

14
NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



'22 JUL 11 P4:24

SENATE
S. No. 261

RECEIVED BY: _____

Introduced by SENATOR RAMON BONG REVILLA, JR.

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

EXPLANATORY NOTE

The Magna Carta for Micro, Small and Medium Enterprises (MSMEs) was enacted in 1991 which recognized the vast potential of MSMEs to generate employment, catalyze economic growth and provide a self-sufficient industrial foundation for the country. It also declared as State policy the promotion and support for the growth and development of MSMEs in all productive sectors of the economy, particularly rural and agri-based enterprises.

Almost all, 99.51% to be precise, of all business enterprises operating in the country are MSMEs according to the 2020 List of Establishments of the Philippine Statistics Authority (PSA). Such numbers illustrate the weight and importance of the MSME sector in the development of the national economy.

This bill seeks to further nurture the growth of MSMEs through an expanded range of support mechanisms, such as expedited processing of permits and licenses, entitlement to discounts on shipping and delivery fees for their products and raw materials, allocation of free space in government buildings, public markets and commercial selling establishments. This measure also creates a city, municipality and

barangay MSME council which shall propose policies which nurture the sector in areas such as productivity enhancement, marketing, and sustainability.

In addition, this legislation enhances financial support for MSMEs. The Small Business (SB) Corporation will be empowered to offer retail lending in areas where private banks are not able to serve, and establish an enterprise rehabilitation fund for calamity-stricken MSMEs. Lastly, it directs all lending institutions to set aside at least ten percent (10%) of their total loan portfolio for MSMEs for a period of ten years.

In view of the immense capacity of the MSME sector in fueling and sustaining the economic recovery post-Covid and driving inclusive growth, the immediate passage of this bill is recommended.


RAMON BONG REVILLA, JR.

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

14 "x x x."

1 Sec. 2. Section 4 of the same Act, as amended, is hereby further amended to
2 read as follows:

3 "SEC. 4. *Eligibility for Government Assistance.* — To qualify for
4 assistance, counseling, incentives and promotion under this Act,
5 businesses falling under the above definition must be:

6 "a) duly registered with the appropriate agencies as presently
7 provided by law: Provided, That, in the case of micro enterprises as
8 defined herein, registration with the office of the municipal or city treasurer
9 shall be deemed sufficient compliance with this requirement;

10 **"THE APPLICATION OF AN MSME FOR ANY PERMIT AND**
11 **LICENSE FROM ANY LOCAL GOVERNMENT UNIT, INCLUDING A**
12 **BARANGAY, SHALL BE AUTOMATICALLY APPROVED**
13 **PROVISIONALLY, SUBJECT TO THE FINAL APPROVAL OF THE**
14 **APPLICATION AND THE ISSUANCE OF THE PERMIT OR LICENSE**
15 **APPLIED FOR.**

16 **"THE TOTAL COST FOR THE ISSUANCE OF ALL PERMITS,**
17 **LICENSES, CERTIFICATIONS, AND OTHER SIMILAR REQUIRED**
18 **DOCUMENTATION FOR THE CONDUCT OF BUSINESS FOR**
19 **REGISTERED MICRO ENTERPRISES SHALL NOT EXCEED FIVE**
20 **HUNDRED PESOS (P500.00). FOR REGISTERED SMALL**
21 **ENTERPRISES, THE TOTAL COST SHALL NOT EXCEED FIVE**
22 **THOUSAND PESOS (P5,000.00) FOR A PERIOD OF FIVE (5)**
23 **YEARS.**

24 "b) One hundred percent (100%) owned and capitalized by Filipino
25 citizens whether single proprietorship or partnership. If the enterprise is a
26 juridical entity, at least sixty percent (60%) of its capital or outstanding
27 stocks must be owned by Filipino citizens;

28 "x x x.

29 ~~"[Eligible MSMEs shall be entitled to a share of at least ten percent~~
30 ~~(10%) of total procurement value of goods and services supplied to the~~
31 ~~Government, its bureaus, offices and agencies annually.]~~ **THE NATIONAL**
32 **GOVERNMENT, ITS BUREAUS, OFFICES AND AGENCIES SHALL**

1 **ALLOCATE AT LEAST TEN PERCENT (10%) OF ALL ITS**
2 **PROCUREMENT OPPORTUNITIES FOR GOODS AND SERVICES TO**
3 **ELIGIBLE MSMES IN ACCORDANCE WITH THE PROVISIONS OF**
4 **REPUBLIC ACT NO. 9184, OTHERWISE KNOWN AS THE**
5 **'GOVERNMENT PROCUREMENT REFORM ACT,' AND ITS**
6 **IMPLEMENTING RULES AND REGULATIONS.**

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

14 **"DULY REGISTERED MICRO AND SMALL ENTERPRISES**
15 **SHALL BE ENTITLED TO A DISCOUNT OF AT LEAST TWENTY**
16 **PERCENT (20%) ON SHIPPING AND DELIVERY FEES FOR THEIR**
17 **PRODUCTS AND RAW MATERIALS, AS WELL AS FOR MAILING,**
18 **FREIGHT AND OTHER SIMILAR SERVICES PROVIDED BY EITHER**
19 **PUBLIC OR PRIVATE COURIERS.**

