



Republic of the Philippines
House of Representatives
Quezon City

TWENTIETH CONGRESS

First Regular Session

House Bill No. 5413



Introduced by Representative Jernie Jett V. Nisay

EXPLANATORY NOTE

The practice of paluwagan has been part of Filipino culture for generations. It is a community-based savings system where members contribute money regularly and take turns receiving the pooled funds. While it fosters camaraderie and mutual support, the informal nature of most paluwagan arrangements exposes participants to risks such as fraud, mismanagement, and disputes¹.

The proposed “Bagong Paluwagan ng Bayan Act” aims to provide a legal framework for paluwagan systems. By registering paluwagan groups with the Department of Trade and Industry and implementing oversight mechanisms, this bill ensures that members’ contributions are secure². It protects the participants while maintaining the essence of this cultural practice.

Additionally, the bill emphasizes financial literacy and education for all paluwagan members³. Workshops and training programs will guide participants on responsible savings, investment practices, and proper group management. These initiatives are designed to make the system safer, more transparent, and beneficial to the community.

Ultimately, this legislation seeks to transform a cherished Filipino tradition into a more secure, regulated, and sustainable financial tool⁴. By combining cultural heritage

¹ MoneyMax. (2018). Paluwagan: Understanding its pros and cons. Retrieved from <https://www.moneymax.ph/personal-finance/articles/paluwagan-system>

² Bangko Sentral ng Pilipinas. (2021). 2021 Financial Inclusion Survey Report. Retrieved from <https://www.bsp.gov.ph/Inclusive%20Finance/Financial%20Inclusion%20Reports%20and%20Publications/2021/2021FISToplineReport.pdf>

³ World Bank. (2020). Enhancing financial capability and inclusion in the Philippines. Retrieved from <https://openknowledge.worldbank.org/server/api/core/bitstreams/bfcb4f2d-2d62-5462-afb0-d7edb5e3edb6/content>

⁴ Interaksyon. (2025). Filipino 'Paluwagan': Red flags you should look out for before joining. Retrieved from <https://interaksyon.philstar.com/hobbies-interests/2025/05/01/295718/filipino-paluwagan-red-flags/>

1 with modern safeguards, the bill encourages financial inclusion and empowerment,
2 especially for communities who lack access to formal banking services.

3 In view of the foregoing, the immediate passage of this bill is earnestly sought.

4
5
6
7
8

REP. JERNIE JETT V. NISAY
Pusong Pinoy Partylist



Republic of the Philippines
House of Representatives
Quezon City

TWENTIETH CONGRESS

First Regular Session

House Bill No. 5413

Introduced by Representative Jernie Jett V. Nisay

AN ACT
PROVIDING PROTECTION AND INCENTIVES TO FREELANCE WORKERS

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

CHAPTER I
TITLE AND DEFINITIONS

SECTION 1. *Short Title.* – This Act shall be known as the *Act shall be known as the “Bagong Paluwagan ng Bayan Act.”*

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to pursue a program that emboldens the people to achieve financial autonomy through capacity building and self financing activities. The Filipino people shall be encouraged to come together and undertake self financing activities to inspire them to cultivate a culture of entrepreneurship, meet their basic needs, improve their financial resources, and promote income security.

In this regard, the State shall place great importance on facilitating easy and efficient access to necessary funds and credits, which are crucial elements in realizing the people’s aspirations towards financial stability and self-reliance.

1 To achieve this end, the paluwagan, a traditional community fund pooling system
2 for savings and investments, shall be formalized and strengthened for the protection
3 and benefit of the people.

4
5 Through this system, the people shall have access to affordable credit and
6 financial assistance, and shall be empowered to engage in entrepreneurial activities
7 and other forms of self-sustenance.

8
9 **SEC. 3. *Definition of Terms*** – As used in this Act:

10
11 (a) *Community Paluwagan* refers to a small group of persons with residence
12 or employment in a defined community, created in accordance with the
13 provisions laid out in this Act and supervised by the Community
14 Paluwagan Administration created in Section 4 of this Act, for the noble
15 purpose of instilling a culture of entrepreneurship, while simultaneously
16 promoting their financial welfare by providing them with a ready source of
17 credit for provident and productive objectives; and

18 (b) *Member* refers to a person who holds an account in a duly registered
19 paluwagan, which is evidenced by a member's contribution (*hulog*)
20 received or held in the usual course of business and for which it has given
21 or is obligated to give credit to the account of the member.

22
23 **CHAPTER II**
24 **COMMUNITY PALUWAGAN ADMINISTRATION**
25

26 **SEC. 4. *Creation of the Community Paluwagan Administration.*** – There is
27 hereby created a Community Paluwagan Administration, herein referred to as the
28 Administration, to be attached to the Department of Trade and Industry (DTI) for policy
29 and program coordination.

30
31 **SEC. 5. *The Community Paluwagan Administration Board and Its***
32 ***Composition.*** – The Community Paluwagan Administration shall be managed by the
33 *Community Paluwagan Administration Board*, hereinafter referred to as the Board,
34 which shall consist of three (3) members, who are broadly representative of the public
35 interest, appointed by the President of the Philippines upon consultation with and

1 recommendation of non-government organizations, people's organizations, social
2 welfare and development associations, and cooperatives. The President of the
3 Philippines shall designate the Chairperson from among the members of the Board.
4

5 Pending the appointments by the President of the Philippines to the Board, an
6 interim board shall be established to oversee the operations of the Administration. The
7 interim board shall consist of the Secretary of the Department of Trade and Industry
8 (DTI), the Commissioner of the Insurance Commission, and the Chairperson of the
9 Securities and Exchange Commission (SEC), or their designated representatives. The
10 interim board shall have all the powers and duties of the Board until such time as the
11 initial appointments have been made by the President of the Philippines. The Secretary
12 of the DTI shall serve as the interim Chairperson.
13

14 **SEC. 6. Qualifications of the Board Members.** – The Board members shall
15 have the following qualifications:

16 (a) **Experience in Financial Services** – In considering appointments to the
17 Board under the preceding section, the President of the Philippines shall
18 give consideration to individuals who, by virtue of their education, training,
19 or experience relating to a broad range of financial services, financial
20 services regulation, or financial policy, are especially qualified to serve in
21 the Board;
22

23 (b) **Limitations** – Not more than one member may be appointed to the Board
24 from among individuals who, at the time of the appointment, are involved
25 with any registered community paluwagan as a trustee, committee
26 member, officer, or employee.
27

28 **SEC. 7. Term of Office.** – All members of the Board shall have a term of six (6)
29 years: *Provided*, That for the first appointees, the Chairperson shall hold office for six
30 (6) years, one (1) member shall hold office for four (4) years, and one (1) member shall
31 hold office for two (2) years. In no case shall there be re-appointments.
32

33 In the event of death, resignation, or removal of a member, the successor shall
34 only serve the unexpired portion of the term of the predecessor.

