



BSP to deploy an International Transaction Reporting System (ITRS)

Central Bank initiative for prudential supervision and monitoring of all FX transactions for regulated banks in the Philippines

The Bangko Sentral ng Pilipinas (BSP) is in the process of transforming all data collection in XML and API formats as the first step to enhancing its compliance ecosystem by rationalizing the data, enabling faster data collection and more integrated data quality. In keeping with this transformation, BSP has announced that it will launch its International Transactions Reporting System (ITRS) in April 2024, after a soft launch in January, to capture and monitor all cross-border transactions.

The ITRS is a data collection system that acquires information from all regulated banks under BSP, down to the level of individual transactions. While primarily intended for gathering data on peso and foreign-currency transactions between the country's residents and non-residents, as well as inter-resident foreign currency transactions via the domestic banking system, the ITRS also includes a summary report. This report records data on banks' daily net on-balance sheet foreign-exchange (FX) assets (liabilities) and net foreign asset position.

Purpose of this new system

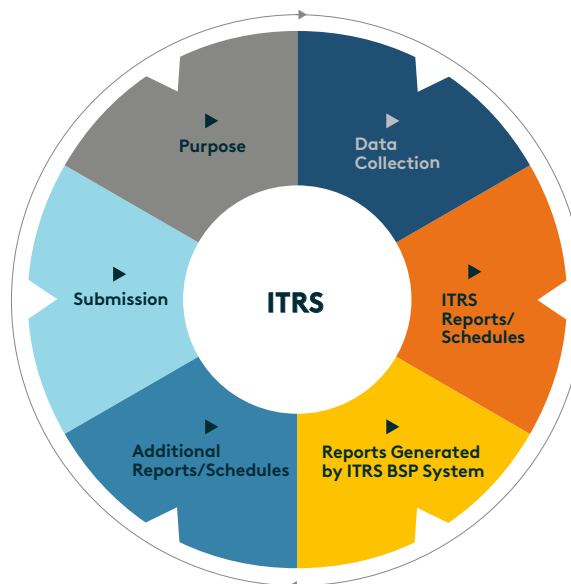
The ITRS serves the following purposes:

- ▶ To monitor cross-border transactions and collect data for compiling the country's Balance of Payments (BOP) statistics based on international standards
- ▶ To serve as a platform for the BSP's prudential supervision and monitoring of foreign exchange transactions

- ▶ Platform for monitoring and supervision of FX and cross-border transactions by the BSP
- ▶ Collect data for compilation of Balance Of Payments statistics

- ▶ Reported in combined financial statements of Head Office and Local Branches
- ▶ Submission of Reports in XML format through API

- ▶ Consolidated New Participants List to be submitted



- ▶ Level of individual transactions
- ▶ Peso and foreign currency transactions between the country's residents and non-residents
- ▶ All foreign currency transactions between residents that pass through the domestic banking system

- ▶ Total of 18 Reports
- ▶ Main Report + Schedules 1-15 to be submitted weekly
- ▶ Schedules 13.1 and 15.1 to be submitted monthly

- ▶ Daily Summary Report (Main Report vs Schedules 1-15)
- ▶ FRP ITRS Comparative Report



List of reports to be submitted

Main Report	Consolidated Peso and Foreign Exchange (FX) Assets and Liabilities	Weekly
Schedule 1	• Interbank Transactions	Weekly
Schedule 2	• Export of Goods	Weekly
Schedule 3	• Import Letters Of Credit (Lcs) Opened and DA-OA Import Availments and Extensions	Weekly
Schedule 4	• Import of Goods	Weekly
Schedule 5	• Services	Weekly
Schedule 6	• Personal Remittances	Weekly
Schedule 7	• Investment Income and Other Primary Income	Weekly
Schedule 8	• Secondary Income and Capital Account	Weekly
Schedule 9	• Direct Investments	Weekly
Schedule 10	• Portfolio Investments	Weekly
Schedule 11	• Spot, Financial Derivatives and Employee Stock Options	Weekly
Schedule 12	• Foreign Exchange Market Turnover	Weekly
Schedule 13	• Loans	Weekly
Schedule 13.1	• Consolidated Report on Foreign Currency Loans Granted by Banks to Non-Residents	Monthly
Schedule 14	• Other Foreign Investments (Other Than Loans)	Weekly
Schedule 15	• Transactions with Resident Non-Banks	Weekly
Schedule 15.1	• Consolidated Report on Foreign Currency Loans Granted by Banks to Resident Non-Banks	Monthly

