



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. 836
Series of 2014

Subject : Amending Microfinance Reports, and Redefining “Microfinance Loans” and “Small and Medium Enterprises Loans” accounts in the Financial Reporting Package (FRP)

The Monetary Board in its Resolution No. 893 dated 5 June 2014, approved the amendments to the reportorial requirements on microfinance (MF) operations issued under Circular No. 607 dated 30 April 2008, and the redefinitions “Microfinance Loans” and “Small and Medium Enterprises Loans” accounts under the Financial Reporting Package (FRP).

The introduction of new microfinance products such as micro-deposits and wholesale microfinance loans necessitates the amendments of existing reportorial requirements of banks engaged in microfinance operations. The revised reports are expected to provide new data needed to effectively supervise banks providing MF services. Also, recent amendments to applicable laws and regulations require the redefinitions of certain accounts in the present FRP.

Section 1. The reportorial requirements of banks’ microfinance operations under Circular No. 607, dated 30 April 2008, are hereby amended, as follows:

(a) Rename Annex A as “Definition of Terms and Line Item Instructions” -

“I. DEFINITION OF TERMS - REPORT OF MICROFINANCE PRODUCTS

“A. MICROFINANCE LOANS – THIS REFERS TO THE AMORTIZED COST OF LOANS GRANTED UNDER THE BANK’S MICROFINANCE LOAN PRODUCTS THAT MEET THE GENERAL FEATURES PROVIDED UNDER APPENDIX 45, ITEM E. OF THE MORB, AS AMENDED.

“B. MICROFINANCE LOANS – PAST DUE/PORTFOLIO-AT-RISK (PAR) – THIS REFERS TO OUTSTANDING MICROFINANCE LOANS WITH AT LEAST ONE MISSED INSTALLMENT, AS DEFINED UNDER SUBSEC. X361.1(b), MORB. PAST DUE/PAR MICROFINANCE LOANS ARE CONSIDERED NON-PERFORMING LOANS.

“C. Migrant Workers – This refers to a person who is to be engaged,
xxx

- "D. Barangay MicroBusiness Enterprise – This refers to any business entity or enterprise engaged in the production, xxx
- "E. Cultural Minorities – This refers to a group of people or homogenous societies identified by self-ascription xxx
- "F. DEPOSIT COMPONENT – THIS REFERS TO TOTAL DEPOSITS GENERATED FROM A BANK'S MICROFINANCE CLIENTS. MICROFINANCE CLIENTS ARE THOSE ACCESSING MICROFINANCE SERVICES AS DEFINED IN APPENDIX 45 OF SECTION X361 OF THE MANUAL OF REGULATIONS FOR BANKS (MORB).
- "G. WHOLESALE MICROFINANCE LOAN - THIS REFERS TO THE AMORTIZED COST (i.e. GROSS OF ALLOWANCE FOR CREDIT LOSSES) OF WHOLESALE LOANS GRANTED TO CONDUIT FINANCIAL INSTITUTIONS (FIs) FOR ON-LENDING TO QUALIFIED MICROFINANCE CLIENTS.
- "H. CONDUIT BANK/QUASI-BANK - THIS REFERS TO A BANK/QUASI-BANK WHICH AVAILS OF WHOLESALE MICROFINANCE LOAN(S) FOR ON-LENDING TO QUALIFIED MICROFINANCE CLIENTS.
- "I. CONDUIT NON-BANK - THIS REFERS TO A FINANCIAL INSTITUTION OTHER THAN A BANK/QUASI-BANK WHICH AVAILS OF WHOLESALE MICROFINANCE LOAN(S) FOR ON-LENDING TO QUALIFIED MICROFINANCE CLIENTS. IT INCLUDES COOPERATIVES, NON-GOVERNMENT ORGANIZATIONS AND FOUNDATIONS WITH MICROFINANCE OPERATIONS.
- "J. MICROENTERPRISE LOANS – THIS REFERS TO THE AMORTIZED COST OF LOANS GRANTED TO MICROENTERPRISES AS DEFINED UNDER SUBSECTION X342.1, ITEM C, OF THE MORB, AS AMENDED. THESE SHALL BE FURTHER CLASSIFIED AS (1) MICROFINANCE LOANS AND (2) OTHER MICROENTERPRISE LOANS;
- "K. REGULAR DEPOSITS: REGULAR EMBEDDED DEPOSITS - THIS REFERS TO A SAVINGS ACCOUNT, OTHER THAN MICRO-DEPOSIT, WHICH IS COLLECTED REGULARLY TOGETHER WITH LOAN REPAYMENTS, AND IS TYPICALLY NOT WITHDRAWABLE, EITHER WHOLLY OR PARTIALLY, DURING THE TERM OF AN EXISTING LOAN.
- "L. REGULAR DEPOSITS: REGULAR SAVINGS OF CLIENTS WITH MICRO-CREDIT - THIS REFERS TO A SAVINGS ACCOUNT MAINTAINED BY A MICROFINANCE BORROWER NOT ATTACHED TO THE LOAN TRANSACTION.

