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Competition in Mobile Payment Services – Note by the Philippines

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Philippines

1. In the Philippines, mobile payments have become prevalent through the increasing popularity of electronic money (*e-money*) and digital bank transfers. From a mere 1% in 2013, the volume of digital payment transactions has grown exponentially to 52.8% in 2023 breaching the central bank’s growth target for that year.

2. This surge in digital payments over the past decade was primarily due to the widespread adoption of online merchant transactions, person-to-person remittances, and supplier payments made by businesses.¹ The national government – particularly the Bangko Sentral ng Pilipinas (*BSP*),² established key policies and infrastructure to promote financial inclusion and access to digital payments.³ The Covid-19 pandemic also fast-tracked development as the need for contactless transactions became critical.⁴

3. The shift from a traditional bank-centric system to a more dynamic and innovative financial services system has enabled millions of Filipinos to gain access to financial products and services. The 2021 Financial Inclusion Report by BSP reports that e-money accounts are the most held type of financial account in the Philippines. This shift has spurred the growth of fintech companies and digital banks in the country.

4. Looking forward, the number of digital payment users is projected to exceed 60 million by 2027, representing more than 50 percent of the local population.⁵ The BSP set its next goal to digitalize 60 to 70 percent of retail payments in the country by 2028.⁶

1. Industry Background

5. As earlier mentioned, the BSP has been pivotal in the development and promotion of digital payments through its establishment of key policies and infrastructure. Significant milestones include the establishment of a Real Time Gross Settlement (RTGS) System⁷ and the National Retail Payments System (NRPS) Framework.

6. The Philippines’ payments systems can be delineated into the large-value payment system and the retail payment system. The large-value, RTGS system (the Philippine

¹ [ph/PaymentAndSettlement/PhilPaSSplus_primer.pdf](#)

² The Bangko Sentral ng Pilipinas (BSP) is the central bank of the Republic of the Philippines and is the country’s central monetary authority. It provides policy direction in the areas of money, banking and credit and supervises the operations of banks. It also exercises regulatory and examination powers pursuant to the New Central Bank Act and other pertinent laws over the quasi-banking operations of non-bank financial institutions.

³ Initiatives such as the PhilPaSSplus, National Retail Payments System (NRPS), QR PH and Bills PH.

⁴ Thunes, Philippines Rising: Leading the Wallet Revolution (August 2024) accessed via <https://www.thunes.com/views/philippines-rising-leading-the-digital-wallet-revolution/>

⁵ Id.

⁶ Inquirer, Digital payments: How the Philippine economy gains from it (November 2024), accessed via <https://business.inquirer.net/492978/digital-payments-how-philippine-economy-gains-from-it>

⁷ An RTGS system provides instant settlement of payments, transfer instructions, or other obligations individually on a transaction-by-transaction basis.

Payment and Settlement System or *PhilPaSS*) – was established by the BSP in 2002. It is the lone Peso RTGS system in the country and is owned and operated by the BSP in accordance with its authority under the National Payment Systems Act. *PhilPaSS* settles interbank fund transfers against the Demand Deposit Accounts of participant banks and financial institutions maintained by the BSP. It also enables fixed income security trades, FX trades, and other financial market transactions.

7. Prior to the establishment of the *PhilPaSS* in 2002, settlements were manual intensive and not done real-time.⁸ Counterparties to a transaction had to manually input their transactions and thereafter, wait for verification and authentication before settlement with the BSP. With the *PhilPaSSplus*, effective 2021 to present, the RTGS now handles greater settlement capacity, higher settlement efficiency, broader access channels, greater security, and richer payment information.⁹

8. As for retail payments, the NRPS is a flagship program of the BSP. It is a policy and regulatory framework that aims to establish a safe, efficient, reliable and interoperable retail payment system in the Philippines. It is built on three core principles: interoperability, inclusivity and “coopetition” which is coined from both cooperation and competition.

9. The NRPS framework covers all retail payment-related activities, mechanisms, institutions, and users. It applies to all domestic payments which are denominated in Philippine Peso, and which may be for the payment of goods and services, domestic remittances, or fund transfers.¹⁰ The NRPS also requires BSP-supervised financial institutions (*BSFIs*) offering electronic financial and payments services (EFPS) to move funds through participation in Automated Clearing Houses (ACHs).¹¹ ACHs are further discussed below.

10. In the Philippines, the major payments instruments are: (i) money or legal tender such as cash and coins issued by the central bank; (ii) checks or bills of exchange; (iii) payment cards (debit, credit, prepaid); and (iv) e-money which stores monetary value in an electronic instrument or device such as a card or a virtual wallet accessible through mobile phones or online.

11. E-money issuance is regulated by the BSP, and prior approval must be secured before a bank or a non-bank financial institution may act as an e-money issuer (*EMI*). The process of applying to become an *EMI* may take around six (6) months – with one instance taking for as long as more than two (2) years.