20 **"GOVERNMENT BUILDINGS, STRUCTURES AND OPEN**
21 **AREAS, INCLUDING PUBLIC MARKETS, WHETHER WET OR DRY,**
22 **AIRPORTS, SEA PORTS, FISH PORTS, PARKS, ZOOS,**
23 **CONVENTION CENTERS, ENTERTAINMENT CENTERS, TOURISM**
24 **CENTERS, SCHOOLS, SCHOOL CAMPUSES, AND OTHER SIMILAR**
25 **STRUCTURES OR AREAS SUITABLE FOR SELLING OR**
26 **MARKETING, WHETHER PERMANENT OR TEMPORARY, THAT CAN**
27 **BE USED AS SELLING AREAS, SHALL GIVE AN AUTHORIZED MSME**
28 **STORE FREE SPACE MEASURING AT LEAST ONE PERCENT (1%)**
29 **OF THE TOTAL SPACE AVAILABLE THEREIN.**

30 **"PRIVATE MALLS, SUPERMARKETS, SHOPPING CENTERS,**
31 **COMMERCIAL SELLING ESTABLISHMENTS, STRUCTURES, OR**
32 **AREAS WITH A SELLING AREA, WHETHER PERMANENT OR**

1 **TEMPORARY, MEASURING AT LEAST FIVE THOUSAND SQUARE**
2 **METERS (5,000 SQM), INCLUDING COMMON AREAS, BUT**
3 **EXCLUDING PARKING SPACES AND DRIVEWAYS, SHALL GIVE**
4 **FREE SPACE OR AREA EQUIVALENT TO ONE HALF OF ONE**
5 **PERCENT (0.5%) OF THE SAID SELLING AREA FOR EVERY FIVE**
6 **THOUSAND SQUARE METERS (5,000 SQM) OF SELLING AND**
7 **COMMON SPACE, TO ANY AUTHORIZED MSME STORE. AS USED**
8 **IN THIS ACT, "FREE SPACE" SHALL MEAN SPACE THAT MAY BE**
9 **USED FOR SELLING PURPOSES WITHOUT NEED FOR THE**
10 **PAYMENT OF RENT, GOODWILL FEES, ROYALTIES, COMMISSION,**
11 **PERCENTAGE ON SALES, NOR ANY OTHER SIMILAR SCHEME.**

12 **"THE MSMED COUNCIL OF THE CONCERNED CITY,**
13 **MUNICIPALITY OR BARANGAY SHALL APPROVE THE MSME**
14 **STORE THAT WILL BE GIVEN FREE SPACE, UPON THE**
15 **RECOMMENDATION OF THE LOCAL OFFICE OF THE DEPARTMENT**
16 **OF TRADE INDUSTRY. THE FREE SPACE ALLOCATED FOR THE**
17 **MSMES STORE SHALL BE GIVEN IN THE FOLLOWING ORDER OF**
18 **PREFERENCE:**

- 19 **1. ONE TOWN, ONE PRODUCT (OTOP STORE) OR GO LOKAL!**
20 **STORE OF THE DEPARTMENT OF TRADE AND INDUSTRY;**
- 21 **2. MSME KUMUNIDARAN PRODUKTO AT RESPONSABLENG**
22 **SERBISYO STORE (OR "KUMPARE STORE"); OR**
- 23 **3. A LOCAL MICRO OR SMALL ENTERPRISE STORE.**

24 **"ONCE AN MSME STORE IS IN PLACE, REMOVAL OR**
25 **REPLACEMENT SHALL NOT BE ALLOWED EXCEPT FOR VALID**
26 **CAUSE AND AFTER DUE PROCESS.**

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

1 **"PRIVATE MALLS SHALL ALSO ALLOCATE TWENTY**
2 **PERCENT (20%) OF THEIR TOTAL RENTABLE SPACE TO LOCAL**
3 **MICRO AND SMALL ENTERPRISES WHICH SHALL BE EXTENDED**
4 **A TWENTY PERCENT (20%) DISCOUNT ON RENTAL RATES.**
5 **PRIVATE MALL SHALL NOT CHARGE ROYALTY CHARGES,**
6 **GOODWILL CHARGES, COMMISSION CHARGES, PERCENTAGE OF**
7 **SALES, AND OTHER SIMILAR SCHEMES UPON THE MSMES"**

8 Sec. 3. Section 5 of the same Act, as amended, is hereby further amended to
9 read as follows:

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

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

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

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

16 “x x x.”

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

19 “SEC. 6. *Micro, Small and Medium Enterprises Development Plan*
20 *(MSMEDP).* — The President **OF THE PHILIPPINES** shall approve a six-
21 year micro, small and medium enterprises development plan prepared by
22 the Department of Trade and Industry (DTI) which shall form part of the
23 [~~Medium Term~~] Philippine Development Plan ([~~MT~~]PDP). It shall be
24 formulated in consultation with the private sector, validated and updated
25 semestrally. Such plan shall include a component on a micro credit
26 financing scheme.”

27 Sec. 5. Section 7 of the same Act, as amended, is hereby further amended to
28 read as follows:

29 “SEC. 7. *Micro, Small and Medium Enterprise Development*
30 *(MSMED) Council.* — The existing Small and Medium Enterprise
31 Development Council, which was created by Republic Act No. 6977, as
32 amended [~~by Republic Act No. 8289~~], shall be strengthened to effectively

1 spur the growth and development of MSMEs throughout the country, and
2 to carry out the policy declared in this Act and shall now be known as the
3 Micro, Small and Medium Enterprise Development (MSMED) Council. The
4 Council shall be attached to the Department of Trade and Industry and
5 shall be constituted within sixty (60) days after the approval of this Act.

