



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1111

Series of 2021

Subject: Amendments to the Rules and Regulations on the Mandatory Credit Allocation for Agriculture and Agrarian Reform Credit

The Monetary Board, in its Resolution No. 1607 dated 10 December 2020, approved the revised rules and regulations governing the mandatory credit allocation for agriculture and agrarian reform credit to implement the provisions of Republic Act (R.A.) No. 10000, otherwise known as "The Agri-Agra Reform Credit Act of 2009."

Section 1. Section 331 of the Manual of Regulations for Banks (MORB) is hereby amended to implement the provisions of Section 7 of the Implementing Rules and Regulations (IRR) of R.A. No. 10000.

Section 331. AGRICULTURE, FISHERIES AND AGRARIAN REFORM CREDIT

Pursuant to R.A. No. 10000, The Agri-Agra Reform Credit Act of 2009, the following guidelines shall govern the grant of agriculture, fisheries and agrarian reform credit by banks, whether government or privately owned.

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

- a. *Accredited rural financial institutions (FIs) xxx.*
- b. *Agrarian reform beneficiaries (ARBs) xxx.*

The term shall likewise include registered ARBs' cooperatives/associations/other farm groups respectively endorsed as comprising of ARBs by the nearest office of the DAR.

- c. *ARB household* shall refer to members of an ARB household who contribute to the productivity of the awarded land under, but not limited to, the following instances:
 - (i) Upon death of the ARB and the transfer action to execute hereditary succession of the awarded land is still in process, or
 - (ii) Upon physical incapacity of the ARB to till/manage the awarded land.
- d. *Agrarian reform community (ARC)* shall refer to a barangay or a cluster of barangays primarily composed and managed by ARBs

which is organized and willing to undertake the integrated development of an area and/or their organizations/cooperatives.

- e. *Agrarian reform credit* shall refer to loans granted, simultaneously or otherwise, directly to ARBs and/or ARB households or to finance activities that shall generally benefit ARBs and/or ARB households or ARCs for agricultural, fisheries and agrarian reform purposes.
- f. *Agricultural and fisheries credit* shall refer to loans granted to borrowers for agricultural and fisheries purposes.
- g. *Agricultural lessee* xxx.
- h. *Agricultural value chain (AVC)* shall refer to a set of actors/players, such as farmers, fisherfolk, ARBs and/or ARB households, traders, suppliers, processors, and aggregators, who make up the 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.
- i. *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.
- j. *Agriculture, fisheries and agrarian reform credit* shall refer to loans granted for the following activities and purposes: xxx.
- k. *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.
- l. *Agro-industry Modernization Credit and Financing Program (AMCFP)* xxx.
- m. *Amortizing owners* xxx.
- n. *Bangko Sentral-accredited rural FIs* xxx.
- o. *Compact farmers* xxx.
- p. *Farm to market road* xxx.
- q. *Farmer* xxx.
- r. *Farmworker* xxx.

- s. *Farmer's cooperatives xxx.*
- t. *Farmer's and fisherfolk's organizations or associations xxx.*
- u. *Fisherfolk xxx.*
- v. *Fisheries xxx.*
- w. *Fishworker xxx.*
- x. *Loanable funds xxx.*
- y. *National Food Authority (NFA) xxx.*
- z. *Owner-cultivators xxx.*
- aa. *Post-harvest activities xxx.*
- ab. *Post-harvest facilities xxx.*
- ac. *Public infrastructure* shall refer to xxx such other facilities in support of agrarian reform, agriculture and fisheries.
- ad. *Settlers xxx.*
- ae. *Tenant farmer xxx.*

Qualified borrowers. Qualified borrowers for agriculture, fisheries and agrarian reform credit shall refer to farmers, fisherfolk, ARBs and/or ARB households, settlers, agricultural lessees, xxx.

Required allocation for agriculture, fisheries and agrarian reform credit. Banks shall set aside at least twenty-five percent (25%) of their total loanable funds for agriculture, fisheries and agrarian reform credit in general, of which at least ten percent (10%) of the total loanable funds shall be made available for ARBs and/or ARB households or ARCs.

Excess compliance in the ten percent (10%) agrarian reform credit may be used to offset a deficiency, if any, in the fifteen percent (15%) other agricultural and fisheries credit, in general, but not vice versa.

