



BANKING CODE FOR CONSUMER PROTECTION

Publication History

First published in August 2004.

Subsequent amendments incorporated in January 2011.

Bankers Association of the Philippines

Chamber of Thrift Banks

Rural Bankers Association of the Philippines

Credit Card Association of the Philippines

National Association of Securities Broker Salesmen, Inc.

Bank Marketing Association of the Philippines



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INTRODUCTION

The fundamental philosophy behind the **Banking Code for Consumer Protection** (formerly known as *Service Code for Consumer Banking in the Philippines*) is based on the principle that the consumer is the driver of business; no business can survive without the patronage of consumers. The State itself has acknowledged the vital role of the consumer in the survival of business and industry, and therefore the economy, when it passed Republic Act (R.A.) No. 7394, otherwise known as the Consumer Act of the Philippines. Under R.A. No. 7394, the State has adopted as a policy its commitment to protect the interests of the consumer, promote his general welfare and establish standards of conduct for business and industry.

Cognizant of the importance of defining and making known to the consumer his rights and responsibilities, and the values of efficient service that guide our actions, the Bangko Sentral ng Pilipinas (BSP) challenged the Bankers Association of the Philippines (BAP), the Chamber of Thrift Banks (CTB), the Rural Bankers Association of the Philippines (RBAP), the Credit Card Association of the Philippines (CCAP), and the Bank Marketing Association of the Philippines (BMAP) to further uplift the industry's service standards.

In August 2004, these five associations rose to the challenge, banded together to develop the Service Code for Consumer Banking in the Philippines. A team with members from these associations was formed. The team surveyed the service quality practices of the banks operating in the country. Further, the team looked at the best practices of banks and banking associations in other countries. They identified practices that are best and relevant to the country. These were all incorporated into a Code that was submitted to banks, interbank organizations and consumer groups for their critique and comments.

The industry recognizes that a bank-client relationship is based on mutual trust, and that fair banking practices produce optimum results for both parties. Therefore, adherence to high service standards remains to be the primary concern of members of the banking industry.

This Code is not cast in stone. It is a living Code under the stewardship of the Bank Marketing Association of the Philippines (BMAP) and its Council of Advisors. The BMAP will regularly review the Code, under the guidance of the Council of Advisors, and representatives from the other organizations, to institute changes, making it relevant to the times. As such, it is our hope that the Code will continue to reflect current industry practices and banking needs and requirements of the consumer, and to serve as a benchmark for both the banker and the customer in determining whether services rendered by a bank meet the standards prescribed in this Code.

In January 2011, BMAP spearheaded the updating of the Code (which has been renamed Banking Code for Consumer Protection) by incorporating current banking practices on investments and securities dealership, additional security measures for use of internet banking, and privacy issues concerning telemarketing activities via email, telephone calls and text messaging. Updated banking practices on investments and securities were provided by the National Association of Securities Broker Salesmen, Inc. (NASBI), a project of the Bankers Association of the Philippines (BAP), Money Market Association of the Philippines (MART), and Investment House of the Philippines (IHAP), which aims to adopt international best practices in the distribution of securities in the Philippines.

BASIC CONSUMER RIGHTS

- Right to basic needs
- Right to safety
- Right to information
- Right to choose
- Right to representation
- Right to redress
- Right to education
- Right to a healthy environment

The consumer has eight basic rights. Four of these are directly relevant to the business of delivering financial products and services, as follows:

1. *Right to information.* The consumer has the right to be protected against fraudulent, dishonest or misleading advertising, labeling, promotion and the right to be given the facts and information needed to make an informed choice and to guide him in his dealings with the bank.
2. *Right to choose.* The consumer has the right to choose products at competitive prices with an assurance of satisfactory quality.
3. *Right to redress.* The consumer has the right to seek redress for misrepresentation, breach of contractual obligations, shoddy goods or unsatisfactory services.
4. *Right to education.* The consumer has the right to be adequately educated regarding features, terms, systems and procedures, and inherent risks of bank products and services, and his responsibilities as well.

In this context and with the customer/client foremost in mind, the Banking Code for Consumer Protection was conceived and developed. The Code provides the guidelines on how banks interact with their customers.

Subscription to the Code is voluntary among Philippine banks.

Objectives

The Code, which serves as a benchmark for best banking practices in the country, aims to achieve the following:

1. To promote transparency and better understanding and appreciation of banking products and services;
2. To set minimum service standards that will help ensure customer/consumer protection;
3. To further professionalize and uplift the local banking industry to world class standards; and

4. To strengthen the relationship between banks and their respective customers.

Coverage

The Code covers the following banking products and services: deposits, investments, credit, loans and channels. Customer needs, however, change as well as bank products, services and channels. But even as these evolve, the concept and principles espoused by the Code remain constant.

