



BANGKO SENTRAL NG PILIPINAS

MEMORANDUM NO. M-2022-003

OFFICE OF THE DEPUTY GOVERNOR FINANCIAL SUPERVISION SECTOR

To : **ALL BANKS**

Subject : **Frequently Asked Questions (FAQs) on the Framework for Basic Deposit Accounts**

To provide additional guidance and clarifications on the implementation of Circular No. 992 dated 01 February 2018, or the Framework for Basic Deposit Accounts (BDAs), the BSP is hereby issuing the attached FAQs. Said document covers the following major points in implementing Circular No. 992:

1. Modes of BDA offering;
2. Application of the maximum balance limit;
3. Consequence of deposit limit breach;
4. Ownership of multiple accounts; and
5. Implementation of simplified Know-Your-Customer (KYC) requirements.

For information and guidance.

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**FREQUENTLY ASKED QUESTIONS (FAQs) ON THE
FRAMEWORK FOR BASIC DEPOSIT ACCOUNTS
(Circular No. 992 dated 01 February 2018)**

Introduction

Ownership of an account is a basic indicator of financial inclusion. This account can be used to save money, make payments, send or receive remittance, and receive income, pension, benefits or financial assistance. Based on the 2019 Financial Inclusion Survey (FIS) of the Bangko Sentral ng Pilipinas (BSP), the share of adult Filipinos with a transaction account has reached 29%, a notable growth from 23% in 2017. The primary considerations for opening an account were opening amount, interest rate, maintaining balance, reputation of financial institution, documentary requirements, and dormancy charges, among others. Among adults without an account, the top cited reasons were lack of enough money, perceived lack of need, lack of documentary requirements, and cost concerns.

To address these barriers, the BSP introduced Circular No. 992 in 2018 to provide the framework for the offering of basic deposit accounts (BDA). The BDA is targeted to serve the unbanked as it incorporates features providing ease, accessibility, convenience, and reasonable costs for both banks and clients. As such, the BDA has a low opening amount capped at P100, no maintaining balance, no dormancy charges, P50,000 maximum balance, and simplified identification requirements. A zero percent (0%) reserve requirement is also applied for BDAs to lower the cost of account maintenance and serve as an incentive for banks to offer the account.

To further promote the BDA with more banks offering it to their clients, the BSP is providing responses to FAQs on Circular No. 992 for additional guidance and clarification.

A. Modes of BDA Offering

1. *Are banks mandated or required to offer BDAs?*

Banks are not required but highly encouraged to offer BDAs. Under Circular No. 992, BDA is given zero reserve requirement which aims to incentivize banks to offer the product.

In addition, temporary relief measures were granted to banks offering BDAs under Memorandum No. M-2021-065 dated 23 November 2021:

- a. Relaxation of presentation of identification cards for the year 2022, subject to conditions;
- b. Waiver of Bangko Sentral fees related to the application of Advanced Electronic Payment and Financial Services for the year 2022; and
- c. Reduction in the Annual Supervisory Fees of banks for the years 2022 and 2023 through reduction in the bank's Average Assessable Assets by the average amount of BDA maintained by the bank in the preceding year.

2. *Is the BDA limited to individual depositors? Can it be offered to entities or corporations?*

The features of the BDA are designed to address the barriers to account ownership and serve the needs of individual depositors. It is not intended to be offered to entities or associations as a whole, but may cater instead to the needs of their individual members.

3. *Can banks offer the account through automated teller machines (ATMs) or passbooks?*

Banks may offer the account using any type of channel. It may be through passbook, ATM, online/mobile banking, or any other channel deemed by the bank appropriate to serve the target customers.

4. *Are banks allowed to collect fees for the issuance of a debit or ATM card and/or passbook?*

The BDA requires a minimal opening deposit capped at P100 to ensure its affordability for the low-income clients. While banks are not precluded from collecting fee for the issuance of a debit or ATM card, such fee should be reasonable and shall not materially affect the affordability of the BDA so as not to deter the unbanked from opening a BDA. Banks should also exercise transparency and full disclosure on costs with the depositors.

5. *Is there a limit to the number of transactions in the account?*

The framework does not specify any limits to the number of transactions for the BDA. Banks can define such as they deem fit to their risk assessment.

6. *Can salary/payroll accounts be converted to BDAs?*

The framework gives banks the flexibility in designing and offering the account provided that the minimum key features are met. Salary/payroll account or other types of deposit account may be packaged as or converted to a BDA as long as it meets all the minimum key features of the BDA, particularly the balance limit of P50,000.

7. *Are banks required to have BDA policies?*

The Circular specifies that banks shall adopt clearly-defined written policies, procedures and controls to ensure due diligence and compliance with applicable rules and regulations.

