



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1159 Series of 2022

Subject: Implementing Rules and Regulations of the Mandatory Agriculture, Fisheries and Rural Development Financing under Republic Act (R.A.) No. 11901 or "The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022"

The Monetary Board, in its Resolution No. 1542 dated 21 October 2022, approved the rules and regulations governing the mandatory agriculture, fisheries and rural development financing under Republic Act (R.A.) No. 11901, otherwise known as "The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022".

Section 1. Section 331 of the Manual of Regulations for Banks (MORB) is hereby amended in its entirety, and shall now read, as follows:

331 AGRICULTURE, FISHERIES AND RURAL DEVELOPMENT FINANCING

Pursuant to R.A. No. 11901 or The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022, the following guidelines shall govern the grant of agriculture, fisheries, and rural development (AFRD) financing by banks, whether government or privately owned.

Policy statement. The Bangko Sentral recognizes that promoting inclusive and broad-based economic growth by ensuring equal access to opportunities under an environment of sustained growth and expanding productivity is the key to raising the quality of life for all. In this regard, the Bangko Sentral supports the State's objective of promoting rural development by enhancing access of rural communities and agricultural and fisheries households to financial services and programs that increase productivity, enhance market efficiency, and promote modernization and improve the welfare and economic prospects of beneficiaries in rural communities through active participation of banking institutions.

Towards this end, banks shall design and offer financial products and services that suit the specific requirements of rural community beneficiaries, taking into account their cash flows and the gestation and harvest period of the agricultural, fishery or rural produce/activity/project being financed. Thrift, rural and cooperative banks shall also apply minimum interest rates on loans granted to said clients which are funded by wholesale loans obtained from government banks.

The Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) shall continue to promote savings and credit in the rural areas by offering affordable deposit products such as the basic deposit account for deposits and loans with low interest rates for loans.

Likewise, the LBP and DBP shall use their resources to innovate, develop, promote and invest in digital, automation technology, branchless banking and cash agent operations to reach remote barangays and municipalities; using e-commerce, online transactions, bank-on-wheels, point of sale devices with retailers and non-

banking institutions, lottery kiosks and mobile phone applications in making banking services accessible to the rural public.

Definition of terms. For purposes of this Section, the following definitions shall apply:

- a. *Agrarian reform beneficiary (ARB)* shall refer to a farmer who was granted land under Presidential Decree (P.D.) No. 27 or the “Comprehensive Agrarian Reform Law of 1998” and R.A. No. 9700 or the “Comprehensive Agrarian Reform Program Extension with Reforms” and a regular farmworker who is landless, irrespective of tenurial arrangement, who benefited from the redistribution of land regardless of crops or fruits produced, to include the totality of factors and support services designed to lift the economic status of the beneficiary and all other alternative arrangements to the physical distribution of lands, such as production or profit-sharing, labor administration, and the distribution of shares of stock which will allow the beneficiary to receive a just share of the fruits of the lands one tilled.

The term shall also include registered ARBs' cooperatives/associations/other farm groups, respectively endorsed as comprising of ARBs by the nearest office of the Department of Agrarian Reform (DAR), as well as ARB households.

- b. *Agrarian reform community (ARC)* shall refer to a barangay or a cluster of barangays primarily composed of and managed by ARBs which is organized and willing to undertake the integrated development of an area and/or their organizations/cooperatives.
- c. *Agri-Business* shall refer to agriculture and fishery-related activities that put farmers, fisherfolk, processors, distributors, and consumers within a system that produces, processes, transports, markets, and distributes agricultural and fishery products. It encompasses input production, farm and fishery operations and management, equipment and supplies manufacturing, food/non-food processing, trading, and retailing.
- d. *Agri-Tourism* or “Farm Tourism” under R.A. No. 10816, or the “Farm Tourism Development Act of 2016” shall refer to the practice of attracting visitors and tourists to farm areas for production, educational and recreational purposes. It involves any agricultural- or fishery-based operations or activities that bring to a Department of Tourism (DOT)-accredited farm tourism camp, visitors, tourists, farmers and fisherfolk who want to be educated and trained on farming and its related activities.
- e. *Agricultural lessee* shall refer to any person who, with or without help from one's immediate farm household, cultivates the land owned by another for a certain price in money, in produce or in both.
- f. *Agricultural or fisheries household* shall refer to a household with at least one (1) member of the household who is a farmer, a fisherman, an ARB, a settler, an agricultural lessee, an amortizing owner, a farmworker, a fishworker, an owner-cultivator, a compact farmer, or a tenant farmer.
- g. *Agricultural value chain (AVC)* shall refer to a set of actors/players, such as farmers, fisherfolk, traders, suppliers, processors, and aggregators, who make up a linked sequence of value-adding activities undergone by an agricultural product when converted from raw material to the final form it is presented to the consumers.

