



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1166 Series of 2023

Subject: Amendments to the Regulations on Electronic Money (E-money) and the operations of Electronic Money Issuers (EMI) in the Philippines

The Monetary Board, in its Resolution No. 122 dated 26 January 2023, approved the amendments to the pertinent provisions of the Manual of Regulations for Banks and Manual of Regulations for Non-Bank Financial Institutions on the regulations governing the issuance of electronic money and the operations of e-money issuers in the Philippines.

Section 1. Sec. 702 on Issuance and Operations of Electronic Money shall be amended to read as follows:

702 ISSUANCE AND OPERATIONS OF ELECTRONIC MONEY (E-MONEY)

The following guidelines shall govern the issuance of E-money and the operations of E-money issuers.

Policy Statement. The Bangko Sentral aims to promote a safe, efficient, and inclusive digital finance ecosystem by espousing an enabling regulatory environment that recognizes the advances in digital technologies and fosters a responsive and effective management of attendant risks. The regulations governing E-money issuers and operations allow Bangko Sentral-Supervised Financial Institutions (BSFIs) to adopt risk management systems commensurate to their size, risk profile, complexity of operations, and systemic importance. This enables BSFIs to provide financial services attuned to the evolving needs and behaviour of consumers and supported by safeguards and controls to ensure that risks remain within manageable levels.

Scope. These guidelines shall cover BSFIs that issue E-money and engage in E-money business in the Philippines. E-money issued under closed-loop electronic wallet systems is not covered by this Section.

Definition of Terms. For purposes of this Section, the following definitions shall apply:

- a. *E-money* shall refer to an electronically-stored monetary value that is:
 - (1) maintained in a non-interest-bearing non-deposit transaction account;
 - (2) denominated in or pegged to Philippine Peso or other foreign currencies;
 - (3) pre-funded by customers to enable payment transactions;
 - (4) accepted as a means of payment by the issuer and by other persons or entities including merchants/sellers;
 - (5) issued against receipt of funds of an amount equal to the monetary value issued;
 - (6) represented by a claim on its issuer; and

(7) withdrawable in cash or cash equivalent or transferable to other accounts/instruments that are withdrawable in cash.

- b. *Electronic instruments or devices* shall refer to cash cards, prepaid cards, stored value cards or any digital wallet accessible via mobile phones or other access device, and other similar products within the scope of electronic payments and financial services as defined under Sec. 701;
- c. Transaction account shall be as defined under Sec. 701;
- d. Closed-loop electronic wallet system shall refer to an arrangement wherein the electronic wallet is accepted as a means of payment only by the merchant-issuer. Merchant-issuers including their subsidiaries and affiliates shall be considered as one entity for purposes of determining closed-loop electronic wallet systems.
- e. Open-loop electronic wallet system shall refer to an arrangement wherein the electronic wallet is accepted as a means of payment by other persons or entities other than the merchant-issuer and their subsidiaries and affiliates.
- f. Merchants are physical or electronic retailers or businesses that accept E-money as payment and may utilize electronic platforms in selling their goods and services.

Application for authority to offer E-money services. Banks may offer E-money services subject to prior approval of the Bangko Sentral under Electronic Payment and Financial Services (EPFS) license and compliance with the prudential criteria provided under Sec. 111 and requirements on licensing of EPFS under Appendix 136 of Sec. 701.

Governance. The following guidelines shall govern the issuance and operations of E-money:

- a. *Minimum Systems and Controls.* Prior to issuance of E-money, BSFIs shall ensure that the following are in place:
 - (1) Sound and prudent management, administrative and accounting procedures and adequate internal control mechanisms;
 - (2) Properly-designed computer systems which are thoroughly and independently tested¹ prior to implementation;
 - (3) Appropriate security policies and measures intended to safeguard the integrity, authenticity, and confidentiality of data and operating processes;
 - (4) Robust selection criteria and due diligence process in accrediting E-money agents and merchant/business partners and criteria for periodic performance review;
 - (5) Fraud risk management system that is commensurate to the risks associated with particular EMI classification or specific EMI activities;
 - (6) Adequate business continuity and disaster recovery plan; and
 - (7) Effective audit function to provide periodic review of the security control environment and critical systems.

¹ These include independent testing of security controls by third-party service providers

- b. E-money shall only be issued and redeemed at face value. It shall not be purchased at a discount wherein the E-money credited to the customer's account balance is higher than the amount of fiat money used to purchase it. The issuance and operations of E-money denominated in foreign currency shall be subject to existing foreign exchange rules and regulations. Moreover, E-money is not considered a deposit. It shall not earn interest and other similar incentives convertible to cash that may be construed as earning of interest. BSFIs may offer promotional incentives that are not based on the outstanding balance of the e-wallet to encourage greater usage and attract new users.

- c. *Consumer Protection.* BSFIs are required to strictly adhere to Bangko Sentral regulations on Financial Consumer protection as prescribed under Part Ten. BSFIs shall adhere to the expectations provided under this regulation covering the following core principles:
 - (1) Disclosure and transparency of E-money transactions;
 - (2) Protection of client information;
 - (3) Fair treatment of E-money customers;
 - (4) Effective recourse in place for handling complaints and redress mechanisms; and
 - (5) Protection of E-money Consumer Assets against Fraud and Misuse.

- d. *Minimum Disclosure Requirements.* BSFIs shall provide clear terms and conditions on the use of E-money, which should be made available through various channels, including the BSFI's website, brochures, and registration form (user's and merchant's copy). BSFIs must obtain acknowledgement from their users and merchants that they have read and understood the terms and conditions prior to their availment of E-money services. The terms and conditions shall include the following information, among others:
 - (1) Issuer of the E-money who is ultimately responsible to the E-money holders;
 - (2) Type of transactions that can be made using the E-money;
 - (3) All applicable fees and charges;
 - (4) FX risks and basis of applicable exchange rates for FX transactions using the application for multi-currency E-money wallets;
 - (5) Availability of user's transaction history and/or statement of account;
 - (6) Procedures for reporting lost or stolen E-money and lodging a complaint, including the manner on how the losses and liabilities from security breaches, system failure, or human error will be settled between the BSFI and its customers;
 - (7) Refund policy, including refund conditions, procedures, turn-around time and cost;
 - (8) Rights and responsibilities of users and merchants;
 - (9) User's and merchant's liability for damaged, lost, malfunctioned, or compromised e-wallet instrument or value, and fraudulent transaction; and
 - (10) Customer service contact number(s) as well as the details of the Bangko Sentral Consumer Assistance Mechanism.

