

COMPUTATION OF PENALTIES UNDER P. D. 717

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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 undercompliance 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% , 25%)

55.00%

Maximum Daily Fine for under-compliance(for banks with assets of P100 million and below)

P100.00

Assuming the 55% undercompliance remained uncorrected for 15 days from the end of ref. quarter Daily Penalty (P100.00 x 55%)

P55.00

Number of days with undercompliance

15.00

Amount of Penalty

P825.00

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.

Bank A

Bank B

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%) :

25%

80%

Bank B (12% + 13%):

25%

100%

Total degree of under-compliance

20%

0%

Maximum Daily Fine for under-compliance(for banks with assets of P100 million and below)

P100.00

P100.00

Daily Penalty (P100.00 x total degree of u/compliance)

P20.00

-

Number of days with under-compliance

15

-

Amount of Penalty

P300.00

-

* Excess compliance is eligible for offsetting

** Excess compliance is not eligible for offsetting

For information/guidance.

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