



## HOUSE OF REPRESENTATIVES

**H. No. 9178**

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BY REPRESENTATIVES LIMKAICHONG, UNABIA, ROMERO, PINEDA, SALCEDA, RODRIGUEZ, AGABAS, HARESCO, SANTOS-RECTO, NOGRALES (J.J.), NOEL, VILLANUEVA (E.), RIVERA, DE VENECIA, NIETO, ESPINA, GARIN (S.), GERON, PACQUIAO (R.), VIOLAGO, BARBA, DEL MAR, SY-ALVARADO, LACSON-NOEL, LACSON, NAVA, FLORES, REYES, SILVERIO, SALIMBANGON, TADURAN, ONG (J.), VILLAR, EBCAS, BABASA, BIRON, CABREDO, SARMIENTO, PEÑA, GUYA, CABATBAT, YAP (E.), ARENAS, ATIENZA, ESCUDERO, HERNANDEZ, MARCOLETA, REVILLA, SAVELLANO, SINGSON-MEEHAN, QUIMBO, ZARATE, ERMITA-BUHAIN, BAUTISTA-BANDIGAN, CAMPOS, CUA, CUARESMA, DAZA, FARIÑAS I (R.C.), FRASCO, GASATAYA, GO (E.C.), GONZAGA, GONZALEZ, JALOSJOS, NUÑEZ-MALANYAON, SAGARBARRIA, SUAREZ (D.), VARGAS, ZUBIRI, ALBANO (A.), BASCUG, BENITEZ, BORDADO, CARI, DAGOOC, DALOG, DELOS SANTOS, DIMAPORO (A.), DIMAPORO (M.K.), DY (F.), DY (F.M.C.), FORTUNO, GUICO, GULLAS, HOFER, JIMENEZ, LABADLABAD, NATIVIDAD-NAGAÑO, ORTEGA, TAMBUNTING, TAN (A.S.), TIANGCO, TY (D.), VARGAS ALFONSO, VERGARA, DEFENSOR (M.), ERIGUEL, GAITE, GO (M.), ROBES, SUANSING (E.), FERRER (J.M.), MARIANO-HERNANDEZ, ROMAN, DALIPE AND CHATTO, PER COMMITTEE REPORT NO. 907

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AN ACT

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

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

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

3 “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 of  
8 MSMEs in all productive sectors of the economy particularly rural/agri-based,  
9 MANUFACTURING, FINANCE AND SERVICES enterprises. To this end,  
10 the State shall recognize the specific needs of the MSMEs and shall undertake  
11 to promote entrepreneurship, support entrepreneurs, encourage the  
12 establishment of MSMEs and ensure their continuing viability and growth and  
13 thereby attain countryside industrialization by:

14 “x x x.”

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

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

20 “a) duly registered with the appropriate agencies as presently provided by  
21 law: *Provided,* That in the case of micro enterprises as defined herein,  
22

1 registration with the office of the municipal or city treasurer shall be  
2 deemed sufficient compliance with this requirement;

3 "THE APPLICATION OF AN MSME FOR ANY PERMIT AND  
4 LICENSE FROM ANY LOCAL GOVERNMENT UNIT, INCLUDING A  
5 BARANGAY, SHALL BE AUTOMATICALLY APPROVED  
6 PROVISIONALLY, SUBJECT TO THE FINAL APPROVAL OF THE  
7 APPLICATION AND THE ISSUANCE OF THE PERMIT OR LICENSE  
8 APPLIED FOR.

9 "THE TOTAL COST FOR THE ISSUANCE OF ALL PERMITS,  
10 LICENSES, CERTIFICATIONS, AND OTHER SIMILAR REQUIRED  
11 DOCUMENTATION FOR THE CONDUCT OF BUSINESS FOR  
12 REGISTERED MICRO ENTERPRISES SHALL NOT EXCEED FIVE  
13 HUNDRED PESOS (₱500.00). FOR REGISTERED SMALL  
14 ENTERPRISES, THE TOTAL COST SHALL NOT EXCEED FIVE  
15 THOUSAND PESOS (₱5,000.00) FOR A PERIOD OF FIVE (5) YEARS.

16 "b) one hundred percent (100%) owned, capitalized by Filipino citizens,  
17 whether single proprietorship or partnership. If the enterprise is a juridical  
18 entity, at least sixty percent (60%) of its capital or outstanding stocks must  
19 be owned by Filipino citizens;

20 "x x x.

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

30 "The [Department of Budget and Management] GOVERNMENT  
31 PROCUREMENT POLICY BOARD (GPPB) shall FORMULATE RULES FOR  
32 THE EFFECTIVE IMPLEMENTATION OF THIS PROVISION AND monitor  
33 the compliance of government agencies on the required procurement for  
34 MSMEs and submit its report to the MSMED Council on a semestral basis and

1 to the Congress of the Philippines, through its appropriate committees on a  
2 yearly basis.

