



# COOPERATIVE DEVELOPMENT AUTHORITY

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389-176



**MEMORANDUM CIRCULAR No. 2022 - 17**  
Series of 2022.

**SUBJECT : GUIDELINES ON INSPECTION OF CSF COOPERATIVES**

Pursuant to Sec. 6, Article XII, of the 1987 Philippine Constitution, Sec. 19(b)(1 and 4) of Republic Act (RA) No. 10744, otherwise known as the "Credit Surety Fund Cooperative Act of 2015", Rule 2, Sec. 4 and 5, Rule 3, Sec. 2 (d) of the Implementing Rules and Regulations, Article 52 of RA No. 9520, otherwise known as the "Philippine Cooperative Code of 2008" and Section 4(n) of RA No. 11364, otherwise known as the "Cooperative Development Authority Charter of 2019", the Authority prescribes the following Guidelines governing the conduct of inspection of Credit Surety Fund (CSF) Cooperatives.

## Section 1. Title

This issuance shall be known as the Guidelines on Inspection of Credit Surety Fund Cooperatives (CSF Cooperative).

## Section 2. Statement of Policy and Objectives

It is the policy of the State to foster national development, promote inclusive growth, and reduce poverty by promoting the growth of micro, small and medium enterprises (MSMEs) that facilitate local job creation, production and trade in the country.

The Cooperative Development Authority (CDA) is statutorily mandated to promote the viability and growth of cooperatives as instruments of social justice and economic development in pursuance of the Constitutional mandate under Article XII, Section 15 of the 1987 Philippine Constitution.

The CDA shall encourage and assist in the creation and organization of Credit Surety Fund Cooperatives (CSF Cooperatives) and provide capacity building activities. The CSF as designed will provide surety covers to MSMEs, cooperatives, and nongovernment organizations (NGOs) to enhance their creditworthiness in order to access bank credit, thereby enhancing their sustainability, growth and employment creation.

In line with this policy and objectives, the CDA through its regulatory and development powers shall conduct inspection of CSF cooperatives as a mechanism to directly pursue its mission of ensuring the safe and sound operation of the said cooperatives.

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### **Section 3. Scope and Coverage**

This Guidelines shall apply to all CSF cooperatives registered with the CDA, except for the following:

1. CSF cooperatives issued with Order of Dissolution or Cancellation;
2. CSF cooperatives under liquidation;
3. Delisted CSF cooperatives; and
4. New CSF cooperatives registered during the current year.

### **Section 4. Definition of Terms**

As used in this Guidelines, the operational definition of the following terms shall be:

1. **INSPECTION** – a function exercised by the CDA to ensure that CSF cooperatives comply with the regulatory requirements imposed by the cooperative laws, rules and regulations, related laws and other administrative issuances.
2. **ORDER OF DISSOLUTION** – an order issued by the CDA for the termination of the juridical personality of the CSF cooperative through appropriate proceedings, or through its own initiative.
3. **ORDER OF LIQUIDATION** – an order issued by the CDA or by the appropriate court for the winding up of the affairs of the CSF cooperative.
4. **ORDER OF CANCELLATION** – an order issued by the Authority to cancel the Certificate of Registration of the CSF cooperative thereby terminating its juridical personality.
5. **DELISTED CSF COOPERATIVES** – CSF cooperatives whose names are delisted or stricken out from the registry of Existing Cooperative after their Certificate of Registration has been ordered cancelled.

### **Section 5. Notice of Inspection**

A Notice of Inspection shall be sent to the CSF cooperative, through its Board of Directors or the General Manager, at least two weeks prior to the conduct of the inspection.

The Notice shall contain the following:

1. The name/s of the duly authorized inspector/s;
2. The date/s of inspection;
3. Documents and records needed during the inspection;



The Notice shall also state that during the Exit Conference, the presence of the Chairman, majority of the members of the Board of Directors and the General Manager/Chief Executive Officer or in case of their absence, the duly authorized representative/s through a Board Resolution.

