



Bangko Sentral ng Pilipinas

Office of the Governor

CIRCULAR NO. 516 Series of 2006

Pursuant to Monetary Board Resolution No. 188 dated 16 February 2006, the provisions of Section 2205 and Appendix 31 of the Manual of Regulations for Banks (MORB), covering the guidelines on Check Clearing Rules for Thrift Banks authorized to accept demand deposits and for Rural Banks who are members of the Philippine Clearing House Corporation are hereby amended as follows:

A. Sec. 2205 Check Clearing Rules for Thrift Banks Authorized to Accept Demand Deposits.

1. The second sentence of Sec. 2205 c. (1) of the MORB is hereby amended to read as follows:

Every TB authorized to participate directly in the clearing operations of PCHC should apply for this line with the appropriate Supervision and Examination Department (SED) of the BSP.

2. Item e under Section 2205 is hereby added to the MORB to read as follows:

e. Any overdraft incurred under Section 102 of RA No. 7653 may be converted into an emergency loan or advance provided it complies with the guidelines governing the grant of emergency loans under Subsection X272.2 of the MORB.

B. Appendix 31 (Appendix to Items "c" and "d" of Section 2205 and 3205)

Sec 3. Application for Overnight Clearing Line

Section 3 is hereby amended to read as follows:

- a. Thrift and rural banks authorized to participate directly in the clearing operations of PCHC shall file their application for an Overnight Clearing Line with the appropriate SED supported by documents indicated below under item b.1, b.2 and b.3.
- b. The applicant bank shall furnish the Department of Loans and Credit (DLC) a copy of the application, together with the following:

- b.1 A duly notarized secretary's certificate together with a resolution of the board of directors of the bank authorizing the bank to apply for a loan line and designating the officers authorized to negotiate, sign and execute all accessory documents for the loan line;
 - b.2 Duly signed and notarized Overnight Clearing Line Agreement between the bank and the BSP;
 - b.3 Duly accomplished Tripartite Memorandum of Agreement between and among the BSP, the applicant-bank and the PCHC;
 - b.4 Notarized Surety Agreement executed by the controlling stockholders (owning more than 50% of the voting stocks) and every person or group of persons whose stockholdings are sufficient to elect at least one director obligating themselves jointly and severally with the bank to pay promptly on maturity or when due the BSP, its successors or assigns, all promissory notes covering availment against the loan line; and
 - b.5 Collateral documents to cover the loan line.
- c. The loan line shall be secured by first class collaterals that refer to the assets and securities which have relatively stable and clearly definable value and/or greater liquidity and free from lien and encumbrances, to the extent of their applicable loan values, as follows:

Acceptable Collaterals	Loan Value
c.1.a Government securities c.1.b Commercial Credits (AAA)	80% of the current market value of the securities
c.2 Unencumbered real estate properties in the name of the bank	70% of the appraised value of the land and insured improvements determined by a licensed and independent appraiser acceptable to the BSP in accordance with BSP's terms of reference.
c.3 Mortgage credits	70% of the appraised value of the property securing the loan evidenced by negotiable instruments as determined by a licensed and independent appraiser acceptable to the BSP in accordance with BSP's terms of reference or 80% the outstanding balance of such loan whichever is lower.
c.4 Holdout on foreign currency deposits with the BSP.	80% of current market value

- d. The DLC shall inform the appropriate SED of the total loan value of eligible collaterals and the appropriate SED, upon finding the application and any amendments thereto to be in order, shall recommend to the Monetary Board the approval of the bank's loan line.
- e. The loan line, once approved, can be amended at the instance of the applicant bank only once every twelve (12) months. The loan line shall be equal to at least five (5%) percent of the bank's deposit liabilities as at end of prior month. The appropriate SED shall recommend to the Monetary Board any request for amendment of the line.
- f. The bank shall be allowed the flexibility of changing or substituting collateral, specially matured government securities. The DLC shall act on such request, provided it will not result in an amendment of the approved overnight clearing line.

Sec 4. Availments Against the Approved Loan Line

Item 4.c of shall be re-numbered as 4.d and the following are hereby added as items c, e and f to read as follows:

- c. The availments against the approved loan line shall bear interest at the ninety-one (91)-day Treasury Bill rate of the last auction immediately preceding the availments.
- e. The loan value of the collaterals securing the loan line shall be correspondingly reduced under any of the following circumstances:
 - e.1 There are collections received on the mortgage credits;
 - e.2 The mortgage credits become past due;
 - e.3 The property mortgaged was sold; and
 - e.4 The collateral assets fall short of the definition of first class collateral.
- f. The bank shall duly inform DLC of any collections on mortgaged credits or sale of assets mortgaged and ensure that adequate records on collections and sales made by the branches are maintained in its head office.

Sec 7. Procedures for Settling Losses

Item c. is hereby amended deleting the word DLC and shall now read as follows:

c. Collateralized overnight clearing line granted by the BSP.

Effectivity. This Circular shall take effect after fifteen days from date of its publication in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


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Officer-In-Charge

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