



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1198

Series of 2024

Subject: Regulatory Framework for Merchant Payment Acceptance Activities

The Monetary Board, in its Resolution No. 806 dated 11 July 2024, approved the following framework governing merchant payment acceptance activities (MPAA).

Section 1. The terms defined under Republic Act No. 11127 or the National Payment Systems Act (NPSA), the National Retail Payment System (NRPS) Framework, the Payment System Oversight Framework, and other relevant issuances of the Bangko Sentral shall be complemented by the following definitions, which shall be included in the Manual of Regulations for Payment Systems (MORPS):

GLOSSARY OF TERMS

- a. Merchant – for Section 503 of the MORPS, refers to an end-user that avails of merchant payment acceptance activities.
- b. Merchant account - refers to a transaction account where funds from merchant payment acceptance activities are received by merchant.
- c. Merchant payment acceptance activities (MPAA) – refers to the set of services provided to a merchant to receive payment for sale of goods and/or services. In general, services include merchant acquisition; providing the means to accept various payment instruments and collect, secure, transmit and process payment information; and providing support services related to the payment.
- d. Merchant acquisition – refers to the service of accepting and processing payment transactions on behalf of a merchant under an agreement, resulting in a transfer of funds to the merchant.
- e. Merchant fee – refers to the fee paid by the merchant to an operator of a payment system for merchant acquisition services. This may be composed of merchant discount rate, scheme fees, rental and maintenance charges for terminals, among others.

Section 2. The following Sections shall be created in the MORPS:

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**PART FIVE
LICENSING AND REGISTRATION**

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**503 OPS THAT ENGAGE IN MERCHANT PAYMENT ACCEPTANCE
ACTIVITIES**

503.1 Policy Statement. The Bangko Sentral recognizes that enabling merchants to accept different forms of payments for the sale of goods and/or services in a safe and efficient manner is vital in facilitating the smooth flow of funds in the economy and contributing to the wider adoption of digital payments in the country. For digital payments to thrive, minimum standards and good practices must be established to: (i) safeguard the funds received from customers of merchants; and (ii) protect the rights and interests of end-users (i.e., merchants) that deal with operators of payment systems (OPS) that engage in merchant payment acceptance activities (MPAA).

Pursuant to Republic Act No. 11127, or the National Payment Systems Act (NPSA), the National Retail Payment System (NRPS) Framework, and the Payment System Oversight Framework, the Regulatory Framework for MPAA ensures that OPS that engage in MPAA adopt commensurate governance structures and appropriate measures to effectively manage risks attendant to their business model, including risks related to settlement, operations, information technology (IT), anti-money laundering and countering terrorism and proliferation financing (AML/CTPF), and end-user protection.

503.2 Scope and Applicability. This policy covers any OPS engaged in or intending to engage in MPAA in the Philippines (OPS-MPAA). For avoidance of doubt, MPAA includes merchant acquisition services. As OPS, all OPS-MPAA shall comply with the pertinent provisions of this Section, and laws, rules, and regulations applicable to OPS.

An OPS is considered engaged in MPAA in the Philippines if the OPS, merchant, or both are located in the Philippines.

For Banks and Electronic Money Issuers-Non-Bank Financial Institutions (EMI-NBFI). An OPS engaged in or intending to engage in MPAA that has a concurrent banking or EMI-NBFI license is expected to adhere to the more stringent requirements between the guidelines in this policy and the applicable provisions of the Manual of Regulations for Banks (MORB) and the Manual of Regulations for Non-Bank Financial Institutions (MORNBFII), as applicable, to satisfy the overall regulatory expectations of the Bangko Sentral.

Banks and EMI-NBFIs engaged in MPAA shall comply with the provisions on payments to merchants, pricing mechanism, and reportorial requirements in this framework.

For OPS-MPAA under the Regulatory Jurisdiction of Other Local or Foreign Authorities or Overseers of Payment Systems. An OPS-MPAA that is under the regulatory jurisdiction of other local or foreign authorities or overseers of payment systems shall comply with the requirements of this framework, particularly the provisions on payments to merchants, pricing mechanism, and reportorial requirements.

For the requirements in this Section that are also imposed by other local or foreign authorities or overseers of payment systems, the OPS-MPAA may submit to the Bangko Sentral proofs of compliance with the similar requirements by said authorities. The Bangko Sentral may consider the documents submitted by the OPS-MPAA in evaluating compliance with requirements in this Section and direct the OPS-MPAA to submit additional documents to substantiate the proof of compliance, as necessary.

503.3 Governance and Risk Management Measures Applicable to OPS-MPAA. OPS-MPAA shall observe governance and risk management measures commensurate to the activities they perform, subject to compliance with the requirements under Section 401 for Governance, Section 903.1 on Outsourcing, Section 903.2 on Information Technology Risk Management (ITRM), Section 1003 on AML/CTPF and Section 1103 on End-User Protection of the Manual.

