

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City
TWENTIETH CONGRESS
First Regular Session



HOUSE BILL NO. 5325

Introduced by **REP. BERNADETTE "DETTE" G. ESCUDERO**

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)"

EXPLANATORY NOTE

Pursuant to Article XII of the 1987 Constitution, it is the duty of the State to promote a self-reliant and inclusive national economy through the equitable distribution of opportunities, income, and wealth. In line with this mandate, the State is duty-bound to support and advance the growth of all sectors, particularly the Micro, Small, and Medium Enterprises (MSMEs), given their vital role in national development.

The enactment of Republic Act (R.A.) No. 6977 or the Magna Carta for Small Enterprise in 1991, affirms the pivotal role of Micro, Small and Medium Enterprises (MSMEs) in employment generation and economic development, establishing subsequent amendments to establish mechanisms to provide technical and other forms of assistance to the sector.

Despite the gains afforded by the aforementioned law to MSMEs, there are still a number of impediments that prevent the MSME sector from realizing its potential as a generator of jobs and a driver of economic growth. Building upon similar measures pursued in previous Congresses, this bill seeks to further promote entrepreneurship by strengthening and enhancing financing and support programs for MSMEs using a whole-of-society approach, advancing a more responsive framework that addresses their evolving needs and ensuring ease of doing business in the MSME industry.

Likewise, by improving access to credit, institutional support, and capability-building measures, the proposed measure aims to foster innovation, generate employment, and contribute to inclusive and sustainable economic growth.

In view of the foregoing, the approval of this measure is earnestly sought.



HON. BERNADETTE "DETTE" G. ESCUDERO

Representative
1st District, Sorsogon

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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 further
2 amended to read as follows:

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

16 x x x."

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

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

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

micro: not more than P3,000,000
small: P3,000,001 - P15,000,000
medium: P15,000,001 - P100,000,000

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

xxx"

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

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

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

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

"xxx"

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

1 ~~[The Department of Budget and Management shall monitor the compliance of~~
2 ~~government agencies on the required procurement for MSMEs and submit its~~
3 ~~report to the MSMED Council on a semestral basis and to the Congress of the~~
4 ~~Philippines, through its appropriate committees on a yearly basis.]~~

5
6 **SEC. 4.** A new section is hereby inserted after Section 4 of the same Act, as
7 amended, and numbered as Section 4-A to read as follows:
8

9 **"SEC. 4-A. GOVERNMENT ASSISTANCE, INCENTIVES AND BENEFITS**
10 **FOR ELIGIBLE MSMES. - ELIGIBLE MSMES SHALL BE ENTITLED TO**
11 **THE FOLLOWING GOVERNMENT ASSISTANCE, INCENTIVES AND**
12 **BENEFITS:**

13
14 **(A) UPON RECEIPT OF THE APPLICATION OF AN MSME FOR ANY**
15 **PERMIT AND LICENSE FROM ANY LOCAL GOVERNMENT UNIT (LGU),**
16 **INCLUDING A BARANGAY, THE LGU SHALL ISSUE A PROVISIONAL**
17 **AUTHORITY EFFECTIVE FOR SIX (6) MONTHS, SUBJECT TO THE FINAL**
18 **APPROVAL OF THE APPLICATION AND THE ISSUANCE OF THE PERMIT**
19 **OR LICENSE APPLIED FOR.**
20

21 **(B) THE COST FOR THE ISSUANCE OF ALL PERMITS, LICENSES,**
22 **CERTIFICATIONS, AND OTHER SIMILAR DOCUMENTS REQUIRED FOR**
23 **THE CONDUCT OF BUSINESS FOR REGISTERED MICRO ENTERPRISES**
24 **SHALL NOT EXCEED FIVE HUNDRED PESOS (P500.00) PER AGENCY.**
25 **FOR REGISTERED SMALL ENTERPRISES, THE COST SHALL NOT EXCEED**
26 **THREE THOUSAND PESOS (P3,000.00) PER AGENCY FOR A PERIOD OF**
27 **FIVE (5) YEARS.**
28

29 **(C) THE NATIONAL GOVERNMENT, ITS BUREAUS, OFFICES, AND**
30 **AGENCIES SHALL ALLOCATE AT LEAST TWENTY PERCENT (20%) OF**
31 **ALL ITS PROCUREMENT OPPORTUNITIES FOR GOODS AND SERVICES**
32 **TO ELIGIBLE MSMES IN ACCORDANCE WITH THE APPLICABLE**
33 **PROCUREMENT LAW, RULES, AND REGULATIONS.**
34

35 **THE GOVERNMENT PROCUREMENT POLICY BOARD SHALL FORMULATE**
36 **THE RULES FOR THE EFFECTIVE IMPLEMENTATION OF THIS**
37 **PROVISION AND ITS TECHNICAL SUPPORT OFFICE SHALL MONITOR**
38 **THE COMPLIANCE OF GOVERNMENT AGENCIES ON THE REQUIRED**
39 **PROCUREMENT FOR MSMES AND SUBMIT ITS REPORT TO THE MSMED**
40 **COUNCIL ON A SEMESTRAL BASIS AND TO THE CONGRESS OF THE**
41 **PHILIPPINES, THROUGH ITS APPROPRIATE COMMITTEES ON A**
42 **YEARLY BASIS.**
43

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

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

23 F) THE OWNER OR OPERATOR OF PRIVATE MALLS, SUPERMARKETS,
24 SHOPPING CENTERS, AND COMMERCIAL SELLING ESTABLISHMENTS
25 SHALL BE ENCOURAGED TO PROVIDE FREE SPACE TO ANY
26 AUTHORIZED MSME STORE.
27

28 THE MSMED COUNCIL OF THE CONCERNED CITY, MUNICIPALITY, OR
29 BARANGAY SHALL APPROVE THE MSME STORE THAT MAY OCCUPY THE
30 FREE SPACE, UPON THE RECOMMENDATION OF THE LOCAL OFFICE OF
31 THE DEPARTMENT OF TRADE AND INDUSTRY (DTI). THE FREE SPACE
32 ALLOCATED FOR THE MSME STORE SHALL BE PROVIDED IN THE
33 FOLLOWING ORDER OF PREFERENCE:
34

35 1) ONE TOWN, ONE PRODUCT STORE OR GO LOKAL! STORE OF
36 THE DTI;
37

38 2) MSME KUMUNIDARAN PRODUKTO AT RESONABLENG
39 SERBISYO STORE (OR "KUMPARE STORE"); OR
40

41 3) A LOCAL MICRO OR SMALL ENTERPRISE STORE.

