
LOAN NUMBER 9275-PH

Loan Agreement

(Philippines First Financial Sector Reform Development Policy Loan)

between

REPUBLIC OF THE PHILIPPINES

and

INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT



LOAN AGREEMENT

AGREEMENT dated as of the Signature Date between REPUBLIC OF THE PHILIPPINES ("Borrower") and INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT ("Bank") for the purpose of providing financing in support of the Program (as defined in the Appendix to this Agreement). The Bank has decided to provide this financing on the basis, *inter alia*, of: (i) the actions which the Borrower has already taken under the Program and which are described in Section I of Schedule 1 to this Agreement; and (ii) the Borrower's maintenance of an adequate macroeconomic policy framework. The Borrower and the Bank therefore hereby agree as follows:

ARTICLE I — GENERAL CONDITIONS; DEFINITIONS

- 1.01. The General Conditions (as defined in the Appendix to this Agreement) apply to and form part of this Agreement.
- 1.02. Unless the context requires otherwise, the capitalized terms used in this Agreement have the meanings ascribed to them in the General Conditions or in the Appendix to this Agreement.

ARTICLE II — LOAN

- 2.01. The Bank agrees to lend to the Borrower the amount of four hundred million Dollars (\$400,000,000), as such amount may be converted from time to time through a Currency Conversion ("Loan").
- 2.02. The Front-end Fee is one quarter of one percent (0.25%) of the Loan amount.
- 2.03. The Commitment Charge is one quarter of one percent (0.25%) per annum on the Unwithdrawn Loan Balance.
- 2.04. The interest rate is the Reference Rate plus the Variable Spread per annum or such rate as may apply following a Conversion; subject to Section 3.02(e) of the General Conditions.
- 2.05. The Payment Dates are June 15 and December 15 in each year.
- 2.06. The principal amount of the Loan shall be repaid in accordance with Schedule 2 to this Agreement.
- 2.08. Without limitation upon the provisions of Section 5.05 of the General Conditions, the Borrower shall promptly furnish to the Bank such information relating to the provisions of this Article II as the Bank may, from time to time, reasonably request.

ARTICLE III — PROGRAM

- 3.01. The Borrower declares its commitment to the Program and its implementation. To this end, and further to Section 5.05 of the General Conditions:



- (a) the Borrower and the Bank shall from time to time, at the request of either party, exchange views on the Borrower's macroeconomic policy framework and the progress achieved in carrying out the Program;
- (b) prior to each such exchange of views, the Borrower shall furnish to the Bank for its review and comment a report on the progress achieved in carrying out the Program, in such detail as the Bank shall reasonably request; and
- (c) without limitation upon paragraph (a) and (b) of this Section, the Borrower shall promptly inform the Bank of any situation that would have the effect of materially reversing the objectives of the Program or any action taken under the Program including any action specified in Section I of Schedule I to this Agreement.

ARTICLE IV — REMEDIES OF THE BANK

- 4.01. The Additional Event of Suspension consists of, namely, a situation has arisen which shall make it improbable that the Program, or a significant part of it, will be carried out.

ARTICLE V — EFFECTIVENESS; TERMINATION

- 5.01. The Additional Condition of Effectiveness consists of, namely, the Bank is satisfied with the progress achieved by the Borrower in carrying out the Program and with the adequacy of the Borrower's macroeconomic policy framework.
- 5.02. The Effectiveness Deadline is the date ninety (90) days after the Signature Date.

ARTICLE VI — REPRESENTATIVE; ADDRESSES

- 6.01. The Borrower's Representative is its Secretary of Finance.
- 6.02. For purposes of Section 10.01 of the General Conditions:

(a) the Borrower's address is:

Department of Finance
Department of Finance Building
Roxas Boulevard cor. Pablo Ocampo Sr. St.
Manila 1004
Philippines; and

(b) the Borrower's Electronic Address is:

Facsimile:	E-mail:
(63-2) 8523-9216	secfin@dof.gov.ph

- 6.03. For purposes of Section 10.01 of the General Conditions:

(a) the Bank's address is:

International Bank for Reconstruction and Development
1818 H Street, N.W.
Washington, D.C. 20433
United States of America; and

(b) the Bank's Electronic Address is:

Telex:

Facsimile:

E-mail:

248423(MCI) or
64145(MCI)

1-202-477-6391

PhilippinesCMU@worldbank.org



AGREED as of the Signature Date.

REPUBLIC OF THE PHILIPPINES

By



Authorized Representative

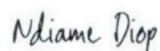
Name: Carlos G. Dominguez

Title: Secretary of Finance

Date: JUL 19 2021

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

By



Authorized Representative

Name: Ndiamé Diop

Title: Country Director

Date: 11-Jul-2021

SCHEDULE 1

Program Actions; Availability of Loan Proceeds

Section I. Actions under the Program

The actions taken by the Borrower under the Program include the following:

Pillar A: Strengthening Financial Sector Stability, Integrity and Resilience

1. The Borrower has: (i) included the commission of tax crimes as a predicate offense to money laundering; (ii) included real estate developers and brokers as covered persons under the anti-money laundering and counter-terrorism financing framework; and (iii) provided a mechanism for implementation of targeted financial sanctions; as evidenced through relevant amendments to the Anti-Money Laundering Act provided in the Republic Act Number 11521.
2. The Borrower, through the IC, has proposed to the Secretary of Finance certain amendments to the Insurance Code on the operational independence of IC, risk-based supervision, and reinsurance, as evidenced through a proposal from the Insurance Commissioner to Secretary of Finance dated April 22, 2021 attached with the proposed amendments.
3. The Borrower, through BSP, has separated the requirements of the recovery plan assessment from the internal capital adequacy assessment process by Domestic Systemically Important Banks, as evidenced through Circular Number 1113 dated April 16, 2021 issued by the BSP.
4. The Borrower, through SEC, has broadened the scope of institutional investors that are allowed to participate in the private placement market, as evidenced through Memorandum Circular Number 06 dated April 22, 2021 issued by the SEC.

