



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 980

Series of 2017

Subject: Adoption of National Retail Payment System (NRPS) Framework

The Monetary Board in its Resolution No. 1855 dated 02 November 2017 approved the adoption of the National Retail Payment System (NRPS) Framework.

Accordingly, Section 1 below shall constitute:

1. Part Twelve entitled as Regulations on Payment Systems of the Manual of Regulations for Banks (MORB) and the Q Regulations of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFi);
2. Part Seven entitled as Regulations on Payment Systems of P¹ and S Regulations of the MORNBFi; and
3. Section 4800N of the N Regulations of the MORNBFi.

Section 1. Section X1205/41205Q/4705S/4705P/4805N and its Subsections are hereby created to read as follows:

“Section X1205/41205Q/4705S/4705P/4805N National Retail Payment System Framework.”

“Subsec. X1205.1/41205Q.1/4705S.1/4705P.1/4805N.1 Adoption of NRPS Framework. It is the policy of the Bangko Sentral to promote the establishment of a safe, efficient, and reliable retail payment system in the Philippines. Towards this end, the Bangko Sentral adopts the National Retail Payment System (NRPS) Framework consistent with Bangko Sentral regulations on risk management in light of the complex interplay of different types of risk arising from the rapid evolution of retail payment activities of Bangko Sentral supervised financial institutions (BSFIs). The NRPS vision will help achieve higher economic growth and enhance the overall competitiveness of our economy.

In carrying out retail payment-related activities, BSFIs shall adhere to the NRPS Framework as set forth in this Section and *Appendix 121/Q-74/S-13/P-15/N-15*. This framework requires BSFIs to ensure that the retail payment systems they participate in demonstrate sound risk management, and effective and efficient interoperability. BSFIs shall comply with Bangko Sentral rules and regulations, particularly on information technology, consumer protection, and anti-money laundering/combating the financing of terrorism (AML/CFT).”

“Subsec. X1205.2/41205Q.2/4705S.2/4705P.2/4805N.2 Definition of terms. The definition of terms is shown under Annex A.”

¹ General Provision on Sanctions shall be transferred to Part Eight of the P Regulations of MORNBFi

“Subsec. X1205.3/41205Q.3/4705S.3/4705P.3/4805N.3 Purpose and scope.

The NRPS Framework shall apply to all BSFIs which meet regulatory requirements and the criteria set on a per Automated Clearing House (ACH) basis under the NRPS framework.

The NRPS framework covers all retail payment-related activities, mechanisms, institutions and users. It applies to all domestic payments which are denominated in Philippine Peso (Php), and which may be for payments of goods and services, domestic remittances or fund transfers.

Retail payments under the NRPS Framework are payments that meet at least one of the following characteristics:

- a. the payment is not directly related to a financial market transaction;
- b. the settlement is not time-critical;
- c. the payer, the payee, or both are individuals or non-financial organizations; and
- d. either the payer, the payee, or both are not direct participants in the payment system that is processing the payment.”

“Subsec. X1205.4/41205Q.4/4705S.4/4705P.4/4805N.4 NRPS key principles.

Under the NRPS framework, sound governance shall be performed by a payment system management body (PSMB), an industry-led self-governing body that is duly recognized and overseen by the Bangko Sentral. In the absence of a PSMB which conforms to the NRPS principles in *Appendix 121/Q-74/S-13/P-15/N-15*, the functions of providing sound governance to the retail payment system participated in by BSFIs shall be discharged by the Bangko Sentral. Clearing switch operators shall not participate in the governance of the payment system.

All clearing shall be done within the NRPS governance structure, wherein exclusive bilateral clearing arrangements are not allowed.

Non-discriminatory participation shall be espoused in the retail payment system. Hence, all BSFIs are highly encouraged to join the NRPS governance structure provided they meet the qualification criteria.

A reasonable market-based and transparent pricing mechanism shall be adopted by all BSFIs participating in the NRPS governance structure.

Further details on the key principles are embodied in the NRPS Framework shown in *Appendix 121/Q-74/S-13/P-15/N-15*.”

