



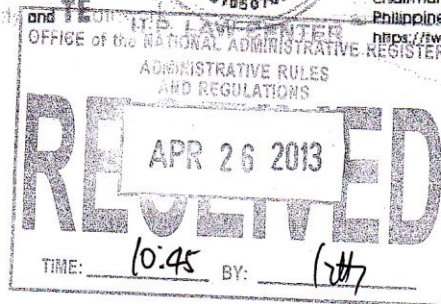
REPUBLIC OF THE PHILIPPINES
COOPERATIVE DEVELOPMENT AUTHORITY

EXcellence, Commitment, Integrity and TEAMWORK



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MEMORANDUM CIRCULAR NO. 2013-17

TO : ALL CONCERNED

SUBJECT : **CLARIFICATORY GUIDELINES IN THE IMPLEMENTATION OF ARTICLE 46 OF REPUBLIC ACT NO. 9520**

WHEREAS, Article 46 of Republic Act No. 9520 provides:

ART. 46. Compensation. – (1) In the absence of any provisions in the bylaws fixing their compensation, the directors shall not receive any compensation except for reasonable per diems: Provided however, That the directors and officers shall not be entitled to any per diem when, in the preceding calendar year, the cooperative reported a net loss or had a dividend rate less than the official inflation rate for the same year. Any compensation other than per diems may be granted to directors by a majority vote of the members with voting rights at a regular or special general assembly meeting specifically called for the purpose: Provided, That no additional compensation other than per diems shall be paid during the first year of existence of any cooperative.

"(2) The compensation of officers of the cooperative as well as the members of the committee as well as the members of the committees created pursuant to this Code or its bylaws may be fixed in the bylaws.

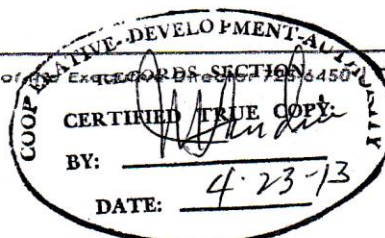
"(3) Unless already fixed in the bylaws, the compensation of all other employee shall be determined by the board of directors.

WHEREFORE, the Authority hereby issues the following clarificatory guidelines:

SEC. 1. Title – This Memorandum Circular shall be known and cited as the Guidelines Governing the Grant of Compensation to Cooperative Directors and Officers.

SEC. 2. Purpose – The Authority issues these guidelines in order to ensure the proper implementation of Article 46 of RA 9520 and to enhance the sense of accountability and fiduciary responsibility of officers of cooperative as trustees of the members.

SEC. 3. Definition of Terms – For purposes of these guidelines, the following terms shall mean as:



- a) Compensation – is a broad term that includes all forms of remuneration (*Manila Taxicab & Garage, Inc. v. Court of Industrial Relations, 99 Phil 43*). It refers to any remuneration given for services rendered, like salary which is a compensation paid regularly, as by month. It does not imply an immediate payment, or direct return, nor the payment of cash fare or its equivalent (*15 CJS 652*). It refers to any remuneration, by whatever name or euphemism it is designated [*Civil Liberties Union v. Executive Secretary, 194 SCRA 315, 335 (1991)*]
- b) *Per diem* – refers to the allowance given as a reimbursement for extra expenses incurred by one in the performance of his duties. (*GSIS v. CSC and Dr. Manuel Baradero, GR 98395-102449, June 19, 1995*).
- c) Honorarium – a gesture of appreciation for the service of one with expertise of professional standing in recognition of his broad and superior knowledge in specific fields. It is given to official/employee not as a matter of obligation but in appreciation for services which admits of no compensation in money (*Teodoro Santiago v. COA, GR No. 92284, July 12, 1991*)

SEC. 4. Primary Basis of, and Prohibition on, Compensation to Directors – As a general rule, the by-laws of the cooperative shall fix the compensation of the directors. However, if the by-laws of the cooperative have not fixed it, the directors are not entitled to receive any compensation from the cooperative.

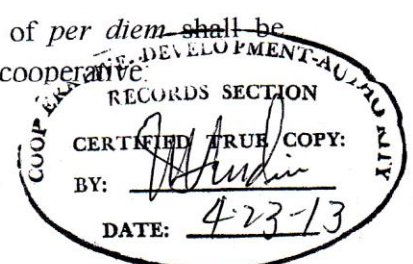
Considering that the by-laws have not fixed such compensation, only reasonable *per diem* shall be given to the directors of the cooperative.

