



**BANGKO SENTRAL NG PILIPINAS**

**OFFICE OF THE GOVERNOR**

**Circular No. 817**  
Series of 2013

**Subject : Amending Subsections X361.5 and X361.7, Manual of Regulations for Banks, on the Granting of Housing Microfinance and Micro-Agri Loans**

Pursuant to Monetary Board Resolution No. 1202 dated 18 July 2013, the provisions of the Manual of Regulations for Banks (MORB) on the housing microfinance and micro-agri loans are hereby amended as follows:

**Section 1.** Subsection X361.5, MORB is hereby amended to read, as follows:

**"Subsection X361.5 *Housing microfinance loan.*** The Bangko Sentral ng Pilipinas (BSP) adopts a holistic approach in addressing social and economic objectives through microfinance. x x x

"x x x

"The following rules and regulations shall govern the GRANTING OF housing microfinance products:

**"(1) *Minimum criteria to determine bank's capacity to GRANT housing microfinance* – BANKS PLANNING TO GRANT HOUSING MICROFINANCE LOANS SHALL ENSURE THAT THE FOLLOWING REQUIREMENTS ARE COMPLIED:**

**"(a) The bank must have a track record of at least two (2) years x x x**

**"(b) The bank must have an appropriate housing microfinance product  
x x x**

**"(c) Appropriate verification of the following PRUDENTIAL REQUIREMENTS:**

"x x x"

**Section 2.** Items "(4)" and "c.(1)" of Subsection X361.5 are hereby deleted while items "c.", "c.(2)", "c.(3)", "c.(e)" are renamed as items "(4.)", "(4.)(a)", "(4.)(b)" and "(4.)(c)", respectively. The renamed item (4.) shall read as follows:

"x x x

"(4) REGULATORY TREATMENT. THE HOUSING MICROFINANCE PRODUCT WILL BE CONSIDERED AS A MICROFINANCE LOAN AND WILL HAVE THE FOLLOWING INCENTIVES IN ADDITION TO EXISTING INCENTIVES AVAILABLE FOR MICROFINANCE LOANS:

"(A) The loans shall have an assigned risk-weight of fifty percent (50%) risk when not guaranteed x x x

"(B) For housing microfinance loans secured by REM x x x

"(C) Secure tenure instruments such as freehold xxx

"x x x"

**Section 3.** To insert an additional item under Subsec. X361.5, MORB, requiring the submission of a Certificate of Compliance, attesting compliance with prescribed regulations, to wit:

"x x x

"(5) NOTARIZED CERTIFICATE OF COMPLIANCE. THE BANK PRESIDENT OR OFFICER OF EQUIVALENT RANK AND THE COMPLIANCE OFFICER SHALL SUBMIT A NOTARIZED CERTIFICATE OF COMPLIANCE, ATTESTING THAT THE BANK MEETS THE MINIMUM PRUDENTIAL REQUIREMENTS AND THAT THE HOUSING MICROFINANCE LOAN COMPLIES WITH THE PRESCRIBED PRODUCT CHARACTERISTICS/FEATURES. (ANNEX A)

"THE NOTARIZED CERTIFICATE SHALL BE SUBMITTED WITHIN FIFTEEN (15) BANKING DAYS FROM THE DATE OF MEETING OF THE BOARD OF DIRECTORS APPROVING THE HOUSING MICROFINANCE LOAN PRODUCT."

**Section 4.** To insert an additional item under Subsec. X361.5, MORB, enumerating the applicable sanctions in case of non-compliance, to read as follows:

"x x x

"(6) SANCTIONS.

"(A.) IN CASE THE SUBMITTED CERTIFICATE OF COMPLIANCE IS FOUND LATER, DURING ON-SITE EXAMINATION, TO BE ERRONEOUS AND/OR UNTRUE, THE BANK MAY BE SANCTIONED UNDER SEC. 37 OF R.A. NO. 7653 FOR WILLFUL MAKING OF A FALSE OR MISLEADING STATEMENT.