503.4 Authority to Engage in Merchant Acquisition. An authority from the Bangko Sentral must be obtained prior to engaging in merchant acquisition in the Philippines. Regardless of the status of its compliance with the registration requirement under Section 502 of this Manual, an OPS that intends to engage in merchant acquisition shall secure a Merchant Acquisition License (MAL) with the appropriate supervising department of the Bangko Sentral.

An OPS granted with MAL by the Bangko Sentral, herein referred to as OPS-MAL, is not required to register as OPS and is considered compliant with the rules and regulations on the registration of OPS under Section 502 of this Manual.

The guidelines on application for MAL are set out in Appendix 503-1 of this Manual. The appropriate supervising department of the Bangko Sentral may request submission of additional documents and information during the evaluation of the application for MAL. The application for MAL shall be processed only upon receipt of the complete documents. Applying for a MAL authorizes the Bangko Sentral to conduct onsite verification of the documents and/or representations stated in the application filed in connection with the license or authority applied for. Any misrepresentation in the documents submitted may be used as ground for denial of the MAL application.

Banks and EMI-NBFIs that intend to engage in merchant acquisition as part of their normal or allowed business operations need not apply for a separate

license from the Bangko Sentral. Prior notification (Appendix 503-5) to the appropriate supervising department of the Bangko Sentral shall suffice.

503.5 Registration for Engagement in Other MPAA. An OPS engaged in or intending to engage in MPAA other than merchant acquisition shall register with the Bangko Sentral in accordance with Section 502 of this Manual.

503.6 Capital Requirement. The minimum required capital for OPS-MAL shall be based on the following MAL categories:

Category	Average monthly value of collected funds transferred to merchants in the applicable period	Minimum Required Capital
A	Less than ₱100 million	₱5 million
B	₱100 million and above	₱10 million

In case of application for license, the category shall be based on the expected average monthly value of collected funds to be transferred to merchants while engaged in merchant acquisition in the first twelve (12) months of operation by the OPS. The capital requirement shall be complied with on the date of application.

When the average monthly value of collected funds transferred to merchants for two (2) consecutive calendar years while operating as an OPS-MAL warrants a change in category, the corresponding minimum required capital shall apply. In case there is a need to increase the minimum required capital pursuant to a change in category, the OPS-MAL shall comply with the revised capital requirement within sixty (60) business days after the start of the calendar year.

The minimum required capital shall be computed as paid-in capital stock plus additional paid-in capital, deposit for stock subscription, retained earnings, and undivided profits, less intangible assets.

For OPS-MAL that are banks and EMI-NBFIs, the minimum required capital shall be the highest among: (a) the required minimum capitalization for banks depending on bank category, (b) the required minimum capitalization based on EMI category, or (c) the minimum capitalization under the categories in this Subsection, as applicable.

503.7 Governance for Merchant Acquisition Services. For OPS-MAL, the following provisions shall govern merchant acquisition services:

- a. *Merchant Management.* An OPS-MAL shall have prudent merchant payment acceptance criteria and procedures for managing its relationship with merchants approved by its board of directors.

(1) *Merchant Due Diligence (MDD).* A risk-based approach shall be undertaken depending on the type of merchant, business relationship or nature of transaction or activity and risk profile. An OPS-MAL shall formulate a risk-based and tiered MDD that involves reduced MDD for potentially low-risk merchants and enhanced MDD for higher-risk merchants, which shall include:

- (a) *Merchant Identification.* An OPS–MAL shall establish and record the true identity of their merchants based on official documents. They shall maintain a proportionate system of verifying the true identity of their merchants and, in the case of corporate clients, require a system of verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf.
 - (b) *Merchant risk assessment.* An OPS–MAL shall understand, evaluate, analyze, and periodically assess the overall potential risk of a merchant, such as risks related to its financial capacity, legitimacy, operations, money laundering/terrorism financing/proliferation financing, cybersecurity, and consumer protection, among others, using reliable documents, information, or any other appropriate measures to undertake the background verification. When applicable, additional controls may be instituted to manage the potential risk of a merchant.
 - (c) *Merchant monitoring.* An OPS–MAL shall ensure periodic monitoring of its merchants in terms of adherence to their agreement and the merchant’s business activities and shall keep records of these monitoring activities. In an existence of a valid ground based on the suspension or termination clause in the governing agreement, an OPS–MAL shall immediately suspend or terminate any merchant payment acceptance relationship with a merchant.
- (2) *Governing agreement.* A written agreement between the merchant and the OPS–MAL shall be executed to govern the relationship, which, at the minimum, shall cover the following:
- (a) Account maintenance, such as information on: (i) business ownership and/or management, (ii) business office and/or store address, and (iii) nature of business;
 - (b) Timing and manner of the transfer to the merchant of the funds collected by the OPS–MAL, including the designation by the merchant of the means of receiving payment and merchant account where the funds will be transferred, as applicable;
 - (c) Disclosures and stipulations on the sharing of risks associated with merchant acquisition;
 - (d) Roles and responsibilities of each party, procedures and timelines on:
 - (i) Liability management in case of negligence/security breaches/ fraud, among others;
 - (ii) Reconciliation process;
 - (iii) Safeguards against unauthorized disclosure of customer data and other protected information, data loss, fraud, and cyber threats; as well as to facilitate the secure and efficient sharing of data among authorized entities;
 - (iv) Handling and resolving complaints, refund/failed transactions, or customer returns; and
 - (e) Suspension and termination clauses, where the grounds include the following:
 - (i) for suspension, breach of the agreement or a merchant is

