14 education and training fund appertaining to the cooperative shall be credited to the  
15 cooperative education and training fund of the chosen union or federation.

16 c. An amount for the community development fund, which shall not be less than  
17 three per centum (3%) of the net surplus. The community development fund shall be  
18 used for projects or activities that will benefit the community where the cooperative  
19 operates.

20 d. An optional fund, a land and building, and any other necessary fund the total of  
21 which shall not exceed seven (7%) per centum.

22 e. The remaining net surplus shall be made available to the members in the form of  
23 interest on share capital not to exceed the normal rate of return our investments and  
24 patronage refunds: Provided, That any amount remaining after the allowable interest  
25 and the patronage refund have been deducted shall be credited to the reserve fund.

26 The sum allocated for patronage refunds shall be made available at the same rate to all  
27 patrons of the cooperative in proportion to their individual patronage: Provided, That:

28 1. In the case of a member patron with paid-up share capital contribution, his  
29 proportionate amount of patronage refund shall be paid to him unless he agrees to  
30 credit the amount to his account as additional share capital contribution;

31 2. In the case of a member patron with unpaid share capital contribution, his  
32 proportionate amount of patronage refund shall be credited to his account until his/her  
33 share capital contribution has been fully paid;

34 3. In the case of a non-member patron, his proportionate amount of patronage  
35 refund shall be set aside in a general fund for such patrons and shall be allocated to  
36 individual non-member patrons only upon request and presentation of evidence of the  
37 amount of his patronage. The amount so allocated shall be credited to such patron  
38 toward payment of the minimum capital contribution for membership. When a sum equal

1 to this amount has accumulated at any time within a period specified in the bylaws, such  
2 patron shall be deemed and become a member of the cooperative if he so agrees or  
3 requests and complies with the provisions of the bylaws for admission to membership;  
4 and

5 4. If within any period of time specified in the bylaws, any subscriber who has not  
6 fully paid his subscribed share capital or any non-member patron who has accumulated  
7 the sum necessary for membership but who does not request nor agree to become a  
8 member or fails to comply with the provisions of the bylaws for admission to  
9 membership, the amount so accumulated or credited to their account together with any  
10 part of the general fund for nonmember patrons shall be credited to the reserve fund or  
11 to the education and training fund of the cooperative, at the option of the cooperative.

12

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14

### BOOK III. SOCIAL ENTERPRISE DEVELOPMENT

15

#### CHAPTER I. REGULATION OF SOCIAL ENTERPRISES

16 **Section 1. General Coverage of Social Enterprises.** - A social enterprise may be  
17 organized as a stock corporation, non-stock corporation, partnership, sole  
18 proprietorship, or cooperative, provided that it invests a substantive part of its net  
19 revenues to sustain the fulfillment of its social and/or environmental mission and  
20 provides transformational services for the well-being of the marginalized sector it serves  
21 or the society at large.

22 Social enterprises may operate in areas such as but not limited to:

- 23 a) social services;
- 24 b) employment, including youth employment;
- 25 c) women empowerment;
- 26 d) protection and promotion of health;
- 27 e) education;
- 28 f) environmental protection;
- 29 g) promotion of tourism, culture and cultural heritage;
- 30 h) sports activities, with the purpose of recreation and socialization;
- 31 i) promotion of the development of local communities including indigenous peoples;
- 32 j) peace and reconciliation;
- 33 k) disaster risk, reduction and management.

1 **Section 2. Responsive Regulation and Development of Social Enterprises.** - The  
2 Authority is empowered to adopt regulatory measures and developmental interventions  
3 aligned with the Masterplan on Social Enterprise Development in the Bangsamoro  
4 Autonomous Region to ensure that regulation is responsive to the growth and maturity  
5 level of the sector and enable them to develop their maximum potential as self-reliant  
6 institutions and as active partners of the government in the development, funding, and  
7 implementation of solutions to social, cultural, or environmental issues.

8 **Section 3. Registration and Accreditation of Social Enterprises.** - The Authority  
9 shall have the power to register and accredit associations, sole proprietorships,  
10 partnerships, corporations, and cooperatives as social enterprises subject to the  
11 guidelines and requirements it shall adopt for the purpose.

12 **Section 4. Acquisition of Social Enterprise Status.** - A social enterprise shall be  
13 qualified by the CSEA.

14 The social enterprise status is valid for three years, during which time the SE must  
15 submit annual activity and social-impact reports demonstrating how it meets the criteria  
16 for SEs. It must renew its status at the end of the period. Failure to do so will result in its  
17 removal from the CSEA Registry. The CSEA Registry will serve to determine eligibility to  
18 apply to calls for tender targeting social enterprises and financial support as may be  
19 determined under the RISE for Peace and Sustainable Development Program.

20 International social enterprise resource institutions, social enterprise intermediaries, and  
21 their subsidiaries operating in the Philippines must partner with a qualified social  
22 enterprise or social enterprise resource institution qualified by CSEA to avail  
23 government support.

24 **Section 5. Obligation to Report.** - Social enterprises are required to submit periodic  
25 reports to the CSEA on the activities carried out that qualifies them as social  
26 enterprises. Forms, deadlines and reporting methods are defined by instructions of the  
27 CSEA.

