

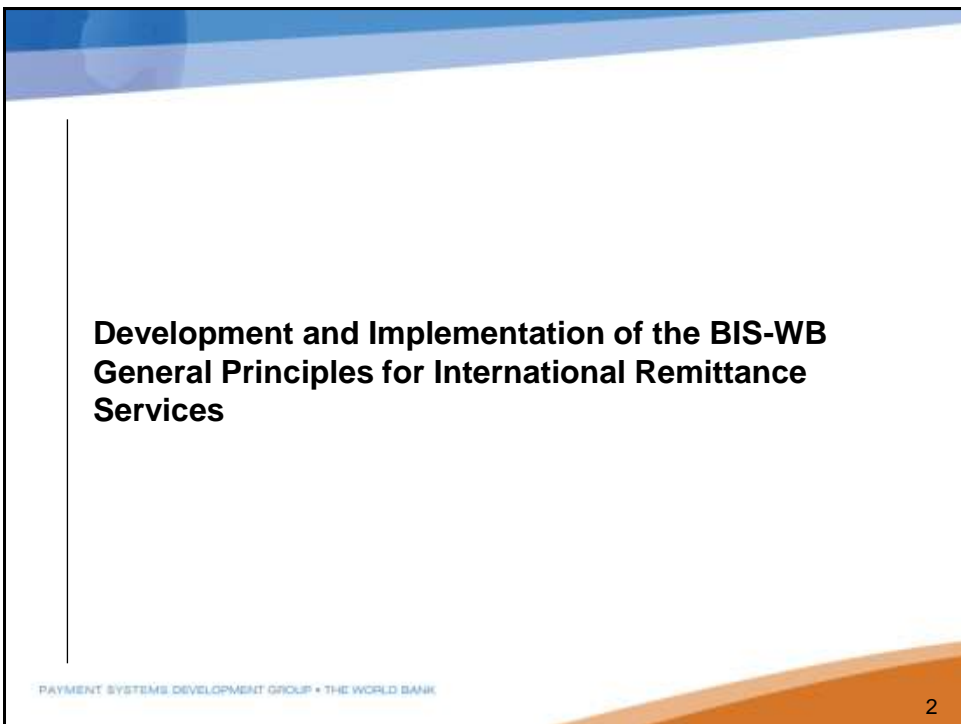
***The WB-BIS General Principles for International Remittance Services: a global tool for a global goal***

Western Hemisphere Payments Week, 2009  
Punta del Este, November 19, 2009

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**Development and Implementation of the BIS-WB General Principles for International Remittance Services**

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***An international remittance is a cross-border, person-to-person payment of relatively low value***

- Typically by migrant workers to their families. Especially from developed to developing countries
- Person-to person, low value - ie not commercial or wholesale payments
- Domestic remittances also exist
- Recurrent - but typically made by individual transfers (e.g. not by standing order)
- Typically credit transfers
- For remittance service providers (RSPs), often indistinguishable from any other retail cross-border transfers

▪ Issues with remittances:

- Usually expensive
- Sometimes slow
- Sometimes inconvenient
- Occasionally unreliable

Focus here is on *payment system* aspects (not developmental, immigration, balance-of-payments or other aspects)

**Remittances: the BIS-WB General Principles for International remittance services are a multilateral effort to address a global challenge**

Lower costs, better performance, safer transfers

Single country implementation  
with authorities and stakeholders

Regional initiatives with regional partners  
Global Private-Public Sector Partnership

Coordination group to develop implementation  
guidelines and monitor implementation

Development of the General Principles

Request from the International Community

Assessments and Operations:

El Salvador (September 2006)  
Morocco (November 2006)  
Honduras (April 2007)  
Haiti (September 2007)  
Nigeria (February, 2008)  
Uganda (April 2008)  
Guatemala (April 2008)  
Czech Republic (May 2008)  
U.A.E (January 2009)  
Brazil (April 2009)  
India (July 2009)  
Peru (October 2009)  
T&T (October 2009)  
Rwanda (November 2009)

The World Bank PSDG and the Bank for International Settlements CPSS chaired the Task Force that developed the Principles. The Principles have been endorsed by the G8, G-20 and the Financial Stability Forum (now Board). All countries urged to use them!!!

