

EIGHTEENTH CONGRESS OF THE )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )

SENATE  
S. No. 684

Office of the Secretary

'19 JUL 22 P3:31

Introduced by Senator Aquilino “Koko” Pimentel III

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)” AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Since its enactment in 1991, the Magna Carta for MSMEs has been the backbone of the current national policy to promote, support, strengthen, and encourage the growth and development of micro, small and medium enterprises (MSMEs).

The Duterte Administration puts a high priority on the development of the MSME sector considering that, based on 2017 data<sup>1</sup>, MSMEs account for 99.56% of total business establishments in the Philippines. Of the total number of MSMEs, 89.63% are micro

<sup>1</sup> 2017 MSME Statistics available at <https://www.dti.gov.ph/businesses/msmes/msme-resources/msme-statistics>, retrieved on July 03, 2019.

enterprises, 9.56% are small enterprises, and 0.41% are medium enterprises.

Despite the sector's importance to the economy, our MSMEs continue to struggle with lack of access to financing and related forms of support. Thus, further strengthening the Magna Carta for MSMEs is a necessary policy response to this real need for governmental support.

The salient features of this bill, among others, are the following:


- 1) Allocating 10% of all public procurement opportunities to eligible MSMEs;
- 2) Extension of mandatory lending provisions to MSMEs for another 10 years;
- 3) Increasing the capitalization of SB Corporation and strengthening its guarantee program; and
- 4) Providing for bankruptcy preventive measures in the form of a guarantee fund for distressed enterprises.

It is hoped that the passage of this bill will reduce inequality and expand economic opportunities for our MSMEs, consistent with the Philippine Development Plan 2017-2022.

In the view of the foregoing, immediate approval of this bill is earnestly requested.

  
AQUILINO "KOKO" PIMENTEL III



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

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

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

1 entrepreneurship, support entrepreneurs, encourage the  
2 establishment of MSMEs, and ensure their continuing  
3 viability and growth and thereby attain countryside  
4 industrialization by:

5  
6 x x x.

7  
8 **SEC. 2.** Section 4 of the same Act, as amended, is hereby further  
9 amended to read as follows:

10  
11 *SEC. 4. Eligibility for Government Assistance.* — To  
12 qualify for assistance, counseling, incentives and promotion  
13 under this Act, businesses falling under the above definition  
14 must be:

15  
16 x x x

17  
18 [Eligible MSMEs shall be entitled to a share of at least  
19 ten percent (10%) of total procurement value of goods and  
20 services supplied to the Government, its bureaus, offices and  
21 agencies annually.] **THE NATIONAL GOVERNMENT,**  
22 **ITS BUREAUS, OFFICES, AND AGENCIES SHALL**  
23 **ALLOCATE AT LEAST TEN PERCENT (10%) OF**  
24 **ALL ITS PROCUREMENT OPPORTUNITIES FOR**  
25 **GOODS AND SERVICES TO ELIGIBLE MSMEs IN**  
26 **ACCORDANCE WITH THE PROVISIONS OF**  
27 **REPUBLIC ACT NO. 9184, OTHERWISE KNOWN AS**  
28 **THE “GOVERNMENT PROCUREMENT REFORM**  
29 **ACT”, AND ITS IMPLEMENTING RULES AND**  
30 **REGULATIONS.**

31  
32 The [Department of Budget and Management]  
33 **GOVERNMENT PROCUREMENT POLICY BOARD**  
34 **(GPPB) shall FORMULATE RULES FOR THE**  
35 **EFFECTIVE IMPLEMENTATION OF THIS**  
36 **PROVISION AND** monitor the compliance of government  
37 agencies on the required procurement for MSMEs and submit



1 its report to the MSMED Council on a semestral basis and to  
2 the Congress of the Philippines, through its appropriate  
3 committees on a yearly basis.  
4

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

8 SEC. 5. *Guiding Principles.* — To set the pace for  
9 MSME development, the State shall be guided by the  
10 following principles:  
11

