

1. *What is rediscounting?*

Rediscounting is a privilege of qualified banks that have approved and active rediscounting line with the Bangko Sentral ng Pilipinas (BSP) to obtain loans or advances from BSP using the eligible papers of its end-user borrowers as collaterals. It is a standing credit facility to help banks meet temporary liquidity needs by refinancing the loans they extend to their clients.

2. *How does the rediscounting cycle go?*

A bank extends loans to end-user borrowers who execute credit instruments [i.e., promissory notes (PNs), drafts or bills of exchange] in favor of the bank. The bank rediscounts the credit instruments of its end-user borrowers by endorsing the same in favor of the BSP. The BSP, in turn, lends the bank an amount equivalent to a certain percentage of the face amount/outstanding balance of the end-user borrower's credit instrument.

3. *What is the role of rediscounting in our monetary system?*

Section 81 of the Republic Act (R.A.) No. 7653 or the New Central Bank Act states that the rediscount, discounts, loans and advances, which BSP is authorized to extend to banking institutions, shall be used to influence the volume of credit consistent with its objective of maintaining price stability. The law differentiates the three types of credit operations that the BSP may extend to banking institutions as normal credit operations (through the Rediscounting facility of the BSP), special credit operations and emergency credit operations, in line with the Lender of Last Resort principle. The BSP uses the rediscounting facility as an instrument to influence the volume of credit in the financial system and act as the short-term safety valve for the banking system when the aggregate supply for reserves fall short of demand or when banking institutions meet an unexpected shortage of reserves for funding their temporary liquidity needs.

4. *What are the types of rediscount facilities?*

Qualified banks may avail themselves of the Peso Rediscount Facility and Exporters' Dollar and Yen Rediscount Facility (EDYRF).

5. *What papers are eligible for rediscounting?*

The following are among the papers eligible for rediscounting:

- Commercial Credits – credit instruments resulting from a) the importation, exportation, purchase or sale of readily saleable goods and products, or their transportation within the Philippines; or b) the storing of non-perishable goods and products which are duly insured and deposited in authorized bonded warehouses or in other places approved by the Monetary Board (MB); with maturities of 180 days from date of rediscount but shall not go beyond the maturity date of the credit instrument.

- Production Credits – credit instruments related to the production or processing of agricultural, animal, mineral, or industrial products with maturities of 360 days from date of rediscount. The corresponding BSP rediscount loan shall have a maturity of 180 days from date of rediscount but shall not go beyond the maturity date of the PN. Renewable, not to exceed 180 days.
- Other Credits – special credit instruments not otherwise rediscountable under Commercial and Production credits, such as but not limited to microfinance, housing loans, services, agricultural loans with long gestation period, and medium and long-term loans covered by credit instruments with maturities of not more than 10 years from date of rediscount, depending on the type of credit. The corresponding BSP rediscount loan shall have a maturity date of 180 days from date of rediscount but shall not go beyond the maturity date of the PN (renewable depending on the type of credit).

6. What are the types of loans and acceptable underlying collaterals under each type of credit?

With the exception of Trust Receipts (TR) and Export Bills (EBs), all loans are collateralized by the PN between the bank and its end-user borrower. This PN is assigned in favor of the BSP and is supported by underlying collateral. TRs and EBs are likewise assigned in favor of the BSP, the former being supported by the goods covered by the TR, and the latter by the assignment of proceeds of export or domestic letters of credit (LCs), confirmed purchase orders (POs) or sales contracts (SCs).

Type of Credit	Description	Acceptable Underlying Collaterals
Commercial Credits		
a. Export Credit	1) Packing credit to fund the working capital of exporters before the goods are shipped	Irrevocable LC, and/or confirmed PO and/or SC.
	2) EB credit (post-shipment) to re-finance export shipments while awaiting final payment from the foreign drawee bank	Duly notarized assignment of proceeds of export or domestic LCs, confirmed POs or SCs
b. Import Credit	To fund the working capital of importers	Usance bill of exchange (BX) secured by a TR Agreement, including dollar-denominated TRs covering importation of goods and raw materials under the EDYRF.
c. Trading & Transport Loan	To fund the working capital of domestic traders of readily saleable goods or their transportation within the Philippines	Duly registered mortgage on real estate property, of which 70 percent of the appraised value equals or exceeds the outstanding balance of the PN, or domestic BX secured by a TR Agreement, or credit guarantees/sureties issued by Industrial Guarantee and Loan Fund (IGLF), Small Business Corporation (SBC), Credit Surety Fund (CSF) and the National Government (NG), or marketable debt instruments issued by the NG and all its

