

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

SEVENTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 5629



Introduced by **HONORABLE LUIS RAYMUND F. VILLAFUERTE, JR.**

EXPLANATORY NOTE

Financial inclusion means that individuals and businesses have access to useful and affordable financial products and services that meet their needs – transactions, payments, savings, credit and insurance – delivered in a responsible and sustainable way.¹ It is considered a key enabler to reduce poverty and boost prosperity. However, a major obstacle toward financial inclusion is cost — especially those incurred by customers living in far-flung areas in reaching bank branches. In the Philippines, more than 36% of all the municipalities have no banking presence² and the World Bank estimates that about 60% of the country's adult population remains unbanked. Only 28% of Filipino adults own a bank account and only about 15% save money with a formal financial institution over a 12-month period, while only 10% borrow money from formal institution over a similar timeframe.³ Thus, there is a definite opportunity and need to reach the financially excluded.

In view of the foregoing, the State shall create an enabling regulatory environment for innovations and allow banks to exponentially reach and serve clients more efficiently. In January 2017, the *Bangko Sentral ng Pilipinas*, through its Monetary Board, approved the guidelines for new bank service channels and relaxed existing regulations on deposit taking activities outside bank services.⁴ Under the new regulations, banks are now allowed, with prior BSP authorization, to serve clients through cash agents contracted by banks to accept and disburse cash in its behalf, facilitating online self-service deposits, withdrawals and fund transfers, as well as bills payment. Cash agents can also perform Know-Your-Customer procedures as well as collect and forward application documents for loan and account opening. They may also sell and service insurance as may be authorized by the Insurance Commission.

¹ World Bank. (2016, October 02). Financial Inclusion. Retrieved from <http://www.worldbank.org/en/topic/financialinclusion/overview>

² Per Bangko Sentral ng Pilipinas data, 2017

³ Asian Development Bank. (2017, January). Accelerating Financial Inclusion in Southeast Asia with Digital Finance. Retrieved from <https://www.adb.org/publications/financial-inclusion-south-east-asia-digital-finance>

⁴ Bangko Sentral ng Pilipinas (2017, January 18). SP Issues Regulation Enabling Banks to Expand Service Delivery Channels. Retrieved from <http://www.bsp.gov.ph/publications/media.asp?id=4274>

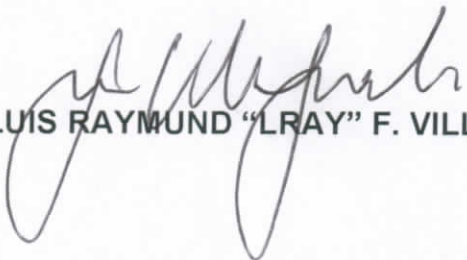
This bill, "*Bangko sa Baryo Act of 2017*" shall incorporate the new BSP guidelines and further enhance the concept of banking through cash agents. It shall provide various incentives to any person (applies to both natural and legal) who shall establish its business in the remote areas of the country such as waiver of government fees, free training for personnels, tax benefits, among others. The local government unit shall play a crucial role in assigning areas as "remote" and assess the same for necessity of banking presence.

Further, the bill shall define who are cash agents and provide for the corresponding eligibility requirements. The bill shall ensure that agents, as extensions of the banking system, are able to provide professional service, keep records, handle cash and manage liquidity.

Cash agents should be able to assist in performing a broad range of bank services, including forwarding account opening applications, cash-in and cash-out services, and initial customer identity verification — especially for anti-money laundering and combating financing of terrorism efforts. The contracting bank shall ensure that the cash agent follows standard bank protocols and exercise due diligence when dealing with customers. Ultimately, the banks remains liable for agent actions.

The "*Bangko sa Baryo Act*" endeavors to attain financial inclusion for the Filipino people and to establish robust financial consumer protection frameworks. It shall increase citizen's financial literacy and capability so they understand different financial services. Soon, an average barrio folk will be able to make sound financial decisions and put his hard-earned money to beneficial use.

