



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1076

Series of 2020

Subject: Amendments to the Regulations on the Disqualifications and Watchlisting of Directors/Officers

The Monetary Board, in its Resolution No. 1860 dated 28 November 2019, approved the following amendments to the provisions of the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBI):

Section 1. Section 138 of the MORB shall be amended to read, as follows:

Section 138 Disqualification and Watchlisting of Directors and Officers.

The Bangko Sentral recognizes that the fitness and propriety of the board of directors and management significantly influences and shapes the quality of corporate governance in a financial institution. Following the standards set forth on the qualifications and responsibilities of the board and management, this Section provides the rules governing the watchlisting and disqualification of persons from becoming directors/officers of banks. The policy aims to further promote the integrity of the financial system and better protect the interest of the public.

Persons disqualified to become directors/officers. Without prejudice to specific provisions of law prescribing disqualifications for directors/officers, the following are disqualified from becoming directors/officers:

a. ***Permanently disqualified.***

- (1) Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);

- (2) Persons who have been convicted by final judgment of a court or other tribunal for violation of securities and banking laws, rules and regulations;
- (3) Persons who have been convicted by final judgment for cases filed against them for offenses under R.A. No. 3591, as amended (PDIC Charter);
- (4) Persons who have been convicted by final judgment of a court for offenses which involves moral turpitude, or for offenses which they were sentenced to serve a term of imprisonment of more than six (6) years;
- (5) Persons who have been judicially declared with finality as insolvent, spendthrift or incapacitated to contract;
- (6) Persons who were found to be culpable for the bank's closure, as determined by the Monetary Board;
- (7) Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of removal from office is imposed, and which resolution of the Monetary Board has become final and executory; and
- (8) Persons found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct, or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution has become final and executory;

b. *Temporarily disqualified.*

- (1) Persons who have shown unwillingness to settle their financial obligations, as evidenced by, but not limited to, the following circumstances:
 - (a) the person has failed to satisfy any financial obligation that has been adjudicated by a court;
 - (b) the person has filed for insolvency or suspension of payments that adversely affects his/her fitness and propriety as director/officer; or
 - (c) a person who is delinquent in the payment of: an obligation with a bank where he/she is a director or officer; or at least two (2) obligations with other banks/FIs.

Financial obligations as herein contemplated shall include all borrowings obtained by:

(i) A person for his/her own account or where he/she acts as a guarantor, endorser or surety for loans;

(ii) The spouse, except when incurred after legal separation of properties or when the property regime governing the spouses is absolute separation of properties or except when incurred prior to the marriage;

(iii) Any debtor whose borrowings or loan proceeds were credited to the account of, or used for the benefit of, the person described under Item "b(1)" of this Section (*Persons disqualified to become directors/officers*);

(iv) A partnership of which a person, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and

(v) A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of individuals/entities mentioned in the immediately preceding Items "(i)", "(ii)" and "(iv)".

They shall remain temporarily disqualified until the financial obligations have been settled or satisfied.

- (2) Persons involved in the closure of banks pending their clearance by the Monetary Board;
- (3) Persons confirmed by the Monetary Board to have committed acts or omissions, which include failure to observe/discharge their duties and responsibilities prescribed under existing regulations, that: (a) caused undue injury or disadvantage to the bank through manifest partiality, evident bad faith or gross inexcusable negligence; (b) caused or may have caused material loss or damage to the bank, its depositors, creditors, investors, stockholders, to the Bangko Sentral or to the public in general; or (c) exposed the safety, stability, liquidity or solvency of the bank to abnormal risk or danger;
- (4) Persons found to have been involved in any irregularity/violation which constitutes a just cause for dismissal/termination as defined under the Labor Code of the Philippines, as amended, regardless of any action taken by the bank;

