



Uniform Core Banking System for Rural Banks

(Proposed Project for Discussion)

**RBAP's 56th Charter Anniversary Symposium
11 November 2013**

Discussion Outline

- o Proposed Project
 - o Description
 - o Scope
 - o Benefits of UCBS
- o PDIC Data
- o Results of Study Conducted
- o Challenges for RBs
- o The Proposed Solution

Project Description

- o Adoption of a Uniform Core Banking System for Rural Banks (“UCBS Project”)
- o **Phase 1A**
 - o Assess the need for UCBS and feasibility of the Project
 - o Study was funded by the Asian Development Bank
- o **Phase 1B**
 - o Define standards for the UCBS, develop the TOR, and prepare the detailed implementation plan
- o **Phase 2**
 - o Develop and implement UCBS for RBs

Scope of the UCBS

The UCBS shall cover:

- o Deposits – CA, SA, SSA, TD
- o Loans management
- o Liquidity management
- o General ledger
- o Management Information System to generate management reports as well as reports to the Regulators e.g. FRP

Benefits of UCBS for RBs

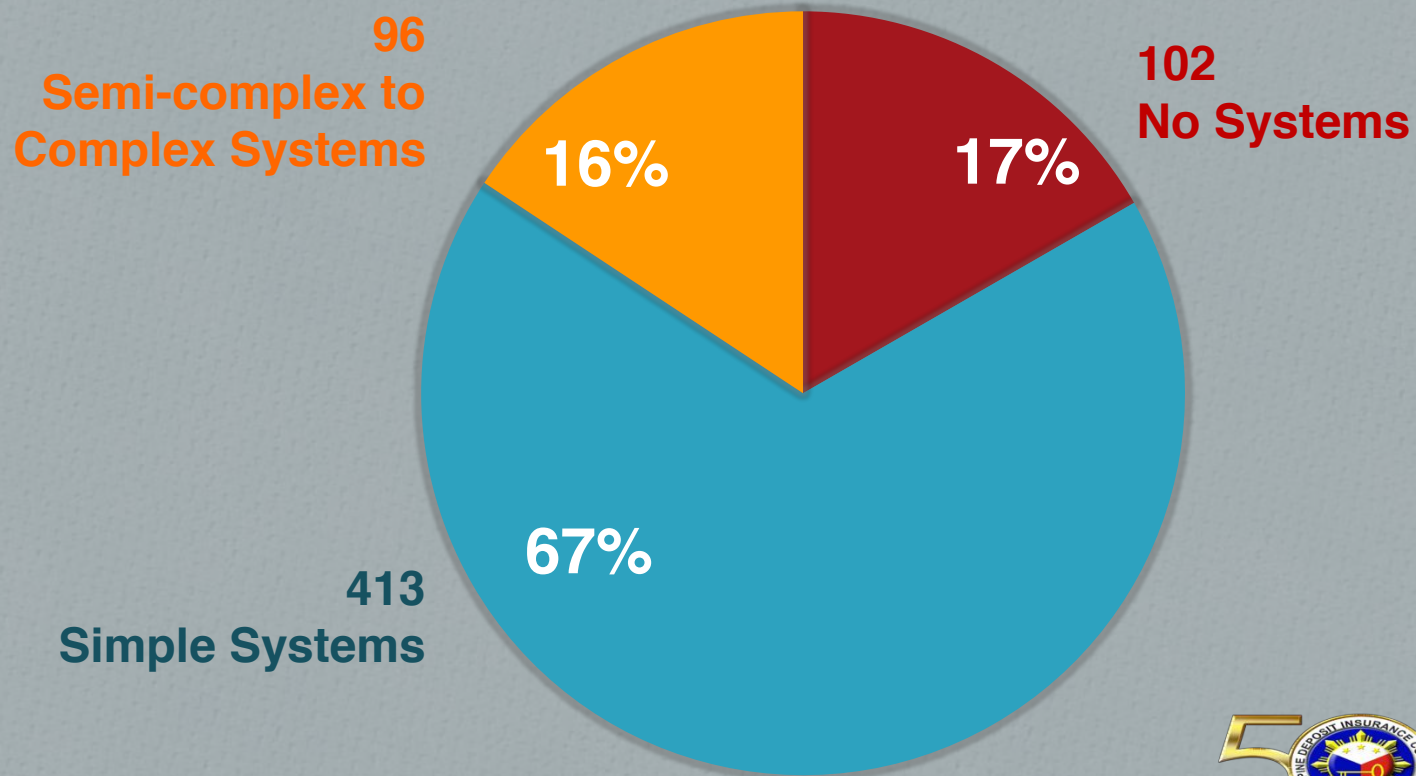
- o Improved management of risks and internal control
- o Improved recording and monitoring of bank transactions
- o Improved accuracy, timeliness and reliability of reports generated
- o Enhanced coordination among bank units or branches
- o Better planning and improved management of banks
- o Long-term cost savings particularly manpower costs

