

2020 Financial Inclusion Initiatives



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LIST OF ABBREVIATIONS

4Ps	Panta wid Pa milyang Pilipino Program
AFCS	Automated Fare Collection System
AFI	Alliance for Financial Inclusion
AVCF	Agriculture Value Chain Financing
BAP	Bankers Association of the Philippines
Bayanihan 2	Bayanihan to Recover as One Act
BDA	Basic Deposit Account
BOB	BSP Online Buddy
BSFI	BSP-Supervised Financial Institutions
BSP	Bangko Sentral ng Pilipinas
CAM	Consumer Assistance Mechanism
CARES	COVID-19 Assistance to Restart Enterprises
COVID-19	Coronavirus Disease 2019
CRD	Credit Risk Database
CSF	Credit Surety Fund
CTB	Chamber of Thrift Banks
DFS	Digital Financial Services
DPTR	Digital Payments Transformation Roadmap
DOF	Department of Finance
DOLE	Department of Labor and Employment
DSWD	Department of Social Welfare and Development
DTI	Department of Trade and Industry
EO	Executive Order
FAQ	Frequently Asked Question
FCP Bill	Financial Consumer Protection Bill
Fin-ed	Financial Education
FIS	Financial Inclusion Survey
FISC	Financial Inclusion Steering Committee
FIST Bill	Financial Institutions Strategic Transfer Bill
FSF	Financial Sector Forum
FSP	Financial Service Provider
GUIDE Bill	Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery Bill
IC	Insurance Commission
KLS	Knowledge Level Survey
KYC	Know-Your-Client
LBP	Landbank of the Philippines
MFI	Microfinance Institution
MSME	Micro, Small, and Medium Enterprise
NPSA	National Payment System Act
NSFI	National Strategy for Financial Inclusion
OFW	Overseas Filipino Worker
OP	Office of the President
P3	Pondo sa Pagbabago at Pag-asenso
PDIC	Philippine Deposit Insurance Corporation
PFM	Public Finance Management
PhilGuarantee	Philippine Guarantee Corporation
PhilSys	Philippine Identification System
PSOF	Payment System Oversight Framework
RA	Republic Act
RBAP	Rural Bankers Association of the Philippines
SAP	Social Amelioration Program
SB Corp	Small Business Corporation
SBLAF	Standard Business Loan Application Form
SEC	Securities and Exchange Commission
WC-FINC	Working Committee on Financial Inclusion



Ely S. Tio Jr.

The year 2020 gave rise to unique challenges and upheavals on a global scale as a result of the outbreak of the COVID-19 pandemic. Many have characterized the twin health and economic crises – including the ensuing containment and recovery measures of the government – as unprecedented in terms of the scale and magnitude of the impact. Indeed, 2020 was the year that tested our resilience and resolve as a country and as a people.

Yet, 2020 also widened the path to accelerating financial inclusion. The pandemic gave new immediacy and put a much-deserved spotlight on the primacy of financial inclusion in the government's crisis containment and recovery efforts.

For one, the pandemic illustrated financial inclusion's vital role in social welfare and protection, as the transaction account became a necessary means for the country's poorest and most vulnerable to receive cash assistance from the government. With the imposition of lockdowns and physical distancing measures, consumers and businesses alike shifted to digital payments at an unprecedented speed and scale. All these exigencies demonstrate the importance of an inclusive digital finance ecosystem that the Bangko Sentral ng Pilipinas (BSP) has been deliberately building and shaping in the last few years.

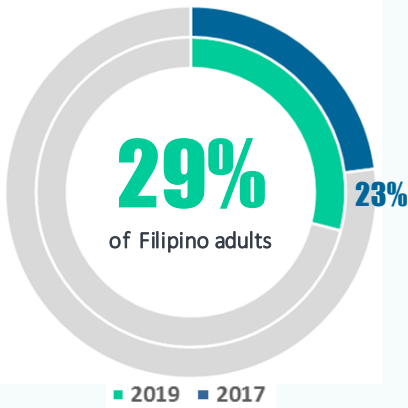
Far from being an impediment, the pandemic has strengthened the BSP's resolve to promote broad and convenient access to welfare-enhancing financial services for all Filipinos. In line with its strategic thrusts, the BSP thus intensified efforts to fast-track the development of the country's digital infrastructure by supporting the Philippine Identification System (PhilSys), as well as policy reforms to improve internet connectivity. The BSP closely collaborated with government agencies to promote the use of transaction accounts for the payment of social welfare benefits and wages, as well as other vital financial activities. The BSP also embarked on programs to enhance its Consumer Assistance Mechanism (CAM) and educate the public on, among other topics, safe conduct of online transactions to ensure consumers can effectively use and benefit from digital finance. Moreover, the BSP launched initiatives to enhance the country's credit infrastructure and improve access to loans of the micro, small, and medium enterprise (MSME) and agriculture sectors. This broad range of initiatives is firmly envisioned to have strategic, sustainable, and enduring impact transcending the pandemic.

Indeed, in every crisis lies an opportunity. For the BSP, 2020 offered the opportunity to strengthen collective commitment to shape a more inclusive and resilient new economy through financial inclusion. The work is not yet finished, but the momentum to achieve these goals is now stronger than ever. The BSP is ready to carry the work forward through 2021 and beyond.

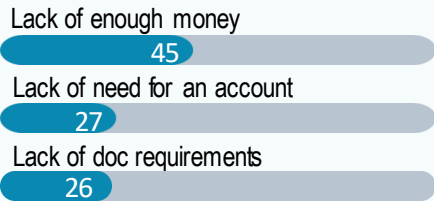


Photo Courtesy by: Alexes Gerard via Unsplash

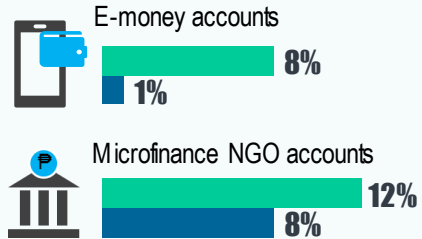
ACCOUNT OWNERSHIP



Top Reasons for Not Owning an Account



DRIVERS

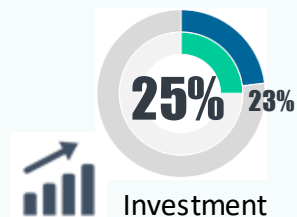
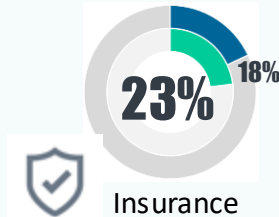
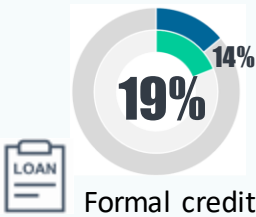


USE OF ACCOUNT

More account owners used their account for payments



Uptake of Other Financial Services



DIGITAL FINANCE



MOBILE PHONE

69% of adults own a mobile phone

12% of mobile phone owners use it for financial transactions

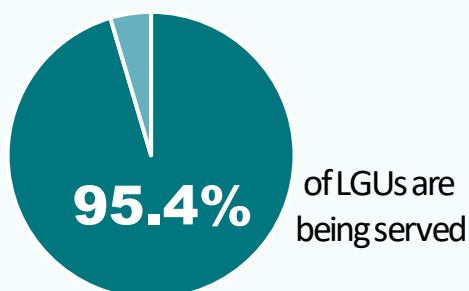
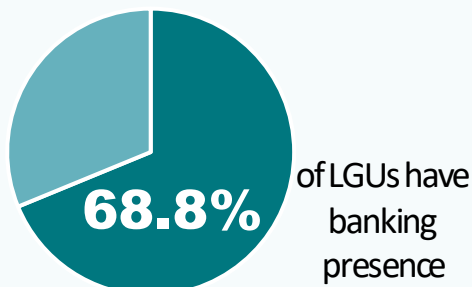
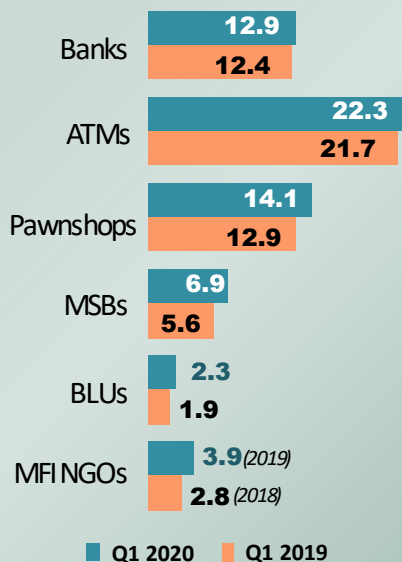
INTERNET USERS



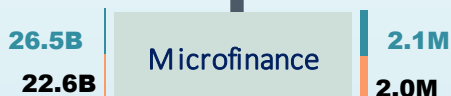
53% of adults use the internet

9% of internet users use it for financial transactions

FINANCIAL ACCESS

Number of Access Points
(in thousand)

USAGE OF FINANCIAL PRODUCTS AND SERVICES



Loans in banks (Value)

10.2T
9.0T

■ Q1 2020 ■ Q1 2019

Microinsurance (Users)

45.0M
38.9M

E-money (Users)

2020 37.5M
2019 29.4M

MFIs: PROVIDERS OF FINANCIAL SERVICES TO THE LAST MILE



Microfinance institutions (MFIs) play a significant role in promoting financial inclusion given their considerable presence in the countryside and their target market. Based on the 2019 Financial Inclusion Survey (FIS), microfinance non-governmental organizations (MF-NGOs) experienced a considerable increase in account penetration, growing from 8% in 2017 to 12% in 2019 at par with bank account penetration. This uptake may partly explain the 2019 results showing a slightly higher account penetration rate among the rural population at 30% compared to the urban population at 27% (a reversal of the 2017 figure reflecting gap in favor of the urban population), as well as the significant increase in account penetration among the country's poorest from 14% in 2017 to 27% in 2019. MF-NGOs are also the top source of formal credit as indicated by 31% of respondents who have borrowings.



