

## **[ BSP CIRCULAR NO. 380, March 28, 2003 ]**

### **CLASSIFICATION OF SALES CONTRACT RECEIVABLES**

Pursuant to Monetary Board Resolution No. 329 dated 6 March 2003, the Manual of Regulations for Banks and for Non-Bank Financial Institutions are hereby amended by adding Secs. X612 and 4628Q, respectively, to read as follows:

"Sales Contracts Receivable. This represents the balance of the selling price of assets owned and/or acquired under a plan of settlement, whereby the title to said assets is transferred only to the buyer upon full payment of the agreed selling price.

Sales Contract Receivables which meet all the requirements/conditions enumerated below are hereby considered performing assets and therefore not subject to classification:

- a. That there has been a down-payment of at least twenty percent (20%) of the agreed selling price or in the absence thereof, the installment payments on the principal had already amounted to at least twenty percent (20%) of the agreed selling price;
- b. That payment of the principal must be in equal installments or in diminishing amounts and with maximum intervals of one (1) year;
- c. That any grace period in the payment of principal shall not be more than two (2) years;
- d. That there is no installment payment in arrear either on principal or interest.

Provided, That a "Sales Contract Receivable" account shall be automatically classified "Substandard" and considered non-performing in case of non-payment of any amortization due: Provided, further, That a "Sales Contract Receivable" which has been classified "Substandard" and considered non-performing due to non-payment of any amortization due may only be upgraded/restored to unclassified and/or performing status after a satisfactory track record of at least three (3) consecutive payments of the required amortization of principal and/or interest has been established."<sup>[1]</sup>

This Circular shall take effect immediately.

Adopted: 28 March 2003

(SGD.) AMANDO M. TETANGCO, JR.  
*Officer-in-Charge*