



# BANGKO SENTRAL NG PILIPINAS

## **CIRCULAR NO. 1132** **Series of 2021**

### **OFFICE OF THE GOVERNOR**

**Subject: Amendments in the Operations of the Bangko Sentral's Rediscounting Line (RL) and Overdraft Credit Line (OCL) by Banking Institutions**

The Monetary Board (MB), in its Resolution No. 1530 dated 11 November 2021, approved the amendments in the operations of Bangko Sentral's RL and OCL by banking institutions, in view of the implementation of the Supervisory Assessment Framework.

**Section 1.** Section 281 of the Manual of Regulations for Banks (MORB), as amended by Circular No. 1077 dated 26 February 2020, on application for RL is hereby amended to read, as follows:

#### **281 REDISCOUNTING LINE**

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***Credit Information System.*** The rediscounting availments of all eligible banks shall be drawn against their rediscounting line which is based on their total credit score under the Credit Information System (CRIS). The scoring system under the CRIS shall consider both quantitative and qualitative factors to assess the applicant bank's creditworthiness (e.g., financial indicators and results of Bangko Sentral examination).

The CRIS guidelines shall be reviewed on a regular basis by the Bangko Sentral's Credit Committee to maximize its effectiveness in managing the credit risk of the Bangko Sentral.

***Application Procedures.*** Banks applying for a rediscounting line shall submit their application in the prescribed form (RL Form No. 1) to the Department of Loans and Credit (DLC), Bangko Sentral-Manila, either in hard copy or electronic form, together with the following documents:

- a. Secretary's Certificate or Board Resolution duly signed by the Board of Directors of the applicant bank, authorizing the bank to apply for a rediscounting line with the Bangko Sentral and designating at least two (2) officers of the bank to sign and endorse documents pertaining thereto, together with their specimen signatures;

- b. Certification dated at most one (1) month prior to date of filing of application signed by any two (2) of the authorized officers per Secretary's Certificate or Board Resolution:
  - (1) If the bank has outstanding obligation/s with financial/lending institution/s: certification that it has no past due obligations with all other financial and lending institutions, as enumerated therein; or
  - (2) If the bank has no outstanding obligation/s with financial/lending institution/s: certification that it has no financial obligation with all other financial and lending institutions;
- c. Certification of good credit standing prepared and issued by all the financial and lending institutions listed in Item b(1) above dated at most one (1) month prior to the date of application for rediscounting line;
- d. Certification signed by the president or officer of equivalent rank, and Chief Compliance Officer certifying that the Bank has the following documents which shall be made available, as applicable, when requested by the appropriate DLC personnel:
  - (1) Articles of Incorporation and amendments, if any;
  - (2) Organizational chart;
  - (3) List of board of directors and principal officers [top three (3) executive officers] and their education/training and work experience;
  - (4) Annual report/Audited Financial Statements for the immediately preceding year; and
  - (5) For banks applying for microfinance facility, a copy of the Manual of Operations pertaining to microfinance operations; and
- e. If submitted in electronic form, certification signed by any two (2) of the authorized officers per Secretary's Certificate or Board Resolution that:
  - (i) all electronic copies submitted are a true and faithful copy of the original;
  - (ii) the documents in hard copy format shall be transmitted to the Bangko Sentral-DLC within the prescribed timeline requested; and
  - (iii) the bank acknowledges that any misrepresentation may, at the discretion of BSP, be subjected to appropriate enforcement actions, among other legal recourses available to the Bangko Sentral.

***Approval/Renewal of the line.*** The approval/renewal of rediscounting line shall be subject to the bank's full compliance with the following requirements:

- a. Minimum capital prescribed under Sec. 121 based on the latest available report of the Department of Supervisory Analytics (DSA) or appropriate supervising department of the Bangko Sentral except those with capital build-up program approved by the Monetary Board;

- b. Risk-based capital adequacy ratio (CAR) as required under applicable and existing capital adequacy framework based on the latest available report of the DSA or appropriate supervising department of the Bangko Sentral;
- c. Required reserves against deposit liabilities/deposit substitutes for two (2) consecutive weeks based on the latest available report of the DSA or appropriate supervising department of the Bangko Sentral;
- d. Positive Demand Deposit Account (DDA) balance with the Bangko Sentral;
- e. No past due obligations or collateral deficiencies on account of matured notes/unremitted collections/missing collaterals or ineligible papers with the Bangko Sentral; and
- f. The ratio of past due direct and indirect loans to DOSRI to the aggregate past due loans should not be more than five percent (5%) based on the latest available report of the DSA or appropriate supervising department of the Bangko Sentral.

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The approval, disapproval, extension, amendment, cancellation, suspension and restoration of the rediscounting line shall be delegated to the Bangko Sentral's Credit Committee.

Banks with approved rediscounting line shall, thereafter, submit the following:

- a. Rediscounting line agreement (RL Form No. 3) within three (3) months from receipt of notice of approval from the Bangko Sentral, which reserves the right to re-assess the bank's eligibility at any given time; and
- b. For new applicant rural/cooperative banks with designated custodian bank, a tripartite depository agreement (RL Form No. 2) by and among the applicant bank, designated depository bank (duly concurred by its Head Office) and the DLC.

