

## A. Definition of Membership

MCPI's membership is composed mainly of institutions that aim to foster the viable and sustainable provision of a broad range of financial services to poor/unbanked/financially underserved/low-income households engaged in livelihood and microenterprise activities using nontraditional and innovative methodologies and approaches aimed to improve their asset base and expand their access to savings. Membership includes retail microfinance institutions and local microfinance associations. It is also open to key stakeholders—support institutions, wholesale lending institutions and microfinance networks.

### Membership Categories

#### 1. Regular Members

The following will be considered for regular membership:

- 1.1 Any institution engaged in retail microfinance operations. The institution may be any of the following, but not limited to: NGO; thrift bank, development bank, rural bank, cooperative rural bank; credit cooperative or credit union; multipurpose cooperative; finance company; or lending company.
- 1.2 Local microfinance associations. Membership associations organized geographically or by sector, whose members are cooperatives, formal institutions such as banks, and non-stock, non-profit institutions that provide microfinance services to the poor. These associations are primarily engaged in membership services such as advocacy, capacity building, and resource mobilization, and shall not be engaged in the wholesale of microfinance loans.

#### 2. Associate Members

- 2.1 Any private local or international organization or association of organizations engaged in the following: wholesale of microfinance loans, training support, technical and research assistance to microfinance institutions.

### Eligibility Criteria

#### 3. Regular Member – Retail microfinance provider

- 3.1 Engaged in the provision of a broad range of financial services to poor/unbanked/financially underserved/low-income households engaged in livelihood and microenterprise activities using

nontraditional and innovative methodologies and approaches aimed to improve their asset base and expand their access to savings.

### ***Outreach and Financial Performance***

- 3.2 Track record: minimum of three (3) consecutive years experience in managing and implementing a microfinance program
- 3.3 Must have at least 1,000 active low-income borrowers and savers and microfinance loan portfolio of, at least, PHP1.5 million as of the end of the previous calendar year or fiscal year
- 3.4 Adheres to Performance Standards for All Types of MFIs being promoted by the Department of Finance-National Credit Council (PESO Standards)
- 3.5 Adheres to sound banking practices and prudential standards required by the Bangko Sentral ng Pilipinas for banks, or to the set of standards promulgated by the Cooperative Development Authority for credit unions/credit cooperatives (COOP-PESOS), or to the PESO Performance Standards promoted by the Department of Finance-National Credit Council for NGOs engaged in microfinance
- 3.6 Has demonstrated increasing trend in income and has generated positive income on the 3<sup>rd</sup> year of its operations.

### ***Social Performance***

- 3.7 Clearly expresses in its vision and mission statements a distinct commitment to reach low-income clients
- 3.8 Employs an acceptable poverty assessment tool to select first-time clients.
- 3.9 Adheres to social performance principles:
  - 3.9.1 Translates its mission and values into clear, measurable objectives to capture intentional social benefits,
  - 3.9.2 Designs and implements systems for social responsibility, including client protection
  - 3.9.3 Tracks, understands and reports on whether it is achieving its social objectives
  - 3.9.4 Aligns its business processes to achieve both social and financial objectives,
  - 3.9.5 Ensures that decision-making considers both social and financial outcomes
- 3.10 Adheres to MCPI's Code of Ethics

### ***Governance and Operations***

- 3.11 Presence of an active board and full-time management and staff
- 3.12 Internal control
  - 3.12.1 Has a written internal control and/or audit manual
  - 3.12.2 Annually conducts an external audit that would reveal enforced internal control policy, systems and procedures, and absence of fraud from management and/or the Board for the last 3 years
  - 3.12.3 Regular conduct of internal audit
  - 3.12.4 Has a written operations manual which shall include the administrative and credit program systems and procedures. Manual should clearly define levels of authority and accountability; job descriptions; and microfinance program systems and procedures

- 3.12.5 Has an MIS in place which is able to produce regular and timely reports on loan portfolio, savings, income statement, balance sheet, cash flow and outreach
- 3.12.6 Has an existing and enforced policy on write-offs and loan loss provision

