

“Puerto Rico Cooperative Development Commission Organic Act”

Act No. 247 of August 10, 2008

To create the “Puerto Rico Cooperative Development Commission Organic Act,” in order to reinforce the public policy that promotes and enables the growth of the cooperative model in Puerto Rico; to establish the Governing Board of the Commission, which shall define such public policy; to reorganize under one Commission such government promoting and regulatory components that are stakeholders in cooperative movement affairs, in seeking to render them more expeditious and efficient; to amend Sections 4, 5, 7, 8, 9, and 18 of Act No. 114 of August 17, 2001, as amended, known as the “Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico Act”; and to amend Sections 3, 9, and 12 of Act No. 198 of August 18, 2002, known as the “Investment and Cooperative Development Fund of Puerto Rico Enabling Act,” in order to temper such laws with this Act; to repeal Act No. 89 of June 21, 1996, as amended; and for other related purposes.

STATEMENT OF MOTIVES

The cooperative model constitutes a most suitable mechanism to direct the course of sustained socioeconomic development. Upon examining the active role of the Cooperative Movement in the United States, Canada, and Europe, we will find that the Cooperative Movement offers a successful business model effectively and widely used in both developing countries and post-industrialized economies.

Conversely, the present extent of the role of the Cooperative Movement in our economy allows for just a fraction of its socioeconomic development potential to be exploited. Being this the situation, we should promote a public policy that takes maximum advantage of the powerful opportunities laid out by the Cooperative Movement, in order to counter unemployment and to promote society’s welfare. To achieve such goals, we must break free from the limitations of the present paradigm, which fails to properly foster the development of the Cooperative Movement; we must assure that this important sector of our economy will operate and develop freely and that it will enjoy its autonomy, powers, and prerogatives. Firstly, we have a broad diversity of public, quasi-public, and academic institutions involved with the Cooperative Movement, to wit:

- The Cooperative Development Administration and the Investment and Cooperative Development Fund (FIDECOOP, Spanish acronym), which promote the Cooperative Model;
- The Office of the Inspector of Cooperatives and the Public Corporation for the Supervision and Insurance of Cooperatives (COSSEC, Spanish acronym), which oversee and regulate; and

- The Cooperative Institute of the University of Puerto Rico, which educates.

As for public and quasi-public entities, their operations are coupled with certain shortcomings, to wit:

- (1) They answer to different government departments;
- (2) They constitute a lagging priority within the government structure.
- (3) They lack a vision and a project in common for the furtherance of the Cooperative Movement.
- (4) They are excessively intervened upon by the government and their overseeing functions prevail over and in detriment of the autonomy that is a characteristic feature of cooperative businesses and of efforts directed to the promotion and the social and economic developments.
- (5) They make limited room for the coordination of efforts with the Cooperative Movement, and
- (6) They make no room for strategic planning and for crafting a unified vision of the development of the Cooperative Movement.

These factors account for disjointed operations which, more often than not, cause efforts to be defeated, with the aggravating circumstance that all other government agencies not directly involved with the Cooperative Movement are unknowledgeable about, unaware of, and fail to validate such Movement.

This issue calls for the restructuring of Cooperative-related agencies and entities with a vision of the future based on the active role of the Cooperative Movement. In order to effectively meet new challenges and to effect comprehensive changes, we are proposing the merging and integration of public efforts as outlined in this Reorganization Plan, which:

1. Creates the Cooperative Development Commission as a mechanism to formulate and implement the public policy of the Government to support the strengthening and growth of the Cooperative Movement by means of transforming the Cooperative Development Administration, the replacement of which is hereby proposed.
2. Harmonizes the public functions of promotion and oversight.
3. Factors in the active role of the Movement in the processes of formulating and implementing the public policy on Cooperative Development.

By promulgating this Act, government support is lent to entities organized under the Cooperative Model as autonomous companies which further the development of economy through self-management.

Seeing as the present Act will truly foster the development and reinforcement of the Cooperative Model as a means for socioeconomic growth, we believe it necessary to provide the tools and mechanisms necessary to assure that the Cooperative Movement shall be thus empowered.

Be it enacted by the Legislature of Puerto Rico :

Section 1. — Title. — (23 L.P.R.A. § 625 note)

This Act shall be known as the “Puerto Rico Cooperative Development Commission Organic Act.”

Section 2. — Public Policy. — (23 L.P.R.A. § 625)

The Government of Puerto Rico reiterates its recognition of the Cooperative Model as essential in the business setting for the attainment of a sustainable and well-balanced social and economic development centered in human beings and their communities.

In order to empower such recognition, it is the public policy, the mandate, and the express intent of the Legislature to:

- (a) Have the State proactively incorporate the Cooperative Model in its initiatives and efforts to seek the economic development of the Island.
- (b) Promote an increasingly active role of the Cooperative Movement, so as to reduce dependency on government interventions, with the aim to eventually have the Cooperative Movement itself assume full control over its development.
- (c) Have the organizational, human, and economic resources of the Government of Puerto Rico and the Cooperative Movement become integrated by strategically redistributing their functions and responsibilities, with the purpose of reinforcing the Cooperative Movement’s philosophy, increasing the economic and social activity generated under the Cooperative Model, and maximizing measurable results.
- (d) Develop and promote the self-growth of the Cooperative Movement and the interconnection of the various sectors such as business, industry, transportation, agriculture, consumer, savings and credit, and insurance, and others offered under such Model.
- (e) Develop an efficient and competitive entrepreneurial vision to better serve its members and their communities.
- (f) Have the adoption of measurable growth and development parameters.
- (g) Seek, pursuant to the Sixth Cooperative Principle (Cooperation among Cooperatives), the concurrence of purpose of first- and second-degree cooperatives to advance the public policy of Cooperative Movement furtherance at cooperative base level.
- (h) See to the financial strength and integrity of the Cooperative Movement of Puerto Rico by seeking the fair, equitable, and effective supervision and oversight of Cooperatives in order to:
 - (i) Propitiate the Movement’s solvency, solidity and competitiveness worldwide;
 - (ii) Propitiate the socioeconomic development of Puerto Rico; and
 - (iii) Propitiate an expeditious, modern, and flexible financial public policy that assures balance and equitability among the interests of depositors, members, and the development of the Cooperative Movement.
- (i) Preserve the financial integrity and the actuarial sufficiency of the share and deposit insurance fund provided by the Public Corporation for the Supervision and Insurance of Cooperatives of Puerto Rico.

Section 3. — Definitions. — (23 L.P.R.A. § 626)

For purposes of this Act, the following terms shall have the meanings stated below:

- (a) “Cooperative Development Administration”. — Means the government agency created by virtue of Act No. 89 of June 21, 1966, as amended.
- (b) “Cooperative”. — Means any cooperative entity duly constituted and authorized to operate as such in Puerto Rico under the applicable laws, including their subsidiaries and

affiliates. This term also includes subsidiaries, financial second-degree enterprises, and non-financial cooperative enterprises organized as Savings and Credit Unions under Act No. 255 of October 28, 2002, as amended, known as the “Cooperative Savings and Credit Unions Act of 2002,” as well as any entity organized, incorporated or promoted by the Investment and Cooperative Development Fund (FIDECOOP).

(c) “Insured Cooperative”. — Means the cooperative savings and credit unions covered under the share and deposit insurance provided by the Corporation.

(d) “Cooperative Savings and Credit Union”. — Means any cooperative entity duly constituted and authorized to operate as such under Act No. 255 of October 28, 2002, as amended, known as the “Cooperative Savings and Credit Unions Act of 2002,” or any successor law.

(e) “Second-degree Cooperative”. — Means a cooperative whose members are other cooperatives. This includes the Cooperative Bank of Puerto Rico, created under Act No. 88 of June 21, 1966, as amended, and insurance cooperatives.

(f) “Insurance Cooperatives”. — Means cooperative insurers organized and authorized under Act No. 77 of June 19, 1957, as amended, known as the “Puerto Rico Insurance Code.”

(g) “Diverse Cooperative”. — Means any cooperative entity duly constituted and authorized to operate as such under Act No. 239 of September 1, 2004, as amended, known as the “General Cooperative Associations Act of 2004,” or any successor law.

(h) “Corporation” or “COSSEC”. — Means the corporate entity operating under the name of Puerto Rico Public Corporation for the Supervision and Insurance of Cooperatives, created under Act No. 114 of August 17, 2001, as amended.

(i) “Investment and Cooperative Development Fund” or “FIDECOOP”. — Means the nonprofit corporation incorporated by the Cooperative Development Administrator pursuant to the provisions of Act No. 198 of August 18, 2002, as amended.

(j) “Cooperative Movement Institute”. — Means the body that operates as an education center for people involved in the Puerto Rican Cooperative Movement and the general public, attached to the Social Science School of the University of Puerto Rico, Río Piedras Campus.

(k) “Office of the Inspector of Cooperatives”. — Means the government agency created by virtue of Act No. 89 of June 21, 1966, as amended.