12 x x x  
13

14 c) Coordination of government efforts. Government  
15 efforts shall be coordinated to achieve coherence in  
16 objectives. All appropriate offices, particularly those under  
17 the Departments of Trade and Industry, Finance, Budget and  
18 Management, Agriculture, Agrarian Reform, Environment  
19 and Natural Resources, Labor and Employment,  
20 Transportation [and Communications], **INFORMATION**  
21 **AND COMMUNICATIONS TECHNOLOGY**, Public  
22 Works and Highways, Science and Technology, Interior and  
23 Local Government and Tourism as well as the National  
24 Economic and Development Authority, Philippine  
25 Information Agency and the *Bangko Sentral ng Pilipinas*,  
26 through their national, regional and provincial offices shall,  
27 to the best of their efforts and in coordination with the local  
28 government units, provide the necessary support and  
29 assistance to MSMEs. **THE DEPARTMENT OF TRADE**  
30 **AND INDUSTRY (DTI) SHALL BE THE LEAD**  
31 **AGENCY THEREFOR.**  
32

33 x x x.  
34  
35  
36  
37

1       **SEC. 4.** Section 6 of the same Act is amended to read as follows:

2  
3           **SEC. 6.** *Micro, Small and Medium Enterprises*  
4 *Development Plan (MSMEDP).* — The President shall  
5 approve a six-year micro, small and medium enterprises  
6 development plan prepared by the [Department of Trade and  
7 Industry] [(DTI)] which shall form part of the [Medium  
8 Term] Philippine Development Plan ([MT]PDP). It shall be  
9 formulated in consultation with the private sector, validated  
10 and updated semestraly. Such plan shall include a  
11 component on a micro credit financing scheme.  
12

13       **SEC. 5.** Section 7 of the same Act, as amended, is hereby further  
14 amended to read as follows:  
15

16           **SEC. 7.** *Micro, Small and Medium Enterprise*  
17 *Development (MSMED) Council.* — The existing Small and  
18 Medium Enterprise Development Council, which was created  
19 by Republic Act No. 6977, as amended by Republic Act No.  
20 8289 **AND REPUBLIC ACT NO. 9501, AND FURTHER**  
21 **AMENDED BY REPUBLIC ACT NO. 10644**, shall be  
22 strengthened to effectively spur the growth and development  
23 of MSMEs throughout the country, and to carry out the  
24 policy declared in this Act and shall now be known as the  
25 Micro, Small and Medium Enterprise Development  
26 (MSMED) Council. The Council shall be attached to the DTI  
27 and shall be constituted within (60) days after the approval of  
28 this Act.  
29

30           x x x  
31

32       **SEC. 6.** Section 7-A of the same Act, as amended, is hereby  
33 further amended to read as follows:  
34

35           **SEC. 7-A.** Composition of the *Micro, Small and Medium*  
36 *Enterprises Development (MSMED) Council.* — The  
37 members of the Council shall be the following:



- 1 (a) The Secretary of Trade and Industry as Chair;  
2 (b) The Secretary of Agriculture;  
3 (c) The Secretary of the Interior and Local Government;

4 **(D) THE SECRETARY OF FINANCE;**

5 [(d)](E) Three (3) representatives from the MSME  
6 sector, [to represent Luzon, Visayas and Mindanao, with at  
7 least one (1) representative from the microenterprise sector]

8 **TO BE DESIGNATED BY A NATIONAL**  
9 **ORGANIZATION REPRESENTING AND**  
10 **DOMINATED BY MSMEs; AND**

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

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

15 [(g)] **(F) The Chairman of THE Small Business**  
16 **Corporation.**

17  
18 *A. Advisory Unit.* - There shall be an Advisory Unit to  
19 the Council, which shall consist of the following:

20 (a) The Secretary of Science and Technology;

21 (b) The Governor of the *Bangko Sentral ng Pilipinas*;

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

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

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

27 **(F) THE EXECUTIVE DIRECTOR OF THE**  
28 **COOPERATIVE DEVELOPMENT AUTHORITY;**

29 **(G) A REPRESENTATIVE OF A NATIONAL**  
30 **ORGANIZATION REPRESENTING AND**  
31 **DOMINATED BY MSMEs;**

32 [(f)] **(H) One (1) representative from the labor sector to**  
33 **be nominated by accredited labor groups;**

34 [(g)] **(I) A representative from the private banking sector**  
35 **to serve [alternatively] ALTERNATELY between the**

1 chamber of thrift banks, and the Rural Bankers' Association  
2 of the Philippines (RBAP);

3 [(h)] **(J)** A representative of the microfinance  
4 nongovernment organizations (NGOs), **DESIGNATED BY**  
5 **THE MICROFINANCE NGO REGULATORY**  
6 **COUNCIL;**

7 [(i)] **(K)** A representative of the University of the  
8 Philippines - Institute for Small Scale Industries (UP-ISSI);  
9 [and]

