



## BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

### **CIRCULAR NO. 1017**

Series of 2018

#### **Subject: Adoption of Policy Framework on the Grant of Regulatory Relief to Banks/Quasi-Banks Affected by Calamities**

The Monetary Board, in its Resolution No. 1563 dated 20 September 2018, approved the adoption of a policy framework on the grant of regulatory relief to banks/quasi-banks (QBs) affected by calamities.

**Section 1.** Section X970/4970Q of the Manual of Regulations for Banks (MORB)/Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) is hereby added, as follows:

“Section X970/4970Q Regulatory Relief Policy. The Policy sets forth the guidelines on the grant of regulatory relief measures to banks/quasi-banks (QBs) affected by calamities. The Bangko Sentral recognizes that the Philippines is vulnerable to calamities, whether caused by natural or human-induced hazards, that may adversely affect certain areas/localities, and result in declaration thereof under state of calamity. The damages brought about by calamities to people’s resources and livelihood may affect the paying capacity and risk profile of the borrowers/clients of banks/QBs. This may translate to higher past due ratios and inability to meet the legal reserve requirements.

Nothing in this Section shall be construed as superseding the previously granted temporary regulatory relief to banks/QBs under Appendix 89/Q-67 of the MORB/MORNBFI.

a. *Objectives*

The Bangko Sentral’s regulatory relief policy aims to achieve the following:

- (1) Set a uniform and systematic approach in granting regulatory relief to banks/QBs affected by calamities; and
- (2) Provide an adequate support to the recovery efforts of banks/QBs.

b. *Definition of terms*<sup>1</sup>

- (1) *Hazard* - a dangerous phenomenon, substance, human activity or condition that may cause loss of life, injury or other health impacts, property damage, loss of livelihood and services, social and economic disruption, or environmental damage.

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<sup>1</sup> Sources: Republic Act (R.A.) No. 10121 or the Philippine Disaster Risk Reduction and Management Act of 2010 and its Implementing Rules and Regulations

- (2) *Local Disaster Risk Reduction and Management Council (LDRRMC)* – is a working group responsible for ensuring the integration of disaster risk reduction and climate change adaptation into local development plans, programs and budgets as a strategy in sustainable development and poverty reduction.
- (3) *National Disaster Risk Reduction and Management Council (NDRRMC)* – also known as the National Council, is composed of various government agencies, non-government, civil sector and private sector organizations in the Philippines, which is responsible for advising the President on the status of disaster preparedness, prevention, mitigation, response, and rehabilitation operations being undertaken by the government, civil society organizations, private sector, and volunteers; recommending to the President the declaration of a state of calamity in areas extensively damaged; and submitting proposals to restore normalcy in the affected areas, to include calamity fund allocation.
- (4) *Regional Disaster Risk Reduction and Management Council (RDRRMC)* – is a working group responsible in ensuring disaster sensitive regional development plans, and in case of emergencies shall convene the different regional line agencies and concerned institutions and authorities.
- (5) *State of Calamity* - a condition involving mass casualty and/or major damages to property, disruption of means of livelihoods, roads and normal way of life of people in the affected areas as a result of the occurrence of natural or human-induced hazard.

c. *Declaration of State of Calamity*

Section 16 of R.A. No. 10121 or the Philippine Disaster Risk Reduction and Management Act of 2010, states that the NDRRMC shall recommend to the President of the Philippines the declaration of a cluster of barangays, municipalities, cities, provinces, and regions under a state of calamity, and the lifting thereof, based on the criteria set by the NDRRMC. It further provides that the declaration and lifting of the state of calamity may also be issued by the local sanggunian, upon the recommendation of the R/LDRRMC, based on the results of the damage assessment and needs analysis.

d. *Regulatory relief package*

For a period of one (1) year from the date of declaration of state of calamity, banks/QBs may avail of the following:

For All Banks/QBs

- (1) Allowing banks/QBs to provide financial assistance under Subsection X146.2/4146Q.2 to officers who are affected by the calamity even in the absence of Bangko Sentral-approved purposes or even if not within the scope of the existing Bangko Sentral-approved purposes, for the grant of loans, advances, or any other forms of credit accommodations to officers, subject to subsequent submission of request for approval of the purpose for the grant of loans, advances, or any other forms of credit accommodations to officers affected by calamities, within thirty (30) calendar days from the approval thereof of the bank's/QB's Board of Directors, to the appropriate supervising department of the Bangko Sentral for regularization.

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

- (1) Upon grant by TBs/RBs/Coop Banks/QBs of a temporary grace period for payment or upon approval of the restructuring, but subject to reporting to Bangko Sentral, 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 X306/4306Q beginning on the date of declaration of 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 state of calamity. For this purpose, Bangko Sentral documentary requirements for restructuring of loans may be waived: *Provided*, That the bank/QB will adopt appropriate and prudent operational control measures.
- (2) Non-imposition of monetary penalties for delays incurred in the submission of all supervisory reports due to be submitted from date of declaration of state of calamity up to six (6) months thereafter.
- (3) Subject to prior approval of the Bangko Sentral, staggered booking of allowance for credit losses computed under Subsection X178.17/4178Q.17, over a maximum period of five (5) years for all types of credits extended to individuals and businesses directly affected by calamities as of the date of declaration of state of calamity.

- (4) Moratorium, without penalty, on monthly payments due to the Bangko Sentral, for a period of six (6) months from the date of declaration of state of calamity, for banks/QBs with ongoing rehabilitation upon filing of application for extension/rescheduling with the Department of Loans and Credit.
- (5) Subject to prior approval of the Bangko Sentral, non-imposition of penalties on legal reserve deficiencies computed under Section X257/4257Q, starting from reserve week following the date of declaration of state of calamity up to six (6) months thereafter.

