

[BSP CIRCULAR NO. 35, s. 1994, July 25, 1994]

**GUIDELINES TO GOVERNING THE GRANT OF EMERGENCY LOANS
OR ADVANCES TO BANKING INSTITUTIONS PURSUANT TO
SECTION 84 OF R.A. NO. 7653:**

In its Resolution No. 459 dated May 25, 1994, the Monetary Board approved the following guidelines to govern the grant of emergency loans or advances to banking institutions pursuant to Section 84 of R.A. No. 7653:

A
Statement of Policy

An emergency loan or advance is a credit facility that is intended to assist a bank experiencing serious liquidity problems arising from causes not attributable to, or beyond the control of, the bank management. The grant of such facility is discretionary upon the Monetary Board, and is intended only as a temporary remedial measure to help a bank overcome liquidity problems.

The granting of emergency loans or advances to banking institutions is governed by the provisions of Section 84 of R.A. No. 7653, otherwise known as The New Central Bank Act. As provided therein, no emergency loan or advance may be granted except on a fully secured basis.

B
When An Emergency Loan or Advance may be Availed of

An emergency loan or advance may be availed of —

1. In periods of financial panic. — This refers to periods of national and/or local emergency characterized or accompanied by imminent financial panic within the financial system which directly threaten monetary and banking stability, e.g. extraordinary heavy withdrawals of deposits for successive days.
2. During normal periods. — This refers to situations where a particular bank experiences serious liquidity pressures brought about by unforeseen events, or events which, though foreseeable, could not be prevented by the bank concerned. In such cases, the emergency loan or advance may be granted only after the Monetary Board has ascertained that the bank is not insolvent.

C
Procedure

No particular form is needed to apply for an emergency loan or advance. The application shall be filed with the Department of Loans and Credit (DLC), copy simultaneously furnished the appropriate Supervision and Examination Department.

The application shall state the justifying reasons and other details showing the emergency or the precarious financial condition being experienced by the bank, as well as a listing of the collaterals offered. The following shall be submitted together with the application:

1. A resolution of the Board of Directors of the bank authorizing the availment by the bank of an emergency loan or advance from the Bangko Sentral, signifying the bank's commitment to comply with the Guidelines set forth herein and the terms and conditions that may be imposed by the Monetary Board; and designating the officers duly authorized to sign any and all requisite documents for the emergency loan or advance.
2. The Documents of Title and/or evidences of ownership of the collaterals offered;
3. A resolution of the Board of Directors authorizing the Bangko Sentral to evaluate other assets of the applicant bank which are available for collateral purposes should the release of subsequent tranches be applied for. The resolution shall be accompanied by a certification of the bank's external auditor that the said assets are good and available for collateral purpose.

Prior to the release of the second and subsequent tranches, the principal stockholders of the applicant bank shall submit:

- a. An acceptable undertaking to indemnify and hold harmless from suit a conservator whose appointment the Monetary Board may find necessary at any time;
- b. The documents of title and/or evidences of ownership of the collaterals for the amount being applied for release and, where necessary, such other acceptable security which, in the judgment of the Monetary Board, would be adequate to supplement the assets tendered to collateralize the subsequent tranche.

D

Allowable Amount of Emergency Loan or Advance

The maximum amount of an emergency loan or advance shall be limited to the amount needed by the applicant bank to overcome the emergency or financial predicament or the sum of fifty percent (50%) of the applicant bank's total deposits and deposit substitutes as of date of application for emergency loan or advance, whichever is lower: Provided, That in no case shall such maximum amount exceed the loan values of the collaterals submitted, as determined by the Bangko Sentral.

E

Manner and Conditions of Release

1. The grant of any emergency loan or advance shall bear the concurrent vote of at least five (5) members of the Monetary Board.
2. The proceeds of emergency loans or advances shall be released in two (2) or