

*Policy Statement.* The Financial consumer protection frameworks of the Bangko Sentral aims to ensure that financial service providers conduct ethical business practices and do not engage in practices that may cause harm to the consumer. 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.

A well-informed and protected consumer can better benefit from the financial services received and can also be a more responsible client. The consumer protection framework provides the guidelines and clearly lays out expectations from BSP supervised financial institutions (BSFIs) to institutionalize consumer protection as an integral component of corporate governance and culture as well as risk management. It sets forth the expectations from the BSFI with respect to managing the risk of financial loss that are detrimental to the financial consumers or consumer protection risks inherent to the BSFIs' operations that, if not properly managed, would affect other relevant risks, such as compliance, reputational, legal, operational and credit risks.

**Scope and Applicability.** The Framework applies to all BSFIs. The BSFIs' adoption shall be proportionate to their asset size, structure, nature of products and services, and complexity of operations.

**Consumer protection risk management system (CPRMS).** A BSFI should have a CPRMS that is integrated into the BSFI's enterprise-wide risk management processes and risk governance framework. The CPRMS includes the governance structure, policies, processes, measurement and control procedures to ensure that consumer protection risks are identified, measured, monitored, and mitigated. A carefully devised, implemented, and monitored CPRMS provides the foundation for ensuring the BSFI's adherence to consumer protection standards of conduct and compliance with consumer protection laws, rules and regulations, thus, ensuring that identified risks to the BSFI and associated risk of financial harm or loss to consumers are properly managed.

**Consumer Protection Oversight. Responsibilities of the Board.** The Board shall be primarily responsible for approving and overseeing the implementation of the BSFI's CPRMS, as follows:

- a. Promote a culture of ethical behavior and adherence to the highest standards of fair and responsible dealing with consumers;
- b. Approve the CPRMS and consumer assistance mechanism (CAM) that takes into consideration the BSFI's business model, market, product lines, and relationships with third parties that may give rise to consumer protection risks;
- c. Review periodically the implementation and effectiveness of the CPRMS including how findings

are reported and whether the audit mechanisms are in place to enable adequate oversight, and put in place a regular mechanism to review the relevance of the CPRMS in case of changes in the BSFI business model and/or operating environment;

- d. Ensure that adequate information and actions taken are reported on a regular basis in terms of the measurement of consumer protection related risks, reports from the CAM as well as other material consumer related developments that will impact the BSFI;
- e. Ensure the adequate provision of resources, effective implementation of personnel training and competency requirements; and
- f. Approve remuneration and compensation packages structured to encourage responsible business conduct, fair treatment and avoidance/ mitigation of conflicts of interest.

**Responsibilities of Senior Management.** The Senior Management shall be responsible for ensuring that the practices of the BSFIs are aligned with the approved consumer protection policies and risk management system and consistently displayed throughout the BSFI's place of business particularly across all business units that deal directly with consumers. In this regard, the senior management shall:

- a. Ensure that approved CPRMS and CAM policies and procedures are clearly documented, properly understood and appropriately implemented across all levels and business units.
- b. Establish an effective monitoring and management information system to regularly measure, aggregate, and analyze consumer related issues to determine the level of consumer protection risk. An appropriate and clear reporting and escalation mechanism should also be integrated in the risk governance framework. The management information system shall be able to:
  - (1) Provide adequate information on the performance and quality of the BSFI's CAM that allows for identification of emerging consumer issues and root cause analysis;
  - (2) Determine the level of consumer protection risk exposure through assessment of its implementation of the standards of conduct (i.e. transparency and disclosure, protection of client information, fair treatment, effective recourse and financial learning and awareness);
  - (3) Identify and monitor, in a timely manner, consumer protection risk exposures approaching risks of loss to financial consumers, legal and reputational risk as well as other related risks; and
  - (4) Identify and assess emerging or increasing consumer risks that affect the BSFI such as

through social media monitoring and market monitoring.

- c. Ensure that adequate systems and controls are in place to promptly identify issues that affect the consumer across all phases of the relationship with the consumer;
- d. Ascertain that weaknesses in the consumer protection practices or consumer protection emerging risks are addressed and corrective actions are taken in a timely manner; and
- e. Ensure observance of expectations and requirements prescribed under relevant regulations on compliance and internal audit.