SEC Memorandum Circular No. 37
Series of 2020

TO	:	**ALL FINANCING AND LENDING COMPANIES**
SUBJECT	:	**REGULATORY RELIEF MEASURES TO MANAGE THE EFFECTS OF THE COVID-19 PANDEMIC**
DATE	:	22 December 2020

WHEREAS, Republic Act (R.A.) No. 11494, or the Bayanihan to Recover As One Act, was signed into law on 11 September 2020 to accelerate the recovery and bolster the resilience of the Philippine economy through measures grounded on economic inclusivity and collective growth through fiscal sustainability, among others;

WHEREAS, Section 4 of R.A. No. 11494 enumerates COVID-19 response and recovery interventions. Paragraph ddd thereof provides:

> *(ddd) Encouraging BSP and the Securities and Exchange Commission (SEC) to adopt measures, including the relaxation of regulatory and statutory restrictions and requirements for a period of not more than one (1) year from their date of effectivity to encourage the banking industry and other financial institutions to extend loans and other forms of financial accommodation to help business recover from the economic effects of the COVID-19 crisis and to enable the banking industry to manage appropriately its risks and potential losses.*
>
> *The BSP and the SEC are likewise hereby authorized to grant reporting relief to its supervised entities by allowing staggered booking of allowance for credit losses for all types of credit accommodations extended to individuals and business entities affected by COVID-19*

WHEREFORE, in view of the foregoing, and pursuant to the Commission's powers under R.A. No. 8556, or the Financing Company Act of 1998 (FCA), R.A. No. 9474, or the Lending Company Regulation Act of 2007 (LCRA), Section 5.1(g) and (n) of R.A. No. 8799, or the Securities Regulation Code (SRC), and Section 179 (p) of R.A. No. 11232, or the Revised Corporation Code of the Philippines (RCC), the Commission hereby provides the following regulatory reliefs to financing companies (FCs) and lending companies (LCs) and the corresponding guidelines to help the covered entities manage the effects of the COVID-19 pandemic and to implement the above-quoted provision:

SECTION. 1. Regulatory Reliefs for FCs and LCs. – The following regulatory reliefs are available to duly registered and licensed FCs and LCs:

A. Relaxation of the required maintaining net worth of FCs under Section 11 of the FCA Implementing Rules and Regulations (IRR);

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B. Relaxation of the required investment in financing and lending activities under Section 9(b) of the FCA IRR, and Rule 3(f) of the LCRA IRR, respectively, subject to the evaluation of the Commission; and

C. Relaxation of the period of commencement of financing and lending operations under Sections 5(b) and 6(d) of the FCA IRR, and Rule 3(e) of the LCRA IRR, respectively.

SEC. 2. Application for Regulatory Reliefs. – FCs and LCs that intend to avail of the regulatory reliefs enumerated herein are required to submit the following:

A. Letter-notification stating the company's intention to avail of the regulatory reliefs, the specific regulatory relief to be availed, and the reason therefor. The letter-notification shall include the following:

(i) a detailed explanation of the debt relief measures provided by the company to its borrowers; and

(ii) a statement that the company is in good standing with the Commission.

The letter-notification shall be signed by the company's President or, in his absence or unavailability, the company's officer of equivalent rank.

B. Resolution of the Board of Directors authorizing the company to avail of the regulatory reliefs.

SEC. 3. Evaluation of the Application. – The company's application to avail of the regulatory reliefs shall be subject to the Commission's evaluation, which shall be on a case-to-case basis. The Commission shall then communicate its decision on the application to the company.

FCs and LCs shall ensure that the regulatory reliefs to be availed of are suitable to their operations, situation, and condition.

SEC. 4. Period of Effectivity of the Regulatory Reliefs. – The regulatory reliefs enumerated herein shall be effective for one (1) year from the effectivity of this Circular.

SEC. 5. Effectivity. – This Circular shall take effect immediately.

Pasay City, Philippines. 22 December 2020

For the Commission:

EMILIO B. AQUINO
Chairperson