

LAW

ON COOPERATIVES

(No. 18/2003/QH11 of November 26, 2003)

Pursuant to the 1992 Constitution of the Socialist Republic of Vietnam, which was amended and supplemented under Resolution No. 51/2001/QH10 of December 25, 2001 of the Xth National Assembly, the 10th session;

This Law prescribes the cooperatives.

Chapter I

GENERAL PROVISIONS

Article 1. Cooperatives

A cooperative is a collective economic organization established under the provisions of this Law by individuals, households or legal persons (hereinafter referred collectively to as cooperative members) who share common demands and interests, and volunteer to contribute capital and labor in order to bring into play the collective strength of each cooperative member, to help one another efficiently conduct production/business activities and improve the material and spiritual life, thus contributing to the national socio-economic development.

A cooperative operates as a type of enterprise, having the legal person status, enjoying autonomy and taking self-responsibility for financial obligations within the scope of its charter capital, accumulated capital and other capital sources according to law provisions.

Article 2. Scope of regulation

This Law prescribes the setting up, organization and operation of cooperatives in all branches and domains of the national economy.

Article 3. The State's policies towards cooperatives

1. The State shall implement the following policies towards cooperatives:

a/ To promulgate and implement policies and programs to support the development of cooperatives in terms of personnel training; human resource development; land; finance; credit; establishment of funds in support of development of cooperatives; scientific and technological application; marketing and market expansion; infrastructure development investment; and to create conditions for cooperatives to participate in the State's socio-economic development

programs;

b/ To encourage and create favorable conditions for cooperatives to develop;

c/ To ensure that cooperatives' legal position and production/business conditions are equal to those of enterprises of other types;

d/ To protect cooperatives' legitimate rights and interests according to law provisions;

e/ To respect cooperatives' rights to autonomy, self-determination and self-responsibility in production and business activities;

f/ Not to interfere in cooperatives' lawful management and operation.

2. For agricultural cooperatives, the Government shall specify preferential policies suitable to their specific characteristics and development degrees in each period.

Article 4. Interpretation of terms

In this Law, the words and phrases below shall be construed as follows:

1. *Minimum contributed capital* means a sum of money or value of assets, including land-use right value, property right to inventions, technical know-hows and other valuable papers, which are monetized, to be compulsorily contributed by cooperative members when they join the cooperatives.

2. *Labor contribution* means the cooperative members' participation in the building of cooperatives in forms of direct management, productive labor, business, consultancy and other forms of participation.

3. *The cooperative's charter capital* means the total capital contributed by the cooperative members and inscribed in the cooperative's charter.

4. *The cooperative's logo* means the exclusive symbol of each cooperative representing particular characteristics of such cooperative and distinguishing it from other cooperatives and enterprises.

5. *Cooperative's services provided to its members* mean the provision of goods or supplies by the cooperative to its members in material or non-material form, for which the members have the demand and must pay to the cooperative.

6. *The extent of use of the cooperative's services* means the ratio between the value of services provided by the cooperative to each member and the total value of services provided by the cooperative to all of its members.

7. *Economic commitment between the cooperative and its members* means economic ties

between the cooperative and its members.

Article 5. Principles for organization and operation of cooperatives

Cooperatives shall be organized and operate on the following principles:

1. Voluntariness: All individuals, households and legal persons, that fully meet the conditions prescribed by this Law and agree to the cooperative's charter, may join the cooperative; cooperative members may leave the cooperative in accordance with the provisions of the cooperative's charter;
2. Democracy, equality and publicity: Cooperative members may participate in managing, examining and supervising the cooperative and have equal voting right; make public production/business plans, finance, distribution and other issues prescribed in the cooperative's charter;
3. Autonomy, self-responsibility and mutual benefits: The cooperative shall enjoy autonomy and take self-responsibility for the results of its production/business activities; and decide by itself on income distribution.

After fulfilling the cooperative's tax payment obligations and offsetting its losses, a part of profits shall be channeled to the cooperative's funds, another part shall be distributed according to capital and labor contributions of the cooperative members, and the rest shall be distributed to the cooperative members according to the extent of using the cooperative's services;

4. Cooperation and community development: Cooperative members must have the sense of bringing into play the spirit of collective building and cooperation with one another in the cooperative and social community; cooperation with domestic and foreign cooperatives in accordance with law provisions.

Article 6. Rights of cooperatives

Cooperatives shall have the following rights:

1. To select production/business lines not banned by law;
2. To decide on the form and structure of their production/business organization;
3. To conduct direct import/export or enter into joint-venture or association with domestic and foreign organizations and individuals for production/business expansion in accordance with law provisions;
4. To hire labor if cooperative members fail to meet the cooperatives' production/business requirements according to law provisions;
5. To decide on the admission of new members, permit members to leave the cooperatives, and

expel members according to the provisions of the cooperatives' charters;

6. To decide on the distribution of incomes, and handle the cooperatives' losses;

7. To decide on the commendation and/or reward of members who record numerous achievements in the cooperative building and development; to discipline members who violate the cooperatives' charters; and to decide on the compensation paid by members for damage caused to the cooperatives;

8. To borrow capital from credit institutions and mobilize other capital sources; to organize internal credit according to law provisions;

9. To have industrial property right protected according to law provisions;

10. To refuse organizations' or individuals' requests contrary to law;

11. To lodge complaints about acts of infringing upon the cooperatives' legitimate rights and interests;

12. To exercise other rights under law provisions.

Article 7. Obligations of cooperatives

Cooperatives shall have the following obligations:

1. To conduct production/business strictly according to the registered production/business lines or commodity items;

2. To strictly observe law provisions on accounting, statistics and audit;

3. To pay taxes and fulfill other financial obligations according to law provisions;

4. To preserve and develop their working capital; to manage and use the State-assigned land according to law provisions;

5. To bear responsibility for financial obligations within their charter capital, accumulated capital and other capital sources according to law provisions;

6. To protect the environment, ecological environment, scenic places, historical-cultural relics as well as defense and security works according to law provisions;

7. To ensure its members' rights and fulfill economic commitments to their members;

8. To fulfill obligations towards their members who directly work for the cooperatives and laborers hired by the cooperatives according to the law provisions on labor; to encourage and

create conditions for laborers to become cooperative members;

9. To pay compulsory social insurance premiums for their members being individuals and laborers who regularly work for the cooperatives according to the provisions of the cooperatives' charters and law provisions on insurance; to organize the participation in paying voluntary social insurance premiums by members other than the above-said subjects. The Government shall specify the payment of social insurance premiums by cooperative members;

10. To attend to education, training, fostering in order to raise their members' knowledge, and provide information to all cooperative members so that they can actively participate in the cooperative building;

11. To fulfill other obligations according to law provisions.

Article 8. Names and logos of cooperatives

A cooperative may select its own name and logo by itself in accordance with law provisions.

