



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M - 2006 - 009

**To : ALL BANKS AND NON-BANK FINANCIAL INSTITUTIONS
UNDER BSP SUPERVISION**

**Subject : Disposition of Compliance Issues on Circular No. 524
during 05 July 2006 - 04 August 2006**

The Monetary Board, in its Resolution No. 876 dated 6 July 2006 approved the following disposition of compliance issues for the period of 05 July 2006 - 04 August 2006:

- (a) The sending by a dealing bank to all its clients of (i) a notice indicating a limitation on the authority of the dealing bank pursuant to Section 7 of Circular No. 524; and (ii) compliant SPA for execution, will be deemed substantial compliance, only as of 05 July 2006. Proof thereof should be preserved for examination purposes.
- (b) Custodians will be deemed in substantial compliance as of 05 July 2006 if they have obtained confirmation from the dealing banks that notifications on the limitation of the dealing bank's authority, together with a compliant SPA for the clients' signature, have been sent to all their clients. Absent confirmation from the dealing bank of the sending of notices and the revised SPA, the custodian should immediately freeze (i.e. no new movements in the security, except sale or disposition thereof) the account to be considered in substantial compliance.
- (c) Absent a compliant SPA, the dealing bank and custodian should "freeze" the account of the client. Accordingly, if a client wants to transact with securities, the dealing bank must require the submission of an executed compliant SPA before any new transaction can be entered into. Otherwise, the dealing bank will be subject to the appropriate penalties prescribed under Circular No. 524. However, for the period of 05 July 2006 - 04 August 2006, transactions by the dealing bank with its clients, absent a compliant SPA but to which an advice on the limitation of the authority of the dealing bank and a compliant SPA for signature have been sent will be subject to a fine of P10,000.00 per transaction/day, provided that the total penalty arising from that class of violation for the said period shall not exceed P100,000.00, computed in accordance with Section 37 of

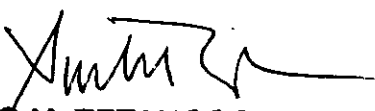
PANANALAPING MATATAG, BANSANG PANATAG

Republic Act No. 7653 (otherwise known as the New Central Bank Act). Furthermore, the Custodian will not be subject to any penalties for accepting securities subject of the transaction.

- (d) Starting on 05 August 2006, the penalties under Circular No. 524 shall be applied for any violation of the provisions therein. Custodians shall be required to freeze the securities account for those without a compliant SPA from the investor.

For information and guidance.

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Governor

18 July 2006