



**BANGKO SENTRAL NG PILIPINAS**

**OFFICE OF THE GOVERNOR**

**CIRCULAR NO. 736**

Series of 2011

**Subject: Rules and regulations on the mandatory credit allocation for agriculture and agrarian reform credit**

The Monetary Board, in its Resolution No. 792 dated 26 May 2011, approved the revised rules and regulations governing the mandatory credit allocation for agriculture and agrarian reform credit to implement the provisions of Republic Act (R.A.) No. 10000 dated 23 February 2010, The Agri-Agra Reform Credit Act of 2009.

**Section 1.** Section X341 of the Manual of Regulations for Banks (MORB) on the agriculture and agrarian reform credit is hereby amended to read, as follows:

**"Sec. X341 Agriculture and Agrarian Reform Credit.** Pursuant to R.A. No. 10000, The Agri-Agra Reform Credit Act of 2009, the following guidelines shall govern the grant of agriculture and agrarian reform credit by banks, government or private.

**"Subsec. X341.1 Definition of terms.** For purposes of this Section, the following definitions shall apply:

- "a. *Accredited rural financial institutions (FIs)* shall refer to FIs like rural banks, cooperative banks, farmer's cooperatives and farmer's cooperative insurance or mutual benefit associations whose portfolios are substantially agri-agra related and have been certified as such either by the BSP, in the case of banks, or by the DA, or by an agency duly authorized by the DA, in the case of non-bank financial institutions.
- "b. *Agrarian reform beneficiaries* shall refer to farmers who were granted lands under P.D. No. 27 or the "Emancipation of Tenants from the Bondage of the Soil, Transferring to Them the Ownership of the Land They Till and Providing the Instruments and Mechanism Therefor", R.A. No. 6657 or the "Comprehensive Agrarian Reform Law" and R.A. No. 9700 or the "Comprehensive Agrarian Reform Extension with Reforms" and regular farmworkers who are landless, irrespective of tenurial arrangement, who benefited from the redistribution of lands, regardless of crops or fruits produced, to include the totality of factors and support services designed to lift the economic status of the beneficiaries and all other alternative arrangements to the physical distribution of lands, such as production or profit-sharing, labor administration, and the distribution of shares of stock under the stock distribution option scheme, which will allow beneficiaries to receive a just share of the fruits of the lands they work, which farmers and farmworkers shall be endorsed by the nearest office of the DAR.

"The term shall, likewise, include registered agrarian reform beneficiaries' cooperatives/associations/other farm groups respectively endorsed as comprising of agrarian reform beneficiaries by the nearest office of the DAR.

- "c. *Agrarian reform credit* shall refer to loans granted to agrarian reform beneficiaries for agricultural and agrarian reform purposes.
- "d. *Agricultural credit* shall refer to loans granted to borrowers for agricultural purposes.
- "e. *Agricultural lessee* shall refer to any person who, with or without help from his/her immediate farm household, cultivates the land owned by another for a certain price in money, in produce or in both.
- "f. *Agriculture and agrarian reform credit* shall refer to loans granted for the following activities and purposes:
  - "(i) agricultural production,
  - "(ii) promotion of agribusiness and exports,
  - "(iii) acquisition of work animals, farm and fishery equipment and machinery,
  - "(iv) acquisition of seeds, fertilizers, poultry, livestock, feeds and other similar items,
  - "(v) acquisition of lands authorized under the Agrarian Reform Code of the Philippines and its amendments,
  - "(vi) construction, acquisition and repair of facilities for production, processing, storage, and marketing and such other facilities in support of agriculture and fisheries,
  - "(vii) efficient and effective merchandising of agricultural and fishery commodities stored and/or processed by the facilities aforesaid in domestic and foreign commerce, and
  - "(viii) other activities identified in Section 23 of R.A. No. 8435, otherwise known as the "Agriculture and Fisheries Modernization Act of 1997", as follows:
    - "(a) Agriculture and fisheries production including processing of fisheries and agri-based products and farm inputs,
    - "(b) Acquisition of work animals, farm and fishery equipment and machinery,
    - "(c) Acquisition of seeds, fertilizer, poultry, livestock, feeds and other similar items,
    - "(d) Procurement of agriculture and fisheries products for storage, trading, processing and distribution,

