



# BANGKO SENTRAL NG PILIPINAS

## CIRCULAR NO. \_\_\_\_ Series of 2022

### OFFICE OF THE GOVERNOR

#### **Subject: Guidelines on Digital Financial Marketplace Model**

The Monetary Board, in its Resolution No. \_\_\_\_ dated \_\_\_\_\_, approved the guidelines governing the activities in a digital financial marketplace model by universal banks, commercial banks, digital banks, and electronic money issuers.

**Section 1.** Section \_\_\_\_ is hereby added to the Manual of Regulations for Banks (MORB)/Manual of Regulations for Non-Bank Financial Institutions (MORNBI), to read as follows:

#### **Section \_\_\_\_ DIGITAL FINANCIAL MARKETPLACE MODEL**

**Policy statement.** Complementary to the implementation of Open Finance Framework, the Bangko Sentral foresees the emergence of new business models and arrangements which will further drive innovation in the financial sector and bring more value to customers.

In this light, the Bangko Sentral supports the adoption of a digital financial marketplace model where banks and electronic money issuers (EMIs), as ecosystem drivers, forge strategic and meaningful partnerships with other financial service providers to empower consumers and enable them to access a range of select financial products and services through a one-stop-shop platform.

Underpinning the adoption of a digital financial marketplace model are sound governance and risk management system, including an effective information sharing arrangement to ensure that attendant risks are adequately managed, and consumer interests are protected.

**Definition.** For purposes of this Section, the following terms shall apply:

- a. *Digital financial marketplace model* shall refer to a platform-based business model enabled by ecosystem partnerships between a universal bank (UB), commercial bank (KB), digital bank, or EMI and other financial

service providers where the latter may use the digital marketplace owned and operated by the bank or EMI in offering select products and services to bank or EMI clients, for a fee or commission.

- b. A *digital financial marketplace* shall refer to a digital platform and/or electronic channel that serves as access point for bank or EMI clients to a range of financial services offered by multiple financial service providers.
- c. A *financial service provider* shall refer to any third-party entity, whether a bank or a non-bank financial institution, providing financial products or services which is duly licensed or supervised by either the Bangko Sentral, the Securities and Exchange Commission (SEC) or the Insurance Commission.
- d. *Digital financial marketplace activities* shall include the accreditation, regular monitoring and review of financial service providers and the products and services offered, the operations and maintenance of the digital financial marketplace, and other activities related to the marketplace agreements.
- e. *Marketplace participants* shall collectively refer to the bank or EMI operating the digital financial marketplace and their accredited partner financial service providers.

***Authority to engage in digital financial marketplace operations.*** UBs, KBs, digital banks and EMIs may engage in digital financial marketplace operations subject to compliance with the prudential criteria as set forth in Sec. 111 (*Prudential Criteria*): *Provided*, that the bank or EMI has a net worth or combined capital of at least P1 billion computed in accordance with Sec. 121/121-Q; *Provided further*, That the bank or EMI holds an Advanced Electronic Payments and Financial Services (EPFS) license for the digital financial marketplace platform, including any changes or enhancements thereto, as may be applicable, subject to the requirements provided under Sec. 701 (*Requirements for the grant of authority to offer EPFS*) and *Appendix 141*.

Upon determination that it is compliant with the foregoing conditions, the bank or EMI shall notify the appropriate supervising department of the Bangko Sentral and the Technology Risk and Innovations Supervision Department in writing of the plan to engage in digital financial marketplace operations at least thirty (30) days prior to launching or implementation. The notification letter shall

be signed by the president of the bank or EMI, or the country officer in the case of branches of foreign banks. The notification shall include details on the digital financial marketplace strategy and a self-assessment of its compliance with the prudential requirements mentioned above. In addition to the notification letter, the bank or EMI shall submit the following:

- a. Secretary's certificate on the approval of the board of directors of the digital financial marketplace strategy; and
- b. Certification signed by the president of the bank or EMI, or the country officer in the case of branches of foreign banks, and compliance officer, stating of the bank's/EMI's compliance with pertinent rules and regulations on digital financial marketplace model.