Users and merchants shall be notified at least thirty (30) calendar days before any amendments/changes to the terms and conditions may take effect.

- e. *Interoperability of Systems.* BSFIs shall make its E-money products/services/platforms with fund transfer functionality interoperable by participating in an Automated Clearing House pursuant to the guidelines set under the National Retail Payment System (NRPS) Framework.
- f. *Aggregate Limits.* BSFIs shall adopt a client categorization process in order to implement pre-defined limits and thresholds based on institutional risk assessment and customer due diligence process. *Provided, That:* BSFIs participating in payment systems (PS) shall adopt limits and thresholds consistent with those applied by the PS. In case a BSFI issues several E-money instruments to a person (E-money holder), the total transactions and/or amount loaded in all the E-money instruments shall be aggregated in determining compliance with the EMIs' established limit.
- g. *Liquidity Requirement.* BSFIs shall have sufficient liquid assets to meet E-money redemptions at all times and to protect the interest of the E-money holders. In this respect, BSFIs shall maintain liquid assets at least equal to the amount of outstanding E-money issued for each currency in which the E-money obligations are denominated.
 - (l) BSFIs with outstanding E-Money balance of at least P100,000,000.00, shall have unencumbered liquid assets comprised of the following:
 - (a) At least 50 percent (50%) of the outstanding E-money balance², shall be held in trust³ for the specific purpose of E-money balance liquidation. The trust arrangement shall assure the preservation of principal amount and prudent management of funds.

EMIs shall ensure that the amount held in the trust account shall not fall below the required minimum trust account balance at any given day. Decline in required minimum trust account balance arising solely from marked-to-market losses shall not be considered a breach of the minimum requirement. *Provided, That:* the BSFI tops up the deficiency arising from aforesaid marked-to-market as of month-end within five (5) banking days after end of reference month.
 - (b) The remaining percentage of outstanding E-money balance shall be held in any of the following assets:
 - (i) bank deposits specifically earmarked for liquidity requirements of the E-money balances. This shall be maintained in accounts separate from other deposits of the BSFI;
 - (ii) government securities earmarked and set aside for the purpose;
 - (iii) balance in the settlement account with the BSP that is used by a non-bank EMI specifically for the settlement of its net clearing obligations arising from electronic payments; and

² Required minimum trust account balance

³ Definition and requirements in accordance with Part IV of the MORB.

- (iv) such other liquid assets as the Bangko Sentral may allow.
- (2) BSFIs with outstanding E-Money balance below P100,000,000.00 may:
- (a) Hold liquid assets following the requirements under (1) above; or
 - (b) Hold liquid assets equivalent to the total amount of outstanding E-Money balance as stated under 1.b above; or
 - (c) Hold such other liquid assets as the Bangko Sentral may allow.

Provided, that: the liquid assets as prescribed in Items "(1)(b)(ii)", "(1)(b)(iv)" and "(2)(c)" meet the definition of High-Quality Liquid Assets under the Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio, pursuant to Appendix 72.

BSFIs shall ensure that their current and prospective creditors understand that liquid assets maintained for safeguarding of outstanding E-money issued shall remain unencumbered and are not subject to attachment. Upon effectivity of this Circular, liquid assets being used to comply with the E-money liquidity requirements that are subject of encumbrances and attachments shall automatically lose their eligibility as a form compliance with the E-money liquidity requirements. Records pertaining to the above liquid assets shall be made available for inspection by the Bangko Sentral at any time.

BSFIs shall have in place control mechanisms to ensure prompt accounting and recording of liquidity requirements particularly for multi-currency wallets.

Classifications of EMIs. Electronic money issuers shall be classified as follows:

- a. EMI-Banks; and
- b. EMI-Non-Bank Financial Institutions (EMI-NBFI), which includes cooperatives.

Capital Requirements. The term capital shall be as defined under Sec. 121. The required capital for EMI-Banks shall be the higher of: (a) the required minimum capitalization for banks depending on bank category or (b) the required minimum capitalization based on EMI category as follows:

EMI Category	Required Capital
Large scale EMI-Bank	PHP 200,000,000
Small scale EMI-Bank	PHP 100,000,000

Review of aggregated transactions shall be done twelve (12) months after the commencement of EMI operations and quarterly assessment henceforth shall be done by the appropriate supervising department of the Bangko Sentral to assess the volume/value of EMI transactions. Consequently, an EMI-Bank shall be classified as Large scale if the twelve (12) month average value of aggregated inflow and outflow transactions is equal to or greater than P25.0 billion. Once classified as large scale, the EMI-Bank will no longer be classified as small scale unless approved by the

Bangko Sentral. EMI-Banks are expected to comply with the P200M capital requirement within one year from date of reclassification.

Reporting Requirements. BSFIs shall maintain records and submit the required reports enumerated in Appendix 7 to the supervising department of the Bangko Sentral.

BSFIs shall ensure that transaction and due diligence records are maintained for a period of at least five (5) years⁴, unless a longer period is required by law or by legal orders/processes. They shall likewise adhere to other relevant guidelines issued by the Bangko Sentral and other regulating authorities on record keeping and retention, and digitization of records as well as the manner of submission of required reports.

All changes and enhancements to the E-money platform shall be reported in accordance with the reportorial requirements of EPFS to the appropriate supervising department of the Bangko Sentral.

Sanctions.

