



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

**Frequently Asked Questions (FAQ)
on the Implementation of
Section 4(uu) of RA 11494 or the "Bayanihan to Recover As One Act"**

1. Which types of financial institutions are covered by Section 4(uu) of the "Bayanihan to Recover As One Act" (BARO Act)?

- For purposes of BSP implementation of Section 4(uu) of the BARO Act, it shall cover all BSP-Supervised Financial Institutions (BSFIs) with lending operations. These 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 BSP.

2. How will the mandatory one-time 60-day grace period under Section 4(uu) of the BARO Act be applied?

- BSFIs shall implement a non-extendible, mandatory one-time 60-day grace period for all existing, current, and outstanding loans with principal and/or interest, including amortizations, falling due from the effectivity of the BARO Act or from 15 September 2020 until 31 December 2020 without incurring interest on interests, penalties, fees, or other charges. The parties are, however, not precluded from mutually agreeing to a grace period longer than 60 days.

Section 4(uu) of the BARO Act shall not apply to interbank loans and borrowings.

3. When will the 60-day grace period commence?

- The 60-day grace period shall commence from the payment due date of loans with principal and/or interest, including amortizations, falling due from the effectivity of the BARO Act or from 15 September 2020 until 31 December 2020.

For example, the due date of a loan with monthly amortization falling due on 20 September shall be moved to 19 November. Following this example, if the last payment due date of said loan before the application of the mandatory grace period is on 20 September 2024, said last payment due date shall be moved to 19 November 2024.

The application of the mandatory 60-day grace period under the Act effectively moves the payment due dates of the entire loan.

4. When will the borrower pay the principal and interest falling due from 15 September 2020 until 31 December 2020?

- The principal and accrued interest falling due from the effectivity of the Act until 31 December 2020 may be paid by the borrower in full after the application of the 60-day grace period. The borrower may also pay on a staggered basis until 31

December 2020. Likewise, the parties may agree to pay the principal and interest on staggered basis beyond 31 December 2020. For this purpose, accrued interest shall refer to interest that is due on the outstanding principal obligation but has not been paid yet by the borrower since the last loan payment made.

5. Can the borrower opt to apply the 60-day mandatory grace period to any of his amortizations falling due on or before 31 December 2020?
 - Yes. Borrowers may opt to apply the mandatory one-time grace period to any of his amortizations falling due on or before 31 December 2020.
6. Can the borrower opt not to apply the 60-day mandatory grace period to any of his amortizations falling due on or before 31 December 2020?
 - Yes. Borrowers may choose not to avail of the mandatory grace period and pay their obligations as they fall due should they so desire.
7. Will amortizations be rescheduled in line with the 60-day grace period? Do BSFIs need to issue new Promissory Notes (PN)/Disclosure statements (DS) for the new amortization schedule?
 - Yes. The amortizations for the payments falling due from 15 September 2020 will be rescheduled. The application of the mandatory 60-day grace period under the BARO Act effectively moves the payment due dates of the entire loan. The BSFI shall document the movement of the payment due dates as it deems proper.
8. Does Section 4(uu) of the BARO Act apply to loans extended by BSFIs abroad to Filipino residents?
 - No. Section 4(uu) of the BARO Act applies only to loans extended by BSFIs established in the Philippines.
9. Will Section 4(uu) of the BARO Act cover loans of borrowers who have been previously required by lending institutions to execute a waiver of their right to avail of the benefits of the grace period granted under Section 4(uu) of the BARO Act prior to the effectivity of said Act?
 - Yes, the loans will still be covered by the mandatory grace period under the BARO Act notwithstanding the execution by the borrower of a waiver prior to the issuance of Section 4(uu) of the said Act. Any waiver previously executed by borrowers covering loan payments falling due on or before 31 December 2020 shall be considered void. Nonetheless, borrowers may still choose to pay their obligations as they fall due on or before 31 December 2020.
10. Does Section 4(uu) of the BARO Act apply to all loan accounts whether current or past due?

- No. Section 4(uu) of the BARO Act only covers loan accounts that are existing, current and outstanding as of 15 September 2020. Past due accounts are not covered under Section 4(uu) of the said Act. For this purpose, "existing" loans shall refer to loans granted, or transactions (e.g., purchases, cash advances, balance transfers) made using credit cards, prior to 15 September 2020.
11. If one of the loans of a borrower with multiple loans is past due, will Section 4(uu) of the BARO Act still apply to the other loans of said borrower?
- Yes. Section 4(uu) of the BARO Act shall apply to the existing, current and outstanding loans of the said borrower as of 15 September 2020. The past due account will not be covered by the mandatory grace period.
12. Does Section 4(uu) of the BARO Act apply to loan accounts that benefitted from the mandatory grace period under Republic Act No. 11469 or the "Bayanihan to Heal As One Act" (Bayanihan I)?
- Yes, if the loan accounts that benefitted from the mandatory grace period under Bayanihan I are existing, current, and outstanding as of 15 September 2020. Section 4(uu) of the BARO Act shall be treated independent of the Bayanihan I provisions.
13. Does Section 4(uu) of the BARO Act apply to restructured loans?
- Loan accounts that were restructured before 15 September 2020 shall be covered by Section 4(uu) of the BARO Act if such accounts are considered as current and performing as of 15 September 2020.
14. If a BSFI granted an account that is classified as current before 15 September 2020 with grace period extending beyond said date, will the payments falling due on or before 31 December 2020 of said account still be covered by the mandatory grace period under Section 4(uu) of the BARO Act.
- Yes. Loans classified as current before 15 September 2020 with grace period that extends beyond said date shall be covered by Section 4(uu) of the BARO Act.
15. If the BSFI granted the borrower a grace period prior to 15 September 2020, will this be considered as compliance with the mandatory grace period provided under the BARO Act?
- No. The mandatory one-time 60-day grace period under Section 4(uu) of the BARO Act will only reckon from the time the loan with principal and/or interest, including amortization, payment falls due from 15 September 2020 until 31 December 2020.
16. Does the mandatory grace period provided under Section 4(uu) of the BARO Act apply to letters of credits, bills purchase, guarantees and other contingent facilities that were funded by the covered financial institution?

