

[IRR REPUBLIC ACT NO. 10693, August 16, 2016]

**IMPLEMENTING RULES AND REGULATIONS OF THE
MICROFINANCE NGOS ACT REPUBLIC ACT NO. 10693**

RULE 1

Title

These Rules shall be known as the Implementing Rules and Regulations of Republic Act No. 10693, otherwise known as the "Microfinance NGOs Act" promulgated pursuant to Section 22 thereof.

RULE 2

Definition of Terms

As used in these Implementing Rules and Regulations, the following definitions shall apply:

- (a) **Act** shall refer to the Microfinance NGOs Act or Republic Act No. 10693 (R.A. 10693);
- (b) **Accreditation** shall refer to the process of giving official recognition to a duly registered Microfinance NGO, after meeting the minimum standards set by the Microfinance NGO Regulatory Council (or "Council"). A Microfinance NGO is deemed accredited when it is duly issued an accreditation certificate by the Council;
- (c) **BSP** shall refer to the Bangko Sentral ng Pilipinas;
- (d) **BIR** shall refer to the Bureau of Internal Revenue;
- (e) **Charges on loans** shall refer to the agreed upon reasonable and conscionable interest rate, service charge, penalty, and such other charges incidental to microfinance lending activity;
- (f) **Clients** shall refer to all borrowers and savers of a Microfinance NGO;
- (g) **Compensating Balance** shall refer to the proportion of the total loan of a microfinance client, which is retained with the microfinance institution as capital build-up (CBU) or microsavings which can be used to offset the clients' outstanding balance in case of default;

- (h) **DOF** shall refer to the Department of Finance;
- (i) **DSWD** shall refer to the Department of Social Welfare and Development;
- (j) **DTI** shall refer to the Department of Trade and Industry;
- (k) **Group Loan** shall refer to a loan contracted by a member of a group of microfinance clients whose loan is guaranteed by the group of members collectively or by any member/s of the group. The creditor can collect from any of the members of the group that guaranteed the said loan, without prejudice to the right of reimbursement of the member or members of the group that had advanced the payment in favor of the actual debtor;
- (l) **Gross receipts** from microfinance operations shall refer to the gross interest income, penalties, surcharges, commissions and discounts, service and general fees, and other charges related to microfinance operations actually or constructively received without any deduction of any kind or nature;
- (m) **IC** shall refer to the Insurance Commission;
- (n) **Low-Income** shall refer to the income of individuals or families that fall below the low-income threshold, which is defined by NEDA as twice the official national poverty threshold. The above definition shall be subject to periodic review by the NEDA;
- (o) **Microcredit** shall refer to the extension of microfinance loans by a Microfinance NGO to its poor and low-income clients;
- (p) **Microenterprise Development Strategy** shall refer to the social reform program to promote and pursue inclusive growth that includes the poor, and whose implementation shall involve both the public and private sectors among which Microfinance NGOs are key players. Specifically, it shall refer to programs to empower the poor, manage risks and vulnerabilities and thereby improve their asset base and expand access to microfinance services, such as microcredit, microinsurance, microsavings, health care and microhousing through a broad package of financial, business and human development services and other non-financial services, including education to enable them to lead productive lives;
- (q) **Microfinance** shall refer to a viable and sustainable provision of a broad range of financial services to poor and low-income individuals engaged in livelihood and microenterprise activities. It uses nontraditional and innovative methodologies and approaches, namely: the extension of small loans, simplified loan application procedures, group character loans, collateral-free arrangements, cash flow-based lending, alternative loan repayments, minimum requirements for CBU/minimum balance retention, and small

denominated savers' instruments aimed to improve their asset base and expand their access to capital and savings;

- (r) **Microfinance Loans** shall refer to small loans granted to the basic sectors, as defined in Republic Act No. 8425, otherwise known as the "Social Reform and Poverty Alleviation Act", and other loans as defined by the government, as to their amount, scope, and coverage, that are granted to the poor and low income individuals for their microenterprises and small businesses, so as to enable them to raise their income levels and improve their living standards. Microfinance loans are granted on the basis of the borrower's cash flow and are typically unsecured;
- (s) **Microfinance Nongovernment Organization or Microfinance NGO** shall refer to a non-stock, non-profit organization duly registered with the Securities and Exchange Commission with the primary purpose of implementing a microenterprise development strategy and providing microfinance programs, products and services such as microcredit and microsavings for the poor and low-income clients;
- (t) **Microfinance Operations** shall refer to the programs and services as specified under Sections 1 and 2 of Rule 5 of these Rules.
- (u) **Microinsurance**, as defined under Section 187 of the Insurance Code, as amended, shall refer to a financial product or service that meets the risk protection needs of the poor where:
 - a. The amount of contributions, premiums, fees or charges, computed on a daily basis, does not exceed seven and a half percent (7.5%) of the current daily minimum wage rate for non-agricultural workers in Metro Manila; and
 - b. The maximum sum of guaranteed benefits is not more than one thousand (1,000) times of the current daily minimum wage rate for non-agricultural workers in Metro Manila;
- (v) **Microsavings** shall refer to the program of a Microfinance NGO to collect relatively small amounts of money from its clients for purposes of maintaining a compensating balance. It shall also refer to equity build-up or capital build-up;
- (w) **Nongovernment Organization (NGO)** shall refer to a nonstock, nonprofit organization duly registered with the SEC, focusing on the upliftment of the basic or disadvantaged sectors of society by providing advocacy, training, community organizing, research, access to resources, and other similar activities, as defined in Republic Act No. 8425;
- (x) **Poor** shall refer to individuals and families whose income fall below

