LOANS/RECEIVABLES PAYABLE IN INSTALLMENTS

Read online (full-text search, related cases, audio case brief): https://batas.org/library/ceb046c83dbf/

Pursuant to Monetary Board Resolution No. 1266 dated October 1, 1997, the provisions of the Manual of Regulations for Banks and Other Financial Intermediaries (Book I to IV) are hereby amended as follows:
SECTION 1. Item e of Subsecs. ___ 304.1 (Books I and II) and 4304Q.1 (Book IV) and item c of Section 3304 (Book III), are hereby amended to read as follows:

"Loans/receivables payable in installments — the total outstanding balance thereof shall be considered past due in accordance with the following schedule:

Mode of Payment

Minimum Number of Installments in Arrears

Monthly

3

Quarterly

1

Semestrally

1

Annually

1

Provided, however, That when the total amount of arrearages reaches twenty per cent (20%) of the total outstanding balance of the loan/receivable, the total outstanding balance of the loan/receivable shall be considered as past due, regardless of the number of installments in arrears: Provided further, That for modes of payment other than those listed above (e.g. daily, weekly or semi-monthly), the entire outstanding balance of the loan/receivable shall be considered as past due when the total amount of arrearages reaches ten per cent (10%) of the total loan receivable balance."

The booking of additional past due accounts as a result of the change in the criteria for determining past due loans and receivables payable in monthly or quarterly installments as required above, shall be made within one hundred eighty (180) days from date of this Circular.

SECTION 2. Subsecs. __ 306.5 (Books I to III) and 4306Q.5 (Book IV) regarding allowance for probable losses are hereby amended to read as follows:

"Allowance for probable losses. — An allowance for probable losses on the loan accounts and other risk assets should be set up in accordance with the following:

Classification

Turn this case into an audio lecture - facts, issues, ruling and doctrine - at batas.org

Allowance

a. Unclassified

0%

b. Loans specially mentioned

0%

c. Substandard (unsecured portion)

25%

d. Doubtful

50%

e. Loss

100%

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 loans which are considered non-risk under existing laws/rules/regulations.

Loans granted by the trust department of banks either directly or thru various trust funds/managed accounts shall likewise be subject to the 2% general loan loss provisioning on top of specific loan loss provisioning recommended by the Bangko Sentral.

The allowance for probable losses shall be adjusted for additional allowance as may be required by the Bangko Sentral.

Management is encouraged to provide additional allowance as it deems prudent and to formulate additional specific guidelines within the context of the herein described system."
SECTION 3. Subsecs. __ 306.6 (Books I to III) and 4306Q.6 (Book IV) are hereby amended to read as follows:

"Transitory Provision. — The general provision for probable losses shall be set up within one (1) year from the date of this Circular: Provided, That newly established banks or banks operating for not more than five (5) years from date of this Circular shall initially set-up an amount equivalent to one percent (1%) of their total gross loan portfolio less loans which are considered non-risk under existing laws/rules/regulations within one (1) year and the remaining one percent (1%) shall be set up on the second year from the date of this Circular: Provided, further, 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."

Allowance for Probable Losses for Loans and Other Risk Assets classified as Substandard, Doubtful and Loss as required by the Bangko Sentral shall be set up immediately.
SECTION 4. Subsecs. __ 306.7 (Book I to III) and 4306Q.7 (Book IV) are hereby amended as follows:
"Sanctions. — Non-compliance with the requirement to book valuation reserves required under the preceding Subsections shall be a ground for the imposition of any or all of the following sanctions:

a. Denial of the request for authority to establish new banking offices regardless of type or category;

b. Denial of access to BSP credit facilities except as may be allowed under Section 84 or R.A. No. 7653; and

Bar review courses, mock exams and a study planner that keeps you on pace - batas.org

c. Fine of P10,000 a day for Expanded Commercial Banks and Regular Commercial Banks, P5,000 for Thrift Banks 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."

This Circular shall take effect immediately.

Adopted: 1 October 1997

(SGD.) GABRIEL C. SINGSON
Governor

Study hands-free: podcast-style lessons with read-along highlighting - batas.org

ABOUT BATAS.ORG

Study smarter at BATAS.org

The Philippine bar review and law-school companion built around how your brain actually remembers.

The complete Philippine law library - free for everyone.

More than 100,000 Supreme Court decisions, Republic Acts, and executive issuances - full-text searchable, browsable by category and year, and always free. No paywall, no login. This PDF came from it.

Audio case-brief lectures.

Any decision becomes a podcast-style lecture - facts, issues, ruling, and doctrine - with read-along highlighting and a hands-free presentation mode. Study while commuting, working out, or resting your eyes.

Bar review built on the science of memory.

Complete, sequenced courses for all eight bar subjects, narrated like podcasts and reinforced with retrieval practice and spaced review - the study techniques with the strongest evidence behind them.

The full law-school curriculum.

One subscription unlocks the entire J.D. curriculum - every subject, every lesson, with your progress tracked down to the paragraph so you can pick up exactly where you left off, on any device.

Mock exams that tell you where you stand.

Timed multiple-choice exams graded instantly, with per-subject score breakdowns and focus suggestions that point you at your weakest topics first.

A study planner that keeps you on pace.

Set your schedule and BATAS tells you every day whether you are on track for bar day - and exactly which lesson to take next.

Start free at https://batas.org

The law library is free forever - and your first lesson is one click away.

The text of this document is an official public record and remains in the public domain. Formatting, presentation, and compilation © 2026 batas.org.

Downloaded free from the batas.org Law Library. Share it freely - the library is free for every law student, bar reviewee, and practitioner.