- (5) Persons certified by, or in the official files of, foreign financial regulatory authorities, financial intelligence units, or similar agencies or authorities of foreign countries, as charged with commission of, or having committed, irregularities or violations of any law, rule or regulation, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;
- (6) Persons, other than those covered under Item “b(8)” of this Section (*Persons disqualified to become directors/officers*), who after conduct of investigation by domestic financial or commercial regulatory authorities, financial intelligence units, or similar agencies or authorities such as the Securities and Exchange Commission (SEC), Anti-Money Laundering Council (AMLC), or the Philippine Deposit Insurance Corporation (PDIC), have complaints filed against them by the aforementioned authorities/units/agencies pending before a court of law or quasi-judicial body, or convicted by said court or quasi-judicial body but whose conviction has not become final and executory, for offenses involving violation of laws, rules and regulations, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;
- (7) Persons with cases pending before a court or other tribunal, or those convicted by said court or tribunal but whose conviction has not become final and executory, for offenses involving: (a) dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees); or (b) violation of securities and banking laws, rules and regulations;
- (8) Persons who have been convicted by a court for an offense involving moral turpitude, and persons who have been sentenced to serve a term of imprisonment of more than six (6) years for other crimes but whose conviction has not yet become final and executory;
- (9) Persons with pending cases for offenses under R.A. No. 3591, as amended (PDIC Charter), or those who have been convicted for said cases but whose conviction has not yet become final and executory;
- (10) Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of removal from office is imposed, and which

resolution of the Monetary Board is on appeal, unless execution or enforcement thereof is restrained by the appellate court;

(11) Persons against whom a formal charge has been filed or who are found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution is on appeal, unless execution or enforcement thereof is restrained by the appellate court; and

(12) Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of suspension from office or fine is imposed, unless the finding is on appeal and the execution of enforcement thereof is restrained by the appellate court.

Resignation or retirement from his/her office shall not exempt the person from being permanently or temporarily disqualified under this Section.

Persons prohibited to become officers

a. The spouses or relatives within the second degree of consanguinity or affinity holding officership positions across the following functional categories within a bank:

- (1) Decision making and senior management function, e.g., president, chief executive officer (CEO), chief operating officer (COO), general manager, and chief financial officer (CFO);
- (2) Treasury function, e.g., treasurer or treasury head;
- (3) Recordkeeping and financial reporting functions, e.g., controller and chief accountant;
- (4) Safekeeping of assets, e.g., chief cashier;
- (5) Risk management function, e.g., chief risk officer;
- (6) Compliance function, e.g., chief compliance officer; and
- (7) Internal audit function, e.g., chief audit executive.

The spouse or a relative within the second degree of consanguinity or affinity of any person holding the position of manager, cashier, or accountant of a branch or branch-lite unit of a bank or their respective equivalent positions is prohibited from holding or being

appointed to any of said positions in the same branch or branch-lite unit.

b. Any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial assistance provided by the government or government-owned or -controlled corporations (GOCCs) or in cases allowed under existing laws.

c. In the case of Coop Banks:

(1) any incumbent officer or employee of the Cooperative Development Authority (CDA), except in a coop bank organized/owned by primary cooperative(s) whose members are officers or employees of the CDA;

(2) any incumbent elective public official, except a party list representative who is an officer of a cooperative he represents, and which cooperative is a stockholder of the cooperative bank; and

(3) a person engaged in a business similar to that of the cooperative or who in any way has a conflict of interest with it.

Effect of non-possession of qualifications or possession of disqualifications/prohibitions.

A director/officer elected/appointed who does not possess all the qualifications under Sec. 132 and Sec. 134 and/or has any of the disqualifications/prohibitions mentioned under Section 138 shall not be confirmed by the confirming authority under Sec. 137 and shall be removed from office by the bank even if he/she has assumed the position to which he/she was elected or appointed pursuant to Section 16 of R.A. No. 8791 (General Banking Law of 2000). A confirmed director/officer or officer not requiring confirmation found to possess any of the disqualifications, shall be subject to the following disqualification procedures.

Disqualification procedures. All directors/officers who are considered disqualified under this Section shall be subject to the disqualification procedures provided herein. Disqualified persons shall be included in the Bangko Sentral Watchlist Files.

- a. The bank shall be responsible for determining the existence of the ground for disqualification of the person concerned and for reporting the same to the appropriate supervising department of the Bangko Sentral within ten (10) calendar days from knowledge thereof. The bank shall ensure that the person concerned is informed that his/her offense was reported to the

appropriate supervising department of the Bangko Sentral and, as such, may be evaluated for watchlisting. The bank concerned shall conduct its own investigation, impose sanction/s if appropriate, and report the results thereof to the appropriate supervising department of the Bangko Sentral within twenty (20) calendar days from the termination of investigation.

