

The year 2014 was characterized by milestones in financial inclusion within the BSP and at the global level.

“Most conducive environment for financial inclusion”

In 2014, the Economist Intelligence Unit (EIU) named the Philippines as the top country in East and South Asia and the third in the world, with the most conducive environment for financial inclusion.

From 2009 to 2013, the Philippines has been consistently ranked as the best in the world in terms of the regulatory environment for microfinance. While the 2014 Global Microscope cannot be directly compared with past rankings due to substantial changes in the assessment methodology, the Philippines still ranked favorably.

“Under any (methodological) framework, the Philippines will score well, because it benefits from having a highly capable regulator, optimal credit regulation and effective dispute resolution.”

EIU Global Microscope 2014



The EIU recognized...

- ✓ The BSP as “the first central bank in the world” to establish an office, the Inclusive Finance Advocacy Staff (IFAS), dedicated to financial inclusion.
- ✓ The leadership of Governor Amando M. Tetangco, Jr., as head of the BSP Inclusive Finance Steering Committee (IFSC), in championing the crafting of a national strategy for financial inclusion.

National Strategy for Financial Inclusion

The BSP believes that a National Strategy for Financial Inclusion (NSFI) will raise the level of awareness, appreciation and understanding of financial inclusion across stakeholders. The Strategy, which is targeted for launch in 2015, can enable coordination and serve as a platform to improve coordination and maximize linkages toward financial inclusion.

The overall vision of the NSFI is to have a financial system that is accessible and responsive to the needs of the entire population toward broad based and inclusive growth. This generally supports the theme of the 2011-2016 Philippine Development Plan (PDP) which is “In Pursuit of Inclusive Growth.” In December 2014, inter-agency working groups (WGs) that focus on Policy and Regulation; Financial Education and Consumer Protection; Data and Measurement and Advocacy were constituted.



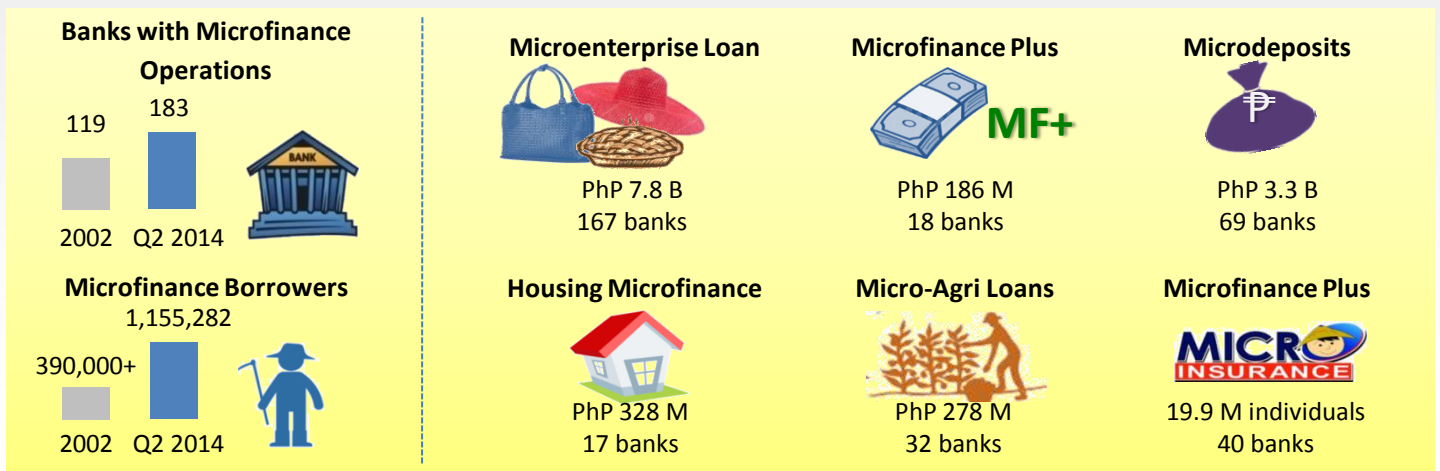
Inter-agency meeting on National Strategy for Financial Inclusion on 26 February 2014. (From left) Undersecretary Gil S. Beltran, Department of Finance; Deputy Director General Emmanuel F. Esguerra, National Economic Development Authority; Secretary Imelda M. Nicolas, Commission on Filipinos Overseas; Secretary Florencio B. Abad, Department of Budget and Management; Governor Amando M. Tetangco, Jr., Bangko Sentral ng Pilipinas; Secretary Corazon Juliano-Soliman, Department of Social Welfare and Development; Chairperson Teresita J. Herbosa, Securities and Exchange Commission; Commissioner Emmanuel F. Dooc, Insurance Commission; and Interim National Statistician Carmelita N. Ericta, Philippine Statistics Authority

