

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session



HOUSE BILL NO. 6764

Introduced by **REPRESENTATIVE AUDREY KAY T. ZUBIRI**

AN ACT

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

EXPLANATORY NOTE

This proposed measure seeks to further amend the Magna Carta for Micro, Small and Medium Enterprises (MSMEs) to eliminate systemic barriers to growth and foster a dynamic entrepreneurial environment capable of adapting to both domestic and international market demands. It aims to enhance financing mechanisms by restoring a 10% quota instead of 8% for the MSMEs, build entrepreneurial capacity by making 1% of the public facilities rent-free for these institutions, ask malls not to charge royalty charges and provide 20% space to MSME. The measure also proposes improved coordination among government agencies and institutionalized support for sustainable and inclusive MSME development.

MSMEs have long been the backbone of the Philippine economy. ¹According to the Department of Trade and Industry (DTI), 1,236,908 out of 1,241,476 businesses or 99.63% of businesses in the country fall under the category of micro, small, and medium enterprises (MSMEs). Despite their contributions to the country's economy and employment, MSMEs continue to face persistent challenges in accessing financing, red-tape, technology, training, and market opportunities.

¹<https://www.dti.gov.ph/dti-knowledge-hub/dti-statistics/dti-msme-statistics>.

MSMEs account for approximately 50% to 95% of total employment of Filipinos, contribute 30% to 53% of the country's GDP, and represent 19% to 31% of our total exports. However, the country still remains behind its Southeast Asian neighbors in terms of MSME contributions to economic growth with countries like Vietnam contributing 42% to its GDP, Indonesia at 57%, and Thailand at 47%. Studies suggest that this discrepancy is largely due to limited government support, weak coordination among agencies, and insufficient access to funding and innovation platforms².

While there have been certain policies directed towards financial assistance for MSMEs—such as Republic Act No. 6977 as amended, or the Magna Carta for MSMEs—businesses still barely breathe under the original framework, particularly in terms of the lending quota, processes, penalties, and other regulatory burdens.

Through this proposed measure, we aim not only to promote access to financing mechanisms to MSMEs but to further improve coordination among government agencies to support a more sustainable development of MSMEs.

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



AUDREY KAY T. ZUBIRI

Representative, 3rd District of Bukidnon

² <https://cids.up.edu.ph/wp-content/uploads/2022/02/UP-CIDS-Discussion-Paper-2021-01.pdf>

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

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

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

14 “x x x.”

15
16 **SEC. 2.** Section 3 of the same Act, as amended, is hereby further amended to read as
17 follows:

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

25
26 micro: not more than P3,000,000

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

28 medium: P15,000,001 - P100,000,000
29

30 “The above definitions shall be subject to review EVERY THREE (3)
31 YEARS and adjustment, WHEN NECESSARY, by the Micro, Small and Medium
32 Enterprises Development (MSMED) Council under Section 6 of this Act or upon
33 recommendation of sectoral organizations concerned, taking into account inflation
34 and other economic indicators. x x x”
35

36 **SEC. 3.** Section 4 of the same Act, as amended, is hereby further amended to read as
37 follows:
38

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

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

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

50 “x x x.”

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

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

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

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

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

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

“(C) THE NATIONAL GOVERNMENT, ITS BUREAUS, OFFICES, AND AGENCIES SHALL ALLOCATE AT LEAST TWENTY PERCENT (20%) OF ALL ITS PROCUREMENT OPPORTUNITIES FOR GOODS AND

83 SERVICES TO ELIGIBLE MSMEs IN ACCORDANCE WITH THE
84 APPLICABLE PROCUREMENT LAW, RULES, AND REGULATIONS.

85 "THE GOVERNMENT PROCUREMENT POLICY BOARD SHALL
86 FORMULATE THE RULES FOR THE EFFECTIVE IMPLEMENTATION OF
87 THIS PROVISION AND ITS TECHNICAL SUPPORT OFFICE SHALL
88 MONITOR THE COMPLIANCE OF GOVERNMENT AGENCIES ON THE
89 REQUIRED PROCUREMENT FOR MSMEs AND SUBMIT ITS REPORT TO
90 THE MSMED COUNCIL ON A SEMESTRAL BASIS AND TO THE
91 CONGRESS OF THE PHILIPPINES, THROUGH ITS APPROPRIATE
92 COMMITTEES ON A YEARLY BASIS.

93 "(D) DULY REGISTERED MICRO AND SMALL ENTERPRISES
94 SHALL BE ENTITLED TO A DISCOUNT OF AT LEAST TWENTY
95 PERCENT (20%) ON SHIPPING AND DELIVERY FEES FOR THEIR
96 PRODUCTS AND RAW MATERIALS, AS WELL AS FOR MAILING,
97 FREIGHT, AND OTHER SIMILAR SERVICES PROVIDED BY EITHER
98 PUBLIC OR PRIVATE COURIERS.

