

MICROFINANCE NGO REGULATORY COUNCIL (MNRC) SUPERVISION



**Securities and
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P H I L I P P I N E S

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MICROFINANCE NGO REGULATORY COUNCIL (MNRC)

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Functions of the MNRC

1. To accredit MF-NGOs;
2. To institute & operationalize a system of accreditation;
3. To issue Certificate of Accreditation;
4. To monitor the performance of MF-NGOs to ensure continuing compliance;
5. To place under probation, suspend or revoke any Certificate of Accreditation; and
6. To require regular submission of reports.

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Composition of MNRC

- SEC Chairperson as the MNRC Chair
- DOF representative
- DTI representative
- DSWD representative
- 3 Representatives from the MF-NGO sector

**SEC to act as MNRC Secretariat

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PERMANENT MEMBERS

	Principal Representatives	Alternate Representatives
SEC	Emilio B. Aquino Chairperson	
DOF	Gil S. Beltran Undersecretary	Aurora Luz Diokno-Villaviray DOF – National Credit Council Secretariat
DTI	Luna E. Cacanando President & CEO, SB Corp.	Dir. Jerry T. Clavesillas DTI – Bureau of Small & Medium Enterprise Development (BSMED)
DSWD	Marites M. Maristela, CESO III DSWD – Standards Bureau (SB) Juancho Karlo Ilao DSWD – Sustainable Livelihood Program (SLP)	Cynthia V. Ilano Charito P. Esteban DSWD – SB Vladimir Cabrera DSWD – SLP

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PRIVATE SECTOR REPRESENTATIVES

	Representative
Luzon	Fr. Jose Victor Lobrigo President & CEO SEDP-Simbag sa Pag-asenso, Inc. (A Microfinance NGO) doing business under the name and style of SEDP-SIMBAG
Visayas	Angel L. de Leon, Jr. Chairman Taytay sa Kauswagan (A Microfinance NGO), Inc.
Mindanao	Atty. Ibarra A. Malonzo Chairman & President Kasanyangan Center for Community Development and Microfinance Foundation, Inc.

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REGULATIONS ON THE ACCREDITATION OF MF-NGOs

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MNRC M.C. No. 1, s. 2017

Rules on Capital Contribution and Corporate and Trade Names of Microfinance Non-Government Organization

- MF-NGOs established as non-stock, non-profit corporations
- Must maintain a minimum fund balance of at least ₱1 Million Pesos
- Corporate and trade name must use the word “Microfinance” or “Microfinancing”.

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MNRC M.C. No. 2, s. 2017

Clarification on the Three-Year (3) Microfinance Operations

- Clarifies Rule 4 of the IRR which provides that *“only Microfinance NGOs that have been operating for at least three (3) consecutive years may be accredited by the Council”*.
- Allows a spin-off of an existing MF-NGO
- *Length of microfinance operations of the old entity shall be added in the computation to determine compliance with 3-year requirement of microfinance operations*



MNRC M.C. No. 2, s. 2017 (contd.)

- *The new MF-NGO must prove that it is only continuing the operations of the old one and must submit the following documents:*
 1. *AFS of the old MF-NGO entity for the last 3 years;*
 2. *Microfinance Operations Report of the old entity for the last 3 years;*
 3. *Proof that the Officers/Trustees of the old and new entities are the same;*
 4. *Certification from the existing entity stating that the new entity is established for the former's microfinance operations; and*
 5. *Other documents that the Council may require.*



MNRC M.C. No. 1, s. 2018

Accreditation of Microfinance NGOs

- Provides Performance Standards for Accreditation of MF-NGOs (attached as Annex A of the M.C.) shall be used to accredit MF-NGOs beginning 2018 (as amended)¹
 - Social Performance Standards;
 - Financial Performance Standards
 - Governance Standards

¹ In M.C. No. 1, s. 2017 as initially issued, this was indicated as 2017; however, the same was clarified in M.C. No. 2, s. 2018 to “beginning 2018”.



Performance Standards

(Annex A of M.C. No. 1, s. 2018)

Financial Performance

- ▶ Portfolio Quality
- ▶ Efficiency
- ▶ Sustainability
- ▶ Outreach

Social Performance

- ▶ Social objectives
- ▶ Transparency
- ▶ Accountability mechanisms
- ▶ Product design
- ▶ Delivery channels
- ▶ Ethical treatment of clients

Governance

- ▶ Fairness
- ▶ Management responsibility
- ▶ Corporate integrity
- ▶ Loyalty
- ▶ Conflicts of interest
- ▶ Regulatory compliance

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MNRC M.C. No. 1, s. 2018 (contd.)

- Under Sec. 2, the Certificate of Accreditation shall be issued to an MF-NGO that meets the following requirements:
 1. Submission of Certificate of No Derogatory Information (CNDI) issued by SEC;
 2. Submission of AFSs using the Standard Chart of Accounts for MF-NGOs;
 3. Results of the assessment of the operations using the performance standards:
 - a. 50%+ rating in each set of the indicators; and
 - b. 60%+ weighted average rating for all indicators.