## 28

## 29 **CHAPTER II. DEVELOPMENT OF SOCIAL ENTERPRISES IN BARMM**

## 30

31 **Section 6. Bangsamoro Social Enterprise Council.** -The Bangsamoro Social  
32 Enterprise Council (BSEC), an alliance of social enterprise leaders who leverage their  
33 networks, knowledge, and experience in order to build a strong and enabling  
34 environment for social enterprises, shall be organized by the CSEA. The BSEC will  
35 have the following functions:

- 36 a. Monitor the implementation of the RISE for Peace and Sustainable Development  
37 Program
- 38 b. Assess the progress of SEs for the renewal of its SE status

1 c. Assist in animating and supporting the implementation of the RISE for Peace and  
2 Sustainable Development Program through partnership and collaboration with many  
3 other valued actors across the BARMM and internationally

4 d. Provide strategic advice to the Bangsamoro Government on developing the RISE  
5 for Peace and Sustainable Development Program

6 e. Assist CSEA in all efforts to strengthen the social enterprise sector

7 The BSEC shall be composed of:

8 a. Nine (9) representatives from SEs managed by or for the benefit of the basic and  
9 disadvantaged, marginalized and vulnerable sectors operating no less than five (5)  
10 years in BARMM (one per province and each component city)

11 b. Two (2) social enterprise intermediaries operating no less than five (5) years

12 c. Two (2) impact investors operating no less than five (5) years

13 d. Representatives from the ministries of the Bangsamoro Government:

14 1) Social Services and Development

15 2) Trade, Investments and Tourism

16 3) Labor and Employment

17 4) Basic, Higher, and Technical Education

18 5) Agriculture, Fisheries and Agrarian Reform

19 6) Bangsamoro Youth Commission

20 7) Bangsamoro Women Commission

21 8) Indigenous People Agency

22 9) Interior and Local Government

23

24 The CSEA, after approval of this Act, shall convene a transitional BSEC composed of  
25 representatives from the aforementioned sectors operating in BARMM for the last five  
26 (5) years to conduct elections.

27 CSEA shall convene the social enterprise sector to conduct elections among social  
28 enterprises for the selection of the SE representative in each province and component  
29 city. The elected BSEC shall establish its by-laws, electoral process and three-year  
30 program of action.

31 **Section 7. Masterplan on Social Enterprise Development in the Bangsamoro**  
32 **Autonomous Region.** - The AUTHORITY shall develop the Regional Masterplan on

1 Social Enterprise Development in consultation with the Bangsamoro Social Enterprise  
2 Coalition and other members of the social enterprise sector in the Bangsamoro  
3 Autonomous Region in Muslim Mindanao to ensure that there will be an enabling  
4 environment for social enterprises conducive to decent work, sustainable livelihood, and  
5 job creation and build a stronger micro, small, and medium enterprises (MSME) sector  
6 that works towards the achievement of measurable social and environmental impacts  
7 alongside financial return. Funding for the development and implementation of the said  
8 Masterplan shall be identified by the AUTHORITY in collaboration with the Ministry of  
9 Finance and Budget and Management and appropriated by the Bangsamoro Parliament  
10 in the General Appropriations Act of the Bangsamoro.

11 **Section 8. Formulation of the Bangsamoro Resilient and Inclusive Social**  
12 **Enterprises for Peace and Sustainable Development (RISE for Peace and**  
13 **Sustainable Development).** - To strengthen the growth and development of social  
14 enterprises and promote inclusive innovation in the Bangsamoro Autonomous Region to  
15 achieve social justice, social equity, economic efficiency and peace, a comprehensive  
16 and fully-integrated capacity-building program shall be formulated, guided by the  
17 following principles:

18 1) Incorporation of social justice, social equity and economic efficiency in the  
19 regional government's development strategy through a social entrepreneurship program  
20 that contributes to social inclusion and reconciliation in the region;

21 2) People's participation and empowerment by mobilizing CSOs and social  
22 movement groups working with the basic sectors and disadvantaged communities;

23 3) Promoting sustainable programs that reduce inequality, improve incomes and  
24 increase self-reliance of basic and disadvantaged sectors;

25 4) Enabling SEs to overcome constraints and to take advantage of opportunities for  
26 enhancing the position and benefits of the basic sectors and disadvantaged  
27 communities in economic planning;

28 5) Gender-sensitivity by ensuring women's equal rights and access to SE  
29 resources;

30 6) Nurturing young people's skills to develop social enterprises, solve local  
31 problems and support economic development; and

32 7) Mainstreaming Social Entrepreneurship Education in various educational  
33 institutions and organizations to ensure a more agile social innovation ecosystem.

34 The planning framework of the RISE for Peace and Sustainable Development Program  
35 and its planning process shall ensure that the poor and marginalized communities are  
36 engaged as stakeholders identified herein of this law as Section 6. The RISE for Peace  
37 and Sustainable Development Program shall identify and develop key SEs, social  
38 enterprise intermediaries, and resource institutions as partners in strategic economic  
39 sub-sectors that have the potential for growth and where large numbers of the poor are  
40 concentrated and could be major players. SEs and inclusive innovation shall be

1 developed and promoted as vehicles to ensure that the poor and marginalized benefit  
2 the most from sustainable sub-sector development. The RISE for Peace and  
3 Sustainable Development Program's medium-term and annual development plans shall  
4 be formulated in synchrony with the regional development plan of the Bangsamoro  
5 Government.

