

1112 ADOPTION OF CLEAN NOTE AND COIN POLICY

The board of directors shall adopt a Clean Note and Coin Policy consistent with the principles and guidelines issued by the Bangko Sentral. The board of directors shall ensure that the policy takes a holistic approach to avoid biases in implementation in favor of certain areas or regions.

The Clean Note and Coin Policy shall include, among others, the following:

- a. *Coverage.* This shall emphasize that the policy shall be implemented bank-wide covering all branches.
- b. *Criteria to determine when a note/coin is to be pulled out of circulation.* This shall provide the conditions under which a currency is to be withdrawn from circulation as well as the system for properly segregating fit notes/coins from unfit notes/ coins. This shall also cover the quality of notes to be loaded in automated teller machines.
- c. *Guidelines in ensuring that the life of currency notes/coins is extended.* This shall identify measures that deter unacceptable practices, such as, among others, stapling and writing on currencies, and excessive folding.
- d. *Deposit and/or exchange on a regular basis of unfit notes/coins with the Bangko Sentral.* This shall include safeguards that will ensure compliance with the guidelines set by the Bangko Sentral when making cash deposits with the Cash Department or any of the Regional Offices/Branches. Said policy shall include guidelines that aim to facilitate regular deposit and/or exchange with the various Bangko Sentral cash units of unfit notes/coins.

The board of directors shall ensure that on a periodic basis, consistent adherence to the clean note and coin policy is assessed, and that the continuing relevance and effectiveness of said policy is reviewed.

Compliance program. The clean note and coin policy shall be included in the Compliance Program. In this regard, the compliance function shall conduct periodic compliance testing to assess compliance with internal policies as well as with the principles and guidelines issued by the Bangko Sentral. Coverage of such testing shall include the head office and branches. Further, the compliance function shall periodically assess the risk of non-compliance with the said policy.

Internal audit. The internal audit function shall provide an independent assurance on the effectiveness of governance, risk management, and internal controls with respect to the bank's compliance with the clean note and coin policy. It shall conduct an independent review of operations to

assess whether policies, procedures, and control processes are being effectively implemented or are still relevant considering the size, risk profile, and complexity of operations of the bank. The internal audit function shall ensure that the scope of audit shall cover the head office and the branches.

Supervisory enforcement action. The Bangko Sentral reserves the right to deploy its range of supervisory tools to promote adherence to the requirements set forth in this Section and bring about timely corrective actions and compliance with the Bangko Sentral directives. The Bangko Sentral may issue directives or impose sanctions on the bank, for violation of the provisions of this Section, which may include, among others, restrictions or prohibitions from certain authorities/activities. Sanctions may likewise be imposed on bank directors, officers, and employees concerned.

(Circular No. 931 dated 09 December 2016)