

GUIDELINES GOVERNING THE REDISCOUNTING OF ELIGIBLE PAPERS OF COTTAGE/SMALL AND MEDIUM INDUSTRIES, AMENDED

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Pursuant to Monetary Board Resolution No. 301 dated March 30, 1992, effective immediately, the guidelines governing the rediscounting of eligible papers of cottage/small and medium industries that have supply arrangements with direct exporters (indirect exporters) who are holders of an export letter of credit or a confirmed purchase order/sales contract from a foreign buyer, have been amended to read as follows:

1. Commercial banks and their provincial branches as well as thrift banks, shall be allowed to participate in this program, subject to the following terms and conditions:

- The loan to the manufacturer/producer shall be utilized to finance the local sale of goods or products to be exported or to be applied as input to export production and shall be secured by either a domestic letter of credit (LC) or a confirmed purchase order (CPO) or a sales contract (SC) in favor of the borrower;
- The aggregate of such loans per borrower shall not exceed P5 million for cottage/small scale industries and P20 million for medium scale enterprises, or the single borrower's limit prescribed under Section 1301 of Book I and Section 2301 of Book II of the Manual of Regulations for Banks and Other Financial Intermediaries, whichever is lower;
- At least 20% of the raw materials used by the borrower are indigenous or locally produced;
- The eligible credit instrument shall be rediscounted at 100% loan value at the prevailing interest rate with a maturity period not exceeding 90 days, which shall in no case extend beyond the expiry date/validity period of the assigned domestic LC/PO/SC;
- Provincial branches of commercial banks and thrift banks which seek to avail themselves of this rediscounting facility shall, upon approval of loan(s) to borrowers, file their application with the CB Regional Office within whose area of jurisdiction they operate, whenever this is applicable. Otherwise, they shall send by telex/fax to their respective Head Officers the data needed on prescribed CB-DLC Form No. 4-18-01.4[*];
- The corresponding collaterals securing rediscounting loans from the Central Bank against telex/fax sent by bank branches, together with the necessary supporting documents, shall, pursuant to the certification that appears on the covering DLC form, be held in trust by the commercial bank branches concerned, subject to the basic rules and regulations governing loans and advances from the CB (MAAB, DLC-2, as revised, dated December 29, 1972);
- If the indirect exporter fails to deliver the goods one month after expiry date/validity period of the covering domestic LC/PO/SC in an amount equivalent to at least the face value of the promissory note, the rediscount rate shall be increased to 24% p.a. in line with Item 6 of CB Circular No. 806;

2. The proceeds of any approved rediscounting application under this facility shall be credited to the demand deposit account of the applicant bank on the same date the said application is filed with the Department of Loans and Credit/Regional Offices of the Central Bank provided that such application is received before or at 12:00 noon and the supporting papers are complete.

It is understood that loans rediscounted under this facility shall involve amounts authorized to be approved as delegated to the branches by their respective Head Offices.

All existing circulars, orders and/or instructions inconsistent herewith shall be deemed revoked and/or modified accordingly.

Adopted: 23 Apr. 1992

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

[*] Available upon request at the Office of the National Administrative Register, U.P. Law Center.

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