For newly merged or consolidated banks, a temporary line not exceeding fifty percent (50%) of its adjusted capital as of latest date may be granted for a period of 180 days while awaiting the required reports/data from the DSA or appropriate supervising department of the Bangko Sentral, renewable for another 180 days or until such time that the required reports/data are made available, whichever comes earlier, subject to the following conditions:<sup>1</sup>

- a. Compliance with the requirements cited under Items "d" and "e" under this Section on Approval/Renewal of the line, and other guidelines issued by the DLC; and

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<sup>1</sup> These conditions shall not limit the Monetary Board from granting rediscounting line incentives to merged/consolidated banks pursuant to Sec. 104.

- b. Risk-based CAR as required under applicable and existing capital adequacy framework and minimum capital prescribed under Sec. 121 based on the latest available report of the DSA or appropriate supervising department of the Bangko Sentral except those with capital build-up program approved by the Monetary Board.

Banks with disapproved applications may re-apply after three (3) months from its receipt of Bangko Sentral's notice of disapproval and upon compliance with the eligibility requirements for rediscounting line.

**Amount of line.** The amount of rediscounting line shall be based on the total credit score obtained by the applicant bank computed under the CRIS guidelines which ranges from 25% to 100% of adjusted capital.

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**Section 2.** Section 282 of the MORB, as amended by Circular Nos. 1072 and 1071 dated 31 and 8 January 2020, respectively, is hereby amended to read, as follows:

## **282 REDISCOUNTING AVAILMENTS**

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**Eligible papers and collaterals.** The Bangko Sentral shall accept credit instruments covering all economic activities except the following:

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(4) The trustee must provide Bangko Sentral with a certified copy of the relevant collateral(s).

For banks with non-performing loans ratio higher than industry average based on the latest available data from the DSA or appropriate supervising department of the Bangko Sentral at the time of drawdown, only marketable debt instruments issued by the National Government and all its instrumentalities, including Republic of the Philippines US\$ denominated bonds or ROPs, shall be accepted.

**Loan availment procedures.** Banks availing of the rediscounting facility shall submit their loan applications electronically to the Bangko Sentral using their eRS registered computers.

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c. Banks with custodianship agreements shall deposit with their respective depository/custodian bank the rediscounted credit instruments, xxx.

The BSP shall conduct pre-credit verification prior to any drawdown of loans secured by real estate mortgage, for banks with NPL ratio within the industry average based on the latest available data from the DSA or appropriate supervising Department of the Bangko Sentral.

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**Section 3.** Section 802 of the MORB, as amended by Circular No. 1043 dated 2 August 2019, is hereby amended to read, as follows:

## **802 CHECK CLEARING OPERATIONS**

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### ***Check Clearing Rules for Banks Authorized to Accept Demand Deposits.<sup>2</sup>***

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- (2) A ceiling shall be set on the amount of overdraft a bank may incur due to failure to cover clearing losses through interbank borrowings and/or repurchase agreements with the Bangko Sentral in the amount of the bank's collateralized overdraft credit line (OCL) with the Bangko Sentral. A bank not meeting the following criteria:

- (a) Minimum capital prescribed under Sec. 121;

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- (3) Provided the overdraft does not exceed the ceiling as defined in Item "2" hereof, the bank may avail of the collateralized OCL. The availments against the approved collateralized OCL shall bear interest at a rate equivalent to one-tenth of one percent (1/10 of 1%) per day or the 91-day T-Bill rate of the last auction immediately preceding the availment, plus three percentage (3%) points, whichever is higher.

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- (5) Should the overdraft exceed the ceiling, as defined in Item "2" hereof, no availment of the collateralized OCL shall be allowed.

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- c. In indirect participation through conduit arrangement, xxx

The cap is defined as the combined value of the following amounts:

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- (2) the value of collateralized overdraft credit line that may be extended by the conduit UB/KB to the TB/RB.

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<sup>2</sup> See schedule of revised clearing and settlement process shown as footnote of Sec. 203.

**Section 4.** Appendix 25 of the MORB, as amended by Circular No. 1077 dated 26 February 2020, are hereby amended to read, as follows:

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**Sec. 2. Ceiling on Overdraft Due to Clearing Losses**

A ceiling shall be set on the amount of overdraft a bank may incur due to failure to cover clearing losses through interbank borrowings and/or repurchase agreements with Bangko Sentral in the amount of the bank's collateralized OCL with the Bangko Sentral. A bank not meeting the following criteria:

- a. Minimum capital prescribed under Sec. 121;

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**Sec. 4. Availments Against the Approved Collateralized OCL**

- a. Provided the overdraft does not exceed the ceiling as defined in Section 2 hereof, the bank may avail of the collateralized OCL. The availment shall be granted the next banking day after taking into account the amount of AM returns, for value the previous banking day.

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**Sec. 5. Procedures for Unwinding and Exclusion.**

Should the overdraft exceed the ceiling as defined in Section 2 hereof, no availment of the collateralized OCL shall be allowed.

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**Sec. 6. Conversion/Suspension of Collateralized OCL.**

Banks found to be abusing their collateralized OCL privilege shall be subject to suspension of the OCL. The following shall constitute an abuse of the OCL privilege and shall automatically result in the suspension of the OCL;

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**Section 5.** The transitory provision below shall be added as footnote in Section 802 and Appendix 25:

Existing clean OCL of Banks prior to the effectivity of this Circular shall remain effective until expiration, or upon termination of its equivalent RL, whichever comes first.

**Section 6.** This Circular shall take effect on 20 December 2021 after its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:



**BENJAMIN E. DIOKNO**  
Governor

14 December 2021