



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. _____
Series of 2023

Subject: Regulatory Framework for Merchant Payment Acceptance Activities

The Monetary Board, in its Resolution No. ____ dated _____ 2023, approved the following framework governing merchant payment acceptance activities.

Section 1. The following Sections shall be created in the Manual of Regulations for Payment Systems (MORPS):

202 Policy Statement. The Bangko Sentral recognizes that enabling merchants to accept different forms of payments from their customers is vital in facilitating the smooth flow of funds in the economy and contributing to the wider adoption of digital payments in the country. For digital payments to thrive, minimum standards and good practices to safeguard the funds received from customers of merchants and to protect the rights and interests of end-users (i.e., merchants, customers) that deals with entities that facilitate merchant payment acceptance must be established.

The following framework on merchant payment acceptance activities ensures that entities that facilitate merchant payment acceptance adopt commensurate governance structures and appropriate measures to effectively manage risks attendant to their business model, including risks related to settlement, operations, data protection, information technology (IT) and cybersecurity, anti-money laundering and countering terrorist and proliferation financing (AML/CTPF) and end-user protection.

Scope and Applicability. This policy covers (i) Bangko Sentral-supervised financial institutions (BSFIs) (i.e., banks and electronic money issuers-non-bank financial institutions (EMI-NBFIs), including cooperatives) and (ii) non-financial institutions (NFIs) that conduct or intend to conduct merchant payment acceptance activities in the Philippines.

For BSFIs. An entity that conducts or intends to conduct merchant payment acceptance activities that has concurrent licenses such as a banking or EMI-NBFI license shall adhere with more stringent requirements between the guidelines in this policy and the applicable provisions of the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFIs) to be able to comply with the overall regulatory expectations of the Bangko Sentral. However, the principles on pricing mechanism and prescribed payment cycle to merchants in this framework shall apply at all times to BSFIs conducting merchant payment acceptance activities.

Definition of Terms. In addition to the following definition of terms, the terms defined under Section 4 of Republic Act No. 11127 or the National Payment Systems Act (NPSA), the National Retail Payment System (NRPS) Framework, the Payment System Oversight Framework, and other relevant issuances of the Bangko Sentral shall apply.

- a. Transaction account – refers to an account (e.g., deposit account, e-money, electronic wallet, etc.) held or maintained with a BSFI, which could be a bank or a non-bank.
- b. Merchant – refers to physical or electronic retailers, service providers, billers and/or businesses that accept payments for goods and/or services.
- c. Merchant payment acceptance activities – refers to services provided to a merchant, which enables the merchant to accept various payment instruments by collecting and processing the related transaction information. In general, the services include transferring of funds collected on behalf of merchants to transaction accounts of merchants, processing of payments, securing the payment, and facilitating the collection and transmission of data for the processing of payment transactions.
- d. Merchant onboarding – refers to the series of activities conducted to collect and evaluate information prior to enabling merchant payment acceptance services. In general, the activities include defining acceptance criteria for merchants, processing merchant applications, conducting due diligence, signing an agreement, and specifying how the merchant payment acceptance services will be facilitated.
- e. Merchant due diligence – refers to the procedure of identifying and verifying the true identity of merchants, and their agents and beneficial owners, including understanding and monitoring of their transactions and activities.
- f. Merchant acquirer – refers to an entity that either directly or indirectly enables a merchant to accept various payment instruments through its merchant payment acceptance services. As a merchant acquirer, it maintains relationships with payment schemes and card networks and clears and settles funds accepted on behalf of merchants in accordance with a written agreement. For merchants wherein the merchant acquirer has a direct relationship, the funds accepted on behalf of merchants are settled in the nominated transaction account of the merchant with the merchant acquirer.
- g. Payment facilitator – synonymous to payment aggregator or third-party acquirer; refers to an entity that enables a merchant to accept various payment instruments without requiring the merchant to setup a transaction account with the issuer or merchant acquirer. The payment facilitator transfers the funds accepted on behalf of the merchants to the nominated transaction account of the merchants within an agreed time.
- h. Payment gateway – refers to an entity that facilitates safe and secure

capture, transmission, and receipt of data from the point of sale to entities providing merchant payment acceptance services and vice versa.

