MEMORANDUM CIRCULAR NO. 2010-08
Series of 2010

SUBJECT: GUIDELINES ON THE CANCELLATION OF COOPERATIVES
PURSUANT TO ARTICLE 144 OF REPUBLIC ACT NO. 9520 AND
PRESCRIBING THE PROCEDURES FOR THEIR LIQUIDATION

Section 1. Legal Basis. The legal basis for this is Par. 1, Art. 144 of RA 9520 which states
“(1) All cooperatives registered and confirmed with the Authority under Republic Act No.
6938 and Republic Act No. 6939, are hereby deemed registered under this Code, and a new
certificate of registration shall be issued by the Authority: Provided, That such cooperatives
shall submit to the nearest office of the Authority a copy of their certificate of registration
or certificate of confirmation, the articles of cooperation, their by-laws, and their latest
audited financial statements within one (1) year from the effectivity of this Code, otherwise
they shall be deemed cancelled motu proprio,” as implemented by CDA MC No. 2009-02
Series of 2009.

Section 2. Coverage. These Guidelines shall cover all existing cooperatives previously
registered and confirmed with the Authority under RA 6938 and RA 6939 that failed to
comply with the requirements under Art. 144 of RA 9520 as implemented by CDA MC No.

Section 3. Jurisdiction. The Extension Office of the Authority shall have primary jurisdiction
over cooperatives within its region except in those instances in which the CDA Central Office
has primary jurisdiction i.e.: tertiary cooperatives, cooperative banks, electric cooperatives
and insurance cooperatives.

Section 4. Cancellation Process. The cancellation of the Certificate of Registration of the
cooperatives that failed to comply with the requirements under Art. 144 of RA 9520 as
implemented by CDA MC No. 2009-02 Series of 2009 shall commence with the issuance of
the Authority of a formal notice via registered mail with return card, informing the
cooperative that it has failed to secure a new Certificate of Registration pursuant to RA
9520.

Guidelines on the Cancellation of Cooperatives Pursuant to Art. 144 of RA 9520
After the lapse of Thirty (30) days counted from receipt of the above stated formal notice, the Authority shall issue the Order of Cancellation (Annex A).

Section 5. Obligation to Undertake Liquidation Process. Within thirty (30) days from receipt of the Order of Cancellation, the cancelled cooperative is under obligation to liquidate its assets and liabilities following/adopting the liquidation procedures, unless otherwise agreed upon by the members, prescribed hereunder:

1. Constitution of Panel of Liquidators from among the previous officers and members of the cancelled cooperative.
2. Inventory of Assets and Liabilities of the cancelled cooperative.
3. Payment of Creditors in accordance with the Provision of the New Civil Code on the Preference and Concurrence of Credits.
4. Transfer of the Statutory Funds to the intended beneficiaries.
5. Distribution of the remaining assets.
6. Submission of final report by the Panel of Liquidators to the Authority

Section 6. Panel of Liquidators. The Panel of Liquidators shall come from the former officers and/or members of the cooperative which shall not be less than (3) three but not more than (5) five members.

The Panel of Liquidators shall be allowed to receive a reasonable honorarium to be paid out of the funds of the cooperative.

Section 7. Functions of the Panel of Liquidators. The Panel of Liquidators shall:

1. Notify the Authority formally of its assumption to office and commencement of the liquidation proceedings;
2. Make an inventory of all assets and determine all liabilities including share capital holdings;
3. Preserve the existing assets of the cancelled cooperative;
4. Convert all assets of the cancelled cooperative into cash;
5. Pay the outstanding obligations including any and all valid claims against the cancelled cooperative;
6. Distribute remaining assets pursuant to the provisions of these Guidelines; and

Guidelines on the Cancellation of Cooperatives Pursuant to Art. 144 of RA9520

Page 2 of 4
7. Make a final report on the liquidation and submit the same to the Authority.

Section 8. Payment of Creditors. Payment of creditors shall be in accordance with the contract upon which it is based and the provisions of the New Civil Code on the Preference and Concurrence of Credits.

Section 9. Statutory Funds. All the statutory and other funds established by the cancelled cooperative shall be disposed of in accordance with the provisions of Art. 86 of the Code.

Section 10. Treatment of Donated Capital. All subsidies, donations, legacies, grants, aids and such other assistance from any local or foreign institutions whether public or private shall be subject to escheat.

Section 11. Distribution of Assets. Subject to the preceding sections any assets remaining after the payment of the cancelled cooperative's obligations to its creditors shall be distributed by the Panel of Liquidators to the members in payment of their respective share capital. If the remaining asset is not sufficient to pay the full share capital contribution of the members, the distribution shall be done in proportion to their share capital.

