



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. ____
Series of 2022

Subject: Peso Real Time Gross Settlement Rules

The Monetary Board, in its Resolution No. ____ dated October 2021, approved the following rules governing the operation of the Peso RTGS Payment System (RTGS PS). These rules are in accordance with Republic Act No. 11127, otherwise known as the National Payment Systems Act (NPSA), which provides the Bangko Sentral ng Pilipinas (BSP) with the authority to own and operate a payment system, and the power to issue rules and regulations governing payment systems in the Philippines.

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

Part 6. The Peso RTGS Payment System

601 Policy Statement. The RTGS PS is critical for maintaining price and financial stability, as well as preserving public interest. This payment system ensures the smooth flow of funds between financial institutions that maintain demand deposit or settlement accounts with the BSP. It also facilitates funds transfers in financial markets where these institutions trade securities and foreign currencies for business and risk management purposes. By providing the settlement facility for the open market operation of the BSP, the RTGS PS also supports the BSP's mandate of ensuring price stability. Moreover, this system plays an indispensable role in upholding public welfare by enabling the efficient and low-risk settlement of retail payments in central bank money. In this regard, the BSP adopts rules to govern the operation of the RTGS PS.

602 Governance¹. The BSP's Peso RTGS Management Committee (ManCom) shall manage the operation of the RTGS PS, which has been designated by the Monetary Board (MB) as a Systemically Important Payment System (SIPS). The ManCom is composed of officers of concerned BSP units and departments which are involved in sustaining the smooth functioning of the payment system. The ManCom reports to the Monetary Board through the Governor of the BSP. In the performance of its function, the ManCom may seek guidance from the BSP Deputy Governor who is responsible for payments and currency management.

The ManCom shall be responsible for ensuring the safe, efficient, and reliable operation of the RTGS PS and compliance with the applicable expectations for an operator of a designated payment system under Section 101 of the MORPS. In accomplishing this mandate, the ManCom shall perform the following key functions:

- a. Review and endorse for MB approval the policy proposals and/or amendments pertaining to the operation of the payment system;
- b. Oversee the implementation of programs, policies, and procedures, which are aimed at ensuring that the operation of the RTGS PS aligns with global standards

¹ The BSP publishes a Primer on the Operation of the Peso RTGS PS. The Primer covers Governance, Business Continuity Management, and Transaction Fees, among other matters pertaining to RTGS PS.

or best practices and complies with laws, regulations, and MB directives on payment systems;

- c. Take initiatives or evaluate recommendations in response to the issues on the operation of the RTGS PS and the evolving needs of the payment participants; and
- d. Collaborate with the industry, local regulators, and foreign central banks, as applicable, on major RTGS rules and initiatives that can be successfully accomplished through partnership with them.

603 Scope and Applicability of the Peso RTGS Rules. The following rules shall apply to the Participants of the RTGS PS, including banks and other financial institutions, financial market infrastructures (FMIs), clearing switch operators (CSOs), and critical service providers (CSPs).

Definition of Terms. These rules use the following terms in addition to those defined in Parts 1 to 5 of the MORPS:

- a. *Annual Supervisory Fees (ASF)* - fees charged by the appropriate supervising department of the BSP against the settlement accounts of banks to help defray supervision costs incurred by the BSP²
- b. *Central Bank money* - deposits held at the BSP for settlement purposes³
- c. *Check Image Clearing System (CICS)* - an automated clearing system where information on the check and its image are digitally captured by the receiving bank and presented electronically to the paying bank
- d. *Customer payments* - customer-initiated interbank or inter-institution funds transfers which are settled on gross basis
- e. *Delivery versus Payment (DvP)* - a securities settlement method that guarantees the transfer of securities only after payment has been made⁴
- f. *Deferred Net Settlement (DNS)* - a settlement mechanism which settles on a net basis at the end of a pre-defined settlement cycle⁵
- g. *Final settlement* - the irrevocable transfer of an asset or financial instrument, or the discharge of an obligation by the financial market infrastructure or its participants in accordance with the terms of the underlying contract⁶
- h. *Gridlock* - a situation that can arise in a funds or securities transfer system in which the failure of some transfer instructions to be executed (because the necessary funds or securities balances are unavailable) prevents a substantial number of other instructions from other participants from being executed⁷
- i. *Gridlock resolution* - the optimizing mechanism automatically initiated by the RTGS system to resolve a gridlock

² Section 1101 of the Manual of Regulations for Banks (MORB)

³ For the purpose of this policy, the definition covers only deposits in the BSP.