The immediate approval of this bill is earnestly sought.



LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.

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Introduced by **HONORABLE LUIS RAYMUND F. VILLAFUERTE, JR.**

**AN ACT ENABLING BANKS TO EXPAND SERVICE DELIVERY CHANNELS
THROUGH CASH AGENTS AND PROVIDING GUIDELINES THEREFOR**

*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 the "*Bangko sa Baryo Act of 2017*".

SECTION 2. Declaration of Policy. – The State recognizes the vital role of banks in providing an environment conducive to the sustained development of the national economy. Towards this end, the State shall create an enabling regulatory environment for innovations and allow banks to exponentially expand reach through cash agents and serve a wider client base, particularly in the low-income and rural areas.

SECTION 3. Definition of Terms. – For purposes of this Act, the following definitions shall apply to the following terms:

- a. **Cash Agent** means any person with a retail outlet such as but not limited to convenience stores, pharmacies and other highly accessible retail outlets that deliver bank services provided in Section 7 of this Act.
- b. **Contracting Bank** means any bank requesting authority from the Bangko Sentral ng Pilipinas to expand service delivery channels through cash agents.
- c. **Remote area** means an area that either is a long distance from highly populated settlements or lacks transportation links that are typical in more populated areas duly-identified by the concerned Local Government Unit in coordination with the Bangko Sentral ng Pilipinas.
- d. **Person** means natural or juridical person.

The Monetary Board may, by regulation, further define or clarify terms used in this Act consistent with the declared state policies above.

SECTION 4. Eligibility Requirements for Cash Agents. – A Cash Agent may file

an application to a Contracting Bank provided that the following requirements are met:

- a. It is a duly-registered business in the Philippines;
- b. It has a well-established commercial activity existing for at least three (3) months;
- c. It has a permanent establishment and sufficient capacity to properly operate electronic devices; and
- d. It has the necessary infrastructure to possess banking operations.

SECTION 5. Preliminary Screening. – Upon satisfying submission of the eligibility requirements for a cash agent, the Contracting Bank shall conduct a preliminary screening of the documents ensuring that:

- a. The result of the preliminary screening shall be released within five (5) working days;
- b. In case Cash Agent fails the preliminary screening, the Contracting Bank shall return the documents and notify Cash Agent of the grounds of failure. The Cash Agent may re-submit documents within thirty (30) days from denial; and
- c. In case Cash Agent passes the preliminary screening, the Contracting Bank shall forward the application to the *Bangko Sentral ng Pilipinas* (BSP).

Provided, That, the Contracting Bank shall have an electronic banking solution to implement its cash agent operations and comply with the requirements of Part Seven of the Manual of Regulations for Banks (MORB), on the Guidelines on Electronic Banking Services and Operations. The bank shall deploy to its cash agents a device through which its customers can perform secure online, real-time deposit and withdrawal transactions for his/her own bank account, fund transfers and bills payment (self-service transactions).

Provided, Further, that the Board of Directors of the Contracting Bank shall adopt clearly-defined written policies, procedures, and controls for its Cash Agent operations, including but not limited to, Cash Agent selection and due diligence, and customer care arrangements.

SECTION 6. Evaluation Process. – BSP shall be tasked to create an online evaluation process for Cash Agent application while ensuring that:

- a. Cash Agent demonstrates good reputation and credit history, including lack of previous civil and criminal record, and has a deposit account with the Contracting Bank against which all bank transactions will be conducted.
- b. The result of the application shall be released within seven (7) working days upon the application from Contracting Bank.
- c. In case an application shall be rejected, the applicant shall be given a registered, written notification that indicates and explains the ground/s for rejection.

- d. In case an application shall be approved, BSP shall issue an Authority to Utilize Cash Agent to Contracting Bank valid for two (2) years.

The Authority to Utilize Cash Agent shall be displayed conspicuously in the Cash Agent's retail outlet.

