



**BANGKO SENTRAL NG PILIPINAS**  
OFFICE OF THE GOVERNOR

**CIRCULAR NO. 1202**  
Series of 2024

Subject: **The Bangko Sentral's Discount Window Facility**

The Monetary Board (MB), in its Resolution No. 1026 dated 05 September 2024, approved the following amendments to the Manual of Regulations for Banks (MORB) to implement the Discount Window Facility as the Bangko Sentral's normal credit operations, which operationalizes Section 82 of Republic Act (R.A.) No. 7653, as amended.

**Section 1.** Section 281 of the MORB is hereby retitled and amended to read as follows:

**281 DISCOUNT WINDOW FACILITY (DWF)**

The DWF refers to the credit operations that the Bangko Sentral may normally and regularly provide to banking institutions operating in the Philippines. It shall be used to influence the volume of credit consistent with the objectives of maintaining price and financial stability. It shall cover the following modes: (1) rediscounting of credit instruments of banks' end-user borrowers under Section 82(a) to (c), and (2) advances against securities issued by the National Government (NG) and the Bangko Sentral under Section 82(d) of R.A. No. 7653, as amended.

The following guidelines shall govern the operations of the Bangko Sentral's DWF, subject to further conditions in Section 282 as may be specifically applicable to rediscounting of credit instruments or advances against securities issued by the NG and the Bangko Sentral, as the case may be.

**Credit Information System.** The availments of all eligible banks shall be drawn against their DWF line, which is based on their total credit score under the Credit Information System (CRIS). The scoring system under the CRIS shall consider both quantitative and qualitative factors to assess the applicant bank's creditworthiness (e.g., financial indicators and results of Bangko Sentral examination).

**Application Procedures.** Banks applying for a DWF line shall submit their application in the prescribed form to the Department of Loans and Credit (DLC), Bangko Sentral-Manila, either in hard copy or electronic form, together with the following documents:

- a. Secretary's Certificate or Board Resolution duly signed by the Board of Directors of the applicant bank, authorizing the bank to apply for a DWF line with the Bangko Sentral and designating at least two (2) officers of the bank to sign and endorse documents pertaining thereto, together with their specimen signatures;

xxx

- c. Certification of good credit standing prepared and issued by all the financial and lending institutions listed in Item *b(1)* above dated at most one (1) month prior to the date of application for DWF line;

XXX

**Approval/Renewal of the line.** The approval/renewal of DWF line shall be subject to the bank's full compliance with the following requirements:

XXX

- e. Officers and staff responsible for microcredit operations shall have completed: (1) a training course on microfinance; and (2) at least one (1) year experience in microlending activities.

Banks with approved DWF line shall, thereafter, submit the following:

- a. DWF Line and System Participation Agreement within three (3) months from receipt of notice of approval from the Bangko Sentral, which reserves the right to re-assess the bank's eligibility at any given time; and
- b. For new applicant rural/cooperative banks with designated depository bank, a tripartite depository agreement by and among the applicant bank, designated depository bank (duly concurred by its Head Office) and the DLC.

XXX

Banks with disapproved applications may re-apply after three (3) months from its receipt of Bangko Sentral's notice of disapproval and upon compliance with the eligibility requirements for DWF line.

**Amount of line.** The amount of DWF line shall be based on the total credit score obtained by the applicant bank computed under the CRIS guidelines, which ranges from twenty-five percent (25%) to 100% of adjusted capital.

**Term of the line.** The term of the line shall be for one (1) year unless sooner cancelled, suspended, amended or extended by the Bangko Sentral. The line is renewable annually upon submission of application one (1) month before the expiry of said line. Should there be special circumstances or information from the appropriate supervising department of the Bangko Sentral that may adversely affect the creditworthiness of a bank in the intervening period, the DWF line of the bank concerned will be reviewed immediately and acted upon accordingly.

**Section 2.** Section 282 of the MORB as amended by Circular No. 1167 dated 7 February 2023 is hereby retitled and amended to read as follows:

## **282 DWF AVAILMENTS**

Subject to compliance with eligibility requirements at the time of availment, banks may avail themselves of the Bangko Sentral's DWF through rediscounting of credit instruments of the banks' end-user borrowers or advances against securities issued by the NG and the Bangko Sentral. Banks shall enroll in Bangko Sentral's electronic system for the DWF.

