Subject: Amendments to the Regulations on Electronic Money (E-money) and the operations of Electronic Money Issuers (EMI) in the Philippines

The Monetary Board, in its Resolution No. _____ dated __________ 2022, approved the amendments to the regulations governing the issuance of electronic money (E-money) and the operations of electronic money issuers (EMI) in the Philippines under the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI).

Section 1. Section 702 of the MORB on Issuance and Operations of Electronic Money shall be amended to read as follows:

702 ISSUANCE AND OPERATIONS OF ELECTRONIC MONEY

The following guidelines shall govern the issuance of electronic money and the operations of electronic money issuers.

702. Declaration of policy. It is the policy of the Bangko Sentral to foster the development of efficient and convenient retail payment and fund transfer mechanisms in the Philippines. The availability and acceptance of e-money as a retail payment medium will be promoted by providing the necessary safeguards and controls to mitigate the risks associated in an e-money business. The Bangko Sentral aims to promote a safe, efficient, and inclusive digital finance ecosystem by espousing an enabling regulatory environment that recognizes the advances in digital technologies and fosters a responsive and effective management of attendant risks. The regulations governing E-money operations and issuers allow banks to adopt risk management systems suited to their size, complexity of operations, and systemic importance. This enables banks to provide financial services attuned to the evolving needs and behavior of consumers and supported by safeguards and controls against various existing and emerging risks such as...
money laundering, terrorism and proliferation financing, cybersecurity, and fraud, among others.

Scope. These guidelines shall cover banks that issue E-money and engage in the operations of E-money business in the Philippines. E-money issued under closed loop systems is not covered by this Section.

Definition of Terms. For purposes of this section, the following terms shall have the meanings set forth below:

1. **Electronic money (E-money)** shall mean monetary value as represented by a claim on its issuer, that is—shall refer to a monetary value stored in a transaction account that is not a deposit and non-interest-bearing that was issued, created, or accepted by a bank — and is:
   a. electronically stored in an instrument or device;
   b. issued against receipt of funds of an amount not lesser in value than the monetary value issued;
   c. denominated in or pegged to Philippine Peso or other foreign currencies;
   d. pre-funded by customers to enable payment transactions through the use of a transaction account;
   e. accepted as a means of payment by persons or entities other than the issuer by the issuer for its customers or by other persons or entities including merchants/sellers;
   f. issued in accordance with this Section against receipt of funds of an amount equal to the monetary value issued; and
   f. withdrawable in cash or cash equivalent or transferable to other accounts/instruments that are withdrawable in cash.

2. **Electronic instruments or devices** shall refer to cash cards, prepaid cards, stored value cards or any digital wallet accessible via mobile phones or other access device, and other similar products within the scope of electronic payments and financial services as defined under Subsec. 701.1 of the MORB;

3. Transaction account shall be as defined under Bangko Sentral Circular No. 1033 (Subsec. 701.1 of the MORB);
4. Closed-loop electronic wallet system shall refer to an arrangement wherein the electronic wallet is accepted as a means of payment only by the merchant-issuer and is issued for a limited purpose. Merchants belonging to the same conglomerate/corporate groups shall be considered as one entity for purposes of determining closed-loop electronic wallet systems.

5. Open-loop electronic wallet system shall refer to an arrangement wherein the electronic wallet is accepted as a means of payment by other persons or entities other than the merchant-issuer, including merchants/sellers outside of the conglomerate/corporate groups.

6. Merchants are physical or electronic retailers or businesses that accept electronic money as payment and may utilize electronic platforms in selling their goods and services.

*Electronic money issuer (EMI)* shall be classified as follows:

a. Banks (hereinafter called EMI-Bank);

b. NBFI supervised by the Bangko Sentral (hereinafter called EMI-NBFI), and

c. Non-bank institutions registered with the Bangko Sentral as a monetary transfer agent under Sec. 4511N of the MORNBFI (hereinafter called EMI-Others).

