



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE DEPUTY GOVERNOR | PAYMENTS AND CURRENCY MANAGEMENT SECTOR

MEMORANDUM NO. M-2024-015

To : **All Bangko Sentral ng Pilipinas-Supervised Institutions**

Subject : **Guidelines on Pricing of Electronic Payments**

Pursuant to BSP Circular No. 980 dated 06 November 2017 on the Adoption of the National Retail Payment System (NRPS) Framework and BSP Circular No. 1160 dated 28 November 2022 on the Regulations on Financial Consumer Protection to Implement Republic Act No. 11765, otherwise known as the "Financial Products and Services Consumer Protection Act," the following guidelines shall be observed on pricing electronic payments (e-payments).

These guidelines contain recommendations on the e-payments pricing practices of BSP-Supervised Institutions (BSIs) and aim to ensure transparent, fair, and competitive pricing structures of payment services offered to end-users. The guidelines are issued consistent with the regulatory requirement of a Board-approved policy on pricing, in line with the principles outlined in the abovementioned circulars, which we classified into three general categories:

- a. Reasonable and fair market-based pricing;
- b. Responsible pricing; and
- c. Transparent pricing.

1. Pricing Governance. The Board of Directors or equivalent bodies (the Board) of BSIs shall adopt a policy on fees of retail e-payment transactions, which shall include, among others, the basis and quantitative support for the setting of fees or charges, and rationalization of the fee structure or amount. In the design of said policy, the BSIs may consider including provisions on monitoring and management reporting, periodic review, and feedback mechanism consistent with Subsection 401.3 of the Manual of Regulations for Payment Systems (MORPS):¹

a. *Pricing policies, processes, and procedures.* The pricing policy, processes, and procedures of a BSI should include detailed discussions on the rationale and quantitative support for determining fees. This documentation may cover the justification and basis for the fee structures and the amounts based on cost analysis and other pertinent information related to the factors influencing pricing decisions. BSIs may consider the following in crafting their pricing policies, processes, and procedures:

- (1) **Price and cost drivers.** Drivers and factors for pricing policies may include transaction volume, risk level, industry and peer prices, and the preferred pricing model, among others. It might be necessary to clearly identify and analyze the factors driving prices and costs in e-payment services, whether they increase, decrease, or remain unchanged. Moreover, understanding how end-users respond to price changes and how the industry and its peers price their services can provide valuable insights and help position the BSI's services in the market.

¹ Refer also to Circular No. 1127 dated 17 September 2021 on the Governance Policy for Operators of Payment Systems

(2) **Cost analysis and accounting.** It is sound practice to substantiate fee structures with cost analyses, which involve understanding and monitoring of relevant cost components. BSIs can identify and differentiate among fixed, variable, and mixed costs.² Additionally, the BSIs may delineate direct and indirect costs.³ Appropriate cost accounting methodologies may be employed to accurately measure these costs. Pricing formulas are expected to be clear, documented, and well-justified, indicating why and how prices have been set, such as costs passed on to end-users.

(3) **Regulatory considerations.** Pricing policies, processes, and procedures should be consistent and responsive with applicable laws, rules, and regulations.

- b. **Monitoring and Management Reporting.** It is prudent practice to establish effective management information systems capable of generating clear, detailed, and periodic reports on costs and fee structures, not only to inform management decisions on pricing but also to promote transparency and accountability.
- c. **Periodic Review.** Consistent with the implementation of the Consumer Protection Risk Management System (CPRMS) required under BSP Circular No. 1160, BSIs may include the review and ongoing assessment of the pricing policy and its implementation in its design of independent self-assessment functions, such as risk, compliance and/or internal audit. Given available public information on competitive pricing, periodic reviews and ongoing assessments may consider how pricing practices remain responsive to market dynamics, technological advancements, and the evolving consumer landscape.