suspected to be involved in fraudulent or illegal activity based on information obtained from a reliable source, a complaint from an aggrieved party or a finding under its own systems, and

- (ii) for termination, merchant's involvement in fraudulent or illegal activity substantiated by adequate and appropriate evidence after the investigation or assessment of the OPS-MAL or conviction with finality by a court of law.

(3) *Dispute resolution.* An OPS-MAL shall have in place a dispute resolution framework to ensure prompt and effective resolution of cases with its merchants and cases with its third-party service providers. It shall contain details, such as the transaction life cycle, a detailed explanation of types of disputes, the process of dealing with them, the responsibilities of all parties, the procedure for addressing the grievance, and the turnaround time for each stage.

- b. *Payment to Merchants.* The OPS-MAL shall maintain designated account/s with a Bangko Sentral Supervised Financial Institution (BSFI) where funds received or collected on behalf of merchants are held separate from the OPS-MAL's own funds and shall be properly accounted for. The funds in the designated deposit account/s shall only be used for settlement purposes with the merchants and/or transfers related to merchant acquisition, such as chargebacks to payment instrument issuers or the charging of merchant fees. In case there is a need to shift the designated account from one BSFI to another, the said change shall be effected in a time-bound manner without impacting the payment cycle for the merchants.

OPS-MAL shall ensure timely and complete funds settlement with merchants. The settlement period shall be agreed upon by the OPS-MAL and the merchant, but shall not be longer than two (2) business days from the day the funds are received by the OPS-MAL for transfer to a merchant.

In the event that the payment cycle stated in the merchant agreement is more than the agreed maximum number of days as stated above, an OPS-MAL shall submit justification, including supporting documentation, to the appropriate supervising department, subject to prior approval of the Bangko Sentral. Without such approval, the OPS-MAL shall undertake safeguarding measures, which may include placing the outstanding funds in a trust account or securing a bank guarantee against it in a BSFI or any other measures acceptable to the Bangko Sentral.

OPS-MAL shall be liable to provide the collected funds to merchants in the event the issuer of payment instruments or any other parties involved in the handling of such funds fail to fulfill their settlement obligations, regardless of dispute with other parties.

- c. *Pricing Mechanism.* Notwithstanding the consumer pricing rules under the NRPS Framework and subsequent relevant issuances, OPS-MAL shall adopt a pricing mechanism whereby merchant fees may be charged to merchants availing of merchant payment acceptance

activities. Such pricing mechanisms shall be reasonable, transparent, market-based, and proportional to the cost of the services offered in order to sustain the business operations of the parties involved.

503.8 Commencement of Merchant Acquisition Service. An OPS-MPAA granted a MAL shall commence actual engagement in merchant acquisition within six (6) months from the date of issuance of the license, unless a longer period has been approved by the Bangko Sentral. Failure to commence actual merchant acquisition within the six (6) month period shall render the license automatically revoked.

Within five (5) business days from the actual start of merchant acquisition service, the OPS-MAL shall notify in writing the appropriate supervising department of the Bangko Sentral of the actual start date. Such notification shall be duly acknowledged by the appropriate supervising department of the Bangko Sentral.

503.9 OPS Without the Appropriate License from the Bangko Sentral.

When an OPS required to be licensed under this Section is found to be engaging in merchant acquisition without a prior license, the Monetary Board shall issue a directive to such OPS to comply with the licensing requirements under this Section. If, after notice to the concerned OPS, the OPS continues to engage in said activities without the requisite license, the Monetary Board shall issue an order to such OPS to cease engaging in said activities and to take immediate action to apply for a license. The Bangko Sentral may coordinate with other regulators and concerned government agencies to inform them that the said OPS do not have the required license from the Bangko Sentral to engage in such activities. This procedure is without prejudice to the enforcement actions that may be deployed by the Bangko Sentral, as may be applicable, under existing laws, rules, and regulations.

503.10 Continuing Compliance. OPS-MAL shall continuously comply with the operational standards and requirements set out in this Section and other relevant sections of this Manual. Any deviation or non-compliance after securing a license shall be a basis for the imposition of appropriate enforcement actions. Bangko Sentral authorized personnel shall have the authority to conduct an assessment, examination, and/or systems and operational review pursuant to Section 101 of this Manual.