Policy and Regulation

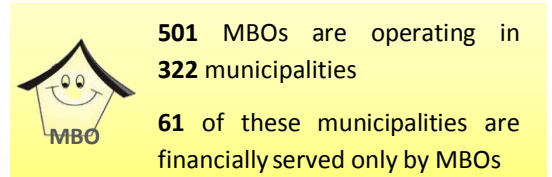
The BSP works toward developing a policy and regulatory environment that promotes financial inclusion and leads to effective access to financial services for all who need them. Building on nearly 15 years of microfinance experience, the BSP approach to further improve the policy and regulatory environment for financial inclusion has been successful.

Reasonable gains

There are 183 banks with microfinance operations serving more than 1 million clients with loans outstanding amounting to PhP 9.3 billion (as of Q2 2014).

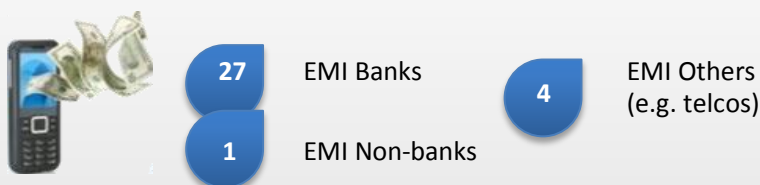


Microbanking offices (MBOs), which are scaled-down units of banks that target to serve low-income clients in areas that are harder to reach, also serve as additional financial access points for the effective delivery of banking services.

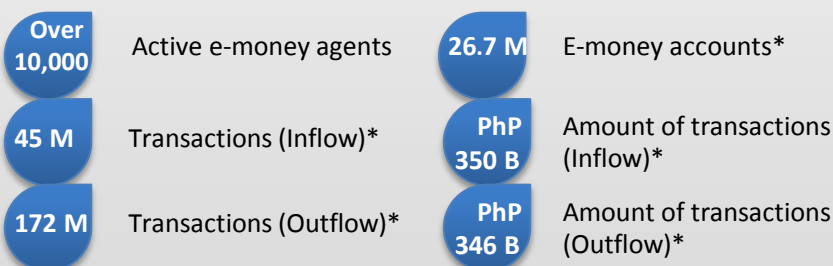


Electronic money

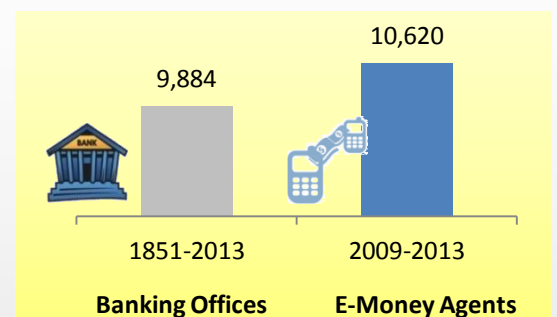
As a result of a clear regulatory framework on electronic money (e-money), banks are increasingly becoming more involved in the business. E-money has the potential to reach a greater number of the unbanked. As of end-2013, the BSP has licensed...



There were...



*In 2010, there were only 7.9 million e-money accounts; the number of transactions were only 30 M (inflow) & 108 M (outflow); and the amount of transactions were PhP 221 M (inflow) & PhP 220 M (outflow).



While e-money accounts are just transactional accounts, it can be considered as the first step or an "on-ramp," especially for the currently unbanked, to have access to more valuable financial services such as savings and credit. The BSP continues its efforts to sustain and enhance the e-money ecosystem in order to scale up and transform the access to finance landscape in the Philippines.

