



FINANCIAL CONSUMER PROTECTION MANUAL

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

VERSION CONTROL

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	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

TABLE OF CONTENTS

	Subject	Page
INTRODUCTION		
	A. Purpose	1
	B. Units Affected	1
	C. Definition of Terms	1
Chapter I – POLICIES		
	A. Consumer Protection Oversight Function	I - 1
	B. Consumer Protection Standards of Conduct	I - 4
	C. Enforcement and Administrative Sanctions Enforcement	I - 26

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	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

INTRODUCTION

A. Purpose

The guidelines stated herein aim to provide the standard policies and guidelines for the bank's financial consumer protection.

This manual is in compliance with Circular No. 1160 on the Regulations on Financial Consumer protection to Implement Republic Act No. 11765, otherwise known as the "Financial Products and Services Consumer Protection Act". This shall serve as guide for all units of China Bank Savings, Inc. when dealing with clients, processing their transactions, and safeguarding their personal information. This includes overall governing policies adopted by the Bank to protect the interest of financial consumers and promote a high standard of accountability among its personnel when dealing with bank customers. This forms part of the Bank's risk management and corporate governance frameworks.

All Bank's existing guidelines not inconsistent in the provisions stated herein shall remain in full force and effect.

B. Affected Units

All units of the Bank.

C. Definition of Terms

1. Code of Ethics

This is a handbook which states the organizational values and standards of professional conduct, binding on all the Bank's employees and with specific sanctions for violation of the code.

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

CHAPTER I – POLICIES

A. Consumer Protection Oversight Function

The Board of Directors and the members of Senior Management shall provide the means by which they shall identify, measure, monitor, and mitigate Financial Consumer Protection (FCP) risks inherent in their operations, in accordance with the Standards and all other applicable laws, rules and regulations.

1. Role and Responsibility of the Board and Senior Management

1.1 Board of Directors

The Board shall be primarily responsible for approving and overseeing the implementation of the bank's Consumer Protection Risk Management System (CPRMS). The Board's responsibilities shall include the following:

- a. Approve the CPRMS and FCPAM (Financial Consumer Protection Assistance Mechanism) that take into consideration the Bank's business model, market, product lines, and relationships with third parties that may give rise to risks to Financial Consumers;
- b. Promote a culture of ethical behavior and adherence to the highest standards of fairness and responsibility in dealing with consumers.
- c. Ensure the 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 bank.
- d. Ensure the adequate provision of resources and effective implementation of personnel training and competency requirements for officers and personnel, authorized representatives or any other party acting on behalf of the Bank.
- e. Approve a policy on remuneration and compensation packages structured to encourage responsible business conduct, fair treatment and avoidance/mitigation of conflicts of interest; and performance review which includes provisions for incentives on positive reviews/assessment that could also serve as basis for renewal of contract of third-party service providers;
- f. 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

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

a regular mechanism to review the relevance of the CPRMS in case of changes in the bank business model and/or operating environment.

- g. Approve and periodically review a Code of Conduct applicable to all Bank directors, officers, staff and third-party agents. The Board shall define the Bank's corporate culture and values. It shall establish standards of conduct and ethics and shall institutionalize a system that will allow reporting of concerns or violations to an appropriate body;
- h. Approve product oversight and governance mechanism designed to ensure that financial products or services meet the needs of Financial Consumers in target market segments, as well as universal products which are simple to access so as not to exclude vulnerable groups; and
- i. Adopt a policy on the imposition of any fees and/or charges of the Bank's financial product or service which shall include among others, the basis and quantitative support for the setting of the fees/charges and rationalization of the fee structure or amount.

1.2 Senior Management

The Senior Management shall be responsible for ensuring that the practices of the bank and third-party agents/representatives are aligned with the approved consumer protection policies and risk management system and consistently displayed throughout the bank's place of business particularly across all business units that deal directly with consumers. In this regard, the Senior Management shall:

- a. Ensure that the approved CPRMS and FCAM policies and procedures are clearly documented, properly understood and appropriately implemented across all levels and business units. This includes the responsibility of identifying the officer which will head the internal complaints handling unit or handle the implementation and regular reporting of consumer-related issues to the Board;
- b. Establish an effective monitoring and management information system to promptly identify, 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 should be able to:
 - b.1 Provide adequate information on the performance and quality of the bank's CAM and other internal processes that can provide

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

relevant information that allows for identification of emerging consumer issues and root cause analysis;

- b.2 Determine the level of consumer protection risk exposure through assessment of its implementation of the Consumer Protection Standards of Conduct (i.e. transparency and disclosure, protection of client information, fair treatment, effective recourse and financial learning and awareness);
- b.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;
- b.4 Identify and assess emerging or increasing consumer risks that affect the bank 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.
- f. Ensure that adequate information and actions taken are reported to the Board on a regular basis in terms of the measurement of FCP-related risks, reports from the FCPAM, compliance with the Standards and requirements, as well as other material FCP-related developments that will impact the Bank's Financial Consumers. This includes the responsibility to put in place an effective system where reporting lines are established to promptly detect, analyze, and respond to Financial Consumer concerns and serious infractions.

1.3 Consumer Protection Risk Management System (CPRMS)

The CPRMS is a means by which the Bank can identify, measure, monitor, and control consumer protection risks inherent in its operations. These include both risks to the financial consumers and the Bank. The CPRMS includes the governance structure, policies, processes, measurements and control procedures to ensure that the Bank's adherence to Consumer Protection Standards of Conduct and compliance with the FCPA relevant laws, rules and regulations are properly managed.

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

Identification, measurement, monitoring, and control of risks that may be related to consumer protection are incorporated in the Risk Control Self-Assessment prepared periodically by business units and facilitated accordingly by the Risk Management Unit. Refer to Operational Risk Assessment Program – Risk Management Manual.