For purposes of this Section:

a. *Electronic instruments or devices* shall mean cash cards, e-wallets accessible via mobile phones or other access device, stored value cards, and other similar products.

b. E-money issued by banks shall not be considered as deposits.

**Prior Bangko Sentral approval.** Banks planning to be an EMI-Bank shall apply in accordance with Sec. 701 relating to the guidelines on electronic banking services and with Sec. 112 on outsourcing of banking functions, when applicable.

**Application for authority to offer E-money services.** Banks may offer E-money services subject to prior approval of the Bangko Sentral under Electronic
Payment and Financial Services (EPFS) Type A license\(^1\) and compliance with prudential criteria provided under Section 111 and requirements on licensing of EPFS under Appendix ___ of Section 701 of the MORB.

The EMI-Bank shall also comply with pertinent Bangko Sentral rules and regulations, among others, covering the following areas, among others: 30) calendar days before any variation to the terms and conditions may take effect.

Governance. The following guidelines shall govern the issuance and operations of electronic money:

1. Minimum Systems and Controls. – Prior to issuance of E-money, EMI-Banks shall ensure that the following are in place:
   a. Sound and prudent management, administrative and accounting procedures and adequate internal control mechanisms;
   b. Properly-designed computer systems which are thoroughly and independently tested prior to implementation;
   c. Appropriate security policies and measures intended to safeguard the integrity, authenticity, and confidentiality of data and operating processes;
   d. Due diligence and accreditation policy and process in selecting E-money agents and merchants/business partners;
   e. Fraud risk management system that is commensurate to the risks associated with particular EMI types or specific EMI activities;
   f. Adequate business continuity and disaster recovery plan; and
   g. Effective audit function to provide periodic review of the security control environment and critical systems.

2. E-money shall only be issued and redeemed at face value. It may not be issued at a discount. That is, the E-money credited to the customer’s account balance is higher than the amount of fiat money used to purchase it. Moreover, E-money is not considered a deposit. \textbf{It shall not earn interest nor rewards and other}\(^1\)

\(^1\) This applies to BSFls that can be assessed against the prudential criteria provided in the Policy and Regulations on Licensing. These applicants must have been examined by the Bangko Sentral.
similar incentives convertible to cash, nor be purchased at a
discount. E-money is not considered a deposit, hence, it is not
insured with the PDIC. That may be construed as earning
of interest. Nevertheless, EMI-Banks can offer
promotional incentives that are not based on the
outstanding balance of the e-wallet to encourage
greater usage and attract new users.

3. Consumer Protection. EMI-Banks shall adopt a
financial consumer protection framework in
accordance with the requirements of Section 1002
“Consumer Protection Standards” of the MORB as
amended by BSP Circular No. 1048. EMI-Banks shall
adhere to the expectations provided under said
Section/Circular covering the following core
principles:

a. Disclosure and transparency of e-money
transactions;
b. Protection of client information;
c. Fair treatment of e-money customers;
d. Effective recourse in place for handling
complaints and redress mechanisms; and

e. Financial education and awareness of e-money
customers.

4. Interoperability of Systems. EMI-Banks shall make
its E-money products/service/platform with fund
transfer functionality interoperable by
participating in an Automated Clearing House
pursuant to the guidelines set under the National
Retail Payment Systems (NRPS).

5. Aggregate Limits. EMI-Banks shall employ a client
categorization process in order to enforce
pre-defined transaction limits and thresholds based
on institutional risk assessment and sound customer
due diligence process.

Government agencies/corporations/
instrumentalities shall be exempted from the
specified aggregate limits for government to
person/merchant transfers.

For large value pay-outs of more than P500,000
or its equivalent in foreign currency, in any single
transaction with customers or counterparties,
enhanced due diligence shall be conducted and said
pay-outs shall be done through banks using check
payments or electronic fund transfer facilities.

