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**LAW OF COOPERATIVES**  
**LAW Nº 1.031 (of September**  
**7, 1966)**

**TITLE I**

**Nature and purposes Article 1**

Cooperatives are private law societies, made up of natural or legal persons whose purpose is to plan and carry out activities or work for social or collective benefit, without pursuing profit motives, through a company managed in common and formed with the economic, intellectual and moral contribution of its members.

**Article 2**

The rights, obligations and activities of the cooperatives and their members will be governed by the norms established in this Law, in the General Regulations, in the special regulations and in the statutes, and by the universal principles of cooperatives.

**Article 3**

Cooperatives will not grant privileges to any of their members in particular, nor will they be able to participate in the benefits granted by this Law to those who are not members of them, except in the case of production, consumer or consumer cooperatives. services that, in accordance with the provisions of this Law or the General Regulations, are authorized to operate with the public.

**Article 4**

The cooperatives in formation may be called pre-cooperatives, and in this condition they will not develop other activities than those of organization.

But, once they are structured in accordance with this Law and its General Regulations, they will acquire legal status.

**TITLE II**

**Constitution and responsibility**

**Article 5** To constitute a cooperative,

eleven people are required, at least, except in the case of consumer cooperatives and those formed only by legal persons, which will require the number indicated in the General Regulations.

**Article 6**

The people interested in the formation of a cooperative, gathered in the General Assembly, will approve, by majority vote, the statute that will govern the cooperative.

**Article 7**

The Ministry of Social Welfare and Cooperatives is exclusively responsible for studying and approving the statutes of all cooperatives originating in the Country, granting them legal status and registering them.

**Article 8**

The date of registration in the Registry, which will be kept in the National Directorate of Cooperatives, will establish the principle of the legal existence of the cooperatives.

**Article 9**

If the statute does not express the contrary, it will always be understood that the responsibility of a

Cooperative is limited to share capital. However, the limited liability can be extended by resolution taken by the majority of the partners, in a General Assembly that has been convened for this purpose, and provided that the Ministry of Social Welfare and Cooperatives approves such reform in the statute.

#### **Article 10**

It will also be understood that a cooperative is constituted for an indefinite period of time, unless its duration is limited in the statute.

### **TITLE III**

#### **Members**

##### **Article 11**

Provided they meet the requirements established in the General Regulations and the bylaws, the following may be members of a cooperative: a) Those over 18 years of age who have no disability other than their age; b) Minors under 18 years of age, only in student and youth cooperatives; c) Married women, and d) Legal entities that do not pursue profit purposes.

*\*AMENDMENT:*

##### **Article 2**

*Article 11 is amended, which from now on will read:*

*"Article 11 Provided they meet the requirements*

*established in the General Regulations and in the bylaws, the following may be members of a cooperative: a) Those who have civil capacity to contract and be bound; b) Minors under 18 years of age and those who are under guardianship or conservatorship, to do so through their legal representative; c) Minors between 14 and 18 years of age, by themselves, in cooperatives students and youth; and, d) Legal entities that do not pursue profit."*

*(DS 3688-A.RO 892:9-VIII-79).*

##### **Article 12**

No person may be a member of a cooperative of the same class or line as the one to which that person or their spouse already belongs; except for the exceptions contemplated in the General Regulations.

##### **Article 13**

Neither may be members of a cooperative who have defrauded in any public or private institution, or who have been expelled from another cooperative for lack of honesty or probity.

##### **Article 14**

The members of a cooperative must have an occupation compatible with the fundamental activity that they are going to carry out in said entity.

##### **Article 15**

The National Directorate of Cooperatives will veto the entry of people or order the separation of the partner or partners who are included in the prohibitions of the previous articles or the General Regulations.

#### **Article 16**

The rights and obligations of the partners, the conditions for their admission or withdrawal and the causes for their exclusion will be determined in the General Regulations and in the statute of the cooperative.

#### **Article 17**

A cooperative may not exclude any partner without him having had the opportunity to defend himself before the respective bodies, nor may it restrict the use of his rights until there is a final resolution against him.

#### **Article 18**

Each partner will have the right to a single vote, regardless of the number of contribution certificates they hold, except for the exception indicated in article 26 of the General Regulations.

#### **Article 19**

No member shall have a vote when dealing, in any of the organizations, in any matter in which he has intervened as commissioner or employee of the cooperative.

#### **Article 20**

The members of a cooperative can separate from it at any time, and those who do so will not be responsible for the obligations incurred by the institution after the date of their departure.

#### **Article 21**

The people admitted as members of a cooperative will be responsible, in equal conditions with the other members, for the obligations contracted by the entity before joining.

#### **Article 22**

The personal creditors of the members of a cooperative may not exercise judicial action over all or part of the capital or assets of the institution.

#### **Article 23**

Members who, for any reason, cease to belong to a cooperative and the heirs of those who die will have the right to have the cooperative liquidate them and deliver their corresponding assets.

#### **Article 24**

In the liquidation referred to in the previous article, the following shall not be taken into account: the entrance fee, the irredistributable reserve fund, the education fund, the common property social assets that have not been converted into contribution certificates and the that have, by their nature, the nature of non-reimbursable, as well as the inheritances, donations and legacies made to the cooperative.

#### **Article 25**

The aforementioned liquidation will be carried out within the thirty days following the realization of the balance immediately after the separation or death of the partner.