The above-mentioned functions can also be satisfied by the Service Committee which also handles/monitors customer complaints and inherent risks accordingly.

The CPRMS should be directly proportionate to the Bank's asset size, structure, and complexity of operation.

a. Board and Senior Management Oversight

- a.1 The Board should be responsible for developing and maintaining a sound CPRMS.
- a.2 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 and quality and timeliness of the information provided enable adequate oversight.
- a.3 The Board and Senior Management must also make certain that CPRMS weaknesses are addressed and corrective actions are taken in a timely manner.

Refer to Operational Risk Assessment Program – Risk Management Manual.

b. Consumer Protection Compliance Program (CPCP)

There should be a formal, written CPCP that is part of the over-all Compliance System and should be in accordance with the Revised Compliance Framework for Banks under Circular 747 dated 6 February 2012.

Note: Refer to Compliance Program.

c. Policies and Procedures

Overall, policies and procedures should:

- c.1 be Board-approved
- c.2 be consistent with Consumer Protection Risk Management System/Framework approved by the Board

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

- c.3 ensure that consumer protection practices are embedded in the Bank's business operations
- c.4 address compliance with consumer protection laws, rules, and regulations.
- c.5 be reviewed periodically and kept-to-date as it serves as reference foremployees in their day-to-day activities.
- d. **Consumer Protection Audit Program (CPAP)**
Independent of the compliance function, the Audit Division should review the Bank's consumer protection practices, adherence to internal policies and procedures, and compliance with existing laws, rules and regulations. The Bank's internal audit of the different business units/functions should include the Consumer Protection Audit Program.
- e. **Consumer Protection Training Program (CPTP)**
The Human Resources Division and respective business units 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 training program should be able to address changes in consumer protection laws, rules and regulations, and policies and procedures, and should be provided in a timely manner.

B. Consumer Protection Standards of Conduct

In dealing with Financial Consumers, the Bank shall at all times adhere to the core principles or Standards. To provide adequate disclosure and transparency to its clients, the Bank shall ensure that:

1. Disclosure and Transparency

Ensure that the consumers have a reasonable holistic understanding of the products and services, which they may be acquiring or availing hence, full disclosure and transparency are critical elements that would empower the consumer to make comparisons and informed financial decisions. The competencies required of this principle are as follows:

1.1 Key Information

- a. The key business units shall ensure that offering documents of products and services contain the information necessary for customers

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

to be able to make an informed judgment of the product or service, and meet the full disclosure requirements specified under existing laws or regulations.

- b. All Bank personnel who are responsible for customer acquisition/facilitation of the client's transaction must fully disclose and explain the contents of the Terms and Conditions (T&C) to financial customers before initiating a transaction. Reference to the T&C should be made while transacting with the consumer and before consummating the transaction, if such reference is material to the understanding of the consumer of the nature of the product or service, as well as its benefits and risks. At the pre-contractual stage, sufficient disclosure of information on the product or service, type and amount of fees, charges and interests, as well terms and conditions must be made available to the client through various forms of communication channels such as printed materials, mass media, websites or digital platforms. Manner of disclosure for digital financial products and services should be easily accessible, especially where the terms and conditions are embedded. Information shall be disclosed also during and after a sale of a financial product or service and during key stages of the relationship with the consumer; especially if there are any changes in the terms and conditions.
- c. The key business units should ensure that the manner of disclosure, whether in advertising materials, terms and conditions and other forms of communication must be complete but concise, easily understandable, accurate, and presented in a manner that facilitates the consumer's comprehension. The T&C should include at least the following:
 - c.1 The full price or cost to the consumer including all interest, fees, charges, and penalties. The terms and conditions must clearly state whether interest, fees, charges, and penalties can change over time. The method for computing said interest, fees, charges, and penalties shall be disclosed per BSP MORB Section 306 "Truth in Lending Act" Disclosure Requirement.
 - c.2 General information about the operation of the products or services including the customer's obligations and liabilities.
 - c.3 Cooling-off period, if applicable, for long-term products.

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

- c.4 Information on risks, return, possible warnings, any waiver of rights and limitations of liabilities, except the rights mentioned in Section 12 of the FCPA, after-sales service consumer's rights and responsibilities, consequences of failure to meet obligations, rights and responsibilities of the bank, involvement of authorized agents, any conflict of interest by bank staff, cancellation and product portability, among others.
- c.5 The actions and remedies which the Bank may take in the event of a default by the customer.
- c.6 Procedures to report unauthorized transactions and other contingencies, as well as the liabilities of parties in such case.
- c.7 A summary of the Bank's complaints handling procedure. The Bank may just include the contact number/email where the customers can reach the Customer Experience Management Unit of the Bank.
- d. All relevant personnel specifically those whose roles and responsibilities have customer interface shall communicate in such a manner that clients can understand the terms of the contract, their rights and obligations. They shall communicate with techniques that address literacy limitations.
- e. All Bank personnel who are responsible for customer acquisition/facilitation of the client's transaction shall provide customers with adequate time to review the T&C of the product or service, ask questions, and receive additional information prior to signing contracts or executing the transaction. Bank personnel shall be available to answer the questions and clarifications from the financial customers.
- f. All Bank personnel who are responsible for customer acquisition/facilitation of the client's transaction shall ensure that the customer has freely signed a statement to the effect that the customer has duly received, read, and understood the Terms and Conditions of the product being availed, and that the same has been explained clearly him/her. For more complex products, such as but not limited to investment products, the key features as well as costs and risks shall be highlighted in a key facts statement or Product Highlight Sheet (PHS). The PHS shall enable comparison with other financial products and shall be provided at no additional cost. The consumer before

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

signing any contract, has to freely sign a statement to the effect that said consumer has duly received, read, and understood the PHS.