1 **SEC. 8. Functions of the Board.** – A majority of the Board shall constitute a
2 quorum. The Board shall have the following powers and functions:

3 (a) Adopt such rules as it sees fit for the transaction of its business and to
4 keep permanent and complete records and minutes of its acts and
5 proceedings;

6
7 (b) Require every person appointed or elected by any *paluwagan* to any
8 position requiring the receipt, payment, or custody of money or other
9 personal property owned by a *paluwagan*, or in its custody or control as
10 collateral or otherwise, to give a bond in a corporate surety company duly
11 registered in the Philippines. Any such bond or bonds shall be in a form
12 approved by the Board with a view to providing surety coverage to the
13 *paluwagan* with reference to loss by reason of acts of fraud or dishonesty,
14 including forgery, theft, embezzlement, wrongful abstraction, or
15 misapplication on the part of the person, directly or through connivance
16 with others, and such other surety coverages as the Board may determine
17 to be reasonably appropriate or as elsewhere required by this Act.

18
19 Any such bond or bonds shall be in such an amount in relation to
20 the money or other personal property involved or in relation to the assets
21 of the *paluwagan* as the Board may from time to time prescribe by
22 regulation for the purpose of requiring reasonable coverage.

23
24 In lieu of individual bonds, the Board may likewise approve the use of a
25 form of schedule or blanket bond which covers all of the officers and
26 employees of a *paluwagan* whose duties include the receipt, payment, or
27 custody of money or other personal property for or on behalf of the
28 *paluwagan*;

29
30 (c) Expend such funds, enter into such contracts with public and private
31 organizations and persons, make such payments in advance or by way of
32 reimbursement, acquire and dispose of, by lease or purchase, real or
33 personal property, without regard to the provisions of any other law
34 applicable to executive or independent agencies of the Philippines, and

1 perform such other functions or acts as it may deem necessary or
2 appropriate to carry out the provisions of this Act, in accordance with the
3 rules and regulations or policies established by the Board not inconsistent
4 with this Act;
5

6 (d) Submit an annual report to the Congress of the Philippines through the
7 Committee on Micro, Small and Medium Enterprise Development of the
8 House of Representatives and the Committee on Trade, Commerce and
9 Entrepreneurship of the Senate of the Philippines. Such a report shall
10 summarize the operations of the Administration and set forth such
11 information as is necessary for the Congress to review the financial
12 program approved by the Board;
13

14 (e) Subject the financial transactions of the Administration to audit by the
15 Commission on Audit which shall be conducted at the place or places
16 where the accounts of the Administration are kept;
17

18 (f) Recommend to the Administration the investment and reinvestment of
19 such portions of the annual operating fees deposited under Section 51,
20 Chapter XIII of this Act which the Board determines are not needed for
21 current operations. Such investments may be made only in interest
22 bearing securities of the Government of the Philippines. All income
23 derived from such investments and reinvestments shall be deposited in
24 an authorized government depository bank to the account of the
25 Administration;
26

27 (g) Determine the organizational structure and staffing pattern of the
28 Administration in accordance with the Revised Compensation and
29 Position Classification System subject to the evaluation and approval of
30 the Department of Budget and Management (DBM) and in accordance
31 with the civil service and other pertinent laws, rules, and regulations;

32 (h) Formulate policies to promote savings, financial education, and financial
33 services with digital capacities and connectivity to increase viability of an
34 established *paluwagan*; and

- 1
- 2 (i) Provide technical assistance to duly registered *paluwagan* for the efficient
- 3 management and operation of their respective systems. This shall include
- 4 the conduct of specialized training programs that are carefully crafted to
- 5 equip members with vital knowledge, skills, and competencies necessary
- 6 for their business operations and for enhancing their entrepreneurial
- 7 skills.
- 8

9 **SEC. 9. Chairperson of the Board.** – The Chairperson shall be the

10 spokesperson of the Board and shall represent the Board and the Administration in its

11 official relations with other branches of the Government.

12

13 The Chairperson shall determine each Board member's area of responsibility

14 and shall review such assignments bi-annually. It shall be the Chairperson's

15 responsibility to direct the implementation of the adopted policies and regulations of the

16 Board.

17

18 **CHAPTER III**

19 **COMMUNITY PALUWAGAN**

20 **SEC. 10. Creation of a Paluwagan.** – Any nine (9) or more persons with

21 residence, occupation, employment, or activities in a defined community, who desire to

22 form a paluwagan shall apply for registration with the Administration. The application

23 shall specifically state the following:

- 24 (a) Name of the *paluwagan*;
- 25 (b) Location of the proposed *paluwagan*;
- 26 (c) Names and addresses of the members;
- 27 (d) Proposed field of membership;
- 28 (e) Term of existence, not exceeding fifty (50) years, renewable for another fifty (50)
- 29 years upon approval of the Administration;
- 30 (f) Articles of the paluwagan; and
- 31 (g) By-Laws.

1
2 **SEC. 11. Application for Registration.** – In order to simplify the organization of
3 the *paluwagan*, the Board shall from time to time cause to be prepared a form of
4 application and a form of bylaws, consistent with this Act, which shall be used by
5 applicants, and shall be supplied to them on request.
6

7 Before any application for registration is approved, an appropriate investigation
8 shall be made for the purpose of determining: a) whether the *paluwagan* conforms to
9 the provisions of this Act; b) the general character and fitness of members; and c)
10 economic viability of establishing the proposed *paluwagan*.
11

12 An application for registration shall be processed within fifteen (15) calendar
13 days upon submission of complete requirements, otherwise, the said application shall
14 be deemed approved.
15

16 The Board may prescribe the payment of a reasonable amount of fees for the
17 processing of the application for registration under this section.
18

19 **SEC. 12. Powers and Functions of a Paluwagan.** – Upon the approval of the
20 registration of a *paluwagan*, a certificate shall be issued by the Administration. The
21 certification shall grant the *paluwagan* the authority to exist as body corporate and as
22 such, subject to the limitations herein contained, shall be vested with all of the powers
23 and charged with all of the liabilities conferred and imposed by this Act, which includes
24 the following powers:

25 (a) Make contracts;

26 (b) Sue and be sued;

27 (c) Adopt and use a common seal and alter the same at pleasure;

28 (d) Purchase, hold, and dispose of property necessary, incidental, or beneficial to
29 its operations;

30 (e) Apply for loans, the maturities of which shall not exceed thirty (30) years, except
31 as otherwise provided herein, and extend lines of credit to its members, in
32 accordance with the following:

1 (1) Loans to members shall be made in conformity with the criteria
2 established in the By-laws of the *paluwagan*, subject to the following:

3 (a) A residential real estate loan on a family dwelling, that is or will be
4 used as the principal residence of a paluwagan member, and which
5 is secured by a first lien upon such dwelling, may have a maturity
6 not exceeding thirty (30) years or such other limits as shall be set
7 by the Board, subject to the rules and regulations of the Board;

8 (b) A loan or aggregate of loans to a trustee or member of the
9 supervisory or credit committee of the paluwagan making the loan
10 which exceeds Five million pesos (P5,000,000.00) shall be
11 approved by the board of trustees of the paluwagan: *Provided*,
12 That the said trustee or member has no participation in the
13 approval of said loan;

14 (c) Loans to other members for which trustees or members of the
15 supervisory or credit committee act as guarantor or endorser shall
16 be approved by the board of trustees of the paluwagan when such
17 loans standing alone or when added to any outstanding loan or
18 loans of the guarantor or endorser exceeds the amount of Five
19 million pesos (P5,000,000.00);

20 (d) Loans shall be paid or amortized in accordance with the rules and
21 regulations prescribed by the Board after taking into account the
22 needs or conditions of the borrowers, the amounts and duration of
23 the loans, the interests of the members, and such other factors as
24 the Board deems relevant;

25 (e) Loans shall be approved by the credit committee or a loan officer;

26 (f) The rate of interest is reasonable; and

27 (g) A self-replenishing line of credit to a borrower may be established
28 to a stated maximum amount on certain terms and conditions
29 which may be different from the terms and conditions established
30 for another borrower.

1
2 (2) A *paluwagan* shall not commit itself to make any loans for amounts in
3 excess of the total of the following amounts:

4 (a) cash available for loan purposes;

5 (b) cash which can be readily realized upon the sale or redemption of
6 permissible investments made by the *paluwagan*; and

7 (c) credit available for loan purposes from government or private
8 financing institutions.

9 (3) The treasurer, cashier, paymaster, or employer of the office employing a
10 member is required, notwithstanding the provision of any existing law,
11 rule and regulation to the contrary, to make deductions from one's salary,
12 wage, income, or retirement pension pursuant to the terms of one's loan,
13 obligations, investments and all other deductions authorized by the
14 member, to remit such deductions to the *paluwagan* concerned, and to
15 collect such reasonable fee for one's services as may be authorized by
16 rules promulgated by the Board.

17 (f) Receive from its members payments, representing member's contribution
18 (*hulog*) which shall be evidenced by a certificate of membership;

19 (g) Invest its funds in accordance with the rules and regulations prescribed by the
20 Board, in the total amount not exceeding 25 per centum (25%) of its paid-in and
21 unimpaired capital;

22 (h) Borrow, in accordance with such rules and regulations as may be prescribed by
23 the Board, from any source, in an aggregate amount not exceeding 50 per
24 centum (50%) of its paid-in and unimpaired capital and surplus;

25 (i) Levy late charges and penalties, in accordance with the by-laws, for failure of
26 members to promptly meet their obligations to the *paluwagan*;

27 (j) Impress and enforce a lien upon a member's contribution (*hulog*), to the extent
28 of any loan made and any dues or charges payable by such member;

29 (k) In accordance with regulations prescribed by the Board:

1 (1) Sell to members negotiable checks, travelers checks, money orders, and
2 other similar money transfer instruments, including international and
3 domestic electronic fund transfers and remittance transfers;

4 (2) Encash checks and money orders for members for a fee;

5 (3) Issue credit cards; and

6 (4) Engage existing digital platforms, or other financial technologies that may
7 be devised in the future, to enhance or automate financial services for
8 members;

9 (l) In accordance with the rules and regulations prescribed by the Board, to
10 purchase, sell, pledge, or discount or otherwise receive or dispose of, in whole
11 or in part, any eligible obligations (as defined by the Board) of its members and
12 to purchase from any liquidating notes made by individual members of the
13 liquidating *paluwagan* at such prices as may be agreed upon by the board of
14 trustees of the liquidating *paluwagan* and the board of trustees of the purchasing
15 *paluwagan*: *Provided*, That no purchase may be made under authority of this
16 paragraph if, upon the making of that purchase, the aggregate of the unpaid
17 balances of notes purchased under authority of this paragraph would exceed five
18 per centum (5%) of the unimpaired capital and surplus of the *paluwagan*;

19 (m) Sell all or a part of its assets to another *paluwagan*, to purchase all or part of the
20 assets of another *paluwagan* and to assume the liabilities of the selling
21 *paluwagan* and those of its members subject to regulation of the Board;

22 (n) Invest in securities that are offered and sold pursuant to Section 3, Chapter I of
23 Republic Act (RA) No. 8799 or "The Securities Regulation Code", subject to such
24 regulation as the Board may prescribe, including a regulation prescribing the
25 minimum size of the issue at the time of initial distribution, minimum aggregate
26 sales prices, or both;

27 (o) Exercise such incidental powers as shall be necessary or requisite to enable it
28 to carry on effectively the business for which it is incorporated;

1 (p) Provide additional services for the mutual benefit of its members, upon approval
2 of the Board: *Provided*, That such services involve no risk to the assets of the
3 *paluwagan* or the funds of its members;

4 (q) Notwithstanding any other provision of law, to accept investment from a minimum
5 of nine (9) persons within the defined community for the purpose of augmenting
6 resources and increasing liquidity to be able to provide credit line for the
7 development of micro, small and medium-sized businesses. The contributors
8 shall become members of the *paluwagan*, and shall be subject to the same terms
9 and conditions of membership as other existing members. The *paluwagan* shall
10 have the discretion to determine the terms and conditions of the investments,
11 including the amount and the duration of the investment, and the potential return
12 on the investment. The *paluwagan* shall also have the discretion to limit the
13 amount of investments it will accept; and

14 (r) Collect member's contribution (*hulog*) from its members upon admission, and
15 distribute such member's contribution (*hulog*), plus any interest and earnings
16 thereon, to the members after a certain period of time as share in the
17 *paluwagan's* income. The *paluwagan* shall have the discretion to determine the
18 frequency and amount of such distributions, based on the *paluwagan's* financial
19 performance and other factors.

