

289 REDISCOUNTING WINDOW

Rediscounting Window for Low-Cost Housing as Defined by the Housing and Urban Development Coordinating Council (HUDCC). The rules and regulations governing the rediscounting of housing loan papers of qualified banks under the low-cost housing program of the HUDCC are shown in *Appendix 36*.

Rediscounting Window Available to All Universal and Commercial Banks for the Purpose of Providing Liquidity Assistance to Investment Houses. The following implementing guidelines shall govern the new rediscount window available to all UBs and KBs under Section 82(c) of R.A. No. 7653, for the purpose of providing liquidity assistance to IH:

a. Criteria for eligibility

- (1) Eligible papers – Promissory note of the UB/KB executed in favor of the Bangko Sentral and secured by a Deed of Pledge or Assignment of unencumbered/unhypothecated commercial papers with a rating of triple “A” and double “A”.
- (2) Loan limit – Availments against this facility shall be charged against the rediscount ceiling of the borrowing bank (100% of net worth) as of the end of the quarter immediately preceding the date of application.

b. Terms and conditions

- (1) The loan shall be assessed an annual interest rate equivalent to one percent (1%) below the weighted average of the ninety-one (91)-day Treasury Bill rate for the last auction of the immediately preceding month.
- (2) The loan shall have a term of 180 days from date of availment.
- (3) The loan value shall be ninety percent (90%) of the face value of the commercial paper.
- (4) The Bangko Sentral will automatically debit the demand deposit account of the UB/KB upon maturity of the rediscounting loan.
- (5) The chief executive officer of the bank or his equivalent must certify that the rediscounted commercial paper is still outstanding as of the time of assignment.
- (6) The UBs/KBs shall comply with the documentary requirements of the DLC.

c. Duration – Qualified UBs/KBs may avail of this facility until December 2000.

Rediscounting Window Available to TBs for the Purpose of Providing Liquidity Assistance to Support and Promote Microfinance Programs. TBs availing of rediscounting facility for purposes of providing liquidity assistance to support and promote microfinance programs shall comply with the guidelines under this Section on Rediscounting Window Available to Rural and Cooperative Banks for the Purpose of Providing Liquidity Assistance to Support and Promote Microfinance Programs, except for the requirement of a custodian bank under Item “a(6)” of this Section on Rediscounting Window Available to Rural and Cooperative Banks for the Purpose of Providing Liquidity Assistance to Support and Promote Microfinance Programs – Documentary requirements.

Rediscounting Window Available to Rural and Cooperative Banks for the Purpose of Providing Liquidity Assistance to Support and Promote Microfinance Programs. The following guidelines shall govern the rediscounting facility available to RBs and Coop Banks for the purpose of providing liquidity assistance to support and promote microfinance programs.

a. Eligibility requirements

- (1) *Eligible borrowers* – RBs and Coop Banks with at least one (1) year track record in microfinance and at least 500 active borrowers, ratio of past due microfinance loans to total outstanding microfinance loans of not more than five percent (5%) as of end of the month preceding loan application and collection ratio of not less than ninety-five percent (95%) based on ratio of total collections (excluding prepayments) during the preceding twelve (12)-month period to the sum of past due microfinance loans at the beginning of said period and amount of matured loans including principal amortizations during the same twelve (12)-month period.
- (2) *Eligible papers* – Promissory Note (PN) of the RB or Coop Bank executed in favor of the Bangko Sentral and secured by duly endorsed PN of microcredit borrowers.
- (3) *Manual of operations* – Written policies on microfinance operations must be set forth and documented in a policy manual duly approved by the bank’s board of directors. The manual should include the following minimum features:
 - (a) Scope of microfinance activities and the types of services or products offered to clients;
 - (b) Authorities and responsibilities of:
 - (i) Board of directors;

