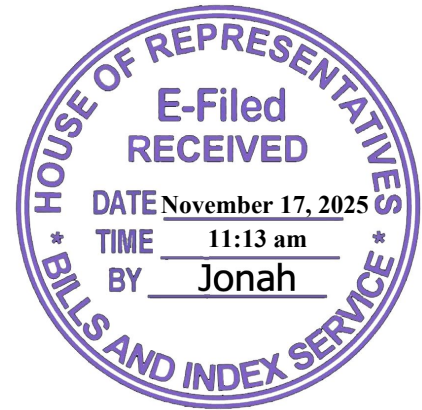




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. 6009



Introduced by Representative KRISTINE SINGSON-MEEHAN

EXPLANATORY NOTE

Micro, Small, and Medium Enterprises (MSMEs) comprise over 99% of Philippine businesses and employ more than 60% of the workforce, making them central to inclusive growth and countryside development. Yet, they continue to face barriers such as limited financing, high regulatory costs, and vulnerability to economic shocks.

This bill strengthens the Magna Carta for MSMEs by updating definitions to reflect present economic conditions, streamlining registration and licensing procedures, and expanding government assistance through capped fees, guaranteed procurement shares, reduced logistics costs, and improved access to market spaces. It enhances financing support by increasing the capitalization of the Small Business Corporation, establishing a rehabilitation fund for calamity-stricken enterprises, and widening compliance options for banks under the mandatory credit allocation. It also empowers the MSMED Councils at national and local levels, expands sectoral representation, and integrates entrepreneurship education and women's economic empowerment into national policies.

By creating a more enabling environment, this measure ensures that MSMEs remain viable, resilient, and competitive, thereby promoting innovation, job creation, and sustained national growth.

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

DEPUTY SPEAKER KRISTINE SINGSON-MEEHAN
2nd DISTRICT ILOCOS SUR



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. 6009

Introduced by Representative KRISTINE SINGSON-MEEHAN

AN ACT

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

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

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

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

1 their continuing viability and growth and thereby attain countryside
2 industrialization by:

3 “x x x.”

4 SEC. 2. Section 3 of the same Act, as amended, is hereby further amended to read
5 as follows:

6 “SEC. 3. *Micro, Small and Medium Enterprises (MSMEs) as*
7 *Beneficiaries.* – MSMEs shall be defined as any business activity or enterprise
8 engaged in industry, agribusiness, [and/or] OR services, whether single
9 proprietorship, cooperative, partnership or corporation whose total assets,
10 inclusive of those arising from loans but exclusive of the land on which the
11 particular business entity’s office, plant and equipment are situated, must
12 have value falling under the following categories:

13 micro: not more than P3,000,000

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

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

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

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

23 “SEC. 4. *Eligibility for Government Assistance.* – To qualify for
24 assistance, counseling, incentives and promotion under this Act, businesses
25 falling under the above definition must be:

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

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

34 “x x x.”

1 [“Eligible MSMEs shall be entitled to a share of at least ten percent
2 (10%) of total procurement value of goods and services supplied to the
3 Government, its bureaus, offices and agencies annually.]

4 [“The Department of Budget and Management shall monitor the
5 compliance of government agencies on the required procurement for MSMEs
6 and submit its report to the MSMED Council on a semestral basis and to
7 the Congress of the Philippines, through its appropriate committees on a
8 yearly basis.”]

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

11 “SEC. 4-A. *GOVERNMENT ASSISTANCE, INCENTIVES AND*
12 *BENEFITS FOR ELIGIBLE MSMEs.* – ELIGIBLE MSMEs SHALL BE
13 ENTITLED TO THE FOLLOWING GOVERNMENT ASSISTANCE,
14 INCENTIVES AND BENEFITS:

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

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 (₱500.00) PER AGENCY.
25 FOR REGISTERED SMALL ENTERPRISES, THE COST SHALL NOT
26 EXCEED THREE THOUSAND PESOS (₱3,000.00) PER AGENCY FOR A
27 PERIOD OF FIVE (5) YEARS.

