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Global Partnership  
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# **G20 National Remittances Plan**

## **Italy 2023**

### **Biennial Update**

# COUNTRY PLANS FOR REDUCING REMITTANCE TRANSFER COSTS

## ITALY

### Background

#### Country remittances profile

Recognizing the role of remittances in advancing inclusive and sustainable development and alleviating poverty, Italy fully supports the G20 commitment to the 2030 Agenda for Sustainable Development, including the target under Sustainable Development Goal 10c to reduce the cost of remittance transfers to less than 3% and eliminate corridors with costs higher than 5% by 2030. In this regard, Italy remains strongly committed to advocating for accessible and affordable remittance flows, and to continuing to pursue initiatives focused on this relevant objective.

In net terms, Italy sends remittance to the world: **Table 1** details Italy remittance flows from 2019 up to the third quarter of 2023.

**Table 1. Italy's outflows of personal transfers (USD million)**

Year	Inflows	Outflows
2023 (up to 2023-Q3)	401	6,686
2022	503	8,647
2021	546	9,153
2020	545	7,729
2019	552	6,731

Source: Banca d'Italia.

According to Central Bank's official data, between 2019 and 2022 outward remittance flows from Italy recorded a remarkable 28.0% increase (to 8.6 billion USD, from 6.7).<sup>1</sup> In 2022, the total amount of outward remittances from the country accounted for about 0.4% of the country's GDP.

Up to 2019, the steady growth of remittances has been broadly in line with its long-term positive trend, which in turn tracks the growth in immigrant population, especially from Eastern Europe, South Asia, and Africa. However, during and immediately after the outbreak of the COVID-19 pandemic, an acceleration in the growth of remittances has occurred: in the two-years period 2020-2021, remittances from Italy recorded an average yearly increase of 13.5% net of exchange rate adjustments (i.e. measured in euros). These developments may be the product of different factors: the need for migrants to provide additional support to their relatives in home countries affected by the pandemic, but also a switch in remitting habits prompted by travel restrictions, which likely pushed for choosing regulated channels in place of informal ones. This latter

<sup>1</sup> In this context, according to the balance of payments jargon, the term "remittances" refers to personal transfers only.

interpretation is supported by the fact that in 2020 the larger increases in remittances were recorded *vis-à-vis* the recipient countries closer to Italy.

Remittance outflows slowed their pace down to a 6% growth in 2022. While this may reflect the effect of raising inflation on real wages, it could also be due to a setback of remittances to pre-pandemic normal, both in terms of propensity to remit – as the extraordinary needs generated by the pandemic were gradually over – and in terms of choice of remitting channels – as the drivers that moved remittances toward regulated channels (e.g. travel restrictions and social distancing) weakened – and the costs of remitting services went back to historical averages when incentives, waivers and reductions in remitting fees applied during the pandemic subsided.

With respect to the amount of potential remitters, by end-2022 there were 5.0 million migrants living in Italy, 8.5% of the resident population. For migrants coming from non-EU countries, the permit to stay is subject to a formal approval by competent authorities, while EU migrants can move freely and work in Italy with no restrictions. **Table 2** details Italy’s migrant stock in volume and as a share of the total population from 2019 to 2022.

**Table 2. Migrants in Italy**

Year	Number (thousands)	% of population
2022	5,030	8.5%
2021	5,171	8.7%
2020	5,039	8.4 %
2019	4,996	8.4 %

Source: Istituto Nazionale di Statistica.

The largest national communities of migrants come from Romania, Albania, Morocco, China, and Ukraine. These five countries of origin account for about a half of foreign resident population.

In terms of corridors, and based on 2022 data, a bit more than a half of Italy’s outbound remittances (54%) is absorbed by the first seven recipients: Bangladesh and Pakistan represent the two largest beneficiaries, with a joint share of 23% of the total; the Philippines, Morocco and Romania follow suit (with an average share of 7%), while Senegal and India close the lead (each with an average share of 5%).

Based on World Bank data,<sup>2</sup> the average cost of sending remittances from Italy hovered around 4.3% in 2023Q1, well below the global average cost recorded in the same period (6.3%). Moreover, for 14 out of the 19 corridors monitored by the World Bank, this number was around or below the official target cost of 5%. According to the latest available data (December 2023) from the Italian website [mandasoldiacasa](https://mandasoldiacasa.it), the average cost of sending remittances from Italy towards the 18 corridors monitored by the website remains in its gradual decreasing trend,

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<sup>2</sup> Remittance Prices Worldwide – Quarterly, available at <https://remittanceprices.worldbank.org/en>.

reaching 4.2% (from 5.4% in January 2023);<sup>3</sup> of these, 13 corridors are characterized by an overall cost below the 5% official target, three more than in January, while five hover around, or below, 3% (fees for sending remittances to Senegal and Philippines are below 3%; those for remittances directed to India, Ivory Coast and Bangladesh are between 3 and 3.5%). These averages, nevertheless, hide an ample variability in the economic conditions applied to remittance-senders by different market operators.

