

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. **1591**



Introduced by Representative **MARLYN L. PRIMICIAS-AGABAS**

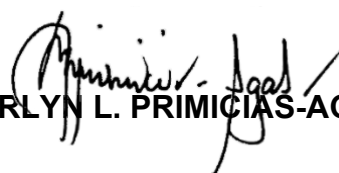
EXPLANATORY NOTE

This bill seeks to further promote entrepreneurship by strengthening, empowering, and enhancing the financing programs for micro, small and medium enterprises in the country. This bill has already been approved by the House of Representatives on its 3rd and final reading in the 17th Congress. The bill is being filed on account of its significance in bolstering micro, small, and medium enterprises (MSMEs) as integral backbone of our economy.

The State recognizes the indispensable role of the private sector, encourages private enterprise, and provide incentives to needed investments (Section 20, Article II, 1987 Constitution). Recognizing the crucial role of MSMEs, Republic Act No. 6977 was passed to promote, develop and assist small and medium scale enterprises through the creation of a small and medium enterprise development council including the rationalization of government assistance programs and agencies to small and medium enterprises. Notwithstanding the enactment of Republic Act 66977 and its subsequent amendments, the lack of access to financing and allied support mechanisms has continued to hound the country's MSMEs thus effectively reducing their capability to an inclusive economic growth. In an effort to address this financial predicament, this bill, among others, will provide a mechanism for (a) strengthened access by MSMEs to the national government's procurement of goods and services inclusive of its bureaus, offices, and agencies, (b) guaranteed system for distressed enterprises, and (c) extended forms of financial assistance.

Consistent with the economic agenda of the government, this bill will help propel the Philippine economy especially in the countryside.

Accordingly, the approval of this bill is earnestly sought.


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AN ACT
FURTHER PROMOTING ENTREPRENEURSHIP BY STRENGTHENING, EMPOWERING, AND ENHANCING THE FINANCING PROGRAMS FOR MICRO, SMALL AND MEDIUM ENTERPRISES, AMENDING THE PURPOSES REPUBLIC ACT NO. 6977, AS AMENDED, OTHERWISE KNOWN AS THE “MAGNA CARTA FOR MICRO, SMALL AND MEDIUM ENTERPRISES (MSMEs)”

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 SECTION 1. Section 2 of Republic Act No. 6977, as amended, is hereby
2 further amended to read as follows:

3 “SEC. 2. *Declaration of Policy.* -Recognizing that MSMEs have the
4 potential [for] **TO GENERATE** more employment [generation] and
5 **SPUR** economic growth and therefore can help provide a self-
6 sufficient industrial foundation for the country, it is hereby declared
7 the policy of the State to promote, support, strengthen and encourage
8 the growth and development of MSMEs in all productive sectors of
9 the economy particularly the rural/Agri-based, **MANUFACTURING,**
10 **FINANCE AND SERVICES** enterprises. To this end, the State shall
11 recognize the specific needs of the MSMEs and shall undertake to
12 promote entrepreneurship, support entrepreneurs, encourage the
13 establishment of MSMEs and ensure their continuing viability and
14 growth and thereby attain countryside industrialization by:
15 “XXX.

16 SEC. 2. Section 4 of the same Act, as amended, is hereby further amended
17 to read as follows:

18 SEC. 4. *Eligibility for Government Assistance,* - To qualify for
19 assistance, counselling, incentives and promotion under this Act,
20 businesses falling under the above definition must be:

21 “XXX

22 “[Eligible MSMEs shall be entitled to a share of at least ten percent
23 (10%) of total procurement value of goods and services supplied to
24 the government, its bureaus, offices and agencies annually.] **THE**

NATIONAL GOVERNMENT, ITS BUREAUS, OFFICES AND AGENCIES SHALL ALLOCATE AT LEAST TENPERCENT (10%) OF ALL ITS PROCUREMENT OPPORTUNITIES FOR GOODS AND SERVICES TO ELIGIBLE MSMEs IN ACCORDANCE WITH THE PROVISIONS OF REPUBLIC ACT NO. 9184, OTHERWISE KNOWN AS THE “GOVERNMENT PROCUREMENT REFORM ACT”, AND ITS IMPLEMENTING RULES AND REGISTRATIONS.

