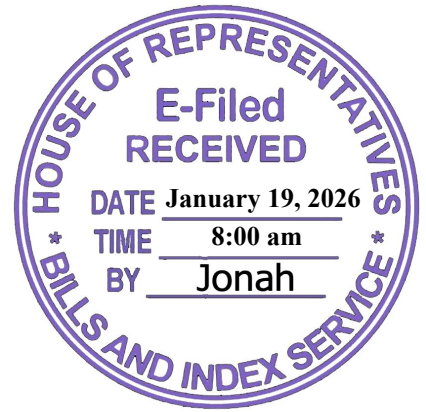




Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session



House Bill No. 7140

Introduced by CIBAC Party-List Representative
EDUARDO “BRO. EDDIE” C. VILLANUEVA

EXPLANATORY NOTE

This bill modernizes and strengthens the legal and institutional framework for Micro, Small and Medium Enterprises (MSMEs) by amending Republic Act No. 6977. It responds to persistent barriers—costly formalities, limited market access, weak financing, and inadequate local support—that constrain MSME growth and resilience, especially in the post-pandemic, digital economy.

Key policy improvements introduced by the bill:

1. **Updated definitions and periodic review.** Asset thresholds for micro, small and medium enterprises are revised and made subject to review every three years to keep them responsive to inflation and economic conditions.
2. **Simplified registration and lower compliance cost.** Provisional authority while permits are processed, caps on permit costs for micro and small enterprises, and plain-language compliance guides to reduce the burden of formalization.
3. **Guaranteed market access.** A mandated allocation of government procurement opportunities to eligible MSMEs, provision of free selling spaces in public facilities, and incentives for private malls to reserve space and offer rental discounts to MSMEs.
4. **Improved access to finance.** Stronger mandatory credit allocation for MSMEs by lending institutions, support for cash-flow based lending and alternative data, creation of SB Corporation funds (including a venture capital and rehabilitation fund), and free annual basic credit reports for MSMEs.
5. **Stronger institutional support.** A reconstituted MSMED Council attached to the DTI with broader representation and expanded functions; creation of city, municipal and barangay MSMED councils and revitalized Negosyo Centers to deliver local services.

6. **Incentives, monitoring and penalties.** Clear enforcement and reporting mechanisms, including penalties for noncompliance whose proceeds are directed to MSME development; regular monitoring and an annual reporting requirement to Congress.

Expected outcomes: greater formalization, expanded market access, more inclusive financing, faster digital adoption, and stronger local support for entrepreneurship—particularly for micro and small firms, women-led enterprises, and startups. The measure is designed to unlock MSME potential as engines of employment, innovation and inclusive economic growth.

The DTI, BSP and SEC, in coordination with the MSMED Council and other stakeholders, shall issue the implementing rules and regulations within the timelines provided.

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


EDUARDO "BRO. EDDIE" C. VILLANUEVA



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HOUSE BILL NO. 7140

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EDUARDO "BRO. EDDIE" C. VILLANUEVA

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

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

16 "xxx."
17

18 **SEC. 2.** Section 3 of the same Act, as amended, is hereby further amended to
19 read as follows:
20

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

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

5
6 micro: not more than P3,000,000

7
8 small: P3,000,001 - P15,000,000

9
10 medium: P15,000,001 - P100,000,000

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

17
18 **SEC. 3.** Section 4 of the same Act, as amended, is hereby further amended to
19 read as follows:

20
21 "SEC. 4. Eligibility for Government Assistance. - To qualify for
22 assistance, counseling, incentives and promotion under this Act, businesses
23 falling under the above definition must be:

24
25 "(a) duly registered with the appropriate agencies as presently provided
26 by law: Provided, That in the case of micro enterprises as defined herein.
27 registration with the office of the municipal or city treasurer shall be deemed
28 sufficient compliance with this requirement:

29
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 be
33 owned by Filipino citizens:

34
35 "xxx."

36
37 ~~[Eligible MSMEs shall be entitled to a share of at least ten percent (10%)~~
38 ~~of total procurement value of goods and services supplied to the Government,~~
39 ~~its bureaus, offices and agencies annually.]~~

40
41 ~~[The Department of Budget and Management shall monitor the~~
42 ~~compliance of government agencies on the required procurement for MSMEs~~
43 ~~and submit its report to the MSMED Council on a semestral basis and to the~~
44 ~~Congress of the Philippines, through its appropriate committees on a yearly~~
45 ~~basis.]~~

46
47 **SEC. 4.** A new section is hereby inserted after Section 4 of the same Act, as
48 amended, and numbered as Section 4A to read as follows:

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

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

12
13 **"(B) THE COST FOR THE ISSUANCE OF ALL PERMITS, LICENSES,**
14 **CERTIFICATIONS, AND OTHER SIMILAR DOCUMENTS REQUIRED FOR**
15 **THE CONDUCT OF BUSINESS FOR REGISTERED MICRO ENTERPRISES**
16 **SHALL NOT EXCEED FIVE HUNDRED PESOS (P500.00) PER AGENCY.**
17 **FOR REGISTERED SMALL ENTERPRISES, THE COST SHALL NOT**
18 **EXCEED THREE THOUSAND PESOS (P3,000.00) PER AGENCY FOR**
19 **PERIOD OF FIVE (5) YEARS.**

20
21 **"(C) THE NATIONAL GOVERNMENT, ITS BUREAUS, OFFICES, AND**
22 **AGENCIES SHALL ALLOCATE AT LEAST TWENTY PERCENT (20%) OF**
23 **ALL ITS PROCUREMENT OPPORTUNITIES FOR GOODS AND SERVICES**
24 **TO ELIGIBLE MSMEs IN ACCORDANCE WITH THE APPLICABLE**
25 **PROCUREMENT LAW, RULES, AND REGULATIONS. "THE**
26 **GOVERNMENT PROCUREMENT POLICY BOARD SHAL FORMULATE**
27 **THE RULES FOR THE EFFECTIVE IMPLEMENTATION OF THIS**
28 **PROVISION AND ITS TECHNICAL SUPPORT OFFICE SHALL MONITOR**
29 **THE COMPLIANCE OF GOVERNMENT AGENCIES ON THE REQUIRED**
30 **PROCUREMENT FOR MSMEs AND SUBMIT ITS REPORT TO THE**
31 **MSMED COUNCIL ON A SEMESTRAL BASIS AND TO THE CONGRESS**
32 **OF THE PHILIPPINES, THROUGH ITS APPROPRIATE COMMITTEES ON**
33 **A YEARLY BASIS.**

