



WORLD BANK GROUP
Finance & Markets

Remittances and De-Risking

World Bank's role: understanding the effects and
facilitating solutions



WB involvement: understanding the effects and facilitating solutions (1)

A. Collaboration on Surveys and Analysis on De-risking in Remittances Markets and Correspondent Banking (2015/2016)

- G20 Survey on De-risking in the Remittance Market (October 2015)
- Withdrawal from Correspondent Banking; Where, Why, and What to Do About It (November 2015)

[Annex I Survey on De-risking in the Remittance Market](#);

B. Capacity building for risk based AML/CFT regulation and supervision, particularly in countries impacted by de-risking (ongoing):

- Among main reasons for de-risking is the concern about the quality of supervision of remittance providers (and financial sector in general).

[Annex II – Tip-Sheet for AML/CFT supervision of remittance market](#)

C. Financial Inclusion Product Risk Assessment (to Facilitate Simplified CDD); in National Risk Assessments (NRAs) or self-standing 2010-ongoing

WB involvement: understanding the effects and facilitating solutions (2)

- D. Other studies and technical assistance on balancing financial integrity and financial inclusion objectives (2010-ongoing)**
- E. Development of solutions in critical corridors impacted by de-risking (2014-ongoing):**
 - Somalia
 - Strengthening the capacity of the Central Bank of Somalia to supervise Money Transfer Operators by establishing a Trusted Agent to support them in this for 2 years
 - Improved supervision => increased trust of commercial banks on sending end
 - Tonga
 - Leveraging the Development Bank of Tonga for settlement
 - Sender can purchase a voucher using electronic instruments in Australia/NZ; the receiver can redeem the voucher on Tonga account or in cash at a bank branch
 - Yemen (incipient)

WB involvement: understanding the effects and facilitating solutions (3)

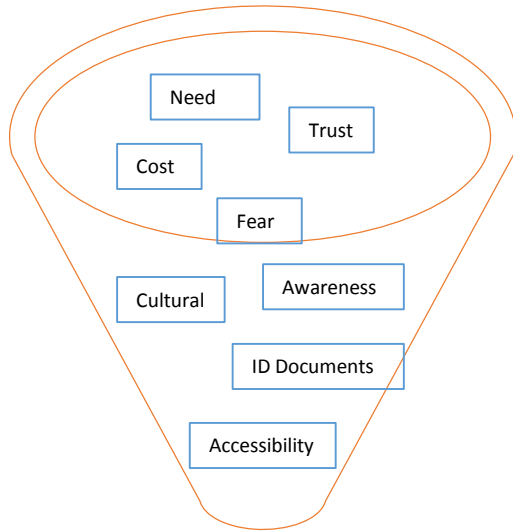
F. Stakeholder Dialogue (May 2016-ongoing):

- Platform to bring together public (policy, supervisors, regulators) and private actors (banks, remittance companies, non-profits) to discuss specific de-risking problems and possible solutions.
- Second round January 2017, focused on de-risking of humanitarian organizations and what can be done to ensure they maintain access.

G. Country Studies (in 4 regions) Late 2016-ongoing:

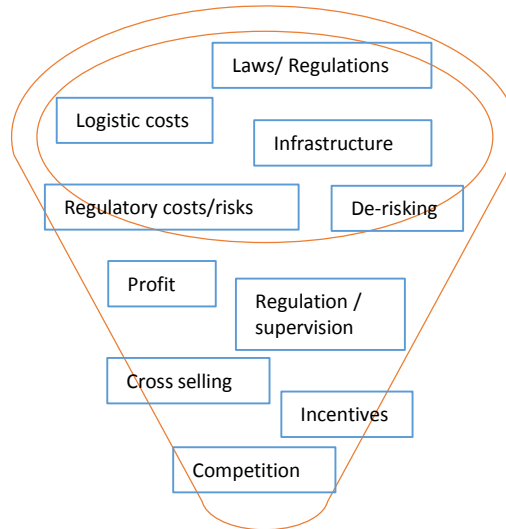
- Economic effects of de-risking on remittances, trade finance, and humanitarian organization/charities.
- Focus beyond effects on the de-risked entities themselves, seeking to assess knock-on effects on customers/users.
- Field work started in March 2017
- Preliminary results expected by June 2017

