GUIDELINES FOR APPROVAL OF QUALIFYING LOANS UNDER THE NEW MONEY AGREEMENT

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Pursuant to Monetary Board Resolution No. 693 dated July 20, 1990, the following guidelines covering approval of Qualifying Loans of Philippine Public Sector Borrower and Philippine Private Sector Borrower (the "End-User") under the Second Amendment dated January 22, 1990 to the Credit Agreement dated May 20, 1985 among the Central Bank of the Philippines as Borrower, the Republic of the Philippines as Guarantor, Manufacturers Hanover Trust Company as Agent and the financial institutions parties thereto (the "New Money Agreement" or the "Agreement") are hereby adopted for the guidance of all concerned:

1. The Qualifying Loan shall be subject to prior approval of the Central Bank thru the Management of External Debt Department MEDD). In the case of public sector loans, prior approval-in-principle by the Central Bank shall be obtained even before commencement of actual negotiations.

2. Applications for the purpose shall be filed using attached form CBP-MEDD-1 (for public sector) (ANNEX "A") and form CBP-MEDD 1A (for private sector) (ANNEX "B"). The financial institution extending the Qualifying Loan (the "Relending Bank") shall endorse the application to borrow using attached form (Annex "C") together with the specified documentary requirements.

3. The following guidelines shall apply in evaluating Qualifying Loan Proposals:

- The loans shall be evaluated in accordance with Circular No. 1232 as to purpose and credit terms provided that the loans shall be payable in not less than 366 days. Projects eligible for financing are the following:

  i. Export-oriented projects registered with BOI, CB or EPZA

  ii. Projects listed in the Annual Investment Priorities Plan

  iii. Projects listed in the Medium-Term Public Investment Program (MTPIP)

  iv. Other projects specifically authorized by Congress for financing through foreign loans

- The requirements of Circular No. 1232 with respect to approval/clearance by the Investment Coordination Committee (ICC)/NEDA Board shall be complied with.

- The loan shall be made and repaid in the pertinent Relending Advance Currency, either in U.S. Dollars, Deutsche Mark or Japanese Yen (the "Relending Advance Currency"). Subject to prior Central Bank approval, such loan may be made in another currency, which must in any event be a Relending Advance Currency. Any payment or prepayment of principal of any loan which is subject to re-entry in accordance with the Agreement, shall be delivered to the Central Bank. The foreign exchange risk involved in the conversion shall not be assumed by the Central Bank and any additional cost arising from these transactions shall not be for the account of the Central Bank.

- No prepayment on the loan shall be made earlier than 366 days from final disbursement date.

- The following related transactions shall be subject to prior Central Bank approval.

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i. Changes in the previously approved disbursement schedule;

ii. Prepayment of the loan or a portion thereof;

iii. Assignment of the Qualifying Loan by the Relending Bank.

4. Applications shall be considered on strictly first come-first-served basis reckoned from the time the basic documentary requirements have been fully complied with.

5. To facilitate reconciliation of accounts, each request by the Relending Bank for actual disbursement from the Relending Advance, which shall be made thru the use of the prescribed Relending Advance Withdrawal Notice Form (Annex "D") shall be accompanied, among others, by a duly accomplished DRD Relending Form 1 — Status Report on the Relending Advances and Qualifying Loans (Annex "E").

6. Loans approved shall be subject to the usual registration requirements of the Central Bank.

7. Definition of Terms

Capitalized terms used in these guidelines shall have the following meaning:

Qualifying Loan — means any loan by a Relending Bank to a Philippine Private Sector Borrower or Philippine Public Sector Borrower which meets the following criteria: (i) such loan is funded or to be funded with the proceeds of a Relending Advance withdrawn pursuant to Section 2.10(c) of the Agreement, (ii) no payment of principal in respect of such loan is scheduled to be made (including by way of schedule mandatory prepayment) earlier than the date which is 366 days after the date of disbursement by such Bank to such Philippine Private Sector Borrower or Philippine Public Sector Borower of such loan (iii) after giving effect to such loan, the aggregate outstanding principal amount of loans made by such Bank to all Philippine Private Sector Borrowers with the proceeds of Relending Advances does not exceed 50% of the sum of (x) the initial Relending Advance Commitment of such Bank plus (y) in the event that prior to the date of the loan for which the determination is being made such Bank, as assignee, shall have been assigned Relending Advances and/or Qualifying Loans by any assignor Bank, the portion of the initial Relending Advance Commitment of the assignor Bank attributable to the amount of Relending Advances and/or Qualifying Loans so assigned, less (z) in the event that prior to the date of the loan for which the determination is being made such Bank, as assignor, shall have assigned Relending Advances and/or Qualifying Loans to any assignee Bank, the portion of the initial Relending Advance Commitment of the assignor Bank attributable to the amount of Relending Advances and/or Qualifying Loans so assigned, and (iv) if after giving effect to such loan, the aggregate principal amount of Qualifying Loans scheduled to be disbursed during the calendar year in which such loan is scheduled to be disbursed would exceed 10% of the aggregate of (y) the Bond Commitments and 1989 Advance Commitments and (z) without duplication the relending Advance Commitments, such loan has the prior written approval of the Borrower. All terms of Qualifying Loan (including without, limitation, pricing, amortization (subject to the parameters set forth in the clause (ii) of the preceding sentence), disbursement schedule, use of proceeds, covenants, collateral security and guarantees) shall be determined by agreement between the Bank making such Qualifying Loan and the Philippine Private Sector Borrower or Philippine Public Sector Borrower that is the borrower of such Qualifying Loan.

Relending Advance — means an advance by a Relending Bank to the Borrower pursuant to Section 2.09 of the Agreement.

Philippine Public Sector Borrower — any entity more than 50% of the beneficial ownership of which is held by the National Government and/or any of its agencies and instrumentalities.

Philippine Private Sector Borrower — any Philippine borrower other than Philippine public sector borrower.

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Adopted: 14 March 1991

(SGD.) JOSE L. CUISIA, JR.
Governor

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