The seal, signboard, advertisement forms and transaction papers of the cooperative must carry the sign "HTX" (Cooperative).

The name and logo (if any) of the cooperative must be registered at the competent State body and protected according to law provisions.

Article 9.- Political organizations and socio-political organizations in cooperatives

Political organizations and socio-political organizations in cooperatives shall operate within the framework of the Constitution, law and their respective charters in accordance with law provisions.

Chapter II

ESTABLISHMENT AND BUSINESS REGISTRATION OF COOPERATIVES

Article 10. Founding members

1. The founding members are individuals, households or legal persons who initiate the setting-up of the cooperative and participate in it.

2. The founding members shall make written reports to the commune, ward or township People's Committee (hereinafter referred collectively to as the commune-level People's Committee) of the locality where the cooperative is planned to be headquartered on the setting-up, headquarter location, production/business orientations and operation plans of the cooperative.

3. The founding members shall propagate and mobilize individuals, households and other legal persons, that wish to join the cooperative; elaborate production/business orientations; draft the

charter of the cooperative and perform other necessary jobs in order to organize the conference to set up the cooperative.

Article 11. Conference to set up a cooperative

1. The conference to set up a cooperative shall be organized by the founding members. The conference participants include the founding members as well as individuals, households and other legal persons that wish to become the cooperative members.

2. The conference shall discuss and reach agreement on the cooperative's production/business orientations and operation plans; the draft charter of the cooperative; the name and logo (if any) of the cooperative; and draw up the list of cooperative members.

3. The conference shall discuss and vote by majority on the following issues:

a/ Adoption of the list of cooperative members; the number of cooperative members shall be 7 or more;

b/ Adoption of the charter and internal regulations of the cooperative;

c/ Decision on the separate or non-separate establishment of the managerial apparatus and executive apparatus of the cooperative.

For the cooperative which sets up a managerial-cum-executive apparatus, the conference shall elect Managing Board and the manager; the cooperative manager shall be concurrently the head of the Managing Board; and the conference shall decide the number of the cooperative's deputy managers.

For the cooperative which sets up the managerial apparatus and the executive apparatus separately, the conference shall elect the Managing Board and its head among the Managing Board's members; it shall decide to elect or hire the cooperative manager; and decide the number of the cooperative's deputy managers;

d/ The election of the Control Board and its head among the Control Board's members;

e/ Adoption of minutes of the cooperative-founding conference.

Article 12. The cooperative charter

1. Each cooperative shall have its own charter. The cooperative charter must conform to the provisions of this Law and other law provisions.

2. A cooperative charter shall cover the following contents:

a/ The name and logo (if any) of the cooperative;

- b/ The address of the cooperative's headquarter;
- c/ Production and/or business lines;
- d/ Regulations on subjects, conditions and procedures for joining the cooperative and for cooperative members to leave the cooperative;
- e/ Regulations on interests, responsibilities and obligations of cooperative members;
- f/ Principles for, and subjects of, payment of compulsory social insurance premiums;
- g/ The cooperative's charter capital;
- h/ Minimum contributed capital: The levels, forms and terms of contribution, and conditions for return of contributed capital of cooperative members;
- i/ Competence and modes for capital mobilization;
- j/ Principles for paying remunerations and handling losses; distribution of profits according to capital and labor contributed by cooperative members and according to the extent of using services of the cooperative; deduction for setting up, management and use of the cooperative's funds;
- j/ Modalities for management, use, preservation and handling of the cooperative's common property and accumulated capital when the cooperative is operating or when it is dissolved;
- k/ Organizational and managerial structure of the cooperative; functions, powers, tasks and responsibilities of the Managing Board and its head, the cooperative manager, the Control Board and its head, and the sections assisting the cooperative;
- l/ The cooperative's representative at law;
- m/ Modalities for holding the congress and adopting decisions of the congress of cooperative members;
- n/ Regime on handling violations of the cooperative charter and principles for settling internal disputes;
- o/ Modalities for amending the cooperative charter;
- p/ Other regulations decided by the congress of cooperative members itself, which, however, must not be contrary to law.

3. When amending its charter, the cooperative must send its amended charter enclosed with minutes of the congress of cooperative members to the agency which has granted the business

registration certificate to the cooperative.

4. The Government shall promulgate forms guiding the elaboration of charters of agricultural cooperatives, people's credit funds and non-agricultural cooperatives.

Article 13. Business registration dossiers

A business registration dossier shall comprise:

1. An application for business registration;
2. The cooperative charter;
3. The number of cooperative members, lists of members of the cooperative's Managing Board and Control Board;
4. The minutes adopted at the cooperative-founding conference.

Article 14. Business registration places

1. A cooperative shall make business registration at the provincial- or district-level business registration office in the locality where the cooperative is planned to be headquartered, depending on its specific conditions.
2. The representative at law of the to be-set up cooperative shall submit business registration dossiers at the selected business registration office and bear responsibility for the accuracy and truthfulness of the business registration dossiers.

Article 15. Granting of business registration certificates

1. Cooperatives shall be granted the business registration certificates when they fully meet the following conditions:

a/ Having valid business registration dossiers as prescribed in Article 13 of this Law;

b/ Being engaged in production and/or business lines not banned by law;

c/ Having their names and logos (if any) prescribed in Article 8 of this Law;

d/ Having charter capital. For cooperatives engaged in production and/or business lines which require legal capital as stipulated by the Government, the charter capital must not be lower than the legal capital;

e/ Having fully paid business registration fees as prescribed.