20 No person, association, partnership or corporation shall do business, or hold
21 itself out as doing business, as a *paluwagan*, or shall use the term "*paluwagan*" or any
22 other title or name tending to give the public the impression that it is engaged in the
23 operations and activities of a *paluwagan*, unless so authorized under this Act.
24

25 **SEC. 13. Duties of the Paluwagan.** – In accordance with the rules prescribed
26 by the Board, each *paluwagan* shall pay to the Administration an annual operating fee
27 which may be composed of one or more charges identified as to the function or
28 functions for which it is assessed.
29

30 The fee assessed under this section shall be determined according to a
31 schedule, or schedules, or other method determined by the Board to be appropriate,
32 which gives due consideration to the expenses of the Administration in carrying out its
33 responsibilities under this Act and the ability of the *paluwagan* to pay the fee.

1
2 The Board shall, among other things, determine the periods for which the fee
3 shall be assessed and the date or dates for the payment of the fee or increments
4 thereof.
5

6 All operating fees shall be for the account of the Administration and may be
7 expended by the Board to defray the expenses incurred in carrying out the provisions
8 of this Act including the examination and supervision of the *paluwagan*.
9
10

11 CHAPTER IV 12 MEMBERSHIP 13

14 **SEC. 14. *Membership*.** – Each member of a *paluwagan* shall invest an amount
15 which represents capital contribution, and pay the installments thereon, as may be
16 prescribed by the Bylaws.
17

18 **SEC. 15. *Membership Field*.** – The membership of any *paluwagan* shall be
19 limited to a defined community, which shall be set out in the by-laws.
20

21 **SEC. 16. *Additional Membership Eligibility*.** – No individual shall be eligible
22 for membership in a *paluwagan* on the basis of the relationship of the individual to
23 another person who is eligible for membership in the *paluwagan*, unless the individual
24 is within the second degree of consanguinity of the member.
25

26 **SEC. 17. *Retention of Membership*.** – Except as provided in this Act, once a
27 person becomes a member of a *paluwagan* in accordance with this title, that person or
28 organization may remain a member of that *paluwagan* until the person or organization
29 chooses to withdraw from the membership.
30

31 **SEC.18. *General Membership Meeting*.** – The annual meeting of each
32 *paluwagan* shall be held at such place as its bylaws shall prescribe. Special meetings
33 may be held in the manner indicated in the bylaws.

1 Unless the Articles or bylaws of the *paluwagan* provide for a greater number, a
2 quorum shall consist of the majority of the members of the *paluwagan*. The members
3 shall also be entitled to vote by proxy, when so authorized by the bylaws.

4
5 **SEC. 19. *Expulsion of Members.*** – A member may be expelled for cause by a
6 vote of the majority of all of the members of the board of trustees, ratified by the vote of
7 the majority of all of the members of a *paluwagan* present at a special meeting called
8 for the purpose, but only after opportunity has been given to the member to be heard.

9
10 The board of trustees of a *paluwagan* may, by a majority vote, there being a
11 quorum, adopt and enforce a policy with respect to expulsion from membership based
12 on non-participation by a member in the affairs of the *paluwagan*.

13
14 In establishing its policy, the board of trustees shall consider a member's failure
15 to vote in the *paluwagan* elections, failure to obtain or pay one's loan from the
16 *paluwagan*, among others. If such a policy is adopted, a written or digital notice of the
17 policy and the effective date of such policy shall be mailed to each member of the
18 *paluwagan* at the member's current address appearing on the records of the *paluwagan*
19 within ten (10) days from the adoption of such policy. In addition, each new member
20 shall be provided a written notice of any such policy prior to or upon applying for
21 membership.

22
23 The term "cause" under this section shall mean a substantial or repeated
24 violation of the membership agreement of the *paluwagan*; a substantial or repeated
25 disruption, including dangerous or abusive behavior to the operations of a *paluwagan*;
26 or fraud, attempted fraud, or other illegal conduct that a member has been convicted of
27 in relation to the *paluwagan*, including the employees conducting business on behalf of
28 the *paluwagan*.

29
30 Expulsion of a member pursuant to this section shall not operate to relieve the
31 member from any civil or criminal liability to the *paluwagan*.

32
33 **SEC. 20. *Due Process.*** – Subject to the policy adopted herein, if a member shall
34 be subject to expulsion, such member shall be notified in advance of the proceedings

1 for expulsion, along with the reason for such expulsion. Such notice shall be provided
2 in person, by mail to the member's address, or, if the member has elected to receive
3 electronic communications from the *paluwagan*, may be provided electronically.
4

5 A member shall have thirty (30) days from the date of receipt of such notification
6 to request for a hearing from the board of trustees of the *paluwagan*. If a member does
7 not request for a hearing during the 30-day period as described, the member shall be
8 expelled after the expiration of the 30-day period.
9

10 If a member requests for a hearing during the 30-day period as described, the
11 board of trustees of the *paluwagan* shall provide the member with a hearing within thirty
12 (30) days from receipt of the request. After such hearing, the board of trustees of the
13 *paluwagan* shall hold a vote within fifteen (15) 30 days whether or not to expel the
14 member. If a member is expelled pursuant to the decision of the Board, the notice of
15 the expulsion of the member shall be provided to the member in person or by mail to
16 the member's address, in written form or, if the member has elected to receive electronic
17 communications from the *paluwagan*, may be provided electronically.
18

19 The expulsion of a member pursuant to this Act shall be done individually, on a
20 case-by-case basis, and neither the Administration nor any *paluwagan* may expel a
21 class of members.
22

23 **SEC. 21. Reinstatement.** – A member expelled under Section 19 of this Act
24 shall be given an opportunity to request for reinstatement of membership; and may be
25 reinstated by either a majority vote of a quorum of the trustees of the *paluwagan*; or a
26 majority vote of the members of the *paluwagan* present at a meeting called for such
27 purpose.
28

29 CHAPTER V 30 MANAGEMENT

31 **SEC. 22. Management of the Paluwagan.** – The management of a *paluwagan*
32 shall be by a board of trustees, a supervisory committee, and a credit committee. The
33 board of trustees shall consist of an odd number of trustees, at least five (5) in number,
34 to be elected annually by and from the members as the bylaws provide. Any vacancy

1 occurring in the board of trustees shall be filled through appointment by the remaining
2 members of the board of trustees: *Provided*, That the appointee shall only serve the
3 unexpired term of the member being substituted.

4
5 At their first board meeting, the board of trustees shall appoint corporate officers
6 specified in the bylaws, which shall include a President, Secretary, and Treasurer.
7 Corporate officers may be compensated in accordance with the industry standard. The
8 bylaws shall specify the specific duties of each corporate officer.

9
10 **SEC. 23. Composition of the Supervisory and Credit Committees.** – The
11 Committee members shall be appointed by the board of trustees and shall consist of
12 not less than three (3) members nor more than five (5) members.

13
14 A record of the names and addresses of the executive officers, members of the
15 supervisory committee, credit committee, and loan officers, shall be filed with the
16 Administration within ten (10) days after their election or appointment.