OUR GOAL: Country specific solutions emerging from understanding of country specific problems



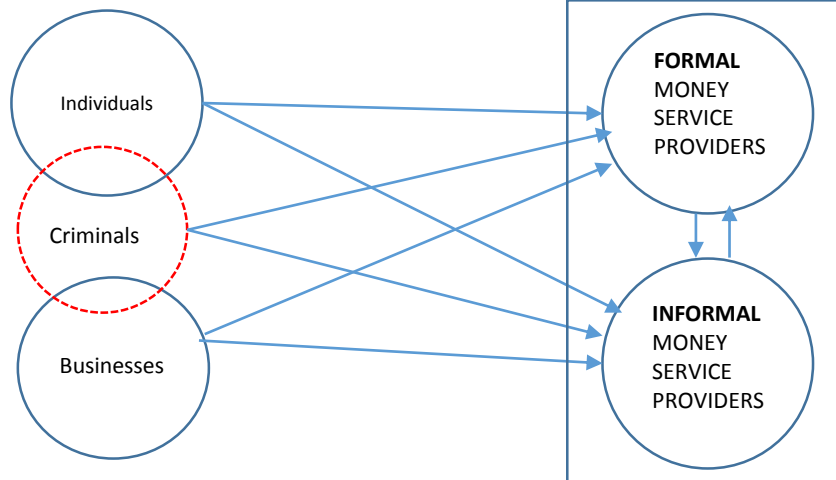
DEMAND

- sending / receiving
- domestic /international



SUPPLY

- sending / receiving
- domestic /international



IMPACT

Can be positive:

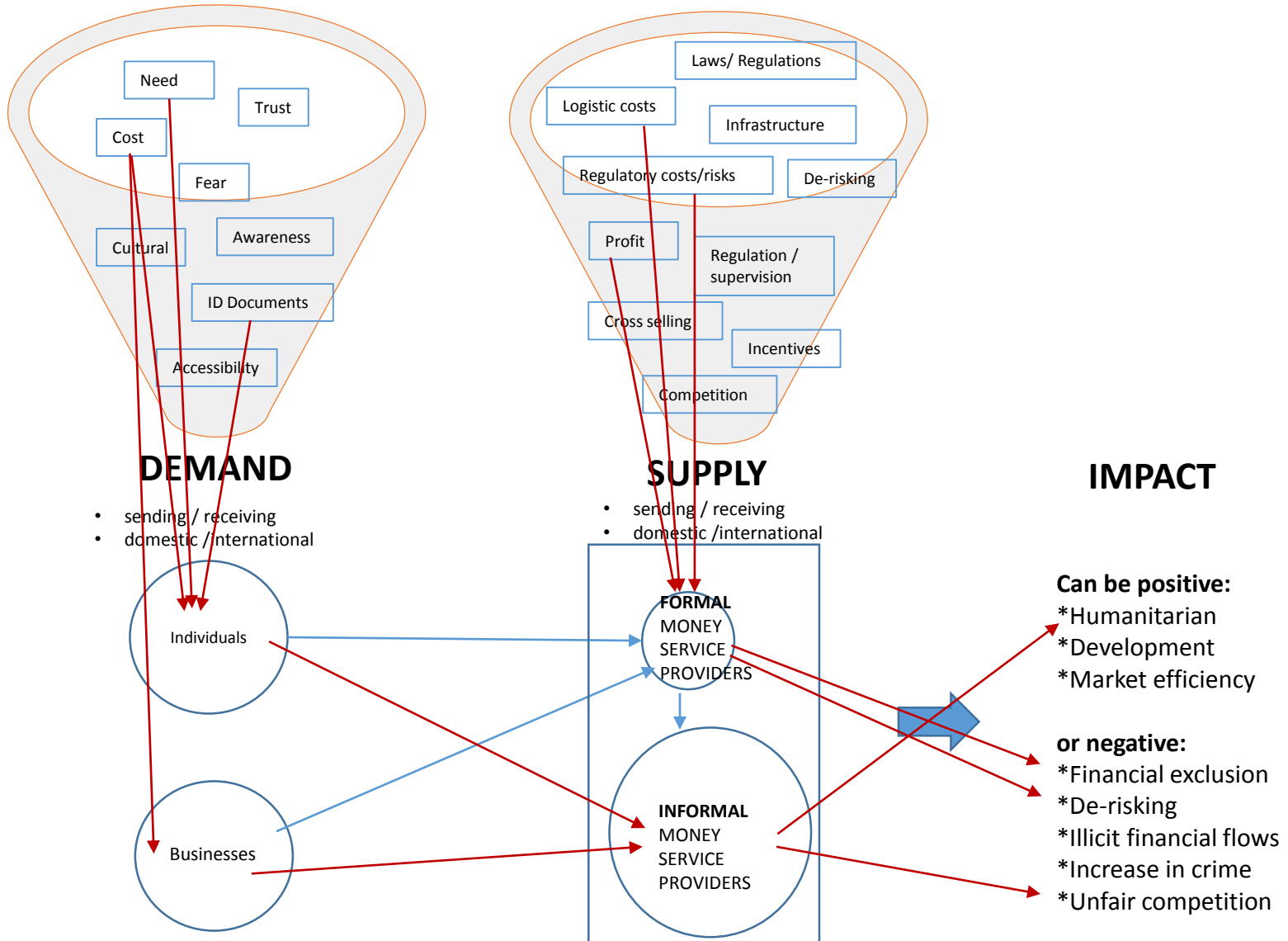
- *Humanitarian
- *Development
- *Market efficiency

