



COACHING SESSION: MNRC ACCREDITATION OF MICROFINANCE NGOS



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Outline

- The MNRC
- Benefit of Accreditation
- Accreditation Requirements
- Performance Standards
- Other Regulations
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- Grounds for Suspension/Revocation
- Reminders
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The Microfinance NGOs Regulatory Council (MNRC)



- Institute and operationalize a system of accreditation for MF-NGOs
- Issue Certificates of Accreditation
- Monitor MF-NGOs' performance
- Suspend or revoke Certificates of Accreditation
- Collect reasonable accreditation, supervision and monitoring fees.

*The Monitoring Division of the SEC's Corporate Governance and Finance Department (CGFD) acts as the MNRC Secretariat.



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Benefit of accreditation as MF-NGO

Grant of preferential tax rate of 2% on gross receipts from microfinance operations, in lieu of all national taxes. (Sec. 20)



Note: non-microfinance activities of MF-NGOs are subject to all applicable regular taxes.

Accreditation Requirements

- A non-stock, non-profit corporation with the word “Microfinance” or “Microfinancing” in its corporate and trade name
- With capital contribution of at least ₱1 Million
- Primary purpose is to implement a microenterprise development strategy and provide microfinance programs, products and services for the poor
- At least 3 consecutive years of microfinance operations

**A complete list of the requirements is provided in MNRC M.C. Nos. 1 and 4, s. 2018, available at:
<http://www.sec.gov.ph/microfinance-ngo-regulatory-council/memorandum-circulars/>

Accreditation Requirements (cont'd)



Documentary Requirements:

- Sworn Application Form
- NBI Clearance of each trustee and officer
- BIR Certificate of Registration
- BI Clearance, ACR-iCard, work permit, photocopy of passport and proof of valid stay in Philippines (in case of foreign trustee/officer)
- CV of trustees and officers
- Sworn statement of the MF-NGO's activities for the past 3 years, present activities and proposed activities for the next 3 years
- Business plan
- Location map
- CNDI issued by the SEC no more than 2 months from the filing of the application
- Certificate for the adoption of Standard Chart of Accounts
- Duly accomplished and signed Report Card Template (for Small/Large, as applicable)
- Latest AFS duly received by the SEC
- Other documents that the Council may require



Accreditation Requirements (cont'd)

- In case of a newly incorporated MF-NGO that is a spin-off of Foundation or other non-stock corporation, it shall comply with the 3-year microfinance operations requirement by proving that it is only continuing the operations of its parent entity.

PERFORMANCE STANDARDS FOR ACCREDITATION

- Ü Financial Performance
- Ü Social Performance
- Ü Governance



Report Card Templates for MF-NGOs are available at:
<http://www.sec.gov.ph/microfinance-ngo-regulatory-council/forms/>

Performance Standard: FINANCIAL

Financial standards shall focus on:

- ✓ Portfolio quality (40%)
- ✓ Efficiency (20%)
- ✓ Sustainability (25%)
- ✓ Outreach (15%)

Performance Standard: SOCIAL

- Clearly define, communicate and monitor mission
- Ensure Board, Management and Employee Commitment to the Mission
- Abide by Client Protection Principles
 - Avoidance of over-indebtedness
 - Promotion of transparency
 - Responsible pricing
 - Appropriate collection practices / Ethical staff behavior
 - Mechanisms for redress of Grievances
 - Privacy of Client Data
- Design products, services, delivery models and channels that meet the clients' needs and preferences
- Treat employees responsibly

- Sec. 3.b, Rule IV, IRR of the MF-NGOs Act



Performance Standard: GOVERNANCE

Governance standards should include:

- Ü Fairness
- Ü Management responsibility
- Ü Respect for rights
- Ü Corporate integrity
- Ü Loyalty
- Ü Compliance with regulations and transparency

-Sec. 16, RA 10693

Compliance with the Performance Standards

Passing Score

- At least 50% in each of the 3 major indicators: Financial, Social, Governance
- A weighted average rating of at least 60%

* The MNRC may suspend the Certificate of Accreditation when, upon annual assessment, the MF-NGO fails to meet the prescribed performance standards.

Other Regulations

- Ø Maintain a minimum fund balance of ₱1 Million
- Ø Total investment in real estate shall not exceed 25% of its Total Fund Balance.
- Ø Must maintain a minimum liquidity ratio of 25%
- Ø Must use the calendar year for all required reports.

Other Regulations (contd).

Ø On microfinance loans

1. Maximum Loan Amount is ₱300,000.
2. Microfinance loans shall comprise at least 65% of the Total Assets
3. Lending operations of MF-NGOs shall be guided by policies & procedures in its Manual of Operations. It shall establish specific policies on loan write-offs and on advances to officers & employees.
4. Except for a member-client appointed as member of the Board, all members of the Board are not allowed to borrow from the MF-NGO

Other Regulations (contd).

Ø On microsavings

1. 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-client.

