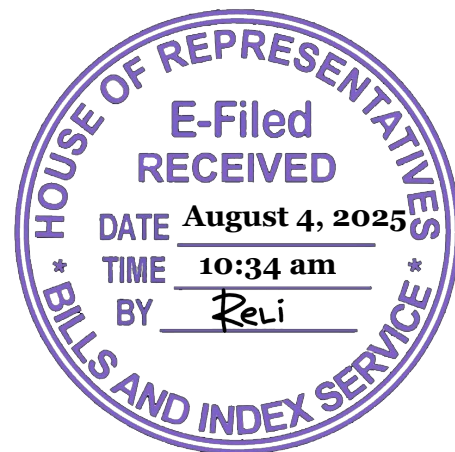


Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Metro Manila  
**TWENTIETH CONGRESS**  
*First Regular Session*



**HOUSE BILL NO. 2895**

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Introduced by Representative **JESUS R. MARQUEZ**

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**EXPLANATORY NOTE**

The 2023 List of Establishments of the Philippine Statistics Authority (PSA) recorded a total of 1,246,373 business enterprises operating in the country. Of these, 1,241,733 (99.63%) are MSMEs. Collectively, these MSMEs generate a total of 6,351,466 jobs or 66.97% of the country's total employment. Micro enterprises produced the biggest share (33.95%) closely followed by small enterprises (26.26%) while medium enterprises lagged behind at 6.77%. These numbers show the dominant presence of MSMEs in our country and its vital role in our economic growth.

MSMEs being the Philippine's economic backbone, strengthening and enhancing its finance support programs with this proposed measurement, will certainly open more opportunities and generate rapid development for both entrepreneurs and our country reciprocally. Further amending R.A. 6977 will elevate the trading quality of our local MSMEs, aligning to international standards. Some of the original key highlights of this bill are as follows: limit the cost for the issuance of all permits, licenses, certifications, and other similar documents required for the conduct of business for registration, entitlement to a discount of at least twenty percent (20%) on shipping and delivery fees for their products and raw materials, as well as for mailing, freight, and other similar services provided by either public or private couriers, encourage owner or operator of private malls, supermarkets, shopping centers, and commercial selling establishments to provide free spaces, and exemption from royalty charges, goodwill charges, commission charges, percentage of sales, and other similar schemes.

Given that MSMEs account for 99.6 % of all firms and almost 67 % of employment<sup>1</sup>, yet face persistent barriers in financing, digitization, skills, and market access, this bill provides a comprehensive, coordinated plan to unlock their growth potential.

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<sup>1</sup> United Nations Development Programme. (n.d.). *MSME Value Chain Rapid Response Survey*. <https://www.undp.org/philippines>. [https://www.undp.org/philippines/publications/msme-value-chain-rapid-responsesurvey#:~:text=Micro%2C%20small%2C%20and%20medium%20enterprises,Gross%20Domestic%20Product%20\(GDP\).](https://www.undp.org/philippines/publications/msme-value-chain-rapid-responsesurvey#:~:text=Micro%2C%20small%2C%20and%20medium%20enterprises,Gross%20Domestic%20Product%20(GDP).)

By amplifying existing programs and adding new tools such as funding, capacity building, digital vouchers, and institutional oversight, this measure will empower MSMEs to drive resilient, inclusive, and sustainable development in the Philippines.

In view of the foregoing, approval of this bill is highly sought.

  
**HON. JESUS "Jess" R. MARQUEZ**

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Metro Manila

**TWENTIETH CONGRESS**  
*First Regular Session*

**HOUSE BILL NO. 2895**

---

*Introduced by Representative* **JESUS R. MARQUEZ**

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**AN ACT**  
**FURTHER PROMOTING ENTREPRENEURSHIP BY STRENGTHENING,**  
**EMPOWERING, AND ENHANCING THE FINANCING AND OTHER**  
**SUPPORT PROGRAMS FOR MICRO, SMALL AND MEDIUM ENTERPRISES,**  
**AMENDING FOR THE PURPOSE 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 the House of Representatives of the Philippines in Congress assembled:*

1           **SECTION 1.** Section 2 of Republic Act No. 6977, as amended, is hereby further  
2 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 RECOVERY** and therefore can help  
6 provide a self-sufficient industrial foundation for the country, it is hereby  
7 declared the policy of the State to promote, support, strengthen and  
8 encourage the growth and development of MSMEs in all productive sectors  
9 of the economy particularly 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 promote  
12 entrepreneurship, support entrepreneurs, encourage the establishment of  
13 MSMEs and ensure their continuing viability and growth and thereby  
14 attain countryside industrialization by:

15                           **"x x x."**

16  
17           **SEC. 2.** Section 3 of the same Act, as amended, is hereby further amended to read  
18 as follows:

19           "SEC. 3. *Micro, Small and Medium Enterprises (MSMEs) as*  
20 *Beneficiaries.* - MSMEs shall be defined as any business activity or  
21 enterprise engaged in industry, agribusiness, [and/or] **OR** services,  
22 whether single proprietorship, cooperative, partnership or corporation

1 whose total assets, inclusive of those arising from loans but exclusive of the  
2 land on which the particular business entity's office, plant and equipment  
3 are situated, must have value falling under the following categories:

4 micro: not more than P3,000,000

5 small: P3,000,001 - P15,000,000

6 medium: P15,000,001 - P100,000,000

7 "The above definitions shall be subject to review **EVERY THREE (3)**  
8 **YEARS** and adjustment, **WHEN NECESSARY**, by the Micro, Small and  
9 Medium Enterprises Development (MSMED) Council under Section 6 of  
10 this Act or upon recommendation of sectoral organizations concerned,  
11 taking into account inflation and other economic indicators. x x x"

12  
13 **SEC. 3.** Section 4 of the same Act, as amended, is hereby further amended to read  
14 as follows:

15 "SEC. 4. *Eligibility for Government Assistance.* - To qualify for  
16 assistance, counseling, incentives and promotion under this Act,  
17 businesses falling under the above definition must be:

18 "(a) duly registered with the appropriate agencies as presently  
19 provided by law: *Provided*, That in the case of micro enterprises as defined  
20 herein, registration with the office of the municipal or city treasurer shall  
21 be deemed sufficient compliance with this requirement;

22  
23 "(b) one hundred percent (100%) owned, capitalized by Filipino  
24 citizens, whether single proprietorship or partnership. If the enterprise is  
25 a juridical entity, at least sixty percent (60%) of its capital or outstanding  
26 stocks must be owned by Filipino citizens;

27 "xxx."

28 ["Eligible MSMEs shall be entitled to a share of at least ten percent  
29 (10%) of total procurement value of goods and services supplied to the  
30 Government, its bureaus, offices and agencies annually.]

31 ["The Department of Budget and Management shall monitor the  
32 compliance of government agencies on the required procurement for  
33 MSMEs and submit its report to the MSMED Council on a semestral basis  
34 and to the Congress of the Philippines, through its appropriate committees  
35 on a yearly basis."]

36  
37 **SEC. 4.** A new section is hereby inserted after Section 4 of the same Act, as  
38 amended, and numbered as Section 4-A to read as follows:

1           **“SEC. 4-A. GOVERNMENT ASSISTANCE, INCENTIVES AND**  
2 **BENEFITS FOR ELIGIBLE MSMES. – ELIGIBLE MSMES SHALL**  
3 **BE ENTITLED TO THE FOLLOWING GOVERNMENT**  
4 **ASSISTANCE, INCENTIVES AND BENEFITS:**

5           **“(A) UPON RECEIPT OF THE APPLICATION OF AN MSME**  
6 **FOR ANY PERMIT AND LICENSE FROM ANY LOCAL**  
7 **GOVERNMENT UNIT (LGU), INCLUDING A BARANGAY, THE**  
8 **LGU SHALL ISSUE A PROVISIONAL AUTHORITY EFFECTIVE**  
9 **FOR SIX (6) MONTHS, SUBJECT TO THE FINAL APPROVAL OF**  
10 **THE APPLICATION AND THE ISSUANCE OF THE PERMIT OR**  
11 **LICENSE APPLIED FOR.**

