

MALACAÑAN PALACE  
MANILA

BY THE PRESIDENT OF THE PHILIPPINES

EXECUTIVE ORDER NO. 322  
PROVIDING FOR RULES AND REGULATIONS GOVERNING THE ORGANIZATION,  
OPERATION AND DISSOLUTION OF COÖPERATIVE 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 coöperative associations:

1. *Coöperative 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 coöperative 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 Corporation; supervision over organization of coöperative 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 coöperative 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 coöperative 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 coöperative 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 coöperative associations and to coördinate its work of promoting, organizing and supervising such associations, under Commonwealth Act Numbered Five hundred and sixty-five and other existing laws on coöperatives, it is required that all coöperative 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 coöperative association, or convert itself into a coöperative 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 coöperative 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 coöperative 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 coöperative associations.*—The National Trading Corporation shall exercise supervisory powers over the business affairs of coöperative 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 coöperatives. 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 coöperative associations, it shall give the necessary instructions to the responsible officials of the association concerned to have the defect promptly remedied. In case of non-compliance with its instructions, it shall take such measures against the offending officials or parties involved, as may be authorized by law, and the rules and regulations. In order to accomplish the objects stated in this paragraph, the records, books and accounts of such coöperative associations, shall be open to inspection by authorized officials of the National Trading Corporation. The National Trading Corporation may also require that such associations shall file with it financial or other reports from time to time.

7. *Dissolution of coöperative associations.*—Coöperative associations organized under other laws prior to Commonwealth Act Numbered Five hundred and sixty-five, shall be dissolved in

accordance with the provisions of the special laws under which same were organized; coöperative associations organized under Commonwealth Act Numbered Five hundred and sixty-five, in case no other provision of a special law is made applicable, shall be dissolved in accordance with the provisions of the Corporation Law, as amended: *Provided, however,* That before any cooperative association, under the supervision and direction of the National Trading Corporation, shall take any steps for its dissolution, the approval in writing of the National Trading Corporation shall first be secured. A duly authenticated copy of the certificate of dissolution, in case the dissolution of the association is carried out by resolution of two-thirds of the members or stockholders thereof, shall be filed by the association with the Securities and Exchange Commission, which upon receipt thereof, shall record the fact of such dissolution. A coöperative association shall endeavor to terminate the liquidation of its business, properties, assets, and obligations within one year's time from the approval by the stockholders of the dissolution of the association or the issuance of the decree of dissolution, as the case may be. During the period of liquidation, the affairs of such association, shall be administered by the National Trading Corporation.

8. *Insolvent coöperative associations.*—If for any reason, a coöperative association under the supervision and direction of the National Trading Corporation, has been declared insolvent, either voluntarily or involuntarily, the latter corporation shall automatically act as the administrator or receiver thereof, and shall administer the affairs of the association according to law.

9. *Prohibition on the use of the word "Coöperative."*—In accordance with the provisions of Act Numbered Thirty-four hundred and twenty-five, as amended, no person, firm or association shall be entitled to use the word "Coöperative," as part of its corporate or other business name, or title, for growers' or producers' coöperative marketing activities, unless such person, firm or association has been organized as a coöperative association, in accordance with law; and any government office in charge of the registration of corporate or business or trade names, shall see to it that this provision is complied with, in connection with applications submitted to said office, for the registration of corporate, or business or trade-names.

10. *Federation of coöperative associations.*—Two or more coöperative associations may unite, combine or associate themselves into a federation, for the purpose of effecting economy or efficiency in the operation of their activities or enterprises, or for any other lawful purpose: *Provided, however,* That in the formation of such federation, the provisions of law applicable in such cases shall be complied with: *And provided, further,* That no coöperative association shall unite, combine or associate themselves into a federation, for the purpose of monopoly, or for restraining trade or arbitrarily increasing, or manipulating prices of certain merchandise or services. Coöperative associations violating this provision, shall be subject to the penalties provided by law in such cases.

11. *Bonding of accountable officers.*—Accountable officers of coöperative associations which may be bonded in accordance with the provisions of the Public Bonding Law, shall be so bonded upon the recommendation of the National Trading Corporation.

12. *Amending articles of incorporation and by-laws.*—No coöperative association under the supervision and direction of the National Trading Corporation shall amend or alter its articles of incorporation or by-laws, without first securing the approval of the National Trading Corporation.

13. *Sale of securities of coöperative associations.*—No coöperative association under the supervision and direction of the National Trading Corporation, shall offer to the public any of its shares of stock, notes, certificates of indebtedness, or any of its securities, without first securing the approval of the National Trading Corporation.

14. *Government employees to assist in organization of coöperative associations.*—The National Trading Corporation may request from the proper Head of Department, Chief of Bureau or office,

of any government office or instrumentality for the services of such employees as it may require, to assist in its work of promotion, organization and supervision of coöperative associations: *Provided, however,* That the proper Head of Department, Chief of bureau or office concerned shall certify that he can dispense with the services of such employees.

15. *Official style to be adopted by the National Trading Corporation.*—The National Trading Corporation in carrying out its activities and functions, under the provisions of Commonwealth Act Numbered Five hundred and sixty-five, Executive Order Numbered Two hundred and ninety-seven dated August 12, 1940, and the rules and regulations contained in this Executive Order, may adopt the official style of “National Coöperative Administration.”

16. *Miscellaneous provisions.*—All rules and regulations governing the activities of coöperative associations hereunto enforced by government offices or instrumentalities, exercising supervision over said associations, as are not in conflict with the provisions of Commonwealth Act Numbered Five hundred and sixty-five and the rules and regulations contained in this Order shall be deemed to continue in force. Hereafter no coöperative association shall be formed or organized except in accordance with Commonwealth Act Numbered Five hundred and sixty-five and the rules and regulations issued in this Order.

Done at the City of Manila, this fifth day of February, in the year of Our Lord, nineteen hundred and forty-one, and of the Commonwealth of the Philippines, the sixth.

(Sgd.) MANUEL L. QUEZON  
*President of the Philippines*

By the President:  
(Sgd.) JORGE B. VARGAS  
*Secretary to the President*

*Source: Presidential Museum and Library*

Office of the President of the Philippines. (1941). [*Executive Order Nos.: 248 - 399*]. Manila: Presidential Museum and Library.