2. The granting of, or refusal to grant, business registration certificates, and time for cooperatives

to commence their operation, are as follows:

a/ Within fifteen days after receiving the complete and valid dossiers, the business registration offices must consider the dossiers and grant the business registration certificate to the cooperatives; in case of refusal, they must reply in writing thereto;

b/ The cooperatives shall have the legal person status and may commence their operation as from the date they are granted the business registration certificates; for conditional production and/or business lines registered by the cooperatives, they may conduct such production and/or business lines as from the date they are granted the business registration certificates by the competent State bodies or when they fully meet the business conditions according to law provisions.

3. In case of disagreement with the business registration offices' decisions to refuse the granting of the business registration certificates as prescribed in Clause 2 of this Article, the representatives at law of the to be-set up cooperatives may lodge their complaints to the competent State bodies or initiate lawsuits at courts according to law provisions.

Article 16. Branches, representative offices and dependent enterprises of cooperatives

1. Cooperatives may open their branches or representative offices at home and abroad. The order and procedures for opening branches and representative offices shall comply with the Government's regulations applicable to enterprises of all types.

2. Cooperatives may set up their dependent enterprises in accordance with law provisions.

Chapter III

COOPERATIVE MEMBERS

Article 17. Conditions for becoming cooperative members

1. Every Vietnamese citizen, who is aged full 18 years or older, has full civil act capacity, contributes capital or labor, agrees to the cooperative charter, and volunteers to join the cooperative, can become a member of the cooperative.

Officials and public servants may participate in cooperatives in the capacity as cooperative members according to the provisions of the cooperatives' charters but must not directly manage or administer the cooperatives.

2. Households and legal persons may become cooperative members according to the provisions of the cooperatives' charters. When participating in cooperatives, households and legal persons must appoint their representatives fully meeting the conditions set for participating individuals.

3. An individual, household or legal person may become a member of many cooperatives if such is not prohibited by the cooperative charter.

Article 18. Rights of cooperative members

Cooperative members shall have the following rights:

1. To be given priority to work for their cooperatives and enjoy remuneration according to the provisions of their cooperatives' charters;
2. To enjoy profits distributed according to their contributed capital or labor, and the extent of using the cooperatives' services;
3. To be provided with necessary econo-technical information by the cooperatives; to be provided with training, fostering and improvement of their professional qualifications by the cooperatives;
4. To benefit from their cooperatives' welfare and the fulfillment of economic commitments by the cooperatives;
5. To be commended and/or rewarded when they make numerous contributions to the cooperative building and development;
6. To attend the congress of cooperative members or elect delegates to attend the congress of cooperative members, attend conferences of cooperative members to discuss and vote on the cooperatives' affairs;
7. To stand for or be elected as members of the Managing Board, the cooperative manager, members of the Control Board or other elected titles of the cooperatives;
8. To make proposals to the Managing Board, the cooperative manager and the Control Board, and request the reply; to request the Managing Board, the cooperative manager or the Control Board to convene an extraordinary congress of cooperative members according to the provisions of Clause 4, Article 21 of this Law;
9. To transfer their contributed capital as well as interests and obligations to other persons according to the provisions of the cooperative charter;
10. To apply for leaving their cooperatives in accordance with the provisions of the cooperatives' charters;
11. To have their contributed capital returned and enjoy other interests according to the provisions of the cooperatives' charters and relevant law provisions in the following cases where:
 - a/ They leave the cooperative;
 - b/ The cooperative members being individuals die, are reported missing, lose their civil act capacity or have their civil act capacity restricted;

c/ The cooperative members being households have no representatives fully meeting the conditions as prescribed in the cooperatives' charter;

d/ The cooperative members being legal persons dissolve or go bankrupt, or have no representatives fully meeting the conditions as prescribed in the cooperatives' charters.

For cases prescribed at Points b, c and d, Clause 11 of this Article, the cooperative members' contributed capital and other interests shall be returned to those persons who fully meet the conditions for inheritance or the guardians of such cooperative members according to law provisions.

Article 19. Obligations of cooperative members

Cooperative members shall have the following obligations:

1. To abide by their cooperatives' charters and internal regulations as well as resolutions of the cooperative members' congresses;
2. To make capital contribution according to the provisions of their cooperatives' charters; the contributed capital shall not exceed thirty percent of their cooperatives' charter capital;
3. To unite and cooperate with one another, to study to raise their professional qualifications, thus contributing to boosting the development of cooperatives;
4. To fulfill economic commitments with their cooperatives;
5. Within the limits of their contributed capital, to bear joint responsibility for debts, risks, damage or losses of their cooperatives;
6. To pay compensation for damage they have caused to the cooperatives according to the provisions of their cooperatives' charters.

Article 20. Termination of cooperative membership

1. The cooperative membership shall be terminated in the following cases where:

a/ Cooperative members being individuals die, are reported missing, lose their civil act capacity or have their civil act capacity restricted; cooperative members being households have no representatives fully meeting the conditions as prescribed in the cooperative charter; or cooperative members being legal persons dissolve or go bankrupt or have no representatives fully meeting the conditions as prescribed in their cooperatives' charters;

b/ Cooperative members are permitted to leave their cooperatives under the provisions of their cooperatives' charters;

c/ Cooperative members have transferred their whole contributed capital as well as interests and

obligations to other persons under the provisions of their cooperatives' charters;

d/ Cooperative members are expelled by the congress of cooperative members;

e/ Other cases prescribed by the cooperatives' charters.

2. The settlement of the cooperative members' interests and obligations in cases prescribed in Clause 1 of this Article shall be prescribed by the cooperatives' charters.

Chapter IV

ORGANIZATION AND MANAGEMENT OF COOPERATIVES

Article 21. Congress of cooperative members

1. The congress of cooperative members shall be the highest decision-making body of a cooperative.

2. A cooperative with many members may organize a congress of delegates of cooperative members; the election of delegates to the congress shall be prescribed by the cooperative's charter. The congress of delegates of cooperative members and the congress of all cooperative members (hereinafter referred collectively to as the congress of cooperative members) are equal in rights and tasks.

