

QAU Memo No. 21, s2021



In this issue:

Recently, the Bangko Sentral ng Pilipinas (BSP) has issued Press Release, Memoranda, Circular, and Circular Letters. Some of these are about the financial regulators signing an accord to promote ease of bank mergers, consolidations, and acquisitions and guidelines on the submission of the financial reporting package (FRP) through the BSP financial institution portal (FI portal), amendments to corporate governance guidelines for BSP-supervised financial institutions, recalibration of Policy Measures in Handling Application for an Electronic Money Issuer – Others (EMI-Others) License, and opening of finance oversight committee transition group.

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18/F Cityland Condominium 10 Tower 1, 156 H.V. dela Costa Street, Ayala North, Makati City, Philippines 1226
Tel: +632 8812-1718 to 22 **Fax:** +632 8813-6539 **Email:** rsbassoc@pkfrsbernaldo.com www.pkfrsbernaldo.com

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PRESS RELEASE: Financial Regulators Sign Accord to Promote Ease of Bank Mergers, Consolidations, and Acquisitions

On the 5th day of November 2021, the BSP together with Philippine Deposit Insurance Corporation (PDIC), Securities and Exchange Commission (SEC), Cooperative Development Authority (CDA) and the Philippine Competition Commission (PCC) signed a multi-agency agreement that would streamline the mergers, consolidations, and acquisitions (MCA) process among banks.

The multi-agency project aims to harmonize the requirements and synchronize the timelines in the processing of MCA proposals of banks. It supports the government's thrust of promoting the ease of doing business which was commended by the Anti-Red Tape Authority in March 2020.

The project was initiated by the Philippine Deposit Insurance Corporation and signed by BSP Governor Benjamin E. Diokno, PDIC President and CEO Roberto B. Tan, SEC Chairperson Emilio B. Aquino, CDA Chairperson Joseph B. Encabo, and PCC Chairperson Arsenio M. Balisacan in a virtual ceremony.

The Memorandum of Agreement on the Procedures for Applications for Mergers, Consolidations, and Acquisitions of Banks is the culmination of the MCA Project, which is a collaboration of financial regulators involved in the processing of MCA proposals of banks.

The agreement enumerates the responsibilities and commitments of each of the regulators on the simplified requirements and streamlined procedures and timelines in processing of MCA applications. The regulators agreed to effectively cut in half the number of documentary requirements from 58 to only 30 by harmonizing the list of requirements for MCA proposals of banks. The total processing time of MCA proposals from an average of about 160 business days to only 55 will also be reduced through synchronized timelines and the elimination of duplicate functions among the concerned agencies.

The Implementing Guidelines on the procedures for MCA applications will subsequently be issued via a Joint Circular by the partner-agencies.

[Press release mentioned above can be seen in Press Release Financial Regulators Sign Accord to Promote Ease of Bank Mergers, Consolidations, and Acquisitions](#)

MEMORANDUM NO. M-2021-061 Guidelines on the Submission of the Financial Reporting Package (FRP) through the BSP Financial Institution Portal (Fi Portal)

On the 10th day of November 2021, the BSP released M-2021-061 wherein submission guidelines for the financial reporting package ending on the 30th of November 2021 for Universal, Commercial and Thrift Banks and 31st of December 2021 for Rural and Cooperative Banks is discussed. This is pursuant to Circular No. 1081 and Circular No. 1061 which amends the Regulations Governing the Personal Equity and Retirement Account (PERA) and the Definition of a Deposit Substitute, respectively.

The submission guidelines are as follows:

1. All banks need to use the updated Financial Reporting Package Data Entry Template (DET), its corresponding Control Prooflist (CP) and complete set of the validation rules. These are available at http://www.bsp.gov.ph/ses/reporting_templates.

The banks may also request the files directly from BSP-Department of Supervisory Analytics through dsareports@bsp.gov.ph; following the prescribed format which is the subject, [REQUEST] Financial Reporting Package Template.

2. Banks must continue to submit the updated FRP (Solo and Consolidated basis) DETs and CP through the FI, starting the covered period.

For SOLO reports, it shall be submitted within fifteen (15) banking days from the end of reference month/quarter.

If applicable, CONSO reports shall submit within thirty (30) banking days from end of reference quarter.

3. If banks cannot submit electronically, it may send its DETs and CP through messengerial or postal services, compiled in any portable storage device (e.g. USB flash drive). The documents must be delivered to the Officer-In-Charge of Department of Supervisory Analytics (DSA) in BSP at 11th Floor, Multi-Storey Building BSP Complex, A. Mabini Street, Malate, 1004Manila within the prescribed deadline.
4. Only files prescribed by the BSP for the report shall be accepted, subjected to validation and applicable penalties for reporting violations. Banks' report submissions should still follow the existing BSP reporting standards.

