



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 857

Series of 2014

Subject: BSP Regulations on Financial Consumer Protection

The Monetary Board in its Resolution No. 691 dated 30 April 2014 and Resolution No. 831 dated 22 May 2014, approved the Financial Consumer Protection Framework of the Bangko Sentral ng Pilipinas ("BSP"). The Framework is consistent with the BSP policy to provide for an enabling environment that protects the interest of financial consumers and institutionalizes the responsibilities of all stakeholders. The Framework ensures that BSP-Supervised Financial Institutions (BSFI) are responsive to the needs of their stakeholders while being held against a high standard of accountability.

Section 1. Inclusion in the Manual of Regulations. The attached Sections I, II and VI of the Financial Consumer Protection Framework shall constitute:

1. The new Part Nine entitled Consumer Protection of the Manual of Regulations for Banks (renumbering the Other Banking Regulations as the new Part Ten)
2. The New Part 9 of the Q Regulations (renumbering the Other Non-bank operations as the new Part Ten);
3. Part 4 of the P Regulations;
4. Part 4 of the S Regulations; and
5. Section 4700 of the N Regulation

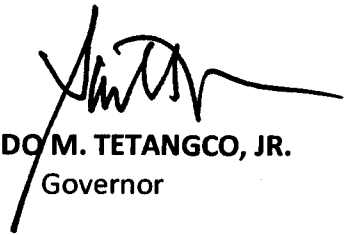
Section 2. Applicability and Scope. The regulations cover all BSFIs. It enumerates the basic principles and ethical business practices that govern the conduct of BSFIs in dealing with their consumers. It sets out the minimum standards of consumer protection in the areas of disclosure and transparency, protection of client information, fair treatment, effective recourse and financial education. The regulations underscore that financial consumer protection is a fundamental part of BSFI's corporate governance and culture.

Section 3. Repealing Clause. Nothing in this Circular shall be interpreted as repealing any rules or regulations of the National Government in Disclosure and Transparency, Protection of Client Information, Fair Treatment, Effective Recourse and Financial Education and Awareness. Unless inconsistent with the Framework, the existing provisions of the Manual of Regulations for Banks, Manual of Regulations for Non-Bank Financial Institutions, and Manual of Regulations for Pawnshops, and Manual of Regulations for Foreign Exchange Transactions that relate to Disclosure and Transparency, Protection of Client Information, Fair Treatment, Effective Recourse, and Financial Education and Awareness remain in force and effect.

Section 4. Effectivity. The Circular shall take effect fifteen (15) days after its publication in a newspaper of general circulation.

Section 5. Transitory Provision. The BSFIs shall have a period of one-year to introduce and make appropriate adjustments in systems, processes and personnel preparations to be compliant with BSP Regulations on Financial Consumer Protection. Accordingly, the conduct of any Periodic Consumer Protection Assessment, under a Memorandum to all Banks and other BSP-supervised Entities to be subsequently issued, shall commence only one year after the effectivity of the Circular.

FOR THE MONETARY BOARD:

A handwritten signature in black ink, appearing to read 'AmTet', is written over the printed name and title of the Governor.

AMANDO M. TETANGCO, JR.
Governor

21 November 2014

BSP REGULATIONS ON CONSUMER PROTECTION

I. Consumer Protection Oversight Function

The Board of Directors (Board) of BSFIs is ultimately responsible in ensuring that consumer protection practices are embedded in the BSFI's business operations. BSFIs must adhere to the highest service standards and embrace a culture of fair and responsible dealings in the conduct of their business through the adoption of a BSFI's Financial Consumer Protection Framework that is appropriate to the BSFI's corporate structure, operations, and risk profile. The BSFI's Financial Consumer Protection Framework shall be embodied in its Board-approved Financial Consumer Protection Manual.

1. **Role and Responsibility of the Board and Senior Management.** The Board and Senior Management are responsible for developing the BSFI's consumer protection strategy and establishing an effective oversight over the BSFI's consumer protection programs. The Board shall be primarily responsible for approving and overseeing the implementation of the BSFI's consumer protection policies as well as the mechanism to ensure compliance with said policies. While Senior Management is responsible for the implementation of the consumer protection policies approved by the Board, the latter shall be responsible for monitoring and overseeing the performance of Senior Management in managing the day to day consumer protection activities of the BSFI. The Board may also delegate other duties and responsibilities to Senior Management and/or Committees created for the purpose but not the function of overseeing compliance with the BSP-prescribed Consumer Protection Framework and the BSFI's own Consumer Protection Framework.
2. **Consumer Protection Risk Management System (CPRMS).** All BSFIs, regardless of size, should have a CPRMS that is part of the corporate-wide Risk Management System. The CPRMS is a means by which a BSFI identify, measure, monitor, and control consumer protection risks inherent in its operations. These include both risks to the financial consumer and the BSFI. The CPRMS should be directly proportionate to the BSFI's asset size, structure, and complexity of operation. A carefully devised, implemented, and monitored CPRMS provides the foundation for ensuring an BSFI's adherence to consumer protection standards of conduct and compliance with consumer protection laws, rules and regulations, thus ensuring that the BSFI's consumer protection practices address and prevent identified risks to the BSFI and associated risk of financial harm or loss to consumers.
 - a. **Board and Senior Management Oversight.** The Board is responsible for developing and maintaining a sound CPRMS that is integrated into the overall framework for the entire product and service life-cycle. The Board and Senior Management should periodically review the effectiveness of the CPRMS, including how findings are reported and whether the audit mechanisms in place enable adequate oversight. The quality and timeliness of the information provided to the Board and Senior Management regarding the BSFI's CPRMS are

especially important for assessing the program's effectiveness. The Board and Senior Management must also ensure that sufficient resources have been devoted to the program. The ability to achieve the consumer protection objectives depends, in large part, on the authority and independence of the individuals directly responsible for implementing the CPRMS and for performing audit/review activities, and the support provided by the Board and Senior Management. The Board and Senior Management must also make certain that CPRMS weaknesses are addressed and corrective actions are taken in a timely manner.