#### **Article 26**

Members who leave voluntarily, those who are excluded from cooperatives, and the heirs of those who die may not deduct any percentage of their assets, apart from those deductions determined in Article 24 of this Law.

#### **Article 27**

The Board of Directors may not authorize the delivery of the assets of the separated or excluded member or the heirs of the deceased, until the liquidation of all pending obligations with the cooperative that have been contracted by said member during his term. permanence in the entity.

#### **Article 28**

In the statute of the cooperative it will be possible to stipulate that the members pay a quota for their entrance to it, to cover the expenses of organization; fee that will be the same for all partners, paid in money, at any time they enter.

#### **Article 29**

The people who, after the legal approval of a cooperative, are admitted as members, must pay the entrance fees and amortization fees that the founding members have covered, provided they are duly accounted for.

### **TITLE IV**

#### **Internal and administrative structure**

**Article 30** The government,

administration, comptrollership and supervision of a cooperative will be carried out through the General Assembly of Members, the Board of Directors, the Supervisory Board, the Management and the Special Commissions, in accordance with the attributions indicated in this Law, in the General Regulations and in the statute for each one of said organisms.

#### **Article 31**

The General Assembly is the highest authority of the cooperative, and its decisions are binding on all members. These decisions will be made by majority vote. In the event of a tie, whoever presides over the Assembly will have the casting vote.

#### **Article 32**

The General Assemblies can be ordinary or extraordinary, and will be called by the President of the Cooperative. The former will meet at least twice a year, in the month after the semi-annual balance is drawn up. And the second will be carried out at the request of the Board of Directors, the Supervisory Board, the Manager or at least one third of the partners.

#### **Article 33**

The vote in the General Assemblies may not be delegated, except in the case of large cooperatives or members who live far away from the domicile of the cooperative, in accordance with the provisions contained in the General Regulations and the bylaws.

#### **Article 34**

The General Assembly may meet with the attendance of the majority of the effective members of the cooperative. In the case of the second call, you can do it with the number of attending partners.

#### **Article 35**

The Board of Directors is the governing body of the cooperative, and will be made up of a minimum of three members and a maximum of nine, elected by the General Assembly.

#### **Article 36**

The Chairman of the Board of Directors will also be the Chairman of the cooperative and of the General Assembly.

**Article 37** If

the President is absent, he will be replaced in his functions by the Members of the Board of Directors, in the order in which they have been elected.

**Article 38**

When there are conflicts between partners and the President of the Cooperative, the General Assembly, if it deems appropriate, will designate a partner to preside over it, who will perform his duties without the intervention of the owner.

**Article 39**

The Supervisory Board is the supervisory body and controller of the activities of the Board of Directors, Management, administrators, heads and other employees of the cooperative.

**Article 40**

The number of members that the Administrative and Supervisory Councils must have will be determined by the number of members that the cooperative has, in accordance with the provisions of the General Regulations.

**Article 41**

Both the President of the Administrative Council and the Supervisory Council will be appointed by the respective Councils, from among their members.

**Article 42**

Difficulties and controversies arising between the Supervisory Board and any of the partners or between the partners will be resolved by the Board of Directors. If conflicts arise between the partners and the Board of Directors, they will be resolved by the Supervisory Board. Both the decisions of the Board of Directors and those of the Supervisory Board will be subject to appeal before the General Assembly.

**Article 43**

The Manager is the legal representative of the cooperative and its responsible administration, and will be subject to the provisions of this Law, the General Regulations and the statute.

**Article 44**

The Manager will be appointed by the Board of Directors, except for the exceptions established in the General Regulations.

**Article 45**

The Manager may not only guarantee the obligations authorized by the Statute or the General Assembly, in the cooperative's own businesses, and, under no circumstances, may commit the entity with bank guarantees or any other type given in personal favor of a member of the institution, strangers or himself.

**Article 47**

The Special Commissions can be appointed by the General Assembly or by the Board of Directors; but in all the cooperatives and integration organizations of the movement there will be an Education Commission and a Social Affairs Commission.

#### **Article 48**

The attributions, limitations and specific duties, both of the organizations and of the leaders of the cooperatives, are determined in the General Regulations, in addition to those that may be included in the statute of the institution, which may not be in conflict with the provisions of this Law or of the indicated Regulation.

### **TITLE V**

#### **Economic regime**

##### **Article 49** The social

capital of the cooperatives will be variable, unlimited and indivisible.

##### **Article 50**

The social capital of a cooperative will be composed: a) Of the contributions of the partners; b) Of the entrance fees and fines imposed; c) The irredistributable reserve fund and those destined for education, welfare and social assistance; d) Of the subsidies, donations, legacies and inheritances that it receives, the latter having to be accepted with the benefit of inventory, and e) In general, of all movable or immovable property that, for any other reason, the cooperative acquires.

##### **Article 51**

The contributions of the partners will be represented by nominative, indivisible certificates of equal value, which will be transferable only between partners or in favor of the cooperative, with prior authorization from the Board of Directors.

##### **Article 52**

The contribution certificates may have a value of one hundred, five hundred or one thousand sucres, except for the constant exception in the General Regulations.

##### **Article 53** If

the contributions are made in movable, immovable or livestock property, they will be appraised by an expert and certificates of contribution will be granted for the value that such assets represent.

