



Bangko Sentral ng Pilipinas Financial Inclusion Initiatives 2017

Acknowledgement

Photographs used for the main and section covers are from the Microfinance Council of the Philippines, Inc., (MCPI) featuring microentrepreneurs nominated for Citi Microentrepreneurship Awards (CMA) in the past years.

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In brief:

The BSP and Financial Inclusion

Financial inclusion is about providing all Filipinos access to affordable and client-centered financial services that can help them build a better life for themselves and their families.

Since 2000, the BSP has been nurturing an enabling environment for the delivery of financial products specifically for the low income and vulnerable sectors of society. The goal was to mainstream microfinance as a banking activity and enable market-based solutions to address frictions and promote financial inclusion in a more sustainable manner. This approach has enabled 163 banks – mostly rural banks in the countryside – to serve more than 1.71 million microentrepreneurs. Beyond credit, the microfinance regulations have also enabled delivery of other financial products such as microdeposit and microinsurance.

163
Banks with
microfinance

1.71 million
Microfinance
clients

11.4 million
E-money
accounts

90% 

Municipalities
have at least one
access point

65% 

Municipalities
have bank
branches

31.3%
14% 

Filipino adults with
transaction and
savings account
respectively

Digital technology can significantly reduce transaction costs and expand reach – making it possible and even compelling for banks and other financial institutions to serve the hugely untapped low-income market.

Moreover, our pioneering regulatory framework for e-money issued in 2009 opened up the market to non-bank players and expanded the access points in the country.

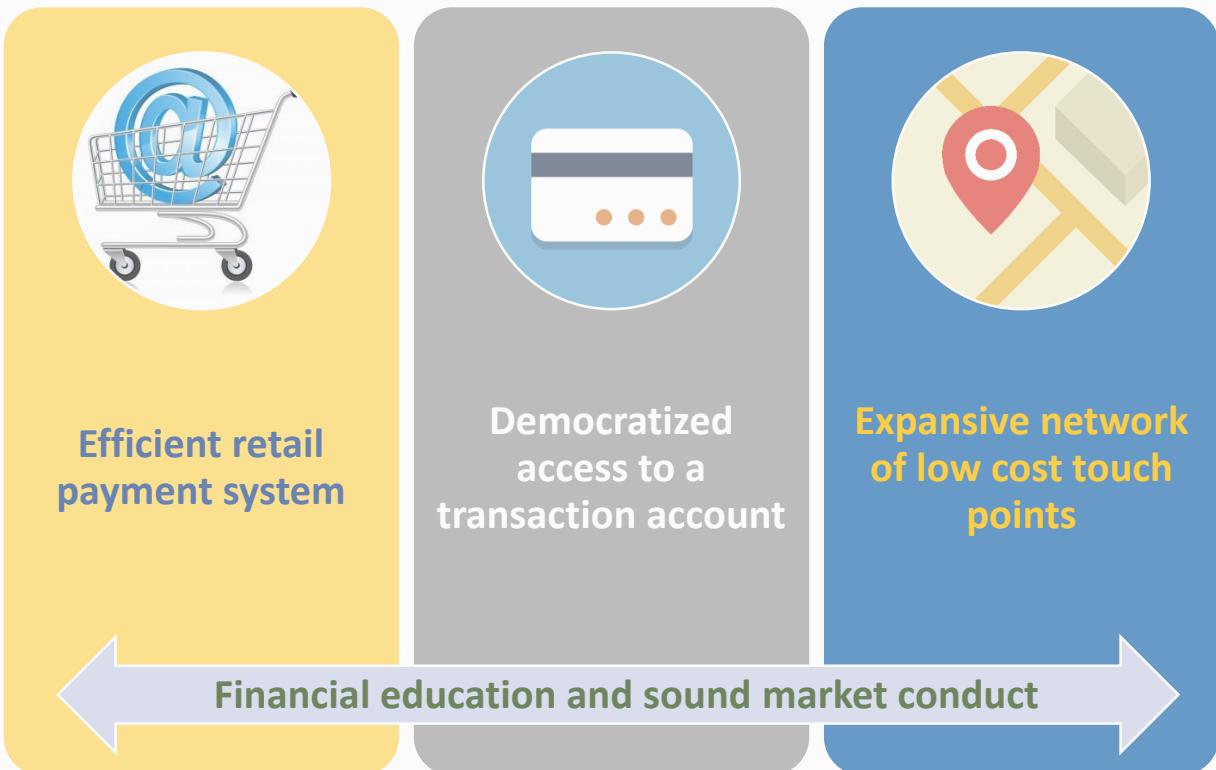
Registered e-money accounts currently stand at 11.4 million.

At present, 90.1% of our municipalities have at least one access point and 65.1% have bank branches. Access point per 10,000 adults stood at 9.8. These figures are expected to grow as banks set up more low-cost, low-key access points such as branch-lite units and cash agents. Increased accessibility helped in improving usage of financial services, as can be seen in the year-on-year growth in deposits, both in terms of count (5.6%) and value (14.2%).

Based on latest available figures, 31.3% adult Filipinos have a transaction account (Findex 2014) and 14% have a savings account (National Baseline Financial Inclusion Survey 2015).

Building on these gains, the BSP continues to create an enabling regulatory environment for financial inclusion. This time, it is setting its sights on digital innovations as catalyst and strategic enabler for financial inclusion. Digital technology can significantly reduce transaction costs and expand reach – making it possible and even compelling for banks and other financial institutions to serve the hugely untapped low-income market.

