



HOUSE OF REPRESENTATIVES

H. No. 6197

BY REPRESENTATIVES COLLANTES, GUANLAO, DEL MAR, HERNANDEZ
AND TEJADA

AN ACT PROVIDING FOR THE REGULATION AND SUPERVISION OF
PAYMENT SYSTEMS

*Be it enacted by the Senate and House of Representatives of the Philippines in
Congress assembled:*

1 SECTION 1. *Short Title.* – This Act shall be known as “The Payment
2 Systems Act”.

3 SEC. 2. *Declaration of Policy.* – The State recognizes that payment
4 systems are crucial parts of the financial infrastructure of the country and it is
5 essential that they function safely and efficiently for the stability and
6 effectiveness of the monetary and financial system.

7 SEC. 3. *Objectives.* – The State shall promote, through the Bangko
8 Sentral, the safe, efficient and reliable operation of payment systems in order to
9 control systemic risk and provide an environment conducive to the sustainable
10 growth of the economy.

1 SEC. 4. *Definition of Terms.* – As used in this Act:

2 (a) *Bangko Sentral* shall refer to the Bangko Sentral ng Pilipinas
3 established under Republic Act No. 7653;

4 (b) *Clearing* shall refer to the process of transmitting, reconciling, and
5 in some cases, confirming payment orders prior to settlement, and the
6 establishment of final obligations for settlement;

7 (c) *Designated payment system* shall refer to a payment system that has
8 been designated as such by the Bangko Sentral pursuant to this Act and its
9 implementing rules and regulations;

10 (d) *Director* shall refer to any member of the board of directors of a
11 participant to the payment system, or a person considered as such under
12 Bangko Sentral regulations;

13 (e) *End-user* shall refer to any person who originally initiates the
14 instruction to pay or the ultimate receiver of funds in a payment system;

15 (f) *Fund* shall include any unit of value that forms the consideration or
16 object of transactions;

17 (g) *Issuer* shall refer to any person who provides the means or the
18 instrument to hold or transfer funds;

19 (h) *Manager* shall refer to any person of recognized competence in
20 payment system designated by the Bangko Sentral to manage the operations of
21 the operator of a designated payment system as provided under Section 18
22 hereof. For this purpose, a personnel of the Bangko Sentral may be designated
23 as manager;

24 (i) *Monetary Board* shall refer to the Monetary Board of the Bangko
25 Sentral;

26 (j) *Netting* shall refer to an agreed offsetting of obligations by
27 participants of payment systems;

1 (k) *Officer* shall refer to any person who is an employee holding a
2 management position in any of the participants to the payment system, or a
3 person considered as such under Bangko Sentral regulations;

4 (l) *Operator* shall refer to any person who provides clearing or
5 settlement services in a payment system, or defines, prescribes, designs,
6 controls or maintains the operational framework for the system;

7 (m) *Participant* shall refer to the operator, issuer, service provider, or
8 any person involved in the payment system other than the end-user;

9 (n) *Payment instrument* shall refer to any instrument, whether tangible
10 or intangible, that enables a person to transfer funds;

11 (o) *Payment order* shall refer to an order or message requesting the
12 transfer of funds to the order of the payee;

13 (p) *Payment system* shall refer to the set of payment instruments,
14 processes, procedures and participants that ensures the circulation of money or
15 movement of funds;

16 (q) *Payment System Management Body* shall refer to the entity
17 organized by participants of the designated payment system for the purpose of
18 self-regulation;

19 (r) *Service provider* shall refer to an entity that provides process
20 arrangements, technology or infrastructure to operators of a payment system;

21 (s) *Settlement* shall refer to an act that discharges obligations in respect
22 of fund transfers between two (2) or more parties; and

23 (t) *Systemic risk* shall refer to the risk that the failure of one (1)
24 participant in a payment system, or in financial markets generally, to meet its
25 required obligations will cause other participants or financial institutions to be
26 unable to meet their obligations, including settlement obligations in a payment
27 system, when due: *Provided*, That such failure could threaten the stability of
28 the system or financial markets.