##### **Article 54** In

certain types of cooperatives, and provided that the General Assembly approves it, the contributions of the partners may be made in work, which will be valued according to its importance.

##### **Article 55**

Contribution certificates will accrue interest not greater than 6% per year, which will be paid from the surplus, if any.

##### **Article 56**

The cooperative must always obtain authorization from the Ministry of Social Welfare and Cooperatives to issue contribution certificates.

##### **Article 57**

No partner may alienate, assign, mortgage, encumber or exploit all or part of the social capital for personal benefit.

#### **Article 58**

Nor may a member offset the debts they have in the cooperative with their contribution certificates, except for the exceptions indicated in the General Regulations.

#### **Article 59**

The members of a cooperative must pay, before presenting the statute of the cooperative for approval, at least 50% of the value of the contribution certificates they have signed, according to the initial financing plan. The balance will be paid in the period indicated by said statute, which in no case will be in a period greater than one year.

#### **Article 60**

The economic benefits that a cooperative obtains will be called surpluses, and are the result of withholdings made to the members, for forecast, or of sums collected in excess in the services of the institution, and that are returned to them, in time and form and with the deductions established in the General Regulations. For the same reason, such surpluses will not be considered profits for the purposes indicated in the tax and trade laws.

#### **Article 61**

The cooperatives will compulsorily distribute the surpluses among the members, after making the balance corresponding to the end of the fiscal year. Said distribution will be made in proportion to the operations or work carried out by the members in the cooperative and with the deductions established in the General Regulations.

Insurance cooperatives are excepted from this provision, which will distribute the surplus according to an actuarial formula that will be established for this purpose, and in which various factors will be taken into account, such as age, time the member has been paying for the policy, etc. .

#### **Article 62**

Losses suffered by cooperatives will be apportioned among the members.

### **TITLE VI**

#### **Classification of cooperatives**

**Article 63** Cooperatives, according

to the activity they are going to develop, will belong to only one of the following groups: production, consumption, credit or services.

#### **Article 64**

Production cooperatives are those in which their partners are personally engaged in lawful productive activities, in a jointly managed company.

#### **Article 65**

Consumer cooperatives are those whose purpose is to supply members with any kind of articles or free trade products.

#### **Article 66**

Credit cooperatives are those that receive savings and deposits, make discounts and loans to their members and verify payments and collections on their behalf.

#### **Article 67**

Service cooperatives are those that, without belonging to the previous groups, are organized in order to fill various common needs of the members or the community.



#### **Article 68**

In each of these four groups, different classes of cooperatives may be organized, in accordance with the classification and provisions of the General Regulations; classification and provisions that may be expanded or amended by the Ministry of Social Welfare, according to the standards established in this Law.

#### **Article 69**

Similarly, in any of the four groups, student and youth cooperatives may be established; if their activity is not incompatible with the quality of the partners.

#### **Article 70**

In addition to the fundamental activity to which each cooperative is dedicated, according to its class or line, different additional services may be established in it that benefit the members.

### **TITLE VII**

#### **Organizations of cooperative integration**

**Article 71** The integration of the cooperative

movement will be done through the following organizations: The National Federations of Cooperatives and the National Confederation of Cooperatives; Cooperative Unions and Associations, and Cooperative Credit Institutions.

#### **Article 72**

The National Federations of Cooperatives are the second degree groups, which bring together all the cooperatives of the same class or line existing in the country, and whose purpose is to unify, coordinate and promote the respective cooperative movement, and carry out the work of control oversight of its affiliates, through the agencies determined in the General Regulations.

#### **Article 73** It

will not be possible to constitute more than one National Federation of Cooperatives of each class or line, except for the constant exceptions in Title XI of this Law.

#### **Article 74**

The National Confederation of Cooperatives is the third degree grouping, formed by all the National Federations and by the cooperatives of the lines in which, due to not reaching the necessary number, they are not constituted as a Federation.

#### **Article 75**

The National Confederation of Cooperatives is the highest body of the Ecuadorian cooperative movement.

#### **Article 76**

Cooperatives of the same class will necessarily join the respective Federation, and Federations will also join the National Confederation of Cooperatives.

#### **Article 77**

The National Confederation of Cooperatives and the National Federations will be organized with the number of Federations or cooperatives indicated in the General Regulations.

#### **Article 78**

Unions are groups of two or more cooperatives of the same class or line, which are

They associate, circumstantially or permanently, to obtain greater success in their goals and defend or reinforce their economic and social interests.

#### **Article 79**

Associations are groups of two or more cooperatives of a different class or line, which are organized under the same conditions as those of the Unions, in order to fulfill the same purposes as those of the Unions.

#### **Article 80**

Cooperative Credit Institutions are those whose purpose is to establish and facilitate credit to cooperative organizations, for the best fulfillment of their purposes. Said institutions are: the Cooperative Credit Unions, the Cooperative Banks and the Popular Banks.

#### **Article 81**

The Cajas de Crédito Cooperativo are unions or associations of cooperatives, which pool their capital and savings, in order to establish a broader credit service between them or in favor of their members. Said Savings Banks can be local, provincial and the Central.

#### **Article 82**

Cooperative banks are those that are organized among various cooperatives of any kind, credit unions, unions or associations, in order to provide credit, with low interest and convenient terms and conditions, to cooperative organizations that meet the requirements stipulated in the regulations of said banks.

