



Republic of the Philippines  
**OFFICE OF THE PRESIDENT**  
**COOPERATIVE DEVELOPMENT AUTHORITY**

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**Memorandum Circular No. 2011-23**  
**Series of 2011**

**To : All Concerned**

**Subject : GUIDELINES FOR THE DEPUTATION OF  
FEDERATIONS AS SUPERVISORS OF THE  
FINANCIAL SERVICE COOPERATIVES (FSC) AND  
COOPERATIVE WITH SAVINGS AND CREDIT  
SERVICES (CSCS)**

Pursuant to the pertinent provisions of Article 124 Chapter 16 of RA 9520, otherwise known as "The Philippine Cooperative Code of 2008" and Rule 12 of its Implementing Rules and Regulations, and Rule 13 of Implementing Rules and Regulation of RA6939, the following guidelines shall govern the selection, approval, renewal, and revocation of deputized Federations by the Cooperative Development Authority.

**Section 1. Definition of Terms**

**COOPERATIVE DEVELOPMENT AUTHORITY** - refers to the government agency mandated by law to supervise and examine FSCs, and to deputize federations in the conduct of the supervision and examination, herein referred to as the Authority

**FINANCIAL SERVICE COOPERATIVE** - refers to a duly registered cooperative owned and operated by its members for the primary purpose of engaging in savings and credit services and other enhanced financial services regulated by the Bangko Sentral ng Pilipinas (BSP).

**COOPERATIVE WITH SAVINGS AND CREDIT SERVICES** - refers to a duly registered cooperative undertaking both savings and credit operations.

**DEPUTIZED FEDERATION** - refers to the federation authorized to perform supervisory and examination functions to its member-cooperatives

**SUPERVISION**- refers to the review and assessment of the entire cooperative operations including the quality of the cooperative's risk-management process, cooperative governance, internal

risk-management process, cooperative governance, internal controls, accountabilities and responsibilities, and adherence to regulatory and prudential standards

*EXAMINATION* – refers to the verification, review, and inspection of the cooperative's books and records, business affairs, administration, governance and management and financial condition

*NET WORTH* – refers to reserve fund, paid-up capital, grants, donation less unbooked allowances

## **Section 2. Scope and Objectives**

This Guideline shall cover all registered federations of cooperatives, whose member-cooperatives undertake both savings and credit operations and Financial Service Cooperative Federations.

This Guideline aims to institutionalize the conduct of supervision and examination of cooperatives to ensure its safe and sound operations.

## **Section 3. Qualifications of a Deputized Federation**

The following are the qualifications of a Deputized Federation to undertake supervision and examination functions:

1. Registered and operating as a Federation with direct access to the financial information and records of its member-cooperatives;
2. Net Worth of at least Ten (P10) million;
3. Active membership base of at least ten (10) primary cooperatives undertaking savings and credit operations that are subject to supervision and examination
4. Positive net worth for the last 2 years at the time of the application as shown by duly audited financial statements;
5. Institutionalized Governance and Management Practices;
6. Have at least three (3) qualified examiners;
7. No adverse findings or derogatory record from any government regulatory agency or entity and creditors (CDA, BSP, GFIs, LGU);

8. Not convicted of any legal, civil or administrative case involving moral turpitude with finality in any court of law or regulatory agency at the time of application; and
9. Willingness to undergo training on examination and supervision to be conducted by the Authority.

#### **Section 4. Documentary Requirements**

- a. Duly filled up **Application Form (Annex A)** indicating the commitment to abide with the provisions of this Circular including the duties and responsibilities as deputized supervisor;
- b. Certified True Copy of Special Purpose CGS
- c. Certificate of undertaking to undergo training on supervision and examination after the issuance of deputation;
- d. Certified true copy of the Authority to Operate issued by BSP (applicable for FSC only)
- e. General Assembly Resolution approving the intent to apply for deputation.
- f. Certified true copy of the mandatory reports submitted to the Authority for the last 2 years;
- g. Business permits / licenses;
- h. Organizational and functional structure and list of Management Officers including their bio-data;
- i. List of at least 3 qualified examiners including their bio-data
- j. List of cooperative members undertaking savings and credit services as of filing date;
- k. Clearance from the court
- l. Certification of a duly approved relevant manual of policies;
- m. Proposed Organizational Plan and Staffing Pattern for the Supervision and Examination Unit;
- n. Non-refundable application fee of Six Thousand (PhP6,000.00) Pesos.

