

Amando M Tetangco, Jr: Building an efficient and inclusive national payment system

Speech by Mr Amando M Tetangco, Jr, Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the signing of the Memorandum of Agreement on the Consolidation of ATM Networks, Manila, 30 January 2015.

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We at the Bangko Sentral ng Pilipinas are happy to join you to witness the start of the consolidation of our ATM networks under the umbrella of the Bankers Association of the Philippines.

This is the second significant program that we are launching today to move our financial system forward.

Two hours ago, the BSP launched the electronic trading platform for the BSP's Reverse Repurchase Electronic Trading System. This time, it is the private sector that is launching its own milestone: the consolidation of our Bancnet and Megalink ATM networks.

While the BAP and our ATM networks describe this event as inspired by the BSP, to us the credit for implementing this milestone program properly belongs to our banks.

Indeed, it has been our position that the BSP receives recognition for its regulatory framework because it works; and it works because our banks are part of the consultative process. Thus, our banks are able to respond and implement programs accordingly.

I have said this before and I will say it again: I believe that the BSP and the banking community work well together simply because we are on the same page – we both want to make our banking system better, stronger and more inclusive so that we can help keep our economy growing and improve the lives of Filipinos.

In particular, this coming together of our ATMs under a single network is the important first step toward an efficient and inclusive retail payment system. In this connection, I am pleased to note that our ATM network has been expanding steadily – it increased from 6,200 units in 2005 to over 16,000 in 2014.

And over this period, you have expanded the use of the ATMs beyond deposit withdrawals, to bills payment, to making donations and even to selling e-loads to pre-paid cellphone users.

Ladies and gentlemen. Today, the Philippines average 2.5 billion payments per month which correspond to a value of over PhP 3.2 trillion – 99% of these payments are cash-based. This is an expensive way of transacting as the cost of producing, transporting, protecting and even retiring cash is quite high. This high cost poses a barrier to inclusion.

Greater access to payment or transactional accounts can be an effective on-ramp to a broader range of financial services and boost our efforts toward financial inclusion. In addition, a shift to electronic payments will facilitate efficiency, which is convenience at the right cost. This will lead to lower business costs and higher consumer expenditure, a driver of economic growth in many economies.

In fact, a cross country study found that a 10% increase in the share of electronic payments was correlated with a .5% increase in consumer spending.¹ This efficiency will also drive business innovation and promote greater transparency in transactions.

All these are also crucial in preparing for a more integrated ASEAN Economic Community.

¹ Le Sar, Porteous, Introduction to National Payments System, National Payments System Institute, 2013.

Nevertheless, while we celebrate this milestone today, we realize that this is just the beginning. There are still things to do and bear in mind as we take this journey forward. Let me focus on three:

First, it is important to establish well-defined rules, policies and processes to set the stage for areas of cooperation and areas of competition. This will facilitate the entry of new players, create a level playing field and provide the framework for inter-operability.

Second, there is a need to upgrade current arrangements to enable the participation of payment service providers, including non-banks. This will support the environment for innovation and efficiency in payment channels and the development new and inclusive business models.

Third and last is to always have the customer in mind. The retail payment system should provide each of its users with transparency, certainty and reliability.

These are the critical steps in this journey; which will surely lead us to a destination that will benefit all – a truly inclusive and efficient national retail payment system that promotes electronic payments in the country.

These benefits reveal the very purpose of this journey. I have no doubt that the members of our banking community will all continue to work together toward this end of providing better payment services to our people.

Our next step is to collaborate on how to best implement not only the merger of ATM and POS or point of sales operations, but the overall integration of our payments system.

Finally, I thank and congratulate everyone responsible for this milestone event.

Mabuhay ang banking system! Mabuhay po tayong lahat. Maraming, maraming salamat!