

In case a BSFI is not qualified to be a direct clearing participant, it can opt to be sponsored into clearing by a qualified participant. Such arrangement is referred to as "indirect clearing" where both clearing and settlement are done on behalf of said BSFI by the qualified participant.

The sponsoring entity is accountable for the compliance of the sponsored participant with the PSMB and ACH rules.

DOES AN ACH PRESCRIBE SPECIFIC FEATURES OF THE PAYMENT PRODUCTS THAT USE THE CLEARING ARRANGEMENT?

No. An ACH is a legally binding multilateral agreement that governs the clearing and settlement rules of a particular payment scheme. Clearing and settlement are not concerned with the means and channels through which the payment instruction was made, as well as how the source account is funded.

WHAT ARE THE ACHS PRIORITIZED BY THE BANGKO SENTRAL FOR IMPLEMENTATION?

Bangko Sentral prioritized the formation of two ACHs, namely Batch EFT Credit or PESONet and Real-time Low Value EFT Credit or InstaPay, given its perceived impact in driving the usage of electronic payments.

PESONet is an account-to-account fund transfer system that supports bulk, recurring non-time sensitive payment transactions. InstaPay, on the other hand, provides real-time low-value payment transactions (P50,000.00 and below) wherein transfer of funds amongst end-users, such as individuals, businesses and government, will be done near real-time with corresponding confirmation of credit to payee. InstaPay is expected to launch within the first half of 2018.

WHAT ARE THE SPECIFIC POLICIES THAT BANGKO SENTRAL WILL ISSUE UNDER THE NRPS?

With NRPS as the policy and regulatory framework in support of the establishment of a safe, efficient and reliable retail payment system, the Bangko Sentral will continue to work with the various stakeholders, both internal and external, to identify policy gaps in the existing environment hindering the achievement of the NRPS vision.

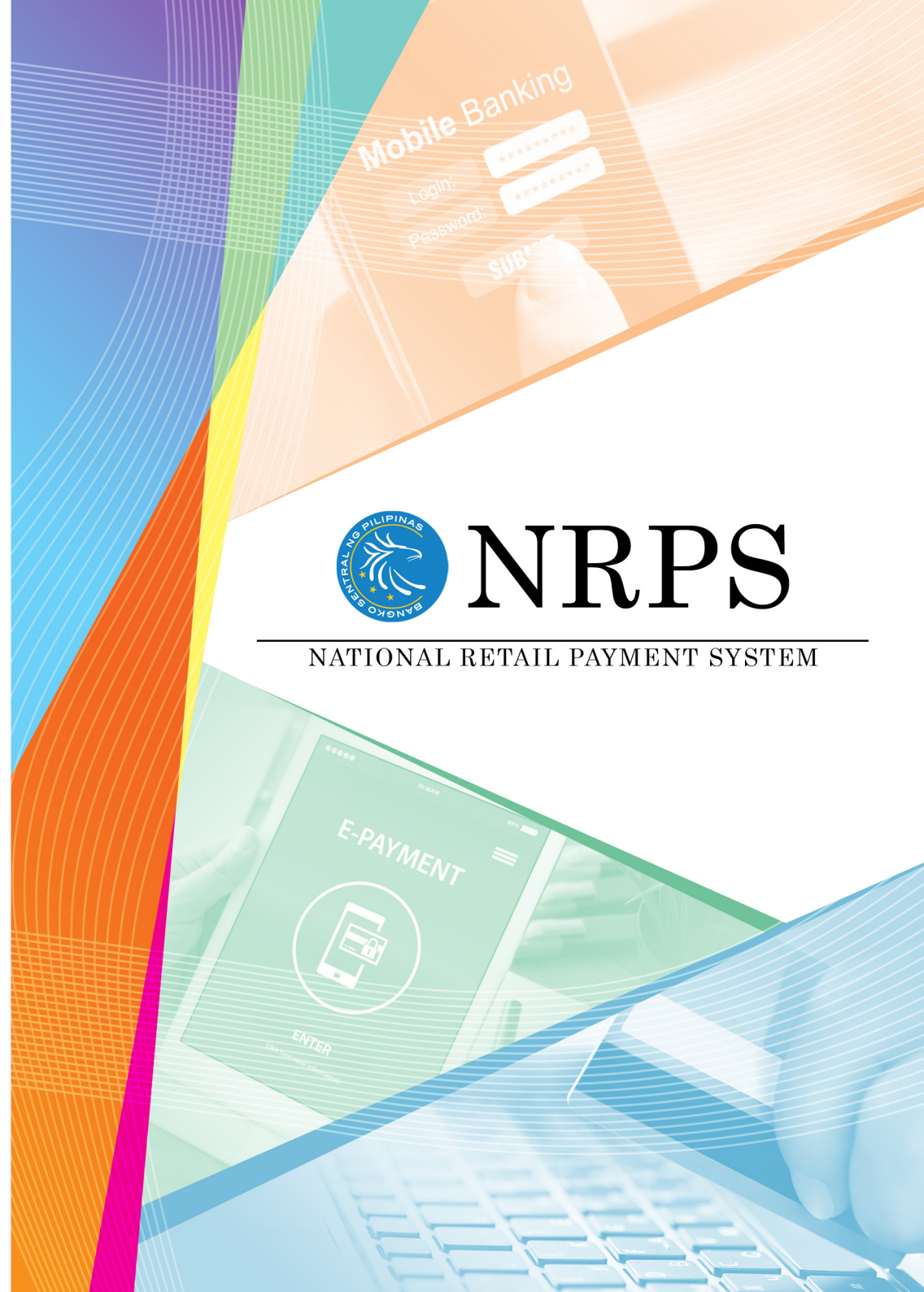
In addition to the Circular on the Adoption of the NRPS Framework, the following policies will be issued to support NRPS goals:

1. Establishment of secured settlement account to manage settlement risks arising from clear-before-settle payment streams (e.g. InstaPay);
2. Enhancement of the regulatory framework for electronic financial and payment services, formerly electronic banking, to define the scope of regulations, provide minimum operating requirements and outline various reporting requirements relative to these services; and
3. Creation of specific rules to address concerns on end-user's access to electronic services, such as the absence of a transaction account and difficulty in complying with customer due diligence requirements.