⁴ www.bis.org

⁵ www.bis.org

⁶ www.bis.org

⁷ www.bis.org

- j. *Payment versus Payment (PvP)* – a process which ensures that the final transfer of a payment in one currency occurs if and only if the final transfer of a payment in another currency or currencies takes place
- k. *Real Time Gross Settlement (RTGS)* – a system that provides real time settlement of payments, transfer instructions, or other obligations individually on a transaction-by-transaction basis⁸
- l. *Settlement* – an act that discharges obligations in respect of funds transfers between two or more parties
- m. *Settlement account (SA)* – account maintained with the BSP and used by a participant for settling financial transactions through the RTGS system

604 Compliance with Laws, Regulations, and Standards. The RTGS PS, which includes its participants, shall comply with laws and regulations on payments. The operation of the RTGS PS shall be aligned with the principles for FMIs under Section 504 of the MORPS. Should there be a conflict between local and foreign laws or regulations in so far as the RTGS PS operation is concerned, the Philippine laws and regulations shall prevail.

605 The Participants. The BSP adopts fair and risk-based criteria for determining the entities that can settle through the RTGS PS. While participation is open regardless of the size of a prospective participant and the complexity of its business, the BSP considers the applicant’s capacity to fulfill operational, financial, legal, and regulatory pre-requisites to manage participant-induced risks to the safety and efficiency of the PS.

Operational requirements. The participants shall comply with the BSP’s connectivity requirements, which are simple yet secure to enable even small financial institutions to participate in the PS. The participants shall also have an appropriate risk management system in place, which shall include system access controls, data security, and business continuity plan.

Financial requirements. The participants shall manage their daily liquidity positions in order not to cause settlement failure, which may have systemic impact on the PS.

Legal and regulatory requirements. The participants shall possess the necessary licenses, authorities, and membership(s) to be able to participate in the RTGS PS.

A prospective participant shall submit the documents required for the evaluation of its application by the BSP. The concerned BSP department evaluating the application may gather relevant information from other BSP department(s).

The participants in the RTGS PS are, as follows:

- a. *Participants with settlement accounts.* These include banks, non-bank financial institutions with quasi-banking functions, and government agencies, as well as BSP departments that conduct monetary operations and those responsible for disbursing and receiving funds on behalf of the BSP. The participating financial institutions may sponsor other entities into settlement.

A Participation Agreement (Annex 1) shall document and govern the participation of these entities in the RTGS PS.

- b. *Sponsored Participants.* These are entities sponsored into settlement through the RTGS System.

⁸ www.bis.org

Any sponsorship into settlement shall comply with the following guidelines:

- (1) The sponsorship shall be covered by a formal contract between the sponsoring and sponsored participants. The contract shall include a provision addressing settlement default situations caused by either or both the sponsoring and the sponsored participants.
 - (2) The sponsorship terms and conditions should promote access to the RTGS PS without compromising the safety and efficiency of system.
 - (3) The sponsoring participant shall adopt risk-mitigating measures to ensure that the risks it assumes as sponsor are kept at manageable level.
 - (4) The sponsorship contract shall require the sponsored participant to submit pertinent information, if any, to the sponsor for risk management purposes. The sponsoring and sponsored participants shall comply with the BSP's reporting requirements pertaining to the sponsorship.
- c. *Financial Market Infrastructures (FMIs)*. These are infrastructures that are interlinked with the RTGS System to enable settlement of security, foreign exchange (FX), and other financial market transactions in accordance with the delivery versus payment (DvP) and payment versus payment (PvP) mechanisms, which minimize principal risk associated with such transactions.

The business between the BSP and the operator of an FMI that interfaces with the PS shall be conducted in accordance with a contract in an appropriate form (e.g., Terms of Reference, Memorandum of Agreement, Memorandum of Understanding, etc.), the provisions of which shall be compliant with these rules.

- d. *Clearing Switch Operators (CSOs)*. These are clearing organizations that are permitted to interconnect with the RTGS System for purposes of settling retail payments in accordance with the National Retail Payment System regulatory framework.

