

CBP CIRCULAR NO. 905-82

The Monetary Board, in its Resolution No. 2224 dated December 3, 1982, approved the following regulations governing interest rates on loans or forbearance of money, goods or credit and the amendment of Books I to IV of the Manual of Regulations for Banks and Other Financial Intermediaries:

General Provisions

SECTION 1. The rate of interest, including commissions, premiums, fees and other charges, on a loan or forbearance of any money, goods, or credits, regardless of maturity and whether secured or unsecured, that may be charged or collected by any person, whether natural or juridical, shall not be subject to any ceiling prescribed under or pursuant to the Usury Law, as amended.

SECTION 2. The rate of interest for the loan or forbearance of any money, goods or credits and the rate allowed in judgments, in the absence of express contract as to such rate of interest, shall continue to be twelve per cent (12%) per annum.

SECTION 3. Loans denominated or payable in a foreign currency shall continue to be subject to Central Bank regulations on foreign borrowings.

BOOK I

Commercial Banks

SECTION 4. Subsection 1254.3 of the Manual of Regulations is hereby deleted.

SECTION 5. Section 1303 of the Manual of Regulations is hereby amended to read as follows:

“SECTION 1303. Interest and Other Charges. — The rate of interest, including commissions, premiums, fees and other charges, on any loan, or forbearance of any money, goods or credits, regardless of maturity and whether secured or unsecured, shall not be subject to any ceiling prescribed under or pursuant to the Usury Law, as amended.”

SECTION 6. Subsection 1303.3 of the Manual of Regulations is hereby deleted.

SECTION 7. The first paragraph of Subsection 1303.4 of the Manual of Regulations is hereby amended to read as follows:

“The rate of interest on a floating rate loan during each interest period shall be stated on the basis of a reference rate plus a margin as may be agreed upon by the parties.”

SECTION 8. Subsection 1303.6 of the Manual of Regulations is hereby amended to read as follows:

“Subsection 1303.6. Short-term rate.— Expanded commercial banks, commercial banks and specialized government banks shall post their respective short-term prime rates in a conspicuous place in their principal offices, branches and other banking offices. Expanded commercial banks and the Land Bank of the Philippines shall publish every other Monday their respective prevailing short-term prime rates in at

least one daily newspaper of general circulation throughout the Philippines and on the effective date of any change of at least one-half per cent (½%) per annum from the last published rate, in at least one daily newspaper of general circulation throughout the Philippines. For purposes of this subsection, the short-term prime rate shall be the lowest effective rate which a bank will charge on availments of P500,000.00 and above with a maturity of 90 days, more or less, against credit lines of the bank's more established clients, provided that such availments are not eligible for rediscounting with the Central Bank at preferential rates and that the borrowers are not directors, officers and stockholders, including their related interest, of the lending bank.

Likewise, for purposes of this subsection, "more established clients" is defined as client who has been availing himself of the facilities of the bank for number of years, by maintaining substantial deposit balances, utilizing foreign exchange facilities such as exports, imports and remittances on a regular basis, or availing himself of other fee-based services.

"For statistical and monitoring purposes, banks shall report these rates monthly to the Department of Economic Research, Domestic, Central Bank of the Philippines. Changes in these rates shall also be reported to said Department on the day the changes are to be effective.

"Banks shall report monthly to the Department of Economic Research-Domestic the volume and interest of availments of P500,000.00 and above with a maturity of 90 days, more or less, against credit lines of their clients."

SECTION 9. Item "d" of Section 1349 of the Manual of Regulations is hereby amended to read as follows:

"d. Terms, interest and charges. — The maximum term of loans money shops may grant shall in no case exceed 180 days and the rate of interest on such loans, inclusive of commissions, premiums, fees and other charges, shall not be subject to any ceilings prescribed under or pursuant to the Usury Laws, as amended."

SECTION 10. Subsection 1388.1 of the Manual of Regulations is hereby amended to read as follows:

"The rate of yield, including commissions, premiums, fees, and other charges, from the purchase of receivables and other obligations, regardless of maturity, that may be charged or received by banks authorized to engage in quasi-banking functions or by non-bank financial intermediaries authorized to engage in quasi-banking functions, shall not be subject to any regulatory ceiling.

"Data on the volume and interest rates of domestic loans and discounts with original maturities of more than 365 days shall be reported by expanded commercial banks and commercial banks to the Department of Economic Research, Domestic, Central Bank of the Philippines, not later than the 15th banking day after end of reference month."

BOOK II

Thrift Banks

SECTION 11. Subsection 2254.3 of the Manual of Regulations is hereby deleted.