For the full version of this issuance, kindly see [Memorandum No. M-2021-061 Guidelines on the Submission of the Financial Reporting Package \(FRP\) through the BSP Financial Institution Portal \(Fi Portal\)](#)

MEMORANDUM NO. M-2021-064 Recalibrated Policy Measures in Handling Application for an Electronic Money Issuer - Others (Emi-Others) License

On the 17th day of November 2021, the BSP issued a memorandum regarding The Monetary Board's approval of the policy measures in handling applications of non-bank institutions to operate as EMI-Others in line with the BSP's efforts to ensure that its resources are managed and mobilized judiciously in a manner that promotes financial stability and Inclusive growth, and advances the development of innovative e-money solutions that offer strong value propositions in its Resolution No. 1549 dated 11 November 2021.

Hence, starting **16 December 2021**, the regular application window for new Electronic Money Issuer-Others (EMI Others) licenses for non-bank financial institutions shall be closed. The closure will last for two years.

For applications received by BSP until **15 December 2021**: it will be processed on a first-come, first-served basis and will be assessed for completeness and sufficiency of documentation/information submitted as well as compliance with the licensing criteria to operate as a non-bank EMI (EMI-Others) based on Stage 3 requirements. Non-bank EMI applicants are expected to ensure compliance with the documentary and chartering pre-qualification requirements of the BSP.

For applications received by BSP until 15 December 2021 with noted deficiencies: it will be returned and considered closed. The BSP will no longer process these applications further.

To provide a mechanism by which entities that offer strong value propositions may be able to participate in the digital payments and financial ecosystem, interested new non-bank EMI applicants with proposal involving (i) new business models, (ii) unserved, targeted niches, and/or (iii) new technologies may request for exception under the Test-and-Learn / Regulatory Sandbox Framework. The specific guidelines governing new non-bank EMI applications under the Regulatory Sandbox Framework shall be covered by a separate memorandum.

Further, the BSP may limit the total number of entities that will avail of the test and learn pathway taking into account the total number of applications received and the assessment of the overall banking and payment systems situation.

For the full version of this issuance, kindly see [Memorandum No. M-2021-064 Recalibrated Policy Measures in Handling Application for an Electronic Money Issuer – Others \(EMI-Others\) License](#)

CIRCULAR NO. 1129, SERIES OF 2021 Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions

The Monetary Board approved the amendments to the relevant provisions of the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFi) on the guideline on corporate governance and compliance framework for BSP-Supervised Financial Institutions (BSFIs) in its Resolution No. 1484 dated 28 October 2021.

Some of the changes are the addition of NBFIs, quasi-banks, and substantial stockholder in the definition of terms, the full amendment of the existing provisions on Interlocking Directorships and/or Officerships under Sections 173 of the MORB and 136 Q of the MORNBFi, as well as, Sections 112-N and 120-T of the MORNBFi (Section 6 and Section 7, respectively); deletion of periodic submission of regulatory reports on financial assistance to officers and employees (Section 9); the inclusion of timeline for submission of board-approved purpose on financial assistance to officers and employees (Section 10); the removal of the provision on interlocking directorships and/or officerships in Section 374 of the MORB on *Investments in Venture Capital Corporation* (Section 11); and the omission of the forms no. DCB I/II Form 6C, (BSP 7-16-20), TB Form 9 Page 2 under the MOR ref. of Section 346, and RB/COB Form 13 under MOR ref. Section 346.

The amendments of the MORB are as follows:

December 2018	October 2021
Section 131 of MORB: Definition of Terms.	
<p><i>i. Non-executive directors xxx</i></p>	<p><i>i. NBFIs shall refer to investment houses, finance companies, trust entities, insurance companies, securities dealers/ brokers, credit card companies, non-stock savings and loan associations (NSSLAs), holding companies, investment companies, government NBFIs, asset management companies, insurance agencies/brokers, venture capital corporations, FX dealers, money changers, lending investors, pawnshops, fund managers, remittance agents and all other NBFIs without quasi-banking functions.</i></p>
<p><i>j. Officers xxx</i></p>	<p><i>j. Non-executive directors xxx</i></p>
<p><i>k. Parent xxx</i></p>	<p><i>k. Officers xxx</i></p>
<p><i>l. Quasi-banks xxx</i></p>	<p><i>l. Parent xxx</i></p>
<p><i>m. Related interest xxx</i></p>	<p><i>m. Quasi-banks (QBs) shall refer to investment houses, finance companies, trust entities and all other NBFIs with quasi-banking functions.</i></p>
<p><i>n. Related parties xxx</i></p>	<p><i>n. Related company xxx</i></p>
<p><i>o. Related party transactions xxx</i></p>	<p><i>o. Related interest xxx</i></p>
<p><i>p. Risk appetite statement xxx</i></p>	<p><i>p. Related parties xxx</i></p>
<p><i>q. Risk governance framework xxx</i></p>	<p><i>q. Related party transactions xxx</i></p>
<p><i>r. Risk limits xxx.</i></p>	<p><i>r. Risk appetite statement xxx</i></p>
<p><i>s. Stockholder xxx</i></p>	<p><i>s. Risk governance framework xxx</i></p>
<p><i>t. Substantial stockholder xxx</i></p>	<p><i>t. Risk limits xxx.</i></p>

