

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS

Third Regular Session

HOUSE BILL NO. 10716



INTRODUCED BY REPRESENTATIVE JURDIN JESUS M. ROMUALDO

EXPLANATORY NOTE

The Philippine banking sector plays a crucial role in driving economic growth, facilitating financial transactions, and providing essential services to consumers and businesses alike. However, in the recent years, the banking landscape has been undergoing significant transformation fueled by rapid technological advancements, changing consumer preferences, and evolving regulatory frameworks.

During the height of the pandemic, digital transactions surged, demonstrating widespread acceptance and the need for more advanced and integrated financial solutions. Open banking, a concept that allows third-party providers to access banking data with customer consent through secure application programming interfaces¹ (APIs), is increasingly seen as essential for the Philippines to foster a more competitive, inclusive, and innovative financial sector. By allowing third-party developers to build applications and services around financial institutions, open banking promotes transparency and empowers consumers with more control over their financial data. This system can drive financial inclusion, particularly important in the Philippines where a significant portion of the population remains unbanked or underbanked. Through open banking, more people could access tailored financial products, improving financial literacy and economic participation.²

Globally, countries such as the United Kingdom, Australia, and various members of the European Union have implemented open banking frameworks with notable success. In the UK, the Open Banking Implementation Entity (OBIE)³ oversees the initiative, resulting in increased competition and innovation in the financial services market. Australia's Consumer Data Right (CDR)⁴ expands beyond banking to include other sectors like energy and telecommunications, highlighting the potential for comprehensive data empowerment. In Asia, countries like Singapore and Hong Kong have also adopted open banking initiatives. Singapore, through its Monetary Authority of Singapore (MAS)⁵, has been proactive in promoting open banking and fintech innovation. Hong Kong has launched the Hong Kong Monetary Authority (HKMA)⁶ Open API Framework to encourage the development of innovative financial services.

Open banking provides multiple advantages, such as giving consumers easy access to their financial accounts and enabling convenient, low-cost transactions.⁷ It lowers entry barriers for businesses, promotes innovation, and creates new revenue streams. Banks

¹ Team, E. (2023, February 1). *What is Fintech as a service & the impact of apis on Fintechs?*. Finextra Research. <https://www.finextra.com/blogposting/23665/what-is-fintech-as-a-service-amp-the-impact-of-apis-on>

² Team, T. I. (2024, May 10). *Open banking: Definition, how it works, and risks*. Investopedia. <https://www.investopedia.com/terms/o/open-banking.asp>

³ Guidelines for open data participants - open banking. (n.d.). <https://www.openbanking.org.uk/wp-content/uploads/Guidelines-for-Open-Data-Participants.pdf>

⁴ Australian Government | Consumer Data Right. Homepage | Consumer Data Right. (n.d.). <https://www.cdr.gov.au/>

⁵ Open Banking. Monetary Authority of Singapore. (n.d.). <https://www.mas.gov.sg/>

⁶ Hong Kong Monetary Authority. (n.d.). *Open Banking in Asia*. <https://www.hkma.gov.hk/eng/>

⁷ Bratley, M. (2024, February 2). *Open banking creates savings on payment processes and Business Operation Time VS non-users, new study reveals*. IFA Magazine. <https://ifamagazine.com/open-banking-creates-savings-on-payment-processes-and-business-operation-time-vs-non-users-new-study-reveals/>

can improve their services and reduce their service charge through partnerships with Fintech firms. Several platforms like GCash, Paymaya, and Coins.ph illustrate how electronic money services enable users to handle transactions and daily tasks, such as paying bills or transferring money, without leaving home or waiting in long lines. These services will become more efficient, affordable, and well-regulated if they adopt the principles of open banking.

However, open banking also comes with challenges and risks. Data security and privacy are paramount concerns, as increased data sharing can potentially lead to breaches if not properly managed. There is also the risk of increased fraud, requiring robust authentication and regulatory oversight. Additionally, smaller financial institutions may struggle with the costs of compliance and technology integration.

We provided a layer of security and safeguard to even the playing field by not allowing a bank director or officer, connected to mainstream banking, to participate or work in an open banking Fintech as it could put consumers as well as other players at risk. This is because of the accessibility of confidential data and vital financial information in their fingertips. This will surely give them undue advantage against their competitors.

Implementing open banking would require active participation from several agencies. The Bangko Sentral ng Pilipinas (BSP) would play a crucial role in regulating and overseeing the implementation, ensuring that standards are met and that consumer protection is prioritized. The Department of Information and Communications Technology (DICT) would also be essential in addressing the technological infrastructure and cybersecurity measures needed.

