



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE GOVERNOR

CIRCULAR NO. 1238 Series of 2026

Subject: Amendments to the National Retail Payment System Framework and the Regulatory Framework for Merchant Payment Acceptance Activities

The Monetary Board, in its Resolution No. 498 dated 04 June 2026, approved the amendments to the Manual of Regulations for Payment Systems (MORPS), Manual of Regulations for Banks (MORB), and Manual of Regulations for Non-Bank Financial Institutions (MORNBFI) pertaining to the enhancement of pricing mechanisms for transactions performed under the National Retail Payment System (NRPS) Framework, including the establishment of specific pricing structure for person-to-person (P2P) electronic fund transfers (EFTs), and the conduct of merchant due diligence by Operators of Payment Systems with Merchant Acquisition Licenses (OPS-MALs), in accordance with Section 6(a) and Section 6(d)(1) of Republic Act (RA) No. 11765 or the "Financial Products and Services Consumer Protection Act," Section 3 of RA No. 7653 as amended by RA No. 11211 or "The New Central Bank Act," and Section 6(d)(7) of RA No. 11127 or "The National Payment Systems Act."¹

Section 1. The terms defined under the NRPS Framework, the Payment System Oversight Framework, and other relevant issuances of the Bangko Sentral shall be complemented by the following definitions, which shall be included in the MORPS/MORB/MORNBFI:

GLOSSARY OF TERMS

Off-us (transactions or transfers) - payment transactions where the payer and the payee use accounts held at different financial institutions.²

On-us (transactions or transfers) - payment transactions where both the payer and the payee hold accounts at the same financial institution.³

Switch cost - refers to charges imposed by the Clearing Switch Operator (CSO) for each transaction processed through the clearing switch. Such charges are determined independently by the CSO based on commercially reasonable, market-driven principles.

Section 2. Section 201 of the MORPS/Section 803 of the MORB/Sections 801-Q/501-S/401-P/501-N of the MORNBFI shall be amended to read as follows:

NATIONAL RETAIL PAYMENT SYSTEM FRAMEWORK

x x x

Specific rules applicable to transactions performed under the NRPS framework. The following rules shall apply to retail payment transactions which are cleared and settled in accordance with the NRPS Framework:

¹ Section 6(d)(7) of The National Payment Systems Act grants the BSP power to issue, through the Monetary Board, rules and regulations governing principles on setting prices or pricing mechanisms in payment systems.

² As defined in BSP Memorandum No. M-2024-040 dated 13 December 2024 on Revised Survey on Pricing of Electronic Payments

³ Ibid.

a. x x x

- b. Fees on transactions. BSFIs shall adopt a policy on the imposition of fees on electronic payment transactions,¹ which shall include the basis and quantitative support for the setting of fees and rationalization of the fee structure or amount. Imposition of fees for transactions performed by BSFIs that meet the requirements in item “a” of this Subsection shall be consistent with the following:

(1) On consumer pricing mechanism –

- (a) BSFIs shall adopt a reasonable and fair market-based pricing mechanism, which does not arise from non-competitive agreements with other BSFIs to fix the price of product or service delivery in violation of Republic Act No. 10667 or the Philippine Competition Act. The pricing mechanism must be adequately supported by an analysis of the actual costs incurred in delivering electronic payment products and services, which shall be made available to the BSP in the conduct of its oversight activities. Such cost analysis is expected to include the categories described in Appendix 201-2, along with any additional relevant cost categories identified by the BSFI.
- (b) The pricing mechanism should be designed to uphold fairness across end-user groups. While differentiated pricing may be implemented based on sound business and operational considerations, BSFIs shall ensure that fee structures do not result in one user group unreasonably subsidizing the cost of serving another. In this regard, fees charged for off-us P2P EFTs should not materially differ from those charged for on-us P2P EFTs and any switch cost directly attributable to the facilitation of off-us P2P EFTs.
- (c) The service fees for electronic payments are expected to be lower than the fees collected from transactions made manually or over-the-counter (OTC) as electronic payments are considered to provide more efficient and cost-effective means of delivering service.
- (d) For P2P EFTs, recipients shall receive the full amount as credit to their accounts, free of any charges or deductions. Such P2P EFTs shall not be treated as domestic remittance transactions under Sections 298/251-Q/241-S/202-N of the MORB/MORNBFI.