"M. MICRO-DEPOSIT – THIS REFERS TO A SAVINGS ACCOUNT THAT CATERS TO THE NEEDS OF THE BASIC SECTORS, LOW-INCOME CLIENTS AND THOSE WHO ARE UNSERVED OR UNDERSERVED BY THE FINANCIAL SYSTEM. ITS CHARACTERISTICS ARE DEFINED UNDER APPENDIX 45 OF THE MORB.

"N. MICRO DEPOSITS: FROM CLIENTS WITH MICRO-CREDITS – THIS REFERS TO MICRO-DEPOSITS OF CLIENTS WITH OUTSTANDING MICROFINANCE LOANS OR MICRO-CREDITS.

"O. MICRO DEPOSITS: FROM CLIENTS WITHOUT MICRO-CREDITS - THIS REFERS TO MICRO-DEPOSITS OF CLIENTS WITHOUT OUTSTANDING MICROFINANCE LOANS OR MICRO-CREDITS.

"II. DEFINITION OF TERMS – INCOME STATEMENT ON RETAIL MICROFINANCE OPERATIONS

"A. Interest Income – This refers to interest earned xxx

"(1) Interest Income – Microfinance Loans – Current – This refers to interest earned and/or actually collected xxx

"x x x

"B. Interest Expense – This refers to payments and/or monthly accruals xxx

"C. Fees and Commission – This refers to fees and commissions income from microfinance intermediation services, OTHER THAN MICROINSURANCE, which do not form part of the effective interest rate of the account.

"D. COMMISSIONS FROM MICROINSURANCE – THIS REFERS TO FEES AND COMMISSIONS INCOME FROM ACTING AS A MICROINSURANCE AGENT OR BROKER, AS LICENSED BY THE INSURANCE COMMISSION.

"E. Other income – This refers to income which cannot be appropriately classified under items A, C, and D.

"F. Compensation/Fringe Benefits – This refers to the following xxx

"G. Depreciation/Amortization – This refers to the monthly/periodic depreciation of bank premises xxx

"H. Provision for Credit Losses – This refers to the impairment loss
xxx

"I. Other Expenses – This refers to other expenses xxx

"J. FIELD STAFF – THIS REFERS TO A BANK EMPLOYEE OR EMPLOYEES WHO DEAL DIRECTLY WITH MICROFINANCE CLIENTS. FIELD STAFFS ARE ALSO KNOWN AS MICROFINANCE LOAN OFFICERS/ASSISTANTS, ACCOUNT OFFICERS, TECHNICAL OFFICERS/ASSISTANTS, PROJECT COORDINATORS, COMMUNITY DEVELOPMENT OFFICERS /ASSISTANTS, ETC.

"K. OTHER BANKING OFFICES – THIS REFERS TO ANY PERMANENT OFFICE OR PLACE OF BUSINESS IN THE PHILIPPINES OTHER THAN THE HEAD OFFICE, BRANCH OR EXTENSION OFFICE, AS DEFINED UNDER SECTION X151 OF THE MORB.

