

**[CDA MEMORANDUM CIRCULAR NO. 2010-08,
August 24, 2010]**

**GUIDELINES ON THE CANCELLATION OF COOPERATIVES
PURSUANT TO ARTICLE 144 OF REPUBLIC ACT NO. 9520 AND
PRESCRIBING THE PROCEDURES FOR THEIR LIQUIDATION**

SECTION 1. Legal Basis – The legal basis for this is Par. 1, Art. 144 of RA 9520 which states “(1) All cooperatives registered and confirmed with the Authority under Republic Act No. 6938 and Republic Act No. 6939, are hereby deemed registered under this Code, and a new certificate of registration shall be issued by the Authority: Provided, That such cooperatives shall submit to the nearest office of the Authority a copy of their certificate of registration or certificate of confirmation, the articles of cooperation, their by-laws, and their latest audited financial statements within one (1) year from the effectivity of this Code, otherwise they **shall be deemed cancelled motu proprio,**” as implemented by CDA MC No. 2009-02 Series of 2009.

SECTION 2. Coverage - These Guidelines shall cover all existing cooperatives previously registered and confirmed with the Authority under RA 6938 and RA 6939 that failed to comply with the requirements under Art. 144 of RA 9520 as implemented by CDA MC No. 2009-02 series of 2009.

SECTION 3. Jurisdiction – The Extension Office of the Authority shall have primary jurisdiction over cooperatives within its region except in those instances in which the CDA Central Office has primary jurisdiction i.e. tertiary cooperatives, cooperative banks, electric cooperatives and insurance cooperatives.

SECTION 4. Cancellation Process - The cancellation of the Certificate of Registration of the cooperatives that failed to comply with the requirements under Art. 144 of RA 9520 as implemented by CDA MC No. 2009-02 Series of 2009 shall commence with the issuance of the Authority of a formal notice via registered mail with return card, informing the cooperative that it has failed to secure a new Certificate of Registration pursuant to RA 9520.

After the lapse of Thirty (30) days counted from receipt of the above stated formal notice, the Authority shall issue the Order of Cancellation (Annex A^{*}).

SECTION 5. Obligation to Undertake Liquidation Process – Within thirty (30) days from receipt of the Order of Cancellation, the cancelled cooperative is under obligation to liquidate its assets and liabilities following/adopting the liquidation procedures, unless otherwise agreed upon by the members, prescribed hereunder:

1. Constitution of Panel of Liquidators from among the previous officers and members of the cancelled cooperative.
2. Inventory of Assets and Liabilities of the Cancelled cooperative.

3. Payment of Creditors in accordance with the Provision of the New Civil Code on the Preference and Concurrence of Credits.
4. Transfer of the Statutory Funds to the intended beneficiaries.
5. Distribution of the remaining assets.
6. Submission of final report by the Panel of Liquidators to the Authority.

SECTION 6. Panel of Liquidators - The Panel of Liquidators shall come from the former officers and/or members of the cooperative which shall not be less than (3) three but not more than (5) five members.

The Panel of Liquidators shall be allowed to receive a reasonable honorarium to be paid out of the funds of the cooperative.

SECTION 7. Functions of the Panel of Liquidators. The Panel of Liquidators shall:

1. Notify the Authority formally of its assumption to office and commencement of the liquidation proceedings;
2. Make an inventory of all assets and determine all liabilities including share capital holdings;
3. Preserve the existing assets of the cancelled cooperative;
4. Convert all assets of the cancelled cooperative into cash;
5. Pay the outstanding obligations including any and all valid claims against the cancelled cooperative;
6. Distribute remaining assets pursuant to the provisions of these Guidelines; and
7. Make a final report on the liquidation and submit the same to the Authority.

SECTION 8. Payment of Creditors - Payment of creditors shall be in accordance with the contract upon which it is based and the provisions of the New Civil Code on the Preference and Concurrence of Credits.

SECTION 9. Statutory Funds – All the statutory and other funds established by the cancelled cooperative shall be disposed of in accordance with the provision of Art. 86 of the Code.

SECTION 10. Treatment of Donated Capital – All subsidies, donations, legacies, grants, aids and such other assistance from any local or foreign institutions whether public or private shall be subject to escheat.

SECTION 11. Distribution of Assets - Subject to the preceding sections any assets remaining after the payment of the cancelled cooperative's obligations to its creditors shall be distributed by the Panel of Liquidators to the members in payment of their respective share capital. If the remaining asset is not sufficient to pay the full share capital contribution of the members, the distribution shall be done in proportion to their share capital.

SECTION 12. Undistributed Assets - The assets distributable to creditor or member whose whereabouts is unknown or cannot be found shall be given to the federation/union to which the cancelled cooperative is affiliated with, for cooperative