

## 244 MONEY MARKET PLACEMENTS OF RURAL BANKS

Banks shall not accept money market placements from any RB unless the latter presents a certification under oath stating: (a) that it has no overdue special time deposits; (b) that it has no past due obligations with the Bangko Sentral or other government financial institutions; (c) the amount of its current obligations, if any, with said government financial institutions; and (d) the amount of its total outstanding money market placements. However, in no case shall such banks sell receivables to RBs without recourse.

**Definition of terms.** As used in this Section, the following terms shall have the following meanings:

- a. *Money market* placements shall include investments in debt instruments, including purchase of receivables with recourse to the lending institution, except purchase of government securities on an outright basis.
- b. *Government securities* shall include evidences of indebtedness of the Republic of the Philippines, the Bangko Sentral and other evidences of indebtedness or obligations of government entities the servicing and repayment of which are fully guaranteed by the Republic of the Philippines.
- c. *Persistent violation* shall mean the violation of any of the provisions of these rules by the director or officer concerned for four (4) or more times within a 12-month period from the date the first offense was committed.

**Conditions required on accepted placements not covered by prohibition.** Placements accepted which are otherwise not covered by the above prohibition must comply with the following conditions:

- a. That total money market placements of an RB as stated in the certification, including the placement being accepted by the entity concerned, shall not exceed the RB's combined capital accounts or net worth less current obligations with the Bangko Sentral or other government financial entities;
- b. The maturity of the money market placement shall not exceed sixty (60) days; and
- c. That placements shall be evidenced in all cases by promissory notes of accepting entities/repurchase agreements and/or certificates of participation/assignment with recourse and that underlying instruments shall be certificates of indebtedness issued by the Bangko Sentral or other government securities the servicing and repayment of which are guaranteed by the Republic of the Philippines.

**Sanctions.** Violations of the provisions of this Section shall be subject to the following sanctions/penalties:

a. *Monetary penalties*

*First offense* – Fines of P3,000 a day, reckoned from the date placement started up to the date when said placement was withdrawn, for each violation shall be assessed on the bank.

*Subsequent offenses* – Fines of P5,000 a day, reckoned from the date placement started up to the date placement was withdrawn, for each violation shall be assessed on the bank.

b. *Other sanctions*

*First offense* – Reprimand for the directors/officers who approved the acceptance/placement with a warning that subsequent violations will be subject to more severe sanctions.

*Subsequent offenses* –

- (1) Suspension for ninety (90) days without pay for directors/officers who approved the placement.
- (2) Suspension or revocation of the authority to engage in quasi-banking functions.