G20 PLAN TO FACILITATE REMITTANCE FLOWS

G20 plan to facilitate remittance flows

INTRODUCTION

The Group of Twenty (G20) recognises the value of remittance flows in helping to drive strong, sustainable and balanced growth. Remittances represent a major source of income for millions of families and businesses globally, and are an important avenue to greater financial inclusion. For the poorest and most vulnerable, access to remittance flows provides a sustainable path out of poverty, as more than half the world's adult population have limited access to finance. In 2014, remittances to developing countries are expected to reach $436 billion, far exceeding Official Development Assistance. Remittances to and from G20 countries account for almost 80 per cent of global remittance flows.

G20 APPROACH TO FACILITATING REMITTANCE FLOWS AND ENHANCING FINANCIAL INCLUSION

1. Recommit to work to reduce the global average cost of transferring remittances to five per cent

In 2011, G20 leaders agreed to work to reduce the global average cost of transferring remittances from ten to five per cent by 2014. Since then, collaboration between and concerted efforts by G20 members, operators and recipients, has resulted in a decrease in the G20 average cost to 7.98 per cent, its lowest level yet. Given progress to date, the **G20 recommits to the five per cent target** to maintain momentum and to translate G20 ambition into practical development outcomes. The G20 recognises that:

- reducing the costs of remittances and increasing their development impact is a long-term goal;
- costs are influenced by market settings in both sending and receiving countries; and
- a global goal plays a useful role in encouraging action.

2. Supporting country-led actions to address the cost, and improve the availability of remittance services, particularly for poor people

The G20 will also take collective country-led action. In response to the G20 Call to Action on Remittances, members have committed to implement a domestic or international action to help reduce the cost of transferring remittances. The range of actions to which countries have committed go beyond addressing the cost of transferring remittances to initiatives such as innovative payment systems and improving financial literacy for migrants. These actions highlight the G20's readiness to address emerging issues that could impede remittance flows and financial inclusion. A summary of these actions and initiatives is contained in the Call to Action on Remittances (Annex 1). On the basis of the analysis carried out in accordance with Annex 2, countries should also take steps to develop plans for potential actions, as appropriate, for reducing remittance transfer costs. A list of possible policy levers is provided in Annex 2.

3. Using remittance flows to drive financial inclusion and development

Developing inclusive financial systems is an important component of economic and social development. Connecting households that receive remittances with an integrated financial system including banks, insurance companies or financial services is of value as:

- consumers are introduced into the formal financial system, increasing demand for financial products, which in turn helps to develop receiving countries' financial sectors — a step that is essential for attracting investment and financing entrepreneurship;
- remittances can increase the stock of human capital, which in turn improves the productivity of workforces through contributing to investments in education, food security, entrepreneurship and health;
- remittances can support women's economic empowerment, as an estimated two-thirds of recipients globally are women, creating opportunities for women to accumulate financial capital to start their own businesses; and
- remittances having greater geographic dispersion than other private capital flows, can stimulate development in areas that are lagging in economic development.

IMPLEMENTING WORK ON REMITTANCES

The G20 Global Partnership for Financial Inclusion (GPFI) – as the implementing body for financial inclusion in the G20 – has updated the G20 *Financial Inclusion Action Plan* (FIAP) in 2014. The FIAP will accelerate the provision and uptake of financial services and facilitate remittance flows through:

- advancing the provision and utilisation of payment instruments and systems;
- leveraging technology and innovative business models to develop efficient payment systems;
- evaluating policy options or recommendations to reduce the cost of sending remittances; and
- increasing the accessibility to, and transparency of, remittance transfers.

The FIAP will also raise awareness of, and identify causes and solutions as appropriate, related to the closure of money transfer operator accounts, including publishing relevant data and arranging meetings of key stakeholders. This work will include a data collection exercise on the closure of money transfer operators' bank accounts to be conducted by the World Bank as a GPFI implementing partner.

The G20 Development Working Group (DWG) will continue to build political momentum for collective and individual country-led actions. The DWG will draw on the GPFI's technical work to support progress against the five per cent target, and will support efforts to create a sound analytical basis and evidence base to inform future country-led actions. In particular, the DWG will work with the GPFI to identify how remittance flows can drive financial inclusion outcomes in low income countries. Progress in these areas, including on the Call to Action and country plans for reducing remittance transfer costs, will be monitored through the DWG's and GPFI's progress reporting cycles.

