2017 Update to Leaders on Progress Towards the G20 Remittance Target

Remittances represent a major source of income for millions of families and businesses globally, particularly for the most vulnerable, and are often a critical entry point for the financially excluded to access financial services. Remittance flows contribute to the welfare of around 700 million people worldwide[1]; in 2017 alone, remittances to developing countries are expected to reach USD 444 billion[2], far exceeding official development assistance from all sources. Supporting remittance flows by reducing transaction costs while ensuring quality remittance services is a vital and necessary condition, to achieving the goals of the 2030 Agenda for Sustainable Development. If leveraged properly, this significant flow of funds can lift people out of poverty, improve economic infrastructure in receiving countries and increase engagement in the formal financial sector.

In 2011, the G20 leaders committed to reducing the global average cost of sending remittances to 5% (from 9.30% in mid-2011). The Leaders recommitted to this target in 2014, and in 2016, the G20 aligned its work with the 2030 Agenda, by including the target (i.e. to reduce to less than 3% the cost of remittances and to eliminate remittance corridors with costs higher than 5% by 2030) under Sustainable Development Goal 10.

As of Q1 2017, the global average cost has reduced to 7.45%; down from more than 9% in 2011, but slightly up from the historic low of 7.37% in Q4 2015. Following years of more consistent decline, the global average has remained substantially stagnant over the past year. In 41% of monitored corridors, the average cost of accessible services with a sufficient level of reach is below 5%.[3][4] However, the cost for remittance services continues to vary significantly depending on the region where the money is being sent, from the nearly 10% cost of sending money to Sub-Saharan Africa to the comparatively lower cost of remittance services to South Asia (5.4%), Latin America and the Caribbean (6%), and East Europe and Central Asia (6.5%).

Since the implementation of National Remittance Plans in 2015, G20 members have focused their efforts on increasing remittance market competitiveness, improving financial system infrastructure, harnessing emerging technologies, discouraging taxes on migrant remittance transfers, using remittances to expand responsible financial inclusion, addressing de-risking drivers, improving data on diaspora and remittances dynamics, and improving the transparency and consumer protection of remittance transfers to support a healthy environment for remittances.

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[1] Source: http://documents.worldbank.org/curated/en/679881467993185572/pdf/101071-WP-PUBLIC-GPFI-DWG-Remittances-De-risking-Report-2015-Final-2.pdf
[2] Source: http://pubdocs.worldbank.org/en/992371492706371662/MigrationandDevelopmentBrief27.pdf
[3] Source: World Bank, Remittances Prices Worldwide, Smart Remitter Target.
4 Services are deemed to have a sufficient level of reach on the basis of the Smart Remitter Target indicator, developed by the World Bank in consultation with the Global Remittances Working Group. In addition to cost, the indicator accounts for transaction speed and accessibility. Accessibility is determined by geographic proximity of branches and agents for services requiring a physical presence of the customer. For services that do not require presence, level of access to any relevant technology or account is considered. For additional information on SmaRT, see https://remittanceprices.worldbank.org/sites/default/files/smart_methodology.pdf.

G20 members have implemented a wide range of measures, appropriate to each member's circumstances and the needs of different remittance corridors, including price comparison websites, consultative forums and events, improvements to financial infrastructure, initiatives to address structural issues in receiving countries, promoting access to technologically-enabled remittance services, studies into solutions for particular corridors, and new legal frameworks and regulatory reforms. *See annex for further detail.*

The G20 initiated and continues to promote the collaborative work of financial standard-setting bodies, the World Bank Group and the IMF to deepen the understanding of the extent and drivers of banks and other financial entities' 'de-risking' of their operations. It is critical that the potential negative impacts that this global phenomenon has on remittance services providers continue to be monitored. It is also important that potential actions to ease 'de-risking' pressures be identified. This should not be limited to challenges faced by existing players, but also consider the difficulties faced by potential new entrants, with a special attention to the potential solutions that innovative models may contribute.

The G20 continues to encourage financial institutions and supervisors to apply a risk-based approach commensurate with the guidance from the Financial Action Task Force (FATF). The GPFI also takes into account the ongoing further work in the Financial Stability Board's (FSB) Correspondent Banking Coordination Group as it relates to issues surrounding remittances and looks forward to the FSB report in this area it will submit to the Hamburg Leaders' Summit in July 2017.