6. Liquidity Requirement. EMI-Banks shall have
sufficient liquid assets to meet E-money
redemptions at all times and protect the interest
of the E-money holders. In this respect, EMI-Banks
shall maintain liquid assets at least equal to the
amount of outstanding E-money issued for each
currency in which the E-money obligations are
denominated. The liquid assets shall be
unencumbered and shall be in the form of:

a. At least fifty-percent (50%) of outstanding
E-money balance shall be maintained in a trust
account\(^2\) on behalf of E-money account-holders for
the specific purpose of E-money balance
liquidation. The fifty-percent (50%) requirement
shall be determined based on the average of
outstanding E-money month-end balances for the
previous quarter; and

b. The remaining fifty-percent (50%) of outstanding
E-money balance shall be held in:
   1. bank deposits specifically earmarked for
      liquidity requirements of the E-money
      balances. This shall be maintained in
      accounts separate from other deposits of the
      EMI-Bank;
   2. government securities earmarked and set aside
      for the purpose; and
   3. such other liquid assets as the Bangko Sentral
      may allow.

EMI-Banks shall ensure that their current and
prospective creditors understand that liquid assets
maintained for safeguarding of outstanding E-money
issued shall remain unencumbered and are not
subject to attachment. Records pertaining to the
above liquid assets shall be made available for
inspection by the Bangko Sentral at any time.

The EMI-Bank shall have in place control
mechanisms to ensure prompt accounting and
recording of liquidity requirements particularly
for multi-currency wallets.

\(^2\) Definition and requirements in accordance with Appendix 86 of the MORB.
Classifications of EMIs. Electronic money issuers shall be classified as follows:

1. a) Banks (hereinafter called EMI-Bank) EMI-Banks; and
2. b) Non-bank financial institutions (NBFI) supervised by the BSP (hereinafter called EMI-NBFIs) and EMI-Non-Bank Financial Institutions (NBFI).
3. c) Non-bank institutions registered with the BSP as a money transfer agent under Section 4511N of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) (hereinafter called EMI-Others).

Capital Requirements. The term capital shall be synonymous to the definition stated in Section 121 of the MORB. The required capital for EMI-Banks shall be the higher of (a) the required minimum capitalization for banks depending on bank category or (b) the required minimum capitalization based on EMI category as follows:

<table>
<thead>
<tr>
<th>EMI Category</th>
<th>Required Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large scale EMI-Bank</td>
<td>PHP 200,000,000</td>
</tr>
<tr>
<td>Small scale EMI-Bank</td>
<td>PHP 100,000,000</td>
</tr>
</tbody>
</table>

An EMI-Bank shall be classified as Large scale if the twelve (12) month average value of aggregated inflow and outflow transactions is equal to or greater than PHP 25.0 billion.

Reporting Requirements. EMI-Banks shall maintain records and submit the following reports to the appropriate department of the Financial Supervision Sector:

<table>
<thead>
<tr>
<th>Nature of Report</th>
<th>Frequency</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Quarterly Report on Total Volume and Value of E-money transacted*</td>
<td>Quarterly</td>
<td>Ten (10) business days from end of reference quarter</td>
</tr>
<tr>
<td>2. List of operating offices and websites*</td>
<td>Semestral per MSB C1039</td>
<td>Ten (10) business days from end of reference semester</td>
</tr>
</tbody>
</table>

*Duly certified by the Proprietor/Managing Partner/President or any officer of equivalent rank.
EMI-Banks shall ensure that transaction and due
diligence records are maintained for a period of at
least five (5) years. They shall likewise adhere to
other relevant guidelines issued by the Bangko Sentral
on record keeping and retention, and digitization of
records as well as the manner of submission of
required reports.

All changes and enhancements to the E-money
platform shall be reported in accordance with the
reportorial requirements of EPFS to the appropriate
department of the Bangko Sentral.

