

[BSP CIRCULAR NO. 515, S. 2006, March 06, 2006]

GUIDELINES ON THE BANGKO SENTRAL NG PILIPINAS (BSP) REDISCOUNTING FACILITY PURSUANT TO SECTION 81, 82 (A), (B), AND (C) OF R.A. 7653 THE NEW CENTRAL BANK ACT

The Monetary Board, in its Resolution No. 94 dated 26 January 2006, approved the following guidelines on the Bangko Sentral ng Pilipinas (BSP) Rediscounting Facility pursuant to Sections 81, 82 (a), (b), and (c) of Republic Act No. 7653 or The New Central Bank Act. The guiding principle on rediscounts, discounts, loans and advances which the Bangko Sentral is authorized to extend to banking institutions shall be used to influence the volume of credit consistent with the objective of price stability. These guidelines shall supersede the existing provisions of Sections X 268 and X269 and the corresponding subsections of the Manual of Regulations for Banks (MORB), which are hereby revised as follows:

Sec. X268 rediscounting line. The following guidelines shall govern the operations of the BSPs rediscounting line by banking institutions.

§ X268.1 Credit Information System (Cris). The rediscounting availments of all eligible banks shall be drawn against their rediscounting line which is based on their total credit score under the CRIS. The scoring system under CRIS shall consider the following factors:

a. Management and Risk Assessment

- (1) Management
- (2) Risk Management System

b. Financial Indicators

- (1) Capital Adequacy
- (2) Asset Quality
- (3) Profitability
- (4) Liquidity

c. Credit Experience

- (1) Repayment record
- (2) Compliance with other Terms and Conditions

The CRIS guidelines shall be reviewed on a regular basis to maximize its effectiveness in managing the credit risk of the Bangko Sentral.

§ X268.2 Application Procedure. Banks applying for a rediscounting line shall submit their application in the prescribed form (RL Form No.1) to the Department of Loans and Credit (DLC) or the Regional Loans and Credit Unit (RLCU), together with the following documents:

- a. Board Resolution duly signed by the Board of Directors (BOD) of the applicant bank, authorizing the bank to apply for a rediscounting line with the BSP and designating at least two officers of the bank holding positions not lower than a manager or equivalent rank, with their specimen signatures;
- b. Consolidated Statement of Condition as of the end of the quarter immediately preceding the date of application together with the related Statement of Income and Expenses;
- c. For banks with designated custodian bank, a tripartite depository agreement (RL Form No. 2) by and among the applicant bank, designated depository bank (duly concurred by its Head Office) and the DLC or RLCU;
- d. Articles of Incorporation (for new applicants only);
- e. Organizational Chart;
- f. List of BOD and Principal Officers (top three Executive Officers)/Education/ Training and Work Experience;
- g. Consolidated Statement of Condition as of the preceding four calendar years;
- h. Consolidated Statement of Income and Expenses covering the preceding four calendar years;
- i. Annual Report/Audited Financial Statements for the immediately preceding year; and
- j. A copy of the Manual of Operations pertaining to microfinance operations
(For banks applying for microfinance facility).

§ X268.3 Approval/Renewal of the Line. The approval/renewal of the Line shall be subject to the bank's full compliance with the following requirements:

- a. Minimum capital prescribed under §X106.1 and §X106.2 of the MORB, as amended, based on the latest available report submitted to the BSP Supervisory Data Center (SDC);
- b. Capital adequacy ratio as required under Sec. X116 of the MORB, based on the latest available report submitted to the SDC except those with capital build-up program approved by the Monetary Board (MB);

