

**BSP GUIDELINES ON THE GRANT OF REGULATORY RELIEF  
UNDER THE STRENGTHENING PROGRAM FOR RURAL BANKS  
(SPRB) – MODULE 1**

In pursuance of the policy to promote mergers and consolidations as a means to develop bigger and stronger rural banks (RBs), and to further strengthen the rural banking system, constituent RBs may, subject to prior BSP approval, avail themselves of any or all of the following merger or consolidation incentives under the SPRB:

1. Conversion of the existing head offices, branches and/or extension offices of the merging or consolidating RBs into head office, branches or extension offices of the merged/consolidated RB;
2. Relocation/opening of existing/approved but unopened branches, extension offices and/or other banking offices of the merged/consolidated RB within two (2) years from date of merger or consolidation subject to applicable requirements on relocation of branches, extension offices and/or other banking offices;
3. Condonation of liquidated damages on past due rediscounting/emergency loans and/or monetary penalties for violation of BSP issuances on rediscounting/emergency loans of the eligible RBs as of the end of the month immediately preceding the date of request for loan restructuring;
4. Restructuring of past due rediscounting/emergency loans of the eligible RBs with the BSP, subject to compliance with the following guidelines:

a) Amount to be Restructured

The amount to be restructured shall consist of the following:

- *Principal* . outstanding balance of the principal obligation as of the end of the month immediately preceding the date of request for loan restructuring
- *Accrued Interest* . accrued interest on the outstanding principal obligation as of the end of the month immediately preceding the date of request for loan restructuring.

b) Interest Rate

Only the restructured principal obligation shall be charged interest at the rate equal to the prevailing 364-day Treasury Bill rate of the last auction immediately preceding the date of request for loan restructuring. No interest shall be charged on the restructured accrued interest.

c) Term of Repayment

The amount to be restructured shall be paid by the merged/consolidated RB in the monthly amortizations over a period not exceeding ten (10) years.

d) Collateralization

A surety agreement shall be executed by the stockholders owning at least sixty seven percent (67%) of the shares of stock of the merged/consolidated RB.

e) Default Clause

- i. *Event of Default* . failure to pay two (2) amortizations shall constitute an event of default and shall render the entire obligation due and demandable.
- ii. *Consequence of default* . the amount of liquidated damages on past due rediscounting/emergency loans waived shall be restored and the payments already made shall be re-applied, first to liquidated damages, and the balance, if any, to interest, then to the principal loan. Monetary penalties for violation of BSP issuances on rediscounting, if any, shall also be restored and payment thereof in full shall be demanded against the defaulting merged/consolidated RB.
- iii. *Legal Action* . the BSP may institute appropriate legal action without further need for demand or notice to the defaulting merged/consolidated RB.

f) Documentary Requirement

The merged/consolidated RB shall execute a Letter of Understanding with the BSP covering the terms and conditions of the approved restructured loan/s together with the authority for the BSP to debit the surviving/consolidated RB's demand deposit account with the BSP for the amortizations due.

5. Preferred Shares for Staggered Redemption

The shares for staggered redemption shall be the LBP preferred shares of stock of the eligible RBs, representing the rediscounting arrearages with BSP converted into LBP equity. Repayment arrangement should be made by the merged or consolidated RB directly with the LBP.

a) Dividend Rate

The dividend rate shall be four percent (4%)

b) Redemption Term

The staggered redemption shall be effected by the merged/consolidated RB in monthly installments over a period not exceeding ten (10) years.

c) Waiver of Dividends

Dividends due on the LBP preferred shares of stock of the eligible RBs as of date of merger or consolidation shall be waived.

d) Documentary Requirement

Upon approval, the merged/consolidated RB shall execute a written agreement with the LBP for the staggered redemption of the LBP preferred shares of stock of the eligible RBs, copy furnished the BSP.

6. Rediscount ceiling of at least one hundred fifty percent (150%) of the adjusted capital accounts of the merged/consolidated RB for a period of one (1) year reckoned from the date of merger or consolidation, subject to compliance with the existing eligibility requirements of the BSP as provided under Subsec. X268.3 of the Manual of Regulations for Banks, as amended by Circular No. 648 dated 02 March 2009.
7. Waiver of monetary penalties imposed on the eligible RBs for violation of existing laws and BSP rules and regulations, except penalties accruing to the other parties, e.g. Micro, Small and Medium Enterprises Development (MSMED) Council Fund as provided under Section 19 of R.A. No. 6977 (Magna Carta for Micro, Small and Medium Enterprises), as amended, and Agricultural Guarantee Fund Pool (AGFP) and Philippine Crop Insurance Corporation (PCIC) as provided under Section 10 of R.A. No. 10000 (The Agri-Agra Reform Credit Act of 2009), as of date of merger/consolidation.