- h. *Agricultural value chain financing (AVCF)* shall refer to the financial products and services made available to an AVC following the appropriate evaluation of the AVC's composition, goal, size and capacity, subject to applicable regulations under Sec. 313 (*AVCF framework*).
- i. *Agriculture cooperative* shall refer to a primary cooperative registered with the Cooperative Development Authority (CDA) and which or whose members are involved/engaged in raising/culture of plants, animals, fungi, and other living organism for productive and economic purpose and in related activities that lead to the reduction of cost and/or value addition of outputs. The cooperative, in addition to the aforementioned activities, may also engage in providing allied services such as but not limited to storage and transport of members' product/produce. This shall include dairy cooperatives which are cooperatives registered with the CDA and whose members are engaged in the production of fresh milk which may be processed and/or marketed as dairy product.
- j. *AFRD financing* shall refer to loans and investments to finance activities that shall enhance productivity and increase income of an agricultural and fisheries household, thereby promoting agricultural sector productivity and competitiveness, as well as sustainable development of rural communities. These shall include, but are not limited to, the following activities, projects, and purposes:
 - (1) off-farm/fishery entrepreneurial activities;
 - (2) agricultural mechanization/modernization;
 - (3) agri-tourism;
 - (4) sustainable projects;
 - (5) acquisition of lands authorized under the Agrarian Reform Code of the Philippines and its amendments;
 - (6) digitalization/automation of farming, fishery, and agri-business activities and processes, including related financial and management information systems;
 - (7) efficient and effective marketing, processing, distribution, shipping and logistics, and storage of agricultural and fishery commodities, including related financial and management information systems;
 - (8) public rural infrastructure;
 - (9) programs that shall: (a) promote the health and wellness of farmers, fisherfolk and ARBs, including members of their households, such as water and sanitation projects for rural communities; and/or (b) address the developmental needs of rural communities, such as, but not limited to, projects that promote the livelihood, skills enhancement, financial literacy, including digital financial literacy, and other capacity-building activities of the rural community beneficiaries; and
 - (10) activities identified under the Agro-Industry Modernization Credit and Financing Program (AMCFP) under Title 1, Chapter 3, Section 23 of R.A. No.

8435, otherwise known as the "Agriculture and Fisheries Modernization Act of 1997", as follows:

- (a) Agriculture and fisheries production including processing of fisheries and agri-based products and farm inputs;
 - (b) Acquisition of work animals, farm and fishery equipment and machineries;
 - (c) Acquisition of seeds, fertilizers, poultry, livestock, feeds and other similar items;
 - (d) Procurement of agriculture and fisheries products for storage, trading, processing and distribution;
 - (e) Acquisition of water pumps and installation of tube wells for irrigation;
 - (f) Construction, acquisition and repair of facilities for production, processing, storage, transportation, communication, marketing and such other facilities in support of agriculture and fisheries;
 - (g) Working capital for agriculture and fisheries graduates to enable them to engage in agriculture and fisheries-related economic activities;
 - (h) Agribusiness activities which support soil and water conservation and ecology-enhancing activities;
 - (i) Privately-funded and Local Government Unit (LGU)-funded irrigation systems that are designed to protect the watershed;
 - (j) Working capital for long-gestating projects; and
 - (k) Credit guarantees on uncollateralized loans to farmers and fisherfolk.
- k. *Agro-Industry Modernization Credit and Financing Program (AMCFP)* shall refer to the umbrella credit/financing program of the government for the agriculture and fisheries sector created under R.A. No. 8435 or the "Agrarian and Fisheries Modernization Act of 1997".
- l. *Amortizing owners* shall refer to landowners who amortize payment for the land to a private individual or to the State.
- m. *Cash agent* shall refer to a third-party entity contracted by a bank to accept and disburse cash on its behalf, and facilitate self-service deposits, withdrawals and fund transfers, bills payment and other banking services, as allowed under Sec. 275 (*Use of cash agents*).
- n. *Compact farmers* shall refer to those farmers with adjoining farms operating as a single unit under one (1) management, farm plan and budget.
- o. *Crowdfunding* shall refer to the offer or sale of securities of a limited scale usually for start-ups and micro-, small-, and medium enterprises (MSMEs) which is done through an online electronic platform as defined under