Pillar B: Expanding Financial Inclusion for Individuals and Firms

5. The Borrower, through BSP, has issued guidelines on the establishment of digital banks, as evidenced through Circular Number 1105, dated December 2, 2020 issued by BSP.
6. The Borrower, through its Government, has submitted a proposed act on financial products and services and consumer protection to the Senate, as evidenced through House Bill Number 6768 dated May 19, 2020 and Senate Bill Number 1739 dated July 27, 2020.
7. The Borrower, through BSP, has expanded access to finance for micro, small, and medium enterprises by: (i) establishing a credit reporting system unit; and (ii) launching a credit risk database, as evidenced through a letter dated April 30, 2021 from the Governor of BSP to Secretary of Finance; and the communication on virtual launch of the credit risk database project by the Governor of BSP on December 10, 2020 published on BSP's official website.

Pillar C: Catalyzing Disaster Risk and Sustainable Finance

8. The Borrower, through IC, has issued a regulation to establish the Philippine Catastrophe Insurance Facility, as evidenced through Circular Number 2021-27 dated April 12, 2021 issued by the IC.
9. The Borrower, through BSP, has integrated sustainability principles in the corporate governance, risk management frameworks, and the strategic objectives and operations of banks, as evidenced through Circular Number 1085, series of 2020 dated April 29, 2020 issued by the BSP.

Section II. Availability of Loan Proceeds

- A. **General.** The Borrower may withdraw the proceeds of the Loan in accordance with the provisions of this Section and such additional instructions as the Bank may specify by notice to the Borrower.
- B. **Allocation of Loan Amounts.** The Loan is allocated in: (a) a single withdrawal tranche, from which the Borrower may make withdrawals of the Loan proceeds; and (b) the amounts requested by the Borrower to pay the Front-end Fee. The allocation of the amounts of the Loan to this end is set out in the table below:

Allocations	Amount of the Loan Allocated (expressed in USD)
(1) Single Withdrawal Tranche	399,000,000
(2) Front-end Fee	1,000,000
TOTAL AMOUNT	400,000,000

- C. **Withdrawal Tranche Release Conditions.** No withdrawal shall be made of the Single Withdrawal Tranche unless the Bank is satisfied: (a) with the Program being carried out by the Borrower; and (b) with the adequacy of the Borrower's macroeconomic policy framework.
- D. **Deposit of Loan Amounts.** The Borrower, within thirty (30) days after the withdrawal of the Loan from the Loan Account, shall report to the Bank: (a) the exact sum received into the account referred to in Section 2.03(a) of the General Conditions; (b) the details of the account to which the Philippine Peso equivalent of the Loan proceeds will be credited; (c) the record that an equivalent amount has been accounted for in the Borrower's budget management systems; and (d) the statement of receipts and disbursement of the account referred to in Section 2.03(a) of the General Conditions.
- E. **Closing Date.** The Closing Date is June 30, 2022.

SCHEDULE 2

Commitment-Linked Amortization Repayment Schedule

The following table sets forth the Principal Payment Dates of the Loan and the percentage of the total principal amount of the Loan payable on each Principal Payment Date ("Installment Share").

Level Principal Repayments

Principal Payment Date	Installment Share
On each June 15 and December 15 Beginning December 15, 2026 through June 15, 2039	3.7%
On December 15, 2039	3.8%

APPENDIX

Definitions

1. “Anti-Money Laundering Act of 2001” means the Borrower’s law of such name, enacted on September 29, 2001, as amended.
2. “BSP” means the Borrower’s *Bangko Sentral ng Pilipinas*, or any successor thereto.
3. “BSP Circular Number 1113” means the Borrower’s circular of such name, issued on April 16, 2021 on the amendments to the guidelines on recovery plan of a Domestic Systemically Important Bank.
4. “Domestic Systemically Important Banks” means the banks whose distress or disorderly failure would cause significant disruptions to the Borrower’s financial system and economy, as determined by BSP.
5. “IC” means the Borrower’s Insurance Commission, or any successor thereto.
6. “General Conditions” means the “International Bank for Reconstruction and Development General Conditions for IBRD Financing, Development Policy Financing”, dated December 14, 2018 (revised on August 1, 2020, December 21, 2020, and April 1, 2021).
7. “Philippines Catastrophe Insurance Facility” means the Borrower’s catastrophe insurance facility to be established in accordance with Circular Number 2021-27 dated April 12, 2021.
8. “Philippine Peso” means the lawful currency of the Borrower.
9. “Program” means: the program of objectives, policies, and actions set forth or referred to in the letter dated May 18, 2021 from the Borrower to the Bank declaring the Borrower’s commitment to the execution of the Program, and requesting assistance from the Bank in support of the Program during its execution and comprising actions taken, including those set forth in Section I of Schedule 1 to this Agreement, and actions to be taken consistent with the program’s objectives.
10. “Republic Act Number 11521” means the Borrower’s law enacted on January 29, 2021 strengthening the Anti-Money Laundering Act of 2001.
11. “SEC” means the Borrower’s Securities and Exchange Commission, or any successor thereto.
12. “Signature Date” means the later of the two dates on which the Borrower and the Bank signed this Agreement and such definition applies to all references to “the date of the Loan Agreement” in the General Conditions.

13. "Single Withdrawal Tranche" means the amount of the Loan allocated to the category entitled "Single Withdrawal Tranche" in the table set forth in Part B of Section II of Schedule I to this Agreement.