Type of Credit	Description	Acceptable Underlying Collaterals
		instrumentalities, including Republic of the Philippines US\$ denominated bonds or ROPs, which shall be secured by a duly notarized Deed of Pledge
Production Credits		
a. Agricultural Production	To finance activities of farmers for the production of food crops (rice, corn, fruits and vegetables, coffee), other crops (coconut, abaca fiber, cotton, rubber, palm oil, etc.) and fishery (fish and marine products, aquaculture)	Deed of Real Estate Mortgage (REM)
b. Animal Production	To fund the activities of farmers for poultry and livestock development (egg production, broiler production, hog raising/weaning/fattening, cattle raising/fattening, dairy, goat raising)	Deed of REM
c. Mineral Production	To fund the activities of borrowers for the production of metallic and non-metallic ore mining/milling (bauxite, copper, gold bullions/bars, iron ore, lead, manganese, uranium, zinc, asbestos, coal, semi-precious stones, clay, etc.)	Deed of REM
d. Agricultural Processing	To fund the economic activities of borrowers involved in the manufacturing of processed food (meat, fruits and vegetables, fish and other sea foods, vegetable oils, starch from indigenous raw materials, spices and other processed foods)	Deed of REM
e. Industrial Processing	Indirect Exports: To fund the working capital needs of local manufacturers (cottage, small and medium scale industries) that have supply arrangements with direct exporters	Local PO/domestic LC or Deed of REM. The commodity covered by the local PO/domestic LC should be ultimately exported or applied as inputs to the production of goods to be exported.
	Industrial Loans: To finance industries involved in the manufacturing of wood products, paper and paper products, textile and textile products, wearing apparel, footwear, leather and leather products, basic industrial chemicals, chemical fertilizers, synthetic resins, synthetic yarns and fibers, drugs and pharmaceuticals, petroleum products, rubber products, plastic products, non-metallic mineral products, construction/housing components, basic metal products, fabricated metal products, machinery and equipment, electrical and electronic products	Deed of REM
Other Credits		
a. Microfinance	Small loans granted to the basic sectors, as defined in the Social Reform and Poverty Alleviation Act of 1997, and other loans granted to the poor and low-income households for their micro	These loans may be unsecured

Type of Credit	Description	Acceptable Underlying Collaterals
	enterprises and small businesses so as to enable them to raise their income levels and improve their living standards	
b. Service Exporters	To fund the working capital of service exporters who are engaged in rendering technical, professional, and other services. "Service exporters" refer to natural persons who are residents of the Philippines or juridical persons organized and licensed under Philippine laws engaged in rendering technical, professional, and other services abroad paid for in acceptable foreign currencies.	Duly notarized assignment of receivables from service contracts, the value of which equals or exceeds the outstanding balance of the PN
c. Other Services	To fund the working capital of local industries engaged in rendering various services such as hospitals, schools, hotels and restaurants, transportation, postal and communications, call centers, research and development, private educational services, health and social work, computers and related activities, sewage and sanitation, and recreational, cultural and sporting activities, etc.	Deed of REM or credit guarantees/sureties issued by IGLF, SBC, CSF and the NG
d. Medium and long-term loans	Loans covered by credit instruments with maturities of more than three hundred sixty (360) days but not more than 10 years from date of rediscount by the BSP. Banks availing of the medium and long-term facilities shall submit quarterly report on the projects, conduct end-user verification and validate utilization of loan proceeds annually or every other year depending on the findings disclosed in the project quarterly monitoring report. Eligible projects include, but are not limited to, the following:	
	1) Housing loans for the construction or acquisition of a house, house and lot, townhouse or condominium by the homeowner-borrower and the construction of residential houses and condominiums by the property developer. Loans to property developer shall not include the purchase of raw land and development cost, i.e., construction of roads, drainage, park, water system and others.	Deed of REM
	2) Agricultural loans with long gestation period that become economically productive and generate revenue only after a minimum period of three (3)	Deed of REM