the poverty threshold as defined by the NEDA. Generally, the poor are regarded as those who cannot afford in a sustained manner to provide their minimum basic needs for food, health, education, housing and other essential amenities of life as defined by Republic Act No. 8425;

- (y) **Social performance** shall refer to the effective translation of a Microfinance NGO's mission into practice;
- (z) **Social Welfare Promotion/Purposes** shall refer to the thrust, objectives, plans, programs, services and activities designed to aid and/or ameliorate the living conditions of the poor, disadvantaged, marginalized, vulnerable and underprivileged individuals and their families in order to attain improved quality of life and well-being; and
- (aa) **SEC or Commission** shall refer to the Securities and Exchange Commission.

RULE 3

Microfinance NGO Regulatory Council

Section 1. **The Microfinance NGO Regulatory Council or the "Council".**— The Council shall be composed of four (4) permanent members from the government sector and three (3) members from the Microfinance NGO sector:

- a. The **permanent members** of the Council shall be composed of the following:
 - i. The Chairman of the SEC or designated representative as the Chairman of the Council;
 - ii. The Secretary of the Department of Finance (DOF) or designated representative;
 - iii. The Secretary of the Department of Trade and Industry (DTI) or designated representative; and
 - iv. The Secretary of the Department of Social Welfare and Development (DSWD) or designated representative;
- b. The **three (3) representatives from the Microfinance NGO Sector** shall be chosen by at least a majority of the permanent members of the Council from among the nominees of organizations, associations, and alliances of Microfinance NGOs duly registered with the SEC.
 - i. Organizations, associations, and alliances of Microfinance NGOs shall have at least five (5) Microfinance NGO members before they can nominate a representative to the Council. The nominees must come from a Microfinance NGO, which may or may not belong to the nominating organization, association or alliance. Likewise, the nominating organization, association or alliance may not solely consist of Microfinance NGOs.

Each organization, association or alliance shall have a Nominations and Elections Committee (Nomelec) which shall be responsible for the nominations. The nomination procedure, including the qualification standards, shall be submitted to the Council at least thirty (30) days

before nominating its representatives, and posted in the website of the organization, association or alliance. The President of the organization, association or alliance shall certify under oath that the name/s he/she has submitted, together with their respective Curriculum Vitae (CV), are the nominee/s and that they were nominated in accordance with their Nomelec rules and procedures. Otherwise, they shall be deemed to have not met the qualifications as provided under the rules of the organization, association or alliance.

- ii. The organizations, associations, and alliances of Microfinance NGOs shall nominate their respective nominees within sixty (60) days from the effectivity of these Implementing Rules and Regulations.
- iii. The majority of the permanent members of the Council shall within thirty (30) days from submission of the list of nominees, choose the private sector representatives from the submitted list. The representatives to be chosen shall have the following minimum qualifications:
 - a. Citizen and resident of the Philippines for at least two (2) years immediately prior to his/her nomination;
 - b. With at least five (5) years experience as a Trustee, President or Officer of a Microfinance NGO;
 - c. No record of final conviction for an offense involving theft, fraud, falsification, forgery, perjury or any administrative offense or crime involving moral turpitude; and
 - d. A person of known probity, integrity and good moral character.
- iv. The said representatives shall serve for a term of three (3) years who may be reappointed. Nominations for the succeeding years shall be conducted at least sixty (60) days prior to the expiration of the term of the incumbent representatives.
- v. The procedure for nomination and appointment of a representative from the private sector shall be the same in case of vacancy. The appointment shall only be for the unexpired term of the predecessor but the appointed representative may be eligible for reappointment, subject to the prescribed qualification and nomination procedures.
- vi. Any controversy or issue arising from the nomination of any representative from the Microfinance NGO sector shall be resolved by the Council.

Section 2. Functions and Responsibilities of the Microfinance NGO Regulatory Council — As the accrediting entity, the Council shall have the following functions and responsibilities:

1. Institute and operationalize a system of accreditation for Microfinance NGOs: *Provided, That the criteria for accreditation shall include sound and measurable standards of financial performance, social performance, audit and governance, pursuant to the criteria specified under Section 3, Rule 4 hereof;*
2. Issue Certificate of Accreditation as a Microfinance NGO upon determination that the criteria set for this purpose have been fully satisfied. The Certificate of Accreditation shall remain valid for three (3) years unless earlier suspended or revoked by the Council on the grounds provided herein;