This shall be without prejudice to the authority of the Monetary Board to disqualify a person from being elected/appointed as director/officer in any BSP-supervised financial institution (BSFI) based on information on the existence of any ground for disqualification gathered or obtained from the Bangko Sentral, domestic financial regulatory authorities, financial intelligence units, and similar agencies or authorities of foreign countries, the courts and other quasi-judicial bodies, and other government agencies or the public.

- b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in this Section, the person concerned shall be notified in writing either by personal service or through registered mail or courier at his/her last known address by the appropriate supervising department of the Bangko Sentral of the existence of the ground for his/her disqualification and shall be allowed to submit, within fifteen (15) calendar days from receipt of such notice, a sworn statement/explanation on why he/she should not be disqualified and his/her name not be included in the watchlist file as provided under this Section, together with the evidence in support of his/her position. The head of said appropriate supervising department of the Bangko Sentral may allow an extension on meritorious ground.
- c. Upon receipt of the reply/explanation of the person concerned, the appropriate supervising department of the Bangko Sentral shall proceed to evaluate the case.
- d. The failure of the person to reply within the period provided under Item "b" of this Section (*Disqualification Procedures*) shall be deemed a waiver of opportunity to explain and the appropriate supervising department of the Bangko Sentral shall proceed to evaluate the case based on available records/evidence.
- e. If the person concerned was not served copy of the written notice to explain even after using available modes of service, i.e., personal service or registered mail or courier, the appropriate supervising department of the Bangko Sentral shall proceed to evaluate the case based on available records/evidence.

- f. Upon evaluation of the appropriate supervising department of the Bangko Sentral that a person is disqualified under any of the grounds listed in this Section, said appropriate supervising department of the Bangko Sentral shall elevate to the Monetary Board for approval of the person's disqualification and inclusion in the Bangko Sentral Watchlist Files.
- g. Upon approval by the Monetary Board, the person concerned shall be informed by the appropriate supervising department of the Bangko Sentral in writing either by personal service or through registered mail or courier, at his/her last known address of his/her disqualification from being elected/appointed as director/officer in any BSFI and of his/her inclusion in the masterlist of watchlisted persons so disqualified.
- h. The determination of the Monetary Board shall become final and executory within fifteen (15) calendar days from receipt of the resolution, unless a motion for reconsideration has been filed.
- i. In case the subject of disqualification is an incumbent director/officer, the board of directors of the bank concerned shall be immediately informed of such disqualification approved by the Monetary Board and shall be directed to act thereon not later than the following board meeting. Within three (3) banking days after the board meeting, the corporate secretary shall report to the Bangko Sentral through the appropriate supervising department of the Bangko Sentral the action taken by the board on the person involved.
- j. In cases initiated by the Bangko Sentral which resulted in conviction by final judgment of a court for violation of banking laws, rules and regulations, the Office of the General Counsel and Legal Services (OGCLS) shall recommend to the Monetary Board the permanent disqualification of said person and his/her name shall be included in the Disqualification File "A" (Permanent) upon approval of the Monetary Board.
- k. In administrative complaints against directors and officers filed with the Bangko Sentral which resulted in the imposition of administrative penalties for violation of banking laws, rules and regulations, the OGCLS shall recommend to the Monetary Board the disqualification of said person, if warranted according to the severity of the offense, and his/her name shall be included in the Disqualification File "A" (Permanent) or "B" (Temporary), as the case may be, upon approval of the Monetary Board.

Watchlist files. The appropriate supervising department of the Bangko Sentral shall maintain two (2) files of watchlisted individuals:

a. Disqualification File "A" (Permanent) – Persons permanently disqualified by the Monetary Board from holding a director/officer position in any BSFI.

b. Disqualification File "B" (Temporary) – Persons temporarily disqualified by the Monetary Board from holding a director/officer position in any BSFI.

Delisting/Reclassification.

- a. *Delisting.* All delistings shall be approved by the Monetary Board upon the recommendation of the appropriate supervising department of the Bangko Sentral except in cases of persons known to be dead where delisting shall be automatic upon proof of death.

A person concerned may request delisting only after the lapse of five (5) years from the date of his/her receipt of notice of disqualification, except when a case against a director/officer is decided in his/her favor or upon clearance by the appropriate body, e.g., the judiciary, quasi-judicial bodies and domestic financial regulatory authorities and similar agencies or authorities of foreign countries where the person concerned has a derogatory record. The Monetary Board may consider the time already served under watchlisting by the person concerned.