or negative:

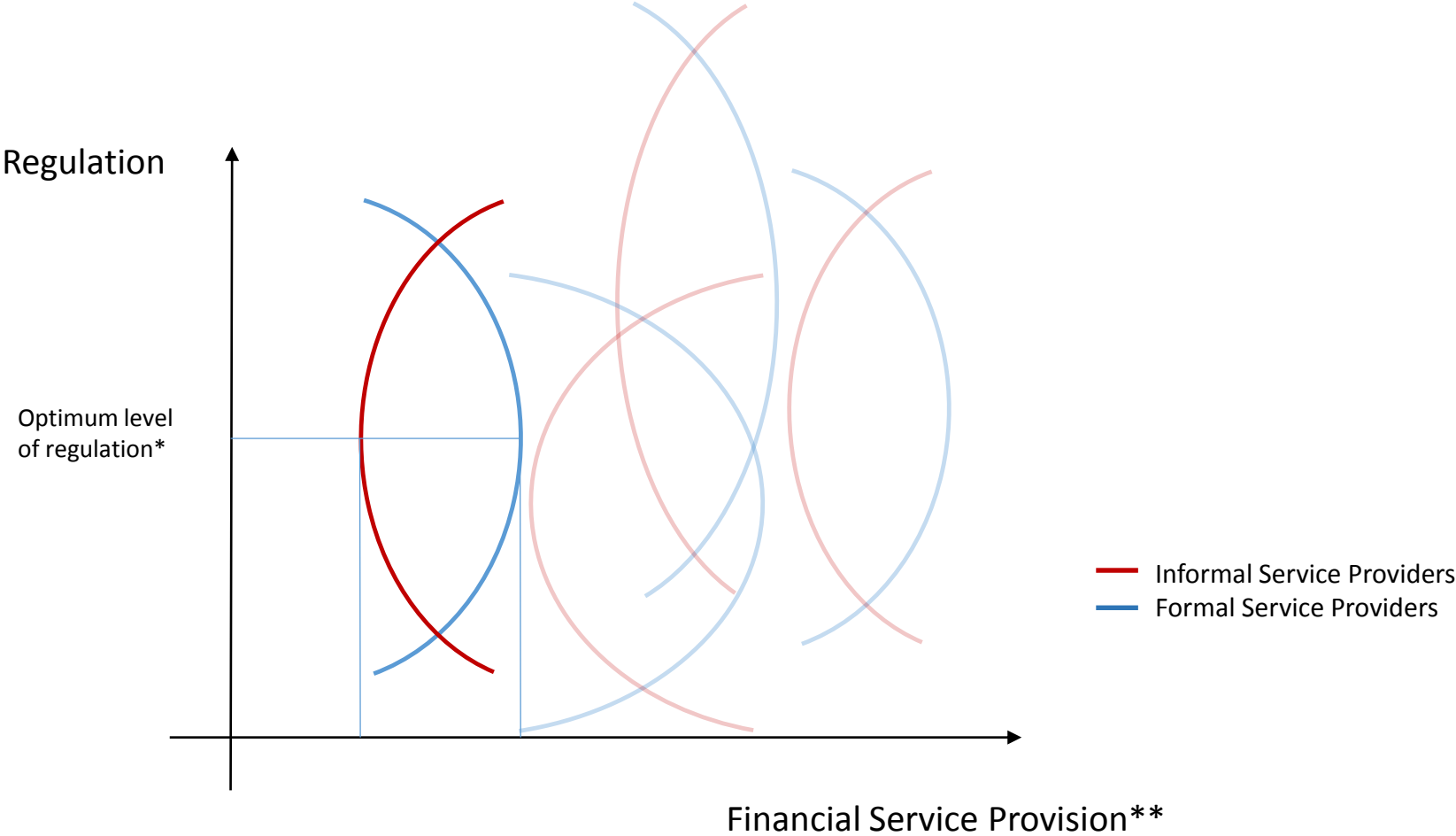
- *Financial exclusion
- *De-risking
- *Illicit financial flows
- *Increase in crime
- *Unfair competition



