STUDY ON REMITTANCE REGULATORY FRAMEWORKS AND ACCESSIBILITY OF REGULAR REMITTANCE CHANNELS OF THE COLOMBO PROCESS MEMBER STATES

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This publication was made possible through the support provided by the Swiss Agency for Development and Cooperation (SDC), under the regional project, "Strengthening Labour Migration Governance through Regional Cooperation in Colombo Process Countries".

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This publication has been issued without formal editing by IOM.

Acknowledgements

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Charlie Bush, Sarah Hugo and Poppy Isaacs provided extensive research and written support throughout the whole process. A country visit to Bangladesh was undertaken by Juanita Woodward (of Connecting the Dots) and Jonathan Capal, Regional Director Asia Pacific, DMA, visited Cambodia and Indonesia for research processes.

The report also benefited from the comments, contributions and support offered by Programme Managers, Masako Ueda and Shahreen Munir, from Senior Migration and Economic Development Specialist, Deepali Fernandes, and from Project Coordinators, Chanaka Herath and Devmi Dampella. The editors would also like to thank the Colombo Process Member States' representatives from Afghanistan, Bangladesh, Cambodia, China, India, Indonesia, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand and Viet Nam, who provided valuable knowledge for this report.

[1]DMAG's core competencies in the area of payments include; market and consumer research, programmedesign and implementation, product design, market entry and inward investment. Since the company was founded in February 2007, it has established a global team of experts of over 60 people.

Widely regarded as a leading payments consultancy, DMAG is engaged by both the public and private sector to deliver projects around the world. To date, work has been conducted in the United Kingdom, Africa (including Algeria, Côte d'Ivoire, Nigeria, Ghana, Kenya, Senegal, Ethiopia, Somalia, South Africa, the United Republic of Tanzania and Morocco), the European Union, Canada, Australia, New Zealand, CIS countries (Armenia, Kyrgyztan, Republic of Moldova and Tajikistan), the United States of America, Asia Pacific (including Colombo Process Countries, Singapore, India and China) and Latin America and the Caribbean.

Executive summary

The Colombo Process is a Regional Consultative Process on the management of overseas employment and contractual labor for countries of origins in Asia. The twelve Colombo Process Member States (CPMS) are Afghanistan, Bangladesh, Cambodia, China, India, Indonesia, Nepal, Pakistan, the Philippines, Sri Lanka, Thailand and Viet Nam. Cross-border migration plays an extremely important role across this region and this migration drives remittance flows; it is estimated by the World Bank that USD243 billion was received in the CPMS formally in 2017.[2] The remittances that migrants send home not only support livelihoods but are significant contributors to Gross Domestic Product (GDP), are a valuable source of foreign exchange to governments, contribute to development outcomes at the individual level such as education, healthcare, income inequality reductions and access to finance, and also play a role in stabilizing the external sector.

The three largest receivers of remittances globally are CPMS (India, China and the Philippines) where formal remittances alone account for more than USD165 billion per annum. In Nepal formal remittances account for nearly a third (28%) of national income and in the Philippines and Sri Lanka approximately 10 per cent each. Despite some of the most competitively priced formal remittance services in the world, it is estimated that a large proportion of remittances are still sent informally to, and within, this region. Estimates suggest that total flows (including informal) to CPMS could sum to at least USD350 billion per annum.[3]

The benefits of sending money formally include security and consumer protection, the ability to track and trace the transfer for money laundering, terrorist financing and policy planning and the inflow of foreign exchange to a country. For migrant families, remittances are often a vital lifeline, helping to reduce poverty, improve standards of living and attain higher levels of education. More broadly, remittances have the potential to help develop the national payments infrastructure and extend financial inclusion. Remittances are known to be used for entrepreneurial activities and productive investment, with amounts saved in financial institutions funding business ventures when migrants return home.[4] As such, there are real incentives for governments, senders, receivers and the wider community to bring these flows into the formal sector.

This report surveys remittances in the CPMS and provides recommendations to remove barriers, reduce costs and improve access to formal services. Findings and recommendations are based on publicly available information substantiated and built upon by interviews with key stakeholders in public, private and civil society sectors in selected Member States and questionnaires sent to public sector stakeholders in each State. The report draws out good practice examples from CPMS as well as the main challenges experienced by CPMS migrants in accessing formal remittance services and provides background information on formal remittance flows, costs and the main channels used, including formal and informal methods. The focus of the report is on the legal, regulatory and policy environment for remittances services in the CPMS with attention on pay-out environments, regulation for digital payments and financial inclusion. Three "deep-dive" case studies are provided on the Bangladeshi, Cambodian and Indonesian markets in an appendix.

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[2] World Bank T4 Bilateral Remittances Data, 2017.

[3] *Source:* Various as outlined in section 3.3.

[4] www.nrb.org.np/red/publications/f_/webcrysis/ecorev/Economic_Review_(Occasional_Paper)--No_23,_April_2011+1_Harnessing_Remittances_for_Productive_Use_in_Nepal%5BBhubanesh%20Pant,%20Ph.D.%5D.pdf

Challenges in accessing remittances by migration destination

For the purposes of this report migration from CPMS has been categorized into three groups based on the destination of migrants:

a. Migration between bordering countries (often land borders),
b. Migration to the Gulf Cooperation Council (GCC), South East and East Asia Countries,
c. Migration to the Organization for Economic Co-operation and Development (OECD) countries.[5]

For each category the opportunities and challenges vary. For example, the prevalence of informal migration to bordering countries presents a challenge for education and awareness given this group is hard to target and tends to have low financial literacy levels. Whereas in GCC countries, the sponsorship "*kafala*" system can lead to restrictions in access to formal services and SIM cards. Across the CPMS there is a strong culture for using the informal methods of hawala/hundi. It is important to recognise that there is often no incentive for migrants to switch from informal services that work for them. This is especially the case where trust has been established, and where the prices that they receive are better than formal services, especially where exchange controls exist. In addition, many remitters do not know whether the services they use are informal. Please see Box 1 for further information.

Gender is also an important dimension to remittances. Although there is a dearth of information on the topic, what little information that there is shows that men transfer more money but that women transfer a higher percentage of their earnings. Women also represent the majority of receivers.

Remittance Flows and Costs to and from CPMS

In terms of the main remittance-sending countries to CPMS there is significant overlap. The main sending countries in terms of total value are the United States of America (USD51 billion per annum), the United Arab Emirates (USD 32 billion per annum) and Saudi Arabia (USD29 billion per annum).[6] The largest of these is the United States, which sends an estimated 21 per cent of all formal remittances to CPMS. CPMS countries are also senders of remittances. In 2017 it was estimated that India sent USD5.7 billion in formal remittances and Nepal and Thailand both sent around USD3 billion in formal remittances. Whilst these are large amounts, they are dwarfed by the amounts the CPMS countries receive.

In the third quarter of 2018, the global average price for sending USD200 was 6.9 per cent of the sent amount. Overall, sending money to some of the CPMS are among the most competitive markets globally.[7] Sending to six of the CPMS cost, on average, below the global USD200 average.

According to Remittance Prices Worldwide, Cambodia is the most expensive CPMS to send to, with an average cost to send USD200 at 14 per cent.[8] This is followed by Afghanistan at 10 per cent and China and Thailand at 9 per cent respectively.

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[5] OECD countries include all 34 OECD member States: Australia, Austria, Belgium, Canada, Chile, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States. Please see Section 2.3 for more details.

[6] World Bank T4 Bilateral Remittances data, 2017.

[7] https://remittanceprices.worldbank.org//sites/default/files/rpw_report_sept_2018.pdf

[8] Though it is important to note this is not an accurate representation of the overall global cost to send to Cambodia since only one corridor (Thailand) is included in the data collection.

In this region the most popular method of sending and receiving remittances is by cash even though it is the most expensive. There are areas of progress in the CPMS in moving people to use digital methods. For example, in Bangladesh where 15 per cent of remittances are now received onto mobile wallets (namely bKash). The use of digital in cross-border payments is the way to create a more efficient process across the value chain and drive down costs, however in this region digital providers are not currently offering a significant incentive to remitters or beneficiaries to switch to that method.

Remittance Legal, Regulatory and Policy Framework

In this review the main factors that contribute to an "enabling" regulatory environment are considered. Across the CPMS there are many good examples of good practice and, in several ways, the region leads the world in remittances regulation. However, the review suggests that the potential positive role that remittances can play is not being fully realized in a number of countries due to inappropriate regulation, spasmodic implementation and relatively limited supervision.

- **Regulatory framework**: The majority of CPMS **do** have a remittance regulatory framework in place. This is encouraging and shows the importance of remittances to countries in the region.
- **Exclusivity**: Many countries have banned exclusivity in recent years which has led to greater competition, more choice for consumers and lower prices. However, in the majority of CPMS, especially for some of the largest receiving markets they still exist. (This is largely because the disadvantages of exclusivity contracts have not been considered significant enough to legislate against it, or because it is not seen as a priority for action).
- **Risk-Based Know-Your-Customer (KYC)**: Encouragingly, all of the CPMS have adopted a risk-based approach to KYC. However, evidence shows that how this is implemented in practice is not always proportional to the risk with some markets having particularly onerous KYC requirements.
- **Remittance-based Consumer Protection**: For some CPMS consumer protection may fall under more general payments regulation, but this is often unclear. Having remittance specific consumer protection is important in order to recognize the intrinsic risks within the remittances value chain and ensure appropriate protection is in place.
- **Pay-Out Networks**: Most of the CPMS are predominantly receiving markets for remittances and, therefore, a key consideration is the payment network that is responsible for the final-leg of the transaction; delivering the funds to the remittance recipient. Most of the CPMS already allow a range of different operators to be able to pay-out and the regulatory environment is fairly enabling in this area. Feedback is mixed on how the regulations are being implemented across the member States.
- **e-Money Regulation**: It is commonly understood that in order to achieve Sustainable Development Goal (SDG) 10.c[9] and to meet the recommendations in the Global Compact for Safe, Orderly and Regular Migration all nations will require enabling regulations around the application of new technologies, including electronic money (e-money) and mobile money. Most CPMS have the regulation in place to allow for the pay-out of remittances into mobile wallets, either directly through any type of operator or through MNO or bank-led models. Several countries have achieved interoperability for several years. It ensures that people can receive money wherever they wish.

[9]SDG 10.c - reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent.

- **Financial inclusion and education initiatives**: Financial inclusion is important for remittance senders and receivers since many of the more competitively priced, digital remittance channels are not available to those excluded from the formal financial system. Financial inclusion varies significantly across the CPMS. Financial education plays an important and fundamental role in generating awareness of the benefits of formal financial services and in improving financial literacy and financial inclusion. There are some good examples of financial inclusion and education initiatives in the CPMS.

Overall Recommendations

Recommendations	**Countries of Interest / Examples of Initiatives (C = To be considered for, GP = Good practice country)**
Initiatives and Recommendations for Formalizing Remittance Flows	
A. National focus on remittances	
(a) ***Implement/develop a remittance regulatory framework -*** The importance of remittances should be reflected in government led actions.	C: Bangladesh, Cambodia, India and Sri Lanka
(b) ***Remittance focused agendas and initiatives*** - as a first step establish a team to focus on remittances.	GP: Pakistan Remittances Initiative
B. Payment network development in CPMS	
(a) Improving pay-in/pay-out network expansion - Expand the types of operators allowed to handle remittances. For example: Post Offices, exchange houses, MFIs, retail agents and allowing agent banking.	C: Afghanistan, Cambodia GP: Pakistan real-time online payment networks for exchange houses, Bangladesh Singer Outlets
(b) Removal of exclusivity arrangements - between MTOs and local pay-out partners to increase competition.	C: China, India, Philippines and Sri Lanka
C. Financial education	
There are a number of initiatives across the region that can be learned from. Programmes in this area include creating awareness through education to teach people to assess the best product for them, educating migrants on the kinds and benefits of financial products, such as savings and bank accounts, and providing information on access to financial services. Opportunities for sharing good practice, resource sharing and peer-to-peer learning for remitters, their families and communities.	GP: Pakistan, Philippines and Indonesia
(a) Educate migrants, their families and communities on what is formal versus informal – important in any financial education that the benefits of using formal providers are made clear.	C: all CPMS GP: Pakistan, PRI university workshops to educate people regarding formal channels for receiving remittances.
D. Standardize Know-Your-Customer and Anti-Money Laundering (KYC/AML) requirements	
(a) KYC/AML standards and thresholds are harmonized - on a risk-based approach within each market.	C: Cambodia, Philippines, Viet Nam
(b) Consider harmonizing across CPMS - harmonization of the approach to ID and compliance requirements in all CPMS.	C: most CPMS

E. Remove exchange controls	
Countries that have exchange controls in place could conduct a cost benefit analysis to help governments to understand the best policy positions.	C: Bangladesh, China, India, Indonesia, Nepal, Sri Lanka, Thailand and Viet Nam
F. Ensure remittances are not taxed	
Whilst no CPMS currently taxes remittances, it is important to make sure that remittances being sent to the region are not taxed as this will only lead to a move towards informal remittance flows.	
G. Consumer protection for remittance receivers	
Robust consumer protection legislation and systems should be established in each CPMS. Once in places there needs to be ongoing awareness campaigns.	C: Afghanistan, China, Nepal, Sri Lanka, Thailand and Viet Nam
Consideration could be given as to whether there is an opportunity to have a pan-CPMS operator stamp.	
H. Increase transparency for remittance senders and receivers	
a. Regulations – send markets can require that information about a transaction (fee, foreign exchange rate, etc.) is provided to the consumer.	
b. Price information portals – consider developing these to provide customer information or leverage existing sites	C: all CPMS could benefit from the Saver Asia site.
Initiatives and recommendations to move people to using digital channels	
A. Improve the digital pay-out infrastructure in receiving countries	
CPMS should focus on developing the domestic digital payments environments as a first step. This should be followed by consumer utilization and subsequently the development of cross-border options.	C: most CPMS
B. Increase financial inclusion	
Make it as easy as possible to open a range of accounts including, bank accounts, pre-paid accounts and mobile wallets. For mobile wallets it is important to ensure that individuals can obtain mobile SIM cards easily. Consideration be given to setting-up an intra CPMS cooperation mechanism amongst CPMS members to enable greater financial inclusion, remittance cost cutting, recording of transfers, etc.	C: all CPMS GP: India's financial inclusion drive
C. Make digital remittances an attractive solution	
Promote them/incentivize customers/reduce prices/implement interoperability/introduce e-money legislation, and so on on an ongoing basis.	C: all CPMS
Others	
A. Consider establishing a remittance bank	
A remittance bank could provide incentives to send remittances using formal channels. Rewards for doing so may include higher interest rates, subsidized health insurance to migrants and their families, loyalty bonuses, and so on.	C: Bangladesh, India, Philippines
B. Improve data collection and sharing in CPMS	
Volumes and values of remittance data is important. However, particular emphasis should be paid to gender-aggregated data as this is currently lacking.	C: all CPMS

C. Set up intra-CPMS cooperation mechanism	
A mechanism shared between CPMS members would enable greater financial inclusion, cost cutting and improved accuracy in recording of transfers.	C. all CPMS

Possible CPMS Coordinated Actions

There are some activities that would be beneficial to all member States if there were consistent and coordinated activities. These activities could be coordinated by the Colombo Process Thematic Area Working Group (TAWG) on Remittances.[10] Areas of particular interest are:

a. Sharing of good practice
b. Peer-to-peer learning
c. Liaison with the major countries sending to CPMS
    i. Identification requirement or options for senders of remittances.
    ii. Ensuring that migrants can participate in the send country's financial systems.
    iii. Engaging with send countries to discourage taxation on remittances.
    iv. Intra CPMS cooperation for sending money.
    v. Common remittance-linked regulations, for instance in KYC to prevent financial exclusion.
    vi. Establishing regular negotiations between key send countries to discuss remittances.

There is a role for CPMS to identify where challenges exist in the main shared-send markets and to hold CPMS-bilateral discussions as a region with the aim of creating an agreement to make it easier and safer to send and receive remittances.

This report has surveyed the 12 CPMS remittances environments. It has observed that the region accounts for the largest remittance receiving volumes in the world, that it contains some of the most competitive markets and that remittances are very important for some member states. It also finds that informal remittances are a major factor in the region. The current regulatory environments are a contributory cause of this challenge, along with onerous KYC requirements that exclude informal migrants and some formal migrants from using formal channels, cultural considerations, familiarity with informal methods such as *Hawala*, and issues with accessing formal distribution networks (see Box 1, Section 3.3). Whilst regulations are not wholly responsible for high levels of informality, there are several key areas where regulations could be amended in order to drive improvements.

Creating the right environment, including appropriate regulation, for remittances is a major step on the path to ensuring that these regular flows of individuals' money does as do as much good as possible for both their own family and for the country.

[10]Established in July 2016, the TAWG on Remittances is chaired by Pakistan and has five other Members, namely: Bangladesh, Nepal, the Philippines, Sri Lanka and Viet Nam.

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Acronyms

AD	Authorized Dealer
AEC	ASEAN Economic Community
AML/CFT	Anti-Money Laundering/ Combating the Financing of Terrorism
API	Application Programming Interface
ASEAN	Association of Southeast Asian Nations
ATM	Automated Teller Machine
BAIRA	Bangladesh Association of Recruiting Agencies
BEFTN	Bangladesh Electronic Funds Transfer Network
BoK	Bank of Korea
BPO	Business Promotion Officer
BRI	Bank Rakyat Indonesia
CDD	Customer Due Diligence
CPMS	Colombo Process Member States
CPTSU	Colombo Process Technical Support Unit
EU	European Union
FATF	Financial Action Task Force
FCC	Financial Consumer-Protection Centre
FX	Foreign Exchange
GCC	Gulf Cooperation Council
GDP	Gross Domestic Product
GSM	Global System for Mobile communication
IBBL	Islami Bank Bangladesh Limited
ID	Identification
IFAD	International Fund for Agricultural Development
IMPS	Immediate Payment Service
IOM	International Organization for Migration
KYC	Know-Your-Customer
LCAF	Letter of Credit Authorization Form
MFI	Monetary Financial Institution
MFS	Mobile Financial Services
MNO	Mobile Network Operator
MOEWOE	Ministry of Expatriates Welfare & Overseas Employment

MTO	Money Transfer Operator
NBC	National Bank of Cambodia
NBFI	Non-Banking Financial Institution
NFCD	Non-Resident Foreign Currency Deposit
NGO	Non-Governmental Organization
NRB	Nepal Rastra Bank
NRB	Non-Resident Bangladeshis
OECD	The Organisation for Economic Co-operation and Development
OJK	Financial Services Authority (Indonesia)
PBOC	People's Bank of China
POS	Point of Sale
PPI	Prepaid payment instrument
PRI	Pakistan Remittances Initiative
PSP	Payment Service Provider
RPW	Remittance Prices Worldwide
RSP	Remittance Service Provider
SAFE	State Administration of Foreign Exchange
SAMA	Saudi Arabian Monetary Authority
SDC	Swiss Agency for Development and Cooperation
SRIL	Safer Remittances and Improved Livelihoods Project
SWIFT	Society for Worldwide Interbank Financial Telecommunication
UNDP	The United Nations Development Programme
UPI	United Payments Interface
WB	The World Bank

Glossary

Agent	An entity that distributes remittance transfers on behalf of an RSP.
Agent banking	Providing limited banking and financial services through agents under an agreement, rather than through formal bank branches or ATMs.
Asylum seeker	A person who seeks recognition as a refugee but has not yet been recognized as such by any government or official body.
Clearing	The process of transmitting, reconciling and, in some cases, confirming transfer orders before settlement, potentially including the netting of orders and the establishment of final positions for settlement.
E-money	A type of monetary value electronically recorded. It is generally understood that e-money: (i) is issued upon receipt of funds in an amount no less in value than the value of the e-money issued; (ii) is stored on an electronic device (e.g., a chip, prepaid card, mobile phone, or computer system); (iii) accepted as a means of payment by parties other than the issuer; and (iv) convertible into cash.
E-money institution	An entity that issues e-money against receipt of funds. Also called electronic money issuer.
E-wallet	An e-money product where the record of funds is stored on a device, typically in an integrated circuit chip on a card or mobile phone. See also mobile wallet.
Exchange house	Usually refers to a type of business unique to the Middle East. These businesses are licensed as money changers and are often family owned. Many have expanded to provide a wide variety of payment services, particularly cross-border, and form a vital part of the remittance market. Although traditionally focused on regional trade and payments, many exchange houses now collaborate with international money transfer

	operators to facilitate international remittances into and from a country. Also, called money exchange companies.
FinTech	The application of technology to financial services, including new software and applications, processes and business models.
First mile	The part of a remittance transfer where the payment is initiated. This can also be referred to as the “sending” part of the transaction.
Informal remittances	Informal remittances include all money and in-kind transfers that do not involve formal contracts and are unlikely to be recorded in national accounts. They include cash transfers based on personal relationships through business people, or carried out by courier companies, friends, relatives or oneself.
International remittances	A cross-border person-to-person payment of relatively low value.
JoMoPay	Jordan’s first national switching infrastructure which was launched by the Central Bank of Jordan (CBJ) to enabling interoperability between mobile payment services in the Middle East.
Know-Your-Customer (KYC)	A set of due diligence measures undertaken by a financial institution to identify a customer and the motivations behind his or her financial activities. KYC is a key component of the AML/CFT regime.
Mobile financial services	A form of digital financial service in which the financial service is accessed through a mobile phone (both smartphones and feature phones). See also Mobile payment.
Mobile money	A form of e-money, accessed through a mobile phone.
Mobile payment	A form of mobile financial services in which payments are initiated through a mobile phone (both smartphones and digital feature phones).

Mobile wallet	A type of e-wallet which is accessed through a mobile phone. Often used synonymously with mobile money account.
Money Transfer Operator	A non-deposit taking payment service provider where the service involves payment per transfer (or possible payment for a set or series of transfers) by the sender to the payment service provider (for example, by cash or bank transfer), as opposed to a situation where the payment service provider debits an account held by the sender at the payment service provider.
Payment service provider	An entity, operating as a business, that provides a remittance service for a price to end users, either directly or through agents.
Prepaid card	A payment card in which money can be preloaded and stored.
Real-time gross settlement (RTGS)	The continuous settlement of interbank payments on a real-time (instant) basis. Usually through accounts held in central banks and used for large-value interbank funds transfers.
Refugee	Persons who have fled their home country and who meet the criteria for refugee status under the 1951 Refugee Convention or other applicable law, regardless of whether or not their status has been recognized by any official body.
Safeguarding consumer funds	Measures aimed at ensuring that funds are available to meet customer demand for cashing out e-money.
Sparkasse	Germany’s network of over 400 State-owned savings banks.
Society for the Worldwide Interbank Financial Telecommunication (SWIFT)	A messaging service for financial messages, such as letters of credit, payments, and securities transactions, between member banks worldwide. SWIFT remains the primary means for interbank communications cross-border. Note that SWIFT does not provide settlement and clearing for bank transfers.

1. Introduction

This report is the output of a comprehensive study which has collated information and made recommendations for improving migrant workers access to formal remittance channels in the CPMS. The study was administered under the auspices of the Colombo Process TAWG on Remittances with a view to contributing “to offer improved access to formal remittance channels for migrant workers, which are safer, quicker and cheaper in line with the Sustainable Development Goal (SDG) target” as one of the TAWG goals.

Specifically the study has examined:

a. Remittance regulatory frameworks (laws and regulations, policies, strategies) in the CPMS;
b. Types, availability and transfer costs of formal remittance channels in the CPMS;
c. Key initiatives to improve migrant workers access to formal remittance channels in the CPMS;
d. Accessibility of formal remittance channels by different groups of migrant workers from the CPMS;
e. Sources of information on remittance transfer costs available to migrant workers;
f. Key determinants for migrant workers to choose particular remittance channels.

The Colombo Process is a Regional Consultative Process on the management of overseas employment and contractual labor for countries of origins in Asia. The Colombo Process currently has 12 Member States, namely Afghanistan, Bangladesh, Cambodia, China, India, Indonesia, Nepal (the current Chair), Pakistan, the Philippines, Sri Lanka, Thailand and Viet Nam.

Cross-border migration plays an extremely important role across this region and the remittances that migrants send home are significant contributors to GDP and a valuable source of foreign exchange to governments. Remittances also play a role in stabilizing the external sector and a country’s balance of payment position. On the other side, there is concern on the impact of an overdependence on remittances and the impact it can have on a country’s exchange rate. The three largest receivers of remittances globally are indeed CPMS (India, China and the Philippines) where formal remittances account for more than USD 165 billion per annum. In Nepal formal remittances account for nearly a third (28%) of national income and in the Philippines and Sri Lanka approximately 10 per cent.

Despite some of the most competitively priced formal remittance services in the world, it is estimated that a large proportion of remittances are still sent informally to, and within, this region. The benefits of sending money formally include security and consumer protection, the ability to track and trace the transfer for money laundering, terrorist financing and policy planning and the inflow of foreign exchange to a country. More broadly, remittances have the potential to help develop the national payments infrastructure and extend financial inclusion. As such, there are real incentives for government, senders and receivers as well as the private sector to bring these flows into the formal sector.

The characteristics of CPMS migrants, formal versus informal; blue collar versus white collar; seasonal versus long-term, and where they reside (bordering countries, GCC, Asia, or OECD countries) is assessed as it has a significant effect on access and barriers to formal remittance services, the service providers in the send countries and the cost of remittance services. Please note, refugees and asylum seekers are not included as migrants in line with the distinction maintained by the United Nations.[11]

[11] https://refugeesmigrants.un.org/definitions

The CPMS region is however mainly a pay-out region, meaning that the countries receive more remittances than they send (see Table 2 of Section 3). Indeed, this phenomenon is present in every CPMS. Therefore, although there is some examination of the regulatory environment of CPMS send-markets, this report primarily focuses on the CPMS as receive countries. A central consideration is therefore on how each country's regulations affect its pay-out network, the extensiveness, accessibility and channels, as well as the identification requirements for sending and receiving funds and the level of financial literacy needed to use different channels.

The report is structured as follows: Section 1 provides an overview of migration from the CPMS, broadly categorizing migrants, and identifying the main challenges faced in accessing formal remittance services within each group; Section 2 provides background information on remittance flows in and from CPMS, providing industry estimates on the role of the informal, analysing remittance flows by corridor and the main service providers and channels; Section 3 provides a review of the legal, regulatory and policy frameworks for remittances in each CPMS, specifically looking at the pay-out environments, regulation for digital payments and financial inclusion.

In Section 4, a brief overview of financial inclusion in the region is provided and finally, Section 5 outlines the main recommendations from the CPMS remittances regulatory review for country governments and the CPMS collectively.

Throughout the report, key initiatives from the region are provided in boxes and provide an opportunity to learn from good practice, or peer-to-peer learning, within CPMS and to build on the experiences of other member States.

1.1 METHODOLOGY

The methodology for this project involved collecting as much relevant available material on remittances in the 12 CPMS as possible, including three country "deep dives". This data and information gathering was conducted through desk-based research, three in-country missions (to Bangladesh, Cambodia and Indonesia), interviews with key stakeholders and questionnaires sent to public sector stakeholders in the CPMS.

The desk-based research began by gathering and examining sources such as publicly available regulations, legislation and circulars from each of the CPMS central banks and regulator websites to build an initial idea of the unique regulatory environment in each country. This was then supplemented by accumulating reports published by organizations such as the Global Forum for Financial Inclusion (GPFI), the World Bank, Asian Development Bank (ADB) and others.

Detailed data on key indicators including remittance prices and value came from established databases such as Remittances Prices Worldwide, the World Bank Bilateral Remittance Matrix, and International Fund for Agricultural Development (IFAD)'s RemitSCOPE was closely analysed and compared against each of the 12 Member States. Finally, scholarly articles, press releases, reports, studies and online news articles in the consultant's own database and prior work conducted in this space were utilized for additional detail.

Questionnaires were sent to public sector representatives in each of the CPMS with a request for information. The questionnaire included questions on all aspects of the remittance market and regulatory framework and required multi-department contributions to fulfil (see Appendix 8) all of the areas.

Based on consultation with the Chair of the TAWG on Remittances and taking into account the accessibility of agencies and other stakeholders for interviews, geographic balance and existing information gaps, Bangladesh, Cambodia and Indonesia were selected for field missions with consent from these Member States. In each country, meetings were held with a range of stakeholders, including representatives from central banks, commercial banks, private sector operators, NGOs, post offices and government ministries. From these interviews, a much deeper picture was obtained about the remittance environments in each of the three countries, and in particular, key challenges and notable successes in accessing remittances for migrants were drawn out for comparison with the other nine CPMS. The insights gleaned from the three "deep dives" have been useful for forming opinions but generalizations based on these have been avoided as the individuality of the remittance situation in each CPMS is strongly recognized.

The advantages of conducting research in-country with stakeholder interviews are manifold and allow a depth of detail and understanding that cannot be achieved through desk-based research alone.

Challenges and Limitations

Obstacles to solely desk-based research include linguistic barriers (many CPMS do not publish all of their regulations in English), availability of research (since existing reports and data gathering on this topic may be scant, outdated or even non-existent for certain jurisdictions), and the difference between the impression given by regulations compared to the actual situation on the ground, comprehension of which can only be obtained through speaking with key stakeholders in-country. This approach is recommended for any CPMS that wishes to have a deep understanding of their remittance environment.

A difficulty with the questionnaires was that the responses that were received were often not as complete as would have been wished. As such, much of the information was supplemented by further desk-based research or in-depth market visits.

Another challenge that was encountered in data gathering was the compilation of disaggregated data, such as that on gender. Few regulators collect data of this type and much of the information gleaned was anecdotal. Indeed, collecting data on gender as a topic is especially difficult. To do so effectively will require in market surveys to be conducted and this is not an area that has generally been addressed at national or global levels.

A further limitation with some of the data obtained for this report was that different countries collect remittance-related data at different times and at different intervals (monthly, yearly, etc.) and produce it at different dates which can make direct comparisons not necessarily possible.

2. Migration from CPMS and Challenges in Access to Formal Remittance Services

This section examines migration from the CPMS and characterizes who the migrants are and the main challenges that they face. In 2017, nearly 63 million migrants from the CPMS left their countries of origin and moved to other countries.[12] Of these, 14 million (23%) moved to neighbouring countries with land borders; 27 million (43%) moved to GCC and South East and East Asian countries; whilst the remaining 21 million (34%) moved to OECD countries. Whilst migration is obviously of interest for the study since it is directly correlated to remittances, examining phenomenon such as intraregional migration is outside the scope of the report and is therefore not explored in detail.

Table 1: Profile of CPMS Migration[13]

CPMS Country of Origin	Total Number of Migrants in 2017	Migration to the Gulf Cooperation Council, South-East and East Asia Countries	Migration to OECD Countries
Afghanistan	4,826,464	449,313	508,120
Bangladesh	7,499,919	3,563,791	718,193
Cambodia	1,064,840	28,009	343,899
China	9,962,058	3,431,087	6,101,560
India	16,587,720	9,218,742	4,738,981
Indonesia	4,233,973	3,521,685	460,093
Nepal	1,738,442	894,769	255,066
Pakistan	5,978,635	3,243,511	1,469,206
Philippines	5,680,682	1,846,964	3,689,203
Sri Lanka	1,726,900	765,196	772,112
Thailand	902,928	99,785	712,882
Viet Nam	2,727,398	214,594	2,473,796

In order to contextualize the migrants, it is important to understand the type of person sending/receiving the money and where it is sent/received. For example:

- Are they working in blue-collar and white-collar jobs? (This affects whether people can access sophisticated technology or have the time to research different methods of sending a remittance).
- Are they using informal or formal means of transfer? (This decision is impacted by identification requirements.)
- Do they have knowledge of, and access to, other financial services? (This is an important consideration as to which remittance channels they will use as it may be severely limited by access).

It is important to understand if the migrant is seasonal, short-term or long-term in order to determine their propensity to send remittances home.

[12] UN DESA migration data, 2017.
[13] Ibid.

Gaining knowledge of the motivation for migration is vital. Questions include, is the migrant driven by conflicts/for political reasons/ for economic purposes? The answers to these questions may affect the migration status (regular versus irregular), and their ability to comply with identification criteria through this process.

It is important to note that the Hawala or Hundi system of money transfer is very popular in CPMS because it is often cheaper than official channels and is more familiar to many migrants (see Box 1, Section 3.3 and Appendix 1.1). However, these systems come with risks as there are no guarantees and no official records kept, so people are sending their money based on trust. A key obstacle to increasing formal remittance flows in the region is therefore making formal remittance channels more appealing and better known to migrants.

For the purposes of this report migration from CPMS has been categorized into three groups:

a. Migration between bordering countries (with land borders),
b. Migration to the GCC, South-East and East Asia Countries,
c. Migration to OECD countries.