Contents

The Code has the following sections:

Know Your Bank -- Contains the key principles for banking relationships and the service standards for products, services and channels

Know Your Product -- Provides the customers the basic information they need to make an informed and well-grounded decision on the banking product or service they want or need

Know Your Security Measures -- Provides ways to prevent fraud or unauthorized access to personal funds or accounts and related information, such as personal and financial data.

Access

The Bank Marketing Association of the Philippines (BMAP) is the keeper of this Code. Interested parties may access the Code at the website of the BMAP. The subscribing bank's main and branch offices will make available copies of the Code to their clients upon request. At any point, though, a copy of this Code is available in a subscribing bank's main and branch offices, as well as in their corporate website, for clients to access.

A. KNOW YOUR BANK

1. KEY PRINCIPLES

The relationship of your bank with you, the customer, should be guided by the following:

Customer-first - Your bank recognizes that customers are a vital reason for its existence, and puts their welfare on top of the bank's priorities.

Integrity - Your bank must merit your trust and confidence. To this end, it will deal with you honestly at all times, consistently providing you with what it deems to be the best advice regarding your banking transactions, and exerting every effort to protect your financial interests.

Professionalism - Your bank deals with you using the best practices applicable and the best of the skills and abilities of its people. It will always strive to update these capabilities and knowledge base.

Sense of Urgency - Your bank attends promptly to every transaction knowing that time is of the essence, whether you are borrowing, making a deposit or investment, or presenting a problem.

Transparency - Your bank provides you with all the necessary, relevant and useful information that will help you make an informed choice on the use of banking products and services as well as on your banking dealings and relationships.

Reliability - Your bank has dependable operations backed by capable and well-trained personnel; appropriate physical infrastructure; and accurate, complete and current information necessary for delivering efficient and fast service. Your bank will be available through traditional channels during business days and through electronic channels, when such are available, beyond business hours.

Accountability - Your bank is responsible for the accuracy of all the information it generates about your banking transactions, the confidentiality of these transactions unless otherwise authorized by you or compelled by pertinent laws and regulations, and the actions of its officers and employees in line with their official duties.

2. SERVICE DELIVERY

Your bank is committed to provide you with fast, efficient and reliable service that takes into account the Filipino sensibility and to continuously strive toward the attainment of international standards of best practices in its service delivery.

a. Personalized Service

- Well-trained bank personnel and outsource service providers who are knowledgeable about their bank's products and services will always be available to address your concern.
- Your bankers and their outsource service providers deal with you with utmost courtesy and respect.
- Your bankers and their outsource service providers appreciate that your time is valuable and will therefore attend to you with efficiency and dispatch.
- Your bankers and their outsource service providers are easily identifiable through their ID cards.

b. Multiple Channels for Providing Customer Service

Your bank will, as much as possible, make available to you more than one channel and these channels are complementary to enable you to avail yourself of basic banking services as you may need.

- Traditional channels, which require bank personnel and outsource service providers to operate, are accessible during banking hours. These channels include branches, teller counters, sales officers, branch managers/heads, relationship managers, account officers, call centers, etc.
- Electronic or self-service channels such as automated teller machines (ATMs), kiosks, phone-banking (integrated voice response system), internet, bills payment machines and mobile banking are also available to attend to your needs even beyond banking hours. These services are available 24 hours a day, seven days a week except during instances of temporary inaccessibility due to servicing or maintenance.

c. Elderly customers and customers with disability

Your bank recognizes the needs of elderly and physically challenged customers to have access to transaction services. Your bank will take reasonable and adequate measures to enhance their access to those services.

d. Institutionalized Mechanisms to Respond to Inquiries, Complaints and Feedbacks

Your bank values your opinion. It keeps open its communication lines with you as a means of sustaining and nurturing your banking relationship. Your bank welcomes your suggestions, complaints and feedbacks; as it considers your inputs in improving its products and services.

You may bring to your bank's attention your inquiries, complaints and feedbacks about its products, services and other relevant concerns through any of the following:

- Personal visit to your bank
- Mail
- E-mail
- SMS/Text
- Your bank's website, Facebook, Twitter, Google Plus account, if any
- Phone
- Facsimile machine

You should be ready with the following information and photocopies of relevant documents, which may be necessary to facilitate the handling of your queries or complaints:

- Customer reference no. or account no.
- Type of transaction
- Product or service name
- Amount involved in the transaction

- Channel through which transaction was coursed
- Date and time of transaction or incident
- Personnel assisting or who assisted you with your transaction

Your queries, complaints and feedbacks shall be handled by competent bank personnel, who may be any of the following:

- The customer service or contact center representatives, agents, account officer, relationship manager, personal banker or anyone dedicated to handling your account or relationship
- In branch offices, any one of the bank personnel can attend to you such as the branch head, branch manager, business center manager, teller, branch operations head, sales officer, new accounts officer/staff

Your queries, complaints or feedbacks will be acknowledged within 10 banking days from receipt of such.

