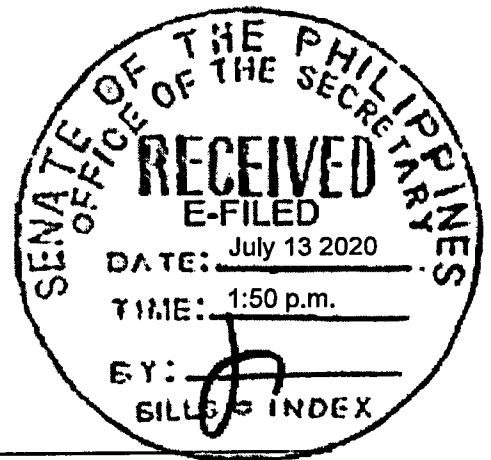


EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)

SENATE
S. No. 1682



Introduced by Senator Grace Poe

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

Explanatory Note

Financial inclusion has been a challenge in the Philippines. According to the Bangko Sentral ng Pilipinas (BSP) data, around 60% of the country's adult population (aged 15 above) remains unbanked as of 2017. Only 15% save money while 10% borrow money from formal financial institutions. Accessibility and cost have been the primary obstacles towards financial inclusion, with around 33% of cities and municipalities having no banking presence¹.

Financial inclusion has become an important policy objective of the national government. In 2015, BSP launched the National Strategy for Financial Inclusion² which emphasized the importance of financial inclusion as an element for financial empowerment, broad-based development and inclusive growth among Filipinos. The strategy identified four pillars in support of this vision: a) policy, regulation and supervision; b) financial education and consumer protection; c) advocacy programs; and d) data and measurement.

Moreover, in efforts to reach and serve more Filipinos especially those in far-flung areas, BSP, through its Monetary Board, issued guidelines in 2017 for new bank service channels and eased existing regulations on deposits by taking services outside banks³. Under this regulation, banks are now allowed to serve clients through cash agents contracted by banks to accept and withdraw cash without prior BSP authorization. The services include withdrawals and fund transfers, online self-service deposits, bills payment, collection and forwarding of application documents for loan and account opening, among others. Cash agents may also perform Know-Your-Customer procedures, as well as sell and service insurance as authorized by the Insurance Commission.

¹ http://www.bsp.gov.ph/downloads/Publications/2018/FIDashboard_1Q2018.pdf

² <http://www.bsp.gov.ph/downloads/publications/2015/PhilippinesNSFIBooklet.pdf>

³ <http://www.bsp.gov.ph/publications/media.asp?id=4274&yr=2017>

Bangko sa Baryo Act of 2020 seeks to incorporate this new BSP guideline while enhancing and expanding the role of cash agents in banking. The bill stressed that the contracting bank remains ultimately liable for agent actions thus they should ensure that cash agents pass eligibility requirements and BSP evaluation procedures, follow standard bank protocols, and exercise due diligence when dealing with clients. The bills also provides investment and tax incentives to cash agents who will establish business in remote areas.

If enacted into law, the Bangko sa Baryo Act of 2020 would 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.

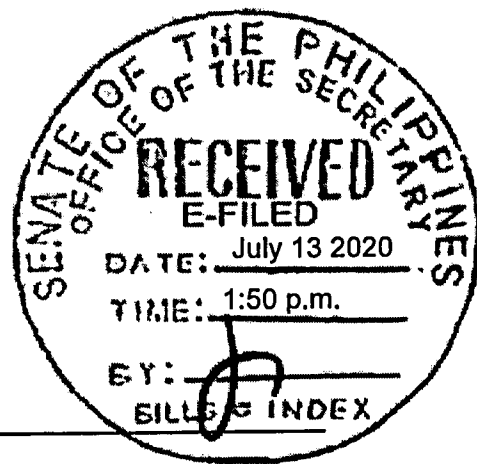
Thus, approval of this measure is eagerly sought.



GRACE POE

EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
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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 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 Act
2 of 2020".

3 Sec. 2. *Declaration of Policy.* — The State recognizes the vital role of banks in
4 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.* — For purposes of this Act, the following definitions
9 shall apply to the following terms:

- 10 a. Cash Agent refers to any person with a retail outlet such as but not limited to
11 convenience stores, pharmacies and other highly accessible retail outlets that
12 deliver bank services provided in Section 7 of this Ac;
- 13 b. Contracting Bank refers to any bank requesting authority from the Bangko
14 Sentral ng Pilipinas (BSP) to expand service delivery channels through cash
15 agents;
- 16 c. Remote area refers to an area that either is a long distance from highly
17 populated settlements or lacks transportation links that are typical in more
18 populated areas duly-identified by the concerned Local Government Unit in
19 coordination 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 file an
5 application with a Contracting Bank provided that the following requirements are met:

6 a. It is a duly-registered business in the Philippines;

7 b. It has engaged in commercial activity existing for at least three (3) months;

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

11 d. It has the necessary infrastructure to undertake banking operations.

