



Expert Meeting on
**THE IMPACT OF ACCESS TO FINANCIAL SERVICES,
INCLUDING BY HIGHLIGHTING THE IMPACT ON REMITTANCES ON
DEVELOPMENT: ECONOMIC EMPOWERMENT OF WOMEN AND YOUTH**
12-14 November 2014

**SESSION 2:
POLICIES AND REGULATION FOR FINANCIAL INCLUSION**

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Strengthening Financial Inclusion through an Enabling Policy and Regulatory Environment

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**Single-year Expert Meeting on the Impact of Access to Financial Services, Including by Highlighting
Remittances on Development: Economic Empowerment of Women and Youth**

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BANGKO SENTRAL NG PILIPINAS

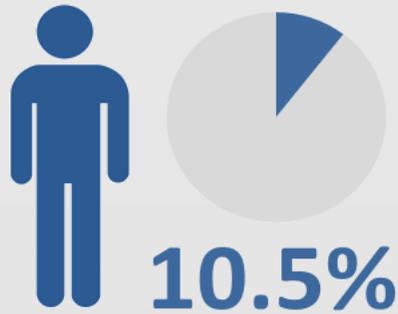
Financial Inclusion/ Exclusion



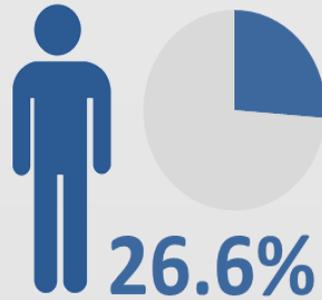
2.5 billion adults are unbanked

80% of the world's poor population is financially excluded

Access to Finance in the Philippines



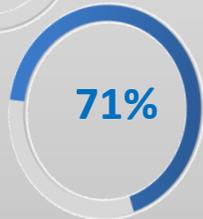
of adults had a loan in a formal financial institution in the past year



