



HOUSE OF REPRESENTATIVES

H. No. 8714

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BY REPRESENTATIVES RODRIGUEZ (M.), ROMERO, PINEDA, SY-ALVARADO, BELARO, UNABIA, LAZATIN, ALEJANO, BELMONTE (R.), ZARATE, LAOGAN, LIMKAICHONG, ABELLANOSA, MARQUEZ, GARCIA (J.E.), HERRERA-DY, MONTORO, ZAMORA (M.C.), HOFER, SANDOVAL, LOBREGAT, GONZALEZ, NIETO, PIMENTEL, SALON, YAP (V.), PRIMICIAS-AGABAS, ANDAYA, MARCOLETA, ROA-PUNO, ORTEGA (V.N.), PALMA, NOEL, ESPINA, ALONTE, SAVELLANO, VERGARA, NOGRALES (J.J.), SUAREZ, ATIENZA, PADUANO, BRAVO (A.), BERTIZ, CAMPOS, LOPEZ (B.), MATUGAS, GARCIA-ALBANO, HERNANDEZ (F.), ESTRELLA, LEACHON, DURANO, ALVAREZ (F.), DELOSO-MONTALLA, SACDALAN, RAMOS, SAHALI, PAPANDAYAN, GONZAGA, RELAMPAGOS, Uy (J.), BELMONTE (J.C.), UNICO AND CARI, PER COMMITTEE REPORT NO. 996

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AN ACT FURTHER PROMOTING ENTREPRENEURSHIP BY STRENGTHENING, EMPOWERING AND ENHANCING THE FINANCING 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,  
2 is hereby further amended to read as follows:

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

17           “x x x.”

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

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

24           “x x x

25           “[Eligible MSMEs shall be entitled to a share of at  
26           least ten percent (10%) of total procurement value of  
27           goods and services supplied to the Government, its

1           bureaus, offices and agencies annually.] THE NATIONAL  
2           GOVERNMENT, ITS BUREAUS, OFFICES AND AGENCIES  
3           SHALL ALLOCATE AT LEAST TEN PERCENT (10%) OF  
4           ALL ITS PROCUREMENT OPPORTUNITIES FOR GOODS  
5           AND SERVICES TO ELIGIBLE MSMEs IN ACCORDANCE  
6           WITH THE PROVISIONS OF REPUBLIC ACT NO.  
7           9184, OTHERWISE KNOWN AS THE 'GOVERNMENT  
8           PROCUREMENT REFORM ACT', AND ITS IMPLEMENTING  
9           RULES AND REGULATIONS.

10           "The [Department of Budget and Management]  
11           GOVERNMENT PROCUREMENT POLICY BOARD (GPPB)  
12           shall FORMULATE RULES FOR THE EFFECTIVE  
13           IMPLEMENTATION OF THIS PROVISION AND monitor the  
14           compliance of government agencies on the required  
15           procurement for MSMEs and submit its report to the  
16           MSMED Council on a semestral basis and to the  
17           Congress of the Philippines, through its appropriate  
18           committees on a yearly basis."

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

21           "SEC. 5. *Guiding Principles.* – To set the pace for  
22           MSME development, the State shall be guided by the  
23           following principles:

24           "x x x

25           "(c) Coordination of government efforts. Government  
26           efforts shall be coordinated to achieve coherence in  
27           objectives. All appropriate offices, particularly those

1 under the Departments of Trade and Industry,  
2 Finance, Budget and Management, Agriculture,  
3 Agrarian Reform, Environment and Natural  
4 Resources, Labor and Employment, Transportation  
5 [and Communications], INFORMATION AND  
6 COMMUNICATIONS TECHNOLOGY, Public Works and  
7 Highways, Science and Technology, Interior and Local  
8 Government and Tourism as well as the National  
9 Economic and Development Authority, Philippine  
10 Information Agency and the *Bangko Sentral ng*  
11 *Pilipinas*, through their national, regional and  
12 provincial offices shall, to the best of their efforts and in  
13 coordination with local government units, provide the  
14 necessary support and assistance to MSMEs. THE  
15 DEPARTMENT OF TRADE AND INDUSTRY SHALL BE THE  
16 LEAD AGENCY THEREFOR.

17 "x x x."