These groupings were selected due to countries from each category featuring strongly in the top ten largest destinations for CPMS migrants globally and as each category attracts different types of migrants

2.1 BORDERING COUNTRIES

Bordering country migration is quite common in this region, especially with seasonal workers migrating across land borders, and nearly a quarter of all migrants from the CPMS moved to neighbouring countries.[14] Typically, these migrants are male, often from rural backgrounds with low levels of financial literacy and/or literacy with limited skills. In general, these migrants are informal and have no official documentation permitting them entry to work in their host county. This makes sending formal remittances less likely due to lack of identification and fear of being caught and deported. Many asylum seekers and refugees are informal as they flee conflict or other hardship in their homeland. Recent conflicts in Afghanistan have caused almost 2.5 million people to seek refugee status and Afghans comprise the largest protracted refugee population in Asia.[15] A large proportion of these refugees crossed the border to Iran which has consequently become a source of considerable remittance flows to Afghanistan. In 2017, formal inflows from Iran reached USD166 million, 40 per cent of total remittances to the country. Nevertheless, it is generally recognized that these figures are an underrepresentation of true flows since many Afghans use informal methods to send money and studies have estimated the true figure to be over USD500 million per year.[16]

Challenges in terms of access to formal remittance services:

1. Land borders

Where migrants have moved to a neighbouring country, and especially where there are many seasonal workers, the preferred method for sending money home is often informally with friends or family. Indeed, migrant workers may save funds and take it home with them when they leave. Alternatively, informal methods such as bus drivers carrying cash may also be used. Lack of valid ID due to onerous KYC requirements contributes to the continued use of informal transfers for many migrants.

[14]UN DESA migration data, 2017.
[15]www.unhcr.org/afghanistan.html
[16]www.irinnews.org/news/2018/09/11/why-economic-turmoil-iran-causing-big-problems-afghanistan

2. Irregular migration

Irregular migrants are more likely to choose informal remittance service providers (RSPs). Whilst irregular migrants may legally be able to access formal remittance services, due to tiered KYC requirements, irregular migrants may be unaware of the tiered KYC and less forthcoming to using formal service providers where ID may be asked for.

In some cases, the remittance industry is bank-led with high KYC requirements for sending remittances which exclude undocumented migrants from neighbouring countries.

3. Refugees and asylum seekers

Whist refugees and asylum seekers may be issued with identification cards which legally mean they can send formal remittances, studies[17] have found that often customer-facing MTO agents and bank staff are unaware that such ID can be used.

4. Communication difficulties

Due to the informal nature of many of these migrants it is challenging to identify who they are, where they are and communicate with them. For example, they do not attend pre-departure trainings, are unlikely to register with embassies and typically have more limited levels of education and financial literacy. It is therefore difficult to provide financial literacy education and/or generate awareness around formal remittance services. The lack of data around informal remittances is also challenging for policymakers.

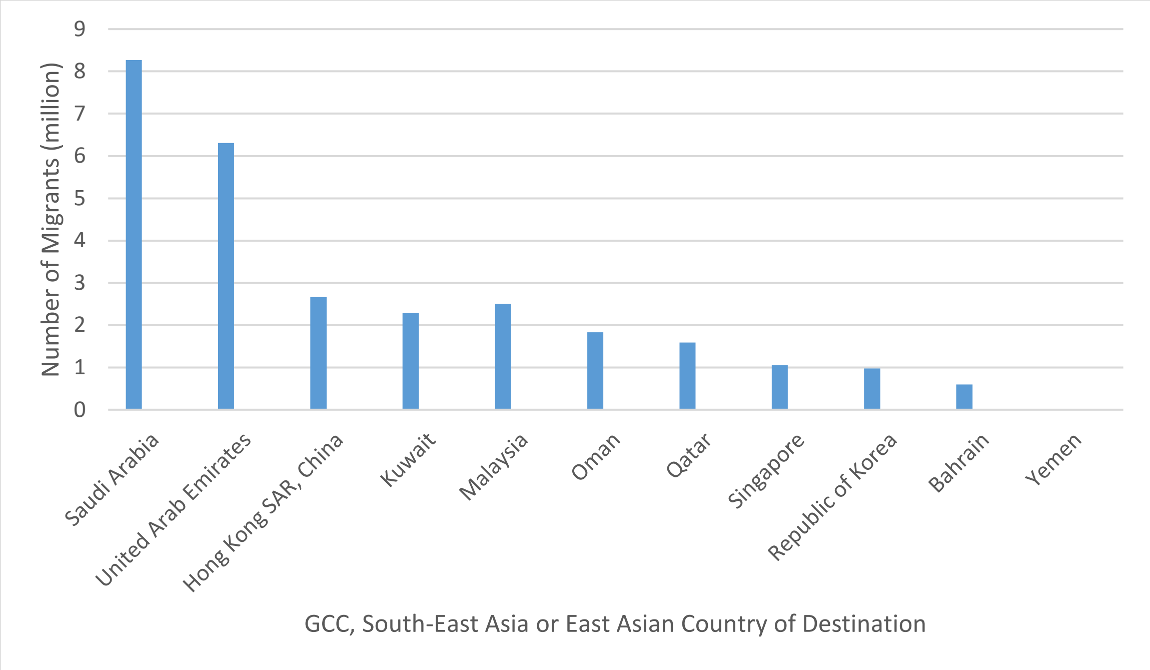
2.2 GCC AND SOUTH EAST AND EAST ASIA COUNTRIES

This category includes the significant migrant flows from the CPMS to the GCC countries, especially to the United Arab Emirates, Saudi Arabia, Kuwait, Qatar as well as Hong Kong Special Administrative Region, China (Hong Kong SAR, China), Malaysia, Singapore and the Republic of Korea (see Figure 1).

Typically, migration to GCC, South-East and East Asian countries is short-term for labour employment. Visa requirements means that the majority of migration is formal (although there are cases of informality especially when they overstay their visa, most likely because they want to stay in the employment in their host country). Migrants are not granted residency or naturalization and so have no option to stay long-term. Bilateral labour agreements tend to be developed between governments regarding the numbers of migrants and social protection laws. In some of the GCC States, there exists the "*kafala*" system where each migrant has a local sponsor, generally their employer, who is responsible for their visa and legal status.

[17] KNOMAD (2018) Working Paper 33 Impact of the Regulatory Environment on Refugees' and Asylum Seekers' Ability to Use Formal Remittance Channels.

Figure 1: Migrants (million) from CPMS to GCC, South-East and East Asian Countries, 2017[18]



Migrants to the GCC countries are predominantly male, and usually blue-collar workers in construction, taxi drivers, etc. However, there are also significant flows of female migrants who tend to work as domestic workers.[19] Around five years ago most of the GCC countries implemented Wage Protection Schemes (see Appendix 1.2) which greatly improved access to bank accounts for migrant workers and improved access to formalized remittance services in these markets.

Within this group there are also white-collar workers who are more skilled and have better language skills. This category of migrants tends to have better access to technology, more time to research services, access to banking and online services. They also tend to remit larger amounts and are more likely to send money formally and to use digital channels. For example, migrants from Indonesia working in Hong Kong SAR, China or Taiwan Province of the People's Republic of China are more likely to be sending money via mobile wallets or to bank accounts rather than cash as they are more technologically knowledgeable.

Similarly, in Malaysia migrant salaries are deposited straight into accounts. When combined with offers from bank this helps to encourage more formal transfers.

Challenges in terms of access to formal remittance services:

1. Kafala System leads to restrictions in access to formal services and SIM cards

In many of the GCC States there are sometimes restrictions imposed on migrant workers by their employers that prevent them using formal services or communication channels, such as phones, and prevent them accessing information on products and services.

This is especially prevalent in the Kafala system where the employer takes the migrant's passport on arrival and then they will arrange the Iqama (residency permit). A migrant can only have a SIM card

[18] UN DESA migration data, 2017.
[19] www.persee.fr/doc/remi_0765-0752_1991_num_7_1_1277

once they have their residency visa, therefore not everyone has access to a local mobile phone, which then hinders the uptake of sending remittances digitally, making it more difficult to send through formal channels.

2. Low levels of financial literacy

As mentioned, most of the migrants in GCC countries are blue-collar workers, which means they have less choice and access in how they send money because they have lower levels of financial literacy and less time to research different methods.

3. Cultural preference for informal channels

Another challenge is the cultural prevalence of the Hawala system, which many migrants view as a legitimate method of transfer, thus, making it a challenge to formal remittance sending.

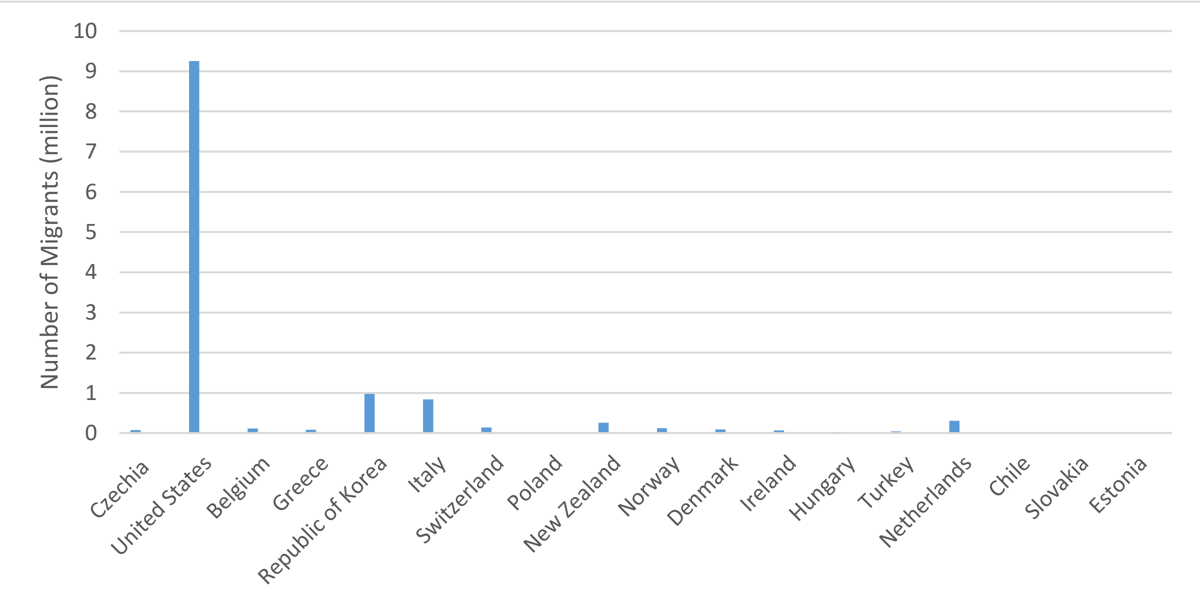
4. Debt traps reduce the amount of money that can be sent home

When migrants rely on the services of private recruitment agencies to obtain jobs, the journey to the Gulf states could be expensive because recruitment agencies may charge exorbitant fees. This often forces the migrants to take out loans. They therefore begin their employment by paying off these debts which leaves them less income to send home in the form of remittances. The loans can amount to up to USD10,000 and trap migrants in a cycle of debt and forced labour.[20]

2.3 OECD COUNTRIES

For this category, OECD countries of destination refers to the 34 OECD member States.[21] They are developed democracies with some of the highest GDP in the world. The top destinations in this category by number of CPMS migrants are: the United States of America, the United Kingdom, Canada, the Netherlands, Germany, France, Japan and Australia.

Figure 2: Migrants (million) from CPMS to OECD Countries, 2017[22]



[20] www.aljazeera.com/indepth/features/10000-migrant-workers-pay-job-gcc-180710130540087.html

[21] Australia, Austria, Belgium, Canada, Chile, Czechia, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Iceland, Ireland, Israel, Italy, Japan, Latvia, Lithuania, Luxembourg, Mexico, the Netherlands, New Zealand, Norway, Poland, Portugal, Republic of Korea, Slovakia, Slovenia, Spain, Sweden, Switzerland, Turkey, the United Kingdom, and the United States.

[22] UN DESA migration data, 2017.

Migrants travelling to OECD countries from CPMS generally have higher education and are more skilled. They are often employed in jobs such as: nurses, carers, physicians and others. With the benefit of additional education comes better language skills than other migrants. This is particularly useful when researching different money transfer methods. The length of migration to OECD countries varies from short term to long term, with a number of generations also migrating. As the destination countries are generally more developed, there is better access to technology making research on the range of remittance methods easier.

As a result of the number of migrants in OECD countries, the amount of remittances they are sending, the currency valuation differences and the use of well-developed financial systems, the markets are fairly competitive, with a higher rate of formal remittances than other countries. There have been shifting patterns in the last decade with increasing use of digital-to-digital including bank accounts, online and mobile apps, especially by CPMS migrants from India, Indonesia and the Philippines.

Challenges in terms of access to formal remittance services:

Whilst the remittances environment is more stable in OECD countries, there are still challenges that need to be addressed.

1. Access to formal remittances

The key issue is that accessibility to sending remittances is a problem. The levels of KYC required make a formal process result in this method being less appealing because it is perceived to be costly and time-consuming. There is limited awareness of what documentation is needed to send a remittance. Using digital technology to send remittances is becoming more widely available. It is cheaper than other cash-based method and is a solution that migrants need to be better educated.

2. Culture of using Hawala / hundi

Hawala and hundi service providers have often built up trust over the years, have established networks in the receive markets and are able to offer competitive pricing.

Who makes the decision of how to send remittances?

Contrary to previous understanding, the method used to send money is frequently influenced by the paying-out method that the receiver has access to. It is often more challenging on the receive side than on the send side. High levels of mobile phone penetration make communication between sender and receiver easier than ever and allow the decision to be jointly made.

Whilst access is the most common concern when choosing which channel to use, this research found that the older generations still prefer to receive remittances by cash.

There are a range of methods that migrants use to get information on remittances. Historically, word of mouth and personal recommendation are the most common. People rely on other people that they trust. The trusted individuals often use publicly available data sources, such as remittance comparison sites (where they exist), for example, www.sendmoneypacific.org, to gain accurate information on pricing foreign exchange rates, networks and so on.

Money Transfer Operators (MTOs) use a range of communication methods to try to get customers to use their services. Besides traditional advertising (radio, TV, leaflets at the point of sale and so on), social media is becoming the method of choice for operators. The reality is that operators need multiple channels in order to cover the market comprehensively.

2.4 GENDER CONSIDERATIONS

Little research has been undertaken on the gender elements around remittances. On a global basis it is believed that slightly more men than women transfer money and that cumulatively men transfer more money. However, it is believed that women migrants transfer a larger percentage of their earnings.

Women receive more money than men. A recent study by UNCDF in the Mekong Region, including Cambodia, found that women accounted for 60 per cent of the total recipients and that most of them (75%) live in rural areas. “The general profile of a remittance recipient is a middle-aged, married rural woman; she receives remittances frequently from her children through informal channels, yet has some form of access to financial services and mostly saves and accesses credit informally”.[23]

Undoubtedly, the gender dimensions of remittances deserve more attention than it is currently receiving and it would be useful for all stakeholders to undertake further research in this area.

Appendix 1.8 provides some insight into this area and recommendations for action.

[23] Remittances as a driver of Women’s Financial Inclusion, UNCDF, 2017.

3. Remittance Flows in CPMS

The CPMS receive some of the largest sums of remittances globally. It is estimated by the World Bank that USD243 billion was received in the CPMS in remittances formally in 2017, with India being the top receiver globally (receiving USD69 billion). The top three receivers of formal remittances globally in 2017 were India, China and the Philippines – all CPMS.

Table 2: Remittance Flows and Percentage of GDP in CPMS

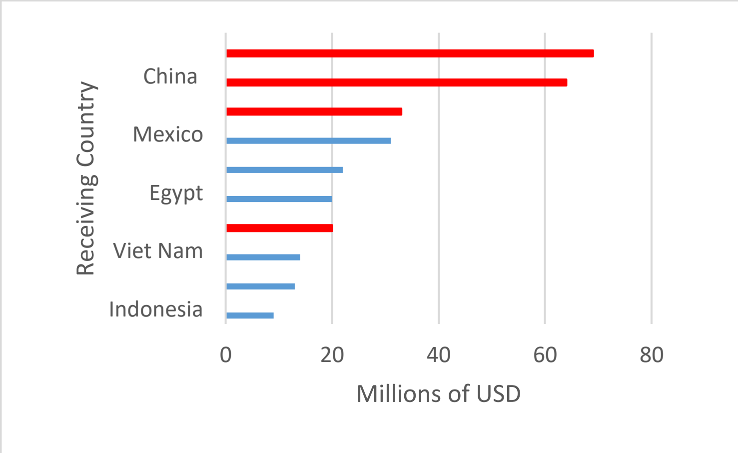
CPMS Country of Origin	Total Remittances Received in 2017 (USD millions)[24]	Total Remittances Sent in 2017 (USD millions)	Remittances as a percentage of GDP in 2017[25]
Afghanistan	410	182	2.1
Bangladesh	13,469	2,113	5.4
Cambodia	386	334	1.7
China	63,860	2,828	0.5
India	68,968	5,710	2.7
Indonesia	8,997	878	0.9
Nepal	6,947	3,226	27.9
Pakistan	19,665	367	6.4
Philippines	32,808	537	10.5
Sri Lanka	7,190	1,278	8.2
Thailand	6,729	3,176	1.5
Viet Nam	13,781	104	6.2

From the size of the flows, it can be deduced that remittances are an important source of income for CPMS, further illustrated by the fact that remittances accounted for over a quarter of Nepal's GDP in 2017, and 10 per cent of both the Philippines and Sri Lanka's respective GDPs. Whilst remittances constitute a smaller proportion of GDP in China and Indonesia, the remittances flows are not insignificant. In 2017 China received USD 64 billion and Indonesia received USD 9 billion.

[24] Remittances data taken from World Bank T4 Bilateral Remittances data for 2017.

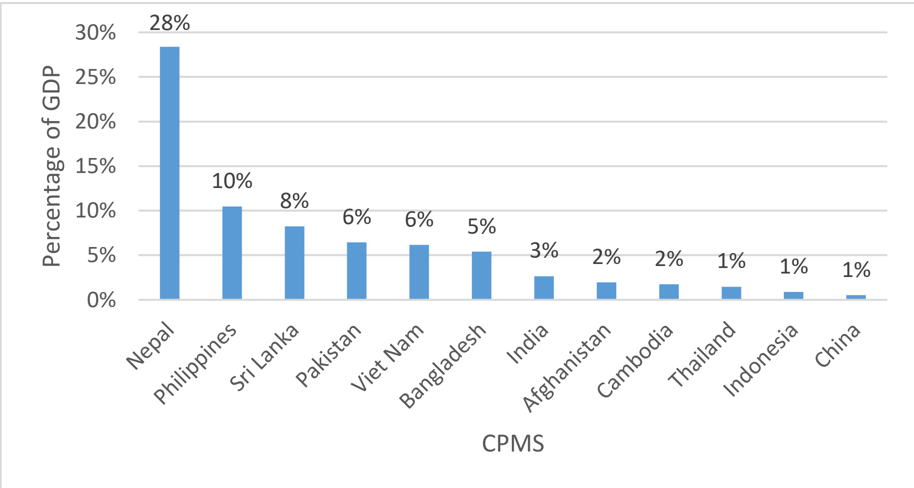
[25] Remittances data taken from World Bank T4 Bilateral Remittances data for 2017, GDP data taken from World Bank Indicators data for 2017: https://data.worldbank.org/indicator/NY.GDP.MKTP.CD

Figure 3: Largest Remittance Receivers Globally, 2017



Source: World Bank estimates, 2017

Figure 4: Inward Remittance Flows as Percentage of GDP, 2017[26]

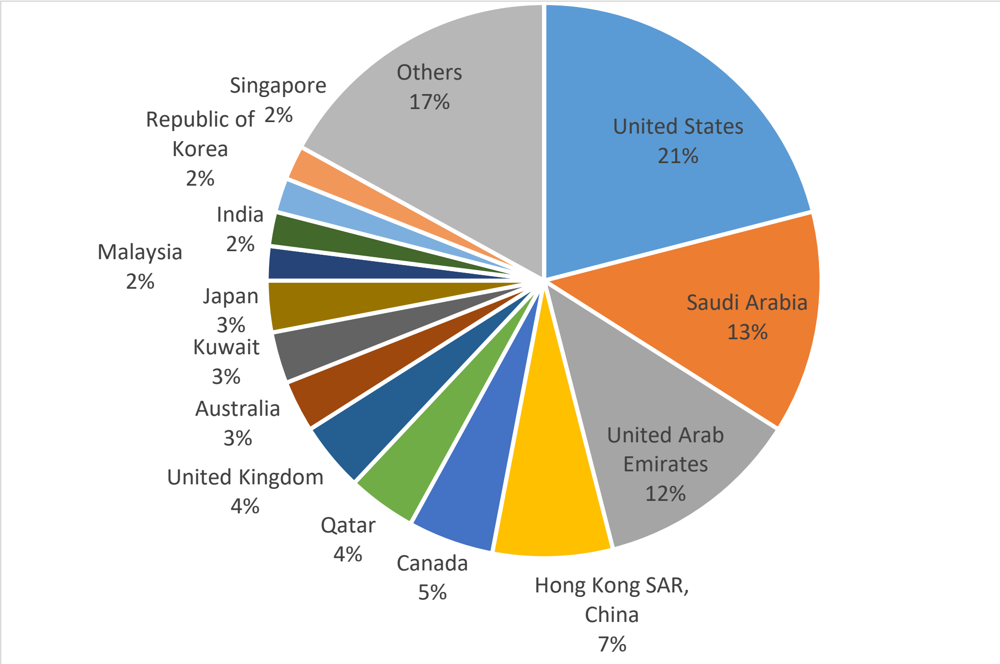


3.1 MAIN SEND CORRIDORS TO CPMS

In terms of the main remittance-sending countries to CPMS there is significant overlap. The main send countries in terms of total value are the United States, Saudi Arabia and the United Arab Emirates. The largest of these is the United States, which sends an estimated 21 per cent of all formal remittances to CPMS. It is the largest sender to China, contributing 25 per cent of their formal remittances, to the Philippines with 34 per cent, Thailand with 20 per cent and to Viet Nam with 50 per cent. The United States is also in the top five largest sending countries for nine of the CPMS, more than any other country globally. This is not surprising as this the largest remitting country globally.

[26] Remittances data taken from World Bank T4 Bilateral Remittances data, 2017. GDP data taken from World Bank indicators data, 2017.

Figure 5: Main Remittance Send Markets to CPMS (% total formal remittances received – USD243 billion, 2017)



Source: Author's rendition

Saudi Arabia is the second largest formal remittance sender to CPMS, sending approximating 13 per cent of all formal remittances to the region. Saudi Arabia is the top sender to Indonesia, Pakistan and Sri Lanka. Remittances sent from Saudi Arabia to these three countries account for 30 per cent of their total remittance volumes. Saudi Arabia is in the top five send countries for eight of the CPMS.

The United Arab Emirates sends almost as much as Saudi Arabia to CPMS, with 12 per cent of the total formal remittances received in 2017. India is the largest receiver of remittances from the United Arab Emirates, accounting for 20 per cent of their formal remittances; USD14 billion in 2017. The United Arab Emirates is in seven of the CPMS' top five send countries.

Addressing the barriers and access challenges to formal remittances in a few of the main send countries, such as the United States, Saudi Arabia, United Arab Emirates, and the European Union, will affect remittance flows to many of the CPMS. As such there is opportunity for CPMS to target these shared-send countries to improve the remittances market and have maximum impact on the region. Furthermore, given the similarities across CPMS in migration patterns and the challenges and barriers in the remittances markets there is an opportunity for peer-to-peer learning among CPMS and sharing of experiences and good practices.

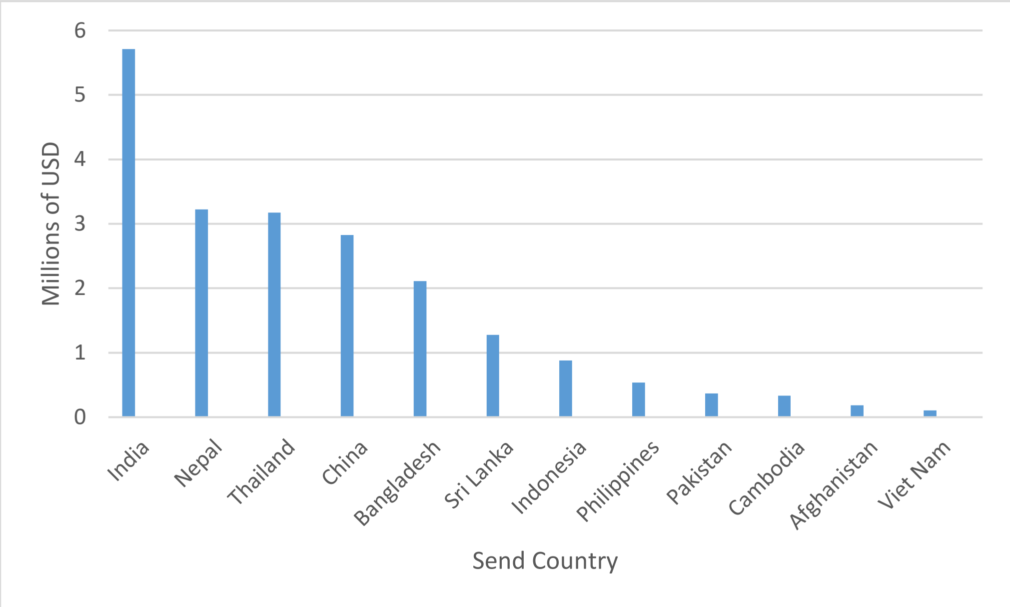
3.2 OUTBOUND REMITTANCES FROM CPMS

CPMS are also senders of remittances, sending an estimated USD21 billion in 2017 (see Figure 6).[27] In this same year it was estimated that India sent USD 5.7 billion in formal remittances and Nepal and Thailand both sent around USD 3 billion each. It is again emphasized that these are official numbers and significant flows move informally too. Nevertheless, these are large amounts, though they are

[27] World Bank T4 Bilateral Remittances data, 2017.

dwarfed by the amounts the CPMS receive, making the CPMS a significantly greater net receiver of remittances overall.

Figure 6: Total Formal Remittances Sent by the CPMS, 2017[28]



3.3 INFORMAL VERSUS FORMAL REMITTANCE FLOWS INTO CPMS

Although the CPMS receive some of the highest values of formal remittances globally, the prevalence of informal remittances is also significant in the region. Based on a variety of sources[29] it is estimated that as much as 87 per cent of inbound remittances are informal in Thailand (meaning that 13 per cent are formal). Bangladesh also has a significantly high estimation at around 70 percent of remittances received being informal. Within the CPMS region, Viet Nam has the lowest estimated volumes of informal remittances at 25 per cent, which although low compared to other CPMS, is still significant.[30] With these estimations, it has to be considered that the real value of remittances to the CPMS is far higher than the data suggested in the formal remittance flows. Figure 7 offers a comparison of formal and informal remittances in each country.[31] Based on these estimates, total remittances into CPMS could be worth over USD350 billion per annum.

Informal remittances can include the following methods:

1. Family or friends

Friends and family physically carry cash home with them. Whilst there are benefits to this course such as no transfer fees, the risks are high. There is always the possibility of burglary and with no insurance on the funds and again no grounds for complaint, the risk is significant. Further, depending on where the receiver lives, the travelling time of the family or friends could be much longer than sending through a formal channel.

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[28] Ibid.

[29] Due to the nature of informal remittances it is not possible to provide accurate data on these flows. Estimates are gathered from a variety of sources based on industry specialists – but should be analysed with caution. See Appendix 5 for a complete table with sources for informal estimates.

[30] There is no data to estimate the percentage of informal remittances in Afghanistan or India.

[31] See Appendix 2 for the table on estimated formal and informal flows.

2. In kind

Remittances paid in kind are where physical goods, such as whiteware (fridges, freezers and so on) are sent to the home country. These items are often cheaper in the host country (even with tariffs) and are an effective way to move value in some markets. However, it is not flexible and is a good long-term solution for sending money.

3. Mules

Similar to the family and friends method, mules physically carry cash home over a border with them. The difference is a mule is not necessarily related to the sender or receiver and will transport the money for a fee. They may be a total stranger which heightens the risk of theft.

4. Hawala / hundi

Within many of the CPMS there is a long-standing culture for using informal remittance service providers, such as Hawala or Hundi. See Appendix 1.1 for further information.

Box 1: Informal Remittances

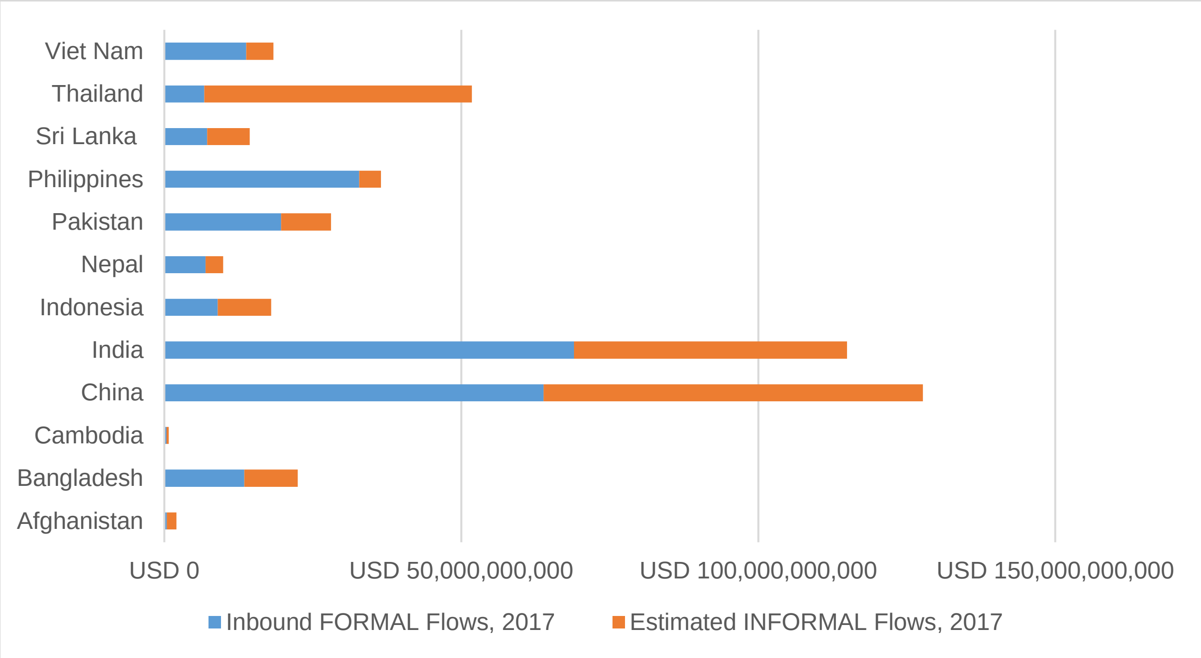
Informal remittances are essentially transactions which are undertaken outside of a licensed regulatory regime in the send market, the receive market or both. It is important to understand that consumer research shows that remitters and their families use informal services for a number of different reasons. It could be because they are not allowed to send money formally (for example due to an irregular migrant residency status or because they possess insufficient identification to meet KYC requirements), because informal services offer a better product solution, for example, cheaper, faster, or better distribution in rural areas, or due to a cultural propensity to use familiar informal systems such as *Hawala*. There is only a tiny proportion of those that send money informally that do so because they have something to hide, such as money laundering or criminal activities.

A number of informal channels, or what is termed the "black market", are used by remittance users globally. Unlike licensed operators, it is very difficult to obtain information on informal remittance providers. Informal remittance channels can be very large and providers often offer cheaper options than those available through formal channels.

Informal networks operate via a number of business models:

1. Bulk payments from senders, channelling them through an official MTO such as Western Union, which is collected in the receive country and disseminated to multiple individual beneficiaries.
2. Netting of the financial position of the informal operator against the liabilities of another business partner in a different jurisdiction. This can happen in multiple countries before funds are made available in the receive country.
3. In the GCC, transactions can be informal at the sending end, meaning the sender gives funds to an unlicensed agent in the send country. However, the receiving channel can still be formal, with funds paid out through an exchange house in the receive country.
4. Hawala systems, traditionally used in the GCC, have been seen to develop across the Middle East and East Africa. These systems transfer money through a network of operators without moving physical cash. The sender will contact an operator in their send country and provide them with the amount they would like to send. The send operator contacts a counterpart in the receive country with details of the transfer. The receiver is provided with an authentication code to collect the transfer from the receive operator. The receive operator pays out the transfer cash to the receiver after deducting commission. Operators balance their accounts by making similar, reverse transfers with different clients. The benefits of Hawala systems are short time scales, the ability to move money to remote locations and that they can be used without official ID. It may be that the operator pays a third-party invoice on behalf of the other operator to avoid exchange control regulations or for other purposes.

Figure 7: Formal Vs. Informal Remittances Estimates, 2017



Source: T4, 2017 data + various sources, various years for informal

According to Figure 7, there is a particularly high incidence of informal transfers in China, the Philippines and Thailand. In the case of China, this may be partially attributed to high costs to send formally and the fact that in many countries transactions are bulked so that a large amount is sent to one account and then divided between multiple beneficiaries.