42 ONCE AN MSME STORE IS IN PLACE, ITS REMOVAL OR REPLACEMENT
43 SHALL NOT BE ALLOWED EXCEPT FOR VALID CAUSE AND AFTER
44 OBSERVANCE OF DUE PROCESS. "THE APPROVAL AND THE REMOVAL

1 OF THE MSME STORE THAT WILL BE GIVEN FREE SPACE SHALL BE
2 REPORTED BY THE MSMED COUNCIL OF THE CONCERNED CITY,
3 MUNICIPALITY, OR BARANGAY TO THE CONGRESSIONAL
4 OVERSIGHT COMMITTEE ON MICRO, SMALL AND MEDIUM
5 ENTERPRISE DEVELOPMENT.

6 **G) THE OWNER OR OPERATOR OF PRIVATE MALLS SHALL ALSO BE**
7 **ENCOURAGED TO ALLOCATE TWENTY PERCENT (20%) OF THEIR**
8 **TOTAL RENTABLE SPACE TO LOCAL MICRO AND SMALL ENTERPRISES**
9 **WHICH SHALL BE EXTENDED A TWENTY PERCENT (20%) DISCOUNT**
10 **ON RENTAL RATES. PRIVATE MALLS SHALL NOT CHARGE ROYALTY**
11 **CHARGES, GOODWILL CHARGES, COMMISSION CHARGES,**
12 **PERCENTAGE OF SALES, AND OTHER SIMILAR SCHEMES UPON THE**
13 **MSMEs.**

14 **H) FREE BASIC CREDIT REPORT FOR MSMES. - THE CREDIT**
15 **INFORMATION CORPORATION (CIC) SHALL PROVIDE MSMES WITH**
16 **BASIC CREDIT REPORTS, FREE OF CHARGE, ONCE PER YEAR. THE**
17 **BASIC CREDIT REPORT SHALL SERVE AS THE PRIMARY PROOF OF**
18 **CREDIT WORTHINESS OF MSMES IN THEIR LOAN APPLICATIONS.**
19 **"THE SECURITIES AND EXCHANGE COMMISSION (SEC) SHALL ISSUE**
20 **THE RULES AND REGULATIONS NECESSARY FOR THE**
21 **IMPLEMENTATION OF THIS SECTION WITHIN THIRTY (30) DAYS**
22 **UPON THE EFFECTIVITY OF THIS ACT.**

23
24 **SEC. 5.** Section 5 of the same Act, as amended, is hereby further amended to
25 read:

26
27 "SEC. 5. Guiding Principles. - To set the pace for MSME development, the State
28 shall be guided by the following principles:

29 a) Minimal set of rules and simplification of procedures and requirements.
30 All government agencies having to do with **MICRO**, ~~{AND}~~-small **AND**
31 **MEDIUM** enterprises shall pursue the principles of minimum regulation to
32 ensure stability of rules and to encourage entrepreneurial spirit among the
33 citizenry. The agencies shall see to it that procedural rules and
34 requirements, within their respective offices in coordination with other
35 agencies, are minimized in the act of registration, availment of financing
36 and accessing other government services and assistance.
37

38 b) Role of the private sector. In order to hasten growth and expansion of
39 **MICRO**, small and medium enterprises, the private sector throughout the
40 country shall be encouraged to assist in the effective implementation of this
41 Act by participating in government programs for **MICRO**, small and
42 medium enterprises strictly in accordance with the law, and consistent with
43 the attainment of the purposes hereof. To encourage private sector

1 participation, the Council, in consultation with the concerned sector, may
2 recommend simplified procedures and localized incentives to **MICRO**,~~[and]~~
3 small **AND MEDIUM** enterprises. The Government shall encourage the
4 organization and establishment of **MICRO**, small and medium enterprise
5 industry associations at the local and regional levels preferably unified
6 under a national federation/association.

7 c) Coordination of government efforts. Government efforts shall be
8 coordinated to achieve coherence in objectives. All appropriate offices,
9 particularly those under the Departments of Trade and Industry, Finance,
10 Budget and Management, Agriculture, Agrarian Reform, Environment and
11 Natural Resources, Labor and Employment, Transportation ~~[and~~
12 ~~Communications]~~, **INFORMATION AND COMMUNICATIONS**
13 **TECHNOLOGY**, Public Works and Highways, Science and Technology,
14 Interior and Local Government, and Tourism as well as the National
15 Economic and Development Authority, Philippine Information Agency, SEC
16 and the Bangko Sentral ng Pilipinas (BSP), through their national, regional,
17 and provincial offices shall, to the best of their efforts and in coordination
18 with local government units, provide the necessary support and assistance
19 to MSMEs. **THE DTI SHALL BE THE LEAD AGENCY THEREFOR.**

20 "x x x."

21
22 **SEC. 6.** Section 6 of the same Act, as amended, is hereby further amended to
23 read as follows:

24
25 "SEC. 6. Micro, Small and Medium Enterprises Development Plan (MSMEDP). -
26 The President **OF THE PHILIPPINES** shall approve a six-year micro, small and
27 medium enterprises development plan prepared by the ~~[Department of Trade~~
28 ~~and Industry (DTI).]~~ DTI which shall form part of the ~~[Medium Term]~~ Philippine
29 Development Plan (MTPDP). It shall be formulated in consultation with the
30 private sector **AND ALL RELEVANT STAKEHOLDERS**, validated and updated
31 semestrally. Such plan shall include a component on a micro credit financing
32 scheme."