- i. Large scale merchant acquirer - refers to a merchant acquirer with an actual average monthly value of aggregated inflow and outflow transactions for the past twelve (12) months of P100 million and above; provided that, for entities that are yet to commence operations, the projected average monthly value of aggregated inflow and outflow of transactions for the first twelve (12) months of operations will be used as basis for classification.
- j. Small scale merchant acquirer - refers to a merchant acquirer with an actual average monthly value of aggregated inflow and outflow transactions for the past twelve (12) months of less than P100 million; provided that, for entities that are yet to commence operations, the projected average monthly value of aggregated inflow and outflow of transactions for the first twelve (12) months of operations will be used as basis for classification.
- k. Merchant fee - refers to the fee paid by the merchant to a merchant acquirer or payment facilitator for services related to the processing of the merchant's payment transactions. This may be composed of interchange fees, scheme fees, mark-up, rental and maintenance charges for terminals, among others.
- l. Capital - shall be synonymous to unimpaired capital and surplus, combined capital accounts and net worth and shall refer to the total of the unimpaired paid-in capital, surplus, and undivided profits. For an entity that conducts or intends to conduct merchant payment acceptance activities that has concurrent licenses such as a banking or EMI-NBFI license, the definition of capital and the corresponding adjustments in its computation as stated in the applicable provisions of the MORB and MORNBF shall apply.
- m. Covered transaction (CT) - refers to a transaction in cash or other equivalent monetary instrument exceeding P500,000.
- n. Suspicious transaction (ST) - refers to a transaction with a covered person, regardless of the amount involved, where any of the following circumstances exists:
 - (1) There is no underlying legal or trade obligation, purpose or economic justification;
 - (2) The client is not properly identified;
 - (3) The amount involved is not commensurate with the business or financial capacity of the client;
 - (4) Taking into account all known circumstances, it may be perceived that the client's transaction is structured to avoid being the subject of reporting requirements under the Anti-Money Laundering Act (AMLA), as amended;
 - (5) Any circumstance relating to the transaction which is observed to deviate from the profile of the client and/or the client's past transactions with the covered person;

- (6) The transaction is in any way related to an unlawful activity or any money laundering/terrorism financing activity or offense, that is about to be committed, is being or has been committed; or
- (7) Any transaction that is similar, analogous, or identical to any of the foregoing.

Any unsuccessful attempt to transact with a covered person, the denial of which is based on any of the foregoing circumstances, shall likewise be considered as ST.

Application for authority to conduct merchant payment acceptance activities. Subject to securing necessary prior approval of the Bangko Sentral, entities may conduct merchant payment acceptance activities. An entity granted with the appropriate Bangko Sentral license to conduct merchant payment acceptance activities shall continuously comply with the operational standards and requirements set out in the MORPS. Any deviation or non-compliance after securing a license may be a basis for the imposition of appropriate enforcement actions.

For an entity that intends to handle merchant onboarding and merchant payment processing, including transfer of funds to transaction accounts of merchants, it shall secure a Merchant Acquisition License with the appropriate department of the Bangko Sentral. Entities that have secured a Merchant Acquisition License shall be considered compliant with the registration requirements as an OPS.

The Merchant Acquisition License shall exclude entities who do not handle settlement of funds and/or do not process transactions on behalf of merchants through its own account, such as payment gateways and other third-party service providers. In the absence of additional requirements to secure prior authority, entities that conduct merchant payment acceptance activities but are excluded from the Merchant Acquisition License shall comply with the OPS registration requirements set out in the MORPS.

Guidelines on Merchant Acquisition License are set out in Appendix _ of the MORPS. The Bangko Sentral may request submission of additional documents and information during the evaluation of the application for a license. Pending submission of the same, the application process shall be suspended. Likewise, applying for a license authorizes the Bangko Sentral to conduct onsite verification of the documents and/or representations stated in the application filed in connection with the license or authority applied for. Any misrepresentations in the documents may be used as basis by the Bangko Sentral for denial of the license application or revocation of the license.

Covered BSFIs that provide merchant payment acceptance services as part of their normal or allowed business operations do not require a separate license from the Bangko Sentral.

Capital Requirement. The required capital for merchant acquirers shall be the required minimum capitalization based on the categories as follows:

Merchant Acquirer	Actual average	Minimum Required
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Category	monthly value of aggregated inflow and outflow of transactions in 12 months	Capital
Large scale merchant acquirer	P100 million and above	P20 million
Small scale merchant acquirer	More than P5 million but less than P100 million	P5 million

For entities that are yet to commence operations, the projected average monthly value of aggregated inflow and outflow of transactions for the first twelve (12) months of operations will be used as basis for classification.

As necessary, separate guidelines shall be issued to cover capital requirements for payment facilitators, payment gateways, and other entities conducting merchant payment acceptance activities, which may consider additional criteria other than aggregated inflow and outflow of transactions, such as number of merchants serviced.

Governance. All entities that conduct merchant payment acceptance activities shall comply with the Governance Policy for OPS, as applicable.

