



# **REDUCING THE COST OF INTERNATIONAL REMITTANCE THROUGH TECHNOLOGY**

**THE CASE OF THE PHILIPPINES**

**A Presentation by**

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**Bangko Sentral ng Pilipinas**

# Presentation Outline

- Remittance Highlights and Statistics
- Technological Developments
- Government Policy Initiatives and Strategies
- Challenges



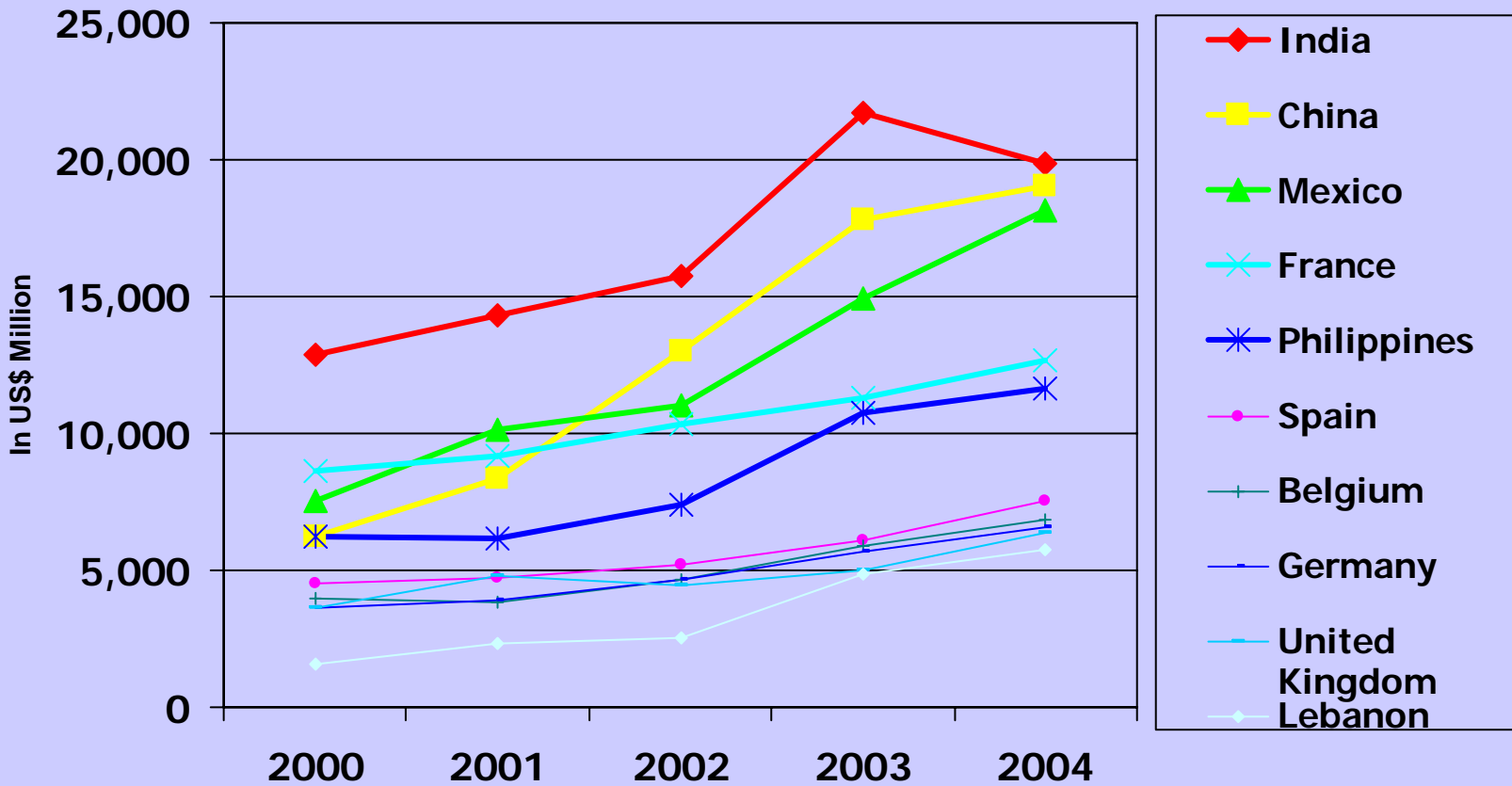


# REMITTANCE HIGHLIGHTS & STATISTICS



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# Workers' Remittance and Compensation of Employees Received