3 “DULY REGISTERED MICRO AND SMALL ENTERPRISES SHALL BE  
4 ENTITLED TO A DISCOUNT OF AT LEAST TWENTY PERCENT (20%) ON  
5 SHIPPING AND DELIVERY FEES FOR THEIR PRODUCTS AND RAW  
6 MATERIALS, AS WELL AS FOR MAILING, FREIGHT AND OTHER SIMILAR  
7 SERVICES PROVIDED BY EITHER PUBLIC OR PRIVATE COURIERS.

8 “GOVERNMENT BUILDINGS, STRUCTURES AND OPEN AREAS,  
9 INCLUDING PUBLIC MARKETS, WHETHER WET OR DRY, AIRPORTS,  
10 SEA PORTS, FISH PORTS, PARKS, ZOOS, CONVENTION CENTERS,  
11 ENTERTAINMENT CENTERS, TOURISM CENTERS, SCHOOLS, SCHOOL  
12 CAMPUSES, AND OTHER SIMILAR STRUCTURES OR AREAS SUITABLE  
13 FOR SELLING OR MARKETING, WHETHER PERMANENT OR  
14 TEMPORARY, THAT CAN BE USED AS SELLING AREAS, SHALL GIVE  
15 AN AUTHORIZED MSME STORE FREE SPACE MEASURING AT LEAST  
16 ONE PERCENT (1%) OF THE TOTAL SPACE AVAILABLE THEREIN.

17 “PRIVATE MALLS, SUPERMARKETS, SHOPPING CENTERS,  
18 COMMERCIAL SELLING ESTABLISHMENTS, STRUCTURES, OR AREAS  
19 WITH A SELLING AREA, WHETHER PERMANENT OR TEMPORARY,  
20 MEASURING AT LEAST FIVE THOUSAND SQUARE METERS (5,000  
21 SQM), INCLUDING COMMON AREAS, BUT EXCLUDING PARKING  
22 SPACES AND DRIVEWAYS, SHALL GIVE FREE SPACE OR AREA  
23 EQUIVALENT TO ONE HALF OF ONE PERCENT (0.5%) OF THE SAID  
24 SELLING AREA FOR EVERY FIVE THOUSAND SQUARE METERS (5,000  
25 SQM) OF SELLING AND COMMON SPACE, TO ANY AUTHORIZED MSME  
26 STORE. AS USED IN THIS ACT, “FREE SPACE” SHALL MEAN SPACE  
27 THAT MAY BE USED FOR SELLING PURPOSES WITHOUT NEED FOR  
28 THE PAYMENT OF RENT, GOODWILL FEES, ROYALTIES,  
29 COMMISSION, PERCENTAGES ON SALES, NOR ANY OTHER SIMILAR  
30 SCHEME.

31 “THE MSMED COUNCIL OF THE CONCERNED CITY,  
32 MUNICIPALITY OR BARANGAY SHALL APPROVE THE MSME STORE  
33 THAT WILL BE GIVEN FREE SPACE, UPON THE RECOMMENDATION  
34 OF THE LOCAL OFFICE OF THE DEPARTMENT OF TRADE AND

1 INDUSTRY. THE FREE SPACE ALLOCATED FOR THE MSME STORE  
2 SHALL BE GIVEN IN THE FOLLOWING ORDER OF PREFERENCE:

- 3 1. ONE TOWN ONE PRODUCT (OTOP) STORE OR GO LOKAL! STORE  
4 OF THE DEPARTMENT OF TRADE AND INDUSTRY;
- 5 2. MSME *KUMUNIDARAN PRODUKTO AT RESONABLENG*  
6 *SERBISYO STORE* (OR “*KUMPARE STORE*”); OR
- 7 3. A LOCAL MICRO OR SMALL ENTERPRISE STORE.

8 “ONCE AN MSME STORE IS IN PLACE, REMOVAL OR  
9 REPLACEMENT SHALL NOT BE ALLOWED EXCEPT FOR VALID CAUSE  
10 AND AFTER DUE PROCESS.

11 “THE APPROVAL AND THE REMOVAL OF THE MSME STORE THAT  
12 WILL BE GIVEN FREE SPACE SHALL BE REPORTED BY THE MSMED  
13 COUNCIL OF THE CONCERNED CITY, MUNICIPALITY OR BARANGAY  
14 TO THE CONGRESSIONAL OVERSIGHT COMMITTEE ON MICRO,  
15 SMALL AND MEDIUM ENTERPRISE DEVELOPMENT.

16 “PRIVATE MALLS SHALL ALSO ALLOCATE TWENTY PERCENT  
17 (20%) OF THEIR TOTAL RENTABLE SPACE TO LOCAL MICRO AND  
18 SMALL ENTERPRISES WHICH SHALL BE EXTENDED A TWENTY  
19 PERCENT (20%) DISCOUNT ON RENTAL RATES. PRIVATE MALLS  
20 SHALL NOT CHARGE ROYALTY CHARGES, GOODWILL CHARGES,  
21 COMMISSION CHARGES, PERCENTAGE OF SALES, AND OTHER  
22 SIMILAR SCHEMES UPON THE MSMEs.”