AML/CTPF Requirements. Merchant acquirers and payment facilitators are considered covered persons and shall adhere with the provisions under Republic Act No. 9160 “Anti-Money Laundering Act (AMLA) of 2001,” as amended, such as the following:

- a. *Merchant Due Diligence (MDD).* A risk-based approach shall be undertaken depending on the type of merchant, business relationship or nature of transaction or activity and risk profile. Covered persons shall establish and record the true identity of their merchants based on official documents. They shall maintain a proportionate system of verifying the true identity of their merchants and, in case of corporate clients, require a system of verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf. It shall formulate a risk-based and tiered MDD that involves reduced MDD for potentially low risk merchants and enhanced MDD for higher risk merchants.
- b. *Record Keeping.* All records and documents of all transactions of covered persons shall be maintained and safely stored for five (5) years from the date of transactions. With respect to closed accounts, the records on customer identification, account files and business correspondence, shall be preserved and safely stored for at least five (5) years from the date when they were closed. If a money laundering case has been filed in court involving the account or customer, records must be retained and safely kept beyond the five (5)-year retention period, until the Anti-Money Laundering Council Secretariat officially confirms that the case has been resolved, decided, or terminated with finality.
- c. *Reporting of Suspicious and Covered Transactions.* Covered persons shall report to the Anti-Money Laundering Council (AMLC) all covered

and suspicious transactions within five (5) working days, unless the AMLC prescribes a different period not exceeding fifteen (15) working days, from the occurrence thereof.

- d. *Training Program.* Covered persons shall formulate an annual AML training program aimed at providing all their responsible officers and personnel with efficient, adequate, and continuous education program to enable them to comply with all their obligations fully and consistently under this Section, the AMLA, as amended, and its relevant implementing rules and regulations. Trainings of officers and employees shall include awareness of their respective duties and responsibilities under the Money Laundering and Terrorism Financing Prevention Program (MLPP) particularly in relation to the customer identification process, record keeping requirements and CT and ST reporting and ample understanding of the internal processes including the chain of command for the reporting and investigation of suspicious and money laundering activities. Covered person's annual AML training program and records of all AML seminars and trainings conducted by the covered institution and/or attended by its personnel (internal or external), including copies of AML seminar/training materials, shall be appropriately kept by the compliance office/unit/department, and shall be made available during periodic or special Bangko Sentral examination.

Merchant Onboarding, Monitoring and Dispute Resolution. Merchant acquirers and payment facilitators shall have prudent Board approved onboarding criteria and procedures for managing its relationship with merchants, which shall include:

- a. *Risk management of relationship with merchants.* Merchant acquirers and payment facilitators shall adopt a risk-based approach to evaluate and analyze the overall potential risk of a merchant, such as risks related to its financial capacity, legitimacy, operations, cybersecurity, consumer protection, among others, using reliable documents, information, or any other appropriate measures to undertake the background verification. When applicable, additional controls such as transaction limits and usage restrictions may be instituted to manage potential risk of a merchant.
- b. *Governing agreement.* A written agreement between the merchant and the merchant acquirer or payment facilitator shall be executed to govern the relationship, which, at the minimum, shall cover the following:
- (1) Account maintenance, such as change in business ownership and/or management, change of business office and/or store address, change in the nature of business, cessation of business, and other material changes on the information submitted to the merchant acquirer or payment facilitator upon onboarding;
 - (2) Timing and manner of the transfer to the merchant of the funds collected by the merchant acquirer or payment facilitator, including the designation by the merchant of the means of receiving payment and transaction account where

- the funds will be transferred, as applicable;
- (3) Roles and responsibilities of the parties to adopt measures that safeguard against unauthorized disclosure of customer data and other protected information, data loss, fraud, and cyber threats;
 - (4) Rules and procedures on liability management and chargeback in case of refunds or failed transactions;
 - (5) Roles and responsibilities of the parties in sorting/handling complaints, refund/failed transactions, or customer returns. At a minimum, customer grievance redressal shall include turnaround time for resolving queries, dispute resolution mechanism, reconciliation; and
 - (6) Termination clause, where grounds for termination may include engaging in fraudulent or illegal activity as substantiated by adequate and appropriate evidence after the merchant acquirer or payment facilitator's own investigation or assessment.

- c. *Monitoring of merchants.* Merchant acquirers and payment facilitators shall ensure continuous monitoring of its merchants in terms of adherence to their agreement and the merchant's business activities.

Merchant acquirers and payment facilitators shall suspend any payment acceptance relationship with a merchant suspected to be involved in a fraudulent or illegal activity and closely monitor and investigate the activities of the suspected merchant. Merchant acquirers and payment facilitators shall terminate immediately any payment acceptance relationship with a merchant that is convicted to be involved in fraudulent or illegal activity.

