



Technological Innovation and Phone-Banking: The BSP Experience

Eduardo Cabral Jimenez
BSP Microfinance Consultant

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Greater Outreach through Mobile Banking/ Electronic Money

- Technology has the potential to extend outreach of microfinance and banking services to a large number of bankable but un-banked especially those in rural and hard to reach areas at lower costs and higher efficiency
- Mobile phone industry in the Philippines serves all income groups especially low income groups
 - Calling/Texting party pays
 - Prepaid services sensitive to cash flow and purchasing power of low income market
 - Text messaging at low cost (Php 0.50 to 1.00)
 - Market for low cost used handsets (Php 500)



Greater Outreach through Mobile Banking/ Electronic Money

- More than 60% of the population have mobile phones
- Nearly 1.5 billion SMS/ “text messages” are sent per day
- Leading telecommunication companies launched the electronic money concept/platform which allows users to make purchases, pay and receive payments, receive remittances



Policy/Regulatory Approach to Mobile Banking and E-money

- Clearly define “e-money”, “e-money issuers” and developed a clear and proportionate regulatory framework for the business to move forward
- Distinguish deposit taking activities from fund transfer activities, deposit taking remains firmly with banks
- Safety and soundness regulation for entities with deposit taking activities
- Approach provides scope for proportionate regulation on the part of the supervisor, without stretching limited supervisory resources.



Electronic Money

Monetary value as represented by a claim on its issuer, that is –

- a. Electronically stored in an instrument or device;
- b. Issued against receipt of funds of an amount not lesser in value than the monetary value issued;
- c. Accepted as a means of payment by persons other than the issuer;
- d. Withdrawable in cash or cash equivalent; and
- e. Issued in accordance with BSP Circular No. 649 dated 9 March 2009



Policy /Regulatory Approach to Mobile Banking and E-money

- E-money issuers can develop a vast and readily scalable agent network which extends the ecosystem of e-money service channels and facilitates ready access to banking services through partnerships
- AML/ CFT and Consumer Protection adequately addressed
- Develop supervisory capacity with the creation of specialist technology risk examiners



Electronic Money

Basic Features

Total accumulated cash value not to exceed **P100 thousand/month**

Redeemable at Face Value

Not a Deposit

Compliant with **AMLA**



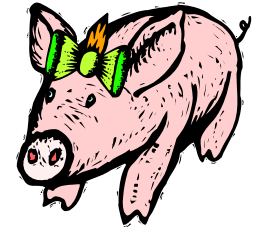
Current Models

- Bank-based Model (Smart Money) – 2004
 - Partnership between Smart Telco and BDO
 - BDO issues/ owns Smart Money (accessed via Mastercard powered card)
 - BDO uses Smart Telco's mobile technology platform and distribution outlets as delivery channel, in addition to branches and ATM network
 - Smart Telco, as an E-money Technology Provider to banks, provide partner banks with the ability to use Smart Money as surrogate for cash. Partner banks have the responsibility to ensure that Smart is compliant with AML and consumer protection regulations.



Current Models

- Non-Bank Based Model (G-Cash) – 2005
 - GXI, a subsidiary of Globe Telco, issues G-Cash (accessed via mobile device's virtual wallet)
 - GXI uses Globe Telco's mobile technology platform for distribution outlets as delivery channel, in addition to individually authorized agents
 - As a regulated non-bank E-money Issuer, GXI can develop its own network of cash in/cash out agents while remaining responsible that such agents comply with AML and consumer protection regulations. At present GXI has 18,000 agents.
 - Banks may partner with GXI and use G-cash for their mobile banking applications



SAVE

INVEST

BORROW

SEND/
RECEIVE
MONEY

PAY BILLS

EXPENSIVE

UNSAFE

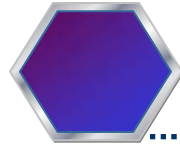
TIME
CONSUMING

UNSUSTAINABLE

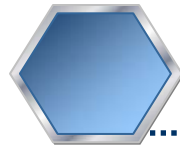
- ◆ Microentrepreneur living in Baggao, Cagayan
- ◆ 1st class municipality with no banking office
- ◆ She is one of the 73,000 living in the town
- ◆ She manages a small sari-sari store business



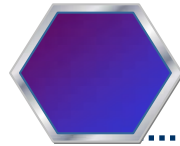
Benefits to Users



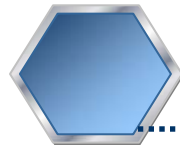
Reduced travel time



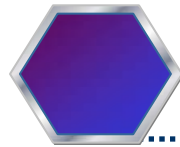
Reduced cost



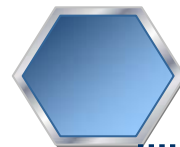
Reduced risk



Convenient



Time saving



Increased sales



Regulated E-Money Ecosystem