As last mile financial service providers (FSPs), MFIs serve an important socio-economic role in local communities. While the COVID-19 pandemic brought disruptions to operations of many MFIs, it also provided an impetus to re-examine the dependence of MFIs on the "high touch" approach and explore digital innovations to better adapt to the new economy. As an initial step in supporting the digital transformation of MFIs, the BSP conducted a rapid assessment to identify the challenges encountered by MFIs in implementing their digitalization strategies and provide insights on possible interventions from development partners, government, and other stakeholders. Supporting the digital transformation of MFIs is an imperative toward ensuring their low-income clients and target markets can access suitable microfinance products as they rebuild their livelihoods in the wake of the pandemic.

IN THE SPOTLIGHT: **The Catalytic Role of E-Payments in Digital Financial Inclusion**

By BSP Governor Benjamin E. Diokno
Published in the Philippine Daily Inquirer, December 07, 2020

2020 was the year we did not see coming. Within eight months from the onset of the pandemic, we were forced to change gears and find ways to navigate a new world. A thread of hope in this seemingly daunting new economy is the emergence of compelling cases to use digital financial services (DFS), especially e-payments. From our perspective in the Bangko Sentral ng Pilipinas (BSP), retail e-payment instruments are a critical prerequisite for Filipino citizens, especially the financially unserved and underserved sectors, to avail of opportunities for recovery and growth.

A basic measure of financial inclusion is account ownership, which has shown improvement as the number of Filipinos with accounts rose from 23% in 2017 to 29% in 2019. The BSP however recognizes that more still needs to be done. While people cite “perceived lack of utility” as among their top reasons in choosing not to open an account, most Filipinos, regardless of economic status, actually engage in payment transactions. Payments can drive people to open an account—enabling them to experience its utility for e-payments as a more convenient alternative to cash transactions. This pandemic has provided impetus for Filipinos to gravitate from cash to digital.

The benefits of e-payments are significant for sectors who also need them most: wage earners, microentrepreneurs and beneficiaries of government programs. Through electronic fund transfers (EFT), they can promptly and safely receive salaries, pension, social security benefits, and other types of financial assistance such as those provided under the Pantawid Pamilyang Pilipino Program (4Ps). Microentrepreneurs who are able to accept e-payments are also able to expand their market and client base.

Individuals and small businesses likewise build transaction histories as they use e-payments. These histories can support access to financial products, like credit, that are more responsive to their needs and context. As previously unbanked users become more comfortable with e-payments, they can eventually be onboarded to use other value-adding financial services like savings, investments and insurance. In essence, e-payments can jumpstart and catalyze financial inclusion.

The BSP encourages adoption and usage of e-payments as it supports the achievement of one of our key strategic objectives—digital financial inclusion. The BSP envisions a new economy characterized by universal, democratized access by all Filipinos to a wide range of financial services, through a digitally connected ecosystem of responsible and responsive financial institutions, whether banks or non-banks.

The BSP is confident that we are on our way toward achieving this vision, not least in part due to the pandemic-induced necessities. EFTs grew at 87% in volume and 42% in value before and during the enhanced community quarantine (ECQ). Around four million new accounts were opened digitally from March 17 to April 30, 2020, the height of the ECQ. The account-based distribution of benefits under the government's Social Amelioration Program (SAP) resulted in the opening of millions of new accounts. The disbursement of financial assistance under the Social Security System's (SSS) Small Business Wage Subsidy Program through PESONet benefited over three million employees of MSMEs affected by the pandemic. Microfinance institutions (MFIs) are now recognizing the urgency to adopt digital solutions for sustainable and better customer service.

The BSP keenly monitors these trends to assess whether its policy reforms are taking effect. We can confidently say that the consumer shift to e-payments during the pandemic was made possible

because enabling regulatory frameworks on transaction accounts, digital KYC, e-money, e-banking, payment service providers, and networks were already set in place.

The momentum and potential for digital financial inclusion is evident, even prior to the pandemic. Momentum is evidenced by sustained uptake of Basic Deposit Accounts (BDA) designed for small savers, now numbering 4.6 million accounts with aggregate amount of P4 billion, lodged in 122 banks. The share of adults with a transaction account climbed from 23% in 2017 to 29% in 2019. E-money account penetration exhibited a remarkable growth, increasing to 8% in 2019 from 1.3% in 2017, and the number of account holders using e-payments doubled. The potential market is huge, since only 12% of adults who own a mobile phone, and only 9% of adults with Internet are making digital financial transactions. Among the unbanked, 7 in 10 of them have a mobile phone. These market segments already possess the means and are potentially ready for onboarding into the digital finance ecosystem.



To sustain the momentum and opportunities for wider digital payment adoption, the BSP launched a three-year Digital Payments Transformation Roadmap (DPTR), which aims to develop a digital payments ecosystem that facilitates inclusivity, innovation, and efficiencies benefitting individuals, businesses, and the economy as a whole. Under the DPTR, the BSP is aiming for the digitalization of 50% of the country's retail transaction volume and the financial inclusion of 70% of Filipino adults by 2023.

Commitment to innovation is a key theme in the DPTR. The BSP will be issuing a circular on digital banks as a distinct, new category to attract players with compelling digital-only business models.* We are also pushing for the open finance initiative, which aims to empower consumers in the use of their data and support development of products tailored to their varying needs and preferences. The BSP will ensure that this pursuit of innovation will lead to optimal consumer outcomes and benefits.

The disruptions brought by the pandemic have only intensified BSP's resolve to promote innovation and accelerate digital financial inclusion. Our ultimate goal is to make financial services accessible and beneficial to all citizens, bring the BSP closer to Filipinos, and promote an inclusive new economy.

*Circular No. 1105



Photo Courtesy by: Nikko Tan via Pexels

The momentum and potential for digital financial inclusion is evident, even prior to the pandemic.

- BSP Governor Benjamin E. Diokno

IN THE SPOTLIGHT

Philippines ranks 2nd in Asia and 8th worldwide in promoting financial inclusion

The Philippines remains one of the world's leaders in financial inclusion according to the Global Microscope 2020 of the Economist Intelligence Unit (EIU), the research arm of The Economist Group.

The country ranked second in Asia after India and eighth worldwide, tying with Brazil, in the Global Microscope. The EIU report assessed the financial inclusion environment in 55 countries, rating them across five (5) dimensions: 1) Government and Policy; 2) Stability and Integrity; 3) Products and Outlets; 4) Consumer Protection; and 5) Infrastructure.

Together with Thailand in Asia and Russia in Eastern Europe, the Philippines posted the highest improvement in view of the government's push to promote digital channels as part of COVID-19 pandemic response. The Philippines improved most remarkably, obtaining a perfect score (100 points) in the Products and Outlets dimension, which covers BSP regulations on e-money, simplified accounts like the Basic Deposit Account (BDA), and financial outlets such as cash agents.

Focusing on the role of financial inclusion in responding to the COVID-19 pandemic, the report recognized the initiatives of the Philippines to mitigate the pandemic's adverse impact on the economy. It cited the regulatory relief measures of the BSP to ease liquidity constraints in the financial system, restore business confidence, and sustain the flow of credit amid this unprecedented health crisis.

In addition, the report highlighted measures to promote MSME financing, such as allowing banks to include loans granted to MSMEs as alternative compliance with reserve requirements; reducing the credit risk weight of MSME loans that are current in status to 50% from 75%; and reducing the minimum liquidity ratio (MLR) for standalone thrift banks, rural banks, and cooperative banks to 16% from 20% until end-December 2020.

Overall, the results of the Global Microscope 2020 reinforced the critical role of financial inclusion particularly during economic shocks like the crisis caused by the COVID-19 pandemic. The report emphasized the importance of digital infrastructure that includes access to identification, mobile phones, and financial accounts to facilitate efficient delivery of cash assistance to vulnerable segments. It also noted the need for better data integration in the proper targeting of cash aid program beneficiaries.



While MFIs and other FSPs serving the “last mile” have been hit by the pandemic, the report observed that efforts to protect these institutions varied despite having over 140 million low-income customers worldwide.

The Global Microscope is an annual cross-country assessment of the enabling environment for financial inclusion. Since 2009, the Philippines has consistently belonged to the roster of top-ranked countries in having a supportive framework for inclusive finance. Latin American countries, namely, Colombia, Peru, Uruguay, Argentina, and Mexico occupied the top five spots of the report.

NATIONAL STRATEGY FOR FINANCIAL INCLUSION

The FISC is the interagency body that provides strategic guidance and oversight in the implementation of the National Strategy for Financial Indusion. Established through Executive Order (EO) No. 208 in 2016, the FISC has grown from having 13 members that drafted the NSFI to become a 20-member interagency body, with BSP serving as the Chair and Secretariat. In 2020, the FISC also welcomed the Philippine Commission on Women (PCW) as its 20th member. The PCW is the government's primary policymaking and coordinating body on women and gender equality concerns. Its membership in the FISC is envisioned to further enrich discussions and deepen multisectoral collaboration toward promotion of access to welfare-enhancing financial services and economic opportunities for women, especially those in the informal and marginalized population, as well as small business sector.



Due to COVID-19 pandemic restrictions, the FISC meetings in 2020 were conducted virtually. In its 8th and 9th meetings held on 4 August and 6 October 2020, respectively, the FISC recognized the unprecedented disruptions brought about by the pandemic and acknowledged the urgency of promoting digitalization - a priority focus of the FISC since 2018.