Status of investigation due to a query, complaint or feedback will be relayed to you as soon as possible, in no case later than 3 weeks from receipt.

In case you are not satisfied with the way your concern has been addressed by your bank, you can bring the matter to the attention of any of the following agencies by sending (through mail, e-mail or courier) a written complaint together with copies of supporting documents:

- **Bangko Sentral ng Pilipinas** - The BSP is the regulatory agency of the government in charge of supervising and regulating banks. BSP has a Financial Consumer Affairs Group (FCAG) that assists consumers on the resolution of complaints or disputes with BSP-supervised financial institutions. FCAG also provides information on consumer issues related to banking products and services.

Address : Financial Consumer Affairs Group
 Central Supervisory Support Subsector
 Supervision and Examination Sector
 Bangko Sentral ng Pilipinas
 5th Floor Multi-Storey Building
 BSP Complex, A. Mabini St., Malate, 1004 Manila

e-mail: consumeraffairs@bsp.gov.ph

- **Public Assistance Department (PAD)** - This is a quick response action desk under the Philippine Deposit Insurance Corporation (PDIC) that attends to queries and complaints of depositors and the general public. It receives complaints about deposit accounts in operating banks and claims against closed banks. It also provides information about deposit insurance.

Address : The Department Head
 Public Assistance Department
 Philippine Deposit Insurance Corporation

10/F SSS Building
6782 Ayala Ave. cor. V.A. Rufino St.
1226 Makati City, Philippines

e-mail: PAD@pdic.gov.ph

e. Privacy, Confidentiality and Safeguarding Information

- Your bank is duty-bound to treat your personal information as private and confidential, even after you have ceased relationship with your bank.
- Your bank will disclose client information to third parties only under the following circumstances:
 - if you have given your authorization in writing, or through any electronic means allowing your bank to disclose said information
 - if your bank is required by specific provisions of law to do so
 - if your bank is required to provide your personal and credit profile to any credit bureau accredited/recognized by Bangko Sentral ng Pilipinas or the Monetary Board
 - as described in the Anti-Money Laundering Act of 2001 pursuant to the obligation of banks to report covered and suspicious transactions, your bank will provide the AMLC or any other lawfully-mandated body with the pertinent information relating to your account
- Your bank will not use or sell your personal information for marketing purposes of unrelated third parties unless you specifically instruct your bank or its authorized call center agents to do so.
- Your bank will not contact you on an unsolicited basis, whether directly or through “call center telemarketers”, SMS/text messaging or email, if you specifically instruct your bank or its authorized call center agents not to be contacted for this purpose. In which case, your bank will inform its sales and telemarketing agencies to delist your name from such promotional activities.

f. Advertising, Marketing and Promotions

- Your bank will exercise care in using marketing and promotions programs, including direct mail/marketing, for promoting its products and services.
- Your bank will adhere to the guidelines of the Bangko Sentral ng Pilipinas (BSP), The Securities and Exchange Commission (SEC), the Philippine Association of National

Advertisers (PANA) and the Ad Standards Council (ASC) on advertising content by ensuring that:

- it shall not place any advertisement tending to mislead a customer into believing that he will get more in benefits than what the bank is legally authorized to give.
- it shall not put out any advertisement that contains false claim or exaggerated representation as to its liquidity, solvency, resources, deposits and banking services.

B. KNOW YOUR PRODUCT

1. Product and Service Information Delivery

With the array of communication tools now available (e.g., websites, mobile phones and other electronic channels of communication) plus the use of some tested marketing collaterals such as handbills, brochures, posters, flyers and the like, you can expect from your bank sufficient regular updates and information on its products and their features.

a. Product Features and Price Changes

- Established practice requires your bank to advise you through various ways, of changes in the features and/or cost of its regular products and services, prior to their effective date, or as may be required by regulation.
- Your bank may state in its notices/advisories the reason for the changes in product/service features and/or cost.
- Your bank will post the information on changes in its product features and/or prices in any or combination of the following:
 - Website
 - ATM screens
 - Statement-of-account notice
 - Statement-of-account insert
 - Posters in its offices including branches
 - Phone banking
 - E-mail

b. Pre-Sale

Your bank respects your right to choose products and services and will not coerce or harass you into availing yourself of what it offers. Your bank will give you the facts and information needed to make an informed choice among an array of similar products and services in the market and to guide you in your banking dealings and relationships.