EXAMPLE:



Optimum level of regulation: Not same for all countries



*Optimum, in terms of informality / formality balance. Not necessarily in cost or price efficiency.

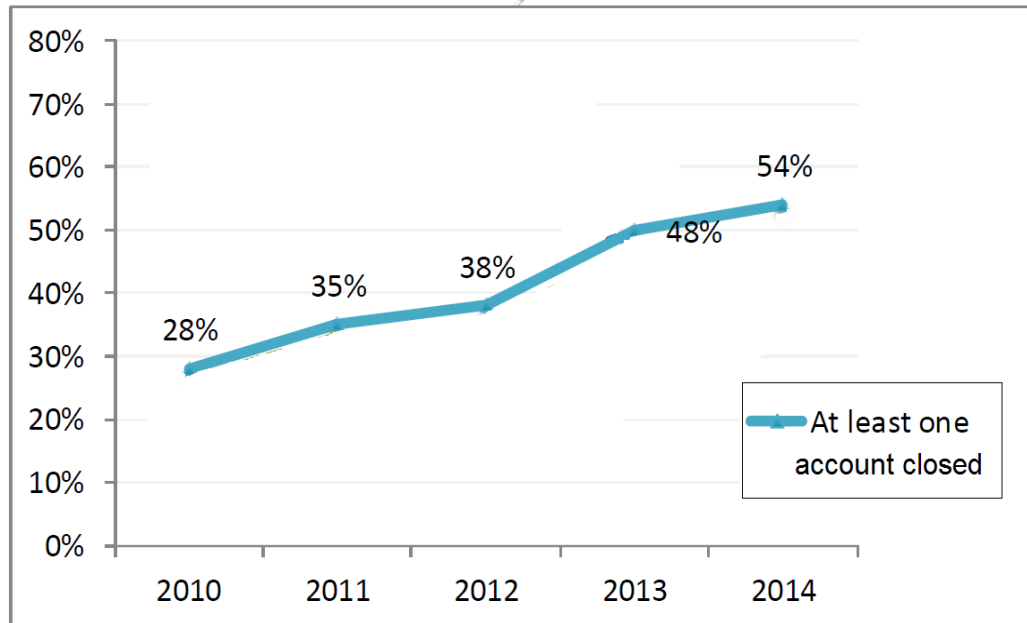
** Demand to financial services held constant.

Annex I

Survey on De-risking in the Remittance Market

**Figure 1. Trend in Bank Account Closures for MTO Clients
(2010 – 2014, MTO Perspective)**

Has your firm, as principal MTO, had bank accounts closed that impede your ability to provide international remittance services? Please record the number of accounts closed.



Although the survey findings relate to 2014, our field experience shows that the de-risking of remittance companies continues. Recently, the decline in formal remittance inflows to a client country has been reported as 18% (pending data). The country authorities are worried about shift to the informal market.

