



BANGKO SENTRAL NG PILIPINAS
OFFICE OF THE GOVERNOR

CIRCULAR NO. 1009
Series of 2018

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. 2058 dated 07 December 2017, 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, The Agri-Agra Reform Credit Act of 2009.

Section 1. Subsection X341.5 of the Manual of Regulations for Banks (MORB) is hereby amended to implement the provisions of Section 7 of the Implementing Rules and Regulations of R.A. No. 10000.

"Subsection X341.5. Allowable alternative compliance. The following alternative modes of compliance to the mandatory agriculture and agrarian reform credit shall be allowed:

a. Twenty five percent (25%) mandatory agriculture 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) Investment 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;

(b) 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, as defined under Item no. "*f(ix)*" of Subsec. X341.1; 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 financial institutions (FIs) (preferred shares only); or

(ii) Philippine Crop Insurance Corporation (PCIC).

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

(i) Such securities shall neither be hypothecated, encumbered, earmarked for any other purposes, sold/lent in repurchase agreement/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. "a(1)(a)" to "a(1)(c)" above 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 SDAs under Item no. "a(2)(a)" and/or wholesale lending of other banks under Item no. "a(2)(b)", in the case of BSP-accredited rural FIs.

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

(a) Investments in SDAs of BSP-accredited rural FIs, the proceeds of which shall be used exclusively for on-lending to the agriculture and agrarian reform sector;

(b) Wholesale lending granted to accredited rural FIs for the exclusive purpose of on-lending to the agriculture and agrarian reform sector;

(c) Rediscounting facility granted by UBs/KBs to other banks covering eligible agricultural 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 Subsec. X341.1, for the benefit of the agriculture 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 no. "f(ix)" of Subsec. X341.1;

(f) Extension of loans to:

(i) NFA-registered warehousemen/millers/wholesalers for purposes of financing activities identified under Section 23 of R.A. No. 8435, as defined under Item no. "f(ix)" of Subsec. X341.1; or

(ii) The NFA: *Provided*, That the NFA shall not use the proceeds of said loans for relending; or

(g) Purchase of eligible loans listed under Item nos. "a(2)(b)" to "a(2)(f)" 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)(g)" are not rediscounted with UBs/KBs: *Provided, further*, That the activities identified under Item nos. "a(2)(a)" to "a(2)(g)" 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 BSP-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 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

(b) Investment 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 Sec. 23 of R.A. No. 8435, as defined under Item no. "f(ix)" of Subsec. X341.1: *Provided*, That said activities shall generally benefit agrarian reform beneficiaries.

The eligibility of securities under Item no. "b(1)" shall be subject to the same conditions required for securities under Item no. "a(1)".

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

(a) Investments in SDAs of BSP-accredited rural FIs, the proceeds of which shall be used exclusively for on-lending to agrarian reform beneficiaries;

(b) Wholesale lending granted to accredited rural FIs for the exclusive purpose of on-lending to agrarian reform beneficiaries;

(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 to borrowers, for purposes of financing activities identified under Section 23 of R.A. No. 8435, as defined under Item no. "f(ix)" of Subsec. X341.1: *Provided*, That said activities shall generally benefit agrarian reform beneficiaries; or

(e) Purchase of eligible loans listed under Item nos. "b(2)(b)" to "b(2)(d)" on a "without recourse" basis from other banks and FIs after 20 April 2010:

Provided, That the loans under Item nos. "b(2)(d)" to "b(2)(e)" are not rediscounted with UBs/KBs: *Provided, further*, That the activities identified under Item nos. "b(2)(a)" to "b(2)(e)" 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 BSP-accredited rural FIs.

For purposes of implementing the provisions of this Section, the DA, or its duly-authorized agency, shall furnish the Bangko Sentral with information on the debt securities eligible as alternative compliance with the mandatory agri-agra credit."

Section 2. 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:


NESTOR A. ESPENILLA, JR.
Governor

18 July 2018