

COMPLIANCE MANUAL

Updated as of November 30, 2023

REVISED COMPLIANCE MANUAL

TABLE OF CONTENTS

PART I INTRODUCTION

A. Title, Objective and Elements	1
1. Title	1
2. Objective	1
3. Elements	2
B. Cross-Border Compliance Issues	3
C. Outsourcing of Compliance Risk Assessment and Testing	3

PART II COMPLIANCE RISK MANAGEMENT SYSTEM

A. Compliance Organizational Structure	4
1. Functional Organizational Chart	4
1.1 Detailed Functional Organization Chart of Compliance Center	4
2. Responsibilities of the Board of Directors and Senior Management on Compliance	6
3. Compliance Function	6
3.1 Definition	6
3.2 Status	7
a. Independence	7
b. Authority	7
c. Reporting Lines	8

d. Relationship with Other Units of the Bank	8
3.3 Functions of the Compliance Center	8
3.4 Duties and Responsibilities and Qualifications of the Chief Compliance Officer (CCO)	10
3.5 Duties and Responsibilities of AML Unit Head	12
3.6 Duties and Responsibilities of Compliance Testing Unit Head	13
3.7 Duties and Responsibilities of Validation Officer	13
3.8 Duties and Responsibilities of Corporate Governance Officer	15
3.9 Duties and Responsibilities of the Compliance Officer For Data Privacy	16
3.10 Duties and Responsibilities of the Associated Person	17
3.11 Duties and Responsibilities of Compliance Officers	
i. AML Unit	18
ii. Compliance Testing Unit	21
iii. FATCA/Responsible Officer	22
3.12 Duties and Responsibilities of the Compliance Specialist	
i. AML Unit	22
ii. Compliance Testing Unit	24
iii. Validation Unit	25
iv. Corporate Governance Unit	26
v. Data Privacy Unit	27
vi. FATCA	27
3.13 Duties and Responsibilities of the Compliance Coordinator	28
3.14 Roles of Officers and Staff of the Bank	28
4. Compliance Charter	29
B. Compliance Program	29
1. Identification of Compliance Risks	29
2. Assessment of Risks	32
3. Periodic Compliance Testing and Reporting of Exceptions	33
4. Annual Updating	35
5. Approval	35
C. Relationship with Regulatory Agencies	35
D. Compliance Training and Communication Process	36

E. Monitoring and Assessment	37
F. Policies and Procedures	38
1. Identifying the basic banking and corporate laws...	38
2. Disseminating regulatory requirements...	38
3. Maintenance of a Compliance library...	38
4. Liaison for regulatory agencies...	38
5. Providing assistance in the preparation of responses to correspondences...	38
6. Implementation of new laws and regulations...	38
7. Consultancy...	39
8. Submission to regulators...	39
9. Periodic Compliance Testing and Reporting of Exceptions	40
10. Penalty/Performance Rating	43

Annexes

Annex 1	Compliance Charter
Annex 2	Resultant Risk
Annex 3	List of Sanctions and Penalties
Annex 4	Compliance Risk Assessment Matrix (CRAM)
Annex 4A	Guidelines on Validation of Self-Assessment/Testing by Unit Compliance Coordinator
Annex 5	Unresolved Self-Assessment Issues Report
Annex 6	Monitoring Mechanism for the Submission of Self-Testing Reports
Annex 7A	Monthly Report to the Board of Directors and Corporate Governance Committee
Annex 8	Compliance Testing Guidelines
Annex 8A	Risk Factor
Annex 8B	Compliance Testing Program Guide (CTPG)
Annex 8C	Compliance Testing Working Paper - Branches
Annex 8D	Compliance Testing Report
Annex 8E	Compliance Rating Matrix for Branches
Annex 8F	Compliance Rating Matrix for Head Office Units
Annex 8G	Compliance Rating Sheet for Branches
Annex 8H	Compliance Rating Sheet for Head Office Units
Annex 8I	Guidelines to Address Long Outstanding Unresolved Issues/Deficiencies/Findings for Branches
Annex 8J	Guidelines to Address Long Outstanding Unresolved Issues/Deficiencies/Findings for Head Office Units
Annex 10	Self-testing/Assessment and Reporting Procedures and Guidelines by Compliance Coordinator
Annex 11A	Status of Compliance Testing Findings/Observation (Independent Compliance Testing)
Annex 11B	Outstanding Exceptions based on Self-Assessment
Annex 12	Monitoring of Regulatory Limits
Annex 13	Guidelines on Compliance Rating to All Branches and Head Office Units

PART I - INTRODUCTION

A. Title, Objective and Elements

1. Title

Philippine Business Bank, Inc. Revised Compliance Manual.

This Revised Compliance Manual was developed pursuant to BSP Circular No. 747 dated February 6, 2012, which amended the entirety of Section X180 (now Section 161) of the Manual of Regulations for Banks (MORB) and mandated all banks to develop and implement a robust, dynamically-responsive and distinctly-appropriate compliance system that actively promotes the safety and soundness of the Philippine banking system, and appoint a Chief Compliance Officer to oversee the design and promote the effective implementation of such compliance system. On August 22, 2017, Section X180 (now Section 161) was further amended by BSP Circular No. 972 which further requires BSP-supervised financial institutions (BSFIs) to identify and mitigate risks that may erode their franchise value as a result of their failure to comply with laws, rules, related self-regulatory organization standards, and codes of conduct applicable to its activities. This Revised Compliance Manual also defined the responsibilities of the Board of Directors and Senior Management on compliance, the status, authority and independence of the compliance function; the duties and responsibilities of the Chief Compliance Officer, and the roles of officers and staff on compliance function; and established the policy of the Bank on cross-border compliance issues and outsourcing of compliance risk assessment and testing.

The Philippine Business Bank, Inc. adopts this Revised Compliance Manual, as amended, to put in place its own culture of compliance that is suitable to its needs and requirements, anticipate, reinforce and strengthen its compliance with existing laws, rules and standards and to give the Chief Compliance Officer a better appreciation of his role in contributing to the maintenance of a sound and stable bank.

2. Objective

To develop and implement a compliance system that will provide reasonable assurance that the Bank and its employees comply with relevant banking and corporate laws, regulations, rules and standards in order to promote safe and sound banking operations.

3. Elements

3.1. A written Compliance Manual approved by the Board of Directors that:

- i. Reflects and describes the Compliance Program of Philippine Business Bank, Inc. (PBB) that is distinct and separate from the Risk Management and Internal Audit Programs.
- ii. Enables the Bank to identify laws, regulations, rules and standards applicable to its operations, analyze the corresponding risks of non-compliance and prioritize compliance risks.
- iii. Provides for periodic compliance testing of applicable legal, regulatory and policy requirements.
- iv. Defines the responsibilities of the Board of Directors and Senior Management on compliance.
- v. Defines the functions of the compliance office, its status, authority, and relationship with other units of the Bank.
- vi. Defines the duties and responsibilities of the Chief Compliance Officer, Compliance Coordinators and other personnel involved in the compliance function.
- vii. Consistently ensures the integrity and accuracy of documentary submissions by the Bank.
- viii. Will be reviewed and updated at least annually to incorporate new/changes in laws, regulations, rules and standards and to be approved by the Board of Directors.

3.2. A constructive working relationship with various regulatory agencies wherein the Chief Compliance Officer and his authorized representative/s may consult, whenever necessary, such regulatory agency for clarification of specific provisions of laws and regulations.

3.3. A clear and open communication process within the Bank to educate/orient employees and address compliance matters.

3.4. Continuous monitoring and assessment of the Compliance Program.

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

B. Cross-border Compliance Issues

Section 161 of the Manual of Regulations for Banks (MORB) requires that the compliance function for institutions that conduct business in other jurisdictions should be structured to ensure that local compliance concerns are satisfactorily addressed within the framework of the compliance policy for the organization as a whole. As there are significant differences in legislative and regulatory frameworks across countries or from jurisdiction to jurisdiction, compliance issues specific to each jurisdiction should be coordinated within the structure of the institution's group-wide compliance policy. The organization and structure of the compliance function and its responsibilities should be in accordance with local legal and regulatory requirements.

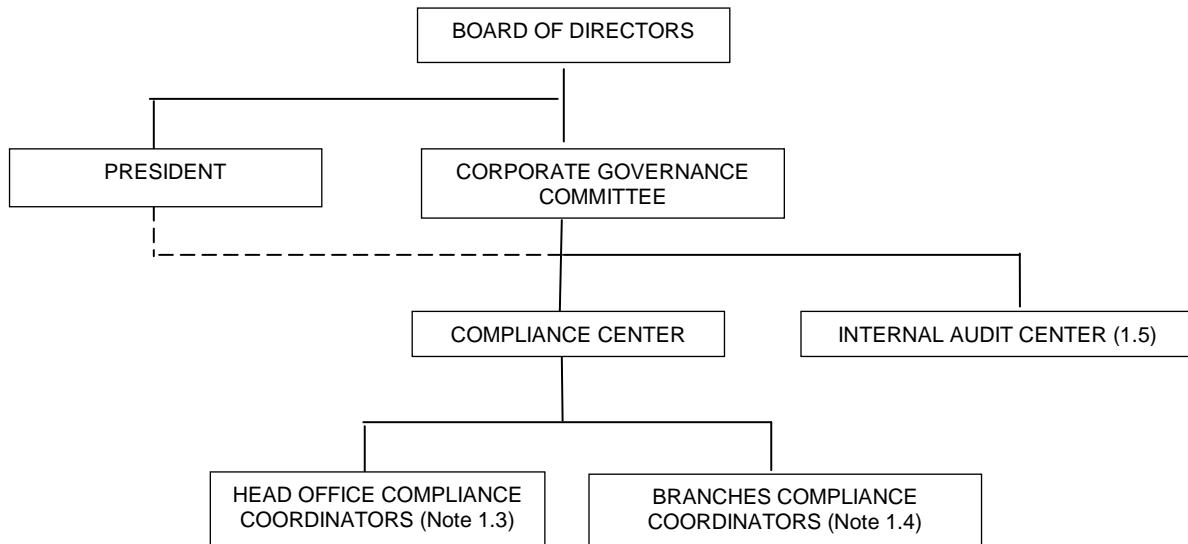
C. Outsourcing of Compliance Risk Assessment and Testing

Section 112 allows the outsourcing of review, assessment and testing of the compliance program to qualified third parties but subject to appropriate oversight by the Chief Compliance Officer and that a copy of the outsourcing agreement stating the duties and responsibilities as well as rights and obligations of the contracting parties, duly approved by the Board of Directors is submitted to the appropriate BSP Supervising and Examining Department at least 30 days prior to its execution to enable review of its compliance with existing regulations on outsourcing of banking functions.

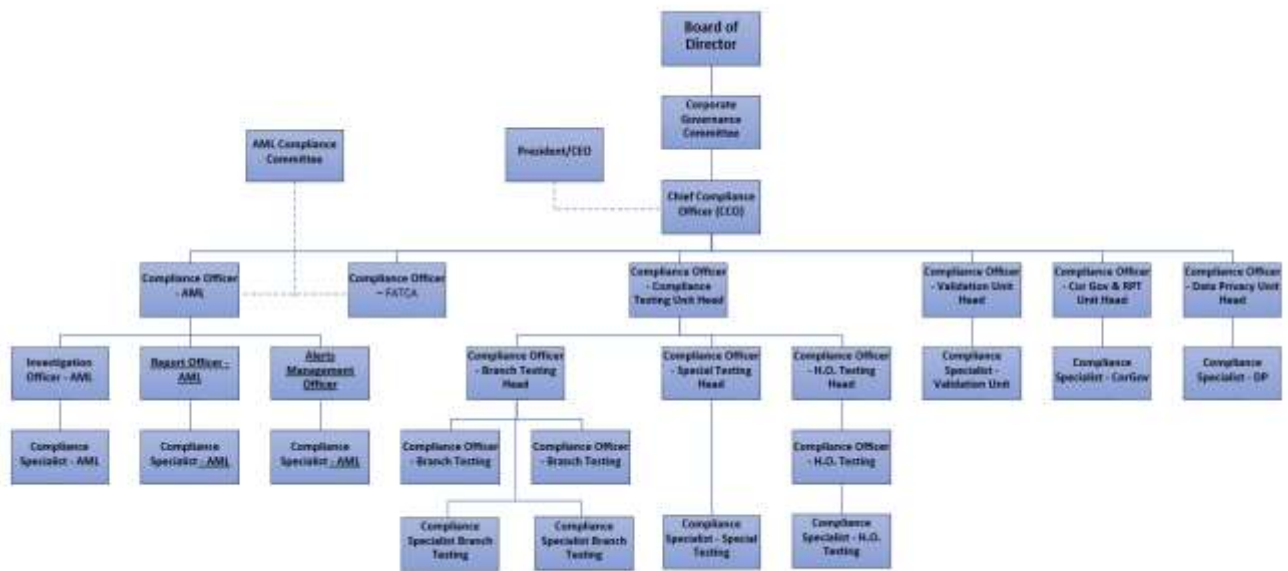
PART II - COMPLIANCE RISK MANAGEMENT SYSTEM

A. Compliance Organizational Structure

1. Functional Organizational Chart



Detailed Functional Organizational Chart of Compliance Center



Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

Notes:

The Compliance Organizational Structure defines the bank-wide functional relationships in the exercise of the compliance responsibility. The Chief Compliance Officer reports administratively to the President and functionally to the Corporate Governance Committee and exercises functional supervision over the designated Compliance Coordinators of the various units relative to the compliance functions being performed/handled by them.

This is distinct and separate from the Table of Organization defining the structure of the Compliance Center headed by the Chief Compliance Officer.

- 1.1. In addition to their regular duties, the Compliance Coordinators also perform compliance functions in their respective units.
- 1.2. The designated Compliance Coordinators are mostly officers of the respective units and have direct reporting line to the Compliance Center for the compliance function.
- 1.3. For Head Office units, Compliance Coordinators are designated by their Unit Heads and concurred in by the Chief Compliance Officer.

Copies of the designation letters and the corresponding duties and responsibilities duly acknowledged by the Compliance Coordinators are provided to Human Resources Group to form part of their respective Job Descriptions.

- 1.4. For branches, the Branch Service Heads (BSH) are automatically designated as the Compliance Coordinators and as such, the duties and responsibilities of Compliance Coordinators are added to their Job Description.
- 1.5. The Compliance Program operates as part of the Bank's internal control and parallel to Audit Program, thus, Internal Audit Center is part of the Compliance Functional Organizational Structure. It is tasked to review and validate implementation of the Compliance Program.
- 1.6. Compliance function is the "responsibility and shared accountability of all Personnel, Officers and the Board of Directors." Hence, the responsibility for ensuring compliance with laws, rules and standards within the unit rests with the line manager, his officers and staff. Each personnel shall perform his role to achieve full compliance. The Chief

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

Compliance Officer through the designated personnel will serve as coordinator, adviser and overseer of the compliance process within the unit.

- 1.7. For compliance continuity, the concerned Unit/Division/Group Head shall fill up immediately the vacancies in the Compliance Coordinators' rank by designating the chosen candidate, subject to the concurrence by the Chief Compliance Officer.

2. Responsibilities of the Board of Directors and Senior Management on Compliance

The Board of Directors ensures that an appropriate compliance program is defined and adopted by the Bank and that compliance issues are resolved expeditiously. For this purpose, it shall task the Corporate Governance Committee to oversee the implementation of the compliance program. Corporate Governance Committee shall review and approve the performance and compensation of the Chief Compliance Officer (CCO) as well as the budget of the compliance function.

The Senior Management through the Chief Compliance Officer is responsible for: (i) establishing a compliance program, (ii) ensuring that it is adhered to, (iii) periodically reporting to the Corporate Governance Committee and/or Board of Directors on matters that affect the design and implementation of such compliance program, including material breaches thereon, (iv) addressing promptly such material breaches of the compliance program and (v) assessing its effectiveness and appropriateness.

3. Compliance Function

3.1 Definition

Compliance Function is an independent function that defines, advises on, monitors and reports on the Bank's compliance risks. It shall facilitate effective management of compliance risk by: (a) advising the Board of Directors and Senior Management on relevant laws, rules and standards, including keeping them informed on developments in the area; (b) apprising the Bank's personnel on compliance issues, and acting as contact point with the Bank for compliance queries from its personnel; (c) establishing written guidance to staff on the appropriate implementation of laws, rules and standards through policies and procedures and other documents such as compliance manuals, code of conduct and practice guidelines, (d) identifying, documenting and assessing the compliance risks associated with the Bank's business activities, including new products and business units; (e) assessing the appropriateness of the Bank's compliance procedures and guidelines,

promptly following up any identified deficiencies, and where necessary, formulating proposals for amendments; (f) monitoring and testing compliance by performing sufficient and representative compliance testing; and (g) maintaining a constructive working relationship with the BSP and other regulatory agencies.

For all intent and purposes, the compliance function shall focus on identifying and mitigating risks (e.g., legal or regulatory sanctions, material financial loss, or loss to reputation) that may erode the franchise value of the Bank as a result of its failure to comply with laws, rules, related self-regulatory organization standards, and code of conduct, or inability to manage conflict of interest, treat customers fairly and money laundering and terrorist financing activities.

3.2 Status

a. Independence

- i. The compliance function shall be independent from the business activities of the Bank.
- ii. It shall be provided with sufficient resources to carry out its responsibilities on its own initiative in all units where compliance risks exist.
- iii. It shall have the right to conduct investigation and be free to report to Senior Management, Corporate Governance Committee and/or the Board of Directors material breaches of the Compliance Program and/or laws, rules and standards, without fear of retaliation or disfavor from Management or other affected parties.
- iv. It shall have access to all operational areas as well as any records or files necessary to enable it to carry out its duties and responsibilities.

b. Authority

To carry out its Compliance responsibilities effectively, the Compliance Center:

- i. May enter all areas of the Bank and have access to any documents and records considered necessary for the performance of its responsibilities; and

- ii. Shall have the right to require any member of the Management and Staff to promptly supply information and/or explanations as may be needed to carry out its functions.

The Chief Compliance Officer shall have the right to attend as observer any meeting as he/she deems appropriate where compliance risk exists.

- c. Reporting Lines

The Chief Compliance Officer shall functionally and administratively be under the direct supervision of the Board of Directors (through the Corporate Governance Committee) and the President, respectively.

- d. Relationship with Other Units of the Bank

In addition to the specific collaboration, Compliance Center, Legal Services Group, Internal Audit Center and Enterprise Risk Management Group shall exert effort to ensure good coordination and continued cooperation.

Compliance Center shall seek legal and interpretative advice from the Legal Services Group on banking and corporate laws compliance matters, in particular through regular bilateral meetings. As necessary, the Legal Services Group may arrange for consultation with external experts. The Chief Compliance Officer retains primary responsibility for relations with the regulatory agencies and is involved in responding to external compliance-related inquiries.

To the same extent as other systems of the Bank, the Compliance System shall be subject to periodic review by the Internal Audit Center.

3.3 Functions of the Compliance Center

- a. Prepares the Bank's Compliance Program, updates the same and, in coordination with concerned units of the Bank, ensures adherence to Bank's policies and procedures, relevant banking laws, rules and regulations of the BSP, SEC, PDIC, BIR and other regulating agencies. Assists concerned units identify compliance risks and analyzes the corresponding sanctions for non-compliance;
- b. Oversees and coordinates the implementation of the Bank's Compliance Program;

- c. Conducts on site/off site compliance testing on pre-selected units of the bank;
- d. Ensures designation of Unit Compliance Coordinator (UCC) by the respective group heads; provides concerned units with checklists of regulatory and reportorial requirements of BSP, PDIC, BIR and other regulatory agencies to serve as their guide in ensuring compliance thereto; coordinates with the Bank's Legal Services Group on legal issues;
- e. Reviews and evaluates the self-testing reports submitted by the Unit Compliance Coordinators;
- f. Provides advisory services to officers and staff on compliance matters; likewise, provides the front-line staff and officers a clear understanding of banking laws, policies and regulations of the BSP and other regulatory agencies through written policies and procedures and other documents such as compliance manuals, internal codes of conduct and practice guidelines;
- g. Consults, when necessary, with appropriate department of the BSP, PDIC, SEC, BIR and other regulatory agencies regarding the interpretation of certain provisions of laws or regulations, and Anti-Money Laundering Council for the proper implementation of the requirements of the Anti-Money Laundering Act, as amended, on covered and suspicious transactions and freezing of accounts;
- h. Ensures submission of Covered Transaction Reports (CTR) and Suspicious Transaction Reports (STR) on a bank-wide basis to the AMLC within the prescribed period from occurrence thereof;
- i. Conducts preliminary evaluation of suspicious transaction reports and convene the Anti-Money Laundering Committee of the Bank for the final determination of the grounds for reporting to the AMLC, if necessary;
- j. Provides the Board and/or its appropriate committee with reports concerning the Bank's state of compliance with rules and regulations of BSP and other regulatory bodies;
- k. Ensures dissemination of banking laws, rules and regulations; and
- l. Maintains constructive relationship with the BSP and other regulatory agency.

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

3.4 Duties and Responsibilities and Qualifications of the Chief Compliance Officer (CCO)

The CCO is the lead senior officer of the Bank for the purpose of administering the compliance program and interacting with BSP, on compliance-related issues. The principal function of the CCO is to oversee, the design of the compliance risk management system, which shall contain basic elements prescribed under Subsection 161 of the MORB, promote its effective implementation and address breaches that may arise. The CCO reports functionally to the Board of Directors through the Corporate Governance Committee. He shall have the following responsibilities, among others:

- a. Ensures that the compliance risk management system is designed to specifically identify and mitigate compliance risks, which may erode the franchise value of the Bank;
- b. Supervises the compliance function and ensures that it shall have formal status within the Bank, which shall be established by a charter duly approved by the Board of Directors that defines the compliance function's standing, authority and independence, and addresses the following issues:
 1. Measures to ensure the independence of the compliance function from the business activities of the Bank;
 2. The organizational structure and responsibilities of the unit or department administering the compliance program;
 3. The relationship of the compliance unit/department with other functions or units of the organization, including the delineation of responsibilities and lines of cooperation;
 4. Its right to obtain access to information necessary to carry out its responsibilities;
 5. Its right to conduct investigations of possible breaches of the compliance policy;

6. Its formal reporting relationships to senior management, the Board of Directors, and the appropriate board-level Committee; and
 7. It's right of direct access to the Board of Directors and to the appropriate level Committee.
- c. Ensures that that the Compliance Charter is communicated throughout the Bank;
 - d. Manages the Compliance Program of the Bank; and
 - e. Liaises with the Regulatory Agencies i.e. BSP, SEC and PDIC.

Because of his enormous responsibilities, the Chief Compliance Officer shall have the following minimum qualifications:

- a. With sufficient experience in compliance or internal audit function in a senior officer capacity in a universal/commercial bank or thrift bank with complex operations;
- b. Has extensive knowledge in banking operations, particularly in:
 1. Branch operations;
 2. Credit/lending operations;
 3. Treasury/investment operations;
 4. Trade finance operations;
 5. Foreign exchange/FCDU operations
 6. Trust Operations; and
 7. Clearing operations;

banking laws, rules and regulations; Anti-Money Laundering Act (AMLA), as amended, its Revised Implementing Rules and Regulations as well as the BSP regulations on AMLA (R.A. 9160), as amended; local and national tax laws, particularly on income and real estate taxes; accounting standards, particularly those that govern the financial accounts of the Bank; US FATCA Regulations; SEC regulations pertaining to securities transactions; Data Privacy Act; basic corporate governance principles; and risk management frameworks on credit, market and operations (including IT risk governance);

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

- c. Proficient in English writing, particularly reports, policies and procedures and manuals;¹ and
- d. Has attended seminars and/or trainings relevant to corporate governance, compliance, risk management and internal audit functions.

3.5 Duties and Responsibilities of AML Unit Head

- a. Assists the Chief Compliance Officer (CCO) of the Bank in the following:
 - 1. Overseeing the day-to-day operations of the Compliance Center – AML Unit;
 - 2. Preparation of any proposed updates and/or amendments on the MTPP;
 - 3. Monitoring of the implementation of the MTPP of the Bank, including the following:
 - a) Ensuring compliance of the Bank with the KYC, reporting and record keeping provisions of the AMLA, as amended;
 - b) Review reports of suspicious/unusual transactions received from the AML /TF Investigations Officer for appropriate disposition, including endorsing/recommending the filing of STRs, when necessary, to the AML Compliance Committee for approval thru the CCO;
 - c) Conducts of AML related trainings for new hires, refreshers, UCCs and other AML training requirements, and respond to any AML related inquiries of the banking units;
 - 4. Reporting to the AML Compliance Committee and the Corporate Governance Committee on AML related matters;
 - 5. Managing and responding to Internal Audit and BSP/AMLC examinations pertaining to the Bank's compliance with AML/TF regulations;
- b. Perform any other duties as maybe assigned by the CCO from time to time.

¹ Required but not preferred.

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

3.6 Duties and Responsibilities of Compliance Testing Unit Head

- a. Assists the Chief Compliance Officer in the proper implementation of the Bank's Compliance Program, particularly in the conduct of compliance testing, reporting of exceptions, monitoring and evaluation of compliance issues;
 1. Assist the CCO in the planning of the independent compliance testing;
 2. Act as the lead during the conduct of the independent compliance testing;
 - a) Review, assesses and perform testing of HO units'/branches' compliance with laws, regulations, rules and other regulatory requirements;
 - b) Review the findings/issues noted by the Senior Compliance Specialist (SCS) /Compliance Specialist (CS). Summarizes, documents and report findings to the CCO; and
 - c) Monitors/review the completion of corrective actions on compliance issues/ findings and reports the status to the CCO;
 3. Reports to CCO the periodic compliance testing reports being submitted by the Compliance Coordinators;
 4. Assist the CCO during the BSP examination; and
 5. Perform any other duties as maybe assigned by the CCO from time to time.

3.7 Duties and Responsibilities of Validation Officer (VO)

Assist the Chief Compliance Officer in ensuring the accuracy and completeness of regularization processes related to BSP findings by validating information, identifying discrepancies, and implementing corrective actions to maintain compliance and quality standards.

- a. Validation Process:

1. Assist the CCO in conducting thorough validation of BSP findings to ensure accuracy and completeness;
 2. Collaborate with relevant unit/department to gather necessary documentation and information;
 3. Develop and implement validation protocols and procedures;
- b. Documentation and Recordkeeping:
1. Assist the CCO in maintaining detailed and organized records of validation activities;
 2. Assist the CCO in verifying the completeness of documentation related with BSP findings;
- c. Quality Assurance:
1. Implement quality control measures to uphold standards in regularization processes;
 2. Identify and address discrepancies, recommending corrective actions as needed;
 3. Work closely with cross-functional teams to enhance overall process quality;
- d. Communication and Collaboration:
1. Communicate effectively with other unit/department that involved in the validation process;
 2. Provide regular updates on validation progress;
- e. Assist the CCO during the BSP examination and

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

- f. Perform any other duties as maybe assigned by the CCO from time to time.

3.8 Duties and Responsibilities of Corporate Governance Officer

- a. Assists the Chief Compliance Officer in the preparation, update and implementation of the Corporate Governance Manual of the Bank and ensures timely submission of the same to the SEC;
- b. Reviews the various board committee charters, particularly on the composition/membership of the committees, ensuring that they are complete and comply with the regulatory requirements;
- c. Ensures timely dissemination of new issuances by the BSP, SEC and other regulatory agencies to concerned units of the Bank on matters affecting corporate governance;
- d. Prepares comments on the draft exposures of proposed regulations affecting corporate governance by the regulators for evaluation/ review by the Chief Compliance Officer;
- e. Prepares and ensures submission of the Annual Corporate Governance Report (ACGR) to the SEC;
- f. Assists the Corporate Governance Committee in the conduct of self- assessment by the Members of the Board of Directors, Board Committees and Senior Management every January of each year, particularly in the distribution of the Self-Assessment Forms to the Members of the Board of Directors, Board Committees and Senior Management and in the preparation of summary of the results of such self-assessment;
- g. Coordinates and monitors the corrective actions to be taken/taken on findings/issues covered by the Compliance Testing Results and BSP examination reports such as BSP Advance Reports of Examination (AREF), Report of examination (ROE) and Letters of Commitment (LOC);
- h. Checks regulatory issuances from the regulator's websites, i.e. BSP, PDIC, SEC, BIR, etc. to be disseminated to all concerned units of the Bank for their information/guidance and compliance;

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

- i. Issues clarifications, after the same have been cleared with the Chief Compliance Officer, regarding a particular regulatory issuance that may affect the bank operations;
- j. Prepares Report on Crimes and Losses and Event Driven Reports Notification (EDRN) and undertakes its submission to the BSP after the same has been duly signed by the Chief Compliance Officer;
- k. Assists the CCO during the BSP examination; and
- l. Perform any other duties as maybe assigned by the CCO from time to time

3.9 Duties and Responsibilities of the Compliance Officer for Data Privacy (COP)

- a. Assists and works closely with the Data Protection Officer (DPO) who acts as the Bank's point of contact for privacy-related matters;
- b. Oversees the compliance of the Bank with the Data Privacy Act of 2012, its Implementing Rules and Regulations, and other related policies and procedures;
- c. Conducts trainings or seminars to keep personnel updated in data privacy and security at least once a year;
- d. Conducts Privacy Impact Assessment (PIA) to identify and mitigate potential privacy risks associated with projects, activities, processes, and systems involving the processing of personal data and will set on priority those collection points that are identified as "high-risk";
- e. Engages with the National Privacy Commission (NPC) and other local privacy meetings and gatherings shall be documented by way of photos and important materials, as may be available;
- f. Oversees the security of customer and employee personal information and monitors for data breaches, if applicable;
- g. Develops and maintains incident response plan for data breaches, together with the Data Breach Response Team (DBRT), including reporting to the National Privacy Commission as required by law;

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

- h. Handles customer inquiries and requests related to their personal data and privacy concerns;
- i. Assists the Data Protection Officer (DPO) in reviewing and evaluating the Data Privacy Manual periodically; and
- j. Performs other tasks and duties that may be assigned by the Data Protection Officer (DPO) from time to time.

