

IMPLEMENTING PRESIDENTIAL DECREE NO. 175 DATED APRIL 14, 1973 GOVERNING THE ORGANIZATION, ADMINISTRATION AND SUPERVISION OF SAMAHANG NAYON (BARRIO ASSOCIATIONS) AND KILUSANG SAY...

LETTER OF IMPLEMENTATION NO. 23, July 09, 1973

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Pursuant to the provisions of Section 11 of Presidential Decree Noe 175, dated April 14, 1973, the following regulations governing the organization, administration and supervision of samahang nayon (barrio associations) and kilusang bayan (cooperatives) are hereby promulgated for the information and guidance of all concerned.

REGULATION 1. Title - These regulations shall be known as the regulations implementing the provisions of Presidential Decree No. 175, dated April 14, 1973, entitled "Strengthening the Cooperative Movement."

REGULATIONS ON SAMAHANG NAYON AND OTHER PRE-COOPERATIVE ORGANIZATIONS

REGULATION 2. Samahang Nayon (Barrio Association) - Samahang nayon is a body corporate composed primarily of small farmers residing and/or farming within the geographical limits of a barrio for the purpose of improving the quality of life of the barrio people.

The term farming refers to the culture and production of grains, livestock and dairy, poultry and eggs, vegetables including mushrooms, fruits, fiber, forest and forest products, pasture land, sugar, palm and oil trees, as well as the activities of fishing and other marine products, horticulture and apian culture.

A small farmer is one who is the actual tiller whether full-owner, amortizing owner or lessee of not more than seven (7) hectares of rice or corn land or their equivalent in other crops as determined by the Department of Local Government and Community Development, hereinafter referred to as the Department.

REGULATION 3. Who May Organize - Twenty-five or more persons primarily small farmers, Filipino citizens, residing and/or farming in the proposed area of operation, may organize themselves into a samahang nayon. For purposes of registration, at least fifteen incorporators must sign the articles of incorporation.

REGULATION 4. Articles of Incorporation. - The articles of incorporation duly signed, shall be acknowledged by the incorporators before a Notary Public or other officers authorized to take acknowledgments.

No articles of incorporation shall be registered unless the same conforms substantially with the model articles of incorporation prescribed by the Bureau of Cooperatives Development, hereinafter referred to as the Bureau.

REGULATION 5. By-Laws - All samahang nayon shall adopt for their management a code of by-laws.

No by-laws shall be registered unless the same conforms substantially with the model by-laws prescribed by the Bureau.

REGULATION 6. Effects of Registration - Upon registration and the issuance of the corresponding certificate,

the samahang nayon shall be a body corporate with the following powers:

- To own and dispose of property;
- To enter into contracts;
- To sue and to be sued; and
- To do and perform such other acts as may be necessary in the pursuit of its objectives.

REGULATION 7. Membership - Persons of fifteen years of age or over, or who are heads of a household residing and/or farming within the geographical boundaries of the barrio may apply for membership. Before one is accepted as a member, he shall be required to:

- Complete a prescribed pre-membership training course;
- Pledge to adopt improved farming practices;
- Pledge to comply with a savings program;
- Pay the required membership fees; and
- Agree to comply with the stipulations of the samahang nayon membership agreement. All agreements shall conform substantially with the model membership agreement prescribed by the Bureau.

No person shall be a member of more than one samahang nayon.

REGULATION 8. Grounds for Suspension/Expulsion of Members. - The following are the grounds for suspension/expulsion from a samahang nayon:

- Failure to pay membership fees, dues for contributions;
- Failure to comply with any of the duties of membership;
- Failure to comply with the terms and conditions of the membership agreement;
- Act or omission injurious or prejudicial to the samahang nayon and
- Such other grounds as may be provided for by the Department.

REGULATION 9. Barrio Guarantee Fund and Barrio Savings Fund. - All samahang nayon shall adopt and implement the barrio guarantee fund and barrio savings fund programs as prescribed by the Department through the Bureau.

A Barrio Guarantee Fund for the samnhang Kayon is hereby constituted for the following purposes:

- To guarantee the payment of land amortizations of members within the purview of Presidential Decree No. 27;
- To capitalize full-fledged cooperatives;
- To purchase shares of stocks of and/or to capitalize rural banks and development banks; and
- To be used for other purposes as may be authorized by the Department through the Bureau.