- When you inquire or when you are availing yourself of any product or service of a bank, especially for the first time, your banker will explain clearly the features and inherent risks of the product or service you are inquiring about or availing of. Your bank should not issue pre-approved credit cards.
- If you are interested in availing yourself of a bank loan or a credit-line variant, and want to know more about it, you can ask for the following:
 - Clear explanation of all documentary, credit and identification related requirements
 - Use of simple language in explaining to you the salient terms, conditions, pricing and pricing-related details such as charges, fees, interest rates, amortization, re-pricing frequency, penalties, consequences of non-compliance with terms and the like. Your bank would welcome your questions to further clarify certain things, especially technical banking terms, about the financial product.
 - Information that will help ascertain the appropriate product for you and if you are qualified to avail of it.
 - A Loan Information Sheet, if available, that contains the following information:
 - Amount of the loan
 - Current loan effective interest rate
 - Validity period for interest rates
 - Amortization
 - Amortization frequency
 - Charges
 - Penalties
 - Penalty rates
 - Insurance requirement

(Please refer to the "loans, credit lines, and credit cards" section for more details.)

- A verbal quote will be relayed to you when you inquire about deposit, investment or foreign exchange rates as these rates vary frequently. Please note that depending on market conditions, such rates may change even in a matter of minutes. Foreign exchange rates and investment rates, for example, are determined by market conditions and may change anytime.
- Under the law, deposits are insured with the Philippine Deposit Insurance Corporation (PDIC) up to a maximum of P500,000 per depositor. Non-deposit products, on the other hand, are not covered by this insurance.
- Your banker will brief you on the insurance coverage of your deposit with the Philippine Deposit Insurance Corporation.

c. Sale

When you have decided what product or service you want after reviewing and studying all the information provided you, your bank will formalize and seal the transaction. Please note that your bank is committed to protect your and its other clients' interest, and it is bound by certain laws and regulations to minimize related financial risks.

- Your bank will require you to accomplish and sign documents that will include an application form, agreement to the terms and conditions, and disclosure statement.
- You are responsible to read through the documents given to you, clarify any issue that may come to your mind and understand all the terms and conditions, before signing anything. Your banker will satisfy all your queries regarding your bank or your product.
- Your bank will obtain from you personal information and other requirements prescribed under the "Know Your Client" requirement of the BSP. The "Know Your Client" or KYC as commonly called is a required process wherein a bank diligently identifies a prospective client prior to the establishment of a banking relationship. At the very least, this is done via asking a client to produce several valid identification cards or documents.

d. Post-sale

The consummation of your transaction is just the start of a relationship with your bank. To maintain a good banking relationship, your bank shall continue to communicate with you through any or all of the following channels to furnish you with periodic information of mutual concern:

- Passive channels include --
 - Statements of accounts - Important updates or messages from your bank regarding your account may be printed in the statement itself or in a separate sheet, e.g., an insert, mailed/sent with your statement of account. Copies may likewise be sent via e-mail. Updates may also be sent thru SMS. The availability of the statements of accounts and the frequency of its publication and release depend on the feature of the financial product or service.
 - ATM screens - The kind of ATM dictates the type of announcement that can be relayed through this medium. It can be a full screen static display, an animated announcement, or in simple text.
 - Posters, brochures, counter-top notice boards or leaflets at bank branches, branch-ATM booths, mini-branches and banking kiosks. ATMs located in malls, however, may not carry merchandising collaterals as mall owners or operators usually prohibit their display.
 - TV/Monitors/Displays inside bank branches – It displays ads or notices including audio visual materials and advertisements.

- Interactive channels include -
 - Person-to-person – Visits to the bank for subsequent transactions to maintain your account or simply to make inquiries from branch personnel or account personnel. You would do well to follow standard banking procedures in these transactions for your own protection. Thus, you should always cover your transactions with the appropriate documents (like deposit slips, withdrawal slips, receipts, etc.) and to ensure that the same and other pertinent records/banking tools (e.g. passbook entries, confirmation of sale, etc.) are in order before leaving your bank's premises. In turn, your banker should ensure that you have done so.
 - Telephone/Cellphone/Text Messaging - Any of your bank's account officers or branch personnel will be available to address your queries during banking hours. You should however guard against telephone calls or text messages purportedly from your bank requesting your personal and confidential information relating to your bank transactions. Your bank will not use these channels to obtain sensitive information.
 - Website - Your bank will post on its website the latest developments about its products. Frequency of website updates varies among banks.
 - E-mail - You may be notified of changes or new developments through e-mail if you have consented to this medium and have provided your bank with your e-mail address.
 - Call center - If your bank has a call center, you can contact your banker and inquire about the latest development as well as relay your complaints about your bank or its products and services. As a standard practice, the customer relations staff who attends to your call will identify himself to enable you to make a complete written report should you need to prepare one.
 - Phone banking - This is an automated channel utilizing the telephone infrastructure that allows you to access to information regarding your account. This service is usually free and may be readily available to all clients of a bank or via enrolment. When using phone banking, you will usually be asked to dial your client, card or account number and sometimes your PIN or telephone PIN (T-PIN).

