

13 February 2020

REPRESENTATIVE JUNIE E. CUA
Chairperson
Committee on Banks and Financial Intermediaries
House of Representatives
Batasan Pambansa Complex, Constitution Hills
Quezon City, Philippines

Dear **Representative Cua**:

We are pleased to submit the Department's position on the proposed legislation, entitled:

House Bill No. 1297

"An Act Enabling Banks to Expand Service Delivery Channels through Cash Agents and Providing Guidelines Therefor"

This is without prejudice to the Department's submission of additional inputs.

With my best regards.

Very truly yours,


RAMON M. LOPEZ
Secretary



OFFICE OF THE SECRETARY

DTI Position on

House Bill No. 1297

“An Act Enabling Banks to Expand Service Delivery Channels through Cash Agents and Providing Guidelines Therefor”

The Department supports the objective of the proposed legislation to provide an enabling regulatory environment for financial innovation and utilize cash agents to expand the reach of the financial sector.

Financial inclusion remains to be an important endeavor for the Philippine government as embedded in its medium-¹ and long-term² development goals. The Bangko Sentral ng Pilipinas (BSP) has initiated the actualization of these plans through the issuance of the Guidelines on Deposit and Cash Servicing Outside of Bank Premises (Circular No. 940 Series of 2017), which approved the guidelines for new bank service channels and relaxed existing regulations on deposit taking activities outside bank premises.³ The latest data reveal that there are 11,385 cash agents as of the 3rd quarter of 2019.⁴

These initiatives underpin the Department's thrust for Micro, Small, and Medium Enterprises (MSMEs) to go global with their potential to increase credit access for MSMEs, which have identified access to finance as a major constraint.⁵

Further, the objective of the proposed legislation is in line with the MSME Development Plan 2017-2022, which calls for an enabling environment that encourages local banks and relevant financial institutions to reach MSMEs at the ground level.

Relative to the stipulations under the proposed legislations, DTI submits its specific comments and recommendations including:

Proposed Provision under House Bill No. 1297	DTI Comments/Recommendations
"SECTION 8. Bank Transactions and/or Services. – A duly-authorized Cash Agent may perform any or all of the	• The Department suggests including all bank transactions and services that may be performed by authorized Cash Agents under subsection X266.2 of the BSP's

¹ The Philippine Development Plan (PDP) 2017-2022 gives on the efficient delivery of microfinance and micro-insurance products and services for Filipinos including those who live abroad and encourage efficiency and innovation for the domestic market.

² The *AmBisyon Natin 2040* anchors on a monetary and financial policy that supports financial inclusion and identifies financial services as one of the nine priority sectors.

³ Bangko Sentral ng Pilipinas: Circular No. 904 Series of 2017, accessed at <http://www.bsp.gov.ph/downloads/regulations/attachments/2017/c940.pdf>

⁴ Bankgo Sentral ng Pilipinas: Financial Inclusion in the Philippines Dashboard as of Third Quarter 2019, accessed at http://www.bsp.gov.ph/downloads/Publications/2019/FIDashboard_3Q2019.pdf

⁵ World Bank Enterprise Survey notes that 9.3% of small enterprises and 14.4% of medium enterprises identifying access to finance as a major constraint.

<p>following bank transaction/services:</p> <p>a. Accept and disburse cash on the bank's behalf in connection with the following self-service transactions of customers:</p> <p>XXX</p> <p>b. Collect and forward applications for opening a savings account.</p> <p>c. Forward loan application documents.</p> <p>d. Perform Initial Customer Identity Verification:</p> <p>XXX</p> <p>e. Others:</p> <p>XXX"</p>	<p>Manual of Regulations for Banks, as amended by Circular No. 940 Series of 2017, to wit:</p> <ul style="list-style-type: none"> o Perform Know-Your-Customer and other related processes in accordance with existing regulations; and o Market, sell, and service insurance products in accordance with existing regulations.
<p>"SECTION 9. Investment Incentives. – Any Cash Agent that establishes business in a Remote Area shall be entitled to the following incentives:</p> <p>a. Free training of Cash Agent personnel on various bank processes conducted by the BSP,</p> <p>b. Expedited processing of permits and certificates that are requisites to business registration and operation; and</p> <p>c. Expedited processing of local government permits and other related documents.</p> <p>DTI shall require SEC and the local government unit (LGU) involved to create mechanism for expedited processing resulting in a timeline from application to approval."</p>	<ul style="list-style-type: none"> • The Department views that Republic Act (RA) No. 11032 or the Ease of Doing Business (EODB) and Efficient Government Service Delivery Act of 2018 provides the necessary legal framework to ensure the efficient turnaround of government service delivery. • The proper implementation of Section 9 of RA No. 11032, which prescribes the processing time of simple transactions within 3 working days, complex transactions within 7 working days, highly technical transaction within 20 working days, and transactions requiring the approval of the local <i>Sanggunian</i> within 45 working days, may be sufficient in ensuring that the processes required for Cash Agents are expedited. • Further, the appropriate organizations mandated with the different functions under the EODB initiative are the following: <ul style="list-style-type: none"> o Anti-Red Tape Authority (ARTA) to implement and oversee the national policy on anti-red tape and ease of doing business; o Ease of Doing Business and Anti-Red Tape Advisory Council to serve as the

	<p>policy and advisory body of the ARTA; and</p> <ul style="list-style-type: none"> o Congressional Oversight Committee on Ease of Doing Business (COC-EODB) to monitor the implementation of RA No. 11032.
<p>“SECTION 10. Tax Benefits. – A Cash Agent in a Remote Area shall be exempt from income tax arising from the operation of the enterprise for a period of one (1) year.”</p>	<ul style="list-style-type: none"> • We are of the view that tax related incentives must be aligned with ongoing proposals to rationalize the tax incentive regime contained in the Corporate Income Tax and Incentives Rationalization Act (CITIRA) under the Comprehensive Tax Reform Package (CTRP), specifically making certain that incentives are performance-based, targeted, time-bound, and transparent.
<p>“SECTION 14. Fees. – Cash agents may set customer fees and charge customers directly, provided that the Contracting Bank and the Department of Trade and Industry shall monitor such pricing for signs of exploitation of customer confusion”</p>	<ul style="list-style-type: none"> • Given that the BSP is mandated to supervise operations of banks and exercise regulatory powers over non-bank financial institutions with quasi-banking functions, we view that the function of monitoring customer fees and charges by Cash Agents more appropriately falls under the BSP. As defined in Section 3 and enumerated in Section 8, Cash Agents deliver/perform bank services. • As reference, different government agencies monitor the prices of basic goods and prime commodities falling under their mandates. The DTI is tasked to monitor canned meat, processed milk, coffee, bread, flour, hollow blocks, construction supplies, and steel wires, among others.
<p>“SECTION 16. Implementing Rules and Regulations. BSP in coordination with the Anti-Money Laundering Council (AMLC), Insurance Commission, a representative from the Union of Local Authorities of the Philippines (ULAP) and DTI shall promulgate not later than thirty (30) days upon the effectivity of this Act the necessary rules and regulations for its effective implementation”</p>	<ul style="list-style-type: none"> • While the DTI welcomes the proposal to be involved in the drafting of the implementing rules and regulations (IRR), we recommend the BSP to be the lead agency given the financial objective of the legislation.

Moreover, the regulatory framework for financial inclusion must be complemented by investments in information and communications technology.

(ICT) infrastructure and innovative solutions that may utilize the country's demographic advantage, with a vast majority of the population having mobile phones (89%) and smart phones (65%), using the internet (71%) and mobile banking (54%), and making mobile payments (40%).⁶

The Department reiterates its support for the general objective of the proposed legislation taking into consideration its specific comments and recommendations.

Herapimchay

Bureau of Trade and Industrial Policy Research
13 February 2020

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⁶ Hootsuite and We Are Social: Digital 2019 Philippines, accessed at <https://datareportal.com/reports/digital-2019-philippines>