The goal is to develop a digital finance ecosystem that supports the diverse needs of all users in a manner that is secure, sustainable, convenient and affordable. For the service providers - whether new or incumbent, this ecosystem enables them to tap into a wider client base, diversify revenue sources and secure new growth opportunities. To us, this illustrates how the pursuit of financial inclusion can support financial stability objectives.



The pillars of such an ecosystem would include:

1. An efficient retail payment system that facilitates delivery of digital products, especially for small value transactors;
2. An expansive network of low cost touch points to onboard new clients and facilitate the digitizing and disbursing of cash and other financial transactions; and
3. Democratized access to a transaction account, wherein every person – regardless of economic and social stature – is able to open an account and use digital finance products.

Undergirding these pillars are financial literacy and good market conduct which aim to deepen the public's trust in financial products, particularly those offered in digital channels.

Together, these elements are crucial not only to provide the unbanked access to an account, but also and most importantly, to enable them to actively use it and build productive relationship with

a formal financial institution. This can lead to greater access to other financial services, including credit, investments and insurance. With technology, an enabling regulatory environment and a keen understanding of the low-income market, banks and other service providers can develop products that truly meet the needs of their client.

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Policy initiatives



Policy Initiatives

The BSP's policy initiatives that promote efficiencies, level playing field, responsible innovation and consumer protection create an enabling environment for financial inclusion. While policy initiatives presented hereunder cover broader regulatory objectives and issues, they are of particular relevance to financial inclusion as they impact on the accessibility, affordability and fitness of financial products in the market.

- **Circular No. 938 on the new supervisory framework for pawnshops**

In light of the important role of pawnshops in building a more inclusive financial system, the BSP adopted a new supervisory framework to strengthen the governance and market conduct of these entities. Pawnshop operators are now subject to stricter fit and proper rules and applicable standards of corporate governance. They are also now required to adopt relevant BSP regulations on financial consumer protection, particularly on disclosure and transparency standards.

- **Circular No. 940 on Cash Agent**

The cash agent regulation issued under Circular No. 940 allows banks to tap third-party entities as low cost, low-key touch points. Promoting digital finance does not mean we do not need the physical access points anymore. They are in fact still crucial for on-boarding new clients and enabling them to move from cash to digital and vice versa. This ability to easily move from cash to digital helps promote ownership and use of transaction accounts, particularly in the low-income market.

- **Circular No. 942 on the enhanced oversight framework for money service businesses**

The 2014 Global Findex Data of the World Bank shows that about three-quarters of Filipino adults who reported sending or receiving remittances said that they use a money transfer operator. This illustrates the important role of remittance and transfer companies (RTC) in the provision of basic financial services especially to the unbanked. The BSP has accordingly enhanced the existing regulations to ensure that these entities are properly supervised for their effective compliance with AML and internal control rules and guidelines. Regulated RTC include remittance agents, remittance platform providers and e-money issuers.

- **Circular No. 944 on Virtual Currency (VC)**

Another recent issuance is the regulation of VC exchange entities and VC-based remittance business. Accordingly, such VC entities are now subject to BSP regulations to ensure their effective compliance with AML-CFT rules and relevant risk management guidelines, especially on technology risk and consumer protection. Regulating the VC

entities signifies BSP's acknowledgement of virtual currency as an innovative instrument that can facilitate the speed and affordability of remittance and payment transactions.

- **Circular No. 950 on Risk-based and ICT-enabled KYC**

The BSP Circular No. 950 introduced refinements in the conduct of customer due diligence, among others. Under the new rules, banks and other covered institutions are allowed to offer a restricted account to cater to the unbanked sector who for valid reasons may not be able to provide complete customer information or any valid ID upon on-boarding. The amendments also recognized the use of information and communication technology and other reliable, independent source documents, data or information for customer identification and verification subject to appropriate controls to manage attendant risks. These will facilitate customer on-boarding of the unbanked customers, especially in rural areas.

- **Circular No. 980 on the National Retail Payment System (NRPS)**

The BSP issued Circular No. 980 on 6 November 2017 which operationalizes and enforces the adoption of the NRPS by the BSP supervised financial institutions. NRPS is built on the principles of interoperability, inclusiveness and “cooperation”. With the issuance of this Circular, BSFIs are required to adopt transparent and fair market pricing of electronic payments, transition from exclusive bilateral to multi-party clearinghouse agreements and provide electronic fund transfer facilities in all available channels, among others. By establishing an interoperable ecosystem allowing seamless electronic fund transfers and payments between and among accounts, NRPS is a critical platform for delivering innovative financial products particularly those designed for the low-income market.

- **Basic deposit account (BDA) – for Monetary Board approval**

Having completed its consultation process, the BSP is now finalizing the proposed BDA circular. BDA is designed as a low-cost, low-risk account, which will only require simplified KYC. The reduced KYC feature has to be explicitly provided given the banks' proclivity to apply “normal” rating for their deposit clients, even for those who may be rightfully classified as low risk. To incentivize banks to market and offer it to the unbanked, the BDA is proposed to have zero reserve requirement and insurance premium, subject to the approval of the Philippine Deposit Insurance Corporation (PDIC).

NRPS: Full steam ahead

Launched in late 2015, the NRPS is a regulatory framework that aims to promote the efficiency and safety of retail payments in the country, as characterized by the increased usage of digital payments, from the current 1% to 20% by 2020. An efficient retail payment system is a pillar of digital financial inclusion.