**Sanctions.** Monetary penalties and other sanctions under
Section 701 of the MORB shall apply. In addition,
sanctions/penalties may also be imposed on the following
violations:

<table>
<thead>
<tr>
<th>Nature of Violation/Exception</th>
<th>Sanction/Penalties</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Issuing E-money without prior Bangko Sentral approval</td>
<td>Applicable penalties under Sections 18 &amp; 19 of R.A. No. 11211; Watchlisting of owners/partners/principal officers</td>
</tr>
<tr>
<td>3. Violation/s of this Section and other relevant laws and Bangko Sentral rules and regulations</td>
<td>Penalties and sanctions under the abovementioned laws and other Bangko Sentral rules and regulations</td>
</tr>
</tbody>
</table>

**Revocation of EMI license.** The authority to engage in
E-money business shall be automatically revoked if the
Bank does not commence E-money operations within one (1) year after receipt of the notice of approval of its EMI license application.

**Transitory provision.** Banks authorized to issue E-money or are engaged in E-money operations shall submit the following to the Bangko Sentral not later than three (3) months from effectivity of this Circular:

1. A certification, signed by the President or Officer with equivalent rank and function, that the EMI-Bank is in compliance with all the applicable requirements of this Circular; and

2. Accomplished gap assessment template attached herewith as Annex A, specifying the plan of actions it will undertake, with the corresponding timelines not exceeding one (1) year, to conform with the provisions it has yet to fully comply with.

Upon submission of the Certification, EMI-Banks may continue to operate their business unless instructed otherwise. Failure to comply with these requirements within the prescribed timelines shall subject the entity to the appropriate enforcement action provided under Section 002 of the MORB.

**Section 2.** Section 702-Q/402-S/402-N of the MORNBF on Issuance and Operations of Electronic Money is hereby amended to read as follows:

**702-Q/402-S/402-N ISSUANCE AND OPERATIONS OF ELECTRONIC MONEY**

The following guidelines shall govern the issuance of electronic money (E-money) and the operations of electronic money issuers.

**702-Q/402-S/402-N. Declaration of policy.** It is the policy of the Bangko Sentral to foster the development of efficient and convenient retail payment and fund transfer mechanisms in the Philippines. The availability and acceptance of e-money as a retail payment medium will be promoted by providing the necessary safeguards and controls to mitigate the risks associated in an e-money business.
technologies and fosters a responsive and effective management of attendant risks. The regulations governing E-money operations and issuers allow non-bank financial institutions (NBFIs) to adopt risk management systems suited to their size, complexity of operations, and systemic importance. This enable NBFIs to provide financial services attuned to the evolving needs and behavior of consumers and supported by safeguards and controls against various existing and emerging risks such as money laundering, terrorism and proliferation financing, cybersecurity, and fraud, among others.

Scope. These guidelines shall cover non-bank financial institutions (NBFIs) that issue E-money and engage in the operations of E-money business in the Philippines. E-money issued under closed loop systems is not covered by this Section.

Definition of Terms. For purposes of this section, the following terms shall have the meanings set forth below:

1. **Electronic money (E-money)** shall mean monetary value as represented by a claim on its issuer, that is—shall refer to a monetary value stored in a transaction account that is not a deposit, and non-interest-bearing that was issued, created, or accepted by a NBFI and is:
   a. electronically stored in an instrument or device;
   b. issued against receipt of funds of an amount not lesser in value than the monetary value issued;
   c. denominated in or pegged to Philippine Peso or other foreign currencies;
   d. pre-funded by customers to enable payment transactions through the use of a transaction account;
   e. accepted as a means of payment by persons or entities other than the issuer by the issuer for its customers or by other persons or entities including merchants/sellers;
   f. issued in accordance with this Section against receipt of funds of an amount equal to the monetary value issued; and
   f. withdrawable in cash or cash equivalent or transferable to other accounts/instruments that are withdrawable in cash.
2. **Electronic instruments or devices** shall refer to cash cards, prepaid cards, stored value cards or any digital wallet accessible via mobile phones or other access device, and other similar products within the scope of electronic payments and financial services as defined under Subsec. 702.1-Q/402.1-S/402.1-N of the MORNBFfI;

3. Transaction account as previously defined in BSP Circular no. 1033 (Subsec. 702.1 Q/402.1-S/402.1-N of the MORNBFfI);

4. Closed loop electronic wallet system shall refer to an arrangement wherein the electronic wallet is accepted as a means of payment only by the merchant-issuer and is issued for a limited purpose. Merchants belonging to the same conglomerate/corporate groups shall be considered as one entity for purposes of determining closed-loop electronic wallet systems.

