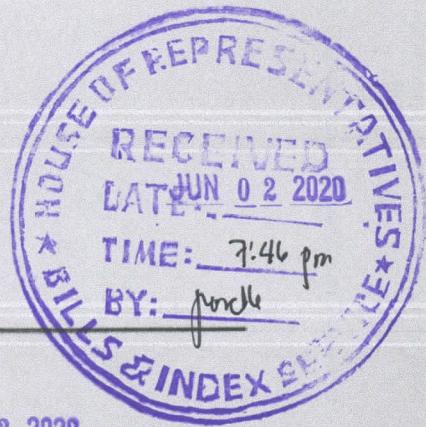


House of Representatives
Quezon City
EIGHTEENTH CONGRESS
First Regular Session



COMMITTEE REPORT No. 351

Submitted by the Committee on Banks and Financial Intermediaries on JUN 02 2020

Re: House Bill No. 6924

Recommending its approval in substitution of House Bill No. 1297

Sponsors: Representatives Luis Raymund "LRay" F. Villafuerte Jr., Junie E. Cua, Henry S. Oaminal, John Reynald M. Tiangco, Angelo Marcos Barba, Macnell M. Lusotan, Jose Gay G. Padiernos, Virgilio S. Lacson, and Raymond Democrito C. Mendoza.

Mr. Speaker:

The Committee on Banks and Financial Intermediaries to which was referred House Bill 1297, introduced by Representative Luis Raymund "LRay" F. Villafuerte, Jr., entitled:

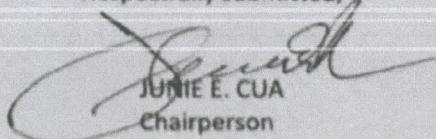
"AN ACT
ENABLING BANKS TO EXPAND SERVICE DELIVERY CHANNELS
THROUGH CASH AGENTS AND PROVIDING GUIDELINES THEREFOR"

has considered the same and hereby recommends the approval of House Bill No. 6924
entitled:

"AN ACT
ENABLING BANKS TO EXPAND SERVICE DELIVERY CHANNELS
THROUGH CASH AGENTS AND PROVIDING GUIDELINES THEREFOR"

in substitution of House Bill 1297, with Representatives Luis Raymund "LRay" F. Villafuerte, Jr., Junie E. Cua, Henry S. Oaminal, John Reynald M. Tiangco, Angelo Marcos Barba, Macnell M. Lusotan, Jose Gay G. Padiernos, Virgilio S. Lacson, and Raymond Democrito C. Mendoza, as authors thereof.

Respectfully submitted,



JUNIE E. CUA
Chairperson

THE SPEAKER
HOUSE OF REPRESENTATIVES

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH CONGRESS
First Regular Session

House Bill No. 6924
(*In Substitution of HB 1297*)

Introduced by Representatives Cua, Villafuerte, L. and Oaminal

AN ACT
ENABLING BANKS TO EXPAND SERVICE DELIVERY CHANNELS
THROUGH CASH AGENTS AND PROVIDING GUIDELINES THEREFOR

Be it enacted by the Senate and House of Representatives of the Philippines in Congress assembled:

1 SECTION 1. *Short Title.* — This Act shall be known as the "Bangko sa
2 Baryo Act".
3

4 SEC. 2. *Declaration of Policy.* — The State recognizes the vital role of
5 banks in providing an environment conducive to the sustained
6 development of the national economy. Towards this end, the State shall
7 create an enabling regulatory environment for innovations and allow banks
8 to exponentially expand reach through cash agents and serve a wider client
9 base, particularly in the low-income and rural areas.
10

11 SEC. 3. *Definition of Terms.* — As used in this Act:
12

13 a) *Cash Agent* refers to any person with a retail outlet such as but not
14 limited to convenience stores, pharmacies and other highly accessible retail
15 outlets that deliver bank services provided in Section 7 of this Act;
16

17 b) *Contracting Bank* refers to any bank requesting authority from the
18 *Bangko Sentral ng Pilipinas* (BSP) to expand service delivery channels
19 through cash agents;
20

21 c) *Remote area* refers to an area that either is a long distance from
22 highly populated settlements or lacks transportation links that are typical in
23 more populated areas duly-identified by the concerned Local Government
24 Unit (LGU) in coordination with the BSP;
25

1 d) *Person* refers to a natural or juridical person.

2
3 The Monetary Board may, by regulation, further define or clarify terms
4 used in this Act consistent with the declared State policies above.