- c. Required loan-loss provisions and valuation reserves as determined in the last examination of the appropriate Supervision and Examination Department (SED) of the required staggered booking as approved by the MB;
- d. Required reserves against deposit liabilities/deposit substitutes for two consecutive weeks preceding the date of application based on latest available report submitted to SDC;
- e. NPL ratio lower or equal to the industry average adjusted upward by two percent (2%) based on the latest report released by the SDC, or the allowable NPL ratio approved by the MB;
- f. Positive demand deposit account (DDA) balance with the BSP as of date of application;
- g. The bank has no past due obligations or collateral deficiencies on account of matured notes/ unremitted collections/missing collaterals as of date of application;
- h. A CAMELS Composite Rating of three (3) or higher based on the latest general examination of the appropriate SED;
- i. The ratio of past due direct and indirect loans to directors, officers, stock- holders, and their related interests (DOSRI) to the aggregate past due loans should not be more than five percent (5%) on latest available report submitted to SDC;
- j. Investment in bank premises should not exceed fifty percent (50%) of net worth based on the latest available report submitted to SDC; and
- k. Required liquidity floor for government deposits based on latest available report submitted to SDC.

Banks applying for the microfinance facility shall also comply with the following requirements:

- a. At least one year track record in microfinance;
- b. At least 500 active microfinance borrowers;
- c. A past due ratio for microfinance loans of not more than five percent (5%) as of the end of month preceding application;
- d. The ratio of total collections (excluding prepayments) during the preceding 12-month period to total collectibles (past due microfinance loans, beginning plus matured loans/principal amortizations due for the period) should not be less than ninety-five percent (95%); and
- e. Officers and staff responsible for microcredit operations shall have completed: 1) a training course on microfinance; and b) at least one year experience, in microlending activities.

The Director of the DLC or RLCU shall approve the rediscounting line of the applicant bank and the bank shall, thereafter, submit the following:

- a. Rediscounting Line Agreement (RL Form No. 3); and
- b. Notarized Surety Agreement executed by the controlling interest (single stockholder, natural or juridical owning more than 50% of the voting stocks) obligating himself/itself jointly and severally with the bank to pay promptly on maturity, or when due, the BSP, its successors or assigns, the bank's outstanding obligations with the BSP (RL Form No. 4).

§X268.4 amount of line. The rediscounting line of the applicant bank shall be based on its total credit score obtained as follows:

CRIS Score	Rediscounting Line
90.1 to 100	200% of Adjusted Net Worth
80.1 to 90.0	150% of Adjusted Net Worth
70.1 to 80.0	125% of Adjusted Net Worth
60.1 to 70.0	100% of Adjusted Net Worth
50.1 to 60.0	75% of Adjusted Net Worth
<50.1	50% of Adjusted Net Worth

Provided, That banks with reduced rediscounting lines arising from the operation of the Credit Information System shall be given a one-time six-month transition period to comply with their limits.

§ X268.5 Term of the Line. The term of the line shall be for one year unless sooner cancelled or revoked by DLC or RLCU, renewable annually upon submission of application at least one quarter before the expiry of said line. Should there be special circumstances or any information from the appropriate SED that may adversely affect the credit worthiness of a bank in the intervening period, the rediscounting line of the bank concerned will be reviewed immediately and adjusted accordingly.

Sec. X269 Rediscounting Availments. The following guidelines shall govern the rediscounting availments of banking institutions against their approved rediscounting line.

§ X269.1 Eligibility Requirements for Applicant Banks. Banks applying for availment of the BSP Rediscounting Facility must have a positive DDA balance with the BSP and should have no past due obligations or collateral deficiencies on account of matured notes/unremitted collections/missing collaterals as of date of application/release.

§X269.2. Eligible Papers and Collaterals. The BSP shall accept credit instruments covering all economic activities except the following:

- 1. Interbank loans
- 2. DOSRI loans
- 3. Extended/Restructured loans
- 4. Past due loans
- 5. Unsecured loans
- 6. Personal consumption loans
- 7. Loans for capital assets acquisition

8. Loans to non-bank financial institutions

9. Loans funded from borrowings from Government Financial Institutions (GFIs)

For banks with a CAMELS rating of 4, unsecured loans may be accepted for rediscounting provided it is secured by a duly registered mortgage on real estate property of the bank, seventy percent (70%) of the appraised value of which equals or exceeds the outstanding balance of the unsecured PN.