Central to the NRPS are the multilateral clearinghouse agreements for payment schemes that will facilitate convenient, affordable and secure fund transfers between bank and e-money accounts. The two priority payment schemes are the PESO Net for batch fund transfer credit, and InstaPay

for 24/7, real-time low-value transfer credit.

After months of industry dialogue and engagement, PESO Net was launched on 8 November 2017 while InstaPay is expected to be launched in 2018. The Philippine Payment Management, Inc. (PPMI) was also officially incorporated in August 2017, setting in place an industry-led governance body that will drive optimal industry collaboration, develop and implement standards, and facilitate strategic initiatives for a modern and efficient retail payments.



Thirty three (33) BSP-supervised financial institutions (BSFIs) signed the PESONet ACH which was launch on 08 November 2017 in the BSP, City of Manila

- **Branch-lite (Approved by the Monetary Board on 14 December)**

“Branch-lite” is a concept which allows a bank to perform banking activities and services chosen from an expanded menu of transactional and non-transactional activities. This

gives the bank the flexibility to determine the appropriate size and model of a banking office for a specific area or locality based on the market needs.



Stakeholder Partnerships and Advocacies



Stakeholder Partnerships and Advocacies

While the BSP as a regulator is the primary shaper of the country's financial inclusion landscape, it recognizes that achieving the goal is a multi-stakeholder undertaking. The BSP builds and leverages strategic partnerships with other government agencies, the industry, multilateral organizations and civil society. Engagement with these stakeholders are necessary to increase awareness and broad-based support for financial inclusion, whether for the development of the crucial financial infrastructure, promoting financial literacy or shaping laws and regulations.

National Strategy for Financial Inclusion

Launched in 2015, the National Strategy for Financial Inclusion (NSFI) is the primary platform for interagency cooperation. The NSFI has been and continues to be instrumental in securing the support of the private sector

and development partners for financial inclusion. For 2017, these were as follows:

- In May, the **Asian Development Bank** sponsored a two-day agriculture value chain financing (AVCF) conference attended by 100 participants from banks, government, academe and NGOs.



It aims to promote AVCF as an innovative approach to agriculture financing. ADB is also funding a study to develop a roadmap to promote innovative agriculture financing in the country, particularly through AVCF and digital finance.

- The **World Bank** will commence its technical assistance for the consolidated credit guarantee program spearheaded by the Bureau of the Treasury.
- The private sector (e.g., Fintq and BDO Foundation) have launched advocacy programs as implementation support to the NSFI.

"BSP and ADB conceptualized this conference with the goal of expanding our collective sense of possibilities for agri value chain financing and sparking renewed commitment to support the agriculture sector in the country...We cannot talk about inclusive development and growth without giving earnest attention to this important sector."

Value chains can facilitate increased private sector financing by improving the productivity and business sustainability of the chain actors, particularly the smallholders. By addressing key risk factors such as unstable markets and income source, value chains can encourage banks to develop products that can viably serve the financing needs of the actors in the chain."

Excerpt from the Closing Remarks of Former Governor Amando M. Tetangco, Jr. delivered during the BSP-ADB Conference on Financing Agri Value Chains on 10-11 May 2017

Financial Infrastructure Development

The BSP continues to actively engage legislators and other government agencies for the development of the needed infrastructure to support financial inclusion. These engagements include:

Digital ID

The BSP is working closely with the lead government agencies (i.e., the Philippine Statistics Authority and Department of Finance) for the passage of the national ID bill which was identified by the Legislative Executive Development Council (LEDAC) in its August 2017 meeting as an urgent measure.

"The national ID system will provide all Filipinos the means to establish a verifiable digital identity which will enable them to gainfully participate in an increasingly digital economy"

The national ID system is envisioned to be the core identification platform that can support a range of innovative digital solutions to facilitate the efficient and convenient delivery of government, banking and other services. It will be the trusted single source of truth for establishing an individual's identity, but shall not convey proof of entitlement or eligibility which the so-called functional IDs are designed for (e.g., driver's license, passport, social welfare ID). As such, the national ID system will have a minimal set of data requirements as follows: biometric data, basic demographic information (name, date of birth, sex, address), and the unique randomized national ID number. This is aligned with the foundational approach for national ID adopted by other countries.

As designed, the biometric-based national ID will provide every Filipino a means to establish a verifiable digital identity which will enable him or her to gainfully

participate in an increasingly digital economy. The digital ID system is a crucial enabler for financial inclusion, with its potential to address persistent onboarding issues on the lack of verifiable IDs and the highly inefficient paper-based KYC processes which make serving small-value transactors unattractive.

Secured Transactions Framework and Warehouse Receipt System

Small and medium enterprises (SMEs) find it difficult to obtain credit from banks which require real property as collateral. The preference for fixed assets as collateral can be attributed to the absence of a legal framework to govern the use of movable collateral (e.g., warehouse receipt, crops, receivables and equipment). The BSP is part of the Technical Working Group that drafted the framework document and proposed bill on secured transactions¹. The proposed bill is an important legislation, as it can expand the range of properties of MSMEs that can be used as loan collateral.

Launching of the Cauayan City Credit Surety Fund on 02 October 2017

Credit Surety Fund (CSF)

The CSF provides a maximum of 80% surety cover for loans granted by banks to borrowers that would otherwise have difficulty assessing such credit facilities due to usual barriers such as insufficient collateral, limited credit histories, and inadequate financial records. As mandated by the Credit Surety Cooperative Act of 2015 (CSF Act), the BSP continues to spearhead the promotion of CSF creation and organizational development in the country. In 2017, several milestones were achieved, with the CSF loan approval breaching P4.0 billion serving around 16,000 beneficiaries; launching of the 50th CSF in Cauayan, Isabela; and publishing of the implementing rules and regulation of the CSF Act.