2. Bank Products

a. Deposits, Investments and Insurance/Bancassurance

Product Definition -

A **DEPOSIT** is an account with your bank for which the bank has committed to safekeep your money and for most variants, provide interest earnings. Fund/s in a deposit account may be accessible through different channels.

INVESTMENT is the booking of money or funds in certain non-bank deposit instruments with the hope of getting back the amount plus additional value over time. As there is no guarantee on the principal or interest income of some of these

investment instruments, the investment instruments may or may not earn returns over a period of time. Except for the traditional time deposit that has guaranteed interest earnings, investment products are not insured with the Philippine Deposit Insurance Corporation (PDIC). Fixed income investments in peso government bonds, corporate bonds, \$ ROPs and \$ corporate bonds are traded in PDEX (Philippine Dealing and Exchange Corporation), a trading system that allows an SEC-registered salesman to input clients orders based on real time price and market information. This system will enable the matching of buy and sell orders of clients with the other orders coming from the other PDEX Trading participants. All this would entail cost to the client, such as broker's fees, transaction fees and custodian fees.

BANCASSURANCE, literally, is a combination of "banking" and "insurance". It therefore covers a wide range of arrangements between a bank and an insurance company, one of which is the bank's sale of insurance products or services to a customer through its branch network and other channels. Hence, such products are provided by insurance companies and made available by banks to their customer base.

If you are interested in any of the abovementioned products, you should ask your banker the following:

- **Deposits**

- *Initial deposit.* How much initial deposit do I need to make to get this product?
- *Minimum maintaining balance.* How much balance should I maintain in the account so as not to be charged service fees?
- *Earning maintaining balance.* How much balance should I maintain in my account for my money to earn interest?
- *Additional deposits.* Can I make additional deposits on top of what I have put in the bank? Will this be treated as another account or will it be made part of my original account?
- *ATM/Debit/Prepaid Accounts fees.* How much is the initial deposit and how much is the maintaining balance? How much are the fees for inter-bank transactions? How will I be informed of changes in fees and charges?
- *Dormancy.* When will my account be considered dormant? Will I be notified in advance by my bank if my account is turning into a dormant account? How much is the charge for dormant accounts?
- *Pre-termination.* In case I decide to get my time deposit even before the term has lapsed, will there be penalties? How will these penalties be applied?
- *Authority to withdraw from a non-ATM deposit account* - What should I do if I cannot personally go to the bank and I need to withdraw from my account? What documents should be presented by my representative?
- *Loss of ATM/Debit/Prepaid card, deposit certificates/passbooks or equivalent documents.* - What will I do if my deposit & non-deposit documents are lost?

- *For joint and In-Trust-For Accounts* - Am I allowed to withdraw all my deposit even without the consent of the other depositor?
- *Death or incapacity of depositor.* - What happens to my deposit when I die or become incapacitated? Who are entitled to claim my deposit? Can my designated beneficiary be the sole recipient of my deposit?

- **Investments**

- *Initial investment.* How much is the minimum investment amount?
- *Additional investment.* Can I make additional investments on top of what I have put in the Bank? Will this be treated as another account or will it be made part of my original account?
- *Earnings or how fund grows.* How will my investment grow? Does an investment have a committed rate like a deposit account? How has the fund performed over the past six months? One year? Is its historical performance a good gauge of how it will perform in the future?
- *Regular contributions.* Do I need to make regular or periodic contributions to continue enjoying the benefits or coverage of the product?
- *Pre-termination.* In case I decide to get my investment even before the investment term has lapsed, will there be penalties? How will these penalties be applied?
- *Risks.* What are the risks involved in each of these products? Can I lose money on this product or worse, all of my investments? When and how do such losses happen? You should inquire about all the risks that come with the investments especially in conditions wherein investments may not earn, lose money, or lose the principal.
- *Death or incapacity of investor.* - What happens to my investment when I die or become incapacitated? Who are entitled to claim my investment? Can my designated beneficiary be the sole recipient of my investment?
- *Account Officer/Sales Person.* Is the bank personnel I am dealing with authorized and duly licensed by the SEC to transact in fixed income securities?
- *Suitability.* Is the investment I am considering suitable to my financial circumstances and needs and in harmony with the level of my tolerance for risk?
- *Custodianship.* Am I aware if the private securities I purchase through the bank will be transferred to and placed under the custody of a third party institution? Do I know who the intended third party custodian of my securities will be and, if so, am I amenable to having it as the custodian of my securities? Am I aware that I will have to pay corresponding third party custodianship fees?

You need to express to your banker your investment objective, return expectation, time commitment of his funds, and your appetite for risk (liquidity risk, interest rate risk, foreign exchange risk). You should also make sure that investment documents cover full disclosure and transparency in the investment transaction and safeguard your interest. You should inquire about the standard settlement dates, modes of payment and settlement value computation of the securities/investments. Lastly, you should also understand the role and function of a custodian, which is to safekeep and administer securities for you for a fee.