3. The regular congress of cooperative members shall be convened once a year by the Managing Board within three months after the annual settlement books are closed.

4. The extraordinary congress of cooperative members shall be convened by the cooperative's Managing Board or Control Board to decide on necessary issues which fall beyond the powers of the Managing Board or the Control Board.

In cases where at least one-third of the total number of cooperative members file their written requests altogether to the Managing Board or the Control Board for the convention of the congress of cooperative members, within fifteen days after fully receiving the requests, the Managing Board must convene the extraordinary congress of cooperative members; if past this time limit, the Managing Board fails to convene the congress, the Control Board must convene the extraordinary congress of cooperative members to settle matters raised in the written requests.

Article 22. Contents of the congress of cooperative members

The congress of cooperative members shall discuss and decide on the following issues:

1. Criteria set for cooperative members when joining the cooperative;

2. Annual report on the cooperative's production/business situation, report on activities of the

Managing Board and the Control Board;

3. Report on financial publicity, planned distribution of incomes, and handling of losses and debts;
4. Production/business orientations and plans;
5. Minimum capital; charter capital increase or reduction; competence and modes for capital mobilization;
6. Determination of value of the cooperative's common assets under the provisions of Clause 3, Article 35 of this Law;
7. Distribution of profits according to the contributed capital and labor as well as the extent of using services by cooperative members; the cooperative's funds;
8. Separate or non-separate establishment of the cooperative's managerial apparatus and executive apparatus under the provisions at Point c, Clause 3, Article 11 of this Law;
9. Election or dismissal of the Managing Board, the Managing Board's head, the Control Board, and the Control Board's head;
10. Adoption of the admission of new cooperative members and permission of cooperative members to leave the cooperative; decision on expulsion of cooperative members;
11. Reorganization or dissolution of the cooperative;
12. Amendment of the cooperative's charter or internal regulations;
13. Levels of remunerations, salaries and bonuses for the head and other members of the Managing Board, the manager and deputy managers of the cooperative, the head and other members of the Control Board, and other titles of the cooperative;
14. Subjects for whom the cooperative pays social insurance premiums under the State's policy on compulsory social insurance;
15. Other issues which are proposed by the Managing Board, the Control Board or at least one-third of the total number of cooperative members.

Article 23. Stipulations on the number of delegates and the voting at the congress of cooperative members

1. The congress of cooperative members must be attended by at least two-thirds of the total number of cooperative members or delegates of cooperative members; in cases where the number of cooperative members is insufficient, the congress must be postponed; the Managing

Board or the Control Board must reconvene the congress of cooperative members.

2. The decision on amendment of the charter, reorganization or dissolution of the cooperative shall be adopted when it is voted for by at least three-fourths of the total number of cooperative members or delegates of cooperative members present at the congress. Decisions on other issues shall be adopted when they are voted for by more than half of the total number of delegates present at the congress.

3. The voting at the congress of cooperative members and conferences of cooperative members shall not depend on the contributed capital or positions of the members in the cooperative. Each cooperative member or delegate of cooperative member has only one vote.

Article 24. Notification on convening the congress of cooperative members

At least ten days before the opening of the congress of cooperative members, the convening body must notify each cooperative member or delegate of cooperative member of the time, venue and agenda of the congress. The congress of cooperative members shall discuss and decide on the issues already put on the congress's agenda and arising issues proposed by at least one-third of the total number of cooperative members.

Article 25. A cooperative's Managing Board

1. A cooperative's Managing Board is the cooperative-managing body, elected directly by the congress of cooperative members, consisting of the head and other members. The number of the Managing Board's members shall be prescribed by the cooperative's charter.

2. The term of the cooperative's Managing Board shall be prescribed by the cooperative's charter, which shall be at least two years and not exceed five years.

3. The cooperative's Managing Board shall hold a meeting at least once a month, which is convened and presided over by the Managing Board's head or an authorized member. The cooperative's Managing Board shall hold an extraordinary meeting at the request of one-third of the Managing Board's members, the Managing Board's head, the Control Board's head, or the cooperative manager. A meeting of the cooperative's Managing Board shall be regarded as valid when it is attended by at least two-thirds of the number of the Managing Board's members. The cooperative's Managing Board shall operate on the principles of collectivism and make decisions by majority. In cases where the number of votes for equals the number of votes against, the number of votes on the side of the person who presides over the meeting shall be decisive.

Article 26. Criteria and conditions of members of the cooperative's Managing Board

A member of the Managing Board must be a cooperative member, possessing good moral qualities and having qualifications and capability to manage the cooperative.

The Managing Board's members must not be concurrently members of the Control Board, the cooperative's chief accountants or cashiers, or the parents, spouses, children or siblings thereof;

other criteria and conditions (if any) shall be prescribed by the cooperative's charter.

Article 27. Setting-up of managerial-cum-executive apparatus by cooperatives

1. The Managing Board shall have the following rights and tasks:

a/ To appoint or dismiss the cooperative's deputy managers at the proposal of the cooperative's manager;

b/ To appoint, dismiss, hire or terminate the contract on hiring, chief accountant (if this title exists in the cooperative);

c/ To decide on the organizational structures of professional sections of the cooperative;

d/ To organize the implementation of the resolution of the congress of cooperative members;

e/ To prepare the reports on the cooperative's production and/or business plans, capital mobilization and profit distribution, and report on the Managing Board's operation for submission to the congress of cooperative members;

f/ To prepare the agenda of the congress of cooperative members and convene the congress of cooperative members;

g/ To evaluate the cooperative's production and/or business results; to approve the financial settlement report for submission to the congress of cooperative members;

h/ To organize the performance of the cooperative's rights and obligations defined in Articles 6 and 7 of this Law;

i/ To consider the admission of new cooperative members and permit cooperative members to leave the cooperative (except for cases where cooperative members are expelled) and report such to the congress of cooperative members for adoption;

j/ To represent the owner of assets of the cooperative and its dependent enterprises if the cooperative has its dependent enterprises;

k/ To examine and evaluate the work of the manager and deputy managers of the cooperative under the Managing Board's decisions;

l/ To bear responsibility for its own decisions before the congress of cooperative members and law;

m/ To perform other rights and tasks prescribed by the cooperative's charter.

