

**GUIDELINES ON REQUESTS FOR MONETARY BOARD OPINION ON THE MONETARY
AND BALANCE OF PAYMENTS IMPLICATIONS OF PROPOSED DOMESTIC
BORROWINGS BY LOCAL GOVERNMENT UNITS (LGUs) PURSUANT TO SECTION 123
OF REPUBLIC ACT NO. 7653
(Appendix to Sec. 316)**

Pursuant to Monetary Board Resolution No. 1125 dated 22 June 2016, the following guidelines shall govern the domestic borrowings of LGUs in line with R.A. 7653 (The New Central Bank Act), as well as other pertinent laws/regulations.

I. Coverage

This shall govern domestic borrowings of LGUs within the Philippines, the procedures to be observed and the documentary requirements to be submitted, relative to the request for Monetary Board opinion on the probable effects of the proposed credit operation on monetary aggregates, the price level and the balance of payments (BOP), pursuant to Section 123 of R.A. No. 7653.

II. Procedures

- a. The LGU shall submit a written request to the Bangko Sentral for Monetary Board opinion on the monetary and BOP implications of its proposed borrowing prior to the loan release. The request shall be accompanied by the required documents and information listed in Section III of this Appendix.
- b. The Bangko Sentral shall acknowledge receipt of the request, with an initial evaluation of the documents/ information submitted. No request will be processed should there be any deficiency or inconsistency found in the documents/ information submitted.
- c. Once the LGU has submitted the complete set of required documents/information, the matter shall be elevated to the Monetary Board for an opinion on the probable monetary and BOP implications of the proposed loan.
- d. The LGU shall be informed in writing of the Monetary Board's decision on its request for opinion and shall contain the following conditions:
 - (1) The loan proceeds shall only be released by the lending institution to the LGU subject to the submission of a duly executed ordinance approving the proposed borrowing, its purpose, terms and conditions, as well as the provincial/city/ municipal validation of the ordinance, as applicable;

- (2) The opinion of the Monetary Board is limited to the assessment of the monetary and BOP implications of the proposed borrowing, pursuant to Section 123 of R.A. No. 7653. The said opinion is based on: (i) the information contained in the documents submitted; and (ii) the assumption that the proceeds of the borrowing will be used for the intended purpose described in the documents submitted;
 - (3) The Monetary Board opinion is valid only for one (1) year from the date of issue. The validity period refers to the time within which the proposed loan is to be released in part or in full. It commences on the date of the Bangko Sentral letter transmitting the said Monetary Board opinion on the monetary and BOP implications of the LGU's proposed loan;
 - (4) The LGU shall submit to Bangko Sentral a post-borrowing report on the final terms and conditions and on the utilization of the proceeds of the borrowing within thirty (30) days after the final disbursement of the loan proceeds; and
 - (5) The Monetary Board opinion should not in any way be construed as exempting the borrowing LGU from the applicable requirements and/or prohibitions under existing laws, rules and regulations.
- e. No opinion will be issued by the Monetary Board in case the LGU loan has already been partially or fully disbursed.
 - f. For LGU loans with amounts that exceed the borrowing capacity, as indicated in the certification on the borrowing and debt service capacity issued by the Bureau of Local Government Finance (BLGF), the Monetary Board opinion will refer only to the amount that is within the borrowing capacity.
 - g. The LGU shall request a new Monetary Board opinion should there be any increase in the loan amount in excess of ten percent (10%), or a change in the manner of acquisition of the project/s to be funded (i.e., whether for importation or local purchase) after a Monetary Board opinion has been issued: *Provided*, That no release has been made of the loan.
 - h. LGUs that are unable to avail of their loan during the one (1) year validity period shall request for a new Monetary Board opinion on their proposed loan. They shall submit to Bangko Sentral the required documents and information under Item "a" of Section III of this Appendix. However, the LGU would only need to submit the required documents under Items "(1)" to "(3)" of Item "b" under Section III of this Appendix to the lending institution if there are changes to the previously submitted documents.

III. Required Documents and Information

a. Request for Monetary Board opinion. To support the request for Monetary Board opinion, the LGU must submit the following documents/information to Bangko Sentral:

(1) Letter from the LGU requesting for Monetary Board opinion on its proposed loan (use the prescribed form attached as *Annex 1*). The letter should contain:

(a) Information on the loan amount, purpose with breakdown of specific project/s to be funded and corresponding cost/s, manner of acquisition (i.e., whether through importation or local purchase), name of lending institution, interest rate, term/tenor, fees and other charges, lending institution's source of fund for the loan, and name of designated contact person responsible for coordinating with the Bangko Sentral along with contact information;

(b) Statement certifying that no disbursement, in full or partial amounts, has been made on the loan; and

(c) The names and signatures of the LGU's chief executive and the lending institution's authorized representative.