Cross-reference with BSP FRP Reports

The mandatory BSP ITRS Reconciliation Report involves a comparison between the ITRS Main Report and the Financial Reporting Package (FRP). This report encompasses validations and variances across a total of 145 line items:

- ▶ **69 line items for On-Balance Sheet FX Assets**
- ▶ **76 line items for On-Balance Sheet FX Liabilities**

Furthermore, the line items will display the ITRS account codes, which are cross-referenced with the FRP account codes.

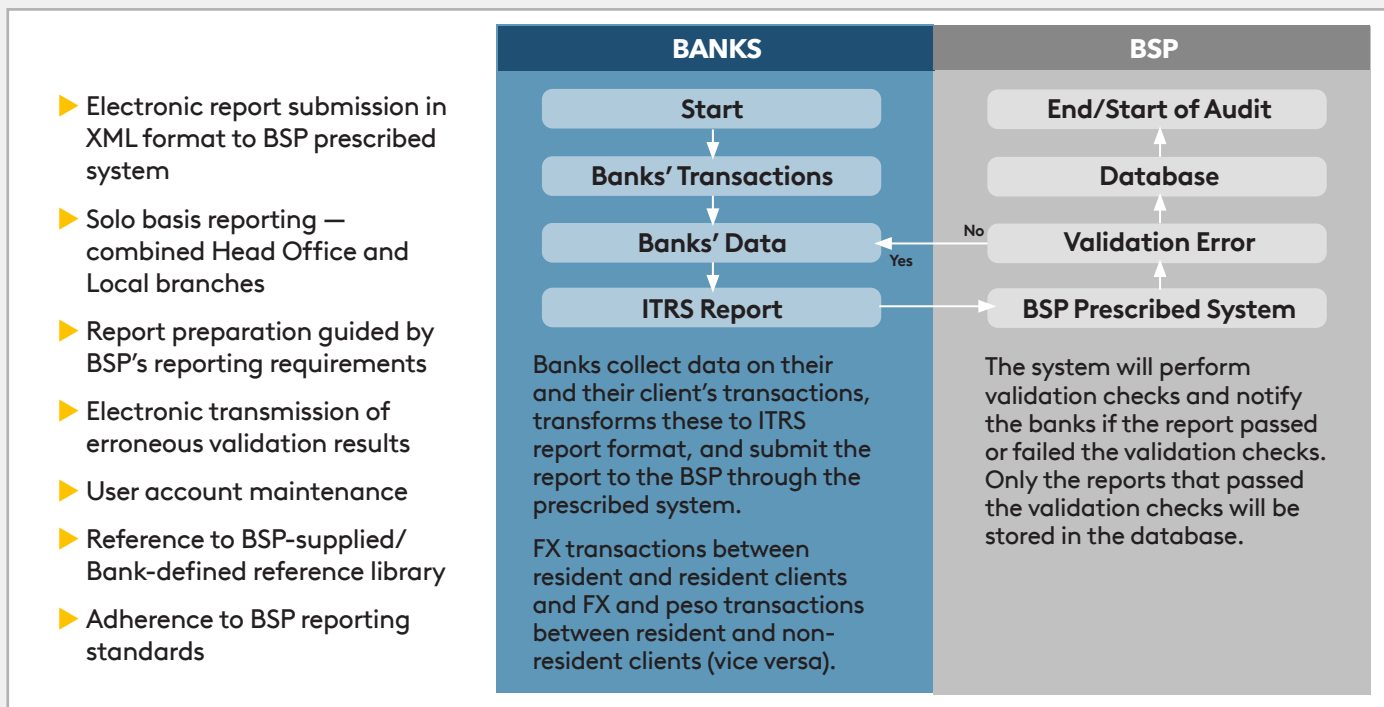
The variances between ITRS and FRP are distributed across four books:

- ▶ **Foreign Regular Book**
- ▶ **FCDU / EFCDU Book**
- ▶ **Foreign Office Book**
- ▶ **Peso Accounts Book**

This report is generated on a monthly basis, specifically on the last working day of the month following the reference month.

