



Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Twentieth Congress
First Regular Session

HOUSE BILL NO. 7223



Introduced by Representatives Ferdinand Martin G. Romualdez, Yedda Marie K. Romualdez, Andrew Julian K. Romualdez and Jude A. Acidre

AN ACT
PROVIDING FOR GOVERNMENT FINANCIAL INSTITUTIONS UNIFIED
INITIATIVES TO DISTRESSED ENTERPRISES FOR ECONOMIC
RECOVERY (GUIDE)

EXPLANATORY NOTE

In a bid to contain the spread of the Coronavirus Disease 2019 ("COVID-19") across the country, the National Government was constrained to enforce a massive shutdown of economic activities, which adversely affected various critical industries, and triggered an economic downturn. Thus, there is a need for the State to enact measures aimed at supporting industries critical to economic recovery and maintaining employment levels.

The proposed legislative measure seeks to strengthen the capacity of the following Government Financial Institutions, namely: the Land Bank of the Philippines ("LBP") and the Development Bank of the Philippines ("DBP"), in order to provide the needed assistance to micro, small, and medium enterprises ("MSMEs"), and other strategically important companies.

To this end, the government financial institutions are mandated to expand their credit programs in order to assist affected MSMEs to meet their liquidity needs. In particular, LBP and DBP are mandated to expand their credit and rediscounting

facilities to affected MSMEs in the agriculture, infrastructure, manufacturing and service industries.

In addition, the proposed bill authorizes LBP and DBP to create a special holding company which aims to further reinvigorate these strategically important companies heavily affected by the COVID-19 pandemic. Equity participation in this special holding company may be held by qualified private sector investors. However, to ensure that the policies and objectives under the proposed bill are effectively carried out, LBP and DBP are mandated to maintain at least a majority ownership over the special holding company until such time that they have recovered their investment.

The special holding company is intended to be a major player in the financial and capital markets by providing aid to strategically important companies with solvency/liquidity issues brought about by COVID-19 pandemic. For this purpose, the special holding company shall be authorized to invest or place funds in equity, execute convertible loans or purchase convertible bonds and/or other securities, in said strategically important companies, as well as to incorporate subsidiaries. Nevertheless, to ensure that such investments are properly utilized, as well as to ensure the successful rehabilitation of strategically important companies, the legislative measure imposes restrictions on the investee company by requiring that the number of employees are not reduced beyond a certain level, limiting its ability to declare dividends, restricting the increase in salary, separation and retirement pay, and other benefits of the board and its senior officers, and ensuring that investments of LBP and DBP are not diluted and time-bound with a definite exit mechanism, among others.

This bill was also filed during the 19th Congress, where it was approved on third and final reading by the House of Representatives.

Considering the state of the economy and the urgent need to provide assistance to MSMEs and other strategically important companies, the approval of this measure is earnestly sought.



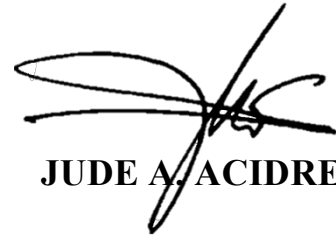
FERDINAND MARTIN G. ROMUALDEZ



YEDDA MARIE K. ROMUALDEZ

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ANDREW JULIAN K. ROMUALDEZ

A stylized handwritten signature in black ink, featuring a large, flowing 'J' and 'A'.

JUDE A. ACIDRE



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

SECTION 1. *Title.* – This Act shall be known as the “Government Financial Institutions (GFIs) Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Act.”

SECTION 2. *Declaration of Policy.* – The substantial disruption of the economy due to the community quarantine measures restricted the operation of numerous businesses.

The State recognizes the role of these businesses composed of micro, small and medium enterprises (MSMEs) and strategically important companies in providing employment to the Filipino people and in supporting the Philippine economy. Thus, it is essential that these enterprises are given necessary access to credit and financial assistance. It is hereby declared the policy of the State to protect employment and assist distressed enterprises in order to reinvigorate the economy.

SECTION 3. *Definition of Terms.* – As used in this Act:

- (a) *Agribusiness value chain* refers to a set of actors/players, such as farmers, fisherfolk, traders, suppliers, processors, and aggregators, who make up the linked sequence of value-adding activities undergone by an agricultural product when converted from raw material to the final form it is presented to the consumers.