Here are additional questions that you should ask your banker/investment manager:

- Is the financial institution I am dealing with a licensed Broker/Dealer of the SEC and an Exchange Trading Participant or Non-Exchange Trading Participant of good standing?
- Does the Broker/Dealer observe the following principles/ethical standards under the SEC's Securities Regulation Code (SRC) Rules:
 - *Honesty and fairness* – conduct of business in a fair, honest manner and in the best interest of client and integrity of market?
 - *Diligence* – exercised due care and skill in conducting business?
 - *Capabilities* – employed effectively the resources and procedures needed to properly conduct its business?
 - *Information about Clients* – taken reasonable steps to establish true and full identity of clients?
 - *Information for Clients* – made adequate disclosure of material information in dealing with clients?
 - *Conflicts of Interest* – interest of clients come first?
 - *Compliance* – complied with all regulatory requirements to conduct its business?
- Is the Client and Broker/Dealer relationship covered by a Client Agreement which outlines, among others, the circumstances under which the Broker/Dealer will be acting as principal and agent for the client, the nature of services to be provided to or made available to the client and the remuneration that is to be paid by the client?
- Does the Broker/Dealer have reasonable grounds for believing that the recommended fixed income securities are suitable for such client on the basis of a Client Suitability Test or any other measure to determine such?
- Has the Broker/Dealer used reasonable diligence to ascertain the best available price for the security and buy or sell at that price so that the resultant price to the customer is as favorable as possible under the prevailing market conditions?
- Has the Broker/Dealer observed the "Customer First" Policy in executing transactions for and on behalf of its clients?
- Has the Broker/Dealer observed the proper segregation of functions whether as dealer, adviser, underwriter or market-maker to avoid any conflict of interest that may arise?

- *Insurance.* In the event of bank closure, will I be able to recover my investments in the bank? Will I receive the entire amount? If not, how much? If I have more than one account, will each account be insured?

- **Bancassurance**

- *Bank – Insurance Company.* What is the tie-up between my Bank and the Bancassurance / Insurance Company? Where can I find out more information about the Insurance Company? Who are its owners? Number of years of service? How many branches does it have? What are the other products offered?
- *Coverage.* What will be covered by this policy? How much will be covered?
- *Premium.* How much is the premium? How often should I pay the premium?
- *Surrender of policy.* Can I surrender my policy? If I opt not to pay the premium, will I get back anything? Under what conditions do I get back any benefits?
- *Risks.* What are the risks involved in each of these products? When and how do such happen? You should inquire about all the risks that come with the policy especially in conditions when you may not get back any of the premium you have paid or your expected benefits.
- *Benefits.* When do I start enjoying the benefits of the policy? How much are the benefits and what are these?
- *Financial performance of investment.* How will I get update regarding the performance of the investment/fund? Will I receive a mail from the bank/insurance company of any update? How frequent will the bank/insurance company furnish me update about my investment?
- *Death or incapacity of investor.* - What happens to my insurance investment when I die or become incapacitated? Who are entitled to claim my insurance investment? Can my designated beneficiary be the sole recipient of my insurance investment?

b. Loans, Credit Lines and Credit Card

Product Definition -

A **LOAN** is an account with your bank wherein you, as a borrower, have been provided money or funds that you agree to repay or return, usually with interest, within a certain period.

A **CREDIT LINE** is an account with your bank for which it has committed to have funds available for you to draw on anytime and within certain conditions. When you draw funds on such a line, the amount you have drawn becomes a loan.

A **CREDIT CARD**, is a channel that is manifested via a plastic card with a magnetic strip and/or electronic chip or a virtual instrument that allows you to access credit line that is extended to or made available to an individual. A credit card is issued by your bank and allows the holder to buy goods or services on credit or get cash advances up to the limit of the credit line. Credit cards can be used at accredited merchants, ATMs, internet merchant sites, etc. All your availments within a certain period will be billed to you for which you have the option to pay in full or partially on or before a regular payment due date. When you opt to pay the minimum required, you may be charged at an interest rate that depends on the kind of credit card you have.

When inquiring from your bank regarding loans or credit lines, you should ask the following information:

- *Rate.* How much is the interest rate? Is the rate nominal or add-on? What is meant by nominal and what is add-on? What is the effective rate per annum?
- *Amortization.* How does the rate apply to my amortization? How frequent is my amortization? How much will it be? Is the rate fixed or will it vary based on my outstanding loan balance? What are the consequences on my loan balance if I pay only the interest but on a regular basis? Is there a minimum amount that I have to pay?
- *Fees.* Are there other fees that I need to pay. What are these fees? When are these payable (monthly, quarterly, semestrally or annually)? Can the fee or fees be waived? If so, what are the conditions for waiving the fee(s)?
- *Processing time.* How long will it take for my loan to be processed? (Banks have different loan processing standards)
- *Release date of loan proceeds.* When will I get the proceeds of my loan so I can plan my cash flow?
- *Drawdown on credit line.* When can I start drawing on my credit line? Is there a minimum amount per drawdown? Is there a maximum limit on the number of transactions or drawdowns in a month or a certain period?
- *Risks.* If I want a foreign denominated loan, what are the risks attached to my loan or credit line? How does the foreign exchange move and how will its movement affect my loan? And what affects loan rates? Will the state of the economy have an impact on interest rates? Can you give me a firm forecast of these two factors?