- b. *Reclassification.* Reclassification from Disqualification File "B" (Temporary) to Disqualification File "A" (Permanent) may be approved by the Monetary Board when the case/s described in Item "b" of this Section (*Persons disqualified to become directors and officers*) becomes final and executory.

Confidentiality.

Watchlist files shall be for the internal use of the Bangko Sentral only: *Provided*, That upon authority of the person/s concerned, the bank can gain access to information in said watchlist files, among other Bangko Sentral records, by using the prescribed authorization form in *Appendix 80* only for the purpose of screening the nominees/applicants for director/officer positions.

Section 2. Section 4150Q and its Subsections of the MORNBF I shall be amended to read, as follows:

Section 4150Q Disqualification and Watchlisting of Directors/Officers.

The Bangko Sentral recognizes that the fitness and propriety of the board of directors and management significantly influences and shapes the

quality of corporate governance in a financial institution. Following the standards set forth on the qualifications and responsibilities of the board and management, this Section provides the rules governing the watchlisting and disqualification of persons from becoming directors/officers of quasi-banks (QB). The policy aims to further promote the integrity of the financial system and better protect the interest of the public.

Persons disqualified to become directors/officers. Without prejudice to specific provisions of law prescribing disqualifications for directors/officers, the following are disqualified from becoming directors/officers:

a. Permanently disqualified.

- (1) Persons who have been convicted by final judgment of a court for offenses involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees);
- (2) Persons who have been convicted by final judgment of a court or other tribunal for violation of securities and banking laws, rules and regulations;
- (3) Persons who have been convicted by final judgment for cases filed against them for offenses under R.A. No. 3591, as amended (PDIC Charter);
- (4) Persons who have been convicted by final judgment of a court for offenses which involves moral turpitude, or for offenses which they were sentenced to serve a term of imprisonment of more than six (6) years;
- (5) Persons who have been judicially declared with finality as insolvent, spendthrift or incapacitated to contract;
- (6) Persons who were found to be culpable for the QB's closure, as determined by the Monetary Board;
- (7) Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of removal from office is imposed, and which resolution of the Monetary Board has become final and executory; and
- (8) Persons found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct, or any other grave or less grave offense

classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution has become final and executory;

b. Temporarily disqualified.

(1) Persons who have shown unwillingness to settle their financial obligations, as evidenced by, but not limited to, the following circumstances:

(a) the person has failed to satisfy any financial obligation that has been adjudicated by a court;

(b) the person filed for insolvency or suspension of payments that adversely affects his/her fitness and propriety as director/officer; or

(c) a person who is delinquent in the payment of: an obligation with a QB where he/she is a director or officer; or at least two (2) obligations with other banks/FIs.

Financial obligations as herein contemplated shall include all borrowings obtained by:

(i) A person for his/her own account or where he/she acts as a guarantor, endorser or surety for loans;

(ii) The spouse, except when incurred after legal separation of properties or when the property regime governing the spouses is absolute separation of properties or except when incurred prior to the marriage;

(iii) Any debtor whose borrowings or loan proceeds were credited to the account of, or used for the benefit of, the person described under Item "b(1)" above;

(iv) A partnership of which a person, or his/her spouse is the managing partner or a general partner owning a controlling interest in the partnership; and

(v) A corporation, association or firm wholly-owned or majority of the capital of which is owned by any or a group of individuals/entities mentioned in the immediately preceding Items "(i)", "(ii)" and "(iv)".

They shall remain temporarily disqualified until the financial obligations have been settled or satisfied.