#### **Section 5. Functions of Delegated Supervisor and Examiner**

The deputized federation shall focus on:

1. Monitoring strict compliance by the cooperatives/FSC on various legal, regulatory and other governmental requirements;
2. Evaluation of the cooperatives/FSC's governance, internal control, management of risks, and other prudential practices;
3. Evaluation of the overall financial condition of the cooperative through on-site and off-site supervision and examination; and

4. Assessment of compliance with sound policies, procedures and practices.

### **Section 6. Validity**

Accreditation as deputized federation will be valid for a period of three (3) years unless earlier revoked and may be renewed upon expiration.

### **Section 7. Conditions for Deputized Federations**

1. Once approved, a **Certificate of Authority** (Annex B) will be issued to the federation and a Term of References detailing the responsibilities and accountabilities of the deputized federation shall be executed;
2. Within one (1) month from the issuance of the Certificate of Authority, the deputized federation shall submit the list of recommended personnel, including their bio-data, for the independent supervisory and examination unit;
3. Within six (6) months from the issuance of the Certificate of Authority, the deputized federation has set up the independent supervisory and examination unit that shall:
  - i. Conduct supervision and examination of member-cooperatives;
  - ii. Be under the administrative control of the Federation but directly accountable to the Authority for the conduct of supervision and examination of member-cooperatives;
  - iii. Submit within 30 calendar days after the end of each engagement complete examination reports and findings directly to the Authority;
  - iv. Use the Authority's Supervision and Examination Manual (SEM) in the examination of cooperatives;
  - v. Keep the SEM for official and exclusive use of the supervisors and examiners;
  - vi. Treat all reports and information gathered during its supervision and examination procedures with the strictest confidentiality.

### **Section 8. Monitoring and Reports**

Deputized federations will be monitored on a regular basis to ensure that they are effectively performing the functions delegated to them. The Authority shall conduct random on-the-spot visits to the

deputized federation and supervised cooperatives to validate accuracy of submitted reports.

The supervision and examination unit within the deputized federation shall submit the Examination Report (Annex C) of each supervised cooperatives within 30 calendar days after the completion of the examination.

The deputized federation shall submit a quarterly report on the delegated function as supervisor and examiner such as the Status of Operation/Activities on Examination and Status on the Compliance on the Recommended Corrective Measures and Actions taken by the supervised/examined cooperatives.

Within 120 calendar days after the end of each calendar year, the deputized federation shall submit to the Authority updated information on the following:

- i. Duly audited financial statements;
- ii. List of primary cooperative members;
- iii. Duly notarized certification on conflict of interest;
- iv. List of Officers, staff in the supervision and examination unit together with their bio-data; and
- v. Staff Development Program

#### **Section 9. Renewal of Accreditation**

Deputized federation may file an accomplished **Application for Renewal (Annex D)** attaching the following documents:

1. Certificate of Good Standing;
2. Business permits / licenses;
3. Certificate of mandatory reports submitted to the Authority
4. Certificate of training on supervision and examination of all supervisors and examiners;
5. Court Clearance
6. Certified list of supervised and examined cooperatives; and
7. Renewal fee of Three thousand (PhP3,000.00) pesos.

#### **Section 10. Cancellation and Revocation of the Certificate of Authority**

1. The Authority may cancel the Certificate of Authority of a deputized federation based on the following : Violation of any of the provisions of the Term of Reference, Cooperative Code and other relevant laws, rules and regulations;
2. Breach of confidentiality (SEM and examination reports);

3. Misrepresentation or non-disclosure of material information to the Authority; (define material information – materiality level shall be defined)
4. Failure or delay in the submission of required reports
5. Negligence and/or inefficiencies in the conduct of its supervisory functions;
6. Failure to secure CGS on an annual basis and
7. Such other reasonable factors as may be determined by the Authority.