Violations of the provisions of this Section shall constitute grounds for the imposition of sanctions on the BSFI and/or its directors/officers or a combination of the following in accordance with the Bangko Sentral supervisory enforcement policy under Sec.002:

- a. Monetary penalty – any amount as may be authorized by the Monetary Board not to exceed P100,000 a day for each violation from the time the violation was committed until it is corrected.

In the case of BSFIs with outstanding E-Money balance of at least P100,000,000.00 with trust account falling below the required minimum trust account balance, the amount of monetary penalty shall be at one percent (1%) of the deficiency to meet the required minimum trust account balance but not to exceed P100,000 per day.

- b. Non-monetary sanction – any sanctions that the Monetary Board may deem appropriate and allowed by law considering the gravity of the offense.

EMIs without the appropriate approval from the Bangko Sentral. Any entity or person found to be engaging in EMI operations without prior approval of the Bangko Sentral shall be subject to appropriate enforcement action/s, without prejudice to the pursuit of any legal action against the owners and operators of the entity pursuant to Secs. 18 and 19 of Republic Act No. 11211 (The New Central Bank Act).

Registration with the AMLC. In line with the authority of the Bangko Sentral to check compliance of BSFIs with Republic Act No. 9160, as amended, or the Anti-Money Laundering Act (AMLA), Republic Act No. 10168 or the Terrorism Financing Prevention and Suppression Act (TFPSA), their respective IRR, and other AMLC and Bangko Sentral issuances, BSFIs shall also secure a Certificate of Registration with the AMLC pursuant to the 2021 AMLC Registration and Reporting Guidelines.

⁴ The reckoning date of 5 years is from the date of transaction or date of submission of documents

Failure to commence EMI operations. The authority to engage in E-money business shall be revoked if the BSFI does not commence E-money operations within six (6) months after receipt of the notice of approval of its EMI license, unless a longer period has been approved by the Bangko Sentral. Likewise, EMI license of BSFIs that has become inactive for a period of more than 6 months after commencement of operations shall also be revoked.

Outsourcing of services by Electronic Money Issuers (EMIs) to Electronic Money Network Service Providers (EMNSP). The guidelines on outsourcing of services by EMIs to EMNSP are shown in Appendix 98.

Sanctions. Violations committed by EMIs pertaining to outsourcing activities to EMNSP shall be subject to monetary penalties as graduated under Sec. 1102 and/or other non-monetary sanctions under Sec. 37 of RA No. 7653.

Section 2. Applicability to non-bank financial institutions (NBFIs). The provisions under Section 1 of this Circular shall likewise apply to NBFIs, particularly to quasi-banks, non-stock savings and loan associations, and other NBFIs including cooperatives and shall be codified under Secs. 702-Q, 402-S, and 402-N with some amendments, as follows:

- a. The subtitle on **Application for authority to offer E-money services** shall be replaced by subtitle on **Certificate of Authority** as follows:

Certificate of Authority. BSFIs planning to be EMI-NBFIs shall apply in accordance with the guidelines on outsourcing and electronic services and operations, when applicable. Said procedures for applying for an EMI license as well as licensing requirements are specified in the Bangko Sentral Citizen's Charter.

EMI-NBFIs shall also comply with pertinent Bangko Sentral rules and regulations covering the following areas, among others:

- (a) Electronic Payment and Financial Services (EPFS);
- (b) Liquidity Risk Management;
- (c) Operational Risk Management and Internal Control;
- (d) IT Risk Management including the area of IT Outsourcing/Vendor Management;
- (e) Payment Systems;
- (f) Anti-Money Laundering and Countering Terrorist and Proliferation Financing;
- (g) Financial Consumer Protection;
- (h) Corporate Governance;
- (i) Requirements for beneficial owners as specified in Part 9 of the Q-Regulations/Part 6 of the S-Regulations/Part 6 of N-Regulations which shall apply not only during license application but whenever there is a significant change in ownership; and
- (j) Requirements for Money Service Business registration as specified in Sec. 901-N.

EMI-NBFIs that engage in lending activities must secure a quasi-banking license from the Bangko Sentral in accordance with the requirements of the Sec. 111-Q.

- b. The following provisions shall be added under Aggregate Limits (item 6 of subtitle **Governance**) as last paragraph:

For large value pay-outs of more than P500,000 or its equivalent in foreign currency, in any single transaction with customers or counterparties, enhanced due diligence shall be conducted and said pay-outs shall be done through banks using check payments or electronic fund transfer facilities.

- c. Provision on Liquidity Requirement shall be replaced by the following paragraph:

Provided, that: the liquid assets as prescribed in Items "(1)(b)(ii)", "(1)(b)(iv)" and "(2)(c)" meet the definition of High-Quality Liquid Assets under the Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio, pursuant to Appendix Q-82.

- d. The provisions on **Capital Requirements** shall be replaced by the following:

Capital Requirements. The term capital shall be as defined under Secs. 121-Q (*combined capital accounts*)/121-S (capital of NSSLAs). The required capital for EMI-NBFIs shall be the higher of: (a) the required minimum capitalization for NBFIs depending on NBF type⁵ or (b) the required minimum capitalization based on EMI category as follows:

EMI Category	Required Capital
Large scale EMI-NBFI	PHP 200,000,000
Small scale EMI-NBFI	PHP 100,000,000

Review of aggregated transactions shall be done twelve (12) months after the commencement of EMI operations and quarterly assessment henceforth shall be done by the appropriate supervising department of the Bangko Sentral to assess the volume/value of EMI transactions. Consequently, an EMI-NBFI shall be classified as Large scale if the twelve (12) month average value of aggregated inflow and outflow transactions is equal to or greater than P25.0 billion. Once classified as large scale, the EMI-NBFI will no longer be classified as small scale unless approved by the Bangko Sentral. EMI-NBFIs are expected to comply with the P200M capital requirement within one year from date of reclassification.

