

**IMPLEMENTING GUIDELINES ON THE RESTRUCTURING SCHEME COVERING THE
REDISCOUNTING OBLIGATIONS WITH THE BANGKO SENTRAL OF REDISCOUNTING
BANKS IN THE AREAS AFFECTED BY CALAMITIES**
(Appendix to Sec. 1151)

1. Objectives

The objectives of the loan settlement scheme are as follows:

- 1.1 To support the recovery efforts of rediscounting banks in the areas affected by calamities;
- 1.2 To enable the rediscounting banks to liquidate their loan obligations with the Bangko Sentral by way of restructuring; and
- 1.3 To ensure the collection of the rediscounted loans which may become past due in view of the damages caused by the calamity, and maintain if not improve the quality of the loan portfolio of the Bangko Sentral.

2. Qualified Banks

- 2.1 All rediscounting banks with end-user borrowers located in affected areas which have been declared as under state of calamity by the proper authorities, i.e., the President of the Philippines or the local sanggunian, upon the recommendation of the National Disaster Risk Reduction and Management Council or Regional/Local Disaster Risk Reduction and Management Council.
- 2.2 Rediscounting banks with serious violations or findings with the appropriate supervising department of the Bangko Sentral and/or which are currently under investigation or subject to legal action by the Office of Special Investigation shall not be qualified to avail of the restructuring scheme.
- 2.3 In addition to Item No. "2.2", the Department of Loans and Credit (DLC) shall evaluate each bank to determine if each would qualify for the restructuring.

3. Terms and Conditions

3.1 Maturity

The restructured loan shall have a maximum term of five (5) years.

3.2 Amount to be restructured

The amount to be restructured shall be equivalent to the following:

- *Principal.* Unpaid outstanding balance of the principal obligation in the books of accounts of the Bangko Sentral.
- *Accrued Interest.* Unpaid interest due on the outstanding principal obligation as of the end of the applicable repayment or amortization date, preceding the approval of the loan restructuring.

3.3 Interest Rate

The interest rate to be charged against the outstanding principal balance of the restructured loan shall be based on prevailing rediscount rate at the date of approval of the restructured loan. The interest shall be re-priced annually.

3.4 Maximum Bank Lending Rate

The restructured interest rate of the bank to its end-user borrowers shall not exceed six percent (6%) over and above the applicable interest rate of the Bangko Sentral. Moreover, the bank shall not charge interest on accrued interest.

3.5 Terms of Repayment

3.5.1 Settlement Value. The settlement value shall be paid by the bank in equal monthly amortizations: *Provided, That,* the amortization period shall not exceed five (5) years, to wit:

- *Principal.* The principal obligation shall be paid in equal monthly amortizations plus the applicable rediscount rate.
- *Accrued Interest.* The accrued interest on the principal obligation as of the end of month immediately preceding the approval of the loan settlement scheme shall likewise be paid in equal monthly amortizations. No interest shall be charged on the accrued interest.

3.5.2 Grace Period. The bank may be given a grace period of six (6) months within which to pay the first amortization if request for such is specified by the bank in the application for restructuring.

3.6 Collaterals

The following shall be the collaterals acceptable:

- Deed of Assignment on restructured promissory notes of end-user borrowers;
- Deed of Real Estate Mortgage on bank premises;
- Deed of Pledge on government securities; and
- Other collaterals acceptable to the Bangko Sentral.

3.7 Required Documents

Qualified banks shall submit the following documents:

- Letter of Understanding (LOU), agreeing to the terms and conditions of the restructuring. The LOU shall be executed by the senior officers of the bank, duly designated by its Board of Directors.
- Surety Agreement executed by the controlling interest (single stockholder, natural or juridical owing more than fifty percent (50%) of the voting stocks) obligating himself/herself jointly and severally with the bank to pay monthly amortizations, if there is collateral deficiency.

3.8 Default Cause

- Failure to pay two or more amortizations shall be considered an event of default and shall render the unpaid balance of the loan, plus accrued interest and penalty charges due thereon, immediately due and demandable.
- A penalty charge of twelve percent (12%) per annum shall be assessed on the defaulted amortization payment, reckoned from the amortization due date to date of payment.

The DLC may exercise the option to refer to the Office of Special Investigation or to an external lawyer for appropriate legal action, without further need for demand or notice to the defaulting bank.

4. Application Procedures

4.1 Filing of Application

The bank shall file with the DLC an application for restructuring of its outstanding rediscounting loans, supported by the following documents:

- Resolution of the Board of Directors a) authorizing the bank to enter into a loan settlement arrangement with the Bangko Sentral, and b) designating authorized senior officers thereof.
- The restructured Promissory Notes of the end-user borrowers and other supporting documents.
- Promissory Note with Trust Receipt Agreement and Deed of Assignment executed by the authorized senior officers of the bank, duly notarized.
- Collaterals under Item No. "3.6" of the Implementing Guidelines.

4.2 Notice of Approval Application

The DLC shall notify the bank of the approval of its application to avail of the loan restructuring scheme. Upon receipt of said notice, the bank shall:

- Execute the applicable document under Item No. "4.1" of the Implementing Guidelines.
- Pay the required amortization immediately on the month following the date of approval of the loan restructuring scheme, or after the grace period, as applicable, and monthly thereafter until fully paid.

5. Authorized Signatories of the Bangko Sentral

| Transaction | Authorized Bangko Sentral Officer |
|----------------------------------------------------------------------------------|-------------------------------------------------------------------|
| Approval of the application to avail of the loan restructuring scheme | Director, DLC, or in her absence, any of the DLC Deputy Directors |
| Approval to release the collateral documents | Director, DLC, in her absence, any of the DLC Deputy Directors |
| Execution of Cancellation of Deeds of Real Estate Mortgage, Assignment or Pledge | Deputy Governor, Monetary and Economics Sector |

6. Other Provisions

6.1 Value Date of the Restructuring Scheme

The value-date of the restructuring shall be the end of the month immediately preceding the date of approval of the loan restructuring.

6.2 Effectivity Date

The loan restructuring scheme shall be made available for a period of six (6) months reckoned from date of receipt of the appropriate supervising department of the Bangko Sentral of the letter-notification from the bank stating the latter's intention to avail of the relief package.

(Circular No. 1017 dated 10 October 2018)