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

20 "SEC. 6. *Micro, Small and Medium Enterprises*  
21 *Development Plan (MSMEDP)*. – The President shall  
22 approve a six-year micro, small and medium enterprises  
23 development plan prepared by the Department of Trade  
24 and Industry (DTI) which shall form part of the  
25 [Medium Term] Philippine Development Plan  
26 ([MT]PDP). It shall be formulated in consultation with  
27 the private sector, validated and updated semestally.

1           Such plan shall include a component on a micro credit  
2           financing scheme.”

3           SEC. 5. Section 7 of the same Act, as amended, is hereby  
4           further amended to read as follows:

5           “SEC. 7. *Micro, Small and Medium Enterprise*  
6           *Development (MSMED) Council.* – The existing Small  
7           and Medium Enterprise Development Council, which  
8           was created by Republic Act No. 6977, as amended by  
9           Republic Act No. 8289 AND REPUBLIC ACT NO. 9501,  
10          AND FURTHER AMENDED BY REPUBLIC ACT NO. 10644,  
11          shall be strengthened to effectively spur the growth and  
12          development of MSMEs throughout the country, and to  
13          carry out the policy declared in this Act and shall now  
14          be known as the Micro, Small and Medium Enterprise  
15          Development (MSMED) Council. The Council shall be  
16          attached to the Department of Trade and Industry and  
17          shall be constituted within sixty (60) days after the  
18          approval of this Act.

19          “x x x.”

20          SEC. 6. Section 7-A of the same Act, as amended, is hereby  
21          further amended to read as follows:

22          “SEC. 7-A. *Composition of the Micro, Small and*  
23          *Medium Enterprises Development (MSMED) Council.* –

24          The members of the Council shall be the following:

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

26          “(b) The Secretary of Agriculture;

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

3           “(D) THE SECRETARY OF FINANCE;

4           “[(d)] (E) Three (3) representatives from the MSME  
5 sector, [to represent Luzon, Visayas and Mindanao,  
6 with at least one (1) representative from the  
7 microenterprise sector] TO BE DESIGNATED BY A  
8 NATIONAL ORGANIZATION REPRESENTING AND  
9 DOMINATED BY MSMEs; AND

10          “[(e) One (1) representative from the women sector  
11 designated by the Philippine Commission on Women;]

12          “[(f) One (1) representative from the youth sector  
13 designated by the National Youth Commission; and]

14          “[(g)] (F) The Chairman of THE Small Business  
15 Corporation.

16          “A. *Advisory Unit.* – There shall be an Advisory  
17 Unit to the Council, which shall consist of the following:

18           “(a) The Secretary of Science and Technology;

19           “(b) The Governor of the *Bangko Sentral ng*  
20 *Pilipinas*;

21           “(c) The President of the Land Bank of the  
22 Philippines;

23           “(d) The President of the Development Bank of the  
24 Philippines;

25           “(e) The Director General of the National Economic  
26 and Development Authority;

1           “(F) THE EXECUTIVE DIRECTOR OF THE  
2 COOPERATIVE DEVELOPMENT AUTHORITY;

3           “(G) A REPRESENTATIVE OF A NATIONAL  
4 ORGANIZATION REPRESENTING AND DOMINATED BY  
5 MSMEs;

6           “[(f)] (H) One (1) representative from the labor  
7 sector, to be nominated by accredited labor groups;

8           “[(g)] (I) A representative from the private banking  
9 sector to serve [alternatively] ALTERNATELY between  
10 the chamber of thrift banks, and the Rural Banker’s  
11 Association of the Philippines (RBAP);

12           “[(h)] (J) A representative of the microfinance  
13 nongovernment organizations (NGOs), DESIGNATED BY  
14 THE MICROFINANCE NGO REGULATORY COUNCIL;

15           “[(i)] (K) A representative of the University of  
16 the Philippines-Institute for Small Scale Industries  
17 (UP-ISSI); [and]

18           “[(j)] (L) The President of the Credit Information  
19 Corporation[.];

20           “(M) ONE (1) REPRESENTATIVE FROM THE WOMEN  
21 SECTOR DESIGNATED BY THE PHILIPPINE COMMISSION  
22 ON WOMEN; AND

23           “(N) ONE (1) REPRESENTATIVE FROM THE YOUTH  
24 SECTOR DESIGNATED BY THE NATIONAL YOUTH  
25 COMMISSION.