- g. All Bank personnel who are assigned to deal directly with the customers or who prepare advertisement materials (or other material of the Bank for external distribution) or who market any product or service should be fully knowledgeable about these products and services, including statutory and regulatory requirements, and are able to explain the nuances to the consumer.

Refer to Training Philosophy and Training Responsibilities - HRD Policies and Procedures Manual (New Employees' Orientation Course).

- h. All key business units shall use a variety of communication channels to disclose clear and accurate information. Such communication channels shall be available to the public without need for special access requirements, which may entail additional expense. Communication channels shall be sufficiently responsive to address the literacy limitations of the financial consumers.
- i. Digital Banking unit of the bank, in coordination with the key business units, disclose pricing information in public domains, e.g. website (<http://www.cbs.com.ph/>), etc.
- j. Updates customers with relevant information, free of charge in a clear, understandable, comprehensive, and transparent manner, for the duration of the contract. Such information covers the characteristics and the risks of the products sold by the Bank and its authorized agents.
- k. Marketing and advertising initiatives shall impart targeted information to the specific groups of clients to whom specific products are being marketed, with a particular consideration for vulnerable customers. Communication channels employed for such targeted marketing initiatives may be accordingly calibrated. Client segments that may have financial literacy limitations or subject to certain disabilities or infirmities preventing them from reading or understanding a proposed written contract should be given a clear verbal explanation of the terms and conditions, as well as its features, risks and costs, in a language they can understand.
- l. The key business units shall notify the customer in writing of any change or amendments to the terms and conditions at least sixty (60) days prior to such amendments in:

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

- I.1 Interest rate to be paid or charged on any account of the customer as soon as possible
- I.2 A non-interest charge on any account of the customer within a number of days as provided under existing regulations prior to the effective date of the change. to the effective date of the change.

If the revised terms are not acceptable to the customer, the customer should have the right to exit the contract without penalty, provided such right is exercised within two (2) days after the notice has been received. The customer should be informed of this right whenever a notice of change is made.

- m. All Bank personnel who are responsible for customer acquisition/ facilitation of the client’s transaction shall provide a hard copy of each of the documents signed by the clients with all terms and conditions after the transaction has been completed including, but not limited to the contract, with all terms and conditions and/or proof of the transaction, whether printed or in electronic copy, at the client’s option, or in the manner or channel through which the product or service was accessed, immediately after the contract or agreement was executed or transaction was completed. Bank Personnel shall ensure that the documents signed by the customer are completely filled-out and that there are no blank fields.
- n. Key business units shall regularly provide customers with clear and accurate information regarding their accounts.

The amortization schedule, passbook, and statement of account for current accounts shall serve this purpose. The consumers shall also be informed that they can view their account history through CBS Online/CBS Mobile Application as applicable.
- o. All Bank personnel who are assigned to deal directly with the customers shall inform them of their rights and responsibilities including their right to complain and the manner of its submission.
- p. Statements of Accounts or Billing Statement are provided regularly to the clients in manner through which the product was sold, commensurate to the type of products and terms. This is to allow clients to become aware of any unauthorized transaction.

The state shall bear an official seal and/or include the letterhead of the bank. Depending on the type of financial product or services and

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

whenever applicable, statement of accounts shall include the following information:

- p.1 the opening and closing balances;
 - p.2 any transaction made during, such as but not limited to deposit, withdrawal, fund transfer, investment, remittance and/or payment.
 - p.3 the merchant or counterpart of each transaction, if any; and;
 - p.4 details of the interest rate applied to the account, if any;
 - p.5 details of the fees, exchange rate and other charges incurred by the customer in each transaction, if any; and
 - p.6 any changes applied to the interest rates, charges or fees, if any.
- q. Upon culmination or termination of the contract or agreement, the bank shall provide the client with a written or electronic notice, certification or other closing statement, without need of written or verbal demand.

1.2 Advertising and Promotional Materials

Marketing Communications Unit of the Bank shall:

- a. Ensure that advertising and marketing materials do not make false, misleading, or deceptive statements or omit key information that may materially and/or adversely affect the decision of the customer to avail of a service or acquire a product.
- b. Ensure that advertising and promotional materials are easily readable and understandable by the general public. It should disclose clear, accurate, updated, and relevant information about the product or service. It should be balanced/proportional, visible/audible; key information is prominent and not obscured; print is of sufficient size and clearly legible.
- c. Ensure that promotional materials are targeted according to the specific groups of consumers to whom products are marketed and the communication channels employed for marketing financial services.
- d. Ensure that all advertising and promotional materials disclose the fact that it is a regulated entity and that the name and contact details of the regulator are indicated.

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

- e. Ensure that terms and conditions, public notices, advertising and promotional materials and other communications to clients must contain the contact details of the Customer Experience Management Unit of the bank.

1.3 Responsible Pricing

The Bank shall establish and follow internal policies and procedures for setting prices for products and services following the principle of responsible pricing. The pricing procedures must consider publicly available information on competitive pricing, the cost to provide the financial product or services and affordability to clients, and the rationale for setting the price of each product or services. All these factors must be duly-documented.

1.4 Conflict of Interest

All Bank personnel who are responsible for customer acquisition shall:

- a. Disclose properly to the consumer prior to the execution of the transaction that the Bank or its personnel has an interest in a direct/cross transaction with a consumer.
- b. Disclose the limited availability of products to consumers when the Bank only recommends products which are issued by its related companies, particularly when commissions or rebates are the primary basis for recommending the particular product to consumers.
- c. Disclose the basis on which the Bank is remunerated at the pre-contractual stage.

All key business units shall:

- d. Ensure that adequate systems and controls are in place to promptly identify issues and matters that may be detrimental to a customer's interest.