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

25 “SEC. 5. *Guiding Principles.* – To set the pace for MSME development, the  
26 State shall be guided by the following principles:

27 “a) *Minimal set of rules and simplification of procedures and*  
28 *requirements.* All government agencies having to do with MICRO AND small  
29 enterprises shall pursue the principles of minimum regulation to ensure  
30 stability of rules and to encourage entrepreneurial spirit among the citizenry.  
31 The agencies shall see to it that procedural rules and requirements, within  
32 their respective offices in coordination with other agencies, are minimized in  
33 the act of registration, availment of financing and accessing other government  
34 services and assistance.

1           “b) *Role of the private sector.* In order to hasten growth and expansion of  
2 MICRO, small and medium enterprises, the private sector throughout the  
3 country shall be encouraged to assist in the effective implementation of this  
4 Act by participating in government programs for MICRO, small and medium  
5 enterprises strictly in accordance with the law, and consistent with the  
6 attainment of the purposes hereof. To encourage private sector participation,  
7 the Council, in consultation with the concerned sector, may recommend  
8 simplified procedure and localized incentives to MICRO AND small  
9 enterprises. The Government shall encourage the organization and  
10 establishment of MICRO, small and medium enterprise industry associations  
11 at the local and regional levels preferably unified under a national  
12 federation/association.

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

27           “x x x.”

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

30           “SEC. 6. *Micro, Small and Medium Enterprises Development Plan*  
31 *(MSMEDP)*. – The President OF THE PHILIPPINES shall approve a six-year  
32 micro, small and medium enterprises development plan prepared by the  
33 Department of Trade and Industry (DTI) which shall form part of the [Medium  
34 Term] Philippine Development Plan ([MT]PDP). It shall be formulated in

1 consultation with the private sector, validated and updated semestrally. Such  
2 plan shall include a component on a micro credit financing scheme.”

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

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

14 “The Council shall be the primary agency responsible for the promotion,  
15 growth and development of MICRO, small and medium enterprises in the  
16 country by way of facilitating and closely coordinating national efforts to  
17 promote the viability and growth of MICRO, small and medium enterprises,  
18 including assisting relevant agencies in the tapping of local and foreign funds  
19 for MICRO, small and medium enterprise development, as well as promoting  
20 the use of existing programs, as well as seeking ways to maximize the use of  
21 our labor resources.”

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

24 “SEC. 7-A. *Composition of the Micro, Small and Medium Enterprises*  
25 *Development (MSMED) Council.* – The members of the Council shall be the  
26 following:

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

28 “(b) The Secretary of Agriculture;

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

30 “(D) THE SECRETARY OF FINANCE;

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

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

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

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

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

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

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

10 “(C) THE COMMISSIONER OF THE SECURITIES AND EXCHANGE  
11 COMMISSION;

12 “[(c) (D) The President of the Land Bank of the Philippines;

13 “[(d) (E) The President of the Development Bank of the Philippines;

14 “[(e) (F) The Director General of the National Economic and Development  
15 Authority;

16 “(G) THE EXECUTIVE DIRECTOR OF THE COOPERATIVE  
17 DEVELOPMENT AUTHORITY;

18 (H) A REPRESENTATIVE OF A NATIONAL ORGANIZATION  
19 REPRESENTING AND DOMINATED BY MSMEs;

20 “[(f) (I) One (1) representative from the labor sector, to be nominated by  
21 accredited labor groups;

22 “[(g) (J) A representative from the private banking sector to serve  
23 [alternatively] ALTERNATELY between the [c]Chamber of [t]Thrift [b]Banks,  
24 and the Rural Banker’s Association of the Philippines (RBAP);

25 “[(h) (K) A representative of the microfinance nongovernment  
26 organizations (NGOs), DESIGNATED BY THE MICROFINANCE NGO  
27 REGULATORY COUNCIL;

28 “[(i) (L) A representative of the University of the Philippines-Institute for  
29 Small Scale Industries (UP-ISSI); [and]

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

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

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



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

4           “x x x.”

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

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

9           “x x x;

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

20           “x x x;

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

25           “x x x;

26           “12) Through appropriate government agencies:

27           “x x x;

28           “f) Set-up new MSME **NEGOSYO** centers and revitalize already  
29 established MSME **NEGOSYO** centers to provide MSMEs in the  
30 regions easier access to services such as the following:

31           “x x x.”