12  
13           **“(B) THE COST FOR THE ISSUANCE OF ALL PERMITS,**  
14 **LICENSES, CERTIFICATIONS, AND OTHER SIMILAR**  
15 **DOCUMENTS REQUIRED FOR THE CONDUCT OF BUSINESS**  
16 **FOR REGISTERED MICRO ENTERPRISES SHALL NOT**  
17 **EXCEED FIVE HUNDRED PESOS (₱500.00) PER AGENCY. FOR**  
18 **REGISTERED SMALL ENTERPRISES, THE COST SHALL NOT**  
19 **EXCEED THREE THOUSAND PESOS (₱3,000.00) PER AGENCY**  
20 **FOR A PERIOD OF FIVE (5) YEARS.**

21  
22           **“(C) THE NATIONAL GOVERNMENT, ITS BUREAUS,**  
23 **OFFICES, AND AGENCIES SHALL ALLOCATE AT LEAST**  
24 **TWENTY PERCENT (20%) OF ALL ITS PROCUREMENT**  
25 **OPPORTUNITIES FOR GOODS AND SERVICES TO ELIGIBLE**  
26 **MSMEs IN ACCORDANCE WITH THE APPLICABLE**  
27 **PROCUREMENT LAW, RULES, AND REGULATIONS.**

28  
29           **“THE GOVERNMENT PROCUREMENT POLICY BOARD**  
30 **SHALL FORMULATE THE RULES FOR THE EFFECTIVE**  
31 **IMPLEMENTATION OF THIS PROVISION AND ITS**  
32 **TECHNICAL SUPPORT OFFICE SHALL MONITOR THE**  
33 **COMPLIANCE OF GOVERNMENT AGENCIES ON**  
34 **THEREQUIRED PROCUREMENT FOR MSMEs AND SUBMIT**  
35 **ITS REPORT TO THE MSMED COUNCIL ON A SEMESTRAL**  
36 **BASIS AND TO THE CONGRESS OF THE PHILIPPINES,**  
37 **THROUGH ITS APPROPRIATE COMMITTEES ON A YEARLY**  
38 **BASIS.**

1           **“(D) DULY REGISTERED MICRO AND SMALL**  
2 **ENTERPRISES SHALL BE ENTITLED TO A DISCOUNT OF AT**  
3 **LEAST TWENTY PERCENT (20%) ON SHIPPING AND**  
4 **DELIVERY FEES FOR THEIR PRODUCTS AND RAW**  
5 **MATERIALS, AS WELL AS FOR MAILING, FREIGHT, AND**  
6 **OTHER SIMILAR SERVICES PROVIDED BY EITHER PUBLIC**  
7 **OR PRIVATE COURIERS.**

8  
9           **“(E) THE OFFICIAL IN CHARGE WITH THE OPERATION**  
10 **OF GOVERNMENT BUILDINGS, STRUCTURES, AND OPEN**  
11 **AREAS, INCLUDING PUBLIC MARKETS, WHETHER WET OR**  
12 **DRY, AIRPORTS, SEA PORTS, FISH PORTS, PARKS, ZOOS,**  
13 **CONVENTION CENTERS, ENTERTAINMENT CENTERS,**  
14 **TOURISM CENTERS, SCHOOLS, SCHOOL CAMPUSES, AND**  
15 **OTHER SIMILAR STRUCTURES OR AREAS SUITABLE FOR**  
16 **SELLING OR MARKETING, WHETHER PERMANENT OR**  
17 **TEMPORARY, THAT CAN BE USED AS SELLING AREAS,**  
18 **SHALL PROVIDE AN AUTHORIZED MSME STORE FREE**  
19 **SPACE MEASURING AT LEAST ONE PERCENT (1%) OF THE**  
20 **TOTAL SPACE AVAILABLE THEREIN. FOR PURPOSES OF**  
21 **THIS ACT, FREE SPACE REFERS TO THE SPACE THAT MAY BE**  
22 **USED FOR SELLING PURPOSES WITHOUT NEED FOR THE**  
23 **PAYMENT OF RENT, GOODWILL FEES, ROYALTIES,**  
24 **COMMISSION, PERCENTAGES ON SALES, NOR ANY OTHER**  
25 **SIMILAR SCHEME.**

26  
27           **“(F) THE OWNER OR OPERATOR OF PRIVATE MALLS,**  
28 **SUPERMARKETS, SHOPPING CENTERS, AND COMMERCIAL**  
29 **SELLING ESTABLISHMENTS SHALL BE ENCOURAGED TO**  
30 **PROVIDE FREE SPACE TO ANY AUTHORIZED MSME STORE.**

31  
32           **“THE MSMED COUNCIL OF THE CONCERNED CITY,**  
33 **MUNICIPALITY, OR BARANGAY SHALL APPROVE THE MSME**  
34 **STORE OF THE LOCAL OFFICE OF THE DEPARTMENT OF**  
35 **TRADE AND INDUSTRY (DTI). THE FREE SPACE ALLOCATED**  
36 **FOR THE MSME STORE SHALL BE PROVIDED IN THE**  
37 **FOLLOWING ORDER OF PREFERENCE:**

38           **“(1) ONE TOWN, ONE PRODUCT STORE OR *GO LOKAL!***  
39 **STORE OF THE DTI;**

1           **“(2) MSME KUMUNIDARAN PRODUKTO AT**  
2 **RESONABLENG SERBISYO STORE (OR “KUMPARE STORE”);**  
3 **OR**

4           **“(3) A LOCAL MICRO OR SMALL ENTERPRISE STORE.**

5           **“ONCE AN MSME STORE IS IN PLACE, ITS REMOVAL OR**  
6 **REPLACEMENT SHALL NOT BE ALLOWED EXCEPT FOR**  
7 **VALID CAUSE AND AFTER OBSERVANCE OF DUE PROCESS.**

8           **“THE APPROVAL AND THE REMOVAL OF THE MSME**  
9 **STORE THAT WILL BE GIVEN FREE SPACE SHALL BE**  
10 **REPORTED BY THE MSMED COUNCIL OF THE CONCERNED**  
11 **CITY, MUNICIPALITY, OR BARANGAY TO THE**  
12 **CONGRESSIONAL OVERSIGHT COMMITTEE ON MICRO,**  
13 **SMALL AND MEDIUM ENTERPRISE DEVELOPMENT.**

14  
15           **“(G) THE OWNER OR OPERATOR OF PRIVATE MALLS**  
16 **SHALL ALSO BE ENCOURAGED TO ALLOCATE TWENTY**  
17 **PERCENT (20%) OF THEIR TOTAL RENTABLE SPACE TO**  
18 **LOCAL MICRO AND SMALL ENTERPRISES WHICH SHALL BE**  
19 **EXTENDED A TWENTY PERCENT (20%) DISCOUNT ON**  
20 **RENTAL RATES. PRIVATE MALLS SHALL NOT CHARGE**  
21 **ROYALTY CHARGES, GOODWILL CHARGES, COMMISSION**  
22 **CHARGES, PERCENTAGE OF SALES, AND OTHER SIMILAR**  
23 **SCHEMES UPON THE MSMEs.**

24  
25           **“(H) FREE BASIC CREDIT REPORT FOR MSMEs. – THE**  
26 **CREDIT INFORMATION CORPORATION (CIC) SHALL**  
27 **PROVIDE MSMEs WITH BASIC CREDIT REPORTS, FREE OF**  
28 **CHARGE, ONCE PER YEAR. THE BASIC CREDIT REPORT**  
29 **SHALL SERVE AS THE PRIMARY PROOF OF CREDIT**  
30 **WORTHINESS OF MSMEs IN THEIR LOAN APPLICATIONS.**

31  
32           **“THE SECURITIES AND EXCHANGE COMMISSION (SEC)**  
33 **SHALL ISSUE THE RULES AND REGULATIONS NECESSARY**  
34 **FOR THE IMPLEMENTATION OF THIS SECTION WITHIN**  
35 **THIRTY (30) DAYS UPON THE EFFECTIVITY OF THIS ACT.”**

36  
37           **SEC. 5.** Section 5 of the same Act, as amended, is hereby further amended to read  
38 as follows:

1           “SEC. 5. *Guiding Principles.* – To set the pace for MSME development,  
2 the State shall be guided by the following principles:

3           “(a) *Minimal set of rules and simplification of procedures and*  
4 *requirements.* All government agencies having to do with **MICRO**,  
5 **[AND]** small **AND MEDIUM** enterprises shall pursue the principles of  
6 minimum regulation to ensure stability of rules and to encourage  
7 entrepreneurial spirit among the citizenry. The agencies shall see to it that  
8 procedural rules and requirements, within their respective offices in  
9 coordination with other agencies, are minimized in the act of registration,  
10 availment of financing and accessing other government services and  
11 assistance.