2. Protection of Client Information

The Bank is expected to adhere to the general data privacy principles of transparency, legitimate purpose and proportionality under the Data Privacy Act and its IRRs. There should be well-articulated information security guidelines, well-defined protocols, a secure database, and periodically re-validated procedures in handling the personal information of financial consumers. This should be an end-to-end process that should cover, among others, the array of information that will be pre-identified and collected, the purpose of gathering each information, how these will be sourced from the

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

client, the IT-security infrastructure of the Bank, and the protocols for disclosure, both within the Bank and especially to third parties.

The Bank demonstrates the ability to protect client information if it is able to:

a. Confidentiality and Security of Client Information

- a.1 Have a declared and published privacy policy to safeguard the customers' personal information, and the identification of levels of permissible access to client's data for bank employees and their third-party service providers. This policy should govern the gathering, processing, use, distribution, storage, and eventual disposal of client information. The Bank should ensure that privacy policies and sanctions for violations are implemented and strictly enforced. The Bank shall ensure the accessibility of the external privacy notice on the website and other official communication channels and digital platforms

Refer to Information Security Management Manual and Code of Ethics.

- a.2 Ensure that privacy policies are periodically reviewed and updates are regularly communicated throughout the organization. Opportunities include employees' initial training sessions, regular organization-wide training programs, employee handbooks, posters and posted signs, company intranet and internet websites, and brochures available to clients.

Refer to Training Philosophy and Training Responsibilities - HRD Policies and Procedures Manual.

Regular email reminders are also being sent by the Bank's Information Security Office throughout the organization.

The Information Security Management Manual can readily be viewed in iConnect, the repository of the Bank's manuals which can only be accessed by employees.

- a.3 Have appropriate systems in place to protect the confidentiality and security of the personal data of the customers against any threat or hazard to the security or integrity of the information and against unauthorized access. This includes a written information security plan that describes its program to protect customer personal information. The plan must be appropriate to its size and complexity, nature and scope of its activities, and the sensitivity

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

of customer information it handles. As part of its plan, the Bank must:

- i. Designate employee accountable to coordinate its Information Security Program.
- ii. Identify and assess the risks to customer information in each relevant area of the Bank operation, and evaluate the effectiveness of the current safeguards for controlling these risks.
- iii. Design and implement a safeguards program, and regularly monitor and test it.
- iv. Select service providers that can maintain appropriate safeguards.
- v. Evaluate and adjust the program in light of relevant circumstances, including changes in the firm's business or operations, or the results of security testing and monitoring.

Refer to Information Security Management Manual and Operational Risk Assessment Program – Risk Management Manual

a.4 Have appropriate policies and practices for employee management and training to assess and address the risks to customer information. These include:

- i. Checking references and doing background checks before hiring employees who will have access to customer information.

Refer to HRD Selection Process - HRD Policies and Procedures Manual.

- ii. Asking new employees to sign an agreement to follow Bank confidentiality and security standards for handling customer information.

Refer to Code of Ethics.

- iii. Limiting access to customer information to employees who have a business reason to see it.

Refer to Information Security Management Manual.

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

- iv. Controlling access to sensitive information by requiring employees to use "strong" passwords that must be changed on a regular basis.
Refer to Information Security Management Manual.
 - v. Using automatic time-out or log-off controls to lock employee computers after a period of inactivity.
Refer to Information Security Management Manual.
 - vi. Training employees to take basic steps to maintain the security, confidentiality, and integrity of customer information.
Refer to Information Security Management Manual, and Training Philosophy and Training Responsibilities - HRD Policies and Procedures Manual (Security Awareness Training).
 - vii. Regularly reminding all employees of company policy to keep customer information secure and confidential.
Refer to Information Security Management Manual.
 - viii. Imposing strong disciplinary measures for security policy violations
Refer to Code of Ethics.
 - ix. Preventing terminated employees from accessing customer information by immediately deactivating their passwords and user names and taking other measures.
Refer to Information Security Management Manual.
- a.5 Have a strong IT System in place to protect the confidentiality, security, accuracy, and integrity of customer's personal information. Maintaining security throughout the life-cycle of customer information, from data entry to disposal, includes:
- i. Knowing where sensitive customer information is stored and storing it securely. Make sure only authorized employees have access.
 - ii. Taking steps to ensure the secure transmission of customer information.
 - iii. Disposing customer information in a secure way.

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

- iv. Maintaining up-to-date and appropriate programs and controls to prevent unauthorized access.
- v. Using appropriate oversight or audit procedures to detect the improper disclosure or theft of customer information.
- vi. Having a security breach response plan in the event the Bank experiences a data breach.

Refer to Information Security Management Manual.

- a.6 The Bank should conduct continuing risk assessment of its product features, business rules and application controls and implement appropriate enhancements and mitigation.
- a.7 The Bank should have supplementary control measures against cyber fraud/attacks against cyber fraud/attacks in retail electronic payments and financial services.

- i. 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 the bank's Fraud Monitoring System (FMS) should commensurate to the risks associated with their digital financial and payment platforms.

b. Sharing of Customer Information

All Bank personnel who are responsible for customer acquisition/facilitation of the client's transaction shall:

- b.1 Inform the customers in writing and explain clearly to customers as to how the Bank will use and share their personal information. The customer shall be informed of the purpose for which his personal information are to be processed, the recipients to whom they are or may be disclosed, and the period for which they will be stored.
- b.2 Obtain the customers' written consent, unless in situations allowed as an exception by law or BSP-issued regulations on confidentiality of customer's information, before sharing customers' personal information with third parties such as credit bureau, collection agencies, marketing and promotional partners, and other relevant external parties.