17
18 **SEC. 24. Compensation.** – No member of the board of trustees or of any other
19 committee shall, as such, be compensated. Per diems, health, accident, similar
20 insurance protection, and the reimbursement of reasonable expenses incurred in the
21 execution of the duties of the position shall not be considered compensation.

22
23 **SEC. 25. Meetings of the Board of Trustees.** – The board of trustees shall
24 meet at least once a month and shall have the general direction and control of the affairs
25 of the *paluwagan*. Minutes of all meetings shall be kept by the Secretary.

26
27 The board of trustees shall have the following powers and functions:

28
29 (a) Act upon applications for membership or appoint employees from among
30 the members of the *paluwagan*, which shall include an internal auditor,
31 and a loan officer;

32 (b) Provide adequate fidelity coverage for officers and employees having
33 custody of or handling funds according to regulations issued by the Board;

- (c) Fill by appointment vacancies on the board of trustees until successors elected at the next annual meeting shall have qualified;
- (d) Have charge of investments including the right to designate an investment committee of not less than two to act on its behalf;
- (e) Subject to any limitations of this Act, determine the interest rates on loans, the security, and the maximum amount which may be loaned and provided in lines of credit;
- (f) If the bylaws so provide, appoint one or more loan officers and delegate to these officers the power to approve or disapprove loans, lines of credit, or advances from lines of credit;
- (g) Subject to the limitations of this title and the bylaws of the *paluwagan*, provide for the hiring and compensation of officers and employees;
- (h) If the bylaws so provide, appoint an executive committee of not less than three trustees to act on its behalf and any other committees to which it can delegate specific functions;
- (i) Prescribe conditions and limitations for any committee which it appoints;
- (j) Review at each monthly meeting a list of approved or pending applications for membership received since the previous monthly meeting together with such other related information as it or the bylaws require;
- (k) Provide for the furnishing of the written reasons for any denial of a membership application to the applicant upon the written request of the applicant;
- (l) Establish and maintain a system of internal controls consistent with the regulations of the Administration;
- (m) Establish lending policies; and
- (n) Perform all other functions that are necessary and proper to carry out all the purposes and powers of the *paluwagan*, subject to regulations issued by the Board.

CHAPTER VI

COMMITTEES

SEC. 26. *Committee Meetings.* – The committees created by the board of trustees shall hold such meetings as the business of the *paluwagan* may require, at least once a month.

SEC. 27. *Functions of the Supervisory Committee.* – The supervisory committee shall have the following functions:

- (a) Make or cause to be made an annual audit, and submit a report of that audit to the board of trustees and a summary of the report to the members at the next annual meeting of the *paluwagan*;
- (b) Make or cause to be made such supplementary audits as it deems necessary or as may be ordered by the Board, and submit reports of the supplementary audits;
- (c) By a unanimous vote, recommend to the board of trustees the suspension of any officer of the *paluwagan* or any member of the credit committee, for a maximum period of thirty (30) days or until the next members' meeting, whichever comes first, at which meeting any such suspension shall be acted upon by the members; and
- (d) Call, by a majority vote, a special meeting of the members to consider any violation of this Act, the charter, or the bylaws, or any practice of the *paluwagan* deemed by the supervisory committee to be unsafe or unauthorized.

Any member of the supervisory committee may be suspended by a majority vote of the board of trustees. The members shall decide, at a meeting held not less than seven (7) nor more than fourteen (14) days after any such suspension, whether the suspended committee member shall be removed from or restored to the supervisory committee.

The supervisory committee shall cause the passbooks and accounts of the members to be verified with the records of the treasurer from time to time, at least once

1 every two (2) years. As used in this section, the term “passbook” shall include any book,
2 statement of account, or other record approved by the Board for use by the *paluwagan*.

3
4 **SEC. 28. Functions of the Credit Committee.** – The Credit Committee shall
5 have the following functions:

6 (a) Appoint and delegate to loan officers the authority to approve
7 applications; and

8 (b) Review all applications not approved by the loan officer. The approval of
9 a majority of the members who are present at the meeting when such
10 review is undertaken shall be required to reverse the loan officer’s
11 decision: Provided, That a majority of the full committee is present.

12
13 **CHAPTER VII**
14 **REGULATION**

15
16 **SEC. 29. Regulation of the Paluwagan.** – The Board may prescribe rules and
17 regulations for the administration of this Act. Any duly registered *paluwagan* shall be
18 subject to such rules, regulations, and orders as the Board deems appropriate and,
19 except as otherwise specifically provided in such rules, regulations, or orders, shall be
20 vested with or subject to the same rights, privileges, duties, restrictions, penalties,
21 liabilities, conditions, and limitations that would apply to all *paluwagan* under this Act.

22
23 **SEC. 30. Power to Revoke and Suspend.** – The Board may suspend or revoke
24 the registration of any *paluwagan*, or place the same in involuntary liquidation and
25 appoint an authorized liquidating agent therefor, upon its finding that the organization
26 is bankrupt or insolvent, or has violated any of the provisions of its charter, its bylaws,
27 this Act, or any regulations issued thereunder.

28
29 The Board, through such persons as it shall designate, may examine any
30 *paluwagan* in voluntary liquidation and, upon its finding that such voluntary liquidation
31 is not being conducted in an orderly or efficient manner or in the best interests of its
32 members, may terminate such voluntary liquidation and place such organization in
33 involuntary liquidation and appoint a liquidating agent therefor.

1 Such liquidating agent shall, subject to the control and supervision of the Board
2 and under such rules and regulations as the Board may prescribe, have the following
3 powers and authorities:

4
5 (a) Receive and take possession of the books, records, assets, and property
6 of every description of the *paluwagan* in liquidation;

7 (b) Sell, enforce collection of, and liquidate all such assets and property, to
8 compound all bad or doubtful debts, and to sue in one's name or in the
9 name of the *paluwagan* in liquidation, and defend such actions as may be
10 brought against such liquidating agent or against the *paluwagan*;

11 (c) Receive, examine, and pass upon all claims against the *paluwagan* in
12 liquidation, including claims of members on member accounts;

13 (d) Make distribution and payment to creditors and members as their interests
14 may appear; and

15 (e) Execute such documents and papers and to do such other acts and things
16 deemed necessary or desirable to discharge the duties hereunder.

17 Subject to the control and supervision of the Board, and under such rules and
18 regulations as the Board may prescribe, the liquidating agent of a *paluwagan* in
19 involuntary liquidation shall cause notice to be given to creditors and members to
20 present their claims and make legal proof thereof. Such notice shall be published once
21 a week for three (3) successive weeks in a newspaper of general circulation in the place
22 in which the *paluwagan* in liquidation maintained an office or branch for the transaction
23 of business on the date it ceased unrestricted operations.