34
35 **"(D) DULY REGISTERED MICRO AND SMALL ENTERPRISE SHALL**
36 **BE ENTITLED TO A DISCOUNT OF AT LEAST TWENTY PERCENT (20%)**
37 **ON SHIPPING AND DELIVERY FEES FOR THEIR PRODUCTS AND RAW**
38 **MATERIALS, AS WELL AS FOR MAILING, FREIGHT, AND OTHER**
39 **SIMILAR SERVICES PROVIDED BY EITHER PUBLIC OR PRIVATE**
40 **COURIERS.**

41
42 **"(E) THE OFFICIAL IN CHARGE WITH THE OPERATION OF**
43 **GOVERNMENT BUILDINGS, STRUCTURES, AND OPEN AREAS,**
44 **INCLUDING PUBLIC MARKETS, WHETHER WET OR DRY, AIRPORTS,**
45 **SEA PORTS, FISH PORTS, PARKS, ZOOS, CONVENTION CENTERS,**
46 **ENTERTAINMENT CENTERS, TOURISM CENTERS, SCHOOLS, SCHOOL**
47 **CAMPUSES, AND OTHER SIMILAR STRUCTURES OR AREAS SUITABLE**
48 **FOR SELLING OR MARKETING, WHETHER PERMANENT OR**
49 **TEMPORARY, THAT CAN BE USED AS SELLING AREAS, SHALL**
50 **PROVIDE AN AUTHORIZED MSME STORE FREE SPACE MEASURING**

1 AT LEAST ONE PERCENT (1%) OF THE TOTAL SPACE AVAILABLE
2 THEREIN. FOR PURPOSES OF THIS ACT, FREE SPACE REFERS TO
3 THE SPACE THAT MAY BE USED FOR SELLING PURPOSES WITHOUT
4 NEED FOR THE PAYMENT OF RENT, GOODWILL FEES, ROYALTIES,
5 COMMISSION, PERCENTAGES ON SALES, NOR ANY OTHER SIMILAR
6 SCHEME.

7 "(F) THE OWNER OR OPERATOR OF PRIVATE MALLS
8 SUPERMARKETS, SHOPPING CENTERS, AND COMMERCIAL SELLING
9 ESTABLISHMENTS SHALL BE ENCOURAGED TO PROVIDE FRE SPACE
10 TO ANY AUTHORIZED MSME STORE.

11
12 "THE MSMED COUNCIL OF THE CONCERNED CITY, MUNICIPALITY,
13 OR BARANGAY SHALL APPROVE THE MSME STORE THAT MAY
14 OCCUPY THE FREE SPACE, UPON THE RECOMMENDATION OF THE
15 LOCAL OFFICE OF THE DEPARTMENT OF TRADE AND INDUSTRY (DTI).
16 THE FREE SPACE ALLOCATED FOR THE MSME STORE SHALL BE
17 PROVIDED IN THE FOLLOWING ORDER OF PREFERENCE:

18
19 "(1) ONE TOWN, ONE PRODUCT STORE OR GO LOKAL! STORE OF
20 THE DTI:

21
22 "(2) MSME KUMUNIDARAN PRODUKTO AT RESONABLENG
23 SERBISYO STORE (OR "KUMPARE STORE'): OR

24
25 "(3) A LOCAL MICRO OR SMALL ENTERPRISE STORE.

26
27 "ONCE AN MSME STORE IS IN PLACE, ITS REMOVAL OR
28 REPLACEMENT SHALL NOT BE ALLOWED EXCEPT FOR VALID CAUSE
29 AND AFTER OBSERVANCE OF DUE PROCESS.

30
31 "THE APPROVAL AND THE REMOVAL OF THE MSME STORE
32 THAT WILL BE GIVEN FREE SPACE SHALL BE REPORTED BY THE
33 MSMED COUNCIL OF THE CONCERNED CITY, MUNICIPALITY, OR
34 BARANGAY TO THE CONGRESSIONAL OVERSIGHT COMMITTEE ON
35 MICRO, SMALL AND MEDIUM ENTERPRISE DEVELOPMENT.

36
37 "(G) THE OWNER OR OPERATOR OF PRIVATE MALLS SHALL
38 ALSO BE ENCOURAGED TO ALLOCATE TWENTY PERCENT (20%) OF
39 THEIR TOTAL RENTABLE SPACE TO LOCAL MICRO AND SMALL
40 ENTERPRISES WHICH SHALL BE EXTENDED A TWENTY PERCENT
41 (20%) DISCOUNT ON RENTAL RATES. PRIVATE MALLS SHALL NO
42 CHARGE ROYALTY CHARGES, GOODWILL CHARGES, COMMISSION
43 CHARGES, PERCENTAGE OF SALES, AND OTHER SIMILAR SCHEMES
44 UPON THE MSMEs.

45
46 "(H) FREE BASIC CREDIT REPORT FOR MSMEs. - THE CREDIT
47 INFORMATION CORPORATION (CIC) SHALL PROVIDE MSMEs WITH
48 BASIC CREDIT REPORTS, FREE OF CHARGE, ONCE PER YEAR. THE
49 BASIC CREDIT REPORT SHALL SERVE AS THE PRIMARY PROOF OF
50 CREDIT WORTHINESS OF MSMES IN THEIR LOAN APPLICATIONS.

1
2 **"THE SECURITIES AND EXCHANGE COMMISSION (SEC) SHALL**
3 **ISSUE THE RULES AND REGULATIONS NECESSARY FOR THE**
4 **IMPLEMENTATION OF THIS SECTION WITHIN THIRTY (30) DAYS UPON**
5 **THE EFFECTIVITY OF THIS ACT."**
6
7

8 **SEC. 5.** Section 5 of the same Act, as amended, is hereby further amended to
9 read as follows:
10

11 "SEC. 5. Guiding Principles. - To set the pace for MSME development. the
12 State shall be guided by the following principles:
13

14 "(a) Minimal set of rules and simplification of procedures and requirements. All
15 government agencies having to do with **MICRO**, [~~AND~~] small **AND MEDIUM**
16 enterprises shall pursue the principles of minimum regulation to ensure
17 stability of rules and to encourage entrepreneurial spirit among the citizenry.
18 The agencies shall see to it that procedural rules and requirements, within
19 their respective offices in coordination with other agencies, are minimized in
20 the act of registration, availment of financing and accessing other government
21 services and assistance.
22

