

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



HOUSE OF REPRESENTATIVES
House Bill No. 3020

Introduced by Antonio B. Legarda Jr.

AN ACT
PROVIDING FOR PROTECTION OF THE REMITTANCES
OF OVERSEAS FILIPINO WORKERS

EXPLANATORY NOTE

Remittances are an important capital source for developing countries. This is because remittance flows tend to be more stable than capital flows, and they tend to be countercyclical—increasing during economic downturns or after a natural disaster when private capital flows tend to decrease.¹ In countries affected by political conflict, they are often an economic lifeline to the poor.²

According to the World Bank, the Philippines is the fourth largest recipient of remittances in 2021.³ In 2008, remittances from OFWs accounted for 12% of our gross domestic product (GDP).⁴ Although the amount of remittances declined mostly due to the pandemic, remittances still account for a large portion of our GDP. In 2021, BSP Governor Benjamin Diokno said personal remittances accounted for 8.9 percent of the Philippines' 2021 GDP.⁵ It is for this reason that OFWs are often touted as "modern day heroes" since they contribute tremendously to our national economy through their foreign exchange remittances.

Despite their significant importance in our national economy, remittances from OFWs are subjected to various charges before it reaches their families. The costs of a remittance transaction include a fee charged by the sending agent, typically paid by the sender, and a currency-conversion fee for delivery of local currency to the beneficiary in another country. Some smaller operators charge the beneficiary a fee to collect remittances, presumably to account for unexpected exchange-rate movements. And remittance agents (especially banks) may earn an indirect fee in the form of interest (or "float") by investing funds before delivering them to the beneficiary. The float can be significant in countries where overnight interest rates are high.⁶

¹ <https://www.imf.org/external/Pubs/FT/fandd/basics/76-remittances.htm>

² Ibid.

³ <https://www.worldbank.org/en/news/press-release/2022/05/11/remittances-to-reach-630-billion-in-2022-with-record-flows-into-ukraine>

⁴ <https://www.adb.org/sites/default/files/publication/28401/economics-wp188.pdf>

⁵ <https://business.inquirer.net/341015/cash-remittances-to-ph-hit-new-high-of-31-4b-in-2021>

⁶ <https://www.imf.org/external/Pubs/FT/fandd/basics/76-remittances.htm>

delivering them to the beneficiary. The float can be significant in countries where overnight interest rates are high.⁶

Thus, this bill seeks to provide safeguards to protect the foreign exchange remittances of OFWs by: 1) granting a 50% discount on remittances received by their immediate family members; 2) prohibiting bank and non-bank financial intermediaries offering remittance services from raising their remittance fees without prior consultation from the Department of Finance, Bangko Sentral ng Pilipinas and Philippine Overseas Employment Agency; and 3) Mandatory Financial Education program to OFWs and their families.

In line with the policy adopted by its original proponent Senator Loren Legarda, this bill therefore likewise serves as a counter-part House Bill. It is for the reasons stated above that the passage of this measure is earnestly sought.

AN ACT
PROVIDING FOR PROTECTION
OF OVERSEAS FILIPINO WORKERS
HON. ANTONIO B. LEGARDA JR.

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 "Overseas Filipino Workers (OFWs) Remittance Protection Act of 2022."

Sec. 2. Declaration of Policy. - The Constitution affirms that labor is the primary social economic force and mandates the State to protect the rights of the workers and promote their welfare. The State recognizes the significant contribution of OFWs to the national economy through their foreign exchange remittances. In this regard, the State shall adopt effective measures to protect their hard-earned money remitted home against onerous interest rates and exorbitant fees charged by financial institutions.

Sec. 3. Definition of Terms. - For purposes of this Act, the following terms shall be defined as follows:

- (a) "Overseas Filipino Worker" refers to a person who is to be engaged, is engaged, or has been engaged in a remunerated activity in a state of which he or she is not a citizen or on board a vessel navigating the foreign seas other than a government ship used for military or non-commercial purposes or on an installation, landed offshore or on the high seas; to be used interchangeably with migrant worker.
- (b) "Remittance" refers to the foreign exchange earnings sent home by OFWs or their employers or agents through formal channels.