of adults have a deposit account



of the total number of deposit accounts



of the total amount of deposits

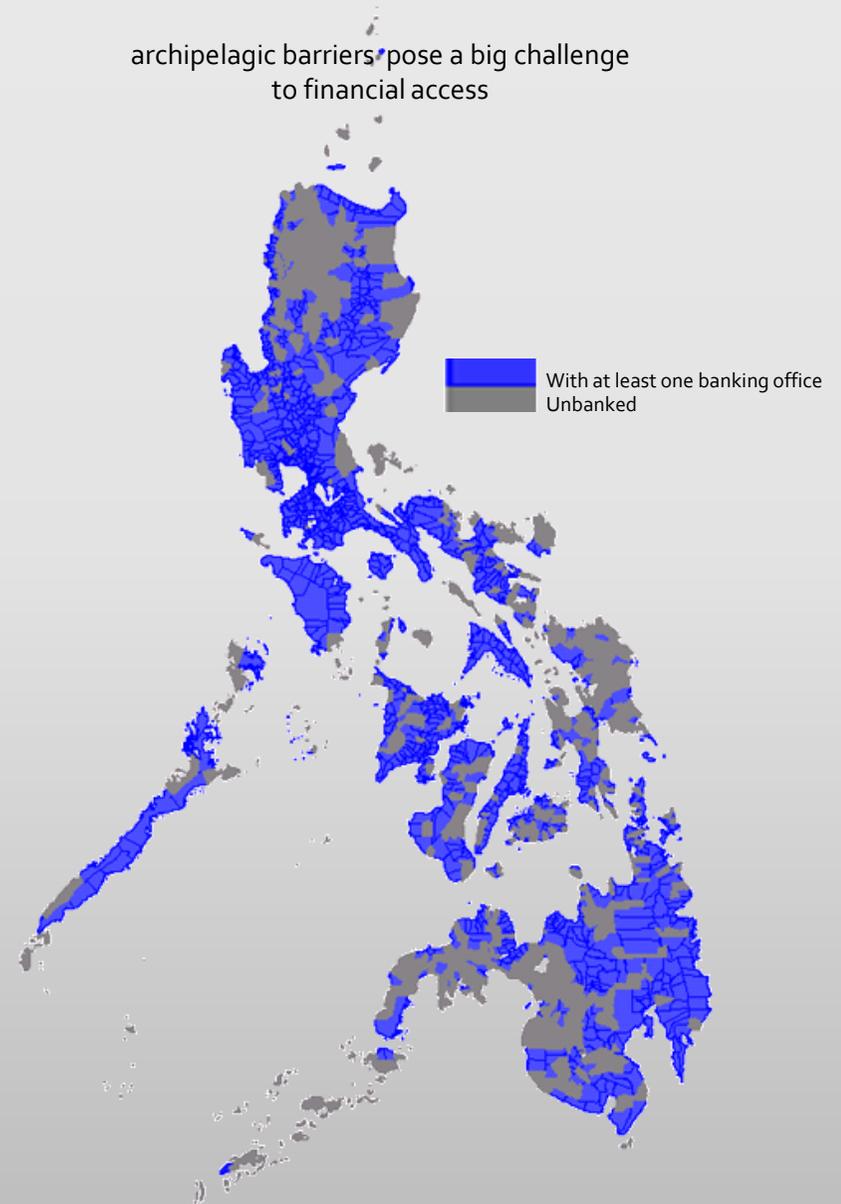
are concentrated in NCR



37%

of the 1,634 cities and municipalities do not have a banking office

archipelagic barriers pose a big challenge to financial access



Financial Inclusion

A state wherein there is **effective access** to a **wide range of financial services** for all Filipinos

“Effective access” - financial services are **appropriately designed**, of **good quality**, **relevant** for actual **use**, and **beneficial** to the target market



“Wide range of financial services” - full set of basic services for different market segments, especially the **unbanked**

Inclusive
Finance
Advocacy
Staff

Inclusive
Finance
Steering
Committee

Guiding Principles on Financial Inclusion

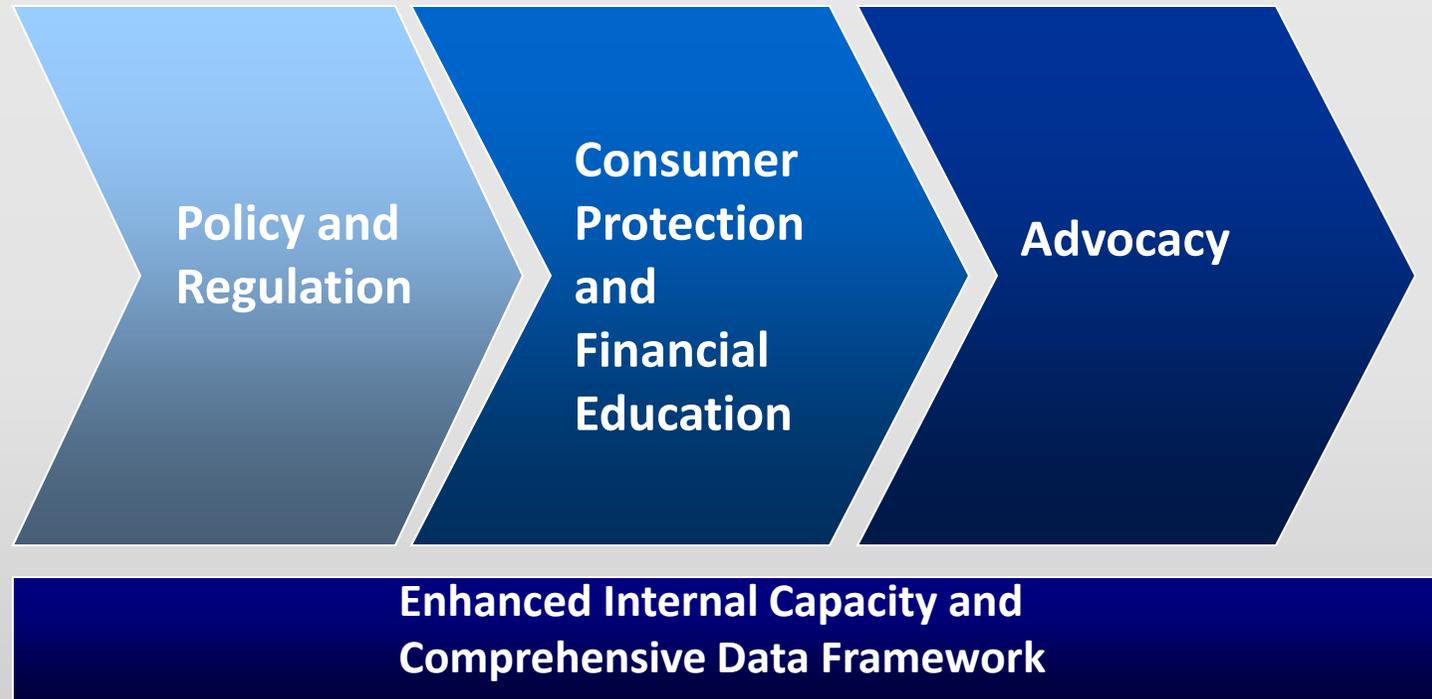
Financial inclusion is a worthy policy objective and something that should be pursued alongside the promotion of stability and efficiency in the financial system.

All financial service providers should be properly and proportionately regulated to uphold consumer protection and financial system integrity.

In addressing financial access issues, market based solutions are feasible and should be encouraged. It is necessary to establish a supportive regulatory environment for the said market based solutions to work.