23 "(b) Role of the private sector. In order to hasten growth and expansion of
24 MICRO, small and medium enterprises, the private sector throughout the
25 country shall be encouraged to assist in the effective implementation of this
26 Act by participating in government programs for **MICRO**, small and medium
27 enterprises strictly in accordance with the law, and consistent with the
28 attainment of the purposes hereof. To encourage private sector participation,
29 the Council, in consultation with the concerned sector, may recommend
30 simplified procedure and localized incentives to **MICRO**, [~~AND~~] small **AND**
31 **MEDIUM** enterprises. The Government shall encourage the organization and
32 establishment of MICRO, small and medium enterprise industry associations
33 at the local and regional levels preferably unified under a national
34 federation/association.
35

36 "(c) Coordination of government efforts. Government efforts shall be
37 coordinated to achieve coherence in objectives. All appropriate offices,
38 particularly those under the Departments of Trade and Industry, Finance,
39 Budget and Management, Agriculture, Agrarian Reform, Environment and
40 Natural Resources, Labor and Employment, Transportation [~~and~~
41 ~~Communications~~], **INFORMATION AND COMMUNICATIONS**
42 **TECHNOLOGY**, Public Works and Highways, Science and Technology,
43 Interior and Local Government, and Tourism as well as the National Economic
44 and Development Authority, Philippine Information Agency, SEC and the
45 Bangko Sentral ng Pilipinas (BSP), through their national, regional, and
46 provincial offices shall, to the best of their efforts and in coordination with local
47 government units, provide the necessary support and assistance to MSMEs.
48 **THE DTI SHALL BE THE LEAD AGENCY THEREFOR.**
49

50 "x x x."

1
2 **SEC. 6.** Section 6 of the same Act, as amended, is hereby further amended to
3 read as follows:
4

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

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

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

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

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

39 "SEC. 7-A. Composition of the Micro, Small and Medium Enterprises
40 Development (MSMED) Council. - The members of the Council shall be the
41 following **OR THEIR DULY DESIGNATED REPRESENTATIVE:**
42

43 "(a) The Secretary of Trade and Industry as Chair:
44

45 "(b) The Secretary of Agriculture:
46

47 "(c) The Secretary of the Interior and Local Government:
48

49 **"(D) THE SECRETARY OF FINANCE:**
50

1 **"(E) THE SECRETARY OF SCIENCE AND TECHNOLOGY;**
2

3 **"(F) THE SECRETARY OF TOURISM:**
4

5 **"(G) THE SECRETARY OF ENVIRONMENT AND NATURAL**
6 **RESOURCES:**
7

8 ~~"[(d)]~~ **(H)** Three (3) representatives from the MSME sector, [to
9 represent Luzon, Visayas and Mindanao, with at least one (1)
10 representative from the microenterprise sector **TO BE NOMINATED**
11 **BY THE PHILIPPINE CHAMBER OF COMMERCE AND INDUSTRY:**
12 **AND**
13

14 ~~"[(e) One (1) representative from the women sector designated by the~~
15 ~~Philippine Commission on Women:]~~
16

17 ~~"[(f) One (1) representative from the youth sector designated by the~~
18 ~~National Youth Commission: and]~~
19

20 ~~"[(g)]~~ **(I)** The [Chairman] **PRESIDENT** of **THE** Small Busines
21 Corporation.
22

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

26 ~~"(a) [The Secretary of Science and Technology]~~ **THE SECRETARY OF**
27 **AGRARIAN REFORM:**
28

29 ~~"(b) The Governor of the [Bangko Sentral ng Pilipinas]~~ **BSP:**
30

31 **"(C) THE CHAIRPERSON OF THE SEC:**
32

33 ~~"[(c)]~~ **(D)** The President of the Land Bank of the Philippines:
34

35 ~~"[(d)]~~ **(E)** The President of the Development Bank of the Philippines:
36

37 ~~"[(e)]~~ **(F)** The Director General of the National Economic an
38 Development Authority:
39

40 **"(G) THE CHAIRPERSON OF THE COOPERATIV DEVELOPMENT**
41 **AUTHORITY (CDA):**
42

43 **"(H) THE PRESIDENT OF THE PHILIPPINE GUARANTEE**
44 **CORPORATION:**
45

46 **"(I) THE COMMISSIONER OF THE INSURANCE COMMISSIO (IC):**
47

48 **"(J) THE PRESIDENT OF THE PHILIPPINE CROP INSURANCE**
49 **CORPORATION:**
50

1 **"(K) A REPRESENTATIVE OF A NATIONAL ORGANIZATION**
2 **REPRESENTING AND DOMINATED BY MSMEs:**

3
4 ~~"[(f)]~~**(L)** One (1) representative from the labor sector, to be nominated
5 by accredited labor groups;

6
7 ~~"[(g)]~~ **(M)** A representative from the private banking sector to serv
8 e[alternatively] **ALTERNATELY** ~~[between]~~ AMONG the [e] Chamber of
9 [~~t~~] Thrift [~~b~~] Banks, [~~and~~] the Rural Banker's Association of the
10 Philippines [~~(RBAP)~~], **AND THE BANKERS ASSOCIATION OF THE**
11 **PHILIPPINES:**

12
13 ~~"[(h)]~~ **(N)** A representative of the microfinance nongovernment
14 organizations (NGOs), **DESIGNATED BY THE MICROFINANCE NGO**
15 **REGULATORY COUNCIL:**

16
17 ~~"[(i)]~~ **(O)** A representative of the University of the Philippines Institute
18 for Small Scale Industries (UP-ISSI); [~~and~~]

19
20 ~~"[(j)]~~ **(P)** The President of the [~~Credit Information Corporation.~~] CIC:

21
22 **"(Q) ONE (1) REPRESENTATIVE FROM THE WOMEN SECTOR**
23 **DESIGNATED BY THE PHILIPPINE COMMISSION ON WOMEN:**

24
25 **"(R) ONE (1) REPRESENTATIVE FROM THE YOUTH SECTOR**
26 **DESIGNATED BY THE NATIONAL YOUTH COMMISSION: AND**

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

31
32 "x x x."