Policy and Regulation

Policy Refinements

Beyond the significant gains in microfinance, 2014 is also characterized by policy refinements and ongoing initiatives. To sustain the growth of microfinance in the banking sector, the BSP's regulatory approach to microfinance and financial inclusion continues to be responsive to the diverse and changing needs of the market. The BSP refined existing microfinance regulations to:

- ✓ Align the general features of microinsurance products with the provisions of the new Insurance Code (Circular 841), reflecting a more responsive product to enable clients to better cope with unfortunate events which adversely affect their livelihood, households and even lives.
 - Amount of daily microinsurance premium increased to 7.5% from 5% of the current daily minimum wage for non-agricultural workers in Metro Manila
 - Maximum amount of benefits increased to 1,000 times from 500 times the current daily minimum wage
- ✓ Amend microfinance reporting requirements to distinguish "microfinance loans" versus "small and medium enterprise loans" and microdeposits versus other types of deposits (Circular 836), to allow a more nuanced and accurate capture of data, which is the basis for sound and evidence-based policy making.

National Retail Payment System

The BSP continues to work on an efficient and inclusive payment system in the Philippines. In 2014, a National Retail Payment System (NRPS) Workshop was held to establish the framework for a more inclusive payment system. This workshop is a follow up activity to the first workshop conducted in 2013, which focused on retail payment systems.

The workshop, which was attended by key stakeholders from the government and payment system players from the private sector, provided a venue to craft a retail payment framework befitting the Philippine context.

General Policies affecting Financial Inclusion

The BSP also issued regulations affecting the general banking system that also have an impact on microfinance and financial inclusion:

- ✓ Amend the guidelines on sound credit risk management practices (Circular 855) to ensure that financial institutions have adequate and effective credit risk management systems. This reinforces the microfinance principle wherein granting of credit should be based on cash flow as the primary source of repayment and reputation of the client.
- ✓ Amend the regulations on salary loans (Circular 837) to ensure that salary loans are provided under fair and sound credit practices. Salary loans, which are generally provided to employees with small salaries, if not responsibly provided, can contribute to overindebtedness and financial distress.
- ✓ Issue implementation guidelines on Europay, Mastercard and Visa (Circular 859) to safeguard customer information, reduce card fraud and maintain interoperability of payment networks.

National Retail Payment Systems Workshop



Consumer Protection

The BSP works toward establishment of a policy and regulatory environment that protects the welfare of financial consumers.

Financial Consumer Protection Framework

In May 2014, the BSP institutionalized consumer protection as an integral component of banking supervision in the country, through the adoption of the Financial Consumer Protection Framework. The Framework aims to develop among banks a culture of fair and responsible dealings with financial consumers to promote greater confidence in the financial system.

Alerto Ako Exhibit

Alerto Ako is the newest initiative that focuses on financial consumer protection. The exhibit aims to provide financial consumers greater awareness through advisories on various financial products and services, thus empowering them to make informed financial decisions. It also serves as the BSP's pro-active stance to protect the public against financial fraud and scams.

The exhibit was launched in the BSP Cebu Regional Office on 2-4 September 2014. On 15-17 October 2014, the exhibit was also launched in the BSP Head Office in Manila.

The Framework covers the following consumer protection standards:

- ✓ Disclosure and Transparency
- ✓ Fair Treatment
- ✓ Respect of client's privacy
- ✓ Financial Education and Awareness
- ✓ Effective Recourse



834 participants in Cebu

1,094 participants in Manila

"Mag-ingat sa Scam!" Posters and Wallet Cards

A public advisory on protecting financial investments.



Consumer Protection Advisory

The BSP, as chair of the Financial Sector Forum (FSF) Consumer Protection and Education Committee (CPEC), commissioned an action research by Microsave to determine, craft and deliver appropriate advisory tools for identified market segments.

In 2014, CPEC launched new Protect Your Money (PYM) advisories to expand the existing campaign. The newly developed consumer protection advisories focus on the importance of savings (targeting students) and protection against financial scams (targeting microentrepreneurs and small business owners).

"Ipon-Ipon Din, A Savings Video"

A 3-minute animation video which aims to increase knowledge and appreciation of formal savings as a way of protecting money.



Financial Education

The BSP believes that a citizenry well-informed in economics and finance is an effective partner in maintaining monetary stability, financial system stability and an efficient payment system.



