

QAU Memo No. 03, s2021



In this issue:

Recently, the Bangko Sentral ng Pilipinas (BSP) has issued various Memoranda. Some of these are Amendments to include the Extension of the Effectivity of the Temporary Reduction in the Minimum Liquidity Ratio in response to COVID-19', Alternative Mode of Compliance with the Mandatory Credit Allocation for Agriculture and Agrarian Reform, Amendments to the Regulatory Relief on the Non-Reporting of Past Due and Non-Performing Loans under Memorandum No. M-2020-008, as Amended by Memorandum No. M-2020-032 and Additional Regulatory Relief for the Non-Stock Savings and Loan Association (NSSLA) Industry to Manage the Effects of the Corona Virus Disease 2019 (COVID-19) Pandemic.

R.S BERNALDO & ASSOCIATES

TAKING YOU FURTHER

Table of Contents

MEMORANDUM NO. M-2020.085 Extension of the Effectivity of the Temporary Reduction in the Minimum Liquidity Ratio in response to COVID-19'	3
MEMORANDUM NO. M-2020-086 Alternative Mode of Compliance with the Mandatory Credit Allocation for Agriculture and Agrarian Reform	3
MEMORANDUM NO. M-2020-087 Amendments to the Regulatory Relief on the Non-Reporting of Past Due and Non-Performing Loans under Memorandum No. M-2020-008, as Amended by Memorandum No. M-2020-032.....	5
MEMORANDUM NO. M-2020-88 Additional Regulatory Relief for the Non-Stock Savings and Loan Association (NSSLA) Industry to Manage the Effects of the Corona Virus Disease 2019 (COVID-19) Pandemic	6

MEMORANDUM NO. M-2020-085 Extension of the Effectivity of the Temporary Reduction in the Minimum Liquidity Ratio in response to COVID-19'

To: All Stand-Alone Thrift Banks, Rural Banks and Cooperative Banks

Pursuant to Monetary Board Resolution No. 1500 dated 19 November 2020, the effectivity of the temporary reduction in the minimum liquidity ratio (MLR) for stand-alone thrift banks, rural banks and cooperative banks, as implemented under BSP Memorandum No. M-2020-020, is hereby extended for an additional one year.

Due to COVID 19 pandemic the Bangko Sentral ng Pilipinas (BSP) extended the effectivity of the regulatory relief measure in recognition of the continuing demand for the liquidity faced by banks.

During this period, the following may draw on their stock of liquid assets to meet liquidity demands to respond to circumstances, remaining cognizant of the MLR of 16 percent (16%):

- Thrift banks;
- Rural banks; and
- Cooperative banks

Following existing arrangements, a bank that has recorded a shortfall in the stock of eligible liquid assets on three banking days within any two-week rolling calendar period, thereby causing the MLR to fall below 16 percent (16%), must notify the BSP of such breach on the banking day immediately following the occurrence of the third liquidity shortfall.

The reduction in the MLR and the arrangements set forth in this memorandum shall be effective until 31 December 2021, unless otherwise revoked by the BSP.

For the full version of this issuance, kindly see [MEMORANDUM NO. M-2020-085 Extension of the Effectivity of the Temporary Reduction in the Minimum Liquidity Ratio in response to COVID-19'](#)

MEMORANDUM NO. M-2020-086 Alternative Mode of Compliance with the Mandatory Credit Allocation for Agriculture and Agrarian Reform

To: All Private Banks

The Monetary Board, in its Resolution No. 1534 dated 26 November 2020, approved the temporary inclusion of housing loans as an alternative mode of compliance with the mandatory credit allocation for agriculture and agrarian reform under Republic Act No. 10000, for the purpose of implementing the provisions of Section 4(ccc) of Republic Act (R.A.) No. LL494 or the Bayanihan to Recover as One (BARO) Act.

Private banks are encouraged to reallocate any unutilized loanable funds to housing loans. Starting 15 September 2020 until 31 December 2020, housing loans granted may;

- Be used as an alternative mode of compliance with the twenty-five percent (25%) total mandatory credit allocation for agriculture and agrarian reform.
- Utilize eligible housing loans as alternative compliance either for the ten percent (10%) mandatory agrarian reform credit allocation and/or for the fifteen percent (15%) mandatory other agricultural credit allocation.