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

33 “THE GOVERNMENT PROCUREMENT POLICY BOARD SHALL
34 FORMULATE THE RULES FOR THE EFFECTIVE IMPLEMENTATION OF
35 THIS PROVISION AND ITS TECHNICAL SUPPORT OFFICE SHALL

1 MONITOR THE COMPLIANCE OF GOVERNMENT AGENCIES ON THE
2 REQUIRED PROCUREMENT FOR MSMEs AND SUBMIT ITS REPORT TO
3 THE MSMED COUNCIL ON A SEMESTRAL BASIS AND TO THE
4 CONGRESS OF THE PHILIPPINES, THROUGH ITS APPROPRIATE
5 COMMITTEES ON A YEARLY BASIS.

6 “(D) DULY REGISTERED MICRO AND SMALL ENTERPRISES
7 SHALL BE ENTITLED TO A DISCOUNT OF AT LEAST TWENTY PERCENT
8 (20%) ON SHIPPING AND DELIVERY FEES FOR THEIR PRODUCTS AND
9 RAW MATERIALS, AS WELL AS FOR MAILING, FREIGHT, AND OTHER
10 SIMILAR SERVICES PROVIDED BY EITHER PUBLIC OR PRIVATE
11 COURIERS.

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

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

31 “THE MSMED COUNCIL OF THE CONCERNED CITY,
32 MUNICIPALITY, OR BARANGAY SHALL APPROVE THE MSME STORE
33 THAT MAY OCCUPY THE FREE SPACE, UPON THE RECOMMENDATION
34 OF THE LOCAL OFFICE OF THE DEPARTMENT OF TRADE AND
35 INDUSTRY (DTI). THE FREE SPACE ALLOCATED FOR THE MSME

1 STORE SHALL BE PROVIDED IN THE FOLLOWING ORDER OF
2 PREFERENCE:

3 “(1) ONE TOWN, ONE PRODUCT STORE OR GO LOKAL! STORE
4 OF THE DTI;

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

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

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

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

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

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

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

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

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

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

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

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

1 government units, provide the necessary support and assistance to MSMEs.

2 THE DTI SHALL BE THE LEAD AGENCY THEREFOR.

3 “x x x.”

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

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

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

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

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

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

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

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

7 "(b) The Secretary of Agriculture;

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

9 "(D) THE SECRETARY OF FINANCE;

10 "(E) THE SECRETARY OF SCIENCE AND TECHNOLOGY;

11 "(F) THE SECRETARY OF TOURISM;

12 "(G) THE SECRETARY OF ENVIRONMENT AND NATURAL
13 RESOURCES;

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

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

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

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

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

27 "(a) [The Secretary of Science and Technology] THE SECRETARY OF
28 AGRARIAN REFORM;

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

30 "(C) THE CHAIRPERSON OF THE SEC;

31 "[c] (D) The President of the Land Bank of the Philippines;

32 "[d] (E) The President of the Development Bank of the Philippines;

33 "[e] (F) The Director General of the National Economic and
34 Development Authority;

1 “(G) THE CHAIRPERSON OF THE COOPERATIVE
2 DEVELOPMENT AUTHORITY (CDA);

3 “(H) THE PRESIDENT OF THE PHILIPPINE GUARANTEE
4 CORPORATION;

5 “(I) THE COMMISSIONER OF THE INSURANCE COMMISSION
6 (IC);

7 “(J) THE PRESIDENT OF THE PHILIPPINE CROP INSURANCE
8 CORPORATION;

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

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

13 “[(g)] (M) A representative from the private banking sector to serve
14 [alternatively] ALTERNATELY [between] AMONG the [c]Chamber of [t]Thrift
15 [b]Banks, [and] the Rural Banker’s Association of the Philippines [(RBAP)],
16 AND THE BANKERS ASSOCIATION OF THE PHILIPPINES;

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

20 “[(i)] (O) A representative of the University of the Philippines-Institute
21 for Small Scale Industries (UP-ISSD); [and]

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

23 “(Q) ONE (1) REPRESENTATIVE FROM THE WOMEN SECTOR
24 DESIGNATED BY THE PHILIPPINE COMMISSION ON WOMEN;

25 “(R) ONE (1) REPRESENTATIVE FROM THE YOUTH SECTOR
26 DESIGNATED BY THE NATIONAL YOUTH COMMISSION; AND

27 “(S) A REPRESENTATIVE FROM NON-STOCK SAVINGS AND
28 LOAN ASSOCIATIONS DESIGNATED BY THE ALLIANCE OF
29 NON-STOCK SAVINGS AND LOAN INSTITUTIONS, INC. (ANSLI).