The same data source allows to compare different average costs of sending remittance from Italy, based on sending channels (i.e. through branches or online platforms) or on the receiving method (in cash, on a bank account or on a card-mobile or electronic wallet; **Table 3**).

**Table 3. Remittance costs – by channel**

<b>Sending channel</b>	<b>Average cost of sending 150€</b>
Branch	5.4%
Online	3.6%
<b>Receiving method</b>	
Cash	4.9%
Bank Account	3.2%
Card-Mobile wallet	3.5%

Source: elaboration from [www.mandasoldiacasa.it](http://www.mandasoldiacasa.it) - October 2023.

A survey focused upon “digital remittances market” has been conducted by the Italian Working Group on Remittances. The survey – on a voluntary basis, implemented by CeSPI ETS - Centro Studi di Politica Internazionale, an Italian independent think tank – aimed to provide a first assessment of the digital remittances market in Italy. Starting from a definition of the survey perimeter (i.e. what is the operators’ understanding of “digital remittances”), the survey results provide relevant information about the relative dimension of the market and about the most prevalent business models adopted by different operators; at the same time, they shed light on the production cost structure of market operators. The survey also collects qualitative information on initiatives, obstacles and opportunities for the development of the digital remittances segment. A significant sample of banks, through the Italian Banking Association, answered the survey, as well as of MTOs, including the top three operators in Italy.

The main results of the survey can be summarized as follows:

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<sup>3</sup> The website is funded by the Bank of Italy and managed by CeSPI – *Centro Studi di Politica Internazionale*, an Italian independent think tank – and is certified by the World Bank as following its guidelines. Based on a “mystery shopping” methodology, the website compares, on a monthly basis, the prices of remittance services available for 18 corridors (Afghanistan, Albania, Bangladesh, Bolivia, Brazil, China, Colombia, Ecuador, Ghana, India, Ivory Coast, Morocco, Nigeria, Peru, the Philippines, Romania, Senegal, Ukraine), representing 63% of outward flows of remittances from Italy. The website shows the total cost as well as its breakdown (fees and exchange rate margin) for three sample amounts (150€, 300€ and 950€), different products, speed and type of operators (MTOs, commercial banks and postal network). The figure reported in the main text refer to the average costs of sending an amount of 150€.

- *Survey perimeter and dimensions of market.* From the MTOs' perspective, it's the sending channel that defines a digital transfer, while digital instruments include the following sending channels: web, mobile, apps and electronic wallets. Traditional cards are not included in the definition. Banks, on the other hand, refer to the classic distinction between paper and electronic payment instruments. Philippines, Morocco, Romania and Colombia turned out as the main corridors in terms of digital channels, although the market appears more fragmented (compared to the traditional ones). Looking at the market dimension, the survey shows a picture that is broadly shared by all MTOs, with a marginal weight of the digital transfer segment on the total flows in 2019 and a significant increase in 2020. This increase, however, stabilized from 2021 onwards, with the weight of the digital component reaching a stable percentage between 10 and 15%, with moderate growth rates at an aggregate level.
- *Business models.* For the three responding MTOs the digital transfers are carried out through an external company belonging to the Group, which is not based in Italy: in the case of banks, there is a general tendency for medium-sized to large banks to provide the service in-house, while smaller banks use services provided by external companies.
- *Costs structure.* Looking at the traditional channels, agency costs represent the most significant component, with a relative weight between 51 and 75%. Other components indicated as most significant include compliance costs followed by advertising and promotion costs and those related to the development and updating of user-side applications and software. EBITDA is in the range of 15 to 20%. Moving towards innovative digital channels, the most significant element concerns the significantly lower incidence of agency costs, which fall in the range between 11 and 30% (in part, linked to the destination countries, where the cash component is in any case guaranteed) representing a 60 to 80% reduction compared to traditional channels. There is also a reduction in advertising and promotional costs. Compliance costs and costs for the development of user-side applications and software remain significant. More importantly, the reduction in agency costs is translated into an actual reduction in costs for end-users, a fact confirmed by the findings reported in the [mandasoldiacasa](#) website, which reports a 35% reduction in overall costs for sending via online channels (from 5,44% at branch to 3,75% online, sending channels).
- *Qualitative analysis.* The development of digital channels is a strategic objective shared by all industry players. All operators noted an increase in the volumes of digital channels during the Covid-19 pandemic. However, two weaknesses linked to the Italian context have been underlined: a lower growth of the digital component compared to the rest of the world, and a development of this component that seems to have substantially halted in the period following the pandemic. Main obstacles to a further development of the digital component are: a) the context in which sending customers live, in terms of migration policies, access to the labor market, overall economic conditions in the destination country; b) the characteristics of customers on both the sending and the receiving ends, linked to habits that see customers still centered on cash-based systems, to the perception that digital services are associated with greater complexity, to a low level of financial-digital education, and to language difficulties that have greater weight in the use of digital tools than in the relationship with the agent; and c) the infrastructural weakness and low level of development of financial systems in receiving countries, the existence of certain critical issues in terms of anti-money laundering regulations and the high costs of designing and launching specific projects. With reference to a further