- d. *Dispute resolution.* Merchant acquirers and payment facilitators shall have in place a dispute resolution framework to ensure prompt and effective resolution of cases with their merchants. It shall contain details, such as transaction life cycle, detailed explanation of types of disputes, process of dealing with them, compliance, responsibilities of all the parties, documentation, procedure for addressing the grievance, and turn-around time for each stage.

End-user Protection. Merchant acquirers and payment facilitators shall have mechanisms in place that ensure the safety of end-users (i.e., merchants and consumers) availing of its service. Merchant acquirers and payment facilitators shall institute the following:

- a. An effective end-user assistance management system designed to receive, record, evaluate, resolve, monitor, and report consumer or merchant complaints, concerns, inquiries or requests;
- b. Internal policies and practices for a reasonable and prompt handling of end-user concern, including an escalation matrix;
- c. A wide range of channels in which end-users can conveniently lodge their complaints, inquiries, and requests, including a dedicated helpdesk or hotline for the said purpose;
- d. Clear policies on investigation, resolution and restitution of complaints

- that is readily accessible to the end-user; and
- e. A dedicated team or unit within the organization that has appropriate experience, knowledge, and expertise to be able to handle end-user complaints/grievances effectively and efficiently. For large scale acquirers, a Senior staff member shall be appointed to oversee the complaint handling process.

Information Technology Risk Management (ITRM). Entities that provide merchant payment acceptance services shall design and implement an ITRM that is risk-based and commensurate with the size, nature and types of products and services and complexity of its IT operations. There shall be a robust and effective information technology and fraud risk management framework and processes, including corresponding governance structures, and controls, to ensure financial stability, operational resilience, and consumer protection, which at a minimum, shall include the following:

- a. Organizational structure that has well-defined roles and responsibilities for information, business processes, applications, IT infrastructure, and fraud prevention;
- b. Policies and procedures on the identification, measurement, monitoring and controlling of data security and IT risks on a periodic basis;
- c. Appropriate information technology and security infrastructure and systems for prevention and detection of cybersecurity and fraud, including process and procedures to mitigate cybersecurity and fraud risk, which includes prevention, detection and monitoring;
- d. Mechanism for monitoring and handling incidents and breaches related to data security, IT and fraud;
- e. Effective business continuity plan (BCP) and disaster recovery plan (DRP) for, at a minimum, all critical business functions;
- f. Independent assessment of risk management process and controls;
- g. Sufficient resources to hire and train employees to ensure that they have the necessary expertise to meet the requirements for IT and the business lines it supports;
- h. Baseline technology-related recommendations, latest encryption standards, transport channel security, among others, based on international standards and recognized principles of international practice for ITRM; and
- i. Measures to ensure compliance with applicable data storage and privacy requirements, such as not storing the customer card credentials within their database or the server accessed by the merchant.

Payment Cycle to Merchants. Merchant acquirers and payment facilitators shall ensure timely and complete funds settlement to merchants. The settlement period shall be agreed upon by the merchant acquirer and the merchant, but shall not be beyond the following periods:

Type of Merchant	Settlement Period
Physical merchant	No longer than two (2) working days from the transaction date (T+2), or the day the funds are received from the payment instrument / network issuer.
e-Commerce merchant	No longer than two (2)

	working days from the transaction date (T+2), or the day the funds are received from the payment instrument/network issuer or the day the goods are delivered, whichever comes later.
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In the event that the period to transfer the collected funds is more than the agreed maximum number of days as stated above, a merchant acquirer or payment facilitator shall undertake risk-mitigating measures to ensure that liquid assets are insulated from risks. These measures may include ring fencing the liquid assets through an escrow or trust account or securing a bank guarantee that is pegged against the average value of merchant transactions in a financial institution acceptable to Bangko Sentral. The bank guarantee, performance bond, or escrow account shall be in the name of the merchant as beneficiary. A periodic monitoring mechanism shall be put in place by the merchant acquirer or payment facilitator to track the outstanding amount to be transferred to its merchants.

The merchant acquirer or payment facilitator shall maintain designated account/s with a BSFI where funds received or collected on behalf of merchants are held separate from the merchant acquirer or payment facilitator's own funds or, as applicable, on funds received or collected on behalf of other merchants. Funds collected by the merchant acquirer or payment facilitator shall not co-mingle with other funds relating to other operations and shall be properly accounted for. The funds in the designated deposit account/s shall only be used for settlement purposes to the merchants and/ or chargebacks to card issuers less the merchant fee and cannot be withdrawn by the merchant acquirer or payment facilitator without consent of the merchant. In case there is a need to shift the designated account from one BSFI to another, the said change shall be effected in a time-bound manner without impacting the payment cycle to the merchants.