1 The Monetary Board may, by regulation, further define or clarify terms
2 used in this Act consistent with the declared State policy as provided in Section
3 2 hereof.

4 **SEC. 5. Authority of the Bangko Sentral.** – The Bangko Sentral shall
5 oversee the payment systems in the Philippines and exercise supervisory and
6 regulatory powers for the purpose of ensuring the stability and effectiveness of
7 the monetary and financial system.

8 **SEC. 6. Powers of the Bangko Sentral.** – In the performance of its
9 mandate under this Act, the Bangko Sentral shall have, in addition to its
10 powers under existing laws, the following powers:

11 (a) Designate a payment system if it determines the payment system as
12 posing or having the potential to pose a systemic risk or the designation is
13 necessary to protect the public interest.

14 Any such determination by the Bangko Sentral shall be conclusive. The
15 designation of a payment system by the Bangko Sentral shall be effective until
16 revoked. The Bangko Sentral may revoke such designation if it finds that the
17 designated payment system no longer poses any systemic risk or it is no longer
18 in the public interest that the system be designated.

19 Should the Bangko Sentral designate a payment system, it shall require
20 the participants of the designated payment system to comply, within a
21 reasonable period, with the provisions of this Act and its implementing rules
22 and regulations. The Bangko Sentral shall give due consideration to the orderly
23 transition of the operations of the newly designated payment system to ensure
24 that it operates in a safe, efficient and reliable manner.

25 (b) Require operators of the designated payment system to secure prior
26 authority from the Bangko Sentral.

27 In granting the authority, the Bangko Sentral shall take into
28 consideration the capability of an operator in terms of its financial resources,

1 technical expertise, and reputation. The licensing process shall include, but not
2 be limited to, an assessment of the ownership structure, governance, key
3 personnel, business model, risk management and financial resources.

4 No person or entity shall be allowed to act as an operator of a
5 designated payment system without prior authority from the Bangko Sentral.
6 The determination of whether a person or entity is acting as an operator of a
7 designated payment system without Bangko Sentral authority shall be made by
8 the Monetary Board. To resolve such issue, the Monetary Board may, through
9 the appropriate department of the Bangko Sentral, examine, inspect or
10 investigate the books and records of such person or entity.

11 (c) Accredited or require, when deemed necessary, a payment system
12 management body organized by participants of the designated payment system
13 for the purpose of self-regulation.

14 The accredited payment system management body may issue and
15 enforce its rules and regulations and impose appropriate sanctions among
16 participants of the designated payment system: *Provided*, That such rules and
17 regulations shall be with prior Bangko Sentral approval and subject to its
18 review.

19 (d) Issue, through the Monetary Board, rules and regulations governing
20 the following:

21 (1) The standard of operation of payment systems and the conduct of
22 examination of the participants of the designated payment systems, in such
23 frequency as may be prescribed by the Monetary Board, to determine
24 compliance with laws and regulations;

25 (2) The adequacy of resources of operators of the designated payment
26 systems to ensure that the designated payment systems have a high degree of
27 security and operational reliability and have contingency requirements for
28 timely completion of daily processing commitments;

1 related to or interconnected with payment systems. The grant, suspension or
2 revocation of any government license necessary for the conduct of business of
3 a payment system operator must be done only with prior consultation with the
4 Bangko Sentral.

5 The Bangko Sentral shall endeavor to coordinate with the regulators or
6 overseers of payment systems of other countries to facilitate safe, efficient and
7 reliable cross-border payment transactions.

8 **SEC. 11. *Registration of Payment System Operators.*** – Within six (6)
9 months from the effectivity of this Act, all operators of payment systems as
10 defined under Section 4 of this Act shall register with the Bangko Sentral.
11 Operators of payment systems which shall commence business or operations
12 subsequent to the effectivity of this Act shall register with the Bangko Sentral
13 in such manner and within such reasonable period as may be prescribed by the
14 Monetary Board.