99 "(E) THE OFFICIAL IN CHARGE WITH THE OPERATION OF
100 GOVERNMENT BUILDINGS, STRUCTURES, AND OPEN AREAS,
101 INCLUDING PUBLIC MARKETS, WHETHER WET OR DRY, AIRPORTS,
102 SEA PORTS, FISH PORTS, PARKS, ZOOS, CONVENTION CENTERS,
103 ENTERTAINMENT CENTERS, TOURISM CENTERS, SCHOOLS, SCHOOL
104 CAMPUSES, AND OTHER SIMILAR STRUCTURES OR AREAS SUITABLE
105 FOR SELLING OR MARKETING, WHETHER PERMANENT OR
106 TEMPORARY, THAT CAN BE USED AS SELLING AREAS, SHALL
107 PROVIDE AN AUTHORIZED MSME STORE FREE SPACE MEASURING
108 AT LEAST ONE PERCENT (1%) OF THE TOTAL SPACE AVAILABLE
109 THEREIN. FOR PURPOSES OF THIS ACT, FREE SPACE REFERS TO THE
110 SPACE THAT MAY BE USED FOR SELLING PURPOSES WITHOUT NEED
111 FOR THE PAYMENT OF RENT, GOODWILL FEES, ROYALTIES,
112 COMMISSION, PERCENTAGES ON SALES, NOR ANY OTHER SIMILAR
113 SCHEME.

114 "(F) THE OWNER OR OPERATOR OF PRIVATE MALLS,
115 SUPERMARKETS, SHOPPING CENTERS, AND COMMERCIAL SELLING

ESTABLISHMENTS SHALL BE ENCOURAGED TO PROVIDE FREE SPACE TO ANY AUTHORIZED MSME STORE.

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

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

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

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

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

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

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

“(H) FREE BASIC CREDIT REPORT FOR MSMEs. – THE CREDIT INFORMATION CORPORATION (CIC) SHALL PROVIDE MSMEs WITH BASIC CREDIT REPORTS, FREE OF CHARGE, ONCE PER YEAR. THE

149 BASIC CREDIT REPORT SHALL SERVE AS THE PRIMARY PROOF OF
150 CREDIT WORTHINESS OF MSMEs IN THEIR LOAN APPLICATIONS.

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

155
156 **SEC. 5.** Section 5 of the same Act, as amended, is hereby further amended to read as
157 follows:

158
159 “SEC. 5. Guiding Principles. – To set the pace for MSME development, the State shall
160 be guided by the following principles:

161
162 “(a) Minimal set of rules and simplification of procedures and requirements.
163 All government agencies having to do with MICRO, [~~AND~~] small AND MEDIUM
164 enterprises shall pursue the principles of minimum regulation to ensure stability of
165 rules and to encourage entrepreneurial spirit among the citizenry. The agencies
166 shall see to it that procedural rules and requirements, within their respective offices
167 in coordination with other agencies, are minimized in the act of registration,
168 availment of financing and accessing other government services and assistance.

169
170 “(b) Role of the private sector. In order to hasten growth and expansion of
171 MICRO, small and medium enterprises, the private sector throughout the country
172 shall be encouraged to assist in the effective implementation of this Act by
173 participating in government programs for MICRO, small and medium enterprises
174 strictly in accordance with the law, and consistent with the attainment of the
175 purposes hereof. To encourage private sector participation, the Council, in
176 consultation with the concerned sector, may recommend simplified procedure and
177 localized incentives to MICRO, [~~AND~~] small AND MEDIUM enterprises. The
178 Government shall encourage the organization and establishment of MICRO, small
179 and medium enterprise industry associations at the local and regional levels
180 preferably unified under a national federation/association.

182 “(c) Coordination of government efforts. Government efforts shall be
183 coordinated to achieve coherence in objectives. All appropriate offices,
184 particularly those under the Departments of Trade and Industry, Finance, Budget
185 and Management, Agriculture, Agrarian Reform, Environment and Natural
186 Resources, Labor and Employment, Transportation [~~and Communications~~],
187 INFORMATION AND COMMUNICATIONS TECHNOLOGY, Public Works
188 and Highways, Science and Technology, Interior and Local Government, and
189 Tourism as well as the National Economic and Development Authority, Philippine
190 Information Agency, SEC and the Bangko Sentral ng Pilipinas (BSP), through
191 their national, regional, and provincial offices shall, to the best of their efforts and
192 in coordination with local government units, provide the necessary support and
193 assistance to MSMEs.

194
195 THE DTI SHALL BE THE LEAD AGENCY THEREFOR.

196 “X X X.”