The DWG will continue to share approaches on financial inclusion and remittances to build a body of knowledge on potential actions G20 members could take. In addition to working within the G20 to progress outcomes related to remittance flows, the G20 will continue to actively engage with the private sector, global standard setting bodies, international organisations and civil society.

Annex 1: Summary of G20 commitments on the Call to Action on Remittances

G20 MEMBERS

Country	Action(s)
Australia	Australia is engaging with commercial banks and industry associations to support low-cost remittances transfers in its region. Australia is also leveraging its aid initiatives and a seasonal workers program to better prepare workers from the Pacific to invest remittance savings upon return to their home countries. Australia continues to support transparency initiatives, such as remittance price comparison websites. Additionally, Australia is engaging with global standard setting bodies, and its domestic authorities, to review the impact of Australia's anti-money laundering and counter-terrorism legislation on remittance transfers.
Argentina	Argentina has adopted a series of measures that benefit Argentine citizens and migrant workers with at least one year residence in its territory. They include the creation of the universal free savings account, the promotion of the establishment of financial entities' offices in small villages, an economic and financial education program and an Advisory Centre for Financial Services Users. These actions will be monitored during the period encompassed by the 2014 Financial Inclusion Action Plan. Given new financial policy measures that have recently been implemented, the Government is monitoring their impact with a view to evaluating the need to continue with their implementation, modify them or incorporate new actions, as appropriate, with a view to contributing in the long term to the reduction of the cost of remittances.
Brazil	The improvement of foreign exchange regulation aiming at the increase of transparency and reduction of costs is a priority for the Central Bank of Brazil (BCB). The BCB is constantly monitoring the foreign exchange market and undertaking studies with the objective of fine-tuning regulation so as to simplify foreign exchange procedures and lower their costs. One important recent innovation in this area was the issuance of the National Monetary Council's Resolution 4,198, dated March 2013, that requires financial institutions to inform the Total Effective Value prior to entering foreign exchange contracts in all transactions with clients that total up to US$100 thousand. This measure resulted in a reduction of the costs of remittances in Brazil to below the G20 average.
Canada	Canada has commissioned a third party study to assess its remittance market and to explore the potential use of innovative results-based financing mechanisms in order to lower the cost of remittance flows to developing countries. The results of this study, including actionable mechanism proposals for selected corridors, are expected to be delivered before the end of 2014, and will be shared with international partners in a transparent fashion. Canada is also considering other potential measures to ensure that its citizens have access to safe, efficient and transparent remittance services.
China	The People's Bank of China is exploring options to support innovation in payment processes through the use of technology and is supporting financial inclusion mechanisms and financial education programs for migrants.
European Union	The EU is reviewing its Payment Services Directive "PSD" which sets out the legislative framework for electronic payments in Europe. The proposed Directive (PSD2) will enhance security of electronic payments in general including remittances transfers and improve their cost transparency. The PSD2

	also proposes to extend the transparency provisions to payments where only one of the payment service providers is located in the EU and further extension of other provisions is being explored. Payment service providers would then be obliged to provide more information on their terms and costs of payments. Enhanced cost transparency, innovation, security and competition can lead to lower transfer costs. The PSD2 will probably be adopted towards the end of 2014. Through the promotion of innovative investment, transfer and financially inclusive mechanisms, EU-funded actions have successfully contributed to fill the main gaps affecting the link between remittances and development. Along the same line, the past experiences suggest that there is demand from migrants' organisations, individuals, and local MFIs for more structured synergies between third country governments and diaspora organisations aiming at identifying new forms and areas of collaboration. While remittance-receiving countries are now starting to integrate remittances into their national development strategies, and while the remittance market is changing at rapid pace, there is a tremendous opportunity to leverage the results of existing activities, in particular in rural areas where the potential for development is huge.
France	France has commissioned a study to increase its knowledge and monitoring of remittances. France supports the multi-donor trust fund "Migration and Development" of the African Development Bank and supports transparency and competition initiatives through price comparison websites. France is associated with the World Bank project "Greenback 2.0 Montreuil" which analyses migrant behaviour in relation to remittances. The results of the project will be available by the end of 2014 which will form the basis of an action plan targeting migrants and service providers in France.
Germany	To increase transparency and competition, Germany has conducted a review of its remittance price comparison portal and has implemented recommendations from the review, including increasing the price range of remittance comparisons, and increasing the number of countries to compare remittances costs. Germany is working with central banks in countries including Uganda, Mozambique and Tajikistan, on regulation and supervision of mobile financial services markets. By developing a regulative framework which strikes a balance between innovative risk, consumer protection and stability, the private sector and other actors are more able to work in a secure, transparent and enabling environment.
India	India has taken several measures to liberalise the remittance scheme to drive competition and thereby reduce costs. Initiatives include increasing the cap on the number of remittances sent through money transfer schemes, facilitating the appointment of more intermediaries/money transfer agents, reducing collateral requirements, as well as time periods, and introducing more official channels to route cross-border remittances. As an innovative step with the potential to reduce the cost of remittance transfers, India's central bank has facilitated the receipt of foreign inward remittances directly into the bank accounts of beneficiaries under the Money Transfer Service Scheme (MTSS). The foreign inward remittances received by the bank acting as an Indian Agent under MTSS can now be electronically credited directly to the account of the beneficiary, even if held with a bank other than the Indian Agent Bank.
Indonesia	Indonesia is supporting innovative payment processes to increase access to affordable, convenient and secure financial and remittance services. Indonesia's Digital Financial Services (DFS) is a financial and payment system that uses internet and mobile technology to support payment processes. The Bank of Indonesia has issued DFS regulations and will run a pilot on government to person transfer programs through DFS. Indonesia continues to encourage efforts to expand domestic and