1           “(O) A REPRESENTATIVE FROM NONSTOCK SAVINGS  
2           AND LOAN ASSOCIATIONS DESIGNATED BY THE  
3           ALLIANCE OF NON-STOCK SAVINGS AND LOAN  
4           INSTITUTIONS, INC. (ANSLI).

5           “x x x.”

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

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

11          “x x x;

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

17          “x x x;

18          “12) Through appropriate government agencies:

19          “x x x;

20          “f) Set-up new MSME NEGOSYO centers and  
21          revitalize already established MSME NEGOSYO centers  
22          to provide MSMEs in the regions easier access to  
23          services such as, but not limited to, the following:

24          “x x x.”

25          “B. *Additional Functions of the MSMED Council.* –  
26          THE MSMED Council shall have the following  
27          additional functions:



1           “(a) Coordinating and Oversight Body for the  
2           **MSME** Negosyo Center. – The **MSMED** Council,  
3           through the **DTI**, shall act as the coordinating and  
4           supervising body for all the agencies involved in the  
5           establishment and operation of the **MSME** Negosyo  
6           Centers. Further, the **MSMED** Council shall monitor  
7           and assess the progress of the Negosyo Centers, which  
8           shall be included in its annual report submitted to the  
9           Congress.

10           “(b) Provision of a Compliance Guide. – For each  
11           rule or group of related rules issued by any government  
12           agency for compliance by **MSMEs**, the Council shall  
13           publish compliance guidelines which shall be written in  
14           plain language or in the local dialect, if necessary.

15           “The Council shall prepare separate compliance  
16           guides covering groups or classes of similarly affected  
17           **MSMEs** and shall cooperate with industry associations  
18           to develop and distribute such compliance guides. The  
19           publication of each compliance guide shall include the  
20           posting of the guide in an easily identified location on  
21           the website of the agency, and distribution of the guide  
22           to known industry contacts, such as small entities,  
23           associations or industry leaders affected by the rule.  
24           The issuing government agency shall publish and  
25           disseminate the compliance rules within ninety (90)  
26           days from the date of issuance.

1           “(c) Conduct of Research on Women  
2 Entrepreneurship. – The Council shall conduct research  
3 to support women entrepreneurship including, but not  
4 limited to entrepreneurial behavior, barriers,  
5 participation and cessation rates, discriminatory  
6 practices and contribution to the national economy and  
7 growth.

8           “(d) Policy Formulation on Women  
9 Entrepreneurship. – The Council shall provide policy  
10 direction towards recognizing women’s propensity in  
11 doing business as well as establish linkages that will  
12 enable more opportunities for women to engage in  
13 entrepreneurship.

14           “(e) Development of Entrepreneurial Education and  
15 Training. – The MSMED Council shall develop, in  
16 coordination with the Department of Education, TESDA  
17 and CHED, a course curriculum or training program in  
18 entrepreneurship that will promote entrepreneurial  
19 culture and competence. Entrepreneurship shall be  
20 integrated in the curriculum of educational and training  
21 institutions in all levels.”

22           SEC. 8. Section 11-A of the same Act, as amended, is hereby  
23 further amended to read as follows:

24           “SEC. 11-A. *Composition of the Board of Directors*  
25 *and its Powers.* – The SB Corporation [corporate  
26 powers shall be vested on] SHALL HAVE a Board of

1 Directors composed of [eleven (11)] THIRTEEN (13)  
2 members which shall include the following:

3 "a) The Secretary of Trade and Industry;

4 "b) The Secretary of Finance;

5 "c) THE PRESIDENT OF THE GOVERNMENT  
6 SERVICE INSURANCE SYSTEM (GSIS);

7 "d) THE PRESIDENT OF THE SOCIAL SECURITY  
8 SYSTEM (SSS);

9 "[c] e) A private sector representative to be  
10 appointed by the President OF THE PHILIPPINES upon  
11 the recommendation of the MSMED Council;

12 "[d] f) Seven (7) representatives of the SB  
13 Corporation common stock shareholders who shall be  
14 elected based on proportional distribution, in  
15 accordance with Section 24 of the Corporation Code; and

16 "[e] g) The president of the SB Corporation as  
17 *ex-officio* member and to serve as vice chairman of the  
18 Board.