33
34 **SEC. 7.** Section 7 of the same Act, as amended, is hereby further amended to
35 read as follows:

36
37 "SEC. 7. Micro, Small and Medium Enterprise Development (MSMED) Council. -
38 The existing Small and Medium Enterprise Development Council, which was
39 created by ~~[Republic Act No.]~~ RA 6977, as amended ~~[by Republic Act No. 8289]~~,
40 shall be strengthened to effectively spur the growth and development of MSMEs
41 throughout the country, and to carry out the policy declared in this Act and
42 shall now be known as the Micro, Small and Medium Enterprise Development
43 (MSMED) Council. The Council shall be attached to the ~~[Department of Trade~~

1 ~~and Industry]~~ DTI and shall be constituted within sixty (60) days after the
2 approval of this Act.

3 The Council shall be the primary agency responsible for the promotion, growth
4 and development of **MICRO**, small and medium enterprises in the country by
5 way of facilitating and closely coordinating national efforts to promote the
6 viability and growth of **MICRO**, small and medium enterprises, including
7 assisting relevant agencies in the tapping of local and foreign funds for **MICRO**,
8 small and medium enterprise development, as well as promoting the use of
9 existing programs, as well as seeking ways to maximize the use of our labor
10 resources."

11
12
13 **SEC. 8.** Section 7-A of the same Act, as amended, is hereby further amended to
14 read as follows:

15 "

16 SEC. 7-A. Composition of the Micro, Small and Medium Enterprises
17 Development (MSMED) Council. - The members of the Council shall be the
18 following **OR THEIR DULY DESIGNATED REPRESENTATIVE:**

19
20 (a) The Secretary of Trade and Industry as Chair;

21 (b) The Secretary of Agriculture;

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

23 **(D) THE SECRETARY OF FINANCE;**

24 **(E) THE SECRETARY OF SCIENCE AND TECHNOLOGY;**

25 **(F) THE SECRETARY OF TOURISM;**

26 **(G) THE SECRETARY OF ENVIRONMENT AND NATURAL RESOURCES;**

27 ~~"[(d)]~~ **(H)** Three (3) representatives from the MSME sector, ~~[to represent~~
28 ~~Luzon, Visayas and Mindanao, with at least one (1) representative from the~~
29 ~~microenterprise sector]~~ **TO BE NOMINATED BY THE PHILIPPINE**
30 **CHAMBER OF COMMERCE AND INDUSTRY; AND**

31 ~~[e) One (1) representative from the women sector designated by the Philippine~~
32 ~~Commission on Women;]~~

33 ~~[f) One (1) representative from the youth sector designated by the National~~
34 ~~Youth Commission; and]~~

35 ~~g) I) The [Chairman]~~ **PRESIDENT** of THE Small Business Corporation.

36 **A.** Advisory Unit. - There shall be an Advisory Unit to the Council, which shall
37 consist of the following **OR THEIR DULY DESIGNATED REPRESENTATIVE:**

38
39 ~~(a) [The Secretary of Science and Technology]~~ **THE SECRETARY OF**
40 **AGRARIAN REFORM;**

41 ~~(b) The Governor of the [Bangko Sentral ng Pilipinas]~~ BSP;

1 **(C) THE CHAIRPERSON OF THE SEC;**

2 ~~{e}~~ **(D)** The President of the Land Bank of the Philippines;

3 ~~{d}~~ **(E)** The President of the Development Bank of the Philippines;

4 ~~{e}~~ **(F)** The Director General of the Department of Economy, Planning, and
5 Development;

6
7 **(G) THE CHAIRPERSON OF THE COOPERATIVE DEVELOPMENT**
8 **AUTHORITY (CDA);**

9 **(H) THE PRESIDENT OF THE PHILIPPINE GUARANTEE**
10 **CORPORATION;**

11 **(I) THE COMMISSIONER OF THE INSURANCE COMMISSION (IC);**

12 **(J) THE PRESIDENT OF THE PHILIPPINE CROP INSURANCE**
13 **CORPORATION;**

14 **(K) A REPRESENTATIVE OF A NATIONAL ORGANIZATION**
15 **REPRESENTING AND DOMINATED BY MSMEs;**

16 ~~{f}~~ **(L)** One (1) representative from the labor sector, to be nominated by
17 accredited labor groups;

18 ~~{g}~~ **(M)** A representative from the private banking sector to serve
19 ~~{alternatively}~~ **ALTERNATELY** ~~{between}~~ **AMONG** the ~~{c}~~ Chamber of ~~{t}~~
20 Thrift ~~{b}~~ Banks, ~~{and}~~, the Rural Banker's Association of the Philippines
21 ~~{(RBAP)}~~, **AND THE BANKERS ASSOCIATION OF THE PHILIPPINES;**

22 ~~{h}~~ **(N)** A representative of the microfinance nongovernment organizations
23 (NGOs), **DESIGNATED BY THE MICROFINANCE NGO REGULATORY**
24 **COUNCIL;**

25 ~~{i}~~ **(O)** A representative of the University of the Philippines-Institute for
26 Small Scale Industries (UP-ISSI); ~~{and}~~

27 ~~{j}~~ **(P)** The President of the ~~{Credit Information Corporation.}~~ CIC;

28
29 **(Q) ONE (1) REPRESENTATIVE FROM THE WOMEN SECTOR**
30 **DESIGNATED BY THE PHILIPPINE COMMISSION ON WOMEN;**

31 **(R) ONE (1) REPRESENTATIVE FROM THE YOUTH SECTOR**
32 **DESIGNATED BY THE NATIONAL YOUTH COMMISSION; AND**

33 **(S) A REPRESENTATIVE FROM NON-STOCK SAVINGS AND LOAN**
34 **ASSOCIATIONS DESIGNATED BY THE ALLIANCE OF NON-STOCK**
35 **SAVINGS AND LOAN INSTITUTIONS, INC. (ANSLI).**

36
37 "x x x".