12  
13           “(b) *Role of the private sector.* In order to hasten growth and  
14 expansion of **MICRO**, small and medium enterprises, the private sector  
15 throughout the country shall be encouraged to assist in the effective  
16 implementation of this Act by participating in government programs for  
17 **MICRO**, small and medium enterprises strictly in accordance with the  
18 law, and consistent with the attainment of the purposes hereof. To  
19 encourage private sector participation, the Council, in consultation with  
20 the concerned sector, may recommend simplified procedure and localized  
21 incentives to **MICRO**, **[AND]** small **AND MEDIUM** enterprises. The  
22 Government shall encourage the organization and establishment of  
23 **MICRO**, small and medium enterprise industry associations at the local  
24 and regional levels preferably unified under a national  
25 federation/association.

26  
27           “(c) *Coordination of government efforts.* Government efforts shall be  
28 coordinated to achieve coherence in objectives. All appropriate offices,  
29 particularly those under the Departments of Trade and Industry, Finance,  
30 Budget and Management, Agriculture, Agrarian Reform, Environment  
31 and Natural Resources, Labor and Employment, Transportation [and  
32 Communications], **INFORMATION AND COMMUNICATIONS**  
33 **TECHNOLOGY**, Public Works and Highways, Science and Technology,  
34 Interior and Local Government, and Tourism as well as the National  
35 Economic and Development Authority, Philippine Information Agency,  
36 SEC and the *Bangko Sentral ng Pilipinas* (BSP), through their national,  
37 regional, and provincial offices shall, to the best of their efforts and in  
38 coordination with local government units, provide the necessary support

1 and assistance to MSMEs. THE DTI SHALL BE THE LEAD AGENCY  
2 THEREFOR.

3 “X X X.”  
4

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

7 “SEC. 6. *Micro, Small and Medium Enterprises Development Plan*  
8 *(MSMEDP)*. – The President OF THE PHILIPPINES shall approve a six-  
9 year micro, small and medium enterprises development plan prepared by  
10 the [Department of Trade and Industry (DTI)] DTI which shall form part  
11 of the [Medium Term] Philippine Development Plan ([MT]PDP). It shall  
12 be formulated in consultation with the private sector **AND ALL**  
13 **RELEVANT STAKEHOLDERS**, validated and updated semestraly.  
14 Such plan shall include a component on a micro credit financing scheme.”  
15

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

18 “SEC. 7. *Micro, Small and Medium Enterprise Development*  
19 *(MSMED) Council*. – The existing Small and Medium Enterprise  
20 Development Council, which was created by [Republic Act No.] RA 6977,  
21 as amended [by Republic Act No. 8289], shall be strengthened to  
22 effectively spur the growth and development of MSMEs throughout the  
23 country, and to carry out the policy declared in this Act and shall now be  
24 known as the Micro, Small and Medium Enterprise Development  
25 (MSMED) Council. The Council shall be attached to the [Department of  
26 Trade and Industry] DTI and shall be constituted within sixty (60) days  
27 after the approval of this Act.  
28

29 “The Council shall be the primary agency responsible for the  
30 promotion, growth and development of MICRO, small and medium  
31 enterprises in the country by way of facilitating and closely coordinating  
32 national efforts to promote the viability and growth of MICRO, small and  
33 medium enterprises, including assisting relevant agencies in the tapping  
34 of local and foreign funds for MICRO, small and medium enterprise  
35 development, as well as promoting the use of existing programs, as well as  
36 seeking ways to maximize the use of our labor resources.”  
37

38 **SEC. 8.** Section 7-A of the same Act, as amended, is hereby further amended to  
39 read as follows:

1           “SEC. 7-A. *Composition of the Micro, Small and Medium Enterprises*  
2 *Development (MSMED) Council.* – The members of the Council shall be  
3 the following **OR THEIR DULY DESIGNATED**  
4 **REPRESENTATIVE:**

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

6           “(b) The Secretary of Agriculture;

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

8           **“(D) THE SECRETARY OF FINANCE;**

9           **“(E) THE SECRETARY OF SCIENCE AND TECHNOLOGY;**

10          **“(F) THE SECRETARY OF TOURISM;**

11          **“(G) THE SECRETARY OF ENVIRONMENT AND NATURAL**  
12 **RESOURCES;**

13          “[(d)] (H) Three (3) representatives from the MSME sector, [to  
14 represent Luzon, Visayas and Mindanao, with at least one (1)  
15 representative from the microenterprise sector] **TO BE NOMINATED**  
16 **BY THE PHILIPPINE CHAMBER OF COMMERCE AND**  
17 **INDUSTRY; AND**

18          “[(e)] One (1) representative from the women sector designated by the  
19 Philippine Commission on Women;]

20          “[(f)] One (1) representative from the youth sector designated by the  
21 National Youth Commission; and]

22          “[(g)] (I) The [Chairman]**PRESIDENT of THE** Small Business  
23 Corporation.

24  
25          “A. *Advisory Unit.* – There shall be an Advisory Unit to the Council,  
26 which shall consist of the following **OR THEIR DULY DESIGNATED**  
27 **REPRESENTATIVE:**

28          “(a) [The Secretary of Science and Technology] **THE SECRETARY**  
29 **OF**

30 **AGRARIAN REFORM;**

31          “(b) The Governor of the [*Bangko Sentral ng Pilipinas*] BSP;

32          “(C) THE CHAIRPERSON OF THE SEC;

33          “[(c)] (D) The President of the Land Bank of the Philippines;

34          “[(d)] (E) The President of the Development Bank of the Philippines;

35          “[(e)] (F) The Director General of the National Economic and  
36 Development Authority;

37          **“(G) THE CHAIRPERSON OF THE COOPERATIVE**  
38 **DEVELOPMENT AUTHORITY (CDA);**

1           **“(H) THE PRESIDENT OF THE PHILIPPINE GUARANTEE**  
2           **CORPORATION;**

3           **“(I) THE COMMISSIONER OF THE INSURANCE**  
4           **COMMISSION (IC);**

5           **“(J) THE PRESIDENT OF THE PHILIPPINE CROP**  
6           **INSURANCE**  
7           **CORPORATION;**

8           **“(K) A REPRESENTATIVE OF A NATIONAL**  
9           **ORGANIZATION REPRESENTING AND DOMINATED BY**  
10           **MSMEs;**

11           “[(f)] (L) One (1) representative from the labor sector, to be nominated  
12           by accredited labor groups;

13           “[(g)] (M) A representative from the private banking sector to serve  
14           [alternatively] **ALTERNATELY** [between] **AMONG** the [c]Chamber  
15           of [t]Thrift

16           [b]Banks, [and] the Rural Banker’s Association of the Philippines  
17           [(RBAP)],

18           **AND THE BANKERS ASSOCIATION OF THE PHILIPPINES;**

19           “[(h)] (N) A representative of the microfinance nongovernment  
20           organizations (NGOs), **DESIGNATED BY THE MICROFINANCE**  
21           **NGO REGULATORY COUNCIL;**

22           “[(i)] (O) A representative of the University of the Philippines-Institute  
23           for Small Scale Industries (UP-ISSI); [and]

24           “[(j)] (P) The President of the [Credit Information Corporation.] CIC;

25           **“(Q) ONE (1) REPRESENTATIVE FROM THE WOMEN**  
26           **SECTOR**

27           **DESIGNATED BY THE PHILIPPINE COMMISSION ON**  
28           **WOMEN;**

29           **“(R) ONE (1) REPRESENTATIVE FROM THE YOUTH**  
30           **SECTOR**

31           **DESIGNATED BY THE NATIONAL YOUTH COMMISSION;**  
32           **AND**

33           **“(S) A REPRESENTATIVE FROM NON-STOCK SAVINGS**  
34           **AND**

35           **LOAN ASSOCIATIONS DESIGNATED BY THE ALLIANCE OF**  
36           **NON STOCK SAVINGS AND LOAN INSTITUTIONS, INC.**  
37           **(ANSLI).**

38           **“x x x.”**

39

1           **SEC. 9.** Section 7-B of the same Act, as amended, is hereby further amended  
2 to read as follows:

3           “SEC. 7-B. *Powers and Functions.* – **A.** have the following powers,  
4 duties and functions:

5           “x x x;

6           The MSMED Council shall have the following powers, duties and  
7 functions:

8           “x x x;

9           “(d) To review the existing policies of government agencies that would  
10 affect the growth and development of MSMEs and recommend changes to  
11 the President **OF THE PHILIPPINES** and Congress through the  
12 Committee on Economic Affairs of the Senate and the Committee on [Small  
13 Business and Entrepreneurship] **MICRO, SMALL AND MEDIUM**  
14 **ENTERPRISE** Development of the House of Representatives, whenever  
15 deemed necessary. This shall include efforts to simplify rules and  
16 regulations, as well as review of the applicability and relevance of procedural  
17 and documentary requirements in the registration, financing, and other  
18 activities relevant to MSMEs the result shall be included in the annual  
19 report to be submitted to Congress;

20           “x x x;

21           “(h) To promote the productivity and viability of **MSMEs IN DTI’S**  
22 **TOP PRIORITY INDUSTRIES FOR DEVELOPMENT** by way of  
23 directing [and/]or assisting relevant government agencies and institutions  
24 at the national, regional and provincial levels towards the:

25           “x x x;

26           “(12) Through appropriate government agencies:

27           “x x x;

28           “(f) Set-up new *MSME NEGOSYO* centers and revitalize already  
29 established *MSME NEGOSYO* centers to provide MSMEs in the regions  
30 easier access to services such as the following:

31           “x x x.”

32  
33           **“B. ADDITIONAL FUNCTIONS OF THE MSMED COUNCIL.**  
34 **– AS PROVIDED FOR IN SECTION 10 OF RA 10644, OR THE “GO**  
35 **NEGOSYO ACT”, THE MSMED COUNCIL SHALL HAVE THE**  
36 **FOLLOWING ADDITIONAL FUNCTIONS:**

37  
38           **“(A) COORDINATING AND OVERSIGHT BODY FOR THE**  
39 **MSME NEGOSYO CENTER. – THE MSMED COUNCIL SHALL,**

1 THROUGH THE DTI, ACT AS THE COORDINATING AND  
2 SUPERVISING BODY FOR ALL THE AGENCIES INVOLVED IN  
3 THE ESTABLISHMENT AND OPERATION OF THE MSME  
4 NEGOSYO CENTERS. THE MSMED COUNCIL SHALL MONITOR  
5 AND ASSESS THE PROGRESS OF THE MSME NEGOSYO  
6 CENTERS, WHICH SHALL BE INCLUDED IN ITS ANNUAL  
7 REPORT TO BE SUBMITTED TO THE CONGRESS;

8  
9 “(B) PROVISION OF A COMPLIANCE GUIDE. – FOR EACH  
10 RULE OR GROUP OF RELATED RULES ISSUED BY ANY  
11 GOVERNMENT AGENCY FOR COMPLIANCE BY MSMEs, THE  
12 COUNCIL SHALL PUBLISH COMPLIANCE GUIDELINES  
13 WHICH SHALL BE WRITTEN IN PLAIN LANGUAGE OR IN THE  
14 LOCAL DIALECT, IF NECESSARY.

15  
16 “THE COUNCIL SHALL PREPARE SEPARATE  
17 COMPLIANCE GUIDES COVERING GROUPS OR CLASSES OF  
18 SIMILARLY AFFECTED MSMEs AND SHALL COOPERATE  
19 WITH INDUSTRY ASSOCIATIONS TO DEVELOP AND  
20 DISTRIBUTE SUCH COMPLIANCE GUIDES. THE PUBLICATION  
21 OF EACH COMPLIANCE GUIDE SHALL INCLUDE THE POSTING  
22 OF THE GUIDE IN A CONSPICUOUS LOCATION ON THE  
23 WEBSITE OF THE AGENCY, AND DISTRIBUTION OF THE  
24 GUIDE TO KNOWN INDUSTRY CONTACTS, SUCH AS SMALL  
25 ENTITIES, ASSOCIATIONS OR INDUSTRY LEADERS  
26 AFFECTED BY THE RULE. THE ISSUING GOVERNMENT  
27 AGENCY SHALL PUBLISH AND DISSEMINATE THE  
28 COMPLIANCE RULES WITHIN NINETY (90) DAYS FROM THE  
29 DATE OF ISSUANCE;

30 “(C) CONDUCT OF RESEARCH ON WOMEN  
31 ENTREPRENEURSHIP. – THE COUNCIL SHALL CONDUCT  
32 RESEARCH TO SUPPORT WOMEN ENTREPRENEURSHIP  
33 INCLUDING ENTREPRENEURIAL BEHAVIOR, BARRIERS,  
34 PARTICIPATION AND CESSATION RATES, DISCRIMINATORY  
35 PRACTICES AND CONTRIBUTION TO THE NATIONAL  
36 ECONOMY AND GROWTH. AS DEFINED BY THE  
37 INTERNATIONAL FINANCE CORPORATION, AND  
38 RECOGNIZED AND ADOPTED BY THE MSMED COUNCIL,  
39 WOMEN- OWNED BUSINESSES ARE BUSINESSES WHERE AT

1 LEAST FIFTY-ONE PERCENT (51%) OF A COMPANY IS OWNED  
2 BY A WOMAN OR WOMEN, AND WOMEN-LED BUSINESSES  
3 ARE BUSINESSES WHERE AT LEAST TWENTY PERCENT (20%)  
4 IS OWNED BY A WOMAN OR WOMEN AND AT LEAST ONE  
5 WOMAN ACTS AS THE CHIEF EXECUTIVE OFFICER (CEO) OR  
6 CHIEF OPERATING OFFICER (COO) OR PRESIDENT OR VICE  
7 PRESIDENT, AND AT LEAST THIRTY PERCENT (30%) OF THE  
8 BOARD OF DIRECTORS, WHERE A BOARD EXISTS, IS  
9 COMPOSED OF WOMEN;

10  
11 “(D) POLICY FORMULATION ON WOMEN  
12 ENTREPRENEURSHIP. – THE COUNCIL SHALL PROVIDE  
13 POLICY DIRECTION TOWARDS RECOGNIZING WOMEN’S  
14 APTITUDE AND TALENT IN ENTREPRENEURSHIP AS WELL AS  
15 ESTABLISH LINKAGES THAT WILL ENABLE MORE  
16 OPPORTUNITIES FOR WOMEN TO ENGAGE IN  
17 ENTREPRENEURSHIP; AND

18  
19 “(E) DEVELOPMENT OF ENTREPRENEURIAL EDUCATION  
20 AND TRAINING. – THE MSMED COUNCIL SHALL DEVELOP, IN  
21 COORDINATION WITH THE DEPARTMENT OF EDUCATION,  
22 TECHNICAL EDUCATION AND SKILLS DEVELOPMENT  
23 AUTHORITY, AND COMMISSION ON HIGHER EDUCATION  
24 (CHED), A COURSE CURRICULUM OR TRAINING PROGRAMS  
25 IN ENTREPRENEURSHIP AND PERSONAL FINANCE,  
26 INCLUDING DIGITAL FINANCIAL LITERACY, THAT WILL  
27 PROMOTE ENTREPRENEURIAL CULTURE AND  
28 COMPETENCE, AND ENCOURAGE THE USE OF DIGITAL  
29 PLATFORMS IN FINANCIAL TRANSACTIONS.  
30 ENTREPRENEURSHIP SHALL BE INTEGRATED IN THE  
31 CURRICULUM OF EDUCATIONAL AND TRAINING  
32 INSTITUTIONS IN ALL LEVELS.

33 “THE CHED SHALL HAVE A PROGRAM WHEREIN  
34 GRADUATING COLLEGE AND POSTGRADUATE STUDENTS  
35 SHALL ASSIST ENTREPRENEURS IN MAKING BANKABLE  
36 FEASIBILITY STUDIES AS FULFILLMENT OF THEIR  
37 ACADEMIC REQUIREMENTS.”