19 "The President shall appoint the chairman of the  
20 Board from among its members.

21 "All members of the Board so appointed, except for  
22 the *ex-officio* members, shall serve for a term of three  
23 (3) years [without reappointment.] AND MAY BE  
24 REAPPOINTED TO ANOTHER TERM UNLESS EARLIER  
25 REVOKED. IF THE TERM OF THE INCUMBENT MEMBER  
26 HAS EXPIRED, THE MEMBER SHALL CONTINUE TO  
27 FUNCTION IN A HOLDOVER CAPACITY UNTIL A

1 REPLACEMENT HAS BEEN APPOINTED AND QUALIFIED.

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

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

7 "x x x; and

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

21 SEC. 9. Section 11-B of the same Act, as amended, is hereby  
22 further amended, to read as follows:

23 "SEC. 11-B. *Corporate Structure and Powers.* -

24 "A. The SB Corporation shall:

25 "x x x.

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

6           “a) Source and adopt development initiatives for  
7 globally competitive MSMES in finance and business  
8 technologies;

9           “b) [To] [e]Extend all forms of financial assistance,  
10 EXCEPT GRANTS AND SUBSIDIES, to eligible MSMEs[.],  
11 AND NOT TO PRECLUDE RETAIL LENDING IN AREAS  
12 WHERE PRIVATE BANKS ARE NOT ABLE TO SERVE,  
13 SUBJECT TO CONSULTATION WITH THE PRIVATE BANKS;  
14 [SB Corporation may also engage in wholesale lending.  
15 The SB Corporation shall be given two (2) years from  
16 the effectivity of this Act to comply with this  
17 requirement;]

18           “c) Guarantee loans obtained by qualified MSMEs  
19 under such terms and conditions adopted by the SB  
20 Corporation Board of Directors, AS WELL AS ESTABLISH  
21 A GUARANTEE SYSTEM FOR DISTRESSED ENTERPRISES  
22 AS INSURANCE AGAINST EXTRAORDINARY DISASTERS;

23           “x x x;

24           “f) Apply for, receive and accept grants and  
25 donations from sources within and outside the country;  
26 [and]

1           “g) Hold, own, purchase, acquire, sell, mortgage,  
2           dispose or otherwise invest or re-invest in stocks, bonds,  
3           treasury bills, debentures, securities and similar forms  
4           of indebtedness of the government, its agencies and  
5           instrumentalities or any government financial  
6           institution[.]; AND

7           “H) SUBMIT AN ANNUAL REPORT TO THE MSMED  
8           COUNCIL, THE CONGRESS OF THE PHILIPPINES AND  
9           THE GOVERNANCE COMMISSION FOR GOCCs ON THE  
10          PERFORMANCE AND FINANCIAL CONDITION OF THE  
11          CORPORATION.

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

17          SEC. 10. A new subsection is hereby inserted after Section  
18          11-B of the same Act, as amended, and numbered as Section 11-C to  
19          read as follows:

20          “SEC. 11-C. *STRATEGIC MANAGEMENT OF THE SB*  
21          *CORPORATION.* - THE BOARD OF THE SB  
22          CORPORATION, THROUGH ITS CHAIRMAN, SHALL BE  
23          FULLY RESPONSIBLE AND ACCOUNTABLE FOR THE  
24          PERFORMANCE OF THE CORPORATION’S MANDATE. TO  
25          ENSURE THIS, THE BOARD SHALL BE CONSTITUTED AS A  
26          MANAGING BOARD, LED BY ITS CHAIRMAN, TO  
27          CONCEPTUALIZE THE STRATEGIC PLANS AND POLICIES  
28          OF THE CORPORATION.

1           “THE SB CORPORATION SHALL ADOPT A BALANCED  
2           SCORECARD APPROACH, SUBJECT TO THE REVIEW AND  
3           APPROVAL OF THE GOVERNANCE COMMISSION FOR  
4           GOCCs, IN ITS STRATEGIC MANAGEMENT TO ENABLE IT  
5           TO MANAGE ITS FINANCIAL PERFORMANCE WHILE  
6           PURSUING THEIR PUBLIC POLICY OBJECTIVES OF  
7           SUPPORTING MICRO, SMALL AND MEDIUM ENTERPRISES  
8           DEVELOPMENT.”