Direct Compliance. Total loanable funds as computed under this Section shall be made available by banks for agriculture, fisheries and agrarian reform credit.

- a. Twenty-five percent (25%) mandatory agriculture, fisheries and agrarian reform credit allocation through the following modes of compliance that are undertaken after 20 April 2010:

- (1) Actual extension of loans to qualified borrowers (gross of allowance for probable losses), for purposes of financing agriculture, fisheries and agrarian reform activities under Item "j" in this Section (*Definition of terms*), other than
 - (1) loans rediscounted with universal banks (UBs)/commercial banks (KBs), or (2) loans to the extent funded by proceeds from any of the following:
 - (a) Bonds issued for the exclusive purpose of on-lending to the agriculture, fisheries and agrarian reform sector, in the case of Development Bank of the Philippines (DBP)/Land Bank of the Philippines (LBP),
 - (b) Special deposit accounts (SDAs) maintained for the exclusive purpose of on-lending to the agriculture, fisheries and agrarian reform sector, in the case of Bangko Sentral-accredited rural FIs, or
 - (c) Wholesale lending of other banks for the exclusive purpose of on-lending to the agriculture, fisheries and agrarian reform sector, in the case of Bangko Sentral-accredited rural FIs, or
 - (2) xxx
- b. Ten percent (10%) mandatory agrarian reform credit allocation through the following modes of compliance that are undertaken after 20 April 2010:
- (1) Actual extension of loans to ARBs and/or ARB households (gross of allowance for probable losses), for purposes of financing agriculture, fisheries and agrarian reform activities under Item "j" in this Section (*Definition of terms*), other than
 - (a) loans rediscounted with UBs/KBs, or (b) loans to the extent funded by proceeds from bonds, in the case of DBP/LBP, and/or SDAs and/or wholesale lending of other banks, in the case of Bangko Sentral-accredited rural FIs listed under Items "a(1)(a)" to "a(1)(c)" above, or
 - (2) xxx

Allowable Alternative Compliance. The following alternative modes of compliance to the mandatory agriculture, fisheries and agrarian reform credit shall be allowed:

- a. Twenty-five percent (25%) mandatory agriculture, fisheries and agrarian reform credit
 - (1) Eligible securities (gross of allowance for probable losses but

net of unamortized premium or discount) that are purchased after 20 April 2010:

- (a) Investments in bonds issued by the DBP and the LBP, the proceeds of which shall be used exclusively for on-lending to the agriculture, fisheries and agrarian reform sector;
- (b) Investments in other debt securities, the proceeds of which shall be used to finance activities identified under Section 23 of R.A. No. 8435 (Agriculture and Fisheries Modernization Act of 1997), as defined under Item "j(9)" in this Section (*Definition of terms*); or
- (c) Paid subscription of shares of stock in the following institutions, subject to existing rules and regulations governing equity investments of banks:
 - (i) Accredited rural FIs (preferred shares only),
 - (ii) Philippine Crop Insurance Corporation (PCIC); or
 - (iii) Companies primarily engaged in activities under Section 23 of R.A. No. 8435, as defined under Item "j(9)" in this Section (*Definition of terms*).

xxx

- (2) Loans and other credits (gross of allowance for probable losses) that are granted after 20 April 2010:
 - (a) Investments in SDAs of Bangko Sentral-accredited rural FIs, the proceeds of which shall be used exclusively for on-lending to the agriculture, fisheries and agrarian reform sector;
 - (b) Wholesale lending granted to accredited rural FIs for the exclusive purpose of on-lending to the agriculture, fisheries and agrarian reform sector;
 - (c) Rediscounting facility granted by UBs/KBs to other banks covering eligible agricultural, fisheries and agrarian reform credits, including loans covered by guarantees of the PCIC;
 - (d) 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 this Section (*Definition of terms*), for the

benefit of the agriculture, fisheries and agrarian reform sector;

