



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS
OFFICE OF THE GOVERNOR

CIRCULAR NO. 347

Pursuant to the Monetary Board Resolution No. 1171 dated August 8, 2002, the following rules and regulations are hereby issued to implement Section 44 of Republic Act No. 8791, the General Banking Law of 2000.

Section 1. Section X308 is hereby added to the Manual of Regulations for Banks (MOR) to read as follows:

SEC. X308 Amortization on loans and other credit accommodations. The amortization schedule of bank loans and other credit accommodations shall be adapted to the nature of the operations to be financed.

In case of loans and other credit accommodations with maturities of more than five (5) years, provisions must be made for periodic amortization payments, but such payments must be made at least annually: *Provided*, However, that when the borrowed funds are to be used for purposes which do not initially produce revenues adequate for regular amortization payments, the bank may permit the initial amortization payment to be deferred until such time as said revenues are sufficient for such purpose, but in no case shall the initial amortization date be later than five (5) years from the date on which the loan or other credit accommodation is granted: *Provided*, Further, that in the case of agriculture and fisheries projects with long gestation periods, the initial amortization payment may be deferred for a longer period based on the economic life of the project as provided under Section 24 of R.A. No. 8435 and implemented under Sec. X349.

Section 2. The provisions of Section X349 are hereby amended to read as follows:

Sec. X349 Agriculture and fisheries projects with long gestation periods. Pursuant to Section 24 of R.A. No. 8435 (Agriculture and Fisheries Modernization Act of 1997), agriculture and fisheries projects with long gestation periods shall be entitled to longer grace periods in repaying the loan based on the economic life of the project. For purposes of this Section, the following



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definitions and guidelines shall govern the grant of loans for long-gestating agriculture and fisheries projects.

Subsec. X349.1 Definition of terms.

- a. *Gestation period* shall refer to the span of time from the commencement of the project to the time that it is economically productive and producing revenues; and
- b. *Grace period* under this section shall refer to the period that the initial amortization payment on the loan is deferred. All payments, however, must be made on or before the maturity of the loan.

Subsec. X349.2 Grace Period. Banks are allowed to extend loans/guarantees with a grace period of up to seven (7) years to viable long-gestating agriculture and fisheries projects.

Suggested gestation and grace periods for some of the long-gestating projects are in Appendix 36 of the MOR.

Subsec. X349.3 Responsibility of lending banks. Lending banks shall institute the necessary safeguards and precautions to ascertain the viability of the projects financed and the capability of the borrower in fulfilling his commitments.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:



ARMANDO L. SURATOS
Officer-In-Charge

16 August 2002