



# BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

## **CIRCULAR NO. 1195**

Series of 2024

**Subject: Consumer Redress Mechanism Standards for Account-to-Account Electronic Fund Transfers under the National Retail Payment System Framework**

The Monetary Board, in its Resolution No. 616 dated 30 May 2024, approved the consumer redress mechanism standards for account-to-account electronic fund transfers under the National Retail Payment System framework.

**Section 1.** The following definitions shall be included in the Manual of Regulations for Payment Systems (MORPS):

### **GLOSSARY OF TERMS**

- a. *Automated Clearing House (ACH)* is a multilateral agreement among ACH participants governing the clearing and settlement of payment orders for a specific payment stream.
- b. *ACH Participant* refers to an institution duly-licensed by the Bangko Sentral and is a signatory to at least one ACH.
- c. *Bangko Sentral-Supervised Institution (BSI)* refers to a person, natural or juridical, that provides financial products or services under the jurisdiction of the Bangko Sentral, as provided in existing laws, rules and regulations.
- d. *Beneficiary* refers to a natural or juridical person or entity named as the recipient of the electronic fund transfer sent to the beneficiary account.
- e. *Beneficiary account* refers to a deposit account or e-money account maintained by the beneficiary with the receiving financial institution.
- f. *Clearing switch operator (CSO)* refers to the party designated which provides clearing switch services by acting as the operator of payment system to be used by the ACH participants in accordance with the guidelines and principles set forth in related ACH documents.
- g. *Electronic Fund Transfer (EFT)* is synonymous to electronic payment; refers to transfer of funds between two transaction accounts in the same or different BSIs which are initiated and received using electronic devices and channels to transmit payment instructions.
- h. *Erroneous Transaction* refers to an incorrect EFT as a result of any of the following circumstances: (i) sending to an incorrect beneficiary account due to the erroneous encoding of account number by the sender; and (ii) sending to a beneficiary account an incorrect amount due to

erroneous encoding by the sender.

- i. *Multiple-Debit Transaction* refers to a single EFT initiated by the sender that is erroneously debited more than once by the originating financial institution from the sender's account. The debited amount includes the amount of the EFT and/or charges pertaining to the EFT.
- j. *Originating Financial Institution (OFI)* refers to an ACH participant that sends an EFT. It is also where the originating account of the sender is maintained.
- k. *Person-to-Person (P2P) payments* refer to payments made by an individual consumer to another individual consumer.
- l. *Person-to-Merchant (P2M) payments* refer to payments made by an individual consumer to a merchant for products purchased or services rendered.
- m. *Person-to-biller (P2B) payments* refer to payments made by an individual consumer to a business classified as billers by the ACH participant (e.g., water utility company) for utilities it provides, products purchased and/or services rendered to the individual consumer.
- n. *Receiving Financial Institution (RFI)* refers to an ACH participant that receives an EFT. It is also where the beneficiary account is maintained.
- o. *Rejected Transaction* refers to an EFT that is not credited to the beneficiary account because it was rejected by the CSO for reasons stipulated under the respective ACH operating guidelines.
- p. *Returned Transaction* refers to an EFT that is not credited to the beneficiary account because it was returned by the RFI for reasons such as but not limited to, invalid account number, beneficiary account restrictions, excess in allowable limit, and fraud or anti-money laundering and terrorist financing and other concerns related to fraud, money laundering, and terrorist financing.
- q. *Sender* refers to any person who originally initiates the instruction to pay.
- r. *Settlement Reports* refer to reports provided by the CSOs to ACH participants pertaining to the EFTs covered in a settlement cycle.
- s. *Successful Transaction* refers to an EFT initiated by the sender and which EFT was credited to the correct beneficiary account.
- t. *Timed-out Transaction* refers to an EFT that may or may not be successful where no response was received from the CSO and/or the RFI within the allowable response time set under related ACH operating guidelines.
- u. *Unauthorized Transaction* refers to an EFT initiated by any natural or

juridical person without the actual or imputed knowledge and consent of the sender.

- v. *Unsuccessful Transaction* refers to an EFT that is not credited to the beneficiary account for reasons such as but not limited to EFT did not reach the CSO, non-transmittal of the EFT to the RFI, or other scenarios stipulated under the respective ACH operating guidelines.

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

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**PART ELEVEN  
END-USER PROTECTION**

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**1104 CONSUMER REDRESS MECHANISM STANDARDS FOR ACCOUNT-TO-ACCOUNT ELECTRONIC FUND TRANSFERS UNDER THE NATIONAL RETAIL PAYMENT SYSTEM FRAMEWORK**

**1104.1 Policy Statement.** The use of electronic payments continues to expand and is expected to steadily grow. With the increased adoption of digital payment services, the Bangko Sentral recognizes the need to ensure that Bangko Sentral-Supervised Institutions (BSIs) that offer electronic fund transfers (EFTs) through their participation in the Automated Clearing House/s (ACH) provide appropriate and timely consumer recourse mechanisms on issues lodged by consumers. Defined industry-wide actions and expectations on clearing switch operators (CSOs) and ACH participants for the timely resolution of consumer concerns relating to EFTs build trust and confidence in the use of digital payments.

**1104.2 Scope.** The regulation shall apply to all CSOs and ACH participants which provide domestic account-to-account EFTs as defined under the National Retail Payment System (NRPS) Framework, which include Person-to-Person (P2P), Person-to-Merchant (P2M), and Person-to-Biller (P2B) payments as provided in the ACH clearing rules. This regulation does not cover dispute resolution involving the delivery of products and/or services underlying the payment transaction.