197
198 **SEC. 6.** Section 6 of the same Act, as amended, is hereby further amended to read as
199 follows:

200
201 “SEC. 6. Micro, Small and Medium Enterprises Development Plan
202 (MSMEDP). – The President OF THE PHILIPPINES shall approve a six-year
203 micro, small and medium enterprises development plan prepared by the
204 [~~Department of Trade and Industry (DTI)~~] DTI which shall form part of the
205 [~~Medium Term~~] Philippine Development Plan ([~~MT~~]PDP). It shall be formulated
206 in consultation with the private sector AND ALL RELEVANT STAKEHOLDERS,
207 validated and updated semestrally. Such plan shall include a component on a micro
208 credit financing scheme.”

209
210 **SEC. 7.** Section 7 of the same Act, as amended, is hereby further amended to read as
211 follows:

212
213 “SEC. 7. Micro, Small and Medium Enterprise Development (MSMED)
214 Council. – The existing Small and Medium Enterprise Development Council, which

was created by ~~[Republic Act No.]~~ RA 6977, as amended ~~[by Republic Act No. 8289]~~, shall be strengthened to effectively spur the growth and development of MSMEs throughout the country, and to carry out the policy declared in this Act and shall now be known as the Micro, Small and Medium Enterprise Development (MSMED) Council. The Council shall be attached to the ~~[Department of Trade and Industry]~~ DTI and shall be constituted within sixty (60) days after the approval of this Act.

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

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

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

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

“(b) The Secretary of Agriculture;

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

“(D) THE SECRETARY OF FINANCE;

“(E) THE SECRETARY OF SCIENCE AND TECHNOLOGY;

“(F) THE SECRETARY OF TOURISM;

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

245 ~~“(d)~~ (H) Three (3) representatives from the MSME sector, ~~[to represent~~
246 ~~Luzon, Visayas and Mindanao, with at least one (1) representative from the~~
247 ~~microenterprise sector]~~ TO BE NOMINATED BY THE PHILIPPINE CHAMBER
248 OF COMMERCE AND INDUSTRY; AND

249 ~~“(e) One (1) representative from the women sector designated by the~~
250 ~~Philippine Commission on Women;]~~

251 ~~“(f) One (1) representative from the youth sector designated by the~~
252 ~~National Youth Commission; and]~~

253 ~~“(g)~~—(I) The ~~[Chairman]~~ PRESIDENT of THE Small Business
254 Corporation.

255 “A. Advisory Unit. – There shall be an Advisory Unit to the Council,
256 which shall consist of the following OR THEIR DULY DESIGNATED
257 REPRESENTATIVE:

258 “(a) [The Secretary of Science and Technology] THE SECRETARY OF
259 AGRARIAN REFORM;

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

261 “(C) THE CHAIRPERSON OF THE SEC;

262 ~~“(e)~~ (D) The President of the Land Bank of the Philippines;

263 ~~“(d)~~ (E) The President of the Development Bank of the Philippines;

264 ~~“(e)~~ (F) The Director General of the National Economic and
265 Development Authority;

266 “(G) THE CHAIRPERSON OF THE COOPERATIVE
267 DEVELOPMENT AUTHORITY (CDA);

268 “(H) THE PRESIDENT OF THE PHILIPPINE GUARANTEE
269 CORPORATION;

270 “(I) THE COMMISSIONER OF THE INSURANCE COMMISSION (IC);

271 “(J) THE PRESIDENT OF THE PHILIPPINE CROP INSURANCE
272 CORPORATION;

273 “(K) A REPRESENTATIVE OF A NATIONAL ORGANIZATION
274 REPRESENTING AND DOMINATED BY MSMEs;

275 ~~“(f)~~ (L) One (1) representative from the labor sector, to be nominated by
276 accredited labor groups;

277 “[(g)] (M) A representative from the private banking sector to serve
278 [alternatively] ALTERNATELY [~~between~~] AMONG the [e]Chamber of [t]Thrift
279 [b]Banks, [~~and~~] the Rural Banker’s Association of the Philippines [(RBAP)], AND
280 THE BANKERS ASSOCIATION OF THE PHILIPPINES;

281 “[~~(h)~~] (N) A representative of the microfinance nongovernment
282 organizations (NGOs), DESIGNATED BY THE MICROFINANCE NGO
283 REGULATORY COUNCIL;

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

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

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

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

291 “(S) A REPRESENTATIVE FROM NON-STOCK SAVINGS AND
292 LOAN ASSOCIATIONS DESIGNATED BY THE ALLIANCE
293 OF ON-STOCK SAVINGS AND LOAN INSTITUTIONS, INC. (ANSLI).

294 “x x x.”