**Functional Approach: Categorizing remittance service providers**

There are many types of RSPs - the report categorises them according to the network type

Other categorisations sometimes used:

- regulated versus unregulated
- formal versus informal

Because of the lack of clarity and/or the implicit value judgements, these categorisations were not felt to be useful, at least for payments purposes

**GP1: The market for remittances should be transparent and have adequate consumer protection**

**GP2: Improvements to payment system infrastructure that have the potential to increase the efficiency of remittance services should be encouraged**

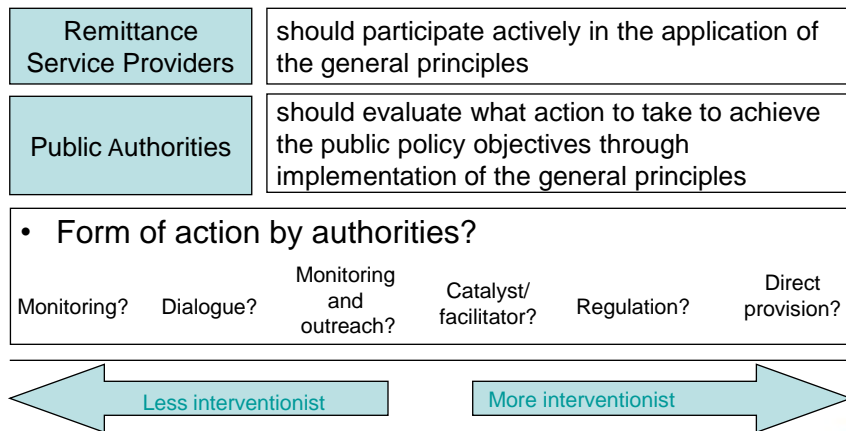
**GP3: Remittance services should be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework**

**GP4: Competitive market conditions, including appropriate access to domestic payments infrastructures, should be fostered in the remittance service industry**

**GP5: Remittance services should be supported by appropriate governance and risk management practices**

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**Remittance Service Providers and the authorities have particularly important roles:**



## ***Implementation of the GPs: Lessons Learned***

- **We are the World!:** the GPs are proving to be a very effective tool of universal applicability, in particular in Small States
- **Yes, you can!:** Although cooperation between the sending and the receiving country is beneficial, important results can be achieved working directly in one of the two
- **The Best Kept Secret:** Overall, there is little information available on the costs of remittance transfers, and consumers do not have the appropriate tools to compare options in the market. As a result, we are assisting the development of national databases in both sending countries and receiving countries (e.g. Central America, Czech Republic and Italy)
- **Unite and Conquer!:** Correspondent banking agents, within a proper legal and regulatory framework, increase access to remittance services for recipients in rural or remote areas (e.g. Brazil, India)

## ***Implementation of the GPs: Lessons Learned***

- **Heal the (cross-border) World!:** Recent developments around international networks and messaging services (**e.g. the dedicated SWIFT message for workers' remittances**) have the strong potential to significantly reducing the cost of clearing and settlement internationally and should be encouraged
- **All Together Now!:** As cooperation is key, the WB is promoting the constitution of Payment System Councils that include all types of Payment Services Providers to foster dialogue between the regulator and the industry
- **Let'em in!:** Fair and Open access (direct or indirect) to the national payment systems increases efficiency in the remittance market by allowing participants to compete
- **Be cool, No club!:** As competition is key, ban on exclusive agreements have direct implications on cost and financial access at large.
- **Watching the wheel (but do not reinvent it!!!):** The GPs have proved to be valid for all retail payments (including mobile!!!)