- (2) Persons involved in the closure of QBs pending their clearance by the Monetary Board;
- (3) Persons confirmed by the Monetary Board to have committed acts or omissions, which include failure to observe/discharge their duties and responsibilities prescribed under existing regulations, that: (a) caused undue injury or disadvantage to the QB through manifest partiality, evident bad faith or gross inexcusable negligence; (b) caused or may have caused material loss or damage to the QB, its depositors, creditors, investors, stockholders, to the Bangko Sentral or to the public in general; or (c) exposed the safety, stability, liquidity or solvency of the QB to abnormal risk or danger;
- (4) Persons found to have been involved in any irregularity/violation which constitutes a just cause for dismissal/termination as defined under the Labor Code of the Philippines, as amended, regardless of any action taken by the QB;
- (5) Persons certified by, or in the official files of, foreign financial regulatory authorities, financial intelligence units, or similar agencies or authorities of foreign countries, as charged with commission of, or having committed, irregularities or violations of any law, rule or regulation, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;
- (6) Persons, other than those covered under Item “(8)” of this Subsection, who after conduct of investigation by domestic financial or commercial regulatory authorities, financial intelligence units, or similar agencies or authorities such as the Securities and Exchange Commission (SEC), Anti-Money Laundering Council (AMLC), or the Philippine Deposit Insurance Corporation (PDIC), have complaints filed against them by the aforementioned authorities/units/agencies pending before a court of law or quasi-judicial body, or convicted by said court or quasi-judicial body but whose conviction has not become final and executory, for offenses involving violation of laws, rules and regulations, which may adversely affect the fitness and propriety of the person or the ability to effectively discharge his/her duties;
- (7) Persons with cases pending before a court or other tribunal, or those convicted by said court or tribunal but whose conviction has not become final and executory, for offenses involving: (a) dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery,

malversation, swindling, theft, robbery, falsification, bribery, violation of B.P. Blg. 22 (Anti-Bouncing Check Law), violation of R.A. No. 3019 (Anti-Graft and Corrupt Practices Act), violation of R.A. No. 9160, as amended (Anti-Money Laundering Act), and prohibited acts and transactions under Section 7 of R.A. No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees); or (b) violation of securities and banking laws, rules and regulations;

- (8) Persons who have been convicted by a court for an offense involving moral turpitude, and persons who have been sentenced to serve a term of imprisonment of more than six (6) years for other crimes but whose conviction has not yet become final and executory;
- (9) Persons with pending cases for offenses under R.A. No. 3591, as amended (PDIC Charter), or those who have been convicted for said cases but whose conviction has not yet become final and executory;
- (10) Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of removal from office is imposed, and which resolution of the Monetary Board is on appeal, unless execution or enforcement thereof is restrained by the appellate court;
- (11) Persons against whom a formal charge has been filed or who are found liable by any government agency/corporation, including government financial institution, for violation of any law, rule or regulation involving dishonesty, misconduct or any other grave or less grave offense classified under the Revised Administrative Code or Civil Service rules that adversely affects their fitness and propriety as directors/officers, and which finding of said government institution is on appeal, unless execution or enforcement thereof is restrained by the appellate court; and
- (12) Persons found by the Monetary Board to be administratively liable for violation of laws, rules and regulations implemented by the Bangko Sentral, where a penalty of suspension from office or fine is imposed, unless the finding is on appeal and the execution of enforcement thereof is restrained by the appellate court.

Resignation or retirement from his/her office shall not exempt the person from being permanently or temporarily disqualified under this Subsection.

Persons prohibited to become officers

a. The spouses or relatives within the second degree of consanguinity or affinity holding officership positions across the following functional categories within a QB:

- (1) Decision making and senior management function, e.g., president, chief executive officer (CEO), chief operating officer (COO), general manager, and chief financial officer (CFO);
- (2) Treasury function, e.g., treasurer or treasury head;
- (3) Recordkeeping and financial reporting functions, e.g., controller and chief accountant;
- (4) Safekeeping of assets, e.g., chief cashier;
- (5) Risk management function, e.g., chief risk officer;
- (6) Compliance function, e.g., chief compliance officer; and
- (7) Internal audit function, e.g., chief audit executive.

The spouse or a relative within the second degree of consanguinity or affinity of any person holding the position of manager, cashier, or accountant of a branch or extension office of a QB or their respective equivalent positions is prohibited from holding or being appointed to any of said positions in the same branch or extension office.

b. Any appointive or elective official, whether full time or part time, except in cases where such service is incidental to the financial assistance provided by the government or government-owned or -controlled corporations (GOCCs) or in cases allowed under existing laws.

Effect of non-possession of qualifications or possession of disqualifications/prohibitions.

A director/officer elected/appointed who does not possess all the qualifications under Sec. 4142Q (*Board of Directors*) and the second and last paragraphs of Sec. 4145Q (*Officers*) and/or has any of the disqualifications/prohibitions mentioned under Sec. 4150Q (*Persons disqualified to become directors/officers*) shall not be confirmed by the confirming authority under Sec. 4148Q (*Confirmation of election/appointment of directors/officers*) and shall be removed from office by the QB even if he/she has assumed the position to which he/she was elected/appointed. A confirmed director/officer or officer not requiring confirmation found to possess any of the disqualifications shall be subject to the following disqualification procedures.

