GPFI Global Partnership for Financial Inclusion

G20 National Remittances Plan

Germany 2023

Biennial Update

Call to Action on Remittances

Germany continues to recognize the value of remittances flows in fostering robust and sustainable growth, alleviating poverty, enhancing engagement with the regulated financial sector, and improving economic infrastructure, among other direct and indirect benefits. Germany has been actively engaged in global efforts – including within the GPFI - to facilitate remittances, pursuing a reduction in the cost of these transfers, enhancing service accessibility for vulnerable population segments, and leveraging these flows for broader financial inclusion and development.

Within the framework of the G20 GPFI, Germany's 2014 Call to Action on Remittances included initiatives focused on transparency, consumer protection, and international research, coupled with targeted regulatory support in partner nations. By 2016, Germany's commitment had expanded to align with the UN 2030 Agenda and the Addis Ababa Action Agenda, striving to lower remittance transaction costs significantly and remove prohibitively expensive remittance corridors.

Recent strategies, reflecting the priorities set forth in 2020, have emphasized consumer rights, integrating remittances with financial inclusion initiatives, fostering favorable regulatory environments, promoting entrepreneurship, addressing gender disparities, and expanding research on diaspora and remittance trends, all of which gained additional urgency in the wake of the COVID-19 crisis.

The 2023 plan is set to build on these foundations, ensuring that Germany's approach to remittances continues to evolve in response to current challenges and opportunities.

Current State of the Market for International Remittances

With outflows of 25.6bn USD in 2022 (0.6% of GDP) as indicated by data from the World Bank, Germany is the fourth largest sending country worldwide. Also, per World Bank data, remittances flows into Germany amounted to around at 19.3bn USD in 2022, a slight decrease compared to 20.8bn USD in 2021. In Germany, information on remittances continues to be compiled according to BPM 6 guidelines. Remittance corridors are not broken down according to this framework. Therefore, information on this topic is not available. According to information of RSPs, approx. 20 % of remittances are paid through online channels and 80 % are paid in cash.

According to World Bank data, the average cost to send USD 200 from Germany currently remains stable when comparing the available quarterly data of 2022 to 2023 (Q1/2022: 6.10% to Q1/2023: 6.13% and Q2/2022: 5.83% to Q2/2023: 5.84%). , In Q2/2023, the cost thus falls below the global average (6.20%), but exceeds the G8 average (5.83%) and SDG 10.c (below 3%) (all data: Q2 /2023, The World Bank, Remittance Prices Worldwide). As per World Bank data, the available quarterly costs from the previous year 2022 in percent of USD 200 remitted are as follows: Q1/2022: 6.1; Q2/2022: 5.83; Q3/2022: 7.02%; Q4/2022: 5.98%. Overall, the cost is slowly decreasing since 2021, remaining constantly below 7% since Q2/2021 (6.15%) with an exceptional peak of 7.02% in Q3/2022.

Governance, Risk Management, and Regulatory Environment: Remittance service providers (RSPs) require a written license for providing payment services in Germany as a payment institution commercially which is subject to ongoing supervision. In Germany, approx. 1,300 commercial banks (licensed as CRR-credit institution) and 57 PSD 2 payment institutions with the relevant authorization as well as 2 E-Money institutions are allowed to provide remittances services. (Note: The license as CRR-credit institution, PSD 2 payment or E-Money institution does not necessarily mean that remittances are provided). RSPs are allowed to use agents who have to fulfil AML/CFT-requirements under the German Money Laundering Act.

Generally, RSPs have to fulfil the same risk management rules as other financial institutions (like banks) do. However, they are not subject to such strict capital and liquidity requirements. Legal, operational, cyber, fraud and reputational risks have to be managed appropriately and oriented on the specific business model under the same general rules and risk-based conditions as they apply for all financial service providers. This accounts to customer due diligence as well as to electronic identification procedures. However, as RSPs often have more one-off clients and less KYC long-term knowledge about their specific customers compared to e.g. banks, they must identify customers for money transfers above a threshold of 1,000 EUR. In case of accepting cash according to section 10 (4) of the Money Laundering Act KYC has to be fulfilled in any case (”0-treshold” when receiving cash).

Regarding transparency, RSPs have to provide all the information for the consumers before any contract conclusion. Transaction fees are arranged in the general terms and conditions or in individual agreements. In principle, the same accounts to additional fees. However, as payer and payee have separate contractual relationships with their respective payment service provider (PSP), and as a general rule, payer and payee pay their respective PSP’s, the PSP of the payer does not have to inform about the fees of the PSP of the payee, which are often unknown to him. Transparency in terms of speed requires publication only in the licensing/registration process.

Since the last NRP update, Germany has a dedicated innovation hub in the financial supervisory authority in place. Furthermore, in Germany, regulation does not differentiate between fintech- and non-fintech-services. Therefore, the usual regulatory regime for remittance services also applies to fintech services. This also includes all information and transaction requirements. Other relevant legislation since the last NRP update can be found in the section on payments infrastructure.

Payments infrastructure: Non-bank RPS have access to the national payment infrastructures. However, according to the EU Settlement Finality Directive (SFD) non-bank PSPs have to rely on indirect access to national payment infrastructures. Therefore, both Bundesbank’s RPS as well as EBA Clearings STEP2 only allow banks to participate directly in their infrastructures. Non-banks have to work based on indirect participation models. However, a change in European regulation is forthcoming, allowing payment institutions access to payment systems as part of the new Instant payments regulation, amending the SFD.

