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BSP Adopts Enhanced Oversight Framework for Money Service Businesses

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The Monetary Board has approved an updated comprehensive framework aimed at enhancing BSP oversight over the operations of Money Service Businesses (MSBs) [i.e. Remittance and Transfer Companies (RTCs), Money Changers (MCs)/Foreign Exchange Dealers (FXDs)], for the primary purpose of promoting more effective compliance with the Anti-Money Laundering Law, as amended, and its Implementing Rules and Regulations.

As of June 2016, there are more than 18,000 BSP-registered MSBs (5,300 head offices and 12,700 branches), 6,700 of which are also BSP-authorized pawnshops. The MSB in the Philippines is continuously growing and evolving to support the expanding needs of its customers. It now includes, among others, the electronic money business subsidiaries of telecommunication companies.

Under the new rules, the BSP will regulate all RTCs such as Remittance Agents, Remittance Platform Providers, and E-money issuers. RTCs and other MSBs are now required to notify the BSP in cases of: commencement of operations, new accreditation of Remittance Sub-agents (RSAs), change of tie-up partner/s, transfer of location, and closure of business. They shall be further required to obtain prior BSP approval in the event of change in ownership or control. They shall also submit activity level reports to the BSP. Finally, the new rules require MSBs to register with the Anti-Money Laundering Council Secretariat for purposes of covered and suspicious transactions reporting.

Since MSBs are numerous but generally interconnected, BSP will adopt a network-based regulatory approach. Under this approach, an entity that operates an MSB especially a remittance business shall be held responsible for monitoring the operations of its remittance network for compliance with rules and regulations as well as for their accreditation and training. The new framework also introduces different classifications of MSBs depending on their average monthly network volume of transactions. There will be corresponding minimum capital requirement for each type. Registration fees and annual service fees shall also be based on the said classification scheme.

MSBs are required as part of the registration process, to execute a Deed of Undertaking, which includes, among others, compliance with all the provisions of the Anti-Money Laundering Act of 2001 (Republic Act No. 9160, as amended) and its revised implementing rules and regulations as well as the implementing rules issued by the BSP, and adoption of the minimum standards of consumer protection in the areas of disclosure and transparency, protection of client information, fair treatment, effective recourse, and financial education.

Existing MSB operators are given six (6) months from the date of the effectivity of the new regulations to secure BSP registration. Upon the expiration of the transitory period, all Certificates of Registration (COR) previously issued by the BSP shall be considered automatically cancelled. Banks are prohibited from doing business with unregistered MSBs.

The BSP is also limiting the ability of MSBs to transact in cash. Large value pay-outs of more than P500,000 or its foreign currency equivalent, in any single transaction with customers or counterparties, shall only be made via check payment or direct credit to deposit accounts. Also, FXDs/MCs shall be allowed to sell foreign currencies in the amount not exceeding USD10,000 or its equivalent and not to exceed USD50,000, or its equivalent per month per customer. However, exemption or higher limits may be granted by the BSP upon application if justified by the business model of the FXDs/MCs.

Major violation/s of specific provisions of the new regulation and non-compliance with the Deed of Undertaking may result in cancellation of the BSP COR or other sanctions depending on the gravity.

The recently approved MSB oversight framework is part of the package of reforms being instituted by the BSP to promote a more responsive regulatory environment for non-bank financial institutions under the BSP's jurisdiction.

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