



GPI

Global Partnership
for Financial Inclusion

G20 National Remittance Plan

Switzerland 2021

Biennial Update



UPDATED 2021 NATIONAL REMITTANCE PLAN FOR SWITZERLAND

Call to Action on remittances

In the COVID-19 context, along with the **joint appeal by Switzerland and the United Kingdom¹ to ensure the unhindered flow of remittances during the pandemic, Switzerland has declared its commitment to facilitating remittance transfers by supporting the development of financial services specifically adapted to the needs of migrants.** Efforts to mitigate the sharp drop in remittances are also in line with the Sustainable Development Goals of the UN's 2030 Agenda and Switzerland's International Cooperation Strategy 2021–24². Remittances play a significant role in achieving the goals that Switzerland has set for itself to meet urgent global challenges.

Over the past years, Switzerland has made significant progress in improving the framework conditions for digital-based international payments. **As of 1 August 2021, a new Federal Law for Blockchain and Distributed Ledger Technology (DLT Framework) came fully into force.** The new legislation improves the conditions for blockchain and DLT companies in Switzerland, thereby promoting innovative financial market technologies and the utilization of DLT and payment tokens (or Stablecoins) for the realization of lower cost remittances, while also increasing transparency and reducing digital threats. One of the key changes that came into force on 1 August 2021 is a licence for DLT trading facilities, i.e. financial market infrastructures for DLT securities that can admit other companies and persons to trading in addition to financial intermediaries. Legal certainty has increased in insolvency law by explicitly regulating the segregation of cryptobased assets in the event of bankruptcy.

Switzerland sees the COVID-19 crisis as **an opportunity to shift away from expensive cash-based systems** and to create new systems that do not rely on banks and traditional money transfer operators. The remittance services should rely on new technologies to provide solutions for transferring money abroad, for instance via mobile phone, as well as microinsurance and savings schemes, particularly for retirement plan options. During the COVID-19 lockdown, remittance operations in Switzerland took place normally in the context of less strict containment policies. While Switzerland did not set up specific measures in the remittances market, the government considered banking and financial services as essential services. Banks remained open during lockdowns and MTOs international operations continued as usual. Thereby, the COVID-19 pandemic did not have much adverse impact of on the remittance flows and costs in Switzerland, which still ranks among the top ten sending countries globally.

¹ [Switzerland launches appeal to mitigate sharp decline in remittances to low-income countries \(admin.ch\)](#)

² [Switzerland's international cooperation for 2021–24 to focus on jobs, climate, migration and the rule of law \(admin.ch\)](#)



Current State of the Market for International Remittances

In Switzerland, access to banking services – including retail payment systems – is not generally perceived as an issue. The same holds generally for access to remittances services. Also, the Swiss financial sector is part of the Single Euro Payments Area (SEPA) framework, which facilitates cross-border payments (incl. remittances) in EUR towards European countries. In addition, a number of new mobile money and other technology-enabled solutions are currently emerging in the Swiss financial sector. This includes solutions focusing on payments that are also leveraged for remittances transfers.

According to World Bank data, Switzerland appears to be among the top-5 remittance-sending countries globally, with a volume of approximately USD 27.9 billion in 2020 (3,7% of its 2020-GDP). With approximately 2.5 millions immigrants (of approx. 8.64 million residents in Switzerland, as per 2020), Switzerland ranks among the top destination countries for immigrants and asylum seekers. The World Bank's methodology³, however, takes into account a large part of cross-border payments by cross-frontier workers in its definition of remittances volumes. Therefore, for countries with a substantial population of cross-frontier workers, such as Switzerland, World Bank remittances volumes are likely overstating actual remittances flows. In contrast to the World Bank, the Swiss Federal Statistical Office (FSO)'s definition of remittances is more narrow as it only takes into account only private transfers made by migrants - who have lived and worked in Switzerland for at least one year - to their home country of origin. Based on these measures, outbound remittances payments accounted for approximately CHF 7,4 billion in 2020. It is also worth to note that, in contrast to other countries, only a minor share of remittances flow from Switzerland to low-income countries. A large proportion of remittances outflows from Switzerland are sent to European countries (mainly Switzerland's neighbour countries). The average cost of sending remittances from Switzerland has been decreasing for several years and amounts to approximately 8% (according to World Bank statistics of 2020).

2022-2023 Country Plan for Reducing Remittance Transfer Costs

Due to the rapidly progressing digitization in the financial sector, the Swiss authorities are closely following these developments. The Swiss authorities seek to provide a more tailored and optimized regulatory environment that support digital-based solutions for payments / remittances. Switzerland will continue to advocate a comprehensive approach to migrants' remittances, which can offer inroads for promoting financial inclusion in recipient countries, while ensuring full compliance with applicable AML/CFT regulation. Switzerland also places great emphasis on the diagnostic side, in order to optimize the development impact of remittances in the country of destination.

³ The World Bank defines the remittances along the perspective of the Balance of Payments (personal transfers shall include all current transfers between residents and nonresidents).