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MNRC M.C. No. 1, s. 2018 (contd.)

- Under Sec. 3, the MNRC may suspend, the Certificate of Accreditation when, upon annual assessment, the MF-NGO fails to meet the prescribed standards
- Under Sec. 4, Certificate of Accreditation for 2018 until March 2019² shall be issued upon submission of the following:
 1. Latest CNDI issued by SEC;
 2. Certification from the Chairperson of the Board, President and CFO or equivalent indicating the adoption of the Standard Chart of Accounts in the submission of 2018 AFSs and every year thereafter; and
 3. Result of self-rated assessment of 2017 microfinance operations using the Performance Standards. (MF-NGOs to use the downloadable report card template posted at the SEC website.)

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¹ as amended in MC 2, series of 2018.



MNRC M.C. No. 2, s. 2018

Clarificatory Amendment to M.C. No. 1, s. 2018 & Continuous Effectivity of CNDI for Accreditation

- MF-NGOs which were issued CNDI on or before 31 March 2018 are deemed accredited until 31 March 2018.
- MF-NGOs complying with the requirements under Sec. 4 of MC No. 1, s. 2018 (as amended) shall be accredited for 2018 up to the first quarter of 2019.

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MNRC M.C. No. 3, s. 2018

Additional Microfinance NGO Rules and Regulations

➤ **On MF-NGO microfinance loans**

1. Maximum Loan Amount is P300,000. A member-client may have more than one loan his/her borrowing capacity and the MF-NGO's lending capacity.
2. Microfinance loans shall comprise at least 65% of the MF-NGO's Total Assets
3. Lending operations of MF-NGOs shall be guided by policies & procedures in its Manual of Operations. The MF-NGO shall establish specific policies on loan write-offs and on advances to officers & employees.
4. Except for member-client appointed as member of the Board, all members of the Board are not allowed to borrow from the MF-NGO.

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MNRC M.C. No. 3, s. 2018 (contd).

➤ **On MF-NGO savings**

1. Considering the importance of encouraging microfinance clients to save, MF-NGOs may collect savings as compensating balance from its member-clients. The MF-NGO shall always be a net lender (i.e. total amount of loans outstanding shall be greater than the total amount of savings collected at any point in time).
2. Recognizing that the total amount of savings of an individual member-client may at some point be greater than his/her total loans outstanding, MF-NGOs are required to establish specific policy on the treatment of this type of member-clients.

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MNRC M.C. No. 3, s. 2018 (contd).

- Total investment in real estate shall not at any time exceed 25% of its Total Fund Balance.
- Must maintain a minimum liquidity ratio of 25% (i.e. computation is Total current assets divided by the Total current liabilities)
- Minimum fund balance of ₱1 Million.
- Must use the calendar year for all required reports. Annual submission of the ff. reports:
 1. AFS
 2. Loan Portfolio and Aging Report
 3. Operations Report
 4. Sworn Statement of Sources and Application of Funds
- The MNRC may require the submission of specific reports prior to the conduct of on-site examination.

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Accreditation Requirements

(Rule 4, Section 3 of the IRR)

1. Application Form;
2. NBI Clearance of each Trustee and Officer;
3. BIR Certificate of Registration;
4. Foreign Trustees/Officer, in addition to the NBI Clearance, shall submit a clearance from the BI, photocopy of passports showing a valid visa or stay in the Philippines, and the ACR I-Card and work permits subject to the exemptions/exclusions provided for by the DOLE;
5. Curriculum Vitae of Trustees and Officers;

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Accreditation Requirements – contd.

(Rule 4, Section 3 of the IRR)

6. Sworn Statement stating full description of its activities for the past 3 years, its present activities, and activities proposed for the next 3 years. It shall include the following:
 - a. Profile of its clients or members for the preceding and current year; and
 - b. List of its main, branch or unit offices;
7. Business plan including list of products, projects and programs, method of marketing its products and sources of the funds and maturities of credit;
8. A location map indicating the exact address of the principal office, signed by the President and countersigned by the Corporate Secretary; and
9. Other documents which the Council may require.

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Other Relevant Issuances

1. **BIR RR No. 3-2017:** Implementing the tax provisions of RA 10693 (Microfinance NGOs Act)
2. **BIR RMO No. 2-2018** prescribed the Guidelines and Procedures in Implementing R.A. 10693
3. **BIR Tax Advisory issued on 8 February 2018:** starting 2018 Taxable Year, all percentage taxpayer will be using the 2551Q Form instead of the 2551M Form.

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Tentative Timeline for Accreditation – 2019



* The MF-NGO will receive notification from the MNRC prior to the conduct of on-site audit.

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THANK YOU.



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