- “(e) Acquisition of water pumps and installation of tube wells for irrigation,
  - “(f) Construction, acquisition and repair of facilities for production, processing, storage, transportation, communication, marketing and such other facilities in support of agriculture and fisheries,
  - “(g) Working capital for agriculture and fisheries graduates to enable them to engage in agriculture and fisheries-related economic activities,
  - “(h) Agribusiness activities which support soil and water conservation and ecology-enhancing activities,
  - “(i) Privately-funded and LGU-funded irrigation systems that are designed to protect the watershed,
  - “(j) Working capital for long-gestating projects, and
  - “(k) Credit guarantees on uncollateralized loans to farmers and fisherfolk.
- “g. *Agro-industry Modernization Credit and Financing Program (AMCFP)* refers to the umbrella credit/financing program of the government for the agriculture and fisheries sector created under Republic Act No. 8435.
- “h. *Amortizing owners* shall refer to landowners who still amortize payment for the land to a private individual or to the State.
- “i. *BSP-accredited rural financial institutions (FIs)* shall refer to banks that are accredited by the BSP in accordance with criteria set forth in Subsec. X341.8.
- “j. *Compact farmers* shall refer to those farmers with adjoining farms operating as a single unit under one management, farm plan and budget.
- “k. *Farm to market road* shall refer to roads linking the agriculture and fisheries production sites, coastal landing points and post-harvest facilities to the market and arterial roads and highways.
- “l. *Farmer* shall refer to a natural person whose primary livelihood is cultivation of land or the production of agricultural crops, agroforest products, livestock and/or fisheries, either by himself/herself, or primarily with the assistance of his/her immediate farm household, whether the land is owned by him/her or by another person under a leasehold or share tenancy agreement or arrangement with the owner thereof.
- “m. *Farmworker* shall refer to a natural person who renders service for value as an employee or laborer in an agricultural enterprise or farm regardless of whether his/her compensation is paid on a daily, weekly, monthly or “pakyaw” basis. The term includes an individual whose work has ceased as a consequence of, or in connection with, a pending agrarian dispute who has not obtained a substantially equivalent and regular farm employment.

- "n. *Farmer's cooperatives* shall refer to organizations composed primarily of small agricultural producers, farmers, farmworkers, or other agrarian reform beneficiaries who voluntarily organize themselves for the purpose of pooling land, manpower, technological, financial or other economic resources, and operate on the principle of one member, one vote. A juridical person may be a member of a cooperative, with the same rights and duties as a natural person.
- "o. *Farmer's and fisherfolk's organizations or associations* shall refer to farmer's and fisherfolk's cooperatives, associations or corporations duly registered with appropriate government agencies and which are composed primarily of small agricultural producers, farmers, farmworkers, agrarian reform beneficiaries or fisherfolk who voluntarily join together to form business enterprises or non-business organizations which they themselves own, control and patronize.
- "p. *Fisherfolk* shall refer to people directly or personally and physically engaged in taking and/or culturing and processing fishery and/or aquatic resources.
- "q. *Fisheries* shall refer to all activities relating to the act or business of fishing, culturing, preserving, processing, marketing, developing, conserving and managing aquatic resources and the fishery areas, including the privilege to fish or take aquatic resource thereof.
- "r. *Fishworker* shall refer to a person whether or not regularly employed in commercial fishing and related industries, whose income is either from wages, profit sharing or stratified sharing basis, including those working in fishpens, fish corral/traps, fishponds, prawn farms, sea farms, salt beds, fish ports, fishing boat or trawlers, or fish processing and/or packing plants, but excluding administrators, security guards and overseers.
- "s. *Loanable funds* shall refer to total funds generated from 20 April 2010, the computation of which is described in Subsec. X341.6.
- "t. *National Food Authority*, otherwise known as the NFA, shall refer to the government entity created through Presidential Decree No. 4 dated 26 September 1972. It is currently vested with the function of ensuring food security and stability of price and supply of staple grain-rice through procurement of paddy from individual bonafide farmers and their organizations, buffer stocking, processing activities, dispersal of paddy and milled rice to strategic locations, distribution of the staple grain to various marketing outlets at appropriate times of the year and other similar activities. As used in these rules, its role shall be limited to the issuance of warehouse receipts, which may be used as collateral for bank loans and loans under the AMCFP value chain financing facility.
- As a government non-financial agency, the NFA can not and will not perform any lending function consistent with the provisions of R.A. No. 8435.
- "u. *Owner-cultivators* shall refer to natural persons who own lands by purchase, inheritance, or land distribution by the State. Owner-cultivators can operate the farm themselves, supervise wage labor or delegate operations to farmers.