(2) x x x

x x x

Section 3. Section 503 of the MORPS is hereby amended to read as follows:

503 OPS THAT ENGAGE IN MERCHANT PAYMENT ACCEPTANCE ACTIVITIES (MPAA)

x x x

¹ In accordance with BSP Memorandum No. M-2024-015 dated 24 May 2024 on Guidelines on Pricing of Electronic Payments

503.7 Governance for Merchant Acquisition Services. For OPS-MAL, the following provisions shall govern merchant acquisition services:

a. *Merchant Management.* x x x

(1) *Merchant Due Diligence (MDD).* A risk-based approach shall be undertaken depending on the type of merchant, business relationship or nature of transaction or activity and risk profile, consistent with Section 921/921-Q of the MORB/MORNBFI. An OPS-MAL shall formulate a risk-based and tiered MDD that involves reduced MDD for potentially low-risk merchants and enhanced MDD for higher-risk merchants, which shall include:

(a) *Merchant identification.* An OPS-MAL shall establish and record the true identity of their merchants and their beneficial owners, as applicable, based on official documents. They shall maintain a risk-based system of verifying the true identity of their merchants and their beneficial owners, as applicable, and in the case of corporate clients, require a system of verifying their legal existence and organizational structure, as well as the authority and identification of all persons purporting to act on their behalf.

Upon onboarding, an OPS-MAL shall also perform sanctions screening of the merchant, authorized signatories and beneficial owners, as may be applicable, pursuant to regulations on Targeted Financial Sanctions (TFS).¹

(b) *Merchant risk assessment.* x x x

(c) *Merchant monitoring.* An OPS-MAL shall, at a minimum:

- (i) conduct periodic risk-based monitoring of its merchants in terms of adherence to their agreements, declared business models, activities, customer profile and transactions;
- (ii) maintain updated, reliable, relevant, and accurate records of merchants and monitoring activities in accordance with Section 924/924-Q of the MORB/MORNBFI;
- (iii) perform periodic sanctions screening of the merchant, authorized signatories, and beneficial owners pursuant to TFS implementation on asset freezing and prohibition to designated persons;
- (iv) adopt appropriate AML systems that can monitor and flag potentially suspicious merchant transactions and conduct further investigation when necessary; and
- (v) consider all other factors necessary in detecting red flag indicators in both the relationship with merchant and its transactions.

In an existence of a valid ground based on the suspension or termination clause in the governing agreement, an OPS-MAL shall immediately suspend or terminate any merchant payment acceptance relationship with a merchant without prejudice to the performance of appropriate due diligence and filing of suspicious transaction report (STR) and other reports, as warranted, consistent with existing BSP regulations and/or Anti-Money Laundering Council (AMLC) issuances.

¹ Pursuant to Part Nine of the MORB/MORNBFI

b. x x x

- c. *Pricing Mechanism.* Notwithstanding the consumer pricing mechanism rules under the NRPS Framework and subsequent relevant issuances, OPS-MAL shall adopt a pricing mechanism whereby merchant fees may be charged to merchants availing of merchant payment acceptance activities. Such pricing mechanism shall be reasonable, transparent, market-based, and proportionate to the cost of the services offered in order to sustain the business operations of the parties involved.¹ Such pricing mechanism must also be supported by an analysis of costs incurred with respect to the OPS-MAL's merchant payment acceptance activities.

x x x

Section 4. Reportorial Requirements. The requirement for BSFIs to disclose fees on electronic payments in accordance with BSP Memorandum No. M-2018-013 dated 28 March 2018 shall remain in effect. BSFIs may be required to provide additional documentation to substantiate pricing mechanisms for fees assessed as unreasonable following a review of periodic disclosures.