When inquiring about Credit Cards, you should ask the following information:

- *Membership Fees.* How much is the membership fee for owning a credit card? How often do I have to pay? In case of a promotional free membership, when will this expire? Can my membership fee be waived? If so, under what conditions?
- *Payment.* Where/How can I pay/settle my obligation? What are the modes and terms of payment? Do I have to pay the outstanding amount? If not, what is the minimum amount I have to pay each payment due date? If I pay only the minimum amount, how much interest/finance charge do I have to pay on the outstanding amount? If I do not make

the minimum payment for one month, what are all the interests and other charges that I have to pay? What are the charges I will incur if my payment (esp. through cheque) is returned for whatever reason?

- *Penalties* - Are there penalties levied if I fail to settle any obligation? When else will I be charged penalty?
- *Cash Advances*. If I take a cash advance from my credit card line, what are the charges that I will have to pay?
- *Exchange rate* - If my card account is in another currency, what is the applicable exchange rate? Is the rate applicable for a specific period or is it transaction specific - that is, whenever I use the credit card? Where or to whom can I refer to for the applicable rate?
- *Loss of Credit Card*. If I lose my credit card, what will I do? What are my liabilities for unauthorized purchases?
- *Credit Limit*. What is my credit limit? How often is this reinstated or refreshed? Is the limit absolute or are there exceptions for certain transactions?
- *Changes in Terms and Conditions*. If there are any changes in terms and conditions for the use of the card, will I be informed of those changes? If so, when will I be informed of those changes?
- *Effects of non-payment* – If I cannot pay my credit card obligations, what options do I have? What are the consequences of my non-payment?

Your banker, in turn, will discuss with you the basic credit criteria that you need to meet before it can grant you a loan or a credit product. These criteria were set to ensure that you, the applicant, will not be overburdened by your loan and hence you will be able to meet your obligations. Your banker will explain them to you and the factors that would affect them.

- *Income*. Business policies or some government agencies determine or set the required minimum income an applicant must be earning to qualify for a loan or credit product.
- *Capacity to pay*. While income is one consideration, it is also important for your bank to ascertain how much of your income can be allocated to your loan obligations. This will ensure that you will be able to meet loan payments and still afford other basic necessities.
- *Credit standing*. Your credit standing will give the bank an indication of your propensity to repay loans. Thus, your bank will require that you furnish it with credit references. It will also check your credit records with credit bureaus.
- *Other regulatory requirements*. From time to time, your bank may ask you to submit other documents relative to your loan or credit application as required by new regulations that are drawn and issued.

3. Debt recovery modes

Banks have a way of collecting from their clients unpaid obligations. These debt recovery modes, however, are not the same for all banks. It is important for you to know to what extent your bank will go to recover what was lent to you should you fail to pay what is due when it is due.

- *Due notice process.* Will my bank give me notice on a payment that is due or overdue? How often will it send me a reminder?
- *Loan offset vs. deposits.* What is my bank's policy on offsetting payment due against my deposit? Is this a standard procedure? Is the process automatic? When do they do such?
- *Collection.* Who collects loan payments, particularly past due obligations? Does my bank use third parties? Are the collection methods very aggressive and hostile? Is my bank open to situations where I need to renegotiate the terms of my loan?

Banks, subsidiary/affiliate credit card companies, collection agencies, counsels and other agents may resort to all reasonable and legally permissible means to collect amounts due them under the credit card agreement, provided, that in the exercise of their rights and performance of duties, they must observe good faith and reasonable conduct and refrain from engaging in unscrupulous or untoward acts.

Banks/quasi-banks and their subsidiary affiliate credit card companies shall inform their cardholders in writing of the endorsement of the collection of their account to a collection agency/agent, or the endorsement of their account from one collection agency/agent to another, at least seven (7) days prior to the actual endorsement. Collection agents are also required to disclose his/her full name/true identity to the cardholder.

C. KNOW YOUR SECURITY MEASURES

1. Updating Your Account Details

It is important that you always inform your bank of changes in your office or home address and telephone number(s). This will not only make it possible for your bank to give you an update on their products and services but more importantly, verify from you any unusual activities that it may have observed involving your account.

