



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M-2020- 074

To : All BSP-Supervised Financial Institutions

Subject : Implementing Rules and Regulations (Rules) and Frequently Asked Questions (FAQ) on Section 4(uu) of the R.A. No. 11494 or the "Bayanihan to Recover As One Act"

Pursuant to Memorandum to All BSP-Supervised Financial Institutions (BSFIs) No. M-2020-068 dated 18 September 2020 on the implementation of Section 4(uu) of Republic Act (R.A.) No. 11494, otherwise known as the "Bayanihan to Recover As One Act" (BARO Act), the attached Rules and FAQ are hereby issued to provide additional guidance and clarification on the implementation of Section 4(uu) of R.A. No. 11494.

BSFIs shall post Memorandum No. 2020-068, this Memorandum, and the attached Rules and FAQ on their official websites or in the case of BSFIs with no websites, in a conspicuous place in their head offices/branches.

BSFIs are enjoined to send adequate notices to their clients that clearly communicate details of the BSFI's implementation of the grace period.

For guidance.

BENJAMIN E. DIOKNO
Governor

28 September 2020

Att.: A/S

**IMPLEMENTING RULES AND REGULATIONS
OF SECTION 4(uu) OF REPUBLIC ACT NO. 11494,
OTHERWISE KNOWN AS THE BAYANIHAN TO RECOVER AS ONE ACT
FOR BANGKO SENTRAL SUPERVISED INSTITUTIONS**

**RULE I
PRELIMINARY PROVISIONS**

Section 1.01. Title. These rules ("Rules") shall be known and cited as the Implementing Rules and Regulations of Section 4(uu) of Republic Act No. 11494, otherwise known as the "Bayanihan to Recover as One Act."

**RULE II
DEFINITION OF TERMS**

Section 2.01 Definition of Terms. As used in these Rules, the following terms shall mean:

- (a) "**Covered Institutions**" shall refer to all *Bangko Sentral* Supervised Financial Institutions (BSFIs) with lending operations and shall include banks, quasi-banks, non-stock savings and loan associations, credit card issuers, trust departments/corporations, pawnshops, and other credit granting entities under the supervision of the *Bangko Sentral*.
- (b) "**Loan Amortization**" means a scheduled periodic payment that is applied to both loan principal and interest.
- (c) "**Due Date**" means the date on which the payment of principal and/or interest, including amortization, falls due.
- (d) "**Maturity**" means the date of final payment of principal and/or interest of a loan, after which the loan is considered fully paid.

**RULE III
MANDATORY GRACE PERIOD**

Section 3.01 Mandatory Grace Period. All Covered Institutions shall implement a non-extendible, mandatory one-time sixty (60)-day grace period for all existing, current and outstanding loans with principal and/or interest, including amortizations, falling due on or before December 31, 2020 without incurring interest on interests, penalties, fees, or other charges. The parties are not precluded from mutually agreeing to a grace period longer than 60 days.

Section 3.02 Non-application of interest on interests, fees and charges to future payments. Covered Institutions shall not charge or apply the foregone interest on interests, penalties, fees and other charges during the mandatory one-time 60-day period to future payments/amortizations of the borrowers.

Section 3.03. Prohibition on waivers. Covered Institutions are prohibited from requiring their clients to waive the application of the mandatory one-time 60-day grace period under Section 4(uu) of the "Bayanihan to Recover as One Act." No waiver previously executed by borrowers covering payments falling due on or before December 31, 2020 shall be valid. Nonetheless, the grant of the grace period by Covered Institutions under Section 4(uu) of the "Bayanihan to Recover as One Act" shall not preclude the borrowers from choosing not to avail of the said grace period and paying their obligations as they fall due.

RULE IV SCOPE OF APPLICATION

Section 4.01 Coverage. The mandatory one-time 60-day grace period shall apply to all loans with principal and/or interest, including amortizations, falling due on or before December 31, 2020. Loans shall include, but is not limited to, salary, personal, housing, commercial, and motor vehicle loans, amortizations, financial lease payments and premium payments, as well as credit card payments.