15 **SEC. 12. *Organization of Operators of Designated Payment Systems.*** –
16 Operators of designated payment systems, except payment systems operated by
17 the Bangko Sentral, shall be required to incorporate as stock corporations for
18 the purpose of operating a payment system, and shall meet the minimum
19 requirements as may be prescribed by the Monetary Board. Operators of
20 designated payment systems, so long as they continue to be authorized by the
21 Bangko Sentral to operate as such, shall not be included in the definition of a
22 debtor under Republic Act No. 10142, otherwise known as the “Financial
23 Rehabilitation and Insolvency Act (FRIA) of 2010”.

24 **SEC. 13. *Certificate of Authority to Register Operators of Designated***
25 ***Payment Systems.*** – The Securities and Exchange Commission (SEC) shall not
26 register the articles of incorporation of any operator of a designated payment
27 system, or any amendment thereto, or otherwise issue a license to do business
28 in the Philippines, unless accompanied by a certificate of authority to register

1 (3) The qualifications and disqualifications of individuals elected or
2 appointed as directors or officers of operators of the designated payment
3 systems with particular regard to their integrity, experience, education, training
4 and competence. The Monetary Board may suspend, disqualify or remove any
5 director or officer found unfit for the position;

6 (4) The appropriate measures to ensure the confidentiality of payment
7 information which, under the provisions of this Act and other existing laws, is
8 considered confidential;

9 (5) The necessary measures to ensure the compliance of designated
10 payment systems with Republic Act No. 9160, as amended, otherwise known
11 as the "Anti-Money Laundering Act of 2001", and other related laws;

12 (6) The mechanism for the protection of the rights of the end-users and
13 participants to the designated payment systems;

14 (7) Principles on setting prices or pricing mechanisms in payment
15 systems;

16 (8) Guidelines applicable to payment system management bodies,
17 including the grant and revocation of accreditation; and

18 (9) Other pertinent matters as may be determined by the Monetary
19 Board.

20 (e) Issue, through the Monetary Board, directives and orders to any
21 participant of a payment system whenever the Monetary Board has determined
22 that it is necessary to ensure the safety, efficiency or reliability of a payment
23 system or it is in the interest of the public to do so.

24 (f) Require participants of payment systems to submit reports on their
25 operations and provide information for statistical, policy development,
26 supervisory and regulatory purposes.

27 (g) Assess and collect from the participants of the designated payment
28 systems an annual fee in such amount as may be necessary to cover expenses

1 related to or incidental to the conduct of supervisory functions over such
2 entities, subject to the rules prescribed by the Monetary Board.

3 (h) Such other powers as may be reasonably necessary to meet the
4 objectives of this Act.

5 *SEC. 7. Adoption of International Standards and Practices.* — In the
6 exercise of its authority under this Act, the Bangko Sentral shall be guided by
7 internationally accepted standards and practices.

8 *SEC. 8. Protection of Confidential Information.* — Information obtained
9 by the *Bangko Sentral* in the course of its oversight of payment systems and
10 supervision and regulation of participants thereof are considered confidential,
11 and such confidential information may only be disclosed upon prior
12 authorization from the Monetary Board or the Governor as may be necessary
13 in the course of its coordination with other Philippine and foreign regulators as
14 provided under Section 10 of this Act or when ordered by the courts: *Provided,*
15 *however,* That the collective data may be released to interested persons or
16 entities.

17 *SEC. 9. Bangko Sentral Authority to Own and Operate a Payment*
18 *System.* — The Bangko Sentral shall have the authority to own and operate
19 payment systems as may be deemed necessary by the Monetary Board. The
20 Bangko Sentral shall have the authority to determine who shall be allowed to
21 participate in payment systems owned and operated by it and who shall be
22 allowed to open an account with the Bangko Sentral for settlement purposes.
23 The Bangko Sentral shall adopt internal safeguards to ensure appropriate
24 independent oversight of its operator functions.

25 *SEC. 10. Coordination With Other Government Agencies and Foreign*
26 *Regulators.* — The Bangko Sentral shall coordinate with other regulators and
27 other concerned government agencies to avoid gaps, inefficiencies,
28 duplications and inconsistencies in the regulation of other systems which are

1 issued by the Monetary Board, under its seal. The SEC shall not also register
2 the bylaws of any operator of a designated payment system, or any amendment
3 thereto, unless accompanied by a certificate of authority from the Bangko
4 Sentral.