Annual Reportorial Requirements

- GIS
- AFS
- Sworn Statements on the Sources and Application of Funds
- Certificate of Existence of Program/Activity (COEP)
- Loan Portfolio and Aging Report
- Operations Report

Validity of the Certificate of Accreditation

- All Certificates issued in 2018 shall be valid only until 31 March 2019

(Sec. 4, MNRC MC No. 1, s. 2018, as amended by MNRC MC No. 2, s. 2018)

- Certificates issued starting March 2019 shall be valid for 3 years unless earlier revoked or suspended by the Council

(Sec. 5, MNRC MC No. 4, s. 2018)



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Grounds for Suspension/Revocation:

- Non-compliance with reportorial requirements
- Misrepresentation in, or falsification of, document/s submitted in support of its application or subsequent submissions
- Bankruptcy or insolvency of the MF-NGO
- Revocation of the primary license as a corporate entity
- Failure to meet the prescribed performance standards, upon assessment of the MNRC

Reminders:

- MNRC accreditation is an on-going process
- Answers in the Report Card Survey shall be subjected to validation by the Secretariat.
- Basis for validation:
 - GIS, AFS and all documents submitted as part of the application for accreditation
 - Documents listed under “Means of Verification” and “Source of Information” in Annex 1 of MNRC MC No. 1, series of 2018, with respect to the answers in the Social Performance and Governance Report Cards, respectively.
 - Interviews

Sample Validation Documents

Social Performance

Indicator	YES (1 pt)	NO (0 pt)	Means of Verification
DEFINE AND MONITOR SOCIAL GOALS			
1. The MFI has a vision/mission statement that clearly states the low-income people as target clientele.			Vision/Mission Statement MF-NGO Strategy and Business Plan
2. The MFI circulates the vision/mission to both management and staff.			Interview with the Management and staff
3. The MFI has a strategy that clearly defines the specific characteristics of the target clientele.			MF-NGO Strategy and Business Plan
4. The MFI has identified specific indicators that measures its progress towards attaining its social			MF-NGO Strategy and Business Plan

Sample Validation Documents

Governance

GOVERNANCE GOOD PRACTICES	REQUIRED FOR	SOURCE OF INFORMATION
2.3 Does the Board ensure compliance with all applicable laws and their mechanisms, such as on the Magna Carta for Women and all environmental laws?	Mandatory for All	reports
2.4 Is the Board headed by a competent and qualified Chairperson?	Mandatory for All	CV of the Chairperson
2.5(a) Has the Board been responsible for ensuring and adopting an effective succession planning program for trustees and management to ensure the Microfinance NGO's sustainability and continued assistance to its chosen sector/community?	Mandatory for All	Succession Planning Program
2.5(b) Has the Board set up rules/guidelines in case of cessation of any trustee from the board?	Mandatory for All	By-Laws
2.6(a) Does the Board align the remuneration of management with the nature, objectives and long term interests of the Microfinance NGO?	Mandatory for All	Payroll/Remuneration Policy
2.6(b) Does the Board not give its Trustees any remuneration other than reasonable per diem?	Mandatory for All	Payroll/Remuneration Policy
2.7(a) Does the Board disclose in its Manual on Corporate Governance a formal and transparent board nomination and election policy, which includes how it accents and reviews nominated candidates?	Mandatory for All	Nomination and Election Policy

See: page 11 of 21 of Annex 1(Performance Standards for Microfinance NGO of MNRC MC No. 1, s. 2018.

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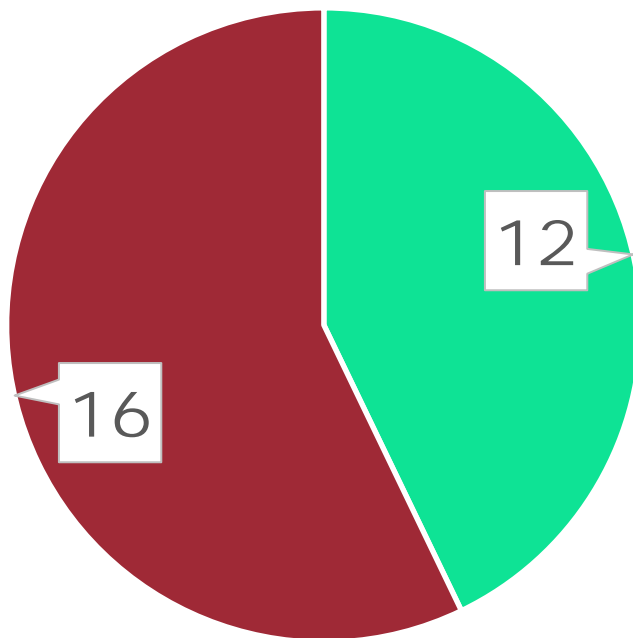
INDUSTRY SNAPSHOT





MF-NGOs Accredited by MNRC: (from March – June 2019)

28



■ Large ■ Small

Number
of Branches:

3,095

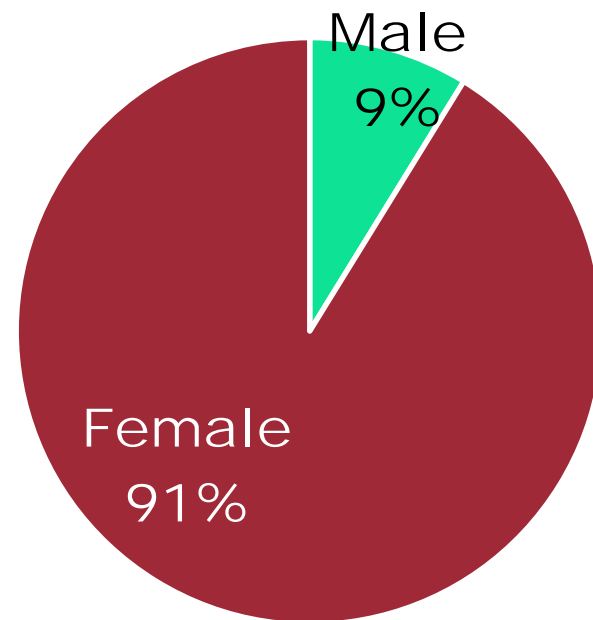
Total Loan Portfolio:

₱ 46.18 B



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Active Clients: 6,075,542



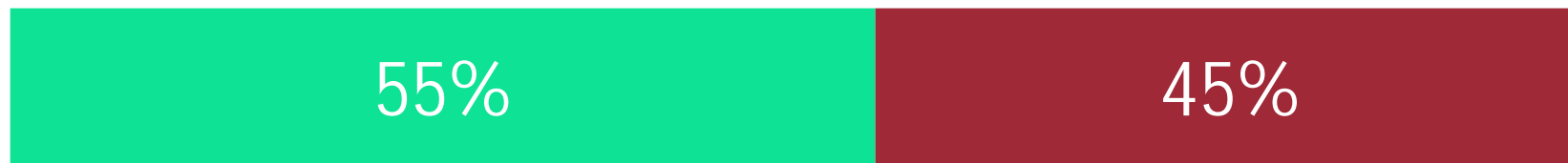
■ Male ■ Female

GENDER DIVERSITY

Personnel



Trustees

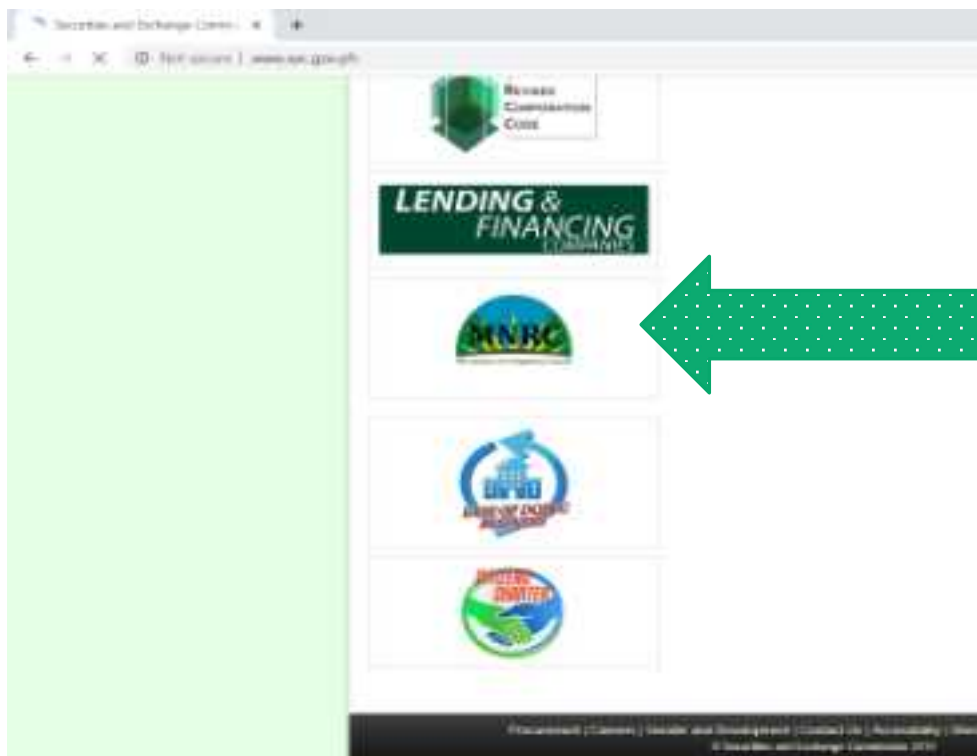


■ Male ■ Female



For more information on the MNRC, its issuances, standard forms and templates, you may visit:

<http://www.sec.gov.ph/microfinance-ngo-regulatory-council/mnrc-composition-and-mandate/>



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Thank you.

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