“The [Department of Budget and Management] **GOVERNMENTPROCUREMENT POLICY BOARD (GPPB)** shall **FORMULATERULES FOR THE EFFECTIVE IMPLEMENTATION OF THIS PROVISION AND** monitor the compliance of government agencies on the required procurement for MSMEs and submit its report to the MSMED Council on a semestral basis and to the Congress of the Philippines, through its appropriate committees on a yearly basis.”

SEC. 3. Section 5 of the same Act, as amended, is hereby further amended to read as follows:

SEC. 5. *Guiding Principles.* - To set the pace for MSME development, the State shall be guided by the following principles:
“xxx”

“(c) Coordination of government efforts. Government efforts shall be coordinated to achieve coherence in objectives. All appropriate offices, particularly those under the Departments of Trade and Industry, Finance, Budget and Management, Agriculture, Agrarian Reform, Environment and Natural Resources, Labor and Employment, Transportation[and Communications], INFORMATION AND COMMUNICATIONS TECHNOLOGY, Public Works and Highways, Science and Technology, Interior and Local Government and Tourism as well as the National Economic and Development Authority, Philippine Information Agency and the Bangko Sentral ng Pilpinas, through their national, regional and provincial offices shall, to the best of their efforts and in the coordination with local government units, provide the necessary support and assistance to MSMEs. **THE DEPARTMENT OF TRADE AND INDUSTRY SHALL BE THE LEAD AGENCY THEREFOR.**

“xxx”

SEC. 4. Section 6 of the same Act, as amended is hereby further amended to read as follows:

“SEC 6. *Micro, Small and Medium Enterprises Development Plan (MSMEDP)*. - The President shall approve a six-year micro, small and medium enterprises development plan prepared by the Department of Trade and Industry (DTI) which shall form part of the [Medium Term] Philippine Development Plan ([MT]PDP). It shall be formulated in consultation with the private sector, validated and updated semesterly. Such plan shall include a component on a micro credit financing scheme.”

SEC.5. Section 7 of the same Act as amended, is hereby further amended to read as follows:

“SEC. 7. *Micro Small and Medium Enterprises Development (MSMED) Council*. - The existing Small and Medium Enterprise Development Council, which was created by Republic Act No. 6977, as amended by Republic Act No. 8289 **AND REPUBLIC ACT NO. 9501, AND FURTHER AMENDED BY REPUBLIC ACT NO. 10644**, shall be strengthened to effectively spur the growth and development of MSMEs throughout the country, and to carry out the policy declared in this Act and shall now be known as the Micro, Small and Medium Enterprise Development (MSMED) Council. The Council shall be attached to the Department of Trade and Industry and shall be constituted within sixty (60) days after the approval of this Act.

“x X x”

SEC. 6. Section 7-A of the same Act, as amended, is hereby further amended to read as follows:

“SEC. 7-A. *Composition of the Micro, Small and Medium Enterprises Development (MSMED) Council*. - The members of the Council shall be the following:

“(a) The Secretary of Trade and Industry as Chair;

“(b) The Secretary of Agriculture;

“(c) The Secretary of the Interior and Local Government;

“(D) **THE SECRETARY OF FINANCE;**“

[(d)] (E) Three representatives from the MSME, [To represent Luzon, Visayas, and Mindanao with a least one (1) representative from the microenterprise sector] **TO BE DESIGNATED BY A NATIONAL ORGANIZATION REPRESENTING AND DOMINATED BY MSMEs; AND** “[(e) One (1) representative from the women sector designated by the Philippine Commission on Women;]

“[(f) One (1) representative for youth sector designated by the

106 National Youth Commission; and]

107 “[(g)] (F) The Chairman of THE Small Business Corporation.

