

EXCLUSION OF LOCAL WATER DISTRICT (LWDS) FROM DOSRI RULES AND REGULATIONS ON GOVERNMENT BORROWINGS

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Pursuant to Monetary Board Resolution No. 908 dated 18 July 2008, the following amendment on the applicability of DOSRI rules and regulations to government borrowings are hereby issued:

Section 1. Subsection X337.1 of the Manual of Regulations for Banks (MORB) is hereby amended to read as follows:

"Applicability of DOSRI rules and regulations to Government Borrowings. The provisions of Section X326 to Section X337 of the MORB shall also apply to loans, other credit accommodations, and guarantees granted to the National Government or Republic of the Philippines (ROP), its political subdivisions and instrumentalities as well as government-owned or controlled corporations (GOCCs), subject to the following clarifications:

1. Loans, other credit accommodations, and guarantees to the ROP and/or its agencies/departments/bureaus shall be considered: (a) non-risk; and (b) not subject to any ceiling;

2. Loans, other credit accommodations, and/or guarantees to: (a) GOCCs; and (b) corporations where the ROP, its agencies/departments/bureaus, and/or GOCCs own at least twenty percent (20%) of the subscribed capital stock shall be considered indirect borrowings of the ROP and shall form part of the individual ceiling as well as the aggregate ceiling: Provided, That the following loans, other credit accommodations, and/or guarantees to GOCCs and corporations where the ROP, its agencies/departments/bureaus, and/or GOCCs own at least twenty percent (20%) of the subscribed capital stock shall be excluded from the thirty percent (30%) ceiling on unsecured loans under Sections X330 and X331:

a. Loans, other credit accommodations, and/or guarantees for the purpose of undertaking priority infrastructure projects consistent with the Medium-Term Development Plan/Medium-Term Public Investment Program of the National Government, duly certified as such by the Secretary of Socio-Economic Planning;

b. Loans, other credit accommodations, and/or guarantees granted to participating financial institutions (PFIs) in the lending programs of the government wherein the funds borrowed are intended for relending to other PFIs or end-user borrowers; AND

c. Loans, other credit accommodations, and/or guarantees to provide rediscounting facilities, and guarantee programs for loans granted to the agricultural sector, and micro, small and medium enterprises;

3. Loans, other credit accommodations, and/or guarantees granted to state universities and colleges (SUCs) shall be excluded from the thirty percent (30%) ceiling on unsecured loans under Sections X330 and X331;

4. In view of the fiscal autonomy granted under R. A. No. 7653 and the independence prescribed under the Constitution, the BSP shall be considered an independent entity, hence, not a related interest of the ROP and/or its agencies/departments/bureaus. Loans, other credit accommodations and guarantees of the BSP shall be considered; (a) non-risk; and (b) not subject to any ceiling;

5. Local government units (LGUs) shall be considered separate from the ROP, other government entities, and from one another due to the full autonomy in the exercise of their proprietary functions and in the management of their economic enterprises granted to them under the Local Government Code of the Philippines, subject to

certain limitations provided by law, hence, not a related interest of the ROP and/or its agencies/departments/bureaus;

6. LOCAL WATER DISTRICTS (LWDs), ALTHOUGH GOCCs, SHALL BE CONSIDERED SEPARATE FROM THE ROP, OTHER GOVERNMENT ENTITIES, AND FROM ONE ANOTHER DUE TO ITS FISCAL INDEPENDENCE FROM THE NATIONAL GOVERNMENT, HENCE, NOT A RELATED INTEREST OF THE ROP AND/OR ITS AGENCIES/DEPARTMENTS/BUREAUS, FOR PURPOSES OF THESE REGULATIONS;

7. A director who acts as a government representative in the lending institution shall not be excluded in the deliberation as well as in the determination of majority of the directors in cases of loans, other credit accommodations, and guarantees to the ROP and/or its agencies/departments/bureaus; and

8. A director of the lending institution shall be excluded in the deliberation as well as in the determination of majority of the directors in cases of loans, other credit accommodations, and guarantees to the borrowing government entity other than the ROP, its agencies, departments or bureaus where said director is also a director, officer or stockholder under existing DOSRI regulations."

SECTION 2. The provisions of this Circular shall also apply to the Q-Regulations and Regulations of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI).

SECTION 3. This Circular shall take effect fifteen (15) days following its publication in a newspaper of general circulation.

Adopted: 30 July 2008

FOR THE MONETARY BOARD:

(SGD.) AMANDO M. TETANGCO, JR.

Governor

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