30 “x x x.”

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

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

35 “x x x;

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

11 “x x x;

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

16 “x x x;

17 “(12) Through appropriate government agencies:

18 “x x x;

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

22 “x x x.”

23 “**B. ADDITIONAL FUNCTIONS OF THE MSMED COUNCIL.** – AS
24 PROVIDED FOR IN SECTION 10 OF RA 10644, OR THE “GO NEGOSYO
25 ACT”, THE MSMED COUNCIL SHALL HAVE THE FOLLOWING
26 ADDITIONAL FUNCTIONS:

27 “(A) COORDINATING AND OVERSIGHT BODY FOR THE MSME
28 NEGOSYO CENTER. – THE MSMED COUNCIL SHALL, THROUGH THE
29 DTI, ACT AS THE COORDINATING AND SUPERVISING BODY FOR ALL
30 THE AGENCIES INVOLVED IN THE ESTABLISHMENT AND OPERATION
31 OF THE MSME NEGOSYO CENTERS. THE MSMED COUNCIL SHALL
32 MONITOR AND ASSESS THE PROGRESS OF THE MSME NEGOSYO
33 CENTERS, WHICH SHALL BE INCLUDED IN ITS ANNUAL REPORT TO
34 BE SUBMITTED TO THE CONGRESS;

1 “(B) PROVISION OF A COMPLIANCE GUIDE. – FOR EACH RULE
2 OR GROUP OF RELATED RULES ISSUED BY ANY GOVERNMENT
3 AGENCY FOR COMPLIANCE BY MSMEs, THE COUNCIL SHALL
4 PUBLISH COMPLIANCE GUIDELINES WHICH SHALL BE WRITTEN IN
5 PLAIN LANGUAGE OR IN THE LOCAL DIALECT, IF NECESSARY.

6 “THE COUNCIL SHALL PREPARE SEPARATE COMPLIANCE
7 GUIDES COVERING GROUPS OR CLASSES OF SIMILARLY AFFECTED
8 MSMEs AND SHALL COOPERATE WITH INDUSTRY ASSOCIATIONS TO
9 DEVELOP AND DISTRIBUTE SUCH COMPLIANCE GUIDES. THE
10 PUBLICATION OF EACH COMPLIANCE GUIDE SHALL INCLUDE THE
11 POSTING OF THE GUIDE IN A CONSPICUOUS LOCATION ON THE
12 WEBSITE OF THE AGENCY, AND DISTRIBUTION OF THE GUIDE TO
13 KNOWN INDUSTRY CONTACTS, SUCH AS SMALL ENTITIES,
14 ASSOCIATIONS OR INDUSTRY LEADERS AFFECTED BY THE RULE.
15 THE ISSUING GOVERNMENT AGENCY SHALL PUBLISH AND
16 DISSEMINATE THE COMPLIANCE RULES WITHIN NINETY (90) DAYS
17 FROM THE DATE OF ISSUANCE;

18 “(C) CONDUCT OF RESEARCH ON WOMEN
19 ENTREPRENEURSHIP. – THE COUNCIL SHALL CONDUCT RESEARCH
20 TO SUPPORT WOMEN ENTREPRENEURSHIP INCLUDING
21 ENTREPRENEURIAL BEHAVIOR, BARRIERS, PARTICIPATION AND
22 CESSATION RATES, DISCRIMINATORY PRACTICES AND
23 CONTRIBUTION TO THE NATIONAL ECONOMY AND GROWTH. AS
24 DEFINED BY THE INTERNATIONAL FINANCE CORPORATION, AND
25 RECOGNIZED AND ADOPTED BY THE MSMED COUNCIL, WOMEN-
26 OWNED BUSINESSES ARE BUSINESSES WHERE AT LEAST FIFTY-ONE
27 PERCENT (51%) OF A COMPANY IS OWNED BY A WOMAN OR WOMEN,
28 AND WOMEN-LED BUSINESSES ARE BUSINESSES WHERE AT LEAST
29 TWENTY PERCENT (20%) IS OWNED BY A WOMAN OR WOMEN AND AT
30 LEAST ONE WOMAN ACTS AS THE CHIEF EXECUTIVE OFFICER (CEO)
31 OR CHIEF OPERATING OFFICER (COO) OR PRESIDENT OR VICE
32 PRESIDENT, AND AT LEAST THIRTY PERCENT (30%) OF THE BOARD OF
33 DIRECTORS, WHERE A BOARD EXISTS, IS COMPOSED OF WOMEN;

