

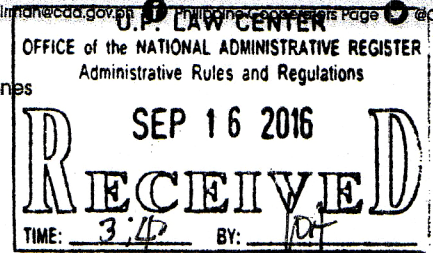


Office of the President of the Philippines
COOPERATIVE DEVELOPMENT AUTHORITY

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Central Office

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MEMORANDUM CIRCULAR No. 2016-03

Series of 2016

SUBJECT : **Guidelines in the Implementation of Capital Build-Up and Savings Mobilization for Labor Service Cooperatives**

DATE : **September 7, 2016**

The Authority adopts the following implementing guidelines for the establishment of a reasonable and realistic member Capital Build-up and Savings Mobilization for Labor Service Cooperatives viz:

Section 1. Legal Bases

1.1 Article 4. R.A 9520 -Cooperative Principles. Every cooperative shall conduct its affairs in accordance with Filipino culture, good values and experience and the universally accepted principles of cooperation which include, but are not limited to, the following:

“(1) Voluntary and Open Membership- Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, cultural, political or religious discrimination.

“(3) Member Economic Participation - Members contribute equitably to, and democratically control, the capital of their cooperatives. At least part of that capital is the common property of the cooperative. They shall receive limited compensation or limited interest, if any, on capital subscribed and paid as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative by setting up reserves, part of which should at least be indivisible; benefitting members in proportion to their patronage of the cooperative's business; and, supporting other activities approved by the membership.

1.2 ART. 6. RA 9520-Purposes of Cooperatives. A cooperative may be organized and registered for any or all of the following:

“(1) To encourage thrift and savings mobilization among the members.



1.3 ART. 15. RA 9520-Bylaws. The bylaws of each cooperative shall provide:

“(2.a) The qualifications for admission to membership and the payment to be made or interest to be acquired as a condition for the exercise of the right of membership.

“(2.b) The rights and liabilities of membership.

1.4 ART. 72. RA 9520-Capital Sources. Cooperatives registered under this Code may derive their capital from any or all of the following sources:

“(1) Members’ share capital

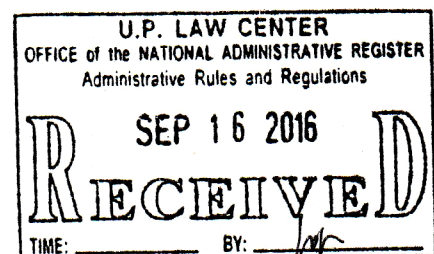
1.5 ART. 58.R.A 9520 -Instrument for Salary or Wage Deduction.

(1) A member of a cooperative may, notwithstanding the provisions of existing laws to the contrary, execute an instrument in favor of the cooperative authorizing his employer to deduct from his/her salary or wages, commutation of leave credits and any other monetary benefits payable to him by the employer and remit such amount as maybe specified in satisfaction of a debt or other demand due from the member to the cooperative.

1.6 ART. 75. R.A 9520 – Capital Build-Up. The by-laws of every cooperative shall provide for a reasonable and realistic member capital build-up program to allow the continuing growth of the member’s investment in their cooperative as their own economic conditions continue to improve.

1.7 Art. 113. Labor Code -Wage deduction. No employer, in his own behalf or in behalf of any person, shall make any deduction from the wages of his employees, except:

1. In cases where the worker is insured with his consent by the employer, and the deduction is to recompense the employer for the amount paid by him as premium on the insurance;
2. For union dues, in cases where the right of the worker or his union to check-off has been recognized by the employer or authorized in writing by the individual worker concerned; and
3. In cases where the employer is authorized by law or regulations issued by the Secretary of Labor and Employment.



Section 2. Objective

To guide labor service cooperatives in their effort to institutionalize capital build-up and savings mobilization.

Section 3. Scope

All cooperatives engage in labor service contracting and sub-contracting and are registered as such.

Section 4. Capital Build-Up Program and Savings Mobilization.

To promote continuous capital build-up, every member shall invest in the share capital of the cooperative. The Bylaws of labor service cooperatives engage in labor contracting and sub-contracting shall provide for the continuous contribution of share capital.

To strengthen the asset-base of members and to promote the financial stability of the cooperatives, thrift and savings mobilization is encouraged among members.

Section 5. Treatment and Effect of Capital Build-up and Savings Mobilization

Capital Build-Up deducted from every member shall be treated as an asset of member and the cooperative shall serve as depository of such money. The amount deducted as Capital Build-Up shall be posted in every ledger of the members and shall be recorded as paid-up share capital once the amount thereof equals the required par value.

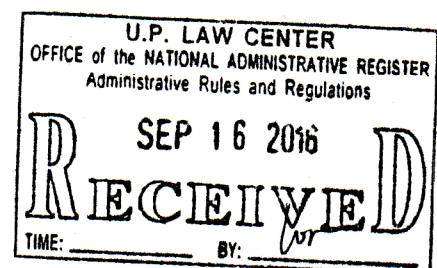
Savings shall be treated as liability of the cooperative to the member and is withdrawable anytime, in accordance with the policy formulated by the cooperative.

Section 6. Bylaws/Policy and Subscription Agreement.

The Bylaws/Policy of the cooperative shall provide for the mode, manner and condition of payment of the members contribution to the capital build-up and savings mobilization. Members contribution to the capital build-up shall be covered by a subscription agreement.

Section 7. Orientation on the Capital Build- Up and Savings Mobilization.

Information on the capital build-up and savings mobilization including the mode, manner and condition of payment of the subscribed share capital shall be made known to the prospective members during the conduct of the Pre-Membership Education Seminar (PMES).



Section 8. Member Individual Written Authorization.

In cases where the collection of share capital or capital build-up contribution is by salary deduction, the member shall issue an instrument authorizing the employer to deduct from his/her salary an amount representing his/her share capital or capital build-up contribution in accordance with Article 113 (3) of the labor code in relation to Article 58, RA 9520. Any deduction of said contribution from the payroll of any member without his/her written authority shall not be allowed.

Section 9. Issuance of Share Certificate and Evidence or Proof of Deduction and Receipt of Payment.

Every payment or deduction made from the members salary intended for payment of his/her share capital or capital build-up contribution shall be covered by an evidence or proof of deduction and receipt of payment issued by the cooperative. The cooperative shall also issue a share certificate to the member based on the number of shares fully paid at least every end of the calendar year or unless otherwise provided for in the Bylaws.

Section 10. Effect of Termination of Membership.

In case of termination of membership in the cooperative, all capital contributions and savings including earnings of such contribution, net of amount due to the cooperative shall be refunded to him/her subject to the provisions of Article 30 and 31 of RA 9520.

Section 11. Effectivity.

This Memorandum Circular takes effect fifteen (15) days after publication from the Office of the National Administrative Register (ONAR).

Approved by the Board of Administrators pursuant to Board Resolution No. 290, Series of 2016 dated August 16, 2016.

For the Board of Administrators:

By:


ORLANDO R. RAVANERA
Chairman ✓