- (ii) Management;
 - (iii) Chief executive officer or its equivalent;
 - (iv) Credit officers; and
 - (v) Other officers involved in the microfinance operations;
- (c) Policies and procedures covering microfinance program/project;
- (d) Client evaluation process which should involve at least: client orientation, pre-application, credit investigation, and loan application process;
- (e) Loan processing, documentation and release of proceeds;
- (f) Accounts monitoring system;
- (g) Accounts delinquency management;
- (h) Management Information System;
- (i) Accounting policies, systems and procedures; and
- (j) Internal controls and audit policies, systems and procedures.
- (4) A copy of System of Reviewing Asset Accounts and Setting Up of Adequate Allowance for Credit Losses submitted.
- (5) *Staff training and experience* – Key officers and staff responsible for microcredit operations must have a minimum experience of one (1) year and have completed a training course in microlending activities.
- (6) *Prescribed financial ratios and regulations* – Applicant bank must comply with the following financial ratios and regulations:
- (a) Minimum capital prescribed under Sec. 121;
 - (b) Risk-based capital ratio of not less than ten percent (10%);
 - (c) Reserves against deposit liabilities prescribed under existing regulations;
 - (d) Ratio of past due direct and indirect loans to DOSRI to the bank's aggregate past due loans of not more than ten percent (10%);
 - (e) Loans-to-deposits ratio of at least seventy-five percent (75%);
 - (f) Reports required to be submitted to the various departments and/or offices of the Bangko

- Sentral;
- (g) CAMELS rating of three “3” or better; and
 - (h) Ratio of past due loans to total loan portfolio of not more than the industry average for RBs as of the preceding quarter.

b. Microcredit line

Application for Microcredit Line shall be filed with the DLC, Bangko Sentral at its head office in Manila or the appropriate Bangko Sentral Regional Loans and Credit Unit (BSPRLCU). The term of the microcredit line shall not exceed one (1) year from the date it is granted. The line may be renewed for another year upon submission of an application at least two (2) months before expiry, subject to full compliance with the prescribed eligibility requirements and the credit review by the DLC.

Total availments against the facility, which shall be charged against the approved microcredit line, shall form part of the total authorized rediscount ceiling of the borrowing bank. The rediscount ceiling for microfinance shall be equivalent to one hundred percent (100%) of the bank’s net worth, net of allowance for credit losses and other capital adjustments as recommended by the appropriate supervising department of the Bangko Sentral as of the last regular examination of the bank.

The proceeds of availment or drawdown against the approved microcredit line shall be credited to the account of the RB or Coop Bank maintained with the depository bank or with Bangko Sentral. The RB or Coop Bank shall be notified in writing/electronically of the credit of such account on the same banking day that the proceeds are released.

c. Terms and conditions

- (1) The loan value shall be equivalent to eighty percent (80%) of the outstanding balance of the microfinance borrower’s PN.
- (2) The RB or Coop Bank’s loan from the Bangko Sentral shall have a term of not more than 360 days. The maturity date of the microfinance borrower’s PN shall in no case be beyond the maturity date of the RB or Coop Bank’s PN.
- (3) The loan shall be assessed an annual interest rate equivalent to the ninety-one (91) day Treasury Bill rate for the last auction date of the preceding month.
- (4) The demand deposit account of the RB or Coop Bank will be automatically debited at the maturity date of the Bangko Sentral loan for the full amount due excluding collections from

microfinance borrowers which were credited to the Special Savings Account of the Bangko Sentral with the borrowing bank.

- (5) Any responsible officer who is holding a position that is not lower than manager or equivalent rank must, upon approval by the bank's Board, endorse the rediscounted PNs and certify that the same are still outstanding as of the time of application.
- (6) Collections made on amortizations due and maturing PNs shall be remitted to the DLC not later than two (2) banking days following the date of receipt of collections by the Head Office/branches located within Metro Manila and not later than four (4) banking days following the date of receipt of collections by the Head Office/branches located outside Metro Manila as provided under this Section on Rediscounting Window Available to Rural and Cooperative Banks for the Purpose of Providing Liquidity Assistance to Support and Promote Microfinance Programs – Remittance of collections/payments/repayments.
- (7) A penalty of five percent (5%) per annum shall be imposed on matured and unpaid bank PNs in favor of the Bangko Sentral.

Full compliance at all times with the eligibility requirements as prescribed under this Section on Rediscounting Window Available to Rural and Cooperative Banks for the Purpose of Providing Liquidity Assistance to Support and Promote Microfinance Programs – Eligibility requirements.

d. Documentary requirements

- (1) *Application for Microcredit Line.* RBs or Coop Banks applying for an microcredit line shall submit a letter of application to DLC or the appropriate BSPRLCU accompanied by the following documents:
 - (a) Certificate of the Secretary (original) and copy of the resolution duly signed by the board of directors of the applicant bank, authorizing the bank to apply for an microcredit line with the Bangko Sentral and designating the officer authorized under Item "e" of this Section on Rediscounting Window Available to Rural and Cooperative Banks for the Purpose of Providing Liquidity Assistance to Support and Promote Microfinance Programs – Terms and conditions to endorse the PNs and sign all papers pertaining to the rediscounting line in the prescribed format.
 - (b) Certification of the applicant bank that it has complied with the financial and regulatory ratios, conditions, and reportorial requirements prescribed under the eligibility requirements for rediscounting as provided under this Section on Rediscounting Window

Available to Rural and Cooperative Banks for the Purpose of Providing Liquidity Assistance to Support and Promote Microfinance Programs – Eligibility requirements.