32           “**B. ADDITIONAL FUNCTIONS OF THE MSMED COUNCIL.** – AS  
33 PROVIDED FOR IN SECTION 10 OF REPUBLIC ACT NO. 10644,  
34 OTHERWISE KNOWN AS THE “GO NEGOSYO ACT”, THE MSMED  
35 COUNCIL SHALL HAVE THE FOLLOWING ADDITIONAL FUNCTIONS:

1           “(A) COORDINATING AND OVERSIGHT BODY FOR THE **MSME**  
2           NEGOSYO CENTER. – THE MSMED COUNCIL, THROUGH THE DTI,  
3           SHALL ACT AS THE COORDINATING AND SUPERVISING BODY FOR  
4           ALL THE AGENCIES INVOLVED IN THE ESTABLISHMENT AND  
5           OPERATION OF THE **MSME** NEGOSYO CENTERS. FURTHER, THE  
6           MSMED COUNCIL SHALL MONITOR AND ASSESS THE PROGRESS OF  
7           THE **MSME** NEGOSYO CENTERS, WHICH SHALL BE INCLUDED IN ITS  
8           ANNUAL REPORT SUBMITTED TO THE CONGRESS;

9           “(B) PROVISION OF A COMPLIANCE GUIDE. – FOR EACH RULE OR  
10          GROUP OF RELATED RULES ISSUED BY ANY GOVERNMENT AGENCY  
11          FOR COMPLIANCE BY MSMES, THE COUNCIL SHALL PUBLISH  
12          COMPLIANCE GUIDELINES WHICH SHALL BE WRITTEN IN PLAIN  
13          LANGUAGE OR IN THE LOCAL DIALECT, IF NECESSARY.

14          “THE COUNCIL SHALL PREPARE SEPARATE COMPLIANCE GUIDES  
15          COVERING GROUPS OR CLASSES OF SIMILARLY AFFECTED MSMES  
16          AND SHALL COOPERATE WITH INDUSTRY ASSOCIATIONS TO  
17          DEVELOP AND DISTRIBUTE SUCH COMPLIANCE GUIDES. THE  
18          PUBLICATION OF EACH COMPLIANCE GUIDE SHALL INCLUDE THE  
19          POSTING OF THE GUIDE IN A CONSPICUOUS LOCATION ON THE  
20          WEBSITE OF THE AGENCY, AND DISTRIBUTION OF THE GUIDE TO  
21          KNOWN INDUSTRY CONTACTS, SUCH AS SMALL ENTITIES,  
22          ASSOCIATIONS OR INDUSTRY LEADERS AFFECTED BY THE RULE.  
23          THE ISSUING GOVERNMENT AGENCY SHALL PUBLISH AND  
24          DISSEMINATE THE COMPLIANCE RULES WITHIN NINETY (90) DAYS  
25          FROM THE DATE OF ISSUANCE;

26          “(C) CONDUCT OF RESEARCH ON WOMEN ENTREPRENEURSHIP. –  
27          THE COUNCIL SHALL CONDUCT RESEARCH TO SUPPORT WOMEN  
28          ENTREPRENEURSHIP INCLUDING ENTREPRENEURIAL BEHAVIOR,  
29          BARRIERS, PARTICIPATION AND CESSATION RATES,  
30          DISCRIMINATORY PRACTICES AND CONTRIBUTION TO THE  
31          NATIONAL ECONOMY AND GROWTH;

32          “(D) POLICY FORMULATION ON WOMEN ENTREPRENEURSHIP. –  
33          THE COUNCIL SHALL PROVIDE POLICY DIRECTION TOWARDS  
34          RECOGNIZING WOMEN’S PROPENSITY AND TALENT IN  
35          ENTREPRENEURSHIP AS WELL AS ESTABLISH LINKAGES THAT WILL

1       ENABLE MORE OPPORTUNITIES FOR WOMEN TO ENGAGE IN  
2       ENTREPRENEURSHIP; AND

3       “(E) DEVELOPMENT OF ENTREPRENEURIAL EDUCATION AND  
4       TRAINING. – THE MSMED COUNCIL SHALL DEVELOP, IN  
5       COORDINATION WITH THE DEPARTMENT OF EDUCATION,  
6       TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY,  
7       AND COMMISSION ON HIGHER EDUCATION, A COURSE CURRICULUM  
8       OR TRAINING PROGRAM IN ENTREPRENEURSHIP THAT WILL  
9       PROMOTE ENTREPRENEURIAL CULTURE AND COMPETENCE.  
10       ENTREPRENEURSHIP SHALL BE INTEGRATED IN THE CURRICULUM  
11       OF EDUCATIONAL AND TRAINING INSTITUTIONS IN ALL LEVELS.

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

14       “SEC. 7-C. *CITY, MUNICIPALITY, AND BARANGAY MSMED*  
15       *COUNCIL.* - THERE SHALL BE CREATED A MSMED COUNCIL IN  
16       EVERY LOCAL GOVERNMENT UNIT WHICH SHALL HAVE THE  
17       AUTHORITY TO PROPOSE POLICIES THAT ARE GEARED TO ASSIST  
18       MSMEs IN THE AREAS OF PRODUCTIVITY ENHANCEMENT,  
19       MARKETING, ACHIEVING SUSTAINABILITY BY EXTENDING CREDIT  
20       TO CUSTOMERS, AND IMPLEMENTING EFFICIENT LOAN  
21       COLLECTION SYSTEMS, AMONG OTHER STRATEGIES.