Like in the case of FMIs, the interlinkage of the CSO with the RTGS PS shall be in accordance with a formal agreement between the BSP and the CSO. The provisions of the agreement shall be consistent with these rules.

- e. *Critical Service Providers (CSPs)*. These are technology companies that provide solutions which are vital to the operation of the RTGS PS.

Prior to providing services to the RTGS PS, a CSP shall enter into a service contract with the BSP, the provisions of which shall be aligned with these rules.

606 Eligibility of Participation. The financial institutions applying for participation in the RTGS PS shall comply with the requirements and undergo the process shown in Annex 2.

607 Cessation of Participation. Participation in the RTGS PS may be terminated through any of the following modes:

- a. *Voluntary Withdrawal* - refers to a mode where the participant voluntarily ends its participation for business and other considerations, subject to the approval of the BSP;
- b. *Closure of Operation* - results from a decision of the MB to prohibit a financial institution from doing business;

- c. *Merger or consolidation* – terminates the participation of the merged or acquired entity after the approval of the merger or consolidation by the MB; or
- d. *Placement under insolvency, bankruptcy or rehabilitation by a competent court or quasi-judicial agency* – results in the deactivation of a participant's account upon receipt of a notification from the participant, which is required to notify the BSP on the day of the participant's receipt of the order or resolution issued by the court or quasi-judicial agency.

The BSP shall issue an advisory to participants on the cessation of participation of any of the participants on or before the deactivation of the relevant SA.

The process involved in the cessation of participation through voluntary withdrawal is provided in Annex 3.

608 Messaging Channels and Communication Standards

Messaging Channels. A Participant may use one or more of the following payment messaging channels:

- a. *Society for Worldwide Interbank Financial Telecommunication (SWIFT) messaging system* – an internationally accepted messaging system that runs through a leased line;
- b. *Participant Browser* – a web-based messaging system provided by the BSP to certain RTGS system participants; and
- c. *Virtual Private Network - Straight Through Processing (VPN-STP) Gateway* – a communication module that provides a means of financial message exchanges between the central node and the participants' platforms using a VPN connection.

The BSP may terminate or enhance any of the above channels, as well as provide additional means of system access.

Communication Standards. The participants shall comply with the payment messaging standards, including the mandatory message contents, required by the BSP⁹. They shall refer to pertinent BSP issuances, such as the ISO 20022 Rulebook, for more detailed guidance on compliance with this rule.

609. Types of Transactions. The RTGS system shall settle Philippine Peso (Php)-denominated funds transfers. These transfers represent time critical and high value payments, which include:

- a. Movements of funds between the individual participants' proprietary accounts;
- b. Interbank/inter-institution transfers for proprietary transactions;
- c. Interbank/inter-institution transfers for further credit to customer accounts;
- d. Government collections;
- e. Withdrawals from and deposits into the accounts maintained with the BSP;
- f. Transactions with the BSP Financial Markets, including placements in deposit facilities and maturities of deposits, and purchase or sale of FX and securities;
- g. Settlements related to the BSP's intraday liquidity facility;
- h. The money settlement leg of security trades;
- i. The Php leg of FX trades;

⁹ BSP Circular Letter CL 2019-053 dated 5 August 2019

- j. Clearing results for checks, automated teller machines (ATMs) transactions, digital payments, and other types of retail payments; and
- k. Other large value transactions.