295
296 **SEC. 9.** Section 7-B of the same Act, as amended, is hereby further amended to read as
297 follows:

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

300 “x x x;

301 “(d) To review the existing policies of government agencies that would
302 affect the growth and development of MSMEs and recommend changes to the
303 President OF THE PHILIPPINES and Congress through the Committee on
304 Economic Affairs of the Senate and the Committee on [~~Small Business and~~
305 ~~Entrepreneurship~~] MICRO, SMALL AND MEDIUM ENTERPRISE Development
306 of the House of Representatives, whenever deemed necessary. This shall include
307 efforts to simplify rules and regulations, as well as review of the applicability and
308 relevance of procedural and documentary requirements in the registration,

309 financing, and other activities relevant to MSMEs the result shall be included in the
310 annual report to be submitted to Congress;

311 “x x x;

312 “(h) To promote the productivity and viability of MSMEs IN DTI’S TOP
313 PRIORITY INDUSTRIES FOR DEVELOPMENT by way of directing [~~and~~]or
314 assisting relevant government agencies and institutions at the national, regional and
315 provincial levels towards the: “x x x;

316
317 “(12) Through appropriate government agencies:

318 “x x x;

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

322 “x x x.”

323
324 “B. ADDITIONAL FUNCTIONS OF THE MSMED COUNCIL. – AS
325 PROVIDED FOR IN SECTION 10 OF RA 10644, OR THE “GO NEGOSYO
326 ACT”, THE MSMED COUNCIL SHALL HAVE THE FOLLOWING
327 ADDITIONAL FUNCTIONS:

328
329 “(A) COORDINATING AND OVERSIGHT BODY FOR THE MSME
330 NEGOSYO CENTER. – THE MSMED COUNCIL SHALL, THROUGH THE
331 DTI, ACT AS THE COORDINATING AND SUPERVISING BODY FOR ALL
332 THE AGENCIES INVOLVED IN THE ESTABLISHMENT AND OPERATION
333 OF THE MSME NEGOSYO CENTERS. THE MSMED COUNCIL SHALL
334 MONITOR AND ASSESS THE PROGRESS OF THE MSME NEGOSYO
335 CENTERS, WHICH SHALL BE INCLUDED IN ITS ANNUAL REPORT TO
336 BE SUBMITTED TO THE CONGRESS;

337 “(B) PROVISION OF A COMPLIANCE GUIDE. – FOR EACH RULE
338 OR GROUP OF RELATED RULES ISSUED BY ANY GOVERNMENT
339 AGENCY FOR COMPLIANCE BY MSMEs, THE COUNCIL SHALL PUBLISH

COMPLIANCE GUIDELINES WHICH SHALL BE WRITTEN IN PLAIN LANGUAGE OR IN THE LOCAL DIALECT, IF NECESSARY.

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

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

373 “(D) POLICY FORMULATION ON WOMEN
374 ENTREPRENEURSHIP. – THE COUNCIL SHALL PROVIDE POLICY
375 DIRECTION TOWARDS RECOGNIZING WOMEN’S APTITUDE AND
376 TALENT IN ENTREPRENEURSHIP AS WELL AS
377 ESTABLISH LINKAGES THAT WILL ENABLE MORE OPPORTUNITIES
378 FOR WOMEN TO ENGAGE IN ENTREPRENEURSHIP; AND

379 “(E) DEVELOPMENT OF ENTREPRENEURIAL EDUCATION AND
380 TRAINING. – THE MSMED COUNCIL SHALL DEVELOP, IN
381 COORDINATION WITH THE DEPARTMENT OF EDUCATION,
382 TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY,
383 AND COMMISSION ON HIGHER EDUCATION (CHED), A COURSE
384 CURRICULUM OR TRAINING PROGRAMS IN ENTREPRENEURSHIP
385 AND PERSONAL FINANCE, INCLUDING DIGITAL FINANCIAL
386 LITERACY, THAT WILL PROMOTE ENTREPRENEURIAL CULTURE AND
387 COMPETENCE, AND ENCOURAGE THE USE OF DIGITAL PLATFORMS IN
388 FINANCIAL TRANSACTIONS. ENTREPRENEURSHIP SHALL BE
389 INTEGRATED IN THE CURRICULUM OF EDUCATIONAL AND TRAINING
390 INSTITUTIONS IN ALL LEVELS.

391 “THE CHED SHALL HAVE A PROGRAM WHEREIN GRADUATING
392 COLLEGE AND POSTGRADUATE STUDENTS SHALL ASSIST
393 ENTREPRENEURS IN MAKING BANKABLE FEASIBILITY STUDIES AS
394 FULFILLMENT OF THEIR ACADEMIC REQUIREMENTS.”

395
396 **SEC. 10.** A new section is hereby inserted after Section 7-B of the same Act, as
397 amended, and numbered as Section 7-C to read as follows:

398
399 “SEC. 7-C. CITY, MUNICIPAL, AND BARANGAY MSMED
400 COUNCIL. – THERE SHALL BE CREATED A MSMED COUNCIL IN
401 EVERY CITY, MUNICIPALITY, AND BARANGAY WHICH SHALL HAVE
402 THE AUTHORITY TO PROPOSE POLICIES THAT ARE GEARED TO ASSIST
403 MSMEs IN THE AREAS OF PRODUCTIVITY ENHANCEMENT,
404 MARKETING, ACHIEVING SUSTAINABILITY BY EXTENDING CREDIT