In summary, open banking holds significant promise for the Philippines, potentially transforming the financial landscape to be more inclusive and innovative. Learning from the experiences of other countries can guide the Philippines in creating a robust framework that maximizes benefits while mitigating risks, requiring coordinated efforts from multiple agencies and legislative support to ensure a smooth and secure implementation.



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AN ACT
PROMOTING OPEN BANKING IN THE PHILIPPINES

Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:

CHAPTER I: TITLE AND DECLARATION OF POLICY

Section 1. ***Title.*** – This Act shall be known as the "Open Banking Act of 2024".

Sec. 2. ***Declaration of Policy.*** – It is hereby declared the policy of the State to promote competition, innovation, and consumer welfare in the banking sector by facilitating the secure and transparent sharing of financial data. This Act aims to empower consumers with control over their financial information, foster the development of innovative financial products and services, and enhance the efficiency and resilience of the financial system.

CHAPTER II: DEFINITIONS

Sec. 3. ***Definitions.*** – For the purposes of this Act, the following terms shall mean:

- a. ***“Account-to-account Payments (A2A)”*** – Movement of money directly from one account to another without the need for additional intermediaries or payment instruments, such as cards.
- b. ***“Application Programming Interface (API)”*** – Set of protocols and tools that allow different financial software applications to communicate and share data efficiently. They enable functionalities like secure payment processing, access to banking services, and integration with investment and insurance platforms, facilitating seamless operations and innovation in financial technology.
- c. ***“Financial Companies (Fintech)”*** – Technology-driven companies providing financial services.
- d. ***“Financial Data”*** – Any information relating to a consumer's financial transactions, accounts, or products held by a bank.

- 1
- 2 e. *“Financial Institution”* - refers to banks, non-bank financial institutions, and other
- 3 entities licensed or authorized by the Bangko Sentral ng Pilipinas (BSP) to engage in
- 4 banking or financial activities.
- 5
- 6 f. *“International Transactions”* – Cross border financial transactions conducted through
- 7 open banking platforms.
- 8
- 9 g. *“Open Banking”* – The practice of securely sharing consumer financial data, including
- 10 account information and transaction history, among financial institutions and authorized
- 11 third-party providers through application programming interfaces (APIs) or other secure
- 12 channels upon consumer consent.
- 13
- 14 h. *“Pull Payments”* – A type of A2A payment wherein businesses withdraw, or ‘pull’,
- 15 money from consumers’ accounts. This payment type is typically used by businesses
- 16 with recurring payment models, such as subscriptions, and it requires prior consent from
- 17 the customer.
- 18
- 19 i. *“Push Payments”* – A type of A2A payment that is normally used for transferring one-
- 20 off sums as it requires consumers to manually send, or ‘push’, money to another account.
- 21
- 22 j. *“Society for Worldwide Interbank Financial Telecommunications (SWIFT)”* – A secure
- 23 system that powers most international money and security transfers. It is a vast messaging
- 24 network used by financial institutions to quickly, accurately, and securely send and
- 25 receive information, such as money transfer instructions.
- 26
- 27 k. *“Third-party Financial Service Provider”* – Any entity authorized by the Bangko Sentral
- 28 ng Pilipinas (BSP) or relevant regulatory authorities to access and utilize customer
- 29 financial data from financial institutions for the purpose of providing innovative financial
- 30 services to consumers.

31

32 **CHAPTER III: PRINCIPLES AND STANDARDS**

33

34 Sec. 4. *Principles of Open Banking.* – The following principles shall guide the

35 implementation of open banking in the Philippines:

36

- 37 (a) Customer Consent: Banks must obtain explicit consent from consumers before sharing
- 38 their financial data with third-party financial service providers. Financial institutions and
- 39 third-party providers shall obtain explicit consent from consumers before accessing or
- 40 sharing their financial data, and shall provide clear and transparent information about the
- 41 purposes and scope of data sharing.

1
2 (b) Data Security: It shall be the duty of the National Privacy Commission (NPC) to ensure
3 compliance of the financial institutions and third-party providers with the provisions of
4 the Data Privacy Act of 2012 (Republic Act No. 10173) and other relevant laws and
5 regulations governing the collection, use, and protection of personal data within the open
6 banking framework. In addition, The Department of Information and Communications
7 Technology (DICT) shall develop technical standards and cybersecurity measures
8 needed. Financial institution must promptly notify consumers of any breach or security
9 incidents.

10
11 The BSP shall establish data security standards and requirements for financial institutions
12 and third-party providers engaged in open banking activities, including encryption,
13 authentication, and access controls.

14
15 (c) Interoperability and Standardization: The BSP shall establish interoperability standards
16 and protocols to facilitate seamless data sharing and interoperability among different
17 open banking systems and platforms.

