



COOPERATIVE DEVELOPMENT AUTHORITY

827 Aurora Blvd., Service Road, Brgy. Immaculate Conception, 1111 Cubao, Quezon City, Philippines
http://www.cda.gov.ph helpdesk@cda.gov.ph CDA @CDAPHil PH Cooperatives



MEMORANDUM CIRCULAR NO. 2022- 15
Series of 2022.

SUBJECT: GUIDELINES ON THE REGULATORY RELIEF MEASURES FOR COOPERATIVES IN VIEW OF THE COVID-19 PANDEMIC AND OTHER NATURAL CALAMITIES

In reference to the issued Memorandum Circular No. 2020-18, titled "REGULATORY RELIEF MEASURES FOR COOPERATIVES WITH CREDIT OPERATIONS IN VIEW OF THE COVID-19 PANDEMIC AND OTHER NATURAL CALAMITIES", this Memorandum Circular is hereby issued to further provide regulatory relief measures for cooperatives considering the continuous impact of pandemic and the occurrence of natural calamities which affects its operation.

Article I TITLE AND COVERAGE

Section 1. Title.

This Circular shall be known as the "**GUIDELINES ON THE REGULATORY RELIEF MEASURES FOR COOPERATIVES IN VIEW OF THE COVID-19 PANDEMIC AND OTHER NATURAL CALAMITIES.**"

Section 2. Coverage.

This Circular covers all types and categories of cooperatives, except Cooperative Banks and Insurance Cooperatives which shall be subject to the regulations of the Banko Sentral ng Pilipinas (BSP) and Insurance Commission, respectively.

Article II REGULATORY RELIEF

The following regulatory reliefs may be granted to cooperatives:

1. Staggered Booking of Allowance for Probable Losses on Loans (APLL) for cooperatives with credit operations; and
2. The use of the cash equivalent of the Reserve Fund as of December 31, 2021 of not more than 50% of the amount set aside for this fund, shall be applied to all types and categories of cooperatives to cover the 2022 operation.

Office of the Chairman : (02) 8721-5325
(02) 8721-5324
Office of the Administrator : (02) 8721-0633
Officer of the Day : (02) 8725-3764



Management System
ISO 9001:2015



www.tuv.com
ID 9105070733

Article III
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 five (5) years, subject to the approval of the Authority. This applies to loans which have been past due for 31 to 365 days, and over 365 days computed on the basis of Portfolio at Risk, as presented below.

Year Audited Financial Statements (AFS)	10% - 35% (for 31 to 365 days Past due loans)	30% -100% (for over 365 days Past due loans)
2023 (CY/FY 2022 AFS)	10% - 35%	30% -100%
2024 (CY/FY 2023 AFS)	20% - 35%	50% -100%
2025 (CY/FY 2024 AFS)	30%-35%	70%-100%
2026 (CY/FY 2025 AFS)	35%	90%-100%
2027 (CY/FY 2026 AFS)	35%	100%

Cooperatives who have already provided allowance for probable losses on loans prior to this Guidelines shall no longer reduce the rate of their provisions to avail of this relief.

The cooperative shall submit to the CDA Extension Office having jurisdiction over its principal office the following documents, on or before **October 31, 2022**:

1. Letter informing the Authority that it is availing of this regulatory relief, signed by the Manager and/or the Chairperson;
2. Board Resolution resolving to avail of the regulatory relief signed by the Secretary and attested by the Chairperson/Presiding Officer;
3. Schedule of Aging of Loans Receivable using Portfolio at Risk with a 30-day grace period; and

Cooperatives shall inform the general membership the availment of this Regulatory Relief after approval of the Authority.

Article IV

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

The 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, *Provided*, further, that the reserve fund shall be 100% funded at the time of filing of the application to avail of this relief.

Section 1. Requirements

In order to utilize its "Other Funds and Deposits", the cooperative shall submit, on or before **July 31, 2022**, the following documents:

- a. Letter, signed under oath by the Chairperson and/or the authorized signatory of the cooperative, containing the following:
 1. Request for regulatory relief to use cash restricted for reserve fund classified under the account "Other Funds and Deposits";
 2. Statement that the reserve fund is fully funded, indicating the amount of cash restricted for such fund;
 3. Statement that the liquidity problem arose due to the granting of grace period or restructuring of loans, withdrawal of savings/time deposits of members and/or payment of obligations;
 4. Amount of reserve fund as of December 31, 2021;
 5. 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;
 6. Statement that the cooperative has no short-term investments/deposits from any banks, cooperative federations and other financial institutions;
 7. 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
 8. 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 A."

- b. 2021 Audited Financial Statements and Interim Financial Statements for the month prior to the date of application; and
- c. Board Resolution on the availment of the relief.