development of digital channels, the strategies deployed by operators are essentially homogeneous and can be grouped as follows: awareness and marketing initiatives aimed at increasing knowledge of and trust in these new channels; promotional and discounting initiatives; development of local partnerships, especially in Africa, that amplify the possibility of receiving remittances through non-traditional channels and products. According to the respondents, there is no specific target group to whom the development initiatives of digital channels should be addressed. All operators deploy development initiatives aimed at reaching new customers or improving/expanding the service to current customers, but without any further specific characterization. In the majority of cases, however, they report to find evidence of a greater response from the more financially evolved clientele, which corresponds to a customer segment made up mainly of Italian citizens, aged between 25 and 40 years old.

### Competition in the market

In Italy, the traditional remittance sector sees the presence of 18 MTOs; alongside them, traditional cross-border transfer services are also offered by banks and *Poste Italiane* (the Italian postal network operator). Moreover, there is a host of smaller local players, whose operations are concentrated in a few corridors, and also some online-only MTOs: these new international and fully-digital operators have recently entered the Italian market and conduct business exclusively via web platforms, therefore fostering competition and pushing traditional operators to innovate. **Table 4** describes the main features of the Italian remittances market in terms of nature, number of operators and relative market share.

**Table 4. Structure of the Italian market for remittances**

	Number of providers of each type <sup>4</sup>	Market share for each provider type? (in terms of number of transactions)
MTOs	18	96.0%
Commercial banks	2	0.9%
Postal network	1	3.1%
<b>Total</b>	<b>21</b>	<b>100.0%</b>

Source: Banca d'Italia, CeSPI.

To improve price transparency and promote competition, the Bank of Italy supports the web-based remittance cost comparison website [mandasoldiacasa](#), which is managed by CeSPI ETS and certified by the World Bank as following its guidelines. Based on a “mystery shopping” methodology, the website compares, on a monthly basis, the prices of remittance services

<sup>4</sup> Registered operators that periodically send data about their activities to the Bank of Italy.

available for 18 corridors (Afghanistan, Albania, Bangladesh, Bolivia, Brsil, China, Colombia, Ivory Coast, Ecuador, Ghana, India, Morocco, Nigeria, Peru, Philippines, Romania, Senegal, Ukraine), representing 63% of outward flows of remittances from Italy in 2022. The website shows the total cost as well as its breakdown (fees and exchange rate margin) for three sample amounts (150€, 300€ and 950€), different products, speed and type of operators (MTOs, commercial banks and postal network).

### **Regulatory environment**

In accordance with transparency legislation, MTOs – like all other payment service providers (PSPs) – must declare in advance all charges payable by the payees. As a standard practice, MTOs communicate the fees, the exchange rate applied to the single transaction and, where applicable, the receiving fees. They also communicate the amount that may be withdrawn at destination and the estimated speed of the transaction. At the same time, no information is provided regarding the exchange rate margin, which can nevertheless be inferred from available information, albeit it requires a certain degree of financial knowledge for its computation. Only few operators, as best practice, communicate the maximum percentage of the spread on the exchange rate that is applied for the service.

In the case of commercial banks, the obligation to declare the amount of fees is not matched by an obligation to communicate the applied exchange rate, which often cannot be determined *a priori* because it depends on the exchange rates applied by the corresponding intermediaries. Banks provide information about the speed only for operations conducted with countries belonging to the Single Euro Payments Area (SEPA, 36 countries), since for this area the European Union (EU) law on maximum execution times applies.

Some other regulatory developments concerning anti-money laundering/countering the financing of terrorism (AML/CFT) and access to accounts maintained with a credit institution are relevant for remittances.