- "v. *Post-Harvest Activities* shall refer to threshing, drying, milling, grading, storing, and handling of produce and such other activities of a similar nature such as stripping, winnowing, chipping and washing.
- "w. *Post-Harvest Facilities* shall refer to threshers, moisture meters, dryers, weighing scales, milling equipment, fish ports, fish landings, ice plants and cold storage facilities, processing plants, warehouses, buying stations, market infrastructure and transportation facilities supporting post-harvest activities.
- "x. *Public Infrastructure* shall refer to facilities including, but not limited to, market buildings, slaughterhouses, holding pens, warehouses, market information centers, connecting roads, transport and communication, processing plants, ice plants and cold storage facilities, grain dryers, warehouses, grain silos and cold storage used by the farmers and fisherfolk in the production, processing, storage, transportation, communication, marketing of their produce and such other facilities in support of agriculture and fisheries.
- "y. *Settlers* shall refer to persons who range from the forest-clearing pioneers, including indigenous people, with a subsistence economy to the better equipped and more experienced farmers.
- "z. *Tenant farmer* shall refer to one who cultivates another's land under a sharing or leasehold agreement.

**"Subsec. X341.2 Qualified borrowers**

"Qualified borrowers for agriculture and agrarian reform credit shall refer to farmers, fisherfolk, agrarian reform beneficiaries, settlers, agricultural lessees, amortizing owners, farmworkers, fishworkers, owner-cultivators, compact farmers, tenant farmers, as well as farmer's and fisherfolk's cooperatives, organizations and associations in good standing, regardless of capitalization, based on the feasibility of the project and their paying capacity, their estimated production, and/or securities they can provide as well as such assets as may be acquired by them from the proceeds of the loan.

**"Subsec. X341.3 Required allocation for agriculture and agrarian reform credit.** Banks shall set aside at least twenty-five percent (25%) of their total loanable funds for agriculture and agrarian reform credit in general, of which at least ten percent (10%) of the total loanable funds shall be made available for agrarian reform beneficiaries.

"Excess compliance in the ten percent (10%) agrarian reform credit may be used to offset a deficiency, if any, in the fifteen percent (15%) other agricultural credit, in general, but not vice versa.

**"Subsec. X341.4 Direct compliance.** Total loanable funds as computed under Subsec. X341.6 shall be made available by banks for agriculture and agrarian reform credit.

"1. 25% mandatory agriculture and agrarian reform credit allocation through the following modes of compliance that are undertaken after 20 April 2010:

"(a) Actual extension of loans to qualified borrowers (gross of allowance for probable losses), for purposes of financing agriculture and agrarian reform activities under Item No. "f" of Subsec. X341.1, other than (1) loans rediscounted with UBs/KBs, or (2) loans to the extent funded by proceeds from any of the following:

"(i) Bond issues for the exclusive purpose of on-lending to the agriculture and agrarian reform sector that have been expressly declared as eligible by the DA, or by an agency duly authorized by the DA, in the case of the DBP/LBP,

"(ii) SDAs maintained for the exclusive purpose of on-lending to the agriculture and agrarian reform sector, in the case of BSP-accredited rural financial institutions, or

"(iii) Wholesale lending of other banks for the exclusive purpose of on-lending to the agriculture, fisheries and agrarian reform sector, in the case of BSP-accredited rural financial institutions, or

"(b) Purchase of eligible loans listed in Item No. "(a)" above on a "without recourse" basis from other banks and financial institutions.

"2. 10% mandatory agrarian reform credit allocation through the following modes of compliance that are undertaken after 20 April 2010:

"(a) Actual extension of loans to agrarian reform beneficiaries (gross of allowance for probable losses), for purposes of financing agriculture and agrarian reform activities under Item No. "f" of Subsec. X341.1, other than (1) loans rediscounted with UBs/KBs, or (2) loans to the extent funded by proceeds from bonds, in the case of DBP/LBP, and/or SDAs and/or wholesale lending of other banks, in the case of BSP-accredited rural financial institutions listed under Item Nos. "1(a)(i) to "1(a)(iii)" above, or

"(b) Purchase of eligible loans listed in Item "2(a)" above on a "without recourse" basis from other banks and financial institutions.

