

Philippine Experience in Alternative Payments Platform to Increase Access to Financial Services

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Enabling Factors

- Existence of a microfinance friendly policy and regulatory environment and a central bank that is committed to the development of inclusive financial sectors
- Resulted in a significant increase of banks with microfinance operations (215 banks (mostly rural banks) engaged in microfinance all over the country – as of March 31, 2007)
 - Increased competition, drive to lower costs and improve services through product and service innovation
 - Demand to reach more and new markets



Enabling Factors

- Availability of electronic money platforms through mobile phones
- Very high mobile Phone usage, acceptability and adaptability in the Philippines
- Very active and innovative banking association (specifically rural banking association) in sustainable microfinance operations



Electronic Cash Platform: G-Cash of Globe Telecom

- Cash-less and card-less micro payment over a mobile phone using a menu-driven interface. May be used to purchase and sell goods and services, micro-finance applications, tax and bill payments, send and receive money person to person, domestic and international remittances
- Product Approved by the Monetary Board with the requirement for Globe Telecom/GXchange, Inc. (Globe's settlements system) to submit semestral reports to BSP and allow for onsite review by the BSP Core Information Technology Supervision Group (CITSG)



Using G-Cash as an Alternative Platform for Microfinance Delivery

- Rural Bankers Association of the Philippines – Microenterprise Access to Banking Services (MABS) entered into a joint project with Globe Telecom to use the electronic cash platform (g-cash) for banking services particularly payments and deposits
- Banks under this program are allowed to become “Cash In” and “Cash Out” Outlets which are accredited to convert actual money to electronic money and electronic money to actual money, respectively. (Non banks have to register with the BSP with certain requirements)



Using G-Cash as an Alternative Platform for Microfinance Delivery

- Banks under this program were also provided the permission to use g-cash for key microfinance transactions for existing clients of the said banks such as loan payments, deposits and withdrawals from their existing accounts through a short messaging system (SMS) or “text” enabled application. (i.e. “TEXT – A – PAYMENT”, “TEXT – A – DEPOSIT”, “TEXT – A – WITHDRAWAL”)



Key Areas of Concern by the BSP

- Telco is not a BSP-regulated entity
- Fairly new product for banks, especially the rural banks
- Bank's safety, soundness and risk management system that can handle the operational, compliance, reputation and strategic risks associated with this technology related product
- Possible liquidity risk
- Possible security risk
- Consumer protection issues
- AML/CFT issues



Addressing Concerns/ Issues

- Product needed approval by the BSP when used in partnership with banks. Monetary Board was able to set guidelines, reporting requirements and examination of the telco
 - CITSG was given authority to conduct regular/ annual systems review to check on confidentiality, fraud and data integrity
 - Regular Reporting was also mandated (to BSP and Anti Money Laundering Council)
- Provision of transaction caps to lower exposure
 - PhP 10,000/ transaction (~USD 200)
 - PhP 40,000/ day (~USD 850)
 - PhP 100,000/ month (~USD 2000)



Addressing Concerns/ Issues

- Banks are accredited by the bankers association before they can use the product/ payment system. The bankers association has guidelines, training and other requirements prior approval. This was also approved by BSP
- Cash in/ Cash out are by banks (covered by BSP regulations) while non-banks still have to register in the BSP



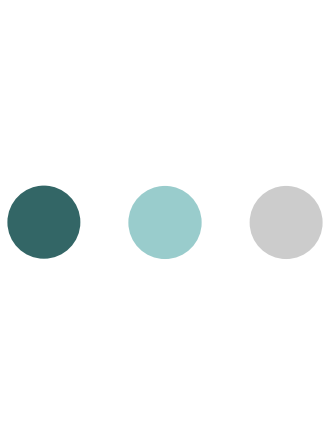
Key Success Factors

- Openness of telco to BSP
- Responsive regulator committed to finding ways to increase access to financial services within sound, safe and prudent standards
- Absence of a payments system law that may have provided initial advantage and flexibility



Looking Forward

- Continuous look at the developments in the industry (i.e. volumes, issues encountered in redeeming e-money, relevance of transaction caps, etc.)
- Consumer protection issues/ what information should be disclosed to the public
- Requirements for non banks in the issuance of e-money (i.e. requirements and restrictions to “e-money floats”)
- Need for a payments system law
- Need to reach scale



End of Presentation

Thank you.

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