

REGULATORY RELIEF MEASURES FOR COOPERATIVES WITH CREDIT OPERATIONS IN VIEW OF THE COVID-19 PANDEMIC

MEMORANDUM CIRCULAR NO. 2020-18

Series of 2020





In line with the Memorandum issued by the Authority on April 6, 2020, entitled “Compliance with Section 4(aa) of Republic Act No. 11469, otherwise known as the Bayanihan to Heal as One Act,” this Memorandum Circular is hereby issued to provide regulatory relief measures for cooperatives with credit operations in view of the COVID-19 Pandemic.



With the restrictions imposed on people's movement due to the pandemic, operations of cooperatives have been disrupted. This Circular aims to help cooperatives with credit operations to recover or reduce whatever losses they have incurred as a result of the said disruption and the inability of the members to pay their obligations on time.



Article I

TITLE AND COVERAGE

Section 1. Title. This Circular shall be known as the ***“REGULATORY RELIEF MEASURES FOR COOPERATIVES WITH CREDIT OPERATIONS IN VIEW OF THE COVID-19 PANDEMIC.”***

Section 2. Coverage. This Circular covers all types of cooperatives with credit operations, except Cooperative Banks which shall observe the regulatory relief measures of the BSP.



Article II

REGULATORY RELIEF

In the light of the proclamation made by President Rodrigo R. Duterte declaring a State of Public Health Emergency Throughout the Philippines due to the outbreak of COVID-19, and in consonance with Section 4(aa) of RA No. 11469, the following regulatory reliefs may be granted to cooperatives engaged in credit/lending services;



Article II

REGULATORY RELIEF *(cont.)*

1. Exclusion of the amounts of past due loans during the periods of ECQ and MECQ in the Computation of Allowance for Probable Loan Losses;
2. Staggered Booking of Allowance for Probable Losses on Loans (APLL); and
3. Use of cash restricted for reserve fund classified under the account "Other Funds and Deposits"



Article III

EXCLUSION OF THE AMOUNTS OF PAST DUE LOANS DURING THE PERIODS OF ECQ AND MECQ IN THE COMPUTATION OF ALLOWANCE FOR PROBABLE LOAN LOSSES

Section 1. Treatment of Loans due during ECQ and MECQ. Any loans which are due during the Enhanced Community Quarantine (ECQ) and Modified Enhanced Community Quarantine (MECQ) period shall not be considered past due, thus, excluded in the computation of Allowance for Probable Loan Losses. However, loans classified as past due prior to March 17, 2020 shall still be classified as Past Due in the computation of APLL.



Article III

EXCLUSION OF THE AMOUNTS OF PAST DUE LOANS DURING THE PERIODS OF ECQ AND MECQ IN THE COMPUTATION OF ALLOWANCE FOR PROBABLE LOAN LOSSES *(cont.)*

Section 2. Illustration on the Computation of Past Due Loans

XYZ Credit cooperative granted a loan with a term of 2 years to the following members:

Member	Amount of Loan	Date Granted	Monthly Installment	Date of initial installment	Outstanding Balance as of March 31, 2020
A	P48,000	6/30/19	P2,000.00	7/30/19	P38,000
B	P50,000	10/01/19	P2,083.33	11/01/19	41,666.68
C	P 60,000	9/22/19	2,500.00	10/22/19	47,500.00
D	P 72,000	7/25/19	3,000.00	8/25/19	51,000.00
E	P 90,000	7/5/18	3,750.00	8/05/18	78,750.00



Article III

EXCLUSION OF THE AMOUNTS OF PAST DUE LOANS DURING THE PERIODS OF ECQ AND MECQ IN THE COMPUTATION OF ALLOWANCE FOR PROBABLE LOAN LOSSES *(cont.)*

Member A was not able to pay his amortizations falling due from December 30, 2019 and all succeeding months. Member B failed to pay beginning March 1, 2020. Members C and D are updated in their loan amortizations. Member E was unable to pay since November of 2018.