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

- b.3 Provide access to customers to the information shared and should allow customers to challenge the accuracy and completeness of the information and have these amended as appropriate.
- b.4 Give the customer opportunity to exercise all the rights as data subjects which include the right to be informed, right to access their information, right to object, right to rectification or to challenge the inaccuracy and completeness of the information, and the right to have their information amended or corrected as appropriate, right to request for deletion or blocking, right to file a complaint, and right to data portability.
- b.5 When sharing data across authorized parties, the Bank must ensure that the data is transferred securely and used in a manner consistent with the bank's privacy policy and relevant rules and regulations.

When privacy breaches occur, that may leave customer data vulnerable, the Bank shall notify the customer, as soon as practicable, and provide means for the customer to prevent and respond to privacy breaches.

- b.6 Appropriate penalties should be imposed by the Bank to erring employees for exposing or revealing client data to third parties without prior written consent from client. Refer to Code of Ethics.

c. Consumer's Rights as Data Subjects

Clients shall be given the opportunity to exercise all the rights as data subjects through procedures which are clear, simple, straightforward, and convenient. Data subjects' rights include the:

- 1 right to be informed
- 2 right to access their information
- 3 right to object
- 4 right to rectification or challenge the inaccuracy and completeness of the information
- 5 right to have their information amended or corrected as appropriate
- 6 right to request for deletion or blocking

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

- 7 right to file a complaint
- 8 right to data portability

3. Fair Treatment

The bank has the right to select their clients: provided, that clients are not discriminated on the basis of race, age, financial capacity, ethnicity, origin, gender, disability, health condition, sexual orientation, religious affiliation and practice, or political affiliation. Fair treatment ensures that financial consumers are treated fairly, honestly, professionally and are not sold inappropriate and harmful financial products and services in all stages of its relationship with the Bank.

The Bank demonstrates the principle of fair treatment towards financial consumers if it is able to:

a. Terms and Conditions

Provide terms and conditions that are not unfair. There is no significant imbalance in the parties' rights and obligations under the contract, to the detriment of the consumer. A term and/or condition is deemed unfair when it includes, but is not limited to, the following circumstances:

- a.1 It amends the terms of the contract without adequate notice and/or without specifying the circumstances in which this may occur and/or does not provide a right of termination when such amendment occurs;
- a.2 It renews a fixed term contract without reasonable notice or conversely, terminates an open-ended contract without adequate notice to the client;
- a.3 It permits the bank to unilaterally determine whether the contract has been breached or imposes an unreasonable penalty for a breach of the contract;
- a.4 It binds the client to other terms that he cannot familiarize himself with before the contract is executed; or
- a.5 It permits the bank to assign a contract to the detriment of the client without his consent.

b. Affordability and suitability of product or service

- b.1 When making a recommendation to a consumer:

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

- i. Gather, file, and record sufficient information from the customer to enable the Bank to offer an appropriate product or service to the customer. The information gathered should be commensurate to the nature and complexity of the product or service either being proposed to or sought by the customer and should enable the Bank to provide an appropriate level of professional service. As a minimum, information includes the customers' financial knowledge and experience, financial capabilities, investment objectives, time horizons, needs, priorities, risk affordability, and risk profile.
 - ii. Offer products or services that are in line with the needs/risk profile of the consumer. The Bank should provide for and allow the customer to choose from a range of available products and services that can meet his needs and requirements. Sufficient and right information on the product or service should enable the customer to select the most suitable and affordable product or service.
- b.2 Inform or warn the customers that if they do not provide sufficient information regarding their financial knowledge and experience, the Bank is not in a position to accurately determine whether the product or service is appropriate to them, given the limited information available.
 - b.3 Ensure that the customer certifies in writing the accuracy of the personal information provided.
 - b.4 Ensure to offer market-based pricing.
 - b.5 Design products that are appropriate to the varying needs and interests of different types of consumers, particularly the more vulnerable consumers. Adequate product approval should be in place. Processes should be proper to ensure that products and services are fit for the targeted consumer.
 - b.6 Do not engage in abusive or deceptive acts or practices.
 - b.7 Seek customer feedback for product design and delivery and use this feedback to enhance product development and improve existing products. Likewise, investigate reasons for client drop out.

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

- b.8 Do not use high pressure/aggressive sales techniques and do not force clients to sign contracts.
- c. Prevention of Over-indebtedness
 - c.1 Have appropriate policies for good repayment capacity analysis. The loan approval does not rely solely on guarantees (co-signers or collateral) as a substitute for good capacity analysis.
 - c.2 Properly assess the creditworthiness and conduct appropriate client repayment capacity analysis when offering a new credit product or service significantly increasing the amount of debt assumed by the customer.
 - c.3 Ensure to have an appropriate system in place for credit analysis and decisions including appropriate criteria to limit the amount of credit.
 - c.4 Monitor enforcement of policies to prevent over-indebtedness. The Board and Senior Management of the Bank should be aware of and concerned about the risks of over-indebtedness of its customers.
 - c.5 Draw the customer's attention to the consequences of signing a contract that may affect his financial position and his collateral in case of default in payment of a loan/obligation.
 - c.6 Prepare and submit appropriate reports (e.g., loan quality, write-offs, restructured loans) to Management.
 - c.7 Ensure that corrective measures are in place for poor long-term quality of loan portfolio linked to over-indebtedness.
 - c.8 Have specific procedures to actively work out solutions (i.e., through workout plan) for restructured loans/ refinancing/writing-off on exceptional basis for clients in default who have the "willingness" but without the capacity to repay, prior to seizing the assets.

Refer to Credit Policy Manual.
- d. Cooling-off Period
 - d.1 The bank must implement a cooling-off policy for certain products and services. This policy should be based on the Bank's evaluation of a reasonable timeframe that allows a client to assess the costs and risks of a financial product or service

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

without pressure from the Bank’s sales team or its third-party agents and service providers. Financial consumers must have the right to cancel, withdraw, or return the product/service contract at any time during the cooling-off period immediately after entering into any agreement for such products or services covered by the mandatory cooling-off period.