108 “A. *Advisory Unit*. - There shall be an Advisory Unit to the Council,

109 which shall consist of the following:

110 “(a) The Secretary of Science and Technology;

111 “(b) The Governor of the *Bangko Sentral ng Pilipinas*;

112 “(c) The President of the Land Bank of the Philippines;

113 “(d) The President of the Development Bank of the Philippines

114 “(e) The Director General of the National Economic and

115 Development Authority

116 “(F) **THE EXECUTIVE DIRECTOR OF THE COOPERATIVE**

117 **DEVELOPMENT AUTHORITY;**

118 “(G) **A REPRESENTATIVE OF A NATIONAL**

119 **ORGANIZATION REPRESENTING AND**

120 **DOMINATED BY MSMEs;**

121 [(f)] (H) One (1) representative from the labor sector, to be

122 nominated by accredited labor groups;

123

124 [(g)] (I) A representative from the private banking sector to

125 serve [alternatively] **ALTERNATELY** between the

126 chamber of thrift banks, and the Rural Banker’s

127 Association of the Philippines (RBAP);

128 [(h)] (J) A representative of the microfinance nongovernment

129 organizations (NGOs), **DESIGNATED BY THE**

130 **MICROFINANCE NGO REGULATORY COUNCIL;**

131 [(i)] (K) A representative of the University of the Philippines

132 Institute for Small Scale Industries (UP-ISSI); [and]

133 [G]] (L) The President of the Credit Information Corporation!.;

134 “(M) **ONE (1) REPRESENTATIVE FROM THE WOMEN**

135 **SECTOR DESIGNATED BY THE PHILIPPINE**

136 **COMMISSION ON WOMEN; AND**

137 “(N) **ONE (1) REPRESENTATIVE FROM THE YOUTH**

138 **COMMISSION.**

139 “(O) **A REPRESENTATIVE FROM NONSTOCK SAVINGS**

140 **AND LOAN ASSOCIATIONS DESIGNATED BY THE**
141 **ALLIANCE OF NON-STOCK SAVINGS AND LOAN**
142 **INSTITUTIONS, INC. (ANSLI).**

143 “X X x”

144 SEC. 7. Section 7-B of the same Act, as amended, is hereby further
145 amended to read as follows:

146 “SEC. 7-B. *Powers and Functions.* - A. The MSMED Council
147 Council shall have the following powers, duties and functions:

148
149 “X X x”

150
151 “(h) To promote the productivity and viability of MSMEs IN DTI’S
152 TOP PRIORITY INDUSTRIES FOR DEVELOPMENT by way
153 of directing and/or assisting relevant government agencies
154 and institutions at the national, regional and provincial levels
155 towards the:

156
157 “X X x’i

158
159 “(12) Through appropriate government agencies:

160
161 “X X X’

162
163 “(f) Set-up new MSME NEGOSYO centers and revitalize already
164 established MSME NEGOSYO centers to provide MSMEs in
165 the regions easier access to services such as, but not limited
166 to, the following:

167 “X X X’

168
169 “B. Additional Functions of the MSMED Council, - THE MSMED Council
170 shall have the following additional functions:

171
172 “(a) Coordinating and Oversight Body for the MSME Negosyo Center. -
173 The MSMED Council, through the DTI, shall act as the coordinating and
174 supervising body for all the agencies involved in the establishment and
175 operation of the MSME Negosyo Centers. Further, the MSMED Council
176 shall monitor and assess the progress of the Negosyo Centers, which shall
177 be included in its annual report submitted to the Congress.

178
179 (b) Provisions of a Compliance Guide. - For each rule or group of
180 related rules issued by any government agency for compliance by MSMEs,
181 The Council shall publish compliance guidelines which shall be written in
182 plain language or in the local dialect, if necessary.

183
184 “The Council shall prepare separate compliance guideline guides
185 covering groups or classes of similarly affected MSMEs and shall cooperate
186 with industry associations to develop and distribute such compliance
187 guides. The publication of each compliance guide shall include the posting
188 of a guide in an easily identified location on the website of the agency, and
189 distribution of the guide to known industry contacts, such as small entities,
190 associations or industry leaders affected by the rule. The issuing
191 government agency shall publish and disseminate the compliance rules

192 within ninety (90) days of issuance.