#### **Article 83**

Bancos Populares are the banking institutions formed between Cooperatives of artisan or industrial production, unions and societies of workers or artisans, in general, organized cooperatively, in order to make loans to said entities and carry out with them or with their partners any kind of banking operations.

#### **Article 84**

The Cooperative Banks, the Popular Banks and the Central Bank of Cooperative Credit will be governed by this Law and the General Regulations, by the existing laws on the matter and by the special regulations that the Superintendency of Banks will issue to facilitate their operation.

#### **Article 85**

The local and provincial Cooperative Credit Funds will be governed by the constant provisions in this Law, in the General Regulations and in their statutes and internal regulations.

#### **Article 86**

The prohibitions, benefits, and sanctions that this Law and the General Regulations establish for cooperatives will also apply to all organizations of integration of the movement, to which that title refers, insofar as it is applicable to them.

#### **Article 87**

The form of organization and the attributions and duties of the Unions, Associations, Credit Funds, Federations and the National Confederation of Cooperatives are determined in the General Regulations.

#### **Article 88**

The Unions, the Associations, the local and provincial Credit Unions, the Federations and the National Confederation of Cooperatives will acquire legal status when they are constituted in accordance with this Law and the General Regulations, and will be registered as established in articles 7 and 8 of this law.

## **TITLE VIII**

### **Promotion and surplus Article 89**

The National Cooperative Council is the highest official body in charge of research, coordination, planning and promotion of cooperative activity in the Country, and the approval of all cooperative education programs.

### **Article 90**

The National Cooperative Council will be integrated by:

1. The National Director of Cooperatives; 2. A representative of the National Board of Planning and Economic Coordination; 3. A representative of the National Confederation of Cooperatives; 4. A representative of the Cooperative Credit Institutions; 5. A representative of the Ecuadorian Cooperative Institute; 6. A representative of the Ecuadorian Institute of Agrarian Reform and Colonization; and, 7. A representative of the Ministry of Public Education.

### **Article 91**

By invitation or at the request of the National Cooperative Council, delegates from national organizations or foreign missions that develop cooperative programs in the country may attend its sessions as advisors or informants.

### **Article 92**

The sessions of the National Cooperative Council of Cooperatives and in its absence, by another of its members. Its resolutions will be mandatory for all cooperative organizations and official and private organizations for cooperative promotion.

### **Article 93**

All the activities and resolutions of the National Cooperative Council will be carried out by the Executive Director of said Council.

### **Article 94**

The National Directorate of Cooperatives is the dependency of the Ministry of Social Welfare that, on its behalf, carries out all the procedures for the approval and registration of cooperative organizations; supervises and advises them; approves their work plans, and oversees compliance with this Law and its General Regulations, applying the corresponding sanctions, when applicable.

### **Article 95**

The Ministry of Social Welfare will designate, from the shortlists submitted for consideration by the National Cooperative Council, the Executive Director of said Council and the Executive Director of said Council and the National Director of Cooperatives, respectively; and in addition, it will provide the necessary personnel for the operation of the National Cooperative Council and the National Directorate of Cooperatives.

### **Article 96**

The Executive Director of the National Cooperative Council of Cooperatives shall not freely

removal of the Executive, and they will last four years in their functions; being able to continue for equal periods, if they were confirmed in the charges, at the end of each period.

#### **Article 97**

The purposes and powers of the National Cooperative Council and the National Directorate of Cooperatives, as well as the resources available to these organizations to fulfill their functions, are indicated in the General Regulations.

### **TITLE IX**

#### **Dissolution and liquidation Article 98** Any

cooperative may be dissolved by agreement of the Ministry of Social Welfare, following a report from the National Directorate of Cooperatives, if it is included in one or more of the following causes: 1. The time for which it was established; 2. To have resolved its dissolution by vote taken in this sense by two thirds of all the partners, at least, in a General Assembly called for that purpose; 3. Having decreased the number of partners from the legal minimum, and having remained so for more than three months; 4. Not having carried out, in the period of two years, the necessary activity to achieve the purposes for which it was established; 5. By merger with another cooperative; 6. Due to violation of the Law, the General Regulations or the statute; 7. For repeatedly contravening the provisions issued by the Ministry of Social Welfare or promotion and supervision agencies; 8. For bankruptcy; and, 9. For any other reason stated in the statute.

#### **Article 99**

The Ministry of Social Welfare and Cooperatives, with the exception of the fifth cause of the previous article, will designate a liquidator, who will intervene in all the acts of liquidation and will exercise its functions in accordance with the provisions indicated in the General Regulations.

#### **Article 100**

The cooperative will retain its legal status for the purposes of the liquidation, while it lasts. But the words "in liquidation" will be added to the company name.

#### **Article 101**

From the moment a cooperative is declared in liquidation, its administrators may not carry out new operations in its name or commit the entity in any way, and they will be personally responsible for the consequences of such acts, if they did so.

### **TITLE X**

#### **Benefits and sanctions**

##### **Article 102** The State,

considering that the cooperative system is one of the positive means for the economic, social and moral development of the country, declares cooperative organizations of national necessity and public benefit and guarantees their free development and autonomy.

With a view to such purposes, it will set appropriate items in the National Budget to help disseminate and promote this system.