610. Settlement. Money settlements through the RTGS system shall comply with the following rules:

- a. *Operating hours.* The BSP shall prescribe the normal operating hours of the RTGS system. Exceptions to regular business hours shall be in accordance with the BSP regulation on Public Sector Holidays and other announcements of the BSP.
- b. *Settlement Account (SA) balances.* Before the opening of the RTGS system, the Statements of Account (SOAs) as of the immediately preceding business date shall be released to the participants that maintain SAs with the BSP. At any time during the system's business hours, the system shall be able to display the real-time account balances of these participants.
- c. *Required Levels of SA balances.* The concerned participants shall maintain an appropriate level of SA balances to cover their outgoing payments in a timely manner. Access to the RTGS system shall be suspended if the beginning balance of the SA were negative. The BSP and any of its officers and employees shall be kept free from liability for any damage arising from the suspension of a participant's access to the RTGS system.
- d. *Execution of settlement instructions.* The execution of settlement instructions shall be done following the guidelines set out below:
 - (1) The processing of any settlement instruction shall be subject to the sufficiency of funds in the SA of the sending participant.
 - (2) Settlement shall be allowed only if the sender and receiver maintain SAs with the BSP.
 - (3) Electronic notifications on the status of settlement shall be sent to the sending participant if the payment were rejected or queued, or to both the sending and receiving participants if the transaction were settled.
 - (4) If the account balance of a sending participant were insufficient to cover a settlement transaction, except those pertaining to clearing results which are subject to the rule under the next item, the RTGS system shall place the amount to be settled in the queue until:
 - (i) The SA balance increases to a level that adequately addresses the shortfall;
 - (ii) The participant cancels the transactions; or
 - (iii) The RTGS system has closed for business.
 - (5) Clearing results, except for ATM transactions, shall be settled on "all or nothing" basis.
 - (6) Settlements shall be based on a set of business priority codes assigned to payment transactions. Payments to participating government institutions shall be prioritized over all other transactions.
 - (7) The RTGS system shall have a gridlock resolution mechanism to ensure continuous flow of settlements.

- (8) The RTGS system shall reject all transactions that remain in the queue at close of business.
- e. *Manual Settlements.* Participants requesting manual settlements i.e., the encoding of settlement instructions by the concerned BSP department, may be accommodated under the following circumstances:

- (1) Settlement of transactions cannot be completed due to technical and/ or connectivity issues, as validated by the BSP IT Support Team; or
- (2) A payment has been erroneously credited to any of the SAs of the BSP departments;

To instill discipline in the participants, the BSP may impose penalties and sanctions to a sending participant that requests a manual adjustment to correct its error.

Requests for manual transfers from a participant to a non-participant, or vice versa, shall not be accommodated.

- f. *Extended EOD.* EOD shall be invoked during unforeseen events that give rise to abnormal RTGS conditions. These conditions refer to delays, disruptions, and other operational problems and issues, which hamper real time settlements. The BSP shall issue an Advisory to announce an extended EOD not later than half an hour before the normal close of business.
- g. *Finality of settlement.* When a payment made by a sending participant has been processed by the RTGS PS and the SAs of the sending and receiving participants have been debited and credited, respectively, in the RTGS system, said payment shall become final and irrevocable and shall not be subject to reversal for any reason whatsoever: *Provided,* That if it is shown and established that the payment was not legally due, the settlement shall remain valid and the return of the amount transferred shall constitute a new monetary obligation of the receiving participant to the sending participant.

The RTGS PS shall not allow backdating of settlements, including those pertaining to clearing results, except in extraordinary circumstances where the RTGS PS needs to invoke extended EOD operation.

- h. *Exchange-of-value settlements.* To manage principal risk, the RTGS PS, in coordination with the other FMIs that interface with it, shall adhere to the DvP mechanism where it shall settle the money leg of a security transaction only when the security involved has been delivered or at least earmarked by the concerned FMI. The RTGS PS shall also adopt the PvP mechanism, where it shall settle the Peso leg of an FX trade only when it has received a settlement instruction from the FMI on the other end.
- i. *Late submission of settlement instructions.* Any instruction received by the RTGS system after the close of business shall be automatically rejected.
- j. *Payment returns.* The return of any erroneous settlement shall be requested by the sending Participant from the receiving participant. If the receiving participant that has control over the funds at the time of the request fails to return the funds until the next business day, the sending Participant is entitled to claim compensation in accordance with the following rules:
- (1) The claim for compensation shall be covered by an indemnity or written undertaking by the sending participant and shall be made within five (5)

business days from the date of the erroneous settlement. Otherwise, such claim for compensation may not be honored by the receiving participant.

- (2) The claim for compensation shall be computed based on the following formula:

$$\text{Compensation} = (\text{Amount of Payment}) \times (\text{Average IBCL Rate}) \times (\text{No. of Days}) / 360$$

- k. *Housekeeping.* EOD procedures such as maintaining back-up files and releasing statement messages shall be performed after the RTGS system business hours.
- l. *Reconciliation.* Each participant shall be solely responsible for the reconciliation of the SA balances between the participant's record and that of the RTGS system. Any discrepancy noted during reconciliation shall be reported to the concerned BSP department for resolution within three (3) business days.

611 Settlement Guarantee Mechanisms. The RTGS PS shall implement the settlement guarantee mechanisms that the BSP prescribes for payments that are settled following the DNS scheme.