The Thailand market is based on a bank-led model with a relatively restrictive regulatory environment (see Section 5). As such, there are not many MTOs operating in the market and MTOs offering outbound services from Thailand are particularly scarce, which may lead people to use informal services instead. Additionally, many transactions take place over land-borders which makes the logistics of informal transactions easier.

For the Philippines, informal remittance are often the result of the bulking of transactions.

Other considerations such as cultural inclination to use informal channels and possible advantages that these may offer besides price (for instance faster service or better coverage in rural areas), will also influence people's decision to use informal services. A lack of awareness of formal services available or a belief (rightly or wrongly) that an individual does not possess adequate documentation to make a transfer formally will also play a role (see Box 1 for more information).

There are major challenges globally to measuring and influencing informal transfers, not just in CPMS. This is especially the case as senders and receivers of remittances are not always aware of the difference between formal and informal channels. As a result, the lines are often blurred and there is frequently an assumption that sending money via a Hawala dealer is a legitimate transaction. However, the growing formal digital environment could present itself as a way to combat the frequency of informal remittances. Appendix 1.3 demonstrates the success of the BKash network in Bangladesh as a service to pay out remittances making at least part of the money transfer process formal.

Box 2: Initiative to stop bKash in Bangladesh being used as a digital hundi service

BKash is the second largest mobile money provider in Bangladesh with approximately 30 million customers and a 58 per cent share of the market. It is estimated that about half of formal remittances in Bangladesh are received into bank accounts, including funds instructed for deposit into bKash.

A digital hundi system was working via bKash until a recent investigation uncovered this and closed 2,800 bKash agents. As a result of the investigation, one bKash account per mobile number/individual was enforced, the maximum that a bKash user could cash-in was limited to USD180 and cash-out limits have been reduced to USD120 to reduce the vulnerability of this method to being used by informal channels.

A new API communication channel has been launched called “TerrapaybKash remittance gateway”, with the aim to disburse inward remittances directly into beneficiaries’ bKash mobile wallets. The remittance is collected via regular banking channels, and the banks/ designated MTO can then use the gateway to check the beneficiary’s identification and disbursement in real time. This means that there will be greater transparency in the transaction process.

4. Remittance Service Providers and Costs to and from the CPMS

This section examines the cost of sending remittances to CPMS as well as the costs of sending remittances from the main CPMS send markets and it reviews the main channels used for sending.

In the third quarter of 2018, the global average price for sending USD200 was 6.9 per cent of the send amount. For half of the CPMS the average cost of sending money to them falls below this average. Overall, sending money to some of the CPMS are among the most competitive corridors globally, as shown in Table 3 below.[32]

Table 3: Average Cost to Send/Receive USD200 to CPMS[33]

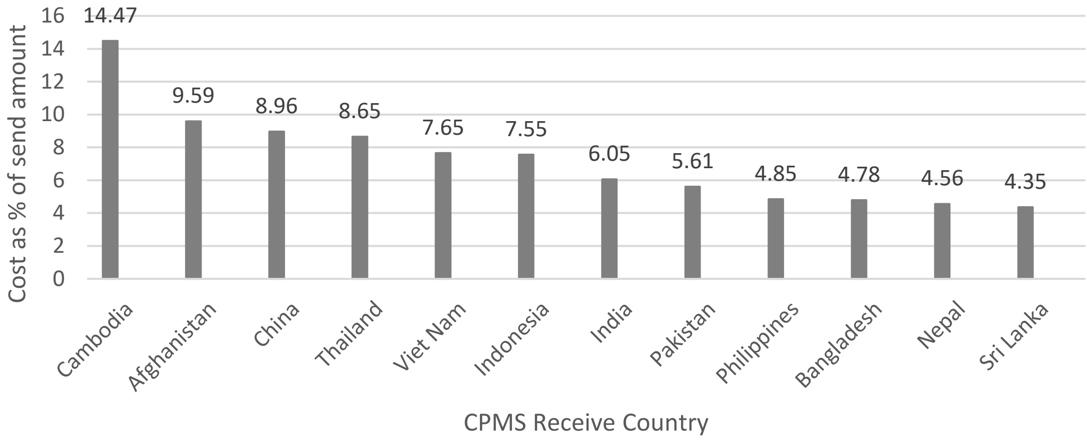
CPMS	Average Cost to Receive USD200 as a Percentage of the Amount (Q3 2018)	Average Cost to Send USD200 as a Percentage of the Amount (Q3 2018)
Afghanistan	9.6	No data available
Bangladesh	4.8	No data available
Cambodia	14.5	No data available
China	9.0	No data available
India	6.0	2.4
Indonesia	7.6	No data available
Nepal	4.6	No data available
Pakistan	5.6	12.0
Philippines	4.9	No data available
Sri Lanka	4.4	No data available
Thailand	8.7	16.0
Viet Nam	7.7	No data available

Remittance Costs to CPMS[34]

According to Remittance Prices Worldwide, Cambodia is the most expensive CPMS to send to, with an average cost to send USD200 at 14 per cent of the send amount.[35] This is followed by Afghanistan and Thailand at 10 per cent and 9 per cent respectively. High costs for these countries can be attributed to the small size of their corridors since in general the higher the volume of flows the lower the cost.

[32] https://remittanceprices.worldbank.org//sites/default/files/rpw_report_sept_2018.pdf
[33] Figures taken from Remittance Prices Worldwide data for Q3 2018.
[34] Whilst the data presented gives an overview of the market, Remittances Prices Worldwide (RPW) generally captures the largest remittance volumes, therefore some of the smaller volume markets will not be included.
[35] Though it is important to note this is not an accurate representation of the overall global cost to send to Cambodia since only one corridor (Thailand) is included in the data collection.

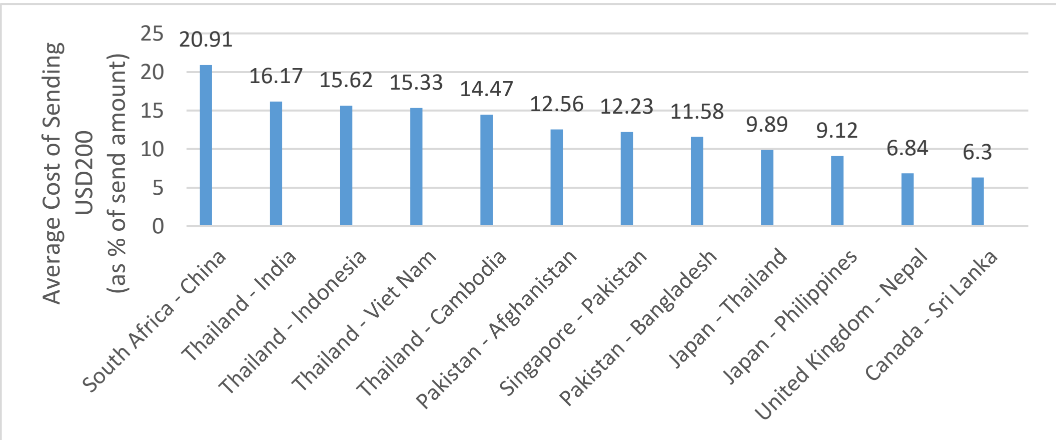
Figure 8: Average Cost to Send USD 200 to CPMS



Source: Remittance prices worldwide, Q3 in 2018

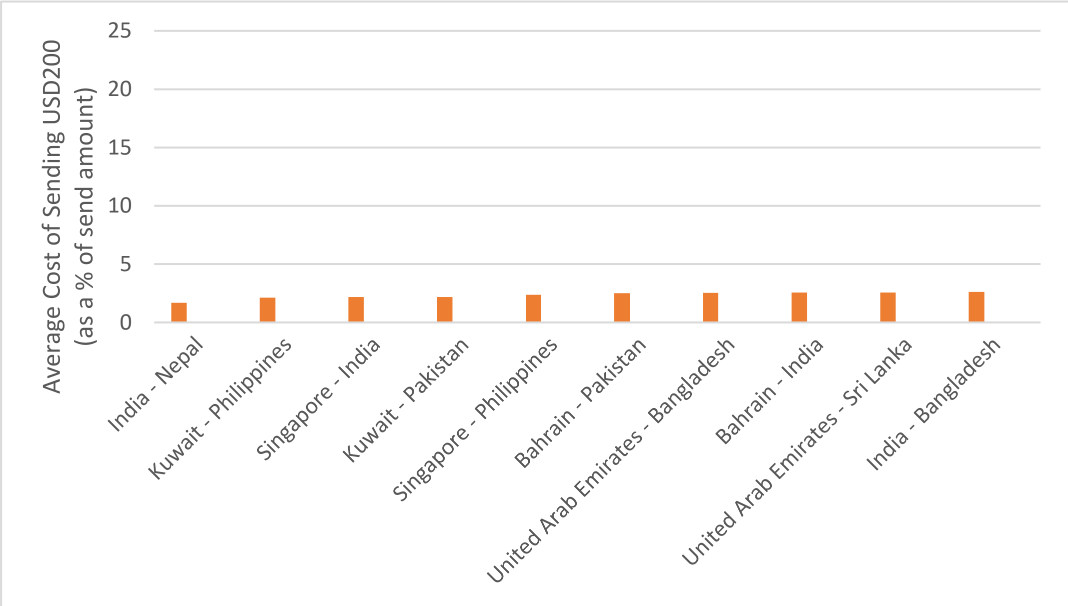
Sending money to China costs on average 9 per cent of the send amount. Despite the significant volumes, China remains a relatively expensive corridor due to a lack of Chinese-run non-bank competition in most markets, a difficulty for global MTOs to break into the Chinese community, and a volatile relationship between Yuan and other currencies. The most expensive corridor to the CPMS is from South Africa to China at 21 per cent, though this can also be explained by low volumes in this particular corridor

Figure 9: Most Expensive Corridors to CPMS Globally



Source: Q3 2018 RPW data

Figure 10: Cheapest Corridors to CPMS Globally



Source: Q3 2018 RPW data

Sending remittances to Thailand is also expensive compared to other CPMS corridors, the most expensive corridor is from Japan to Thailand with an average cost of 10 per cent and the cheapest corridor sampled was from Singapore to Thailand at 5 per cent. The cost of sending and receiving remittances from Thailand demonstrates a key barrier to using formal channels, which may partially explain why it is estimated that 87 per cent of remittances in Thailand are informal. High costs to send remittances formally cannot wholly explain why people choose to use informal services, for instance Sri Lanka is the cheapest CPMS to send formal remittances to and yet an estimated 50 per cent of their remittances are sent informally.[36] As explored in more detail in Box 1, Section 3.3, other factors include a cultural propensity for people to use *Hawala*, an inability to send formally due to insufficient documentation, and the possibility that informal services offer other advantages, such as faster or better coverage.

By contrast, on average Sri Lanka is the cheapest CPMS to send money to at an average of 4.4 per cent of the send amount, roughly on par with Nepal at an average cost of 4.6 per cent. It is notable that the cheapest corridor to a CPMS is from India to Nepal at just under 2 per cent of the send amount. This reflects the density of this particular corridor.

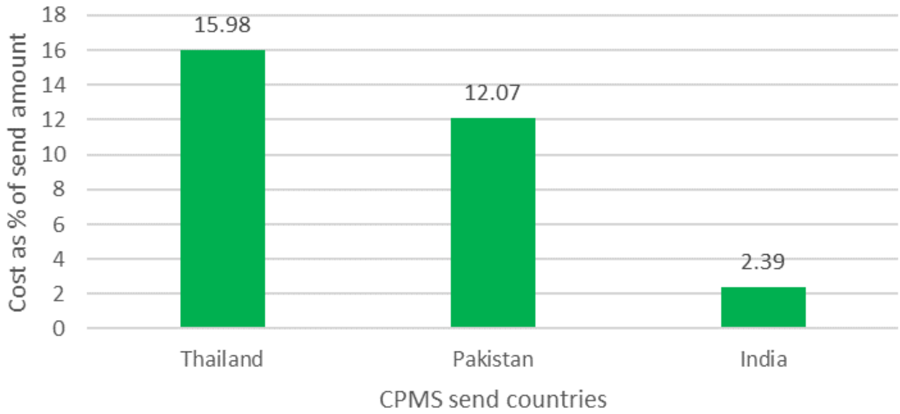
Sending to six of the CPMS costs, on average, below the global USD200 average which suggests that they are competitive markets with operators offering lower-priced services. It is therefore, interesting to observe that there are such high numbers of informal channels (see section Informal versus Formal Remittance Flows into CPMS) when the services provided are more cost effective than other markets. This is a complex area and aside from the fact that the global average price is very high so that being just below it is not particularly attractive to senders, there are additional barriers to formal services other than just price. Please see Box 1 in Section 3.3 for more information on this.

[36] www.ft.lk/article/602015/Remittance-is-ripe-for-disruption-in-Sri-Lanka.

Remittance Outbound Costs from CPMS

As this region is predominately receive, fewer CPMS are surveyed as send countries. However, of those recorded, Thailand is the most expensive market to send remittances from, with an average for sending USD200 at 16 per cent.[37] Pakistan follows with an average of 12 per cent to send remittances from whilst India is the cheapest at 2.39 per cent, below the global average of 6.94 per cent for Q3 2018. Competitive market conditions have resulted in such low costs in India, driven down by the large numbers of operators and the significant size of the customer base.

Figure 11: Average Cost to Send USD 200 from CPMS



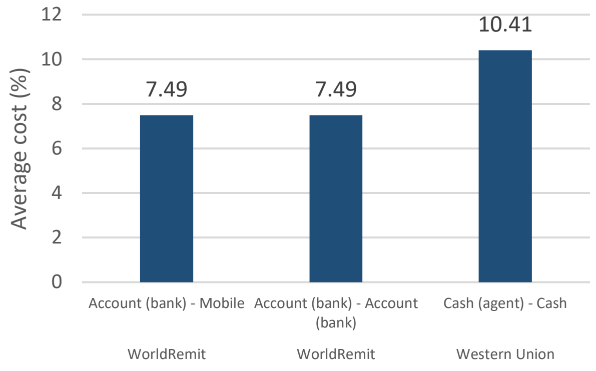
Source: Q3 RPW data

Remittance Channels and Service Providers

In this region the most popular method of sending and receiving remittances is by cash, even though it is the most expensive method. For example, from the United States to Indonesia the cost of sending from an agent with an MTO and receiving in cash was 10 per cent whereas by bank account to mobile account or bank account to bank account was an average 7 per cent.

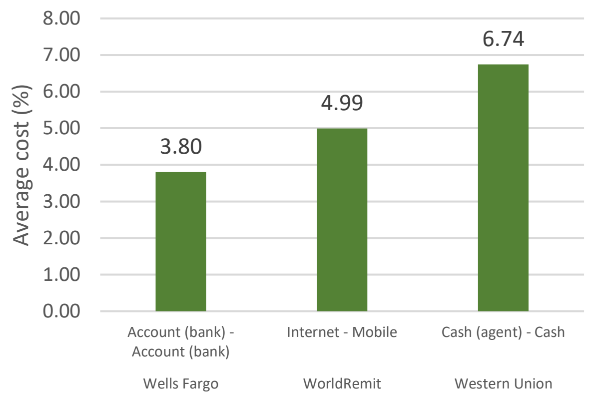
[37] However, Cambodia was the only country sampled.

Figure 12: Comparison of money transfer methods from the United States to Indonesia



Source: Remittance prices worldwide, Q3 in 2018

Figure 13: Comparison of money transfer methods from the United States to the Philippines



Source: Remittance prices worldwide, Q3 in 2018

Cash to cash tends to be more expensive because it requires agents with physical locations to cash-in/out the funds, whereas digital services use technology to cut out this expensive human factor. However, shopping around for different methods requires a certain level of financial literacy as the sender and receiver need to be able to compare both the fees and the foreign exchange rates. As such, information on the formal market in the CPMS is very much dominated by word of mouth.

Globally, sending remittances digitally is becoming increasingly popular, especially in markets in Africa. Within the CPMS, the popularity of digital channels such as using mobile wallets is growing. The digital method of sending and receiving remittances is much more efficient and cheaper than sending cash from an agent as it cuts out the middleman (the agent). Therefore, the use of digital is the way to create a more efficient process across the value chain and drive down costs.

Section summary

Overall, the most popular method of sending and receiving remittances is through cash-to-cash. However, there are areas of progress in moving people to use digital methods. For example, in Bangladesh where 15 per cent of remittances are now received onto mobile wallets (namely bKash). Furthermore, in the Philippines, Gcash and SMART (the digital service providers) are becoming more popular and gaining traction.

Whilst digital methods are increasing, they are not necessarily much cheaper than more “traditional” methods such as bank account-to-bank account transfer. For example, when sending from the United

States to the Philippines, the average fees for receiving in a mobile wallet are 5 per cent whereas from account-to-account it is 4 per cent. Digital providers are not currently offering a significant incentive to move to that method.

Many countries in the CPMS send and receive very high volumes of remittances. They are competitive in terms of pricing and do have some of the cheapest corridors in the world. The South Asia region was the lowest cost receiving region in the world in the third quarter of 2018 Remittance Prices Worldwide (RPW) data at just over 5 per cent.

Despite the generally low costs, informality is still incredibly high in this region. Perceived lower costs, familiarity with the process, less need to be financially literate and no identification requirements are all responsible for many people's preference of using informal channels. Essentially there is no motivation or incentive for people to switch from using informal channels they have used all their lives, and start using unfamiliar formal channels.

Finally, the highest cost corridors in this region are Afghanistan and Thailand, both as send and receive countries. For Afghanistan the reason for this is because it is a small volume corridor and there is a large amount of mistrust in the formal financial system. Further, the use of mobile money has been slower to take off, especially in rural areas. Afghanistan is currently in a state of nation building following years of conflict meaning that a level of trust needs to be built in formal services, hence why informal is still prevalent. Currently there are problems with infrastructure, such as poor pay-out networks. For Thailand the reason for high costs is because the remittances environment is restrictive and generally bank-led, meaning there is less room for competition. High KYC requirements also deter large numbers of informal migrants from using formal systems available to them.

5. Remittance Legal, Regulatory and Policy Framework

This section addresses the most important area and key focus of this report: the regulatory environment for remittances services in the CPMS. The contents are based on the results of a comprehensive survey that a number of CPMS stakeholders completed, interviews, country visits and desk-based research.

A supportive regulatory environment for remittances is essential to ensure a level playing field (one that is equal to all who wish to participate), to promote competition, to protect society through applying an appropriate risk-based approach to meet global and local anti-money laundering and KYC standards and to protect the consumer from any actions which might cause them harm.

Regulation also has a key role to play in helping to improve the remittances market. Areas that are particularly important to address are measures that encourage the expansion of pay-out networks to enable retail locations in rural areas to offer services and, vitally, to ensure that innovations that help digitise the value chain may enter and disrupt the market. Innovations such as the mobile-payment services, electronic money (e-money), blockchain[38] and crypto-currency[39] are all areas that should, as a minimum, be considered by regulators. The use of mobile wallets to receive formal remittances in particular has the potential to encourage more remittances to be sent via formal channels and can simultaneously improve financial inclusion in countries where bank account ownership is low, which is a problem in many CPMS (see Table 7 in Section 5.5).

For the purposes of this report, the ADB's[40] interpretation of an "enabling" regulatory regime is broadly considered appropriate. The key elements are:

(i) allows for a competitive, dynamic environment, permitting several actors, including, where relevant, non-financial institutions, either under a direct license or through a specific subsidiary. This, therefore, excludes exclusivity requirements;
(ii) imposes proportional initial and ongoing capital requirements;
(iii) imposes risk-proportional tiered KYC;
(iv) permits the use of Agents for Cash-In and Cash-Out operations in order to extend the distribution network;
(v) champions Interoperability;
(vi) avoids unnecessary restrictions in regard to cross-border payments; and
(vii) ensures safeguarding of customer funds (relevant for sending transactions).

This report assesses, for each country, the extent to which it has an *enabling regulatory regime* and uses this assessment to influence the subsequent recommendations. Appendix 2 provides more

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[38] Blockchain is a distributed public ledger and was originally devised as the record keeping technology behind the digital currency Bitcoin, though it is now used for a wide variety of different purposes. Essentially it is a digital store of information which retains data such as the date and time of a transaction, the participants in a transaction and a unique code to identify the block of data. Each time a new transaction is made, it is added to the chain of blocks where it becomes publicly visible. For a transaction to be made, it must be confirmed by a network of computers who each receive a copy of the blockchain that is updated automatically whenever a new block is added. This means the transaction is kept secure and does not require a third-party administrator.

[39] Cryptocurrency is a term applied to any form of currency that exists only digitally. The majority are decentralised systems based on blockchain technology and are not backed by governments. Bitcoin was the first cryptocurrency, though thousands now exist.

[40] www.adb.org/sites/default/files/project-document/195971/48190-001-tacr.pdf

detailed overviews of each country, their regulatory environments and makes tailored recommendations. Summary tables are provided in this section with the main findings so that an overview can be seen.

As a region, the CMPS are broadly receive markets. As has already been seen, the region contains the three largest receive markets in the world and five of the top ten. Therefore, this review and recommendations are based predominantly from that perspective. However, a number of the markets do enable remittances to be sent to other countries (often subject to exchange control regulations, see Appendix 3), so the sending angle is important. The regulatory environment in the key markets for sending into the region (particularly in the Gulf States) is highly relevant, particularly in respect of customer identification requirements and local taxation.[41]

5.1 REGIONAL REGULATORY ENVIRONMENT

This section looks at different components that, when combined, make up an enabling regulatory environment for remittances. It is emphasized that the existence of a regulatory framework does not necessarily translate into an efficient market place. It must be implemented appropriately and supervised effectively.

5.2 REMITTANCE REGULATORY FRAMEWORKS

The existence of specific regulations and legislation for remittances indicates that they have been carefully considered and that the government recognises, and is committed to, remittances. It shows that remittances are considered important for that nation and that a coordinated approach is being planned and undertaken. Although other areas of regulation may impact on remittances, such as banking or foreign exchange legislation, their impact on remittances has not been considered in this section.

The majority of CPMS **do** have a remittance regulatory framework in place (see Table 4). This is encouraging and shows the importance of remittances to countries in the region. Bangladesh, Cambodia, India and Sri Lanka, Thailand and Viet Nam do not, currently, have a specific remittance regulatory framework in place.

[41] Note that although there are not currently any direct taxes on sending remittances from the Gulf States there has been significant discussion at country level in most GCC countries about introducing taxes. This would be very harmful to formal remittance flows.

Table 4: CPMS Remittance Regulatory Framework

Country	Remittance Regulatory Framework in Place	Exclusivity arrangements banned	AML/CFT with risk-based approach in place	Remittance-based Consumer Protection
Afghanistan	Yes[1]	No[2]	Yes, risk-based approach to CDD[3]	No
Bangladesh	No	Yes	Yes, risk-based approach to CDD and supervision	Yes[4]
Cambodia	No	Yes, but still occurs[5]	AML/CFT legislation is in place but not a clear risk-based approach	Yes
China	Yes[6]	No	Yes, risk-based approach to CDD[7]	No, only general consumer protection in place[8]
India	No	No	Yes, risk-based approach to KYC/CDD[9]	Yes, e.g. the Ombudsman Scheme for Non-Banking Financial Companies 2018[10]
Indonesia	Yes[11]	Yes	Yes, risk-based approach	Yes
Nepal	Yes[12]	Yes[13]	Yes, risk-based approach to CDD[14]	No, only general consumer protection in place[15]
Pakistan	Yes[16]	Yes	Yes, risk-based approach to KYC/CDD[19]	Consumer protection available at bank level but not for non-bank RSPs. PRI, SBP and Office of the Banking Ombudsman also provide dispute resolution
Philippines	Yes[18]	No	Yes, risk-based approach to CDD, however terrorist financing is not a standalone offence[17]	Financial Consumer Protection Department in place[20]
Sri Lanka	No[21]	No	Yes, risk-based approach to KYC/CDD[22]	No
Thailand	No	No	Yes, risk-based approach to KYC/CDD	No
Viet Nam	No	No	AML/CFT legislation is in place but not a clear risk-based approach	Not specifically remittance-based[23]

Exclusivity

Exclusivity arrangements are clauses inserted into contracts between international money transfer companies (MTO) and local partners in CPMS that prohibit the partner from working with any other MTO. This practice has been in existence for many years and hinders competition because it allows larger operators to dominate pay-out networks. Many countries have banned exclusivity in recent years which has led to greater competition, more choice for consumers and lower prices. However, for the majority of CPMS, especially for some of the largest receive markets such as China, India and the Philippines, they still exist.

Consideration should be given to the fact that even if exclusivity is banned in law this is not always translated to its removal. Commercial exclusivity (as opposed to legal exclusivity) still exists. This is the process where an MTO will offer significantly lower, and frequently financially penal, commercial terms to its local partner if it chooses to operate with a different MTO (either instead of, or alongside, the existing MTO partner). Indeed, in Cambodia though exclusivity agreements are banned *de jure*, it became clear from interviews and research that they still exist *de facto*. This is difficult to address in practice. One method, which admittedly is quite cumbersome, is for the licencing authority to check all contracts between RSPs and payout partners to determine whether the commercial terms are in line with expectations. If there is a stark difference in the commercial terms between different partners for the same RSP then the regulator could take action. Alternatively, enquiries can be made by the licencing authority as to why an attractive pay out entity is only offering one money transfer service.

Risk-Based KYC

The application of risk-based KYC requirements, consistent with the Financial Action Task Force (FATF) recommendations is vital to the smooth running and control of international remittance transactions. The risk-based focus is important to ensure that regulations protect the market from risks whilst at the same time enabling transfers to reach to the rightful recipient. Remittance transactions are typically low value and the risks are generally lower than those for larger cross-border payments.

Encouragingly, all of the CPMS have adopted a risk-based approach to KYC. However, evidence shows that how this is implemented in practice is not always proportional to the risk with some markets having particularly onerous KYC requirements which is a potential factor forcing people to use informal channels.

Remittance-based Consumer Protection

Consumer protection is an area that is frequently overlooked for remittances regulation. It is key to build confidence and trust for senders and receivers of remittances. Consumers need to understand that if they use a particular service and something goes wrong that their money is safe. It is a vital tool to convert users of informal remittances to the formal market. The regulations should cover areas such as safeguarding of customer funds (for senders), transparency (to ensure that any fees for collection, which should not really exist, are clearly communicated) and redress procedures, to ensure that they are all enshrined in law.

For some CPMS consumer protection may fall under more general payments regulation, but this is often unclear. Having remittance specific consumer protection is important in order to recognise the intrinsic risks within the remittances value chain and ensure appropriate protection is in place.

5.3 CPMS REMITTANCE PAY-OUT ENVIRONMENTS

The more options that people have to receive their money the more competitive a market is. Those countries that are dependent on cash-only services that are only available in urban areas tend to experience less competitive and efficient remittance products compared to those that offer other services such as bank-account credits, mobile payments and home delivery, that reach throughout a country, including in rural areas.

How remittances are received, naturally, has a significant impact on which service is selected to send the money. Recent research by DMA Global (DMAG)[42] has shown that the receiver has a larger impact on the choice of remittance services than previously understood. This is because the receiver can only receive money using methods that are actually available to them (and not all methods are available to all receivers).

Where people can access services is vitally important. Historically, with over 90 per cent of remittance services being paid out in cash, the physical location where cash can be collected has a major impact on receivers' lives. If they have to travel unreasonable distances to collect their money this will have costs, both financial (in terms of transport) and opportunity (in terms of opportunity cost of the time taken to travel, which translates into the "forgone" cost of being able to work during that time). This is particularly problematic in rural areas.

Pay-out environments are heavily influenced by the regulatory environment. This addresses which type of locations are actually allowed to offer remittance services. Environments range from agents not being allowed at all, to regimes where retail and mobile network operators are allowed to provide pay-out services.

As mobile and digital payments become more widely used for domestic payments in receive networks, and where regulations allow, they are more likely to be used for remittance payments. Enabling senders to credit mobile wallets directly represents a major opportunity for remittances to help enhance financial inclusion. As wallets are quasi-accounts there is an opportunity to leverage remittances to encourage people to open these types of accounts and to become more engaged for financial inclusion within the country.

Most of the CPMS already allow a range of different operators to be able to pay-out and the regulatory environment is fairly enabling in this area. Feedback is mixed on how the regulations are being implemented across the member states, however, there is positive progress in this area.

Table 5: Methods of legally receiving remittances in the CPMS

	Afghanistan	Bangladesh	Cambodia	China	India	Indonesia	Nepal	Pakistan	Philippines	Sri Lanka	Thailand	Viet Nam
Legally receive remittances into:												
Banks	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
MFIs	Yes	Yes	Yes	Yes	No	No	Yes	Yes	No	No	No	No
Post Office	No	Yes	No	No	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Forex Bureaus	Yes	No data available	No data available	No data available	No data available	No data available	No data available	Yes	No data available	No data available	No data available	No data available
MNOs	Yes	Yes	Yes	No	No	Yes	No	Yes	Yes	Yes	No	Yes
MTOs and agents	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

Source: Author's rendition

[42] *Source*: DMAG research for FSD Africa, "Moving money and Mindsets", December 2018.

Some specific insights from the research include that many of the CPMS remittance markets are well-developed. Interestingly, in a number of countries the predominantly receive remittance markets have well-developed networks that are bank branch dominated. These countries include China, India, Nepal, Pakistan, Sri Lanka and Viet Nam.

For example, Pakistan, through the Pakistan Remittances Initiative (PRI, see Appendix 1.5), has good distribution networks, primarily but not exclusively, through bank branches and now also pays out into mobile operated services. These features help to achieve a competitive market. Furthermore, exchange houses have access to real-time online payment networks, which is potentially something that should be considered in other countries as this is a category of business that is often not able to participate fully in payout remittance markets.

Other CPMS have more challenging network development environments. For example, Afghanistan, which is in the process of nation-building, does not have appropriate networks in rural areas. As a result, it is experiencing high-levels of informal transactions.

Post offices are a category of business that are ideal for remittance pay-outs and have been used extensively in many countries throughout the world. They are permitted as payout agents in the majority of the CPMS, only Afghanistan and Cambodia do not allow them to do so. Microfinance Institutions (MFIs) have been popular for remittances in a number of countries and have a mixed track record. Where they are well structured and have a prominent rural presence, they have been very effective. CPMS such as Nepal and Pakistan allow MFIs to operate as remittance agents although many others do not.

5.4 E-MONEY, AGENT BANKING AND MOBILE MONEY

It is commonly understood that in order to achieve SDG 10.c[43] and to meet the recommendations in the Global Compact for Migration, a number of fundamental changes to how remittances are undertaken will have to occur. Removing or reducing the need for cash-based networks is one requirement and the effective use of technology is another major area. As such all nations will require enabling regulations around the application of new technologies, including transparent processes around their adoption and specific regulations, as appropriate, for certain types of technologies. These include electronic money (e-money) and mobile money.

Having e-money and mobile money regulations should result in an even playing field, greater competition and the rapid introduction of new services. Most CPMS have the regulation in place to allow for the pay-out of remittances into mobile wallets, either directly through any type of operator or through Mobile Network Operator (MNO) or bank-led models. The only countries that presently do not allow for this are Cambodia and China where e-money is not permitted.

Interestingly, despite there generally being an enabling and supportive environment the reality is that the uptake of these innovative services is still low and as a result they are not always attractive solutions. However, the consensus among expert observers is that once the payments infrastructure in the receive country is digitized then remittances will follow. The exact mechanics of how these innovative solutions are implemented varies, for example:

- Bangladesh operates a partnership model;
- Cambodia uses a bank-led model where a bank signs to offer services, through and to, mobile network operators;

[43] Sustainable Development Goal 10.c - reduce to less than 3% the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5%.

- In India, international remittances can be into a prepaid payment instrument (PPI). PPI wallets have the option of Immediate Payment Service (IMPS), an inter-bank electronic fund transfer service through mobile phones, for domestic remittances. Wallets have also recently been allowed to participate in UPI as well as card networks;
- In the Philippines there is e-money regulation and operators such as SMART and GCASH have offered mobile services for many years (with limited success);
- In Sri Lanka it is possible to send money directly to eZ Cash wallets; and,
- In Viet Nam it is not possible to cash out remittances from a mobile without a bank account.

Box 3: Mobile Money Potential

Mobile money is being recognized as an important tool for financial inclusion and a key example of the positive effect that technology can have on underserved people. Amongst CPMS and globally, mobile phone ownership is generally higher than bank account ownership, especially in developing countries. Allowing people to access financial products via a mobile phone therefore has far-reaching consequences for quickly and easily bringing more people into contact with formal financial services.

Receiving remittances into mobile wallets has had significant success in a number of countries, most notably Kenya with the M-PESA money transfer. People living in remote areas with no access to bank branches, or long distances to travel to collect remittances via “traditional” cash-based sending, have benefitted the most from mobile money. Not only does it solve issues with access, it also offers a cheaper method of sending since it reduces the need for an agent, who add additional costs to a money transfer. For example, according to RPW, in Q3 2018 the average cost to send USD200 via mobile money was 4.48 per cent of the send amount. By contrast, sending via cash or bank account cost an average of 7.02 per cent, and via debit/credit card it cost 5.89 per cent.