### **Section 11. Statutory Provisions**

Deputation of federation does not prohibit the Authority to conduct/perform supervision and examination to primary cooperatives. Primary cooperatives with multiple affiliations may choose the deputized federation who will conduct the supervision and examination.

Cooperatives with no affiliation shall be examined/supervised directly by the Authority.

### **Section 12. Separability Clause**

Any provisions in this Guideline that are found not consistent with the laws, rules and regulation, the validity of the remaining provisions hereof shall remain in full force and effect.

### **Section 13. Effectivity**

This Guideline shall take effect fifteen (15) days from the submission of copy hereof to the Office of the National Administrative Registry.

Approved by the CDA Board of Administrators on September 8, 2011 per BOA Resolution No. 303, Series of 2011

For the Board of Administrators:

  
EMMANUEL M. SANTIAGUEL, Ph.D.

October 21, 2011

APPLICATION FORM FOR DEPUTATION OF FEDERATION  
AS COOPERATIVE SUPERVISORS AND EXAMINERS

1. Name of Federation \_\_\_\_\_
2. CDA Registration No. \_\_\_\_\_
3. Principal Office Address \_\_\_\_\_  
\_\_\_\_\_
4. Tel. No. \_\_\_\_\_ Fax No. \_\_\_\_\_ Email Address \_\_\_\_\_
5. Branches, if any \_\_\_\_\_
6. Full Name of Board of Directors
  - a. \_\_\_\_\_ - Chairman
  - b. \_\_\_\_\_ - Vice Chairman
  - c. \_\_\_\_\_ - Member
  - d. \_\_\_\_\_ - Member
  - e. \_\_\_\_\_ - Member
7. Full Name of Other Officers Position

a. _____	_____
b. _____	_____
c. _____	_____
d. _____	_____
e. _____	_____
f. _____	_____
g. _____	_____
8. Full Name of Staff to conduct the Supervision and Examination Position in the Federation Highest Educational Attainment

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Upon approval and receipt of our Certificate of Deputation as Supervisors and Examiners of Financial Service Cooperatives, we hereby commit to abide with the provisions of CDA Memorandum Circular No. \_\_\_\_\_ dated \_\_\_\_\_ including the duties and responsibilities specified thereon.

I hereby certify that the foregoing entries/information is true and correct.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chairman

APPLICATION FORM FOR DEPUTATION OF FEDERATION  
AS COOPERATIVE SUPERVISORS AND EXAMINERS

1. Name of Federation \_\_\_\_\_
2. CDA Registration No. \_\_\_\_\_
3. Principal Office Address \_\_\_\_\_  
\_\_\_\_\_
4. Tel. No. \_\_\_\_\_ Fax No. \_\_\_\_\_ Email Address \_\_\_\_\_
5. Branches, if any \_\_\_\_\_
6. Full Name of Board of Directors
  - a. \_\_\_\_\_ - Chairman
  - b. \_\_\_\_\_ - Vice Chairman
  - c. \_\_\_\_\_ - Member
  - d. \_\_\_\_\_ - Member
  - e. \_\_\_\_\_ - Member
7. Full Name of Other Officers Position

a. _____	_____
b. _____	_____
c. _____	_____
d. _____	_____
e. _____	_____
f. _____	_____
g. _____	_____
8. Full Name of Staff to conduct the Supervision and Examination Position in the Federation Highest Educational Attainment

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Upon approval and receipt of our Certificate of Deputation as Supervisors and Examiners of Financial Service Cooperatives, we hereby commit to abide with the provisions of CDA Memorandum Circular No. \_\_\_\_\_ dated \_\_\_\_\_ including the duties and responsibilities specified thereon.

