

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
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Senate
Office of the Secretary

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SENATE
S. No. 535

RECEIVED BY: 

Introduced by Senator Grace Poe

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

EXPLANATORY NOTE

According to the Bangko Sentral ng Pilipinas (BSP), financial inclusion refers to the *"state in which everyone, especially the vulnerable sectors, has effective access to a wide range of financial services. Effective access means not only the availability of financial products and services, but that these products and services are appropriately designed, of good quality, and responsive to the varied needs of individuals and businesses..."*¹. Financial inclusion is an essential foundation for a sustainable and equitable national development.

Considering the adverse impact of the COVID-19 pandemic to our economic sector, the pursuit for financial inclusion has become more crucial and urgent now more than ever. In working for greater inclusion, 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, in 2017, BSP, through its Monetary Board, issued guidelines for new bank service channels and eased existing regulations on deposits by taking services outside banks⁵. 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

¹ <https://www.bsp.gov.ph/Pages/InclusiveFinance/NSFI-2022-2028.pdf>

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

⁵ <http://www.bsp.gov.ph/publications/media.asp?id=4274&yr=2017>

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.

According to BSP Governor Benjamin Diokno, at present, there are still more than 41 million or 53% of the country's adult population (aged 15 above) who remains unbanked⁶. While lack of money, documentary requirements or need for an account are cited as reasons why these Filipinos do not own bank accounts, accessibility can also be considered a factor. In 2021, BSP estimated that 15.5% of cities and municipalities in the country still has no banking presence⁷.

BSP is aiming to achieve its goal to have 70% of the adult population be part of the formal financial system by 2023. This measure seeks to complement the government efforts by enhancing and expanding the role of cash agents in banking while providing safeguards such as stringent eligibility and evaluation requirements for these cash agents, and ensuring that standard bank protocols and due diligence are observed when they are dealing with clients. This bill also encourages cash agents to establish business in remote areas by providing investment and tax incentives.

If enacted into law, the Bangko sa Baryo Act 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.



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⁶ <https://www.pna.gov.ph/articles/1167923>

⁷ https://www.bsp.gov.ph/Media_And_Research/Financial%20Inclusion%20Dashboard/2021/FIDashboard_2Q2021.pdf

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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
2 Act".
- 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
6 environment for innovations and allow banks to exponentially expand reach through
7 cash agents and serve a wider client base, particularly in the low-income and rural
8 areas.
- 9 Sec. 3. *Definition of Terms.* — As used in this Act:
- 10 a. Cash Agent means 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 Act.
- 13 b. Contracting Bank means 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 means 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
19 (LGU) in coordination with the BSP.

1 d. Person means natural or juridical person.

2 The Monetary Board may, by regulation, further define or clarify terms used
3 in 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 to 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 a well-established commercial activity existing for at least three (3)
8 months;
- 9 c. It has a permanent establishment and sufficient capacity to properly operate
10 electronic devices; and
- 11 d. It has the necessary infrastructure to possess banking operations.

12 *Sec. 5. Preliminary Screening.* — Upon satisfying 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)
16 working 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
19 Cash Agent may re-submit documentary requirements within thirty (30) days
20 from denial; and
- 21 c. In case Cash Agent passes the preliminary screening, the Contracting Bank
22 shall forward the application to the BSP.

23 Provided, That, the Contracting Bank shall have an electronic banking solution
24 to implement its cash agent operations and comply with the requirements of Part
25 Seven of the Manual of Regulations for Banks (MORB), on the Guidelines on
26 Electronic Banking Services and Operations. The bank shall deploy to its cash agents
27 a device through which its customers can perform secure online, real-time deposit
28 and withdrawal transactions for his/her own bank account, fund transfers and bills
29 payment (self-service transactions).

30 Provided, Further, that the Board of Directors of the Contracting Bank shall
31 adopt clearly-defined written policies, procedures, and controls for its Cash Agent

1 operations, including but not limited to, Cash Agent selection and due diligence, and
2 customer care arrangements.