Synergies between BSP reporting and ITRS reporting

The sharing of data and insights between BSP reporting and ITRS reporting extends far beyond mere process optimization. They encompass enhanced accuracy, improved decision-making, efficient resource utilization, and stronger regulatory relationships.



Recognizing the potential synergies between BSP reporting and ITRS reporting is essential. These synergies transcend process optimization and encompass heightened accuracy, improved decision-making, efficient resource utilization, and strengthened regulatory relationships. As financial institutions embrace these synergies, they can navigate challenges, fostering growth and excellence in the realm of financial oversight and compliance.

Timeline

- ▶ **On or before October 2nd, 2023:** BSP will provide banks with the XML schema and related documentation
- ▶ **October 2023:** BSP will conduct technical briefings for banks
- ▶ **November - December 2023:** Banks will conduct pilot testing
- ▶ **January 2024:** ITRS soft launch
- ▶ **April 2024:** Full implementation of ITRS



BSP's forthcoming International Transaction Reporting System will be key in supporting the integrity of the Philippines' financial ecosystem, fostering trust among market participants, and aiding in the prevention of financial misconduct.

Challenges posed by this regulation

This transition creates several technical hurdles for banks. These include the need to integrate data from a diverse range of source systems, ensuring data quality, accuracy, and conducting cross-validations. Addressing the frequency of data submissions poses an additional challenge. Developing robust transaction monitoring functionalities is essential to meeting regulatory requirements. The adoption of XML and API submissions introduces technical complexities, and there's a necessity to establish synergy with other reports mandated by BSP. Furthermore, effectively identifying reportable positions and mapping them to the appropriate BSP metadata is crucial for seamless compliance.

This is the second biggest transformation program announced by BSP in the last few months, and banks will have to weigh a strategic solution, not only to comply with the immediate FRP and ITRS requirements, but also to ensure the solution allows the banks to scale for the future changes of BSP and the cross references spanning a variety of data sets.

Taking a comprehensive approach to tackle these requirements provides financial institutions with the chance to implement the necessary tools effectively. Such an approach needs to consider a platform that offers the following benefits:

- ▶ **Quick Time to Market**
 - Quick and easy implementation with key components available out-of-the-box, including templates, validation rules, and comparative reports.
 - Configuration through visual business rules for simplicity.
- ▶ **Data Dictionary with Data Validations**
 - Provides an out-of-the-box Data Model with data validation against regulatory-approved values and ITRS reference libraries.
 - The solution is capable of ingesting data in its existing state from various source systems and formats.
- ▶ **Fully-Managed SaaS**
 - Banks should have the flexibility to choose cloud deployment for the solution.
- ▶ **Reconciliation between FRP and ITRS**
 - Offers a side-by-side comparison and automated mapping of account codes between the Financial Reporting Package (FRP) and ITRS reporting.
- ▶ **Conformance to ITRS and FRP Codes**
 - Allows users to view report allocation and reconciliation for each record at a granular data level.
 - Offers the ability to slice, dice, and visualize the data.
- ▶ **Workflow, Attestation, and Submissions**
 - Implements operational processes for review and validation prior to submission, ensuring accuracy and completeness.
 - Maintains all intermediary and final data and rules to support audit defense.
 - Provides internal reports to ensure submission readiness.

The potential benefits of the new International Transactions Reporting System introduce a unique opportunity for financial institutions to transform challenges into avenues for growth and excellence in the dynamic landscape of financial oversight and compliance.

As BSP initiates its second-largest transformation program, banks must not only address immediate FRP and ITRS requirements, but also adopt platforms that enable scalability to accommodate future BSP changes and cross-referencing demands across diverse data sets. This strategic approach paves the way for a harmonized financial ecosystem that promotes compliance, trust, and resilience.



The potential benefits of the new International Transactions Reporting System introduce a unique opportunity for financial institutions to transform challenges into avenues for growth and excellence in the dynamic landscape of financial oversight and compliance.

Contact Adenza to start a conversation about how we can help you meet BSP's new ITRS requirements – all on a single platform.

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