2. The cooperative manager shall have the following rights and tasks:

- a/ To represent the cooperative according to law;
- b/ To realize production and/or business plans and run daily activities of the cooperative;
- c/ To organize the implementation of decisions of the cooperative's Managing Board;
- d/ To appoint, dismiss, and assign tasks to, titles in the cooperative's Managing Board, except for titles falling under the competence of the congress of cooperative members and the cooperative's Managing Board;
- e/ To sign contracts in the name of the cooperative;
- f/ To submit the annual financial settlement report to the cooperative's Managing Board;
- g/ To propose to the Managing Board the plan on organizational structure of the cooperative;
- h/ To recruit labor, except for cases falling under the competence of the cooperative's Managing Board;
- i/ To exercise other rights prescribed in the cooperative's charter and resolution of the congress of cooperative members;
- j/ To bear responsibility before the congress of cooperative members and the Managing Board for his/her assigned tasks;

When being absent, the cooperative manager shall authorize a deputy manager or a member of the Managing Board to administer the cooperative's activities.

Article 28. Separate establishment of managerial apparatus and executive apparatus by the cooperative

1. The Managing Board shall have the following rights and tasks:

- a/ To appoint, dismiss, hire, or terminate the contract on hiring, the cooperative manager according to the resolution of the congress of cooperative members;
- b/ To appoint and dismiss deputy managers of the cooperative at the proposal of the cooperative manager.

Apart from the above-said rights and tasks, the cooperative's Managing Board shall also have the rights and tasks prescribed at Points b, c, d, e, f, g, h, i, j, k, l and m, Clause 1, Article 27 of this Law.

2. The head of the cooperative's Managing Board shall have the following rights and tasks:

- a/ To represent the cooperative according to law;
 - b/ To elaborate programs and plans on operation of the Managing Board;
 - c/ To convene and preside over meetings of the Managing Board and the congress of cooperative members;
 - d/ To bear responsibility before the congress of cooperative members and the Managing Board for his/her assigned tasks;
 - e/ To sign decisions of the congress of cooperative members and the Managing Board;
 - f/ To exercise other rights and perform other tasks prescribed by the cooperative's charter.
3. The cooperative manager shall have the following rights and tasks:
- a/ To realize production and/or business plans and run daily activities of the cooperative;
 - b/ To organize the implementation of decisions of the cooperative's Managing Board;
 - c/ To sign contracts in the name of the cooperative under the authorization of the cooperative's Managing Board;
 - d/ To submit the annual financial settlement report to the cooperative's Managing Board;
 - e/ To propose to the Managing Board the plan on organizational structure of the cooperative;
 - f/ To recruit labor under the authorization of the cooperative's Managing Board;
 - g/ To exercise other rights prescribed in the cooperative's charter, the resolution of the congress of cooperative members or contracts signed with the cooperative's Managing Board.

When being absent, the cooperative manager shall authorize a deputy manager to administer the cooperative's activities.

In cases where the cooperative manager is a cooperative member or a member of the cooperative's Managing Board, apart from fully exercising the rights and performing the tasks of a cooperative manager as prescribed by this Article, he/she shall also have to exercise the rights and fulfill the obligations of a cooperative member or member of the cooperative's Managing Board.

In cases where the cooperative manager is hired, he/she shall have to fully exercise the rights and perform the tasks of a cooperative manager prescribed in this Article and the contract on hiring the cooperative manager. The cooperative manager shall be entitled to participate in the Managing Board's meetings and congress of cooperative members but not entitled to vote or

enjoy other rights of a cooperative member or member of the cooperative's Managing Board.

Article 29. The Control Board

1. The Control Board is the body which supervises and examines all activities of the cooperative strictly according to law and the cooperative's charter.
2. The Control Board shall be elected directly by the congress of cooperative members. The number of the Control Board's members shall be prescribed by the cooperative's charter; a cooperative with few members may elect only one controller.
3. The criteria of a member of the Control Board are the same as those of a member of the Managing Board. The Control Board members must not be concurrently members of the Managing Board, chief accountants or cashiers of the cooperative, or must not be the parents, spouses, children or siblings thereof.
4. The term of office of the Control Board corresponds with that of the Managing Board.

Article 30. Rights and tasks of the Control Board

The Control Board shall have the following rights and tasks:

1. To examine the observance of the cooperative's charter and internal regulations as well as the resolution of the congress of cooperative members;
2. To supervise activities of the Managing Board, the cooperative manager and cooperative members strictly according to law as well as the cooperative's charter and internal regulations;
3. To examine finance, book-keeping, income distribution, handling of losses, use of cooperative's funds, use of assets, loan capital and supports of the State;
4. To receive complaints and denunciations related to the cooperative's activities; settle, or propose competent bodies to settle, such complaints and denunciations according to the provisions of the cooperative's charter;
5. To attend the Managing Board's meetings;
6. To notify the cooperative's Managing Board of examination results and report them before the congress of cooperative members; to propose the Managing Board and the cooperative manager to redress weaknesses in the cooperative's production and/or business activities and handle violations of the cooperative's charter and internal regulations;
7. To request relevant persons in the cooperative to provide documents, books, vouchers and necessary information in service of the examination work but not to use such documents or information for other purposes;

8. To prepare the agenda of, and convene, the extraordinary congress of cooperative members in one of the following cases where:

a/ The Managing Board fails to take or inefficiently takes measures to preclude acts of violating law, the cooperative's charter or internal regulations, or the resolution of the congress of cooperative members as requested by the Control Board;

b/ The Managing Board fails to convene the extraordinary congress of cooperative members at the requests of the cooperative members prescribed in Clause 4, Article 21 of this Law.

Chapter V

ASSETS AND FINANCE OF COOPERATIVES

Article 31. Capital contributed by cooperative members

1. When joining cooperatives, the cooperative members must contribute capital according to the provisions of Clause 2, Article 19 of this Law.