5. Open loop electronic wallet system shall refer to an arrangement wherein the electronic wallet is accepted as a means of payment by other persons or entities other than the merchant-issuer, including merchants/sellers outside of the conglomerate/corporate groups.

6. Merchants are physical or electronic retailers or businesses that accept electronic money as payments and may utilize electronic platforms in selling their goods and services.

**Electronic money issuer (EMI)** shall be classified as follows:

- a. Banks (hereinafter called EMI-Bank);
- b. NBFI supervised by the Bangko Sentral (hereinafter called EMI-NBFI); and
- c. Non-bank institutions registered with the Bangko Sentral as a monetary transfer agent under Sec. 4511N of the MORNBFfI (hereinafter called EMI-Others).

For purposes of this Section:

- e. **Electronic instruments or devices** shall mean cash cards, e-wallets accessible via mobile phones or other access device, stored value cards, and other similar products;
- d. E-money issued by banks shall not be considered as deposits.
Prior Bangko Sentral approval. Banks planning to be an EMI-Bank shall apply in accordance with Sec. 701 relating to the guidelines on electronic banking services and with Sec. 112 on outsourcing of banking functions, when applicable.

Certificate of Authority. Non-banks planning to be EMI-NBFIs shall apply in accordance with the guidelines on electronic payment and financial services and outsourcing, when applicable. The procedures for applying for an EMI license as well as licensing requirements are specified in the BSP Citizen’s Charter.

EMI-NBFIs shall also comply with pertinent Bangko Sentral rules and regulations covering the following areas, among others:

a) Electronic Payment and Financial Services (EPFS);

b) Liquidity Risk Management;

c) Operational Risk Management and Internal Control;

d) IT Risk Management including the area of IT Outsourcing/Vendor Management;

e) Payment Systems;

f) Anti-Money Laundering and Countering Terrorist and Proliferation Financing;

b) Financial Consumer Protection;

h) Corporate Governance;

i) Requirements for beneficial owners as specified in Section 111-M of the MORNBFI which shall apply not only during license application but whenever there is a significant change in ownership; and

j) Requirements for registration as specified in Section 901-N of the MORNBFI.

EMI-NBFIs that engage in lending activities must secure a quasi-banking license from the Bangko Sentral in accordance with the requirements of the Q-Regulations in the MORNBFI.

Common provisions. The following provisions are applicable to all EMIs:

a. E-money instrument issued shall be subject to aggregate monthly load limit of P100,000 unless a higher amount has been approved by the Bangko Sentral. In case an EMI issues several e-money instruments to a person (emoney holder), the total amount loaded in all the e-money instruments shall be consolidated in determining compliance with the aggregate monthly load limit.
b. EMIs shall put in place a system to maintain accurate and complete record of e-money instruments issued, the identity of e-money holders, and the individual and consolidated balances thereof. The system must have the capability to monitor the movement of e-money transactions and link e-money instruments issued to common e-money holders. The susceptibility of a system to intentional or unintentional misreporting of transactions and balances shall be sufficient ground for imposition by the Bangko Sentral of sanctions, as may be applicable.

d. EMIs shall ensure that e-money instruments clearly identify the issuer who is ultimately responsible to the e-money holders. This shall be communicated to the client who shall acknowledge the same in writing.

e. It is the responsibility of EMIs to ensure that their distributors/e-money agents comply with all applicable requirements of the Anti-Money Laundering Law, rules and regulations.

f. EMIs shall provide an acceptable redress mechanism to address the complaints of its customers.

g. EMIs shall disclose in writing and its customers shall signify agreement to the information embodied in Item “c” above upon their participation in the e-money system. In addition, it shall provide clear guidance in English and Filipino on consumers’ right of redemption, including conditions and fees for redemption, if any. Information on available redress procedures for complaints together with the address and contact information of the issuer shall also be provided.

