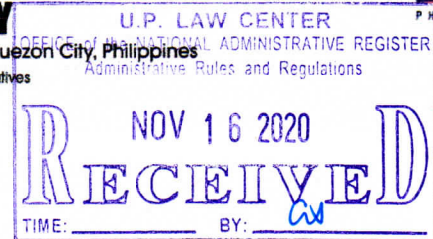




COOPERATIVE DEVELOPMENT AUTHORITY

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MEMORANDUM CIRCULAR NO. 2020-24 Series of 2020.

SUBJECT: GUIDELINES GOVERNING THE REGISTRATION AND OPERATION OF FEDERATIONS OF COOPERATIVES

Pursuant to Republic Act No. 11364, otherwise known as the “Cooperative Development Authority Charter of 2019” and Republic Act No. 9520, or the “Philippine Cooperative Code of 2008,” the Authority hereby adopts and promulgates this Guidelines governing the registration and operation of federations of cooperatives.

Article I Title

This Memorandum Circular shall be known as the “Guidelines Governing the Registration and Operation of Federations of Cooperatives”.

Article II Coverage and Scope

This Guidelines shall apply to all existing federations of cooperatives and those applying for registration as such with the Authority.

Article III Purpose

This Guidelines is issued to ensure that the registration, operation and practices of federations of cooperatives are in conformity with the requirements provided for under RA No. 9520 and RA No. 11364, their Implementing Rules and Regulations, and other relevant issuances of the Authority.

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Article IV Definition of Terms

As used in this Guidelines, the following terms shall be defined as:

- a. **Area of Operation** – shall refer to the place/area where the cooperative members come from as provided for in their articles of cooperation and bylaws;
- b. **Authority** – shall refer to the Cooperative Development Authority;
- c. **Federation of Cooperatives** – shall refer to a cooperative, the members of which are three (3) or more primary cooperatives engaged in the same line of business, organized at the municipal, provincial, city, special metropolitan political subdivision, or economic zones created by law and registered with the Authority, to undertake business activities in support of its members. It is categorized as a secondary cooperative;
- d. **Inter-regional** – shall refer to the cooperative's area of operation covering two or more regions in not more than two (2) islands;
- e. **Primary Cooperative** – shall refer to a cooperative the members of which are natural persons. This includes electric cooperative and water service cooperative;
- f. **Share** – shall refer to a unit of capital the par value of which may be fixed at any figure not less than One Hundred Pesos (P100.00) but not more than One Thousand Pesos (P1,000.00), which is divisible by one peso and may be divided into common and preferred share capital;
- g. **Share Capital** – shall refer to the money paid or required to be paid by the members for the conduct of the business operation of the cooperative as provided for in the By-Laws of the federation; and
- h. **Tertiary Cooperative**– shall refer to a cooperative, the members ,of which are federations of cooperatives.

Article V

Organization and Registration of Federation of Cooperatives

Section 1. Membership – members of the federation shall consist of cooperatives engaged in the same line or type of business as specified in its Articles of Cooperation and Bylaws.

The minimum number of members shall be at least three (3) primary cooperatives for federation of cooperatives and at least three (3) secondary cooperatives for tertiary cooperatives.

Section 2. Authorized, Subscribed and Paid-up Capital

2.1 The authorized share capital of a cooperative shall be provided for in its Articles of Cooperation. At least twenty five percent (25%) of the authorized share capital shall be subscribed by the members and at least twenty five percent (25%) of the subscribed share capital shall be paid by the members prior to registration.

2.2. For federation of cooperatives, the minimum paid-up share capital shall be Php1,000,000.00, or the amount required in the feasibility study, whichever is higher. For tertiary cooperatives, the minimum paid-up share capital is Php5,000,000.00, or the amount required in the feasibility study, whichever is higher.

Section 3. Common and Preferred Shares.

3.1. The share capital of a cooperative may consist of common share capital and preferred share capital if the latter is provided for under its Articles of Cooperation and Bylaws. Should the cooperative wish to have common and preferred shares, statements to that effect should appear in the Articles of Cooperation specifying the number of shares to be offered for common shares and for preferred shares.

3.2. Should preferred share capital be offered, the rights and privileges of holders of preferred shares shall be provided for in the By-laws of the cooperative.

3.3. Preferred share capital shall not exceed twenty-five percent (25%) or one-fourth (1/4) of the total authorized share capital of the cooperative.

Section 4. Area of Coverage - A federation of cooperatives may be organized at the municipal/city, district or provincial level, regional, inter-regional or national levels while tertiary cooperatives may be organized at the regional, inter-regional or national levels only.

Section 5. Business Operation- A federation shall engage in business activities authorized under Article 6 of RA No. 9520 that support, complement, augment, or supplement but do not conflict, compete with nor supplant the business or economic activities of its member-cooperatives.

