



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M-2009-038

To : ALL BANKS

Subject : Regulatory Relief for Banks Affected by Tropical Storm "Pepeng"

The Monetary Board, in its Resolution No. 1466 dated 8 October 2009 approved to grant temporary regulatory relief to banks with head offices and branches located in the following areas which were devastated by tropical storm "Pepeng", declared under State of Calamity by President Gloria Macapagal Arroyo on 2 October 2009 in view of its extensive effects:

- Region I: La Union, Pangasinan, Ilocos Norte and Ilocos Sur;
- Region II: Isabela, Quirino and Cagayan;
- Region III: Aurora, Bulacan, Pampanga, Zambales and Nueva Ecija;
- Region IV-A: Quezon and Rizal;
- Region V: Albay, Camarines Sur, Catanduanes and Sorsogon;
- Cordillera Administrative Region: Apayao, Mt. Province, Kalinga, Benguet, Abra, Ifugao and La Trinidad; and
- The National Capital Region (NCR)

The temporary relief shall be in the form of the following whenever applicable:

For Rural Banks/Thrift Banks/Cooperative Banks (RBs/TBs/Coop Banks)

1. During a temporary grace period for payment or upon their restructuring and subject to reporting to BSP, exclusion of the loans of borrowers in affected areas, which should have been reclassified as past due loans under Section X306 of the MORB on 3 October 2009 and those maturing up to 31 December 2010, from computation of past due loan ratio; provided that BSP documentary requirements for restructuring of loans for this purpose are waived; provided further that bank will adopt appropriate and prudent operational controls;
2. Reduction of the 5 percent general loan loss provision to 1 percent for restructured loans to borrowers in affected areas from 3 October 2009 to 31 December 2010;
3. Non-imposition of penalties on legal reserve deficiencies of RBs/TBs/Coop Banks with head office and/or branches in the affected areas incurred starting from reserve weeks ended 8 October 2009 to 1 April 2010 provided these reserve deficiencies can be shown to be calamity related rather than due to pre-existing condition;

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4. Moratorium without penalty on monthly payments due to the BSP until 31 March 2010 for banks with ongoing rehabilitation programs upon filing of application for extension/rescheduling;
5. For all types of credits extended to individuals and businesses directly affected by the calamity, allowing, subject to BSP prior approval, the booking of allowances for probable losses on a staggered basis over a maximum period of five years on loans outstanding as of 3 October 2009;
6. Non-imposition of monetary penalties for delays in the submission of all supervisory reports due to be submitted from 31 October 2009 to 31 March 2010; and
7. Allowing banks to provide financial assistance to their officers and employees who were affected by the calamity even if not within the scope of the existing BSP-approved Fringe Benefit Program (FBP) subject to subsequent submission of request for approval of the amendment to FBP to the appropriate supervision and examination department for regularization.

For All Rediscounting Banks

1. Upon application, granting of a 60-day grace period to settle the outstanding rediscounting obligations as of 28 September 2009 with the BSP of all rediscounting banks with head office, or with branches or with end-user borrowers in the affected areas except those with serious violations of findings with the SES; and
2. In addition to above, allow the rediscounting banks to restructure with the BSP, on a case-to-case basis the outstanding rediscounted loans of their end-user borrowers affected by the calamity, subject to the terms and conditions stated in the implementing guidelines (Annex A).

For information and guidance.


NESTOR A. ESPENILLA, JR.
Officer-In-Charge

08 October 2009

Annex "A"

**IMPLEMENTING GUIDELINES ON THE RESTRUCTURING SCHEME COVERING THE
REDISCOUNTING OBLIGATIONS WITH THE BANGKO SENTRAL NG PILIPINAS (BSP) OF
REDISCOUNTING BANKS IN THE AREAS AFFECTED BY TYPHOON "PEPENG"**

1. Objectives

The objectives of the loan settlement scheme are as follows:

- 1.1. To support the recovery efforts of rediscounting banks in the areas affected by typhoon "Pepeng";
- 1.2. To enable the rediscounting banks to liquidate their loan obligations with the BSP by way of restructuring; and
- 1.3. To ensure the collection of the rediscounted loans which may become past due in view of the damage caused by the typhoon, and maintain if not improve the quality of the loan portfolio of the BSP.

