



Bangko Sentral ng Pilipinas
MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

**Circular No. 514
Series of 2006**

Subject: DOSRI Rules for Government Borrowings in Government-Owned or Controlled Banks/Non-Bank Financial Institutions

Pursuant to Monetary Board Resolution No. 168 dated 10 February 2006, the following provisions are hereby added to the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI):

Section 1. Subsec. X337.1 is hereby added to the MORB, to read as follows:

"Applicability of DOSRI rules and regulations to Government Borrowings. The provisions of Section X326 to Section X337 of the MORB shall also apply to loans, other credit accommodations, and guarantees granted to the National Government or Republic of the Philippines (ROP), its political subdivisions and instrumentalities as well as government-owned or controlled corporations (GOCCs), subject to the following clarifications:

- 1) Loans, other credit accommodations, and guarantees to the ROP and/or its agencies/departments/bureaus shall be considered: (a) non-risk; and (b) not subject to any ceiling;
- 2) Loans, other credit accommodations, and guarantees to: (a) GOCCs; and (b) corporations where the ROP, its agencies/departments/bureaus, and/or GOCCs own at least twenty percent (20%) of the subscribed capital stock shall be considered indirect borrowings of the ROP and shall form part of the individual ceiling as well as the aggregate ceiling;
- 3) In view of the fiscal autonomy granted under R.A. No. 7653 and the independence prescribed under the Constitution, the BSP shall be considered an independent entity, hence, not a related interest of the ROP and/or its agencies/departments/bureaus. Loans, other credit accommodations and guarantees of the BSP shall be considered: (a) non-risk; and (b) not subject to any ceiling;

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- 4) Local government units (LGUs) shall be considered separate from the ROP, other government entities, and from one another due to the full autonomy in the exercise of their proprietary functions and in the management of their economic enterprises granted to them under the Local Government Code of the Philippines, subject to certain limitations provided by law, hence, not a related interest of the ROP and/or its agencies/departments/bureaus;
- 5) A director who acts as a government representative in the lending institution shall not be excluded in the deliberation as well as in the determination of majority of the directors in cases of loans, other credit accommodations, and guarantees to the ROP and/or its agencies/departments/bureaus; and
- 6) A director of the lending institution shall be excluded in the deliberation as well as in the determination of majority of the directors in cases of loans, other credit accommodations, and guarantees to the borrowing government entity other than the ROP, its agencies, departments or bureaus where said director is also a director, officer or stockholder under existing DOSRI regulations."

Section 2. The provisions of this Circular shall also be applicable to quasi-banks and other non-bank financial institutions and shall be added to the Q-Regulations and N-Regulations of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI).

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

FOR THE MONETARY BOARD:


DIWA C. GUINIGUNDO
Officer-In-Charge

6 March 2006