



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 862

Series of 2014

Subject: Amendments to Pertinent Sections of the Manual of Regulations for Banks (MORB) and Manual of Regulations for Non-Bank Financial Institutions (MORNBFi) on Examination by the Bangko Sentral

The Monetary Board, in its Resolution No. 1907 dated 26 November 2014, amended the guidelines on examination of banks and quasi-banks by the Bangko Sentral ng Pilipinas under the MORB and Q Regulations of the MORNBFi, as follows:

Section 1. Section X658 of the MORB on examination by the Bangko Sentral is hereby amended to read, as follows:

"X658 Examination by the Bangko Sentral. The term "examination" shall refer to an investigation of an institution under the supervisory authority of the Bangko Sentral ng Pilipinas (BSP) to determine whether the institution is operating on a safe and sound basis, inquire into its solvency and liquidity, and assess the effectiveness of its compliance function to ascertain that it is conducting business in accordance with laws and regulations. Consistent with a risk-based approach to supervision, the scope of examination may include, but need not be limited to, the following:

- a. Appraisal of the overall quality of corporate governance;
- b. Assessment of risk management system, which shall include the evaluation of the effectiveness of management oversight and self-assessment functions (e.g. internal audit, risk management and compliance), adequacy of policies, procedures, and limits, effectiveness of risk measurement, monitoring and management information system, and robustness of internal control;
- c. Review of the institution's operations and overall risk profile;
- d. Evaluation of financial performance, capital adequacy, asset quality and liquidity; and
- e. Any other activity relevant to the above.

X x x."

Section 2. Section 4661Q of the MORNBFi on examination by the Bangko Sentral is hereby amended to read as follows:

"4661Q Examination by the Bangko Sentral. The term "examination" shall, refer to an investigation of an institution under the supervisory authority of the Bangko Sentral ng Pilipinas (BSP) to determine whether the institution is operating on a safe and sound basis, inquire into its solvency and liquidity, and assess the effectiveness of its compliance function to ascertain that it is conducting business in accordance with laws

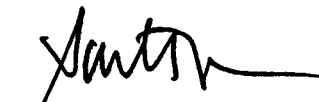
and regulations. Consistent with a risk-based approach to supervision, the scope of examination may include, but need not be limited to, the following:

- a. Appraisal of the overall quality of corporate governance;
- b. Assessment of risk management system, which shall include the evaluation of the effectiveness of management oversight and self-assessment functions (e.g. internal audit, risk management and compliance), adequacy of policies, procedures, and limits, effectiveness of risk measurement, monitoring and management information system, and robustness of internal control;
- c. Review of the institution's operations and overall risk profile;
- d. Evaluation of financial performance, capital adequacy, asset quality and liquidity; and
- e. Any other activity relevant to the above.

X x x."

This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:


AMANDO M. TETANGCO, JR.
Governor

17 December 2014