In July 2019, the Bank of Italy issued a new set of provisions on customer due diligence (CDD) that includes – among the allowed verification methods of customers' identity – also video-identification and feedback mechanisms based on reliable technologically innovative solutions (e.g. forms of biometric recognition). The Italian AML law already allowed the use of digital identities compliant with Regulation (EU) No 910/2014 for the identification of the customer, in line with the EU AML Directive. In 2020, the legislation was amended in order to expand the usage of digital IDs in CDD as an alternative to in-person identification. In particular, it is now allowed identification via digital IDs with a "substantial" level of assurance, while previously the "highest" level of assurance was required.

In addition, in line with the EU Payment Services Directive, Italian law grants payment institutions the right to access banks' payment accounts services on an objective, non-discriminatory and proportionate basis. Although banks can refuse to open payment accounts or decide to close them for reasons of public order or security – or for other justified reasons based on provisions of AML/CFT law – they are obliged to provide the Bank of Italy with duly motivated reasons for any rejection. Any decision on rejections should be taken based on elements related to the specific case and in light of factual information. In this regard, the Bank of Italy ought to be notified within five working days by the intermediary, which should attach all necessary information to retrace the decision-making process and related reasons.

For AML purposes, Italy has introduced the requirement for both national and foreign virtual asset service providers and e-wallet providers (“VASPs”) to register with the Italian authority overseeing financial agents and credit mediators (OAM, *Organismo Agenti e Mediatori*), in order to provide their services on the Italian territory. All VASPs and e-wallet providers hereby registered shall comply with a set of reporting obligations. VASPs will have to communicate to the OAM, on a quarterly basis, the relevant identification data of each customer (e.g. surname and name, place of residence, tax identification number/Value Added Tax -VAT number). In addition, VASPs will have to transmit the data concerning all services related to their customers’ transactions (total balance, number and value of fiat-to-crypto or crypto-to-fiat transactions, number of crypto-to-crypto transactions, crypto and fiat inflows/outflows). The above data are recorded in a public register with the OAM.

The OAM also keeps and manages the Italian register of central contact points (“CCPs”) of payment service agents and e-money distributors operating in Italy on behalf of communitarian payment service providers and e-money institutions. The register aims to ensure a more efficient supervision, transparency and consumer protection of the activities carried out by agents and distribution on the ground. The founding Decree (May 2022) introduced the obligation for operators to communicate on a half-yearly basis data regarding the relevant agents offering payment services and the e-money distributors, including the place of business and the express indication of the provision of money remittance services, as well as the termination of the contractual relationship with the relevant payment services agent and/or e-money distributor for non-business reasons (including the lack of the necessary requirements and/or serious breach of applicable rules by the agent/distributor) – the so called “Bad Agents”. The register has become effective from the 3<sup>rd</sup> of July 2023.

The legislative decree of 21 November 2007 n. 231 (the AML decree) has been recently amended by the Decree Law of 10 August 2023, n. 104, as converted into Law of 9 October 2023, n. 136, in order to reduce the negative impact of the de-risking phenomenon also on the remittance sector. The aim of the amendment is to avoid a preventive and generalized exclusion of certain categories of entities and customers from the access to banking products and services for the sole reason of their potential high exposure to the risk of money laundering or terrorist financing.

To clarify regulatory expectations, and tackle unwarranted de-risking, in March 2023 the European Banking Authority (EBA) has issued two new sets of Guidelines. The first set (EBA/GL/2023/03) provides guidance on how to modulate the obligations of customer due diligence (CDD) of non-profit organizations, particularly exposed to de-risking. The second set (EBA/GL/2023/04) is broader and tackles the issue of effective management of ML/TF risks by financial institutions when providing access to financial services. These Guidelines clarify the interaction between the access to financial services and institutions’ AML/CFT obligations, including in situations where customers have legitimate reasons to be unable to satisfy CDD requirements. They make clear that before making a decision to reject a customer, several options need to be considered. In addition, they set out the steps that institutions should take when considering whether to refuse/terminate a business relationship with a customer based on ML/TF risk or AML/CFT compliance grounds. The Guidelines on risk management when providing access to financial services have been implemented in the Italian framework by means



of a supervisory guidance published on the website of Banca d'Italia,<sup>5</sup> which intends to comply with the GL on NPOs by March 1<sup>st</sup>, 2024.

Moreover, in June 2023 the new Transfers of Funds Regulation (“TFR recast”) entered into force.<sup>6</sup> The “TFR recast” extends the so-called “travel rule” – <sup>7</sup> already applicable to traditional transfers of funds – to crypto-asset transfers, in order to align the European AML regulatory framework with the FATF recommendations and ensure the traceability of crypto-asset transfers. The “TFR recast” also amended Directive (EU) 849/2015 (so-called AMLD) to subject crypto-asset service providers (CASPs) authorized pursuant to the Regulation for Markets in Crypto-assets (MiCA) to the same AML/CFT obligations and controls provided for financial intermediaries. The TFR will be applicable from 30 December 2024.