34 “(D) POLICY FORMULATION ON WOMEN
35 ENTREPRENEURSHIP. – THE COUNCIL SHALL PROVIDE POLICY

1 DIRECTION TOWARDS RECOGNIZING WOMEN'S APTITUDE AND
2 TALENT IN ENTREPRENEURSHIP AS WELL AS ESTABLISH
3 LINKAGES THAT WILL ENABLE MORE OPPORTUNITIES FOR WOMEN
4 TO ENGAGE IN ENTREPRENEURSHIP; AND

5 “(E) DEVELOPMENT OF ENTREPRENEURIAL EDUCATION AND
6 TRAINING. – THE MSMED COUNCIL SHALL DEVELOP, IN
7 COORDINATION WITH THE DEPARTMENT OF EDUCATION,
8 TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY,
9 AND COMMISSION ON HIGHER EDUCATION (CHED), A COURSE
10 CURRICULUM OR TRAINING PROGRAMS IN ENTREPRENEURSHIP
11 AND PERSONAL FINANCE, INCLUDING DIGITAL FINANCIAL
12 LITERACY, THAT WILL PROMOTE ENTREPRENEURIAL CULTURE AND
13 COMPETENCE, AND ENCOURAGE THE USE OF DIGITAL PLATFORMS
14 IN FINANCIAL TRANSACTIONS. ENTREPRENEURSHIP SHALL BE
15 INTEGRATED IN THE CURRICULUM OF EDUCATIONAL AND TRAINING
16 INSTITUTIONS IN ALL LEVELS.

17 “THE CHED SHALL HAVE A PROGRAM WHEREIN GRADUATING
18 COLLEGE AND POSTGRADUATE STUDENTS SHALL ASSIST
19 ENTREPRENEURS IN MAKING BANKABLE FEASIBILITY STUDIES AS
20 FULFILLMENT OF THEIR ACADEMIC REQUIREMENTS.”

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

23 “SEC. 7-C. *CITY, MUNICIPAL, AND BARANGAY MSMED*
24 *COUNCIL*. – THERE SHALL BE CREATED A MSMED COUNCIL IN
25 EVERY CITY, MUNICIPALITY, AND BARANGAY WHICH SHALL HAVE
26 THE AUTHORITY TO PROPOSE POLICIES THAT ARE GEARED TO
27 ASSIST MSMEs IN THE AREAS OF PRODUCTIVITY ENHANCEMENT,
28 MARKETING, ACHIEVING SUSTAINABILITY BY EXTENDING CREDIT
29 TO CUSTOMERS, AND IMPLEMENTING EFFICIENT LOAN COLLECTION
30 SYSTEMS, AMONG OTHER STRATEGIES.

31 “THE CITY OR MUNICIPAL MSMED COUNCIL SHALL BE
32 COMPOSED OF THE CITY OR MUNICIPAL BUSINESS PERMIT AND
33 LICENSING OFFICER AS CHAIRPERSON, THE PRESIDENT OF THE
34 ASSOCIATION OF BARANGAY CAPTAINS, THE PRESIDENT OF THE
35 SANGGUNIANG KABATAAN FEDERATION, THE TOURISM OFFICER,

1 AND THE CITY OR MUNICIPAL AGRICULTURIST OR THE CITY
2 PLANNING OFFICER, AS MEMBERS.

3 “THE BARANGAY MSMED COUNCIL SHALL BE COMPOSED OF
4 THE PUNONG BARANGAY AS CHAIRPERSON, THE SANGGUNIANG
5 KABATAAN CHAIRPERSON, A REPRESENTATIVE OF THE WOMEN’S
6 BRIGADE OR WOMEN’S SECTOR, A REPRESENTATIVE OF THE
7 BARANGAY PUBLIC SAFETY OFFICE, AND A REPRESENTATIVE OF
8 THE SENIOR CITIZENS, AS MEMBERS.