Financial inclusion and financial stability are mutually reinforcing. Evidence toward this should be collected.

BSP Initiatives for Financial Inclusion



Key Policies and Regulatory Issuances

Widened range of products

Microdeposit
Microenterprise loan
Microfinance plus
Micro-agri loan
Housing microfinance
Microinsurance

Expanded virtual reach

E-money issuers
E-money network service providers
Technology-driven business models

Expanded physical network

Liberalized bank branching
Micro banking offices

Liberalized customer on-boarding

Updated anti-money laundering rules
Outsourcing rules

Enhanced consumer protection framework

Revised rules for Truth in Lending Act
Market conduct regulation
Consumer assistance mechanism

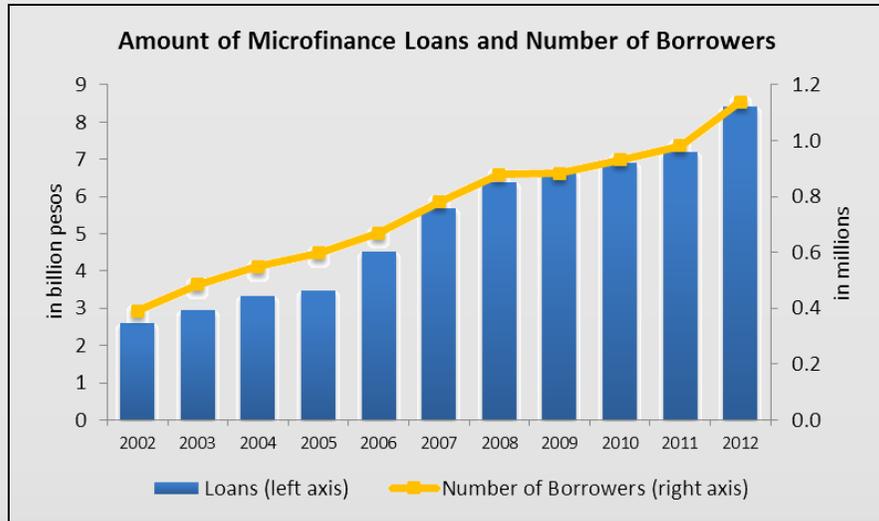
Proportionality in Practice: Points of Balance in Microfinance

Capital Adequacy	Require Basel 1.5 for simple financial institutions
Credit Risk	Encompass full credit cycle, require banks to have clear underwriting standards and practices for cash-flow and character based lending, frequent amortizations.
Risk Management / Problem Assets/ Provisioning	Require high frequency monitoring of portfolio-at risk and corresponding provisioning requirements reflecting peculiar risks of microfinance.
Governance	Specify necessary experience and track record in microfinance in the board and management. Impose clear and comprehensive governance standards.
Supervision/ Capacity	Create a MicroSME Finance Specialist Group Develop Manual of Examination Procedures
Documentation/ Peculiar technologies	Group liability arrangements, simple documentation requirements, facilitate limited transactions off-site