The advantages of using mobile money extend beyond receiving remittances however. Storing money digitally helps keep it secure from theft and, depending on the product, may allow savings features to be utilized. Where interoperability is allowed, (where mobile money users can send money between any two financial accounts), mobile money has the potential to provide people with the same financial services as a bank account. By extending interoperability, for instance between MNOs in neighbouring countries, it can greatly facilitate cross border transactions and permit people to use their funds for a wider range of products.

Given the manifold benefits of mobile money, it is therefore extremely important that regulations foster the use and growth of this innovative technology, especially for remittances, since it can greatly improve the levels of formal remittances across the CPMS.

Table 6: Methods of Money Transfer[44]

Country	e-Money Permitted	Agent Banking Permitted	Mobile Money Usage
Afghanistan	Yes [1]	Yes [2]	Slow uptake
Bangladesh	Yes [3]	Yes [4]	Not much uptake [5]
Cambodia	No	Yes [6]	Some uptake in Phnom Penh but otherwise not popular [7]
China	No	Yes [8]	Wide uptake, in 2016, more than 500 million Chinese used mobile payments and transacted 97 billion times on nonbank mobile apps [9]
India	Yes [10]	Yes [11]	Witnessing an increasing uptake with around 55% of the population having and using a mobile wallet [12]
Indonesia	Yes [13]	Yes [14]	Some uptake but could be much higher, 500k subscribers in total [15]
Nepal	Yes [16]	Yes [17]	Not had huge uptake [18]
Pakistan	Draft regulations in place (as of October 2018) [19]	Yes [20]	Uptake is very low [21]
Philippines	Yes [22]	Yes [23]	Some usage but majority of people prefer cash [24]
Sri Lanka	Yes [25]	Yes [26]	Some uptake but not huge [27]
Thailand	Yes [28]	Yes [29]	Not much uptake [30]
Viet Nam	Yes [31]	Yes [32]	Some usage but not yet a way to cash out (peer-to-peer) from wallets [33]

One way to promote the adoption of innovative services, such as mobile money, is through the use of interoperability. Several countries such as Bangladesh, India and Indonesia have achieved this for a number of years. It ensures that people can receive money wherever they wish regardless of networks.

Supervision

Even the best regulation has limited value if there is poor or insufficient supervision to determine whether the market is complying. In most cases supervision is carried out by the licencing body which is normally a division within the Central Bank of the relevant ministry that handles finance. Effective supervision not only covers adherence to KYC/AML regulations but also includes compliance with capital requirements, operational procedures, consumer protection, fraud related matters, company ownership, exchange rate transparency and many other areas.

[44] All sources indicated in brackets and can be found in Appendix 7.

The research yielded little information on this topic from the regulators. Private sector feedback was that where it exists, supervision was inconsistent and that, generally speaking, more needed to be done, both in terms of enforcing regulation and in terms of dealing with those who do not comply.

Furthermore, meeting regulators expectations is expensive (some studies have suggested that costs can be as high as 10% of revenue per transaction[45]) and if others are able to operate without having to incur those expenses then it places regulated businesses at a disadvantage.

Section Summary

Regulation varies throughout the CPMS. However, there are many good examples of good practice and in a number of ways the region leads the world in remittances regulation. The potential positive role that remittances can play is not being fully realized in a number of countries due to inappropriate regulation, spasmodic implementation and relatively limited supervision.

5.5 FINANCIAL INCLUSION

Financial inclusion is important for remittance senders and receivers since many of the more competitively priced, digital remittance channels are not available to those excluded from the formal financial system. Non-cash, digital remittance services, such as online remittance services through websites and/or apps and services where funds are received into a bank account or mobile wallet, require either the sender or the recipient or both to have a bank account or, in some cases, a mobile wallet. Those without access to these products are reliant on cash-in/cash-out remittance services.

Financial inclusion, as proxied by the proportion of the population with a bank account, varies significantly across the CPMS. In China, India, Sri Lanka and Thailand, over three quarters of the population over 15 years old has a bank account at a formal financial institution. Conversely in Afghanistan, Cambodia, Pakistan and Viet Nam levels of financial inclusion are significantly lower with less than 30 per cent of the population over 15 holding a bank account. The proportion of the population with a bank account is also a good proxy for the level of financial literacy since it indicates a familiarity with, and an understanding of, formal financial products and services.

[45] Author’s calculations based on discussions with key industry players.

Table 7: Financial inclusion in CPMS[46]

CPMS	Account (% age 15+)	Sent or received domestic remittances in the past year (% age 15+)
Afghanistan	15%	14%
Bangladesh	50%	29%
Cambodia	22%	42%
China	80%	26%
India	80%	19%
Indonesia	49%	33%
Nepal	45%	26%
Pakistan	21%	19%
Philippines	34%	45%
Sri Lanka	74%	20%
Thailand	82%	53%
Viet Nam	31%	25%

In addition to the significant progress made by India in Financial Inclusion, as detailed in the report, a large number of initiatives are being taken on the financial literacy front by RBI in coordination with other stakeholders as an ongoing process. Appendix 1.5 provides further information on some of the pioneering initiatives the government has undertaken. Given the scale of the challenge in South Asia, the Indian case study is exemplary in demonstrating what can be achieved through the use of technology, coordination and commitment.

The Indian government has been progressive in its use of business correspondents (agents) to provide agent banking services in rural areas and most recently in its deployment of payment banks including mobile network operators and the post office to provide some basic financial services and remittances.

The Groupe Spéciale Mobile Association (GSMA) report that, of the 27 low income countries and lower middle income countries worldwide where mobile money can be used to receive remittances (but not send), less than half of the populations in 19 of these receiving countries have access to traditional financial services.[47] For many people in these countries, a mobile wallet may be the only available connection to the formal financial system and so it is imperative that more countries develop legislation

[46] Global Findex database, 2017.

[47] www.gsma.com/mobilefordevelopment/wpcontent/uploads/2018/05/Mobile_Money_Competing_with_informal_channels_to_accelerate_the_digitisation_of_remittances.pdf

to expand mobile wallet usage. Furthermore, the average cost of sending/receiving remittances using mobile is 1.7 per cent rather than 6.9 per cent for cash-based services highlighting the potential for this technology to reduce remittance costs.

As the second largest receiver of remittances, China is also a demonstrative case for how agent banking can be used to greatly increase financial inclusion, especially in rural areas. In 2011, 64 per cent of adults had a bank account in China; by 2017 this number had increased to 80 per cent.[48] Central to this success has been the development of the world's largest agent banking network since 2016, now consisting of almost 1 million agents.[49] Another significant contributor is China's high rates of mobile and internet access, which provide Chinese adults with additional channels through which to utilise financial products and services.[50] According to a 2013 survey, 45 per cent of households with an account reported that they mainly chose their financial service provider because of its "convenient location" whereas now there is more choice available and the formal system is more accessible, including in remote areas.[51]

5.6 FINANCIAL EDUCATION

Financial education plays an important and fundamental role in generating awareness of the benefits of formal financial services and in improving financial literacy and financial inclusion. Financial education can be provided by a number of different entities including governments, donors, central banks, commercial banks, NBFIs, international organizations such as IOM (who have undertaken a significant amount of work in this area), NGOs, schools and/or training organizations, at different "teachable moments". Migrants and their families should, as a minimum, be able to effectively manage their income and expenses, though a broader understanding of financial products available and how they work can greatly improve livelihoods[52] (See Appendix 1.7 for more details).

There are some good examples of financial education initiatives in CPMS. These have been conducted by government departments, private sector operators and NGOs. Appendix 4 provides more detail on some of the education initiatives from across the region.

[48] Global Findex data 2017.

[49] https://openknowledge.worldbank.org/bitstream/handle/10986/29336/FinancialInclusionChinaP158554.pdf

[50] https://openknowledge.worldbank.org/bitstream/handle/10986/29336/FinancialInclusionChinaP158554.pdf

[51] https://openknowledge.worldbank.org/bitstream/handle/10986/29336/FinancialInclusionChinaP158554.pdf

[52] www.gpfi.org/sites/gpfi/files/documents/07%20Financial%20Education%20for%20Migrants%20and%20Their%20Families.pdf

6. Overall Recommendations

This section draws on the findings from the detailed research and from the lessons learned from the previous chapters. It focuses on initiatives that could be undertaken in order to improve access to formal remittances for migrants from CPMS.

In particular, it aims to identify initiatives in the region that could be scaled or replicated. It also looks to draw on good practices.

Initiatives and Recommendations for Formalizing Remittance Flows

There are many reasons for encouraging transactions to move from the informal to the formal sectors including: to protect the individuals sending and receiving the money from loss or theft; for governments to be able to harness the foreign currency associated with transactions to build foreign exchange reserves; to obtain meaningful data which can inform enlightened policy development; assist with economic forecasting and bring transparency; as well as aiding anti-money laundering and counter the financing of terrorism activities.

However, it should be recognized that there is often no incentive for migrants to switch from informal services that work for them. This is especially the case where trust has been established in informal services, and where the prices that they receive are better than formal services, especially where exchange controls exist. In addition, many remitters do not know whether the services they use are informal.

Many of the solutions in this area have already been successfully implemented in some CPMS. For a list of good practice examples, please see Appendices 1.3 – 1.5.

A. National focus on remittances

For many of the CPMS, remittances are important contributors to the national economy and the lives of millions of people. As such, it is recommended that their importance is reflected in the attention they receive by government, policy makers and regulators. This will ensure a more coordinated and considered approach and signify that the government values and appreciates migrants and the contribution they make to their country in sending home remittances.

There are a number of examples from across the CPMS where the government has focused specifically on remittances and as such has adopted a coordinated approach which involves a set of processes which have been successful in moving remittances from informal channels to formal.

A Remittance Regulatory Framework – A good place to start is with a regulatory framework that is specifically focused on remittances. This brings greater attention to remittances within the country context. Remittances regulation contained in one place makes it easy to navigate for service providers and also ensures that regulators have fully considered the impact of existing legislation on the market and the RSPs. Key elements should include: AML/CFT, applying the risk-based approach, consumer protection, foreign exchange elements, competition policy (exclusivity), entities able to offer remittances, payments systems legislation (and who can access it), use of agents, e-money, capital requirements, reporting, oversight and supervision.

Remittance Focused Agendas and Initiatives

The Pakistan Remittances Initiative (see Appendix 1.5) is one of a number of examples of a comprehensive approach taken by a government towards remittances and has resulted in significant improvements in the market. The Saudi Arabian Monetary Authority (SAMA) has also made remittances a focus (See Appendix 1.6). The Philippines has also undertaken a focused approach to remittances and the value they bring to the nation.

It is recommended that other countries replicate the level of focus, though not necessarily all the steps adopted by others need to be covered (such as subsidization of remittances). A good first step is to establish a specific team or body that focuses on the remittances market, for instance through the Central Bank or relevant government ministry such as Ministry of Finance. The next step would be to conduct a needs assessment to identify areas most in need of activity. Based on this, the third step would be to formulate a methodology to address the challenges identified in step two (based on good practice examples) and then begin to implement these accordingly. For these activities to be successful it is important to make sure that all relevant stakeholders, including the private sector, are included at an early stage.

B. Payment network development in CPMS

Most of the CPMS are predominantly receive markets for remittances – and therefore a key consideration is the payment network that is responsible for the final-leg of the transaction; delivering the funds to the remittance recipient.

A well-developed payment infrastructure will provide choice to the remitter, be competitive and cost-efficient. In order to make formal remittance services attractive, they need to be convenient for the end-user to access in terms of physical proximity.

Developing pay-out networks involves both expanding the number of physical locations to collect cash remittances, reducing the time and effort required to travel and collect funds and developing the digital payment infrastructure, uptake, usage and down-stream ecosystem.

It is recommended that regulations on who can pay-out remittances should aim to be open and inclusive; to build upon and leverage infrastructures and networks that already exist across the country.

Options for network expansion include:

1. **The Post Office** – on review of existing legislation among CPMS the Post Office network is not currently being utilized for the pay-out of remittances in Afghanistan or Cambodia. In these countries it is worth further exploring the feasibility of using this infrastructure for the pay-out of remittances. There is an opportunity for learning from good practices, in particular from the Indonesian, Pakistani and Saudi Arabian experiences.
2. **Exchange houses** – in Pakistan exchange houses are able to pay-out remittances. Exchange houses have access to real-time online payment networks, something that should be considered in other jurisdictions too.
3. **MFIs** – Nepal and Pakistan allow MFIs to operate as remittance agents although many other CPMS do not. They tend to be well structured with a good rural presence.
4. **Using retail agents** – Across the CPMS there are examples of innovative networks being leveraged as agents for the pay-out of remittances. For example, in Bangladesh Singer outlets are being used to pay-out remittances and in Thailand 7-Eleven stores.

Allowing **agent banking** will also help in the pay-out of remittances as remittances can be sent directly to bank accounts but can be cashed-out more locally without having to visit a bank branch. In Bangladesh banks are considering using the MNOs as agents in this way.

Removal of exclusivity arrangements between MTOs and local pay-out partners – For many of the CPMS, including some of the largest receive markets, China, Philippines and Sri Lanka, exclusivity arrangements between RSPs and pay-out agents are still permitted. It is highly recommended that exclusivity be prohibited to promote competition within the market. Even once prohibited, or in the case of those countries where it is already, it is important that governments enforce this and that exclusivity is removed commercially and not only legally.

C. Initiatives and recommendations to move people to using digital channels

As has been previously stated, moving remitters and their families to use digital payments (mobile money, online transfers to accounts and so on) is essential in order to meet SDG 10.c and to make improvements to the remittances market in all countries.

There is no simple solution to this challenge but a series of coordinated actions are required. These include some or all of the following:

1. **Improve the digital pay-out infrastructure in receive countries** – for people to use digital remittances the domestic payments infrastructure must be available in the receiving country. Clearly, without a developed digital pay-out infrastructure in place, digital payments cannot take place. Furthermore, even if the infrastructure exists it is unlikely that it will be used for remittances if it is not widely used for domestic payments. Domestic payments occur every day whilst remittances are normally only made once a month. If receivers are familiar with domestic payments for their everyday needs then the same method can be applied to international remittances.

   It is, therefore, recommended that CPMS focus on developing the domestic digital payments environments as a first step. This should be followed by efforts to encourage citizens to make domestic payments. This can then be followed by working with the private sector to develop digital remittance products and educate consumers in how to use them.

2. **Increase financial inclusion** – most (but not all) digital financial products involve the establishment of an account at an individual level. Remittances can be leveraged to encourage people to open accounts. In other cases, providing people with accounts for their everyday financial needs can be leveraged by RSPs to encourage the provision of appropriate services.

   Many tools and actions need to be undertaken to achieve financial inclusion, depending on the country, the individuals and the overall environment.

   In all cases countries should introduce procedures to make it as easy as possible for individuals to be able to open a range of accounts including, bank accounts, pre-paid accounts and mobile wallets. For mobile wallets it is important to ensure that individuals can obtain mobile SIM cards easily.

3. **Make digital remittances an attractive solution** – despite the benefits that digital should bring the take-up rate for the services has been lower and slower than anticipated. Measures should be adopted to address this. The following represent some specific ideas that can be considered:

   3.1. **Promote use of digital** and **streamline onboarding processes**. Many people do not understand how digital payments work or how to access them. In addition, research shows that people think the onboarding processes are more complex than traditional payments. Public information activities are therefore to be encouraged.

   3.2. The **reduced operating costs** for digital services need to be reflected in the actual charge to consumers. There are examples of where remittance services cost the same for cash collection compared to crediting an account even where the operational costs are significantly lower for digital services. CPMS should monitor this and where appropriate liaise with MTOs to address this anomaly.

3.3. **Incentives** should be considered to encourage people to try digital solutions. Sending remittances is often a habitual exercise. Therefore, entities have to work hard to get people to try something new. Incentives, potentially in the form of lower prices, special offers, additional services can be used and so on to encourage people to test new ways of sending money.[53]

3.4. Ensure that there is full **interoperability** in, and between, payments systems. In many countries it is not possible to send money from one mobile payment provider to another, let alone to be able to send from a bank account to a mobile payment, or vice versa. This is an area that governments need to focus on for domestic payments so that remittances can access the same solutions. A comprehensive digital ecosystem with full interoperability needs to be created.

3.5. Make it easier for people to **access** digital payments. The establishment of national digital payments directory could help by making it easy for people to know where they can go to use digital payment services.

3.6. Where appropriate it may be necessary to introduce **E-Money legislation**. This is especially the case for enabling different types of institutions to be able to cash-in and cash-out remittances.

D. Financial education

A key contributor to the reduction of informal services is financial education. There are a number of initiatives across the region that can be learned from, replicated and built upon. The aims of programmes in this area include creating awareness through education in order to teach people how to assess the best product/service for them, educating migrants on the kinds of and benefits of financial products, such as savings and bank accounts, and providing information on how to access financial services. This is difficult because remittance markets are typically opaque in terms of the benefits and costs of the different services. In particular, given the movement towards digital products there is a strong need to create awareness around digital services and to highlight the individual benefit of each product offering.

Financial education covers many different elements and it is not possible to cover all of them in this document. However, some key items that are particularly relevant to remittances include:

a) Leveraging opportunities for financial education at different stages of the migration process, always remembering that education is an on-going process and not a one-off activity. There are a number of organizations within CPMS that are working in this area and it is recommended that mechanisms are developed for the sharing of knowledge, techniques and resources between countries. Tools such as a best-practice website, the forming of a working group, WhatsApp groups and so on should be considered. Information can be shared on a range of topics including which approaches are working, training techniques, trainers and so on.

b) Where there are large informal migration flows to neighboring countries (often with a shared land-border) there is a need to undertake “Safer Migration” outreach financial education. It is useful to identify existing outreach programs to migrants and use this interception to impart information on the benefits of using formal remittances, demonstrating which services are available, and how to assess the real costs.

c) Where formalized migration takes place, normally as a result of inter-governmental agreements, there are multiple opportunities to provide financial education. The key is to ensure that remittances are included in what is often a quite intense education schedule covering multiple aspects of migration. Touch points for financial education include:

[53] Pakistan has a useful example of how to encourage people to use digital solutions. The government gives beneficiaries two rupees worth of airtime for every US dollar received into their mobile wallet – www.sbp.org.pk/bprd/2018/CL23.htm

- Pre-departure training – including remittances at this point means that migrant workers are sensitized to this area before they leave and before they want to make their first remittance payment. Awareness of the products available in the destination country and how to use them is of crucial importance. Pre-departure training may be provided by organizations in the migrants' home country or from the country of destination, as is the case with NGOs in the Republic of Korea providing orientations to Cambodian migrants in Cambodia.
- Training with employers - workers obtain a range of information from their employers. By working with employers' specific education can be provided both before the migrant departs and once they have started their new role. Working with employers to discuss remittances on a regular basis and keep migrants updated is a worthwhile activity.
- Training sessions in host country – there are good examples of this taking place, for example, in Dubai, the NGO Atikha has successfully educated many Filipino migrants.
- Provide information digitally – using "new" digital technologies to provide information on a regular and innovative basis can yield tremendous results. A mobile phone is one of the most important possessions for a migrant and providing content that is relevant and continually updated should be considered by CPMS. Setting up migrant groups on social media (Facebook, WhatsApp, and so on) in connection with diaspora groups is highly recommended. The recently launched SaverAsia website (www.saverasia.com)[54] is a good example of a repository of information that can be accessed digitally and educates at the same time. The IOM has also created platforms such as the iDiaspora Forum, designed for members of diaspora communities to contribute their opinions to the first, intergovernmental agreement on international migration, the Global Compact for Migration,[55] and MigApp, a mobile app where migrants can share their experiences and find migration-related information.[56]
- Training by employment/recruitment agencies – one of the most important contacts and sources of information for migrants is their employment/recruitment agency (if they used one). These agencies are ideally situated to provide training to migrants preparing them for life in their host country, including giving information on how to send money through formal channels.
- Opportunity to intercept at airports – providing instruction and education to migrants at airports, including on how to register a SIM card and reach remote formal remittance services, is a useful way to reach migrants without obligating them to travel anywhere for the training. This may require coordination with the employment/recruitment agencies for optimum results.

E. Standardize KYC/AML requirements

KYC/AML requirements vary between countries and sometimes between different operators in the same country. Where there is a lack of standardization it leads to confusion for senders and receivers of remittances and can lead them to use the informal market as there are frequently no identification requirements in that method. Additionally, different requirements between different countries mean that costs for remittances are higher than they would be because the MTOs must design and monitor a different process for each country. It is recommended that:

a. KYC/AML standards and thresholds are harmonized on a risk-based approach within each market. The requirements should be proportionately based on the risk of the product and should not differ by type of operator (unless there are solid reasons). For example, the standards for telecom

[54] SaverAsia helps people to: "Send and save on money transfer; locate financial services and resources wherever you are; connect with support organization close to you".
[55] www.iom.int/news/iom-launch-online-platform-engage-diasporas
[56] www.iom.int/migapp

operators, post offices, banks and retail providers should be the same for remittance receiving organizations within a member state.

Consideration should be given to harmonizing the approach to ID and compliance requirements in all CPMS states. If the CPMS agreed to adopt and comply with a risk-based AML/KYC approach that is in tandem with the FATF recommendations it would result in an automatic standardization of KYC/AML requirements across the region.

F. Remove exchange controls

Foreign exchange controls are various forms of controls imposed by a government on the purchase/sale of foreign currencies by residents or on the purchase/sale of local currency by non-residents (see Appendix 3 for more information). Exchange controls are always imposed for macro-economic reasons that generally have nothing to do with remittances, but almost always result in the establishment of informal parallel markets. These have a negative impact on the volume of remittances sent through formal channels as consumers choose to use informal channels, in pursuit of more competitive exchange rates.

It is therefore, not always clear, at a national level, that the upside gained from having such controls in place, outweighs the cost felt by government. It is therefore recommended that the countries that have exchange controls in place conduct a cost benefit analysis on exchange controls. This would be helpful in assisting some governments to understand the best policy positions going forward.

G. No tax on remittances

From time to time there are rumours in CPMS regarding taxation on outgoing remittances.[57] Whilst no CPMS currently taxes remittances, it is important to make sure that remittances are not taxed within the region as this will only lead to a move towards informal remittance flows.

H. Clarity on what is formal versus informal for the migrant

As outlined, there is a challenge in the remittances market for remittance senders to be able to distinguish informal from informal services (especially where one-leg may be informal and the other formal, for instance a formal remittances pay-out service may be cashing out from a mobile wallet which not realizing that the funds had been credited to it by a sending agent that is unlicensed in the sending country (and possibly the receiving country). It is therefore important in any financial education outreach that the benefits of formal providers are made clear.

I. Consumer protection for remittance receivers

It is recommended that robust consumer protection legislation and systems are established in each CPMS. This needs to cover protection of funds, complaints and recourse mechanisms. Once it is put in places there needs to be ongoing awareness campaigns to promote adoption.

Consideration could be given as to whether there is an opportunity to have a pan-CPMS operator stamp so that it is easy for a customer to establish whether an operator is formal or not and what protection is afforded or guaranteed as a result.

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[57] www.arabianbusiness.com/banking-finance/403680-saudi-arabia-denies-plans-to-introduce-expat-remittance-fee

J. Increase transparency for remittance senders and receivers

Providing information for senders and receivers of remittances is critically important to enable them to make the choice that is right for them. Whilst most of the information concerning a remittance is based on elements on the send side of the transaction the receiver now has a much bigger input into which service is used than was previously understood. In order to create true transparency, there are a number of actions that could be undertaken, including:

a. Regulations. A number of send markets, including the EU and United States make it a requirement that information about a transaction (fee, foreign exchange rate, time taken, locations available, redress processes, and so on) are provided to the consumer. Whilst not so vital for a receiver it is important for them to know that there are no additional costs.
b. Price information portals. Some countries have introduced price comparison portals, using standards set by the World Bank and with data that is collected using mystery shopping techniques. These have proved to be successful in bringing greater clarity to the market places and in encouraging MTOs to reduce their prices (as they do not want to be seen to be more expensive or less user-friendly than their rivals).

Most sites have been produced in sending countries like Australia and New Zealand. Other countries may have sites but their information is not necessarily kept up to date, rendering them less useful. It is recommended that where existing portals exist that they are expanded to play more of a financial education role as well as covering more corridors. The recently launched SaverAsia is an example of what can be achieved.

Further, it is important that not only does a portal provide accurate information but that sufficient resources are provided to generate awareness of its existence and contents. Ensuring people visit the site is required to justify the effort needed to develop a portal.

K. Consider establishing a remittance bank

A bank that is focused on migrant workers and built upon remittance volumes is a solution that not only would help people send money home but would also provide a broad range of financial services to senders and receivers.

It is something that demonstrates to the communities that their government regards them as important, is listening to them and trying to help them. It is not appropriate for every country but where there are large volumes of remittances and a large number of receivers benefit from them it should be considered. A number of countries including, Bangladesh, India and the Philippines have either developed a remittance bank or are strongly considering it.

The scale of the undertaking should not be underestimated but the benefits are significant for the country and the individuals concerned.

A remittance bank could provide incentives to send remittances using formal channels. Rewards for doing so may include higher interest rates, subsidized health insurance for migrants and their families, loyalty bonuses and so on.

L. Improve data collection and sharing in CPMS

The absence of accurate and timely data is frequently highlighted in in-market surveys and reports. In the case of remittances this is particularly important as the collection and publication of accurate data on the volume, value and origin of remittances is critical to gaining sufficient attention on the topic and to assisting with the development of effective policy. However, particular emphasis should be paid to gender aggregated data as this is currently lacking.

It is conceptually simple to obtain accurate remittance data. This can be achieved by making it a requirement of every MTO licence that is granted that transaction data is provided in a pre-agreed format. If the format can be agreed at a regional level it will make it more convenient for MTOs to provide the information. This is not a difficult task but, to date, has not been asked for from the MTOs themselves (it is normally asked of local partners).

Obtaining disaggregated data would be exceptionally helpful for policy design for CPMS and for product design for the private sector. Currently, what little data that is available is aggregated. Being able to understand the split by gender, socioeconomic background, region the money is sent from and to, among other variables would be a major asset to all stakeholders.

Monitoring migrants leaving from and returning to a member state will also have an impact on remittance data and will provide a much clearer number of migrants than is currently realized.

THE RECOMMENDED COORDINATED ACTIONS FOR COLOMBO PROCESS MEMBER STATES

The previous recommendations have highlighted areas that individual member states can address. In completing the survey and reviewing the key learnings it is apparent that there are some activities that would be beneficial to all member states if there was consistent and coordinated activities. These activities could be coordinated by the TAWG on Remittances. A mechanism shared between CPMS would enable greater financial inclusion, cost cutting and improved accuracy in recording of transfers. Areas of particular interest are:

a. **Sharing of good practice** – this survey has shown that there a large number of outstanding initiatives being undertaken within the region to improve the remittances environment. It is important that these experiences are made available to all CPMS in order to introduce positive solutions as rapidly as possible.

   Creating a data-base of remittances practices and experience would be an excellent way to begin to share good practice. This can be strengthened by regional meetings, country field visits, WhatsApp groups between regulators and policy makers, and so on.

   Working together to develop common remittance-linked regulations, for instance in KYC, to prevent financial exclusion could also be effective.

b. **Peer-to-peer learning** – a further output of sharing of good practice is to create opportunities for peer-to-peer learning. Understanding which individuals and departments have undertaken which activities can lead to the creation of a database of successes. This can than lead to the experienced individuals training/educating other member states in what they did, what worked, what did not work and how they would recommend approaching the task.

c. **Liaison with the major countries sending to CPMS** – there are a number of important issues that occur in the major send markets that have an impact on all remittance receiving CPMS. Some of these or of major importance to the migrants sending money. If a fragmented approach is made to the send markets the message is diluted and there is less chance of appropriate remedies being identified. However, by making a joint approach and speaking with one single voice there is a greater chance of a coherent response. Areas that could be considered that are relevant for remittances include:

   i. Identification of senders of remittances. Most send countries, particularly those in the GCC States make it illegal for MTOs and banks to send remittances for anyone who cannot demonstrate that they have a legal migration status in the country. By making joint representation it may be possible for CPMS to obtain a proportionate dispensation to enable remittances to be sent for people who can be formally identified regardless of their immigration status. Failure to tackle this will mean that these types of transactions will go through informal mechanisms.

ii. Ensuring that migrants are able to participate in the send country's financial systems. By making sure that they can be financially included they can then use formal transfer mechanisms and also help educate receivers to open accounts and manage the remittance receipts more effectively. Encouraging send countries to adopt initiatives such as the Wage Protection System that exists in the United Arab Emirates will facilitate this.

iii. Suggesting that send countries refrain from introducing taxes on remittances. Apart from the fact that a tax on sending these payments will not work because it will drive transactions to the informal market, they are a bad idea on multiple levels. Although only a few nations or states currently have a tax it is believed that Italy will introduce one in early 2019 and many Gulf States have discussed imposing them in recent times. Continued joint efforts by all affected parties are needed to confront this phenomenon.

There is a role for CPMS to identify where challenges exist in the main shared-send markets and to hold discussions as a region with the aim of creating an agreement to make it more accessible to send and receive remittances.

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Appendix 1

APPENDIX 1.1: HAWALA/HUNDI SYSTEM

There are many terms used to describe informal remittance systems including fei zhenggshi hui kuan (China), hundi (Pakistan, Bangladesh), Hawala (India and the Middle East), padala (the Philippines), Fei Zing Sik Wui Fun (Hong Kong SAR, China), phei kwan (Thailand) (and so on). The operational mechanisms of the various systems are fundamentally the same. It was originally developed at a time when conventional banking instruments were either absent or weak and in fact, the system has been in place in the region before modern banking.

The typical Hawala transaction involves the sender, two intermediaries and the receiver. The sender (traditionally a migrant) will find an agent in their host country and pay in the local currency, the agent will then contact another agent in the destination country and a pay-out will be organized in their local currency (once reference or password has been provided). Generally, the only form of ID that is required is the reference or password that is given from the sender to the receiver however, in Pakistan the use of passports as ID is becoming more common. A key feature is that normally physical settlement of the funds does not occur on a "matched" basis between the intermediaries. Frequently the sender's intermediary will pay third party invoices on behalf of the receiver's intermediary or credit accounts outside the receiver's country (which may or may not be legal).

Often has the Hawala system been considered an alternative to formal remittances because of the lower commission rates than formal remittances, especially in countries where the banking system dominates. Furthermore, because of how the Hawala works, there is a high likelihood of there being a Hawala dealer in the receive country (as well as send), making the process of sending money frequently faster than through formal channels. There is also the question of identification. Formal channels usually require at least some form of KYC, a significant deterrent for undocumented migrants and even some formal migrants who may simply lack identification. The Hawala system is based on trust, as long as the recipient has the current password to receive the money, they can, making the process largely anonymous. Therefore, migrants sending money could be more enticed by the cheaper rates, faster transfer and ease of sending money without full identification. However as with any system that is not regulated, there are significant risks, mainly that the system is based on trust so there are no concrete guarantees that the correct money will be sent and with no grounds for complaint because it is not an official system. Whilst the benefits of Hawala are appealing to legitimate senders, they are also appealing to terrorist organizations and money launderers because there are not normally official records kept of the transactions.

Overall, Hawala transactions are prevalent in all countries with a large number of South Asian communities, not just less developed countries or those with unregulated banking systems. The Hawala system is viewed as cheaper and more efficient and so the first choice for many people.

APPENDIX 1.2: THE WAGE PROTECTION SCHEME

The Wage Protection System (WPS) in Saudi Arabia became mandatory for all Saudi companies with over 3,000 employees on 1 September 2013. After 12 amendments, the WPS in Saudi Arabia now applies to all companies with over 25 employees. The objective of the WPS is to minimise any delays and issues in the payment of salaries.

Under the WPS, companies are required to submit wage information to the Ministry of Labour via the e-service programme. The WPS helps to ensure that employee rights are protected and that salaries are paid according to agreed terms of employment contracts. The Ministry also aims to identify illegal workers and streamline the labour market.

Practical steps taken by employers

In order to streamline the WPS, companies that fall within the scope of the WPS should:

- Register with the WPS
- Open local bank accounts for their employees
- Open a payroll file which will need to be authenticated by the bank
- Submit all information relating to the monthly payment of wages to the Ministry using the e-service.

The WPS means that each worker has a bank account or a prepaid card through a salary programme. This provides significant opportunity for institutions to offer salary programmes and formal remittance services and helped to formalise markets.

APPENDIX 1.3: BKASH

BKash is the second largest mobile money provider in Bangladesh with approximately 30 million customers and a 58 per cent share of the market. It is estimated that about half of formal remittances in Bangladesh are received into bank accounts, including funds instructed for deposit into bKash wallets.

A digital hundi system was working via bKash until a recent investigation uncovered this and closed 2,800 bKash agents. As a result of the investigation, the requirement of one bKash account per mobile number/individual was enforced, the maximum that a bKash user could cash-in was limited to USD180 and cash-out limits have been reduced to USD120 to reduce the vulnerability of this method to being used by informal channels.

