



# *Bangko Sentral ng Pilipinas*

MAYNILA, PILIPINAS

## **OFFICE OF THE GOVERNOR**

Circular No. 291

The Monetary Board, in its Resolution No. 320 dated February 22, 2001, approved the following amendments to Circular No. 229 dated March 13, 2000 on the conditions for the grant to banks of authority to convert into a lower category:

Section 1. Condition No. 2 of Circular No. 229 is hereby amended to read as follows:

- "2. That the bank immediately upon receipt of notice of approval of conversion shall not engage in nor renew transactions under authorities not associated with those allowed for the lower bank category into which it is converting and within six (6) months from the date of receipt of notice of approval of its application for conversion, the bank shall phase-out all inherent powers and activities under special authorities not normally associated to the lower bank category into which it is converting; Provided, That a thrift bank (previously authorized by the Monetary Board to accept demand deposits) may be allowed to retain such authority when converting into a rural bank but may clear checks only through a correspondent bank and shall not be allowed to participate directly in the Philippine Clearing House Corporation and the Bangko Sentral ng Pilipinas (BSP) check clearing operations; Provided, further, That for failure to comply with these requirements, the following monetary and non-monetary penalties shall be imposed:

a) Monetary Penalties

|                          |   |             |
|--------------------------|---|-------------|
| From universal bank (UB) |   |             |
| to commercial bank (KB)  | - | P30,000/day |
| From KB to TB            | - | P15,000/day |
| From TB to RB            |   |             |
| Within Metro Manila      | - | P 5,000/day |
| Outside Metro Manila     | - | P 500/day   |

ITAGUYOD ANG PHILIPPINES 2000



MAG-IMPOK SA BANGKO

b) Non-Monetary Penalties

- Suspension of branching privileges;
- Suspension of declaration of cash dividends;
- Restriction on lending to affiliates;
- Denial of access to BSP rediscounting facilities;
- Suspension of authority to accept or handle government deposits;
- Suspension of authority to engage in derivative activities (for an UB converting into a KB; and
- Suspension of authority to invest in allied undertakings,

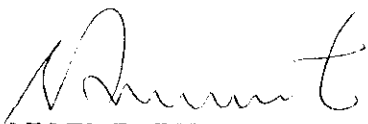
reckoned from the set deadline until it has fully complied with the said requirements;"

Section 2. Condition No. 6 on the start of operation in the lower category is hereby added, as follows:

- "6. That the bank shall start operation in the lower category into which it is converting after approval by the Securities and Exchange Commission of the bank's amended articles of incorporation and by-laws, its compliance with all the conditions of approval of the conversion and the issuance by the BSP of a certificate of authority to operate."

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:

  
**RAFAEL B. BUENAVENTURA**  
Governor

April 3, 2001