“Subsec. X1205.5/41205Q.5/4705S.5/4705P.5/4805N.5 Specific rules applicable to transactions performed under the NRPS framework. The following rules shall apply to retail payment transactions which are cleared and settled in accordance with the NRPS Framework:

- a. Minimum requirements to offer Electronic Financial and Payments Service (EFPS). *EFPS*, which shall require Bangko Sentral approval in accordance with Sec. X701/4701Q/4641S/4641P/4641N of the MORB/MORNBF, refer to BSFI products and/or services that enable consumers to carry out or initiate payments electronically, financial transactions and other related services through a point of interaction. To offer EFPS, BSFIs shall conform to the following requirements:
- (1) BSFIs shall make electronic payments available in all its delivery channels whenever applicable;
 - (2) BSFIs shall enable its clients to move/receive funds to/from accounts with other BSFIs, or, at a minimum, receive funds. Movement of funds between BSFIs shall be carried out through participation in an ACH;
 - (3) BSFIs shall immediately credit the account of its clients after receipt of clearing advice; and
 - (4) BSFIs shall conform to Section X701/4701Q/4641S/4641P/4641N of the MORB/MORNBF the IT Risk Management Standards and Guidelines on electronic banking, electronic payment, electronic money and other electronic products and services provided in *Appendix 75f/Q-59f* of the MORB/MORNBF.
- b. Fees on transactions. The BSFI's board of directors shall adopt a policy on the imposition of any fee on electronic payment transactions. The policy shall include the basis and quantitative support for the setting of fees and rationalization of the fee structure or amount. Imposition of fees for transactions performed by BSFIs that meet the requirements in Item "a" of this Subsection shall be consistent with the following:
- (1) On consumer pricing -
 - (a) BSFIs shall adopt reasonable and fair market-based pricing models, which do not arise from agreements with other BSFIs to fix the price of product or service delivery.
 - (b) The service fees for electronic payments are expected to be lower than the fees collected from transactions made manually or over-the-counter (OTC) as electronic payments are considered to provide more efficient and cost-effective means of delivering service.
 - (c) The recipient shall not pay for electronic crediting to recipient's account and the recipient shall receive the amount in full. Such account to account fund transfers shall not be considered as domestic remittance transactions under Sections X906/4921Q/4660S/4660N of the MORB/MORNBF.
 - (2) The BSFI shall disclose to the Bangko Sentral the details of all fees that will be charged to the client. This will be posted in an electronic bulletin board of fees for transactions performed under the NRPS framework. The bulletin board shall be maintained by the Bangko Sentral in its website for enhanced transparency and competitiveness.

- c. Anti-Money Laundering Requirements. All BSFIs shall observe applicable AML/CFT requirements under Part Eight of the MORB/MORNBFI for all transactions performed under the NRPS framework. As part of on-going monitoring of customers and their transactions, the following rules shall apply to transactions performed under the NRPS framework by BSFIs that meet the requirements in Item "a" of this Subsection:
- (1) The *originating institution (OI)* shall be responsible for monitoring, including appropriate watchlist screening or monitoring, its own client's transactions. It is the responsibility of the OI to ensure that the account name of the source account and the amount are consistent with the Sender Name and the amount indicated in the Payment Instruction sent by the OI.
 - (2) The *receiving institution (RI)* shall be responsible for monitoring, including appropriate watchlist screening or monitoring, its own client's transactions. It is the responsibility of the RI to ensure that the actual account number credited and the amount are consistent with the Beneficiary Account Number and the amount indicated in the Payment Instruction received by the RI.
 - (3) On the basis of the above, account number matching will suffice for domestic account-to-account electronic payments. OIs and RIs shall ensure that customers are informed that account number matching will suffice to implement a transaction, and OIs and RIs shall be held free and harmless from liability for their reliance on account number matching.
 - (4) Nothing in the above rules shall prevent an OI or RI from instituting or implementing additional procedures to comply with AML laws and regulations, and other applicable laws and regulations, prior to executing a transaction performed under the NRPS framework, or debiting/crediting a client's account.
- d. BSFIs participating in the NRPS governance structure are required to comply with existing regulations of the Bangko Sentral."

