

[BSP CIRCULAR NO. 472, S. 2005, February 01, 2005]

TO ISSUE REGULATIONS GOVERNING BANKS AND ALL FINANCIAL INSTITUTIONS UNDER THE REGULATION AND SUPERVISION OF THE BANGKO SENTRAL NG PILIPINAS

Pursuant to Monetary Board Resolution No. 74 dated 20 January 2005, the following regulations governing banks and all financial institutions under the regulation and supervision of the Bangko Sentral ng Pilipinas (BSP) are hereby issued, as follows:

Section 1. Subsection X304.1 of the Manual of Regulations For Banks (MORB) is hereby amended to read as follows:

"General Guidelines. Consistent with safe and sound banking practices, a bank shall grant loans or other credit accommodations only in amounts and for the periods of time essential for the effective completion of the operation to be financed.

Before granting loans or other credit accommodations, a bank must ascertain that the borrower, co-maker, endorser, surety and/or guarantor, if applicable, is financially capable of fulfilling his/their commitments to the bank. For this purpose, a bank shall obtain adequate information on his/their credit standing and financial capacities.

In addition to the usual information sheet about the borrower, a bank shall require from the credit applicant a statement of his assets and liabilities and of his income and expenses together with 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); and
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.

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.

The consistency of the data/figures in said ITR and statements shall also be checked and considered in the evaluation of the financial capacity and creditworthiness of credit applicants.

Should the document(s) submitted prove to be spurious or incorrect in any material detail, the bank may terminate any loan or other credit accommodation granted on the basis of said document(s) and shall have the right to demand immediate repayment or liquidation of the obligation. Moreover, the bank may seek redress from the court for any harm done by the borrower's submission of spurious documents."

Section 2. Subsection X304.4 is hereby added to the MORB the provisions of which shall read as follows:

"Signatories. A bank shall require that loans and other credit accommodations be made under the signature of the principal borrower and in the case of unsecured loans and other credit accommodations to an individual borrower, at least one co-maker, except when the principal borrower has the financial capacity and a good track record of paying his obligations."

Section 3. Coverage. The provisions of Sections 1 and 2 of this Circular shall cover loans, other credit accommodations, and credit lines granted, renewed or extended after the effectivity of this Circular, including any availment and/or re-availment against existing credit lines, except consumer loans, as defined herein, which are supported by the documents enumerated in Section 1 of this Circular at the time they were granted.

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 delete the exemption of small and medium enterprises (SMEs) loans with no latest ITR