22       “THE LOCAL MSMED COUNCIL, IN THE CASE OF A CITY OR  
23       MUNICIPALITY, SHALL BE COMPOSED OF THE CITYOR MUNICIPAL  
24       BUSINESS PERMIT AND LICENSING OFFICER AS CHAIRPERSON, THE  
25       PRESIDENT OF THE ASSOCIATION OF BARANGAY CAPTAINS, THE  
26       PRESIDENT OF THE SANGGUINIANG KABATAAN FEDERATION, THE  
27       TOURISM OFFICER, AND THE CITY OR MUNICIPAL AGRICULTURIST  
28       OR THE CITY PLANNING OFFICER.

29       “THE BARANGAY MSMED COUNCIL SHALL BE COMPOSED OF THE  
30       PUNONG BARANGAY AS CHAIRPERSON, THE SANGGUNIANG  
31       KABATAAN CHAIRPERSON, A REPRESENTATIVE OF THE LADIES’  
32       BRIGADE OR LADIES’ SECTOR, A REPRESENTATIVE OF THE  
33       BARANGAY PUBLIC SAFETY OFFICE, AND A REPRESENTATIVE OF  
34       THE SENIOR CITIZENS.

1           “TO ENSURE THEIR CONTINUED FINANCIAL VIABILITY,  
2           THE CITY, MUNICIPAL, AND BARANGAY MSMED COUNCILS SHALL  
3           COORDINATE AND FORMULATE MEASURES TO ENSURE  
4           OPERATIONAL AND FINANCIAL VIABILITY WITHIN THEIR  
5           TERRITORIAL JURISDICTION, TAKING INTO CONSIDERATION THE  
6           RELEVANT FACTORS AFFECTING THE CAPACITIES OF THE MSMEs.”

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

9           “SEC. 8. *Designation of the Bureau of Micro, Small and Medium*  
10 *Enterprise Development as Council Secretariat. – x xx:*

11           “1) to prepare, in coordination with local government units and/or  
12           associations of local government officials, and recommend annual as well as  
13           medium-term MICRO, small and medium enterprise development  
14           plans for approval of the Council;

15           “x x x;

16           “3) to assist the Council in coordinating and monitoring **MICRO**, small and  
17           medium enterprise policies and programs and activities of all government  
18           agencies with respect to **MICRO**, small and medium enterprises;

19           “4) to prepare, collate and integrate all inputs to the Council’s yearly  
20           report on the status of **MICRO**, small and medium enterprises in the  
21           country;

22           “x x x.”

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

25           ‘SEC. 11. *Creation of THE Small Business [Guarantee and Finance]*  
26 *Corporation. – There is hereby created a body corporate to be known as the*  
27 *Small Business [Guarantee and Finance] Corporation, hereinafter referred to*  
28 *as the [Small Business Corporation (SB Corporation)] SB CORPORATION,*  
29 *which shall be charged with the primary responsibility of implementing*  
30 *comprehensive policies and programs to assist MSMEs in all areas, including*  
31 *but not limited to finance and information services, training and marketing.’*

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

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

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

3 “a) The Secretary of Trade and Industry, WHO SHALL ACT AS  
4 CHAIRPERSON OF THE BOARD UNTIL SUCH TIME THAT THE  
5 PRESIDENT OF THE PHILIPPINES SHALL HAVE APPOINTED THE  
6 CHAIRPERSON OF THE BOARD FROM AMONG ITS MEMBERS;

7 “b) The Secretary of Finance;

8 “C) THE PRESIDENT OF THE GOVERNMENT SERVICE INSURANCE  
9 SYSTEM (GSIS);

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

11 “[c] E) A private sector representative to be appointed by the President OF  
12 THE PHILIPPINES upon the recommendation of the MSMED Council;

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

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

18 “The President OF THE PHILIPPINES shall appoint the [chairman]  
19 CHAIRPERSON of the Board from among its members.

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

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

31 “x x x; and

32 “f) [Notwithstanding the provisions of Republic Act No. 6758 and  
33 Compensation Circular No. 10, Series of 1989 issued by the Department of  
34 Budget and Management, the Board shall have the authority to p]Provide for  
35 the organizational structure, [and] staffing pattern [of SB Corporation and to

1 extend to the employees and personnel thereof salaries, allowances and fringe  
2 benefits similar to those extended to and currently enjoyed by employees and  
3 personnel of other government financial institutions.] AND COMPENSATION  
4 OF EMPLOYEES AND PERSONNEL OF THE SB CORPORATION, FOR  
5 SUBMISSION TO THE GOVERNANCE COMMISSION FOR GOCCs.”

6 SEC. 12. Section 11-B of the same Act, as amended, is hereby further amended, to  
7 read as follows:

8 “SEC. 11-B. *Corporate Structure and Powers.* – “A. The SB Corporation  
9 shall:

10 “x x x.