This policy must include a mandatory cooling-off period of at least two (2) banking days for products and services marketed, offered, or sold to financial consumers who are (1) individuals, regardless of income, or (2) Micro or Small Enterprises as defined by applicable Department of Trade and Industry (DTI) regulations, and which exhibit any of the following characteristics:

- a. Are consumer credit and retail banking products sold to or entered into by the above Financial Consumers for the first time, such as but not limited to credit cards; loans; pawning; trust products and other financial instruments;
- b. Are marketed, offered or sold via remote means and/or subjected to high-pressure sales or marketing;
- c. Are governed by contracts with a term or duration of more than one (1) year; or
- d. Have other features that may be specified by the Bangko Sentral;

Furthermore, for bancassurance, the mandatory cooling-off period specified by the Insurance Commission for the insurance product being sold will apply.

In their cooling-off policy, the Bank may designate certain products and services with a cooling-off period that exceeds the minimum requirement of two (2) banking days, up to a maximum of 15 banking days. This extended period should reflect the complexity and duration of the product or service.

Products and services with any of the following characteristics are exempt from the cooling-off period:

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

- 1) Products and services marketed, offered or sold to the Bank's corporate clients, and medium-sized enterprises, as defined in applicable DTI regulations;
- 2) Financial instruments with a remaining term of less than one (1) year;
- 3) Financial instruments with aggregate investment size of P500,000 and above;
- 4) Securities "traded" or "to be traded"; or
- 5) Short-term and one-off transactions, such as but not limited to foreign currency exchange, remittances, fund transfers, or payments and similar transactional products/services.

When a financial consumer withdraws or returns a product/service contract, the Bank must refund or return the amounts paid or invested, including any submitted documents, without undue delay and within a maximum of fifteen (15) banking days after receiving the notice of withdrawal or return. The Bank may deduct fees or charges from the refund, provided they do not exceed the actual or reasonable approximation of costs incurred by the Bank.

Additionally, the Bank must provide financial consumers with clear and understandable information at both the pre-contractual and contracting stages regarding the availability of cooling-off rights. This information should include the period during which these rights can be exercised, practical instructions on how to exercise them, any charges or fees that may apply, and the consequences of not exercising these rights. The Bank must also offer financial consumers appropriate and easily accessible means or channels to communicate their exercise of cooling-off rights.

e. Objectivity

- e.1 Deal fairly, honestly, and in good faith with customers and avoid making statements that are untrue or omitting information which are necessary to prevent the statement from being false or misleading.

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

- e.2 Present a balanced view when selling a product or service. While the Bank highlights the advantages of a product/service, the customer's attention should also be drawn to its disadvantages and downside risks.
- f. Institutional culture of fair and responsible treatment of clients
 - f.1 A Code of Ethics should be applicable to all bank personnel, spelling out the organizational values and standards of professional conduct that uphold protection of customers. This Code should be reviewed and approved by the Board. The staff signs a document by which they acknowledge that they will abide by the Code and not engage in behaviors prohibited as provided for in the Code. To ensure adherence to the Code, the Bank is required to implement measures to determine whether the principles of consumer protection are observed, the clients' concerns are appropriately addressed and problems are resolved in a timely manner. These may include among others, the regular conduct of customer satisfaction survey.

Refer to Customer Feedback Manual and Code of Ethics.
 - f.2 Ensure that recruitment and training policies are aligned around professional, fair and responsible treatment of clients compliance with FCP requirements, and mitigation of consumer risks. Refer to HRD Selection Process - HRD Policies and Procedures Manual.
 - f.3 Ensure that bank personnel, specifically those who interact directly with customers, receive adequate training suitable for the complexity of the products or services they sell.

Refer to Training Philosophy and Training Responsibilities - HRD Policies and Procedures
 - f.4 Ensure that collection or debt recovery practices are covered during the initial training of all bank personnel involved in collections (loan officers, collections staff, and branch managers). In particular, collection staff should receive training in acceptable debt collection practices and loan recovery procedures.
 - f.5 The Bank should clearly spell out the specific standards of professional conduct that are expected of all staff involved in collection (including outsourced personnel). Bank personnel are

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

prohibited from employing abusive collection or debt recovery practices against the clients. Refer to Outsourcing Guidelines.

- f.6 Institute policy that guarantees that clients receive a fair price for any foreclosed assets and has procedures to ensure that collateral seizing is respectful of clients' rights.

Refer to Collections Manual, and Real and Other Properties Acquired (ROPA) and Sales Contract Receivables (SCR) Manuals.

- f.7 Ensure that Managers and Supervisors review ethical behavior, professional conduct, and quality of interaction with customers as part of staff performance evaluations.

Refer to Performance Review Management System – HRD Policies and Procedures Manual.

- f.8 Have a system or internal processes in place to detect and respond to customer mistreatment as well as serious infractions. In case of violation of Code of Ethics (e.g., harassment,) sanctions shall be enforced.

- f.9 Inform staff of penalties for non-compliance with Code of Ethics

Refer to Administrative Disciplinary Rules - HRD Policies and Procedures Manual.

- f.10 Perform appropriate due diligence before selecting the authorized agents/outsourced parties (such as taking into account the agents' integrity, professionalism, financial soundness, operational capability and capacity, and compatibility with the Bank's corporate culture) and implement controls to monitor the agents' performance on a continuous basis. The Bank retains ultimate accountability with the accredited or authorized agents, representatives or third-party service providers for their acts or omissions in marketing and transacting, which may include, but not limited to debt collection, with the clients for its financial products or services.

- f.11 Bank personnel, as well as authorized third-party agents or representatives contracted for sales and marketing purposes, do not use deceptive or high pressure/aggressive selling techniques to force clients into a financial deal without the benefit of shopping around.

