



# BANGKO SENTRAL NG PILIPINAS

MEMORANDUM NO. M – 2022 -013  
Series of 2022

To : **All Participants<sup>1</sup> of the Philippine Domestic Dollar Transfer System (PDDTS) and PhP-USD Payment vs. Payment System (PvP)**

Subject : **Guidelines on the Designation of the PDDTS and PvP as Systemically Important Payment Systems (SIPS)**

Pursuant to the approval of the Monetary Board (MB), in its Resolution No. 243 dated 17 February 2022, on the designation of the PDDTS and PvP as *Systemically Important Payment Systems*<sup>2</sup> (SIPS), and notified through Bangko Sentral ng Pilipinas (BSP) Circular Letter No. 2022-019 dated 2 March 2022, all participants of the PDDTS and PvP (herein collectively referred to as “subject recipients”) shall comply with the regulatory expectations set out in the BSP Circular No. 1089 or the Payment System Oversight Framework (PSOF) on participants of a designated payment system (DPS).

As participants of the DPS, subject recipients are expected to contribute towards observance by the PDDTS and PvP of the Principles for Financial Market Infrastructures<sup>3</sup> (PFMI) relevant to SIPS. Given their respective roles in the PDDTS and PvP, the subject recipients shall, at a minimum, comply with the following guidelines:

- a. Participate in BSP surveys to assess safety, efficiency, and reliability of the payment system, including the performance of service by the operator of the designated payment system (ODPS);
- b. Submit reports and/or information as required or requested by the BSP to facilitate evaluation of the PDDTS, the PvP and/or the national payment system;
- c. Make available during regular onsite examination/assessment conducted by the BSP<sup>4</sup>, with prior written notification to the participants concerned, relevant documents and information to evaluate the activities related to the payment system;
- d. Provide necessary information as requested by the Governing Body or the ODPS to facilitate compliance with reporting requirements under relevant laws and regulations;
- e. Ensure that the PDDTS and/or PvP rules and policies they agree to are aligned with the principles relevant to SIPS;

<sup>1</sup> As defined under the Republic Act No. 11127 or the National Payment Systems Act (NPSA), a ‘participant’ is the operator, issuer, service provider, or any person involved in the payment system other than the end-user.

<sup>2</sup> As defined under BSP Circular No. 1089 series of 2020 or the PSOF.

<sup>3</sup> BSP Circular No. 1126 series of 2021.

<sup>4</sup> Performed by the Financial Supervision Sector (FSS) and/or the Payments Currency Management Sector (PCMS) of the BSP, as deemed applicable.

- f. Adhere to the rules, standards and requirements promulgated by the BSP and fulfill their respective roles to ensure safety, efficiency, and reliability of the PDDTS and PVP, including participation in exercises or activities, such as testing conducted by the ODPS; and
- g. Comply with BSP policy issuances primarily directed at all participants of a payment system or specific to their role in the PDDTS and PVP.

*In addition* to complying with the above guidelines, participants who also perform the following roles shall likewise comply with the guidelines set forth in accordance with their respective role/s, as follows:

#### 1. Payment System (PS) Participating Banks

- a. Organize a governing body for the PDDTS and PVP; and
- b. Establish the Charter of the Governing Body and ensure that the same provides for the Body's roles and responsibilities in the PDDTS and PVP.

