SANCTION/PENALTIES FOR VIOLATION OF THE NET OPEN FOREX POSITION LIMITS

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Pursuant to Monetary Board Resolution No. 311 dated February 25, 1993, the following sanctions shall be imposed on banks found in violation of the net open foreign exchange position limits:

1. A bank is considered immediately in violation of the net overbought or net oversold FX position limit on the day it exceeds the allowable FX position limits prescribed under CB Circular No. 1327, as amended. Such bank shall be subject to the following monetary penalties:

Per Calendar Month Daily Penalty

1st banking day of violation P 10,000.00

2nd banking day of violation P 20,000,00

3rd banking day of violation, and onwards, or if the excess FX position of the bank is 30% or more of the allowable limits in any banking day, regardless of whether a bank is in the first, second, third or more days of violation P 30,000.00

2. In addition, the following non-monetary sanctions shall be imposed of the bank committing violations considered as:

1) "chronic", that is, when the violation continues beyond 3 banking days within a calendar month, but the excess position is less than 30% of the allowable limit; and

2. "abusive", that is, when the violation continues beyond 3 banking days within a calendar month and the excess position is 30% or more of the allowable limit.

Non-Monetary Sanctions

"chronic" violation suspension of the bank's rediscounting privileges, cash dividend declaration and branching privileges until the violation is corrected but in no case shall such suspension be less than 30 calendar days.

"abusive" violation suspension of the bank's rediscounting privileges, cash dividend declaration and branching privileges until the violation is corrected but in no case shall such suspension be less than 60 calendar days.

3. The Monetary Board may impose other non-monetary sanctions on a bank for violations determined by BSP as "chronic" or "abusive" on a case-to-case basis, pursuant to Section 37 of Republic Act No. 7653 (The New Central Bank Act).

4. Banks shall be duly advised by the BSP thru the Foreign Exchange Department (FED) of their violations and the corresponding sanctions imposed by the BSP for such violations.

5. A monetary penalty imposed on a bank shall be paid to the BSP Cash Department, within three (3) banking days from that bank's receipt of advice of said penalty imposition.

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This Circular-Letter, which shall take effect fifteen (15) days after date of this Circular-Letter, supersedes Circular-Letter dated July 10, 1992, as amended.

Adopted: 13 March 1998

(SGD.) GABRIEL C. SINGSON
Governor

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