- Yes, the mandatory grace period shall apply to payments for said facilities that will fall due from 15 September 2020 until 31 December 2020.
17. Does Section 4(uu) of the BARO Act apply to employees' benefit loans extended by financial institutions to their own workforce (e.g. appliance loan, emergency loan, provident fund loan)?
- Yes. Section 4(uu) of the BARO Act covers all types of loans that are existing, current and outstanding as of 15 September 2020.
18. How will the grace period be applied to DOSRI transactions under Section 342 of the Manual of Regulations for Banks?
- The mandatory grace period shall apply to DOSRI transactions with payments falling due from 15 September until 31 December 2020. No penalty/sanction shall be imposed on such DOSRI transactions when payment is made on the new due date following the application of the mandatory grace period.
19. Are loan accounts covered by post-dated checks, auto debit or auto deduct arrangements with lending BSFIs covered by Section 4(uu) of the BARO Act?
- Yes. Section 4(uu) of the BARO Act covers loan accounts with issued post-dated checks and those with auto debit or auto deduct arrangements. In this case, for loan accounts with issued post-dated checks, and those with auto debit or auto deduct arrangements, the BSFIs shall communicate with their clients and secure their consent to proceed with the transaction or arrangement. BSFIs shall give their clients ample time to respond to the request for consent with a disclosure that they will proceed with the transaction or arrangement if no feedback is received within the given period. This shall, however, not preclude the borrower from applying the mandatory one-time grace period to succeeding payments falling due on or before 31 December 2020.
20. What will the BSFIs do if payments were received beginning 15 September 2020 but they have not yet notified their clients nor adjusted their systems for the implementation of the mandatory grace period under Section 4(uu) of the BARO Act?
- BSFIs shall communicate with their clients and secure their consent to apply the mandatory one-time grace period on the next installment due date. BSFIs shall give their clients ample time to respond to the request for consent with a disclosure that they will proceed with the proposed arrangement if no feedback has been received within the given period. In cases where the borrowers would signify the implementation of the mandatory one-time grace period for the payment received by the BSFI, the BSFI shall return the payment received to the borrower without charging interest on interest, penalties, fees and charges.

21. Are fees/charges related to loans extended or credit lines granted (e.g. credit card renewal fees) scheduled to be paid on or before 31 December 2020 covered by the mandatory grace period under Section 4(uu) of the BARO Act?

- Yes. Fees and charges related to loans extended or credit lines granted are covered by the mandatory grace period under Section 4(uu) of the BARO Act.

22. Are BSFIs required to include in their letters of request for regulatory relief the application of the grace period even if this is already mandated under the BARO Act?

- No. Banks are not required to request for application of the mandatory one-time 60-day grace period under the Act.

23. What interest rate should financial institutions apply in computing for interest accruing during the mandatory grace period?

- Covered financial institutions should use the interest rate stipulated in the loan agreement.

24. How will Section 4(uu) of the BARO Act provisions apply to loans other than those amortized monthly (i.e. quarterly, semestral)?

- The mandatory one-time 60-day grace period will apply to all loans regardless of payment terms, as long as the due date falls on or before 31 December 2020. BSFIs will add 60 days to the due date falling from 15 September 2020 until 31 December 2020 to determine the new due date.

25. Will the accounts applying the mandatory one-time 60-day grace period be included in the past due loan (PDL) ratio computation and do BSFIs need to apply for exclusion of the accounts as PDL?

- No. The accounts applying the mandatory one-time 60-day grace period will not be included in the PDL ratio computation. Likewise, BSFIs no longer need to apply for exclusion of the accounts in the computation of the PDL ratio.

26. Do borrowers need to apply or request for approval from BSFIs for the application of the mandatory one-time 60-day grace period?

- No. The mandatory one-time 60-day grace period will automatically be applied by all BSFIs.

27. How will the 60-day grace period be applied for credit card transactions?

- Credit card transactions made, including fees/charges incurred, prior to 15 September 2020 shall be covered by Section 4(uu) of the BARO Act. Any unpaid balance of such transactions and fees/charges shall not incur interest or finance charges during the mandatory grace period. After the end of the applicable grace

period, the said unpaid balance shall incur interest or finance charges if not paid in full on new due date.

Meanwhile, credit card transactions made on and after 15 September 2020 shall no longer be covered by Section 4(uu) of the said Act and shall continue to incur interest or finance charges if not fully paid on or before its original due date.

28. For credit card transactors, will interest accrue on the outstanding balance during the 60-day grace period?

- Credit card transactors will not be charged any interest during the 60-day grace period if they pay the total outstanding balance on or before the new due date.

29. In case a cardholder has no outstanding balance as of 15 September 2020, are transactions made after the said date covered by Section 4(uu) of the BARO Act?

- No. Credit card transactions made on and after 15 September 2020 are not covered by the provisions of Section 4(uu) of the BARO Act.