Members of the samahang nayon shall contribute to this Fund a minimum of one cavan of palay per hectare harvest or its equivalent.

To implement the barrio savings fund program, the Agricultural Credit Administration, the rural banks, the

Philippine National Bank and other authorized financial institutions are hereby directed to automatically deduct from every production loan of members of samahang nayon an amount equivalent to five percent (5%) of such loans. Such amount shall be deducted at the time the loan is released and shall be held in a special time deposit account in the name of the samahang nayon for the account of the member. Members who do not obtain production loans shall, contribute a minimum amount of five pesos (P5.00) per month.

The mechanics for the administration, utilization and disposition of funds under the barrio guarantee fund and the barrio savings fund programs shall be as prescribed by the Department through the Bureau.

REGULATION 10. Grounds for Suspension/Cancellation of Certificate of Registration - The operation of a samahang nayon may be suspended or its registration cancelled by the Secretary of the Department, after hearing, in the following cases:

- Where such samahang nayon fails to function within a period of six months from the date of registration;
- Where such samahang nayon fails to exercise any of its powers or discharge any of its duties and responsibilities under the membership agreement;
- Where the percentage of amortizing owners in default in such samahang nayon exceeds 20%; and
- Where such samahang nayon violates any rules or regulations promulgated by the Department through the Bureau.

The decision of the Secretary of the Department shall be final and conclusive.

REGULATION 11. Grounds for Dissolution - A samahang nayon may be dissolved either voluntarily or involuntarily.

Voluntarily dissolution may be effected by a resolution adopted by at least two-thirds (2/3) vote of all the members at an annual or special membership assembly called for the purpose.

Said resolution signed by two-thirds (2/3) of all the members voting for the dissolution shall be submitted to the Provincial Development Officer of the Department. It must be accompanied by a sworn statement of the board of directors certifying, among others, that:

- The resolution is genuine and authentic; and
- The proposed dissolution will not prejudice the interest of third persons.

Involuntary dissolution shall be effected upon order of the Secretary of the Department for any of the following causes:

- Repeated failure to meet its obligations; and
- For any of the causes enumerated under Regulation 10 of these regulations.

REGULATION 12. Other Pre-Cooperative Organizations - Existing cooperative organizations and organizations to be formed which do not meet the minimum requirements for kilusaag bayan (cooperative) may be registered as pre-cooperative organizations.

Pre-cooperative organizations are classified into:

- Producer's associations;
- Credit unions; Co Buying clubs;

- Consumers' associations; and
- Service associations.

REGULATION 13. Effect of Registration of Pre-Cooperative Organizations - The registration referred to in the next preceding regulation shall have the effect of conferring provisional cooperative status to the organization and it shall thereafter be entitled to the benefits granted and the obligations imposed by Presidential Decree No. 175 and these regulations.

All organizations registered as provisional cooperatives under Regulation 12 are given two (2) years within which to qualify for registration as kilusang bayan. Failure to so qualify shall be ground for the cancellation of their registration.

REGULATION 14. Merger/Amalgamation - Provisional cooperatives are authorized to merge or amalgamate in order to qualify for registration or re-registration as kilusang bayan, in which case, the procedures set in Regulations 25 and 26 shall be followed.

REGULATIONS ON KILUSANG BAYAN (COOPERATIVES)

REGULATION 15. Organizations Considered as Kilusang Bayan - Kilusang Bayan shall mean only organizations which have complied with the requirements of Presidential Decree No. 175, these rules and regulations, as well as the requirements of the Department through the Bureau.

For purposes of Section 9 of Presidential Decree No. 175, the term kilusang bayan shall be considered as the equivalent of the term "cooperative" in the vernacular.

REGULATION 16. Purposes - A kilusang bayan may be registered for the mutual benefit of the members thereof, who have for their common objective any lawful purpose or purposes, more particularly the following:

- To encourage scientific production and marketing among the members;
- To provide goods, services and other requirements to the members;
- To encourage thrift among the members;
- To create funds and extend credit to the members for productive and provident purposes;
- To build houses or to acquire lands for the members;
- To insure against losses of the members;
- To promote and advance the economic, social and educational condition of the members;
- To undertake such other activities calculated to help the members solve their problems on a cooperative basis;
- To coordinate and facilitate the activities of kilusang bayan; and
- To establish, own or operate rural banks, cooperative banks, development banks, cooperative insurance and cooperative wholesale and retail complexes.