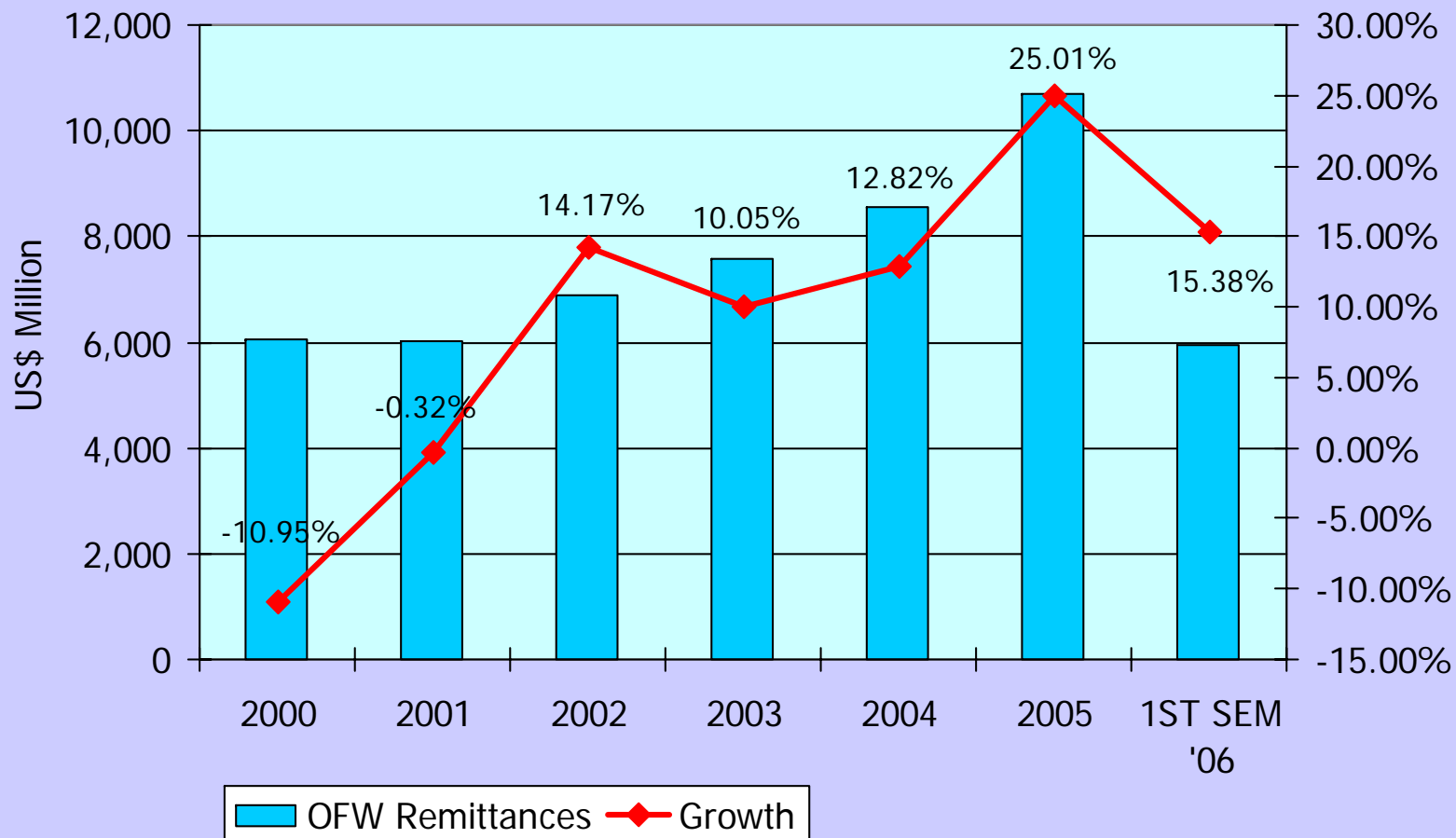


Source: World Development Indicators 2006, World Bank



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# VOLUME OF OFW REMITTANCES in the Philippines