Banks availing themselves of the DWF shall submit their loan applications electronically to the Bangko Sentral in accordance with the terms of the participation agreement. The DWF availments may be in Peso, US dollar or Japanese yen.

**Eligibility requirements at the time of availment.** Banks availing themselves of the Bangko Sentral's DWF must have at the time of availment:

xxx

- b. No past due obligations with the Bangko Sentral;

xxx

For purposes of determining compliance with the reserve requirement a bank will be considered non-compliant with the reserve requirement for the reference week when its actual net reserve position for said reference week cannot be determined due to delayed submission or non-submission of the relevant reserve report.

Banks with non-performing loans ratio higher than the industry average based on the latest available data from the Department of Supervisory Analytics (DSA) or appropriate supervising department of the Bangko Sentral at the time of drawdown may avail themselves of the DWF only through advances against securities issued by the NG and the Bangko Sentral.

***Rediscounting of credit instruments.*** Banks shall endorse the credit instrument of their end-user borrower, e.g. promissory note (PN), and execute a deed of assignment covering the underlying collateral, in favor of the Bangko Sentral. The said credit instrument must contain the express consent of the end-user borrower empowering the bank to endorse the same to the Bangko Sentral and for the Bangko Sentral to directly collect from the credit instrument of the end-user borrower, to foreclose upon the mortgage, and/or to proceed upon other underlying collaterals securing it. The express consent of the end-user borrower may be in a separate document to be made an integral part of the credit instrument rediscounted with the Bangko Sentral.

- a. ***Eligible credit instruments.*** The Bangko Sentral shall accept credit instruments covering all economic activities except the following:
  - (1) Interbank loans;
  - (2) Extended/Restructured loans;
  - (3) Past due loans;
  - (4) Unsecured loans;
  - (5) Personal consumption loans;
  - (6) Loans to NBFIs; and
  - (7) Loans funded from other borrowings, e.g., government FIs or multi-lateral agencies.

Credit instruments offered for rediscounting shall be subject to the eligibility requirements provided under Section 82(a) to (c) of R.A. No. 7653, as amended.

- (1) ***Commercial credits*** - Bills, acceptances, PN and other credit instruments with maturities of not more than 180 days from the date of their rediscount, discount or acquisition by the Bangko Sentral and resulting from transactions related to:
  - (a) the importation, exportation, purchase or sale of readily saleable goods and products, or their transportation within the Philippines; or
  - (b) the storing of non-perishable goods and products which are duly insured and deposited, under conditions assuring their

preservation, in authorized bonded warehouses or in other places approved by the Monetary Board.

Credit instruments acquired under commercial credits shall be secured by:

Type of Collateral	Eligibility
(i) Duly notarized assignment of export or domestic letters of credit, confirmed purchase order sales contract, quedans	xxx
(ii) Trust Receipts	xxx
(iii) Duly Registered mortgage on real property	xxx
(iv) Credit guarantees/ sureties issued by the IGLF, the Small Business Corporation (SBC) and the NG	xxx
(v) Credit guarantees/ sureties issued by the Credit Surety Fund (CSF) jointly established by cooperatives and local government units	xxx
(vi) Marketable debt instruments issued by the NG and all its instrumentalities, including Republic of the Philippines US\$ denominated bonds or ROPs	With maturities of not more than ten (10) years from date of rediscount and with current market value equal to or more than the outstanding balance of the PN

The outstanding National Food Authority Paper that a bank can rediscount shall not exceed the bank's SBL [twenty-five percent (25%) of its net worth].

US dollar and Japanese yen-denominated trust receipts covering importation of goods and raw materials are also considered eligible papers.

(2) *Production credits* - xxx

xxx

- (3) *Other credits* - Special credit instruments not otherwise rediscountable under the immediately preceding Items "(1)" and "(2)" may be eligible for rediscounting such as, but not limited to, microfinance, housing, services, agricultural loans with long gestation period and other eligible economic activities with maturity of not more than ten (10) years from date of their rediscount, discount or acquisition of the Bangko Sentral. US dollar and Japanese yen-term loans to finance capital expenditures (plant expansion/modernization) by exporters are also considered eligible credit instruments provided they are booked in the regular banking units.

