

SANCTIONS ON BANKS FOR VIOLATION OF THE NET FOREIGN EXCHANGE POSITION LIMITS

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Pursuant to Monetary Board Resolution No. 522 dated June 11, 1992, the following sanctions shall apply on banks for violation of the net open foreign exchange (FX) position limits prescribed under Circular 1327 dated January 30, 1992:

1. Whenever a bank incurs either a net over-bought or net oversold FX position in excess of the prescribed limit, such excess shall be settled the next banking day.
2. A reversal of a bank's net overbought FX position in one banking day or vice-versa, where any of such FX position is in excess of the prescribed limit, shall not constitute a correction of the previous day's violation but shall constitute in itself another violation.
3. Whenever a bank fails to settle its excess net overbought or net oversold FX position as provided in item Nos. 1 and 2 above, it shall be subject to the following administrative sanctions (Annex A)[*]:

- First Offense - The bank shall be imposed a monetary penalty of P5,000.00 per day starting the next banking day after the violation was committed until it is corrected.

The officer(s) responsible for such violation shall be warned/reprimanded.

- Second Offense - A bank that has committed a first violation commits a second violation when it is again in a net overbought or net oversold X position in excess of the prescribed limit and fails to settle its excess overbought or oversold FX position the next banking day. The bank's opening of new Import Letters of Credit shall be suspended for a period of thirty (30) calendar days and it shall be imposed a monetary penalty of P5,000.00 per day computed in the same manner as provided in 3.a. If the officer(s) responsible for the second violation, is/are the same officers responsible for the first violation, he or she (they) shall be suspended for a period of ninety (90) calendar days.

- Subsequent Offenses - The bank's opening of new Import Letters of Credit shall be suspended for a period of ninety (90) calendar days and it shall be imposed a monetary penalty of P5,000.00 per day until the net overbought or net oversold FX position in excess of prescribed limit is corrected, computed in the same manner as provided in 3.a.

This officer(s) responsible for subsequent offenses, if also responsible for the first and second offenses, shall be suspended for 180 calendar days.

4. Banks shall be duly advised by the Foreign Exchange Regulations Department (FERD) of their violations and the corresponding penalties imposed for such violations.
5. The monetary penalty shall be paid to the Central Bank Cash Department within three (3) banking days from receipt of said advice, upon issuance of the payment order by FERD.
6. For purposes of item 3 above, all banks are instructed to submit immediately to FERD the name/s of officer/s responsible for the compliance by banks with Circular 1327.

Adopted: 10 July 1992

(SGD.) JOSE L. CUISIA

Governor

[*] Annex available upon request at the Office of the National Administrative Register, U.P. Law Center.

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