

[BSP CIRCULAR LETTER, March 13, 1998]

SANCTION/PENALTIES FOR VIOLATION OF THE NET OPEN FOREX POSITION LIMITS

Pursuant to Monetary Board Resolution No. 311 dated February 25, 1993, the following sanctions shall be imposed on banks found in violation of the net open foreign exchange position limits:

1. A bank is considered immediately in violation of the net overbought or net oversold FX position limit on the day it exceeds the allowable FX position limits prescribed under CB Circular No. 1327, as amended. Such bank shall be subject to the following monetary penalties:

Per Calendar Month	Daily Penalty
1st banking day of violation	P 10,000.00
2nd banking day of violation	P 20,000.00
3rd banking day of violation, and onwards, or if the excess FX position of the bank is 30% or more of the allowable limits in any banking day, regardless of whether a bank is in the first, second, third or more days of violation	P 30,000.00

2. In addition, the following non-monetary sanctions shall be imposed of the bank committing violations considered as:

- 1) "chronic", that is, when the violation continues beyond 3 banking days within a calendar month, but the excess position is less than 30% of the allowable limit; and
2. "abusive", that is, when the violation continues beyond 3 banking days within a calendar month and the excess position is 30% or more of the allowable limit.

	Non-Monetary Sanctions
"chronic" violation	suspension of the bank's rediscounting privileges, cash dividend declaration and branching privileges until the violation is corrected but in no case shall such suspension be less than 30 calendar days.
"abusive" violation	suspension of the bank's rediscounting privileges, cash dividend declaration and branching privileges until the violation is