3.10 Duties and Responsibilities of the Associated Person

The Associated Person shall be responsible for maintaining a system to supervise the activities of all persons employed by the Bank who are directly or indirectly involved in the conduct of its securities business. He oversees compliance of the Bank with SEC Rules and Regulations and PDEX and Trading Participants' internal rules and procedures at all times, including those of its officers, Registered Personnel and other employees involved in its securities business. In particular, the Associated Person shall:

- a. Have a general knowledge of the operations of the Bank as Broker Dealer without necessarily engaging or actively participating in the day-to-day operations of the Bank;
- b. Develop procedures, and monitor on a daily basis, compliance with financial resource requirements for Broker Dealer/Trading Participant under existing SEC regulations;
- c. Supervise and provide trainings to other employees, agents, salesmen, officers, directors, clerks, stockholders of the Bank in compliance with the Securities Regulation Code and the rules and regulations adapted thereon;
- d. Notify discontinuation of employment of a salesman or associated person and the reasons therefore, by filing SEC Form 28-T to the SEC not later than thirty (30) days after such discontinuation of employment, with copy thereof to be provided to the PDEX;

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

- e. Receive all SEC/PDEx notices and ensure compliance with the requirements of such notice; oversee compliance with legislative and other regulatory requirements;
- f. Ensure that all salesmen of the Bank are registered with the SEC and that the Commission is notified when any salesmen is no longer employed by the Bank;
- g. Promptly report to Senior Management all occurrences of material breach by the Bank or its officers and staff with the legal or regulatory requirements as well as with the Bank's own policies and procedures on securities trading and keep and maintain a logbook/record of such reports, with appropriate notations of action taken thereon by the trading unit. The logbook/record shall be kept updated both with respect to its contents and its registration with the SEC;
- h. In the event of any breach or error arising in respect of any trades entered into by the Trading Unit, assist the concerned authorized personnel to take necessary actions to rectify the breach or to eliminate the error;
- i. Prepares, initials/signs and files with the SEC not later than fifteen (15) days after the end of each calendar quarter, a compliance report on the Bank's compliance and/or non-compliance with the provisions of the Securities Regulations Code and its implementing rules and regulations; and
- j. Prepares initials/signs and files with PDEx not later than five (5) days after the end of each reference month, a Monthly Certification Report on the Bank's compliance with Rule 3.3.1 of the PDEx Rules for Fixed Income Securities.

3.11 Duties and Responsibilities of Compliance Officers

i. AML Unit

For Investigation

- a. Monitors and investigates transactions and accounts for potentially suspicious transactions/activities identified/flagged by the AML system and escalated by the concerned units;

- b. Responsible for the appropriate collection and analysis of documents to assist in identifying unusual transaction patterns through research via available Bank systems and commercial databases, as well as the internet;
- c. Responsible for the preparation of suspicious transaction report pertaining to the result of investigation conducted;
- d. Assists the Compliance Testing Unit in assessing testing exceptions/findings to determine if it merits further investigation and/or filling of STR/s, and assist in identifying red flags/suspicious indicators;
- e. Organize the implementation of Freeze Order (FO) sent by Legal Office and/or AMLC and coordinates with respective branches for the freezing of accounts as well as the lifting of any FO upon receipt of an order from AMLC or the Court, and sends E-returns to Legal Department and coordinate with the AML Report Officer for the reporting of E-returns to the AMLC Portal;
- f. Handles/respond to any AMLC inquiries;
- g. In-charge of any AML IT Projects including preparation of Business Requirement Document (BRD) and project work plan, as well as monitoring of its implementation; and
- h. Perform other duties assigned or required by the AML Unit Head and/or of the Chief Compliance Officer from time to time.

For Reports

- a. In-charge in generating the bank-wide Covered Transaction Reports (CTRs) thru the AML system and submit the same electronically to the AMLC within the prescribed period;

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

- b. In-charge in monitoring the CTR transmission, the request of branches/HO units on the rejection of CTRs and the maintenance of CTR files (hard and soft copies);
- c. Assists and/or perform the duties of other AML Unit personnel in their absence;
- d. Prepares reports or materials for presentation during AML Compliance Committee and Corporate Governance Committee meetings;
- e. In-charge of the Bank's registration with the AMLC (to be given access on the portal) and of uploading all E>Returns to the AMLC Portal;
- f. Sending of important advisories to Branches and Head Office units with regard to CT/ST Reporting, KYC process and use of Integral360 AML System;
- g. Respond to Branches and HO units on inquiries regarding proper use of AMLA codes and other AML-related concerns; and
- h. Perform other duties as maybe assigned by the AML Unit Head/CCO from time to time.

For Alert Management

- a. Monitoring the alerts generated by the system for timely disposal by the branches/banking units and reporting the results to the AML Compliance and/or Corporate Governance Committees;
- b. Conduct review/checking of the alerts disposed of by the Branches /banking units, including evaluation of the answers on the task questions and the submitted supporting documents;

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

- c. Initiate the review/investigation of an account with suspicious indicators as noted in the review of alerts, and refer the same to the Investigation Officer for further investigation and filing of STR, when necessary;
 - d. Monitor and review of the alert management system and provide any recommendation for any improvement/enhancement, when deemed needed;
 - e. Respond to Branches and HO units on inquiries regarding alert dispositions and other AML-related concerns;
 - f. In-charge in monitoring the conduct of AML related trainings, its materials and records;
 - g. Generation/gathering of some information/data required for reporting to the AML Compliance Committee and the Corporate Governance Committee;
 - h. Assists and/or serves as reliever to other AML Unit personnel to perform necessary day-to-day work in their absence; and
 - i. Performs other duties assigned or required by the AML Unit Head/CCO from time to time.
- ii. Compliance Testing Unit
- a. Assist the CCO and CTU Head in the planning of the independent compliance testing;
 - b. Act as the lead during the conduct of the independent compliance testing.
 - 1. Review, assesses and perform testing of HO units'/branches' compliance with laws, regulations, rules and other regulatory requirements;

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

2. Review the findings/issues noted by the Senior Compliance Specialist (SCS) /Compliance Specialist (CS). Summarizes, documents and report findings to the CCO;
 3. Monitors/review the completion of corrective actions on compliance issues/ findings and reports the status to the CCO;
 4. Reviews the periodic compliance testing reports being submitted by the Compliance Coordinators; and
 5. Assesses the risks level of each exception reported by the Compliance Coordinators;
- c. Assist the CCO during the BSP examination; and
 - d. Perform any other duties as maybe assigned by the CCO from time to time.

iii. For FATCA/Responsible Officer

- a. Acts as Responsible Officer for FATCA compliance;
 1. Ensures establishment of compliance program that includes policies, procedures, and processes sufficient to comply with FATCA rules;
 2. Ensures proper implementation of FATCA compliance program; and
 3. Reviews the sufficiency of the Bank's compliance program.
- b. Prepares the required periodic certifications subject to the approval of the Senior Management and ensures submission to the IRS or to the Bureau of Internal Revenue (BIR);
- c. Respond to Internal Revenue Services (IRS) inquiries; and
- d. Provides the Board of Directors and Senior Management with periodic report on status of Bank's compliance with the FATCA regulations.

3.12 Duties and Responsibilities of the Compliance Specialist

i. AML Unit

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

Applicable to Compliance Specialist, Investigation

- a. Assist in timely monitoring of red flags, as well as in the conduct of investigation, preparation of investigation report and filing of STRs when warranted;
- b. Maintains files pertaining to the investigations conducted, as well as soft copies of STRs submitted to AMLC;
- c. Assists the Investigation Officer in the day-to-day activities of the AML - Investigation Section as detailed in the job description; and
- d. Performs other duties assigned or required by the AML Unit Officers/Head/CCO from time to time.

Applicable to Compliance Specialist, Reports

- a. In charge of uploading and keeping the Bank's Watchlist Database updated;
- b. Maintains files pertaining to the names of individuals/entities added in the watchlist database;
- c. Assist the AML Reports Officer in the timely submission of CTRs, and the performance of other day-to-day activities of the AML - Reports Section as detailed in the job description; and
- d. Perform other duties assigned or required by the AML Unit Officers/Head/CCO from time to time.

Applicable to Compliance Specialist, Alert Management

- a. Assist in the review of the alerts disposed of by the Branches/banking units and in timely monitoring of red flags for investigation and filing of STR when warranted;
- b. Maintain files/records pertaining to review of alerts and other alert related matters;
- c. Assist the Alert Management Officer in the day-to-day activities of the AML-Alert Management Section as detailed in the job description; and

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

- d. Performs other duties assigned or required by the AML Unit Officers/Head/CCO from time to time.

- ii. Compliance Testing Unit

- Applicable to Senior Compliance Specialist (SCS), Compliance Testing Unit

- a. Assist the Compliance Officer (CO) in the planning of the compliance testing;
- b. Assist the CO in the conduct of the independent compliance testing. In the absence of the CO, act as the lead during the conduct of independent compliance testing:
 - 1. Review, assesses and perform testing of HO units'/branches' compliance with laws, regulations, rules and other regulatory requirements;
 - 2. Review the findings/issues noted by the Compliance Specialist (CS). Documents and report findings to the CO / CCO; and
 - 3. Monitors/review the completion of corrective actions on compliance issues/ findings and reports the status to the CO/CCO.
- c. Assist the CCO during the BSP examination; and
- d. Perform any other duties as maybe assigned by the CCO from time to time.

- Applicable to Compliance Specialist, Compliance Testing Unit

- a. Assist the SCS/CO in the planning of the compliance testing;
- b. Assist the SCS/CO in the conduct of the independent compliance testing;
 - 1. Reviews, assesses, and performs testing of the head office units'/branches' compliance to laws, regulations, rules and other regulatory requirements;
 - 2. Documents and reports findings to the SCS/CO; and

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

3. Monitors the completion of corrective actions on compliance issues/ findings and reports the status to the SCS / CO;
- c. Assist the CCO during the BSP examination; and
- d. Perform any other duties as maybe assigned by the CCO from time to time.

iii. Validation Unit

Applicable to Compliance Specialist, Validation Specialist

Assist the Chief Compliance Officer and the Validation Officer in ensuring the accuracy and completeness of regularization processes related to BSP findings by validating information, identifying discrepancies, and implementing corrective actions to maintain compliance and quality standards.

- a. Conduct Validation Processes:
 1. Conduct validation procedures established by the Validation Officer;
 2. Performs detailed validation activities to ensure accuracy of documentation related with BSP findings.
- b. Documentation Verification:
 1. Assist the CCO and VO in maintaining detailed and organized records of validation activities;
 2. Assist the CCO and VO in verifying the completeness of documentation related with BSP findings.
- c. Quality Assurance Support:
 1. Assist the VO in maintaining and enhancing quality control measures within the validation processes;
 2. Identify discrepancies and coordinate with the VO to implement corrective actions.

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

- d. Communication and Reporting:
 - 1. Communicate effectively with other unit/department that involved in the validation process;
 - 2. Assist the VO in providing regular updates on validation progress;
 - 3. Maintain organized and detailed records of validation activities;
 - 4. Assist in generating reports on validation outcomes for review by the Validation Officer;
 - e. Assist the CCO during the BSP examination; and
 - f. Perform any other duties as maybe assigned by the Validation Officer and/or of the Chief Compliance Officer from time to time.
- iv. Corporate Governance Unit

Applicable to Compliance Specialist, Corporate Governance

- a. Assists the Compliance Officer - CGU in the preparation, update and implementation of the Corporate Governance Manual of the Bank and ensures timely submission of the same to the SEC;
- b. Assists the Compliance Officer - CGU in ensuring timely dissemination of new issuances by the BSP, SEC and other regulatory agencies to concerned units of the Bank on matters affecting corporate governance;
- c. Assists the Compliance Officer - CGU in preparing and ensuring submission of the Annual Corporate Governance Report (ACGR) to the SEC;
- d. Assists the Compliance Officer - CGU in preparing and conducting self-assessment by the Members of the Board of Directors, Board Committees and Senior Management every January of each year, particularly in the distribution of the Self-Assessment Forms to the Members of the Board of Directors, Board Committees and Senior Management and in the preparation of summary of the results of such self-assessment;

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

- e. Assists the Compliance Officer - CGU in checking regulatory issuances from the regulator's websites, i.e. BSP, PDIC, SEC, BIR, etc. to be disseminated to all concerned units of the Bank for their information/guidance and compliance
- f. Assists the Compliance Officer - CGU in preparing Report on Crimes and Losses and undertakes its submission to the BSP after the same has been duly signed by the Chief Compliance Officer; and
- g. Perform any other duties as maybe assigned by the CCO from time to time.

v. Data Privacy Unit

Applicable to Compliance Specialist, Data Privacy

- a. Assists the Compliance Officer for Privacy (COP) in the planning and implementing of Privacy Impact Assessment (PIA);
- b. Weekly dissemination or cascading of info scripts for privacy-related matters within the Bank;
- c. Daily monitoring and cascading of new issuances of circulars and advisories from National Privacy Commission (NPC) and other privacy government agencies website;
- d. Assists in the conduct of trainings or seminars to keep personnel updated in data privacy and security at least once a year; and
- e. Performs other tasks and duties that may be assigned by the Data Protection Officer (DPO) from time to time.

vi. FATCA

Applicable to Compliance Specialist, FATCA

- a. Assists the Responsible Officer in ensuring the establishment of compliance program that includes policies, procedures and processes sufficient to comply with FATCA rules;

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

- b. Facilitate the submission of the required periodic certifications required by the IRS or to the Bureau o' Internal Revenue (BIR) in coordination with BOCG;
- c. Assists the Responsible Officer in responding to Internal Revenue Services (IRS) inquiries; and
- d. Assists the Responsible Officer in providing the Board of Directors and Senior Management with periodic report on status of Bank's compliance with the FATCA regulations.

3.13 Duties and Responsibilities of the Compliance Coordinator

- a. Assists the Chief Compliance Officer in the implementation of the Compliance Manual in their respective units;
- b. Assists the Chief Compliance Officer in the dissemination of laws, regulations, rules, standards and other regulatory requirements in their respective units;
- c. Reviews, assesses and performs testing of the respective unit's compliance to laws, regulations, rules and other regulatory requirements;
- d. Submit duly-approved findings to the Compliance Center in the manner required per self-testing guidelines;
- e. Conducts and/or monitors the taking of corrective actions on compliance findings;
- f. Provides an active advisory service to the personnel in their respective unit pertaining to laws, regulations, rules, standards and other regulatory requirements;
- g. Develops relationship with other Compliance Coordinators; and
- h. Promotes best practices.

3.14 Roles of Officers and Staff of the Bank

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

Compliance risk management is the “responsibility and shared accountability of all staff, officers and board of directors.”² Hence, the responsibility for ensuring compliance with laws, rules and standards within the unit rests with the line manager, his officers and staff. Each personnel shall perform his roles to achieve full compliance of the unit.

1. Each employee is personally responsible for familiarizing one's self with all the laws, regulations, rules and standards applicable/related to his work assignment. Thus, he shall be provided with a copy all the laws, regulations, rules and standards that govern the transactions of his unit. For this purpose, the Bank shall make a library of these laws, regulations, rules and standards through web-server for easy and wider access. He shall likewise be given sufficient training on all areas of operations within his unit to enable him to perform his assigned tasks and contribute to the overall compliance of the Bank;
2. Performance in compliance function is included in the Performance Evaluation Report. Thus, any show cause order issued by the Compliance Center to any officer and/or staff for violations of this Compliance Manual shall be considered by the Human Resource Group in assessing the overall performance of said officer and staff.

4. Compliance Charter

The Compliance Charter (**Annex 1**) sets forth the guiding principles in the management of Compliance Function in Philippine Business Bank, Inc. (PBB). The Bank and its Board of Directors, Officers and Staff are committed in ensuring that business activities shall be conducted in accordance with all applicable laws, rules and regulations and high ethical standards.

B. Compliance Program

1. Identification of compliance risks.

Compliance Center identifies the compliance risks that each operating unit is faced with as well as the necessary measures to mitigate the effect of such risks to the Bank.

² Per Section 161 of the MORB

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

Compliance risk is defined as a risk that may erode the franchise value of the Bank as a result of its failure to comply with the laws, rules, related self-regulatory organization standards and codes of conduct or inability to manage conflict of interest, treat customers fairly and/or money laundering and terrorist financing activities.

For this purpose, the Compliance Center shall provide all operating and other concerned units with the list of laws, rules, regulations, and practices that are applicable to their respective operations for their guidance. This list shall be officially called Compliance Risk Assessment Matrix (**CRAM**) or **Annex 4** which is updated semi-annually. The CRAM shall also serve as working paper of the Compliance Coordinators and the Compliance Center when conducting compliance testing procedures.

Initially, the Bank has identified its compliance risks as follows:

a. Operational Risk – is the risk of loss resulting from inadequate or failed internal processes, people or from external events. This risk also includes the IT and Information Security risk which is associated with the use, ownership, operation, involvement, influence and adoption of Information Technology within an enterprise or organization.

If not properly managed, operational risk may result to internal/external fraud, violations on employment practices and workplace safety, damage to physical assets, business disruption and systems failures, leak of sensitive or confidential information and errors in the execution, delivery and process management.

b. Money laundering and/or terrorist financing risk – is the risk associated with the violations of the Anti-Money Laundering Act (AMLA) and/or combating financing of terrorism. Exposure to this risk may result to material monetary sanctions/penalties, imprisonment of personnel and criminal liability on the Bank's directors or trustees.

c. Credit Risk – is the risk of default on a debt due to borrower's failure (inability or unwillingness) to make required payments. Aside from the impact on the Bank's earnings and capital on the defaulted debts, exposure on credit risk also results to the disruption of the Bank's cash flows and increased collection costs.

d. Market Risk – is the risk of loss in on and off balance-sheet positions arising from adverse movements in the market prices of the Bank's investments. These losses, if not

properly managed, exposes the Bank to not meeting its set target income and financial loss due to decrease in the value of its investments.

e. Pre-Settlement Risk – is the risk that one party of a contract will fail to meet the terms of the contract and default before the contract’s settlement date. Exposure on this type of risk can lead to additional cost on the replacement of securities or currencies and failure by the Bank to meet its contractual obligation to other parties.

f. Liquidity Risk – is the risk that the Bank could not meet its short-term debt obligations or cater the client’s demand for withdrawals as a result of the Bank’s inability to properly manage its cash flows and have adequate available alternative fund sources. Exposure of the Bank to this risk may result to higher costs (due to penalties and interest) and bank run.

g. Interest Rate Risk – is the risk that investment value will change due to a change in the absolute level of interest rate in the spread between two rates in the shape of the yield curve or in any other interest rate relationship. If not properly managed, it may result to assets and liabilities mismatched (e.g. interest rate expense is higher than interest income) and financial loss due to decrease in the value of the Bank’s investments.

h. Strategic Risk – is the risk of failure to develop, implement and monitor institutional strategies and direction due to poor business decisions, substandard execution of decisions, inadequate resource allocations and failure to respond well to changes in the business environment. Aside from its effect on the earnings of the Bank, this risk also exposes the Bank’s overall viability and growth prospects.

i. Reputational/Consumer Protection Risk – is a risk resulting from negative publicity, misdeeds of personnel, internal or external failures, legal action from clients/counterparties and regulatory sanctions. If not properly managed, exposure on this risk may lead to loss of client confidence or difficulty in convincing clients or prospective clients to avail the Bank’s products or continue doing business with the Bank.

j. Legal Risk/Risk on Regulatory Sanction – is the risk of the Bank to reputational or financial loss (cost of lawsuits and other legal proceedings) resulting from its non-awareness or misunderstanding on the way the banking or corporate laws should be applied.

Risk on regulatory sanction is the exposure of the Bank to regulatory fines, sanctions and penalties caused by its non-compliance with the regulator's mandated rules, regulations, practices and standards.

2. Assessment of risks

After the identification of the relevant laws, regulations, rules and standards and the compliance risks (*Annex 2*) to which the different units are exposed to, the risks of non-compliance shall be assessed as follows:

RISK LEVELS

a. High Risk

- i. Strong concern, even one exception is vital, that should be acted upon immediately;
- ii. Unsound and unsafe banking practices that may result in material loss or damage, or abnormal risk or danger to the safety, stability, liquidity or solvency of the Bank, to the depositors, creditors, investors, stockholders or to BSP;
- iii. Those, which may be classified as major offenses by BSP;
- iv. Ceiling or limitations on any asset, liability and capital account affecting solvency, liquidity, profitability and capital adequacy and other statutory requirements;
- v. Transactions subject to severe administrative and substantial financial sanctions (may involve denial of BSP credit facilities, prohibition from making new loans/investments, declaring cash dividends, suspension from opening of new branches, other non-monetary sanctions and severe sanctions such as imprisonment of the directors/officers, among others); or

- vi. Category A Reports.
- b. Low Risk
- i. Limited or little concern but should be acted upon soonest;
 - ii. Procedural lapses that can be remedied immediately and do not have material impact on the solvency, liquidity and profitability of the Bank and with lesser financial and administrative sanctions;
 - iii. Category B Reports;
 - iv. Submission of other reports to BSP, PDIC, etc. other than those categorized above; or
 - v. Those, which after assessment, are not classified as High Risk.

A list of sanctions/penalties on identified specific provisions of relevant laws, regulations, rules, and standards is prepared for this purpose ***(Annex 3)*** ****refer to the latest Manual of Regulations for Banks (MORB) for the updated sanctions/penalties.***

3. Periodic self-testing/assessment and reporting of exceptions

- a. Self-testing/assessment process is adopted in each unit. The Compliance Coordinator conducts testing of transactions/processes to determine observance and compliance with specific provisions of the laws, regulations, rules and standards, including the AMLA, as amended, its RIRR, and the UARR.

The self-testing/assessment process shall also include testing of reports prepared by all units of the Bank, including those submitted to the BSP and AMLC to determine and ensure integrity and accuracy of such reports.

A Certification as part of the Compliance Risk Assessment (CRAM) is jointly signed by the Compliance Coordinator and the Unit/Branch Head to the effect that the applicable laws, regulations, rules and standards are complied with, shall be submitted to Compliance Center semi-annually.

- b. Exceptions or violations shall be referred to the concerned officer and/or Unit/Branch Head for justification and/or resolution. Unresolved self-assessment issues report (**Annex 5**) shall be prepared quarterly on unresolved findings with corresponding justification and/or corrective actions taken or to be taken to prevent recurrence. This shall be signed jointly by the Compliance Coordinator and the Branch/Unit Head.
- c. Submission by Compliance Coordinators of the self-assessment reports such as accomplished Compliance Risk Assessment Matrix (CRAM) and Annex 5 – unresolved self-assessment issue report to the Compliance Center shall be in accordance with the self-testing/assessment guidelines (**Annex 10**). The monitoring of the submission of the self-testing/assessment reports is attached as (**Annex 6**).

Retarget/revision of target date of completion of findings noted in the self-testing by the compliance coordinator shall be allowed only once, provided duly justified, approved by the Area Operations Head (AOH), in the absence of AOH, BOCG Head (**for branches**) and Group/Department/Unit/Center Head, in the absence of Group/Department/Unit/Center Head, the next ranking officer (**for Head Office Units**) and reported to Corporate Governance Committee.

- d. The Internal Audit Center shall validate the findings contained in the submitted Compliance Testing Reports during the conduct of regular audit. Thus, validation of the Compliance Testing Reports shall be part of the Bank's Audit program.
- e. Whenever necessary, the Compliance Center may conduct its own compliance validation, such as when the Internal Audit Center cannot immediately conduct its regular audit due to current audit engagements/loads.

The Compliance Center shall also conduct its own independent compliance testing on pre-selected branches/units to determine their observance and compliance with specific provisions of the laws, regulations, rules and standards, including the AMLA, as amended, its RIRR, and the UARR.

The Compliance Center shall conduct yearly validation (starting February 2025) of the self-testing/assessment made by the Branch/Unit Compliance Coordinator not subject to Independent Compliance Testing (ICT). The validation process shall be guided by **Annex 4A - Guidelines on validation of self-assessment/testing by the UCCs**

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

- f. Compliance Testing Reports and BSP Reports of Examination shall be reviewed by the Compliance Center. Corrective actions shall be coordinated with units concerned and continuously monitored.
 - g. The Board of Directors and/or Corporate Governance Committee shall be advised by the Senior Management through the Compliance Center, on a regular basis of any material breaches on the Compliance Program, laws, regulations, rules and standards and/or the general status of the Bank's level of compliance therewith (*Annex 7A – monthly report to the Board of Directors and Corporate Governance Committee*)
4. Updating of the Compliance Manual
- a. The Compliance Program shall be reviewed and updated at least every other year or as needed.
 - b. The updating process takes into consideration, among others, new laws, regulations, rules and standards and updates, if any, and shall be the basis in the prioritization of compliance/business risks and corresponding testing procedures and frequency.
5. Approval

The Compliance Center shall submit to the President the Compliance Manual for review and pre-clearance and to the Corporate Governance Committee for endorsement to the Board of Directors for approval. Thereafter, a certification shall be executed by the President and Chief Compliance Officer and submitted to the appropriate BSP Supervision and Examination Department within the period prescribed by regulations. A copy of the Compliance Manual shall likewise be submitted to the regulators as needed or required.

Amendments to the Manual shall have the same approval and submission processes.

C. Relationship with Regulatory Agencies

- 1. Compliance Center consults the regulatory agencies for clarifications on specific provisions of laws, regulations, rules, and standards and discusses compliance concerns/issues.

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

2. Compliance Center coordinates the BSP findings contained in Reports of Examination (ROE) with the concerned units of the Bank and monitors the taking of corrective actions thereon through the Compliance Coordinators.

D. Compliance Training and Communication Process

1. This Revised Compliance Manual shall be discussed with all employees through meetings and/or training and to the new employees during the New Employees Orientation Course as well as the participants of the Supervisory/Officers Development Program to increase the level of awareness.
2. On an on-going basis, Compliance Coordinators and concerned personnel shall be oriented through periodic meetings or briefings and training sessions on existing or on any new development in the regulatory environment. The Compliance Coordinators, in turn, give briefings to the personnel of their respective units. Attendance rosters are monitored periodically to ensure proper participation.
3. Regulatory requirements as well as new/changes in laws, regulations, and rules shall be disseminated to all units' Compliance Coordinators, officers, and staff either through e-mail or timely distribution of copies of these regulatory issuances and other reference materials.
4. A clear and open communication channel shall be maintained, starting from the Board of Directors and the Corporate Governance Committee to the Senior Management, Junior Officers, Compliance Coordinators, and all other personnel.

The communication shall flow downward to the organization when disseminating compliance information and upward when elevating compliance issues or concerns.

5. A Compliance Library, which shall serve as a repository of all relevant banking and corporate laws, regulations, rules and standards shall be maintained by Compliance Center through the Bank's Website to ensure its availability and easy access to the widest extent in the organization.
6. All written communications to and from regulatory agencies shall be handled and monitored by Compliance Center.

E. Monitoring and Assessment

1. The Compliance Manual shall be monitored and assessed by Compliance Center in consultation with the Compliance Coordinators, on a regular basis to ensure that an effective compliance system is in place at all times. The Compliance Risk Assessment Matrix and various reports (Exception Report, BSP ROE and Audit Report) shall be used for this purpose.
2. Depending on the seriousness or importance of the laws, regulations, rules and standards being tested, the risk level and corresponding testing frequency shall be determined. Among the factors to consider include but not limited to importance given by the regulators, degree of sanctions and general view or position of the banking industry.
3. Compliance findings shall be referred to the concerned officer and/or Unit/Branch Head for justification and/or appropriate corrective actions. A self-assessment/testing report jointly signed by the Compliance Coordinator and Unit/Branch Head shall be submitted to the Compliance Center according to the set guidelines per Annex 10.
4. Internal Audit Center shall include in its regular audit program the test-checking of findings contained in the submitted Compliance Testing Reports.
5. Compliance Center shall:
 - a. Coordinate with units concerned through the Compliance Coordinators the implementation of new laws and regulations or updating and revisions to existing policies due to changes in regulations.
 - b. Perform periodic assessment/review of identified risk areas, selected regulatory reports and establish compliance-related policies and procedures and coordinate results with concerned units for correction/amendment. The periodic assessment/review includes the ICT as well as the annual validation of self-assessment/testing by the UCCs.
 - c. Review the BSP ROE, MB Directives, and Compliance Testing Reports and coordinate with the concerned unit the steps/actions taken or to be taken to correct the violations noted and to prevent recurrence thereof.
 - All outstanding BSP directives shall be quarterly monitored and validated

- All BSP directives contained in the ROE (outstanding and items which are still waiting for evaluation by BSP) are to be included in the monitoring report to the Board of Directors or respective Board Committee such as Trust Committee or Corporate Governance Committee until such time the directive is lifted by BSP.
- d. Whenever necessary, conduct its own compliance validation, such as when the Internal Audit Center cannot immediately conduct regular audits to validate the findings contained in the Compliance Testing Report due to current audit engagements/loads.
- e. Also conduct its own independent compliance testing on pre-selected branches/units to determine their observance and compliance with specific provisions of the laws, regulations, rules, and standards, including the AMLA, as amended, its RIRR, and the UARR and shall be guided by the Compliance Testing Guidelines as shown in **Annex 8**;

F. Policies and Procedures

1. Identifying the basic banking and corporate laws, regulations, rules and standards that the Bank and its employees are required to observe/comply.
2. Disseminating regulatory requirements as well as new/changes in laws, regulations and rules to all concerned units' Compliance Coordinators, officers and staff either thru e-mail or timely distribution of copies of these regulatory issuances and other reference materials.
3. Maintaining a Compliance Library, which shall serve as repository of all relevant banking and corporate laws, regulations, rules and standards. The Bank's WebServer shall be used for this purpose to ensure its availability and easy access to the widest extent in the organization.
4. Acting as the liaison for regulatory agencies and chief compliance officers of other banks and as such, shall act as the recipient of all correspondences. All written communications to and from regulatory agencies shall be handled and monitored by Compliance Center.
5. Providing assistance in the preparation of responses to correspondences and monitors the prompt submission to the regulatory agencies.
6. Coordinating with units concerned the implementation of new laws and regulations or updating and revisions to existing policies due to changes in regulations.

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

7. Consulting with the regulatory agencies to clarify on specific provisions of laws, regulations, rules and standards.
8. Ensures timely and accurate documentary submissions to the regulators.

PROCEDURES:

- a. Identification of banking laws, regulations, rules and standards.

The Compliance Testing Unit of the Compliance Center shall prepare a detailed list of banking/corporate laws, regulations, rules and standards that are applicable for each unit of the Bank which shall be part of this Manual for easy reference (**see CRAM or Annex 4**).

- b. Dissemination of New Regulatory Issuances.