"Subsec. X341.5 **Allowable alternative compliance.** The following alternative modes of compliance to the mandatory agriculture and agrarian reform credit shall be allowed:

"1. 25% mandatory agriculture and agrarian reform credit

"(a) Eligible securities (gross of allowance for probable losses but net of unamortized premium or discount) that are issued after 20 April 2010:

"(i) Investments in bonds issued by the DBP and the LBP that have been expressly declared as eligible by the DA, or by an agency duly-authorized by the DA, the proceeds of which shall be used exclusively for on-lending to the agriculture and agrarian reform sector,

“(ii) Investments in other debt securities that have been declared as eligible by the DA, or by an agency duly-authorized by the DA, the proceeds of which shall be used to finance activities identified under Section 23 of R.A. No. 8435, as defined under Item “f(viii)” of Subsection X341.1, or

“(iii) Paid subscription of shares of stock in the following institutions, subject to existing rules and regulations governing equity investments of banks:

“(1) Accredited rural financial institutions (preferred shares only),

“(2) Quedan and Rural Credit Guarantee Corporation (Quedancor), or

“(3) Philippine Crop Insurance Corporation (PCIC).

“The eligibility of securities under Item “1(a)” shall be subject to the following conditions:

“(i) Such securities shall neither be hypothecated, encumbered, earmarked for any other purposes, sold/lent in repurchase agreement/securities lending transactions, used as additional collateral in repurchase agreements, nor used as collateral by the borrowing bank in securities borrowing transactions,

“(ii) Such securities shall be segregated from the bank’s investment portfolio, and

“(iii) The securities under Item Nos. “1(a)(i)” to “1(a)(iii)” above shall not be funded by proceeds from the issuance of bonds under Item No. “1(a)(i)”, in the case of DBP/LBP, and/or SDAs under Item No. “1(b)(i)” and/or wholesale lending of other banks under Item No. “1(b)(ii)”, in the case of BSP-accredited rural financial institutions.

“(b) Loans and other credits (gross of allowance for probable losses) that are granted after 20 April 2010:

“(i) Investments in SDAs of BSP-accredited rural financial institutions, the proceeds of which shall be used exclusively for on-lending to the agriculture and agrarian reform sector;

“(ii) Wholesale lending granted to accredited rural financial institutions for the exclusive purpose of on-lending to the agriculture and agrarian reform sector;

“(iii) Rediscounting facility granted by UBs/KBs to other banks covering eligible agricultural and agrarian reform credits, including loans covered by guarantees of the Quedancor or the PCIC,

“(iv) Actual extension of loans intended for the construction and upgrading of infrastructure, including, but not limited to, farm-to-market roads, as well as the provision of post harvest facilities and other public infrastructure as

defined under Subsection X341.1, for the benefit of the agriculture and agrarian reform sector,

“(v) Actual extension of loans to borrowers for purposes of financing activities identified under Section 23 of R.A No. 8435, as defined under Item “f(viii)” of Subsection X341.1,

“(vi) Extension of loans to:

“(1) NFA-registered warehousemen/millers/wholesalers for purposes of financing activities identified under Section 23 of R.A. No. 8435, as defined under Item “f(viii)” of Subsection X341.1, or

“(2) The NFA: *Provided*, That the NFA shall not use the proceeds of said loans for relending, or

“(vii) Purchase of eligible loans listed under Item Nos. “1(b)(ii)” to “1(b)(vi)” on a “without recourse” basis from other banks and financial institutions:

*Provided*, That the loans under Item Nos. “1(b)(iv)” to “1(b)(vii)” are not rediscounted with UBs/KBs: *Provided, further*, That the activities identified under Item Nos. “1(b)(i)” to “1(b)(vii)” shall not be funded by proceeds from the issuance of bonds under Item No. “1(a)(i)”, in the case of DBP/LBP, and/or the acceptance of SDAs under Item No. “1(b)(i)” and/or wholesale lending of other banks under Item No. “1(b)(iii)”, in the case of BSP-accredited rural financial institutions.

## “2. 10% mandatory agrarian reform credit

“(a) Eligible securities (gross of allowance for probable losses but net of unamortized premium or discount) that are issued after 20 April 2010:

“(i) Investments in bonds issued by the DBP and the LBP that have been expressly declared as eligible by the DA, or by an agency duly-authorized by the DA, upon due consultation and timely coordination with DAR, the proceeds of which shall be used exclusively for on-lending to agrarian reform beneficiaries, or

“(ii) Investments in other debt securities that have been declared as eligible by the DA, or by an agency duly-authorized by the DA, upon due consultation and timely coordination with DAR, the proceeds of which shall be used to finance activities identified under Section 23 of R.A No. 8435, as defined under Item “f(viii)” of Subsection X341.1: *Provided*, That said activities shall generally benefit agrarian reform beneficiaries.