1           **SEC. 10.** A new section is hereby inserted after Section 7-B of the same Act, as  
2 amended, and numbered as Section 7-C to read as follows:

3  
4           **“SEC. 7-C. CITY, MUNICIPAL, AND BARANGAY MSMED**  
5 **COUNCIL. – THERE SHALL BE CREATED A MSMED COUNCIL**  
6 **IN EVERY CITY, MUNICIPALITY, AND BARANGAY WHICH**  
7 **SHALL HAVE THE AUTHORITY TO PROPOSE POLICIES THAT**  
8 **ARE GEARED TO ASSIST MSMEs IN THE AREAS OF**  
9 **PRODUCTIVITY ENHANCEMENT, MARKETING, ACHIEVING**  
10 **SUSTAINABILITY BY EXTENDING CREDIT TO CUSTOMERS,**  
11 **AND IMPLEMENTING EFFICIENT LOAN COLLECTION**  
12 **SYSTEMS, AMONG OTHER STRATEGIES.**

13  
14           **“THE CITY OR MUNICIPAL MSMED COUNCIL SHALL BE**  
15 **COMPOSED OF THE CITY OR MUNICIPAL BUSINESS PERMIT**  
16 **AND LICENSING OFFICER AS CHAIRPERSON, THE**  
17 **PRESIDENT OF THE ASSOCIATION OF BARANGAY CAPTAINS,**  
18 **THE PRESIDENT OF THE SANGGUNIANG KABATAAN**  
19 **FEDERATION, THE TOURISM OFFICER, AND THE CITY OR**  
20 **MUNICIPAL AGRICULTURIST OR THE CITY PLANNING**  
21 **OFFICER, AS MEMBERS.**

22  
23           **“THE BARANGAY MSMED COUNCIL SHALL BE**  
24 **COMPOSED OF THE PUNONG BARANGAY AS CHAIRPERSON,**  
25 **THE SANGGUNIANG KABATAAN CHAIRPERSON, A**  
26 **REPRESENTATIVE OF THE WOMEN’S BRIGADE OR WOMEN’S**  
27 **SECTOR, A REPRESENTATIVE OF THE BARANGAY PUBLIC**  
28 **SAFETY OFFICE, AND A REPRESENTATIVE OF THE SENIOR**  
29 **CITIZENS, AS MEMBERS.**

30  
31           **“THE CITY, MUNICIPAL, AND BARANGAY MSMED**  
32 **COUNCILS SHALL COORDINATE AND FORMULATE**  
33 **MEASURES TO ENSURE THE OPERATIONAL AND FINANCIAL**  
34 **VIABILITY OF MSMEs WITHIN THEIR TERRITORIAL**  
35 **JURISDICTION, TAKING INTO CONSIDERATION THE**  
36 **RELEVANT FACTORS AFFECTING THE CAPACITIES OF THE**  
37 **MSMEs.”**

1           **SEC. 11.** Section 8 of the same Act, as amended, is hereby further amended to read  
2 as follows:

3           “SEC. 8. *Designation of the Bureau of Micro, Small and Medium*  
4 *Enterprise Development as Council Secretariat.* – x x x:

5           “(1) to prepare, in coordination with local government units and/or  
6 associations of local government officials, and recommend annual as  
7 well as medium-term **MICRO**, small and medium enterprise  
8 development plans for approval of the Council;

9           “**x x x**;

10          “(3) to assist the Council in coordinating and monitoring MICRO,  
11 small and medium enterprise policies and programs and activities of  
12 all government agencies with respect to **MICRO**, small and medium  
13 enterprises;

14          “(4) to prepare, collate and integrate all inputs to the Council’s yearly  
15 report on the status of **MICRO**, small and medium enterprises in the  
16 country;

17          “**x x x.**”  
18

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

21           “SEC. 11. *Creation of THE Small Business [Guarantee and Finance]*  
22 *Corporation.* – There is hereby created a body corporate to be known as the  
23 Small Business [Guarantee and Finance] Corporation, hereinafter referred  
24 to as the [Small Business Corporation (SB Corporation)] **SB**  
25 **CORPORATION**, which shall be charged with the primary responsibility  
26 of implementing comprehensive policies and programs to assist MSMEs in  
27 all areas, including but not limited to finance and information services,  
28 training and marketing.”  
29

30           **SEC. 13.** Section 11-A of the same Act, as amended, is hereby further amended to  
31 read as follows:

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

36           “(a) The Secretary of Trade and Industry, WHO SHALL ACT AS  
37 CHAIRPERSON OF **THE BOARD UNTIL SUCH TIME THAT THE**  
38 **PRESIDENT OF THE PHILIPPINES SHALL HAVE APPOINTED**

1 **THE CHAIRPERSON OF THE BOARD FROM AMONG ITS**  
2 **MEMBERS;**

3  
4 “(b) The Secretary of Finance;

5 **“(C) THE PRESIDENT OF THE GOVERNMENT SERVICE**  
6 **INSURANCE SYSTEM (GSIS);**

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

9 “[c] (E) A private sector representative to be appointed by the  
10 President **OF THE PHILIPPINES** upon the recommendation of the  
11 MSMED Council;

12 “[d] (F) Seven (7) representatives of the SB Corporation common stock  
13 shareholders who shall be elected based on proportional distribution, in  
14 accordance with Section [24] 23 of the **REVISED** Corporation Code; and

15 “[e] (G) The president of the SB Corporation as ex officio member and  
16 to serve as vice [chairman] **CHAIRPERSON** of the Board.

17 “The President **OF THE PHILIPPINES** shall appoint the  
18 [chairman] **CHAIRPERSON** of the Board from among its members.

19 “All members of the Board so appointed, except for the e x officio  
20 members, shall serve for a term of three (3) years [without reappointment.]  
21 **AND MAY BE REAPPOINTED TO ANOTHER TERM UNLESS**  
22 **EARLIER REVOKED. IF THE TERM OF THE INCUMBENT**  
23 **MEMBER HAS EXPIRED, THE MEMBER SHALL CONTINUE TO**  
24 **FUNCTION IN A HOLDOVER CAPACITY UNTIL A**  
25 **REPLACEMENT HAS BEEN APPOINTED AND QUALIFIED.**  
26 [The]ANY person [so] appointed to replace a member who has resigned,  
27 died, or been removed for cause shall serve only for the unexpired portion  
28 of the term.

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

31 “x x x; and

32 “(f) [Notwithstanding the provisions of Republic Act No. 6758 and  
33 Compensation Circular No. 10, Series of 1989 issued by the Department of  
34 Budget and Management, the Board shall have the authority to p]Provide  
35 for the organizational structure, [and] staffing pattern [of SB Corporation  
36 and to extend to the employees and personnel thereof salaries, allowances  
37 and fringe benefits similar to those extended to and currently enjoyed by  
38 employees and personnel of other government financial institutions.] **AND**  
39 **COMPENSATION OF EMPLOYEES AND PERSONNEL OF THE SB**

1           **CORPORATION, FOR SUBMISSION TO THE GOVERNANCE**  
2           **COMMISSION FOR GOVERNMENT-OWNED OR -CONTROLLED**  
3           **CORPORATIONS (GCG).”**  
4

5           **SEC. 14.** Section 11-B of the same Act, as amended, is hereby further amended, to  
6 read as follows:

7           “SEC. 11-B. *Corporate Structure and Powers.* - “A. The SB  
8 Corporation shall:

9           “x x x.