Source: Bangko Sentral ng Pilipinas



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# Modes of Remittances

## ■ Formal Channels

### ■ Banks

### ■ Non-banks money transfer agencies/remittance companies (REMCO)

✧ Western Union, Money Gram

✧ Telephone companies (Smart Padala, G-Cash)

## ■ Informal Channels

### ■ Courier services (“Padala” system)

✧ Door-to-door

### ■ Handcarry by friends or relatives



The background features a light blue globe with the Americas visible on the left. In the center, there is a 3D rendering of interlocking gears in shades of blue and red. The overall background has a subtle grid pattern.

# Technological Developments in the Remittance Business



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# Technological Developments



- Introduction of Wireless ATMs to the rural areas
- Increase of Rural Banks/Coop Banks with E-banking Licenses
- Lower Costs of Internet Subscription





# Technological Developments

## ✧ Mobile commerce (M-commerce)

- ✧ Smart Padala

- ✧ Globe G-Cash

## ✧ Internet-Based Transfers

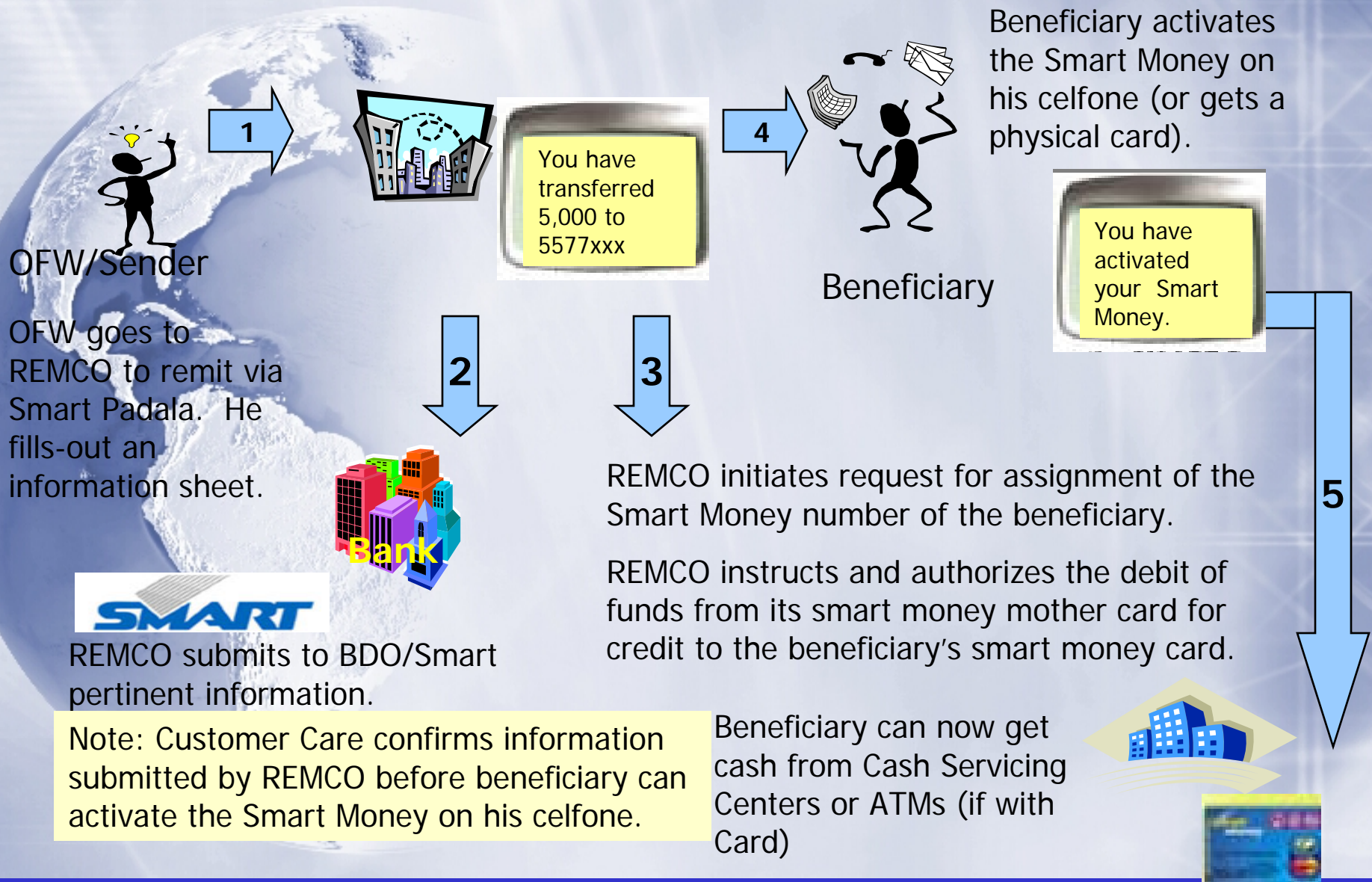
- ✧ Wire transfers

- ✧ ACH transfers

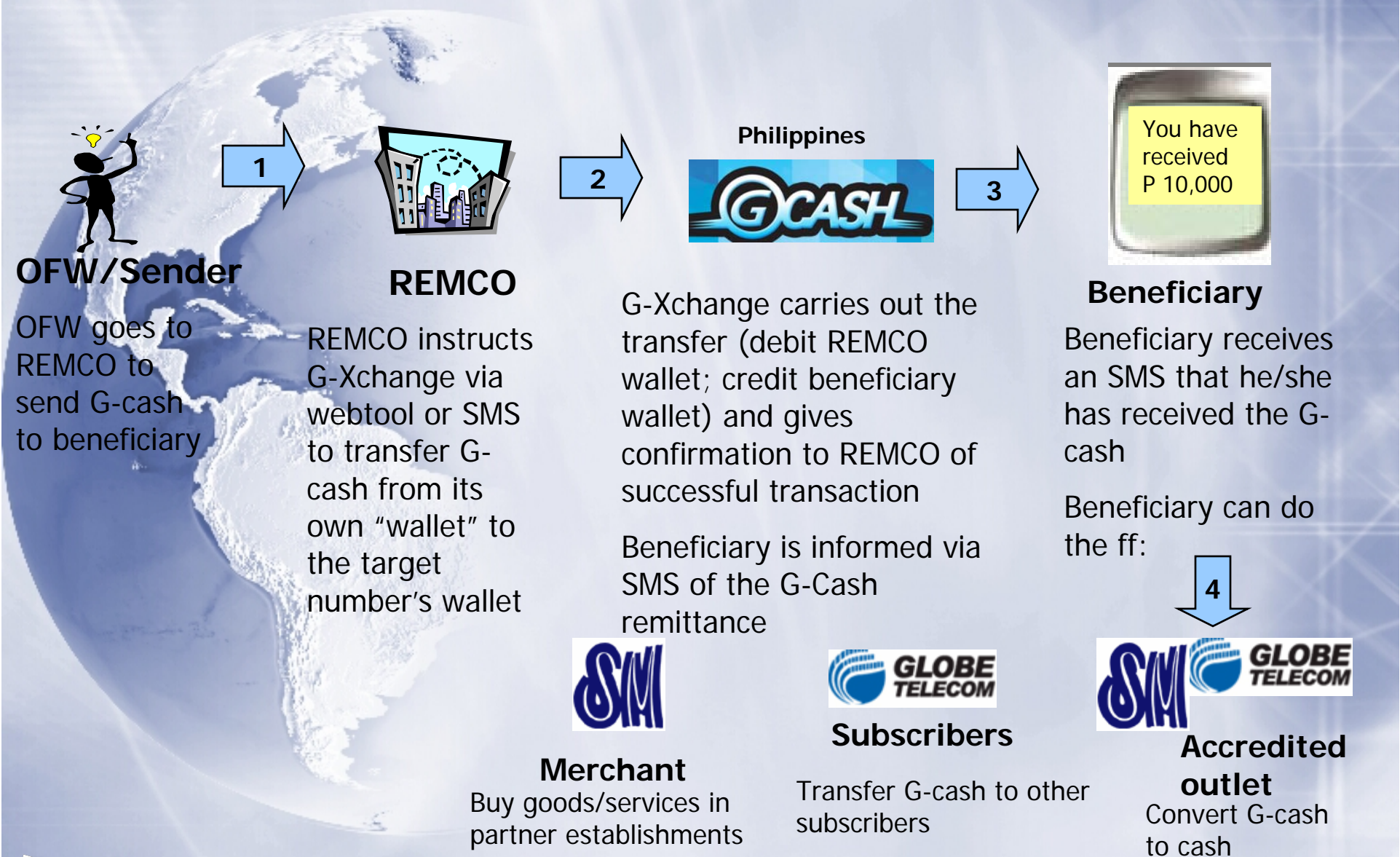
- ✧ Cheque transfers



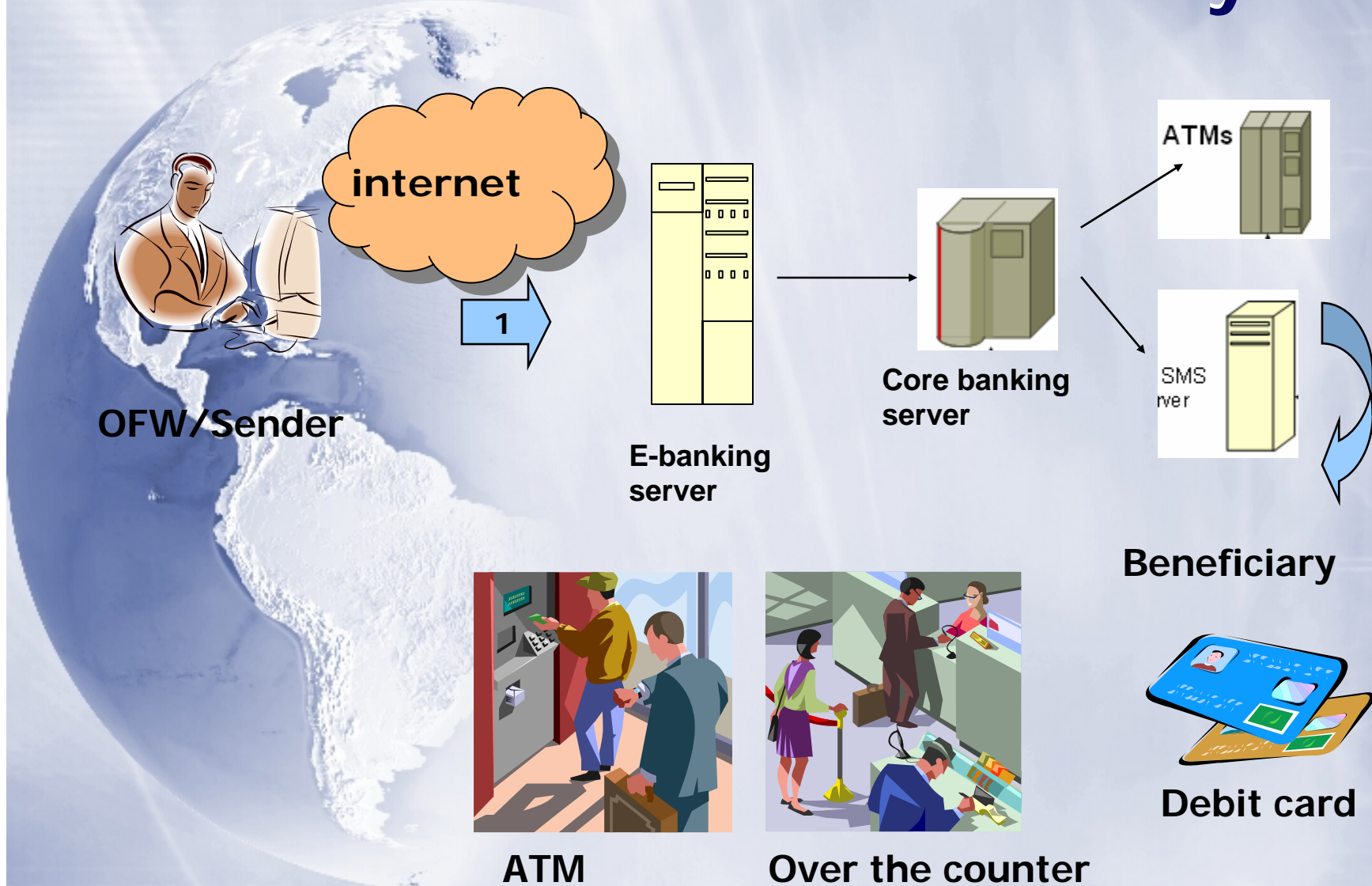
