

63rd RBAP Annual National Convention and General Membership Meeting

“RURAL BANKS: MAKING A DIFFERENCE IN FINANCIAL INCLUSION”



Radisson Blu Hotel, Cebu City
May 23 - 24, 2016



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OUTLINE

I. Rural Banks as Catalyst for Financial Inclusion

II. Financial Inclusion and Financial Integrity Symbiosis

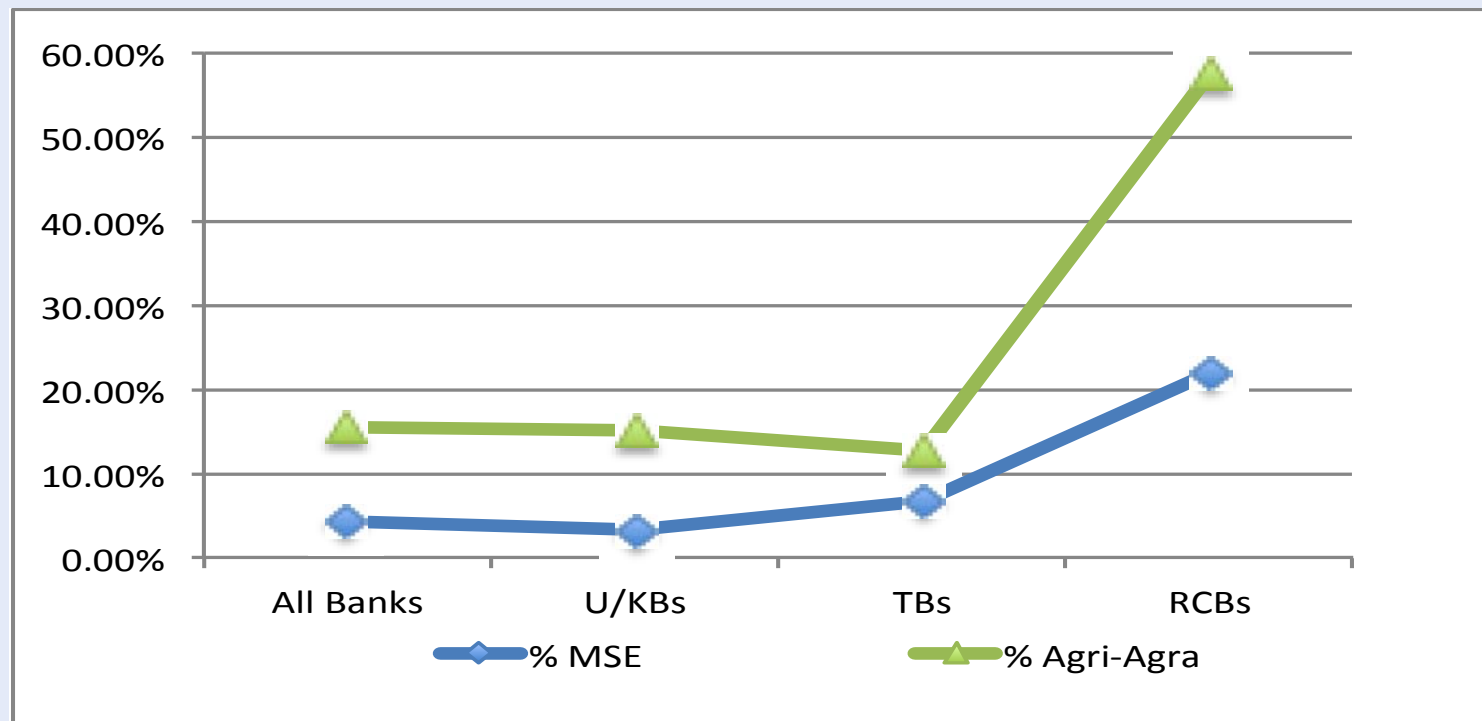
III. AML Rules Promoting Financial Inclusion



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Rural Banks as Catalyst for Financial Inclusion

