

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 7705



Introduced by **HON. JOY MYRA S. TAMBUNTING**

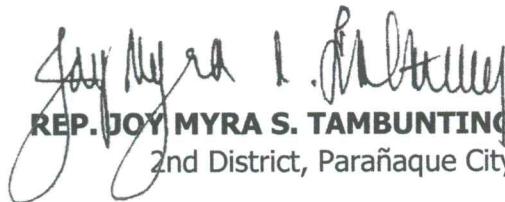
EXPLANATORY NOTE

This measure also seeks to extend banking services through cash agents such as convenience stores, pharmacies and other highly accessible retail outlets. This measure shall ensure that agents, as extensions of the banking system, can provide adequate financial service to the people.

This proposed measure is filed in recognition of the vital role of banks in providing an environment conducive to the sustained development of the national economy. At present, about 36% of municipalities in the country do not have banks in their areas and would have to travel to city centers to access banks. To put things in context, in urban areas banks could be as near as a 5-10 minute walk, whilst in rural areas (and more remote areas) people would have to travel for an hour to reach the rural center to access banks.

This proposed measure also aims to incentivize establishments of businesses in the remote areas of the country by providing for waiver of government fees, free training for personnel, tax benefits among others.

On behalf of the people of Parañaque City's Second District, and for the common good of the Filipino people, the approval of the said measure is earnestly sought.


REP. JOY MYRA S. TAMBUNTING
2nd District, Parañaque City

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HOUSE BILL NO. 7705

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**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".

SEC. 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.

SEC. 3. Definition of Terms. – As used in this Act:

- a) Cash Agent refers to a third-party person with a retail outlet such as but not limited to convenience stores, pharmacies and other highly accessible retail outlets contracted to deliver bank services as provided in Section 7 of this Act;
- b) Contracting Bank refers to any bank requesting authority from the Bangko Sentral ng Pilipinas (BSP) to expand service delivery channels through cash agents;
- c) Remote area refers to 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 (LGU) in coordination with the BSP;
- d) Person refers to a 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.

SEC. 4. Eligibility Requirements for Cash Agents. – A Cash Agent may file an application with a Contracting Bank provided that the following requirements are met:

- a) It is a duly registered business in the Philippines;
- b) It has engaged in commercial activity for at least one (1) year;

- c) It has conducted its commercial activities continuously in a place and area that is known to the public, and possesses sufficient capacity to properly operate electronic devices; and
- d) It has the necessary infrastructure to undertake banking operations.

SEC. 5. Preliminary Screening. – Upon 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 a cash Agent fails the preliminary screening, the Contracting Bank shall return the documents and notify the Cash Agent of the grounds for failure. The Cash Agent may re-submit the documentary requirements within thirty (30) days from denial; and
- c) In case a Cash Agent passes the preliminary screening, the Contracting Bank shall forward the application to the 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 on their own bank account, fund transfers, bills payment, and 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 Cash Agent selection, exercise of due diligence, and customer care arrangements.

SEC. 6. Evaluation Process. – The BSP shall create an online evaluation process for a Cash Agent application while ensuring that:

- a) Cash Agent demonstrates good reputation and credit history, has no 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 by the 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 As Cash Agent to Contracting Bank valid for two (2) years. The Authority to Utilize As Cash Agent shall be displayed conspicuously in the Cash Agent's retail outlet.

SEC. 7. Revocation of Authorization. – The BSP shall revoke the Authority to Utilize as Cash Agent if a cash Agent no longer meets the standards set to qualify for the requirements under this Act.

SEC. 8. Bank Transactions and 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 one's bank account;
- ii. Fund transfers performed by the customer;
- iii. Bills payment; and
- iv. Payments due to government institutions, such as contributions to the Social Security System and premiums payable to the Philippine Health Insurance Corporation, PAG-IBIG and others;
- b) Collect and forward applications for opening a savings account;
- c) Forward loan application documents to Contracting Bank;
- d) Perform Initial Customer Identity Verification:
 - i. Conduct customer due diligence (COD) investigations 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 activities;
- e) Other transactions:
 - i. Payment (including loan repayments) using credit and debit cards, checks, and cash;
 - ii. Transfers between bank accounts including those to be remitted to other banks;
 - iii. Balance inquiries; and
 - iv. Check encashment.

SEC. 9. Investment Incentives. – A Cash Agent that establishes operations 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.

The Department of Trade and Industry (DTI) shall require the Securities and Exchange Commission (SEC) and the local government unit (LGU) involved to create mechanism for expedited processing from application to approval.

SEC. 10. 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 Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

The concerned LGU shall conduct training programs in the barangay on financial literacy and capacity-building to increase understanding of different financial services and products.

SEC. 11. Subcontracting Agents. – A Cash Agent cannot subcontract its operations or business to third parties.

SEC. 12. 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.

SEC. 13. Fees. – A Cash Agent may set customer fees and charge customers directly: Provided, That the Contracting Bank and the BSP shall monitor such pricing for signs of exploitation or customer confusion.

SEC. 14. Principal Liability for Agents. – The Contracting Bank is liable for all actions and omissions of the Cash Agent, provided such act is within the bounds of the agency. 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.

SEC. 15. Prohibited Acts. – In addition to acts or omissions already penalized by existing laws, the following shall constitute as prohibited acts for any cash agent and are hereby declared to be unlawful:

- (a) Make any false entry in any bank report or statement or participate in any fraudulent transaction, thereby affecting the financial interest of, or causing damage to, the bank or any person;
- (b) Without order of a court of competent jurisdiction, disclose to any unauthorized person any information relative to the funds or properties in the custody of the bank belonging to private individuals, corporations, or any other entity:
Provided, That with respect to bank deposits, the provisions of existing laws shall prevail;
- (c) Accept gifts, fees or commissions or any other form of remuneration in connection with the approval of a loan or other credit accommodation from said bank;
- (d) Conduct business in an unsafe or unsound manner, which resulted or may result in material loss or damage, or abnormal risk or danger to the safety, stability, liquidity or solvency of the institution.

SEC. 16. Penalty Clause. – Whenever a cash agent violates any of the provisions of this Act, the person or persons responsible for such violation shall be punished by a fine of not less than Fifty Thousand Pesos (PhP 50,000) nor more than Two Hundred Thousand Pesos (PhP 200,000) or by imprisonment of not less than two (2) years nor more than ten (10) years, or both, at the discretion of the court.

SEC. 17. Implementing Rules and Regulations. – Upon the effectivity of this Act, the implementing rules and regulations necessary shall be issued by the concerned departments and agencies within thirty (30) days upon the effectivity of this Act. Provided, That the failure of the concerned departments and agencies to promulgate the rules and regulations shall not prevent the implementation of this Act.

SEC. 18. Separability Clause. – If, for any reason or reasons, any part or provision of this Act shall be declared as unconstitutional or invalid, the other parts or provisions hereof which are not affected thereby shall continue to be in full force and effect.

SEC. 19. Repealing Clause. – All provisions of existing laws, orders, rules and regulations or parts thereof which are in conflict or inconsistent with the provisions of this Act are hereby repealed, amended or modified accordingly.

SEC. 20. Effectivity. – This Act shall take effect immediately upon its publication in the Official Gazette or in a newspaper of general circulation in the Philippines.

Approved,