- i. New regulatory issuances/banking and other laws applicable to the Bank shall be downloaded by a Compliance Specialist of the Corporate Governance Unit from the regulators' website.
- ii. The Compliance Specialist shall check the BSP's and other regulators' website daily for new postings of Circulars and Memoranda for downloading and printing.
- iii. The downloaded regulations/laws shall be disseminated immediately to all units of the Bank via e-mail through the designated Compliance Coordinator, if any, or the Unit Head, if none, and immediately uploaded to the Compliance Library. The e-mail shall contain at least the following:
 - Regulatory Issuance number
 - Subject
 - Date of the memo
 - Level of Importance
 - Date of Issue
 - Summary
 - Deliverables
 - Affected Units

- c. Updating of Compliance Library.

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

The designated Compliance specialist shall immediately upload the new regulatory issuances downloaded from the regulator's website to keep the Compliance Library updated.

- d. The Compliance Center shall liaise with the regulators for and in behalf of the Bank. The Chief Compliance Officer shall be designated as one of the recipients of electronic and regular correspondence from the regulators, particularly from the Bangko Sentral Ng Pilipinas (BSP).
 - e. As liaison office, the Compliance Center shall provide assistance in the drafting of replies to correspondences received from the regulators to ensure appropriateness.
 - f. Compliance Center shall ensure proper implementation of new regulations that are applicable to the Bank. Hence, it shall coordinate with the concerned units (including the Systems and Methods Center) for the drafting of the implementing guidelines, if necessary.
 - g. The Compliance may occasionally confer with the regulators for the proper interpretation of a new or existing regulation. For this purpose, the Chief Compliance Officer may draft and sign the letter. An inquiry may also be in the form of an electronic mail.
 - h. The Compliance Center shall monitor the prompt submission of replies/reports and other documents to the regulatory agencies. (i.e., replies to BSP AREF, LOC and ROE)
 - i. The compliance should select units/branches to be tested. The criteria on selection priority shall be guided by the Compliance Testing Guidelines as shown in **Annex 8**
9. Periodic Compliance Testing and Reporting of Exceptions

POLICY GUIDELINES:

- a. Based on the Compliance Risk Assessment Matrix, the Compliance Coordinator conducts self-testing/assessment of transactions/processes to determine observance and compliance to specific provisions of the laws, regulations, rules, and standards. Compliance testing and reporting procedures and guidelines are shown in **Annex 10**.

- b. Independent Compliance Testing may be conducted through desk/offsite following the guidelines set in **Annex 8**
- c. The Compliance Risk Assessment Matrices and the guidelines/procedures shall be updated and/or revised annually to include new laws, rules, regulations, and standards/business risks.
- d. Compliance findings are referred to the concerned officer for justification and/or resolution. Unresolved self-assessment issue report (**Annex 5**) is prepared quarterly on unresolved findings with corresponding justification and/or corrective actions to be taken to prevent recurrence. This is jointly signed by the Compliance Coordinator and the Branch/Unit Head.
- e. Submission of Unresolved self-assessment issue report (**Annex 5**) to the Compliance Center shall be through e-mail.
- f. Validation of findings noted by the Compliance Coordinators is part of the Bank's Audit Program. Internal Audit Center tests-check the findings contained in the submitted Compliance Testing Reports during the regular audit.
- g. Compliance Center reviews the Compliance Testing Reports. Corrective actions are coordinated with the units concerned and continuously monitored (**Monitoring Report Format – Annex 11A – Independent Compliance Testing and Annex 11B – Self-assessment/testing**)
- h. A Certification as part of the Compliance Risk Assessment (CRAM) is jointly signed by the Unit Compliance Coordinator (UCC) and the Unit/Branch Head, to the effect that the applicable laws, regulations, etc. are complied with, and is submitted to the Compliance Center semi-annually.
- i. General Accounting Center (GAC) prepares the Statutory Requirement Report (**Sample Report Format - Annex 12**) on a monthly basis. This covers ceilings or limitations on asset, liability, and capital accounts and other statutory requirements to support the general status on compliance report.
- j. The Board of Directors and/or the Corporate Governance Committee are advised of any material breach of the Compliance Program, laws, rules, and regulations and the corrective actions taken thereon on a regular basis using the report format shown in **Annex 7A**.

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

PROCEDURES:

a. Compliance Coordinator

- i. Conducts testing of transactions/processes to determine observance and compliance to specific provisions of the laws, regulations, rules and standards.
- ii. Refers compliance findings to the concerned officer for justification and/or resolution and elevation to Unit/Branch Head.
- iii. Prepares unresolved self-assessment issue report (Annex 5) with corresponding justification and/or corrective actions to be taken to prevent recurrence. This is signed by the Compliance Coordinator and the Unit/Branch Head and submitted to the Compliance Center quarterly.
- iv. Prepares a Certification as part of the Compliance Risk Assessment (CRAM) jointly signed with the Unit/Branch Head to the effect that the applicable laws, regulations, rules, and practices are complied with for submission to the Compliance Center semi-annually.
- v. Submits the required information/documents as discussed in the validation of self-testing/assessment by UCCs

b. Internal Audit

- i. Internal Audit Center validates the findings contained in the submitted Compliance Testing Reports during the conduct of regular audits.

c. Compliance Center-Compliance Function

Monitors submission, checks, and reviews Compliance Testing Reports submitted.

- Coordinates and monitors corrective actions with units concerned.
- Advises the Board of Directors and/or Corporate Governance Committee of any material breaches of the Compliance Program, laws, regulations, rules, and standards and the corrective actions taken or to be taken on a regular basis. A copy of such report shall be furnished to the Senior Management for their information and appropriate action.

10. Penalty/Performance Rating

Bank officers and employees, responsible for non-compliance with any of the provisions of this Compliance Manual will be sanctioned in accordance with the Bank's Code of Conduct, particularly Article VIII, Section 7. Compliance Coordinators who failed to report material breaches of laws, regulations, rules and standards shall also be sanctioned under the above provision of the Bank's Code of Conduct.

Notwithstanding the above-cited penalty provision, compliance with this Manual shall also form part of the employee's performance rating. (*Annex 13 - Guidelines on Compliance Rating to All Branches and Head Office Units*)

Contains INTERNAL Information

These materials are regarded as INTERNAL information of the Philippine Business Bank, Inc. and must be handled in accordance to the appropriate handling guidelines. No part of these materials should be reproduced, published, transmitted or distributed in any form or by any means, electronic, mechanical, photocopying, recording or otherwise, or stored in any information storage or retrieval system of any nature nor should the materials be disclosed to third parties without prior express written authorization of Philippine Business Bank, Inc.

COMPLIANCE CHARTER

A. Introduction

This Charter sets forth the guiding principles in the management of Compliance Function at Philippine Business Bank, Inc. (PBB). The Bank, its officers and staff are committed in ensuring that activities are conducted in accordance with all applicable laws, rules and regulations and highest ethical standards.

B. Organizational Structure of the Compliance Function

The Compliance Center is headed by the Chief Compliance Officer, and supported by Compliance Officers, Compliance Assistants/Specialists and by Unit Compliance Coordinators (UCC) duly designated by their respective Group Heads. The UCC are line officers (e.g., unit/department heads or their assistants) who shall help ensure the implementation of banking laws, rules and regulations and the Bank's Compliance Program in their respective area of responsibility.

The following are important points in the structure:

1. The Compliance Center is an independent unit directly reporting to the Board of Directors through the appropriate committee of the Board but under the administrative supervision of the President.
2. Subject to the confirmation by the Financial Supervision Sector (FSS) Committee (BSP Circular 1136), the Board of Directors appoints the Chief Compliance Officer. The Compliance Center is mandated under Section 161 of the Manual of Regulations for Banks to oversee and coordinate the implementation of the Bank's compliance system, which includes the identification, monitoring and controlling of compliance/business risks.
3. The Compliance Officers and Compliance Assistants/Specialists are the support of the Chief Compliance Officer, whose duties include but is not limited to the dissemination of regulatory issuances of the BSP and other regulatory agencies, monitoring Bank's compliance with the required regulatory ratios and limits.

The UCC is responsible and accountable for ensuring the implementation of applicable regulatory requirements in their respective areas of responsibility. They are required to accomplish and submit to the Compliance Center Certification of Compliance with banking laws, rules and regulation within the prescribed deadline.

C. Status of Compliance Function

1. Independence

- a. The compliance function shall be independent from the business activities of the Bank.
- b. It shall be provided with sufficient resources to carry out its responsibilities on its own initiative in all units where compliance risks exist.
- c. It shall have the right to conduct investigation and be free to report to Senior Management, Corporate Governance Committee and/or the Board of Directors material breaches of the Compliance Program and/or laws, rules and standards, without fear of retaliation or disfavor from Management or other affected parties.
- d. It shall have access to all operational areas as well as any records or files necessary to enable it to carry out its duties and responsibilities.

2. Authority

To carry out their Compliance responsibilities effectively, the Compliance Center:

- a. May enter all areas of the Bank and have access to any documents and records considered necessary for the performance of its responsibilities; and
- b. Shall have the right to require any member of the Management and Staff to promptly supply information and/or explanations as may be needed to carry out its responsibilities.

The Chief Compliance Officer shall have the right to attend as observer any meeting as he/she deems appropriate where compliance risk exists.

3. Reporting Lines

The Chief Compliance Officer shall functionally and administratively be under the direct supervision of the Board of Directors (through the Corporate Governance Committee) and the President, respectively.

4. Relationship with Other Units of the Bank

In addition to the specific collaboration, Compliance Center, Legal Services Group, Internal Audit Center and Enterprise Risk Management Unit shall exert effort to ensure good coordination and continued cooperation.

Compliance Center shall seek legal and interpretative advice from the Legal Services Group on banking and corporate laws compliance matters, in particular through regular bilateral meetings. As necessary, the Legal Services Group may arrange for consultation with external experts. The Chief Compliance Officer retains primary responsibility for relations with regulatory agencies and is involved in responding to external compliance-related inquiries.

To the same extent as other units of the Bank, the activities of Compliance Center are subject to periodic review by Internal Audit Center.

D. Responsibilities of the Board of Directors and Senior Management on Compliance

The Board of Directors ensures that an appropriate compliance program is defined and adopted by the Bank and that compliance issues are resolved expeditiously. For this purpose, it shall task the Corporate Governance Committee to oversee the implementation of the compliance program.

The Senior Management through the Chief Compliance Officer is responsible for: (i) establishing a compliance program, (ii) ensuring that it is adhered to, (iii) periodically reporting to the Corporate Governance Committee and/or Board of Directors on matters that affect the design and implementation of such compliance program, including material breaches thereon, (iv) addressing promptly such material breaches of the compliance program and (v) assessing its effectiveness and appropriateness.

E. Functions of the Compliance Center

1. Prepares the Bank's Compliance Program, updates the same and, in coordination with concerned units of the Bank, ensures adherence to Bank's policies and procedures, relevant banking laws, rules and regulations of the BSP, SEC, PDIC and other regulating agencies. Assists concerned units identify compliance risks and analyzes the corresponding sanctions for non-compliance;
2. Oversees and coordinates the implementation of the Bank's Compliance Program;
3. Conducts on site/off site compliance testing on pre-selected units of the bank;
4. Ensures designation of Unit Compliance Coordinator (UCC) by their respective group heads; provides concerned units with checklists of regulatory and reportorial requirements of BSP, PDIC and other regulatory agencies to serve as their guide in ensuring compliance thereto; coordinates with the Bank's Legal Services Group on legal issues;

5. Provides advisory services to officers and staff regarding their queries on compliance matters; likewise, provides the front-line staff and officers a clear understanding of banking laws, policies and regulations of the BSP and other regulatory agencies.
6. Consults, when necessary, with appropriate department of the BSP, PDIC, SEC and other regulatory agencies regarding their interpretation of certain provisions of laws or regulations, and Anti-Money Laundering Council for the proper implementation of the requirements of the Anti-Money Laundering Act, as amended, on covered and suspicious transactions and freezing of accounts;
7. Ensures submission of Covered Transaction Reports (CTR) and Suspicious Transaction Reports (STR) on a bank-wide basis to the AMLC within five (5) working days from occurrence thereof¹;
8. Conducts preliminary evaluation of suspicious transaction reports and convene the Anti-Money Laundering Committee of the Bank for the final determination of the grounds for reporting to the AMLC, if necessary;
9. Provides the Board and/or its appropriate committee with reports concerning the Bank's state of compliance with rules and regulations of BSP and other regulatory bodies; and
10. Ensures dissemination of banking laws.

F. Board Committee

The Board or the appropriate committee of the Board (i.e., Corporate Governance Committee), to which the Compliance Center reports to, shall provide, among others, a forum for considering important compliance matters and shall inform or advise the Senior Management of the Bank as appropriate. It shall ensure that compliance matters are coordinated within the Bank. The terms of reference for Compliance Function of the Board or appropriate committee of the Board shall conform to the provisions of Section 161 of the Manual of Regulations for Banks and shall be approved by the Board.

G. Compliance Assessment and Reporting

Objectives:

1. To provide the Board of Directors through the appropriate committee with Monthly Compliance Report to apprise them of Bank's state of compliance, and

¹ Section 922 of the MORB.

the impact of violation of banking laws, rules and regulations to the operations of the Bank.

2. To provide Senior Management and the Board of Directors through the appropriate Board committee with the BSP Reports of Examination together with the replies/actions taken by the concerned units to correct them.

Process:

1. Quarterly Compliance Report detailing the findings/exceptions noted by the Compliance Center and/or Unit Compliance Coordinators in their monitoring activities are submitted to and discussed with the appropriate committee of the Board;
2. Replies or actions taken/ to be taken by concerned units on BSP exceptions/findings are reviewed.

H. Standards

With regard to the compliance responsibilities, the Compliance Officers and staff shall keep abreast of sound and best Compliance practices and in particular take into account the recommendations of the Basel Committee on Banking Supervision on compliance-related issues.

RESULTANT RISK

Business Units

- (a) **Commercial Banking Centers** – Credit, Operational, Compliance, Reputational, Strategic
- (b) **Consumer Banking Group** – Credit, Operational, Compliance, Reputational, Strategic
- (c) **Corporate Banking Center** – Credit, Operational, Compliance, Reputational, Strategic
- (d) **Treasury Services Group** – Operational, Market, Compliance, Reputational, Pre-Settlement, Liquidity, Strategic, IT
- (e) **Trust and Investments Center** – Operational, Market, Compliance, Reputational, Pre-Settlement, Liquidity, Credit, Strategic, IT, Legal

Support Units

- (a) **Branch Banking Group** – Operational, Market, Compliance, Reputational, Liquidity, Strategic
- (b) **Branch Operations Control Group - Cash Management Unit** – Operational, Reputational, Compliance
- (c) **Branch Operations Control Group - Clearing & Verification Center** – Operational, Reputational, IT, Compliance
- (d) **Branch Operations Control Group - Quality Assurance Unit** – Operational, Reputational, Compliance
- (e) **Branch Operations Control Group - Administration Unit** – Operational, Reputational, Strategic, Compliance
- (f) **Branch Operations Control Group - Technical Support Unit** – Operational, Reputational, IT, Compliance
- (g) **Consumer Banking Group - Consumer Collection Unit** – Credit, Operational, Compliance, Reputational, Strategic
- (h) **Corporate Planning and Investment Relations Group** – Strategic, Operational, Compliance, Market, Liquidity
- (i) **Credit Management Group - Securities and Collateral Center** – Credit, Compliance, Operational
- (j) **Credit Management Group - Credit Administration Division** – Credit, Compliance, Operational
- (k) **Credit Management Group - Credit Services Division** – Credit, Compliance, Operational, AML
- (l) **Credit Management Group - Credit Policy & Technical Support Division** – Credit, Compliance, Operational, IT
- (m) **Credit Management Group - Credit Underwriting Division** – Credit, Compliance, Operational

- (n) **Credit Management Group - Credit Administration Division** – Credit, Compliance, Operational
- (o) **Credit Management Group - Portfolio Management Division** – Credit, Compliance, Operational
- (p) **Credit Management Group - Remediation Management Division** – Operational, Reputational, Compliance,
- (q) **Credit Management Group - Insurance Department** – Credit, Compliance, Operational
- (r) **Human Resource Group** – Operational, Compliance, Reputational, Strategic, IT, Legal
- (s) **Information Technology Group - Helpdesk** – Operational, Reputational, IT, Compliance
- (t) **Information Technology Group - Systems Support Unit (Core & Non-Core)** – Operational, Strategic, Reputational, IT, Compliance
- (u) **Information Technology Group - Application Development Unit** – Operational, Strategic, Reputational, IT, Compliance
- (v) **Information Technology Group - Asset Management Unit** – Operational, Strategic, Reputational, IT, Compliance
- (w) **Information Technology Group - Data Center** – Operational, Strategic, Reputational, IT, Compliance
- (x) **Information Technology Group - Network and Communications Center** – Operational, Strategic, Reputational, IT, Compliance
- (y) **Information Technology Group - Security Unit** – Operational, Strategic, Reputational, IT, Compliance
- (z) **Information Technology Group - ATM Center** – Operational, Strategic, Reputational, IT, Compliance,
- (aa) **Legal Services Group** – Operational, Reputational, Compliance
- (bb) **Legal - Office of the Corporate Secretary** – Operational, Reputational, Compliance
- (cc) **Operations Control Group - Loans and Discount 1 & 2** – Compliance, Operational, Reputational
- (dd) **Operations Control Group - Treasury Operations** – Operational, Compliance, Reputational, Liquidity, Strategic, IT
- (ee) **Operations Control Group - International Banking Center** – Credit, Operational, Compliance, Strategic
- (ff) **Operations Control Group - Controllership** – Operational, Compliance, Strategic, Reputational, Liquidity
- (gg) **Operations Control Group - Foreign Currency Deposit Unit** – Operational, Compliance, Reputational, Liquidity
- (hh) **Product Development and Management** – Strategic, Compliance, Operational, Reputational, IT
- (ii) **Project Management Office** – Strategic, Compliance, Operational, Reputational, IT
- (jj) **Retail Banking Segment - Branch Expansion Unit** – Strategic, Operational, Compliance, Legal
- (kk) **Retail Banking Segment - Branch Administration Unit** – Operational, Compliance, Reputational
- (ll) **Retail Banking Segment - Marketing Support Unit** – Market, Strategic, Operational, Compliance

(mm) Retail Sales Group – Credit, Market, Operational, Compliance, Reputational, Strategic

Control Units

- (a) Enterprise Risk Management Group** – Operational, Compliance, Strategic, IT
- (b) Internal Audit Center** – Operational, Compliance, IT, Reputational
- (c) Operations Control Group - Systems and Methods Center** – Operational, Compliance, IT

Indirect Support Units

- (a) Corporate Affairs** – Operational, Compliance, Reputational
- (b) General Services Center** – Operational, Compliance, Reputational
- (c) Security and Transport Services** – Operational, Compliance, Reputational, IT

SANCTIONS & PENALTIES (Updated as of December 2023)

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
POWERS OF THE BANGKO SENTRAL			
Section 001 EXAMINATION BY THE BANGKO SENTRAL	Refusal to permit examination	A bank that wilfully refuses to permit examination shall pay a fine of P30,000 per day from the day of the refusal and for as long as such refusal lasts, without prejudice to the sanctions under Section 34 of R.A. No. 7653.	The bank and/or its concerned directors and/or officers may be subject to nonmonetary sanctions provided under Section 37 of R.A. No. 7653 (The New Central Bank Act) and Sec. 002.
PART ONE – ORGANIZATION, MANAGEMENT AND ADMINISTRATION			
Section 102 BASIC GUIDELINES IN ESTABLISHING DOMESTIC BANKS	<p>Conditions for the grant of authority to convert into a lower category.</p> <p>a. That the bank must have complied with the minimum capital requirement and other laws/regulations applicable to the lower bank category into which it is converting. For this purpose, the term “capital” shall be as defined under Sec. 121;</p> <p>b. That the bank immediately upon receipt of notice of approval of conversion shall not engage in nor renew transactions under authorities not associated with those allowed for the lower bank category into which it is converting and within six (6) months from date of receipt of notice of approval of its application for conversion, the bank shall phase-out all inherent</p>	<p>From TB to RB</p> <p>Within Metro Manila P5,000/day</p> <p>Outside Metro Manila P500/day</p>	<p>(a) Suspension of branching privileges;</p> <p>(b) Suspension of declaration of cash dividends;</p> <p>(c) Restriction on lending to affiliates;</p> <p>(d) Denial of access to Bangko Sentral rediscounting facilities;</p> <p>(e) Suspension of authority to accept or handle government deposits;</p> <p>(f) Suspension of authority to engage in derivatives activities (for a UB converting into a KB); and</p> <p>(g) Suspension of authority to invest in allied undertakings.</p>

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
	<p>powers and activities under special authorities not normally associated to the lower bank category into which it is converting: Provided, That a TB (previously authorized by the Monetary Board to accept demand deposits) may be allowed to retain such authority when converting into an RB but may clear checks only through a correspondent bank and shall not be allowed to participate directly in the Philippine Clearing House Corporation (PCHC) and the Bangko Sentral check clearing operations: Provided, further, That for failure to comply with these requirements, the following monetary and non-monetary penalties shall be imposed reckoned from the set deadline until the bank has fully complied with the said requirements.</p>		
Section 109 BANK PREMISES AND OTHER FIXED ASSETS	Reclassification of real and other properties acquired (ROPA) to bank premises, furniture, fixture and equipment	<p>1. On the bank</p> <p>(1) For non-submission of the required certification</p> <p>A bank which fails to submit the required Certification on Compliance with Regulations on the ROPA to Bank Premises, Furniture, Fixture and Equipment or the certified true copy of the resolution of the board of directors authorizing said reclassification within the prescribed deadline shall be subject to the appropriate monetary penalties under Sec. 1102 (Guidelines on the imposition of monetary penalties) which shall be reckoned on a daily basis from the day following the due date of submission until the</p>	

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
		<p>required certification on compliance or the certified true copy of the resolution of the board of directors is filed with the Bangko Sentral.</p> <p>(2) For false/misleading statements A bank which has been found to have willfully made a false or misleading statement in the required Certification on Compliance with Rules and Regulations on the ROPA to Bank Premises, Furniture, Fixture and Equipment or in the certified true copy of the resolution of the bank board of directors shall be subject to the appropriate monetary penalties under Sec. 1102 (Guidelines on the imposition of monetary penalties) for the willful making of a false or misleading statement which shall be reckoned on a daily basis from the day following the due date of the said certification until such time that an amended or corrected certification on compliance or certified true copy of the resolution of the board of directors has been submitted to the Bangko Sentral.</p> <p>2. On the concerned directors/officers of the bank.</p> <p>a. For willful non-compliance Directors/officers of the bank who willfully fail/refuse to comply with the provisions of this Subsection shall be subject to the appropriate monetary penalties under Sec. 1102 (Guidelines on the imposition of monetary penalties).</p> <p>c. For false/misleading statements Directors/officers of the bank which have been found to have willfully falsely certified or willfully submitted misleading statements in the required Certification on Compliance with the Regulation on the Reclassification of ROPA to Bank Premises, Furniture, Fixture and Equipment or in the certified true copy of the resolution of the bank's board of directors shall be subject to the to the appropriate monetary penalties under Sec. 1102 (Guidelines on the imposition of monetary penalties), which shall be reckoned on a daily basis from the day following the due date of the said certification until such time that an amended or corrected certification on compliance or certified true copy of the resolution of the board of directors has been submitted to the Bangko Sentral. The imposition of the above sanctions is without prejudice to the filing of appropriate criminal charges against culpable persons as provided under Section 35 of R.A. No. 7653 for the willful making of a false/misleading statement.</p>	
Section 111	Enforcement actions. In line with the	Monetary penalties may be imposed for any acts,	a. Corrective action

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
LICENSING	thrust of the Bangko Sentral to incorporate the licensing process into its enforcement regime, the Bangko Sentral reserves the right to deploy, as may be warranted, an adequate range of supervisory tools to ensure that grantees of licenses/authorities are and remain qualified to possess the same, bring about timely corrective actions and compliance with Bangko Sentral directives, and provide safety to depositors, creditors, other stakeholders as well as the public in general.	omissions or transactions that are outside the permissible activities of the licenses/authorities granted or are in violation of laws, Bangko Sentral rules and regulations, orders and directives issued by the Bangko Sentral.	<p>Corrective actions are measures intended to primarily require banks with approved licenses/authorities to rectify any deviations from the standards, principles and conditions expected for the exercise of the license and/or authority. Corrective actions may include, but are not limited to, issuance of directives and warnings.</p> <p>b. Sanctions The Monetary Board may impose any of the sanctions enumerated hereunder or a combination thereof.</p> <p>(1) Non-monetary</p> <p>(a) Suspension of activities. The conduct of activities related to the licenses/authorities granted may be suspended if the Bangko Sentral determines that the concerned bank no longer meets the criteria or standards set; or</p> <p>(b) Revocation of licenses/authorities. The license/authority granted may be revoked in cases where violation, non-compliance with criteria/standards and/or false information are noted which affects the safety and soundness of banks' operations; and/or</p> <p>(c) Administrative sanctions. The responsible directors/officers who approve transactions and/or decisions that resulted in violations of laws, rules and regulations, orders, and directives issued by the Monetary Board or the Governor may be subject to reprimand, temporary</p>

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
			<p>suspension, and/or disqualification of directors/officers.</p> <p>The Monetary Board is not precluded to impose non-monetary sanctions other than those identified from Items "(a)" to "(c)"; and/or</p>
Section 112 MANAGEMENT CONTRACTS AND OUTSOURCING	Supervisory enforcement actions.		<p>Consistent with Sec. 002, the Bangko Sentral may deploy enforcement actions to promote adherence with the requirements set forth in this Section and its Subsections and bring about timely corrective actions. The Bangko Sentral may issue directives to improve the management of outsourcing arrangements, or impose sanctions to limit the level of or suspend any business activity that has adverse effects on the safety or soundness of the BSFI, among others. Sanctions may likewise be imposed on a BSFI and/or its directors, officers and/or employees.</p>
Section 113 CROSS-SELLING		<p>Any amount as may be authorized by the Monetary Board not to exceed P30,000 a day for each violation from the time the violation was committed until it is corrected.</p>	<p>Any sanctions that the Monetary Board may deem appropriate and allowed by law considering the gravity of the offense.</p>
Section 122 SHARES OF STOCKS OF BANKS		<p><i>Transactions involving voting shares of stocks</i></p> <p><i>Transactions requiring prior Monetary Board approval</i></p> <p>Any willful delay in the submission by the transferor and transferee of the request for prior Monetary Board approval, together with the required supporting papers/documents, within sixty (60) calendar days from date of transaction or thirty (30) calendar days from receipt by corporate secretary of request for registration of the transaction, whichever is earlier, shall subject the transferor, the transferee, or</p>	

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
		<p>both to the sanctions prescribed under Section 35 of R.A. No. 7653, without prejudice to the appropriate legal actions for the rescission and invalidation of the transaction.</p> <p>Moreover, any director and/or officer of a bank found to be acting in the interest of an unregistered stockholder shall be subject to the applicable administrative sanctions under Section 37 of R.A. No. 7653, without prejudice to the filing of appropriate criminal charges as provided under Section 36 of R.A. No. 7653.</p> <p>Furthermore, any violation of the provisions under Item “b(3)” hereof shall subject the bank and/or its directors and/or officers to the applicable administrative sanctions under Section 37 of R.A. No. 7653, without prejudice to the filing of appropriate criminal charges as provided under Section 36 of R.A. No. 7653.</p> <p>c. Duties of a corporate secretary.</p> <p>The corporate secretary found to have willfully falsely certified/submitted misleading statements and/or violated any of the provisions under Item “c” hereof shall be subject to the applicable administrative sanctions under Section 37 of R.A. No. 7653. The imposition of the said administrative actions is without prejudice to the filing of appropriate criminal charges as provided under Section 35 of R.A. No. 7653 for the willful making of false or misleading statement</p> <p>Issuance of redeemable shares: conditions; certification and report; sanctions.</p> <p>(1) On the bank:</p> <p>(a) For failure to comply with Items “a(3)(a)” to “a(3)(d)” above:</p> <ol style="list-style-type: none"> i. Suspension of branching privilege; ii. Prohibition against granting of new unsecured loans to DOSRI; iii. Prohibition against declaration of dividends; iv. Denial of access to Bangko Sentral rediscounting facilities; v. Revocation of authority to accept government deposits and to handle government funds as a result of agency agreements with the BIR, SSS, etc. <p>(b) For failure to infuse capital in an amount at least equivalent to amount of redeemed shares as required in Item “a(3)(a)”:</p>	

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
		<p>i. Sanctions in Item “(a)” above;</p> <p>ii. No new loans and investments, except in government securities;</p> <p>iii. P1,000 fine per day until the required infusion is made.</p> <p>(c) If the certification submitted by the bank required in these guidelines is found to be false, suspension of authority to issue preferred shares for one (1) year.</p> <p>(d) For failure to submit report of issuance of redeemable preferred shares, a fine of P1,200 for UBs/KBs; P600 for TBs; and P180 for RBs/Coop Banks per day of default until the report is submitted.</p> <p>(2) On the directors and officers:</p> <p>(a) For violation of any of the terms of the Deed of Undertaking, the following shall be imposed against the officers and directors of the bank who signed the deed:</p> <p>i. First offense - A fine of P500 per day for each violation from the time the violation was committed or up to the time the violation is corrected;</p> <p>ii. Second and subsequent offenses - A fine of P5,000 per day from the time the violation was committed up to the time the violation is corrected.</p> <p>(b) If the certification submitted by the bank as required in these guidelines is found to be false, a fine of P5,000 per day from the time the certification was made up to the time the certification was found to be false, shall be imposed against the certifying officer.</p>	
Section 124 DIVIDENDS			<p>The Bangko Sentral may issue directives to suspend/refrain/restrict from performing a particular activity or impose sanctions to limit the level of or suspend any business activity that has adverse effects on the safety or soundness of the bank, among others. Sanctions may likewise be imposed on a bank and/or its directors, officers and/or employees.</p> <p>The imposition of sanctions shall be without prejudice to the imposition of administrative sanctions under Section 37 of R.A. No. 7653</p>

