

1151 REGULATORY RELIEF POLICY

The Policy sets forth the guidelines on the grant of regulatory relief measures to banks affected by calamities. The Bangko Sentral recognizes that the Philippines is vulnerable to calamities, whether caused by natural or human-induced hazards, that may adversely affect certain areas/localities, and result in declaration thereof under state of calamity. The damages brought about by calamities to people's resources and livelihood may affect the paying capacity and risk profile of the borrowers/clients of banks. This may translate to higher past due ratios and inability to meet the legal reserve requirements.

Nothing in this Section shall be construed as superseding the previously granted temporary regulatory relief to banks under *Appendix 92*.

a. Objectives

The Bangko Sentral's regulatory relief policy aims to achieve the following:

- (1) Set a uniform and systematic approach in granting regulatory relief to banks affected by calamities; and
- (2) Provide an adequate support to the recovery efforts of banks.

b. Definition of terms¹

- (1) *Hazard* – a dangerous phenomenon, substance, human activity or condition that may cause loss of life, injury or other health impacts, property damage, loss of livelihood and services, social and economic disruption, or environmental damage.
- (2) *Local Disaster Risk Reduction and Management Council (LDRRMC)* – is a working group responsible for ensuring the integration of disaster risk reduction and climate change adaptation into local development plans, programs and budgets as a strategy in sustainable development and poverty reduction.
- (3) *National Disaster Risk Reduction and Management Council (NDRRMC)* – also known as the National Council, is composed of various government agencies, non-government, civil sector and private sector organizations in the Philippines, which is responsible for advising the President on the status of disaster preparedness, prevention, mitigation, response, and rehabilitation operations being undertaken by the government, civil society organizations, private sector, and volunteers; recommending to the President the declaration of a state of calamity in areas extensively damaged; and submitting proposals to restore normalcy in the

affected areas, to include calamity fund allocation.

- (4) *Regional Disaster Risk Reduction and Management Council (RDRRMC)* – is a working group responsible in ensuring disaster sensitive regional development plans, and in case of emergencies shall convene the different regional line agencies and concerned institutions and authorities.
- (5) *State of Calamity* – a condition involving mass casualty and/or major damages to property, disruption of means of livelihoods, roads and normal way of life of people in the affected areas as a result of the occurrence of natural or human-induced hazard.

c. *Declaration of state of calamity*

Section 16 of R.A. No. 10121 or the Philippine Disaster Risk Reduction and Management Act of 2010, states that the NDRRMC shall recommend to the President of the Philippines the declaration of a cluster of barangays, municipalities, cities, provinces, and regions under a state of calamity, and the lifting thereof, based on the criteria set by the NDRRMC. It further provides that the declaration and lifting of the state of calamity may also be issued by the local sanggunian, upon the recommendation of the R/LDRRMC, based on the results of the damage assessment and needs analysis.

d. *Regulatory relief package*

For a period of one (1) year from the date of declaration of state of calamity, banks may avail of the following:

For All Banks

- (1) Allowing banks to provide financial assistance under Sec. 135 (*Loans, advances, and other credit accommodations to officers*) to officers who are affected by the calamity even in the absence of Bangko Sentral-approved purposes or even if not within the scope of the existing Bangko Sentral-approved purposes, for the grant of loans, advances, or any other forms of credit accommodations to officers, subject to subsequent submission of request for approval of the purpose for the grant of loans, advances, or any other forms of credit accommodations to officers affected by calamities, within thirty (30) calendar days from the approval thereof of the bank's Board of Directors, to the appropriate supervising department of the Bangko Sentral for regularization.

