



GPI

Global Partnership
for Financial Inclusion

G20 National Remittance Plan

Italy 2021

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. This remains even truer in light of the adverse impact that the COVID-19 pandemic has been having on the prospects of economic convergence of low- and middle-income countries. 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 2018 up to the second quarter of 2021.

Table 1. Italy remittance flows (USD million)

Year	Inflows	Outflows
2021 (up to 2021Q2)	272	4,381
2020	545	7,729
2019	552	6,731
2018	527	6,863

Source: Banca d'Italia

According to Central Bank's official data, between 2018 and 2020 outward remittance flows from Italy recorded a significant 13.0% increase (to 7.7 billion USD, from 6.9 at the beginning of the time span). These developments likely reflect the steady consolidation of a long-term upward trend in outflows directed especially towards South Asia, Eastern Europe, Northern Africa and the Middle East. In 2020, the total amount of outward remittances from Italy accounted for almost 0.4% of the country's GDP.

Looking at more recent data, outward flows of remittances from Italy have shown resilience against the outbreak of the COVID-19 pandemic. In the second quarter of 2021, this measure recorded a further 26.0% increase with respect to the same period of the previous year. Such a remarkable rise was in line with the acceleration recorded in the second half of 2020, especially driven by flows towards neighboring countries (i.e., Eastern European and North-African recipients). These developments may be driven by different factors, such as the need for migrants to provide additional support to their relatives in home countries affected by the pandemic and the growing use of official digital channels in place of informal ones, due to the travel restrictions.

By end-2020 there were 5 million migrants living in Italy, 8.4% of the resident population. For migrants coming from non-EU countries, the permit to stay is subject to a formal approval by competent authorities. **Table 2** details Italy’s migrant stock in volume and as a share of the total population from 2018 to 2021.

Table 2. Migrants in Italy

Year	Number (thousands)	% of population
2020	5,039	8.4 %
2019	4,996	8.4 %
2018	5,144	8.1 %

Source: Istituto Nazionale di Statistica

The largest national communities of migrants come from Romania, Albania, Morocco, China, and Ukraine.

In terms of main corridors, slightly more than half of Italy’s outbound remittances flows to seven countries: Bangladesh and Romania represent the main destination countries, with a share of total outflows of almost 20% of the total; the Philippines, Morocco and Pakistan follow suit (7% on average), while Senegal and India close the lead (6% on average).

According to the World Bank,¹ the average cost of sending remittances from Italy has plateaued at around 5.0% in 2021Q1, remaining below the global average cost recorded in the same period (6.4%). At the same time, 9 out of the 19 corridors monitored by the World Bank for the country have been hovering around, or below, the target cost of 5%. According to the latest available data (October 2021) from the Italian website www.mandasoldiacasa.it, the average cost of sending remittances from Italy towards the 17 corridors monitored by the website stood at 4.5%.² This average, nevertheless, hides an ample variability in the economic conditions applied to remittance-senders by the different market operators.

Competition in the market

The remittance sector remains highly dominated by three leading money transfer operators (MTOs): *Western Union*, *MoneyGram* and *RIA international*. Alongside MTOs, traditional cross-border transfer services are also offered by banks and *Poste Italiane* (postal network). Moreover, there is a host of smaller local players – the operations of which are concentrated into a few corridors – and online-only MTOs: these new international operators have recently entered the Italian market and conduct business exclusively via web platforms, therefore favoring competition and pushing traditional operators to innovate. **Table 3** describes the main features of the Italian remittances market in terms of nature, number of operators and relative market share.

¹ Remittance Prices Worldwide – Quarterly, available at <https://remittanceprices.worldbank.org/en>

² For a detailed description of the main features of the website, please see infra the section “Competition in the Market”.