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PDIC Data: RB CASA System

Out of 611 RB submitted data as of June 2011, about 84% of RBs do not have or barely have CASA systems

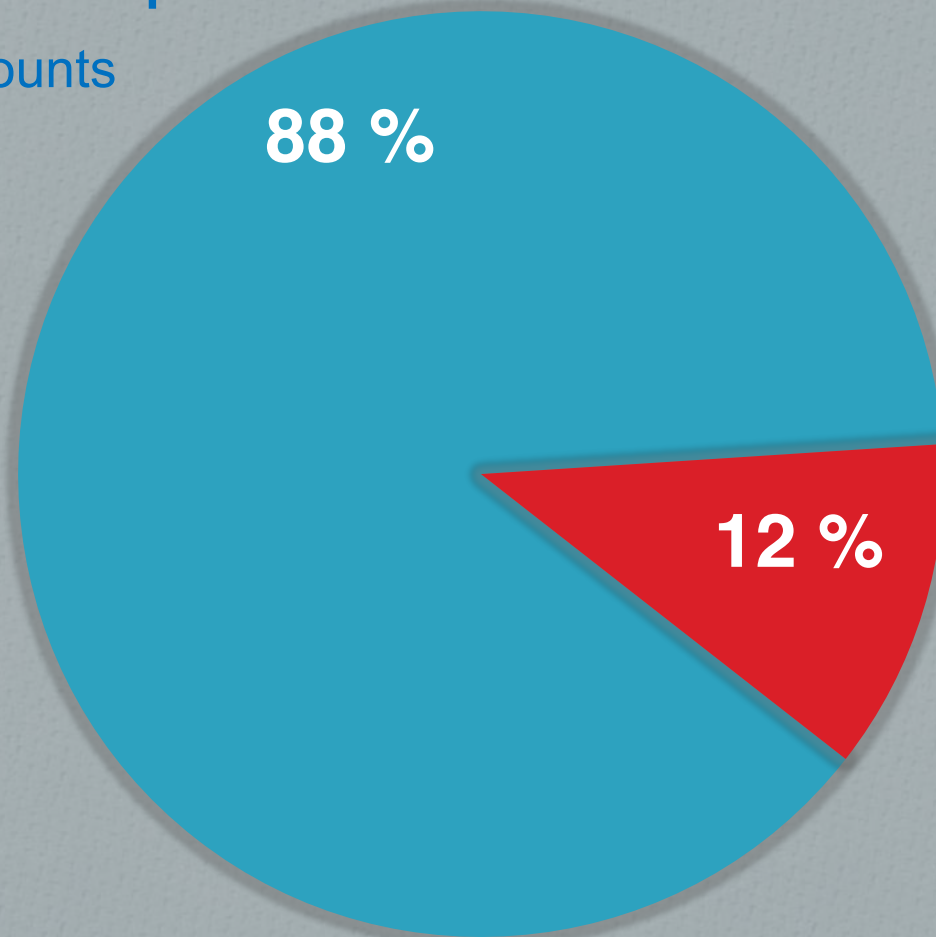


PDIC Data: Profile of RB Deposits

P15,000 & below deposits

4,815,000 accounts

P8.35 B (6%)