- e. The subtitle on **Reporting Requirements** shall be replaced by the following:

Notification and Reporting Requirements. BSFIs shall comply with the notification and reporting requirements as prescribed under Sec. 901-N and Appendices Q-3/S-2/N-1. In addition, BSFIs shall maintain records and submit the appropriate reports to the supervising department of the Bangko Sentral:

⁵ Cooperatives which are among the EMI-NBFIs shall maintain the higher of the required minimum capital for EMI-NBFIs under these guidelines and that prescribed by applicable provisions under Republic Act No. 9520 or the Philippine Cooperative Code of 2008.

BSFIs shall ensure that transaction and due diligence records are maintained for a period of at least five (5) years⁶, unless a longer period is required by law or by legal orders/processes. They shall likewise adhere to other relevant guidelines issued by the Bangko Sentral and other regulating authorities on record keeping and retention, and digitization of records as well as the manner of submission of required reports.

All changes and enhancements to the E-money platform shall be reported in accordance with the reportorial requirements of EPFS to the appropriate department of the Bangko Sentral.

- f. The first paragraph of subtitle on **Sanctions** shall be replaced as follows:

Sanctions. Violations of the provisions of this Section shall constitute grounds for the imposition of sanctions on the BSFI and/or its directors/officers or a combination of the following in accordance with the Bangko Sentral supervisory enforcement policy under Sec.002-Q/:

- g. Subtitle on **Voluntary Closure of EMI Business or Surrender of EMI License** shall be added after the subtitle on **Registration with the AMLC** as follows:

Voluntary Closure of EMI Business or Surrender of EMI License. Any EMI-NBFI who wishes to cease carrying on with the business or activity of issuance of E-money shall comply with the requirements on voluntary closure under Appendix Q-60/ Secs. 104-S/901-N.

- h. Subtitle on **Outsourcing of services by Electronic Money Issuers (EMIs) to Electronic Money Network Service Providers (EMNSP)** shall be replaced as follows:

Outsourcing of services by Electronic Money Issuers (EMIs) to Electronic Money Network Service Providers (EMNSP). The guidelines on outsourcing of services by EMIs to EMNSP are shown in Appendix Q-56.

Sanctions. Violations committed by EMIs pertaining to outsourcing activities to EMNSP shall be subject to monetary penalties as graduated under Sec. 1102-Q (*Guidelines on the imposition of monetary penalty*) and/or other non-monetary sanctions under Sec. 37 of RA No. 7653.

Section 3. Appendix 7 is hereby amended to include the following reports:

Category	Form Number (Annex Number)	MORB Ref.	Report Title	Frequency	Submission Deadline	Submission Procedure
A	A-2	702	Quarterly Report on Total Volume and Value of E-money transacted (Duly certified by the President or	Quarterly	Fifteen (15) banking days from end of reference quarter	email to appropriate supervising departments

⁶ The reckoning date of 5 years is from the date of transaction or date of submission of documents

			<i>any officer holding equivalent position)</i>			
A	A-2	702	<p><i>For BSFIs with outstanding EMI balance of at least P100,000,000.00</i></p> <p><i>Certification On Month -end Trust Account Balance Signed by the President/CEO/any officer holding equivalent position), accompanied by a Statement of Account from the Trust Entity as of month-end indicating the outstanding balance of their trust account and all transactions during the reporting period showing at least the transaction date, description, debit/credit amount and ending balance per transaction</i></p>	Monthly	15 banking days after the end of the reference month	email to appropriate supervising departments
A	A-2	702	<i>List of operating offices and digital platforms of EMIs (Duly certified by the President or any officer holding equivalent position)</i>	Semestral	Fifteen (15) banking days from end of reference semester	email to appropriate supervising departments

Section 4. Appendices Q-3/S-2/N-1 are hereby amended to include the following reports:

Category	Form Number (Annex Number)	MORNB FI Ref.	Report Title	Frequency	Submission Deadline	Submission Procedure
		Sec. 702-Q/ 402-S/ 402-N	Audit Financial Statement (AFS) (audited by an external auditor included in the	Annually	Not later than 120 calendar days after the close of	email to appropriate supervising departments

			List of Selected External Auditors for NBFIs)		the reference calendar or fiscal year subject to the provisions under Sec. 901-N	
A	A-2	Sec. 702-Q/ 402-S/ 402-N	Quarterly Report on Total Volume and Value of E-money transacted (<i>Duly certified by the President or any officer holding equivalent position</i>)	Quarterly	Fifteen (15) banking days from end of reference quarter	email to appropriate supervising departments
A	Unnumbered	Sec. 702-Q/ 402-S/ 402-N	For BSFIs with outstanding EMI balance of at least P100,000,000.00 <i>Certification On Month -end Trust Account Balance Signed by the President/CEO/any officer holding equivalent position), accompanied by a Statement of Account from the Trust Entity as of month-end indicating the outstanding balance of their trust account and all transactions during the reporting period showing at least the transaction date, description, debit/credit amount and ending balance per transaction</i>	Monthly	15 banking days after the end of the reference month	email to appropriate supervising departments
A	A-2	Sec. 702-Q/	List of operating offices and digital platforms of EMIs	Semestral	Fifteen (15) banking days from	email to appropriate

		402-S/ 402-N	<i>(Duly certified by the President or any officer holding equivalent position)</i>		end of reference semester	supervising departments
		Sec. 702-Q/ 402-S/ 402-N	Changes and Enhancement to the E-Money Platform in accordance with the Reportorial Requirements of EPFS	Semestral	Fifteen (15) banking days from end of reference semester	email to appropriate supervising departments

Section 5. Transitory Provision. Existing BSFIs authorized to issue E-money or engage in E-money operations shall submit the following to the appropriate supervising department of the Bangko Sentral not later than three (3) months from effectivity of this Circular:

- a. A certification, signed by the President or Officer with equivalent rank and function, that the BSFI is in compliance with all the applicable requirements of this Section; and
- b. Accomplished gap assessment template as prescribed by the Bangko Sentral (Appendix A for Banks and Appendix B for NBFIs of this Circular), specifying the plan of actions it will undertake, with the corresponding timelines not exceeding one (1) year from the date of issuance of this Circular, to conform with the provisions it has yet to fully comply with.