Section 4. — Puerto Rico Cooperative Development Commission; Creation and Purposes. — (23 L.P.R.A. § 627)

The Puerto Rico Cooperative Development Commission, hereinafter the “Commission,” is hereby created as a juridical person of the Executive Branch that is independent and separate from any other public agency or entity, not to be subject to any other Department, Agency, Dependency or Instrumentality of the Government of Puerto Rico. The purpose of the Commission shall be to accomplish the objectives of the public policy set forth in this Act, as well as to further the policies and objectives established by its Governing Board. The Commission shall group under its jurisdiction various government and quasi-public entities that discharge functions in connection with the Cooperative Movement. The Commission shall constitute the main hub for the definition and implementation of government strategies to develop and further the Cooperative

Movement. Furthermore, the Commission shall establish an expeditious and efficient coordination between and among its components and shall make room for close collaboration between and among the Government of Puerto Rico, academia, and the Cooperative Movement proper.

The Commission shall also ascertain that entities organized under the Cooperative Model conform to Cooperative Principles as adopted and defined by the International Cooperative Alliance and that their operations faithfully abide thereby, thus preventing a misuse of the cooperative entrepreneurial model. The goal to have the Cooperative Movement play an effective role in the socioeconomic endeavor of Puerto Rico, shall be thus accomplished.

Section 5. — Puerto Rico Cooperative Development Commission – Governing Board; Composition. — (23 L.P.R.A. § 628)

The Commission shall be governed by a Governing Board composed of ten (10) standing members and two (2) adjoined members. Adjoined members shall have an advisory function within the Governing Board and shall have voice participation in meetings but no vote. The Governing Board shall be constituted as follows:

(a) Standing Government Representation:

- (i) The Cooperative Development Commissioner, who shall chair the Governing Board.
- (ii) The Secretary of Economic Development and Commerce, who may delegate his/her participation onto a high-ranking official of the Department of Economic Development and Commerce.
- (iii) The Director of the Cooperative Movement Institute.
- (iv) The Secretary of Labor and Human Resources, who may delegate his/her participation onto a high-ranking official, that is, onto an Undersecretary or an Assistant Secretary, as applicable.
- (v) The Secretaries of Housing and Agriculture, who shall alternate every two (2) years as participating members of the Governing Board. Provided, that these may delegate their intervention at the Governing Board onto an Agency high-ranking official, such as an Undersecretary or an Assistant Secretary, as applicable . The first two (2)-year turn shall be assumed by the Secretary of Housing as of the date of approval of this Act.

(b) Standing Cooperative Movement Representation:

- (i) One representative from the Cooperative League, appointed by its Board of Directors.
- (ii) One representative from cooperative savings and credit unions who is a member of a Board of Directors of a Cooperative Savings and Credit Union base, elected by such cooperatives, as provided further below.
- (iii) One representative from insurance cooperatives, appointed by these, as provided further below.
- (iv) One representative from cooperative savings and credit unions who is the Executive President of a Cooperative Savings and Credit Union base, elected by these cooperatives, as provided further below.
- (v) One representative from organized diverse cooperatives, elected by these cooperatives, as provided further below.

(c) Adjoined Members:

- (i) The Executive President of the Corporation.

(ii) The Executive Director of the FIDECOOP.

Section 6. — Puerto Rico Cooperative Development Commission – Governing Board; Meetings and Quorum. — (23 L.P.R.A. § 629)

The Governing Board shall meet in regular session at least once (1) a month, but may hold special meetings as necessary to handle business as it may deem pertinent.

The quorum required for meetings of the Governing Board shall be six (6) standing members. The decisions of the Governing Board shall require vote by the absolute majority of the standing members attending.

Section 7. — Puerto Rico Cooperative Development Commission – Governing Board; Reimbursement of Expenses and Per Diems. — (23 L.P.R.A. § 630)

Private sector members of the Governing Board shall be entitled to receive a per diem equal to the minimum per diem established for the members of the Legislature of Puerto Rico for each meeting they attend or for each day in which they are fulfilling tasks relative to the function entrusted to them by virtue of this Act. Governing Board members who once were officials of the Government of Puerto Rico shall not receive any compensation for their services. The Commission shall establish in its bylaws any mechanisms as necessary for the payment of per diems and the reimbursement of expenses to the private sector, as certified by the Secretary thereof.

Section 8. — Puerto Rico Cooperative Development Commission – Governing Board; Responsibility of Its Members. — (23 L.P.R.A. § 631)

Governing Board members who are not public officials shall be eligible for coverage under the provisions of Act No. 104 of June 29, 1955, as amended, known as the “Claims and Lawsuits against the Commonwealth Act,” as amended by Act No. 9 of November 26, 1975, as amended.

Governing Board members shall be subject to the provisions of Act No. 12 of July 24, 1985, as amended, known as the “Ethics in Government Act of the Commonwealth of Puerto Rico.” They shall be also governed by the following ethical standards:

(a) Governing Board members listed herein shall refrain from discussing, analyzing, considering, evaluating and otherwise participating in matters appertaining to the institutions in which they serve as executive officers or members of governing bodies. No member of the Governing Board shall disclose or use information or documents acquired while discharging his/her functions for purposes extrinsic from such discharge.

(b) It is hereby provided that neither the Commissioner nor any other Governing Board members, individually, shall be financially liable for any action taken in the course of the discharge of their duties and powers under this Act, insofar as they are not acting intentionally or unlawfully, and in the awareness that they may inflict any harm, or for their own benefit or to benefit a third party.

(c) The Governing Board may adopt, by vote of seven (7) out of the total ten (10) standing members, bylaws to set forth its operations, the ethical norms that shall apply to all members,

and the procedural norms relative to the settlement of disputes. Such bylaws shall define, among other things, any confidentiality norms as may be appropriate for the operations of the Board, which rules may not impede Cooperative Movement representatives from freely discussing with cooperative bases any matters of public policy, regulation, and development of the Cooperative Movement not related to administrative proceedings of an adjudicative or an investigative nature in connection with specific situations, cases or circumstances of any particular cooperatives or persons.

Section 9. — Puerto Rico Cooperative Development Commission – Governing Board; Powers, Duties, and Functions. — (23 L.P.R.A. § 632)

The Governing Board of the Commission shall be responsible for outlining, promoting, coordinating, and overseeing the execution and implementation of the public policy on the development and advancement of the Cooperative Movement in Puerto Rico. As such, the Board shall be the government body in charge of planning, investigation, promotion, organization, and coordination, under an integrative approach, of government activities in connection under the Cooperative and similar models. The Boards of the attached entities shall retain their operational autonomy. The Governing Board shall give notice of any action that contravenes this public policy for the attached entity in question to be heard and to take the pertinent action.

The mission of the Commission predicates on the following premises and objectives:

- (a) To advance the public policy provided for in this Act through concrete administrative measures and strategies that will yield measurable results.
- (b) To coordinate and integrate the policies and operations of attached entities.
- (c) To coordinate, together with the Cooperative Movement, the implementation of measures that enable an increasingly active role of the Cooperative Sector in its own development and in the socioeconomic endeavors of the Island, thus progressively phasing out its dependency on government actions.
- (d) To develop an effective, efficient, and competitive entrepreneurial vision to better serve its client members and their communities.
- (e) To see that the actions and determinations of attached entities are consistent with this public policy that seeks Cooperative Development.
- (f) To receive and comment on the proposals for the adoption, amendment or repeal of regulations, circular letters, or statements of public policies of the attached entities. Before such entities publish any proposals for the adoption, amendment or repeal of regulations, circular letters or statements of public policy under their respective jurisdictions, such attached entities shall give the Governing Board notice thereof for recommendations by the latter. The Governing Board of the Commission may propose and promote, on its own, any such rules, norms, and policies to attached entities, as well as request that such entities draft proposals, rules, norms, and policies pursuant to the policies and plans that the Governing Board wishes to outline and advance.
- (g) To prepare and submit each year to the Office of Management and Budget, its budgetary petition to the General Fund. The budgets of the attached entities shall be kept separate, but these shall be consistent with the policies and plans outlined by the Governing Board of the Commission. The Commonwealth shall respect at all times the integrity and autonomy of the

resources of attached entities, which may only be used for the purposes provided for in their respective organic acts and in this Act, as well as for the advancement of the policies and objectives set forth by the Governing Board. Each year, the attached entities shall submit to the Governing Board of the Commission, their respective budget proposals, in order to ensure compliance with these norms.

(h) The Governing Board shall publish each year, not later than August 30 of each year, a comprehensive and integrated report on public policy, development plans, and results of the Commission, including its attached entities, to the Governor, the Legislature of Puerto Rico, and the Cooperative Movement. Attached entities shall disclose their yearly report on their efforts for

the year and the financial results of their operations to cooperative associations and to the Governing Board. Provided, that the Governing Board shall make such reports available through any media as necessary, including electronic media.