18
19 Financial institutions and third-party providers shall be required to adhere to BSP-
20 approved standards and protocols to ensure compatibility and interoperability of their
21 systems and services.

22
23 The BSP may designate industry bodies or consortia to develop and maintain
24 interoperability standards and frameworks for the open banking ecosystem, subject to
25 BSP oversight and approval.

26
27 (d) Competition and Innovation: Open banking shall promote competition and innovation in
28 the financial services industry by enabling the development of new products, services,
29 and business models.

30
31 The Philippine Competition Commission (PCC) shall monitor and promote fair
32 competition in the financial services sector, preventing anti-competitive practices.

33
34 (e) Consumer Protection: Customers shall have the right to easily revoke consent for data
35 sharing, access transparent information about how their data is used, and seek recourse in
36 case there is a breach or misuse of their financial data at any time, subject to applicable
37 laws and regulations, including the Data Privacy Act of 2012 (Republic Act No. 10173).

38
39 The Securities and Exchange Commission (SEC) shall regulate fintech companies and
40 third-party providers involved in open banking to protect investors and ensure market
41 integrity. The DICT, in coordination with the Department of Trade and Industry (DTI),
42 SEC, and the NPC, shall ensure that consumer rights and data privacy are protected in

open banking. Comprehensive guidelines on data security, privacy, and consumer consent shall be established.

(f) International Transactions: Open banking initiatives involving international transactions shall comply with applicable international standards and regulations to ensure security, privacy, and the prevention of money-laundering and financing of terrorism acts. The BSP along with the Anti-Money Laundering Council (AMLC) shall oversee these transactions to ensure compliance and to protect the integrity of the Philippine financial system.

The BSP may collaborate with other government agencies, industry stakeholders, and international organizations to develop and promote best practices for open banking and ensure interoperability and compatibility among different open banking systems. This includes promulgating rules and regulations including standards for API development, data security, consent management, addressing vulnerabilities, and dispute resolution.

The BSP shall publish aggregate data on open banking activities, including the number of authorized third-party providers, volume of data sharing transactions, and consumer complaints or disputes, to promote transparency and accountability in the open banking ecosystem.

Sec. 5. *Prohibition to Open Banking Participating Fintech.* – To ensure fair and transparent competition under the Open Banking System, no incumbent bank director or officer connected to the mainstream banking sector will be allowed to participate in the open banking system Fintech. Past officers of the banking industry for the last five (5) years are also covered by this prohibition.

CHAPTER IV: REGULATORY OVERSIGHT

Sec. 6. *Regulatory Authority.* – The Bangko Sentral ng Pilipinas (BSP) shall have primary responsibility for the oversight and regulation of open banking activities in the Philippines, including the issuance of licenses, supervision of compliance, and enforcement of penalties for violations of this Act and related regulations.

Financial institutions and third-party providers shall submit regular reports to the BSP detailing their compliance with the provisions of this Act and related regulations, including data security measures, consumer consent procedures, and incidents of unauthorized access or data breaches.

Sec. 7. *Licensing and Authorization.* – Third-party financial service providers must obtain licenses or authorizations from the BSP to operate and access customer financial data and comply with the registration and reportorial requirement of the Securities and Exchange Commission (SEC) to protect the interest of the public and ensure market integrity.

1 Fintech must adhere to specified standards and requirements of the BSP and government
2 regulatory agencies to ensure the security and privacy of consumer financial data.

3
4 Sec. 8. ***Monitoring and Enforcement.*** – The BSP shall conduct regular monitoring and
5 enforcement activities to ensure compliance with data security, consent, and transparency
6 standards.

7
8 It shall have the power to investigate complaints, conduct audits, and take enforcement actions
9 against entities found to be in violation of this Act.

10 11 CHAPTER V: IMPLEMENTATION AND TRANSITION

12
13 Sec. 9. ***Timeline and Requirements.*** – Banks shall implement open banking standards
14 and protocols through secure APIs or other designated channels within a specified timeline
15 determined by the BSP, in consultation with industry stakeholders.

16
17 Sec. 10. ***Education and Awareness.*** – The BSP shall develop and implement programs to
18 promote financial education and consumer awareness regarding open banking, including the
19 benefits, risks, and rights of consumers in sharing their financial data.

20
21 Financial institutions and third-party providers shall be required to provide clear and accessible
22 information to consumers about open banking services, including potential risks, privacy
23 implications, and dispute resolution mechanisms.

24
25 The BSP shall collaborate with relevant government agencies, educational institutions, and non-
26 governmental organizations to disseminate information and conduct outreach activities to raise
27 awareness about open banking and empower consumers to make informed decisions about their
28 financial data.