10 [(j)] **(L)** The President of the Credit Information  
11 Corporation[.];

12 **(M) ONE (1) REPRESENTATIVE FROM THE**  
13 **WOMEN SECTOR DESIGNATED BY THE**  
14 **PHILIPPINE COMMISSION ON WOMEN; AND**

15 **(N) ONE (1) REPRESENTATIVE FROM THE**  
16 **YOUTH SECTOR DESIGNATED BY THE NATIONAL**  
17 **YOUTH COMMISSION; AND**

18 **(O) A REPRESENTATIVE FROM NON-STOCK**  
19 **SAVINGS AND LOAN ASSOCIATIONS DESIGNATED**  
20 **BY THE ALLIANCE OF NON-STOCK SAVINGS AND**  
21 **LOAN INSTITUTIONS, INC. (ANSLI).**

22  
23 x x x.

24  
25 **SEC. 7.** Section 7-B of the same Act, as amended, is hereby  
26 further amended to read as follows:

27  
28 **SEC. 7-B. Powers and Functions. – A.** The MSMED  
29 Council shall have the following powers, duties and  
30 functions:

31  
32 x x x;

33  
34 h. To promote the productivity and viability of MSMEs  
35 **IN DTI'S TOP PRIORITY INDUSTRIES FOR**  
36 **DEVELOPMENT** by way of directing and/or assisting



1 relevant government agencies and institutions at the national,  
2 regional, and provincial levels towards the:

3  
4 x x x

5  
6 12) Through appropriate government agencies:

7  
8 x x x

9  
10 f. Set-up new MSME **NEGOSYO** centers and revitalize  
11 already established MSME **NEGOSYO** centers to provide  
12 MSMEs in the regions easier access to services such as, but  
13 not limited to, the following:

14  
15 x x x;

16  
17 **B. Additional Functions of the MSMED Council.** – **THE**  
18 **MSMED** council shall have the following additional  
19 functions:

20  
21 (a) Coordinating and Oversight Body for the **MSME**  
22 **Negosyo** Center. – The **MSMED** Council, through the DTI,  
23 shall act as coordinating and supervising body for all the  
24 agencies involved in the establishment and operation of the  
25 **MSME** **Negosyo** Centers. Further, the **MSMED** Council  
26 shall monitor and assess the progress of the **Negosyo** Centers,  
27 which shall be included in its annual report submitted to the  
28 Congress.

29  
30 (b) Provision of a compliance guide. – For each rule or  
31 group of related rules issued by any government agency for  
32 compliance by MSMEs, the Council shall publish compliance  
33 guidelines which shall be written in plain language or in the  
34 local dialect, if necessary.

35  
36 The Council shall prepare separate compliance guides  
37 covering groups or classes of similarly affected MSMEs and

1 shall cooperate with industry associations to develop and  
2 distribute such compliance guides. The publication of each  
3 compliance guide shall include the posting of the guide in an  
4 easily identified location on the website of the agency, and  
5 distribution of the guide to known industry contacts, such as  
6 small entities, associations or industry leaders affected by the  
7 rule. The issuing government agency shall publish and  
8 disseminate the compliance rule within ninety (90) days from  
9 the date of issuance.

10  
11 (c) Conduct of Research on Women Entrepreneurship. –  
12 The Council shall conduct research to support women  
13 entrepreneurship including, but not limited to  
14 entrepreneurial behavior, barriers, participation and  
15 cessation rates, discriminatory practices and contribution to  
16 the national economy and growth.

17  
18 (d) Policy Formulation on Women Entrepreneurship. –  
19 The Council shall provide policy direction towards  
20 recognizing women's propensity in doing business as well as  
21 establish linkages that will enable more opportunities for  
22 women to engage in entrepreneurship.

23  
24 (e) Development of Entrepreneurial Education and  
25 Training. – The MSMED Council shall develop, in  
26 coordination with the Department of Education, TESDA and  
27 CHED, a course curriculum or training program in  
28 entrepreneurship that will promote entrepreneurial culture  
29 and competence. Entrepreneurship shall be integrated in the  
30 curriculum of educational and training institutions in all  
31 levels.

