

**<sup>1</sup>Law # 17**  
**From May 1st, 1997**

**In Which Is Developed The Article 283 Of The Politic Constitution And Where It Is Established  
The Special Caseload Of The Cooperatives.**

**THE LEGISLATIVE ASSEMBLY  
DECREE:**

**TITLE I  
Cooperatives**

**CHAPTER I  
Article of Arrangement**

**Article 1.** It is established the special caseload to regulate and integrate the cooperatives as fundamental part of the national economy, following the aims listed below:

1. To increase the national wealth and to assure its benefits to get the majority of the habitants of the country.
2. To facilitate the application and practice from the doctrine and principles of the cooperatives.
3. To promote the development of the cooperative rights as a special branch of the general legal ordering.
4. To contribute to the fortification of the solidarity and the participative economy.
5. To help the improvement of the democracy, by means of an active participations.
6. To propose the encourage from the national government to the cooperative sector.
7. To participate on the national design and development of the socioeconomic plans and programs.
8. To contribute to the fortification and consolidation of the cooperative integration, in its different manifestation.

**Article 2.** The cooperatives constitute associations of public utility, social interest, and private rights; and the development to cooperate it considers an effective system to contribute to the development of the economic, to the fortification of democracy, to the fair distribution of wealth and incomings, to the rationalization of economic activities and facilitate taxes, cost and prices as a solution to the community.

The estate will promote the cooperatives, by means of the technical and financial attendance and it will control them. To assure the free unfolding and development of the cooperatives, the estate will guarantee legal autonomy and democratic operation.

**Article 3.** The cooperatives rights is a set of special models, authorities, doctrines, and practice based on the principles that determine and condition the performance from the cooperative organism and the people who are on it.

These are cooperative performance those that are done among cooperatives and its associated, and the entity anticipated in this law, to accomplish the social objective and they are put under the cooperative rights.

**Article 4.** The organizations, operations, regulations of the cooperative, and others entities anticipated in this law will be followed by the disposition of the same one, of the general politics, or the special politics that would be written, just as the bylaws and internal politics from the cooperative and in general by the cooperative rights and its doctrine.

**Article 5.** The cooperative are forced to create a program of permanent way, that tend to the formation of its associated and people who work in its installations and the youth, in the principles and methods and characteristic from the sense of cooperate as well as the qualification of their own administrative and enterprise management.

The activities of technical, researching, promotion from the cooperative attendance, it makes part of the education of the cooperative that established the law is presented.

---

<sup>1</sup> Published in the Official Gazette from may 5<sup>th</sup>, 1997.  
Ruled by the Executive Decree 39 from October 22<sup>nd</sup>, 1998

**Article 6.** The cooperatives are private associations constituted by natural and legal people who belong to companies that, without pursue profit aims, have as objective to plan and create job activities or benefit of socioeconomic service directed to the production, distribution and cooperative consumption of goods and services, with the economic, intellectual, and moral contribution from its associated in order to get the aims of this law that is presented, in addition this cooperatives are denominated cooperative organization of first grade.

**Article 7.** The cooperative must follow the next principles:

1. Open and voluntary inscription.
2. Democratic control from the members.
3. Economic participation of the members.
4. Autonomy and independence capacity.
5. Education, formation and training.
6. Mutual help between the cooperatives.
7. Commitment with the community.

**Article 8.** The cooperatives must have the following characteristics:

1. With the number of associated.
2. Indefinite duration.
3. I limitation and variability of money.
4. Religious, racial and political independence.
5. Rights and obligation equalities between the associated.
6. Recognition of a single vote to each associate, independently of their contributions.

**Article 9.** It is forbidden to the cooperatives:

1. To grand advantages to its initiators, founders, directors or administrative, or some preferences of the social money.
2. To impose rigorous or excluding conditions to the entrance of the new associated that prevent his/her growth.
3. Established agreements or combinations with lucrative mercantile societies that allows them to have a benefit directly or indirectly from the benefits that this law gives them.
4. To integrate its permanent directive organism with people who are not associated.
5. Transforms into an activity from other legal nature.  
It is null the decision which is against of any prohibition that is established here.
6. To develop different activities in its bylaws from those are legally authorized.

**Article 10.** The cooperative must add, in its social denominations, the word "cooperative", adding the words or abbreviations that belongs to its responsibility, limited (R.L.), or (R.S.).

It is understood that limited responsibility is that one where the associated only response with the amount of contributions that they had paid, in a second case, the associated have an additional warrantee noticing to the effect a maximum that must be stipulated in the bylaw. It must be pointed the nature of its main activity. It is forbidden the use of the word "cooperative", as well as the abbreviations coo and coop to the entities that do not belong to the law is presented.

**Article 11.** Because of its purpose, the cooperative must be specialized or also can offer integrated public service. Cooperatives are those one that take one economic, social, or cultural activity as consumption, health, and dwelling.

Integrated services cooperative are those one that are in charge of the different branches of the economic, social or cultural activities, and it has as purpose satisfy needs.

**Article 12.** The cooperative can make different kind of illicit activities and be associated with other legal people taking in account the condition of get a social objective and not to diminish the value or quality of its service

intention, neither transfers their own fiscal benefits. Also they could be associated with state queer fellows, in activities related to the benefits of public service.

**Article 13.** The cooperative might offer service to third, but such services could not be given in favorable conditions that the services given to the associated neither at the reduction of this services.

## **CHAPTER II Constitution and Registry**

**Article 14.** Every cooperative it will build in assembly that will celebrate the interested one, where it will be approval the bylaw, they will subscribe the contributions and will be chosen by the members of the meeting of directors which will consist in the establishment act.