“The eligibility of securities under Item No. “2(a)” shall be subject to the same conditions required for securities under Item No. “1(a)”.

“(b) Loans and other credits (gross of allowance for probable losses) that are granted after 20 April 2010:

- “(i) Investments in SDAs of BSP-accredited rural financial institutions, the proceeds of which shall be used exclusively for on-lending to agrarian reform beneficiaries,
- “(ii) Wholesale lending granted to accredited rural financial institutions for the exclusive purpose of on-lending to agrarian reform beneficiaries,
- “(iii) Rediscounting facility granted by UBs/KBs to other banks covering eligible agrarian reform credits, including loans covered by guarantees of the Quedancor or the PCIC,
- “(iv) Actual extension of loans to borrowers, for purposes of financing activities identified under Section 23 of R.A No. 8435, as defined under Item “f(viii)” of Subsec. X341.1: *Provided*, That said activities shall generally benefit agrarian reform beneficiaries, or
- “(v) Purchase of eligible loans listed under Item “2(b)(ii)” to “2(b)(iv)” on a “without recourse” basis from other banks and financial institutions:

*Provided*, That the loans under Item Nos. “2(b)(iv)” to “2(b)(v)” are not rediscounted with UBs/KBs: *Provided, further*, That the activities identified under Item Nos. “2(b)(i)” to “2(b)(v)” shall not be funded by proceeds from the issuance of bonds under Item No. “2(a)(i)”, in the case of DBP/LBP, and/or the acceptance of SDAs under Item No. “2(b)(i)” and/or wholesale lending of other banks under Item No. “2(b)(ii)”, in the case of BSP-accredited rural financial institutions.

**“Subsec. X341.6 Computation of loanable funds**

“Loanable funds shall be computed, as follows:

“a. The net increase from 20 April 2010 to date of the report of the individual accounts booked under the Regular Banking Unit which represent the following:

“(1) Total Peso deposits (demand, savings, NOW, time and negotiable CTD accounts) excluding:

“(a) Deposits of banks,

“(b) Deposits of the National Government, including its political subdivisions and instrumentalities, such as, but not limited to the BIR, BOC, and LGUs, and

“(c) Deposits of Government Owned and Controlled Corporations,

“(2) Bills payable excluding:

“(a) Borrowings from the BSP in the form of the following:

“(i) rediscounting,

- “(ii) emergency advances,
- “(iii) availment of overdraft facilities, or
- “(iv) other obligations,
- “(b) Interbank loans payable,
- “(c) Other deposit substitutes, in the form of the following:
  - “(i) Repurchase agreements with the BSP,
  - “(ii) Repurchase agreements with banks,
  - “(iii) Certificates of assignment/ participation with recourse with banks,
  - “(iv) Securities lending and borrowing agreements with banks, and
  - “(v) Other deposit substitutes with banks,
- “(d) Proceeds from special on-lending programs to the agriculture and agrarian reform sector, including SDAs issued by BSP-accredited rural financial institutions, the proceeds of which shall be exclusively used for on-lending to the agriculture and agrarian reform sector,
- “(e) Proceeds from special on-lending programs, other than for agriculture and agrarian reform, including Time Certificates of Deposit – Special Financing, and
- “(f) Other deposit substitutes in the form of emergency advances from the PDIC, and
- “(3) Bonds payable, net of unamortized premium or discount, other than bond issuances of the DBP and LBP, the proceeds of which shall be used exclusively for on-lending to the agriculture and agrarian reform sector,
- “(4) Unsecured subordinated debt, net of unamortized premium or discount,
- “(5) Redeemable preferred shares, net of unamortized premium or discount,
- “(6) Total equity accounts, as provided under Subsec. X341.7,
- “b. Less/(Add) the net increase/(decrease) from 20 April 2010 to date of the report of the following accounts booked under the Regular Banking Unit:
  - “(1) Debt and equity securities acquired in settlement of loans, net,
  - “(2) Sales contract receivable, net,
  - “(3) Accrued interest income from financial assets, net,
  - “(4) Equity investment in subsidiaries, associates and joint ventures, net,

- “(5) Bank premises, furniture, fixture and equipment, net,
- “(6) Real and other properties acquired, net,
- “(7) Non-current assets held for sale, net,
- “(8) Goodwill, net,
- “(9) Other intangible assets, net,
- “(10) Deferred tax asset,
- “(11) Other assets, net,
- “(12) Required reserves against a week ago level of the following accounts:
  - “(a) deposit liabilities,
  - “(b) deposit substitutes,
  - “(c) trust and other fiduciary accounts-others, and
  - “(d) others, and
- “(13) Security deposit for the faithful performance of trust duties,

“c. Less/(Add) provisions for liquidity equivalent to fifteen percent (15%) of the net increase/(decrease) from 20 April 2010 in total peso deposit liabilities as defined under Item “a(1)” of this Subsection.

