GPFI

Global Partnership for Financial Inclusion

G20 National Remittance Plan

United States 2023

Biennial Update

The United States of America

PROGRESS ON COORDINATED SUPERVISION AND TRANSPARENCY: In the United States, remittances can be made through different types of firms, and these institutions are subject to different regulatory frameworks. Regulated depositories, such as banks and credit unions, are regulated and supervised at both the state and federal level. The Federal Reserve operates payment networks over which banks can process remittances. Foreign bank branches and organizations operating in the United States are also governed by a combination of state and federal statutes, the provisions of which include licensing requirements and permissible activities. Federal and state regulators also oversee other types of financial institutions like Money Services Businesses (MSBs). Regulatory efforts at the state level focus primarily on licensing and consumer protection. The Consumer Financial Protection Act provides the Consumer Financial Protection Bureau (CFPB) with the authority to supervise a range of firms to assess their compliance with federal consumer financial laws; the CFPB has supervisory authority over banks, thrifts, and credit unions with assets over $10 billion and nonbank mortgage originators and servicers, payday lenders and private student loan providers. In addition, the CFPB can supervise individual entities that pose a risk to consumers, as well as larger participants in certain consumer markets.

Though the various financial institutions are subject to different regulatory frameworks, federal remittance regulation is generally focused on anti-money laundering (AML), countering the financing of terrorism (CFT), and consumer protection. Remittance providers (including depository institutions and MSBs) are required to take certain steps to identify, assess, design, and implement controls to comply with their obligations under the Bank Secrecy Act (BSA). The BSA is the primary AML law in the United States. The BSA requires financial institutions to maintain appropriate records and file reports that can be used in criminal, tax, or regulatory investigations, risk assessments, or proceedings, or intelligence or counterintelligence activities, including analysis, to protect against terrorism.[1] The Treasury Department's Financial Crimes Enforcement Network (FinCEN) administers the BSA.

With limited exceptions, MSBs are subject to a broad range of BSA regulatory obligations, including requirements for maintaining financial records, verifying customer identification, in particular for larger transfers, and filing reports for large or suspicious transactions. Remittances to certain foreign countries may also be subject to sanctions under various federal statutes administered by the Treasury Department's Office of Foreign Assets Control (OFAC). The U.S. government restricts remittances to countries, individuals, or entities that are subject to U.S. sanctions and embargoes.

While transparency is important, so too is consumer privacy. To protect user privacy, regulated U.S. financial institutions are generally required to maintain the security and confidentiality of customer information and prevent unauthorized disclosure of customer financial information. If the U.S. government wants to obtain financial information, authorities must generally follow specific procedures, providing a level of protection against unwarranted government scrutiny and surveillance.

Current State of the Market for International Remittances

[1] 31 U.S.C. 5311. Under the BSA framework, certain types of U.S. financial institutions, such as banks and MSBs, are generally required to fulfill several core obligations, including recordkeeping, reporting, and program obligations.

The United States is the world's largest remittance-sending country; total outward remittances in 2022 were estimated at $81.6 billion (0.3% of 2022 GDP), up 10.7 percent over 2021 and 23.5 percent over 2020.[2] Roughly 14 percent of the U.S. population (or more than 45 million people) is foreign born.[3]

The total average cost of sending remittances from the United States was 5.66 percent as of the second quarter of 2023, below the global average of 6.20 percent, the G7 average of 5.83 percent and the G20 average of 6.43 percent.[4]

ENSURING A SAFE AND ACCESSIBLE FINANCIAL SYSTEM FOR REMITTANCES: In April 2023, the US Treasury Department published a "De-risking Strategy" that addresses the practice of financial institutions terminating or restricting business relationships indiscriminately with broad categories of clients, rather than managing client risk in a targeted manner. De-risking can increase financial activity outside of the regulated system, thereby marginalizing certain categories of customers, and may cause economic damage in certain geographic regions that are reliant on the efficient flow of remittances. Ultimately, de-risking practices undermine U.S. government efforts to "shape a safe, transparent, and accessible system." The report lays out a multi-pronged strategy to be carried out in partnership with financial institutions and other governments designed to help ensure broad access to well-regulated financial services in the United States.

The U.S. Department of the Treasury and Federal Reserve are active participants in G20 efforts to make cross-border payments cheaper, faster, more transparent, and more accessible, including through activities coordinated by the Financial Stability Board (FSB) and Committee on Payments and Market Infrastructure (CPMI). Treasury leads and participates in several of the working groups under the G20 Roadmap to Enhance Cross-border Payments, including work streams to reduce cross-border payment frictions resulting from differences in payments data and supervisory frameworks among jurisdictions.

Reducing Remittance Transfer Costs

INCREASE REMITTANCE MARKET COMPETITIVENESS AND CONSUMER CHOICE: As discussed in greater detail below, the CFPB's Remittance Transfer Rule, by imposing certain disclosure requirements, has aided consumers in comparison shopping and the identification of errors. The rule generally defines a remittance transfer as an electronic transfer of funds, in an amount of more than $15, requested by a consumer in the United States, to a designated recipient in a foreign country. The rule exempts entities that do not provide remittance transfers in the normal course of their business. Generally, the Remittance Transfer Rule deems that an entity does not provide remittance transfers in the normal course of its business if it provides 500 annual remittance transfers or fewer in each of the prior calendar year and current calendar year.