33
34 SEC. 9. Section 7-B of the same Act, as amended, is hereby further amended
35 to rea as follows:

36
37 "SEC. 7-B. Powers and Functions. - A. The MSMED Council shall have the
38 following powers, duties and functions:

39
40 "xxx;

41
42 "(d) To review the existing policies of government agencies that would affect
43 the growth and development of **MSMEs** and recommend changes to the
44 President **OF THE PHILIPPINES** and Congress through the Committee on
45 Economic Affairs of the Senate and the Committee on [~~Small Business and~~
46 ~~Entrepreneurship~~] **MICRO, SMALL AND MEDIUM ENTERPRISE**
47 Development of the House of Representatives, whenever deemed necessary.
48 This shall include efforts to simplify rules and regulations, as well as review of
49 the applicability and relevance of procedural and documentary requirements

1 in the registration, financing, and other activities relevant to MSMEs the result
2 shall be included in the annual report to be submitted to Congress:

3
4 "xxx:"

5
6 "(h) To promote the productivity and viability of **MSMEs IN DTIS TOP**
7 **PRIORITY INDUSTRIES FOR DEVELOPMENT** by way of directing land/lor
8 assisting relevant government agencies and institutions at the national,
9 regional and provincial levels towards the:

10
11 xxx:

12
13 "(12) Through appropriate government agencies:

14
15 "x x x;

16
17 "(f) Set up new MSME NEGOSYO centers and revitalize already
18 established MSME NEGOSYO centers to provide MSMEs in the
19 regions easier access to services such as the following:

20
21 "x x x."

22
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
28 **"(A) COORDINATING AND OVERSIGHT BODY FOR THE MSME**
29 **NEGOSYO CENTER. - THE MSMED COUNCIL SHALL, THROUGH THE**
30 **DTI, ACT AS THE COORDINATING AND SUPERVISING BODY FOR ALL**
31 **THE AGENCIES INVOLVED IN THE ESTABLISHMENT AND OPERATION**
32 **OF THE MSME NEGOSYO CENTERS. THE MSMED COUNCIL SHALL**
33 **MONITOR AND ASSESS THE PROGRESS OF THE MSME NEGOSYO**
34 **CENTERS, WHICH SHALL BE INCLUDED IN ITS ANNUAL REPORT TO**
35 **BE SUBMITTED TO THE CONGRESS:**

36
37 **"(B) PROVISION OF A COMPLIANCE GUIDE. - FOR EACH RULE**
38 **OR GROUP OF RELATED RULES ISSUED BY ANY GOVERNMENT**
39 **AGENCY FOR COMPLIANCE BY MSMEs, THE COUNCIL SHALL**
40 **PUBLISH COMPLIANCE GUIDELINES WHICH SHALL BE WRITTEN IN**
41 **PLAIN LANGUAGE OR IN THE LOCAL DIALECT, IF NECESSARY.**

42
43 **"THE COUNCIL SHALL PREPARE SEPARATE COMPLIANCE**
44 **GUIDES COVERING GROUPS OR CLASSES OF SIMILARLY AFFECTED**
45 **MSMEs AND SHALL COOPERATE WITH INDUSTRY ASSOCIATIONS TO**
46 **DEVELOP AND DISTRIBUTE SUCH COMPLIANCE GUIDES. THE**
47 **PUBLICATION OF EACH COMPLIANCE GUIDE SHALL INCLUDE THE**
48 **POSTING OF THE GUIDE IN A CONSPICUOUS LOCATION ON THE**
49 **WEBSITE OF THE AGENCY, AND DISTRIBUTION OF THE GUIDE TO**
50 **KNOWN INDUSTRY CONTACTS, SUCH AS SMALL ENTITIES,**

1 ASSOCIATIONS OR INDUSTRY LEADERS AFFECTED BY THE RULE.
2 THE ISSUING GOVERNMENT AGENCY SHALL PUBLISH AND
3 DISSEMINATE THE COMPLIANCE RULES WITHIN NINETY (90) DAYS
4 FROM THE DATE OF ISSUANCE:
5

6 **"(C) CONDUCT OF RESEARCH ON WOMEN ENTREPRENEURSHIP.**
7 **- THE COUNCIL SHALL CONDUCT RESEARCH TO SUPPORT WOMEN**
8 **ENTREPRENEURSHIP INCLUDING ENTREPRENEURIAL BEHAVIOR,**
9 **BARRIERS, PARTICIPATION AND CESSATION RATES,**
10 **DISCRIMINATORY PRACTICES AND CONTRIBUTION TO THE NATIONAL**
11 **ECONOMY AND GROWTH. AS DEFINED BY THE INTERNATIONAL**
12 **FINANCE CORPORATION, AND RECOGNIZED AND ADOPTED BY THE**
13 **MSMED COUNCIL, WOMEN-OWNED BUSINESSES ARE BUSINESSES**
14 **WHERE AT LEAST FIFTY-ONE PERCENT (51%) OF A COMPANY IS**
15 **OWNED BY A WOMAN OR WOMEN, AND WOMEN-LED BUSINESSES**
16 **ARE BUSINESSES WHERE AT LEAST TWENTY PERCENT (20%) IS**
17 **OWNED BY A WOMAN OR WOMEN AND AT LEAST ONE WOMAN ACTS**
18 **AS THE CHIEF EXECUTIVE OFFICER (CEO) OR CHIEF OPERATING**
19 **OFFICER (COO) OR PRESIDENT OR VICE PRESIDENT, AND AT LEAST**
20 **THIRTY PERCENT (30%) OF THE BOARD OF DIRECTORS, WHERE A**
21 **BOARD EXISTS, IS COMPOSED OF WOMEN:**
22

23 **"(D) POLICY FORMULATION ON WOMEN ENTREPRENEURSHIP. -**
24 **THE COUNCIL SHALL PROVIDE POLICY DIRECTION TOWARDS**
25 **RECOGNIZING WOMEN'S APTITUDE AND TALENT IN**
26 **ENTREPRENEURSHIP AS WELL AS ESTABLISH LINKAGES THAT WILL**
27 **ENABLE MORE OPPORTUNITIES FOR WOMEN TO ENGAGE IN**
28 **ENTREPRENEURSHIP: AND**
29

30 **"(E) DEVELOPMENT OF ENTREPRENEURIAL EDUCATION AND**
31 **TRAINING. - THE MSMED COUNCIL SHALL DEVELOP, IN**
32 **COORDINATION WITH THE DEPARTMENT OF EDUCATION, TECHNICAL**
33 **EDUCATION AND SKILLS DEVELOPMENT AUTHORITY, AND**
34 **COMMISSION ON HIGHER EDUCATION (CHED), A COURSE**
35 **CURRICULUM OR TRAINING PROGRAMS IN ENTREPRENEURSHIP AND**
36 **PERSONAL FINANCE, INCLUDING DIGITAL FINANCIAL LITERACY,**
37 **THAT WILL PROMOTE ENTREPRENEURIAL CULTURE AND**
38 **COMPETENCE, AND ENCOURAGE THE USE OF DIGITAL PLATFORMS**
39 **IN FINANCIAL TRANSACTIONS. ENTREPRENEURSHIP SHALL BE**
40 **INTEGRATED IN THE CURRICULUM OF EDUCATIONAL AND TRAINING**
41 **INSTITUTIONS IN ALL LEVELS.**
42