Economic and Financial Learning Program

In 2014, the BSP continued to implement various component programs of the Economic and Financial Learning Program (EFLP) which target different audiences. The EFLP aims to promote greater awareness and understanding of essential economic and financial issues to help the public acquire the knowledge and develop skills needed to make well-informed economic and financial decisions.

In 2014, the following areas were covered to expand outreach of EFLP component programs:



Milestones

30

EFLP roadshows conducted since its consolidated implementation in 2010

Over 41,000

Participants benefitted from various EFLP component sessions

Training of Trainers on Financial Literacy

For DSWD Field Staff

The Department of Social Welfare and Development (DSWD) adopted the modules, developed and delivered by BSP in the Financial Literacy Sessions for participants of the Pantawid Pamilyang Pilipino Program conducted last 2013. The modules, which include discussions on saving, budgeting and consumer protection, will be the final material to be implemented for participants in the DSWD Sustainable Livelihood Program (SLP), which covers almost 200,000 households nationwide.

In order to ensure program sustainability and reduce dependence on BSP expertise, the sessions were recalibrated into a Training of Trainers (TOT) for field implementers of the SLP in 2014.

The BSP conducted four (4) TOT sessions in priority areas in Mindanao. The TOT sessions supported SLP objectives by equipping DSWD field staff to effectively deliver the simplified financial literacy modules.

TOT sessions conducted in...

Zamboanga City
Davao
Cagayan de Oro City
General Santos City

With a total of 149 participants

99% participation rate



Financial Education

Training of Trainers for BSP Regional Staff

The BSP also conducted two (2) TOT sessions for Research Specialists assigned in BSP Regional/Branch Offices. These TOTs generally followed the design of the TOTs conducted for the DSWD field staff.

The Research Specialists, assigned in the BSP Economic and Financial Learning Centers, act as primary point persons attending to the information requirements and inquiries about economic and financial matters from the public.



Tools



Flip "tarp"



Kasangga



Pag-iimpok



Ayusin



Kilalanin

In the TOT sessions, the BSP-designed modules on saving, budgeting and consumer protection were utilized. A session on adult learning principles and key facilitation tips was also conducted to hone participants' training delivery skills.

Flip "tarp" is a play on the word "flipchart", as it is made out of tarpaulin. It is an innovative tool designed by the BSP to address the training requirements of financial literacy sessions for the low-income and the unbanked. It is:

- ✓ Portable, waterproof, and convenient to use especially in remote areas where learning equipment may be limited.
- ✓ With graphics and an equivalent word that depicts main messages of the sessions. This approach is proven to aid message retention among the participants.

Principles of adult learning

Adult Learning

Facilitation tips

Money Matters for Kids



Money Matters for Kids (MMK) is a mobile interactive exhibit which features a make-believe bank and mock-up Automated Teller Machine (ATM), among others. These give kids a chance to play the roles of bank managers and tellers, and be familiar with the concept of deposits and withdrawals.

The 2014 MMK exhibits reached a total of 7,809 viewers. Since 2011, a total of 23,469 viewers visited the exhibits.

Financial Empowerment Sessions

Aside from Public Information Campaigns, Financial Learning Sessions for Overseas Filipinos and their Beneficiaries, and Financial Education Expos, the BSP also holds Financial Empowerment Sessions (FES) which cover topics on the Philippine financial system, basic money

management or personal finance, credit, banks and financial products, and consumer protection.

In 2014, 31 FES attended by 4,748 participants (3,473 students and 1,275 professionals) were conducted.

Data and Measurement

The BSP continues to build a comprehensive and robust financial inclusion data framework that will allow it to track progress, identify gaps, establish priorities and craft evidence-based financial inclusion policies.