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

35  
36 SEC. 11-A. Composition of the Board of Directors and  
37 its Powers. – The [SB Corporation] corporate powers **OF SB**



1       **CORPORATION** shall be vested on a Board of Directors  
2       composed of [eleven (11)] **THIRTEEN (13)** members which  
3       shall include the following:

4  
5           a) The Secretary of Trade and Industry;

6           b) The Secretary of Finance;

7           **C)       THE PRESIDENT OF THE GOVERNMENT**  
8       **SERVICE INSURANCE SYSTEM (GSIS);**

9           **D)       THE PRESIDENT OF THE SOCIAL**  
10       **SECURITY SYSTEM (SSS);**

11          [c)] **E)** A private sector representative to be appointed by  
12       the President upon the recommendation of the MSMED  
13       Council;

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

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

20  
21       The President shall appoint the chairman of the Board  
22       from among its members.

23  
24       All members of the Board so appointed, except for the  
25       *ex-officio* members, shall serve for a term of three (3) years  
26       [without] **WITH ONE (1)** reappointment. **AN**  
27       **INCUMBENT DIRECTOR WHOSE TERM HAS**  
28       **EXPIRED SHALL CONTINUE TO HOLD OFFICE**  
29       **UNTIL A SUCCESSOR IS APPOINTED.** The person so  
30       appointed to replace a member who has resigned, died, or  
31       been removed for cause shall serve only for the unexpired  
32       portion of the term.

33  
34       The Board of Directors shall have, among others, the  
35       following specific powers and authorities:

36  
37           x x x; and

1  
2 f) [Notwithstanding the provisions of Republic Act No.  
3 6758 and Compensation Circular No. 10, Series of 1989  
4 issued by the Department of Budget and Management, the  
5 Board shall have the authority to p]Provide for the  
6 organizational structure, [and] staffing pattern [of SB  
7 Corporation and to extend to the employees and personnel  
8 thereof salaries, allowances and fringe benefits similar to  
9 those extended to and currently enjoyed by employees and  
10 personnel of other government financial institution.] **AND**  
11 **COMPENSATION OF EMPLOYEES AND**  
12 **PERSONNEL OF SB CORPORATION, FOR**  
13 **SUBMISSION TO THE GOVERNANCE**  
14 **COMMISSION FOR GOCCs.**  
15

16 **SEC. 9.** Section 11-B of the same Act, as amended, is hereby  
17 further amended, to read as follows:  
18

19 SEC. 11-B. *Corporate Structure and Powers.* –

20 **A.** The SB Corporation shall:  
21

22 x x x.  
23

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

29 a) Source and adopt development initiatives for globally  
30 competitive MSMEs in finance and business technologies;

31 b) [To] [e]Extend all forms of financial assistance,  
32 **EXCEPT GRANTS AND SUBSIDIES,** to eligible  
33 MSMEs[.], **AND NOT TO PRECLUDE RETAIL**  
34 **LENDING IN AREAS WHERE PRIVATE BANKS ARE**  
35 **NOT ABLE TO SERVE, SUBJECT TO**  
36 **CONSULTATION WITH THE PRIVATE BANKS;** [SB  
37 Corporation may also engage in wholesale lending. The SB



1 Corporation shall be given two (2) years from the effectivity  
2 of this Act to comply with this requirement;]

3 c) Guarantee loans obtained by qualified MSMEs under  
4 such terms and conditions adopted by the SB Corporation  
5 Board of Directors, **AS WELL AS ESTABLISH A**  
6 **GUARANTEE SYSTEM FOR DISTRESSED**  
7 **ENTERPRISES AS INSURANCE AGAINST**  
8 **EXTRAORDINARY DISASTERS;**  
9

10 x x x  
11

12 f) Apply for, receive and accept grants and donations  
13 from sources within and outside the country; [and]

14 g) Hold, own, purchase, acquire, sell, mortgage, dispose  
15 or otherwise invest or re-invest in stocks, bonds, treasury  
16 bills, debentures, securities and similar forms of indebtedness  
17 of the government, its agencies and instrumentalities or any  
18 government financial institution[.]; **AND**

19 **H) SUBMIT AN ANNUAL REPORT TO THE**  
20 **MSMED COUNCIL, THE CONGRESS OF THE**  
21 **PHILIPPINES, AND THE GOVERNANCE**  
22 **COMMISSION FOR GOCCS ON THE**  
23 **PERFORMANCE AND FINANCIAL CONDITION OF**  
24 **THE CORPORATION.**  
25