38
39 **SEC. 9.** Section 7-B of the same Act, as amended, is hereby further amended to
40 read as follows:

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

(x x x)

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

"x x x"

"(h) To promote the productivity and viability of MSMEs **IN DTI'S TOP PRIORITY INDUSTRIES FOR DEVELOPMENT** by way of directing land/lor assisting relevant government agencies and institutions at the national, regional and provincial levels towards the:

"x x x"

"(12) Through appropriate government agencies:

"x x x "

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

(x x x)

"B. ADDITIONAL FUNCTIONS OF THE MSMED COUNCIL. - AS PROVIDED FOR IN SECTION 10 OF RA 10644, OR THE "GO NEGOSYO ACT", THE MSMED COUNCIL SHALL HAVE THE FOLLOWING ADDITIONAL FUNCTIONS:

(A) COORDINATING AND OVERSIGHT BODY FOR THE 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
5 MONITOR AND ASSESS THE PROGRESS OF THE MSME
6 NEGOSYO CENTERS, WHICH SHALL BE INCLUDED IN ITS
7 ANNUAL REPORT TO BE SUBMITTED TO THE CONGRESS;

8
9 (B) PROVISION OF A COMPLIANCE GUIDE. - FOR EACH RULE
10 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 THE COUNCIL SHALL PREPARE SEPARATE COMPLIANCE
16 GUIDES COVERING GROUPS OR CLASSES OF SIMILARLY
17 AFFECTED MSMES AND SHALL COOPERATE WITH INDUSTRY
18 ASSOCIATIONS TO DEVELOP AND DISTRIBUTE SUCH
19 COMPLIANCE GUIDES. THE PUBLICATION OF EACH
20 COMPLIANCE GUIDE SHALL INCLUDE THE POSTING OF THE
21 GUIDE IN A CONSPICUOUS LOCATION ON THE WEBSITE OF
22 THE AGENCY, AND DISTRIBUTION OF THE GUIDE TO
23 KNOWN INDUSTRY CONTACTS, SUCH AS SMALL ENTITIES,
24 ASSOCIATIONS OR INDUSTRY LEADERS AFFECTED BY THE
25 RULE. THE ISSUING GOVERNMENT AGENCY SHALL PUBLISH
26 AND DISSEMINATE THE COMPLIANCE RULES WITHIN
27 NINETY (90) DAYS FROM THE DATE OF ISSUANCE;

28
29 (C) CONDUCT OF RESEARCH ON WOMEN
30 ENTREPRENEURSHIP. - THE COUNCIL SHALL CONDUCT
31 RESEARCH TO SUPPORT WOMEN ENTREPRENEURSHIP
32 INCLUDING ENTREPRENEURIAL BEHAVIOR, BARRIERS,
33 PARTICIPATION AND CESSATION RATES,
34 DISCRIMINATORY PRACTICES AND CONTRIBUTION TO THE
35 NATIONAL ECONOMY AND GROWTH. AS DEFINED BY THE
36 INTERNATIONAL FINANCE CORPORATION, AND
37 RECOGNIZED AND ADOPTED BY THE MSMED COUNCIL,
38 WOMEN-OWNED BUSINESSES ARE BUSINESSES WHERE AT
39 LEAST FIFTY-ONE PERCENT (51%) OF A COMPANY IS
40 OWNED BY A WOMAN OR WOMEN, AND WOMEN-LED
41 BUSINESSES ARE BUSINESSES WHERE AT LEAST TWENTY
42 PERCENT (20%) IS OWNED BY A WOMAN OR WOMEN AND

1 AT LEAST ONE WOMAN ACTS AS THE CHIEF EXECUTIVE
2 OFFICER (CEO) OR CHIEF OPERATING OFFICER (COO) OR
3 PRESIDENT OR VICE PRESIDENT, AND AT LEAST THIRTY
4 PERCENT (30%) OF THE BOARD OF DIRECTORS, WHERE A
5 BOARD EXISTS, IS COMPOSED OF WOMEN;

6 (D) POLICY FORMULATION ON WOMEN
7 ENTREPRENEURSHIP. - THE COUNCIL SHALL PROVIDE
8 POLICY DIRECTION TOWARDS RECOGNIZING WOMEN'S
9 APTITUDE AND TALENT IN ENTREPRENEURSHIP AS WELL
10 AS ESTABLISH LINKAGES THAT WILL ENABLE MORE
11 OPPORTUNITIES FOR WOMEN TO ENGAGE IN
12 ENTREPRENEURSHIP; AND

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

26 THE CHED SHALL HAVE A PROGRAM WHEREIN
27 GRADUATING COLLEGE AND POSTGRADUATE STUDENTS
28 SHALL ASSIST ENTREPRENEURS IN MAKING BANKABLE
29 FEASIBILITY STUDIES AS FULFILLMENT OF THEIR
30 ACADEMIC REQUIREMENTS."

31 **SEC. 10.** A new section is hereby inserted after Section 7-B of the same Act, as
32 amended, and numbered as Section 7-C to read as follows:
33

34 "SEC. 7-C. CITY, MUNICIPAL, AND BARANGAY MSMED COUNCIL.
35 - THERE SHALL BE CREATED A MSMED COUNCIL IN EVERY CITY,
36 MUNICIPALITY, AND BARANGAY WHICH SHALL HAVE THE
37 AUTHORITY TO PROPOSE POLICIES THAT ARE GEARED TO
38 ASSIST MSMES IN THE AREAS OF PRODUCTIVITY
39 ENHANCEMENT, MARKETING, ACHIEVING SUSTAINABILITY BY
40 EXTENDING CREDIT TO CUSTOMERS, AND IMPLEMENTING
41 EFFICIENT LOAN COLLECTION SYSTEMS, AMONG OTHER
42 STRATEGIES. "THE CITY OR MUNICIPAL MSMED COUNCIL SHALL

1 BE COMPOSED OF THE CITY OR MUNICIPAL BUSINESS PERMIT
2 AND LICENSING OFFICER AS CHAIRPERSON, THE PRESIDENT OF
3 THE ASSOCIATION OF BARANGAY CAPTAINS, THE PRESIDENT
4 OF THE SANGGUNIANG KABATAAN FEDERATION, THE TOURISM
5 OFFICER, AND THE CITY OR MUNICIPAL AGRICULTURIST OR
6 THE CITY PLANNING OFFICER, AS MEMBERS.