24
25 Upon certification by the liquidating agent in the case of an involuntary
26 liquidation, and upon such proof as shall be satisfactory to the Board in the case of a
27 voluntary liquidation, that distribution has been made and that liquidation has been
28 completed, as provided herein, the Board shall cancel the charter of such *paluwagan*.
29 The corporate existence of the *paluwagan* shall continue for a period of three (3) years
30 from the date of such cancellation of its charter. During this period, the liquidating agent,
31 or the duly appointed successor, or such persons as the Board shall designate, may
32 act on behalf of the *paluwagan* for the purpose of paying, satisfying, and discharging

1 any existing liabilities or obligations, collecting and distributing its assets, and doing all
2 other acts required to adjust and wind up its business and affairs, and may sue and be
3 sued in its corporate name.

4
5 After the expiration of five (5) years from the date of cancellation of the charter
6 of a *paluwagan*, the Board may, in its discretion, destroy any or all books and records
7 of such *paluwagan* in its possession or under its control.

8
9 **CHAPTER VIII**
10 ***PALUWAGAN INSURANCE FUND***

11
12 **SEC. 31. *Paluwagan Insurance.*** – The Board, as hereinafter provided, shall
13 insure the member accounts of all *paluwagan* to the extent of amount as they may
14 determine.

15
16 Applications for such insurance shall be in such form as the Board shall provide
17 and shall contain the following terms to be agreed upon by the applicant:

18
19 (a) To pay the reasonable cost of such examinations as the Board may deem
20 necessary in connection with determining the eligibility of the applicant for
21 insurance: *Provided*, That examinations required under this Act shall be so
22 conducted that the information derived therefrom may be utilized for insurance
23 purposes;

24 (b) To permit and pay the reasonable cost of such examinations as, in the judgment
25 of the Board, may from time to time be necessary for the protection of the fund
26 and of other insured *paluwagan*;

27 (c) To provide protection and indemnity against burglary, defalcation, and other
28 similar insurable losses, of the type, in the form, and in an amount at least equal
29 to that required by the laws under which the *paluwagan* is organized and
30 operates;

31 (d) To maintain such special reserves as the Board, by regulation or in special
32 cases, may require for protecting the interest of members or to assure that all
33 insured *paluwagan* maintain regular reserves as may be required by the Board;

1 (e) To pay the premium charges for insurance imposed by this Chapter; and

2 (f) To comply with the requirements of this chapter and of regulations prescribed by
3 the Board pursuant thereto.

4
5 Before approving the application of any *paluwagan* for insurance of its member
6 accounts, the Board shall consider the following:

7
8 (a) The history, financial condition, and management policies of the applicant;

9 (b) The economic advisability of insuring the applicant without undue risk of the fund;

10 (c) The general character and fitness of the applicant's management;

11 (d) The convenience and needs of the members to be served by the applicant; and

12 (e) Whether the applicant is a *paluwagan* organized for the purpose of creating a
13 source of credit for entrepreneurial or productive purposes.

14 The Board shall disapprove the application of any *paluwagan* for insurance of its
15 member accounts if it finds that its reserves are inadequate, its financial condition and
16 policies are unsafe or unsound, its management is unfit, insurance of its member
17 accounts would otherwise involve undue risk to the fund, or its powers and purposes
18 are inconsistent with the promotion of a culture of entrepreneurship, and the creation of
19 a source of credit for provident or productive purposes.

20 Upon the approval of any application for insurance, the Board shall notify the
21 applicant and shall issue to it a certificate evidencing the fact that it is, as of the date of
22 issuance of the certificate, an insured *paluwagan* under the provisions of this title.

23
24 **SEC. 32. Insurance Premium Charges.** – All *paluwagan* shall, at such times as
25 the Board prescribes, pay to the fund a premium charge of one-fifth of one per centum
26 (1/5 of 1%) of Total Guaranteed Contribution of the *paluwagan*.

27
28 The term "Guaranteed Contributions" shall pertain to funds enjoying insurance
29 coverage as prescribed by the provisions delineated in this section. These contributions
30 shall yield guaranteed income and offer inherent withdrawal flexibility for members.

31

1 Minimum Fixed Contribution shall be maintained by all paluwagan and shall refer
2 to funds not covered by the insurance coverage. It shall not be withdrawable until the
3 membership to the *paluwagan* is terminated.

4
5 **SEC. 33. *Payment of Insurance.*** – Payment of an insured account to any
6 person by the Administration shall discharge the Administration of the liability of
7 insurance. The Administration may withhold payment of such portion of the insured
8 amount of any member in a closed *paluwagan* as may be required to provide for the
9 payment of any liability to the closed *paluwagan* or its receiver, which is not offset
10 against the claim due from such *paluwagan*, pending the determination and payment of
11 such liability by such member or any other person liable therefor.

12
13 **SEC. 34. *Prohibitions on Insured Paluwagan.*** – No insured *paluwagan* may
14 be sponsored by or accept financial support, directly or indirectly, from any government-
15 sponsored enterprise. This provision shall not be construed as prohibiting any employee
16 of a government-sponsored enterprise from becoming a member of a *paluwagan*.

17
18 **SEC. 35. *Reports of Condition.*** – Each insured paluwagan shall make reports
19 of condition to the Board upon dates which shall be selected by them. Such reports of
20 condition shall be in such form and shall contain such information as the Board may
21 require.

22
23 The reporting dates selected for reports of condition shall be the same for all
24 insured *paluwagan* except that when any of said reporting dates is a nonbusiness day
25 for any *paluwagan*, the preceding business day shall be its reporting date.

26
27 The total amount of the member accounts of each insured *paluwagan* as of each
28 reporting date shall be reported in such reports of condition in accordance with
29 regulations prescribed by the Board. Each report of condition shall contain a declaration
30 by the president, vice president, treasurer, or any other officer designated by the board
31 of trustees of the reporting *paluwagan* to make such declaration, that the report is true
32 and correct to the best of such officer's knowledge and belief.

33

1 Unless such requirement is waived by the Board, the correctness of each report
2 of condition shall be attested by the signatures of three of the officers of the reporting
3 *paluwagan* with the declaration that the report has been examined by them and to the
4 best of their knowledge and belief is true and correct.

5
6 The Board may call for such other reports as it may from time to time require.
7 The Board may require reports of condition to be published in such manner, not
8 inconsistent with any applicable law, as it may direct.

9
10 Reports required under this section shall be so prepared that they can be used
11 for insurance purposes.