503.11 Voluntary Termination of Merchant Acquisition Service. Any OPS-MAL that wish to cease engaging in merchant acquisition shall secure prior approval of the Bangko Sentral on the termination and ensure compliance with the following procedures:

- a. At least three (3) months prior to intended date of termination, submit to the appropriate supervising department of the Bangko Sentral a request for approval, signed by the president or officer of equivalent rank, stating the details and justification for the voluntary termination, and submitting the Board or stockholders' approval of the same;
- b. Upon receipt of the notice of the Bangko Sentral approval: (i) send written notice of termination to merchants by personal service, or registered mail/other mail couriers wherein proof of receipt of notice by the merchants shall be kept on file and made available upon request of

- the Bangko Sentral; and (ii) publish notice in a newspaper of general circulation and post the same in the official website of the OPS-MAL, if applicable; and
- c. Submit to the appropriate supervising department of the Bangko Sentral within five (5) business days from date of termination, a certification signed by the president or officer of equivalent rank, stating that the: (i) termination was implemented, (ii) notification requirement under Item "b" above has been complied with, and (iii) the OPS-MAL has no remaining obligations to its merchants.

503.12 Reportorial Requirements. The guidelines on reporting under Section 103 of this Manual shall apply to OPS-MPAA. As such, OPS-MPAA shall comply with the reportorial requirements for OPS. In addition, OPS-MPAA shall submit the following secondary report to the appropriate supervising department of the Bangko Sentral:

Report Title	Frequency	Submission Deadline
Annual audited financial statement	Annually	120 business days after end of reference year

In addition to above, an OPS-MAL shall submit the following secondary reports to the appropriate supervising department of the Bangko Sentral:

Report Title	Frequency	Submission Deadline
Statistics related to MPAA (Appendix 503-2)	Quarterly	15 business days after end of reference quarter
Notice to the Bangko Sentral of significant changes (Appendix 503-3)	As needed	30 business days prior to effective date of proposed change
Notice to the Bangko Sentral of change in average monthly value of collected funds to be transferred to merchants that would change license category (Appendix 503-4)	As needed	60 business days after occurrence

For this purpose, significant changes include:

- a. Changes in ownership, directors, and/or key officers or representatives authorized to officially communicate to the Bangko Sentral; and
- b. Any proposed changes to merchant payment acceptance model of the OPS-MPAA that are significant or change the risk profile of the business model, which includes but is not limited to any changes in target market, mode of payment acceptance, as well as payment and settlement flow.

The guidelines for the preparation and electronic submission of the reports required in this Section will be covered by a separate issuance.

Statistics related to MPAA shall apply to OPS-MAL that are not required to submit the monthly report on Electronic Payments and Financial Services

pursuant to Section 501.6 of this Manual.

Failure to comply with the provisions of this Subsection shall cause the concerned OPS-MPAA to applicable sanctions for Erroneous, Delayed, Erroneous and delayed, or Unsubmitted Reports, as prescribed under Subsection 103.5 of this Manual.

503.13 Enforcement Actions. Failure to comply with the requirements of this Section shall subject the OPS-MPAA to the appropriate enforcement action provided under Part Fifteen of this Manual.

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PART NINE OPERATIONAL RISK

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903 SPECIAL RULES FOR MERCHANT PAYMENT ACCEPTANCE ACTIVITIES

903.1 Outsourcing. OPS engaged in or intending to engage in merchant payment acceptance activities (MPAA) in the Philippines (OPS-MPAA) shall remain responsible and accountable for the services outsourced to third-party service providers. As applicable, it shall be the responsibility of the OPS-MPAA to:

- a. Conduct appropriate due diligence review of the third party to assess the legitimacy and capability of the third party in performing the service to be outsourced prior to entering into an outsourcing arrangement;
- b. Ensure that the relationship/arrangement is supported by a written contract that should contain, at a minimum, business continuity and disaster recovery arrangements of the third party to ensure continuity of operations;
- c. Ensure that the third party employs a high degree of professional care in performing the outsourced activities as if these were conducted by the OPS-MPAA itself. This would include, among others, making use of monitoring and control procedures to ensure compliance at all times with applicable Bangko Sentral rules and regulations;
- d. Ensure that the third party adheres to international standards on information technology (IT) governance, information security, and business continuity in the performance of its outsourced activities and complies with all laws and Bangko Sentral rules and regulations covering the activities outsourced, especially on compliance with AML/CTPF requirements;
- e. Undertake operational review of the third party at least on an annual basis as part of risk management. This review should be documented as part of the OPS-MPAA's monitoring and control process;
- f. Identify, delineate and document the responsibilities and accountabilities of each party as regards the outsourcing arrangement, including planning for contingencies. Notwithstanding any contractual agreement between the OPS-MPAA and third party on the sharing of responsibility, the OPS-MPAA shall be responsible to