Finally, no new additional fees or taxes have been levied on remittances.

### **Payment infrastructure**

Non-bank remittance service providers (RSPs)) have generally had no direct access to the national clearing and settlement infrastructures (intended as payment systems), though they can obtain access indirectly via a bank that offers this kind of facility. However, the European Commission’s proposal for the revision of the payment services Directive (PSD2),<sup>8</sup> currently under negotiation, aims to overcome those barriers by opening up access to non-bank PSPs as well.<sup>9</sup> A temporary regime to that end has been agreed by the European legislators in the context of the forthcoming Instant Payments Regulation. The new regulatory framework has the potential to enhance competition and innovation in the field of retail payments.

The Bank of Italy carried out structured oversight activities on retail payment systems to reinforce security levels and promote the efficiency of the overall domestic payment ecosystem, and these activities could bring benefits to the different institutions operating in the field of remittances.

In 2021, the Bank of Italy issued a new national regulation on the oversight of retail payment systems in order to encompass large value payment systems, technical infrastructures and service providers, in line with the oversight powers granted to the Central Bank by the Italian Consolidated Law on Banking. The new provisions will ensure increased alignment with the CPMI-IOSCO’s Principles for financial market infrastructures and guidance on cyber resilience for financial market infrastructures. Such review has the potential to reinforce the security and

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<sup>5</sup> See <https://www.bancaditalia.it/compiti/vigilanza/normativa/orientamenti-vigilanza/elenco-esa/index.htm>.

<sup>6</sup> See <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32023R1113>. It is the first legislative act adopted as part of a package of reforms of the EU AML/CFT regulatory and institutional presented by the European Commission in July 2021 (see [https://finance.ec.europa.eu/publications/anti-money-laundering-and-counter-terror-financing-terrorism-legislative-package\\_en](https://finance.ec.europa.eu/publications/anti-money-laundering-and-counter-terror-financing-terrorism-legislative-package_en) for details)

<sup>7</sup> The travel rule means that information on the sender and the recipient of funds will have to “travel” with the transaction and be stored by service providers.

<sup>8</sup> Proposal for a Directive of the European Parliament and of the Council on payment services and electronic money services in the Internal Market amending Directive 98/26/EC and repealing Directives 2015/2366/EU and 2009/110/EC; Proposal for a Regulation of the European Parliament and of the Council on payment services in the internal market and amending Regulation (EU) No 1093/2010.

<sup>9</sup> This will be achieved by amending the Settlement Finality Directive (Directive 98/26/EC of the European Parliament and of the Council on settlement finality in payment and securities settlement systems).

promote the efficiency of the overall Italian payment ecosystem, also for the benefit of fintech and non-bank financial institutions operating in the field of remittances.

Italian authorities strongly support the objectives of the EU Retail payment strategy in the field of remittances and of the Financial Stability Board's Roadmap on cross-border payments, actively contributing to its implementation regarding every single building block. In this context, the Bank of Italy – together with the other actors involved in the Roadmap – is assessing potential areas for improvement of the services provided through both legacy and innovative infrastructures. In the long-term, such infrastructural improvements could have positive externalities also in the remittances field; however, the ultimate results will depend to a large extent on private business strategies, including risk considerations as well as remittances-targeted public-private cooperation.

In its role as service provider of the Target Instant Payment Settlement (TIPS) platform for the Eurosystem, the Bank of Italy is currently investigating different solutions for the settlement of cross-currency instant payments through the interlinkage of existing platforms; moreover, it adhered to the Nexus project coordinated by the Bank for International Settlement Innovation Hub of Singapore for multilateral connections among instant payments platforms.

### **Access to financial services**

The Italian Law N.37, issued on 15 March 2017,<sup>10</sup> completed the legislative process regarding the implementation of the European Directive 2014/92/EU on Payment Services, and introduced the right of all consumers legally residing in the European Union to have a transaction account (*i.e. conto di base*).

According to the content of these legal provisions, migrants would need a valid residence permit and a tax code to open a current account into a financial institution. Undocumented migrants generally do not have access to financial services or products. Without a residence permit, only remittance services are accessible, provided that at least a valid ID document is available.

In Italy, RSPs provide a wide coverage of both urban and rural area thanks to an extended network consisting of: post offices (by law, at least one in each municipality), bank branches and MTO's agents. At the same time, Italian banks continue to support and accompany foreign customers in the process of financial inclusion to reduce any obstacles to understanding and using banking services.