[2] World Bank. Remittances Outflow Data, Last Accessed December 18, 2023. Available at: https://www.knomad.org/data/remittances

[3] U.S. Census Bureau. "Geographic Comparison Tables for the 2022 American Community Survey Data" Available at: https://www.census.gov/acs/www/data/data-tables-and-tools/geographic-comparison-tables/

[4] World Bank. "Remittance Prices Worldwide Quarterly: Issue 46." Washington, DC: World Bank, June 2023, Available at: https://remittanceprices.worldbank.org/sites/default/files/rpw_main_report_and_annex_q223.pdf

Federal banking authorities and the National Credit Union Administration (NCUA) have developed guidelines to help banks and credit unions provide lower-cost remittance transfer services in the United States. Federal banking authorities continue to work with financial institutions under their respective jurisdictions on ways to offer low-cost remittance transfers and no-cost or low-cost basic consumer accounts.

IMPROVE FINANCIAL SYSTEM INFRASTRUCTURE: In July 2023, the Federal Reserve went live with a new interbank real-time gross settlement system for retail payments, the FedNow® Service. Instant payments may provide substantial benefits for consumers and businesses, such as when rapid access to funds is useful, or when just-in-time payments can help manage cash flows in bank accounts. Individuals can instantly receive their paychecks and use them the same day, and small businesses can more efficiently manage cash flows without processing delays. As an interbank payment system, the FedNow Service operates alongside other longstanding Federal Reserve payment services such as the Fedwire Funds® Service and FedACH. In line with prioritization of a timely launch, the FedNow Service currently only supports domestic instant payments as the Federal Reserve continues to evaluate the costs and benefits of expanding the service to allow for cross-border payments in the future, recognizing the need to address the heightened risks and compliance issues associated with cross-border payments. Consistent with the goals of encouraging the use of instant payments to support a more competitive, efficient, and inclusive U.S. payments landscape, Treasury has pursued electronic payment options to replace the use of paper checks, given that electronic payment options are safer, faster, and less expensive than checks. In 2023, Treasury signed up to be one of the early adopters of the FedNow Service.

The service is based on the globally used ISO 20022 payment messaging standard to facilitate domestic, and potentially, cross-border interoperability with other instant payment services. In addition to the FedNow Service, the Federal Reserve recently announced that the Fedwire® Funds Service will also adopt the ISO 20022 format that would allow for enhanced efficiency of both domestic and cross-border payments, and a richer set of payment data that may help banks and other entities comply with sanctions and anti-money laundering requirements. This same standard is also being considered for the domestic retail automated clearinghouse (ACH) system.

Treasury's Office of Technical Assistance (OTA) continues to provide technical support to finance ministries and central banks of developing and transition countries to ensure that innovative forms of digital payments can be adopted in a responsible manner, including by promoting interoperability across providers and establishing regulatory sandboxes. USAID also makes global and market level investments focused on expanding inclusive digital finance ecosystems through improved infrastructure, policy, and regulation, including the use of digital technologies to lower costs, improve prospects for integration with formal financial services, and build cross-border digital economies. In addition to making remittance transactions faster and cheaper, these investments harness remittance flows to deepen financial inclusion in both sending and receiving communities. USAID's Digital Invest Program mobilizes private capital for digital finance and internet service providers serving traditionally excluded populations worldwide, facilitating last mile access to digital payments and other digital financial services for the underserved. USAID's Women in the Digital Economy Fund was launched in 2023 to develop innovative solutions to reduce the gender gap in mobile internet and mobile money services. Finally, USAID partners with the Federal Trade Commission to implement the Trust and Competition in Digital

Economies initiative to promote an enabling environment for consumer protection and competition across Africa, working with regional bodies on the African continent to strengthen regulatory frameworks related to digital payments and digital financial services.

IMPROVE TRANSPARENCY AND CONSUMER PROTECTION: Regarding consumer protection, Section 1073 of the Dodd-Frank Act amended the Electronic Fund Transfer Act (EFTA, P.L. 95- 630) to create a consumer protection regime for remittance transfers sent by consumers in the United States to individuals and businesses abroad. In 2012 and 2013, the CFPB implemented Section 1073 through its Remittance Transfer Rule that requires companies that are remittance transfer providers under the rule to generally provide consistent, exact disclosures, including the price of a remittance transfer, the amount of currency to be delivered to the recipient, and the date of availability. The disclosure requirements have helped to increase consumer understanding of the impact that various costs and taxes will have on the amount the received.

The rule has also increased consumer protections by requiring remittance transfer providers to investigate disputes and remedy errors related to a remittance transfer and provided consumers with the right to cancel remittance transfers under certain circumstances.

Through both public enforcement and non-public supervisory actions, the CFPB oversees compliance with the Remittance Rule, which includes disclosure requirements, error resolution, and cancellation rights for consumers who send remittances.[5] Overall, remittance transfer providers have implemented changes to address compliance with that rule. Yet the Bureau's examinations and enforcement actions have uncovered mixed levels of Remittance Rule compliance across the industry, including general compliance at certain institutions as well as both individual regulatory violations and wholesale failures to comply with the Remittance Transfer Rule at others. Other authorities, including the Federal Banking Agencies, have the authority to examine banks within their respective jurisdictions for compliance with relevant federal consumer financial laws.

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[5] The CFPB oversees compliance with the Rule through both public enforcement and non-public supervisory actions. The Bureau has responsibility for supervising remittance transfers conducted by banks with over $10 billion in assets as well as by non-bank remittance transfer providers that qualify as "larger participants," i.e., if they have at least one million aggregate annual international money transfers. The Bureau conducts supervisory reviews, among other reasons, to determine the scope of a financial institution's business activities, assess compliance with Federal consumer financial law, and assess risk to consumers. The Bureau has enforcement authority over all entities under its enforcement jurisdiction subject to the Rule, regardless of the volume of transfers.