u. Subsidiary xxx

u. Stockholder xxx

v. Substantial stockholder shall refer to a person, or group of persons whether natural or juridical, owning such number of shares that will allow such person or group to elect at least one (1) member of the board of directors of a BSFI or who is directly or indirectly the registered or beneficial owner of more than ten percent (10%) of any class of its equity security.

For cooperative banks (Coop Banks) substantial shareholders shall refer to primary cooperatives which have enough shares to elect a seat in the board, or those with at least ten percent (10%) ownership of the Coop Bank's equity.

w. Subsidiary xxx

Section 132 of MORB: Composition of the board of directors.

d. Non-Filipino citizens may become members of the board of directors of a BSFI to the extent of the foreign participation in the equity of said BSFI: *Provided*, That pursuant to Section 23 of the Corporation Code of the Philippines (BP Blg. 68), a majority of the directors must be residents of the Philippines.

d. Non-Filipino citizens may become members of the board of directors of a BSFI to the extent of the foreign participation in the equity of said BSFI.

Section 132 of MORB: Qualifications of a director.

a. A director shall have the following minimum qualifications:

- (1) He must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness; relevant education/financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of mind; and sufficiency of time to fully carry out responsibilities.

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a. A director shall have the following minimum qualifications:

- (1) He must be fit and proper for the position of a director. In determining whether a person is fit and proper for the position of a director, the following matters must be considered: integrity/probity, physical/mental fitness; relevant education financial literacy/training; possession of competencies relevant to the job, such as knowledge and experience, skills, diligence and independence of the mind; sufficiency of time to fully carry out responsibilities; and concurrent positions in the same BSFI and interlocking positions in other entities that may pose conflict of interest

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- (2) xxx. *Provided*, That the following persons are exempted from complying with the aforementioned requirement:
 - (a) Filipino citizens with recognized stature, influence and reputation in the banking community and whose business practices stand as testimonies to good corporate governance;
 - (b) Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies, including former Monetary Board members; or
 - (c) Former Chief Justices and Associate Justices of the Philippine Supreme Court:

- (2) xxx. *Provided*, That the following persons are exempted from complying with the aforementioned requirement
 - (a) Filipino citizens with recognized stature, influence and reputation in the banking community. Including directors of publicly listed companies in the Philippines and whose business practices stand as testimonies to good corporate governance. In this respect the Bangko Sentral shall consider results of supervisory assessments in evaluating the eligibility of the candidate for exemption.
 - (b) Distinguished Filipino and foreign nationals who served as senior officials in central banks and/or financial regulatory agencies. For this purpose, senior officials in the Bangko Sentral shall refer to those who assumed Managing Director position or higher; or
 - (c) Former Chief Justices and Associate Justices of the Philippine Supreme Court

Provided, further, that this exemption shall not apply to the annual training requirements for the members of the board of directors.

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- b. *Independent and non-executive directors*
 - (1) An independent director of a BSFI may only serve as such for a maximum cumulative term of nine (9) years. After which, the independent director shall be perpetually barred from serving as independent director in the same BSFI, but may continue to serve as regular director. The nine (9) year maximum cumulative term for independent directors shall be reckoned from 2012.

- b. *Independent and non-executive directors*
 - (1) An independent director of a BSFI may only serve as such for a maximum cumulative term of nine (9) years. *Provided*, that in the case of cooperative banks, the maximum cumulative term for independent directors shall be eight (8) years. After which the independent director shall be perpetually barred from serving as independent director in the same BSFI, but may continue to serve as regular director. The maximum cumulative term for independent directors shall be reckoned from 2012.

c. *Members of the board of directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.*

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Chairperson of the board of directors.

- a. *Roles of the Chairperson of the board of directors.* xxx
- b. Qualifications of the chairperson of the board of directors. To promote checks and balances, the chairperson of the board of directors shall be a non-executive director or an independent director, and must not have served as CEO of the BSFI within the past three (3) years. The positions of chairperson and CEO shall not be held by one (1) person. In exceptional cases where the position of chairperson of the board of directors and CEO is allowed to be held by one (1) person as approved by the Monetary Board, a lead independent director shall be appointed.

c. *Members of the bud of directors shall not be appointed as Corporate Secretary or Chief Compliance Officer.*

xxx

Chairperson of the board of directors.