Securities and Exchange Commission Memorandum Circular No. 14, series of 2019 on the Rules and Regulations Governing Crowdfunding.

- p. *Crowdfunding intermediary* shall refer to a broker, investment house, or funding portal registered with the SEC which mediates offer and sale of crowdfunding securities through its online electronic platform.
- q. *Farm-to-market road* shall refer to a road linking the agriculture and fisheries production sites, coastal landing points and post-harvest facility to the market and arterial road and highway.
- r. *Farmer* shall refer to a natural person whose primary livelihood is cultivation of land or the production of agricultural crops, agroforest products, or livestock, either by oneself, or primarily with the assistance of their immediate farm household, whether the land is owned by them or by another person under a leasehold or share tenancy agreement or arrangement with the owner thereof.
- s. *Farmworker* shall refer to a natural person who renders service for value as an employee or laborer in an agricultural enterprise or farm regardless of whether the compensation is paid on a daily, weekly, monthly or "pakyaw" or contracted project. The term includes an individual whose work has ceased as a consequence of, or in connection with, a pending agrarian dispute who has not obtained a substantially equivalent and regular farm employment.
- t. *Farmer's and fisherfolk's organizations or associations* shall refer to farming or fishing cooperatives, associations or corporations and which are composed primarily of small agricultural producers, farmers, farmworkers, ARBs, and fisherfolk who voluntarily join together to form business enterprises or non-business organizations which they themselves own, control and patronize.
- u. *Financial services* shall refer to services extended by banks and financial institutions (FIs) such as credit/lending, deposits, rediscounting, investments, and insurance.
- v. *Fisherfolk* shall refer to people directly or personally and physically engaged in catching and processing fishery and/or aquatic resources, and in fish farming or aquaculture whether the fish specie is grown in tanks, fishponds or other types of enclosures.
- w. *Fishworker* shall refer to a person whether or not regularly employed in commercial fishing and related industries, whose income is either from wages, profit sharing or stratified sharing basis, including those working in fishpens, fish corrals/traps, fishponds, prawn farms, sea farms, salt beds, fish ports, fishing boats or trawlers, or fish processing and/or packing plants, but excluding administrators, security guards and overseers.
- x. *Loanable funds* shall refer to total loanable funds generated by banks from 20 April 2010, the effectivity of R.A. No. 10000, during the first year of effectivity of R.A. No. 11901 or from 18 August 2022 to 17 August 2023. Thereafter, loanable funds shall refer to total loanable funds generated by banks from 18 August 2023, the second year of effectivity of R.A. No. 11901 up to 27 July 2032. The dates mentioned in this definition shall be considered as the "reference cut-off date". The computation of loanable funds is described in this Section (*Computation of total loanable funds*).

