

BARANGAY MICRO BUSINESS ENTERPRISES

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Pursuant to Monetary Board Resolution No. 284 dated 27 February 2003, the implementing rules and regulations of Section 9 and the second Paragraph of Section 13 of R.A. No. 9178, otherwise known as the “Barangay Micro Business Enterprises (BMBEs) Act of 2002” are hereby issued as follows:

SECTION 1. Credit Delivery. — Pursuant to the provisions of Section 9 of R.A. 9178, the Land Bank of the Philippines (LBP), the Development Bank of the Philippines (DBP), the Small Business Guarantee and Finance Corporation (SBGFC), and the Peoples Credit and Finance Corporation (PCFC) shall set up a special credit window that will service the financing needs of duly registered BMBEs consistent with BSP policies, rules and regulations. Said special credit window shall service the credit needs of BMBEs either through retail or wholesale lending, or both, as the concerned financial institutions may deem consistent with their corporate policies and objectives. The Government Service Insurance System (GSIS) and the Social Security System (SSS) shall likewise set up special credit window that will serve the financing needs of their respective members who may wish to establish a BMBE.

Said financial institutions are encouraged to wholesale funds to accredited private financial institutions including community based organizations such as cooperatives, non-government organizations (NGOs) and people’s organizations engaged in granting credit, for relending to BMBEs.

Private banking and other financial institutions are hereby encouraged to lend to BMBEs.

SECTION 2. Interest on loans to BMBEs. — Interest on BMBE loans shall be just and reasonable as may be determined by management of the concerned entity to be consistent with its credit policies.

SECTION 3. Amortization of loans to BMBEs. — The schedule of loan amortization shall take into consideration the projected cash flow of the borrowers. Thus, loans granted to BMBEs may, at the discretion of the lender, be amortized daily, weekly, monthly or at such interval as the conditions of the business of the BMBEs may warrant.

SECTION 4. Waiver of Documentary Requirements. — Banks and other financial institutions shall not require from duly registered BMBE borrowers the submission of income tax returns as a condition to the grant of loans considering that BMBEs are exempted from income tax for income arising from their operations. They may, at their discretion, also waive the requirement of submission of financial statements from BMBEs: Provided, That before granting any loan, banks shall undertake reasonable measures to determine that the borrower is capable of fulfilling his/its commitments.

SECTION 5. Incentives to Participating Financial Institutions. — To encourage BMBE lendings, the following incentives shall be granted to banks and other financial institutions as may be applicable:

a. All loans from whatever sources granted to BMBEs under this Act shall be considered as part of alternative compliance to Presidential Decree No. 717 (Agri-Agra Law) or to Republic Act No. 6977, otherwise known as the “Magna Carta for Small and Medium Enterprises”, as amended. For purposes of compliance with Presidential Decree No. 717 and Republic Act No. 6977, as amended, loans granted to BMBEs under R.A. No. 9178 shall be computed at twice the amount of the outstanding balance of the loans: Provided, That loans used as alternative

compliance with PD 717 which were computed at twice their outstanding balance shall no longer be eligible as compliance with R.A. 6977 during the same period and vice versa: Provided, further That said loans may be used as alternative compliance with PD 717 and R.A. No. 6977, as amended at the same time at the maximum amount of 100% of their outstanding balance: Provided, still further, that funds loaned by government financial institutions to accredited private banking and other financial institutions for relending to BMBEs shall be eligible as part of alternative compliance to P.D. 717 or to R.A. No. 6977, as amended, at the maximum amount of 100% of their outstanding balance.

b. Any existing laws to the contrary notwithstanding, interests, commission and discounts derived from the loans by the LBP, DBP, PCFC, SBGFC granted to BMBEs as well as loans extended by the GSIS and SSS to their respective member-employees under R.A. No. 9178 and this Implementing Rules and Regulations shall be exempt from gross receipt tax (GRT).

c. As an exception to the general moratorium on the establishment of new banking offices, banks may, subject to compliance with applicable BSP rules and regulations, also be allowed to establish branches that will cater primarily to the credit needs of BMBEs: Provided, that at least seventy percent (70%) of the deposits generated by said branches shall be lent out to BMBEs and their outstanding loans to BMBEs shall at all times be at least fifty percent (50%) of their gross loan portfolio.

SECTION 6. Credit Guarantee. — The SBGFC and the Quedan and Rural Credit Guarantee Corporation (Quedancor) under the Department of Agriculture, in case of agri-business activities, shall set up a special guarantee window to provide credit guarantee to BMBEs under their respective guarantee programs.

SECTION 7. Records. — The LBP, DBP, PCFC and SBGFC shall maintain separate records of loans granted to BMBEs and the GSIS and SSS shall maintain records of loans extended to their respective members who wish to establish BMBEs.

SECTION 8. Submission of Reports to BSP. — Banks shall submit a quarterly report on loans granted to BMBEs as attachment to the quarterly Report on Compliance with the Mandatory Credit Allocation with Small and Medium Enterprises and to the quarterly Report on the Utilization of Loanable Funds Generated Which Were Set Aside for Agrarian Reform Credit/Agricultural Credit, to the Supervisory Reports and Studies Office, within fifteen (15) banking days after the end of each reference quarter (Annex "A"[*] and "B"[*]).

SECTION 9. Reports to Congress. — As provided under Section 9 of R.A. 9178, the LBP, DBP, PCFC, SBGFC, SSS, GSIS and Quedancor shall report annually to the appropriate Committees of both Houses of Congress the status of their implementation of the provisions of Section 9 of R.A. No. 9178.

SECTION 10. Administrative Sanctions. — Pursuant to the provisions of the second paragraph of Section 13 of R.A. No. 9178, any violation by the concerned government financial institution of the provisions of Section 9 of said Act shall be subject to a fine of not less than Five Hundred Thousand Pesos (P500,000.00) to be imposed by the BSP and which shall be payable to the BMBE Development Fund. In case of a banking institution, the foregoing fine shall be without prejudice to the administrative sanctions provided for under Section 37 of R.A. No. 7653 (The New Central Bank Act).

SECTION 11. Effectivity. — This Circular shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Adopted: 11 March 2003

(SGD.) AMANDO M. TETANGCO, JR.

Officer-in-Charge

[*] Text Available at Office of the National Administrative Register, U.P. Law Complex, Diliman, Quezon City.

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