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

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

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

20 c. In case Cash Agent passes the preliminary screening, the Contracting Bank
21 shall forward the application to the Bangko Sentral ng Pilipinas (BSP).

22 *Provided,* the Contracting Bank shall have an electronic banking solution to
23 implement its cash agent operations and comply with the requirements of Part Seven
24 of the Manual of Regulations for Banks (MORB), on the Guidelines on Electronic
25 Banking Services and Operations. The bank shall deploy to its cash agents a device
26 through which its customers can perform secure online, real-time deposit and
27 withdrawal transactions for his/her own bank account, fund transfers, bills payment,
28 and self-service transactions: *Provided, further,* That the Board of Directors of the
29 Contracting Bank shall adopt clearly-defined written policies, procedures, and controls
30 for its Cash Agent operations, including but not limited to, Cash Agent selection and
31 due diligence, and customer care arrangements.

1 **Sec. 6. *Evaluation Process.*** — BSP shall create an online evaluation process for
2 a Cash Agent application while ensuring that:

- 3 a. Cash Agent demonstrates good reputation and credit history, has no previous
4 civil and criminal record, and has a deposit account with the Contracting Bank
5 against which all bank transactions will be conducted;
- 6 b. The result of the application shall be released within seven (7) working days
7 upon the application from Contracting Bank;
- 8 c. In case an application shall be rejected, the applicant shall be given a
9 registered, written notification that indicates and explains the ground/s for
10 rejection;
- 11 d. In case an application shall be approved, BSP shall issue an Authority to Utilize
12 as Cash Agent to Contracting Bank valid for two (2) years.

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

15 **Sec. 7. *Revocation of Authorization.*** — BSP shall revoke the Authority to Utilize
16 as Cash Agents if a Cash Agent no longer meets the standards set to qualify for the
17 requirements under this Act.

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

- 20 a. Accept and disburse cash on the bank's behalf in connection with the following
21 self-service transactions of customers:
 - 22 i. Deposit and withdrawal transactions performed by the customer on
23 one's bank account;
 - 24 ii. Fund transfers performed by the customer;
 - 25 iii. Bills payment; and
 - 26 iv. Payments due to government institutions, such as contributions to the
27 Social Security System and premiums payable to the Philippine Health
28 Insurance Corporation, PAG-IBIG and others;
- 29 b. Collect and forward applications for opening a savings account;
- 30 c. Forward loan application documents to Contracting Bank;
- 31 d. Perform Initial Customer Identity Verification:

- 1 i. Conduct Customer Due Diligence (CDD) investigations in opening low
2 transactional and low risk accounts or accounts subject to deposit and
3 transactional limits;
4 ii. Prevent Anti-Money Laundering and countering financing of terrorism
5 activities;
6 e. Other transactions
7 i. Payment (including loan repayments) using credit and debit cards,
8 checks, and cash;
9 ii. Transfers between bank accounts including those to be remitted to other
10 banks;
11 iii. Balance inquiries; and
12 iv. Check encashment.

13 **Sec. 9. *Investment Incentives.*** — A Cash Agent that establishes operations in
14 a remote area shall be entitled to the following incentives:

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

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

24 **Sec. 10. *Role of LGUs.*** — The concerned LGU shall encourage and provide
25 incentives to a Cash Agent in relation to the purpose of this Act pursuant to Republic
26 Act No. 7160, otherwise known as the Local Government Code of 1991.

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

30 **Sec. 11. *Subcontracting Agents.*** — A Cash agents cannot subcontract its
31 operations or businesses to third parties.

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

4 Sec. 13. *Fees.* — A Cash agents may set customer fees and charge customers
5 directly: Provided, That the Contracting Bank and the Department of Trade and
6 Industry shall monitor such pricing for signs of exploitation or customer confusion.

7 Sec. 14. *Principal Liability for Agents.* — The Contracting Bank is liable for all
8 actions and/or omissions of the Cash Agent, provided such act is within the bounds of
9 the agency.

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

13 Sec. 15. *Implementing Rules and Regulations.* — BSP in coordination with the
14 Anti-Money Laundering Council (AMLC), Insurance Commission, a representative from
15 the Union of Local Authorities of the Philippines (ULAP) and DTI shall promulgate, not
16 later than thirty (30) days upon the effectivity of this Act, the necessary rules and
17 regulations for its effective implementation.

18 Sec. 16. *Separability Clause.* — If any section or part of this Act is held
19 unconstitutional or invalid, the other sections or provisions not otherwise affected shall
20 remain in full force and effect.

21 Sec. 17. *Repealing Clause.* — All laws, decrees, executive orders, rules and
22 regulations, issuances or any part thereof inconsistent with the provisions of this Act,
23 are hereby repealed, amended or modified accordingly.

24 Sec. 18. *Effectivity.* — This Act shall take effect fifteen (15) days after its
25 publication either in the Official Gazette or in at least two (2) national newspapers of
26 general circulation.

Approved,