



Bangko Sentral ng Pilipinas

OFFICE OF THE GOVERNOR

Circular No. 649

Series of 2009

The Monetary Board, in its Resolution No. 324 dated 26 February 2009, approved the following guidelines governing the issuance of electronic money (e-money) and the operations of electronic money issuers (EMI) in the Philippines.

Section 1. Declaration of Policy. It is the policy of the Bangko Sentral ng Pilipinas (BSP) to foster the development of efficient and convenient retail payment and fund transfer mechanisms in the Philippines. The availability and acceptance of e-money as a retail payment medium will be promoted by providing the necessary safeguards and controls to mitigate the risks associated in an e-money business.

Section 2. Definition. E-money shall mean monetary value as represented by a claim on its issuer, that is –

- (a) electronically stored in an instrument or device;
- (b) issued against receipt of funds of an amount not lesser in value than the monetary value issued;
- (c) accepted as a means of payment by persons or entities other than the issuer;
- (d) withdrawable in cash or cash equivalent; and
- (e) issued in accordance with this Circular.

Electronic money issuer shall be classified as follows:

- a) Banks (hereinafter called EMI-Bank)
- b) Non-bank financial institutions (NBFI) supervised by the BSP (hereinafter called EMI-NBFI); and
- c) Non-bank institutions registered with the BSP as a money transfer agent under Section 4511N of the Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) (hereinafter called EMI-Others).

For purposes of this Circular:

1. Electronic instruments or devices shall mean cash cards, e-wallets accessible via mobile phones or other access device, stored value cards, and other similar products;
2. E-money issued by banks shall not be considered as deposits.

PANANALAPING MATATAG, BANSANG PANATAG

Section 3. Prior BSP Approval. Banks planning to be an EMI-Bank shall apply in accordance with Section X621 of the MORB relating to the guidelines on electronic banking services and with Section X169 of the MORB on outsourcing of banking functions, when applicable.

NBFIs planning to be an EMI-NBFI shall likewise comply with the requirements of Section X621 of the Manual of Regulations for Banks (MORB) which shall be made applicable to them and with Section 4190Q/S/P/N of the MORNBFI, when applicable.

Non-bank institutions planning to be an EMI-Others shall register with the BSP as a money transfer agent in accordance with the provisions of Section 4511N of the MORNBFI. To qualify for registration, they have to comply with the requirements detailed in Section 5 of this Circular. In case the non-bank institution is already registered with the BSP as a money transfer agent, it is required to meet the additional requirements mentioned under said section to qualify as EMI-Others.

Section 4. Provisions for All EMIs. The following provisions are applicable to all EMIs:

- A. E-money instrument issued shall be subject to aggregate monthly load limit of P100 thousand unless a higher amount has been approved by BSP. In case an EMI issues several e-money instruments to a person (e-money holder), the total amount loaded in all the e-money instruments shall be consolidated in determining compliance with the aggregate monthly load limit.
- B. EMIs shall put in place a system to maintain accurate and complete record of e-money instruments issued, the identity of e-money holders, and the individual and consolidated balances thereof. The system must have the capability to monitor the movement of e-money transactions and link e-money instruments issued to common e-money holders. The susceptibility of a system to intentional or unintentional misreporting of transactions and balances shall be sufficient ground for imposition by the BSP of sanctions, as may be applicable.
- C. E-money may only be redeemed at face value. It shall not earn interest nor rewards and other similar incentives convertible to cash, nor be purchased at a discount. E-money is not considered a deposit hence it is not insured with the Philippine Deposit Insurance Corporation.
- D. EMIs shall ensure that e-money instruments clearly identify the issuer who is ultimately responsible to the e-money holders. This shall be communicated to the client who shall acknowledge the same in writing.
- E. It is the responsibility of EMIs to ensure that their distributors/e-money agents comply with all applicable requirements of the Anti-Money Laundering laws, rules, and regulations.