6 Pursuant to the BAA, the Cooperatives and Social Enterprise Authority (CSEA) shall  
7 promote the growth of social enterprises. Thus, it shall be the lead agency in the  
8 implementation of the RISE for Peace and Sustainable Development Program. As  
9 mandated by the BAA, the CSEA shall establish the Bangsamoro Social Enterprise  
10 Council, an advisory body in charge of monitoring the implementation of the RISE for  
11 Peace and Sustainable Development Program.

12 **Section 9. Components of the Bangsamoro RISE for Peace and Sustainable**  
13 **Development Program.** - The RISE for Peace and Sustainable Development Program  
14 shall include:

15 a. SE Capability Building and Sustainability Program; Creation of SE Development  
16 Fund. – There is hereby established a SE Capability Building and Sustainability  
17 Program whose primary objective is to guarantee the viability and sustainability of social  
18 enterprises through activities that advance, in general, both transformational services  
19 and transactional services. This program shall include training in social  
20 entrepreneurship development institutional strengthening, human resource competency  
21 and skills training, business planning and advisory services, impact measurement,  
22 upgrading of accounting and auditing systems, technical assistance for the installation  
23 or improvement of management information systems, technology intervention,  
24 technology incubation/commercialization, market studies, and product development  
25 competitiveness, business matching activities, trade fairs and missions, policy  
26 advocacy, gender and development, resiliency, and other related activities.

27 b. Social Enterprise Research and Development System. -The CSEA, in  
28 coordination with the Bangsamoro Planning and Development Authority (BPDA),  
29 Development Academy of Bangsamoro under the Office of the Chief Minister, Ministry of  
30 Science and Technology (MOST), and the Ministry of Trade, Investments and Tourism  
31 (MTIT), and other appropriate agencies and research institutions, shall develop and  
32 enhance a research and development system that:

33 1) Provides studies on economic opportunities, social inclusion and SE  
34 development in key economic sectors and other inputs for the CSEA to undertake  
35 strategic planning for its RISE for Peace and Sustainable Development Program;

36 2) Equip SEs and support institutions with technologies that are appropriate for  
37 enhancing the participation and benefits of the poor in various economic subsectors;  
38 and,

39 3) Equip SEs and support institutions with innovative and sustainable approaches to  
40 improve access of the poor to quality basic social services.



1 c. Social Enterprise Marketing Infrastructure Development. - The CSEA shall  
2 promote the development and expansion of local and foreign markets for the products  
3 and services of social enterprises, guided by the principles of fair trade. Consistent with  
4 this objective, the CSEA shall:

5 1) Establish a SE Marketing Assistance Program (SMAP) that will assist social  
6 enterprises match supply with demand in both domestic and foreign markets, as well as  
7 promote SE products and services through tri-media, trade fairs and trade missions;

8 2) Develop, install and sustain with the assistance of the MTIT an SE Marketing  
9 Information Network (SMIN), providing business information and contacts and turning  
10 these to actionable and accessible services for SEs to access business know-how,  
11 market information and intelligence including trade leads.

12 **Section 10. *Bangsamoro Center for Social Enterprise Development.*** – There shall  
13 be established a Bangsamoro Center for Social Enterprise Development (BCSED)  
14 under the CSEA which shall perform the following functions:

15 a. Provide social enterprises with capability-training and education through the  
16 Social Enterprise Capability Building and Sustainability Program created under Section  
17 7a of this Act.

18 b. Develop and enhance a research and development system which shall equip  
19 every SE with innovative and sustainable approaches that ensures improvement in the  
20 access to basic social services by the basic sectors and disadvantaged communities  
21 pursuant to Section 7b of this Act;

22 c. Manage a Social Enterprise Marketing Assistance Program (SMAP) that will  
23 ensure the generation of the highest possible income for the SEs pursuant to Section 7c  
24 of this Act.

25 d. Implement capability building projects approved by CSEA;

26 e. Supervise capability- building projects approved by CSEA implemented through  
27 SEIs contracted for the purpose with support from BSEC; and

28 f. Research on existing policies and programs of other countries for benchmarking  
29 purposes (e.g., support system, ecosystem, programs, regulations).

30 **Section 11. *Role of local government units (LGUs) in SE Development.*** – Local  
31 government units shall have the following responsibilities:

32 a. Establish and implement a social enterprise support and development plan in  
33 order to promote social enterprise in the Bangsamoro region

34 b. Incorporate viable SE support and development plan in their local development  
35 planning and to collaborate with social enterprises.

36 c. Allocate five percent (5%) of its funds for SE research, marketing, capacity-  
37 building and financing SE initiatives at the local level.

1 d. Prioritize the participation of social enterprises in public procurement procedures,  
2 under the conditions set out in this Act.

3 **Section 12. Social Entrepreneurship Education in Schools.** – Toward strategically  
4 developing the nation's human resource capability in social entrepreneurship, the  
5 Ministry of Basic, Higher and Technical Education shall cause the integration of SE  
6 content and inclusion of SE courses and principles in the curricula at all levels,  
7 especially in the secondary and tertiary levels. This shall be part of the RISE for Peace  
8 and Sustainable Development Program stated in this Act.