Above P15,000 deposits

631,000 accounts

P127.78 B (94%)

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RB Profile Per Deposit Levels

As of December 2011

Deposit Level (in '000)		%	NCR	Luzon	Vis	Min	Total
Total		100%	19	367	126	104	616
Tier 1	P250,000 & above	17%	9	71	8	19	107
Tier 2	P100,000-249,999	25%	2	106	27	20	155
Tier 3	P50,000-99,999	22%	3	83	28	22	136
Tier 4	P25,000-49,999	17%	2	53	25	25	105
Tier 5	Below P25,000	19%	3	54	38	18	113
			3%	60%	20%	17%	100%

RB Participation in Data Gathering

	FGD	Survey	Inter views	Br. Visits	Cross validation	Total
Target						
Percentage*	10%	45%	5%	2%	5%	67%
No. of RBs	61	277	31	12	31	412
Actual						
Percentage*	11%	22%	8%	2%	6%	49%
No. of RBs	70	136	49	12	36	303

* Based on 616 RBs

RBs Using Integrated CBS

Responses	Inter-views	SQ#3	Cross validation	FGD	Br. visit	Total	%
Total	49	54	32	42	12	189	
Yes		2				2	1%
No, but using fully automated	11	9		42	12	74	39%
semi automated	38	43	32			113	60%

Reasons for Non-Use of CBS

Total Respondents

237

High cost of CBS

Cost of maintenance

Not cost effective for number of bank units

Not familiar with features of CBS

Prefers manual or semi-automation

Lack of post implementation support

Bad experience with previous system

Implementation disrupted bank operations

Not comfortable with automation/ use of computer



How Reports Are Prepared

How does the bank prepare reports submitted to Regulators i.e., BSP, PDIC, BIR, SEC?

- 37% - Manually using Excel
- 34% - Some data extracted from the system and inputted to Excel
- 24% - Generated from the system
- 5% - No answer

Survey Responses on Penalties

Are there instances when penalties are imposed on your bank relative to your submission of reports to Regulators?

Responses	Tier 1	Tier 2	Tier 3	Tier 4	Tier 5	Total
Total	3	12	19	7	8	49
Yes	1	6	12	5	6	30
No	2	6	7	2	2	19

Reasons why penalties were incurred:

- Error in report format
- Delay in submission
- Erroneous data field
- Incomplete data



Summary Results of Info Gathered

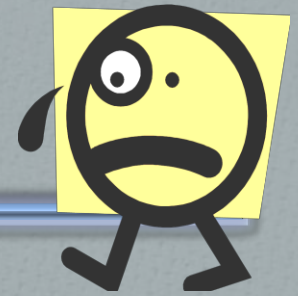
- o Core banking processes are similar across RBs
- o A few RBs have invested in automation
- o Some provide electronic services such as ATM, internet banking, POS
- o Some have invested in automation but were unable to sustain changing business requirements
- o Some recognize that automation is necessary but implementation and maintenance are costly
- o Some are not yet convinced that automation is needed for now because present nature and volume of transactions are still manageable



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Challenges for RBs



- o Comfortably compete in the business place which has lately been driven by fast-changing technology
- o Strengthen capability, capacity and efficiency in providing core banking services to clients

Options to Respond to Challenges

- o Establish and invest in a core banking system for your respective banks

or

- o Seize the opportunity to embark on a core banking system solution together with other RBs to be able to share costs on systems components that need large investment



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Proposed Solution

Technical

- o A Uniform Core Banking System configured for RBs
- o Shall be made available through “software as a service” scheme
- o Shared data center that will host the individual banks’ databases
- o Continuous upgrade and maintenance of the system bundled with the service

Proposed Solution

Financial

- Requirements from RBs
 - Initial equity investment based on RB Tier Category
 - Fixed monthly maintenance fee
- Grant or investment from multi lateral agencies e.g., ADB

**Given these information,
challenges and
opportunities...**

...what should be done?