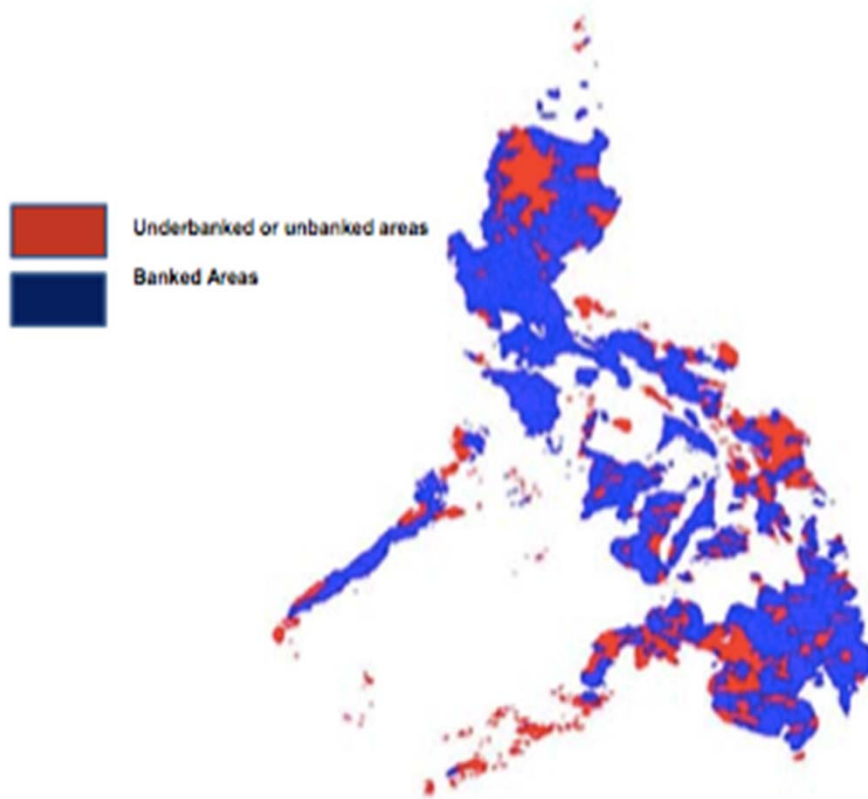
Serves micro/small enterprises and agri-agra clients target of financial inclusion initiatives



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Rural Banks as Catalyst for Financial Inclusion

Figure 18.1
Philippine Banking System
Banked and Unbanked Areas
As of End-December 2015



Bank coverage – 60% to 79% (Dec 2015) with dense concentration in **highly urbanized areas**.

NCR – 100%

CALABARZON – 94.4%

Central Luzon – 93.8%

Western Visayas – 82.2%

Low Bank coverage

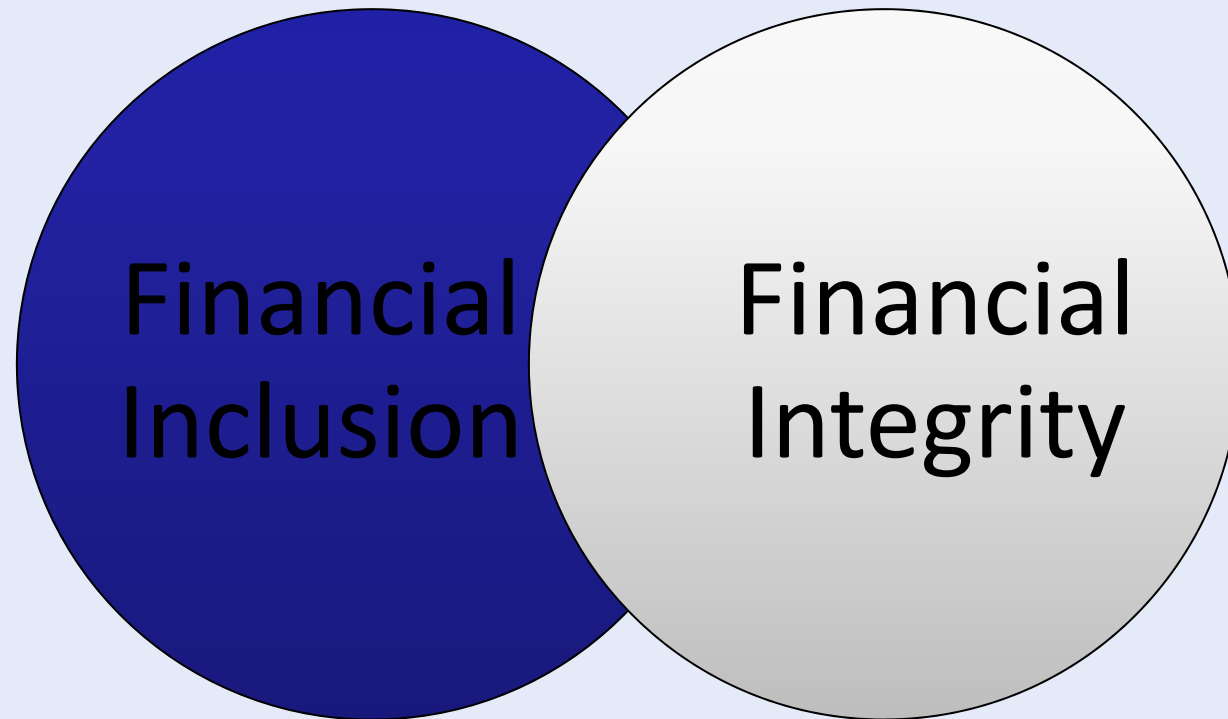
ARMM, Eastern Visayas, Cordillera AR and Zamboanga Peninsula

