



# BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

## CIRCULAR NO. 1189

Series of 2024

**Subject : Updated Manual of Regulations for Banks and Non-Bank Financial Institutions as of 31 December 2021**

The Monetary Board, in its Resolution No. 164 dated 8 February 2024, approved the following amendments to the Manual of Regulations for Banks (MORB) and Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) that were updated as of 31 December 2021.

**Section 1.** Section 902-N of the MORNBFI on Virtual Asset Service Providers (VASP), is hereby amended to add the transitory provisions provided under Sec. 3 of Circular No. 1108 dated 26 January 2021 as a footnote reference. The said Section shall now read, as follows:

### **902-N VIRTUAL ASSET SERVICE PROVIDERS (VASP)<sup>1</sup>**

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- <sup>1</sup> Bangko Sentral-registered Virtual Currency Exchanges, as well as VASPs currently operating without Bangko Sentral approval, shall apply for a Certificate of Authority not later than three months from 16 February 2021. Upon submission of the application, said entities may continue to operate their business unless instructed otherwise.

All VASPs must also comply with the applicable requirements prescribed in this Section within six (6) months from 16 February 2021. Failure to comply with these requirements shall subject the entity to the appropriate enforcement action provided under Sec. 001-N.

**Section 2.** Item "a(2)" under Section 146-Q/125-N/163-T of the MORNBFI on *Management of human resource-related risk* is hereby amended to provide the appropriate cross-reference under the Q-regulations given the provisions of Section 1 of Circular No. 1112 dated 8 April 2021. The said Sections shall now read, as follows:

### **146-Q/125-N/163-T OPERATIONAL RISK MANAGEMET**

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***Management of human resource-related risk.*** xxx BSFIs shall ensure that there are adequate policies and risk management and control measures in the following areas:

- a. Recruitment and Selection. The board shall establish efficient process that will facilitate timely recruitment and selection of personnel from a broad pool of candidates with appropriate educational background, skills, experience, character, integrity, and competencies to fulfill the duties and responsibilities of the function. This process shall include:

(1) xxx

(2) *Screening the applicants against the Bangko Sentral records.* As part of the background screening procedures, the Human Resource Department of the BSFI shall require all those who passed the initial stages of pre-employment screening to accomplish the Authorization Form for Querying (AFQ) the Bangko Sentral Records shown in *Appendix Q-44. xxx.*

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**Section 3.** Section 145 of the MORB on Liquidity Risk Management is hereby amended to add the provisions on the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) for Islamic banks and Islamic banking units as provided under Section 5 of Circular No. 1116 dated 25 May 2021. The said Section shall now read, as follows:

#### **145 LIQUIDITY RISK MANAGEMENT**

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##### ***Net Stable Funding Ratio (NSFR). xxx***

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***Implementation of LCR and NSFR for IBs/IBUs.*** The minimum LCR and NSFR will be implemented following the timelines set out below:

| Observation Period                     | LCR and NSFR of 100%           |
|--|--------------------------------|
| 12 June 2021 until<br>31 December 2024 | 01 January 2025 and thereafter |

The availability of liquidity management instruments which are appropriate for IBs/IBUs is very limited. The observation period will provide ample time for the IBs/IBUs to strategize on their liquidity risk management system including choice of liquidity tools to mitigate the risks arising from their business activities. Likewise, this will be an opportune time for the Islamic interbank and money market system as well as the secondary markets for Islamic funds/products to develop and gain traction as the market players gradually meet the set regulatory standards.

***Requirements during the observation period for IBs/IBUs.*** For monitoring purposes, the IB shall submit within 30 banking days from end of the reference quarter, LCR and NSFR reports in a single currency. With regard to IBU, the conventional bank proper shall not consolidate the IBU activities in its bank-wide LCR and NSFR reports during the observation period. Instead, the IBU shall submit separate LCR and NSFR reports in a single currency within 30 banking days from end of the reference quarter. The submission of the LCR and NSFR reports shall be subject to the governance process on the quality of bank reporting under Sec. 171. Any non-compliance with reporting standards, or non-submission or delayed submission of such reports shall be subject to the monetary and non-monetary sanctions under Sec. 171.