**Article 15.** People who are chosen as president from the directors meeting it will be responsible to transact the recognition from cooperative legal people, by mean of elevated request, facing the IPACOOOP will give the legal people, taking in account the following requirement:

1. Five copies from the assambly constitution act, properly signed.
2. Whole original text of the bylaw, attached four copies.
3. Certification of cooperative education, given by IPACOOOP.
4. Study of social, economic variability.
5. Certification of financial organization about the account number and the deposit amount that belongs to.

**Article 16.** IPACOOOP will have the obligation to be known in a time of sixty days, on any directed management to the recognition of the cooperative legal people, as far as this one had accomplished the established requirement, in this way the cooperative could ask for its inscription, and it will take in consideration the rights plenary session in the cooperative registry.

**Article 17.** The constituted cooperative in the way that the law is prescribed will be legal people that are capable to exert rights, to contract obligations and to be represented by the law.

**Article 18.** The cooperatives bylaw must be signed by the president and the secretary and it will have:

1. Its denomination with indication of its responsibility, anticipated in this law.
2. Its address and its territorial scope of obligations.
3. The associations object, expressing the activities that will be setting out to develop.
4. Norms in cooperative integration.
5. The duties and rights of the associated, guaranteeing the absolutely equality among them.
6. the conditions of admission and optional retirement and the causes of exclusion of the associated
7. sanction regime, causes and procedures
8. The specification of the maximum percentage from the contributions that each associated should have.
9. Mode of payment and refund of the contributions.
10. The way to constitute and to increase or to reduce the social capital.
11. The way to evaluate goods and rights that might have had.
12. The way to constitute the social funds, its object and its rule for application.
13. The way and rule of excesses distribution, or the obtain loss from the respective social exercise.
14. The form to eliminate the contributions and the limitations that on the matter are stipulated.
15. The specific time of the socioeconomic exercise, that will not have greater than a year. However, there could be an exception at the first year.
16. The way to use the vote.

17. The amount and the kind of warrantee that should constitute the cooperative about the personnel whose guards are found goods and funds from the association.
18. The requirements that will be followed for the reform of the bylaw.
19. The exactly day where the assembly will get together.
20. The way how the cooperative will regulate the uses of its goods.

**Article 19.** The act that are celebrated and the documents that are subscribed in name of the cooperative before the legal constitution, to have the necessary to obtain its inscription in the registry of the cooperative, it makes responsible those who have a subscription.

These acts could be confirmed by the first assembly, for the aim to exert the registry, inside IPACOOOP, the cooperative registry whose function will be regulated by an institution.

**Article 20.** The statutory amendment are going to be propose for a number not less than the ten percent of the associated, that determine the bylaw or the director meeting

The inscription of the statutory amendment and from the regulation that would not be internal management, it will negotiate with the same procedure established for the inscription of the cooperative; it will take effect since inscription in the cooperative registry.

**Article 21.** One or more cooperatives could be absorbed by other with the same range, by mean of its incorporation to this; getting a denomination and a legal personality also two or more cooperative could work together having a new legal personality and a different social denomination, with the objective to constitute another cooperative governed by a new bylaw.

**Article 22.** There could be youthful, scholastic communal cooperatives, governed by the principles of the law and encouraged by IPACOOOP.

**PARAGRAPH.** It is included as legal part of this law the complete text from the decree 31rst of 1981, which it is about **youthful**, scholastic communal cooperatives.

**Article 23.** The foreign cooperative, which are legally constituted at the country where they come from and take in consideration the objective of this law, can have an inscription to be associated with Panamanian cooperative that have the same goal.

The inscription in the registry will be done mutual of the country they come from, with the documentation properly legalized.

**Article 24.** It is considered auxiliary entities of Cooperativism, associations, foundations, societies and any other non-profit juridical person, national or international, recognized by IPACOOOP, whose objectives are fomentation, financing, education, technical assistance and, in general, the development of Cooperative movement.

### **CHAPTER III Associates**

**Article 25.** Will be able to Associate to Cooperatives:

1. Natural persons with legal capacity and, through parents or tutor, minors of more than 10.
2. Non-profit juridical persons of public right, and other Cooperatives.
3. In juvenile, scholar, or communal Cooperatives, students of elementary school or high school without age limit.

Associates must fulfil the required conditions in the corresponding statute.

**Article 26.** The quality of associate of a Cooperative is acquired by:

- 1- Founders, since the date of the constitution assembly.
- 2- Newcomers since they are accepted by the board of directors.

**Article 27.** The economical responsibility of associates with the Cooperative and thirds, will be established by the statute, based of equality and it van be limited to this supplementary. In this final case it will be fixed the additional amountod compromise.

**Article 28.** The duties of associates, without contradiction of others established in this law and the statute:

- 1- To fulfil their social duties with economic, intellectual and moral.
- 2- To carry out the charges for which they were selected.
- 3- To fulfil the agreements of assemblies and board of directors.
- 4- To be solidary in their relations with the Cooperative and associates.
- 5- To abstain of incurring in acts of omissions that affect economic stability or prestige of the Cooperative.

**Article 29.** Without contradicting others established in this law or the statute, associates will have the following rights:

- 1- To utilize the services of the Cooperative and perform with them their social goal.
- 2- To participate with voice and vote in assemblies in the base of equality.
- 3- To be selected to carry out charges in directive positions.
- 4- To solicit to the board of directors, and receive from it, information about the performance of the Cooperative.
- 5- To denunciate undercharges of law or statute, or regulations, to the board of vigilance.
- 6- To retire voluntarily from the Cooperative.
- 7- To appeal, to the assembly, against any decision that affect their rights.

