



BANGKO SENTRAL NG PILIPINAS

**OFFICE OF THE DEPUTY GOVERNOR
SUPERVISION AND EXAMINATION SECTOR**

MEMORANDUM NO. M-2017- 019

To : ALL BSP-SUPERVISED FINANCIAL INSTITUTIONS (BSFIs)

Subject : Supplemental Guidelines on BSP EMV Migration Requirement

Pursuant to Subsection X177.9 of the Manual of Regulations for Banks (MORB) and Subsections 4177Q.9, 4196S.9, 4193P.9 and 4196N.9 of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFi), the Monetary Board, in its Resolution No. 902 dated 1 June 2017, approved the supplemental guidelines on BSP EMV migration requirement to provide additional measures aimed at accelerating full migration of the entire payment systems network to EMV technology.

A hard deadline of 30 June 2018 shall be imposed for BSFIs to fully comply with the BSP EMV migration requirement. Full compliance constitutes completion of all EMV-related activities from upgrading/enhancement of back-end processes and systems, ATM and POS terminals to the replacement of magstripe credit and debit/prepaid cards, including distribution of EMV-compliant cards. Non-compliance to said requirement will be classified as a "serious offense" pursuant to Appendix 67 of the MORB and shall be subject to monetary sanctions provided under Sections/Subsection X199 and 4199Q and 4196N.9 of the MORB and MORNBFi, respectively.

Aligned with International Accounting Standards No. 37, non or partially compliant BSFIs are mandated to book provisions to cover for probable fraud losses that may arise from counterfeit fraud or skimming attacks. To quantify the amount of provision, BSFIs should use the product of a loss probability rate and the outstanding balance of prepaid and debit cards or the available credit limit for credit cards beginning end of quarter 30 September 2017. The loss probability rate can be arrived at using any or a combination of the following factors: a) historical counterfeit card fraud losses; b) customer behavior; c.) nature of products, services, and customer relationships; and d) degree or extent of EMV compliance of card-accepting terminals; among others. At the end of each quarter, recorded provisions should be reviewed and adjusted to reflect the current best estimate.

In order to avoid confusion as well as manage expectations of the banking public relative to the transition, all BSFIs must intensify EMV-related public awareness program using various communication channels such as websites, official social media pages, SMS/e-mail notifications, print media advisories, ATM screen displays and branch standees, among others. The information should indicate the date when the EMV cards are available and ready for pick-up by their clients as well

as the related procedures for replacing magstripe cards and distributing EMV-compliant cards. BSFIs are also expected to develop strategies to entice or force clients to replace their old cards with EMV cards (i.e. deactivation of existing cards by certain date, offering of rewards/freebies, and/or liability shift for skimming incidents).

In relation to Circular No. 936 dated 28 December 2016, the actual restitution of cardholder/s with valid claims should take place within the 10-day resolution timeline for complaints and/or requests for chargeback as a result of counterfeit fraud.

For information and compliance.


RESTITUTO C. CRUZ
Sector-In-Charge

9 June 2017