The Bangko Sentral, on its part, shall continuously review and keep an open line of communication with stakeholders to ensure that the regulatory framework remains appropriate and relevant. As the domestic Islamic banking market is still in its early stage of development, the Bangko Sentral shall adopt a flexible approach on

regulatory compliance, including the submission of required reports. It shall engage and be responsive to the market players and new entrants to the Islamic banking system in implementing the minimum LCR and NSFR requirements.

While no interim target level shall be required during the observation period, the supervising department, as part of effective monitoring is expected to engage the IB/IBU on its degree of compliance with the LCR and NSFR. Moreover, there will be continuous dialogue/discussion with industry players to assess readiness for the strict implementation of the applicable LCR and NSFR as provided in this Section on LCR.

***Supervisory framework for the minimum prudential liquidity requirements.***

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**Section 4.** Section 629 of the MORB on *The Currency Rate Risk Protection Program (CRPP) Facility* is hereby amended to replace Appendix 104 (*Guidelines for the Treatment of Non-Deliverable Forwards Involving the Philippine Peso*) with Section 622 of the MORB. Appendix 104 of the MORB was deleted under Section 8 of Circular No. 1119 dated 7 June 2021 and transferred to Section 622 of the MORB (*Non-Deliverable Foreign Exchange Forward Contracts Involving the Philippine Peso*). The said Section shall now read, as follows:

**629 THE CURRENCY RATE RISK PROTECTION PROGRAM (CRPP) FACILITY**

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Banks' exposures arising from NDF transactions under the CRPP facility shall not be included in the computation of total gross NDF exposures for the purpose of determining compliance with the limit prescribed in Sec. 622. xxx.

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**Section 5.** The provisions under Section 622 of the MORB regarding the guidelines on *Forward and Swap Transactions* under the Manual of Regulations on Foreign Exchange Transactions or the FX Manual was deleted and replaced with *Non-Deliverable Foreign Exchange Forward Contracts Involving the Philippine Peso* pursuant to Section 3 of Circular No. 1119 dated 7 June 2021. Similarly, the same guidelines on *Forward and Swap Transactions* provided under Sec. 621-Q of the MORNBF1 was deleted under Section 8 of Circular No. 1119.

In relation to this, the MOR reference provided under Appendix 7/T-4 of the MORB/MORNBF1 on the "*Report on FX Swaps with Customers where 1st Leg is a Purchase of FX Against Pesos (For banks with derivatives license)*" is hereby amended to update the reference to Section 94 of the FX Manual from Section 622/621-Q of the MORB/MORNBF1. The said Appendices shall now read, as follows:

1. Appendix 7 of the MORB (Primary Reports/UBs and TBs)

| Category | Form No. | MOR Ref.            | Report Title  | Frequency | Submission Deadline                          | Submission Procedure         |
|----------|----------|---------------------|---|-----------|--|------------------------------|
| xxx      | xxx      | xxx                 | xxx   | xxx       | xxx  | xxx                          |
| B        | xxx      | Sec.94 of FX Manual | Report on FX Swaps with Customers <sup>1</sup> where 1st Leg is a Purchase of FX Against Pesos (For banks/TBs with derivatives license) | Monthly   | 5th banking day after end of reference month | e-mail at iod@bsp.gov.ph xxx |
| xxx      | xxx      | xxx                 | xxx   | xxx       | xxx  | xxx                          |

<sup>1</sup>Excluding cross country swaps

2. Appendix T-4 of the MORNBF1

| Category | Form No. | MOR Ref.             | Report Title   | Frequency | Submission Deadline                          | Submission Procedure         |
|----------|----------|----------------------|--|-----------|--|------------------------------|
| xxx      | xxx      | xxx                  | xxx  | xxx       | xxx  | xxx                          |
| B        | xxx      | Sec. 94 of FX Manual | Report on FX Swaps with Customers <sup>1</sup> where 1st Leg is a Purchase of FX Against Pesos (For trust corporation with derivative license) | Monthly   | 5th banking day after end of reference month | e-mail at iod@bsp.gov.ph xxx |
| xxx      | xxx      | xxx                  | xxx  | xxx       | xxx  | xxx                          |

<sup>1</sup>Excluding cross country swaps

**Section 6.** The provisions under Appendix 67/Q-38 (*Delivery of Government Securities to the Investor's Principal Securities Account with the National Registry of Scripless Securities*) of the MORB/MORNBF1 is hereby amended to replace Sec. 431/431-Q of the MORB/MORNBF1 to Sec. 631/631-Q of the MORB/MORNBF1. The provisions of Section 431/431-Q of the MORB/MORNBF1 were transferred to Section 631/631-Q of the MORB/MORNBF1 under Section 2 of Circular No. 1121 dated 8 June 2021. The said Appendices shall now read, as follows:

**DELIVERY OF GOVERNMENT SECURITIES TO THE INVESTOR'S PRINCIPAL SECURITIES ACCOUNT WITH THE NATIONAL REGISTRY OF SCRIPLESS SECURITIES**

*(Appendix to Secs. 631, 242 on Delivery of Securities, and 245 on Delivery of Securities/Appendix to Secs. 101-Q/201-Q/N (Delivery of securities), 631-Q and 1002-N)*

The following are the guidelines on the delivery of government securities xxx as compliance with the requirement of effective delivery under Secs. 242 (*Delivery of Securities*), 245 (*Delivery of Securities*) and 631/ Secs. 101-Q, and 201-Q/201-N (*Delivery of securities*), 201-Q (*Repurchase agreements covering government securities, commercial papers and other negotiable and non-negotiable securities or instruments*), 631-Q and 1002-N:

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- c. No new Investors Principal Securities Account shall be created unless the foregoing documents are submitted to the BTr. Otherwise, the dealing bank/QB/NBFI will be subject to the appropriate penalties prescribed under Sec.631/ Secs. 631-Q and 1002-N.

**Section 7.** Section 1151/1142-Q of the MORB/MORNBFi on regulatory relief framework is hereby amended to update the footnote reference under "*Regulatory relief package*" to include BSP memoranda issued in 2021 related to prudential regulatory relief measures for banks/NBFIs. The said Section shall now read, as follows:

**1151/1142-Q REGULATORY RELIEF POLICY**

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*a. Objectives*

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*d. Regulatory relief package*<sup>1</sup>

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<sup>1</sup> The Bangko Sentral deployed targeted and time-bound Coronavirus Disease 2019 (COVID-19) regulatory relief packages that facilitated the uninterrupted flow of financial services in the country through the issuance of various memorandum, such as: (a) M-2020-008 (*Regulatory Relief for BSFIs Affected by the COVID-19*) dated 14 March 2020 as amended by M-2020-032 dated 27 April 2020, M-2020-075 dated 27 September 2020 and M-2020-087 dated 2 December 2020, M-2021-026 dated 26 April 2021; (b) M-2020-011 (*Additional Operational Relief for BSFIs Affected by Measures to Manage the COVID-19 Situation and its Health and Safety Risk*) dated 19 March 2020, as amended by M-2020-025 dated 13 April 2020, M-2020-049 dated 9 June 2020, M-2020-057 dated 21 July 2020, M-2020-63 dated 7 August 2020 and M-2020-075 dated 27 September 2020, M-2021-026 dated 26 April 2021, M-2021-029 dated 07 May 2021; (c) M-2020-015 (*Relief Measure on Customer Identification to Manage the COVID 19 Situation*) dated 30 March 2020, as amended by M-2020-057 dated 21 July 2020, M-2021-029 dated 07 May 2021; (d) xxx; (e) M-2020-022 (*Reclassification of Debt Securities Measured at Fair Value to the Amortized Cost Category*) dated 8 April 2020 as amended by M-2021-003 dated 08 January 2021, M-2021-011 dated 02 February 2021; (f) xxx; (g) M-2020-039 (*Utilization of Basel III Capital and Liquidity Buffers*) dated 4 May 2020; (h) xxx; (i) M-2021-002 (*Regulatory Relief on the Non-imposition of Sanctions for Breach in*

*SBL by Foreign Bank Branches Established Prior to R.A. No. 10641);(j)M-2021-055 dated 19 October 2021 [Temporary Regulatory Relief on the Capital Treatment of Provisioning Requirements under the Philippine Financial Reporting Standard (PFRS) 9];(k) M-2021-056 dated 21 October 2021 (Regulatory Treatment of Restructured Loans for Purposes of Measuring Expected Credit Losses); and (l)M-2021-065 dated 23 November 2021 (Temporary Regulatory Relief for Banks that Offer Basic Deposit Accounts).*

**Section 8.** Appendix 145 of the MORB on *Cash Service Alliance (CSA) General Guidelines* is hereby replaced in its entirety with the revised CSA general guidelines issued under Memorandum No. M-2021-027 dated 23 April 2021, which incorporates the implementation of CSA in the Bangko Sentral Regional Offices and Branches as shown in Annex A.