	international automatic teller machine connectivity to support more efficient and low cost services. Synergies between the private sector, such as telecommunication operators and banks, and governments, are also being explored, to promote the implementation of remittance services through mobile devices as well as to educate consumers about this service.
Italy	Since 2009, Italy's National Working Group has met periodically, bringing key government agencies, banks and money transfer operators to further reduce the cost of transferring remittances. Italy continues to improve financial products and services, and increase transparency of its remittance market through initiatives such as price comparison websites. Italy has also adopted an internal regulation, which oversees the Italian remittance market, to implement the relevant European Union Directive "on payment services."
Japan	Japan will implement measures to further disseminate information regarding the Payment Services Act 2010, which opened the Japanese remittances market to non-bank remittance providers. These measures aim to increase consumer knowledge on remittance services, encourage entry into the remittances market and promote healthy competition among service providers.
Republic of Korea	The Republic of Korea is in the process of building infrastructure that directly links remittance service providers in Korea and in recipient countries, to provide real-time remittance services at affordable costs. By removing intermediary services, such as SWIFT and establishing bilateral relationships between clearing and settlement institutions (for example, the Korea Financial Telecommunications and clearing institutions), additional remittance costs are removed. In 2015, a pilot program will be implemented in Vietnam. Korea has also made publicly available, comparative information of 17 commercial banks based in Korea and their remittance fees to increase competition and transparency in Korea's remittance market.
Mexico	Banco de México, the Ministry of Foreign Affairs of Mexico, through the Institute for Mexicans Abroad, and the US Federal Reserve, have joined efforts to increase the use of Directo a México, a service to send money from a US bank account to any bank account in Mexico. Directo a México is partnering with credit union corporations and pre-paid card companies to improve functionality of products and is negotiating with financial institutions to broaden Directo a México enrolment. Directo a México has also issued regulatory changes to create an enabling environment to promote mobile technology for remittances (e.g. allowing account holders to associate bank accounts with mobile phone numbers to initiate and receive electronic money transfers). In addition, Mexico is increasing financial literacy for Mexican communities in the US and Canada and is using its national authorities (National Commission for the Protection of Users of Financial Services and the Consumer Financial Protection Bureau) to launch an electronic communication tool to answer queries from Mexican migrants.
Russia	Russia's National Program on improving financial literacy and consumer protection and the National Financial Literacy Strategy will help lower the cost of transferring remittances by harmonising regulation, increasing the efficiency of payment systems infrastructure, and fostering innovative low- cost products such as digital and mobile payments. These actions will complement consumer protection and increased financial literacy and engagement with migrant communities. Additional actions include national awareness campaigns, development of financial literacy materials, counselling on consumer protection and the implementation of pilot projects.