- a. *Roles of the Chairperson of the board of directors.* xxx
- b. Qualifications of the chairperson of the board of directors. To promote checks and balance, as a general rule, the Chairperson of the board of directors shall be a nonexecutive director or an independent director. The positions of chairperson and CEO shall not be held by one (1) person. In exceptional cases where the position of chairperson of the board of directors and CEO is allowed to be held by one (1) person as approved by the Monetary Board, a lead independent director shall be appointed.

The Chairperson must not have served as CEO of the BSFI within the past three (3) years. In exceptional cases, former CEOs of BSFIs shall be allowed to immediately assume the position of chairperson of the board of directors, *Provided, That:*

- (1) This is consistent with the provisions of its succession plan and
- (2) There are no major supervisory concerns in the quality of the BSFI's governance, risk management systems, and internal controls and compliance system, and the BSFI is not subject to escalated enforcement action.

For this purpose xxx

Board of directors meeting. xxx

- a. *Full board of directors' meetings*
The meetings of the board of directors may be conducted through modern technologies such as, but not limited to teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein: *Provided, That* every member of the board of directors shall participate in at least fifty percent (50%) and shall physically attend at least twenty-five percent (25%) of all meetings of the board of directors every year: *Provided, further,*

Board of directors meeting. xxx

- c. *Full board of directors' meetings*
The meetings of the board of directors may be conducted through modern technologies such as, but not limited to teleconferencing and video conferencing as long as the director who is taking part in said meetings can actively participate in the deliberations on matters taken up therein: *Provided, That* every member of the board of directors shall participate in at least fifty percent (50%) and shall physically attend at least twenty-five percent (25%) of all meetings of the board of directors every year. *Provided, further, that*

that the absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election.

b. *Board-level committee meetings*
xxx

the absence of a director in more than fifty percent (50%) of all regular and special meetings of the board of directors during his/her incumbency is a ground for disqualification in the succeeding election: *Provided, furthermore,* That the twenty-five percent (25%) physical attendance requirement is lifted during periods of national emergencies, public health emergencies and major disasters, among others, that affect mobility, activity, and access to BSFIs.

d. *Board-level committee meetings*
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Section 134 of MORB & Section 134-Q of MORNBF: Qualifications of an officer.

Qualifications of an officer. An officer must be fit and proper for the position he is being appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: integrity/probity, education/training, and possession of competencies relevant to the function such as knowledge and experience, skills and diligence.
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Qualifications of an officer. An officer must be fit for the position he is being appointed to. In determining whether a person is fit and proper for a particular position, the following matters must be considered: integrity/probity, education/training, possession of competencies relevant to the function such as knowledge and experience, skills and diligence, and concurrent positions in the same BSFI and interlocking positions in other entities that may pose conflict of interest.
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Section 137 of MORB & Section 136-Q of MORNBF: Interlocking directorships and/or officerships.

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Interlocking directorships and/or officerships. In order to safeguard against the excessive concentration of economic power, unfair competitive advantage or conflict of interest situations to the detriment of others through the exercise by the same person or group of persons of undue influence over the policy-making and/or management functions of similar FIs while at the same time allowing banks, QBs and non-bank financial institutions (NBFIs) without quasi-banking functions to benefit from organizational synergy or economies of scale and effective sharing of managerial and technical expertise, the following regulations shall govern interlocking directorships and/or officerships within the financial system consisting of banks, QBs and NBFIs.

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Interlocking Directorships and/or Officerships. The Bangko Sentral recognizes that effective sharing of managerial and technical expertise across institutions promotes economies of scale and organizational synergies, as well as broadens perspectives in strategy formulation and risk management. In this regard, Bangko Sentral-supervised financial institutions (BSFIs) are expected to have an effective governance process in place to ensure that the benefits of having directors or officers with interlocking positions in other entities are optimized, that the concerned directors or officers devote sufficient time and attention necessary to effectively carry out their duties and responsibilities, and that excessive concentration of economic power, unfair competitive advantage, abusive practices, and conflict of interest situations are prevented.

For purposes of this Section, QBs shall refer to investment houses, finance companies, trust entities and all other NBFIs with quasi-banking functions while NBFIs shall refer to investment houses, finance companies, trust entities, insurance companies, securities dealers/brokers, credit card companies, non-stock savings and loan associations (NSSLAs), holding companies, investment companies, government NBFIs, asset management companies, insurance agencies/brokers, venture capital corporations, FX dealers, money changers, lending investors, pawnshops, fund managers, mutual building and loan associations, remittance agents and all other NBFIs without quasi-banking functions.

a. *Interlocking directorships*

While concurrent directorship may be the least prejudicial of the various relationship cited in this Section to the interests of the FIs involved, certain measures are still necessary to safeguard against the disadvantages that could result from indiscriminate concurrent directorship.

