



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M-2018- 032

To : ALL BANKS

Subject : ADVISORY ON ONLINE FOREIGN EXCHANGE BROKERAGE AND TRADING PLATFORMS

The foreign exchange (FX) market is a sophisticated market with significant attendant risks. It is only for investors who have the appropriate level of expertise and with sufficient knowledge and understanding of the underlying risk of FX trading. However, technological innovation has made the FX market easily accessible to all types of investors through online FX brokerage and trading platforms.

A feature of online FX brokerage and trading platforms is that it not only allows investors to trade but also provides a facility where investors can borrow money to trade (i.e., margin or leverage trading) and hold positions that are larger than the amount of their initial investment (i.e., margin deposit). Margin or leverage trading can magnify not only the potential profits but also the potential losses of investors. This expose investors to potential losses far beyond their initial investment.

Many of these online FX brokerage and trading platforms are organized abroad or have their principal offices domiciled abroad. Hence, these are neither regulated by the Bangko Sentral nor registered with the Securities and Exchange Commission. They are also not governed by the requirements aimed at protecting the interest of investors such as the conduct of client suitability assessments and adoption of consumer protection framework.

It has been observed that companies operating online FX brokerage and trading platforms use the banking system to collect funds from investors. They open deposit accounts in Philippine banks to facilitate transactions with their investors or to facilitate their operating requirements.

In this regard, the Bangko Sentral reminds all banks to deal only with companies involved in or operating online FX brokerage and trading platforms that are authorized/licensed by or registered with the appropriate government agency duly empowered by law or its charter to license or authorize entities or businesses to engage in such activities. Banks should conduct the appropriate level of due diligence in assessing the propriety of opening the deposit accounts. Moreover, banks should have appropriate risk management systems to identify, measure, monitor and manage the risks posed by such companies. The failure to provide

relevant information, or the provision of false or falsified information or documents by the customer, or unsatisfactory results of the validation process, shall serve as grounds for denying the banking relationship, pursuant to Subsection X806.1 of the Manual of Regulations for Banks.

For guidance and strict compliance.



NESTOR A. ESPENILLA, JR.
Governor

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