Table 3. Structure of the Italian market for remittances

	Number of providers of each type ³	Market share for each provider type? (in terms of number of transactions)
MTOs	25	94.6%
Commercial banks	4	0.5%
Postal network	1	4.9%

Source: Banca d'Italia, CeSPI

To improve price transparency and promote competition, the Bank of Italy supports the web-based remittance cost comparison website www.mandasoldiacasa.it. The website is 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 17 corridors (Afghanistan, Albania, Bangladesh, Bolivia, China, Colombia, Ivory Coast, Ecuador, Ghana, India, Morocco, Nigeria, Peru, Philippines, Romania, Senegal, Ukraine), representing 64% 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).

Regulatory environment

In accordance with transparency legislation, MTOs must declare in advance all the cost components of their service on offer; however, the legislation does not specify the different costs components. On the contrary, they are not required to declare the additional fees charged by the agent in a foreign country, which rests outside the contract signed by the consumer in Italy. As a standard practice, MTOs communicate the fees, the exchange rate applied to the individual transaction and the receiving fees, if known. They also communicate the amount that may be withdrawn at destination and estimates of the speed of the transaction.

No information is provided regarding the exchange rate margin, which can nevertheless be inferred from available information albeit requiring 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 intermediary. Banks

³ Registered operators that periodically send data about their activities to the Bank of Italy.

provide information about the speed only for the operations conducted with countries belonging to the Single Euro Payments Area (SEPA, 36 countries), since for this area 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. In July 2019, the Bank of Italy published an implementing act on this topic, according to which any decision of rejection 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.

In July 2021, the European Commission presented an ambitious package of legislative proposals to strengthen the EU’s AML/CFT rules. The package also includes a proposal for the creation of a new EU authority to fight money laundering and a proposal for a Regulation on AML/CFT made in order to bring about a greater level of harmonization and convergence in the application of AML/CFT rules, including CDD requirements, across the EU. The greater harmonization of CDD should not only seek to achieve consistent, and consistently effective, understanding of the risks associated with an existing or prospective customer regardless of where the business relationship is opened in the Union, but also ensure that the information obtained in the performance of CDD is not used by obliged entities to pursue de-risking practices, which may result in circumventing other legal obligations such as the EU Payment Services Directive.

Payment infrastructure

Non-bank remittance service providers (RSPs) have no direct access to the national settlement infrastructures (intended as payment systems), though they can obtain access indirectly via a bank that offer this kind of facility.

No *ad-hoc* regulations have been issued thus far on fintech and/or non-bank financial institutions with the explicit aim to strengthen and advancing the payment infrastructure. However, the Bank of Italy is currently reviewing its oversight’s provisions on retail payment system to reinforce the security levels and promote the efficiency of the overall domestic payment ecosystem, also for the benefit of fintech and non-bank financial institution operating in the field of remittances.

Finally, Italian authorities strongly supports the objectives of the EU Retail payment strategy in the field of remittances and of the FSB 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 improvements could have positive externalities also in the remittance field; however, the ultimate results will depend to a large extent on private business strategies, including risk considerations as well as remittance-targeted public-private cooperation.

Access to financial services

The Italian Law N.37, issued on 15 March 2017,⁴ 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, to open a current account migrants would need a valid resident permit and a tax code. Undocumented migrants have no access to financial services or products. Without a resident permit, only remittance services are accessible, provided that a valid ID document is available.

Since 2009, the National Observatory on Financial Inclusion of Migrants (National Observatory, managed by CeSPI) monitors migrants' level of financial inclusion through a broad set of indicators. According to the latest available data (December 2018), based on information provided by market operators, 80% of adult migrants hold a current account with a regulated service provider; of them, almost 44% hold a payment card called "*carta conto*". At the same time, 69% of migrants' account-holder own a financing service, 27% an investment service and 54% an insurance service.

A more recent survey, carried out by the National Observatory in March 2021 on a sample of 1,200 non-EU and non-OECD migrants resident in Italy,⁵ shows that the financial inclusion rate (i.e. the percentage of adults holding a current account) of remittance-sending migrants (a subset of the adult migrants population residing in Italy) is almost 90%.