To support CSF development, the BSP will continue to provide technical assistance and seminars to CSF cooperatives to enhance their management capabilities. The BSP will assist the CDA in setting the criteria and qualifications for CSF cooperatives and provide such other forms of assistance as may be determined by the Monetary Board to be consistent with its mandate.



¹Together with BAP, SEC, and SME groups for the DOF-LRA-IFC Project on Secured Transactions.

Financial Literacy Campaigns and Advocacies

The BSP conducts a number financial literacy and advocacy programs in partnership with various stakeholders. Literacy campaigns are focused on effective personal finance, banking products and services, and consumer rights. Advocacy programs also aim to raise awareness and inspire the public and financial inclusion partners through the achievements and stories of others.

Citi Microentrepreneurship Awards (CMA)

The CMA is an awards program developed through a public-private collaboration among Citi, BSP, and the Microfinance Council of the Philippines, Inc. (MCPI) with the goal of recognizing inspiring microentrepreneurs and raising awareness on microfinance. Now on its 15th year, the program has awarded a total of 123 microentrepreneurs. It has been replicated by Citi in 34 countries which demonstrates the enduring success of the program.

In 2017, eight microentrepreneurs were awarded: one national winner, three island group winners, and four special awardees for agri, community leadership, green/sustainable business, and youth categories. Aside from cash prizes, the winners received insurance coverage, mentoring and capacity building support for the continued growth of their businesses.

Guro ng Pag-Asa (Gantimpala para sa Ulirang PagtutuRO ng PAG-iimpok at Araling PanSAlapi)

Guro ng Pag-asa is a joint program of the BSP and the Department of Education (DepEd) that motivates teachers to help children develop regular saving habits by incorporating lessons on saving, money management, and entrepreneurship

in their curricula. Another award, Bida sa Pag-iimpok at Pangkabuhayan is given to students or student groups who have implemented a sustained savings and entrepreneurial program for at least two years. The awarding ceremony for the 2015-2016 winners were held on 7 March 2017 in the BSP.



In a ceremony held on 07 March 2017 at the Bangko Sentral ng Pilipinas (BSP), Manila, Department of Education (DepEd) Secretary Leonor Briones (5th from right) and BSP Governor Amando Tetangco, Jr. (3rd from left), Monetary Board members (from left) Juan De Zuñiga, Jr., Valentin Araneta, (from right) Armando Suratos, and Felipe Medalla led the awarding of the GURO ng PAG-ASA (Gantimpala para sa Ulirang PagtutuRO ng PAG-iimpok at Araling PanSAlapi), an initiative of DepEd and BSP

Comprehensive Social Benefits Program

In February 2017, the BSP, together with 16 other government agencies, entered into a Memorandum of Agreement (MOA) to implement the Office of the President's Comprehensive Social Benefits Program (CSBP) which provides assistance to dependents of the uniformed personnel who were killed-in-action (KIA) and wounded-in-action (WIA) on 01 July 2016 onward. Under the CSBP, beneficiaries are required to attend the capacity building training conducted by the BSP, DTI and TESDA to receive the second tranche of the financial grant amounting to P250,000. To date, the BSP has conducted a total of eight trainings for approximately 640 beneficiaries.



Powerhouse in a Small Package

Ms. Merle Arnaldo Paete, a native of Sorsogon, was named 2017 Citi Microentrepreneur of the Year. Described as a “powerhouse in a small package,” the diminutive but enterprising Ms. Paete started with a capital of Php 2,000 which she used to put up a sari-sari store. With the help of microfinancing and use of her own earnings, she entered into pili cultivation and making of *bariw* or woven mats in 2005.

Buoyed by her ingenuity and can-do attitude, Ms. Paete was able to diversify and add value to her already thriving business. Having learned about how the pili pulp and pili shells can be used to produce the pili oil, she has likewise developed her business into one in which nothing goes to waste.

At present, Ms. Paete owns a three-hectare pili and coconut plantation, which yields 60,000 pieces of pili fruit in a month. With an additional 70,000 pieces of pili fruit sourced from neighbors, she is able to produce and sell 190 kilos of pili nuts, 20 bottles of pili oil, and 200 kilos of pili shells. Ms. Paete is a main supplier of pili nuts, pili oil, and *bariw* to several businesses, including exporters.

Project BRO (BSP Reaches Out)

In coordination with the Department of Education (DepEd), Project BRO is a full-day series of learning events targeting students enrolled in Grades 1 to 10 in selected public and private schools. It is designed to educate the participants of the value of spending wisely, saving early and saving in banks. The sessions consist of games, fun activities and interactive talks about saving. At least 90 days after the BRO, a “Banking Fiesta” is coordinated with the Bank Marketing Association of the Philippines (BMAP), wherein BMAP member banks visit schools and open kiddie/teen savings accounts for students, with minimum requirements (student ID and at least P100 opening balance). The BRO awards are conferred annually to the outstanding kiddie/teen saver, best saving mentor and outstanding school of savers. In 2017, the BSP has conducted five Project BROs covering 15,129 students from a total of 49 schools recommended by DepEd.