I hereby certify that the foregoing entries/information is true and correct.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chairman



**CERTIFICATE OF AUTHORITY**

THIS IS TO CERTIFY THAT \_\_\_\_\_, a Secondary Cooperative with principal and business address at \_\_\_\_\_ is duly registered with the COOPERATIVE DEVELOPMENT AUTHORITY under Registration Certificate No. \_\_\_\_\_ dated \_\_\_\_\_.

As a Secondary Cooperative authorized to examine and supervise primary cooperatives, \_\_\_\_\_ shall comply with the terms and conditions herein enumerated.

This Certificate of Authority shall be valid for three (3) years or until \_\_\_\_\_ unless sooner revoked by this Office for violation of any provisions of the Cooperative Code, other relevant laws, rules and regulations and the terms and conditions on the reverse side hereof or upon withdrawal of the Certificate of Registration by the Authority.

In TESTIMONY WHEREOF, I have hereunto set my hand and seal at \_\_\_\_\_, Philippines this \_\_\_\_\_ day of \_\_\_\_\_, 2011.

**EMMANUEL M. SANTIAGUEL, Ph.D.**  
Chairman

**TERMS AND CONDITIONS OF THIS CERTIFICATE OF AUTHORITY**

1. Within one (1) month from the issuance of this Certificate of Authority, the deputized federation shall submit the list of recommended personnel, including their bio-data, for the independent supervisory and examination unit.
2. Within six (6) months from the issuance of this Certificate of Authority, the deputized federation has set up the independent supervisory and examination unit that shall:
  - i. Conduct supervision and examination of cooperatives;
  - ii. Be under the administrative control of the Federation but directly accountable to the Authority for the conduct of supervision and examination of member-cooperatives;
  - iii. Submit within 30 calendar days after the end of each engagement complete examination reports and findings directly to the Authority;

- iv. Use the Authority's Supervision and Examination Manual (SEM) in the examination of cooperatives;
  - v. Keep the SEM for official and exclusive use of the supervisors and examiners;
  - vi. Treat all reports and information gathered during its supervision and examination procedures with the strictest confidentiality.
3. The Deputized Federation shall evaluate the supervised and examined cooperatives on the following:
  - a. Governance
  - b. Internal control
  - c. Management of risks and other prudential practices
  - d. Overall financial condition of the cooperative through on-site and off-site supervision and examination
  - e. Compliance with various legal, regulatory and other government requirements
  - f. Compliance with sound policies, procedures and practices
4. The Deputized Federation are required to submit at the end of every quarter the Status of Operation and Activities relative to the delegated function and Status on the compliance of the recommended corrective measures and action taken by the supervised/examined cooperatives;
5. The Deputized Federation are required to submit within 120 calendar days after the end of each calendar year the updated information on the following:
  - i. Duly audited financial statements;
  - ii. List of primary cooperative members;
  - iii. Duly notarized certification on conflict of interest;
  - iv. List of Officers, staff in the supervision and examination unit together with their bio-data; and
  - v. Staff Development Program
6. Deputized federations will be monitored on a regular basis to ensure that they are effectively performing the functions delegated to them. The Authority shall conduct random on-the-spot visits to the deputized federation and supervised cooperatives to validate accuracy of submitted reports.

Failure of the cooperative to comply with the above requirements shall be a ground for the cancellation/revocation of this Certificate of Authority.