12. The Philippine payment value chain typically consists of the following players, save where the context implies otherwise:

1. A *Payer* or the person who pays for a product or service through payment instruments;

⁸ [PhilPaSSplus Primer, BSP accessed via: https://www.bsp.gov.ph/PaymentAndSettlement/PhilPaSSplus_primer.pdf](https://www.bsp.gov.ph/PaymentAndSettlement/PhilPaSSplus_primer.pdf)

⁹ *Id.*

¹⁰ BSP Circular No. 980, Adoption of the National Retail Payment System Framework, Section 1.

¹¹ *Id.*

2. An *Issuer* or the entity who operates payment channels, whether offline or online. The issuer may be a BSP-licensed Operator of Payment Systems (*OPS*)¹² and/or an EMI, or may avail of the services of one;
 3. An *Acquirer/Aggregator* or the entity who maintains relationships with third-party billers, portfolio partners, and service providers; and
 4. A *Biller* or the entity providing the product or service to be paid for by the Payer.
13. Fintech companies and banks have also developed mobile applications (*apps*) which have integrated the entire payment value chain into a one-stop-shop application for users. Anyone can download these apps for free or for a fee thru app stores.
14. These companies and other non-bank financial institutions will have to register and procure the necessary licenses from the BSP depending on the financial service they intend to offer.

2. Competition Landscape

15. As of 2025, there are 71 EMIs in the Philippines – 28 of which are banks and 43 are NBFIs. Currently, there are also 303 BSP-registered OPS licensees.¹³ As of 2023, 299 fintech companies were also said to be operating in the Philippines.
16. Recent regulations by the BSP have re-opened the mobile payments industry. In December 2024, the BSP has lifted its moratorium on the issuance of EMI licenses for NBFIs to further promote digital payments, enhance financial inclusion and foster innovation. Furthermore, in January 2025, the moratorium on the issuance of digital banking licenses has also been lifted.
17. While these developments have opened the door for entry of new market players in the mobile payments space, pioneers such as *Gcash* and *PayMaya* pose challenges to thriving and new entrants.

3. Previous Competition Cases involving Mobile Payments

18. The Philippine Competition Commission (*PCC*) has previously handled mergers and acquisitions which involved entities directly involved in the mobile payments industry.

3.1. Alipay-Gcash

19. In 2017, *Alipay Singapore Pte. Ltd. (Alipay SG)* proposed to acquire shares in *Globe Fintech Innovations, Inc (Mynt)*. The transaction was considered a horizontal acquisition between two BSP-licensed EMIs, *Alipay* and *Gcash*.

¹² An OPS is defined as any person who provides clearing or settlement services in a payment system, or defines, prescribes, designs, controls or maintains the operational framework for the system. Under the National Payment Systems Act, all OPS are required to register with the BSP. Independent ATM Deployers, Bayad Centers/bill payment aggregators, online merchants/billers, and payment gateways may be covered if they perform operator functions relative to a payment system.

¹³ According to BSP Data.

20. At that time, Alipay had over 450 million registered users and over 200 financial institution partners, offering payment services for around 10 million small and micro merchants, while expanding its service offerings. Its operations in the Philippines, however, was limited to acting as the payment platform for the online shopping site Lazada Philippines.

21. Gcash, on the other hand, still had a relatively small yet growing market share.

22. The Commission had to look into *whether the proposed acquisition would result in a substantial lessening of competition*.

23. Ultimately, the acquisition was deemed not to result in the substantial lessening of competition. There was lack of ability or incentives for the merging parties to engage in exclusionary conduct post-acquisition. Moreover, sufficient competitive constraints remained post-acquisition from both EMIs and non-EMI payment services and instruments.

24. In the review, the relevant market considered was the provision of electronic payment (e-payment) services by EMIs. The review team studied the substitutability of e-money with other payment instruments such as cash and debit/credit cards.

25. The review team made the following findings:

- With respect to debit/credit cards, e-money was still considered a weak substitute since transactional security was still a concern for the latter.
- With respect to cash, while e-money was considered substitutable, the former could not be included in the relevant market as it was neither owned nor issued by any EMI-licensee (but by the central bank). Cash was considered a countervailing factor, rather than a product by a competitor included in the relevant market.

26. The electronic commerce space in the Philippines, as well as the e-payment services market, were still at its nascent stages at the time of the transaction.

3.2. BancNet-PCHC

27. More recently, in 2024, the PCC cleared the merger between *BancNet Inc.* and the *Philippine Clearing House Corporation (PCHC)*.¹⁴ This case was subject to much stricter scrutiny as it involved a merger between two of the country's key payment systems and clearing switch operators (*CSO*).

28. BancNet is a Philippine-based electronic payments network and is the designated *CSO* of *InstaPay*. *InstaPay* is an electronic fund transfer system that allows participating BSFIs to transfer low value Philippine Peso-denominated funds real time between account holders of participating banks and non-bank EMIs. BancNet, as its *CSO*, clears and settles the fund transfer transactions. At the end of each day, BSFIs will settle their net settlement amount through their demand deposit account with the BSP.