Range of Products Employing Microfinance Discipline

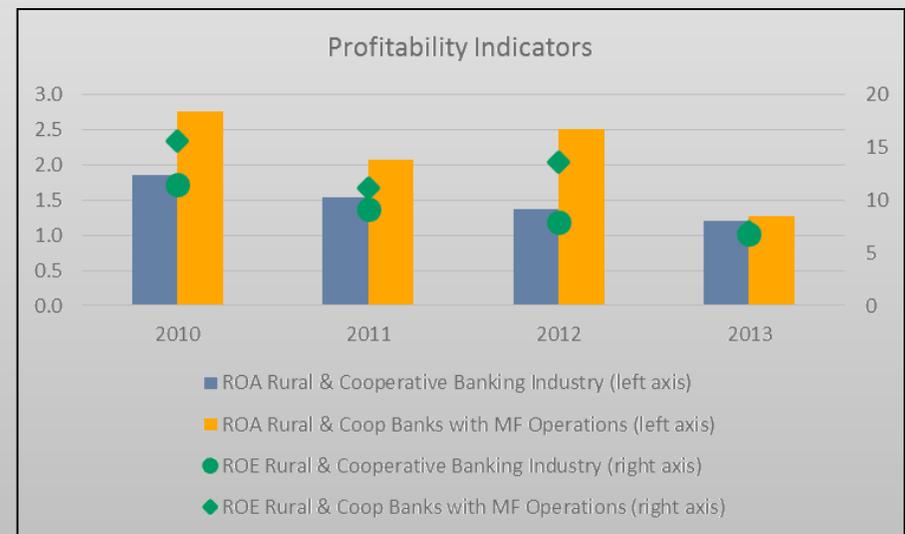
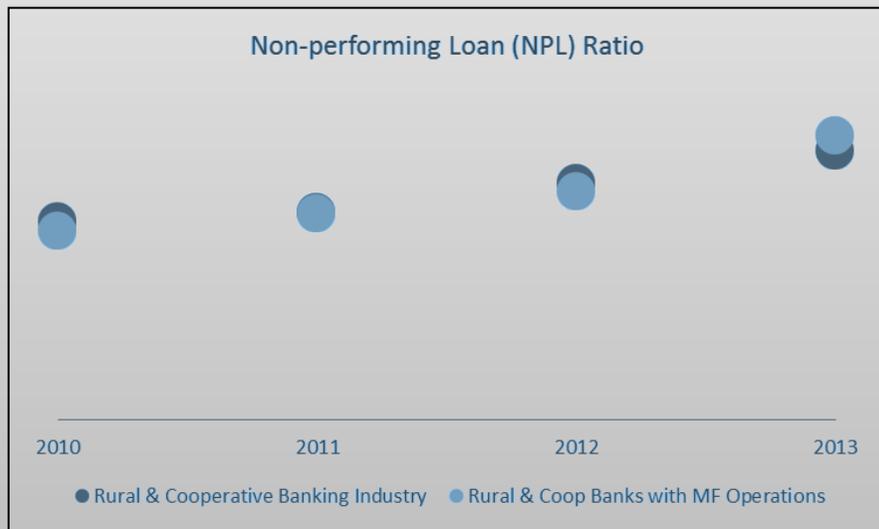
	Microfinance Plus	Micro-Agricultural Loan	Housing Microfinance	Microinsurance
Market Need	<ul style="list-style-type: none"> For growing microenterprises 	<ul style="list-style-type: none"> For small farm activities/ agri-business with Income seasonality due to crop cycle 	<ul style="list-style-type: none"> For lot/ house acquisition/ construction/ improvement 	<ul style="list-style-type: none"> For low-income sector risk protection and relief
Product Features Building on Microfinance Discipline and Points of Balance	<ul style="list-style-type: none"> For existing borrowers with good repayment record, business success Increased threshold of USD 6,600 from usual USD 3,300 Capacity to pay based on cash flow Frequent amortization, short term Bank capacity; Clear underwriting; MIS loan monitoring 	<ul style="list-style-type: none"> For existing borrowers with good repayment record Capacity to pay based on cash flow (farm + off-farm income) Frequent amortization, short term, lump sum payment upon harvest Bank capacity; Clear underwriting; MIS loan monitoring 	<ul style="list-style-type: none"> For existing/ qualified borrowers with good repayment record, with savings Incremental loans support incremental building, up to USD 6,600, long terms up to 15 years Secured by acceptable tenure instruments Bank capacity; Clear underwriting; MIS loan monitoring 	<ul style="list-style-type: none"> For low income clients who need and can afford for risk protection Premiums and guaranteed benefits have a ceiling to address affordability of the market Banks allowed to distribute must be authorized as an agent by the Insurance Commission Bank commercial agreements with insurance company are provided

Tangible Gains



183 banks with MF operations serving more than **1 million clients** with loans outstanding amounting to PHP 9.28 billion (USD 212 million)

- 69 banks with **1.74 million microdeposit accounts**
- 40 banks distributing microinsurance covering **19 million individuals***



* Highest microinsurance coverage among nine Asian countries, Munich Re Foundation

Technological Innovation



- 110% ratio of mobile phone to population
- Billions of texts sent per day
- 36 out of 100 people use the internet
- 8th largest FB user in the world
- Large % of unbanked has a mobile phone, of which 60% keep some form of savings, 13% borrow from informal providers
- Monthly remittances of overseas Filipinos to their beneficiaries in the Philippines in 2014, amounted to US\$ 2 billion

