Global Partnership for Financial Inclusion

G20 National Remittances Plan

United Kingdom 2023

Biennial Update

G20 NATIONAL REMITTANCE PLAN: United Kingdom

Call to Action on Remittances

The UK remains committed to helping reduce the global average cost of transferring remittances, as agreed by G20 leaders and under the Sustainable Development Goals target (SDG 10), and to achieving secure, transparent and accessible remittance corridors to developing countries. The UK government's 2023 White Paper on International Development[1] commits the UK to enhance the development impact of these flows and to reinvigorate the UK's role in addressing challenges in global remittance systems.

The UK 2014 Call to Action on Remittances set ambition out as follows: *The UK is committed to reducing the cost of remittances by addressing key cost-related constraints and supporting the use of digital channels. This includes support for regulatory and policy reform, resilience of remittance corridors to shocks, transparency and integrity of remittance sector participants to mitigate money laundering and terrorist financing risks and improved data on remittances and remittance service providers' access to banking services, to enable greater understanding of the problems affecting the remittances sector. The UK is committed to ensuring remittances continue to flow through secure, accessible, and formal channels.*

In 2020, the UK and Swiss governments with the support of multilaterals (WB, IOM, UNCDF, UNICEF) launched the global Call to Action on remittances to mitigate the World Bank-projected 20% fall in remittances in the context of covid-19, by encouraging countries to take actions to keep remittances flowing. Close to 50 countries and bilateral organizations joined and took actions. The actions taken, including by non-members of the Call to Action, governments, multilaterals, civil society actors, and the private sector (including Money Transfer Operators) helped to prevent the worst-case scenario from materialising. Remittances showed their resilience as a counter-cyclical flow with a decline in global remittances in 2020 of 1.6% compared to projected forecasts.[2]

Current State of the Market for International Remittances

This section covers the UK's interaction with the global international remittances market. Remittances are a significant source of funds for developing economies and have a positive impact on the UK

[1] https://assets.publishing.service.gov.uk/media/6560874b0c7ec8000d95bdcf/international-development-in-a-contested-world-ending-extreme-poverty-and-tackling-climate-change.pdf

[2] https://www.worldbank.org/en/news/press-release/2021/05/12/defying-predictions-remittance-flows-remain-strong-during-covid-19-crisis

economy. The World Bank estimated for 2022 that the UK received around $3.9 billion from migrant remittances[3], around 0.1% of UK GDP, and sent nearly three times the sum received ($10.8b)[4].

- Although the UK government primarily focuses on the importance of remittances as a significant source of funds for developing economies, boosting economic development abroad, we also consider remittances to have a positive impact on the UK economy through direct and indirect channels.

- The impact of inflows of remittances are cross-cutting and include primary economic benefits, such as job creation in the remittance industry and supporting industries, alongside secondary economic impacts resulting from subsequent rounds of expenditure across different sectors in the economy and the generation of tax revenue from economic activity.

- Remittances present a major opportunity for the UK to build strong, effective partnerships with developing countries and help poor people avoid falling further into poverty. The UK is committed to facilitating these private flows to be spent as productively as possible by making the process cheaper, more accessible, and more secure whilst exploring how to offer remitters' options to send remittances home using a modality that maximises development outcomes.

- Remittances are carried out through a variety of means, for example, money service businesses (MSBs) are widely used for remittances, especially when the receiver does not have a bank account or in the absence of correspondent relationships with banks in some countries.

- Channels include, but are not limited to, family and friends returning home, money transfers operators (MTOs) such as Western Union and MoneyGram, banks, and informal hawala brokers (House of Commons 2004). The hawala method of transferring money is informal and it can be difficult to trace such flows using official records, however such flows may be critically important where formal financial systems may be less accessible.

- Progress has been made in reducing the average cost of sending remittances from the UK. The average cost of sending remittances ($200) declined from 7.42% in Q1 2020 to 5.97% in Q3 2023[5]. This is slightly lower than the G20 average of 6.33%, but it remains significantly above the G20 target of 5% and the UN SDG target of 3%.