- its merchants; without prejudice to further recourse, if any, by the OPS–MPAA to the third party;
- g. Review and monitor the security practices and control processes of the third party on a regular basis, including commissioning or obtaining periodic expert reports on adequacy of security to maintain the confidentiality and integrity of data, and compliance with internationally recognized standards in respect to the operations of the third party. Considering that the third party may service more than one OPS–MPAA, the OPS–MPAA should ensure that records pertaining to its transactions are segregated from those of other OPS-MPAA; and
 - h. Maintain necessary documentation to show that outsourcing arrangements are properly reviewed, and the appropriate due diligence has been undertaken prior to implementation. The OPS-MPAA shall keep in its file these documents and the same shall be made available to authorized representatives of the Bangko Sentral for inspection.

903.2 Information Technology Risk Management (ITRM). OPS–MPAA shall design and implement an ITRM that is risk-based, commensurate with the size, nature, types of products and services, and complexity of its information technology (IT) operations. There shall be a robust and effective information technology and security risk management framework and processes, including corresponding governance structures and controls, to ensure financial stability, operational resilience, and end-user protection, which, at a minimum, shall include the following:

- a. Organizational structure that has well-defined roles and responsibilities for information, business processes, applications, IT infrastructure, and fraud prevention;
- b. Policies and procedures on the identification, measurement, monitoring and controlling of data security and IT risks on a periodic basis;
- c. Appropriate IT and security infrastructure and systems for prevention and detection of cybersecurity and fraud, including processes and procedures on prevention, detection and monitoring to mitigate cybersecurity and fraud risk;
- d. Mechanism for monitoring, handling and reporting incidents and breaches related to data security, IT and fraud;
- e. Effective business continuity plan and disaster recovery plan for, at a minimum, all critical business functions;
- f. Independent assessment of risk management process and controls;
- g. Sufficient resources to hire and train employees to ensure that they have the necessary capacity and expertise to meet the requirements for IT and the business lines it supports;
- h. Baseline technology-related recommendations, latest encryption standards, transport channel security, among others, based on international standards and recognized principles of international practice for ITRM; and
- i. Measures to ensure compliance with applicable data storage and privacy requirements, such as not storing the customer card credentials within their database or the server accessed by the merchant.

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PART TEN

ANTI-MONEY LAUNDERING / COUNTERING TERRORISM AND PROLIFERATION FINANCING (AML/CTPF)

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1003 SPECIAL RULES FOR MERCHANT PAYMENT ACCEPTANCE ACTIVITIES

OPS engaged in or intending to engage in merchant payment acceptance activities (MPAA) in the Philippines (OPS-MPAA) shall adhere to the applicable provisions under the Anti-Money Laundering Act, as amended, The Terrorism Financing Prevention and Suppression Act of 2012, and targeted financial sanctions (TFS)-related laws and their respective Implementing Rules and Regulations (IRR).

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PART ELEVEN END-USER PROTECTION

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1103 SPECIAL RULES FOR MERCHANT PAYMENT ACCEPTANCE ACTIVITIES

OPS engaged in or intending to engage in merchant payment acceptance activities (MPAA) in the Philippines (OPS-MPAA) shall be considered a Bangko Sentral Supervised Institution (BSI) for the purposes of this Section and shall have mechanisms in place that ensure the safety of end-users (i.e., merchants) availing of its service. Such mechanisms shall comply with existing financial consumer protection laws under the Financial Products and Services Consumer Protection Act (RA No. 11765) and related implementing rules and regulations.

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Section 3. The Appendices of the MORPS and the prescribed reportorial templates in relation to merchant payment acceptance activities are attached as Annex A of this Circular.

Section 4. Transitory Provision. All OPS already engaged in MPAA at the time of the effectivity of this Circular shall comply with the requirements prescribed under this Circular not later than twelve (12) months from its effectivity. Within six (6) months from effectivity of this Circular, OPS-MPAA shall submit the following requirements to the appropriate supervising department of the Bangko Sentral:

- a. A certification, signed by the president or officer with equivalent rank and function, of the applicable requirements of this Circular that the

- OPS-MPAA is already in compliance with (Annex B); and
- b. A duly accomplished gap assessment template (Annex C) specifying the plan of actions the OPS-MPAA will undertake, with the corresponding timelines not exceeding twelve (12) months from the effectivity of this Circular, to conform to the provisions it has yet to fully comply with.

In addition, to comply with the licensing requirements prescribed under this framework, an OPS already engaged in merchant acquisition shall submit, not later than six (6) months from effectivity of this Circular, to the appropriate supervising department of the Bangko Sentral the documentary requirements under the guidelines on the application for MAL (Appendix 503-1 of the MORPS). The actual average monthly value of collected funds transferred to merchants in the 12-month period prior to the date of application, augmented by expected average value if the entity is operating for less than twelve (12) months, shall be used as basis for category of license. The capital requirement shall be complied with on the date of application.