Saudi Arabia	The Saudi Arabian Monetary Agency (SAMA), the Saudi central bank, has in place, or is in the process of adopting, a number of actions to address issues related to remittances that incorporate factors other than cost, such as transparency, competitiveness and consumer protection. The Banking Consumer Protection Principles (BCPP) was implemented on 1 September 2013 and emphasises customers' rights to have high-quality services, while providing the basis for disclosure, transparency and competitiveness in prices and commissions. The SAMA has permitted commercial banks to establish independent centres for remittance services in cooperation with global financial transfer firms. The SAMA continues to hold meetings with commercial banks working on remittance services to monitor prices and service quality, as well as to ensure fulfilment of all domestic and international requirements. The SAMA is encouraging commercial banks to expand electronic services through their websites. The SAMA is continually reviewing and monitoring prices of remittances and relevant exchange fees to ensure fees reasonably balance costs to customers and profit margins to banks.

South Africa	The National Payment System Department of the South African Reserve Bank (SARB), in association with the South Africa Development Community Bankers Association and the private sector, is driving a process to introduce a person-to-person transfer payment stream to be implemented and linked to the Southern African Integrated Regional Electronic Settlement System. The ownership restrictions on foreign participation in Authorised Dealers with Limited Authority (ADLA) have been lifted and the regulatory framework has been published (Exchange Control Circular No. 16/2013). The SARB is currently considering two applications. It is envisaged that the participation of ADLAs in cross-border remittances as standalone entities will help foster competition and exert downward pressure on the cost of remittances in South Africa. In order to limit costs in dealing with relatively low-value and low-risk remittances, a proposed exemption in terms of the Financial Intelligence Centre (FICA) Act is being put forward. The proposal allows a person with a South African ID or foreign passport with a relevant valid permit, but without proof of residence (currently required in terms of the Act), to send remittances up to the value of R3,000 per day, and up to the value of R10,000 per month. This proposal is at an advanced stage and agreed at a working level, though it still has to be approved in terms of the provisions of the Act.
Turkey	Turkey will continue to explore options to support further enhancements that help increase the efficiency of remittance services, in particular through the use of new financial services and payment technologies.
United Kingdom	The UK is committed to reducing the cost of remittances through supporting the development of technology enabled payments infrastructure in developing countries. This includes support for regulatory and policy reform, development of payments infrastructure and scale up through investment of successful business models. The UK is committed to ensuring remittances continue to flow through secure, accessible and formal channels following the global withdrawal of banks from the sector. The UK Government has established an Action Group on Cross Border Remittances comprised of private sector, regulators, government and civil society to identify actions to improve guidance for banks and remittance service providers on risk, improve understanding of risk in the remittance sector and development of a safer corridor pilot for UK-Somalia remittances.
United States	The U.S. House of Representatives and the Senate have passed the Money Remittances Improvement Act of 2014, which aims to reduce the burden on money transfer operators (MTOs). The bill allows the U.S. Treasury Financial Crimes Enforcement Network to rely on state examinations of MTOs, as long as those examinations meet the minimum federal standards of review. The legislation has been sent to the President for his approval. In 2013, the U.S. Treasury launched an inter-agency forum on remittances and development. The group aims to connect U.S. agencies and encourage knowledge sharing to improve the development impact of remittances. In 2012, the U.S. Consumer Financial Protection Bureau (CFPB) published rules implementing the provisions of the Dodd-Frank, Wall Street Reform and Consumer Protection Act affecting remittance transfers. The U.S. CFPB continues to monitor the U.S. remittances market to assess the impact of the new consumer protection measures following amendments to the rules, which took effect on 28 October 2013.

G20 GUEST COUNTRIES

Country	Action(s)
New Zealand	A New Zealand inter-governmental working group has been formed to identify and support opportunities to lower remittance costs in the region. Domestically, New Zealand is working with the banking sector to improve the bankability of small money transfer operators and develop low-cost products for seasonal migrant workers. New Zealand will also continue to support existing initiatives such as price comparison websites and seasonal worker financial literacy training, which have contributed to large reductions in average costs in recent years. New Zealand is also committed to using its membership of global forums to encourage a coordinated approach to reviewing and addressing the issue of high remittance costs. New Zealand is also working with partner governments and agencies in the Pacific to explore ways of reducing costs in the receiving country, such as through the adoption and use of electronic payments systems infrastructure.
Spain	Spain is continuing its support for the “Financial Facility for Remittances”, a project led by Investing in Rural People (International Fund for Agricultural Development) to develop and implement pilot projects that promote access to remittance services in developing countries. These measures include initiatives that have an impact on rural communities and address constraining factors that hinder the development of remittance services.