612 Comprehensive Management of Risk. Managing the risks arising from participation in the RTGS PS shall be an integral part of the participants' operation. To ensure that risks are comprehensively addressed, the participants shall establish policies, procedures, and controls, which are aimed at mitigating legal, credit, liquidity, general business, and operational risks. The participants shall consider not only the risks to themselves but also those that they pose to the RTGS PS.

613 Liquidity Facilities. The BSP offers the following intraday and overnight liquidity facilities to ensure that payments smoothly flow through the RTGS system and that interdependent settlements are executed in a timely manner to manage systemic risk.

- a. *Intraday Liquidity Facility (ILF).* The ILF operation shall be in accordance with Section 290 of the BSP Manual of Regulations for Banks and Sec. 4278Q of the Manual of Regulations for Non-Bank Financial Institutions. As an incentive to financial institutions that participate in the RTGS PS, the BSP imposes no interest on ILF provided that the borrowing participant pays the amount availed of within the prescribed settlement period on the same day the ILF is used.
- b. *The Overnight Lending Facility (OLF).* The BSP shall allow qualified participants to obtain overnight liquidity from the BSP on an open-volume basis, against eligible government securities, to quickly cover short-term liquidity requirements.

These facilities require high quality and marketable collaterals that shall fully cover the participants' intraday or overnight borrowings. Securities used as collaterals shall be placed in an authorized and reliable custodian for the protection of both the participants and the BSP.

In case of default, the corresponding collateral shall be readily accessible to the BSP to allow it to take immediate ownership of the collateral and mitigate its credit risk exposure.

614 Incident Management. Given the crucial role of the RTGS PS in the financial system and the economy in general, the participants shall manage adverse incidents in collaboration with the BSP. In particular, the participants shall:

- a. Report immediately any problem on the RTGS system after their IT Teams have conducted investigation and support;
- b. Coordinate with the BSP in addressing the problem after receiving BSP notifications and instructions through email, advisory, and the official social media platform which has been created by the BSP exclusively for the RTGS PS participants;
- c. Make available any assistance and resources expected on their end to contribute to efficient problem resolution; and
- d. Inform the BSP as soon as they have noted that the problem has been addressed.

615 Business Continuity. The participants shall operate with a resilient, documented, and tested business continuity plan (BCP), which shall provide for the following contingency measures:

- a. *Primary fallback facility(ies).* Back-up facilities which are located at the main site;
- b. *Remote recovery site(s).* Places which are sufficiently distant from the main site and can be readily accessed for resumption of operation; and
- c. *Connectivity back up(s).* Secondary lines and network connections.

To strengthen their BCPs, the participants may have multiple access channels in place. These channels include SWIFT, RTGS Participant Browser, and VPN-STP.

In the case of FMIs and CSOs that interface with the RTGS system, a joint BCP between the BSP and the FMIs/CSOs shall be adopted to ensure end-to-end continuity of interlinked clearing and settlements despite the occurrence of business disruptions.

The participants shall review their BCPs at least annually to keep the plan attuned to evolving market and payment system developments, as well as technology advancements or enhancements. The BCPs shall also be tested on a regular basis to ensure that they remain effective despite changes in operating conditions.

616 System Enhancement and Testing. The BSP may implement system enhancements in response to the participants' evolving needs. The proposed system enhancements shall be communicated to the participants if the impact of the enhancements on the RTGS system will be significant.

System enhancements shall undergo rigid testing before these are promoted to the production environment. Should testing involve the participants, they shall cooperate and make the required resources available for the successful conduct of the tests.

617 Settlement Fees and Other Charges. Payments made through the RTGS system are subject to settlement fees and other charges. The fees and charges shall support the operation and development of the RTGS PS.

The fees and charges shall be automatically debited from the SAs of the participants.

The pricing methodology shall be reviewed periodically to determine any necessary adjustment in response to internal and external developments. The fees and charges may be waived as a relief measure or an incentive for the participants.

Section 2. Section 610 (g) on Finality of Settlement, particularly on backdating of the settlement of clearing results, shall be fully complied with within a period that the BSP will determine in coordination with the CSOs and the clearing participants.

Section 3. The BSP may deploy enforcement actions to promote adherence to these rules and bring about timely corrective actions. Any violation of these rules shall subject the concerned participant and/or its directors, officers, and/or employees to the sanctions set forth in existing legal and regulatory provisions.

