



BANGKO SENTRAL NG PILIPINAS

**OFFICE OF THE DEPUTY GOVERNOR
SUPERVISION AND EXAMINATION SECTOR**

MEMORANDUM NO. M-2015- 005

To : ALL BANKS/NON-BANK FINANCIAL INSTITUTIONS WITH QUASI-BANKING FUNCTIONS (NBQBs)

Subject : Regulatory Relief for Banks/Non-Bank Financial Institutions with Quasi-Banking Functions (NBQBs) Affected by Typhoon "Ruby"

The Monetary Board, in its Resolution No. 43 dated 8 January 2015, approved to grant temporary regulatory and rediscounting relief to banks/NBQBs with head offices (HOs) and/or branches in the areas which were devastated by Typhoon "Ruby" based on Situation Report No. 18 dated 12 December 2014 of the National Disaster Risk Reduction and Management Council, as follows:

Region	Provinces/Cities
National Capital Region	Caloocan City, Las Piñas City, Malabon City, Mandaluyong City, City of Manila, Marikina City, Muntinlupa City, Navotas City, Parañaque City, Pasay City, Pasig City, Quezon City, Taguig City, Valenzuela City
III	Bataan
IV-A	Batangas, Cavite, Laguna, Quezon, Rizal
IV-B	Marinduque, Occidental Mindoro, Oriental Mindoro, Palawan, Romblon
V	Albay, Camarines Norte, Camarines Sur, Catanduanes, Masbate, Sorsogon
VI	Aklan, Antique, Capiz, Guimaras, Iloilo, Negros Occidental
VII	Bohol, Cebu, Negros Oriental, Siquijor
VIII	Biliran, Eastern Samar, Leyte, Northern Samar, Samar (Western Samar), Southern Leyte
XIII	Agusan del Norte, Agusan del Sur, Dinagat Islands, Surigao del Norte, Surigao del Sur

The temporary relief shall be in the form of the following whenever applicable:

For Thrift Banks (TBs)/Rural Banks (RBs) /Cooperative (Coop) Banks/NBQBs

- a. During a temporary grace period for payment or upon their restructuring and subject to reporting to BSP, exclusion of the loans of borrowers in affected areas, which should have been reclassified as past due loans under Section X306 of the Manual of Regulations for Banks/X4306Q of the Manual of Regulations for Non-Bank Financial Institutions (as amended by Circular No. 855 dated 29 October 2014) on 6 December 2014 (date when Typhoon "Ruby" made its first landfall) and those becoming past due up to 31 December 2015, from the computation of past due loan ratio; provided that BSP documentary requirements for restructuring of loans for this purpose are waived; and provided further that the bank/NBQB will adopt appropriate and prudent operational controls;
- b. Reduction of the 5 percent general loan loss provision to 1 percent for restructured loans of borrowers in affected areas from 6 December 2014 to 31 December 2015;
- c. Non-imposition of penalties on legal reserve deficiencies of TBs/RBs/Coop Banks/NBQBs with head offices and/or branches in the affected areas incurred starting from reserve weeks ended 11 December 2014 to 11 June 2015;
- d. Moratorium without penalty on monthly payments due to the BSP until 30 June 2015 for banks with ongoing rehabilitation programs upon filing of application for extension/rescheduling;
- e. For all types of credits extended to individuals and businesses directly affected by the calamity, allowing, subject to BSP prior approval, the booking of allowances for probable losses on a staggered basis over a maximum period of five years on loans outstanding as of 6 December 2014; and
- f. Non-imposition of monetary penalties for delays in the submission of all supervisory reports due to be submitted from 6 December 2014 to 30 June 2015.

For All Banks

- a. Allowing banks to provide financial assistance to their officers and employees who were affected by the calamity even if not within the scope of the existing BSP-approved Fringe Benefit Program (FBP) subject to subsequent submission of request for approval of the amendment to FBP to the appropriate supervision and examination department for regularization.

For All Rediscounting Banks

- a. Upon application, granting of a 60-day grace period to settle the outstanding rediscounting obligations as of 6 December 2014 with the BSP of all rediscounting banks with head office, or with branches or with end-user borrowers in the affected areas except those with serious violations or findings with the Supervision and Examination Sector; and
- b. In addition to above, allowing the rediscounting banks to restructure with the BSP, on a case-to-case basis the outstanding rediscounted loans of their end-user borrowers affected by the calamity, subject to the terms and conditions stated in the implementing guidelines (Annex A).

For information and guidance.


NESTOR A. ESPENILLA, JR.
Deputy Governor

20 January 2015

**IMPLEMENTING GUIDELINES ON THE RESTRUCTURING SCHEME COVERING THE
REDISCOUNTING OBLIGATIONS WITH THE BANGKO SENTRAL NG PILIPINAS (BSP) OF
REDISCOUNTING BANKS IN THE AREAS AFFECTED BY TYPHOON "RUBY"**

1. Objectives

The objectives of the loan settlement scheme are as follows:

- 1.1. To support the recovery efforts of rediscounting banks in the areas affected by Typhoon "Ruby";
- 1.2. To enable the rediscounting banks to liquidate their loan obligations with the BSP by way of restructuring; and
- 1.3. To ensure the collection of the rediscounted loans which may become past due in view of the damages caused by Typhoon "Ruby", and maintain if not improve the quality of the loan portfolio of the BSP.