According to the same survey, thanks to the uninterrupted service offered by the RSPs' agencies during the lockdown and a widespread presence of operators on the national territory – in particular, in the areas where migrants live – the use of informal channels to send money abroad recorded a decrease from 14% in 2017 to 8% in 2021 – in terms of users of this channel – especially regarding remittances towards neighboring countries.

The measures adopted to contain the spread of the COVID-19 pandemic, in fact, appear to have affected payment habits, likely by intensifying the use of electronic payment instruments. In

⁴ "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."

⁵ The survey, carried out in March 2021, involved a sample of 1,200 adult migrants' resident in Italy belonging to 77 non-EU and non-OECD countries, residing in 98 Italian Provinces and with a territorial and gender distribution that reflects that of the foreign population in Italy. The survey was carried out through a 50-question questionnaire that investigated socio-economic variables, the use of different financial products and the financial behavior of migrant citizens, including the remittance ones. The survey analysis is contained in Frigeri D., "[I comportamenti finanziari dei migranti: un'indagine campionaria](#)" and is available at www.cespi.it.

particular, a growth in “remote” or “contactless” transactions has been recorded, with an upward trend even after the unwinding of the lockdown measures. In line with this tendency, an increase in transactions not initiated in cash, using payment instruments from remote, has been detected also in the case of remittances. According to the National Observatory’s survey, the proportion of migrants’ use of digital channels in sending remittances increased from 14% in 2017 to 24% in 2021.

Moreover, according to the information collected directly from a market consultation with the main operators, payment service providers (PSPs) appear to have taken steps to improve the use of cashless instruments and digital services in response to the pandemic emergency. In particular, the main PSPs have put in place promotional initiatives mainly directed at Eastern European and African countries, like reduced fees for wallet services and promo codes for the use of digital channels. From a business model perspective, the consultation also shows an important contribution to support innovative services (e.g., the development of new Apps) or to incentivize the use of services not requiring cash withdrawals (e.g., mobile wallets). At the same time – thanks to the regulatory framework issued in 2019, including methods of verification of customers’ identity based on reliable technologically innovative solutions which originates from EU rules – ⁶ the network of partnerships between banks and PSPs was strengthened, allowing better interoperability between services from different providers.

Crisis mitigation and prevention (COVID-19)

The Italian emergency legislation has classified the supply of financial services – which includes remittances – as “essential”; 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 may have been concentrated only in the very first phase of the emergency, while no particular friction occurred afterwards.

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.

⁶ See, e.g. the information provided at https://ec.europa.eu/info/publications/190913-safer-payment-services_en.

2021 Country plan for reducing remittance transfer costs

The 2021 Italian National Remittance Plan (NRP) is developed on seven components, 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 channels – especially the digital ones – and the ensuing compression in transfer costs
- Supporting digital e 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 2021 NRP is based on a strong commitment shared by all the main market operators and other relevant domestic stakeholders. 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), an international organization (IOM) and the representatives of the main market operators (MTO's, Italian banks, the Italian Banking Association and Poste Italiane) – 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. Moreover, the process of creating a trade association for MTOs operating in the country will be consolidated, therefore enabling greater involvement and coordination.

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 www.mandasoldiacasa.it 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 and sample surveys of foreign citizens. It will thus be possible to monitor the evolution of migrants' payment habits and, in particular, the changes in behavior related to the use of the different channels (formal vs. informal, traditional vs. digital, etc.) for sending remittances.

Moreover, in order to better understand the current phenomena and identify further areas of intervention for cost reduction, two strategic areas will be explored by means of two pilot studies directed, on the one hand, to reconstruct the structure of the industrial costs related to the sending of remittances and, on the other hand, to deepen the development of the innovative digital tools.

Improving transparency and consumer protection

The Italian remittance cost comparison site www.mandasoldiacasa.it will 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. The site will represent the main tool aimed at improving transparency and competitiveness on the remittance market.