Section 4. 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:

BENJAMIN E. DIOKNO

Governor

___ May 2022

DRAFT

PARTICIPATION AGREEMENT

KNOW ALL MEN BY THESE PRESENTS:

This Participation Agreement (the "PA") governs the relationship between the following parties:

The **BANGKO SENTRAL NG PILIPINAS**, a government instrumentality created and existing under and by authority of Republic Act (R.A.) No. 7653, as amended, otherwise known as the New Central Bank Act, as amended, with principal office address at the Bangko Sentral ng Pilipinas (BSP) Complex, A. Mabini Street, Malate, 1004, Manila, duly represented herein by its *(insert position of signatory)*, *(insert office of signatory)*, *(insert complete name of signatory)*, hereinafter referred to as "**BSP**" or **Real Time Gross Settlement Payment System (RTGS PS) Operator**;

and

The **(Participant)**, a *(type of financial institution)* duly licensed by the BSP, with principal office address at the *(financial institution's address)*, duly represented herein by its *(insert position of signatory)*, *(insert complete name of signatory)*, hereinafter referred to as ("*the Participant's acronym*") or **Participant**;

WITNESSETH THAT:

WHEREAS, the BSP and the Participant recognize the indispensable role of the RTGS PS in maintaining the smooth functioning of the financial system;

WHEREAS, the Parties collaborate accordingly to achieve real time, final, and irrevocable settlement of high value and retail electronic funds transfers between financial institutions, as well as improve the safety and efficiency of payment transactions while mitigating payment and settlement risks;

WHEREAS, the BSP aims to integrate more financial institutions, financial transactions, and financial markets into the RTGS PS;

WHEREAS, the BSP is responsible for maintaining the RTGS PS while the Participant, which will settle financial transactions in the RTGS PS, is fully accountable for its participation in this PS;

WHEREAS, both Parties commit to diligently perform their respective roles in the operation of the RTGS PS;

NOW THEREFORE, premises considered, the BSP and ("*Participant's acronym*") mutually agree on their roles and responsibilities as the RTGS PS operator and a Participant, respectively, and commit to comply with the terms and conditions provided in this PA:

1.0 ROLES OF THE PARTIES:

1.1. The BSP shall:

1.1.1. own and operate the RTGS PS pursuant to Section 8 of R.A. No. 11127, otherwise known as the National Payment Systems Act (NPSA). In relation to this role, the BSP is a registered operator of payment system under BSP Circular No. 1049 (Rules and Regulations on the Registration of Operators of Payment Systems) dated 09 September 2019.

1.1.2. manage the operation of the RTGS PS in accordance with globally recognized standards, including the Principles for Financial Market Infrastructures (PFMI).¹⁰ In particular, the BSP shall:

- i. Establish rules governing the participation in and operation of the RTGS PS;
- ii. Perform the final and irrevocable real time gross settlement of financial transactions that are processed through the RTGS system;
- iii. Adopt an effective risk management system, which shall include among others: (1) the provision of liquidity facilities for the Participant to ensure the smooth flow of settlements in the RTGS system, subject to credit requirements and other regulations imposed by the BSP; (2) the mitigation of the credit risk arising from the extension of said facilities; and (3) the implementation of an operational risk management framework that sets out the BSP's means of maintaining continuity of operation under both normal and stressed scenarios;
- iv. Set up a settlement account(s) for the Participant to enable the settlement of the Participant's payment instructions;
- v. Address the capacity building requirements of the Participant through the conduct of user briefings, seminars, and other necessary stakeholder activities; and
- vi. Require adherence of the Participant to BSP rules and regulations, including those that govern the participation in and operation of the RTGS PS, and enforce appropriate action, if necessary.

1.1.3. cooperate in providing necessary documentary and testimonial evidence, subject to Section 4.0 below and the provisions of existing laws on confidentiality of information, as may be required by the Participant affected by the act or fault of another Participant.

1.2. The Participant shall participate in the RTGS PS in accordance with this PA and comply with relevant BSP rules and regulations on payments.

2.0 POINT OF FINALITY OF SETTLEMENT

¹⁰ Prescribed by the Committee on Payment and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO), the standard-setting bodies that issued the PFMI.