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

15 “a) Source and adopt development initiatives for globally competitive  
16 MSMEs in finance and business technologies;

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

24 “c)[Guarantee loans obtained by qualified MSMEs under such terms and  
25 conditions adopted by the SB Corporation Board of Directors;] ESTABLISH AN  
26 ENTERPRISE REHABILITATION FUND FOR CALAMITY-STRICKEN MSMEs  
27 NOT TO EXCEED FIVE HUNDRED MILLION PESOS (P500,000,000.00) AS  
28 PART OF SB CORPORATION’S CAPITALIZATION BY THE NATIONAL  
29 GOVERNMENT;

30 “x x x;

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

33 “g) Hold, own, purchase, acquire, sell, mortgage, dispose or otherwise  
34 invest or re-invest in stocks, bonds, treasury bills, debentures, securities and

1 similar forms of indebtedness of the government, its agencies and  
2 instrumentalities or any government financial institution[.]; AND

3 “H) SUBMIT AN ANNUAL REPORT TO THE MSMED COUNCIL, THE  
4 CONGRESS OF THE PHILIPPINES AND THE GOVERNANCE  
5 COMMISSION FOR GOCCs ON THE PERFORMANCE AND FINANCIAL  
6 CONDITION OF THE CORPORATION.

7 “THE SB CORPORATION SHALL BE EXEMPT FROM SECURING  
8 PRIOR BSP AUTHORIZATION FOR ENGAGING IN QUASI-BANKING  
9 ACTIVITIES AND SHALL NOT BE SUBJECT TO BSP SUPERVISION AND  
10 REGULATION FOR SUCH ACTIVITIES.”

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

13 “SEC. 11-C. *STRATEGIC MANAGEMENT OF THE SB CORPORATION.* –  
14 THE BOARD OF THE SB CORPORATION, THROUGH ITS  
15 CHAIRPERSON, SHALL BE FULLY RESPONSIBLE AND ACCOUNTABLE  
16 FOR THE PERFORMANCE OF THE CORPORATION’S MANDATE. TO  
17 ENSURE THIS, THE BOARD SHALL BE CONSTITUTED AS A MANAGING  
18 BOARD, LED BY ITS CHAIRPERSON, TO CONCEPTUALIZE THE  
19 STRATEGIC PLANS AND POLICIES OF THE CORPORATION.

20 “THE SB CORPORATION SHALL ADOPT A BALANCED SCORECARD  
21 MANAGEMENTAPPROACH, SUBJECT TO THE REVIEW AND  
22 APPROVAL OF THE GOVERNANCE COMMISSION FOR GOCCs, TO  
23 ENABLE IT TO MANAGE ITS FINANCIAL PERFORMANCE WHILE  
24 PURSUING ITS PUBLIC POLICY OBJECTIVES OF SUPPORTING MICRO,  
25 SMALL AND MEDIUM ENTERPRISES DEVELOPMENT.”

26 SEC. 14. Section 12 of the same Act, as amended, is hereby further amended to read  
27 as follows:

28 “SEC. 12. *Capitalization and Funding of the SB Corporation.* – The SB  
29 Corporation shall have an authorized capital stock of Ten billion pesos  
30 (P10,000,000,000.00). The initial capital of One billion pesos  
31 (P1,000,000,000.00) shall be established from a pool of funds to be contributed  
32 in the form of equity investments in common stock by the Land Bank of the  
33 Philippines (LBP), the Development Bank of the Philippines (DBP), in the  
34 amount of Two hundred million pesos (P200,000,000.00) each. The Social  
35 Security System (SSS) and the Government Service Insurance System (GSIS)

1 shall also set aside Two hundred million pesos (P200,000,000.00) each for the  
2 SB Corporation. Authorized capital stock of the [s]Small [b]Business  
3 [c]Corporation shall be divided into 80,000,000 common shares and 20,000,000  
4 preferred shares with a par value of One hundred pesos (P100.00) per share:  
5 *Provided*, That the common shares which have been issued, including those  
6 issued against the assets of the KKK Guaranty Fund consolidated under the  
7 [s]Small [b]Business [c]Corporation by virtue of Executive Order No. 233,  
8 Series of 2000 and Executive Order No. 19, Series of 2001 and including those  
9 already subscribed, shall form part of the capitalization of the corporation:  
10 *Provided, further*, That holders of preferred shares issued under Republic Act  
11 No. 6977, as amended, shall have the option to convert the same into common  
12 shares. Additional equity funding shall come from trust placements of excess  
13 and unused funds of existing government agencies, bilateral and multilateral  
14 official development assistance funds, subscriptions from government owned or  
15 controlled corporations AND THE NATIONAL GOVERNMENT  
16 THROUGH THE DEPARTMENT OF BUDGET AND MANAGEMENT  
17 (DBM), and investments of private financial institutions and corporations:  
18 *Provided, finally*, That any investment from the private sector shall only be in  
19 the form of preferred shares.