9 “THE CITY, MUNICIPAL, AND BARANGAY MSMED COUNCILS
10 SHALL COORDINATE AND FORMULATE MEASURES TO ENSURE THE
11 OPERATIONAL AND FINANCIAL VIABILITY OF MSMEs WITHIN THEIR
12 TERRITORIAL JURISDICTION, TAKING INTO CONSIDERATION THE
13 RELEVANT FACTORS AFFECTING THE CAPACITIES OF THE MSMEs.”

14 SEC. 11. Section 8 of the same Act, as amended, is hereby further amended to read
15 as follows:

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

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

22 “x x x;

23 “(3) to assist the Council in coordinating and monitoring MICRO,
24 small and medium enterprise policies and programs and activities of
25 all government agencies with respect to MICRO, small and medium
26 enterprises;

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

30 “x x x.”

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

33 “SEC. 11. *Creation of THE Small Business [Guarantee and Finance]*
34 *Corporation. –* There is hereby created a body corporate to be known as the
35 Small Business [Guarantee and Finance] Corporation, hereinafter referred to

1 as the [Small Business Corporation (SB Corporation)] SB CORPORATION,
2 which shall be charged with the primary responsibility of implementing
3 comprehensive policies and programs to assist MSMEs in all areas, including
4 but not limited to finance and information services, training and marketing.”

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

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

11 “(a) The Secretary of Trade and Industry, WHO SHALL ACT AS
12 CHAIRPERSON OF THE BOARD UNTIL SUCH TIME THAT THE
13 PRESIDENT OF THE PHILIPPINES SHALL HAVE APPOINTED THE
14 CHAIRPERSON OF THE BOARD FROM AMONG ITS MEMBERS;

15 “(b) The Secretary of Finance;

16 “(C) THE PRESIDENT OF THE GOVERNMENT SERVICE
17 INSURANCE SYSTEM (GSIS);

18 “(D) THE PRESIDENT OF THE SOCIAL SECURITY SYSTEM
19 (SSS);

20 “[c] (E) A private sector representative to be appointed by the
21 President OF THE PHILIPPINES upon the recommendation of the
22 MSMED Council;

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

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

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

30 “All members of the Board so appointed, except for the *ex officio*
31 members, shall serve for a term of three (3) years [without reappointment.]
32 AND MAY BE REAPPOINTED TO ANOTHER TERM UNLESS EARLIER
33 REVOKED. IF THE TERM OF THE INCUMBENT MEMBER HAS
34 EXPIRED, THE MEMBER SHALL CONTINUE TO FUNCTION IN A
35 HOLDOVER CAPACITY UNTIL A REPLACEMENT HAS BEEN

1 APPOINTED AND QUALIFIED. [The]ANY person [so] appointed to replace a
2 member who has resigned, died, or been removed for cause shall serve only for
3 the unexpired portion of the term.

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

6 “x x x; and

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

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

19 “SEC. 11-B. *Corporate Structure and Powers.* – “A. The SB
20 Corporation shall:

21 “x x x.

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

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

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

32 “(c) [Guarantee loans obtained by qualified MSMEs under such terms and
33 conditions adopted by the SB Corporation Board of Directors;] ESTABLISH AN
34 ENTERPRISE REHABILITATION FUND FOR CALAMITY-STRICKEN MSMEs
35 NOT TO EXCEED FIVE HUNDRED MILLION PESOS (P500,000,000.00) AS

1 PART OF THE SB CORPORATION'S CAPITALIZATION BY THE
2 NATIONAL GOVERNMENT;

3 "x x x;

4 "(f) Apply for, receive and accept grants and donations from sources
5 within and outside the country; [and]

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

10 "(H) SUBMIT AN ANNUAL REPORT TO THE MSMED COUNCIL,
11 THE CONGRESS OF THE PHILIPPINES AND THE GCG ON THE
12 PERFORMANCE AND FINANCIAL CONDITION OF THE CORPORATION.

13 "THE SB CORPORATION SHALL BE EXEMPT FROM SECURING
14 PRIOR BSP AUTHORIZATION FOR ENGAGING IN QUASI-BANKING
15 ACTIVITIES AND SHALL NOT BE SUBJECT TO BSP SUPERVISION AND
16 REGULATION FOR SUCH ACTIVITIES."