i. EMIs shall provide the appropriate supervising department of the Bangko Sentral quarterly statements containing, among others, information on investments, volume of transactions, total outstanding e-money balances, and liquid assets in such forms as may be prescribed later on.

j. EMIs shall notify the Bangko Sentral in writing of any change or enhancement in the e-money facility thirty (30) days prior to implementation. If said change or enhancement requires prior Bangko Sentral approval, the same shall be evaluated accordingly. Any change or enhancement that shall expand the scope or change the nature of the e-money instrument shall be subject to prior approval of the Deputy Governor of
the appropriate sector of the Bangko Sentral. These changes or enhancements may include the following:

1. Additional capabilities of the e-money instrument/s, like access to new channels (e.g. inclusion of internet channel in addition to merchant Point of Sale terminals);
2. Change in technology service providers and other major partners in the e-money business (excluding partner merchants), if any; and
3. Other changes or enhancements.

Governance. The following guidelines shall govern the issuance and operations of electronic money:

1. Minimum Systems and Controls. Prior to issuance of E-money, EMI-NBFIs should ensure that the following are in place:
   a. Sound and prudent management, administrative and accounting procedures and adequate internal control mechanisms;
   b. Properly-designed computer systems which are thoroughly and independently tested prior to implementation;
   c. Appropriate security policies and measures intended to safeguard the integrity, authenticity, and confidentiality of data and operating processes;
   d. Due diligence and accreditation policy and process in selecting E-money agents and merchant/business partners;
   e. Fraud risk management system that is commensurate to the risks associated with particular EMI types or specific EMI activities;
   f. Adequate business continuity and disaster recovery plan; and
   g. Effective audit function to provide periodic review of the security control environment and critical systems.

2. E-money may only be issued and redeemed at face value. It may not be issued at a discount. That is, the E-money credited to the customer’s account balance is higher than the amount of fiat money used to purchase it. Moreover, E-money is not considered a deposit. It shall not earn interest nor rewards and other similar incentives convertible to cash, nor be purchased at a discount. E-money is not considered a deposit, hence, it is not insured with the PDIC.
of interest. Nevertheless, EMI-NBFIs can offer promotional incentives that are not based on the outstanding balance of the e-wallet to encourage greater usage and attract new users.

3. Consumer Protection. EMI-NBFIs shall adopt a customer financial consumer protection framework in accordance with the requirements of Section 1002-Q/702-S/702-N “Consumer Protection Standards” of the MORNBFi as amended by BSP Circular No. 1048. EMI-NBFIs shall adhere to the expectations provided under said Section/Circular covering the following core principles:

a. Disclosure and transparency of e-money transactions;
b. Protection of client information;
c. Fair treatment of e-money customers;
d. Effective recourse in place for handling complaints and redress mechanisms; and
e. Financial education and awareness of e-money customers.

4. Minimum Disclosure Requirements. EMI-NBFIs shall provide clear terms and conditions for the use of the E-money, which should be made available through various channels, including the EMI-NBFI’s website, brochures, and registration form (user’s and merchant’s copy). EMI-NBFIs must obtain acknowledgement from their users and merchants prior to their availment of E-money services. The details should include, but not limited, to the following:

a. Clearly identify the issuer of E-money who is ultimately responsible to the E-money holders;
b. Type of transactions that can be made with the E-money;
c. All applicable fees and charges;
d. Availability of user’s transaction history and/or statement of account;
e. Procedures for reporting lost or stolen E-money and lodging a complaint, including the manner on how the losses and liabilities from security breaches, system failure, or human error will be settled between the EMI-NBFI and its customers;
f. Refund policy, including refund conditions, procedures, turn-around time and cost;
g. Rights and responsibilities of users and merchants;
h. User’s and merchant’s liability for damaged, lost, malfunctioned, or compromised e-wallet instrument or value, and fraudulent transaction; and
i. Customer service contact number(s) as well as details of the Bangko Sentral Consumer Assistance Mechanism.

