



GPI

Global Partnership
for Financial Inclusion

G20 National Remittance Plan

Canada 2021

Biennial Update

Call to Action on Remittances

Canada's 2014 Call to Action: "*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 results of this study, including actionable mechanism proposals for selected corridors, were shared with international partners in a transparent fashion. Canada also considered other potential measures to ensure that its citizens have access to safe, efficient, and transparent remittance services.*"

SDG 10.c.1 commitment: "*By 2030, reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent*"

Canada is on track to meet its 2014 commitments, which include fostering remittance service provider's (RSP's) innovation to increase ease of customer use, fostering trust and transparency for end users, and gathering further data on the remittance market to inform policy-making.

Canada continues to construct a regulatory environment that protects end users and fosters trust in the payments landscape. In 2019, Canada amended legislation to better align domestic and international anti-money laundering (AML) standards, increase transparency, and improve the government's ability to combat illicit financial flows. In 2021, Canada enacted the *Retail Payment Activities Act*, a legislative framework that confers operational risk management and fund safeguarding requirements on payment service providers (PSPs). The new regulatory framework is currently being developed and is expected to take several years to come into force.

Canada continues to prioritize its commitment to undertake research to better understand remittance flows. Following the 2014 study described in the *Call to Action*, Statistics Canada conducted a study on international money transfers by Canadian residents born in official development assistance (ODA) eligible countries in 2019. The findings were used to inform relevant policy decisions related to remittances, cross-border payments and Canada's initiatives in contributing to improved development outcomes.

Canada continues to support international developments such as the FSB's initiative to enhance cross-border payments, including efforts to address issues of cost, speed, access, and transparency. Canada regularly engages with domestic stakeholders to seek ways of adapting international objectives in the Canadian context. As an example of ongoing efforts, the average cost of sending remittances from Canada continues to fall, from 8.28 per cent in Q4 2019 to 6.13 per cent in Q1 2021, below the global and G20 average, putting Canada on track to meet the sustainable development goal (SDG) of reducing remittance transaction costs to 3 per cent or less by 2030.

Current State of the Market for International Remittances

Remittance Costs and Flows

Overall changes in the remittance market during the pandemic point to declining costs for sending remittances (decreasing by 2.15 per cent), with prices generally trending downward from a pre-pandemic peak of 8.28 per cent in Q4 2019 to 6.13 per cent in Q1 2021, below both the global and G20 average. However, remittance volumes from and to Canada decreased below 2019 and 2018 levels. Remittance inflows to Canada totaled 911 million in 2020 (representing 0.1 per cent of GDP), down from 1.3 billion in total inflows in 2018 and 2019. Remittance outflows from Canada were 6.5 billion in 2020 (representing 0.4 per cent of GDP), down from 8.4 billion in 2019 and 7.5 billion in 2018.

Decreased inflow and outflow volumes are likely attributable to income disruptions for migrants, significant declines in tourism to and from Canada (international arrivals to Canada decreased by 54% in March 2020), and a considerable drop in the number of international students studying in Canada (Canada's international post-secondary student population fell by 60,000 in 2020). Remittance sender countries such as Germany, the United Kingdom, Australia, France, and the United States also exhibited outflow declines in 2020.

Research published in 2019 using data on remittances sent from Canada by individuals born in ODA-eligible countries indicated that the primary destination for remittances was the Philippines, followed by India, the United States, China, and Pakistan.¹ Remittances to the Philippines represented 23 per cent of total remittances sent by individuals from ODA-eligible countries, whereas 15 per cent of total remittances went to India, 7.5 per cent to the United States, 5.6 per cent to China, and 4.5 per cent to Pakistan.

Remittance Providers

While remittances were not explicitly listed as an essential service during the pandemic, the Government of Canada's guidance outlining what should qualify as essential included a broad definition of financial services that could be reasonably considered to include RSPs. Final decisions on what was deemed essential services were made at the provincial and territorial levels. It appears that, while some provinces adopted a broad definition of financial services as essential, others required RSPs to close.