9 A continuing social enterprise education program for out-of-school youth and adults  
10 shall likewise be developed and undertaken. The social entrepreneurship education  
11 program for primary and secondary education shall include information regarding:

12 a. Social issues and civic ways of addressing them;

13 b. The entrepreneur as a member of society with responsibilities to avoid harm and  
14 injustice

15 c. The producer as a steward of natural resources;

16 d. The consumer as a responsible member of society and their responsibility to  
17 develop critical awareness which is the responsibility to be alert and questioning about  
18 environmental and social impacts of the goods and services they use;

19 e. Social concern which is the responsibility to be aware of the impact of their  
20 consumption to society, especially to the disadvantaged;

21 f. Environmental awareness which is the responsibility to understand the  
22 consequences of their use of natural resources, consumption, recognizing their  
23 individual and social responsibility to conserve natural resources for future generations;  
24 and

25 g. Gender justice, or the full equality and equity between men and women in all  
26 spheres of life, resulting in women jointly, and on an equal basis with men, defining and  
27 shaping the policies, structures, and decisions that affect their lives and society as a  
28 whole.

29 All higher learning institutions and vocational schools are mandated to include a subject  
30 on social entrepreneurship in their social studies program or in their business,  
31 commerce, or economics courses.

32  
33 **CHAPTER III. FINANCING, TAX TREATMENT, BENEFITS, AND INCENTIVES FOR**  
34 **SOCIAL ENTERPRISES**

35

1 **Section 13. *Financing.*** – Social Enterprises shall be supported through financing  
2 appropriate to their growth stage to enable them to provide a combination of  
3 transactional and transformational services to the marginalized communities they serve  
4 or their societal goals through a combination of grants, loans, Islamic Finance and other  
5 financial instruments and modalities from public and private sources.

6 Islamic Finance may be utilized by social enterprises to develop and upscale initiatives,  
7 create opportunities for greater financial inclusion, and contribute to financial stability  
8 through the use of financing instruments and modalities founded on risk sharing rather  
9 than speculation in compliance with Shari’ah principles.

10 Islamic philanthropy including sadaqah (charity), zakat (poor tax) and waqf (trust) which  
11 are considered as strategic, empowering, and sustainable are encouraged to finance  
12 and support social enterprises.

13 Local government units shall allocate five percent (5%) of their funds towards financing  
14 social enterprise initiatives which were prioritized in local development plans.

15 Efforts towards making SEs investment-ready shall be endeavored by the CSEA.  
16 Products, intermediaries, and market infrastructure shall be further developed with  
17 BSEC to attract impact investors.

18

19 **Section 14. *The Bangsamoro Social Enterprise Fund (BSEF).*** - The Bangsamoro  
20 Government, through the CSEA, shall establish BSEF to give grants to social  
21 enterprises to improve their local communities. The budget may be from the Special  
22 Development Fund or other sources of funding under the Bangsamoro General  
23 Appropriations Act. The BSEF will be managed by the CSEA in partnership with the  
24 BCSED, and the BSEC. It will help social enterprises grow, build their capacity, and get  
25 them ready for investment.

26 **Section 15. *Social Impact Investment.*** – CSEA, the Ministry of Finance and Budget  
27 and Management, and the Ministry of Trade, Investment, and Tourism shall ensure  
28 improved access to finance of social enterprises and encourage investors and banks to  
29 invest in the development of social enterprises in the region. Such investment shall as  
30 much as practicable be aligned with the developmental plans and priorities of BARMM.

31 **Section 16. *Tax Incentives.*** – All SEs qualified by CSEA, in consultation with the  
32 Ministry of Finance and Budget and Management (MFBM), the Ministry of Trade,  
33 Investment and Tourism (MTIT), Department of Finance (DOF), Bureau of Internal  
34 Revenue (BIR), Bureau of Customs, and other relevant agencies and instrumentalities  
35 of the government, shall be exempted from the payment of VAT, tariff and duties for the  
36 importation of all types of product inputs, equipment, machinery, implements, and spare  
37 parts, provided, that these inputs, equipment, machinery, implements, and spare parts  
38 shall be for the exclusive use of the importing SEs and can be shown to be directly  
39 related to further improve operations of the social enterprises.

1 CSEA shall, in consultation with the abovementioned agencies, within ninety (90) days  
2 from the effectivity of this Code, formulate the implementing rules and regulations  
3 governing the importation of the inputs, equipment, machinery, and implements for use  
4 by the SEs.

5 For income tax purposes, a reinvestment made by an SE for its initiatives within the  
6 area of its operation shall be tax deductible from the gross income.

7 CSEA will develop a system of valuation of social, economic and environmental  
8 contributions of social enterprises and the social impact among the marginalized sector  
9 they serve, as bases for tax incentives from the government. CSEA will also offer tax  
10 incentives to impact investors, incentivizing investment capital to flow to social  
11 enterprises that benefit marginalized sectors and the society at large.

