



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1193 Series of 2024

Subject: Amendments to Section 911/911-Q of the Manual of Regulations for Banks (MORB)/Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) - Money Laundering (ML)/Terrorist Financing (TF)/Proliferation Financing (PF) Risk Reporting and Notification Requirements

The Monetary Board, in its Resolution No. 428 dated 18 April 2024, approved the amendments to the provisions of Section 911 of the Manual of Regulations for Banks (MORB) and Section 911-Q of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI)¹ covering the ML/TF/PF risk reporting and notification requirements for BSP-supervised financial institutions (BSFIs). This shall enable the Bangko Sentral to have timely and accurate information on significant risk events arising from ML/TF/PF-related activities and/or transactions, as part of its risk-based anti-money laundering and countering the terrorism and proliferation financing (AML/CTPF) supervision.

Section 1. Sections 911/911-Q of the MORB/MORNBFI, as amended by BSP Circular Nos. 1154 and 1182, Series of 2022 and 2023, respectively, are hereby amended to read as follows:

911/911-Q RISK MANAGEMENT

All covered persons shall develop sound risk management policies and practices to ensure that risks associated with money laundering (ML)/terrorist financing (TF)/proliferation financing (PF), such as reputational, operational, and compliance risks, are identified, assessed, monitored, mitigated and controlled, as well as to ensure effective implementation of this Part, to the end that covered persons shall not be used as a vehicle to legitimize proceeds of unlawful activity or to facilitate or finance terrorism, proliferation of weapons of mass destruction, and PF. This shall include, among others, the adoption of proportionate mechanisms aligned with covered person's risk profile to timely detect significant threats or key sources of ML/TF/PF risks events which may warrant reporting/notification to the Board of Directors and/or Senior Management and to the Bangko Sentral.

x x x

Risk Assessment. x x x

New products and business practices risk assessment. x x x

ML/TF/PF Risk Reporting and Notification Requirements. The sound identification and management of ML/TF/PF risks are critical in ensuring the sustained resilience and integrity of the financial system, in general, as well as the safety and soundness of the covered persons, in particular. A critical component of a covered person's risk assessment and management process is the timely collection and analysis of relevant data, including risk events. In this regard, covered persons shall submit a report covering data and information on significant risk events arising from ML/TF/PF-related incidents

¹In relation to Sections 601-S/501-P/601-N/101-T of the MORNBFI.

or activities that may have a material effect to the covered person and/or the financial system. This report shall enable the Bangko Sentral to promptly identify and respond to emerging risks and supervisory concerns as well as calibrate supervisory risk assessments, strategies, and activities, among others.

- a. **Reporting requirements.** Covered persons are required to submit ML/TF/PF Risk Event Report to the Bangko Sentral within twenty-four (24) hours from the date of knowledge or discovery of occurrence (i.e., from the time the event has been known or should have been known by the covered person) of any significant ML/TF/PF risk event. An ML/TF/PF Risk Event refers to ML/TF/PF-related incident that may present material and/or adverse impact to the covered person, the financial system's posture, or erode public confidence therein.

In determining whether an ML/TF/PF risk event is significant and reportable, the following shall be considered:

- (1) The amount involved represents one (1) percent or more of the covered person's total qualifying capital; or
- (2) Regardless of the amount involved, the covered person has determined that the ML/TF/PF-related incident has a material impact on the covered person and/or the financial system, such as those affecting significant number of customers or counterparties, with cross-border element, or those covered/may be widely covered in adverse media reports.

- b. **Procedures for reporting to Bangko Sentral.** The ML/TF/PF Risk Event Report shall contain, at a minimum, the following information:

- (1) date of knowledge or discovery of occurrence of the event or incident;
- (2) brief description of the event/incident, such as nature, type of the transaction/product, delivery channel used, and amount involved;
- (3) initial root cause of the event/incident, if determined, and response/actions taken/to be taken by the covered person thereto; and
- (4) impact to the covered person based on initial assessment (i.e., in terms of financial/operational/reputational losses).

The Bangko Sentral may require the covered person to provide additional information, documents, and/or updates, as necessary. The Bangko Sentral may also conduct special or overseeing examination, as warranted, to verify, among others, the root cause of the incident, assess the impact to the covered person and/or the financial system, if any, and identify areas for improvement to strengthen the overall ML/TF/PF risk management framework.

- c. **Compliance with other risk reporting and notification requirements.** Compliance with ML/TF/PF risk event report shall not preclude covered persons from complying with other existing regulations of the Bangko Sentral on reporting crimes and losses and event-driven reporting and notification pursuant to Sections 173/172-Q/162-S/161-P/901-N/183-T (Report on Crimes and Losses) and Sections 148/147-Q/145-S/142-P/126-N (Reporting and Notification Standards), respectively. In case the ML/TF/PF risk event also qualifies as a major cyber-related incident, the submission of event-driven reporting and notification to the Bangko Sentral will be considered compliance with ML/TF/PF risk event report. On the other hand, ML/TF/PF risk event report covering an incident which also qualifies for reporting under operational risk event report² and/or reputational risk report³, shall no longer require separate

² Sections 146/146-Q/125-N/163-T (Notification and Reporting to Bangko Sentral)

³ Sections 155/151-Q/148-S/145-P/129-N/128-T (Risk Monitoring and Reporting), pursuant to BSP Circular No. 1114, Series of 2021

reporting for both operational and reputational risks notification pursuant to existing regulations.

- d. **Supervisory Enforcement Actions.** Non-compliance with the reporting requirements on Risk Event Report will be subject to applicable monetary penalty pursuant to Sections 1102/1102-Q, as amended.

Further, consistent with Sections 002/002-Q/002-S/002-P/001-N/002-T, the Bangko Sentral may deploy its range of enforcement actions to promote adherence to the requirements set forth in this Section and bring about timely corrective actions.

Section 2. Appendix 7/Q-3/S-2/P-7/N-1/T-4 of the MORB/MORNBFI is hereby amended to include the following:

Category	Form No.	MOR Ref.	Report Title	Frequency	Submission Deadline	Submission Procedure/ e-mail Address
B	Unnumbered	Sections 911/911-Q/ 601-S/ 501-P/ 601-N/ 101-T	ML/TF/PF Risk Event Report	As risk event/ incident occurs	Within twenty-four (24) hours from knowledge or discovery of occurrence thereof	fsid-rer@bsp.gov.ph

Section 3. Effectivity. This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general publication.

FOR THE MONETARY BOARD:


BERNADETTE ROMULO-PUYAT
Officer-in-Charge

29 April 2024