



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE DEPUTY GOVERNOR | REGIONAL OPERATIONS AND ADVOCACY SECTOR

MEMORANDUM NO. M-2024-030

To : **All Bangko Sentral-Supervised Institutions**

Subject : **Protection of Consumer Assets Against Fraud and Misuse Provisions of BSP Circular No. 1160, Series of 2022**

All *Bangko Sentral*-Supervised Institutions (BSIs) are advised to ensure full compliance with the Consumer Protection Standard of Conduct on the Protection of Consumer Assets Against Fraud and Misuse, as provided under *Bangko Sentral ng Pilipinas* (BSP) Circular No. 1160, Series of 2022, or the Regulations on Financial Consumer Protection to implement Republic Act (RA) No. 11765, otherwise known as the "Financial Products and Services Consumer Protection Act." The pertinent provisions of this circular are reproduced below:

Protection of Consumer Assets Against Fraud and Misuse. To mitigate the risks of fraud and misuse faced by Financial Consumers, BSIs, to the extent allowed by existing laws, rules and regulations, must provide necessary assistance, including the provision of relevant information relating to fraudulent or unauthorized transactions. Further, BSIs must provide clear information on the actions taken or to be taken on a complaint, inquiry or request from a Financial Consumer involving fraudulent or unauthorized transactions. BSIs shall adequately inform Financial Consumers of their responsibilities, as users of financial products and services, and provide timely transaction notifications which are essential in curtailing and detecting fraudulent or unauthorized transactions.

Claims Assessment and Investigation. A BSI should evaluate any claim made by any accountholder in relation to any disputed transaction for purposes of resolving the claim or assessing the parties' liability in accordance with the FCP Framework, and other existing laws, rules and regulations.

BSIs should resolve a claim in a fair and reasonable manner. The claim resolution process should also be communicated to the accountholder in a timely and transparent manner.

Fraud-related concerns should be given utmost priority and should be resolved within a reasonable time commensurate to the complexity of the circumstances.

Reporting Channels. BSIs should provide its Clients with a free and active reporting channel/s which may consist of a manned phone line, mobile number, online portal, email, chatbot, instant messaging, or other closely-monitored communication channels which should be available on a 24/7 basis.

Any Financial Consumer who contacts the reporting channel should receive an immediate written acknowledgement through the same channel.

Unauthorized Transactions.¹ Concerns or disputes about fund transfers or alleged unauthorized transactions shall be filed with the Originating Financial Institution (OFI). The OFI is primarily responsible for providing assistance and redress to its Clients.

¹ These Guidelines should be read in conjunction with existing regulations on IT Risk Management System, Standards and Guidelines, BSP Circular 1140, Series of 2022, and regulations on National Retail Payments Systems, and other relevant rules and regulations.

Upon receipt of fund transfer disputes or alleged unauthorized transactions, the OFI shall immediately inform and provide relevant details to the Receiving Financial Institution (RFI). OFIs and RFIs should then implement the following, pending the result of the investigation of the dispute or allegation:

- a. Suspend the imposition of interest, fees or charges, if applicable;*
- b. Hold the disputed funds, if still intact, in compliance with BSI policies, existing Bangko Sentral rules and regulations, or industry conventions;*
- c. Provide reasonable accommodations to the Financial Consumer, such as a non-withdrawable provisional credit of the disputed amount or temporary hold of the disputed amount within a given period as determined by the BSI; and*
- d. Perform such other necessary actions to protect the Financial Consumer's interest and/or assets, such as but not limited to, account blocking or freezing of funds.*

Within three (3) banking days from the conclusion of the investigation, the BSI must inform the Client formally of the result. The information should include, among others, a notification of debiting the provisionally-credited amount if there is sufficient proof that no unauthorized or erroneous transaction occurred.

If after the investigation, the disputed transaction is found to be an unauthorized or fraudulent transaction, the BSI should immediately:

- a. Correct or reverse the transaction found to be unauthorized or fraudulent, including any related interest, charges and fees imposed thereon; and/or*
- b. Make permanent the provisionally-credited amount, if any.*

Subject to proportionality principle, BSIs should implement fraud test mechanisms or measures under their CPRMS to distinguish fraudulent from legitimate transactions.

Liability for losses arising from unauthorized transactions. *In determining liability for losses, BSIs may consider, among others, the following factors:*

- a. Actions of the accountholder before, during and after the unauthorized transaction;*
- b. Acts or omissions of the BSI, its employees, third-party agent, outsourced entity or service provider acting on behalf of the BSI; and/or*
- c. Non-compliance by the BSI, its employees, agents or service providers, with any requirement under the FCP Framework and other existing rules and regulations applicable to the BSI's provision of any financial product or service.*

Please also be informed that RA No. 12010, otherwise known as the "Anti-Financial Account Scamming Act (AFASA)," took effect on 13 August 2024. Section 7 of this law provides BSIs' authority to temporarily hold the funds subject of a disputed transaction for a period not exceeding 30 calendar days under certain grounds. Thus:

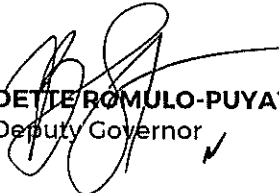
Section 7. Temporary Holding of Funds Subject of a Disputed Transaction. *Institutions shall have the authority to temporarily hold the funds subject of a disputed transaction within the period prescribed by the BSP, which shall not exceed thirty (30) calendar days, unless otherwise extended by a court of competent jurisdiction: Provided, That Institutions shall promptly notify the BSP whenever it temporarily holds the funds subject of a disputed transaction.*

A transaction shall be considered disputed if the Institution, based on information obtained from another Institution, a complaint from an aggrieved party, or a finding under its own FMS (Fraud Management System), has reasonable ground to believe that such transaction appears to be:

- a) Unusual;*
- b) Without clear economic purpose;*
- c) From an unknown or illegal source, or unlawful activity; or*
- d) Facilitated through social engineering schemes.*

Where such belief arises from a finding under its own FMS, the Institution shall perform acts as may be legally warranted to preserve the integrity of the Financial Account

For information and guidance.


BERNADETTE ROMULO-PUYAT
Deputy Governor ✓

24 September 2024