## **Implementing the GPs: Public Private Partnership - a Forum for Dialogue among all stakeholders in Remittances**

### ***Public-Private Partnership for Remittances***

- One of the recommendations endorsed at the G-8 Outreach Meeting on Remittances, held in Berlin in November 2007, was to work collectively to implement the General Principles for International remittance services (Recommendations 3 & 6) and foster access to financial services (Recommendation 5)
- In this vein, the World Bank and DFID in cooperation with the private sector worked to create a group of international organizations, donors, national authorities from developed and developing countries, and the private sector to meet regularly to set concrete goals and actions for the international remittance market, and to co-ordinate efforts to avoid duplication (Recommendation 4 & 7)
- The purpose is to provide a forum for dialogue between multilaterals, the remittances regulators and industry

## ***PPP: Organizational Arrangements***

- The World Bank coordinates the Partnership and staffs the Secretariat with the support of the United Kingdom Department for International Development.
- The Partnership is organized as follows:
  - A Chair, Massimo Cirasino Head of the Payment Systems and Remittances Development Group at the World Bank
  - A Secretariat to coordinate and support the activities;
  - A Consultative Committee to provide guidance and control on the Partnership activities, and general membership.

## ***PPP: Organizational Arrangements***

- The Consultative Committee comprises representatives from both the private and the public sector. This includes a wide variety of members (State regulators, banks and other financial institutions, MTOs, telecom regulators, MFIs, etc...)
- Once a year a meeting of the larger PPP group, including the Consultative Committee and the general membership will be held.
  - To improve the effectiveness of resources, this annual event will try to coincide with other established events that draw large participation of members of the PPP, such as the annual meeting of the G8 GRWG or the Global Payments Week.

## G8 Global Remittances Working Group

### ***The Global Remittances Working Group: Milestones***

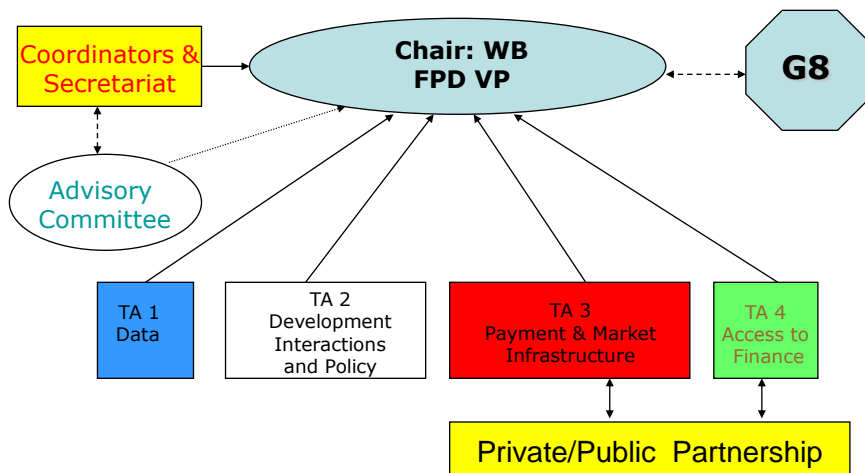
- During the 2004 G8 Meeting at Sea Island, Remittances entered the G8 agenda
- 2006: Establishment of the Luxemburg Group on remittance data collection (flows) was established
- In January 2007, the General Principles on Remittance Services were released by the World Bank and CPSS creating the basis for future work on remittances
- In 2007, in Berlin, the G8 agreed to seven recommendations, among which was the creation of a Working Group on Remittances
- In September 2008, the World Bank, in cooperation with DFID, launched the Global Public Private Partnership on Remittances in Vienna
- In January 2009, the G8 Global Remittances Working Group was created, coordinated by the World Bank
- In May 2009, the G8 GRWG proposed the objective of the 5x5
- In July 2009, the G8 Heads of State endorsed the 5x5 objective



## **G8 5x5 Objective**

- In many remittances corridors the cost of sending remittances is still high relative to the often low incomes of migrant workers and their families
- Reduction in cost would generate a net increase in income for migrants and their families in the developing world, estimated at 15 billion USD. This is particularly important for Small States where costs are relatively high
- **In light of this, the G8 Global Remittance Working Group and the World Bank have promoted the 5x5 objective: the reduction of the average cost of sending remittances globally by 5 percentage points over 5 years**
- **In July 2009, at L'Aquila summit, the G8 Head of States endorsed the 5x5 objective and made a pledge "to achieve in particular the objective of a reduction of the global average costs of transferring remittances from the present 10% to 5% in 5 years through enhanced information, transparency, competition and cooperation with partners"**
- The World Bank Remittance Prices Worldwide database provides a reference for monitoring progress on this objective on a biannual basis