**“Subsec. X341.7 Computation of total equity**

“The computation of total equity for purposes of computing total loanable funds under Subsec. X341.6 shall be, as follows:

“Total Equity under Regular Banking Unit	xxx	
“Less:		
“(1) Retained Earnings – Reserves		
“(a) Trust Business	xxx	
“(b) Self-Insurance	xxx	
“(c) Contingencies, and	xxx	
“(d) Others	<u>xxx</u>	<u>(xxx)</u>
“(2) Other Comprehensive Income		
“(a) Net Unrealized Gains/Losses on Available for Sale Financial Assets	xxx	

“(b) Gains/Losses on Fair Value Adjustments of Hedging Instruments	xxx	
“(c) Cumulative Foreign Currency Translation	xxx	
“(d) Others	<u>xxx</u>	(xxx)
“Total Equity, net of exclusions		<u>xxx</u>

“In the case of foreign bank branches, the total equity for purposes of computing total loanable funds under Subsec. X341.6 shall be, as follows:

“Total Equity, exclusive of Due From/To Head Office/Branches Agencies Abroad, under Regular Banking Unit		xxx
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“Less:

“(1) Retained Earnings – Reserves

“(a) Trust Business	xxx	
“(b) Self-Insurance	xxx	
“(c) Contingencies, and	xxx	
“(d) Others.	<u>xxx</u>	(xxx)

“(2) Other Comprehensive Income

“(a) Net Unrealized Gains/Losses on Available for Sale Financial Assets	xxx	
“(b) Gains/Losses on Fair Value Adjustments Of Hedging Instruments	xxx	
“(c) Cumulative Foreign Currency Translation	xxx	
“(d) Others	<u>xxx</u>	(xxx)

“(3) Due from Head Office/Branches/Agencies Abroad		(xxx)
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“Add: Due to Head Office/Branches/Agencies Abroad		<u>xxx</u>
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“Total Equity, net of exclusions		<u>xxx</u>
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“Subsection X341. 8 *Accreditation of banks as rural financial institutions*

“A. **Application for Accreditation.** A rural financial institution applying for accreditation shall submit to the appropriate department of the SES a letter stating its intent to apply for such accreditation together with the following information/documents:

- "1. A notarized undertaking, signed by the President and Compliance Officer or equivalent, that the bank shall comply with the regulations, directives and instructions of the BSP; and
  - "2. A notarized certification, signed by the President and Compliance Officer or equivalent, that the bank's loan portfolio is substantially agri-agra related.
- "B. Qualification Requirements.** A certificate of accreditation will be issued by the appropriate supervising department of the SES to the rural financial institution should the rural financial institution satisfy the following criteria based on the last four (4) quarters prior to application:
- "1. Total loan portfolio is greater than its total investments; and
  - "2. Average credit exposure to agri-agra is greater than any exposure to other economic sectors as reported in Schedule 11.d of the Financial Reporting Package.
- "C. Certificate of Accreditation.** The certificate of accreditation issued to the qualified rural financial institution will include an accreditation reference number specific to the rural financial institution, the date of accreditation and a statement that the rural financial institution has satisfied the above criteria and has sworn to comply with the regulations, directives and instructions of the BSP.
- "1. The rural financial institution, once accredited and issued with the certificate of accreditation, is required to comply with the following:
    - "a. Provide the lending bank with a copy of the certificate of accreditation with the relevant accompanying details (i.e. accreditation reference number and date of accreditation); and
    - "b. Submit on an annual basis to the appropriate department of the SES a notarized certification, signed by its President and Compliance Officer or equivalent, that its loan portfolio remains substantially agri-agra related. Such notarized certification for annual submission by the rural financial institution shall be reckoned from the original date of accreditation and should be received by the appropriate department of the SES within ten (10) banking days before the lapse of one (1) year. Non-compliance with the required submission of the annual certification will serve as basis for the BSP to revoke accreditation of the rural financial institution.
  - "2. The lending bank, as part of its disclosure to the BSP, is required to include the following in its Agri-Agra report in compliance with the reportorial requirements of the BSP:
    - "a. Name of rural financial institution/s and corresponding aggregate amount of exposure to each rural financial institution; and

"b. For each rural financial institution in item "C.2.a", the accreditation reference number and date of accreditation.