5 **SEC. 14. *Transfer and Acquisition of Substantial Shareholdings.*** – No
6 person shall acquire shares in an operator of a designated payment system that
7 will result in ownership or control, directly or indirectly, of more than ten
8 percent (10%) of the voting stock of such operator, without obtaining the prior
9 approval of the Monetary Board. Prior to Monetary Board approval, no such
10 transfer or acquisition of shares shall have legal effect nor shall the same be
11 recognized in the stock and transfer books of the operator or in the records of
12 any government agency.

13 **SEC. 15. *Responsibilities of the Operator of the Designated Payment***
14 ***System.*** – The operator of the designated payment system shall be primarily
15 responsible for the maintenance and operation of a safe, efficient and reliable
16 payment system in accordance with rules and regulations. This includes the
17 development of a process, which shall be subject to Bangko Sentral review, for
18 the selection, monitoring and disciplining of participants to its system.

19 **SEC. 16. *Finality of Settlement.*** – Notwithstanding the provisions of
20 existing laws to the contrary, settlement effected in accordance with the agreed
21 procedures of a payment system shall be final and irrevocable and shall not be
22 subject to reversal for any reason whatsoever: *Provided*, That if it is shown and
23 established that any such fund so paid and transferred was not legally due, the
24 settlement shall remain and such amount shall constitute a new monetary
25 obligation owed by the payee to the person who caused the payment.

26 **SEC. 17. *Notification in Case of Insolvency of Participant in a***
27 ***Payment System.*** – The participant of a payment system shall notify in writing
28 the operator of such payment system upon the issuance of a stay order or the

1 (d) The capital of the operator has reached a level or is eroding in a
2 manner that may detrimentally affect its participants, users or the public in
3 general; or

4 (e) Any other financial or business condition of the operator which may
5 be considered by the Monetary Board to be prejudicial to the interests of its
6 participants, users or the public in general.

7 The actions of the Monetary Board taken under this section shall be
8 final and executory, and may not be restrained or set aside by the court except
9 on petition for *certiorari* on the ground that the action taken was in excess of
10 jurisdiction or with such grave abuse of discretion as to amount to lack or
11 excess of jurisdiction. The petition for *certiorari* may only be filed by the
12 stockholders of record representing the majority of the capital stock within ten
13 (10) days from receipt by the board of directors of the operator of the
14 designated payment system of the notice from the Bangko Sentral advising of
15 the designation of a manager to manage the operations of such operator.

16 The designation of a manager who will manage the operations of the
17 operator of a designated payment system shall only be for such period during
18 which any of the aforementioned circumstances exists. The Monetary Board,
19 however, may replace the manager as it may deem necessary.

20 The manager so designated shall immediately control, manage, and
21 administer the operations of the operator of a designated payment system.
22 Effective immediately upon designation, the powers, duties and functions, as
23 well as allowances, remunerations and perquisites of the incumbent directors
24 shall be suspended. The suspension shall also apply to the officers of such
25 operator of a designated payment system, unless the manager gives its approval
26 in writing for any officer to continue acting as such under such terms and
27 conditions as the manager may determine. The relevant provisions of the
28 articles of incorporation and bylaws of such operator are likewise suspended.

1 declaration of insolvency, bankruptcy, rehabilitation or placement under
2 receivership or liquidation of the participant on the day of the receipt of the
3 order or resolution issued by the court or quasi-judicial agency. Upon receipt
4 by the operator of such notice, the operator shall immediately stop the
5 processing of any pending payment order involving said participant.

6 The operator of a payment system shall notify in writing its participants
7 and the Bangko Sentral upon the issuance of a stay order or the declaration of
8 its insolvency, bankruptcy, rehabilitation or placement under receivership or
9 liquidation of the participant on the day of the receipt of the order or resolution
10 issued by the court or quasi-judicial agency.