193 “(c) Conduct of Research on Women Entrepreneurship- The shall conduct
194 research to support women entrepreneurship including, but not limited to
195 entrepreneurial behavior, barriers, participation and cessation rates,
196 discriminatory practices and contribution to the national economy and
197 growth.

198 “(d) Policy Formulation on Women Entrepreneurship- The Council shall
199 provide policy direction towards recognizing women’s propensity in doing
200 business as well as establish linkages that will enable more opportunities
201 for women to engage in entrepreneurship.

202 “(e) Development of Entrepreneurial Education and Training. - The
203 MSMED Council shall develop, in coordination with the Department of
204 Education, TESDA and CHED, a course curriculum or training program in
205 entrepreneurship that will promote entrepreneurial culture and
206 competence.

207 Entrepreneurship shall be integrated in the curriculum of educational and
208 training institutions in all levels.”

209 SEC. 8. Section 11-A. of the same Act, as amended, is hereby further amended to read
210 as follows:

211 “SEC. 11-A. *Composition of the Board of Directors and its Powers.* - The SB
212 Corporation [corporate powers shall be vested on] **SHALL HAVE** a Board of
213 Directors composed of [eleven (11)] **THIRTEEN** (13) members which shall include
214 the following:

215 “a) The Secretary of Trade and Industry;

216 “b) The Secretary of Finance;

217 “(c) **THE PRESIDENT OF THE GOVERNMENT SERVICES**
218 **INSURANCE SYSTEM (GSIS);**

219 “(D) **THE PRESIDENT OF THE SOCIAL SECURITY SYSTEM (SSS);**

220 “[c] (E) A private sector representative to be appointed by
221 the President of the PHILIPPINES upon the recommendation of the
222 MSMED Council;

223 “[d] (F) Seven (7) representatives of the SB Corporation
224 common stock shareholders who shall be elected based on
225 proportional distribution, in accordance with Section 24 of the of the
226 Corporation Code; and

227 “[e] (G) The President of the SB Corporation as ex-officio
228 member and to serve as vice chairman of the Board.

229 “The President shall appoint the chairman of the Board from
230 among its members.

231 “All members of the board so appointed, except for the ex-
232 officio members, shall serve for a term of three (3) years [without
233 reappointment.] **AND MAY BE REAPPOINTED TO ANOTHER**
234 **TERM UNLESS EARLIER REVOKED. IF THE TERM OF THE**
235 **INCUMBENT MEMBER HAS EXPIRED, THE MEMBER SHALL**
236 **CONTINUE TO FUNCTION IN A HOLDOVER CAPACITY UNTIL**
237 **A REPLACEMENT HAS BEEN APPOINTED AND QUALIFIED.**
238 [The] ANY person [so] appointed to replace a member who has
239 resigned, died, or been removed for cause shall serve only for the
240 unexpired portion of the term.

241 “The Board of Directors shall have, among others, the
242 following specific powers and authorities:

243 x x x”; and

244 “f) [Notwithstanding the provisions of Republic Act No. 6758 and
245 Compensation Circular No. 10, Series of 1989 issued by the
246 Department of Budget and Management, the Board shall have the
247 authority to p] Provide for the organizational structure, [and] staffing
248 pattern [of SB Corporation and to extend to the employees and
249 personnel thereof salaries, allowances and fringe benefits similar to
250 those extended to and currently enjoyed by employees and personal
251 of other government financial institutions.]
252 **AND COMPENSATION OF EMPLOYEES AND PERSONNEL OF**
253 **THE SB CORPORATION, FOR SUBMISSION TO THE**
254 **GOVERNANCE COMMISSION FOR GOCCs.”**

255 SEC. 9. Section 11-B of the same Act, as amended, is hereby further amended, to read
256 as follows:

257 “SEC 11-B *Corporate Structure and Powers.* -

258 “A. The SB Corporation shall:

259 “x x x”

260 “B. For this purposes, the SB Corporation [subject to compliance
261 with the rules and regulations to be issued by the *Bangko Sentral ng*
262 *Pilipinas (BSP)* and the Securities and Exchange Commissions,]
263 shall have the following functions and duties:

264 “a) Source and adopt development initiative for globally competitive

MSMEs in finance and business technologies;

“b) [To] [e] Extend all forms of financial assistance,
**EXCEPT AND SUBSIDIES, to eligible MSMEs[.], AND NOT TO
RETAIL LENDING IN AREAS WHERE PRIVATE BANKS ARE
NOT ABLE TO SERVE, SUBJECT TO CONSULTATION WITH
THE PRIVATE BANKS;** [SB Corporation may also engage in
wholesale lending. The SB Corporation shall be given two (2) years
from the effectivity of this Act to comply with this requirement:]

“c) Guarantee loans obtained by qualified MSMEs under such
terms and conditions adopted by the SB Corporation Board of
Directors, **AS WELL AS ESTABLISH A GUARANTEE SYSTEM
FOR DISTRESSED ENTERPRISES AS INSURANCE AGAINST
EXTRAORDINARY DISASTERS;**

x x x;

“f) Apply for, receive and accept grants and donations from sources
within and outside the country; [and]

“g) Hold, own, purchase, acquire, sell, mortgage, dispose or
otherwise invest or re-invest in stocks , bonds, treasury bills,
debentures, securities and similar forms of indebtedness of the
government, its agencies and instrumentalities or any government
financial institution!.; AND

“(H) **SUBMIT AN ANNUAL REPORT TO THE MSMED COUNCIL,
THE CONGRESS OF THE PHILIPPINES AND THE
GOVERNANCE COMMISSION FOR GOCCs ON PERFORMANCE
AND FINANCIAL CONDITION OF THE CORPORATION.**“**THE SB
CORPORATION SHALL BE EXEMPT FROM SECURING PRIOR
AUTHORIZATION FOR ENGAGING IN QUASIBANKING
ACTIVITIES AND SHALL NOT BE SUBJECT TO BSP
SUPERVISION AND REGULATION FOR SUCH ACTIVITIES. “**

SEC. 10. A new subsection is hereby inserted after Section 11-B of the same Act, as amended, and numbered as Section 11-C to read as follows:

**“SEC.11-C. STRATEGIC MANAGEMENT OF THE SB CORPORATION. - THE
BOARD OF THE SB CORPORATION, THROUGH ITS CHAIRMAN, SHALL BE
FULLY RESPONSIBLE AND ACCOUNTABLE FOR THE PERFORMANCE OF
THE CORPORATION’S MANDATE. TO ENSURE THIS, THE BOARD
SHALL BE CONSTITUTED AS A MANAGING BOARD, LED BY ITS
CHAIRMAN, TO CONCEPTUALIZE THE STRATEGIC PLANS AND POLICIES**

OF THE CORPORATION.

“THE SB CORPORATION SHALL ADOPT A BALANCED SCORECARD APPROACH, SUBJECT TO THE REVIEW AND APPROVAL OF THE GOVERNANCE COMMISSION FOR GOCCs, IN ITS STRATEGIC MANAGEMENT TO ENABLE IT TO MANAGE ITS FINANCIAL PERFORMANCE WHILE PURSUING THEIR PUBLIC POLICY OBJECTIVES OF SUPPORTING MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT.”

