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RULES AND REGULATIONS GOVERNING BOND AND INSURANCE FOR GRAIN STOCKS UNDER THE QUEDAN FINANCING PROGRAM

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Pursuant to Section 11 of Republic Act 7393 approved on 13 April 1992 and Board Resolution No. 7-92 issued on 11 June 1992, the following Rules and Regulations are hereby promulgated to govern bond and insurance coverages for grain stocks for quedan financing purposes:

I
Introduction
Prior to the martial law era, the operations of bonded warehouses for grains and other food commodities were regulated by the old Bureau of Commerce pursuant to Act No. 3893 otherwise known as the General Bonded Warehouse Act. This included the authority to require bond and insurance coverages for commodities deposited in said bonded warehouses.

Presidential Decree No. 4 issued on 26 September 1972 transferred the aforecited functions of the Bureau of Commerce to the National Food Authority (NFA). With the passage of Republic Act No. 7393 on 13 April 1992 however, the franchising authority as well as the accreditation of bonding and insurance companies for quedan financing purposes now rests with the Quedan and Rural Credit Guarantee Corporation (QUEDANCOR).

In as much as NFA's present franchising procedure is functioning quite well, Quedancor intends to continue with the same in the meantime. Changes are, however, needed to be made with respect to the modes of compliance with the bond and insurance requirements to effectively assure collection in case of defaults/occurrence of fire.

II
Modified Bond and Insurance Requirement
A. All owners/operators of warehouses for grain stocks who are applying for franchise with the National Food Authority for quedan financing purposes as well as those who have previously been issued franchises and are desirous of securing quedan loans for grain stocks shall first comply with the bond and insurance requirements in the amounts prescribed hereunder through any of the following modes/forms:

1. Bond

Form of Bond

Valuation

Required Amount of Bond

1.1

Bond secured by Real Estate Mortgage

80% of market value

33 1/3% of value of stocks covered by assigned quedans

1.2

QUEDANCOR's certificate of stock

100% of par value

33 1/3% of value of stocks covered by assigned quedans

1.3

Bond secured by assignment securities, Land Bank other government bonds or acceptable shares of stock in government private corporations

- 100% of value of Treasury Bills/government securities

33 1/3% of value of stocks covered by assigned quedans

-80% of face value of Land Bank/other government bonds

-100% of par value of shares of stock in government private corporations

1.4

Surety bond issued by a consortium or pool of at least five (5) reputable surety companies duly accredited by QUEDANCOR

33 1/3% of value of stocks covered by assigned quedans

2. Fire Insurance

Fire insurance policy issued by a consortium or pool of at least five (5) reputable insurance companies duly accredited by QUEDANCOR

100% of value of stocks covered by assigned quedans

B. Effective 01 November 1992, no Preparatory Clearance for Guarantee Coverage (PCGC) shall be issued for any quedan loan availment unless the above provision is complied with.

C. Persons natural or juridical with pending applications for franchise may already opt to comply with the provisions of paragraph A upon the effectivity of these rules and regulations.

D. All franchise holders/applicants who intend to utilize property bond are required to submit the collateral documents to the QUEDANCOR Field Operations Officers at least thirty (30) days prior to 01 November 1992 to provide adequate time for appraisal and evaluation of collaterals, transmittal to QUEDANCOR Head Office and final approval of property bond.

E. Surety bonds and fire insurance policies issued by accredited pools/consortiums of companies shall be submitted directly to QUEDANCOR Head Office or to the Field Operations Officers at least fifteen (15) days prior to 01 November 1992.

F. QUEDANCOR reserves the right to increase the amount of the required bond coverage and/or to require flood and typhoon insurance if circumstances so require.

III
Documentary Requirements for Bond and Insurance Compliance

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A. Bond secured by Real Estate Mortgage — This bond shall be accomplished in the form prescribed by QUEDANCOR (Annex A), duly registered with the Register of Deeds and submitted to QUEDANCOR together with the following requirements:

1. Torrens Certificate of Title free from any lien or encumbrance;

2. Tax Declaration and Real Estate Tax Receipt for the current year;

3. If improvements on the land are included in the mortgage, fire insurance on the building or installed machinery duly endorsed to QUEDANCOR, stating among others, that loss, if any, shall be payable to QUEDANCOR;

4. Affidavit on Non-Tenancy for agricultural lands covered by agrarian reform.

B. QUEDANCOR's Certificate of Stock (Exhibit A) Land Bank Bonds (Exhibit B) Certificate of Time Deposits, government securities, other government bonds or acceptable shares of stock in government/private corporations:

The Deed of Assignment shall be in the form prescribed by QUEDANCOR (Annex B) duly notarized and accompanied by the original copy of the document evidencing any of the abovecited securities.

C. Surety Bond and Fire Insurance — The bond indenture/fire insurance policy shall be in the formats prescribed by QUEDANCOR (Annex C and D) and must have been issued by the lead company of a pool or consortium of at least five (5) surety and insurance companies accredited by QUEDANCOR, which shall be jointly and severally liable in favor of QUEDANCOR.

The surety bond shall be perpetual in nature and shall remain valid until cancelled by QUEDANCOR. The original copy of the bond and fire insurance policies shall be submitted together with the original copy of the official receipt evidencing premium payment for a period fully covering the term of the loan to be secured.

IV
Cancellation, Release, Reduction, Substitution of Bond
A. If, under any circumstance, a franchise holder opts to have his bond cancelled or released, he shall apply in writing to the President of QUEDANCOR citing such intention. The franchise holder shall execute an affidavit stating among other things that he has no outstanding quedan loan nor any uncancelled quedans and has no more obligation and liabilities under the bond intended for cancellation or release.

B. For a bond coverage to be reduced, a proportional volume of the commodity deposited shall have been withdrawn, liquidated or paid for and the corresponding quedans issued shall have been cancelled.

C. A substitute bond issued in lieu of the previous bond shall contain a provision that it shall assume any and all liabilities and obligations of the previous bond.

V
Special Provisions
QUEDANCOR reserves the right to promulgate such other rules and regulations as may be incidental to, appropriate and necessary for the attainment of the program's objectives.

VI
Effectivity
These rules and regulations shall take effect on 01 August 1992.

For the guidance of and compliance by all concerned.

Adopted: 10 July 1992

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