"3. The exposure of the lending bank to the rural financial institution shall be eligible for purposes of determining compliance with the mandatory agri-agra credit allocation for as long as the rural financial institution remains accredited with the BSP.

**"D. Purpose of Accreditation.** The accreditation is solely for the purpose of ascertaining that the portfolio of the rural financial institution is substantially agri-agra related pursuant to R.A. No. 10000 and should not serve as an endorsement by the BSP on the soundness of the rural financial institution. The accreditation is not intended to take the place of the conduct of due diligence and prudent credit underwriting standards required from the lending bank in determining the credit worthiness of the rural financial institution.

**"Subsec. X341.9 *Syndicated type of agrarian reform credit/agricultural credit.*** Banks may grant a syndicated type of loan for agrarian reform credit/agricultural credit in general, either between or among themselves. The mechanics, including the recording of such syndicated type of loan transactions, shall follow existing practices and regulations applicable both to the lead bank and other participating bank(s). Accordingly, the booking of loans shall only be for the amount of actual participation of each syndicate bank concerned. Memorandum entries, references or notations shall be made for the other participating bank(s).

**"Subsec. X341.10 *Interest and other charges.*** Interest, service fees and other charges shall be governed by existing rules and regulations.

**"Subsec. X341.11 *Submission of reports.*** A quarterly report on the compliance with the mandated credit allocation for agri-agra credit under R.A. No. 10000, which shall be considered a Category A-3 report, shall be submitted to the Supervisory Data Center (SDC) of the SES within 15 banking days from the end of the reference quarter.

**"Subsec. X341.12 *Consolidated compliance***

"The compliance with agri-agra mandatory allocation of funds under R.A. No. 10000 shall be allowed on a groupwide basis (i.e., consolidation of parent/foreign bank branch and subsidiary bank/s) so that excess compliance of any bank in the group can be used as compliance for any deficient bank in the group: *Provided*, That the subsidiary bank/s is/are at least directly or indirectly majority owned by the parent bank and/or head office, in the case of foreign bank branches: *Provided, further*, That the parent bank/foreign bank branch shall be held responsible for the compliance of the group.

"The consolidated report shall be submitted by the parent bank/foreign bank branch in the prescribed form and shall be supported by the individual reports of the parent bank/foreign bank branch within the group and subsidiary bank/s duly signed by each bank's authorized signatory.

**"Subsec. X341.13 - X341.14 (Reserved)**

**"Subsec. X341.15 Sanctions.** The following sanctions shall be applicable for any violation of this Section:

**"a. Penalties/Sanctions applicable to banks:**

**"(1) Monetary fines**

**"(a) For non-compliance/under-compliance**

**"Annual penalty of one-half of one percent (0.5%) of amount of non-compliance/under-compliance shall be computed on a quarterly basis following this formula:**

**"Penalty = 0.00125 x amount of non-compliance/under-compliance as of the end of the reference quarter**

**"Amount of non-compliance/under-compliance =**

**"(i) 10% of total loanable funds less reported amount of compliance with the mandatory agrarian reform credit, plus**

**"(ii) 15% of total loanable funds less reported amount of compliance with the mandatory other agricultural credit in general:**

**"Provided, That excess compliance in the ten percent (10%) agrarian reform credit may be used to offset a deficiency, if any, in the fifteen percent (15%) other agricultural credit, in general, but not vice versa.**

**"(b) For delayed/amended reports**

**"A bank shall be subject to the fines for delayed/amended reports on compliance with the mandated credit allocation for agri-agra credit under R.A. No. 10000 in accordance with the provisions of Subsec. X192.2, to be reckoned on the day following the due date of submission until the proper report is filed with the BSP: *Provided*, That a bank which fails to submit its agri-agra quarter-end report up to the submission deadline of the succeeding quarter-end report, shall be subject to the monetary penalties applicable to less serious offenses for willful delay in the submission of the agri-agra report under Appendix 67, which shall be reckoned on a daily basis from the day following the due date of submission of the report until the report is filed with the BSP.**

**"(c) For false/misleading statements**

**"A bank which has been found to have made a false or misleading statement in its required report on compliance with the mandated credit allocation for agri-agra credit shall be subject to the monetary penalties applicable to less serious offenses for willful making of a false or**

misleading statement under Appendix 67, which shall be reckoned on a daily basis from the day following the due date of submission of the affected report until an amended report has been submitted to the BSP.

