

QAU Memo No. 27, s2020



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Recently, the Bangko Sentral ng Pilipinas (BSP) has issued various Circulars and Memoranda. Some of these are Amendments to include the use of 11-digit enterprise-wide bank code as part of the number of the BSP-prescribed Certificate of Inward Remittance (CIR) of Foreign Exchange (FX) Form issued by AABs, Transition from the London Inter-Bank Offered Rate (LIBOR) and Reporting Requirements on LIBOR-Related Exposures, and Money Laundering (ML)/Terrorist Financing (TF) Risk Assessment System (MRAS).

R.S BERNALDO & ASSOCIATES

TAKING YOU FURTHER

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CIRCULAR LETTER NO. CL-2020-055 Use of 11-digit enterprise-wide bank code as part of the number of the Bangko Sentral ng Pilipinas (BSP)-prescribed Certificate of Inward Remittance (CIR) of Foreign Exchange (FX) Form issued by AABs

To: All Authorized Agent Banks (AABs)

Pursuant to Part II (Specific Instructions) of the “Guide/Instructions for Filling-out the Certificate of Inward Remittance” under Appendix 10.1 of the [Manual of Regulations on Foreign Exchange Transactions \(FX Manual\)](#) the 11-digit enterprise-wide bank code has a "2-4-2-3" composition.

The first two (2) digits pertain to the bank kind:

- 00 – Universal/Commercial Banks
- 01 – Thrift Banks

Next four (4) digits to entity.

Next two (2) digits to bank type:

- 00 – Head Office
- 01 – Branch of Local Bank

Last three (3) digits to the branch code of the bank (Provides by BSP when a branch of a local bank is opened):

- 000 – Head Office and Foreign Bank Branches

Also, the previous version of the CIR Form (prior to the issuance of BSP Circular No. 1030 dated 5 February 2019) used a four (4)-digit bank code as part of the CIR number and this pertains to the four (4)-digit entity code cited above.

Certificate of Inward Remittance (CIR) of Foreign Exchange (FX) Form issued by AABs	
FROM	TO
<p>CIR NUMBER FORMAT – CCYY-NNNNN-BBBB where</p> <ul style="list-style-type: none"> ➤ CCYY for the year the CIR is issued. ➤ NNNNN for the series number of the CIR (00001 is the issuing bank’s first CIR) ➤ BBBB is the BSP assigned numeric bank code 	<p>CIR NUMBER FORMAT – CCYY-NNNNNN-BBBBBBBBBBBB where</p> <ul style="list-style-type: none"> ➤ CCYY for the year the CIR is issued. ➤ NNNNNN for the series number of the CIR ➤ BBBBBBBBBBBB for the enterprise-wide bank code

Previous version of Appendix 10.1 Certificate of Inward Remittance Form can be seen in [BSP Registration of Foreign Direct Investments](#).

MEMORANDUM NO. M-2020-083 Transition from the London Inter-Bank Offered Rate (LIBOR) and Reporting Requirements on LIBOR-Related Exposures

To: All Universal and Commercial Banks and Their Subsidiary Banks

Market participants have been strongly encouraged to the use of alternative reference rate since the announcement of the United Kingdom's Conduct Authority on July 2017 to transition away from LIBOR as a benchmark rate and sustain LIBOR only until December 31, 2021.

To ensure that the operations and services of BSP-supervised financial institution (BSFI) with LIBOR or LIBOR-related exposures will not be disrupted by the cessation of LIBOR, Bangko Sentral expects a viable transition plan from the aforementioned parties. It should be anchored with the BSFI's exposures and risks and shall include strategies for reducing reliance on LIBOR sufficiently in advance of the discontinuation of the benchmark include strategies

All universal and commercial banks and their subsidiary banks are required by the BSP to submit quarterly reports on the extent of their remaining LIBOR-related exposures, beginning with the reference date of September 30, 2020 and ending with the reference date March 31, 2022.