Pricing Mechanism. Notwithstanding the consumer pricing rules under the NRPS Framework and subsequent relevant issuances, entities that provide merchant payment acceptance services shall adopt a pricing mechanism whereby transaction and other service fees may be charged by the merchant acquirer or payment facilitator to merchants (e.g., merchant fees). Such pricing mechanism shall be reasonable, transparent, market-based and proportional to the cost of the services offered in order to sustain the business operations of the parties involved.

Outsourcing. Merchant acquirers and payment facilitators shall remain responsible and accountable for the services outsourced to payment gateways and other third-party service providers. As applicable, it shall be the responsibility of the merchant acquirers and payment facilitators to:

- a. Conduct appropriate due diligence review to assess the legitimacy and capability of the third party prior to entering into an outsourcing arrangement;
- b. Ensure that the third party employs a high degree of professional care in performing the outsourced activities as if these were conducted by the merchant acquirer or payment facilitator itself. This would include,

- among others, making use of monitoring and control procedures to ensure compliance at all times with applicable Bangko Sentral rules and regulations;
- c. Ensure that the third party adheres to international standards on IT governance, information security, and business continuity in the performance of its outsourced activities and complies with all laws and Bangko Sentral rules and regulations covering the activities outsourced, especially on compliance with AML/CTPF requirements;
 - d. Review the third party's performance of its responsibilities, operations, practices, and policies at least on an annual basis as part of risk management; and
 - e. Identify, delineate and document the responsibilities and accountabilities of each party as regards the outsourcing arrangement, including planning for contingencies. Notwithstanding any contractual agreement between the merchant acquirer or payment facilitator and third party on the sharing of responsibility, the merchant acquirer or payment facilitator shall be responsible to its merchants.

Reportorial Requirements. Guidelines on reporting under Section 401 of the MORPS shall apply herewith. Merchant acquirers and payment facilitators shall submit the following secondary reports to the appropriate department of the Bangko Sentral:

- a. Annual audited financial statement not later than 120 calendar days after the close of the calendar year or the fiscal year adopted by the merchant acquirer or payment facilitator;
- b. List of existing and delisted merchants on an annual basis within fifteen (15) calendar days from the end of reference year (Annex A);
- c. Statistics of transactions related to merchant acquirer activities on a quarterly basis within fifteen (15) calendar days from the end of reference month (Annex B);
- d. Certification of compliance with the prescribed payment cycle to merchants, including supporting documents on risk mitigating measures to ring fence liquid assets for instances when the period to transfer the collected funds is more than the prescribed maximum number of days, on a semi-annual basis within fifteen (15) calendar days from the end of reference month (Annex C);
- e. Notification of any significant changes to the merchant payment acceptance operations within thirty (30) calendar days prior to the effective date of the proposed changes; and
- f. Notification of any change in the monthly average aggregated inflow and outflow of transactions that would change the merchant acquirer's classification from small scale to large scale or vice versa within sixty (60) calendar days of such occurrence (Annex D).

Commencement of Merchant Payment Acceptance Operations. A merchant acquirer or payment facilitator granted a Merchant Acquisition License shall commence actual merchant payment acceptance operations within six (6) months from the date of issuance of the license. Failure to commence actual merchant payment acceptance operations within the six (6)-month period shall render the Bangko Sentral license as automatically revoked.

The licensed merchant acquirer or payment facilitator shall notify the appropriate department of the Bangko Sentral in writing of the start of operations within five (5) working days from actual start of operations. Such notification shall be duly acknowledged by the appropriate department of the Bangko Sentral.

The merchant acquirer or payment facilitator may send a one-time request for extension of the six (6)-month period for commencement through a written request to the appropriate department of the Bangko Sentral.

Entities without the appropriate license from the Bangko Sentral. When an entity required to be licensed under this Section is found to be conducting merchant onboarding and merchant payment processing, including transfer of funds to transaction accounts of merchants, without a license, the Monetary Board shall issue a directive to such entity to comply with the licensing requirements under this Section. If, after notice to the concerned entity, the entity continues to conduct said activities without the requisite license, the Monetary Board shall issue an order to such entity to cease conducting said activities and to take immediate action to apply for a license. The Bangko Sentral may coordinate with other regulators and concerned government agencies to inform them that the said entity does not have the required license from the Bangko Sentral to conduct such activities. This procedure is without prejudice to the enforcement actions that may be deployed by the Bangko Sentral, as may be applicable, under existing laws, rules, and regulations.

