

Digital Financial Inclusion

26 July 2018

1:00 to 1:30 PM

MCPI Annual Conference, Century Park Hotel



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Current State of Financial Inclusion

ACCESS

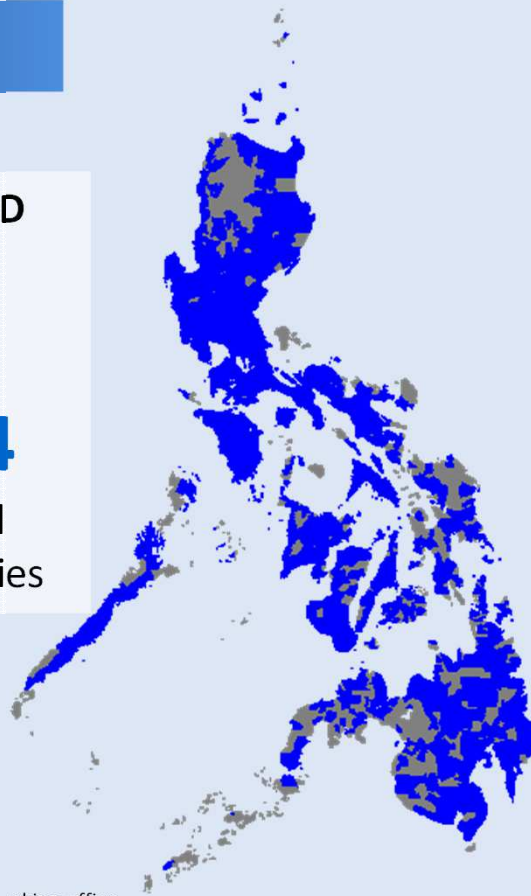
UNBANKED



552

out of

1,634

cities and municipalities



 With at least one banking office
 Unbanked

Source: BSP (2018 Q1)

USAGE

1/2 of adults have savings, but...

7 in 10 keep their savings at home

1/5 of adults have outstanding loans, but...

4 in 10 obtain their loan from informal sources

22.6% adults with a formal account

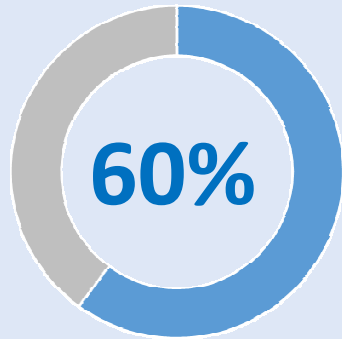
Source: BSP Financial Inclusion Survey (2017)



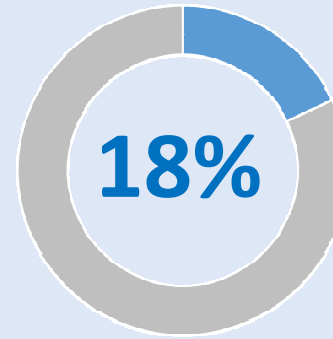
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Opportunities in Payments

9 in 10 adults have payment transactions, but...

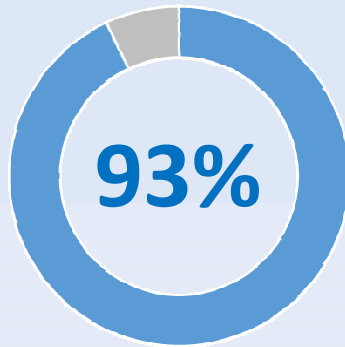


are paying
in cash

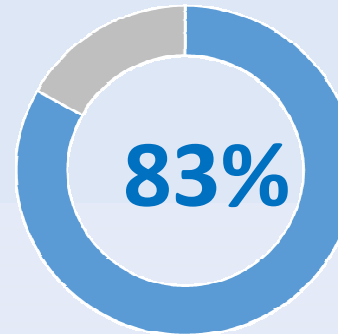


of account holders
use their account
for payments

4 in 10 adults had remittance transactions in the past six months



use remittance
agents in
sending money



use remittance
agents in
receiving money

Opportunities for Digital Financial Inclusion

23
median age of
Filipinos
(PSA, 2015)



6 out of 10
without bank deposit
but with mobile phone
(FINTQ, 2018)

1/3
of the population
are millennials
(PSA, 2015)

113%
SIM
penetration
(GSMA, 2017)



59%
smartphone
adoption
(GSMA, 2016)



63%
social media
penetration
(We Are Social, 2018)



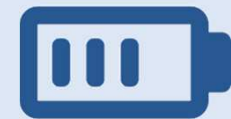
58%
unique mobile
user penetration
(We Are Social, 2018)



63%
internet
users
(We Are Social, 2018)



**3 hrs,
57 mins**
average time
spent on social
media per day
(We Are Social, 2017)



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How Technology is Transforming Finance



Mobile payments in China soared to **81 trillion yuan** in first ten months of 2017 from just 1.2 trillion yuan in 2013. Alipay processed **256,000 payment transactions per second** during the Singles' Day festival on 11 November 2017.



In Kenya, M-PESA reached **80%** of households in 4 years. M-PESA transfers accounted for **nearly half of the country's GDP** in 2017.



The share of Indian adults with an account has **more than doubled to 80% in 2017 from 35% in 2011**. An important factor driving this growth is digital identification through Aadhaar, the world's largest biometric ID system.