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
			<p>including declaring as unsafe or unsound (as defined under Section 56 of R.A. No. 8791) the inappropriate dividend declarations, and/or to the filing of appropriate criminal charges against culpable persons as provided under Section 35 of R.A. No. 7653 for the willful making of a false/misleading statement.</p> <p>Further, banks subsequently found to have violated the provisions on dividend declaration or have falsely certified/submitted misleading statements shall be reverted to the prior Bangko Sentral verification wherein the bank can only make an announcement or communication on the declaration of dividends or payment of dividends thereon¹ upon receipt of Bangko Sentral advice thereof.</p>
Section 125 BASEL III RISK-BASED CAPITAL	<p>For non-reporting of CAR breaches.</p> <p>For non-compliance with required disclosures.</p>		<p>(1) First offense – warning; (2) Second offense – reprimand; (3) Third offense – 1 month suspension without pay; and (4) Further offense – disqualification</p> <p>(1) First offense – warning on CEO and the Board; (2) Second offense – reprimand on CEO and the Board; (3) Third offense – 1 month suspension of CEO without pay; and (4) Further offense – possible disqualification of the CEO and/or the Board.</p>

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
Section 127 RISK-BASED CAPITAL ADEQUACY FRAMEWORK FOR STAND-ALONE THRIFT BANKS, RURAL BANKS AND COOPERATIVE BANKS	Supervisory enforcement action	<p>Consistent with the provisions of Sec. 002, the Bangko Sentral reserves the right to deploy its range of supervisory tools to promote adherence to the requirements set forth in the foregoing guidelines and bring about timely corrective actions and compliance with the Bangko Sentral directives.</p> <p>In this regard, the Bangko Sentral may issue directives to or impose sanctions on the bank and/or responsible persons which may include, among others, prohibition on the distribution of net profits, restrictions from certain activities (e.g., acquisition of major assets), and issuance of a reprimand to, or the suspension, removal or disqualification of a bank's directors, officers or employees concerned. Moreover, the Bangko Sentral is not precluded from requiring a TB, RB and Coop Bank that is non-compliant with the minimum capital ratios to develop a capital build-up plan, which must be approved by the board of directors and stockholders of the bank concerned.</p> <p>In case, however, of a bank merger, or consolidation, or when a bank is under rehabilitation program approved by the Bangko Sentral, the Monetary Board may temporarily relieve the surviving bank, consolidated bank, or constituent bank or corporations under rehabilitation from full compliance with the required capital ratios under such conditions as it may prescribe.</p>	
Section 136 RELATED PARTY TRANSACTIONS			<p>The Bangko Sentral reserves the right to deploy its range of supervisory tools to promote adherence to the requirements set forth in the guidelines under this Section and bring about timely corrective actions and compliance with Bangko Sentral directives. The Bangko Sentral considers abuses in credit to related parties 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,</p>

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
			reprimand, suspension, removal and disqualification of bank directors, officers and/or employees concerned.
Section 137 CONFIRMATION OF THE ELECTION/APPOINTMENT OF DIRECTORS/OFFICERS; BIO-DATA OF DIRECTORS AND OFFICERS; INTERLOCKING DIRECTORSHIPS AND/OR OFFICERSHIPS; RULES OF PROCEDURES ON ADMINISTRATIVE CASES INVOLVING DIRECTORS AND OFFICERS OF BSFIS (BSP CIRCULAR 1129)	Enforcement Actions	The Bangko Sentral shall deploy enforcement actions to promote adherence to the requirements set forth in this Section and bring about timely corrective actions. The Bangko Sentral shall issue directives or sanctions on the BSFI and responsible persons which may include restrictions or prohibitions from certain authorities/activities; and warning, reprimand, suspension, removal and disqualification of concerned BSFI directors and officers. The Bangko Sentral shall disallow interlocking directorships and officerships or direct the BSFI to amend its internal policy on interlocking positions if the Bangko Sentral deems that the interlocking positions pose conflict of interest which give rise to excessive concentration of economic power, unfair competitive advantage, and abusive practices.	
Section 143 CREDIT RISK MANAGEMENT			The Bangko Sentral reserves the right to deploy its range of supervisory tools to promote adherence to standards and principles set forth in these guidelines, bring about timely corrective actions and compliance with Bangko Sentral directives and ensure that FIs continuously observe the said standards. Persistent non-observance of the provisions of Sec. 143, which may lead to material misstatement of the financial condition or illiquidity of the FI, may be a ground for declaration of unsafe or unsound banking under Section 56 of R.A. No. 8791 and subject the FI to appropriate sanctions. Enforcement actions shall be based on a holistic

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
			<p>assessment to determine if FIs adopt appropriate risk management practices and maintain capital commensurate with the risk assumed based on existing rules and regulations. These may include, but are not limited to, the following:</p> <ul style="list-style-type: none"> a. Corrective actions. These are measures intended to primarily require FIs to rectify any deviations from the standards and principles expected in the conduct of its credit risk-taking activities to address the negative impact of such deviation. Corrective actions generally include issuance of specific directives to address supervisory concerns within a reasonable timeframe. b. Sanctions. The Monetary Board may impose sanctions on an FI and/or its board, directors and officers, as provided under existing laws, Bangko Sentral rules and regulations proportionate to the gravity/seriousness of offense. c. Other enforcement actions. Subject to prior Monetary Board approval, the Bangko Sentral, when warranted, may deploy other enforcement actions such as: <ul style="list-style-type: none"> (1) Initiation into the prompt corrective action (PCA) framework whenever grounds for PCA exist; (2) Issuance of cease and desist order (CDO) in case of persistence of unsafe or unsound banking and/or violation of any banking law or any

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
			<p>order, instruction or regulation issued by the Monetary Board or any order, instruction or ruling issued by the Governor;</p> <p>(3) Additional capital infusion in case hazardous lending practices resulted in excessive provisions for credit losses leading to capital deficiency;</p> <p>(4) Requiring the FI to gross up the amount of required allowance for credit losses based on the examination of a representative sample of loans, if in the course of the Bangko Sentral examination, a high incidence of nonreporting/ concealment of past due and/or problem loans is noted; or</p> <p>(5) Other appropriate non-monetary enforcement actions that the Monetary Board may impose.</p>
Section 144 MARKET MANAGEMENT	RISK		<p>Consistent with Sec. 002, the Bangko Sentral may deploy enforcement actions to promote adherence with the requirements set forth in these guidelines and bring about timely corrective actions. If a bank's risk exposures are not well-managed, the Bangko Sentral may direct the bank to increase its capital, reduce its trading book exposures and/or strengthen its risk management system. The Bangko Sentral may likewise issue directives to limit the level of or suspend any business activity</p>

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
			that has adverse effects on the safety and soundness of the bank, among others. Sanctions may likewise be imposed on the bank and/or its directors, officers and/or employees.
Section 145 LIQUIDITY MANAGEMENT	RISK		Consistent with Sec. 002, the Bangko Sentral may deploy enforcement actions to promote adherence with the requirements set forth in these guidelines and bring about timely corrective actions. If a bank's risk exposures are not well managed, the Bangko Sentral may direct the bank to augment its funds management practices and the level of its liquid assets, reduce its liquidity risk exposures, and/or strengthen its risk management system. The Bangko Sentral may likewise impose sanctions to limit the level of or suspend any business activity that has adverse effects on the safety or soundness of the bank, among others. Sanctions may likewise be imposed on a bank and/or its directors, officers and/or employees.
Section 146 OPERATIONAL MANAGEMENT	RISK		Consistent with Sec. 002, the Bangko Sentral may deploy enforcement actions to promote adherence with the requirements set forth in this Section and bring about timely corrective actions. The Bangko Sentral may issue directives to improve the operational risk management system, or impose sanctions to limit the level of or suspend any business activity that has adverse effects on the safety or soundness of the bank, among others. Sanctions may likewise be imposed on a bank and/or its directors, officers and/or employees.
Section 147			Any violation of the provisions of this Section, as

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
BANK PROTECTION			well as non-compliance with the minimum standards set forth or any directive of the Monetary Board issued pursuant hereof, shall be subject to the administrative sanctions provided under Section 37 of R.A. No. 7653 and may, depending on the materiality or seriousness of the violation, constitute a ground for considering the same as an unsafe or unsound banking.
Section 148 INFORMATION TECHNOLOGY MANAGEMENT	RISK Reporting and notification standards		<p>BSFIs should make available all policies and procedures and other documents/requirements related to the foregoing during on-site examination as well as provide copies thereof to the Bangko Sentral when a written request is made to determine their compliance with this Section.</p> <ul style="list-style-type: none"> a. Non-compliance with the requirements in Item “b” of Sec. 148 (Reporting and notification standards) will be subject to “High” penalty level monetary sanctions pursuant to Sec. 1102 (Guidelines on the imposition of monetary penalties). b. Consistent with Sec. 002 (Supervisory enforcement policy), the Bangko Sentral may deploy applicable enforcement actions on the BSFI and/or its directors, officers, and/or employees for violations on this requirement. c. Annual IT Profile and other periodic reports which have been considered as erroneous, delayed or unsubmitted shall be subject to the penalties for Category B reports under Sec. 171 (Sanctions on reports for non-compliance with the reporting standards).

REGULATION	PARTICULARS	SANCTIONS (For TBS)		
		MONETARY		ADMINISTRATIVE
Section 149 BUSINESS CONTINUITY MANAGEMENT				Consistent with Sec. 002, the Bangko Sentral may deploy enforcement actions to promote adherence with the requirements set forth in Sec. 149 and bring about timely corrective actions. The Bangko Sentral may issue directives to improve the BCM process, or impose sanctions to limit the level of or suspend any business activity that has adverse effects on the safety and soundness of the BSFI, among others. Monetary and non-monetary sanctions, as provided under existing laws, Bangko Sentral rules and regulations, may likewise be imposed on a BSFI and/or its directors, officers and/or employees for violation of subject Sec. 149.
Section 150 SOCIAL MEDIA RISK MANAGEMENT				Consistent with Sec. 002, the Bangko Sentral may deploy enforcement actions to promote adherence with the requirements set forth in Sec. 150 and bring about timely corrective actions. The Bangko Sentral may issue directives to improve the social media risk management system or impose monetary and non-monetary sanctions on a BSFI and/or its directors, officers and/or employees.
Section 171 REPORTING GOVERNANCE FRAMEWORK	Reporting standards.	The applicable monetary penalty shall be based on a prescribed fine for each occurrence (in case of Erroneous reports) or for each day (in case of Delayed or Unsubmitted reports) which will accumulate until such time the report has been determined compliant with the prescribed reporting standards.		
		Bank Type	Primary Report	Secondary Report

REGULATION	PARTICULARS	SANCTIONS (For TBS)			
		MONETARY		ADMINISTRATIVE	
		UBs/KBs	P3,000	P600	
		TBs	P1,500	300	
		RBs/Coop Banks	450	150	
	Determination of demerit point incurred by a bank in a reporting calendar year		Report Category		Total
			Primary	Secondary	
		Monetary penalties approved for imposition	P180,000	P30,000	
		Prescribed fine per applicable category based on Table 1	3,000	600	
		Number of demerit points (A/B)	60	50	110
					When a bank is considered habitual in incurring reporting violations, the Bangko Sentral shall require the bank to undertake measures to address the root cause/s of the problem. The bank may also be subject to non-monetary sanctions provided under Section 37 of R.A.No. 7653 (The New Central Bank Act), as well as restriction/suspension of branching privileges and other special authorities involving the offering of new products and services to the public. The non-monetary sanctions shall continue to be in effect until the habituality is considered addressed. The habituality is considered addressed and the non-monetary sanctions will be lifted if the bank did not incur any demerit points (i.e., none of the reports of the bank was classified as either Erroneous, Delayed, Erroneous and Delayed, or Unsubmitted) for at least three (3) consecutive months from the time the habituality was observed.
Section 173 REPORTS	Submission of certain required information.	<p>On the bank</p> <p>(a) For willful delay to submit the documents required under Item “b” of this Section on Submission of certain required information. A bank failing to submit the required reports which shall be classified as a Category A-2 report, within the prescribed deadline, shall be subject to monetary penalties applicable for delayed reporting under existing regulations.</p>			

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
		<p>(b) For the willful making of a false/misleading statement in the documents required under Item “b” of this Section on Submission of certain required information. A bank which has been found to have willfully made a false or misleading statement in the documents required under Item “b” of this Section on Submission of certain required information shall be subject to the appropriate monetary penalties under Sec. 1102. The willful making of a false or misleading statement shall be reckoned on a daily basis from the day following the due date of the said certification until such time that an amended or corrected document has been submitted to the Bangko Sentral.</p> <p>On the concerned officer</p> <p>(a) For willful non-compliance. The concerned officer/s of the bank who willfully fail/refuse to comply with the provisions of Item “b” of this Section on Submission of certain required information shall be subject to the appropriate monetary penalties under Sec. 1102.</p> <p>(b) For false/misleading statements. The concerned officers which have been found to have willfully falsely certified or willfully submitted misleading statements in the certification and/or in the list of bank personnel required to be submitted under Items “b(1)” and “b(2)” of this Section on Submission of certain required information, shall be subject to the appropriate monetary penalties under Sec. 1102, which shall be reckoned on a daily basis from the day following the due date of the said certification/list until such time that an amended or corrected certification and/or list of bank personnel have been submitted to the Bangko Sentral.</p> <p><i>The imposition of the above sanctions is without prejudice to the filing of appropriate criminal charges against the culpable persons as provided under Section 35 of R.A. No. 7653, as amended, for the willful making of a false/misleading statement.</i></p>	
	Reports on Crimes and Losses		RCL considered as erroneous/ delayed/ erroneous and delayed/unsubmitted shall be subject to the penalties for Category B reports under Sec. 171 (Sanctions on Reports for Non-compliance with the reporting standards) but will not form part of the computation of demerit points of BSFIs for purposes of determining habituality.
Section 175 PUBLIC DISCLOSURES	Sanctions for non-disclosure of certain information and/or delayed submission of annual report.	a.	Non-disclosure of certain information. Willful non-disclosure or erroneous disclosure of any item required to be disclosed under Sec. 175 on disclosure requirements in the annual report shall be subject to the appropriate monetary penalties under Sec. 1102 that will be imposed on

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
		<p>the bank.</p> <p>The Bangko Sentral shall also determine if the non-disclosure or erroneous disclosure involves material information that may mislead the public, which warrants stiffer sanctions as provided under Sec. 002.</p> <p>Material information refers to information which if omitted or misstated, could change or influence the assessment or decisions of a person relying on the disclosure, such as depositors, creditors, investors, and professional analysts, for the purpose of making deposits and investments, among others.</p> <p>b. Delayed/Unsubmitted annual report. Sanctions in case of delayed/unsubmitted annual report and the ARAC shall be in accordance with the provision under Sec. 171 (Non-compliance with the Bangko Sentral reporting standards).</p>	
Section 191 VOLUNTARY SURRENDER OF A BANKING LICENSE			The voluntary surrender of banking license to Bangko Sentral will not exempt the bank's directors, officers and employees from any administrative or criminal sanctions arising from a determination that a violation of banking law, rule or regulation was committed.
Section 193 INSOLVENCY OR RECEIVERSHIP OF BANKS			Any director or officer of a bank declared insolvent or placed under receivership by the Monetary Board who commits any of the foregoing acts shall be subject to the sanctions under Sections 36 and 37 of R.A. No. 7653, in correlation with Section 66 of R.A. No. 8791. Moreover, any such director or officer thereby sanctioned shall be included in the watchlist files of directors/officers disqualified by the Monetary Board from holding any position in any bank or FI.
PART TWO – DEPOSITS, BORROWINGS AND OTHER LIABILITIES			

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
Section 201 AUTHORITY TO ACCEPT OR CREATE DEMAND DEPOSITS		<p>If any part of the certification submitted by the bank as required in these guidelines is found to be false, the following sanctions shall be imposed, without prejudice to the sanctions under Section 35 of R.A. No. 7653:</p> <p>a. On the bank - Suspension of its authority to accept or create demand deposits for one (1) year</p> <p>b. On the certifying officer - A fine of P5,000 per day from the time the certification was made up to the time the certification was found to be false.</p>	
Section 217 CERTIFICATES OF TIME DEPOSIT	Negotiable Certificates of Time Deposits (NCTDs)	<p>If any part of the certification submitted by the bank as required in these guidelines is found to be false, the following sanctions shall be imposed, without prejudice to the sanctions under Section 35 of R.A. No. 7653.</p> <p>a. On the bank - Suspension of its authority to issue NCTDs for one (1) year.</p> <p>b. On the certifying officer - A fine of P5,000 per day from the time the certification was made up to the time the certification was found to be false.</p>	
	Long Term Negotiable Certificates of Time Deposits (LTNCTDs)	<p>Without prejudice to the other sanctions prescribed under Sections 36 and 37 of R.A. No. 7653, as amended by R.A. No. 11211, and the provisions of Section 16 of R.A. No. 8791, the following sanctions will be imposed on Bangko Sentral-supervised FIs for failure to comply with the provisions of this Section and for nondisclosure or misrepresentation of information:</p> <p>(a) On the issuing bank - Suspension of its authority to issue LTNCTDs, disqualification from future issuance of LTNCTDs and a monetary penalty of P30,000 for each violation.</p> <p>(b) On the registry bank - Disqualification to be a registry bank for one (1) year and a monetary penalty of P30,000 for each violation.</p> <p>(c) On the selling agents - Disqualification to be appointed as selling agent for one (1) year and a monetary penalty of P30,000 for each violation.</p> <p>(d) On the certifying officer - A fine of P5,000 per day from the time of required disclosure up to the time disclosure was made; or from the time misrepresentation was made up to the time the information was corrected.</p> <p>(e) On the responsible officer - A fine of P30,000 for participating or confirming in the non-disclosure or misrepresentation of information.</p>	

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
		<p>FIs not supervised by the Bangko Sentral acting as selling agent of LTNCTDs and/or its directors/officers concerned that are found to violate rules and regulations in the performance of their functions/responsibilities shall be subject to the provisions of Section 36 of R.A. No. 7653, as amended by R.A. No. 11211, and shall, likewise, be referred to the SEC for appropriate action.</p> <p>Supervisory Enforcement Actions. The Bangko Sentral reserves the right to deploy its range of supervisory tools provided in Sec. 002 to ensure compliance with the provisions of this Section.</p>	
Section 221 AUTHORITY TO ACCEPT NEGOTIABLE ORDER OF WITHDRAWAL ACCOUNTS		<p>If any part of the certification submitted by the bank as required in these guidelines is found to be false, the following sanctions shall be imposed, without prejudice to the sanctions under Section 35 of R.A. No. 7653:</p> <p>a. On the bank - Suspension of its authority to accept or create NOW accounts for one (1) year.</p> <p>b. On the certifying officer - A fine of P5,000 per day from the time the certification was made up to the time the certification was found to be false.</p>	
Section 231 ACCEPTANCE OF GOVERNMENT DEPOSITS		<p>a. The deposit account with the Bangko Sentral of the bank concerned shall be debited by the Accounting Department of the Bangko Sentral in the amount of the unauthorized deposit or borrowing upon receipt of a report or notice from the appropriate supervising department of the Bangko Sentral and the deposit account of the government institutions with the Bangko Sentral shall be credited for the same amount. A copy of said report or notice of the appropriate supervising department of the Bangko Sentral shall be furnished each to the bank concerned and the government institutions.</p> <p>b. The withdrawal of previously granted authority to accept government funds.</p> <p>c. Without prejudice to the sanctions under Section 35 of R.A. No. 7653, the following administrative sanctions shall be imposed if any part of the certification as required in this Section is found to be false or misleading:</p> <p>On the bank - Cancellation of the authority to accept government deposits if one has already been granted and/or disqualification to act as a government depository for not more than one (1) year.</p> <p>On the certifying officer - A fine of P5,000 per day from the time the certification was found to be false, for each application filed with the Bangko Sentral.</p> <p>d. Any bank with deficiency in the required liquidity floor against deposits of, and/or borrowings from, the Government and government entities or with excess holdings of such deposits shall:</p>	

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
		(1) be denied the credit facilities of the Bangko Sentral; and (2) if the deficiency lasts for four (4) consecutive weeks, the bank shall be prohibited from declaring cash dividends and making new loans and investments, except investments in government securities. The prohibition shall be lifted by the Governor of the Bangko Sentral, upon certification by the appropriate supervising department of the Bangko Sentral that the bank has had no deficiency in its liquidity floor and no excess holdings of government deposits for at least four (4) consecutive weeks.	
Section 242 DEPOSIT SUBSTITUTE INSTRUMENTS	Delivery of securities	<p><i>First offense</i> - Fine of P10,000 a day for each violation reckoned from the date the violation was committed up to the date it was corrected.</p> <p><i>Subsequent offenses</i> - Fine of P20,000 a day for each violation reckoned from the date the violation was committed up to the date it was corrected.</p>	<p><i>First offense</i> - Reprimand for the directors/officers responsible for the violation.</p> <p><i>Subsequent offense</i> –</p> <p>(a) Suspension for ninety (90) days without pay of directors/officers responsible for the violation;</p> <p>(b) Suspension or revocation of the accreditation to perform custodianship function;</p> <p>(c) Suspension or revocation of the authority to engage in quasi-banking function; and/or</p> <p>(d) Suspension or revocation of the authority to engage in trust and other fiduciary business.</p>
		<p>Without prejudice to the penal and administrative sanctions provided for under Sections 36 and 37, respectively of R.A. No. 7653 (The New Central Bank Act), violation of any provision of the guidelines in Appendix 73 shall be subject to the following sanctions/penalties depending on the gravity of the offense:</p> <p>a. First offense</p> <p>(1) Fine of up to P10,000 a day for the institution for each violation reckoned from the date the violation was committed up to the date it was corrected; and</p> <p>(2) Reprimand for the directors/officers responsible for the violation.</p> <p>b. Second offense</p> <p>(1) Fine of up to P20,000 a day for the institution for each violation reckoned from the date the violation was committed up to the date it was corrected; and</p> <p>(2) Suspension for ninety (90) days without pay of directors/officers responsible for the violation.</p>	

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
		<p>c. Subsequent offenses</p> <p>(1) Fine of up to P30,000 a day for the institution for each violation from the date the violation was committed up to the date it was corrected;</p> <p>(2) Suspension or revocation of the authority to act as securities custodian and/or registry; and</p> <p>(3) Suspension for 120 days without pay of the directors/officers responsible for the violation.</p>	
Section 245 WITHOUT RECURSE TRANSACTIONS		<p>First offense - Fine of P10,000 a day for each violation reckoned from the date the violation was committed up to the date it was corrected.</p> <p>Subsequent offenses - Fine of P20,000 a day for each violation reckoned from the date the violation was committed up to the date it was corrected.</p>	<p>First offense - Reprimand for the directors/officers responsible for the violation.</p> <p>Subsequent offense –</p> <p>(a) Suspension for ninety (90) days without pay of directors/officers responsible for the violation;</p> <p>(b) Suspension or revocation of the accreditation to perform custodianship function;</p> <p>(c) Suspension or revocation of the authority to engage in quasi-banking function; and/or</p> <p>(d) Suspension or revocation of the authority to engage in trust and other fiduciary business.</p>
Section 252 COMPOSITION OF RESERVES			<p>The reporting of MSME loans and loans to large enterprises that are utilized as alternative compliance shall be subject to the provisions of Sec. 171. The willful making of a false or misleading statement shall subject the bank and the directors/officers responsible for the violation to the sanctions prescribed under Sections 35 and 37 of Republic Act (R.A.) No. 7653 (The New Central Bank Act), as amended by R.A. No. 11211</p>
Section 282 REDISCOUNTING AVAILMENTS		(refer to MORB for latest penalties and sanctions)	
PART THREE – LOANS, INVESTMENTS AND SPECIAL CREDITS			

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
Section 301 GRANT OF LOANS AND OTHER CREDIT ACCOMMODATIONS			<p>Violations of the provisions of this Section on Minimum required disclosure, Unfair collection practices and Confidentiality of information shall be subject to any or all of the following sanctions depending upon their severity:</p> <ol style="list-style-type: none"> a. First offense. Reprimand for the directors/officers responsible for the violation; b. Second offense. Disqualification of the bank concerned from the credit facilities of the Bangko Sentral except as may be allowed under Section 84 of R. A. No. 7653; c. Subsequent offense/s: <ol style="list-style-type: none"> (1) Prohibition on the bank concerned from the extension of additional credit accommodation against personal security; and (2) Penalties and sanctions provided under Sections 36 and 37 of R. A. No. 7653.
Section 306 "TRUTH IN LENDING ACT" DISCLOSURE REQUIREMENT		<p>Non-compliance with any of the provisions of this Section may be subject to appropriate monetary penalties under Sec. 1102, depending on the severity of non-disclosure, number of loans and amount involved in the violation. In addition to sanctions under R.A. No. 3765, the following sanctions may be imposed:</p> <ol style="list-style-type: none"> a. <i>First offense.</i> Reprimand on the erring officer/s; b. <i>Second offense.</i> Reprimand on the entire board of directors; and c. <i>Subsequent offense/s:</i> 	

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
		<p>(1) Suspension of the erring officer/s and/or entire board of directors; and</p> <p>(2) Restriction on lending activities.</p> <p>This is without prejudice to other penalties and sanctions provided under Sections 36 and 37 of R.A. No. 7653.</p>	
Section 331 Agriculture and Agrarian Reform Credit		<p>(1) Monetary fines</p> <p>(a) <i>For non-compliance /under- compliance</i> Annual penalty of one-half of one percent (0.5%) of amount of non-compliance/undercompliance shall be computed on a quarterly basis following this formula:</p> <p>Penalty = 0.00125 x amount of non- compliance/under-compliance as of the end of the reference quarter Amount of non-compliance/under-compliance =</p> <ul style="list-style-type: none"> i. ten percent (10%) of total loanable funds less reported amount of compliance with the mandatory agrarian reform credit, plus ii. fifteen percent (15%) of total loanable funds less reported amount of compliance with the mandatory other agricultural credit in general: <i>Provided</i>, That excess compliance in the ten percent (10%) agrarian reform credit may be used to offset a deficiency, if any, in the fifteen percent (15%) other agricultural credit, in general, but not vice versa. <p>(b) <i>For erroneous/delayed/erroneous and delayed/unsubmitted reports</i> A bank shall be subject to the fines for erroneous/delayed/erroneous and delayed/unsubmitted reports on compliance with the mandated credit allocation for agri-agra credit under R.A. No. 10000 in accordance with the provisions of Sec. 171 (<i>Non-compliance with the Bangko Sentral Reporting Standards</i>): <i>Provided</i>, That a bank which fails to submit its agri-agra quarter-end report up to the submission deadline of the succeeding quarter-end report, shall be subject to the appropriate monetary penalties for willful delay in the submission of agri-agra report under Sec. 1102, which shall be reckoned on a daily basis from the day following the due date of submission of the report until the report is filed with the Bangko Sentral.</p> <p>(c) <i>For false/misleading statements</i></p>	

REGULATION	PARTICULARS	SANCTIONS (For TBS)							
		MONETARY	ADMINISTRATIVE						
		<p>A bank which has been found to have made a false or misleading statement in its required report on compliance with the mandated credit allocation for agri-agra credit shall be subject to the appropriate monetary penalties for willful making of a false or misleading statement under Sec. 1102, which shall be reckoned on a daily basis from the day following the due date of submission of the affected report until an amended report has been submitted to the Bangko Sentral.</p> <p>(2) Non-monetary fines</p> <p>In addition to the above daily monetary fines, any or all of the administrative sanctions, as provided under Section 37 of R.A. No. 7653, may be imposed upon any bank for willful delay or refusal to submit reports or willful making of a false or misleading statement to the Bangko Sentral, without prejudice to criminal sanctions against culpable persons provided under Sections 34, 35 and 36 of R.A. No. 7653.</p> <p><i>b. Penalties/sanctions applicable to directors/officers concerned of the bank</i></p> <p>Directors/officers of a bank which have been found to have willfully falsely certified/submitted misleading statements and/or willfully violated any of the provisions of this Section shall be subject to the appropriate monetary penalties under Sec. 1102 and/or the other administrative sanctions under Section 37 of R.A. No. 7653.</p> <p>The imposition of the above sanctions is without prejudice to the filing of appropriate criminal charges against culpable persons as provided under Section 35 of R.A. No. 7653 for the willful making of a false/misleading statement.</p> <p><i>c. Disposition of penalties collected</i></p> <p>Ninety percent (90%) of the total penalties collected on non-compliance/under-compliance with the mandatory agri-agra credit under Item “a(1)(a)” above shall be remitted by the Bangko Sentral to the Agricultural Guarantee Fund Pool (AGFP) and the PCIC, in accordance with the following percentage allocation:</p> <table border="1"> <thead> <tr> <th>Recipient</th> <th>Percent Allocation</th> </tr> </thead> <tbody> <tr> <td>AGFP</td> <td>Fifty percent (50%)</td> </tr> <tr> <td>PCIC</td> <td>Fifty percent (50%)</td> </tr> </tbody> </table> <p>The percentage allocation may be amended by the Secretary of DA in consultation with the Agricultural Credit Policy Council (ACPC), PCIC and the Secretary of DAR, according to the needs of</p>		Recipient	Percent Allocation	AGFP	Fifty percent (50%)	PCIC	Fifty percent (50%)
Recipient	Percent Allocation								
AGFP	Fifty percent (50%)								
PCIC	Fifty percent (50%)								

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
		<p>the agri-agra sector.</p> <p>The remaining, ten percent (10%) of the total penalties collected on non - compliance/under-compliance with the mandatory agri-agra credit under Item "a(1)(a)" shall be retained by the Bangko Sentral to cover its administrative expenses.</p>	
Section 332 MANDATORY ALLOCATION OF CREDIT RESOURCES TO MICRO, SMALL AND MEDIUM ENTERPRISES		<p>A. For non-compliance/under compliance with the prescribed portions of loan portfolio to be allocated to MSEs and MEs:</p> <p>(1) For zero compliance for both MSEs and MEs – P500,000;</p> <p>(2) For under compliance:</p> <p>(a) For MSEs – percentage of undercompliance multiplied by P400,000</p> <p>(b) For MEs – percentage of under-compliance multiplied by P100,000 to be computed as of end of each quarter.</p> <p>(3) For willful making of a false or misleading statement to the Bangko Sentral - P500,000 per quarter-end report without prejudice to the sanctions under Section 35 of R.A. No. 7653.</p> <p>The imposition of the fines in Items "(1)" to "(2)" shall be without prejudice to the other administrative sanctions under Section 37 of R.A. No. 7653.</p> <p>B. For non-submission/delayed submission of reports on compliance with both the prescribed portions of loan portfolio to be allocated to MSEs and MEs, respectively:</p> <p>(1) UBs/KBs - P1,200</p> <p>(2) TB - 600</p> <p>(3) RBs/Coop Banks – 180</p>	