For registered OPS already engaged in merchant acquisition, the amount paid as registration fee, as applicable, shall be deducted from the license fee upon approval.

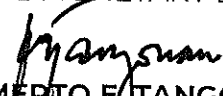
Upon submission of the above documentary requirements and payment of applicable filing fees, if any, the OPS-MPAA may continue to operate its business unless otherwise informed by the appropriate supervising department of the Bangko Sentral. The imposition of the appropriate enforcement action under this Section shall apply for failure to submit within the prescribed deadline the required information or documents.

Banks and EMI-NBFIs shall submit to the appropriate supervising department of the Bangko Sentral not later than six (6) months from the effectivity of this Circular:

- a. A notice of their engagement in merchant acquisition signed by the president, chief executive officer, or senior officer holding an equivalent position and supporting documentary requirements (Appendix 503-5); and
- b. A duly accomplished gap assessment template (Annex C) for the provisions on payment to merchants, pricing mechanism, and reportorial requirements, specifying the plan of actions the OPS-MPAA will undertake, with the corresponding timelines not exceeding twelve (12) months from the effectivity of this Circular, to conform to the provisions it has yet to fully comply with.

Section 5. 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:


MAMERTO E. TANGONAN
Officer-in-Charge

19 July 2024

Guidelines on Application for Merchant Acquisition License

An OPS–MPAA intending to engage in merchant acquisition shall comply with the following requirements:

- a. Documentary requirements:
 1. Application for Registration as Operator of Payment System (OPS) (Appendix 502-2) signed by the president, chief executive officer, or a senior officer holding an equivalent position;
 2. Proof of financial capacity
 - i. For New Entity: Treasurer's Affidavit supported by proof of payment of subscribed capital (for partnerships, corporations, and cooperatives) or Bank Certification (for sole proprietorship)
 - ii. For Existing Entity: Latest Audited Financial Statement and Latest Interim Balance Sheet signed by the Owner/Managing Partner/President
 3. Copy of Certificate of registration from the Department of Trade and Industry (DTI), Securities and Exchange Commission (SEC) or Cooperative Development Authority (CDA), as applicable;
 4. Copy of the business registration/permit indicating the line of business of the OPS, from the city or municipality that has territorial jurisdiction over the place of establishment and operation of the OPS for the current period;
 5. Documentary requirements in compliance with the Governance Policy for OPS as stated in Section 401 of the MORPS;
 6. Organizational structure;
 7. Business plan, including but not limited to a description of business model, target markets, payment services/products offered to merchants, payment settlement process/ procedures with corresponding process flow/s;
 8. Risk management policies and procedures covering but not limited to the following critical areas: Information Technology, Information Security, Business Continuity and Operational Risk Management;
 9. Merchant management policies and procedures, including due diligence and approval criteria, onboarding and monitoring;
 10. Document/information on merchant protection, particularly redress mechanism;
 11. Expected average monthly value of collected funds to be transferred to merchants in the applicable period;
 12. Templates of agreements/contracts with merchants, settlement banks, third party providers and other entities that are necessary in the provision of merchant acquisition service, as applicable;
 13. List of settlement banks, third party providers and other entities that are necessary in the provision of merchant acquisition service, as applicable; and
 14. Schedule of fees and/or charges.

An OPS-MPAA already registered with the Bangko Sentral as OPS need not submit items a(1)-(5) above if the information from previously submitted documents during registration remain the same.

Applications with incomplete documentation will be returned without prejudice to re-submission of a complete application and collection of applicable fees.

The Bangko Sentral may request information and/or documents aside from the minimum documentary requirements prescribed above to arrive at an informed decision. It may also conduct limited inspection or validation, when warranted.

The Bangko Sentral may approve any application of an eligible applicant after evaluating the application and considering relevant factors. Likewise, the Bangko Sentral may deny applications if (a) significant supervisory or compliance concerns exist, or (b) the applicants fail to provide material information necessary to make an informed decision.

- b. Application fees. An applicant, depending on its classification, shall be assessed the following fees per application:
 - i. Filing fee – shall be charged upon filing of an application and is non-refundable. In case of re-submission of application that is returned for incomplete documentation, another filing fee shall be charged anew; and
 - ii. License fee – shall be charged to certain application upon approval.

Assessed fees shall be paid to the Bangko Sentral as follows:

Type of Fee	Category	
	A	B
Filing	₱10,000.00	₱20,000.00
License	₱25,000.00	₱60,000.00

- c. Post Decision. Unless otherwise prescribed by the Bangko Sentral, an applicant may file a new application for a denied and/or withdrawn application after the lapse of six (6) months from the date of denial/withdrawal: *Provided*, That any weaknesses, deficiencies and/or non-compliance with any laws, rules, regulations and/or directives that made the applicants ineligible have already been satisfactorily addressed.