7 THE BARANGAY MSMED COUNCIL SHALL BE COMPOSED OF THE
8 PUNONG BARANGAY AS CHAIRPERSON, THE SANGGUNIANG
9 KABATAAN CHAIRPERSON, A REPRESENTATIVE OF THE
10 WOMEN'S BRIGADE OR WOMEN'S SECTOR, A REPRESENTATIVE
11 OF THE BARANGAY PUBLIC SAFETY OFFICE, AND A
12 REPRESENTATIVE OF THE SENIOR CITIZENS, AS MEMBERS.
13 "THE CITY, MUNICIPAL, AND BARANGAY MSMED COUNCILS
14 SHALL COORDINATE AND FORMULATE MEASURES TO ENSURE
15 THE OPERATIONAL AND FINANCIAL VIABILITY OF MSMES
16 WITHIN THEIR TERRITORIAL JURISDICTION, TAKING INTO
17 CONSIDERATION THE RELEVANT FACTORS AFFECTING THE
18 CAPACITIES OF THE MSMES."

19
20 **SEC. 11.** Section 8 of the same Act, as amended, is hereby further amended to
21 read as follows:

22
23 "SEC. 8. Designation of the Bureau of Micro, Small and Medium Enterprise
24 Development as Council Secretariat. - xxx:

25
26 "(1) to prepare, in coordination with local government units and/or associations
27 of local government officials, and recommend annual as well as medium-term
28 **MICRO**, small and medium enterprise development plans for approval of the
29 Council;
30 "x x x"

31
32 "(3) to assist the Council in coordinating and monitoring **MICRO**, small and
33 medium enterprise policies and programs and activities of all government
34 agencies with respect to **MICRO**, small and medium enterprises;

35
36 "(4) to prepare, collate and integrate all inputs to the Council's yearly report on
37 the status of **MICRO**, small and medium enterprises in the country;

38
39 "xxx."

40
41 **SEC. 12.** Section 11 of the same Act, as amended, is hereby further amended
42 to read as follows:

1
2 "SEC. 11. Creation of **THE** Small Business [~~Guarantee and Finance~~] Corporation.
3 - There is hereby created a body corporate to be known as the Small Business
4 Guarantee and Finance Corporation, hereinafter referred to as [~~the Small~~
5 ~~Business Corporation (SB Corporation)~~] **SB CORPORATION**, which shall be
6 charged with the primary responsibility of implementing comprehensive policies
7 and programs to assist MSMEs in all areas, including but not limited to finance
8 and information services, training and marketing."
9

10 **SEC. 13.** Section 11-A of the same Act, as amended, is hereby further amended
11 to read as follows:
12

13 "SEC. 11-A. Composition of the Board of Directors and its Powers. -The SB
14 Corporation [~~corporate powers shall be vested on~~] **SHALL HAVE** a Board of
15 Directors composed of [~~eleven (11)~~] **THIRTEEN (13)** members which shall
16 include the following:

17
18 "(a) The Secretary of Trade and Industry, **WHO SHALL ACT AS**
19 **CHAIRPERSON OF THE BOARD UNTIL SUCH TIME THAT THE**
20 **PRESIDENT OF THE PHILIPPINES SHALL HAVE APPOINTED THE**
21 **CHAIRPERSON OF THE BOARD FROM AMONG ITS MEMBERS;**
22

23 (b) The Secretary of Finance;
24

25 **(C) THE PRESIDENT OF THE GOVERNMENT SERVICE INSURANCE**
26 **SYSTEM (GSIS);**
27

28 **(D) THE PRESIDENT OF THE SOCIAL SECURITY SYSTEM (SSS);**
29

30 [~~e~~] **(E)** A private sector representative to be appointed by the President **OF THE**
31 **PHILIPPINES** upon the recommendation of the MSMED Council;
32

33 [~~d~~] **(F)** Seven (7) representatives of the SB Corporation common stock
34 shareholders who shall be elected based on proportional distribution, in
35 accordance with Section [~~24~~] 23 of the **REVISED** Corporation Code; and
36

37 [~~e~~] **(G)** The president of the SB Corporation as ex officio member and to serve
38 as vice chairman **CHAIRPERSON** of the Board. "The President **OF THE**
39 **PHILIPPINES** shall appoint the [~~chairman~~] **CHAIRPERSON** of the Board from
40 among its members.
41

1 "All members of the Board so appointed, except for the ex officio members, shall
2 serve for a term of three (3) years ~~[without reappointment.]~~ **AND MAY BE**
3 **REAPPOINTED TO ANOTHER TERM UNLESS EARLIER REVOKED. IF THE**
4 **TERM OF THE INCUMBENT MEMBER HAS EXPIRED, THE MEMBER**
5 **SHALL CONTINUE TO FUNCTION IN A HOLDOVER CAPACITY UNTIL A**
6 **REPLACEMENT HAS BEEN APPOINTED AND QUALIFIED.** ~~[The]~~ **ANY**
7 person ~~[so]~~ appointed to replace a member who has resigned, died, or been
8 removed for cause shall serve only for the unexpired portion of the term.

10 "The Board of Directors shall have, among others, the following specific powers
11 and authorities:

12 "x x x; and

13
14 "(f) ~~[Notwithstanding the provisions of Republic Act No. 6758 and Compensation~~
15 ~~Circular No. 10, Series of 1989 issued by the Department of Budget and~~
16 ~~Management, the Board shall have the authority to p/Provide for the~~
17 ~~organizational structure, [and] staffing pattern [of SB Corporation and to extend~~
18 ~~to the employees and personnel thereof salaries, allowances and fringe benefits~~
19 ~~similar to those extended to and currently enjoyed by employees and personnel~~
20 ~~of other government financial institutions.]~~ **AND COMPENSATION OF**
21 **EMPLOYEES AND PERSONNEL OF THE SB CORPORATION, FOR**
22 **SUBMISSION TO THE GOVERNANCE COMMISSION FOR GOVERNMENT-**
23 **OWNED OR -CONTROLLED CORPORATIONS (GCG)."**

24
25 **SEC. 14.** Section 11-B of the same Act, as amended, is hereby further amended,
26 to read as follows:

27 "SEC. 11-B. Corporate Structure and Powers. - **"A.** The SB Corporation shall:

29 "x x x"