2. Securing Electronic Channels

Inquire from your bank about the security measures for its electronic channels. Banks have different means of providing and securing electronic channels, which should comply with the requirements of the Bangko Sentral ng Pilipinas (BSP) Circulars 240 and 269. Banks offering electronic banking channels should have secured prior approval from the BSP, to ensure that proper security measures are in place and customers/users are protected.

Banks may provide general security but will not disclose details for the protection of the customers.

3. Protecting Your Accounts

- *Electronic access cards.* Treat your *ATM/debit/credit* card as cash. Keep it safe and secure. There are syndicates now that can copy your *ATM/debit/credit* card and use it for unscrupulous purposes. Some safeguard controls to consider are:
 - Check the ATM before you transact. If you notice something suspicious about the card slot of an ATM, do not use it and alert the bank.
 - Keep your *ATM/debit/credit* card away from the sight of others.
 - Cover your hand when you enter your PIN. This is very critical since a skimmed ATM card is much less threatening without the PIN that activates access.
 - If you have to use an ATM Terminal which is not your regular terminal, change your PIN as soon as possible.
 - Do not share your PIN with anyone; do not keep any written copy of the PIN together with the ATM card.
 - Check regularly your bank account statements and immediately report to your bank any unexplained entries.
 - Plan your cash needs and withdraw from ATMs in locations which you are most familiar with and are secured.
- *Cheque book.* Cheques have security features. It pays, however, to observe the following practices:
 - Do not pre-sign cheques.
 - Use dark ink when writing out cheques.
 - Do not leave blank spaces between the currency mark and the numeric amount. Put a space only after the amount in words, but mark off with a line any blank space after the payee's name to prevent any insertion or tampering of your cheque.
 - As much as possible, don't make your cheques payable to "CASH."
- *Passbook.* Keep your passbook in a safe and secure place.
- *PINs, MPIN, TPIN, etc.* These are personal identification numbers. Some banks have different PINs for their mobile banking, internet, phone banking and ATM channels. Protect your PIN through the following:

- Do not let anyone else know your PIN. Be wary of strangers standing close to you when you enter your PIN at the ATM, phone or at your PC.
 - Memorize your PIN. It is not advised that you write it down, however if you do need to write it, do not write it where it can be associated with your card, or seen by others.
 - If the service is available, change your PIN regularly or from time to time. It is even more imperative to do this if you suspect that your PIN has been compromised or exposed to unauthorized person/s.
 - In coming up with your PIN, do not use numbers associated with your birthday, street number and the like, which are easily accessible.
- *Passwords.* Treat passwords like PINs. Similarly, safeguard it in the following manner:
 - Do not let anyone know your password. Be wary of strangers standing close to you when you enter your password at your PC or at a kiosk.
 - Memorize your password. Do not write it anywhere, but if you need to write it, do not write it where it can be seen or found by others.
 - If the service is available, change your password periodically. It is even more imperative to do this if you suspect that your PIN has been compromised or exposed to unauthorized person/s.
 - It is better to combine letters and numbers when composing your password. Studies show that passwords using the combination of letters and numbers are more secure. Passwords that combine capital letters with small letters and numbers provide higher levels of security.
 - Do not use words or combinations that are associated with you such as your name and birthday, your street number and address, the name of your spouse, etc., which are easy to remember or easily accessible.
- *Mobile/Smart phone, tablets and personal computer (PC).* Observe the following to safeguard your mobile phone, tablets and PCs:
 - Use passwords for your mobile phone, tablets and PC.
 - Do not store your ID, password or PIN in your PC, tablet or mobile phone.
 - Log off your tablet and PC when you are not using it. Better yet, put an auto-lock feature that automatically puts your PC on stand-by mode, which requires a password to activate it again.
 - Configure your mobile phone to require a password when turned on and activate the phone lock feature.
- *Internet practices.* In using the internet, observe the following precautions:

- Be wary of responding to suspicious e-mail that disguises itself as an official message from your bank. This is called "phishing." Banks, as a practice, do not ask you to register to another site to authenticate your ID and password. When in doubt, call your banker.

- Always update your anti-virus software.

- Do not transact in a site that you don't trust. Always look for security features in a site such as Verisign, 128 SSL encryption, etc.

- Furthermore, whenever you do internet banking transactions, make sure that the internet site is secure. The URL address of secured internet sites starts with https://. Take note of the letter "s" following "http". More recent security versions have the bank's name at the start of the URL in green. This means that all information sent through this site will be encrypted. If the site does not indicate "https", refrain from doing any sensitive transactions.

4. Reporting Loss or Security Breaches

- Call your bank's phone banking or call center immediately to report loss of a passbook, cheque book, credit card, ATM card. Upon receipt of your advice, your bank will immediately block off your stolen or lost credit card or ATM card. If not reported promptly, all transactions after the loss of said card may be considered legal by your bank.
- If you think your PIN or password has been compromised, inform your bank immediately, so your bank can block it off immediately.