

The E-money Platform: Opportunities for Digital Payments



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Outline of Presentation

- I. What does the BSP do?
- II. What is financial inclusion?
- III. Finance + technology = e-money
- IV. Regulatory environment for e-money
- V. Benefits and uses of e-money
- VI. Private sector initiatives to promote e-money
- VII. Opportunities for local governments
- VIII. Vision for digital financial inclusion



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What does the BSP do?

- Primary Responsibilities:
 - Maintain price stability conducive to a balanced and sustainable economic growth
 - Preserve safety and soundness of the banking system
- Financial Inclusion Advocacy:
 - Microfinance and access to finance for the unbanked
 - Consumer protection
 - Financial education
 - Advocacy programs
 - Financial inclusion measurement



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What is 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 (**savings, credit, payments or remittance, insurance**) for different market segments, especially the **unbanked**



Savings

- Micro-deposit
- Special Purpose
 - Youth
 - Education
 - Retirement
 - Overseas Filipinos

Credit

- Microenterprise
- Micro-Agri
- Housing Microfinance
- Personal/consumer

Payments

- Remittances
- Government payments
- Conditional cash transfers (CCT) & other government pay-outs
- Electronic payments

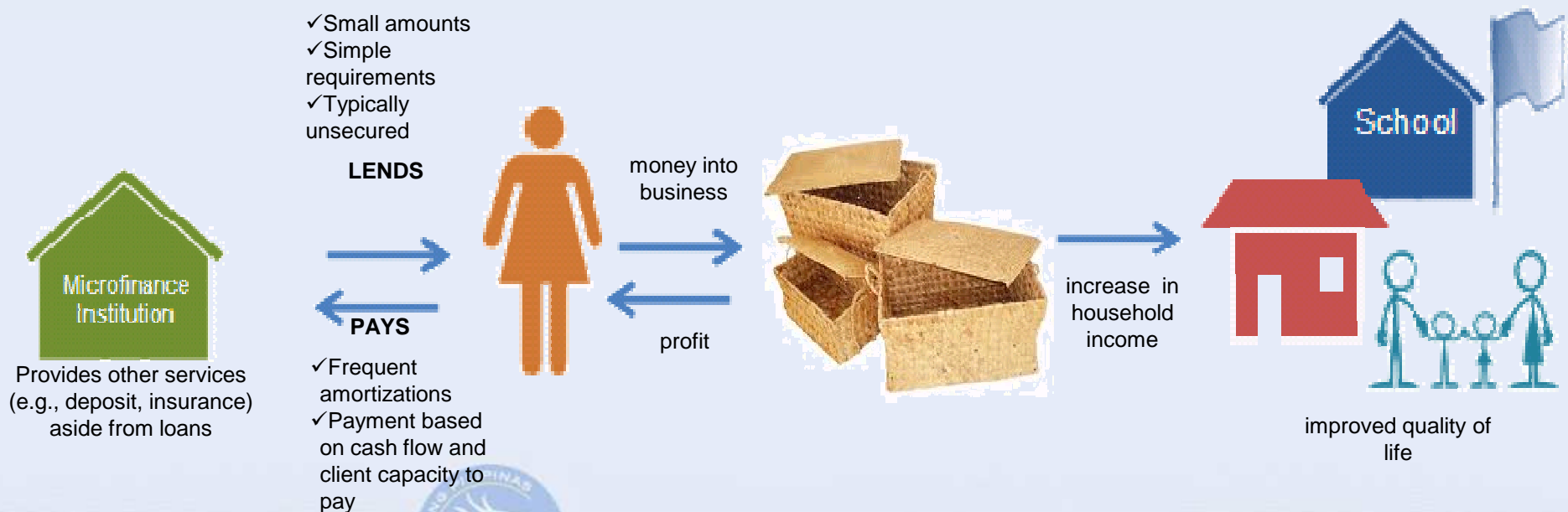
Insurance

- Microinsurance
- Life
- Health
- Property
- Agriculture



Why is it important?

- Access to financial services **empowers the poor to manage their finances** and **reduce their vulnerability to financial distress, debt and poverty**
- Inclusive finance supports **broad-based economic development** that can contribute to **inclusive growth** in the country
- Illustrative example: **microfinance loans**



Financial inclusion is a government agenda

- Government vision for the financial sector:

“A regionally responsive, development-oriented and **inclusive financial system** which provides for the evolving needs of its diverse public” and supports **inclusive growth** (Philippine Development Plan 2011-2016)
- BSP supports the PDP objective by providing an **enabling policy and regulatory environment conducive for the development of an inclusive financial system**



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BSP vision for an inclusive financial system

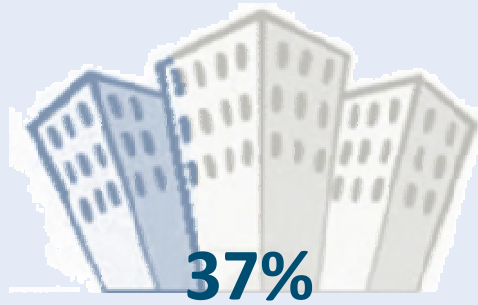
- Presence of a wide range of financial services that serve different market segments
- Financial services are appropriately designed, priced and tailor-fitted to market need
- Presence of a wide variety of strong, sound and duly authorized financial institutions utilizing **innovative delivery channels**
- 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



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Access to finance remains a challenge

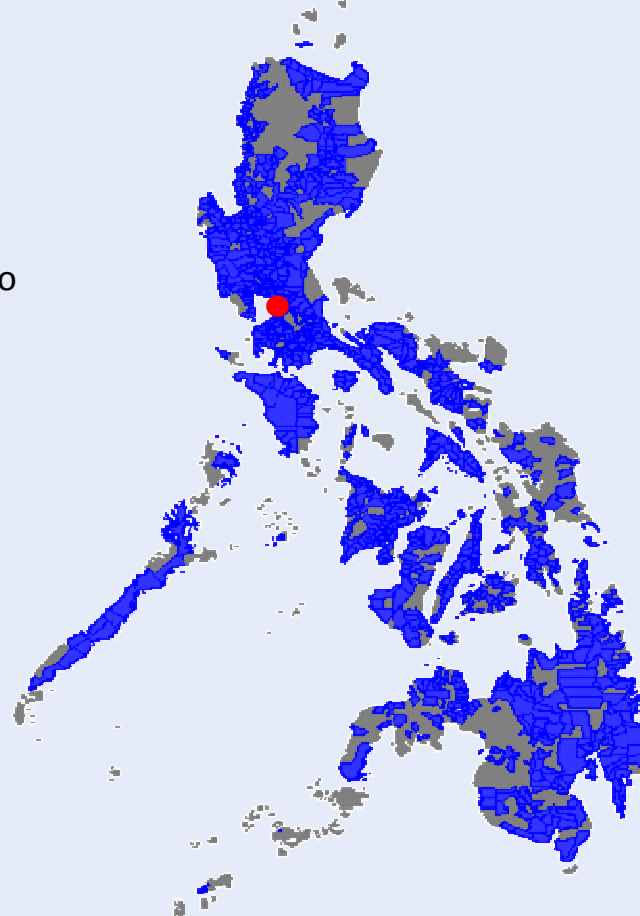
archipelagic barriers pose a large challenge to financial access



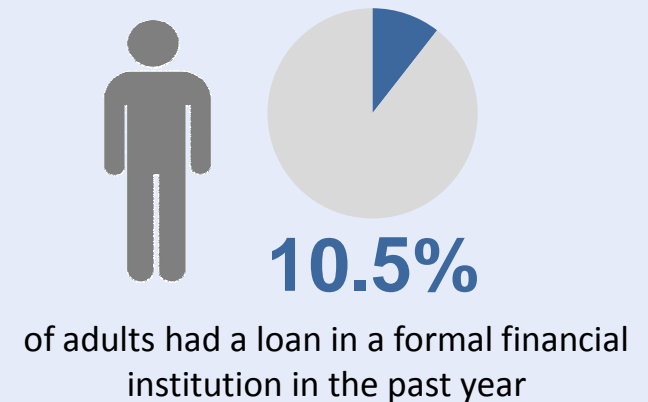
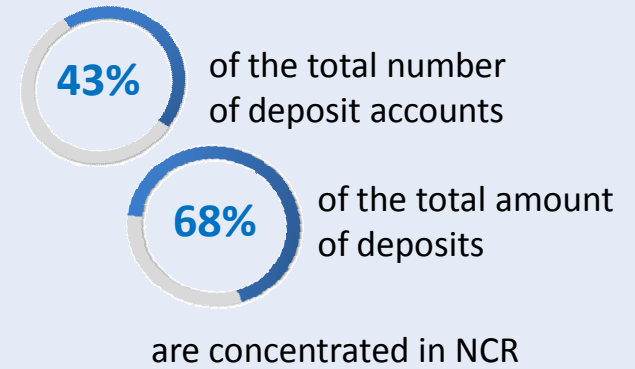
of the 1,634 cities and municipalities do not have a banking office



Filipino households have a deposit account



With at least one banking office
Unbanked

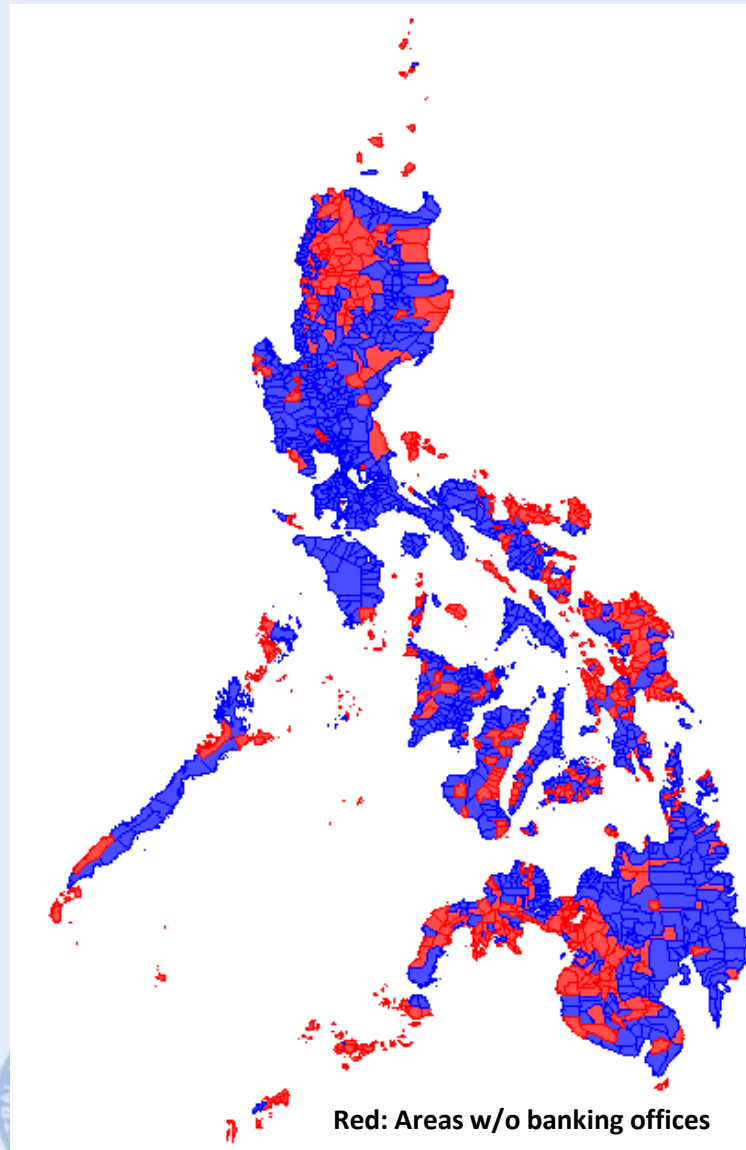


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Technology provides opportunities...



- Over 100 million mobile phone subscribers, projected to grow annually by 3.5%
- Billions of texts sent per day
- 36 out of 100 people use the internet



- Large % of unbanked has a mobile phone, of which 60% keep some form of savings, 13% borrow from informal providers



- In 2012 alone, OFWs remitted US\$ 21.4 billion to their beneficiaries, upward trend is evident

Finance + technology = e-money

- **What is electronic money?**

- Monetary value that is digitally stored in a designated electronic account, and may be remotely accessed through an instrument or device such as mobile phone or prepaid card
- By definition, an e-money account is not construed as a deposit, it may not earn interest, and is not covered by deposit insurance
- Created by banks or duly authorized non-bank e-money issuers, in accordance with BSP regulations
- Stored value is electronically transferable to other electronic wallets or deposit accounts
- Convertible to/from physical cash in authorized non-traditional cash-in/cash-out agent networks (e.g. airtime load outlets, accredited retail stores)
- Acceptable as payment for goods or services by participating merchants



Regulatory environment for e-money

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

BSP Regulations

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

The e-money ecosystem

- 112 banks with electronic banking operations (internet and/or mobile-based)
- 54 of these are rural banks which provide mobile-based e-money services
- 24 e-money issuers (banks)
- 3 e-money issuers (non-banks/ others)
- Over 15,000 cash-in/cash-out agents
- About 8 million active e-money subscribers
- 188 million e-money transactions (total of inflow and outflow)
- PhP 308 billion e-money inflow and PhP 305 billion outflow



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Data as of end 2012

Benefits of e-money

- For transacting clients:
 - Safety
 - Convenience
 - Time savings
 - Speedy value transfers
- For e-money issuers or providers:
 - Add value to financial services (e.g. text-a-deposit, text-a-payment)
 - Enhance ability to reach new clients
 - More efficient service delivery
 - Lower operating costs
 - Ability to leverage on extensive telco and other non-bank agent networks



Benefits of e-money

- Increased competition that results to lower cost of services
- Illustrative example: **domestic remittance**

Amount for remittance: PhP 1,500	Telco Subsidiary	Pawnshop	Remittance Company	Bank
Remittance fee	PhP 11	PhP 80	PhP 120	PhP 150
% of PhP 1,500	0.7 %	5 %	8 %	10 %

Note: Costs are indicative market rates (e.g. average cost charged by at least 2 providers)



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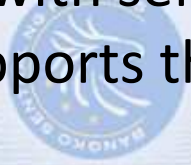
Government use of e-money

- Enabling government to people (G2P) transfers
 - Delivery of benefits for beneficiaries of the DSWD Pantawid Pamilyang Pilipino Program (4Ps)
 - Digitization of major government processes
 - ✓ National Payroll System
 - ✓ Government Electronic Procurement System
 - ✓ Government Electronic Payment and Collection System
- Enabling people to government (P2G) transfers
 - Payments for government services e.g. NBI clearance



Public-private sector partnerships

- Better Than Cash Alliance (BTCA)
 - A group of governments, development organizations, and private businesses committed to promote digital, cashless transactions
 - The Philippine government, thru DBM, is a member of BTCA
 - The BSP supports the objectives of BTCA
- Scaling Innovations for Mobile Money (SIMM)
 - A project supported by the United States Agency for International Development
 - Promotes rapid adoption of mobile money to facilitate deepening of financial inclusion
 - Works with selected LGUs to enhance their capacity to digitize transactions (e.g. payroll distribution, payments of services)
 - Also works with selected MFIs and NGOs
 - The BSP supports the objectives of SIMM

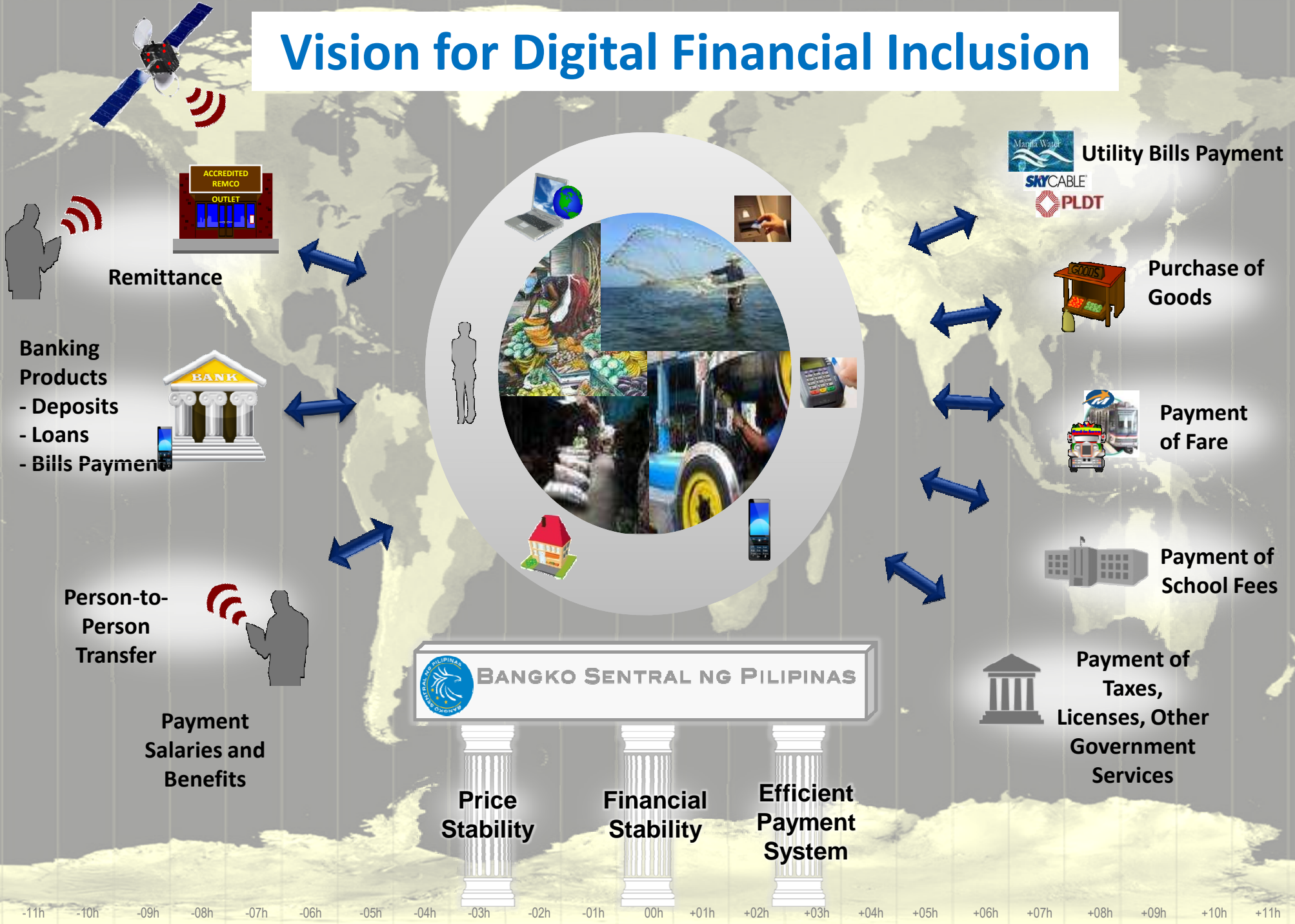


Some opportunities for LGUs, NGOs

- Opportunities
 - Payroll thru mobile-based e-money or e-banking
 - Digital payments to suppliers (e.g. purchase of goods/services)
 - Digital payments from the general public (e.g. permit fees, local taxes, other service charges)
- Benefits of digital government/business transactions
 - Cashless contact minimizes leakages/fraud
 - Transparency of government/business transactions is promoted
 - Digital recording and monitoring reduces manual errors
 - Efficiency in the provision of services is improved
 - Reputation is enhanced due to better public perception



Vision for Digital Financial Inclusion



Thank you.



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