43 **"THE CHED SHALL HAVE A PROGRAM WHEREIN GRADUATING**
44 **COLLEGE AND POSTGRADUATE STUDENTS SHALL ASSIST**
45 **ENTREPRENEURS IN MAKING BANKABLE FEASIBILITY STUDIES AS**
46 **FULFILLMENT OF THEIR ACADEMIC REQUIREMENTS."**
47

48 **SEC. 10.** A new section is hereby inserted after Section 7-B of the same Act,
49 as amended, and numbered as Section 7-C to read as follows:
50

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

10 "THE CITY OR MUNICIPAL MSMED COUNCIL SHALL BE
11 COMPOSED OF THE CITY OR MUNICIPAL BUSINESS PERMIT AND
12 LICENSING OFFICER AS CHAIRPERSON, THE PRESIDENT OF THE
13 ASSOCIATION OF BARANGAY CAPTAINS, THE PRESIDENT OF THE
14 SANGGUNIANG KABATAAN FEDERATION, THE TOURISM OFFICER.
15 AND THE CITY OR MUNICIPAL AGRICULTURIST OR THE CITY
16 PLANNING OFFICER, AS MEMBERS.
17

18 "THE BARANGAY MSMED COUNCIL SHALL BE COMPOSED OF
19 THE PUNONG BARANGAY AS CHAIRPERSON, THE SANGGUNIANG
20 KABATAAN CHAIRPERSON, A REPRESENTATIVE OF THE WOMEN'S
21 BRIGADE OR WOMEN'S SECTOR. A REPRESENTATIVE OF THE
22 BARANGAY PUBLIC SAFETY OFFICE, AND A REPRESENTATIVE OF
23 THE SENIOR CITIZENS, AS MEMBERS.
24

25 "THE CITY, MUNICIPAL, AND BARANGAY MSMED COUNCILS
26 SHALL COORDINATE AND FORMULATE MEASURES TO ENSURE THE
27 OPERATIONAL AND FINANCIAL VIABILITY OF MSMEs WITHIN THEIR
28 TERRITORIAL JURISDICTION, TAKING INTO CONSIDERATION THE
29 RELEVANT FACTORS AFFECTING THE CAPACITIES OF THE MSMEs."
30

31 **SEC. 11.** Section 8 of the same Act, as amended, is hereby further amended
32 to read as follows:
33

34 "SEC. 8. Designation of the Bureau of Micro, Small and Medium
35 Enterprise Development as Council Secretariat. - xxx:
36

37 "(1) to prepare, in coordination with local government units
38 and/or associations of local government officials, and recommend
39 annual as well as medium term **MICRO**, small and medium enterprise
40 development plans for approval of the Council:
41

42 "xxx:
43

44 "(3) to assist the Council in coordinating and monitoring **MICRO**,
45 **small** and medium enterprise policies and programs and activities of all
46 government agencies with respect to **MICRO**, small and medium
47 enterprises:
48

"(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:

"xxx."

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);**

"[e] **(E)** A private sector representative to be appointed by the President OF THE PHILIPPINES upon the recommendation of the MSMED Council:

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

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

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

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

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

13
14 "xxx: and

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

27
28 **SEC. 14.** Section 11-B of the same Act, as amended, is hereby further
29 amended, to read as follows:

30
31 **"SEC. 11-B. Corporate Structure and Powers. - "A. The SB**
32 **Corporation shall:**

33
34 "x x x.

35
36 **"B.** For this purpose, the SB Corporation [subject to compliance with
37 the rules and regulations to be issued by the Bangko Sentral ng Pilipinas
38 (BSP) and the Securities and Exchange Commission,] shall have the following
39 functions and duties:

40
41 "(a) Source and adopt development initiatives for globally competitive
42 MSMEs in finance and business technologies:

43
44 **"(b)** ~~[Te]~~ ~~[e]~~Extend all forms of financial assistance, **EXCEPT GRANTS,**
45 to eligible **MSMEs. THE SB** Corporation may also engage in wholesale
46 lending. The SB Corporation shall be given two (2) years from the effectivity of
47 this Act to comply with this requirement:

48
49 **"(c)** ~~[Guarantee loans obtained by qualified MSMEs under such terms~~
50 ~~and conditions adopted by the SB Corporation Board of Directors;]~~

1 **ESTABLISH AN ENTERPRISE REHABILITATION FUND FOR CALAMITY-**
2 **STRICKEN MSMEs NOT TO EXCEED FIVE HUNDRED MILLION PESOS**
3 **(P500,000,000.00) AS PART OF THE SB CORPORATIONS**
4 **CAPITALIZATION BY THE NATIONAL GOVERNMENT:**

5
6 **“x x x:**

7
8 **“(f) Apply for, receive and accept grants and donations from sources**
9 **within and outside the country: [and]**

10
11 **“(g) Hold, own, purchase, acquire, sell, mortgage, dispose or otherwise**
12 **invest or re-invest in stocks, bonds, treasury bills, debentures, securities and**
13 **similar forms of indebtedness of the government, its agencies and**
14 **instrumentalities or any government financial institution[-]: **AND****

15
16 **“(H) SUBMIT AN ANNUAL REPORT TO THE MSMED COUNCIL,**
17 **THE CONGRESS OF THE PHILIPPINES AND THE GCG ON THE**
18 **PERFORMANCE AND FINANCIAL CONDITION OF THE CORPORATION.**

19
20 **“THE SB CORPORATION SHALL BE EXEMPT FROM SECURING**
21 **PRIOR BSP AUTHORIZATION FOR ENGAGING IN QUASI BANKING**
22 **ACTIVITIES AND SHALL NOT BE SUBJECT TO BSP SUPERVISION AND**
23 **REGULATION FOR SUCH ACTIVITIES.”**

24
25 **SEC. 15.** A new section is hereby inserted after Section 11-B of the same Act,
26 as amended, and numbered as Section 11-C to read as follows:

27
28 **“SEC. 11-C. STRATEGIC MANAGEMENT OF THE SB**
29 **CORPORATION. - THE BOARD OF THE SB CORPORATION, THROUGH**
30 **ITS CHAIRPERSON, SHALL BE FULLY RESPONSIBLE AND**
31 **ACCOUNTABLE FOR THE PERFORMANCE OF THE CORPORATION'S**
32 **MANDATE. FOR THIS PURPOSE, THE BOARD SHALL BE CONSTITUTED**
33 **AS A MANAGING BOARD TO CONCEPTUALIZE THE STRATEGIC**
34 **PLANS AND POLICIES OF THE CORPORATION.**

35
36 **“THE SB CORPORATION SHALL ADOPT A BALANCED**
37 **SCORECARD MANAGEMENT APPROACH, SUBJECT TO THE REVIEW**
38 **AND APPROVAL OF THE GCG, TO ENABLE IT TO MANAGE ITS**
39 **FINANCIAL PERFORMANCE WHILE PURSUING ITS PUBLIC POLICY**
40 **OBJECTIVES OF SUPPORTING MICRO, SMALL AND MEDIUM**
41 **ENTERPRISES DEVELOPMENT.”**

42
43 **SEC. 16.** Section 12 of the same Act, as amended, is hereby further amended
44 to read as follows:

45
46 **“SEC. 12. Capitalization and Funding of the SB Corporation. – The SB**
47 **Corporation shall have an authorized capital stock of [Ten] FIFTY billion**
48 **pesos [(P10,000,000,000.00)] (P50,000,000,000.00), WHICH SHALL BE**
49 **DIVIDED INTO 400,000 COMMON SHARES AND 100,000 PREFERRED**
50 **SHARES WITH A PAR VALUE OF ONE HUNDRED PESOS (P100.00) PER**

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

28
29 **"NATIONAL GOVERNMENT EQUITY TO THE CORPORATION**
30 **SHALL BE INCLUDED IN THE ANNUAL GENERAL APPROPRIATIONS**
31 **ACT.**

32
33 ~~"[To allow for capital build up, SB Corporation shall be given a five (5)~~
34 ~~year grace period on dividend commitments beginning on the date of~~
35 ~~effectivity of this amendment. Thereafter, it]~~ **THE SB CORPORATION** may
36 [only] declare as dividend not more than thirty percent (30%) of its net income
37 and the rest withheld as retained earnings."

38
39
40 **SEC. 17.** Section 13 of the same Act, as amended, is hereby further amended
41 to read as follows:

42
43 "SEC. 13. The SB Corporation shall **NOT** be subject to the supervision
44 and examination of the Bangko Sentral ng Pilipinas taking into consideration
45 its developmental objectives."

46
47 **SEC. 18.** Section 14 of the same Act, as amended, is hereby further amended
48 to read as follows:

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

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

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

30
31 "Compliance of this provision shall be:

32
33 "(a) actual extension of loans to eligible MSMEs: or

34
35 "xxx: or

36
37 "(f) [~~subscribe/~~] **SUBSCRIPTION OR** purchase of liability instruments
38 as may be offered by the SB Corporation. **THE SAME SHALL NOT BE**
39 **DEEMED AS QUASI-BANKING OPERATIONS, AND SHALL NOT**
40 **REQUIRE A QUASI BANKING LICENSE FROM THE BSP: OR**

41
42 **"(G) EXTENSION OF LOANS TO MSME VALUE CHAIN ACTORS**
43 **WHICH ALLOW MSMEs TO PARTICIPATE IN ORGANIZED OR FORMAL**
44 **LOCAL AND FORMAL VALUE CHAINS. FOR PURPOSES OF THIS ACT,**
45 **VALUE CHAIN ACTORS INCLUDE, AMONG OTHERS, TRADERS,**
46 **SUPPLIERS, PROCESSORS OR AGGREGATORS WHO CONDUCT**
47 **LINKED SEQUENCE OF VALUE ADDING ACTIVITIES INVOLVED IN**
48 **BRINGING A PRODUCT TO FINAL CONSUMERS: OR**

1 **"(H) SUSTAINABLE FINANCE FOR PROJECTS OR ACTIVITIES**
2 **THAT WILL BENEFIT MSMEs: OR**

3
4 **"(I) INNOVATION DEVELOPMENT CREDIT FOR PURPOSES OF**
5 **DEVELOPING NEW TECHNOLOGIES, PRODUCT INNOVATION,**
6 **PROCESS INNOVATION, ORGANIZATIONAL INNOVATION, AND**
7 **MARKETING INNOVATION IN MSMEs: OR**

8
9 **"(J) FINANCING FOR COMPANIES THAT MAINTAIN AND**
10 **OPERATE ELECTRONIC PLATFORMS THAT FACILITATE VALUE CHAIN**
11 **AND SUPPLY CHAIN FINANCING TRANSACTIONS WITH MSMEs, MSME**
12 **DIGITALIZATION, OR WHICH OFFER/PROVIDE TECHNOLOGY-BASED**
13 **SOLUTIONS TO MSMEs FOR PURPOSES OF PROMOTING E-**
14 **COMMERCE, INCLUDING ALTERNATIVE DATA CREDIT SCORING,**
15 **DIGITAL ACCOUNTING AND BOOKING APPLICATIONS, PRODUCTION,**
16 **MARKETING AND DISTRIBUTION, AND TAX COMPLIANCE ONLINE**
17 **TOOLS: OR**

18
19 **"(K) INVESTMENTS IN MSMEs BY WAY OF PURCHASE OF THEIR**
20 **SECURITIES THROUGH AN ORGANIZED MARKET, INITIAL PUBLIC**
21 **OFFERING, FOLLOW-ON OFFERING, OR THROUGH REGISTERED**
22 **CROWDFUNDING INTERMEDIARIES, INCLUDING INVESTMENT IN THE**
23 **EQUITIES OF MSME STARTUPS: OR**

24
25 **"(L) LOANS TO, OR INVESTMENTS IN FINANCIAL INSTITUTIONS**
26 **THAT PROVIDE SUPPLY CHAIN FINANCING, VALUE CHAIN FINANCING,**
27 **TRADE FINANCING OR GUARANTEES FOR MSMEs.**

28
29 **"MSME FINANCING THAT MEETS THE ELIGIBILITY CRITERIA**
30 **UNDER RA 11901, OR THE AGRICULTURE, FISHERIES AND RURAL**
31 **DEVELOPMENT FINANCING ENHANCEMENT ACT OF 2022" AND RA**
32 **11293, OR THE "PHILIPPINE INNOVATION ACT" SHALL BE**
33 **RECOGNIZED AS COMPLIANCE WITH THE MANDATORY CREDIT**
34 **REQUIREMENT UNDER THESE LAWS.**

