



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE GOVERNOR

Circular No. **229**
Series of 2000

The Monetary Board, in its Resolution No. 265 dated 18 February 2000, approved the following conditions for the grant to banks of authority to convert into a lower category:

1. That the bank must have complied with the end-2000 minimum capital requirement and other laws/regulations applicable to the lower bank category into which it is converting. For this purpose, the term "capital" shall be as defined under Section X106 of the Manual of Regulations for Banks (i.e., net of unbooked valuation reserves and other capital adjustments as may be required by the Bangko Sentral ng Pilipinas, among others);
2. That the conversion to a lower category shall be effective upon receipt of notice of the approval of downgrading; *Provided*, That the bank immediately thereafter shall not engage in nor renew transactions under authorities not associated with that allowed for the lower bank category into which it is converting and within six (6) months from 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, further*, 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 check clearing operations; *Provided, finally*, That for failure to comply with these requirements, the following monetary and non-monetary penalties shall be imposed:

ITAGUYOD ANG PHILIPPINES 2000



MAG-IMPOK SA BANGKO

a) Monetary penalties

From EKB to Non-EKB	-	P30,000/day
From Non-EKB to TB	-	P15,000/day
From TB to RB		
Within Metro Manila	-	P5,000/day
Outside Metro Manila	-	P500/day

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 EKB converting into a non-EKB); and
- Suspension of authority to invest in allied undertakings,

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

3. That a bank which has not corrected as of date of application the major findings/violations noted in its latest examination shall submit upon application a Memorandum of Understanding that it shall correct the same within a period of six (6) months from date of receipt of notice of approval of its application, otherwise, the same monetary and non-monetary penalties mentioned in Item "2" above shall be imposed;

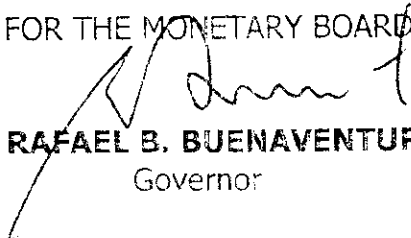
4. That the bank shall submit the pertinent amended Articles of Incorporation and By-Laws duly registered with the Securities and Exchange Commission within six (6) months from date of receipt of notice of approval of its application; and

5. That the bank shall fully disclose its new status in its signage, financial statements and stationeries.

The same conditions and sanctions mentioned in Items "1" to "5" above shall apply to all banks which have downgraded or with approved downgrading prior to the effectivity of this Circular; *Provided*, That the penalties mentioned in Items "2" and "3" above shall be reckoned from their respective prescribed deadlines or within six (6) months from date of this Circular if no such deadline is prescribed.

This Circular shall take effect immediately.

FOR THE MONETARY BOARD:


RAFAEL B. BUENAVENTURA
Governor

13 March 2000