30
31 **"B.** For this purpose, the SB Corporation ~~[subject to compliance with the rules~~
32 ~~and regulations to be issued by the Bangko Sentral ng Pilipinas (BSP) and the~~
33 ~~Securities and Exchange Commission],~~ shall have the following functions and
34 duties:

36 (a) Source and adopt development initiatives for globally competitive
37 MSMEs in finance and business technologies;

38
39 (b) ~~[to]~~ ~~[e]~~ **Extend** all forms of financial assistance, **EXCEPT GRANTS,**
40 to eligible MSMEs. THE SB Corporation may also engage in wholesale
41 lending. The SB Corporation shall be given two (2) years from the
42 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;]~~
ESTABLISH AN ENTERPRISE REHABILITATION FUND FOR CALAMITY-STRICKEN MSMEs NOT TO EXCEED FIVE HUNDRED MILLION PESOS (P500,000,000.00) AS—PART OF THE SB CORPORATION'S CAPITALIZATION BY THE NATIONAL GOVERNMENT;

"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 GCG ON THE PERFORMANCE AND FINANCIAL CONDITION OF THE CORPORATION. "THE SB CORPORATION SHALL BE EXEMPT FROM SECURING PRIOR BSP AUTHORIZATION FOR ENGAGING IN QUASI-BANKING ACTIVITIES AND SHALL NOT BE SUBJECT TO BSP SUPERVISION AND REGULATION FOR SUCH ACTIVITIES."

SEC. 15. A new section 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 CHAIRPERSON, SHALL BE FULLY RESPONSIBLE AND ACCOUNTABLE FOR THE PERFORMANCE OF THE CORPORATION'S MANDATE. FOR THIS PURPOSE, THE BOARD SHALL BE CONSTITUTED AS A MANAGING BOARD TO CONCEPTUALIZE THE STRATEGIC PLANS AND POLICIES OF THE CORPORATION.

THE SB CORPORATION SHALL ADOPT A BALANCED SCORECARD MANAGEMENT APPROACH, SUBJECT TO THE REVIEW AND APPROVAL OF THE GCG, TO ENABLE IT TO MANAGE ITS FINANCIAL PERFORMANCE WHILE PURSUING ITS PUBLIC POLICY OBJECTIVES OF SUPPORTING MICRO, SMALL AND MEDIUM ENTERPRISES DEVELOPMENT."

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

3
4 "SEC. 12. Capitalization and Funding of the SB Corporation. - The SB Corporation
5 shall have an authorized capital stock of ~~{Ten}~~**FIFTY** billion pesos
6 ~~{(P10,000,000,000.00)}~~ **(P50,000,000,000.00), WHICH SHALL BE**
7 **DIVIDED INTO 400,000 COMMON SHARES AND 100,000 PREFERRED**
8 **SHARES WITH A PAR VALUE OF ONE HUNDRED PESOS (P100.00) PER**
9 **SHARE.** The initial capital of One billion pesos (P1,000,000,000.00) ~~{shall be}~~
10 established from a pool of funds ~~{to be}~~ contributed in the form of equity
11 investments in common stock by the Land Bank of the Philippines (LBP), the
12 Development Bank of the Philippines (DBP), in the amount of Two hundred
13 million pesos (P200,000,000.00) each ~~{. The}~~ **AND ALSO BY THE** Social Security
14 System (SSS) and the Government Service Insurance System (GSIS) ~~{shall also~~
15 ~~set aside}~~ **IN THE AMOUNT OF** Two hundred million pesos (P200,000,000.00)
16 each ~~{for the SB Corporation}~~ **SHALL REMAIN PART OF THE**
17 **CAPITALIZATION OF THE SB CORPORATION.** ~~{Authorized capital stock of~~
18 ~~the Is [s]Small [b]Business [c]Corporation shall be divided into 80,000,000~~
19 ~~common shares and 20,000,000 preferred shares with a par value of One~~
20 ~~hundred pesos (P100.00) per share}~~: Provided, That the common shares which
21 have been issued, including those issued against the assets of the KKK Guaranty
22 Fund consolidated under the Is ~~[s]Small [b]Business [c]Corporation~~ by virtue of
23 Executive Order No. 233, Series of 2000 and Executive Order No. 19, Series of
24 2001 and including those already subscribed, shall ~~{form}~~ **LIKEWISE REMAIN**
25 part of the capitalization of the corporation: Provided, further, That holders of
26 preferred shares issued under Republic Act No. RA 6977, as amended, shall have
27 the option to convert the same into common shares. Additional equity funding
28 shall come from trust placements of excess and unused funds of existing
29 government agencies, bilateral and multilateral official development assistance
30 funds, subscriptions from government-owned or controlled corporations **AND**
31 **THE NATIONAL GOVERNMENT THROUGH THE DEPARTMENT OF**
32 **BUDGET AND MANAGEMENT,** and investments of private financial institutions
33 and corporations: Provided, finally, That any investment from the private sector
34 shall only be in the form of preferred shares.

35 **NATIONAL GOVERNMENT EQUITY TO THE CORPORATION SHALL BE**
36 **INCLUDED IN THE ANNUAL GENERAL APPROPRIATIONS ACT.** ~~{To allow~~
37 ~~for capital build-up, SB Corporation shall be given a five (5) year grace period on~~
38 ~~dividend commitments beginning on the date of effectivity of this amendment.~~
39 ~~Thereafter, it}~~ **THE SB CORPORATION** may ~~{only}~~ declare as dividend not
40 more than thirty percent (30%) of its net income and the rest withheld as
41 retained earnings."