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

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

16 "SEC. 7-A. *Composition of the Micro, Small and Medium Enterprises*
17 *Development (MSMED) Council.* — The members of the Council shall be
18 the following:

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

20 "(b) The Secretary of Agriculture;

21 "(c) Secretary of the Interior and Local Government;

22 "**(D) THE SECRETARY OF FINANCE;**

23 "~~[(d)]~~ (E) Three (3) representatives from the MSME sector [~~to~~
24 ~~represent Luzon, Visayas and Mindanao, with at least one (1)~~
25 ~~representative from the microenterprise sector]~~ **TO BE DESIGNATED BY**
26 **A NATIONAL ORGANIZATION REPRESENTING AND DOMINATED**
27 **BY MSMES; AND**

28 "~~[(e) One (1) representative from the women sector designated by~~
29 ~~the Philippine Commission on Women;]~~

30 "~~[(f) One representative from the youth sector designated by the~~
31 ~~National Youth Commission; and]~~

1 “(g) (F) The [Chairman] **PRESIDENT** of **THE** Small Business
2 Corporation.

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

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

6 “(b) The Governor of the Bangko Sentral ng Pilipinas;

7 **“(C) THE COMMISSIONER OF THE SECURITIES AND**
8 **EXCHANGE COMMISSION;**

9 “(e) **(D)** The President of the Land Bank of the Philippines;

10 “(d) **(E)** The President of the Development Bank of the
11 Philippines;

12 “(e) **(F)** The Director General of the National Economic and
13 Development Authority;

14 **“(G) THE EXECUTIVE DIRECTOR OF THE COOPERATIVE**
15 **DEVELOPMENT AUTHORITY;**

16 **“(H) A REPRESENTATIVE OF A NATIONAL ORGANIZATION**
17 **REPRESENTING AND DOMINATED BY MSMES;**

18 “(f) **(I)** One (1) representative from the labor sector, to be
19 nominated by accredited labor groups;

20 “(g) **(J)** A representative from the private banking sector to serve
21 alternately between the [e]Chamber of [t]Thrift [b]Banks, and the Rural
22 Bankers Association of the Philippines (RBAP);

23 “(h) **(K)** A representative of the microfinance nongovernment
24 organizations (NGOs), **DESIGNATED BY THE MICROFINANCE NGO**
25 **REGULATORY COUNCIL;**

26 “(i) **(L)** A representative of the University of the Philippines –
27 Institute for Small Scale Industries (UP-ISSI); [and]

28 “(j) **(M)** The President of the Credit Information Corporation[.];

29 **“(N) ONE (1) REPRESENTATIVE FROM THE WOMEN**
30 **SECTOR DESIGNATED BY THE PHILIPPINE COMMISSION ON**
31 **WOMEN;**

1 “(O) ONE (1) REPRESENTATIVE FROM THE YOUTH SECTOR
2 DESIGNATED BY THE NATIONAL YOUTH COMMISSION; AND

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

6 “x x x.”

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

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

11 “x x x:

12 “d) To review existing policies of government agencies that would
13 affect the growth and development of MSMEs and recommend changes to
14 the President and Congress through the Committee on Economic Affairs
15 of the Senate and the Committee on [~~Small Business and~~
16 Entrepreneurship] **MICRO, SMALL AND MEDIUM ENTERPRISE**
17 Development of the House of Representatives, whenever deemed
18 necessary. This shall include efforts to simplify rules and regulations, as
19 well as review of the applicability and relevance of procedural and
20 documentary requirements in the registration, financing, and other
21 activities relevant to MSMEs the result shall be included in the annual
22 report to be submitted to Congress;

23 “x x x;

24 “h) To promote the productivity and viability of MSMEs in **DTI’S**
25 **TOP PRIORITY INDUSTRIES FOR DEVELOPMENT** by way of
26 directing [~~and/~~]or assisting relevant government agencies and institutions
27 at the national, regional and provincial levels towards the:

28 “x x x;

29 “12) Through appropriate government agencies:

30 “x x x;

1 “f) Set-up new MSME **NEGOSYO** centers and revitalize already
2 established MSME **NEGOSYO** centers to provide MSMEs in the regions
3 easier access to services such as, but not limited to, the following:

4 “x x x.”

5 **“B. ADDITIONAL FUNCTIONS OF THE MSMED COUNCIL. –**
6 **AS PROVIDED FOR IN SECTION 10 OF REPUBLIC ACT NO. 10644,**
7 **OTHERWISE KNOWN AS THE “GO NEGOSYO ACT,” THE MSMED**
8 **COUNCIL SHALL HAVE THE FOLLOWING ADDITIONAL**
9 **FUNCTIONS:**

10 **“(A) COORDINATING AND OVERSIGHT BODY FOR THE**
11 **MSME NEGOSYO CENTER. – THE MSMED COUNCIL, THROUGH**
12 **THE DTI, SHALL ACT AS THE COORDINATING AND SUPERVISING**
13 **BODY FOR ALL THE AGENCIES INVOLVED IN THE**
14 **ESTABLISHMENT AND OPERATION OF THE MSME NEGOSYO**
15 **CENTERS. FURTHER, THE MSMED COUNCIL SHALL MONITOR**
16 **AND ASSESS THE PROGRESS OF THE MSME NEGOSYO CENTERS,**
17 **WHICH SHALL BE INCLUDED IN ITS ANNUAL REPORT**
18 **SUBMITTED TO THE CONGRESS;**