A new application programming interface (API) communication channel has been launched called "TerrapaybKash remittance gateway", with the aim to disburse inward remittances directly into beneficiaries' bKash mobile wallets. The remittance is collected via regular banking channels, and the banks/ designated MTO can then use the gateway to check the beneficiary's identification and make disbursement in real time. This means that there will be greater transparency in the transaction process.

APPENDIX 1.4: INDIA FINANCIAL INCLUSION DRIVE AND EFFECT ON FORMAL REMITTANCES

The Indian government has taken a multi-pronged approach to financial inclusion, including:

Financial Inclusion Program: The Pradhan Mantri Jan Dhan Yojana (PMJDY) is financial inclusion program of the Government of India which aims to expand and make affordable access to financial services such as bank accounts, remittances, credit, insurance and pensions. This financial inclusion campaign was launched in 2014 and is run by Department of Financial Services and Ministry of Finance. Under this scheme, by 2018 over 318 million bank accounts were opened and over USD12 billion were deposited under the scheme.

Aadhaar: The Unique Identification Authority of India (UIDAI) is a statutory authority set up by the Government of India under the Ministry of Electronics and Information Technology (MeitY). UIDAI issues each resident with a 12-digit unique identity number based on their biometric and demographic data.

The objective for UIDAI is to issue Aadhaar to all residents of India so that there is no chance of duplicate or fake identities and so a person can be easily verified and authenticated. The first UID was issued in 2010. To date (2018), over 1 billion people have been enrolled with an Aadhaar. The UIDAI is responsible for every aspect of Aadhaar, including ensuring the security of information provided and authenticating the resident.

Bank accounts and branches: A framework for the licensing of differentiated banks was considered to meet the credit and remittance needs of small businesses, unorganized sector, low income households, farmers, and migrant work force. Accordingly, Guidelines for Licensing of Small Finance Banks and Payments Banks were issued on 27 November 2014. Since then, ten small finance banks and seven payments banks have commenced operations.

Starting from April 2010 RBI advised all public and private banks to submit a board-approved, three-year financial inclusion plan. These plans broadly included self-set targets in terms of bricks-and-mortar branches in rural areas, clearly indicating coverage of unbanked villages with population above 2,000 and those with population below 2,000; deployment of Business Correspondents (BCs) and the use of electronic/kiosk modes for provision of financial services; opening of no-frills accounts; and so on. The Reserve Bank of India (RBI) has stipulated that at least 25 per cent of the total number of “Banking Outlets” opened by banks in a financial year should be in unbanked rural centres.

Table 1. Progress of financial inclusion at a glance

Parameter of financial inclusion	March 2010	March 2016	March 2017
Number of Bank branches in villages	33,378	51,830	50,860
Number of Business Correspondents (BCs)	34,174	531,229	543,472
Number of other forms of banking touch points	142	3,248	3,761
Total number of banking touch points	67,694	586,307	598,093
Number of BSBDA* (in millions)	73	469	533
Deposits in BSBDA (Amount in Rs. billions)	55	636	977

*Note: *Basic Savings Bank Deposit Account is a no-frill savings account without no charges are levied.*
Source: Annual Report of RBI, 2016-17.

APPENDIX 1.5: PAKISTAN REMITTANCE INITIATIVE

The Pakistan Remittance Initiative (PRI) was launched in August 2009 as a joint programme between the State Bank of Pakistan, Ministry of Overseas Pakistanis and Human Resource Development and Ministry of Finance with two specific objectives: 1. Facilitating and supporting the safer, cheaper, convenient and efficient flow of remittances through formal channels and 2. Creating investment opportunities in Pakistan for overseas Pakistanis.

Strategy – A multifaceted approach which included:

- Enhancement of outreach – A focus on establishing bilateral arrangements between Pakistani banks and international RSPs to increase the number of channels for transferring money into Pakistan. PRI encouraged banks to establish arrangements and set up a rapid approval process. This increased the number of relationships from less than 80 to over 900.
- Enhancement of distribution channels – Including improving the service of post office and microfinance banks and identification of remittance rich areas. In total it has added as many as 10,000 physical locations in Pakistan for receiving remittances.
- Improvements in payment system infrastructure – Instrumental in improving the payment systems such as cash over the counter and inter-bank settlements.
- Innovative remittance products – PRI provides advisory services to banks for introducing innovative remittance products such as cards and internet-based remittances and so on.
- Subsidized earnings and prize incentives – In 2009 the Government announced reimbursement of the marketing expenses to banks for attracting remittances. This means that the Pakistani Government pays a sum of USD 6.50 for every transaction over USD 200 that is paid out. This is on condition that the sender is not charged a fee and that the FX margin is capped at 1 per cent. The USD 6.50 is paid to the paying out party in Pakistan and shared between the sending and receiving agents.
- Pre-Departure Briefings – Remittance briefing sessions at protectorate offices for capturing potential overseas Pakistanis and for opening bank accounts before leaving the country.
- Training Programmes are regularly held for Pakistani payout banks and agents. They cover topics such as new product development, customer identification, the value of remittance customers and so on.

Impact and Growth in Value of Remittances

Increased the number of contractual partnerships between Pakistani FIs and international RSPs. This has led to more formal options for sending money to Pakistan.

Added over 10,000 physical locations in Pakistan for receiving remittances – bringing in new players (commercial banks, microfinance banks, exchange companies, Pakistan Post).

Reduced remittance delivery time and reduced cost - average cost in Q1 2018 for sending to Pakistan was 4.8 per cent – this included 4.68 per cent from UK (7.32% in Q2 2008), 4.47 per cent from United Arab Emirates (4.77% in Q2 2008) and 3.29 per cent from Saudi Arabia (5.71% in Q2 2008). This has plateaued in since 2016 where similar levels were recorded. However, it is important to note that WB data on cost of sending remittances is a simple average and is not exhaustive. Since a large part of remittances to Pakistan are covered under Free Send Model, as mentioned above, the weighted average of cost of sending remittances should be quite low.

Home remittances to Pakistan have witnessed a phenomenal growth in recent years. According to the World Bank remittances rose from USD 5.1 billion in 2006 to USD 19.6 billion in 2018 – an almost four-fold increase in 12 years. Research has shown that even considering the growth of the Pakistani diaspora over the same period, the increase in remittances surpasses the organic rate of growth. For example, only 70 per cent of the overall growth of 230 per cent in the volume of remittances can be explained by the increase in number of workers. A careful look at flows from individual countries shows that the increase in official remittances was most marked in the United Kingdom's case, where it increased from USD 605 million in 2008/09 to USD 1.5 billion in 2011/12. There was also a significant increase in the Kingdom of Saudi Arabia and the United Arab Emirates, where aggressive marketing by Pakistani banks (taking advantage of the PRI's financial incentives) helped to divert remittances towards official channels.

APPENDIX 1.6: THE SAUDI ARABIAN MONETARY AUTHORITY

The Saudi Arabian Monetary Authority ("SAMA") initiated the "Remittance Centres Project" at the end of 2016, and completed it by the end of 2017. The Project's objective was to review the remittances environment and identify areas of improvement, with a particular focus on the centres' working hours, pricing and service quality, as well as the technology utilization and electronic channels.

Following the successful experience of using the Saudi Post offices as a network for offering remittance services, SAMA is currently looking to promote similar experience through the deployment of Agent Banking. The Agent Banking proposition will seek to address both the competitiveness and the accessibility of remittance transfers to all relevant geographical areas.

The AML/CFT guidelines will be updated according to legislation to provide better clarity to remittance service providers with regard to their regulatory compliance commitment (e.g. account opening requirements).

The outcome of financial surveys undertaken by the Kingdom of Saudi Arabia (KSA) will be used to continue the enhancement of financial literacy through targeted initiatives.

KSA is also considering the establishment of a remittance price database. Different measures to increase cost transparency will be studied, including the consideration for the establishment of a remittance price database.

www.gfmd.org/pfp/ppd/10357

APPENDIX 1.7: INFLUENCERS IN FINACIAL EDUCATION

The private sector can be extremely influential in financial education. For instance, in the United Arab Emirates and Saudi Arabia, Western Union has launched the program "Apna Sapna," which is translated as "Our Dream" from Hindi and Urdu. This program encourages financial education for migrant workers in these two countries. Apart from the workshops, Apna Sapna also provides free booklets that list a variety of "recognized and legitimate savings schemes" in countries where most of the migrant workers came from such as India, Bangladesh, and Pakistan. As of 2016, a total of 18,500 migrant trainings had been conducted since the launch of the program in 2014 (PR Newswire, 2016).

NGOs can similarly be instrumental in providing education and raising visibility of existing formal remittance options. In response to low levels of access to formal financial institutions in the Yunnan province of China, the Yunnan Institute of Development (YID) undertook a program of financial education aimed at 1,500 migrant workers and their rural, farming families who receive remittances. Door-to-door financial services and education was organized to raise awareness of formal channels and ultimately facilitate formal flows.

APPENDIX 1.8: USING REMITTANCES TO CLOSE THE GENDER GAP IN ACCESS TO FINANCIAL SERVICES

The persistent gender gap in access to formal financial services represents an ongoing challenge to achieving full financial inclusion. According to Findex data from 2014, 42 per cent of women worldwide, approximately 1.1 billion individuals, do not have access to formal financial services. In the poorest 40 per cent of households in developing economies, the gender gap is 11 per cent on average. Women are also 36 per cent less likely to use mobile money than men.

In many markets women are the main receivers of remittances. This is particularly the case in rural areas. There is also evidence that women choose informal services over formal services in some markets. Reasons include: trustworthiness of informal services, ease of use, accessibility and flexibility. Indeed, even the ability to have funds delivered to their homes is a significant advantage for informal services. Furthermore, there are significant issues around formal identification of all receivers but especially for women.

Specific regulatory interventions can help ensure women's uptake of innovative financial services. These include:

(i) Financial education programs targeted at girls and women;

(ii) Collecting dis-aggregated sex data to improve the development and marketing of products to women;

(iii) Ensuring new partnerships between financial institutions that lead to new products, wider distribution of services and training of agents, with a focus on trust. Women usually require more interactions with agents than men before they feel comfortable using the service and can also can also be less able to travel, making access to agents an additional challenge;

(iv) Develop digital identification solutions at both the sending and receiving ends;

(v) Create incentives to encourage the use of formal channels;

(vi) Link remittances to broader financial services.

A further tool for improving women's access to innovative financial services is to create use cases which are more targeted at women. International remittances through digital platforms is one such use case. Women represent half of all remittance senders globally and tend to send a higher proportion of their income regularly and consistently, even though they generally earn less than men. Enabling digital international remittances, along with further targeted regulatory interventions, could be an important step in closing the gender gap currently seen in access to formal financial services.

Appendix 2 – Individual Country Profiles

APPENDIX 2.1 THREE COUNTRY DEEP DIVES

BANGLADESH

Remittance regulatory frameworks (laws and regulations, policies, strategies)

Only banks are allowed to participate directly in Bangladesh's remittance market. Non-bank financial institutions such as MTOs, MNOs, MFIs and post offices must work in partnership with a bank in order to pay-in/out remittances. In other words, banks as the most important functionary of the financial system and act as the legal channel for remittance mobilization.[58] However, through partnerships, MTOs, agents, MNOs and the post office can all pay out remittances.

Banks have been able to extend their networks through agency banking. Agent banking guidelines were issued in 2013 (although fully-fledged agent bank operations only started in 2016). As of 2017, there were 8.58 bank branches per 100,000 people in Bangladesh.[59]

The accessibility of remittances for receivers in Bangladesh is further extended by regulations permitting mobile wallets, although only when provided by banks. The two main mobile wallets are BRAC Bank's bKash and Dutch Bangla Bank's Rocket. Yet 18 of the 24 approved banks have already started services to channel remittances through the outlets of mobile phone operators.

Recently however, Bangladesh Bank has investigated the usage of bKash for digital hundi which has resulted in a number of corrective measures, including the closure of more than 2,800 bKash agents, a reduction in the cash-in and cash-out amounts, and enforcement of one bKash account per individual/mobile number. Now, a bKash user can only cash-in Tk15,000 (USD 180), instead of Tk25,000 (USD 300). Cash-out limits have also been lowered from Tk25,000 (USD 300) to Tk10,000 (USD 120). Digital hundi via bKash largely accounts for the fall in formal remittances to Bangladesh during 2016 and 2017. The corrective measures that were implemented in 2017 account for the rise seen in 2018.

Besides, bank branches and mobile wallets, 26 micro-finance institutions, branches of Bangladesh Post Office and Singer Outlets are permitted to operate the distribution of remittances. To promote remittance inflows and distribution network, these institutions are playing an important role to ensure quick delivery of remittances through their branches in remote areas of the country.

Types, availability and transfer costs of formal remittance channels

Types and availability:

Through interviews with Bangladesh Bank, it is clear that about half of the remittances received in Bangladesh are received into a bank account, agent bank account or bank-provided mobile wallet (mainly BRAC Bank's *bKash* or Dutch Bangla Bank's *Rocket*). However, today remittances into mobile wallets account for less than 1 per cent of remittances received, and agent bank accounts collect less than 2 per cent of remittances.[60] The other half of remittances received are collected by the recipient at cash pick up locations.

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[58] Bangladesh Bank, Quarterly Report on Remittance Inflows, April–June 2018.

[59] http://data.imf.org/?sk=E5DCAB7E-A5CA-4892-A6EA-598B5463A34C&sId=1460043522778.

[60] Bangladesh Bank officially collects, and reports remittances data received via the Banks, and informally collects data from the Banks on remittances that were specifically received into MFS and Agent Bank accounts.

Both mobile wallets and agent banking are relatively new in the Bangladesh market which may partially explain their low uptake for remittance receiving.

In 2011, the Bangladesh Bank introduced mobile wallets as a part of a financial inclusion plan aimed at bringing unbanked people into the national financial network. The target customers for mobile wallets are mainly people with limited to no access to banking services. Consequently, bKash has around 30 million customers, and Rocket has around 20 million customers. bKash charges 1.8 per cent to cash out with an agent, and Rocket charges 1.9 per cent to cash out with an agent; withdrawal from an ATM is free for Rocket customers.

Agent banking is concentrated in two banks, with DBBL and Bank Asia covering more than 86 per cent of agent banking accounts. By the end of March 2018, a total of 884,680 accounts were opened through DBBL and 380,936 accounts through Bank Asia. Bank Asia reported that Agent Banks represented 18 per cent of Remittances received in September 2018, and the numbers continue to climb.

Transfer costs:

Bangladesh is one of the least costly remittance recipient countries, according to World Bank data.[61] The World Bank's Remittance Prices Worldwide website shows a number of corridors that are under or around 3 per cent Total Average Cost when sending to Bangladesh, including from India, Kuwait, Oman, Singapore and United Arab Emirates.[62]

However, as Bangladesh Bank does not allow the banks in Bangladesh to charge a fee for receipt of remittance funds, the revenue from remittances must be managed in a different way, such as the send side commission or the FX rate as is the case in most corridors.

Key initiatives to improve migrant workers' access to formal remittance channels in Bangladesh

One of the requirements for an overseas Bangladeshi worker is to open a bank account before departure. However, the Ministry of Expatriates Welfare and Overseas Employment and the Ministry of Foreign Affairs reported that there was no specific training on remittances or financial literacy. It was noted by UNCDF that there are programs through BRAC (the largest NGO in Bangladesh), and other NGOs to provide this type of training.

The Ministry of Expatriates Welfare and Overseas Employment (MOEWOE) was established in 2001 by the Government of Bangladesh with the main objective to ensure the welfare of expatriate workers and enhance overseas employment.

However, from the discussions with the MOEWOE and the Ministry of Foreign Affairs, there are a few key problem areas that prevent the full benefit that could be derived from the management of sending Bangladesh labourers overseas, and the resultant impact of remittances received by family members in Bangladesh acting as a driver of economic growth. These areas include:

- There is no official count of the absolute number of Bangladeshi expatriates,

- Bangladeshi overseas workers are charged exorbitantly high agent fees.

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[61] Banks can't cut remittance sending costs: bankers, *The Daily Star*, 20 July 2017

[62] https://remittanceprices.worldbank.org/en

Probashi Kallyan Bank:

Probashi Kallyan is a state-owned bank in Bangladesh, a specialized financial institution for non-resident Bangladeshis. The Bank was started in 2010 by the Government of Bangladesh to provide financial services to overseas Bangladeshis. It had a start-up capital of 1 billion taka (approximately USD12 million). 95 per cent of the capital came from Wage Earners' Welfare Fund and 5 per cent from the government of Bangladesh.

The Bank became a scheduled bank as of July 2018. This will allow them to offer remittances, although it will take some time as they will need to set up foreign currency accounts in other countries.

Measures taken by Bangladesh Bank:

Bangladesh Bank has also made the following efforts to improve the growth in remittances being sent to Bangladesh:

- For the purpose of quick delivery of remittances to beneficiaries through bank-to-bank clearing systems, Bangladesh Electronic Funds Transfer Network (BEFTN) was established on 28 February 2011 undertaking other types of funds transfer activities.
- To speed up remittance inflows and distribution, the approval mechanism of drawing arrangements among Bangladeshi banks and foreign exchange houses abroad has been simplified. Presently, 1,142 drawing arrangements are active and they are playing an important role in bringing remittances to Bangladesh.
- To increase the competition among the money transmitters, commercial banks are instructed to make contracts with MTOs and exchange houses and avoid making exclusivity clauses which can create monopoly of the market.
- Establishment of exchange houses/branch offices abroad by local banks has been approved. 34 exchange houses/branch offices/representative offices of different local banks are operating their programs in different countries (the United Kingdom, United States, Australia, Singapore, Malaysia, Greece, Italy, Canada, Oman and Maldives).
- To mobilize the remittance flows under the drawing arrangement, the maximum time to give out remittances to beneficiary level has been amended to 2 working days instead of 72 hours.
- To encourage the workers to remit their earnings through the banking channel CIP facilities and special citizen facilities for Bangladeshi expatriates have been extended.
- Customer Right Preservation Centre has been established by the Bangladesh Bank to receive the complaints regarding remittance from the Bangladeshi expatriates or their domestic beneficiaries directly.
- Three NRB commercial banks have started their operations in Bangladesh to facilitate investment by non-resident Bangladeshi.
- Non-resident Bangladeshis (NRBs) are allowed to open Non-Resident Foreign Currency Deposit (NFCD) accounts with authorized dealer banks at home to credit their retirement benefits, periodical pensions, superannuation benefits, etc. as per employment agreement with employers. The balance held in these accounts can be used for the settlement of legitimate payment abroad.

- Moreover, Bangladesh Bank has simplified the approval policy of drawing arrangements between foreign exchange houses and domestic banks.[63]

Finally, the government has taken legal actions against some source countries for using informal channel for sending remittance which might increase the flow of remittance in formal channels.

Accessibility of formal remittance channels by different groups of migrant workers from Bangladesh

According to the 2017 Findex Report,[64] only 50 per cent of the adult population in Bangladesh has a bank account. Bangladesh Bank has tried to increase access to bank locations, and therefore remittance payout spots, through agent banking. In particular, there has been a push for agent banking growth in non-urban areas to neutralise the issue of the lack of full bank branches and ATMs.

Looking at the profile of the Bangladeshi worker, the strong majority of the workers are male, from rural areas, have a low level of education, and little or no financial literacy. There were a number of interviewees that commented that these workers make no distinction between formal/legal and informal/illegal remittances, nor fully understand the full risk of sending via informal remittances. In discussions with the ministries, the topic of formal remittances and financial literacy training to improve awareness of the importance of using formal flows, seemed secondary to the overall processing and demands required to ensure good government relations for Bangladesh to be seen as an attractive source for overseas workers.

Besides legal workers, there are also around 2.5 to 3 million irregular Bangladeshi workers globally. Without a national ID in their work host country, it is very difficult for them to utilise the formal channels for remittances. The most likely scenario is that they would therefore send money home using the hundi system.

Sources of information on remittance transfer costs available to migrant workers

As there is no formal information provided in the predeparture program in Bangladesh, most migrant workers must rely on their network of contacts for information on how to send remittances back home to Bangladesh. This leads to a higher proportion of people turning to culturally familiar methods of transfer such as Hawala through lack of information and incentive to use the formal system.

Key determinants for migrant workers to choose particular remittance channels

It was fairly consistent across the survey respondents that it was the sender who was the main decision maker on how remittances were sent home. The sender is confined to the remittance options that are convenient to the work location, which may not necessarily be in a major city. For instance, this would be the case for many plantation workers in Malaysia.

Recommendations for Bangladesh

- Ensure that formal training about remittance options and financial literacy is mandatory for overseas workers. The Bangladesh Welfare Fund for the migrant workers could be a source of funding.
- Establish cross ministry cooperation to develop specific remittance action plans to leverage the inflow of remittances to the overall benefit of Bangladesh.

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[63] Bangladesh Bank, Quarterly Report on Remittance Inflows, April–June 2018

[64] https://globalfindex.worldbank.org/sites/globalfindex/files/201804/2017%20Findex%20full%20report_0.pdf

- Organize government cooperation with countries hosting a high number of Bangladeshi workers to develop remittance specific action plans that benefit both ends of a remittance corridor.
- Maintain regular engagement across the relevant stakeholder groups in Bangladesh such as Bangladesh Bank, Ministry of Expatriates' Welfare and Overseas Employment, Ministry of Foreign Affairs, BAIRA (Bangladesh Association of Recruiting Agencies), International Office of Migration – Bangladesh, and Association of Bankers, Bangladesh Ltd, to ensure that migrant workers are empowered with the knowledge, ability and access to remit funds home to Bangladesh to their families and create income producing activities by the household Recipients. This can be through an organized work group.
- Encourage greater financial inclusion through the opening of Agent Banks and MFS accounts for Remittance recipients, as well as greater linkage of other financial services such as micro-lending and micro-insurance with Remittance Services.
- Institute greater engagement between Bangladesh Bank and the host central banks with reference to access to remittance services in the sending countries. For example, a MFS remittance service could provide better access to remittance services for workers who are working in non-urban areas. Remittance services with a Bengali speaker or forms in Bengali could encourage a shift to formal remittances.
- Encourage greater engagement between the remittance receiving banks and their partners in the send countries to ensure convenient, easy access remittances service for the migrant worker senders.

Organizations Interviewed for Bangladesh

Public Sector

Bangladesh Bank
Ministry of Expatriates' Welfare and Overseas Employment
Ministry of Foreign Affairs

Private Sector
Banglar Kantha (Bangladeshi newspaper), Singapore
Bank Asia Ltd
bKash
Dutch-Bangla Bank Limited
Probashi Kallyan Bank
Standard Chartered Bank
Western Union

NGOs
Transient Workers Count Too, Singapore

CAMBODIA

Remittance regulatory frameworks (laws and regulations, policies, strategies) in Cambodia

In 2016 sector-wide changes were made to the remittance laws and regulations in Cambodia. However, there is no remittance specific framework in place and all legislation on remittances comes under general payments legislation.

Two licenses for remittance companies are available: the payments services institutions license (which local payment service providers get), and the third-party processing license (the type that Western Union and other international MTOs get). Different capital requirements exist for these different types of PSP. Exclusivity agreements are officially banned yet some MTOs are known to demand exclusivity with their partners.

Banks are covered in the regulations simply as financial institutions, regardless of whether they are deposit-taking institutions or not. Agent networks are permitted, although agents are not allowed to be third party processor operators. Agent locations may be restricted to 500 square meter radius away from each other though this may be reduced in urban areas.

No e-money regulations are in place and crypto currency is not allowed for investments or for payments. Post offices are also not permitted to participate in the international remittances industry. Mobile network operators can partner with entities in order to provide mobile wallet services, for instance Wing offers such a service.

A risk-based approach to KYC is taken for transactions, however, tiered CDD needs to be put in place. In terms of supervision, entities must provide monthly transaction-related data to the regulator and the regulator makes site visits to operators - 15 operators were checked last year in this way.

Types, availability and transfer costs of formal remittance channels

Types and availability:

The most popular formal remittance transfers are conducted cash-to-cash; then via bank accounts; and lastly via mobile wallet. Home delivery is not available and prepaid cards are not really used.

Banks are generally more expensive than MTOs and are slow to transact. ACLEDA is Cambodia's biggest bank, and a very important pay-out point for remittances (they are Western Union's main pay-out partner for instance). Western Union and Money Gram both have a presence through partner pay-out agents. Western Union is becoming less relevant now however, due to not modernizing quickly enough.

Wing, a Limited Specialised Bank, has one of (if not the) largest network in Cambodia and is essentially ubiquitous, particularly across rural areas. Ly Hour, an MTO, also has an extensive network in rural areas. By contrast, commercial banks are predominantly concentrated in cities and are therefore unable to serve large portions of Cambodia's population.

Costs:

The cost to receive cross-border remittances sent by SWIFT is charged on average with a minimum fee of USD10, and a fee rate of 0.10 per cent. Wing's services are supposedly fee free, but there is a cash-out charge from the agent. Different accounts have different fees, with a maximum of USD1 charged per USD1,000 received. On the send side, the formal system is transparent for remitters.

Key initiatives to improve migrant workers' access to formal remittance channels in Cambodia

The NBC itself does not provide any training. The MoLVT provides training to people who come to them and has been cooperating with the Ministry of Labour in Thailand to try to provide more training.

Governmental initiatives are in place to facilitate cooperation with Thailand and Malaysia as both are key send markets; indeed, Thailand is the largest sender to Cambodia sending USD230 million in 2017.[65] No such arrangements exist between Cambodia and the Republic of Korea, but there is a bilateral meeting held between the National Bank of Cambodia and the Bank of Korea (although remittances are not a major topic for NBC and BoK to discuss). A government agency from the Republic of Korea also comes to Cambodia to educate workers on how to open a bank account there before they leave.

The NBC has been trying to find a similar government agency in Thailand to educate Cambodian workers before going to Thailand, but it is harder due to the larger proportion of workers in Thailand entering irregularly.

Accessibility of formal remittance channels by different groups of migrant workers from Cambodia

Access to remittance pay-out locations is not generally considered a problem in Cambodia. There are lots of agents, especially Wing, so consumers do not need to travel far.

On the send side, it depends on which country workers are sending from. It is very easy for Cambodian workers to send money home from Malaysia since banks in Malaysia are easy to access and they provide incentives by giving gifts to people who send money. Workers in Malaysia should have their own bank account and their salary should be deposited there, making transfers home even easier. The Valyou service, a Malaysian MTO that sends to both Wing and ACLEDA from either cash, bank account or mobile wallet, is becoming increasingly popular among Cambodian migrants and allows payout in cash, a bank account or into a mobile wallet.

Cambodian migrants in the Republic of Korea tend to be white collar workers with better language skills, including English, which helps them to use the formal sector and explore their options.

However, there are large numbers of undocumented Cambodian workers – especially to Thailand which shares a large land border – and a majority of people are unbanked. In Thailand KYC levels are high which adds a further obstacle to undocumented workers who might otherwise use the formal remittance services.

Sources of information on remittance transfer costs available to migrant workers

Amongst Cambodians, there is a lack of knowledge about banks and the formal financial sector in general. Many people are unaware of the formal options available to them as they are not promoted or advertised enough.

Facebook is the most common source of information, though word of mouth is also popular. There is no publicly available price comparison site for people to use and the informal sector is regarded as cheaper by many people.

[65] World Bank T4 Bilateral Remittances data for 2017.

Key determinants for migrant workers to choose particular remittance channels

Levels of education and financial literacy greatly determine a person's choice of how to send. Age is also a factor with older people more likely to prefer cash. Undocumented migrants in Thailand and elsewhere use informal channels due to a lack of identification.

Recommendations for Cambodia

- Ban exclusivity agreements for RSPs in Cambodia and ensure that it is implemented effectively to prevent it happening commercially as well as legally.
- Provide predeparture training to migrants to all countries that teaches how to open and use a bank account, an ATM and how to send and deposit money.
- Encourage formal remittance channels in all markets by providing incentives through banks and other providers.
- Collect data on the total value of inbound/outbound remittances. This is useful when planning policies and enacting initiatives as well as good practice.
- Ensure there is a proper formal money transfer channel available to migrants by encouraging banks, MFIs and MTOs to expand their networks overseas or by offering concessions or other incentives to local banks, such as tax exemption or low interest rates.
- Promote and encourage the use of price comparison site SaverAsia for remittance senders, especially through predeparture orientations.
- Promote and advertise formal remittance services more, including on social media where lots of migrants get their information from.

Organizations Interviewed for Cambodia
Public Sector

National Bank of Cambodia
Ministry of Labour and Vocational Training (MoLVT)

Private Sector

WING
ACLEDA Bank

INDONESIA

Remittance regulatory frameworks (laws and regulations, policies, strategies)

Indonesia has a broad legal and policy framework governing money transfers and remittances (referred to as fund transfers in the documentation). Other related regulations on payment transaction processing are also in place, including the application of risk management and the application of information system security standards to RSPs. Furthermore, a number of rules on AML/CFT to be applied by RSPs are regulated through several laws and regulations in Indonesia.

Based on the Act on Funds Transfer[66], banks, post offices, MTOs and agents are all permitted to payout remittances in Indonesia, and mobile wallets such as Indosat Dompetku are also used (Indosat is the payout partner of both WorldRemit and Xendpay). Non-bank MTOs must be in the form of Limited Liability Company and require a business license from Bank Indonesia.

RSPs must provide three reports to the regulator:

1. Money transfer report submitted online – monthly
2. Customer complaints report – submitted every three months
3. Money transfer fraud report – submitted monthly

As the remittances supervisory authority, Bank Indonesia conducts both indirect supervision (off-site supervision) and direct supervision (on-site supervision). Supervision is carried out through the compliance of the organizers and the application of risk-based measures.

Types, availability and transfer costs of formal remittance channels

Types and availability:

Banks dominate the remittance industry in Indonesia. But, the issue with banks is access; they are not located in key areas and the only bank with capacity is BRI. Legislation permitting agent banking exists, which could help to solve this problem. However, it is hampered by the fact that virtually all Indonesian agents are exclusive, serving only one service provider, and only 28 per cent of agents offer account registrations.[67]

In December 2018, the number of non-bank RSPs known as Fund Transfer Operators in Indonesia was 144, predominantly spread over Jakarta, Bogor, Depok, Bekasi and Karawang, which collectively have 68 non-bank RSPs. In the same month, the number of non-bank money exchange operators throughout Indonesia was recorded as 1,193, with 417 of these located in the Jakarta, Bogor, Depok, Bekasi and Karawang regions.

The biggest MTO, Western Union, is generally covered across Indonesia. It used to be the case that just Western Union was ubiquitous but now there is more choice available, such as the post office.

POS Indonesia, the post office, has indirect access to the payments system and must work with a bank to payout remittances – especially one of the State-Owned banks. POS Indonesia can pay out in IDR and has good coverage across Indonesia.

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[66] www.bi.go.id/en/tentang-bi/uu-bi/Documents/UU3Tahun2011_EN.pdf
[67] www.helix-institute.com/blog/first-look-indonesia%E2%80%99s-emerging-agent-network

From interviews, it was claimed that the Migrant Village Empowerment programme reveals that around 74 per cent of migrant workers are using banks and only 13 per cent are using the informal sector for transferring remittances. Cash-to-cash makes up 60-70 per cent of the remittance market.

Since 2016, the payment system authority, Bank Indonesia, has taken several steps to regulate illegal money transfer operators and illegal money exchange businesses. Bank Indonesia control teams have conducted the following actions:

(i) mapping of the existence of illegal non-bank RSPs, including illegal non-bank money exchange operators;
(ii) conducting market intelligence to ensure the existence of illegal operators;
(iii) testing to collect data on business operations;
(iv) analysis and discussion of supporting documents, information and evidence for illegal operators;
(v) internal coordination meetings of Bank Indonesia work units, and external coordination meetings with the Police, Ministry of Communication and Information, PPATK, as well as BNN in preparation for submission of documents, information and follow-up;
(vi) submission of illegal RSP files and illegal non-bank money exchange operators to the Police and the Ministry of Communication and Information.

As a result of these investigations in Jakarta, Bogor, Depok, Bekasi and Karawang, by 2018 85 illegal RSPs (individuals or companies) were found to be attempting to transfer illegal funds; 36 illegal RSPs have been proven to carry out illegal money transfers; three illegal RSPs were reported to the National Police's Criminal Investigation Agency and Ministry of Communication and Information; and 23 illegal non-bank money exchange operators were found to be organizing illegal money exchange operations.

Transfer costs:

The sender pays all the fees so the receiver does not usually pay anything. There are no receive costs for POS Indonesia receipts for instance. Transparency is not fully available for receivers however, they are not usually informed of the exchange rate or fees of a transaction, they simply receive the amount.

In the third quarter of 2018, the global average cost for sending USD200 from one country to another was 6.94 per cent, and the average cost of sending money to G20 countries was 6.58 per cent. The cost to send to Indonesia was 7.55 per cent, slightly above both the global average and the average for G20 countries.[68]

Key initiatives to improve migrant workers' access to formal remittance channels in Indonesia

Various initiatives are in place that contribute to decent access to formal remittance channels in Indonesia. The Indonesian government documents migrant worker remittances well, including by destination country, and this information is published on Bank Indonesia's website. The National Agency for Placement and Protection of Indonesian Worker Overseas recognise the importance of remittances for Indonesia and are consequently initiating work with national state banks to facilitate money transfer remittances. There is also some training provided before workers go to a destination country. Much of it is sporadic however, for instance POS Indonesia explains to their customers how to make transactions legally with the formal system, but this is not compulsory training.

