

1001 CONSUMER PROTECTION OVERSIGHT FUNCTION

The Board of BSFI is ultimately responsible in ensuring that consumer protection practices are embedded in the BSFI's business operations. BSFIs must adhere to the highest service standards and embrace a culture of fair and responsible dealings in the conduct of their business through the adoption of a BSFI's financial consumer protection framework that is appropriate to the BSFI's corporate structure, operations, and risk profile. The BSFI's financial consumer protection framework shall be embodied in its board-approved financial consumer protection manual.

Role and responsibility of the board and senior management. The board and senior management are responsible for developing the BSFI's consumer protection strategy and establishing an effective oversight over the BSFI's consumer protection programs. The board shall be primarily responsible for approving and overseeing the implementation of the BSFI's consumer protection policies as well as the mechanism to ensure compliance with said policies. While senior management is responsible for the implementation of the consumer protection policies approved by the board, the latter shall be responsible for monitoring and overseeing the performance of senior management in managing the day to day consumer protection activities of the BSFI. The board may also delegate other duties and responsibilities to senior management and/or committees created for the purpose but not the function of overseeing compliance with the Bangko Sentral-prescribed consumer protection framework and the BSFI's own consumer protection framework.

Consumer protection risk management system (CPRMS). All BSFIs, regardless of size, should have a CPRMS that is part of the corporate-wide risk management system. The CPRMS is a means by which a BSFI identifies, measures, monitors, and controls consumer protection risks inherent in its operations. These include both risks to the financial consumer and the BSFI. The CPRMS should be directly proportionate to the BSFI's asset size, structure, and complexity of operation. A carefully devised, implemented, and monitored CPRMS provides the foundation for ensuring a BSFI's adherence to consumer protection standards of conduct and compliance with consumer protection laws, rules and regulations, thus ensuring that the BSFI's consumer protection practices address and prevent identified risks to the BSFI and associated risk of financial harm or loss to consumers.

- a. *Board and senior management oversight.* The board is responsible for developing and maintaining a sound CPRMS that is integrated into the overall framework for the entire product and service life-cycle. The board and senior management should periodically review the effectiveness of the CPRMS, including how findings are reported and whether the audit mechanisms in place enable adequate oversight. The quality and timeliness of the information provided to the board and senior management regarding the BSFI's CPRMS are especially important for assessing the program's effectiveness. The board and senior management must also ensure that sufficient resources have been devoted to the program. The ability to achieve the consumer protection

objectives depends, in large part, on the authority and independence of the individuals directly responsible for implementing the CPRMS and for performing audit/review activities, and the support provided by the board and senior management. The board and senior management must also make certain that CPRMS weaknesses are addressed and corrective actions are taken in a timely manner.

- b. **Compliance program.** A consumer protection program is an essential component of the CPRMS. The BSFIs should establish a formal, written Consumer Protection Compliance Program that is part of the over-all Compliance System and should be in accordance with the Revised Compliance Framework for Banks under Sec. 161. A well planned, implemented, and maintained consumer protection compliance program should prevent or reduce regulatory violations and protect consumers from non-compliance and associated harms and loss.
- c. *Policies and procedures.* An effective CPRMS should have consumer protection policies and procedures in place, approved by the board. A comprehensive and fully implemented policies help to communicate the board's and senior management's commitment to compliance as well as expectations. Overall, policies and procedures should:
 - (1) be consistent with consumer protection policies approved by the board;
 - (2) ensure that consumer protection practices are embedded in the BSFI's business operations;
 - (3) address compliance with consumer protection laws, rules, and regulations; and
 - (4) reviewed periodically and kept-to-date as it serve as reference for employees in their day-to-day activities.
- d. *Internal audit function.* Independent of the compliance function, the BSFI's audit function should review its consumer protection practices, adherence to internal policies and procedures, and compliance with existing laws, rules and regulations. The BSFI's internal audit of the different business units/functions should include the consumer protection audit program. A well-designed and implemented consumer protection audit program ensures that the board or its designated committee shall be able to make an assessment on the effectiveness of implementation as well as adequacy of approved policies and standards in meeting the established consumer protection objectives.
- e. *Training.* Continuing education of personnel about consumer protection laws, rules and regulations as well as related BSFI policies and procedures is essential to maintaining a sound consumer protection compliance program. BSFIs should ensure that all relevant personnel specifically those whose roles and responsibilities have customer interface, receive specific and comprehensive training that reinforces and helps implement written policies and procedures on consumer protection. The BSFI should institute a consumer protection training program that is

1001 CONSUMER PROTECTION OVERSIGHT FUNCTION

appropriate to its organization structure and the activities it engages. The training program should be able to address changes in consumer protection laws, rules and regulations and to policies and procedures and should be provided in a timely manner.

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