11 *SEC. 18. Designation of a Manager to Manage the Operations of the*
12 *Operator of a Designated Payment System.* – In order to avert disruptions in
13 payment systems which may adversely affect the country's monetary and
14 financial stability, the Bangko Sentral may, upon determination of the
15 existence of any of the circumstances enumerated below, based on the report of
16 the head of the supervising or examining department, and with prior approval
17 of the Monetary Board, designate without need for prior hearing a manager of
18 recognized competence in payment systems to manage the operations of the
19 operator of a designated payment system, as may be necessary or expedient.

20 A threat to the safety, efficiency and reliability of the designated
21 payment system exists as a result of any of the following:

22 (a) The violation of existing laws, rules and regulations by the
23 operator;

24 (b) The failure of the operator to comply with any order of the
25 Monetary Board;

26 (c) The assets of the operator are not sufficient to give adequate
27 protection to its participants or users;

1 (3) The circumstances, terms and conditions when the assets of the
2 operator may be sold or disposed of; and

3 (4) Other matters related to the effective management of the operations
4 of the operator and the appropriate performance of the duties of the designated
5 manager to manage the operations of the operator.

6 SEC. 19. *Netting.* – Notwithstanding the provisions of existing laws to
7 the contrary, when an operator receives from the participant a notice pursuant
8 to Section 17 hereof, the operator may effect the netting of all payment orders
9 received before such notice in accordance with the agreed procedures of the
10 payment system. The insolvency, bankruptcy, rehabilitation, receivership or
11 liquidation proceedings shall recognize any such netting as valid.

12 SEC. 20. *Administrative Sanctions.* – (a) Without prejudice to the
13 penalties and sanctions provided in Section 21 of this Act, the Monetary Board
14 may, at its discretion, impose upon any participant of a designated payment
15 system, its directors and officers, including any person or entity determined by
16 the Monetary Board to be acting as an operator without the requisite authority
17 from the Bangko Sentral, for violations of this Act or rules and regulations
18 issued by the Monetary Board or any order or instruction of the Governor of
19 the Bangko Sentral, fines in amounts as may be determined by the Monetary
20 Board to be appropriate, but not to exceed one million pesos (P1,000,000.00)
21 for each transactional violation or one hundred thousand pesos (P100,000.00)
22 a day for each continuing violation, depending on the nature and gravity of the
23 violation or irregularity: *Provided,* That in case profit is gained or loss is
24 avoided as a result of the violation, an additional fine of not less than the profit
25 gained or loss avoided but not more than three (3) times the profit gained or
26 loss avoided may be imposed.

1 The manager so designated shall determine within the period prescribed
2 by the Monetary Board, but not to exceed one (1) year from the designation,
3 whether any of the aforementioned circumstances still exists or whether the
4 operator of a designated payment system may be permitted to resume
5 management with safety to its payment system participants and end-users:
6 *Provided*, That any determination for the resumption of management of the
7 operator of a designated payment system shall be subject to prior approval of
8 the Monetary Board.

9 If the manager so designated determines that the operator of a
10 designated payment system cannot continue its operations without causing
11 damage or prejudice to its participants, end-users or the public in general, the
12 manager so designated shall notify the Monetary Board in writing of its
13 findings and recommend the revocation of the certificate of authority of an
14 operator of a designated payment system. Once the certificate of authority is
15 revoked by the Monetary Board, the provisions of Republic Act No. 10142
16 shall apply. For this purpose, the Bangko Sentral may initiate the appropriate
17 action under the aforesaid law.

18 The costs and expenses in managing the operations of the operator of a
19 designated payment system, including the remuneration of the designated
20 manager, shall be paid first before other claims out of the funds and properties
21 of the operator of a designated payment system.