[68] https://remittanceprices.worldbank.org//sites/default/files/rpw_report_sept_2018.pdf

Bank Indonesia has been active in supporting access to formal remittance channels in Indonesia. For instance, referring to the Committee on Payments and Market Infrastructure (CPMI) Guidance and Financial Action Task Force (FATF) Recommendations, Bank Indonesia developed a remittance to account business model that is affordable, easy access, real time, convenient, and applicable for both the bank and non-bank industries. Three business models: mobile to mobile, host to host and agent to agent have been tested and officially implemented in 2018 by banks (Bank Mandiri, CIMB Niaga, BNI, and BCA) and telco company (Telkomsel).

The Ministry of Manpower launched the productive migrant village programme in 2017, which teaches villagers about legal migration and economic empowerment. Training also includes teaching migrants what to do with money earned abroad and how it can benefit a family. 120 villages received the programme in 2017 and in 2019 they aim for 400-500 villages to receive the programme.

Accessibility of formal remittance channels by different groups of migrant workers from Indonesia

Issues with accessibility are most common in Middle Eastern countries where there are restrictions imposed on migrant workers by their employers, preventing them from accessing formal services or using communication channels (e.g. phones), and also preventing them accessing more information.

In Singapore, Indonesian workers receive an Indonesian migrant card which they can use as an ATM card to withdraw money in Singapore, thus contributing to formal flows from this country.

Indonesian migrants to Hong Kong SAR, China and Taiwan Province of the People's Republic of China are more likely to be white collar workers and as a result, tend to have higher levels of education and financial awareness. They are therefore more likely to be sending to mobile wallets or bank accounts than via informal systems or using cash. In Taiwan, Indonesian workers frequently use an app called IndoGo which allows them to transfer from a supermarket and receive in any bank in Indonesia.

Sources of information on remittance transfer costs available to migrant workers

Indonesians typically learn from their friends and family. Word of mouth is very important, for example, migrant workers are known to be adverse to sending via BNI in Singapore because they believe they take a disproportionate cut of the rates. Moreover, people living in villages can't access technology, including the internet to find more information out. As a result, senders tend to have better access to both technology and information on how to send (except where it is withheld, such as in the Gulf States).

Key determinants for migrant workers to choose particular remittance channels

White collar workers have more access to technology and better knowledge and access to everything electronic, for instance. e-banking. Blue collar workers have limited free time and they are often not at liberty to find the best/cheapest methods of sending. This is particularly the case for blue collar workers in the Middle East. The least choice and access available to Indonesian migrants is that available for domestic workers in the Middle East, who may be confined to the house in which they work throughout their time in their host country.

One other specific group is the Indonesian fishing crews who are often at sea for six months or more and consequently have difficulty trying to send money home.

Ultimately, education, location and trust all influence a sender's decision on how to send and the following recommendations should provide advice on how to increase sending via formal channels.

Recommendations for Indonesia

- Include/strengthen a financial education component of the existing pre-departure orientation so as to inform departing migrants of ways to effectively utilize their remittances.
- Offer financial education to a greater proportion of women since they are known to be the main receivers of remittances and therefore would benefit from knowledge of formal payout channels available to them (see Appendix 1.8).
- Expand remittance access for families receiving funds at home by passing agent banking legislation.
- Continue Bank of Indonesia's work eradicating illegal MTOs and illegal Money Exchange Businesses.
- Encourage people to use formal banking channels, by offering more competitive rates for instance.
- Encourage providers to open more branches or to utilize agent banking to improve access in rural areas.
- Promote the use of an online price comparison tool such as SaverAsia to increase transparency and offer migrants better information on products available to them.

Organizations Interviewed for Indonesia

Public Sector

Bank of Indonesia
Ministry of Foreign Affairs
National Agency for Placement and Protection of Indonesian Worker Overseas
POS Indonesia

NGOs

Migrant Care

APPENDIX 2.2: FULL COUNTRY PROFILES

Afghanistan	
Overview	The post-conflict country of Afghanistan is a net receiver of remittances. Bordering countries Iran and Pakistan are popular destinations for Afghan migrants, as are Saudi Arabia, Germany and the United States. Informal remittance services such as Hawala are so prominent in Afghanistan that the country has specific regulations permitting Hawala pay-out services. This means that recorded flows are likely to be a significant underestimate of the true amount being received. The country suffers significantly from de-risking and many operators in the United States and Europe have had their bank accounts closed if they send to the country. The overall prevalence level of remittance receiving across Afghanistan is relatively low, nonetheless, remittances often account for a significant portion of income in recipient households.[69] MTOs and agents, MFIs, forex bureaus and digital currency are all permitted to offer remittances services and payout remittances in Afghanistan. Banks can also payout but there is deep distrust of the formal banking system, plus only a small minority of people are banked. Agent banking is also permitted[70] but is less effective due to public distrust. Finally, e-Money is permitted with MNOs such as Vodafone introducing M-Paisa in 2008.[71] However, uptake has been slow - especially outside of urban areas, and so this potential solution to accessibility problems has not reached its potential.[72] The post office is not permitted to payout international remittances, though it can offer limited domestic transfers.[73] Only a few MTOs have a presence in Afghanistan and none have major coverage. Western Union has locations in all provinces of Afghanistan,[74] meanwhile MoneyGram has a presence in most provinces[75] Xpress money also has a small network in the country.[76] Various banks act as payout points, such as Bank Islami Pakistan Limited, Faysal Bank, Habib Metropolitan Bank, HBL, and Meezan Bank, but generally they have few branches and those they have are mostly in urban

69 www.merit.unu.edu/publications/uploads/1442240401.pdf
70 http://afghantranslation.checchiconsulting.com/documents/regulation/Money_Service_Providers_Regulation_ET_ET.pdf
71 www.vodafone.com/content/index/media/vodafone-group-releases/2008/vodafone_and_roshan.html#
72 https://rady.ucsd.edu/docs/faculty/callen/cadg_ictd2015.final_.pdf
73 http://dab.gov.af/Content/Media/Documents/RegulationOndomesticpaymentoperationsinAfghanistan242201514365911553325325.pdf
74 https://locations.westernunion.com/search/afghanistan/?page=13&filters=services-_-moneyTransfer
75 DMA RPW Insight
76 Ibid.

	areas.[77] This leaves rural areas generally underserved by remittance service providers and may contribute to the low levels of formal remittances being received by the country. In addition, a mere 15 per cent of adults have a bank account leaving the majority of people with no other option than to turn to informal channels.[78] There are four private MNOs in Afghanistan: Etisalat, AWCC, MTN, and Roshan. Roshan is the largest and developed a mobile money platform in 2008, called M-Paisa. This was formed in partnership with the British multinational Vodafone, and now boasts over 1.2 million subscribers, though the number of active users is smaller.[79] There is not much competition in the remittances market of Afghanistan. Western Union and MoneyGram dominate the market with few competitors, whilst banks are not generally used. Banks and MTOs play a limited role in the remittance industry overall due to inaccessibility of locations, high transfer fees, identification requirements and low trust on behalf of consumers.[80]		
Recommendations	Enable the post office to participate in the remittances industry to expand access in remote areas. Encourage and incentivize the uptake of mobile money to counter challenges with access. Provide financial education, prioritizing prospective migrants and their families but also reaching the general population to improve trust and knowledge of the formal financial sector.		
Net Sender/Receiver	Net Receiver		
Regulatory Environment			
Regulatory Framework for International Remittance Markets			
Remittance specific regulatory framework	Yes	Prohibition of exclusivity agreements for MTOs	No
AML/CFT legislation with risk-based approach	Yes, risk-based approach taken towards CDD	Agent banking permitted	Yes
Remittance focused consumer protection	No	Limitations on agent locations	No
Foreign exchange legislation	Yes	E-money permitted	Yes

[77] DMA RPW Insight
[78] Findex 2017 data.
[79] https://rady.ucsd.edu/docs/faculty/callen/cadg_ictd2015.final_.pdf
[80] www.merit.unu.edu/publications/uploads/1442240401.pdf

Entities allowed to offer remittance services			
Banks		Yes	
MTOs		Yes	
MNOs		Yes	
MFIs		Yes	
Agents		Yes	
Digital currency		Yes	
Post offices		No	
Licensing			
License issuing department for remittances	No	Minimum capital requirements for a new entity wishing to enter the remittances market	Yes[81]
Guidelines			
AML/CFT	No	Exchange control regulations	No
Competition policy	No	Consumer protection	No
Payments systems participation	No	Transparency of information	No
Agent banking	No		
Reporting			
RSPs provide transaction related data to supervisor/regulator	Yes, quarterly	Values and volumes of remittances per period for 2017 by corridor	N/A
Total volume (number of transactions) of inbound transactions 2017	N/A	Total value of inbound transactions 2017	USD410,000,000 (WB T4 Bilateral Remittances data)

[81] "A non-refundable license application fee of AF 50,000 shall be paid by each license applicant, plus AF 25,000 for each additional location where the licensee or an authorized agent will provide money services, up to a maximum of AF 400,000." www.aba.org.af/pdf_view_server.php?file=./uploaded/pdf/regulations/Money%20Service%20Providers

Total volume (number of transactions) of outbound transactions 2017	N/A	Total value of outbound transactions 2017	USD182,000,000 (WB T4 Bilateral Remittances data)
Oversight/Supervision			
Frequency of regulator site visits	N/A	Existence of a stakeholder working group for sector outreach and education	No
Good Practice			
Collected remittance-related data made publicly available/shared with stakeholders	No	Initiatives to facilitate cooperation between important send/receive market regulators	No
New remittance technology solutions entered the market in past 5 years	N/A		
Informal Sector			
Informal remittances			
Informal remittance transactions considered a problem	Yes, very significant	Estimate of size of informal remittance volume	As high as 80%
Steps taken to try and control informal remittance market	N/A	Initiatives to encourage people to use formal remittance market	N/A
Remittance Products, Demographics and Habits			
Remittance Receivers/Senders			
Training provided to migrants before they have travelled	N/A	Publicly available price comparison site	No

Remittance Markets			
10 Largest Send Markets to Afghanistan (WB T4 Bilateral Remittances data, 2017)			
1. Iran	USD166,500,000	6. United Kingdom	USD6,600,000
2. Pakistan	USD124,900,000	7. Canada	USD4,600,000
3. Saudi Arabia	USD61,000,000	8. Netherlands	USD3,900,000
4. Germany	USD15,000,000	9. Australia	USD3,200,000
5. United States	USD8,700,000	10. Sweden	USD2,900,000

Bangladesh	
Overview	The Bangladesh Bank and the Government of Bangladesh have been extremely active in promoting and encouraging formal remittances into the country. Bangladesh's regulations are not restrictive when it comes to permitting entities to payout remittances. Banks, MTOs and agents, MNOs, MFIs and post offices can all pay out remittances. Banking channels are the most popular and widely used system for sending remittance. About half of the migrants use this system for sending remittance followed by Mobile Banking/Bkash at 14.31 per cent and Western Union/MoneyGram with 12.66 per cent. About 96 per cent of remittances are transferred as cash, and the rest in kind. Private commercial bank Islami Bank Bangladesh Limited (IBBL) was the pioneer in remittances and has the largest share of the remittance business today (around 29 per cent). Its large branch network of 339 branches across Bangladesh greatly facilitated its early success. Overall Bangladesh is mainly a cash market, though banks dominate the payout networks (despite just 50 per cent of adults having bank accounts). Whether inward remittances may be paid out into a mobile wallet in Bangladesh depends on a number of factors: (i) whether the transfer is prohibited under the Mobile Money/ Agent Banking regulatory scheme; (ii) whether the Mobile Money Service providers have a currency exchange license, and/or (iii) whether there is a partnership with a licensed MTO. In Bangladesh, inward receipt of remittances requires a special license. The effective receipt of remittances into a mobile wallet is possible however through the MTO/ MFS partnership of MasterCard, Western Union, bKash, Rocket and BRAC Bank. bKash and Rocket are the two main Mobile Money operators; bKash has around 30 million customers, and Rocket has around 20 million customers. Moreover, 18 of 24 approved banks have already started their

	services to channel remittance through the outlets of mobile phone operators. To increase the competition among the money transmitters, commercial banks are instructed to make the contracts with Multinational Money Remitters/Exchange Houses to and avoid making exclusivity clauses which can create monopoly of the market. Interoperability is not mandated in Bangladesh. There is no multi entry platform and therefore no interoperability, likely because bKash has a 58 per cent market share and therefore lacks incentive to negotiate interoperability. Besides, bank branches and mobile money, 26 micro-finance institutions, branches of Bangladesh Post Office and Singer Outlets are permitted to operate distribution of remittances. To promote remittance inflows and distribution network, these institutions through their branches in remote areas in the country are playing an important role in ensuring quick delivery of remittance.		
Recommendations	• Make it easier for mobile wallets to receive remittances by reducing the need for partnerships and licenses • Increase interoperability to ensure the success of mobile money in the long term • Pass agent banking legislation to expand banking access, particularly in rural areas		
Net Sender/Receiver	Net receiver		
Regulatory Environment			
Regulatory Framework for International Remittance Markets			
Remittance specific regulatory framework	N/A	Prohibition of exclusivity agreements for MTOs	Yes
AML/CFT legislation with risk-based approach	Yes, risk-based approach taken to CDD and monitoring and supervision by regulators	Agent banking permitted	Yes
Remittance focused consumer protection	N/A	Limitations on agent locations	No
Foreign exchange legislation	Yes	E-money permitted	Yes
Entities allowed to offer remittance services			
Banks		Yes	
MTOs		Yes (but only through partnership with a bank)	

MNOs		Yes (but only through partnership with a bank)	
MFIs		Yes (but only through partnership with a bank)	
Agents		Yes (but only through partnership with a bank)	
Digital currency		N/A	
Post offices		Yes (but only through partnership with a bank)	
Licensing			
License issuing department for remittances	Yes	Minimum capital requirements for a new entity wishing to enter the remittances market	Yes[82]
Guidelines			
AML/CFT	Yes[83]	Exchange control regulations	Yes[84]
Competition policy	Yes[85]	Consumer protection	Yes[86]
Payments systems participation	Yes[87]	Transparency of information	Yes[88]
Agent banking	Yes[89]		
Reporting			
RSPs provide transaction related data to supervisor/regulator	Yes, monthly	Values and volumes of remittances per period for 2017 by corridor	N/A

[82] As per Drawing Arrangement Guidelines exchange houses need USD.10,000 to keep in the Non-Resident Dollar Account as the security deposit and Tk. 2,00,000/- in Non-Resident Taka account as minimum balance.
[83] Guidelines on Money Laundering & Terrorist Financing Risk Management for Bank (www.bb.org.bd/bfiu/bfiu_lawguidelist.php) and, BFIU Circular No. 19: Instructions to be followed by the schedule banks for prevention of money laundering, terrorist financing and proliferation financing. (www.bb.org.bd/bfiu/circulars.php)
[84] www.bb.org.bd/aboutus/regulationguideline/foreignexchange/fegv1cont.php
[85] Competition policy handled by the Competition Commission (www.ccb.gov.bd/)
[86] www.bb.org.bd/aboutus/regulationguideline/ficsd/cipc_eng.pdf
[87] www.bb.org.bd/aboutus/regulationguideline/guidelist.php
[88] Information Act, Bangladesh government
[89] www.bb.org.bd/aboutus/regulationguideline/psd/agentbanking_banks_v13.pdf

Total volume (number of transactions) of inbound transactions 2017	N/A	Total value of inbound transactions 2017	USD14,914,800,000 (Bangladesh Bank response)
Total volume (number of transactions) of outbound transactions 2017	N/A	Total value of outbound transactions 2017	USD43,400,000 (Bangladesh Bank response)
Oversight/Supervision			
Frequency of regulator site visits	Risk-based approach, inspect banks with irregular or suspicious data	Existence of a stakeholder working group for sector outreach and education	No
Good Practice			
Collected remittance-related data made publicly available/shared with stakeholders	Yes	Initiatives to facilitate cooperation between important send/receive market regulators	No
New remittance technology solutions entered the market in past 5 years	Yes, two, both mobile wallets[90]		
Informal Sector			
Informal remittances			
Informal remittance transactions considered a problem	Yes, major issue	Estimate of size of informal remittance volume	Formal – 60% Informal – 40%
Steps taken to try and control informal remittance market	N/A	Initiatives to encourage people to use formal remittance market	N/A

[90] Collection of inward foreign remittances sent via Western Union received into mobile wallet. Not successful. New API type communication and channel called "TerrapaybKash remittance gateway" to disburse inward remittance directly into beneficiaries bKash mobile wallet in real time. Gaining in popularity.

Remittance Products, Demographics and Habits			
Remittance Receivers/Senders			
Training provided to migrants before they have travelled	Yes, but not remittance specific	Publicly available price comparison site	No
Remittance Markets			
10 Largest Send Markets to Bangladesh (WB T4 Bilateral Remittances data, 2017)			
1. India	USD4,033,000,000	6. United States	USD449,000,000
2. Saudi Arabia	USD3,252,000,000	7. Qatar	USD438,000,000
3. United Arab Emirates	USD2,413,000,000	8. Oman	USD277,000,000
4. Kuwait	USD700,000,000	9. Pakistan	USD227,000,000
5. United Kingdom	USD469,000,000	10. Malaysia	USD208,000,000

Cambodia	
Overview	The majority of Cambodian migrant workers use informal remittance channels to send money home, despite the fact formal channels to send to most districts of Cambodia are available. In Cambodia, banks, MFIs, MTOs and agents can pay out international remittances. MNOs can payout but only in partnership with a bank, for instance Wing is connected to six of the seven GSM mobile network operators in Cambodia in order to permit payout. The most widely available banks and MTOs are ACLEDA, True Money, Wing and Ly Hour. ACLEDA is Cambodia's biggest bank and a very important payout point for remittances (they are Western Union's main payout partner for instance). However, Western Union are becoming less relevant now due to not modernizing quickly enough. Wing has one of (if not the) largest network and is available virtually everywhere in Cambodia. Banks are mainly concentrated in cities, with the exception of Wing and Ly Hour, both of which have wide networks in rural Cambodia. However, only 22% of adults have an account leaving the vast majority of people excluded from the formal sector. MNOs may partner with entities in order to provide mobile wallet services, Wing for instance offers such a service, yet cash-to-cash remains the most popular formal channel, followed by bank accounts, and finally mobile wallets. Payment gateway provider Pi Pay has gained real traction in Phnom Penh, but has little customer base outside the capital.

Recommendations	• Permit the post office to pay out remittances in Cambodia • Introduce e-money regulations to help disrupt the current bank-led model • Ban exclusivity agreements to prevent market monopolization and keep fees as low as possible		
Net Sender/Receiver	Net Receiver		
Regulatory Environment			
Regulatory Framework for International Remittance Markets			
Remittance specific regulatory framework	No[91]	Prohibition of exclusivity agreements for MTOs	Officially yes, but still happen
AML/CFT legislation with risk-based approach	Yes, tiered KYC in place	Agent banking permitted	Yes
Remittance focused consumer protection	Yes	Limitations on agent locations	Depends on agent's internal policies
Foreign exchange legislation	Yes	E-money permitted	Yes
Entities allowed to offer remittance services			
Banks		Yes	
MTOs		Yes	
MNOs		Yes, but only in partnership with a bank e.g. WING is connected to 6 of the 7 GSM mobile network operators in Cambodia.	
MFIs		Yes	
Agents		Yes	
Digital currency		No	
Post offices		No	

[91] Legislation on remittances is part of the payments systems legislation.

Licensing			
License issuing department for remittances	No[92]	Minimum capital requirements for a new entity wishing to enter the remittances market	Yes for payment service providers[93]
Guidelines			
AML/CFT	Yes[94]	Exchange control regulations	N/A
Competition policy	Yes[95]	Consumer protection	Yes[96]
Payments systems participation	Yes[97]	Transparency of information	N/A
Agent banking	Yes[98]		
Reporting			
RSPs provide transaction related data to supervisor/regulator	Yes, monthly	Values and volumes of remittances per period for 2017 by corridor	N/A
Total volume (number of transactions) of inbound transactions 2017	N/A	Total value of inbound transactions 2017	USD386,000,000 (WB T4 Bilateral Remittances data, 2017)
Total volume (number of transactions) of outbound transactions 2017	45, 641 (National Bank of Cambodia interview)	Total value of outbound transactions 2017	USD208,000,000 (National Bank of Cambodia interview) USD334,000,000 (WB T4 Bilateral Remittances data, 2017)

[92] The bank supervision department oversees third party processors. The payment system department oversees PSIs.
[93] USD2 million for a PSI
[94] ACLEDA Bank Cambodia responses and Wing Bank responses
[95] ACLEDA Bank Cambodia responses
[96] ACLEDA Bank Cambodia responses and Wing Bank responses
[97] Wing Bank responses
[98] Wing Bank responses

Oversight/Supervision			
Frequency of regulator site visits	Visitations made to high risk institutions (as alerted by monthly reporting from institutions)	Existence of a stakeholder working group for sector outreach and education	Every three months NBC tried to meet with operators (not a formal arrangement however)
Good Practice			
Collected remittance-related data made publicly available/shared with stakeholders	The Annual Payments System Report is published	Initiatives to facilitate cooperation between important send/receive market regulators	Cooperation occurs with Thailand and Malaysia. Bilateral meeting takes place with Bank of Korea also
New remittance technology solutions entered the market in past 5 years	Digital services such as mobile wallets gaining popularity. Otherwise no new remittance technology solutions have been approved.		
Informal Sector			
Informal remittances			
Informal remittance transactions considered a problem	Yes, significant problem	Estimate of size of informal remittance volume	Possibly as large as formal (exact figures for both unknown)
Steps taken to try and control informal remittance market	Ministry of Education has tried to extend financial literacy by educating workers	Initiatives to encourage people to use formal remittance market	Initiatives to educate people about the risks of informal channels and to boost formal
Remittance Products, Demographics and Habits			
Remittance Receivers/Senders			
Training provided to migrants before they have travelled	Yes, especially migrants to Korea	Publicly available price comparison site	No

Remittance Markets			
10 Largest Send Markets to Cambodia (WB T4 Bilateral Remittances data, 2017)			
1. Thailand	USD230,000,000	6. Malaysia	USD6,000,000
2. United States	USD80,000,000	7. Republic of Korea	USD6,000,000
3. France	USD26,000,000	8. Bangladesh	USD5,000,000
4. Australia	USD14,000,000	9. New Zealand	USD3,000,000
5. Canada	USD10,000,000	10. Switzerland	USD1,000,000

China	
Overview	China is consistently the second largest receiver of remittances globally (after India). Much of the remittances received come from neighbouring countries with significant flows from the United States. In China banks, the Post Office, MTOs and agents can payout remittances. Hundreds of banks and several MTOs provide remittance services resulting in a fairly competitive market. A marked success in interoperability between MTOs and banks has been achieved through their cooperation.[99] China has the world's largest agent banking network[100] and 80 per cent of adults have an account.[101] Among the MTOs present in China, Western Union has the most significant presence with over 27,000 pick-up locations.[102] La Poste has 10,000+ locations and also have a partnership with Western Union allowing them to send via their channel. Many other international MTOs, such as MoneyGram, Ria, Sigue and Speed Send also operate in China.
Recommendations	• Introduce e-money regulations which could help new entrants disrupt the market and increase competitivity. • Relax Central Bank monitoring of remittances to reduce costs for the providers (which are passed on to the customers) and make it easier for RSPs to form agreements.
Net Sender/Receiver	Net Receiver

[99] www.gpfi.org/sites/gpfi/files/GPFI%20National%20Remittance%20Plan%20Update%20%20China.pdf
[100] https://openknowledge.worldbank.org/handle/10986/29336
[101] Findex 2017 data.
[102] www.westernunion.com/us/en/send-money-to-china.html

Regulatory Environment			
Regulatory Framework for International Remittance Markets			
Remittance specific regulatory framework	Yes	Prohibition of exclusivity agreements for MTOs	No
AML/CFT legislation with risk-based approach	Yes, risk-based approach taken towards KYC/CDD	Agent banking permitted	Yes
Remittance focused consumer protection	No, only general consumer protection legislation in place[103]	Limitations on agent locations	Unknown
Foreign exchange legislation	Yes	E-money permitted	No
Entities allowed to offer remittance services			
Banks		Yes	
MTOs		Yes	
MNOs		No	
MFIs		No	
Agents		Yes	
Digital currency		No	
Post offices		Yes, China Post operates postal savings bureau which provides traditional international postal money orders, Eurogiro and Western Union services[104]	

[103] www.chinalawtranslate.com/consumer-protection-law-including-2013-amendments/?lang=en
[104] http://documents.worldbank.org/curated/en/410191468337292692/704230ESW0P0850C0Box370041B0000Asia.doc

Licensing			
License issuing department for remittances	N/A	Minimum capital requirements for a new entity wishing to enter the remittances market	Yes[105]
Guidelines			
AML/CFT	No	Exchange control regulations	No
Competition policy	No	Consumer protection	No
Payments systems participation	No	Transparency of information	No
Agent banking	No		
Reporting			
RSPs provide transaction related data to supervisor/regulator	Yes	Values and volumes of remittances per period for 2017 by corridor	N/A

[105] "The minimum registered capital for an applicant that intends to operate the payment business countrywide is 100 million yuan, while that for an applicant that intends to operate the payment business in a province (autonomous region or municipality directly under the Central Government) is 30 million yuan. The minimum registered capital shall be paid-in monetary capital." - http://en.pkulaw.cn/display.aspx?cgid=134238&lib=law
In addition, "The minimum registered capital for a Payment Institution providing nationwide Third Party Electronic Payment Services is RMB 100 million; for provincial-wide services, RMB 30 million." - www.pillsburylaw.com/images/content/6/1/v2/613/MarketEntryVirtualCurrency.pdf

Total volume (number of transactions) of inbound transactions 2017	N/A	Total value of inbound transactions 2017	USD63,860,000,000 (WB T4 Bilateral Remittances data)
Total volume (number of transactions) of outbound transactions 2017	N/A	Total value of outbound transactions 2017	USD2,828,000,000 (WB T4 Bilateral Remittances data)
Oversight/Supervision			
Frequency of regulator site visits	N/A	Existence of a stakeholder working group for sector outreach and education	N/A
Good Practice			
Collected remittance-related data made publicly available/shared with stakeholders	N/A	Initiatives to facilitate cooperation between important send/receive market regulators	N/A
New remittance technology solutions entered the market in past 5 years	N/A		
Informal Sector			
Informal remittances			
Informal remittance transactions considered a problem	Yes, very significant	Estimate of size of informal remittance volume	Possibly as large or even larger than formal[106]
Steps taken to try and control informal remittance market	N/A	Initiatives to encourage people to use formal remittance market	N/A

[106] www.stilt.com/blog/2018/02/best-remittance-services-india-mexico-china-south-korea/ and www.saveonsend.com/blog/money-transfer-china/

Remittance Products, Demographics and Habits			
Remittance Receivers/Senders			
Training provided to migrants before they have travelled	Some[107]	Publicly available price comparison site	No
Remittance Markets			
10 Largest Send Markets to China (WB T4 Bilateral Remittances data, 2017)			
1. United States	USD16,141,000,000	6. Australia	USD2,922,000,000
2. Hong Kong SAR, China	USD15,548,000,000	7. Singapore	USD2,763,000,000
3. Japan	USD4,238,000,000	8. Macao SAR, China	USD2,141,000,000
4. Canada	USD4,144,000,000	9. Italy	USD1,177,000,000
5. Republic of Korea	USD4,144,000,000	10. Spain	USD1,075,000,000

India	
Overview	India is the largest global remittance receiving country, receiving almost USD70 billion in 2017. In India, banks, the Post Office, MTOs, MNOs and agents are all permitted to payout remittances. Banks are the most popular RSP in India with many banks active in the remittance market creating high levels of competition.[108] Furthermore, 80 per cent of adults have a bank account.[109] Banks frequently enter partnerships with MTOs and act as their principal agents.[110] After banks, MTOs are the most popular RSP in India, which operate through alliances, partnerships and sub agencies.[111] The MTO sector of the remittances market in India is far less competitive than the banking equivalent. Western Union is known to dominate the MTO sector with Money Gram and United Arab Emirates Exchange also maintaining a presence. Western Union has a vast network throughout India with over

[107] "IOM, the UN Migration Agency, has launched a WeChat app in China designed to provide pre-departure orientation to Chinese workers migrating to Europe." - www.iom.int/news/destination-europe-wechat-app-offers-pre-departure-orientation-chinese-migrants

[108] https://openknowledge.worldbank.org/bitstream/handle/10986/2228/9780821389720.pdf?sequence=4&isAllowed=y.

[109] Findex 2017 data.

[110] Ibid.

[111] Ibid.

	129,000 locations.[112] This has been achieved through partnerships with more than 30 leading banks and the post office.[113] Some international MTOs also require exclusivity from their agents, resulting in higher prices.[114] Since 2017, mobile wallet providers have been permitted to receive international remittances.[115] However, wallets needed to be fully KYC compliant and issuers were only able to enable this facility on explicit request of the customer. These requirements were made more restrictive early in 2018 resulting in a severe decrease in remittances being sent by this channel.[116] It is expected that this area will witness growth in the near future since interoperability between mobile wallets was introduced in October 2018.[117]		
Recommendations	• Continue to encourage and improve upon the already high levels of financial inclusion and literacy among the general populace		
Net Sender/Receiver	Net Receiver		
Regulatory Environment			
Regulatory Framework for International Remittance Markets			
Remittance specific regulatory framework	No	Prohibition of exclusivity agreements for MTOs	Yes[118]
AML/CFT legislation with risk-based approach	To some extent yes[119]	Agent banking permitted	Yes
Remittance focused consumer protection	Yes	Limitations on agent locations	No
Foreign exchange legislation	Yes	E-money permitted	Yes

112 www.westernunion.com/au/en/send-money-to-india.html.

113 https://openknowledge.worldbank.org/bitstream/handle/10986/2228/9780821389720.pdf?sequence=4&isAllowed=y.

114 Ibid.

115 https://rbidocs.rbi.org.in/rdocs/notification/PDFs/53MD20032017B5DBA8DF2EB64D9AB189C61BB2164254.PDF.

116 www.thehindu.com/business/e-wallet-remittances-hit-by-kyc-rule/article23008265.ece.

117 https://qz.com/india/1426734/e-wallets-like-paytm-mobikwik-google-pay-get-rbis-diwali-gift/

118 The Foreign Exchange Management Act (FEMA) does not mandate exclusivity clause/principle for the Money Transfer Operators.