Banking on Your Future

On 7 March 2017, the BSP, Bank Marketing Association of the Philippines (BMAP) and the 17 partner banks signed a new Memorandum of Agreement on the Banking on Your Future (BOYF) Kiddie and Teen Account Program (KTAP) which was originally

launched in 2009. Under the updated program, Filipinos 19 years and below can open a savings account with 17 participating banks with a minimum deposit of P100.00 and with no maintaining balance required. The program is aligned with the inclusion of financial lessons of the new K-12 curriculum of the DepEd. Partner banks include BDO, BPI, BPI Family Savings Bank, China Bank Savings, DBP, EastWest Bank, Maybank, Metrobank, PNB, PS Bank, Philippine Veterans Bank, RCBC, RCBC Saving Bank, Security Bank, Sterling Bank of Asia, UCPB and UCPB Savings Bank.

Stakeholder Award

The BSP honors institutional partners who have shown consistent and outstanding support to the BSP's mandates and advocacy programs, including financial inclusion. For six years in a row (2012-2017), the CARD Banking Group has received the Outstanding Financial Inclusion Champion Award for its tangible gains in providing a wide range of microfinance products and services, especially to the poor and low-income population. The PDIC received the 2017 Outstanding Financial Inclusion Partner Award in recognition of its active engagement in the



Recipients of the 2017 Paeng Awards pose with the Board of Judges from the RBB Foundation

L-R: Fr. Rev. Fr. Jose Victor E. Lobrigo (Simbag sa Pag-asenso, Inc.), Mr. Angelo Solarte (Taytay sa Kauswagan, Inc.), Gov. Amando M. Tetangco, Jr., Mr. Antonino L. Alindogan, Jr. (RBB Foundation), Mr. Rolando B. Victoria (Alalay sa Kaunlaran, Inc.) and Mr. Deogracias N. Vistan (RBB Foundation)

implementation of the NSFI.

Paeng Awards

The Paeng Awards, formally known as the Rafael B. Buenaventura Awards for Microfinance Institutions, was launched in 2013 by the Rafael B. Buenaventura Micro Finance Resource Center Foundation (RBB Foundation) in partnership with the BSP as a tribute to the legacy of the late BSP Governor Rafael “Paeng” Buenaventura. The Paeng Awards are given in recognition of the notable inroads made by microfinance institutions into improving client service, outreach and institutional efficiencies through innovative programs. In 2017, citation awards were given to two microfinance institutions for achievements in disaster risk reduction management programs, and in financial education.



Financial Education and Consumer Protection





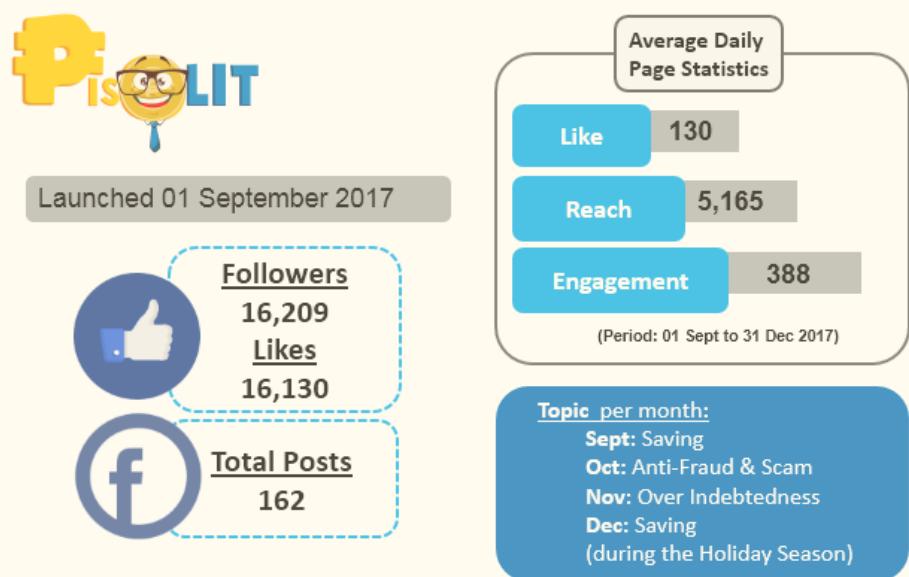
Financial Education and Consumer Protection

Achieving financial inclusion not only necessitates providing access to financial products, but also equipping users with the knowledge to empower them as financial consumers. Financially literate consumers understand what it means and what it takes to be financially resilient, and seek out the products that can best serve their needs. As they become empowered to demand better products and to engage only with providers that demonstrate good market conduct, they themselves become effective tools and partners for promoting financial inclusion and good governance in the financial system.

Ensuring good market conduct and upholding consumer protection, on the other hand, are crucial in building trust in the formal financial services. Trust is a necessary condition for the clients' sustained use of financial products that lead to improved welfare.

PisoLit

Launched on 1 September 2017, PisoLit Facebook page provides a digital and social media-focused dimension to the BSP's finlit campaigns. It targets online Filipinos, particularly millennials aged 18 to 34 years. PisoLit is distinct and separate from the official BSP FB page, allowing flexibility to utilize stylized financial education and consumer protection content that fits the posting style of the target audience. Key messages include saving for emergencies and retirement, preventing over-indebtedness and avoiding fraud and scams. PisoLit also capitalizes on online trends to proliferate financial education messages more effectively to Filipino netizens.



Economic and Financial Learning Program (EFLP)

The EFLP brings together the BSP's key economic and financial learning activities under one flagship program. It aims to increase the level of public understanding of essential economic and financial issues to help them acquire the knowledge and the skills needed to make well-informed economic and financial decisions.