Section 6. Bond Requirement – Accountable officers/employees of the proposed cooperative shall be covered by surety bond, the amount of which shall depend primarily on the value of accountabilities the officers/employees are handling as determined by the Board of Directors.

Section 7. Documentary Requirements

The following documents shall be submitted to the Authority in four (4) original copies:

1. Feasibility Study which contains the following items:
 - 1.1. Organizational structure
 - 1.2. Purposes/Objectives
 - 1.3. Area of Operation
 - 1.4. Number of members/potential members
 - 1.5. Market Aspect
 - 1.6. Technical aspect of operation
 - 1.7. Management aspect
 - 1.8. Organizational/Management Aspect
 - 1.9. Financial aspect with 3year projection
 - 1.10. Programs on Cooperative Education and Training
2. Duly notarized Articles of Cooperation with signatures of all member-cooperatives representatives/cooperators in every page;
3. By-Laws with signatures of all member-cooperatives representatives/cooperators on the adoption page;
4. Duly notarized Treasurer's Affidavit stating the total amount received from members' share capital contributions, membership fees, donations or subsidies;

5. General Assembly Resolution of each member-cooperative stating that the general assembly has approved its membership and the exact amounts of paid-up share capital contributions/dues to the federation; and
6. BOD Resolution on authorized representative/s of each of the member-cooperatives.

Section 8. Registration Jurisdiction.

Federation of cooperatives and tertiary cooperatives shall be registered at the regional offices of the Authority. In case of proposed federations with inter-regional and national coverage, they shall be registered in the regional office where the principal office of the proposed cooperative is located.

For this purpose, tertiary cooperatives with national coverage shall refer to those whose area of operation covers three or more regions in each of Luzon, Visayas and Mindanao islands.

Section 9. Validation Requirement

The Authority shall ensure that any proposed city/municipal, provincial or regional cooperative federation applying for registration must first comply with the basic requirements for organization and registration by conducting the requisite validation procedure.

Section 10. Registration Fee

For federations, the registration fee to be paid by the proposed cooperative shall be one-tenth (1/10) of one (1%) percent of the total paid-up share capital, or Two Thousand Pesos (P2,000), whichever is higher. For tertiary cooperatives, registration fee shall be one-tenth (1/10) of one (1%) percent of the total paid-up share capital, or Five Thousand Pesos (P5,000), whichever is higher.

An additional Legal Research Fee (LRF) equivalent to one percent (1%) of the fee imposed shall be collected, but in no case shall the amount be lower than Ten Pesos (P10.00).

Section 11. Registration Process. The registration procedure shall be in accordance with the approved Citizens' Charter of the Authority.

Article VI
Functions and Operation of a Federation of Cooperatives

Section 1. Functions of a Federation. A federation of cooperatives shall undertake the following functions:

- a. To carry on any cooperative enterprise authorized under Article 6 that complements, augments, or supplements but does not conflict, compete with nor supplant the business or economic activities of its member-cooperatives;
- b. To carry on, encourage and assist educational and advisory work relating to the business activities of its members;
- c. To render services designed to encourage simplicity, efficiency, and economy in the conduct of the business of its member-cooperatives and to facilitate the implementation of its bookkeeping, accounting, and other systems and procedures;
- d. To print, publish, and circulate any newspaper or other publication in the interest of its member-cooperatives and enterprises;
- e. To coordinate and facilitate the activities of its member-cooperatives;
- f. To enter into joint ventures with national or international cooperatives in the manufacture and sale of products and services in the Philippines and abroad;
- g. To mandatorily act as conciliator-mediator in intra-cooperative disputes of its members and intra/inter cooperative disputes between and among the primary cooperative members;
- h. To assist members in the submission of required reports and other compliances to CDA and other government and regulatory bodies; and
- i. To perform such other functions as may be necessary to attain its objectives.

Section 2. Operation of a Federation of Cooperatives. In its operation, a federation of cooperatives shall observe the following:

- a. Use of the feasibility study as a guide, carry out the plan and make use of the available resources to meet the goals and objectives of the federation;
- b. Secure necessary permits, licenses and Certificate of Tax Exemption for the operation of the business, as may be required by the national and/or local government agencies;
- c. Conduct capability building programs for member-cooperatives, continuous savings, regular meetings, and dialogues;
- d. Conduct regular monitoring and evaluation of the plans, programs, activities and to establish the performance metrics to measure progress concerning set goals;
- e. Elect, appoint and/or set up core management team, committees and officers;
- f. Develop strategic, annual and business continuity plan; and
- g. Manage the business in accordance with good governance

Section 3. Programs for Members

All federations must develop programs for the benefit of their members. These programs shall include, but are not limited to, education, training, monitoring, coaching, research and advocacy which are related to the businesses of their members.

Federations must assist their members to become sustainable cooperative organizations and to be compliant with the laws, regulations, policies, inspection/examination findings of government regulatory agencies.

The Cooperative Education and Training Fund (CETF) remitted by the members shall be used for this purpose. In no case shall the remitted CETF be treated as share capital contributions or income.