SECTION 12. Section 2303 of the Manual of Regulations is hereby amended to read as follows:

“SECTION 2303. Interest and other Charges. — The rate of interest, including commissions, premiums, fees and other charges, on a loan or forbearance of any money, goods or credits, regardless of maturity, and whether secured or unsecured, shall not be subject to any ceiling prescribed under or pursuant to the Usury Law, as amended.”

SECTION 13. Subsection 2303.3 of the Manual of Regulations is hereby deleted.

SECTION 14. The first paragraph of Subsection 2303.4 of the Manual of Regulations is hereby amended to read as follows:

“The rate of interest on a floating rate loan during each interest period shall be stated on the basis of a reference rate plus a margin as may be agreed upon by the parties.:

SECTION 15. The last paragraph of Subsection 2303.4 of the Manual of Regulations is hereby amended to read as follows:

“Where the loan agreement provides for a floating interest rate, the interest period, which shall be such period of time for which the rate of interest is fixed, shall be such period as may be agreed upon by the parties.”

SECTION 16. The first paragraph of Subsection 2303.6 of the Manual of Regulations is hereby deleted.

SECTION 17. Item “c” of Section 2349 of the Manual of Regulations is hereby amended to read as follows:

“C. Terms, interest and charges. — The maximum term of loans money shops may grant shall in no case exceed 180 days and the rate of interest on such loans, inclusive of commission, premiums, fees and other charges, shall not be subject to any ceiling prescribed under or pursuant to the Usury Law, as amended.”

SECTION 18. Subsection 2388.1 of the Manual of Regulations is hereby ended to read as follows:

“Subsection 2388.1. Yields on purchases of receivables. — The rate of yield, including commissions, premiums, fees and other charges, from the purchase of receivables and other obligations, regardless of maturity, that may be charged or received by banks authorized to engage in quasi-banking functions or by non-bank financial intermediaries authorized to engage in quasi-banking functions, shall not be subject to any regulatory ceiling.”

BOOK III

Rural Banks

SECTION 19. Item “c” of Subsection 3152.3 of the Manual of Regulations is hereby amended to read as follows:

“c. Terms, interest and charges. — The maximum term of loans money shops may grant shall in no case exceed 180 days and the rate of interest on such loans, inclusive of commissions, premiums, fees and other charges, shall not be subject to any ceiling prescribed under or pursuant to the Usury Law, as amended.”

SECTION 20. Subsection 3254.2 of the Manual of Regulations is hereby deleted.

SECTION 21. Paragraph “a” of Subsection 3303.1 of the Manual of Regulations is hereby amended to read as follows:

“a. Interest rate. — The rate of interest, including commissions, premiums, fees and other charges, on a loan or forbearance of any money, goods, or credits, regardless of maturity and whether secured or unsecured, shall not be subject to any ceiling prescribed under or pursuant to the Usury Law, as amended.”

SECTION 22. Item “b” of Subsection 3303.1 of the Manual of Regulations is hereby deleted and items “c”, “d”, “f” and “g” of the same Subsection are hereby relettered as items “b”, “c”, “d” and “e”, respectively.

SECTION 23. The first paragraph of Subsection 3303.2 of the Manual of Regulations is hereby deleted.

SECTION 24. Subsection 3303.5 of the Manual of Regulations is hereby amended to read as follows:

“Subsection 3303.5. Floating rates of interest. — The rate of interest on a floating rate loan during each interest period shall be stated on the basis of a reference rate plus a margin as may be agreed upon by the parties.

“Reference rates for various interest periods shall be determined and announced by the Central Bank every week and shall be based on the weighted average of the interest rates paid during the immediately preceding week by the ten (10) commercial banks with the highest levels of outstanding deposit substitutes on promissory notes issued by such banks, with maturities corresponding to the interest periods for which such reference rates are being determined. The commercial banks to be included for purposes of computing the reference rates shall be reviewed and determined at the beginning of every calendar semester on the basis of the levels of their outstanding deposit substitutes as of May 31 or November 30, as the case may be.

“The rate of interest on floating rate loans, existing and outstanding as of April 2, 1982 shall continue to be determined on the basis of the reference rate obtained from the weighted average of the interest rates paid by the five banks with the largest volume of business transacted during the immediately preceding thirty (30) days, on time deposits with maturities of more than seven hundred thirty (730) days, which shall be announced by the Central Bank every month for as long as such loans are existing and outstanding: Provided, however, That the parties to such existing floating rate loans agreements are not precluded from amending or modifying their loan agreements by adopting a floating rate of interest determined on the basis of the reference rate mentioned in the preceding paragraph.

“Where the loan agreement provides for a floating interest rate, the interest period, which shall be such period of time for which the rate of interest is fixed, shall be such period as may be agreed upon by the parties.”

BOOK IV

Non-Bank Financial Intermediaries

SECTION 25. The last paragraph of Subsection 4283Q.1 of the Manual of Regulations is hereby amended to read as follows:

“Procedures for demand deposits of NBQBs with the Central Bank as provided in Appendix 14 shall be followed.”