Section 4(uu) of the Bayanihan to Recover as One Act shall not apply to interbank loan and bank borrowings.

Section 4.02 Existing, Current and Outstanding Loans. The mandatory one-time 60-day grace period shall apply only to loans that are existing, current and outstanding upon the effectivity of the "Bayanihan to Recover as One Act," which is on September 15, 2020. Only loans in current status and not past due are covered under Section 4(uu) of the said Act. For this purpose, "existing" loans shall refer to loans granted, or transactions made, in the case of credit cards, prior to the effectivity of the Act.

Section 4.03. Application to multiple loans. The mandatory one-time 60-day grace period shall apply to multiple loans of individuals and entities, with principal and/or interest, including amortizations, falling due on or before December 31, 2020. The grace period shall apply to each loan.

RULE V
EFFECT OF THE GRACE PERIOD

Section 5.01. Relief for loans. Borrowers whose loan/s with principal and/or interest, including amortizations, falling due between September 15, 2020 and December 31, 2020 shall be entitled to a one-time 60-day grace period without incurring interest on interests, penalties, fees, or other charges. The implementation of the mandatory one-time 60-day grace period will effectively extend the maturity of the said loans.

Section 5.02. Non-imposition of interest on interests, penalties, fees, and other charges . During the mandatory grace period, Covered Institutions shall not impose interest on interests, penalties, fees, or other charges representing charges against the borrower for late payment or non-payment on due date. The interest chargeable per installment period, which is based on the outstanding balance of the loan, shall continue to accrue during the mandatory one-time 60-day grace period and shall be payable on the new date after the application of the grace period.

Section 5.03. Treatment of principal and accrued interest. The principal and accrued interest for the 60-day grace period may be paid by the borrower on a staggered basis until December 31, 2020 or as may be agreed upon by the parties. Nonetheless, this shall not preclude the borrower from paying the principal and accrued interest in full on the new due date following the application of the 60-day grace period. For this purpose, accrued interest shall refer to interest that is due on the outstanding principal obligation but not yet paid since the last loan payment made.

Section 5.04. Loan accounts covered by post-dated checks, auto debit or auto deduct arrangements. For loan accounts with issued post-dated checks, and those with auto debit or auto deduct arrangements, the Covered Institutions shall coordinate with their clients and secure the clients' consent to proceed with the transaction or arrangement.

Section 5.05. Regulatory relief for banks and non-banks financial institutions (NBFIs). Banks and NBFIs that agree to further loan term extensions or restructuring pursuant to Section 4(uu) of the "Bayanihan to Recover as One Act" shall be entitled to regulatory relief, as may be determined by the *Bangko Sentral*, which may include, but is not limited to: (1) staggered booking of allowances for credit losses, (2) exemption from loan-loss provisioning, (3) exemption from the limits on real estate loans, when applicable, (4) exemption from related party transaction restrictions, and (5) non-inclusion in the bank's or NBFIs' reporting on non-performing loans.

RULE VI
ENFORCEMENT ACTION

Section 6.01. Enforcement Action. Consistent with *Bangko Sentral* supervisory enforcement policy, the *Bangko Sentral* reserves the right to deploy its range of supervisory tools to promote



adherence to the foregoing rules and bring about timely corrective actions and compliance with *Bangko Sentral* regulations. In this regard, the *Bangko Sentral* may issue directives to, or impose sanctions on, the BSFI and/or responsible persons of the BSFI such as directors, officers and/or employees.

**RULE VII
EFFECTIVITY**

Section 7.01. Effectivity. These Rules shall take effect immediately upon its publication in the Official Gazette or in a newspaper of general circulation.

For the Monetary Board:



BENJAMIN E. DIOKNO
Governor