"Subsec. X1205.6/41205Q.6/4705S.6/4705P.6/4805N.6 Reports. BSFIs participating in the NRPS governance structure shall comply with regular reporting requirements, which will be covered by a separate issuance."

"Subsec. X1205.7/41205Q.7/4705S.7/4705P.7/4805N.7 Examination of BSFIs. BSFIs shall make available all policies, procedures and other documents/information related to this Section during the on-site examination, as well as provide copies thereof when a written request is made by the Bangko Sentral."

"Subsec. X1205.8/41205Q.8/4705S.8/4705P.8/4805N.8 Sanctions. Consistent with Section X009/4009Q, the Bangko Sentral may deploy enforcement actions to promote adherence to the requirements set forth in Section X1205/41205Q/4705S/4705P/4805N of the MORB/MORNBFI and bring about timely corrective actions. The Bangko Sentral may issue directives to enforce compliance with

the NRPS Framework or impose sanctions to limit the level of or suspend any business activity that has adverse effects on the safety and soundness of the BSFI, among others.

Any violation of this Section shall subject the BSFI and/or its directors, officers and/or employees to the monetary and non-monetary sanctions under Section 37 of Republic Act (R.A.) No. 7653, including but not limited to the following depending on the gravity of the violation committed and the circumstances attendant thereto:

- a. Suspension of offering new electronic financial products and services;
- b. Suspension/revocation of authority to provide electronic financial products and services; and
- c. Suspension/revocation of authority to settle through the Philippine Payments and Settlements System.

Section 2. Section X906/4921Q/4660S/4660N of the MORB/MORNBF on the disclosure of remittance charges and other relevant information shall be amended to read as follows:

“Sec. X906/4921Q/4660S/4660N. Disclosure of Remittance Charges and Other Relevant Information. x x x Domestic remittance transaction, for this purpose, is a transfer of funds between a sender/remitter and a beneficiary who are both within the Philippines, and is not covered by electronic payment transaction as defined under the NRPS Framework.”

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:


NESTOR A. ESPENILLA, JR.
Governor

OC November 2017

Appendix 121/Q-74/S-13/P-15/N-15
NATIONAL RETAIL PAYMENT SYSTEM (NRPS) FRAMEWORK
(Appendix to X1205.1/41205Q.1/4705S.1/4705P.1/4805N.1)

A. NRPS Framework

The NRPS is a policy and regulatory framework that aims to establish a safe, efficient, and reliable electronic retail payment system in the Philippines. Given that retail payment systems contribute to the stability and efficiency of the financial system as a whole, the attainment of the NRPS vision will help achieve higher economic growth and enhance overall competitiveness of our economy.

With the rapid evolution of retail payments due to advancements in technology, retail payments related activities of Bangko Sentral ng Pilipinas Supervised Financial Institutions (BSFIs) introduced a complex interplay of different types of risks. Thus, while the Bangko Sentral promotes the modernization of the country's retail payment system in accordance with the NRPS Framework, it is critical to ensure that enabling policies and a multifaceted approach to strengthening risk management are timely adopted, and greater attention is devoted to retail payments activities of BSFIs such as clearing and settlement.

In carrying out these activities, BSFIs are expected to adhere to the NRPS Framework and measures aimed at strengthening risk management as set forth in Section X1205/41205Q/4705S/4705P/4805N and this Appendix. Hence, the retail payment system and activities that BSFIs participate in should establish the following:

1. Strengthened risk management through a better, holistic and multi-stakeholder approach to governance, and an enhanced transparency of clearing and settlement transactions classified according to risk profile.
2. Augmented efficiencies and effectiveness in the retail payment system by minimizing duplicative efforts, promoting interoperability among retail payment system participants, standardizing clearing and settlement rules, and harmonizing various initiatives towards the achievement of the shared goals of safe, reliable and efficient retail payment system.
3. Continued compliance with Bangko Sentral rules and regulations particularly on information technology, consumer protection, and anti-money laundering/combating the financing of terrorism (AML/CFT).