REGULATION 17. Kilusang Bayan are not in Restraint of Trade - Any registered kilusang bayan shall be deemed not to be a conspiracy nor a combination in restraint of trade nor an illegal monopoly, nor an attempt to lessen competition or to fix prices arbitrarily or to create a combination or pool in violation of any law of the Philippines; and the marketing contracts and agreements entered into by kilusang bayan and their members shall be considered not to be illegal nor in restraint of trade nor contrary to the provisions of any law or statute enacted

against pooling or combinations.

REGULATION 18. Who May Organize - Any group of small producers and of consumers, Filipino citizens, of legal age, residing/working in the proposed area of operation, may organize a kilusang bayan subject to the rules and regulations promulgated by the Department through the Bureau.

A group of samahang nayon or other pre-cooperative organizations may organize a kilusang bayan.

REGULATION 19. Articles of Incorporations - Articles of incorporation of a proposed kilusang bayan shall be signed by at least fifteen (15) incorporators if the membership is composed of natural persons, or by at least ten (10) incorporators represented by their presidents if the membership is composed of samahang nayon or other pre-cooperative organizations, and acknowledged by them before a notary public or other officers authorized to take acknowledgments.

No articles of incorporation shall be registered unless the same conforms substantially with the model prescribed by the Bureau.

REGULATION 20. Treasurer's Sworn Statement - The Bureau shall not register a kilusang Bayan unless the articles of incorporation is accompanied by a sworn statement of the treasurer elected/appointed by the incorporators showing:

- In the case of a kilusang bayan with capital stock, that at least twenty per centum (20%) of the number of authorized shares of capital stock has been subscribed and that at least twenty per centum (20%) of the subscription has been paid to him in cash; or
- In the case of a kilusang bayan without capital stock, the number of members and the amount of their capital contribution paid to him in cash. The payment end/or transfer under clauses (a) and (b) of this Regulation is for the benefit and to the credit of the kilusang bayan. The Director of the Bureau shall satisfy himself that the capital contribution of members under this Regulation is sufficient for the initial operation of the kilusang bayan.

REGULATION 21. Code of By-Laws - Each kilusang bayan to be registered; shall adopt a code of by-laws. The by-laws shall be filed with the Director of the Bureau at the time of the filing of the articles of incorporation.

No code of by-laws shall be registered unless the same conforms substantially with the model prescribed by the Bureau.

REGULATION 22. Limited and Unlimited Liabilities - A kilusang bayan which has for its purpose/s one or more of those specified under Regulation 16, may be registered with limited or unlimited liability; provided, that the liability of a kilusang bayan which has a kilusang bayan as a member shall be limited.

In the case of a kilusang bayan with limited liability, a member shall be liable for the debts of the kilusang bayan to the extent of the unpaid amount of his subscription to the capital stock or to the membership capital.

In the case of a kilusang bayan with unlimited liability a member shall, upon the liquidation of the kilusang bayan, be jointly and severally liable for the debts of the kilusang bayan.

REGULATION 23. Evidence of Registration - A certificate of registration signed by the Director of the Bureau shall be conclusive evidence of registration unless it is proven that the same has been cancelled.

REGULATION 24. Effect of Registration - Upon registration, the kilusang bayan shall be a body corporate.

REGULATION 25. Merger - Two or more kilusang bayan may-join together as a single kilusang bayan upon a resolution of each kilusang bayan as approved by a vote of two-thirds (2/3) of all the members entitled to vote in a

membership meeting held for the purpose. The resolution shall state the reasons for such consolidation and shall be certified to by the secretary and attested by the board of each kilusang bayan.

The kilusang bayan which have decided to consolidate shall make a physical inventory and valuation of their total assets and a statement of their total liabilities. The sum total of the assets and liabilities shall constitute the assets and liabilities of the new kilusang bayan. The certificate of registration of the consolidating kilusang bayan shall be cancelled and a certificate of registration shall be issued to the new kilusang bayan.