Section 5. Effectivity. This Circular shall take effect fifteen (15) calendar days following its publication either in the Official Gazette or in a newspaper of general circulation.

FOR THE MONETARY BOARD:



ELI M. REMOLONA, JR.
Governor

17 June 2026

¹ In accordance with BSP Memorandum No. M-2024-015 dated 24 May 2024 on Guidelines on Pricing of Electronic Payments

COST CATEGORIES

Cost	Definition
A. Payment handling costs	Refer to the costs accrued when an end-user initiates a payment until that payment is settled.
➤ Authorization costs	Refer to the costs of processing the payment authorization request for certain payment instruments (e.g., fund transfers, e-money) by verifying whether a specific transaction can be executed (e.g., right credentials, sufficient account balance), including costs related to maintaining databases with authorization-related data.
➤ Return costs due to insufficient balance	Refer to the costs of returning a payment after authorization that could not be settled due to insufficient funds (e.g., if the authorization process does not involve blocking of the respective amount).
➤ Cancellation costs	Refer to the costs involved in canceling a fund transfer transaction before a transaction is settled, as well as processing costs associated with disputed electronic payments that have been settled.
B. Payments-specific infrastructure and maintenance costs	Refer to the costs associated with the depreciation and maintenance of equipment, as well as the execution of processes dedicated solely to providing payment-related services.
➤ Payments-specific IT costs	Refer to the costs for payments-related software developments, interfaces for internet banking, interfaces with automated teller machines (ATM)/point-of-sale (POS) networks and other centralized infrastructures, etc. This cost element excludes ATM maintenance costs and POS terminal management costs.
➤ Clearing costs	Refer to the costs associated with the process of transmitting, reconciling, confirming payment orders prior to settlement, including the netting of instructions and the establishment of final positions for settlement, excluding switch costs.
➤ Switch costs	Refer to charges imposed by the Clearing Switch Operator (CSO) for each transaction processed through the clearing switch. Such charges are determined independently by the CSO based on commercially reasonable, market-driven principles.
➤ Settlement costs	Refer to the costs associated with the process of discharging obligations with respect to funds transfers between two or more parties.
C. Security costs	Refer to losses and the costs of preventing potential losses of value from holding payment instruments or providing services related to payment instruments due to unforeseen circumstances or illegal activity.

Cost	Definition
➤ Fraud prevention costs	Refer to the costs of managing the risk of fraud, excluding the costs for insurance against fraud. The components of these costs may include the maintenance and monitoring of "black lists" and other attempts for fraudulent payments; investigating fraud attempts; etc. Where such cost forms part of shared service expenses with other products of the BSFI, only the portion attributable to the provision of payment services shall be included, allocated in accordance with the BSFI's established cost accounting policy.
D. Costs for supporting activities	Refer to all costs for activities that are related to payment instruments and payment-related services and are of foundational and/or supporting nature.
➤ Marketing and advertising costs	Refer to costs for marketing and information dissemination aimed at acquiring new customers and/or campaigns targeting existing customers. Campaigns specifically aiming to educate existing and/or potential customers should also be included under this cost element. Where such cost forms part of shared service expenses with other products of the BSFI, only the portion attributable to the provision of payment services shall be included, allocated in accordance with the BSFI's established cost accounting policy.
➤ Customer support costs	Refer to costs for responding to customer complaints or providing further clarifications related to a particular payment instrument/transaction account activity/loyalty programs (including staff costs, consumables, etc.), to the extent not included in other cost elements. Where such cost forms part of shared service expenses with other products of the BSFI, only the portion attributable to the provision of payment services shall be included, allocated in accordance with the BSFI's established cost accounting policy.
➤ Overhead costs	Refer to costs associated with staff, rent, utilities, depreciation of resources, general IT and communications, back office processing, archiving, as well as any other costs for supporting activities related to payment services, to the extent not included in other cost elements. Given the shared nature of these costs, only the portion allocated to the provision of payment services shall be included, in accordance with the BSFI's established cost accounting policy.