## **The Global Remittances Working Group**



## **Thematic Area 3**

### **Payment and Market Infrastructure**

- Working towards a Sound, Predictable, Non discriminatory, and Proportionate Legal and Regulatory Framework (GP III): Identifying standard approaches
  - Regulatory reform is a particularly important issue in remittances
  - A Regional Study was initiated in Latin America and the Caribbean and leverages on existing WB work
  - The report will highlight best practices and accepted solutions to meet the objective
- Enhancing the transparency of remittance services to induce the continued reduction of remittance costs worldwide (GP I): Encouraging the creation of national price databases
  - Leveraging on the World Bank remittance prices database
  - Common Methodology for National Databases on Remittance Prices
  - Coupled with other consumer protection tools

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## **Thematic Area 3**

### **Payment and Market Infrastructure**

- Encouraging payment infrastructure development to provide more efficient access to clearing and settlement services
  - Continued implementation of General Principles II and IV in reforms of national payments systems (e.g. additional resources devoted to payment system development and increased focus on retail payments)
  - Study to extract main lessons from payment infrastructure models to support the provision of efficient remittance services
- Analysis of the Benefits and Challenges of Industry Codes of Conduct
  - Positive experience to build on: UK Remittances Consumer Charter
  - Identify guidelines for the implementation of successful self-regulatory initiatives
  - Enforcement and Oversight

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## ***Thematic Area 4***

### ***Remittance-linked financial products and Access to Finance***

- Study on Best Practices in Remittance-linked Financial Products
  - Many projects worldwide but so far no systematization of the lessons learned in remittance-linked financial products
  - Produce a Best Practices Note to guide financial institutions to provide more inclusive financial services to remitters and their families

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## ***Thematic Area 4***

### ***Remittance-linked financial products and Access to Finance***

- “Bancarization” Indicators
  - Develop or adapt appropriate indicators on “banking” remittance senders and receivers and gather existing data to monitor evolution
- Standardization of Remittances Inclusion in Credit Scoring
  - Taking remittance flows into account when underwriting a loan
  - Seek common formats to standardize inclusion of remittance flows

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## **Thematic Area 4**

### ***Remittance-linked financial products and Access to Finance***

- Paper on financial instruments to raise external financing by targeting the diaspora\*
- Paper on leveraging remittances for capital market access\*

\* **Linked with Thematic Area 2 (see below)**

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## **Implementing the GPs: Remittance Prices Worldwide Increasing Transparency in the Market**

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## **Remittance Prices Worldwide LAUNCHED SEPTEMBER 2008!**

[Remittanceprices.worldbank.org](http://Remittanceprices.worldbank.org)

The database :

- Increases transparency and competition
- Provides comparisons of markets across countries and regions. The new iteration Q3 2009 (launched on October 6), surveys 167 corridors and 23 sending countries
- Fosters price reductions through a “name and shame” approach. An example of this has been the case of LAC, where publication of remittance fees was a factor in their reduction from 15%, on average, in the region in 2000, to 5.6% in 2006
- Is not focused directly on the consumer (not updated on a day-to-day basis) and in this sense does not replace national databases but complements them (e.g. [www.mandasoldiacasa.it](http://www.mandasoldiacasa.it) for Italy and [www.sendmoneypacific.org](http://www.sendmoneypacific.org) for the Pacific)

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## **World Bank Remittance Price Database**

[Remittanceprices.worldbank.org](http://Remittanceprices.worldbank.org)

### Data acquisition

Firms were contacted to obtain the sending fees and exchange rates charged to transfer the local currency equivalent of US\$200 and US\$500 (funds to be received in the currency of the recipient country). The day and time of the request was recorded, as was the interbank exchange rate at that day/time. The researcher also asked if there are any known fees for the recipient