B. Application of the Maximum Balance Limit

8. *What is the maximum deposit balance of BDAs?*

The maximum balance is set at P50,000 to allow banks to ensure that accounts remain low-value, which can be considered in their risk assessment.

9. *What should be the basis for the determination of maximum balance?*

Banks may utilize, at a minimum, the average daily balance of BDA as basis for determining compliance with the P50,000 maximum limit. Banks, however, may impose more stringent requirements on the determination of the maximum limit, e.g., daily transaction limit, real time balance or end-of-day balance, if it deems that this is warranted based on its target market and risk profile. The basis, however, should be clearly stated in the banks' BDA policies and BDA marketing materials.

C. Consequence of Deposit Limit Breach

10. *Can banks implement automatic transaction rejection to meet the maximum deposit balance?*

Banks may consider implementing automatic transaction rejections to meet the set limit provided that the depositors are well-informed of the consequences of breaching the deposit limit, prior to the opening of the BDA, and such transaction rejection shall be clearly communicated with the depositor at the point of transaction.

11. *Are banks required to implement automatic conversion of BDA to regular deposit account once the depositor exceeded the allowable maximum balance?*

Circular No. 992 provides that the BDA that surpasses the P50,000 maximum balance should be converted by banks to regular deposit account. However, the Circular does not require the automatic conversion to regular account at the point of breach. Banks may thus incorporate in their internal policy the conversion process of BDA to regular account, including the timeframe for conversion.

Banks are also expected to communicate clearly to their BDA clients the options that are available to them if their BDA balance breaches P50,000. Such options may include:

- (a) retaining the BDA and observing the transaction limit;
- (b) converting to regular deposit account and closing the BDA; and
- (c) maintaining both BDA and regular deposit account.

D. Ownership of Multiple Accounts

12. *Is there a limit to the number of BDAs that may be offered by banks per depositor?*

A client should only have one (1) BDA in a bank. The client, however, may have the option of availing of the bank's other deposit products that best meet his/her evolving needs as a depositor. Such option should also be set forth in the BDA policies of the bank.

13. *Should a BDA depositor still be allowed to maintain the BDA after opening a regular deposit account?*

A bank may allow its existing BDA client to maintain the BDA even after having opened a regular deposit account in the bank (as discussed in question #11). This will enable the client to continue benefiting from key BDA features (e.g., higher interest rates per annum, no maintaining balance and dormancy charges, and the user-friendly digital app interfaces offered for BDAs).

14. *Should a regular deposit account holder be allowed to open a BDA?*

An existing regular deposit client of the bank may be allowed to open a BDA, especially if he/she is already having difficulty in meeting the required maintaining balance of the existing account or wants to enjoy the benefits of the BDA. The client, however, may choose to maintain the regular deposit account, if he/she can still do so.

E. Implementation of Simplified Know-Your-Customer (KYC) Requirements

15. *Should banks be required to expand its list of acceptable identification documents (IDs) given that the Circular categorically require application of simplified KYC for BDA?*

Banks shall strictly follow simplified KYC for BDA customer onboarding by offering a wide list of acceptable official or valid ID. As stated in Circular No. 992, identifying a customer and verifying his/her true identity may be based on any information or document reduced in writing such as barangay certificate, certificate of good moral character, or letter of endorsement from an employer (e.g., from a contractor for contracted workers) in lieu of an ID.

The Philippine Identification (PhilID) card issued by the Philippine Statistics Authority (PSA) under the Philippine Identification System (PhilSys) is considered an official document to establish and verify the identity of a customer. The PhilID should be accepted as official and sufficient proof of identity without the need to present any other IDs.¹

Circular No. 992 allows the conduct of technology-aided or electronic KYC (e-KYC), provided that the bank has measures in place to mitigate the money laundering/terrorist financing risks. Banks that allow digital onboarding but with limited acceptable IDs should offer alternative KYC process for clients with non-primary IDs that cannot be processed through the e-KYC solution.

As a temporary relief measure, the BSP has relaxed the presentation of identification cards for BDA for the year 2022, subject to compliance with the following conditions:

- a. The customer shall submit duly signed certification, either in physical or electronic form, which need not be notarized, that he/she has no valid ID;
- b. The customer's account activities shall be subject to ongoing monitoring by the bank to identify potential abuse of the relaxed requirement and any suspicious transactions shall be reported to the Anti-Money Laundering Council within the prescribed period; and
- c. Should the depositor exceed the P50,000 maximum balance, the bank should initiate measures to convert the account into a regular deposit account. Consequently, the existing KYC rules on regular deposit accounts under Section 921 of the Manual of Regulations for Banks will apply.

¹ Pursuant to Sections 904 and 921 of the Manual of Regulations for Banks (MORB) as well as BSP Memorandum Nos. M-2021-035 and M-2021-057 dated 07 June 2021 and 21 October 2021, respectively.