

OFFICE OF THE DEPUTY GOVERNOR

MEMORANDUM NO. M-2011-033, June 15, 2011

Read online (full-text search, related cases, audio case brief): <https://batas.org/library/728c81f82af1/>

FOR :

ALL BANKS ENGAGED IN RETAIL MICROFINANCE OPERATIONS

SUBJECT:

GENERAL GOVERNANCE PRINCIPLES AND STANDARDS ON RELATIONSHIPS BETWEEN BANKS AND THEIR RELATED NON-GOVERNMENTAL ORGANIZATIONS (NGOS)/FOUNDATIONS

The Monetary Board in its Resolution No. 790 dated 26 May 2011 approved the issuance of general principles and standards that will govern the business relationships between banks and their related NGOs/ Foundations engaged in retail microfinance.

SECTION 1. General Principles and Standards

To reinforce the observance of corporate governance principles and guidelines, the following principles and standards shall govern business relationships between banks and their related NGOs/Foundations engaged in retail microfinance operations:

General Principles

- Microfinance programs/operations of banks shall be supervised and administered separately from the microfinance programs/operations of related NGOs/Foundations;
- All transactions between banks and their related NGOs/Foundations shall be in the ordinary course of business and upon terms not less favorable to the bank than those offered to other parties; and
- Bank board of directors and management must at all times adhere to the three pillars of corporate governance, namely: fairness, accountability and transparency in all of its dealings with related NGOs/Foundations.

Standards

- Microfinance programs/operations of banks and their related NGOs/ Foundations should have separate organizational structure, manual of operations, management information systems, etc.;
- The board of directors should formulate policies that shall govern the dealings of the bank with its related NGO/foundation, e.g. prohibiting and/or limiting activities and transactions that could result in conflict of interests and providing preferential treatment to the related NGO/foundation to the disadvantage of the bank. Also, the board must ensure that senior management implements the aforementioned policies by requiring the submission of periodic reports covering transactions with related NGO/ foundation;

- Formal agreement/contracts should govern the business relationship of banks and their related NGOs/ foundations covering both their overall/general relationship and specific transactions such as: (i) the purchase by bank of NGO/ foundation's loan portfolio (iii) the collection of loan payments (from NGO/foundation's borrowers) by the bank and (iv) the payment for trainings/seminars given by the NGO/ foundation;

Terms and conditions of the formal agreements/contracts shall include, among other things, the following:

Purchase of loan receivables of NGO/formulation

- Criteria in selecting loan accounts;
- Purchase price including premiums, if any;
- Bank recourse in case of non-payment by borrowers;

Collection of loan payments from borrowers of NGO/foundation

- Compensation for utilizing bank resources, e.g. employees, transportation and equipment, etc.;
- Mode of payment by the NGO/ foundation;

Conduct of microfinance trainings/ seminars by NGO/foundation

- Lecturers shall have adequate background and/or experience in microfinance operations
- Training syllabus which include subjects on client selection, credit and cash flows analyses, delinquency management, etc.
- Any loan, other credit accommodation or guarantee in any form whatsoever granted to a related NGO/foundation is subject to existing rules on DOSRI loans.

However such loan, other credit accommodation or guarantee shall be excluded in determining compliance with the individual Ceiling on DOSRI loans; provided that, such loan, other credit accommodation or guarantee is secured by the deposits of clients of the borrowing NGO/foundation which are maintained with the lending bank; provided further that all of the following conditions are met:

- Existing regulations on the opening of deposit accounts and other deposit transactions shall apply except when specifically stated otherwise;
- Depositors shall issue waivers of confidentiality of their deposits and enter hold-out agreements with the lending bank;
- Interest rates on such deposits shall not exceed to that of similar type of deposit accounts;
- Collected but undeposited capital build-up funds from clients shall be recorded in a temporary liability account in the books of related NGOs/ foundations and shall be deposited with the related bank not later than fifteen (15) calendar days from date of collection;
- Total loans, other credit accommodations and guarantees granted to the related NGO/foundation shall not exceed, at any time, the total deposits owned by its clients; and
- That the NGO/foundation shall consider as payments to the clients' obligations any deposits used by the lending bank to settle any unpaid obligatin(s) of the NGO/ foundation.
- Bank directors and management are reminded to perform their duties and responsibilities in accordance with the standards of corporate governance. Under subsection X141.3, MORB, duties and responsibilities of bank directors

include, among others, the following:

- To conduct fair business transaction with the bank;
- To act honestly and in good faith, with loyalty and in the best interest of the institution;
- To devote time and attention necessary to properly discharge their duties and responsibilities;
- To act judiciously; and
- To observe confidentially.

SEC. 2. Requirements

In this connection, banks engaged in retail microfinance operations are required to:

- To include in the biographical data of directors and officers their involvement, in any capacity, in the microfinance operations of related microfinance NGOs/foundations;
- Require the approval of the board of directors of all related party transactions and that same be covered by notarized agreements. It is also understood that all loan transactions with related NGOs/ foundations shall comply with the existing requirements on DOSRI loans; and
- Submit a copy of the said agreement/contract to the appropriate BSP department/group for review and evaluation.

For information and guidance

(Sgd.) NESTOR A. ESPENILLA, JR.

Deputy Governor

15 June 2011

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at <https://batas.org>

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.