(i) To recommend to the Legislature any changes in the organization of the Commission which would entail the modification, merging, abrogation, or transfer of functions, programs, and agencies under its jurisdiction. Provided, that any changes in the organization of the Commission shall only be carried out as per provision of law, pursuant to the authority conferred onto the Legislature by virtue of Article VI, Section 6 of the Constitution of Puerto Rico.

(j) To develop and implement the policies, plans, and procedures that shall apply in general terms to the Commission, including attached entities.

(k) To create any advisory committees as necessary for the proper operation of the Commission and its attached entities.

(l) To approve integration and coordination rules to govern the operations of attached entities pursuant to the laws that create such entities and this Act.

(m) To define by regulations the parameters to be met and kept by cooperative entities in order to qualify to be chartered as such.

(n) To adjudicate conflicts arising between the operating policy of attached entities and the public policy of Cooperative Movement development, as provided further below.

(o) To define, through regulations, the public policy relative to the organization and operation of bodies of the Cooperative Movement proper as these may be created to operate as self-regulatory entities. Provided, that such policy is to be implemented by the Corporation under the supervision of the Governing Board.

(p) To discharge the responsibilities conferred onto the Administrator of Cooperative Development as provided for in Act No. 220 of August 29, 2002, as amended, known as the “Special Act for Youth Cooperatives,” and to harness, together with attached entities and in an integrative manner, the development of youth cooperatives.

(q) To support and assist in the formation, organization, and incorporation processes of cooperative enterprises, providing informational guidance on the Cooperative Model and the foundational cooperative principles, so as to afford continuity to the functions discharged to the present by the Cooperative Development Administration. Such functions may be delegated onto and coordinated with first-, second-, and third-degree cooperatives pursuant to such policies, plans, and rules as the Governing Board may adopt for such purposes.

Section 10. — Puerto Rico Cooperative Development Commission; [Biennial] Conference. — (23 L.P.R.A. § 633)

The Commission, together with the Cooperative League and the Cooperative Movement Institute of the University of Puerto Rico, shall hold every two (2) years a [biennial] Conference on the Cooperative Movement and Social Economics, wherein the situation, needs, problems, and opportunities of the Cooperative Movement and social economics shall be discussed. The Conference shall especially discuss, but not be limited to, issues such as:

- (a) Matters most recently affecting the Cooperative Movement.
- (b) The expansion of the Cooperative Model beyond sectors in which the Cooperative Movement is already involved.
- (c) The integration of the Cooperative Movement and all other Third-Sector components, that is, nonsectarian community-based and nonprofit organizations.
- (d) Any issues as the Governing Board may deem pertinent.
- (e) Other subjects which the Cooperative Movement itself may propose in order to empower its development.

The Commissioner shall call to the [biennial] Conference at least sixty (60) days before the date the Conference is to be held through two (2) newspapers of general circulation and in any other communications media as may be necessary and reasonable. The Commissioner shall also issue written notice to cooperative bases, to second-degree bodies, and to community-based and nonprofit institutions so as to encourage the most ample access and participation possible. The calling notice shall request the presentation of written position papers of a substantive or an academic content to enrich discussions at the Conference. The Commissioner shall keep a record of position papers delivered and the recommendations thereby presented and publish a report wherein the outcomes of the Conference shall be gathered. Provided, that the works and publications of the [biennial] Conference shall neither substitute nor repeal the particular plans, strategies, and initiatives of the institutions that compose the Cooperative Movement itself.

Section 10-A. — Special Fund for the Formation, Organization, and Incorporation of Youth Cooperatives. — (23 L.P.R.A. § 634)

The moneys collected on account of administrative fines imposed by virtue of this Act or the regulations thereunder, as well as any surplus from the Commission, including appropriated budget items unused by the Commission, shall be covered into a Special Fund under the responsibility of such entity, not subject to the public policy contained in Act No. 230 of July 23, 1974, as amended, known as the “Puerto Rico Government Accounting Act.” The moneys thus covered into the Fund may be used in the formation, organization, and incorporation of Youth Cooperatives in schools and communities throughout the Island, in addition to the yearly budget appropriations that the Commission may receive for such purposes. This Fund may also receive voluntary contributions from first-, second-, and third-degree cooperative associations, as well as from attached entities.

Section 11. — Puerto Rico Cooperative Development Commission – Governing Board; Election of Cooperative Movement Representatives. — (23 L.P.R.A. § 635)

The respective Governing Board members that represent cooperative savings and credit unions and diverse cooperatives shall be exclusively selected by the respective cooperatives of each kind from among persons holding office as Executive President of such cooperatives or as members of their boards of directors.

The directors so elected shall hold office for a term of three (3) years. No director shall hold such office for more than three (3) consecutive terms. The members so selected may not be employees of any central cooperative body or of government agencies involved with the Cooperative Movement, save for those provided by law.

Each cooperative shall have one vote. No trustee, administrator or director appointed by any government agency may act as a representative of a cooperative in the process to select directors, nor may he/she hold office as a member of the Governing Board or the Boards of the attached entities.

No cooperative may be represented by more than one person, whether jointly or individually, neither in the Governing Board of the Commission nor in the attached entities. No individual shall simultaneously represent the Cooperative Movement at the Governing Board, the Board of the Corporation, and the Board of the FIDECOOP.

Representatives from cooperative savings and credit unions and from diverse cooperatives shall be selected via the following procedure:

(a) Save for such cooperatives under emergency administration or receivership, all cooperatives may remit to the Commission their nominees for their corresponding representation. The nomination term shall begin on May 1st of each year in which representatives from the Cooperative Movement are to be elected to the Governing Board of the Commission and shall end fifteen (15) days after. Nominations received outside the bounds of the aforementioned nomination term shall not be considered by the Commission. No person who holds office in cooperatives under emergency administration or receivership may be nominated. Furthermore, as for the savings and credit union sector, nominees to represent such sector must meet with eligibility parameters required under Act No. 114 of August 17, 2001, as amended. Any controversies as to the eligibility of a nominee to represent the cooperative savings and credit union or the diverse cooperative sectors, shall be elucidated by the representatives of the Cooperative Movement at the Governing Board. If the controversy arises about a member in tenure, such person shall refrain from participating in the deliberations on his/her eligibility. Such committee shall be chaired by the representative of the Cooperative League.

(b) Ten (10) days after the nomination term has ended, or before such ten (10) days, the Commissioner shall give notice to the respective cooperatives of each kind, duly registered as such, of the names and the data on the education and experience of the nominees to represent their corresponding sector. Such information shall be physically available at the offices of the Commissioner and on the webpage of the Commission.

(c) The respective cooperatives of each kind shall, through their Board of Directors, cast their vote to elect their corresponding representative. The vote of each cooperative shall be certified by the secretary of their board of directors

and remitted to the Commission in a sealed envelope twenty (20) days after the date the nominee notice was given or before. Votes cast shall be opened and tallied by a canvassing committee appointed by the Governing Board.

(d) For the term of effectiveness of their offices, representatives from the Cooperative Movement must fully meet all qualification requirements set forth under this Act. Should any of the requirements not be met, such representative’s term of office shall lapse and he/she shall be replaced as provided further below.

(e) In a vacancy should arise, the same shall be filled via the following expeditious vote procedure: (i) The Commissioner shall notify the corresponding cooperatives of such vacancy, whereby he/she shall be opening the nomination term, which shall be effective for ten (10) days. (ii) Five (5) days after the nomination term has closed, or before, the Commissioner shall notify the corresponding cooperatives of the names and data as to the education and experience of the nominees. Such information shall be physically available at the offices of the Commissioner and on the webpage of the Commission. (iii) The vote of each cooperative, as cast by the determination of its Board of Directors, shall be certified by the secretary thereof and remitted to the Commission in a sealed envelope fifteen (15) days after the date of the nominee notice, or before. Votes cast shall be opened and tallied by a canvassing committee appointed by the Governing Board. The replacement representative shall hold office until the expiration of the original term of the office where the vacancy arose.

(f) As for the insurance cooperative representative, the first representative for such cooperative enterprises shall correspond to the Executive President or the Chair of the Board of Directors of the cooperative insurer that, by the date of approval of this Act, is not currently represented at the Board of the FIDECOOP, as designated by the Board of Directors of such insurer, who is to hold office until the expiration date of the term of the insurer represented at the Board of the FIDECOOP, upon which expiration, the latter insurer shall be succeeded by the Executive President or the Chair of the Board of Directors of the former cooperative insurer. Subsequently, the representative for the insurance sector shall hold office for a term of two (2) years and such office shall be alternated between both cooperative insurers so that no insurer is simultaneously represented at the Governing Board and the Board of the FIDECOOP. In the event that new cooperative insurers were to be organized, their designees shall assume alternate representation at the Board. Should a vacancy arise in the representation of cooperative insurers, the Board of Directors of the corresponding insurer shall be immediately notified in order for a substitute to be designated pursuant to the requirements of this Act.