- y. *Micro, small and medium enterprise (MSME)* shall refer to any business activity or enterprise as defined under Sec. 332 and existing laws.
- z. *Newly established bank* shall refer to a domestic or foreign bank without banking presence in the Philippines prior to the issuance of its Certificate of Authority to Operate and whose first five (5) years of operation will end after 18 August 2022, the effectivity of R.A. No. 11901. It shall not include banks that have been formed through the acquisition, purchase of ownership of the voting stock of an existing domestic bank or the merger or consolidation of banks.
- aa. *Off-farm/fishery entrepreneurial activities* shall refer to economic activities that do not constitute primary agricultural or fishery production but support income improvement of rural community beneficiaries. These include, but are not limited to, agro-processing, transport, distribution, marketing, retail stores, handicrafts making, bakeries, and other livelihood projects.
- ab. *Organized market* shall refer to an exchange, an over-the-counter market, alternative trading system, or otherwise recognized as such by the SEC, and governed by, among others, transparent and binding rules and market conventions on membership, trading, price transparency, trade reporting, market monitoring and orderly conduct of the market which are enforceable on the members and participants as defined under the 2015 Implementing Rules and Regulations of the Securities Regulation Code.
- ac. *Owner-cultivators* shall refer to natural persons who own lands by purchase, inheritance, or land distribution by the State. Owner-cultivators can operate the farm themselves, supervise wage labor or delegate operations to farmers.
- ad. *Post-harvest activities* shall refer to threshing, drying, milling, grading, storing, and handling of produce and such other activities of similar nature such as stripping, winnowing, chipping and washing.
- ae. *Post-harvest facilities* shall refer to threshers, moisture meters, dryers, weighing scales, milling equipment, fish ports, fish landings, ice plants and cold storage facilities, processing plants, warehouses, buying stations, market infrastructure and transportation facilities, and such other facilities supporting post-harvest activities.
- af. *Public rural infrastructure* shall refer to infrastructure in rural communities such as highways, streets, bridges, tunnels, railways, railroads, transport systems, ports, airports, hydropower projects, canals, dams, irrigation, government buildings and housing projects, public schools, public hospitals, public health centers, public markets, slaughterhouses, warehouses, solid waste management, sewerage, flood control, drainage, dredging and other similar infrastructure projects.
- ag. *Registry System for Basic Sectors in Agriculture (RSBSA)* shall refer to an electronic compilation of basic information on farmers, farmworkers, and fisherfolk. The database, which includes the profile of farmers, farm workers and fisherfolk, and additional information such as farm parcels and fisheries, among others, is mainly used to help government planners and policymakers in formulating policies for agricultural development.
- ah. *Rural community* shall refer to a municipality that is primarily composed of rural areas as defined by the Philippine Statistics Authority.

- ai. *Rural financial institution (RFI)* shall refer to any financial institution established and is operating in a rural community.
- aj. *Settlers* shall refer to persons who range from the forest-clearing pioneers, including indigenous people, with a subsistence economy to the better equipped and more experienced farmers.
- ak. *Sustainable finance*, as defined under Sec. 153, shall refer to any form of financial product or service which integrates environmental, social and governance criteria into business decisions that support economic growth and provide lasting benefit for both clients and society while reducing pressures on the environment. This also covers green finance which is designed to facilitate the flow of funds towards green economic activities and climate change mitigation and adaptation projects.
- al. *Tenant farmer* shall refer to a person who cultivates another's land under a sharing or leasehold agreement.

Qualified rural community beneficiaries. AFRD financing shall be extended to or shall generally benefit rural community beneficiaries, particularly the farmers, fisherfolk, ARBs, ARCs, settlers, agricultural lessees, amortizing owners, farmworkers, fishworkers, owner cultivators, compact farmers, tenant farmers, and members of their household and their MSMEs, as well as agriculture cooperatives, and farmer's and fisherfolk's organizations and associations in good standing, regardless of capitalization, based on the feasibility of the project and their paying capacity, their estimated production, and/or securities they can provide as well as such assets as may be acquired by them from the proceeds of the loans and investments.

Required allocation and period covered for AFRD financing. Banks shall for a period of 10 years from approval of R.A. No. 11901, or from 18 August 2022 to 27 July 2032, set aside at least twenty-five percent (25%) of their total loanable funds for AFRD financing.

Newly established banks as defined under Item "z" in this Section (*Definition of terms*) shall be exempted from the said required allocation for a period of five (5) years from the date of commencement of their operations.

