
BSP and SEC Issue Guidelines to Implement Mandatory Grace Period for all Loans Pursuant to Bayanihan to Recover as One Act

Republic Act No. 11494, otherwise known as the “Bayanihan to Recover as One Act”, prescribes a mandatory one-time 60-day grace period for the payment of all existing, current, and outstanding loans falling due, or any part thereof, on or before December 31, 2020, in order to mitigate the effects of the COVID-19 situation.

In this regard, both the Bangko Sentral ng Pilipinas (“**BSP**”) and the Securities and Exchange Commission (“**SEC**”) released guidelines to implement this measure. The guidelines are addressed to all BSP-supervised financial institutions, as well as, financing companies, lending companies, and microfinance non-governmental organizations under the SEC Corporate Governance and Finance Department’s jurisdiction (collectively, the “**financial institutions**”).

These guidelines provide that the grace period shall apply to each loan, whether the borrower has a single loan or multiple loans with the institution. The financial institutions shall not charge or apply interest on interest, penalties, fees, or other charges during the grace period to future payments or amortizations of the borrower. They are also prohibited from requiring the borrower to waive this measure. Any waiver previously executed covering payments falling due until December 31, 2020 shall be void. The financial institution and the borrower may also agree on a longer grace period than 60 days.

Both the BSP and SEC allow the borrower to pay the accrued interest on a staggered basis until December 31, 2020 or he may pay it in full on the new due date. The borrower and the financial institution may agree on the payment of accrued interest on a staggered basis beyond December 31, 2020.

According to the Bayanihan to Recover as One Act, the loan term extensions and restructuring shall be exempt from documentary stamp taxes. Financial institutions that participate in the loan extensions may also be granted regulatory relief as may be determined by the BSP.

The mandatory 60-day grace period is not applicable to interbank loan and bank borrowings.

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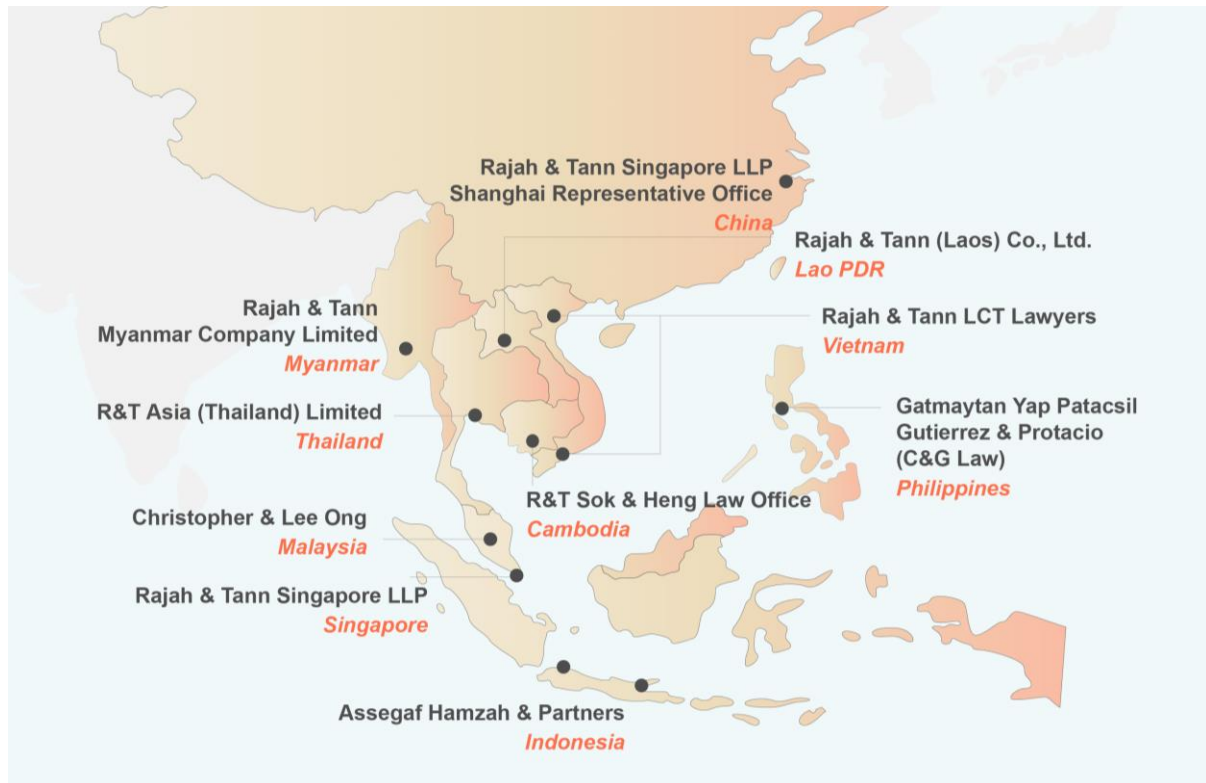
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