19 **“(B) PROVISION OF A COMPLIANCE GUIDE. – FOR EACH**
20 **RULE OR GROUP OF RELATED RULES ISSUED BY ANY**
21 **GOVERNMENT AGENCY FOR COMPLIANCE BY MSMES, THE**
22 **COUNCIL SHALL PUBLISH COMPLIANCE GUIDELINES WHICH**
23 **SHALL BE WRITTEN IN PLAIN LANGUAGE OR IN THE LOCAL**
24 **DIALECT, IF NECESSARY.**

25 **“THE COUNCIL SHALL PREPARE SEPARATE COMPLIANCE**
26 **GUIDES COVERING GROUPS OR CLASSES OF SIMILARLY**
27 **AFFECTED MSMES AND SHALL COOPERATE WITH INDUSTRY**
28 **ASSOCIATIONS TO DEVELOP AND DISTRIBUTE SUCH**
29 **COMPLIANCE GUIDES. THE PUBLICATION OF EACH COMPLIANCE**
30 **GUIDE SHALL INCLUDE THE POSTING OF THE GUIDE IN A**
31 **CONSPICUOUS LOCATION ON THE WEBSITE OF THE AGENCY,**
32 **AND DISTRIBUTION OF THE GUIDE TO KNOWN INDUSTRY**

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

6 "(C) CONDUCT OF RESEARCH ON WOMEN
7 ENTREPRENEURSHIP. – THE COUNCIL SHALL CONDUCT
8 RESEARCH TO SUPPORT WOMEN ENTREPRENEURSHIP
9 INCLUDING ENTREPRENEURIAL BEHAVIOR, BARRIERS,
10 PARTICIPATION AND CESSATION RATES, DISCRIMINATORY
11 PRACTICES AND CONTRIBUTION TO THE NATIONAL ECONOMY
12 AND GROWTH;

13 "(D) POLICY FORMULATION ON WOMEN
14 ENTREPRENEURSHIP. – THE COUNCIL SHALL PROVIDE POLICY
15 DIRECTION TOWARDS RECOGNIZING WOMEN'S PROPENSITY
16 AND TALENT IN ENTREPRENEURSHIP AS WELL AS ESTABLISH
17 LINKAGES THAT WILL ENABLE MORE OPPORTUNITIES FOR
18 WOMEN TO ENGAGE IN ENTREPRENEURSHIP; AND

19 "(E) DEVELOPMENT OF ENTREPRENEURIAL EDUCATION
20 AND TRAINING. – THE MSMED COUNCIL SHALL DEVELOP, IN
21 COORDINATION WITH THE DEPARTMENT OF EDUCATION,
22 TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY
23 (TESDA) AND COMMISSION ON HIGHER EDUCATION (CHED), A
24 COURSE CURRICULUM OR TRAINING PROGRAM IN
25 ENTREPRENEURSHIP THAT WILL PROMOTE ENTREPRENEURIAL
26 CULTURE AND COMPETENCE. ENTREPRENEURSHIP SHALL BE
27 INTEGRATED IN THE CURRICULUM OF EDUCATIONAL AND
28 TRAINING INSTITUTIONS IN ALL LEVELS.

29 Sec. 8. A new subsection is hereby inserted after Section 7-B of the same Act,
30 as amended, and numbered as Section 7-C to read as follows:

31 "**SEC. 7-C. CITY, MUNICIPALITY AND BARANGAY MSMED**
32 **COUNCIL. – THERE SHALL BE CREATED A MSMED COUNCIL IN**

1 EVERY LOCAL GOVERNMENT UNIT WHICH SHALL HAVE THE
2 AUTHORITY TO PROPOSE POLICIES THAT ARE GEARED TO
3 ASSIST MSMES IN THE AREAS OF PRODUCTIVITY
4 ENHANCEMENT, MARKETING, ACHIEVING SUSTAINABILITY BY
5 EXTENDING CREDIT TO CUSTOMERS, AND IMPLEMENTING
6 EFFICIENT LOAN COLLECTION SYSTEMS, AMONG OTHER
7 STRATEGIES.

8 "THE LOCAL MSMED COUNCIL, IN THE CASE OF A CITY OR
9 MUNICIPALITY, SHALL BE COMPOSED OF THE CITY OR
10 MUNICIPAL BUSINESS PERMIT AND LICENSING OFFICER AS
11 CHAIRPERSON, THE PRESIDENT OF THE ASSOCIATION OF
12 BARANGAY CAPTAINS, THE PRESIDENT OF THE SANGGUNIANG
13 KABATAAN FEDERATION, THE TOURISM OFFICER, AND THE CITY
14 OR MUNICIPAL AGRICULTURIST OR THE CITY PLANNING
15 OFFICER.

16 "THE BARANGAY MSMED COUNCIL SHALL BE COMPOSED
17 OF THE PUNONG BARANGAY AS CHAIRPERSON, THE
18 SANGGUNIANG KABATAAN CHAIRPERSON, A REPRESENTATIVE
19 OF THE LADIES' BRIGADE OR LADIES' SECTOR. A
20 REPRESENTATIVE OF THE BARANGAY PUBLIC SAFETY OFFICE,
21 AND A REPRESENTATIVE OF THE SENIOR CITIZENS.

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

29 Sec. 9. Section 8 of the same Act, as amended, is hereby further amended to
30 read as follows:

31 "SEC. 8. *Designation of the Bureau of Micro, Small and Medium*
32 *Enterprise Development as Council Secretariat.* — x x x:

1 "1) To prepare, in coordination with local government units and/or
2 associations of local government officials, and recommend annual as well
3 as medium-term **MICRO**, small and medium enterprise development
4 plans for approval of the Council;

5 "x x x;

6 "3) To assist the Council in coordinating and monitoring **MICRO**,
7 small and medium enterprise policies and programs and activities of all
8 government agencies with respect to **MICRO**, small and medium
9 enterprises;

10 "4) To prepare, collate and integrate all inputs to the Council's
11 yearly report on the status of **MICRO**, small and medium enterprises in
12 the country;

13 "x x x."

