

Development of the Microfinance sector

On April 2016 the Guatemalan Congress passed the Microfinance and Non-profit Microfinance Institutions Law, an initiative that had already been outlined in the 2000 Template Programme to strengthen the national financial system.

The law regulates the microfinance sector: how microfinance institutions are to be set up, authorised, merged and operated; what transactions and services they will offer; and how they might be resolved and liquidated. It also covers the filing, risk management and information disclosure of non-profit microfinance institutions. The law aims to strengthen the market for the financial services provided by these entities and help to develop a more robust sector.

Three legal figures have been created: (i) Savings and Loan Microfinance entities (MAFs: Microfinancieras de Ahorro y Crédito), that can take deposits from the public and issue debt as well as providing microcredits and other financial services; (ii) Investment and Credit Microfinance entities (MIFs: Microfinancieras de Inversión y Crédito), those that offer microcredits and other financial services and may only raise funding by issuing debt; and (iii) Non-profit microfinance institutions that may neither take deposits nor issue debt but may offer microloans and other non-savings financial products.

Microfinance institutions

To establish themselves, MAFs and MIFs (Microfinance Institutions) need to present an application to the banking supervisor authority, the *Superintendencia de Bancos*, which will submit it to the Monetary Board, the body that grants the authorisation. Microfinance Institutions will take the legal form of limited companies.

MAFs will be required to put up USD 5 million or its equivalent in quetzals, and MIFs USD 1.8 million or its equivalent in quetzals, as initial minimum capital.

Amongst other provisions, the regulation covers measures for transparency and good governance, such as the obligation to present detailed information about their transactions, balance sheets and financial statements to the banking supervisor; to disclose information about their activities and financial position; requirements for membership of the Board of Directors; duties, attributions and responsibilities of the members of the Board; conflicts of interest, etc. The new law also makes it mandatory for microfinance institutions to create and implement internal controlling policies, processes and systems to enable them to manage appropriately the risk to which they are exposed.

The Deposit & Investment Guarantee Fund has been created in order to ensure that savers' and investors' deposits and/or investments are covered.

Non-profit Microfinance institutions

These institutions receive deposits or contributions from their associates and from third parties, such as cooperatives, community development associations, NGOs, private development organisations and others, that grant microcredits for financing, development or consolidation.

The Ministry for the Economy will keep a registry of all the non-regulated institutions operating in the microfinance sector which can thus bid for the programmes implemented by the Ministry. The aim is that in the future they can be set up as institutions supervised by the banking supervisor.

Non-profit microfinance entities will be required to provide the information the supervisor asks for and to afford public disclosure about their activities. The information generated will be used to formulate and enhance the programmes rolled out by the Ministry.