**\*Article 103.**- In addition, it grants cooperatives the following benefits: a) Exemption from stamp duty and stamped paper in the procedures to obtain legal status and in judicial and extrajudicial proceedings in which they intervene; \*b) Exemption from taxes on income, working capital and others that are levied on working capital and others that are levied on commercial or industrial companies; \*(REPEALED: L56. RO 341: 22-XII-89). c) Exemption from the tax on premiums in insurance cooperatives, when they operate with cooperatives or with their partners, with the exception of the 0.50% that will be paid for maintenance by the Superintendency of Banks; d) Exemption from fiscal, municipal, special and any other type of taxes in contracts for the purchase and sale of real estate acquired by cooperatives This benefit extends to individuals who sell such real estate to them. The use of this right is subject to the provisions of the General Regulations; e) Preference in tenders called by the State, Municipalities and other public bodies, when the cooperatives compete on equal terms with other participants; f) Liberation of taxes on imports of tools and agricultural and industrial machinery and seeds, plants and studs, made by the cooperatives and organizations of the system, for common use of the members, for the improvement of production or for the establishment of cooperative industries; g) Exemption from export taxes that artisan or artistic cooperatives carry out on their products; and, h) Preference in the expropriation of lands in favor of cooperatives made up of peasants, small tenants and more precarious land holders. These appropriations will be processed by the Ecuadorian Institute of Agrarian Reform and Colonization, in accordance with the pertinent legal provisions.

**\*ADD: Article**

**3 After Article**

**103** , add the following: "*Article... Savings and Credit*

*Cooperatives will enjoy, in addition to the following special benefits: a) In promissory notes issued to the order of Savings and Credit Cooperatives , can be stipulated in the same title, successive maturities, without losing its quality of promissory notes to order; b) The exemptions contemplated in Article 47 are extended to credit operations granted by Savings and Credit Cooperatives to their members, of the Law on the Ecuadorian Housing Bank and Mutual Associations of Savings and Credit for Housing, published in the Official Gazette No. 802, of May 14, 1975, and the constants in Supreme Decree No. 731, of September 20, 1976, published in the Official Gazette No. 175, of the same month and year. The loans granted and guaranteed by pledge or mortgage, will enjoy the same exonerations, which are extended to pre stataries of said Associations, in all the acts or contracts they celebrate with them; c) It is extended, likewise, to these Cooperatives, the provisions in favor of the Ecuadorian Housing Bank, in Article 1o. From Supreme Decree No. 3131, issued on January 4, 1979, and published in the Official Gazette No. 793 of March 16, 1979".*

(DS 3688-A. RO 892: 9-VIII-79).

#### **Article 104**

The members of the cooperatives are not individually exempt from paying income tax and the rest that corresponds to them as Ecuadorian citizens, except those who, in accordance with the provisions of the previous article, benefit them for being a member of the Institution.

#### **Article 105**

Municipalities and Provincial Councils will help the development of cooperatives through appropriate items set in their budgets, provision of premises, technical assistance and other similar means.

#### **Article 106**

In addition, the Municipalities will issue ordinances that facilitate the implementation of popular housing programs based on the cooperative system.

#### **Article 107**

The Ministry of Public Education will establish in its programs the compulsory teaching of cooperative doctrine in schools and colleges of the Republic, and will promote and sponsor the formation of student and youth cooperatives.

Likewise, the Ministry of Social Welfare will organize youth cooperatives in the establishments for the protection and rehabilitation of minors under its charge.

#### **Article 108**

The National Development Bank will establish in its budgets sufficient credit quotas, with reduced interest and adequate terms, to make loans to cooperative organizations.

#### **Article 109**

The State may guarantee the credits that the cooperatives or the integration organizations of the movement obtain from international agencies or foreign banks and credit organizations, subject to the current legal provisions, provided that said credits are to finance programs or works characteristic of the lending institutions and their success is assured.

#### **Article 110**

The cooperatives and the organizations of integration of the movement that, withdrawn or in a serious way, infringe the provisions contemplated in this Law and in the General Regulations may be intervened by the National Directorate of Cooperatives or dissolved, as the case may be, according to the procedure established in the General Regulations.

#### **Article 111**

In addition to what is stated in the previous article, the Ministry of Social Welfare, through the National Directorate of Cooperatives, will impose pecuniary or moral sanctions on cooperative organizations, leaders or members that do not comply with the provisions of this Law, of General regulation, special regulations or statutes.

#### **\*Article 112**

The fines will be collected by the National Directorate of Cooperatives; the same that will enter the Special Account of the National Cooperative Education Fund, which will be opened in a Cooperative Bank and which will be administered by the National Cooperative Council.

*\*AMENDMENT:*

#### **Article 172 In**

*all legal norms where it is provided or authorized to liquidate or accredit, open or manage a current or special account, in the Central Bank of Ecuador or in the National Development Bank, at the order of the official entities or of its officials, treasurers or payers and participants in public revenue, amended in the sense that such financial resources will be accredited or deposited in the State Bank, in the Single Current Account of the National Treasury or in the accounts of the respective entities.*

*In particular, the following legal provisions are reformed in this sense: Number 42. **Article 112** of DS 1031, Law on Cooperatives, RO 123: 20-IX-66 is reformed. Reference **Article 172**. (DL 02. RO-S 930: 7-V-92).*

#### **Article 113**

The action to make the fines effective will prescribe in one year.