- b. Compliance Program.** A Consumer Protection Compliance Program is an essential component of the CPRMS. The BSFIs should establish a formal, written Consumer Protection Compliance Program that is part of the over-all Compliance System and should be in accordance with the Revised Compliance Framework for Banks under Circular 747 dated 6 February 2012. A well planned, implemented, and maintained Consumer Protection Compliance Program should prevent or reduce regulatory violations and protect consumers from non-compliance and associated harms or loss.
- c. Policies and Procedures.** An effective CPRMS should have consumer protection policies and procedures in place, approved by the Board. A comprehensive and fully implemented policies help to communicate the Board's and Senior Management's commitment to compliance as well as expectations. Overall, policies and procedures should a) be consistent with Consumer Protection policies approved by the Board; b) ensure that consumer protection practices are embedded in the BSFI's business operations; 3) address compliance with consumer protection laws, rules, and regulations; and 4) reviewed periodically and kept-to-date as it serve as reference for employees in their day-to-day activities.
- d. Internal Audit Function.** Independent of the compliance function, the BSFI's Audit Function should review its consumer protection practices, adherence to internal policies and procedures, and compliance with existing laws, rules and regulations. The BSFI's internal audit of the different business units/functions should include the Consumer Protection Audit Program. A well-designed and implemented Consumer Protection Audit Program ensures that the Board or its designated Committee shall be able to make an assessment on the effectiveness of implementation as well as adequacy of approved policies and standards in meeting the established consumer protection objectives.
- e. Training.** Continuing education of personnel about Consumer Protection laws, rules and regulations as well as related bank policies and procedures is essential to maintaining a sound Consumer Protection Compliance Program. BSFIs should ensure that all relevant personnel specifically those whose roles and responsibilities have customer interface, receive specific and comprehensive training that reinforces and helps implement written policies and procedures on consumer protection. The BSFI should institute a Consumer Protection Training

Program that is appropriate to its organization structure and the activities it engages. The training program should be able to address changes in consumer protection laws, rules and regulations and to policies and procedures and should be provided in a timely manner.

II. Consumer Protection Standards of Conduct for BSFIs (“Consumer Protection Standards”)

The following Consumer Protection Standards reflect the core principles, which BSFIs are expected to observe at all times in their dealings with financial consumers. These should be embedded into the corporate culture of the BSFI, enhancing further its defined governance framework while addressing conflicts that are inimical to the interests of the financial consumer.

a. Disclosure and Transparency

BSFIs must take affirmative action to ensure that their consumers have a reasonable holistic understanding of the products and services, which they may be acquiring or availing. In this context, full disclosure and utmost transparency are the critical elements that empower the consumer to make informed financial decisions. This is made possible by providing the consumer with ready access to information that accurately represents the nature and structure of the product or service, its terms and conditions, as well as its fundamental benefits and risks.

The BSFI demonstrates the competencies required of this principle if it complies with the following:

1. Key Information

1.1 Ensures that offering documents of products and services contain the information necessary for customers to be able to make an informed judgment of the product or service and, in particular, meet the full disclosure requirements specified under existing laws or regulations. All key features and risks of the products should be highlighted prominently in a succinct manner. Where a product is being offered on a continuous basis, its offering documents should be updated in accordance with the requirements set out in the regulations.

1.2 Readily and consistently makes available to the customer a written copy of the Terms and Conditions (T&C) that apply to a product or service. The contents of the T&C must be fully disclosed and explained to financial customers before initiating a transaction. Where and when warranted, reference to the T&C should be made while transacting with the consumer and before consummating the transaction, if such reference is material to the understanding of the consumer of the nature of the product or service, as well as its benefits and risks.

As a written document, the T&C must be complete but concise, easily understandable, accurate, and presented in a manner that facilitates the consumer's comprehension. The latter is taken to mean that the text of the document should be according to Section 3 of Circular 702 dated 15 December 2010 (Amended Regulations to Enhance Consumer Protection in the Credit Card Operations of Banks and Their Subsidiary or Affiliate Credit Card Companies).

The T&C should include at least the following:

- i. The full price or cost to the customer including all interest, fees, charges, and penalties. The T&C must clearly state whether interest, fees, charges, and penalties can change over time. The method for computing said interest, fees, charges, and penalties shall be presented in accordance with Circular 730 dated 20 July 2011;
- ii. General information about the operation of the products or services including the customer's obligations and liabilities;
- iii. Cooling-off period, if applicable.
- iv. Cancellation, return and exchange policies, and any related cost;
- v. The actions and remedies which the BSFI may take in the event of a default by the customer;
- vi. Procedures to report unauthorized transactions and other contingencies, as well as the liabilities of parties in such case; and
- vii. A summary of the BSFI's complaints handling procedure.

1.3 Advises customers to read and understand the applicable T&C, when considering a product or service.

1.4 Ensures that its staff communicates in such a manner that clients can understand the terms of the contract, their rights and obligations. Staff should communicate with techniques that address literacy limitations (e.g., materials are available in local language).

1.5 Provides customers adequate time to review the T&C of the product or service, asks questions and receives additional information prior to signing contracts or executing the transaction. The staff of the BSFI should be available to answer the questions and clarifications from the financial customer.

- 1.6 Ensures that staff assigned to deal directly with customers, or who prepare advertisement materials (or other material of the BSFI for external distribution) or who markets any product or service should be fully knowledgeable about these products and services, including statutory and regulatory requirements, and are able to explain the nuances to the consumer.
- 1.7 Uses a variety of communication channels to disclose clear and accurate information. Such communication channels should be available to the public without need for special access requirements, which may entail additional expense. Communication channels should be sufficiently responsive to address the literacy limitations of the financial consumer. Said channels may be written and/or verbal as may be warranted.
- 1.8 Discloses pricing information in public domains (e.g., websites).
- 1.9 Updates customers with relevant information, free of charge in a clear, understandable, comprehensive, and transparent manner, for the duration of the contract. Such information covers the characteristics and the risks of the products sold by the BSFI and their authorized agents.
- 1.10 Imparts targeted information to the specific groups of clients to whom specific products are being marketed, with a particular consideration for vulnerable customers. Communication channels employed for such targeted marketing initiatives may be accordingly calibrated.
- 1.11 Offers enhanced disclosure for more complex products, highlighting the costs and risks involved for the customer. For structured investment products, a Product Highlight Sheet (PHS) is required. The PHS should be clear, concise, and easily understandable by individual customers. It should contain information that empowers the customer to appreciate the key features of the product and its risks. It is prepared in a format that facilitates comparison with other products. The PHS should be available at no cost to the public and made available to consumers upon request. Before signing any contract, the BSFI should ensure that the customer has freely signed a statement to the effect that the customer has duly received, read, and understood the PHS.
- 1.12 Notifies the customer in writing of any change in:
 - 1.12.1 Interest rate to be paid or charged on any account of the customer as soon as possible; and
 - 1.12.2 A non-interest charge on any account of the customer within a number of days as provided under existing regulations prior to the effective date of the change.