**1104.3 Minimum requirements.** The following shall be observed by concerned parties:

- a. Notification on EFTs

The NRPS framework requires immediate credit to the account of the beneficiary after receipt of the clearing advice from the clearing switch operator (CSO). Consistent with applicable Bangko Sentral rules and regulations, the timeframe of immediate credit to the beneficiary's account for near-real time EFTs is within 2 to 3 seconds from receipt of clearing advice by the RFI from the CSO. For batched EFTs, turnaround

time for credit to the beneficiary's account shall not exceed two (2) hours from receipt of the clearing advice by the RFI from the CSO or not later than the next settlement cycle for multiple settlement cycles.

Correspondingly, the ACH operating guidelines must clearly define the following guidelines on notifications:

- (1) The OFI shall timely provide notification to inform the sender about the accurate status of the EFT. Subsequent notifications must likewise be provided for updates or resolution.
- (2) The RFI shall timely provide notification to the beneficiary about the funds received in the beneficiary account.

The OFIs and RFIs shall utilize effective mode/s of notification that will ensure the receipt by the sender and/or beneficiary of the required information under this provision. Both OFI and the RFI must include relevant transaction details that will allow both sender and beneficiary to easily identify the EFT. Common language must be observed by all ACH participants in the notification message, particularly in relaying the actual status of the EFT.

#### b. Return of Funds

For instant retail payments and corresponding use cases, the amount debited from the sender's account shall be returned to the sender's account within one (1) hour from receipt of sender instruction. This shall apply to rejected transactions, returned transactions, and timed-out transactions.

For batch clearing and settlement of electronic payments and corresponding use cases, the amount debited from the sender's account shall be returned to the sender's account within two (2) hours from receipt of settlement report from the CSO for rejected transactions and returned transactions.

With regard to multiple-debit transactions and unsuccessful transactions as a result of lapses in controls of the OFI, the amount debited from the sender's account shall be returned to the sender's account under the following guidelines:

- (1) Within one (1) hour from receipt of sender instruction for instant payments and corresponding use cases; and
- (2) Within two (2) hours from receipt of settlement report from the CSO for batch clearing and settlement of payment items and corresponding use cases.

The provisions of this section shall not apply to unauthorized or erroneous transactions.

#### c. Collection and Return of EFT Fee

The parameters when to collect EFT fee, as well as the criteria as to when to return the collected EFT fee must be clearly established in the ACH

operating guidelines.

For EFTs that warrant return of collected EFT fees to the sender, the OFI must return the same to the sender in accordance with the timelines specified in item “b” of this Section on the “Return of Funds”.

The sender shall not bear fees for unsuccessful transactions as well as for EFTs that did not materialize due to disruption of operations of either the CSO or ACH participants. The ACH operating guidelines shall provide parameters to determine the entity-at-fault who will shoulder any cost related to the EFTs affected by such circumstances.

In all cases, the rules on collection and return of EFT fees must be clearly communicated to consumers by disclosing such information in various channels and publicly available materials, pursuant to existing Bangko Sentral regulations on Disclosure and Transparency.

d. Disruption of Services and Operations

The respective ACHs operating guidelines shall clearly define the action/s required from the parties involved in an EFT (i.e., OFI, RFI, CSO) during disruptions that affect the efficient delivery of EFTs. The guidelines shall include the necessary actions from each party involved that ensures prompt notification to end-users regarding the disruption.

The ACH operating guidelines shall provide as follows:

- (1) CSO notification to the appropriate supervising department of the Bangko Sentral, and the ACH participants on the occurrence of scheduled and unscheduled downtime which shall include the timeline and manner of notification, and on subsequent notifications for updates or resolution;
- (2) ACH Participants notification to consumers on the occurrence of scheduled or unscheduled downtime:
  - (a) Initial notification: Notice on the scheduled downtime or occurrence of the unscheduled downtime. In the case of the latter, the ACH operating guidelines shall identify the notification period to consumers.
  - (b) Periodic notification: Subsequent notification to provide updates and information on the status, reason, expected period and eventual resolution of the downtime.

The actions and obligations that will be required under the ACH operating guidelines during disruptions that affect the efficient delivery of EFTs shall be separate and in addition to those required under the rules and regulations on disruptions of financial services and operations that are covered by applicable Bangko Sentral regulations.

e. Consumer Protection

OFIs have the primary responsibility of communicating to the sender, as their own accountholders, the status and updates on investigations, and resolution of unauthorized and/or erroneous transactions.

Meanwhile, all ACH participants shall conform with applicable Bangko Sentral regulations, such as but not limited to provisions set forth under Circular No. 1160 dated 28 November 2022 on the Regulations on Financial Consumer Protection to Implement Republic Act No. 11765, otherwise known as the "Financial Products and Services Consumer Protection Act." Circular No. 1160, and other relevant regulations shall be referred to in handling unauthorized and/or erroneous transactions.

The ACH operating guidelines shall provide industry-level standards, procedures, and information sharing mechanism, as applicable, from relevant stakeholders, in handling possible root causes of unauthorized transactions (e.g., social engineering, phishing, among others).

**1104.4 Enforcement Action.** Refer to Section 1501 of the MORPS.

**Section 3. Transitory Provision.** Participants and CSOs shall be given until 31 December 2024 to develop the necessary resources to comply with the provisions of this Circular. The same period is afforded for the necessary coordination and/or approvals among the respective ACHs and/or the Philippine Payments Management, Inc., and the issuance of the revised ACH operating guidelines.

**Section 4. Effectivity.** This Circular shall take effect immediately upon its publication in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:

  
**MAMERTO E. TANGONAN**  
Officer-in-Charge

  1   June 2024