For All Rediscounting Banks<sup>2</sup>

- (1) Upon application, grant of a 60-day grace period to settle the outstanding rediscounting obligations with the Bangko Sentral as of the date of declaration of state of calamity of all rediscounting banks except those with serious violations or findings as may be determined by the Bangko Sentral; Provided, interest shall be charged, but no penalty shall be imposed for the 60-day grace period.
- (2) In addition to the above, allowing the rediscounting banks to restructure with the Bangko Sentral, on a case-to-case basis, the outstanding rediscounted loans as of date of declaration of state of calamity of their end-user borrowers affected by the calamity, subject to the terms and conditions stated in the implementing guidelines (Appendix 89b/Q-67a).
- (3) Allowing the relaxation of eligibility requirements by excluding the criteria on reserve requirement for the renewal of rediscounting line and for the availment of rediscounting loans from the date of declaration of state of calamity up to six months thereafter.

e. *Eligibility*

All banks/QBs with head offices and/or branches/branch-lite units or with end-user borrowers located in areas under state of calamity as declared by the President or the local sanggunian, upon the recommendation of the NDRRMC or R/LDRRMC, may avail of the relief package specified in item d; *Provided*, that the banks/QBs shall notify the Bangko Sentral, through the appropriate supervising department of the Bangko Sentral, of their intention to avail said regulatory relief package within a period of one (1) year from the date of declaration of state of calamity.

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<sup>2</sup> As governed by Section X269

For Banks/QBs with head office and/or branches/branch-lite units or with end-user borrowers located in areas declared as under state of calamity beginning year 2018 for which no regulatory relief packages were approved yet, the relief package under this policy may be availed of within a period of one (1) year reckoned from the date of declaration of state of calamity.

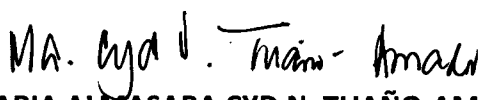
f. *Reportorial requirements*

Banks/QBs which opt to avail of the regulatory relief shall submit the following:

- (1) Letter-notification stating the bank's/QB's intention to avail of the relief package, signed by the President of the bank/QB or officer of equivalent rank, provided that the notice shall specify, at a minimum, the specific relief measures to be availed and the affected branches/branch-lite units located in areas declared as under a state of calamity;
  - (2) Resolution of the Board of Directors authorizing the bank/QB to avail of the relief package; and
  - (3) Memorandum Order/Proclamation/Resolution approving the declaration of state of calamity of the area where the affected head office/branches/branch-lite units of bank/QB are located.
- g. *Supervisory Enforcement Action.* Consistent with Section X009/4009Q, the Bangko Sentral may deploy enforcement actions to promote adherence to the requirements set forth in this Section and bring about timely corrective actions. As part of its enforcement actions, the Bangko Sentral may issue directives or impose sanctions on any misrepresentation in the document and information required to be submitted to the Bangko Sentral in relation to the availment of regulatory relief measures.

**Section 2. Effectivity.** This Circular shall take effect fifteen (15) calendar days after its publication in the Official Gazette or in a newspaper of general circulation.

**FOR THE MONETARY BOARD:**

  
**MARIA ALMASARA CYD N. Tũaño-AMADOR**  
Officer-in-Charge

10 October 2018

**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 CALAMITIES**

**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 calamities;
- 1.2. To enable the rediscounting banks to liquidate their loan obligations with the Bangko Sentral 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 calamity, and maintain if not improve the quality of the loan portfolio of the Bangko Sentral.

**2. Qualified Banks**

- 2.1. All rediscounting banks with end-user borrowers located in affected areas which have been declared as under state of calamity by the proper authorities, i.e., the President of the Philippines or the local sanggunian, upon the recommendation of the National Disaster Risk Reduction and Management Council or Regional/Local Disaster Risk Reduction and Management Council.
- 2.2. Rediscounting banks with serious violations or findings with the appropriate supervising department of the Bangko Sentral 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 (5) 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 Bangko Sentral.

- *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 at the date of approval of the restructured loan. 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 (6.0%) over and above the applicable interest rate of the Bangko Sentral. 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 (5) 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 may be given a grace period of six (6) months within which to pay the first amortization if request for such is specified by the bank in the application for restructuring.

### 3.6. Collaterals

The following shall be the collaterals acceptable:

- Deed of Assignment on restructured promissory notes of end-user borrowers;
- Deed of Real Estate Mortgage on bank premises;
- Deed of Pledge on government securities; and
- Other collaterals acceptable to the Bangko Sentral.

### **3.7. 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 executed by the controlling interest (single stockholder, natural or juridical owing more than fifty percent (50.0%) of the voting stocks) obligating himself/herself jointly and severally with the bank to pay monthly amortizations, if there is collateral deficiency.

### **3.8. 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 (12.0%) 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.

## **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 Bangko Sentral, 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.
- Collaterals under Item No. 3.6 of the Implementing Guidelines.



#### 4.2. **Notice of Approval of Application**

The DLC shall notify the bank of the approval of its application to avail of the loan restructuring scheme. Upon receipt of said notice, 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, or after the grace period, as applicable, and monthly thereafter until fully paid.

#### 5. **Authorized Signatories of the Bangko Sentral**

Transaction	Authorized Bangko Sentral 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 and Economics Sector

#### 6. **Other Provisions**

##### 6.1. **Value-Date of the Restructuring Scheme**

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

##### 6.2. **Effectivity Date**

The loan restructuring scheme shall be made available for a period of six (6) months reckoned from date of receipt of the appropriate supervising department of the Bangko Sentral of the letter-notification from the bank stating the latter's intention to avail of the relief package.