2. Qualified Banks

- 2.1. All rediscounting banks with end-user borrowers located in the areas which were devastated by Typhoon "Ruby" based on Situation Report No. 18 dated 12 December 2014 of the National Disaster Risk Reduction and Management Council as follows:

Region	Provinces/Cities
National Capital Region	Caloocan City, Las Piñas City, Malabon City, Mandaluyong City, City of Manila, Marikina City, Muntinlupa City, Navotas City, Parañaque City, Pasay City, Pasig City, Quezon City, Taguig City, Valenzuela City
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VI	Aklan, Antique, Capiz, Guimaras, Iloilo, Negros Occidental
VII	Bohol, Cebu, Negros Oriental, Siquijor
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- 2.2. Rediscounting banks with serious violations or findings with the Supervision and Examination Sector (SES), and/or which are currently under investigation or subject to legal action by the Office of Special Investigation shall not be qualified to avail of the restructuring scheme.
- 2.3. In addition to Item No. 2.2, the Department of Loans and Credit (DLC) shall evaluate each bank to determine if each would qualify for the restructuring.

3. **Terms and Conditions**

3.1. **Maturity**

The restructured loan shall have a maximum term of five years.

3.2. **Amount to be restructured**

The amount to be restructured shall be equivalent to the following:

- *Principal.* Unpaid outstanding balance of the principal obligation in the books of accounts of the BSP.
- *Accrued Interest.* Unpaid interest due on the outstanding principal obligation as of the end of the applicable repayment or amortization date, preceding the approval of the loan restructuring.

3.3. **Interest Rate**

The interest rate to be charged against the outstanding principal balance of the restructured loan shall be based on prevailing rediscount rate. The interest shall be re-priced annually.

3.4. **Maximum Bank Lending Rate**

The restructured interest rate of the bank to its end-user borrowers shall not exceed six percent over and above the applicable BSP interest rate. Moreover, the bank shall not charge interest on accrued interest.

3.5. **Terms of Repayment**

3.5.1. **Settlement Value.** The settlement value shall be paid by the bank in equal monthly amortizations; provided, that, the amortization period shall not exceed five years, to wit:

- *Principal.* The principal obligation shall be paid in equal monthly amortizations plus the applicable rediscount rate.
- *Accrued Interest.* The accrued interest on the principal obligation as of the end of the month immediately preceding the approval of the loan settlement scheme shall likewise be paid in equal monthly amortizations. No interest shall be charged on the accrued interest.

3.5.2. **Grace Period.** The bank shall be given a grace period of six months within which to pay the first amortization.

3.6. **Collaterals**

The following shall be the collaterals acceptable:

- Restructured promissory notes of end-user borrowers;
- Hard collaterals owned by the bank such as bank premises and government securities; and
- Other collaterals acceptable to the DLC.

3.7. Default Cause

- Failure to pay two or more amortizations shall be considered an event of default and shall render the unpaid balance of the loan, plus accrued interest and penalty charges due thereon, immediately due and demandable.
- A penalty charge of twelve percent per annum shall be assessed on the defaulted amortization payment, reckoned from the amortization due date to date of payment.
- The DLC may exercise the option to refer to the Office of Special Investigation or to an external lawyer for appropriate legal action, without further need for demand or notice to the defaulting bank.

3.8. Required Documents

Qualified banks shall submit the following documents:

- Letter of Understanding (LOU), agreeing to the terms and conditions of the restructuring. The LOU shall be executed by the senior officers of the bank, duly designated by its Board of Directors
- Surety Agreement, if there is collateral deficiency

4. Application Procedures

4.1. Filing of Application

The bank shall file with the DLC an application for restructuring of its outstanding rediscounting loans, supported by the following documents:

- Resolution of the Board of Directors a) authorizing the bank to enter into a loan settlement arrangement with the BSP, and b) designating authorized senior officers thereof.
- The restructured Promissory Notes of the end-user borrowers and other supporting documents.
- Promissory Note with Trust Receipt Agreement and Deed of Assignment executed by the authorized senior officers of the bank, duly notarized.

4.2. Notice of Approval of Application

The DLC shall notify the bank of the approval of its application to avail of the loan settlement scheme. Upon receipt of said advice, the bank shall:

- Execute the applicable document under Item No. 4.1 of the Implementing Guidelines
- Pay the required amortization immediately on the month following the date of approval of the loan restructuring scheme and monthly thereafter until fully paid.

5. Authorized Signatories of the BSP

Transaction	Authorized BSP Officer
Approval of the application to avail of the loan restructuring scheme	Director, DLC, or in her absence, any of the DLC Deputy Directors
Approval to release the collateral documents	Director, DLC, or in her absence, any of the DLC Deputy Directors
Execution of Cancellation of Deeds of Real Estate Mortgage, Assignment or Pledge	Deputy Governor, Monetary Stability Sector

6. Other Provisions

6.1. Value-Date of the Settlement Scheme

The value-date of the settlement shall be the end of the month immediately preceding the date of approval of the loan restructuring.

6.2. Effectivity Date

The loan settlement scheme shall be **made available up to 30 June 2015 only.**