Cooperative members may contribute capital in lump sum right from the beginning or in installments; the levels, forms and time limits for capital contribution shall be prescribed by the cooperatives' charters.

The minimum contributed capital level shall be adjusted under the decision of the congress of cooperative members.

2. Cooperative members shall have their contributed capital returned in the cases prescribed at Points a, b, d and e, Clause 1, Article 20 of this Law.

The return of contributed capital of cooperative members shall be based on the cooperative's financial actual situation at the time of returning the capital after the cooperative has made the annual settlement and settled economic interests and obligations of cooperative members towards the cooperative. The forms and time limits for return of contributed capital to cooperative members shall be stipulated by the cooperatives' charters.

Article 32. Capital mobilization

1. Cooperatives may borrow capital from banks and mobilize capital in other forms according to law provisions.

2. Cooperatives may additionally mobilize contributed capital of cooperative members under decisions of the congress of cooperative members.

3. Cooperatives may receive and use capital and subsidies from the State as well as domestic and foreign organizations and individuals as agreed upon by the parties and in accordance with law

provisions.

Article 33. Working capital of cooperatives

The working capital of cooperatives shall be formed from cooperative members' contributed capital, the cooperative-owned accumulated capital and other lawful capital sources.

The working capital of cooperatives shall be managed and used according to the provisions of this Law, other law provisions and the cooperatives' charters.

Article 34. Cooperatives' funds

1. Cooperatives must set up the production development fund and the reserve fund under the Government's guidance; other funds shall be prescribed by the cooperatives' charters and congress of cooperative members, which are suitable to specific conditions of each cooperative. The specific percentage of deduction for setting up the funds shall be decided by the congress of cooperative members.

2. The purposes and modes of management and use of the cooperatives' funds shall be prescribed by the cooperatives' charters.

Article 35. Cooperative's assets

1. Assets under cooperatives' ownership shall be formed from the cooperatives' working capital.

2. The management and use of cooperatives' assets shall comply with the provisions of the cooperatives' charters and relevant law provisions.

3. Cooperatives shall have common assets, including works in service of production, socio-cultural welfare works, infrastructures in service of the population community, which are formed from the cooperatives' production development funds and welfare funds, capital sources subsidized by the State, as well as donations and gifts of domestic and foreign organizations and individuals.

Article 36. Handling of cooperatives' assets and capital upon their dissolution

1. Upon its dissolution, a cooperative shall not distribute to its members the capital and common assets subsidized by the State but transfer them to the local administration for management.

For the cooperative's capital and common assets formed from capital sources and labor contributed by the cooperative members or donations and gifts of domestic and foreign organizations and individuals, the congress of cooperative members shall make decision thereon.

2. Capital contributed by cooperative members in land-use right value and land assigned by the State to the cooperative for use shall be handled according to the law provisions on land.

3. After having paid all debts and expenses for the cooperative dissolution, the handling of other remaining assets, capital or funds of the cooperative shall comply with the provisions of this Article, other relevant law provisions, and the cooperative's charter.

Article 37. Distribution of profits

1. After fulfilling the tax payment obligations, a cooperative's profits shall be distributed as follows:

a/ Off-setting the previous year's losses (if any) according to law provisions on tax;

b/ Deduction for setting up the production development fund, the reserve fund and other funds of the cooperative; distribution of profits to cooperative members according to their contributed capital and labor, the rest shall be distributed to cooperative members according to the extent of using services of the cooperative.

2. Basing itself on the production/business results and accumulation demands for the development of the cooperative, the congress of cooperative members shall decide on the specific ratios of distribution of annual profits into the funds prescribed at Point b, Clause 1 of this Article.

Article 38. Handling of losses

A cooperative's losses arising in the year shall be deducted into the proceeds from compensations by relevant organizations and/or individuals; the deficit amounts (if any) shall be offset by the reserve fund; if such amounts are still insufficient, the remaining loss amounts shall be transferred to the subsequent year according to law provisions on tax.

Chapter VI

REORGANIZATION, DISSOLUTION OR BANKRUPTCY OF COOPERATIVES

Article 39. Division and separation of cooperatives

The congress of cooperative members shall decide on the division or separation of a cooperative into two or more cooperatives.

Article 40. Procedures for dividing or separating cooperatives

1. The Managing Board of the to be-divided/separated cooperative must:

a/ Set up a Council to settle the division or separation of the cooperative. The Council for division/separation shall be composed of the Managing Board of the to be-divided/separated cooperative and representatives of the new cooperatives to be formed from the divided/separated cooperative. The Council shall have the tasks to discuss and negotiate to reach agreement on settling matters related to the division or separation of the cooperative; compile dossiers of

application for division or separation of the cooperative; and form the managerial and executive apparatuses of the new cooperatives;

b/ Elaborate plans on handling of assets, capital, funds, organizational structure, personnel, cooperative members and labor (including those of branches, representative offices and dependent enterprises of the cooperative) upon the division or separation; draw up production/business orientations; the charters of new cooperatives; rights, interests, responsibilities and obligations of the cooperatives after the division or separation;

c/ Convene the congress of cooperative members to decide on the matters prescribed at Point b of this Clause; perform the tasks prescribed in Clauses 2 and 3, Article 11 of this Law;

d/ Inform in writing creditors as well as organizations and individuals having economic relations with the cooperative of the decision on the division/separation, and settle economic issues related to them;

e/ Send the business registration dossier of the divided/separated cooperative made according to the provisions of this Law to the agency which has granted the business registration certificate, enclosed with the resolution of the congress of cooperative members on the division or separation of the cooperative; plans for settlement of issues related to the division or separation already discussed with creditors as well as organizations and individuals having economic relations with the cooperative.

2. Within fifteen days after receiving the division/separation dossiers, the business registration agency which has granted the business registration certificate shall announce in writing the approval or disapproval of the division or separation of the cooperative. If the cooperative disagrees with the decision on the disapproval of the division or separation, it may lodge its complaints to the competent State body or initiate a lawsuit at court according to law provisions.

The business registration agency which has granted the business registration certificate to the to be-divided cooperative must withdraw the business registration certificate from such cooperative after the division; The divided cooperative must submit immediately its seal to the competent State body.