For Thrift Banks (TBs)/Rural Banks (RBs)/Cooperative Banks (Coop Banks)

- (1) Upon grant by TBs/RBs/Coop Banks of a temporary grace period for payment or upon approval of the restructuring, but subject to reporting to Bangko Sentral, exclusion from the computation of past due ratio of the loans of borrowers in affected areas which should have been reclassified as past due under Sec. 304 beginning on the date of declaration of state of calamity, including those loans becoming past due six (6) months thereafter: *Provided*, That the exclusion shall be for a period of one (1) year from declaration date of state of calamity. For this purpose, Bangko Sentral documentary requirements for restructuring of loans may be waived: *Provided*, That the bank will adopt appropriate and prudent operational control measures.
- (2) Non-imposition of monetary penalties for delays incurred in the submission of all supervisory reports due to be submitted from date of declaration of state of calamity up to six (6) months thereafter.
- (3) Subject to prior approval of the Bangko Sentral, staggered booking of allowance for credit losses computed under Sec. 143 (*Credit Classification and Provisioning*), over a maximum period of five (5) years for all types of credits extended to individuals and businesses directly affected by calamities as of the date of declaration of state of calamity.
- (4) Moratorium, without penalty, on monthly payments due to the Bangko Sentral, for a period of six (6) months from the date of declaration of state of calamity, for banks with ongoing rehabilitation upon filing of application for extension/rescheduling with the Department of Loans and Credit.
- (5) Subject to prior approval of the Bangko Sentral, non-imposition of penalties on legal reserve deficiencies computed under Sec. 255, starting from reserve week following the date of declaration of state of calamity up to six (6) months thereafter.

For All Rediscounting Banks²

- (1) Upon application, grant of a 60-day grace period to settle the outstanding rediscounting obligations with the Bangko Sentral as of the date of declaration of state of calamity of all rediscounting banks except those with serious violations or findings as may be determined by the Bangko Sentral: *Provided*, That interest shall be charged, but no penalty shall be imposed for the 60-day grace period.
- (2) In addition to the above, allowing the rediscounting banks to restructure with the Bangko Sentral, on a case-to-case basis, the outstanding rediscounted loans as of date of declaration of state of calamity of their end-user borrowers affected by the calamity, subject to the terms

and conditions stated in the implementing guidelines (*Appendix 133*).

- (3) Allowing the relaxation of eligibility requirements by excluding the criteria on reserve requirement for the renewal of rediscounting line and for the availment of rediscounting loans from the date of declaration of state of calamity up to six (6) months thereafter.

e. *Eligibility*

All banks with head offices and/or branches/branch-lite units or with end-user borrowers located in areas under state of calamity as declared by the President or the local sanggunian, upon the recommendation of the NDRRMC or R/LDRRMC, may avail of the relief package specified in Item "d": *Provided*, That the banks shall notify the Bangko Sentral, through its appropriate supervising department, of their intention to avail said regulatory relief package within a period of one (1) year from the date of declaration of state of calamity.

For Banks with head office and/or branches/branch-lite units or with end-user borrowers located in areas declared as under state of calamity beginning year 2018 for which no regulatory relief packages were approved yet, the relief package under this policy may be availed of within a period of one (1) year reckoned from the date of declaration of state of calamity.

f. *Reportorial requirements*

Banks which opt to avail of the regulatory relief shall submit the following:

- (1) Letter-notification stating the bank's intention to avail of the relief package, signed by the president of the bank or officer of equivalent rank: *Provided*, That the notice shall specify, at a minimum, the specific relief measures to be availed of and the affected branches/branch-lite units located in areas declared as under a state of calamity;
- (2) Resolution of the board of directors authorizing the bank to avail of the relief package; and
- (3) Memorandum Order/Proclamation/Resolution approving the declaration of state of calamity of the area where the affected head office/branches/branch-lite units of bank are located.

g. *Supervisory Enforcement Action*. Consistent with Sec. 002, the Bangko Sentral may deploy enforcement actions to promote adherence to the requirements set forth in this Section and bring about timely corrective actions. As part of its enforcement actions, the Bangko Sentral may issue directives or impose sanctions on any misrepresentation in the document and information required to be submitted to the Bangko Sentral in relation to the availment of regulatory relief

measures.

(Circular No. 1017 dated 10 October 2018)

Footnotes

1. Sources: Republic Act (R.A.) No. 10121 or the Philippine Disaster Risk Reduction and Management Act of 2010 and its Implementing Rules and Regulations
2. As governed by Sec. 282