When a payment made by a sending participant has been processed by the RTGS system and the SAs of the sending and receiving participants have been debited and credited, respectively, in the RTGS system, said payment shall become final and irrevocable and shall not be subject to reversal for any reason whatsoever: *Provided*, That, if it is shown and established that the payment was not legally due, the settlement shall remain valid and the return of the amount transferred shall constitute a new monetary obligation of the receiving participant to the sending participant.

3.0 NON-FULFILLMENT OF OBLIGATIONS OR NON-COMPLIANCE WITH RULES AND REGULATIONS

- 3.1 Non-fulfillment of obligations or non-compliance with rules and regulations shall subject the Participant to enforcement action, in addition to sanctions under existing laws.
- 3.2 A Participant shall not be held responsible for any loss, liability, or damage caused by the willful default, negligence, or fraudulent acts of another Participant, and shall be held free and harmless from claims, suits, costs, and damages arising therefrom.
- 3.3 The BSP and its officers and employees shall be kept free and harmless for any loss, liability, claim, suit, cost, or damage caused by errors, mistakes, or non-compliance of a Participant with BSP rules and regulations.

4.0 SETTLEMENT OF DISPUTES

- 4.1 Disputes that may arise between the participants on matters pertaining to the RTGS PS shall be resolved in accordance with BSP rules and regulations, including those governing the participation in and operation of the RTGS PS.
- 4.2. The BSP and its officers and employees shall not be made a party to any dispute and not be held answerable for any liability related to any transaction processed or unsuccessfully processed through the RTGS system.
- 4.3 The provisions of R.A. No. 876, otherwise known as The Arbitration Law, and R.A. No. 9285, otherwise known as the Alternative Dispute Resolution Act of 2004, shall apply in a suppletory character.

5.0 CONFIDENTIALITY

Subject to the pertinent provisions of R.A. No. 7653, as amended, and R.A. No. 8791, as may be amended from time to time, the BSP and the Participant shall maintain strict confidentiality of all transactions, data, and/or information obtained or drawn in the course of the performance of their respective roles in the RTGS PS.

6.0 GOVERNING LAWS AND AMENDMENTS TO THIS AGREEMENT

- 5.1. This PA shall be subject to the regulations of the BSP and the laws of the Republic of the Philippines.
- 5.2. Any change and/or enhancement to this PA is subject to mutual agreement in writing between the BSP and the Participant.

7.0 REPEALING CLAUSE

This Agreement effectively supersedes all previously signed agreements between the Parties and repeals all existing agreements between the BSP and the industry associations on the use and operation of the RTGS PS. This Agreement shall remain valid until terminated by mutual consent of the Parties.

IN WITNESS WHEREOF, the Parties have hereunto set their hands this ___ day of _____ at the _____, Philippines.

BANGKO SENTRAL NG PILIPINAS

(NAME OF PARTICIPANT)

By:

By:

MAMERTO E. TANGONAN
Deputy Governor
Payments and Currency Management
Sector

President of the Participant

Date _____

Date _____

SIGNED IN THE PRESENCE OF:

DRAFT

ACKNOWLEDGMENT

REPUBLIC OF THE PHILIPPINES)
CITY OF _____) S.S.

BEFORE ME, a duly authorized notary public for and in the above-named jurisdiction, personally appeared on this _____ day of _____, 20____, the following, who are personally known to me and/or identified through competent evidence of identity, to wit:

Name	Competent Evidence of Identity (Type of I.D./I.D. No.)	Issued on/at and Valid Until

known to me and to me known to be the same persons who executed the foregoing instrument, and who acknowledged before me that their respective signatures on the instrument were voluntarily affixed by them for the purposes stated therein, and who declared to me that the said instrument is their free and voluntary act and deed and that of the entities represented and are duly authorized to sign in a representative capacity.

I further certify that this instrument refers to a **PARTICIPATION AGREEMENT** consisting of _____ (__) pages, including this page wherein the acknowledgment is written and has been signed by the herein parties and their witnesses.

IN WITNESS WHEREOF, I hereunto set my hand and affix my notarial seal on the date and at the place above written.

NOTARY PUBLIC

Doc. No. _____;
Page No. _____
Book No. _____
Series of 2022.