10           “B. For this purpose, the SB Corporation [subject to compliance with  
11 the rules and regulations to be issued by the Bangko Sentral ng Pilipinas  
12 (BSP) and the Securities and Exchange Commission,] shall have the  
13 following functions and duties:

14           “(a) Source and adopt development initiatives for globally competitive  
15 MSMEs in finance and business technologies;

16           “(b) [To] [e]Extend all forms of financial assistance, EXCEPT  
17 GRANTS, to eligible MSMEs. THE SB Corporation may also engage in  
18 wholesale lending. The SB Corporation shall be given two (2) years from the  
19 effectivity of this Act to comply with this requirement;

20           “(c) [Guarantee loans obtained by qualified MSMEs under such terms  
21 and conditions adopted by the SB Corporation Board of Directors;]  
22 **ESTABLISH AN ENTERPRISE REHABILITATION FUND FOR**  
23 **CALAMITY-STRICKEN MSMEs NOT TO EXCEED FIVE**  
24 **HUNDRED MILLION PESOS (P500,000,000.00) AS PART OF**  
25 **THE SB CORPORATION’S CAPITALIZATION BY THE NATIONAL**  
26 **GOVERNMENT;**

27           “x x x;

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

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

34           **“(H) SUBMIT AN ANNUAL REPORT TO THE MSMED**  
35 **COUNCIL, THE CONGRESS OF THE PHILIPPINES AND THE**  
36 **GCG ON THE PERFORMANCE AND FINANCIAL CONDITION OF**  
37 **THE CORPORATION.**

38           **“THE SB CORPORATION SHALL BE EXEMPT FROM**  
39 **SECURING PRIOR BSP AUTHORIZATION FOR ENGAGING IN**

1           **QUASI-BANKING ACTIVITIES AND SHALL NOT BE SUBJECT**  
2           **TO BSP SUPERVISION AND REGULATION FOR SUCH**  
3           **ACTIVITIES.”**

4  
5           **SEC. 15.** A new section is hereby inserted after Section 11-B of the same Act, as  
6 amended, and numbered as Section 11-C to read as follows:

7           **“SEC. 11-C. STRATEGIC MANAGEMENT OF THE SB**  
8           **CORPORATION. – THE BOARD OF THE SB CORPORATION,**  
9           **THROUGH ITS CHAIRPERSON, SHALL BE FULLY**  
10           **RESPONSIBLE AND ACCOUNTABLE FOR THE PERFORMANCE**  
11           **OF THE CORPORATION’S MANDATE. FOR THIS PURPOSE, THE**  
12           **BOARD SHALL BE CONSTITUTED AS A MANAGING BOARD TO**  
13           **CONCEPTUALIZE THE STRATEGIC PLANS AND POLICIES OF**  
14           **THE CORPORATION.**

15  
16           **“THE SB CORPORATION SHALL ADOPT A BALANCED**  
17           **SCORECARD MANAGEMENT APPROACH, SUBJECT TO THE**  
18           **REVIEW AND APPROVAL OF THE GCG, TO ENABLE IT TO**  
19           **MANAGE ITS FINANCIAL PERFORMANCE WHILE PURSUING**  
20           **ITS PUBLIC POLICY OBJECTIVES OF SUPPORTING MICRO,**  
21           **SMALL AND MEDIUM ENTERPRISES DEVELOPMENT.”**

22  
23           **SEC. 16.** Section 12 of the same Act, as amended, is hereby further amended to  
24 read as follows:

25           **“SEC. 12. Capitalization and Funding of the SB Corporation. – The SB**  
26           **Corporation shall have an authorized capital stock of [Ten] FIFTY billion**  
27           **pesos [(P10,000,000,000.00)] (P50,000,000,000.00), WHICH SHALL**  
28           **BE DIVIDED INTO 400,000 COMMON SHARES AND 100,000**  
29           **PREFERRED SHARES WITH A PAR VALUE OF ONE HUNDRED**  
30           **PESOS (P100.00) PER SHARE.** The initial capital of One billion pesos  
31           **(P1,000,000,000.00) [shall be] established from a pool of funds [to be]**  
32           **contributed in the form of equity investments in common stock by the Land**  
33           **Bank of the Philippines (LBP), the Development Bank of the Philippines**  
34           **(DBP), in the amount of Two hundred million pesos (P200,000,000.00)**  
35           **each [.The] AND ALSO BY THE Social Security System (SSS) and the**  
36           **Government Service Insurance System (GSIS) [shall also set aside] IN THE**  
37           **AMOUNT OF Two hundred million pesos (P200,000,000.00) each [for the**  
38           **SB Corporation] SHALL REMAIN PART OF THE CAPITALIZATION**  
39           **OF THE SB CORPORATION. [Authorized capital stock of the [s]Small**

1 [b]Business [c]Corporation shall be divided into 80,000,000 common  
2 shares and 20,000,000 preferred shares with a par value of One hundred  
3 pesos (P100.00) per share]: *Provided*, That the common shares which have  
4 been issued, including those issued against the assets of the KKK Guaranty  
5 Fund consolidated under the [s]Small [b]Business [c]Corporation by virtue  
6 of Executive Order No. 233, Series of 2000 and Executive Order No. 19,  
7 Series of 2001 and including those already subscribed, shall [form]  
8 **LIKEWISE REMAIN** part of the capitalization of the corporation:  
9 *Provided, further*, That holders of preferred shares issued under [Republic  
10 Act No.] RA 6977, as amended, shall have the option to convert the same  
11 into common shares. Additional equity funding shall come from trust  
12 placements of excess and unused funds of existing government agencies,  
13 bilateral and multilateral official development assistance funds,  
14 subscriptions from government-owned or -controlled corporations AND  
15 **THE NATIONAL GOVERNMENT THROUGH THE DEPARTMENT**  
16 **OF BUDGET AND MANAGEMENT**, and investments of private  
17 financial institutions and corporations: *Provided, finally*, That any  
18 investment from the private sector shall only be in the form of preferred  
19 shares.

20 **“NATIONAL GOVERNMENT EQUITY TO THE**  
21 **CORPORATION SHALL BE INCLUDED IN THE ANNUAL**  
22 **GENERAL APPROPRIATIONS ACT.**

23 “[To allow for capital build-up, SB Corporation shall be given a five (5)  
24 year grace period on dividend commitments beginning on the date of  
25 effectivity of this amendment. Thereafter, it] **THE SB CORPORATION**  
26 may [only] declare as dividend not more than thirty percent (30%) of its net  
27 income and the rest withheld as retained earnings.”

28  
29 **SEC. 17.** Section 13 of the same Act, as amended, is hereby further amended to  
30 read as follows:

31 “SEC. 13. The SB Corporation shall **NOT** be subject to the supervision  
32 and examination of the *Bangko Sentral ng Pilipinas* taking into  
33 consideration its developmental objectives.”

34  
35 **SEC. 18.** Section 14 of the same Act, as amended, is hereby further amended to  
36 read as follows:

37 “SEC. 14. *Venture Capital and Micro Finance Trust Fund* . – The SB  
38 Corporation may set aside an amount of money to encourage the setting up  
39 of a venture capital and micro finance trust fund for the purpose of

1 promoting **AVAILABLE** business opportunities [available] to **THE**  
2 **MSME** sector. The Venture Capital Fund shall be used mainly for venture  
3 capital finance especially in technology-oriented industries. The micro  
4 finance trust fund shall be used to provide collateral-free fixed and working  
5 capital loans to micro and small enterprises run by those emerging out of  
6 poverty. **THE INITIAL AMOUNT OF AT LEAST TEN PERCENT**  
7 **(10%) OF THE EQUITY CONTRIBUTION OF THE NATIONAL**  
8 **GOVERNMENT TO THE CAPITALIZATION OF THE SMALL**  
9 **BUSINESS CORPORATION, NOT TO EXCEED FIVE HUNDRED**  
10 **MILLION PESOS (P500,000,000.00), SHALL BE**  
11 **APPROPRIATED TO FUND THE VENTURE CAPITAL AND**  
12 **MICRO FINANCE TRUST FUND.”**

13  
14 **SEC. 19.** Section 15 of the same Act, as amended, is hereby further amended to  
15 read as follows:

16 “SEC. 15. *Mandatory Allocation of Credit Resources to Micro, Small*  
17 *and Medium Enterprises* . – For [the] AN ADDITIONAL period of ten (10)  
18 years from the date of the effectivity of this amendatory Act, all lending  
19 institutions [as defined under Bangko Sentral ng Pilipinas rules], whether  
20 public or private, shall set aside at least [eight percent (8%) for micro and  
21 small enterprises and at least two percent (2%) for medium enterprises]  
22 **TEN PERCENT (10%)** of their total loan portfolio based on their balance  
23 sheet as of the end of the previous quarter **FOR MICRO, SMALL AND**  
24 **MEDIUM ENTERPRISES**, and make it available for MSME credit as  
25 herein contemplated: **PROVIDED, THAT A MAXIMUM OF THREE**  
26 **PERCENT (3%) THEREOF SHALL BE THE ALLOCATION FOR**  
27 **MEDIUM ENTERPRISES.**

28 “Compliance of this provision shall be:

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

30 “x x x; or

31 “(f) [subscribe/] **SUBSCRIPTION OR** purchase of liability  
32 instruments as may be offered by the SB Corporation. **THE SAME SHALL**  
33 **NOT BE DEEMED AS QUASI-BANKING OPERATIONS, AND**  
34 **SHALL NOT REQUIRE A QUASI-BANKING LICENSE FROM THE**  
35 **BSP; OR**