119 The Customer Identification Procedure should be carried out: “while establishing a banking relationship; carrying out a financial transaction or when the bank has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.” - https://m.rbi.org.in/scripts/BS_ViewMasCirculardetails.aspx?id=8179

Entities allowed to offer remittance services			
Banks		Yes	
MTOs		Yes	
MNOs		Yes	
MFIs		No	
Agents		Yes	
Digital currency		No	
Post offices		Yes, India Post is an agent for Western Union in several regions[120]	
Licensing			
License issuing department for remittances	N/A	Minimum capital requirements for a new entity wishing to enter the remittances market	N/A
Guidelines			
AML/CFT	N/A	Exchange control regulations	N/A
Competition policy	N/A	Consumer protection	N/A
Payments systems participation	N/A	Transparency of information	N/A
Agent banking	N/A		
Reporting			
RSPs provide transaction related data to supervisor/regulator	N/A	Values and volumes of remittances per period for 2017 by corridor	N/A
Total volume (number of transactions) of inbound transactions 2017	N/A	Total value of inbound transactions 2017	USD68,968,000,000 (WB T4 Bilateral Remittances data, 2017)

[120] http://documents.worldbank.org/curated/en/410191468337292692/704230ESW0P0850C0Box370041B0000Asia.doc

Total volume (number of transactions) of outbound transactions 2017	N/A	Total value of outbound transactions 2017	USD5,710,000,000 (WB T4 Bilateral Remittances data, 2017)
Oversight/Supervision			
Frequency of regulator site visits	N/A	Existence of a stakeholder working group for sector outreach and education	N/A
Good Practice			
Collected remittance-related data made publicly available/shared with stakeholders	N/A	Initiatives to facilitate cooperation between important send/receive market regulators	N/A
New remittance technology solutions entered the market in past 5 years	N/A		
Informal Sector			
Informal remittances			
Informal remittance transactions considered a problem	Yes	Estimate of size of informal remittance volume	As high as 70% of domestic remittances were transferred informally[121]
Steps taken to try and control informal remittance market	N/A	Initiatives to encourage people to use formal remittance market	1. Financial Inclusion Program 2. Aadhaar (See Appendix 1.4 for more detail)
Remittance Products, Demographics and Habits			
Remittance Receivers/Senders			
Training provided to migrants before they have travelled	N/A	Publicly available price comparison site	No

[121] In 2015 according to https://timesofindia.indiatimes.com/business/india-business/Payments-banks-to-reduce-rural-remittance-costs/articleshow/49512996.cms

Remittance Markets			
10 Largest Send/Receive Markets			
1. United Arab Emirates	USD13,823,000,000	6. United Kingdom	USD3,941,000,000
2. United States	USD11,715,000,000	7. Oman	USD3,250,000,000
3. Saudi Arabia	USD11,239,000,000	8. Nepal	USD3,016,000,000
4. Kuwait	USD4,587,000,000	9. Canada	USD2,877,000,000
5. Qatar	USD4,143,000,000	10. Australia	USD1,944,000,000

Indonesia	
Overview	Many families in Indonesia are remittance-reliant, predominantly receiving money through informal channels due to low levels of financial literacy and scarcity of formal financial services in the areas with large concentrations of migrant families. In Indonesia, banks, post offices, MNOS, MTOs and agents can all payout remittances, though the post office must work in partnership with a bank. Various mobile wallets such as Indosat Dompetku are in use (they are the mobile wallet payout partner for Xendpay and World Remit), which has extended access to financial services for those in remote areas. Three MNOs received licenses from Bank Indonesia in 2011 as e-money issuers and mobile money providers: Telkomsel, Indosat, and Exelcom. XL launched XL Tunai in 2012 and other small third parties and banks started to move into the mobile money space. Greatly supporting the success of mobile money in Indonesia has been the interoperability between wallets, possible since 2013. Western Union has a major presence across Indonesia (14,000+ locations) but is losing market share to competitors such as the post office. POS Indonesia is a very popular payout location with coverage across the country through 4,400+ offices and 5,400+ agents. It can payout both USD and IDR but must work in partnership with a bank to provide these services. Perhaps in part because banks are not well represented in rural areas, only 49 per cent of Indonesians have a bank account.
Recommendations	• Broaden current pre-departure training to try and provide information on using formal channels to as many prospective migrants as possible. • Provide post-departure training on how best to use money sent via remittances, for instance to pay off debts or invest it wisely. • Encourage providers to open more branches in rural areas to improve access.
Net Sender/Receiver	Net Receiver

Regulatory Environment			
Regulatory Framework for International Remittance Markets			
Remittance specific regulatory framework	Yes	Prohibition of exclusivity agreements for MTOs	Yes
AML/CFT legislation with risk-based approach	Yes	Agent banking permitted	Yes
Remittance focused consumer protection	Yes	Limitations on agent locations	N/A
Foreign exchange legislation	Yes	E-money permitted	Yes
Entities allowed to offer remittance services			
Banks		Yes	
MTOs		Yes	
MNOs		Yes	
MFIs		No	
Agents		Yes	
Digital currency		Yes	
Post offices		Yes, POS Indonesia have an agreement with Western Union[122]	
Licensing			
License issuing department for remittances	Yes (not just for remittances but for incoming/outgoing fund transfers in general	Minimum capital requirements for a new entity wishing to enter the remittances market	Yes
Guidelines			
AML/CFT	Yes	Exchange control regulations	N/A
Competition policy	N/A	Consumer protection	Yes

[122] http://documents.worldbank.org/curated/en/410191468337292692/704230ESW0P0850C0Box370041B0000Asia.doc

Payments systems participation	N/A	Transparency of information	N/A
Agent banking	N/A		
Reporting			
RSPs provide transaction related data to supervisor/regulator	Monthly[123]	Values (in USD) and volumes of remittances per period for 2018 by corridor	Inbound 2018[124]: Q1 – USD2,673,000,000 Q2 – USD2,835,000,000 Q3 – USD2,749,000,000 Q4 – USD2,714,000,000 Outbound 2018[125]: Q1 - USD821,000,000 Q2 - USD843,000,000 Q3 - USD855,000,000 Q4 - USD884,000,000
Total volume (number of transactions) of inbound transactions 2017	N/A	Total value (in USD) of inbound transactions 2018	USD10,971,000,000 (Bank Indonesia data, 2018)[126]
Total volume (number of transactions) of outbound transactions 2017	N/A	Total value (in USD) of outbound transactions 2018	USD3,404,000,000 (Bank Indonesia data, 2018)[127]
Oversight/Supervision			
Frequency of regulator site visits	N/A	Existence of a stakeholder working group for sector outreach and education	Bank of Indonesia does occasionally meet with stakeholders

[123] Three different reports required:
1. Money transfer report submitted online - monthly
2. Customer complaints report - monthly
3. Money transfer fraud report – submitted every 3 months

[124] www.bi.go.id/en/statistik/seki/terkini/eksternal/Contents/Default.aspx Table V.31.

[125] www.bi.go.id/en/statistik/seki/terkini/eksternal/Contents/Default.aspx Table V.32.

[126] www.bi.go.id/en/statistik/seki/terkini/eksternal/Contents/Default.aspx Table V.31. For comparison, World Bank T4 Bilateral Remittances data for 2017 was recorded as USD8,997,000,000.

[127] www.bi.go.id/en/statistik/seki/terkini/eksternal/Contents/Default.aspx Table V.32. For comparison, World Bank T4 Bilateral Remittances data for 2017 was recorded as USD878,000,000.

Good Practice			
Collected remittance-related data made publicly available/shared with stakeholders	Remittance data (inbound and outbound) is shown on Bank Indonesia's website	Initiatives to facilitate cooperation between important send/receive market regulators	N/A
New remittance technology solutions entered the market in past 5 years	POS Indonesia application M Pos Pay		
Informal Sector			
Informal remittances			
Informal remittance transactions considered a problem	Yes, particularly from Saudi Arabia and also Malaysia	Estimate of size of informal remittance volume	Around same size as formal (as much as USD10 billion). Majority of people sending domestically send formally however
Steps taken to try and control informal remittance market	Bank of Indonesia has been eradicating illegal MTOs since 2016.	Initiatives to encourage people to use formal remittance market	Ministry of Manpower's productive village program, training migrants predeparture
Remittance Products, Demographics and Habits			
Remittance Receivers/Senders			
Training provided to migrants before they have travelled	Yes, formal migrants usually have received some training	Publicly available price comparison site	No

Remittance Markets			
10 Largest Send Markets to Indonesia (Bank Indonesia data for 2018)[128]			
1. Saudi Arabia	USD3,887,000,000	6. Republic of Korea	USD272,000,000
2. Malaysia	USD3,234,000,000	7. United Arab Emirates	USD212,000,000
3. Taiwan Province of the People's Republic of China	USD1,323,000,000	8. Japan	USD190,000,000
4. Hong Kong, SAR, China	USD1,058,000,000	9. Jordan	USD175,000,000
5. Singapore	USD341,000,000	10. Brunei Darussalam	USD76,000,000

Nepal	
Overview	Remittances are incredibly important to Nepal, frequently accounting for the highest equivalent proportion of GDP in the world. Banks, MFIs, Post Offices, MTOs and agents are all permitted to payout remittances in Nepal. The remittance market is relatively well developed, including a number of banks, MTOs and other institutions providing services, however fees are still quite high. Cash-to-cash consists of the vast majority of transfers and, aside from a handful of large commercial banks. Banks are insignificant in the remittances market. Less than half of Nepalis have a bank account (45%). The majority – as much as 90% according to one survey[129]– seem to prefer MTOs when sending formally as they are both quick and efficient. Sending informally is still very popular for a large proportion of Nepalis, partly due to high fees and partly due to lack of competition between MTOs. Mobile money is used in Nepal but it requires further development. As an example of the progress being made, Western Union has partnered with Nabil Bank and Phone Pay to provide money transfer services to migrant workers via the eSewa mobile wallet. Senders can almost instantly transfer money using this technology and receivers may make purchases or cash out at around 1,200 locations attached to Nabil Bank.

[128] www.bi.go.id/seki/tabel/TABEL5_31.pdf

[129] The Qatar-Nepal Remittance Corridor – Enhancing the impact and integrity of remittance flows by reducing inefficiencies in the migration process. World Bank 2011.

Recommendations	• Incentivize a greater proportion of Nepalis to switch from the informal to the formal system, either by reducing fees or offering other motivation (see Appendix 1). • Mobile money should be supported and promoted, both to encourage more people to use formal digital channels and to reduce costs by increasing competition.		
Net Sender/Receiver	Net Receiver		
Regulatory Environment			
Regulatory Framework for International Remittance Markets			
Remittance specific regulatory framework	Yes	Prohibition of exclusivity agreements for MTOs	Yes
AML/CFT legislation with risk-based approach	Yes, towards CDD[130]	Agent banking permitted	Yes
Remittance focused consumer protection	No, only generic consumer protection act	Limitations on agent locations	N/A
Foreign exchange legislation	Yes	E-money permitted	Yes
Entities allowed to offer remittance services			
Banks		Yes	
MTOs		Yes	
MNOs		No	
MFIs		Yes	
Agents		Yes	
Digital currency		No	
Post offices		Yes	

[130] As outlined in www.nrb.org.np/fiu/pdffiles/AML_Directives_to_banks_and_FI_english.pdf

Licensing			
License issuing department for remittances	Yes, the Foreign Exchange Management Department of Nepal Rastra	Minimum capital requirements for a new entity wishing to enter the remittances market	Yes, Rs. 25,000
Guidelines			
AML/CFT	N/A	Exchange control regulations	N/A
Competition policy	N/A	Consumer protection	N/A
Payments systems participation	N/A	Transparency of information	N/A
Agent banking	Yes[131]		
Reporting			
RSPs provide transaction related data to supervisor/regulator	N/A	Values and volumes of remittances per period for 2017 by corridor	N/A
Total volume (number of transactions) of inbound transactions 2017	N/A	Total value (in USD) of inbound transactions 2017	USD6,947,000,000 (WB T4 Bilateral Remittances data, 2017)
Total volume (number of transactions) of outbound transactions 2017	N/A	Total value (in USD) of outbound transactions 2017	USD3,226,000,000 (WB T4 Bilateral Remittances data, 2017)
Oversight/Supervision			
Frequency of regulator site visits	Depends on size, nature, risk and coverage of operators	Existence of a stakeholder working group for sector outreach and education	N/A

131 https://nrb.org.np/bfr/directives/Guidelines--IT%20Guidelines%202012.pdf

Good Practice			
Collected remittance-related data made publicly available/shared with stakeholders	N/A	Initiatives to facilitate cooperation between important send/receive market regulators	N/A
New remittance technology solutions entered the market in past 5 years	N/A		
Informal Sector			
Informal remittances			
Informal remittance transactions considered a problem	Depends on corridor, significant in the corridor from India but declined sharply from Qatar	Estimate of size of informal remittance volume	20–30% of flows sent via informal channels
Steps taken to try and control informal remittance market	N/A	Initiatives to encourage people to use formal remittance market	N/A
Remittance Products, Demographics and Habits			
Remittance Receivers/Senders			
Training provided to migrants before they have travelled	N/A	Publicly available price comparison site	No
Remittance Markets			
10 Largest Send/Receive Markets			
1. Qatar	USD1,968,000,000	6. Kuwait	USD246,000,000
2. Saudi Arabia	USD1,841,000,000	7. Malaysia	USD190,000,000
3. India	USD1,021,000,000	8. United Kingdom	USD143,000,000
4. United Arab Emirates	USD836,000,000	9. Australia	USD107,000,000
5. United States	USD330,000,000	10. Bangladesh	USD64,000,000

Pakistan	
Overview	Through government sponsored initiatives such as the Pakistan Remittances Initiative, Pakistan has greatly increased formal remittance levels entering the country. Pakistan's regulations are quite liberal, allowing banks, MFIs, Post Offices, MNOs, MTOs and agents to payout remittances. Banks transfer the lion's share of remittances, around 80 per cent in total. A further 17 per cent is accounted for by Exchange Companies and the small remainder is covered by the Pakistan Post Office. Western Union is partnered with the Post Office and is the largest MTO in Pakistan. Microfinance entities still play a very minor role in remittances. Pakistan drafted electronic money regulations in October 2018 and so there is possibility for growth in this area. There are hopes that mobile money can bring a far greater number of people into the formal financial system, especially since only 21 per cent of adults have a bank account. Amongst the banks in Pakistan, Habib Bank Limited (HBL) is the largest, accounting for USD1.2 billion in international formal remittances for fiscal year 2017 or a market share of 22 per cent overall. It achieved this through its 40 international branches with operations in 25 countries and by being the largest private sector bank in Pakistan with over 1,400 domestic branches. HBL is noteworthy for its large network in rural areas, with almost 50 per cent of its branches located there. An estimated 30 per cent of foreign remittances sent through HBL go to rural areas. After HBL, the second largest player in the market is UBL. UBL has a large network of over 1,000 domestic branches and 15 overseas, particularly in the Gulf region. UBL was partnered with MoneyGram until 2007, when they switched to operate with Western Union instead. An estimated 40 – 50 percent of remittances received by UBL are for rural areas. MoneyGram's presence is not overly strong in Pakistan, although their main partner is Wall Street Exchange, a large exchange company that has around 7 other international correspondents, including Instant Cash. Wall Street Exchange has at least 90 branches and offices in 50 cities across the country and is responsible for an estimated 23 per cent market share amongst exchange companies. An extremely significant payout network across Pakistan is Pakistan Post with 13,000 post offices. It has an agreement with Western Union allowing them to disburse foreign remittances through 1,700 locations. Western Union accounts for around 15–20 per cent of the remittance market share in Pakistan and has over 8,800 agent locations across the country.
Recommendations	• Educating migrants regarding formal channels of remittance transfers, both predeparture training and in countries with large proportions of Pakistani migrants. • Provision of financial literacy to the families of remittance-sending migrants so they are better informed of the options available to them. This would be particularly beneficial for women who are known to be the most common remittance receivers (see Appendix 1.8).

Net Sender/Receiver	Net Receiver		
Regulatory Environment			
Regulatory Framework for International Remittance Markets			
Remittance specific regulatory framework	Yes	Prohibition of exclusivity agreements for MTOs	Yes[132]
AML/CFT legislation with risk-based approach	Yes, with regards to CDD[133]	Agent banking permitted	Yes
Remittance focused consumer protection	Consumer protection available for banks but not other RSPs. In case of dispute, PRI (Remittance specific), SBP and Office of the Banking Ombudsman extend their support to customers.	Limitations on agent locations	Unknown
Foreign exchange legislation	Yes	E-money permitted	Yes, draft regulations issued October 2018
Entities allowed to offer remittance services			
Banks		Yes	
MTOs		Yes	
MNOs		Yes	
MFIs		Yes	
Agents		Yes	
Digital currency		N/A	

[132] www.sbp.org.pk/epd/2009/FEC1.htm

[133] "Banks/DFIs shall apply CDD measures; (a) when establishing business relationship; (b) while dealing with occasional customers/ walk-in customers in line with Para 13 below; (c) in other situations/scenarios when there is suspicion of money laundering/financing of terrorism, regardless of threshold." - www.sbp.org.pk/bprd/2012/C2-AML-CFT-Regulations.pdf

Post offices		Yes, Pak Post has significant coverage and is an agent for Western Union[134]	
Licensing			
License issuing department for remittances	N/A	Minimum capital requirements for a new entity wishing to enter the remittances market	Minimum authorized and paid up capital of an exchange company: Rs. 200 million[135]
Guidelines			
AML/CFT	N/A	Exchange control regulations	N/A
Competition policy	N/A	Consumer protection	N/A
Payments systems participation	N/A	Transparency of information	N/A
Agent banking	N/A		
Reporting			
RSPs provide transaction related data to supervisor/regulator	Yes, different documentation required monthly, bi-monthly or quarterly	Values and volumes of remittances per period for 2017 by corridor	N/A
Total volume (number of transactions) of inbound transactions 2017	N/A	Total value of inbound transactions 2017	USD19,665,000,000 (WB T4 Bilateral Remittances data, 2017)
Total volume (number of transactions) of outbound transactions 2017	N/A	Total value of outbound transactions 2017	USD367,000,000 (WB T4 Bilateral Remittances data, 2017)
Oversight/Supervision			
Frequency of regulator site visits	N/A	Existence of a stakeholder working group for sector outreach and education	N/A

[134] http://documents.worldbank.org/curated/en/410191468337292692/704230ESW0P0850C0Box370041B0000Asia.doc

[135] Existing PSOs/PSPs that intend to become an EMI and undertake e-money business shall hold an additional capital of Rs. 100 million." - https://propakistani.pk/2018/10/08/sbp-to-regulate-fintech-e-money-emis/

Good Practice			
Collected remittance-related data made publicly available/shared with stakeholders	N/A	Initiatives to facilitate cooperation between important send/receive market regulators	N/A
New remittance technology solutions entered the market in past 5 years	Draft regulations for Electronic Money Institutions issued October 2018		
Informal Sector			
Informal remittances			
Informal remittance transactions considered a problem	Yes	Estimate of size of informal remittance volume	Around 20-30% of overall flows is informal
Steps taken to try and control informal remittance market	N/A	Initiatives to encourage people to use formal remittance market	The Pakistan Remittance Iniative launched in 2009
Remittance Products, Demographics and Habits			
Remittance Receivers/Senders			
Training provided to migrants before they have travelled	N/A	Publicly available price comparison site	No
Remittance Markets			
10 Largest Send Markets to Pakistan (WB T4 Bilateral Remittances data, 2017)			
1. Saudi Arabia	USD5,781,000,000	6. Canada	USD562,000,000
2. United Arab Emirates	USD5,670,000,000	7. Singapore	USD528,000,000
3. United Kingdom	USD1,689,000,000	8. Qatar	USD481,000,000
4. United States	USD1,323,000,000	9. Oman	USD401,000,000
5. Kuwait	USD1,062,000,000	10. Bahrain	USD303,000,000

Philippines			
Overview	The Philippines received the third largest amount of remittances in 2017, receiving USD32.8 billion from its large numbers of overseas workers. The Philippines has a relatively inclusive regulatory environment that permits banks, post offices, MNOs, MTOs and agents to payout remittances. In particular, mobile money has enjoyed significant success, facilitated by progressive regulations that enable mobile operators to offer e-money and perform cash-in/out. There are two principle providers of mobile money, SMART and GCASH. Each is a subsidiary of the two biggest telecom companies they both have almost equal market share. Mobile money has brought a far greater proportion of the population into the formal financial sector than bank networks could have, since only 34% of adults have an account. Western Union is still one of, if not the largest single remittance entity in the Philippines, with approximately 10,000 offices across the country. It has achieved this broad network through partnerships such as with the courier service, LBC Express, which has 1,200 branches to offer payout services to its customers.		
Recommendations	• Continue to promote the use of mobile money, especially for the unbanked. • Encourage competition between MTOs to lower costs. • Actively use the price comparison site and keep it up to date to raise awareness of formal channels available to migrant workers.		
Net Sender/Receiver	Net Receiver		
Regulatory Environment			
Regulatory Framework for International Remittance Markets			
Remittance specific regulatory framework	Yes	Prohibition of exclusivity agreements for MTOs	No
AML/CFT legislation with risk-based approach	CDD/KYC measures take a risk-based approach. Terrorist financing is not a standalone offence however.	Agent banking permitted	Yes
Remittance focused consumer protection	Yes	Limitations on agent locations	Unknown
Foreign exchange legislation	Yes	E-money permitted	Yes

Entities allowed to offer remittance services			
Banks		Yes	
MTOs		Yes	
MNOs		Yes	
MFIs		No	
Agents		Yes	
Digital currency		Yes	
Post offices		Yes, however role of PhilPost in remittance industry virtually non-existent	
Licensing			
License issuing department for remittances	N/A	Minimum capital requirements for a new entity wishing to enter the remittances market	N/A
Guidelines			
AML/CFT	Yes[136]	Exchange control regulations	N/A
Competition policy	N/A	Consumer protection	N/A
Payments systems participation	N/A	Transparency of information	N/A
Agent banking	N/A		
Reporting			
RSPs provide transaction related data to supervisor/regulator	N/A	Values and volumes of remittances per period for 2017 by corridor	N/A
Total volume (number of transactions) of inbound transactions 2017	N/A	Total value of inbound transactions 2017	USD32,808,000,000 (WB T4 Bilateral Remittances data, 2017)

[136] www.bsp.gov.ph/downloads/Regulations/attachments/2002/cl010702a.pdf

Total volume (number of transactions) of outbound transactions 2017	N/A	Total value of outbound transactions 2017	USD537,000,000 (WB T4 Bilateral Remittances data, 2017)
Oversight/Supervision			
Frequency of regulator site visits	Visitations made to operators not complying with regulations, etc.	Existence of a stakeholder working group for sector outreach and education	N/A
Good Practice			
Collected remittance-related data made publicly available/shared with stakeholders	Yes[137]	Initiatives to facilitate cooperation between important send/receive market regulators	N/A
New remittance technology solutions entered the market in past 5 years	N/A		
Informal Sector			
Informal remittances			
Informal remittance transactions considered a problem	Yes	Estimate of size of informal remittance volume	Informal remittances account for another 30-40% of foreign currency flows into Philippines on top of official transfers
Steps taken to try and control informal remittance market	N/A	Initiatives to encourage people to use formal remittance market	N/A

[137] www.bsp.gov.ph/statistics/efs_ext3.asp

Remittance Products, Demographics and Habits			
Remittance Receivers/Senders			
Training provided to migrants before they have travelled	Yes including training on remittance processes[138]	Publicly available price comparison site	Yes
Remittance Markets			
10 Largest Send Markets to the Philippines (WB T4 Bilateral Remittances data, 2017)			
1. United States	USD11,099,000,000	6. Qatar	USD1,301,000,000
2. United Arab Emirates	USD4,109,000,000	7. Japan	USD1,177,000,000
3. Saudi Arabia	USD3,686,000,000	8. Australia	USD1,002,000,000
4. Canada	USD2,370,000,000	9. Kuwait	USD922,000,000
5. Malaysia	USD1,962,000,000	10. Italy	USD660,000,000

Sri Lanka	
Overview	In Sri Lanka, banks, post offices, MTOs and agents may all payout remittances. MNOs such as eZ Cash can also transfer money locally. However, the remittance market is still bank dominated with not much competition from MTOs or other entities. Since 2012, mobile money service eZ Cash has also gained traction with an impressive subscriber base of over two million Sri Lankans and over 20,000 agent locations and merchant points island wide. Sri Lanka's commercial banks number 22 in total and operate across the country through 5,119 branches and other outlets. Two state owned banks, the Bank of Ceylon and the People's Bank have also attracted significant remittance flows through the extensive outreach they both have across Sri Lanka. People's Bank has 640 branches all over the country, plus 400 agents in 105 countries, while BOC has 303 branches. Almost three quarters of adult Sri Lankans have a bank account as of 2017 (74%). Banks have been keen to attract new customers with remittance-related products. They have introduced a number of innovative financial inclusion initiatives, including card-based accounts and remittance-linked savings accounts. Further facilitating bank channels for remittance flows, some commercial banks such as Sampath Bank and Commercial Bank have Business Promotion Officers (BPOs) in foreign countries who promote formal

[138] http://siteresources.worldbank.org/INTECA/Resources/Pre-DepartureOrientationStudy-Bd.pdf

	remittance channels and facilitate transactions with their customers working in those countries. The majority of these are in the Middle East, e.g. the United Arab Emirates, Jordan, Qatar and Kuwait as the majority of the migrant workers are based in this region. The BPOs provide help to unskilled migrants in circumventing the obstacles they face with regard to banking activities in a foreign country, particularly the language barrier. The two principle MTOs in Sri Lanka operate through partnerships with commercial banks. Western Union has significantly expanded its reach into remote areas through an agreement with Sri Lanka Post. eZ Cash, Sri Lanka's pioneering mobile money service for local transfers, was launched by Dialog Axiata, and allows subscribers to send and receive money to their mobile wallet. They have used proportional ID requirements to attract a wide customer base, for instance no ID/registration is required for a simple account with Rs 10,000 maximum.		
Recommendations	• Support the development of new mobile money providers • Encourage tiered KYC with no registration requirements for low capacity wallets		
Net Sender/Receiver	Net Receiver		
Regulatory Environment			
Regulatory Framework for International Remittance Markets			
Remittance specific regulatory framework	No	Prohibition of exclusivity agreements for MTOs	No
AML/CFT legislation with risk-based approach	Yes, KYC/CDD changes according to risk level perceived	Agent banking permitted	Yes
Remittance focused consumer protection	Financial customer protection framework[139]	Limitations on agent locations	Unknown

[139] www.cbsl.gov.lk/sites/default/files/cbslweb_documents/laws/cdg/Finance_Business_Act_Directions_No_1_of_2018_e.pdf

Foreign exchange legislation	Yes	E-money permitted	Yes, although there are no specific regulations or guidelines for e-money, e-money operations are permitted under mobile payments guidelines[140]
Entities allowed to offer remittance services			
Banks		Yes, all commercial banks and some specialized banks are authorized to deal in foreign exchange as authorized dealers[141] for specific purposes	
MTOs		Yes, MTOs may participate as restricted dealers	
MNOs		Yes but limited to domestic transfers and payout functions	
MFIs		Yes	
Agents		Yes	
Digital currency		No	
Post offices		Yes, via network of 4,600+ branches (compared to 1,200 bank branches for all banks in the country)	
Licensing			
License issuing department for remittances	No, banks and FI licenses issued by the Bank Supervision and Non-Bank Supervision Departments of the Central Bank whilst the Department of Foreign Exchange issues licenses to engage in Money Changing Business	Minimum capital requirements for a new entity wishing to enter the remittances market	Yes, the minimum capital requirement for money changers is LKR 15 million

140 http://dr.lib.sjp.ac.lk/bitstream/handle/123456789/3459/Analysis of the Regulatory Framework for Electronic Money in Sri Lanka - Suggestions for Future Sustainability and Governance.pdf?sequence=1&isAllowed=y

141 http://srilankalaw.lk/gazette/2017_pdf/12-2017_E.pdf

Guidelines			
AML/CFT	Not strictly guidelines but helpful[142]	Exchange control regulations	Yes[143] (Foreign Exchange Regulations)
Competition policy	N/A	Consumer protection	N/A
Payments systems participation	N/A	Transparency of information	N/A
Agent banking	N/A		
Reporting			
RSPs provide transaction related data to supervisor/regulator	Yes, plus all conversion of foreign currency to/from LKR must be reported to Dept of Foreign Exchange	Values and volumes of remittances per period for 2017 by corridor	N/A
Total volume (number of transactions) of inbound transactions 2017	N/A	Total value of inbound transactions 2017	USD7,190,000,000 (WB T4 Bilateral Remittances data, 2017)
Total volume (number of transactions) of outbound transactions 2017	N/A	Total value of outbound transactions 2017	USD1,278,000,000 (WB T4 Bilateral Remittances data, 2017)
Oversight/Supervision			
Frequency of regulator site visits	N/A	Existence of a stakeholder working group for sector outreach and education	There is a money changers' association, and there are banking associations

[142] www.fiusrilanka.gov.lk/docs/Other/National_AML_CFT_Policy-2015-2020.pdf
[143] www.dfe.lk/web/index.php?lang=en#

Good Practice			
Collected remittance-related data made publicly available/shared with stakeholders	No, data is collected but not shared publicly	Initiatives to facilitate cooperation between important send/receive market regulators	MOUs have been signed with Jordan, United Arab Emirates, Bahrain and Qatar. Trade agreement also made with the Republic of Korea[144]
New remittance technology solutions entered the market in past 5 years	From January 2019, the money changers will be linked with the co-banking system for comprehensive ITRS system[145]		
Informal Sector			
Informal remittances			
Informal remittance transactions considered a problem	Yes	Estimate of size of informal remittance volume	Around 50% of remittance transactions are informal
Steps taken to try and control informal remittance market	The Central Bank stipulated turnover targets for money changers in order for licenses to be renewed	Initiatives to encourage people to use formal remittance market	Awareness-raising programmes and announcements
Remittance Products, Demographics and Habits			
Remittance Receivers/Senders			
Training provided to migrants before they have travelled	Yes, including training on remittance processes[146]	Publicly available price comparison site	No

[144] www.ips.lk/images/docs/publications/series/Agricultural Economic Policy/01_Impac migration.pdf
[145] According to questionnaire responses from the Department of Foreign Exchange
[146] http://siteresources.worldbank.org/INTECA/Resources/Pre-DepartureOrientationStudy-Bd.pdf

Remittance Markets			
10 Largest Send Markets to Sri Lanka (WB T4 Bilateral Remittances data, 2017)			
1. Saudi Arabia	USD2,265,000,000	6. Canada	USD488,000,000
2. United Arab Emirates	USD653,000,000	7. Australia	USD393,000,000
3. United Kingdom	USD525,000,000	8. Italy	USD310,000,000
4. India	USD520,000,000	9. United States	USD221,000,000
5. Qatar	USD508,000,000	10. Germany	USD219,000,000

Thailand	
Overview	Thailand has a bank-led market in which only one non-bank entity (DeeMoney) has been able to obtain special international money transfer and money exchange licenses. Nevertheless, despite commercial banks dominating the remittance industry (and the wider financial landscape in general), post offices, MTOs and agents are all also permitted to payout remittances. A major problem with the bank-led model in Thailand is that banking channels for international remittances have severe limitations, including high fees, lots of documentation, bank account requirements, red tape and a lack of instantaneous transfers. The number of adults with an account in Thailand is relatively high at 82% in 2017. Thailand Post Company is an important payout location for international remittances. Different products exist, for instance Bank@Post which allows customers to use the company's wide network of 1,295 branches to perform banking operations including receiving transfers. International money orders can also be operated through Euro Giro Credit and Western Union via Thailand Post Company branches. Access to services is well covered in Thailand with a widespread network of ATMs (47,759 terminals), 7–11 stores (6,800) and the 1,295 post offices that covers rural areas too.
Recommendations	• Reduce KYC requirements for opening bank accounts to increase access to formal remittance market by any interested individual including migrant workers. • Open up the regulation to allow more entities such as DeeMoney to disrupt the market and reduce prices.
Net Sender/Receiver	Net Receiver

Regulatory Environment			
Regulatory Framework for International Remittance Markets			
Remittance specific regulatory framework	No	Prohibition of exclusivity agreements for MTOs	No
AML/CFT legislation with risk-based approach	Yes, enhanced CDD/KYC applied in certain circumstances[147]	Agent banking permitted	Yes[148]
Remittance focused consumer protection	No legislation but there is a Financial Consumer Protection Centre (FCC)	Limitations on agent locations	Unknown
Foreign exchange legislation	Yes	E-money permitted	Yes
Entities allowed to offer remittance services			
Banks		Yes	
MTOs		Yes	
MNOs		Yes (though so far only one Telecom company – SawasdeeShop – has obtained licenses)[149]	
MFIs		No	
Agents		Yes	
Digital currency		N/A	

[147] For instance, when a person is carrying out a single or several occasional transactions with possible link exceeding 100,000 Baht; carrying out wire transfers or electronic payment transaction each exceeding 50,000 Baht; there is suspicion of ML/TF; there are doubts about the veracity or adequacy of previously obtained identification data of the customer or the ultimate beneficial owner(s) - www.bot.or.th/Thai/MonetaryPolicy/EconMakhongCanelArea/Cambodia/Doclib_Cambodia_Article/law_on_anti_money_50.pdf

[148] Permitted (www.bot.or.th/Thai/FIPCS/Documents/FPG/2553/EngPDF/25530235.pdf) but limited to "Specialized financial institutions' which are: (1) a state financial institution established under a specific law; (2) a juristic person established under a specific law as prescribed in the notification of the Minister." - www.bot.or.th/English/AboutBOT/LawsAndRegulations/SiteAssets/Law_E24_Institution_Sep2011.pdf

[149] www.finextra.com/pressarticle/74763/thai-telco-sawasdeeshop-receives-money-tranfser-licence-for-deemoney-remittance-platform/mobile

Post offices		Yes, Thailand Post also offers Western Union remittances[150]	
Licensing			
License issuing department for remittances		Minimum capital requirements for a new entity wishing to enter the remittances market	Yes[151]
Guidelines			
AML/CFT	Yes[152]	Exchange control regulations	Yes[153]
Competition policy	N/A	Consumer protection	N/A
Payments systems participation	N/A	Transparency of information	N/A
Agent banking	N/A		
Reporting			
RSPs provide transaction related data to supervisor/regulator	N/A	Values and volumes of remittances per period for 2017 by corridor	N/A
Total volume (number of transactions) of inbound transactions 2017	N/A	Total value (in USD) of inbound transactions 2017	USD6,729,000,000 (WB T4 Bilateral Remittances data, 2017)
Total volume (number of transactions) of outbound transactions 2017	N/A	Total value (in USD) of outbound transactions 2017	USD3,226,000,000 (WB T4 Bilateral Remittances data, 2017)

[150] www.adb.org/sites/default/files/project-document/80376/45128-001-tacr-04.pdf
[151] There are requirements but not publicly available what the limits are - www.bot.or.th/English/AboutBOT/LawsAndRegulations/SiteAssets/Law_E40_Payment.pdf
[152] www.bot.or.th/english/financialinstitutions/prureg_hb/riskmgt_manual/doclib_documentfordownload/riskmanagementexaminationmanaul_08_antimoneylaundering.pdf
[153] www.thaitradeusa.com/home/wp-content/uploads/2011/04/Exchange-Control-Regulations-in-Thailand-A-Guide-for-the-General-Public.pdf