- (c) *Consolidated Financial Statements* – Statement of Condition as of the end of the month immediately preceding the date of application together with the corresponding Statement of Income and Expenses covering the results of operations for the last three (3) years.
 - (d) Report on required and available reserves covering the past two (2) consecutive weeks immediately preceding the date of application.
 - (e) Rediscounting Line Agreement executed by the CEO of the RB or Coop Bank.
 - (f) Notarized custodian agreement executed among the CEO of the RB or Coop Bank, the third party custodian and the Bangko Sentral.
- (2) *Availment of microcredit Line.* For availment of microcredit line, the RB or Coop Bank shall submit the following documents:
- (a) *Application for Microcredit Line Availment* – original and one (1) copy in prescribed form duly accomplished and signed by the CEO of the applicant bank;
 - (b) Rediscount Schedule (RS); and
 - (c) Notarized PNs in favor of the Bangko Sentral – original and two (2) copies.

e. Remittance of collections/payments/repayments

Collections made on amortizations due and maturing PNs shall be remitted to the DLC not later than two (2) banking days following the date of receipt of collections by the Head Office/branches located within Metro Manila and not later than four (4) banking days following the date of receipt of collections by the Head Office/branches located outside Metro Manila. As an alternative, collections may be deposited in a Special Savings Deposit Account (SSDA) which shall be maintained by the Bangko Sentral with the borrower-bank and remitted to DLC or the appropriate BSPRLCU on the last banking day of every month. The SSDA shall earn interest of one percent (1%) lower than the 91-day Treasury Bill rate for the last auction date of the preceding month.

On due date of the PN, the RB or Coop Bank shall remit to the Bangko Sentral the unpaid balance of such PN: *Provided*, That any amount credited to the SSDA shall be applied as payment of the PN in favor of Bangko Sentral. The remittance shall be reported under DLC Form No. 5. The remittance to Bangko Sentral shall be in the form of cash, demand draft, manager's check

or based on authority issued by the bank to debit its demand deposit account with Bangko Sentral. Check payments and demand drafts shall be given value when cleared.

f. Reports required

A monthly report on microfinance transactions shall be submitted to DLC or the appropriate BSPRLCU within the deadline set in *Appendix 7*.

g. Accounts verification

The microcredit accounts rediscounted shall be subject to verification and confirmation by authorized DLC or the appropriate BSPRLCU representatives to determine their eligibility and acceptability for rediscounting.

h. Sanctions

Any misrepresentation and/or violation of the provisions of this Section shall subject the RB or Coop Bank and/or the erring directors/officers to any of the following sanctions:

(1) *Erring RB or Coop Bank*

- (a) Fines in amounts as may be determined by the Monetary Board to be appropriate, but in no case to exceed Thirty thousand pesos (P30,000) a day for each violation;
- (b) Suspension of rediscounting privileges or access to Bangko Sentral credit facilities; and/or
- (c) Reduction of rediscounting line.

(2) *Erring directors/officers*

For violation of any of the provisions of this Section the following shall be imposed against the directors and officers of the bank:

- (a) *1st offense* - a warning that a repetition of the same or similar offense shall subject the erring director/officer to monetary penalties and/or sanctions;
- (b) *2nd offense* - a fine of P500 per day for each violation from the time the violation was committed up to the time it is corrected without prejudice, however, to the imposition of higher penalties; and
- (c) *3rd and subsequent offenses* - a fine of P5,000 per day from the time the violation was committed up to the time it is corrected without prejudice, however, to the imposition of higher penalties.

If any of the documentary requirements submitted by the bank as required under this Section on Rediscounting Window Available to Rural and Cooperative Banks for the Purpose of Providing Liquidity Assistance to Support and Promote Microfinance Programs - Documentary requirements is found to be false, a fine of P5,000 per day, from the time the certification was made up to the time the certification was found to be false, shall be imposed against the certifying officer.