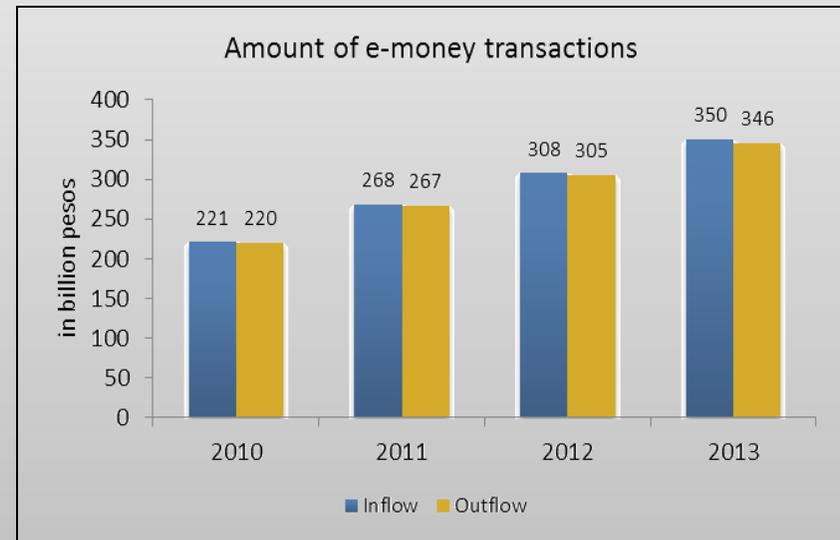
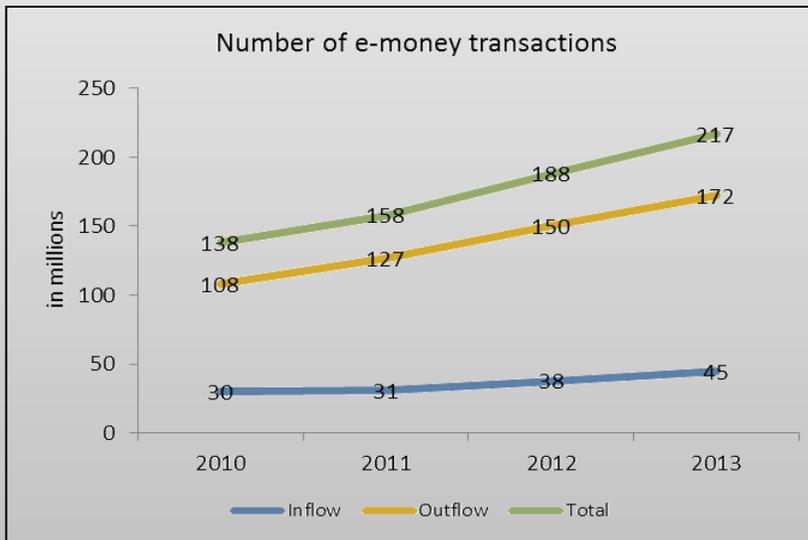
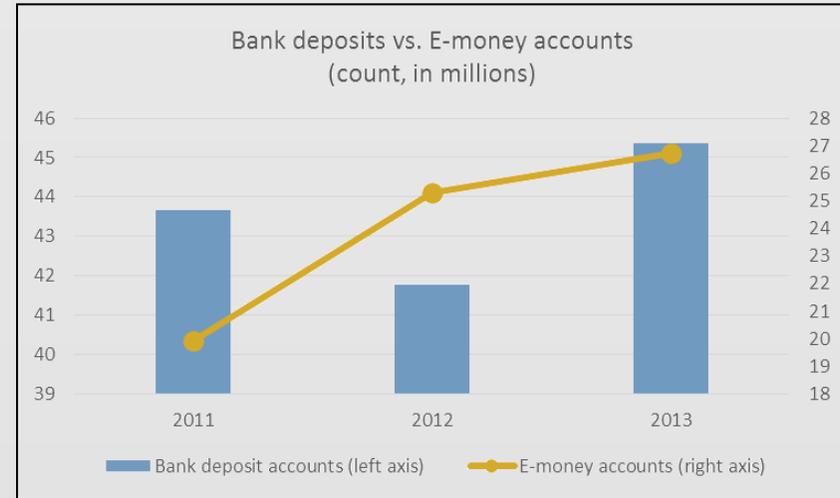
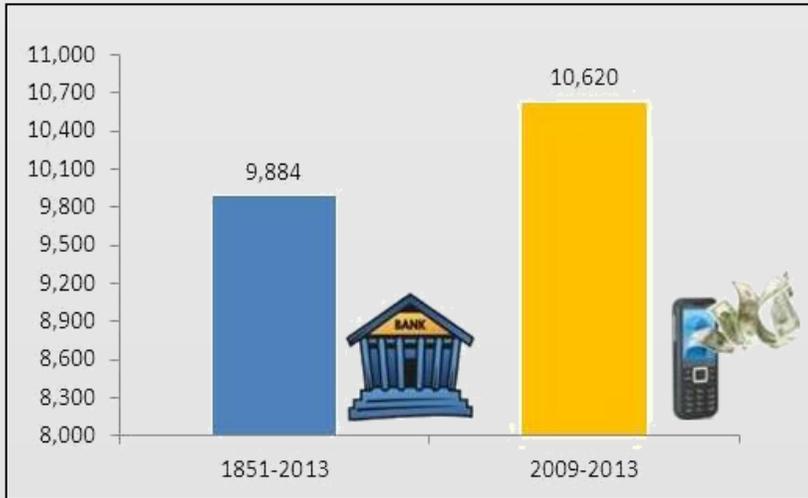
E-Money Regulations

