



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M-2010-007

TO : ALL RURAL AND COOPERATIVE BANKS IN AREAS AFFECTED BY EL NINO PHENOMENON

SUBJECT : Regulatory Relief for Banks Affected by "El Nino Phenomenon"

The Monetary Board, in its Resolution No. 497 dated 8 April 2010, approved to grant temporary regulatory and rediscounting relief to rural banks (RBs) and cooperative banks (Coop Banks) located in:

a. Areas adversely affected by El Nino phenomenon based on the latest Update of the National Disaster Coordinating Council (NDCC) dated 19 March 2010, in view of its extensive effects, as follows:

- Region I : La Union, Pangasinan, Ilocos Norte, and Ilocos Sur
- Region II : Cagayan, Isabela, Nueva Vizcaya, and Quirino
- Region III : Bataan, Bulacan, Nueva Ecija, Pampanga, Tarlac, and Zambales
- Region IV-A : Cavite, Laguna, Batangas, Rizal, and Quezon
- Region V : Albay (six municipalities and two cities), Camarines Sur (18 municipalities and two cities), Camarines Norte (nine municipalities), Sorsogon (one municipality), Catanduanes (six municipalities), and Masbate (14 municipalities and one city)
- Region VI : Antique, Guimaras, Iloilo, Negros Occidental and Capiz
- Region VII : 28 mountain barangays in Cebu City, and Negros Oriental
- Region IX : Zamboanga del Norte, Zamboanga Sibugay, and Zamboanga City
- Region X : Lanao del Sur, Lanao del Norte, Bukidnon, Misamis Occidental, and Misamis Oriental
- Region XI : Davao del Sur, Davao del Norte, and Davao City
- Region XII : Cotabato Province, Sultan Kudarat, Sarangani, South Cotabato, and Maguindanao Province (75 municipalities)
- Cordillera : Ifugao, Kalinga, Apayao, Mt. Province and Abra; and
- Administrative Region

b. such other areas as may be subsequently added by NDCC to the list contained in aforementioned Update. RBs and Coop Banks in the additional affected areas shall be automatically eligible for the temporary regulatory and rediscounting relief.

The temporary relief to RBs and Coop Banks shall be in the following form, whenever applicable:

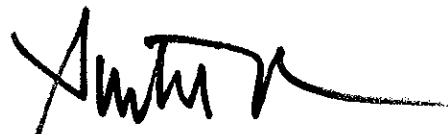
PANANALAPING MATATAG, BANSANG PANATAG

- i. During a temporary grace period for payment or upon their restructuring (including second restructuring) and subject to reporting to the Bangko Sentral ng Pilipinas (BSP), exclusion of the loans of the affected borrowers of RBs and Coop Banks in the abovementioned areas, which should have been reclassified as past due loans (PDLs) under Section X306 of the Manual of Regulations for Banks on 1 March 2010 and those maturing up to 30 April 2011, from computation of PDL ratio;
- ii. Reduction of the 5 percent general loan loss provision to 1 percent for restructured loans to borrowers of RBs and Coop Banks in affected areas from 1 March 2010 to 30 April 2011;
- iii. Non-imposition of penalties on legal reserve deficiencies of RBs and Coop Banks in the affected areas incurred or that maybe incurred starting from reserve weeks ended 4 March 2010 to 30 September 2010 provided these reserve deficiencies can be shown to be calamity related rather than due to pre-existing condition; and
- iv. 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 reckoned from the date of this approval (8 April 2010) on loans outstanding as of 31 March 2010.

For All Rediscounting Banks

- i. Upon application, granting of a 60-day grace period to settle the outstanding rediscounting obligations as of 15 March 2010 with the BSP except those with serious violations or findings with the SES;
- ii. 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 in the implementing guidelines attached as "Annex A" hereof;
- iii. Allow the affected RBs and Coop Banks up to 31 May 2010 to apply for a special rediscounting line and up to 31 December 2010 to avail themselves of such line. Loans availed by affected RBs and Coop Banks under the special rediscounting lines are subject to renewal based on the original term of the loans but not to exceed five years; and
- iv. Allow the use of the unavailed portion of P5 billion budget exclusively for the restructuring of rediscounting obligations of banks and new availments of banks intended as rediscounting relief for bank customers adversely affected by Typhoons "Ondoy" and "Pepeng".

For information and guidance.


AMANDO M. TETANGCO, JR.
 Governor

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 "EL NIÑO"

1. Objectives

The objectives of the loan settlement scheme are as follows:

- 1.1 To support the recovery efforts of rediscounting banks in the area affected by El Niño.
- 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 El Niño, 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 in its Update dated 19 March 2010:

- Region I : La Union, Pangasinan, Ilocos Norte and Ilocos Sur
- Region II : Cagayan, Isabela, Nueva Vizcaya and Quirino
- Region III : Bataan, Bulacan, Nueva Ecija, Pampanga, Tarlac and Zambales
- Region IV-A : Cavite, Laguna, Batangas, Rizal and Quezon
- Region V : Albay (six municipalities and two cities), Camarines Sur (18 Municipalities and two cities), Camarines Norte (nine Municipalities), Sorsogon (one municipality), Catanduanes (six Municipalities) and Masbate (14 municipalities and one city)
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- Region XI : Davao del Sur, Davao del Norte and Davao City
- Region XII : Cotabato Province, Sultan Kudarat, South Cotabato, Sarangani and Maguindanao Province (75 municipalities)
- CAR : Ifugao, Kalinga, Apayao, Mt. Province and Abra; and

such other areas as may be added by NDCC to the list contained in aforementioned update. RBs and Coop Banks in the additional affected areas shall be automatically eligible for the temporary rediscounting relief.

- 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 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 amortization; 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 thereof.
- The restructured promissory notes of the end-user borrowers and other supporting documents.
- Promissory Notes 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

Transaction	Authorized BSP Officer
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 May 2010 only.