Voluntary Termination of Merchant Payment Acceptance Business. Any entity who wishes to cease carrying on merchant payment acceptance activities shall secure prior approval of the Bangko Sentral on the termination and ensure compliance with the following procedures:

- a. Submit to the appropriate supervising department of the Bangko Sentral a request for approval, signed by the president or officer of equivalent rank, stating the justification and authorizing the said closure on the date duly indicated;
- b. Send written notice of closure to merchants by personal service, or registered mail/other mail couriers or publish said notice in a newspaper of general circulation, and post the same in the official website of the merchant acquirer or payment facilitator, if applicable, upon receipt of notice of the Bangko Sentral approval, but at least (3) months prior to the intended date of closure. Proof of receipt of notice by the merchants shall be kept on file and made available upon request of the Bangko Sentral; and
- c. Submit to the appropriate department of the Bangko Sentral within five (5) working days from date of closure, a certification signed by the president or officer of equivalent rank, stating that the closure was implemented, that the notification requirement under Item "b" above has been complied with, and that the merchant acquirer or payment facilitator has no remaining obligations to its merchants.

Enforcement Action. The Bangko Sentral reserves the right to deploy, as may be warranted, an adequate range of supervisory tools (a) to ensure that grantees of licenses/authorities are and remain qualified to possess the

same, (b) to bring about timely corrective actions, (c) to ensure compliance with Bangko Sentral directives, and (d) to ensure continued safety of merchants, financial consumers, other stakeholders as well as the public in general.

Enforcement actions that may be imposed include, but are not limited to:

- a. **Corrective action.** Corrective actions are measures intended to primarily require BSP-supervised entities with approved licenses/authorities to rectify any deviations from the standards, principles and conditions expected for the exercise of the license and/or authority. Corrective actions may include, but are not limited to, issuance of directives and requirement to submit letter of commitment.
- b. **Sanctions.** The Monetary Board may impose any of the sanctions enumerated hereunder or a combination thereof.

(1) Non-monetary

- i. Suspension of activities. The conduct of activities related to the licenses/authorities granted may be suspended if the Bangko Sentral determines that the concerned merchant acquirer or payment facilitator no longer meets the criteria or standards set; or
- ii. Revocation of licenses/authorities. The license/authority granted may be revoked in cases where violation, non-compliance with criteria/standards and/or false information are noted which affects the safety and soundness of operations of the merchant acquirer or payment facilitator; and/or
- iii. Administrative sanctions. The responsible directors/officers who approve transactions and/or decisions that resulted in violations of laws, rules and regulations, orders, and directives issued by the Monetary Board or the Governor may be subject to reprimand, temporary suspension, and/or disqualification

- (2) Monetary.* Monetary penalties may be imposed for any acts, omissions or transactions that are outside the permissible activities of the licenses/authorities granted or are in violation of laws, Bangko Sentral rules and regulations, orders and directives issued by the Bangko Sentral.

Section 2. Transitory provision. Entities conducting merchant payment acceptance activities that are required to secure a Merchant Acquisition License shall comply with the licensing requirements prescribed under this Section not later than six (6) months from the effectivity of this Circular. These entities shall submit the following requirements to the appropriate department of the Bangko Sentral not later than six (6) months from effectivity of this Circular:

- a. Items 3 to 14 of the documentary requirements under the Guidelines on Merchant Acquisition Licensing (Appendix _ of the MORPS); provided that if the entity is yet to operate for twelve (12) months, the projected monthly value of aggregated inflow and outflow of transactions for the first twelve (12) months of operations shall be used as basis for classification;
- b. A certification, signed by the president or officer with equivalent rank

and function, of the applicable requirements of this Circular that the merchant acquirer or payment facilitator is already in compliance with (Annex E); and

- c. A duly accomplished gap assessment template (Annex F) specifying the plan of actions the merchant acquirer or payment facilitator will undertake, with the corresponding timelines not exceeding twelve (12) months, to conform to the provisions it has yet to fully comply with.

Given previous registration as an OPS, the amount paid as registration fee, as applicable, shall be deducted from the license fee upon approval.

Upon submission of the above documentary requirements and payment of filing fees, the merchant acquirer or payment facilitator may continue to operate its business unless otherwise informed by the appropriate department of the Bangko Sentral. The imposition of the appropriate enforcement action under this Section shall apply for failure to submit within the prescribed deadline the required information/documents.

Entities conducting merchant payment acceptance activities at the time of the effectivity of this Circular shall comply with the requirements, other than licensing, prescribed under this Section not later than twelve (12) months from effectivity of this Circular.

