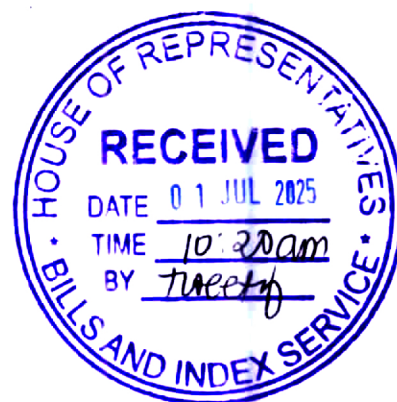


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

TWENTIETH CONGRESS

First Regular Session

HOUSE BILL NO. 754



INTRODUCED BY REPRESENTATIVE JURDIN JESUS M. ROMUALDO

EXPLANATORY NOTE

The Philippine banking sector serves as a vital backbone of the national economy—facilitating financial transactions, supporting enterprise growth, and promoting inclusive development. In recent years, however, the sector has been undergoing substantial transformation, spurred by rapid technological advancements, shifting consumer behavior, and evolving regulatory landscapes.

The COVID-19 pandemic accelerated this transformation. Digital transactions surged to unprecedented levels, highlighting both the increasing public reliance on digital finance and the urgent need for a more agile and integrated financial ecosystem. Against this backdrop, open banking emerges as a critical next step in modernizing the Philippine financial sector.

Open banking refers to the practice of enabling third-party providers—typically FinTech firms—to securely access consumers' financial data from banks, with their consent, through Application Programming Interfaces (APIs).¹ This framework empowers consumers with greater control over their financial information, fosters transparency, and stimulates competition and innovation within the sector.

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

Open banking holds particular significance for the Philippines where, according to the 2021 Bangko Sentral ng Pilipinas (BSP) Financial Inclusion Survey, around 44% of Filipino adults remain unbanked.³ By lowering barriers to entry, open banking can enable the development of personalized financial services, improve credit access, and boost financial literacy—thereby accelerating financial inclusion.

Globally, the implementation of open banking frameworks has yielded significant positive outcomes. For instance:

- In the United Kingdom, the Open Banking Implementation Entity (OBIE), established under the Competition and Markets Authority, has led to over 7 million users benefiting from new services and enhanced financial control.⁴

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 Bangko Sentral ng Pilipinas. (2021). *Financial Inclusion Survey*. Retrieved from <https://www.bsp.gov.ph>

⁴ Open Banking Implementation Entity (UK). (2023). *Impact Report*. Retrieved from <https://www.openbanking.org.uk>

- Australia's Consumer Data Right (CDR) extends beyond banking into sectors like energy and telecommunications, creating a robust data-sharing ecosystem.⁵
- In Asia, the Monetary Authority of Singapore (MAS) and the Hong Kong Monetary Authority (HKMA) have launched open API frameworks promoting secure, innovative financial solutions across the region.⁶

Locally, digital financial services like GCash, Maya, and Coins.ph exemplify how open banking principles—if institutionalized—can optimize customer experience, reduce transaction costs, and expand financial access.⁷ Yet, the current absence of a unified legal and regulatory framework limits these innovations and leaves consumers vulnerable.

While the promise is immense, open banking also presents substantial challenges. Chief among them are data privacy, cybersecurity, and the risk of regulatory arbitrage. Robust authentication systems, clear liability frameworks, and inter-agency collaboration are essential. Moreover, to ensure a level playing field, the proposed bill bars directors or officers of traditional banks from working with FinTech firms engaged in open banking, in order to prevent conflicts of interest and misuse of privileged financial data.

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.

The Bangko Sentral ng Pilipinas (BSP) is best positioned to lead the regulatory charge, consistent with its mandates under Republic Act No. 11127 (National Payment Systems Act) and Republic Act No. 8791 (General Banking Law of 2000). The Department of Information and Communications Technology (DICT), for its part, must ensure the availability of secure digital infrastructure and adherence to data security standards under the Data Privacy Act of 2012 (RA 10173).

In sum, this measure seeks to establish an Open Banking Framework in the Philippines, institutionalizing the safe, inclusive, and efficient sharing of financial data. With the right regulatory safeguards, inter-agency cooperation, and legislative support, open banking can unlock broader access to financial services, foster healthy competition, and position the Philippines at the forefront of financial innovation in the region.

Your favorable support to this bill is highly sought.


JURDIN JESUS M. ROMUALDO

⁵ Australian Government | Consumer Data Right. Homepage | Consumer Data Right. (n.d.). <https://www.cdr.gov.au/>

⁶ Monetary Authority of Singapore & Hong Kong Monetary Authority. (2023). Open API Frameworks. Retrieved from <https://www.mas.gov.sg> and <https://www.hkma.gov.hk>

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/>

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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.