12 Section \_\_. Tax Exemption for Micro Social Enterprises - Micro social enterprises shall  
13 be exempt in from tax for income arising from the operations of the enterprise. Local  
14 Government Units shall either reduce the amount of local taxes, fees and charges  
15 imposed or exempt Micro social enterprises from local taxes, fees and charges.

16

17 **Section 17. Tax Treatment for Cooperatives Operating as Social Enterprises. -**  
18 Cooperatives operating as social enterprises shall be covered by the tax treatment  
19 provided in this Code.

20 **Section 18. Tax Holiday for Other Social Enterprises. -** Other social enterprises shall  
21 be exempt in paying regional taxes, fees, and charges under the Bangsamoro Revenue  
22 Code for the first three (3) years of their operation. Local Government Units shall either  
23 reduce the amount of local taxes, fees and charges imposed or exempt such social  
24 enterprises from local taxes, fees and charges.

25 **Section 19. Other Tax Incentives. -** The Intergovernmental Fiscal Policy Board and  
26 other Intergovernmental Bodies of the Bangsamoro Government shall work with their  
27 counterparts in the National Government to ensure just and equitable taxation for small,  
28 medium, and large social enterprises in the Bangsamoro Autonomous Region in Muslim  
29 Mindanao given their role in the development, funding, and implementation of solutions  
30 to social, cultural, or environmental issues.

31 **Section 20. Preferential Rights. -** Without prejudice to preferential rights already  
32 available to specific enterprises or organizations under other laws, qualified SEs shall  
33 be accorded a preferential right in the procurement process and in the implementation  
34 of procurement contracts by the government in all its branches, departments, agencies,  
35 subdivisions, and instrumentalities, including in the government-owned and controlled  
36 corporations and local government units.

37 Such a preferential right is anchored not just in economic efficiency but in social values  
38 which provide long-term benefits to society. As defined in this bill, social value refers to  
39 the additional benefit to society of procuring a good or service, over and above the  
40 direct benefit and value of the good or service to the procuring entity.

1 These social values include, inter alia, social inclusion, peace-building, poverty  
2 reduction, sustainable development, environmental conservation, climate action,  
3 community development, and gender and social justice. As such, the determination of  
4 government procurement shall factor in social values.

5 **Section 21. *Qualifications for Benefits and Incentives.*** – To qualify for the benefits  
6 and incentives provided for in this Act, the SE shall:

7 a. Provide or facilitate the provision of a combination of transactional and/or  
8 transformational services to improve the position and benefits derived by stakeholders  
9 from the SE, including becoming worker-owners, supplier-owners, supervisors and  
10 managers, active members and leaders in governance of the SE or its allied  
11 organizations;

12 b. Invest a substantive part of its surplus, profits or mobilize other resources to  
13 assist its stakeholders to become partners in SE or value chain  
14 management/governance and/or to become partners in community, sectoral and  
15 societal transformation;

16 c. Pursue a pro-active contribution to resolving social and environmental problems  
17 and generate profit or surplus with due regard to social and environmental costs;

18 d. Allocate and redistribute a substantive part of their product/service cost (direct or  
19 operational) towards a beneficiary group or for the attainment of their  
20 social/environmental mission in the form of services, dividends and other forms of  
21 benefit;

22 e. Ensure that payments and incentives for products or services are consistent with  
23 the principles of fair trade;

24 f. Be duly registered with the appropriate agencies as provided under the  
25 Corporation Code, the Cooperative Code of the Philippines, Magna Carta for Micro,  
26 Small and Medium Enterprises, Barangay Micro Business Enterprises Act, Microfinance  
27 NGOs' Act, and other laws;

28 g. Not be founded solely by the Bangsamoro Government or a local/ national  
29 government, or a public authority;

30 h. Apply rules of democratic governance, where decision-making includes relevant  
31 stakeholders in addition to share owners or members;

32

33 i. Transfer assets to another social enterprise, or a social enterprise network in the  
34 Bangsamoro region, in case of termination or dissolution (asset lock).

35

36



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

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

12 For this purpose, the Authority shall constitute a list of qualified voluntary arbitrators.

13

14 **Section 5. *Financing and Development of Cooperatives and Social Enterprises.* -**

15 a. Shari'ah Compliant Financing Program for Startup and Micro Cooperatives and  
16 Social Enterprises - The AUTHORITY, in collaboration with the Ministry of Finance and  
17 Budget and Management, the Ministry of Agriculture, Fisheries, and Aquatic Resources,  
18 and the Ministry of Trade, Investment, and Tourism, shall implement a Shari'ah  
19 compliant financing program that will enable and cater the needs of startup and micro  
20 cooperatives and social enterprises.

21 b. Capacity Development of Startup and Micro Cooperatives and Social Enterprises  
22 - Said financing program shall be paired with business-readiness and capacity  
23 development interventions to ensure that the beneficiary cooperatives and social  
24 enterprises will have feasible and viable business, marketing, and financial models,  
25 plans, and operation.

26 **Section 6. *Committee on Cooperatives and Social Enterprises.* -** There is hereby  
27 created a Committee on Cooperatives and Social Enterprises which shall have  
28 jurisdiction on all matters relating to the regulation and development of cooperatives and  
29 social enterprises. This Committee shall set the overall framework to review the  
30 implementation of this Code. It shall likewise determine inherent weaknesses in the law  
31 and recommend necessary remedial legislation or executive measures.