29
30 The BSP shall conduct periodic assessments of the effectiveness of financial education and
31 consumer awareness initiatives related to open banking and make recommendations for
32 improvement as necessary.

33 34 CHAPTER VI: VIOLATIONS, SANCTIONS, AND DISPUTE RESOLUTIONS

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36 Sec. 11. ***Violations and Sanctions.*** – Financial institutions and third-party providers
37 found to have violated the provisions of this Act or related regulations shall be subject to a fine
38 not exceeding Two million pesos (P2,000,000.00) or imprisonment of not lower than six (6)
39 years and one (1) day and not higher than twelve (12) years, or both, at the discretion of the
40 court. The BSP may likewise suspend or revoke the licenses of these providers and subject the
41 offenders to administrative penalties.

1 If the violator is a government officer, personnel, or employee, they shall be liable for a fine not
2 exceeding One million pesos (P1,000,000.00) or imprisonment of not lower than six (6) years
3 and one (1) day and not higher than twelve (12) years, or both, at the discretion of the court. In
4 addition, they will be removed from office, subject to the rules and regulations of the Civil
5 Service Commission.

6
7 Individuals or entities found guilty of unauthorized access, use, or disclosure of consumer
8 financial data shall be liable for a fine not exceeding One million pesos (P1,000,000.00) or
9 imprisonment of not lower than six (6) years and one (1) day and not higher than twelve (12)
10 years, or both, at the discretion of the court.

11
12 The Anti-Money Laundering Council (AMLC) shall be working alongside BSP to enforce
13 stringent anti-money laundering regulations in order to ensure that the open banking mechanism
14 does not facilitate money laundering or terrorist financing.

15
16 **Sec. 12. *Dispute Resolution Mechanisms.*** – The BSP shall establish mechanisms for the
17 resolution of disputes arising from open banking transactions, including consumer complaints,
18 disputes between financial institutions and third-party providers, and breaches of contractual
19 obligations.

20
21 Financial institutions and third-party providers shall be required to implement internal dispute
22 resolution procedures and participate in alternative dispute resolution mechanisms accredited by
23 the BSP, such as mediation or arbitration, to resolve disputes in a timely and efficient manner.

24
25 The BSP may provide guidelines and assistance to facilitate the resolution of disputes and ensure
26 fair and equitable outcomes for all parties involved in open banking transactions.

27 28 **CHAPTER VII: COMPLIANCE REVIEW**

29
30 **Sec. 13. *Performance Review.*** – The BSP shall conduct periodic performance reviews of
31 the effectiveness and impact of this Act, with necessary amendments or revisions made to
32 address emerging challenges or opportunities.

33
34 It shall submit regular reports of the outcome of its periodic review to the Joint Congressional
35 Oversight Committee.

36
37 **Sec. 14. *Joint Congressional Oversight Committee.*** – There is hereby created a Joint
38 Congressional Oversight Committee to monitor the implementation of this Act and to oversee
39 the functions and performance of the implementing agencies. The Committee shall be composed
40 of five (5) Senators and five (5) Representatives to be appointed by the Senate President and the
41 Speaker of the House of Representatives, respectively. The Oversight Committee shall be co-
42 chaired by the Chairpersons of the Committee on Banks, Financial Institutions and Currencies of

1 the Senate and Committee on Banks and Financial Intermediaries of the House of
2 Representatives.

3 CHAPTER VIII: FINAL PROVISIONS 4

5 Sec. 15. ***Appropriations.*** – The amount necessary for the effective implementation of this
6 Act shall be charged against the annual budget of the Bangko Sentral ng Pilipinas under the
7 General Appropriations Act.

8
9 Provided, That, other lead government agencies responsible to monitor the compliance of this
10 law shall also include in their annual budgets the necessary funding requirements consistent with
11 their mandates as provided in this Act.

12
13 Sec. 16. ***Implementing Rules and Regulations.*** – The BSP, in consultation with relevant
14 government agencies and industry stakeholders, shall formulate the rules and regulations
15 necessary to implement the provisions of this Act within ninety (90) days from its effectivity.

16
17 Sec. 17. ***Separability Clause.*** – If any provision of this Act is declared invalid or
18 unconstitutional, the remaining provisions not affected thereby shall remain in full force and
19 effect.

20
21 Sec. 18. ***Repealing Clause.*** – Any law, presidential decree, order, issuance, rule and
22 regulation, or parts thereof, which are inconsistent or contrary to the provisions of this Act are
23 hereby repealed or modified accordingly.

24
25 Sec. 19. ***Effectivity.*** –This Act shall take effect after fifteen (15) days following its
26 publication in the *Official Gazette* or in a newspaper of general circulation.

27
28 Approved.