Oversight/Supervision			
Frequency of regulator site visits	N/A	Existence of a stakeholder working group for sector outreach and education	N/A
Good Practice			
Collected remittance-related data made publicly available/shared with stakeholders	N/A	Initiatives to facilitate cooperation between important send/receive market regulators	N/A
New remittance technology solutions entered the market in past 5 years	N/A		
Informal Sector			
Informal remittances			
Informal remittance transactions considered a problem	Yes, formal not even an option for migrants in Myanmar for instance	Estimate of size of informal remittance volume	Majority of remittances sent informally
Steps taken to try and control informal remittance market	1. Promote formal remittance channel by enhancing cooperation with Myanmar government to improve Myanmar formal banking system and build trust in the financial system for remittance sending 2. Provide training/orientation for recruited migrant workers according to the memorandum of Understanding (MOU) covering financial knowledge before their arrival to work in Thailand through Post – Arrival and	Initiatives to encourage people to use formal remittance market	N/A

	Reintegration Centers for Migrant Workers		
Remittance Products, Demographics and Habits			
Remittance Receivers/Senders			
Training provided to migrants before they have travelled	Yes, in process of Pre-departure Orientation (PDO)	Publicly available price comparison site	No
Remittance Markets			
10 Largest Send Markets to Thailand (WB T4 Bilateral Remittances data, 2017)			
1. United States	USD1,859,000,000	6. United Kingdom	USD274,000,000
2. Germany	USD635,000,000	7. Sweden	USD251,000,000
3. Malaysia	USD586,000,000	8. Republic of Korea	USD223,000,000
4. Australia	USD383,000,000	9. Cambodia	USD185,000,000
5. Japan	USD307,000,000	10. Brunei Darussalam	USD168,000,000

Viet Nam	
Overview	The banking sector in Viet Nam is a crowded network of banks and non-bank institutions and is regulated by the State Bank of Viet Nam. Large banks dominate; however, many players co-exist in the market. Due to the large proportion of remittances being distributed to rural areas, banks and NBFI's have collaborated to develop large networks of agents. In Viet Nam, 44 per cent of the population are Internet users, and 93 per cent of these people use their mobile phone to access it. As such, 52 per cent of all domestic startups are providing mobile payments. Only banks are allowed to participate in international remittances. However, non-banks can launch e-money services in the country, provided they register themselves as a local company. However, cash-in/cash-outs of the wallet are allowed only when non-banks partner with a bank. In Viet Nam, banks, post offices, MNOs, MTOs and agents are all permitted to pay out remittances. The market is bank-led with commercial banks alone accounting for around 72 per cent of all remittances. This is despite the fact only 31 per cent of adults have a bank account. Whilst remittances can be received on a mobile wallet in Viet Nam, there is not yet a way to cash out such credit without a bank account. Mobile money services require regulatory approval and cooperation between

	banks and telecommunications operators. The full potential for mobile money has therefore not yet been realized. Western Union has decent coverage in Viet Nam with over 9,700 branches. Access could be improved however if the post office was permitted to payout remittances too.		
Recommendations	• Permit the post office to participate in international remittances (especially payout) • Make it easier for mobile money providers to cash out (without requiring partnerships with banks so that their customers don't have to have a bank account for instance)		
Net Sender/Receiver	Net Receiver		
Regulatory Environment			
Regulatory Framework for International Remittance Markets			
Remittance specific regulatory framework	No	Prohibition of exclusivity agreements for MTOs	Not specific to MTOs
AML/CFT legislation with risk-based approach	Not risk-based in its approach	Agent banking permitted	Yes
Remittance focused consumer protection	Exists but not specific to remittances	Limitations on agent locations	Unknown
Foreign exchange legislation		E-money permitted	Yes
Entities allowed to offer remittance services			
Banks		Yes[154]	
MTOs		Yes	
MNOs		Yes	
MFIs		No	
Agents		Yes	
Digital currency		N/A	
Post offices		Yes	

[154] Only commercial banks with overdue debts of less than 3 per cent can set up remittance companies - https://vietnamnews.vn/economy/281288/sbv-issues-remittance-regulations.html#yiJd1p3zoJzljB4p.97

Licensing			
License issuing department for remittances	N/A	Minimum capital requirements for a new entity wishing to enter the remittances market	N/A
Guidelines			
AML/CFT	No	Exchange control regulations	No
Competition policy	No	Consumer protection	No
Payments systems participation	No	Transparency of information	No
Agent banking	No		
Reporting			
RSPs provide transaction related data to supervisor/regulator	N/A	Values and volumes of remittances per period for 2017 by corridor	N/A
Total volume (number of transactions) of inbound transactions 2017	N/A	Total value of inbound transactions 2017	USD13,781,000,000 (WB T4 Bilateral Remittances data, 2017)
Total volume (number of transactions) of outbound transactions 2017	N/A	Total value of outbound transactions 2017	USD104,000,000 (WB T4 Bilateral Remittances data, 2017)
Oversight/Supervision			
Frequency of regulator site visits	N/A	Existence of a stakeholder working group for sector outreach and education	N/A
Good Practice			
Collected remittance-related data made publicly available/shared with stakeholders	N/A	Initiatives to facilitate cooperation between important send/receive market regulators	N/A

New remittance technology solutions entered the market in past five years	N/A		
Informal Sector			
Informal remittances			
Informal remittance transactions considered a problem	Yes	Estimate of size of informal remittance volume	Around 25% of remittances to Viet Nam sent informally
Steps taken to try and control informal remittance market	N/A	Initiatives to encourage people to use formal remittance market	N/A
Remittance Products, Demographics and Habits			
Remittance Receivers/Senders			
Training provided to migrants before they have travelled	Yes[155]	Publicly available price comparison site	No
Remittance Markets			
10 Largest Send Markets to Viet Nam (WB T4 Bilateral Remittances data, 2017)			
1. United States	USD7,735,000,000	6. Republic of Korea	USD601,000,000
2. Australia	USD1,182,000,000	7. Czechia	USD252,000,000
3. Canada	USD953,000,000	8. Japan	USD195,000,000
4. Germany	USD748,000,000	9. China	USD150,000,000
5. France	USD655,000,000	10. United Kingdom	USD147,000,000

[155] 74 hours of predeparture training for migrants mandated by Vietnamese legislation. For migrants to Malaysia at least it includes information on sending via formal channels - www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---srobangkok/documents/publication/wcms_314221.pdf

Appendix 3 - Foreign Exchange Controls

Exchange controls are put in place by certain governments to control foreign currency flows. They use exchange controls to fix their exchange rate against other currencies. This compares to most markets where rates "float" based on supply and demand against another currency. In a fixed exchange rate environment there will almost certainly be an imbalance between supply and demand. Indeed the demand for foreign currency will almost certainly higher than the availability. This will lead to the existence of a parallel (or black market) in foreign currency where a premium can be earned for selling foreign currency to local purchasers. (The parallel market will be illegal and not governed by regulations).

Exchange control regulations cover all foreign exchange transactions in a country, including remittances. All payments are subject to review and subsequent authorization by the central bank and the entities which offer them are licensed for foreign exchange purposes. This restricts the number of entities able to offer remittances and limits competition.

Prices are increased due to the high compliance costs experienced by the providers. In essence, exchange controls create a tax on the formal remittance market and as a response, people often either try to keep their transactions in USD formally or opt for informal transfers which use more attractive parallel market rate. Examples of countries where this is an ongoing issue include Nigeria, Ethiopia, and Angola. In Nigeria, there can be up to five exchange rates at any one time; official, interbank, MTO, black market and a special rate for religious pilgrims, to Mecca, Jerusalem or Rome, who need dollars. Stakeholder interviews, both public and private, highlight this as a recurring barrier to the flow of formal remittances.

Colombo Process Member State	Foreign Exchange Controls restricting the remittance or repatriation of capital or profits into or out of the CPMS
Afghanistan	No[156]
Bangladesh	Yes, remittance of money outside Bangladesh is allowed only for specific circumstances and is required to be supported by appropriate documentation.[157]
Cambodia	No[158]
China	Yes, rules are in place by the People's Bank of China (PBOC) and the State Administration of Foreign Exchange (SAFE) which regulate the flow of foreign exchange in/out of China and set exchange rates through a "managed float" system.[159]

[156] www.export.gov/article?id=Afghanistan-foreign-exchange-controls
[157] http://bdlaws.minlaw.gov.bd/pdf/218___.pdf
[158] www.joneslanglasallesites.com/investmentguide/country/cambodia/foreignexchangecontrols
[159] www.export.gov/article?id=China-Foreign-Exchange-Controls

India	Under the Foreign Exchange Management Act (FEMA) (1999), current account transactions, unless prohibited, are permitted and the restrictions are there only for certain/small set of transactions as laid down in Schedule I of FEM CAT Rules. However, remittances beyond indicative limits and certain purposes require Government or RBI approval. On the capital account front, all permissible transactions are laid down in FEMA with the focus on various factors viz., channelize inflows to aid growth & not create asset bubbles, stable INR, boost investor confidence, protect the strategic and security interests of the country, etc.
Indonesia	Yes, restrictions in place such as only authorized banks can carry out foreign trade related exchange operations and almost all domestic financial transactions must be conducted in rupiah.[160]
Nepal	Yes, for instance approval from the NRB is required for payments to any person living outside of Nepal.[161]
Pakistan	No[162]
Philippines	Yes, such as limitations on amount an individual or corporation can purchase.[163]
Sri Lanka	Yes but quite relaxed, no restrictions on current-account transactions for example.[164]
Thailand	Yes, the Bank of Thailand prohibits baht-denominated lending to non-residents where there are no underlying trade or investment activities by the borrower in Thailand and there are restrictions on taking currency out of Thailand.[165]

[160] www.export.gov/article?id=Indonesia-Foreign-Exchange-Controls
[161] www.export.gov/article?id=Nepal-Foreign-Exchange-Controls
[162] www.export.gov/article?id=Pakistan-Foreign-Exchange-Controls
[163] www.bsp.gov.ph/downloads/Publications/FAQs/faqfxreg.pdf
[164] www.sundaytimes.lk/article/1035200/new-sri-lankan-foreign-exchange-laws-effective-today
[165] www.export.gov/article?id=Thailand-foreign-exchange-controls

Viet Nam	Yes, such as the buying and selling of foreign currency must be conducted through a licensed commercial bank permitted to undertake foreign exchange business activities.[166]

Appendix 4 – Financial Education Initiatives

Financial education at the "village" level aims to capture prospective migrants within its audience and promote regular migration. These interactions provide an opportunity to raise awareness about formal remittance channels, products and services and teach financial literacy needed to assess products and plan their migration and savings. Example initiatives from the region include:

1. Indonesia's Productive Village Programme

The government runs a program called Indonesia's Productive Village Program "DESMIGRATIF" (Desa Migran Produktif). It has been adopted from the CSO's program run by Migrant Care. It offers various services to migrant workers and their families, such as information on safe migration and empowerment programs for migrants and their families.

Citizen Service Units - To provide better services and protection for Indonesian migrant workers, citizen service units are established in 24 Indonesian Missions in countries with significant number of Indonesian workers. Such unit provide integrated services that covers consular services, legal assistance, education and trainings, shelters and health services.

2. Community of Family of Migrant Workers

BNP2TKI (National Board For The Placement and Protection of Indonesian Migrant Workers) also launched an empowerment program for Indonesian Migrant Workers, Returned Indonesian Workers and their community-based families called "Community of Family of Migrant Workers" (KKBM Komunitas Keluarga Buruh Migran) throughout 49 regions in seven provinces in Indonesia. KKBM is a community from, by, and for the local community in a village (rural area), several villages or sub-districts that are Indonesia Migrant Workers sources.

KKBM's activities include Mapping and Data Collection of Indonesia Migrant Workers, providing services such as Potential in KKBM, Job Opportunities Information Services (Jobs Info), General Information Services on Indonesia Migrant Workers Placement and Protection, Migration Services, Financial Literacy and Entrepreneurship, Business Assistance and Development, Access to Financial Industries and Institutions, Business Development, Indonesia Migrant Workers Family Protection, Mediation and Advocacy, Prevention of Non-Procedural Indonesia Migrant Workers.

3. Greenback 2.0 project in Indonesia (2016–2018)

The World Bank (WB), through the Greenback 2.0 Program, provides education for the community in several villages in East Lombok District, West Nusa Tenggara (NTB).[167] The aim of the project is to invite the community to take advantage of regulated financial services for the creation of fluency and security in financial transactions.

The World Bank partnered with a number of parties, such as Bank Indonesia, the Financial Services Authority (OJK), Bank Negara Indonesia (BNI) and Bank Rakyat Indonesia, the Provincial Government

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[166] www.joneslanglasallesites.com/investmentguide/country/vietnam/foreignexchangecontrols

[167] https://en.antaranews.com/news/113355/world-bank-helps-develop-workers-in-lombok-district

of NTB, the Government of East Lombok District, and the Government Service Unit for The Placement and Protection of Indonesian Migrant Workers (BP3TKI) Mataram. A number of mobile operators in Indonesia are also involved, such as PT Indosat and PT XL.

Studies on the community needs were also conducted in order to obtain information from local communities about the gap between current conditions and their expectation, in terms of access and use of financial services, and financial management.

4. Nepal's Safer Migration Project (2011–2018)

The Safer Migration project (SaMi) is a bilateral initiative of the Government of Nepal and the Government of Switzerland. The project is implemented through a partnership between HELVETAS Swiss Inter-cooperation Nepal and the Ministry of Labour, Employment and Social Security.

The overall goal of the project is that migrants and their families are better protected by concerned Nepali institutions and benefit from decent work conditions abroad. Nepal Federation of Savings and Credit Cooperative Unions Ltd. (NEFSCUN) & SaMi/HELVETAS made an agreement to deliver the financial literacy training package in the selected districts of project. Under the financial support of SaMi/HELVETAS, NEFSCUN has developed the training manual and other training resources. It is not clear whether financial education on remittances are included in this scope. Programmes such as this should be targeted to make sure that information and education around remittances and formal channels are included in information provided.[168]

5. Safer Remittances and Improved Livelihoods Project (SRIL)[169] in Nepal (2012–2013)

A pilot project that directly contributes to improve remittance transfer systems and promotes women's economic leadership by strengthening capacity of rural women, local financial institutions and remittance governance. Duration of the project was from April 2012 to March 2013. This initiative was part of the Joint Migration and Development Initiative (JMDI) and financed by the European Commission (EU) and the Swiss Agency for Development and Cooperation (SDC) and implemented by the United Nations Development Programme (UNDP) with support from other partner agencies.

This project provided financial management trainings to the seasonal migrants. It has also provided the financial knowledge to the family members of the migrant workers on how to properly utilize the remittance money. They have acquired the knowledge to create the capital and professional development. Migrant workers and their families have received management skills. It has given them both knowledge and skills.

6. Indonesia's Financial Services Authority (OJK) Program, namely "OJK Mengajar"

This programme is organized by the OJK in collaboration with BNP2TKI within a period of one year. Activities are divided into four quarterly sections, namely:

a. Quarter I : OJK Teaches candidates for Indonesian migrant workers
b. Quarter II : Teaches families of Indonesian migrant workers

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[168] Note that, like a number of other CPMS, there have been a number of relevant projects undertaken in Nepal. To name a few:

1. Private sector participation in labour migration management, implemented by IOM Nepal. The project engaged with the private sector to enhance the linkage with financial services among returnee migrants and to disseminate financial literacy and safe migration information.
2. Increasing the capacity of Migrant Resource Centers (MRCs) in Nepal to foster safe, humane and orderly migration, implemented by IOM Nepal. The project aims to build capacity of MRC counsellors to provide financial literacy and business counselling to potential migrants.

Further information on these projects can be found in the bibliography.

[169] https://nepal.oxfam.org/sites/nepal.oxfam.org/files/file_attachments/Remittance%20Report_1.pdf

c. Quarter III : Teaches returnee Indonesian migrant workers
d. Quarter IV : Training for trainers

The target participants of this programme are candidates for Indonesian migrant workers, families of Indonesian migrant workers and returnee Indonesian migrant workers, as well as trainers and experts from BNP2TKI.

The programme's objectives are:

a. That Indonesia migrant worker candidates are able to access financial institutions, remittances and are able to manage their income whilst abroad.
b. That returnee Indonesia migrant workers and their families are able to manage family finances well, start future financial planning (investment), and be more vigilant about fraudulent investments, and that returnee Indonesia migrant workers can be more productive as entrepreneurs.
c. That candidate trainers of Indonesia migrant Workers are able to understand and deliver material on financial literacy to returnee Indonesia migrant workers, candidate Indonesia migrant workers and their families.

Financial education to migrants whilst overseas

7. The Government of the United Arab Emirates has instituted a public-private partnership program to scale up and standardize post-arrival orientation programs to migrants and their employers.[170]

"Tawjeeh" Centres, operated by private businesses under licence from the Ministry of Human Resources and Emiratization, provide newly arrived migrant workers with a one-day training course that educates them on their labour rights, including standard contract terms, information on how to access dispute resolution, as well as information regarding cultural practices and norms in the United Arab Emirates. Employers are required to demonstrate that migrants have attended a Tawjeeh course prior to the issuance of a work permit. The United Arab Emirates is also participating in a project led by IOM to synthesise post-arrival orientation programming with pre-departure programming in countries of origin, to ensure that the information that is available to migrants is consistent throughout the migration journey.

[170] www.gfmd.org/pfp/ppd/10316

Appendix 5 - Informal and Formal Remittance Flows

Country	Estimated Percentage of Inbound Formal Flows	Estimated Percentage of Inbound Informal Flows	Total Inbound Formal Remittance Flows in USD (according to WB T4 bilateral data, 2017 estimates)[171]
Afghanistan	20%[172]	80%	410,000,000
Bangladesh	60%[173]	40%	13,469,000,000
Cambodia	50%[174]	50%	386,000,000
China	50%[175]	50%	63,860,000,000
India	60%[176]	40%	68,968,000,000
Indonesia	50%[177]	50%	8,997,000,000
Nepal	70%[178]	30%	6,947,000,000
Pakistan	70%[179]	30%	19,665,000,000
Philippines	90%[180]	10%	32,808,000,000
Sri Lanka	50%[181]	50%	7,190,000,000
Thailand	13%[182]	87%	6,729,000,000
Viet Nam	75%[183]	25%	13,781,000,000

171 World Bank T4 Bilateral Remittances data, 2017
172 Author's estimates.
173 Interview with Bank Asia Ltd.
174 Interviews with public sector (MoLVT) and private sector (Wing).
175 www.saveonsend.com/blog/money-transfer-china/
176 Authors estimates based on extensive interviews with market participants and experts. Linked to www.iimb.ac.in/sites/default/files/2018-07/Chinmay_Tumbe_Remittances_in_India_Facts_and_Issues.pdf
177 Interview with the Bank of Indonesia (BI), the Ministry of Foreign Affairs (MoFA) and the Protection Agency and the Indonesian Manpower Placement (BNP2TKI). Corroborated by discussion with POS Indonesia.
178 http://kathmandupost.ekantipur.com/news/2017-07-14/30pc-coming-in-via-informal-channels.html
179 http://siteresources.worldbank.org/PAKISTANEXTN/Resources/293051-1241610364594/6097548-1242706658430/Ch5BringingFinancePakistanPoorMay192009.pdf
180 www.colorado.edu/business/sites/default/files/attached-files/western_union_tax_impact_122215.pdf
181 www.ft.lk/article/602015/Remittance-is-ripe-for-disruption-in-Sri-Lanka
182 www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/documents/publication/wcms_122089.pdf
183 www.intellasia.net/informal-money-transfer-causes-difficulties-for-banks-486283

Appendix 6 – List of Interviewees at the Fourth TAWG Meeting on Remittances in Manila

Bangko Sentral ng Pilipinas (BSP), Monetary Policy Department
Bangko Sentral ng Pilipinas (BSP), Statistics Department
Development Bank Philippines
Indonesia Central Bank
Ministry of Overseas Pakistanis & Human Resource Development
Pakistan Remittances Initiative

Appendix 7 - References for Tables

Table 4: CPMS Remittance Regulatory Framework

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Appendix 8 – Questionnaires Sent to Stakeholders

APPENDIX 8.1: PUBLIC SECTOR QUESTIONNAIRE

Public sector

Questionnaire on Remittance Regulatory Frameworks and Accessibility of Regular Remittance Channels in the Colombo Process Member States

FOR REGULATORS

PART A: REGULATORY ENVIRONMENT

Section 1: Regulatory Framework for International Remittance Markets

1.1 Regulatory Framework specific to remittances

a. Is there a remittance-specific regulatory framework in place?

1.2 FATF Recommendations & AML/CFT – Applying the risk-based approach

a. What AML/CFT legislation does your jurisdiction currently have in place?
b. Does this legislation apply to a risk-based approach?

1.3 Consumer protection

a. Does your jurisdiction's legislation include CDD/KYC thresholds? (If yes, please provide both the name of legislation and thresholds stipulated.)

1.4 Foreign Exchange

a. Which legislation covers foreign exchange in your jurisdiction?

1.5 Competition Policy

a. Does your jurisdiction have legislation prohibiting exclusivity agreements for money transfer companies?
b. Does your jurisdiction's legislation permit non-bank financial institutions (NBFIs) (e.g. MTOs, MNOs, MFIs, digital currency, agents, post offices, etc.) to participate in the remittance market? (If yes, please provide both name of legislation and entities permitted.)

1.6 Payments Systems Legislation

a. Does your jurisdiction's payment systems legislation permit NBFIs to participate in the payments system? (If yes, please provide both name of legislation and entities permitted.)

1.7 Agent banking legislation and approach to agent locations

a. Does your jurisdiction's legislation permit agent banking (the use of agents), and if so, which entities are permitted (e.g. post offices, shops, individuals, etc.)?
b. Are there limitations on agent locations?

1.8 E-money regulations
   a. Is e-money permitted in your jurisdiction?

Section 2: Licensing

Areas for consideration

2.1 License issuing department
   a. Is there a specific division to oversee the licensing of remittance service providers (RSPs)?

2.2 Capital requirements
   a. Are there minimum capital requirements for a new entity wishing to enter the remittances market? If so, what are the limits?

Section 3: Guidelines

3.1 Do guidelines exist for stakeholders that cover the various elements of the remittance markets? These could include some or all of the following. If they do exist, please provide examples or links to where they can be found.

Category	**YES/NO**	**Link**
AML/CFT		
Competition policy		
Payments systems participation		
Agent banking		
Exchange control regulations		
Consumer protection		
Transparency of information		

Section 4: Reporting

4.1 Do remittance service providers (banks, money transfer companies, mobile payments companies, etc) provide transaction related data to the supervisor/regulator? If so, how often and what is the quality like?

4.2 Volume of transactions (inbound/outbound)
   a. What was the total volume (total number of transactions) of inbound transactions in 2017?
   b. What was the total volume of outbound transactions in 2017?

4.3 Value of transactions (inbound/outbound)

a. What was the total value of inbound transactions in 2017? Please provide answer in USD if possible.
b. What was the total value of outbound transactions in 2017? Please provide answer in USD if possible.

4.4 Transaction corridors (values and volumes per period)

a. Please provide the values and volumes of remittances per period for 2017 by corridor if these are available. Please provide at least the ten largest corridors if possible.

Section 5: Oversight/Supervision

5.1 Auditing and internal controls/risk-based approach

a. How does the supervisor undertake ongoing checks on the suitability of the RSP to continue to operate remittance services?

5.2 Site visits by the regulator

a. How frequently does the regulator make site visits?

5.3 Stakeholder working group for sector education and outreach systems

a. Is there a stakeholder working group for purposes of sector education and outreach systems?

Section 6: Good practice

6.1 Data collected dissemination

a. Is any of the remittance-related data that is collected made publicly available or shared with stakeholders?

6.2 Cooperation between send/receive market regulators

a. Are any initiatives in place to facilitate cooperation between the most important send/receive market's regulators? (If yes, please list initiative and send/receive market regulator.)

6.3 Approach to new technology solutions in remittances

a. Have any remittance technology solutions been permitted to enter the market in the past 5 years? If so, please elaborate on which ones.

Section 7: required changes

7.1 What changes/improvements do you think are required to improve the regulatory environment for remittances?

PART B: INFORMAL TRANSACTIONS

1. Do you consider that informal remittance transactions are a problem in your country? If so, what would you say are the key problems associated with the informal remittance market?
2. How large would you estimate the informal remittances volume to be?
3. How does the informal market work?
4. Why do people use the informal remittances market?
5. What are the key attributes of the informal remittances market?
6. Who are the main operators in the informal market?
7. What steps have been taken to try and control the informal remittances market?
8. Have there been any initiatives to help encourage more people to use the formal remittance markets? If so, please outline them.

Parts C to F are optional for public sector respondents depending on their areas of interest. All input would be gratefully received.

PART C: REMITTANCE PRODUCTS

1. Please outline the different types of remittance service that are available in your country, e.g. bank transfers, mobile wallets, agents?
2. Can you provide details on the cost to receive money in your country?
3. How can this be improved?
4. How is the nature of remittance products changing? For example, are new technologies leading to product changes? If so, please outline in which ways?

PART D: REMITTANCE RECEIVERS AND SENDERS

1. Please describe the characteristics of the senders and receivers of remittances.
2. Which country does most of the money being sent to your country come from? Please share any details that you have.
3. Which types of service are used by which type of receiver? For instance, who uses bank account crediting? Who uses cash-based services? Who uses mobile services?
4. Are there differences between rural and urban users? If so, what are they?
5. Are there differences between female and male users? What are the characteristics of these?
6. Are there differences between senders and receivers with different level of skills, education and so on? If so, what are these differences?

PART E: HOW DO PEOPLE choose WHICH PRODUCT TO USE?

1. Who makes a decision on which product to use? The sender or receiver?
2. How do most senders and receivers make their decision on which product to use?
3. What information is available to remitters and their families?
4. Is training provided to migrants before or after they have travelled? If it is provided, what does it look like?
5. Is there a publicly available price comparison site? Please provide the address.
6. What can be done to improve awareness of and knowledge levels among senders and receivers?

PART F: IMPROVING REMITTANCES TO HELP LIVELIHOODS

1. In your opinion what needs to be done to improve remittance markets to achieve the specific objective of helping to improve livelihoods?
2. Who are the main actors who need to work to make these changes?
3. What would you hope to achieve by introducing them?

APPENDIX 8.2: PRIVATE SECTOR QUESTIONNAIRE

Private sector

Discussion guide on Remittance Regulatory Frameworks and Accessibility of Regular Remittance Channels in the Colombo Process Member States

DISCUSSION GUIDE

PART A: REGULATORY ENVIRONMENT

Section 1: Regulatory Framework for International Remittance Markets

1. Please advise on the regulatory framework that you operate within. Specifically:
    a. Is there a remittance-specific regulatory framework in place? If so, please describe it.
    b. Is there a risk-based approach to KYC/AML and remittances in general?
    c. Are there consumer protection regulations in place?
    d. Is there foreign exchange legislation in your country? If so, how does it impact your business?
    e. Does your jurisdiction have legislation prohibiting exclusivity agreements for money transfer companies? How does it impact your business?
    f. Do you have direct (or indirect) access to the payment systems?
    g. Is there agent banking legislation in your country?
    h. Are there e-money regulations in your country?
    i. Are there capital requirements in the market?
    j. Does the regulator provide guidance in any of the following areas?

Category	YES/NO	What guidance have you received
AML/CFT		
Competition policy		
Payments systems participation		
Agent banking		
Exchange control regulations		
Consumer protection		
Transparency of information		

    k. Does your business provide transaction related data to the supervisor/regulator? If so, how often and what is the quality like?

l. How does the supervisor undertake ongoing checks on the suitability of the RSP to continue to operate remittance services? Do they make site visits?
m. What was the total volume (total number of transactions) of inbound transactions in 2017, for the country (and if possible, for your business)?
n. What was the total volume of outbound transactions for your country in 2017 (and for your business)?
o. What was the total value of inbound transactions in 2017? Please provide answer in USD if possible.
p. Please provide the values and volumes of remittances per period for 2017 by corridor if these are available.
q. What changes/improvements do you think are required to improve the regulatory environment for remittances?

PART B: INFORMAL TRANSACTIONS

1. Do you consider that informal remittance transactions are a problem in your country? If so, what would you say are the key problems associated with the informal remittance market?
2. How large would you estimate the informal remittances volume to be?
3. How does the informal market work?
4. Why do people use the informal remittances market?
5. What are the key attributes of the informal remittances market?
6. Who are the main operators in the informal market?
7. What steps have been taken to try and control the informal remittances market?
8. Have there been any initiatives to help encourage more people to use the formal remittance markets? If so, please outline them.

PART C: REMITTANCE PRODUCTS

1. Please outline the different types of remittance service that are available in your country?
    a. Which products does your company provide?
    b. Does your company have different types of products available for different categories of senders (e.g. low skilled vs. high skilled, low salary earner vs. high salary earner, female vs. male, etc.)?
2. Can you provide details on the cost to receive money in your country?
3. How can this be improved?
4. Are there remittance products that you would like to introduce for this market, but are restricted from doing so due to technological limitations? For instance, are there cyber security concerns and costs that limit the ability to offer digital services inbound to your jurisdiction?
5. How is the nature of remittance products changing? For example, are new technologies leading to product changes? If so, please outline in which ways?

PART D: REMITTANCE RECEIVERS AND SENDERS

1. Please describe the characteristics of the senders and receivers of remittances.
2. Which country does most of the money being sent to your country come from? Please share any details that you have.
3. Which types of service are used by which type of receiver? For instance, who uses bank account crediting? Who uses cash-based services? Who uses mobile services?
4. Are there differences between rural and urban users? If so what?

5. Are there differences between female and male users? What are the characteristics of these?
6. Are there differences between senders and receivers with different level of skills, education and so on? If so, what are these differences?

PART E: HOW DO PEOPLE Choose WHICH PRODUCT TO USE?

1. Who makes a decision on which product to use? The sender or receiver?
2. How do most senders and receivers make their decision on which product to use?
3. What information is available to remitters and their families?
4. Is training provided to migrants before or once they have travelled? If so, what does it look like?
5. Is there a publicly available price comparison site? Please provide the address.
6. What can be done to improve awareness of and knowledge levels among senders and receivers?

PART F: IMPROVING REMITTANCES TO HELP LIVELIHOODS

1. In your opinion what needs to be done to improve remittance markets to achieve the specific objective of helping to improve livelihoods?
2. Who are the main actors who need to work to make these changes?
3. What would you hope to achieve by introducing them?

APPENDIX 8.3: NGO QUESTIONNAIRE

NGOs

Discussion guide on Remittance Regulatory Frameworks and Accessibility of Regular Remittance Channels in the Colombo Process Member States

DISCUSSION GUIDE

PART A: REGULATORY ENVIRONMENT

1. Does the regulatory framework environment for remittances in your country help or hinder your work? How does it impact on receivers and senders?

PART B: INFORMAL TRANSACTIONS

1. Do you consider that informal remittance transactions are a problem in your country? If so, what would you say are the key problems associated with the informal remittance market?
2. How large would you estimate the informal remittances volume to be?
3. How does the informal market work?
4. Why do people use the informal remittances market?
5. What are the key attributes of the informal remittances market?
6. Who are the main operators in the informal market?
7. What steps have been taken to try and control the informal remittances market?
8. Have there been any initiatives to help encourage more people to use the formal remittance markets? If so, please outline them.

PART C: REMITTANCE PRODUCTS

1. Please outline the different types of remittance service that are available in your country? Which products does your company provide?
2. Can you provide details on the cost to receive money in your country?
3. How can this be improved?
4. How is the nature of remittance products changing? For example, are new technologies leading to product changes? If so, please outline in which ways?

PART D: REMITTANCE RECEIVERS AND SENDERS

1. Please describe the characteristics of the senders and receivers of remittances.
2. Which country does most of the money being sent to your country come from? Please share any details that you have.
3. Which types of service are used by which type of receiver? For instance, who uses bank account crediting? Who uses cash-based services? Who uses mobile services?
4. Are there differences between rural and urban users? If so what?
5. Are there differences between female and male users? What are the characteristics of these?
6. Are there differences between senders and receivers with different level of skills, education and so on? If so, what are these differences?

PART E: HOW DO PEOPLE Choose WHICH PRODUCT TO USE?

1. Who makes a decision on which product to use? The sender or receiver?
2. How do most senders and receivers make their decision on which product to use?
3. What information is available to remitters and their families?
4. Is training provided to migrants before or once they have travelled? If so, what does it look like?
5. Is there a publicly available price comparison site? Please provide the address.

6. Do you know of any other sources of information that migrant workers and receivers rely upon when choosing which remittance service to use (especially if they do not have access to the publicly available site due to low digital literacy, or living in remote areas, etc.)?
7. What can be done to improve awareness of and knowledge levels among senders and receivers?

PART F: IMPROVING REMITTANCES TO HELP LIVELIHOODS

1. In your opinion what needs to be done to improve remittance markets to achieve the specific objective of helping to improve livelihoods?
2. Who are the main actors who need to work to make these changes?
3. What would you hope to achieve by introducing them?