**Section 9.** Sec. 386/363-Q/307-N of the MORB/MORNBFi on *Issuance of COEs* is hereby amended to add a footnote reference to the Bangko Sentral "*Guidelines for Obtaining a Certificate of Eligibility (COE) under Republic Act (R.A.) No. 11523, otherwise known as the Financial Institutions Strategic Transfer (FIST) Act*" that was issued under Memorandum No. M-2021-034 dated 4 June 2021. The said Section shall now read, as follows:

**386/363-Q/307-N SALE/TRANSFER AND INVESTMENT TRANSACTIONS OF BSFI  
PURSUANT TO R.A. NO. 11523, OTHERWISE KNOWN AS THE  
FINANCIAL INSTITUTIONS STRATEGIC TRANSFER (FIST) ACT**

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***Issuance of COEs***

A BSFI which intends to avail of the tax exemptions and fee privileges under the FIST Act shall apply for a COE in accordance with the Bangko Sentral's guidelines for obtaining a COE<sup>1</sup> under the FIST Act. The following transactions shall require a COE:

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<sup>1</sup> Issued under Memorandum No. M-2021-034 dated 4 June 2021 [*Guidelines for Obtaining a Certificate of Eligibility (COE) under Republic Act (R.A.) No. 11523, otherwise known as the Financial Institutions Strategic Transfer (FIST) Act*].

**Section 10.** The Sections/Appendices cited in certain Circulars issued in 2021 are renumbered to align with the new formatting conventions of the MORB/MORNBFi, as shown in Annex B.

**Section 11.** 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:

**ELI M. REMOLONA, JR.**  
Governor

27 February 2024

## Appendix 145

**CASH SERVICE ALLIANCE (CSA) GENERAL GUIDELINES**  
*(Appendix to Sec. 1113)*

The CSA General Guidelines shall facilitate the servicing of currency requirements of banks from the available fit currency holdings of other banks, and serve as a general reference guide that participating banks shall adopt in drafting their bilateral agreements in this regard.

CSA transactions shall take precedence over direct deposit to or withdrawal from the Bangko Sentral CD or Bangko Sentral ROB. Fit currencies and currency requirements that banks intend to deposit to or withdraw from the Bangko Sentral CD or Bangko Sentral ROB on the next banking day shall be posted in the CSA System.<sup>1</sup>

### **I. Stakeholders**

- a. Source bank - the bank with available fit currency holdings that will service the currency requirements of Client bank;
- b. Client bank - the bank that requested and received the fit currencies of Source bank;
- c. Bangko Sentral ng Pilipinas Cash Department (Bangko Sentral CD) - the unit that monitors postings and CSA transactions of banks servicing the Greater Manila Area;<sup>2</sup> and
- d. Bangko Sentral ng Pilipinas Regional Office/Branch (Bangko Sentral ROB) -the unit that monitors postings and CSA transactions of banks outside the Greater Manila Area.

### **II. Currency Quality and Packaging**

CSA transactions shall cover fit currencies. These are legal tender Philippine banknotes and coins of good quality such that genuineness is obvious. Specifically, to be considered fit for circulation, banknotes and coins should not exhibit the characteristics of unfit, mutilated or counterfeit currency as stipulated in Sec. 1111.

Fit currencies under the CSA shall conform with the following standards:

- a. For fit banknotes:
  - (1) Standard unit of fit banknotes shall be per bundle consisting of 1,000 pieces or ten (10) wrappers of 100 pieces of banknotes of the same denomination per wrapper;
  - (2) Each bundle of fit banknotes shall be properly shrink-wrapped;
  - (3) Wrapper strap binding the 100 pieces of fit banknotes shall be white in color and plainly marked with the following information:
    - (i) denomination and amount of currency;
    - (ii) date of Source bank's verification;
    - (iii) the printed name(s) and signature(s) of Source bank's verifier; and
    - (iv) the name of the Source bank.
  - (4) Fitness level of banknotes shall be in accordance with the standard level set by the Bangko Sentral;

<sup>1</sup> Pursuant to Appendix 84 - Guidelines and Procedures Governing Currency Deposits and Withdrawals of Banks for Credit to or Debit from their Demand Deposit Accounts with Bangko Sentral.