The FISC discussions focused on the initiatives carried out by the government to promote the use of transaction accounts and digital payments. These include the direct disbursement through transaction accounts adopted by the Department of Social Welfare and Development (DSWD) for the recipients of the emergency subsidy of the second tranche of the Social Amelioration Program (SAP) under the Bayanihan to Heal as One Act.; the issuance of the Department of Labor and Employment (DOLE) of a labor advisory promoting payment of workers' wages through transaction accounts; the Small Business Corporation's (SB Corp) digital distribution of loan proceeds under the Pondo sa Pagbabago at Pag-Asenso (P3) and COVID-19 Assistance to Restart Enterprises (CARES) programs; the Department of Transportation's (DOTr) program on cashless payments for transportation fares; and the Department of Finance(DOF)-led program to promote digitalization of government payments to and from the public and businesses. BSP also shared its Digital Payments Transformation Roadmap (DPTR) and its implementation of the National Payment System Act (NPSA) to provide the FISC members insights for their respective agencies' digital payment initiatives.

Recognizing the critical importance of access to reliable internet connection for digital finance, the FISC collectively endorsed to the Office of the President (OP) a proposed EO which aims to liberalize access to satellite technology for broadband services and fast track development of digital connectivity infrastructure in remote and rural areas. This is the first official policy endorsement of the FISC as an interagency body and tangibly demonstrates the role of the FISC as a strategic platform for effective multi-stakeholder collaboration key to delivering the demands of financial inclusion.

Strategic Thrust: BUILDING THE DIGITAL FINANCE INFRASTRUCTURE

An inclusive digital finance ecosystem necessitates the development of the enabling digital finance infrastructure that facilitates the scope, scale and reach of financial services. The digital finance infrastructure is the regulatory frameworks and platforms that promote competition, innovation, and effective use of digital technology for financial inclusion.





Philippine Identification System

The Philippine Identification System (PhilSys) was established under Republic Act (RA) No. 11055 to provide every Filipino a legal proof of identity. PhilSys is envisioned to serve as a social and economic platform supporting service delivery efficiencies, ease of doing business, governance, and financial inclusion. These objectives formed the basis for the design principles of the PhilSys as the country's foundational digital ID system.

As a digital ID, the PhilSys will not only address identity documentation barriers, but also lead to a seamless and cost-efficient account onboarding process; thus, making it more viable for banks and other institutions to cater to the still largely underserved lower-income segments. Beyond account onboarding, PhilSys is envisioned to facilitate high-impact innovations in digital financial services (DFS) – from credit, insurance, payments, to investment.

Recognizing the strategic potential of a national ID, the BSP has been actively involved in the PhilSys long before it became a law as a member of the interagency technical working group that led and coordinated the legislative advocacy. In 2020, the BSP was appointed as Chair of the Interagency Committee for Use Cases (IAC UC), a dedicated sub-group created by the PhilSys Policy and Coordination Council (PSPCC).

BUILDING THE DIGITAL FINANCE INFRASTRUCTURE

As Chair of the IAC UC, the BSP supports key undertakings to promote the adoption of the PhilSys e-KYC and authentication facilities in both the government and private sector. The BSP is actively supporting the Philippine Statistics Authority (PSA) in developing the PhilSys authentication policies and guidelines, as well as in conducting consultations and awareness campaigns, especially for the financial services industry.

With millions of low-income households identified as priority registrants of the PhilSys in the period 2020-2021, the PSPCC recognized an opportunity to optimize the registration mobilization efforts by having Landbank of the Philippines (LBP) set up account onboarding facilities at the PhilSys registration centers. This arrangement will enable the priority registrants to conveniently apply for and open an LBP cash card account at no cost. The BSP, as Chair of the IAC UC, is providing technical assistance to the PSA in its co-location arrangement with the LBP which aims to immediately provide individuals from the vulnerable sector a transaction account through which they can conveniently receive government emergency cash assistance as needed.



BUILDING THE DIGITAL FINANCE INFRASTRUCTURE

Information and Communications Technology (ICT) Policy Reform. With more transactions and services moving online, internet connectivity has become a critical enabler of inclusion in the new economy. Communities and households with no internet access will be unable to take full advantage of the economic and social benefits of digital finance and other digital innovations. Based on the 2019 FIS, internet access penetration in Mindanao (30%) is significantly lower than in Luzon (60%) and Visayas (40%). Rural internet access is at 40%, much lower than urban internet access at 60%. Satellite broadband can offer the fastest and most cost-efficient means to distribute bandwidth to remote and rural areas as long as there is line of sight. However, EO No. 467 (s1998) restricts satellite access to enfranchised telecommunication entities which limits the flexibility and incentives and increases the cost of non-telecommunication service providers to tap satellite and broaden their internet service offerings. Accordingly, in its November 2020 letter to the OP, the FISC with the BSP as Chair and Secretariat endorsed the issuance of a new EO to allow non-enfranchised but duly National Telecommunications Communications (NTC)-registered internet service providers and value-added service providers to build and operate satellite-based broadband network. Moreover, the FISC Secretariat presented the policy proposal to the Economic Development Cluster (EDC) which then also submitted a memorandum of endorsement to the OP in December 2020.

Digital Banking License. In line with the DPTR objectives, the BSP issued in November 2020 Circular No. 1105 which provides the policy framework for digital banking in the Philippines.

A digital bank is defined as a bank that offers financial products and services that are processed end-to-end through a digital platform and/or electronic channels with no physical branches. It is a distinct and new bank category designed for market players with compelling digital-only business models.

The issuance of a digital banking license aims to promote innovation, enhance competition, and ensure dynamism in the financial services industry for the benefit of consumers and businesses.

Payment System Oversight Framework. The NPSA signed in 2018 supports the BSP's mandate of maintaining a safe, reliable, and efficient retail payment system. It is a landmark legislation, being the first comprehensive legal and regulatory framework governing the payments system in the country, and one that provides the BSP with oversight functions in relation to the National Payment System. In line with its mandate under the NPSA, the BSP issued Circular No. 1089 outlining the Payment System Oversight Framework (PSOF) in July 2020, which serves as the main policy that implements the NPSA. The policy issuance is very timely as more people use electronic payment systems in the new economy.



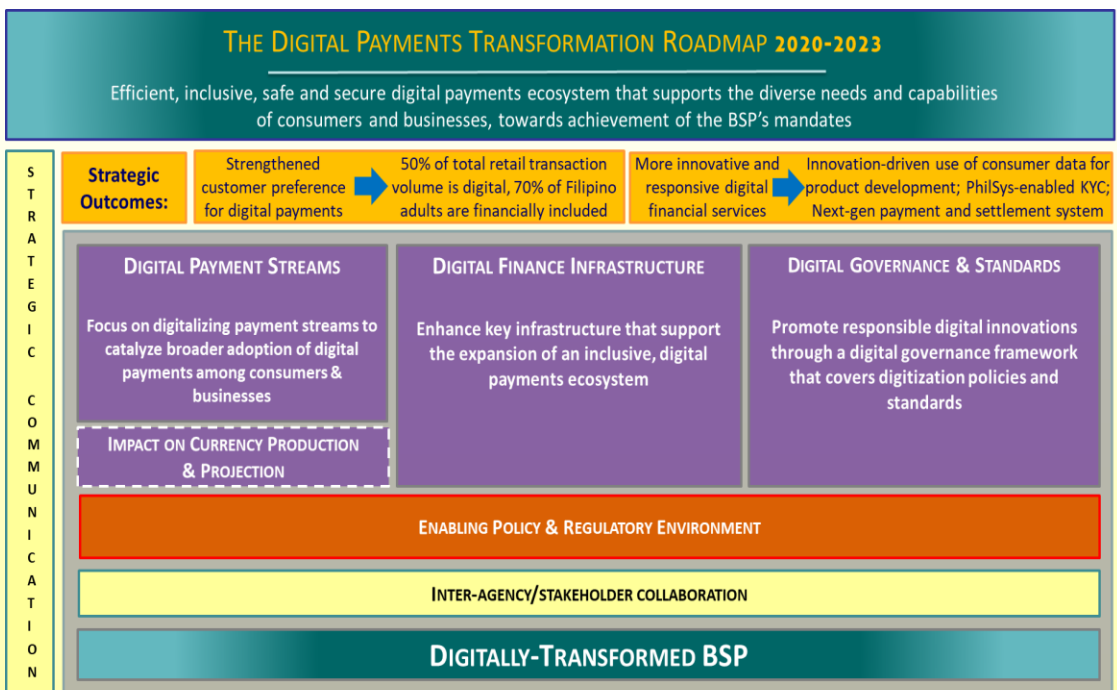
IN THE SPOTLIGHT - Digital Payments Transformation Roadmap

The BSP launched in September 2020 the Digital Payments Transformation Roadmap (DPTR) 2020-2023 that charts the BSP's current strategies for an efficient, inclusive, safe, and secure digital payments ecosystem. This will support the achievement of the BSP's mandates, enhance public welfare, and facilitate the transition towards a cash-lite economy.

The DPTR has the following desired strategic outcomes: increased preference for and ability of consumers to make digital payments; and expanded offerings of innovative and responsive financial products. These will be measured in the share of total volume of transactions done digitally reaching at least 50% and the level of account ownership among Filipino adults at least 70% by 2023.

The said outcomes are anchored on three (3) critical pillars, namely: (1) development of digital payment streams or use cases which will pave the way for greater acceptance and use among individuals, businesses and the government; (2) establishment of the necessary digital finance infrastructure that will facilitate interoperability in the digital payments ecosystem, thus allowing providers to offer a wider selection of affordable products and services; and (3) implementation of digital governance standards that will safeguard the integrity and privacy of consumer data and ensure appropriate governance and regulation of digital products and services. Further support of the pillars include continued engagement and collaboration with stakeholders, as well as counterpart government agencies also working on developing payments digitalization.