(2) Valid BLGF certification on the borrowing and debt service capacity of the LGU; and

(3) Information on the LGU's year-to-date outstanding loans (use the prescribed form attached as *Annex 2*).

b. Release of loan proceeds. The lending institution shall require the submission of the Monetary Board opinion on monetary and BOP implications prior to the release of the loan proceeds or the release of the first tranche, in case of loans with multiple tranches. In addition, lending institutions may release the loan proceeds only upon receipt from the LGU of the following documents/information:

(1) Ordinance approving the proposed loan terms and conditions as well as the specific purpose and corresponding amount/s of the project/s to be funded (sample copy attached as *Annex 3*);

(2) Other applicable requirements under R.A. No. 7160, such as the provincial/city/ municipal validation of the ordinance, as applicable.

- (3) Waiver on the confidentiality of investment and bank deposits, whether in peso or foreign currency, duly executed by the governor/mayor/barangay chairman, as the case may be, and supported by a “waiver resolution” (sample copy attached as *Annex 4*).
- c. The Bangko Sentral may request for additional documents and information from the LGU or the lending institution, as may be deemed necessary, to support the request for Monetary Board opinion.
- d. LGUs requesting for Monetary Board opinion on proposed borrowings to be obtained from lending institutions other than BSP-supervised financial institutions (BSFIs), shall submit to Bangko Sentral a written request accompanied by the required documents/information enumerated above.

IV. Reportorial requirements

- a. *Post-Borrowing Report (PBR)*. The borrowing LGU shall submit to Bangko Sentral, through a letter addressed to the Director, Department of Economic Research or through electronic mail addressed to mbopinion_der@bsp.gov.ph, a post-borrowing report (PBR) that will indicate the actual amount of loan, the final terms and conditions, and utilization of the proceeds of the borrowing within thirty (30) calendar days after the final release of loan proceeds (use the prescribed form attached as *Annex 5/5.1*).
- b. *Post-Loan Release Report (PLRR)*. The lending institutions shall submit to Bangko Sentral, through a letter addressed to the Director, Department of Economic Research or through electronic mail addressed to mbopinion_der@bsp.gov.ph, a semestral post-loan release report on LGU loans granted in full within the last six (6) months that will indicate the actual amount of loan released as well as the final terms and conditions thereof, within thirty (30) calendar days after the end of each semester (use the prescribed form attached as *Annex 6*).
- c. *Sworn certification on lendings to local government units (LGUs)*. The BSFIs shall submit, through a letter addressed to the appropriate supervising department of the Bangko Sentral, within fifteen (15) banking days after every semester, a duly notarized certification on loan releases to LGUs signed by the president or an officer of equivalent rank and the chief compliance officer. Such certification shall be considered as a *Category A-2* report for purposes of imposing fines on the delayed submission of required reports pursuant to existing regulations. (Use the prescribed form attached as *Annex 7*).

(Circular Nos. 926 dated 13 September 2016)

Annex 1

(Name of LGU)
 (Complete address)
 (Contact number/s: telephone and facsimile)

Date: _____

The Governor
 Bangko Sentral ng Pilipinas
 A. Mabini cor. P. Ocampo Streets,
 Malate Manila, Philippines 1004

LGU REQUEST FOR MONETARY BOARD OPINION

Dear Governor:

Pursuant to Section 123 of R.A. No. 7653 (The New Central Bank Act), may we request for the opinion of the Monetary Board on the monetary and balance of payments implications of our proposed loan, details of which are provided below.