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
		per calendar day of delay.	
Section 348 SUPERVISORY ENFORCEMENT ACTIONS	LOANS AND OTHER CREDIT ACCOMMODATIONS TO DIRECTORS, OFFICERS, STOCKHOLDERS AND THEIR RELATED INTERESTS/ SUBSIDIARIES/AFFILIATES	<p>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, “<i>abuse</i>” shall be interpreted to include extending credit to related parties without adopting appropriate internal policies.</p> <p>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.</p> <p>In case of imposition of monetary sanction for violations of the foregoing provisions, the penalty shall be computed as follows:</p> <p>a. Loans to DOSRI</p> <p>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:</p> <ol style="list-style-type: none"> (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 Secs. 344 and 345. <p>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.</p> <p>b. Loans to subsidiaries and affiliates</p> <p>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:</p> <ol style="list-style-type: none"> (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 (<i>Loans, other credit</i> 	

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
		<i>accommodations and guarantees granted to subsidiaries and/or affiliates).</i>	
Section 361 LARGE EXPOSURES AND CREDIT RISK CONCENTRATIONS		Any failure or delay in complying with the requirements under this Section on Notification requirements and Reporting shall be subject to penalty applicable to those involving major reports.	
Section 362 CREDIT EXPOSURE LIMITS TO A SINGLE BORROWER		<p>Monetary penalties</p> <p>Fines of one- tenth of one percent (1/10 of 1%) of the excess over the ceiling but not to exceed P30,000.00 a day for each SBL violation shall be assessed on the bank to be reckoned from the date the excess started up to the date when such excess was eliminated: <i>Provided</i>, That a maximum fine of P500.00 a day for each violation shall be imposed against banks with total resources of less than P50.0 million at the time of granting of loan/credit accommodation.</p>	<p>Other sanctions</p> <p>First offense – Reprimand for the directors/officers who approved the credit availment which resulted in the excess with a warning that subsequent violations will be subject to more severe sanctions.</p> <p>Subsequent offenses –</p> <p>(1) Fine of P1,000.00 for directors/officers who approved the credit availment which resulted in the excess.</p> <p>(2) Suspension of the bank’s branching privileges and access to Bangko Sentral rediscounting facilities until the excess is eliminated.</p> <p>(3) Other penalties as the Monetary Board may impose depending on the gravity of the offense.</p>
PART FOUR – TRUST AND OTHER FIDUCIARY BUSINESS AND INVESTMENT MANAGEMENT ACTIVITIES			
Section 413 TRUST AND OTHER FIDUCIARY BUSINESS		<p><i>Sanctions.</i> Without prejudice to the penal and administrative sanctions provided for under Sections 36 and 37, respectively, of the R.A. No. 7653, violation of any provision of this Section shall be subject to the following sanctions/penalties depending on the gravity of the offense:</p> <p>(1) First offense –</p> <p>(a) Fine of up to P10,000 a day for the institution for each violation reckoned from the date the violation was committed up to the date it was corrected; and</p> <p>(b) Reprimand for the directors/officers responsible for the violation.</p> <p>(2) Second offense –</p> <p>(a) Fine of up to P20,000 a day for the institution for each violation reckoned from the date the</p>	

REGULATION	PARTICULARS	SANCTIONS (For TBS)																															
		MONETARY		ADMINISTRATIVE																													
		violation was committed up to the date it was corrected; (b) Suspension for ninety (90) days without pay for directors/officers responsible for the violation; and (c) Revocation of the authority to act as trustees on any mortgage or bond issuance by any municipality, GOCCs, or body politic. (3) Subsequent offense – (a) Fine of up to P30,000 a day for the institution for each violation reckoned from the date the violation was committed up to the date it was corrected; (b) Suspension or revocation of the trust license; and (c) Suspension for one hundred twenty days without pay of the directors/officers responsible for the violation.																															
Section 417 SECURITY FOR THE FAITHFUL PERFORMANCE OF TRUST AND OTHER FIDUCIARY BUSINESS	On the bank:	<table border="1"> <thead> <tr> <th>Offense Trust Asset Size</th> <th>First</th> <th>Second</th> <th>Third and subsequent offense(s)</th> </tr> </thead> <tbody> <tr> <td>TBs with Limited Trust Authority</td> <td>P300.00</td> <td>P400.00</td> <td>P500.00</td> </tr> <tr> <td>Up to P500M</td> <td>P600.00</td> <td>P700.00</td> <td>P800.00</td> </tr> <tr> <td>Above P500M but not exceeding P1Billion</td> <td>P1,000.00</td> <td>P1,250.00</td> <td>P1,500.00</td> </tr> <tr> <td>Above P1B but not exceeding P10B above P10Billion</td> <td>P2,000.00</td> <td>P3,000.00</td> <td>P4,000.00</td> </tr> <tr> <td>but not exceeding P50Billion</td> <td>P5,000.00</td> <td>P6,000.00</td> <td>P7,000.00</td> </tr> <tr> <td>Above P50B</td> <td>P8,000.00</td> <td>P9,000.00</td> <td>P10,000.00</td> </tr> </tbody> </table>	Offense Trust Asset Size	First	Second	Third and subsequent offense(s)	TBs with Limited Trust Authority	P300.00	P400.00	P500.00	Up to P500M	P600.00	P700.00	P800.00	Above P500M but not exceeding P1Billion	P1,000.00	P1,250.00	P1,500.00	Above P1B but not exceeding P10B above P10Billion	P2,000.00	P3,000.00	P4,000.00	but not exceeding P50Billion	P5,000.00	P6,000.00	P7,000.00	Above P50B	P8,000.00	P9,000.00	P10,000.00	Non-monetary penalty beginning with the third offense (all banks) – Prohibition against the acceptance of new trust and other fiduciary accounts, and from renewing expiring trust and other fiduciary contracts up to the time the violation is corrected.		
Offense Trust Asset Size	First	Second	Third and subsequent offense(s)																														
TBs with Limited Trust Authority	P300.00	P400.00	P500.00																														
Up to P500M	P600.00	P700.00	P800.00																														
Above P500M but not exceeding P1Billion	P1,000.00	P1,250.00	P1,500.00																														
Above P1B but not exceeding P10B above P10Billion	P2,000.00	P3,000.00	P4,000.00																														
but not exceeding P50Billion	P5,000.00	P6,000.00	P7,000.00																														
Above P50B	P8,000.00	P9,000.00	P10,000.00																														
	On the trust officer and/or other officer(s) responsible for the deficiency/non-compliance:			(1) First offense - warning that subsequent violations shall be dealt with more severely; (2) Second offense - written reprimand with a stern warning that subsequent violations shall																													

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
			<p>be subject to suspension;</p> <p>(3) Third offense - thirty (30) calendar day-suspension without pay; and</p> <p>(4) Subsequent offense(s) - sixty (60) calendar day-suspension without pay.</p>
Section 420 UNSAFE OR UNSOUND MANNER			<p>The Monetary Board may, at its discretion and based on the seriousness and materiality of the acts or omissions, impose any or all of the following sanctions provided under Section 37 of R.A. No. 7653 and Section 56 of R.A. No. 8791, whenever a bank conducts business in an unsafe or unsound manner:</p> <ol style="list-style-type: none"> a. Issue an order requiring the bank to cease and desist from conducting business in an unsafe or unsound manner and may further order that immediate action be taken to correct the conditions resulting from such unsafe or unsound manner; b. Fines in amounts as may be determined by the Monetary Board to be appropriate, but in no case to exceed P30,000 a day on a per transaction basis taking into consideration the attendant circumstances, such as the gravity of the act or omission and the size of the bank, to be imposed on the bank, their directors and/or responsible officers; c. Suspension of interbank clearing privileges/immediate exclusion from clearing; d. Suspension of rediscounting privileges or access to Bangko Sentral credit facilities; e. Suspension of lending or foreign exchange

REGULATION	PARTICULARS	SANCTIONS (For TBS)																											
		MONETARY		ADMINISTRATIVE																									
					<p>operations or authority to accept new deposits or make new investments;</p> <p>f. Suspension of responsible directors and/or officers;</p> <p>g. Revocation of quasi-banking license; and/or</p> <p>h. Receivership and liquidation under Section 30 of R.A. No. 7653.</p> <p>All other provisions of Sections 30 and 37 of R.A. No. 7653, whenever appropriate, shall also be applicable on the conduct of business in an unsafe or unsound manner.</p> <p>The imposition of the above sanctions is without prejudice to the filing of appropriate criminal charges against culpable persons as provided in Sections 34, 35 and 36 of R.A. No. 7653.</p>																								
Section 424 SECURITY FOR THE FAITHFUL PERFORMANCE OF INVESTMENT MANAGEMENT ACTIVITIES		<table border="1"> <thead> <tr> <th>Offense Trust Asset Size</th> <th>First</th> <th>Second</th> <th>Third and subsequent offense(s)</th> </tr> </thead> <tbody> <tr> <td>TBs with Limited Trust Authority</td> <td>P300.00</td> <td>P400.00</td> <td>P500.00</td> </tr> <tr> <td>Up to P500M</td> <td>P600.00</td> <td>P700.00</td> <td>P800.00</td> </tr> <tr> <td>Above P500M but not exceeding P1Billion</td> <td>P1,000.00</td> <td>P1,250.00</td> <td>P1,500.00</td> </tr> <tr> <td>Above P1B but not exceeding P10B above P10Billion</td> <td>P2,000.00</td> <td>P3,000.00</td> <td>P4,000.00</td> </tr> <tr> <td>but not exceeding</td> <td>P5,000.00</td> <td>P6,000.00</td> <td>P7,000.00</td> </tr> </tbody> </table>	Offense Trust Asset Size	First	Second	Third and subsequent offense(s)	TBs with Limited Trust Authority	P300.00	P400.00	P500.00	Up to P500M	P600.00	P700.00	P800.00	Above P500M but not exceeding P1Billion	P1,000.00	P1,250.00	P1,500.00	Above P1B but not exceeding P10B above P10Billion	P2,000.00	P3,000.00	P4,000.00	but not exceeding	P5,000.00	P6,000.00	P7,000.00			<p>Non-monetary penalty beginning with the third offense (all banks) - Prohibition against the acceptance of new IMAs and from renewing expiring investment management contracts up to the time the violation is corrected.</p> <p>(b) On the trust officer and/or other officer(s) responsible for the deficiency/non-compliance:</p> <ol style="list-style-type: none"> i. <i>First offense</i> - warning that subsequent violations shall be dealt with more severely; ii. <i>Second offense</i> - written reprimand with a stern warning that subsequent violations shall be subject to suspension; iii. <i>Third offense</i> - thirty (30) calendar day-
Offense Trust Asset Size	First	Second	Third and subsequent offense(s)																										
TBs with Limited Trust Authority	P300.00	P400.00	P500.00																										
Up to P500M	P600.00	P700.00	P800.00																										
Above P500M but not exceeding P1Billion	P1,000.00	P1,250.00	P1,500.00																										
Above P1B but not exceeding P10B above P10Billion	P2,000.00	P3,000.00	P4,000.00																										
but not exceeding	P5,000.00	P6,000.00	P7,000.00																										

REGULATION	PARTICULARS	SANCTIONS (For TBS)				
		MONETARY			ADMINISTRATIVE	
		P50Billion				suspension without pay; and iv. <i>Subsequent offense(s)</i> - sixty (60) calendar day-suspension without pay. Notwithstanding the execution of a basic security deposit, withdrawal, or replacement transaction, the Bangko Sentral is not precluded from imposing sanctions against the investment manager for non-compliance with the regulations on the basic security deposit, if warranted.
		Above P50B	P8,000.00	P9,000.00	P10,000.00	
Section 431 SECURITIES CUSTODIANSHIP AND SECURITIES REGISTRY OPERATIONS		Without prejudice to the penal and administrative sanctions provided for under Sections 36 and 37, respectively, of the R.A. No. 7653, violation of any provision of this Section shall be subject to the following sanctions/penalties:				
		<i>a. First offense –</i> <ol style="list-style-type: none"> (1) Fine of up to P10,000 a day for the institution for each violation reckoned from the date the violation was committed up to the date it was corrected; and (2) Reprimand for the directors/officers responsible for the violation. 				
		<i>b. Second offense –</i> <ol style="list-style-type: none"> (1) Fine of up to P20,000 a day for the institution for each violation reckoned from the date the violation was committed up to the date it was corrected; and (2) Suspension for ninety (90) days without pay of directors/officer responsible for the violation. 				
		<i>c. Subsequent offenses –</i> <ol style="list-style-type: none"> (1) Fine of up to P30,000 a day for the institution for each violation from the date the violation was committed up to the date it was corrected; (2) Suspension or revocation of the authority to act as securities custodian and/or registry; and (3) Suspension for one hundred twenty (120) days without pay of the directors/officers responsible for the violation. 				
Section 499 SANCTIONS	GENERAL PROVISION ON SANCTIONS	Any violation of the provisions of this Part shall be subject to Sections 36 and 37 of R.A. No. 7653 without prejudice to the imposition of other sanctions as the Monetary Board may consider warranted				

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
		<p>under the circumstances that may include the suspension or revocation of a bank's authority to engage in trust and other fiduciary business or in investment management activities, and such other sanctions as may be provided by law.</p> <p>In the case of non-compliance with the requirements of Secs. 401, 411-B/C Items f(2)(c)“(i) – (iii)” and Sec. 412 (specifically on composition of trust committee, qualifications of committee members, officers and staff, and responsibilities of administration, and confirmation of the appointment/designation of trust officer and independent professional) additional sanction may be imposed, which may include but not limited to, curtailment of fiduciary activities and/or introduction of new business.</p> <p>The guidelines for the imposition of monetary penalty for violations/offenses with sanctions falling under Section 37 of R.A. No. 7653 on banks, their directors and/or officers are shown under Section 1102 (Guidelines on the imposition of monetary penalties).</p>	
PART SIX – TREASURY AND MONEY MARKET OPERATIONS			
Section 601 MONETARY OPERATIONS		<p>The Monetary Board may, at its discretion, impose any or all of the following sanctions to a bank and/or its director/s or officer/s found to be responsible for violation of the provisions on the terms and conditions of the USD-denominated repo agreement with the Bangko Sentral:</p> <ol style="list-style-type: none"> (1) Termination of eligibility and pre-termination of any outstanding balance through repayment and/or sale of the collateral; (2) Fine of up to P30,000 per transaction per day of violation reckoned from the time the violation was committed up to the date it is corrected; (3) Suspension of interbank clearing privileges/immediate exclusion from clearing; (4) Suspension of access to Bangko Sentral rediscounting facilities; (5) Suspension of lending or foreign exchange operations or authority to accept new deposits or make new investments; (6) Revocation of authority to perform trust operations; (7) Revocation of quasi-banking license; (8) Suspension for 120 days without pay of the officers and/or directors responsible for the violation; and (9) Other sanctions as may be provided by law. 	
Section 612 SALES AND MARKETING			The Bangko Sentral may deploy its range of supervisory tools to promote adherence to the

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
GUIDELINES FOR FINANCIAL PRODUCTS			requirements set forth in these guidelines and bring about timely corrective actions and compliance with Bangko Sentral directives. Sanctions may likewise be imposed on the BSFI and responsible persons, which may include restrictions or prohibitions from certain authorities/ activities; and warning, reprimand, suspension, removal and disqualification of concerned directors, officers and employees.
613 DERIVATIVES ACTIVITIES	Unauthorized transactions.		Sanctions prescribed under Sections 36 and 37 of R.A. No. 7653 shall be imposed on any bank (including its directors and officers) found to have engaged in an unauthorized derivatives activity. A bank undertaking unauthorized derivatives activities may be considered as conducting its business in an unsafe or unsound manner under Section 56 of R.A. No. 8791.
	Delayed/erroneous/inaccurate reporting.	Banks failing to submit the reports required under this Section on Reporting requirements within the prescribed deadline shall be subject to monetary penalties applicable for delayed reporting under existing regulations. Moreover, submission of incomplete, uncertified or improperly certified or otherwise erroneous reports shall be considered non-reporting, subject to applicable penalties for amended/delayed reports. For purposes of imposing monetary penalties, the reports shall be classified as a Category A-1 report. Habitual delayed or erroneous reporting may be a ground for further sanction, including limitation of generally authorized activities and/or additional authorities and/or suspension of authority to engage in such derivatives activities.	
	Non-compliance with the provisions of this Section and Sec. 612 and Appendix 22.		Any bank/trust entity found violating any of the provisions of this Section, Sec. 612 and Appendix 22 shall be sanctioned with the penalties prescribed under Sections 36 and 37 of R.A. No. 7653 in accordance with the gravity/seriousness of

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
			the offense taking into consideration the number of times the offense was committed, possible consequent losses on the clients, effect on the financial markets and other relevant factors.
	Curtailment of derivatives authority.		<p>The Bangko Sentral reserves the right to suspend, modify, downgrade, limit or revoke any bank's derivatives authority (including any or all of those generally authorized activities) for prudential reasons as may be evidenced by any or all of the following:</p> <ol style="list-style-type: none"> (1) The bank is assigned a CAMELS (or ROCA in the case of branches of foreign banks) composite rating or component management rating of lower than that prescribed under this Section on Activities requiring additional derivatives authority, in the most recent regular examination. (2) The bank has not maintained adequate risk management systems given the level and type of derivatives activities it has engaged in as may be determined by the Bangko Sentral in any on-site evaluation and confirmed by the Monetary Board. (3) The Monetary Board has confirmed a finding of the appropriate supervising department of the Bangko Sentral that the bank has conducted business in an unsafe or unsound manner. <p>An erring bank may apply for reinstatement of its derivatives authority only after six (6) months from lapse of the implementation of the sanction: Provided, That the bank has satisfactorily</p>

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
			addressed all Bangko Sentral concerns.
Section 622 FORWARD AND SWAP TRANSACTIONS	NDF contracts involving the Philippines peso shall be covered by the provisions of Appendix 104.		<p>Any violation of the provisions of Appendix 104 shall constitute grounds for the imposition on the bank/director(s)/officer(s) of the following:</p> <p>a. First Offense</p> <ol style="list-style-type: none"> (1) Reprimand for the directors/officers responsible for the violation with a warning that subsequent violations will be subject to more severe sanctions. (2) Banks in breach of the limits shall be required to submit remedial plan to comply with the limits. <p>b. Subsequent Offense - Bank will be subject to any or all of the following, as may be recommended by the appropriate supervising department of the Bangko Sentral to the Monetary Board:</p> <ol style="list-style-type: none"> (1) Restriction or prohibition on the bank from requesting new authority and/or licenses of any sort; (2) Restriction or prohibition on the bank from declaring dividends; and (3) Issuance of an order requiring the bank to cease and desist from conducting business in an unsafe or unsound manner and may further order that immediate action be taken to correct the conditions resulting from such unsafe or unsound banking.
629 THE CURRENCY RATE RISK PROTECTION PROGRAM (CRPP) FACILITY		The Bangko Sentral reserves the right to deploy its range of supervisory tools to promote adherence to the requirements set forth in the guidelines under this Section and bring about timely corrective actions and compliance with the Bangko Sentral directives.	

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
		<p>In the performance by the Bangko Sentral of the post-verification of the CRPP contracts through on-site examination or off-site verification to ascertain the eligibility of the underlying foreign currency obligation with the CRPP Facility, the following enforcement actions and procedures shall be employed:</p> <p>a. Pre-termination Requested by the Bank</p> <p>(1) Should the post-verification by Bangko Sentral of pre-termination by the Bank show no proof of actual payment of the foreign exchange (FX) obligation, or the manner of payment was through the renewal of the loan under a new promissory note or by another form of FX obligation, the Bangko Sentral shall debit the Bank's regular demand deposit account with the Bangko Sentral for the amount received by the Bank from Bangko Sentral as a result of the pre-termination of the CRPP contract, if any, plus interest calculated using Bangko Sentral's overnight lending rate from the date the amount was received from the Bangko Sentral to the date the amount is returned to the Bangko Sentral.</p> <p>In addition, the Bank shall be liable to pay a monetary penalty of P30,000.00 per calendar day covering the period from the date of pre-termination up to the date the Bangko Sentral completed its post-verification of pre-termination or maturity of the contract, whichever comes earlier.</p> <p>(2) Should the post-verification by Bangko Sentral show that the underlying FX obligation of a CRPP contract pre-terminated by the Bank is ineligible, the Bangko Sentral shall debit the Bank's regular demand deposit account with the Bangko Sentral for the amount received by the Bank from Bangko Sentral as a result of the pre-termination of the CRPP contract, if any, plus interest calculated using Bangko Sentral's overnight lending rate from the date the amount was received from the Bangko Sentral to the date the amount is returned to the Bangko Sentral.</p> <p>A monetary penalty of P30,000.00 per calendar day shall be imposed from contract date up to pretermination date.</p> <p>b. Pre-termination by the Bangko Sentral</p> <p>(1) The Bangko Sentral shall pre-terminate existing CRPP contracts when the underlying FX obligation is found ineligible during post-verification by the Bangko Sentral. A monetary</p>	

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
		<p>penalty of P30,000.00 per calendar day shall be imposed on the Bank from the contract date up to pre-termination date.</p> <p>(2) The Bangko Sentral shall also pre-terminate CRPP contracts when the underlying FX obligation is paid before the maturity of the CRPP contract and the client failed to request for pre-termination. A monetary penalty of P30,000.00 per calendar day shall be imposed from the date of payment of the underlying FX obligation up to pre-termination date.</p> <p>c. Post-verification of Matured Contracts Should the post-verification of matured contracts show proof that the supporting FX obligation is fictitious or ineligible under the CRPP Facility, a monetary penalty of P30,000.00 per calendar day shall be imposed on the Bank for the whole duration of the contract. In addition, the Bangko Sentral shall debit the Bank's regular demand deposit account with the Bangko Sentral for any gains received by the Bank from the Bangko Sentral, if any, plus interest calculated using Bangko Sentral's overnight lending rate from the date the contract matured to the date the amount is returned to the Bangko Sentral.</p> <p>d. Other Sanctions In addition to the foregoing prescribed penalties, and subject to the confirmation by the Monetary Board, any violation of the provisions of this Section, including willful delay in the submission, non-submission and/or willful making of a false or misleading statement in the notarized certification required to be submitted to the Bangko Sentral under Sections A.3 and F.4 of Appendix 135, shall constitute grounds for the imposition on the Bank of the following:</p> <p>(1) First Offense – Reprimand for the director/officers responsible for the violation with a warning that subsequent violations will be subject to more severe sanctions.</p> <p>(2) Subsequent Offense – The Bank will be subject to any or all of the following, as may be recommended by the appropriate sector of the Bangko Sentral to the Monetary Board:</p> <p>(a) Restriction or prohibition on the bank from requesting new authority and/or licenses within one year period reckoned from the date of offense; and</p> <p>(b) Restriction or prohibition on the bank from declaring dividends for one year period reckoned from the date of offense; and</p> <p>(c) Issuance of an order requiring the Bank to cease and desist from performing and</p>	

REGULATION	PARTICULARS	SANCTIONS (For TBS)									
		MONETARY	ADMINISTRATIVE								
		continuing to perform the acts, practices or transactions which is in violation of banking laws, rules and regulations, as well as an order directing the Bank to immediately stop the violation and take action to correct the conditions resulting from such act, practice or transaction.									
PART SEVEN – ELECTRONIC PAYMENT AND FINANCIAL SERVICES											
Section 701 POLICY STATEMENT - ELECTRONIC PAYMENT AND FINANCIAL SERVICES	Reportorial requirements		Failure to comply with the reportorial requirements shall subject the concerned BSFI to applicable sanctions for “Erroneous/ Delayed/ Erroneous and Delayed/ Unsubmitted reports” as prescribed under Sec. 171.								
	Enforcement action		Failure to comply with the provisions of this Section shall cause the concerned BSFI to be subject to enforcement action in accordance with Sec. 002 and/or Sec. 111 (Enforcement actions).								
Section 702 ISSUANCE AND OPERATIONS OF ELECTRONIC MONEY	Sanctions	<p>Monetary penalties and other sanctions for the following violations committed by EMI-Banks shall be imposed:</p> <table border="1"> <thead> <tr> <th>Nature of Violation/Exception</th> <th>Sanction/Penalties</th> </tr> </thead> <tbody> <tr> <td>1. Issuing e-money without prior Bangko Sentral approval</td> <td>Applicable penalties under Sections 36 & 37 of R.A. No. 7653; Watchlisting of owners/partners/principal officers</td> </tr> <tr> <td>2. Violation of any of the provisions of R.A. No. 9160 (Anti-Money Laundering Law of 2001 as amended by R.A. No. 9194) and its implementing rules and regulations</td> <td>Applicable penalties prescribed under the Act</td> </tr> <tr> <td>3. Violation/s of this Section</td> <td>Penalties and sanctions under the abovementioned laws and other applicable laws, rules and regulations</td> </tr> </tbody> </table> <p>In addition, the susceptibility of a system to intentional or unintentional misreporting of transactions and balances shall be sufficient ground for appropriate Bangko Sentral action or imposition of sanctions, whenever applicable.</p>		Nature of Violation/Exception	Sanction/Penalties	1. Issuing e-money without prior Bangko Sentral approval	Applicable penalties under Sections 36 & 37 of R.A. No. 7653; Watchlisting of owners/partners/principal officers	2. Violation of any of the provisions of R.A. No. 9160 (Anti-Money Laundering Law of 2001 as amended by R.A. No. 9194) and its implementing rules and regulations	Applicable penalties prescribed under the Act	3. Violation/s of this Section	Penalties and sanctions under the abovementioned laws and other applicable laws, rules and regulations
Nature of Violation/Exception	Sanction/Penalties										
1. Issuing e-money without prior Bangko Sentral approval	Applicable penalties under Sections 36 & 37 of R.A. No. 7653; Watchlisting of owners/partners/principal officers										
2. Violation of any of the provisions of R.A. No. 9160 (Anti-Money Laundering Law of 2001 as amended by R.A. No. 9194) and its implementing rules and regulations	Applicable penalties prescribed under the Act										
3. Violation/s of this Section	Penalties and sanctions under the abovementioned laws and other applicable laws, rules and regulations										

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
	Outsourcing of services by Electronic Money Issuers (EMIs) to Electronic Money Network Service Providers (EMNSP).		Violations committed by EMIs pertaining to outsourcing activities to EMNSP shall be subject to monetary penalties as graduated under Sec. 1102 and/or other non-monetary sanctions under Section 37 of RA No. 7653.
PART EIGHT – REGULATIONS ON PAYMENT SYSTEMS			
Section 803 NATIONAL RETAIL PAYMENT SYSTEM (NRPS)			<p>Consistent with Sec. 002, the Bangko Sentral may deploy enforcement actions to promote adherence to the requirements set forth in this Section and bring about timely corrective actions. The Bangko Sentral may issue directives to enforce compliance with the NRPS Framework or impose sanctions to limit the level of or suspend any business activity that has adverse effects on the safety and soundness of the BSFI, among others.</p> <p>Any violation of this Section shall subject the BSFI and/or its directors, officers and/or employees to the monetary and non-monetary sanctions under Section 37 of Republic Act (R.A.) No.7653, including but not limited to the following depending on the gravity of the violation committed and the circumstances attendant thereto:</p> <ol style="list-style-type: none"> a. Suspension of offering new electronic financial products and services; b. Suspension/revocation of authority to provide electronic financial products and services; and c. Suspension/revocation of authority to settle through the Philippine Payments and Settlements System.

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
Section 804 SETTLEMENT OF INSTANT RETAIL PAYMENTS	Supervisory enforcement action.		Consistent with Section 002, the Bangko Sentral may deploy enforcement actions to promote compliance with the requirements set forth in this Section and ensure timely implementation of preventive or corrective measures as needed. As part of its enforcement actions, the Bangko Sentral may issue directives or impose sanctions which limit the level of or suspend any business activity that adversely affects the safety and soundness of a BSFI.
PART NINE – ANTI-MONEY LAUNDERING AND COMBATting			
Section 941 SANCTIONS AND PENALTIES		The Bangko Sentral may also impose monetary penalties computed in accordance with existing regulations and in coordination with the AMLC.	In line with the objective of ensuring that covered persons maintain high AML/CFT standards in order to protect its safety and soundness as well as protecting the integrity of the national banking and financial system, violation of this Part shall constitute a major violation subject to the following enforcement actions against the board of directors, senior management and line officers, not necessarily according to priority and whenever applicable: <ul style="list-style-type: none"> a. Written reprimand; b. Restriction on certain licenses/product, as appropriate; c. Suspension or removal from the office they are currently holding; and/or d. Disqualification from holding any position in any covered institution.
PART TEN – BANGKO SENTRAL REGULATIONS ON FINANCIAL CONSUMER PROTECTION			
Section 1003 ENFORCEMENT ACTIONS –			Consistent with Sec. 002, the Bangko Sentral may deploy enforcement actions to promote adherence

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
FINANCIAL CONSUMER PROTECTION			to the Bangko Sentral Regulations on Financial Consumer Protection.
PART ELEVEN – OTHER BANKING REGULATIONS			
Section 1101 ASSESSMENT FEES ON BANKS			Within thirty (30) calendar days from receipt of the bill, the bank shall make the corresponding remittance to the Bangko Sentral Accounting Department. Failure to pay the bill within the prescribed period shall subject the bank to administrative sanctions.
1102 COLLECTION OF FINES AND OTHER CHARGES FROM BANKS		The Bangko Sentral may impose monetary penalties, singly or together with non-monetary sanctions, if applicable, even at the outset or as an escalated sanction.	
Section 1111 PHILIPPINE AND FOREIGN CURRENCY NOTES AND COINS	Enforcement Action		<p>Consistent with Sec. 002, the Bangko Sentral may deploy enforcement actions to promote adherence to the requirements set forth in Sec. 1111, and bring about timely corrective actions. The Bangko Sentral may issue directives or impose sanctions on the bank, for violation of the provisions of Sec. 1111, which may include, among others, restrictions or prohibitions from certain authorities/activities. Sanctions may likewise be imposed on bank directors, officers and employees concerned.</p> <p>Further, any violation of the provisions of Sec. 1111, shall subject the offender to imprisonment of not less than five (5) years, but not more than ten (10) years. In case the Revised Penal Code provides for a greater penalty, then that penalty shall be imposed.</p>
Section 1112	Supervisory enforcement action		The Bangko Sentral reserves the right to deploy its

REGULATION	PARTICULARS	SANCTIONS (For TBS)	
		MONETARY	ADMINISTRATIVE
ADOPTION OF CLEAN NOTE AND COIN POLICY			range of supervisory tools to promote adherence to the requirements set forth in this Section and bring about timely corrective actions and compliance with the Bangko Sentral directives. The Bangko Sentral may issue directives or impose sanctions on the bank, for violation of the provisions of this Section, which may include, among others, restrictions or prohibitions from certain authorities/activities. Sanctions may likewise be imposed on bank directors, officers, and employees concerned.
Section 1113 CASH SERVICE ALLIANCE	Enforcement Actions		Consistent with Sec. 002, the Bangko Sentral may deploy enforcement actions to promote adherence to the requirements set forth in this Section and bring about timely corrective actions. The Bangko Sentral may issue directives or impose sanctions on the bank, for violation of the provisions in this Section, which may include, among others, restrictions or prohibitions from certain authorities/activities. Sanctions may likewise be imposed on bank directors, officers and employees concerned.