14 Sec. 10. Section 11 of the same Act, as amended, is hereby further amended
15 to read as follows:

16 "SEC. 11. *Creation of **THE Small Business [Guarantee and Finance]***
17 *Corporation.* — There is hereby created a body corporate to be known as
18 the Small Business [Guarantee and Finance] Corporation, hereinafter
19 referred to as the [Small Business Corporation (SB Corporation)] **SB**
20 **CORPORATION**, which shall be charged with the primary responsibility
21 of implementing comprehensive policies and programs to assist MSMEs in
22 all areas, including but not limited to finance and information services,
23 training and marketing."

24 Sec. 11. Section 11-A of the same Act, as amended, is hereby further amended
25 to read as follows:

26 "SEC. 11-A. *Composition of the Board of Directors and its Powers.*
27 — The SB Corporation [corporate powers shall be vested on] **SHALL**
28 **HAVE** a Board of Directors composed of [eleven (11)] **THIRTEEN (13)**
29 members which shall include the following:

30 "a) The Secretary of Trade and Industry, **WHO SHALL ACT AS**
31 **CHAIRPERSON OF THE BOARD UNTIL SUCH TIME THAT THE**

1 **PRESIDENT OF THE PHILIPPINES SHALL HAVE APPOINTED THE**
2 **CHAIRPERSON OF THE BOARD FROM AMONG ITS MEMBERS;**

3 "b) The Secretary of Finance;

4 **"C) THE PRESIDENT OF THE GOVERNMENT SERVICE**
5 **INSURANCE SYSTEM (GSIS);**

6 **"D) THE PRESIDENT OF THE SOCIAL SECURITY SYSTEM**
7 **(SSS);**

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

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

15 "[e] **G)** The President of the SB Corporation as ex-officio member
16 and to serve as vice chairman of the Board.

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

19 "All members of the Board so appointed, except for the ex-officio
20 members, shall serve for a term of three (3) years [~~without~~
21 ~~reappointment.~~] **AND MAY BE REAPPOINTED TO ANOTHER TERM**
22 **UNLESS EARLIER REVOKED. IF THE TERM OF THE INCUMBENT**
23 **MEMBER HAS EXPIRED, THE MEMBER SHALL CONTINUE TO**
24 **FUNCTION IN A HOLDOVER CAPACITY UNTIL A REPLACEMENT**
25 **HAS BEEN APPOINTED AND QUALIFIED.** [~~The~~] **ANY** person [~~so~~]
26 appointed to replace a member who has resigned, died, or been removed
27 for cause shall serve only for the unexpired portion of the term.

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

30 "x x x; and

31 "f) [~~Notwithstanding the provisions of Republic Act No. 6758 and~~
32 ~~Compensation Circular No. 10, Series of 1989 issued by the Department~~

1 of Budget and Management, the Board shall have the authority to
2 p]Provide for the organizational structure, [and] staffing pattern [of SB
3 Corporation and to extend to the employees and personnel thereof
4 salaries, allowances and fringe benefits similar to those extended to and
5 currently enjoyed by employees and personnel of other government
6 financial institutions.] **AND COMPENSATION OF EMPLOYEES AND
7 PERSONNEL OF THE SB CORPORATION, FOR SUBMISSION TO
8 THE GOVERNANCE COMMISSION FOR GOCCS."**

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

11 "SEC. 11-B. *Corporate Structure and Powers.* — **A.** The SB
12 Corporation shall:

13 "x x x.

14 "**B.** For this purpose, the SB Corporation [~~subject to compliance~~
15 ~~with the rules and regulations to be issued by the Bangko Sentral ng~~
16 ~~Pilipinas (BSP) and the Securities and Exchange Commission,]~~ shall have
17 the following functions and duties:

18 "a) Source and adopt development initiatives for globally
19 competitive MSMEs in finance and business technologies;

20 "b) [~~For~~] [e]Extend all forms of financial assistance, **EXCEPT**
21 **GRANTS AND SUBSIDIES**, to eligible MSMEs[.], **AND NOT TO**
22 **PRECLUDE RETAIL LENDING IN AREAS WHERE PRIVATE BANKS**
23 **ARE NOT ABLE TO SERVE, SUBJECT TO CONSULTATION WITH**
24 **PRIVATE BANKS.** SB Corporation may also engage in wholesale lending.
25 The SB Corporation shall be given two (2) years from the effectivity of this
26 Act to comply with this requirement;

27 "c) [~~Guarantee loans obtained by qualified MSMEs under such terms~~
28 ~~and conditions adopted by the SB Corporation Board of Directors;]~~
29 **ESTABLISH AN ENTERPRISE REHABILITATION FUND FOR**
30 **CALAMITY-STRICKEN MSMES NOT TO EXCEED FIVE HUNDRED**
31 **MILLION PESOS (P500,000,000.00) AS PART OF SB**

1 **CORPORATION'S CAPITALIZATION BY THE NATIONAL**
2 **GOVERNMENT;**

3 "x x x;

4 "f) Apply for, receive and accept grants and donations from sources
5 within and outside the country; [~~and~~]