### Data Verification

In some cases, actual transactions were undertaken through a random selection of firms in the corridor, including firms that cannot or did not give customers price information before a transaction has taken place. (“mystery shopping”)

### Publication

Published on World Bank website

It is intended that the website be updated at least twice a year

The project team is working proactively to raise awareness on the existence of the database

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- ## Remittance Price Database: Main Findings
- Excluding all non transparent RSPs the Total Global Average to send 200 USD is 9.40%, down from 9.67% six months ago. (or 0.27 percentage point decrease, compared to the 0.5 percentage points that we expect to achieve). This shows that there is indeed a natural trend in the market towards cost reduction. If we were to include Russia the average would be much lower at 9.03%.
  - Western Union and Moneygram have also decreased during the last 6 months by -1.12% for Western Union and -8.65% for Moneygram. The variation over 15 months of Western Union and the Global average is almost identical, which is a good sign of the accuracy of our database.
  - Our coverage of WU (94% of corridors) and MG (87%) of corridors has greatly increased and is almost universal now.
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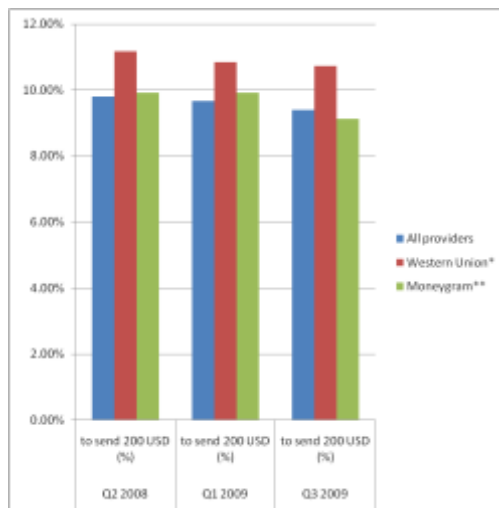
## Remittance Price Database: Main Findings

- Since the previous iteration: 83 country pairs decreased (62.4%) and 50 increased (37.6%).
- The sending countries with the biggest decrease are: Malaysia (-20%), Canada (-20%) and the UK (-13.5%)
- The sending countries with the biggest increase are the least expensive: Russia (+19%), Saudi Arabia (+18.2%) and Italy (10.3%)
- The Cheapest Corridors (excluding Russia) are: Costa Rica (send USD to USD), Saudi Arabia, Singapore, United Arab Emirates and Chile
- The Most Costly Corridors are: Japan, Dominican Republic, Brazil, South Africa and Australia.

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## Cost Reduction over 15 months



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## ***World Bank - Minimum Standards for National Remittance Prices Databases***

- **Double price points data gathering**
- **Collection of fees for the sender**
- **Collection of the exchange rate applied**
- **Provision of total amount of the identified costs**
- **Speed of the transaction**
- **Type of service provided**
- **Minimum of 60% of market coverage per corridor**
- **Independence of the researchers**
- **Validation through mystery shopping exercises**
- **No advertisement policy**
- **No subscription policy**
- **Linkage with other World Bank-approved databases**

## ***Next Steps in the Implementation of the General Principles***

- **Issuance of the Guidance Note for the Implementation of the GPs**  
Specific guidelines for countries to implement the General Principles for International Remittances
- **Country Briefs**  
Public Dissemination Reports based on the Missions for the Implementation of the GPs
- **Pacific Remittance Initiative**  
Assess markets for remittances in six countries. Create sustainable arrangements to continue regional cooperation in payment systems and remittances



## ***Next Steps in the Implementation of the General Principles***

- **African Remittance Database**  
This Database focused on Sub-Saharan Africa will study approximately 100 selected country corridors, aiming at covering at least 60% of total remittance flows to the region, including intra-African corridors
- **Payment System Survey 2010**  
Will be launched among more than 140 National Central Banks, to collect information on the status of National Payment, Remittances and Securities Settlement Systems Worldwide

# Thank you!