The foundations for setting fees on payments services (e.g., policies, models, data, internal reports, information systems, etc.) shall also be made easily accessible to the BSP in the conduct of its oversight activities pursuant to Subsection 101.6 of the MORPS.⁴

- d. **Feedback Mechanism.** Feedback mechanisms established by BSIs should be able to support continuous improvement to meet end-user needs, such as allowing users to express concerns, report pricing issues, and provide feedback on pricing.

2. Reasonable and fair market-based pricing. BSI's pricing policies are expected to be reasonable and fair market-based, emphasizing the importance of avoiding price-fixing agreements, adopting competitive fair pricing strategies, and ensuring reasonable cost recovery.

- a. **Fair pricing.** In pricing consumer payments, BSIs shall adopt pricing models that do not arise from agreements with other BSIs to fix the price of product or service delivery, which may include provisions on manipulating pricing, unfairly fixing fees, or introducing hidden fees. In this regard, BSIs shall adopt competitive pricing strategies by assessing prevailing market conditions and industry benchmarks in pricing decisions. Under BSP Circular No. 1160, pricing procedures must consider publicly available information on competitive pricing, except in special instances of tailor-fit and/or pioneering products and/or services, the cost to provide the financial product or service and affordability to clients, and the reasons for setting the price of each financial product or service must be duly documented.

In accordance with the "sender pays" model for person-to-person account-to-account electronic fund transfers (EFTs) under the NRPS Framework, the recipient shall not pay

² Fixed costs remain constant regardless of the volume of services provided, while variable costs fluctuate with the volume of services. Mixed costs have a fixed component that remains constant and a variable component that changes with the volume of services.

³ Direct costs can be directly linked to the provision of e-payment services, while indirect costs are expenses necessary for the overall operation of the business.

⁴ Circular No. 1089 dated 7 July 2020 on the Payment System Oversight Framework

for electronic crediting to the recipient's account, which shall receive the full value of the amount transferred electronically. Consistent with the agreed clearing rules among the payment industry participants, for person to merchant or biller EFTs, a merchant fee may be charged by the BSIs to the biller or merchant, which are the intended recipients.

- b. *Non-Discriminatory Pricing.* Pricing is non-discriminatory when fees charged on a particular service is consistent across all users. Thus, for BSIs to avoid unduly favoring one end-user relative to others (e.g., on-us over off-us), it is crucial that they adopt market-based models that ensure fairness and non-discrimination in pricing. To balance non-discriminatory pricing and inclusive pricing (as outlined under item 3.c below), BSIs may implement appropriate pricing strategies, such as tiered pricing.
- c. *Cost Recovery.* Based on the importance of having a reasonable and clear basis, along with quantitative support when establishing fees, BSIs may consider implementing sufficient systems to accurately allocate costs for efficient cost recovery.

3. Responsible pricing. A BSI is considered to practice responsible pricing if it adheres to the recommendations outlined in this Memorandum and provides e-payment services in a manner that is affordable for clients and sustainable for the BSI. BSIs may also opt to have their product governance mechanism assess whether algorithms that influence or determine pricing may be unfairly biased toward certain groups of people, especially vulnerable segments.

- a. *Cost Efficiency.* Cost efficiency enables attainment of the objectives outlined in BSP Circular No. 1160, which emphasizes affordability for clients and sustainability for BSIs, and in line with the overarching expectation of BSP Circular No. 980 that fees for e-payments should be lower compared to manual or over-the-counter paper-based transactions (e.g., cash). This can be achieved by undertaking the following actions:
 - Regular analysis of expenses and costs;
 - Streamlining processes;
 - Monitoring operational performance;
 - Fostering innovation to enhance processes; and
 - Cultivating a culture of continuous improvement.
- b. *Sustainability.* In determining the sustainability of pricing models, the Board may take into account the recovery of costs in providing payment services from revenues derived from related or linked services. These services include the provision of platforms for collection services to billers and merchants, or loan, insurance, investment products and other financial services to end-users. Further, for banks, payment services, including e-payments, represent an ancillary service to clients, which can be subsidized by income from their main products and services offered to consumers.
- c. *Inclusive Pricing.* BSIs must work with the relevant payment system management body in aligning pricing decisions to promote an inclusive digital payment ecosystem. Inclusive pricing practices, such as zero fees for small e-payments for person-to-person⁵ or for person-to-merchant for microenterprises,⁶ are expected to widen digital payments adoption, fostering economic growth, and contributing to the long-run sustainability and expansion of the payments industry.