The Ministry of Economy and Finance will implement the Italian register of central contact points, payment service agents and e-money distributors operating in the country on behalf of payment service providers and e-money institutions to be kept by the “Body for the management of the lists of financial agents and credit mediators” (*Organismo per la gestione degli elenchi degli Agenti in attività finanziaria e dei Mediatori creditizi* - OAM). The register is aimed at ensuring a more efficient supervision and transparency – and, hence, higher consumer protection – of the activities carried out by agents/operators in the market, as well as the relative distribution in the national territory. The institutive decree introduces the obligation to communicate, on a half-yearly basis, the data regarding the relevant payment services agents and e-money distributors (including the indication of the provision of money remittance services), as well as any termination of the contractual relationship with the relevant payment provider and/or e-money institution 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”).

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

Italy has experienced a considerable increase in the volume of outward remittance flows during the pandemic, a trend largely due to the shift from non-regulated to regulated channels. Going forward, one of the main challenges will be to consolidate this transition. This objective – closely related to the development of digital channels and the ensuing compression of transfer costs – will be based upon three interconnected strategies, on which the Italian 2021NRP will be developed.

- A widespread work “on the ground” by market operators will aim at deepening the dialogue with the different migrants communities and the development of promotional initiatives coupled with commercial loyalty programs. Specific information campaigns will be dedicated to providing information and education on the use of regulated channels.
- The strengthening of MTOs-bank partnerships, on the one hand, and the development of new partnerships between remittance operators and other service platforms (shipping, telecommunication, etc.) through the integration of services, 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 an integration with payment cards, both on the sender- and the receiver- side, for crediting on the receivers’ current accounts, which represent two important areas on which the future strategies of the operators of the sector will focus. A further simplification of legislation and the development of good practices on digital identification will facilitate access to digital channels.

Supporting digital e financial literacy for remittance users

The pandemic emergency has increased 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 migrants, financial literacy can represent an important element of empowerment, active participation in society and financial inclusion.

As a matter of fact, the migrant population residing in Italy is characterized by low levels of financial education, which represents one of the main obstacles also to the development of digital channels. 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 the bancarized ones and 60% for migrants with an evolved financial profile. Therefore, there appears to be a correlation between financial inclusion, financial education and access to digital tools.

In this regard, the Bank of Italy is committed to produce and disseminate financial education materials for teachers and students of public schools for adults, mostly attended by migrants and low-income people. Topics such as financial planning, choosing a current account, savings, remittances, payment instruments and access to credit will be dealt with in a practical and interactive way to facilitate financial awareness and inclusion. The teaching materials will also include a smartphone app and online resources to make learning easier and more practical among migrants and all people attending public schools. They will be tested in 2022 and disseminated throughout the national territory from 2023.

Among migrants, women deserve particular attention. The Bank of Italy is also strengthening its specific financial education programs for frail women and women in economic difficulty, especially through the financial education portal <https://economiepertutti.bancaditalia.it>. Some collaborations have been started with other bodies to spread the action throughout the national territory.

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. The activities of the Committee for the next three-year period will be focused on these targets, also through the use of the portal www.quellocheconta.gov.it.

Financial education, through both individual operators and system initiatives, will represent the main action targeting the consumers by the private sector, with the aim to develop digital tools and allow a cost reduction. This activity will also include a remittance education component. The networking of available and developed resources will represent a central reference source, while the monitoring tools (the National Observatory and the remittances data) will make it possible to measure its effectiveness over time.

A specific effort will be directed to the training of agents and operators to raise their awareness about issues related to financial education and provide them with the necessary tools to play a formative role for the provision of financial services. The migrant-financial operator relationship (precisely because of the low level of financial education) 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). 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. For this reason, Italy has identified the involvement of the receiving countries and the diasporas as one of the targets of the 2021 NRP through the development of a pilot project that, in cooperation with the Italian operators, will explore an experimental approach to connect the originating and the destination country with a view to developing digital channels and reducing transfer costs. 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. In the same vein, the possibility to realize projects in collaboration with other international organization (such as IFAD) will be further explored.

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 practice of temporary reduction or zeroing of the costs of sending remittances to those countries that are in an emergency condition consequent to natural disasters or systemic crises.