Since 2009, the National Observatory on the Financial Inclusion of Migrants (the National Observatory; managed by CeSPI) monitors migrants' level of financial inclusion through a broad set of indicators. According to the latest available survey data (December 2020), based on information provided by market operators, 89.5% of adult migrants hold a current account with a regulated financial operator; of them, almost 70% hold an internet banking service. At the same time, 69% of migrants account-holders own a financing service, 40% an insurance service and an average of 3 payment services (debit cards) for each current account holders.

A more recent survey, carried out by the National Observatory in October 2022 on a sample of 1,300 non-EU and non-OECD migrants residing in Italy, showed that remittances represent on average a share of 18% of their personal income earned in Italy, while the average number of

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<sup>10</sup> "Attuazione della Direttiva 2014/92/UE, sulla comparabilità delle spese relative al conto di pagamento, sul trasferimento del conto di pagamento e sull'accesso al conto di pagamento con caratteristiche di base."

sending operations per year is around 7.6. **Table 5** shows the preference allocation among different possible sending channels.

**Table 5. Distribution by sending channel**

Channel	% of respondents (1 <sup>st</sup> choice)
MTOs	40%
Banks	15%
Digital	13%
Informal	3%

Source: CeSPI.

Another interesting piece of information coming from the survey is the growth of digital channels not just to *send* but also to *receive* remittances, which increased from a 6% of the survey respondents in 2017 to 23% in 2022; nevertheless, cash remains the main method to receive remittances, accounting for almost 40% of the overall amount sent. A more recent survey, carried out in 2023 on a territorial basis (a sample of 250 non-UE migrants resident in Piedmont), confirmed the picture with an average of 7.6 sending operations per year, the main role of MTOs from the sending perspective (62%) and a very low incidence of the informal channels (4%) and the weight of digital channels in receiving countries of 19%, compared to 46% for cash.

In terms of policies aimed to facilitate and strengthen migrants' access to remittances services, a specific information campaign has been recently implemented to provide data and education on the use of regulated channels. In addition to the [mandasoldiacasa](#) website (that includes some educational contents), the Bank of Italy published, in May 2022, a [calculator](#) on "the cost of the remittances", which is available on the financial education website [Economy for All](#). The calculator – also in English – allows migrants to compute, for a given amount of money, how much the beneficiary will receive in their country of origin and, in particular, the overall cost of the transaction. Finally, in order to increase migrants' awareness and understanding of the remittances services available in Italy, the Bank of Italy has dedicated to this subject a whole section of its newly published school text for adults *Tu e l'economia – Educazione Finanziaria per Adulti* (You and the Economy – Financial Education for Adults). The educational project – which proposes a basic personal finance course – pursues the more general objective of promoting the financial inclusion of migrants.

In June 2022, the Diaspora Forum Project (co-funded by the Italian Development Cooperation Agency and managed by the International Organization for Migration) was officially launched for the empowerment of diasporas, within the framework of development cooperation, including the issue of remittances.

Through the International Fund for Agriculture Development (IFAD)-managed "Platform for Remittances, Investments and Migrants' Entrepreneurship in Africa" (PRIME) program – co-financed by the EU – IFAD has recently collaborated with key RSPs in a number of African countries and corridors of high relevance for the Italian remittances market, particularly Senegal, Gambia and Ghana. This opens an opportunity to link the different programs to Italian operators in the short- to medium-term.

### **Crisis mitigation and prevention**

The Italian emergency legislation classified the supply of financial services – which includes remittances – as “essential” during the Covid-19 pandemic; therefore, these services have been kept running during lockdowns. As a consequence, the adverse impact of the pandemic outbreak on the recourse to remittance services remained concentrated only in the very first phase of the emergency, while no particular friction occurred afterwards, as witnessed by the overall increased in remittance outflows as recorded in official statistics by the Central Bank.

## Call to Action on Remittances

Italy remains committed to delivering on the 2014 G20 Call to Action on Remittances. First, public authorities are engaging with commercial banks and industry associations to support low-cost remittance transfers. In this regard, the Bank of Italy and the Ministry of Economy and Finance – with the support of the Ministry of Foreign Affairs and International Cooperation – have revived the **Intergovernmental Table on Remittances** (the Table) and resumed the dialogue with the main market operators. The Table contributes to identifying public and private measures and strategies for conveying remittance flows through formal financial services, including low-cost and specific financial services tailored to migrants' needs. Moreover, Italy continues to support transparency initiatives, such as **remittance price comparison websites** and **research activities** on financial inclusion and remittances behavior.