Furthermore, the German Act Implementing the Amending Directive on the Fourth EU Anti-Money Laundering Directive (Federal Law Gazette I of 19 December 2019, p.2602) has introduced crypto custody business into the German Banking Act (Kreditwesengesetz – KWG) as a new financial service. Also, the eWPG (Federal Law Gazette I, Nr. 29 of 09 June 2021 p.1423) has introduced the provision of a crypto securities register services into the German Banking Act (Kreditwesengesetz – KWG) as a new financial service. Moreover, the European Legislator plans to pass a regulation on markets in crypto assets ("MiCA"), which introduces crypto assets as instruments and shall regulate services in relation to crypto assets as well as the issuance of e-money token (EMT) and asset-referenced token (ART). Crypto Assets as defined by MiCA, especially EMT, can be used as means of payment, including remittances. The legislative proposal is not passed yet.

Interfaces between payment systems in Germany and payments systems in other countries exist - with EU-ACHs outside the Eurosystem (for example the link between Bundesbank's RPS and Borica Bankservice in Bulgaria). However, they do not play a major role for remittances inside the EU.

Migrant Stock and Access to Finance: The migrant stock 2022 as a share of total population is as follows: (Number of Migrants here equals the number of persons with an own migration experience living in Germany): year 2022: approx. 15,286,000 / 83,103,000.

All consumers (including all migrants) legally residing in the European Union are entitled to conclude a contract for a basic payment account. There is no difference for migrants and other citizens to participate in the payment service market. This is also the case for persons without a permanent place of residence and asylum seekers. Persons without a residence permit who cannot be deported due to legal or factual reasons (persons with a suspension of deportation) are also entitled to hold such an account. This is regulated in the German Payment Accounts Act (Zahlungskontengesetz – ZKG) which is the implementation of the European Payment Account Directive 2014/92/EU. All rules apply for all customers in the same way. The German market offers products without basic fee as well as such with basic fees. However, some ethnic groups sometimes have a bigger trust into their community than into the banking sector. Accordingly, to send money in their home country they prefer to use remittance services offered by community members instead of the local banking services.

2022-2023 Country Plan for Reducing Remittance Transfer Costs

Improve the Enabling Policy and Regulatory Environment for International Remittances

Germany co-funded the 2023 Global Forum on Remittances, Investment and Development, which took take place in Nairobi, Kenia, in June as an important platform to build and strengthen partnerships for innovative solutions to promote cheaper, faster, and safer remittance transfers with all relevant stakeholders.

Germany continues to increase investments and to strengthen the capacity in the private sector, specifically small businesses in Africa. In this context, the online platform www.widu.africa continues to enhance the impact of remittances from the African diaspora in Europe to support investment opportunities, create jobs and build bankable businesses in six African countries (Cameroon, Ghana, Kenya, Tunisia, Togo and Ethiopia). Demand is very high, with more than 5,000 entrepreneurs having been supported with grants and coaching since the end of 2019 (ca. 44% women), creating and sustaining about 9,300 jobs (50% for women) and mobilizing 7.1 Mio. EUR in private investments.

To improve the policy and regulatory environment, it is key to better align financial integrity and financial inclusion objectives. With the establishment in 2020 of the multi-stakeholder "Coordination Group on Inclusive Financial Integrity" (CG IFI), Germany continuously supports deepening the understanding of current challenges and solutions in this area, as well as strengthens coordination and cooperation among individual initiatives and organizations. The CG IFI is facilitated by the GIZ Global Program on Combating Illicit Financial Flows, which is funded by BMZ and the Norwegian Ministry of Foreign Affairs.

Improve Financial System Infrastructures, Support Innovation and Harness Emerging Technologies

Germany and Jordan have successfully concluded their collaborative project on "Improving Access to Remittances and other Financial Services through Digital Solutions" as of October 2023. Initiated in 2015, the project aimed to broaden the access of refugees and Jordanian households to remittances and other financial services through innovative digital solutions. Throughout its duration, the project helped to pilot two significant digital remittance services – one designed for the Syrian refugee community for inbound remittances, and another for outbound remittances to Bangladesh.

The efforts of this intervention have inspired numerous payment service providers to offer digital remittance services, with mobile money becoming a prominent option. In all cases, the costs and transfer time for remitting money have been lowered significantly. With the project's closure, the legacy of its impact lies in the increased adoption of digital remittance services by refugees and women and the refined regulatory framework that now supports more efficient and cost-effective money transfer services.

Lessons from this project have been integrated into the e-learning course 'Make Remittances Work for You', available via the atingi platform. The course is available for Ghana, Kosovo, and Jordan with information on how to leverage the power of remittances for long-term development.

Improve Transparency, Consumer Protection, Digital and Financial Literacy for Remittance Users

Germany continues to support the Global Knowledge Partnership on Migration and Development (KNOMAD). KNOMAD's RemitStat working group is currently working on improving the definition and reporting of remittances. First results are expected by the end of 2023.

The German Ministry of Finance has launched a joint initiative together with the Ministry of Education to promote Financial Literacy in Germany. In this regard Germany will work on a national financial literacy strategy together with the OECD. Besides that, a central platform for financial literacy will be launched and the support for research projects on financial literacy will be increased.