22 February 1983

Circular No. 7

Subject: Guidelines on Foreign Exchange Remittances of Filipino Contract Workers

Attached, for the information and guidance of all concerned, is a copy of Resolution 1-83 of the Inter-Agency Committee on the Implementation of Executive Order No. 857. Among other things, the Resolution contains guidelines on various matters brought to the Committee's attention regarding the Executive Order and its implementing rules and regulations.

PATRICIA A. STO. TOMAS
Administrator

Att.
Resolution 1-83
RESOLUTION NO. 1-83

In its meeting held on 9 February 1983 at the Blue Room of the Central Bank and presided over by Central Bank Deputy Governor Juan Quintos, Jr., the Inter-Agency Committee on the Implementation of Executive Order No. 857 decided on the following:

I. Guidelines

1.1. Validity of Passports of Contract Workers - In accordance with the normal duration of contracts of employment, and taking into account the provisions of both Executive Order Nos. 855 and 857 mandating the Ministry of Foreign Affairs to adjust, as circumstances may require the initial validity period, passports issued to contract workers shall be valid for two years, renewable for another two years subject to compliance with the mandatory remittance requirement.

1.2. Definition of "substantial compliance" - As a general rule, compliance with the percentages of mandatory remittance defined in Section 2 of Executive Order No. 857 shall be required. However, during the initial period of the implementation of the Executive Order, which is from February 1, 1983 to February 1, 1984, consular officers may renew old passports or issue new passports and officials of the Ministry of Labor may renew employment contracts if the contract workers concerned are able to submit proof of "substantial compliance" with the mandatory remittance requirement.

A contract worker shall be deemed to have substantially complied with the mandatory requirement if, at the time he applies for renewal of passport or renewal of his employment contract during the period cited above, he can show proof that he has remitted and sold for pesos at least one half of the amount of foreign exchange corresponding to the mandatory remittance required of him.

The requirement to remit on a monthly basis need not be strictly applied during the initial period of implementation provided that the amount remitted and sold for pesos through authorized financing institutions shall at least be equal to one half of the amount corresponding to the mandatory percentage requirement defined under the Executive Order.
For example, if the salary of a contract worker is US$200 a month or US$2,400 a year, such worker is required to remit 50% thereof or US$1,200 annually under Executive Order No. 857. Pursuant to the substantial compliance formula, a contract worker needs only to show proof that he has at least remitted and sold for pesos 50% of US$1,200 thereof or US$600.00 a year.

The "substantial compliance" defined herein shall apply only to contract workers remitting on an individual basis. It shall not be applicable to those contract workers already remitting or who will be remitting under the payroll system, or on a monthly basis.

1.3. Proof of compliance - Proof of compliance could be any one of those enumerated in Sec. 5 of the Executive Order provided the name of the applicant is clearly shown as the sender or seller of the foreign exchange. It shall be the responsibility of the contract worker or his beneficiaries to keep copies of proofs of remittance or sale for pesos as evidence of his compliance for purposes of supporting his application for renewal of passport and/or employment contract.

In cases where no remittances of foreign exchange are made abroad, evidence of sale of foreign currencies for pesos to authorized banks of the Central Bank or Foreign Exchange Dealers, shall be accepted as proof of compliance with the mandatory remittance requirement.

1.4. Definition of Beneficiaries - Beneficiaries are immediate members, relatives, dependents and other persons to whom a contract worker regularly remits a portion of his foreign exchange earnings to the Philippines. A contract worker may also designate himself as his own beneficiary.

1.5. Conflict in Mandatory Remittance Requirement and Host Country's Regulations on the Matter - Should there be conflict in complying with the mandatory remittance requirement in view of the host country's regulations on the matter, the percentages of remittance shall be within allowable limits set down by local laws.

1.6. Beneficiaries Living with Contract Workers Abroad - A contract worker whose immediate family members, dependents or beneficiaries are residing with him abroad is not compelled to comply with the mandatory remittance requirement except if the dependents themselves are contract workers, subject to verification of his family status by the Ministries of Foreign Affairs and/or Labor and Employment. He should be encouraged, nevertheless, to remit a portion of his foreign earnings to the Philippines.
1.7. Role of Embassy as Channel for Remittances - The role of 
the Embassy as defined in Sec. 7 of Rule III of the implementing 
rules is only temporary, in the absence of banking facilities in the job site 
and pending the establishment of appropriate arrangements by the Central 
Bank. In exercising this function, the Embassy shall abide by customary 
local laws and regulations of the host country.

1.8. Remittances of Contract Workers are not Deemed Personal 
Deductions for Income Taxation Purposes - Obligations of contract 
workers to remit portions of their foreign exchange earnings under 
Executive Order No. 857 are separate and distinct from the personal 
deductions defined under the gross income taxation law.

1.9. Filipino Servicemen in U.S. Defense Installations - Filipino 
servicemen working in U.S. military installations are not compelled 
to comply with the mandatory compliance requirement but they should 
be encouraged nevertheless to remit a portion of their foreign exchange 
earnings to the Philippines through authorized financing institutions.

1.10. Immigrants and Filipino Employees of the U.N. - Immigrants 
and Filipino professionals and employees working with United Nations 
agencies or specialized bodies are not compelled to comply with the 
mandatory requirement of Executive Order No. 857 but they shall, 
nevertheless, be encouraged to remit portions of their foreign exchange 
earnings to the Philippines through authorized financing institutions.

II. Administrative Measures

1.11. Holding of Training Seminars for Licensed Recruitment 
Agencies - The Committee requested the Central Bank and the Ministry 
of Labor and Employment to make arrangements for the holding of 
training seminars for licensed recruitment agencies and entities to 
apprise them of the spirit and intent of E.O. 857, its rules and regu-
lations, and the procedures governing mandatory remittances of Filipino 
contract workers and to ensure that all concerned (recruiters and workers) 
are familiar with their obligations under E.O. 857.

1.12. Clearing House for Inquiries - All inquiries arising out of 
the implementation of Executive Order No. 857 shall be addressed to 
the Inter-Agency Committee, created under Office Order No. 31, dated 
February 7, 1983, c/o Atty. Gregorio Suarez, Associate Director, 
Foreign Exchange Department, Central Bank of the Philippines, Manila.
1.13. Feedback Mechanism - Consular officers and labor attaches abroad shall be advised to bring to the Committee's attention, through the Ministry of Foreign Affairs, all questions or matters which could not be resolved in the posts and which may require clarification or interpretation of the Executive Order and its implementing rules and regulations. They are also encouraged to make appropriate suggestion or recommendations to the Committee to effectively implement the Executive Order.

1.14. The Committee shall transmit immediately to the Ministries of Foreign Affairs and Labor and Employment and the Central Bank of the Philippines, these guidelines for dissemination and information of all concerned.

1.15. The Committee may, from time to time, issue resolutions to clarify further these guidelines.

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Attested:

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