⁵ In the ASEAN region, zero fees are offered for fund transfers for transaction amounts up to, THB 5,000 in Thailand and MYR 5,000 in Malaysia (Sources: <https://www.bot.or.th/en/financial-innovation/digital-finance/digital-payment/promptpay.html#accordion-15b3f8d52f-item-35585a6a0d>, and <https://www.duitnow.my/Transfer/index.html>).

⁶ As defined by Republic Act No. 9501 or the Magna Carta for Micro, Small and Medium Enterprises (MSMEs), a micro-enterprise shall be defined as any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership or corporation whose total assets, inclusive of those arising from loans but exclusive of the land on which the particular business entity's office, plant and equipment are situated, must have value of not more than PHP 3,000,000.

d. *Flexibility in Pricing Plans.* Based on the BSI's assessment of its business model, it may consider providing flexible pricing plans catering to diverse user needs, allowing customization based on transaction requirements and user preferences. Pricing under these arrangements shall consider the relevant recommendations under these guidelines.

4. Transparent pricing. Transparency in pricing is mainly achieved through appropriate fee disclosure to end-users and regulatory reporting.

a. *Fee Disclosure to End-Users.* The manner of disclosure should be easily accessible, especially where the terms and conditions tend to be deeply embedded and hard to access without scrolling or clicking through multiple screens. Payment service providers are required to inform consumers via a statement of account of the details of the fees, exchange rate and other charges incurred by the customer in each transaction, if any, preferably free of charge and at least annually. The same details of the fees may also be disclosed on a per transaction basis. This will ensure the provision of clear and comprehensible information to empower users to make informed decisions.

b. *Marketing.* In marketing its e-payments services, the BSI demonstrates adherence to appropriate and adequate disclosure and transparency when the manner of disclosure, whether in advertising materials, terms and conditions, and other forms of communication, is clear, concise, accurate, understandable and not misleading.

c. *Reporting to the BSP.* BSIs shall continue to abide by the reporting requirements under BSP Circular No. 980 and BSP Memorandum No. M-2018-013 dated 28 March 2018.

d. *BSP Survey on Pricing Practices.* In accordance with the instructions in Annex A, BSIs are requested to participate in the BSP's annual Survey on Pricing Digital Payments related to their provision of digital payment services. Responses to the survey are requested to be submitted within thirty (30) days from the date of this Memorandum, and within thirty (30) days from end of the reference calendar year for succeeding submissions.

The participation of BSIs in the survey will provide the BSP with valuable data and information to better understand the current industry-wide pricing practices, thereby providing the BSP with sufficient basis for evaluating the effectiveness of policy issuances on pricing. Participating BSIs will have access to the survey results, which they can use to benchmark their policies and practices.

For information, guidance and appropriate action.


MAMERTO E. TANGONAN
Deputy Governor

24 May 2024

Survey on Pricing of Digital Payments (SPDP)**Instructions**

This survey questionnaire, issued by the Bangko Sentral ng Pilipinas (BSP), aims to collect essential information on pricing digital payment services from BSP-supervised institutions (BSIs). All information provided in this survey will be treated as confidential in accordance with the provisions of Republic Act No. 10173, or the Data Privacy Act of 2012. We will aggregate and anonymize the information, ensuring that specific details or comments are not attributed to specific entities.