In 2017, the EFLP was comprised of the following major component programs: 1) "Be Up to Speed on BSP" Public Information Campaign (PIC) on the Role of the BSP in the Economy; 2) Financial Learning Campaign (FLC) for Overseas Filipinos (OFs) and their Beneficiaries; 3) Users' Forum (UF) on BSP Produced Statistics; 4) Conference on Gearing Up for External Competitiveness (CGEC); 5) Financial Education Expo (Fin-Ed Expo); and 6) Financial Learning Seminar for the Unbanked.

Forty two learning sessions were conducted in 2017 attended by more than 6,000 participants². Six areas were covered by the BSP-EFLP — Calapan City (Oriental Mindoro), Taguig City, Maasin City (Southern Leyte), Victorias City (Negros Occidental), Siquijor (Siquijor), and San Fernando City (La Union).



PIC on the Role of the BSP in the Economy, Session for the Workforce Victorias City, Negros Occidental, 15 August 2017



FLC for OFs and their Beneficiaries, Taguig City, 21 June 2017

“ The seminar was fun and informative. If this kind of seminar will be conducted nationwide, it will create a big difference. Knowledge is power, and if knowledge will be shared from one person to another, the power that it will create might even surpass the expected level. The seminar did not only teach about investing, budgeting, and saving, it made the listeners realize what they can contribute in the economy, how they can exercise their rights as financial consumers and how they can handle money wisely.

*The next day after the seminar, one student found herself in Allied Savings Bank (PNB Savings Bank) inquiring about a savings account. She was hoping her savings would grow in the future. The motivation from the seminar was the best part, because that was what she lacked. She enjoyed the seminar and she gained a lot of information about financial management. I should know, because she was me. **”***

Testimonial of Bunny D. Fabila, a third year student of Romblon State University College of Business Administration who attended the Financial Education Seminar

²From year 2000 to November 2017, more than 480 EFLP programs were conducted reaching more than 62,000 participants.

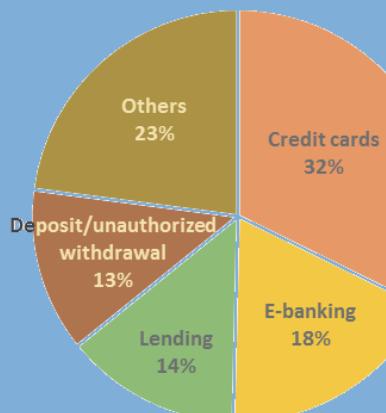
Consumer Assistance

The BSP has a dedicated unit under its Financial Consumer Protection Department (FCPD) which serves as the public's primary point of contact for financial consumer complaints, inquiries and requests (CIRs). As of end November 2017, FCPD received 9,556 new CIRs about various issues, thru emails, letters and walk-ins. Common concerns are on credit cards (32.36%), e-banking (18.17%), lending (13.86%), deposits/unauthorized withdrawals (12.91%), and others (17.81%).

FCPD has referred 4,528 CIRs to BSP supervised financial institutions (BSFIs) for proper action.

On the average, BSFIs respond within 5.72 banking days from receipt of FCPD's referral of new CIRs and within 11.80 banking days for subsequent referrals. As of November 2017, 83.47% of all CIRs in 2017 are either closed or resolved.

Financial Consumer Complaints, Inquiries and Requests



BSP Governor Amando M. Tetangco, Jr. (front row, center) poses with Monetary Board Members (MBM), BSP officers and the book authors during the launch of Wealth Watch Book II in BSP, City of Manila

Mystery shopping

In light of the observed market growth and number of complaints received on motor vehicle loans, the BSP is developing a research tool using mystery shopping to assess consistency of implementation of the Financial Consumer Protection Framework (Circular No. 857) across all BSFIs offering said loans. The results of this study will serve as input to policy review and design of future market conduct activities.

Consumer advisories

The BSP issued three advisories in 2017 through its website and social media accounts on the following topics: 1) responsible use of credit card; 2) bank fees for deposit accounts; and 3) un-dispensed ATM withdrawals.





International Engagement



International Engagements

The BSP actively participates in international fora which reinforces its thought leadership in financial inclusion global discussions and builds a community of partners supporting the country. Through these engagements, the BSP has been able to tap external resources for the conduct of valuable deep-dives and researches, knowledge exchange and technical assistance programs.

Alliance for Financial Inclusion

As one of the founding members of the AFI, the BSP remains an active member of the AFI network. AFI is a global alliance of financial policymakers from developing and emerging countries working together to increase access to appropriate financial services for the poor. The BSP has representation in all AFI Working Groups looking at the critical aspects of financial inclusion such as digital financial services, SME finance, consumer protection,

global standards proportionality, national strategy, data and measurement.

A delegation from the BSP headed by Governor Nestor A. Espenilla, Jr. represented the Philippines in the 2017 Global Policy Forum (GPF) in Sharm El Sheikh, Egypt on 13-15 September 2017. With the theme “Exploring Diversity, Promoting Inclusion,” the 2017 GPF tackled emerging topics on financial inclusion such as financial technology (FinTech), informal

sector, gender, forcibly displaced persons (FDPs), and climate change.

During the AFI Awards Night, BSP Governor Amando M. Tetangco, Jr. received a Leadership Award as former Chair of the AFI Steering Committee. The BSP won the Peer Review Award in recognition of its contribution in reviewing the financial inclusion policies, national strategies, surveys and reports of other AFI member countries.