“(B.) IN ADDITION TO THE ABOVE-MENTIONED PENALTY, SUBJECT BANK IS NOT ALLOWED TO GRANT ANY NEW HOUSING MICROFINANCE LOAN AND ITS TRANSACTION SHALL BE LIMITED ONLY TO THE COLLECTION OF OUTSTANDING MICROFINANCE HOUSING LOAN RECEIVABLES. THIS PROHIBITION SHALL REMAIN UNTIL BANK’S COMPLIANCE WITH THE PRESCRIBED REGULATIONS ARE VERIFIED TO BE IN ORDER BY THE APPROPRIATE EXAMINING DEPARTMENT/GROUP.

“(C.) BANKS, WITH CERTIFICATES OF COMPLIANCE, FOUND TO BE IN ORDER SHALL CONTINUE TO COMPLY WITH THE PRESCRIBED PRUDENTIAL REQUIREMENTS. IF FOUND LATER ON THAT THE BANK IS NON-COMPLIANT WITH ANY OR ALL OF THE REQUIREMENTS, IT SHALL BE GIVEN ONE EXAMINATION-CYCLE TO CORRECT ANY DEFICIENCY. IF THE BANK REMAINS NON-COMPLIANT AFTER THE LAPSE OF ONE EXAMINATION-CYCLE, THE GRANTING OF HOUSING MICROFINANCE LOAN SHALL BE DEEMED SUSPENDED EFFECTIVE ON THE DAY AFTER THE CORRECTIVE PERIOD HAS EXPIRED. WHILE THE SUSPENSION IS IN EFFECT, THE BANK’S TRANSACTIONS SHALL BE LIMITED TO THE COLLECTIONS OF OUTSTANDING HOUSING MICROFINANCE LOAN RECEIVABLES.

FOR THE PURPOSE OF THIS PROVISION, ONE EXAMINATION-CYCLE IS DEFINED AS THE PERIOD COMMENCING FROM THE DATE THE BANK IS FORMALLY INFORMED OF THE FINDINGS/EXCEPTIONS OF THE LAST GENERAL EXAMINATION UP TO THE DATE OF THE EXIT CONFERENCE OF THE IMMEDIATELY SUCCEEDING GENERAL EXAMINATION.

“(D.) OTHER SANCTIONS. THE IMPOSITION OF THE FOREGOING SANCTIONS SHALL BE WITHOUT PREJUDICE TO THE IMPOSITION OF OTHER ADMINISTRATIVE SANCTIONS, AS PROVIDED IN OTHER REGULATIONS IN THE MORB.”

**Section 5.** Subsection X361.7, MORB, as amended by Cir. No. 748, is hereby amended to read, as follows:

**“Subsection X361.7 *Micro-agri loans***

“x x x

*“Section 2. Minimum criteria to determine bank’s capacity to GRANT micro-agri loans. BANKS PLANNING TO GRANT MICRO-AGRI LOANS SHALL ENSURE THAT THE FOLLOWING REQUIREMENTS ARE COMPLIED:*

“1. To ensure that the banks have the financial capacity, managerial and technical capabilities x x x

“a) CAMELS rating of at least ‘3’ and a ‘Management’ score x x x

"x x x

"2. THE BANK MUST HAVE A TRACK RECORD OF AT LEAST TWO YEARS IN IMPLEMENTING SUSTAINABLE MICROFINANCE PROGRAMS, INCLUDING ACCEPTABLE PORTFOLIO-AT-RISK (PAR) LEVELS AS EVALUATED AGAINST PREVAILING BSP STANDARDS; AND

"3. THE BANK MUST HAVE WELL-DEFINED POLICIES COVERING THE MICRO-AGRI LOAN PRODUCT TO BE INCLUDED IN THE BANK'S MICROFINANCE MANUAL AS ONE OF THE TYPES OF SERVICES OR PRODUCTS TO BE GRANTED TO PROSPECTIVE CLIENTS. LOAN/ACCOUNT OFFICERS MUST BE TRAINED ABOUT THE MICRO-AGRI LOAN PRODUCT AND THAT THE DETAILS OF THE PROGRAM CAN BE COMMUNICATED CLEARLY TO THE CLIENTS.