Please find instructions for submission below:

1. The completed template shall be in pdf format with the filename:

"SPDP_<Year>_<BSI Name>"

2. After accomplishing the questionnaire, the report shall be electronically transmitted using the following prescribed format as subject:

"SPDP<space><Name of BSI>,<space><Reference Period>", as illustrated below

To : ppdd-paymentsdata@bsp.gov.ph

Subject : SPDP <Name of BSI>, DD MMMM YYYY (e.g., 31 December 2023)

3. Only electronic submissions originating from officially registered email address/es of the BSIs shall be recognized and accepted by the PPDD. The acknowledgment receipt for the submitted survey questionnaire and its corresponding validation results, upon availability, will be sent to the same registered email address/es.
4. Hard copy submission shall not be accepted. Covered BSIs that are unable to transmit via email may submit the duly accomplished SPDP using any portable storage device (e.g., USB flash drive) through messengerial or postal services within the prescribed deadline addressed to:

The Director
Payments Policy and Development Department
Bangko Sentral ng Pilipinas
Ground Floor, Economic and Financial Learning Office
BSP Complex, A. Mabini Street, Malate
1004 Manila

Survey on Pricing of Digital Payments
Questionnaire for BSP-Supervised Institutions (BSIs)

A. BSI Information

1. Please tell us about your organization:

Organization Name	
Contact Person/s	
E-mail Address/es	

2. Which of the following best describes your organization? Please check.

- Bank
- Operator of payment system
- Payment service provider
- Electronic Money Issuer - Bank
- Electronic Money Issuer - Non-Bank Financial Institution
- Other (please specify) _____

3. Which of the following payment services does your organization provide?
 (Check all that apply)

- Check
- Debit card
- Credit card
- Electronic payments - PESONet
- Electronic payments - InstaPay
- Others (specify) _____

B. Cost Elements of Payments

1. Does the BSI have a formal/established management information system/s that support cost accounting, reporting, monitoring and analysis? ___ Yes ___ No
 - a. If **Yes**, please answer questions 2 to 9.
 - b. If **No**, how does the BSI perform cost accounting, reporting, monitoring, and analysis? Provide answer in the box below and continue to answer questions 7 to 9.

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2. What is the annual cost (in PHP) that your company/institution incurs from providing payment services?

Payment instrument	Total Cost in PHP
Check	
Debit card	
Credit card	
Electronic payments - PESONet	
Electronic payments - InstaPay	
Others (specify)	
Total	

3. Accomplish the questions below (items 3.a and 3.b) for **EACH** payment instrument/service offered by the BSI.

- a. Applicability, Attribution and Variability

For the following cost elements, please indicate if each cost is applicable to the BSI, whether the same direct or indirect, and if the cost is considered as fixed, variable or mixed:

Cost Category	Cost Element ¹	Applicable (Yes/No)	Attribution of Cost Element (Direct/Indirect)	Variability (Fixed/Variable/Mixed)
Payment handling cost	Authorization cost			
	Return cost due to insufficient balance			
	Cancellation cost			
Payment-specific infrastructure and maintenance cost	Payment-specific IT cost			
	Clearing cost			
	Settlement cost			
Security cost	Fraud prevention cost			
Costs for supporting	Marketing and advertising cost			

¹ Definitions are found in Appendix 1.

activities	Customer support cost			
Other cost items	[add rows as necessary]			

b. Costs Incurred and Charged

For the following cost elements, please fill in the relevant data on annual cost incurred and average cost per transaction, and information on whether the cost is being charged to end-users:

Cost Category	Cost Element ²	Annual Cost in PHP	Average Cost per Transaction in PHP	Charged to End-Users? (Yes/No)
Payment handling cost	Authorization cost			
	Return cost due to insufficient balance			
	Cancellation cost			
Payment-specific infrastructure and maintenance cost	Payment-specific IT cost			
	Clearing cost			
	Settlement cost			
Security cost	Fraud prevention cost			
Costs for supporting activities	Marketing and advertising cost			
	Customer support cost			
Other cost items	[add rows as necessary]			

4. For return costs due to insufficient balance, please check which is applicable:

- Imputed in the transaction
- Charged separately

5. For cancellation costs, please check which is applicable:

- Imputed in the transaction
- Charged separately

6. Please provide herein, definitions of other cost items identified above, if any:

7. Please provide herein other non-cost considerations for pricing (these may include pricing of competitors, peers, and/or industry, etc.):

Please provide details on how these specifically affect pricing of payment services.