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	<p>years, identified as follows:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Project</th> <th style="text-align: center;">Gestation in number of years</th> </tr> </thead> <tbody> <tr><td>Abaca</td><td style="text-align: center;">4-6</td></tr> <tr><td>Black Pepper</td><td style="text-align: center;">3-4</td></tr> <tr><td>Cacao</td><td style="text-align: center;">4-6</td></tr> <tr><td>Calamansi</td><td style="text-align: center;">4-6</td></tr> <tr><td>Cashew</td><td style="text-align: center;">5</td></tr> <tr><td>Coconut</td><td style="text-align: center;">7-8</td></tr> <tr><td>Coffee</td><td style="text-align: center;">3-4</td></tr> <tr><td>Durian</td><td style="text-align: center;">5-7</td></tr> <tr><td>Jackfruit</td><td style="text-align: center;">5-7</td></tr> <tr><td>Lanzones</td><td style="text-align: center;">6-8</td></tr> <tr><td>Mango</td><td style="text-align: center;">5-7</td></tr> <tr><td>Mangosteen</td><td style="text-align: center;">6-7</td></tr> <tr><td>Pomelo</td><td style="text-align: center;">5-7</td></tr> <tr><td>Rambutan</td><td style="text-align: center;">4-6</td></tr> <tr><td>Rubber</td><td style="text-align: center;">6-8</td></tr> <tr><td>Palm Oil</td><td style="text-align: center;">5-7</td></tr> <tr><td>Pili</td><td style="text-align: center;">7</td></tr> </tbody> </table>	Project	Gestation in number of years	Abaca	4-6	Black Pepper	3-4	Cacao	4-6	Calamansi	4-6	Cashew	5	Coconut	7-8	Coffee	3-4	Durian	5-7	Jackfruit	5-7	Lanzones	6-8	Mango	5-7	Mangosteen	6-7	Pomelo	5-7	Rambutan	4-6	Rubber	6-8	Palm Oil	5-7	Pili	7	
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	<p>3) Capital assets expenditure (CAPEX) for the purchase, construction, expansion, or improvement of long term assets used in trade or business: e.g., factory, warehouse, office building, machinery and equipment, and transportation equipment, including dollar-term loans to finance CAPEX (plant expansion/ modernization) by exporters under the EDYRF provided they are booked in the regular banking units.</p>	Deed of REM or credit guarantees/ sureties issued by IGLF, SBC, CSF and the NG																																				
	<p>4) Permanent working capital which refers to the core level in trading assets (accounts receivable and inventory) brought about by long term or rapid sales growth or increased production capacity.</p>	Deed of REM or credit guarantees/ sureties issued by IGLF, SBC, CSF and the NG																																				

7. Can syndicated loans and loans with underlying real estate collateral(s) under Mortgage Trust Indentures (MTI) be accepted for rediscounting?

Yes. Under Circular No. 1008 dated 14 June 2018, syndicated loans may be accepted for rediscounting, subject to the following minimum requirements:

- The PN is negotiable;
- The master loan agreement allows the endorsement of the PN; and
- The opinion from the bank's counsel(s) that the master loan agreement allows the endorsement of the PN; that the PN is negotiable; and that no other act or approval is necessary to perfect the endorsement.

Loans with underlying real estate collateral(s) under MTI may likewise be accepted, subject to the following minimum eligibility requirements:

- The trustee must be a bank or quasi-bank authorized by the MB to engage in trust and other fiduciary business;
- The bank must notify the trustee that it is assigning its participation to the BSP by way of collateral;
- The bank must provide a certification specifying the following: current participations in the MTI; that there is no senior claim to that of the prospective claim of BSP; and that it does not violate any existing loan agreement with other creditors; and
- The trustee must provide BSP with a certified copy of the relevant collateral(s).

8. *What loans are considered ineligible for rediscounting?*

Under the Subsection (§) X269.2 of the Manual of Regulations for Banks (MORB), the following loans cannot be rediscounted with the BSP:

- Interbank loans;
- Extended/Restructured loans;
- Past due loans;
- Unsecured loans (except in cases identified below);
- Personal consumption loans;
- Loans to non-bank financial institutions; and
- Loans funded from other borrowings, e.g., government financial institutions or multilateral agencies.

The following unsecured loans, however, may be accepted for rediscounting provided they are:

- Microfinance loans; or
- Unsecured loans that will be secured by a duly registered mortgage on real property of the bank, 70.0 percent of the appraised value of which equals or exceeds the outstanding balance of the unsecured PN and other collaterals acceptable to the BSP, e.g., government securities.