36 “(G) **EXTENSION OF LOANS TO MSME VALUE CHAIN**  
37 **ACTORS WHICH ALLOW MSMEs TO PARTICIPATE IN**  
38 **ORGANIZED OR FORMAL LOCAL AND FORMAL VALUE**  
39 **CHAINS. FOR PURPOSES OF THIS ACT, VALUE CHAIN ACTORS**

1 INCLUDE, AMONG OTHERS, TRADERS, SUPPLIERS,  
2 PROCESSORS OR AGGREGATORS WHO CONDUCT LINKED  
3 SEQUENCE OF VALUE ADDING ACTIVITIES INVOLVED IN  
4 BRINGING A PRODUCT TO FINAL CONSUMERS; OR

5 “(H) SUSTAINABLE FINANCE FOR PROJECTS OR  
6 ACTIVITIES THAT WILL BENEFIT MSMEs; OR

7 “(I) INNOVATION DEVELOPMENT CREDIT FOR  
8 PURPOSES OF DEVELOPING NEW TECHNOLOGIES, PRODUCT  
9 INNOVATION, PROCESS INNOVATION, ORGANIZATIONAL  
10 INNOVATION, AND MARKETING INNOVATION IN MSMEs; OR

11 “(J) FINANCING FOR COMPANIES THAT MAINTAIN AND  
12 OPERATE ELECTRONIC PLATFORMS THAT FACILITATE  
13 VALUE CHAIN AND SUPPLY CHAIN FINANCING  
14 TRANSACTIONS WITH MSMEs, MSME DIGITALIZATION, OR  
15 WHICH OFFER/PROVIDE TECHNOLOGY-BASED SOLUTIONS  
16 TO MSMEs FOR PURPOSES OF PROMOTING E-COMMERCE,  
17 INCLUDING ALTERNATIVE DATA CREDIT SCORING, DIGITAL  
18 ACCOUNTING AND BOOKING APPLICATIONS, PRODUCTION,  
19 MARKETING AND DISTRIBUTION, AND TAX COMPLIANCE  
20 ONLINE TOOLS; OR

21 “(K) INVESTMENTS IN MSMEs BY WAY OF PURCHASE OF  
22 THEIR SECURITIES THROUGH AN ORGANIZED MARKET,  
23 INITIAL PUBLIC OFFERING, FOLLOW-ON OFFERING, OR  
24 THROUGH REGISTERED CROWDFUNDING  
25 INTERMEDIARIES, INCLUDING INVESTMENT IN THE  
26 EQUITIES OF MSME STARTUPS; OR

27 “(L) LOANS TO, OR INVESTMENTS IN FINANCIAL  
28 INSTITUTIONS THAT PROVIDE SUPPLY CHAIN FINANCING,  
29 VALUE CHAIN FINANCING, TRADE FINANCING OR  
30 GUARANTEES FOR MSMEs.

31 “MSME FINANCING THAT MEETS THE ELIGIBILITY  
32 CRITERIA UNDER RA 11901, OR “THE AGRICULTURE,  
33 FISHERIES AND RURAL DEVELOPMENT FINANCING  
34 ENHANCEMENT ACT OF 2022” AND RA 11293, OR THE  
35 “PHILIPPINE INNOVATION ACT” SHALL BE RECOGNIZED AS  
36 COMPLIANCE WITH THE MANDATORY CREDIT  
37 REQUIREMENT UNDER THESE LAWS.

38 “ALL LENDING INSTITUTIONS SHALL ACTIVELY  
39 SUPPORT AND PARTICIPATE IN PROGRAMS THAT FORM

1 **PART OF THE PRIORITY INITIATIVES UNDER THE NATIONAL**  
2 **STRATEGY FOR FINANCIAL INCLUSION 2022 TO 2028 THAT**  
3 **PROMOTE ACCESS TO FINANCE FOR MSMEs WHILE**  
4 **ENSURING THAT THEY HAVE ADEQUATE AND EFFECTIVE**  
5 **CREDIT RISK MANAGEMENT SYSTEMS.**

6 **“LENDING INSTITUTIONS SHALL ALSO ADOPT CASH**  
7 **FLOW-BASED LENDING WHICH PLACES EMPHASIS ON THE**  
8 **CAPACITY TO PAY OF AN MSME RATHER THAN COLLATERAL.**  
9 **WHEN GRANTING MSME CREDIT, LENDING INSTITUTIONS**  
10 **SHALL UTILIZE SIMPLIFIED LOAN APPLICATION FORMS AND**  
11 **REQUIRE STREAMLINED DOCUMENTARY REQUIREMENTS.**  
12 **LENDING INSTITUTIONS SHALL ALSO CONSIDER**  
13 **ALTERNATIVE DATA AS WELL AS AVAILABLE CREDIT RISK**  
14 **INFORMATION IN DETERMINING AN MSME BORROWER’S**  
15 **CAPACITY TO PAY. FOR PURPOSES OF MITIGATING CREDIT**  
16 **RISK, LENDING INSTITUTIONS SHALL ACCEPT MOVABLE**  
17 **COLLATERAL AS A FORM OF CREDIT RISK MITIGANT FOR**  
18 **MSME EXPOSURES, IN ADDITION TO PHYSICAL COLLATERAL**  
19 **(LIKE REAL ESTATE), FINANCIAL GUARANTEES, AND OTHER**  
20 **INSTRUMENTS.**

21 **“The [Bangko Sentral ng Pilipinas] BSP AND THE SEC, IN**  
22 **CONSULTATION WITH THE MSMED COUNCIL AND THE DTI,**  
23 **shall formulate rules for the effective implementation of this provision:**  
24 ***Provided,* That the purchase of government notes, securities and other**  
25 **negotiable instruments shall not be deemed compliance with the foregoing**  
26 **provisions: *Provided, further,* That the [Bangko Sentral ng Pilipinas ] BSP**  
27 **AND THE SEC, IN CONSULTATION WITH ALL**  
28 **STAKEHOLDERS, shall establish [an] A MEANINGFUL incentive**  
29 **[program] SYSTEM to encourage [lending to micro, small and medium**  
30 **industries beyond the mandatory credit allocation to said enterprises,]**  
31 **COMPLIANCE WITH THIS PROVISION, such as possible reduction**  
32 **in bank’s reserve requirement[.]: PROVIDED, FINALLY, THAT THE**  
33 **BSP AND THE SEC SHALL ALIGN THEIR REGULATIONS ON**  
34 **THE PENALTIES FOR BANKS AND OTHER ENTITIES, FOR**  
35 **NONCOMPLIANCE WITH THE PROVISION FOR MANDATORY**  
36 **LENDING.**

37  
38 **“The MSMED Council shall set up the appropriate systems to monitor**  
39 **all loan applications of MSMEs in order to account for the absorptive**

1 capacity of the MSME sector. **EACH LENDING INSTITUTION SHALL**  
2 **DESIGNATE AN OFFICER WHO SHALL PREPARE AND SIGN**  
3 **THE REPORT ON COMPLIANCE AND NONCOMPLIANCE WITH**  
4 **THE MANDATORY CREDIT ALLOCATION, FOR SUBMISSION**  
5 **TO THE BSP IN THE CASE OF BANKS, AND THE SEC IN THE**  
6 **CASE OF NON-BANK FINANCIAL INTERMEDIARIES.** The  
7 [*Bangko Sentral ng Pilipinas* ] **BSP IN THE CASE OF BANKS, AND**  
8 **THE SEC IN THE CASE OF NON-BANK FINANCIAL**  
9 **INTERMEDIARIES,** shall furnish to the MSMED Council on a quarterly  
10 basis comprehensive reports on the [bank's] **LENDING ENTITY'S**  
11 compliance[,] **AND noncompliance [and penalties of] WITH the above**  
12 **provisions on the mandatory credit allocation for MSMEs[.], AND SHALL**  
13 **SUBMIT AN ANNUAL REPORT, SIGNED BY AN OFFICER WITH**  
14 **THE RANK OF AT LEAST A MANAGING DIRECTOR, ON THE**  
15 **AMOUNTS OF THE PENALTIES FOR NONCOMPLIANCE WITH**  
16 **THE MANDATORY LENDING PROVISION OF THIS ACT.**