As 2020 saw the skyrocketing of digital payment transactions owing to the COVID-19 pandemic lockdowns, the march towards going digital has become more of a necessity rather than a buzz trend. With more consumers and businesses conducting commercial transactions online, the BSP is at the forefront of charting a strategic pathway towards payments digitalization.



Strategic Thrust

CREATING COMPELLING VALUE PROPOSITIONS FOR A TRANSACTION ACCOUNT

Account ownership serves as a gateway to financial inclusion. It enables people to participate in the benefits and opportunities of the formal financial system, empowering them to build a better financial future. Financial health and resilience have never been a greater priority in this time of pandemic. The BSP, together with its counterparts in government, thus continues to build compelling use cases for owning a transaction account. The pandemic has particularly highlighted account ownership as a vital element of the country's social protection system and an indispensable transaction tool in the new economy.

CREATING COMPELLING VALUE PROPOSITIONS FOR A TRANSACTION ACCOUNT: WHOLE OF GOVERNMENT APPROACH

Payment of Wages Through Transaction Accounts.

The BSP collaborated with the DOLE to promote digital payment for private sector employees and wage earners. The DOLE issued Labor Advisory No. 26-20 to encourage private sector employers to use transaction accounts for the payment of workers' wages and other monetary benefits. The Advisory aims to promote the financial inclusion of workers to enable their use of digital payment, protect their rights, and reduce health and security risks associated with cash handling. To help attain the objective of the Advisory, regional briefings were jointly conducted by DOLE and BSP for employers, labor groups, and civil society organizations to encourage adoption and awareness of using digital payments. A total of 20 briefings were conducted nationwide from October to December 2020. The briefings were attended by a total of 1,343 representatives of various organizations and associations.



Digital Disbursement of MSME Loan Proceeds. The BSP coordinates with the DTI in promoting the use of digital payments by consumers and corresponding acceptance by merchants, particularly the micro and small merchants. A multi-stakeholder forum facilitated by the Better Than Cash Alliance (BTCA) was convened in July 2020 to discuss industry challenges and opportunities in merchant acceptance of digital payments. The BSP also coordinates with the SB Corp to promote the use of transaction accounts for the disbursement of loan proceeds to beneficiaries of the P3 Program and the CARES Program. This was a welcome shift in the program implementation, as majority of loan disbursements in previous years were made through remittance agents and checks.

Distribution of Government Benefits. The BSP provided technical assistance to the DSWD in the implementation of account-based distribution of the SAP second tranche. This has enabled the distribution of cash assistance to newly opened accounts of more than 9.9 million SAP beneficiaries with the various FSPs based on information provided by DSWD. Receiving government cash assistance is recognized as a compelling use case for an account among those who otherwise would not have use for accounts.



CREATING COMPELLING VALUE PROPOSITIONS FOR A TRANSACTION ACCOUNT: WHOLE OF GOVERNMENT APPROACH



The BSP is part of an interagency TWG on government e-payment and e-receipt under the PFM. The TWG was constituted to ensure real time recognition of electronic receipts with an automatic reconciliation process and create a policy for the issuance of electronic official receipts (OR).

Payments to Government. The BSP continues to encourage other government agencies and instrumentalities to join the EGov Pay facility, an electronic payment solution that enables individuals and businesses to use their transaction accounts to make online payments for government fees, licenses, and taxes. With almost all Filipino adults making payments to the government, the convenience provided by the EGOV Pay facility makes for a compelling case for owning a transaction account. Through an account, Filipinos can experience the safety and convenience provided by the EGOV Pay facility for their person-to-government (P2G) and government-to-person (G2P) transactions. This is reinforced by the fact that more and more government agencies are already using digital platforms for their collection and disbursement efforts. There are now over 365 government agencies and local government units (LGUs) that are linked to EGOV Pay.

Meanwhile, in September 2020, the Public Finance Management (PFM) Committee agreed on the need to include e-payments and e-receipts in the PFM Reform Roadmap due to its essential nature in the new economy. Composed of the Commission on Audit (COA), Department of Budget and Management (DBM), DOF, and Bureau of Treasury (BTr), the PFM Committee was formed under EO No. 55 on September 6, 2011 to oversee and coordinate the integration and automation of government financial systems, and implementation of the PFM roadmap.



Photo Courtesy by: Juan Paolo Cruz and Yannes Kiefer via Unsplash

Automated Fare Collection System. The BSP supports the Automated Fare Collection System (AFCS) initiative of the DOTr which aims to promote cashless payments in the transport sector. The AFCS project will establish an interoperable AFCS which will allow any transport card (e.g., Beep) as well as contactless EMV debit cards to be used in any bus, rail, or public utility vehicle equipped with an AFCS card reader. Convenient payment for transport fares is a compelling use of a transaction account. While the initial rollout will only cover selected rail and road transport in Metro Manila and other key cities, the AFCS is envisioned to eventually serve all modes of public transport including jeepneys and buses and shall be implemented on a national scale.



Strategic Thrust PROMOTING ACCESS TO FINANCE FOR THE MSME AND AGRICULTURE SECTORS

The MSME and the agriculture sectors account for a sizable portion of the country's productivity and represent a significant source of employment and income for millions of Filipinos. Recognizing the immense potential of these sectors as drivers of inclusive growth, the BSP aims to improve access to finance of enterprises and farmers by supporting the development of a sustainable agriculture and MSME financing ecosystem.

PROMOTING ACCESS TO FINANCE FOR THE MSME AND AGRICULTURE SECTORS



Despite its immense potential as driver of inclusive growth, MSMEs have traditionally faced access to finance challenges owing to several factors stemming from both the demand and supply sides. MSMEs are less likely to apply and get approved for bank financing due to lack of collateral and credit history, inadequate documentary requirements, and perceived slow turnaround of loan applications for working capital requirements.

Banks, on the other hand, have entrenched perceptions that serving MSMEs is a high-cost, high-risk but low margin undertaking. With this perception, banks have not been investing in their internal capacity, tools, and market research to viably and strategically serve this market without relying on use of collateral.

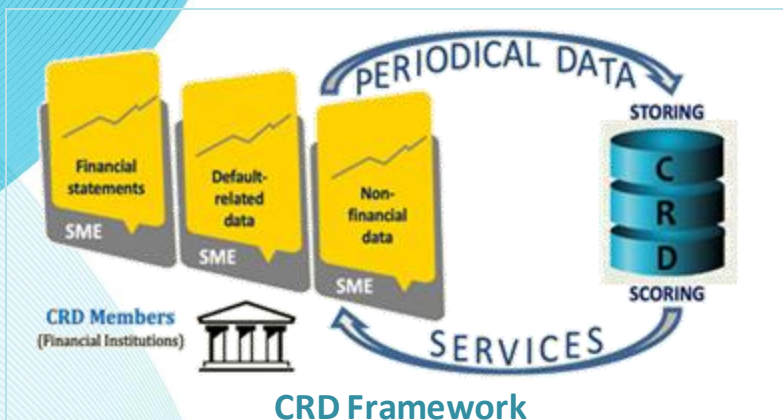
With the outbreak of COVID-19, these challenges have been further exacerbated. The MSME sector has been among the hardest hit. Based on a survey conducted a few weeks into the lockdowns, more than 60% of MSMEs reported stopping operations and zero sales. Lack of working capital figured prominently as an immediate concern, and because many of these microenterprises are informal, access to COVID support measures for businesses have been difficult, if not unobtainable.

The BSP therefore undertakes initiatives that aim to address these challenges toward improved access to finance of these important sectors. The initiatives are designed to promote innovative and sustainable financing approaches, improve cost-efficiencies, deepen market insights, and mitigate credit risks. Overall, the BSP's efforts aim to optimize the MSME sector's contribution to economic development and post-pandemic recovery.

PROMOTING ACCESS TO FINANCE FOR THE MSME AND AGRICULTURE SECTORS

Credit Risk Database

The BSP and the Japan International Cooperation Agency (JICA) initiated the Credit Risk Database (CRD) project in 2020. The CRD is an alternative source of credit information which lenders can use to assess the capacity to pay of small and medium enterprise (SME) borrowers through the use of statistical credit scoring models. It aims to promote risk-based lending, lessen the dependence of banks on collateral during credit evaluation, and improve access to finance among SMEs.



By providing a robust credit assessment tool, the CRD can address key challenges in SME financing arising from the borrower's lack of collateral or thin credit history, and the bank's lack of information to support credit assessment.

In the long run, the CRD is envisioned to provide stimulus for inclusive economic development. By having improved access to credit, the productivity and competitiveness of SMEs will be enhanced and subsequently generate much-needed jobs and source of income for many Filipinos.

The BSP initiated the implementation of the CRD project in a virtual launch held on 10 December 2020. The launch was participated by representatives from JICA, Chamber of Thrift Banks (CTB), Bankers Association of the Philippines (BAP), and Rural Bankers Association of the Philippines (RBAP), as well as officers from the 17 pioneer participating banks.

The CRD Project Implementation Team (PIT), comprised of the BSP's CRD Project Implementation Unit and a team of experts from CRD Japan, started the data collection from two pioneer participating banks in December 2020. Data collection is expected to be completed in July 2021, which will then prompt the start of credit scoring model development in the same month.


The PIT is also engaging additional banks on their possible participation in the CRD Project and is establishing a Joint Coordinating Committee (JCC) to facilitate inter-organizational coordination between its members toward the accomplishment of the project's key deliverables and targets. Representatives from relevant government agencies, industry associations and JICA will compose the JCC.

