



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M-2020-051

To : All Concerned Banks

Subject : Supplement to and Frequently Asked Questions (FAQs) on Memorandum No. M-2020-024 dated 08 April 2020 on Additional Eligible Credit Instruments, Revised Loan Documents and Availment Procedures for the Bangko Sentral ng Pilipinas (BSP) Rediscount Facilities

The following guidelines/FAQs are issued to supplement Memorandum No. M-2020-024 dated 08 April 2020¹ on Additional Eligible Credit Instruments, Revised Loan Documents and Availment Procedures for the BSP Rediscount Facilities:

A. Bank Certification for Submission to BSP

For purposes of rediscounting loan availments, banks are required to submit a certification signed by the bank's authorized officer/s indicating the following, as applicable:

1. The credits are booked under the regular banking unit of the rediscounting bank²;
2. The related end-user borrowers (EUBs) are operating during the time of the Enhanced Community Quarantine²;
3. The nature of economic activity covered by the loan is included in the list specified by the Department of Trade and Industry in its Memorandum Circular No. 20-08 dated 20 March 2020²;
4. The maturities of credit instruments were extended pursuant to Republic Act (R.A.) No. 11469 and its Implementing Rules and Regulations (IRR)³;
5. All electronic copies submitted are true and faithful copy of the original⁴; and
6. The bank acknowledges that any misrepresentation shall be subject to appropriate enforcement actions, among other legal recourses available to the BSP⁴.

¹ Extension of temporary measures implemented by the BSP until 17 July 2020, including the temporary acceptability of the credit instruments mentioned in BSP Memorandum No. M-2020-024, were approved by the Monetary Board as embodied in BSP Memorandum No. M-2020-043 dated 18 May 2020.

² For the rediscounting of the additional eligible credit instruments under the Exporters' Dollar and Yen Rediscount Facility (EDYRF) pursuant to Item No. 1 of BSP Memorandum No. M-2020-024 dated 08 April 2020.

³ For the rediscounting of the additional credit instruments under the Peso Rediscount Facility and EDYRF pursuant to Item No. 2 of BSP Memorandum No. M-2020-024 dated 08 April 2020.

⁴ Pursuant to Item 2 of BSP Memorandum No. M-2020-016 dated 31 March 2020. The stipulation requiring the submission of original documents to the BSP upon resumption of work at the BSP Head Office may not be applicable for loan availment purposes since rediscounting documents are held-in-trust/safekept by the borrowing bank/custodian bank, as applicable


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RYA ROSE D. NUNEZ
06/18/2020
Manager, RMD

Administrative Services Department

B. Revised List of Accounts for Rediscounting (Attachment 1) for Submission to the BSP

The List of Accounts for Rediscounting⁵ for submission to the BSP has been revised to include columns for the original due date and the extended due date in consideration of credit instruments which were granted a mandatory 30-day grace period pursuant to BSP Memorandum No. M-2020-017 dated 01 April 2020 and Section 4(aa) of R.A. No. 11469 and its IRR.

C. Frequently Asked Questions (Attachment 2)

Additional guidance and clarifications on BSP Memorandum No. M-2020-024 dated 08 April 2020 are hereby provided based on the common questions received by the Department of Loans and Credit.

This memorandum shall take effect immediately until superseded or revoked by the BSP.

For strict compliance.

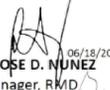


BENJAMIN E. DIOKNO
Governor

Atts.: A/S

17 June 2020

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RYA ROSE D. NUNEZ
Manager, RMD
Administrative Services Department

⁵ Required to be submitted in case of manual processing of rediscounting loan availments. Attached as Schedule A of Attachment 1 of BSP Memorandum No. M-2020-024 dated 08 April 2020 and Annex "A-3" of BSP Memorandum No. M-2020-016 dated 31 March 2020.