17 **“ALL BANKS SHALL PROVIDE ACCESS TO DEPOSIT**  
18 **ACCOUNTS, SUCH AS SAVINGS, CHECKING AND DEBIT**  
19 **ACCOUNTS, TO REGISTERED MSMEs. FINANCIAL**  
20 **TECHNOLOGY SHALL BE PROVIDED TO MSMEs TO ENSURE**  
21 **THEIR FINANCIAL INCLUSION.**

22 **“ALL LENDERS SHALL REPORT CREDIT INFORMATION**  
23 **AND TRANSACTIONS OF MSMEs TO THE CIC TO MONITOR**  
24 **PROPER COMPLIANCE AND EFFICIENT IMPLEMENTATION.**

25 **“FOR EFFICIENT IMPLEMENTATION AND OPERATION,**  
26 **COOPERATIVES EXCEPT COOPERATIVE BANKS AND**  
27 **INSURANCE COOPERATIVES SHALL BE UNDER THE SOLE**  
28 **SUPERVISION AND EXAMINATION OF THE CDA; ALL OTHER**  
29 **FINANCIAL ENTITIES, CORPORATIONS AND FINANCIAL**  
30 **INTERMEDIARIES, SUCH AS NON- GOVERNMENT**  
31 **ORGANIZATIONS (NGOs), FINANCING COMPANIES, NON-**  
32 **STOCK SAVINGS AND LOAN ASSOCIATIONS, MICROFINANCE**  
33 **NGOs, AND LENDING INVESTORS SHALL BE UNDER THE SEC;**  
34 **BANKS SHALL BE UNDER THE BSP; AND INSURANCE**  
35 **COMPANIES SHALL BE UNDER THE IC.**

36 **“FOR CLARITY, COOPERATIVE BANKS SHALL BE UNDER**  
37 **THE SUPERVISION AND EXAMINATION OF THE CDA AND**  
38 **BSP; WHILE INSURANCE COOPERATIVES SHALL BE UNDER**  
39 **THE SUPERVISION AND EXAMINATION OF THE CDA AND IC.**

1 “Lending institutions which are not qualified to acquire or hold lands  
2 of the public domain in the Philippines shall be permitted to bid and take  
3 part in sales of mortgaged real property in case of judicial or extra-judicial  
4 foreclosure, as well as avail of receivership, enforcement and other  
5 proceedings, solely upon default of a borrower, and for a period not  
6 exceeding five (5) years from actual possession: Provided, That in no event  
7 shall title to the property be transferred to such lending institution. If the  
8 lending institution is the winning bidder, it may, during said five (5) year  
9 period, transfer its rights to a qualified Philippine national, without  
10 prejudice to a borrower’s rights under applicable laws.”  
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12 **SEC. 20.** Section 18 of the same Act, as amended, is hereby further amended to  
13 read as follows:

14 “SEC. 18. *Congressional Oversight Committee.* – To monitor and  
15 oversee the implementation of this Act, there shall be a Congressional  
16 Oversight Committee on Micro, Small and Medium Enterprise  
17 Development (COC-MSMED) composed of the chairpersons of the Senate  
18 Committee on Economic Affairs and the House Committee on [Small  
19 Business an Entrepreneurship Development] **MICRO, SMALL AND  
20 MEDIUM ENTERPRISE DEVELOPMENT** as chairperson and co-  
21 chairperson, respectively; x x x .”  
22

23 **SEC. 21.** Section 19 of the same Act, as amended, is hereby further amended, to  
24 read as follows:

25 “SEC. 19. *Penal Clause.* – **PENALTIES SHALL BE IMPOSED ON  
26 THE VIOLATION OF THE FOLLOWING PROHIBITED ACTS:**

27 “(a) The [Bangko Sentral ng Pilipinas ] **BSP IN THE CASE OF  
28 BANKS, AND THE SEC IN THE CASE OF NON-BANK FINANCIAL  
29 INTERMEDIARIES,** shall impose administrative sanctions and other  
30 penalties on the lending institutions for non[-]compliance with **THE  
31 [provisions] MANDATORY LENDING AS PROVIDED UNDER  
32 SECTION 14** of this Act [including a fine of not less than Five hundred  
33 thousand pesos (P500,000.00)]. **PENALTIES ON NONCOMPLIANCE  
34 OR UNDERCOMPLIANCE SHALL BE COMPUTED AT ONE-HALF  
35 OF ONE PERCENT (0.5%) OF NONCOMPLIANCE OR  
36 UNDERCOMPLIANCE, OR AT RATES PRESCRIBED BY THE BSP  
37 MONETARY BOARD.**

38 “Penalties on noncompliance shall be directed to the development of  
39 the MSME sector. Ninety percent (90%) of the penalties collected [should]

1 SHALL go to the MSMED Council Fund, while the remaining ten percent  
2 (10%) [should] SHALL be [given] **REMITTED** to the **BSP, THE SEC, OR**  
3 **THE APPROPRIATE AGENCY THAT EXERCISES REGULATORY**  
4 **JURISDICTION OVER SUCH LENDING ENTITY**, to cover for  
5 administrative expenses.

6 **“THE CHAIRPERSON OF THE MSMED COUNCIL SHALL**  
7 **SUBMIT TO THE CONGRESS OF THE PHILIPPINES AN**  
8 **ANNUAL REPORT ON THE STATUS OF THE PENALTIES**  
9 **REMITTED INCLUDING ITS UTILIZATION IN RELATION TO**  
10 **THE IMPLEMENTATION OF SERVICES TO MSMEs IN THE**  
11 **AREAS OF CAPACITY BUILDING, TECHNOLOGY**  
12 **INFORMATION, INFORMATION COLLECTION AND**  
13 **DISSEMINATION, AND OTHER INTERVENTIONS FOR MSME**  
14 **DEVELOPMENT, GROWTH AND SUSTAINABILITY.**

15 **“(b) EXCEPT FOR SECURITIES COVERED UNDER RA 8799,**  
16 **OR “THE SECURITIES REGULATION CODE”, ENTITIES SHALL**  
17 **SECURE THE NECESSARY APPROVAL OF THE SEC PRIOR TO**  
18 **RECEIVING INVESTMENTS AS WELL AS GIFTS, ITEMS OR**  
19 **OTHER COMMODITIES, EITHER IN THE FORM OF CASH OR**  
20 **ITS EQUIVALENT CASH VALUE IN CONSIDERATION OF**  
21 **RETURN OF PROFIT OR BENEFIT COMING FROM MORE THAN**  
22 **TWENTY (20) INDIVIDUALS. THE PRESIDENT, MANAGER OR**  
23 **OFFICER OF ANY ENTITY WHO FAILS TO SECURE SUCH**  
24 **APPROVAL SHALL SUFFER THE PENALTY OF**  
25 **IMPRISONMENT OF NOT LESS THAN THIRTY (30) DAYS BUT**  
26 **NOT MORE THAN ONE HUNDRED EIGHTY (180) DAYS, OR A**  
27 **FINE OF NOT LESS THAN TEN THOUSAND PESOS (₱10,000.00)**  
28 **BUT NOT MORE THAN ONE HUNDRED THOUSAND PESOS**  
29 **(₱100,000.00), OR BOTH, AT THE DISCRETION OF THE**  
30 **COURT.”**

31  
32 **SEC. 22. *Implementing Rules and Regulations (IRR).*** – The DTI, through the  
33 Bureau of Micro, Small and Medium Enterprise Development and in consultation with  
34 the BSP in the case of banks, and the SEC in the case of non-bank financial intermediaries,  
35 and other concerned government agencies, nongovernment organizations and private  
36 sector agencies involved in the promotion of MSMEs, shall formulate the rules and  
37 regulations (IRR) necessary to implement the provisions of this Act within ninety (90)  
38 days from the approval of this Act: Provided, That the IRR shall be reviewed yearly:  
39 Provided, further, That the IRR shall be approved by the MSMED Council.

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**SEC. 23. *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. 24. *Repealing Clause.*** – Section 22 of RA 8367, or the “Revised Non-Stock Savings and Loan Association Act of 1997”, is hereby repealed. All laws, decrees, proclamations, issuances, or ordinances that are contrary to or inconsistent with the provisions of this Act are hereby amended, repealed or modified accordingly.

**SEC. 25. *Effectivity.*** – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

*Approved,*