



BANGKO SENTRAL NG PILIPINAS

**OFFICE OF THE DEPUTY GOVERNOR
FINANCIAL SUPERVISION SECTOR**

MEMORANDUM NO. M-2019- 029

To : ALL BSP-SUPERVISED FINANCIAL INSTITUTIONS

Subject : Revised Guidelines on Sound Risk Management Practices in Dealing with Foreign Exchange Dealers/Money Changers and Remittance and Transfer Companies

In line with the Amendments to Part Nine or the Anti-Money Laundering Regulations of the Manual of Regulations for Banks (MORB), as well as the Amendments to the N and P Regulations of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI), particularly on the requirements for registration of Pawnshops and Money Service Businesses¹, BSP-supervised financial institutions (BSFIs) are reminded to ensure the soundness and adequacy of their risk management policies and practices in dealing with foreign exchange dealers (FXDs)/money changers (MCs) and remittance and transfer companies (RTCs)², which include, among others, the following:

1. Deal only with:

- a) FXDs/MCs and RTCs registered with the BSP and the Anti-Money Laundering Council (AMLC). BSFIs shall require submission of proof of registration with the BSP and the AMLC and/or independently validate in the list of registered BSFIs and covered persons in the BSP and AMLC websites, respectively; and
- b) Accredited Remittance Sub-Agents (RSA) of duly-registered RTCs. BSFIs shall require submission of the RSA's proof of accreditation by the RTC containing the RSA Code³ assigned by the BSP.

Throughout the business relationship, the BSFI shall adopt measures to ensure continuing compliance with the above requirements;

¹ BSP Circular No. 938 dated 23 December 2016 and Circular No. 942 dated 20 January 2017 for pawnshops and MSBs, respectively, as amended by BSP Circular No. 1039 dated 03 May 2019

² Subsection 4511N.1.a, MORBNFI, as amended

³ Under Subsection 4511N.3(b) of the MORNBFI, as amended, the RTC of an RSA shall comply with the notification requirement, whereby the BSP provides a corresponding RSA code.

2. Conduct risk assessment to identify, understand and assess money laundering/terrorism financing (ML/TF) risks arising from FXDs/MCs and RTCs and apply appropriate standard of customer due diligence. The risk assessment should consider relevant factors, such as business operations, anti-money laundering/combating the financing of terrorism (AML/CFT) processes or controls, types of customers, product/service availed, distribution channel, jurisdictions they are exposed to, expected account activity and results of the national/sectoral risk assessment;
3. Perform appropriate due diligence when dealing with FXDs/MCs and RTCs, either as remittance partners or tie ups or accounts being used to facilitate remittance/money changing business, to effectively manage and mitigate risks. Consistent with the revised guidelines under BSP Circular No. 1039, RTCs shall be responsible for the conduct of appropriate due diligence in the accreditation of its RSAs and the effective continuing oversight on accredited RSAs to ensure compliance with all applicable AML/CFT rules and regulations. However, this does not reduce the BSFI's responsibility for customer due diligence;

RTCs should establish an accreditation process for RSAs, comprised of, among others, a selection criteria and conditions that warrant delisting of an RSA or termination of a remittance contract. The RTC shall conduct regular operational review of the RSA's compliance with all applicable laws, rules and regulations, especially on AML/CFT and consumer protection requirements⁴;

4. For FXDs/MCs, or RTCs assessed or classified as high risk, perform enhanced due diligence procedures, which include, among others, the following:
 - a. Review the AML/CFT program and measures adopted by the FXDs/MCs and RTCs to assess whether they have appropriate processes to identify, measure, manage and control ML/TF risks, and to comply with AML/CFT requirements, including the reporting obligation for covered and suspicious transactions;
 - b. Obtain additional information and conduct validation procedures as provided under Part 9 of the MORB and Section 4806Q of the MORNBF; and
 - c. Secure senior management approval for establishing business relationship in accordance with the BSFI's risk management policies and procedures.

Inability to comply with relevant customer due diligence measures is a ground for refusing to open the account, commence business relation or perform the transaction and/or terminating the business relationship pursuant to Section 921 of the MORB and Section 4806Q of the MORNBF. This is without prejudice to the filing of a suspicious transaction report;

⁴ Section 2, BSP Circular No. 1039

5. Perform continuing account and transaction monitoring, which includes but is not limited to the following:

- a. Implement a robust system to monitor FXDs, MCs and RTCs' transactions based on appropriate parameters or alerts scenarios that capture their financial profile and behavioral account activities, and identify unusual movements of funds or transactions for further investigation and determination if filing of suspicious transaction is warranted. The transaction monitoring system should be able to detect and monitor personal accounts of FXDs, MCs, and RTCs' owners, proprietors, partners, directors or principal officers, including those of their accredited RSAs;
- b. Undertake risk-based review and updating of counterparty records/information and risk assessment, including sanction screening, to ensure that risk profile remains current and relevant; and
- c. Establish policies and guidelines, with defined criteria or grounds, such as material non-compliance with AML/CFT obligations, particularly covered and suspicious transaction reporting, for ongoing review of business relationship.

BSFIs are reminded that violation of the rules provided in Part 9 of the MORB and Part 8 of the MORNBFI shall be subject to applicable sanctions and penalties provided therein.

This supersedes Memorandum No. M-2016-004 dated 05 April 2016.

For guidance and strict compliance.


CHUCHI G. FONACIER
Deputy Governor

12 December 2019