PROMOTING ACCESS TO FINANCE FOR THE MSME AND AGRICULTURE SECTORS




Credit Surety Fund

In line with the Credit Surety Fund Cooperative Act of 2015 (CSF Act), the BSP supports the capacity building of the credit surety fund (CSF) cooperatives. The CSF is a credit enhancement tool that provides a maximum 80% surety cover for loans granted by banks to MSMEs that typically experience difficulties in accessing credit. In 2020, BSP conducted five (5) webinars on the following topics: *Managing Coop Liquidity During Pandemic*; *Board Governance and Institutional Management of CSF Cooperatives*; *Legal Concepts on Sureties and Guarantees*; *Credit Appraisal and Monitoring*; and *Loan Collection and Debt Management*. The webinars were attended by 524 individuals composed of directors, managers, loan officers, and credit committee members of registered CSF Cooperatives. Personnel from the CSF Department of the CDA also attended the webinars. The BSP will enter into a Memorandum of Agreement (MOA) with CDA, the regulator of the CSF cooperatives, to formalize their cooperation arrangements to ensure effective implementation of the CSF Act.




BANGKO SENTRAL NG PILIPINAS
CENTER FOR LEARNING AND INCLUSION ADVOCACY
in coordination with the Cooperative Development Authority -
Cooperatives Administrative Region

**MANAGING COOP LIQUIDITY
DURING PANDEMIC**
30 OCTOBER 2020, THURSDAY, 9:30AM - 12:00PM
Via Zoom Meeting




MR. GENARO F. RAMOS JR., MBA, CPA
Cooperatives Development Specialist
Target Participants are CSFs and CAC Cooperatives



BANGKO SENTRAL NG PILIPINAS
CENTER FOR LEARNING AND INCLUSION ADVOCACY
presents
Webinar Series for CSF Cooperatives

**Legal Concepts on Sureties
and Guarantees**

Join Atty. Gary V. Maningo,
Manager, Department of
Loans and Credit of the
Bangko Sentral ng Pilipinas
as he talks about basic legal
concepts of sureties and other
similar concepts and provide
key takeaways in identifying the
elements and how to interpret
surety agreements.





NOV 19, 2020 - 9:30 AM TO 12:00 PM
VIA ZOOM MEETING

**Credit Appraisal
and Monitoring**

Join Mr. Raul D. Pansay, Acting Bank Officer IV of the
Department of Loans and Credit of the Bangko Sentral ng
Pilipinas as he talks about the credit cycle and the role of credit
officer in the credit process. He will also discuss the importance
of the business plan and its components, and will provide tools
in business plan analysis.

This Webinar Series for CSF Cooperatives
is presented by
BANGKO SENTRAL NG PILIPINAS
CENTER FOR LEARNING AND INCLUSION ADVOCACY






BANGKO SENTRAL NG PILIPINAS
CENTER FOR LEARNING AND INCLUSION ADVOCACY
presents
Webinar Series for CSF Cooperatives

**LOAN COLLECTION
AND DEBT MANAGEMENT**

Join our speaker, Mr. Nils N. Sgrelas, a CPA,
Real Estate Appraiser and former Assistant
Manager of the Department of Loans and
Credit of the Bangko Sentral ng Pilipinas as
he talks about the concepts and principles
of credit and provide key takeaways on
asset management and best collection
practices and strategies.

11 December 2020, Friday, 8:30 am to 4:00 pm



PROMOTING ACCESS TO FINANCE FOR THE MSME AND AGRICULTURE SECTORS

Standard Business Loan Application Form

The Standard Business Loan Application (SBLAF) was initiated in 2020 to introduce the adoption of a standard business loan application document in the banking industry to make the loan application process more streamlined and borrower-friendly, particularly for small enterprises.

Having a standardized loan form is envisioned to yield long-term benefits not only for enterprises but also for the banking industry:

For Enterprises – Small businesses are typically not familiar with complicated processes and financing terms that may hinder reliance on formal sources of financing. The simplified loan form is thus envisioned to facilitate transparency, ease of understanding, and efficiency in loan applications for small businesses.

For Banks – The minimum key information and requirements that may be collected in assessing and extending loans to enterprises may be designed to lead to improved risk assessment, thereby reducing reliance of banks on collaterals. It will likewise result in faster turnaround time which may allow banks to channel resources and manpower to other banking activities. With streamlined information for collection, the standardized forms will also enable an easier shift to digital loan application platforms.

A TWG has been established to oversee the development and implementation of the SBLAF. The SBLAF TWG is composed of the following government agencies and industry associations: BSP, DTI, Philippine Guarantee Corporation (PhilGuarantee), BAP, CTB, and RBAP.

The SBLAF is set for completion in 2021 and adoption in 2022.



PROMOTING ACCESS TO FINANCE FOR THE MSME AND AGRICULTURE SECTORS

Support for COVID-19 Economic Recovery Bills

The BSP is advocating for the passage of two bills that aim to ensure the sustained ability of the financial sector to meet the financing requirements of the MSMEs and support the country's economic recovery through and beyond the pandemic.

Financial Institutions Strategic Transfer Bill

The Financial Institutions Strategic Transfer (FIST) Bill aims to cushion the impact of the pandemic-induced hike in the non-performing assets (NPA) of banks who serve a critical role in mobilizing savings and investment to help the country achieve faster economic recovery. By providing banks a mechanism to dispose of their NPAs through newly-formed asset management companies similar to the special purpose vehicles (SPVs) created in the 2000s in response to the 1997 Asian financial crisis, the FIST Bill will enable the banks to clear their books of bad loans and continue lending to MSMEs and large corporations.



Photo by David Milmanton Unsplash

Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery Bill

The Government Financial Institutions Unified Initiatives to Distressed Enterprises for Economic Recovery (GUIDE) Bill seeks to strengthen the capacity of government financial institutions (GFIs) such as the LBP, Development Bank of the Philippines (DBP) and PhilGuarantee, to provide much needed financing support for MSMEs and strategically important enterprises. Aside from expanding the MSME credit facilities of the GFIs, the GUIDE Bill also mandates the LBP and DBP to create a special holding company that will infuse capital into key enterprises to enable them to continue operations and preserve employment.



PROMOTING ACCESS TO FINANCE FOR THE MSME AND AGRICULTURE SECTORS

The BSP recognizes that the challenges in agriculture financing emanate from both the demand side (i.e., the borrowers) and the supply side (i.e., banks and other lending institutions). As such, the BSP supports strategic interventions that aim to improve the productivity and bankability of farmers and their enterprises; increase the institutional capacity of banks to assess and offer customized lending products to agri-enterprises; and develop the financial infrastructure to minimize impact of the agriculture sector's inherent risks through appropriate credit risk management instruments. The following initiatives are in line with these strategic interventions:



Amendments to Agri-Agra Reform Credit Act of 2009

Despite the decade-long implementation of the mandatory agricultural credit by banks under RA No. 10000 or the Agri-Agra Law of 2009, the share of loans to the agriculture and agrarian reform sector in bank loans has been on a decline. BSP is therefore supporting the proposed amendment to the law to strengthen rural development by providing for a holistic approach that takes into account the broader agricultural financing ecosystem and rural community development requirements. The proposed amendment has three components: (1) enhancing access by rural communities to private sector financing; (2) creation of an Agribusiness Management Capacity and Institution Building Fund ("Special Fund"); and (3) establishment of an Agricultural and Fisheries Finance and Capacity Building Council (AFFCC) which aim to address operational challenges in implementing the Agri-Agra Law pending the passage of the comprehensive amendments to RA No. 10000.

"We need to be deliberate in our bid to create a more inclusive new economy by supporting the broader development needs of the agriculture sector and rural communities. Embracing a holistic financing ecosystem approach as embodied in the proposed Agri-Agra Law amendments is a step in the right direction." - BSP Governor Benjamin E. Diokno

PROMOTING ACCESS TO FINANCE FOR THE MSME AND AGRICULTURE SECTORS



Agriculture Value Chain Finance

The BSP supports the development of agriculture value chain finance (AVCF) to facilitate the financial inclusion of small farmers and agricultural MSMEs, as well as support and catalyze the growth of export-oriented agri-value chains. The AVCF is an information-based lending approach that uses acquired information and understanding of the value-chain process to adequately assess risks in lending.

In partnership and with support from the Asian Development Bank (ADB), the BSP continues to implement the AVCF pilot project aimed at building the capacity of selected banks to use the AVCF approach in their credit evaluation process for agriculture-related lending activities. Lessons and feedback from the pilot project will be used to come up with an AVCF Toolkit and Training Program which may be disseminated to other banks for their reference in adopting the AVCF approach. The BSP may provide enabling policy and regulation to support its wide adoption by banks, if necessary.

The project has six (6) participating banks, as follows: *Rizal Microbank, New Rural Bank of San Leonardo, Rural Bank of Sta. Catalina, 1st Valley Bank, Producers Bank, and Metro South Cooperative Bank*. The ADB consultant provides technical assistance to these banks in conducting value chain analysis of identified high-value commodities (HVC); developing and structuring financing package for identified actors in defined commodity-based value chain; and identifying possible support for banks and potential AVCF clients from other government value chain programs. In 2020, one bank released its first loan approval under the project.



IN THE SPOTLIGHT

Islamic Banking

The BSP, through its Task Force on Islamic Banking, continues to conduct policy studies to implement the provisions of RA No. 11439 covering prudential reporting, liquidity, leverage and capital adequacy framework for Islamic banks or Islamic Banking Units (IBUs). Moreover, as part of the initiatives to strengthen stakeholder appreciation and increase awareness on Islamic banking and finance, the BSP issued the Frequently Asked Questions (FAQs) on Islamic Banking through Memorandum No. 2020-052 dated 18 June 2020.

On the other hand, the Revenue Regulation (RR) implementing the tax neutrality provision of the law has been approved by the DOF Secretary on 5 August 2020 and subsequently issued on 7 August 2020. The RR is another great milestone for the Islamic banking in the Philippines as it provides level-playing field for Islamic banking products and services. Previously, the lack of tax neutrality was considered a primary hurdle that must be addressed to ensure a sustainable Islamic banking industry.