3. The cooperatives having branches, representative offices or dependent enterprises must, upon their division/separation, notify the business registration agencies of the continuity or termination of operation of their branches, representative offices or dependent enterprises.

Article 41. Consolidation and merger of cooperatives

1. Two or more cooperatives may be consolidated into one new cooperative by transferring all assets, rights, obligations and legitimate interests to the consolidating cooperative, and at the same time terminating the existence of the consolidated cooperatives.

One or several cooperatives may be merged into another cooperative by transferring all assets, rights, obligations and legitimate interests to the merging cooperative, and at the same time

terminating the existence of the merged cooperative(s).

2. Procedures for consolidation of cooperatives shall comply with the following regulations:

a/ The Managing Boards of the consolidated cooperatives must together set up the Consolidation Council to project the name and head-office of the consolidating cooperative; the consolidation procedures and conditions; plans on handling of assets, capital, debts, cooperative members, labor and unsettled issues transferred by the consolidated cooperatives to the consolidating cooperative; draft production/business plans and charter of the consolidating cooperative;

b/ To convene the congress of cooperative members of the consolidating cooperative to decide on the consolidation and adopt issues prescribed at Point a of this Clause;

c/ To compile business registration dossiers of the consolidating cooperative according to the provisions of Article 13 of this Law and send them to the business registration agency;

d/ To inform in writing creditors as well as organizations and individuals having economic relations with the cooperative of the decision on consolidation and modes of settlement of economic relations related to them;

e/ Within fifteen days after receiving the consolidation dossiers, the business registration agency must announce in writing the approval or disapproval of the consolidation and grant the business registration certificate to the consolidating cooperative. If the cooperative disagrees with the business registration agency's decision, it may lodge its complaints to the competent State body or initiate a lawsuit at court according to law provisions;

f/ After business registration, the consolidating cooperative shall have the rights and legitimate interests, bear responsibility for the unsettled debts, labor contracts and other property obligations of the consolidated cooperatives.

3. The procedures for the merger of cooperatives shall comply with the following regulations:

a/ The Managing Boards of the merging and merged cooperatives must together set up the Merger Council to project the merger procedures and conditions; plans on handling of assets, capital, debts, cooperative members, labor and unsettled issues of the merged cooperative; draft production/business plans and charter of the merging cooperative;

b/ To convene the congress of cooperative members with the participation of members of the merging and merged cooperatives to decide on the issues prescribed at Point a of this Clause;

c/ To notify in writing creditors as well as organizations and individuals having economic relations with the cooperative of the decision on merger and modes of settlement of economic relations related to them;

d/ To send the merger applications and records as well as the cooperative's charter to the business registration agency for supplementation of dossiers of the merging cooperative. Within

fifteen days after receiving the merger dossiers, the business registration agency must announce in writing the approval or disapproval of the merger. If the cooperative disagrees with the business registration agency's decision, it may lodge its complaints to the competent State body or initiate a lawsuit at court according to law provisions;

e/ After supplementing the business registration dossiers, the merging cooperative shall have the rights and legitimate interests, bear responsibility for unsettled debts, labor contracts and other property obligations of the merged cooperatives.

Article 42. Dissolution of cooperatives

The dissolution of cooperatives is prescribed as follows:

1. Voluntary dissolution:

In case of voluntary dissolution under the resolution of the congress of cooperative members, a cooperative must send the application for dissolution and the resolution of the congress of cooperative members to the business registration agency which has granted the business registration certificate to the cooperative, and at the same time publish the dissolution application and time limits for settlement of debts and liquidation of contracts on the newspaper of the locality where it conducts operation for three consecutive issues.

Within thirty days after the expiry of the time limit for settlement of debts and liquidation of contracts, the application-receiving business registration agency must announce the approval or disapproval of the cooperative's application for dissolution.

Within thirty days after receiving the announcement on the approval of the dissolution from the business registration agency, the cooperative must handle capital and assets according to the provisions of Article 36 of this Law, pay expenses for the dissolution, return contributed capital, and settle interests of cooperative members according to the provisions of the cooperative's charter;

2. Compulsory dissolution:

The People's Committee of the locality where the business registration certificate is granted may decide on the compulsory dissolution of a cooperative in one of the following cases where:

a/ Within twelve months after being granted the business registration certificate, the cooperative fails to conduct its operation;

b/ The cooperative have ceased its operation for twelve consecutive months;

c/ The cooperative fails to convene a regular congress of cooperative members without plausible reasons for eighteen consecutive months;

d/ Other cases as prescribed by law;

3. The People's Committee which issues the decision on dissolution shall set up the Dissolution Council and designate the Council chairman to organize the dissolution of the cooperative.

The Council for dissolution of the cooperative must publish the decision on the dissolution of the cooperative on a newspaper of the locality where the cooperative conducts its operation for three consecutive issues; announce the order, procedures and time limits for settlement of debts and liquidation of contracts, and handle capital and assets according to the provisions of Article 36 of this Law, return contributed capital and settle cooperative members' other relevant interests according to the provisions of the cooperative's charter.

The time limit for settlement of debts and liquidation of contracts shall be one hundred and eighty days at most after the first publication on newspapers.

4. After the cooperative receives the dissolution notice, the business registration agency which has granted the business registration certificate must withdraw the business registration certificate and delete the name of the cooperative from the business registration book; the cooperative must immediately submit its seal to the competent State body;

5. If the cooperative disagrees with the People's Committee's decision on the dissolution of the cooperative, it may lodge its complaints to the competent State body or initiate a lawsuit at court according to law provisions.

Article 43. Settlement of the cooperative's request to declare bankruptcy

The settlement of the cooperative's request to declare bankruptcy shall comply with the law provisions on bankruptcy.

Chapter VII

UNIONS OF COOPERATIVES, FEDERATIONS OF COOPERATIVES

Article 44. Unions of cooperatives

1. Those cooperatives, which wish and volunteer to establish a union of cooperatives, may jointly do so.

A union of cooperatives is an economic organization operating on the principles on organization and operation of cooperatives prescribed in Article 5 of this Law, aiming to raise the production/business efficiency of member cooperatives, support one another in their activities and satisfy other demands of the participating members.