35
36 **"ALL LENDING INSTITUTIONS SHALL ACTIVELY SUPPORT AND**
37 **PARTICIPATE IN PROGRAMS THAT FORM PART OF THE PRIORITY**
38 **INITIATIVES UNDER THE NATIONAL STRATEGY FOR FINANCIAL**
39 **INCLUSION 2022 TO 2028 THAT PROMOTE ACCESS TO FINANCE FOR**
40 **MSMEs WHILE ENSURING THAT THEY HAVE ADEQUATE AND**
41 **EFFECTIVE CREDIT RISK MANAGEMENT SYSTEMS.**

42
43 **"LENDING INSTITUTIONS SHALL ALSO ADOPT CASH FLOW**
44 **BASED LENDING WHICH PLACES EMPHASIS ON THE CAPACITY TO**
45 **PAY OF AN MSME RATHER THAN COLLATERAL. WHEN GRANTING**
46 **MSME CREDIT, LENDING INSTITUTIONS SHALL UTILIZE SIMPLIFIED**
47 **LOAN APPLICATION FORMS AND REQUIRE STREAMLINED**
48 **DOCUMENTARY REQUIREMENTS. LENDING INSTITUTIONS SHALL**
49 **ALSO CONSIDER ALTERNATIVE DATA AS WELL AS AVAILABLE**
50 **CREDIT RISK INFORMATION IN DETERMINING AN MSME BORROWER'S**

1 CAPACITY TO PAY. FOR PURPOSES OF MITIGATING CREDIT RISK,
2 LENDING INSTITUTIONS SHALL ACCEPT MOVABLE COLLATERAL AS
3 A FORM OF CREDIT RISK MITIGANT FOR MSME EXPOSURES, IN
4 ADDITION TO PHYSICAL COLLATERAL LIKE REAL ESTATE),
5 FINANCIAL GUARANTEES, AND OTHER INSTRUMENTS.
6

7 "The ~~[Bangko Sentral ng Pilipinas]~~ **BSP AND THE SEC, IN**
8 **CONSULTATION WITH THE MSMED COUNCIL AND THE DTI,** shall
9 formulate rules for the effective implementation of this provision: Provided.
10 That the purchase of government notes, securities and other negotiable
11 instruments shall not be deemed compliance with the foregoing provisions
12 Provided, further, That the ~~[Bangko Sentral ng Pilipinas]~~ **BSP AND THE SEC,**
13 **IN CONSULTATION WITH ALL STAKEHOLDERS,** shall establish ~~[an]~~ **A**
14 **MEANINGFUL** incentive ~~[program]~~ **SYSTEM** to encourage ~~[lending to micro,~~
15 ~~small and medium industries beyond the mandatory credit allocation to said~~
16 ~~enterprises,]~~ **COMPLIANCE WITH THIS PROVISION,** such as possible
17 reduction in bank's reserve requirement~~[-]~~: **PROVIDED, FINALLY, THAT THE**
18 **BSP AND THE SEC SHALL ALIGN THEIR REGULATIONS ON THE**
19 **PENALTIES FOR BANKS AND OTHER ENTITIES, FOR**
20 **NONCOMPLIANCE WITH THE PROVISION FOR MANDATORY LENDING.**
21

22 "The MSMED Council shall set up the appropriate systems to monitor
23 all loan applications of MSMEs in order to account for the absorptive capacity
24 of the MSME sector. **EACH LENDING INSTITUTION SHALL DESIGNATE**
25 **AN OFFICER WHO SHALL PREPARE AND SIGN THE REPORT ON**
26 **COMPLIANCE AND NONCOMPLIANCE WITH THE MANDATORY CREDIT**
27 **ALLOCATION, FOR SUBMISSION TO THE BSP IN THE CASE OF BANKS,**
28 **AND THE SEC IN THE CASE OF NON BANK FINANCIAL**
29 **INTERMEDIARIES.** The ~~[Bangko Sentral ng Pilipinas]~~ **BSP IN THE CASE OF**
30 **BANKS, AND THE SEC IN THE CASE OF NON BANK FINANCIAL**
31 **INTERMEDIARIES,** shall furnish to the MSMED Council on a quarterly basis
32 comprehensive reports on the ~~[bank's]~~ **LENDING ENTITY'S** compliance~~[-]~~
33 **AND** noncompliance and penalties of **WITH** the above provisions on the
34 mandatory credit allocation for MSMEs~~[-]~~, **AND SHALL SUBMIT AN**
35 **ANNUAL REPORT, SIGNED BY AN OFFICER WITH THE RANK OF AT**
36 **LEAST A MANAGING DIRECTOR, ON THE AMOUNTS OF THE**
37 **PENALTIES FOR NONCOMPLIANCE WITH THE MANDATORY LENDING**
38 **PROVISION OF THIS ACT.**
39

40 "ALL BANKS SHALL PROVIDE ACCESS TO DEPOSIT ACCOUNTS,
41 SUCH AS SAVINGS, CHECKING AND DEBIT ACCOUNTS, TO
42 REGISTERED MSMEs. FINANCIAL TECHNOLOGY SHALL BE PROVIDED
43 TO MSMEs TO ENSURE THEIR FINANCIAL INCLUSION.
44

45 "ALL LENDERS SHALL REPORT CREDIT INFORMATION AND
46 TRANSACTIONS OF MSMEs TO THE CIC TO MONITOR PROPER
47 COMPLIANCE AND EFFICIENT IMPLEMENTATION.
48

49 "FOR EFFICIENT IMPLEMENTATION AND OPERATION,
50 COOPERATIVES EXCEPT COOPERATIVE BANKS AND INSURANCE

1 COOPERATIVES SHALL BE UNDER THE SOLE SUPERVISION AND
2 EXAMINATION OF THE CDA: ALL OTHER FINANCIAL ENTITIES,
3 CORPORATIONS AND FINANCIAL INTERMEDIARIES, SUCH AS NON-
4 GOVERNMENT ORGANIZATIONS (NGOs), FINANCING COMPANIES,
5 NON STOCK SAVINGS AND LOAN ASSOCIATIONS, MICROFINANCE
6 NGOs, AND LENDING INVESTORS SHALL BE UNDER THE SEC: BANKS
7 SHALL BE UNDER THE BSP: AND INSURANCE COMPANIES SHALL BE
8 UNDER THE IC.