⁶ <https://www.imf.org/external/Pubs/FT/fandd/basics/76-remittances.htm>

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Sec. 3. Definition of Terms. - For purposes of this Act, the following terms shall be defined as follows:

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offshore or on the high seas; to be used interchangeably with migrant worker.

(b) “*Remittance*” refers to the foreign exchange earnings sent home by OFWs or their employees or agents through formal channels.

(c) “*Remittance Fee*” refers to the service fee or charge imposed by bank and non-bank financial intermediaries for the sending money of OFWs through formal channels.

Sec. 4. Applicability of this Act. – The provisions of this Act shall apply to all OFW remittances, whether voluntary or mandated by law, orders, issuances or rules, and regulations.

Sec. 5. Discounts on Remittance Fees and Discounts Granted to Establishments. – Bank and non-bank financial intermediaries may impose fees for services rendered in sending money of OFWs to their immediate family members, subject to a fifty percent (50%) discount.

Bank and non-bank financial intermediaries providing discounts on remittance fees may claim the discounts granted as a tax deduction based on the cost of services rendered to OFWs. The discounts granted should be treated as an ordinary and necessary expense deductible from the gross income of the intermediary falling under the category of itemized deductions: Provided, That the total deduction from the gross income of establishments providing discounts on remittance fees shall not exceed twenty-four thousand pesos (Php 24,000.00) per OFW every taxable year: Provided, further, that the Secretary of Finance shall, upon the recommendation of the Commissioner of Internal Revenue, issue the revenue regulation for the purpose.

Sec. 6. Requirement of Posting of the Peso Equivalent of the Currency to be Exchanged. – All bank and non-bank financial intermediaries offering remittance services to OFWs shall be required to post in a conspicuous place within the establishment’s premises the Philippine peso equivalent rate of the foreign currencies being transacted. The Philippine peso equivalent of the amount as remitted will be the same amount that will be received by the beneficiary of the remittance.

Sec. 7. Prohibition from Raising Remittance Fees. – All bank and non-bank financial intermediaries offering remittance services to OFWs are prohibited from raising their current remittance fees without prior consultation with the Department of Finance (DOF), Bangko Sentral ng Pilipinas (BSP), and the Philippine Overseas Employment Administration (POEA).

Sec. 8. Other Prohibited Acts. – The following acts are also prohibited:

- (a) Misappropriation or conversion, to the prejudice of the OFW or beneficiary, of foreign exchange remittances received in trust, or on commission, or for administration, or under any other obligation involving the duty to make delivery of, or to return the same, or by denying having received such foreign exchange remittance;
- (b) Taking of foreign exchange remittances without the consent of the OFW or beneficiary;
- (c) Imposition of remittance fees in excess of those prescribed under Section 5 of this Act;
- (d) Failure to post in a conspicuous place of the establishment the Philippine Peso rate of the foreign currency being transacted; and
- (e) Failure to conduct consultation with the DOF, BSP, and the POEA before raising remittance fees.

Sec. 9. Penalties. –

- (a) Any person who is found guilty of any of the acts described in Section 8 (a) hereof shall be punished by:
 - (i) Imprisonment of six (6) years to eight (8) years, if the amount of the remittance is more than Twenty-Two Thousand Pesos (Php 22,000.00); adding one (1) year for each additional Ten Thousand Pesos (Php 10,000.00), but not exceeding twenty (20) years;
 - (ii) Imprisonment of four (4) years, two (2) months, and one (1) day to six (6) years if the value of the

remittance is over Twelve Thousand Pesos (Php 12,000.00) but does not exceed Twenty-Two Thousand Pesos (Php 22,000.00);

(iii) Imprisonment of two (2) years and four (4) months to four (4) years and two (2) months, if the value of the remittance is over Six Thousand Pesos (Php 6,000.00) but does not exceed Twelve Thousand Pesos (Php 12,000.00);

(iv) Imprisonment of four (4) months and one (1) day to two (2) years and four (4) months, if the value of the remittance is over Two Hundred Pesos (Php 200.00) but does not exceed Six Thousand Pesos (Php 6,000.00); and

(v) Imprisonment of two (2) months and one (1) day to six (6) months, if the value of the remittance does not exceed Two Hundred Pesos (Php 200.00).