"x x x

"Section 6. *Regulatory Treatment.* THE MICRO-AGRI LOAN product will be considered as microfinance loan x x x"

**Section 6.** To insert an additional item under Subsec. X361.7, MORB, requiring the submission of a Certificate of Compliance, attesting compliance with prescribed regulations, to wit:

"SECTION 7. REPORTORIAL REQUIREMENT. NOTARIZED CERTIFICATE OF COMPLIANCE. THE BANK PRESIDENT OR OFFICER OF EQUIVALENT RANK AND THE COMPLIANCE OFFICER SHALL SUBMIT A NOTARIZED CERTIFICATE OF COMPLIANCE, ATTESTING THAT THE BANK MEETS THE MINIMUM PRUDENTIAL REQUIREMENTS AND THAT THE MICRO-AGRI LOAN COMPLIES WITH THE PRESCRIBED PRODUCT CHARACTERISTICS/FEATURES. (ANNEX B)

"THE NOTARIZED CERTIFICATE SHALL BE SUBMITTED WITHIN FIFTEEN (15) BANKING DAYS FROM THE DATE OF MEETING OF THE BOARD OF DIRECTORS APPROVING THE MICRO-AGRI LOAN PRODUCT."

**Section 7.** To insert an additional item under Subsec. X361.7, MORB, enumerating the applicable sanctions in case of non-compliance, to read as follows:

"SECTION 8. SANCTIONS. IN CASE OF NON-COMPLIANCE, THE BANK SHALL BE SUBJECT TO THE FOLLOWING:

"1. IN CASE THE SUBMITTED CERTIFICATE OF COMPLIANCE IS FOUND LATER, DURING ON-SITE EXAMINATION, TO BE ERRONEOUS AND/OR UNTRUE,

THE BANK MAY BE SANCTIONED UNDER SEC. 37 OF R.A. NO. 7653 FOR WILLFUL MAKING OF A FALSE OR MISLEADING STATEMENT.

"2. IN ADDITION TO THE ABOVE-MENTIONED PENALTY, SUBJECT BANK IS NOT ALLOWED TO GRANT ANY NEW MICRO-AGRI LOAN AND ITS TRANSACTION SHALL BE LIMITED ONLY TO THE COLLECTION OF OUSTANDING MICRO-AGRI LOAN RECEIVABLES. THIS PROHIBITION SHALL REMAIN UNTIL BANK'S COMPLIANCE WITH THE PRESCRIBED REGULATIONS ARE VERIFIED TO BE IN ORDER BY THE APPROPRIATE EXAMINING DEPARTMENT/GROUP.

"(C.) BANKS, WITH CERTIFICATES OF COMPLIANCE, FOUND TO BE IN ORDER SHALL CONTINUE TO COMPLY WITH THE PRESCRIBED PRUDENTIAL REQUIREMENTS. IF FOUND LATER ON THAT THE BANK IS NON-COMPLIANT WITH ANY OR ALL OF THE REQUIREMENTS, IT SHALL BE GIVEN ONE EXAMINATION-CYCLE TO CORRECT ANY DEFICIENCY. IF THE BANK REMAINS NON-COMPLIANT AFTER THE LAPSE OF ONE EXAMINATION-CYCLE, THE GRANTING OF MICRO-AGRI LOAN SHALL BE DEEMED SUSPENDED EFFECTIVE ON THE DAY AFTER THE EXIT CONFERENCE, DURING WHICH THE MANAGEMENT IS INFORMED OF ITS FAILURE TO MAKE PROPER CORRECTIVE ACTIONS WITHIN THE PRESCRIBED PERIOD. WHILE THE SUSPENSION IS IN EFFECT, THE BANK'S TRANSACTIONS SHALL BE LIMITED TO THE COLLECTIONS OF OUSTANDING MICRO-AGRI LOAN RECEIVABLES.

