IMPLEMENTATION OF CIRCULAR NO. 475 DATED 14 FEBRUARY 2005

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With regard to the implementation of Circular No. 475 dated 14 February 2005, the following clarifications are hereby issued:

Treatment of non-performing secured loans - Non-performing loans, which are secured by eligible collaterals or guaranteed by eligible guarantors, shall be assigned the risk weight of the collateral or guarantor: Provided, That in cases of guarantees, the bank is able to pursue the guarantor of any monies outstanding within the period of time stipulated in the guarantee contract. Otherwise, the loan in question shall be assigned the risk weight applicable for non-performing loans.

a. List of eligible collaterals

i. Securities issued by the Philippine national government and BSP, and central governments and central banks of foreign countries with the highest credit quality as defined in Subsec. X 116.3 of the Manual of Regulations for Banks (MORB);

ii. Securities issued by multilateral development banks listed under Circular No. 416 dated 21 January 2004;

iii. Cash in the form of hold out on or assignment of deposits/deposit substitutes maintained with the lending bank, and margin deposits for loans or acceptances under letters of credit; and

iv. Securities issued by non-central government public sector entities of foreign countries with the highest quality as defined in Subsec. X 116.3 of the MORB.

b. List of eligible guarantors

i. Philippine national government and BSP, and central governments and central banks of foreign countries with the highest credit quality as defined in Subsec. X 116.3 of the MORB;

ii. Multilateral development banks listed under Circular No. 416 dated 21 January 2004;

iii. Industrial Guarantee and Loan Fund (IGLF);

iv. Home Guaranty Corporation (HGC);

v. Trade and Investment Development Corporation of the Philippines (TIDCORP)

vi. Non-central government public sector entities of foreign countries with the highest credit quality as defined in Subsec. X116.3 of the MORB;

vii. Philippine incorporated banks/quasi-banks with the highest credit quality as defined in Subsec. X116.3 of the MORB;

viii. Foreign incorporated banks with the highest credit quality as defined in Subsec. X 116.3 of the MORB;

ix. Small Business Guarantee and Finance Corporation (SBGFC); and

x. LGU Guarantee Corporation (LGUGC), but only those guaranteed loans covered by Deed of Assignment of

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Internal Revenue Allotment of the LGU.

For compliance.

Adopted: 14 April 2005

(SGD.) ALBERTO V. REYES
Officer-in-Charge

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