For this purpose, housing loans shall include all loans granted to individuals, fully secured by first mortgage on residential property that is or will be occupied by the borrower as well as housing microfinance loans as provided under Section 314 of the MORB.

The use of housing loans as allowable alternative mode of compliance with the mandatory credit allocation for agriculture and agrarian reform credit shall be reflected as an adjustment to the amounts reported as compliance by private banks with the said mandatory credit for the quarters ending 30 September 2020 and 31 December 2020.

Housing loans, that meet the criteria provided under this Memorandum, shall be valued at;

- amortized cost;
- gross of allowance for credit losses; and
- added to the total amount reported as compliance.

Banks concerned shall submit a one-time supplemental report (Annex A) on the use of the housing loans as compliance with the mandatory credit allocation for agriculture and agrarian reform for the said periods on or before 22 January 2020.

The Bangko Sentral reserves the right to deploy its range of supervisory tools to promote adherence to the foregoing rules and bring about timely corrective actions and compliance with Bangko Sentral regulations, this is in consistent with its supervisory enforcement policy.

In this regard, the Bangko Sentral may issue directives to, or impose sanctions on, the bank and/or responsible persons of the bank such as directors, officers and/or employees.

Annex A mentioned above can be seen in [MEMORANDUM NO. M-2020-086 Alternative Mode of Compliance with the Mandatory Credit Allocation for Agriculture and Agrarian Reform](#)

MEMORANDUM NO. M-2020-087 Amendments to the Regulatory Relief on the Non-Reporting of Past Due and Non-Performing Loans under Memorandum No. M-2020-008, as Amended by Memorandum No. M-2020-032

To: All BSP-Supervised Financial Institutions (BSFIs)

The Monetary Board, in its Resolution No. 1535 dated 26 November 2020, approved amendments to BSP regulations related to the regulatory relief on the nonreporting of past due and non-performing loans.

- Annex A of Memorandum No. M-2020-008 dated 14 March 2020, as amended by Memorandum No. M-2020-032 dated 27 April 2020, is hereby further amended to, read as follows:

Upon grant by BSFIs of a temporary grace period for payment or upon approval of the restructuring, but subject to reporting to Bangko Sentral, exclusion from the past due and non-performing classification, the loans of borrowers in affected areas which should have been reclassified as past due under Sec. 304/303-Q of the MORB/MORNBFI, as of 8 March 2020, the date of declaration of the President of the state of public health emergency under Presidential Proclamation No. 922, including those loans becoming past due or nonperforming until 31 December 2020.

- Memorandum No. M-2020-061 dated 3 August 2020 is hereby amended to read, as follows:

The supervisory expectations likewise set out the prudential treatment of the implementation of the relief measures granted by the Bangko Sentral under Memorandum No. M-2020-008, as amended.

- Annex A of Memorandum No. M-2020-061 is hereby amended to read, as follows:

Section 3. Treatment of Relief Measures¹ Granted by the Bangko Sentral

¹ As provided under BSP Memorandum No. M-2020-008 – Regulatory Relief for BSFIs affected by the COVID-19, as amended.

For the full version of this issuance, kindly see [MEMORANDUM NO. M-2020-087 Amendments to the Regulatory Relief on the Non-Reporting of Past Due and Non-Performing Loans under Memorandum No. M-2020-008, as Amended by Memorandum No. M-2020-032](#)

Memorandum No. M-2020-008 mentioned above can be seen in [MEMORANDUM NO. M-2020-008 Regulatory Relief for BSFIs Affected by the Corona Virus Disease 2019 \(COVID-19\)](#)

Memorandum No. M-2020-032 mentioned above can be seen in [MEMORANDUM NO. M-2020-032 Amendments to the Regulatory Relief for BSFIs Affected by the Corona Virus Disease \(COVID-19\)](#)