9. *Can PNs secured by Certificate of Land Ownership Award (CLOA) and Emancipation Patent (EP) be rediscounted with BSP?*

No. Under Memorandum No. M-2009-041 dated 04 November 2009, PNs secured by a mortgage on CLOA or EP are not among the eligible papers acceptable

for rediscounting in view of the statutory prohibitions under Presidential Decree No. 27 and R. A. No. 6657.

10. Can PNs secured by Certificate of Land Title issued by virtue of Free Patent be rediscounted with BSP?

Yes, PNs secured by Certificate of Land Title issued by virtue of Free Patent, covering residential lands, can be rediscounted with BSP. However, under Memorandum No. M-2011-036 dated 05 July 2011, an Original Certificate of Title issued by virtue of Free Patent, covering agricultural lands, may only be accepted as underlying collateral for loans offered for rediscounting with the BSP after the expiry of the prescription period of five years from the date of the approval of the order to issue the patent.

11. What are the pertinent Sections of the MORB that cover the BSP Rediscount facility?

The policies and guidelines on the BSP Rediscounting facility are covered by MORB Section 268 on Rediscounting Line and Section 269 on Rediscounting Availments. The latest amendment to regulations on rediscounting availments was issued under Circular No. 1008 dated 14 June 2018 which effected the: a) removal of the ₱3.0 billion cap per bank on rediscountable National Food Authority papers; and b) acceptability of syndicated loans and loans with underlying real estate collaterals under MTI for rediscounting and emergency loans.

In addition, the BSP issued the following memoranda:

- M-2009-029 dated 14 August 2009, which provides the guidelines on the rediscounting of medium and long term loans;
- M-2009-041 dated 04 November 2009, PNs secured by a mortgage on CLOA or EP are not among the eligible papers acceptable for rediscounting in view of the statutory prohibitions under Presidential Decree No. 27 and R.A. No. 6657 (basis for Question No. 9);
- M-2009-057 dated 23 December 2009, which provides the guidelines on banks' submission of government securities as collateral to rediscounting loans provided by BSP;
- M-2010-005 dated 15 March 2010, which provides the guidelines on the 2.0 percent creditable withholding tax on interest payments to the BSP by banks belonging to the top 20,000 corporations as authorized withholding agent by BIR and enrolled with BSP-Department of Loans and Credit (DLC);
- M-2010-031 dated 22 September 2010, which advises all banks participating in the eRediscounting to encode in the system the complete and correct addresses of their borrowers whose loans are being rediscounted with the BSP;

- M-2010-042 dated 06 December 2010, which provides the guidelines for thrift banks on the rediscounting of packing loans and export bills with the BSP;
- M-2011-017 dated 18 March 2011, which provides the guidelines on real estate properties covered by Section 7 of R.A. No. 26 offered as collateral for loans with the BSP;
- M-2011-036 dated 05 July 2011, which allows an Original Certificate of Title issued by virtue of Free Patent, covering agricultural lands, to be accepted as underlying collateral for loans offered for rediscounting with the BSP after the expiry of the prescription period of five years from the date of the approval of the order to issue the patent (basis for Question No. 10);
- M-2012-004 dated 16 January 2012, which allows land titles with Presidential Decree No. 1271 annotation as underlying collateral for loans offered for rediscounting with the BSP on condition that: 1) the land titles submitted specifies that the Original Registration date was on or before 31 July 1973; and 2) the land covered by titles are not within any government, public or quasi-public reservation, forest, military or otherwise, as certified by appropriate government agencies;
- Memorandum to all rediscounting banks dated 30 January 2012, posted in the eRediscounting website, which provides guidelines on the custodianship of credit instruments and underlying collaterals of banks authorized to hold-in-trust in favor of the BSP;
- Memorandum to all rediscounting banks dated 30 January 2012, posted in the eRediscounting website, which provides guidelines on the handling of rediscounted credit and collateral documents by banks under depository/custodianship arrangement;
- Memorandum to all rediscounting banks dated 18 May 2012, posted in the eRediscounting website, which provides guidelines on additional information on the appraisal report included in the documentary requirements of rediscounting banks; and
- Memorandum to all rediscounting banks dated 01 October 2013, posted in the eRediscounting website, which provides additional documentary requirements for banks availing of the BSP rediscounting facility.

