



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

CIRCULAR NO. 513
Series of 2006

Subject: Amendments to Bangko Sentral ng Pilipinas Regulations on Fit and Proper Rule

Pursuant to Monetary Board Resolution No. 82 dated 19 January 2006, the provisions of the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBI) are hereby amended as follows:

Section 1. Subsections X143.1 and 4143Q.1 of the MORB and MORNBI, respectively, on **Persons disqualified to become directors**, are hereby amended to read as follows:

Without prejudice to specific provisions of law prescribing disqualifications for directors, the following are disqualified from becoming directors:

a. Permanently disqualified

Directors/officers/employees permanently disqualified by the Monetary Board from holding a director position:

(1) Persons who have been convicted by final judgment of A court for offenses involving dishonesty or breach of trust such as, BUT NOT LIMITED TO, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, ROBBERY, FALSIFICATION, BRIBERY, VIOLATION OF B.P. BLG. 22, VIOLATION OF ANTI-GRAFT AND CORRUPT PRACTICES ACT AND PROHIBITED ACTS AND TRANSACTIONS UNDER SECTION 7 OF R.A. NO. 6713 (CODE OF CONDUCT AND ETHICAL STANDARDS FOR PUBLIC OFFICIALS AND EMPLOYEES);

(2) PERSONS WHO HAVE BEEN CONVICTED BY FINAL JUDGMENT OF A COURT SENTENCING THEM TO SERVE A MAXIMUM TERM OF IMPRISONMENT OF MORE THAN SIX YEARS;

PANANALAPING MATATAG, BANSANG PANATAG

(3) Persons who have been convicted by final judgment of the court for violation of banking laws, RULES AND REGULATIONS;

(4) XXX XXX XXX

(5) Directors, officers or employees of closed banks/quasi-banks/trust entities who were FOUND TO BE CULPABLE for such institution's closure as determined by the Monetary Board;

(6) DIRECTORS AND OFFICERS OF BANKS, QUASI-BANKS AND TRUST ENTITIES FOUND BY THE MONETARY BOARD AS ADMINISTRATIVELY LIABLE FOR VIOLATION OF BANKING LAWS, RULES AND REGULATIONS WHERE A PENALTY OF REMOVAL FROM OFFICE IS IMPOSED, AND WHICH FINDING OF THE MONETARY BOARD HAS BECOME FINAL AND EXECUTORY;

(7) DIRECTORS AND OFFICERS OF BANKS, QUASI-BANKS AND TRUST ENTITIES OR ANY PERSON FOUND BY THE MONETARY BOARD TO BE UNFIT FOR THE POSITION OF DIRECTORS OR OFFICERS BECAUSE THEY WERE FOUND ADMINISTRATIVELY LIABLE BY ANOTHER GOVERNMENT AGENCY FOR VIOLATION OF BANKING LAWS, RULES AND REGULATIONS OR ANY OFFENSE/VIOLATION INVOLVING DISHONESTY OR BREACH OF TRUST, AND WHICH FINDING OF SAID GOVERNMENT AGENCY HAS BECOME FINAL AND EXECUTORY.

b. Temporarily disqualified

Directors/officers/employees disqualified by the Monetary Board from holding a director position for a specific/indefinite period of time. Included are:

(1) Persons who refuse to fully disclose the extent of their business interest OR ANY MATERIAL INFORMATION to the appropriate supervising and examining department when required pursuant to a provision of law or of a circular, memorandum, rule or regulation of the BSP. This disqualification shall be in effect as long as the refusal persists;

(2) Directors who have been absent or who have not participated for whatever reasons in more than fifty percent (50%) of all meetings, both regular and special, of the board of directors during their incumbency, and directors who failed to physically attend for whatever reasons in at least twenty-five percent (25%) of all board meetings in any year, except that

when a notarized certification executed by the Corporate Secretary has been submitted attesting that said directors were given the agenda materials prior to the meeting and that their comments/decisions thereon were submitted for deliberation/discussion and were taken up in the actual board meeting, said directors shall be considered present in the board meeting. THIS DISQUALIFICATION APPLIES ONLY FOR PURPOSES OF THE IMMEDIATELY SUCCEEDING ELECTION;

(3) XXX XXX XXX

(4) Persons WHO HAVE BEEN CONVICTED BY A COURT for offenses involving dishonesty OR breach of trust SUCH AS, BUT NOT LIMITED TO, ESTAFA, EMBEZZLEMENT, EXTORTION, FORGERY, MALVERSATION, SWINDLING, THEFT, ROBBERY, FALSIFICATION, BRIBERY, VIOLATION OF B.P. BLG. 22, VIOLATION OF ANTI-GRAFT AND CORRUPT PRACTICES ACT AND PROHIBITED ACTS AND TRANSACTIONS UNDER SECTION 7 OF R.A. NO. 6713 (CODE OF CONDUCT AND ETHICAL STANDARDS FOR PUBLIC OFFICIALS AND EMPLOYEES), violation of banking laws, RULES AND REGULATIONS OR THOSE SENTENCED TO SERVE A MAXIMUM TERM OF IMPRISONMENT OF MORE THAN SIX YEARS but whose conviction has not yet become final and executory;

(5) XXX XXX XXX

(6) XXX XXX XXX

(7) XXX XXX XXX

(8) Persons dismissed/terminated from employment for cause. This disqualification shall be in effect until they have cleared themselves of involvement in the alleged irregularity OR UPON CLEARANCE, ON THEIR REQUEST, FROM THE MONETARY BOARD AFTER SHOWING GOOD AND JUSTIFIABLE REASONS;