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

3
4 "SEC. 13. The SB Corporation shall **NOT** be subject to the supervision and
5 examination of the Bangko Sentral ng Pilipinas taking into consideration its
6 developmental objectives."
7

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

10
11 "SEC. 14. Venture Capital and Micro Finance Trust Fund. - The SB Corporation
12 may set aside an amount of money to encourage the setting up of a venture
13 capital and micro finance trust fund for the purpose of promoting **AVAILABLE**
14 business opportunities~~[available]~~ to **THE** MSME sector. The Venture Capital Fund
15 shall be used mainly for venture capital finance especially in technology oriented
16 industries. The micro finance trust fund shall be used to provide collateral free
17 fixed and working capital loans to micro and small enterprises run by those
18 emerging out of poverty. **THE INITIAL AMOUNT OF AT LEAST TEN**
19 **PERCENT (10%) OF THE EQUITY CONTRIBUTION OF THE NATIONAL**
20 **GOVERNMENT TO THE CAPITALIZATION OF THE SMALL BUSINESS**
21 **CORPORATION, NOT TO EXCEED FIVE HUNDRED MILLION PESOS**
22 **(P500,000,000.00), SHALL BE APPROPRIATED TO FUND THE VENTURE**
23 **CAPITAL AND MICRO FINANCE TRUST FUND.**"
24

25 **SEC. 19.** Section 15 of the same Act, as amended, is hereby further amended
26 to read as follows:
27

28 "SEC. 15. Mandatory Allocation of Credit Resources to Micro, Small and Medium
29 Enterprises. - For ~~[the]~~ **AN ADDITIONAL** period of ten (10) years from the date
30 of the effectivity of this amendatory Act, all lending institutions ~~[as defined under~~
31 ~~Bangko Sentral ng Pilipinas rules]~~, whether public or private, shall set aside ~~[at~~
32 ~~least eight percent (8%) for micro and small enterprises and at least two percent~~
33 ~~(2%) for medium enterprises]~~ **TEN PERCENT (10%)** of their total loan
34 portfolio based on their balance sheet as of the end of the previous quarter **FOR**
35 **MICRO, SMALL AND MEDIUM ENTERPRISES**, and make it available for
36 MSME credit as herein contemplated: **PROVIDED, THAT A MAXIMUM OF**
37 **THREE PERCENT (3%) THEREOF SHALL BE THE ALLOCATION FOR**
38 **MEDIUM ENTERPRISES.**
39

40 "Compliance of this provision shall be:

41
42 "(a) actual extension of loans to eligible MSMEs; or

"x x x"; or

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

(G) EXTENSION OF LOANS TO MSME VALUE CHAIN ACTORS WHICH ALLOW MSMES TO PARTICIPATE IN ORGANIZED OR FORMAL LOCAL AND FORMAL VALUE CHAINS. FOR PURPOSES OF THIS ACT, VALUE CHAIN ACTORS INCLUDE, AMONG OTHERS, TRADERS, SUPPLIERS, PROCESSORS OR AGGREGATORS WHO CONDUCT LINKED SEQUENCE OF VALUE ADDING ACTIVITIES INVOLVED IN BRINGING A PRODUCT TO FINAL CONSUMERS; OR

(H) SUSTAINABLE FINANCE FOR PROJECTS OR ACTIVITIES THAT WILL BENEFIT MSMES; OR

(I) INNOVATION DEVELOPMENT CREDIT FOR PURPOSES OF DEVELOPING NEW TECHNOLOGIES, PRODUCT INNOVATION, PROCESS INNOVATION, ORGANIZATIONAL INNOVATION, AND MARKETING INNOVATION IN MSMES; OR

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

(K) INVESTMENTS IN MSMES BY WAY OF PURCHASE OF THEIR SECURITIES THROUGH AN ORGANIZED MARKET, INITIAL PUBLIC OFFERING, FOLLOW-ON OFFERING, OR THROUGH REGISTERED CROWDFUNDING INTERMEDIARIES, INCLUDING INVESTMENT IN THE EQUITIES OF MSME STARTUPS; OR

L) LOANS TO, OR INVESTMENTS IN FINANCIAL INSTITUTIONS THAT PROVIDE SUPPLY CHAIN FINANCING, VALUE CHAIN FINANCING, TRADE FINANCING OR GUARANTEES FOR MSMES.

1 **MSME FINANCING THAT MEETS THE ELIGIBILITY CRITERIA UNDER RA**
2 **11901, OR "THE AGRICULTURE, FISHERIES AND RURAL**
3 **DEVELOPMENT FINANCING ENHANCEMENT ACT OF 2022" AND RA**
4 **11293, OR THE "PHILIPPINE INNOVATION ACT SHALL BE**
5 **RECOGNIZED AS COMPLIANCE WITH THE MANDATORY CREDIT**
6 **REQUIREMENT UNDER THESE LAWS.**
7

8 **ALL LENDING INSTITUTIONS SHALL ACTIVELY SUPPORT AND**
9 **PARTICIPATE IN PROGRAMS THAT FORM PART OF THE PRIORITY**
10 **INITIATIVES UNDER THE NATIONAL STRATEGY FOR FINANCIAL**
11 **INCLUSION 2022 TO 2028 THAT PROMOTE ACCESS TO FINANCE FOR**
12 **MSMES WHILE ENSURING THAT THEY HAVE ADEQUATE AND**
13 **EFFECTIVE CREDIT RISK MANAGEMENT SYSTEMS.**
14

15 **LENDING INSTITUTIONS SHALL ALSO ADOPT CASH FLOW-BASED**
16 **LENDING WHICH PLACES EMPHASIS ON THE CAPACITY TO PAY OF AN**
17 **MSME RATHER THAN COLLATERAL. WHEN GRANTING MSME CREDIT,**
18 **LENDING INSTITUTIONS SHALL UTILIZE SIMPLIFIED LOAN**
19 **APPLICATION FORMS AND REQUIRE STREAMLINED DOCUMENTARY**
20 **REQUIREMENTS. LENDING INSTITUTIONS SHALL ALSO CONSIDER**
21 **ALTERNATIVE DATA AS WELL AS AVAILABLE CREDIT RISK**
22 **INFORMATION IN DETERMINING AN MSME BORROWER'S CAPACITY**
23 **TO PAY. FOR PURPOSES OF MITIGATING CREDIT RISK, LENDING**
24 **INSTITUTIONS SHALL ACCEPT MOVABLE COLLATERAL AS A FORM OF**
25 **CREDIT RISK MITIGANT FOR MSME EXPOSURES, IN ADDITION TO**
26 **PHYSICAL COLLATERAL (LIKE REAL ESTATE), FINANCIAL**
27 **GUARANTEES, AND OTHER INSTRUMENTS.**
28