32 For purposes of determining remedial legislation, this Committee shall, within five (5)  
33 years after the effectivity of this Code, and every five (5) years thereafter, conduct a  
34 review which shall include a systematic evaluation of the impact of this Code,  
35 accomplishments of the program, and the performance of its implementing agencies.

36

37

**CHAPTER II. PENAL PROVISIONS**

38

1 The following acts or omissions affecting cooperatives are hereby prohibited.

2 **Section 7.** Prohibition of the Use of the word "Cooperative" by any person or of persons  
3 or organization, unless duly registered as a cooperative under this Code except as  
4 provided for in registration options for electric cooperatives. In case of violation, the  
5 individual or individuals concerned, or in case of an Organization, its officers and  
6 directors shall upon conviction, each suffer the penalty of imprisonment of not less than  
7 two (2) years nor more than five (5) years and a fine not exceeding twenty thousand  
8 (20,000.00) pesos or both at the discretion of the court.

9 The Authority may motu proprio, initiate complaints for violation of this provision.

10

11 **Section 8.** Any person who willfully attempts in any manner to evade or defeat tax in  
12 violation of the provisions of Section 58, Chapter IV, Book II of this Code, shall in  
13 addition to other penalties provided by law, upon conviction thereof, be punished by a  
14 fine of not less thirty thousand pesos (30,000.00) but not more than one hundred  
15 thousand pesos (100,000.00) and suffer imprisonment of not less than two (2) years but  
16 not more than four (4) years: Provided, that the conviction or acquittal obtained under  
17 this Section shall not be a bar to the filing of civil suit for the collection of taxes.

18

19 a) Direct or indirect violation or circumvention of the provision of Section 58,  
20 Chapter IV, Book II of this Code committed by any public official or employee of any  
21 ministry, office or agency of the government that deprives, diminishes or in any manner  
22 hinders or restricts any duly registered cooperative from the full enjoyment of the  
23 exemption from the payment of taxes, fees and charges enumerated therein, shall upon  
24 conviction, suffer a penalty not less than one (1) year but not more than five (5) years  
25 imprisonment or a fine in the amount of not less than five thousand pesos (P5,000.00)  
26 or both at the discretion of the court and shall further be disqualified to hold any other  
27 office;

28 a) Direct or indirect interference of intervention by any public official or employee  
29 into the internal affairs of the cooperative of which he is not a member, such as, but not  
30 limited to the following:

31 b) Influencing the election or appointment of officers, directors, committee members  
32 and employees through public or private endorsement or campaign for or against any  
33 person or group of persons;

34 c) Requiring prior clearance for any policy or decision within the cooperative;

35 d) Requesting or demanding for the creation of positions or organizational units, or  
36 recommending any person for appointment, transfer, or removal from his position; or

37 e) Any other acts inimical or adverse to the autonomy and independence of  
38 cooperatives

39 f) A director, officer or committee member who violated the Section 44, Chapter III  
40 on the liability of Directors, Offices and Committee members, Section 45, Chapter III on



1 the disloyalty of a Director, and Section 46, Chapter III of this Code on the illegal use of  
2 confidential information shall upon conviction suffer a fine of not less than Five hundred  
3 thousand pesos (P500,000.00) nor more than Five hundred thousand pesos  
4 (P500,000.00) or imprisonment of not less than five (5) years but not more than ten (10)  
5 years or both at the court's discretion;

6 g) The following are considered offenses punishable by a penalty of imprisonment  
7 of not less than one (1) year nor more than five (5) years or a fine of not more than Fifty  
8 thousand pesos (P50,000.00) or both at the discretion of the court;

9 h) Omission or refusal to furnish any information, report or other document that is  
10 required under this Code;

11 i) Providing information, reports or other documents to the Authority that are  
12 required under this Code which the person knows to be false or misleading;

13 j) Omission or refusal to keep a book or register required under this Code or to  
14 make the required entry therein;

15 k) Making an entry required under this Code in a book or register, which the person  
16 knows to be false or misleading;

17 l) Hindering an authorized person from making an inspection, audit, examination or  
18 investigation required under this Code;

19 m) Failure to comply with an order or written instructions issued or given by the  
20 Authority;

21 n) Violation of the provisions regarding transactions with a restricted party; and

22 o) Abetting, counseling, allowing, authorizing or commanding another person to  
23 commit an offense punishable by this Code: Provided, That in case the violator is a  
24 cooperative or juridical person, the penalty shall be imposed on its directors and  
25 officers.

26 p) Any violation of any provision of this Code for which no penalty is imposed shall  
27 be punished by imprisonment of not less than six (6) months nor more than one (1) year  
28 and a fine of not less than One thousand pesos (P1,000.00), or both at the discretion of  
29 the court.

30 The cooperative or any of its members can file a case against any officer or employee  
31 of the Bureau of Internal Revenue or of any other government agency with the  
32 Ombudsman, Civil Service Commission, other appropriate government agency of the  
33 courts of law.