Statistics Related to Merchant Payment Acceptance Activities (MPAA)

Name of OPS-MPAA: _____

Date: <End-Month, Year>

Transaction/Payment Instrument	Cash		Check		Payment Cards						Payment Instructions (e.g. EFT, QR code)		Others		Total		
	Volume	Value	Volume	Value	Debit Card (bank or e-money)		Pre-paid Card		Credit card		Volume	Value	Volume	Value	Volume	Value	
					Volume	Value	Volume	Value	Volume	Value							Volume
A. Via electronic channel (internet, mobile, POS, mPos, ATM, CAM/Payment Kiosk)					0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	
i. Cash-in/deposit																0	0.00
ii. Cash-out/withdrawal																0	0.00
iii. Domestic fund transfer/remittance																0	0.00
iv. Cross-border transfers					0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0.00
a. Inward																0	0.00
b. Outward																0	0.00
v. Bills payment																0	0.00
vi. Payment to merchants																0	0.00
vii. Payment to government																0	0.00
viii. Other					0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0.00
-																0	0.00
B. Via over-the-counter	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0.00
i. Cash-in/deposit																0	0.00
ii. Cash-out/withdrawal																0	0.00
iii. Domestic fund transfer/remittance																0	0.00
iv. Cross-border transfers													0	0.00	0	0.00	0.00
a. Inward																0	0.00
b. Outward																0	0.00
v. Bills payment																0	0.00
vi. Payment to merchants																0	0.00
vii. Payment to government																0	0.00
viii. Other	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0.00
-																0	0.00

	Total	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00	0	0.00
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Indicators				Total			
A. User Profile							
i. Number of users/accounts							
ii Number of active users							
iii. Number of tie-ups with international scheme							
iv. Number of users/accounts tied to international scheme							
B. Number of terminals				0			
i. POS							
ii. mPos							
iii. ATM							
iv. CAM							
v. Payment Kiosk							
vi. Others:				0			
C. Number of agents				0			
i. Direct agents							
ii. Agents by virtue of partnership with other OPS							
D. Number of billers/merchants				0			
i. Direct billers/merchants				0			
			a. Government				
			b. Non-government				
ii. Biller/Merchants by virtue of partnership with other OPS				0			
			a. Government				
			b. Non-government				
No. of Billers							
i. Settlement happens in less than 30 days							
ii. Settlement happens between 31 to 60 days							
iii. Settlement happens between 61 to 90 days							
iv. Settlement happens between 91 to 180 days							
v. Settlement happens after 180 days							

F. Availability				Percentage			
i. System Availability							
ii. Network Availability							
iii. Terminal Availability (Average)							
G. Complaints Handling - No. of complaints received for the reference period							
i. No. of complaints, beginning balance (unresolved from previous reference period)							
ii. No. of complaints resolved within TAT							
iii. No. of complaints resolved outside TAT							
iv. No. of unresolved complaints as of end of reporting period							
H. Fraud Management							
i. No. of Fraud Incidents							
ii. No. of Accounts/Customers Affected							
Minimum Fee		Maximum Fee					
				-			
i. Number of incidents (for the reference period)							
ii. Number of incidents resolved (for the reference period)							
iii. Total downtime due to the incidents							
iv. Top 3 Incidents (for the reference period) - Nature of Incident				Date of Occurrence	Root Cause	Resolution	Impact
1							
2							
3							
i. Number of incidents (for the reference period)							
ii. Number of incidents resolved (for the reference period)							
iii. Total downtime due to the incidents							
iv. Top 3 Incidents (for the reference period) - Nature of Incident				Date of Occurrence	Root Cause	Resolution	Impact
1							
2							
3							

List of Delisted Merchants

No.	Name of Merchant	Reason for Delisting	Delisting Date
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Note: Template of this report will be provided in Excel format.

Notice to the Bangko Sentral of Significant Changes

Pursuant to the requirement under Section 503 of the Manual of Regulations for Payment Systems (MORPS), I, **<Name of Officer>**, **<President or Officer of Equivalent Rank>**, on behalf of the **<Name of OPS-MAL>**, with head/principal office address at **<complete address of Head/Principal Office>**, notifies the Bangko Sentral of the following change/s in relation to merchant payment acceptance activities as evidenced by the attached supporting document/s:

<description of significant change/s>

I also certify that all relevant documents in support of this representation are readily available for verification by the Bangko Sentral during onsite verification/examination or when a written request is made to determine compliance.