Section 2. Procedure

The cooperative shall submit the requirements to the CDA Head/Extension Office which has jurisdiction over the principal office of the cooperative.

The Supervision and Examination Division/Section shall evaluate the submitted documents, thereafter, the Head/Extension Office shall issue a notice of approval or denial within seven (7) working days from receipt of the request, otherwise the same shall be deemed approved.

Section 3. Recording/Journal Entries

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

(Dr.) Cash in Bank xxx
(Cr.) Other Funds and Deposits xxx
To record the withdrawal from Other Funds and Deposits account and transferring it to general Cash account

(Dr.) Expense/Asset Account xxx
(Cr.) Cash in Bank xxx
To record disbursement of fund

(Dr.) Other Funds and Deposits xxx
(Cr.) Cash in Bank xxx
To record replenishment of Other Funds and Deposits

Article V

MANNER OF SUBMISSION

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

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

Region	Extension 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
NCR	Manila	ncr@cda.gov.ph
IV-A	CALABARZON	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	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
Head Office	Supervision and Examination Division	sed@cda.gov.ph

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. That 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 VI

FINANCIAL STATEMENT PRESENTATION AND DISCLOSURE

Section 1. Presentation and Disclosure in the Financial Statements

Under Section 3 Chapter III of the Philippine Financial Reporting Framework (PFRF), a cooperative shall not describe financial statements as complying with PFRF for Cooperatives unless they comply with all the requirements of the said framework.

The PFRF for Cooperatives prescribes that the financial statements prepared and filed by cooperatives registered with the Authority shall be in accordance with the aforementioned financial reporting framework

Therefore, in consideration of the government's initiative to provide relief to industries affected by the COVID-19 pandemic or other natural calamities, the Authority allows cooperatives who have availed of regulatory reliefs to specify in the "Basis of Preparation of the Financial Statements" section of the financial statements the reliefs availed of and indicate that the availment thereof covers only current-year transactions. For purposes of consistency in the presentation, cooperatives should adopt the following wordings:

"The accompanying financial statements have been prepared in accordance with the Philippine Financial Reporting Framework for Cooperatives, taking into consideration cooperative laws, rules, policies and regulations, including the application of the regulatory reliefs issued and approved by the Cooperative Development Authority in response to the COVID-19 pandemic or other natural calamities: (enumerate reliefs availed of).

The reliefs cover only current-year transactions/events and do not impact the comparative period/s."

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

1. Staggered booking of Allowance for Probable Losses on Loans (APLL)
 - a. The staggered recognition of APLL, including the schedule of staggered allocation used;
 - b. Amount of allowance recognized/amortized for the period; and
 - c. Balance of unrecognized (unamortized) allowance, if any;
2. Use of cash restricted for reserve fund classified under the account "Other Funds and Deposits"

- a. Amount of cash taken from the Reserve Fund to be replenished; and
- b. Accounts where said cash was used.

The disclosures, by the application of the regulatory reliefs issued and approved by the Authority, shall form part of the applicable financial reporting framework for the purpose of preparing and filing general-purpose financial statements with the Authority.

Section 2. Independent Auditor's Report

An accredited Cooperative External Auditor (CEA) engaged to perform an audit on the annual financial statements of a cooperative who has availed of the above-mentioned regulatory reliefs must reflect in his/her opinion that the financial statements were prepared in accordance with the PFRF for Cooperatives, taking into consideration cooperative laws, rules, policies and regulations, including the application of the regulatory reliefs issued and approved by the Cooperative Development Authority in response to the COVID-19 pandemic or other natural calamities.

In addition, the CEA shall include an "Emphasis of Matter" paragraph in the auditor's report to draw attention to the basis of accounting that has been used in the preparation of the financial statements.

Article VII

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 VIII

Sanctions

Failure to comply with the conditions set forth in this Guideline shall subject the Chairperson, and the General Manager/Chief Executive Officers with the following sanctions, after due process:

1. Suspension of the accountable officers for a period of ninety (90) days without remuneration; and
2. Disqualification for re-election, in case of the Chairperson

Article IX

INFORMATION DISSEMINATION AND EFFECTIVITY

Section 1. Information Dissemination.

All concerned CDA Head/Extension 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 after its publication with the official gazette or newspapers of general circulation and completion of the filing with the Office of the National Administrative Register.

Approved per BOD Resolution No. 389, S-2022, dated May 18, 2022.

Issued this 10th day of June, 2022.

For the CDA Board of Directors:

USEC. JOSEPH B. ENCABO
Chairperson

"ANNEX A"

CERTIFICATE OF REPLENISHMENT

I, _____ (name), Chairperson of _____ (name of coop), hereby certify that the cooperative had deposited the amount of _____ (_____) to replenish the use of the amount restricted for Statutory Fund on _____, 2022.

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

Chairperson