Disqualification procedures. All directors/officers who are considered disqualified under Section 4150Q (*Persons disqualified to become directors/officers*) shall be subject to the disqualification procedures provided under this Subsection. Disqualified persons shall be included in the Bangko Sentral Watchlist Files.

- a. The QB shall be responsible for determining the existence of the ground for disqualification of the person concerned and for reporting the same to the appropriate supervising department of the Bangko Sentral within ten (10) calendar days from knowledge thereof. The QB shall ensure that the person concerned is informed that his/her offense was reported to the appropriate supervising department of the Bangko Sentral and, as such, may be evaluated for watchlisting. The QB concerned shall conduct its own investigation, impose sanction/s if appropriate, and report the results thereof to the appropriate supervising department of the Bangko Sentral within twenty (20) calendar days from the termination of investigation.

This shall be without prejudice to the authority of the Monetary Board to disqualify a person from being elected/appointed as director/officer in any BSP-supervised financial institution (BSFI) based on information of the existence of any ground for disqualification gathered or obtained from the Bangko Sentral, domestic financial regulatory authorities, financial intelligence units, and similar agencies or authorities of foreign countries, the courts and other quasi-judicial bodies, and other government agencies or the public.

- b. On the basis of knowledge and evidence on the existence of any of the grounds for disqualification mentioned in Sec. 4150Q (*Persons disqualified to become directors/officers*), the person concerned shall be notified in writing either by personal service or through registered mail or courier at his/her last known address by the appropriate supervising department of the Bangko Sentral of the existence of the ground for his/her disqualification and shall be allowed to submit, within fifteen (15) calendar days from receipt of such notice, a sworn statement/explanation on why he/she should not be disqualified and his/her name not be included in the watchlist file as provided under Sec. 4150Q (*Watchlist Files*), together with the evidence in support of his/her position. The head of said appropriate supervising department of the Bangko Sentral may allow an extension on meritorious ground.
- c. Upon receipt of the reply/explanation of the person concerned, the appropriate supervising department of the Bangko Sentral shall proceed to evaluate the case.
- d. The failure of the person to reply within the period provided in Item “b” of this subsection shall be deemed a waiver of opportunity to explain and the

appropriate supervising department of the Bangko Sentral shall proceed to evaluate the case based on available records/evidence.

- e. If the person concerned was not served copy of the written notice to explain even after using available modes of service, i.e., personal service or registered mail or courier, the appropriate supervising department of the Bangko Sentral shall proceed to evaluate the case based on available records/evidence.
- f. Upon evaluation of the appropriate supervising department of the Bangko Sentral that a person is disqualified under any of the grounds listed in Sec. 4150Q (*Persons disqualified to become directors/officers*), said appropriate supervising department of the Bangko Sentral shall elevate to the Monetary Board for approval of the person's disqualification and inclusion in the Bangko Sentral Watchlist Files.
- g. Upon approval by the Monetary Board, the person concerned shall be informed by the appropriate supervising department of the Bangko Sentral in writing either by personal service or through registered mail or courier, at his/her last known address of his/her disqualification from being elected/appointed as director/officer in any BSFI and of his/her inclusion in the masterlist of watchlisted persons so disqualified.
- h. The determination of the Monetary Board shall become final and executory within fifteen (15) calendar days from receipt of the resolution, unless a motion for reconsideration has been filed.
- i. In case the subject of disqualification is an incumbent director/officer, the board of directors of the QB concerned shall be immediately informed of such disqualification approved by the Monetary Board and shall be directed to act thereon not later than the following board meeting. Within three (3) business days after the board meeting, the corporate secretary shall report to the appropriate supervising department of the Bangko Sentral the action taken by the board on the person involved.
- j. In cases initiated by the Bangko Sentral which resulted in conviction by final judgment of a court for violation of banking laws, rules and regulations, the Office of the General Counsel and Legal Services (OGCLS) shall recommend to the Monetary Board the permanent disqualification of said person and his/her name shall be included in the Disqualification File "A" (Permanent) upon approval of the Monetary Board.
- k. In administrative complaints against directors and officers filed with the Bangko Sentral which resulted in the imposition of administrative penalties for violation of banking laws, rules and regulations, the OGCLS shall recommend to the Monetary Board the disqualification of said person, if

warranted according to the severity of the offense, and his/her name shall be included in the Disqualification File "A" (Permanent) or "B" (Temporary), as the case may be, upon approval of the Monetary Board.