² Definitions are found in Appendix 1.

8. Does the BSI charge on-us fees for payment services? ____ Yes ____ No

If yes, please check which services:

- Check
- Debit card
- Credit card
- Electronic payments - PESONet
- Electronic payments - InstaPay
- Others (specify) _____

9. Please provide any other comments that you think would be relevant for this survey.

Definition of Costs

Cost	Definition
Type of Costs	
a. Resource costs	Refer to the sum of all costs incurred by a stakeholder to make payment instruments and/or services available.
b. Transfer costs	Refer to the costs of services rendered by and paid to other stakeholders of the same or a different stakeholder category in the retail payment process (e.g., switching cost, clearing costs, settlement costs).
Cost Category and Cost Element	
c. Payment handling costs	Refer to the costs accrued when an end-user initiates a payment until that payment is settled.
i. Authorization costs	Refer to the costs of processing the payment authorization request for certain payment instruments (e.g., fund transfers, e-money) by verifying whether a specific transaction can be executed (e.g., right credentials, sufficient account balance), including costs related to maintaining databases with authorization-related data.
ii. Return costs due to insufficient balance	Refer to the costs of returning a payment after authorization that could not be settled due to insufficient funds (e.g., if the authorization process does not involve blocking of the respective amount).
iii. Cancellation costs	Refer to the costs involved in canceling a fund transfer transaction before a transaction is settled, as well as processing costs associated with disputed electronic payments that have been settled.
d. Payments-specific infrastructure and maintenance costs	Refer to the costs for the depreciation and maintenance of equipment and for the performance of processes, whose sole purpose is to make payment-related services available.
i. Payments-specific IT costs	Refer to the costs for payments-related software developments, interfaces for internet banking, interfaces with automated teller machines (ATM)/point-of-sale (POS) networks and other centralized infrastructures, etc. This cost element excludes ATM maintenance costs and POS terminal management costs.
ii. Switching costs	Refer to the costs associated with routing authorization and authentication-related messages and the payment transactions as such between participating payment service providers in a payment scheme.
iii. Clearing costs	Refer to the costs associated with the process of transmitting, reconciling, confirming payment orders prior to settlement, including the netting of instructions and the establishment of final positions for settlement.
iv. Settlement costs	Refer to the costs associated with the process of discharging obligations in respect of funds transfers between two or more parties.
e. Security costs	Refer to losses and the costs of preventing potential losses of value from holding payment instruments or providing services related to payment instruments due to unforeseen circumstances or illegal activity.

Cost	Definition
i. Fraud prevention costs	Refer to the costs of managing the risk of fraud, excluding the costs for insurance against fraud. The components of these costs may include the maintenance and monitoring of "black lists" and other attempts for fraudulent payments; investigating fraud attempts; etc. If such cost is part of costs related to shared services with other products of the BSP-supervised institution (BSI), only include the costs related to the provision of payment service.
f. Costs for supporting activities	Refer to all costs for activities that are related to payment instruments and payment-related services and are of foundational and/or supporting nature.
i. Marketing and advertising costs	Refer to costs for marketing and information dissemination aimed at acquiring new customers and/or campaigns targeting existing customers. It is important to note that this cost element contains two types of costs: i) the costs associated with new customer campaigns are one-off costs that may not recur periodically, and ii) the costs associated with educating and offering new services to existing customers are mainly ongoing, that is, they are recurring costs. Campaigns specifically aiming to educate existing and/or potential customers should also be included under this cost element. If such cost is part of costs related to shared services with other products of the BSI, only include the costs related to the provision of payment service.
ii. Customer support costs	Refer to costs for responding to customer complaints or providing further clarifications related to a particular payment instrument/transaction account activity/loyalty programs (including staff costs, consumables, etc.), to the extent not included in other cost elements. If such cost is part of costs related to shared services with other products of the BSI, only include the costs related to the provision of payment service.