Annex I (cont)

Survey on De-risking in the Remittance Market

MTO Survey – views on supervision and enforcement

Table 2. Differing Perspectives on MTO supervision

	Governments	Banks	MTOs
Remittance business sector is adequately supervised	(84%)	(52%)	(87%)
Banks can rely on adequate supervision to inform their risk-based decisions on opening/maintaining accounts for MTO customers	(84%)	(48%)	(90%)

Table 3. MTO Sector Guidance

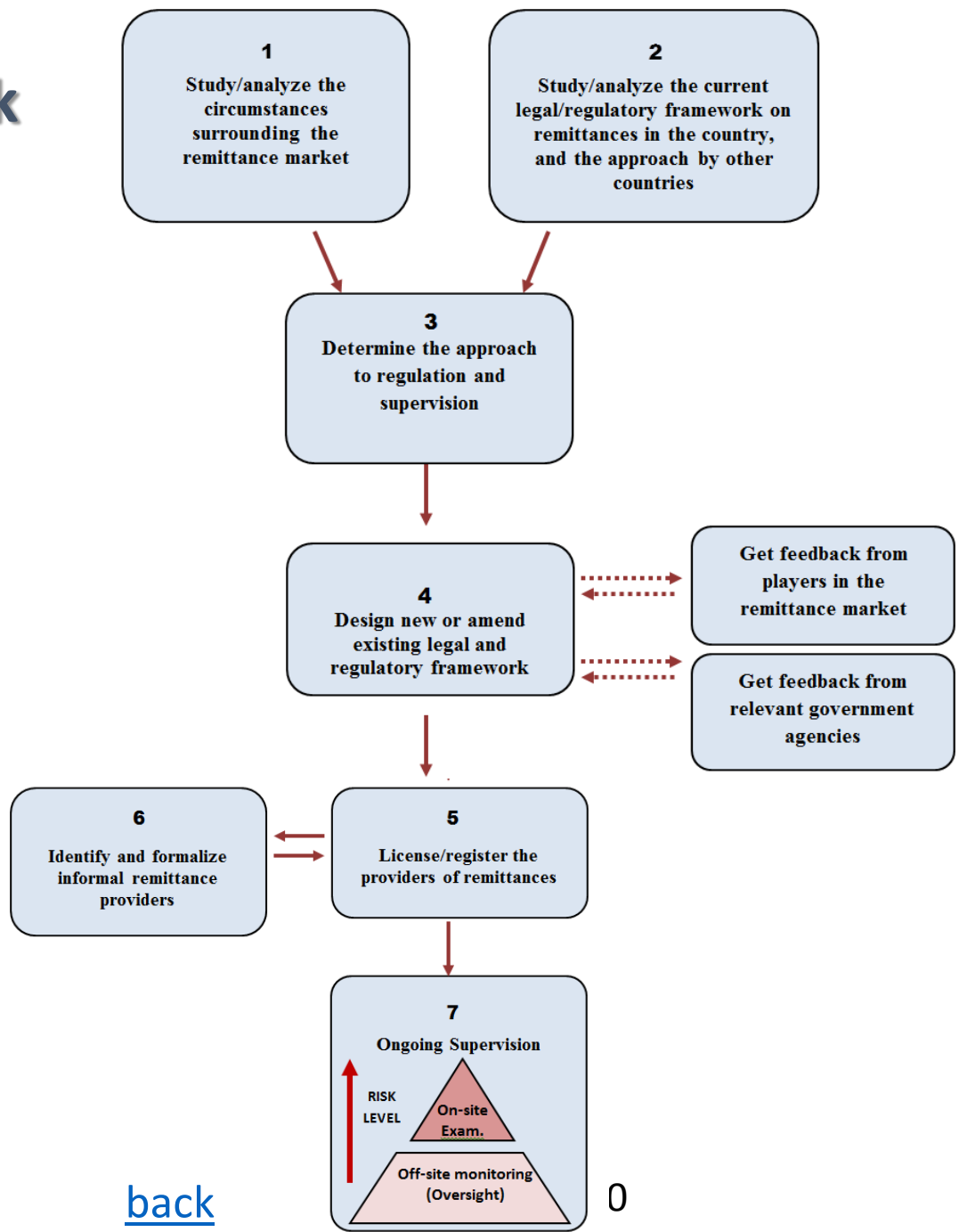
	Governments	Banks	MTOs
Guidance issued to the MTO sector	(84%)		(91%)
Guidance issued to Banks on the provision of bank accounts and banking services to MTOs	(46%)	(52%)	
Was the guidance helpful?		(46%)	(90%)

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Annex II

Making Remittances Work

Contains a practical TIP-SHEET for regulation and supervision of remittance market from AML/CFT aspect



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