Watchlist files. The appropriate supervising department of the Bangko Sentral shall maintain two (2) files of watchlisted individuals:

- a. Disqualification File "A" (Permanent) – Persons permanently disqualified by the Monetary Board from holding a director/officer position in any BSFI.
- b. Disqualification File "B" (Temporary) – Persons temporarily disqualified by the Monetary Board from holding a director/officer position in any BSFI.

Delisting/Reclassification.

a. *Delisting.* All delistings shall be approved by the Monetary Board upon the recommendation of the appropriate supervising department of the Bangko Sentral except in cases of persons known to be dead where delisting shall be automatic upon proof of death.

A person concerned may request delisting only after the lapse of five (5) years from the date of his/her receipt of notice of disqualification, except when a case against a director/officer is decided in his/her favor or upon clearance by the appropriate body, e.g., the judiciary, quasi-judicial bodies and domestic financial regulatory authorities and similar agencies or authorities of foreign countries where the person concerned has a derogatory record. The Monetary Board may consider the time already served under watchlisting by the person concerned.

b. *Reclassification.* Reclassification from Disqualification File "B" (Temporary) to Disqualification File "A" (Permanent) may be approved by the Monetary Board when the case/s described in Item "b" of Sec. 4150Q (*Persons disqualified to become directors/officers*) becomes final and executory.

Confidentiality.

Watchlist files shall be for the internal use of the Bangko Sentral only: *Provided*, That upon authority of the person/s concerned, the QB can gain access to information in said watchlist files, among other Bangko Sentral records, by using the prescribed authorization form in *Appendix Q-45a* only for the purpose of screening the nominees/applicants for director/officer positions.

Section 3. Appendix 80 (*Authorization Form for Querying the Bangko Sentral Records for Screening Applicants and Confirming Appointments of Directors and Officers*) as

amended is shown as Annex A. This authorization form shall also be adopted as Appendix Q-45a of the MORNBF1.

Section 4. 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:



BENJAMIN E. DIOKNO
Governor

18 February 2020

**AUTHORIZATION FORM FOR QUERYING THE BANGKO SENTRAL
RECORDS FOR SCREENING APPLICANTS AND CONFIRMING
APPOINTMENTS OF DIRECTORS AND OFFICERS
(Appendix to Section 138 on Watchlisting/Section 4150Q)**

A U T H O R I Z A T I O N

I, _____, after being sworn in accordance with law, do hereby authorize the following, pursuant to the provisions of Sec. 138 on Confidentiality/ Sec. 4150Q of the Manual of Regulations for Banks / Manual of Regulations for Non-Bank Financial Institutions:

- a) (Name of BSP-supervised financial institutions (BSFI)), to conduct a background investigation on myself relative to my application for or appointment to the position of (position) in (Name of (BSFI)) which include, among others, inquiring from the records of the Bangko Sentral, including the Watchlist Files of the Bangko Sentral; and
- b) The Bangko Sentral to disclose its findings pertinent to the aforementioned inquiry on its records, including the Watchlist Files, to (Name of (BSFI)).

With the above authorization, I hereby waive my right to the confidentiality of the information that will be obtained as a result of the said inquiry, provided that disclosure of said information will be limited for the purpose of ascertaining my qualification or non-qualification for the said position.

IN WITNESS WHEREOF, I have hereunto set my hand this _____.

(Signature Over Printed Name)

SIGNED IN THE PRESENCE OF:

(Witness)

(Witness)

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES }

CITY }

BEFORE ME, this ____ day of _____ 20__ in _____
personally appeared the following person:

Name	Community Tax Certificate	Place	Date
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known to me to be the same person who executed the foregoing instrument and he
acknowledged to me to be the same person who executed the foregoing instrument and he
acknowledged to me that the same is his free act and deed.

This instrument, consisting of two (2) pages, including the page on which this
acknowledgment is written, has been signed on the left margin of each and every page
thereof by _____, and his witnesses, and sealed with my notarial seal.

IN WITNESS WHEREOF, I have hereunto set my hand, the day, year and place above
written.

Notary Public

Doc. No.: _____
Page No.: _____
Book No.: _____
Series of 2_____