<sup>2</sup> Covers Metro Manila, Bulacan, Cavite, Laguna and Rizal.

- (5) Fit banknotes shall not be inserted with unfit, mutilated and counterfeit banknotes, and shall be free from pins, clips, staple wires, and stickers/adhesive residue; and
- (6) Fit banknotes shall be placed in a sealed clear plastic or duffle bag during transport.

b. For fit currency coins:

- (1) Standard unit of fit coins shall be per bag, sorted by series, and in accordance with the following quantity per denomination:

| Denomination | Pieces per bag | Amount per bag |
|--------------|----------------|----------------|
| 20-piso      | 1,000          | 20,000.00      |
| 10-piso      | 1,200          | 12,000.00      |
| 5-piso       | 1,500          | 7,500.00       |
| 1-piso       | 2,000          | 2,000.00       |
| 25-sentimo   | 3,000          | 750.00         |
| 10-sentimo   | 4,500          | 450.00         |
| 5-sentimo    | 5,000          | 250.00         |
| 1-sentimo    | 5,000          | 50.00          |

- (2) Each canvass bag shall be labeled with tags, one placed inside and another attached outside, containing the following information:

- (i) denomination, quantity and amount; and
- (ii) name of the Source bank.

- (3) Fit coins shall not be inserted with foreign coins, token coins and other objects, and shall be free from adhesive tapes.

### III. Settlement Option

Source bank and Client bank have the following options to settle the CSA transaction:

- a. Bangko Sentral Philippine Payment and Settlement System (PhilPaSS)

Client bank shall issue payment instruction through the Real Time Gross Settlement (RTGS) or PhilPaSS of Bangko Sentral to debit its Demand Deposit Account (DDA) and credit the DDA of Source bank.

- b. Direct debit to a maintained deposit account

The Client bank may agree to open/maintain a deposit account with the Source bank to facilitate automatic debit to settle CSA transactions.

- c. Issuance of Managers Check (MC)

Client bank shall issue an MC which can be presented directly to the Source bank.

The Bangko Sentral recommends banks to settle CSA transactions mainly through PhilPaSS (Option "a"). Settlement Option "b" (opening of account with the Source bank) and Option "c" (MC) shall be considered only if the same are more convenient and cost effective to both parties.



#### **IV. Bilateral Agreement between Source bank and Client bank**

CSA transactions shall be covered by a formal bilateral agreement between Source bank and Client bank. It shall be executed before their first CSA transaction and, at a minimum, shall include provisions for the following:

- a. The authority of designated representative/s of the Source bank and the Client bank as CSA Account Manager/s who will coordinate activities related to CSA, including approval of CSA transactions, shall be formalized.
- b. The responsibility for the transport of the subject fit currencies - Fit currencies shall either be delivered by the Source bank or picked-up by the Client bank.
- c. The mode of delivery of the subject fit currencies -The bank responsible for the transport of subject fit currencies shall use its own armored vehicle service or hire the services of a third party Cash-in-Transit (CiT) service provider subject to compliance with Secs. 112 and 275.
- d. The place of delivery/pick-up of fit currencies - It is recommended that the place of delivery/pick-up of fit currencies shall be within the premises of the Client bank/Source bank. However, the parties may also agree on a different delivery/pick- up point if they find it more advantageous and more convenient.
- e. The obligations and responsibilities of the Source bank and the Client bank in case of cancellation CSA transaction after confirmation.
- f. The time period during the normal banking day within which the delivery/pick-up of fit currencies can be made.
- g. The obligations and responsibilities of the Source bank and the Client bank in case of any delay in the delivery/pick-up.
- h. The mode of settlement of the CSA transaction. Settlement options are provided under Part III.
- i. The responsibility of the Source bank for the completeness and compliance with standard fitness level of subject fit currencies of the CSA transaction shall be explicit in the bilateral agreement.
- j. The reasonable service fee, if any, for the CSA transaction.
- k. A dispute resolution mechanism shall be included in the provisions of the bilateral agreement. Guidelines in resolving dispute relating to CSA transactions are provided under Part VII.