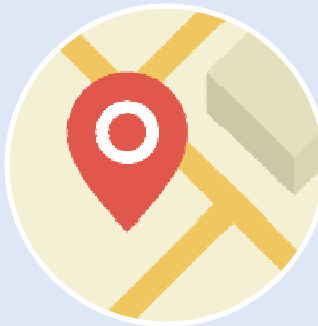


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Pillars of Digital Financial Inclusion



Democratized access to a transaction account



Expansive network of low-cost touch points

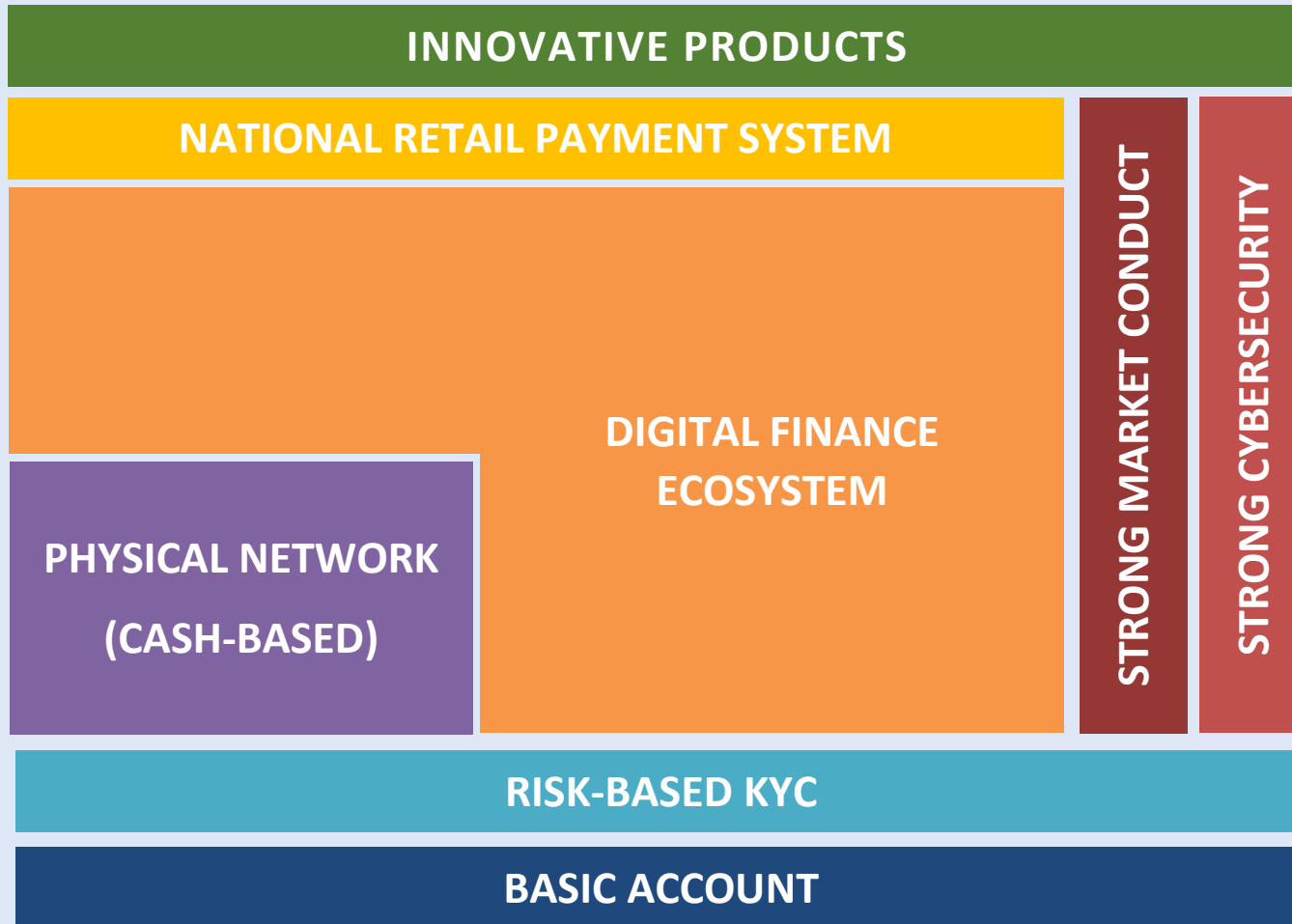


Efficient retail payment system



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BSP's Strategic View



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Recent Policy Issuances



Democratized access to a transaction account

Framework for Basic Deposit Accounts
(Circular 992)

- Opening amount not more than P100
- No maintaining balance
- No dormancy charges
- Maximum balance of P50,000
- Simplified KYC
- 0% reserve requirement for banks



Recent Policy Issuances



Expansive network of low-cost touch points

Cash agents (Circular 940)

- allows banks to use third party cash agents as a cost-efficient service delivery channel

Branch-lite (Circular 987)

- scaled-down version of a branch that allows banks to expand their reach and offer a range of services depending on the needs of the locality



Recent Policy Issuances



Efficient retail payment system

Adoption of National Retail Payment System (NRPS) Framework (Circular 980)

- built on the principles of interoperability, inclusiveness, and “coopetition”
- BSFIs are required to:
 - adopt transparent and fair market pricing of electronic payments
 - transition from exclusive bilateral to multi-party clearinghouse agreements
 - provide electronic fund transfer facilities in all available channels



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Other Issuances and Market Developments



Enhanced regulations for pawnshops and money service business
(Circulars 938 and 942)



Virtual currency exchanges
(Circular 944)



Risk-based and technology-enabled KYC
(Circular 950)



Enhanced guidelines on information security management
(Circular 982)



Draft bill on **national ID**



Draft **Payment Systems Act**



Draft bill on **financial consumer protection**



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Thank you

Pia Bernadette Roman Tayag

Managing Director, Inclusive Finance Advocacy Office and
Concurrent Head, Financial Consumer Protection Department

Bangko Sentral ng Pilipinas

Email: proman@bsp.gov.ph

Direct Line: (632) 7087482



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