SEC. 11. Section 12 of the same Act, as amended, is hereby further amended to read as follows:

“ SEC. 12. *Capitalization and Funding of the SB Corporation.* - The SB Corporation shall have an authorized capital stock of Ten Billion pesos (P 10,000,000,000.00). The initial capital of One billion pesos (P1,000,000,000.00) shall be established from a pool of funds to be contributed in the form of equity investments in common stock by the Land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP), in the amount of Two hundred million pesos (P200,000,000.00) each. The Social Security System (SSS) and the Government Service Insurance System (GSIS) shall also set aside Two hundred million pesos (P200,000,000.00) each for the SB Corporation. Authorized capital stock of the **[a] Small [b] Business [c] Corporation** shall be divided into 80,000,000 common shares and 20,000,000 preferred shares with a par value of One hundred pesos (P100.00) per share: *Provided*, That the common shares which have been issued, including those issued against the assets of the KKK Guaranty Fund consolidated under the **[a] Small [b] Business [c] Corporation** by virtue of Executive Order No. Series of 2000 and Executive Order No. 19, Series of 2001 and including those already subscribed, shall form part of the capitalization of the corporation; *Provided, further*, That holders of preferred shares issued under Republic Act No. 6977, as amended, shall have the option to convert the same into common shares. Additional equity funding shall come from trust placements of excess and unused funds of existing government agencies, bilateral and multilateral official development assistance funds, subscriptions from government owned or controlled corporations **AND THE NATIONAL GOVERNMENT THROUGH THE DEPARTMENT OF BUDGET AND MANAGEMENT (DBM)**, and investments of private financial institutions and corporations; *Provided*, finally, That any investment from the private sector shall only be in the form of preferred shares.

“THE NATIONAL GOVERNMENT SHALL PROVIDE FOR THE FULL CAPITALIZATION OF THE SB CORPORATION WITHIN A PERIOD OF FIVE (5) YEARS FROM THE APPROVAL OF THIS ACT.

[To allow for capital build-up, SB Corporation shall be given a five (5) year grace period of dividend commitments beginning on the date of effectivity of this amendment. Thereafter, it] **THE SB CORPORATION** may [only] declare as

343 dividend not more than thirty percent (30%) of its net income and the rest withheld
344 as retained earnings”

345 SEC. 12. Section 13 of the same Act, as amended, is hereby deleted.

346 “[SEC. 13. THE SB Corporation shall be subject to the supervision and examination
347 of the *Bangko Sentral ng Pilipinas* taking into consideration its developmental
348 objectives.”]

349 SEC. 13. Section 14 of the same Act, as amended, is hereby renumbered as Section 13,
350 and further amended to read as follows:

351 “SEC. [14] 13. *Venture Capital and Micro Finance Trust Fund* - The SB Corporation
352 may set aside an amount of money to encourage the setting up of a venture capital
353 and micro finance trust fund for the purpose of promoting business opportunities
354 available to MSME sector. The Venture Capital Fund shall be used mainly for
355 venture capital finance especially in technology-oriented industries. The micro
356 finance trust fund shall be used to provide collateral-free fixed and working capital
357 loans to micro and small enterprises run by those emerging out of poverty. **A SEED
358 AMOUNT OF AT LEAST TEN PERCENT (10%) OF THE ADDITIONAL EQUITY
359 CONTRIBUTION OF THE NATIONAL GOVERNMENT TO THE
360 CAPITALIZATION OF THE SMALL BUSINESS CORPORATION BUT NOT
361 MORE THAN FIVE HUNDRED MILLION PESOS (P500,000,000.00) SHALL BE
362 SET ASIDE TO FUND THE VENTURE CAPITAL AND MICRO FINANCE TRUST
363 FUND.”**

364 SEC. 14. Section 15 of the same Act, as amended, is hereby renumbered as Section
365 14, and further amended to read as follows:

366 "SEC. [15]14. *Mandatory Allocation of Credit Resources to Micro, Small and
367 Medium Enterprises*. - For the period of **ANOTHER** ten (10) years from the date
368 of the effectivity of this amendatory Act, all lending institutions as defined under
369 *Bangko Sentral ng Pilipinas* rules, whether public or private, shall set aside at least
370 eight percent (8%) for micro and small enterprises and at least two percent (2%)
371 for medium enterprises of their total loan portfolio based on their balance sheet as
372 of the end of the previous quarter, and make it available for MSME credit as herein
373 contemplated.

