

### 348 SUPERVISORY ENFORCEMENT ACTIONS

The Bangko Sentral reserves the right to deploy its range of supervisory tools to promote adherence to the requirements set forth in the foregoing rules and bring about timely corrective actions and compliance with Bangko Sentral directives. The Bangko Sentral considers abuses in credit to related parties (including credit to DOSRI, subsidiaries, and affiliates) as serious offenses and shall be dealt with severely. In this regard, “*abuse*” shall be interpreted to include extending credit to related parties without adopting appropriate internal policies.

For this purpose, the Bangko Sentral may, among others, issue directives or sanctions on the Bank and responsible persons, which may include restrictions or prohibitions of lending to related parties or from certain authorities/activities, restrictions or prohibitions on dividend declarations; and warning reprimand, suspension, removal and disqualification of concerned bank directors, officers, and/or employees. In addition, the Bangko Sentral may apply the borrowing director/officer/stockholder’s share in the bank’s profit sharing program against the excess of credit extended over any of the prescribed DOSRI ceilings.

In case of imposition of monetary sanction for violations of the foregoing provisions, the penalty shall be computed as follows:

a. Loans to DOSRI

For the duration of each violation, imposition of a fine of one-tenth of one percent (1/10 of 1%) of the excess over the ceilings per day but not to exceed P30,000 a day on the following:

- (1) The lending bank;
- (2) The director, officer or stockholder whose borrowing exceeds his individual ceiling; and
- (3) Each of the directors voting for the approval of the loan or other credit accommodation in excess of any of the ceilings prescribed in Sec. 344 and 345.

The penalty for exceeding the individual ceiling, aggregate ceiling and ceiling on unsecured loans shall be computed on the average amount of loans in excess of said ceilings during the same week.

b. Loans to subsidiaries and affiliates

For the duration of each violation, imposition of a fine of one tenth (1/10) of one percent (1%) of the excess over the ceilings per day but not to exceed P30,000 a day on the following:

- (1) The lending bank; and
- (2) Each of the directors voting for the approval of the loan, other credit accommodation or guarantee in excess of any of the ceilings prescribed in Sec. 342 (*Loans, other credit accommodations and guarantees granted to subsidiaries and/or affiliates*).

***Transitory Provisions.***

- a. The sanctions contained in this Section shall not apply to outstanding loans, other credit accommodations and guarantees, as well as availments of previously approved loans and committed credit lines not considered as DOSRI accounts prior to 10 April 2004, for a period of up to 09 April 2007 or until said loans, other credit accommodations and guarantees become past due, or are extended, renewed or restructured, whichever comes later.
- b. Unsecured outstanding loans, other credit accommodations and guarantees, as well as availments of previously approved loans and committed credit lines not considered as DOSRI accounts prior to 10 April 2004, shall not be deducted from capital accounts for a period of up to 09 April 2007 or until such time that said loans, other credit accommodations and guarantees become past due, or are extended, renewed or restructured, whichever comes later.
- c. Banks shall, however, disclose the following information in their financial statements, annual report and the reports being submitted to Bangko Sentral:
  - (1) DOSRI;
    - (a) Loans, other credit accommodations and guarantees classified as DOSRI accounts under regulations existing prior to 10 April 2004; and
    - (b) New DOSRI loans, other credit accommodations and guarantees granted starting 10 April 2004.
  - (2) Non-DOSRI prior to 10 April 2004 Loans, other credit accommodations and guarantees, as well as availments of previously approved loans and committed credit lines not considered DOSRI accounts prior to 10 April 2004 but are allowed a transition period as provided above.

*(Circular No. 914 dated 23 June 2016)*