COMPLIANCE RISK ASSESSMENT MATRIX (CRAM)
(Name of the Unit/Center/Group/Branch)
 Accomplished as of _____

OBJECTIVES:

1. To determine the adequacy and effectiveness of policies, procedures, and internal controls.
2. To determine compliance with applicable laws and BSP rules and regulations
3. To determine the adequacy, accuracy, and timeliness of reports submitted to management and the Bangko Sentral ng Pilipinas

Laws, Rules and Regulations <i>(i.e. Part, Section or Date of Issuance)</i>	Testing Procedure	Complied (✓)/ Not Complied (x)	Findings	Responsible Person/Unit	Remarks/ Timeline
001					

C E R T I F I C A T I O N

This is to certify that **(Name of the Unit/Center/Group/Branch)**, to the best of our knowledge, has substantially complied with all the applicable laws, rules, regulations, and standards for the period **(i.e., Jan-June or July to Dec, Year)**, except the items identified above or in Annex 5

This certification is valid for the period **(i.e., Jan-June or July to Dec, Year)**, subject to adherence to applicable regulations, ethical obligations, and the maintenance of relevant knowledge and skills through continuous professional development.

This Certification demonstrates **[Name of the Unit/Center/Group/Branch Name]**'s commitment to ensuring a culture of compliance, thereby promoting organizational growth, sustainability, and trust among stakeholders.

 (Name and Signature)
Unit/Center/Group/Branch Compliance Coordinator & Date

 (Name and Signature)
Unit/Center/Group/Branch Head & Date

**GUIDELINES ON VALIDATION
OF SELF-ASSESSMENT/TESTING BY
UNIT COMPLIANCE COORDINATOR (UCC)**

GUIDELINES ON VALIDATION OF SELF-ASSESSMENT/TESTING BY THE UNIT COMPLIANCE COORDINATOR (UCC)

Objectives:

1. To check/validate the Branch/Unit/Center/Group's compliance with the Bank's internal policies, applicable laws, and BSP rules and regulations to avoid penalties and reputational damage
2. To check or verify the Branch/Unit/Center/Group's adequacy and effectiveness of policies and procedures and internal controls.
3. To check/validate the Branch/Unit/Center/Group's adequacy, accuracy, and timeliness of reports submitted to Bangko Sentral ng Pilipinas and Regulators
4. To assist and provide appropriate recommendations in resolving the issues noted by the Branch/Unit/Center/Group's

Coverage, Scope, and Frequency

The Branch/Unit/Center/Group's self-assessment/testing using the **Compliance Risk Assessment Matrix (CRAM)** shall be made **semi-annually**. Results shall be submitted on or before the deadline and in a manner set/required per guidelines of self-assessment/testing.

The validation of UCC's self-assessment/testing by the Compliance Center – Compliance Testing Unit (CC- CTU) shall only apply to the Branch/Unit/Center/Group not subject to Independent Compliance Testing (ICT) during the year, as validation will be conducted during the planned ICT for the year.

The validation of self-assessment/testing by Unit Compliance Coordinators (UCCs) must be conducted annually starting February 2025, with a reference period of the previous year.

A **Compliance Test Result Sheet (CTRS)** shall be issued by CC – CTU for any issues/violations noted during the validation. Replies shall be obtained from the Branch/Unit/Center/Group regarding the validation result, and discussion may be made as necessary.

Summary results on validation shall be prepared by the Branch and Head Office (HO) Unit Compliance Testing heads for review by the CTU head. The latter shall then report the result to the Corporate Governance Committee (CGC) through the Chief Compliance Officer (CCO) on or before April of the same year the validation was made.

Validation of Branch/Unit/Center/Group's self-assessment/testing will generally include but not limited to the following:

- Valid ID and KYC Documents
- Business Documents, AMLC Certificate of Registrations and BSP Licenses
- Accomplished by client bank forms such as:
 - Signature Cards,
 - Customer Account Record and Agreement (CARA), Loan Application and Information Sheet (LAIS), Vetting Sheet, Company Accreditation forms, Promissory Notes and Disclosure Statement, Acquired Assets Buyer's Form (AABF) or any similar form being used/to obtain customer information
 - Client Suitability Assessment Form
 - Investment Policy Statement or Letter of Instructions
 - Risk Disclosure Statement
 - Customer Maintenance and Instruction Form (CMIF)
- Bank reports such as:
 - Loan Approval Memorandum (LAM)
 - Credit Recommending Approval Memorandum (CRAM)
 - Post Approval & Credit Review (PACR)
- Regulatory reports & requirements
- Policies, Procedures, Guidelines, and Manuals, and amendments, if any

Procedural Guidelines for the Validation of Self-assessment/testing by UCCs

- 1.** Based on the risk-based assessment and prioritization of branch and Head Office (HO) units for Independent Compliance Testing (ICT), CC – CTU shall list the branches/HO units not subjected to ICT in the previous/reference year.
- 2.** The Compliance Center – Compliance Testing Unit (CC – CTU) must notify the Branch/Unit/Center/Group Heads and Unit Compliance Coordinators (UCCs) that the CC – CTU will perform the validation of the self-assessment/testing made by the UCC for the covered period.
- 3.** Based on the submitted covered period Compliance Risk Assessment Matrix (CRAM), CC – CTU checks/verifies/validates if the Branch/Unit/Center/Group complies with the requirements of regulations. CC – CTU shall select ten (10) samples for validation for the covered period.

4. CC – CTU shall prepare a Compliance Test Referral Sheet (CTRS) to the Branch/Unit/Center/Group on the result of the validation/review. The Branch/Unit/Center/Group concerned shall provide a reply within three (3) banking days from receipt of the CTRS. Discussion by CC – CTU with Branch/Unit/Center/Group may be made if necessary.
5. CC – CTU heads of Head Office and Branch shall prepare a summary report on the validation result for review by the Head of CTU, who will then submit and report to the Corporate Governance Committee (CGC) through the Chief Compliance Officer.

Deadline of submission: seven (7) banking days from reference quarter

UNRESOLVED SELF-ASSESSMENT ISSUES REPORT (ANNEX 5)

(Name of the Unit / Center / Group / Branch)

FOR THE QUARTER _____

TRANSACTION DATE	VIOLATION COMMITTED <i>(State specific section of the laws and regularions based on the CRAM)</i>	ACTION/S TAKEN/TO BE TAKEN	RESPONSIBLE PERSON/ UNIT	TIMELINE	RE-TARGET DATE <i>(If applicable)</i>	REMARKS

<p>_____ (Name and Signature) Unit/Center/Group/Branch Compliance Coordinator & Date</p>	<p>_____ (Name and Signature) Unit/Center/Group/Branch Head & Date</p>
---	---

MONITORING MECHANISM FOR THE SUBMISSION OF SELF-TESTING REPORTS

1. Submission deadline

The compliance Center shall remind the concerned Branch/HO Unit's Unit Compliance Coordinator (UCC) of the deadline for submission of the Self-testing Report, such as Annex 5. For the Compliance Risk Assessment Matrix (CRAM), the deadline for submission shall be adjusted based on the release of the updated CRAM.

2. Communication

Compliance Center communicates with the responsible Branch/HO Unit UCC via e-mail and phone calls, including their reporting manager/group head. Continuous communication shall be made by the Compliance Center to ensure the submission of the Self-testing reports.

3. Reason for delay

Compliance Center shall obtain from the UCC any reason for delay/non-submission of Self-testing reports for reporting to Corporate Governance Committee (CGC).

4. Support and assistance

The Compliance Center offers support and assistance to the branch/HO unit UCC facing difficulties meeting the submission deadline, especially for newly assigned UCCs. The retooling program for the self-testing is done annually or as needed/requested by the branch/HO unit.

5. Recommendation

The root cause analysis will be conducted to refrain, if not prevent, the delay/non-submission of self-testing reports.



MEMORANDUM

FOR : THE BOARD OF DIRECTORS
FROM: THE CORPORATE GOVERNANCE COMMITTEE
DATE : XXX
SUBJECT: CORPORATE GOVERNANCE COMMITTEE BOARD AGENDA

We respectfully submit to the Board for its approval/notation the following matters discussed and considered during the Corporate Governance Committee Meeting held last [Date of CG meeting], to wit:

FOR BOARD APPROVAL:

- a. Xx
- b. Xx

FOR BOARD NOTATION:

- a. Xx
- b. Xx

Compliance Unit's Report

1. Corporate Governance Unit's Report
2. Compliance Testing Unit's Report
3. AML Unit's Report
4. Data Privacy Unit's Report

For your information and approval.

Endorsed by:

Committee Chairman
Corporate Governance Committee

MEMORANDUM

FOR : THE CORPORATE GOVERNANCE COMMITTEE

FROM: COMPLIANCE CENTER

DATE : XXX

SUBJECT: CORPORATE GOVERNANCE COMMITTEE BOARD AGENDA

We respectfully submit to the Corporate Governance Committee for its approval/notation the following matters to be discussed and considered for the meeting on [Date of CG meeting], to wit:

FOR COMMITTEE APPROVAL:

- a. Xx
- b. Xx

FOR COMMITTEE NOTATION:

- a. Xx
- b. Xx

Compliance Unit's Report

1. Corporate Governance Unit's Report
2. Compliance Testing Unit's Report
3. AML Unit's Report
4. Data Privacy Unit's Report

For your information and approval.

Endorsed by:

Chief Compliance Officer
Compliance Center

**COMPLIANCE CENTER
COMPLIANCE TESTING GUIDELINES**

I. Scope of compliance testing

Compliance testing shall cover all the products and services provided by the covered unit to determine compliance with internal policies and procedures, laws and regulations governing such products and services, such as the General Banking Act, Thrift Bank Act, AMLA, as amended, and regulations issued by PDIC, SEC, BSP, BIR and other concerned government and private regulatory agencies or bodies.

The Program/scope of Independent Compliance Testing (ICT) shall be presented to the Corporate Governance Committee for notation.

- The Compliance Testing Program Guide (CTPG) is prepared or updated on or before the commencement of the ICT using the latest Compliance Risk Assessment Matrix (CRAM) of the branch/HO unit for review.

II. Identification of units and transactions to be tested.

1. To select the priority units/branches to be tested, the following criteria have to be considered:

1.a Risk Factors – are the attributes, characteristics, or exposures of the units/branches that increase the likelihood of non-compliance with banking laws and regulations as well as internal policies which may ultimately result in exposure to compliance risks if not properly addressed. See **Annex 8A** for details.

- A. Business profile** – is based on the perceived branch/unit's contribution to attaining the Bank's objectives. This represents **15%** of the Overall Risk Rating of the branch/unit.
- B. Latest audit and compliance rating** – based on the numeric rating result of the previous audit and independent compliance testing of the branch/unit. This represents **30% or 40% (for HO units without AML)** of the Overall Risk Rating of the branch/unit.
- C. Manpower and AMLA Training** – risk of unfilled manpower requirements and the attrition rate of the branch/unit to be tested. In addition, the AMLA seminar/training/refresher courses attended by personnel (officers and staff) for the last two (2) years. This represents **15%** of the Overall Risk Rating of the branch/unit.

- D. **Violations on BSP regulations (based on ROE)** – number of exceptions / violations noted during the most recent BSP examination (may include exceptions still outstanding from previous examination). This represents **15%** of the Overall Risk Rating of the branch/unit.
- E. **Actual loss** – actual loss incurred by the branch/unit during the past year. This represents **5%** of the Overall Risk Rating of the branch/unit.
- F. **Result of self-assessment of units/branches** – based on result of the recent self-assessment by the Unit Compliance Coordinator (UCC). This represents **10%** of the Overall Risk Rating of the branch/unit.
- G. **AML Related – (*Applicable to Branches and Head Office Units who are required to submit AML related information/documents*)** pertains to the Money Laundering (ML)/Terrorist Financing (TF) Risk Indicators such as the volume of customers profiled as High Risk, With STR Filing, subject of FOs, APO/PAPO and AMLC inquiries, and their respective aggregate amount of high risk transactions. This represents **10%** of the Overall Risk Rating of the branch/unit.

2.a Risk Weight – is a weight assigned to a risk factor expressed as a percentage to the total.

3.a Risk Point – is a point assigned to each level of risk factors.

4.a Risk Score – is the weighted average of risk factors and is calculated by multiplying the risk point by the risk weight. A unit that obtained a risk score of 5 is top priority for compliance testing, while a unit that garnered a risk score of 1 is the least priority.

2. To identify the transactions to be tested, the Compliance Specialist shall use the combination of Sampling and Interview/Observation methods:

- 1. **Sampling** method shall be used if the process for a particular transaction/product/service is heavily documented, and such documentation is reasonably complete.

Testing is not limited to transactions from only one point in time, i.e., testing intended to represent a year's worth of activity should not be limited to transactions processed only.

When selecting the transactions/accounts to be tested, the following steps shall be observed:

a. **Risk Assessment**

The basis for the frequency of compliance testing shall be the risk factor/score of units. The Compliance Center shall prioritize the testing of those units with risk score of 3.5 and above, thus considered as high risk.

Schedule of testing plan shall be approved by the Corporate Governance Committee to ensure that high risks units shall be prioritized by the Compliance Center.

b. **Sample Size**

Sampling is the process of applying test procedures to less than 100% of the population to be able to evaluate and form a conclusion on the unit's compliance with the specific provisions of the laws, regulations, rules and standards.

In order to provide a more reliable sampling technique, Compliance Center shall use the Attribute sampling. The Attribute sampling applies to binary, yes/no, or error/no error propositions. It tests the effectiveness of controls because it can estimate a rate of occurrence of control deviations in a population. Attribute sampling requires the existence of evidence indicating performance of the control being tested. The Compliance Center shall use an excel program to calculate the number of sample.

Sampling for Attributes	
Enter Population	500
Enter Standard Dev Factor	1.96
Enter Occurrence rate	4%
Enter Desired precision	5%
Estimate	59
Final Sample Size	53

Calculate

Sample image for the Attribute Sampling Calculator. The sample indicates that at 95% confidence level (risk of assessing control risk too low is 5%)

Procedures for Attribute Sampling:

1. Open the Sampling Calculator File.
2. Enter the Population Size in the Population Field.
3. Select the standard deviation factor of your confidence level based on the risk score of the concerned unit:

Risk Score	Confidence Level	Standard Deviation Factor
5	99%	2.5758
4-4.99	95%	1.9600
3-3.99	90%	1.6449
2-2.99	85%	1.4395
1-1.99	80%	1.2816

4. Compute for the occurrence rate and enter the rate in the occurrence rate field.
5. Click "Calculate".

However, although the minimum sample sizes suggested in the table often provide the extent of testing, compliance specialist may use professional judgment to determine if larger sample sizes are warranted in order to obtain sufficient appropriate evidence in particular circumstances.

Further, there are some controls, or instances, or both which do not occur frequently. Below table provides suggested minimum sample sizes in testing small populations.

Frequency and Population Size	Sample Size
Quarterly (4)	1
Monthly (12)	3
Semimonthly (24)	6
Weekly (52)	11

Glossary of Terms:

Population – it is the focus of interest that the internal auditor wishes to understand.

Confidence Level – is the degree to which the Compliance Center is justified in believing that the estimate based on a sample drawn at random will fall within a specified range.

Occurrence Rate – the number of deviations observed last compliance testing divided by the last compliance testing’s sample size.

Standard Deviation Factor – the z value of the confidence Level.

Precision – also called confidence interval, is the range within which the estimate of the population characteristics will fall at the stipulated confidence level. Precision, being a range of tolerance, is usually expressed as a plus-or-minus percentage.

Estimate – is the sample size for an infinite population.

Final – the sample size if the population is considered.

Standard Deviation – is the measure of the variability of a particular population or of a sample from that population.

c. Random Sampling

The Compliance Specialist shall perform compliance testing based on random sampling from the unit’s population of transactions; a random number shall be assigned to each row. This shall be done thru the RANDOM formula (=RAND(data, data, data, etc.)). Then, the whole population will be sorted in an ascending order based on the column containing the random numbers. To get the random samples, please refer to the step-by-step process of identifying transactions to be tested in MS Excel spreadsheet:

Step 1.

Add a column on the left side of the gathered data.

	A	B	C	D	E
1		Txn Date	Ref. No.	MC No.	Amount
2		05/03/2017	412	MC#109761	3,450,000.00
3		05/03/2017	413	MC#109769	1,054,909.45
4		05/03/2017	414	MC#106583	54,088.44
5		05/03/2017	415	MC#106281	27,045.00
6		05/03/2017	416	MC#106780	600,000.00
7		05/03/2017	417	MC#106819	899,000.00
8		05/03/2017	418	MC#103685	166,435.88

Step 2.

From the added column, select the rows where the random numbers will be assigned. Type =**RAND()** in the formula bar, then press [**CTRL**]+[**ENTER**] to have a random numbers to each rows.

	A	B	C	D	E
1	Random No.	Txn Date	Ref. No.	MC No.	Amount
2	0.89410106	05/03/2017	412	MC#109761	3,450,000.00
3	0.19668257	05/03/2017	413	MC#109769	1,054,909.45
4	0.6653405	05/03/2017	414	MC#106583	54,088.44
5	0.88345143	05/03/2017	415	MC#106281	27,045.00
6	0.79724834	05/03/2017	416	MC#106780	600,000.00
7	0.87627019	05/03/2017	417	MC#106819	899,000.00
8	0.28710178	05/03/2017	418	MC#103685	166,435.88

The selected rows contained a formula and cannot be sorted. Copy all the random numbers and overwrite it using the **PASTE SPECIAL > PASTE VALUES**.

A2		fx 0.894101064741813			
	A	B	C	D	E
Name Box	m No.	Txn Date	Ref. No.	MC No.	Amount
2	0.89410106	05/03/2017	412	MC#109761	3,450,000.00
3	0.19668257	05/03/2017	413	MC#109769	1,054,909.45
4	0.6653405	05/03/2017	414	MC#106583	54,088.44
5	0.88345143	05/03/2017	415	MC#106281	27,045.00
6	0.79724834	05/03/2017	416	MC#106780	600,000.00
7	0.87627019	05/03/2017	417	MC#106819	899,000.00
8	0.28710178	05/03/2017	418	MC#103685	166,435.88

Step 3.

Sort the random numbers from the smallest to largest. Now you can get your sample for the desired sample size.

Example: If your sample size is 5, then the first 5 rows shall be the random sample to be tested. See the table below.

	A	B	C	D	E
1	Random No.	Txn Date	Ref. No.	MC No.	Amount
2	0.19668257	05/03/2017	413	MC#109769	1,054,909.45
3	0.28710178	05/03/2017	418	MC#103685	166,435.88
4	0.6653405	05/03/2017	414	MC#106583	54,088.44
5	0.79724834	05/03/2017	416	MC#106780	600,000.00
6	0.87627019	05/03/2017	417	MC#106819	899,000.00
7	0.88345143	05/03/2017	415	MC#106281	27,045.00
8	0.89410106	05/03/2017	412	MC#109761	3,450,000.00

2. **Interview or observation** methods shall be used if some of all of the key controls are not customarily reflected in the documentation.

When selecting the staff to be interviewed, the Compliance Specialist shall utilize the random sampling methodology, to ensure that:

A cross-section of the staff among those who follow the same procedure are interviewed or observed. The staff selected should not be limited to those with the most or least experience with the process or those from only one organizational section of the group executing the procedure.

The following formula shall be used in determining the staff/officers to be interviewed:

$$N \times RN = R_n$$

Where:

N=Total number of staff/officers

RN=Random number (generated from Excel)

Rn = Where n goes 1 to nth number of respondents

Example N=5;

n=2

Thus, $5 \times 0.94204 = R_1 = 5$ (5th staff/officer);

$5 \times 0.279091 = R_2 = 1$ (1st staff/officer)

III. Compliance Fieldwork

A. Walkthrough

The compliance personnel shall conduct observation, interview, and inquiry to understand the nature of the units/branch's operations relating to the pertinent regulations through test trace the transactions' step-by-step procedure from its inception to the final disposition.

B. Actual Fieldwork

As part of the testing engagement, the compliance personnel must obtain sufficient, reliable and relevant evidence to substantiate the conformance of the units/branches of the bank with the applicable laws, rules, regulations and standards during the engagement. Compliance findings and conclusions are to be supported by appropriate analysis and interpretation of the evidence.

Further, the compliance center shall create Work Papers which represents the main documentary evidence of the observations during testing.

In addition, the Compliance testing team will include in the conduct of independent compliance testing any material information received even beyond its compliance testing cut-off.

C. Exit Conference

The compliance team holds an exit conference to discuss the details of Compliance Testing Referral Sheet (CTRS) to the units/branches as well as their replies. Its purpose is to formally confirm the issues noted and the units/branches action plan or acceptance of the recommendation.

Further, partial CTRS may be issued to the units/branches by the compliance personnel during the engagement, especially those with high impact to the organization to be able to rectify immediately.

D. Submission of Compliance Testing Referral Sheets (CTRS)

Compliance Testing Referral Sheet (CTRS) refers to the set of noted observation/issues during the testing that are to be discussed to the tested units/branches. The CTRS shall be sent through email and should be replied by the units/branches within five (5) banking days after the receipt of the said document.

IV. Reporting and assessment of compliance testing results.

A. Reporting

Consistent with the testing plan, the Compliance Specialist should maintain sufficient records of testing **Annex 8B - Sample Compliance Testing Procedure Guidelines (CTPG)** to explain and justify the findings and should demonstrate how often the key controls/policies and procedures/regulations/laws governing the transactions/products/services of the unit being tested were not observed. On testing with AML regulations, the Testing Record Form under **Annex 8C – AML Compliance Testing Working Paper** shall be used.

For reporting purposes, the Compliance Center shall implement a uniform format of reporting as shown in **Annex 8D – Compliance Testing Report**.

The Compliance Center shall also discuss in the report its assessment on the compliance risks identified in **Annex 2** using the assessment of risks under Part II.B.2 of the Revised Compliance Manual.

Further, the final report on the Compliance Testing Result shall be released and reported to the Corporate Governance Committee within 45 days from the date of the exit conference

Reporting to the Corporate Governance Committee of the unit/branch tested shall be the next Corporate Governance Committee meeting from the date of release of the Compliance Testing Results taking into consideration the deadline for submission of the Report to the Corporate Governance Committee, unless the Compliance Testing is failed and/or have major issues that need to be immediately elevated to Corporate Governance Committee.

B. Assessment of Testing Results

The objective of this assessment process is to know whether, and how frequently, the controls/policies and procedures/regulations/laws governing the unit's transactions were not complied with.

The Compliance Specialist should determine if any lack of compliance was confined to one transaction or part of the process of a transaction or one group of staff or to one period of time. The Compliance Specialist must be able to further determine whether any evidence of non-compliance discloses significant operating weaknesses.

He or she should then assess the importance of such weaknesses by considering their causes and effects.

1. **Cause.** It identifies the responsibility and reason for the deficiencies/ violations. A cause could be continuing practice or a single event. As a guide, the Compliance Specialist may consider the following questions in determining the cause: (i) what created the violation? What were the circumstances that resulted in the violation noted?, (ii) Would the violation been identified if the test had not taken place?, (iii) What practices/procedures were absent that should have been present? Were there any valid reasons for not complying with the establish procedures, regulations or laws?, (iv) Was the violation an isolated incident or an indication of continuing operational deficiency? Could the violation occur again?, (v) Was the violation a minor human error, or did it reflect operational weakness or inadequate supervision?, (vi) Was the violation a result of inadequate or insufficient operating instructions?, and (vii) At what level does the violation exist?
2. **Effect.** It determines the significance of the violation identified through testing. The Compliance Specialist should determine the materiality of the violation by reviewing its effect on the everyday functioning of the unit being tested. Effects may include: (i) revenue losses or unnecessary expense, which may be in the form of cost or penalty that might be imposed by the regulatory body or agency for non-compliance, (ii) inefficiency or waste, (iii) failure to achieve stated objectives, (iv)

physical loss, (v) adverse publicity, or (vi) failure to fulfil reporting requirements satisfactorily.

C. Evaluation of Unit/Branch's Replies

Purpose and Objectives

To establish guidelines for the Compliance Center – Compliance Testing Unit – (CC - CTU) in the evaluation of replies provided by the Branch or unit being tested.

Classification of Evaluation of Replies:

1. **Noted** – Unit/Branch's reply and documents provided reasonable justification for the issue/finding. The issue/finding to be excluded in the Compliance Test Result.
2. **Acceptable** – Unit/Branch's reply, action plan/course of action, and documents provided are acceptable. Findings will still be part of the Compliance Test Result pending verification of effective implementation.
3. **Partially Acceptable** – Unit/Branch's reply, action plan, and documents provided do not completely address the issue/finding and/or have no resolution to prevent the recurrence of such.
4. **Not Acceptable** – Unit/Branch's reply, action plan/course of action, and documents provided do not address the finding/issue, and there is no resolution to prevent the recurrence of the issue.

Guidelines in the Evaluation of Replies

1. Based on the classification above, CC - CTU shall assign a classification of the replies and documents provided by the Unit/Branch being compliance tested
2. The evaluation shall contain the reason for coming up with the classification of evaluation.
3. The evaluation shall be reflected in Annex 1 of the Compliance Test Result and to be submitted to the branch/unit tested.

V. Compliance Rating System

A compliance rating shall be assigned to a branch/unit after compliance testing based on an evaluation of its present compliance with the banking laws, BSP, and other rules and regulations that govern its operations, including the AMLA, as amended, its RIRR and UARR (Circular 706 dated January 5, 2011).

The rating system shall be based on a scale of 1 through 5, 1 being the highest rating and 5 being the lowest.

In assigning the compliance rating, all relevant factors must be evaluated and weighed. In general, these factors include the nature and extent of present compliance with applicable laws, rules, and regulations, and internal policies and procedures, the commitment of management of the branch/unit to compliance, and its ability and willingness to take the necessary steps to assure compliance and the adequacy of systems, including internal procedures, controls and review activities designed to ensure compliance on a routine and consistent basis. The assignment of compliance rating may incorporate other factors that impact significantly the overall effectiveness of the branch's/unit's compliance efforts, such as sufficiency of personnel and training.

The primary purpose of the compliance rating system is to help identify those branches/units whose compliance with applicable laws, rules, regulations and internal policies and procedures displays weaknesses requiring special supervisory attention and which are cause for more than a normal degree of supervisory concern. To accomplish this purpose, the rating system should be able to identify an initial category of branches/units that have compliance deficiencies that warrant more than normal supervisory concerns. These branches/units are not deemed to present a significant risk of financial or other type of harm to the Bank but do require higher than normal level of supervisory attention. Branches/units under this category are generally rated "3". The rating system should also be able to see branches/units whose weaknesses are so severe that may represent substantial or general disregard for the law. These branches/units are, depending on nature and degree of their weaknesses, rated "4" or "5".

1. Composite compliance ratings

1 (Very Satisfactory) – A branch/unit under this category is in a **strong compliance position**.

The branch/unit management is capable of, and staffs are sufficient for, effecting compliance. An efficient system of internal procedures and controls has been established. Changes in statutes and regulations are promptly reflected in Bank's policies and procedures and compliance training. Branch/unit personnel have sufficient operational/compliance trainings. If any violations are noted, they relate to minor deficiencies in forms or practices that are easily corrected. There is no evidence of discriminatory acts or practices or practices resulting in repeat violations. Violations and deficiencies are promptly corrected by management. As a result, the branch/unit gives no cause for supervisory concern.

2 (Satisfactory) – A branch/unit in this category is in a **generally strong compliance position**.

The branch/unit management is capable of administering an effective compliance program. Although a system of internal operating procedures and controls has been established to ensure compliance, violations have nonetheless occurred. These violations, however, involve technical aspects of the law or result of oversight on the part of the branch/head office operating personnel. Modification in the Bank's compliance program and/or the establishment of additional review procedures may eliminate many of the violations. Operational and/or compliance training is satisfactory. There is no evidence of discriminatory acts or practices or practices resulting in repeat violations.

3 (Less than Satisfactory) – Generally, a branch/unit in this category is in a less-than-satisfactory compliance position.

It is a cause for supervisory concern and requires more than normal supervision to remedy deficiencies. Violations may be numerous. In addition, previously identified practices resulting in violations may remain uncorrected. Overcharges or undercharges, if present, involve a few customers and are minimal in amount. There is no evidence of discriminatory acts or practices. Although branch/head office management may have the ability to effect compliance, increased effort are necessary. The numerous discovered violations are an indication that management has not devoted sufficient time and attention to compliance. Operating procedures and controls have not proven effective and require strengthening. This may be accomplished by, among other things, designing additional review or control officer/personnel. By identifying a branch/unit with marginal compliance early, additional supervisory measures may be employed to eliminate violations and prevent further deterioration in the branch's/unit's less than satisfactory compliance position.

4 (Needs Improvement) – A branch/unit in this category requires close supervisory attention and monitoring to promptly correct the serious compliance problems disclosed.

Numerous violations are present. Overcharges/undercharges, if any, affect a significant number of customers and involve a substantial amount of money. Often practices resulting in violations and cited at a previous compliance testing remain uncorrected. Discriminatory acts or practices are evident. Clearly, branch/unit management has not exerted sufficient effort to ensure compliance. Its attitude may indicate lack of interest in administering Bank's compliance program, which may have contributed to the seriousness of the compliance situation in the branch/unit. Internal procedures and controls have not proven effective and are seriously deficient. Prompt action on the part of supervising unit/senior officer may enable the branch/unit to correct its deficiencies and improve its compliance position.

Violations would result to imposition of non-monetary (e.g., written warning) penalty by the regulatory agency.

