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NEW GUIDELINES CONCERNING ELECTRONIC BANKING ACTIVITIES

The Monetary Board, in its Resolution No. 2130 dated December 8, 2000, approved the following new guidelines concerning electronic banking activities:

1. Banks wishing to provide and/or enhance existing electronic banking services shall submit to the BSP an application describing the services to be offered/enhanced and how it fits the bank's overall strategy. This shall be accompanied by a certification signed by its President or any officer of equivalent rank and function to the effect that the bank has complied with the following minimum pre-conditions:

a. An adequate risk management process is in place to assess, control, monitor and respond to potential risks arising from the proposed electronic banking activities;

b. A manual on corporate security policy and procedures exists that shall address all security issues affecting its electronic banking system, particularly the following:

i. Authentication — establishes the identity of both the sender and the receiver; uses trusted third parties that verify identities in cyberspace;

ii. Non-repudiation — ensures that transactions can not be repudiated or presents undeniable proof of participation by both the sender and the receiver in a transaction;

iii. Authorization — establishes and enforces the access rights of entities (both persons and/or devices) to specified computing resources and application functions; also locks out unauthorized entities from physical and logical access to the secured systems;

iv. Integrity — assures that the data has not been altered,

v. Confidentiality — ensures that no one except the sender and the receiver of the data can actually understand the data.

c. The system had been tested prior to its implementation and that the test results are satisfactory. As a minimum

standard, appropriate systems testing and user acceptance testing should have been conducted, and

d. A business continuity planning process and manual have been adopted which should include a section on electronic banking channels and systems.

2. The BSP, thru the Technical Working Group on Electronic Banking, shall pre-screen the overall financial condition as well as the applicant-bank's compliance with the BSP rules and regulations based on the latest available Bank Performance Rating (BPR) and Report of Examination (ROE) including CAMELS.

The Working Group shall ensure that the applicant bank's overall financial condition can adequately support its electronic banking activities and that it shall have complied with certain comprehensive prudential requirements such as, but not limited to, the following:

- a. Minimum capital requirement and net worth to risk assets ratio;
- b. Satisfactory solvency, liquidity and profitability positions;
- c. CAMELS composite rating of at least 3 (this number, however can be flexible depending on other circumstances prevailing), and with at least a moderate risk assessment system (RAS) based on the latest regular examination;
- d. There are no uncorrected major findings/exceptions noted in the latest BSP examination.

3. Based on the recommendation of the Technical Working Group on Electronic Banking, the Deputy Governor, SES, shall approve in principle the application so that banks may immediately launch and/or enhance their existing electronic banking services.

4. Banks shall be informed of the conditional approval of the DG, SES and they shall in turn notify the BSP on the actual date of its launching/enhancement.

5. Within thirty (30) calendar days from such launching/enhancement, banks shall submit to the BSP thru the Supervisory Reports and Studies Office (SRSO) for evaluation, the following documentary requirements:

- a. A discussion on the banking services to be offered/enhanced, the business objectives for such services and the corresponding procedures, both automated and manual, offered through the electronic banking channels;
- b. A description or diagram of the configuration of the bank's electronic banking system and its capabilities showing (i) how the electronic banking system is linked to other host systems or the network infrastructure in the bank; (ii) how transaction and data flow through the network; (iii) what types of telecommunications channels and remote access capabilities (e.g. direct modem dial-in, internet access, or