12. *What eligibility criteria must be met by banks to qualify for rediscounting line?*

Banks shall comply with the following requirements:

- Minimum capital prescribed under § X111.1 of the MORB, as amended, based on the latest available report of the Supervisory Data Center (SDC);
- Capital adequacy ratio (CAR) as required under applicable and existing capital adequacy framework, based on the latest available report of the SDC except those with capital build-up program approved by the MB;

- Required reserves against deposit liabilities/deposit substitutes for two consecutive weeks based on the latest available report of the SDC;
- Non-performing loan (NPL) ratio lower or equal to the industry average adjusted upward by two percentage points based on the latest available report of the SDC, or the allowable NPL ratio approved by the MB;
- Positive demand deposit account (DDA) balance with the BSP as of date of application;
- No past due obligations or collateral deficiencies on account of matured notes, unremitted collections, missing collaterals or ineligible papers with the BSP as of date of application;
- CAMELS Composite Rating of “3” or higher based on the latest general examination of the responsible Department of the Financial Supervision Sector (FSS); and
- Ratio of past due direct and indirect loans to directors, officers, stockholders, and their related interests (DOSRI) to the aggregate past due loans should not be more than five percent based on the latest available report of the SDC.

Banks applying for the microfinance facility shall also comply with the following requirements based on the latest available report from the FSS:

- At least one year track record in microfinance;
- At least 500 active microfinance borrowers;
- A Portfolio At Risk ratio (PAR) of not more than five percent;
- The ratio of total collections (excluding prepayments) during the preceding 12-month period to total collectibles (past due microfinance loans, beginning plus matured loans/principal amortizations due for the period) should not be less than 95.0 percent; and

Officers and staff responsible for microcredit operations shall have: 1) completed a training course on microfinance; and 2) at least one year experience in microlending activities. For newly merged or consolidated banks, the grant of temporary line shall be subject to the following conditions:

- Compliance with the requirements on positive DDA balance with the BSP and no past due obligations or collateral deficiencies on account of matured notes/unremitted collections/missing collaterals or ineligible papers with the BSP, both as of date of application, and other guidelines issued by the DLC; and
- One of the merging or consolidating banks has CAMELS Composite Rating of at least “3” and minimum CAR of 10.0 percent based on the latest available SDC data.

13. *What are the eligibility requirements at the time of availment?*

As provided under § X269.1 of the MORB, banks availing of the BSP Rediscounting facility must have the following at the time of availment:

- A positive DDA balance;
- No past due obligations;
- No collateral deficiencies on account of matured notes, unremitted collections, missing collaterals or ineligible papers; and
- No chronic reserve deficiency in deposit/deposit substitute liabilities immediately preceding the loan drawdown/availment.

In determining compliance with the reserve requirement, a bank will be considered non-compliant with the reserve requirement for the reference week when its actual net reserve position for said reference week cannot be determined due to delayed submission or non-submission of the relevant reserve report.

14. *Where can a bank file its application for rediscounting line?*

The application for a rediscounting line shall be filed with the DLC, Room 215 Five-storey Building, BSP Head Office, A. Mabini Street, Malate Manila.

15. *What is the term of the approved rediscounting line?*

The term of the regular line shall be for one year unless sooner cancelled, suspended, amended or extended by the authorized approving body. The line is renewable annually upon submission of application one month before the expiry of said line.

For newly merged or consolidated banks, a temporary line may be granted for a period of 180 days while awaiting the required reports/data from the responsible Department from FSS, renewable for another 180 days or until such time that the required reports/data are made available, whichever comes first.

16. *How much will be the rediscounting line?*

The regular rediscounting line ranges from 50.0 percent to 200.0 percent of adjusted net worth depending on the total credit score of the applicant bank. The temporary rediscounting line, on the other hand, shall not exceed 50.0 percent of adjusted net worth.

17. *What is eRediscounting?*

eRediscounting is an online, internet-based rediscounting facility of the BSP available to all qualified banks nationwide. This facility allows qualified banks to conduct their rediscounting transaction in their place of business on near real-time basis.