26 **THE SB CORPORATION SHALL BE EXEMPT**  
27 **FROM SECURING PRIOR BSP AUTHORIZATION**  
28 **FOR ENGAGING IN QUASI-BANKING ACTIVITIES**  
29 **AND SHALL NOT BE SUBJECT TO BSP**  
30 **SUPERVISION AND REGULATION FOR SUCH**  
31 **ACTIVITIES.”**  
32

33 **SEC. 10.** A new sub-section is hereby inserted after Section 11-B  
34 of the same Act, as amended, and numbered as Section 11-C to read as  
35 follows:  
36

1           **SEC. 11-C. STRATEGIC MANAGEMENT OF THE**  
2 **SB CORPORATION. – THE BOARD OF THE SB**  
3 **CORPORATION, THROUGH ITS CHAIRMAN,**  
4 **SHALL BE FULLY RESPONSIBLE AND**  
5 **ACCOUNTABLE FOR THE PERFORMANCE OF THE**  
6 **CORPORATION’S MANDATE. TO ENSURE THIS,**  
7 **THE BOARD SHALL BE CONSTITUTED AS A**  
8 **MANAGING BOARD, LED BY ITS CHAIRMAN, TO**  
9 **CONCEPTUALIZE THE STRATEGIC PLANS AND**  
10 **POLICIES OF THE CORPORATION.**

11  
12           **THE SB CORPORATION SHALL ADOPT A**  
13 **BALANCED SCORECARD APPROACH, SUBJECT**  
14 **TO THE REVIEW AND APPROVAL OF THE**  
15 **GOVERNANCE COMMISSION FOR GOCCs, IN ITS**  
16 **STRATEGIC MANAGEMENT TO ENABLE IT TO**  
17 **MANAGE ITS FINANCIAL PERFORMANCE WHILE**  
18 **PURSUING ITS PUBLIC POLICY OBJECTIVES OF**  
19 **SUPPORTING MICRO, SMALL AND MEDIUM**  
20 **ENTERPRISES DEVELOPMENT.**

21  
22           **SEC. 11.** Section 12 of the same Act, as amended, is hereby  
23 further amended to read as follows:  
24

25           **SEC. 12. Capitalization and Funding of the SB**  
26 **Corporation. —** The SB Corporation shall have an authorized  
27 capital stock of Ten billion pesos (P10,000,000,000.00). The  
28 initial capital of One billion pesos (P1,000,000,000.00) shall  
29 be established from a pool of funds to be contributed in the  
30 form of equity investments in common stock by the Land  
31 Bank of the Philippines (LBP), the Development Bank of the  
32 Philippines (DBP), in the amount of Two hundred million  
33 pesos (P200,000,000.00) each. The Social Security System  
34 (SSS) and the Government Service Insurance System (GSIS)  
35 shall also set aside Two hundred million pesos  
36 (P200,000,000.00) each for the SB Corporation. Authorized  
37 capital stock of the [s]Small [b]Business [c]Corporation shall



1 be divided into 80,000,000 common shares and 20,000,000  
2 preferred shares with a par value of One hundred pesos  
3 (P100.00) per share: *Provided*, That the common shares  
4 which have been issued, including those issued against the  
5 assets of the KKK Guaranty Fund consolidated under the  
6 Small Business Corporation by virtue of Executive Order No.  
7 233, Series of 2000 and Executive Order No. 19, Series of  
8 2001 and including those already subscribed, shall form part  
9 of the capitalization of the corporation: *Provided, further*,  
10 That holders of preferred shares issued under Republic Act  
11 No. 6977, as amended, shall have the option to convert the  
12 same into common shares. Additional equity funding shall  
13 come from trust placements of excess and unused funds of  
14 existing government agencies, bilateral and multilateral  
15 official development assistance funds, subscriptions from  
16 government owned or controlled corporations **AND THE**  
17 **NATIONAL GOVERNMENT THROUGH THE**  
18 **DEPARTMENT OF BUDGET AND MANAGEMENT**  
19 **(DBM)**, and investments of private financial institutions and  
20 corporations: *Provided, finally*, That any investment from the  
21 private sector shall only be in the form of preferred shares.

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

28  
29 [To allow for capital build-up, SB Corporation shall be  
30 given a five (5) year grace period on dividend commitments  
31 beginning on the date of effectivity of this amendment.  
32 Thereafter, it] **THE SB CORPORATION** may [only]  
33 declare as dividend not more than thirty percent (30%) of its  
34 net income and the rest withheld as retained earnings.