405 TO CUSTOMERS, AND IMPLEMENTING EFFICIENT LOAN COLLECTION
406 SYSTEMS, AMONG OTHER STRATEGIES.

407 "THE CITY OR MUNICIPAL MSMED COUNCIL SHALL BE
408 COMPOSED OF THE CITY OR MUNICIPAL BUSINESS PERMIT AND
409 LICENSING OFFICER AS CHAIRPERSON, THE PRESIDENT OF THE
410 ASSOCIATION OF BARANGAY CAPTAINS, THE PRESIDENT OF THE
411 SANGGUNIANG KABATAAN FEDERATION, THE TOURISM OFFICER,
412 AND THE CITY OR MUNICIPAL AGRICULTURIST OR THE CITY
413 PLANNING OFFICER, AS MEMBERS.

414 "THE BARANGAY MSMED COUNCIL SHALL BE COMPOSED OF
415 THE PUNONG BARANGAY AS CHAIRPERSON, THE SANGGUNIANG
416 KABATAAN CHAIRPERSON, A REPRESENTATIVE OF THE WOMEN'S
417 BRIGADE OR WOMEN'S SECTOR, A REPRESENTATIVE OF THE
418 BARANGAY PUBLIC SAFETY OFFICE, AND A REPRESENTATIVE OF THE
419 SENIOR CITIZENS, AS MEMBERS.

420 "THE CITY, MUNICIPAL, AND BARANGAY MSMED COUNCILS
421 SHALL COORDINATE AND FORMULATE MEASURES TO ENSURE THE
422 OPERATIONAL AND FINANCIAL VIABILITY OF MSMEs WITHIN THEIR
423 TERRITORIAL JURISDICTION, TAKING INTO CONSIDERATION THE
424 RELEVANT FACTORS AFFECTING THE CAPACITIES OF THE MSMEs."

425
426 **SEC. 11.** Section 8 of the same Act, as amended, is hereby further amended to read as
427 follows:

428 "SEC. 8. *Designation of the Bureau of Micro, Small and Medium Enterprise*
429 *Development as Council Secretariat.* – x x x:

430 "(1) to prepare, in coordination with local government units and/or
431 associations of local government officials, and recommend annual as well
432 as medium-term MICRO, small and medium enterprise development
433 plans for approval of the Council;

434 "x x x;

435 "(3) to assist the Council in coordinating and monitoring MICRO, small
436 and medium enterprise policies and programs and activities of all

government agencies with respect to MICRO, small and medium enterprises;

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

“x x x.”

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

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

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

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

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

“(b) The Secretary of Finance;

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

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

469 “[e] (E) A private sector representative to be appointed by the President OF THE
470 PHILIPPINES upon the recommendation of the MSMED Council;

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

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

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

478 “All members of the Board so appointed, except for the ex officio members, shall
479 serve for a term of three (3) years [without reappointment.] AND MAY BE
480 REAPPOINTED TO ANOTHER TERM UNLESS EARLIER REVOKED. IF THE TERM
481 OF THE INCUMBENT MEMBER HAS EXPIRED, THE MEMBER SHALL
482 CONTINUE TO FUNCTION IN A HOLDOVER CAPACITY UNTIL A
483 REPLACEMENT HAS BEEN APPOINTED AND QUALIFIED. [The]ANY person [so]
484 appointed to replace a member who has resigned, died, or been removed for cause shall
485 serve only for the unexpired portion of the term.

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

488 “x x x; and

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

498
499 **SEC. 14.** Section 11-B of the same Act, as amended, is hereby further amended, to read as
500 follows:

501
502 “SEC. 11-B. Corporate Structure and Powers. – “A. The SB Corporation shall:

503 “x x x.

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

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

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

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

518 “x x x;

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

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

525 “(H) SUBMIT AN ANNUAL REPORT TO THE MSMED COUNCIL, THE
526 CONGRESS OF THE PHILIPPINES AND THE GCG ON THE PERFORMANCE AND
527 FINANCIAL CONDITION OF THE CORPORATION.

528 “THE SB CORPORATION SHALL BE EXEMPT FROM SECURING PRIOR
529 BSP AUTHORIZATION FOR ENGAGING IN QUASI-BANKING ACTIVITIES AND
530 SHALL NOT BE SUBJECT TO BSP SUPERVISION AND REGULATION FOR SUCH
531 ACTIVITIES.”

532
533 **SEC. 15.** A new section is hereby inserted after Section 11-B of the same Act, as amended, and
534 numbered as Section 11-C to read as follows:

535
536 “SEC. 11-C. STRATEGIC MANAGEMENT OF THE SB CORPORATION. –
537 THE BOARD OF THE SB CORPORATION, THROUGH ITS CHAIRPERSON, SHALL
538 BE FULLY RESPONSIBLE AND ACCOUNTABLE FOR THE PERFORMANCE OF

THE CORPORATION'S MANDATE. FOR THIS PURPOSE, THE BOARD SHALL BE CONSTITUTED AS A MANAGING BOARD TO CONCEPTUALIZE THE STRATEGIC PLANS AND POLICIES OF THE CORPORATION.