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

19 "SEC. 11-C. *STRATEGIC MANAGEMENT OF THE SB*
20 *CORPORATION.* – THE BOARD OF THE SB CORPORATION, THROUGH
21 ITS CHAIRPERSON, SHALL BE FULLY RESPONSIBLE AND
22 ACCOUNTABLE FOR THE PERFORMANCE OF THE CORPORATION'S
23 MANDATE. FOR THIS PURPOSE, THE BOARD SHALL BE CONSTITUTED
24 AS A MANAGING BOARD TO CONCEPTUALIZE THE STRATEGIC PLANS
25 AND POLICIES OF THE CORPORATION.

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

32 SEC. 16. Section 12 of the same Act, as amended, is hereby further amended to read
33 as follows:

34 "SEC. 12. *Capitalization and Funding of the SB Corporation.* – The
35 SB Corporation shall have an authorized capital stock of [Ten] FIFTY billion

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

31 "NATIONAL GOVERNMENT EQUITY TO THE CORPORATION
32 SHALL BE INCLUDED IN THE ANNUAL GENERAL APPROPRIATIONS
33 ACT.

34 "[To allow for capital build-up, SB Corporation shall be given a five
35 (5) year grace period on dividend commitments beginning on the date of

1 effectivity of this amendment. Thereafter, it] THE SB CORPORATION may
2 [only] declare as dividend not more than thirty percent (30%) of its net income
3 and the rest withheld as retained earnings.”

4 SEC. 17. Section 13 of the same Act, as amended, is hereby further amended to read
5 as follows:

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

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

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

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

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

1 contemplated: *PROVIDED*, THAT A MAXIMUM OF THREE PERCENT (3%)
2 THEREOF SHALL BE THE ALLOCATION FOR MEDIUM ENTERPRISES.

3 “Compliance of this provision shall be:

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

5 “x x x; or

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

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

17 “(H) SUSTAINABLE FINANCE FOR PROJECTS OR ACTIVITIES
18 THAT WILL BENEFIT MSMEs; OR

19 “(I) INNOVATION DEVELOPMENT CREDIT FOR PURPOSES
20 OF DEVELOPING NEW TECHNOLOGIES, PRODUCT INNOVATION,
21 PROCESS INNOVATION, ORGANIZATIONAL INNOVATION, AND
22 MARKETING INNOVATION IN MSMEs; OR

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

32 “(K) INVESTMENTS IN MSMEs BY WAY OF PURCHASE OF
33 THEIR SECURITIES THROUGH AN ORGANIZED MARKET, INITIAL
34 PUBLIC OFFERING, FOLLOW-ON OFFERING, OR THROUGH

1 REGISTERED CROWDFUNDING INTERMEDIARIES, INCLUDING
2 INVESTMENT IN THE EQUITIES OF MSME STARTUPS; OR

3 “(L) LOANS TO, OR INVESTMENTS IN FINANCIAL
4 INSTITUTIONS THAT PROVIDE SUPPLY CHAIN FINANCING, VALUE
5 CHAIN FINANCING, TRADE FINANCING OR GUARANTEES FOR
6 MSMEs.

7 “MSME FINANCING THAT MEETS THE ELIGIBILITY CRITERIA
8 UNDER RA 11901, OR “THE AGRICULTURE, FISHERIES AND RURAL
9 DEVELOPMENT FINANCING ENHANCEMENT ACT OF 2022” AND
10 RA 11293, OR THE “PHILIPPINE INNOVATION ACT” SHALL BE
11 RECOGNIZED AS COMPLIANCE WITH THE MANDATORY CREDIT
12 REQUIREMENT UNDER THESE LAWS.

13 “ALL LENDING INSTITUTIONS SHALL ACTIVELY SUPPORT
14 AND PARTICIPATE IN PROGRAMS THAT FORM PART OF THE
15 PRIORITY INITIATIVES UNDER THE NATIONAL STRATEGY FOR
16 FINANCIAL INCLUSION 2022 TO 2028 THAT PROMOTE ACCESS TO
17 FINANCE FOR MSMEs WHILE ENSURING THAT THEY HAVE
18 ADEQUATE AND EFFECTIVE CREDIT RISK MANAGEMENT SYSTEMS.

