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COMPLIANCE SYSTEM

Pursuant to Monetary Board Resolution No. 1035 dated August 13, 1997, all banks are required to develop and implement a compliance system and to appoint/designate a compliance officer to oversee its implementation. In its Resolution No. 1249 dated Sept. 24, 1997, the Monetary Board approved the following implementing rules and regulations:

SECTION 1. Compliance System

The compliance system shall have the following basic elements:

1. A written compliance program approved by the Bank's Board of Directors
 - a) The compliance program should enable the bank to identify the relevant Philippine laws and regulations; analyze the corresponding risks of non-compliance; and prioritize the compliance risks (e.g., low, medium, high).
 - b) The program should provide for periodic compliance testing with applicable legal and regulatory requirements. Testing frequency should be commensurate with identified risk levels (e.g., annual testing for low-risk, quarterly testing for medium-risk, monthly testing for high-risk). It should also provide for the reporting of compliance findings noted to appropriate levels of management.
 - c) The program should establish the responsibilities and duties of the compliance officer and other personnel (if any) involved in the compliance function.
 - d) A copy of the compliance program and the written approval of the Board of Directors shall be submitted to the appropriate supervising and examining department of the Bangko Sentral within twenty (20) banking days from the date of approval.
 - e) The program should be updated at least annually to incorporate changes in laws and regulations. Any changes in the program shall likewise be approved by the bank's Board and submitted to Bangko Sentral within twenty (20) banking days from the date of approval.
2. A constructive working relationship with regulatory agencies

The bank, through its compliance officer, may consult the regulatory agencies for additional clarification on specific provisions of laws and regulations and/or discuss