### **Section 6. Authority of the Inspector/s**

During the conduct of the inspection, the Inspector/s shall have the following duties and powers:

1. Require the presentation and/or submission of reports or documents or records necessary to ascertain the facts relative to the condition of the CSF cooperative and other matters which are the subject of the inspection;
2. Inquire into the financial information of the CSF cooperative and other activities to determine whether they are in accordance with cooperative laws, rules and regulations and with the general policies set by the General Assembly and the Board of Directors;
3. Conduct interview and other inquiries on matters that need clarifications;
4. Conduct an Exit/Clarificatory Conference;
5. To do other acts that may be deemed necessary in the conduct of inspection.
6. Conduct confirmation of borrower's loans and ocular inspection of projects financed through the CSF.
7. Take photo, obtain or secure copies of records or documents of the CSF Cooperative.

### **Section 7. Authorized Inspector/s**

CSF Cooperatives shall be subject to inspection by the duly authorized team of Inspectors.

Every Inspector shall, at all times, observe the principle of independence and confidentiality in the conduct of inspection.

### **Section 8. Frequency of Inspection**

The inspection of cooperatives shall be undertaken at least once a year.

### **Section 9. Exit Conference**

Immediately after the inspection, the Inspector/s shall conduct an Exit Conference to discuss all the findings and observations with the Board of Directors and other officers of the CSF cooperative. The Inspector/s shall likewise cite and acknowledge the good practices of the said cooperative. During the Exit Conference, the CSF cooperative may refute any findings by

providing supporting documents to their averment. It may also be given the time to make the necessary corrections on the findings, if warranted.

The presence of the Chairman, majority of the members of the Board of Directors, General Manager and other key officers is required during the Exit Conference. In the event that majority of the officers are not available without justifiable reasons despite due notice, all findings arising therefrom shall be considered as admission of the infractions. Their absence constitutes a waiver of their participation therein.

#### **Section 10. Request for Reconsideration**

The CSF cooperative through its officers may, within ten (10) days, seek reconsideration of Inspection findings by submitting relevant documents to the team of inspectors, in order to refute the said findings. The team of inspectors may exercise discretion in allowing or denying the correction of the findings based on the documents submitted within fifteen (15) days from receipt thereof.

#### **Section 11. Inspection Report**

After the Exit Conference, the Inspectors shall furnish the CSF cooperative a copy of the Inspection Report, signed by the Inspector, confirmed and received by the CSF cooperative's Chairman and/or General Manager/Chief Executive Officer or authorized representative/s.

The report shall serve as the official document pertaining to the Inspection and it shall form part of the official records of the CSF cooperative with the CDA.

The inspection report can also serve as basis for monitoring, conduct of follow up inspection and subsequent examination or investigation, if so warranted.

#### **Section 12. Period of Compliance**

The CSF Cooperative shall comply with the inspection findings in accordance with the period prescribed in the Inspection instrument or as maybe agreed during the exit conference.

#### **Section 13. Prohibited Acts or Omissions**

Consistent with Article 140 of RA No. 9520, in relation to Sec. 1, Rule 29 of RA No. 10744, responsible officers or employees of CSF cooperatives may be held liable after due process for the following violations:

- a. Omission or refusal to furnish any information, report or other document required under RA No. 10744, RA No. 9520, their Implementing Rules and Regulations, and other relevant laws and issuances;

- b. Providing information, reports, or other documents to the CDA which the persons responsible know to be false or misleading;
- c. Hindering the authorized inspectors from making an inspection or refusal of the cooperative to be inspected;

**Section 14. Separability Clause**

If, for any reason, any part or provision of this Circular is declared invalid or unconstitutional, the remaining provisions shall remain in full force and effect.

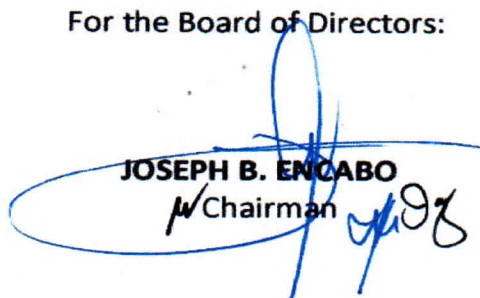
**Section 15. Effectivity**

This Memorandum Circular shall take effect fifteen (15) days after its publication in the Office of the National Administrative Registry (ONAR) and Official Gazette.

Approved pursuant to BOD Resolution No. **478**, S-2022 dated **June 8, 2022**.

Issued this 12th day of July 2022

For the Board of Directors:

  
**JOSEPH B. ENCABO**  
Chairman