

11 March 2021

HON. ELISA “OLGA” T. KHO

Representative, 2D Province of Masbate
Chairperson, Committee on Rural Development
House of Representatives
Batasan Hills, Quezon City

On House Bill No. 7452, “An Act Promoting Rural Financial Inclusion and Literacy”

Dear Chairperson Kho,

The FinTech Alliance respectfully submits, for the consideration of the House Committee on Rural Development, this position paper on House Bill No. 7452 entitled “An Act Promoting Rural Financial Inclusion and Literacy” (“HB 7452”).

At the outset, we would like to express our gratitude for the opportunity to submit this paper for the consideration of the Committee. It is truly a privilege to be able to be part of this process and contribute to the efforts spent on rural development. We support the endeavors of the Committee and acknowledge the work of Congressman Alfred Delos Santos in crafting HB 7452. In line with this, we have some comments and recommendations that we would like to bring to the attention of the Committee in hopes of assisting in improving the proposed bill. These comments and recommendations are set forth below.

General Observation:

Based on the Explanatory Note of HB 7452, there were several issues that came up, i.e., raising financial awareness and literacy, huge gap in reaching financial inclusivity, hesitancy in sharing personal information due to cybersecurity issues, access to basic financial products and fragmented financial and business institutions. To address these issues, the proposed bill sought to “bring about financial inclusivity xxx through mechanisms that ensure equitable access.” This makes it clear that the proposed bill is seeking to resolve a number of issues. However, considering that the nature of the issues requires different solutions, we believe it is best if the proposed bill can identify what specific problem or problems the proposed bill is trying to resolve.

We find the same concern arises upon reading Section 2 of the proposed bill. In the said provision, it was stated that the State “shall endeavor in innovations that reduce financial vulnerabilities and promote financial empowerment to the citizens,” “commit to taking proactive measures in developing technology capabilities of various financial institutions in

rural areas to improve access to financial services,” and “ensure that programs shall contribute in establishing a financial system that benefits all Filipinos.” It seems then that there are several problem areas that the proposed bill is seeking to address. However, similar to our comment previously, because such problems would require different solutions, the proposed bill would be improved by stating its objectives unequivocally. In this way, the mechanism to resolve the same would be more easily determined and mapped out.

In this regard, we would be happy to sit down with the technical working group to brainstorm and address these concerns. We believe this will go a long way to making the Bill a strong piece of legislation.

Comments to Specific Provisions:

Aside from our general observations, we would also like to comment on some provisions of the proposed bill. Our comments are stated below.

Section 3. Financial Literacy:

We noted that this provision does not specify which among the listed institutions would take the lead in the implementation. Further, we also noted that it did not provide the funding for the implementation of the financial literacy programs. We suppose that the BSP would be the logical entity but we are unsure if this is the intention of the Committee.

Section 4. Capacity Development for Rural Financial Institutions:

We noted that the regulatory framework in the Bill involves accreditation for those engaged with the financial technology industry. We believe, though, that issuing licenses will provide a better way to regulate such business and further promote its use. Further, we believe it is best if the Bangko Sentral ng Pilipinas (“BSP”), as the country’s central monetary authority, after consultation with the members of the financial industry, would be the institution tasked to formulate such a procurement process. We do not think that there is a reason to provide preference to FinTech Philippines Association and appoint the latter as BSP’s partner in coming up with the said process given that many financial institutions participate in the fintech space who are not associated with the said organization.

Section 5. National Financial Inclusion Steering Committee:

We noted that there were already existing offices dealing with financial inclusion. An example of this is BSP which mandates now include financial inclusion, financial literacy and consumer protection by virtue of Republic Act No. 11211. It would be preferable if this provision provides a clear path as to how the Committee will work with those offices to resolve the issue of financial inclusion and related concerns.

Section 6. Priority Implementation Points:

We note that this provision may benefit by providing how HB 7452 intends to promote or prioritize the agenda towards a suitable financial ecosystem. In addition, we also noted that the BSP is already providing services relating to the priority implementation points listed. Moreover, we suggest that the provision state who or which government institution shall be charged with the implementation of the said points, and the powers that such person or institution will wield in relation to the said provision.

We thank you for your time in considering our position paper. We hope that through this we have extended some assistance to the Committee's important work.

Very truly yours,

FINTECH ALLIANCE.PH

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