



HOUSE OF REPRESENTATIVES

House Bill No. 5240

Introduced by Representative Victor A. Yap

EXPLANATORY NOTE

Overseas Filipino Workers (OFWs) are the modern-day heroes of our nation. They leave the country in search for better-paying jobs in foreign lands to provide for their families they leave behind. Pursuant to the mandate of the State to promote the rights of all workers whether domestic or overseas, it is necessary that the money that OFWs send to their families are well protected against exorbitant charges by the money transfer industry.

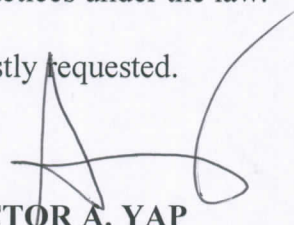
According to the Department of Labor and Employment (DOLE), personal remittances of OFWs amounted to \$32.213 billion in 2018, equating to 1.6 trillion pesos or approximately 25% of the national budget. For the year 2019, it is projected that OFW remittances may shoot up to more than \$32 billion. Evidently, personal remittances of OFWs are not only essential to the families they left behind but also for the prosperity of our national economy.

The income that OFWs receive from their foreign employers are transferred through bank and non-bank financial institutions for the benefit of their families here in the Philippines. In compensation to their service, these financial institutions impose money-transfer fees and charges which in effect reduces the amount received by the families of OFWs relying on these remittances. For example, in 2018, OFWs had to spend more than three billion dollars (\$3.1 billion) in bank charges to send home twenty-nine billion dollars (\$29.3 billion) in remittances¹.

The World Bank recently published a study stating that the average cost of personal cash transfers through banking channels amounted to 10.49% of the cash remitted². This equates to an OFW paying ten dollars (\$10) per one hundred dollars (\$100) from his or her remittance sent to these money-transfer companies. While it is not prohibited for the money-transfer industry to charge remittance fees, banks and non-bank financial institutions must actively disclose the rates for their service to ensure the maximum protection of OFW remittances against malpractices of charging excessive fees at the expense of all OFW families.

Thus, it is in the best interest of the State to protect all OFWs and their families by requiring intermediary financial institutions to actively disclose their service fees and ensuring that these third-party service providers are following proper and just practices under the law.

In view of the foregoing, immediate passage of this bill is earnestly requested.


VICTOR A. YAP
Representative, 2nd District of Tarlac

¹ Data retrieved at <https://businessmirror.com.ph/2018/06/07/cut-excessive-transfer-fees-of-banks-on-ofw-remittances-lawmakers/> on October 14, 2019.

² Data retrieved at https://remittanceprices.worldbank.org/sites/default/files/rpw_report_june_2019.pdf on October 14, 2019.

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AN ACT
PROTECTING THE REMITTANCES OR MONEY TRANSFERS OF OVERSEAS
FILIPINO WORKERS (OFWs) BY REQUIRING THE DISCLOSURE OF FINANCE
CHARGES AND OTHER FEES IN CONNECTION WITH MONEY TRANSFER,
COMPELLING STRICT ADHERENCE TO THE TERMS AND CONDITIONS OF THEIR
TRANSFER, PENALIZING VIOLATIONS THEREOF, AND FOR OTHER PURPOSES

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

SECTION 1. *Short Title.* This Act shall be known as the “Remittance Act.”

SEC. 2. *Declaration of Policy.* - It is hereby declared the policy of the State to protect
its citizens from deceptive, unfair, and unconscionable acts of remittance agents and money
transfer companies. Toward this end, they shall be required to render full disclosure of the terms
and costs of the money transfer service being offered by them and to strictly adhere to the terms
and conditions of the said transfer or remittance.

SEC. 3. *Definition of Terms.*- For purposes of this Act, the following terms shall mean:
(a) *Exchange Rate* - the price of a unit of foreign currency in terms of the domestic
currency;
(b) *Money Transfer* – moving money electronically or physically for a specified account
or person;
(c) *Remittance* - the funds that an expatriate sends to the expatriate’s country of origin
via wire, mail, or online transfer;
(d) *Remittance Agents and Companies* - persons or entities that offer to remit, transfer,
or transmit money on behalf of any person to another person and/or entity. These
shall include money or cash couriers, money transfer agents, remittance companies,
and the like; and
(e) *Price Gouging* - charging unconscionably high prices or fees that are excessive
relative to what the free market offers.

