COUNTRY PLANS FOR REDUCING REMITTANCE TRANSFER COSTS

TURKEY

Background

Listed as a receiving country within G20, banks, non-bank entities and the Post Office are the providers of money remittance services in Turkey. Regulatory base is established by the Law on Payment and Security Settlement Systems, Payment Services and Electronic Money Institutions, enacted on June 27th, 2013.

As of September 2017, there are 29 payment institutions and 12 electronic money institutions licensed in addition to 46 banks providing remittance services, while 9 more applications are on the line to be reviewed.

2014 Call to Action

In 2014 we pointed out that the cost of sending remittances via banks is nearly %10, while the cost is relatively low for the money transfer operators and the post office and is almost %8,5.

In Turkey, the cost of sending remittances varies depending on whether the transaction is occurred via (i) the bank's branch (ii) online banking (iii) money transfer operators. According to new data we gathered from the banks, payment institutions and the post office, the average fee charged by Turkish banks is 7,5% when the transaction is conducted via the bank's branch, whereas it is 4% via online banking and 8,8% via money transfer operators. The correspondent banks which Turkish banks work with also charge fee which cannot be known precisely but estimated between the range of 2-4%. When sending remittances, the average fee charged by payment institutions and post office is relatively low and is 6% and 5,2% respectively.

On the other hand, Turkey is listed among receiving countries within G20. When receiving remittance from another country, the average fee charged by banks is 4,5%.

In our 2015 country plan, we specified that there is an ongoing work to improve the platform that is set on Banking Regulation and Supervision Agency's (BRSA) web site and that discloses all fees charged by banks for the services they provide. These works are planned to be completed by the end of this year.

In 2015 plan, we also stated that the payment institutions were still continuing to apply for a license from the BRSA and we expected that the competition in the remittance sector would improve once these institutions started to get licensed. To that end, the BRSA started to license payment institutions beginning from July 2015.

2017 Country Plan for reducing remittance transfer costs

Turkish country plan is based on two components:

- Improving transparency and consumer protection

- Increasing competitiveness

Improving Transparency and Consumer Protection

All fees that are charged by each bank for the services they provide are listed on a platform set in the BRSA’s web site. The works to improve this platform in cooperation with Turkish Banks Association are planned to be completed by the end of this year. In this platform, fees charged by each bank for transferring a particular amount of money will be disclosed, ensuring comparability among banks. When transferring money to another country, the historically most commonly used amount will be detected and used in this platform. This work is expected to increase transparency and competition in the remittance market, helping consumers make fully informed choices among alternatives.

Increasing Competitiveness

For a more effective competition, the Law allows payment institutions and electronic money institutions to conduct money remittance services through a more extensive service or agent network compared to banks. Through the extensive service network of these institutions, remittance service users are expected to have enhanced access to the services consequently.

We expect that the increasing number of licensed payment institutions will pave the way for a more intense competition in the remittance sector, helping the prices go down for the customers. However, we need to observe further how the market will shape in the light of new entries and the extent to which the competition will increase. Turkey needs time to see how recently licensed institutions will operate and if they face any challenges, given the legal framework is quite new.