



GPI

Global Partnership
for Financial Inclusion

**G20 National Remittance
Plan 2019
United States**

Background

The United States is the world's largest remittance-sending country; total remittances sent by immigrants residing in the United States were estimated at more than \$68 billion in 2018.¹ Roughly 14 percent of the U.S. population (or more than 44 million people) is foreign born.² The top corridors for the United States in terms of remittance outflows are Mexico, China, India, the Philippines, and Vietnam.³ The average cost of sending remittances from the United States was 5.66 percent as of the second quarter of 2019, below the global average of 6.84 percent and down from 6.3 percent in the second quarter of 2015.⁴

Money transfer operators (MTOs) are the main registered channels that immigrants residing in the United States access to send remittances. Although major international MTOs currently have a large share of the market, smaller MTOs also operate in immigrant destination cities.⁵ Many banks and credit unions also offer remittance transfer services, as do some emerging fintech providers.⁶ The use of mobile payment technology in remittance transactions has been increasing rapidly.

Supervision and oversight of the sector occurs at both the federal and state level. At the Federal level, the Consumer Financial Protection Bureau (CFPB) supervises large banks and money transmitters for their compliance with federal consumer finance laws. MTOs must register with the Financial Crimes Enforcement Network (FinCEN) as money transmitters and comply with applicable requirements; states also issue licenses and act as the primary regulator for non-bank money transmitters and other money services businesses (MSBs). Nonbank MTOs with a multi-state presence are required to maintain a license, and be subject to examination, by every state in which they operate. MTO licensing requirements can vary by state. FinCEN works with the Conference of State Bank Supervisors (CSBS) to increase state-to-state and federal-state supervisory coordination to create a stronger but also simpler and more efficient supervisory regime for money transmitters.

The greatest challenges to increasing efficiency and reducing costs in the remittance environment in the United States include consumer preference for legacy methods to transfer remittances in the top outflow corridors, as well as pressure on bank access for some providers. The U.S. Treasury Department works to strengthen the AML/CFT supervisory regime for MSBs and to clear up misperceptions that may have contributed to bank risk aversion towards certain MSBs in the past.

Call to action on Remittances

COORDINATED SUPERVISION AND TRANSPARENCY: The Money Remittances Improvement Act of 2014 allows FinCEN to rely on state examinations of MTOs, reducing duplicative oversight of MSBs by enabling regulators to share information about MSBs and other financial institutions not subject to federal functional regulation and increasing the effectiveness of overall supervision. FinCEN also

¹ World Bank. "Remittances Data: Migrant Remittance Outflows (US\$ million)." Washington, DC: World Bank, October 2019. Last accessed October 30, 2019. Available at: <https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>

² U.S. Census Bureau. "2017 American Community Survey 1-Year Estimates: Place of Birth by Nativity and Citizenship Status." Washington, DC: U.S. Census Bureau. Last accessed October 30, 2019. Available at: <https://factfinder.census.gov/faces/tableservices/jsf/pages/productview.xhtml?src=bkmk#>

³ World Bank. "Remittances Data: Bilateral Remittance Estimates for 2017 using Migrant Stocks, Host Country Incomes, and Origin Country Incomes (millions of US\$)." Washington, DC: World Bank, April 2018. Last accessed October 30, 2019. Available at: <https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data>

⁴ World Bank. "Remittance Prices Worldwide: Issue 30." Washington, DC: World Bank, June 2019, p. 14. Available at: https://remittanceprices.worldbank.org/sites/default/files/rpw_report_june_2019.pdf

⁵ Consumer Financial Protection Bureau. "Remittance Rule Assessment Report." Washington, DC: Consumer Financial Protection Bureau, October 2018 (revised April 2019), p. 54. Available at: https://files.consumerfinance.gov/f/documents/bcfr_remittance-rule-assessment_report_corrected_2019-03.pdf

⁶ Consumer Financial Protection Bureau, 2018, p. 54-55.

works closely with state authorities and the Internal Revenue Service (IRS) on examination coordination on supervision of the MSB industry.

FinCEN publicly encourages state regulators to work with Treasury to create more transparency in the MSB industry. In March 2016, FinCEN released guidance to make regulatory expectations related to MTO principal supervision of agents clearer and to eliminate misunderstandings about what principals are expected to do. In addition, Treasury has continued a campaign of public outreach to deliver the message that Treasury expects MSBs and banks to operate responsibly within a risk-based framework for AML/CFT, rather than making overly broad rules-based judgements. Treasury engages with both the U.S. interagency and international partners to improve available data on the impact of the withdrawal of correspondent banking relationships on MSBs and other final clients.

2019 Country plan for reducing remittance transfer costs

1. Increase remittance market competitiveness, including through improvements to the regulatory environment

The CFPB's remittance rule requires covered entities to provide consumers who send remittance transfers with information on the exchange rate utilized as well as on certain fees and U.S. taxes, which would aid comparison shopping and the identification of errors. The rule does not apply to entities that consistently send fewer than 100 annual remittances. Federal banking agencies and the National Credit Union Administration (NCUA) have developed guidelines to help 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.

2. Improve financial system infrastructure and pursue policies conducive to supporting innovation and harnessing emerging technologies.

The Federal Reserve's Faster Payments Task Force issued a report in 2017 identifying effective approaches for implementing a safe, ubiquitous, and faster payments capability in the United States by 2020. The report encourages collaboration among all stakeholders, including competing faster payments solution operators, payment service providers, and end users. The Reserve Banks and the Clearing House (TCH) plan to implement the ISO 20022 payment format standard for their domestic and cross-border wire payments systems. This same standard is also being considered for the domestic retail automated clearinghouse (ACH) system. Treasury's Office of Technical Assistance (OTA) will continue to provide technical support to jurisdictions that are seeking to ensure that innovative forms of digital payments may be passed easily from person to person (P to P) and government agencies to persons (G to P), including promoting interoperable arrangements between unrelated payment service providers. 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.

3. Improve transparency and consumer protection of remittance transfers.

The CFPB examines large banks and nonbank participants of the international money transfer market for compliance with the Remittance Rule, which includes disclosure requirements, error resolution, and cancellation rights for consumers who send remittances. Overall, remittance transfer providers have implemented changes to address compliance with that rule. The CFPB continues to exercise its supervisory jurisdiction to ensure that banks and non-banks comply with federal consumer financial laws. CFPB has also launched an assessment of the impact of its remittance rules and issued a report on it in late 2018.