



GPI

Global Partnership
for Financial Inclusion

G20 National Remittance Plan

Germany 2021

Biennial Update

Call to Action on Remittances

Germany continues to recognize the value of remittances flows in helping to drive strong, sustainable and balanced growth and to lift people out of poverty, encourage their engagement in the regulated financial sector, and improve economic infrastructure, among other positive spill-over effects. In September 2014, together with all other G20 leaders, Germany renewed its commitment to facilitate remittance flows including: working to reduce the global average cost of transferring remittances; supporting country-led actions to address the cost, and improve the availability of remittance services, particularly for poor people; and using remittance flows to drive financial inclusion and development. German activities for the 2014 Call to Action on Remittances included activities on transparency, consumer protection and awareness, international research, and knowledge exchange as well as regulatory advice in partner countries of German development cooperation. In 2016, Germany further committed towards achieving the Sustainable Development Goals under the UN 2030 Agenda and the Addis Ababa Action Agenda, including to reduce the transaction costs of migrant remittances to less than 3% and eliminate remittance corridors with costs higher than 5%. In 2020, the focus of Germany's measures remains on consumer protection, linking remittances to financial inclusion, creating enabling regulatory frameworks, supporting entrepreneurship in countries of origin, addressing gender-related aspects, and generating research and data on diaspora and remittances dynamics. All these aspects have become even more important in times of the COVID-19 pandemic.

Current State of the Market for International Remittances¹

Remittances volume: With outflows of 22bn USD in 2020 (0,6% of GDP) as indicated by data from the World Bank, Germany is the fifth largest sending country worldwide. Due to the pandemic, this is a slight reduction in the volume of remittances sent from Germany compared to the outflows in the years 2018 (24.4bn USD) and 2019 (23.9bn USD) (all data: The World Bank, Migration and Remittances Data)². In 2017, the majority (56%) of remittances were sent to Europe (EU-neighbours such as Poland, France, and Italy) and Central Asia. Remittances to the Middle East and North Africa accounted for 15% of total outflows and Sub-Saharan Africa accounted for 11% (the data is included in the Bilateral Remittances Matrix compiled also as part of the World Bank's Migration and Remittances Data. The data has not been updated since 2017.) Also, per World Bank data, estimated remittances flows into Germany amounted to around 17.9bn USD in 2020, approximately 0.5 percent of Germany's GDP, compared to 16.9bn USD in 2018 and 18.3bn USD in 2019. In Germany, information on remittances is 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.

Remittances costs: The average cost to send USD 200 from Germany experienced minor fluctuations over the last year (cf. table below) but, despite the pandemic, decreased overall year-on-year from 7.7% in Q1/2020 to 7.26% in Q1/2021. This is significantly more expensive when compared with other European countries, the G8 (5.92%), the G20 (6.49%), the global average (6.38%) and SDG 10.c (below 3%) (all data: Q1 2020, The World Bank, Remittance Prices Worldwide)³. As per World Bank data, the available quarterly costs (from the previous year 2020 and the current one) in percent of USD 200 remitted are as follows: **2020_Q1: 7.70; 2020_Q2: 7.10; 2020_Q3: 7.47; 2020_Q4: 7.10; 2021_Q1: 7.26.**

¹ The data here taken from World Bank Sources. BMZ thus cannot guarantee correctness of the estimates and calculations.

² <https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>

³ https://remittanceprices.worldbank.org/sites/default/files/rpw_main_report_and_annex_q121_final.pdf

The price comparison portal in Germany is available at www.GeldtransFAIR.de.

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 55 PSD 2 payment institutions with the relevant authorization as well as E-Money institutions are allowed to provide remittances services. (Note: The license as CRR-credit 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.

To strengthen and advance the payment infrastructure, there are ongoing efforts to extend the SFD with regard to payment institutions. The European Commission is preparing a new proposal for this directive. In May 2021, a public consultation was launched (https://ec.europa.eu/info/consultations/finance-2021-settlement-finality-review_en). 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 as a share of total population for the last 3 years is as follows: (Number of Migrants here equals the number of non-Germans living in Germany): **year 2018:** 10,915,455/ 83,019,213; **year 2019:** 11,228,300/ 83,166,711; **year 2020:** 11,432,460/ 83,155,031. There are several identification schemes applicable to migrants in Germany. For further information cf. the indicated website of the German Federal Ministry of the Interior, Building and Community.⁴

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 continues to support the G20 Global Partnership for Financial Inclusion (GPFI), which is commissioned by the G20 to steer the work towards the G20 remittances target.