35  
36 **SEC. 12.** Section 13 of the same Act, as amended, is hereby  
37 deleted.

1 [SEC. 13. The SB Corporation shall be subject to the  
2 supervision and examination of the *Bangko Sentral ng*  
3 *Pilipinas* taking into consideration its developmental  
4 objectives.]  
5

6 **SEC. 13.** Section 14 of the same Act, as amended, is hereby  
7 renumbered as Section 13, and further amended to read as follows:  
8

9 SEC. [14] **13.** *Venture Capital and Micro Finance Trust*  
10 *Fund.* — The SB Corporation may set aside an amount of  
11 money to encourage the setting up of a venture capital and  
12 micro finance trust fund for the purpose of promoting  
13 business opportunities available to MSME sector. The  
14 Venture Capital Fund shall be used mainly for venture capital  
15 finance especially in technology-oriented industries. The  
16 micro finance trust fund shall be used to provide collateral-  
17 free fixed and working capital loans to micro and small  
18 enterprises run by those emerging out of poverty. **A SEED**  
19 **AMOUNT OF AT LEAST TEN PERCENT (10%) OF**  
20 **THE ADDITIONAL EQUITY CONTRIBUTION OF**  
21 **THE NATIONAL GOVERNMENT TO THE**  
22 **CAPITALIZATION OF THE SMALL BUSINESS**  
23 **CORPORATION BUT NOT MORE THAN FIVE**  
24 **HUNDRED MILLION PESOS (P500,000,000.00) SHALL**  
25 **BE SET ASIDE TO FUND THE VENTURE CAPITAL**  
26 **AND MICRO FINANCE TRUST FUND.**  
27  
28

29 **SEC. 14.** Section 15 of the same Act, as amended, is hereby  
30 renumbered as Section 14, and further amended to read as follows:  
31

32 SEC. [15] **14.** *Mandatory Allocation of Credit Resources*  
33 *to Micro, Small and Medium Enterprises.* — For the period  
34 of **ANOTHER** ten (10) years from the date of effectivity of  
35 this amendatory Act, all lending institutions as defined under  
36 *Bangko Sentral ng Pilipinas* rules, whether public or private,  
37 shall set aside at least eight percent (8%) for micro and small



enterprises and at least two percent (2%) for medium enterprises of their total loan portfolio based on their balance sheet as of the end of the previous quarter, and make it available for MSME credit as herein contemplated.

Compliance of this provision shall be:

a) actual extension of loans to eligible MSMEs; or

x x x; or

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

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

The *Bangko Sentral ng Pilipinas*, **IN CONSULTATION WITH THE MSMED COUNCIL AND THE SECRETARY OF TRADE AND INDUSTRY**, shall formulate rules for the effective implementation of this provision: *Provided*, That the purchase of government notes, securities and other negotiable instruments shall not be deemed compliance with the foregoing provisions: *Provided, further*, That the *Bangko Sentral ng Pilipinas*, **IN CONSULTATION WITH ALL STAKEHOLDERS** shall establish [an] **A MEANINGFUL** incentive [program] **SYSTEM** to encourage [lending to micro, small and medium industries beyond the mandatory credit allocation to said enterprises,] **COMPLIANCE WITH THIS PROVISION**, such as possible reduction in bank's reserve requirement[.]:

1 **PROVIDED, FINALLY, THAT THE BANGKO**  
2 **SENTRAL NG PILIPINAS SHALL ALIGN ITS**  
3 **REGULATIONS ON THE PENALTIES FOR BANKS**  
4 **AND OTHER ENTITIES, FOR NON COMPLIANCE**  
5 **WITH THE PROVISION FOR MANDATORY**  
6 **LENDING.**

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

28  
29 Lending institutions which are not qualified to acquire or  
30 hold lands of the public domain in the Philippines shall be  
31 permitted to bid and take part in sales of mortgaged real  
32 property in case of judicial or extra-judicial foreclosure, as  
33 well as avail of receivership, enforcement and other  
34 proceedings, solely upon default of a borrower, and for a  
35 period not exceeding five (5) years from actual possession:  
36 *Provided,* That in no event shall title to the property be  
37 transferred to such lending institution. If the lending



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

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

9 SEC. [16] **15.** Micro, Small, and Medium Enterprise  
10 Week. — x x x  
11

12 SEC. [17] **16.** Presidential Awards for Outstanding  
13 MSME. — x x x  
14

15 SEC. [18] **17.** Congressional Oversight Committee. — x  
16 x x  
17

18 **SEC 16.** Section 19 of the same Act, as amended, is hereby  
19 renumbered as Section 18, and further amended, to read as follows:  
20