Leadership at the Financial Inclusion Data Working Group (FIDWG) of the Alliance for Financial Inclusion

From September 2016 to September 2017, the Philippines chaired the AFI FIDWG, an international working group consisting of 56 member institutions from 52 countries. FIDWG develops a common framework to measure financial inclusion and share lessons on financial inclusion data in areas such as target setting, survey methodologies, data analysis, and evidence-based policymaking.

Under the chairmanship of the Philippines, FIDWG continued its work on sex-disaggregated data to support women's financial inclusion and created new work streams on monitoring and evaluation of national financial inclusion strategies, supply-side data collection, and needs-based approach in financial inclusion measurement, in response to emerging trends in financial inclusion data.



Mynard Mojica while facilitating the 16th FIDWG Meeting in Sharm El Sheikh, Egypt on 12 September 2017.



FIDWG members, posed for a group photo during their 15th Meeting in Dushanbe on 24-28 April 2017.



ASEAN

The BSP is a member of the ASEAN Working Committee on Financial Inclusion (WC-FINC). Created in 2015 as a working group under the ASEAN Financial Integration track, FINC is tasked to deliberate policy actions and coordinate initiatives to enhance financial inclusion in the region. The FINC Strategic Action Plan focuses on four outcomes: 1) support national financial inclusion strategies; 2) elevate capacity building of ASEAN member states to advance inclusive and sustainable growth; 3) enhance digital financial inclusion; and 4) increase awareness on financial education and consumer protection. The BSP, together with Bank Indonesia, currently co-lead the subgroup tasked to cover outcome number 3.



Better Than Cash Alliance (BTCA)

The BTCA is a partnership of governments, private sector entities, and development organizations to support the transition from cash to digital payments to drive inclusive growth. The BSP and the Department of Budget and Management (DBM) are the principal agencies representing the Philippine government in the Alliance. BTCA has conducted several case studies for the Philippines which have been used to inform our digital financial inclusion strategies, particularly the NRPS. In 2017, representatives from the BSP and DBM were part of the knowledge exchange program held in Brazil on the implementation design of the government's conditional cash transfer program and its role in accelerating digital financial inclusion.



Global Partnership
for Financial Inclusion

Global Partnership for Financial Inclusion (GPFI)

The GPFI is an inclusive platform for all G20 countries, interested non-G20 countries and relevant stakeholders to carry forward work on financial inclusion, including implementation of the G20 Financial Inclusion Action Plan. The Philippines, as one of the non-G20 members of GPFI, actively participates in the Subgroup on Regulation and Standard-Setting Bodies (SSBs).

This Subgroup supports the implementation and promotion of the G20 Principles for Innovative Financial Inclusion and works to embed financial inclusion in the work of SSBs, consistent with their respective mandates.

Recent workstreams of the GPFI include financial inclusion of forcibly displaced persons, financial consumer protection and data privacy, and leveraging financial services for SMEs in sustainable global value chains. In 2017, the Philippines is featured in the Guidance Note on Building Inclusive Digital Payments Ecosystems which provides guidance to policymakers in expanding financial inclusion through the use of digital payments.



Consultative Group to Assist the Poor (CGAP)

The Consultative Group to Assist the Poor is a global partnership of more than 30 leading organizations which aims to promote financial inclusion by providing an evidence-based advocacy platform. In 2017, the CGAP together with the BSP completed a research exercise analyzing how linkages among Inclusion, Stability, Integrity and Protection (I-SIP Framework) have been managed in the case of five (5) policy interventions: mandated agricultural credit, National Strategy for Microfinance, and regulations on micro-banking offices (MBOs), electronic money (e-money), and pawnshops.

The Philippines I-SIP research exercise underscored the importance of identifying potential linkages among I-SIP objectives at the onset of regulations. It also confirmed that expanding financial inclusion is a long-term endeavor that requires broad-based participation and sustained and focused efforts by several stakeholders.

Insight2Impact (i2i)

i2i is a resource center that aims to catalyze the provision and use of data by private and public sectors to improve financial inclusion through data-driven policies and client-centric product design. It has developed a new financial inclusion measurement framework which underscores the clients' financial needs as the primary reference point. The measurement aims to provide policymakers and service providers insights on what triggers first use of a financial product or service, what drives sustained usage, and how customers deploy different financial products and services towards meeting the underlying need.

i2i is partnering with the BSP for the pilot testing of the needs-based approach in financial inclusion measurement in the country.

Monetary Authority of Singapore (MAS)

The BSP signed a cooperation agreement with the MAS to facilitate promotion of Fintech-led innovations in Singapore and the Philippines by providing a more defined referral system for FinTech players between each authority. Digital innovations by Fintechs can lead to better and more affordable financial services benefitting clients, especially the unbanked.

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WORKING PAPER

Financial Inclusion, Stability, Integrity, and Protection:

Observations and Lessons for the I-SIP Approach from the Philippines
April 2017

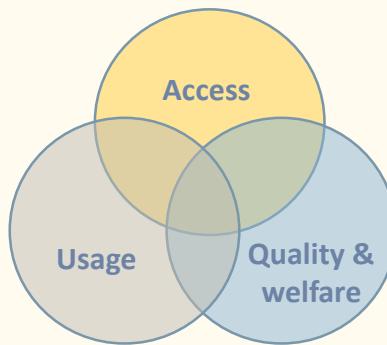


Measurement and Monitoring



Measurement and Monitoring

Gathering and disseminating financial inclusion data are crucial to understanding the impact of BSP efforts, the progress made and the areas needing improvement and focus. The BSP monitors the following financial inclusion dimensions:



In addition to these dimensions, the BSP assesses the quality of the regulatory environment against global best practices. The BSP uses a wide range of data sources, including its own internally generated reports, national surveys and external benchmarking indices. It leverages on the data initiatives of its international partners to expand its measurement tools.