***Governance and management of digital financial marketplace risks.*** The board of directors of the bank or EMI shall be responsible for the approval and regular review of the digital financial marketplace strategy, as well as the oversight of the implementation of a risk management process commensurate to the size, complexity, and scope of operations of the bank or EMI. In this respect, the board shall consider how the digital financial marketplace strategy aligns with the overall strategy of the bank or EMI. The board shall also ensure that appropriate policies, procedures, and controls are in place to identify, measure, monitor and control the risks relating to digital financial marketplace activities, particularly on information technology, cybersecurity and threats, operational, consumer protection, money laundering/terrorist financing, and reputational risks. The board shall likewise ensure the adoption of well-defined policies and procedures that establish and delineate the duties and responsibilities of the marketplace participants.

In formulating the digital financial marketplace strategy, the bank or EMI shall identify the target customer segments and articulate the criteria in identifying and screening financial service providers with whom to create and maintain partnerships with, the products and services to be made available in the digital financial marketplace, the extent of integration or collaboration with said providers, and the services to be provided by the bank or EMI, among others.

***Accreditation, regular monitoring, and review of financial service providers.*** The bank or EMI shall exercise due care and diligence in carrying out digital financial

marketplace activities. The bank or EMI shall establish policies and criteria for accrediting financial service providers as partners in the digital financial marketplace considering at the minimum the following:

- a. Reputation, ownership structure (including the conglomerate structure where the financial service provider belongs, as applicable), governance structure, technical expertise, and operational capability;
- b. Financial performance and condition (e.g., the ongoing viability, outstanding commitments, capital/funding strength, liquidity and operating results);
- c. Operations and internal control environment (e.g., internal controls, cybersecurity controls, compliance to data privacy, records retention, business continuity and contingency plans, systems development and maintenance, and employee background checks);
- d. Consumer assistance mechanism;
- e. Anti-money laundering/combating terrorist financing measures adopted; and
- f. Compliance with the provisions of the digital financial marketplace agreements, performance standards, and adherence to applicable laws, regulations, and supervisory expectations.

The bank or EMI shall maintain necessary documentation to support that digital financial marketplace arrangements with financial service providers have been duly reviewed and have undergone the necessary due diligence. These documents shall be made available when requested by the Bangko Sentral for inspection. These shall, at a minimum, include the following:

- a. Profile of the financial service provider;
- b. Secretary's certificate on the minutes of meetings of the board of directors of both the bank or EMI and the financial service provider on the approval to use the former's digital financial marketplace for the offering and delivery of the latter's financial products or services;
- c. Audited financial statements of the financial service provider for the last three (3) years;
- d. Registration and/or accreditation of the financial service provider from the respective regulator;

- e. Detailed description of the financial product/s or service/s and proof of approval or registration with the respective regulatory authority, if any;
- f. Contract between the bank or EMI and the financial service provider;
- g. Sample of contracts between the financial service provider and its clients; and
- h. Marketing materials.

The bank or EMI shall subject all its digital financial marketplace agreements to a continuing review considering, among others, the operational and reputational risks that may arise in this arrangement. In this regard, the bank or EMI is expected to develop an acceptable performance metrics that shall serve as basis in renewing the digital financial marketplace agreements. The results of the said review shall be regularly reported to the board of directors of the bank or EMI.

The bank or EMI shall maintain a central record of all digital financial marketplace agreements containing sufficient information on the financial service providers and the financial products or services being offered in the digital financial marketplace.

***Eligibility of financial products or services.*** Any financial product or service, including lending, deposit, insurance and investment products, among others, created by an accredited financial service provider may be offered in the digital financial marketplace: *Provided*, That such financial products or services have been duly approved by or registered with their respective regulatory authority, as applicable. The bank or EMI shall ensure that the financial service provider has conducted an in-depth assessment as to the nature and suitability of such financial products or services taking into account the needs, financial situation, and objectives of target customer segments. These financial products or services may include:

- a. Retail loan products such as home mortgage loans, credit card, motor vehicle loans, salary loans, and other consumer credit for other purposes;
- b. Other retail financial products such as cash cards, debit cards and other related products;
- c. Retail insurance products;

- d. Collective investment schemes (CIS) or pooled investment funds such as mutual funds and unit investment trust funds; and
- e. Other financial products or services as may be authorized by the Monetary Board.

Marketplace participants shall ensure that financial products or services offered and/or recommended to a client is appropriate for that client through conduct of a client suitability assessment process. In this respect, marketplace participants shall observe the client suitability guidelines set forth in Sec. 612, as applicable.