# SMART Padala – Transaction Flow



# G-Cash Remittance



# Internet-based remittance system



# Comparative Remittance Fees

**Average cost of remittance**

**Today:  
13.5%**

**Less than a decade ago:  
20%**

Country	Credit to bank Account	Door-to-Door	Pick-up	G-Cash (Globe)	Smart Padala
USA	USD 7 - 14	USD 12 - 16	USD 10 - 12	NA	USD 6 - 8
Singapore	SGD 2.5 - 5	SGD 7 - 15	SGD 10 - 20	SGD 2.45 - 3	SGD 8
Hongkong	HKD 18 - 25	HKD 25 - 35	HKD 30 - 40	HKD 14 - 20	HKD 15.20
Taiwan	NT 200 - 250	NT 250 - 300	NT 300 - 350	NT 150	NA



# GOVERNMENT POLICY INITIATIVES AND STRATEGIES



- Executive Order No. 446
  - DOLE to coordinate and oversee various initiatives for OFWs
  - Seeks to synchronize different government agencies' programs for OFWs to serve the current development objectives of the government
  - Creates a Technical Working Group and Sub-groups



# INITIATIVES AND STRATEGIES to Reduce Remittance Fees



- Proposed Philippine-Japan Initiatives
  - Allow money transfer companies (MTCs) to partner with Japanese banks in providing remittance services
- Interconnection of commercial and rural banks
- Installation of G-cash services in rural banks



# BSP INITIATIVES

- M.B. Resolution No. 1389 dated 27 October 2005
