

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

House Bill No. 1073

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Introduced by HONORABLE SCOTT DAVIES S. LANETE, M.D.

EXPLANATORY NOTE

According to a news article,¹ the Bangko Sentral ng Pilipinas ("BSP") confirmed that incidents of automated machine teller ("ATM") fraud have been on the rise the past few years. From 2012 to 2013, it was reported that bank depositors lost nearly P400 million from automated machine teller ATM fraud.

Although BSP has issued regulations imposing stricter security measures, a long-term solution is not yet in place. The banking industry also had adopted measures to protect itself and its customers, by installing hand shields or similar initiatives to block illegal surveillance cameras installed by criminals to view card users' security access numbers or personal identification number (PIN) when making a withdrawal and detecting devices in the machine itself where the ATM card is inserted. These have resulted in the successful tracking of fraudulent withdrawals. However, it takes banks a long period of time to detect the fraud and return the money withdrawn. This has caused depositors the same amount of time before they could withdraw and use their money.

Thus, the problem has not been resolved and has even escalated despite the tighter measures adopted. ATM machines, not computer systems, are the targets of fraud, according to BSP. Therefore, the passage of a bill mandating banks to inform the ATM owners by SMS or e-mail once an attempt to withdraw is made from the card. Through this security measure, the owner is alerted immediately and as soon as withdrawal of amounts is made from his/her card. This is a more effective and immediate measure of protection considering that at present, the owner is only informed of any suspicious or fraudulent withdrawal from his/her account when he/she personally checks his account. By putting in place another layer of security- informing the owner by SMS or e-mail that there is an attempt to withdraw from his/her which he/she must confirm to complete the transaction-fraudulent transactions are prevented. Hence, the passage of this law is urgently sought.


SCOTT DAVIES S. LANETE, M.D.
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¹ Maki Pulido, *Bangko Sentral notes rise in ATM fraud*, GMA News, 8 May 2015, available at <http://www.gmanetwork.com/news/story/483910/economy/moneyandbanking/bangko-sentral-notes-rise-in-atm-fraud>

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AN ACT MANDATING THE BANKS TO NOTIFY ATM OWNERS BY SMS OR E-MAIL OF WITHDRAWALS FROM THEIR ACCOUNTS, ESTABLISHING A MECHANISM THEREFOR AND FOR OTHER PURPOSES

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

Section 1. *Short Title.* This Act shall be known as “ATM Withdrawal Security Act of 2016.”

Sec. 2. *Declaration of Policy.* It is the policy of the State to serve and protect the people, to maintain peace and order, to protect life, liberty, and property, and to promote the general welfare.

Sec. 3. *Definition of Terms.*

- a. Automated Teller Machine (ATM) shall mean a machine at a bank or other location, which enables a bank customer to perform basic banking activities such as, but not limited to withdrawal, transfer of funds, checking of balance during or even after banking hours.
- b. Short Message Service (SMS) shall mean texting, sending text messages or text messaging which allows for short text messages to be sent from one cell phone to another cell phone or from the Web to another cell phone.
- c. Electronic Mail (E-mail) shall mean a message sent electronically from one computer to another or from one cell phone to a computer.
- d. ATM Owner refers to the person whose name appears on the ATM card.
- e. Confirmation Period shall mean a period of twenty four (24) hours counted from the time of withdrawal.

Sec. 4. *Notification by SMS or E-mail.* It shall be mandatory for all banks to notify the ATM owner of any attempt of withdrawal of at least Twenty Thousand Pesos (Php20,000.00), whether in savings or current account, in the Philippines or abroad. For this purpose, every account holder shall be required to inform the bank of his or her mobile phone number and email, and any changes thereto.

Sec. 5. *Confirmation by the ATM Owner.* The withdrawal from the savings or current account shall only be recorded and debited by the bank once the ATM owner confirms the withdrawal by SMS or E-mail within the Confirmation Period. Failure by the ATM

owner to confirm a withdrawal within the Confirmation Period shall mean waiver on his or her part to question its validity.

Sec. 6. Mechanism for the Notification by SMS or E-mail. The banks shall develop and thereafter, adopt a unified manner for the required notification and confirmation under this Act. The banking industry shall work with the current telecommunications provider in developing the said unified system.

Sec. 7. Implementing Agencies. The Bangko Sentral ng Pilipinas in cooperation with the Department of Transportation and Communications shall ensure the implementation and enforcement of this Act.

Sec. 8. Penalties.

- a. Any bank or banking institution who neglects or fails to give the notification required under this Act shall be punished with a fine of not less than Five Hundred Thousand Pesos (Php500,000.00) but not more than One Million Pesos (Php1,000,000.00), without prejudice to the filing of appropriate administrative, criminal or civil charges against them.
- b. Any bank or banking institution who records and debits a withdrawal within the confirmation period without the required confirmation from the ATM owner shall be punished with a fine of not less than Five Hundred Thousand Pesos (Php500,000.00) but not more than One Million Pesos (Php1,000,000.00), without prejudice to the filing of appropriate administrative, criminal or civil charges against them.

Sec 9. Implementing Rules and Regulations. The Bangko Sentral ng Pilipinas and Department of Transportation and Communications shall have the power to promulgate the implementing rules and regulations as may be necessary to fully implement the objectives and purposes of this Act within one (1) years from the approval hereof.

Sec. 10. Separability Clause. If any part or provision of this Act shall be held unconstitutional or invalid, other provisions which are not affected thereby shall continue to be in full force and effect.

Sec. 11. Repealing Clause. All laws, issuances or parts thereof inconsistent with this Act are hereby repealed or modified accordingly.

Sec. 12. Effectivity. This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in at least two (2) newspapers of general circulation.

Approved,