Due to the imposition of ECQ and MECQ, all members were given a 30-day grace period in the payment of their loans.



Article III

EXCLUSION OF THE AMOUNTS OF PAST DUE LOANS DURING THE PERIODS OF ECQ AND MECQ IN THE COMPUTATION OF ALLOWANCE FOR PROBABLE LOAN LOSSES *(cont.)*

The Past Due Loans Receivable using the Portfolio at Risk as of March 31, 2020 are shown below:

Member	Current	Past Due		
		1-30 days	31 days -1 year	Over 1 year
A			38,000.00	
B		41,666.68		
C	47,500.00			
D	51,000.00			
E				78,750.00
Total	98,500.00	41,666.68	38,000.00	78,750.00



Article III

EXCLUSION OF THE AMOUNTS OF PAST DUE LOANS DURING THE PERIODS OF ECQ AND MECQ IN THE COMPUTATION OF ALLOWANCE FOR PROBABLE LOAN LOSSES *(cont.)*

In the above example, members A, B and E were already delinquent in their loan payments prior to the imposition of ECQ and MECQ, hence, their accounts are considered as past due. On the other hand, members C and D became delinquent payers only at the time of the ECQ and MECQ, but because of the grace period given to them, their accounts will be considered as current.



Article IV

STAGGERED BOOKING OF ALLOWANCE FOR PROBABLE LOSSES ON LOANS

Section 1. Who May Avail. Cooperatives with lending/credit operations are allowed to book their allowance for probable losses on a staggered basis for a maximum period of three (3) years. This applies to loans which have been past due for 30 to 365 days, computed on the basis of Portfolio at Risk, as shown below:

End of Period From Date of Transaction (March 17, 2020)	Cumulative Booking of Allowance for Probable Losses on Loans (for 30 to 365 days Past due loans)	Cumulative Booking of Allowance for Probable Losses on Loans (for over 365 days Past due loans)
Year 1 (CY/FY 2020 AFS)	10%	100%
Year 2 (CY/FY 2021 AFS)	20%	100%
Year 3 (CY/FY 2022 AFS)	35%	100%

Sample computation of Staggered Booking of Allowance is shown in “Annex A” hereof.



ANNEX "A"

SAMPLE COMPUTATION

Assumptions:

	Year 2020	Year 2021	Year 2022
Total Loan Outstanding	₱5,500,000.00	6,800,000.00	6,900,000.00
Current	2,000,000.00	2,400,000.00	3,200,000.00
Past Due Loan - 1 to 30 days	300,000.00	400,000.00	300,000.00
Past Due Loan - 31 days to 1 year	700,000.00	800,000.00	600,000.00
Over 1 year	₱2,500,000.00	3,200,000.00	2,800,000.00

Computation of Allowance for Probable Loan Losses						
YEAR 2020		REGULAR PROVISIONING		WITH REGULATORY RELIEF		
		Past due amounts required for provisioning	% of provisioning	Amount of APLL	Staggered Rate	Amount of APLL
	31 days to 1 year	700,000.00	35%	245,000.00	10%	70,000.00
	over 1 year	2,500,000.00	100%	2,500,000.00	100%	2,500,000.00
	TOTAL APLL			2,745,000.00		2,570,000.00

YEAR 2021						
	Past due amounts	% of provisioning	Amount of APLL	Staggered Rate	Amount of APLL	
	31 days to 1 year	800,000.00	35%	280,000.00	20%	160,000.00
	over 1 year	3,200,000.00	100%	3,200,000.00	100%	3,200,000.00
	TOTAL APLL		3,480,000.00		3,360,000.00	

YEAR 2022						
	Past due amounts	% of provisioning	Amount of APLL	Staggered Rate	Amount of APLL	
	31 days to 1 year	600,000.00	35%	210,000.00	35%	210,000.00
	over 1 year	2,800,000.00	100%	2,800,000.00	100%	2,800,000.00
	TOTAL APLL		3,010,000.00		3,010,000.00	