#### **Article 114**

The amount of the fines will be set according to the seriousness of the infractions and the economic capacity of the responsible entities, leaders or partners.

### **TITLE XI**

#### **Special Provisions**

##### **Article 115** Each class of

cooperatives will be subject, in addition to the general provisions, to the special provisions contained in this Law, in the General Regulations and in their respective statutes, provided that the latter is not in conflict with the provisions legal or regulatory and with the cooperative principles.

##### **Article 116**

The national insurance cooperatives will be subject to the General Cooperatives Law and Regulations regarding their organization, and to the General Insurance Law and the special provisions that it will dictate in terms of their operation, comptrollership and supervision. the Superintendency of Banks to facilitate the activity of such cooperatives.

##### **Article 117**

Agricultural cooperatives will be subject, in addition to the provisions established in this Law and in the General Regulations, to those established in the Agrarian Reform and Colonization Law and in the regulations of the Ecuadorian Institute of Agrarian Reform and Colonization.

##### **Article 118**

The Unions of housing and transportation cooperatives will always be provincial.

##### **Article 119**

The agricultural, fruit, wine-growing, family orchard, colonization, communal, forestry, and livestock cooperatives, referred to in the General Regulations, will form a single federation, which will be called the National Federation of Agricultural Production Cooperatives and Marketing. However, if the cooperatives belonging to any of the aforementioned classes develop in sufficient number to organize their own Federation, they may do so, disassociating themselves from the aforementioned Federation of Cooperatives.

##### **Article 120**

The cooperatives of the credit group will form the National Federation of Credit Cooperatives.

##### **Article 121**

The cooperatives of the consumer group, with the exception of urban and rural housing cooperatives, will form the National Federation of Consumer and Supply Cooperatives.

##### **Article 122**

The special provisions established in this Law and in the General Regulations for certain types of cooperatives may not be extended to others.

## **TITLE XII**

### **General Provisions**

#### **Article 123** Persons,

companies, companies or other organizations that do not adhere to the provisions of this Law, may not use the words "cooperative" on their letterheads, advertisements, signs, documents, publications, etc. or "cooperative" or others that could lead one to believe that it is a cooperative or any of the system integration organizations referred to in Title VII of this Law.

#### **Article 124**

The National Directorate of Cooperatives will notify those who violate the provisions of the previous article, so that they suspend the improper use of the indicated words; and if, after thirty days, this order has not been complied with, it will impose a fine of one thousand to five thousand sucres on the offender, without prejudice to the civil or criminal liability that may arise due to the consequences arising from the illegitimate use of those words.

**Article 125.-** All National Federations of Cooperatives must submit their work plans to the National Directorate of Cooperatives for approval. If they do not do so, said dependency may veto the plans and sanction the Federations.

#### **Article 126**

The Federations or Unions of Cooperatives belonging to the Production or Consumption groups, can establish industries for the elaboration of the articles, products or materials that these cooperatives or their members require, and will enjoy the same privileges and exemptions. that this Law and the General Regulation grant to cooperative organizations.

#### **Article 127**

Both the National Confederation of Cooperatives and the Federations, Unions and Associations are obliged to send the annual report of their activities and the semi-annual balance sheets to the National Directorate of Cooperatives.

#### **Article 128**

The Confederation and the National Federations of Cooperatives will dedicate at least 25% of their income to cooperative education.

#### **Article 129**

The cooperatives that have real property in common property or that have not yet divided them among the partners, will value said assets, and will deliver their value to the partners in certificates of contribution; and if, after some time, the undivided assets have increased in price, the partners will receive in certificates of contribution, the proportional equivalent of such increase, after deduction of 20% of the Reserve Fund, 5% of the Education Fund and 5% of the Provident Fund and Social Assistance.

#### **Article 130**

In cooperatives that have machinery and expendable personal property in general, an amortization percentage must be established annually and on a mandatory basis to cover the wear and tear or depreciation of such assets.

#### **Article 131**

Cooperatives, such as housing or family orchards and others referred to in the



General Regulations, that need to be capitalized by periodic contributions or that must keep the capital immobilized until the fulfillment of their purposes, will not pay interest on the contributions of the partners.

**Article 132**

No cooperative that, due to the purposes it pursues, has its capital temporarily immobilized, may pay administration expenses from said capital; since such expenses will be covered with special quotas of the partners to avoid decapitalization.

**Article 133**

The cooperatives and the integration organizations of the movement may enter into agreements among themselves, for the granting of loans in money, in kind or in machinery.

**Article 134**

National cooperatives may enter into agreements with foreign cooperative organizations for the sale, purchase or barter of their products.

**Article 135**

National Cooperatives may associate with foreign cooperatives to improve or modernize the systems of exploitation, production or marketing of their products or products; but before, they must submit, for their approval, the work plan and the conditions of association, to the National Directorate of Cooperatives, which may set conditions or issue special regulations for that purpose.

**Article 136**

The leaders of a cooperative or of any organization that integrates the movement, who perform work or functions inherent to that quality, or the members who fulfill commissions of the cooperative or of the organization, will not receive any remuneration for it nor will they be covered by the Labor Code, except in the case of Article 46 of this Law and the one indicated in Article 213 of the General Regulations. But the people, who provide professional, administrative or technical services in the institution, by virtue of an employment contract, verbal or written, will enjoy all the rights established in the labor and Social Security laws, including participation in surpluses, even if they are not profits.