9
10 "FOR CLARITY, COOPERATIVE BANKS SHALL BE UNDER THE
11 SUPERVISION AND EXAMINATION OF THE CDA AND BSP: WHILE
12 INSURANCE COOPERATIVES SHALL BE UNDER THE SUPERVISION
13 AND EXAMINATION OF THE CDA AND IC.

14
15 "Lending institutions which are not qualified to acquire or hold lands of
16 the public domain in the Philippines shall be permitted to bid and take part in
17 sales of mortgaged real property in case of judicial or extra judicial foreclosure,
18 as well as avail of receivership, enforcement and other proceedings, solely
19 upon default of a borrower, and for a period not exceeding five (5) years from
20 actual possession: Provided, That in no event shall title to the property be
21 transferred to such lending institution. If the lending institution is the winning
22 bidder, it may, during said five (5) year period. transfer its rights to a qualified
23 Philippine national, without prejudice to a borrower's rights under applicable
24 laws."

25
26 **SEC. 20.** Section 18 of the same Act, as amended, is hereby further amended
27 to read as follows:

28
29 "SEC. 18. Congressional Oversight Committee. - To monitor and
30 oversee the implementation of this Act, there shall be a Congressional
31 Oversight Committee on Micro, Small and Medium Enterprise Development
32 (COC-MSMED) composed of the chairpersons of the Senate Committee on
33 Economic Affairs and the House Committee on ~~[Small Business and~~
34 ~~Entrepreneurship—Development]~~ **MICRO, SMALL AND MEDIUM**
35 **ENTERPRISE DEVELOPMENT** as chairperson and co-chairperson,
36 respectively: xxx."

37
38 SEC. 21. Section 19 of the same Act, as amended, is hereby further amended,
39 to read as follows:

40
41 **"SEC. 19. Penal Clause. - PENALTIES SHALL BE IMPOSED ON**
42 **THE VIOLATION OF THE FOLLOWING PROHIBITED ACTS:**

43
44 **"(a) The ~~[Bangko Sentral ng Pilipinas]~~ BSP IN THE CASE OF**
45 **BANKS, AND THE SEC IN THE CASE OF NON-BANK FINANCIAL**
46 **INTERMEDIARIES,** shall impose administrative sanctions and other penalties
47 on the lending institutions for non[-]compliance with **THE [provisions.]**
48 **MANDATORY LENDING AS PROVIDED UNDER SECTION 14 of this Act**
49 **[including a fine of not less than Five hundred thousand pesos (P500,000.00)].**
50 **PENALTIES ON NONCOMPLIANCE OR UNDERCOMPLIANCE SHALL BE**

1 **COMPUTED AT ONE-HALF OF ONE PERCENT (0.5%) OF**
2 **NONCOMPLIANCE OR UNDERCOMPLIANCE, OR AT RATES**
3 **PRESCRIBED BY THE BSP MONETARY BOARD.**
4

5 "Penalties on noncompliance shall be directed to the development of
6 the MSME sector. Ninety percent (90%) of the penalties collected should
7 SHALL go to the MSMED Council Fund, while the remaining ten percent
8 (10%) [should] **SHALL** be [given] **REMITTED** to the **BSP, THE SEC, OR THE**
9 **APPROPRIATE AGENCY THAT EXERCISES REGULATORY**
10 **JURISDICTION OVER SUCH LENDING ENTITY**, to cover for administrative
11 expenses.
12

13 **"THE CHAIRPERSON OF THE MSMED COUNCIL SHALL SUBMIT**
14 **TO THE CONGRESS OF THE PHILIPPINES AN ANNUAL REPORT ON**
15 **THE STATUS OF THE PENALTIES REMITTED INCLUDING ITS**
16 **UTILIZATION IN RELATION TO THE IMPLEMENTATION OF SERVICES**
17 **TO MSMES IN THE AREAS OF CAPACITY BUILDING, TECHNOLOGY**
18 **INFORMATION, INFORMATION COLLECTION AND DISSEMINATION,**
19 **AND OTHER INTERVENTIONS FOR MSME DEVELOPMENT, GROWTH**
20 **AND SUSTAINABILITY.**
21

22 **"(b) EXCEPT FOR SECURITIES COVERED UNDER RA 8799, OR**
23

24 **"THE SECURITIES REGULATION CODE", ENTITIES SHALL**
25 **SECURE THE NECESSARY APPROVAL OF THE SEC PRIOR TO**
26 **RECEIVING INVESTMENTS AS WELL AS GIFTS, ITEMS OR OTHER**
27 **COMMODITIES, EITHER IN THE FORM OF CASH OR ITS EQUIVALENT**
28 **CASH VALUE IN CONSIDERATION OF RETURN OF PROFIT OR BENEFIT**
29 **COMING FROM MORE THAN TWENTY (20) INDIVIDUALS. THE**
30 **PRESIDENT, MANAGER OR OFFICER OF ANY ENTITY WHO FAILS TO**
31 **SECURE SUCH APPROVAL SHALL SUFFER THE PENALTY OF**
32 **IMPRISONMENT OF NOT LESS THAN THIRTY (30) DAYS BUT NOT**
33 **MORE THAN ONE HUNDRED EIGHTY (180) DAYS, OR A FINE OF NOT**
34 **LESS THAN TEN THOUSAND PESOS (P10,000.00) BUT NOT MORE**
35 **THAN ONE HUNDRED THOUSAND PESOS (P100,000.00), OR BOTH, AT**
36 **THE DISCRETION OF THE COURT."**
37

38 **SEC. 22. Implementing Rules and Regulations (IRR).** - The DTI, through
39 the Bureau of Micro, Small and Medium Enterprise Development and in consultation
40 with the BSP in the case of banks, and the SEC in the case of non bank financial
41 intermediaries, and other concerned government agencies, nongovernment
42 organizations and private sector agencies involved in the promotion of MSMEs, shall
43 formulate the rules and regulations (IRR) necessary to implement the provisions of
44 this Act within ninety (90) days from the approval of this Act: Provided. That the IRR
45 shall be reviewed yearly: Provided, further, That the IRR shall be approved by the
46 MSMED Council.
47

48 **SEC. 23. Separability Clause.** – If any portion or provision of this Act is
49 declared unconstitutional, the remainder hereof or any provisions not affected
50 thereby shall remain in force and effect.

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2 **SEC. 24. *Repealing Clause.*** – Any law, presidential decree or issuance,
3 executive order, letter of instruction, rule, or regulation inconsistent with the
4 provisions of this Act is hereby repealed or modified accordingly.

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

7
8 *Approved,*