

[LETTER OF IMPLEMENTATION NO. 144, September 22, 1983]

TO The Governor, Central Bank of the Philippines
 The Minister of Budget and Management
 The Secretary-General, KKK National Secretariat
 The National Treasurer of the Philippines

To implement the KKK Guaranty Fund established under Letter of Instruction No. 1308 dated April 12, 1983 the following guidelines are hereby issued:

1. Purposes: The KKK Guaranty Fund ("Fund") shall be used primarily to guaranty uncollectible KKK loans released through duly accredited banks and the loans that will be guaranteed by this Fund will be considered as non-risk assests of the accredited banks.

The Fund may also be used to support the establishment of a liquidity system, interest subsidy system, an insurance system, possible losses on the trading of mortgages evidenced by asset-backed bonds, and other KKK projects as may be approved by the President upon recommendation of the KKK Pambansang Lupon and KKK National Secretariat.

Projects completely or partially financed by KKK Project Development and Management Fund (PDMF) shall also qualify under this Fund and for this purpose, PDMF shall be authorized to open project accounts categorized as 70-300 under the auditing/accounting code for all PDMF projects.

2. Rediscounting Eligibility: KKK loans extended by duly accredited banks shall be eligible for Central Bank rediscounting, following standard criteria on bank rediscount applications and subject to the following conditions:

- a. For rediscounting purposes, the loans shall be considered as ex-ceiling.
- b. The rediscounting proceeds shall be credited immediately to the account of the originating bank with the Central Bank.
- c. The rediscounting term shall be co-terminus with the maturity of the loan.

The National Government Budgetary releases used for KKK loans may be used as bank seed funds for purposes of initiating the rediscount process.

3. Fund Viability: The Fund shall be used to guarantee payment for part of bank KKK loans extended from the seed fund and from rediscount proceeds.

The percentage of KKK loans guaranteed by the Fund shall be set at such a level as is likely to be supported by the earnings of the Fund without impairing the principal.

Projects other than KKK guarantees also supported by the Fund shall be limited to such levels as is warranted by Fund earnings after payments on guarantees made good.