Retail payments under the NRPS Framework are payments that meet at least one of the following characteristics: (i) the payment is not directly related to a financial market transaction; (ii) the settlement is not time-critical; (iii) the payer, the payee, or both are individuals or non-financial organizations; and (iv) either the payer, the payee, or both are not direct participants in the payment system that is processing the payment. This definition of retail payment includes person-to-person, person-to-business, business-to-person, business-to-business, person/business-to-government, and government-to-person/business

payments.¹ On the other hand, large-value payments refer to payments, generally of very large amounts, which are mainly exchanged between banks or between participants of financial markets and that usually require urgent and timely settlement.

The Bangko Sentral, as a central bank, generally plays a variety of essential roles in the payment system by being an operator of the real-time gross settlement system (RTGS), an overseer in core payment arrangements, a user and participant of payment services, and, most critically, a catalyst for payment system reform. It is through the performance of these roles that the Bangko Sentral seeks to acquire a broader and holistic perspective on the role and the status of the payment system in the financial system and the economy in accordance with one of the pillars of central banking of promoting safe and efficient payment systems in the country.

1. Key Principles

- a. Governance of the payment system shall be separate and distinct from the actual clearing operations to enable the retail payment system participants to effectively and efficiently deploy resources to focused and specialized activities. The governance of the payment system includes the establishment and implementation of standards and rules among payment system participants.
- b. Sound governance shall be performed by an industry-led self-governing body that is duly recognized and overseen by the Bangko Sentral.
- c. All qualified BSFIs may apply to be direct clearing participants and, as such, participate in the governance structure.
- d. All clearing participants shall subscribe to and comply with the PSMB-formulated principles, policies, and business rules that will govern the payments system.
- e. All clearing shall be done within the NRPS governance structure. Bilateral clearing arrangements outside of the NRPS governance structure are considered as undertakings that carry risks that cannot be identified, measured, monitored and/or controlled, nor can said undertakings be properly considered in attaining a holistic perspective and improving governance of the retail payment system. Hence, bilateral arrangements outside of the NRPS governance structure shall not be allowed and failure to comply therewith shall result in deployment of appropriate supervisory actions from the Bangko Sentral.
- f. All significant retail payment streams shall be covered by an ACH.
- g. Non-discriminatory participation shall be espoused in the retail payment system by allowing all qualified direct clearing participants to participate in the formulation of standards and rules, as well as participate in business arrangements.
- h. A reasonable market-based and transparent pricing mechanism shall be adopted by all BSFIs which are clearing participants. Reasonable service fees shall be allowed only for actual services rendered directly related to the delivery of electronic financial and payment services to clients of a BSFI.

¹ Developing a comprehensive National Retail Payments Strategy, Financial Infrastructure Service Line Payment Systems Policy and Research, World Bank, October 2012, available at http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/Developing_a_comprehensive_national_retail_payments_strategy_for_GPW_10_20%28v1%29.pdf.

- i. Banko Sentral policies and supervisory actions, not directly involving payments governance within the scope of the PSMB, shall be addressed directly to the individual payment system participants as BSFIs.
2. Objectives:
- a. To enable effective and efficient interface and interoperability using shared and resilient infrastructure;
 - b. To foster innovation and new business models;
 - c. To promote fair access and competition amongst NRPS participants;
 - d. To facilitate the provision of a wide range of payment products and services with needed certainty, affordability (based on a reasonable market-based pricing methodology) and trust; and
 - e. To make relevant information on retail payment system available to concerned stakeholders.

The NRPS Framework espouses the cooperation of different competitors, or what is known as "*coopetition*", in the domestic retail payments by delineating areas to be covered between the cooperative and the competitive spheres.

It is recognized that certain areas are dedicated for cooperation and collaboration among BSFIs participating in the retail payment system towards the common goals of safety, efficiency, reliability and resiliency. This cooperative sphere centers on the clearing and settlement activities of BSFIs which shall collaborate through the formulation and implementation of clearing and settlement standards, rules, and agreements under a formal governance structure that conforms to the NRPS principles.