Users and merchants shall be notified at least thirty (30) calendar days before any variation to the terms and conditions may take effect.

5. Interoperability of Systems. EMI-NBFIs shall make their E-money products/service/platform with fund transfer functionality interoperable by participating in an Automated Clearing House pursuant to the guidelines set under the National Retail Payment Systems (NRPS).

6. Aggregate Limits. EMI-NBFIs shall employ a client categorization process in order to enforce pre-defined transaction limits and thresholds based on institutional risk assessment and sound customer due diligence process.

   Government agencies/corporations/instrumentalities shall be exempted from the specified aggregate limits for government to person/merchant transfers.

   For large value pay-outs of more than P500,000 or its equivalent in foreign currency, in any single transaction with customers or counterparties, enhanced due diligence shall be conducted and said pay-outs shall be done through banks using check payments or electronic fund transfer facilities.

7. Liquidity Requirement. EMI-NBFIs shall have sufficient liquid assets to meet E-money redemptions all times and protect the interest of the E-money holders. In this respect, EMI-NBFIs shall maintain liquid assets at least equal to the amount of outstanding E-money issued for each currency in which the E-money obligations are denominated. The liquid assets shall be unencumbered and shall be in the form of:
a. At least fifty-percent (50%) of the outstanding E-money balance shall be maintained in a trust account on behalf of E-money account-holders for the specific purpose of E-money balance liquidation. The fifty-percent (50%) requirement shall be determined based on the average of outstanding E-money month-end balances for the previous quarter; and

b. The remaining fifty-percent (50%) of outstanding E-money balance shall be held in:
   1. bank deposits specifically earmarked for liquidity requirements of the E-money balances. This shall be maintained in accounts separate from other deposits of the EMI-NBFI;
   2. government securities earmarked and set aside for the purpose; and
   3. such other liquid assets as the Bangko Sentral may allow.

EMI-NBFIs shall ensure that their current and prospective creditors understand that liquid assets maintained for safeguarding of outstanding E-money issued shall remain unencumbered and are not subject to attachment. Records pertaining to the above liquid assets shall be made available for inspection by Bangko Sentral at any time.

The EMI-NBFI shall have in place control mechanisms to ensure prompt accounting and recording of liquidity requirements particularly for multi-currency wallets.

Classifications of EMIs. Electronic money issuers shall be classified as follows:

1. a) Banks (hereinafter called EMI-Bank) EMI-Banks; and
2. b) Non-bank financial institutions (NBFI) supervised by the BSP (hereinafter called EMI-NBFI) and EMI-Non-Bank Financial Institutions (NBFI).
   c) Non-bank institutions registered with the BSP as a money transfer agent under Section 4511N of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) (hereinafter called EMI-Others).

Capital Requirements. The term capital shall be synonymous to the definition stated in Section 121-Q

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3 Definition and requirements in accordance with Appendix 86 of the MORB.
combined capital accounts) of the MORNBFI. The required capital for EMI-NBFIs shall be the higher of (a) the required minimum capitalization for NBFIs depending on NBFI type or (b) the required minimum capitalization based on EMI category as follows:

<table>
<thead>
<tr>
<th>EMI Category</th>
<th>Required Capital</th>
</tr>
</thead>
<tbody>
<tr>
<td>Large scale EMI-NBFI</td>
<td>PHP 200,000,000</td>
</tr>
<tr>
<td>Small scale EMI-NBFI</td>
<td>PHP 100,000,000</td>
</tr>
</tbody>
</table>

An EMI-NBFI shall be classified as Large scale if the twelve (12) month average value of aggregated inflow and outflow transactions is equal to or greater than P25.0 billion.

