

[REPUBLIC ACT NO. 11127, October 30, 2018]

**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:

SECTION 1. *Title.* - The short title of thus Act shall be "The National Payment Systems Act".

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

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

SEC. 4. *Definition of Terms.* - For the purpose of this Act. the following terms shall refer to:

(a) *Bangko Sentral* - the Bangko Sentral ng Pilipinas established under Republic Act No. 7653;

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

(c) *Designated payment system* - the payment system that has been designated as such by the Bangko Sentral pursuant to this Act and its implementing rules and regulations;

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

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

(f) *Fund* - any unit of value that forms the consideration or object of transactions;

(g) *Issuer* - any person who provides the means or the instrument to hold or transfer funds:

(h) *Manager* - any person of recognized competence in payment system designated by the Bangko Sentral to manage the operations of the operator of a designated payment system as provided under Section 17 hereof. For this purpose, personnel of the Bangko Sentral may be designated as manager;

(i) *Monetary Board* - the Monetary Board of the Bangko Sentral;

(j) *Netting* - an agreed offsetting of obligations by participants of payment systems;

(k) *Officer* - any person who is an employee holding a management position in any of the participants to the payment system, or a person considered as such under Sangko Sentral regulations;

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

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

(n) *Payment instrument* - any instrument, whether tangible or intangible, that enables a person to transfer funds:

(o) *Payment order* - an order or message requesting the transfer of funds to the order of the payee;

(p) *Payment system* - the set of payment instruments, processes, procedures and participants that ensures the circulation of money or movement of funds:

(q) *Payment System Management Body* - the entity organized by participants of the designated payment system for the purpose of self-regulation;

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

(s) *Settlement* - an act that discharges obligations in respect of fund transfers between two (2) or more parties; and

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

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

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

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

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

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

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

(1) In granting the authority, the Bangko Sentral shall take into consideration the capability of an operator in terms of its financial resources, technical expertise, and reputation. The licensing process shall include, but not be limited to, an assessment of the ownership structure, governance, key personnel, business model, risk management, and financial resources.

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

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

(1) The accredited payment system management body may issue and enforce its rules and regulations and impose appropriate sanctions among participants of the designated payment system: *Provided, That, such rules*

and regulations shall be with prior Bangko Sentral approval and subject to its review.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SEC. 8. Bangko Sentral Authority to Own and Operate a Payment System. - The Bangko Sentral shall have the authority to own and operate payment systems as may be deemed necessary by the Monetary Board. The Bangko Sentral shall have the authority to determine who shall be allowed to participate in payment systems owned and operated by it and who shall be allowed to open an account with the Bangko Sentral for settlement purposes. The Bangko Sentral shall adopt internal safeguards to ensure appropriate independent oversight of its operator functions.

SEC. 9. Coordination with Other Government- Agencies and Foreign Regulators. - The Bangko Sentral shall coordinate with other regulators and other concerned government agencies to avoid gaps, inefficiencies, duplications and inconsistencies in their respective regulation of other systems which are related to or interconnected with payment systems. The grant, suspension or revocation of any government license necessary for the conduct of business of a payment system operator must be done only with prior consultation with the Bangko Sentral.

The Bangko Sentral shall coordinate with the Securities and Exchange Commission (SEC) to facilitate the orderly discharge of payment obligations arising from security transactions in securities trading, clearing and settlement systems under Republic Act No. 8799 or "The Securities Regulation Code".

The Bangko Sentral. shall likewise coordinate with the overseers of payment systems of other countries to facilitate safe, efficient and reliable cross-border payment transactions.

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

SEC. 11. Organization of Operators of Designated Payment Systems. - Operators of the designated payment system, except payment systems operated by the Bangko Sentral, shall, be required to incorporate as stock corporations for the purpose of operating a payment system, and shall meet the minimum requirements as may be prescribed by the Monetary Board. Operators of designated payment systems, so long as they continue to be