***Fair and balanced view of financial products.*** The bank or EMI shall ensure that consumers are provided with adequate and appropriate information to make informed choices on financial products or services. The bank or EMI must ensure that its partner-financial service providers present a fair and balanced view of the financial products or services by highlighting the purpose, product features, benefits, and associated material risks in their marketing materials and contract with customers. Such materials must not contain any information that is false or misleading.

a. *Marketing.* The bank or EMI shall ensure prominent display of the identity of the financial service provider in its marketing. The relevant marketing materials should clearly set out that the financial product or service is not a deposit and/or an obligation of the bank or EMI and are not guaranteed by the bank or EMI, as may be applicable. For this purpose, the disclosure statement: *"The financial product/s or service/s of (name of financial service provider) is/are not guaranteed by the (name of bank or EMI) and is/are not insured by the Philippine Deposit Insurance Corporation, in the case of non-deposit products"* must be shown, at the minimum, as may be applicable, using a legible font with text input of at least 16-pixel font size.

b. *Contract.* The following paragraph shall be indicated at the end of the contract in the print size as the rest of the contract, or font size 12 whichever is bigger, in capital letters and in bold font:

*"This contract is between (name of client) and (name of financial service provider). All transactions arising out of or related to this contract shall be binding only between these two (2) contracting parties. It is understood that this transaction is neither*

*insured by the Philippine Deposit Insurance Corporation (PDIC) (in the case of non-deposit products) nor guaranteed by the (name of bank or EMI)."*

**Consumer protection, privacy, and personal data protection.** The bank or EMI and its partner financial service providers shall be jointly responsible in designing, implementing, and monitoring the consumer protection risk management system. In this regard, an effective complaint handling and redress mechanism shall be established to ensure that any complaints that may arise from financial transactions executed in the digital financial marketplace are resolved in a fair, timely, and efficient manner. This mechanism shall form part of the agreement between the bank or EMI and the financial service provider. For this purpose, the bank or EMI shall adopt a centralized web-based complaints management system that is accessible to marketplace participants to facilitate recording, tracking, and reporting of customer complaints.

Marketplace participants shall also jointly ensure that financial and personal information of consumers are protected through appropriate control and protection mechanisms. These mechanisms should define the purposes for which consumer data may be collected, processed, held, used, and disclosed. The mechanisms should also acknowledge the rights of consumers to be informed about data-sharing, to access data and to obtain the prompt correction and/or deletion of inaccurate, or unlawfully collected or processed data. In this respect, marketplace participants shall adhere to the provisions on data privacy and data protection, and user consent and access to opt-in and opt-out mechanisms as set forth in Circular No. 1122 on *Guidelines for Adoption of Open Finance Framework*.

Non-compliance with the Bangko Sentral regulations on consumer protection, data privacy and data protection as prescribed under Part Ten of the MORB, Parts Ten of the Q-Regulations/Seven of the S-Regulations/Seven of the N-Regulations of the MORNBF, Circular No. 1122, and other consumer protection and data protection laws and regulations, shall be considered grounds for termination or non-renewal of digital financial marketplace agreements entered into with partner financial service providers.

The bank or EMI shall likewise recognize the rights of consumers to choose among product offerings. The customer is under no obligation to avail of bundled or tiered financial products or services being offered by the partner-financial service providers of the bank or EMI. In this regard, the customer may substitute equivalent

financial products offered by other reputable financial service providers.

**Record retention.** Documents evidencing compliance with this Section shall be retained for at least five (5) years unless an investigation is being conducted, or a criminal, civil, or administrative case has been filed in a competent judicial or administrative body where a client is involved or impleaded as a party to the case or investigation. In such cases, the above documents shall be preserved beyond the five (5)-year period until such time that a final judgment has been reached by the judicial or administrative body.

**Supervisory enforcement actions.** Consistent with Sec. 002, the Bangko Sentral may deploy enforcement actions to promote adherence with the requirements set forth in this Section and bring about timely corrective actions. The Bangko Sentral may issue directives to improve the management of digital financial marketplace operations or impose sanctions to limit the level of or suspend any business activity that has adverse effects on the safety or soundness of the bank or EMI, among others. Sanctions may likewise be imposed on a bank or EMI and/or its directors, officers and/or employees concerned.

**Section 2. Transitory Provision.** All digital financial marketplace agreements must be aligned with the provisions under this Section. Existing digital financial marketplace agreements which are not in accordance with this Section shall be terminated and renewed only upon compliance with the pertinent requirements.

This section shall be incorporated as part of Section \_\_\_\_ of the MORB/MORNBFI on *Digital Financial Marketplace*.

**Section 3.** 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

\_\_\_\_\_ 2022