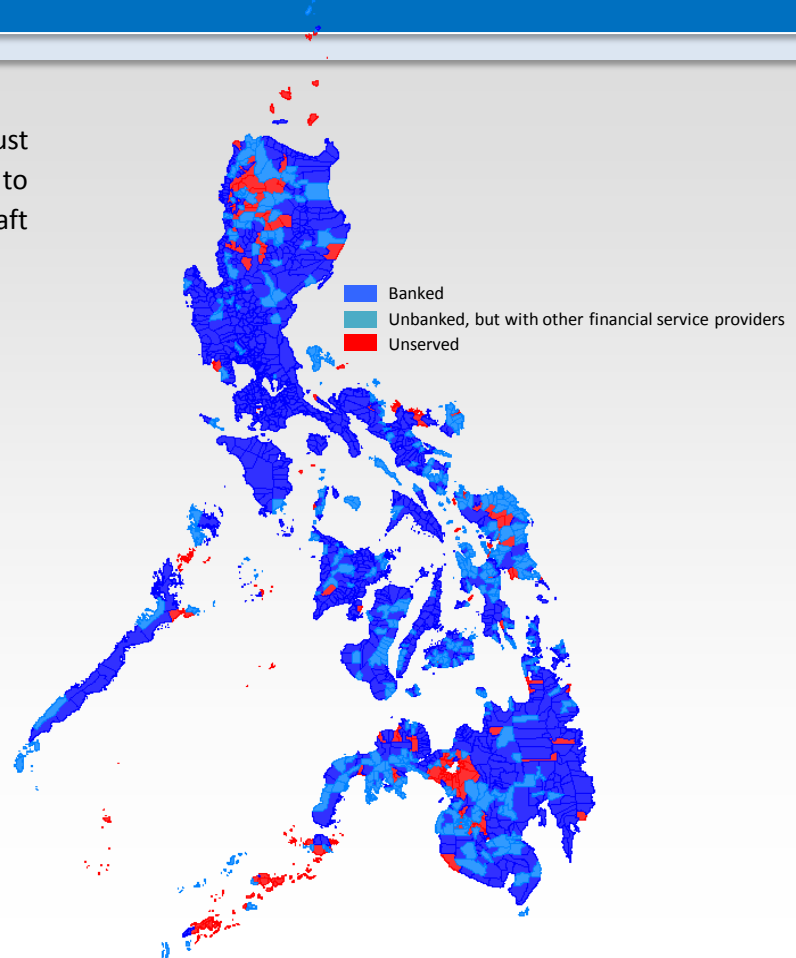
State of Financial Inclusion in the Philippines

As an annual publication, the BSP released the Report on the State of Financial Inclusion in the Philippines in 2014, covering the previous year.

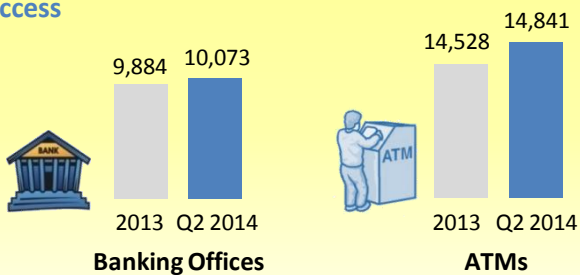
The Report, the third one since the maiden release in 2011, highlights the results of the BSP initiatives to promote greater financial inclusion in the country. The Report suggests a picture of the Philippine financial system that has become more inclusive over the years.

The report only looks at the access and usage dimensions of financial inclusion. Yet, it has been insightful, as available information suggests that the BSP's efforts in expanding financial access have contributed to increased usage of financial products and services. The report can be accessed in:

http://www.bsp.gov.ph/downloads/Publications/2013/microfinance_2013.pdf



Access



Usage



- 8% increase in the total number of deposit accounts from 43.6 M (Q2 2013) to 46.9 M (Q2 2014)
- 21% expansion in the total loan portfolio of the banking system from PhP 3.6 T (Q2 2013) to PhP 4.4 T (Q2 2014)

Nationwide Baseline Survey on Financial Inclusion

In 2014, the BSP completed key activities related to the conduct of a Nationwide Baseline Survey on Financial Inclusion (NBSFI). In collaboration with other government agencies and an external provider, the BSP designed and pilot-tested the NBSFI.

This demand-side survey, targeted to be rolled-out in early 2015, will help the BSP complement the existing supply-side data. It will provide rigorous, objective and reliable data that can help the BSP to monitor progress, identify existing barriers, set targets, and craft evidence-based financial inclusion policies. The results of the survey will be utilized to paint a more accurate picture of financial inclusion in the Philippines.

Ongoing financial inclusion measurement initiatives...