12
13 **SEC. 36. *Unsafe and Unsound Practice.*** – If the Board shall find that any
14 unsafe or unsound practice or violation specified in this Act has been established and
15 has not been corrected within the time above prescribed by the Board in which to make
16 such correction, the Board may order that the insured status of the *paluwagan* be
17 terminated on a date subsequent to such finding after due notice and hearing. The
18 Administration may publish a notice of such termination and the *paluwagan* shall give
19 notice of such termination to each of their members at the last address of record on the
20 books of the *paluwagan*, in such a manner and at such at time as the Board may find
21 to be necessary and may order for the protection of the members.

22
23 The Board may treat the failure of any insured *paluwagan* to obtain an outside,
24 independent audit for any fiscal year for which such audit is required as an unsafe or
25 unsound practice.

26
27 **SEC. 37. *Accounting.*** – Accounting principles applicable to reports or
28 statements required to be filed with the Board by each insured *paluwagan* shall be
29 uniform and consistent with generally accepted accounting principles.

30
31 **SEC. 38. *Report to an Independent Auditor.*** – Each insured *paluwagan* which
32 has engaged the services of an independent auditor to audit such institution for the past
33 two (2) years shall transmit to such auditor a copy of the most recent report of condition

1 made by such *paluwagan*, and a copy of the most recent report of examination received
2 by such credit union.

3
4 **SEC. 39. Requirements Governing Insured Paluwagan.** – Insured *paluwagan*
5 must meet net worth standards, lending limits, and investment restrictions to be eligible
6 for insurance. The Administration shall have the power to establish and enforce these
7 standards and restrictions.

8
9 **SEC. 40. Termination of Insured Paluwagan Status.** – The Board shall have
10 the power to terminate a *paluwagan*'s insured status if it fails to meet the requirements
11 for insurance.

12
13 **SEC. 41. Special Assistance to Avoid Liquidation.** – The Board shall have
14 the power to provide special assistance to a *paluwagan* in danger of insolvency to help
15 them avoid liquidation. The Board shall have the power to recommend appropriate
16 action including changes in management or operations.

17
18 **SEC. 42. Nondiscriminatory Provision.** – Insured *paluwagan* shall not
19 discriminate in the provision of financial services based on factors such as race, religion,
20 national origin, sex, marital status, or age.

21 **SEC. 43. Board Disapproval of Directors, Committee Members, and Senior**
22 **Executive Officers of Insured Paluwagan.** – The Board shall have the power to
23 disapprove individuals who have been proposed to serve as directors, committee
24 members, or senior executive officers of insured *paluwagan*. It may disapprove such
25 individuals if they have been convicted of a crime with the penalty of prison mayor or
26 higher.

27
28 **SEC. 44. Prompt Corrective Action.** – The Administration shall have the power
29 to take prompt corrective action to address problems of insured *paluwagan* before they
30 become insolvent. The Administration shall establish standards for prompt corrective
31 action, which shall include mandatory corrective actions for a *paluwagan* that fails to
32 meet certain thresholds. The Administration shall also have the power to require
33 additional supervisory actions or take conservatorship or liquidation actions as
34 necessary to the continued economic viability of the *paluwagan*.

1
2 **SEC. 45. Certified Statement.** – For each calendar year, in the case of an
3 insured *paluwagan* with total assets of not more than Fifty million pesos
4 (P50,000,000.00), and bi-annually for an insured *paluwagan* with more than Fifty million
5 pesos (P50,000,000.00), an insured *paluwagan* shall file with the Board, at such time
6 as the Board prescribes, a certified statement showing the total amount of insured
7 member's contributions at the close of the relevant period, and the amount of insurance
8 charge due to the Fund for that period, based on the prescribed computation as may
9 be provided by the Board.

10
11 The Treasurer of the *paluwagan* shall certify, with respect to each statement
12 required to be filed with the Board pursuant to this section, that, to the best of the said
13 Treasurer's knowledge and belief the statement is true, correct, complete, and in
14 accordance with this Act.

15
16
17
18
19
20
21 **CHAPTER IX**
22 **TAXATION**

23
24 **SEC. 46. Grant of Tax Exemption.** – Notwithstanding the provisions of any law
25 or regulation to the contrary, a *paluwagan* shall enjoy the following tax exemptions:

- 26 (a) Any *paluwagan* shall be exempt from payment of tax in respect to all income it
27 receives, including interest on its deposits with any financial institution and loan
28 transactions with members: *Provided, however,* That income derived from any
29 of its properties, real or personal, or any activity conducted for profit, regardless
30 of the disposition thereof, is subject to the corresponding internal revenue taxes
31 imposed under the National Internal Revenue Code (NIRC) of 1997, as
32 amended: *Provided, further,* That the exemption from income tax shall not
33 include those taxes wherein the *paluwagan* is only constituted as the withholding
34 or remitting agent;

1 (b) Interest on member's contribution with any *paluwagan* as well as the shares of
2 its members from the net income of the *paluwagan* shall be exempt from income
3 tax;

4 (c) Any *paluwagan* duly registered with the Administration shall be exempt from the
5 payment of value-added tax and documentary stamp tax, in relation with its
6 operations and transactions with members;

7 (d) Any *paluwagan*, regardless of the amount of accumulated reserves and
8 undivided net savings shall be exempt from payment of local taxes. Fees and
9 charges assessed by the cities or municipalities on the application of mayor's or
10 local business permits, and other licenses and approvals shall in no case exceed
11 Three thousand pesos (P3,000.00).

12 13 CHAPTER X

14 CONFIDENTIAL NATURE OF CAPITAL CONTRIBUTIONS

15 **SEC. 47. *Prohibition Against Inquiry into or Disclosure of Contributions.* –**

16 All capital contributions or all money deposited with a *paluwagan* in the Philippines are
17 hereby considered as of an absolutely confidential nature and may not be examined,
18 inquired or looked into by any person, government official, bureau or office, except upon
19 written permission of the member, or in cases of impeachment, or upon order of a
20 competent court in cases of bribery or dereliction of duty of public officials, or in cases
21 where the money deposited or invested is the subject matter of litigation.

22
23 It shall be unlawful for any official or employee of a *paluwagan* to disclose to any
24 person any information concerning said capital contributions, except in the cases
25 mentioned in the preceding paragraph of this Section. Any official or employee of an
26 Association who violates this section shall be punished under RA 1405 or the Law on
27 Secrecy of Bank Deposits, as amended

28 29 CHAPTER XI

30 OFFENSES AND PENALTIES

31 **SEC. 48. *Penal Clause.* –** Penalties shall be imposed for violation of the
32 following prohibited 38 acts:

1 (a) **Refusal to Make Reports or Permit Examination.** – Any trustee, officer, or
2 employee of any *paluwagan* within the purview of this Act who, being required in
3 writing by the Administration, willfully refuses to file the required report or permit
4 any lawful examination into the affairs of such *paluwagan* shall be punished by
5 a fine of not less than Fifty thousand pesos (P50,000.00) nor more than One
6 hundred thousand pesos (P100,000.00) or by imprisonment of not less than one
7 (1) year nor more than five (5) years, or both, in the discretion of the court.