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

25 SEC. 15. Section 13 of the same Act, as amended, is hereby deleted.

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

29 SEC. 16. Section 14 of the same Act, as amended, is hereby renumbered as Section  
30 13, and further amended to read as follows:

31 “SEC. [14]13. *Venture Capital and Micro Finance Trust Fund*. – The SB  
32 Corporation may set aside an amount of money to encourage the setting up of  
33 a venture capital and micro finance trust fund for the purpose of promoting  
34 AVAILABLE business opportunities [available] to THE MSME sector. The  
35 Venture Capital Fund shall be used mainly for venture capital finance



1 especially in technology-oriented industries. The micro finance trust fund shall  
2 be used to provide collateral-free fixed and working capital loans to micro and  
3 small enterprises run by those emerging out of poverty. THE INITIAL  
4 AMOUNT OF AT LEAST TEN PERCENT (10%) OF THE EQUITY  
5 CONTRIBUTION OF THE NATIONAL GOVERNMENT TO THE  
6 CAPITALIZATION OF THE SMALL BUSINESS CORPORATION, NOT TO  
7 EXCEED FIVE HUNDRED MILLION PESOS (P500,000,000.00), SHALL BE  
8 APPROPRIATED TO FUND THE VENTURE CAPITAL AND MICRO  
9 FINANCE TRUST FUND.”

10 SEC. 17. Section 15 of the same Act, as amended, is hereby renumbered as Section  
11 14, and further amended to read as follows:

12 “SEC. [15]14. *Mandatory Allocation of Credit Resources to Micro, Small*  
13 *and Medium Enterprises.* – For the period of ANOTHER ten (10) years from  
14 the date of the effectivity of this amendatory Act, all lending institutions [as  
15 defined under *Bangko Sentral ng Pilipinas* rules], whether public or private,  
16 shall set aside at least [eight percent (8%) for micro and small enterprises and  
17 at least two percent (2%) for medium enterprises] TEN PERCENT (10%) of  
18 their total loan portfolio based on their balance sheet as of the end of the  
19 previous quarter FOR MICRO, SMALL AND MEDIUM ENTERPRISES, and  
20 make it available for MSME credit as herein contemplated: *PROVIDED,*  
21 *THAT A MAXIMUM OF ONE PERCENT (1%) THEREOF SHALL BE THE*  
22 *ALLOCATION FOR MEDIUM ENTERPRISES.*

23 “Compliance of this provision shall be:

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

25 “x x x; or

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

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

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

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

1 PENALTIES FOR NONCOMPLIANCE WITH THE MANDATORY LENDING  
2 PROVISION OF THIS ACT.

3 “ALL BANKS SHALL PROVIDE ACCESS TO DEPOSIT ACCOUNTS,  
4 SUCH AS SAVINGS, CHECKING AND DEBIT ACCOUNTS, TO  
5 REGISTERED MSMEs. FINANCIAL TECHNOLOGY SHALL BE  
6 PROVIDED TO MSMEs TO ENSURE THEIR FINANCIAL INCLUSION.

7 “ALL LENDERS SHALL REPORT CREDIT INFORMATION AND  
8 TRANSACTIONS OF MSMEs TO A NATIONAL CREDIT REGISTRY TO  
9 MONITOR PROPER COMPLIANCE AND EFFICIENT IMPLEMENTATION.

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

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

26 “Lending institutions which are not qualified to acquire or hold lands of the  
27 public domain in the Philippines shall be permitted to bid and take part in  
28 sales of mortgaged real property in case of judicial or extra-judicial foreclosure,  
29 as well as avail of receivership, enforcement and other proceedings, solely upon  
30 default of a borrower, and for a period not exceeding five (5) years from actual  
31 possession: *Provided*, That in no event shall title to the property be transferred  
32 to such lending institution. If the lending institution is the winning bidder, it  
33 may, during said five (5) year period, transfer its rights to a qualified  
34 Philippine national, without prejudice to a borrower’s rights under applicable  
35 laws.”

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

3 “SEC. [16]15. *Micro, Small, and Medium Enterprise Week.* – x xx.”

4 “SEC. [17]16. *Presidential Awards for Outstanding MSME.* – x xx.”

5 SEC. 19. Section 18 of the same Act, as amended, is hereby renumbered as Section  
6 17, and further amended to read as follows:

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

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

17 “SEC. [19]18. *Penal Clause.* – The *Bangko Sentral Ng Pilipinas* IN THE  
18 CASE OF BANKS, AND THE SECURITIES AND EXCHANGE  
19 COMMISSION IN THE CASE OF NON-BANK FINANCIAL  
20 INTERMEDIARIES, shall impose administrative sanctions and other  
21 penalties on the lending institutions for non[-]compliance with THE provisions  
22 of this Act [including a fine of not less than Five hundred thousand pesos  
23 (P500,000.00)]. THE MINIMUM AMOUNT FOR THE PENALTY FOR  
24 NONCOMPLIANCE IS FIVE HUNDRED THOUSAND PESOS (P500,000.00)  
25 AND THE MAXIMUM PENALTY IS FIVE MILLION PESOS (P5,000,000.00),  
26 IN PROPORTION TO THE BANK’S OR OTHER ENTITY’S LEVEL OF  
27 COMPLIANCE: *PROVIDED*, THAT IN CASE OF FAILURE OF THE  
28 MANDATED ENTITIES TO COMPLY WITH THE MANDATORY CREDIT  
29 ALLOCATION SET OUT IN SECTION 14 OF THIS ACT, AN ADDITIONAL  
30 PENALTY EQUIVALENT TO TWENTY PERCENT (20%) PER ANNUM OF  
31 THE TOTAL AMOUNT OF NON-COMPLIANCE SHALL BE IMPOSED.