- (1) Except as may be authorized by the Monetary Board or as otherwise provided hereunder, there shall be no concurrent directorships between banks or between a bank and a QB or an NBF.
- (2) Without the need for prior approval of the Monetary Board, concurrent directorships between entities not involving an investment house shall be allowed in the following cases:
 - (a) Banks not belonging to the same category: *Provided*, that not more than one (1) bank shall have quasi-banking functions;
 - (b) A bank and an NBF;
 - (c) A bank without quasi-banking functions and a QB; and
 - (d) A bank and one (1) or more of its subsidiary bank/s, QB/s and NBFI/s.

For purposes of the foregoing, a husband and his wife shall be considered as one (1) person.

b. *Interlocking directorships and officerships*

a. **Responsibilities of board of directors.**

Consistent with the standards and principles set forth in the corporate governance guidelines for BSFIs under Sec. 132/132-Q, the board of directors of BSFIs shall:

- (1) Approve policy on having directors or officers with interlocking positions in other entities, which shall cover, among others, the following:
 - (a) Cases and the corresponding rationale when the BSFI shall allow/appoint directors or officers to have with interlocking positions in other entities; the sectors or industries of the entities where the directors or officers may assume other positions; interlocking positions that may be held by directors or officers: and limit on the number of entities where the director or officer may hold interlocking positions.
Provided, That the limit to be set shall be consistent with item "b" of Qualifications of a director under Sec. 132/132-Q:
 - (b) Measures to avoid excessive concentration of economic power, unfair competitive advantage and abusive practices. The policy shall also include the measures in handling conflict of interest situations:
 - (c) Requirement to obtain approval from the board of directors or the appropriate authority designated in the BSFI prior to acceptance of interlocking directorship/officership positions in other entities:
 - (d) Requirement to obtain proof of disclosure to and consent from all the involved entities on interlocking officership positions held outside the banking group/conglomerate; and
 - (e) Courses of action in case conflict of interest arise or when the performance of the director or officer has been affected by the interlocking positions held.
- (2) Ensure effective governance process on the selection and appointment of directors

In order to prevent any conflict of interest resulting from the exercise of directorship coupled with the reinforcing influence of an officer’s decision-making and implementing powers, the following rules shall be observed:

- (1) Except as may be authorized by the Monetary Board or as otherwise provided hereunder, there shall be no concurrent directorship and officership between banks or between a bank and a QB or an NBFi; and
- (2) Without the need for prior approval of the Monetary Board, concurrent directorship and officership between a bank and one (1) or more of its subsidiary bank/s, QB/s and NBFi/s, other than investment house/s, shall be allowed.

c. Interlocking officerships

A concurrent officership in different FIs may present more serious problems of self-dealing and conflict of interest. Multiple positions may result in poor governance or unfair competitive advantage. Considering the full-time nature of officer positions, the difficulties of serving two offices at the same time, and the need for effective and efficient management, the following rules shall be observed:

As a general rule, there shall be no concurrent officerships between banks or, between a bank and a QB or a NBFi.

In the case of non-governmental organizations (NGOs)/foundations that are engaged in retail microfinance operations, as defined under Item “e(8)” of Sec. 341 (Definition of terms), BSFI officers are prohibited from holding officership position or other positions that may cause them to be involved in the daily microfinance operations of related NGOs/foundations.

However, subject to prior approval of the Monetary Board, concurrent officerships, may be allowed in the following cases:

and/or officers who are holding interlocking positions in other entities and in approving the acceptance of directors/officers of interlocking positions in other entities. The governance process shall cover continuous assessment of potential conflict of interest in the entities involved as well as the interlocking positions held.

- (3) Ensure that directors and/or officers holding interlocking positions in other entities effectively carry out their duties and responsibilities in the BSFI. It shall be the responsibility of the board of directors to conduct a periodic performance evaluation of the concerned directors and officers measured against agreed upon standards for the position. The board of directors shall immediately take appropriate action should the results of performance evaluation reflect that the performance of the function in the BSFI has been adversely affected by the interlocking positions held by the director and/or officer.
- (4) Ensure that the control functions (i.e., risk management, compliance, and internal audit) cover the assessment of adherence to internal policies and regulatory expectations on interlocking positions held by the directors and/or officers. For the interlocking positions held by heads of control functions, the assessment shall be performed by the board of directors or board-level committee to whom they functionally report to.

b. **Factors to Consider on Interlocking Positions.**

BSFIs shall observe the following rules for interlocking positions held by directors and/or officers:

- (1) *Interlocking directorships.* Interlocking directorships in BSFIs are allowed except in cases involving banks belonging to the same category. In this respect interlocking directorships in banks belonging to the same category shall only be allowed if the banks: (i) are part of the same banking group or (ii) have different business models

- (1) Between a bank and not more than two (2) of its subsidiary bank/s, QB/s, and NBFIs, other than investment house/s; or
- (2) Between a bank and not more than two (2) of its subsidiary QB/s and NBFIs; or
- (3) Between two (2) banks, or between a bank and a QB or an NBFIs, other than an investment house: Provided, that at least twenty percent (20%) of the equity of each of the banks, QBs or NBFIs is owned by a holding company or a bank/QB and the interlocking arrangement is necessary for the holding company or the bank/QB to provide technical expertise or managerial assistance to its subsidiaries/affiliates.