**Article 137**

Members who, due to their status as such, have to work in the Cooperative, will receive an emolument for their work, in advance of the benefits that the cooperative can obtain; emolument that will be set by the General Assembly, according to the type of work that the partner performs, and that, in no case, will be less than the minimum salary set for such activity. These partners will not be protected by labor laws, but they will be affiliated to Social Security; the cooperative must be registered as patron.

**Article 138**

In the cooperatives referred to in the previous article, there may not be salaried workers, who are not members of them, in a percentage greater than 30% of the members of said Cooperatives.

**Article 139**

The members of the Administration or Validity Councils and the Manager may not be related to each other within the fourth degree of consanguinity or second degree of affinity.

**Article 140**

Nor may persons who have the aforementioned degrees of kinship be on the Presidency, on the Board of Directors or on the Supervisory Board.

#### **Article 141**

When the incompatibilities indicated in the previous articles arise, the elections will in fact be invalid, and they will be carried out again. In any case, upon verification of the existence of such incompatibilities, the Ministry of Social Welfare, through the National Directorate of Cooperatives, may declare the appointments illegal and proceed in accordance with the provisions of the General Regulations.

#### **\*Article 142**

The Manager and the members of the Board of Directors and the Board of Directors and the Supervisory Board will be jointly and severally responsible, civilly and criminally, for the management of the cooperative's funds, as long as the accounts of its administration are not approved by the National Directorate of Cooperatives.

*\*SUSPEND: 1.*

*Suspend, ex officio, partially, due to fundamental unconstitutionality, Article 142 of the Cooperatives Law insofar as it establishes joint liability in criminal matters for the Manager, members of the Board of Directors and the Supervisory Board of a cooperative.*

*(R.TGC. RO 798: 25-X-91.).*

*\*RESOLUTION: ...the*

*resolution has been confirmed, declaring **Article 142** of the Cooperatives Law unconstitutional.*

*(CS Judgment No. 11/93. RO 299: 19-X-93)*

#### **Article 143**

The members of the Administration and Surveillance Council, the Manager and the other employees who were perpetrators, accomplices or concealers of embezzlement, fraud or arbitrary disposition of assets or money of the cooperative will be responsible for these infractions and will be judged and punished. in accordance with the provisions of the respective Law for tax fraudsters.

#### **Article 144**

Except for the constant exception in article 46 of this Law, the Manager and the members of the Administration and Surveillance Council may not enter into work, commercial or any other type of contracts that mean personal gain, with cooperatives or organizations of integration of the movement in which they perform such functions. If they do so, these contracts will be declared void, without exempting them from the civil or criminal liability that may arise.

#### **Article 145**

Cooperatives and movement integration organizations must call a price contest to carry out studies or work on the works in which they undertake, or for the purchase of land, machinery or more implements, where there may be commercial firms or individuals. interested in such studies, works or sales, as determined by the General Regulations. If it proceeds without prior qualification, the adjudication of the workers or the acquisitions will be declared null and void.

#### **Article 146**

For the qualification of the offers in the price contest, referred to in the previous article,

A qualifying commission must be established, which will be made up of the members of the National Cooperative Surveillance Council.

#### **Article 147**

Relatives in the fourth degree of consanguinity or second degree of affinity of the Manager, of the members of the Board of Directors or the Supervisory Board of a cooperative or of a System Integration Organization, may not enter into the contracts referred to article 144 or participate in the price contests referred to in article 145, with the institutions where their relatives exercise the aforementioned dignities.

#### **Article 148**

Popular action is granted to denounce the infractions or irregularities committed in the cooperatives or integration organizations of the movement.

#### **Article 149**

The National Directorate of Cooperatives and the National Federations of Cooperatives will keep a list of the people who have been expelled from the cooperative organizations for lack of honesty, for disloyalty to the institutions or for dissociators, and of those who have used the cooperativism as a form of exploitation or deception of citizens.

These people may not join any cooperative organization or engage in system promotion activities; and, in the case of the latter, they will be prosecuted for fraud.

#### **Article 150**

For the protection against third parties of the domain rights of agricultural production, colonization and communal cooperatives referred to in the General Regulations, the procedure established in the Legal Statute of Peasant Communities will be applied, and the conflicts that arise will be will air in the Ministry of Social Welfare.

#### **Article 151**

In the conflicts referred to in the previous article, the National Director of Cooperatives will be the first instance judge; whose resolutions or judgment may be appealed to before the Ministry of Social Welfare, whose ruling will be enforceable.

#### **Article 152**

Cooperatives that carry out urban or rural housing programs may request the Housing Bank to expropriate the land they require for the fulfillment of their plans, in accordance with the existing legal provisions in this regard.

#### **\*Article 153**

The houses, apartments, plots of land, parcels or farms acquired under ownership by members through housing, agricultural, colonization or family garden cooperatives constitute family patrimony and may not be seized by individuals except in the excess of the maximum indicated by the Law for the constitution of said patrimony. Only those who have sold them to the cooperatives, and in whose favor a mortgage has been constituted, or the banking, state or other institutions that have financed the construction or acquisition of the dwellings or the properties of said cooperatives, and the persons who by law have the right to food.