5
6 SEC. 4. *Eligibility Requirements for Cash Agents.* — A Cash Agent may file an
7 application with a Contracting Bank provided that the following requirements are
8 met:

- 9
10 a) It is a duly-registered business in the Philippines;
- 11 b) It has engaged in commercial activity for at least three (3) months;
- 12 c) It has conducted its commercial activities continuously in a place and
13 area that is known to the public, and possesses sufficient capacity to
14 properly operate electronic devices; and
- 15 d) It has the necessary infrastructure to undertake banking operations.

16
17 SEC. 5. *Preliminary Screening.* Upon submission of the eligibility
18 requirements for a Cash Agent, the Contracting Bank shall conduct a
19 preliminary screening of the documents ensuring that:

- 20
21 a) The result of the preliminary screening shall be released within five
22 (5) working days;
- 23 b) In case a Cash Agent fails the preliminary screening, the Contracting
24 Bank shall return the documents and notify the Cash Agent of the
25 grounds for failure. The Cash Agent may re-submit the documentary
26 requirements within thirty (30) days from denial; and
- 27 c) In case a Cash Agent passes the preliminary screening, the
28 Contracting Bank shall forward the application to the *BSP*:

29
30 Provided, That, the Contracting Bank shall have an electronic
31 banking solution to implement its cash agent operations and comply with
32 the requirements of Part Seven of the Manual of Regulations for Banks
33 (MORB), on the Guidelines on Electronic Banking Services and
34 Operations. The bank shall deploy to its cash agents a device through which
35 its customers can perform secure online, real-time deposit and
36 withdrawal transactions on their own bank account, fund transfers, bills
37 payment, and self-service transactions: *Provided, further,* That the Board of
38 Directors of the Contracting Bank shall adopt clearly-defined written
39 policies, procedures, and controls for its Cash Agent operations, including
40 Cash Agent selection, exercise of due diligence, and customer care
41 arrangements.

42
43 SEC. 6. *Evaluation Process.* — The *BSP* shall create an online
44 evaluation process for a Cash Agent application while ensuring that:

- 1 a) Cash Agent demonstrates good reputation and credit history, has no
2 previous civil and criminal record, and has a deposit account with the
3 Contracting Bank against which all bank transactions will be conducted;
- 4
- 5 b) The result of the application shall be released within seven (7) working
6 days upon the application by the Contracting Bank;
- 7
- 8 c) In case an application shall be rejected, the applicant shall be given a
9 registered, written notification that indicates and explains the ground/s
10 for rejection;
- 11
- 12 d) In case an application shall be approved, *BSP* shall issue an Authority
13 to Utilize As Cash Agent to Contracting Bank valid for two (2) years.
14 The Authority to Utilize As Cash Agent shall be displayed
15 conspicuously in the Cash Agent's retail outlet.

17 SEC. 7. *Revocation of Authorization.* — The *BSP* shall revoke the
18 Authority to Utilize As Cash Agent if a Cash Agent no longer meets the
19 standards set to qualify for the requirements under this Act.

21 SEC. 8. *Bank Transactions and Services.* — A duly-authorized Cash
22 Agent may perform any or all of the following bank transactions/services:

- 24 a) Accept and disburse cash on the bank's behalf in connection with the
25 following self-service transactions of customers:
 - 27 i. Deposit and withdrawal transactions performed by the
28 customer on one's bank account;
 - 30 ii. Fund transfers performed by the customer;
 - 32 iii. Bills payment; and
 - 34 iv. Payments due to government institutions, such as contributions
35 to the Social Security System and premiums payable to the
36 Philippine Health Insurance Corporation, PAG-IBIG and others;
- 38 b) Collect and forward applications for opening a savings account;
- 40 c) Forward loan application documents to Contracting Bank;
- 42 d) Perform Initial Customer Identity Verification:
 - 44 i. Conduct customer due diligence (CDD) investigations in
45 opening low transactional and low risk accounts or accounts
46 subject to deposit and transactional limits;
 - 48 ii. Prevent anti-money laundering and countering financing of
49 terrorism activities;

1 e) Other transactions:

- 2
- 3 i. Payment (including loan repayments) using credit and debit
4 cards, checks, and cash;
- 5
- 6 ii. Transfers between bank accounts including those to be
7 remitted to other banks;
- 8
- 9 iii. Balance inquiries; and
- 10
- 11 iv. Check encashment.

12

13 SEC. 9. *Investment Incentives.* — A Cash Agent that establishes
14 operations in a remote area shall be entitled to the following incentives:

- 15
- 16 a) Free training of Cash Agent personnel on various bank processes
17 conducted by the *BSP*;
- 18
- 19 b) Expedited processing of permits and certificates that are requisites to
20 business registration and operation; and
- 21
- 22 c) Expedited processing of local government permits and other related
23 documents.