If the revised terms are not acceptable to the customer, he or she should have the right to exit the contract without penalty, provided such right is exercised within a reasonable period. The customer should be informed of this right whenever a notice of change is made.

1.13 Provides customers with a proof of the transaction immediately after the transaction has been completed. The customer should be given a hard copy of each of the documents signed by the clients (including, but not limited to the contract) with all terms and conditions. The BSFI ensures that documents signed by the customer are completely filled and that there are no blank terms.

1.14 Regularly provides customers with clear and accurate information regarding their accounts (e.g., Statement of accounts that includes, among others, covering period, opening balance/value of transactions, all kinds of interest, fees and charges, closing balance, inquiries for outstanding balances, proof of payments for loans).

1.15 Informs customers of their rights and responsibilities including their right to complain and the manner of its submission.

2. Advertising and Promotional Materials

2.1 Ensures that advertising and marketing materials do not make false, misleading, or deceptive statements that may materially and/or adversely affect the decision of the customer to avail of a service or acquire a product.

2.2 Ensures that advertising and promotional materials are easily readable and understandable by the general public. It should disclose clear, accurate, updated, and relevant information about the product or service. It should be balanced/proportional (reflecting both advantages and risks of the product or service); visible/audible; key information is prominent and not obscured; print is of sufficient size and clearly legible.

2.3 Ensures that promotional materials are targeted according to the specific groups of consumers to whom products are marketed and the communication channels employed for marketing financial services.

2.4 Ensures that all advertising and promotional materials disclose the fact that it is a regulated entity and that the name and contact details of the regulator are indicated.

3. Conflict of Interest

3.1 Discloses properly to the consumer prior to the execution of the transaction that the BSFI or its staff has an interest in a direct/cross transaction with a consumer.

- 3.2 Discloses the limited availability of products to consumers when the BSFI only recommends products which are issued by their related companies, particularly when commissions or rebates are the primary basis for recommending the particular product to consumers.
- 3.3 Discloses the basis on which the BSFI is remunerated at the pre-contractual stage.
- 3.4 Ensures that adequate systems and controls are in place to promptly identify issues and matters that may be detrimental to a customer's interest (e.g., cases in which advice may have been given merely to meet sales targets, or may be driven by financial or other incentives).

b. Protection of Client Information

Financial consumers have the right to expect that their financial transactions, as well as relevant personal information disclosed in the course of a transaction, are kept confidential. Towards this end, BSFIs must ensure that they have well-articulated information security guidelines, well-defined protocols, a secure database, and periodically re-validated procedures in handling the personal information of their financial consumers. This should be an end-to-end process that should cover, among others, the array of information that will be pre-identified and collected, the purpose of gathering each information, how these will be sourced from the client, the IT-security infrastructure of the BSFI, and the protocols for disclosure, both within the BSFI and especially to third parties.

The BSFI demonstrates the ability to protect client information if it is able to:

1. Confidentiality and Security of Client Information

- 1.1 Have a written privacy policy to safeguard its customers' personal information. This policy should govern the gathering, processing, use, distribution, storage, and eventual disposal of client information. The BSFI should ensure that privacy policies and sanctions for violations are implemented and strictly enforced.
- 1.2 Ensure that privacy policies are regularly communicated throughout the organization. Opportunities include employees' initial training sessions, regular organization-wide training programs, employee handbooks, posters and posted signs, company intranet and Internet websites, and brochures available to clients.
- 1.3 Have appropriate systems in place to protect the confidentiality and security of the personal data of its customers against any threat or hazard to the security or integrity of the information and against unauthorized access. This includes a written information security plan that describes its program to

protect customer personal information. The plan must be appropriate to its size and complexity, nature and scope of its activities, and the sensitivity of customer information it handles. As part of its plan, the BSFI must:

- 1.3.1 Designate employee accountable to coordinate its Information Security Program.
 - 1.3.2 Identify and assess the risks to customer information in each relevant area of the BSFI operation, and evaluate the effectiveness of the current safeguards for controlling these risks.
 - 1.3.3 Design and implement a safeguards program, and regularly monitor and test it.
 - 1.3.4 Select service providers that can maintain appropriate safeguards.
 - 1.3.5 Evaluate and adjust the program in light of relevant circumstances, including changes in the firm's business or operations, or the results of security testing and monitoring.
- 1.4 Have appropriate policies and practices for employee management and training to assess and address the risks to customer information. These include:
- 1.4.1 Checking references and doing background checks before hiring employees who will have access to customer information.
 - 1.4.2 Asking new employees to sign an agreement to follow BSFI confidentiality and security standards for handling customer information.
 - 1.4.3 Limiting access to customer information to employees who have a business reason to see it.
 - 1.4.4 Controlling access to sensitive information by requiring employees to use "strong" passwords that must be changed on a regular basis.
 - 1.4.5 Using automatic time-out or log-off controls to lock employee computers after a period of inactivity.
 - 1.4.6 Training employees to take basic steps to maintain the security, confidentiality, and integrity of customer information. These may include locking rooms and file cabinets where records are kept; ensuring that employee passwords are not posted in work areas; encrypting sensitive customer information when transmitted electronically via public networks; referring calls or other requests

for customer information to designated individuals who have been trained in how BSFI safeguards personal data; and reporting suspicious attempts to obtain customer information to designated personnel.

1.4.7 Regularly reminding all employees of company policy to keep customer information secure and confidential.

1.4.8 Imposing strong disciplinary measures for security policy violations.

1.4.9 Preventing terminated employees from accessing customer information by immediately deactivating their passwords and user names and taking other measures.

1.5 Have a strong IT System in place to protect the confidentiality, security, accuracy, and integrity of customer's personal information. This includes network and software design, and information processing, storage, transmission, retrieval, and disposal. Maintaining security throughout the life-cycle of customer information, from data entry to disposal, includes:

1.5.1 Knowing where sensitive customer information is stored and storing it securely. Make sure only authorized employees have access.