Aforementioned concurrent officerships may be allowed, subject to the following conditions:

- (a) that the positions do not involve any functional conflict of interests;
- (b) that any officer holding the positions of president, chief executive officer, chief operating officer or chief financial officer or their equivalent may not be concurrently appointed to any of said positions or their equivalent;
- (c) that the officer involved, or his spouse or any of his relatives within the first degree of consanguinity or affinity or by legal adoption, or a corporation, association or firm wholly- or majority- owned or controlled by such officer or his relatives enumerated above, does not own in his/its own capacity more than twenty percent (20%) of the subscribed capital stock of the entities in which the bank has equity investments; and
- (d) that where any of the positions involved is held on full-time basis, adequate justification shall be submitted to the Monetary Board; or
- (4) Concurrent officership positions in the same capacity which do not involve

and are serving different markets or clients.

For purposes of determining interlocking directorship, a director and his/her spouse, whether legitimate or common-law shall be considered as one (1) and the same person.

- (2) *Interlocking directorships and officerships.* Interlocking directorships and officerships are allowed provided that the positions do not pose conflict of interests. For this purpose, the appointment should be consistent with the policy adopted by BSFI.
- (3) *Interlocking officerships.* As a general rule, interlocking officerships shall not be allowed except
 - (a) Held in the same capacity within a banking group as (i) corporate secretary, (ii) security officer, (iii) Chief Risk Officer, Chief Compliance Officer, Head of Internal Audit, or (iv) other positions performing similar functions as those in (i) to (iii) hereof; *Provided*, That: The assumption of interlocking officerships is consistent with the enterprise risk management approach of the BSFI end the banking group where the concerned entities belong.
 - (b) As corporate secretary or assistant corporate secretary between/among entities, which are not part of the same banking group/conglomerate; *Provided* that:
 - 1. Proof of disclosure to and consent from all of the involved entities on the interlocking officerships are obtained; and
 - 2. The position does not pose conflict of interest and that the officer holding interlocking positions will still be able to denote sufficient time and attention to effectively carry out his/her duties and responsibilities.
- (4) Consistent with Section 6 of Presidential Decree No. 129, as amended by Batas

management functions, i.e., internal auditor, corporate secretary, assistant corporate secretary and security officer, between a bank and one or more of its subsidiary QB/s and NBFIs, or between bank/s, QB/s and NBFIs, other than investment house/s: Provided, That at least twenty percent (20%) of the equity of each of the banks, QBs and NBFIs is owned by a holding company or by any of the banks/QBs within the group.

- (5) Concurrent officership positions as corporate secretary or assistant corporate secretary between bank/s, QB/s and NBFIs, other than investment house/s, outside of those covered under Item "c(4)" above: *Provided*, That proof of disclosure to and consent from all of the involved FIs, on the concurrent officership positions, shall be submitted to the Bangko Sentral.

For purposes of this Section, members of a group or committee, including sub-groups or sub-committees, whose duties include functions of management such as those ordinarily performed by regular officers, shall likewise be considered as officers. It shall be the responsibility of the corporate governance committee to conduct an annual performance evaluation of the board of directors and senior management. When a director or officer has multiple positions, the committee should determine whether or not said director or officer is able to and has been adequately carrying out his/her duties and, if necessary, recommend changes to the board based upon said performance/review.

The general principles and standards that will govern the business relationships between banks and their related NGOs/foundations engaged in retail microfinance are found in Appendix 23.

Pambansa Blg.66, entitled "Governing the Establishment, Operation and Regulation of Investment Houses," the Bangko Sentral hereby allows interlocking directorship and officerchip between a bank and an investment house subject to the requirements of this Section and other applicable laws and regulations: *Provided, however*, That interlocking officerships between a bank and an investment house may only be allowed where the majority or all of the equity of the investment houses is owned by the bank.

- c. **Approval of interlocking positions.** The board of directors or the appropriate authority designated in the BSFI shall approve the interlocking positions held by directors and officers of a BSFI. The documents supporting the approval shall reflect the assessment done by the approving authority consistent with the policy adopted in the BSFI and the expectations in this Section.
- d. **Transitory Provisions.** BSFIs shall reassess existing interlocking positions held by directors and officers, including those previously approved by the Bangko Sentral, considering the principles set out in this Section and the internal policy adopted. BSFIs shall address issues noted in the assessment of interlocking positions in the election of directors and appointment of officers to fully comply with the provisions of this Section by 30 June 2022.
- e. **Reports.** BSFIs shall submit an annual report of all interlocking positions of its directors and officers within twenty (20) banking days from the end of each reference year starting 31 December 2021.