#### **4. Regular Member – Local Microfinance Association**

- 4.1 Must be a bona fide association of microfinance institutions
- 4.2 Is a registered legal entity
- 4.3 Has been operating for at least 3 years
- 4.4 Is not engaged in wholesale lending operations
- 4.5 Has a physical office and an active Board supported by a working staff
- 4.6 Adheres to principles of social performance and good governance

#### **5. Associate Members**

- 5.1.1 Must be a private local or international organization or network of organizations committed to fostering the delivery of a broad range of financial services to poor/unbanked/financially underserved/low-income households. The organization may be engaged in the wholesale of microfinance loans or have serious interest in providing training support, technical and research assistance to microfinance institutions.
- 5.1.2 Is a registered legal entity
- 5.1.3 Has been operating for at least 3 years
- 5.1.4 Has an active board supported by a working staff and for international organizations, an active country management committee or management team.

## **B. Procedure for Application**

1. Interested applicants must fill up the Membership Application Form. The form can be requested from MCPI Secretariat or can be downloaded from the MCPI website.
2. Accomplished application form, together with required supporting documents must be submitted to the MCPI Secretariat.
3. Supporting documents required are as follows:

#### **3.1 Regular Member – Retail Microfinance Institution**

- 3.1.1 SEC/ CDA/BSP registration, articles of incorporation/cooperation and by-laws
- 3.1.2 Audited financial statements for the last 3 years
- 3.1.3 Annual report
- 3.1.4 Organizational and governance structure
- 3.1.5 Operational report showing number of active borrowers, amount of microfinance loan portfolio, aging report, number of branches, number of field and head office staff
- 3.1.6 Brief description of the institution's microfinance products
- 3.1.7 Endorsement of membership from a regular member of MCPI
- 3.1.8 List of Board Members and Management Team

- 3.1.9 PESO Rating for the last 3 years
- 3.1.10 Board Resolution confirming the following: (1) application for MCPI membership, (2) presence of internal control/audit and operations manuals, (3) conduct of internal audit, (4) adherence to sound banking practices (if applicable) and (5) adherence to social performance principles. Said Board Resolution shall also state the organization's official and alternate representative to MCPI.
- 3.1.11 Outline of audit manual and operations manual

### **3.2 Regular Member – Local Microfinance Association**

- 3.2.1 SEC/CDA registration, articles of incorporation/cooperation and by-laws
- 3.2.2 Audited financial statements for the last 3 years
- 3.2.3 Annual report
- 3.2.4 Organizational and Governance Structure
- 3.2.5 List of members
- 3.2.6 A report showing outreach and portfolio size of members
- 3.2.7 Brief description of association's key programs
- 3.2.8 Endorsement of membership from a regular member of MCPI
- 3.2.9 Board Resolution confirming the following: (1) application for MCPI membership, (2) presence of internal control/audit and operations manuals, (3) conduct of internal audit, (4) adherence to sound banking practices (if applicable) and (5) adherence to social performance principles. Said Board Resolution shall also state the organization's official and alternate representative to MCPI.
- 3.2.10 Outline of audit manual and operations manual

### **3.3 Associate Member – Engaged in wholesale lending of microfinance loans**

- 3.3.1 SEC/CDA registration, articles of incorporation/cooperation and by-laws
- 3.3.2 Audited financial statements for the last 3 years
- 3.3.3 Annual report
- 3.3.4 Organizational and Governance Structure
- 3.3.5 List of MFI members, partners or conduits
- 3.3.6 A report showing amount of loan exposure to MFIs
- 3.3.7 A report showing outreach and portfolio size of members, partners or conduits
- 3.3.8 Brief description of the institution's microfinance program
- 3.3.9 Endorsement of membership from a regular member of MCPI
- 3.3.10 Board Resolution confirming the following: (1) application for MCPI membership, (2) presence of internal control/audit and operations manuals, (3) conduct of internal audit, (4) adherence to sound banking practices (if applicable) and (5) adherence to social performance principles. Said Board Resolution shall also state the organization's official and alternate representative to MCPI.
- 3.3.11 Outline of audit manual and operations manual