Invoice GS e s	Collateral Count	OCT/ICT No./Invoice No./GS No., whichever is applicable	Registered Owner	Property Location	Registry of Deeds Area	Tax Dec.	RETR No.	RETR Date	Appraiser	Appraisal Date	Appraisal Amount-Land	Appraisal Amount - Improvement	Insurance Company	Insurance Policy No.	Insurance O.R. No.	Insurance Amount	Insurance Expiry Date	GS Date of Security	GS Expiry Date	Remarks	

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 RYA ROSE D. NUNEZ
 Manager, RMD
 Administrative Services Department

NAME OF BANK: _____

LIST OF ACCOUNTS FOR REDISCOUNTING

Collateral Location (complete address)	TIN	Borrower	Borrowers' Address	PN Count	Promissory Note/Bills of Exchange No.	Project Location	PN Grant Date	PN Original Due Date	PN Extended Due Date (if applicable)	PN/BX Rate	PN Currency (Peso, Dollar Yen)	PN/BX Face Amount	PN/BX Balance when Rediscounted	Loan Purpose	Type of Collateral (LC/PO/SC/REM/GS/ROPs)	Currency
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Note: Columns V to AK are applicable to loans secured by Real Estate Mortgage.

Prepared by:

Reviewed by:

Approved:

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06/18/2020
RYA ROSE D. NUNEZ
Manager, RMD
Administrative Services Department



Frequently Asked Questions on Memorandum No. M-2020-024 dated 08 April 2020¹
on Additional Eligible Credit Instruments, Revised Loan Documents and Availment
Procedures for the Bangko Sentral ng Pilipinas (BSP) Rediscount Facilities

1. Are past due/extended/restructured papers because of the Community Quarantine, unsecured papers, papers with maturities beyond 180 days, loans to Micro, Small, and Medium Enterprises (MSMEs), and personal consumption loans eligible for rediscounting?

a. Past due/extended/restructured papers because of the Community Quarantine

Generally, past due and extended/restructured loans are not allowed for rediscounting with the BSP pursuant to Section 282 of the Manual of Regulations for Banks (MORB) on “[e]ligible papers and collaterals.” However, as part of BSP’s temporary measures aimed at providing the needed liquidity to banks for purposes of maintaining price and financial stability amidst the threat of Corona Virus Disease 2019 pandemic, the BSP allowed, among others, the rediscounting of credit instruments compliant with the requirements of Section 282 of the MORB, which were granted mandatory 30-day grace period pursuant to BSP Memorandum No. M-2020-017 dated 01 April 2020 and Section 4(aa) of Republic Act (R.A.) No. 11469, otherwise known as the “Bayanihan to Heal As One Act”, and its implementing rules and regulations (IRR).

b. Unsecured papers

Pursuant to Section 282 of the MORB on “[e]ligible papers and collaterals”, unsecured loans may be accepted for rediscounting provided they are: “(a) [m]icrofinance loans; or (b) [l]oans secured by a duly registered mortgage on real property of the bank, seventy percent (70%) of the appraised value of which equals or exceeds the outstanding balance of the unsecured PN and other collaterals acceptable to the [BSP], e.g., marketable debt instruments issued by the [National Government] and all its instrumentalities, including Republic of the Philippines US\$ denominated bonds or ROPs.”

c. Papers with maturities beyond 180 days

Under Section 282 of the MORB on “[e]ligible papers and collaterals”, credits are classified into three types according to the related economic activities, namely,

¹ Pursuant to BSP Memorandum No. M-2020-043 dated 18 May 2020, the temporary acceptance of credit instruments for rediscounting in BSP Memorandum No. 2020-024 have been extended for an additional 60 days or until 17 July 2020, subject to further extension as may be approved by the MB.

*Commercial*², *Production*³ and *Other Credits*⁴. Under *Commercial Credits*, the credit instruments should have maturities of not more than 180 days from date of rediscount with the BSP. Credit instruments under *Production* and *Other Credits* may have maturity of up to 360 days and 10 years, respectively, from the date of their rediscount. Thus, depending on the type of credit, papers with remaining maturities beyond 180 days may be accepted; provided that, they are compliant with the requirements of Section 282. However, the rediscounting loan, which the BSP may extend to banks against such papers, shall have a term of up to 180 days at a time only, subject to renewal for another 180 days.

d. Loans to MSMEs

Loans to MSMEs, which are compliant with the requirements on “[e]ligible papers and collaterals” under Section 282 of the MORB, are acceptable for rediscounting with the BSP. However, pursuant to BSP Circular No. 1083 dated 22 April 2020, loans to MSMEs which were used by banks as alternative compliance with the reserve requirement against deposit and deposit substitute liabilities should not be rediscounted with the BSP, among others.

e. Personal consumption loans

Personal consumption loans are expressly excepted from the loans that may be rediscounted with the BSP.