For term loans:

Details of proposed loan ¹	
a. Name of lending institution	
b. Total loan amount (in Php million)	
c. Purpose/s	<i>Please provide breakdown of specific projects, including cost and mode of acquisition:²</i>
	Project 1: (Project title/details)
	(Cost in Php million)
	(Mode of acquisition)
	Project 2: (Project title/details)
	(Cost in Php million)
	(Mode of acquisition)
d. Interest rate (in percent per annum)	<i>Please provide indicative rate and indicate if fixed or floating</i>
e. Term/tenor (in no. of years)	

f. Repayment terms and conditions	
g. Lending institution's source of fund for the loan	
h. Borrowing capacity (in Php million)	

For bond flotation:

Details of proposed bond flotation	
a. Lender/Investor	
b. Trustee bank	
c. Amount (in Php million)	
d. Bond name/label	
e. Purpose/s	<i>Please provide breakdown of specific projects, including cost and mode of acquisition</i>
f. Interest rate (in percent per annum)	
g. Term/tenor (in no. of years)	
h. Collateral/security	
i. Fees and charges	
j. Payment terms and condition	
k. Borrowing capacity (in Php million)	
l. Financial advisor	
m. Underwriter	
n. Guarantor	

Relative to this, we would like to certify that no disbursement, in part or in full, has been made on the proposed loan.

Please find attached documents and information in support of our request, as follows:

- a. Latest DOF-BLGF certification on the net debt service ceiling and borrowing capacity; and
- b. Information on the LGU's year-to-date outstanding loans (use the form attached as Annex 2 of Appendix 53).

Also, please find below the name/s and details of our designated contact person/s whom you may coordinate with relative to this request for Monetary Board opinion:

1. (Name); (telephone/facsimile/mobile nos.); and (email address); ...

*Sample LGU Ordinance for
Proposed borrowing (loan)*

Republic of the Philippines
Province of _____
Municipality/City of _____

OFFICE OF THE SANGGUNIANG BAYAN/PANLUNGSOD/PANLALAWIGAN

ORDINANCE⁴ NO. _____
Series of _____

ORDINANCE AUTHORIZING THE PROPOSED BORROWING OF THE CITY/MUNICIPALITY/PROVINCE OF _____, IN THE AMOUNT OF _____ (P _____) TO FUND THE _____.

BE IT ENACTED, as it is hereby ENACTED, by the Sangguniang Bayan/Panlungsod/ Panlalawigan of _____, in session assembled that:

SECTION 1. The Municipal/City Mayor/Provincial Governor, in representation of the Municipality/City/Province, hereinafter referred to as the "Municipality"/"City"/"Province", is hereby authorized to enter into Name of loan agreement/credit facility with name of lender in accordance with Section 297 of R.A. No. 7160 or the Local Government Code, in the amount of _____ (P _____) under the terms and conditions herein set forth and such other terms and conditions as may be agreed upon with any person, corporation or entity for the purpose of funding priority project/s, and subject to the requirements under Section 123 of R.A. No. 7653 as implemented by the Bangko Sentral Circular No. 402. In this connection, the Municipal/City Mayor/Provincial Governor shall have full power and authority to represent the Municipality/City/Province in negotiating the terms and conditions for the said borrowing and in signing, executing and delivering such agreements, contracts, deeds, papers, and documents as may be necessary and proper for the full and total implementation of the authority herein granted;

SECTION 2. The said priority project/s herein specified as the _____ is/are hereby certified to be a local infrastructure and/or other socio-economic development projects in accordance with⁵ the approved local development plan and public investment program for the period _____ or for the current year _____ of the Municipality/City/Province of _____ and is supported by a final feasibility study prepared _____ by which is also hereby approved/has been approved under the Sanggunian Bayan/Panlungsod/ Panlalawigan Resolution No. _____ dated

_____.

SECTION 3. Consistent with the covering _____ contract, deeds and assignment, mortgage contracts, and such other agreements as maybe entered into by the Municipality/City/Province in connection with the borrowing, the features, terms and conditions shall be as follows and are hereby approved:

3.1 Project Name

Borrower
Amount
Purpose/s⁶

Item 1 or Project A - (description, amount)

Sub-item a-(description, sub-amount)
Sub-item b-(description, sub-amount)
Sub-item c-(description, sub-amount)

Item 2 or Project A - (description, amount)

Sub-item a-(description, sub-amount)
Sub-item b-(description, sub-amount)
Sub-item c-(description, sub-amount)

Term
Manner of Payment
Interest
Principal Interest rate
Collateral/Guarantee/Security: Front-end Fee
Commitment Fee Guarantor Guarantee Fee
Sinking Fund (if applicable) or other Funding Arrangements

SECTION 4. The Municipality/City/Province hereby appropriates the entire proceeds of the borrowing exclusively to finance the _____ and other financial obligations relative thereto.

SECTION 5. Any Ordinance or parts thereof, inconsistent with this enactment is hereby repealed or amended accordingly.