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

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

"SEC. 12. Capitalization and Funding of the SB Corporation. – The SB Corporation shall have an authorized capital stock of ~~[Ten]~~ FIFTY billion pesos ~~[(P10,000,000,000.00)]~~ (P50,000,000,000.00), WHICH SHALL BE DIVIDED INTO 400,000 COMMON SHARES AND 100,000 PREFERRED SHARES WITH A PAR VALUE OF ONE HUNDRED PESOS (P100.00) PER SHARE. The initial capital of One billion pesos (P1,000,000,000.00) ~~[shall be]~~ established from a pool of funds ~~[to be]~~ contributed in the form of equity investments in common stock by the Land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP), in the amount of Two hundred million pesos (P200,000,000.00) each ~~[.The]~~ AND ALSO BY THE Social Security System (SSS) and the Government Service Insurance System (GSIS) ~~[shall also set aside]~~ IN THE AMOUNT OF Two hundred million pesos (P200,000,000.00) each ~~[for the SB Corporation]~~ SHALL REMAIN PART OF THE CAPITALIZATION OF THE SB CORPORATION. ~~[Authorized capital stock of the Small Business Corporation shall be divided into 80,000,000 common shares and 20,000,000 preferred shares with a par value of One hundred pesos (P100.00) per share]:~~ Provided, That the common shares which have been issued, including those issued against the assets of the KKK Guaranty Fund consolidated under the ~~[s]Small [b]Business [e]Corporation~~ by virtue of Executive Order No. 233, Series of 2000 and Executive Order No. 19, Series of 2001 and including those already subscribed, shall ~~[form]~~ LIKEWISE REMAIN part of the capitalization of the corporation: Provided, further, That holders of preferred shares issued under ~~[Republic Act No.]~~ RA 6977, as amended, shall have the option to convert the same into common shares. Additional equity funding shall come from trust placements of excess and unused funds of existing government agencies, bilateral and multilateral official development assistance funds, subscriptions from government-owned or -controlled corporations AND THE NATIONAL GOVERNMENT THROUGH THE

DEPARTMENT OF BUDGET AND MANAGEMENT, and investments of private financial institutions and corporations: Provided, finally, That any investment from the private sector shall only be in the form of preferred shares.

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

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

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

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

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

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

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

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

620 “Compliance of this provision shall be:

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

622 “x x x; or

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

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

633 “(H) SUSTAINABLE FINANCE FOR PROJECTS OR ACTIVITIES THAT
634 WILL BENEFIT MSMEs; OR

635 “(I) INNOVATION DEVELOPMENT CREDIT FOR PURPOSES OF
636 DEVELOPING NEW TECHNOLOGIES, PRODUCT INNOVATION, PROCESS
637 INNOVATION, ORGANIZATIONAL INNOVATION, AND MARKETING
638 INNOVATION IN MSMEs; OR

639 “(J) FINANCING FOR COMPANIES THAT MAINTAIN AND OPERATE
640 ELECTRONIC PLATFORMS THAT FACILITATE VALUE CHAIN AND SUPPLY
641 CHAIN FINANCING TRANSACTIONS WITH MSMEs, MSME DIGITALIZATION, OR
642 WHICH OFFER/PROVIDE TECHNOLOGY-BASED SOLUTIONS TO MSMEs FOR
643 PURPOSES OF PROMOTING E-COMMERCE, INCLUDING ALTERNATIVE DATA
644 CREDIT SCORING, DIGITAL ACCOUNTING AND BOOKING APPLICATIONS,

645 PRODUCTION, MARKETING AND DISTRIBUTION, AND TAX COMPLIANCE
646 ONLINE TOOLS; OR

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

652 “(L) LOANS TO, OR INVESTMENTS IN FINANCIAL INSTITUTIONS THAT
653 PROVIDE SUPPLY CHAIN FINANCING, VALUE CHAIN FINANCING, TRADE
654 FINANCING OR GUARANTEES FOR MSMEs.

655 “MSME FINANCING THAT MEETS THE ELIGIBILITY CRITERIA UNDER RA
656 11901, OR “THE AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT
657 FINANCING ENHANCEMENT ACT OF 2022” AND RA 11293, OR THE “PHILIPPINE
658 INNOVATION ACT” SHALL BE RECOGNIZED AS COMPLIANCE WITH THE
659 MANDATORY CREDIT REQUIREMENT UNDER THESE LAWS.

660 “ALL LENDING INSTITUTIONS SHALL ACTIVELY SUPPORT AND
661 PARTICIPATE IN PROGRAMS THAT FORM PART OF THE PRIORITY INITIATIVES
662 UNDER THE NATIONAL STRATEGY FOR FINANCIAL INCLUSION 2022 TO 2028
663 THAT PROMOTE ACCESS TO FINANCE FOR MSMEs WHILE ENSURING THAT
664 THEY HAVE ADEQUATE AND EFFECTIVE CREDIT RISK MANAGEMENT
665 SYSTEMS.