\*AMENDMENT:

#### **Article 4**

Amend **Article 153**, which will read: "**Article 153** Houses, apartments, plots of land, plots or farms acquired under ownership by the

*Members, through housing, agricultural, colonization or family garden cooperatives constitute Family Assets and may not be seized by individuals except in excess of the maximum established by Law, for the constitution of said Assets. This right may only be exercised in all said assets by persons who by Law have the right to food or who have sold them to the Cooperatives, and in whose favor a mortgage has been constituted, in security of the agreed price, or the institutions of Public Law or Private that, with the same guarantees, have personally financed said Cooperatives or their associates, the construction or acquisition of homes or properties, either through the latter or for the former. Notwithstanding the foregoing, notwithstanding the fact that the obligations secured by mortgages are pending payment, the Cooperatives may, at any time, with the consent of the mortgagee, award the referred lots to their members by lot and, in this case, each The beneficiary may mortgage the property that is awarded to him, despite the family assets that encumber it, in favor of the seller or the lending Institution, limiting said guarantee to the amount of the obligations that personally corresponds to him, a mortgage that will have the same effects indicated with regarding the embargo".*

(DS 3688-A. RO 892: 9-VIII-79).

#### **Article 154**

Both the Ministries of State and the autonomous entities of public or private law can establish dependencies dedicated to the promotion of certain types of cooperatives, indicating conditions for their constitution and assistance. But only the Ministry of Social Welfare and Cooperatives is responsible for approving the statutes of all cooperatives in the Country, registering and supervising them.

**Article 155.**-When a cooperative divides its assets among the members, whether they are farms, plots of land, houses, machinery, livestock, etc., said partners may not benefit from the amount that, of the value of such assets, is shared with the cooperative, in order to be allocated to the National Fund for Cooperative Education the value of those donations, inheritances or legacies, which, according to articles 24 and 50 of this Law, they form part of the social capital and cannot benefit the partners individually.

#### **Article 156**

The cases in which donations, inheritances or legacies have been invested in works or goods of common social utility, such as urbanizations, dispensaries, warehouses, machinery, tools, etc., of which the partner does not benefit exclusively.

#### **Article 157**

Natural persons may establish institutes, schools or training centers for the teaching of cooperative doctrine and for the organization and counseling of cooperatives; but, for this, these educational establishments must acquire legal status, presenting their statutes to the Ministry of Social Welfare, which will be approved, after a favorable report from the National Directorate of Cooperatives.

#### **Article 158**

All national and foreign institutions and organizations dedicated to cooperative education and promotion must obtain the approval of their work programs from the National Cooperative Council.

#### **Article 159**

State agencies, movement integration organizations and legal entities whose statutes authorize them to engage in cooperative promotion or education, may also establish schools, institutes or cooperative training centers, without meeting the requirements determined in article 157.

#### **Article 160**

The workers, employees or retirees of private or public law entities or of the National Insurance Fund, respectively, may fulfill their obligations towards the cooperatives to which they belong, through written orders issued against the companies in which they provide their services, or against the aforementioned Fund, up to 25% of their wages or salary.

#### **Transitory dispositions**

##### **First**

Cooperatives and other system integration organizations that exist in the Country on the date this Law enters into force must submit to it and, if necessary, reform their bylaws within a period of six months, from the indicated date.

The National Directorate of Cooperatives will open a new Registration Registry, in which all cooperatives will be re-registered within the same term.

In the re-registration, all the data concerning the cooperatives will be updated, and they will be classified within the four groups and the constant classes in this Law and in the General Regulation, respectively.

Cooperatives and system integration organizations that do not comply with these provisions will be dissolved by the Ministry of Social Welfare.

##### **Second**

Until the National Confederation of Cooperatives is established, the representative of this organization to the National Cooperative Council will be designated by the National Federations of Cooperatives that currently exist.

##### **Third**

While the Cooperative Credit Institutions are properly organized, the representative of said institutions to the National Cooperative Council will be appointed by the Bank of Cooperatives that operates in Quito.

##### **Fourth**

Likewise, until the Ecuadorian Cooperative Institute is established, the representative before the National Cooperative Council will be the professor of cooperative doctrine or social legislation of the Central University.

##### **Fifth**

Until the National Federations of Cooperatives establish their control system for the affiliated cooperatives, the National Directorate of Cooperatives will carry out the control and control of said cooperatives when necessary.

#### **final articles**

##### **Article 1**

The Law on Cooperatives, which was issued by Supreme Decree No. 16, of November 30, 1937, published in the Official Gazette No.31, of December 1 of the same, is hereby repealed.

year and its codification published in the Supplement to the Official Gazette No. 1202, of August 20, 1960.

**Article 2**

The Minister of Social Welfare will issue, by Ministerial Agreement, both the new General Regulations that regulate this Law on Cooperatives, as well as the special regulations and reforms to said regulations, when necessary; all of which will have binding force.

**Article 3**

Until the new General Regulations are issued, the General Regulations issued by Supreme Decree No. 34, of February 9, 1938, and published in the Official Gazette No. 120, of March 21, 1938, in everything that does not oppose this Law.

**Article 4**

Likewise, all the provisions contained in the general and special laws and in the regulations that are in opposition to this Law are repealed.

**Article 5**

The Minister of Social Welfare and Cooperatives shall be in charge of the execution of this Law; the same that will enter into force from its publication in the Official Gazette.