



MICROFINANCE NGO REGULATORY COUNCIL

Memorandum Circular No. 3 Series of 2018

ADDITIONAL MICROFINANCE NGO RULES AND REGULATIONS

WHEREAS, Section 11 of the Microfinance NGO Act mandates the Microfinance NGO Regulatory Council (MNRC) to monitor the performance of Microfinance NGOs (MF-NGOs) to ensure continuing compliance with the provisions of the law and its implementing rules and regulations;

WHEREAS, under RA 10693, MF-NGOs are required to develop and implement systems, practices, and controls for efficient, effective, and sustainable financial operations. As such, MF-NGOs are expected to implement prudent resource management, asset-liability management, liquidity management, and financial information management practices;

WHEREAS, the MNRC as the accrediting body and regulatory oversight for Microfinance NGOs is mandated to establish a set parameters for assessing the financial and social performance and governance of MF-NGOs. In this regard, the MNRC issued Circular No. 1, series of 2018 on February 23, 2018 prescribing relevant performance standards for the accreditation of MF-NGOs;

WHEREAS, rules and guidelines on specific operations of MF-NGOs are required as additional parameters for assessing the performance and operations of MF-NGOs;

NOW THEREFORE, the following are hereby promulgated:

1. On MF-NGO microfinance loans
 - a. The maximum amount of a microfinance loan is P300,000. A member client may have more than one loan depending on the client's borrowing capacity and the MF-NGO's lending capacity.
 - b. Microfinance loans shall comprise at least sixty-five percent of the total assets of an MF-NGO.
 - c. Lending operations of an MF-NGO shall be guided by policies and procedures clearly articulated in its manual of operations. The MF-NGO shall establish specific policies on loan write-offs and on advances to officers and employees.
 - d. Except for the member client who is appointed as member of the Board of Trustees of an MF-NGO, all members of the Board are not allowed to borrow from the MF-NGO.
2. On MF-NGO savings
 - a. 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 where the total amount of loans outstanding of an MF-NGO shall be greater than the total amount of savings collected at any point in time.

Published:

Manila Bulletin, July 25, 2018
Manila Times July 25, 2018

- b. 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.
3. The total investment of an MF-NGO in real estate and in shares of stock in a real estate development corporation and other real estate based projects shall not at any time exceed twenty-five (25%) percent of its total fund balance.
4. An MF-NGO shall maintain a minimum liquidity ratio of 25%. The computation of the liquidity ratio shall be the total current assets divided by the total current liabilities, where current assets and current liabilities follow the definition provided for in the standard chart of accounts for MF-NGOs.
5. Upon registration, an MF-NGO shall have a minimum fund balance of PhP 1 Million.
6. An MF-NGO shall use the calendar year for all reports required. The following reports shall be submitted annually:
 - a. Financial statements
 - b. Loan Portfolio and Aging Report
 - c. Operations Report
 - d. 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.

This circular shall take effect immediately.

___ July 2018. Pasay City.


EMILIO E. AQUINO
Chairperson