24

25 The Department of Trade and Industry (DTI) shall require the
26 Securities and Exchange Commission (SEC) and the local government
27 unit (LGU) involved to create mechanism for expedited processing from
28 application to approval.

29

30 SEC. 10. *Role of LGUs.* — The concerned LGU shall encourage and
31 provide incentives to a Cash Agent in relation to the purpose of this Act
32 pursuant to Republic Act No. 7160, otherwise known as the Local
33 Government Code of 1991.

34

35 The concerned LGU shall conduct training programs in the barangay on
36 financial literacy and capacity-building to increase understanding of
37 different financial services and products.

38

39 SEC. 11. *Subcontracting Agents.* — A Cash Agent cannot subcontract
40 its operations or business to third parties.

41

42 SEC. 12. *Agent Exclusivity.* — *BSP* may permit temporary agent
43 exclusivity for a period not exceeding two (2) years. Otherwise, the Cash
44 Agent shall enter into an agreement with another Contracting Bank.

45

46 SEC. 13. *Fees.* — A Cash Agent may set customer fees and charge
47 customers directly; *Provided*, That the Contracting Bank and the
48 Department of Trade and Industry shall monitor such pricing for signs of
49 exploitation or customer confusion.

1 *SEC. 14. Principal Liability for Agents.* — The Contracting Bank is liable
2 for all actions and omissions of the Cash Agent, provided such act is within
3 the bounds of the agency.

4

5 The Contracting Bank shall exercise due diligence to ensure its Cash
6 Agents comply with applicable rules, regulations, and policies on
7 anti-money laundering, consumer protection, bank secrecy and customer data
8 confidentiality.

9

10 *SEC. 15. Implementing Rules and Regulations.* — The BSP, in
11 coordination with the Anti-Money Laundering Council, Insurance
12 Commission, a representative from the Union of Local Authorities of the
13 Philippines and the DTI shall promulgate, not later than thirty (30) days
14 upon the effectivity of this Act, the necessary rules and regulations for its
15 effective implementation.

16

17 *SEC. 16. Separability Clause.* — If any section or part of this Act is
18 held unconstitutional or invalid, the other sections or provisions not
19 otherwise affected shall remain in full force and effect.

20

21 *SEC. 17. Repealing Clause.* — All laws, decrees, executive orders,
22 rules and regulations, issuances or any part thereof inconsistent with the
23 provisions of this Act, are hereby repealed, amended or modified accordingly.

24

25 *SEC. 18. Effectivity.* — This Act shall take effect fifteen (15) days after
26 its publication in the *Official Gazette* or in a newspaper of general
27 circulation.

28

29 Approved,

FACT SHEET

House Bill No. 6924

BANGKO SA BARYO ACT

Introduced by: Representatives Luis Raymund "LRay" F. Villafuerte Jr., Junie E. Cua, Henry S. Oaminal, John Reynald M. Tiangco, Angelo Marcos Barba, Macnell M. Lusotan, Jose Gay G. Padiernos, Virgilio S. Lacson, and Raymond Democrito C. Mendoza.

Committee Referral: Committee on Banks and Financial Intermediaries
Committee Chairperson: Representative Junie E. Cua

OBJECTIVE

- To create an enabling regulatory environment for innovations and allow banks to exponentially expand their reach through cash agents and to serve a wider client base, particularly in the low-income and rural areas.

KEY PROVISIONS

- Authorizes banks to, upon prior BSP authorization, serve clients through cash agents contracted to accept and disburse cash on the bank's behalf, and to facilitate online self-service deposits, withdrawals and fund transfers, as well as bills payment.
- Authorizes cash agents of banks to perform Know-Your-Customer procedures and to collect and forward application documents for loan and account opening.
- Provides incentives to persons and entities who will be establishing their business in the remote areas of the country such as waiver of government fees, free training for personnel, among others.
- Delegates to local government units the crucial task of designating remote areas and determining whether banking presence is necessary in such areas.
- Defines who are cash agents and provides for their corresponding eligibility requirements.
- Ensures that, as extensions of the banking system, agents are able to provide professional service, keep records, handle cash, and manage liquidity.
- Imposes primary responsibility on banks for the actions or omissions of their cash agents relating to banking services or matters connected therewith, within the limits of their authority.

- Imposes on banks the duty to observe due diligence in contracting cash agents and to ensure that they comply with prevailing rules, regulations and policies most notably on anti-money laundering, consumer protection, bank secrecy and customer data confidentiality.
- Increases financial literacy and capability for citizens.

RELATED LAWS

- RA 7653 (New Central Bank Act)
- RA 8791 (General Banking Law of 2000)
- PD 612 (Insurance Code)
- RA 9160 (Anti-Money Laundering Act of 2001)