### **3.4 Associate Member – Training, Academic and Other Support Institutions**

- 3.4.1 SEC/CDA registration, articles of incorporation/cooperation and by-laws
- 3.4.2 Audited financial statements for the last 3 years

- 3.4.3 Annual report
  - 3.4.4 Organizational and Governance Structure
  - 3.4.5 Profile of activities, research studies, training programs pertaining to microfinance
  - 3.4.6 Endorsement of membership from a regular member of MCPI
  - 3.4.7 Board Resolution confirming the following: (1) application for MCPI membership, (2) presence of internal control/audit and operations manuals, (3) conduct of internal audit, (4) adherence to sound banking practices (if applicable) and (5) adherence to social performance principles. Said Board Resolution shall also state the organization's official and alternate representative to MCPI.
  - 3.4.8 Outline of audit manual and operations manual
4. The MCPI Secretariat shall review the submitted documents. If necessary, interviews and additional documents may be requested from the applicant.
  5. The MCPI Secretariat shall send a notice of application to the general membership. The body is given a period of 2 weeks to give feedback regarding the applicant. Any objections to acceptance of the applicant must be made at this point.
  6. Once documents are complete and application is deemed satisfactory, the MCPI Secretariat will submit the application to the Board Membership Committee for their deliberation and recommendation to the full Board. If members of the committee cannot be convened for an actual meeting, the said documents may be routed through e-mail and discussion conducted online.
  7. Final decision will be made by the full Board, unless otherwise delegated to the Membership Committee.
  8. The applicant shall be notified in writing of the acceptance/non-acceptance of their application.

## C. Membership Duties and Responsibilities

Section 4, Article V of the By-Laws of MCPI defines the duties and responsibilities of members as follows:

- a. *To obey and comply with the by-laws, rules and regulations that may be promulgated by the association from time to time;*
  - b. *To attend all meetings of the association;*
  - c. *To pay membership dues and other assessments of the association*
1. Attendance at annual general meetings and special general meetings
    - 1.1 All members are required to be represented in meetings by senior officers of the organization. The senior officer attending the annual and/or special general meetings shall be any of the following: executive director, president, vice-president, chair of the Board, trustee or director, or any senior corporate officer. Actual presence of senior officers in annual and special meetings is required. Proxies made in writing are allowed during annual and special meetings.
    - 1.2 During the Annual General Meeting, representative must bring a Board Resolution naming the official and alternate representative of the organization.
  2. Payment of annual membership dues and other fees

2.1 All members are required to pay annual dues to MCPI prior to the date of the Annual General Meeting. The Secretariat will send appropriate statements of accounts to the members concerned. Sanctions shall apply to members that are delinquent in the payment of annual dues.

2.2 As of 2012, membership dues are as follows:

Type of Member	One-Time Membership Fee (PhP)	Annual Dues (PhP)
<b>Regular – Retail</b>	10,000	20,000
<b>Regular – Local Association</b>	5,000	10,000
<b>Associate</b>	5,000	10,000

2.3 Annual dues are subject to review by the Board and may be changed if deemed appropriate to ensure MCPI’s sustainability. Such changes shall be properly disclosed to members.

2.4 To collect the unpaid annual dues, the Secretariat will seek the assistance of the member-MFI that endorsed the entry of the delinquent member into MCPI.

2.5 Additional fees may be collected by the Secretariat for specific activities. Such fees shall be properly disclosed to members.