BSFIs may continue to operate their business pending submission of the Certification unless instructed otherwise. Failure to comply with these requirements within the prescribed timelines shall subject the entity to the appropriate enforcement action provided under Sec. 002/002-Q/002-S/001-N.

Section 6. The Circular shall take effect fifteen (15) calendar days following its publication in the Official Gazette or any newspaper of general circulation.

FOR THE MONETARY BOARD:


FELIPE M. MEDALLA
Governor

7 February 2023

Name of EMI-Bank
Gap Assessment on Circular No. 1166 dated 7 February 2023

BSP Regulatory Provisions	BSFI's Existing Controls		Gap/s	Action Plan/s
<i>Key provisions/requirements under Circular No. 1166 dated 7 February 2023</i>	<i>Indicate level of compliance (i.e., Complied, Partially Complied, or Not Complied)</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>
<p>Governance. The following guidelines shall govern the issuance and operations of E-money:</p> <p>a. <i>Minimum Systems and Controls.</i> Prior to issuance of E-money, BSFIs shall ensure that the following are in place:</p> <ul style="list-style-type: none"> (1) Sound and prudent management, administrative and accounting procedures and adequate internal control mechanisms; (2) Properly-designed computer systems which are thoroughly and independently tested¹ prior to implementation; (3) Appropriate security policies and measures intended to safeguard the integrity, authenticity, and confidentiality of data and operating processes; (4) Robust selection criteria and due diligence process in accrediting E-money agents and merchant/business partners and criteria for periodic performance review; (5) Fraud risk management system that is commensurate to the risks associated with particular EMI classification or specific EMI activities; (6) Adequate business continuity and disaster recovery plan; and (7) Effective audit function to provide periodic review of the security control environment and critical systems. 				
<p>b. E-money shall only be issued and redeemed at face value. It shall not be purchased at a discount wherein the E-money credited to the customer's account balance is higher than the amount of fiat money used to purchase it. The issuance and operations of E-money denominated in foreign currency shall be subject to existing foreign exchange rules and regulations. Moreover, E-money is not considered a deposit. It shall not earn interest and other similar</p>				

¹ These include independent testing of security controls by third-party service providers

Name of EMI-Bank
Gap Assessment on Circular No. 1166 dated 7 February 2023

BSP Regulatory Provisions	BSFI's Existing Controls		Gap/s	Action Plan/s
<p>incentives convertible to cash that may be construed as earning of interest. BSFIs may offer promotional incentives that are not based on the outstanding balance of the e-wallet to encourage greater usage and attract new users.</p>				
<p>c. <i>Consumer Protection.</i> BSFIs are required to strictly adhere to Bangko Sentral regulations on Financial Consumer protection as prescribed under Part Ten. BSFIs shall adhere to the expectations provided under this regulation covering the following core principles:</p> <ul style="list-style-type: none"> (1) Disclosure and transparency of E-money transactions; (2) Protection of client information; (3) Fair treatment of E-money customers; (4) Effective recourse in place for handling complaints and redress mechanisms; and (5) Protection of E-money Consumer Assets against Fraud and Misuse. 				
<p>d. <i>Minimum Disclosure Requirements.</i> BSFIs shall provide clear terms and conditions on the use of E-money, which should be made available through various channels, including the BSFI's website, brochures, and registration form (user's and merchant's copy). BSFIs must obtain acknowledgement from their users and merchants that they have read and understood the terms and conditions prior to their availment of E-money services. The terms and conditions shall include the following information, among others:</p> <ul style="list-style-type: none"> (1) Issuer of the E-money who is ultimately responsible to the E-money holders; (2) Type of transactions that can be made using the E-money; (3) All applicable fees and charges; (4) FX risks and basis of applicable exchange rates for FX transactions using the application for multi-currency E money wallets; (5) Availability of user's transaction history and/or statement of account; (6) Procedures for reporting lost or stolen E-money and lodging a complaint, including the manner on how the losses and 				

Name of EMI-Bank
Gap Assessment on Circular No. 1166 dated 7 February 2023

BSP Regulatory Provisions	BSFI's Existing Controls		Gap/s	Action Plan/s
<p>liabilities from security breaches, system failure, or human error will be settled between the BSFI and its customers;</p> <p>(7) Refund policy, including refund conditions, procedures, turn-around time and cost;</p> <p>(8) Rights and responsibilities of users and merchants;</p> <p>(9) User's and merchant's liability for damaged, lost, malfunctioned, or compromised e-wallet instrument or value, and fraudulent transaction; and</p> <p>(10) Customer service contact number(s) as well as the details of the Bangko Sentral Consumer Assistance Mechanism.</p> <p>Users and merchants shall be notified at least thirty (30) calendar days before any amendments/changes to the terms and conditions may take effect.</p>				
<p>e. <i>Interoperability of Systems.</i> BSFIs shall make its E-money products/services/platforms with fund transfer functionality interoperable by participating in an Automated Clearing House pursuant to the guidelines set under the National Retail Payment Systems (NRPS) Framework.</p>				
<p>f. <i>Aggregate Limits.</i> BSFIs shall adopt a client categorization process in order to implement pre-defined limits and thresholds based on institutional risk assessment and customer due diligence process. <i>Provided,</i> That: BSFIs participating in payment systems (PS) shall adopt limits and thresholds consistent with those applied by the PS. In case a BSFI issues several E money instruments to a person (E-money holder), the total transactions and/or amount loaded in all the E-money instruments shall be aggregated in determining compliance with the EMIs' established limit.</p>				
<p>g. <i>Liquidity Requirement.</i> BSFIs shall have sufficient liquid assets to meet E-money redemptions at all times and to protect the interest of the E-money holders. In this respect, BSFIs shall maintain liquid assets at least equal to the amount of outstanding E-money issued for each currency in which the E-money obligations are denominated.</p>				