374 “Compliance of this provision shall be:

375 “(a) actual extension of loans to eligible MSMEs; or

376 "x x x; or

377 “(f) subscribe/purchase of liability instruments as may be offered by
378 the SB Corporation. **THE SAME SHALL NOT BE DEEMED AS
379 QUASI-BANKING OPERATIONS, AND SHALL NOT REQUIRE A
380 QUASI-BANKING LICENSE FROM THE BSP; OR**

“(G) **LOANS TO MSME VALUE CHAIN ACTORS WHO ALLOW MSMEs TO PARTICIPATE IN ORGANIZED OR FORMAL VALUE CHAINS. VALUE CHAIN ACTORS INCLUDE, AMONG OTHERS, TRADERS, SUPPLIERS, PROCESSORS, AGGREGATORS WHO CONDUCT LINKED SEQUENCE OF VALUE ADDING ACTIVITIES INVOLVED IN BRINGING A PRODUCT TO FINAL CONSUMERS.**

“The *Bangko Sentral ng Pilipinas*, **IN CONSULTATION WITH THE MSMED COUNCIL AND THE SECRETARY OF TRADE AND INDUSTRY**, shall formulate rules for the effective implementation of this provision: *Provided*, That the purchase of government notes, securities and other negotiable instruments shall not be deemed compliance with the forgoing provisions: *Provided, further*, That the *Bangko Sentral ng Pilipinas*, **IN CONSULTATION WITH ALL STAKEHOLDERS, shall establish [an] A MEANINGFUL** incentive [program] SYSTEM to encourage [lending to micro, small, and medium industries beyond the mandatory credit allocation to said enterprises,] COMPLIANCE WITH THIS PROVISION, such as possible reduction in the bank’s reserve requirement!]: **PROVIDED, FINALLY, THAT THE BANGKO SENTRAL NG PILIPINAS SHALL ALIGN ITS REGULATIONS ON THE PENALTIES FOR BANKS AND OTHER ENTITIES, FOR NONCOMPLIANCE WITH THE PROVISION FOR MANDATORY LENDING.**

“The MSMED council shall set up the appropriate system to monitor all loan applications of MSMEs in order to account for the absorptive capacity of the MSME sector. **EACH LENDING INSTITUTION SHALL DESIGNATE A CHIEF COMPLIANCE OFFICER WHO WILL PREPARE AND SIGN THE REPORT ON COMPLIANCE AND NONCOMPLIANCE WITH THE MANDATORY CREDIT ALLOCATION, FOR SUBMISSION TO THE BANGKO SENTRAL NG PILIPINAS.** The Bangko Sentral ng Pilipinas shall furnish to the MSMED Council on a quarterly basis comprehensive reports on the banks’ compliance^] **AND** noncompliance [and penalties of] **WITH** the above provisions on the mandatory credit allocation for MSMEsf.], **AND SHALL SUBMIT AN ANNUAL REPORT, SIGNED BY AN OFFICER WITH THE RANK OF AT LEAST A MANAGING DIRECTOR ON THE AMOUNTS OF THE PENALTIES FOR NONCOMPLIANCE WITH THE MANDATORY LENDING PROVISION OF THIS ACT.**

“Lending institutions which are not qualified to acquire or hold lands of the public domain in the Philippines shall be permitted to bid and take part in sales of mortgaged real property in case of judicial

422 or extra-judicial foreclosure, as well as avail of receivership,
423 enforcement and other proceedings, solely upon default of a
424 borrower, and for a period not exceeding five (5) years from actual
425 possession: *Provided*, That in no event shall title to the property be
426 transferred to such lending institution. If the lending institution is the
427 winning bidder, it may, during said five (5) year period, transfer its
428 rights to a qualified Philippine national, without prejudice to a
429 borrower's rights under applicable laws."

430 SEC. 15. Sections 16, 17 and 18 of the same Act, as amended, are hereby renumbered
431 ad Sections 15, 16 and 17, respectively, to read as follows:

432 "SEC. [16]15. Micro, Small, and Medium Enterprise Week, - x x x . "

433 "SEC [17]16. Presidential awards for Outstanding MSME. - x x x."