- F. EMIs shall provide an acceptable redress mechanism to address the complaints of its customers.
- G. EMIs shall disclose in writing and its customers shall signify agreement to the information embodied in item C above upon their participation in the e-money system. In addition, it shall provide clear guidance in English and Filipino on consumers' right of redemption, including conditions and fees for redemption, if any. Information on available redress procedures for complaints together with the address and contact information of the issuer shall also be provided.
- H. Prior to the issuance of e-money, EMIs should ensure that the following minimum systems and controls are in place:
- Sound and prudent management, administrative and accounting procedures and adequate internal control mechanisms;
 - Properly-designed computer systems which are thoroughly tested prior to implementation;
 - Appropriate security policies and measures intended to safeguard the integrity, authenticity and confidentiality of data and operating processes;
 - Adequate business continuity and disaster recovery plan; and
 - Effective audit function to provide periodic review of the security control environment and critical systems.
- I. EMIs shall provide the Supervisory Data Center of the Supervision and Examination Sector, BSP, quarterly statements containing, among others, information on investments, volume of transactions, total outstanding e-money balances, and liquid assets in such form as may be prescribed later on.
- J. EMIs shall notify BSP in writing of any change or enhancement in the e-money facility thirty (30) days prior to implementation. If said change or enhancement requires prior BSP approval, the same shall be evaluated accordingly. Any change or enhancement that shall expand the scope or change the nature of the e-money instrument shall be subject to prior approval of the Deputy Governor, Supervision and Examination Sector. These changes or enhancements may include the following:
1. Additional capabilities of the e-money instrument/s, like access to new channels (e.g., inclusion of internet channel in addition to merchant Point of Sale terminals);
 2. Change in technology service providers and other major partners in the e-money business(excluding partner merchants), if any; and
 3. Other changes or enhancements.

Section 5. Provisions for EMI-Others. EMI-Others shall comply with the following additional provisions:

- A. They must be a stock corporation with a minimum paid-up capital of P100 million.

- B. They shall engage only in the business of e-money and other activities related or incidental to the business of e-money, such as money transfer/remittance. An existing entity engaged in activities not related to the business of e-money but wishing to act as EMI-Others must do so through a separate entity duly incorporated exclusively for such purpose.
- C. They shall not engage in the extension of credit, unless it complies with the provisions of Section 6 of this Circular.
- D. To further protect the e-money holders and ensure that e-money redemptions are adequately met at all times, the entity should have sufficient liquid assets equal to the amount of outstanding e-money issued. The liquid assets should remain unencumbered and may take any of the following forms:
1. bank deposits separately maintained for liquidity purposes ;
 2. government securities set aside for the purpose; and
 3. such other liquid assets as the BSP may allow.

Records pertaining to the above liquid assets shall be made available for inspection by BSP at any time and the confidentiality of bank deposits and government securities shall be waived.

- E. The BSP shall be allowed access to review the e-money systems and databases of the entity. Whenever the circumstances warrant, such access shall extend to the agents, partners, service providers or outsourced entities of the EMI-Others in view of their participation in the e-money business.
- F. EMI-Others shall submit to the Supervisory Data Center of the Supervision and Examination Sector, BSP, its audited financial statements (AFS) within thirty (30) days from date of report of its external auditors.

Section 6. QB License Requirement. EMI-NBFIs and EMI-Others that engage in lending activities must secure a quasi-banking license from the BSP.

Section 7. Sanctions. Monetary penalties and other sanctions for the following violations committed by EMI-Banks, EMI-NBFIs, and EMI-Others shall be imposed:

| Nature of Violation/Exception | Sanctions/Penalties |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|
| 1. Issuing e-money without prior BSP approval | Applicable penalties under Section 36 & 37 of R.A. No. 7653; Watchlisting of owners/ partners/principal officers |
| 2. Violation of any of the provisions of R.A. No. 9160 (Anti-Money Laundering Law of 2001 as amended by R.A. No. 9194) and its implementing rules and regulations | Applicable penalties prescribed under the Act. |
| | |

| Nature of Violation/Exception | Sanctions/Penalties |
|---------------------------------|---------------------------------------------------------------------------------------------------------|
| 3. Violation/s of this Circular | Penalties and sanctions under the abovementioned laws and other applicable laws, rules, and regulations |

In addition, the susceptibility of a system to intentional or unintentional misreporting of transactions and balances shall be sufficient ground for appropriate BSP action or imposition of sanctions, whenever applicable.

Section 8. Amendments to MORNBF1. The provisions of Section X621 and related subsections of the MORB on electronic banking are hereby incorporated as Section 4621Q/S/P/N and related subsections of the MORNBF1.

Section 9. Transitory provisions. EMI-Banks, EMI-NBFIs, and EMI-Others granted an authority to issue e-money prior to this Circular may continue to exercise such authority, provided that it shall submit to the BSP, within one (1) month from the effectivity of this Circular, a certification signed by the President or Officer with equivalent rank and function that it is in compliance with all the applicable requirements of this Circular. Otherwise, they are required to submit within the same period the measures they will undertake, with the corresponding timelines, to conform to the provisions that they have not complied with subject to BSP approval.

Section 10. Effectivity Clause. This Circular shall take effect fifteen (15) days following its publication in the Official Gazette or any newspaper of general circulation.

FOR THE MONETARY BOARD:


 AMANDO M. TETANGCO, JR.
 Governor

9 March 2009