To complement the cooperative sphere is the competitive sphere where the NRPS principles promote competition through innovation in the delivery of quality and cost-effective financial products and services, the creation of new business models customized to the needs of target consumers, and the development of services with a higher level of security, among others. The competitive sphere shall be governed by reasonable, transparent and effective consumer pricing mechanisms to allow BSFIs cost-recovery and fair financial returns. Each BSFI shall be responsible for prescribing its pricing mechanisms for its financial products and services taking into consideration, among others, the nature of the product or service, the market segment to be served and the costs incurred to provide such product or service.

B. Governance – Payment System Management Body (PSMB)

The PSMB is an industry-led self-governing body that is duly recognized and overseen by the Banko Sentral.

To attain a holistic perspective and multi-stakeholder organized structure that would bring about good governance in the retail payment system, BSFIs shall adhere to the following key principles when engaging in clearing activities and must do so only within the NRPS governance structure.

1. Key Principles

- a. The retail payment transactions covered under the NRPS governance structure shall be as follows:
 - i. For card-based instruments, the card shall be both issued and acquired locally; and
 - ii. For online, mobile, or other electronic payment instructions/instruments, the account of payer (sender) and account of payee (recipient) shall be both maintained with BSFIs that are licensed to offer EFPS.
- b. The PSMB shall be a not-for-profit juridical entity.
- c. The PSMB shall adopt a Charter in consultation with the Bangko Sentral.
- d. The PSMB membership criteria shall, at all times, be consistent with the NRPS Framework and Bangko Sentral regulations, in addition to the following principles:
 - i. All qualified direct clearing participants should be members of the PSMB.
 - ii. To be a PSMB member, a BSFI shall be a participant in at least one (1) ACH and actively participate in an ACH within one (1) month of joining the PSMB.
 - iii. Each PSMB member shall be entitled to only one (1) vote.
- e. The PSMB shall be funded by the members on an agreed basis.
- f. The PSMB shall be governed by a PSMB board which shall observe the following principles:
 - i. The PSMB board shall have multi-stakeholder representation in accordance with the volume of the risk-taking activities, such as clearing volume, within a specified time frame [e.g. immediately preceding twenty four (24) months]. The basis for computing the clearing volume across all ACHs or payment streams shall include all payment streams with clearing activities as of the date when the election of the PSMB board is called, except if a valid reason is shown to limit the parameters.
 - ii. The PSMB board shall also abide by sound corporate governance practices which may include, but is not limited to, allocating seat/s for independent board member/s or board member/s that represent/s the broader public interest and has/have competence and experience in the payments field.
 - iii. The PSMB board members shall appoint as official representative their chief executive officer (CEO) and designate a formal alternate who can act with full authority (e.g., voting, approval, decision-making, and others).
 - iv. Each PSMB board member shall have one (1) vote.
 - v. No two (2) PSMB board members shall come from the same group of companies where one is majority-owned or controlled by the other company.
 - vi. The Chairperson shall be elected among PSMB board members and shall not serve for two (2) successive terms.
- g. The PSMB shall be independent from the clearing switch operator/s with respect to business operations.
- h. All BSFIs that are part of the NRPS governance structure shall subscribe to and comply with the PSMB-formulated principles, policies, and business rules that will govern the payments system provided such PSMB-formulated principles, policies and business rules are in conformity with the NRPS Framework and principles as well as applicable laws and regulations.

2. Objectives

- a. The PSMB will provide sound governance to the retail payment system and serve as a forum of collaboration for ensuring appropriate conditions for retail payments in the country. Towards this end, the PSMB will perform these functions with respect to its members:
 - i. Ensure compliance by PSMB members with criteria, standards and rules promulgated and adopted by the PSMB's membership and PSMB board, as applicable.
 - ii. Set policies and standards on clearing activities of PSMB members.
 - iii. Standardize retail clearing agreements across payment streams, which may include minimum guideline on the content of service level agreements with CSOs.
 - iv. Manage members' conformance to multilateral retail clearing agreements.
 - v. Review applications for establishment of ACHs and to accordingly approve the formation thereof to ensure, among others, that the NRPS principle of a payment stream falling only under one (1) ACH is observed by PSMB members.
 - vi. Prescribe policies and rules to promote visibility of retail clearing and resulting settlement positions to manage risks resulting from or associated with clearing and settlement activities.
 - vii. Set forth policies, rules and/or standards to ensure that no anti-competitive activities occur in clearing operations of PSMB members.
 - viii. Promote fair access to the payment system amongst PSMB members.
 - ix. Enable effective and efficient interface and interoperability using shared and resilient infrastructure.
 - x. Establish a dispute resolution mechanism for PSMB members on matters not covered or cannot be resolved under the ACH dispute resolution framework.
 - xi. Provide a clearing environment that will support payments innovation and the adoption of new business models by the payment system participants.