## 2023 Country plan for reducing remittance transfer costs

Italy's 2023 National Remittances Plan (NRP) is developed on seven pillars, which identify an integrated system:

- Keeping up the involvement of the different stakeholders
- Monitoring flows, costs and the financial inclusion of migrants
- Improving transparency and consumer protection
- Consolidating the increase in regulated formal channels – especially the digital ones – and the ensuing compression in transfer costs
- Supporting digital and financial literacy for remittance users
- Involving remittance-receiving countries
- Measures to mitigate and prevent crises

### **Keeping up the involvement of the different stakeholders**

Italy's 2023 NRP is based on a strong commitment shared by all the main market operators and other relevant domestic stakeholders, that have been involved in the drafting process. In this regard, the Table – which brings together two relevant Ministries (Foreign Affairs and Economy and Finance), the Regulatory and Supervisory body (Bank of Italy), a remittance expert think tank (CeSPI ETS), an international organization (IOM) and the representatives of the main market operators (MTOs, Italian banks, the Italian Banking Association, Poste Italiane and the Italian Association of PSPs) – will continue to meet periodically to analyze key data and developments, monitor the progresses of the initiatives and goals contained in this plan and develop systemic actions.

### **Monitoring flows, costs and the financial inclusion of migrants**

In order to strengthen the availability of data, the analysis of the main market developments and the knowledge of the overall phenomenon, the monitoring activities of the remittance cost comparison website [mandasoldiacasa](#) will continue, ensuring the transparency of the various cost components. At the same time, the National Observatory on the Financial Inclusion of Migrants will endure an in-depth knowledge of both the financial inclusion and the financial behaviors of migrants, including those who are remittance-senders, through the collection of data from financial operators. In 2024, the National Observatory will carry on a survey of a sample of 1,500 foreign citizens with a specific focus on remittance-related behaviors, the channels used and the main drivers of choice, the main obstacles in using digital channels, the relationship with the country of origin, and the remittance-related component of investment, the link between remittance behavior and financial literacy. Data comparability with previous surveys will make it possible to highlight the main changes.

### **Improving transparency and consumer protection**

The Italian remittance cost comparison website [mandasoldiacasa](#) will continue to ensure the monitoring, on a monthly basis, of the costs associated with the sending of remittances and their

various components (fees and exchange rate margins) by type of operators, sending and receiving channels and speed, related to the main 18 Italian remittance corridors. The site will continue to represent a paramount tool aimed to improve both transparency and competitiveness on the remittance market.

### **Consolidating the increase in regulated formal channels – especially the digital ones – and the ensuing compression in transfer costs**

During the Covid-19 pandemic Italy has experienced a significant shift from non-regulated informal to regulated formal channels. Recent data shows that non-regulated informal channels are gradually returning to pre-pandemic values, especially for geographically closest countries. Italian operators and institutions has identified the reduction of informal channels as a long-term goal, together with the reduction of costs to the G20 target.

The two goals will be based upon interconnected strategies, on which Italy's 2023 NRP will be developed:

- Reducing the recourse to unregulated informal channels. A widespread work “on the ground” will be implemented by market operators, with the explicit aim to deepen and enlarge the dialogue with the different migrants’ communities, increase trust and awareness on the risks of informal channels and develop promotional initiatives coupled with commercial loyalty programs. Specific information campaigns will be dedicated to providing information and education on the use of regulated formal channels while targeted promotional initiatives will be carried out, especially towards migrants whose countries of origin are characterized by a larger use of non-regulated informal channels.
- Cost reduction and development of innovative channels. The strengthening of MTOs-bank partnerships, on the one hand, and the development of new forms of collaboration between remittance operators and other service platforms (shipping, telecommunication, electronic wallet providers, etc.) through the integration of services and the development of platforms for self-use, on the other hand, will allow a further development of innovative channels, digital products and cost reduction opportunities.
- The development of digital channels will take place through a wide range of actions as a relevant component of market operators’ strategies: a broader integration with payment cards, expanding the number and type of cards that can be used both on the sender- and the receiving- side; the chance to open multi-currency accounts linked to digital instruments; the integration of remittance services with operators offering digital channels; bundling prices initiatives on digital services, promotional and loyalty incentives for these channels.

A hopeful stronger integration between banks and MTOs may support the process going forward. A special attention will be provided to assessing the risks associated with the development of digital channels on the level playing field and the impact on periodic data collection tools. Moreover, a new survey among market operators will be aimed to monitor the development of the digital remittance market in terms of weight on overall volumes. Finally, the Table will discuss possible systemic initiatives of information on digital channels, in order to increase confidence and awareness on these instruments among migrants.

During the Italian G7 Presidency in 2024, particular attention will be paid to the issue of fragmentation of the payment systems and to the role that CBDCs may have in promoting financial inclusion.

