



BANGKO SENTRAL NG PILIPINAS

OFFICE OF THE DEPUTY GOVERNOR
FINANCIAL SUPERVISION SECTOR

MEMORANDUM NO. M-2019- 020

To : ALL BSP SUPERVISED FINANCIAL INSTITUTIONS (BSFIs)

Subject : Lifting of Moratorium on Automated Teller Machine (ATM) Fees

In line with the results of the review of ATM fees pursuant to Memorandum M-2013-044 dated 27 September 2013 and the actions taken by the industry, the Monetary Board (MB) in its Resolution No. 661 dated 19 April 2018 approved the lifting of the moratorium on ATM fees, subject to the following:

1. Each participating BSFI shall file a letter request with the BSP indicating their proposed ATM fees as well as the costs currently incurred by the BSFI with respect to its ATM activities;
2. Costs declared should be clear and adequately supported, such that when deemed necessary, the same may be validated by the BSP onsite;
3. Setting of fees, including convenience fees, shall adhere to the pricing principles provided under BSP Circular No. 980 dated 06 November 2017, whenever applicable;
4. Acquirer-based charging model ("Annex A") should already be adopted. To ensure effective implementation of said model, the imposition of fees arising from agreements among BSFIs to fix the fee or have a fix share in fees shall not be allowed; and
5. Appropriate disclosures on ATM fees and charges shall be provided to the cardholders. The amount to be charged to a cardholder shall be clearly displayed on the ATM location and on the screen of the ATM terminal. Said amount shall consist of the fees charged by the acquiring BSFI and the network switch. The notice shall clearly indicate that the amount displayed is on top of the charges that may be imposed by the cardholder's issuer.

While the BSP does not directly intervene in the prices of BSFIs' products and services as a matter of policy, the BSFIs are reminded that it is their responsibility to ensure adherence to the principles of reasonable and market-based pricing provided under BSP Circular No. 980 dated 06 November 2017.

For information and guidance.


CHUCHI G. FONACIER
Deputy Governor

19 July 2019

EXPLANATORY NOTE ON COMMON METHODS OF CHARGING ATM FEES

CURRENT PRACTICE (ISSUER-BASED CHARGING METHOD)

While not charged for on-us¹ transactions, a cardholder pays an ATM fee for transactions made with another bank's ATM terminal ("off-us" transactions). The ATM fee, based on current practice, is set and charged by the issuing bank², and the amount charged to the cardholder remains the same regardless of who the ATM acquiring bank³ is.

Although not disclosed to the cardholder, the issuing bank is obligated to pay an interchange fee⁴ from the ATM fee collected. Any difference in the amount of the ATM fee and the interchange fee is considered as revenue to the issuing bank and is commonly referred to as Issuer's Fee. Accordingly, related costs incurred by the issuing bank, such as in the case of reconciliation and fraud-related losses, are charged against said fee.

ACQUIRER-BASED CHARGING

Under the acquirer-based charging method, the amount that will be charged to a cardholder shall vary depending on the ATM terminal being used. Its basic mechanics shall be as follows:

- Setting of fee shall not be solely determined by the issuing bank or BSP supervised financial institution (BSFI). It shall largely depend on the fees set by the acquiring bank/BSFI and network switch. The issuing BSFI, at its option, may likewise charge a fee, provided that the same shall be properly disclosed to its customers/cardholders.
- The amount to be charged to a cardholder shall be clearly displayed on the ATM location and on the screen of the ATM terminal. Said amount shall consist of the fees charged by the acquiring BSFI and network switch. The signage or notice shall likewise clearly indicate that the amount displayed is on top of the charges that may be imposed by the cardholder's issuer.
- The cardholder shall be given an opportunity to cancel the transaction if he does not wish to pay the fee or believes that an ATM charging a lower fee may be situated nearby.
- To ensure the effective implementation of an acquirer-based charging method, imposition of fees arising from agreements among BSFIs to fix the fee or have a fix share in fees shall not be allowed.

¹ Refers to transactions performed by a cardholder at the ATM terminal of the bank that issued the card.

² Refers to the bank that issues the ATM card and thereby maintains the account of the cardholder.

³ Generally refers to the owner of the ATM terminal where a cardholder transacts.

⁴ A term used in the payment card industry to describe the fee paid between banks for accepting card-based transactions.

RATIONALE FOR ADOPTING AN ACQUIRER-BASED CHARGING METHOD

- Under the acquirer-based charging method, acquirers play a significant role in the setting of fees, which is justifiable considering that off-us transaction costs are substantially incurred by them (ex. deployment and maintenance of terminals, cash servicing, ATM monitoring, etc.).
- Transaction costs vary from one BSFI to another due mainly to variations in ATM business models, objectives, deployment strategies, ATM cost accounting and pricing scheme. Consequently, ATM fees are also expected to vary from one BSFI to another.
- Acquirer-based charging allows ATM owners to directly compete for business with one another by disclosing fees and offering lower charges than other ATMs in the vicinity. This therefore introduces a competitive discipline that can bring about efficiencies in the Philippine ATM system.