Name of EMI-Bank
Gap Assessment on Circular No. 1166 dated 7 February 2023

BSP Regulatory Provisions	BSFI's Existing Controls		Gap/s	Action Plan/s
<p>(1) BSFIs with outstanding E-Money balance of at least P100,000,000.00, shall have unencumbered liquid assets comprised of the following:</p> <p>(a) At least 50 percent (50%) of the outstanding E-money balance,² shall be held in trust³ for the specific purpose of E-money balance liquidation. The trust arrangement shall assure the preservation of principal amount and prudent management of funds.</p> <p>EMIs shall ensure that the amount held in trust account shall not fall below the required minimum trust account balance, at any day. Decline in required minimum trust account balance arising solely from marked-to-market losses shall not be considered a breach of the minimum requirement. <i>Provided</i>, That: the BSFI tops up the deficiency arising from aforesaid marked-to-market as of month-end within five (5) banking days after end of reference month.</p> <p>(b) The remaining percentage of outstanding E-money balance shall be held in any of the following assets:</p> <p>(i) bank deposits specifically earmarked for liquidity requirements of the E-money balances. This shall be maintained in accounts separate from other deposits of the BSFI;</p> <p>(ii) government securities earmarked and set aside for the purpose;</p> <p>(iii) balance in the settlement account with the BSP that is used by a non-bank EMI specifically for the settlement of its net clearing obligations arising from electronic payments; and</p> <p>(iv) such other liquid assets as the Bangko Sentral may allow.</p>				

² Required minimum trust account balance

³ Definition and requirements in accordance with Part IV of the MORB.

Name of EMI-Bank
Gap Assessment on Circular No. 1166 dated 7 February 2023

BSP Regulatory Provisions	BSFI's Existing Controls		Gap/s	Action Plan/s
<p>(2) BSFIs with outstanding E-Money balance below P100,000,000.00 may:</p> <ul style="list-style-type: none"> (a) Hold liquid assets following the requirements under (1) above; or (b) Hold liquid assets equivalent to the total amount of outstanding E-Money balance as stated under (1)(b) above; or (c) Hold such other liquid assets as the Bangko Sentral may allow. <p>Provided, that: the liquid assets as prescribed in Items "(1)(b)(ii)", "(1)(b)(iv)" and "(2)(c)", meet the definition of High-Quality Liquid Assets under the Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio, pursuant to Appendix 72.</p> <p>BSFIs shall ensure that their current and prospective creditors understand that liquid assets maintained for safeguarding of outstanding E-money issued shall remain unencumbered and are not subject to attachment. Upon effectivity of this Circular, liquid assets being used to comply with the E-money liquidity requirements that are subject of encumbrances and attachments shall automatically lose their eligibility as a form compliance with the E-money liquidity requirements. Records pertaining to the above liquid assets shall be made available for inspection by the Bangko Sentral at any time.</p> <p>BSFIs shall have in place control mechanisms to ensure prompt accounting and recording of liquidity requirements particularly for multi-currency wallets.</p>				
<p>Capital Requirements The term capital shall be as defined under Section 121. The required capital for EMI-Banks shall be the higher of: (a) the required minimum capitalization for banks depending on bank category or (b) the required minimum capitalization based on EMI category as follows:</p>				

Name of EMI-Bank
Gap Assessment on Circular No. 1166 dated 7 February 2023

BSP Regulatory Provisions		BSFI's Existing Controls		Gap/s	Action Plan/s
EMI Category	Required Capital				
Large scale EMI-Bank	PHP 200,000,000				
Small scale EMI-Bank	PHP 100,000,000				
<p>Review of aggregated transactions shall be done twelve (12) months after the commencement of EMI operations and quarterly assessment henceforth shall be done by the appropriate supervising department of the Bangko Sentral to assess the volume/value of EMI transactions. Consequently, an EMI Bank shall be classified as Large scale if the twelve (12) month average value of aggregated inflow and outflow transactions is equal to or greater than P25.0 billion. Once classified as large scale, the EMI-Bank will no longer be classified as small scale unless approved by the Bangko Sentral. EMI-Banks are expected to comply with the P200M capital requirement within one year from date of reclassification.</p>					
<p>Registration with the AMLC In line with the authority of the Bangko Sentral to check compliance of BSFIs with Republic Act No. 9160, as amended, or the Anti-Money Laundering Act (AMLA), Republic Act No. 10168 or the Terrorism Financing Prevention and Suppression Act (TFPSA), their respective IRR, and other AMLC and Bangko Sentral issuances, BSFIs shall also secure a Certificate of Registration with the AMLC pursuant to the 2021 AMLC Registration and Reporting Guidelines.</p>					

Name of EMI-NBFI
Gap Assessment on Circular No. 1166 dated 7 February 2023

BSP Regulatory Provisions	BSFI's Existing Controls		Gap/s	Action Plan/s
<i>Key provisions/requirements under Circular No. 1166 dated 7 February 2023</i>	<i>Indicate level of compliance (i.e., Complied, Partially Complied, or Not Complied)</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>
<p>Certificate of Authority. BSFIs planning to be EMI-NBFI shall apply in accordance with the guidelines on outsourcing and electronic services and operations, when applicable. Said procedures for applying for an EMI license as well as licensing requirements are specified in the Bangko Sentral Citizen's Charter.</p> <p>EMI-NBFIs shall also comply with pertinent Bangko Sentral rules and regulations covering the following areas, among others:</p> <ul style="list-style-type: none"> (a) Electronic Payment and Financial Services (EPFS); (b) Liquidity Risk Management; (c) Operational Risk Management and Internal Control; (d) IT Risk Management including the area of IT Outsourcing/Vendor Management; (e) Payment Systems; (f) Anti-Money Laundering and Countering Terrorist and Proliferation Financing; (g) Financial Consumer Protection; (h) Corporate Governance; (i) Requirements for beneficial owners as specified in Part 9 of the Q-Regulations/Part 6 of the S-Regulations/Part 6 of the N-Regulations which shall apply not only during license application but whenever there is a significant change in ownership; and (j) Requirements for Money Service Business registration as specified in Sec. 901-N. <p>EMI-NBFIs that engage in lending activities must secure a quasi-banking license from the Bangko Sentral in accordance with the requirements of Sec. 111-Q.</p>				
<p>Governance. The following guidelines shall govern the issuance and operations of E-money:</p>				