**Article 30.** Arbitration boards can be established to make decisions, provisional or permanent about differences that can occur between the Cooperative and associates, or among them, if these differences have any relation with the Cooperative.

The decisions of these boards will be transitory and obligatory, meanwhile a revocatory judgement be dictated by any judicial authority. The term to recur judicially against such decisions of the boards is of one year counted since the date of the arbitration decision. Past this term and without any recurrence against, the arbitration decision will be final and it will be declared judged.

**Article 31.** The quality of associate is lost by:

- 1- Death of the associate or dissolution of the juridical person.
- 2- Renunciation presented to the hoard of directors.
- 3- Expulsion.

The Statute must establish conditions and procedures for the voluntary retirement and expulsion of associates and directors.

**Article 32.** Associates will be expulsed or suspended in thin rights by the causes established in the statute or in regulations.

**Article 33.** In case of retirement, the associate has the right to the devolution of his in a term not longer to one year, if the Cooperative is able to pay. If not, the withdrawal of the quotas will not be possible until the cooperative is able to. The pending in recovery quotas will earn an interest equivalent to the interest percentage in force.

**Article 34.** Any definitive liquidation, in favour of the associate, will be applied without having discounted previously the doubts he maintains with the Cooperative.

Excedents, interests or deposits of an associate in the Cooperative, will be able to be used by the Cooperative, in that order and until it cam be possible to extinguish doubts of the associate or by voluntary or legal obligations in favour of the Cooperative.

## **CHAPTER IV Administrative Regimen**

**Article 35.** The regimen of the Cooperative will be democratic and it will be executed by the following organs:

- 1- The Assembly
- 2- The board of directors
- 3- The board of vigilance

The education committee, credit committee, and others designated by the board of directors will collaborate with the function of government.

### **First Section Direction**

**Article 36.** The Assembly is the major authority of the Cooperative and its decisions are of obligatory compliment for directives and associates, present or absent, if they are adopted according to the law, statutes, and regulations. The assembly will be integrated by active associates or designed delegates.

For the effect of this article active associates are those who have not suspended their rights.

**Article 37.** The assembly will be gathered in ordinary session, in three (3) months after the closing of the socioeconomic exercise, to discuss the topics well known in the convocation.

The assembly will be able to be gathered in extraordinary session, when required, to discuss the affairs for which it was convoked.

**Article 38.** The ordinary or extraordinary session of the assembly will be convoked by the board of directors, because of self resolution or solicited by the board of vigilance or 10% of the associates.

When the board of directors denies the petition, the board of vigilance can makes the convocation if any board accepts to convocate; the 10% of associates will be able to solicit to IPACOOOP, which will decide during the next sixty days.

**Article 39.** In any case, the convocation must be published with on anticipation of not less than eight (8) days, in the way fore known in the statute, including the corresponding contents, with the some anticipation IPACOOOP must be informed.

**Article 40.** The assembly will session validly with the presence of more than the half of active associates or delegates, if past an hour there is no quorum it will be able to session and adopt valid decisions with any number of presents, if it is not less than 20% of active associates.

It quorum is not reached; a new convocation will be made that establish the assembly for a date not longer to the next eight (8) days. In this second date, the assembly will be carried out with directives and associates who attend

**Article 41.** When the number of associates is more than two hundred, or live in very for places, the assembly will be constituted by chosen delegates accordant to the previous procedure in the statute when the Cooperative has more than two thousand and five hundred associates, the assembly will be performed by delegates.

Each delegate will represent not less than twenty or more than one hundred associates, corresponding to the statute. The top of the assembly of the delegates will be one thousand.

**Article 42.** The resolution or agreements until be adopted by majority of votes, except for the affairs that this law or the statute requires a major number.

**Article 43.** It is exclusive competence of the assembly, without detriment of other affairs of this law or the statute indicates:

- 1- To approve or modify the statute.
- 2- To select or remove the members of the directive boards.
- 3- To check the reports of the directive boards.
- 4- To study and pronounce about the financial reports.
- 5- To decide about the distribution of excedents.
- 6- To resolve the emission of obligations, and title values.
- 7- To decide about the adoption of responsibility measures against members of directive boards.
- 8- To approve the acquisition, construction, sale of goods or financiers of projects or contracts, that affect more than 15% of the Cooperative patrimony.
- 9- To decide changes in the social object.
- 10- To fix extraordinary capitalizations.
- 11- To approve the budget of incomes, out comes and the plan of investment.
- 12- Expulsion of the associate or directive in grade of appeal.

The topics referring to numeral 1,5,7,8 and 9 of this article, require two thirds (2/3) of the votes of the associates present in the assembly.

**Article 44.** The main members of the directive boards are obligated to attend assemblies punctually, submitted to the sanction established in the law and regulations, the statute of the Cooperative.

The associates mentioned in the precious paragraph will be able to participate in the deliberations, but they will not vote in subject's vinculated with their acts.

## **Second Section Administration**

**Article 45.** The board of directors, organ in charge of the permanent administration of the Cooperative, must establish the general politics to fulfil the social object and will be attentive to execute the plans established in the assembly.

Its attribution will be determined in the statute, accordant to the established by law; the implicit faculties of this organ are those that the law and statute do not reserve for the assembly and the necessities for the discharge of activities in complement to the social object.

**Article 46.** The board of directors will be integrated by on unequal numbers of directors, determined by the statute. No less than five or more than nine.

The board will assign a president, vice-president, secretary, treasurer and voters, whose attributions will be established in the statute.