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

11           “SEC. 12. *Capitalization and Funding of the SB*  
12          *Corporation.* – The SB Corporation shall have an  
13          authorized capital stock of Ten billion pesos  
14          (P10,000,000,000.00). The initial capital of One billion  
15          pesos (P1,000,000,000.00) shall be established from a  
16          pool of funds to be contributed in the form of equity  
17          investments in common stock by the Land Bank of the  
18          Philippines (LBP), the Development Bank of the  
19          Philippines (DBP), in the amount of Two hundred  
20          million pesos (P200,000,000.00) each. The Social  
21          Security System (SSS) and the Government Service  
22          Insurance System (GSIS) shall also set aside Two  
23          hundred million pesos (P200,000,000.00) each for the  
24          SB Corporation. Authorized capital stock of the  
25          [s]Small [b]Business [c]Corporation shall be divided  
26          into 80,000,000 common shares and 20,000,000  
27          preferred shares with a par value of One hundred pesos  
28          (P100.00) per share: *Provided*, That the common shares

1 which have been issued, including those issued against  
2 the assets of the KKK Guaranty Fund consolidated  
3 under the [s]Small [b]Business [c]Corporation by  
4 virtue of Executive Order No. 233, Series of 2000 and  
5 Executive Order No. 19, Series of 2001 and including  
6 those already subscribed, shall form part of the  
7 capitalization of the corporation: *Provided, further,* That  
8 holders of preferred shares issued under Republic Act  
9 No. 6977, as amended, shall have the option to convert  
10 the same into common shares. Additional equity  
11 funding shall come from trust placements of excess and  
12 unused funds of existing government agencies, bilateral  
13 and multilateral official development assistance funds,  
14 subscriptions from government owned or controlled  
15 corporations AND THE NATIONAL GOVERNMENT  
16 THROUGH THE DEPARTMENT OF BUDGET AND  
17 MANAGEMENT (DBM), and investments of private  
18 financial institutions and corporations: *Provided,*  
19 *finally,* That any investment from the private sector  
20 shall only be in the form of preferred shares.

21 "THE NATIONAL GOVERNMENT SHALL PROVIDE FOR  
22 THE FULL CAPITALIZATION OF THE SB CORPORATION  
23 WITHIN A PERIOD OF FIVE (5) YEARS FROM THE  
24 APPROVAL OF THIS ACT.

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



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

5 SEC. 12. Section 13 of the same Act, as amended, is hereby  
6 deleted.

7 “[SEC. 13. The SB Corporation shall be subject to  
8 the supervision and examination of the *Bangko*  
9 *Sentral ng Pilipinas* taking into consideration its  
10 developmental objectives.”]

11 SEC. 13. Section 14 of the same Act, as amended, is hereby  
12 renumbered as Section 13, and further amended to read as follows:

13 “SEC. [14]13. *Venture Capital and Micro Finance*  
14 *Trust Fund*. – The SB Corporation may set aside an  
15 amount of money to encourage the setting up of a  
16 venture capital and micro finance trust fund for the  
17 purpose of promoting business opportunities available  
18 to MSME sector. The Venture Capital Fund shall be  
19 used mainly for venture capital finance especially in  
20 technology-oriented industries. The micro finance trust  
21 fund shall be used to provide collateral-free fixed and  
22 working capital loans to micro and small enterprises  
23 run by those emerging out of poverty. A SEED  
24 AMOUNT OF AT LEAST TEN PERCENT (10%) OF THE  
25 ADDITIONAL EQUITY CONTRIBUTION OF THE NATIONAL  
26 GOVERNMENT TO THE CAPITALIZATION OF THE SMALL

1 BUSINESS CORPORATION BUT NOT MORE THAN FIVE  
 2 HUNDRED MILLION PESOS (P500,000,000.00) SHALL BE  
 3 SET ASIDE TO FUND THE VENTURE CAPITAL AND MICRO  
 4 FINANCE TRUST FUND.”