National Financial Inclusion Survey

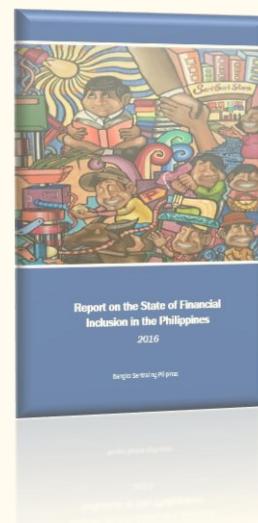
The Financial Inclusion Survey (FIS) is a nationally representative biennial survey that seeks to measure financial inclusion from the perspective of actual and potential users of financial products and services. As a demand-side survey, it complements BSP's supply-side data to provide a more holistic picture of financial inclusion in the country.

The second run of the financial inclusion survey is currently underway and covers the same key financial inclusion measurement dimensions. The questionnaire has been updated based on the learnings from the baseline survey

in 2015, and to reflect the needs-based approach and focus on digital financial inclusion.

Report on the State of Financial Inclusion in the Philippines

The report is part of the stock-taking process of the BSP to assess the levels and trends in financial inclusion in the country. The 2016 report, which is the sixth edition since the maiden release in 2011, serves as an inventory of the progress made in the past six years (2011-2016) and includes latest available information as of first half of 2017.



World Bank

The World Bank has a number of surveys, studies and publications that the BSP uses for benchmarking and to inform policy and other interventions for financial inclusion.

- **Enterprise Survey**

An Enterprise Survey is a firm-level survey of a representative sample of the country's private sector. It covers a broad range of business environment topics including access to finance which has 13 indicators. The latest enterprise survey for the Philippines was conducted in 2015.



- **Brookings Institute**

Since 2015, the Brookings Institute has been releasing its annual Financial and Digital Inclusion Report (FIDP) which examines financial inclusion efforts of various countries (26 in 2017).

- **Findex**

The Global Findex database provides in-depth cross-country data on how individuals save, borrow, make payments and manage risks. The 2014 Global Findex consists of over 100 indicators, also shown by gender, income and age. The 2017 Global Findex is expected to be published in 2018.

(Lifted from the Findex website

<http://datatopics.worldbank.org/financialinclusion>)

- **Global Microscope**

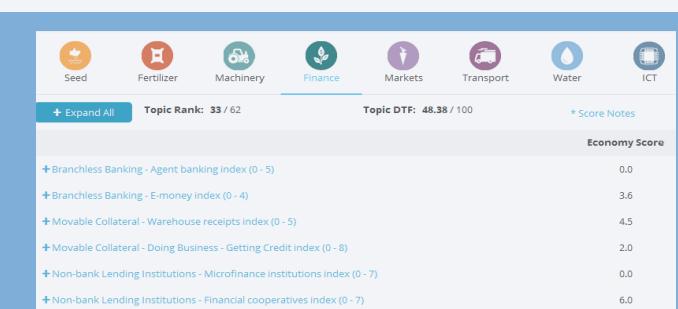
The Economist Intelligence Unit Global Microscope examines the conditions and enabling environment for financial inclusion cross-country. For the last three years (2014-2016), the Philippines has been consistently rated as the top country in Asia and third in the world with the most conducive environment for financial inclusion.

Indicator	Philippines	East Asia & Pacific	All Countries ²
Percent of firms with a checking or savings account	93.2	77.0	86.6
Percent of firms with a bank loan/line of credit	29.9	28.3	33.6
Proportion of loans requiring collateral (%)	51.0	82.6	79.3
Value of collateral needed for a loan (% of the loan amount)	156.7	238.4	205.4
Percent of firms not needing a loan	68.9	50.7	46.2
Percent of firms whose recent loan application was rejected	14.8	6.4	11.2
Percent of firms using banks to finance investments	12.4	20.5	25.9
Proportion of investments financed internally (%)	81.2	77.8	71.0
Proportion of investments financed by banks (%)	10.1	10.4	14.7
Percent of firms using banks to finance working capital	12.4	25.4	30.1
Percent of firms using supplier/customer credit to finance working capital	7.4	21.0	31.3
Proportion of working capital financed by banks (%)	5.1	10.4	11.6
Percent of firms identifying access to finance as a major constraint	10.7	11.3	26.4

The report features a scorecard that assessed the countries across four “dimensions” of financial inclusion: country commitment, mobile capacity, regulatory environment, and the adoption of traditional and digital financial services. In 2016 and 2017, the Philippines placed 4th in the overall score, garnering a perfect 100% in country commitment and regulatory environment. Based on this report, the Philippines needs to focus its efforts on improving adoption which gained a rating of 42%, the lowest among the 9 countries in the top 5.

- **Enabling the Business of Agriculture (EBA)**

Since 2013, the EBA has collected and analysed data on laws and regulations that impact the enabling business environment for agriculture. In 2017, it presented data that measure barriers for agriculture businesses operating in 62 countries and provided quantitative indicators on regulations for 12 areas including finance. Finance indicators measure the quality of laws and regulations that promote access to financial services and support the development of agricultural enterprises. For finance indicators, Philippines ranked 33rd globally (62 countries) and 4th in the region (7 countries)





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