The legal representation of the Cooperative will be in the president of the board of directors only associates natural-persons can belong to the board of directors, board of vigilance or be representatives of the Cooperative. In the some way, only can be manager a neutral person.

**Article 47.** The members of the board of directors will be selected in assembly, for a period of three years, and will be renovated each year in the way established by the statute. They will be able to be elected for one consecutive period.

Substitutes will be elected by the assembly and will replace principals in case of temporal or permanent absence, for the rest of his period.

**Article 48.** The board of directors will establish the rules of its functioning, to meet at least once a month and elaborate acts that will be signed by the president and secretary. The quorum will be constituted by more the half of its members.

Public and private institutions will have special consideration to concede permission to the members of boards of the cooperative, with documented base, to attend meetings, seminars curses or events.

**Article 49.** The members of the board of directors, respond to the assemblies because of violation of the law, statute or regulations, without prejudice of the corresponding penal and civil actions. They only will be exempted when they have not participated in the meeting that adopted the resolution or constancy of vote against in acts.

**Article 50.** The decisions of the board of directors can be reverted by associates, in grade of reconsideration, before the same organism, in grade of appeal; before the assembly.

**Article 51.** The board of directors will assign a manager that can be or not an associate and whose function will be established in the statute of the Cooperative.

**Article 52.** The manager will assume responsibilities, before the board of directors, by loss and prejudices caused by undischage of his obligations, negligence, fraud, and abuse of confidence, the exercise of activities in competence with the Cooperative, without prejudice of the corresponding penal and civil actions.

**Article 53.** Cooperatives that due to their nature concede loans to thin associates, will have a committee of credit integrated by three members, elected in the way established in the statute and its functions will be précised in it. Any member of the committee of credit or board of vigilance will be able to participate in any other committee.

Referring to responsibilities, for the members of the committee of credit apply the dispositions established for the board of directors.

**Article 54.** At the date of closing of the socioeconomic exercise, the board of directors will present to the assembly, the memory of the performed exertion that together with the financial reports, will be submitted to consideration of the assembly with the report of the board of vigilance.

### **Third Section Board of Vigilance**

**Article 55.** The board of vigilance, fiscalization organ of the socioeconomic and financial activities of the Cooperative, will be attentive for the fulfilling of the law and its regulation, statute and decisions of the assembly.

**Article 56.** The board of vigilance will be integrated for three associates chosen by the assembly for a period of three years, and it will be renovated partially each year in the way indicated in the statute. The board of vigilance will select, internally a president, vice-president and a secretary, whose attributions will be précised by the statute.

**Article 57.** When the board of vigilance considers that an agreement approved by the board of directors is harmful to the Cooperative's interests, it will be notified to the president of the board of directors its disagreement, with the corresponding justifications, in a term of no more than two days after received the agreement.

The president of the board of directors will suspend the effect of agreement and convocate an extraordinary meeting, so that the board of directors reconsiders the impugned agreement in a term of no more than thirty able days. In case that the board of directors ratifies its decision, the board of vigilance will submit the case to the next assembly.

**Article 58.** For the board of vigilance rule, in the subjects of suplence and responsibility the dispositions about functioning established for the board of directors.



## **Fourth Section Common Dispositions**

**Article 59.** Directive charges can not be exercised for more than two consecutive periods, or exercise in more than one organ whose election is privative to the assembly.

Neither can be elected nor perform elective charges, tardy associates with the cooperative or suspended in the exercise of their rights.

**Article 60.** The assembly can revoke, any time, for any justified cause, the designation of the members of the boards.

**Article 61.** The members of the boards can not occupy remunerated charges in the Cooperatives, while they are in exercise, with the exception of Cooperatives that for the nature of their goals or convenience of their services, must function with the personal work of their associates.

**Article 62.** Any member of the boards can dedicate, for any reason, to labours or activities similar to the ones carried out by the cooperative, when according to the cooperative, these activities prejudice the goals of the Cooperative. If so, he must renounce at once.

**Article 63.** Members of the boards, managers or any other person, who take care of the funds of the Cooperative, must assure their management in the ways and terms established in the statute.

## **CHAPTER V Economic Regimen**

**Article 64.** The patrimony of the Cooperative will be constituted by the apportionments of the associates, the part of interests and excedents that the assembly has not capitalized reserves, donations, legacies and other another resources that receive in order to increase the patrimony.

**Article 65.** The contributions will be submitted to the following rules:

- 1- They can be paid in cash, services, movable or immovable goods, according to the nature of the Cooperative and in accordance to the disposition of the statute.
- 2- The payments in goods or services will have a value according to the procedure established by the present law and experts assigned by the board of directors.
- 3- They will be nominative, indivisible and in transferable and will be able to be represented in the conditions determined by the statute. In any case they will have the character of titles values.
- 4- They only will be able to be distrained by the creditors of the Cooperative, under the limits of the capital and social responsibility creditors will be able to perform the rights of association, relative to the quotas of the non-paid capital, if they were capable of being required and necessary to the social doubts.

The consented privilege given to creditors, do not exclude the preferential rights of the Cooperative when this has to proceed against its associates.

**Article 66.** Every associate, when entering the Cooperative, will subscribe the total amount of his apportionments and will pay at least one quota

The non paid part of the associates will be considered an obligation by the Cooperative, since established in the statute. These quotas can be increased in proportion to the use they make of the services of the cooperative as determined in the statute.

**Article 67.** The quotas of the associates to the Cooperative in goods or services will be priced as follows:

- 1- Movable or Immovable goods will be evaluated by experts named by the board of directors, and the resulting value must be accepted by the members of the board and the associate.
- 2- The value of the services will not be inferior to the established by law as minimum salary in the place, and it must be accepted by the board of directors and the associate.
- 3- The value of goods as services will be credited to the quotas account of the associate.

