

LOAN LOSSES

BSP CIRCULAR NO. 148, November 10, 1997

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Pursuant to Monetary Board Resolution No. 1489 dated November 5, 1997, the provisions of the Manual of Regulations for Banks and Other Financial Intermediaries (Books I to IV) are hereby amended as follows:

SECTION 1. The second paragraph of Subsecs. _306.5 (Books I to III) and 4306Q.5 (Book IV) regarding allowance for probable losses is hereby amended to read as follows:

"In addition to the allowance for probable losses required by the Bangko Sentral in accordance with the foregoing guidelines, a general provision for loan losses not linked to individually identified uncollectible accounts shall also be set up equivalent to 2% of gross loan portfolio, less INTERBANK LOANS AND loans which are considered non-risk under existing laws/rules/regulations."

SECTION 2. The first paragraph of Subsecs. _306.6 (Books I to III) and 4306Q.6 (Book IV) is hereby amended to read as follows:

"Transitory provision. The TWO PERCENT (2%) general provision for probable loan losses shall be fully set up WITHIN THREE (3) YEARS from the date of this Circular, AS FOLLOWS:

1% AT THE END OF THE FIRST YEAR;
1½ AT THE END OF THE SECOND YEAR; AND
2% AT THE END OF THE THIRD YEAR

Provided That where the total amount of allowance to be set up would impair a bank's net worth, the period may be extended by the Monetary Board as it may deem appropriate."

SECTION 3. Item c of Subsecs. _306.7 (Books I to III) and 4306Q.7 (Book IV) is hereby amended as follows:

"c. Fine of P10,000 a day for Expanded Commercial Banks and Regular Commercial Banks, P5,000 for Thrift Banks and NON-BANK FINANCIAL INTERMEDIARIES WITH QUASI-BANKING FUNCTIONS (NBQBs) and P500 for Rural Banks, counted from the date the bank has been informed that the recommendation of the appropriate supervising and examining department of SES has been confirmed by the Monetary Board up to the date that said recommended valuation reserves had been actually booked, IN CASE OF THE ALLOWANCE FOR PROBABLE LOSSES FOR LOANS AND OTHER RISK ASSETS CLASSIFIED AS SUBSTANDARD, DOUBTFUL AND LOSS AS REQUIRED BY THE BANGKO SENTRAL, AND FROM THE END OF THE FIRST, SECOND AND THIRD YEAR FROM THE DATE OF THIS CIRCULAR AND FROM THE END OF EVERY CALENDAR YEAR THEREAFTER IN THE CASE OF THE 2% GENERAL PROVISION FOR PROBABLE LOAN LOSSES."

This Circular shall take effect immediately.

Adopted: 10 Nov. 1997

(SGD.) GABRIEL C. SINGSON
Governor

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