- (b) *Micro, Small and Medium Enterprise (MSME)* refers to any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value falling under the following categories:

micro:	not more than PhP3,000,000
small:	PhP3,000,001 – PhP15,000,000

medium: PhP15,000,001 – PhP100,000,000

CHAPTER 1 Development Bank of the Philippines

SECTION 4. *Loan Assistance Program of the Development Bank of the Philippines (DBP).* – The DBP shall expand its loan program for qualified MSMEs affected by significant economic challenges of national or international scope: *Provided*, That such loans shall be granted in accordance with the rules and regulations to be issued to implement this Act and the following guidelines:

- (a) Eligible MSMEs under this Act should be engaged in infrastructure, service industry, or manufacturing business; and
- (b) The loans granted hereunder should comply with the applicable prudential standards and regulations of the BSP.

The DBP shall likewise extend loans to local government units (LGUs) subject to existing rules and regulations.

SECTION 5. *DBP Rediscounting and other Programs.* – Subject to applicable prudential standards and regulations of the *Bangko Sentral ng Pilipinas* (BSP), the DBP may rediscount loans and other credit accommodations to enterprises enumerated in Section 4(a) of this Act, granted by BSP-supervised financial institutions (BSFIs), the Small Business Corporation (SBC), and those granted pursuant to credit programs of the Department of Agriculture-Agricultural Credit Policy Council (DA-ACPC) to MSMEs affected by significant economic

challenges of national or international scope engaged in infrastructure, service industry, and/or manufacturing business. The DBP shall also offer to restructure its own loans to qualified MSMEs as provided under this Act.

The DBP may undertake other similar activities as may be provided under the rules and regulations to be issued to implement this Act.

SECTION 6. *Increase in DBP's Authorized Capital Stock.* – Section 7 of Executive Order No. 81, as amended by Republic Act No. 8523, otherwise known as “The 1986 Revised Charter of The Development Bank of The Philippines”, as amended, is hereby further amended to read as follows:

“Section 7. *Authorized Capital Stock-Par Value.* – The capital stock of the Bank shall be [~~Thirty five billion pesos (P35,000,000,000.00)~~] **ONE HUNDRED BILLION PESOS (PHP100,000,000,000.00)** to be divided into [~~Three hundred fifty million (350,000,000)~~] **ONE BILLION (1,000,000,000)** common shares with par value of One hundred pesos (~~Ph~~**P**100.00) per share, which shall be fully subscribed by the ~~n~~**N**ational ~~g~~**G**overnment: [~~Upon the effectivity of this Charter, the National Government shall initially subscribe to One hundred twenty five million (P125,000,000) common shares of stock worth Twelve billion five hundred million pesos (P12,500,000,000.00), Five billion pesos (P5,000,000,000.00) of which shall be deemed paid for by the government and the balance shall be paid for by the government out of the stock dividends to be declared by the Bank from its unappropriated retained earnings: Provided, That the dividends due~~

~~the national government pursuant to Republic Act No. 7656 shall first be paid.]~~ **PROVIDED, THAT THE PRESIDENT OF THE PHILIPPINES MAY APPROVE THE INCREASE IN THE CAPITALIZATION OF THE BANK, UPON THE RECOMMENDATION OF THE BOARD AND THE CONCURRENCE OF THE SECRETARY OF FINANCE, UP TO SUCH AN AMOUNT AS MAY BE NECESSARY TO ATTAIN THE OBJECTIVES OF THIS CHARTER.”**

CHAPTER 2 Land Bank of the Philippines

SECTION 7. *Loan Assistance Program of the Land Bank of the Philippines (LandBank).* – The LandBank shall expand its loan program for qualified MSMEs affected by significant economic challenges of national or international scope: *Provided, That* such loans shall be granted in accordance with the rules and regulations that shall be issued to implement this Act and the following guidelines:

- (a) Eligible MSMEs under this Act should be engaged in activities in the agribusiness value chain; and
- (b) The loans granted hereunder should comply with the applicable prudential standards and regulations of the BSP.

The LandBank shall likewise extend loans to LGUs subject to existing rules and regulations.

SECTION 8. *LandBank Rediscounting and other Programs.* – Subject to applicable prudential standards and regulations of the BSP, the LandBank may rediscount loans to eligible MSMEs engaged in activities in the agribusiness value chain granted by BSFIs, the SBC, and those granted pursuant to credit programs of the DA-ACPC to MSMEs affected by significant economic challenges of national or international scope. The LandBank shall also offer to restructure its own loans to qualified MSMEs as provided under this Act.

The LandBank may undertake other similar activities for purposes of this Act as may be provided under the implementing rules and regulations to be issued.

SECTION 9. *Rehabilitation of MSMEs.* – An MSME, as defined under this Act, at risk of, or facing actual insolvency, by itself or jointly with creditors, may voluntarily request the assistance of the Department of Trade and Industry (DTI), in the case of non-corporation MSMEs, or of the SEC, in the case of corporations, for assistance in formulating and agreeing upon a voluntary financial rehabilitation plan.