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

33 “The [*Bangko Sentral ng Pilipinas*] BSP AND THE SEC, IN
34 CONSULTATION WITH THE MSMED COUNCIL AND THE DTI, shall
35 formulate rules for the effective implementation of this provision: *Provided,*

1 That the purchase of government notes, securities and other negotiable
2 instruments shall not be deemed compliance with the foregoing provisions:
3 *Provided, further,* That the [*Bangko Sentral ng Pilipinas*] BSP AND THE SEC,
4 IN CONSULTATION WITH ALL STAKEHOLDERS, shall establish [an] A
5 MEANINGFUL incentive [program] SYSTEM to encourage [lending to micro,
6 small and medium industries beyond the mandatory credit allocation to said
7 enterprises,] COMPLIANCE WITH THIS PROVISION, such as possible
8 reduction in bank’s reserve requirement[.]: *PROVIDED, FINALLY,* THAT
9 THE BSP AND THE SEC SHALL ALIGN THEIR REGULATIONS ON THE
10 PENALTIES FOR BANKS AND OTHER ENTITIES, FOR
11 NONCOMPLIANCE WITH THE PROVISION FOR MANDATORY
12 LENDING.

13 “The MSMED Council shall set up the appropriate systems to
14 monitor all loan applications of MSMEs in order to account for the absorptive
15 capacity of the MSME sector. EACH LENDING INSTITUTION SHALL
16 DESIGNATE AN OFFICER WHO SHALL PREPARE AND SIGN THE
17 REPORT ON COMPLIANCE AND NONCOMPLIANCE WITH THE
18 MANDATORY CREDIT ALLOCATION, FOR SUBMISSION TO THE BSP IN
19 THE CASE OF BANKS, AND THE SEC IN THE CASE OF NON-BANK
20 FINANCIAL INTERMEDIARIES. The [*Bangko Sentral ng Pilipinas*] BSP IN
21 THE CASE OF BANKS, AND THE SEC IN THE CASE OF NON-BANK
22 FINANCIAL INTERMEDIARIES, shall furnish to the MSMED Council on a
23 quarterly basis comprehensive reports on the [bank’s] LENDING ENTITY’S
24 compliance[,] AND noncompliance [and penalties of] WITH the above
25 provisions on the mandatory credit allocation for MSMEs[.], AND SHALL
26 SUBMIT AN ANNUAL REPORT, SIGNED BY AN OFFICER WITH THE
27 RANK OF AT LEAST A MANAGING DIRECTOR, ON THE AMOUNTS OF
28 THE PENALTIES FOR NONCOMPLIANCE WITH THE MANDATORY
29 LENDING PROVISION OF THIS ACT.

30 “ALL BANKS SHALL PROVIDE ACCESS TO DEPOSIT
31 ACCOUNTS, SUCH AS SAVINGS, CHECKING AND DEBIT ACCOUNTS,
32 TO REGISTERED MSMEs. FINANCIAL TECHNOLOGY SHALL BE
33 PROVIDED TO MSMEs TO ENSURE THEIR FINANCIAL INCLUSION.

1 “ALL LENDERS SHALL REPORT CREDIT INFORMATION AND
2 TRANSACTIONS OF MSMEs TO THE CIC TO MONITOR PROPER
3 COMPLIANCE AND EFFICIENT IMPLEMENTATION.

4 “FOR EFFICIENT IMPLEMENTATION AND OPERATION,
5 COOPERATIVES EXCEPT COOPERATIVE BANKS AND INSURANCE
6 COOPERATIVES SHALL BE UNDER THE SOLE SUPERVISION AND
7 EXAMINATION OF THE CDA; ALL OTHER FINANCIAL ENTITIES,
8 CORPORATIONS AND FINANCIAL INTERMEDIARIES, SUCH AS NON-
9 GOVERNMENT ORGANIZATIONS (NGOs), FINANCING COMPANIES,
10 NON-STOCK SAVINGS AND LOAN ASSOCIATIONS, MICROFINANCE
11 NGOs, AND LENDING INVESTORS SHALL BE UNDER THE SEC; BANKS
12 SHALL BE UNDER THE BSP; AND INSURANCE COMPANIES SHALL BE
13 UNDER THE IC.

