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MANDATORY ALLOCATION OF CREDIT RESOURCES TO SMALL ENTERPRISES

BSP CIRCULAR NO. 1288, June 04, 1991

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Pursuant to Republic Act No. 6977, the Monetary Board, in its Resolution No. 520 dated May 17, 1991, approved the following rules to govern the mandatory allocation of credit resources to small enterprises:

SECTION 1. Definition of Terms — For purposes of this Circular, the following definitions shall apply:

a. Lending institutions — shall refer to and include all banks, namely, expanded commercial banks, commercial banks, local branches of foreign banks, specialized government banks, thrift banks and rural banks.

b. Loan portfolio — shall include all loans and advances (net of valuation reserves) in the Statement of Condition/Balance Sheet excluding the following: Interbank Loans Receivable; Agrarian Reform/Other Agricultural Credit Loans — P.D. No. 717; loans granted under Special Financing Programs; foreign currency denominated loans and advances; and loans from multilateral and bilateral sources which are relent by a bank on a wholesale basis to conduit financial institutions.

c. Small enterprises — shall refer to any business activity or enterprises engaged in industry, agribusiness and/or services, excluding trading, whether single proprietorship, cooperative, partnership or corporation:

- whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, amounts to five million pesos (P5,000,000) and below;

- duly registered with the appropriate agencies as presently provided by law: Provided, That, in the case of micro enterprises (with total assets, as similarly determined in Item c.1 above, of less than P50,000), registration with the office of the municipal or city treasurer shall be deemed sufficient compliance with this requirement;

- one hundred percent (100%) owned and capitalized by Filipino citizens if single proprietorship or partnership. If the enterprise is a juridical entity at least 60% of its capital or outstanding stocks must be owned by Filipino citizens;

- primarily engaged in manufacturing, processing, and/or production excluding farm level agricultural/crop production; and

- it must not be a branch, subsidiary or division of a large scale enterprise nor may its policies be determined by a large scale enterprise or by persons who are not owners or employees of the enterprise.

SECTION 2. Mandatory Allocation of Credit, Resources to Small Enterprises.

a. All lending institutions shall set aside a portion of their total loan portfolio based on their Consolidated Statement of Condition/Balance Sheet as of the end of the previous quarter, and make it available for small enterprise credit. The portion mandated to be so set aside shall at least be five percent (5%) by December 31, 1991, ten percent (10%) by December 31, 1992, through Dec. 31, 1995, and five percent (5%) by Dec. 31, 1996 and may come down to zero by December 31, 1997.

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b. For purposes of determining compliance with the mandated allocation, loans to small enterprises and such instruments mentioned in Section 3.b below which have been rediscounted with the Small Business Guarantee and Finance Corporation (SBGFC) or the Central bank shall be excluded.

SECTION 3. Funds set aside in accordance with the foregoing requirement shall be made available for any of the following:

a. loans to small enterprises;

b. instruments as may be offered by the SBGFC.

The funds set aside which have not been invested in either (a) or (b) above may be held in the form of Cash on Hand, Due from Central Bank and Due from Local Banks provided these are free, unencumbered, not hypothecated, not utilized or earmarked for other purposes.

SECTION 4. The purchase of government notes, securities, and negotiable instruments other than the instruments offered by the Small Business Guarantee and Finance Corporation, shall not be deemed compliance with the foregoing requirement.

SECTION 5. Guarantee Coverage — Loans granted in accordance with this Circular shall be eligible for guarantee coverage to be issued by the SBGFC, subject to such rules and regulations as may be issued by the SBGFC.

SECTION 6. Submission of Reports — Banks shall submit quarterly reports to the appropriate supervising and examining departments of the Central bank within twelve (12) banking days after the end of each reference quarter showing compliance with the mandatory allocation, using the attached form.

Lending institutions shall maintain appropriate records/details of the reported loans to small enterprises and shall make these available to Central Bank examiners.

SECTION 7. Lending institutions are hereby encouraged to make available funds for lending to medium enterprises (with total assets, as determined under Sec. 3 of R.A. No. 6977, of more than P5,000,000 but not more than P20,000,000).

SECTION 8. The administrative sanctions under Section 34-A of R.A. No. 265, as amended, shall be applicable for any violation of this Circular. Penal sanctions shall be as provided in Section 14 of R.A. No. 6977.

SECTION 9. Effectivity — This Circular shall take effect immediately.

Adopted: 04 June 1991

(SGD.) JOSE L. CUISIA, JR.
Governor

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