Name of EMI-NBFI
Gap Assessment on Circular No. 1166 dated 7 February 2023

BSP Regulatory Provisions	BSFI's Existing Controls		Gap/s	Action Plan/s
<p>a. <i>Minimum Systems and Controls.</i> Prior to issuance of E-money, BSFIs shall ensure that the following are in place:</p> <ul style="list-style-type: none"> (1) Sound and prudent management, administrative and accounting procedures and adequate internal control mechanisms; (2) Properly-designed computer systems which are thoroughly and independently tested¹ prior to implementation; (3) Appropriate security policies and measures intended to safeguard the integrity, authenticity, and confidentiality of data and operating processes; (4) Robust selection criteria and due diligence process in accrediting E-money agents and merchant/business partners and criteria for periodic performance review; (5) Fraud risk management system that is commensurate to the risks associated with particular EMI classification or specific EMI activities; (6) Adequate business continuity and disaster recovery plan; and (7) Effective audit function to provide periodic review of the security control environment and critical systems. 				
<p>b. E-money shall only be issued and redeemed at face value. It shall not be purchased at a discount wherein the E-money credited to the customer's account balance is higher than the amount of fiat money used to purchase it. The issuance and operations of E-money denominated in foreign currency shall be subject to existing foreign exchange rules and regulations. Moreover, E-money is not considered a deposit. It shall not earn interest and other similar incentives convertible to cash that may be construed as earning of interest. BSFIs may offer promotional incentives that are not based on the outstanding balance of the e-wallet to encourage greater usage and attract new users.</p>				
<p>c. <i>Consumer Protection.</i> BSFIs are required to strictly adhere to Bangko Sentral regulations on Financial Consumer protection as prescribed under Part Ten. BSFIs shall adhere to the expectations</p>				

¹ These include independent testing of security controls by third-party service providers

Name of EMI-NBFI
Gap Assessment on Circular No. 1166 dated 7 February 2023

BSP Regulatory Provisions	BSFI's Existing Controls		Gap/s	Action Plan/s
<p>provided under this regulation covering the following core principles:</p> <ul style="list-style-type: none"> (1) Disclosure and transparency of E-money transactions; (2) Protection of client information; (3) Fair treatment of E-money customers; (4) Effective recourse in place for handling complaints and redress mechanisms; and (5) Protection of E-money Consumer Assets against Fraud and Misuse. 				
<p>d. <i>Minimum Disclosure Requirements.</i> BSFIs shall provide clear terms and conditions on the use of E-money, which should be made available through various channels, including the BSFI's website, brochures, and registration form (user's and merchant's copy). BSFIs must obtain acknowledgement from their users and merchants that they have read and understood the terms and conditions prior to their availment of E-money services. The terms and conditions shall include the following information, among others:</p> <ul style="list-style-type: none"> (1) Issuer of the E-money who is ultimately responsible to the E-money holders; (2) Type of transactions that can be made using the E-money; (3) All applicable fees and charges; (4) FX risks and basis of applicable exchange rates for FX transactions using the application for multi-currency E money wallets; (5) Availability of user's transaction history and/or statement of account; (6) Procedures for reporting lost or stolen E-money and lodging a complaint, including the manner on how the losses and liabilities from security breaches, system failure, or human error will be settled between the BSFI and its customers; (7) Refund policy, including refund conditions, procedures, turn-around time and cost; (8) Rights and responsibilities of users and merchants; (9) User's and merchant's liability for damaged, lost, malfunctioned, or compromised e-wallet instrument or value, and fraudulent transaction; and 				

**Name of EMI-NBFI
Gap Assessment on Circular No. 1166 dated 7 February 2023**

BSP Regulatory Provisions	BSFI's Existing Controls		Gap/s	Action Plan/s
<p>(10) Customer service contact number(s) as well as the details of the Bangko Sentral Consumer Assistance Mechanism.</p> <p>Users and merchants shall be notified at least thirty (30) calendar days before any amendments/changes to the terms and conditions may take effect.</p>				
<p>e. <i>Interoperability of Systems.</i> BSFIs shall make its E-money products/services/platforms with fund transfer functionality interoperable by participating in an Automated Clearing House pursuant to the guidelines set under the National Retail Payment Systems (NRPS) Framework.</p>				
<p>f. <i>Aggregate Limits.</i> BSFIs shall adopt a client categorization process in order to implement pre-defined limits and thresholds based on institutional risk assessment and customer due diligence process. <i>Provided,</i> That: BSFIs participating in payment systems (PS) shall adopt limits and thresholds consistent with those applied by the PS. In case a BSFI issues several E money instruments to a person (E-money holder), the total transactions and/or amount loaded in all the E-money instruments shall be aggregated in determining compliance with the EMIs' established limit.</p> <p>For large value pay-outs of more than P500,000 or its equivalent in foreign currency, in any single transaction with customers or counterparties, enhanced due diligence shall be conducted and said pay-outs shall be done through banks using check payments or electronic fund transfer facilities.</p>				
<p>g. <i>Liquidity Requirement.</i> BSFIs shall have sufficient liquid assets to meet E-money redemptions at all times and to protect the interest of the E-money holders. In this respect, BSFIs shall maintain liquid assets at least equal to the amount of outstanding E-money issued for each currency in which the E-money obligations are denominated.</p> <p>(1) BSFIs with outstanding E-Money balance of at least P100,000,000.00, shall have unencumbered liquid assets comprised of the following:</p>				