(g) As of the date of effectiveness of this Act, the first representative office at the Governing Board of the Commission for cooperative savings and credit unions corresponding to members of the Board of Directors, shall be held by the person who is holding office at that time as Vice-president of the National Savings and Credit Sector Commission organized by the Cooperative League under its general regulations. In order to spread out the expiration of terms in staggered intervals, such representative shall hold office for a term of two (2) years, until his/her successor is elected pursuant to the foregoing provisions of this Section. On the other hand, the first representative office at the Governing Board of the Commission for cooperative savings and credit unions corresponding as of the date of effectiveness of this Act to Executive Presidents, shall be held by the person who is holding office at that time as

President of the National Savings and Credit Sector Commission organized by the Cooperative

League under its general regulations. Such representative shall hold office for a term of three (3) years, until his/her successor is elected pursuant to the foregoing provisions of this Section.

(h) As of the date of effectiveness of this Act, the first representative office at the Governing Board of the Commission for diverse cooperatives shall correspond to the person who is holding office at that time as the President of the National Housing Sector Commission organized by the Cooperative League under its general regulations. Such representative shall hold office for a term of three (3) years, until his/her successor is elected pursuant to the foregoing provisions of this Act.

Section 12. — Puerto Rico Cooperative Development Commission – Designation, Powers, Duties, and Functions of the Commissioner. — (23 L.P.R.A. § 636)

The Puerto Rico Cooperative Development Commission shall be directed by a Commissioner, who shall be appointed by the Governor with the advice and consent of the Senate of Puerto Rico, and shall have standing as a Secretary of the Executive Cabinet of the Governor. The compensation for the office of Commissioner, who shall hold office at the pleasure of the Governor, shall be fixed by the latter, taking into account the compensations established for the Secretaries of the Executive Departments. The person thus designated shall be well known for his/her professional capabilities and independent thinking, has excelled for his/her commitment to the defense of the Cooperative Movement and social economy, and with expertise in the development of cooperative, community or educational initiatives.

Furthermore, he/she may not have financial interests in any private financial institution other than holdership of shares and/or deposits in an insured Cooperative Savings and Credit Union or in another depository institution. The Governor may, with no impairment to his/her constitutional prerogatives, request and receive recommendations from the Cooperative Movement and the social economy sector regarding possible candidates to hold such office.

In addition to the powers, duties, and functions conferred by other laws, including the present Act, the Cooperative Development Commissioner shall have all such powers, duties, authorities, attributions, and prerogatives as are inherent to his/her office, among which the following are listed, not to constitute a limitation:

- (a) To be the executive arm of the Commission and to discharge all such functions, duties, and authorities entrusted to the Cooperative Development Administrator under Act No. 89 of June 21, 1966, as amended, and other applicable laws; provided, that any action as pertains to rulemaking and public policymaking shall correspond to the Governing Board of the Commission and require the affirmative vote of at least seven (7) out of the ten (10) members.
- (b) To chair the Governing Board of the Commission as well as the Board of the Corporation.
- (c) To be responsible for the coordination and supervision of government efforts involving the Cooperative Movement.

- (d) To coordinate the administration and operations of attached entities, as well as the communications, public relations, and promotional campaigns of the Commission and its components, pursuant to the norms, goals, objectives, and public policy set forth by the Governing Board.
- (e) To conduct, as entrusted by the Governing Board or on his/her own, studies and research on economic, social, and other issues appertaining to the Cooperative Movement and its development.
- (f) To coordinate, plan, and develop special projects that further the Cooperative Movement.
- (g) To advise the Governor and the Legislature of Puerto Rico on all matters relative to the mission and functions of the Commission.
- (h) To seek the effective and efficient operation of the Commission and the attached entities as a harmonious whole.
- (i) To execute agreements with Cooperative Movement organizations and others of a similar nature, including public and private educational institutions, in aiming to carry out educational activities in collaboration with the latter, as well as to render technical services to such organizations, in harmony with the objectives of this Act.
- (j) To promote, by any means he/she may deem necessary, the involvement of citizens and the Cooperative Movement in the functions of the Commission.
- (k) Save for the management of the administrative affairs of the Commission, any powers, authorities, duties or functions conferred onto the Commissioner may be delegated onto Commission officials or employees and/or the attached entities only under the parameters previously defined by the determination or the bylaws duly adopted by the Governing Board.
- (l) To gather, interpret, and publish Cooperative Movement statistics.
- (m) To require from the entities and/or cooperatives attached thereto any necessary, pertinent, and specialized information to carry out its responsibilities.
- (n) To issue summonses to require the appearance of witnesses and the presentation of documents, data or other information as pertinent to accomplish the purposes of this Act. The Commissioner may also, on his/her own or through his/her representative duly authorized in writing, take oaths and receive testimony, data or information. If a summons or requirement for documents, data or information were not to be observed, recourse shall be sought at the Court of First Instance to request an order mandating compliance with such summons or requirement, under penalty of contempt. Any verbal or written information obtained by the Commissioner under his/her orders shall be kept under strict confidentiality.

The compelling interest of the Government in keeping this information confidential lies with the fact that such information submitted by any entity or person might constitute a trade secret or infringe any right of the third party furnishing such information, or give rise to any other presumable situation in which keeping the confidentiality of the information furnished to the Commissioner could be validly requested. The use of such information shall be allowable only for purposes such as studies, surveys or research, or in seeking to comply with the law.

It shall be unlawful, without the previous written authorization of the person who furnished any data, to disclose or make public any such data obtained with the purpose of

conducting a study, survey or research under these provisions, and any infringement of this provision shall constitute a crime punishable by a fine not greater than ten thousand (10,000) dollars or imprisonment for a term of not less than one (1) year. If the person thus convicted is an official or employee of the Government of Puerto Rico, he/she shall also be removed from office.

(o) By advice of the Governing Board, the Commissioner may acquire any kind of goods and rights over the same in any lawful manner, including but not to be construed to be limited to, acquisition by purchase, whether under an agreement or by the exercise of the power of eminent domain, lease, legacy, bequest or donation, and to own, keep, lease, use, pledge, mortgage or otherwise encumber, assign, and exploit any subsidiaries and/or affiliates or parts thereof. To such effect, the following is hereby established:

(i) It is hereby declared to be of public use, all real or personal properties and all rights or interests over the same as the Commission may deem necessary to acquire in order to accomplish its ends and purposes, for which reason, the same may be expropriated by the request and for the use and benefit of the Commission, subject to the requirement of previous declaration of public use as provided for in the Special Procedures Act of March 12, 1903, as amended.

(ii) When the Governor deems it necessary and convenient for the deed over the goods and rights thus acquired or to be acquired to be registered directly to the name of the Commission, he/she may so request before the Court at any time within the exercise of eminent domain and the Court shall so order.

(iii) The Commission shall advance funds as necessary as per the estimation of the value of the goods or rights that are to be acquired. Any sum in addition to the consigned amount that the Court of First Instance of Puerto Rico, Eminent Domain Part, may fix by judgment as the fair compensation to be paid for the property seized or impaired for the benefit of the of the Commission, shall be paid by the Commission, or in default thereof, by the Commonwealth of Puerto Rico, but the Commission shall be under the obligation to refund such additional sum. Once the complete refund has been made, the title deed to the property or right in question shall be transferred to the Commission by court order upon presentation of proof thereof.

Section 13. — Attachment of Entities. — (23 L.P.R.A. § 637)

(a) The Public Corporation for the Supervision and Insurance of Cooperatives and the Investment and Cooperative Development Fund are hereby attached to the Commission as its operating components; provided, that any determinations by such entities which involve public policymaking must be consistent with the public policy of cooperative development as such policy may be made and interpreted by the Governing Board of the Commission. Attached entities shall render periodical reports to the Commissioner and the Governing Board pursuant to the parameters that the latter may set in the Commission bylaws.

(b) The Governing Board shall have the power to resolve possible inconsistencies between norms, regulations, procedures, circular letters or operating policies of attached entities, as refers to their approval, application, and construction, and the public policy of cooperative development. The Board shall adopt norms and procedures to expediently address such possible inconsistencies to thus prevent the impairment of the public policy of cooperative

development as well as any delays in the operations of attached entities. The determination of the Board may reaffirm the operating policy under discussion or declare the same to be inconsistent with the public policy of cooperative development, in which case, said operating policy shall be rendered ineffective as per the determination of the Governing Board. Determinations of the Governing Board relative to the approval or disapproval of operating policies that are possibly inconsistent with the public policy set forth in this Act or any other to be promulgated by such body, as provided for in Section 9 of this Act, shall be final and not be subject to review by another body, except when the Board itself may deem that a reconsideration is in order and except for judicial reviews in the event it is found that the determination has been made capriciously, arbitrarily, or in violation of the due process of law.