The guidelines on the submission of the report can be found in Annex A. BSFIs are reminded that the periodic quantification of LIBOR-related exposures is only one aspect of the transition process. Overall operational readiness is essential to the smooth adoption of alternative reference rates. BSFIs are expected to ensure that the necessary systems and infrastructure, as well as the appropriate contractual arrangements, are in place prior to the cessation of LIBOR. BSFIs are enjoined to keep abreast of transition initiatives taking place domestically and internationally, and to actively communicate with counterparties, clients and service providers on this matter. BSFIs should likewise promptly inform the BSP of challenges encountered in the transition process.

Annex A mentioned above can be seen in MEMORANDUM NO. M-2020-083 Transition from the London Inter-Bank Offered Rate (LIBOR) and Reporting Requirements on LIBOR-Related Exposures.

MEMORANDUM NO. M-2020-084 Money Laundering (ML)/Terrorist Financing (TF) Risk Assessment System (MRAS)

To: All BSP-Supervised Financial Institutions (BSFIs)

The Monetary Board, in its Resolution No. 1461 dated 13 November 2020, approved the adoption of the Money Laundering (ML)/Terrorist Financing (TF) Risk Assessment System (MRAS) (Annex A).

The MRAS will replace the existing AML risk rating system (ARRS) and will be implemented along with the Supervisory Assessment Framework (SAFr).

FROM	TO
Anti-Money Laundering Risk Rating System (Memorandum No. M-2012-017)	Money Laundering (ML)/Terrorist Financing (TF) Risk Assessment System (Memorandum No. M-2020-084)
An effective supervisory tool that undertakes to ensure that all covered institutions are assessed in a comprehensive and uniform manner, and that supervisory attention is appropriately focused on entities exhibiting inefficiencies in Board of Directors and Senior Management oversight and monitoring, inadequacies in their AML framework, weaknesses in internal controls and audit and defective implementation of internal policies and procedures.	A tool to assess the money laundering/terrorism financing and proliferation financing (PF) risk profile of BSP-supervised financial institutions (BSFIs), taking into account their risk and context, business models and operations, among others.
Each covered institution is assigned a Composite Rating based on an assessment of four components which addresses Efficient Board of Directors (BOD) and Senior Management oversight, sound AML policies and procedures, robust internal controls and audit, and Effective Implementation.	Inherent risk, quality of risk management, self-assessment systems, net ML/TF/PF risk are assessed under MRAS.
Composite rating is assigned based on a 1 to 4 numerical scale. The highest rating of 4 indicated the strongest risk management system and lowest rating of 1 which signifies weakest risk management system.	It uses a four (4) point rating scale to describe the net ML/TF/PF risk; high indicates excessive level of residual risk, above average for substantial level, moderate for manageable level and low for marginal level.

Four (4) Point Rating Scale of MRAS to net ML/TF/PF Risk	
Net Risk	Description
High	Excessive level of residual risk. The risk management and control framework is disproportionate and not commensurate with the high level of inherent risks posed by the nature and complexity of the BSFI's activities. Most likely to be used as a conduit for the proceeds of unlawful activities, TF and PF.
Above Average	Substantial level of residual risk. The risk management and control framework is either acceptable, with certain areas for improvement, relative to high level of inherent risk, or is inadequate in critical aspects relative to the above average or lower level of inherent risk posed by the nature and complexity of the BSFI's activities. May be used as conduit for the proceeds of unlawful activities, TF and PF.
Moderate	Manageable level of residual risk. The risk management and control framework is sufficiently compatible or commensurate with the level of inherent risks posed by the nature and complexity of the BSFI's activities. Can withstand associated ML/TF/PF risks and there is low to moderate probability to be used for ML/TF/PF activities.
Low	Marginal level of residual risk. The risk and control framework is robust and/or fully compatible with the level of inherent risks posed by the nature and complexity of the BSFI's activities. Highly capable of withstanding ML/TF/PF risks and curbing ML/TF/PF activities.

Existing AML risk rating system (ARRS) can be seen in [Memorandum No. M-2012-017](#) and Annex A for MRAS mentioned above can be seen in [Memorandum No. M-2020-084](#).

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