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SANCTIONS FOR FAILURE TO SET UP ALLOWANCES FOR PROBABLE LOSSES

BSP CIRCULAR LETTER, September 08, 1998

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Please be reminded that the following are the sanctions for failure to set up Allowances for Probable Losses as prescribed under Circular No. 143, as amended, and Circular-Letter dated 13 July 1998:

a. Denial of the request for authority to establish new banking offices, regardless of type or category;

b. Denial of access to BSP credit facilities except as may be allowed under Section 84 of R. A. No. 7653; and

c. Fine of P 10,000 a day for expanded commercial banks and regular commercial banks, P 5,000 for thrift banks and non-bank financial intermediaries with quasi-banking functions (NBQBs) and P 500 for rural banks, counted as follows:

1. From the date the bank/NBQB has been informed that the recommendation of the appropriate supervising and examining department of SES has been confirmed by the Monetary Board up to the date that said recommended valuation reserves had been actually booked, in case of the allowance for probable losses for loans and other risk assets classified as Substandard (Unsecured), Doubtful and Loss as required by the Bangko Sentral; and

2. From the dates prescribed under (Circular No. 143, as amended, up to the date of actual booking in cases of the 2% general provision for probable loan losses, the 25% allowance for probable losses on secured loans classified as substandard, and the 5% allowance for probable losses on loans specially mentioned.

For non-complying banks/NBQBs, a Memorandum of Undertaking (MOU) shall be required from the Board of Directors, indicating therein their commitment to infuse additional capital to cover the provisioning.

Adopted: 8 Sept. 1998

(SGD.) ALBERTO V. REYES
Deputy Governor

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