



Bangko Sentral ng Pilipinas

MAYNILA, PILIPINAS

OFFICE OF THE DEPUTY GOVERNOR SUPERVISION AND EXAMINATION SECTOR

CIRCULAR LETTER

Series of 2000

TO : ALL BANKS

SUBJECT: COMPUTATION OF PENALTIES UNDER P. D. 717

This is to clarify the provision of Item A.1 of Subsection X341.10 of the Manual of Regulations, as amended by Circular 236, which provides that for non-compliance/under-compliance with the mandatory credit allocation for agri-agra credit, "a daily fine in proportion to degree of compliance shall be imposed depending on the total assets of the banks as of reporting period".

A sample computation of penalties to be imposed on a bank for under-compliance/non-compliance with the requirements of the Agri-Agra Law is illustrated below:

Illustration A:

A bank with total assets of P100 million has a degree of compliance with the agri-agra credit allocation requirement of 45% (i.e. only 45% of the required 25% of its loanable funds was allocated for agri-agra purposes).

Formula: Maximum Daily Fine x Degree of under-compliance x # of days with under-compliance

Where: Actual Ratio of Compliance with:

10% Credit Allocation Requirement	5.00%
15% Credit Allocation Requirement	6.25%
25% Total Agri-Agra Credit Requirement	11.25%
Degree of Compliance	45.00%
Degree of under-compliance $100\% - (11.25\% \div 25\%)$	55.00%
Maximum Daily Fine for under-compliance (for banks with assets of P100 million and below)	P 100.00
Assuming the 55% undercompliance remained uncorrected for 15 days from the end of ref. quarter	
Daily Penalty (P100.00 x 55%)	P 55.00
Number of days with under-compliance	15
Amount of Penalty	P 825.00



Illustration B:

Bank A with total assets of P100 million has a degree of compliance with the agra credit allocation requirement of 50% and with agri credit of 133%, while Bank B with total assets of P100 million has a degree of compliance with the agra credit of 120% and with agri credit of 86.17%. It is assumed that the rule on offsetting, i. e. excess compliance in the 10% agra credit may be used to offset a deficiency, if any, in the 15% agri-credit, but not vice-versa, was complied.

	<u>Bank A</u>	<u>Bank B</u>
Where: Actual Ratio of Compliance with:		
a. 10% Credit Allocation Requirement	5%	12%*
b. 15% Credit Allocation Requirement	20%**	13%
c. 25% Total Agri-Agra Credit Requirement	25%	25%
Total degree of compliance: Bank A $(5\% + 15\%) \div 25\%$	80%	
Bank B $(12\% + 13\%) \div 25\%$		100%
Total degree of under-compliance	20%	0
Maximum Daily Fine for under-compliance (for banks with assets of P100 million and below)	P 100.00	P100.00
Daily Penalty (P100.00 x total degree of u/compliance)	P 20.00	-
Number of days with under-compliance	15	-
Amount of Penalty	P 300.00	-

* Excess compliance is eligible for offsetting

** Excess compliance is not eligible for offsetting

For information/guidance.


ALBERTO V. REYES
 Deputy Governor

November 23, 2000