Data collected in 2020 indicates that roughly 15 per cent of Canadians sent money internationally on a regular basis, representing a slight increase from previous years.² The majority of international payments made by Canadians are done through financial institutions (33 per cent), PayPal (28 per cent), or online providers such as Western Union or Wise (18 per cent). Canadians are increasingly using electronic tools to remit, as a considerable uptick in the volumes and values of electronic remittances was observed in late 2020.

Migrant Population

The most recently published Canadian census (conducted in 2016) indicated that Canada's foreign-born population was over 7.5 million, representing more than one-fifth (21.9 per cent) of the Canadian population. Asian migrants represented the largest foreign-born community in Canada, followed by European migrants, with a growing portion of African migrants. The origin-country of the largest number of foreign-born Canadians was India, followed by China, the Philippines, the United Kingdom, and the United States. Data indicates that new migrants remit larger amounts than migrants living in the country for longer time periods. This suggests that remittances from Canada should continue to flow in largest amounts to Asia and increasingly to Africa.

Legislative Overview

Canada is presently developing a new regulatory regime called the Retail Payments Oversight Framework (RPOF) to oversee retail PSPs, including RSPs. The constating legislation for the framework, the *Retail Payment Activities Act*, was enacted in 2021. The framework will impose operational risk management and fund safeguarding requirements on PSPs to enhance security for end users.

2022-2023 Country Plan for Reducing Remittance Transfer Costs

Increase Market Competitiveness by Improving the Regulatory Environment

¹ Statistics Canada, *Study on International Money Transfers from Canada*. Link: [Study on International Money Transfers from Canada \(statcan.gc.ca\)](#).

² Payments Canada, *Payments Accelerated Canadian Payment Methods and Trends Report 2021*. Link: [Canadian Payment Methods and Trends Report 2021 \(payments.ca\)](#)

- Canada will continue to work to align domestic and international standards in order to potentially reduce the burden on PSPs - including RSPs - currently required to comply with various standards across jurisdictions. Canada continues to participate actively in discussions at the international level on this issue, in particular in support of the Financial Stability Board's (FSB) work on the Cross-Border Payments Roadmap. Canada is also working to identify opportunities for adjusting national standards on, for instance, correspondent banking, compliance, and ISO2022 to better align with international standards.

Improve System Infrastructure and Pursue Policies that Support Innovation

- Canada will continue efforts to increase the efficiency of domestic payments systems. Canada is currently implementing ISO2022 to help align domestic payments infrastructure with international standards to improve PSP's competitiveness by eliminating impediments caused by technical and infrastructural differences across jurisdictions. The target date for initial implementation in specific Canadian payment systems is November 2022.
- Payments Canada continues to advance work on a low-value, real-time payment system called the Real-Time Rail (RTR). The RTR is planned to be a modernized payments system that facilitates fast and data-rich payments. The RTR will include revised and expanded access protocols, which will increase PSP competitiveness by potentially allowing them to access the domestic payment system.
- In 2021, Canada engaged with domestic stakeholders as an initial step to discuss the aims of the FSB Roadmap to Enhance Cross-border Payments, which includes specific targets on decreasing the costs and increasing access, transparency, and speed of remittance payments. Given the multi-year nature of the Roadmap, the Government will continue to consult with stakeholders for their perspectives on how to deliver on the FSB initiative and on ways to enhance innovation and competitiveness in the payments market.

Improve Transparency and Consumer Protection of Remittance Transfers

- Canada is presently developing a new regulatory regime called the *Retail Payments Oversight Framework* (RPOF) to oversee retail PSPs, including RSPs. The framework will impose operational risk management and fund safeguarding requirements on PSPs to enhance security for end users. Canada is currently developing regulations to operationalize the legislative framework.

Taking Steps to Better Understand the Remittance Flows

- To continue meeting Canada's commitment to better understanding remittances, a new research initiative is being conducted by Global Affairs Canada in collaboration with the World Bank to examine remittance flows from Canada. This research will help illuminate avenues for improving the speed, security, and costs of remittance payments by analyzing the supply and demand factors in Canada and convening a dialogue with consumers, remittance service providers, NGOs and regulators on how to improve outcomes for effective provision of remittances services and development of new remittance channels. This will also facilitate the mobilization of remittance resources for development efforts and strengthen the impact of remittances on poverty alleviation in recipient countries. The research started in 2021 and is expected to be completed by 2024.