(9) XXX XXX XXX

(10) Persons with derogatory records AS CERTIFIED BY, OR ON THE OFFICIAL FILES OF, the JUDICIARY, National Bureau of Investigation, PHILIPPINE NATIONAL Police, QUASI-JUDICIAL BODIES, OTHER GOVERNMENT AGENCIES, INTERNATIONAL POLICE, monetary authorities AND SIMILAR AGENCIES OR AUTHORITIES of FOREIGN countries FOR IRREGULARITIES OR violationS of any law, rules and

regulations THAT WOULD adversely affect the integrity of the director/officer or the ability to EFFECTIVELY discharge his duties. This disqualification applies until they have cleared themselves of the alleged irregularities/VIOLATIONS OR AFTER A LAPSE OF FIVE (5) YEARS FROM THE TIME THE COMPLAINT, WHICH WAS THE BASIS OF THE DEROGATORY RECORD, WAS INITIATED;

(11) DIRECTORS AND OFFICERS OF BANKS, QUASI-BANKS AND TRUST ENTITIES FOUND BY THE MONETARY BOARD AS ADMINISTRATIVELY LIABLE FOR VIOLATION OF BANKING LAWS, RULES AND REGULATIONS WHERE A PENALTY OF REMOVAL FROM OFFICE IS IMPOSED, AND WHICH FINDING OF THE MONETARY BOARD IS PENDING APPEAL BEFORE THE APPELLATE COURT, UNLESS EXECUTION OR ENFORCEMENT THEREOF IS RESTRAINED BY THE COURT;

(12) DIRECTORS AND OFFICERS OF BANKS, QUASI-BANKS AND TRUST ENTITIES OR ANY PERSON FOUND BY THE MONETARY BOARD TO BE UNFIT FOR THE POSITION OF DIRECTORS OR OFFICERS BECAUSE THEY WERE FOUND ADMINISTRATIVELY LIABLE BY ANOTHER GOVERNMENT AGENCY FOR VIOLATION OF BANKING LAWS, RULES AND REGULATIONS OR ANY OFFENSE/VIOLATION INVOLVING DISHONESTY OR BREACH OF TRUST, AND WHICH FINDING OF SAID GOVERNMENT AGENCY IS PENDING APPEAL BEFORE THE APPELLATE COURT, UNLESS EXECUTION OR ENFORCEMENT THEREOF IS RESTRAINED BY THE COURT;

(13) DIRECTORS AND OFFICERS OF BANKS, QUASI-BANKS AND TRUST ENTITIES FOUND BY THE MONETARY BOARD AS ADMINISTRATIVELY LIABLE FOR VIOLATION OF BANKING LAWS, RULES AND REGULATIONS WHERE A PENALTY OF SUSPENSION FROM OFFICE OR FINE IS IMPOSED, REGARDLESS WHETHER THE FINDING OF THE MONETARY BOARD IS FINAL AND EXECUTORY OR PENDING APPEAL BEFORE THE APPELLATE COURT, UNLESS EXECUTION OR ENFORCEMENT THEREOF IS RESTRAINED BY THE COURT. THE DISQUALIFICATION SHALL BE IN EFFECT DURING THE PERIOD OF SUSPENSION OR SO LONG AS THE FINE IS NOT FULLY PAID.

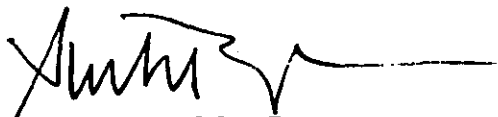
Section 2. Subsections X143.3 and 4143Q.3 of the MORB and MORNBF, respectively, on **Effect of non-possession of qualifications or possession of disqualifications**, are hereby amended to read as follows.

Effect of non-possession of qualifications or possession of disqualifications. Director/officer elected or appointed WHO DOES NOT POSSESS ALL the qualifications mentioned under Subsecs. X141.2 and X142.2 OF THE MANUAL OF REGULATIONS FOR BANKS AND Subsec. 4141Q.2 and the last paragraph of Sec. 4142Q OF THE MANUAL OF REGULATIONS FOR NON-BANK FINANCIAL INSTITUTIONS AND/OR HAS ANY OF THE DISQUALIFICATIONS MENTIONED UNDER SUBSECS. XI43.1 AND X143.2 OF THE MANUAL OF REGULATIONS FOR BANKS AND SUBSECS. 4143Q.1 AND 4143Q.2 OF THE MANUAL OF REGULATIONS FOR NON-BANK FINANCIAL INSTITUTIONS shall not be confirmed by the confirming authority under Subsecs. X141.4 and 4141Q.4 and SHALL be removed from office even if he/she assumed the position to which he/she was elected or appointed. CONFIRMED director/officer OR OFFICER NOT REQUIRING CONFIRMATION possessing any of the disqualifications, as enumerated IN THE ABOVE-MENTIONED SUBSECTIONS shall be subject to the disqualification procedures provided under Subsecs. X143.4 and 4143Q.4. DIRECTOR/OFFICER, PRIOR TO ASSUMING THE POSITION TO WHICH HE/SHE WAS ELECTED/APPOINTED, MUST SUBMIT WITH THE APPROPRIATE SUPERVISING AND EXAMINING DEPARTMENT A VERIFIED STATEMENT THAT HE/SHE HAS ALL THE AFORESAID QUALIFICATIONS AND NONE OF THE DISQUALIFICATIONS. THE SUBMISSION OF VERIFIED STATEMENT WILL APPLY TO DIRECTORS/OFFICERS ELECTED/APPOINTED AFTER THE EFFECTIVITY OF THIS AMENDMENT.

Section 3. The foregoing amendments to Subsections X143.1 and 4143Q.1 of the MORB and MORNBF1, respectively, are hereby adopted as amendments to Subsection 4143S.1 of the S Regulations of the MORNBF1.

This Circular shall take effect fifteen (15) days after its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
 Governor

10 February 2006