#### 2. Governing Body

- a. Establish payment system rules, agreements, and standards, subject to the approval of the PS participating banks and the review of the BSP, to ensure: (a) safety and efficiency of payment transactions; (b) settlement with finality; (c) visibility of clearing and settlement positions to manage risks arising from or associated with clearing and settlement activities; (d) competitive practices are fostered; and (e) all qualified institutions are granted fair access to the payment systems;
- b. Establish criteria for the selection of the ODPS and monitor its compliance with the provisions of pertinent contract/s;
- c. Establish high standards of market conduct and maintain fair and orderly FX market;
- d. Develop and adopt a comprehensive and holistic governance framework that satisfactorily demonstrates how the Body will perform governance among its participating banks, including proactive monitoring measures, managing the conduct and compliance of participants with legal and regulatory requirements, compliance with set rules and policies, and enforcement of disciplinary actions;
- e. Establish dispute resolution mechanism;
- f. Facilitate exchange of information with the BSP, including compliance with the reporting framework;
- g. Ensure that PFMI self-assessment on the payment system is regularly conducted, at a minimum annually;
- h. Engage in consultative meetings with the BSP for matters requiring collaborative efforts, including avoidance of possible conflict arising from the Body's resolution or action; and
- i. Closely coordinate and collaborate with the ODPS, and the settlement bank to ensure safety, efficiency and reliability of the

PDDTS, and as well as with the BSP's Php Real-time Gross Settlement System Management Committee (Php RTGS ManCom) PVP exchange-of-value settlement system (EVSS).

### 3. ODPS

- a. Comply with the minimum requirements of an ODPS under the NPSA, PSOF, and other relevant laws and regulations and subsequent issuances;
- b. Observe relevant principles for SIPS pursuant to the BSP regulations on the adoption of the PFMI;
- c. Adhere to the rules, standards and requirements promulgated by the BSP and fulfill its role to ensure safety, efficiency, and reliability of the PDDTS and PVP, including initiation and participation in exercises or activities, such as testing;
- d. Ensure that PDDTS and PVP operational rules and standards are aligned with the principles relevant to SIPS;
- e. Ensure the performance of regular risk assessment and adoption of comprehensive cybersecurity management and resiliency program;
- f. Facilitate exchange of information with the BSP, including compliance with the reporting framework;
- g. Perform due diligence and on-going monitoring of critical service providers<sup>5</sup> (CSPs);
- h. Ensure that CSPs: adopt the expectations applicable to CSP as cited in the PFMI<sup>6</sup>, comply with contracts/service agreements and grant the BSP the right to audit, when deemed necessary; and
- i. Closely coordinate and collaborate with the Governing Body, the settlement bank and the BSP Php RTGS ManCom, as applicable, to ensure safety, efficiency, and reliability of the PDDTS and PVP.

### 4. Settlement Bank

- a. Observe applicable principles of the PFMI standard;
- b. Institute adequate risk management and controls to ensure protection of participant funds, proper segregation of functions and prevention of conflict of interest situations that may arise from the conduct of PDDTS and PVP operations;
- c. Keep current books and records relating to customer funds, which shall be maintained in the principal office of the bank within the country;
- d. Ensure that funds received from PDDTS and PVP participants shall be kept separate from the assets and liabilities of the settlement bank;
- e. In the process of performing PVP transactions, settlement bank shall ensure that blocked funds are not subject to a claim by a third party (i.e., other creditors, tax authorities or the settlement bank itself);

---

<sup>5</sup> As defined under BSP Circular No. 1089 series of 2020 or the PSOF.

<sup>6</sup> BSP Circular No. 1126, series of 2021

- f. Comply with guidelines on liquidity risk management set forth under Appendix 71 of the Manual of Regulations for Banks (MORB); and
- g. At a minimum, maintain an investment grade credit rating.

5. BSP's PhP RTGS ManCom

- a. Review and propose to the MB standards and rules on the PVP;
- b. Review and implement PVP risk management measures to ensure continued observance of principles relevant to SIPS;
- c. Review and ensure effective business continuity and other contingency measures are in place for high availability of PVP system and data at all times; and
- d. Closely coordinate and collaborate with the ODPS, the settlement bank, and the Governing Body to ensure safety, efficiency, and reliability of the PVP EVSS.

The BSP may perform validation of compliance with any of the guidelines at any time, as deemed necessary.

For information and compliance.



**BENJAMIN E. DIOKNO**  
Governor

02 March 2022