The union of cooperatives shall set up the Management Board and the Directorate.

The head of the Management Board is the chairman; the head of the Directorate is the director or

general director.

The union of cooperatives shall make business registration at the provincial-level business registration agency.

2. The union of cooperatives may select its own name and logo by itself in accordance with law provisions. The seal, signboard and transaction papers of the union of cooperatives must bear the sign "LHHTX" (Union of cooperatives).

3. The objectives, functions, tasks and organizational structures of unions of cooperatives shall be prescribed in the charters of the unions of cooperatives, adopted by the congress of their members.

Article 45. Federations of cooperatives

1. A federation of cooperatives is a socio-economic organization which is voluntarily and jointly established by cooperatives or unions of cooperatives. The federations of cooperatives shall be organized according to branches and economic sectors. The federations of cooperatives shall be set up at the central and provincial/municipal levels.

2. Federations of cooperatives shall have the following functions:

a/ To represent and protect legitimate interests of member cooperatives and unions of cooperatives;

b/ To propagate and mobilize for the development of cooperatives;

c/ To provide support and necessary services for the formation and development of cooperatives and unions of cooperatives; to carry out programs in support of development of cooperatives, which are assigned by the Government; to train and foster officials of cooperatives according to the Government's regulations;

d/ To participate in formulating policies and legislation on cooperatives;

e/ To represent cooperatives and unions of cooperatives in relations of the members' coordination with domestic and foreign organizations according to law provisions.

3. The rights, tasks, organizational structures, names and finance of federations of cooperatives shall be prescribed by the charters of federations of cooperatives.

4. The Prime Minister shall issue a decision to recognize the charter of central federation of cooperatives; the presidents of the provincial/municipal People's Committees shall issue decisions to recognize the charters of provincial/municipal federations of cooperatives.

5. The State shall create conditions for the central and local federations of cooperatives to

operate according to law provisions.

6. The Government shall specify the working relations between federations of cooperatives and the administrations of all levels.

Chapter VIII

STATE MANAGEMENT OVER COOPERATIVES

Article 46. State management over cooperatives

1. Contents of State management over cooperatives cover:

a/ To issue, disseminate, and organize the implementation of, legal documents on cooperatives;

b/ To elaborate and implement strategies and plans on development of cooperatives;

c/ To organize and guide business registration for cooperatives and unions of cooperatives;

d/ To organize professional training and fostering for raising the qualifications of managerial officials as well as necessary knowledge of cooperative members;

e/ To inspect and examine the observance of law by cooperatives according to law provisions;

f/ To direct the implementation of international cooperation on cooperatives.

2. Responsibilities of agencies performing the State management over cooperatives:

a/ The Government shall perform the uniform State management over cooperatives;

b/ The ministries and ministerial-level agencies shall, within the ambit of their respective tasks and powers, perform the State management over cooperatives;

c/ The People's Committees of all levels shall have to perform the State management over cooperatives in their respective localities according to law provisions;

d/ The Government shall specify the assignment and decentralization of State management over cooperatives among the ministries, ministerial-level agencies and localities.

Article 47. Tasks and powers of the People's Committees of various levels towards cooperatives

1. The People's Committees of various levels shall, within the ambit of their respective tasks and powers:

a/ Propagate, mobilize, create favorable conditions and provide support for, the formation and

development of cooperatives in their respective localities;

b/ Guide and encourage cooperatives to coordinate their activities for the interests of people in their respective localities;

c/ Examine and inspect the enforcement of the Law on Cooperatives and relevant legal documents;

d/ To settle according to their respective competence complaints, denunciations and disputes, and handle acts of violating the legislation on cooperatives;

e/ To materialize other contents of the State management over cooperatives according to law provisions.

2. The professional agencies of the People's Committees of various levels shall, within the ambit of their respective functions, tasks and powers, assist the People's Committees in performing the State management over cooperatives in their assigned domains.

Article 48. Relations between State agencies and Vietnam Fatherland Front and its member organizations, and roles of these organizations towards cooperatives

1. The State agencies shall have to coordinate with Vietnam Fatherland Front and its member organizations in organizing the implementation of the legislation on cooperatives.

2. Vietnam Fatherland Front and its member organizations shall propagate and mobilize people to participate in building and developing cooperatives; consult with State agencies in elaborating policies and supervising the implementation of the legislation on cooperatives.

Chapter IX

COMMENDATION AND HANDLING OF VIOLATIONS

Article 49. Commendation

The following organizations and individuals shall be commended and/or rewarded according to law provisions:

1. Cooperative members, cooperatives, unions of cooperatives and federations of cooperatives, that operate efficiently and make numerous contributions to local socio-economic development;

2. Organizations and individuals, that record splendid achievements in labor, production and/or business activities and development of cooperatives.

Article 50. Handling of violations

1. Those who violate the provisions of this Law and other relevant law provisions shall,

depending on the nature and seriousness of their violations, be reprimanded, cautioned, dismissed, expelled from cooperatives, administratively sanctioned or examined for penal liability; if causing damage, they must pay compensation therefore according to law provisions.

2. Organizations or individuals, that commit fraudulent acts in business registration or abuse the names of cooperatives to operate; cooperatives which operate without business registration certificates or contrarily to the registered production/business lines, shall be suspended from operation and handled according to law provisions.

3. Those who abuse their positions or powers to grant business registration certificates in contravention of law or deliberately refuse to grant business registration certificates even when organizations fully meet the conditions for setting up cooperatives shall, depending on the nature and seriousness of their violations, be disciplined, administratively sanctioned or examined for penal liability according to law provisions.

Chapter X

IMPLEMENTATION PROVISIONS

Article 51. Implementation effect

This Law takes implementation effect as from July 1, 2004.

This Law replaces the 1996 Law on Cooperatives.

Article 52. Implementation guidance

The Government shall detail and guide the implementation of this Law.

This Law was passed on November 26, 2003 by the 11th National Assembly of the Socialist Republic of Vietnam at its 4th session.

**THE NATIONAL
ASSEMBLY
CHAIRMAN**
(signed)

Nguyen Van An