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

Refer to Outsourcing of Banking Functions - HRD Policies and Procedures Manual.

- f.12 Disseminate the main aspect of the Code of Ethics to clients through printed media or other appropriate means.
- f.13 Treat consumers with professional competence and not employ practices that discriminate or take advantage of difficulties faced by vulnerable groups such as the low- income earners, and persons with disability.
- f.14 Develop policies and procedures that aim to protect the clients' deposits and other assets, against internal and external fraud or misuse.
- g. Remuneration Structure
 - g.1 Design remuneration structure for staff of the Bank and authorized agents in a manner that encourages responsible business conduct, fair treatment and avoidance/mitigation of conflicts of interest.
 - g.2 Disclose to the customers the remuneration structure where appropriate, such as when potential conflicts of interest cannot be managed or avoided.
 - g.3 Ensure adequate procedures and controls so that sales staff are not remunerated based solely on sales performance but that other factors, including customer's satisfaction (in terms of number of customer complaints served/settled) and compliance with regulatory requirements, best practices guidelines, and Code of Ethics in which certain principles are related to best interest of customers, satisfactory audit/compliance review results and complaint investigation results, are taken into account.

Refer to Performance Review Management System - HRD Policies and Procedures Manual.

4. Effective Recourse

Financial consumers should be provided with accessible, affordable, independent, fair, accountable, timely, and efficient means for resolving complaints, inquiries and requests with their financial transactions.

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

The Bank shall establish an FCPAM, first-level recourse mechanism through which the client can report their complaints, inquiries or requests. The complaints-handling process should include the simplified requirements, the detailed steps necessary to complete the process, the turn-around time (TAT) for each step, including the flow chart indicating the end-to-end process. The client shall be provided with information on the status and final resolution of the complaint, inquiry or request.

The Bank demonstrates the ability to provide effective recourse if it is able to:

- a. Establish an effective internal complaints-handling unit or FCPAM designed to receive, record, evaluate, resolve, monitor and report consumer complaints, concerns, inquiries or request to be implemented by the Customer Experience Management Division, commensurate to the size, structure, nature of products and services, and complexity of operations, ensuring that there is no conflict of interest.
- b. Develop internal policies and processes, procedures and practices for reasonable and prompt handling of customer concerns, including policies on investigation, complaint response, resolution and restitution of complaints.
- c. Maintain an up-to-date log and records of all complaints from customers subject to the complaint's procedure. This log must contain the following:
 - c.1 Details of each complaint;
 - c.2 The date the complaint was received;
 - c.3 A summary of the Bank's response;
 - c.4 Details of any other relevant correspondence or records;
 - c.5 The action taken to resolve each complaint; and
 - c.6 The date the complaint was resolved.
- d. Ensure that information on how to make a complaint is clearly visible in the Bank's premises and on their websites.
- e. Undertake an analysis of the patterns of complaints from customers on a regular basis including investigating whether complaints indicate an isolated issue or a more widespread issue for consumers. This analysis of consumer complaints must be escalated to the Bank's compliance/risk management function and senior management. The

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

complaints reports shall be submitted to Bangko Sentral in accordance with relevant regulations.

Refer to Service Committee Charter.

- f. Provide for adequate resources to handle financial consumer complaints efficiently and effectively. Staff handling complaints should have appropriate experience, knowledge, and expertise.
- g. Establish clear policies on investigation, resolution and restitution of complaints and making the process clear to the consumer.
- h. Ensure that information on the consumer assistance channels and applicable timelines for handling concerns are published in the following:
 - h.1 Terms and Conditions of a bank's product or service;
 - h.2 Various channels of service delivery; and
 - h.3 Conspicuous places within the premises of the bank and their branches/other offices.
- i. Clients may use various channels (telephone, email, complaint/suggestion boxes, web presence, mobile phone apps, and in person) to submit complaints. A dedicated 24/7 customer-care telephone line, especially for fraud-related concerns should be put in place.
- j. Obtain client's consent to share personal information and details of complaints, evidenced by written, electronic or recorded means, subject to the requirements under the FCP Framework, the Data Privacy Act and its IRR, and other relevant rules and regulations on data privacy, personal information processing, and rights of data subjects, among others .

Refer to Customer Complaints Handling Framework, Policies and Guidelines Manual.

The Customer Assistance Officer for branches is the Branch Service Head.

5. Financial Education and Awareness

Financial education initiatives give consumers the knowledge, skills, and confidence to understand and evaluate the information they receive and empower them to make informed financial decisions. Financial education should be integral to the good governance of the Bank.

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

The Bank shall demonstrate this principle through various means and in particular:

- a. Have a clear and defined financial education and awareness program as part of a wider financial consumer protection and education strategy and corporate governance. It is an integral component of the Bank's on-going interaction and relationship with clients.
- b. Develop financial education and awareness programs, either on their own or in partnership or collaboration with industry associations, which contribute to the improvement of the clients' knowledge and understanding of their rights and responsibilities, basic information and risks of financial products and services, and ability to make informed financial decisions and participate in economic activities. Financial education programs should be designed to meet the needs and financial literacy level of target audiences, as well as those that will reflect how target audience prefers to receive financial information. These may include:
 - b.1 Delivering public awareness campaigns and information resources that would teach consumers on certain aspects of their financial lives particularly, budgeting, financial planning, saving, investing, borrowing, retirement planning, and self- protection against fraud.
 - b.2 Developing financial education tools or information materials that are updated and readily understood and transparent such as customized advice and guidance (face to face training); printed brochures, flyers, posters, training videos (e.g., about money management, debt management, saving), and newsletters; websites, and interactive calculators that deliver key messages and "call to action" concerning better money management (e.g., protect your money, know your product, read and understand the T&C, check your statements, pay bills on time, safeguard your Personal Identification Number, understand fees and charges) and consumer responsibility to ask the right questions.
 - b.3 Distributing to customers, at the point of sale, a pamphlet on questions, which customers need to ask before accepting a financial product or service.
- c. Clearly distinguish between financial education from commercial advice. Any financial advice for business purposes should be transparent. Disclose clearly any commercial nature where it is also

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

being promoted as a financial education initiative. It should train staff on financial education and develop codes of conduct for the provision of general advice about investments and borrowings, not linked to the supply of a specific product.

