

Bangko Sentral ng Pilipinas

MANILA

OFFICE OF THE GOVERNOR

CIRCULAR NO. 190 Series of 1999

The Monetary Board, in its Resolution No. 124 dated February 3, 1999, approved the issuance of the following guidelines regarding the mandatory allocation of funds for agrarian reform and agricultural credit as provided under P.D. No. 717 dated May 29, 1975, as well as the sanctions for failure to comply with the requirement.

Section 1. *Required Allocation* - As mandated under P.D. No. 717, all banking institutions, whether government or private, shall set aside at least twenty-five percent (25%) of their loanable funds for agricultural credit in general, of which at least ten percent (10%) of the loanable funds shall be made available for agrarian reform credit.

Section 2. *Allowable Alternative Compliance* - The following alternatives are allowed as compliance with P.D. No. 717 as provided under R.A. Nos. 7721, 7835 and 7900:

- a. *Development Loans Incentive* - Pursuant to Sections 8 and 9 of R.A. No. 7721 (An Act Liberalizing the Entry and Scope of Operations of Foreign Banks in the Philippines and for Other Purposes), loans extended by banks incorporated under the laws of the Philippines, whether Philippine or foreign-owned, to finance educational institutions, cooperatives, hospitals and other medical services, socialized or low-cost housing and to local government units, without national government guarantee, shall be included for purposes of determining compliance with the provisions of P.D. No. 717, as amended.
- b. *Loans for high-value crops projects* - Pursuant to Section 8 of R.A. No. 7900, a bank participating in the High Value Crop Development Program that shall lend a minimum of five percent (5%) of its loanable funds, without alternative compliance, directly to farmers' associations or cooperatives for high-value crops projects shall be exempted from, or shall be deemed to have complied with the requirement of P.D. No. 717.

- c. *Unused agri-agra funds to be utilized for socialized and low-cost housing* - As a source of non-budgetary funding to augment the Comprehensive and Integrated Shelter and Urban Development Financing Program under R.A. No. 7835, all unused agri-agra allocation funds of banks in the preceding year shall be invested in socialized and low-cost housing: *Provided, That the utilized portion of the agri-agra funds of said banks was solely devoted to agricultural and agrarian reform credit.*

Section 3. *Sanctions* - Appropriate sanctions as provided under existing laws, rules and regulations shall be imposed on banks which fail to comply with the mandatory allocation of funds for agrarian reform and agricultural credit under P.D. No. 717.

The imposition of sanctions shall be based on banks' *Consolidated Report on the Utilization of Loanable Funds Generated Which Were Set Aside for Agrarian Reform Credit/Other Agricultural Credit* which banks are required to submit to the Bangko Sentral every quarter.

FOR THE MONETARY BOARD:


GABRIEL C. SINGSON
Governor

February 16, 1999