6 "g) Hold, own, purchase, acquire, sell, mortgage, dispose or
7 otherwise invest or reinvest in stocks, bonds, treasury bills, debentures,
8 securities and similar forms of indebtedness of the government, its
9 agencies and instrumentalities or any government financial institution[.];

10 **AND"**

11 **"H) SUBMIT AN ANNUAL REPORT TO THE MSMED**
12 **COUNCIL, THE CONGRESS OF THE PHILIPPINES AND THE**
13 **GOVERNANCE COMMISSION FOR GOCCS ON THE PERFORMANCE**
14 **AND FINANCIAL CONDITION OF THE CORPORATION.**

15 **"THE SB CORPORATION SHALL BE EXEMPT FROM**
16 **SECURING PRIOR BSP AUTHORIZATION FOR ENGAGING IN**
17 **QUASI-BANKING ACTIVITIES AND SHALL NOT BE SUBJECT TO**
18 **BSP SUPERVISION AND REGULATION FOR SUCH ACTIVITIES."**

19 Sec. 13. A new subsection is hereby inserted after Section 11-B of the same
20 Act, as amended, and numbered as Section 11-C to read as follows:

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

29 **"THE SB CORPORATION SHALL ADOPT A BALANCED**
30 **SCORECARD MANAGEMENT APPROACH, SUBJECT TO THE**
31 **REVIEW AND APPROVAL OF THE GOVERNANCE COMMISSION**
32 **FOR GOCCs, TO ENABLE IT TO MANAGE ITS FINANCIAL**

1 **PERFORMANCE WHILE PURSUING ITS PUBLIC POLICY**
2 **OBJECTIVES OF SUPPORTING MICRO, SMALL AND MEDIUM**
3 **ENTERPRISES DEVELOPMENT.”**

4 Sec. 14. Section 12 of the same Act, as amended, is hereby further amended
5 to read as follows:

6 “SEC. 12. *Capitalization and Funding of the SB Corporation.* — The
7 SB Corporation shall have an authorized capital stock of Ten billion pesos
8 (P10,000,000,000.00). The initial capital of One billion pesos
9 (P1,000,000,000.00) shall be established from a pool of funds to be
10 contributed in the form of equity investments in common stock by the Land
11 Bank of the Philippines (LBP), the Development Bank of the Philippines
12 (DBP), in the amount of Two hundred million pesos (P200,000,000.00)
13 each. The Social Security System (SSS) and the Government Service
14 Insurance System (GSIS) shall also set aside Two hundred million pesos
15 (P200,000,000.00) each for the SB Corporation. Authorized capital stock
16 of the [s]Small [b]Business [e]Corporation shall be divided into
17 80,000,000 common shares and 20,000,000 preferred shares with a par
18 value of One hundred pesos (P100.00) per share: Provided, That the
19 common shares which have been issued, including those issued against
20 the assets of the KKK Guaranty Fund consolidated under the [s]Small
21 [b]Business [e]Corporation by virtue of Executive Order No. 233, Series of
22 2000 and Executive Order No. 19, Series of 2001 and including those
23 already subscribed, shall form part of the capitalization of the corporation:
24 Provided, further, That holders of preferred shares issued under Republic
25 Act No. 6977, as amended, shall have the option to convert the same into
26 common shares. Additional equity funding shall come from trust
27 placements of excess and unused funds of existing government agencies,
28 bilateral and multilateral official development assistance funds,
29 subscriptions from government owned or controlled corporations **AND**
30 **THE NATIONAL GOVERNMENT THROUGH THE DEPARTMENT OF**
31 **BUDGET AND MANAGEMENT (DBM)**, and investments of private
32 financial institutions and corporations: Provided, finally, That any

1 investment from the private sector shall only be in the form of preferred
2 shares.

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

8 Sec. 15. Section 13 of the same Act, as amended, is hereby deleted.

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

12 Sec. 16. Section 14 of the same Act, as amended, is hereby renumbered as
13 Section 13, and further amended to read as follows:

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

28 Sec. 17. Section 15 of the same Act, as amended, is hereby renumbered as
29 Section 14, and further amended to read as follows:

30 ~~“Sec. [15] **14.** *Mandatory Allocation of Credit Resources to Micro,*~~
31 ~~*Small and Medium Enterprises.* — For the period of **ANOTHER** ten (10)~~
32 years from the date of the effectivity of this amendatory Act, all lending

1 institutions [~~as defined under Bangko Sentral ng Pilipinas rules~~], whether
2 public or private, shall set aside at least [~~eight percent (8%) for micro and~~
3 ~~small enterprises and at least two percent (2%) for medium enterprises]~~
4 **TEN PERCENT (10%)** of their total loan portfolio based on their balance
5 sheet as of the end of the previous quarter **FOR MICRO, SMALL AND**
6 **MEDIUM ENTERPRISES**, and make it available for MSME credit as
7 herein contemplated: **PROVIDED, THAT A MAXIMUM OF ONE**
8 **PERCENT (1%) THEREOF SHALL BE THE ALLOCATION FOR**
9 **MEDIUM ENTERPRISES.**

10 "Compliance of this provision shall be:

11 "a) actual extension of loans to eligible MSMEs; or

12 "x x x; or

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

17 **"G) EXTENSION OF LOANS TO MSME VALUE CHAIN ACTORS**
18 **WHO ALLOW MSMES TO PARTICIPATE IN ORGANIZED OR**
19 **FORMAL VALUE CHAINS. VALUE CHAIN ACTORS INCLUDE,**
20 **AMONG OTHERS, TRADERS, SUPPLIERS, PROCESSORS,**
21 **AGGREGATORS WHO CONDUCT LINKED SEQUENCE OF VALUE**
22 **ADDING ACTIVITIES INVOLVED IN BRINGING A PRODUCT TO**
23 **FINAL CONSUMERS.**

