G20 GERMANY 2017
HAMBURG

G20 National Remittance Plans

GPFI Global Partnership for Financial Inclusion

COUNTRY PLANS FOR REDUCING REMITTANCE TRANSFER COSTS SWITZERLAND

Background

According to World Bank data, Switzerland appears to be among the top-5 remittance-sending countries globally, with a volume of approximately USD 25 billion in 2014 (3.5% of its 2014-GDP). With approximately 2.5 millions immigrants (of approx. 8.3 million residents in Switzerland, as per 2016), Switzerland ranks among the top destination countries for immigrants and asylum seekers. The World Bank's methodology[1], however, takes into account a large part of cross-border payments by cross-frontier workers in its definition of remittances volumes. Therefore, for countries with a substantial population of cross-frontier workers, such as Switzerland, World Bank remittances volumes are likely overstating actual remittances flows. In contrast to the World Bank, the Swiss Federal Statistical Office (FSO)'s definition of remittances is more narrow as it only takes into account only private transfers made by migrants - who have lived and worked in Switzerland for at least one year - to their home country of origin. Based on these measures, outbound remittances payments accounted for approximately CHF 7 billion in 2014.[2] It is also worth to note that, in contrast to other countries, only a minor share of remittances flow from Switzerland to low-income countries. A large proprotion of remittances outflows from Switzerland are sent to European countries (mainly Albania, Hungary, Kosovo and Serbia and Switzerland's neighbourg countries). The average cost of sending remittances from Switzerland amounts to approximately 8% (according to World Bank statistics of 2015).

In Switzerland, access to banking services – including retail payment systems – is not generally perceived as an issue. The same holds generally for access to remittances services. Also, the Swiss financial sector is part of the Single Euro Payments Area (SEPA) framework, which facilitates cross-border payments (incl. remittances) in EUR towards European countries. In addition, a number of new mobile money and other technology-enabled solutions are currently emerging in the Swiss financial sector. This includes solutions focusing on payments that are also leveraged for remittances transfers. More generally, Switzerland is currently working on a number of legislative changes with a view to provide a more tailored and optimized regulatory environment for the Swiss FinTech industry (cf. 2(b) below). In this context, Switzerland is seeking innovative solutions that support the development of the FinTech industry, and by extension also digital-based solutions for payments / remittances.

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[1] The World Bank defines the remittances along the perspective of the Balance of Payments (personal transfers shall include all current transfers between residents and nonresidents).

[2] For more information, cf. the FSO study on remittances: https://www.bfs.admin.ch/bfs/en/home/statistics/sustainable-development/monet/global-dimension/impact-flows/remittances-migrants.html

Call to Action on Remittances

Switzerland advocates a comprehensive approach to migrants' remittances, which can offer inroads for promoting financial inclusion in recipient countries, while ensuring full compliance with applicable AML/CFT regulation. Favorable framework conditions need to be fostered for the efficient operation of remittances services providers and for innovation to happen in this area. Switzerland also places great emphasis on the diagnostic side, supporting surveys in priority countries to better measure and profile levels of access to and use of financial services, in order to optimize the development impact of remittances in the country of destination. Further, Switzerland has recently launched a range of legislative measures to promote innovative "FinTech" solutions than can also support digital-based remittances services. Due to the rapidly progressing digitization in the financial sector, the Swiss authorities will follow these developments closely in the future.

2017 Country plan for reducing remittance transfer costs

1. INCREASE REMITTANCE MARKET COMPETITIVENESS

In 2017, the Swiss Federal Council initiated a plan to develop an innovative and adapted regulatory framework for the FinTech industry. This framework seeks to remove market entry barriers for FinTech players and increase legal certainty for the sector overall. This work is expected to support also Fintech-based service providers in the remittances area.

Further, Switzerland is currently overhauling its financial market regulation on the federal level. After entry into force of the Financial Market Infrastructure Act in January 2016, Swiss Parliament is currently working on two further projects, incl. two core pieces of the Swiss financial market architecture, the **Financial Services Act (FinSA)** and the **Financial Institutions Act (FinIA)**. Both laws are currently discussed in the Swiss Parliament and expected to enter into force by 2019. Under the FinIA, the requirements for financial institutions are aimed at creating a level playing-field for supervised persons and entities. The FinSA sets out cross-sector rules for offering financial services and distributing financial instruments, based on the EU directives (MiFID, Prospectus Directive, PRIPs project). Financial service providers are notably required by law to give clients appropriate explanations and advice (cf. 4a).

