

Amando M Tetangco, Jr: Supporting overseas workers thru lower remittance fees

Speech by Mr Amando M Tetangco, Jr, Governor of the Central Bank of the Philippines (Bangko Sentral ng Pilipinas), on the occasion of the PHILPASS-ABROI MOA signing, Manila, 2 December 2009.

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Magandang umaga sa inyong lahat!

On behalf of the Members of the Monetary Board and my fellow central bankers, I congratulate all the institutions and all those involved in this important undertaking for making this a reality.

This is important because with our signing ceremony today, we take another significant step forward in our continuing program to support millions of our overseas workers. Together, we shall be able to lower the fees paid by our overseas workers to send money to their beneficiaries.

The principal players who collaborated with the Bangko Sentral's Department of Economic Statistics and the Payments and Settlements Office on this project are the Association of Bank Remittance Officers, Inc. more popularly known as ABROI, and the different bank organizations including the Rural Bankers Association of the Philippines, the Chamber of Thrift Banks, and the Bankers Association of the Philippines. Let us acknowledge them with a well-deserved round of applause.

In particular, we commend ABROI under the leadership of its president Carmelita Araneta and its 11 member banks, in alphabetical order: Allied Bank, Asia United Bank, Banco de Oro, Bank of Philippine Islands, China Bank, Development Bank of the Philippines, Land Bank of the Philippines, Metrobank, Philippine National Bank, RCBC and Union Bank. Ladies and gentlemen, let us give them a well-deserved round of applause.

Under our agreement, the 11 member banks of ABROI who handle remittances of overseas Filipino workers will use the Bangko Sentral's real-time gross settlement system – which we call PhilPass – as their link to send remitted money to the beneficiaries' accounts in other banks.

As a payments system infrastructure, PhilPass primarily settles high value payments from accounts maintained by banks with the Bangko Sentral, thereby eliminating settlement risks. With our MOA, PhilPass will also serve as a local clearing facility for the settlement of remittances for credit to other banks.

Given the delays as well as incidents of theft and robbery involving some couriers used by banks to deposit remittance funds to beneficiary accounts, PhilPass emerges as a safer, faster, and more efficient option for remitting overseas workers.

Another highlight of this project is the agreement by participating banks to charge a significantly lower standard back-end processing fee of 50 pesos per remittance transaction. The back-end processing fee normally charged ranges from a low of P100.00 to a high of P550.00 per transaction.

In other words, overseas Filipinos will be saving at least P50 to P500 per transaction in remittance fees whenever ABROI members forward the money to beneficiary accounts in other banks.

Estimates indicate that remittance transactions average 66 million per year, of which transmission through "credit-to-other banks" accounts for 8% or an average of more than

5,000 transactions daily. This means savings of at least P75 million in annual remittance fees for overseas Filipinos. At least P75 million.

For our overseas workers, this represents additional money that can benefit their families and other beneficiaries. For the Bangko Sentral and our banks, this represents yet another way for us to express our support for our overseas workers who continue to play a pivotal role in keeping our economy sound and stable.

I understand that systems integration of ABROI member banks with the Bangko Sentral's PhilPass will be completed before the end of this year, with test runs expected to begin in January 2010. Given this timeline, the PhilPass-ABROI linkage should be fully operational by late February or early March next year.

Once again ladies and gentlemen, I thank everyone involved in this important undertaking that will benefit millions of our overseas Filipino workers and their families. Let us consider this as our joint Christmas gift to them.

Mabuhay ang ating overseas workers! Mabuhay ang Pilipinas! Maraming salamat sa inyong lahat.