



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

Circular No. 549
Series of 2006

**Subject: Amendment to the Manual of Regulations for Banks,
as amended by Circular No. 472 dated 1 February 2005**

Pursuant to Monetary Board Resolution Nos. 1109, 1189 and 1193 dated 18 August 2005, 8 September 2005 and 28 September 2006, respectively, the provisions of the Manual of Regulations for Banks (MORB), as amended by Circular No. 472 dated 1 February 2005, are hereby amended as follows:

Section 1. The provision of the third paragraph of Subsection X304.1 of the MORB, as amended by Circular No. 472, is hereby amended to read as follows:

"In addition to the usual information sheet about the borrower, a bank shall require from the credit applicant the following:

1. A copy of the latest Income Tax Return (ITR) of the borrower and his co-maker, if applicable, duly stamped as received by the Bureau of Internal Revenue (BIR);
2. Except as otherwise provided by law and in other regulations, if the borrower is engaged in business, a copy of the borrower's latest financial statements as submitted for taxation purposes to the BIR;
AND
3. A waiver of confidentiality of client information and/or an authority of the bank to conduct random verification with the BIR in order to establish authenticity of the ITR and accompanying financial statements submitted by the client."

Section 2. The penultimate paragraph of Subsection X304.1 of the MORB, as amended by Circular No. 472, is hereby amended to read as follows:

"THE ABOVE DOCUMENTS SHALL BE REQUIRED TO BE SUBMITTED ANNUALLY FOR AS LONG AS THE LOAN AND/OR CREDIT ACCOMMODATION IS OUTSTANDING. The consistency of the data/figures

PANANALAPING MATATAG, BANSANG PANATAG

in said ITRs and statements shall also be checked and considered in the evaluation of the financial capacity and creditworthiness of credit applicants."

Section 3. Section 3 (Coverage) of Circular No. 472 is amended to read as follows:

"Section 3. Coverage.

THE REQUIRED SUBMISSION OF ADDITIONAL DOCUMENTS UNDER SUBSECTION X304.1 OF THE MORB shall cover loans, other credit accommodations, and credit lines granted, RESTRUCTURED, renewed or extended after the effectivity of this Circular, including any availment and/or re-availment against existing credit lines, except:

- 1. MICROFINANCE LOANS. THIS REPRESENTS SMALL LOANS GRANTED TO THE BASIC SECTORS SUCH AS FARMER-PEASANT, ARTISANAL FISHERFOLK, WORKERS IN THE FORMAL AND INFORMAL SECTOR, AND MIGRANT WORKERS, INDIGENOUS PEOPLES AND CULTURAL COMMUNITIES, WOMEN, DIFFERENTLY-ABLED PERSONS, SENIOR CITIZENS, VICTIMS OF CALAMITIES AND DISASTERS, YOUTH AND STUDENTS, CHILDREN, AND URBAN POOR, AS DEFINED IN THE SOCIAL REFORM AND POVERTY ALLEVIATION ACT OF 1997 (R.A. NO. 8425), AND OTHER LOANS GRANTED TO POOR AND LOW-INCOME HOUSEHOLDS FOR THEIR MICROENTERPRISES AND SMALL BUSINESSES. THE MAXIMUM PRINCIPAL AMOUNT OF MICROFINANCE LOANS SHALL NOT EXCEED P 150,000 AND MAY BE AMORTIZED ON A DAILY, WEEKLY, SEMI-MONTHLY OR MONTHLY BASIS, DEPENDING ON THE CASH FLOW CONDITIONS OF THE BORROWERS. SAID LOANS ARE USUALLY UNSECURED, FOR RELATIVELY SHORT PERIODS OF TIME (180 DAYS) AND OFTEN FEATURING JOINT AND SEVERAL GUARANTEES OF ONE OR MORE PERSONS;**
- 2. LOANS TO REGISTERED BARANGAY MICRO-BUSINESS ENTERPRISES (BMBES);**
- 3. INTERBANK LOANS;**
- 4. LOANS SECURED BY HOLD-OUTS ON OR ASSIGNMENT OF DEPOSITS OR OTHER ASSETS CONSIDERED NON-RISK BY THE MONETARY BOARD;**
- 5. LOANS TO INDIVIDUALS WHO ARE NOT REQUIRED TO FILE ITRs UNDER BIR REGULATIONS, AS FOLLOWS:**

- a. INDIVIDUALS WHOSE GROSS COMPENSATION INCOME DOES NOT EXCEED THEIR TOTAL PERSONAL AND ADDITIONAL EXEMPTIONS, OR WHOSE COMPENSATION INCOME DERIVED FROM ONE EMPLOYER DOES NOT EXCEED ₱ 60,000 AND THE INCOME TAX ON WHICH HAS BEEN CORRECTLY WITHHELD;
 - b. THOSE WHOSE INCOME HAS BEEN SUBJECTED TO FINAL WITHHOLDING TAX;
 - c. SENIOR CITIZENS NOT REQUIRED TO FILE A RETURN PURSUANT TO R.A. 7432, AS AMENDED BY R.A. 9257, IN RELATION TO THE PROVISIONS OF THE NATIONAL INTERNAL REVENUE CODE (NIRC) OR THE TAX REFORM ACT OF 1997; AND
 - d. AN INDIVIDUAL WHO IS EXEMPT FROM INCOME TAX PURSUANT TO THE PROVISIONS OF THE NIRC AND OTHER LAWS, GENERAL OR SPECIAL; AND
6. LOANS TO BORROWERS, WHOSE ONLY SOURCE OF INCOME IS COMPENSATION AND THE CORRESPONDING TAXES ON WHICH HAS BEEN WITHHELD AT SOURCE AND WHO SUBMITTED, IN LIEU OF THE ITR, A COPY OF THEIR EMPLOYER'S CERTIFICATE OF COMPENSATION PAYMENT/TAX WITHHELD (BIR FORM 2316).