34 In case of violation of any provision of this Code, the individual or individuals, and in the  
35 case of organizations or government agencies, its officers, and directors shall, upon  
36 conviction by a Court, each suffer a penalty of not less than two (2) years but not more  
37 than five (5) years imprisonment or a fine in the amount of not less than Twenty  
38 thousand pesos (P20,000.00), or both at the discretion of the court. In the case of a

1 public official or employee, the offender shall upon conviction, suffer the accessory  
2 penalty of temporary absolute disqualification.

3  
4 **Section 9. Penalties for Violators of the Social Enterprise Provisions of this Code.**

5 – The penalty of imprisonment for not less than six (6) months but not more than two (2)  
6 years or a fine of not less than two hundred fifty-thousand (P250,000) or both  
7 imprisonment and fine, at the discretion of the court, shall be imposed upon any person,  
8 who, intentionally or by gross negligence, fails to provide the benefits, rights and  
9 incentives granted to SEs in violation of this Act or perform any act in violation of its  
10 provisions.

11 If a corporation is found to have violated the provisions of this Act, the officers, directors,  
12 members or trustees shall be held liable. If the violation was committed by a  
13 government official or employee, such official or employee shall be terminated from the  
14 service with forfeiture of all the benefits due him in addition to the fine and/or  
15 imprisonment mentioned above.

16 Corporations and other juridical entities, financial or otherwise, found representing  
17 themselves as a SE shall be caused to pay double the benefits it reaped from this  
18 program through the taxes it was able to save when it represented itself as a SE. In  
19 addition, the officers of the juridical entity who represented itself as a SE shall be liable  
20 for a fine of P500,000.00 or imprisonment for not less than two (2) years or both fine  
21 and imprisonment at the discretion of the court.

22  
23 **CHAPTER III.**

24 **FINAL PROVISIONS**

25  
26 **Section 10. Cooperation and Coordination with the National Government**  
27 **Agencies for Cooperatives and Social Enterprises.-** The Authority and the National  
28 Government Agencies for Cooperatives and Social Enterprises through appropriate  
29 intergovernmental relations mechanisms may enter into memoranda of understanding  
30 or agreement for cooperation and close coordination on matters of pertinent to  
31 cooperation and coordination on common mandates in pursuing mutual assistance and  
32 mutual support for field duties in their respective areas of responsibilities, sharing of  
33 information, data, and documents, referral of cases when the referring party has no  
34 jurisdiction or when there is forum-shopping, exchange of experiences on good  
35 practices and lessons learned on the promotion and protection of human rights,  
36 capacity-building, technical, and other forms of support, dissemination of information,  
37 education, and communication materials, and such other matters that shall ensure to  
38 fulfill the mandates of the two institutions.

1 **Section 11. *Implementing Rules, and Regulations.*** - The Authority shall issue rules  
2 and regulations to implement those provisions of this Code which expressly call for the  
3 issuance thereof. This paragraph shall not apply to those cases wherein a specific  
4 provision of this Code expressly designates particular government agencies which shall  
5 issue the regulations called for by any provision of this Code.

6 **Section 12. *Transitory Provisions.*** - All cooperatives registered and confirmed with  
7 the Cooperative Development Authority (CDA) under Republic Act No. 9520 and  
8 Republic Act No. 11364, are hereby deemed registered under this Code, and a new  
9 certificate of registration shall be issued by the Authority: Provided, That such  
10 cooperatives shall submit to the nearest office of the Authority a copy of their  
11 certificate of registration, the Sections of Cooperation, their bylaws, and their latest  
12 audited financial statements within one (1) year from the effectivity of this Code,  
13 otherwise the registration shall be deemed cancelled motu proprio.

14 Following the issuance of the new certificate of registration, the registered cooperatives  
15 shall secure their new certificate of tax exemption from the nearest office of the Bureau  
16 of Internal Revenue (BIR): Provided, That such exemptions shall be valid for a period of  
17 five (5) years from the date of issue: Provided, further, That all unpaid assessments of  
18 previously registered cooperatives shall be the subject of compromise settlement on  
19 terms favorable to such cooperatives; and: Provided, finally, That the BIR and the  
20 Authority shall jointly issue the necessary regulations on this exemption and  
21 compromise within ninety (90) days from the effectivity of this Code.

22 Registration of electric cooperatives with the Authority shall not be considered as a  
23 transfer of ownership of its assets and liabilities nor shall it constitute a change in the  
24 nature, structure, and status of the cooperative. Said registration shall not result in the  
25 revocation of the condoned loans under Republic Act No. 9136, otherwise known as the  
26 Electric Power Industry Reform Act: Provided, That electric cooperatives with existing  
27 loans shall not be subject to the control and supervision of its creditors and shall only be  
28 limited to the fulfillment of its civil obligations.

29 **Section 13. *Appropriations.*** - The amount necessary to implement the provisions of  
30 this act shall be charged against the Contingent Funds. Thereafter, such sums as may  
31 be necessary for its continued implementation shall be included in the General  
32 Appropriations Act of the Bangsamoro (GAAB). The budget requirements for the  
33 implementation of this Code for cooperating agencies shall be incorporated in their  
34 respective budgets.

35 **Section 14. *Publication and Distribution.*** - The BTA Parliament shall publish this  
36 Code in the official gazette in full within sixty (60) days from the date of approval  
37 thereof. Copies of this Code shall be given to every department, agency and  
38 instrumentality of the National and Bangsamoro governments, including their provincial  
39 offices and the local government units as well as government-owned and controlled  
40 corporations.

