

319 COMMITTED CREDIT LINE FOR COMMERCIAL PAPER ISSUES

The following guidelines shall govern committed credit line agreements of banks with corporations proposing to issue commercial paper, pursuant to pertinent rules and regulations of the SEC.

Who may grant line facility. A bank with a net worth of at least P1.0 billion as defined in Sec. 121, may provide a committed credit line facility to a commercial paper issuer.

The bank shall exercise proper caution in ascertaining that the party, in whose favor the credit line shall be granted, is capable of fulfilling his commitments to the bank under the credit line agreement.

A bank or a group of banks may enter into a committed credit line agreement with any corporation proposing to issue commercial paper. Where a group of banks is involved, a lead bank shall be designated from among themselves.

Ceilings. The aggregate commitments under committed credit line agreements entered into by each bank pursuant to this Section shall not exceed an amount equivalent to thirty percent (30%) of its net worth, reckoned as of the date of execution of the latest agreement: Provided, That in no case shall a bank extend commitments to a single issuer for more than twenty-five percent (25%) of its net worth exclusive of other exposures to the said issuer.

Terms; conditions; restrictions. The committed credit line agreement shall incorporate the following terms, conditions and restrictions:

- a. That the credit line agreement is executed pursuant to the provisions of this Section;
- b. That the bank or banks are committed to make available to the issuer funds equivalent to at least twenty percent (20%) of the aggregate of the commercial paper issued and outstanding at any time;
- c. That the commitment of the bank or banks shall be firm and irrevocable and effective for as long as the issues under a particular permit are outstanding, subject to renewal by the bank;
- d. That availments pursuant to the credit line agreement shall be for the exclusive purpose of meeting obligations arising from commercial paper issues in accordance with the provisions of the Rules on Registration of Commercial Papers, which availments shall be honored not earlier than three (3) banking days prior to the date of payment of obligation arising from outstanding commercial paper;

- e. That the request to avail of the credit line agreement shall be addressed to the bank or to the lead bank acting for a group of banks, which request shall be duly signed by a member of the board of directors and a senior ranking officer of the commercial paper issuer duly authorized for the purpose through an appropriate board resolution, which resolution shall also provide for the designation of the alternate signatories who shall likewise be a member of the board of directors and a senior financial officer of the corporation;
- f. That the extent of the commitment of each participant in a group of banks under a credit line agreement shall be stipulated in the agreement; and
- g. That the commitment of the bank under the credit line agreement shall be a net risk to the bank and the practice of requiring the commercial paper issuer to maintain a compensating deposit with the bank shall be prohibited.

Reports to the Bangko Sentral. The bank or the lead bank, as the case may be, shall report to the Bangko Sentral:

- a. All commitments entered into with commercial paper issuers within ten (10) banking days after the issuer shall have been authorized by the SEC; and
- b. Any availment under the committed credit line agreement within three (3) banking days from date of drawdown.

Loan limit. The liabilities of a commercial paper issuer to a bank arising from the availment by the issuer of the credit line agreement shall not be counted in determining compliance by the bank with the SBL for a period of ninety (90) calendar days from each availment of the credit line¹: *Provided*, That in no case shall they exceed five percent (5%) of the net worth of the bank beyond the normal applicable SBL.

(Circular Nos. 975 dated 10 October 2017)

Footnotes

1. This shall cover all new underwritten debt and equity securities issued from 15 February 2013.