Credit instruments acquired under other credits shall be secured by:

Type of Collateral	Eligibility
(a) Duly registered mortgage on real property	xxx
(b) Duly notarized assignment of receivables from service contract	xxx
(c) Credit guarantees/sureties issued by the IGLF, the SBC and the NG	xxx
(d) Credit guarantees/sureties issued by the CSF jointly established by cooperatives and LGUs	xxx
(e) Marketable debt instruments issued by the NG and all its instrumentalities, including Republic of the Philippines US\$ denominated bonds or ROPs	With maturities of not more than ten (10) years from date of rediscount and with current market value equal to or more than the outstanding balance of the PN

For certain types of loans and underlying collaterals, the following conditions shall apply:

- (1) For housing loans, the lien or mortgage shall cover the property being financed.
- (2) An Original Certificate of Title issued by virtue of Free Patent may be accepted as underlying collateral for loans offered for rediscounting with the Bangko Sentral.
- (3) A Land Title, with P.D. No. 1271<sup>1</sup> annotation, may be accepted as underlying collateral for loans offered for rediscounting with the Bangko Sentral subject to the following conditions:
  - (a) The land titles submitted specify that the original registration date was on or before 31 July 1973; and
  - (b) The land covered by titles are not within any government, public or quasi-public reservation, forest, military or otherwise, as certified by appropriate government agencies.
- (4) Unsecured loans and credit instruments, whose underlying collateral are not eligible for rediscounting, may be accepted for rediscounting provided that:
  - (a) They are microfinance loans; or
  - (b) The DWF availment is secured by a duly registered mortgage on real property of the bank, seventy percent (70%) of the appraised value of which equals or exceeds the outstanding

<sup>1</sup> An act nullifying decrees of registration and certificates of title covering lands within the Baguio Townsite Reservation issued in Civil Reservation Case No. 1, CLRO Record No. 211 pursuant to R.A. No. 931, as amended, but considering as valid certain titles of such lands that are alienable and disposable under certain conditions and for other purposes.

balance of the unsecured PN and other collateral acceptable to the Bangko Sentral.

- (5) For real estate properties covered by Section 7 of R.A. No. 26 offered as collateral, the following conditions must be met:
    - (a) The two (2) year period from date of entry of the notation has already expired;
    - (b) The bank has already filed the petition with the court for the cancellation thereof; and
    - (c) The bank shall submit prior to the release of the loan proceeds a surety bond equivalent to the loan value of the property plus interest and other charges that may fall due, to answer for the payment of the obligations in the event that the petition for cancellation is denied or the notation is not cancelled on or before the maturity of the loan. The surety bond must be issued by an insurance/surety company that is acceptable to the Bangko Sentral and is not affiliated with the bank or its subsidiaries, or their stockholder, directors or officers.
  
  - (6) Syndicated loans may be accepted for rediscounting, subject to the following minimum requirements:
    - (a) The PN is negotiable;
    - (b) The master loan agreement allows the endorsement of the PN; and
    - (c) There is an opinion from the borrowing bank's counsel(s) that the master loan agreement allows the endorsement of the PN; that the PN is negotiable; and that no other act or approval is necessary to perfect the endorsement.
  
  - (7) Loans with underlying real estate collateral(s) under Mortgage Trust Indentures (MTI) may likewise be accepted, subject to the following minimum eligibility requirements:
    - (a) The trustee must be a bank or quasi-bank authorized by the Monetary Board to engage in trust and other fiduciary business;
    - (b) The borrowing bank must notify the trustee that it is assigning its participation to the Bangko Sentral by way of collateral;
    - (c) The borrowing bank must provide a certification specifying the following: current participations in the MTI; that there is no senior claim to that of the prospective claim of Bangko Sentral; and that it does not violate any existing loan agreement with other creditors; and
    - (d) The trustee must provide Bangko Sentral with certified true copy(ies) of the relevant collateral(s).
- b. *Procedures upon availment.* Banks availing themselves of DWF through rediscounting of credit instruments shall observe the following:
- (1) Upon receipt of the confirmation of loan approval, banks shall execute the PN in favor of the Bangko Sentral, signed by the authorized officer/s of the bank. Banks shall submit to DLC the original PN and deed of assignment in favor of the Bangko Sentral.