22 The Monetary Board shall issue implementing guidelines to govern the
23 management of the operations of the operator of a designated payment system
24 by the designated manager, including:

25 (1) The responsibilities of the designated manager;

26 (2) The information required to be given by the operator, its directors
27 and officers to the designated manager to facilitate the management of the
28 operations of the operator;

1 (b) The Monetary Board may suspend, disqualify, or remove any of the
2 directors or officers of the operator of a designated payment system, in any of
3 the following instances:

4 (1) Willful violation of the charter or bylaws of the operator of the
5 designated payment system;

6 (2) Willful delay in the submission of reports or publications thereof as
7 required by the rules and regulations to be issued by the Monetary Board
8 pursuant to this Act;

9 (3) Refusal to permit examination into the affairs of the operator of the
10 designated payment system;

11 (4) Willful making of a false or misleading statement to the Monetary
12 Board or Bangko Sentral examiners;

13 (5) Willful failure or refusal to comply with any provision of this Act,
14 rule or regulation or any order or instruction issued by the Monetary Board
15 pursuant to this Act, or any order or instruction of the Governor of the Bangko
16 Sentral; and

17 (6) Willful commission of irregularities or the conduct of business that
18 threatens the safety, efficiency or reliability of a payment system as may be
19 determined by the Monetary Board.

20 The suspension of directors and officers of the operator of a designated
21 payment system shall not be more than one (1) year, depending on the nature
22 and gravity of the violation or irregularity. Resignation or termination from
23 office shall not exempt such director or officer from administrative or criminal
24 sanctions.

25 (c) Notwithstanding the institution or pendency of an administrative
26 proceeding, if the participant of a designated payment system and its directors
27 and its officers concerned continue with or otherwise persist in the commission
28 of the cited practice or violation, the Bangko Sentral may issue an order

1 requiring such participant and its directors and officers concerned to cease and
2 desist from the cited practice or violation, and may further order that
3 immediate action be taken to correct the conditions resulting from such
4 practice or violation. The cease and desist order shall be immediately effective
5 upon service on the respondents.

6 (d) The revocation of the certificate of authority of an operator of a
7 designated payment system may be ordered by the Monetary Board on the
8 following grounds:

9 (1) The operator committed a violation of or has not complied with the
10 provisions of this Act or the rules and regulations or orders and instructions
11 issued by the Monetary Board or any order or instruction of the Governor of
12 the Bangko Sentral, involving acts or violations which amount to fraud or
13 expose its participants or the public to material loss or damage; or

14 (2) The operator committed a violation of or has not complied with the
15 provisions of this Act or the rules and regulations or orders and instructions
16 issued by the Monetary Board or any order or instruction of the Governor of
17 the Bangko Sentral, or failed to implement the rules of the payment system or a
18 cease and desist order issued by the Bangko Sentral, and such violation or
19 failure has been determined by the Monetary Board to be a threat to the safety,
20 efficiency or reliability of the payment system or poses a risk to the stability of
21 the monetary and financial system.

22 (e) The cancellation of the registration of any operator of a payment
23 system may be ordered by the Monetary Board, if it finds that the payment
24 system operates to facilitate fraud and other transactions contrary to law, good
25 morals and public policy.

26 The Monetary Board may also order the suspension or revocation of the
27 certificate of authority or the registration with the Bangko Sentral of an

1 operator of a payment system on the basis of the suspension or revocation of its
2 permits or licenses issued by other government agencies.

3 SEC. 21. *Other Penalties and Sanctions.* - Whenever any person or
4 entity willfully violates this Act, rule or regulation, directives or orders duly
5 promulgated by the Monetary Board pursuant hereto, the person or persons
6 responsible for such violation shall be punished by a fine of not less than two
7 hundred thousand pesos (P200,000.00) nor more than two million pesos
8 (P2,000,000.00) or by imprisonment of not less than two (2) years nor more
9 than ten (10) years, or both, at the discretion of the court.

10 SEC. 22. *Separability Clause.* - If any provision or section of this Act
11 or the application thereof to any person or circumstance is held invalid, the
12 other provisions or sections of this Act, and the application of such provisions
13 or sections to other persons or circumstances, shall not be affected thereby.

14 SEC. 23. *Transitory Provision.* - Payment systems existing on the day
15 of the effectivity of this Act shall be given sufficient time, as may be
16 determined by the Bangko Sentral, to comply with the requirements of this Act.

17 SEC. 24. *Effectivity.* - This Act shall take effect fifteen (15) days
18 following its publication in the *Official Gazette* or in two (2) newspapers of
19 general circulation.

Approved,

O