



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1140
Series of 2022

Subject: Amendments to Regulations on Information Technology Risk Management

The Monetary Board, in its Resolution No. 375 dated 17 March 2022, approved the amendments incorporating requirements on the adoption of robust fraud management systems and reinforced consumer education and awareness programs to Section 148 and Appendix 79 of the Manual of Regulations for Banks (MORB) and Sections 147-Q/145-S/142-P/126-N and Appendix Q-66 of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI). These amendments aim to strengthen cybersecurity posture and minimize losses arising from fraud and cybercriminal activities.

Section 1. Section 148 of the MORB and Sections 147-Q/145-S/142-P/126-N of the MORNBFI (IT Risk Management System) on IT controls implementation for electronic products and services shall be amended, as follows:

148/147-Q/145-S/142-P/126-N. INFORMATION TECHNOLOGY RISK MANAGEMENT¹

"xxx

5. Electronic products and services. xxx

BSFIs should protect customers from fraudulent schemes done electronically. Otherwise, consumer confidence on the use of electronic channels as safe and reliable method of making transactions will be eroded. To mitigate the impact of cyber fraud, BSFIs should adopt aggressive security posture such as the following:

- (a) xxx;
- (b) xxx;
- (c) xxx; and

¹ Xxx BSFIs shall comply with the foregoing standards until 31 December 2022. In this regard, BSFIs should be able to show its plan of actions with specific timelines, as well as the status of initiatives being undertaken to fully comply with the provisions of this Circular, upon request of the Bangko Sentral starting 1 September 2022.

(d) Implement automated and real-time fraud monitoring and detection systems to identify and block suspicious or fraudulent online transactions. The expected sophistication and capabilities of BSFIs' fraud monitoring systems (FMS) should be commensurate to the risks associated with their digital financial and payment platforms. As fraud and cyber threats evolve, the FMS should be constantly calibrated to be able to process surges in transactions, collectively analyze customer profiles/behavior, and detect new fraud patterns. To ensure robustness and effectiveness in early detection and prevention of fraudulent and suspicious activities, it is optimal that the FMS is able to collect, monitor, and analyze transactions from all channels. Moreover, the FMS and AML systems should be linked or integrated to have a cohesive and comprehensive financial crime prevention system in accordance with Section 803/801-Q/501-S/401-P/502-N.

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Section 2. Appendix 79 of the MORB and Appendix Q-66 of the MORNBFI on consumer awareness shall be amended, as follows:

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4.3.3 Consumer Awareness. Customer education is a key defense against fraud, identity theft and security breach. Therefore, BSFIs should pay special attention to the provision of easy to understand and prominent advice to its customers on security precautions for e-services. As an integral part of their customer onboarding process, BSFIs shall ensure that their clients have undertaken a pre-requisite consumer education course/program on the safe and secure use of electronic payment and financial services (EPFS), including the associated risks. To effectively capture the customer's attention and interest and reinforce their awareness and understanding of risks, BSFIs should explore the use of interactive platforms/materials such as but not limited to video clips, online quizzes, infographics, etc. BSFIs shall likewise adopt a program aimed at promoting continuing awareness and constantly reminding its clients on the safe and secure use of EPFS, including the associated risks.

BSFIs should maintain and continuously evaluate its consumer awareness program. Methods to evaluate a program's effectiveness include tracking the number of customers who report fraudulent attempts to obtain their authentication credentials, the number of clicks on information security links on websites, the number of inquiries, etc. *Annex "C"* provides for the minimum Consumer Awareness Program that the BSFI should convey to its customers.

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Section 3. Supervisory Enforcement Actions. Consistent with Section 002 of the MORB and Sections 002-Q, 002-S, 002-P and 002-N of the MORNBF, the Bangko Sentral may deploy enforcement actions to promote adherence to the requirements set forth in this Circular and ensure timely implementation of preventive and/or corrective measures as needed. As part of its enforcement actions, the BSP may impose corrective actions and/or sanctions to improve the BSFI's risk management systems and processes or limit the level of or suspend any business activity that has adverse effects on the safety or soundness of the BSFI, among others. Sanctions may likewise be imposed against a BSFI and/or its directors, officers and/or employees.

Section 4. The following transitory provision shall be incorporated as footnote to Section 148/147-Q/145-S/142-P/126-N as follows:

BSFIs shall comply with the foregoing standards until 31 December 2022. In this regard, BSFIs should be able to show its plan of actions with specific timelines, as well as the status of initiatives being undertaken to fully comply with the provisions of this Circular, upon request of the Bangko Sentral starting 1 September 2022.

Section 5. Effectivity Clause. This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or any newspaper of general circulation.

FOR THE MONETARY BOARD:



BENJAMIN E. DIOKNO
Governor

24 March 2022