**Article 68.** The statute must establish the minimum social capital.

**Article 69.** The socioeconomic exercise will be of twelve months, contemplated in a period whose beginning and closing will be determined by the statute.

**Article 70.** The resulting surplus of the annual balance, after discounting the general outcomes and expenditures, will be distributed previous agreement of the assembly, in the following way and order of preference:

- 1- At least 10% for patrimony; nine and a half percent (9.5%) for the social provision fund; 10% for the education fund, half percent (0.5%) for the integration fund and 5% to constitute, in IPACOOOP, the special annual fund to develop Cooperativism.
- 2- The amount determined by the statute or the assembly for specific goals.
- 3- The interest.
- 4- The devolution of associates in proportion of the operation they have made with the Cooperative, to their participation in the common work.

**Article 71.** The assembly will have an agreement about the capitalization of interests and excedents corresponding to associates, instead of distribute them in cash.

**Article 72.** The objective of the patrimonial reserve is to assure cooperatives the normal development of their activities, habilitate them to cover the expenditures carried out in an economic transaction, put them in satisfactory position to respond to any necessary financial and arise that can be presented and it will be ruled by the following disposition:

- 1- It will be a faculty of the assembly to establish that the patrimonial reserve is limited, and such determination must be established in the statute of the Cooperative.
- 2- When the patrimonial reserve is limited, will not be able to exceed more than 20% of the paid quotas.
- 3- To constitute and increase the patrimonial reserve will be appointed; at least 10% of the obtained net excedents more over will enter the irreparable funds and all the amounts which had no specific destiny, without prejudice of being increased by other means.
- 4- If patrimonial reserve diminishes for any cause, IPACOOOP must be notified immediately.

**Article 73.** The fund of social provision can not exceed the 20% of the amount of the paid by associates, plus not distributed excedents, and it will be ruled by the following dispositions:

- 1- When this fund exceeds the maximum allowed amount, the excedent will be transferred to the patrimony reserve or the fund of education.
- 2- When the assembly disposes the fund of social provision can be utilized for collective insurances under inherent risks to the activities performed, indemnification to relatives in case of deaths of associates, medical assistance, and social donations.  
Cooperatives will establish regulations for such services.

**Article 74.** The fund of education will proportion the necessary means to assure the functioning of the Education Committee.

If the no use of this fund is proved for two periods in a row, it will be transferred to its corresponding federation or to IPACOOOP, to be utilized with educational purposes.

**Article 75.** The integration fund will be delivered, by Cooperatives of first and second grade, to the confederation of Cooperatives for functioning, fomentation, education or technical assistance.

**Transitory Paragraph:** Until the confederations of Cooperatives are constituted, the integration fund will be delivered to the National council of Cooperatives (CONALCOOP).

**Article 76.** The special fund for the fomentation and development of Cooperativism, is an economic resource that Cooperatives of first and second grade will deliver to IPACOOOP to support specific programs of Cooperative fomentation and development.

This fund will be administrated by a committee integrated as follows representative of CONALCOOP until this confederation he constituted, this fund will be able to be used in programs of capacitation, education and technical assistance. It is prohibited the use of their resources to employ administrative personnel.

**Article 77.** Cooperative will be able to constitute and manager, according to lows in force, founds of retirement, dismissing and pensions, directly as through federations and auxiliary entities. These funds will be undistrainable.

**Article 78.** The Cooperative will be able to create a rotating fund with the excedents and interests of associates that will be returned in case of retirement. The board of directors must regulate the minimum quota and maximum saving of every associate, the rotation period of the fund and the percentage of interest and excedents that will be capitalized. This fund will be submitted to the following rules:

- 1- The fund created with interests and excedents can be increased with other apportionments, such as cash, discounts authorized by associates or parts of funds of the cooperative. In any case, the rotating fund must have as objective the fomentation of productive activities of the Cooperative.
- 2- The assembly can establish the recognizement of an interest for the use of the capital apportioned to this fund.

**Article 79.** Patrimonial reserves the fund of education, the fund of social provision, donation and legacies are undistributable.

**Article 80.** Cooperatives can emit certificates of investment and other titles-values, redeemable and of settled due date, emitted to reinforce the actives of the Cooperatives. Its product will be utilized to fulfil specific objectives.

The edition of these certificates of investment must he approved by assembly and authorized by IPACOOOP.

**Article 81.** The certificates of investment will be nominative and transferable and their nominal value, and their generated interest, will be insured with preference to any payment the Cooperative must do.

**Article 82.** Interests and other benefits produced by the invested capital, their deposits and the title-values invested by the associates and thirds, will be exempt of taxes, rights, contributions or charges of general character.

**Article 93.** Cooperatives will be able to assume all forms of passives, and emit obligations that will subscribe the associates or thirds, corresponding to the conditions established by the corresponding regulation.

**Article 94.** Cooperatives will be able to receive, from public or private persons, assignations, legacies and other apportionments utilized to increase their patrimony or to be consumed in correspondance to the will of the apportionment. In both cases they will be oriented to fulfil the corresponding social object.

## **CHAPTER VI**

### **Social Work Regimen**

**Article 95.** The relation of work among every cooperative association and their workers associates or not will be ruled by the existing labour legislation with the exception of labour Cooperative.

**Article 96.** In associated labour Cooperatives in which associates are, at the same time, workers and performers of the enterprise, the regimen of work, precision, social security, and compensation; will be established in the statute and the regulation.

