



Bangko Sentral ng Pilipinas

OFFICE OF THE DEPUTY GOVERNOR SUPERVISION AND EXAMINATION SECTOR

MEMORANDUM NO. M-2006- 001

MEMORANDUM TO ALL BANKS AND NON-BANK FINANCIAL INSTITUTIONS PERFORMING QUASI-BANKING FUNCTIONS (NBQBs)

Subject: **Procedures for Obtaining a Certificate of Eligibility
under the SPV Act, as amended**

The Monetary Board, in its Resolution No. 549 dated 27 April 2006, approved the following procedures for banks/NBQBs that intend to transfer/sell their non-performing assets (NPAs) to a Special Purpose Vehicle (SPV) or to an individual that involves a single family residential unit, or transactions involving *dacion en pago* by the borrower or third party of a non-performing loan (NPL), for the purpose of obtaining a Certificate of Eligibility (COE) which is required to avail of the incentives provided under R.A. No. 9182, as amended by R.A. No. 9343.

1. Prior to the filing of any application for transfer/sale of NPAs, a bank/NBQB shall coordinate with the Bangko Sentral ng Pilipinas (BSP) through the Supervisory Data Center (SDC) and the appropriate Supervision and Examination Department (SED) to develop a reconciled and finalized master list of its eligible NPAs.

For this purpose, banks/NBQBs were requested to submit a complete inventory of their NPAs in the format prescribed under Circular Letter dated 07 January 2003 (Attachments 1-1 to 1-6). Only NPAs included in the master list that meet the definition of NPA, NPL and Real and Other Properties Owned or Acquired (ROPOA) under R.A. No. 9182 may qualify for the COE. The banks/NBQBs shall be provided a copy of their reconciled and finalized master list for their guidance.

Only banks/NBQBs which have not yet submitted their master list of NPAs and intend to avail of the incentives and fee privileges of the SPV Act 2nd Phase implementation are allowed to submit a complete inventory of their NPAs in the format prescribed under Circular Letter dated 7 January 2003. Banks/NBQBs which have already submitted to BSP a master list of NPAs as of 30 June 2002 in the 1st Phase implementation of the SPV Act will not be allowed to submit a new/amended master list.

2. An application for eligibility of specific NPAs shall be filed in writing (hard copy) by the selling bank/NBQB with the BSP through the appropriate SED for each proposed transfer of asset/s. Although no specific form is prescribed, the applicant shall describe in sufficient detail its proposed

PANANALAPING MATATAG, BANSANG PANATAG

transaction, identifying its counterparty/ies and disclosing the terms, conditions and all material commitments related to the transaction.

3. For applications involving more than ten (10) NPA accounts, the list of NPAs to be transferred/sold shall be submitted in soft copy (by electronic mail or diskette) in **excel format** using the attached prescribed data structure/format for NPLs and ROPOAs (Attachments 2-1 to 2-4) to the appropriate SED of the applicant bank/NBFI at the following addresses:

SEDI-SPV@bsp.gov.ph

SEDII-SPV@bsp.gov.ph

SEDI-SPV@bsp.gov.ph

SEDIV-SPV@bsp.gov.ph

For applications involving ten (10) NPA accounts or less, it is preferable that the list be submitted also in soft copy. The applicant may opt to submit the list in hard copy, provided all the necessary information shown in the prescribed data structure (Attachments 2-1 to 2-4) that are relevant to each NPL or ROPOA to be transferred/sold will be indicated. The list to be submitted in hard copy would be ideal for the sale/transfer of NPAs that involve one (1) promissory note and/or one (1) asset item per account.

4. The application shall be accompanied by a written certification signed by a senior officer with a rank of at least Senior Vice President or equivalent, who is authorized by the board of directors, or by the country head, in the case of foreign banks, that:
 - a. the assets to be sold/transferred are NPAs as defined under the SPV Act of 2002;
 - b. the proposed sale/transfer of said NPAs is under a true sale;
 - c. the notification requirement to the borrowers has been complied with; and
 - d. the maximum 90-day period for renegotiation and restructuring has been complied with.

Items c and d above shall not apply if the NPL has become a ROPOA after 30 June 2002.

5. In the case of *dacion en pago* by the borrower or a third party to a bank/NBQB, the application for COE on the NPL being settled shall be accompanied by a Deed of Dacion executed by the borrower, the third party, the registered owner of the property and the bank/NBQB.
6. The appropriate SED may conduct an on-site review of the NPLs and ROPOAs proposed to be transferred/sold. After the on-site review, the

application for transfer/sale shall be submitted to the Deputy Governor, Supervision and Examination Sector (SES) for approval and for the issuance of the corresponding Certificate of Eligibility (COE).

7. Upon the issuance of the SPV Application Number by the BSP, a bank/NBQB shall be charged a processing fee, as follows:
 - i. 1/100 of 1% of the book value of NPAs transferred or the transfer price, whichever is higher, but not below P25,000 if the transfer is made to an SPV;
 - ii. 1/100 of 1% of the book value of the NPL but not below P5,000 in case of a dacion en pago arrangement by an individual or corporate borrower;
 - iii. P5,000 if the transfer involves a single family residential unit to an individual.
8. An SPV that intends to transfer/sell to a third party an NPA that is covered by a COE previously issued by the BSP shall file an application for such transfer/sale with the Securities and Exchange Commission (SEC) which shall issue the corresponding COE based on the data base of COEs maintained at the BSP.

An individual who intends to transfer/sell an NPA that involves a single family residential unit he had acquired that is covered by a COE shall file an application for another COE with the BSP through the bank/NBQB from which the NPA was acquired. The individual shall indicate in his application the previous COE issued for the NPA he had acquired and the name, address and Taxpayer's Identification Number (TIN) of the transferee/buyer of the NPA. A processing fee of P5,000 shall be collected upon issuance of the SPV Application Number by the BSP.

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


NESTOR A. ESPENILLA, JR.
Deputy Governor

11 May 2006

Attachments