2. Are Promissory Notes (PNs) the only acceptable credit instruments for rediscounting with the BSP?

Credit instruments that may be submitted to the BSP are not limited to PNs between the borrowing bank and the end user borrower (EUB) with endorsement. Bills of Exchange or Customer’s Drafts and Export Bills with endorsement are also acceptable credit instruments for rediscounting.

3. Is the required endorsement of credit instruments as collateral to the BSP on an individual basis or per batch basis?

Each of the credit instruments securing rediscounting loans should be endorsed in favor of the BSP as a condition to availment, as required under Section 86 of R.A. No. 7653, as amended. Endorsement shall be on an individual basis similar to how any other negotiable instruments are endorsed. The borrowing bank should endorse the credit instrument and collateral documents by stamping or typing “Pay to the order of

² Credit instruments resulting from transactions related to the importation, exportation, purchase or sale of readily saleable goods and products, or their transportation within the Philippines; or the storing of non-perishable goods and products which are duly insured and deposited, under the conditions assuring their preservation, in authorized bonded warehouses or in other places approved by the Monetary Board.

³ Credit instruments resulting from transactions related to the production or processing of agricultural, animal, mineral, industrial and other products.

⁴ Credit instruments not otherwise rediscountable as commercial or production credits, such as, but not limited to, microfinance, housing, services, agricultural loans with long gestation period or other eligible economic activities.

the Bangko Sentral ng Pilipinas” and affixing the signatures of the bank’s authorized officers on the instrument itself, at the dorsal portion of the EUB’s credit instrument.

4. *Is the EUB’s consent necessary even during the Community Quarantine?*

The requirement for the banks' submission of EUBs' consent is deemed to be in compliance with law and applicable jurisprudence. The wordings of the borrowers' consent, as indicated in BSP Memorandum No. M-2020-024 dated 08 April 2020, show that the banks' transaction on their borrowers' credit instruments, including that of rediscounting with the BSP, is only an eventuality or a contingency that may or may not happen.

5. *How do we know if we need to submit a separate document for the EUB’s consent?*

The necessity of notifying the borrowing bank to submit a separate EUB's consent will be subject to review. As such, for banks with already similar provisions in their present credit instruments, BSP shall conduct a review to determine if the EUB’s consent provided therein is compliant with existing jurisprudence and sufficient to meet the required wording of the EUB’s consent by the BSP. In which case, a separate document containing such consent may no longer be required from the borrowing bank. Otherwise, the borrowing bank will be notified to submit within a reasonable timeline, from receipt of BSP’s notification, the separate EUB’s consent as prescribed in BSP Memorandum No. M-2020-024.

6. *Will e-mail confirmations from EUBs suffice as required consent during the Community Quarantine?*

E-mail confirmation from EUBs, ideally with undertaking to submit a consent letter/contract afterwards, may be obtained by borrowing banks during the Community Quarantine if separate consent is still required by the BSP. The burden of proof of the EUB’s e-mail/consent authenticity lies with the borrowing banks such that they must provide proof that the EUB did author the e-mail or consent was made by the EUB (i.e. submission of scanned copy of signed consent, etc.).

7. *Are written consent and endorsement from EUBs still required if the credit instruments are secured by the borrowing bank’s Government Securities?*

As long as the loan availment is secured by acceptable credit instruments, consent and endorsement of the EUBs are necessary. This requirement, which uniformly applies to all banks, is in accordance with the existing laws and jurisprudence.

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RYA ROSE D. NUNEZ
Manager, RMD

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