

- 9.2.4. To develop an audit plan based on robust risk assessment, including inputs from the board of directors, audit committee and senior management and ensure that such plan is comprehensive, adequately covers regulatory matters and approved by the audit committee.
- 9.2.5. To ensure that the internal audit function has adequate human resources with sufficient qualifications and skills necessary to accomplish its mandate.
- 9.3. The Bank shall have in place an independent internal audit function which shall be performed by an Internal Auditor or a group of Internal Auditors, through which its Board, senior management, and stockholders shall be provided with reasonable assurance that its key organizational and procedural controls are effective, appropriate, and complied with;
- 9.4. The Bank shall have in place an effective system of internal control that will ensure the integrity of the financial reports and protection of the assets of the bank for the benefit of all stockholders and other stakeholders;
- 9.5. The Corporate Governance/Nomination/Remuneration Committee shall be responsible for the endorsement to the Board the approval of the appointment of the Chief Audit Executive/Internal Auditor as recommended by the Board Audit and Compliance Committee;
- 9.6. The Chief Audit Executive/Internal Auditor shall render to the Board and Board Audit and Compliance Committee and senior management an annual report on the internal audit department's activities, purpose, authority, responsibility and performance relative to audit plans and strategies approved by the Board Audit and Compliance Committee;
- 9.7. The minimum internal control mechanisms for management's operational responsibility shall center on the CEO, being ultimately accountable for the Bank's organizational and procedural controls; and
- 9.8. The scope and particulars of a system of effective organizational and procedural controls shall be based on the following factors: the nature and complexity of the business and the business culture; the volume, size and complexity of transactions; the degree of risk; the degree of centralization and delegation of authority; the extent and effectiveness of information technology; and the extent of regulatory compliance.

10. The Chief Risk Officer (CRO)

- 10.1. The bank shall appoint a Chief Risk Officer (CRO), or any equivalent position, which shall be independent from executive functions and business line responsibilities, operations and revenue-generating functions. This independence shall be displayed in practice at all times as such, the CRO reports directly to the Risk Oversight Committee without any impediment;
- 10.2. The CRO shall have sufficient stature, authority and seniority within the bank. This will be assessed based on the ability of the CRO to influence decisions that affect the bank's exposure to risk. The CRO shall have the ability, without compromising his independence, to engage in discussions with the board of directors, chief executive officer and other senior management on key risk issues and to access such information as he deems necessary to form his or her judgment. The CRO shall meet with the board of directors/risk oversight committee on a regular basis and such meetings shall be duly minuted and adequately documented;
- 10.3. CROs shall be appointed and replaced with prior approval of the board of directors. In cases, when the CRO will be replaced, the bank shall report the same to the SES of the Bangko Sentral ng Pilipinas within five (5) days from the time it has been approved by the board of directors;

10.4. General Responsibilities of Risk Management

- 10.4.1. identifying the key risk exposures and assessing and measuring the extent of risk exposures of the bank and its trust operations;
- 10.4.2. monitoring the risk exposures and determining the corresponding capital requirement in accordance with the Basel capital adequacy framework and based on the bank's internal capital adequacy assessment on an on-going basis;
- 10.4.3. monitoring and assessing decisions to accept particular risks whether these are consistent with board approved policies on risk tolerance and the effectiveness of the corresponding risk mitigation measures; and
- 10.4.4. reporting on a regular basis to senior management and to the board of directors of the results of assessment and monitoring.

Risk management personnel shall possess sufficient experience and qualifications, including knowledge on the banking business, the developments in the market, industry and product lines, as well as mastery of risk disciplines. They shall have the ability and willingness to challenge business lines regarding all aspects of risk arising from the bank's activities.

11. The Trust Officer

11.1. Qualifications

The Trust Officer who shall be appointed shall possess any of the following:

- 11.1.1. At least five (5) years of actual experience in trust operations;
- 11.1.2. At least three (3) years of actual experience in trust operations and must have completed 90 training hours in trust, other fiduciary business, or investment management activities acceptable to the BSP or completed a relevant global or local professional certification program;
- 11.1.3. At least five (5) years actual experience as an officer of a bank and must have completed at least 90 training hours in trust, other fiduciary business, or investment management activities acceptable to the BSP or completed a relevant global or local professional certification program; and
- 11.1.4. He must be fit and proper to discharge his function as Trust Officer with proven integrity/probity, physical/mental fitness, competence, relevant education/ financial literacy/training, diligence and knowledge/experience.

11.2. Responsibilities

The management of day-to-day fiduciary activities shall be vested in the Trust Officer. In this regard, the Trust Officer shall:

- 11.2.1. Ensure adherence to the basic standards in the administration of trust, other fiduciary and investment management accounts;
- 11.2.2. Develop and implement relevant policies and procedures on fiduciary activities;
- 11.2.3. Observe sound risk management practices and maintain necessary controls to protect assets under custody and held in trust or other fiduciary capacity;