Evidence of membership contributions shall be surrendered to the new kilusang bayan and new forms for membership contributions shall be issued in lieu thereof.

REGULATION 26. Transfer of Assets and Liabilities of Kilusanre Bayan - A kilusang bayan transferring its assets and liabilities to another kilusang bayan shall make a physical inventory and valuation of its assets and its liabilities to be duly certified to by the treasurer/manager and attested by the board of directors. Said transfer shall be duly acknowledged in writing by the manager of the transferee kilusang bayan and concurred in by its board of directors.

The resolution stating the reasons for and the decision for the transfer and the resolution of acceptance both approved by a vote of two-thirds (2/3) of all the members entitled to vote at the general assembly of the kilusang bayan transferring and the kilusang bayan accepting the transfer held separately for the purpose, shall be transmitted to the Regional Director of the Department who shall process the same and transmit the papers together with his recommendation to the Director of the Bureau. If the Director of the Bureau approves the transfer, he shall cancel the registration of the transferring kilusang bayan and order the transferee kilusang bayan to prepare a financial statement together with its schedule.

REGULATION 27. Division of Kilusang Bayan - Division of a kilusang bayan into two or more kilusang bayan is to be effected when the exigencies of the business warrant and demand, provided that the viability of the groups is assured. All such divisions shall be approved by a vote of two-thirds (2/3) of all the members entitled to vote at a general assembly called specifically for such purpose. The board shall place for approval the plan for the division of membership business, assets, and the liabilities of, and claims against the kilusang bayan. The approved resolution duly certified to by the secretary and attested by the board of directors of the kilusang bayan shall be submitted to the Regional Director of the Department who shall within ten (10) days from receipt thereof, transmit the papers to the Director of the Bureau, together with his comments and recommendation. If the Director of the Bureau is satisfied of the need for the division, and the proposed kilusang bayan have fair chances to succeed, then he shall approve the division.

Upon approval of the division, each division shall submit a new set of articles of incorporation and by-laws and other papers that are required for registration to the Regional Director of the Department who shall process the same and transmit the papers together with his recommendation to the Director of the Bureau.

The new kilusang bayan shall become bodies corporate upon the issuance of their respective certificates of registration by the Director of the Bureau. The Director of the Bureau shall thereafter cancel the registration of the old kilusang bayan.

REGULATION 28. Claims of Creditors - The Director of the Bureau shall not approve any division unless there is a resolution binding the new kilusang bayan to be jointly and severally liable for valid claims of creditors. In case of mergers, the new kilusang bayan shall bind itself to be liable for valid claims of creditors.

Membership

REGULATION 29. Membership in Kilusang Bayan - The following may qualify for membership in a kilusang bayan:

- Any natural person who is:
- A citizen of the Philippines;
- Of legal age and with capacity to contract or head of a family; and
- A small producer or a consumer in the area of operation of the kilusang bayan.
- Any member of a samahang nayon.
- A registered samahang nayon, or other pre-cooperative organization.
- Any registered kilusang bayan.

REGULATION 30. Membership of Minors - Persons of a least 13 years of age who have visible means of income through their own independent work and effort and who can in addition comply with the qualifications for membership may likewise qualify for membership in a kilusang bayan.

REGULATION 31. Final Authority in a Kilusang Bayan - Final authority in every kilusang bayan shall be vested in the general assembly of the members.

Board of Directors and Committees

REGULATION 32. Board of Directors and Committees - A kilusan bayan shall be managed by a board of directors of not less than five nor more than fifteen directors elected by the general assembly for a term fixed in the by-laws but not exceeding two years and shall hold office until their successors are elected and have qualified or until removed, The by-laws may provide for such committees as its business end operations may require. Officials of the Department and the Bureau may serve as members of the board of directors of any kilusang bayan upon authorization of the Secretary of the Department.

REGULATION 33. Disqualifications - Members under any of the following circumstances are disqualified to be voted upon to the position of director or committee member or to continue as such in any kilusang bayan;

- Holding any elective position in the government except barrio council men;
- Having conflicting interest with the business of the kilusang bayea;
- Having been absent for three (3) consecutive board or committee meetings without being excused;
- Having been removed from office by the general assembly; and
- Being a full time employee of the kilusang bayan concerned.