(b) Any person who is found guilty of violating Section 8 (b) hereof shall be punished by:

(i) Imprisonment of ten (10) years and one (1) day to twelve (12) years, if the amount of the remittance exceeds Twenty-Two Thousand Pesos (Php 22,000.00); adding one (1) year for each additional Ten Thousand Pesos (Php 10,000.00), but not exceeding twenty (20) years;

(ii) Imprisonment of six (6) years and one (1) day to ten (10) years, if the value of the remittance is over Twelve Thousand Pesos (Php 12,000.00) but does not exceed Twenty-Two Thousand Pesos (Php 22,000.00);

(iii) Imprisonment of four (4) years, two (2) months, and one (1) day to six (6) years, if the value of the remittance is over Six Thousand Pesos (Php 6,000.00) but does not exceed Twelve Thousand Pesos (Php 12,000.00); and

(iv) Imprisonment of six (6) months and one (1) day to four (4) years and two (2) months, if the value of the remittance is over Two Hundred Pesos (Php 200.00) but does not exceed Six Thousand Pesos (Php 6,000.00).

(c) Any person who is found guilty of violating Section 8 (c), (d), and (e) of this Act shall be punished by an imprisonment of six (6) months and one (1) day to six (6) years and one (1) day and a fine of Fifty Thousand Pesos (Php 50,000.00) but not exceeding Seven Hundred Fifty Thousand Pesos (Php 750,000.00).

Aside from the criminal liability provided in the preceding paragraphs, institutions governed and supervised by the Bangko Sentral ng Pilipinas (BSP) found to have committed violations of Section 8 of this Act shall be subjected to the necessary fines, penalties, and sanctions as provided under the Republic Act No. 7653, or the "New Central Bank Act," Republic Act No. 8791, or the "General Banking Law of 2000," and other pertinent banking regulations.

In case the violation is committed by a corporation or partnership, the liability shall be imposed on the president, managing director or partner, general manager, or other responsible officers of the corporation or partnership.

Sec. 10. Mandatory Financial Education for OFWs and their Families. – The Department of Finance (DOF), together with the Bangko Sentral ng Pilipinas (BSP), Philippine Overseas Employment Administration (POEA), and other agencies, shall ensure that a mandatory financial education program shall be provided to OFWs and their families.

The program shall include, but not be limited to, providing information on financial management, budgeting, investment options, and similar topics which shall educate the OFWs and their families in the handling of their earnings and remittances.

Sec. 11. Liability under the Revised Penal Code and Other Laws. - Prosecution under this Act shall be without prejudice to any liability for violation of any provision of the Revised Penal Code or other laws.

Sec. 12. Implementing Agency. - The Department of Finance (DOF), in consultation with the BSP, POEA, Overseas Workers Welfare Administration (OWWA), Department of Foreign Affairs (DFA), Bankers Association of the Philippines (BAP), Association of Bank Remittance Officers, Inc. (ABROI), Philippine Association of Service Exporters, Inc. (PASEI), Philippine Association of Foreign Exchange Dealers, Money Changers and Remittance Agents, Inc. (PAFERAI), representatives from the placement or recruitment industry, non-government organizations advocating the rights and welfare of OFWs, and other stakeholders, shall issue the necessary rules and regulations for the effective implementation of this Act within ninety (90) days after its approval.

Sec. 13. Repealing Clause. - All laws, decrees, executive orders, issuances, rules, and regulations that are inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

Sec. 14. Separability Clause. - If any provision of this Act is held unconstitutional or invalid, such holding shall not affect other provisions not affected thereby.

Sec. 15. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,