"x x x"

"III. Line Item Instructions

"x x x

"Additional Information

"x x x

"C. Non-interest income

"a. Fees and commissions

"b. COMMISSIONS FROM MICROINSURANCE

"c. Other income

"x x x

(b) Reportorial Template (Annex A)

- (i) Amending the report titles from "Report on Microfinance Loans Outstanding" and "Income Statement on Microfinance Operations" to "Report on Microfinance Products" and "Income Statement on Retail Microfinance Operations", respectively.

The new "Report on Microfinance Products" shall include data, in addition to retail microfinance loans outstanding, wholesale microfinance loans outstanding and micro-deposits. On the other hand, the word "retail" is inserted within the title of the Income

Statement to emphasize that data to be reported therein pertain only to the retail microfinance operations of a bank;

- (ii) Renaming the first column from "Particulars" to "Microfinance Loans" of the Report on Microfinance Products;
- (iii) Renaming the following sub-accounts of Item B., "Classified as to Purpose" of the former "Report on Microfinance Loans Outstanding": from Items B.2, "Micro-Agri Loan"; B.3, "Micro-Housing"; B.4, "Others" to B.2, "Microenterprise Loan Plus/Microfinance Plus"; B.3, "Micro-Agri Loan"; B.4, "Micro-Housing"; and inserting item B.5. as "Others";
- (iv) Amending "Additional Information" of the former "Report on Microfinance Loans Outstanding" as follows:
 - a. Renaming Item 1.2.f. "National Livelihood Support Fund" as "National Livelihood Development Corp."; and
 - b. Inserting after Item 1.3, "Grants/Donations", data on "Wholesale Microfinance Loans", "Micro-Deposits" and their related sub-accounts as Items 2 and 3, respectively;
- (v) Inserting a line item under "Non-interest Income" as Item b. "Commissions from microinsurance" and renaming "Item b. Other Income" to "Item c. Other income" of the report, Income Statement on Retail Microfinance Operations.

Section 2. Definition. Subsection X361.1.a. of the Manual of Regulations for Banks (MORB) is hereby amended, as follows:

"Subsection X361.1. Definition

"a. MICROFINANCE LOANS REFER TO THE AMORTIZED COST OF LOANS GRANTED UNDER THE BANK'S MICROFINANCE LOAN PRODUCTS THAT MEET THE GENERAL FEATURES PROVIDED UNDER APPENDIX 45, ITEM E OF THE MORB, AS AMENDED.

"b. *Past Due/Portfolio-at-Risk (PAR)* x x x"

"x x x"

Section 3. Required Reports. Reports on microfinance operations shall hereby provided, as follows:

"x x x"

"SUBSEC. X361.9. **REQUIRED REPORTS.** BANKS, WITH RETAIL MICROFINANCE OPERATIONS, SHALL BE REQUIRED TO SUBMIT THE "REPORT ON MICROFINANCE PRODUCTS" ON A MONTHLY BASIS, AND THE "INCOME

STATEMENT ON RETAIL MICROFINANCE OPERATIONS" ON A QUARTERLY BASIS. BOTH REPORTS SHALL BE SUBMITTED WITHIN 15 BANKING DAYS AFTER THE END OF THE REFERENCE MONTH AND QUARTER, RESPECTIVELY.

"BANKS WITH NO MICROFINANCE OPERATIONS, EITHER RETAIL OR WHOLESALE, ARE EXPECTED TO FILL UP ONLY ITEM 3.1.B., "OTHER MICROENTERPRISES LOANS", UNDER "ADDITIONAL INFORMATION" OF THE "REPORT ON MICROFINANCE PRODUCTS". ON THE OTHER HAND, BANKS ENGAGED SOLELY IN WHOLESALE MICROFINANCE OPERATIONS ARE EXPECTED TO FILL UP ONLY ITEM 2, "WHOLESALE MICROFINANCE OPERATIONS", AND ITS RELATED SUB-ACCOUNTS UNDER "ADDITIONAL INFORMATION" OF THE "REPORT ON MICROFINANCE PRODUCTS. THESE BANKS, HOWEVER, ARE REQUIRED TO SUBMIT THE QUARTERLY "INCOME STATEMENT ON RETAIL MICROFINANCE OPERATIONS", INDICATING THAT THE REQUIRED DATA ARE NOT APPLICABLE. OTHERWISE, THESE BANKS WILL BE SANCTIONED FOR INCOMPLETE SUBMISSION OF REPORTS.