Annex 2: Country Plans for Reducing Remittance Transfer Costs

CONTEXT

The G20 Plan to Facilitate Remittance Flows includes a recommitment to the five per cent remittance cost-reduction target, support for country-led actions to address the cost and improve the availability of remittance services, and an emphasis on the use of remittance flows to drive financial inclusion and development. In an effort to accelerate progress under the G20 Plan to Facilitate Remittance Flows, we ask country experts, in partnership with the G20 Global Partnership for Financial Inclusion (GPFI), the World Bank, and other relevant organizations to conduct the additional analysis needed to develop country plans to advance access to more affordable remittances. These country plans aim to complement and strengthen existing efforts, including implementation of the "General Principles for International Remittance Services," and would be subject to modification as circumstances dictate. The GPFI will be responsible for monitoring and reporting on progress made by countries against the country plans. Member countries may wish to consider the following possible actions, among others, for their country plans.

1. INCREASE REMITTANCE MARKET COMPETITIVENESS

Potential actions include, where appropriate:

- Address regulations that constrain competition in the remittance services provider (RSP) sector and impede a greater choice of payout service points to consumers, especially in rural areas. Regulations that require remittance payout to occur only through banks reduce market competitiveness and restrict services for unbanked consumers.
- Facilitate the entrance of more RSPs into the formal remittances market. Overly lengthy wait times and cumbersome, overly costly licensing procedures can be a barrier to market entry. At the same time, appropriate authorities must ensure effective anti-money laundering (AML) compliance programs that comply with international standards.
- Improve supervision of RSPs. Poor supervision acts as a barrier to entry in the RSP sector and allows illicit activities such as fraud, money laundering, or terrorist financing. Therefore, national or other relevant authorities should reassess the supervisory framework and revise and strengthen it where necessary, concerning both solvency and AML/counter financing for terrorism (CFT) supervision, which would increase confidence in the RSP sector and protect against abuse of RSPs. Supervisory requirements should comply with international standards.
- Address anti-competitive pricing structures. Where exclusivity agreements have been legally prohibited but still operate, appropriate authorities should step up enforcement of competition laws. Where there is evidence that exclusivity agreements are inappropriately restricting remittance market competitiveness, authorities should evaluate such allegations and address anti-competitive practices.

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

Potential actions include, where appropriate:

- Support modernization of the retail payments system infrastructure and support the development of open payments platforms that are linked to countries' clearing and settlement systems and that provide access to eligible banks, non-bank financial institutions, and emerging payment service providers. This would further improve interoperability and consumer choice.

- Promote expanded coverage of the retail payments system into all relevant geographical areas, especially rural, underserved areas. In most places, coverage is provided by the private sector, for example mobile network operators that establish cell tower coverage for their own commercial purposes, including mobile money services and data network coverage to the banking sector. In some cases, policy-makers are choosing to provide publicly supported or financed infrastructure projects, such as cell towers, making those facilities interoperable and providing greater access. If current regulatory frameworks hamper development of these services, the frameworks should be modernized, while also safeguarding compliance with international AML/CFT and solvency standards.
- Facilitate the use of new technology-enabled business models, such as mobile money, prepaid payment cards, mobile point-of-sale (mPOS) systems, and card-less ATM access, to reduce costs and enhance access to remittances, particularly for low-income consumers who reside in remote areas.
- Propose recommendations to provide for a wider range of acceptable customer identity documents, which will support the efforts of regulators and service providers to facilitate more efficient customer registration and still meet their AML/CFT responsibilities.

3. DISCOURAGE TAXES ON MIGRANT REMITTANCE TRANSFERS.

Potential actions include, where appropriate:

- GPFI members will work together to assess and discourage situations where taxes on cross-border migrant remittance transfers may erode the development benefits of remittance flows — with a particular focus on taxes on low-value transfers to low-income populations.

4. IMPROVE TRANSPARENCY AND CONSUMER PROTECTION OF REMITTANCE TRANSFERS.

Potential actions include, where appropriate:

- Require RSPs to clearly display and disseminate up-to-date and complete information on remittance transfer costs and terms, including fees, and, where applicable, taxes and exchange rates.
- Enable consumers to compare transfer costs via a remittance price database or other measures that increase cost transparency and improve consumers' understanding of the terms offered by RSPs operating in the corridor.
- Reform consumer financial protection rules, if needed, to provide for fair cancellation and error-resolution rights.
- Encourage both public- and private-sector-led awareness building campaigns to boost financial literacy of remittance consumers.