Credit instruments offered as collateral shall be subject to the eligibility requirements provided under Section 82 of R.A. No. 7653.

a. Commercial Credits - Bills, acceptances, promissory notes (PNs) and other credit instruments with maturities of not more than one hundred eighty (180) days from the date of their rediscount, discount or acquisition by the BSP and resulting from transactions related to:

1) the importation, exportation, purchase or sale of readily saleable goods and products, or their transportation within the Philippines; or

2) the storing of non-perishable goods and products which are duly insured and deposited, under conditions assuring their preservation, in authorized bonded warehouses or in other places approved by the Monetary Board.

Documents or instruments acquired under commercial credits shall either be secured by (i) a duly registered mortgage on real estate property seventy percent (70%) of the appraised value of which equals or exceeds the outstanding balance of the PN; or (ii) duly notarized assignment of proceeds of export or domestic letters of credit, confirmed purchase order or sales contract duly notarized trust receipts; and duly notarized assignment or pledge of quedans, the value of which equals or exceeds the outstanding balance of PN, export bill (EB), or bill of exchange (BX).

b. Production Credits - Bills, acceptances, PNs and other credit instruments having maturities of not more than three hundred sixty (360) days from the date of their rediscount, discount or acquisition by the BSP and resulting from transactions related to the production or processing of agricultural, animal, mineral, industrial and other products.

Documents or instruments acquired under production credits shall be secured by a duly registered mortgage on real estate property seventy percent (70%) of the appraised value of which equals or exceeds the outstanding balance of the PN.

c. Other Credits - Special credit instruments not otherwise rediscountable under the immediately preceding subsections (a) and (b) such as but not limited to microfinance, socialized and low-cost housing papers as defined under the existing guidelines of the Housing and Urban Development Coordinating Council (HUDCC), services and agricultural loans with long gestation period.

Except for microfinance loans which may be unsecured, documents or instruments acquired under other credits shall be secured by (i) a duly registered mortgage on real estate property seventy percent (70%) of the appraised value of which equals or exceeds the outstanding balance of the PN or (ii) duly notarized assignment of receivables from service contracts, the value of which equals or exceeds the outstanding balance of the PN. For housing papers, the lien or mortgage shall cover the property being financed.

The PNs/EBs/BX shall be endorsed in favor of the BSP and certified that the same are still outstanding as of the time of application, by at least two officers authorized by the borrowing bank's BOD and holding positions not lower than a manager or equivalent rank.

§ X269.3 Application Procedure. Banks availing of the rediscounting facility shall submit their application in the prescribed form (RL Form No. 5-peso/RL Form No. 6-dollar and yen) to the DLC or RLCU, together with the following documents:

a. Notarized PNs in favor of the Bangko Sentral (RL Form No. 7-peso/RL Form No. 8-dollar and yen) signed by at least two officers authorized by the borrowing bank's BOD and holding positions not lower than a manager or equivalent rank.

b. Rediscount Schedule (RS) (RL Form Nos. 9 to 15) of the PNs/EBs/BX offered as collaterals (grouped according to type of loan and maturity), certified by the two authorized officers of the bank that the same are still outstanding as of the time of application. In the case of banks with custodianship agreement, the depository bank should acknowledge that it has received in trust for the BSP the aforesaid collaterals.

c. Collateral documents listed in the RS (for banks without custodianship agreement).

§X269.4 Loan Value. The loan value of all eligible papers shall be eighty percent of the outstanding balance of the borrower's PN/EB/BX except for the following:

Socialized/Low-cost housing	80% of the amount of amortization covering principal payments due within 1 year from date of rediscount
Agricultural loans with long gestation period	70% of the outstanding balance of the the borrower's PN

§ X269.5 Maturities. The maturity of BSP rediscounts is as follows:

Type of Credit	Maturity Date
I. Commercial Credits	180 days from date of rediscount but shall not go beyond the maturity date of the PN/BX.
a. Export Packing	
b. Trading	
c. Transport	
d. Quedan	
e. Export Bills	
- At Sight	15 days from date of purchase
- Usance EB	Term of draft but not to exceed 60 days from shipment date
II. Production Credits	360 days from date of rediscount but shall