2. Qualified Banks

- 2.1 All rediscounting banks with end-user borrowers located in the following areas declared as "under state of natural calamity" by the National Disaster Coordinating Council/President of the Philippines:
 - Region I: La Union, Pangasinan, Ilocos Norte and Ilocos Sur;
 - Region II: Isabela, Quirino and Cagayan;
 - Region III: Aurora, Bulacan, Pampanga, Zambales and Nueva Ecija;
 - Region IV-A: Quezon and Rizal;
 - Region V: Albay, Camarines Sur, Catanduanes and Sorsogon;
 - Cordillera Administrative Region: Apayao, Mt. Province, Kalinga, Benguet, Abra, Ifugao and La Trinidad; and
 - The National Capital Region (NCR)
- 2.2 Rediscounting banks with serious violations or findings with the Supervision and Examination Sector (SES), and/or which are currently under investigation or subject to legal action by the Office of Special Investigation shall not be qualified to avail of the restructuring scheme.
- 2.3 In addition to Item No. 2.2, the Department of Loans and Credit shall evaluate each bank to determine if each would qualify for the restructuring.

3. Terms and Conditions**3.1. Maturity**

The restructured loan shall have a maximum term of five years.

3.2. Amount to be restructured

The amount to be restructured shall be equivalent to the following:

- *Principal.* Unpaid outstanding balance of the principal obligation in books of account of the BSP.
- *Accrued Interest.* Unpaid interest due on the outstanding principal obligation as of the end of the applicable repayment or amortization date, preceding the approval of the loan restructuring.

3.3. Interest Rate

The interest rate to be charged against the outstanding principal balance of the restructured loan shall be based on prevailing rediscount rate. The interest shall be re-priced annually.

3.4. **Maximum Bank Lending Rate**

The restructured interest rate of the bank to its end-user borrowers shall not exceed six percent over and above the applicable BSP interest rate. Moreover, the bank shall not charge interest on accrued interest.

3.5. **Terms of Repayment**

3.5.1. **Settlement Value.** The settlement value shall be paid by the bank in equal monthly amortizations; provided, that, the amortization period shall not exceed five years, to wit:

- *Principal.* The principal obligation shall be paid in equal monthly amortization plus the applicable rediscount rate.
- *Accrued interest.* The accrued interest on the principal obligation as of the end of the month immediately preceding the approval of the loan settlement scheme shall likewise be paid in equal monthly amortizations. No interest shall be charged on the accrued interest.

3.5.2. **Grace Period.** The bank shall be given a grace period of six months within which to pay the first amortization.

3.6. **Collaterals**

The following shall be the collaterals acceptable:

- Restructured promissory notes of end-user borrowers;
- Hard collaterals owned by the bank such as bank premises and government securities; and
- Other collaterals acceptable to the DLC.

3.7. **Default Cause**

- Failure to pay two or more amortizations shall be considered an event of default and shall render the unpaid balance of the loan, plus accrued interest and penalty charges due thereon, immediately due and demandable.
- A penalty charge of twelve percent per annum shall be assessed on the defaulted amortization payment, reckoned from the amortization due date to date of payment.
- The DLC may exercise the option to refer to the Office of Special Investigation or to an external lawyer for appropriate legal action, without further need for demand or notice to the defaulting bank.

3.8. **Required Documents**

Qualified banks shall submit the following documents:

- Letter of Understanding (LOU), agreeing to the terms and conditions of the restructuring. The LOU shall be executed by the senior officers of the bank, duly designated by its Board of Directors.
- Surety Agreement, if there is collateral deficiency.

4. **Application Procedures**

4.1. **Filing of Application**

The bank shall file with the DLC an application for restructuring of its outstanding rediscounting loans, supported by the following documents:

- Resolution of the Board of Directors a) authorizing the bank to enter into a loan settlement arrangement with the BSP, and b) designating authorized senior officers therefor.
- The restructured promissory notes of the end-user borrowers and other supporting documents.
- Promissory Note with Trust Receipt Agreement and Deed of Assignment executed by the authorized senior officers of the bank, duly notarized.

4.2. Notice of Approval of Application

The DLC shall notify the bank of the approval of its application to avail of the loan settlement scheme. Upon receipt of said advice, the bank shall:

- Execute the applicable document under **Item No. 4.1** of the Implementing Guidelines.
- Pay the required amortization immediately on the month following the date of approval of the loan restructuring scheme and monthly thereafter until fully paid.

5. Authorized Signatories of the BSP

<i>Transaction</i>	<i>Authorized BSP Officer</i>
Approval of the application to avail of the loan restructuring scheme	Director, DLC, or in her absence, any of the DLC Deputy Directors
Approval to release the collateral documents	Director, DLC, or in her absence, any of the DLC Deputy Directors
Execution of Cancellation of Deeds of Real Estate Mortgage, Assignment or Pledge	Deputy Governor, Monetary Stability Sector

6. Other Provisions

6.1. Value-Date of the Settlement Scheme

The value-date of the settlement value shall be the end of the month immediately preceding the date of approval of the loan restructuring.

6.2. Effectivity Date

The loan settlement scheme shall be made available up to **31 March 2010** only.