1.5.2 Taking steps to ensure the secure transmission of customer information.

1.5.3 Disposing customer information in a secure way.

1.5.4 Maintaining up-to-date and appropriate programs and controls to prevent unauthorized access.

1.5.5 Using appropriate oversight or audit procedures to detect the improper disclosure or theft of customer information.

1.5.6 Having a security breach response plan in the event the BSFI experiences a data breach.

2. Sharing of Customer Information

2.1 Inform its customers in writing and explain clearly to customers as to how it will use and share the customer's personal information.

2.2 Obtain the customers' written consent, unless in situations allowed as an exception by law or BSP-issued regulations on confidentiality of customer's information, before sharing customers' personal information with third

parties such as credit bureau, collection agencies, marketing and promotional partners, and other relevant external parties.

2.3 Provide access to customers to the information shared and should allow customers to challenge the accuracy and completeness of the information and have these amended as appropriate.

2.4 Appropriate penalties should be imposed by the BSFI to erring employees for exposing or revealing client data to third parties without prior written consent from client.

c. Fair Treatment

Fair treatment ensures that financial consumers are treated fairly, honestly, professionally and are not sold inappropriate and harmful financial products and services. BSFIs should ensure they have the necessary resources and procedures in place, internal monitoring, and control mechanisms, for safeguarding the best interest of their customers. These include general rules, such as those addressing ethical staff behavior, acceptable selling practices as well as regulating products and practices where customers are more likely to be offered services that are inappropriate for their circumstances.

The BSFI demonstrates the principle of fair treatment towards financial consumers if it is able to:

1. Affordability and suitability of product or service

1.1 When making a recommendation to a consumer:

1.1.1 Gather, file, and record sufficient information from the customer to enable the BSFI to offer an appropriate product or service to the customer. The information gathered should be commensurate to the nature and complexity of the product or service either being proposed to or sought by the customer and should enable the BSFI to provide an appropriate level of professional service. As a minimum, information includes the customers' financial knowledge and experience, financial capabilities, investment objectives, time horizons, needs, priorities, risk affordability, and risk profile.

1.1.2 Offer products or services that are in line with the needs/risk profile of the consumer. The BSFI should provide for and allow the customer to choose from a range of available products and services that can meet his needs and requirements. Sufficient and right information on the product or service should enable the customer to select the most suitable and affordable product or service.

- 1.2 Inform or warn the customers that if they do not provide sufficient information regarding their financial knowledge and experience, the BSFI is not in a position to accurately determine whether the product or service is appropriate to them, given the limited information available. This information or warning may be provided in a standardized format.
- 1.3 Ensure that the customer certifies in writing the accuracy of the personal information provided.
- 1.4 Ensure to offer market-based pricing.
- 1.5 Design products that are appropriate to the varying needs and interests of different types of consumers, particularly the more vulnerable consumers. Adequate product approval should be in place. Processes should be proper to ensure that products and services are fit for the targeted consumer.
- 1.6 Do not engage in abusive or deceptive acts or practices.
- 1.7 Seek customer feedback for product design and delivery and use this feedback to enhance product development and improve existing products. Likewise, investigate reasons for client drop out.
- 1.8 Do not use high pressure/aggressive sales techniques and do not force clients to sign contracts.
- 1.9 Have a system in place for approval when selling high-risk instruments to consumers.

2. Prevention of over-indebtedness

- 2.1 Have appropriate policies for good repayment capacity analysis. The loan approval does not rely solely on guarantees (co-signers or collateral) as a substitute for good capacity analysis.
- 2.2 Properly assess the creditworthiness and conduct appropriate client repayment capacity analysis when offering a new credit product or service significantly increasing the amount of debt assumed by the customer.
- 2.3 Ensure to have an appropriate system in place for credit analysis and decisions including appropriate criteria to limit the amount of credit.
- 2.4 Monitor enforcement of policies to prevent over-indebtedness. The Board and Senior Management of the BSFIs should be aware of and concerned about the risks of over-indebtedness of its customers.

- 2.5 Draw the customer's attention to the consequences of signing a contract that may affect his financial position and his collateral in case of default in payment of a loan/obligation.
- 2.6 Prepare and submit appropriate reports (e.g., loan quality, write-offs, restructured loans) to management.
- 2.7 Ensure that corrective measures are in place for poor long-term quality of loan portfolio linked to over-indebtedness.
- 2.8 Have specific procedures to actively work out solutions (i.e., through workout plan) for restructured loans/refinancing/writing-off on exceptional basis for clients in default who have the "willingness" but without the capacity to repay, prior to seizing the assets.

3. Cooling-off Period

- 3.1 As may be appropriate, provide the customer with a "cooling-off" period of a reasonable number of days (at least two banking days) immediately following the signing of any agreement or contract, particularly for financial products or services with a long-term savings component or those subject to high pressure sales contracts.
- 3.2 Permit the customer to cancel or treat the agreement as null and void without penalty to the customer of any kind on his or her written notice to the BSFI during the cooling-off period. The BSFI may however collect or recover reasonable amount of processing fees. It is further recognized that there may be a need for some qualification to an automatic right of cooling off. For example, the right should not apply where there has been a drawdown of a credit facility and a BSFI should be able to recover any loss arising from an early withdrawal of a fixed rate term deposit which loss arises because of a difference in interest rates. This would be in addition to any reasonable administrative fees associated with closure of the term deposit.

4. Objectivity

- 4.1 Deal fairly, honestly, and in good faith with customers and avoid making statements that are untrue or omitting information which are necessary to prevent the statement from being false or misleading.
- 4.2 Present a balanced view when selling a product or service. While the BSFI highlights the advantages of a product/service, the customer's attention should also be drawn to its disadvantages and downside risks.
- 4.3 Ensure that recommendations made to customer are clearly justified and explained to the customer and are properly documented. If the requested products are of higher risk rating than a customer's risk tolerance assessment

results, the BSFI should draw to the customer's attention that the product may not be suitable for him in view of the risk mismatch. In such instances, there should be a written disclosure of consequences which is accepted by the client.

