



GPI

Global Partnership
for Financial Inclusion

G20 National Remittance Plan

United States 2021

Biennial Update

REDUCING REMITTANCE TRANSFER COSTS

The United States of America

Call to Action on Remittances

COORDINATED SUPERVISION AND TRANSPARENCY: The Money Remittances Improvement Act of 2014 allows the U.S. Treasury Financial Crimes Enforcement Network (FinCEN) to rely on state examinations of MTOs, reducing duplicative oversight of Money Services Businesses (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 works closely with state authorities and the Internal Revenue Service (IRS) on examination coordination and 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 mechanical 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.

In 2012, the U.S. Consumer Financial Protection Bureau (CFPB) published rules implementing the provisions of the Dodd-Frank, Wall Street Reform and Consumer Protection Act affecting remittance transfers. The CFPB continues to monitor the U.S. remittances market to assess the impact of the new consumer protection measures following amendments to the rules, which took effect on 28 October 2013.

Current State of the Market for International Remittances

The United States is the world's largest remittance-sending country; total outward remittances sent by immigrants residing in the United States were estimated at \$68 billion in 2020.¹ Roughly 14 percent of the U.S. population (or more than 44 million people) is foreign born.² The total average cost of sending remittances from the United States was 4.88 percent as of the first

¹ World Bank. "Remittances Data: Migrant Remittance Outflows (US\$ million)." Washington, DC: World Bank, October 2019. Last accessed November 5, 2021. Available at:

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

² U.S. Census Bureau. "2019 American Community Survey 1-Year Estimates: Place of Birth by Nativity." Washington, DC: U.S. Census Bureau. Last accessed November 5, 2020. Available at:

<https://data.census.gov/cedsci/table?q=nativity&tid=ACSDT1Y2019.C05002>

quarter of 2021, below the global average of 6.38 percent and down from 5.36 percent the year before.³

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.⁴ Many banks and credit unions also offer remittance transfer services, as do some emerging fintech providers.⁵ 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. Commercial banks are supervised by Federal and state banking regulators for compliance with the banking laws and the Bank Secrecy Act. Federal Banking Agencies also supervise banks under \$10 billion in total assets for compliance with Federal consumer finance laws. The CFPB also supervises large banks and remittance transfer providers that qualify as larger participants for their compliance with federal consumer finance laws. MTOs must register with FinCEN as money transmitters and comply with the reporting and recordkeeping requirements of the Bank Secrecy Act; states also issue licenses and act as the primary regulator for non-bank money transmitters and other 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. The U.S. Treasury Department is also an active participant in the FSB/Committee on Payment and Market Infrastructure's work to enhance cross-border payments.

³ World Bank. "Remittance Prices Worldwide Quarterly: Issue 37." Washington, DC: World Bank, March 2021, p. 18. Available at:

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

⁴ 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/bcfp_remittance-rule-assessment_report_corrected_2019-03.pdf

⁵ Consumer Financial Protection Bureau, 2018, p. 54-55.

2022-2023 Reducing Remittance Transfer Costs

INCREASE REMITTANCE MARKET COMPETITIVENESS AND CONSUMER CHOICE:

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 do not provide remittance transfers in the normal course of their business.

Generally, the remittance rule deems that an entity does not provide remittance transfers in the normal course of its business if it provides 500 annual remittances or fewer in each of the prior calendar year and current calendar year.⁶ Federal banking authorities and the National Credit Union Administration (NCUA) have developed guidelines to help banks and 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.

IMPROVE FINANCIAL SYSTEM INFRASTRUCTURE: In August 2019, the Federal Reserve announced that the Reserve Banks will develop a new interbank 24x7x365 real-time gross settlement service, the FedNowSM Service, to support ubiquitous, safe, and efficient instant payments in the United States. The service will launch in 2023 to participating depository institutions. In line with prioritization of a timely launch, the FedNow Service will only support domestic instant payments initially. The Board will continue to evaluate the costs and benefits of expanding the FedNow Service to allow for cross-border payments in the future, recognizing the need to address the heightened risks and compliance issues associated with cross-border payments. The service will be based on the globally-used ISO 20022 message format in order to facilitate domestic, and potentially, cross-border interoperability with other instant payment services. In addition to the FedNow Service, the Federal Reserve recently announced that the Fedwire[®] Funds Service will also adopt the ISO 20022 format. The implementation is targeted for, and will be no earlier than, November 2023. The change will allow for enhanced efficiency of both domestic and cross-border payments, and a richer set of payment data that may help banks and other entities comply with sanctions and anti-money laundering requirements. 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.⁷ This same standard is also being considered for the domestic retail automated clearinghouse (ACH) system.

Treasury's Office of Technical Assistance (OTA) continues to provide technical support to jurisdictions that are seeking to ensure that innovative forms of digital payments can be adopted in a responsible manner, including by promoting interoperability across providers and establishing regulatory sandboxes. USAID also makes global and market level investments

⁶ 12 CFR 1005.30(f)(2).

⁷ ISO 20022 can help improve cross-border payment efficiency by providing a common global format, which could streamline the exchange of payment information between payment systems in various countries.

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.

DISCOURAGE TAXES ON TRANSFERS: The U.S. Federal Government does not tax remittances.

IMPROVE TRANSPARENCY AND CONSUMER PROTECTION: Through both public enforcement and non-public supervisory actions, the CFPB oversees compliance with the Remittance Rule, which includes disclosure requirements, error resolution, and cancellation rights for consumers who send remittances.⁸ Overall, remittance transfer providers have implemented changes to address compliance with that rule. Yet the Bureau’s examinations and enforcement actions have uncovered mixed levels of Remittance Rule compliance across the industry, including general compliance at certain institutions as well both individual violations and wholesale failures to comply at others. The CFPB continues to exercise its supervisory and enforcement authority to ensure that banks and non-banks comply with federal consumer financial laws. The CFPB also published an assessment of the impact of its remittance rule and issued a report on it in late 2018. Other authorities, including the Federal Banking Agencies, have the authority to examine banks within their respective jurisdictions for compliance with relevant federal consumer financial laws.

⁸ The CFPB oversees compliance with the Rule through both public enforcement and non-public supervisory actions. The Bureau has responsibility for supervising remittance transfers conducted by banks with over \$10 billion in assets as well as by non-bank remittance transfer providers that qualify as “larger participants,” i.e., if they have at least one million aggregate annual international money transfers. The Bureau conducts supervisory reviews, among other reasons, to determine the scope of a financial institution’s business activities, assess compliance with Federal consumer financial law, and assess risk to consumers. The Bureau has enforcement authority over all entities under its enforcement jurisdiction subject to the Rule, regardless of the volume of transfers.