Participation Requirements

a. The applicant shall submit the following documents¹¹ in support of its application for participation:

(1) Original copy of the following documents to be transmitted to:

The Director
Payments and Settlements Department
Room 101, 5-Storey Building
Bangko Sentral ng Pilipinas
A. Mabini Street, Malate, 1004 Manila

(i) Application Form;

(ii) Signed Participation Agreement (**Annex 1**) that defines the roles and responsibilities of the BSP and of the Participant;

(iii) Virtual Private Network (VPN) Connectivity Registration Form¹²;

(iv) Certified true copy of the Board Resolution authorizing the institution to apply for participation in the RTGS PS, with notarized list of authorized officers/signatories and their specimen signatures, or the Secretary's Certificate attesting to the resolution of the Board authorizing the institution to apply for participation in the RTGS PS and certifying the specimen signatures of its authorized officers/signatories; and

(2) Electronic submission of the scanned copies of the above documents is allowed, provided that such copies are accompanied by a duly accomplished Summary Statement Form (SSF) and each page of said documents, including the SSF, is certified by the applicant's authorized officer and emailed by a registered email sender to the Director, Payments and Settlements Department (PSD) at Payments_Unit@bsp.gov.ph¹³.

The BSP may require supporting documents other than those enumerated above.

b. Applications with complete documents shall be processed by the BSP. If the submission is incomplete or erroneous, the applicant shall receive a Notice of Deferment of the processing of its application.

c. A successful applicant shall comply with the following requirements prior to the activation of its account:

- (1) Allow the BSP to configure and test the applicant's VPN connectivity;
- (2) Attend a briefing on the use of the RTGS PS Participant Browser to be conducted by the BSP; and
- (3) Enroll its authorized user(s) by submitting the RTGS PS Participant Browser User Account Form to the PSD.

¹¹ Templates posted at the BSP website (www.bsp.gov.ph)

¹² Connection using a leased line

¹³ BSP Memorandum No. M-2020-070 dated 21 September 2020 (e-Submission of Documents to the Payments and Settlements Department)

- d. The BSP shall issue a non-transferrable *Smart Card* kit to each enrolled user, who is authorized by a participant to send payment messages to the RTGS system on behalf of the participant. The participant shall be accountable for the use of the *Smart Card*.
- e. A participant can terminate the access of any of its registered RTGS system users by electronically submitting to the PSD a User Account Form, requesting deletion of the user's profile in the RTGS system.
- f. Participants intending to use SWIFT or VPN-STP payment messaging channel shall submit a duly accomplished Channel Registration Form.

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Cessation of Participation in the Peso RTGS PS through Voluntary Withdrawal

- a. The participant shall notify the BSP of its voluntary withdrawal of participation in the RTGS system. This letter shall disclose the reason for voluntary withdrawal and the effectivity date of cessation of participation.
- b. The letter shall be addressed to:

The Director
Payments and Settlements Department
Room 101, 5-Storey Building
Bangko Sentral ng Pilipinas
A. Mabini Street, Malate, 1004 Manila
- c. If the notification is electronically sent, copies of the letter and Summary Statement Form (SSF), each page of which must bear the stamp "Certified True Copy" and signature of the participant's authorized officer, shall be emailed by a registered email sender to the Director, Payments and Settlements Department at Payments_Unit@bsp.gov.ph.
- d. The participant may be required to submit other documentary requirements, as deemed necessary.
- e. The BSP shall acknowledge receipt of the participant's letter of voluntary withdrawal and advise the participant of the date of closure of its SA, as determined by the BSP.
- f. The BSP shall issue an advisory on said termination of participation.

Procedures for Manual Settlements

- a. The Participant shall accomplish the Continuity of Business (COB) Manual Settlement Form (MSF), signed by two (2) authorized signatories as indicated in its Secretary's Certificate.
- b. If the COB MSF and Summary Statement Form (SSF) are electronically submitted, each page of such forms shall bear the stamp "Certified True Copy" and the signature of the participant's authorized officer.
- c. Using its PSD-registered email, the participant shall send the duly accomplished forms, to Payments_Unit@bsp.gov.ph on or before 5:30 pm on the value date of the settlement. Any request received after this cut-off time shall not be accommodated.
- d. The PSD shall evaluate the request. Upon approval, the PSD shall encode the corresponding entry.
- e. The PSD shall confirm the execution of the manual settlement by returning a copy of the BSP-approved COB MSF to the participant via email.
- f. The sending and receiving participants may view the amounts posted under their settlement accounts, through the RTGS system.

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