#### **V. Posting, Earmarking Request and Confirmation of CSA Transaction in the CSA System**

The following provisions shall cover guidelines for the posting, earmarking request and confirmation of CSA transaction in the CSA System:

- a. Timeline for posting of fit currency holdings and currency requirements in the CSA System are, as follows:

| <b>Bank</b> | <b>Particulars</b>    | <b>Timeline</b>       |
|-------------|-----------------------|-----------------------|
| Source bank | Fit currency holdings | 7:00 am to 12:00 noon |
| Client bank | Currency requirements | 7:00 am to 3:00 pm    |

- b. Posting made by Source bank and Client bank may be revised or deleted within above timelines;
- c. From 7:00 am to 3:00 pm, Client bank may initiate earmarking request in the CSA System for the available fit currency holdings posted by Source bank. Accordingly, Client bank shall then initiate coordination with Source bank to discuss the terms of their CSA transaction in accordance with their bilateral agreement including the date of delivery/pick-up of fit currencies;
- d. Source bank shall either confirm or reject earmarking request within 30 minutes from the time the same was initiated by the Client bank in the CSA System.
- e. If earmarking request is confirmed, both banks shall generate CSA Confirmation and Acknowledgement Receipt Form (CSA CARF) from the CSA System as proof of confirmed CSA transaction. CSA CARF shall be presented by concerned bank during actual delivery/pick-up of fit currencies.
- f. On the other hand, if earmarking request is rejected, reasons for the rejection thereof shall be provided by the Source bank in the CSA System;
- g. If earmarking request is rejected, or if no actions were made by the Source bank within the prescribed period, the posted fit currency holdings will be re-opened in the CSA System and become available for earmarking request by other Client banks.
- h. For fit currency holdings posted in the CSA portal which were not confirmed as CSA transaction, the Source bank may:
  - (1) deposit the fit currencies to the Bangko Sentral CD or Bangko Sentral ROB on the next banking day; or
  - (2) include them in the fit currency holdings to be posted in the CSA System on the next banking day.
- i. For currency requirements posted in the CSA System, the Client bank may:
  - (1) proceed with the regular withdrawal of currency requirements from the Bangko Sentral CD or Bangko Sentral ROB on the next banking day subject to compliance with Appendix 84 (Sec. N);<sup>3</sup> or
  - (2) include them in the currency requirements to be posted in the CSA System on the next banking day.
- j. All postings in the CSA System, except those which were confirmed as CSA transaction, will be automatically removed from the CSA System by 8:00 pm of the same day.

## **VI. Delivery and Receipt of Fit Currencies and Completion of CSA Transactions in the CSA System**

The following provisions shall cover guidelines for the delivery and receipt of fit currencies and completion of CSA transactions in the CSA System:

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<sup>3</sup> For Bangko Sentral CD- submission by banks of Currency Order Slip (COS) not later than 4:00 pm of the previous banking day. For Bangko Sentral ROB- transmittal of the withdrawal transaction of banks through the electronic cash transaction system not later than 4:00 pm of the previous banking day.

- a. Source bank (for delivery) or Client bank (for pick-up) shall present the CSA CARF to the counterparty bank upon arrival at the latter's premises.
- b. Turn-over the fit currencies from Source bank to the Client bank:
  - (1) If fit currencies are delivered by the Source bank:
    - (i) Client bank shall inspect plastic/duffle bag containing fit banknotes and/or canvass bags containing fit coins for any signs of tampering.
    - (ii) For fit banknotes, Source bank shall open sealed clear plastic or duffle bag in front of the Client bank.
    - (iii) Source bank shall turn-over fit banknotes and/or fit coins to the Client bank.
    - (iv) In the presence of the Source bank, Client bank shall check the completeness of fit banknotes as to number of bundles and wrappers, and/or of fit coins as to number of bags then reconcile the breakdown and amounts against the details in the CSA CARF.
  - (2) If fit currencies are picked-up by the Client bank:
    - (i) Source bank shall turn-over fit banknotes and/or fit coins to the Client bank.
    - (ii) In the presence of the Source bank, Client bank shall check the completeness of fit banknotes as to number of bundles and wrappers, and/or of fit coins as to number of bags then reconcile the breakdown and amounts against the details in the CSA CARF.
    - (iii) Fit banknotes shall be placed inside sealed transparent plastic or duffle bag/s before they are carried to the armored vehicle used by the Client bank.
- c. Client bank shall acknowledge the receipt of fit currencies in the CSA CARF.
- d. Client bank shall initiate the settlement of the CSA transaction.
- e. Source bank and Client bank shall tag the CSA transaction as "Completed" in the CSA System within the same day the fit currencies were delivered/picked-up.

