



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE DEPUTY GOVERNOR FINANCIAL SUPERVISION SECTOR

MEMORANDUM NO. M-2021-069

To : **All BSP-Supervised Financial Institutions (BSFIs)**

Subject : **Compliance with the BSP Financial Consumer Protection Framework**

The financial system continues to rapidly evolve in light of the accelerated digitalization and emergence of new threat actors and escalation of existing risk exposures. In this light, BSP Supervised Financial Institutions (BSFIs) are expected to adopt effective risk management systems and adhere to prudential standards and requirements to contribute to the sustained safety and soundness of the financial system. These include protecting the interest and upholding the trust and confidence of consumers and the general public in the financial system.

Banks, which are endowed with the authority to accept deposits from the public, are required to exercise a high degree of diligence, if not utmost care, in providing financial services. In particular, jurisprudence charge banks with the obligation to treat their client's account with the highest degree of care, considering the fiduciary nature of their relationship with the depositors.

The BSP reminds all BSFIs to comply with the provisions of BSP Circular No. 1048 dated 06 September 2019 on the Financial Consumer Protection Framework. In this respect, the BSP reiterates the need to uphold the "Fair Treatment" principle whereby BSFIs are required to observe fair and equitable terms and conditions, among other things, specifically, that *"Terms and conditions are not unfair in that there is significant imbalance in the parties' rights and obligations arising under the contract, to the detriment of the consumer."* Thus, any broad and all-encompassing disclaimer of legal liability on the part of the bank for any losses incurred by their customers is not in conformance with the above-cited regulation.

BSFIs are likewise expected to have in place a Consumer Protection Risk Management System and Consumer Assistance Mechanism that ensure systematic application of the Consumer Protection Standards of Conduct provided under Circular No. 1048. Said standards should reflect the core principle of "do no harm". Practices that harm consumers introduce risks not only at the level of the financial institution, but also to the overall health of the financial sector particularly through decreased public trust and confidence.

Non-compliance with the provisions of the aforementioned Circular shall be subject to supervisory enforcement action/s.

For information and strict compliance.

CHUCHI G. FONACIER
Deputy Governor

22 December 2021