29 ~~The [Bangko Sentral ng Pilipinas]~~ **BSP AND THE SEC, IN CONSULTATION**
30 **WITH THE MSMED COUNCIL AND THE DTI,** shall formulate rules for the
31 effective implementation of this provision: Provided, That the purchase of
32 government notes, securities and other negotiable instruments shall not be
33 deemed compliance with the foregoing provisions. Provided, further, That the
34 ~~[Bangko Sentral ng Pilipinas]~~ **BSP AND THE SEC, IN CONSULTATION WITH**
35 **ALL STAKEHOLDERS,** shall establish ~~[an]~~ **A MEANINGFUL** incentive
36 ~~[program]~~ **SYSTEM** to encourage ~~[lending to micro, small and medium~~
37 ~~industries beyond the mandatory credit allocation to said enterprises],~~
38 **COMPLIANCE WITH THIS PROVISION,** such as possible reduction in bank's
39 reserve requirement~~[.]~~: **PROVIDED, FINALLY, THAT THE BSP AND THE**
40 **SEC SHALL ALIGN THEIR REGULATIONS ON THE PENALTIES FOR**
41 **BANKS AND OTHER ENTITIES, FOR NONCOMPLIANCE WITH THE**
42 **PROVISION FOR MANDATORY LENDING.**
43

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

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

23
24 **ALL LENDERS SHALL REPORT CREDIT INFORMATION AND**
25 **TRANSACTIONS OF MSMES TO THE CIC TO MONITOR PROPER**
26 **COMPLIANCE AND EFFICIENT IMPLEMENTATION. "FOR EFFICIENT**
27 **IMPLEMENTATION AND OPERATION, COOPERATIVES EXCEPT**
28 **COOPERATIVE BANKS AND INSURANCE COOPERATIVES SHALL BE**
29 **UNDER THE SOLE SUPERVISION AND EXAMINATION OF THE CDA: ALL**
30 **OTHER FINANCIAL ENTITIES, CORPORATIONS AND FINANCIAL**
31 **INTERMEDIARIES, SUCH AS NON-GOVERNMENT ORGANIZATIONS**
32 **(NGOs), FINANCING COMPANIES, NON-STOCK SAVINGS AND LOAN**
33 **ASSOCIATIONS, MICROFINANCE NGOS, AND LENDING INVESTORS**
34 **SHALL BE UNDER THE SEC; BANKS SHALL BE UNDER THE BSP; AND**
35 **INSURANCE COMPANIES SHALL BE UNDER THE IC.**

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

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

SEC. 20. Section 18 of the same Act, as amended, is hereby further amended to read as follows:

"SEC. 18. Congressional Oversight Committee. - To monitor and oversee the implementation of this Act, there shall be a Congressional Oversight Committee on Micro, Small and Medium Enterprise Development (COC-MSMED) composed of the chairpersons of the Senate Committee on Economic Affairs and the House Committee on ~~{Small Business and Entrepreneurship Development}~~ **MICRO, SMALL AND MEDIUM ENTERPRISE DEVELOPMENT** as chairperson and co-chairperson, respectively;

xxx."

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

"SEC. 19. Penal Clause. - **PENALTIES SHALL BE IMPOSED ON THE VIOLATION OF THE FOLLOWING PROHIBITED ACTS:**

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

Penalties on noncompliance shall be directed to the development of the MSME sector. Ninety percent (90%) of the penalties collected ~~{should}~~ **SHALL** go to

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

5
6 **THE CHAIRPERSON OF THE MSMED COUNCIL SHALL SUBMIT TO THE**
7 **CONGRESS OF THE PHILIPPINES AN ANNUAL REPORT ON THE STATUS**
8 **OF THE PENALTIES REMITTED INCLUDING ITS UTILIZATION IN**
9 **RELATION TO THE IMPLEMENTATION OF SERVICES TO MSMEs IN THE**
10 **AREAS OF CAPACITY BUILDING, TECHNOLOGY INFORMATION,**
11 **INFORMATION COLLECTION AND DISSEMINATION, AND OTHER**
12 **INTERVENTIONS FOR MSME DEVELOPMENT, GROWTH AND**
13 **SUSTAINABILITY.**

14
15 **b) EXCEPT FOR SECURITIES COVERED UNDER RA 8799, OR THE**
16 **SECURITIES REGULATION CODE", ENTITIES SHALL SECURE THE**
17 **NECESSARY APPROVAL OF THE SEC PRIOR TO RECEIVING**
18 **INVESTMENTS AS WELL AS GIFTS, ITEMS OR OTHER COMMODITIES,**
19 **EITHER IN THE FORM OF CASH OR ITS EQUIVALENT CASH VALUE IN**
20 **CONSIDERATION OF RETURN OF PROFIT OR BENEFIT COMING FROM**
21 **MORE THAN TWENTY (20) INDIVIDUALS. THE PRESIDENT, MANAGER**
22 **OR OFFICER OF ANY ENTITY WHO FAILS TO SECURE SUCH APPROVAL**
23 **SHALL SUFFER THE PENALTY OF IMPRISONMENT OF NOT LESS THAN**
24 **THIRTY (30) DAYS BUT NOT MORE THAN ONE HUNDRED EIGHTY (180)**
25 **DAYS, OR A FINE OF NOT LESS THAN TEN THOUSAND PESOS**
26 **(P10,000.00) BUT NOT MORE THAN ONE HUNDRED THOUSAND PESOS**
27 **(P100,000.00), OR BOTH, AT THE DISCRETION OF THE COURT."**
28

29 **SEC. 22. Separability Clause.** The provisions of this Act are hereby declared
30 to be separable. If any provision of this Act shall be held unconstitutional, the
31 remainder of this Act not otherwise affected shall remain in full force and effect.
32

33 **SEC. 23. Repealing Clause.** Section 22 of RA 8367, or the "Revised Non-Stock
34 Savings and Loan Association Act of 1997", is hereby repealed. All laws, decrees,
35 proclamations, issuances, or ordinances that are contrary to or inconsistent with the
36 provisions of this Act are hereby amended, repealed or modified accordingly.
37

38 **SEC. 24. Effectivity.** This Act shall take effect fifteen (15) days after its
39 publication in the Official Gazette or in a newspaper of general circulation.

Approved,