- (2) Banks authorized to hold in trust the rediscounted credit instruments and underlying collaterals shall segregate and keep the same together with a duplicate of the PN and deed of assignment in favor of the Bangko Sentral at a secured place within their premises under the custody of the accountable officer.
- (3) Banks that are required to designate a custodian shall deposit with their designated custodian the rediscounted credit instruments, underlying collaterals, and a duplicate of the PN and deed of assignment in favor of the Bangko Sentral not later than the next banking day from date of release of loan proceeds. The designated custodian shall acknowledge receipt of the documents in the Checklist of Documentary Requirements.

xxx

- c. *Loan value.* The loan value shall be eighty percent (80%) of the outstanding balance of the credit instrument.
- d. *Maturities.* The maturities of DWF availments through rediscounting of credit instruments are, as follows:

xxx

- e. *Remittance of collections.* Banks shall ensure that adequate records are maintained in their Head Office on the collections made by the branches. Total collections received by the borrowing bank before the maturity date of the rediscounted credit instruments shall be remitted to the Bangko Sentral not later than five (5) banking days following the date of receipt of collections to the following:

Peso - Bangko Sentral ng Pilipinas  
US dollar - Federal Reserve Bank of New York for the account of Bangko Sentral  
Japanese yen - MUFG Bank, Ltd. for the account of Bangko Sentral

- (1) Total collections shall refer to the principal and interest collected from rediscounted credit instruments.
  - (2) For past due credit instruments, total collections shall include all collections on principal, interest and penalty.
  - (3) For negotiated export bills, the borrowing bank's receipt of payment from its correspondent bank either through actual remittance or credit advice; or through book entries made by the borrowing bank charging its correspondent bank before receipt of advice shall constitute receipt of collection.
  - (4) For microfinance loans with daily, weekly or semi-monthly amortizations, the bank shall remit to the Bangko Sentral on the last amortization due date of the month all collections in the said month.
- f. *Prohibited transactions.* The following shall not be allowed without prior approval of the Bangko Sentral:
    - (1) Substitution of rediscounted credit instruments and underlying collateral on outstanding loans with the Bangko Sentral;
    - (2) Renewal of rediscounted credit instruments without remitting payment while the loan released against the rediscounted credit instrument is still outstanding with the Bangko Sentral; and

(3) Acceptance of properties as payment (dacion en pago).

**Advances against eligible collaterals.** Banks shall execute a security agreement and register any notice or take any action necessary to perfect the Bangko Sentral's security interest over their eligible collaterals and make it binding against third parties prior to any availment.

- a. **Eligible collaterals.** The Bangko Sentral shall accept the unencumbered marketable debt instruments/securities issued by:
  - (1) The NG, such as treasury bills or bonds, with maturities of not more than ten (10) years from date of advance; and
  - (2) The Bangko Sentral.
- b. **Procedures upon availment.** Upon availment, Banks shall register the Bangko Sentral's security interest over the specific securities issued by the NG or the Bangko Sentral in the Bureau of the Treasury's National Registry of Scripless Securities. Upon receipt of the confirmation of loan approval, banks shall execute the PN in favor of the Bangko Sentral, signed by the authorized officer/s of the bank. Banks shall submit to DLC the original PN.
- c. **Loan value.** The loan value shall be up to eighty percent (80%) of the current market value of the securities issued by the NG and the Bangko Sentral.
- d. **Maturities.** The maturity of DWF availments shall be up to 180 days from date of advance, but not beyond the maturity date of the securities issued by the NG and the Bangko Sentral.