- 1 b. "*Application Programming Interface (API)*" – Set of protocols and tools that allow
2 different financial software applications to communicate and share data efficiently. They
3 enable functionalities like secure payment processing, access to banking services, and
4 integration with investment and insurance platforms, facilitating seamless operations and
5 innovation in financial technology.
6
- 7 c. "*Financial Companies (Fintech)*" – Technology-driven companies providing financial
8 services.
9
- 10 d. "*Financial Data*" – Any information relating to a consumer's financial transactions,
11 accounts, or products held by a bank.
12
- 13 e. "*Financial Institution*" - refers to banks, non-bank financial institutions, and other
14 entities licensed or authorized by the Banko Sentral ng Pilipinas (BSP) to engage in
15 banking or financial activities.
16
- 17 f. "*International Transactions*" – Cross border financial transactions conducted through
18 open banking platforms.
19
- 20 g. "*Open Banking*" – The practice of securely sharing consumer financial data, including
21 account information and transaction history, among financial institutions and authorized
22 third-party providers through application programming interfaces (APIs) or other secure
23 channels upon consumer consent.
24
- 25 h. "*Pull Payments*" – A type of A2A payment wherein businesses withdraw, or 'pull',
26 money from consumers' accounts. This payment type is typically used by businesses
27 with recurring payment models, such as subscriptions, and it requires prior consent from
28 the customer.
29
- 30 i. "*Push Payments*" – A type of A2A payment that is normally used for transferring one-

1 off sums as it requires consumers to manually send, or 'push', money to another account.

2
3 j. "*Society for Worldwide Interbank Financial Telecommunications (SWIFT)*" – A secure
4 system that powers most international money and security transfers. It is a vast messaging
5 network used by financial institutions to quickly, accurately, and securely send and
6 receive information, such as money transfer instructions.

7
8 k. "*Third-party Financial Service Provider*" – Any entity authorized by the Bangko Sentral
9 ng Pilipinas (BSP) or relevant regulatory authorities to access and utilize customer
10 financial data from financial institutions for the purpose of providing innovative financial
11 services to consumers.

12 13 **CHAPTER III: PRINCIPLES AND STANDARDS**

14 Sec. 4. *Principles of Open Banking.* – The following principles shall guide the
15 implementation of open banking in the Philippines:

16
17 (a) **Customer Consent:** Banks must obtain explicit consent from consumers before
18 sharing their financial data with third-party financial service providers. Financial
19 institutions and third-party providers shall obtain explicit consent from consumers
20 before accessing or sharing their financial data, and shall provide clear and transparent
21 information about the purposes and scope of data sharing.

22
23 (b) **Data Security:** It shall be the duty of the National Privacy Commission (NPC) to
24 ensure compliance of the financial institutions and third-party providers with the
25 provisions of the Data Privacy Act of 2012 (Republic Act No. 10173) and other
26 relevant laws and regulations governing the collection, use, and protection of personal
27 data within the open banking framework. In addition, The Department of Information
28 and Communications Technology (DICT) shall develop technical standards and
29 cybersecurity measures needed. Financial institution must promptly notify consumers
30 of any breach or security incidents.

1 The BSP shall establish data security standards and requirements for financial
2 institutions and third-party providers engaged in open banking activities, including
3 encryption, authentication, and access controls.
4

5 (c) Interoperability and Standardization: The BSP shall establish interoperability
6 standards and protocols to facilitate seamless data sharing and interoperability
7 among different open banking systems and platforms.
8

9 Financial institutions and third-party providers shall be required to adhere to
10 BSP- approved standards and protocols to ensure compatibility and interoperability
11 of their systems and services.
12

13 The BSP may designate industry bodies or consortia to develop and maintain
14 interoperability standards and frameworks for the open banking ecosystem, subject
15 to BSP oversight and approval.
16

17 (d) Competition and Innovation: Open banking shall promote competition and innovation
18 in the financial services industry by enabling the development of new products,
19 services, and business models.
20

21 The Philippine Competition Commission (PCC) shall monitor and promote fair
22 competition in the financial services sector, preventing anti-competitive practices.
23

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

1 The Securities and Exchange Commission (SEC) shall regulate fintech companies
2 and third-party providers involved in open banking to protect investors and ensure
3 market integrity. The DICT, in coordination with the Department of Trade and
4 Industry (DTI), SEC, and the NPC, shall ensure that consumer rights and data
5 privacy are protected in open banking. Comprehensive guidelines on data
6 security, privacy, and consumer consent shall be established.