24 "The Bangko Sentral ng Pilipinas **AND THE SECURITIES AND**
25 **EXCHANGE COMMISSION, IN CONSULTATION WITH THE MSMED**
26 **COUNCIL AND THE DEPARTMENT OF TRADE AND INDUSTRY**, shall
27 formulate rules for the effective implementation of this provision:
28 Provided, That the purchase of government notes, securities and other
29 negotiable instruments shall not be deemed compliance with the foregoing
30 provisions: Provided, further, That the Bangko Sentral ng Pilipinas **AND**
31 **THE SECURITIES AND EXCHANGE COMMISSION, IN**
32 **CONSULTATION WITH ALL STAKEHOLDERS**, shall establish [an] A

1 **MEANINGFUL** incentive [~~program~~] **SYSTEM** to encourage [~~lending to~~
2 ~~micro, small and medium industries beyond the mandatory credit~~
3 ~~allocation to said enterprises,~~] **COMPLIANCE WITH THIS PROVISION,**
4 such as possible reduction in bank's reserve requirement[-]: **PROVIDED,**
5 **FINALLY, THAT THE BANGKO SENTRAL NG PILIPINAS AND THE**
6 **SECURITIES AND EXCHANGE COMMISSION SHALL ALIGN THEIR**
7 **REGULATIONS ON THE PENALTIES FOR BANKS AND OTHER**
8 **ENTITIES FOR NON-COMPLIANCE WITH THE PROVISION FOR**
9 **MANDATORY LENDING.**

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

30 "ALL BANKS SHALL PROVIDE ACCESS TO DEPOSIT
31 ACCOUNTS, SUCH AS SAVINGS, CHECKING AND DEBIT
32 ACCOUNTS, TO REGISTERED MSMES. FINANCIAL TECHNOLOGY

1 **SHALL BE PROVIDED TO MSMES TO ENSURE THEIR FINANCIAL**
2 **INCLUSION.**

3 **"ALL LENDERS SHALL REPORT CREDIT INFORMATION AND**
4 **TRANSACTIONS OF MSMES TO A NATIONAL CREDIT REGISTRY**
5 **TO MONITOR PROPER COMPLIANCE AND EFFICIENT**
6 **IMPLEMENTATION.**

7 **"FOR EFFICIENT IMPLEMENTATION AND OPERATION,**
8 **COOPERATIVES EXCEPT COOPERATIVE BANKS AND INSURANCE**
9 **COOPERATIVES SHALL BE UNDER THE SOLE SUPERVISION AND**
10 **EXAMINATION OF THE COOPERATIVE DEVELOPMENT**
11 **AUTHORITY (CDA); ALL OTHER FINANCIAL ENTITIES,**
12 **CORPORATIONS AND FINANCIAL INTERMEDIARIES, SUCH AS**
13 **NON-GOVERNMENT ORGANIZATIONS, FINANCING COMPANIES,**
14 **NON-STOCK SAVINGS AND LOAN ASSOCIATIONS,**
15 **MICROFINANCE NON-GOVERNMENT ORGANIZATIONS, AND**
16 **LENDING INVESTORS SHALL BE UNDER THE SECURITIES AND**
17 **EXCHANGE COMMISSION (SEC); BANKS SHALL BE UNDER THE**
18 **BANGKO SENTRAL NG PILIPINAS (BSP); AND INSURANCE**
19 **COMPANIES SHALL BE UNDER THE INSURANCE COMMISSION**
20 **(IC).**

21 **FOR CLARITY, COOPERATIVE BANKS SHALL BE UNDER THE**
22 **SUPERVISION AND EXAMINATION OF THE CDA AND BSP; WHILE**
23 **INSURANCE COOPERATIVES SHALL BE UNDER THE**
24 **SUPERVISION AND EXAMINATION OF THE CDA AND INSURANCE**
25 **COMMISSION (IC).**

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

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

4 Sec. 18. Sections 16 and 17 of the same Act, as amended are hereby
5 renumbered as Sections 15 and 16, respectively, to read as follows:

6 "SEC. [~~16~~] **15.** *Micro, Small, and Medium Enterprise Week.* –

7 "x x x."

8 "SEC. [~~17~~] **16.** *Presidential Awards for Outstanding MSME.* –

9 "x x x."

10 Sec. 19. Section 18 of the same Act, as amended, is hereby renumbered as
11 Section 17, and further amended to read as follows:

12 "SEC. [~~18~~] **17.** *Congressional Oversight Committee.* – To monitor
13 and oversee the implementation of this Act, there shall be a Congressional
14 Oversight Committee on Micro, Small and Medium Enterprise Development
15 (COC-MSMED) composed of the chairpersons of the Senate Committee on
16 Economic Affairs and the House Committee on [~~Small Business and~~
17 ~~Entrepreneurship Development~~] **MICRO, SMALL AND MEDIUM**
18 **ENTERPRISE DEVELOPMENT** as chairperson and co-chairperson,
19 respectively; x x x."

20 Sec. 20. Section 19 of same Act, as amended, is hereby renumbered as Section
21 18, and further amended, to read as follows:

22 "Sec. [~~19~~] **18.** *Penal Clause.* – The Bangko Sentral ng Pilipinas **IN**
23 **THE CASE OF BANKS, AND THE SECURITIES AND EXCHANGE**
24 **COMMISSION IN THE CASE OF NON-BANK FINANCIAL**
25 **INTERMEDIARIES**, shall impose administrative sanctions and other
26 penalties on the lending institutions for noncompliance with **THE**
27 provisions of this Act [~~including a fine of not less than Five hundred~~
28 ~~thousand pesos (P500,000.00)]. **THE MINIMUM AMOUNT FOR THE**~~

29 **PENALTY FOR NONCOMPLIANCE IS FIVE HUNDRED THOUSAND**
30 **PESOS (P500,000.00) AND THE MAXIMUM PENALTY IS FIVE**
31 **MILLION PESOS (P5,000,000.00), IN PROPORTION TO THE**
32 **BANK'S OR OTHER ENTITY'S LEVEL OF COMPLIANCE: PROVIDED,**

1 THAT IN CASE OF FAILURE OF THE MANDATED ENTITIES TO
2 COMPLY WITH THE MANDATORY CREDIT ALLOCATION SET OUT
3 IN SECTION 14 OF THIS ACT, AN ADDITIONAL PENALTY
4 EQUIVALENT TO TWENTY PERCENT (20%) PER ANNUM OF THE
5 TOTAL AMOUNT OF NONCOMPLIANCE SHALL BE IMPOSED.

6 "Penalties on noncompliance shall be directed to the development
7 of the MSME sector. Ninety percent (90%) of the penalties collected
8 [should] **SHALL** go to the [~~MSMED Council Fund~~] **"START-UP FUND" AS**
9 **PROVIDED UNDER REPUBLIC ACT NO. 10644, OTHERWISE**
10 **KNOWN AS THE "GO NEGOSYO ACT,"** while the remaining ten percent
11 (10%) [should] **SHALL** be [given] **REMITTED** to the BSP, **THE**
12 **SECURITIES AND EXCHANGE COMMISSION, OR THE**
13 **APPROPRIATE AGENCY THAT EXERCISES REGULATORY**
14 **JURISDICTION OVER SUCH LENDING ENTITY,** to cover for
15 administrative expenses.

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

24 Sec. 21. A new section, numbered Section 19, is hereby inserted after
25 renumbered Section 18 of the same Act, as amended, to read as follows:

26 **"SEC. 19. OTHER VIOLATIONS. – EXCEPT FOR SECURITIES**
27 **COVERED UNDER THE SECURITIES REGULATIONS CODE OR**
28 **REPUBLIC ACT NO. 8799, ENTITIES SHALL SECURE THE**
29 **NECESSARY APPROVAL OF THE SECURITIES AND EXCHANGE**
30 **COMMISSION PRIOR TO RECEIVING INVESTMENTS AS WELL AS**
31 **GIFTS, ITEMS OR OTHER COMMODITIES, EITHER IN THE FORM**
32 **OF CASH OR ITS EQUIVALENT CASH VALUE IN CONSIDERATION**

1 OF RETURN OF PROFIT, BENEFIT, OR BLESSINGS COMING FROM
2 MORE THAN TWENTY (20) INDIVIDUALS, OR SUFFER THE
3 PENALTY OF THIRTY (30) TO ONE HUNDRED EIGHTY (180) DAYS
4 IMPRISONMENT, OR A FINE OF NOT LESS THAN TEN THOUSAND
5 PESOS (P10,000.00) BUT NOT EXCEEDING ONE HUNDRED
6 THOUSAND PESOS (P100,000.00) OR BOTH, AT THE DISCRETION
7 OF THE COURT.

8 "ANY PERSON, WHETHER NATURAL OR JURIDICAL, WHO
9 FAILS TO ACQUIRE THE APPROVAL OF THE FOOD AND DRUG
10 ADMINISTRATION (FDA) AND THE DEPARTMENT OF TRADE AND
11 INDUSTRY (DTI) FOR SELLING, MARKETING AND DISTRIBUTING
12 PRODUCTS AND SERVICES THAT ARE REGULATED BY THE FDA
13 SHALL SUFFER THE PENALTY OF THIRTY (30) DAYS TO ONE
14 HUNDRED EIGHTY (180) DAYS IMPRISONMENT, OR A FINE OF
15 NOT LESS THAN TEN THOUSAND PESOS (P10,000.00) BUT NOT
16 EXCEEDING ONE HUNDRED THOUSAND PESOS (P100,000.00) OR
17 BOTH, AT THE DISCRETION OF THE COURT."

18 *Sec. 22. Implementing Rules and Regulations.* – The Department of Trade and
19 Industry, through the Bureau of Micro, Small and Medium Enterprise Development
20 and in consultation with the Bangko Sentral ng Pilipinas in the case of banks, and the
21 Securities and Exchange Commission in the case of non-bank financial intermediaries,
22 and other concerned government agencies, nongovernment organizations and private
23 sector agencies involved in the promotion of MSMEs, shall formulate the rules and
24 regulations (IRR) necessary to implement the provisions of this Act within ninety (90)
25 days from the approval of this Act: Provided, That the IRR shall be reviewed yearly:
26 Provided, further, That the IRR shall be approved by the MSMED Council.

27 *Sec. 23. Separability Clause.* – If any provision or part hereof is held invalid or
28 unconstitutional, the remainder of the law or the provision or part not otherwise
29 affected shall remain valid and subsisting.

30 *Sec. 24. Repealing Clause.* – Any law, presidential decree or issuance, executive
31 order, letter of instruction, administrative order, rule, or regulation contrary to or

1 inconsistent with the provisions of this Act are hereby repealed, modified, or amended
2 accordingly.

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

Approved,