SECTION 6. This Ordinance shall take effect upon its publication and compliance with all procedures required under R.A. No. 7160 of an ordinance for its validity, including the affixation of signatures of the Sanggunian Bayan/Panlungsod/Panlalawigan members, in concurrence thereto, composing at least a

majority thereof, out of the total of _____ members, on all the pages of this Ordinance.⁷

SO ORDAINED/ENACTED.

RESOLVED FURTHER, that copies of this Ordinance be furnished the Honorable Governor/Mayor (as the case may be), the Municipal/City/Provincial Accountant, and the Municipal/City/Provincial Auditor, all of this Municipality/City/Province of _____, the _____ and the Bangko Sentral for their information and appropriate action.

ADOPTED this day of 201_.

SANGGUNIAN MEMBERS:

Hon: _____	Hon: _____
Hon: _____	Hon: _____
Hon: _____	Hon: _____
Hon: _____	Hon: _____

CERTIFIED TRUE AND CORRECT:

SB/SP Secretary

ATTESTED:

Municipal/City Vice Mayor, or
Vice Governor or Presiding
Officer

APPROVED: _____ Date Approved: _____

Municipal/City
Mayor/Provincial
Governor

VALIDATED AS CONSISTENT WITH LAW:⁸

Sangguniang Panlalawigan Secretary

_____ Date Validated: _____

Provincial Governor

Annex 4

(Name of LGU)
 (Complete address)
 (Tel. Nos./Fax/Email)

Date: _____

The Governor
 Bangko Sentral ng Pilipinas

Dear Governor:

This has reference to our request for the opinion of the Monetary Board on the probable effects on monetary aggregates, price level and balance of payments of the proposed borrowing amounting to _____ by the Province/City/Municipality of _____.

Pursuant to the provisions of Sections 2 and 3 of R.A. No. 1405 and other laws relating to the secrecy of bank deposits, Resolution No. _____ dated _____ (certified true copy attached) was passed by the Province/City/Municipality of _____ waiving our rights to confidentiality of information by authorizing _____, our lending/trustee bank and all banks or financial institutions with which we have transactions to disclose to the Bangko Sentral all information pertaining to the deposits, investments, loans or other transactions including the history or status of our dealings with said banks or financial institutions and for the Bangko Sentral to make all inquiries as may be necessary regarding the same. The Bangko Sentral is likewise authorized to disclose and share any such information furnished or obtained from said banks or financial institutions to the Department of Finance in relation to the performance by said Department of its functions.

Thank you.

Very truly yours,

 Name and signature
 Governor/Mayor/Chairman
Annex 5

For submission to the Bangko Sentral, through registered mail to the Director, Department of Economic Research, Bangko Sentral ng Pilipinas, A. Mabini St. cor. P. Ocampo St. Malate, Manila, 1004, or by electronic mail to mbopinion_der@bsp.gov.ph

POST BORROWING REPORT

Name of Borrower	
Monetary Board Resolution No.	
Date of Monetary Board Opinion	
Amount of Proposed Loan	
Lending Institution	
Final Terms and Conditions	
Name of Facility	
Actual Amount of Loan*	
Purpose	
Interest Rate (Actual) If floating, please indicate base and spread	
Availment/Drawdown date*	
Term (In Years)	
Maturity Date	
Grace Period	
Interest Payment (Frequency/Date)	
Principal Payment (Frequency/Date)	
National Government Guarantee	
Collateral Guarantee/Security	
Breakdown of fees and other related costs	
Other relevant terms and conditions	

* Please indicate if on a staggered basis

Annex 5.1

For submission to the Bangko Sentral, through registered mail to the Director, Department of Economic

Research, Bangko Sentral ng Pilipinas, A. Mabini St. cor. P. Ocampo St. Malate, Manila, 1004, or by electronic mail to mbopinion_der@bsp.gov.ph

POST BOND FLOTATION REPORT

Name of Issuer	
Monetary Board Resolution No.	
Date of Monetary Board Opinion	
Amount of Proposed Bond Flotation	
Final Terms and Conditions	
Bond Name/Label	
Amount of Bonds Actually Sold	
Purpose of Bonds	
Issue Price	
Coupon Rate	
Date of Flotation	
Term (In Years)	
Maturity Date/Grace Period	
Denomination	
Medium of Sale	
Interest Payment (Frequency/Date)	
Principal Payment (Frequency/Date) Collateral Guarantee/Security	
Trustee Bank	
Fiscal Agent	
Underwriter	
Guarantor	
Financial Advisor, if any	
Breakdown of fees and other charges:	
Trustee Fee	
Underwriting Fee	
Guarantee Fee	
Financial Advisor Fee	
Other Fees	

