

333 LOANS TO BARANGAY MICRO BUSINESS ENTERPRISES

The following are the rules and regulations to implement 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”.

Credit delivery. The LBP, the DBP, the 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 Bangko Sentral 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 FIs may deem consistent with their corporate policies and objectives. The GSIS and the 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 FIs are encouraged to wholesale funds to accredited private FIs including community based organizations such as cooperatives, NGOs and people’s organizations engaged in granting credit, for relending to BMBEs.

Private banking and other FIs are encouraged to lend to BMBEs.

Interest on loans to Barangay Micro Business Enterprises. 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.

Amortization of loans to Barangay Micro Business Enterprises. 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.

Waiver of documentary requirements. Banks and other FIs shall not require from duly registered BMBE borrowers the submission of ITR 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.

Incentives to participating financial institutions. To encourage BMBE lendings, the following incentives shall be granted to banks and other FIs as may be applicable:

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- a. All loans from whatever sources granted to BMBEs under R.A. No. 9178 (BMBEs Act) shall be considered as part of alternative compliance to R.A. No. 6977, as amended.

For purposes of compliance with R. A. No. 6977, as amended, loans granted to BMBEs under the BMBEs Act shall be computed at twice the amount of the outstanding balance of the loans: *Provided*, That funds loaned by or rediscounted with government-owned banks and other government FIs to accredited private banking and other FIs for on-lending to BMBEs shall be eligible as part of alternative compliance for R.A. No. 6977, as amended, of the government-owned banks and the accredited private banks at the maximum amount of 100% of their outstanding balance each: *Provided, further*, That loans used as alternative compliance with R.A. No. 6977, as amended, computed at either twice their outstanding balance or their maximum amount of 100% may be used as alternative compliance for either or both the prescribed portions of loan portfolio to be allocated to MSEs and MEs, respectively, as long as the aggregate amount used does not exceed twice their outstanding balance or their maximum amount of 100%, as the case may be.

- b. Any existing laws to the contrary notwithstanding, interests, commissions 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 BMBEs Act and this Section shall be exempt from gross receipt tax (GRT).

Credit guarantee. The SBGFC and the Quedancor under the DA, in case of agri-business activities, shall set up a special guarantee window to provide credit guarantee to BMBEs under their respective guarantee programs.

Record. 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.

Reports to Congress. 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.

Administrative sanctions. Any violation by the concerned government FI of the provisions of Section 9 of R.A. No. 9178 shall be subject to a fine of not less than P500 thousand to be imposed by the Bangko Sentral 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.