SEC. 4. *Strict Adherence.* - All remittance agents and companies shall strictly adhere to
the following:

(a) *Registration.* - Remittance agents and companies providing the transfer mechanism
shall be duly registered, licensed, and must have met all the requirements issued by
the Bangko Sentral ng Pilipinas (BSP), Securities and Exchange Commission
(SEC), Department of Trade and Industry (DTI), and the Bureau of Internal
Revenue (BIR).

1 (b) *Exchange Rates and Fees.*

2 1) All remittance agents and companies shall follow the exact real time
3 exchange rate at the beginning of the business day as posted in the
4 Reference Exchange Rate Bulletin of the BSP.

5 2) For senders from the Philippines, a flat rate transaction fee shall be imposed
6 in accordance with rules and regulations to be issued by the BSP.

7 (c) *Disclosure.* - In addition to standard paperwork, remittance agents and companies
8 shall be required to include a waiver form for each transaction which shall contain
9 the following information in clear and concise words:

10 1) The specific exchange rate provided for that currency;

11 2) Any and all additional fees being deducted from the original remittance;

12 3) A signed acknowledgment that the recipient understands that the recipient is
13 accepting currency exchange from the original currency to Philippine Peso,
14 forfeiting a percentage equivalent to the flat rate fee for the remittance
15 service;

16 4) Notice to senders and recipients that senders are generally not permitted to
17 require that the money transfer be made in the form of original currency,
18 except in the specific countries where senders are given the option of
19 specifying the money to be received in original currency form without any
20 additional exchange rates compensation being charged to the sender; and

21 5) The list of countries, as determined by the BSP, which give the option to
22 require that money transferred be paid out to the recipient in the original
23 currency sent.

24 (d) *Valid Identification* - Senders and recipients must each provide at least one (1) form
25 of valid and legally acceptable identification.

26 (e) *Request for Original Currency* - Remittance agents and companies receiving
27 remittances from countries which give the option to specify that original currency
28 be paid out to recipient shall, in addition to the conditions enumerated above, be
29 required to adhere to the contractual commitment entered into by the remittance
30 agent and the sender.

31 In cases where only Philippine currency is available and thus paid out to recipients in
32 direct contradiction of the sender's specified currency or the currency of the originating country,
33 remittance agents companies shall be required to obtain an additional waiver from the recipient
34 that the recipient is waiving the right to receive the specified currency.

35 **SEC. 5. Punishable Acts.** - The following acts committed by the remittance agents and
36 companies, and/or all of its employees, shall be punishable under this Act:

37 (a) Failure to comply with the provisions of this Act;

38 (b) Price gouging of currency exchange rates; and

39 (c) Substituting Philippine Peso for the specified original currency without the express
40 or written consent of the recipient.

41 **SEC. 6. Penalties.** - Any person, or in case of partnership or corporation, the managing
42 partner or the president, committing any of the unlawful acts or omissions provided under this
43 Act shall be punished with imprisonment of not less than six (6) years but not more than ten (10)

1 years and a fine of not less than Two Hundred Thousand Pesos (P200,000.00) but not more than
2 One million pesos (P1,000,000.00).

3 **SEC. 7. Restitution.** - In addition to the penalties provided herein, any person found
4 guilty of violating this Act shall be required to make restitution payments upon determination by
5 the BSP or other governing judicial authority that a remittance agent has willfully acted to avoid
6 compliance and/or charged rates in excess of the prescribed standards in this Act. All recipients
7 shall consequently reserve and retain their right to collect the excessive amount proven to have
8 been charged to them.

9 **SEC. 8. Enforcement and Monitoring.** - Aside from the BSP's Manual of Regulations
10 for Non-Bank Financial Institutions, the entire money transfer industry shall be under further
11 guidance, requirements, and rules prescribed by the BSP. The BSP shall likewise periodically
12 monitor compliance by remittance agents and companies of the provisions of this Act.

13 **SEC. 9. Rules and Regulations.** - The BSP shall prescribe the necessary rules and
14 regulations to effectively implement the provisions of this Act within ninety (90) days from the
15 effectivity of this Act.

16 **SEC. 10. Separability Clause.**- If any provision of this Act is declared invalid or
17 unconstitutional, the other provisions not affected by such declaration shall remain in full force
18 and effect.

19 **SEC. 11. Repealing Clause.** - All laws, executive and administrative orders, rules and
20 regulations inconsistent with the foregoing provisions are hereby repealed or modified
21 accordingly.

22 **SEC. 12. Effectivity.** - This Act shall take effect fifteen (15) days after its publication in
23 the Official Gazette or in a newspaper of general circulation.

Approved,