For BSFIs, it shall submit to the appropriate department of the Bangko Sentral not later than six (6) months from effectivity of this Circular, a notification of its merchant payment acceptance activities signed by the president, chief executive officer, or a senior officer holding an equivalent position (Annex G) and Items 4 to 12 of the documentary requirements under the Guidelines on Merchant Acquisition Licensing (Appendix _ of the MORPS).

Section 3. Effectivity. This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:

ELI M. REMOLONA, JR.
Governor

__ [Month] 2023

Appendix _ of the MORPS Guidelines on Merchant Acquisition Licensing

An entity that conducts or intends to conduct merchant payment acceptance activities shall comply with the following requirements:

- a. Documentary requirements. The following must be submitted to the appropriate department of the Bangko Sentral:
 - (1) Application for Registration as Operator of Payment System (OPS) (Form 1 of Circular No. 1049) signed by the president, chief executive officer, or a senior officer holding an equivalent position;
 - (2) Proof of financial capacity;
 - (3) Copy of Certificate of registration from the Department of Trade and Industry (DTI), Securities and Exchange Commission (SEC) or Cooperative Development Authority (CDA), as applicable;
 - (4) Copy of the business registration/permit indicating the line of business of the OPS, from the city or municipality that has territorial jurisdiction over the place of establishment and operation of the OPS for the current period;
 - (5) Organizational and ownership structure;
 - (6) Business Plan, which includes a description of existing business, business model, target markets, and payment services/products being offered to merchants. The covered entity shall ensure that the payment services/products offered are compliant with existing BSP regulation, such as compliance with QR Ph standard if applicable;
 - (7) Summary of actual monthly value of aggregated inflow and outflow transactions for the past twelve (12) months; provided that, for entities that are yet to commence operations, summary of the projected monthly value of aggregated inflow and outflow of transactions for the first 12 months of operations;
 - (8) Documentary requirements in compliance with the Governance Policy for OPS as provided in Sections 204-212 of the MORPS;
 - (9) Risk management policy;
 - (10) Document/information on consumer protection, particularly redress mechanism;
 - (11) Merchant due diligence and approval criteria, onboarding and monitoring policies and procedures;
 - (12) Templates of agreements/contracts with merchants, settlement banks, third party providers and other entities that are necessary in the provision of merchant payment acceptance activities;
 - (13) List of merchants, settlement banks, third party providers and other entities that are necessary in the provision of merchant payment acceptance activities; and
 - (14) Schedule of fees.
- b. Application fees. An applicant, depending on its classification, shall be assessed the following fees per application:
 - i. Filing fee – shall be charged upon filing of an application and is non-refundable. In case of re-submission of application that is returned for incomplete documentation, another filing fee shall be charged anew; and

ii. License fee – shall be charged to certain application upon approval.

Assessed fees shall be paid to the Bangko Sentral as follows:

Type of Fee	Merchant Acquirer Category	
	Small scale	Large scale
Filing	PHP 10,000.00	PHP 20,000.00
License	PHP 25,000.00	PHP 60,000.00

List of Existing and Delisted Merchants
<Name of Merchant Acquirer/Payment Aggregator>
For the year ended 31 December <Year>

No.	Name of Merchant	Account Status <i><Active or Delisted></i>
1		
2		
3		
4		
5		
6		
7		
8		
9		
10		
11		
12		
13		
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Note: Template of this report will be provided in Excel format.

Annex B

Statistics of Transactions Related to Merchant Acquiring Activities
<Name of Merchant Acquirer/Payment Aggregator>
For the quarter ended <Quarter-Ended> <Year>

No.	Name of Merchant	Volume	Value
1			
2			
3			
4			
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Note: Template of this report will be provided in Excel format.

Annex C

**[Name of Operator of Payment System (OPS)]
CERTIFICATION OF COMPLIANCE WITH PRESCRIBED PAYMENT CYCLE TO
MERCHANTS**

I, ***<Name of Officer>***, Compliance Officer (or Officer of Equivalent Rank), on behalf of the ***<Name of OPS>***, hereby certify that, to the best of my knowledge, ***<name of OPS>*** complies with the provisions on payment cycle to merchants under Section ___ of the Manual of Regulations for Payment Systems (MORPS) for the period ***<covered months>***, except for those indicated below, wherein sufficient risk mitigating measures were implemented, as evidenced by the following documents:

<enumeration of instances of non-compliance with provision on payment cycle to merchants and the corresponding risk-mitigating measures, including proof of ring-fenced liquid assets>

We also certify that all relevant documents in support of this representation are readily available for verification by examiners of the Bangko Sentral during onsite verification/examination or when a written request is made to determine compliance.

This certification executed on ***<date of execution>*** is being submitted in compliance with the requirements provided in the BSP Circular No. _____.