In 2017, the G20 through the GPFI is working closely with the FATF and the FSB to explore the impact and drivers of 'de-risking' on remittances and related services. Following workshops with Money Value Transfer Operators and Banks held in March 2017, the GPFI will continue to engage on this work with the FATF and FSB to identify potential actions to address 'de-risking' concerns.

Additionally, in 2017, G20 countries are updating National Remittance Plans to encompass key G20 commitments since the finalization of the plans under Turkey's 2015 G20 Presidency. This will include alignment with the 2030 Agenda and Addis Ababa Action Agenda, consideration of the impact of de-risking activities on remittance flows and costs, and application of the 2016 G20 High Level Principles for Digital Financial Inclusion. The updated National Remittance Plans will be finalized by the end of the German G20 Presidency. Non-G20 GPFI countries being a large source of remittance outflows worldwide will be encouraged to share information on their national remittance measures to enable cross-border remittance flows.

Moving forward, G20 countries should continue to focus on cost reduction objectives, while recognizing the challenges posed by continued 'de-risking' actions as well as the opportunities offered by innovation in the financial technology space. The stall in the global average cost is an issue of concern and policies to facilitate cost reduction should continue to be implemented. On the one hand, 'de-risking' may negatively affect competition, financial inclusion, and even have the potential to reverse the achievements of the last decade. On the other hand, innovative technologies and business models could help gain further ground. These aspects and the interdependencies between them need to be given the necessary attention.

ANNEX: NATIONAL REMITTANCES PLANS | COUNTRY IMPLEMENTATION UPDATE

The following table summarizes each jurisdiction's progress and achievements in the implementation of their individual National Remittances Plan (NPR). The World Bank provided all remittance data, unless otherwise specified.

Table 1. National Remittances Plans implementation update.

Jurisdiction	Summary progress
Argentina	• **Overview**: Argentina began in 2015 a process to ease the rules regulating access to the foreign exchange market; the new and more flexible regulatory context has made international remittance services more efficient and cheaper. • **Key achievements**: quantitative restrictions on personal transfers and on purchases of foreign assets by residents have been removed. In turn, within the measures to facilitate the universal access to banking services, the Central Bank of Argentina established free of charge savings accounts and reduced the requirements for their opening, so that users can open an account with their identity card only. These simplified requirements apply to any person who does not have another savings account in the financial system (these accounts are subject to certain limits).
Australia	• **Overview**: Australian authorities have focused on increasing market competitiveness while ensuring appropriate AML/CFT proportionality; harnessing emerging technologies and improving financial infrastructure; and enhancing transparency of remittances costs through the *Send Money Pacific* remittance comparison website. • **Key achievements**: the average cost of sending remittances from Australia currently stands at 9.65% (Q1-2017), a decrease in over 5 percentage points since 2011. Authorities have completed a statutory review of their AML/CFT regulation, as well as various studies on the decline in correspondent banking relationships.
Brazil	• **Overview**: the Central Bank of Brazil (BCB) has focused on monitoring the Brazilian foreign exchange market; conducting studies; and is currently working on updating regulations regarding cross border transactions. • **Key achievements**: on March 2016, the BCB released on its website the Total Effective Value (VET) Ranking, which ranks remittances agents by the average VET they charge. Also, since 2011, the costs of remitting from Brazil have decreased from 11.12 % to 5.86%.
Canada	• **Overview:** the Government of Canada has focused on transparency and consumer protection for Canadian remitters; to this end, Canada is developing a price comparison website for remittances and undertaking a survey to better understand remittances providers' needs. Another area of focus has been improving market competitiveness for remittances. • **Key achievements:** the average cost of sending remittances from Canada is 7.8% (Q1- 2017), down from 9.3% for Q2-2015.