5 SEC. 14. Section 15 of the same Act, as amended, is hereby  
 6 renumbered as Section 14, and further amended to read as follows:

7 “SEC. [15]14. *Mandatory Allocation of Credit*  
 8 *Resources to Micro, Small and Medium Enterprises.* –  
 9 For the period of ANOTHER ten (10) years from the date  
 10 of the effectivity of this amendatory Act, all lending  
 11 institutions as defined under *Bangko Sentral ng*  
 12 *Pilipinas* rules, whether public or private, shall set  
 13 aside at least eight percent (8%) for micro and small  
 14 enterprises and at least two percent (2%) for medium  
 15 enterprises of their total loan portfolio based on their  
 16 balance sheet as of the end of the previous quarter, and  
 17 make it available for MSME credit as herein  
 18 contemplated.

19 “Compliance of this provision shall be:

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

21 “x x x; or

22 “f) subscribe/purchase of liability instruments as  
 23 may be offered by the SB Corporation. THE SAME SHALL  
 24 NOT BE DEEMED AS QUASI-BANKING OPERATIONS, AND  
 25 SHALL NOT REQUIRE A QUASI-BANKING LICENSE FROM  
 26 THE BSP; OR

1           “(G) LOANS TO MSME VALUE CHAIN ACTORS WHO  
2           ALLOW MSMEs TO PARTICIPATE IN ORGANIZED OR  
3           FORMAL VALUE CHAINS. VALUE CHAIN ACTORS  
4           INCLUDE, AMONG OTHERS, TRADERS, SUPPLIERS,  
5           PROCESSORS, AGGREGATORS WHO CONDUCT LINKED  
6           SEQUENCE OF VALUE ADDING ACTIVITIES INVOLVED IN  
7           BRINGING A PRODUCT TO FINAL CONSUMERS.

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

1           “The MSMED Council shall set up the appropriate  
2 systems to monitor all loan applications of MSMEs in  
3 order to account for the absorptive capacity of the  
4 MSME sector. EACH LENDING INSTITUTION SHALL  
5 DESIGNATE A CHIEF COMPLIANCE OFFICER WHO WILL  
6 PREPARE AND SIGN THE REPORT ON COMPLIANCE AND  
7 NONCOMPLIANCE WITH THE MANDATORY CREDIT  
8 ALLOCATION, FOR SUBMISSION TO THE *BANGKO*  
9 *SENTRAL NG PILIPINAS*. The *Bangko Sentral ng*  
10 *Pilipinas* shall furnish to the MSMED Council on a  
11 quarterly basis comprehensive reports on the banks’  
12 compliance[,] AND noncompliance [and penalties of]  
13 WITH the above provisions on the mandatory credit  
14 allocation for MSMEs[.], AND SHALL SUBMIT AN  
15 ANNUAL REPORT, SIGNED BY AN OFFICER WITH THE  
16 RANK OF AT LEAST A MANAGING DIRECTOR, ON THE  
17 AMOUNTS OF THE PENALTIES FOR NONCOMPLIANCE  
18 WITH THE MANDATORY LENDING PROVISION OF THIS  
19 ACT.

20           “Lending institutions which are not qualified to  
21 acquire or hold lands of the public domain in the  
22 Philippines shall be permitted to bid and take part in  
23 sales of mortgaged real property in case of judicial or  
24 extra-judicial foreclosure, as well as avail of  
25 receivership, enforcement and other proceedings, solely  
26 upon default of a borrower, and for a period not  
27 exceeding five (5) years from actual possession:  
28 *Provided*, That in no event shall title to the property be

1 transferred to such lending institution. If the lending  
 2 institution is the winning bidder, it may, during said  
 3 five (5) year period, transfer its rights to a qualified  
 4 Philippine national, without prejudice to a borrower's  
 5 rights under applicable laws."

6 SEC. 15. Sections 16, 17 and 18 of the same Act, as amended,  
 7 are hereby renumbered as Sections 15, 16 and 17, respectively, to  
 8 read as follows:

9 "SEC. [16]15. *Micro, Small, and Medium*  
 10 *Enterprise Week.* - x x x."

11 "SEC. [17]16. *Presidential Awards for Outstanding*  
 12 *MSME.* - x x x."

13 "SEC. [18]17. *Congressional Oversight Committee.*  
 14 - x x x."

