

SANCTIONS TO BE IMPOSED ON FINANCIAL INSTITUTIONS THAT FAILED TO COMPLY WITH THE YEAR 2000 BSP DIRECTIVES

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The Monetary Board, in its Resolution No. 1188 dated August 19, 1998 approved the following sanctions to be imposed on financial institutions that failed to comply with the Year 2000 BSP directives, as follows:

1. For non-submission of the required action plan, the accomplished self-assessment questionnaire, the status report and other required reports.

For every banking day of delay, from the time bank was notified in writing up to the time of submission, a monetary penalty of:

Bank Type Monetary Penalty

Commercial Banks P 1,000.00

Thrift Banks & Non-Bank Financial Intermediaries P 500.00

Rural Banks P 300.00

2. If after due validation and without reasonable justification, the financial institution is deemed to be substantially delayed in its Year 2000 compliance and/or has not taken appropriate steps to resolve it in accordance with the targeted schedule, the following sanctions shall be imposed:

First Notice - Issuance by the appropriate supervising and examining department of a warning letter to non-compliant financial institutions to the effect that continuing non-compliance will be subject to more severe sanctions

Second Notice - suspension of branching privileges restriction on certain activities such as limiting investments, overall loan growth, accepting government deposits, accepting demand deposits, and other activities

- where bank shall be exposed to material risks that may lead to potential losses, increase institutions' liquidity requirements by accelerating their compliance with the capital build-up program or require institution to infuse additional capital to the extent determinable

Final Notice - exclusion from clearing arrangement

- suspension of authorities to perform quasi-banking functions, trust operations, FCDU/EFCDU activities, derivatives activities, etc.

- where all supervisory tools have been exhausted to resolve the Year 2000 problem of the institution and effects of the problem are wide-scale in nature, temporary closure of the financial institution shall be recommended.

This Circular shall take effect immediately.

Adopted: 2 Sept. 1998

(SGD.) GABRIEL C. SINGSON

Governor

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