8 (b) **False Statement.** – The willful making of a false or misleading statement on a
9 material fact before the Administration or any of its authorized representatives
10 shall be punished by a fine of not less than One hundred thousand pesos
11 (P100,000.00) nor more than Two hundred thousand pesos (P200,000.00), or
12 by imprisonment of not more than (5) years, or both, at the discretion of the court.

13 (c) **Proceedings upon Violation of this Act and Other Laws, Rules,**
14 **Regulations, Orders or Instructions.** – Whenever a *paluwagan* willfully
15 violates any of the provisions of this Act or any other order, instruction, rule or
16 regulation issued by the Administration, the person or persons responsible for
17 such violation shall, unless otherwise provided in this Act, be punished by a fine
18 of not less than Fifty thousand pesos (P50,000.00) nor more than Five 20
19 hundred thousand pesos (P500,000.00) or by imprisonment of not less than two
20 (2) years nor more than ten (10) years, or both, at the discretion of the court.
21

22 **SEC. 49. Administrative Sanctions.** – Without prejudice to the criminal
23 sanctions against the culpable persons, the Administration may, at its discretion,
24 impose upon any *paluwagan* their trustees and/or officers, for any willful violation of its
25 charter or by-laws, willful delay in the submission of reports or publications thereof as
26 required by law, rules and regulations; any refusal to permit examination into the affairs
27 of the *paluwagan*, any willful making of a false or misleading statement to the Board or
28 its committees or its representatives; any willful failure or refusal to comply with, or
29 violation of any law, or any order, instruction or regulation issued by the Board, or any
30 commission of irregularities, or conducting business in an unsafe or unsound manner
31 as may be determined by the Board, the following administrative sanctions, whenever
32 applicable:

33 (a) Fines in amounts as may be determined by the Board to be appropriate, but in
34 no case to exceed One thousand pesos (P1,000) a day for each violation, taking

1 into consideration the attendant circumstances, such as the nature and gravity
2 of the violation or irregularity and the size of the *paluwagan*;

3 (b) Suspension of operations or authority to accept new contributions, grant new
4 loans, and make new investments;

5 (c) Suspension of authority to enter into new contracts; and

6 (d) Revocation of registration;

7
8 Resignation or termination from office shall not exempt such trustee or officer
9 from administrative or criminal sanctions.
10

11 The Board may, whenever warranted by circumstances, preventively suspend
12 any trustee or officer of a *paluwagan* pending an investigation: *Provided*, That should
13 the case be not finally decided by the Administration within a period of one hundred
14 twenty (120) days after the date of suspension, said trustee or officer shall be reinstated:
15 *Provided, further*, That when the delay in the disposition of the case is due to the fault,
16 negligence or petition of the trustee or officer, the period of delay shall not be counted
17 in computing the period of suspension herein provided.
18

19 Whether or not there is an administrative proceeding, if the institution, trustees,
20 or officers concerned continue with or otherwise persist in the commission of the
21 indicated practice or violation, the Board may issue an order requiring the institution,
22 trustees, or officers concerned to cease and desist from the indicated practice or
23 violation, and may further order that immediate action be taken to correct the conditions
24 resulting from such practice or violation. The cease and desist order shall be
25 immediately effective upon service on the respondents.
26

27 CHAPTER XII

28 CAPACITY-BUILDING

29 **SEC. 50. *Capacity-Building*.** – The Board is authorized to conduct directly,
30 provide grants to or enter into contracts with colleges or universities, state or local
31 educational agencies, or other appropriate public or private non-profit organizations to
32 implement programs for the training of persons engaged, or preparing to engage, in the
33 operation of a *paluwagan*, and in related counseling programs.

1
2 The Board is likewise authorized to establish a program of experimental,
3 developmental, demonstration, and pilot projects, either directly or by grants to public
4 or private nonprofit organizations, or by contracts with such organizations or other
5 private organizations, designed to promote more effective operation of a *paluwagan*,
6 and related consumer counseling programs. In carrying out its authority under this
7 paragraph, the Board shall consult with officials of appropriate agencies responsible for
8 the administration of similar programs and projects.

9
10 Additionally, the Board shall, in collaboration with public and private sector
11 partners as needed, conduct microcredit, financial literacy, and entrepreneurship
12 programs for the public on a continuing basis.

13
14
15
16 **CHAPTER XIII**
17 **MISCELLANEOUS PROVISIONS**
18

19 **SEC. 51. Utilization of Registration and Annual Fees for the Community**
20 **Paluwagan 5 Administration. –**

- 21 (a) All registration fees, annual fees, and other associated charges collected
22 from *paluwagan* groups shall be designated as 'Initiation Fund' herein, to
23 serve as the initial fund to establish the Administration.
- 24 (b) The Initiation Fund shall be dedicated to the operational and
25 administrative needs of the Administration, including staff salaries,
26 capacity building, regulatory oversight, and program development.
- 27 (c) The Administration shall prudently manage and utilize the Initiation Fund
28 in a transparent and accountable manner, adhering to all relevant
29 financial and administrative regulations.
- 30 (d) The Administration shall regularly report to the appropriate oversight
31 committee regarding the status, utilization, and impact of the Initiation
32 Fund.
- 33

1 **SEC. 52. *Implementing Rules and Regulations.*** – There shall be a Committee
2 of five (5) members which shall formulate the rules and regulations necessary to
3 implement the provisions of this Act within sixty (60) days from the approval of this Act.
4

5 The Committee shall be composed of the following:

6 (a) DTI Secretary as Chairperson;

7 (b) SEC Commissioner as Vice-Chairperson;

8 (c) Representative from the academe who must be a financial expert as
9 member;

10 (d) Representative from a financial institution, whether public or private as
11 member; and

12 (e) Lawyer as member.

13 **SEC. 53. *Separability Clause.*** – If any provision of this Act or the application
14 thereof to any persons or circumstances shall be held unconstitutional, the remainder
15 of this Act and the application of such provisions to other persons and circumstances
16 not otherwise affected shall remain in full force and effect.
17

18 **SEC. 54. *Repealing Clause.*** – All laws, decrees, proclamations, issuances, or
19 ordinances that are contrary to or inconsistent with the provisions of this Act are
20 hereby amended, repealed or modified accordingly.
21

22 **SEC. 55. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
23 publication in the *Official Gazette* or in a national newspaper of general circulation.
24

25 Approved,