## **CHAPTER VII**

### **Dissolution and Liquidation**

**Article 87.** Cooperative associates will dissolve and liquidate, according to the case, in agreement of the two third (2/3) parts of associates in assembly, for any of the following causes:

- 1- Decreasing number of associates under the minimum established in this law or its regulation.
- 2- Impossibility to fulfil the objective for which it was constituted or extinction of this.
- 3- Insolvency.
- 4- Fusion or incorporation to another Cooperative. Fussioned or incorporated cooperatives will disappear when the date of fusion or incorporation is inscribed in the record of Cooperative.
- 5- A for any cause that make impossible the fulfilling of its social economic goals.

**Article 88.** IPACOOOP , will able to declare, by duty, the dissolution of those Cooperatives in which there exist any of the causes established in the previous article, if the organ or entity that correspond would not have declared it at time.

Before proceeding, IPACOOOP, will give a prudent due date to the Cooperative to surpass the cause or to, in the same term, convoke am assembly to concert the dissolution.

**Article 89.** The agreement of dissolution will be communicated to IPACOOOP, in a term no longer than 8 days after be approved. Decreed the dissolution, the Cooperative will be in state of liquidation, and IPACOOOP will constitute a commission integrated for 3 people; one appointed by the respective federation and two appointed by IPACOOOP.

Fees will be established and regulated by IPACOOOP, in the same act of the constitution of the commission and will be paid with funds of the Cooperative.

**Article 90.** The liquidator commission will exercise the legal representation of the Cooperative and it must make the active and cancel the passive. The record of the Cooperative and in all the communications that it has the words in liquidation must be written marginally. When tramitations conclude, the inscription will be cancelled.

Since the moment in which the liquidation be ordered, obligations in term, in charge of the Cooperative, will be exactable, but its goods will not be able to be distrained.

**Article 91.** In the 30 days after the date in which the liquidator commission have been constituted, it must present to IPACOOOP a liquidation project this institution will resolve the pertinent, in the following 10 days.

**Article 92.** The duties of the liquidator commission are:

- 1- To publish the agreement of dissolution; through ads, on five announcements on newspapers of national publication.
- 2- To conclude the pending operations at the moment of dissolution.
- 3- To make an inventory of patrimonial actives, passives of any kind, books and documents.
- 4- To demand a report of their administration to the people that managed interests of the Cooperative and don't have receive the corresponding quittance, and inform the judicial authorities the corresponding denunciations.
- 5- To liquidate and cancel the accounts of the cooperative to each one of the associates and thirds, in order of priority.
- 6- To recover credits imports and pay the corresponding quittances.
- 7- To transfer the goods of the Cooperative.
- 8- To present periodic reports of their tasks and at the end of liquidation, present the corresponding final report and obtain the quittance from IPACOOOP.
- 9- To inform periodically of the estate of liquidation to associates and creditors.
- 10- The rest that derive from the nature of liquidation and the work it self.

**Article 93.** In case of liquidation, the patrimony will be utilized to make the corresponding payments, according with the following order of priority:

- 1- Liquidation expense.
- 2- Salaries and social grants caused until dissolution.
- 3- The value of investment certificates and other title values.
- 4- Cancellation of obligations with creditors.
- 5- Devolution, to associates, of the value or their apportionments or the proportional part that correspond, in case that patrimony is not enough.
- 6- Distribution to associates then apportionments and excedents pending.
- 7- To give the final balance, it result, to IPACOOOP

**Article 94.** Liquidators will act in consensus, and disagreements will be solved by IPACOOOP.

## **TITLE II Cooperative Integration**

### **CHAPTER I Vertical Integration**

**Article 95.** Cooperatives of first grade, once constituted, will be able to integrate into national federations and these, into confederations.

**Article 96.** Federations are Cooperatives of second grade, integrated by no less then three cooperatives of first grade existing in the Republic. There will be just one federation for each kind of Cooperatives and will have the following goals:

- 1- To promote organization and development of cooperatives of then own activity.
- 2- To represent and defend the interests of their associates, as well as coordinate and watch over their activities.
- 3- To proportion their associates technical assistance and general assessorial
- 4- To perform activities for common profit of goods and services, and best achievement of their goals such as supply, commercialization, marketing, financing, insurance, establishing funds of protection and stabilization, accounting services and auditory and other similar.
- 5- To foment and develop programs of Cooperative education, corresponding with the general guidelines of federations, in coordination with IPACOOOP.

**Article 97.** Cooperatives and federations when estimate it convenient, with previous authorization of IPACOOOP, will be able to join to create insurances organizations and other activities and offer services. That will be ruled in the technical aspects, according to the accepted general rules.

**Article 98.** Federations will be consulted by the national government, to make decisions referring to their activity, and will have representation in all official organisms in order to assure the improvement of economic social and cultural condition of their associates.

**Article 99.** The national confederation of Cooperatives will be a Cooperative of third grade, integrated by not less than four national federations. Besides representing national Cooperativism, it will have another functions and objectives established in the statute as well as my function that tends to promote Cooperativism.

There will be just one confederation of Cooperatives that will be the entity to which the state will consult, especially, every thing concerning to the formulation of politics and laws related to cooperativism. The same, it will be the organism consulted by the public sector to the preparation of national plans of development of the country.

Auxiliary entities and cooperative sectors not constituted in federations will be represented in the confederation. The statute of this will determine the reach of their participation.

**Article 100.** Federation will be able to accept Cooperatives of multiple services and other non-profit organizations, it these perform activities and function similar and complementary to the federation.