29. On the other hand, PCHC is the designated *CSO* of *PESONet*. *PESONet* is a batch electronic fund transfer system employing a more thorough processing considering that its fund transfer limit is PhP 50,000.00. As higher risk is involved with more substantial amounts, the transferred amounts are settled first with the Originating Financial Institution's demand deposit account before the inward clearing file is released by the PCHC to the Receiving Financial Institution. Upon receipt of said inward clearing file,

¹⁴ In terms of the mobile payment value chain, BancNet and PCHC are both considered as OPS.

Receiving Financial Institutions can proceed to crediting the beneficiary's account. Transfers under *PESONet* are not real-time.

30. As designated CSOs by the BSP, BancNet and PCHC are required to provide clearing switch services and operationalize their respective ACHs,¹⁵ *i.e.*, InstaPay and PESONet.

31. As InstaPay and PESONet were the only existing ACHs in the Philippines, the Commission recognized that the merger between BancNet and PCHC would result into a monopoly. This raised concerns on the possible anticompetitive effects of the transaction.

32. The transaction was eventually cleared by the Commission after the Parties executed voluntary commitments to address the identified competition concerns. These concerns included the likely increases in CSO fees imposed on consumers, potential discriminatory behavior, reduction of quality of service, and reduction of incentive to innovate. Some of the commitments of the Parties include the following:

- Charge the same CSO fees to all its shareholders;
- Not to proscribe any party from becoming a shareholder;
- Provide the same quality of CSO service to all its shareholders;
- Maintain a 99% Monthly Service Availability Rate (MSAR);¹⁶
- Continue to develop and pursue upgrades in its platform to combat against fraud & use of mule accounts, and to provide assistance to any of its shareholder-banks and financial institutions upgrading their existing system.

33. These commitments were to remain effective for a period of five (5) years from the effective date and will be subject to automatic review after the third (3rd) year to determine whether the Merged Entity may be released from its commitments.

34. In clearing the transaction, the Commission also took into consideration the existing regulatory framework and market conditions, as well as the assurances from the BSP of its active role as the primary regulator of the industry.

4. Conclusion

35. The PCC, in analyzing cases in the payments industry, carefully considers the balance between promoting innovation and curbing dominance that may stifle competition – and more importantly, its impact to consumer welfare. As the Philippines increasingly becomes a fertile environment for digital payments, more and more companies want to participate and introduce innovations in the market.

36. This entails a cautious monitoring of the competition landscape and constant communication with the industry regulator. The presence of more-established companies ensure stability in a critical sector but at the same time may make it more difficult for new

¹⁵ ACHs refer to multilateral, legally binding agreements among BSFIs that govern clearing, settlement, and determination of payment orders for a specific payment stream. ACHs are not incorporated entities that can be owned by their designated CSOs.

¹⁶ The MSAR pertains to the actual uptime or availability of both InstaPay and PESONet's service to their participants for any given month. This includes allowable downtimes for scheduled maintenance and system updates communicated prior, as well as force majeure events which are beyond the merged entity's control.

players to enter and grow in the market. As mobile payments become more ubiquitous and integrated into the daily lives of Filipinos, the risk of consumer harm also increases.

37. Nevertheless, the benefits to consumers brought about by these developments in mobile payments have been undeniable and seem to outweigh the risks. Mobile payments gave consumers access to efficient and cost-effective means to conduct their financial transactions.

38. Consumers have also gained access to financial services that are faster, safer, and more convenient. Two of the most common financial transactions of Filipino adults – bills payment and remittances¹⁷ – have seen significant improvements. Previously, Filipinos had to endure long lines and incur additional costs just to conduct these transactions with payment centers and remittance agents. Now, these financial services have become accessible at the fingertips. Moreover, real-time posting of fund transfers and payments have facilitated and streamlined economic transactions.

39. In 2021, it was reported that the country’s banking penetration rate was at 56% - considered low by standards of emerging markets.¹⁸ Digital payments are projected to provide additional banking access to nearly 21 million unbanked Filipinos and contribute USD323 million of additional economic output by 2028 – equivalent to 29,238 jobs in the Philippines.¹⁹ The central bank is also targeting at least 70% banking penetration rate by 2030 and digital finance is one of its primary means to achieve that target.

40. The PCC recognizes all of these potential benefits and carefully considers the same in deciding cases. Nevertheless, the PCC remains vigilant in ensuring that markets remain competitive and innovative – and more importantly, that consumer welfare is protected.

¹⁷ Bangko Sentral ng Pilipinas (BSP) National Baseline Survey on Financial Inclusion (NBSFI) (2015); Le Sar and Porteous (2013).

¹⁸ De Gantès, Guillaume, et al. “On The Verge of a Digital Banking Revolution in the Philippines.” McKinsey & Company, 3 May 2023, On the verge of a digital banking revolution in the Philippines.

¹⁹ Real-Time Payments Economic Impact and Financial Inclusion Report, ACI Worldwide, 2024