3 *Sec. 6. Evaluation Process.* — BSP shall be tasked to create an online
4 evaluation process for Cash Agent application while ensuring that:

5 a. Cash Agent demonstrates good reputation and credit history, including lack of
6 previous civil and criminal record, and has a deposit account with the
7 Contracting Bank against which all bank transactions will be conducted.

8 b. The result of the application shall be released within seven (7) working days
9 upon the application from Contracting Bank.

10 c. In case an application shall be rejected, the applicant shall be given a
11 registered, written notification that indicates and explains the ground/s for
12 rejection.

13 d. In case an application shall be approved, BSP shall issue an Authority to
14 Utilize Cash Agent to Contracting Bank valid for two (2) years.

15 The Authority to Utilize Cash Agent shall be displayed conspicuously in the
16 Cash Agent's retail outlet.

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

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

22 a. Accept and disburse cash on the bank's behalf in connection with the
23 following self-service transactions of customers:

24 i. Deposit and withdrawal transactions performed by the customer on
25 his/her bank account;

26 ii. Fund transfers performed by the customer;

27 iii. Bills payment; and

28 iv. Payments due to government institutions, i.e., members' contributions
29 to the Social Security System and premiums payable to the Philippine
30 Health Insurance Corporation.

31 b. Collect and forward applications for opening a savings account.

- 1 c. Forward loan application documents.
- 2 d. Perform Initial Customer Identity Verification: (i) conduct Customer Due
3 Diligence (CDD) in opening low transactional and low risk accounts or
4 accounts subject to deposit and transactional limits; (ii) prevent Anti-Money
5 Laundering and Countering Financing of Terrorism.
- 6 e. Others: Payment (including loan repayments) using credit and debit cards,
7 checks, and cash; (ii) transfers between bank accounts including of other
8 banks, (iii) balance inquiries, and (iv) check cashing.

9 Sec. 9. *Investment Incentives.* — Any Cash Agent that establishes business in
10 a Remote Area shall be entitled to the following incentives:

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

17 The Department of Trade and Industry (DTI) shall require the Securities and
18 Exchange Commission (SEC) and the LGU involved to create mechanism for
19 expedited processing resulting in a timeline from application to approval.

20 Sec. 10. *Tax Benefits.* — A Cash Agent in a Remote Area shall be exempt
21 from income tax arising from the operation of the enterprise for a period of one (1)
22 year.

23 Sec. 11. *Role of LGUs.* — The concerned LGU shall encourage and provide
24 incentives to a Cash Agent in relation to the purpose of this Act pursuant to the
25 Local Government Code. Further, the concerned LGU shall hold programs in the
26 barrio/barangay on financial literacy and capability to increase understanding of
27 different financial service and products.

28 Sec. 12. *Subcontracting Agents.* — Cash agents cannot subcontract to third
29 parties.

1 Sec. 13. *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. 14. *Fees.* — Cash agents may set customer fees and charge customers
5 directly, provided that the Contracting Bank and the DTI shall monitor such pricing
6 for signs of exploitation or customer confusion.

7 Sec. 15. *Principal Liability for Agents.* — The Contracting Bank is liable for all
8 actions and/or omissions of the Cash Agent. This responsibility extends to actions of
9 the Cash Agent even if not authorized in the contract so long as they relate to
10 banking services or matters connected therewith.

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

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

19 Sec. 17. *Separability Clause.* — If any section or part of this Act is held
20 unconstitutional or invalid, the other sections or provisions not otherwise affected
21 shall remain in full force and effect.

22 Sec. 18. *Repealing Clause.* — All laws, decrees, executive orders, rules and
23 regulations, issuances or any part thereof inconsistent with the provisions of this Act,
24 are hereby repealed, amended or modified accordingly.

25 Sec. 19. *Effectivity.* — This Act shall take effect fifteen (15) days after its
26 publication either in the Official Gazette or in a newspapers of general circulation.

Approved,