SEC. 5. Alternative Basis of Granting Compensation to Directors – Notwithstanding the provision of the Section 2 hereof to the contrary, any compensation other than *per diem* may be given to the directors if such compensation is authorized by majority vote of all members with voting rights at a regular or special general assembly meeting specifically called for the purpose.

Directors represent all the member-shareholders in the capacity of trustees for them and such directors shall not use their office as directors for their personal benefit at the expense of the cooperative and the member-shareholders [*Haldeman v. Haldeman, 176 Ky. 635; 197 S.W. 376 (1917)*].

For this purpose, the grant of compensation other than *per diem* to the directors shall be made only after the adoption of a General Assembly Resolution approving such compensation.

SEC. 6. Suspension of the Grant of Per Diem – The grant of *per diem* shall be suspended when any of the following adverse circumstances occurs in the cooperative:



- a) When the cooperative incurred net loss in the preceding year; or
- b) When the dividend rate of the cooperative fell below the official national inflation rate during the preceding year.

During such period, the directors and officers shall not receive any *per diem* from the cooperative. Such suspension of the grant shall be strictly implemented until such time that the cooperative recovers from such adverse circumstance/s.

Resumption of the grant of *per diem* to directors and officer shall not be compounded. No recovery of *per diem* during the period of suspension shall be allowed.

SEC. 7. Entitlement During First Year of Existence - Only reasonable *per diem* shall be allowed during the first year of existence of the cooperative.

SEC. 8. Compensation of Committee Members – Compensation of the members of the committees may be fixed in the by-laws of the cooperative.

SEC. 9. Compensation of Cooperative Employees – Compensation of employees of the cooperative shall be determined by the board of directors subject to the existing labor laws.

SEC. 10. Monitoring – All inspectors or examiners of the Authority shall include the implementation of Article 46 of RA 9520 and this Memorandum Circular as one of the items for inspection or examination and the same shall be reflected in the inspection or examination report.

SEC. 11. Separability Clause – If any provision under this Memorandum Circular is declared unconstitutional, the remaining provisions hereof shall continue to be in full force and effect.

SEC. 12. Effectivity – This Memorandum Circular shall take effect after fifteen (15) days from the filing of its copy with the Office of the National Administrative Register (ONAR).

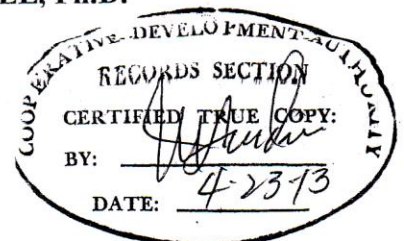
Approved by the Board of Administrators by virtue of Board Resolution No. 116,s-2013 dated April 11, 2013, Quezon City, Philippines.

For the Board of Administrators:


EMMANUEL M. SANTIAGUEL, Ph.D.

Chairman

APR 23, 2013





**EXCERPTS FROM
MINUTES OF REGULAR MEETING
OF THE CDA BOARD OF ADMINISTRATORS HELD ON APRIL 11, 2013
Board Room, CDA Central Office**

PRESENT:

Hon. Emmanuel M. Santiagué, Ph.D.	- Chairman/Presiding Officer
Hon. Nelon B. Alindogan	- Administrator
Hon. Mercedes D. Castillo	- Administrator
Hon. Eulogio T. Castillo, Ph.D.	- Administrator

ALSO PRESENT:

Atty. Niel A. Santillan	- Executive Director
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RESOLUTION NO. 116, s-2013

Upon motion of Adm. Nelon B. Alindogan duly seconded by Adm. Mercedes D. Castillo, be it RESOLVED as it is hereby RESOLVED to *approve the Memo Circular on Clarificatory Guidelines in the Implementaton of Art. 46 of R.A. 9520.*

APPROVED.

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This is to certify that the foregoing is true and correct from the minutes of the CDA Board of Administrators' Regular Meeting.


MARY GRACE I. CINCO
 Acting Board Secretary IV

ATTESTED:


EMMANUEL M. SANTIAGUEL, Ph.D.
 Chairman