BSFIs shall keep a complete record of all interlocking positions of its directors and officers, and documentation of the assessments conducted by the board of directors or appropriate authority designated in the BSFI on existing and new interlocking positions, and shall maintain a system of updating said records which shall be made available during examination by the Bangko Sentral or when required for submission for verification.

d. Secondment

A BSFI may second or transfer its employee to another entity for temporary assignment: *Provided*, that it has a board-approved policy on secondment and that the transfer of the employee is approved by the appropriate authority of the BSFI: *Provided, further*, That the secondee or the transferred employee shall relinquish all his duties, responsibilities, and authorities in the BSFI, and shall receive remuneration and other incentives from the host entity. BSFIs shall submit a notice within ten (10) banking days from the approval of secondments of employees to the appropriate supervising department of the Bangko Sentral.

e. Representatives of government

The provisions of this Section shall apply to persons appointed to such positions as representatives of the government or government-owned or controlled entities holding voting shares of stock of banks unless otherwise provided under existing laws.

f. Enforcement Actions. The Bangko Sentral shall deploy enforcement actions to promote adherence to the requirements set forth in this Section and bring about timely corrective actions. The Bangko Sentral shall issue directives or sanctions on the BSFI and responsible persons which may include restrictions or prohibitions from certain authorities/activities; and warning, reprimand, suspension, removal and disqualification of concerned BSFI directors, and officers. The Bangko Sentral shall disallow interlocking directorships and officerships or direct the BSFI to amend its internal policy on interlocking positions if the Bangko Sentral deems that the interlocking positions pose conflict of interest which give rise to excessive concentration of economic power, unfair competitive advantage, and abusive practices.

g. Secondment. A BSFI may second or transfer its employee to another entity for temporary assignment: *Provided*, that it has a board-approved policy on secondment and that the transfer of the employee is approved by the appropriate authority of the BSFI: *Provided, further*, That the secondee or the transferred employee shall relinquish all his duties, responsibilities. and authorities in the BSFI. and shall receive remuneration and other incentives from the host entity. BSFIs shall submit a notice within ten (10) banking days from the approval of secondments of employees to the appropriate supervising department of the Bangko Sentral.

h. Representatives of government. The provisions of this Section shall apply to representatives of the government or government-owned or controlled entities appointed as directors or officers in BSFIs, unless otherwise covered under existing laws.

Section 161 of MORB & Section 161-Q of MORNBF: Interlocking directorships and/or officerships.

xxx
Responsibilities of the board of directors and senior management. xxx
The board of directors shall ensure that BSFI personnel and affiliated parties adhere to the pre-defined compliance standards of the BSFIs. Implementation of the compliance program rests

xxx
Responsibilities of the board of directors and senior management. xxx
The board of directors shall ensure that BSFI personnel and affiliated parties adhere to the pre-defined compliance standards. Senior management, through the CCO, xxx.

collectively with senior management, of which the CCO is the lead operating officer on compliance. Senior management, through the CCO, xxx
xxx

Section 346 of MORB: Reportorial requirements.

xxx
Reportorial requirements. Each bank shall maintain a record of loans, other credit accommodations and guarantees covered by these regulations in a manner and form that will facilitate verification of such transactions by Bangko Sentral examiners.

xxx
Reportorial requirements. Each bank shall maintain a record of loans, other credit accommodations and guarantees covered by these regulations in a manner and form that will facilitate verification of such transactions by Bangko Sentral examiners.

The appropriate supervising department of the Bangko Sentral may require banks to furnish such data or information as may be necessary for purposes of implementing the provisions of the foregoing rules.

The appropriate supervising department of the Bangko Sentral may require banks to furnish such data or information as may be necessary for purposes of implementing the provisions of the foregoing rules.

Financing plans and amendments thereto shall be submitted to Bangko Sentral within thirty (30) calendar days from approval thereof by the bank’s board of directors. The appropriate supervising department of the Bangko Sentral may require the banks concerned to submit a regular report monitoring the various transactions under the bank’s financing plans for officers/employees.

All banks providing financial assistance to bank officers/employees shall submit a report on “Availments of Financial Assistance to Officers and Employees” to the Bangko Sentral within fifteen (15) banking days after end of reference semester.