666 “LENDING INSTITUTIONS SHALL ALSO ADOPT CASH FLOW-BASED
667 LENDING WHICH PLACES EMPHASIS ON THE CAPACITY
668 TO PAY OF AN MSME RATHER THAN COLLATERAL. WHEN GRANTING MSME
669 CREDIT, LENDING INSTITUTIONS SHALL UTILIZE SIMPLIFIED LOAN
670 APPLICATION FORMS AND REQUIRE STREAMLINED DOCUMENTARY
671 REQUIREMENTS. LENDING INSTITUTIONS SHALL ALSO CONSIDER
672 ALTERNATIVE DATA AS WELL AS AVAILABLE CREDIT RISK INFORMATION IN
673 DETERMINING AN MSME BORROWER’S CAPACITY TO PAY. FOR PURPOSES OF
674 MITIGATING CREDIT RISK, LENDING INSTITUTIONS SHALL ACCEPT MOVABLE
675 COLLATERAL AS A FORM OF CREDIT RISK MITIGANT FOR MSME EXPOSURES,
676 IN ADDITION TO PHYSICAL COLLATERAL (LIKE REAL ESTATE), FINANCIAL
677 GUARANTEES, AND OTHER INSTRUMENTS.

678 “The [~~Bangko Sentral ng Pilipinas~~] BSP AND THE SEC, IN CONSULTATION
679 WITH THE MSMED COUNCIL AND THE DTI, shall formulate rules for the effective
680 implementation of this provision: Provided, That the purchase of government notes, securities
681 and other negotiable instruments shall not be deemed compliance with the foregoing

provisions: Provided, further, That the ~~[Bangko Sentral ng Pilipinas]~~ BSP AND THE SEC, IN CONSULTATION WITH ALL STAKEHOLDERS, shall establish ~~[an]~~ A MEANINGFUL incentive ~~[program]~~ SYSTEM to encourage ~~[lending to micro, small and medium industries beyond the mandatory credit allocation to said enterprises,]~~ COMPLIANCE WITH THIS PROVISION, such as possible reduction in bank's reserve requirement~~[-]~~: PROVIDED, FINALLY, THAT THE BSP AND THE SEC SHALL ALIGN THEIR REGULATIONS ON THE PENALTIES FOR BANKS AND OTHER ENTITIES, FOR NONCOMPLIANCE WITH THE PROVISION FOR MANDATORY LENDING.

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

“ALL BANKS SHALL PROVIDE ACCESS TO DEPOSIT ACCOUNTS, SUCH AS SAVINGS, CHECKING AND DEBIT ACCOUNTS, TO REGISTERED MSMEs. FINANCIAL TECHNOLOGY SHALL BE PROVIDED TO MSMEs TO ENSURE THEIR FINANCIAL INCLUSION. “ALL LENDERS SHALL REPORT CREDIT INFORMATION AND TRANSACTIONS OF MSMEs TO THE CIC TO MONITOR PROPER COMPLIANCE AND EFFICIENT IMPLEMENTATION.

“FOR EFFICIENT IMPLEMENTATION AND OPERATION, COOPERATIVES EXCEPT COOPERATIVE BANKS AND INSURANCE COOPERATIVES SHALL BE UNDER THE SOLE SUPERVISION AND EXAMINATION OF THE CDA; ALL OTHER FINANCIAL ENTITIES, CORPORATIONS AND FINANCIAL INTERMEDIARIES, SUCH AS NONGOVERNMENT ORGANIZATIONS (NGOs), FINANCING COMPANIES, NON-STOCK SAVINGS AND LOAN ASSOCIATIONS, MICROFINANCE NGOs, AND LENDING INVESTORS SHALL BE

718 UNDER THE SEC; BANKS SHALL BE UNDER THE BSP; AND INSURANCE
719 COMPANIES SHALL BE UNDER THE IC.

720 "FOR CLARITY, COOPERATIVE BANKS SHALL BE UNDER THE
721 SUPERVISION AND EXAMINATION OF THE CDA AND BSP; WHILE INSURANCE
722 COOPERATIVES SHALL BE UNDER THE SUPERVISION AND EXAMINATION OF
723 THE CDA AND IC.

724 "Lending institutions which are not qualified to acquire or hold lands of the public
725 domain in the Philippines shall be permitted to bid and take part in sales of mortgaged real
726 property in case of judicial or extra-judicial foreclosure, as well as avail of receivership,
727 enforcement and other proceedings, solely upon default of a borrower, and for a period not
728 exceeding five (5) years from actual possession: Provided, That in no event shall title to the
729 property be transferred to such lending institution. If the lending institution is the winning
730 bidder, it may, during said five (5) year period, transfer its rights to a qualified Philippine
731 national, without prejudice to a borrower's rights under applicable laws."