7
8 (f) International Transactions: Open banking initiatives involving international
9 transactions shall comply with applicable international standards and regulations to
10 ensure security, privacy, and the prevention of money-laundering and financing of
11 terrorism acts. The BSP along with the Anti-Money Laundering Council (AMLC)
12 shall oversee these transactions to ensure compliance and to protect the integrity of
13 the Philippine financial system.

14
15 The BSP may collaborate with other government agencies, industry stakeholders, and
16 international organizations to develop and promote best practices for open banking and ensure
17 interoperability and compatibility among different open banking systems. This includes
18 promulgating rules and regulations including standards for API development, data security,
19 consent management, addressing vulnerabilities, and dispute resolution.

20
21 The BSP shall publish aggregate data on open banking activities, including the number of
22 authorized third-party providers, volume of data sharing transactions, and consumer complaints
23 or disputes, to promote transparency and accountability in the open banking ecosystem.

24
25 **Sec. 5. *Prohibition to Open Banking Participating Fintech.*** – To ensure fair and
26 transparent competition under the Open Banking System, no incumbent bank director or officer
27 connected to the mainstream banking sector will be allowed to participate in the open banking
28 system Fintech. Past officers of the banking industry for the last five (5) years are also covered
29 by this prohibition.

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

4
5 Financial institutions and third-party providers shall be required to provide clear and accessible
6 information to consumers about open banking services, including potential risks, privacy
7 implications, and dispute resolution mechanisms.

8
9 The BSP shall collaborate with relevant government agencies, educational institutions, and non-
10 governmental organizations to disseminate information and conduct outreach activities to raise
11 awareness about open banking and empower consumers to make informed decisions about their
12 financial data.

13
14 The BSP shall conduct periodic assessments of the effectiveness of financial education and
15 consumer awareness initiatives related to open banking and make recommendations for
16 improvement as necessary.

17 18 **CHAPTER VI: VIOLATIONS, SANCTIONS, AND DISPUTE RESOLUTIONS**

19
20 Sec. 11. *Violations and Sanctions.* – Financial institutions and third-party providers
21 found to have violated the provisions of this Act or related regulations shall be subject to a fine
22 not exceeding Two million pesos (P2,000,000.00) or imprisonment of not lower than six (6)
23 years and one (1) day and not higher than twelve (12) years, or both, at the discretion of the
24 court. The BSP may likewise suspend or revoke the licenses of these providers and subject the
25 offenders to administrative penalties.

26
27 If the violator is a government officer, personnel, or employee, they shall be liable for a fine not
28 exceeding One million pesos (P1,000,000.00) or imprisonment of not lower than six (6) years

1 and one (1) day and not higher than twelve (12) years, or both, at the discretion of the court. In
2 addition, they will be removed from the office, subject to the rules and regulations of the
3 Civil Service Commission.

4
5 Individuals or entities found guilty of unauthorized access, use, or disclosure of consumer
6 financial data shall be liable for a fine not exceeding One million pesos (P1,000,000.00) or
7 imprisonment of not lower than six (6) years and one (1) day and not higher than twelve (12)
8 years, or both, at the discretion of the court.

9
10 The Anti-Money Laundering Council (AMLC) shall be working alongside BSP to enforce
11 stringent anti-money laundering regulations in order to ensure that the open banking mechanism
12 does not facilitate money laundering or terrorist financing.

13
14 **Sec. 12. *Dispute Resolution Mechanisms.*** – The BSP shall establish mechanisms for the
15 resolution of disputes arising from open banking transactions, including consumer complaints,
16 disputes between financial institutions and third-party providers, and breaches of contractual
17 obligations.

18
19 Financial institutions and third-party providers shall be required to implement internal dispute
20 resolution procedures and participate in alternative dispute resolution mechanisms accredited by
21 the BSP, such as mediation or arbitration, to resolve disputes in a timely and efficient manner.

22
23 The BSP may provide guidelines and assistance to facilitate the resolution of disputes and ensure
24 fair and equitable outcomes for all parties involved in open banking transactions.

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

4
5 Sec. 17. **Separability Clause.** – If any provision of this Act is declared invalid or
6 unconstitutional, the remaining provisions not affected thereby shall remain in full force and
7 effect.

8
9 Sec. 18. **Repealing Clause.** – Any law, presidential decree, order, issuance, rule and
10 regulation, or parts thereof, which are inconsistent or contrary to the provisions of this Act are
11 hereby repealed or modified accordingly.

12
13 Sec. 19. **Effectivity.** – This Act shall take effect after fifteen (15) days following its
14 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved.