



**G20 GERMANY 2017**  
HAMBURG

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# **G20 National Remittance Plan**

## **CANADA—2018-2020**

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**GPFI**

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Global Partnership  
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## COUNTRY PLANS FOR REDUCING REMITTANCE TRANSFER COSTS: CANADA

### Background

In 2014, Canada 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 study found that:

- The regulatory and supervisory environment in Canada provides relatively low barriers to entry for remittance service providers;
- Approximately 70% of all remittance services available in Canada are cash-to-cash and account-to-account products, demonstrating a reliance on transfer methods that are more expensive than innovative tools, such as online or mobile services; and
- Canadian consumers seem to value trust and convenience, and tend to choose Remittance Service Providers (RSPs) based on those preferences.

The study recommended that Canada set up a remittance price comparison website to increase transparency in the Canadian remittance market, and proposed the creation of a two-stage results-based mechanism (or prize) to encourage RSPs to adopt innovative non-cash sending methods (1<sup>st</sup> stage) and provide financial rewards to eligible RSPs in proportion to the volume of remittances they send during a pre-determined window of time (2<sup>nd</sup> stage).

In 2011, the National Household Survey estimated the foreign-born population at 6,775,700, representing 20.6% of the total population.

According to the World Bank's data on bilateral remittances, Canada received USD 1.3 billion in remittances from abroad in 2015, while Canada's remitters sent USD 23.6 billion abroad (or 1.5% of its GDP). In terms of destinations, 34% of Canada's remittances went to East Asia and the Pacific, 29% to Europe and Central Asia, 17% to South Asia, 7% to the Middle-East and North Africa. Sub-Saharan Africa and North America received 4% each. Overall, about two thirds (USD 15.4 billion) of Canada's remittances were sent to developing countries, chiefly to China (USD 4.2 billion), India (USD 2.9 billion), and the Philippines (USD 2.1 billion). About CAD 1.2 billion went to developing countries in Latin America and the Caribbean region.

The cost of remittances sent from Canada has fallen drastically since 2011, going from 11.87% in the third quarter of 2011 to 7.21% in the second quarter of 2017. This change in cost corresponds to an increase in the number of RSPs in Canada, which went from 99 to 140 during the same period in the 15 remittance corridors monitored by the World Bank.



## Call to Action on Remittances

In its 2015-2017 National Remittance Plan, the Government of Canada focused on increasing transparency and consumer protection for Canadian remitters; to this end, Canada has undertaken a national survey to better understand remittance providers' needs. At the same time, Canada has been discussing with financial institutions how to improve remittance market competitiveness.

Since 2014, various market-based solutions have appeared online to help consumers choose among a variety of RSPs based on the total cost of their transaction, helping to increase transparency in the remittance market. In this context, the Government of Canada is reviewing options on the best way forward to enable Canadian remitters to make more informed decisions about the services they use to send money. The national survey, undertaken by Canada's national statistical agency, will provide crucial information when it is complete.

## 2017 Country plan for reducing remittance transfer costs

### INCREASE REMITTANCE MARKET COMPETITIVENESS

- Canada will continue to work with Financial Institutions to ensure they are effectively employing the risk based approach to banking. The Government has also worked to support remittance providers understanding of the risk based approach and awareness of their AML/CFT obligations in an effort to facilitate AML/CFT compliance.

### IMPROVE TRANSPARENCY AND CONSUMER PROTECTION OF REMITTANCE TRANSFERS

- Canada expects to obtain the results of its national survey on remittances in June 2019. This survey will enable Canadian policy-makers to know the size of the Canadian remittance market (including the size of the informal market) and to understand remittance consumer behaviour. The ultimate goal is for the results of the survey to be used to inform evidence-based policy and programming that would facilitate safer, more reliable, and lower-cost remittances from Canada leading to better outcomes in developing countries.
- Privately operated websites have emerged in Canada to help bring greater transparency to remittance costs. The Government of Canada will study what further steps can be taken to increase the transparency of the remittance market.