Modes of compliance. Banks may comply with the mandatory credit requirement through the following modes, which shall be reckoned in accordance with the applicable reference cut-off date as defined under Item "x" in this Section (*Definition of terms*):

- a. Actual extension of loans to rural community beneficiaries (gross of allowance for credit losses), for purposes of financing AFRD activities under Item "j" in this Section (*Definition of terms*).
- b. Purchase of eligible loans listed in Item "a" above on a "without recourse" basis from other banks and FIs.
- c. Purchase of eligible securities (gross of allowance for credit losses but net of unamortized premium or discount), to wit:
 - (1) Investments in debt securities, including those issued by the DBP and LBP, the proceeds of which shall be used to finance activities under Item

"j" in this Section (*Definition of terms*) as well as electronic platforms that facilitate AVCF and supply chain financing transactions among actors in agriculture. The proceeds from the debt securities issued by the DBP and the LBP shall be separately accounted for by these banks;

- (2) Investments in sustainable finance instruments, which shall include but are not limited to green bonds, social bonds, sustainability bonds, sustainability-linked bonds, transition bonds and green equity, among others, and such other sustainable finance instruments which are issued in accordance with domestic guidelines or international standards accepted by the market, the proceeds of which shall be used for sustainable projects or programs that will benefit the country;
 - (3) Investments in shares of stock in the following institutions, subject to existing rules and regulations governing equity investments of banks:
 - (a) RFIs;
 - (b) Philippine Crop Insurance Corporation (PCIC); or
 - (c) Companies that primarily engage in activities under Item "j" in this Section (*Definition of terms*), including venture capital corporations that benefit rural community beneficiaries and companies that maintain and operate electronic platforms that facilitate AVCF and supply chain financing transactions among actors in agriculture;
 - (4) Investments in unsecured subordinated debt securities that meet the definition of regulatory capital under Appendix 59 and are issued by banks that are RFIs;
 - (5) Investments in MSMEs of farmers, fisherfolk, ARBs, ARCs, settlers, agricultural lessees, amortizing owners, farmworkers, fishworkers, owner cultivators, compact farmers, and tenant farmers by way of purchase of their securities through an organized market, initial public offering, follow-on offering, or through registered crowdfunding intermediaries;
- d. Grant of loans and other credits (gross of allowance for credit losses), to wit:
- (1) Placements in deposit accounts and/or fixed term deposit products with RFIs. The deposit accounts/products shall be separately accounted for by the depository bank that meets the definition of an RFI;
 - (2) Wholesale lending granted by banks to RFIs which shall only be considered as compliance of the bank acting as wholesale lender alone;
 - (3) Rediscounting facility granted by banks to other banks covering eligible AFRD financing. The rediscounted paper shall no longer be eligible as compliance on the part of the originating bank;
 - (4) 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 rural infrastructure as defined under Item "af" in this Section (*Definition of terms*), for the benefit of the rural community;

- (5) Actual extension of loans to agri-business enterprises that maintain agricultural commodity supply-chain arrangements directly with qualified rural community beneficiaries;
- (6) AVCF, including financing to electronic platforms that will facilitate AVCF and supply chain financing transactions among actors in agriculture that benefits rural communities;
- (7) Actual extension of sustainable finance in the form of loans; or
- (8) Purchase of eligible loans listed under Item Nos. "d(4)" to "d(7)" in this Section (*Modes of compliance*) on a "without recourse" basis from other banks and FIs:

Loans, other credits and investments that are considered as compliance with the mandatory AFRD financing shall not be funded by proceeds from the issuance of debt securities, investments in deposit accounts/fixed term deposit products, and/or loans that have been counted as compliance with the mandatory credit by other banks.

The loans to finance activities that shall generally benefit ARBs, ARCs, or other priority sectors, as may be determined by the Agriculture Credit Policy Council (ACPC), shall be counted at ten times (10x) their outstanding amount, or as otherwise prescribed by the ACPC, for purposes of determining compliance with the mandatory AFRD financing requirement.

The modes of compliance shall be subject to review by ACPC for purposes of determining whether the same are adequate to support the financing requirements of rural communities. The Bangko Sentral, as a member of the ACPC, may identify other actions that may be considered as eligible modes of compliance with the mandatory AFRD financing.

