



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 350

Pursuant to the Monetary Board Resolution No. 1241 dated August 29, 2002, the following rules and regulations are hereby issued to implement Section 39 of Republic Act No. 8791, the General Banking Law of 2000.

The provisions of Section X304 of the Manual of Regulations for Banks and its Subsections are hereby amended, to read as follows:

Section X304. Grant of Loans and Other Credit Accommodations.

The following regulations shall be observed in the grant of loans and other credit accommodations:

Subsec. X304.1. General Guidelines

Banks shall grant loans and other credit accommodations only in amounts and for the periods of time essential for the effective completion of the operation to be financed. Such grant of loans and other credit accommodations shall be consistent with safe and sound banking practices.

Subsec. X304.2. Purpose of Loans and Other Credit Accommodations

Before granting a loan or other credit accommodation, banks shall ascertain the purpose of the loan or other credit accommodation which shall be clearly stated in the application and in the contract between the bank and borrower. The proceeds of a loan or other credit accommodation shall be utilized only for the purpose(s) stated in the application and contract; otherwise, the bank may terminate the loan or other credit accommodation and demand immediate repayment of the obligation. Notwithstanding the preceding sentence, the proceeds of a loan or other credit accommodation may be utilized by the borrower for a purpose(s) other than that originally stated in the application and contract, provided that such other purpose(s) is/are among those for which the lending bank may grant loans and other credit accommodations under existing laws and regulations: *Provided*, That such utilization shall be with prior written approval of duly authorized officer(s)/ committee/board of directors of the lending bank and such written approval shall form part of the contract between the bank and the borrower.



MAG-IMPOK SA BANGKO

Subsec. X304.3. Prohibited use of loan proceeds.

Banks are prohibited from requiring their borrowers to acquire shares of stock of the lending bank out of the loan or other credit accommodation proceeds from the same bank.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:



RAFAEL B. BUENAVENTURA
Governor

15 September 2002