### 3. Submission of Reports

3.1 Members are expected to submit the following, but not limited to, reports:

*Annually (to be submitted by May 15)*

- 3.1.1 Audited Financial Statements
- 3.1.2 Annual report
- 3.1.3 PESO Rating (template to be provided)
- 3.1.4 Personnel rates (template to be provided)
- 3.1.5 Member’s updated contact details
- 3.1.6 Updated list of Board members

*Quarterly (to be submitted 3 weeks after end of each period)*

- 3.1.7 Financial and operational data (template to be provided)

*If available, the member may opt to submit the following:*

- 3.1.8 Social Performance reports
- 3.1.9 Ratings reports

3.2 Other reports as required by the Secretariat

### 4. Adherence to Performance Standards

4.1 Members of MCPI shall adhere to internationally recognized or accepted Performance Standards, especially the Performance Standards for All Types of MFIs being promoted by the Department of Finance – National Credit Council (PESO Standards)

4.2 Members of MCPI must maintain a rating of at least, 70% in the PESO Standards. Regular members that are unable to comply are given two (2) years to rehabilitate in order to reach the prescribed rating.

### 5. Adherence to Code of Ethics and Social Performance Principles

- 5.1 Members shall adhere to the Code of Ethics being promoted by MCPI (Annex 1) and Social Performance Principles
- 5.2 Complaints against specific members pertaining to the Code of Ethics may be filed with MCPI and may be basis for termination of membership. A written complaint specifying the details must be submitted to the Board. An ad-hoc committee will be created to investigate and make recommendations on the complaint. Final decision and action to be taken will be discussed by the Board. All parties concerned shall be furnished a copy of the final decision.
6. Participation in MCPI activities
  - 6.1 Members must actively participate in programs and activities organized by MCPI such as advocacy, capacity building, social performance management, performance monitoring, knowledge and resource center and other institutional undertakings. Members are expected to participate in at least 50% of the activities organized by MCPI.
7. Members must agree to comply with set roles and responsibilities of members by signing Manifesto of Commitment.

## **D. Membership Evaluation and Termination**

1. The MCPI Secretariat shall closely monitor performance of its current members in relation to the prescribed duties and responsibilities. A membership status report of all existing members shall be submitted to the General Assembly during their Annual General Meeting.
2. Basis for evaluation shall be the following:
  - 2.1 Reports submitted
  - 2.2 Participation and attendance in MCPI activities
  - 2.3 Feedback from other members and industry stakeholders
3. Penalties and Sanctions. Failure to comply with above-mentioned roles and responsibilities shall merit the following:
  - 3.1 First warning: Letter of concern from the Chairperson of the Board Membership Committee. The member is expected to reply within 1 month and comply within 2 months from receipt of letter of concern.
  - 3.2 Second warning: If the member does not comply within 2 months from receipt of letter of concern, the Chairperson of the Board Membership Committee will send a notice of suspension of benefits. Member will be considered on probationary status. Member is expected to reply within 2 months from receipt of notice of suspension of benefits.
  - 3.3 Third warning: Termination of membership – if the member does not comply within 2 months from receipt of notice of suspension of benefits, the member shall be deemed no longer interested in the affairs of the association. The Chairperson of the Board Membership Committee will send a letter to the member that its membership is being recommended for termination.
4. A third warning due to failure to comply with Membership Roles and Responsibilities shall result in possible termination of membership from MCPI.
  - 4.1 The member will be recommended for termination by the Board Membership Committee.

- 4.2 The full Board will decide on the recommendation of the Board Membership Committee.
  - 4.3 The member shall be informed in writing of the decision of the Board to terminate membership.
  - 4.4 The member may submit a written appeal within one week after receipt of letter to be reviewed and decided on by the Board.
  - 4.5 The member shall be informed in writing of final decision regarding the status of the appeal within one month from receipt of appeal.
5. Voluntary Withdrawal of Membership
    - 5.1 A member may choose to discontinue membership from MCPI by submitting a formal letter of notification to the Chairperson of the Board Membership Committee or the Executive Director. The reason for voluntary withdrawal of membership must be stated in the letter. A written notice of acceptance shall be sent by MCPI once reviewed by the Board.

*Approved by MCPI Members during the 2012 MCPI Annual General Meeting  
25 July 2012, Hyatt Hotel Manila*