CONSUMER LOANS, WITH ORIGINAL AMOUNTS NOT EXCEEDING ₱2 MILLION, ARE EXEMPTED FROM UPDATING REQUIREMENTS OR THE REQUIRED ANNUAL SUBMISSION OF THE SAME REQUIREMENTS FORWARDED DURING THE INITIAL SUBMISSION UNDER SUBSECTION X304.1 OF THE MORB BUT NOT IN THEIR RESTRUCTURING, RENEWAL, OR EXTENSIONS OR AVAILMENT/RE-AVAILMENT AGAINST EXISTING CREDIT LINES: PROVIDED, THAT THESE LOANS ARE SUPPORTED BY ITR/AFS/BIR FORM 2316 AT THE TIME THE LOANS WERE GRANTED, RESTRUCTURED, RENEWED, OR EXTENDED.

FOR PURPOSES OF THIS SECTION, THE TERM "CONSUMER LOANS" IS DEFINED TO INCLUDE HOUSING LOANS, LOANS FOR PURCHASE OF CAR, HOUSEHOLD APPLIANCE(S), FURNITURE AND FIXTURES, LOANS FOR PAYMENT OF EDUCATIONAL AND HOSPITAL BILLS, SALARY LOANS AND LOANS FOR PERSONAL CONSUMPTION, INCLUDING CREDIT CARD LOANS.

Section 4. Item I.B.1.d of the Guidelines in Identifying and Monitoring Problem Loans and Other Risk Assets and Setting-up of Allowance for Probable Losses under Appendix 18 of the MORB is hereby amended to read as follows:

***d.** Loans with no latest Income Tax Return (ITR) and/or latest Audited Financial Statements (AFS) OR BIR FORM 2316, except –

- i. CONSUMER LOANS, WITH ORIGINAL AMOUNTS NOT EXCEEDING P2 MILLION: PROVIDED, THAT THESE LOANS ARE CURRENT; AND ARE SUPPORTED BY LATEST ITR AND/OR AFS OR BIR FORM 2316 AT THE TIME THEY WERE GRANTED, RENEWED, RESTRUCTURED OR EXTENDED: PROVIDED, THAT FOR THIS PURPOSE, CONSUMER LOANS IS DEFINED TO INCLUDE HOUSING LOANS, LOANS FOR PURCHASE OF CAR, HOUSEHOLD APPLIANCE(S), FURNITURE AND FIXTURES, LOANS FOR PAYMENT OF EDUCATIONAL AND HOSPITAL BILLS, SALARY LOANS AND LOANS FOR PERSONAL CONSUMPTION, INCLUDING CREDIT CARD LOANS.**
- ii. LOANS WHICH ARE EXEMPTED FROM THE ADDITIONAL DOCUMENTARY REQUIREMENTS UNDER SECTION 3 OF THIS CIRCULAR.**

Section 5. TRANSITORY PROVISION. LOANS TO MICRO AND SMALL ENTERPRISES WHICH ARE NOT SPECIFICALLY EXEMPTED FROM THE COVERAGE OF THIS CIRCULAR, ARE HEREBY GIVEN A PERIOD OF TWO (2) YEARS FROM EFFECTIVITY OF THIS CIRCULAR, WITHIN WHICH TO COMPLY WITH THE ADDITIONAL DOCUMENTARY REQUIREMENTS PRESCRIBED IN THE THIRD PARAGRAPH OF SUBSECTION X304.1 OF THE MORB.

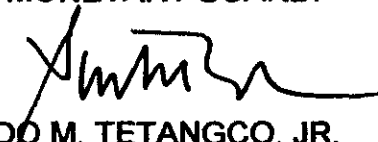
MICRO AND SMALL ENTERPRISES SHALL BE DEFINED AS ANY BUSINESS ACTIVITY OR ENTERPRISE ENGAGED IN INDUSTRY, AGRIBUSINESS AND/OR SERVICES WHETHER SINGLE PROPRIETORSHIP, COOPERATIVE, PARTNERSHIP OR CORPORATION WHOSE TOTAL ASSETS, INCLUSIVE OF THOSE ARISING FROM LOANS BUT EXCLUSIVE OF THE LAND ON WHICH THE PARTICULAR BUSINESS ENTITY'S OFFICE, PLANT AND EQUIPMENT ARE SITUATED, MUST HAVE A VALUE OF UP TO P3,000,000 AND P 15,000,000, RESPECTIVELY, OR AS MAY BE DEFINED BY THE SMED COUNCIL OR OTHER COMPETENT GOVERNMENT AGENCY.

Section 6. Section 6 of Circular No. 472 is hereby amended to read as follows:

"Section 6. The provisions of this Circular shall also be applicable to all non-bank financial institutions under the regulation and supervision of the Bangko Sentral ng Pilipinas **EXCEPT PAWNSHOPS.**"

Section 7. Effectivity. 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:


AMANDO M. TETANGCO, JR.
Governor

9 October 2006