

**[ BSP CIRCULAR NO. 179, September 25, 1998 ]**

**REPORT OF EXTERNAL AUDITORS OF BANKS ON MATTERS  
ADVERSELY AFFECTING THE CONDITION OR SOUNDNESS OF THE  
BANK**

The Monetary Board, in its Resolution No. 1322 dated September 16, 1998, decided to direct banks under the supervision of Bangko Sentral ng Pilipinas (BSP) to require their external auditors to report to the BSP any matters adversely affecting the condition or soundness of the bank, such as, but not limited to:

1. Any serious irregularities including those involving fraud or dishonesty that may jeopardize the interest of depositors and creditors;
2. Losses incurred which substantially reduce the capital funds of the bank; and
3. Inability of the auditor to confirm that the claims of creditors are still covered by the bank's assets.

The disclosure of information by the external auditor to the BSP shall not be a ground for civil, criminal or disciplinary proceedings against the former.

Bank Management shall be present during discussions or at least, be informed of the adverse findings in order to preserve the concerns of the supervisory authority and external auditors regarding the confidentiality of information.

The auditing firm(s) shall be blacklisted by the Monetary Board for a period as the Board may deem appropriate for their failure to perform their duty of reporting to the BSP any matters adversely affecting the condition or soundness of the bank. Banks shall not be allowed to engage the services of the blacklisted auditing firm.

This Circular shall take effect immediately.

Adopted: 25 Sept. 1998

(SGD.) GABRIEL C. sinGSON  
*Governor*

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