China	• **Overview**: Chinese authorities continue to closely monitor remittances services; the emergence of new methods to remit money, especially through online and mobile channels, has improved service convenience and reduced transaction costs. • **Key achievements**: the average cost of sending remittances to China is 5.71% (Q1-2017) for sending USD 500; however, transactions under 500 USD account for a relatively low proportion of the total market. The cost is significantly lower for larger transactions. Finally, some initiatives have been launched to help consumers use remittance services smartly, especially through digital solutions.
European Union	• **Key achievements:** ▪ The revised EU Payment Services Directive (PSD2) entered into force on January 2016, and is expected to become applicable from the beginning of 2018. This Directive should allow increased transparency on the costs of remittances in the EU. ▪ The Valletta Action Plan was approved in November 2015, and includes a number of commitments aiming to maximizing the development impact of remittances between the EU and African partner countries. ▪ The European Commission published in May 2017 the Working document *'Digital4Development: mainstreaming digital technologies and services into EU Development Policy'*, aiming to further mainstream digitalization in its interventions for sustainable development and economic growth.
France	• **Overview**: French authorities are working on three main work streams, which focus on facilitating, enhancing and assessing the status of remittances services providers. • **Key achievements**: the average cost of remittance transfers from France is 6.97 % (Q1-2017), which reflects a reduction of almost 5 percentage points over the last 5 years. Additionally, France has launched an updated version of its price comparison website and is seeking to better understand both the interest and the behaviour of its users to improve this service. France adopted a law in 2014 allowing the commercialization of financial products and services of banks located in partner countries; since 2015, one bank has been approved and a few banks have begun the approval process.
Germany	• **Overview**: Germany remains focused on measures supporting improved transparency and consumer protection, and is seeking to (i) increase the use of formal products for money transfers; (ii) link remittances with other services to foster financial inclusion; (iii) create regulatory frameworks to harness emerging technologies through its development efforts and (iv) improve data on diaspora and remittances dynamics. • **Key achievements**: the adoption of the Payment Accounts Act by Germany's national regulator in 2016 implementing the European Payment Accounts Directive 2014/92/EU obliges banks to offer basic payment accounts to all consumers in Germany (e.g. refugees and asylum seekers). Also, Germany is continuing its work on improving transparency and consumer protection in the remittances market e.g. through its national price comparison website for remittances. New, relevant country corridors have been introduced and new

	sub-sites created. The site is currently being redesigned and a mobile website will be created in 2017.
India	• **Overview:** Indian authorities are streamlining remittances procedures to make them more cost-effective, and promoting competition and increased use of technology. • **Key achievements:** Exchange Houses that are part of the Rupee Drawing Arrangement are no longer required collateral or cash deposits to operate; instead, Authorised Dealer (AD) banks are free to determine the collateral requirement, if any, and to frame their own policy in this regard. Additionally, the Reserve Bank of India has approved certain entities for participating in the outward remittance market under certain conditions (i.e. transaction limits). The Reserve Bank of India has also permitted Authorized Dealer Banks in India to use the systems and services of non-bank entities to effect outward remittances. Average cost of sending remittances for India has reduced to 6.4 per cent in 2016 as against 9.1 per cent in 2013, the reduction rate being faster than the global average.
Indonesia	• **Overview:** the Bank of Indonesia is developing a remittance business model based on transferring funds to accounts, in order to replace the current cash-to-cash system. Also, authorities are expanding education to migrant workers to enhance their understanding of remittance services and to promote the use of formal transfer channels. • **Key achievements:** a mapping of remittances costs in Malaysia, Singapore and Hong Kong, was completed in 2016; as a result, a pilot project to respond to the recommendations from this exercise will be implemented 2017. Indonesia has also partnered with the postal office in Malaysia to support remittance flows in this corridor.
Italy	• **Overview:** Italian authorities are currently working on further enhancing the supply of basic banking products favouring the financial inclusion of migrants. To this end, various decrees and directives that aim to strengthen financial inclusion are being implemented. • **Key achievements:** Market initiatives developed promptly in line with the authorities' goals. The average cost of sending remittances from Italy, has continued to decrease and is now 5.92% (Q1-2017). The National Observatory for the Financial Inclusion of Migrants has been set up, which analyses and monitors migrants' financial inclusion with a view to identifying integrated strategies, orientation and education for them.
Japan	• **Overview:** authorities in Japan are working on increasing remittance market competitiveness, transparency and consumer protection of remittance transfers users. To this end, the Government conducts hearings to non-bank service providers as necessary to ensure that they operate businesses properly and accurately. • **Key achievements:** the remittance cost from Japan is 11.65% (Q1-2017), decreasing from 12.43 % in Q1-2016. Since the enforcement of the Payment Services Act (April 2010), the number of non-bank service providers increased from 11 to 49 (as of March 2017).

