

COUNTRY PLANS FOR REDUCING REMITTANCE TRANSFER COSTS

KINGDOM OF SAUDI ARABIA

Background

The Kingdom of Saudi Arabia (“KSA”) has taken several initiatives to facilitate the flow of remittances, incorporating relevant factors such as increasing market competitiveness, harnessing emerging technologies, enhancing transparency and promoting consumer protection. In order to review progress and ensure smooth implementation, the Saudi Arabian Monetary Authority (“SAMA”) initiated the “Remittance Centers Project” at the end of 2016. The objective of this project is to review the remittances environment and identify areas of improvement, with a particular focus on centers’ working hours, pricing and service quality, as well as the technology utilization and electronic channels. The project is being conducted based on the six largest Remittance Centers and it will be completed by the end of 2017.

Call to Action on Remittances and Key Achievements

1. KSA’s 2014 Call to Action.

“The Saudi Arabian Monetary Authority 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. SAMA has permitted commercial banks to establish independent centers for remittance services in cooperation with global financial transfer firms. 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. SAMA is encouraging commercial banks to expand electronic services through their websites. Also, it 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.”

Source: G20 Plan to facilitate remittance flows, 2014.

2. Key Achievements

The following provide an overview of the key achievements. Further details can be obtained in our regular progress updates.

- **Maintaining the average cost below the global average of 7.45%** - The average cost of sending remittances from **Saudi Arabia is 5.20%** (Q1-2017).
- **Facilitating the opening of new remittance centres** - The regulatory framework of SAMA is conducive to promoting competitiveness in the remittances market. Elaborated licensing procedures are in place in order facilitate the opening of new remittances centres.
- **Protecting consumers** - The elaborated consumer protection framework addresses consumers’ complaints including those pertaining to remittances services. In addition, SAMA has taken initiatives to boost financial literacy, especially in terms of financial education and awareness, and has conducted two financial literacy surveys in 2014 and 2016, using the OECD financial literacy questionnaire.

2017 Country plan for reducing remittance transfer costs

We will continue our focus on the initiatives already in place and the following provides an overview of the additional steps to help maintain, and where possible, reduce the cost of transferring remittances while promoting transparency, competitiveness and consumer protection.

1. Increase remittance market competitiveness

- **Agent Banking network** - Following the successful experience of using the Saudi Post offices as a network capable of offering remittance services, SAMA is currently looking to promote similar experience through the deployment of Agent Banking – which will facilitate a broadening and deepening of the financial sector and will bring about more competitiveness, including in the remittance market.
- **Supervisory framework** – SAMA is currently enhancing its supervisory framework for both the remittance centres operated by the banks and companies acting as remittance service providers (SAMA Money Changing Business Class A licensee). This will include market conduct supervision.

2. Improve financial system infrastructure and pursue policies conducive to harnessing emerging technologies

- **Promote expanded coverage** – The Agent Banking proposition will seek to address both the competitiveness and the accessibility of remittance transfers to all relevant geographical areas.
- **Updated AML and CFT legislations** – The AML / CFT guidelines will be updated according to the legislations and this will provide better clarity to remittance service providers with regard to their regulatory compliance commitment (e.g. account opening requirements).
- **Embracing Fintech based solutions** –SAMA’s General Department of Payment System along with the Payment Systems Oversight and Policy Unit are currently in the process of establishing the Sandbox initiative, which will enable market players to experiment and test technological solutions under the close supervision of SAMA. In turn, this initiative will allow SAMA, as a regulator, to understand the impact of these technologies and adjust regulations as necessary.

3. Discourage taxes on migrant remittance transfers

There are currently no taxes on migrant remittance transfers.

4. Improve transparency and consumer protection of remittance transfers

- **Improving financial literacy** – the outcome of the financial surveys will be used to continue the enhancement of financial literacy through targeted initiatives.
- **Consideration for establishing a remittance price database** – different measures to increase cost transparency will be studied, including the consideration for the establishment of a remittance price database.