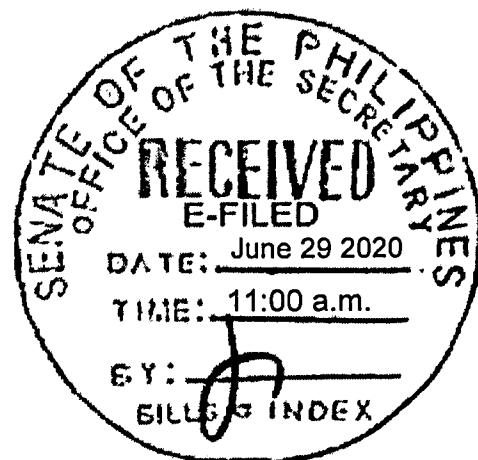


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



SENATE
S. B. No. 1643

Introduced by **SENATOR IMEE R. MARCOS**

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

EXPLANATORY NOTE

Article II, Section 20 of the 1987 Constitution provides that, "*The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments.*"

Financial inclusion refers to individuals and businesses having access to financial services, including payments, savings, credit and insurance. Access to financial services is widely quoted as a key enabler in reducing poverty. However, a major obstacle toward financial inclusion is cost, especially that associated with customers living in far-flung areas. In the Philippines, more than 36% of all the municipalities have no banking presence. The World Bank estimates that about 60% of the country's adult population remains unbanked, with only 28% of Filipino adults owning a bank account, 15% saving money through a formal financial institution, and only 10% being able to money from formal institutions. As such, there is a need to expand the reach of the financial sector.

In January 2017, the Bangko Sentral ng Pilipinas approved the guidelines for new bank service channels and relaxed existing regulations on deposit taking activities outside bank services. Under the new regulations, banks are now allowed, with prior BSP authorization, to serve clients through cash agents. 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.

The proposed measure institutionalizes the new BSP guidelines while further enhancing the concept of banking through cash agents. It aims to provide various incentives to entities who will establish its business in the remote areas of the country such as waiver of government fees, free training for personnel, tax benefits, and other benefits. The local government units shall play a crucial role in assigning areas as "remote" and assess the same for necessity of banking presence.

The measure defines what cash agents are and provide the corresponding eligibility requirements. The measure aims to ensure that agents, as extensions of the banking system, can provide adequate financial service.

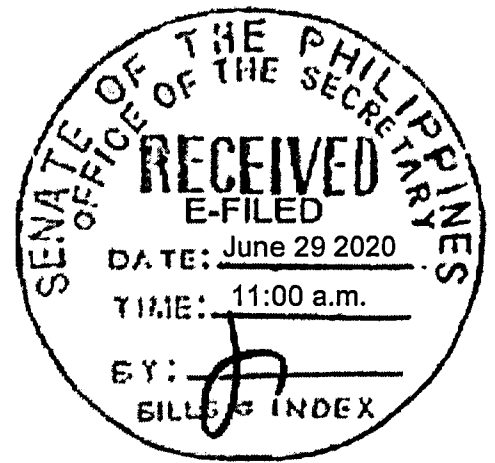
The immediate approval of this bill is earnestly sought.

Imee H. Marcos

IMEE R. MARCOS

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

1 **SECTION 1. Short Title.** — This Act shall be known as the "*Bangko sa Baryo*
2 *Act*"

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

8 **SEC. 3. Definition of Terms.** — As used in this Act:

9 a) *Cash Agent* refers to a third-party person with a retail outlet such as but
10 not limited to convenience stores, pharmacies and other highly accessible retail outlets
11 contracted to deliver bank services as provided in Section 7 of this Act;

12 b) *Contracting Bank* refers to any bank requesting authority from the Bangko
13 Sentral ng Pilipinas (BSP) to expand service delivery channels through cash agents;

14 c) *Remote area* refers to an area that either is a long distance from highly
15 populated settlements or lacks transportation links that are typical in more populated
16 areas duly identified by the concerned Local Government Unit (LGU) in coordination
17 with the BSP;

1 d) *Person* refers to a natural or juridical person.

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

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

7 a) It is a duly registered business in the Philippines;

8 b) It has engaged in commercial activity for at least one (1) year;

9 c) It has conducted its commercial activities continuously in a place and area
10 that is known to the public, and possesses sufficient capacity to properly
11 operate electronic devices; and

12 d) It has the necessary infrastructure to undertake banking operations.