15 SEC. 16. Section 19 of the same Act, as amended, is hereby  
 16 renumbered as Section 18, and further amended, to read as follows:

17 "SEC. [19]18. *Penalty Clause.* - The *BANGKO*  
 18 *SENTRAL NG PILIPINAS* shall impose administrative  
 19 sanctions and other penalties on the lending  
 20 institutions for non[-]compliance with THE provisions of  
 21 this Act [including a fine of not less than Five hundred  
 22 thousand pesos (P500,000.00)]. THE MINIMUM PENALTY  
 23 FOR NONCOMPLIANCE IS SET AT FIVE HUNDRED  
 24 THOUSAND PESOS (P500,000.00) AND THE MAXIMUM  
 25 PENALTY FIVE MILLION PESOS (P5,000,000.00), IN  
 26 PROPORTION TO THE BANK'S OR OTHER ENTITY'S LEVEL

1 OF COMPLIANCE: *PROVIDED*, THAT A SMALLER  
2 PENALTY IS SET AT ONE HUNDRED THOUSAND PESOS  
3 (P100,000.00) FOR SMALLER BANKS' NONCOMPLIANCE.  
4 AS USED IN THIS ACT, SMALL BANKS SHALL BE DEFINED  
5 AS BANKS WITH CAPITALIZATION OF NOT MORE THAN  
6 FIVE HUNDRED MILLION PESOS (P500,000,000.00):  
7 *PROVIDED, FURTHER*, THAT THE DEFINITION OF SMALL  
8 BANKS SHALL BE REGULARLY REVIEWED BY THE  
9 MSMED COUNCIL: *PROVIDED, FINALLY*, THAT THE  
10 AFOREMENTIONED PENALTIES SHALL NOT BE IMPOSED  
11 ON NEWLY-ESTABLISHED DOMESTIC AND FOREIGN  
12 BANKS WITHIN ONE (1) YEAR FROM THE DATE THEY  
13 COMMENCED THEIR OPERATIONS.

14 "Penalties on noncompliance shall be directed to the  
15 development of the MSME sector. Ninety percent (90%)  
16 of the penalties collected should go to the MSMED  
17 Council Fund, while the remaining ten percent (10%)  
18 should be given to the BSP to cover for administrative  
19 expenses.

20 "THE MSMED COUNCIL SHALL SUBMIT TO THE  
21 CONGRESS OF THE PHILIPPINES AN ANNUAL REPORT  
22 ON THE STATUS OF THE PENALTIES REMITTED AND HOW  
23 THE SAME WERE USED OR ARE BEING USED IN RELATION  
24 TO THE IMPLEMENTATION OF SERVICES TO MSMEs  
25 IN THE AREAS OF CAPACITY BUILDING, TECHNOLOGY  
26 INFORMATION, COLLECTION AND DISSEMINATION, AND  
27 OTHER INTERVENTIONS FOR MSME DEVELOPMENT,  
28 GROWTH AND SUSTAINABILITY."

1           SEC. 17. *Implementing Rules and Regulations (IRR).* – The  
2 Department of Trade and Industry, through the Bureau of Micro,  
3 Small and Medium Business Development and in consultation with  
4 the *Bangko Sentral ng Pilipinas* and other concerned government  
5 agencies, nongovernment organizations and private sector agencies  
6 involved in the promotion of MSMEs, shall formulate the  
7 implementing rules and regulations (IRR) necessary to implement  
8 the provisions of this Act within ninety (90) days from the approval  
9 of this Act: *Provided*, That the IRR shall be reviewed yearly:  
10 *Provided, further*, That the IRR shall be approved by the MSMED  
11 Council. The IRR issued pursuant to this section shall take effect  
12 thirty (30) days after its publication in a national newspaper of  
13 general circulation.

14           SEC. 18. *Separability Clause.* – The provisions of this Act  
15 are hereby declared to be separable. If any provision of this Act  
16 shall be held unconstitutional, the remainder of this Act not  
17 otherwise affected shall remain in full force and effect.

18           SEC. 19. *Repealing Clause.* – All laws, executive orders,  
19 rules and regulations, or parts thereof inconsistent herewith are  
20 hereby repealed or modified accordingly.

21           SEC. 20. *Effectivity.* – This Act shall take effect within  
22 fifteen (15) days from its publication in the *Official Gazette* or in a  
23 newspaper of general circulation.

Approved,

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