- d. Provide via the internet or through printed publications unbiased and independent information to consumers through comparative information about the price and other key features, benefits and risks, and associated fees and charges of products and services.
- e. The Bank should pay attention to the provision of easy to understand and prominent advice to its customers on security precautions for e-services. It should also 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.
- f. Regularly track, monitor, and assess campaigns and programs and use the results of the evaluation for continuous improvement.

6. Protection of Consumer Assets Against Fraud and Misuse

To mitigate the risks of fraud and misuse faced by the clients, the bank, to the extent allowed by existing laws, rules and regulations, must provide necessary assistance, including the provision of relevant information relating to fraudulent or unauthorized transactions. The client must be given clear information on the actions taken or to be taken on a complaint, request or inquiry involving fraudulent or unauthorized transactions. The bank shall adequately inform the client of their responsibilities as users of financial products and services and provide timely notifications in order to curtail and detect a fraudulent or unauthorized transaction.

7. Claims Assessment and Investigation

The bank should conduct fair and reasonable claim resolution by:

- 1 Evaluating any claim made by a client in relation to any disputed transaction for purposes of resolving the claim or assessing the parties' liability in accordance with the FCP Framework, and other existing laws, rules and regulations.
- 2 Communicating to the client the claim resolution process in a timely and transparent manner.
- 3 Giving utmost priority to resolve fraud-related concerns within a reasonable time, consistent with the complexity of the circumstances.

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

8. Reporting Channels

The bank should provide its clients with a free and active reporting channel/s which may consist of a manned phone lines, mobile number online portal, email, chatbot, instant messaging, or other closely-monitored communication channels which should be available on a 24/7 basis.

Any client who contacts the reporting channel should receive an immediate written acknowledgment through the same channel.

9. Unauthorized Transaction

For concerns or disputes on fund transfer where the bank is the Originating Financial Institution (OFI), the bank shall immediately inform and provide relevant details to the Receiving Financial Institution (RFI) . Pending results of the investigation of the dispute, both the OFI and RFI should:

- a. Suspend the imposition of interest, fees or charges, if applicable;
- b. Hold the disputed funds, if still intact, in compliance with the bank's policies and existing Bangko Sentral rules and regulations,
- c. Provide reasonable accommodations to the Financial Consumer, such as a non-withdrawable provisional credit of the disputed amount or temporary hold of the disputed amount within a given period; and
- d. Perform such other necessary actions to protect the client's interest and/or assets, such as but not limited to, account blocking or freezing of funds.

The client shall be informed of the result of the investigation within three (3) banking days.

If after the investigation, the disputed transaction is found to be an unauthorized or fraudulent transaction, the bank should immediately:

1. Correct or reverse the transaction found to be fraudulent, including any related interest, charges thereon and;
2. Make permanent the provisionally-credited amount, unauthorized or and fees imposed if any.

10. Liability for Losses Arising from Unauthorized Transactions

In determining liability for losses, the bank may consider, among others, the following factors:

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

- a. Actions of the accountholder before, during and after the unauthorized transaction;
- b. Acts or omissions of the bank, its employees, third-party agent, outsourced entity or service provider acting on behalf of the bank; and/or
- c. Non-compliance by the bank, its employees, agents or service providers, with any requirement under the FCP Framework and other existing rules and regulations applicable to the Bank's provision of any financial product or service.

11. Erroneous Transactions

In case a client transfers funds to a payee account other than the intended recipient account, he/she should immediately report the error with the following details:

- a. Name, contact number, and other credentials of the payor
- b. Account from which the payment was made
- c. Payee account details
- d. Transaction amount
- e. Transaction date and time.

The receiving bank must immediately be informed of the error. Both the originating and receiving banks should make reasonable efforts to recover the sum sent in error in accordance with existing regulations and industry conventions.

C. Enforcement and Administration Sanction Enforcement

The Bangko Sentral shall have the authority to impose enforcement actions on banks for non-compliance with the Financial Consumer Protection (FCP) Framework, and other existing rules and regulations on FCP.

1. Administrative Sanctions

The administrative sanctions under RA No. 7653, as amended, shall be made applicable to the bank, its directors, trustees, officers, employees or agents for violation of the FCPA, its IRR and any related rules, regulations, orders or instructions of the Bangko Sentral. Provided, further, That in case profit is gained or loss is avoided as a result of the violation of the FCPA, a fine not more than three

	Compliance Division	PPM No.: 003.002
	Financial Consumer Protection Manual	Rev. No.: 4
		Date: 11/22/2024

(3) times the profit gained or loss avoided may also be imposed by the Bangko Sentral; Provided, finally, That in addition to the administrative sanctions that may be imposed, the authority of the bank to operate in relation to a particular financial product or service may be suspended or cancelled by the Bangko Sentral.

2. No Waiver of Rights

No provision of a contract for a financial product or service shall be lawful or enforceable if such provision waives or otherwise deprives a client of a legal right to sue the bank, receive information, have their complaints addressed and resolved, or have their Client data protected.

Such a waiver may cover agreements/contracts that limit the bank’s liability for the acts or omissions of its directors, trustees or officers, employees or agents; the obligations of the banks; or the right of the Financial Consumer to exercise any rights under the FCPA, its IRR or any relevant laws, rules and regulation.