The plan shall be endorsed or approved by creditors holding at least two-thirds (2/3) of the total liabilities of the debtor, including secured creditors holding more than fifty percent (50%) of the total secured claims of the debtor and unsecured creditors holding more than fifty percent (50%) of the total unsecured claims of the debtor.

The request for assistance shall include, as a minimum:

- (a) a schedule of the debtor's debts and liabilities;

- (b)an inventory of the debtor’s assets;
- (c)the pre-negotiated voluntary financial rehabilitation plan, including the names of at least three (3) qualified nominees for rehabilitation receiver; and
- (d)a summary of disputed claims against the debtor and a report on the provisioning of funds to account for appropriate payments should any such claims be ruled valid or their amounts adjusted.

Feasible voluntary financial rehabilitation plans shall be endorsed by the DTI or the SEC to the LandBank of the Philippines, the Development Bank of the Philippines, and other government financial institutions, which shall extend the necessary rediscounting or restructuring loans necessary to implement the voluntary financial rehabilitation plan.

The voluntary financial rehabilitation plan under this section shall only be binding to debtors and creditors that formally signify to the plan. The voluntary financial rehabilitation plan shall neither require the court approvals mandated for action initiated under Republic Act No. 10142 or the Financial Rehabilitation and Insolvency Act (FRIA) of 2010, nor preclude the MSME from undertaking action under the same Act.

CHAPTER 3 Miscellaneous Provisions

SECTION 10. *Ratios, Ceilings, and Limitations.* – For purposes of this Act, the Monetary Board may exempt DBP and LandBank from such ratios, ceilings and limitations, provided under Republic Act No. 8791 or the “The General Banking Law of 2000,” for a period as may be determined by the Monetary Board, subject to

conditions as may be prescribed by the Monetary Board such as, but not limited to, the adoption of appropriate risk management measures to mitigate risks that may arise from the implementation of this law.

SECTION 11. *Appropriations.* – The amount of Ten Billion Pesos (PhP10,000,000,000.00) is hereby appropriated out of any funds actually available in the National Treasury of the Philippines not otherwise appropriated, as certified by the National Treasurer, to fund the following:

(a) The amount of Two Billion Five Hundred Million Pesos (PhP2,500,000,000.00) for the implementation of Chapters 1 and 3 of this Act: *Provided*, That this amount shall be applied as additional paid-up capital of the DBP, for the purposes of lending under the loan assistance program to qualified MSMEs, its rediscounting and other programs.

(b) The amount of Seven Billion Five Hundred Million Pesos (PhP7,500,000,000.00) for the implementation of Chapters 2 and 3 of this Act: *Provided*, That this amount shall be applied as additional paid-up capital of LandBank, for the purposes of lending under the loan assistance program to qualified MSMEs, rediscounting and other programs of LandBank.

SECTION 12. *Implementing Rules and Regulations.* – Within thirty (30) days from the effectivity of this Act, the DOF, together with the BIR, the BSP, the SEC, the DBP, and the LandBank shall jointly promulgate the necessary rules and regulations for the effective implementation of this Act: *Provided*, That the DOF may call upon any agency to provide information or assistance in the drafting of the

rules and regulations: *Provided, further,* That within thirty (30) days from the effectivity of this Act, the DOF, upon recommendation of the BIR, shall promulgate the revenue regulations implementing the fiscal incentives under this Act.

SECTION 13. *Oversight Committee.* – There is hereby created a Joint Congressional Oversight Committee (JCOC) to oversee, monitor, and evaluate the implementation of this Act. The JCOC shall be composed of five (5) members each from the House of Representatives and from the Senate. The JCOC shall be co-chaired by the Chairpersons of the House Committee on Banks and Financial Intermediaries and the Senate Committee on Banks, Financial Institutions and Currencies.

The Speaker and the Senate President shall designate the other four members of the JCOC of the House and the Senate from among the members of the House Committee on Banks and Financial Intermediaries and the Senate Committee on Banks, Financial Institutions, and Currencies, at least one member of which shall be from the minority.

SECTION 14. *Separability Clause.* – If any provision of this Act is held unconstitutional or invalid, all other provisions not affected thereby shall remain valid.

SECTION 15. *Repealing Clause.* – All laws, decrees, executive orders, rules and regulations or parts thereof, which are inconsistent with this Act, are hereby repealed, amended or modified accordingly.

SECTION 16. *Effectivity.* – This Act shall take effect immediately upon its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,