14 “FOR CLARITY, COOPERATIVE BANKS SHALL BE UNDER THE
15 SUPERVISION AND EXAMINATION OF THE CDA AND BSP; WHILE
16 INSURANCE COOPERATIVES SHALL BE UNDER THE SUPERVISION
17 AND EXAMINATION OF THE CDA AND IC.

18 “Lending institutions which are not qualified to acquire or hold lands
19 of the public domain in the Philippines shall be permitted to bid and take part
20 in sales of mortgaged real property in case of judicial or extra-judicial
21 foreclosure, as well as avail of receivership, enforcement and other
22 proceedings, solely upon default of a borrower, and for a period not exceeding
23 five (5) years from actual possession: *Provided*, That in no event shall title to
24 the property be transferred to such lending institution. If the lending
25 institution is the winning bidder, it may, during said five (5) year period,
26 transfer its rights to a qualified Philippine national, without prejudice to a
27 borrower’s rights under applicable laws.”

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

30 “SEC. 18. *Congressional Oversight Committee*. – To monitor and
31 oversee the implementation of this Act, there shall be a Congressional
32 Oversight Committee on Micro, Small and Medium Enterprise Development
33 (COC-MSMED) composed of the chairpersons of the Senate Committee on
34 Economic Affairs and the House Committee on [Small Business and
35 Entrepreneurship Development] MICRO, SMALL AND MEDIUM

1 ENTERPRISE DEVELOPMENT as chairperson and co-chairperson,
2 respectively; x x x .”

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

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

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

17 “Penalties on noncompliance shall be directed to the development of
18 the MSME sector. Ninety percent (90%) of the penalties collected [should]
19 SHALL go to the MSMED Council Fund, while the remaining ten percent
20 (10%) [should] SHALL be [given] REMITTED to the BSP, THE SEC, OR THE
21 APPROPRIATE AGENCY THAT EXERCISES REGULATORY
22 JURISDICTION OVER SUCH LENDING ENTITY, to cover for
23 administrative expenses.

24 “THE CHAIRPERSON OF THE MSMED COUNCIL SHALL SUBMIT
25 TO THE CONGRESS OF THE PHILIPPINES AN ANNUAL REPORT ON
26 THE STATUS OF THE PENALTIES REMITTED INCLUDING ITS
27 UTILIZATION IN RELATION TO THE IMPLEMENTATION OF SERVICES
28 TO MSMEs IN THE AREAS OF CAPACITY BUILDING, TECHNOLOGY
29 INFORMATION, INFORMATION COLLECTION AND DISSEMINATION,
30 AND OTHER INTERVENTIONS FOR MSME DEVELOPMENT, GROWTH
31 AND SUSTAINABILITY.

32 “(b) EXCEPT FOR SECURITIES COVERED UNDER RA 8799, OR
33 “THE SECURITIES REGULATION CODE”, ENTITIES SHALL SECURE
34 THE NECESSARY APPROVAL OF THE SEC PRIOR TO RECEIVING
35 INVESTMENTS AS WELL AS GIFTS, ITEMS OR OTHER COMMODITIES,

1 EITHER IN THE FORM OF CASH OR ITS EQUIVALENT CASH VALUE IN
2 CONSIDERATION OF RETURN OF PROFIT OR BENEFIT COMING FROM
3 MORE THAN TWENTY (20) INDIVIDUALS. THE PRESIDENT, MANAGER
4 OR OFFICER OF ANY ENTITY WHO FAILS TO SECURE SUCH
5 APPROVAL SHALL SUFFER THE PENALTY OF IMPRISONMENT OF
6 NOT LESS THAN THIRTY (30) DAYS BUT NOT MORE THAN ONE
7 HUNDRED EIGHTY (180) DAYS, OR A FINE OF NOT LESS THAN TEN
8 THOUSAND PESOS (₱10,000.00) BUT NOT MORE THAN ONE HUNDRED
9 THOUSAND PESOS (₱100,000.00), OR BOTH, AT THE DISCRETION OF
10 THE COURT.”

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

19 SEC. 23. *Separability Clause*. – The provisions of this Act are hereby declared to be
20 separable. If any provision of this Act shall be held unconstitutional, the remainder of this
21 Act not otherwise affected shall remain in full force and effect.

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

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

Approved,