1. IMPROVE THE ENABLING POLICY AND REGULATORY ENVIRONMENT FOR INTERNATIONAL REMITTANCES

According to Switzerland's International Cooperation Strategy 2021–24, Switzerland is committed to promoting and expanding access to banking, financial and insurance services for all. The Swiss financial market policy is aimed at promoting the competitiveness of the financial sector as well as digital-based payment solutions (fintech license, Financial Institutions Act, Financial Services Act, DLT Law, open banking, e-ID, etc.). Other possible measures include clarification of compliance, further regulatory guidance for proportionate Know-Your-Customer (KYC) or other economic support measures that will benefit unbanked and undocumented individuals. The Swiss authorities will also continue overhauling its financial market regulation and competition rules on the federal level. After the entry into force of two core pieces of the Swiss financial market architecture, the **Financial Services Act (FinSA)** and the **Financial Institutions Act (FinIA)** should be entirely applicable as of **January 2022**. Under the FinIA, the requirements for financial institutions are aimed at creating a level playing-field for supervised persons and entities. The FinSA sets out cross-sector rules for offering financial services and distributing financial instruments, based on the EU directives and mainly covers the following areas: enhancement of investor protection, transparency of financial products, revision of organizational requirements for the provision of services.

2. IMPROVE FINANCIAL SYSTEM INFRASTRUCTURES, SUPPORT INNOVATION AND HARNESS EMERGING TECHNOLOGIES

- a. After the entry into force of a new Federal Law for Blockchain and Distributed Ledger Technology (DLT Framework) as of 1 August 2021, the Swiss authorities will continue to follow **the developments of the DLT technology** very closely. The DLT technology has the potential to provide for faster and cheaper payments and spur competition in payment services. This highlights the need to step up ongoing efforts to improve existing payment systems. The Swiss authorities will ensure that the **regulatory framework fully applies to virtual asset service providers (VASPs)**. It is a priority to ensure the stability and the integrity of financial market.
- b. The Swiss National Bank (SNB) is exploring the **feasibility of a digital currency cross-border settlement of central bank digital currencies (CBDCs)**. The experiment, known as Project Helvetia, was run with Swiss bourse operator SIX and the Bank for International Settlements (BIS). It looks at using CBDCs for so-called wholesale transactions between financial institutions to make trading assets on a planned SIX exchange. The SNB will also monitor closely **fintech companies' access to Swiss Interbank Clearing (SIC) system**. As commissioning party of the SIC, the SNB grants access to applicants that make a significant contribution to the fulfilment of the SNB's statutory tasks, and whose admission does not pose any major risks.

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- c. The Swiss authorities will work with all the relevant financial centre stakeholders (in particular the Swiss Banking Association and the Swiss Fintech Innovations) to develop **standardized interfaces (APIs) for Swiss financial institutions**. The aim is to **stimulate open banking** through the development of innovative services without compromising the security of financial institutions and their customers. The cross-industry unified interface specification is designed to be as compatible as possible with international standards and to enable real-time, personalised services to their customers.
 - d. The Swiss Federal Council will determine the key parameters for a **new electronic identity (E-ID) proposal**. The consultation on a new eID Act is expected to begin in May 2022. The legal framework for state-recognised E-ID systems must be EU compatible. This work forms part of a broader “Swiss eGovernment strategy”⁴, that aims at promoting transparent, cost-effective seamless electronic transactions by establishing digital means of identification that are valid nationally and internationally.
 - e. **By the end of 2022 the State Secretariat for Economic Affairs will update the “Framework Conditions for the Digital Economy” report**. Special attention will be being paid to digital finance. At the heart of the strategy is the consistent utilization of the opportunities of digitalization, including for financial inclusion purposes. All Swiss citizens should have equal-opportunity, low-cost, non-discriminatory access to high-quality network infrastructure. The updated “Digital Switzerland” action plan is available here: [Digital Switzerland Strategy - Strategie \(digitaldialog.swiss\)](https://www.digitaldialog.swiss/).

3. IMPROVE TRANSPARENCY, CONSUMER PROTECTION, DIGITAL AND FINANCIAL LITERACY FOR REMITTANCE USERS

According to its “call-to-action” on remittances, the Swiss authorities are committed to take a number of measures to encourage both public- and private-sector-led awareness-building campaigns to boost digital and financial literacy and capability of remittance consumers. The Swiss FinTech industry is already active in the promotion of lower-cost remittances. In particular, the Swiss startup “Monito” (Money transfer: compare ways to send money online with Monito), which offers transfer cost comparison services and transparency on transfer fees and exchange rates, has become very popular among migrants in Switzerland in the pandemic context. Further, the Swiss State Secretariat for Economic Affairs (SECO) will continue to contribute, financially and through other means, to programs⁵ that seek to support greater transparency measures and optimize the development impact of remittances in the respective country of destination.

⁴ For further information, see <https://www.egovernment.ch/en/>

⁵ Swiss contributions to the Financial Sector Development and Reform Program, World Bank Remittances and Payments Program, World Bank’s Global Program on Consumer Protection and Financial Literacy (CPFL)