

[EXECUTIVE ORDER NO. 322, February 05, 1941]

**PROVIDING FOR RULES AND REGULATIONS GOVERNING THE
ORGANIZATION, OPERATION AND DISSOLUTION OF
COOPERATIVE ASSOCIATIONS**

Pursuant to the authority vested in me under the Constitution and Commonwealth Act Numbered Five hundred and sixty-five, I, Manuel L. Quezon, President of the Philippines, do hereby issue the following rules and regulations to govern cooperative associations:

1. *Cooperative associations; who may organize.*—Fifteen or more persons, who are citizens of the Philippines or of the United States, residents of the Philippines may organize a cooperative association for the mutual benefit of the members thereof under the provisions of Commonwealth Act Numbered Five hundred and sixty-five. Such persons may in pursuance of Executive Order Numbered Two hundred and ninety-seven dated August 12, 1940, apply to the National Trading Corporation for assistance and supervision in the organization of such association.

2. *National Trading Cooperation; supervision over organization of cooperative associations.* —The National Trading Corporation, in accordance with Executive Order Numbered Two hundred and ninety-seven dated August 12, 1940, shall carry out all government activities relating to the promotion, organization and supervision of cooperative associations. It shall prepare for free distribution application forms to suit each particular type of association authorized by law and the rules and regulations. The application shall contain information bearing on the economic condition of the territory or community wherein the association shall operate, stating the reasons for the necessity of its creation and containing such other pertinent data as may be deemed necessary by the National Trading Corporation in determining the advisability of organizing such an association. Upon the filing of an application to the National Trading Corporation and upon verification made of the information and data contained therein, if the National Trading Corporation finds that its organization will serve public interest, it shall furnish the applicants with a model form of Articles of Incorporation and By-Laws, to suit the particular type of association concerned; Provided, That the By-Laws shall, among other things, provide that no member or stockholder of a cooperative shall be entitled to more than one vote, regardless of the number of shares he may own in the association, unless the stockholder be a corporation owned or controlled by the Government or any of its instrumentalities; that in the distribution of profits, no capital invested therein shall earn more than eight per centum (8%) interest or dividend per annum; and that patronage dividends shall be declared only on the recommendation of, and under the supervision of, the National Trading Corporation.

3. *Registration with the Securities and Exchange Commission.*—Upon receipt of the proposed Articles of Incorporation and By-Laws from the applicants, if the National Trading Corporation finds that same are in accordance with law, it shall forward said

papers to the Securities and Exchange Commission for registration. The Securities and Exchange Commission shall register these papers free from the payment of fees of any kind and shall issue certificate of registration in duplicate; the original certificate shall be sent to the Secretary of the Association concerned, and the duplicate shall be kept in the possession of the National Trading Corporation for its record.

4. Existing cooperative associations to file report with the National Trading Corporation.—For the purpose of enabling the National Trading Corporation to keep complete data on the activities of cooperative associations and to coordinate its work of promoting, organizing and supervising such associations, under Commonwealth Act Numbered Five hundred and sixty-five and other existing laws on cooperatives, it is required that all cooperative associations organized under previous and existing laws, rules and regulations shall submit a report to the National Trading Corporation, stating their present activities, giving the names of their officers and Board of Directors, and enclosing a copy of its last financial statement in accordance with forms to be provided by the National Trading Corporation, together with copies of its Articles of Incorporation and By-Laws, and such other documents or papers, as may be required by the National Trading Corporation.

5. Associations or corporations organized under other laws.—Any association or corporation organized under other laws of the Philippines, prior to Commonwealth Act Numbered Five hundred and sixty-five, may organize a cooperative association, or convert itself into a cooperative association, in order to enjoy the privileges granted under Commonwealth Act Numbered Five hundred and sixty-five: Provided, That at least sixty-one per centum (61%) of its capital is owned by citizens of the Philippines or of the United States, and that the affirmative vote of the members or stockholders holding two-thirds of its capital, shall so decide: Provided, further, That no such association or corporation organizing a cooperative association under Commonwealth Act Numbered Five hundred and sixty-five shall own or hold more than twenty per centum (20%) of the authorized capital of the same, unless the majority of the capital of such association or corporation is owned by the Government or any of its instrumentalities: And provided, finally, That any such association or corporation organizing a cooperative association or converting itself into one, under Commonwealth Act Numbered Five hundred and sixty-five, shall comply with the rules and regulations herein prescribed and more specifically with the provisions of paragraph 2 of this Executive Order, with reference to the limitation of the voting rights of each member or stockholder and the limitation of rate of interest or dividend that shall be paid on capital invested therein,

6. National Trading Corporation; supervision over business affairs of cooperative associations.—The National Trading Corporation shall exercise supervisory powers over the business affairs of cooperative associations that come under government direction and supervision, in accordance with Commonwealth Act Numbered Five hundred and sixty-five and other laws in force on cooperatives. It shall cause an examination to be made, as often as it shall deem necessary of the business operations of each association, in order to ascertain whether its operations are in accordance with law and the rules and regulations issued thereunder. In case it finds that any association violates any provision of law or the rules and regulations promulgated thereunder, for the government of cooperative associations, it shall give the necessary instructions to the responsible officials of the association