- (e) Actual extension of loans to borrowers for purposes of financing activities identified under Section 23 of R.A. No. 8435, as defined under Item "j(9)" in this Section (*Definition of terms*), including palay housing and farming homestead;
- (f) Actual extension of loans to agri-business enterprises that maintain agricultural commodity supply-chain arrangements directly with qualified borrowers;
- (g) Agricultural value chain financing;
- (h) Extension of loans to:
 - (i) NFA-registered warehousemen/millers/wholesalers for the purpose of financing activities identified under Section 23 of R.A. No. 8435, as defined under Item "j(9)" in this Section (*Definition of terms*); or
 - (ii) The NFA: *Provided*, that it shall not use the proceeds of said loans for relending; or
- (i) Purchase of eligible loans listed under Item Nos. "a(2)(b)" to "a(2)(h)" on a "*without recourse*" basis from other banks and FIs after 20 April 2010:

Provided, That the loans under Item Nos. "a(2)(d)" to "a(2)(i)" are not rediscounted with UBs/KBs: *Provided, further*, That the activities identified under Item Nos. "a(2)(a)" to "a(2)(i)" shall not be funded by proceeds from the issuance of bonds under Item No. "a(1)(a)", in the case of DBP/LBP, and/or the acceptance of SDAs under Item No. "a(2)(a)" and/or wholesale lending of other banks under Item No. "a(2)(b)", in the case of Bangko Sentral-accredited rural FIs.

b. Ten percent (10%) mandatory agrarian reform credit

- (1) Eligible securities (gross of allowance for probable losses but net of unamortized premium or discount) that are purchased after 20 April 2010:
 - (a) Investments in bonds issued by the DBP and the LBP, the proceeds of which shall be used exclusively for on-lending to ARBs and/or ARB households or to finance activities that shall generally benefit ARBs and/or ARB households or ARCs; or

- (b) Investments in other debt securities, the proceeds of which shall be used to finance activities identified under Section 23 of R.A. No. 8435, as defined under Item No. "j(9)" in this Section (*Definition of terms*): *Provided*, That said activities shall generally benefit ARBs and/or ARB households or ARCs.

xxx

- (2) Loans and other credits (gross of allowance for probable losses) that are granted after 20 April 2010:
 - (a) Investments in SDAs of Bangko Sentral-accredited rural FIs, the proceeds of which shall be used exclusively for on-lending to ARBs and/or ARB households or to finance activities that shall generally benefit ARBs and/or ARB households or ARCs;
 - (b) Wholesale lending granted to accredited rural FIs for the exclusive purpose of on-lending to ARBs and/or ARB households or to finance activities that shall generally benefit ARBs and/or ARB households or ARCs;
 - (c) Rediscounting facility granted by UBs/KBs to other banks covering eligible agrarian reform credits, including loans covered by guarantees of the PCIC;
 - (d) 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 this Section (*Definition of terms*) that shall generally benefit ARBs and/or ARB households or ARCs;
 - (e) Actual extension of loans to borrowers, for purposes of financing activities identified under Section 23 of R.A. No. 8435, as defined under Item "j(9)" in this Section (*Definition of terms*), including palay housing and farming homestead: *Provided*, That said activities shall generally benefit ARBs and/or ARB households or ARCs;
 - (f) Actual extension of loans to agri-business enterprises that maintain agricultural commodity supply-chain arrangements directly with ARBs and/or ARB households;
 - (g) Agricultural value chain financing that shall generally benefit ARBs and/or ARB households or ARCs; or
 - (h) Purchase of eligible loans listed under Item "b(2)(b)" to

"b(2)(g)" on a "without recourse" basis from other banks and Fls after 20 April 2010:

Provided, That the loans under Item Nos. "b(2)(d)" to "b(2)(h)" are not rediscounted with UBs/KBs: Provided, further, That the activities identified under Item Nos. "b(2)(a)" to "b(2)(h)" shall not be funded by proceeds from the issuance of bonds under Item No. "b(1)(a)", in the case of DBP/LBP, and/or the acceptance of SDAs under Item No. "b(2)(a)" and/or wholesale lending of other banks under Item No. "b(2)(b)", in the case of Bangko Sentral-accredited rural Fls.

Computation of loanable funds. xxx

xxx

Syndicated type of agrarian reform credit/agricultural and fisheries credit. Banks may grant a syndicated type of loan for agrarian reform credit/ agricultural and fisheries credit in general, either between or among themselves. xxx

xxx

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

FOR THE MONETARY BOARD:


BENJAMIN E. DIOKNO
Governor

03 March 2021