

**AMENDMENTS TO THE IMPLEMENTING RULES AND REGULATIONS
OF THE AGRI-AGRA REFORM CREDIT ACT OF 2009
(RA 10000)**

WHEREAS Section 7 of Republic Act 10000 (RA 10000) mandates that the Bangko Sentral ng Pilipinas (BSP), Department of Agriculture (DA), and Department of Agrarian Reform (DAR) promulgate such rules and regulations as may be necessary to implement the provisions of the said Act.

NOW, THEREFORE, these amendments to Section 7 of the Implementing Rules and Regulations on Modes of Alternative Compliance are promulgated to guide the DA, BSP, DAR and all other concerned departments, agencies and sectors concerned in the implementation of the provisions of RA 10000.

SECTION 7. *Modes of Alternative Compliance.* The following alternative modes of compliance to the mandatory agriculture and agrarian reform credit shall be allowed:

1.) 25% mandatory agriculture and agrarian reform credit

(a) Eligible securities (gross of allowance for probable losses but net of unamortized premium or discount) that are purchased after 20 April 2010:

(i) Investments in bonds issued by the DBP and the LBP that have been expressly declared as eligible by the DA, or by an agency duly-authorized by the DA, the proceeds of which shall be used exclusively for on-lending to the agriculture and agrarian reform sector,

(ii) Investments in other debt securities that have been declared as eligible by the DA, or by an agency duly-authorized by the DA, the proceeds of which shall be used to finance activities identified under Section 23 of R.A. No. 8435, or

(iii) Paid subscription of shares of stock in the following institutions, subject to existing rules and regulations governing equity investments of banks:

(1) Accredited rural financial institutions (preferred shares only), or

(2) Philippine Crop Insurance Corporation (PCIC).

The eligibility of securities under Item "1(a)" shall be subject to the following conditions:

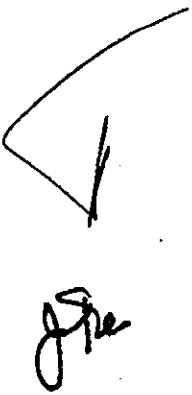
(i) Such securities shall neither be hypothecated, encumbered, earmarked for any other purposes, sold/lent in repurchase agreements/securities lending transactions, used as additional collateral in repurchase

agreements, nor used as collateral by the borrowing bank in securities borrowing transactions,

- (ii) Such securities can be purchased from the primary or secondary market: *Provided*, That these are traded in a manner that allows for price discovery; *Provided, further*, That the securities are maintained in the books of a designated securities registry that is independent from the issuer,
- (iii) Such securities shall be segregated from the bank's investment portfolio, and
- (iv) The securities under Item Nos. "1(a)(i)" to "1(a)(iii)" above shall not be funded by proceeds from the issuance of bonds under Item No. "1(a)(i)", in the case of DBP/LBP, and/or SDAs under Item No. "1(b)(i)" and/or wholesale lending of other banks under Item No. "1(b)(ii)", in the case of BSP-accredited rural financial institutions.

(b) Loans and other credits (gross of allowance for probable losses) that are granted after 20 April 2010:

- (i) Investments in SDAs of BSP-accredited rural financial institutions, the proceeds of which shall be used exclusively for on-lending to the agriculture and agrarian reform sector;
- (ii) Wholesale lending granted to accredited rural financial institutions for the exclusive purpose of on-lending to the agriculture and agrarian reform sector;
- (iii) Rediscounting facility granted by UBs/KBs to other banks covering eligible agricultural and agrarian reform credits, including loans covered by guarantees of the PCIC;
- (iv) Actual extension of loans intended for the construction and upgrading of infrastructure, including, but not limited to, farm-to-market roads, as well as the provision of post harvest facilities and other public infrastructure as defined under Section 3 of these Rules, for the benefit of the agriculture and agrarian reform sector;
- (v) Actual extension of loans to borrowers for purposes of financing activities identified under Section 23 of R.A. No. 8435, or
- (vi) Extension of loans to:
 - (a) NFA-registered warehousemen/ millers/ wholesalers for the purpose of financing



