



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE DEPUTY GOVERNOR PAYMENTS AND CURRENCY MANAGEMENT SECTOR

MEMORANDUM NO. M-2021- 021

To : ALL BSP-SUPERVISED FINANCIAL INSTITUTIONS (BSFIs)

Subject : **Guidelines on Sound Risk Management Practices in Dealings with Operators of Payment Systems (OPS) and Non-Bank Electronic Money Issuers (Non-Bank EMIs)**

Consistent with the mandate of the Bangko Sentral ng Pilipinas (BSP), set forth in Republic Act (R.A) No. 11127 or the National Payment Systems Act, to maintain financial and monetary stability by promoting safe, secure, efficient, and reliable operation of payment systems, BSFIs are reminded to ensure the soundness and adequacy of their risk management policies and practices in dealing with OPS and non-bank EMIs, which shall include, among others, the following:

1. Perform appropriate assessment of entities based on observable business activities and transactions indicating that such entities are OPS or non-bank EMIs required to register with the BSP or licensed by the BSP, respectively. Appropriate assessment shall include obtaining proof or results of the self-assessment conducted by the entity in relation to the activities/services that it performs/renders in the case of OPS.
2. Deal only with OPS registered with the BSP and non-bank EMIs duly licensed by the BSP. BSFIs shall require submission of proof of registration/licensing with the BSP and/or independently validate in the list of registered OPS and licensed non-bank EMIs in the BSP website. Throughout the business relationship, the BSFI shall adopt measures to ensure continuing compliance with this requirement.
3. Perform appropriate customer due diligence (CDD) when dealing with entities that are registered with the BSP as OPS or licensed as non-bank EMI which includes, among others: a) evaluating and understanding the business and operations and customer profile of the OPS or non-bank EMI, obtaining the purpose of the account and anticipated account activity; and b) obtaining additional information on the OPS or non-bank EMI and conducting validation procedures in relation to the BSFI's onboarding obligations under the Manual of Regulation for Banks (MORB) or the Manual of Regulations for Non-Bank Financial Institutions (MORNBFi), as applicable;

Where a BSFI is unable to comply with the relevant CDD measures, it shall (a) not open the account, not commence business relations, refuse to perform the transaction, or terminate the business relationship; and (b) consider filing a suspicious transaction report in relation to the customer pursuant to Section 921 of the MORB or Section 921-Q of the MORNBFi.

4. Conduct appropriate risk assessment of the OPS or non-bank EMI to identify, understand and assess risks arising from the OPS or non-bank EMI and apply appropriate due diligence depending on risk profile, considering relevant factors such as business, operations, customer profile, activities/services performed/ rendered, distribution channels, jurisdictions they are exposed to and anticipated account activity.
5. Perform continuing account and transaction monitoring, which includes, among others, a) proactively monitoring the OPS or non-bank EMI's transactions, based on appropriate parameters or alert scenarios that capture their financial profile and behavioral account activities. Similarly, there should be transaction monitoring of the personal accounts of the beneficial owners of the OPS or non-bank EMI; b) implementing robust systems to identify unusual movements of funds or transactions of the OPS or non-bank EMI for further investigation and determination if filing of suspicious transaction report is warranted; c) periodically updating the counterparty risk assessment based on risk and materiality, to ensure that their risk profile remains current and relevant; and d) establishing policies and guidelines, with defined criteria or grounds, such as those concerning material non-compliance with AML/CFT obligations, covered and suspicious transaction reporting, and termination of business relationship as a result of ongoing monitoring.

For guidance and strict compliance.


MAMERTO E. TANGONAN
Deputy Governor

5 April 2021