Germany held a national conference on remittances in January 2020 where, at the invitation of the Federal Ministry of Finance, the German financial supervisory authority, the German Central Bank, and banks and remittance service providers came together to discuss opportunities and challenges related to the remittances market.

In 2021, Germany continued its domestic and international efforts to address the impact of the pandemic on remittances and the risks arising from it, inter alia, through the G20 Global Partnership for Financial Inclusion and the UN-led Remittance Community Task Force. In Germany locations of Remittance Service Providers (RSPs) remained open during the lockdown, incl. non-bank RSPs. Germany continued to promote the use of digital services when sending remittances, but no emergency measures were taken in response to the pandemic.

Germany co-funded this year's *Global Forum on Remittances, Investment and Development*, and will do so again in 2022, as an important platform to build and strengthen partnerships for innovative solutions on cheaper, faster, and safer transfer of remittances with all relevant stakeholders.

Germany together with an Alliance of Partners⁵ launched the "Roadmap to the Sustainable and Responsible Financial Inclusion of Forcibly Displaced Persons (FDPs)" at the 2019 Global Refugee Forum, organized by UNHCR. Amidst the COVID-19 crises, the Roadmap identifies action areas that are key to improving FDP's access to appropriate financial services, including access to remittances

⁴ <https://www.bmi.bund.de/DE/themen/migration/aufenthaltsrecht/einreise-und-aufenthalt/einreise-und-aufenthalt-node.html>

⁵ AFI, ILO, IRC, Ministry of Foreign Affairs of the Netherlands, Norwegian Ministry of Foreign Affairs, UK Aid, UNHCR.

services. As part of the recommendations, Germany supports the Finance in Displacement (FIND) research project exploring financial lives of refugees conducted by KU Eichstätt, Tufts University and the International Rescue Committee (IRC). The research project will end in 12/2021 and be followed-up with the establishment of a community of practice, funded by BMZ and implemented by IRC, to further exchange on experiences on the implementation of the roadmap including the application of the research findings.

Germany further encourages diaspora investments in Cameroon and Ghana to micro and small businesses by granting financial support and business coaching managed through the digital “WIDU.africa” platform (www.widu.africa). Since November 2019 private investments of over 3 Mio. EUR have been committed and 1,850 entrepreneurs have been supported. Due to the high demand and interest by the diaspora, the platform has been rolled-out to Kenya, Ethiopia, and Togo. Tunisia will start activities in autumn 2021.

Improve Financial System Infrastructures, Support Innovation and Harness Emerging Technologies

Germany and Jordan continue to partner in the implementation of the project on “Improving Access to Remittances and other Financial Services through Digital Solutions” that aims to improve access of refugees and migrant workers in Jordan, as well as Jordanian households to remittances and other financial services through digital solutions. The project has been extended until October 2023. Since 2020, Germany also partners with the Swiss Development Cooperation to include migrant workers as a target group in these activities. The project has successfully piloted two digital remittance services, one for inbound remittances corridor relevant for Syrian refugees and one outbound remittances corridor to Bangladesh, within a new component that works on improving the digital remittance services for the Bangladeshi migrant diaspora in Jordan (remittance outflows). Both services can be used by all users of mobile wallets. In both cases, through the digitalisation of the service, the costs for remitting money are lowered. In the upcoming years, the project will focus on the active usage of the now existing services by refugees and women as well as the optimization of the regulatory framework to further improve the provided services to remit money.

Germany supported a virtual RemTech Pilot Accelerator⁶ for international remittances start-ups offering innovative technology-based solutions to facilitate better, faster, and cheaper remittances in the partner countries of the *Programme Migration & Diaspora* (PMD). Twelve start-up teams received a week of acceleration and coaching followed by a pitch day with potential investors. Germany assesses a continuation of the accelerator also in 2022.

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

Germany continues its activities on transparency and consumer protection. Moreover, Germany also continues to support the Global Knowledge Partnership on Migration and Development (KNOMAD) with its ‘Remittances and Diaspora Resources’ working group generating recommendations for policy through research, data collection, evaluation of policies and knowledge exchange.

Introduce Measures to Mitigate and Prevent Crises

The crisis mitigation and prevention in connection with COVID-19 is regulated individually by the states in Germany.

⁶ <https://techquartier.com/remtech-accelerator/>