REGULATION 34. Removal of Officer, director or Committee Members - An elected officer, director or committee member may be removed by a vote of the majority of the members entitled to vote at an annual or special general assembly. The person involved shall have an opportunity to be heard at said assembly.

REGULATION 35. Contract for Profit Prohibited. - No director, officer, committee member or employee, during the term of his office, shall be directly or indirectly a party to a contract for profit the kilusang bayan.

REGULATION 36. Illegal Acts of Cooperative Officials and Employees - The directors, committee members, officers and employees of the kilusang bayan shall, in the discharge of their respective duties, act in accordance with the Decree, regulations by-laws and resolutions of the general assemblies, and for any willful and deliberate

violation of the above, those responsible shall be held jointly and severally liable up to the extent of the damage or prejudice suffered by the kilusang bayan.

REGULATION 37. Purchase of Shares of Stocks of Rural Banks - Samahang nayon (s) and kilusang bayan (s) shall have the option to purchase government-held preferred shares of rural banks as well as common stocks therein.

For this purpose, samahang nayon are authorized to utilize the sum of money existing under their barrio guarantee fund and barrio savings fund programs. In any case, any government-held preferred shares so purchased shall be converted to voting stocks. Where any of the shares of stocks are owned by samahang nayon or kilusang bayan, they shall be allotted membership in the board of directors of the rural bank in proportion to the equity they hold vis-a-vis the equity of other stockholders. In any case, at least one member of the board of directors of the rural bank shall be a duly authorized representative of the samahang nayon (s) and/or kilusang bayan (s).

REGULATION 38. Establishment of Rural Banks - Samahang nayon(s) and/or kilusang bayan (s) are authorized to establish rural banks in any province (s) or locality and may operate branches as needs of members would require. Credit cooperatives may register as rural bank or private development bank. Such rural banks shall conduct business within the area of operation of the samahang nayon (s) and/or kilusang bayan (s). Such rural banks may receive deposits from the general public: provided, that deposits from the general public shall in no case exceed the deposits of members of such rural banks. Such rural banks shall extend loans only to their members, members of the samahang nayon (s) and kilusang bayan (s).

REGULATION 39. Salary Deduction Agreement - (a) A member of a kilusang bayan may, notwithstanding the provisions of existing laws, execute an agreement in favor of the kilusang bayan authorizing his employe to deduct from the salary or wages payable to him by the employer such amount as may be specified in the agreement and to pay the amount so deducted to the kilusang bayan in satisfaction of any debt or other demand owing from the member too the kilusang bayan.

(b) Upon the execution of such agreement the employer shall, if so required by the kilusang bayan by a request in writing and so long as such debt or other demand or any part of it remains unpaid, make the deduction in accordance with the agreement and remit forthwith the amount so deducted to the kilusang bayan.

(c) The term "employer" as used in this section includes the Government of the Philippines or of any local authority and any other person, natural or juridical, who has under his employ a member of a kilusang bayan.

REGULATION 40. Exemption from Bidding Requirements - Kilusang bayan transacting business with the Government of the Philippines or any of its political subdivisions or any of its agencies or instrumentalities, including government-owned or-controlled corporations shall be exempt from bidding requirements upon approval of the contract by the Bureau.

Capital and Funds

Regulation 41. Sources of Capital - Kilusang bayan may derive funds from:

- Members' capital contribution, which may either be in the form of shares of stock (if stock cooperative) or members' contribution (if non-stock cooperative).

The capital stock of kilusang bayan may consist of common stock as well as preferred stock, if the latter is provided for in the by-laws.

Preferred stocks shall not be entitled to vote. They shall, however, have preference as to assets in case of liquidation or dissolution of the cooperative. They shall receive interest rates higher than common stocks. Such

stocks may be issued to members as well as non-members.

Common stock shall be issued only to members and shall receive an interest rate which shall not exceed the rate established by the Department.

- Loan capital, including deposits of any kind;
- Retains authorized on a percentage or per unit basis;
- Revolving capital, by deferment of the payment of patronage refunds; and
- Fees, dues, levies, subsidies, grants, donations, fines and such other sources as may be agreed upon by the members or may be authorized by the Department.