4.4 Ensure that the customer's suitability and affordability are assessed against specific risks of the investment products:

4.1.1 Financial Needs Analysis (FNA) and Client Suitability - to assess the customer's risk profile and suitability of the product.

4.1.2 Customer's Declaration Form - to confirm his acceptance and understanding of the highlighted features of the product.

4.1.3 FNA, Client Suitability and Declaration Form should be duly completed to make sure that the product sold is suitable and affordable for the customer.

5. Institutional culture of fair and responsible treatment of clients

5.1 There should be a Code of Conduct (Code) applicable to all staff, spelling out the organizational values and standards of professional conduct that uphold protection of customers. This Code should be reviewed and approved by the Board. The staff signs a document by which they acknowledge that they will abide by the Code and not engage in the behaviors prohibited as provided for in the Code. To ensure adherence to the Code, the BSFI is required to implement measures to determine whether the principles of consumer protection are observed, the clients' concerns are appropriately addressed and problems are resolved in a timely manner. These may include among others, the regular conduct of customer satisfaction survey.

5.2 Ensure that recruitment and training policies are aligned around fair and responsible treatment of clients.

5.3 Ensure that staff, specifically those who interact directly with customers, receive adequate training suitable for the complexity of the products or services they sell.

5.4 Ensure that collection practices are covered during the initial training of all staff involved in collections (loan officers, collections staff, and branch managers). In particular, collection staff should receive training in acceptable debt collection practices and loan recovery procedures.

5.5 Strictly comply with BSP's existing regulation on what constitutes unfair debt collection practices. The BSFI's Code of Conduct should clearly spell out the

specific standards of professional conduct that are expected of all staff involved in collection (including outsourced staff).

- 5.6 Institute policy that guarantees that clients receive a fair price for any foreclosed assets and has procedures to ensure that collateral seizing is respectful of clients' rights.
- 5.7 Ensure that Managers and Supervisors review ethical behavior, professional conduct, and quality of interaction with customers as part of staff performance evaluations.
- 5.8 Have a system or internal processes in place to detect and respond to customer mistreatment as well as serious infractions. In case of violation of Code of Conduct (e.g., harassment,) sanctions shall be enforced.
- 5.9 Inform staff of penalties for non-compliance with Code of Conduct.
- 5.10 Perform appropriate due diligence before selecting the authorized agents/outsourced parties (such as taking into account the agents' integrity, professionalism, financial soundness, operational capability and capacity, and compatibility with the FI's corporate culture) and implement controls to monitor the agents' performance on a continuous basis. The BSFI retains ultimate accountability for outsourced activities.
- 5.11 Disseminate the main aspect of the Code of Conduct to clients through printed media or other appropriate means.

6. Remuneration Structure

- 6.1 Design remuneration structure for staff of BSFI and authorized agents in a manner that encourages responsible business conduct, fair treatment and avoidance/mitigation of conflicts of interest.
- 6.2 Disclose to the customers the remuneration structure where appropriate, such as when potential conflicts of interest cannot be managed or avoided.
- 6.3 Ensure adequate procedures and controls so that sales staff are not remunerated based solely on sales performance but that other factors, including customer's satisfaction (in terms of number of customer complaints served/settled) and compliance with regulatory requirements, best practices guidelines, and Code of Conduct in which certain principles are related to best interest of customers, satisfactory audit/compliance review results and complaint investigation results, are taken into account.

d. Effective Recourse

Financial consumers should be provided with accessible, affordable, independent, fair, accountable, timely, and efficient means for resolving complaints with their financial transactions. BSFIs should have in place mechanisms for complaint handling and redress.

The BSFI demonstrates the ability to provide effective recourse if it is able to:

1. Establish an effective Consumer Assistance Management System (CAMS). **Appendix A** provides for the minimum requirements of an effective CAMS.
2. Develop internal policies and practices, including time for processing, complaint response, and customer access.
3. Maintain an up-to-date log and records of all complaints from customers subject to the complaints procedure. This log must contain the following:
 - i. Details of each complaint;
 - ii. The date the complaint was received;
 - iii. A summary of the BSFI's response;
 - iv. Details of any other relevant correspondence or records;
 - v. The action taken to resolve each complaint; and
 - vi. The date the complaint was resolved.
4. Ensure that information on how to make a complaint is clearly visible in the BSFI's premises and on their websites.
5. Undertake an analysis of the patterns of complaints from customers on a regular basis including investigating whether complaints indicate an isolated issue or a more widespread issue for consumers. This analysis of consumer complaints must be escalated to the BSFI's compliance/risk management function and senior management.
6. Provide for adequate resources to handle financial consumer complaints efficiently and effectively. Staff handling complaints should have appropriate experience, knowledge, and expertise. Depending on the BSFI's size and complexity of operation, a Senior staff member should be appointed to be in charge of the complaint handling process.

e. Financial Education and Awareness

Financial education initiatives give consumers the knowledge, skills, and confidence to understand and evaluate the information they receive and empower them to make informed financial decisions. Because BSFIs deal directly with financial consumers, they have the reach, expertise, and established relationships necessary

to deliver financial education. Financial education should be integral to the good governance of the BSFIs.

The BSFI demonstrates this principle through various means and in particular:

1. Have a clear and defined financial education and awareness program as part of a wider financial consumer protection and education strategy and corporate governance. It is an integral component of the BSFI's ongoing interaction and relationship with clients. Dedicated and adequate resources should be provided for the financial education initiatives.
2. Develop financial education and awareness programs, either on their own or in partnership or collaboration with industry associations, which contribute to the improvement of their clients' knowledge and understanding of their rights and responsibilities, basic information and risks of financial products and services, and ability to make informed financial decisions and participate in economic activities. Financial education programs should be designed to meet the needs and financial literacy level of target audiences, as well as those that will reflect how target audience prefers to receive financial information. These may include:
 - 2.1 Delivering public awareness campaigns and information resources that would teach consumers on certain aspects of their financial lives particularly, budgeting, financial planning, saving, investing, borrowing, retirement planning, and self-protection against fraud.
 - 2.2 Developing financial education tools or information materials that are updated and readily understood and transparent such as customized advice and guidance (face to face training); printed brochures, flyers, posters, training videos (e.g., about money management, debt management, saving), and newsletters; websites, and interactive calculators that deliver key messages and "call to action" concerning better money management (e.g., protect your money, know your product, read and understand the T&C, check your statements, pay credit card bills on time, safeguard your Personal Identification Number, understand fees and charges) and consumer responsibility to ask the right questions.
 - 2.3 Distributing to customers, at the point of sale, a pamphlet on questions, which customers need to ask before accepting a financial product or service.
3. Clearly distinguish between financial education from commercial advice. Any financial advice for business purposes should be transparent. Disclose clearly any commercial nature where it is also being promoted as a financial education initiative. It should train staff on financial education and develop

codes of conduct for the provision of general advice about investments and borrowings, not linked to the supply of a specific product.

