[BSP CIRCULAR NO. 281, April 03, 2001]

CONDITIONS FOR GRANTS TO BANKS OF AUTHORITY TO CONVERT INTO A LOWER CATEGORY

The Monetary Board, in its Resolution No. 320 dated February 22, 2001, approved the following amendments to Circular No. 229 dated March 13, 2000 on the conditions for grants to banks of authority to convert into a lower category:

SECTION 1. Condition No. 2 of Circular No. 229 is hereby amended to read as follows:

"2. That the bank immediately upon receipt of notice of approval of conversion shall not engage in nor renew transactions under authorities not associated with those allowed for the lower bank category into which it is converting and within six (6) months from the 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, 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 (BSP) check clearing operations; Provided, further, That for failure to comply with these requirements, the following monetary and non-monetary penalties shall be imposed:

From universal bank (UB) to commercial bank (KB)	-	P30,000/day
From KB to TB	-	P15,000/day
From TB to RB		
Within Metro Manila	-	P5,000/day
Outside Metro Manila	-	P 500/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 securities;
- Suspension of authority to engage, in derivative activities (for an UB converting into a KB; and
-Suspension of authority to invest in allied undertakings, reckoned from the set deadline until it has fully complied with the said requirements;"