REGULATION 42. Loans, Grants and Donations - The Philippine Government or any of its political subdivisions is empowered to give loans to kilusang bayan and grants or donations in any form to duly registered samahang nayon and/or kilusang bayan. Samahang nayon and kilusang bayan may receive grants or donations in any form from any source, local or foreign.

Grants, donations, gifts, bequests under this section shall be exempt from any and all forms of donor and donees' taxes including gift taxes. Such grants, donations, gifts, bequests shall be allowable deductions under the provisions of the National Internal Revenue Code for income tax purposes.

REGULATION 43. Computation of Net Income - The net income of every kilusang bayan shall be the amount remaining after deducting from the gross income the cost of operations and other expenses provided for in the approved budget.

REGULATION 44. Distribution of Net Income - Unless a different percentage is prescribed by the Bureau, the net income of every kilusang bayan shall be allocated in the following manner:

- At least ten percent (10%) for General Reserve Fund;
- Ten percent (10%) for cooperative education and training which amount shall form part of the operating expense of the kilusang bayan. One half of this amount shall be utilized by the kilusang bayan for the education and training of its officers and members. The other half shall be remitted to the Cooperative Education and Training Fund which shall be administered by the Advisory Board created under Presidential Decree No. 175;
- The remainder shall be allocated for interest on capital and/or patronage refunds, as determined by the board of directors.

Existing Reserve Funds of cooperatives established under previous cooperative laws shall form part of the General Reserve Fund provided herein.

REGULATION 45. Cooperative Education and Training Fund - There is hereby created a Cooperative Education and Training Fund.

The funds assets and properties of whatever name or nature of the defunct Central Cooperative Educational Board are hereby constituted to form part of the abovementioned fund.

Proceeds from sale of printed materials provided by the Bureau to the samahang nayan, registration fees and audit fees shall likewise form part of this Fund.

This Fund shall be transferred to an appropriate pambansang katipunan ng mga kilusang bayan (national cooperative union) as soon as one is organized and registered. In the interim, such Fund shall be administered by

the Advisory Board created under Presidential Decree 175.

Liquidation

REGULATION 46. Liquidation - Liquidation shall be effected upon dissolution of a kilusang bayan either voluntarily or involuntarily.

In a voluntary dissolution, the resolution dissolving the kilusang bayan adopted and signed by two-thirds (2/3) of all the members entitled to vote at a general or special assembly called for the purpose shall be submitted to the Director of the Bureau through the Regional Director of the Department for approval. It shall be accompanied by a sworn statement of the board of directors certifying among others:

- That the resolution is genuine and authentic;
- That the dissolution shall not prejudice its members or any person whomsoever; and
- That the members' investments including equities, if any, have been returned to them.

In an involuntary dissolution, the Director of the Bureau through the Regional Director of the Department may order in writing that the kilusang bayan be dissolved for any of the following causes;

- After an audit or inquiry the report thereon shows that the kilusang bayan is inoperable; or
- If the kilusang bayan has not commenced its business within one year without just cause from the date of registration; or
- If the kilusang-bayan has ceased working for one year; or
- If the kilusang bayan has failed to provide financial and other reports to its members; or to send to the Department the annual reports required by the Department through the Bureau or
- If the kilusang bayan has been doing business liable to cause injury to the public; or
- If the kilusang bayan has persistently violated Presidential Decree No. 175, orders of the Department and the Bureau, these regulations, or its by-laws; or
- If the kilusang bayan is no longer found in the area of operation; or
- If there is fraud or misrepresentation during the registration of the kilusang bayan; or
- If there, is grave abuse of its charter or privileges authorized under the Decree.

In all cases wherein it appears that the appointment of a liquidator is unnecessary, the Director of the Bureau shall after hearing, issue an order cancelling the certificate of registration of a kilusang bayan. Upon cancellation, the kilusang bayan shall cease to be a body corporate.

TYPES OF KILUSANG BAYAN

REGULATION 47. Types of Kilusang Bayan - Kilusang bayan may fall under any of the following categories:

- Producers;
- Marketing;
- Credit;
- Consumers; and

- Service.

Kilusang bayan for producers are those which are organized primarily for the production of a particular product or commodity.