## *The Examination Report*

### *This Report shall contain the following:*

- a. *Examination Scope.* The Examination Scope shall define the period covered by the examination and the amount of time spent for examination. It also identifies the objectives of the examination and the process undertaken by the examiner.
- b. *Overall Condition.* The Overall Condition shall concisely present the cooperative's overall condition and the Examiner's material observations, conclusions and recommendations. The Examiner should use this section to put the examination findings into proper perspective. The depth and complexity of this section will vary depending on the severity of the problems. The Overall Condition should be brief and to the point.
- c. *Financial Analysis and Evaluation.* The Financial Analysis and Evaluation describes and analyzes the performance of the cooperatives over a period of time and compares it to the industry or a peer group of similar size cooperatives.
- d. *Evaluation of the Risk Management System.* This section presents the overall conclusion on the cooperative's overall risk management system identifying the areas of concern. Using the risk matrix, the composite risk assessment and the directional trend of the risks are presented and analyzed. This section should also discuss the individual risk categories i.e. credit, liquidity, market, operational, legal and compliance.
- e. *Governance and Management.* This section comments on the quality of Management including adherence to laws, rules and regulations and good cooperative governance principles. It also includes an evaluation of the Management's propensity towards risk taking activities. It also describes the delineation of roles between the Board and the Key Management Officers.
- f. *COOP-PESOS Rating.* This section describes the validated COOP-PESOS rating of the cooperative including the adjectival rating. This also includes the interpretation of the overall rating and its implications on the safety and soundness of the cooperative operations as well as the level of supervision needed.
- g. *Major Findings.* This section should present the findings and exceptions on laws, rules and regulations that affect safety and soundness of the cooperative operations. The presentation of findings should cite the specific provision of the Cooperative Code, By-Laws, Regulatory Rules or other laws and statutes violated. The findings should be organized in accordance with the order of priority, the most serious problems listed first. If a finding or violation has material adverse impact on the cooperative's financial condition, the Examiner should submit advance findings to the Authority through appropriate channels including any developments or actions taken.

The cooperative management should be allowed to correct as many exceptions as possible before the end of the examination. The Examiner shall then note on this Report which findings or violations have already been corrected.

The Examiner should include in the Examiner's Findings a section entitled 'PREVIOUS EXAMINATION FINDINGS NOT YET CORRECTED.' This section shall list the findings and violations noted during previous examinations but not yet corrected as of the most recent examination. The complete list of findings, including those that are considered minor, shall be attached as Annex to the Examination Report.

- h. *Management Response.* The Management Response (MR) presents the cooperative's plan of action addressing the findings/exceptions identified during examination. It may include the cooperative's comments, explanations and justifications on the findings/exceptions cited. The MR should be organized and presented in a matrix side by side with the findings/exceptions.

The greater the cooperative's problems, the more detailed the MR should be. The MR should specify the problem areas, their significance and the corrective actions to be undertaken. It should also identify the persons/offices responsible for each corrective action and the timeframe in which problems should be resolved.

- i. *Examiner's Comments and Recommendations.* This section summarizes the examiner's final recommendations on the cooperative operations taking into consideration the management's response during the exit conference. The examiner should also provide specific directives to the cooperative for uncorrected exceptions.

The report should include opinions and observations of the Examiner about the examination, the results of meetings and discussions with the cooperative's Board and Key Management, and all other necessary information not otherwise mentioned in the Examination Report.

**APPLICATION FORM FOR RENEWAL OF DEPUTATION**

1. Name of Federation \_\_\_\_\_

2. Previous Deputation No. \_\_\_\_\_ Expiry Date \_\_\_\_\_

3. CDA Registration No. \_\_\_\_\_

4. Principal Office Address \_\_\_\_\_

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5. Tel. No. \_\_\_\_\_ Fax No. \_\_\_\_\_ Email Address \_\_\_\_\_

6. Branches, if any \_\_\_\_\_

7. Full Name of Board of Directors

a. \_\_\_\_\_ - Chairman

b. \_\_\_\_\_ - Vice Chairman

c. \_\_\_\_\_ - Member

d. \_\_\_\_\_ - Member

e. \_\_\_\_\_ - Member

8. Full Name of Other Officers Position

a. _____	_____
b. _____	_____
c. _____	_____
d. _____	_____
e. _____	_____
f. _____	_____
g. _____	_____

9. Full Name of Staff to conduct the Supervision and Examination Position in the Federation Highest Educational Attainment

_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Upon approval and receipt of our Certificate of Deputation as Supervisors and Examiners of Financial Service Cooperatives, we hereby commit to abide with the provisions of CDA Memorandum Circular No. \_\_\_\_\_ dated \_\_\_\_\_ including the duties and responsibilities specified thereon.

I hereby certify that the foregoing entries/information is true and correct.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Chairman