**Article 101.** Federations and Confederations will be able to associate to any national or international association, union, central, confederation and other Cooperative entities.

**Article 102.** The constitution, recognition and functioning of federations and confederations, mentioned in this chapter, will be ruled by the dispositions of this law and its regulation. The internal administration and functioning of these organisms will be ruled by their statutes.

## **CHAPTER II Horizontal Integration**

**Article 103.** Cooperatives will be able to make agreements to interchange services, celebrate participation contracts, complement activities, to fulfil in a more appropriate way the social object and take into practice the principle of cooperative integration.

**Article 104.** In case of agreements mentioned in the previous article, cooperatives will be able to integrate as follows:

- 1- In union, cooperatives of first grade and different main activity.
- 2- In central, cooperatives of first grade and equal main activity.  
Unions and centrals will be ruled by the agreement, so that it will not mean fusion of cooperatives.

**Article 105.** Cooperatives will be able to agree the development of one or more operations together, establishing which one must assume the gestion and responsibility with thirds.

## **TITLE III Relation of Cooperatives with Public Administration**

### **CHAPTER I Fomentation**

**Article 106.** With no prejudice of the especial exemptions established by this law and other laws, cooperative associations will be exonerated of all national tax, contribution, charge, rights, rates and tariff of any class denomination that could be applied as follows:

- 1- Constitution, recognition, inscription and functioning of cooperatives, as well as judicial acts, in which they intervene, active or passively, before tribunals.
- 2- The payment of national taxes over the portion of goods reserved exclusively to the development of their activities.
- 3- The payment of notary and sealed paper, stamps, registry and annotation of documents given by the cooperatives or thirds in their favour.
- 4- Input of machinery, equipment, refills, fuel, lubricants, applies, and others designated to their activities.

**Article 107.** The exonerations to cooperatives over imports will be submitted to the following requisites:

- 1- The cooperative of first, second a third grade, international cooperative organisms and auxiliary entities of cooperativism which need and have rights to exonerations described in the previous article, will solicit it through their legal representative.
- 2- The names of cooperatives, federations, confederations, international organisms and auxiliary entities will not be able to be used by natural person or juridical, to acquire goals. If any natural or juridical person that infringe this disposition, will face the sanctions established in the law.

- 3- Imports in concept of machinery, equipment, fuel and others can only be done for the use and service of the cooperative and the development of its activities.
- 4- The imported goods to the country in base of exoneration only can be transported or transferred two years after its introduction, previous written notification to IPACOOOP and the making of the corresponding accounting entry. Even though, the good can be transferred if the corresponding tax payment is made, which must be notified only to IPACOOOP.

**Article 108.** The exceptions established in the law one extensive to federation, to the national confederation of cooperatives and, auxiliary entities of cooperativism, international cooperative organisms with main offices in Panama and that function according to agreement celebrated by the Executive Organ, included the non-Panamanian personnel that work there justly credited.

**Article 109.** Cooperatives and association of cooperatives will have the benefit of all the facilities about the exportation of thin products, with no prejudice of international business agreements that the estate celebrate.

**Article 110.** The regimen of protection that benefit associations of cooperatives, will not be minor than the benefits received by other entities with analogue principles.

**Article 111.** Donations, legacies, subsidies and other analogue resources that associations of cooperatives receive, from any natural or juridical person, will be exempted of taxes payments and will be deducible, to the effect, for whom do it.

**Article 112.** Ministries, autonomous entities, municipals, will give preference and facilities to the adjudication, in favour of cooperative, of those terrains that result technically appropriate for the development of their activities. Cooperative association will be able to buy or rent goods from the state, autonomous and semi-autonomous entities without public licitation or contest.

**Article 113.** Ministries and entities of fomentation, will give preference to cooperatives, in technical assistance, agropecuary, credit, or products commercialization.

**Article 114.** The Ministry of Housing (vivienda), National Mortgage Bank, Caja de Ahorros, National Bank, Caja de Seguro Social and any other state organism, will give credit facilities and technical assistance to cooperatives.

**Article 115.** Every person, enterprise or private or official entity is obligated without any cost, to deduce and retain, from the salary of workers, the amount they owe to cooperative, if workers are associates of the credits cooperative and that the debt and cause appear in bank draft or any other document, signed by the associate. The retained amounts must be delivered to the credits cooperative, during the next ten days after the date of deduction, in order to word the sanctions, established in this law.

Moreover, every person, enterprise or entity, will be obligated, without any cost, to accept the cession of the amount of the required blank form through code, if the cooperative authorize so to thirds.

**Article 116.** Cooperatives, for their character and nature, will not be submitted to the payment of income tax.

## **CHAPTER II PUBLIC VIGILANCE**

**Article 117.** The cooperatives, federations, the confederation, auxiliary organisms and others, to which refer the present law are submitted to public vigilance, in charge of making accomplish their constitution, functioning, fulfilling of goals, dissolution and liquidation, be adjusted to legal dispositions and from statutes; and for that associates and other people act in accordance to the law.

The function of inspection, and vigilance do not implicate, for any season, faculty of intervention in the juridical autonomy of cooperatives, with no prejudice of convoking the associates to solve thin situation, or to adopt sanctions ; or if it is the case, to order the dissolution for the liquidation of the cooperative, according to the law.

**Article 118.** The authority of application of the law and the organ for public vigilance will be IPACOOOP, and it will have privative competence over the activities of cooperatives saving authorization or the corresponding sanctions. With exception of sanitary, social security, transit and similar sanctions of general application.

**Article 119.** In order to fulfil the function of vigilance, IPACOOOP is facultated to practice visits to the cooperatives and these will be obligated to facilitate any data or elements necessary or show the accounting books to inspectors, allowing access to thin offices, facilities and dependences.