5 (Failed) – A branch/unit under this category is in **need of strongest supervisory attention and monitoring.**

It is substantially not compliant with applicable laws, rules and regulations. Branch/unit management has demonstrated its unwillingness or inability to operate within the scope of said laws, rules and regulations. Previous efforts on the part of the supervising unit/senior officer to obtain voluntary compliance have been unproductive. Discrimination, substantial overcharges/undercharges or practices resulting in repeat violations are present. Violations would result in an administrative penalty (e.g., written reprimand/suspension/termination or prohibition to hold office in any BSP/SEC/IC-supervised financial institutions issued to a member of the Board of Directors, Senior Management or erring officer or employee, or monetary penalty to the Bank, regardless of amount.

2. Classification of Compliance Issues

- a. **Repeat Violations** – These are violations of the same or substantially similar conditions committed by branches/head office units that have been previously cited within the last five years.
- b. **New Violations** – These are violations that have not been previously cited.

3. Sub-classification of Compliance Issues

- a. **Critical Violations** – These are violations that may be considered as unsafe and unsound banking practice that may result in material loss or damage or abnormal risk or danger to the safety and stability of the Bank.
- b. **Major Violations** – These are violations that: (i) have major impact to the operations of the branch/head office unit or the Bank, (ii) may be classified as major offences by the BSP and other regulatory agencies, (iii) refer to breaches on ceiling or limitations on any asset, liability and capital account affecting solvency, liquidity, profitability and capital adequacy and other statutory requirements, (iv) subject the offender to severe administrative and substantial financial sanctions (may involve denial of BSP credit facilities, prohibition from making new loans/investments, declaring cash dividends, suspension from opening of new branches, other non-monetary sanctions, such as imprisonment of Bank directors/officer, (v) include non-submission or late submission of category A reports and other major regulatory reports to the BSP or other regulatory agencies.

- c. **Minor Violations** – These are violations that: (i) are limited or little concern but should be acted upon soonest, (ii) are procedural lapses that can be remedied immediately and do not have material impact on the solvency, liquidity, profitability and capital adequacy of the Bank and with lesser administrative or financial sanction, (iii) include non-submission or late submission of category B reports and other minor reports to the BSP or other regulatory agencies, and (iv) after careful evaluation or assessment may be classified as minor violations.
- d. **Frequent (F)** – These are violations that are committed against a particular regulation or internal policy several times over based on the number of sample documents or transactions tested. For purpose of these guidelines the threshold number for frequent violations shall be at least ten (10%) of the total number of samples tested.
- e. **Infrequent (IF)** – These are violations that are committed against a particular regulation or internal policy several times over but less than the required threshold of ten percent (10%) of the total number of samples tested.

4. Compliance Rating Component

Governance/Management (G/M) – this reflects the commitment of the management of the branch/unit to compliance and its ability and willingness to take necessary steps to assure compliance and adequacy of internal procedures and controls designed to ensure compliance on a routine and consistent basis.

Adequacy of Policies and Procedures (APP) – is present if management has established policies and procedures that support the achievement of the Bank’s objectives, compliance with the regulators rules and regulations and the management of its risk. These policies and procedures should also be understandable and communicated throughout the organization and translated into specific practices that provide direction on how operations are to be conducted and reflect a judgment as to which risks are deemed acceptable.

Effectiveness of Implementation of Internal Policies (EIIP) – is present if the policies and procedures are consistently, completely, and timely implemented by the Bank personnel. This also includes controls that may not be documented but are still implemented.

Below is the summary of the Compliance Rating Component for Branches and Head Office Unit

Compliance Rating Component	G/M	APP	EIIP
Branches	Yes	N/A	Yes
Head Office Unit	Yes	Yes	Yes

5. Compliance Score/Scoring Process

A compliance score shall be assigned for issue/findings/violation, which may range from one (1) to ten (10) for “Critical”, “Major”, “Minor F” and “Minor IF”.

Scoring of the issues/findings/violations is shown below.

Independent Compliance Testing Issues/Findings	CRITICAL *	MAJOR	MINOR	
			Frequent	Infrequent
Recurring Issues/Findings	10	5	4	3
New Issues/Findings		3	2	1

In addition, the compliance rating component is assigned a compliance score from one (1) to three (3) for each issue/finding/violation depending on the status and/or action taken/plan on the issue/findings/violation of the branch/unit under review.

The scores extended to the issue/finding/violation and rating component shall be added to arrive at the “Total Scores Assigned.”

The total scores assigned to each component shall be converted to rating component points using the Component Rating Matrix under **Annex 8E** for Branches and **Annex 8F** for Head Office Units.

Compliance Rating System is composed of: (i) Compliance Rating Matrix and (ii) Compliance Rating Sheet **Annex 8G** for Branches and **Annex 8H** for Head Office Units.

The Compliance Center may assist the branch/group/center/unit under Compliance testing in determining the root cause of the noted observations. The Compliance Center identifies where the root cause falls under which compliance rating component.

Branch/Head Office unit tested that have a major or critical finding shall not be qualified to have an overall rating of Very Satisfactory.

The overall rating of a unit/branch that has regularized major findings noted may have the highest rating of Satisfactory while those that were not regularized may be rated as less than satisfactory.

The overall rating shall be approved by the Chief Compliance Officer as recommended by the Compliance Officer.

Monitoring/execution of corrective action plan/measures.

Testing reveals weaknesses in the execution of a procedure, which leads to violation of a policy, law, rule, or regulation, while evaluation discloses weaknesses in the design of the procedure. Together, these two processes identify problems, which need to be corrected. It shall be the responsibility of the Unit/Branch Head to develop a corrective action plan, which identifies all the planned corrective measures, responsible personnel and target dates, and establish a process to monitor the execution of the plan.

To monitor and ensure that the action plans are implemented within the target date, the Compliance Center shall perform at least monthly monitoring of all issues noted in the completed compliance testing. The designated Compliance Specialist shall conduct follow-up and prepare and send the list of compliance issues noted to the units/branches for their updated reply.

Where the units/branches fail to act within the deadline committed, the unit/branch shall be subject to a Notice to Explain (NTE). The issuance of the NTE is shown in the approved by the President - Guidelines to address long outstanding issues attached as **Annex 8I** and **Annex 8J**, for Branches and HO units, respectively.

The Compliance Testing Officer shall consolidate and summarize the output of individual follow-up on compliance issues and report the summary status to the Corporate Governance Committee every quarter during its meeting. On a case-to-case basis, the Group Head and Region Head may be required to attend and present to the Corporate Governance Committee their explanation and action plan to resolve the long outstanding compliance issues.

To compute for the individual risk factors for all branches/units to be tested:

A. Business Profile (15%) – based on the perceived Unit’s contribution to attaining the Bank’s objectives:

(1) Branch

(i) Branches are automatically assigned with a risk point of 5.

(2) Head Office Units

(i) Total financial exposure/impact (based on products/services/banking activities)

(a) **Business Units** – (a) Treasury Services Group, (b) Lending Segment, and (c) Trust and Investments Center.

Business units are automatically assigned with a risk point of 5.

(b) **Support Units** – (a) Retail Sales Group, (b) Product Development and management, (c) Project Management Office, (d) Corporate Planning and Investor Relations Group, (e) Branch Operations and Control Group (BOCG) - Cash Management Unit, Clearing & Verification Center and QA, Admin and Technology, (f) Branch Expansion (including Branch Administration), (g) Operations Control Group (OCG) – Treasury, Loans, International Banking and General Accounting Center (including FCDU), (h) Information Technology Group (ITG) – Helpdesk, System Support and Application Development Center, Data Center, Network and Communications Center, Application Access Security Unit and ATM Center, (i) Human Resource Group, (j) Credit Management Group – Credit Appraisal & Investigation Division, Credit Underwriting Center, Credit Administration Center, Portfolio Management Center, Secretariat, Credit Policy and Technical Support Center, Remedial and Special Asset Management Division and Insurance Desk Center, (k) Legal Services Group, (l) Consumer Banking Group – Collection and (m) Retail Banking Segment (branch admin and expansion)

Support units are automatically assigned with a risk point of 4.

(c) **Control Units** – (a) Enterprise Risk Management Group, (b) Internal Audit Center, (c) Systems and Methods Center, and (d) Compliance Center.

Control units are automatically assigned with a risk point of 3.

(d) **Indirect Support Unit** – (a) General Services Center and (b) Corporate Affairs

Indirect Support Units /are automatically assigned with a risk point of 2.

- B. Latest audit rating and compliance rating (30% or 40%)** - based on the numeric rating result of the previous audit and Independent Compliance Testing (ICT) of the branch/unit where a corresponding weight is assigned, as follows:

Latest Audit Rating	Compliance Rating System	
	Old	New
"1" Outstanding	"1" Outstanding	"1" Very Satisfactory
"2" Very Satisfactory	"2" Very Satisfactory	"2" Satisfactory
"3" Satisfactory	"3" Satisfactory	"3" Less than Satisfactory
"4" Needs Improvement	"4" Needs Improvement	"4" Needs Improvement
"5" Failed	"5" Failed	"5" Failed

In the absence of a rating for any category, the latest available rating shall be used; otherwise, a rating score of "5" shall be used.

For Branches/HO units in-process of ICT, a rating of "3" shall be used for the Compliance Rating. Meanwhile, for the Branch/ HO unit whose ICT is deferred due to the overriding factor, such as but not limited to recently audited, a rating of "5" shall be used for the Compliance Rating.

The total points for the two ratings have a corresponding weight assigned as follows:

Total Points	Equivalent Weight
2	1
3-4	2
5-6	3
7-8	4
9-10	5

Also, additional points are added on top of the determined risk point per adjectival rating of the branch/unit for unresolved exceptions (Compliance Testing) to consider these units being riskier than other units with the same computed risk score but with no unresolved issues.

Additional Risk points:

Unresolved Exceptions (Compliance Testing)	Additional Points
0 - 1 unresolved Exception	1
2 - 3 unresolved Exception	2
4 - 5 unresolved Exception	3
6 - 7 unresolved Exception	4
8 and above unresolved Exception	5

The sum of the points for the two factors has a corresponding weight assigned, as follows:

Total Points	Equivalent Weight
2 to 3	1
4 to 6	2
7 to 8	3
9	4
10	5

C. Manpower and AMLA Training (15%)

i. Manpower complement/turnover – is composed of two variables, the number of vacant positions in the plantilla and the attrition rate of the unit/branch during the previous year.

(1) **Vacancy Rate** – this is computed by determining the percentage of unfilled positions in the plantilla of each auditable unit/Section/group during planning period. Based on the percentage computed, the following weight are assigned:

Percentage of Vacancy	Weight
0% to 15%	1
16% to 30%	2
31% to 50%	3
51% to 75%	4
76% to 99%	5

(2) **Attrition Rate** – the percentage is computed by determining the number of resignations of the unit/branch during the previous year and dividing it against the total number of plantilla of the unit/branch.

Percentage of Attrition	Weight
0% to 15%	1
16% to 30%	2
31% to 50%	3
51% to 75%	4
76% and up	5

The sum of the points for the two variables has a corresponding weight assigned, as follows:

Total Points	Equivalent Weight
2 to 3	1
4 to 6	2

7 to 8	3
9	4
10	5

- ii. **AMLA Training** – AMLA seminar/training/refresher courses attended by personnel (officers and staff) for the last two (2) years, the following weight are assigned:

Percentage of AMLA Training/Seminar Attendance	Weight
81% to 100% attended AMLA seminars/trainings	1
61% to 80% attended AMLA seminars/trainings	2
41% to 60% attended AMLA seminars/trainings	3
21% to 40% attended AMLA seminars/trainings	4
0% to 20% attended AMLA seminars/trainings	5

The sum of the points for the two factors has a corresponding weight assigned, as follows:

Total Points	Equivalent Weight
2 to 3	1
4 to 6	2
7 to 8	3
9	4
10	5

- D. **Violations on BSP regulations (based on ROE) (15%)** –number of exceptions / violations noted by the BSP during its most recent examination of the Bank. This may include outstanding exceptions from previous audits by the BSP to which the Bank committed to regularize.

Number of BSP Issues	Additional Points
0 - 1	1
2 - 3	2
4 - 5	3
6 - 7	4
8 and above	5

- E. **Actual loss (5%)** – pertains to the sum of loss / exposure for the past year with assigned weight as follows:

Total Amount of Loss	Equivalent Weight
None	1

Php50,000 and below	2
Php50,001 to Php200,000	3
Php200,001 to Php1,000,000	4
Above Php1,000,000	5

F. Result of Self-assessment of units/branches (10%) – pertains to the latest branch/unit self-test made by the unit compliance coordinator.

(1) Submission of Self-assessment Reports

Unsubmitted Self-Assessment (SA) Report			Equivalent Weight
Old	New		
0-1	0	unsubmitted SA Reports	1
2-3	1	unsubmitted SA Reports	2
4-6	2 – 3	unsubmitted SA Reports	3
7-9	4 - 5	unsubmitted SA Reports	4
10 and above	6	unsubmitted SA Reports	5

(2) Result of Self-assessment of units/branches

Conduct of self-assessment testing by the Unit's Compliance Coordinator	No. of issues Noted	Equivalent Weight
No. of finding/s noted in self-test	20 and above	5
No. of findings noted in self-test	11 to 19	4
No. of findings noted in self-test	6 to 10	3
No. of findings noted in self-test	1 to 5	2
None to report	0	1

The higher between submission and the result of self-assessment is the final score

G. AML Related – (Applicable to Branches and Head Office Units who are required to submit AML related information/documents) (10%) pertains to the Money Laundering (ML)/Terrorist Financing (TF) Risk Indicators such as the volume of customers profiled as High Risk, With STR Filing, subject of FOs, APO/PAPO and AMLC inquiries, and their respective aggregate amount of high risk transactions.

(1) Volume of Customer Profiled as High Risk

a. High Risk Accounts

Volume of Customer Profiled as High Risk	Equivalent Weight
0 High Risk	1
1-50 High Risk	2

51 - 100 High Risk	3
101-150 High Risk	4
151 and up	5

b. STR, FO, APO/PAPO and AMLC Inquiries

Volume of Customer Profiled as High Risk	Equivalent Weight
No STR Filed, not subject to FOs, APO/PAPOs and AMLC inquiries	1
Up to four (4) of: (a) STR Filed, (b) FOs, (c) APO/PAPOs and (d) AMLC inquiries	2
Up to eight (8) of: (a) STR Filed, (b) FOs, (c) APO/PAPOs and (d) AMLC inquiries	3
Up to twelve (12) of: (a) STR Filed, (b) FOs, (c) APO/PAPOs and (d) AMLC inquiries	4
13 and up of: (a) STR Filed, (b) FOs, (c) APO/PAPOs and (d) AMLC inquiries	5

(2) Aggregate amount of High Risk Transaction

Aggregate amount of High Risk transactions of	Equivalent Weight
Aggregate amount of: (a) High Risk, (b) STR Filed and (c) FOs is None	1
Aggregate amount of: (a) High Risk, (b) STR Filed and (c) FOs ranges from 0.01 to 999,999.99	2
Aggregate amount of: (a) High Risk, (b) STR Filed and (c) FOs ranges from 1M to 2,999,999.99	3
Aggregate amount of: (a) High Risk, (b) STR Filed and (c) FOs ranges from 3M to 4,999,999.99	4
Aggregate amount of: (a) High Risk, (b) STR Filed and (c) FOs ranges from 5M and up	5

The sum of the points for the three (3) factors has a corresponding weight assigned, as follows:

Total Points	Equivalent Weight
3 to 4	1
5 to 7	2
8 to 9	3
10 to 12	4
13 to 15	5

The Overall Risk Rating for each unit/branch shall be the sum of the weighted risk score of the (8 or 9 [**with AML Related**]) risk factors in which the unit/branch shall be categorized as being High, Moderate or Low Risk activity:

Total Risk Score	Level of Risk	Frequency
4.5 and above	Very High	Annual
3.5 to 4.49	High	
2 to 3.49	Moderate High	Every 2 years
1.01 to 1.99	Moderate	
Up to 1	Low	Every 3 years

Compliance Testing plan shall be prepared and approved by the Corporate Governance Committee every December of each year.

The Compliance Testing cycle shall be every three years and re-assessed every year.

Compliance Testing Prioritization

The schedule of prioritization, however, is subject to the following overriding factors:

- a. **Last Compliance Testing cut-off.** Low to Moderate-risk Branches/HO units with more than 2 years from the last compliance testing cut-off shall be included in the compliance testing in the current year.
- b. Any request or instruction from the regulators (such as BSP) during the recent examination.
- c. Branch/HO unit who incurred “Failed” ratings for both compliance and audit, the branch/unit shall be subject to ICT
- d. **Institutional Risk Assessment (IRA).** Whenever an IRA is conducted, high-risk branches will be automatically prioritized in the conduct of compliance testing.
- e. **Coordination with Internal Audit.** The compliance personnel that will conduct the compliance testing shall coordinate first with Internal Audit Center (IAC) the recent audit cut-off of the branch/unit to be tested. This will determine if the compliance office will start its testing or may be deferred. If the units/branches to be tested were just audited within six (6) months before the testing cut-off date, the Compliance Office shall defer the testing for six (6) months from the audit cut-off date before they commence the examination. With this, overlapping of review will be avoided between IAC and Compliance Office.

- Branches/HO units that were deferred (such as recently audited) shall be prioritized in the next year cycle.

f. Readiness of the Unit/Branch.

- (i) Newly established unit/branch – subject to compliance testing after a year of full operation.
- (ii) Unit/branch adoption of new system or major enhancements in the system – while the system/IT project implementation is separately subject to concurrent or post review by IAC, Compliance may defer testing after a period of 6 months.

Conduct of Special Testing in addition to the Compliance Testing plan

For the best interest of the bank, Special Testing of the Branch/unit may be done for request from any of the following:

1. Board of Directors or
2. Corporate Governance Committee or
3. President or
4. Chief Compliance Officer



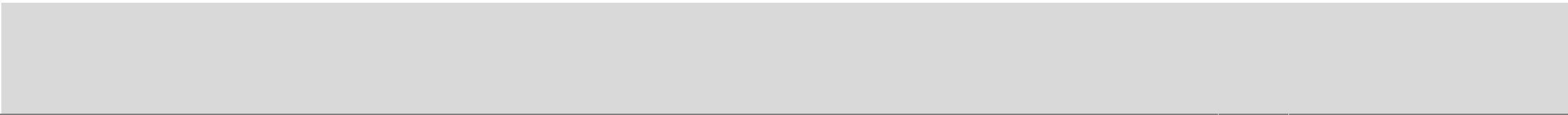
KEY COMPLIANCE TESTING OBJECTIVES	COMPLIANCE TESTING ENGAGEMENT INFORMATION	
<p>To determine whether the organization’s system of risk management, control, and governance processes, as designed and represented by the Unit/s affected, is adequate and functioning in a manner to ensure that:</p> <ul style="list-style-type: none"> ➤ Compliance with the applicable BSP Circulars; ➤ Relevant internal policies and procedures are in place and regularly updated; ➤ Approved internal policies and procedures, including mandate of regulatory bodies, are complied with; ➤ Risks are appropriate identified and managed; ➤ Controls are in place and provide reasonable assurance that risks are prevented, detected, or corrected; ➤ Quality and continuous improvement are imbedded in the organization’s control processes. 	Test Period	
	Branch / Unit	

Reference	Regulation	Testing Procedure	With Exceptions		Conducted by:
			YES	NO	

Prepared By:	Reviewed By:	Compliance Testing Program Guide Last Amendment
_____	_____	_____
Compliance Officer	General Compliance Unit Head	

CARA	Details found in CARA	ID	ID submitted	CorDoc	Documents submitted by Juridical Entities	High	High risk accounts
SSC	Details found in SSC	Others	Separate Documents	CorOth	Other documents for Juridical Entities		
CRP	Details found in CRP	FATCA	Details found in FATCA	Serv	Documents required for other services by the Bank		

INDIVIDUAL / JOINT / SIGNATORY / TREASURER-IN-TRUST / TRUSTOR / TRUSTEE											OTHER DOCUMENTATION REQUIREMENTS																			
Customer Account Record Agreement (11 Minimum)											Specimen Signature Card (SSC)				SPA	Watchlist Screening				Customer Risk Profile				FATCA Compliance Program				OFAC / DILG	DATA PRIVACY SUPPLEMENTAL FORM	Thank you letter
Name of Customer	Present Address	Permanent Address	Date and Place of Birth	Contact Details	Nationality	SSS / GSIS No.	TIN No.	Estimated volume of transaction or work, name of employer or nature of Source of Funds or Property	Name of Beneficial Owner or Specimen Signature	Signature or Requirement	Risk Classification	Stamped as "PEP" for PEP	Stamped as "Employee" as Referred by indicated	Signature Authenticated By /		Watchlist Screening	Watchlist Screening parents and spouse	Watchlist Screening for Business accounts	Processed / Checked / Approved	Watchlist Inquiry Form (Annex D)	Customer Risk Profile	Processed / Checked / Approved	FATCA Questionnaire	FATCA Properly filled-out	Verified / Approved	CCW	W-9			



JURIDICAL ENTITIES (SOLE PROPRIETORSHIP / PARTNERSHIP / CORPORATION)																																						
Name of Entity	Date of Incorporation	Official Address	Contact No. or Information	Estimated volume of transaction	Nature of Business	Source of Funds	Name of Beneficial Owner or	TIN	Customer Account Record Agreement	Certificate of Registration (DTI / SEC)	BNRS	Certification from BSP (FX/RA/MC)	AMLC Certification	MTPP / AML Questionnaire (Annex e)	Articles of Incorporation	By-Laws	Secretary's Certificate / Board	Director's Certificate / Treasurer's	Latest GIS	Ultimate Beneficial Ownership Form (Annex N)	Mayor's Permit / Business	Corporate Documents	Documents verified	Notarized Proof of relationship	Thank you letter	Payroll Agreement	AML Seminar	Enhanced Due Diligence	Senior Management Approval	Proof of billing	Thank you letter	With Technicalities	CARA Presented	SSC Presented	REMARKS			

**PHILIPPINE BUSINESS BANK
ACCOUNT OPENING WORKING PAPER (CLOSED ACCOUNTS)**

AS OF: _____

			CLOSED ACCOUNTS										REMARKS	
Date Closed	Account Number	Customer's Name	CARA Presented	SSC Presented	CARA stamped "CLOSED"	SSC stamped "CLOSED"	CARA Closing Date indicated	Date indicated	Original CTD on file	CTD signed by client	CTD stamped "CLOSED"	Closing date indicated		
Closed Accounts														
1									N/A	N/A	N/A	N/A		
2									N/A	N/A	N/A	N/A		
3									N/A	N/A	N/A	N/A		
4									N/A	N/A	N/A	N/A		
5									N/A	N/A	N/A	N/A		
6									N/A	N/A	N/A	N/A		
7									N/A	N/A	N/A	N/A		
8									N/A	N/A	N/A	N/A		
9									N/A	N/A	N/A	N/A		
10									N/A	N/A	N/A	N/A		
11									N/A	N/A	N/A	N/A		
12									N/A	N/A	N/A	N/A		
13									N/A	N/A	N/A	N/A		
14									N/A	N/A	N/A	N/A		
15									N/A	N/A	N/A	N/A		
16									N/A	N/A	N/A	N/A		
17									N/A	N/A	N/A	N/A		
18									N/A	N/A	N/A	N/A		
19									N/A	N/A	N/A	N/A		
20									N/A	N/A	N/A	N/A		
21									N/A	N/A	N/A	N/A		
22									N/A	N/A	N/A	N/A		
23									N/A	N/A	N/A	N/A		
24									N/A	N/A	N/A	N/A		
25									N/A	N/A	N/A	N/A		
26														
27														
28														
29														
30														
TD-Closed														
1														
2														
3														
4														
5														
6														
7														
8														
9														
10														
11														
12														
13														
14														
15														
16														
17														
18														
19														
20														
21														
22														
23														
24														
25														
26														
27														
28														
29														
30														

CO – XXX - XXX

MEMORANDUM

FOR :

FROM : COMPLIANCE CENTER

DATE :

SUBJECT : COMPLIANCE TESTING RESULT – *[Branch / Head Office Unit Name]*

Pursuant to the duly approved Compliance Program of the Bank, we provide you with the result of the compliance testing conducted by the Compliance Center on ***[Branch / Head Office Unit]*** from ***[Testing Dates]***. The results of the compliance testing were discussed with the key personnel of the ***[Branch / Head Office Unit]*** during the ***(Virtual)*** Exit Conference conducted on ***[Exit Dates]***.

- I. OBJECTIVES
- II. GROUP'S OVERVIEW
- III. RISK ASSESSMENT
- IV. COMPLIANCE RATING
- V. RECOMMENDATION
- VI. DIRECTIVES

ATTY. SERGIO M. CENIZA
FVP, Chief Compliance Officer

cc: AMYao, Chairman Emeritus
JSYao, Chairman
RRAvante, Vice Chairman/ President and CEO
MLGTrinidad, Chief Risk Officer/ ERMG Head
MMCabuco, Chief Audit Executive/ IAC Head

PHILIPPINE BUSINESS BANK

_____ Branch

Independent Compliance Testing (ICT) Cut-off date: _____

COMPLIANCE RATING MATRIX

	INDEPENDENT COMPLIANCE TESTING ISSUES/FINDINGS	CRITICAL *	MAJOR	MINOR		COMPONENT		TOTAL
				F	IF	G/M	EIIP	
I.	RECURRING ISSUES/FINDINGS							
								0
								0
								0
								0
								0
II.	NEW ISSUES/FINDINGS							
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
								0
TOTAL POINTS								0
RATING COMPONENT POINTS								0

Prepared by:

Checked by:

* There is actual or imminent danger of loss

Legends: F - Frequent; IF - Infrequent;

G/M - Governance/ Management

EIIP - Effective of Implementation of Internal Policy

INDEPENDENT COMPLIANCE TESTING ISSUES/FINDINGS	CRITICAL *	MAJOR	MINOR	
			F	IF
RECURRING ISSUES/FINDINGS	10	5	4	3
NEW ISSUES/FINDINGS		3	2	1

COMPONENT POINTS MATRIX

	1	2	3	4	5
TOTAL POINTS	0-25	26-55	56-100	101-150	≥151

- 1- Strong compliance. Without repeat/major violations; all or mostly are minor and infrequent.
- 2- Generally strong compliance. Without repeat/major violations; all or mostly are minor but frequent.
- 3- Less than satisfactory compliance. With repeat/major violations; all or mostly are infrequent. Minor violations are infrequent.
- 4- Requires close supervisory attention and monitoring. With repeat/major violations; all or mostly are frequent. Minor violations are infrequent.
- 5- Strongest supervisory attention and monitoring are needed. With critical or major/repeat violations; all or mostly are frequent. Minor violations are frequent.

PHILIPPINE BUSINESS BANK
 _____ Group/Center/Unit
 Independent Compliance Testing (ICT) Cut-off date: _____

COMPLIANCE RATING MATRIX

	INDEPENDENT COMPLIANCE TESTING ISSUES/FINDINGS	CRITICAL *	MAJOR	MINOR		COMPONENT			TOTAL
				F	IF	G/M	APP	EIIP	
I.	RECURRING ISSUES/FINDINGS								
									0
									0
									0
									0
II.	NEW ISSUES/FINDINGS								
									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
									0
TOTAL POINTS									0
RATING COMPONENT POINTS									0

Prepared by: _____

Checked by: _____

* *There is actual or imminent danger of loss*

Legends: F - Frequent; IF - Infrequent;
 G/M - Governance/ Management
 APP - Adequacy of Policies and Procedures
 EIIP - Effective of Implementation of Internal Policy

INDEPENDENT COMPLIANCE TESTING ISSUES/FINDINGS	CRITICAL *	MAJOR	MINOR	
			F	IF
RECURRING ISSUES/FINDINGS	10	5	4	3
NEW ISSUES/FINDINGS		3	2	1

COMPONENT POINTS MATRIX					
NEW ISSUES/FINDINGS	1	2	3	4	5
TOTAL POINTS	0-35	36-65	66-95	96-150	≥151

- 1- Strong compliance. Without repeat/major violations; all or mostly are minor and infrequent.
- 2- Generally strong compliance. Without repeat/major violations; all or mostly are minor but frequent.
- 3- Less than satisfactory compliance. With repeat/major violations; all or mostly are infrequent. Minor violations are infrequent.
- 4- Requires close supervisory attention and monitoring. With repeat/major violations; all or mostly are frequent. Minor violations are infrequent.
- 5- Strongest supervisory attention and monitoring are needed. With critical or major/repeat violations; all or mostly are frequent. Minor violations are frequent.

PHILIPPINE BUSINESS BANK Compliance Center [Date] COMPLIANCE RATING SHEET			
Branch Name:	Class:	Current Testing Date:	Previous Testing Date:
TOTAL POINTS			
RATING EQUIVALENT			
<u>B. Overall Assessment/Evaluation</u>			
Description		Rating	
		Composite	Description
B.1. Current Composite Rating			
B.2. Previous Composite Rating			
<u>C. Recommendation</u>			
Rated by:	Concurred by:	Date:	
Compliance Specialist	Compliance Officer		

COMPONENT POINT MATRIX	
Rating Equivalent	Total ppoints
1	0-25
2	26-55
3	56-100
4	101-150
5	≥151

PHILIPPINE BUSINESS BANK
Compliance Center
 [Date]
COMPLIANCE RATING SHEET

Head Office Unit Name:	Class:	Current Testing Date:	Previous Testing Date:
TOTAL POINTS			
RATING EQUIVALENT			
<u>B. Overall Assessment/Evaluation</u>			
Description		Rating	
		Composite	Description
B.1. Current Composite Rating			
B.2. Previous Composite Rating			
<u>C. Recommendation</u>			
Rated by:	Concurred by:	Date:	
Compliance Specialist	Compliance Officer		

COMPONENT POINT MATRIX	
Rating Equivalent	Total points
1	0-35
2	36-65
3	66-95
4	96-150
5	≥151

**AMENDED GUIDELINES TO ADDRESS LONG OUTSTANDING
UNRESOLVED ISSUES/DEFICIENCIES/FINDINGS**

(For Branches)

OBJECTIVE:

This is intended to provide procedural mechanism for the effective handling, monitoring and disposition of long outstanding/unresolved issues/deficiencies/findings noted during BSP examination of Branches and the Bank's internal compliance testing process.