2. IMPROVE FINANCIAL SYSTEM INFRASTRUCTURE AND PURSUE POLICIES CONDUCIVE TO HARNESSING EMERGING TECHNOLOGIES.

a. In 2016, the Swiss Federal Council adopted the "**Digital Switzerland**" strategy, in which all relevant stakeholders from the private sector, academia and civil society were involved.[3] At the heart of the strategy is the consistent utilization of the opportunities of digitalization, including for financial inclusion purposes. All Swiss citizens should have equal-opportunity, low-cost, non-discriminatory access to high-quality network infrastructure and innovative content, services and applications. They should be able to use information and communication technology (ICT) competently, safely and independently, and to adapt to rapid technological progress and new business models. A broad start-up sector which rapidly introduces innovations into the market plays a key role in this context. The objective is also to coordinate Switzerland's activities with the EU strategy for a Digital Single Market to ensure improved access to digital services and optimum conditions for digital networks.

b. The **Swiss FinTech industry**[4] is active also in the promotion of low(er)-cost remittances, including by leveraging crypto-currency and blockchain technologies. More generally and with a view to provide an optimized FinTech-friendly regulatory environment, the Swiss Federal Council in July 2017 created an authorization-exempt area (regulatory sandbox), and extended the timeframe for settlement accounts to 60 days. These developments will improve the regulatory environment for FinTech firms, including those active in the payments / remittances area. In addition to these developments, Switzerland is currently working towards establishing a new licensing category that is specifically tailored to FinTech firms. Finally, the Swiss Financial Market Supervisory Authority (FINMA) has examined relevant regulations in its area with a view to ensure their technology-neutral design. Further actions are explored regarding the legal treatment of currencies and assets based on blockchain technology.

c. The Swiss Federal Council launched in early 2017 a consultation on a bill to create an **electronic identity** (E-ID). The Swiss Government is currently working on a revised proposal for a Federal Act on Recognised Electronic Means of Identification (E-ID Act). This work forms part of a broader "Swiss eGovernment strategy"[5], that aims at promoting transparent, cost-effective seamless electronic transactions by establishing digital means of identification that are valid nationally and internationally. The E-ID will be a key infrastructure component of the legal and organizational framework that will allow for the recognition of electronic means of identification and their providers. This is a core building block for a broad range of digital services, including e-banking, as well

[3] Further information is available here: https://www.admin.ch/gov/en/start/documentation/media-releases.msg-id-61417.html and https://www.bakom.admin.ch/bakom/en/homepage/digital-switzerland-and-internet/strategie-digitale-schweiz/strategy.html

[4] The top Swiss FinTechs in the remittance sector include Ethereum, Monetas (software platforms that uses crypto-transaction technology to enable financial transactions worldwide), Tawipay (online platform that allows users to find and compare money transfer services), Amnis Treasury Services (a young startup specializing in international payments), milliPay (micropayment system) and Numbrs (mobile app that provides worldwide access to users' bank accounts and enables users to conduct transactions).

[5] For further information, see https://www.egovernment.ch/en/

as services in the area of payments, and thereby is also expected to improve the environment for remittances in Switzerland.

d. The **Swiss Federal Agency for Development and Cooperation (SDC)** is developing a financial inclusion strategy. This strategy includes, amongst other elements, the co-funding of technical assistance activities for digital payments solutions within the framework of **the Swiss Capacity Building Facility (SCBF).**[6] The SCBF is a public-private development partnership with the objective to assist financial institutions, including digital money transfer companies, in significantly scaling up their outreach to poor populations in developing countries. The SDC also supports money transfer services through its core funding of multilateral partners like UNCDF, IBRD, and the regional development banks. Further, in coordination with the World Bank, the International Organization for Migration (OIM) and the government of Morocco, the SDC has co-financed a pilot-project developed by the Swiss-based start-up “Pintail”, which seeks to lower the cost of remittances for migrants through the use of digital technologies.

3. DISCOURAGE TAXES ON MIGRANT REMITTANCE TRANSFERS.

Switzerland does **not tax remittances**. Money transfers by migrants resident in Switzerland and sent from Switzerland to family members abroad are tax deductible within the scope of applicable social security laws. The modalities for such deductions may differ from one Canton (sub-national jurisdiction) to another.

4. IMPROVE TRANSPARENCY AND CONSUMER PROTECTION OF REMITTANCE TRANSFERS.

a. A **Financial Services Act (FinSA)** is currently being debated by Swiss Parliament and is expected to enter into force in 2019. The FinSA will improve client protection and applies to all financial service providers operating in Switzerland. Amongst other requirements, FinSA stipulates that all financial service providers must adhere to codes of conduct under applicable supervisory law. FinSA will also require basic training and continuing professional education for client advisers, transparency of remuneration from third parties and uniform regulation of prospectus requirements.

b. The Swiss State Secretariat for Economic Affairs (SECO) published an **information brochure on “International money transfers from Switzerland”[7].** The publication aims at providing a solid decision-making basis for sending money to overseas recipients and thereby contributing to greater transparency in the Swiss market. In addition to specific details on money transfer operators in Switzerland, including their services and prices,

[6] For further information, see: http://scbf.ch/

[7] https://www.news.admin.ch/NSBSubscriber/message/attachments/15718.pdf

this brochure provides general information on money transfers and financial services. Also, the brochure seeks to encourage using money not only for spending but also, and increasingly, for productive investments, thereby contributing to growth and job creation in migrants' own countries.

c. In addition, Switzerland contributes, financially and through other means, to programs that seek to improve the use and understanding of remittances by migrants. The objective is to optimize the development impact of remittances in the respective country of destination. For instance, the Swiss State Secretariat for Economic Affairs (SECO) significantly contributes to the **World Bank Remittances and Payments Program in favor of seven eastern European countries**. This World Bank program seeks improvement of the legal and regulatory framework for remittances, as well as cost reductions and an increase in transparency for remittances. In addition, **SECO also contributes to the World Bank's Global Program on Consumer Protection and Financial Literacy (CPFL)**.