



BANGKO SENTRAL NG PILIPINAS

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

MEMORANDUM NO. M-2016-006

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

Subject : Regulatory Relief for Banks/Non-Bank Financial Institutions with Quasi-Banking Functions Affected by the El Niño Phenomenon

The Monetary Board, in its Resolution No. 850 dated 13 May 2016, approved to grant regulatory and rediscounting relief measures to banks/non-bank financial institutions with quasi-banking functions (NBQBs) with head offices and/or branches located in areas which were affected by the El Niño phenomenon, provided that a declaration of a state of calamity is issued by the National Disaster Risk Reduction Management Council or the local sanggunian, upon the recommendation of the Regional or Local Disaster Risk Reduction and Management Council.

The 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 but subject to reporting to BSP, exclusion from the computation of past due ratio of the loans of borrowers in affected areas which should have been reclassified as past due under Section X306 of the Manual of Regulations for Banks/4306Q of the Manual of Regulations for Non-Bank Financial Institutions on the declaration date of a state of calamity, including those loans becoming past due six (6) months thereafter: *Provided*, That the exclusion shall be for a period of one (1) year from declaration date of a state of calamity. For this purpose, BSP documentary requirements for restructuring of loans may be waived: *Provided*, That the bank/NBQB will adopt appropriate and prudent operational control measures;
- b. Reduction of the 5 percent general loan loss provision to 1 percent for restructured loans of borrowers in affected areas for a period of one (1) year from declaration date of a state of calamity;
- 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 for a period of one (1) year starting from reserve week following the declaration date of a state of calamity;

- d. Moratorium without penalty on monthly payments due to the BSP, for a period of one (1) year from declaration date of a state of calamity, for banks with ongoing rehabilitation; and
- e. For all types of credits extended to individuals and businesses directly affected by the El Niño phenomenon, allowing, subject to BSP prior approval, the booking of allowances for probable losses on a staggered basis over a maximum period of 5 years on loans outstanding in offices located in affected areas as of declaration date of a state of calamity.

For All Rediscounting Banks

- a. Upon application, granting of a 60-day grace period to settle the outstanding rediscounting obligations as of the declaration date of a state of calamity 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 El Niño phenomenon, subject to the terms and conditions stated in the implementing guidelines (Annex A).

For information and guidance.


NESTOR A. ESPENILLA, JR.
Deputy Governor

17 May 2016

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 THE EL NIÑO PHENOMENON

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 the El Niño phenomenon;
- 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 the El Niño phenomenon, 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 affected by the El Niño phenomenon and which have been or may be declared by the National Disaster Risk Reduction and Management Council or the local sanggunian, upon the recommendation of the Regional or Local Disaster Risk Reduction and Management Council as under a state of calamity.
- 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 for a period of six (6) months reckoned from date of approval by the MB of the grant of the regulatory and rediscounting relief measures due to the El Niño phenomenon.