

Know Your Customer (KYC) requirements of remittance providers using blockchain technology: Republic of the Philippines

By Bwogi Sean

Overview of remittances in the Philippines

The Philippines is the fourth largest remittance destination internationally receiving over \$35 billion dollars' worth of personal remittances from Overseas Filipino Workers (OFW) in 2020 representing 9.66% [1] of Gross Domestic Product (GDP) trailing behind Mexico's \$43 billion, China's \$60 billion and India's \$83 billion.

The Philippines Remittance Ecosystem can be divided into international and domestic remittance service providers where global titans such as Western Union, MoneyGram and World Remit facilitate Overseas money transfers and regional money transfers are administered through companies such as ML Kwarto Padala, Cebuana Lhuillier Pera Padala and Palawan Express Pera Padala to name a few.

Remittances, however, remain largely cash-based and Over-the-Counter (OTC) (over 80%). These tend to be slower, more expensive, and require the user to incur additional costs in the form of travel and time. It costs an average of USD 37.50 to USD 50 to remit USD 250 (average value) internationally, and USD 2.50 to remit USD 50 (average value) domestically via OTC [2].

Seeking to innovate in this lucrative market segment, a number of domestic Electronic Wallet (E-wallet) companies have received significant investment with the Chinese duo Ant Financial and Tencent investment raising \$175 million for GCash and \$167 million for PayMaya respectfully while Indonesia's Go-Jek completed a \$72 million dollar acquisition of Coins.ph over the past year. This has no doubt accelerated development into the local remittance market where one in three Filipino adults send or receive remittances.

Remittance providers adoption of Blockchain technologies

Whereas the Philippines Central Bank, Bangko Sentral ng Pilipinas (BSP) has encouraged the participation of Remittance and Transfer Companies (RTC) with Virtual Currency (VC) Exchange Services (see full list here), the majority of companies utilizing blockchain technology in the Philippines operate Crypto Currency exchanges without providing remittance services.

Only two companies carry out remittance transactions using blockchain technologies using radically different approaches namely;

1. Coins.ph

Coins.ph is duly regulated by the Bangko Sentral ng Pilipinas (BSP) and is Asia's first blockchain-based company to hold both Electronic Money Issuer and Virtual Currency licenses from a central bank. Coins.ph runs a mobile payment platform and enables users to hold and trade digital assets such as Bitcoin (BTC) and Ethereum (ETC) among others. It now operates in over 500,000 international locations and accommodates banking, digital payment, remittance, bills payment, and online shopping services among others.

As part of Coins.ph Know Your Customer (KYC) procedures, a four-part verification process usually takes place depending on the user information submitted which increases daily, monthly and annual cash limits [3].

Table 1: Coins.ph Cash limit per verification level

Cash in limits based on account verification level:				
Verification Level	Description	Daily Cash In Limit (PHP)	Monthly Cash In Limit (PHP)	Annual Cash In Limit (PHP)
1	Email/phone verified	2,000	50,000	50,000
2	ID and selfie verified	50,000	100,000	400,000
3	Address verified	400,000	400,000	Unlimited
4	Custom verified	Custom	Up to 5,000,000	Custom

Cash out limits based on account verification level:				
Verification Level	Description	Daily Cash Out Limit (PHP)	Monthly Cash Out Limit (PHP)	Annual Cash Out Limit (PHP)
1	Email/phone verified	0	0	0
2	ID and selfie verified	50,000	250,000	400,000
3	Address verified	400,000	Unlimited	Unlimited
4	Custom verified	Custom	Up to 5,000,000	Custom

Below are the detailed requirements for accessing all four verification levels:

Note: There's no need to be Level 2 verified to be able to buy load, pay bills, and buy game credits. You may also send and receive funds in your account.

Level 1

Once customer has completed downloaded the App, completed the sign-up procedure, confirmed their e-mail address and phone number, level 1 is attained

Level 2

Upon completion of uploading ID and selfie verification, customers are required to submit the following general information and receive approval in 3 business days.

- Gender, Birthplace and either your Social Security Service number (SSS), Government Service Insurance System number (GSIS), or Tax Identification Number (TIN).
- You will also be asked to determine your employment status and the source of your funds.
- Nature of your Employment, Employer and Job Title at place of Employment.
- Submit a picture of a valid Government Identification with full list of accepted ID's available [here](#) [4]

Level 3

To reach level 3 requires verification of your address which requires the following acceptable documents such as Bank Statement, Credit Card Bill statement, Utility Bills and [others](#). Processing your account may take up to 3 business days.

Level 4

Also known as the Enhanced Verification submission, Level 4 provides custom limits for customers who require transaction limits beyond those offered by level 3 and thus come with additional Know Your Customer (KYC) procedures available [here](#) which include income tax returns, Payslip and certificate of employment/business permit. Processing time varies from 8-15 business days.

2. Gcash

GCash, a Philippines-based micropayment service operated by telecommunications firm Globe Telecom. In 2018 AlipayHK and Gcash launched a cross-border remittance service through their e-wallet platforms, powered by cutting-edge blockchain technology developed by Alipay, the online payment platform operated by Ant Financial Services Group. [5] This was the first blockchain-based cross-border digital wallet remittance service globally, offering a fast, secure, convenient, transparent and low-cost way to transfer money directly between customers in Hong Kong and the Philippines.

To send remittance to GCash via AlipayHK, senders must provide their beneficiaries complete name as registered in their GCash or GCash mobile number. However, this service is [only](#) for Fully Verified users with the attached wallet limit of P100,000.

Table 2: GCash limit per verification level

GCash Profile				
	Basic	Fully Verified	GCash Plus /Enterprise	Platinum
Wallet Limit Maximum funds that can be kept in a GCash Wallet				
At any given time	50,000	100,000	500,000	1,000,000
Incoming Limit Maximum funds that can be received into a GCash Wallet				
Monthly	10,000	100,000	500,000	1,000,000
Outgoing Limit Maximum funds that can be spent and sent in a GCash Wallet				
Daily	No outgoing limit	100,000	100,000	500,000
Monthly	10,000	No outgoing limit	No outgoing limit	1,000,000

A detailed description of the verification process is described below:

Basic

Complete sign-up registration on the GCash App providing both name, email address and phone number.

Fully Verified

Customers are required to submit the following general information. It may take up to a day for your application to be processed.

- Driver's license, passport, Philhealth card, Unified Multi-Purpose ID(UMID), Voter ID, Social security service number (SSS) and [other Identification cards](#).
- Photograph Valid Government ID of your choice and of your face
- You will also be asked to determine your employment status and the source of your funds.
- Contact Number, Nature of your Employment, Source of funds Employer and Job Title at place of Employment.

You may apply for more than one GCash account under your name. However, you can only use one GCash account per mobile number. Take note that GCash only allows up to 3 GCash accounts with 3 unique mobile numbers.

References

[1] <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=PH>

[2] https://responsiblefinanceforum.org/wp-content/uploads/2020/02/The_State_of_Digital_Payments_in_the_Philippines-Feb20.pdf

[3] <https://support.coins.ph/hc/en-us/articles/201305154-How-can-I-increase-my-daily-transaction-limits->

[4] <https://support.coins.ph/hc/en-us/articles/360000012161-Which-IDs-are-accepted-for-the-ID-verification-process->

[5] <https://www.businesswire.com/news/home/20180625005561/en/AlipayHK-and-GCash-Launch-Cross-Border-Remittance-Service-Powered-by-Alipay%E2%80%99s-Blockchain-Technology>