Signed:

Name of President/Officer of Equivalent Rank
President/Equivalent Rank

**[Name of Operator of Payment System (OPS)]
NOTIFICATION OF ANY CHANGE IN THE MONTHLY AVERAGE AGGREGATED
INFLOW AND OUTFLOW OF TRANSACTIONS**

I, <Name of Officer>, President (or Officer of Equivalent Rank), on behalf of the <Name of OPS>, with head/principal office address at <complete address of Head/Principal Office>, notifies the Bangko Sentral of the change below in the monthly average aggregated inflow and outflow of transactions that would change the merchant acquirer's classification from small scale to large scale or vice versa within sixty (60) calendar days of such occurrence.

<State the change in the monthly average aggregated inflow and outflow of transactions>

This notification dated <date of notification> is being submitted in compliance with the requirements provided in the BSP Circular No. _____.

Signed:

Name of President/Officer of Equivalent Rank
President/Equivalent Rank

**[Name of Operator of Payment System (OPS)]
CERTIFICATION OF COMPLIANCE TO REGULATORY FRAMEWORK ON
MERCHANT PAYMENT ACCEPTANCE**

I, <Name of Officer>, President (or Officer of Equivalent Rank), on behalf of the <Name of OPS>, with head/principal office address at <complete address of Head/Principal Office>, after having been duly sworn to in accordance with law, hereby certify that to the best of our knowledge, all the information contained in the attached documents supporting the institution's application for authority to conduct merchant payment acceptance activities are hereby true and correct.

I certify further that <name of OPS> complies with the provisions under Section ___ of the Manual of Regulations for Payment Systems (MORPS) except for those indicated in the Gap Assessment, which shall be complied by the target date for compliance indicated in the same document.

I also certify that all relevant documents in support of the merchant payment acceptance activities and operations are kept on file and are readily available for verification by examiners of the Bangko Sentral during onsite verification/examination or when a written request is made to determine compliance.

This certification executed on <date of execution> is being submitted in compliance with the requirements provided in the BSP Circular No. _____.

Signed:

Name of President/Officer of Equivalent Rank
President/Equivalent Rank

SUBSCRIBED AND SWORN to before me, this _____ day of _____ at _____, with affiant exhibiting their valid identifications indicated below:

<u>Name</u>	<u>Government ID/Passport No.</u>	<u>Date/Place Issued</u>
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Notary Public

Not. Reg. No. _____

Doc. No. _____

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[Name of Operator of Payment System (OPS)]
Gap Assessment on Circular No. ___ dated __ [Month] 2023

BSP Regulatory Provisions	Level of Compliance	Existing Controls	Gap/s	Action Plan/s
<i>Key provisions/requirements under Circular No. ___ dated ___ 2023</i>	<i>Indicate level of compliance (i.e., Complied, Partially Complied, or Not Complied)</i>	<i>Provide brief statement on the BSFI's existing policies and processes.</i>	<i>Identify specific gap/s vis-à-vis the regulatory requirement/s</i>	<i>Indicate action plan/s and the committed timeline</i>
Application for authority to conduct merchant payment acceptance activities				
Capital requirements				
Governance				
AML/CTPF requirements				
Merchant Onboarding, Monitoring and Dispute Resolution				
End-user Protection				
Security, Information Technology and Fraud Risk Management Framework.				
Payment Cycle to Merchants				
Pricing Mechanism				
Outsourcing				
Reportorial Requirements				

**[Name of BSP-Supervised Financial Institution (BSFI)]
NOTIFICATION OF MERCHANT PAYMENT ACCEPTANCE ACTIVITIES**

I, <Name of Officer>, President (or Officer of Equivalent Rank), on behalf of the <Name of BSFI>, with head/principal office address at <complete address of Head/Principal Office>, notifies the Bangko Sentral below of our merchant payment acceptance activities.

- merchant onboarding – take applications and sign-up merchants, set up technical mechanism for accepting transactions, merchant due diligence, merchant approval;
- payment processing – routing of authorization requests, response code transmission, clearing and settlement, transfers funds to transaction accounts of merchants; and/or
- securing payment, such as ensuring PCI-DSS compliance, monitoring merchant activity, deterring fraud, and securely capturing and transmitting data to entities providing merchant payment acceptance services and vice versa.

This notification dated <date of notification> is being submitted in compliance with the requirements provided in the BSP Circular No. _____.

Signed:

Name of President/Officer of Equivalent Rank
President/Equivalent Rank

SUBSCRIBED AND SWORN to before me, this _____ day of _____ at _____, with affiant exhibiting their valid identifications indicated below:

<u>Name</u>	<u>Government ID/Passport No.</u>	<u>Date/Place Issued</u>
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