

[GUIDELINES ON THE SETTLEMENT OF INSTANT RETAIL PAYMENTS, May 03, 2018]

CIRCULAR NO. 1000

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The Monetary Board, in its Resolution No. 659 dated 19 April 2018, approved the following guidelines on settlement of instant retail payments.

Section 1. The following Sections and Subsections are hereby created in the Manual of Regulations for Banks(MORB)/Manual of Regulations for Non-bank Financial Institutions (MORNBI):

"Section X1206/41206Q/4706S/4706P/4806N Settlement of Instant Retail Payments; Policy Statement. It is the thrust of the Bangko Sentral to ensure efficiency of payment systems in the country. In line with this thrust, the Bangko Sentral requires BSP-Supervised Financial Institutions (BSFIs) participating in an automated clearing house (ACH) for instant retail payments to ensure that this ACH provides for certainty of settlement of the multilateral clearing obligations of the clearing participants. The settlement scheme agreed upon by the clearing participants shall form an integral part of the comprehensive credit risk management for instant retail payment services.

For the purpose of this Section, an instant retail payment, otherwise known as fast payment, is defined as an electronic payment in which the transmission of the payment message and the availability of "final" funds to the payee occur in real time or near-real time on as near to a 24-hour and seven-day (24/7) basis as possible^[1]. Moreover, as used in this Section, clearing participants shall refer to direct clearing participants.

"Subsection X1206.1 / 41206Q.1 / 4706S.1 / 4706P.1 / 4806N.1 Minimum requirements for the operation of a settlement mechanism for instant retail payments. The settlement mechanism for instant payments shall meet the following minimum requirements:

- a. A clearing participant or its settlement sponsor shall maintain with the Bangko Sentral a demand deposit account (DDA) which shall be used specifically for the settlement of the clearing participant's net clearing obligations arising from instant retail payments;
- b. The clearing participant or its settlement sponsor shall prefund the settlement of its net clearing obligation through the DDA stated above, ensuring that such account can sufficiently cover said obligation at any point during a settlement cycle. When prefunding, the clearing