(c) Any person with an interest, including but not limited to, any of the members of the Governing Board and any cooperative, may petition such body to consider any arguments presented before the body as to possible inconsistencies within the public policy, which petition shall conform to the norms set forth by the entity proper through regulations to that effect. Public policy reconciliation proceedings held by virtue of the foregoing provisions shall not be subject to Act No. 170 of August 12, 1988, as amended, also known as the “Uniform Administrative Procedures Act.”

Section 14. — Puerto Rico Cooperative Development Commission – Transfer of Functions, Resources, and Personnel from the Cooperative Development Administration to the Commission. — (23 L.P.R.A. § 638)

Except for the provisions set forth in the third paragraph of this Section, all the functions, powers, and career personnel of the Cooperative Development Administration are hereby transferred to the Cooperative Development Commission.

The Cooperative Development Administration, created by virtue of Act No. 89 of June 21, 1966, as amended, except to the extent necessary for the transfer of its assets, is hereby terminated and abrogated, with no need for any further action or for the execution of any deed or of any assignment, endorsement or transfer document of any kind; all of the assets of any kind which belong to the entity thus terminated shall come into the possession and shall be understood as assigned and transferred to the Cooperative Development Commission, which may dispose of these pursuant to the law and the public policy.

All of the functions and powers of the Cooperative Development Administration relative to oversight, supervision, and liquidation of cooperative entities, especially those provided for under the now repealed Section 7 of Act No. 89 of June 21, 1966, as amended, relative to receiverships, are hereby transferred to the Public Corporation for the Supervision and Insurance of Cooperatives.

So as to enable the Commission to discharge the functions, authorities, and powers entrusted by this Act, a transfer is hereby made of the existing Cooperative Development Administration budget balances under the custody of the Department of the Treasury for the fiscal year in effect, as well as the funds available under other laws and special funds. Provided, that henceforth, the Commission shall operate with recurring funds appropriated to the Commission from the general budget of the Government of Puerto Rico.

The transfer of such special funds shall help maintain Cooperative Development Administration programs existing at the time of approval of this Act. Debts, obligations, properties, and any other kind of assets or liabilities attributed to the funds thus transferred shall not be the responsibility of other agencies, public corporations, political subdivisions or other government entities of the Government of Puerto Rico. Such debts, obligations, properties, and any other kind of assets or liabilities shall be charged exclusively against the funds thus transferred. Any real property acquired by the Cooperative Development Administration shall be transferred to the Puerto Rico Cooperative Development Commission. As for personal property, the Director of the General Services Office shall issue a sworn report on property within a term of thirty (30) days as of the approval of this Act and remit, within the same term, a copy thereof to the Legislature and the Office of the Comptroller, without this constituting an exemption from compliance with any similar provision relative to the disclosure of reports on property of agencies or instrumentalities. Provided, further, that the Director of the General Services Office shall have a term of thirty (30) days as of the date of issue of the sworn report on property, to make the transfer of the personal property, and within such term, he/she shall report on the completion of such transfer to the Legislature and the Office of the Comptroller.

The career personnel of the Cooperative Development Administration shall retain, even under the new organizational chart provided for in this Act, all the rights, obligations, benefits, terms, and status, including their seniority, which they had at the time of approval of this Act within the Cooperative Development Administration and under the law pursuant to such laws and regulations in effect at the time of approval of this Act, within the entity with which they used to work, with respect to their employment in the Government service. Likewise, if any career employees were beneficiaries of any pension, retirement or savings and loan fund system or systems, they shall retain the rights, privileges, obligations, and status within the pension, retirement or savings and loan fund system or systems as prescribed for the career personnel of the Cooperative Development Administration.

All laws in which there is mention of or reference is made to the Cooperative Development Administration or the Cooperative Development Administrator shall be understood as amended to the effect of being replaced with the Cooperative Development Commission; provided, that all functions and authorities of the Cooperative Development Administration which involve the formulation or adoption of norms or rulemaking or public policymaking shall lie with the Governing Board of the Commission.

Section 15. — Transfer of Functions, Resources, and Personnel from the Office of the Inspector of Cooperatives to the Corporation. — (23 L.P.R.A. § 639)

All the functions, powers, and career personnel of the Office of the Inspector of Cooperatives are hereby transferred to the Public Corporation for the Supervision and Insurance of Cooperatives. The Office of the Inspector of Cooperatives, created by virtue of the now repealed Section 6 of Act No. 89 of June 21, 1966, as amended, except to the extent necessary for the transfer of its assets, is hereby terminated and abrogated, with no need for any further action or for the execution of any deed or of any assignment, endorsement or transfer document of any kind; all of the assets of any kind which belong to the entity thus terminated shall come into the possession and shall be understood as assigned and transferred

to the Public Corporation for the Supervision and Insurance of Cooperatives, which may dispose of these pursuant to the law and the public policy.

So as to enable the Corporation to discharge the functions, authorities, and powers entrusted by this Act, a transfer is hereby made of the existing budget balances of the Office of the Inspector of Cooperatives under the custody of the Department of the Treasury for the fiscal year in effect, as well as the funds available under other laws and special funds. The transfer of such special funds shall help maintain the programs of the Office of the Inspector of Cooperatives existing at the time of approval of this Act. Debts, obligations, properties, and any other kind of assets or liabilities attributed to the funds thus transferred shall not be the responsibility of other agencies, public corporations, political subdivisions or other government entities of the Government of Puerto Rico. Such debts, obligations, properties, and any other kind of assets or liabilities shall be charged exclusively against the funds thus transferred. Any real property acquired by the Office of the Inspector of Cooperatives shall be transferred to the Puerto Rico Public Corporation for the Supervision and Insurance of Cooperatives. As for personal property, the Director of the General Services Office shall issue a sworn report on property within a term of thirty (30) days as of the approval of this Act and remit, within the same term, a copy thereof to the Legislature and the Office of the Comptroller, without this constituting an exemption from compliance with any similar provision relative to the disclosure of reports on property of agencies or instrumentalities. Provided, further, that the Director of the General Services Office shall have a term of thirty (30) days as of the date of issue of the sworn report on property, to make the transfer of the personal property, and within such term, he/she shall report on the completion of such transfer to the Legislature and the Office of the Comptroller.

The fundamental principle of the public policy and the express intent of this Act are for the changes contemplated herein not to have any adverse effect whatsoever on the Share and Deposit Insurance Fund managed by the Corporation. In seeking this end, it is hereby provided that the budget appropriation in effect for the current fiscal year for the Office of the Inspector of Cooperatives shall be maintained for the next three (3) fiscal years as a supplementary budget appropriation for the Corporation, to be distributed as follows:

- (1) 100% for Fiscal Year 2008-2009.
- (2) 75% for Fiscal Year 2009-2010.
- (3) 50% for Fiscal Year 2010-2011.
- (4) 25% for Fiscal Year 2011-2012.

The integration of career personnel and the assets of the Office of the Inspector of Cooperatives into the operations of the Corporation shall be specifically addressed in the new administrative organizational chart, which is required further below in this Act. Furthermore, the career personnel of the Office of the Inspector of Cooperatives, even under the new administrative organizational chart provide for in this Act, shall retain all the rights, obligations, benefits, terms, and status, including their seniority, which they had at the time of transfer and at the time of approval of this Act within said body and under the law pursuant to such laws and regulations in effect within the entity with which they used to work, with respect to their employment in the Government service. Provided, that career employees thus transferred shall not be separated from their jobs nor shall they be subject to any layoff plans on account of the approval of this Act. Likewise, if any career employees were beneficiaries of any pension, retirement or savings and loan fund system or systems,

they shall retain the rights, privileges, obligations, and status within the pension, retirement or savings and loan fund system or systems as prescribed for the personnel of the Office of the Inspector of Cooperatives.

Any relocation of career personnel within the Corporation shall be made taking into consideration the functions discharged by each career employee at the former Office of the Inspector of Cooperatives.

All laws in which there is mention of or reference is made to the Office of the Inspector of Cooperatives or the Inspector of Cooperatives shall be understood as amended to the effect of being replaced with the Public Corporation for the Supervision and Insurance of Cooperatives.

Section 16. — Public Corporation for the Supervision and Insurance of Cooperatives – Attachment and Delegation of Functions onto the Commission. — (23 L.P.R.A. § 640)

The Public Cooperative Savings and Credit Oversight and Insurance Corporation is hereby attached to the Cooperative Development Commission. The Corporation shall operate under the provisions of Act No. 114 of August 17, 2001, as amended; provided, that all functions and authorities of the Corporation, including those described in Section 4(d)(11)(b) of said Act, which involve the formulation and adoption of norms or rulemaking or public policymaking shall be exercised within the context of the public policy made by the Governing Board of the Commission and subject to compliance with the provisions of this Act.

Likewise, the budget of the Corporation shall be submitted to the Governing Board of the Commission for its evaluation and approval within the broadest context of the public policy formulated by such Board; provided, that no determination of the Corporation or of the Governing Board may be made so as to impair the integrity and actuarial sufficiency of the fund that backs the share and deposit insurance provided by the COSSEC.