Computation of total loanable funds. Loanable funds, as defined under Item "x" in this Section (*Definition of Terms*) shall be computed, as follows:

- a. The net increase from applicable reference cut-off date to date of the report of the individual accounts booked under the Regular Banking Unit (RBU) which represent the following:
 - (1) Total peso deposit (demand, savings, now, time and negotiable Certificates of Time Deposit accounts) excluding:
 - (a) Deposits of banks,
 - (b) Deposits of the National Government, including its political subdivisions and instrumentalities, such as, but not limited to, the BIR, BOC, and LGUs, and
 - (c) Deposits of government-owned and-controlled corporations (GOCCs).
 - (2) Bills payable excluding:
 - (a) Borrowings from the Bangko Sentral in the form of the following:
 - (i) rediscounting,
 - (ii) emergency advances,

- (iii) availment of overdraft facilities, or
 - (iv) other obligations,
- (b) Borrowings from the National Government, including its political subdivisions and instrumentalities, and GOCCs,
- (c) Interbank loans payable,
- (d) Other borrowings, in the form of the following:
 - (i) Repurchase agreements with the Bangko Sentral,
 - (ii) Repurchase agreements with banks, the National Government including its political subdivisions and instrumentalities, and GOCCs,
 - (iii) Certificates of assignment/participation with recourse with banks,
 - (iv) Securities lending and borrowing agreements with banks, and
- (e) Other borrowings with banks, and
- (f) Other deposit substitutes in the form of emergency advances from the Philippine Deposit Insurance Corporation, and
- (3) Proceeds from special on-lending programs,
- (4) Bonds payable, net of unamortized premium or discount, other than debt securities issued by the DBP and LBP, the proceeds of which shall be used exclusively to finance activities under Item "j" in this Section (Definition of terms),
- b. Less/(Add) the net increase/(decrease) from applicable reference cut-off date to date of the report of the required reserves against a week ago level of the reservable liabilities booked under the RBU; and
- c. Less/(Add) provisions for liquidity equivalent to five percent (5%) of the net increase/(decrease) applicable reference cut-off date in total peso deposit liabilities as defined herein under Item "a(1)" in this Section (*Computation of total loanable funds*).

Syndicated type of AFRD financing. Banks may grant a syndicated type of AFRD financing, either between or among themselves. The mechanics, including the recording of such syndicated type of loan transactions, shall follow existing practices and regulations applicable both to the lead bank and other participating bank(s).

- a. Only banks in the syndicate that take on eligible loans or debt securities as provided under this Section (*Modes of compliance*) in their books may report compliance with the mandatory AFRD financing. A syndicate bank's reported compliance with the mandatory AFRD financing requirement shall only be up to the extent of its actual participation; that is, the amount of said eligible loans or debt instruments that are recorded in the books of the syndicate bank.

- b. In case of sale of a bank's exposure representing participation in syndicated type of AFRD financing, e.g., loan or debt securities, the selling bank shall no longer report the sold participation as compliance with the syndicated AFRD financing.

Interest and other charges. Interest, service fees and other charges shall be governed by the terms and conditions of the financial instruments and existing rules and regulations.

Submission of reports. A quarterly report on the compliance with the mandated credit allocation for AFRD financing under R.A. No. 11901, which shall be considered a Category A-3 report, shall be submitted to the Department of Supervisory Analytics of the Bangko Sentral in accordance with prescribed reporting guidelines.

Consolidated compliance. The compliance with AFRD mandatory allocation of funds under R.A. No. 11901 shall be allowed on a groupwide basis (i.e., consolidation of parent/foreign bank branch and subsidiary bank/s) so that excess compliance of any bank in the group can be used as compliance for any deficient bank in the group: *Provided*, That the subsidiary bank/s is/are at least directly or indirectly majority owned by the parent bank and/or foreign bank branch: *Provided, further*, That the parent bank/foreign bank branch shall be held responsible for the compliance of the group.

The consolidated report shall be submitted by the parent bank/foreign bank branch in the prescribed form and shall be supported by the individual reports of the parent bank/foreign bank branch within the group and subsidiary bank/s duly signed by each bank's authorized signatory.