- ✓ Quarterly publication of "Financial Inclusion in the Philippines" a feature report focused on various topics related to financial inclusion
- ✓ Geocoding and spatial mapping of financial service access points
- ✓ Creation of a web search function of regional banks with microfinance operations

Advocacy Programs

The BSP undertakes activities and initiatives to increase awareness and appreciation of various stakeholders on financial inclusion.

Credit Surety Fund

The Credit Surety Fund (CSF) Program is a credit enhancement scheme conceptualized and facilitated by the BSP. It aims to increase the credit worthiness of micro, small and medium enterprises (MSMEs) that are experiencing difficulty in obtaining loans from banks due to lack of acceptable collateral, credit knowledge and credit track record.

As of 18 December 2014, 37 CSFs have been established in 27 provinces and 10 cities nationwide.

From the CSF's inception in 2008 up to 31 October 2014, cumulative approved loans for 10,515 beneficiaries reached PhP 1.3 billion, equivalent to a growth rate of 23 percent from the 2013 yearend cumulative approved loans of PhP 1.1 billion.

Of the total loan approvals, PhP 1.1 billion was released to 10,492 beneficiaries. Outstanding balance is PhP 392 million, of which PhP 310.6 million is covered by the CSF.

Aside from credit enhancement, the other major components of the CSF is the Capability Enhancement Program (CEP) which aims to strengthen the skills of cooperatives and their member-MSMEs in the areas of credit, management and finance to ensure the success and sustainability of the CSF Program.

Since 2008, trainings and business fora have been conducted for CSF on:

In 2014 alone, CSFs were launched in...

- ✓ Agusan del Norte
- ✓ Bataan
- ✓ Butuan City
- ✓ Cebu
- ✓ Marikina City
- ✓ Muñoz City
- ✓ Nueva Vizcaya
- ✓ San Jose City
- ✓ Quezon City
- ✓ Zamboanga del Norte and Dipolog City

Credit Appraisal and Monitoring

Appreciation of Financial Statements

Financial Management Seminar

Risk Management Seminar

GURO ng PAG-ASA

The BSP in partnership with the Department of Education (DepEd) continues to conduct the Gantimpala para sa Ulirang Pagtuturo ng PAG-iimpok at Araling PanSalapi (GURO ng PAG-ASA).

GURO ng PAG-ASA is a rewards program for the best teachers who have taught and integrated lessons in saving, money management and basic entrepreneurship in the elementary curriculum. The goal of the program is to help children develop the habit of saving regularly.

In March 2014, the GURO ng PAG-ASA 2013 winners were recognized for their exceptional teaching and moral dedication in choosing financial education as their life's advocacy.



2013 GURO ng PAG-ASA winners with (from top left) Monetary Board Member (MBM) Armando L. Suratos and the Members of the Board of Judges Dr. Wilma S. Reyes of the Philippine Normal University, Dr. Marilette R. Almayda of the DepEd and Former Education Secretary Dr. Fe A. Hidalgo as chair; BSP Governor Amando M. Tetangco, Jr.; MBM Peter B. Favila; and MBM Alfredo C. Antonio

Advocacy Programs

Microfinance Art Competition

In January 2014, the BSP conducted a Microfinance Art Competition with the theme “Partnerships Against Poverty”. The competition aimed to increase awareness of microfinance among the youth, particularly university students. The goal was to recognize Filipino youth’s artistic excellence in rendering meaningful themes into works of art.

The BSP received twelve (12) entries from four (4) universities, which include Far Eastern University, FEATI University, MAPUA Institute of Technology and St. Paul University. Four (4) of artworks were deemed winners by a distinguished panel of judges during the Selection Meeting conducted in February 2014.



(From top left) First Place: *Pinto ng Pag-asa* by Andrew Tan, FEATI University; Second Place: *Partnerships Against Poverty* by Bret Faustino Manalo III, Far Eastern University and Third Place (tie): *Pagbuo sa Pangarap* by Aaron Cedrick Manaloto and *Salamat Suki* by Ralph William Villaluz, Far Eastern University

Citi Microentrepreneurship Awards

In the 12th Citi Microentrepreneurship Awards, the BSP, together with the Microfinance Council of the Philippines (MCPI), Citi Foundation and Citibank honored exceptional Filipino microentrepreneurs. These microentrepreneurs are recognized for the extraordinary contributions they made to the economic sustainability of their families as well as their communities.