18. *What are the features and capabilities of the eRediscounting System?*

eRediscounting provides an online data entry facility for rediscounting transactions and inquiries with the following features and capabilities:

- Online submission to BSP of loan applications by applicant banks;
- Online processing of rediscounting loan applications and payments;
- Online data validation;
- Online access to historical rediscounting information on loans, PNs, borrowers, collaterals, payments, rediscount rates, and rediscounting lines;
- Online information on available rediscounting line, rediscount rates, and existing and new regulations on rediscounting;
- Electronic processing by BSP providing real-time online status of loan applications;
- Online access to various rediscounting forms like PNs, User Account Registration Form, User Account Change Form and Incident Report Form;
- Online acceptance of payments to BSP on rediscounting loans guided by the “query” window for outstanding loan balances and charges;
- Role-based and approval workflow from the client side;
- Secured data transmission and automatic generation of accounting entries at BSP;
- Maintainable system formula, valuation rates, access rights, system options and coding scheme libraries;
- Embedded validation rules which immediately prompt on the correctness and acceptability of PNs and other collateral documents; and
- Automatic debit of bank’s DDA with BSP covering the maturing Peso rediscounting loans of bank.

19. *How can a bank participate in the eRediscounting System?*

Once a bank has acquired a rediscounting line from the BSP, it must execute an eRediscounting System Participation Agreement. For a rural/cooperative bank, a Depository/Custodianship Agreement with its designated custodian bank must also be submitted. Thereafter, the DLC may grant the bank access to the eRediscounting System.

20. *What are the minimum system requirements?*

- Operating System – Windows 7 or higher
- Internet Browser – Internet Explorer version 8 or higher
- Security – Token Card

21. What interest is charged by the BSP against the rediscounting loan?

The interest rate charged by BSP on the rediscounting loan is called the rediscount rate. Under § X269.6 of the MORB, the rediscount rates are as follows:

a. Peso Rediscounts

Rediscount Maturity	Rediscount Rate
	BSP overnight (O/N) lending rate plus term premium:
1-90 days	BSP O/N lending rate + 0.0625
91-180 days	BSP O/N lending rate + 0.1250

b. Dollar/Yen Rediscounts

Rediscount Maturity	Rediscount Rate
1-90 days	90-day LIBOR + 200 bps
91-180 days	90-day LIBOR + 200 bps + 6.25 bps
181-360 days	90-day LIBOR + 200 bps + 12.50 bps

22. What are the terms of BSP rediscounts?

Under § X269.5 of the MORB, the maturities of BSP rediscounts are as follows:

Type of Credit	Maturity Date
a. Commercial Credits	180 days from date of rediscount but shall not go beyond the maturity date of the credit instrument.
(1) Export Packing	
(2) Trading	
(3) Transport	
(4) Quedan	
(5) EBs	
At Sight	Fifteen (15) days from date of purchase.
Usance EB	Term of draft but not to exceed sixty (60) days from shipment date.
b. Production Credits	180 days from date of rediscount but shall not go beyond the maturity date of the PN. Renewable, not to exceed 180 days.
c. Other Credits	180 days from date of rediscount but shall not go beyond the maturity date of the PN (renewable depending on the type of credit).

23. *What is the loan value of eligible papers?*

Under § X269.4 of the MORB, the loan value of all eligible papers shall be 80.0 percent of the outstanding balance of the end-user borrowers' credit instrument but not higher than 70.0 percent of the appraised value of the underlying collateral.

24. *What is the maximum amount of rediscount that can be availed of by a qualified bank with the BSP?*

An eligible bank may avail up to 100.0 percent of its rediscounting line, provided all rediscounting loans are fully collateralized subject to prevailing rediscounting policy.

25. *How will the bank know if the loan application is approved by the BSP?*

The bank may view the status of its loan application online under the BSP Responses module of the eRediscounting. Notice and details of the loan approval or disapproval may be viewed upon clicking the message of a specific loan bank reference. BSP's response on payment instruction submitted by the bank may likewise be viewed online.

26. *How are the rediscounting loan proceeds released to the bank?*

The proceeds of the rediscounting avilment shall be released as follows:

- Peso Rediscounts – automatically credited to the bank's DDA or its depository/custodian bank's DDA with the BSP on the same day for loan application submitted to the BSP before 4:00 p.m., during banking days.
- Dollar/Yen Rediscounts – released through the Market Support Services Office, BSP, for credit to the designated foreign correspondent bank of the bank as follows:
 - a. Same banking day credit for dollar loan application submitted to the BSP before 11:00 a.m., during banking days; and
 - b. Following banking day credit for yen loan application submitted to the BSP before 11:00 a.m., during banking days.