Sanctions. The following sanctions shall be applicable for any violation of this Section:

- a. Penalties/sanctions applicable to banks:

(1) *Monetary fines*

(a) *For non-compliance/under-compliance*

Annual monetary penalty of one-half of one percent (0.5%) of amount of non-compliance/under-compliance shall be computed on a quarterly basis following this formula:

Penalty = $0.00125 \times \text{amount of non-compliance/under-compliance as of the end of the reference quarter}$

Amount of non-compliance/under-compliance = twenty-five percent (25%) of total loanable funds less reported amount of compliance with the mandatory AFRD financing.

(b) *For erroneous/delayed/erroneous and delayed/unsubmitted reports*

A bank shall be subject to the monetary penalties for erroneous/delayed/erroneous and delayed/unsubmitted reports on compliance with the mandated credit allocation for AFRD financing under R.A. No. 11901 and the provisions of Sec. 171

(Sanctions on reports for non-compliance with the reporting standards).

(c) *For false/misleading statements*

A bank which has been found to have made a false or misleading statement in its required report on compliance with the mandated credit allocation AFRD financing shall be subject to the appropriate monetary penalties for willful making of a false or misleading statement under Sec. 1102, which shall be reckoned on a daily basis from the day following the due date of submission of the affected report until an amended report has been submitted to the Bangko Sentral.

(2) *Non-monetary fines*

In addition to the above daily monetary fines, any or all of the administrative sanctions, as provided under Section 37 of R.A. No. 7653, as amended, may be imposed upon any bank for willful delay or refusal to submit reports or willful making of a false or misleading statement to the Bangko Sentral, without prejudice to criminal sanctions against culpable persons provided under Sections 34, 35 and 36 of R.A. No. 7653, as amended.

b. Penalties/sanctions applicable to directors/officers concerned of the bank

Directors/officers of a bank which have been found to have willfully falsely certified/ submitted misleading statements and/or willfully violated any of the provisions of this Section shall be subject to the appropriate monetary penalties under Sec. 004 and Sec. 1102 and/or the other administrative sanctions under Section 37 of R.A. No. 7653, as amended.

The imposition of the above sanctions is without prejudice to the filing of appropriate criminal charges against culpable persons as provided under Section 35 of R.A. No. 7653, as amended, for the willful making of a false/ misleading statement.

c. Disposition of monetary penalties collected

The total monetary penalties collected on non-compliance/under-compliance with the mandatory AFRD financing under Item "a(1)(a)" above shall be allocated by the Bangko Sentral as follows:

Percentage Allocation	Purpose and Recipient of Penalties Collected		
75%	Special Fund ¹		
	Proportion	Recipient	Purpose
	35% of Special Fund	DAR	Titling and parcelization of landholdings covered with collective Certificate of Land Ownership Awards

¹ After the provisions related to the mandatory credit quota ceases to have effect on 27 July 2032, the tenth (10th) year from the approval of R.A. No. 11901, all unutilized funds allocated for any of the implementing agencies and all loan collections shall be remitted to the General Fund.

Percentage Allocation	Purpose and Recipient of Penalties Collected		
	32.5% of Special Fund	LBP	Credit facility with minimal interest rates and with minimum collateral requirements for farmers and fisherfolk registered in the RSBSA, agriculture cooperatives, farmers and fisheries organizations and associations, and microfinance institutions ²
	30% of Special Fund	DBP	
	2.5% of Special Fund	Al-Amanah Islamic Investment Bank of the Philippines (AAIIBP) provided that the National Government is a majority shareholder of AAIIBP.	Credit facility with minimal interest rates and with minimum collateral requirements for ARBs in the Bangsamoro Region ²
20%	Agricultural- and Fishery-Related Organizational-Capacity and Institution-Building Programs and Activities³		
	Proportion	Recipient	Purpose
	50% of funding	LBP	Agricultural- and fishery- related organizational- capacity- and institution- building programs and activities ³
	50% of funding	DBP	
5%		Bangko Sentral	Administrative expenses incurred by the Bangko Sentral

The LBP, DBP and AAIIBP shall submit an annual utilization report relative to the monetary penalties remitted to them to the appropriate supervising department of the Bangko Sentral within fifteen (15) banking days from the end of the year.