SECTION 26. Subsection 4303Q.1 to 4303Q.9 of the Manual of Regulations are hereby amended to read as follows:

“Subsection 4303Q.1. Purchase of Receivables. — The rate of yield, including commissions, premiums, fees and other charges, from the purchase of receivables and other obligations, regardless of maturity, that may be charged or received by NBQBs shall not be subject to any regulatory ceiling.

“Receivables and other obligations shall include claims collectible in money of any amount and maturity from domestic and foreign sources. The Monetary Board shall determine in doubtful cases whether a particular claim is included within said phrase.”

“Subsection 4303Q.2. Loans. — The rate of interest, including commissions, premiums, fees and other charges, on loan transactions, regardless of maturity and whether secured or unsecured, shall not be subject to any ceiling prescribed under or pursuant to the Usury Law, as amended.”

“Subsection 4303Q.3. Floating rate of interest. — The rate of interest on a floating rate loan during each interest period shall be stated on the basis of a reference rate plus a margin as may be agreed upon by the parties.

“Reference rates for various interest periods shall be determined and announced by the Central Bank every week and shall be based on the weighted average of the interest rates paid during the immediately preceding week by the ten (10) commercial banks with the highest levels of outstanding deposit substitutes on promissory notes issued by such banks, with maturities corresponding to the interest periods for which such reference rates are being determined. The commercial banks to be included for purposes of computing the reference rates shall be reviewed and determined at the beginning of every calendar semester on the basis of the levels of their outstanding deposit substitutes as of May 31 or November 30, as the case may be.”

“The rate of interest on floating rate loans, existing and outstanding as of April 2, 1982 shall continue to be determined on the basis of the reference rate obtained from the weighted average of the interest rates paid by the five banks with the largest volume of business transacted during the immediately preceding thirty (30) days, on time deposits with maturities of more than seven hundred thirty (730) days, which shall be announced by the Central Bank every month for as long as such loans are existing and outstanding: Provided, however, That the parties to such existing floating rate loan agreements are not precluded from amending or modifying their loan agreements by adopting a floating rate of interest determined on the basis of the reference rate mentioned in the next preceding paragraph.

“Where the loan agreement provides for a floating interest rate, the interest period, which shall be such period of time for which the rate of interest is fixed, shall be such period as may be agreed upon by the parties.”

“Subsection 4303Q.4. Effect of prepayment. —If there is no agreement on the rebate of interest in the event of prepayment of the loan, the creditor is not under any legal obligation to return the interest corresponding to the period from date of prepayment to the stipulated maturity date of the loan. Any prepayment made by the debtor should not, therefore, affect the computation of the effective rate stipulated in the loan contract.”

SECTION 27. Subsections 4303Q.10 and 4303Q.11 of the Manual of Regulations are hereby renumbered as Subsections 4303Q.5. and 4303Q.6, respectively.

SECTION 28. Subsection 4303N.1 of the Manual of Regulations is hereby amended to read as follows:

“Subsection 4303N.1. Interest Rates. — The rate of interest including commissions, premiums, fees and other charges on loans and forbearance of money, regardless of maturity and whether secured or unsecured, shall not be subject to any ceilings prescribed under or pursuant to the Usury Law, as amended.”

SECTION 29. Subsections 4303N.2, 4303N.4 and 4303N.5 of the Manual of Regulations are hereby deleted, and Subsections 4303N.3, 4303N.6, and 4303N.7 thereof are hereby renumbered as Subsections 4303N.2, 4303N.3 and 4303N.4, respectively.

SECTION 30. Section 4303P of the Manual of Regulations is hereby amended to read as follows:

“SECTION 4303P. Interest, Fees and Other Charges. — The rate of interest including commissions, premiums, fees and other charges on any loan or forbearance of money extended by a pawnshop, pawnbroker or pawnbroker’s agent, regardless of maturity, shall not be subject to any ceiling prescribed under or pursuant to the Usury Law, as amended.

“No pawnshop shall collect interest on loans in advance for a period of more than a year.”

SECTION 31. Subsection 4303P.1 of the Manual of Regulations is hereby deleted.

SECTION 32. Whenever any person or entity violated any of the provisions of this Circular, the person or entity responsible for such violation shall be subject to the penalties prescribed in the first paragraph of Section 34 of Republic Act No. 265, as amended, and/or the penalties prescribed in Section 10 of Act No. 2655, without prejudice to the imposition of administrative sanctions under Sections 34–A and 34–B of Republic Act No. 265, as amended.

SECTION 33. This Circular shall take effect on January 1, 1983.

FOR THE MONETARY BOARD:

(SGD.) JAIME C. LAYA