

## [ **BSP CIRCULAR NO. 229-00, March 13, 2000** ]

### **CONDITIONS FOR THE GRANT TO BANK OF AUTHORITY TO CONVERT INTO A LOWER CATEGORY**

The Monetary Board, in its Resolution No. 266 dated 18 February 2000, approved the following conditions for the grant to banks of authority to convert into a lower category:

1. That the bank must have complied with the end-2000 minimum capital requirement and other laws/regulations applicable to the lower bank category into which it is converting. For this purpose, the term "capital" shall be as defined under Section X106 of the Manual of Regulations for Banks (i.e., net of unbooked valuation reserves and other capital adjustments as may be required by the Bangko Sentral ng Pilipinas, among others);
2. That the conversion to a lower category shall be effective upon receipt of notice of the approval of downgrading; *Provided*, That the bank immediately thereafter shall not engage in nor renew transactions under authorities not associated with that allowed for the lower bank category into which it is converting and within six (6) months from date of receipt of notice of approval of its application for conversion, the bank shall phase-out all inherent powers and activities under special authorities not normally associated to the lower bank category into which it is converting; *Provided, further*, That a thrift bank (previously authorized by the Monetary Board to accept demand deposits) may be allowed to retain such authority when converting into a rural bank but may clear checks only through a correspondent bank and shall not be allowed to participate directly in the Philippine Clearing House Corporation and the Bangko Sentral ng Pilipinas check clearing operations; *Provided, finally*, That for failure to comply with these requirements, the following monetary and non-monetary penalties shall be imposed:

a) Monetary penalties

From EKB to Non-EKB	P30,000/day
From Non-EKB to TB	P15,000/day
From TB to RB	
Within Metro Manila	P5,000/day
Outside Metro Manila	P500/day

b) Non-monetary penalties

Suspension of branching privileges;  
Suspension of declaration of cash dividends;  
Restriction on lending to affiliates;  
Denial of access to BSP rediscounting facilities;  
Suspension of authority to accept or handle government deposits;  
Suspension of authority to engage in derivative activities (for an EKB converting into a non-EKB); and