Since its launch in 2002, the CMA has generated a total of 100 winners. The program has also been replicated by the Citi Foundation in 34 countries.



2014 CMA Winners

The national winner for 2014, Ms. Teresita Valdez, manufactures sauteed shrimp paste (*bagoong*) and anchovy sauces.

"As a regulator, it is a joy to see tangible proof that our microfinance policies and regulations have such a powerful impact on families and communities. Let us continue to spread the good word about microfinance and the stories of our CMA winners. Through them, we are reassured again and again that microfinance is a viable option for entrepreneurial Pinoys."

Governor Amando M. Tetangco, Jr.
CMA Awarding Ceremony, 3 December 2014

Financial Inclusion Partner and Champion Awards

The 2014 Financial Inclusion Partner and Champion were recognized during the annual BSP Stakeholder Awards. This awards program aims to establish symbiotic relationships and build a network of meaningful partnerships with external stakeholders. The financial inclusion awards recognize the stakeholders that have significantly supported the BSP financial inclusion agenda.



Outstanding Financial Inclusion Partner
Microfinance Council of the Philippines



CARD Bank, Inc.
A Microfinance - Oriented Rural Bank
A member of CARD MRI

Financial Inclusion Champion
CARD Banking Group

International Linkages

The BSP sustained its leadership and active participation in significant global discussions on financial inclusion.

Global Discussions

In 2014, the BSP lead and participated in the following major events and fora.

Global Standard Setting Bodies

- ✓ The BSP continued to chair the Basel Consultative Group Workstream on Financial Inclusion. The Workstream completed the Range of Practice Survey which can serve as basis for specific guidance on financial inclusion for bank supervisors.
- ✓ The BSP experience was the featured presentation during the 3rd High-level Meeting on Financial Inclusion with Her Majesty Queen Maxima of the Netherlands and the Basel Committee on Banking Supervision (BCBS) on 2 October 2014 in Basel, Switzerland. The event aims to tackle progress of standard setting bodies (SSBs) in financial inclusion.

G20 Global Partnership for Financial Inclusion

- ✓ The BSP remained an active member of the G20 Global Partnership for Financial Inclusion (GPII) Subgroup on Regulation and Standard Setting.
- ✓ The BSP also participated as a resource in the 2nd G20 GPII Conference on SSBs and Financial Inclusion entitled “Standard Setting in Challenging Landscape of Digital Financial Inclusion” on 30-31 October 2014 in Basel, Switzerland.

AFI Awards

During the 2014 AFI Global Policy Forum (GPF) in Port of Spain, Trinidad and Tobago, the BSP, given its concrete gains in its policy initiatives, was honored with the following awards:

- ✓ Honorary award to Governor Amando M. Tetangco, Jr. for his excellent stewardship of the AFI network during his two year chairmanship
- ✓ Maya Declaration awards for tangible financial inclusion commitments achieved by the BSP

Knowledge Exchanges



In 2014, the BSP conducted knowledge exchanges by welcoming 34 delegates from 7 countries. These countries include Afghanistan, China, Myanmar, Nepal, Rwanda, Tunisia and Yemen. Knowledge exchange topics include a broad range: microfinance, mobile financial services, consumer protection, financial education, and payments and settlements system, all in relation to general financial inclusion.

United Nations Conferences

The BSP acted as a key resource person in these UN events:

- ✓ United Nations General Assembly, “Session on Private Finance: Preparatory Process for the 3rd International Conference on Financing for Development”.
- ✓ UN Conference on Trade and Development (UNCTAD) “Single-Year Meeting on the Impact of Access to Financial Services, Highlighting Remittances on Development: Economic Empowerment of Women and Youth”.
- ✓ UN Economic and Social Commission for Asia and the Pacific (UNESCAP) “Asia Pacific Outreach Meeting on Sustainable Development Financing”.

Alliance for Financial Inclusion

- ✓ The BSP also maintained active leadership in its last year as chair of the Steering Committee of the Alliance for Financial Inclusion (AFI). BSP representatives likewise continued to participate actively in various AFI working groups.



Governor Amando M. Tetangco, Jr.
opening the 2014 AFI Global
Policy Forum





BANGKO SENTRAL NG PILIPINAS

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