Standards	BSP Proportionate Approach
Permissible Activities	<ul style="list-style-type: none">• Clear delineation between an e-money wallet and deposit account• E-money as instrument for digital retail payments
Capital Adequacy; Licensing	<ul style="list-style-type: none">• Providers are duly licensed bank and non-bank E-Money Issuers• Proportionate capital and licensing requirements for non-bank EMIs
Use of Agents	<ul style="list-style-type: none">• EMIs are fully accountable in accrediting agents, or outsourcing to agent networks and service providers
Liquidity Risks	<ul style="list-style-type: none">• Imposition of monthly transaction limits• 1:1 ratio of e-money issued to customer• E-money booked as accounts payable of bank EMIs• Non-bank EMIs' e-money float in liquid assets in depository banks
AML/CFT Risks	<ul style="list-style-type: none">• KYC at every cash-in/cash-out point• Monitoring and reporting of suspicious transactions
Consumer Protection	<ul style="list-style-type: none">• Consumer assistance mechanism explicitly required in regulations

Balance of (New/Changing) Risks and Benefits of E-money/ Digital Financial Services

	(New) Changing Risks	Benefits	BSP Approach
Customer/ User	<ul style="list-style-type: none"> Limited information or misinformation Lack of trust and capacity Different customer experiences 	<ul style="list-style-type: none"> Potential of reaching the currently unserved 	<ul style="list-style-type: none"> Require consumer protection in the e-money regulations Financial education
Issuer	<ul style="list-style-type: none"> Entrants of new players, non-traditional providers (i.e. telcos) 	<ul style="list-style-type: none"> Greater innovation Wider reach Higher efficiency 	<ul style="list-style-type: none"> Creation of a regulatory framework Proportionate requirements for non bank providers (i.e. risk management, capital, liquidity, etc.) Ring fencing e-money operations Transaction limits Clear delineation between e-money and deposits
Agents	<ul style="list-style-type: none"> AML issues Agent fraud Business case challenges 	<ul style="list-style-type: none"> Wider reach Serving unserved areas Broader ecosystem 	<ul style="list-style-type: none"> Regulation through the entity maintaining the agent networks

Tangible Gains



24,029
registered e-money agents
10,620
active e-money agents



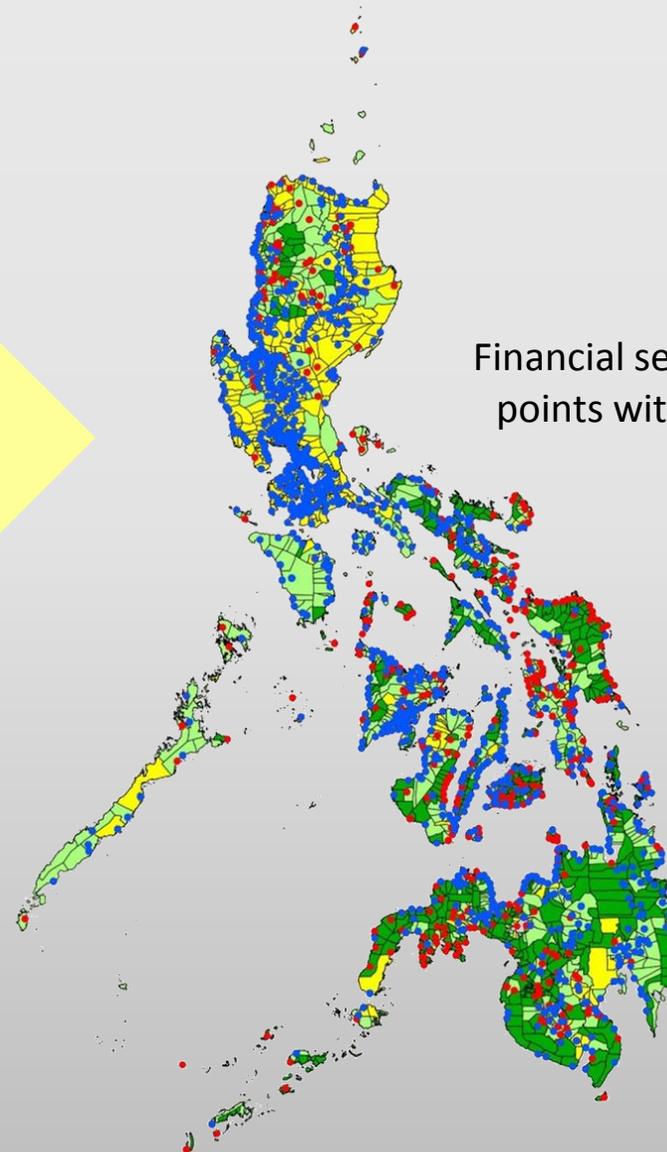
5 years

26.7 million
e-money accounts
stored in card and
mobile



217 million
volume of transactions

Php 696 billion
value of transactions



Financial service access
points with e-money

BSP vision for an inclusive financial system



- Presence of a wide range of financial services that serve different market segments



