



EPAA SUBMISSION TO

COMMENTS ON THE DRAFT REGULATORY FRAMEWORK FOR MERCHANT PAYMENT ACCEPTANCE ACTIVITIES

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The Payments Policy and Development Department,
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Comments on the Draft Regulatory Framework for Merchant
Payment Acceptance Activities

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To: The Payments Policy and Development Department, BSP

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Comments on the Draft Regulatory Framework for Merchant Payment Acceptance Activities

General Comments:

- The Emerging Payments Association Asia (EPAA) welcomes the ability to comment on the draft BSP Circular on the **Regulatory Framework for Merchant Payment Acceptance Activities**. More information about EPAA can be found on our website (www.emergingpaymentsasia.org).
- Please note, that while we have consulted within our membership, any views expressed in the comments are solely the views of EPAA and do not necessarily represent the views of individual contributors, EPAA Ambassadors or EPAA Members.
- Merchant acquiring has increasingly become an activity that has generated a degree of interest from policymakers and regulators.
- We believe that regulatory requirements such as these should be proportionate to the risk involved, be applied equitably, and should ideally not hinder competition and innovation.
- We are pleased that the BSP has released this Draft Circular for comment and hope that the BSP is able to consult widely with the sector and those affected. We also provide some recommendations in respect to the Draft Circular.

Specific Comments:

Particulars	Comments/Suggestions
Passporting / Regulatory Requirement	<p>We note there is no significant mention in the Draft Circular of passporting or recognition of a merchant acquirer being licensed in another jurisdiction.</p> <p>We note that some other jurisdictions in the region – such as Singapore by MAS and Malaysia by BNM - have similar (though not identical) licensing requirements on merchant acquirers.</p> <p>We would strongly encourage the BSP to investigate whether closer regulatory alignment could be achieved and whether this could be done so that future mutual recognition or passporting is made easier in the future.</p>
Large Scale and Small Scale Acquirer Thresholds	<p>We note that the transaction value threshold for an entity to be considered a Large Scale Merchant Acquirer (P100 million and above per month) is quite low and may have the effect of adversely impacting new entrants / smaller merchant acquirers that may be treated as Large Scale.</p> <p>We would recommend consideration of a higher threshold to enable a competitive and vibrant market.</p>

<p>Application for authority to conduct merchant payment acceptance activities.</p>	<p>The exemptions from the need to hold a Merchant Acquisition License extend to “entities who do not handle settlement of funds and/or do not process transactions on behalf of merchants through its own account, such as payment gateways and other third-party service providers”.</p> <p>Based on experience in other jurisdictions, we would recommend that the BSP provide further clarification and guidance in terms of the interpretation and application of the exemption, given it is quite broad and open to interpretation as currently written.</p>
<p>Capital Requirements</p>	<p>We would note that the proposed capital requirements are quite high when compared with other jurisdictions.</p> <p>For example, when converted to USD, the capital requirement for a Small Scale Merchant Acquirer under the proposed BSP Draft Circular would be USD 90,00 while the equivalent requirement in Singapore is USD 74,000 and in Malaysia it is USD 63,000. The difference in capital requirements for Large Scale Merchant Acquirers is even more pronounced – USD 360,000 under the BSP proposal as opposed to USD 185,000 in Singapore and USD 210,000 in Malaysia.</p> <p>We would recommend that the BSP review its capital requirements to be more in line with those required in other regional markets.</p>

<p>End-User Protections</p>	<p>One of the requirements in the BSP Draft Circular is that end-user protections be extended to both merchants and consumers.</p> <p>While we understand the desire to provide merchants with protections, including the ability to make a complaint or to seek restitution, extending to consumers has the potential to blur the roles played by the merchant and the merchant acquirer. The merchant acquirer should not be expected to intervene in every dispute between a consumer and a merchant.</p> <p>On this basis, we would recommend wording in the End-User Protections that makes clear that the protections are primarily intended for merchants and may involve consumers in particular circumstances involving the payment process but that the merchant acquirer should not necessarily become party in an ordinary dispute between a customer and a merchant.</p>
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<p>Payment Cycle to Merchants</p>	<p>The payment cycle for merchants, of no longer than two (2) working days from the transaction date (T+2) or the day the funds are received from the payment instrument / network issuer, is very tight timeframe compared to some other jurisdictions. For example, in addition to a T+2 requirement for physical merchants, Malaysia permits T+5 for payments to e-commerce merchants.</p> <p>As well, the timing of payment to the merchant may be affected by important consideration such as fraud investigations by the merchant acquirer.</p> <p>We would recommend timeframes more in line with other jurisdictions and / or include risk-based consideration which would enable some payments to merchants to be made later than the mandated timeframes.</p>
<p>Reporting</p>	<p>We note that the BSP proposes to provide Excel spreadsheets for licensed merchant acquirers to complete and lodge when providing information to the BSP about their existing and delisted merchants as well as volumes and values.</p> <p>We would recommend that the BSP explore the ability to provide such data in other, more efficient formats such as CSV and that the BSP work with industry to explore whether a “regtech” solution could be provided which would make such data reporting to the BSP more efficient.</p>