

## [ QRCGC CIRCULAR NO. 003 s. 1992, July 10, 1992 ]

### **RULES AND REGULATIONS GOVERNING BOND AND INSURANCE FOR GRAIN STOCKS UNDER THE QUEDAN FINANCING PROGRAM**

Pursuant to Section 11 of Republic Act 7393 approved on 13 April 1992 and Board Resolution No. 7-92 issued on 11 June 1992, the following Rules and Regulations are hereby promulgated to govern bond and insurance coverages for grain stocks for quedan financing purposes:

#### **I** **Introduction**

Prior to the martial law era, the operations of bonded warehouses for grains and other food commodities were regulated by the old Bureau of Commerce pursuant to Act No. 3893 otherwise known as the General Bonded Warehouse Act. This included the authority to require bond and insurance coverages for commodities deposited in said bonded warehouses.

Presidential Decree No. 4 issued on 26 September 1972 transferred the aforecited functions of the Bureau of Commerce to the National Food Authority (NFA). With the passage of Republic Act No. 7393 on 13 April 1992 however, the franchising authority as well as the accreditation of bonding and insurance companies for quedan financing purposes now rests with the Quedan and Rural Credit Guarantee Corporation (QUEDANCOR).

In as much as NFA's present franchising procedure is functioning quite well, Quedancor intends to continue with the same in the meantime. Changes are, however, needed to be made with respect to the modes of compliance with the bond and insurance requirements to effectively assure collection in case of defaults/occurrence of fire.

#### **II** **Modified Bond and Insurance Requirement**

A. All owners/operators of warehouses for grain stocks who are applying for franchise with the National Food Authority for quedan financing purposes as well as those who have previously been issued franchises and are desirous of securing quedan loans for grain stocks shall first comply with the bond and insurance requirements in the amounts prescribed hereunder through any of the following modes/forms:

##### **1. Bond**

Form of Bond	Valuation	Required Amount
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1.1 Bond secured by Real Estate Mortgage	80% of market value	of Bond 33 1/3% of value of stocks covered by assigned quedans
1.2 QUEDANCOR's certificate of stock	100% of par value	33 1/3% of value of stocks covered by assigned quedans
1.3 Bond secured by assignment securities, Land Bank other government bonds or acceptable shares of stock in government private corporations	- 100% of value of Treasury Bills/government securities  -80% of face value of Land Bank/other government bonds -100% of par value of shares of stock in government private corporations	33 1/3% of value of stocks covered by assigned quedans
1.4 Surety bond issued by a consortium or pool of at least five (5) reputable surety companies duly accredited by QUEDANCOR		33 1/3% of value of stocks covered by assigned quedans

## 2. Fire Insurance

Fire insurance policy issued by a consortium or pool of at least five (5) reputable insurance companies duly accredited by QUEDANCOR	100% of value of stocks covered by assigned quedans
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B. Effective 01 November 1992, no Preparatory Clearance for Guarantee Coverage