  - Creation of four (4) Working Groups (WGs) to facilitate initiatives on improving the environment for OFW remittance flows
  - Executive Committee shall steer the work of the WGs





# BSP INITIATIVES

- Executive Committee Objectives:
  - To reduce remittance costs to facilitate remittances through formal channels.
  - To channel foreign exchange savings to micro-enterprise activities and other alternative financial instruments.



# BSP INITIATIVES

- Working Groups:
  - **On Payments and Settlements System**
  - On Promoting Financial Savings and Investment
  - On International Relations
  - On Advocacy Campaign



# BSP INITIATIVES

- WG on Payments and Settlements System Objectives:
  - Formulate recommendations on how to improve the interconnectivity of remittance service providers in the Philippines with those abroad
  - Explore domestic issues on payments and clearing systems
  - Review existing banking regulations that affect the payments and clearing systems as well as the country's overall remittance environment





# Challenges



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# Potential Obstacle to higher OFW Remittances



**R.A. No. 9160, as amended by R.A. No. 9194  
(Anti Money Laundering Law)**

- Covered institutions should report to the AMLC all covered and suspicious transactions within five (5) working days from occurrence thereof, unless the Supervising Authority prescribes a longer period not exceeding ten (10) working days.
  - Covered transaction- a transaction in cash or other equivalent monetary instrument involving a total amount in excess of Five hundred thousand pesos (P500,000.00) within one (1) banking day.



## Conditions imposed on M-commerce service providers

- Service provider to engage only licensed remittance companies supervised by the regulatory authorities
- Adopt a lower transaction cap of P100 thousand per month
  - Transactions refer to electronic payment, ATM withdrawal, encashment through cash service outlets, transfer of funds and other similar type of transactions



# Conditions imposed on M-commerce service providers

- “Know your customer” (KYC) procedures undertaken by m-commerce accredited establishments should satisfy the requirements of AML regulations
- Service provider to have access to all records and database of participating outlets
- Allow BSP to review the m-commerce system
- Give Anti-Money Laundering Council access to customer records





**Thank You**



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