21 SEC. [19] **18. *Penalty Clause.*** — The ***BANGKO***  
22 ***SENTRAL NG PILIPINAS*** shall impose administrative  
23 sanctions and other penalties on the lending institutions for  
24 non[-]compliance with **THE** provisions of this Act.  
25 [including a fine of not less than Five hundred thousand  
26 pesos (P500,000.00),] **THE MINIMUM PENALTY FOR**  
27 **NONCOMPLIANCE IS SET AT FIVE HUNDRED**  
28 **THOUSAND PESOS (P500,000.00) AND THE**  
29 **MAXIMUM PENALTY AT FIVE MILLION PESOS**  
30 **(P5,000,000.00), IN PROPORTION TO THE BANK'S**  
31 **OR OTHER ENTITY'S LEVEL OF COMPLIANCE:**  
32 ***PROVIDED, THAT A SMALLER PENALTY IS SET AT***  
33 **ONE HUNDRED THOUSAND PESOS (P100,000.00)**  
34 **FOR SMALLER BANKS' NONCOMPLIANCE. AS**  
35 **USED IN THIS ACT, SMALL BANKS SHALL BE**  
36 **DEFINED AS BANKS WITH CAPITALIZATION OF**  
37 **NOT MORE THAN FIVE MILLION PESOS**

1 (P5,000,000,000.00): *PROVIDED, FURTHER, THAT*  
2 *THE DEFINITION OF SMALL BANKS SHALL BE*  
3 *REGULARLY REVIEWED BY THE MSMED*  
4 *COUNCIL: PROVIDED, FINALLY, THAT THE*  
5 *AFOREMENTIONED PENALTIES SHALL NOT BE*  
6 *IMPOSED TO NEWLY-ESTABLISHED DOMESTIC*  
7 *AND FOREIGN BANKS WITHIN ONE (1) YEAR*  
8 *FROM THE DATE THEY COMMENCED THEIR*  
9 *OPERATIONS.*

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

16  
17 **THE MSMED COUNCIL SHALL SUBMIT TO**  
18 **THE CONGRESS OF THE PHILIPPINES AN ANNUAL**  
19 **REPORT ON THE STATUS OF THE PENALTIES**  
20 **REMITTED AND HOW THE SAME WERE USED OR**  
21 **ARE BEING USED IN RELATION TO THE**  
22 **IMPLEMENTATION OF SERVICES TO MSMES IN**  
23 **THE AREAS OF CAPACITY BUILDING,**  
24 **TECHNOLOGY INFORMATION, COLLECTION AND**  
25 **DISSEMINATION, AND OTHER INTERVENTIONS**  
26 **FOR MSME DEVELOPMENT, GROWTH AND**  
27 **SUSTAINABILITY.**

28  
29 **SEC 17. *Implementing Rules and Regulations.*** — The Department  
30 of Trade and Industry, through the Bureau of Micro, Small and Medium  
31 Business Development, and in consultation with the *Bangko Sentral ng*  
32 *Pilipinas* and other concerned government agencies, non-government  
33 organizations and private sector agencies involved in the promotion of  
34 MSMEs, shall formulate the Implementing Rules and Regulations (IRR)  
35 necessary to implement the provisions of this Act within ninety (90)  
36 days from the approval of this Act: *Provided, That the IRR shall be*



1 reviewed yearly: *Provided, further,* That the IRR shall be approved by  
2 the MSMED Council. The IRR issued pursuant to this section shall take  
3 effect thirty (30) days after its publication in a newspaper of general  
4 circulation.

5  
6 **SEC. 18. *Separability Clause.*** – The provisions of the Act are  
7 hereby declared to be separable. If any provision of this Act shall be  
8 held unconstitutional, the remainder of the Act not otherwise affected  
9 shall remain in full force and effect.

10  
11 **SEC. 19. *Repealing Clause.*** – All laws, executive orders, rules and  
12 regulations, or parts thereof, inconsistent herewith are hereby repealed or  
13 modified accordingly.

14  
15 **SEC. 20. *Effectivity Clause.*** – This Act shall take effect within  
16 fifteen (15) days from its publication in at least two (2) newspapers of  
17 general circulation.

18  
*Approved,*