Korea	• **Overview:** Korea is working on increasing competition in their remittances markets in order to enhance efficiency and reduce costs, while continuing the monitoring and improvement of the remittances' system. • **Key achievements:** the Foreign Exchange Transactions Act, which lays the legal foundation to allow MTOs including fin-tech companies to operate in the market, will come into effect in July this year. This is expected to enhance competitiveness in the market and further lower remittance transfer costs. The cost of sending remittances from Korea is 4.87% (Q1-2017), below the 2015 figure.
Mexico	• **Overview**: Mexico is focused on implementing initiatives involving digitization of payments and innovative financial business models that offer remittances services at lower costs. The Government is also looking to strengthen the transparency and coordination of public-private efforts to support remittance flows. • **Key achievements:** the average cost of sending remittances to Mexico is 4.67% (Q1-2017), continuing its downward trend. Continuous work to strengthen AML/CFT regulations is being carried out, in compliance with FATF/GAFI recommendations and comparable to international standards and regulations.
Russia	• **Overview:** Russian authorities are implementing financial literacy and inclusion measures for migrants; amending regulation of bank agents to remove bottlenecks, and minimize legal uncertainty; and introducing differentiated and proportional KYC requirements that do not inhibit the provision of basic and innovative financial services. • **Key achievements:** Russia remains the least expensive G20 sending country, with a cost of 2.09% (Q1-2017). The National Financial Literacy Strategy is being developed, and in 2017 the targeted work with migrants and their families will be continued.
Saudi Arabia	• **Overview:** towards the end of 2016, the Saudi Arabian Monetary Authority initiated the "Remittance Centers Project" which aims to review the six largest Remittance Centers' working hours, pricing, service quality, and their use of technology. The project will be completed this year. • **Key achievements:** the average cost of sending remittances from Saudi Arabia is 5.20% (Q1-2017). Additionally, the regulatory framework of the Monetary Authority now facilitates the opening of new remittances centers; and is in the process of establishing a Sandbox initiative.
South Africa	• **Overview:** South African authorities are implementing reforms to address weaknesses in the execution of remittances, improving financial inclusion, and enhancing efficiencies in the payments market. • **Key achievements:** Although South Africa remains the costliest G20 country to send remittances from, with an average cost of 17.78% (Q1-2017); this represents a decline from a peak above 20% observed in Q1-2013. Additionally, the regulatory framework for category three Authorised Dealers in foreign exchange with limited authority to include value transfer services, has been expanded.

Turkey	• **Overview**: Turkey has strengthened its regulatory infrastructure, in order to provide transparency, increase competitiveness and foster the use of new technologies. • **Key achievements:** fees charged by banks to consumers for remittance services are disclosed on the authority's web site. When sending remittances through banks the cost is around 10% while the cost of sending remittances through post offices and money transfer operators is around 8.5%. When receiving remittances from another country, the fee charged varies among banks and it goes from 0 to 6%.
United Kingdom	• **Overview**: recent research notes that de-risking continues to be an issue for Payment Institutions (PI), including continued trouble securing bank accounts. To address this issue, the UK government is undertaking a series of actions focused on addressing the de-risking issue, including developing supervisory standards and refreshing guidance for the MSB sector. • **Key achievements**: the Department for International Development (DFID) funded a series of World Bank programmes to address infrastructure issues impacting remittances flows; including the Somalia Safer Corridor imitative and improvement to the Remittances Prices Worldwide database, to include analysis of an additional 65 corridors. DFID also conducted research to explore the opportunities to apply FinTech capability in order to reduce cost and increase remittance service provision from the UK to developing countries and fragile states.
United States of America	• **Overview**: the Treasury and the Financial Crimes Enforcement Network (FinCEN) have been working on revised guidance to MTOs and Money Service Business (MSB), to simplify and strengthen the supervisory regime. The Government has also focused on harnessing digital technologies through improved infrastructure, policy and regulation to lower costs and improve the integration of formal financial services, including remittance transfers. • **Key achievements**: the FinCEN and Conference of State Bank Supervisors (CSBS) have enabled MSB's to use an existing database to improve cross-state supervision, compliance and transparency of MSB activities. The Federal Reserve has published strategies to increase efficiency in cross-border payments, and the reserve Bank offers a service (FedGlobal) that facilitates remittance transfers and other cross-border payments.