Signed:

Name of President/Officer of Equivalent
Rank
President/Equivalent Rank

Date:

Appendix 503-4

Notice of Change in the Average Monthly Value of Collected Funds Transferred to Merchants Resulting to a Change in Category of License

Pursuant to the requirement under Section 503 of the Manual of Regulations for Payment Systems (MORPS), I, **<Name of Officer>**, **<President or Officer of Equivalent Rank>**, on behalf of the **<Name of OPS-MAL>**, with head/principal office address at **<complete address of Head/Principal Office>**, notifies the Bangko Sentral of the change below in the average monthly value of collected funds transferred to merchants in two (2) calendar years resulting to a change in the category of license.

Reference Period (Start and End Date)	Average Monthly Value of Collected Funds Transferred to Merchants
Period of prior category:	₱
Calendar Year 1:	₱
Calendar Year 2:	₱

I also certify that all relevant documents in support of this representation are readily available for verification by the Bangko Sentral during onsite verification/examination or when a written request is made to determine compliance.

Signed:

Name of President/Officer of Equivalent
Rank
President/Equivalent Rank

Date:

Notice to the Bangko Sentral of Engagement in Merchant Acquisition

I, <Name of Officer>, <President or Officer of Equivalent Rank>, on behalf of the <Name of BSP-Supervised Financial Institution (BSFI)>, with head/principal office address at <complete address of Head/Principal Office>, notifies the Bangko Sentral of our engagement in merchant acquisition as defined in Section 503 of the Manual of Regulations for Payment Systems (MORPS) beginning <date of commencement> as evidenced by the attached supporting document/s:

- (1) Business plan, including but not limited to a description of business model, target markets, payment services/products offered to merchants, payment settlement process/ procedures with corresponding process flow/s;
- (2) Merchant management policies and procedures, including due diligence and approval criteria, onboarding and monitoring;
- (3) Document/information on merchant protection, particularly redress mechanism;
- (4) Average monthly value of collected funds to be transferred to merchants in a twelve (12)-month period, augmented by expected average value if the BSFI is operating for less than twelve (12) months;
- (5) Templates of agreements/contracts with merchants, settlement banks, third party providers and other entities that are necessary in the engagement in merchant acquisition, as applicable;
- (6) List of settlement banks, third party providers and other entities that are necessary in the engagement in merchant acquisition, as applicable; and
- (7) Schedule of fees and/or charges.

I also certify that all relevant documents in support of this representation are readily available for verification by examiners of the Bangko Sentral during onsite verification/examination or when a written request is made to determine compliance.

Signed:

Name of President/Officer of Equivalent
Rank
President/Equivalent Rank

Date:

**CERTIFICATION OF COMPLIANCE WITH THE REGULATORY FRAMEWORK
ON MERCHANT PAYMENT ACCEPTANCE ACTIVITIES**

I, <Name of Officer>, <President or Officer of Equivalent Rank>, on behalf of the <Name of OPS-MPAA>, with head/principal office address at <complete address of Head/Principal Office>, hereby certify that, <Name of OPS-MPAA> complies with the provisions under **Circular No. ___ dated ___ [Month] 2024** except for those indicated in the Gap Assessment (attached), which shall be complied with by the target date for compliance indicated in the same document.

I certify further that to the best of my knowledge, all the information contained in the attached documents supporting the institution's compliance are hereby true and correct.

I also certify that all relevant documents in support of the merchant payment acceptance activities and operations are kept on file and are readily available for verification by the Bangko Sentral during onsite verification/examination or when a written request is made to determine compliance.

This certification is being submitted in compliance with the requirements provided in the **Circular No. ___ dated ___ [Month] 2024**.

Signed:

Name of President/Officer of Equivalent
Rank
President/Equivalent Rank

Date:

**[Name of Operator of Payment System – Merchant Payment Acceptance
Activities (OPS – MPAA)]**

Gap Assessment under Circular No. ___ dated __ [Month] 2024

BSP Regulatory Provisions	Level of Compliance	Existing Controls	Gap/s	Action Plan/s
<i>Key provisions/requirements under Circular No. ___ dated __ 2024</i>	<i>Indicate level of compliance (i.e., Complied, Partially Complied, or Not Complied, Not Applicable)</i>	<i>Provide brief statement on the BSFI's existing policies and processes.</i>	<i>Identify specific gap/s vis-à-vis the regulatory requirement/s</i>	<i>Indicate action plan/s and the committed timeline</i>
1. Governance and risk management measures applicable to OPS-MPAA				
a. Governance (Section 401)				
b. Outsourcing (Section 903.1)				
c. Information Technology Risk Management (ITRM) (Section 903.2)				
d. Anti-Money Laundering / Countering Terrorism and Proliferation Financing (AML/CTPF) (Section 1003)				
e. End-User Protection (Section 1103)				
2. Authority to engage in merchant acquisition				
a. Capital requirements				
b. Governance				
i. Merchant Management				
ii. Payment to Merchants				
iii. Pricing Mechanism				
3. Reportorial Requirements				