In service of the broadening of the functions and the jurisdiction of the Corporation, the Executive President of the Corporation is hereby ordered to draft and present a new administrative organizational chart that takes the following public policy objectives into consideration:

- (a) Recognizing the differences between supervising financial and non-financial cooperative enterprises.
- (b) Implementing preventative, technical-support, and managerial mechanisms to strengthen the operations and competitiveness of all cooperative entities.
- (c) Recognizing the need for the Corporation to advance and support the development and expansion efforts of the Cooperative Movement, underlain by the foundations of economic and moral solvency.
- (d) Discharging the function of overseeing and inspecting in an effective and economical manner conducive to institutional betterment.

The new administrative organizational chart shall be designed and submitted for the consideration of the Board of Directors of the Corporation with a copy to the Governing Board of the Commission within a term not greater than 120 days as of the approval of this Act. The Board of Directors of the Corporation shall consider and approve the new administrative organizational chart thus proposed with any modifications as it may deem

pertinent, providing expressly for the implementation process. Prior to its implementation, the new administrative organizational chart shall require the express approval of the Governing Board of the Commission.

Section 17. — Investment and Cooperative Development Fund – Attachment and Delegation of Functions onto the Commission. — (23 L.P.R.A. § 641)

The Investment and Cooperative Development Fund, incorporated in compliance with the mandate delivered under Act No. 198 of August 18, 2002, as amended, known as the “Investment and Cooperative Development Fund Enabling Act,” is hereby attached to the Cooperative Development Commission. The FIDECOOP shall operate under the terms and conditions of its corporate charter and its statutes.

In service of the public purpose sought by the FIDECOOP, it is hereby provided that its budget shall be submitted to the Governing Board of the Commission for its evaluation and approval within the broadest context of the public policy formulated by such Board. Likewise, it is hereby provided for the FIDECOOP to organize and establish a Management and Support Unit for Budding Cooperatives. This Unit shall be organized to:

- (1) Provide informational guidance about the Cooperative Model and the fundamental principles of the Cooperative Movement.
- (2) Provide assistance in the process of forming, organizing, and incorporating cooperative enterprises.
- (3) Implement a cooperative entrepreneurship and managerial and administrative skill-building program in coordination with the Cooperative League and the Cooperative Movement Institute.
- (4) Implement a supervised internship program whereby college students may provide technical assistance to cooperatives with such needs.

In organizing this Unit, the FIDECOOP shall establish agreements and partnerships with the pertinent cooperative entities, private entities, and public bodies, including university institutions, especially the Cooperative Movement Institute.

The establishment and operation of this Unit shall not impair or replace the functions that the Cooperative Development Commission shall continue to discharge as the successor of the Cooperative Development Administration, especially in matters concerning the organization and incorporation of new cooperatives and the responsibilities entrusted to the Cooperative Development Administrator as provided for in Act No. 220, *supra*.

Section 18. — Educational Partnerships — Cooperative Movement Institute of the Social Science School of the University of Puerto Rico, Río Piedras Campus, and the Department of Education. — (23 L.P.R.A. § 642)

In order to advance the fulfillment of the Fifth Principle of the Cooperative Movement (Education, Training, and Information), it is hereby required that the Cooperative Development Commission make active efforts conducive to the establishment of partnerships with the University of Puerto Rico, especially with the Cooperative Movement Institute, as well as with other local and international university institutions, aiming at developing:

(1) Educational modules which enable cooperatives to direct education and skill-building efforts to client members, elected directive officers, managers, and employees of cooperatives, so that they may all efficiently contribute to the development of their cooperatives.

(2) Educational programs for young people and opinion setters about the nature and benefits of the Cooperative Movement.

(3) Research efforts for the development of the Cooperative Movement.

(4) Exchange programs between local and international cooperative and educational entities.

(5) Clinical and internship programs that provide college students with real experiences and which provide cooperatives with access to properly educated technical resources.

(6) Other educational components that advance the Cooperative Movement.

These partnerships shall seek to integrate the participation and the human and financial resources of first-, second-, and third-degree cooperatives, to function especially as means for the dissemination and rendering of educational processes and services.

The Secretary of Education is hereby required to enable and facilitate educational programs developed by the Commission at schools of the public education system of Puerto Rico, to be offered by first-, second-, and third-degree cooperative entities duly organized as such in Puerto Rico.

In abiding by the foregoing provisions and the public policy and principles that govern this Act and Act No. 220, supra, the Commissioner, the members of the Governing Board of the Commission, and the Secretary of the Department of Education are hereby bound to enable and seek the formation, organization, and incorporation of school youth cooperatives in the schools of the public education system of Puerto Rico at the following ratio:

1. Ten percent (10%) of the public schools in Puerto Rico shall have at least one (1) youth cooperative by the end of school year 2009-2010.

2. Twenty percent (20%) of the public schools in Puerto Rico shall have at least one (1) youth cooperative by the end of school year 2010-2011.

3. Fifty percent (50%) of the public schools in Puerto Rico shall have at least one (1) youth cooperative by the end of school year 2011-2012.

4. Seventy-five percent (75%) of the public schools in Puerto Rico shall have at least one (1) youth cooperative by the end of school year 2012-2013. And

5. One hundred percent (100%) of the public schools in Puerto Rico shall have at least one (1) youth cooperative by the end of school year 2013-2014.

The Commissioner, the members of the Governing Board of the Commission, and the Secretary of the Department of Education are hereby charged with the duty to provide direction for any such initiatives that accomplish the goals of the foregoing provisions; they shall report every year to the Governor and the Legislature on the extent of accomplishment of these goals. Accomplishment shall be gauged by considering only such youth cooperatives that are duly organized and incorporated and which are operating.

Section 19. — Clauses 10 and 19 of subsection (d) of Section 4 of Act No. 114 of August 17, 2001, as amended, are hereby amended to read as follows:

“Section 4.—Corporation; Powers.—

(a) ...

(d) ...

(1) ...

(10) (a) Operate as supervisory body of Cooperatives. Provided, that, with respect to the Cooperative Bank, the Office of the Commissioner of Financial Institutions is the supervisory agency; with respect to insurance cooperatives, the Insurance Commissioner is the supervisory agency, and further provided, that with respect to cooperatives that are not savings and credit unions, all supervisory functions carried out by the Corporation shall be performed observing the difference in the scope and bounds of oversight for non-financial cooperative entities.

(b) Seeing as the Cooperative League is the highest-ranking federative institution within the Cooperative Movement in Puerto Rico, in the exercise of its complementary functions together with the Commonwealth of Puerto Rico, such Cooperative League shall lie outside the jurisdictional bounds and the oversight powers of the Corporation. The League shall be overseen by its respective members and internal bodies within its structure. Provided, that it shall render a yearly balance sheet report to the Department of State, which shall contain its financial statements as audited by a certified public accountant. In addition to the rights to inspection provided in Act No. 239 of September 1, 2004, as amended, known as the ‘General Cooperative Associations Act of 2004,’ all cooperatives shall be entitled to examine, during regular business hours, the books, records, and minutes of the Cooperative League, and may also make copies or excerpts thereof; provided, that no cooperative shall be entitled to access any information that by provision of any applicable law or regulation is confidential or privileged, including any information that constitutes a trade secret or strategy. Should any controversy arise as to the confidentiality or privilege that protects any information requested, the controversy shall be adjudicated by the representation of the Cooperative Movement at the Governing Board of the Cooperative Development Commission, except for the representative of the League proper. Any petition to examine the books and documents of the League shall be duly authorized by the Board of Directors of the requestor cooperative.

...

(19) (i) To carry out, on its own and by entrustment of the Cooperative Development Commissioner, studies and research of any kind on issues that affect any branch of the Cooperative Movement, for which the Corporation may require any information as necessary, pertinent or essential to accomplish such purposes. The Corporation may require or allow any person to present a written statement, under oath or otherwise, as the Corporation may determine, in connection with the facts and circumstances appertaining to the issue to be studied or researched.

...”

Section 20. — Subsections (a), (b), and (d) of Section 5 of Act No. 114 of August 17, 2001, as amended, are hereby amended to read as follows:

“Section 5.—Board of Directors.—

(a) Composition of the Board.—The Corporation shall be directed by a Board composed of the following nine (9) members: the Cooperative Development Commissioner, who

shall chair the Board of Directors of the Corporation; the Commissioner of Financial Institutions of Puerto Rico; the Secretary of the Treasury; the President of the Government Development Bank; three (3) persons representing insured cooperatives; one (1) representative from the Puerto Rico Cooperative League; and one (1) private citizen representing the public interest, who shall be appointed as provided in subsection (d) of this Section.

(b) Government Representation.—None of the constituent members of the Board of Directors, except for the Secretary of the Treasury and the President of the Government Development Bank, may neither delegate their functions onto other officials nor hold directive office or have a substantial financial interest in any private financial institution.