4. Provide via the internet or through printed publications unbiased and independent information to consumers through comparative information about the price and other key features, benefits and risks, and associated fees and charges of products and services.
5. Regularly track, monitor, and assess campaigns and programs and use the results of the evaluation for continuous improvement.

III. Enforcement Actions

Enforcement is the implementation of corrective measures and imposition of sanctions to BSFIs to:

1. Ensure compliance with the BSP regulations on Consumer Protection and consumer protection laws and regulations;
2. Inform the management of the BSFIs of the consequences of their decisions and actions;
3. Instill discipline to the BSFIs; and
4. Serve as deterrent to the commission of violations.

The bases for enforcement actions are the results of the:

1. On-site Consumer Protection Framework Assessment;
2. Off-site Surveillance;
3. Market Monitoring; and
4. BSP Consumer Assistance Mechanism

The following enforcement action may be taken depending on:

- 1. Rating-Based Enforcement Actions for On-site Periodic Assessment.** To implement the foregoing enforcement actions, the following rules shall apply:
 - a. A Consumer Protection Rating (CPR) of 4 will require no enforcement action.
 - b. A CPR of 3 will require issuance of a written reminder on consumer protection areas that may lead to weaknesses in the BSFI's Consumer Protection Framework.
 - c. A CPR of 2 will require a written Action Plan in response to the written reminder issued by the BSP. The written Action Plan shall be duly approved by the Board. It shall aim to correct the identified weaknesses in the BSFI's Consumer Protection Framework or the noted violations of the BSP Regulations on Consumer Protection.

FCAG shall assess the viability of the plan and shall monitor the BSFI's performance.

- d. A CPR of 1 shall also be considered as poor/grossly inadequate Financial Consumer Protection Framework. For this reason, a written action plan fully executable within 90 days shall be prepared. The action plan shall be duly approved by the Board aimed at instituting immediate and strong measures to restore the BSFI to acceptable consumer protection operating condition, where it does not pose any risk of financial loss or harm to the financial consumers.

In the event of non-submission of the written Action Plan within the deadline or failure to implement its action plan, FCAG shall recommend appropriate enforcement actions on the BSFI and its responsible officers including monetary penalties to be computed on a daily basis until improvements are satisfactorily implemented.

Composite Rating				
Numerical Rating	4	3	2	1
Adjectival Rating	Strong	Acceptable	Marginal	Poor
Supervisory Approach	No cause for supervisory concern	Minimal supervisory concern	More than normal supervisory concern	Immediate and close supervisory attention and monitoring
Enforcement Action	None	Written Reminder	Written Action Plan	Written Action Plan Suspension of Introduction of New Products and Services or Suspension of Existing Products/Services that poses a consumer protection concern or Suspension of Further Distribution or Issuance of Consumer Products and Services

Table No. 2. Enforcement Actions for Consumer Protection Ratings

2. Enforcement Actions for Violations of Consumer Protection Regulations.

Depending on the seriousness and impact of the breaches of BSP Regulations on Consumer Protection and specific consumer protection rules and regulations, the following administrative sanctions shall be imposed:

Administrative Sanctions	Whenever applicable, the following administrative sanctions shall be imposed: <ul style="list-style-type: none">• Fines in amount as may be determined by the Monetary Board to be appropriate;• Stopping/suspending operations/products or restricting approval of new operations/products;• Requiring the withdrawal/modification of advertising/ marketing materials; and• Requiring submission of additional reports for monitoring.
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Table No. 3. Administrative Sanctions for Violations of Consumer Protection Regulations.

**GUIDELINES AND PROCEDURES GOVERNING THE
CONSUMER ASSISTANCE MANAGEMENT SYSTEM (CAMS)
OF BSP-SUPERVISED FINANCIAL INSTITUTIONS**

I. Statement of Policy

The BSP acknowledges the indispensable role of financial consumers in bringing about a strong and stable financial system, their right to be protected in all stages of their transactions with BSP-Supervised Financial Institutions (BSFIs), and be given an avenue to air out their grievances in the products and services of BSFIs. Consumer protection is regarded as a core function complementary to BSP's prudential regulation and supervision, financial stability, financial inclusion, and financial education agenda. Towards this end, the BSP hereby issues the following minimum guidelines institutionalizing consumer assistance mechanism of BSFIs.

II. Applicability and Scope

The CAMS requirements and minimum guidelines on receiving, recording, evaluating, resolving, monitoring, reporting, and giving feedback to consumers shall apply to a BSFI and its branches/other offices. The provisions of these guidelines shall, as far as practicable, also apply to inquiries and requests received from clients and potential clients.

III. Definition of Terms

1. Complaint – is an expression of dissatisfaction relative to a financial product or service in which a response or resolution is expected.
2. Simple complaint/request – complaint/request where frontline staff solution or immediate explanation or action can be rendered. A resolution is immediate if it can be resolved without the need of third-party intervention, such as outsource service providers, external auditors, or other banks. Resolution thereof must be achieved within a 7-day period.
3. Complex complaint/request – complaint/request which needs assessment, verification, or investigation with third-party intervention. Resolution thereof may ideally be achieved within a 45-day period.
4. BSFIs – include Banks, Quasi-banks, Pawnshops, Foreign Exchange Dealers, Money Changers, Remittance Agents, Electronic Money Issuers, Non-Stock Savings and Loan Associations and other BSP-Supervised Financial Institutions.

5. Consumer – refers to a natural or juridical person who has a complaint, inquiry or request relative to the BSFI’s products and services.