**Interest rates.** The following are the guidelines in establishing the interest rates for peso, US dollar and Japanese yen loans under the DWF:

a. Peso

The interest rate shall be the Bangko Sentral overnight (O/N) lending rate plus a spread depending on the term of the loan as may be determined by the Bangko Sentral. The spread between these two may change periodically to complement changes in the Bangko Sentral's monetary policy goals.

b. US dollar/Japanese yen

The US dollar and Japanese yen interest rates shall be the applicable benchmark rate plus an appropriate spread depending on the term of the loan as may be determined by the Bangko Sentral. The spread between these two rates may also vary to reflect movements in the market interest rates and to achieve monetary policy objectives.

xxx

Past due Bangko Sentral loans and unpaid matured notes shall be levied liquidated damages equivalent to five percent (5%) per annum.

**Release of proceeds.** The proceeds of the DWF availment shall be released, as follows:



- a. Peso - automatically credited to the borrowing bank's DDA or its depository bank's DDA with the Bangko Sentral on the same day for loan application submitted to the Bangko Sentral before 4:30 pm during banking days.
- b. US dollar/Japanese yen - released through the appropriate department of the Bangko Sentral for credit to the designated foreign correspondent bank of the borrowing bank, as follows:

xxx

**Repayments/arrearages.** The following shall govern repayments and arrearages:

- a. Repayments

- (1) Peso

- (a) The principal plus interest due on DWF availments shall be automatically debited against the borrower bank's DDA with the Bangko Sentral at maturity.
- (b) For rediscounted credit instruments with unremitted collections, underlying collaterals that are missing or ineligible, or exceptions not corrected within fifteen (15) days from receipt of notice, the unremitted collection or the loan value of rediscounted credit instrument, plus interest due thereon, shall automatically be debited against the bank's DDA with the Bangko Sentral.

- (2) US dollar/Japanese yen

xxx

xxx. The foreign exchange (FX) rate at the time of the loan repayment shall not be lower than the FX rate at the time of loan availment and any FX loss arising from default or repayment shall be for the account of the borrower and not for the Bangko Sentral.

- b. Arrearages. The Bangko Sentral shall undertake all necessary collection measures allowed by law, such as foreclosure proceeding against banks with past due loans.

**Monitoring and credit verification of borrowing banks.** The DLC shall conduct credit risk analysis of the Bangko Sentral's credit exposure to borrowing banks and, if necessary, a risk-based credit verification to ascertain the banks' compliance with the terms and conditions of the loan and determine the probability of default on the settlement of the banks' obligations with the Bangko Sentral.

**Penalties/sanctions.**

xxx

The following definition of terms shall apply:

xxx

- (2) Serious offense - This refers to acts or omissions constituting violation of the terms and conditions of the loans granted to the bank and of the applicable laws, rules and regulations that constitute unsafe or unsound banking; and the misrepresentation of facts and warranties committed by the bank/individual(s) that influenced the approval and amount of the loan/line granted, such as:

xxx

- (c) Failure or delay in the deposit of loan documents with the depository bank, except those caused by fortuitous events; and
- (d) Failure to remit to the Bangko Sentral collections on the rediscounted credit instruments within the prescribed period of five (5) banking days from date of actual receipt of collections except collections from microfinance loans.

xxx

- (5) *Aggregate amount* - shall refer to the aggregate amount of the following:

(a) *Under serious offense.*

- (i) Loan value of rediscounted credit instruments with serious offense, fictitious loans, or spurious loan documents as determined by the Bangko Sentral;
- (ii) Loan value of rediscounted credit instruments, whose vital loan documents and underlying collaterals are not deposited as of verification date; and
- (iii) Total collections on rediscounted credit instruments which were not remitted to the Bangko Sentral within the prescribed period of five (5) banking days from date of receipt of collections.

xxx

The foregoing monetary penalties shall be without prejudice to the cancellation of the bank's DWF line with the Bangko Sentral and/or administrative and criminal sanctions that may be charged against its culpable officers.

***Interlocking directorship/officership.*** Banks owned or managed by the same owners, stockholders, directors, officers or family/business group may also be suspended from availing themselves of the DWF once the DWF line of any bank belonging to the same group is suspended, until such time that the suspension of the erring bank is lifted.