SECTION 7. *Revocation of Authorization.* – BSP shall revoke the Authority to Utilize Cash Agents if a Cash Agent no longer meets the standards set to qualify for the requirements under this Act prior to its expiration.

SECTION 8. *Bank Transactions and/or Services.* – A duly-authorized Cash Agent may perform any or all of the following bank transactions/services:

- a. Accept and disburse cash on the bank's behalf in connection with the following self-service transactions of customers:
 - i. Deposit and withdrawal transactions performed by the customer on his/her bank account;
 - ii. Fund transfers performed by the customer;
 - iii. Bills payment; and
 - iv. Payments due to government institutions, i.e., members' contributions to the Social Security System and premiums payable to the Philippine Health Insurance Corporation.
- b. Collect and forward applications for opening a savings account.
- c. Forward loan application documents.
- d. Perform Initial Customer Identity Verification: (i) conduct Customer Due Diligence (CDD) in opening low transactional and low risk accounts or accounts subject to deposit and transactional limits; (ii) prevent Anti-Money Laundering and Countering Financing of Terrorism.
- e. Others: Payment (including loan repayments) using credit and debit cards, checks, and cash; (ii) transfers between bank accounts including of other banks, (iii) balance inquiries, and (iv) check cashing.

SECTION 9. *Investment Incentives.* – Any Cash Agent that establishes business in a Remote Area shall be entitled to the following incentives:

- a. Free training of Cash Agent personnel on various bank processes conducted by the BSP;
- b. Expedited processing of permits and certificates that are requisites to business registration and operation; and
- c. Expedited processing of local government permits and other related documents.

DTI shall require SEC and the local government unit (LGU) involved to create mechanism for expedited processing resulting in a timeline from application to approval.

SECTION 10. *Tax Benefits.* – A Cash Agent in a Remote Area shall be exempt from income tax arising from the operation of the enterprise for a period of one (1) year.

SECTION 11. *Role of LGUs.* – The concerned LGU shall encourage and provide

incentives to a Cash Agent in relation to the purpose of this Act pursuant to the Local Government Code.

Further, the concerned LGU shall hold programs in the barrio/barangay on financial literacy and capability to increase understanding of different financial service and products.

SECTION 12. *Subcontracting Agents.* – Cash agents cannot subcontract to third parties.

SECTION 13. *Agent Exclusivity.* – BSP may permit temporary agent exclusivity for a period not exceeding two (2) years. Otherwise, the Cash Agent shall enter into an agreement with another Contracting Bank.

SECTION 14. *Fees.* – Cash agents may set customer fees and charge customers directly, provided that the Contracting Bank and the Department of Trade and Industry shall monitor such pricing for signs of exploitation or customer confusion.

SECTION 15. *Principal Liability for Agents.* – The Contracting Bank is liable for all actions and/or omissions of the Cash Agent. This responsibility extends to actions of the Cash Agent even if not authorized in the contract so long as they relate to banking services or matters connected therewith.

The Contracting Bank shall exercise due diligence to ensure its cash agents comply with applicable rules, regulations, and policies on anti-money laundering, consumer protection, bank secrecy and customer data confidentiality.

SECTION 16. *Implementing Rules and Regulations.* – BSP in coordination with the Anti-Money Laundering Council (AMLC), Insurance Commission, a representative from the Union of Local Authorities of the Philippines (ULAP) and DTI shall promulgate not later than thirty (30) days upon the effectivity of this Act the necessary rules and regulations for its effective implementation.

SECTION 17. *Separability Clause.* – If any section or part of this Act is held unconstitutional or invalid, the other sections or provisions not otherwise affected shall remain in full force and effect.

SECTION 18. *Repealing Clause.* – All laws, decrees, executive orders, rules and regulations, issuances or any part thereof inconsistent with the provisions of this Act, are hereby repealed, amended or modified accordingly.

SECTION 19. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication either in the Official Gazette or in at least two (2) national newspapers of general circulation.

Approved,