

Chuchi G Fonacier: Opening remarks - PESONet Media Forum

Opening remarks by Ms Chuchi G Fonacier, Deputy Governor of Bangko Sentral ng Pilipinas (BSP, the central bank of the Philippines), at the PESONet Media Forum, Manila, 7 August 2018.

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PPMI Chairman Justo Ortiz, our partners from E-PESO headed by Chief of Party Mamerto Tangonan, Deputy Governor Chuchi Fonacier and fellow BSP colleagues, representatives from the participating financial institutions, with their pilot corporate users, friends from the media, guests, ladies and gentlemen. Good afternoon and welcome to the PESONet media forum.

Three years ago, we had a vision: for every Filipino to have easy access to accounts to safely make payments and receive or transfer funds to other accounts anytime, anywhere, at a reasonable price, from any digital device. Thus, the National Retail Payment System or NRPS was envisioned to create an interoperable payment ecosystem that is safe, efficient, and affordable.

Through collaborative efforts of the Bangko Sentral and the industry, we have achieved significant progress. In November 2017, we have transitioned batch interbank fund transfer service of the Philippine Clearinghouse Corporation (PCHC) into PESONet, allowing funds to be received by the beneficiaries, in full amount, within the day. Tagged as a viable electronic payment alternative to paper-based checks, PESONet is one of the ACHs prioritized for implementation by the Bangko Sentral.

PESONet holds a lot of promise, given its potential to be an efficient channel for collections and disbursements by government and corporate users. With PESONet, we can achieve lower cost, better liquidity management and increased economic activity through immediate availability of funds. For corporates, in particular, some use cases are supplier payments, payroll and loan and dividend payouts.

Since the launch of PESONet, the BSP has turned over the reins to the industry through the Philippine Payments Management Inc. or PPMI, which includes the PESONet Steering Committee. In support, the Bangko Sentral now provides active oversight and guidance through a regulatory environment that promotes the growth of electronic payments and, ultimately, the development of a safe and efficient national payment system.

In today's forum, we shall have the opportunity to listen to progress updates from the industry and learn from the stories of pilot PESONet users, concrete testimonials about the transformative power of embracing change.

Recognizing the intended gains we have achieved thus far, we acknowledge that there is, however, still a lot of ground to cover. Based on the 2017 Financial Inclusion Survey, only 18% of Filipino adults with an account used this for payments and 64% cited a preference for cash payments. A significant 20% are not even aware of the electronic payment option. The foregoing statistics reveal where business, as well as financial inclusion opportunities, lie.

Our goal is to democratize access to a transaction account, and make every transaction account useful not only as a store of value but also as a convenient and affordable means to pay, remit and receive funds. In this regard, we provide an enabling regulatory environment that encourages increased use of affordable digital channels for payments, fund transfers and remittances. This include allowing the participation of convenient and non-intimidating third parties like grocery stores, pharmacies and other retail outlets as banks' cash agents.

Just yesterday, we have yet witnessed another milestone that can exponentially push forward our financial inclusion digitalization agenda. The Philippine ID System (Philsys) Act was signed into

law by the President. Republic Act 11055 establishes a biometric based, foundational national identification system that aims to provide every Filipino and even foreign residents with a trusted and verifiable digital identity. Philsys, therefore, addresses the key barriers to opening a bank account, particularly the cost of on-boarding as well as the lack of acceptable identification particularly for low-income and vulnerable sectors of our society. Access to this account is an essential requirement to fully participate in and benefit from the digital finance ecosystem envisioned under the NRPS. It can also remove friction points and catalyze key use-cases for digital payments such as government cash transfers. Down the road, it can make possible convenient fund transfer using an individual's Philsys number as the identifier.

Ladies and gentlemen, we often hear the saying that "Change is the only constant". Change is certainly inevitable as we witnessed and continue to witness evolving trends in technology and digital innovations. Ultimately, these developments cascade to business models and processes, including a consumer's payment process and behavior, whether that consumer be a government, corporate or individual.

Dear friends from the media, we hope that you can be our partners in communicating how PESONet, as well as other ACHs under the NRPS, can be a powerful engine for every Juan and Maria towards a cash-lite Philippines. With your help, we can create more awareness about electronic options in their payments, fund transfers, and remittance transactions so that consumers can make better informed decisions.

I am truly excited about the prospects of PESONet and I look forward to a rich discussion in this afternoon's session. On behalf of the Monetary Board, I welcome you all to the PESONet media forum.