IV. Role of the Board and Senior Management

The Board of BSFIs shall be responsible for the delivery of effective recourse to its consumers. Pursuant thereto, the Board shall:

- a. Approve the Consumer Assistance policies and procedures;
- b. Approve Risk Assessment Strategies relating to Effective Recourse by the Consumer;
- c. Ensure compliance with Consumer Assistance policies and procedures;
- d. Provide adequate resources devoted to Consumer Assistance; and
- e. Review the Consumer Assistance policies at least annually.

The BSFI’s Senior Management shall be responsible for the implementation of the Consumer Assistance policies and procedures.

V. Minimum Requirements

A. Manual of Consumer Assistance Policies and Procedures

A BSFI must have a Manual of Policies and Procedures (Manual) in handling consumer complaints, inquiries, and requests from financial consumers. The Manual, as a minimum, provide for the following:

1. Corporate structure of the Group on Consumer Assistance with specified roles and responsibilities/tasks;
2. Capability building for Customer Assistance Team;
3. Consumer Assistance Process and Timeline;
4. Complaint recording/data management system;
5. Risk assessment strategies;
6. Reporting of complaints data to BSFI’s board and senior management and BSP;

7. System for evaluating effectiveness of the CAMS; and
8. Glossary of technical components in the Manual.

B. Corporate Structure

A BSFI shall have a Consumer Assistance Officer/Independent Business Unit or Group with defined roles and responsibilities in handling consumer concerns. The corporate structure shall depend on the BSFI's asset size, as follows:

Consumer Assistance Group	BSFIs with total assets of at least P1.0 Billion
Dedicated Head Consumer Assistance Officer	BSFIs with total assets of less than P1.0 Billion but more than 100 million
Head Consumer Assistance Officer	BSFIs with total assets of less than 100 million

At least one (1) Consumer Assistance Officer per branch, extension office or banking office must be designated to handle consumer concerns.

1. Consumer Assistance Officer. The Consumer Assistance Officer shall have the following responsibilities:
 - a. Receive and acknowledge consumer concerns;
 - b. Record concerns in a Register/Database;
 - c. Make an initial review and investigation of concerns;
 - d. Process concerns;
 - e. Provide official reply to consumer;
 - f. Request client feedback; and
 - g. Prepare and submit report to the Head Consumer Assistance Officer or Consumer Assistance Group.

2. Consumer Assistance Group/Head Consumer Assistance Officer. The Consumer Assistance Group/Head Consumer Assistance Officer shall, as a minimum, perform the following:
 - a. Monitor consumer assistance process;
 - b. Keep track, identify, and analyze the nature of complaints and recommend solutions to avoid recurrence;

- c. Report to senior management the complaints received on a monthly basis including reasons for such complaints, the recommended solutions to avoid recurrence, and the suggestions for process or personnel competency needing improvement; and
- d. Ensure immediate escalation of any significant complaint to concerned unit of the BSFI.

C. Capability building

All Consumer Assistance Personnel must be equipped with knowledge on the structure and implementation of the BSFI's Consumer Assistance mechanism. As a minimum, they shall be provided with periodic trainings on the following:

- 1. Solid interpersonal skills/customer service;
- 2. Basic and advanced listening skills;
- 3. Written and verbal communication skills;
- 4. Handling financial consumer feedback;
- 5. Dealing with difficult people;
- 6. Problem solving and conflict resolution; and
- 7. BSFI's corporate structure and products and services.

D. Publication of Consumer Assistance Management System

- a. BSFI's shall publish details of their CAMS in a clear and plain language.
- b. Publication shall be made through any two of the following means:
 - a. Posting of summary details of the CAMS in conspicuous places within the premises of BSFIs and their branches/other offices;
 - b. A leaflet or primer given to all consumers who sign up for new banking service;
 - c. Terms and Conditions of a BSFI's product or service;

- d. Posting in the BSFI's website; and
- e. Any analogous manner.

E. Consumer Assistance Channels

1. Consumers may lodge their concerns through any reasonable means, such as, a centralized web-portal, walk-in or personal visit, letter, e-mail, telephone, and facsimile.
2. A BSFI must maintain a Consumer Assistance Helpdesk or hotline dedicated for customer concerns and service and manned by a Consumer Assistance Group.
3. A BSFI shall ensure that consumers know how and where to lodge their concerns.
4. A BFSI is encouraged to provide alternative modes of resolution, such as conciliation, mediation and arbitration, in order to achieve settlement of the issues at the BSFI level.

F. Consumer Assistance Process and Timelines

1. Complaint/Request

	SIMPLE*	COMPLEX*
Acknowledgment	Within 2 days	Within 2 days
Processing and resolution (assess, investigate, and resolve)	Within 7 days	Within 45 days
Communication of Resolution	Within 9 days	Within 47 days

* all periods are reckoned from receipt of complaint.

a. Receiving and acknowledging complaints/requests

- i. A BSFI shall obtain and record the following data from the consumer: (1) full name and contact details, (2) nature of complaint or request and its details; (3) resolution requested; (4) signature of the complainant/requester; and (5) name of BSFI personnel directly handling/in-charge of the complaint
- ii. The Consumer Assistance Officer must be able to explain the Consumer Assistance process and timelines.
- iii. The acknowledgment shall provide an assurance that the BSFI is dealing with the complaint, request additional

documents, if necessary, and that the complainant shall be kept informed of the progress of the measures being taken for the complaint's resolution [B1]

b. Investigating and Resolving Complaints

- i. A BSFI must establish an institutional approach in assessing and investigating complaints/requests and options in resolving them, considering the peculiarities of the complaints/requests and the desired remedies of the party.
- ii. If assessment and investigation on complex complaints/requests cannot be completed within the timeframe stated above, complainants shall be informed of the: i) reason thereof; ii) need for extended timeframe; and iii) date on which the complainant may expect the outcome of the BSFI's assessment and/or investigation; Provided, however, that the additional period shall not exceed forty-five (45) days. This will afford the complainants opportunity to seek other means to resolve their complaints.
- iii. Result of assessment, investigation, and BSFI's final response shall be communicated to the complainant in writing in simple and clear language. The BSFI shall likewise inform the complainant of the possible remedies available to the party, including resort to BSP Consumer Assistance Mechanism and the courts.

Inquiries

A BSFI must respond to inquiries received, at the latest, by the next business day.

G. Confidentiality

A BSFI shall not disclose to a third party information acquired from the consumer in all stages of the complaint, except as may be required by the conduct of the BSFI's investigation.