- low population density, geographic inaccessibility, prevailing geopolitical and socio-economic situations



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Financial Integrity and Financial Inclusion



Mutually reinforcing public-policy objectives



Link Policies of Inclusion and Integrity

Areas of Sound
Risk
Management
Practices

**COVERED
PERSON**

BOD and SM Oversight +
Compliance Office

MLPP

Monitoring and
Management information
system

Internal Controls and Audit

PROPORTIONALITY AND RISK-BASED APPROACH



AML Rules Promoting Financial Inclusion

- AML policies and guidelines and monitoring tools required are appropriate to the size, risk profile and business complexity
- Adopt clear, written and graduated customer acceptance policies and procedures so as not to deny access to financial services by financially or socially disadvantaged
- Risk profiling of customers – low, normal and high risk



AML Rules Promoting Financial Inclusion

- Apply **reduced due diligence** for low risk customers assessed based on defined criteria – *minimum verification of information, less frequent updating and less intensive monitoring*
- Acceptance of customer based on 1 ID and list of acceptance identification documents has been expanded



Policy Proposals for Financial Inclusion

- Tiered customer due diligence – can open account even without ID subject to certain conditions (low risk customer, low value transactions, reduced minimum information)
- Define threshold amount for the conduct of customer due diligence (bank still need to gather customer identification information for monitoring of transactions)





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Table 1.1**Philippine Banking System****Compliance with the Mandatory Allocation for Agrarian Reform/Other Agricultural Credit ^{1/}**As of End-December 2015 ^{2/}

Levels in Billion Pesos, Ratios in Percent

	All Banks	U/KBs	TBs	RCBs
Total Loanable Funds Generated	2,577.3	2,447.4	92.3	37.7
Minimum Amount Required to be Allocated for:				
Agrarian Reform Credit (AGRA, 10%)	257.7	244.7	9.2	3.8
Other Agricultural Credit (AGRI, 15%)	386.6	367.1	13.8	5.6
Total	644.3	611.8	23.1	9.4
Compliance with AGRA				
Total compliance with AGRA	29.0	19.2	2.2	7.5
Percentage of Compliance with AGRA	1.1%	0.8%	2.4%	20.0%
Compliance with AGRI				
Total compliance with AGRI	371.1	347.5	9.5	14.2
Percentage of Compliance with AGRI	14.4%	14.2%	10.2%	37.7%
Total				
Total compliance for AGRI-AGRA	400.1	366.7	11.7	21.7
Percentage of Compliance for AGRI-AGRA	15.5%	15.0%	12.6%	57.7%

^{1/} Required under R.A. No. 10000 (the Agri-Agra Reform Credit Act of 2009)^{2/} Preliminary; Substituted data as of end-September 2015

Table 1
Philippine Banking System
Compliance with the Mandatory Credit Allocation to MSMEs^{1/}

As of End-December 2015^{2/}

Levels in Billion Pesos, Ratios in Percent

	All Banks	U/KBs	TBs	RCBs
Total Loan Portfolio Net of Exclusions	4,435.2	3,759.4	582.7	93.1
Minimum Amount Required to be Allocated for:				
Micro and Small Enterprises (MSEs) Credit (8%)	354.8	300.8	46.6	7.4
Medium Enterprises (MEs) Credit (2%)	88.7	75.2	11.7	1.9
Total	443.5	375.9	58.3	9.3
Compliance with Prescribed Allocation of Loan Portfolio to:				
MSEs				
Total compliance for MSEs	186.2	125.5	40.3	20.4
Percentage of Compliance for MSEs	4.2%	3.3%	6.9%	22.0%
MEs				
Total compliance for MEs	249.3	201.5	38.2	9.7
Percentage of Compliance for MEs	5.6%	5.4%	6.5%	10.4%
Total				
Total compliance for MSMEs	435.5	327.0	78.5	30.1
Percentage of Compliance for MSMEs	9.8%	8.7%	13.5%	32.3%

1/ Required under R.A. No. 6977, as amended by R.A. Nos. 8289 and 9501

2/ Preliminary; Substituted data as of end-September 2015