C. Automated Clearing House (ACH)

The ACH is a multilateral legally binding agreement amongst clearing participants. The ACH shall govern clearing and settlement determination.

To promote interoperability and standardize clearing and settlement rules and procedures, BSFIs are expected to observe the following key principles in forming and participating in ACHs under the NRPS governance structure.

1. Key Principles

- a. ACHs shall be created and differentiated based on payment streams, which comprise of payment instruments or instructions, business rules, clearing activities and risk considerations which are of similar nature or which create similar risk profiles.
- b. A payment stream can fall under only one (1) ACH.
- c. The formation of and participation in an ACH shall be open to all qualified clearing participants.

- d. The formation of an ACH shall be considered a business arrangement to be agreed upon between participants of an ACH.
- e. An ACH shall engage the services of only one (1) clearing switch operator.
- f. PSMB members may be part of more than one (1) ACH Participant Group and/or participate in more than one (1) ACH, provided the PSMB member meets the requirements for participating in such ACH.
- g. At least two (2) direct clearing participants can initiate the creation of an ACH subject to the recognition of the PSMB Board, or in the absence of a PSMB, the Bangko Sentral.

2. Salient Features

- a. ACH participants shall elect representatives to an ACH Participant Group, which once recognized by the PSMB, shall draw up and implement ACH rules and agreements and contract a qualified clearing switch operator. To assist in drafting the ACH agreements, the Participant Group may nominate a Working Group to formulate draft agreements subject to the former's approval.
- b. The assignment of a new ACH to an existing or new ACH Participant Group shall be approved by the PSMB Board.
- c. Where a new ACH Participant Group has to be formed, it shall be recognized by the PSMB Board once its charter has been accepted by the ACH participants and meets the PSMB criteria for an ACH Participant Group.

D. Clearing Switch Operator (CSO)

The CSO provides clearing switch services.

To augment efficiencies in the retail payment system while ensuring a robust and resilient infrastructure underlying retail payment transactions of BSFIs, BSFIs should observe the following key principles in engaging the services of CSOs relative to the delivery of a retail payment product or service within the NRPS governance structure.

1. Key Principles

- a. The operations of the CSO that services an ACH shall be limited to the provision of clearing and other services that do not compete with services offered by BSFIs participating in the ACH.
- b. Clearing switch operations shall be conducted effectively and efficiently consistent with international standards as this is a critical prerequisite for the functioning of all the various systems supporting and underlying retail payment services.
- c. The CSO shall have a reliable, resilient, robust, and secure infrastructure to ensure consistency and continuity of services under different operating conditions.
- d. The CSO shall be a duly licensed entity in the Philippines. Entities organized under the laws of countries other than the Philippines shall secure a license to do business in the Philippines and comply with the Foreign Investments Act of 1991 as well as other applicable laws and regulations.
- e. A CSO can extend service to multiple ACHs.

- f. Each ACH, through their designated CSO, shall individually settle their clearing results through the RTGS system operated by the Bangko Sentral.