FOR THE PURPOSE OF THIS PROVISION, ONE EXAMINATION-CYCLE IS DEFINED AS THE PERIOD COMMENCING FROM THE DATE THE BANK IS FORMALLY INFORMED OF THE FINDINGS/EXCEPTIONS OF THE LAST GENERAL EXAMINATION UP TO THE DATE OF THE EXIT CONFERENCE OF THE IMMEDIATELY SUCCEEDING GENERAL EXAMINATION.

"(D.) OTHER SANCTIONS. THE IMPOSITION OF THE FOREGOING SANCTIONS SHALL BE WITHOUT PREJUDICE TO THE IMPOSITION OF OTHER ADMINISTRATIVE SANCTIONS, AS PROVIDED IN OTHER REGULATIONS IN THE MORB."

**Section 8. Effectivity.** 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:**

  
VICENTE S. AQUINO  
Officer-in-Charge

06 November 2013

**CERTIFICATE OF COMPLIANCE  
ON THE PROVISIONS OF HOUSING MICROFINANCE LOAN  
[Appendix to Subsec. X361.5, Manual of Regulations for Banks (MORB)]**

\_\_\_\_\_  
(Name of Bank)

We, \_\_\_\_\_, President or officer of equivalent rank and \_\_\_\_\_, Compliance Officer, of (Name of Bank), hereby certify that the following requirements on the offering of housing microfinance loan, as prescribed under Subsection X361.5, MORB, are complied with:

1. At least two (2) years of implementing a sustainable microfinance program;
2. A housing microfinance product manual incorporating the prescribed product characteristics/features;
3. Appropriate risk management system for housing microfinance loan product;
4. Prudential requirements, to wit:
  - a. CAMELS Rating of at least "3" and Management score of at least "3";
  - b. Capital adequacy ratio (CAR) of not lower than 12.0 percent;
  - c. No major supervisory concern that may warrant initiation of Prompt Corrective Action (PCA) under existing regulations; and
  - d. No arrearages on microfinance borrowings.

\_\_\_\_\_  
(Name of President or officer of equivalent rank)

\_\_\_\_\_  
(Name of Compliance Officer)

SUBSCRIBED AND SWORN to before me, this \_\_\_\_th day of \_\_\_\_\_, affiants exhibiting to me their Residence Certificates as follows:

<u>Name</u>	<u>Community Tax Cert. No</u>	<u>Date/Place Issued</u>
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**CERTIFICATE OF COMPLIANCE  
ON THE PROVISIONS OF MICRO-AGRI LOAN  
[Appendix to Subsec. X361.7, Manual of Regulations for Banks (MORB)]**

\_\_\_\_\_  
(Name of Bank)

We, \_\_\_\_\_, President or officer of equivalent rank and \_\_\_\_\_, Compliance Officer, of (Name of Bank), hereby certify that the following requirements on the offering of housing microfinance loan, as prescribed under Subsection X361.7, MORB, are complied with:

1. At least two (2) years of implementing a sustainable microfinance program;
2. A micro-agri product manual incorporating the prescribed product characteristics/features;
3. Appropriate risk management system for micro-agri loan product;
4. Prudential requirements, to wit:
  - a. CAMELS Rating of at least "3" and Management score of at least "3";
  - b. Capital adequacy ratio (CAR) of not lower than 12.0 percent;
  - c. No major supervisory concern that may warrant initiation of Prompt Corrective Action (PCA) under existing regulations; and
  - d. No arrearages on microfinance borrowings.

\_\_\_\_\_  
(Name of President or officer of equivalent rank)

\_\_\_\_\_  
(Name of Compliance Officer)

SUBSCRIBED AND SWORN to before me, this \_\_\_\_\_th day of \_\_\_\_\_, affiants exhibiting to me their Residence Certificates as follows:

<u>Name</u>	<u>Community Tax Cert. No</u>	<u>Date/Place Issued</u>
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