

255 RESERVE DEFICIENCIES; SANCTIONS

Whenever the reserve position of any bank computed in the manner specified in Sec. 254 is below the required minimum, it shall pay the Bangko Sentral one-tenth of one percent (1/10 of 1%) per day on the amount of the deficiency or the prevailing ninety-one (91) day T-Bill rate plus three (3) percentage points, whichever is higher: *Provided, however,* That a bank shall be permitted to offset any reserve deficiency occurring one (1) or more days of the week covered by the report against excess reserves which it may hold on other days of the same week, and shall be required to pay the penalty only on the average daily net deficiency during the week ¹.

In case of abuse, a bank shall automatically lose the privilege of offsetting reserve deficiency in the aforesaid manner until such time that it maintains its daily reserve position at the required minimum for at least two (2) consecutive weeks.

As used in this Section, "*abuse*" in the privilege of offsetting reserve deficiencies against excess reserves shall mean having reserve deficiencies occurring four (4) or more times during any given week for two (2) consecutive weeks, whether or not resulting in net weekly deficiencies.

Chronic reserve deficiency; penalties. In cases where the bank has chronic reserve deficiency in deposit/deposit substitute liabilities, the bank shall be denied the credit facilities of the Bangko Sentral; and the Monetary Board may:

- a. limit or prohibit the making of new loans or investments by the bank; and
- b. prohibit the declaration of cash dividends. The board of directors of said bank shall be notified of such chronic reserve deficiency and the penalties therefor, and be required to immediately correct the reserve position of the bank.

As used in this section, "*chronic reserve deficiency*" shall mean having net reserve deficiencies for two (2) consecutive weeks.

Failure to cover overdrawings with the Bangko Sentral. Any bank is allowed to incur an overdrawing in its deposit account with the Bangko Sentral shall fully cover said overdraft not later than the next clearing day including interest thereon equivalent to one-tenth of one percent (1/10 of 1%) per day or the prevailing ninety-one (91) day T-Bill plus three (3) percentage points, whichever is higher. In case a bank fails to cover its overdrawings, it shall be excluded from clearing on such day and it shall also be denied the credit facilities of the Bangko Sentral. Such exclusion from clearing shall continue for as long as it has not maintained credit balances with the Bangko Sentral for at least five (5) consecutive banking days. If its clearing account is overdrawn for at least five (5) consecutive banking days, it shall be prohibited from (a) making new loans or investments, except investment in

government securities with Bangko Sentral support; (b) declaring cash dividends until it has maintained credit balances in its Bangko Sentral clearing account for at least fifteen (15) consecutive banking days; and (c) establishing branches. The denial from availment of credit facilities of the Bangko Sentral shall continue for as long as the bank has not maintained credit balances with the Bangko Sentral for at least fifteen (15) consecutive banking days.

For purposes of computing the total available reserves against deposit/deposit substitute liabilities, the total amount of overdrawn in the clearing account with the Bangko Sentral shall be deducted from available reserves after the required reserves against deposit/deposit substitute liabilities shall have been satisfied.

Payment of penalties on reserve deficiencies. Penalties if unpaid within fifteen (15) days from receipt of the assessment shall be charged against the demand deposit accounts of banks with the Bangko Sentral: *Provided*, That where the bank's credit balance is insufficient and it fails to settle the assessment, the Monetary Board may limit or prohibit the making of new loans or investments by the bank.

(Circular No. 903 dated 29 February 2016, M-2015-039 dated 04 November 2015, 890 dated 02 November 2015, M-2015-035 dated 07 October 2015, M-2015-009 dated 28 January 2015, M-2015-005 dated 20 January 2015, M-2014-039 dated 01 October 2014, M-2014-031 dated 08 August 2014, and M-2014-006 dated 12 February 2014)

Footnotes

1. See Appendix 99 on Regulatory Relief for Banks Affected by Calamities.