**Section 3.** All references to the Bangko Sentral's rediscounting facility in the following Sections of the MORB shall be construed to refer to the Bangko Sentral's Discount Window Facility, as follows:

Section	Existing provision	Amended provision
Item "b(2)(d)" of Sec. 102 under "Conditions for the grant of authority to convert into a lower category",	(d) Denial of access to Bangko Sentral Rediscounting Facilities;	(d) Denial of access to Bangko Sentral's DWF;

Section	Existing provision	Amended provision
Item "c(1)(a)(iv)" of Sec. 122 under "Issuance of redeemable shares: conditions; certification and report; sanctions"	(iv) Denial of access to Bangko Sentral Rediscounting Facilities;	(iv) Denial of access to Bangko Sentral's DWF;
Item "a" of Sec. 231 under "Exempt transactions"	a. Obligations to the Bangko Sentral arising from rediscounting facilities xxx	a. Obligations to the Bangko Sentral arising from DWF xxx
Item "d(3)" of Sec. 242 under "Repurchase agreements covering government securities, commercial papers and other negotiable and non-negotiable securities or instruments"	(3) Suspension of access to Bangko Sentral rediscounting facilities;	(3) Suspension of access to Bangko Sentral's DWF;
Item "3" of Sec. 285 under "General terms and conditions"	e. The bank shall not be allowed to avail of the Bangko Sentral rediscounting facility; and	e. The bank shall not be allowed to avail itself of the Bangko Sentral's DWF; and
Item "b(2)(c)" of Sec. 293 under "Sanctions"	(c) Suspension of access to Bangko Sentral rediscounting facilities;	(c) Suspension of access to Bangko Sentral's DWF;
Sec. 294-C	The obligations of RBs arising from availments of rediscounting facilities and other borrowings from the Bangko Sentral xxx	The obligations of RBs arising from availments of DWF and other borrowings from the Bangko Sentral xxx
Item "a(2)(a)(i)" of Sec. 331 under "Computation of loanable funds"	(a) Borrowings from the Bangko Sentral in the form of the following: (i) rediscounting;	a. Borrowings from the Bangko Sentral in the form of the following: (i) DWF availment;
Item "b(2)" of Sec. 362 under "Sanctions"	(2) Suspension of the bank's branching privileges and access to the Bangko Sentral rediscounting facilities until the excess is eliminated.	(2) Suspension of the bank's branching privileges and access to the Bangko Sentral's DWF until the excess is eliminated.
Item "b(4)" of Sec. 601 under "Repurchase agreements with Bangko Sentral"	(4) Suspension of access to Bangko Sentral rediscounting facilities;	(4) Suspension of access to Bangko Sentral's DWF;
Item "d" of Sec. 1151 under "For All Rediscounting Banks"	<u>For All Rediscounting Banks</u> <sup>2</sup>  (1) xxx settle the outstanding rediscounting	<u>For All Banks with DWF line</u> <sup>3</sup>  (1) xxx settle the outstanding obligations xxx of all

<sup>2</sup> As governed by Sec. 282.

<sup>3</sup> As governed by Sec. 282.

Section	Existing provision	Amended provision
	obligations xxx of all rediscounting banks except those with serious violations xxx (2) xxx (3) xxx for the renewal of rediscounting line and for the availment of rediscounting loans from the date xxx	banks with DWF line except those with serious violations xxx (2) xxx (3) xxx for the renewal of DWF line and for the DWF availment from the date xxx

**Section 4.** Banks with existing rediscounting line may continue to avail themselves of the facility through rediscounting of eligible credit instruments until the expiration their rediscounting line, which shall remain to be governed by the existing provisions of Sections 281 and 282 on rediscounting line and rediscounting availments, respectively, prior to effectivity of this Circular. Banks with existing rediscounting line that plan to avail themselves of advances against securities issued by the National Government and the Bangko Sentral during the effectivity of the rediscounting line, shall apply for DWF Line, which shall be treated as a new application and governed by the amended Sections 281 and 282 on DWF and DWF availments, respectively. All outstanding and subsequent applications for line, pursuant to Section 281 of the MORB, shall be considered as application for DWF line.

**Section 5.** This Circular shall take effect two (2) months following its publication either in the Official Gazette or in any newspaper of general circulation in the Philippines.

FOR THE MONETARY BOARD:

  
**ELI M. REMOLONA, JR.**  
 Governor

24 September 2024