Article IV

STAGGERED BOOKING OF ALLOWANCE FOR PROBABLE LOSSES ON LOANS *(cont.)*

Section 2. Notice to the CDA. In order to avail of the regulatory relief under this article, the cooperative shall submit to the CDA Regional Office having jurisdiction over the principal office of the cooperative, the following documents, on or before December 31, 2020:

1. Letter informing the Authority that it is availing of this regulatory relief, signed by the Manager and/or the Chairman; and
2. Board Resolution resolving to avail of the regulatory relief signed by the Secretary and attested by the Chairman/Presiding Officer. For this purpose, the meeting of the BOD may be conducted through videoconferencing, teleconferencing, audio conferencing or a combination thereof, even if not included in the bylaws or policies of the cooperative, but subject to the rules on sending of notices, quorum and voting requirements as provided for in the bylaws.



Article V

USE OF CASH RESTRICTED FOR RESERVE FUND CLASSIFIED UNDER THE ACCOUNT “OTHER FUNDS AND DEPOSITS”

In case of liquidity problem as a result of the granting of grace periods and the restructuring of loans to member-borrowers, a cooperative may use for its operations not more than 50% of the amount set aside for the reserve fund, subject to the evaluation and approval of the Authority after submission of the requirements provided for under Section 1 hereof: Provided, however, that this fund must be fully replenished as soon as the cooperative has resolved its liquidity problem or within a period of three (3) years, whichever comes first, and Provided, further, that the reserve fund shall be 100% funded at the time of filing of the application to avail of this relief.



Article V

USE OF CASH RESTRICTED FOR RESERVE FUND CLASSIFIED UNDER THE ACCOUNT “OTHER FUNDS AND DEPOSITS” *(cont.)*

Section 1. Requirements. In order to utilize its “Other Funds and Deposits”, the cooperative shall submit, on or before October 31, 2020, the following documents:

1. Letter, signed under oath by the Chairperson and/or the authorized signatory of the cooperative, containing the following:
 - request for regulatory relief to use cash restricted for reserve fund classified under the account “Other Funds and Deposits”;
 - statement that the reserve fund is fully funded, indicating the amount of cash restricted for such fund;
 - statement that the liquidity problem arose due to the granting of grace period or restructuring of loans;
 - amount of reserve fund as of December 31, 2019;



Article V

USE OF CASH RESTRICTED FOR RESERVE FUND CLASSIFIED UNDER THE ACCOUNT “OTHER FUNDS AND DEPOSITS” *(cont.)*

- requested amount to be taken from the “Other Funds and Deposits” set aside for the reserve fund and the purpose for which the fund will be used;
- statement that the cooperative has no short-term investments/deposits from any banks, cooperative federations and other financial institutions;
- statement that the cooperative shall replenish it as soon as its liquidity problem has been resolved or within a period of three (3) years, whichever comes first; and
- statement that the cooperative shall submit a certificate of replenishment after the fund has been fully replenished.

A sample copy of the Certificate of Replenishment is hereto attached as “Annex B.”

2. 2019 Audited Financial Statements and Interim Financial Statements for the month prior to the date of application; and
3. Board Resolution on the availment of the relief.



“ANNEX B”

(ANNEX B)

CERTIFICATE OF REPLENISHMENT

I, _____ (name), Chairperson of _____
_____(name of coop), hereby certify that the cooperative had deposited the amount of
_____(P _____) with the _____(name of bank) on
_____(date the deposit was made), hereto attached as Exhibit “1,” as full replenishment
for the amount withdrawn from the cash restricted for reserve fund on
_____(date of withdrawal), under the “Other Funds and Deposits” account.

This certification is issued in compliance with the requirement of the Cooperative Development Authority for the availment of the regulatory relief under CDA MC No. _____ dated _____.

Chairperson



Article V

USE OF CASH RESTRICTED FOR RESERVE FUND CLASSIFIED UNDER THE ACCOUNT “OTHER FUNDS AND DEPOSITS” *(cont.)*

Section 2. Procedure.

1. The cooperative shall submit the requirements to the CDA Central/Regional Office which has jurisdiction over the principal office of the cooperative.