H. Conflict of interest

A BSFI shall ensure that complaints are investigated by a Consumer Assistance Officer who is neither directly nor indirectly involved in the matter which is the subject of the complaint.

I. Consumer Feedback

1. Subject to the willingness of the consumer, BSFIs shall ask for feedback on the following matters:
 - a. Overall satisfaction (whether satisfied, somewhat satisfied, or dissatisfied);
 - b. Processes needing improvement;
 - c. Personnel needing improvement; and
 - d. Any suggestions for improvement.
2. Consumer feedback may be obtained through a feedback form/customer satisfaction survey available for walk-in complainants, in the website, or through a voice logger system.
3. Customer feedbacks shall be recorded and analyzed to improve the system and to enhance personnel capabilities in handling complaints.

J. Complaints Recording/Data Management

1. A BSFI and its branches/other offices shall maintain copies of the complaints/requests received, including supporting and other relevant documents thereto, within a period of 2 years from date of resolution.

Microfilms/digital copies of original documents may be maintained by a BSFI in accordance with its Management Information Systems for record keeping.

2. A BSFI and its branches/other offices shall maintain complaints/requests register which contains the following information:
 - a. Name of the complainant;
 - b. Subject/nature of the complaint;

The subject/nature of complain may be indicated by classification, such as those related to credit cards, deposits, administrative, foreign exchange, remittances, investments, others;

- c. Name of the personnel directly handling/in-charge of the complaint and officer supervising the resolution of the complaint;
 - d. Date of receipt of complaint by the BSFI;
 - e. Actions taken on the complaint or request;

- f. Resolution provided;
 - g. Date of resolution; and
(The complaint register must reveal the reason in case the date of resolution falls outside the regulatory deadline.)
 - h. Other information such as, log and details of phone calls made or received.
3. The Consumer Assistance Group/Head Consumer Assistance Officer shall maintain:
- a. A master register of all complaints received by the BSFIs and its branches/other offices; and
 - b. A complaint database to identify the trend of complaints received, potential problems, and risks.

K. Risk Assessment Strategies

Pursuant to the BSFI's Consumer Protection Risk Management System, the BSFI shall put in place appropriate management controls and take reasonable steps to ensure that in handling complaints/requests, it: i) identifies and remedies any recurring or systemic problems; and ii) identifies weaknesses in the BSFI's internal control procedure or process. This may be done by:

- 1. Analyzing complaints/requests data;
- 2. Analyzing causes for complaints/requests;
- 3. Considering whether such identified weaknesses may also affect other processes or products, including those not directly complained of/requested; and
- 4. Correcting, whether reasonable to do so, such causes taking into consideration the concomitant costs and other resources.

L. Complaint Reporting

- 1. Internal Reporting
 - a. The Consumer Assistance Officers in the branches, extensions office and other offices of the BSFI shall submit a complaints report to the Consumer Assistance Group /Head Consumer Assistance Officer on a monthly basis.
 - b. Complaints report shall be submitted on a monthly basis by the Consumer Assistance Group/Head Consumer Assistance Officer to the Board and Senior Management.

- c. The report shall include, as a minimum:
 - i. General category of complaints received;
 - ii. Statistics/frequency of said complaints;
 - iii. Aging of complaints or requests;
 - iv. Explanations on deviations, if any, from required resolution period; and
 - v. General description of resolutions and actions taken to resolve complaints/requests;
 - d. The report shall include recommendation on how to avoid recurring complaints and suggestions for process/personnel competency improvement, as needed.
 - e. The report of the BSFI's Compliance and Internal Audit Departments concerning the independent review conducted on the complaints report, policy recommendations, and consumer protection compliance, shall be elevated to Board every quarter.
 - f. The BSFI shall include complaints/requests statistics in its Annual Report.
2. Reporting to the BSP

A BSFI shall submit a consolidated Complaints Report to the Supervisory Data Center (SDC) of the Supervision and Examination Sector on a quarterly basis. Such report shall be submitted in the format required by BSP. Submission of the report to the SDC shall not be later than one (1) month after the end of every quarter. A Complaints Report is a Category B Report for purposes of applying the appropriate monetary penalty.

M. Interface with BSP

- 1. Pursuant to BSP's Consumer Protection Framework, a BSFI shall exhaust all internal remedies available to address the issues raised by the consumers in their complaints/requests.
- 2. Consumers dissatisfied with BSFI's response or action may seek assistance with BSP-FCAG in accordance with BSP Consumer Assistance Mechanism.

3. Allegations of consumers that the BSFI has not properly and efficiently handled, processed, and responded to their concerns shall be validated, and where appropriate, considered in FCAG's assessment of the BSFI's compliance with BSP Consumer Protection regulations. This is without prejudice to the imposition of appropriate enforcement actions. It is presumed that the higher number of complaints received by the BSP reflects the non-effectiveness of the BSFI's CAMS.

N. Outsourcing of Handling Consumer Concerns

In outsourcing handling of consumer concerns, a BSFI shall:

1. Conduct due diligence in the selection of the outsourced entity/person;
2. Be responsible for the performance thereof in the same manner and to the same extent as if performed by itself;
3. Comply with all laws and regulations governing the consumer assistance activities/services performed by the outsource entity/person in its behalf; and
4. Manage, monitor, and review on an ongoing basis the performance by the outsource entity/person of the outsourced consumer assistance activities/services.

O. Accountability and Rewards

In order to ensure fair treatment and responsible business conduct of personnel engaged in consumer relations, a performance appraisal system which considers the performance of the personnel assigned to manage/handle complaints shall be put in place. The performance appraisal of the personnel shall be linked to their efficiency in handling consumer complaints. This could be done through rewards/remuneration for excellent behavior.

P. Consumer Assistance to Persons with Disabilities (PWDs) and non-English Speakers

As far as practicable, a BSFI shall take into account the needs of PWDs, such as, but not limited to those with learning difficulties, people who are deaf or hard of hearing, the visually impaired, and the non-English speakers, in ensuring that they understand the CAMS.

Q. Repealing Clause

These guidelines supersede/amend/modify other existing regulations on timelines for the BSFI's complaints handling, except for those provided under Section X320.13 of the MORB on complaints concerning credit card billing errors and discrepancy.