Kilusang bayan for marketing are those which are engaged primarily in the marketing of products of members as well as the supply of production input.

Kilusang bayan for credit are those which are engaged in receiving deposits and granting loans. Kilusang bayan for credit singly or in association with one another may register as rural banks, cooperative banks, development banks and other forms of banks. Such banks may qualify for the Management Training and Assistance Program as well as the Cooperative Development Loan Fund.

Kilusang bayan for consumers are those which are engaged in procuring and distributing foods to members and non-members for their mutual benefit.

Kilusang bayan for service are those which are engaged primarily in rendering service to meet the special needs of members of a community and includes, among others, housing, labor and insurance cooperatives.

Katipunan (Federations) ng Kilusang Bayan

REGULATION 48. Who May Organize Katipunan (Federation) Ng Kilusang Bayan - Two or more kilusang bayan may form a katipunan.

REGULATION 49. Membership - Membership shall be open only to kilusang bayan. Registered kilusang bayan may unite to form katipunan on the provincial, regional and/or national levels.

REGULATION 50. Distribution of Net Income - The provisions of Regulations 43 and 44 concerning computation and distribution of net income shall apply to katipunan, except that the general reserve fund to be set aside shall at least be twenty (20%) percent of the net income.

Kalipunan (Union) ng Kilusang Bayan

REGULATION 51. Who May Organize Kalipunan ng Kilusang Bayan - Two or more kilusang bayan may form a kalipunan.

REGULATION 52. Pambansang Kalipunan ng mga Kilusang Bayan - There shall be registered only one pambansang kalipunan ng mga kilusang bayan at the national level, to which all types of kilusang bayan, provincial, regional and national katipunan and kalipunan may affiliate. Such a kalipunan may:

- represent all the kilusang bayan in the Philippines at home and abroad;
- acquire, analyze and disseminate economic, statistical and other information regarding kilusang bayan;
- conduct studies in the economic, legal, financial, social and other phases of cooperation and publish the results thereof;
- Promote the knowledge of cooperative principles and practices;
- develop the cooperative movement in the Philippine within the framework of the national economic plan of the government;
- Make available audit services to its members;
- plan and implement a program of cooperative education and

- advise the appropriate authorities on all questions relating to kilusang bayan.

REGULATION 53. Applicability of Provisions for Katipunan ng Kilusang Bayan to Kalipunan - The provisions of the regulations on Katipunan ng kilusang bayan shall as far as practicable apply to kalipunan«

COOPERATIVE DEVELOPMENT LOAN FUND

REGULATION 54. Cooperative Development Loan Fund - The Cooperative Development Loan Fund created under Section 6 of Presidential Decree No. 175 is hereby vested with corporate personality, with powers to enter into contracts, to own and dispose of property, to sue or be sued, and such other powers necessary to carry out the objectives of the Fund.

The Management Committee charged with the administration of the Fund shall represent the said Fund and shall have, in particular, the following powers, duties and responsibilities:

- It shall have the power to contract, to receive grantsj donations and other funds from the sources identified in Section 6, Item (a) of Presidential Decree No. 175 as well as to obtain laans from local and foreign agencies;
- It shall administer the funds of the Cooperative Development Loan Fund and disburse the same for the purposes and within the limitations set forth in Section 6, Item (b) of Presidential Decree Noo 175;
- It shall adopt and promulgate realistic standards for the development loan fund to be used either as loan fund, cooperative guarantees for loans, or advances to kilusang bayan for the purehase of equity of rural banks;
- It shall invest idle funds of the fund as it deems best;
- It shall have power to do any and all acts necessary for the discharge of any of the above powers, duties and responsibilities; and
- As soon as it is constituted, the Management Committee shall meet to promulgate rules of procedurerto govern its workings as a body.

REGULATION 55. Transfer of Fund - The Rural Cooperative Find appropriated under Republic Act Numbered 6551 in the amount of Fifty Million Pesos (P50M) is hereby transferred to the Cooperative Development Loan Fund.

