



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

MEMORANDUM NO. M-2022-031

To : **All Participants¹ of the Philippine Electronic Fund Transfer System & Operations Network (PESONet), and InstaPay²**

Subject: **Guidelines on the Designation of PESONet and InstaPay as Prominently Important Payment Systems (PIPS)**

Pursuant to the approval of the Monetary Board (MB), in its Resolution No. 911 dated 23 June 2022, on the designation of PESONet and InstaPay as *Prominently Important Payment Systems*³ (PIPS), all participants of PESONet and InstaPay (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). Designation of PESONet and InstaPay as PIPS was communicated to the public through Bangko Sentral ng Pilipinas (BSP) Circular Letter No 2022 - 055 dated 13 July 2022.

As participants of the DPS, subject recipients are expected to contribute towards observance by PESONet and InstaPay of the Principles for Financial Market Infrastructures⁴ (PFMI) relevant to PIPS. Given their respective roles in PESONet and InstaPay, the subject recipients shall, at a minimum, comply with the following guidelines:

1. General Expectations (Applicable to all participants)

- 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 payment system and/or the national payment system;
- c. Make available during regular onsite examination/assessment conducted by the BSP,⁵ 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;

¹ As defined under the Republic Act No. 11127 or the National Payment Systems Act (NPSA), a participant refers to the operator, issuer, service provider, or any person involved in the payment system other than the end-user.

² Real-Time Low Value Electronic Fund Transfer System

³ As defined under BSP Circular No. 1089 series of 2020 or the PSOF.

⁴ Circular No. 1126 series of 2021.

⁵ Performed by the Financial Supervision Sector (FSS) and/or the Payments Currency Management Sector (PCMS) of the BSP, as deemed applicable.

- e. Ensure that the payment system rules and policies they agree to are aligned with the principles⁶ relevant to PIPS;
- f. Adhere to the rules, standards and requirements promulgated by the Governing Body and fulfill their respective roles to ensure safety, efficiency and reliability of the payment system, 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 payment system.

2. Additional Expectations on the Governing Body

- a. Establish payment system rules, agreements and standards, including competitive selection criteria for operator, subject to the applicable approval of the clearing participants and the review/approval of the BSP, to ensure: i) safety and efficiency of payment transactions; ii) settlement with finality; iii) visibility of clearing and settlement positions to manage risks arising from or associated with clearing and settlement activities; iv) competitive practices are fostered; and v) all qualified institutions are granted fair access to the payment systems;
- b. Review criteria for onboarding and perform due diligence on its members/clearing participants on an ongoing basis;
- c. Establish criteria for the selection and conduct ongoing due diligence on service providers, contracted by the governing body on behalf of the payment system;
- d. Ensure that the payment system is in accordance with the NRPS governance structure;
- e. Develop and adopt a comprehensive and holistic governance framework that satisfactorily demonstrates how the Body will perform governance among its members/participants, including proactive monitoring of compliance of participants with legal and regulatory requirements, managing the conduct and compliance of members with set rules, guidelines and policies, and enforcement of disciplinary actions;
- f. Ensure that adequate resources are available to satisfactorily perform its roles and responsibilities as expected and mandated under existing laws, regulations, and BSP guidelines;
- g. Develop, review and implement risk management measures to ensure continued observance of principles relevant to PIPS;
- h. Develop, review and ensure effective business continuity and other contingency measures are in place for high availability of the payment systems and data at all times;
- i. Propose and oversee measures to ensure interests of various internal and external stakeholders are considered in the formulation of goals, strategies and plans for the payment system;
- j. Closely coordinate and collaborate with the ODPS to ensure safety, efficiency and reliability of the payment system;
- k. Establish criteria for the selection of the operator, monitor its compliance with the provisions of the contract, and ensure that the ODPS duly informs the governing body of any planned significant changes in the processing/system/arrangement, including material outsourcing and operational standards/rule changes;
- l. Ensure that a dispute resolution mechanism is in place;

⁶ National Retail Payment System (NRPS) or Circular No. 980 series of 2017 and Adoption of Principles for Financial Market Infrastructures or Circular No. 1126 series of 2021.

- m. Facilitate exchange of information with the BSP, including compliance with the reporting framework;
- n. Ensure that PFMI self-assessment on the payment system is regularly conducted, at a minimum annually; and
- o. Engage in consultative meetings with the BSP and/or regulatory agencies for matters requiring collaborative efforts, including avoidance of possible conflict arising from the Body's resolution or action.

3. Additional Expectations on the ODPS

- a. Comply with the minimum requirements of an ODPS provided under the NPSA, PSOF and other relevant laws and BSP regulations and subsequent issuances;
- b. Adhere to the rules, standards and requirements promulgated by Governing Body and the BSP,⁷ and fulfill its role to ensure safety, efficiency and reliability of payment system, including initiation and participation in exercises or activities, such as testing;
- c. Ensure that operational and technical rules and standards are aligned with the principles of NRPS and PFMI Circular and contract/agreement with DPS;
- d. Ensure the performance of regular risk assessment and adoption of comprehensive risk management and resiliency program;
- e. Facilitate exchange of information with the BSP, including compliance with the reporting framework;
- f. Perform due diligence and on-going monitoring of critical service providers⁸ (CSPs), including the CSP's adherence to the expectations set in the PFMI Circular and PSOF; and
- g. Closely coordinate and collaborate with the Governing Body to ensure safety, efficiency and reliability of the payment system.

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

For information and compliance.


FELIPE M. MEDALLA
Governor

13 July 2022

⁷ As the operator of PHP-RTGS or PhilPaSS

⁸ As defined under BSP Circular No. 1089 series of 2020 or the PSOF.