



BSP Issues Rules on the Implementation of the One-Time 60-Day Grace Period on Loans

October 23, 2020

The Bangko Sentral ng Pilipinas (BSP, the Central Bank of the Philippines) has issued *Memorandum No. M-2020-074*¹ (Implementing Rules and Regulations and Frequently Asked Questions on Section 4(uu) of the R.A. No. 11494 or the “Bayanihan to Recover as One Act” (Bayanihan 2)) to guide BSP-Supervised Financial Institutions (BSFIs) on the implementation of the one-time 60-day grace period granted to debtors under Bayanihan 2 for loan payments falling due by December 31, 2020. These rules became effective on October 1, 2020. The BSP has also previously issued *Memorandum No. M-2020-068*² to remind BSFIs to implement and immediately comply with the prescribed grace period.

1. Mandatory 60-Day Grace Period

Section 4(uu) of the Bayanihan 2 Act requires all BSFIs with lending operations (covered institutions) to implement a non-extendible, one-time 60-day grace period on payment of all existing, current, and outstanding loans, with principal and/or interest, including amortizations, or any part of the foregoing, falling due on or before December 31, 2020. The payables may be settled on a staggered basis or in full, without incurring interest on interests, penalties, fees, or other charges,³ thereby extending the maturity of the loans and effectively moving the payment due dates. This provision also applies to each loan covered by multiple loans of individuals and entities falling due on or before December 31, 2020,⁴ but it does not apply to interbank loans and bank borrowings.⁵

¹ This is dated September 28, 2020. Please see https://drive.google.com/file/d/1fpkc17ees7W7Nxq_6LwZz6D2ga2ON43R/view for reference.

² This is dated September 18, 2020. Please see <https://drive.google.com/file/d/122zPtswlj6iALHMYrXGi6-PLpcVuhT8/view> for reference.

³ Bayanihan 2, Section 4(uu).

⁴ BSP Memorandum No. M-2020-074, Section 4.03.

⁵ Bayanihan 2, Section 4(uu).

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Under BSP Memorandum No. M-2020-074, the grace period shall apply only to loans that are existing, current, and outstanding beginning September 15, 2020, which is the effective date of the Bayanihan 2 Act.⁶ This is without prejudice to any agreement of the parties to extend the grace period longer than 60 days. Banks and other non-bank financial institutions that agree to extend the loan term or restructure the loan shall be entitled to regulatory relief, as the BSP may determine.⁷ In any case, the loan term extensions or restructuring is exempt from documentary stamp taxes.⁸

Covered institutions are prohibited from requiring debtors to waive the application of the grace period.⁹ Any agreement previously executed to the contrary covering payments falling due on or before December 31, 2020 shall not be valid.¹⁰ However, debtors can still opt to pay their obligations as they fall due instead of availing of the grace period.

2. Effects of the Grace Period

BSP Memorandum No. M-2020-074 provides that, during the grace period, interest on charges, such as interests, penalties, and fees, cannot be imposed against the debtor for late payment or for non-payment on the due date. Foregone interest on interests, penalties, fees, and other charges cannot be charged to future payments or amortizations.¹¹ However, the interest chargeable per installment period, which is based on the outstanding balance, shall continue to accrue during the grace period, and shall be payable on the new date to be agreed between the parties after the application of the grace period.¹²

Payment of the principal and accrued interest for the 60-day grace period may be made on a staggered basis until December 31, 2020, unless the parties agree otherwise.¹³ This, however, does not prevent parties from paying the principal and accrued interest in full on the new due date to be agreed between the parties after the application of the grace period.¹⁴

⁶ BSP Memorandum No. M-2020-074, Section 4.02.

⁷ Bayanihan 2, Section 4(uu).

⁸ Bayanihan 2, Section 4(uu).

⁹ BSP Memorandum No. M-2020-074, Section 3.03.

¹⁰ BSP Memorandum No. M-2020-074, Section 3.03.

¹¹ BSP Memorandum No. M-2020-074, Section 3.02.

¹² BSP Memorandum No. M-2020-074, Section 5.02.

¹³ BSP Memorandum No. M-2020-074, Section 5.03.

¹⁴ BSP Memorandum No. M-2020-074, Section 5.03.

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