*“(2) Non-monetary fines*

“In addition to the above daily monetary fines, any or all of the administrative sanctions, as provided under Section 37 of R.A. No. 7653, may be imposed upon any bank for willful delay or refusal to submit reports or willful making of a false or misleading statement to the BSP, without prejudice to criminal sanctions against culpable persons provided under Sections 34, 35 and 36 of R. A. No. 7653.

*“b. Penalties/sanctions applicable to directors/officers concerned of the bank*

“Directors/officers of a bank which have been found to have willfully falsely certified/submitted misleading statements and/or willfully violated any of the provisions of this Section shall be subject to the monetary penalties provided under Appendix 67 applicable to less serious offenses and/or the other administrative sanctions under Section 37 of R.A. No. 7653.

“The imposition of the above sanctions is without prejudice to the filing of appropriate criminal charges against culpable persons as provided under Section 35 of R.A. No. 7653 for the willful making of a false/misleading statement.”

*“c. Disposition of penalties collected*

“Ninety percent (90%) of the total penalties collected on non-compliance/under-compliance with the mandatory agri-agra credit under Item “a(1)(a)” above shall be remitted by the BSP to the Agricultural Guarantee Fund Pool (AGFP) and the PCIC, in accordance with the following percentage allocation:

Recipient	Percent Allocation
AGFP	50%
PCIC	50%

“The percentage allocation may be amended by the Secretary of Agriculture in consultation with the Agricultural Credit Policy Council, PCIC and the Secretary of Agrarian Reform, according to the needs of the agri agra sector.

“The remaining ten percent (10%) of the total penalties collected on non-compliance/under-compliance with the mandatory agri-agra credit under Item “(1)a” shall be retained by the BSP to cover its administrative expenses.”

**Section 2.** Item “(a)” of Subsection X361.5 of the MORB on the housing microfinance loan is hereby deleted and Items “(b)” to “(g)” of the same Subsection are renumbered to Items “(a)” to “(f)”, as follows:

**"Subsection X361.5 Housing microfinance loan**

"xxx

"The following are the incentives for housing microfinance loans in addition to existing incentives available for microfinance:

"(a) The loans shall have an assigned risk-weight of fifty percent (50%) when not guaranteed and zero percent (0%) when guaranteed by the HGC.

"xxx"

**Section 3.** Item "a" of Subsection X365.5 of the MORB on incentives to participating FIs to encourage lending to Barangay Micro Business Enterprises (BMBEs) is hereby amended to read as follows:

**"Subsection X365.5 Incentives to participating financial institutions**

" xxx

"a. All loans from whatever sources granted to BMBEs under R.A. No. 9178 (BMBEs Act) shall be considered as part of alternative compliance to R.A. No. 6977, as amended.

"For purposes of compliance with R. A. No. 6977, as amended, loans granted to BMBEs under the BMBEs Act shall be computed at twice the amount of the outstanding balance of the loans: *Provided*, That funds loaned by or rediscounted with government-owned banks and other government FIs to accredited private banking and other FIs for on-lending to BMBEs shall be eligible as part of alternative compliance for R.A. No. 6977, as amended, of the government-owned banks and the accredited private banks at the maximum amount of 100% of their outstanding balance each: *Provided, further*, That loans used as alternative compliance with R.A. No. 6977, as amended, computed at either twice their outstanding balance or their maximum amount of 100% may be used as alternative compliance for either or both the prescribed portions of loan portfolio to be allocated to MSEs and MEs, respectively, as long as the aggregate amount used does not exceed twice their outstanding balance or their maximum amount of 100%, as the case may be.

"b. xxx"

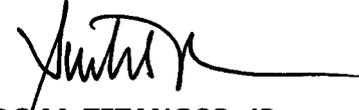
**Section 4.** For purposes of implementing the provisions of this Circular, the DA, or its duly-authorized agency, shall furnish the BSP with information on the debt securities eligible as alternative compliance with the mandatory agri agra credit for dissemination via Memorandum to All Banks.

**Section 5.** The guidelines governing the mode and submission of the quarterly reportorial requirement on the mandatory agrarian reform and agricultural credit shall be

covered by a separate issuance. Banks shall submit the revised reportorial template starting with the reporting period ending 31 December 2011.

This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:



AMANDO M. TETANGCO, JR.  
Governor

20 July 2011