

## 702 ISSUANCE AND OPERATIONS OF ELECTRONIC MONEY

The following guidelines shall govern the issuance of electronic money (e-money) and the operations of electronic money issuers.

**Declaration of policy.** It is the policy of the Bangko Sentral 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.

### **Definitions.**

*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 Section.

*Electronic money issuer (EMI)* shall be classified as follows:

- a. Banks (hereinafter called EMI-Bank);
- b. NBFIs supervised by the Bangko Sentral (hereinafter called EMI-NBFI); and
- c. Non-bank institutions registered with the Bangko Sentral as a monetary transfer agent under Sec. 4511N of the MORNBFIs (hereinafter called EMI-Others).

For purposes of this Section:

- a. *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.
- b. E-money issued by banks shall not be considered as deposits.

**Prior Bangko Sentral approval.** Banks planning to be an EMI-Bank shall apply in accordance with Sec. 701 relating to the guidelines on electronic banking services and with Sec. 112 on outsourcing of banking functions, when applicable.

**Common provisions.** The following provisions are applicable to all EMIs:

- a. E-money instrument issued shall be subject to aggregate monthly load limit of P100,000 unless a higher amount has been approved by the Bangko Sentral. 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 Bangko Sentral 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 PDIC.
- 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 Law, 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:
  - (1) Sound and prudent management, administrative and accounting procedures and adequate internal control mechanisms;
  - (2) Properly-designed computer systems which are thoroughly tested prior to implementation;
  - (3) Appropriate security policies and measures intended to safeguard the integrity, authenticity and confidentiality of data and operating processes;

- (4) Adequate business continuity and disaster recovery plan; and
- (5) Effective audit function to provide periodic review of the security control environment and critical systems.

- i. EMIs shall provide the appropriate supervising department of the Bangko Sentral quarterly statements containing, among others, information on investments, volume of transactions, total outstanding e-money balances, and liquid assets in such forms as may be prescribed later on.
- j. EMIs shall notify the Bangko Sentral 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 Bangko Sentral 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 of the appropriate sector of the Bangko Sentral. 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.

**Sanctions.** Monetary penalties and other sanctions for the following violations committed by EMI-Banks shall be imposed:

Nature of Violation/Exception	Sanction/Penalties
1. Issuing e-money without prior Bangko Sentral approval	Applicable penalties under Sections 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
3. Violation/s of this Section	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 Bangko Sentral action or imposition of sanctions, whenever applicable.

**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*

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*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 Section 37 of RA No. 7653.