## **VII. Dispute Resolution**

Both Source bank and Client bank shall take all precautionary measures to safeguard the integrity and accuracy of the CSA transactions. They shall be responsible in providing, agreeing, and complying with a dispute resolution mechanism, which shall be included in their contractual agreements. They shall exert earnest efforts to settle any currency discrepancy dispute. The following shall serve as guide in resolving disputes relating to CSA transactions:

- a. Closed Circuit Television (CCTV) cameras, which should be regularly checked and maintained, must be strategically positioned in the areas where currency bags are to be unloaded and opened;
- b. Both Source bank and Client bank are required to designate their authorized representatives to witness the opening and inspection of currency bags;
- c. Reporting of any currency shortage or overage by the Client bank to the Source bank shall be made upon discovery during delivery/pick-up or within two (2) banking days from date of delivery/pick-up; if not done within the prescribed period, Source bank or Client bank is deemed to have waived its right to seek remedy. The Client bank shall inform Source bank through email of the alleged discrepancy and details of the transaction (i.e., amount, denomination, number of pieces, name of Authorized Representative or Witness) copy furnished the Bangko Sentral CD or Bangko Sentral ROB. Source bank needs to confirm receipt

- of report on discrepancy within two (2) banking days and discuss course/s of action to resolve the issue.
- d. The Client bank or Source bank may request viewing of *CCTV* footages and/or recount of delivered currency within the prescribed period, or as may still be deemed practical under the circumstances, and with witnesses from both parties;
  - e. Restitution of the shortage or return of the overage shall be made based on the validation results from *CCTV* footage and religious compliance with quality and standard packaging; and
  - f. Source bank shall provide the Bangko Sentral CD or Bangko Sentral ROB with information on the resolution of the case (e.g., shortage replaced; overage returned) within two banking days after resolution.

Upon receipt of complaint from Client bank of the Source bank's non-adherence to the prescribed banknote quality, the Bangko Sentral CD or BSP ROB shall look into the matter and endorse to the appropriate supervising department of the Bangko Sentral to ascertain if enforcement actions may be deployed for non-compliance with provisions of Secs. 1111 and 1112, and other pertinent Bangko Sentral regulations.

#### **VIII. Amendment and Separability Clause**

The CSA general guidelines may be amended or modified by the Bangko Sentral upon consultation with Source banks and Client banks. Each provision of this CSA Guidelines shall be considered separable. If, for any reason, any provisions hereof are determined to be invalid, unenforceable, or contrary to any existing or future Bangko Sentral regulations or law, such invalidity shall not impair the operation of or affect those portions of the guidelines that are valid.

**Renumbering of the Sections/Appendices cited in Certain Circulars**

| <b>Circular Number</b> | <b>Date</b> | <b>Section/Subsection/Appendix No.</b> | <b>Updated Section/Appendix No.</b> |
|------------------------|-------------|--|-------------------------------------|
| 1112                   | 04.08.21    | Sec. 125-T                             | Sec. 163-T                          |
| 1114                   | 04.16.21    | Sec. 126-T                             | Sec. 164-T                          |
|                        |             | Sec. 127-T                             | Sec. 165-T                          |
|                        |             | Sec. 128-T                             | Sec. 166-T                          |
|                        |             | Appendix Q-89                          | Appendix Q-92                       |
| 1117                   | 05.27.21    | Sec. 121-CC                            | Sec. 101-CC                         |
|                        |             | Appendix CC-4                          | Appendix CC-5                       |
| 1122                   | 06.17.21    | Sec. 129-T                             | Sec. 167-T                          |
|                        |             | Sec. 115-CC                            | Sec. 101-CC                         |
|                        |             | Sec. 117-CC                            | Sec. 101-CC                         |
|                        |             | Sec. 121-CC                            | Sec. 101-CC                         |
|                        |             | Sec. 123-CC                            | Sec. 102-CC                         |
| 1125                   | 08.20.21    | Sec. 121-CC                            | Sec. 101-CC                         |
|                        |             | Appendix P-12                          | Appendix P-15                       |
|                        |             | Appendix T-6                           | Appendix T-7                        |
|                        |             | Appendix CC-4                          | Appendix CC-6                       |
| 1129                   | 11.12.21    | Sec. 135-Q                             | Sec. 134-Q                          |
|                        |             | Sec. 120-T                             | Sec. 153-T                          |