## **Supporting digital e financial literacy for remittance users**

Results from the survey carried out by the National Observatory show an important gap between nationals and foreign citizens in terms of financial education, and in terms of awareness of its importance. This finding confirms the urgency of improving the digital financial literacy of a large segment of the population. An adequate level of digital financial literacy makes it possible for individuals to take advantages from, and to minimize risks of, a financial system and of payment instruments more and more digitalized, to make savvy decisions on how to manage their financial resources consistently with their actual need with and, ultimately, to achieve greater well-being. In the specific case of the most vulnerable groups, such as low-skill migrants, financial literacy can represent an important element of empowerment, active participation in society and financial inclusion.

Despite the widespread ownership of mobile devices (according to the survey data of the National Observatory, 98% of migrants own a tablet/smartphone), only one migrant out of three uses it for financial operations. This percentage rises to 35% for those holding a bank account and to 60% for migrants with a more evolved financial profile. Therefore, there appears to be a correlation between financial inclusion, financial education and access to digital tools.

In this regard, the National Observatory will update and enrich, with new financial education tools, the App Moneymize, a free tool of education on personal and family budget control and financial products sustainability.

In 2023, the Bank of Italy published the new teaching material of financial education dedicated to adults [“You and the economy: financial education for adults”](#), a kit consisting of a smartphone app, a guide for trainers and a booklet for users, on the backdrop of continuous contacts with some organizations dealing with migrants to disseminate the materials. “You and the economy” can be considered as an innovative method to create financial culture in an experiential, useful way especially for adults. At the same time, the Bank of Italy continued to disseminate “You and the economy” for teachers and students of public schools for adults, which are mostly attended by migrants and low-income people. The general objective is to reach a greater number of people throughout the national territory. In this regard, particular attention will continue to be placed on fragile women and women in economic difficulty; some collaborations have been consolidated with other institutional bodies to spread the action throughout the national territory and a new partnership was started with trade unions to reach women directly in their workplace. As it has been the case for the latest edition of the [Financial Education Month](#), organized by the Financial Education Committee, particular attention will continue to be placed upon the world of school and the most vulnerable social groups such as women, low-income families and migrants, who can be helped by financial, insurance and social security education to achieve greater economic inclusion and well-being.

Also the Financial Education Committee, set up at the Ministry of Economy and Finance, is engaged in literacy activities for the most vulnerable sections of the population, including women.

Intermediary should continue to remain committed to increase transparency toward its client, supporting them with the necessary information to make the right decision according to their needs, and to develop individual and system initiatives of financial education. This activity could also lead to an increase in the use of digital tools, less expensive than traditional ones. The National Observatory could play a key role in disseminating all necessary information – comprising also financial and remittance education components – while the available monitoring tools (though the survey conducted by the National Observatory and the dynamics of remittances data) will make it possible to measure its effectiveness over time. Since reception centers can be a central



access point for initial financial knowledge and information, a pilot project (led by the National Observatory, in collaboration with the Table) will try to develop a first “financial welcome” tool. At the same time, acknowledging the role that a basic account plays as an important tool of financial inclusion, targeted initiatives will be developed by market operators to pursue a better knowledge and understanding of this financial product, also according to the Payment Account Directive. Finally, a specific effort will be directed to the training of agents and operators. The migrant-financial operator relationship is still strongly characterized by the centrality of the user-operator physical presence, hence the opportunity to convey some basic notions and digital teaching tools through the territorial network will be further explored.

### **Involvement of remittance-receiving countries**

The development of safe digital channels would require the involvement of remittance-receiving countries in three interrelated respects: the availability of technological infrastructures, the presence and involvement of financial operators and the possibility of influencing the behavior of end-users (i.e. the remittance-receivers). Italian operators will invest broadening the network of operators offering digital channels in receiving countries and in strengthening their commitment to receiver-side operator involvement and greater collaboration including information and education initiatives. The involvement of the diaspora in Italy can be a valuable resource in this regard, acting as an educational agent as well as a factor of change towards their home families. The Diaspora Forum Project – funded by the Italian Agency for Development Cooperation and managed by International Organization for Migration for the empowerment of migrants – will represent an important starting point for the creation of synergies among the different involved stakeholders.

A study on the link between remittances and climate change and climate adaptation in receiving countries will be conducted by CeSPI.

Finally, in collaboration with the Italian Ministry of Foreign Affairs and IFAD, the Table will explore the possibility to develop an experimental approach to connect the originating and the destination country with a view to developing digital channels and reducing transfer costs.

### **Measures to mitigate and prevent crises**

The inclusion of the payment services within those deemed “essential” constitutes the legal basis to ensure full operational capacity even in the event of a renewed (pandemic or financial) crisis. On the market operator side, Italy shows a widespread and shared commitment of temporary reduction or zeroing of the costs of sending remittances to those countries that are in an emergency condition consequent to natural disasters, wars or systemic crises.