2. The Regulation Division/Section shall evaluate the submitted documents. If found to be in order, the Central/Regional Office shall issue a notice of approval within three (3) working days from receipt of the request.

In case of denial or deferment of request, the CDA Regional Office shall notify the applicant-cooperative within three (3) working days upon receipt of the request, specifying the grounds therefor.



Article V

USE OF CASH RESTRICTED FOR RESERVE FUND CLASSIFIED UNDER THE ACCOUNT "OTHER FUNDS AND DEPOSITS" (cont.)

Section 3. Recording/Journal Entries.

In using the Other Funds and Deposits account, the following entries shall be made:

Cash in Bank xxx

Other Funds and Deposits xxx

To record the withdrawal from Other Funds and Deposits account and transferring it to general Cash account

Expense/Asset Account xxx

Cash in Bank xxx

To record disbursement of fund

Other Funds and Deposits xxx

Cash in Bank xxx

To record replenishment of Other Funds and Deposits



Article VI

Manner of Submission

All requests for regulatory relief, together with supporting documents, may be submitted through any of the following means:

1. Personally, in the case of areas under general community quarantine, provided health and safety protocols are observed;
2. Through registered mail or courier services; or
3. Through electronic mail (email) to be sent to the e-mail address of the regional office having jurisdiction over the principal office of the cooperative, as follows:

Region	Regional Office	Email Address
CAR	CAR	car@cda.gov.ph
I	Dagupan	r1@cda.gov.ph
II	Tuguegarao	r2@cda.gov.ph
III	Pampanga	r3@cda.gov.ph



Article VI

Manner of Submission *(cont.)*

Region	Regional Office	Email Address
NCR	Manila	ncr@cda.gov.ph
IV-A	Calamba	calabarzon@cda.gov.ph
IV-B	MIMAROPA	mimaropa@cda.gov.ph
V	Naga	r5@cda.gov.ph
VI	Iloilo	r6@cda.gov.ph
VII	Cebu	r7@cda.gov.ph
VIII	Tacloban	r8@cda.gov.ph
IX	Pagadian	Pagadian r9@cda.gov.ph
X	Cagayan de Oro	r10@cda.gov.ph
XI	Davao	r11@cda.gov.ph
XII	Kidapawan	r12@cda.gov.ph
XIII	CARAGA	caraga@cda.gov.ph
Central Office	Regulation Division	regulation@cda.gov.ph



Article VI

Manner of Submission *(cont.)*

In submitting through email, the following conditions must be met:

1. All documents must be scanned in a portable document format (PDF), to be sent as attachments to an email from a valid cooperative email account or address of an authorized representative.
2. The email should contain a declaration by the authorized representative of the cooperative that the documents submitted are authentic.
3. The full name, cooperative address, and mobile number of the authorized representative must be stated.
4. It shall be understood however, that the person(s) whose signature(s) appears in the documents submitted shall be held accountable under the appropriate provisions of the Code.



Article VII

DISCLOSURE REQUIREMENT

Cooperatives who availed of the herein regulatory reliefs shall disclose the following information in the Notes to Financial Statements, for all the reporting periods affected:

- a. The amount excluded in the computation of past due; or
- b. The staggered recognition of APLL, including the schedule of staggered allocation used; or
- c. Amount of cash taken from the Reserve Fund to be replenished



Article VIII

MONITORING BY THE AUTHORITY

Compliance with this Guidelines by cooperatives who availed of these regulatory reliefs shall be monitored by the Authority during inspection.



Article IX

INFORMATION DISSEMINATION AND EFFECTIVITY

Section 1. Information Dissemination. All concerned CDA Regional Offices shall endeavor to inform and disseminate this Circular to cooperatives concerned within their jurisdiction.

Section 2. Effectivity. This Memorandum Circular shall take effect immediately.

Approved per BOD Resolution No. 206, s-2020 dated July 29, 2020.

For the CDA Board of Directors:

ORLANDO R. RAVANERA