- Financial services are appropriately designed, priced and tailor-fitted to market need



- Presence of a wide variety of strong, sound and duly authorized financial institutions utilizing innovative delivery channels



- Effective interface of bank and non-bank products and delivery channels



- Use of technology and innovation to reach the financially excluded

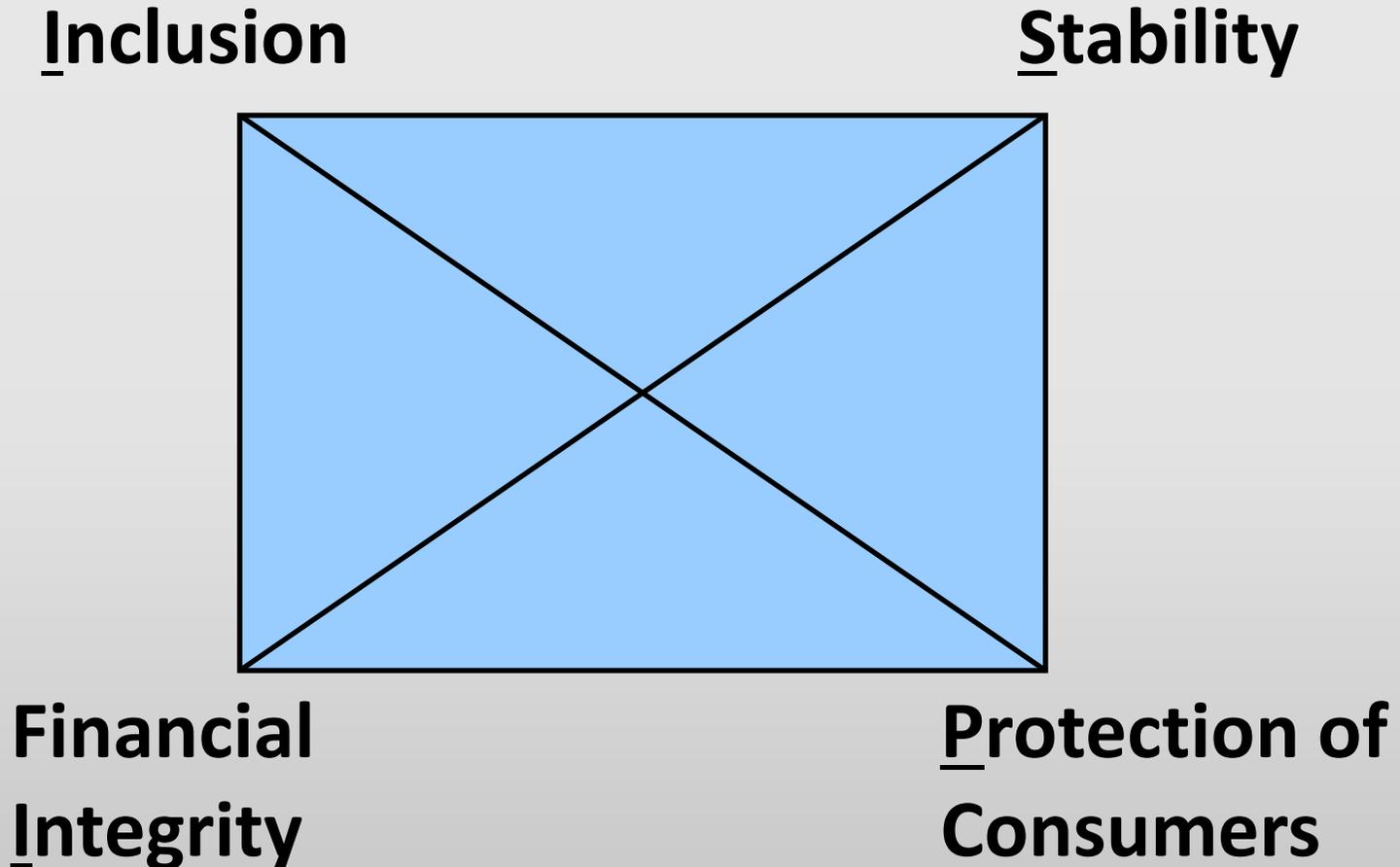


- Adequately educated and protected citizenry confident to make well-informed financial decisions



- Comprehensive and robust financial inclusion data and measurement

ISIP Framework* - Complementary Objectives, if done right!