**Article 120.** Cooperatives most have a permanent service of auditory. IPACOOOP will be excepted from this obligation when economic situation activity or geographic locations justify it.

This service can be offered by qualified cooperatives or specialized entities, authorized by IPACOOOP.

**Article 121.** IPACOOOP, as supervisor of cooperatives, an advice and make recommendations about the administration of the cooperative, according with the interests of this, the law and regulations.

**Article 122.** IPACOOOP, to avoid liquidation of cooperatives, can convoke to assemblies to make decisions in the following situations:

- 1- Evident incorrect use of funds.
- 2- Proved inefficiency of directive boards.
- 3- Repeated violations to the law, regulations and statute.
- 4- When it facilitate false data or information to authorities.
- 5- High morosity of the Cooperative with credit institutions, private or official.

**Article 123.** IPACOOOP, via authorization of its board of directors, will be able to participate in the administration of the cooperative, when there be present anomalies that affect the offering of public services or production, sale or distribution of items, or when the quality of these is compromised. The intervention will be kept until necessary to correct the irregularities or until dissolution for liquidation be decreased.

The costs caused for the intervention will be afforded by the cooperative.

**PARAGRAPH:** When in the exercise of the function established in the article 118 of the present law. IPACOOOP find situation of malversation that affect the patrimony and interests of associates, it will be able to intervene temporarily the administration of the cooperative, without authorization of the board of directors. IPACCOP will designate an interventor that will be facultated to interpose the corresponding denunciations before the authorities.

### **CHAPTER III Registry of Activities Report**

**Article 124.** Cooperative are obligated to have books of associates registration, acts, accounting and others required by law and the regulation, as well as conserving their documents and send to IPACOOOP, the balances after 90 days of the closing of the fiscal year.

**Article 125.** The social and accountant books that cooperatives must carry, numbered, sealed and signed in IPACOOOP are:

- 1- Accounting books: Inventory and balance, daily combined book, and major book.
- 2- Social book. Associates registration, assembly acts, board's acts and attendance lists to assemblies.



**Article 126.** Cooperative associations must present their balances annually to IPACCOOP, during the 90 days after the closing of the economic exercise.

**Article 127.** In special cases, when certain cooperatives have difficulties to apply the dispositions of the law or regulations, because of their reduced capitals and lack of appropriate technical assistance; because of distant location from urban centers, IPACCOOP will be able to authorize a more simple accounting system, previous study and proved of such circumstances.

**Article 128.** When checking the financial status requires in additional original documents or when it is necessary to do the revising directly in the book and accounting vouchers, IPACCOOP will order whatever is necessary to fulfill such requisites.

**Article 129.** The accounts nomenclatures and the accounting general system of the cooperative must be applied according to the established regulation by IPACCOOP, previous agreement with the cooperatives and federations.

**Article 130.** When the association has two (2) or more activities, must fulfill the requisites of each one and also:

- 1- Control each activity separately, to determine the situation and profit of each one.
- 2- Establish, assign, supervise, and control the politics of implementation and execution.

**Article 131.** Cooperatives will be obligated to conserve their books permanently and the rest of their accounting documents for at least five (5) years.

If past this period, the documentation has not been (audited) it must be conserve until an auditory be performed to determine what documents must be kept in custody.

**Article 132.** All cooperatives are obligated to deliver to IPACCOOP, during the 30 days of their election, the names of the person elected to integrate the directive boards.

## **CHAPTER IV Sanction Regimen**

**Article 133.** The cooperatives, members of boards, interventors, and liquidators will be responsible for acts or omissions in the fulfilling of legal dispositions receiving the determined sanctions.

**Article 134.** To the thirds equally responsible, will receive the sanctions determined in the law, because of the board use of the denomination cooperative, or shorts COOP or COO, or by acts that implicate profits from rights and exceptions consented by cooperatives.

**Article 135.** Sanctions applied by IPACCOOP by violations determined in this law, will follow the next order of preferment:

- 1- Written amonestation
- 2- Ticket up to one thousand dollars (B/ 1,000.00)
- 3- Order of dissolution and liquidation of the cooperative, with the corresponding cancellation of the juridical person.

**Article 136.** To apply the sanction established in the previous article excepted numeral.

- 1- It will be necessary a previous investigation. In any case, the accused persons or entities will have the chance to present a defence, before competent authorities.

**Article 137.** The resolutions of the executive direction of IPACCOOP, will be susceptible of a resource of reconsideration before the same functionary, and appeal before the directive board of this institution.

The administrative act will be accomplished with the subjection, in all case, to the general rules anticipated about this matter.

**TITLE IV**  
**Final Transitory Dispositions**

**Article 138.** The administrative rules about cooperatives, updated until the date of promulgation of the present law, will proceed, if they are not contrary to these, while the corresponding regulation is dictated.

**Article 139.** The cases that are not foreseen in this law and its regulation will be resolved according to the cooperative right, statutes, doctrines and principles of cooperativism according to the regulations of the common right that for its nature and resemblance, can be applied to cooperatives.

**Article 140.** Cooperative associations must adjust their statutes, structures and functioning to the disposition of the present law, in a period of the twelve months, counting after its promulgation.

**Article 141.** This law modifies Decree 31 of 1981, derogates the law 38 of 1980, as well as all the dispositions that are contrary and will come into force since promulgation.

**(COMUNIQUESE Y CUMPLACE)**

**Approved in third debate, in the Justo Arosemena Palace, Panama City, on March 20<sup>th</sup>, 1997.**