Section 12. Undistributed Assets. The assets distributable to creditor or member whose whereabouts is unknown or cannot be found shall be given to the federation/union to which the cancelled cooperative is affiliated with, for cooperative development or in the absence thereof to the Local Government Unit (LGU) of their choice.

In case of non-affiliation, the undistributed assets shall be given to the community where the cancelled cooperative operated.

Section 13. Submission of the Panel of Liquidators Final Report. The Panel of Liquidators of the cancelled cooperative shall submit a final report to the members of the cancelled cooperative and to the Authority, Federation, or Union to which the cancelled cooperative is affiliated with the Authority, the Local Development Councils, Local Government Unit (LGU) Chief Executive where the cooperative is located, containing the following matters:

1. Assets Sold;
2. Assets Written off As Worthless;
3. Assets Donated;
4. Expenses of Liquidation;

Guidelines on the Cancellation of Cooperatives Pursuant to Art. 144 of RA9520
5. Payment of Liabilities;
6. Settlement of Reserves;
7. Refund of share capital contributions and all other interest to members; and
8. Other important matters.

Section 14. Remedy for Failure to Undertake Liquidation. In case of failure of the cancelled cooperative to comply with the preceding paragraphs, the members and other parties in interest may, to recover their interest in the said cancelled cooperative, file either civil or criminal action against the officers of the cooperative prior to its cancellation before the appropriate Courts of Justice.

Section 15. Posting. The Authority through its Extension Offices shall cause the posting of the list of cancelled and delisted cooperatives under these Guidelines in each province, city, and municipality covered by their respective jurisdictions.

Section 16. Effectivity. These Guidelines shall take effect fifteen (15) days after its publication with the Official Gazette or in a newspaper of general circulation.

APPROVED: Per Board of Administrators Resolution No. 165, S-2010 dated August 24, 2010.

For the Board of Administrators:

[Signature]

LECIRA V. JUAREZ
Chairperson

Guidelines on the Cancellation of Cooperatives Pursuant to Art. 144 of RA9520
IN THE MATTER OF THE CANCELLATION OF

(Name of Cooperative)

ORDER OF CANCELLATION

WHEREAS, the _______________________, with official address at __________________________, is a registered cooperative organization pursuant to the provision of RA 6938 under Certificate of Registration/Confirmation No. ______________________, dated ______________________;

WHEREAS, pursuant to the provision of Art. 144 of RA 9520, all cooperatives are required to register and secure a new Certificate of Registration within one year from the effectivity of said law;

WHEREAS, after the lapse of the prescribed one (1) year period, which ended on March 22, 2010, for cooperatives to register under the new law, the subject cooperative failed to comply accordingly;

WHEREAS, for failure to secure a new Certificate of Registration pursuant to RA 9520, such cooperative was deemed cancelled;

NOW, THEREFORE, by virtue of the powers and duties vested in me by law, I hereby order the cancellation of the Certificate of Registration of the ______________________ under Certificate of Registration/Confirmation No. ______________________ dated ______________________.

SO ORDERED.

Issued this ______ day of ________________, 2010 at ____________________, Philippines.

REGIONAL DIRECTOR
Republic of the Philippines
OFFICE OF THE PRESIDENT
Department of Finance
COOPERATIVE DEVELOPMENT AUTHORITY
827 Aurora Blvd. Service Road, Brgy. Immaculate Conception, Quezon City
Telephone Nos. 725-2167 • 725-3764 • 373-6905 • Fax No. 371-2077

SUBMISSION AGREEMENT

DATE ____________________________

The named parties, after exhausting the procedures of Mediation and Conciliation
proceedings hereby agree to submit the following issue/s to arbitration by the Cooperative
Development Authority.

ISSUE :

_________________________________________________________________________

We agree that we will abide to and perform any DECISION/AWARD rendered in the
proceeding. We further agree that in making orders, resolutions, awards and decision, the arbiter
shall be restricted to the specific relief claimed or demanded by the parties to the controversy.
Finally, we agree that the cost of proceedings including the arbitration fee shall be shared equally or
to be paid by ____________________________

Petitioner : ____________________________
Address : ____________________________
Telephone No. : ____________________________

Signed By : ____________________________
Position : ____________________________

Respondent : ____________________________
Address : ____________________________
Telephone No. : ____________________________

Signed By : ____________________________
Position : ____________________________

Cooperative Affiliated
Address : ____________________________
Telephone No. : ____________________________

OCT 01 2010

Cooperative Development Authority
Records Section
Certified True Copy
By: ____________________________
Date: 9-27-10