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activities identified under Section 23 of R.A. 8435, or

- (b) The NFA: *Provided*, that NFA shall not use the proceeds of said loans for relending, or
- (vii) Purchase of eligible loans listed under Item Nos. "1(b)(ii)" to "1(b)(vi)" on a "without recourse" basis from other banks and financial institutions after 20 April 2010:

Provided, That the loans under Item Nos. "1(b)(iv)" to "1(b)(vii)" are not rediscounted with UBs/KBs: *Provided, further*, That the activities identified under Item Nos. "1(b)(i)" to "1(b)(vii)" shall not be funded by proceeds from the issuance of bonds under Item No. "1(a)(i)", in the case of DBP/LBP, and/or the acceptance of SDAs under Item No. "1(b)(i)" and/or wholesale lending of other banks under Item No. "1(b)(ii)", in the case of BSP-accredited rural financial institutions.

2.) 10% mandatory agrarian reform credit

- (a) Eligible securities (gross of allowance for probable losses but net of unamortized premium or discount) that are purchased after 20 April 2010:
 - (i) Investments in bonds issued by the DBP and the LBP that have been expressly declared as eligible by the DA, or by an agency duly-authorized by the DA, upon due consultation and timely coordination with DAR, the proceeds of which shall be used exclusively for on-lending to agrarian reform beneficiaries, or
 - (ii) Investments in other debt securities that have been declared as eligible by the DA, or by an agency duly-authorized by the DA, upon due consultation and timely coordination with DAR, the proceeds of which shall be used to finance activities identified under Section 23 of R.A. No. 8435: *Provided*, That said activities shall generally benefit agrarian reform beneficiaries.

The eligibility of securities under Item "2(a)" shall be subject to the same conditions required for securities under Item "1(a)".

- (b) Loans and other credits (gross of allowance for probable losses) that are granted after 20 April 2010:
 - (i) Investments in SDAs of BSP-accredited rural financial institutions, the proceeds of which shall be used exclusively for on-lending to agrarian reform beneficiaries,




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- (ii) Wholesale lending granted to accredited rural financial institutions for the exclusive purpose of on-lending to agrarian reform beneficiaries,
- (iii) Rediscounting facility granted by UBs/KBs to other banks covering eligible agrarian reform credits, including loans covered by guarantees of the PCIC,
- (iv) Actual extension of loans to borrowers, for purposes of financing activities identified under Section 23 of R.A. No. 8435, *Provided* that said activities shall generally benefit agrarian reform beneficiaries, or
- (v) Purchase of eligible loans listed under Item "2(b)(ii)" to "2(b)(iv)" on a "without recourse" basis from other banks and financial institutions after 20 April 2010,


Provided, That the loans under Item Nos. "2(b)(iv)" to "2(b)(v)" are not rediscounted with UBs/KBs: *Provided, further*, That the activities identified under Item Nos. "2(b)(i)" to "2(b)(v)" shall not be funded by proceeds from the issuance of bonds under Item No. "2(a)(i)", in the case of DBP/LBP, and/or the acceptance of SDAs under Item No. "2(b)(i)" and/or wholesale lending of other banks under Item No. "2(b)(ii)", in the case of BSP-accredited rural financial institutions.

These amendments shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,


NESTOR A. ESPENILLA, JR.
 Governor
 Bangko Sentral ng Pilipinas


EMMANUEL F. PIÑOL
 Secretary
 Department of Agriculture


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 Acting Secretary
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Department of Agrarian Reform
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Date Approved : 03 July 2018

DEPARTMENT OF AGRICULTURE
 In replying pls cite this code :
 For Signature: S-01-18-0481
 Received : 01/30/2018 03:00 PM