With the issuance of the key regulatory frameworks on Licensing, Shari'ah Governance and Tax Neutrality, coupled with our country's strong economic fundamentals, the Philippines has become an attractive venue for Islamic banking. The BSP will continue to maintain flexibility in its approach to allow industry players to thrive in this new environment.

Lastly, the BSP is in coordination with the National Government-Bangsamoro Government Intergovernmental Relations Body (NG-BG IGRB) in relation to the implementation of Art. XIII, Sections 32 and 33 of RA No. 11054 or the Bangsamoro Organic Law (BOL) on the establishment of a Shari-ah Supervisory Board and the creation of an Islamic banking unit within the BSP. This initiative is in keeping with the mandate under the BOL for the BSP, the Bangsamoro Government, the DOF, and the National Commission on Muslim Filipinos (NCMF), to jointly promote the development of an Islamic banking and finance system.

Strategic Thrust

PROTECTING AND EDUCATING FINANCIAL CONSUMERS

Empowering consumers through financial literacy and adequate consumer protection is a pre-condition for financial inclusion to make positive impact on people's lives. Towards this end, the BSP carries out financial education programs that leverage strategic partnerships with various public and private stakeholders. The BSP also implements consumer protection mechanisms through policies and consumer assistance.

PROTECTING AND EDUCATING FINANCIAL CONSUMERS

Consumer Assistance Mechanism

Through the Consumer Assistance Mechanism (CAM), the BSP provides a channel through which the public may seek redress for grievances against BSP-supervised financial institutions (BSFI) for products offered or services rendered. The BSP CAM is also an avenue for the BSP to inform and explain to financial consumers the applicable regulatory provisions on their concerns, remind them of their rights and responsibilities, inform them of advisories that directly address their issues and provide contact information of other financial regulators and government agencies that they may communicate with in order to protect their interests.

The CAM also serves as a platform for the BSP to remind and request clarifications from BSFIs regarding compliance with and implementation of related regulatory issuances and guidelines.

Lastly, BSP's complaints handling process likewise informs regulatory and supervisory action and policy initiatives to promote financial consumer protection.



Launching of BSP Online Buddy

In August 2020, the BSP launched the BSP Online Buddy or BOB, a chatbot that allows for a more efficient complaints handling and accessible consumer assistance mechanism.

BOB mainly provides BSP with an automated capability to handle complaints against financial institutions under its authority. It can efficiently handle queries from consumers sent through the webchat in the BSP Website, SMS, or social media (Facebook messenger). By using "Artificial Intelligence" and "Natural Language Processing," BOB can respond to queries and complaints in English, Tagalog or Taglish.

With its ability to provide adequate responses and to automatically refer concerns to the BSFI concerned for action, the chatbot also enables BSP to gain valuable insights into customer experiences and banking practices.

BOB's Frequently Asked Question (FAQ) feature also serves as an avenue for BSP to educate the public on existing consumer protection regulations, as well as information on BSP's mandate and services.

"Aside from enhancing BSP's quality of service, BOB empowers financial consumers by giving them a more accessible channel for raising complaints. This is in line with BSP's commitment to pursue innovations in financial services for the benefit of Filipinos" – BSP Governor Benjamin E. Diokno

Interest Rate Cap on Credit Cards

Credit card concerns comprised a fourth (25.1%) of the estimated 23,275 complaints received by the Consumer Protection and Market Conduct Office (CPMCO, formerly Consumer Empowerment Group) in 2020. Foremost among these concerns pertained to credit card charges and fees. It is worthy to note that in 2018 and 2019, the top credit card issues revolved around disputed or unauthorized transactions. In 2020 however, majority of credit card complaints involved charges and fees imposed or collected. All these insights were considered by the BSP in the crafting of BSP Circular No. 1098 issued on 24 September 2020 and its Frequently Asked Questions. The Circular imposes a credit card interest rate cap of 24% annually or two percent (2%) per month on the interest or finance charges on unpaid outstanding credit card balance, effective 03 November 2020. The Circular also provided for a maximum of one percent (1%) monthly add-on rate for credit card installment loans and a maximum PHP200 processing fee per credit card cash advance transaction.

This BSP policy initiative is anchored on, among others, the Philippine Credit Card Industry Regulation Law, that explicitly provides that the BSP's supervisory authority includes the determination of the reasonableness of fees and charges for credit card transactions and the issuance of regulations on the same. This aims to strengthen consumer protection and foster responsible credit card lending in the country. Furthermore, it aims to ease the financial burden of consumers, including MSMEs, amid a challenging operating environment caused by the COVID-19 pandemic. This is also consistent with the thrust of BSP for wider use of e-banking and digital payment services, as the initiative enables the public to carry out their financial transactions safely and efficiently. With lower credit card interest rates, more consumers will also avail of e-payment services instead of cash and the growth in transaction volume will help achieve economies of scale, further bringing down costs to the consumers.



Vector Author: BSG Studio

Financial Consumer Protection Bill

The Financial Consumer Protection (FCP) Bill aims to carve out from R. A. No. 7394 (Consumer Act) the provisions of Title IV (Consumer Credit Transaction) and have in place a stand-alone statute governing financial consumer protection. The bill is a collaboration among members of the Financial Sector Forum (FSF), namely, the Securities and Exchange Commission (SEC), Insurance Commission (IC), Philippine Deposit Insurance Corporation (PDIC), and BSP.

The bill covers all financial products and services including DFS, savings, credit, insurance, pre-need and health maintenance organization (HMO) products, investments, payments, remittance, and investment advisers.

The proposed measure aims to institutionalize consumer protection standards by directing FSPs to, among others, adhere to consumer protection standards of fair and respectful treatment of clients, transparency, privacy and protection of client data, and access to redress mechanism.

This proposed bill empowers financial regulators to take necessary actions against financial entities performing acts inimical to consumer welfare and affords consumers a redress mechanism. This will result in renewed trust and confidence of the public in the financial system and stability in the financial market.



Photo by Eryka Raton on Unsplash

Strengthening Consumer Protection

The BSP is engaging global experts and development partners to put forward a market conduct regulation framework and develop internal skills on the effective use of complaints data. This is aimed at strengthening BSP's institutional capabilities for consumer protection to promote better outcomes for the financial consumers.

IN THE SPOTLIGHT

Support for the Implementation of the “Bayanihan to Recover as One Act”

The BSP undertook a range of measures to ensure that consumers and businesses can take full advantage of the temporary loan payment relief provided under RA No. 11494 or the “Bayanihan to Recover as One Act” (Bayanihan 2). The Bayanihan 2 aims to extend economic relief to cash-strapped borrowers in view of the unprecedented onslaught of the COVID-19 pandemic to the economy.

On 28 September 2020, the BSP issued Memorandum No. 2020-074 on the Implementing Rules and Regulations (IRR) and the FAQs on Section 4(uu) of Bayanihan 2. M-2020-074 provides a more detailed guidance for BSFIs on the implementation of the mandatory and non-extendible 60-day grace period on loan payments under the Bayanihan 2. This supplemented the earlier advisory issued by the BSP on 18 September 2020 under M-2020-068 requiring BSFIs to immediately comply with Section 4(uu) of the said law.

In addition to its memoranda issuances, the BSP also actively engaged the public through the media to ensure the guidance on the loan payment relief is effectively and widely disseminated. Its CAM also provides the public a ready access to the BSP for any queries or complaints for the immediate attention of the BSFIs.

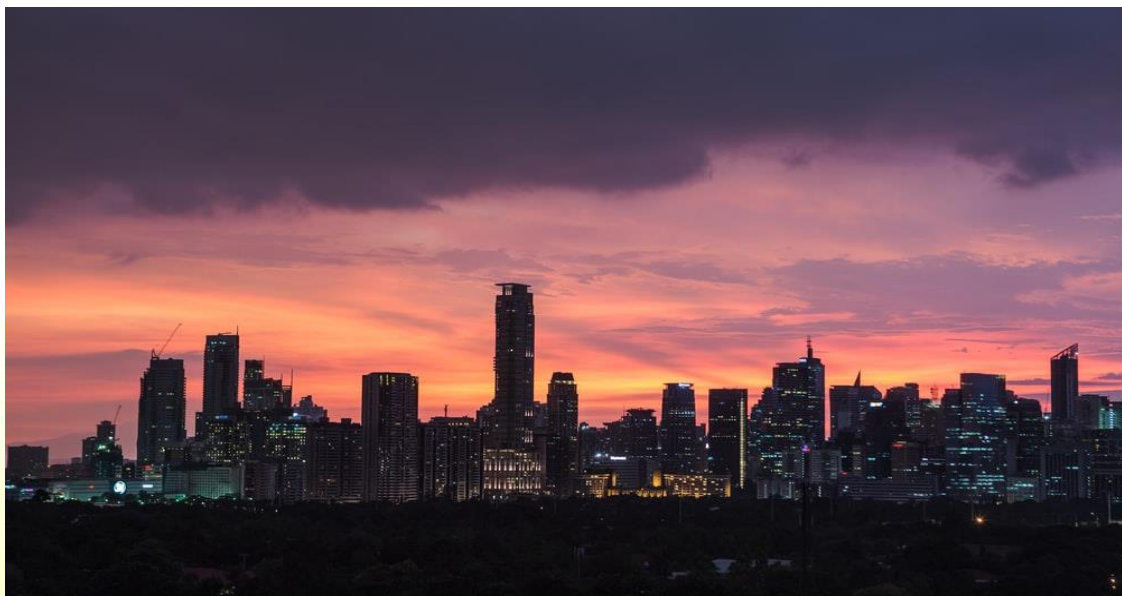


Photo by Andrey Andreyev via Unsplash

“The BSP fully supports bold measures to steer the country’s swift and inclusive economic recovery. The sixty-day loan payment moratorium provides much-needed relief to consumers and businesses as they rebuild their way out of this crisis.”- BSP Governor Benjamin E. Diokno

Updates on Financial Education Partnerships

The BSP continues to work with strategic partners in implementing financial education (fin-ed) programs for personnel of the Armed Forces of the Philippines (AFP), Civil Service Commission (CSC), Department of Education (DepEd) and DTI; and for overseas Filipino workers (OFWs) covered by the Overseas Workers Welfare Administration (OWWA) and beneficiaries of soldiers/police killed/wounded in action (KIA/WIA) covered by the national government's Comprehensive Social Benefits Program (CSBP).

Due to challenges posed by the COVID-19 pandemic, the BSP pivoted to digital delivery of fin-ed Training-of-Trainers (TOTs) in 2020. These sessions were organized for AFP (33 trainers) and CSC (37 trainers). The CSC TOT was followed by a writeshop with the objective of developing fin-ed training plans that can be deployed for CSC personnel over the medium term, and for all civil servants over the long term. Meanwhile, fin-ed webinars were conducted for 45 CSBP beneficiaries, as well as and close to 600 personnel of the DTI, DTI Negosyo Center Councilors, and selected MSMEs.

The BSP, together with BPI Foundation, updated the contents of the Personal Financial Management (PFM) Modules for DepEd personnel, originally crafted in 2018. While TOTs on the PFM Modules were held in abeyance, three (3) fin-ed webinars were conducted and livestreamed via the DepEd's official Facebook page, reaching more than 300,000 total views as of end-December 2020.

The BSP, in collaboration with BDO Foundation (BDOF), produced six (6) new fin-ed learning videos for civil servants and OFWs in 2020. Concepts for three (3) new learning videos for AFP were also completed. As of end 2020, a total of 24 learning videos have been produced and deployed under the BSP-BDOF partnership with selected government agencies. The BSP and BDOF likewise supported DepEd's Sineliksik Video Making Contest 2020, a national competition for junior/senior high school students, with the theme "Ang marunong sa pera, marunong sa buhay". The 53 winning videos generated under SINELIKSIK regional and national competitions will form part of the DepEd's portfolio of fin-ed resources.

Once fully institutionalized, the BSP's fin-ed partnerships are envisioned to reach 140,000 personnel in the armed forces, 1.8 million civil servants including more than 800,000 teachers, 29 million learners who will go through the K-12 curriculum, 1.4 million MSMEs, and 14 million Filipinos living and working abroad.



Governor Benjamin E. Diokno delivering his congratulatory message for the winners of Sineliksik Video Making Contest during DepEd's Virtual Awarding Ceremony held on 14 August 2020.

Financial Education Partnerships Forged in 2020

The BSP forged partnerships with the Bureau of Fire Protection (BFP) and the Philippine National Police (PNP) in 2020 to include fin-ed in the training programs for their personnel. The engagement kicked off with a four-day virtual fin-ed TOT in September 2020 for approximately 80 trainers representing the two agencies. TOT topics included financial planning, debt management, basics of investing, prevention of financial fraud and scam, and financial consumer protection. One TOT session was devoted to the importance of having a measurement and evaluation (M&E) framework to assess the progress and effectiveness of fin-ed programs, delivered with support from the ADB.

The BSP likewise entered into a Memorandum of Understanding (MOU) with the DSWD, paving way for the development of learning modules on financial consumer protection, targeting the 10 million beneficiaries of the government's 4Ps.

In order to strategically reach 1.9 million fisherfolk nationwide, the BSP partnered with the Bureau of Fisheries and Aquatic Resources (BFAR) and the United States Agency for International Development (USAID) to create a fin-ed game for fisherfolk that embeds key messages on personal financial management and sustainable fishing.

The fin-ed game was piloted in December 2020 and will be further refined in preparation for the TOTs and national rollout in 2021.

Together with the National Economic Development Authority (NEDA), IC, PDIC, SEC, and Philam Foundation, the BSP is working with the Commission on Higher Education (CHED) in crafting a Personal Finance 101 course module that will be proposed for inclusion in the curriculum for secondary education.

The BSP also formalized its partnership with Maybank Foundation in July 2020 for the continued implementation of CashVille Kidz, Maybank Foundation's financial literacy program for children in six (6) ASEAN countries including the Philippines. The BSP participated as member of the judging panel for the Annual CVK Financial Education Excellence Awards held in November this year. The Awards recognizes schools, educators, and students from CVK participating schools who have displayed dedication and extraordinary effort in practicing and championing financial literacy.

IN THE SPOTLIGHT - Digital Literacy Program

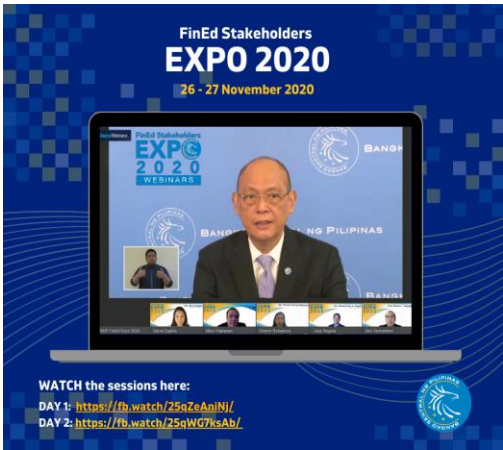
The BSP launched its Digital Literacy Program (DLP) in 2020 to enhance consumer trust and confidence in the digital finance ecosystem and increase DFS usage. The first phase is the #SafeatHome sa E-Payments campaign, encouraging consumers to use e-payment services such as PESONet and InstaPay. This is followed by the #E-safety is Everyone's Responsibility campaign, emphasizing that cybersecurity is the lookout of all—from financial regulators like the BSP, to the BSFIs and other financial service providers, businesses, and individuals. With support from the USAID, the BSP produced campaign videos on how to use e-payment services, such as PESONet and InstaPay, and how to protect oneself for cyber scams, which were disseminated to the general public through the BSP's official social media accounts, reaching more than 38,000 total views. Campaign assets also included social media posts, press releases, and webinar on cybersecurity which garnered over 14,000 views.



Other Financial Education Initiatives

Financial Education Stakeholders Expo

The BSP virtually conducted its 3rd Financial Education (Fin-Ed) Stakeholders Expo on 26-27 November 2020. The Expo sessions focused on cybersecurity, digital literacy, and financial resilience—timely topics as the pandemic tested the Filipinos’ ability to cope and thrive amidst an increasingly digital environment. This was the first time that the Expo sessions were conducted virtually and livestreamed on the BSP Facebook page, reaching an online audience of more than 15,000 and over 300 shares as of end-December 2020.



PisoLit on Facebook, Instagram and Twitter

To cater to today’s millennial audience and Filipino netizens, the BSP continues to manage PisoLit, a fin-ed page on Facebook which provides relatable and practical financial tips and resources, scam prevention reminders, and consumer protection advisories. Since its launch in 2017, PisoLit has grown its online community to almost 56,000 followers as of end-December 2020. PisoLit has likewise expanded its presence to Instagram and Twitter in 2020 to further reach out to the younger segments of the population.



Knowledge Level Survey for FSF Member Agencies

The FSF—composed of the BSP, IC, PDIC, and SEC—through its Consumer Protection and Education Committee (CPEC), conducted a Knowledge Level Survey (KLS) among its member-agencies in October 2020 to assess the financial literacy level and financial behaviors of its employees. Topline results indicated that employees from all four agencies are highly financially literate with an average score of 87%.

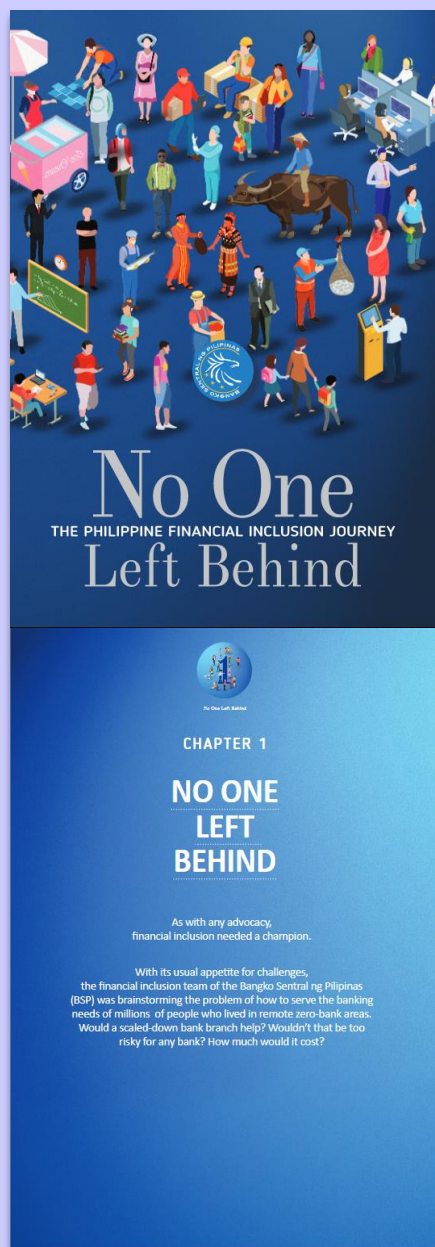
The KLS results will be used as basis in institutionalizing and/or enhancing fin-ed sessions for the employees as part of each agency’s human resource (HR) development program. Focus will be given on improving employees’ investing habits, as well as knowledge on compounding interest, inflation, interest rate, risk diversification, and risk-return tradeoff.

No One Left Behind: A Chronicle of BSP's Financial Inclusion Journey

As part of its commemoration of 70 years of central banking, the BSP published **No One Left Behind**, a book that chronicles the beginnings and evolution of its financial inclusion journey.

No One Left Behind provides a glimpse of the BSP as a reform-oriented and ever-changing institution through the perspective of financial inclusion. It features various BSP initiatives and milestones, starting with the adoption of microfinance as a flagship advocacy for poverty alleviation to the strategic pursuit of financial inclusion. It gives an unprecedented look at the BSP's financial inclusion story as told firsthand by advocates, champions, and partners alike. It also highlights the positive impact of financial inclusion on the lives of ordinary Filipinos and ponders on what the future holds for the BSP and our financial inclusion work.

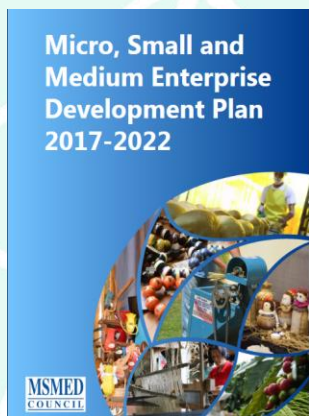
An encapsulation of lessons and insights gathered by the BSP over the years, **No One Left Behind** aims to enhance appreciation for and inspire greater efforts in advancing the financial inclusion in the country.



DOMESTIC AND INTERNATIONAL COOPERATION

The BSP recognizes that financial inclusion requires multi-stakeholder collaboration at the local, regional, and global levels. As part of its commitment to collective action, the BSP serves as a member of several interagency and international platforms to support effective policymaking and knowledge exchange for financial inclusion.

DOMESTIC AND INTERNATIONAL COOPERATION



The MSME Development Plan (MSMED Plan) 2017-2022 serves as the blueprint for integration and collaboration of relevant government and private sector institutions for MSME development. The MSMED Council is tasked to coordinate and ensure implementation of the MSMED Plan.

As part of the advisory unit, the BSP participates in the activities of the Council. To give MSMEDC visibility on the performance of banks during and after the 10-year implementation period of the Magna Carta for MSMEs, BSP also continues to monitor bank exposures to MSMEs.

The Philippine Development Plan (PDP) 2017-2022 is the country's comprehensive blueprint for integrated development. With the COVID-19 outbreak, the goals and strategies were revisited to ensure that they remain relevant and reflect the government's recovery program and resiliency plan.

To provide a financial inclusion perspective in the PDP, the BSP has actively participated in the consultations for the updating of PDP Chapters 9 (Expanding Economic Opportunities in Industry), 15 (Enabling Sound Macroeconomic Policy) and 21 (International Migration and Development). Among the inputs provided by BSP include improving access to finance especially among MSMEs and OFWs, promoting consumer protection and financial education, and increasing the adoption of DFS.



BSP is a member of the **Subcommittee on International Migration and Development (SCIMD)**, an Inter-Agency Committee that coordinates policies and measures concerning Overseas Filipinos (OFs) and their families. For 2020, BSP, through the SCIMD, has provided inputs on policies that can assist OFWs and their families adopt to the New Normal for the Interagency Task Force (IATF)-TWG "We Recover As One" Report, and on BSP initiatives that supported the integration of migrants as part of the Philippine responses to the Voluntary Global Compact on Migration (GCM) Review Survey conducted by the United Nations UN Economic and Social Commission for Asia and the Pacific (UNESCAP) and UN Network on Migration.

The Philippine Export Development Plan (PEDP) 2018-2022 encompasses strategies and programs to boost export performance in the country. The BSP contributes inputs and updates on the indicators and targets espoused in the PEDP. Inputs extend beyond discussion of the export sector and focus on priority initiatives and relevant policies covering MSMEs, which may also subsume export sector players.



DOMESTIC AND INTERNATIONAL COOPERATION

National Anti-Poverty Commission-Workers in the Informal Sector Cluster 4. According to the International Labour Organization (ILO), more than 60% of the world's employed population work in the informal economy. Because of the sheer number of those in the informal economy, strategies to curb poverty necessitate tackling the issue of informality as well. The National Anti-Poverty Commission – Workers in the Informal Sector (NAPC-WIS) is the Philippine Government agency tasked to coordinate government and stakeholder efforts to address informality and bring more Filipinos into the formal economy.



Photo by Avel Chuklanov on Unsplash

The focus of the NAPC-WIS revolves around five thematic clusters which are composed of different government agencies. Against this backdrop, the BSP provides support to the NAPC-WIS as member of Cluster 4 (Financial Inclusion and Access to Credit). Through its involvement with NAPC-WIS, the BSP provides input in policy discussions and action plans to bring more people into the formal economy. Many in the informal sector are also financially excluded. This is why the BSP's involvement in the NSPC-WIS Cluster 4 complements its thrust of creating an environment that provides a wide range of financial services for all.



The BSP serves as the main focal point of the Philippines for the **Remittance Community Task Force (RCTF)**. The RCTF is composed of development cooperation agencies, diaspora organizations, inter-governmental bodies, non-profit and research organizations, private sector entities, government representatives, and national development agencies working together to raise awareness of the impact of the pandemic on 200 million migrant workers and 800 million family members who depend on remittances. The RCTF was launched by the International Fund for Agricultural Development (IFAD) through its Financing Facility for Remittances (FFR) on 24 March 2020 in response to the call by the UN Secretary General for global solidarity amidst the COVID-19 pandemic.

The **Sustainable Development Goals (SDGs)** are a set of 17 global goals focused on specific areas of development. The BSP continues to monitor updated data and information on previously committed SDG indicators, particularly for Goal No. 8 (Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all). In line with this, the BSP is also supporting the development of regional SDG indicators in coordination with its Lucena Branch.



The BSP provides updates on Target 8.10 (Strengthen the capacity of domestic financial institutions to encourage and expand access to banking, insurance and financial services for all) which encompasses the following indicators: (1) The number of bank branches per 100,000 adults, (2) The number of automated teller machines (ATMs) per 100,000 adults, (3) Proportion of adults (15 years and older) with an account at a bank or other financial institution or with a mobile-money-service provider.

DOMESTIC AND INTERNATIONAL COOPERATION

Alliance for Financial Inclusion

The BSP is among the pioneer members of Alliance for Financial Inclusion (AFI), a global network of central banks and financial regulatory institutions working together to promote financial inclusion. Through knowledge sharing and peer learning, AFI provides its members with tools, resources, and knowledge to develop and implement evidence-based, cutting-edge financial inclusion policies and initiatives. Today, the AFI Network has 100 member institutions from 89 countries.

Since the onset of the global pandemic, AFI has taken stock and compiled a comprehensive dashboard of members' policy responses to address the impact of COVID-19. AFI also implemented member needs surveys shaped to capture specific policy needs and address the effects of COVID-19 on financial inclusion. Furthermore, AFI conducted a series of virtual engagements with members to deliberate and present practical policy responses that have the potential to alleviate the impact of COVID-19 on financial inclusion objectives. In September 2020, AFI members released a Statement on Post-COVID-19 Recovery which aims to enhance the network's commitment on restoring the momentum for achieving financial inclusion goals through recovery policies following the global pandemic.

The BSP actively participated in various AFI Working Group virtual meetings and technical webinars which focused on implications of COVID-19 and response measures in areas such as DFS, microfinance, inclusive green finance, gender inclusive finance, and MSME finance, among others.



ASEAN Working Committee on Financial Inclusion

Continuing its thought leadership and commitment to financial inclusion at the regional level, the BSP assumed co-chairmanship of the ASEAN Working Committee on Financial Inclusion (WC-FINC) alongside Autoriti Monetari Brunei Darussalam (AMBD) from 2018 to 2020.

With the BSP as co-chair, the WC-FINC enhanced its role as a platform for monitoring the progress of ASEAN Member States (AMS) in promoting financial inclusion; sharing country experiences and knowledge among AMS in implementing key initiatives; and facilitating collaborations with other ASEAN working committees and sectoral bodies on cross-cutting issues and various development partners for capacity building and technical assistance programs. The WC-FINC adopted digital finance as a priority area, which complements the BSP's digital transformation agenda.

Key publications were likewise developed and published under the co-chairmanship of the BSP, including the Guidance Notes on Developing a Monitoring and Evaluation (M&E) Framework for Financial Inclusion and regional report entitled: "Measuring Progress: Financial Inclusion in Selected ASEAN Countries 2020." Moreover, the BSP took the lead in conducting knowledge exchanges among AMS, particularly on the adoption of digital technology for financial inclusion, as well as supporting region-wide activities such as the annual celebration of ASEAN Savings Day (ASD) on 31 October.



DOMESTIC AND INTERNATIONAL COOPERATION

The BSP also continues to serve as resource in various fora, in line with the strategy of sharing the importance of and building support for financial inclusion objectives. By sharing information and interacting with a wide range of stakeholders, the BSP is able to establish linkages and broad-based support for its inclusion initiatives beyond the banking industry. This year, the BSP participated as presenter and panelist for various events and audiences, such as the ADB Southeast Asia Development Symposium (SEADS) 2020 (*The New Normal: Driving Economic Recovery Through Digital Innovation*); 46th Philippine Business Conference Expo (*Plenary Session 5: Innovative Financing Solutions*); Women's World Banking (*Making Finance Work for Women Summit*); and World Bank Preparatory Mission for the Philippine Fisheries and Coastal Resiliency (FishCORE): *Technical Discussion on Access to Finance, as well as the Financial Literacy Program for Fisherfolk*.



Recent events have forced many of us to the digital realm - financial services included. We can leverage on this development to achieve our financial inclusion goals.

BSP Governor Benjamin E. Diokno,
21 July 2020

A c k n o w l e d g e m e n t s

The photographs and images used in this report are sourced from BSP partners, such as the Microfinance Council of the Philippines, Inc. (MCPI), AFI, and ASEAN.

Other images were provided by BSP's Mr. Manuel Ligon and Mr. JP Superio, and Mr. Ely Tio, Jr.

C o n t a c t I n f o r m a t i o n

For more information about this report and its contents, send an email to financialinclusion@bsp.gov.ph



2020 FINANCIAL INCLUSION INITIATIVES

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