NRPS

NATIONAL RETAIL PAYMENT SYSTEM



WHAT IS THE NRPS?

The NRPS is a policy and regulatory framework launched by the Bangko Sentral to establish a safe, efficient and reliable retail payment system in the country. The goal is to promote electronic payments and drive its usage to 20% by 2020 from 1% as of 2013.

What are the desired outcomes of the NRPS framework?

1. Any user with a bank or electronic money account can do electronic fund transfer (EFT) from one account to another account in any participating financial institution with greater convenience, security and affordability. This means a customer may choose to only have one account to do fund transfer and payment transactions;
2. The diverse and dynamic requirements and needs of all end-users, including individuals, businesses and government, are served by a wide range of payments providers offering innovative, safe and affordable payment products; and
3. The preference of end-users to utilize electronic payments over paper-based instruments.

HOW CAN NRPS ACHIEVE THESE OUTCOMES?

To achieve these outcomes, NRPS principles and policies are geared towards promoting:

1. Interoperability – the legal, business and governance arrangements to support affordable and convenient account-to-account fund transfers to any participating institution are in place;
2. Level playing field – the system promotes fair and open access to accommodate a wide range of financial service providers competing to provide customers with innovative and affordable payment products; and
3. Effective industry cooperation – participants, through a unified industry-level governance body, develop and implement industry standards to achieve their shared goal of system safety, resilience and efficiency.

WHY IS PROMOTING INTEROPERABILITY IMPORTANT?

HOW DOES NRPS PROMOTE IT?

By enabling interoperability - that is when end-users are able to transfer funds from one account to another account in any participating financial institution - sustained adoption of electronic payments is plausible as electronic transactions are made more convenient. As more end-users avail of the payment services, the growth in transaction volume will help achieve economies of scale, which may further bring down end-user cost.

TO PROMOTE INTEROPERABILITY, THE NRPS ESPOUSES THE FOLLOWING:

1. All payment instruments or instructions with similar risk profiles shall be governed under one multilateral automated clearing house (ACH) agreement, which defines the participation, clearing and settlement rules. This ensures interoperability among the ACH participants; and
2. All qualified direct clearing participants are allowed to participate in the formulation of standards and rules, as well as in business arrangements. The inclusivity principle ensures that there is equal opportunity for participants, either banks or non-bank EMIs, to join the ACH thereby facilitating interoperability for all accounts.

HOW DOES NRPS PROMOTE A LEVEL PLAYING FIELD?

To promote a level playing in the retail payment system, NRPS espouses the following:

1. All qualified direct clearing participants shall participate in the governance of the retail payment system as members of the industry-led governance body called the Payment System Management Body (PSMB). The PSMB shall be governed by a PSMB Board with multi-stakeholder representation that adheres to sound corporate governance practices. This ensures that all interests are adequately represented and have a voice in governance of the retail payment system.
2. The clearing and settlement rules shall be determined by the ACH participants and not by the clearing switch operator (CSO). This way, the CSO cannot impose rules that may be perceived as discriminatory to other participants, especially those that do not have a stake in the CSO. Moreover, it is the ACH members that appoint a CSO in accordance with ACH requirements.

WHY IS THERE A NEED TO ESTABLISH THE PSMB? WHAT IS NOW BANGKO SENTRAL'S ROLE GIVEN THAT THERE IS AN INDUSTRY GOVERNANCE BODY?

The creation of the PSMB is to drive an optimal industry-level collaboration to facilitate the efficiency and resilience of the retail payment system. The absence of an industry governance body renders a fragmented view of the retail payment system which may lead to heightened risk and missed opportunities for scale and efficiency.

Bangko Sentral, in consultation with stakeholders, provides the strategic policy direction and high level principles to achieve the NRPS vision and objectives. The industry, through the PSMB, develops and implements standards and rules aligned with the NRPS principles. Specifically, the PSMB shall:

- a. Standardize clearing agreements and ensure all payment streams are covered by a multilateral ACH agreement;
- b. Ensure compliance of its members with criteria, standards and rules promulgated and adopted by the PSMB;
- c. Identify and undertake industry initiatives to support the NRPS policy direction;
- d. Monitor risk on a system-wide perspective; and
- e. Prepare regular and special reports to facilitate effective oversight.

WHO CAN BECOME PSMB MEMBERS?

All Bangko Sentral ng Pilipinas' Supervised Financial Institutions (BSFIs) that are considered direct clearing participants are required to become members of the PSMB. Direct clearing participants are those that meet the following criteria:

- a. Duly licensed by the Bangko Sentral either as a bank or a non-bank electronic money issuer;
- b. Engaged in holding funds of customers;
- c. Signatory to an ACH and actively participates in the clearing of that ACH;
- d. Settles clearing obligations using demand deposit account (DDA) maintained with Bangko Sentral or is sponsored into settlement with Bangko Sentral by a qualified participant which is a member of PhilPaSS; and
- e. Certified to have met the technical requirements of the clearing switch operator (CSO).