Name of EMI-NBFI
Gap Assessment on Circular No. 1166 dated 7 February 2023

BSP Regulatory Provisions	BSFI's Existing Controls		Gap/s	Action Plan/s
<p>(a) At least 50 percent (50%) of the outstanding E-money balance.² shall be held in trust³ for the specific purpose of E-money balance liquidation. The trust arrangement shall assure the preservation of principal amount and prudent management of funds.</p> <p>EMIs shall ensure that the amount held in trust account shall not fall below the required minimum trust account balance, at any day. Decline in required minimum trust account balance arising solely from marked-to-market losses shall not be considered a breach of the minimum requirement. <i>Provided</i>, That: the BSFI tops up the deficiency arising from aforesaid marked-to-market as of month-end within five (5) banking days after end of reference month.</p> <p>(b) The remaining percentage of outstanding E-money balance shall be held in any of the following assets:</p> <ul style="list-style-type: none"> (i) bank deposits specifically earmarked for liquidity requirements of the E-money balances. This shall be maintained in accounts separate from other deposits of the BSFI; (ii) government securities earmarked and set aside for the purpose; (iii) balance in the settlement account with the BSP that is used by a non-bank EMI specifically for the settlement of its net clearing obligations arising from electronic payments; and (iv) such other liquid assets as the Bangko Sentral may allow. <p>(2) BSFIs with outstanding E-Money balance below P100,000,000.00 may:</p>				

² Required minimum trust account balance

³ Definition and requirements in accordance with Part IV of the MORB.

Name of EMI-NBFI
Gap Assessment on Circular No. 1166 dated 7 February 2023

BSP Regulatory Provisions	BSFI's Existing Controls		Gap/s	Action Plan/s
<p>(a) Hold liquid assets following the requirements under (1) above; or</p> <p>(b) Hold liquid assets equivalent to the total amount of outstanding E-Money balance as stated under (1)(b) above; or</p> <p>(c) Hold such other liquid assets as the Bangko Sentral may allow.</p> <p>Provided, that: the liquid assets as prescribed in Items "(1)(b)(ii)", "(1)(b)(iv)" and "(2)(c)", meet the definition of High-Quality Liquid Assets under the Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio, pursuant to Appendix Q-82.</p> <p>BSFIs shall ensure that their current and prospective creditors understand that liquid assets maintained for safeguarding of outstanding E-money issued shall remain unencumbered and are not subject to attachment. Upon effectivity of this Circular, liquid assets being used to comply with the E-money liquidity requirements that are subject of encumbrances and attachments shall automatically lose their eligibility as a form compliance with the E-money liquidity requirements. Records pertaining to the above liquid assets shall be made available for inspection by the Bangko Sentral at any time.</p> <p>BSFIs shall have in place control mechanisms to ensure prompt accounting and recording of liquidity requirements particularly for multi-currency wallets.</p>				
<p>Capital Requirements The term capital shall be as defined under Sections 121-Q (<i>combined capital accounts</i>)/121-S (capital of NSSLAs). The required capital for EMI-NBFIs shall be the higher of: (a) the required minimum capitalization for NBFIs depending on NBFI type⁴ or (b) the required minimum capitalization based on EMI category as follows:</p>				

⁴ Cooperatives which are among the EMI-NBFIs shall maintain the higher of the required minimum capital for EMI-NBFIs under these guidelines and that prescribed by applicable provisions under Republic Act No. 9520 or the Philippine Cooperative Code of 2008.

Name of EMI-NBFI
Gap Assessment on Circular No. 1166 dated 7 February 2023

BSP Regulatory Provisions		BSFI's Existing Controls		Gap/s	Action Plan/s						
<table border="1"> <thead> <tr> <th align="center">EMI Category</th> <th align="center">Required Capital</th> </tr> </thead> <tbody> <tr> <td>Large scale EMI-NBFI</td> <td>PHP 200,000,000</td> </tr> <tr> <td>Small scale EMI-NBFI</td> <td>PHP 100,000,000</td> </tr> </tbody> </table> <p>Review of aggregated transactions shall be done twelve (12) months after the commencement of EMI operations and quarterly assessment henceforth shall be done by the appropriate supervising department of the Bangko Sentral to assess the volume/value of EMI transactions. Consequently, an EMI-NBFI shall be classified as Large scale if the twelve (12) month average value of aggregated inflow and outflow transactions is equal to or greater than P25.0 billion. Once classified as large scale, the EMI-NBFI will no longer be classified as small scale unless approved by the Bangko Sentral. EMI-NBFIs are expected to comply with the P200M capital requirement within one year from date of reclassification.</p>		EMI Category	Required Capital	Large scale EMI-NBFI	PHP 200,000,000	Small scale EMI-NBFI	PHP 100,000,000				
EMI Category	Required Capital										
Large scale EMI-NBFI	PHP 200,000,000										
Small scale EMI-NBFI	PHP 100,000,000										
<p>Notification and Reporting Requirements BSFIs shall comply with the notification and reporting requirements as prescribed under Sec. 901-N and Appendices Q-3/S-2/N-1. In addition, BSFIs shall maintain records and submit the appropriate reports to the supervising department of the Bangko Sentral.</p> <p>BSFIs shall ensure that transaction and due diligence records are maintained for a period of at least five (5) years⁵, unless a longer period is required by law or by legal orders/processes. They shall likewise adhere to other relevant guidelines issued by the Bangko Sentral and other regulating authorities on record keeping and retention, and digitization of records as well as the manner of submission of required reports.</p> <p>All changes and enhancements to the E-money platform shall be reported in accordance with the reportorial requirements of EPFS to the appropriate department of the Bangko Sentral.</p>											

⁵ The reckoning date of 5 years is from the date of transaction or date of submission of documents

Name of EMI-NBFI
Gap Assessment on Circular No. 1166 dated 7 February 2023

BSP Regulatory Provisions	BSFI's Existing Controls		Gap/s	Action Plan/s
<p>Registration with the AMLC In line with the authority of the Bangko Sentral to check compliance of BSFIs with Republic Act No. 9160, as amended, or the Anti-Money Laundering Act (AMLA), Republic Act No. 10168 or the Terrorism Financing Prevention and Suppression Act (TFPSA), their respective IRR, and other AMLC and Bangko Sentral issuances, BSFIs shall also secure a Certificate of Registration with the AMLC pursuant to the 2021 AMLC Registration and Reporting Guidelines.</p>				