

## 281 REDISCOUNTING LINE

The following guidelines shall govern the operations of the Bangko Sentral's rediscounting line by banking institutions.

Coop Banks shall be given the same privileges and incentives granted to RBs, TBs, UBs and KBs to rediscount notes with the Bangko Sentral, the Land Bank of the Philippines, and other government banks.

**Credit Information System.** The rediscounting availments of all eligible banks shall be drawn against their rediscounting line which is based on their total credit score under the Credit Information System (CRIS). The scoring system under the CRIS shall consider the following factors:

- a. Management and risk management system;
  - (1) Management; and
  - (2) Risk management system;
- b. Financial indicators;
  - (1) Capital adequacy;
  - (2) Asset quality;
  - (3) Profitability; and
  - (4) Liquidity;
- c. Credit experience;
  - (1) Compliance with the terms and conditions of the loan and other Bangko Sentral regulations;  
and
  - (2) Credit experience with other FIs.

The CRIS guidelines shall be reviewed on a regular basis by a Credit Committee created under MB Resolution No. 832 dated 02 July 2008, to maximize its effectiveness in managing the credit risk of the Bangko Sentral.

**Application Procedures.** Banks applying for a rediscounting line shall submit their application in the prescribed form (RL Form No. 1) to the Department of Loans and Credit (DLC), Bangko Sentral-Manila, together with the following documents:

- a. Board resolution duly signed by the board of directors of the applicant bank, authorizing the bank to apply for a rediscounting line with the Bangko Sentral and designating the officer/s of the bank to sign and endorse documents pertaining thereto, together with their specimen signature/s;
- b. Articles of incorporation (for new applicants only) and amendments, if any;
- c. Organizational chart (for new applicants only);
- d. List of board of directors and principal officers [top three (3) executive officers] and their education/training and work experience;
- e. Annual report/AFS for the immediately preceding year; and
- f. For banks applying for microfinance facility, a copy of the Manual of Operations pertaining to microfinance operations.

**Approval/Renewal of the line.** The approval/renewal of rediscounting line shall be subject to the bank's full compliance with the following requirements:

- a. Minimum capital prescribed under Sec. 111 based on the latest available report of the SDC;
- b. CAR as required under applicable and existing capital adequacy framework, based on the latest available report of the SDC except those with capital build-up program approved by the Monetary Board;
- c. Required reserves against deposit liabilities/deposit substitutes for two (2) consecutive weeks based on the latest available report of the SDC;
- d. NPL ratio lower or equal to the industry average adjusted upward by two percent (2%) based on the latest available report of the SDC, or the allowable NPL ratio approved by the Monetary Board;
- e. Positive DDA balance with the Bangko Sentral as of date of application;
- f. No past due obligations or collateral deficiencies on account of matured notes/unremitted collections/missing collaterals or ineligible papers with the Bangko Sentral as of date of application;
- g. A CAMELS composite rating of "3" or higher based on the latest general examination of the appropriate supervising department of the Bangko Sentral; and
- h. The ratio of past due direct and indirect loans to DOSRI to the aggregate past due loans should not be more than five percent (5%) based on latest available report of the SDC.

Banks applying for the microfinance facility shall also comply with the following requirements based

on the latest available report of the appropriate supervising department of the Bangko Sentral:

- a. At least one (1) year track record in microfinance;
- b. At least 500 active microfinance borrowers;
- c. A portfolio at risk ratio (PAR) of not more than five percent (5%);
- d. The ratio of total collections (excluding prepayments) during the preceding 12-month period to total collectibles (past due microfinance loans beginning, plus matured loans/principal amortizations due for the period) should not be less than ninety-five percent (95%); and
- e. Officers and staff responsible for microcredit operations shall have completed: (1) a training course on microfinance; and (2) at least one (1) year experience in microlending activities.

The approval, disapproval, extension, amendment, cancellation, suspension and restoration of the rediscounting line shall be delegated to a Credit Committee composed of the Assistant Governor/Managing Director (MD) of the Monetary Operations Sub-Sector, MD of the Regional Monetary Affairs Sub-Sector, and the Director of the DLC.

Banks with approved rediscounting line shall, thereafter, submit the following:

- a. Rediscounting line agreement (RL Form No. 3); and
- b. For new applicant rural/cooperative banks with designated custodian bank, a tripartite depository agreement (RL Form No. 2) by and among the applicant bank, designated depository bank (duly concurred by its Head Office) and the DLC.

For newly merged or consolidated banks, a temporary line not exceeding fifty percent (50%) of its adjusted net worth as of latest date may be granted for a period of 180 days while awaiting the required reports/data from the appropriate supervising department of the Bangko Sentral, renewable for another 180 days or until such time that the required reports/data are made available, whichever comes earlier, subject to the following conditions <sup>1</sup>:

- a. Compliance with the requirements cited under Items “e” and “f” under this Section on Approval/Renewal of the line, and other guidelines issued by the DLC; and
- b. One (1) of the merging or consolidating banks has CAMELS composite rating of at least three “3” and minimum CAR of ten percent (10%) based on the latest available SDC data.

**Amount of line.** The amount of rediscounting line shall be based on the total credit score obtained

by the applicant bank computed under the CRIS guidelines which ranges from fifty percent (50%) to 200% of adjusted net worth.

**Term of the line.** The term of the line shall be for one (1) year unless sooner cancelled, suspended, amended or extended by the Credit Committee. The line is renewable annually upon submission of application one (1) month before the expiry of said line. Should there be special circumstances or information from the appropriate supervising department of the Bangko Sentral that may adversely affect the credit worthiness of a bank in the intervening period, the rediscounting line of the bank concerned will be reviewed immediately and acted upon accordingly.

*(Circular Nos. 890 dated 02 November 2015, and 827 dated 28 February 2014)*

#### Footnotes

1. These conditions shall not limit the Monetary Board from granting rediscounting line incentives to merged/consolidated banks pursuant to Sec. 104.