Notification and Reporting Requirements. EMI-NBFIs shall comply with the notification and reporting requirements as prescribed under Section 901-N of the MORNBFI and the Reporting Governance Section of the M-Regulations. In addition, EMI-NBFIs shall maintain records and submit the following reports to the appropriate department of the Financial Supervision Sector:

<table>
<thead>
<tr>
<th>Nature of Report</th>
<th>Frequency</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Audit Financial Statement (AFS)</td>
<td>Annually</td>
<td>Not later than 120 calendar days after the close of the reference calendar or fiscal year subject to the provisions under Section 901-N</td>
</tr>
<tr>
<td>(audited by an external auditor included in the List of Selected External Auditors for NBFIs)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Statement of Financial Condition for Large-scale EMI-NBFIs</td>
<td>Quarterly</td>
<td>Twenty (20) business days from end of reference quarter</td>
</tr>
<tr>
<td>3. Quarterly Report on Total Volume and Value of E-money transacted*</td>
<td>Quarterly</td>
<td>Ten (10) business days from end of reference quarter</td>
</tr>
<tr>
<td>4. List of operating offices and websites*</td>
<td>Semestral per BSP Circular No. 1039</td>
<td>Ten (10) business days from end of reference semester</td>
</tr>
</tbody>
</table>
EMI-NBFIs shall ensure that transaction and due diligence records are maintained for a period of at least five (5) years. They shall likewise adhere to other relevant guidelines issued by the Bangko Sentral on record keeping and retention, and digitization of records as well as the manner of submission of required reports.

All changes and enhancements to the E-money platform shall be reported in accordance with the reportorial requirements of EPFS to the appropriate department of the Bangko Sentral.

**Sanctions.** Monetary penalties and other sanctions under Section 002-Q/002-S/001-N of the MORNBI shall apply. In addition, sanctions/penalties may also be imposed on the following violations:

<table>
<thead>
<tr>
<th>Nature of Violation/Exception</th>
<th>Sanction/Penalties</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Issuing E-money without prior Bangko Sentral approval</td>
<td>Applicable penalties under Sections 18 &amp; 19 of R.A. No.11211; Watchlisting of owners/partners/ principal officers</td>
</tr>
<tr>
<td>3. Violation/s of this Section and other relevant laws and Bangko Sentral rules and regulations</td>
<td>Penalties and sanctions under the abovementioned laws and other Bangko Sentral rules and regulations</td>
</tr>
</tbody>
</table>

EMI-NBFIs without the appropriate approval from the Bangko Sentral. Any entity or person found to be engaging in EMI operations without prior approval of the Bangko Sentral shall be subject to appropriate enforcement action/s, without prejudice to the pursuit of any legal action against the owners and operators of the entity pursuant to Section 18 of 7653 (The New Central Bank Act), as amended.
Voluntary Closure of EMI Business. Any EMI-NBFI who wishes to cease carrying on with the business or activity of issuance of E-money shall comply with the requirements under Section 104-M of the MORNBFI.

Revocation of EMI license. The authority to issue E-money or engage in E-money operations of a NBFI shall be automatically revoked if the applicant does not commence E-money operations within one (1) year after receipt of the notice of approval of its EMI license application.

Transitory provision. NBFIs authorized to issue E-money or are engaged in E-money operations shall submit the following to the Bangko Sentral not later than three (3) months from effectivity of this Circular:

1. A certification, signed by the President or Officer with equivalent rank and function, that the EMI-NBFI is in compliance with all the applicable requirements of this Circular; and

2. Accomplished gap assessment template attached herewith as Annex B, specifying the plan of actions it will undertake, with the corresponding timelines not exceeding one (1) year, to conform with the provisions it has yet to fully comply with. In terms of adequacy of capital, existing EMI-NBFIs shall be given two (2) years to comply with the minimum capital requirements.

Upon submission of the Certification, EMI-NBFIs may continue to operate their business unless instructed otherwise. Failure to comply with these requirements within the prescribed timelines shall subject the entity to the appropriate enforcement action/s provided under Section 002-Q/002-S/001-N of the MORNBFI.

Effectivity Clause. The Circular shall take effect fifteen (15) calendar days following its publication in the Official Gazette or any newspaper of general circulation.
FOR THE MONETARY BOARD

BENJAMIN E. DIOKNO
Governor

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