**Definition of Terms used for
Part Twelve of the MORB: National Retail Payment System (NRPS) Framework**

- a. *Automated Clearing House (ACH)* - a multilateral agreement among ACH participants governing the clearing and settlement of payment orders for a specific payment stream.
- b. *ACH Participant* - a financial institution duly licensed by the BSP that is a PSMB member, and undertakes clearing in and is a signatory to at least one (1) ACH.
- c. *ACH Participant Group (ACH-PG)* - a group organized by ACH participants for a payment stream or a group of similar payment streams for the purpose of approving and implementing the clearing rules and agreements applicable to a specific payment stream. It also liaises and consults with other parties in relation to clearing.
- d. *Channel* - the means by which an electronic financial product or service is delivered. *E.g.*, internet, phone, ATM.
- e. *Clearing* – the process of transmitting, reconciling and, in some cases, confirming payment orders prior to settlement, and the establishment of the final obligations for settlement.
- f. *Clearing Switch Operator (CSO)* – provides clearing switch services.
- g. *Direct clearing participant* - a financial institution that is: (a) duly licensed by the BSP and is authorized to provide electronic financial and payment services; (b) engaged in holding of funds of customers in the form of accounts (bank account or electronic money account); (c) clears transactions through an ACH and is the participant ultimately responsible for obligations generated from cleared transactions; and (d) has a demand deposit account with the BSP and a PhilPaSS member, or is sponsored into settlement by a qualified sponsor which is a member of PhilPaSS and maintains a DDA with the BSP, to settle its clearing obligations.
- h. *Electronic payment* – synonymous to electronic fund transfer (EFT); refers to transfers of funds between two transaction accounts in the same or different BSFIs which are initiated and received using electronic devices and channels to transmit payment instructions. This excludes domestic remittance transaction under existing BSP regulations.
- i. *Fund* - any unit of value that forms the consideration or object of transactions.
- j. *Interoperability* - enables financial products and services belonging to a particular scheme or business model to be used or interoperated between other schemes or business models usually of another institution. While interoperability often times require technical compatibility between systems, it can only take effect once commercial/business interconnectivity agreements have been completed.
- k. *National Retail Payment System (NRPS)* - a policy and regulatory framework that aims to establish a safe, efficient, and reliable retail payment system in the Philippines.
- l. *Payment instrument* - any instrument, whether tangible or intangible, that enables a person to transfer funds.
- m. *Payment order* - an order or message requesting the transfer of funds to the order of the payee.
- n. *Payment system* - the set of payment instruments, processes, procedures and participants that ensures the circulation of money or movement/transfer of funds.
- o. *Payment System Management Body (PSMB)* – a private industry-led self-governing body that is duly recognized by the BSP to develop and enforce rules and agreements pertaining to members' clearing and settlement activities in accordance with the NRPS

Framework and applicable BSP regulations. The body shall be comprised of retail payment industry participants which are direct clearing participants. This body shall be a juridical entity that is not-for-profit and with the power to set and implement rules pertaining to members' clearing activities.

- p. *Point of Interaction (POI)* - a hardware and/or software whereby a customer or user is able to query or initiate a transaction from his account. Examples of POI include kiosk, smart device, etc.
- q. *Retail payments* - payments that meet at least one of the following characteristics: (i) the payment is not directly related to a financial market transaction; (ii) the settlement is not time-critical; (iii) the payer, the payee, or both are individuals or non-financial organizations; and (iv) either the payer, the payee, or both are not direct participants in the payment system that is processing the payment. This definition of retail payment includes person-to-person, person-to-business, business-to-person, business-to-business, person/business-to-government, and government-to-person/business payments.*
- r. *Settlement* – an act that discharges obligations in respect of fund transfers between two (2) or more parties.
- s. *Sponsored into Settlement Member* - PSMB members who undertake settlement in at least one (1) ACH by engaging the settlement services of an ACH participant that can directly settle transactions through PhilPaSS.
- t. *Settlement sponsor bank or Sponsoring bank* – PSMB members who undertake settlement directly through PhilPaSS.
- u. *Working Group* – In the context of an ACH, it is a group organized for a specific payment stream under an ACH Participant Group. The ACH Working Group is responsible for drawing up, reviewing or revising the rules and agreements applicable to a specific ACH.

* Developing a comprehensive National Retail Payments Strategy, Financial Infrastructure Service Line Payment Systems Policy and Research, World Bank, October 2012, available at http://siteresources.worldbank.org/FINANCIALSECTOR/Resources/Developing_a_comprehensive_national_retail_payments_strategy_for_GPW_10_20%28v1%29.pdf.