13 **SEC. 5. Preliminary Screening.** — Upon submission of the eligibility
14 requirements for a Cash Agent, the Contracting Bank shall conduct a preliminary
15 screening of the documents ensuring that:

16 a) The result of the preliminary screening shall be released within five (5)
17 working days;

18 b) In case a Cash Agent fails the preliminary screening, the Contracting Bank
19 shall return the documents and notify the Cash Agent of the grounds for
20 failure. The Cash Agent may re-submit the documentary requirements within
21 thirty (30) days from denial; and

22 c) In case a Cash Agent passes the preliminary screening, the Contracting Bank
23 shall forward the application to the BSP:

24 *Provided, That,* the Contracting Bank shall have an electronic banking solution
25 to implement its cash agent operations and comply with the requirements of Part
26 Seven of the Manual of Regulations for Banks (MORB), on the Guidelines on Electronic
27 Banking Services and Operations. The bank shall deploy to its cash agents a device
28 through which its customers can perform secure online, real-time deposit and
29 withdrawal transactions on their own bank account, fund transfers, bills payment, and
30 self-service transactions: *Provided, further,* That the Board of Directors of the
31 Contracting Bank shall adopt clearly-defined written policies, procedures, and controls

1 for its Cash Agent operations, including Cash Agent selection, exercise of due
2 diligence, and customer care arrangements.

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

5 a) Cash Agent demonstrates good reputation and credit history, has no previous
6 civil and criminal record, and has a deposit account with the Contracting
7 Bank against which all bank transactions will be conducted;

8 b) The result of the application shall be released within seven (7) working days
9 upon the application by the Contracting Bank;

10 c) In case an application shall be rejected, the applicant shall be given a
11 Registered, written notification that indicates and explains the ground/s for
12 rejection;

13 d) In case an application shall be approved, BSP shall issue an Authority to
14 Utilize As Cash Agent to Contracting Bank valid for two (2) years. The
15 Authority to Utilize As Cash Agent shall be displayed conspicuously in the
16 Cash Agent's retail outlet.

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

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

22 a) Accept and disburse cash on the bank's behalf in connection with the
23 following self-service transactions of customers.

24 i. Deposit and withdrawal transactions performed by the customer on one's
25 bank account;

26 ii. Fund transfers performed by the customer;

27 iii. Bills payment; and

- 1 iv. Payments due to government institutions, such as contributions to the
2 Social Security System and premiums payable to the Philippine Health
3 Insurance Corporation, PAG-IBIG and others;
- 4 b) Collect and forward applications for opening a savings account;
- 5 c) Forward loan application documents to Contracting Bank;
- 6 d) Perform Initial Customer Identity Verification:
 - 7 i. Conduct customer due diligence (CDD) investigations in opening low
8 transactional and low risk accounts or accounts subject to deposit and
9 transactional limits;
 - 10 ii. Prevent anti-money laundering and countering financing of terrorism
11 activities;
- 12 e) Other transactions:
 - 13 i. Payment (including loan repayments) using credit and debit cards, checks,
14 and cash;
 - 15 ii. Transfers between bank accounts including those to be remitted to other
16 banks;
 - 17 iii. Balance inquiries; and
 - 18 iv. Check encashment.

19 **SEC. 9. Investment Incentives.** – A Cash Agent that establishes operations
20 in a remote area shall be entitled to the following incentives:

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

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

4 **SEC. 10. Role of LGUs.** – The concerned LGU shall encourage and provide
5 incentives to a Cash Agent in relation to the purpose of this Act pursuant to Republic
6 Act No. 7160, otherwise known as the Local Government Code of 1991.

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

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

12 **SEC. 12. Agent Exclusivity.** – BSP may permit temporary agent exclusivity for
13 a period not exceeding two (2) years. Otherwise, the Cash Agent shall enter into an
14 agreement with another Contracting Bank.

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

18 **SEC. 14. Principal Liability for Agents.** — The Contracting Bank is liable for
19 all actions and omissions of the Cash Agent, provided such act is within the bounds of
20 the agency. The Contracting Bank shall exercise due diligence to ensure its Cash
21 Agents comply with applicable rules, regulations, and policies on anti-money
22 laundering, consumer protection, bank secrecy and customer data confidentiality.

23
24 **SEC. 15. Prohibited Acts** — In addition to acts or omissions already penalized
25 by existing laws, the following shall constitute as prohibited acts for any cash agent
26 and are hereby declared to be unlawful:

27 (a) Make any false entry in any bank report or statement or participate in any
28 fraudulent transaction, thereby affecting the financial interest of, or causing damage
29 to, the bank or any person;

30 (b) Without order of a court of competent jurisdiction, disclose to any
31 unauthorized person any information relative to the funds or properties in the custody
32 of the bank belonging to private individuals, corporations, or any other entity:

1 Provided, That with respect to bank deposits, the provisions of existing laws shall
2 prevail;

3 (c) Accept gifts, fees or commissions or any other form of remuneration in
4 connection with the approval of a loan or other credit accommodation from said bank;

5 (d) Conduct business in an unsafe or unsound manner, which resulted or may
6 result in material loss or damage, or abnormal risk or danger to the safety, stability,
7 liquidity or solvency of the institution.

8

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

14

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

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

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

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

30

31 *Approved,*