41 Copies of this Code shall be given to ministries, agencies and offices and other  
42 instrumentalities of the BARMM government including provincial, city, and municipal

1 local government units (LGUs), Government Owned and Controlled Corporations  
2 (GOCCs) and Government Financial Institutions (GFIs). Copies shall also be provided  
3 to every department, agency and instrumentality of the National Government.

4 All duly registered cooperatives, federations, unions shall also secure their respective  
5 copy of this Code.

6 **Section 15. Interpretation and Construction.** - In case of doubt as to the meaning of  
7 any provision of his Code or the regulations issued in pursuance thereof, the same shall  
8 be resolved liberally in favor of the cooperatives and their members.

9 **Section 16. Repealing Clause.** - Except as expressly provided by this Code,  
10 Presidential Decree No. 175 and all other laws, or parts thereof, inconsistent with any  
11 provision of this Code shall be deemed repealed: Provided, That the provisions of  
12 Sections 3, 5, and 7 of Presidential Decree No. 1645, Executive Order No. 623, series  
13 of 2007, Revenue Regulation No. 20-2001, and all laws, decrees, executive orders,  
14 implementing rules and regulations, BIR circulars, memorandum orders, letters of  
15 instruction, local government ordinances, or parts thereof inconsistent with any of the  
16 provisions of this Act are hereby repealed, amended or modified accordingly.

17 **Section 17. Separability Clause.** - Should any part of this Code be declared  
18 unconstitutional, the validity of the remaining provisions hereof shall remain in full force  
19 and effect.

20 **Section 18. Effectivity Clause.** - This Code shall take effect fifteen (15) days from its  
21 publication in the Bangsamoro Gazette or in a newspaper of general circulation.

- 1 5) Service Cooperative is one which engages in medical and dental care,  
2 hospitalization, transportation, insurance, housing, labor, power and  
3 electricity, communication, professional and other services;
- 4 6) Multipurpose Cooperative is one which combines two (2) or more of the  
5 business activities of these different types of cooperatives;
- 6 7) Advocacy Cooperative is a primary cooperative which promotes and  
7 advocates cooperativism among its members and the public through  
8 socially-oriented projects, education and training, research and  
9 communication, and other similar activities to reach out to its intended  
10 beneficiaries;
- 11 8) Agrarian Reform Cooperative is one organized by marginal farmers  
12 majority of which are agrarian reform beneficiaries for the purpose of  
13 developing an appropriate system of land tenure, land development, land  
14 consolidation or land management in areas covered by agrarian reform;
- 15 9) Cooperative Bank is one organized for the primary purpose of providing a  
16 wide range of financial services to cooperatives and their members;
- 17 10) Dairy Cooperative is one whose members are engaged in the production  
18 of fresh milk which may be processed and/or marketed as dairy products;
- 19 11) Education Cooperative is one organized for the primary purpose of owning  
20 and operating licensed educational institutions, notwithstanding the  
21 provisions of Republic Act No. 9155, otherwise known as the Governance  
22 of Basic Education Act of 2001, the Bangsamoro Education Code, and  
23 other pertinent laws;
- 24 12) Electric Cooperative is one organized for the primary purpose of  
25 undertaking power generation, utilizing renewable energy sources,  
26 including hybrid systems, acquisition and operation of sub-transmission or  
27 distribution to its household members;
- 28 13) Financial Service Cooperative is one organized for the primary purpose of  
29 engaging in savings and credit services and other financial services;
- 30 14) Fishermen Cooperative is one organized by marginalized fishermen in  
31 localities whose products are marketed either as fresh or processed  
32 products;
- 33 15) Health Services Cooperative is one organized for the primary purpose of  
34 providing medical, dental and other health services;
- 35 16) Housing Cooperative is one organized to assist or provide access to  
36 housing for the benefit of its regular members who actively participate in  
37 the savings program for housing. It is co-owned and controlled by its  
38 members;
- 39 17) Insurance Cooperative is one engaged in the business of insuring life and  
40 property of cooperatives and their members;
- 41 18) Transport Cooperative is one which includes land and sea transportation,  
42 limited to small vessels, as defined or classified under the Philippine  
43 maritime laws, organized under the provisions of this Code;
- 44 19) Water Service Cooperative is one organized to own, operate and manage  
45 water systems for the provision and distribution of potable water for its  
46 members and their households;

Principal Authors:



MP Diamila Disimban-Ramos

MP Ishak Mastura

MP Lanang Ali Jr.

MP Rasul Mitmug Jr

MP Amilbahar Mawalil

MP Baintan Ampatuan

MP Eddie Alih

MP Michael Midtimbang

MP Ali Sangki

MP Suharto Ambolodto

Co-Authors:

MP Dan Asnawie

MP Ali Solaiman

MP Froilyn Mendoza

MP Khalid Hadji Abdullah

MP Tarhata Maglangit

MP Kadil M. Sinolinding Jr.

MP Randolph Parcasio

MP Tawakal Midtimbang

MP Jaafar Apollo Mikhail Matalam

MP Don Mustapha Loong

MP Akmad Abas

MP Mohammad Kelie Antao

MP Basit Abas