The federation and its member and non-member cooperatives must enter into a Memorandum of Agreement in relation to their CETF remittances.

The utilization, accounting treatment and reportorial requirements relative to CETF shall be governed by Memorandum Circular No. 2019-08 and any amendments thereto.

Section 4. Federation as Accredited Training Provider

A federation may be accredited by the CDA as a cooperative training provider by stating in its Articles of Cooperation that it aims to help improve the quality of services to its member-cooperatives by providing educational and advisory work.

Thus, for a more focused delivery of services, the federation shall conduct trainings, including mandatory trainings, only among its member-cooperatives.

Article VII Prohibitions

Section 1. Prohibited Practices and Activities. The following practices and activities are prohibited:

- a. Engaging in any activity not indicated in their Articles of Cooperation and By-laws (ACBL);
- b. Engaging in any economic activity that competes, conflicts and supplants the business/economic activities of their member-cooperatives;
- c. Treating the CETF remittance of members as share capital contribution or income;
- d. Accepting members who are not within the same line of business as indicated in the ACBL of the federation;
- e. Using any part of its fund for any purpose other than those purposes stated in the ACBL of the federation;
- f. Engaging in any activity which is contrary to law, morals, public order or public policy;
- g. Accepting investments from members and non-members which are not allowed by the Code, other than share capital, deposit or non-speculative securities;
- h. Conducting mandatory trainings for officers of cooperatives who are not their members;
- i. Having members beyond their scope of membership; and

- j. Actual bookkeeping and accounting services to their members.

Article VIII Miscellaneous

Section 1. Assistance to the Authority. Upon written request of the Authority, cooperative federations may assist the former in the performance of its power of inspection/examination by way of providing relevant information, such as, but not limited to, research, reports and financial records necessary to the inspection and/or examination.

Section 2. Settlement of Intra and Inter Coop Disputes. Federations shall develop policies and procedures in amicably settling disputes between and among their members.

Section 3. Membership in the Regional Cluster Organization (RCO) and Sectoral Apex Organization (SAO)

Qualified federation of cooperatives and tertiary cooperatives may join the RCO and SAO depending on the line of business activities of their members as indicated in their Articles of Cooperation.

Section 4. Reportorial Requirements

Within one hundred twenty (120) days after the end of every fiscal year, the cooperative federation shall submit the following:

1. Cooperative Annual Progress Report (CAPR) with the following attachments:
 - a. Audited Financial Statements (AFS);
 - b. List of Officers and Trainings Undertaken/Completed;
 - c. Social Audit Report;
 - d. Governance and Management Report;
 - e. Semi-Annual Reports on Mediation and Conciliation;
 - f. List of members and non-members cooperatives which have remitted their respective Cooperative Education and Training Funds (CETF);
 - g. Business consultancy assistance rendered, specifying the nature and cost, including the use of CETF;
 - h. Other training activities undertaken, specifying the nature, participants, and cost of each activity; and

2. Annual Tax Incentive Report.

Article IX Sanctions

Any violation of the provisions of this Guidelines shall be subject to any or all of the following sanctions, after due notice and hearing:

1. Non-issuance of the Certificate of Compliance (COC) for the immediately succeeding year;
2. Revocation/cancellation of the Certificate of Accreditation as Cooperative Training Provider, if applicable; and
3. Dissolution of the federation.

Article X Transitory Provisions

Existing federations of cooperatives and tertiary cooperatives must comply with the membership requirements and qualifications within two (2) years from the effectivity of this Guidelines. Accordingly, they shall amend their ACBL to conform with this Guidelines. Members who are not within the same line of business must be terminated in accordance with their by-laws and policies and shall be entitled to a refund of their total paid-up capital, and all interests that have accrued therefrom.

Further, existing federations of cooperatives are given one (1) year from the effectivity of this Guidelines to meet the required paid-up capitalization of P1,000,000.00 and P5,000,000.00, on the other hand, for tertiary cooperatives.

Article XI Separability Clause

If, for any reason, any provision of this Guidelines is declared null and void or unconstitutional, the other provisions hereof which are not affected thereby shall continue to be in full force and effect.

Article XII
Repealing Clause

All previous Circulars and/or Guidelines issued by the Authority which are inconsistent with this Guidelines are hereby repealed or modified accordingly.

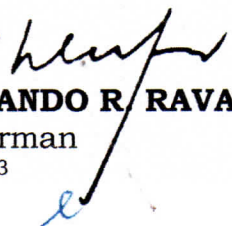
Article XIII
Effectivity

This Guidelines shall take effect upon the approval of the Board of Directors and fifteen (15) days after filing with the Office of National Administrative Registry (ONAR).

Approved by the Board of Directors pursuant to Res. No. 317 dated October 28, 2020.

For the Board of Directors:

By:


ORLANDO R. RAVANERA
Chairman
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