32 “Penalties on noncompliance shall be directed to the development of the  
33 MSME sector. Ninety percent (90%) of the penalties collected [should] SHALL  
34 go to the [MSMED Council Fund] “START-UP FUND” AS PROVIDED  
35 UNDER REPUBLIC ACT NO. 10644, OTHERWISE KNOWN AS THE “GO

1 NEGOSYO ACT”, while the remaining ten percent (10%) [should] SHALL be  
2 [given] REMITTED to the BSP, THE SECURITIES AND EXCHANGE  
3 COMMISSION, OR THE APPROPRIATE AGENCY THAT EXERCISES  
4 REGULATORY JURISDICTION OVER SUCH LENDING ENTITY, to cover  
5 for administrative expenses.

6 “THE MSMED COUNCIL SHALL SUBMIT TO THE CONGRESS OF THE  
7 PHILIPPINES AN ANNUAL REPORT ON THE STATUS OF THE  
8 PENALTIES REMITTED AND HOW THE SAME WERE USED OR ARE  
9 BEING USED IN RELATION TO THE IMPLEMENTATION OF SERVICES  
10 TO MSMEs IN THE AREAS OF CAPACITY BUILDING, TECHNOLOGY  
11 INFORMATION, INFORMATION COLLECTION AND DISSEMINATION,  
12 AND OTHER INTERVENTIONS FOR MSME DEVELOPMENT, GROWTH  
13 AND SUSTAINABILITY.”

14 SEC. 21. A new section, numbered Section 19, is hereby inserted after re-numbered  
15 Section 18 of the same Act, as amended, to read as follows:

16 “SEC. 19. *OTHER VIOLATIONS.* – EXCEPT FOR SECURITIES  
17 COVERED UNDER THE SECURITIES REGULATIONS CODE OR  
18 REPUBLIC ACT NO. 8799, ENTITIES SHALL SECURE THE NECESSARY  
19 APPROVAL OF THE SECURITIES AND EXCHANGE COMMISSION PRIOR  
20 TO RECEIVING INVESTMENTS AS WELL AS GIFTS, ITEMS OR OTHER  
21 COMMODITIES, EITHER IN THE FORM OF CASH OR ITS EQUIVALENT  
22 CASH VALUE IN CONSIDERATION OF RETURN OF PROFIT, BENEFIT,  
23 OR BLESSINGS COMING FROM MORE THAN TWENTY (20)  
24 INDIVIDUALS, OR SUFFER THE PENALTY OF THIRTY (30) TO ONE  
25 HUNDRED EIGHTY (180) DAYS IMPRISONMENT, OR A FINE OF NOT  
26 LESS THAN TEN THOUSAND PESOS (₱10,000.00) BUT NOT EXCEEDING  
27 ONE HUNDRED THOUSAND PESOS (₱100,000.00) OR BOTH, AT THE  
28 DISCRETION OF THE COURT.

29 “ANY PERSON, WHETHER NATURAL OR JURIDICAL, WHO FAILS  
30 TO ACQUIRE THE APPROVAL OF THE FOOD AND DRUGS AUTHORITY  
31 (FDA) AND THE DEPARTMENT OF TRADE AND INDUSTRY (DTI) FOR  
32 SELLING, MARKETING, AND DISTRIBUTING PRODUCTS AND  
33 SERVICES THAT ARE REGULATED BY THE FDA SHALL SUFFER THE  
34 PENALTY OF THIRTY (30) DAYS TO ONE HUNDRED EIGHTY (180) DAYS  
35 IMPRISONMENT, OR A FINE OF NOT LESS THAN TEN THOUSAND

1 PESOS (₱10,000.00) BUT NOT EXCEEDING ONE HUNDRED THOUSAND  
2 PESOS (₱100,000.00) OR BOTH, AT THE DISCRETION OF THE COURT. “

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

12 SEC. 23. *Separability Clause*. – The provisions of this Act are hereby declared to be  
13 separable. If any provision of this Act shall be held unconstitutional, the remainder of this  
14 Act not otherwise affected shall remain in full force and effect.

15 SEC. 24. *Repealing Clause*. –Section 22 of Republic Act No. 8367 is hereby repealed.  
16 All laws, decrees, proclamations, issuances, or ordinances that are contrary to or  
17 inconsistent with the provisions of this act are hereby amended, repealed or modified  
18 accordingly.

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

Approved,