"LATE AND/OR ERRONEOUS REPORTING OF SAID REPORTS SHALL BE SUBJECT TO PENALTIES PRESCRIBED UNDER SUBSEC. X192.2, MORB, FOR CATEGORY A-2 REPORT."

Section 4. Amendments to the Financial Reporting Package (FRP) for Banks issued under Cir. No. 512, as amended/Simplified Financial Reporting Package for Rural and Cooperative Banks (Simplified FRP) issued under Cir. No. 644, as amended, to rename the account, "Microfinance Loans" to "Microenterprise Loans". The Manual of Accounts section and reporting templates of Schedules 11 to 11f, and 29d to d4 of the FRP/SFRP are hereby revised, as follows:

(a) Manual of Accounts

"x x x

"11. Loans and Receivables – xxx

"x x x

"(c.3) MICROENTERPRISE LOANS – THIS REFERS TO THE AMORTIZED COST OF LOANS GRANTED TO MICROENTERPRISES AS DEFINED UNDER SUBSECTION X342.1, ITEM C, OF THE MORB, AS AMENDED. THESE SHALL BE FURTHER CLASSIFIED AS FOLLOWS:

"(c.3a) MICROFINANCE LOANS – THIS REFERS TO THE AMORTIZED COST OF LOANS GRANTED UNDER THE BANK'S MICROFINANCE LOAN PRODUCTS THAT MEET THE GENERAL FEATURES PROVIDED UNDER APPENDIX 45, ITEM E OF THE MORB, AS AMENDED; AND

“(c.3b) OTHER MICROENTERPRISE LOANS – THIS REFERS TO THE AMORTIZED COST OF LOANS GRANTED TO MICROENTERPRISES WHICH CANNOT BE APPROPRIATELY CLASSIFIED UNDER MICROFINANCE LOANS.

“(c.4) SMALL AND MEDIUM ENTERPRISES LOANS – THIS REFERS TO THE AMORTIZED COST OF LOANS GRANTED TO SMALL AND MEDIUM ENTERPRISES AS DEFINED UNDER SUBSECTION X342.1, ITEM C OF THE MORB, AS AMENDED. THESE SHALL BE FURTHER CLASSIFIED AS FOLLOWS:

“(c.4a) SMALL ENTERPRISES – THIS REFERS TO THE AMORTIZED COST OF LOANS GRANTED TO SMALL SCALE ENTERPRISES; AND

“(c.4b) MEDIUM ENTERPRISES – THIS REFERS TO THE AMORTIZED COST OF LOANS GRANTED TO MEDIUM SCALE ENTERPRISES.

“X X X”

(b) REPORTING TEMPLATE

ATTACHED AS ANNEX B (FRP) AND ANNEX C (SIMPLIFIED FRP) ARE THE REVISED REPORTING TEMPLATES FOR SCHEDULES 11 (INCLUDING ITS SUBSECTIONS) TO 11F, AND 29D TO 29D4 OF THE FINANCIAL REPORTING PACKAGE FOR BANKS/SIMPLIFIED FINANCIAL REPORTING PACKAGE FOR RURAL AND COOPERATIVE BANKS. BANKS SHALL ADOPT THE SAID REVISED REPORTING TEMPLATES EFFECTIVE REPORT ENDING 30 JUNE 2014.

Section 5. The dissemination of the revised data entry templates of the Report on Microfinance Products, Income Statement on Retail Microfinance Operations, FRP and Simplified FRP shall be covered by a separate issuance.

Section 6. This Circular supersedes/amends/modifies the provisions of existing circulars, memoranda, and/or regulations that are inconsistent herewith.

This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD


NESTOR A. ESPENILLA, JR.
Officer-in-Charge

13 June 2014