The below data illustrates the relative average cost of sending $200 dollars:

Means	**Average Cost (%)**
Bank Account Transfer, Debit / Credit card	4.88
Bank account transfer	5.61
Bank account transfer, Cash	6.43
Debit / credit card	6.71
Cash, Debit / Credit card	9.48
Cash	9.52

3 https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data
4 Migration and Development Brief 38 | KNOMAD
5 https://remittanceprices.worldbank.org/sites/default/files/rpw_main_report_and_annex_q323_1101.pdf

Source: Migrant remittances to and from the UK, 2019[6]

The below data indicates top migrant countries of origin:

Country	Diaspora population UK
India	847,045
Poland	835,975
Pakistan	537,047
Romania	370,000
Ireland	364,000
Germany	310,066
China	263,000
Bangladesh	251,000
South Africa	247,412
Italy	240,000

Source: World Bank Migration data, 2022[7]

2023-2025 Country Plan for Reducing Remittance Transfer Costs

The United Nations' Sustainable Development Goals (SDGs) SDG 10[8] - which aims to reduce inequality within and between countries - includes a target to limit the cost of a remittance to less than 3% of the total sent and ensuring that remittance costs are no higher than 5% in any single remittance corridors. The UK's focus for actions during the period 2023-2025 includes:

- **Understand & seek to address the decline in correspondent banking relationships**: Monitor the number of correspondent banking relationships nationally through IMF and World Bank published data, to understand which countries are most affected.

- **Improve access to banking services for remittance service providers**: Engage with the Money Service Business (MSB) sector, including those who are Money Transfer Operators (MTOs), and UK regulators to get a better understanding of the types of bank accounts (business, payment, safeguarding) which are most important to the sector's business models and the difficulties they face in securing these accounts.

- **Address money laundering risks in the remittances sector**: The UK Government launched an MSB Strategic Action Plan in 2020, led by HM Revenue and Customs in partnership with HM Treasury, law enforcement authorities and other anti-money laundering supervisors to reduce money laundering in the MSB sector, including by MTOs. This plan aims to deliver enhanced supervision of MSBs, targeted enforcement activity against organized crime, better information sharing with the private sector to identify suspicious MSBs, better data on the sector and a better understanding of the economic benefits of MSBs.

[6] Migrant Remittances to and from the UK - Migration Observatory - The Migration Observatory (ox.ac.uk)
[7] Migration | KNOMAD
[8] https://sustainabledevelopment.un.org/sdg10

- Work internationally to promote coordinated actions against de-risking and on enhancing cross-border payments.

    - The Financial Stability Board (FSB) and the Committee on Payments and Market Infrastructures (CPMI) published a roadmap to enhancing cross-border payments in October 2020. The roadmap provides a high-level plan, which sets out ambitious but achievable goals and milestones for shorter term practical improvements and longer-term initiatives. The Government supports the implementation of the actions in the roadmap, and will support the progression of these actions, including where they are led by relevant expert bodies such as FATF, the International Monetary Fund (IMF), the World Bank or Bank of England.

    - Building Block 5 of the roadmap is focused on AML/CFT rules causing frictions for cross-border payments and is being taken forward by the FATF. The UK's FATF delegation is contributing to this and implementing some of the recommendations made by the expert group.

    - Support the FATF's Project on mitigating the unintended consequences of AML/CTF standards, including de-risking and financial exclusion, including by nominating UK experts to contribute to the Project Team.

    - Work internationally, including through existing multilateral fora, to promote coordinated actions against de-risking and on enhancing cross-border payments.

    - Facilitate the adoption of digital financial services for remittances. Digitisation will reduce the dependency on cash agents, who currently contribute to the high transaction fees, and address many of the risks, barriers and costs associated with illicit finance and security.

    - A focus on several significant UK priority remittance corridors, to address critical policy, regulatory and infrastructure constraints required to open the corridor up to low-value cross-border digital remittances, including regional payments integration and work to counter illicit capital flows (AML/CTF).

    - Working with the G20 to make progress on the G20's Cross-Border Payments Roadmap, whose annual reporting process includes metrics on cross-border payments (retail and wholesale).[9]

[9] https://www.fsb.org/2023/10/g20-roadmap-for-enhancing-cross-border-payments-consolidated-progress-report-for-2023/