732
733 **SEC. 20.** Section 18 of the same Act, as amended, is hereby further amended to read as follows:
734

735 "SEC. 18. Congressional Oversight Committee. – To monitor and oversee the
736 implementation of this Act, there shall be a Congressional Oversight Committee on Micro,
737 Small and Medium Enterprise Development (COC-MSMED) composed of the chairpersons
738 of the Senate Committee on Economic Affairs and the House Committee on [~~Small Business~~
739 ~~and Entrepreneurship—Development~~] MICRO, SMALL AND MEDIUM
740 ENTERPRISE DEVELOPMENT as chairperson and co-chairperson, respectively; x x x."

741
742 **SEC. 21.** Section 19 of the same Act, as amended, is hereby further amended, to read as follows:
743

744 "SEC. 19. Penal Clause. – PENALTIES SHALL BE IMPOSED ON THE
745 VIOLATION OF THE FOLLOWING PROHIBITED ACTS:

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

753 UNDERCOMPLIANCE, OR AT RATES PRESCRIBED BY THE BSP MONETARY
754 BOARD.

755 “Penalties on noncompliance shall be directed to the development of the MSME
756 sector. Ninety percent (90%) of the penalties collected [~~should~~] SHALL go to the MSMED
757 Council Fund, while the remaining ten percent (10%) [~~should~~] SHALL be [~~given~~] REMITTED
758 to the BSP, THE SEC, OR THE APPROPRIATE AGENCY THAT EXERCISES
759 REGULATORY JURISDICTION OVER SUCH LENDING ENTITY, to cover for
760 administrative expenses.

761 “THE CHAIRPERSON OF THE MSMED COUNCIL SHALL SUBMIT TO THE
762 CONGRESS OF THE PHILIPPINES AN ANNUAL REPORT ON THE STATUS OF THE
763 PENALTIES REMITTED INCLUDING ITS UTILIZATION IN RELATION TO THE
764 IMPLEMENTATION OF SERVICES TO MSMEs IN THE AREAS OF CAPACITY
765 BUILDING, TECHNOLOGY INFORMATION, INFORMATION COLLECTION AND
766 DISSEMINATION, AND OTHER INTERVENTIONS FOR MSME DEVELOPMENT,
767 GROWTH AND SUSTAINABILITY.

768 “(b) EXCEPT FOR SECURITIES COVERED UNDER RA 8799, OR “THE
769 SECURITIES REGULATION CODE”, ENTITIES SHALL SECURE THE NECESSARY
770 APPROVAL OF THE SEC PRIOR TO RECEIVING INVESTMENTS AS WELL AS GIFTS,
771 ITEMS OR OTHER COMMODITIES, EITHER IN THE FORM OF CASH OR ITS
772 EQUIVALENT CASH VALUE IN CONSIDERATION OF RETURN OF PROFIT OR
773 BENEFIT COMING FROM MORE THAN TWENTY (20) INDIVIDUALS. THE
774 PRESIDENT, MANAGER OR OFFICER OF ANY ENTITY WHO FAILS TO SECURE
775 SUCH APPROVAL SHALL SUFFER THE PENALTY OF IMPRISONMENT OF NOT
776 LESS THAN THIRTY (30) DAYS BUT NOT MORE THAN ONE HUNDRED EIGHTY
777 (180) DAYS, OR A FINE OF NOT LESS THAN TEN THOUSAND PESOS (₱10,000.00)
778 BUT NOT MORE THAN ONE HUNDRE THOUSAND PESOS (₱100,000.00), OR BOTH,
779 AT THE DISCRETION OF THE COURT.”

780
781 **SEC. 22.** Implementing Rules and Regulations (IRR). – The DTI, through the Bureau of Micro,
782 Small and Medium Enterprise Development and in consultation with the BSP in the case of banks, and
783 the SEC in the case of non-bank financial intermediaries, and other concerned government agencies,
784 nongovernment organizations and private sector agencies involved in the promotion of MSMEs, shall
785 formulate the rules and regulations (IRR) necessary to implement the provisions of this Act within
786 ninety (90) days from the approval of this Act: Provided, That the IRR shall be reviewed yearly:
787 Provided, further, That the IRR shall be approved by the MSMED Council.

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

791
792 **SEC. 24. *Repealing Clause.*** – Section 22 of RA 8367, or the “Revised Non-Stock Savings and
793 Loan Association Act of 1997”, is hereby repealed. All laws, decrees, proclamations, issuances, or
794 ordinances that are contrary to or inconsistent with the provisions of this Act are hereby amended,
795 repealed or modified accordingly.

796
797 **SEC. 25. *Effectivity.*** – This Act shall take effect fifteen (15) days after its publication in the
798 Official Gazette or in a newspaper of general circulation.

799
800 Approved,