Section 135 of MORB: Remuneration and Other Incentives

xxx
Profit sharing programs. xxx

Loans, advances, and other credit accommodations to officers.
xxx. BSFIs shall submit the board-approved purposes for the grant of loans, advances, or any other forms of credit accommodations to officers for approval of the Bangko Sentral. The guidelines and contractual provisions implementing said

xxx
Profit sharing programs. xxx

Loans, advances, and other credit accommodations to officers.
xxx. BSFIs shall submit the board approved purposes for the grant of loans, advances, or any other forms of credit accommodations to officers for approval of the Bangko Sentral within twenty (20) banking days from approval thereof of the

defined purposes, and any subsequent changes thereto, shall on the other hand, be approved by the board of directors or a board-level committee.

Transitory provision. xxx.

- a. Funding by foreign banks. xxx
- b. Other conditions/limitations.

xxx

Banks providing financial assistance to their officers/employees shall submit a regular report on “availments of financial assistance to officers and employees” to the Bangko Sentral within fifteen (15) banking days after end of reference semester.

The appropriate supervising department of the Bangko Sentral may further require banks to submit such data or information as may be necessary to facilitate verification of such transactions by Bangko Sentral examiners.

BSFI's board. The guidelines and contractual provisions implementing said defined purposes, and any subsequent changes thereto, shall on the other hand, be approved by the board of directors or a board-level committee.

Transitory provision. xxx.

- c. Funding by foreign banks. xxx
- d. Other conditions/limitations.

xxx

BSFIs providing financial assistance to their officers/employees shall maintain a record of “availments of loans, advances, or any other forms of credit accommodations to officers and employees” and keep on file the board-approved purposes, guidelines and contractual provisions of the loans, advances, and other credit accommodations to officers/employees. The appropriate supervising department of the Bangko Sentral may further require BSFIS to submit/make available such data or information as may be necessary to facilitate the review/verification of such transactions by the Bangko Sentral.

xxx

For the full version of this issuance, kindly see [Circular No. 1129, Series of 2021 Amendments to Corporate Governance Guidelines for BSP-Supervised Financial Institutions](#)

For the previous version, kindly see [MORB 2018 Manual of Regulations for Banks](#) and [MORNBF 2018 Manual of Regulations for Non-Banks](#)

CIRCULAR LETTER NO. CL-2021-090 Open Finance Oversight Committee Transition Group

On the 18th day of November 2021, the BSP issued a letter that notifies all BSP-Supervised Financial Institutions (BSFIs) and Other Relevant Stakeholders that in its Resolution No. 1547 dated 11 November 2021, BSP recognized the Open Finance Oversight Committee Transition Group (OFOC TG) as the interim governing body that will lead the constitution of the formal OFOC and will facilitate the formulation of policies and standards, which cover, among others, the participation arrangements, technical standards, and other common guidelines. This is pursuant to BSP Circular No. 1122, Series of 2021. The OFOC TG's role in policy and standard development shall extend to pilot implementations under the Open Finance regulatory sandbox. It will be supported by the BSP through the Technology Risk and Innovation Supervision Department (TRISD) to plan and execute all required activities.

The subject of BSP Circular No. 1122, Series of 2021 is the Open Finance Framework which aims to empower customers by giving them better control over their personal and financial data catalyzing the development of products and services that are responsive to their needs.

With this, the BSP will appoint representatives from Universal and Commercial Banks (UKBs), Thrift Banks (TBs), Rural Banks (RBs), Digital Banks, E-Money Issuers (EMIs), Operators of Payment Systems (OPS), and the FinTech Industry to be members of the OFOC TG.

The OFOC TG shall carry out its activities until such period that the formal OFOC has been established, but shall not exceed the maximum term of two (2) years from its inception. Membership to the OFOC TG may be modified at any point, subject to review and approval of the BSP.

Full issuance for the Open Finance Oversight Committee Transition Group can be seen in [Circular Letter No. CL-2021-090](#)

Full Issuance for the Open Finance Framework mentioned above can be seen in [Circular No. 1122, Series of 2021](#)

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Editorial Board

- **Anthony D. Paño**
Quality Assurance Partner/
Head of QAU
anthony.pano@rsbernaldo.com

- **Mary Rose A. Lorilla**
Assistant Quality Assurance Manager/
Quality Assurance Leader
rose.lorilla@rsbernaldo.com

- **Charmaine S. De Guzman**
Senior Auditor/
Assistant Quality Assurance Leader
charmaine.deguzman@rsbernaldo.com

- **Baby Joy A. Bautista**
Quality Assurance Associate/
Engagement Quality Control
Review Leader
babyjoy.bautista@rsbernaldo.com

- **Sandae E. Dela Torre**
Quality Assurance Associate/
Ethics Leader
sandae.delatorre@rsbernaldo.com

- **Janna J. Pacis**
Quality Assurance Associate/
Learning and Training Leader
janna.pacis@rsbernaldo.com

- **Yves Michael O. Anadon**
Quality Assurance Associate/
Consultation Leader
yvesmichael.anadon@rsbernaldo.com