27. *What are the required documentation upon receipt by the bank of BSP's advice of loan approval?*

Upon receipt of confirmation of loan approval, the bank shall execute the following:

- Promissory Note with Trust Receipt Agreement and Deed of Assignment (PNTRADA) in favor of the BSP, signed by the authorized officer/s of the bank; and
- List of Rediscounted Loans or Rediscount Schedules duly acknowledged by the depository/custodian bank.

For universal/commercial or thrift bank, the rediscounted credit instruments and underlying collaterals together with the duly accomplished and notarized PNTRADA and List of Rediscounted Loans shall be held-in-trust, segregated and kept at a secured place within its premises.

For rural or cooperative bank, the rediscounted credit instruments and underlying collaterals together with the duly accomplished and notarized PNTRADA and List of Rediscounted Loans shall be deposited with its respective depository/custodian bank not later than the next banking day from date of loan grant.

28. How do banks pay their rediscounting loan obligations with the BSP?

At any time, the bank may view its outstanding rediscounting obligations under the eRediscounting Loans Payment module wherein payments are effected as follows:

a. **Peso Rediscounts**

The loan value of the rediscounted credit instruments or the amortization plus interest due thereon [net of 2.0 percent creditable withholding tax (CWT) for rediscounting banks belonging to the top 20,000 corporations as identified by the BIR and enrolled with BSP-DLC] shall automatically be debited against the bank's DDA with the BSP at maturity/amortization due date. For microfinance loans with daily, weekly or semi-monthly amortizations, the bank's DDA shall be debited on the last amortization due date of said month for the total loan value of the amortizations for the month plus interest due thereon.

b. **Dollar/Yen Rediscounts**

Dollar and yen loans shall be repaid in the same currency under which they were released. The bank shall submit online to BSP its payment instruction a day before the maturity date of the loan corresponding to the remittance instruction to its designated correspondent bank covering the loan value plus the interest due thereon. In case of short payment, the bank's DDA shall be debited for the peso equivalent of the shortage. If the foreign currency denominated loan is not settled on maturity date, the bank's DDA with the BSP shall be debited automatically for the peso equivalent of the matured obligation plus accrued interest due thereon. However, the foreign exchange (FX) rate at the time of the loan repayment shall not be lower than the FX rate at the time of loan availment and any FX loss arising from default or repayment shall be for the account of the borrower and not for the BSP.

For prepayment of Peso/Dollar/Yen rediscounting loans, on account of collections received by the bank before the maturity date of the credit instrument, the bank shall submit to BSP within five banking days from date of receipt of collections an online payment instruction corresponding to the loan value of the principal amount collected plus interest due thereon, net of 2.0 percent CWT for payment of peso loan by banks enrolled with DLC as authorized withholding tax agent. SWIFT

instruction to the correspondent bank for payment of dollar/yen rediscounting loan should coincide with the amount and value date indicated in the payment instruction submitted by the bank under the Loan Payment module. Otherwise, the bank's DDA shall be debited for the corresponding peso equivalent of the shortage. Accordingly, the bank should maintain sufficient balance in its DDA to cover its maturing obligations and to fund any payment instruction submitted online.

29. *How will the banks know that their rediscounting loan payments are received and taken up by the BSP?*

The bank may view in the eRediscounting under the BSP Responses module the application of payments for the matured loans or amortizations automatically debited for the day or prepayments submitted to the BSP before 4:00 p.m. The corresponding Notice of Payments Taken Up and Notice of Release of Fully Paid Collaterals, or Notice of Release of PN with Transfer of Collateral, in case the collateral is used to secure another loan, are issued in the BSP Responses on the following day after a credit instrument is fully paid by the bank.

30. *Are local non-working holidays excluded from the five banking days within which collection from rediscounted credit instruments should be remitted?*

No. Only the legal and national non-working holidays shall be excluded from the five banking days within which collection from rediscounted credit instruments should be remitted.

31. *Is there a cut-off time for the submission of rediscounting loan transactions by the bank?*

A bank may submit to BSP its loan application and loan payments from 8:00 a.m. – 4:00 p.m. during regular banking days, except when there is suspension of work, during which, the cut-off time will be adjusted accordingly. In cases of work suspension, an advisory will be issued on the adjustment of the cut-off time.