...

(d) The member of the Board representing the public interest shall be designated jointly by the vote of three fourths (3/4) of the total eight (8) members of the Board of Directors representing the government sector and the cooperative sector. The representative of the public interest shall be designated for a term of three (3) years and hold office until his/her successor is appointed and takes office. The latter shall be a person of recognized moral integrity and who is knowledgeable of and with an interest in the cooperative and financial fields. The representative of the public interest may not be employed by, or have any contractual relationships, whether for pay or not, or hold directive office in any private financial institution, insured Savings and Credit Union, or central cooperative organization. Furthermore, he/she may not have any substantial financial interest in any private financial institution, except that he/she shall be only allowed to be a member in good standing of a cooperative savings and credit union. The public interest representative must remain in observance of these eligibility requirements for his/her entire tenure. If any of these eligibility requirements is not met at any time during tenure, the office shall be declared to be vacant and filled by the Board of the Corporation pursuant to the foregoing provisions. No person shall hold office as public interest representative for more than one term.

...”

Section 21. — Clause (i) of subsection (g) and clause (v) of subsection (a) [sic] of Section 7 of Act No. 114 of August 17, 2001, as amended, are hereby amended to read as follows:

“Section 7.—Functions and Powers of the Board.—

The Board shall have the following authorities and powers, in addition to any others established in this Act:

(a) (i) Approve the rules and regulations for the implementation of this Act to govern the affairs of the Corporation. These rules and regulations shall be approved by the vote of two thirds (2/3) out of the total number of members of the Board at a special meeting of the Board convened especially for its consideration. The regulations of the Corporation, except for the bylaws of the Board, shall be adopted pursuant to Act No. 170 of August 12, 1988, as amended, known as the ‘Uniform Administrative Procedures Act of the Commonwealth of Puerto Rico.’ Provided, that all rules, regulations, circular letters, and normative letters, as well as the construction thereof, as promulgated or issued under this

Act shall be consistent with the public policy set forth and formulated by the Governing Board of the Puerto Rico Cooperative Development Commission.

...

(v) ...

(g) To establish the dates on which and the frequency with which financial statements are to be submitted, as well as the forms to be used, the persons under the obligation to certify the same, the information that shall be enclosed or attached, and any other data or information as convenient to accomplish the purposes of this Act. Provided, that any oversight function discharged by the Corporation with respect to cooperatives other than cooperative savings and credit unions shall be carried out observing the difference in the scope and bounds of oversight for non-financial cooperative entities.

...”

Section 22. — The title and the first and second paragraphs of Section 8 of Act No. 114 of August 17, 2001, as amended, are hereby amended to read as follows:

“Section 8.—Confidentiality of Affairs and Immunity.—

All members of the Board and the Executive President shall be subject to the provisions of Act No. 12 of July 24, 1985, known as the ‘Ethics in Government Act of the Commonwealth of Puerto Rico.’ In addition to the foregoing, Cooperative Movement representatives shall refrain from discussing, analyzing, considering, evaluating or otherwise participating in matters that pertain to the institutions in which they work as executive officials or members of directing bodies.

No member of the Board or the Executive President shall disclose or use information or documents acquired in the course of the discharge of their functions for purposes extrinsic to such discharge. All members of the Board and the Executive President shall maintain the confidentiality of matters relative to their functions, unless there is a petition that requires the disclosure of an issue and such disclosure is allowed by the competent authority. None of these ethical or fiduciary obligations shall bar Cooperative Movement representatives from freely discussing with cooperatives and their leaders, any matters of public policy, regulations, and development of the Cooperative Movement not related to specific situations, cases or circumstances of any particular cooperatives or persons or to the internal operations of the Corporation.

...”

Section 23. — The first paragraph and subsection (q) of Section 9 of Act No. 114 of August 17, 2001, as amended, are hereby amended to read as follows:

“Section 9.—Executive President.—

The Executive President of the Corporation shall be appointed by the vote of two thirds (2/3) out of the total number of members of the Board of the Corporation, with the concurrence of at least two (2) Cooperative Movement representatives and the approval of seven (7) out of the ten (10) members of the Governing Board of the Cooperative Development Commission. Continuity in office shall require that such approval be ratified every three (3) years by the Governing Board.

The Executive President shall be the Chief Executive Officer of the Corporation, hold office at the pleasure of the Board of the Corporation, and discharge whatever functions or authorities are established by law and delegated by the Board of the Corporation, and earn the salary authorized thereby. Subject to the policies formulated by the Board of the Corporation, as these are consistent with the public policy that governs the Cooperative Development Commission, the Executive President shall have the following powers and duties, among others:

(a)

(q) Pursuant to applicable provisions of law, to act as the receiver of cooperative entities and to appoint the members of the Board of Receivers when liquidating cooperatives.

...”

Section 24. — The title and the second and seventh paragraphs of Section 18 of Act No. 114 of August 17, 2001, as amended, are hereby amended to read as follows:

“Section 18.—Cooperative Examination.—

...

The auditors or examiners of the Corporation shall be empowered to examine all matters as they may deem pertinent and submit to the Corporation a complete and detailed report of the condition of the Insured Cooperative. These examinations or audits may be conducted in coordination with the provisions of Act No. 255 of October 28, 2002, as amended. The examinations or audits required by this Section shall not be substituted by reports made by independent auditors that are ordered and contracted by the Cooperative.

...

The Corporation may exercise the examining functions described in this Section with regard to Cooperatives other than Cooperative Savings and Credit Unions, recognizing the difference in the extent and scope as to oversight for non-financial cooperative enterprises. To this end, the Corporation shall draft an integrative regulation directed at implementing proper measures for Non-financial Cooperatives. Such Regulation and any subsequent amendments thereto shall be consistent with the public policy made from time to time by the Governing Board of the Commission and be subject to the powers and authority of the Cooperative Development Commissioner.”

Section 25. — Subsections (b), (c), (d), and (f) of Section 3 of Act No. 198 of August 18, 2002, as amended, are hereby amended to read as follows:

“Section 3.—Definitions.—

For purposes of this Act, the following terms and phrases shall have the meaning stated below:

...

(b) ‘Cooperative’.—Means any cooperative entity organized under the laws of the Commonwealth. This term includes the cooperative credit and savings unions organized under Act No. 255 of October 28, 2002, as amended, or its successor law; it also includes subsidiary and/or affiliate entities or enterprises organized or owned by one or more cooperative credit and savings unions, organized or authorized to operate under Act No.

255, supra, or its successor law; the Insurance Cooperatives organized under Chapter 34 of the Insurance Code, as amended, or its successor law; the Cooperative Bank, organized under Act No. 88 of June 21, 1966, as amended, or its successor law; and diverse cooperatives, organized under Act No. 50 of August 4, 1994, as amended, or its successor law, that is, Act No. 239 of September 1, 2004, as amended.

(c) ‘Executive Director’.—Means the executive officer responsible for the daily administration and operation of the Office of the Fund, who shall be appointed with the consent of 2/3 out of the total number of members of the Board of Directors and the approval of seven (7) out of the total ten (10) members of the Governing Board of the Cooperative Development Commission. Continuity in office shall require that such approval be ratified every three (3) years by the Governing Board.

(c) ‘Eligible Cooperative Enterprise’.—Means a cooperative group registered under applicable laws or an entity organized as a Cooperative or as a subsidiary or affiliate of one or more cooperatives, which is related or whose purpose is to carry out economic activities in the Commonwealth of Puerto Rico, including:

(1) ...

(4) Recreational, sports-recreational or tourism activities;

...

(10) Elderly care and health related activities;

(11) Activities conducive to the integration of the Cooperative Movement, which encourage competitiveness among existing cooperatives or which have the potential to increase or reinforcing its economic or social activity;

(12) Other activities which generate economic activity and/or jobs as determined from time to time by the Board of Directors of the Fund;

(12)[sic] Other social or cultural development activities directed to young people;

(13)[sic] Any combinations of the abovementioned activities or purposes.

The Board of Directors of the Fund shall adopt, through Bylaws, specific parameters to determine the eligibility of the Cooperative Enterprises, among which it may contemplate the generation of incremental economic activity. Provided, that such Bylaws shall be consistent with the public policy set forth in this Act and formulated by the Governing Board of the Puerto Rico Cooperative Development Commission.