REGULATION 56. Term of Office of Members - Members of the Management Committee coming from the cooperative sector shall hold office for a term of two years; Provided, however, that of the first two appointees, one shall hold office for a term of one year only, to be determined by drawing of lots. Thereafter, all shall hold office for two years. Nothing in this regulation shall preclude re-appointmcnt to the Committee,

MANAGEMENT AND TRAINING ASSISTANCE PROGRAM

REGULATION 57 - Powers, Duties and Responsibilities of the Advisory Board - The Advisory Board in administering the management and training assistance program shall have the following powers, duties and responsibilities:

- To enter into contract with any educational institution or organization for training programs;
- To disburse funds for the cost of professional managers, training programs and training materials;
- To identify and select kilusang bayan to be placed under the program, as well as the educational institutions or organizations which will participate in the program; do

- To build up a corps of well-trained and highly competent professional managers of kilusang bayan;
- To assist the cooperative movement in developing a movement-wide career system;
- To administer the Cooperative Education and Training Fund as provided fihir in Regulations, 44 and 45; and
- To perform any and all other acts as may be necessary to carry out the duties, responsibilities and objectives of the management training and assistance program.

As soon as constituted, the Advisory Board shall meet to promulgate rules of procedure to govern its workings as a body.

REGULATION 58. Personnel Policies - The Advisory Board may adopt and implement policies for its corps of managers which may include, among others, security of tenure, financial incentives, leave, retirement, and other benefits.

REGULATION 59. Exemption from Regulation, of Kilusang Bayan Under the Management and Training Assistance Program - Kilusang bayan placed under the Management and Training Assistance Program may be exempted from these regulations by the Secretary of the Department, upon recommendation of the Advisory Board.

REGULATION 60. Term of Office of Members - Members of the Advisory Board coming from the cooperative sector shall hold office for a term of two years; provided, however, that of the first two appointees, one shall hold office for a term of one year only, to be determined by drawing of lots. Thereafter, all shall hold office for two years.

Nothing in this regulation shall preclude reappointment to the Board.

REGULATION 61. Exemption from Bidding Requirements - Contracts entered into by the Advisory Board within the purview of Regulation 57 shall be exempt from bidding requirements.

MISCELLANEOUS PROVISIONS

REGULATION 62. Bar of Suit During Liquidation - No court shall take cognizance of any civil matter connected with the liquidation or dissolution of a samahang nayan/kilusang bayan under these regulations, When a liquidation order has been made no suit or other local proceedings shall lie or be proceeded with against the samahang nayan or kilusang bayan except by leave of the Director of the Bureau and subject to such terms as he may impose.

REGULATION 63. Acts of Kilusang Bayan not to be Invalidated by Certain Defects - No act of a kilusang bayan or board or committee or of any officer or liquidator done in good faith in the course of the business, of the kilusang bayan shall be deemed to be valid by reason only of some defect subsequently discovered in the registration of the kilusang bayan or in the formation of general assembly or in the constitution of the board or committee or in the appointment or election of directors, committee members, liquidator or officer or on the ground that such person was disqualified for his appointment.

No act done in good faith by any person appointed under these Regulations shall be invalid by reason only of the fact that his appointment has been cancelled by or as a consequence of any order subsequently passed under these Regulations.

The Secretary of the Department shall decide whether any act was done in good faith.

REGULATION 64. Collection of Past Due Loans - Samahang naycrai are hereby authorized to collect past due

loans to farmers granted by the Agricultural Credit and Cooperative Financing Administration and the Agricultural Credit Administration. They shall be entitled to a commission of ten (10%) percent of the amount collected for loans that are past due as of September 21, 1972 and five (5%) percent for every additional year of delinquency prior to September 21, 1972; provided, that in no case shall such total commission exceed fifty (50%) percent of the amount collected.

All collections shall be turned over to the nearest branch office of the Agricultural Credit Administration, together with the list of cooperatives and their respective members and the amount paid by each.

The commission shall be transmitted immediately to the depository bank of the samahang nayon for the account of the samahang nayon which shall accrue to the Barrio Guarantee Fund.

REGULATION 65. Rights Acquired - Members of existing cooperatives as of the promulgation of Presidential Decree No« 175 who are disqualified on the ground of nationality may continue their membership therein until terminated by resignation, death or removal for cause.

Done in the City, of Manila, this 9th day of July, in the year of Our Lord, nineteen hundred and seventy-three.

(Sgd.) FERDINAND E. MARCOS

President of the Philippines

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