² All loan repayments and other collections shall be used to fund credit facility of the LBP, DBP and AAIIBP: *Provided*, That LBP, DBP and AAIIBP shall be allowed to reimburse direct costs incurred in the management of the fund, but in no case shall these reimbursements exceed two percent (2%) of the average quarterly loan balance.

³ The twenty percent (20%) of penalties collected shall be allocated as fund for agricultural-and fishery-related organizational-capacity-and institution-building programs and activities to be implemented equally by the LBP and DBP: *Provided*, That these programs shall result in equipping the ARBs, farmers registered in the RSBSA, as well as members of their household and their MSMEs, and ARCs with the appropriate knowledge and skills to improve their welfare, competitiveness, income and productivity. For this purpose, the LBP and DBP may coordinate with and/or tap the services of qualified training providers as well as the ACPC and the CDA, on the design and delivery of these capacity-building programs.

Section 2. Appendix 7 of the MORB is hereby amended to change the report title of "Report on Compliance with the Mandatory Agri-Agra Credit (AgriAgra)" to "Report on Compliance with the Mandatory AFRD Financing".

The said new report, which is a secondary report, shall be submitted electronically to the Department of Supervisory Analytics (DSA) following the submission timeline below:

Reporting Period Covered	Timeline
18 August 2022 ⁴ to 30 September 2022	15 th banking day after end-February 2023
01 October 2022 to 31 December 2022	15 th banking day after end-March 2023
Quarterly report from 01 January 2023 to 30 June 2032	15 th banking day after end of reference quarter
01 July 2032 to 27 July 2032 ⁵	15 th banking day after end-September 2032

The Report on Compliance with the Mandatory Agri-Agra Credit (Agri-Agra) will no longer be submitted starting with the reporting period ending 30 September 2022.

Section 3. The following Sections/Appendices of MORB/Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) are also hereby amended:

MORB/MORNBFI Section/Appendix	Amendments
Section 313 (Regulatory incentives), Item "a" of MORB and Sections 311-Q/305-N (Regulatory incentives), Item "a" of MORNBFI	Loans granted to agricultural value chain actor(s)/player(s), who are qualified rural community beneficiaries under Sec. 331 shall be considered as compliance to the mandatory agriculture, fisheries and rural development financing, in the case of banks;
Appendix 144, Section 1 (b)	<i>Agrarian reform beneficiary (ARB)</i> , as defined under item (a), Definition of Terms, Section 331.
Appendix 144, Section 1 (c)	Agricultural Projects shall refer to the undertakings or activities listed under Item (j), Definition of Terms, Sec. 331.
Appendix 144, Section 1 (m)	<i>Farmers' and Fisherfolk's Organizations or Associations</i> , as defined under Item (t), Definition of Terms, Section 331.
Appendix 144, Section 2	Socialized Credit Facility. LBP shall allocate at least five percent (5%) of its regular loan portfolio for socialized credit to qualified small farmers, small fisherfolk and ARBs. This facility shall solely finance agricultural projects pursuant to the provisions of Section 4 of R.A. No. 11901, otherwise known as "The Agriculture,

⁴ Date of effectivity of R.A. No. 11901.

⁵ The sunset clause under Section 12 of R.A. No. 11901 provides that the mandatory credit quota for AFRD financing shall cease to have effect on the tenth (10th) year from the approval of the Law.

MORB/MORNBFI Section/Appendix	Amendments
	<p>Fisheries and Rural Development Financing Enhancement Act of 2022".</p> <p>xxx</p> <p>All loans extended through this special socialized credit facility shall qualify as part of LBP's direct compliance with the mandatory agriculture, fisheries and rural development financing pursuant to R.A. No. 11901.</p> <p>xxx</p>
Appendix 144, Section 4 (b)	<p>Purpose</p> <p>To finance the working capital requirement of the conduits to Small Farmers and Small Fisherfolk, and ARBs to finance the latter's agricultural projects pursuant to the provisions of Section 4 of R.A. No. 11901, otherwise known as "The Agriculture, Fisheries and Rural Development Financing Enhancement Act of 2022".</p>

Section 4. This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


FELIPE M. MEDALLA
Governor

04 NOV 2022