(f) ‘Costs’.—Means all costs incurred in the acquisition or construction, or those otherwise incurred, to provide for the operations of any Eligible Cooperative Enterprise. These shall include, but shall not be limited to: construction costs, cost of acquisition of any properties, including rights over land and any other property, real as well as personal, whether improved or not; costs of demolition, removal, and relocation of any buildings or structures on the land thus acquired, including the cost of acquisition of any land on which said buildings or structures could be transferred or relocated; cost of any machinery, furniture, and equipment; the payment or provision for the total or partial payment of any existing debt incurred by or in behalf of a debtor or user to provide funds for the payment of the costs of a project or projects; financing and any other charges, and interest accrued prior to or during the construction, and if deemed advisable by the Fund and for the period it may determine after the completion of the construction; reserves for debt service; or any other reserve required by the Fund; cost of studies, market analyses, surveys, plans and specifications; cost of financial and management consultants and

advisors and any other special services and expenses necessary or incidental to determining the viability or practicability of the project; cost of management technical support services, including skill-building and training on operational, accounting, entrepreneurial, and other issues relative to the Project; cost of the preparation, development, and refurbishment of land; initial cost for occupying the project or any part thereof; administrative expenses, as well as other expenses necessary or incidental to financing and establishing the Fund’s office and/or the project, including the reimbursement to any government agency or any debtor or user of any expenses incurred, with respect to said project, with the prior consent of the Fund, that would have been costs of the aforesaid project if the same had been directly incurred by the Project, and any other administrative or financing charges or fees imposed by the Fund; and the payment or reimbursement to any debtor or user of the costs of a project incurred by said debtor or user prior to the closing date of the investment to be made by the Fund or by a financial institution, which has obtained resources from the Fund to finance projects, but said prior period shall not exceed the period determined by the Fund, which shall not exceed two (2) years. Costs shall also mean the operating expenses of the Office of the Fund.

...

Section 26. — The title, subsection (a), and clauses (1) and (2) of subsection (b) of Section 9 of Act No. 198 of August 18, 2002, as amended, are hereby amended to read as follows:

“Section 9.—Project Investment.—

(a) In complying with its main mission of promoting and developing new cooperative enterprises, the Fund shall assume an active role in the design, gestation, organization, and capitalization of cooperative enterprises, for which purposes, the Fund may conduct any pertinent studies and analyses. In addition to investment in Projects bred by the Fund itself, the Fund may invest in Projects proposed by third parties insofar as these are consistent with the policies that the Board of Directors of the Fund may adopt. Such proposals by third parties shall establish the kind and location of the Eligible Cooperative Enterprise and include any other pertinent information and data as requested by the Fund to adequately evaluate the proposal. The Fund shall require all the information it deems pertinent from the applicants on the Eligible Cooperative Enterprise proposal, the experience of the persons involved, history, past and present financial situation, record of service, and the integrity and capabilities of the management team of the enterprise, the way in which the project conforms Fund criteria and requirements, and any other factors deemed relevant or convenient to guarantee the accomplishment of the purposes of this Section.

(b) ...

(1) Pursuant to its mission, Investment Agreements shall prioritize capital investment over the granting of credit and see that cooperative enterprise has the liquid resources necessary for its early stages. The Fund shall ascertain that the cooperative enterprise has the appropriate managerial capabilities, for which purpose, the Fund may provide or procure technical and management assistance. Investments are to be made in eligible cooperative enterprises that have appropriate business plans that allow for a

reasonable determination of economic and financial viability, even when showing any risk profile and that are financially accountable and willing to meet their obligations under the investment agreement, including the obligation to make payments in such amounts and on such dates as required, to operate and maintain the operations of the enterprise on its own account and expense, to pay the costs incurred by the Fund in relation to its investment in the enterprise, to accomplish the purposes of this Act, and to meet any other responsibilities that may be imposed under the terms of the investment agreement.

(2) The appropriate allowances shall be made to recover the investment and to create and maintain the reserves required therefore, if any, that the Fund may determine and to pay the costs incurred by the Fund with regard to the Eligible Cooperative Enterprise investment. Investment recovery terms shall be reasonable and consubstantial with terms corresponding to a medium- or long-term capital investment and shall not impose undue restrictions on the cooperative enterprise’s viability or successful operations.

...”

Section 27. — Subsections (b) and (c) of Section 12 of Act No. 198 of August 18, 2002, as amended, are hereby amended to read as follows:

“Section 12.—Fund Operation and Supervision.—

(a) ...

(b) Regulation.—The Fund shall be subject to prudent and sound administration rules in harmony with its economic promotion and development nature, through the investment of capital in eligible cooperative enterprises. Said rules shall be defined through regulations expressly adopted for such purposes jointly with the Office of the Commissioner of Financial Institutions, the Public Corporation for Supervision and Insurance of Cooperatives, and the Insurance Commissioner. Notwithstanding the foregoing, the Fund and all other entities listed herein shall ascertain that the above-mentioned rules are consistent with the public policy set forth in this Act and the policy formulated by the Governing Board of the Puerto Rico Cooperative Development Commission.

(c) Oversight.—The Fund shall be subject to the supervision and oversight of the Commissioner of Financial Institutions and the Public Corporation for the Supervision and Insurance of Cooperatives, who shall see to the compliance by the Fund with the provisions of the Regulation described in subsection (b) of this Section and with all other laws applicable to the Fund.

...”

Section 28. — Continuity Clauses. — (23 L.P.R.A. § 643)

(a) As a transitional measure, the Cooperative Development Administrator to be appointed by the Governor of Puerto Rico shall hold office, as of January 2, 2009, as Cooperative Development Commissioner. It is hereby expressly provided, that the Commissioner shall prepare any administrative reorganization plans as necessary to implement the changes

provided for in this Act, which appertain to both the Commission and the attached entities. These plans shall require the approval of the Governing Board of the Commission.

(b) As a transitional measure, the Executive President of the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico and the Executive Director of the Investment and Cooperative Development Fund in office by the date of effectiveness of this Act, shall continue to hold such office, subject to the provisions of this Act, until their successors are appointed by their respective Boards of Directors, with the ratification of the Board of Director of the Commission as of February 1, 2009.

Section 29. — General Provisions. — (23 L.P.R.A. § 644)

(a) In cases in which the provisions of this Act are in conflict with the provisions of any other law, the provisions of this Act shall prevail.

(b) By virtue of the autonomy proper to the Cooperative Movement Institute, the designation of its director shall remain unaltered under this Act.

(c) None of the provisions of this Act shall impair the right to enter into collective bargaining agreements, which right has been enjoyed by the fifty-nine (59) career employees of the Cooperative Development Administration and the twenty (20) career employees of the Office of the Inspector of Cooperatives, as well as the staff of all other attached entities, as applicable, nor shall they impair any vested rights earned by virtue of agreements negotiated under the pertinent provisions of Act No. 45 of February 25, 1998, as amended, known as the “Puerto Rico Public Service Labor Relations Act.”

(d) It is hereby provided that cognizance shall be taken of the exclusive representative, as previously certified by the Public Service Labor Relations Commission, the current administrator of Act No. 45, supra, as well as the permanency of the fifty-nine (59) career employees, the appropriate unit as certified, and the collective bargaining agreements previously negotiated in the Cooperative Development Administration, now the Cooperative Development Commission.

(e) As for career personnel of the present Cooperative Development Administration, the Puerto Rico Cooperative Development Commission shall be deemed to be the successor employer. Likewise, the Public Corporation for the Supervision and Insurance of Cooperatives in Puerto Rico shall be the successor employer of the career personnel of the present Office of the Inspector of Cooperatives.

(f) This Act shall invalidate neither any contracts duly executed by the Cooperative Development Administration nor those by the Office of the Inspector of Cooperatives, if any, in effect as of its date of approval, which shall remain effective until the agreed date of termination, unless the clauses set forth in such contracts contravene the provisions of this Act or are cancelled on a prior date if so allowed under the contract in question.

(g) Whenever the construction of any part or provisions of this Act becomes necessary, the same shall be construed in service of the fundamental purpose of fostering the stability and development of cooperative enterprises and to safeguard their autonomous nature.

(h) In service of the termination of the Cooperative Development Administration and the transfer of its functions to the Cooperative Development Commission, Act No. 89 of June 21, 1966, as amended, is hereby repealed.

Section 30. — Severability Clause. — (23 L.P.R.A. § 625 note)

The provisions of this Act are severable, and if any word or phrase, sentence, subsection, section or part of this Act were to be contested on any grounds at a Court and found to be unconstitutional or null, such Ruling shall not affect its remaining provisions.

Section 31. — Repealing Clause. — (23 L.P.R.A. § 625 note)

Any law that is in whole or in part in conflict with the provisions of this Act is hereby repealed.

Section 32. — Effectiveness. — (23 L.P.R.A. § 625 note)

This Act shall take effect on February 1, 2009, except for subsection (a) of Section 28, which shall take effect as of January 2, 2009, in order that the person to be appointed as Cooperative Development Commissioner may begin preparing any such administrative reorganization plans as necessary for implementing the changes provided for in this Act and which appertain to both the Commission and the attached entities.

Note. This compilation was prepared by the Puerto Rico OMB staff who have striven to ensure it is complete and accurate. However, this is not an official compilation and may not be completely free of error. It contains all amendments incorporated for reading purposes only. For accuracy and exactitude please refer to the act original text. Compiled by the Office of Management and Budget Library.