With the effective implementation of these guidelines, the number of long outstanding issues/deficiencies/findings of the Bank's branches is expected to decrease and eventually be addressed completely.

PARTICIPATING UNITS:

The following units of the Bank shall implement this guidelines:

- a. Compliance Center
- b. Branch Banking Group (BBG)
- c. Branch Operations Control Group (BOCG)
- d. Committee on Employee Discipline (CED)
- e. Human Resource Group (HRG)

Effective Date of Implementation:

These guidelines shall take effect on September 1, 2021.

Procedural Guidelines:

1. The Regulatory Testing Unit of the Compliance Center (RTU-CC) shall identify all outstanding/unresolved issues/deficiencies/findings noted during BSP examinations as well as compliance testing done on branches.

For this purpose, outstanding issues/deficiencies/findings should be classified as:

- a) Unresolved issues/deficiencies/findings

These issues pertain to those items noted by BSP during its examination and/or those deficiencies discovered during independent compliance testing conducted by the Compliance Center of the Bank. These noted issues remain unacted and unresolved within timeline committed for its resolution.

b) Long outstanding issues/deficiencies/findings

These are unresolved issues/deficiencies/findings that remained unacted/unresolved for more than thirty (30) days from original completion or regularization timeline.

Long outstanding unresolved issues/deficiencies/findings shall be subject to close monitoring and reporting to the Office of the President and to the Corporate Governance Committee for their information, guidance and appropriate further instruction.

2. The list of unresolved issues/deficiencies/findings shall be provided to the concerned Branch/Business Manager (BM), Branch Service Head (BSH), Region Head (RH) and Area Operation Head (AOH) by the Compliance Center for immediate action and disposition. Copy of the list shall also be furnished to following:
 - a) Retail Banking Group (RBG) Head
 - b) Branch Banking Group (BBG) – Head/s of Luzon, NCR or VisMin, as possible;
 - c) Branch Operation and Control Group (BOCG) – Head and
 - d) Chief Compliance Officer (CCO).
3. For unresolved issues/deficiencies/findings which are later re-classified as “long outstanding unresolved issues/deficiencies/findings”, concerned BM, BSH, RH and AOH may be made accountable. Accordingly, the CCO shall issue a Notice to Explain to the concerned BM, BSH, RH and AOH on why such long outstanding issues/deficiencies/findings remain unresolved. Notice to explain shall be issued within 60 days from the date the unresolved findings/issues became long outstanding.
4. The concerned BM, BSH, RH and AOH shall provide their explanation/justification for the continued non-disposition of the long outstanding findings to the Compliance Center (CC) within five (5) working days from date of their receipt of the Notice to Explain from the CCO. Proof of action taken/compliance shall also be provided to CC.
5. The CCO shall evaluate the explanation/justification and action taken/proof of compliance provided by BM, BSH, RH and AOH. The evaluation may be acceptable, partially acceptable or not acceptable.

Evaluation	Description
Acceptable	The Branch managed to address/ correct the long outstanding issues. - Issue/finding is closed/fully addressed
Partially Acceptable	Branch’s reply, action plan and documents provided does not completely address the issue/finding. - For further monitoring

Not Acceptable	<p>Branch's reply, action plan/course of action and documents provided does not address the finding/issue; No reply provided within the timeline.</p> <p>- For endorsement to the Chief Operating Officer (COO) for:</p> <ol style="list-style-type: none"> 1. Discussion with the concerned branch (with timeline) 2. Formulate specific action plans (with timeline) 3. Implementation of action plans (with timeline) 4. Closure of the findings
-----------------------	---

6. If the explanation/justification given is not acceptable, the CCO, may upon consultation with the Head of RBG, BOCG and Chief Operating Officer (COO), endorse the case of the concerned Bank personnel to the Committee on Employee Discipline (CED) for appropriate investigation and possible sanction(s) based on existing Bank regulations.
7. The CED shall then conduct its own fact-finding investigation to determine if the concerned Bank personnel are liable under existing Bank policies
8. In case the CED determines that the concerned Bank personnel is/are liable for violating existing Bank policies and procedures, it shall recommend the appropriate sanction based on the Bank's Code of Conduct.
9. Any administrative sanction on the concerned Bank personnel shall be implemented by the Human Resources Group and shall be reported to the Corporate Governance Committee.
10. These guidelines notwithstanding, the Senior Management, the Executive Committee or the Corporate Governance Committee may recommend other procedures/mechanisms more appropriate in a particular case after taking into consideration the peculiarity of such case and the best interest of the Bank and/or guidance given by the Bank's regulators

**GUIDELINES TO ADDRESS LONG OUTSTANDING
UNRESOLVED ISSUES/DEFICIENCIES/FINDINGS**

(For Head Office)

OBJECTIVE:

This is intended to provide procedural mechanism for the effective handling, monitoring and disposition of long outstanding/unresolved issues/deficiencies/findings noted during BSP examination of Head Office (HO) units and the Bank's internal compliance testing process.

With the effective implementation of these guidelines, the number of long outstanding issues/deficiencies/findings of the Bank's HO units is expected to decrease and eventually be addressed completely.

PARTICIPATING UNITS/PERSONNEL:

The following units/personnel of the Bank shall implement these guidelines:

- a. President
- b. Chief Operating Officer (COO)
- c. Compliance Center (CC)
- d. HO Units
- e. Committee on Employee Discipline (CED)
- f. Human Resource Group (HRG)

Effective Date of Implementation:

These guidelines shall take effect on July 28, 2023.

Procedural Guidelines:

1. The Regulatory Testing Unit of the Compliance Center (RTU-CC) shall identify all outstanding/unresolved issues/deficiencies/findings noted during BSP examination as well as independent compliance testing conducted on HO units.

For this purpose, outstanding issues/deficiencies/findings should be classified as:

- a) Unresolved issues/deficiencies/findings

These issues pertain to those items noted by BSP during its examination and/or those deficiencies discovered during independent compliance testing conducted by the Compliance Center of the Bank which remain unresolved within the timeline committed for its resolution.

b) Long outstanding issues/deficiencies/findings

These are unresolved issues/deficiencies/findings that remained unacted/unresolved for more than thirty (30) days from original completion or regularization timeline.

Long outstanding unresolved issues/deficiencies/findings shall be subject to close monitoring and reporting to the Office of the President and to the Corporate Governance Committee for their information, guidance, and appropriate further instruction.

2. The list of unresolved issues/deficiencies/findings shall be provided to the concerned group/unit head of HO units and its designated Unit's Compliance Coordinator (UCC) by the Compliance Center for immediate action and disposition. Copy of the list shall also be furnished to following:
 - a) Chief Compliance Officer (CCO); and
 - b) Compliance Testing Unit Head
3. For unresolved issues/deficiencies/findings which are later re-classified as "long outstanding unresolved issues/deficiencies/findings", the concerned group/department/unit Head of HO unit may be made accountable. Accordingly, the CCO shall issue a Notice to Explain to the concerned group/department/unit head on why such long outstanding issues/deficiencies/findings remain unresolved. Notice to explain shall be issued within 60 days from the date the unresolved findings/issues became long outstanding.
4. The concerned group/department/unit Head of the HO Unit shall provide the explanation/justification for the continued non-disposition of the long outstanding findings to the CC within five (5) working days from date of their receipt of the Notice to Explain from the CCO. Proof of action taken/compliance should also be provided to CC.
5. The CCO shall evaluate the explanation/justification and action taken/proof of compliance provided by group/unit head. The evaluation may be acceptable, partially acceptable or not acceptable.

Evaluation	Description
Acceptable	The group/unit managed to address/correct the long outstanding issue - Issue/findings is closed/fully addressed
Partially Acceptable	HO units reply, action plan and documents provided does not completely address the issue/finding - for further monitoring

Not Acceptable	<p>HO units reply, action plan/course of action and documents provided does not address the finding/issue; No reply provided within the timeline.</p> <p>- For endorsement to the Chief Operating Officer (COO) for:</p> <ol style="list-style-type: none"> 1. Discussion with the concerned units (with timeline) 2. Formulate specific action plans (with timeline) 3. Implementation of action plans (with timeline) 4. Closure of the findings
-----------------------	--

6. If the explanation/justification given is not acceptable, the Chief Compliance Officer (CCO) shall discuss with the Chief Operating Officer (COO) and the President for appropriate management action, including endorsement of the case to CED for investigation and possible sanction(s) based on existing Bank regulations.
7. The CED shall then conduct its own fact-finding investigation to determine if the concerned Bank personnel are liable under existing Bank policies
8. In case the CED determines that the concerned Bank personnel is/are liable for violating existing Bank policies and procedures, it shall recommend the appropriate sanction based on the Bank's Code of Discipline.
9. Any administrative sanction on the concerned Bank personnel shall be implemented by the Human Resources Group and shall be reported to the Corporate Governance Committee.
10. These guidelines notwithstanding, the Senior Management, the Executive Committee or the Corporate Governance Committee may recommend other procedures/mechanisms more appropriate in a particular case after taking into consideration the peculiarity of such case and the best interest of the Bank and/or guidance given by the Bank's regulators

SELF TESTING/ASSESSMENT AND REPORTING PROCEDURES AND GUIDELINES BY COMPLIANCE COORDINATOR

A. SELF-TESTING

1. Self-testing is one of the key elements of the Bank's Compliance Program. In this regard, all Compliance Coordinators are required to conduct a compliance self-testing in their respective areas of responsibility. When conducting such compliance self-testing, they shall be guided by the following:
 - a. The Compliance Coordinators shall document their respective testing activities using the Compliance Risk Assessment Matrix (CRAM).
 - b. The conduct of the self-testing is semi-annual.
 - c. Compliance Center will furnish the Compliance Coordinators and the Unit/Branch Heads with a soft copy of the CRAM through e-mail.
 - Compliance Center will provide the list of accounts for self-testing by the compliance coordinator.

The Compliance Center shall validate the self-assessment made by the Compliance Coordinator during the Independent Compliance Testing and shall form part of the Group/Unit/Branch Compliance Rating.

2. Procedures in accomplishing the CRAM.
 - a. CRAM will be accomplished by the Compliance Coordinator by filling out the following columns:
 - **Complied/Not Complied** – If the laws, rules, regulations and standards of practice tested* are substantially complied, indicate in the column "Complied", if not, "Not-Compliant", and "Not-Applicable/N/A" if the regulation is not part of the function/process with justification/reason to be discussed in the Remarks column.
 - * *Some items for self-testing/assessment are based on the list of accounts provided by Compliance Center.*
 - **Findings** – refer to details of the violations/issues noted during the conduct of the compliance self-testing.
 - **Responsible Person/Unit** – refers to the designated personnel of the branch/head office unit who will take action for the violation/issues noted during the self-testing.
 - **Remarks/Timeline**

- ✓ *Remarks:* for not compliant provision/regulation, briefly describe in this column the issue summary with root cause and impact. For “Not Applicable” or “N/A” provision/regulation, indicate the reason why it is not applicable to your group/unit/branch.
- ✓ *Timeline:* refers to the committed target date of completion of the issue/findings noted

b. Data for columns “Laws, Rules, and Regulations” and “Testing Procedures” will be supplied by the Compliance Center.

B. REPORTING AND SUBMISSION PROCEDURES – COMPLIANCE COORDINATORS

The following reports shall be accomplished and submitted by the Compliance Coordinators:

Quarterly (Annex 5 - Unresolved self-assessment issue report)

- *Quarter end: March, June, September and December*

Every end of the quarter, ***The Annex 5 (Unresolved-self assessment issue report)*** – summary/updates of all unresolved exceptions/violations noted in the accomplished CRAM duly signed by the Compliance Coordinator and the Group/Unit/Branch Head, kept by the respective units/branch for safekeeping/file and audit/compliance review purposes and for submission to Compliance Center within seven (7) banking days from reference quarter.

The Annex 5 – Unresolved self-assessment issue report shall be submitted to and in a manner as shown below:

To	-	Compliance Center compliancetesting@pbb.com.ph (for Head Office) branchtesting@pbb.com.ph (for Branches)
Copy furnished	-	BBG, BOCG & AOH Head for branches; Group/Unit Head for Head Office Unit
Subject	-	Annex 5_(Quarter end, Year)_(Concerned Unit/Branch) <i>i.e. Annex 5_1st Quarter of 2024_Ayala Branch</i>

Semi-Annual (Compliance Risk Assessment Matrix (CRAM) or Annex 4)

- *Semi-Annual: June and December*

Every end of June and December of each year, the Compliance Risk Assessment Matrix (CRAM) – which serves as the working paper on the self-testing/assessment conducted by the Compliance Coordinator. The CRAM should be accomplished and signed by Compliance Coordinator and Group/Unit/Branch Head, kept by the respective unit for safekeeping/file for audit/independent compliance testing purposes and to be submitted to Compliance Center on or before 31st of July and January.

If the 31st day fall on a holiday/Saturday/Sunday, the next banking day shall be used.

The Compliance Risk Assessment Matrix (CRAM) - shall be submitted to and in a manner as shown below:

To	-	Compliance Center compliancetesting@pbb.com.ph (for Head Office) branchtesting@pbb.com.ph (for Branches)
Copy furnished	-	BBG, BOCG & AOH Head for branches; Group/Unit Head for Head Office Unit
Subject	-	CRAM_(June/December, Year)_(Concerned Unit/Branch) <i>i.e. CRAM_December 2023_Ayala Branch</i>

STATUS OF COMPLIANCE TESTING FINDINGS/OBSERVATIONS (HEAD OFFICE/BRANCH):

Branch/ HO Unit Name	Findings/ observations	Target date	Ageing (days)	Remarks

OUTSTANDING EXCEPTIONS BASED ON SELF ASSESMENT (HEAD OFFICE/BRANCH)

HO Unit / Branch Name	Nature of Exception	No of Issues/ Acct./Amt.	Actions Taken/ To be taken	Target date	Aging (days)	Remarks



FOR : CORPORATE GOVERNANCE COMMITTEE

FROM : GENERAL ACCOUNTING CENTER

DATE : [Reporting Date]

SUBJECT : MONITORING OF REGULATORY LIMITS

As part of the monitoring of compliance to regulatory limits, we respectfully submit to you for notation of the Committee the status of the Bank's compliance to the following prudential limits, to wit:

Prudential Limits	Regulatory Limit/Required Compliance	Actual Compliance/ Exposure	Variance	Remarks
As of _____ AFRD Financing Mandatory Credit Allocation (XX% of Total Loanable Funds) – (PhpXX.XXXB)	PhpXX.XXB (XX%)	PhpXX.XXB (XX%)	(PhpXX.XXB) (XX%)	Compliant /Not Compliant
As of _____ Real Estate Stress Test Limit	XX.XX%	XX.XX%	(XX.XX%)	Compliant /Not Compliant
For the week ending _____ Reserve against peso deposits and deposit substitutes (XX%*** of Total Deposits Available) – (PhpXXX.XXXB)	PhpXX.XXB (XX%)	PhpXX.XXB (XX%)	(PhpXX.XXB) (XX%)	Compliant /Not Compliant
As of _____ Single Borrower's Limit (XX% of Unimpaired Capital) –	PhpXX.XXB (XX%)	<i>Top 1 Borrower as of _____ – _____ (XX.XX%)</i>	PhpXX.XX (XX%)	Compliant /Not Compliant

Prudential Limits	Regulatory Limit/Required Compliance	Actual Compliance/ Exposure	Variance	Remarks
(PhpXX.XXXB)				
As of _____ DOSRI Limit (XX% of total loans) – (PhpXXX.XXXB)	PhpXX.XXB (XX%)	PhpXX.XXB (XX%) PhpX.XXXB (X.XX%) (_____ XXXM)	(PhpXX.XXB) (XX%) PhpXX.XXXB (XX.XX%)	Compliant /Not Compliant
As of _____ FCDU Liquid Asset Cover	XX% coverage	XX.XX%	XX.XX%	Compliant /Not Compliant
As of _____ FCDU Asset Cover	XXX% coverage	XXX.XX%	X.XX%	Compliant /Not Compliant
As of _____ Capital Adequacy Ratio	XX%	XX.XX%	X.XX%	Compliant /Not Compliant
As of _____ Minimum Liquidity Ratio	XX%****	XX.XXX%	X.XXX%	Compliant /Not Compliant

Note: ** Reduction of Reserve Requirements to 2% starting week ending 30 June 2023

For your information and notation.

GUIDELINES ON COMPLIANCE RATING TO ALL BRANCHES AND HEAD OFFICE UNITS**1) BRANCHES**

The following factors shall be considered in computing the compliance rating of Branches:

a) Compliance Testing Rating

1. Using the results obtained from the Compliance Testing during the year; select the applicable score to be used in determining the percentile weight for this factor.
2. In the absence of Compliance Testing during the year, the percentile weight of the Compliance Testing Rating shall be allocated to the remaining factors.

b) Timeliness in resolving the issues reflected In Annexes 4 and 5 and Independent Compliance Testing

1. Using the submitted Annex 4 (*Semi-Annual*) and Annex 5 (*Quarterly*) reports to the Compliance Center; and results of Independent Compliance Testing during the year (*if applicable*), determine the number of outstanding issues as at December 31 of the current year (*except for items identified with initial target date*).
2. Once the number of outstanding issues is determined, select the applicable score to be used in computing the percentile weight for this factor.

c) Timely submission of reports on CTR/STR

1. Using the results from the Compliance Testing during the year, determine if there were issues noted on the non-reporting and/or late submission of reports on Covered Transactions and/or Suspicious Transactions.
2. Using the Base60AML system, generate the list of reported covered and suspicious transactions during the year. Determine if there were instances on delayed submission of such reports. Exclude those items which were already identified on the Compliance Testing Report.
3. Once the number of times/instances is determined, select the applicable score to be used in computing the percentile weight for this factor.

d) Timely submission of reports on Annexes 4 and 5

1. Using the submitted Annex 4 (*Semi-Annual*) and Annex 5 (*Quarterly*) reports to the Compliance Center during the year, determine the number of instances on non-submission and/or late submission of reports as at December 31 of the current year.
2. Once the number of times/instances is determined, select the applicable score to be used in computing the percentile weight for this factor.

e) Timely submission of documents required by regulators (e.g. BSP examination)

1. Based on the documents required and submitted by the branches (e.g. during BSP visitation and examination proper), Compliance Center shall determine the number of instances on non-submission and/or late submission of said documents based on the prescribed timeframe of the Center.
2. Once the number of times/instances is determined, select the applicable score to be used in computing the percentile weight for this factor.
3. If there were no documents requested to the branch, the percentile weight for this factor shall be allocated to the remaining factors.

Please see matrix below for illustration

FACTORS (BRANCHES)	WEIGHT			
	CASE 1 (Complete)	CASE 2 (No e – Required Docs)	CASE 3 (No a - Compliance Testing Rating)	CASE 4 (No a & e)
a. Compliance Testing Rating	40%	40%	0%	0%
10 – Superior 8 – Above Avg. 6 – Average 4 – Below Avg. 2 – Poor	- Very Satisfactory - Satisfactory - Less than Satisfactory - Needs Improvement - Failed	- Very Satisfactory - Satisfactory - Less than Satisfactory - Needs Improvement - Failed	No Compliance Testing for the year	No Compliance Testing for the year
b. Timeliness in Resolving the issues reflected in Annexes 4 & 5 and ICT	15%	20%	25%	33 1/3%
10 – Superior 8 – Above Average 6 – Average 4 – Below Average 2 – Poor	10 – no outstanding issue 8 – 1 outstanding issue 6 – 2-3 outstanding issues 4 – 4-6 outstanding issues 2 – 7 or more outstanding issues	10 – no outstanding issue 8 – 1 outstanding issue 6 – 2-3 outstanding issues 4 – 4-6 outstanding issues 2 – 7 or more outstanding issues	10 – no outstanding issue 8 – 1 outstanding issue 6 – 2-3 outstanding issues 4 – 4-6 outstanding issues 2 – 7 or more outstanding issues	10 – no outstanding issue 8 – 1 outstanding issue 6 – 2-3 outstanding issues 4 – 4-6 outstanding issues 2 – 7 or more outstanding issues
c. Timely submission of reports on CTR/STR	15%	20%	25%	33 1/3%
9 – 10 Superior 7 – 8 Above Average 5 – 6 Average 3 – 4 Below Average 1 – 2 Poor	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times

d. Timely submission of reports Annexes 4 & 5	15%	20%	25%	33 1/3%
9 – 10 Superior 7 – 8 Above Average 5 – 6 Average 3 – 4 Below Average 1 – 2 Poor	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times
e. Timely submission of documents required by regulators	15%	0%	25%	0%
10 – Superior 8 – Above Average 6 – Average 4 – Below Average 2 – Poor	10 – submitted within the prescribed timeframe 8 – 1 day delayed 6 – 2 days delayed 4 – 3 days delayed 2 – 4 or more days delayed	No documents required by the BSP during visitation and examination	10 – submitted within the prescribed timeframe 8 – 1 day delayed 6 – 2 days delayed 4 – 3 days delayed 2 – 4 or more days delayed	No documents required by the BSP during visitation and examination

2) HEAD OFFICE UNITS who are required to submit CTR/STR reports

The following factors shall be considered in computing the compliance rating of the above Head Office

a) Compliance Testing Rating

- Using the results obtained from the Compliance Testing during the year; select the applicable score to be used in determining the percentile weight for this factor.
- In the absence of Compliance Testing during the year, the percentile weight of the Compliance Testing Rating shall be allocated to the remaining factors.

b) Timeliness in resolving the Issues reflected in Annexes 4 and 5 and Independent Compliance Testing

- Using the submitted Annex 4 (*Semi-annual*) and Annex 5 (*Quarterly*) reports to the Compliance Center; and result of Independent Compliance Testing during the year (*if applicable*), determine the number of outstanding issues as at December 31 of the current year (*except for Items identified with initial target date*).
- Once the number of outstanding issues is determined, select the applicable score to be used in computing the percentile weight for this factor.

c) Timely submission of reports on CTR/STR

1. Using the results from the Compliance Testing during the year, determine if there were issues noted on the non-reporting and/or late submission of reports on Covered Transactions and/or Suspicious Transactions.
2. Using the Base60AML system, generate the list of reported covered and suspicious transactions during the year. Determine if there were instances on delayed submission of such reports. Exclude those items which were already identified on the Compliance Testing Report.
3. Once the number of times/instances is determined, select the applicable score to be used in computing the percentile weight for this factor.

d) Timely submission of reports on Annexes 4 and 5

1. Using the submitted Annex 4 (*Semi-Annual*) and Annex 5 (*Quarterly*) reports to the Compliance Center during the year, determine the number of instances on non-submission and/or late submission of reports as at December 31 of the current year.
2. Once the number of times/instances is determined, select the applicable score to be used in computing the percentile weight for this factor.

e) Timely submission of documents required by regulators (e.g. BSP examination)

1. Based on the documents required and submitted by the units (e.g. during BSP visitation and examination proper), Compliance Center shall determine the number of instances on non-submission and/or late submission of said documents based on the prescribed timeframe of the Center.
2. Once the number of times/instances is determined, select the applicable score to be used in computing the percentile weight for this factor.
3. If there were no documents requested to the unit, the percentile weight for this factor shall be allocated to the remaining factors.

Please see matrix below for illustration

FACTORS (HO with CTR/STR)	WEIGHT			
	CASE 1 (Complete)	CASE 2 (No e – Required Docs)	CASE 3 (No a - Compliance Testing Rating)	CASE 4 (No a & e)
a. Compliance Testing Rating	40%	40%	0%	0%
10 – Superior 8 – Above Avg. 6 – Average 4 – Below Avg. 2 – Poor	- Very Satisfactory - Satisfactory - Less than Satisfactory - Needs Improvement - Failed	- Very Satisfactory - Satisfactory - Less than Satisfactory - Needs Improvement - Failed	No Compliance Testing for the year	No Compliance Testing for the year
b. Timeliness in Resolving the issues reflected in Annexes 4 & 5 and ICT	15%	20%	25%	33 1/3%

10 – Superior 8 – Above Average 6 – Average 4 – Below Average 2 – Poor	10 – no outstanding issue 8 – 1 outstanding issue 6 – 2-3 outstanding issues 4 – 4-6 outstanding issues 2 – 7 or more outstanding issues	10 – no outstanding issue 8 – 1 outstanding issue 6 – 2-3 outstanding issues 4 – 4-6 outstanding issues 2 – 7 or more outstanding issues	10 – no outstanding issue 8 – 1 outstanding issue 6 – 2-3 outstanding issues 4 – 4-6 outstanding issues 2 – 7 or more outstanding issues	10 – no outstanding issue 8 – 1 outstanding issue 6 – 2-3 outstanding issues 4 – 4-6 outstanding issues 2 – 7 or more outstanding issues
c. Timely submission of reports on CTR/STR	15%	20%	25%	33 1/3%
9 – 10 Superior 7 – 8 Above Average 5 – 6 Average 3 – 4 Below Average 1 – 2 Poor	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times
d. Timely submission of reports Annexes 4 & 5	15%	20%	25%	33 1/3%
9 – 10 Superior 7 – 8 Above Average 5 – 6 Average 3 – 4 Below Average 1 – 2 Poor	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times
e. Timely submission of documents required by regulators	15%	0%	25%	0%
10 – Superior 8 – Above Average 6 – Average 4 – Below Average 2 – Poor	10 – submitted within the prescribed timeframe 8 – 1 day delayed 6 – 2 days delayed 4 – 3 days delayed 2 – 4 or more days delayed	No documents required by the BSP during visitation and examination	10 – submitted within the prescribed timeframe 8 – 1 day delayed 6 – 2 days delayed 4 – 3 days delayed 2 – 4 or more days delayed	No documents required by the BSP during visitation and examination

3) HEAD OFFICE UNITS who are not required to submit CTR/STR reports

The following factors shall be considered in computing the compliance rating of the above Head Office Units:

a) Compliance Testing Rating

1. Using the results obtained from the Compliance Testing during the year; select the applicable score to be used in determining the percentile weight for this factor.
2. In the absence of Compliance Testing during the year, the percentile weight of the Compliance Testing Rating shall be allocated to the remaining factors.

b) Timeliness in resolving the issues rejected In Annexes 4 and 5 and Independent Compliance Testing

1. Using the submitted Annex 4 (*Semi-Annual*) and Annex 5 (*Quarterly*) reports to the Compliance Center; and results of Independent Compliance Testing during the year (*if applicable*), determine the number of outstanding issues as at December 31 of the current year (*except for Items identified with initial target date*).
2. Once the numbers of outstanding issues, select the applicable score to be used in computing the percentile weight for this factor.

c) Timely submission of reports on Annexes 4 and 5

1. Using the submitted Annex 4 (*Semi-Annual*) and Annex 5 (*Quarterly*) reports to the Compliance Center during the year, determine the number of instances on non-submission and/or late submission of reports as at December 31 of the current year.
2. Once the number of times/instances is determined, select the applicable score to be used in computing the percentile weight for this factor.

d) Timely submission of documents required by regulators (e.g. BSP examination)

1. Based on the documents required and submitted by the units (e.g. during BSP visitation and examination proper), Compliance Center shall determine the number of Instances on non- submission and/or late submission of said documents based on the prescribed timeframe of the Center.
2. Once the number of times/instances is determined, select the applicable score to be used in computing the percentile weight for this factor.
3. If there were no documents requested to the unit, the percentile weight for this factor shall be allocated to the remaining factors.

Please see matrix below for illustration

FACTORS (HO w/o CTR/STR)	WEIGHT			
	CASE 1 (Complete)	CASE 2 (No d – Required Docs)	CASE 3 (No a - Compliance Testing Rating)	CASE 4 (No a & d)
a. Compliance Testing Rating	40%	40%	0%	0%

ANNEX 13

10 – Superior 8 – Above Avg. 6 – Average 4 – Below Avg. 2 – Poor	- Very Satisfactory - Satisfactory - Less than Satisfactory - Needs Improvement - Failed	- Very Satisfactory - Satisfactory - Less than Satisfactory - Needs Improvement - Failed	No Compliance Testing for the year	No Compliance Testing for the year
b. Timeliness in Resolving the issues reflected in Annexes 4 & 5 and ICT	20%	30%	33 1/3%	50%
10 – Superior 8 – Above Average 6 – Average 4 – Below Average 2 – Poor	10 – no outstanding issue 8 – 1 outstanding issue 6 – 2-3 outstanding issues 4 – 4-6 outstanding issues 2 – 7 or more outstanding issues	10 – no outstanding issue 8 – 1 outstanding issue 6 – 2-3 outstanding issues 4 – 4-6 outstanding issues 2 – 7 or more outstanding issues	10 – no outstanding issue 8 – 1 outstanding issue 6 – 2-3 outstanding issues 4 – 4-6 outstanding issues 2 – 7 or more outstanding issues	10 – no outstanding issue 8 – 1 outstanding issue 6 – 2-3 outstanding issues 4 – 4-6 outstanding issues 2 – 7 or more outstanding issues
c. Timely submission of reports Annexes 4 & 5	20%	30%	33 1/3%	50%
9 – 10 Superior 7 – 8 Above Average 5 – 6 Average 3 – 4 Below Average 1 – 2 Poor	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times	10 – No unreported/Late 9 – 1 time 8 – 2 times 7 – 3 times 6 – 4 times 5 – 5 times 4 – 6 times 3 – 7 times 2 – 8 times 1 – 9 or more times
d. Timely submission of documents required by regulators	20%	0%	33 1/3%	0%
10 – Superior 8 – Above Average 6 – Average 4 – Below Average 2 – Poor	10 – submitted within the prescribed timeframe 8 – 1 day delayed 6 – 2 days delayed 4 – 3 days delayed 2 – 4 or more days delayed	No documents required by the BSP during visitation and examination	10 – submitted within the prescribed timeframe 8 – 1 day delayed 6 – 2 days delayed 4 – 3 days delayed 2 – 4 or more days delayed	No documents required by the BSP during visitation and examination

To determine the Final Compliance Rating of each Branch/Head Office Unit, the rating for each identified factor shall multiplied by the corresponding applicable weight. Below are the summary of the Compliance Rating.

Rating Description		
Range	Rating	Description

9 – 10	Superior	Consistently displays exceptional compliance on the Bank's and/or regulators' requirements.
7 – 8	Above Average	Consistently complies with the Bank's and regulators' requirements but falls short of what is considered exemplary performance.
5 – 6	Average	Generally complies with the Bank's and regulators' requirements.
3 – 4	Below Average	Falls short on the compliance with the Bank's and regulators' requirements.
1 – 2	Poor	Does not comply with the Bank's and regulators' requirements.