**Developed by the Consultative Group to Assist the Poor (CGAP) as an implementing partner of the G-20 Global Partnership for Financial Inclusion (GPI) with funding from the UK Department for International Development (DFID)*

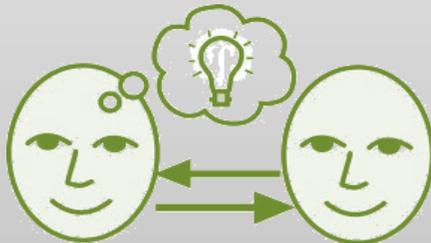
National Strategy for Financial Inclusion



Coordination



Trust building

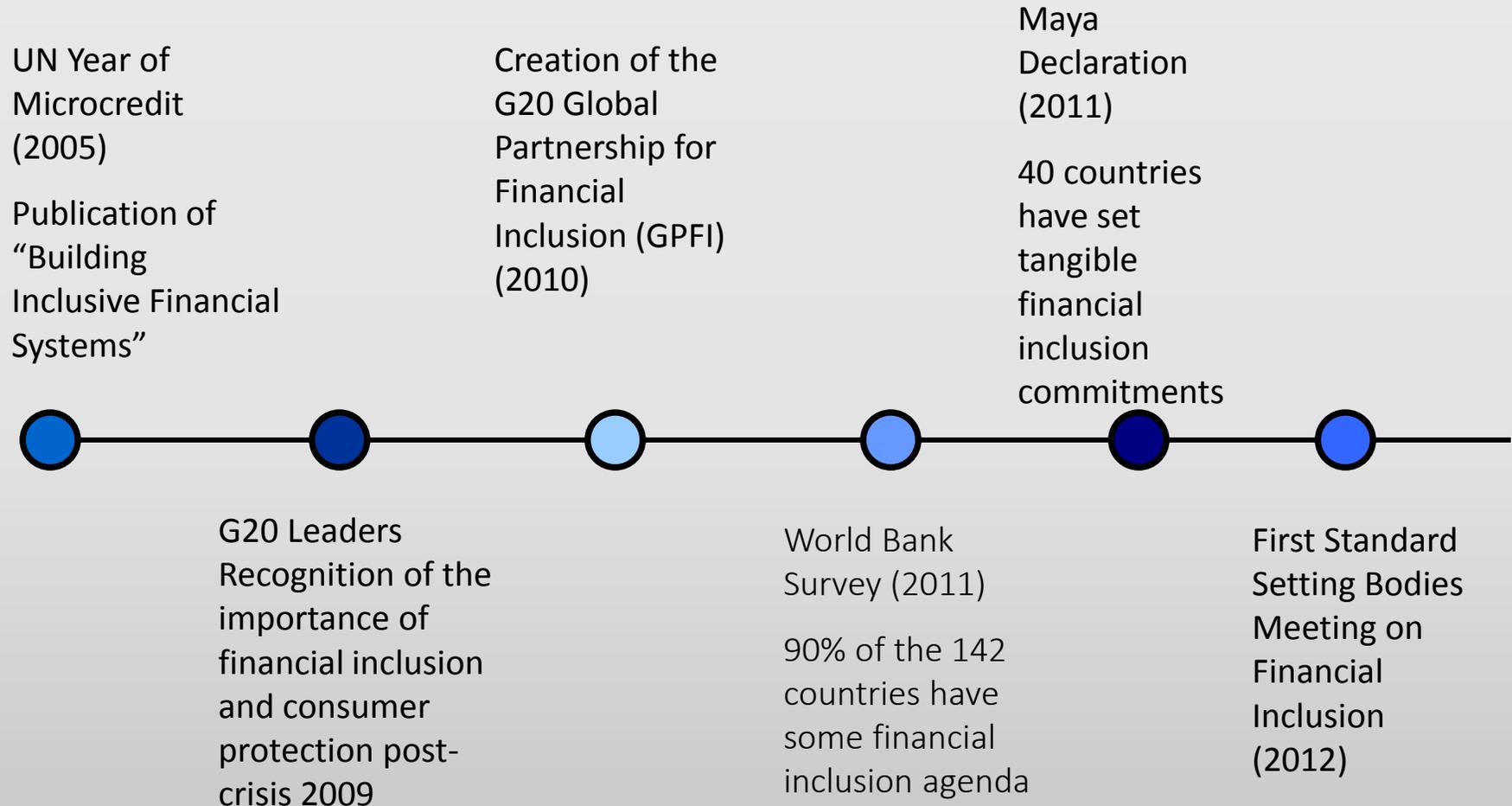


Raising awareness
and understanding

Toward a common vision and
clearly defined **inclusive financial
system**

- *A financial system that is accessible and responsive to the needs of the entire population toward a broad based and inclusive growth.*
- *This financial system also serves the traditionally unserved or marginalized sectors of the population.*
- *This vision should be guided by a focus on the client.*

International Work on Financial Inclusion



THANK YOU

www.bsp.gov.ph



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