434 "SEC [18]17. Congressional Oversight Committee. - x x x."

435 SEC. 16. Section 19 of the same Act, as amended, is hereby renumbered as Section 18,
436 and further amended, to read as follows:

437 "SEC. [19]18 *Penalty Clause*. - The **BANGKO NG SENTRAL NG PILIPINAS** shall
438 impose administrative sanctions and other penalties on the lending institutions for
439 non[-]compliance with THE provisions of this Act [including a fine of not less than
440 Five hundred thousand pesos (P500,00.00)]. **THE MINIMUM PENALTY FOR**
441 **NONCOMPLIANCE IS SET AT FIVE HUNDRED THOUSAND PESOS**
442 **(P500,000.00) AND THE MAXIMUM PENALTY FIVE MILLION PESOS**
443 **(5,000,000,000.00) IN PROPORTION TO THE BANK'S OR OTHER ENTITY'S**
444 **LEVEL OF COMPLIANCE: PROVIDED, THAT A SMALLER PENALTY IS SET**
445 **AT ONE HUNDRED THOUSAND PESOS (P100,000.00) FOR SMALLER**
446 **BANKS' NONCOMPLIANCE. AS USED IN THIS ACT, SMALL BANKS SHALL**
447 **BE DEFINED AS BANKS WITH CAPITALIZATION OF NOT MORE THAN FIVE**
448 **HUNDRED MILLION PESOS (P500,000,000.00): PROVIDED, FURTHER, THAT**
449 **THE DEFINITION OF SMALL BANKS SHALL BE REGULARLY REVIEWED BY**
450 **THE MSMED COUNCIL: PROVIDED, FINALLY, THAT THE**
451 **AFOREMENTIONED PENALTIES SHALL NOT BE IMPOSED ON NEWLY-**
452 **ESTABLISHED DOMESTIC AND FOREIGN BANKS WITHIN ONE (1) YEAR**
453 **FROM THE DATE THEY COMMENCED THEIR OPERATIONS.**

454 "Penalties on noncompliance shall be directed to the development of the
455 MSME sector. Ninety percent (90%) of the penalties collected should go to
456 MSMED Council Fund, while the remaining ten percent (10%) should be given to
457 the BSP to cover for administrative expenses.

458 "THE MSMED COUNCIL SHALL SUBMIT TO THE CONGRESS OF THE

PHILIPPINES AN ANNUAL REPORT ON THE STATUS OF THE PENALTIES
REMITTED AND HOW THE SAME WERE USED OR ARE BEING USED IN
RELATION TO THE IMPLEMENTATION OF SERVICES TO MSMEs IN THE
AREAS OF CAPACITY BUILDING, TECHNOLOGY INFORMATION,
COLLECTION AND DISSEMINATION, AND OTHER ENTERVENTIONS FOR
MSME DEVELOPMENT GROWTH AND SUSTAINABILITY.”

SEC. 17. *Implementing Rules and regulations (IRR).* - The Department of Trade and Industry, through the Bureau of Micro, Small and Medium Business Development and in consultation with the *Bangko Sentral ng Pilipinas* and other concerned government agencies, nongovernment organization and private sector agencies involved in the promotion of MSMEs , shall formulate the implementing rules and regulations (IRR) necessary to implement the provisions of this Act within ninety (90) days from the approval of this Act: *Provided*, That the IRR shall be reviewed yearly: *Provided, further*, That the IRR shall be approved by the MSMED Council. The IRR issued pursuant to this section shall take effect thirty (30) days after its publication in a national newspaper of general circulation.

SEC. 18. *Separability Clause.* - The provisions of this Act are hereby declared to be separable. If any provision of this Act shall be held unconstitutional, the remainder of this Act not otherwise affected shall remain in full force and effect.

SEC. 19. *Repealing Clause.* - All laws, executive orders, rules and regulations, or parts thereof inconsistent herewith are hereby repealed or modified accordingly.

SEC. 20. *Effectivity.* - This Act shall take effect within fifteen (15) days from its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,