Memorandum No. M-2020-061 mentioned above can be seen in [MEMORANDUM NO. M-2020-061 Supervisory Expectations on the Measurement of Expected Credit Losses and the Treatment of Regulatory Relief Measures Granted Amid the Novel Coronavirus Disease 2019 \(COVID-19\) Pandemic](#)

MEMORANDUM NO. M-2020-88 Additional Regulatory Relief for the Non-Stock Savings and Loan Association (NSSLA) Industry to Manage the Effects of the Corona Virus Disease 2019 (COVID-19) Pandemic

To: All Non-Stock Savings and Loan Associations

The Monetary Board, in its Resolution No. 1567 dated 03 December 2020, approved, to allow NSSLAs, for purposes of net income distribution to members for the year 2020, to recognize as income the accrued interest earned during the mandatory one-time 60-day grace period provided under Republic Act No. 11494 (Bayanihan to Recover as One Act) on the members' unclassified loans outstanding from 15 September 2020 until 31 December 2020, net of general allowance for credit losses (ACL) of one percent (1%) of outstanding accrued interest receivable, subject to the following conditions:

1. The submission of a Board of Trustees' (BOT's) certification as to accuracy and integrity of income recognition which will be subject to BSP verification in the next on-site examination;
2. That the distribution of accrued interest income, net of ACL, will not result in:
 - (i) insufficiency of funds caused by the use of accrued interest income as part of net amount available for net income distribution;
 - (ii) borrowing of funds to finance the net income distribution;
 - (iii) curtailment of the lending operation; or
 - (iv) liquidity problems; and
3. That the availing NSSLA does not have deficiency in ACL on loans and other risk assets based on its latest approved Report of Examination.

Availing NSSLAs are given until 31 December 2020 to submit, through the Financial Supervision Department IX, BSP, the following:

1. Letter-notification stating the NSSLA's intention to avail of the aforesaid regulatory relief signed by its President or officer of equivalent rank;
2. Resolution of the BOT authorizing the NSSLA to avail of the regulatory relief; and

3. Justifications showing the current circumstances of the NSSLAs and/or reasons for availment, including support thereto, attributable to the COVID-19 pandemic.

For the full version of this issuance, kindly see [MEMORANDUM NO. M-2020-88 Additional Regulatory Relief for the Non-Stock Savings and Loan Association \(NSSLA\) Industry to Manage the Effects of the Corona Virus Disease 2019 \(COVID-19\) Pandemic](#)

QAU Memo is the official publication of R.S. Bernaldo & Associates to keep the Firm's professional staff informed of the issues affecting the practice. The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The Firm cannot be held liable for any losses suffered as a result of reliance upon information contained in this memo.

This is a property of R.S. Bernaldo & Associates. Reproduction of any material included in the memo should be subject to the approval of the Editorial Board.

R.S. Bernaldo & Associates is a member firm of the PKF International Limited family of legally independent firms and does not accept any responsibility or liability for the actions or inactions of any individual member or correspondent firm or firms.

Comments and suggestions are welcome.

Editorial Board

- **Rose Angeli S. Bernaldo**
Partner | Quality and Compliance/
Training Partner
rose.bernaldo@rsbernaldo.com
- **Anthony D. Paño**
Quality Assurance Senior Manager
anthony.pano@rsbernaldo.com
- **Mary Rose A. Lorilla**
Assistant Quality Assurance
Manager/ Quality Assurance Leader
rose.lorilla@rsbernaldo.com
- **Charmaine S. De Guzman**
Senior Quality Assurance Associate
charmaine.deguzman@rsbernaldo.com
- **Baby Joy A. Bautista**
Quality Assurance Associate/
Ethics Leader
babyjoy.bautista@rsbernaldo.com
- **Sandae E. Dela Torre**
Quality Assurance Associate/
Engagement Quality Control Review
Leader
sandae.delatorre@rsbernaldo.com
- **Janna J. Pacis**
Quality Assurance Associate/
Learning and Training Leader
janna.pacis@rsbernaldo.com
- **Yves Michael O. Anadon**
Quality Assurance Associate/
Consultation Leader
yvesmichael.anadon@rsbernaldo.com