List of Investors/Amount Purchased	
Settlement Mode	

Annex 6

For submission to the Bangko Sentral, through registered mail to the Director, Department of Economic Research, Bangko Sentral ng Pilipinas, A. Mabini St. cor. P. Ocampo St. Malate, Manila, 1004, or by electronic mail to mbopinion_der@bsp.gov.ph

POST-LOAN RELEASE REPORT ON LOANS

Name of BSFI/lending institution: _____

Period covered, for the six (6) months ending (mm/dd/yyyy)

A. Loans granted in full for the semester

(1) Name of local government unit (LGU)	(2) Loan amount applied for (in Php million)	(3) Monetary Board Resolution no. and date	(4) Actual loan amount released (in Php million)	(5) Final terms and conditions ⁹	(6) Date of initial loan release (mm/dd/yyyy)	(7) Date of final loan release (mm/dd/yyyy)	(8) Explanation for variance between loan applied and granted

B. Past-due loans for the semester

(1) Total no. of local government units (LGUs) with payment due	(2) LGUs with delayed payment	(3) Loan Amount	(4) Loan Maturity (Years)	(5) Interest Rate	(6) Payment

Annex 7

Deadline: 15 banking days after end
of reference semester

SWORN CERTIFICATION ON LENDINGS TO LOCAL GOVERNMENT UNITS

(Name of BSFI)

Pursuant to the requirements under Sec. 316, we hereby certify¹⁰ that for the 6-month period ending <start reporting semester>: _____

- There were no loans released to local government units (LGUs) by <Name of BSFI>
- <Name of BSFI> had released loans to LGUs and that -
- EXCEPT for loans in the attached list, loans released to LGUs were covered with Monetary Board opinions on the borrowings' probable effects on monetary aggregates, the price level and the balance of payments, pursuant to Section 123 of R.A. No. 7653, otherwise known as "The New Central Bank Act"
- ALL loans released to LGUs were covered with Monetary Board opinions on the borrowings' probable effects on monetary aggregates, the price level and the balance of payments, pursuant to Section 123 of R.A. No. 7653.

To the best of our knowledge, the foregoing statements are true and correct.

President or Officer of Equivalent Rank
TIN:

Com. Tax Cert. No:
Issued on:
Issued at

Chief Compliance Officer
TIN:

Com. Tax Cert. No:
Issued on:
Issued at

SUBSCRIBED AND SWORN to before me, on this ___ day of _____, at _____, exhibiting their respective Community Tax Certificate as indicated above.

NOTARY PUBLIC

Doc. No. _____;
Page No: _____;
Book No. _____;

Series of _____.

Annex 7

**LOANS RELEASED TO
LGUs WITHOUT THE REQUISITE MONETARY BOARD OPINION**

(Name of BSFI)

LGU	Amount Released	Date of Release	Justifications/explanation for the loan release without the requisite Monetary Board opinion

Footnotes

1. Loan information should be validated with the lending institution.
2. For mode of acquisition, please indicate whether for importation or local purchase; for acquisition of heavy equipment, please provide list of equipment to be purchased.
3. The signature of the lending institution's authorized representative is required only for loan availments.
4. Based on the Local Government Code [e.g., Sections 305 (a) and 55 (b)].
5. Sections 296 and 297 of the Local Government Code.
6. Please indicate the specific project/s, and a basic/simple breakdown into the cost/components of each project, if there is more than one project. Include borrowing cost items, if any will be included in the loan.
7. In particular, but not limited to, Sections 54-56, 58-59. This includes the mayor's/governor's/local chief executive's signature on all pages.
8. An ordinance passed by a municipality or component city has to be validated as consistent with law thru a review by the Sangguniang Panlalawigan (Sec. 56 of LGC). For such case, the ordinance should likewise be signed by the appropriate officers of the Sangguniang Panlalawigan on all pages, or otherwise validated through a separate document. Similarly, Sec. 57 provides for the review of Barangay Ordinances by the Sangguniang Panlungsod or Sangguniang Bayan. Other provinces issue a separate certification or resolution on said provincial review, if applicable.
9. Should at least include information on the maturity date, interest rate, and payment terms.
10. Check appropriate box.