NATIONAL REMITTANCE PLAN 2015
UNITED STATES

NATIONAL REMITTANCE PLAN 2015
UNITED STATES

Background

Market overview

Total remittances sent by immigrants residing in the U.S. back to their home countries were estimated at more than $130.85 billion in 2014, according to World Bank data—making the U.S. the largest remittance-sending country worldwide. The top corridors for the U.S., in terms of remittance outflow volumes, are Mexico, China, India, the Philippines, and Vietnam.

Money transfer operators (MTOs) currently are the main formal channels that immigrants residing in the U.S. access in sending remittances to recipients in other countries. Although major international MTOs such as Western Union and Money Gram currently have a large share of the market, there are also numerous smaller MTOs that operate in various immigrant destination cities. Many of these MTOs focus on providing services to niche markets comprised of immigrants from one or more countries. As of mid-2015, there were 260 MTO principals registered in the U.S. and some 230,000 agents.

Mobile money and other new technology-enabled solutions for remittance transfers have been emerging in the past several years. The use of mobile money technology in international remittance transactions currently remains limited. However, there is significant potential for new players offering these services to increase efficiency, reduce costs, and advance financial inclusion.

The average cost (unweighted) of sending remittances from the U.S. was 6.3 percent as of the second quarter of 2015, according to the World Bank. This was below the global average of 7.68 percent.

Regulation and challenges

Supervision and oversight of the MTO sector occurs at both the national and state level. MTOs must register with the Financial Crimes Enforcement Network (FinCEN) as money transmitters and comply with applicable program, recordkeeping and reporting requirements. In addition to federal regulations, 47 states (all except Montana, South Carolina, and New Mexico) and the District of Columbia and Puerto Rico regulate money transmitters and other money services businesses (MSBs). State money transmitter regulations, including licensing requirements, would apply to MTO principals if the MTO is engaged in money transmission activities under state law.

2014 Call to Action on Remittances

The U.S. House of Representatives and the Senate passed the Money Remittances Improvement Act and it was signed into law by the President in August 2014. This law aims to reduce duplicative oversight of MSBs by enabling federal and state regulators to share information about MSBs and certain other financial institutions not subject to federal functional regulation. The law allows the U.S. Treasury Financial Crimes Enforcement Network to rely on state examinations of MTOs, as long as those examinations meet the minimum federal standards of review. The law may also help MSBs by reducing the burden of dual (federal and state) examinations, encouraging more efficient communication with regulators, and making more resources available to improve anti-money laundering compliance and reduce costs associated with money transfers.

In 2013, the U.S. Treasury launched an inter-agency forum on remittances and development and co-leads the forum with U.S. Agency for International Development (USAID). The group aims to connect U.S. agencies and encourage knowledge sharing to improve the development impact of remittances. In 2012, the U.S. Consumer Financial Protection Bureau (CFPB) published rules implementing the provisions of the Dodd-Frank, Wall Street Reform and Consumer Protection Act affecting remittance transfers. The U.S. CFPB continues to monitor the U.S. remittances market to assess the impact of the new consumer protection measures following amendments to the rules, which took effect on 28 October 2013.

2015 Country plan for reducing remittance transfer costs

1. Increase Remittance Market Competitiveness

a. The Federal banking agencies and the National Credit Union Administration (NCUA) are developing guidelines to make available lower-cost remittance transfer services in the U.S. The guidelines' three-pronged aims come directly from the Dodd-Frank Wall Street Reform and Consumer Protection Act–that each of the Federal banking agencies provide guidelines to financial institutions under its jurisdiction on offering 1) low-cost remittance transfers; 2) no-cost or low-cost basic consumer accounts; and 3) agency services to remittance transfer providers.

2. Improve Financial System Infrastructure and Pursue Policies Conducive to Harnessing Emerging Technologies

Improve financial system infrastructure:

a. On January 26, 2015, the Federal Reserve released the Strategies for Improving the U.S. Payment System paper (Strategies Paper), which presents a multifaceted plan for collaborating with payment system stakeholders—including large and small businesses, emerging payments firms, card networks, payment processors, consumers, and financial institutions—to enhance the speed, safety, and efficiency of the U.S. payment system. One of the desired outcomes for the U.S. payment system set forth in the Strategies Paper is enhanced cross-border payments, including remittance transfers, specifically "[b]etter choices for U.S. consumers and businesses to send and receive convenient, cost-effective and timely cross-border payments." The Strategies Paper identifies strategies for improving cross-border payments in support of this desired outcome. For example, the Reserve Banks and industry stakeholders (the co-sponsors) performed an assessment of the use of the ISO 20022 payment format standard in the United States. The co-sponsors evaluated whether adoption of the standard in the United States was necessary for U.S. businesses, financial institutions, and payment networks to remain interoperable and competitive with other markets and for the U.S. dollar to maintain its attractiveness as a global currency. The co-sponsors determined at the time of the assessment that, although there was no overarching financial business case for adopting the standard, there may be strategic reasons for its adoption. A common format promotes ease of transacting domestically and globally by using a single, open standard rather than multiple proprietary standards. Standardizing message formats allows for consolidation of payment platforms at banks and corporations, which could promote straight-through processing and drive down costs.

The co-sponsors identified several key recommendations:

- enable the ISO 20022 standard for cross-border payments;
- promote the ISO 20022 standard through planning and education and develop a national strategy for adoption;
- consider additional issues such as adoption of the standard for domestic payments and for new products and services.

The co-sponsors are in the process of compiling a plan for these recommendations.

The Reserve Banks' current international ACH service, called FedGlobal® ACH Payments (FedGlobal), facilitates remittance transfers and other cross-border payments to 35 countries in North America, Latin America, and Europe. To further facilitate these cross-border payments, the Federal Reserve continues to assess possible expanded service offerings. The Reserve Banks issued a request for information (RFI) in late 2012 regarding various international payments products and services. As a result of the RFI, the Reserve Banks issued a request for proposals (RFP) in late 2013 to identify methods for expanding the current geographic reach of the FedGlobal® ACH service.

Harnessing emerging technologies

b. USAID makes global and market level investments focused on expanding inclusive digital finance ecosystems through improved infrastructure, policy, and regulation. At the global level, USAID is a founder of the Better Than Cash Alliance, an alliance of governments and corporate partners committed to digitizing their payment obligations. USAID is also a funder and intellectual partner of the Consultative Group to Assist the Poor (CGAP), which researches and identifies best practices associated with financial inclusion, including remittances. USAID also makes investments in individual markets. In addition to making remittance transactions faster and cheaper, these investments can also focus on harnessing remittance flows to deepen financial inclusion (in both sending and receiving communities). In Haiti, for example, USAID is currently researching ways by which remittance flows could drive increased account ownership and usage. This research is being conducted to inform Haiti's new national financial inclusion strategy.

3. Discourage Taxes on Migrant Remittance Transfers

a. The U.S. federal government does not tax remittances.

4. Improve Transparency and Consumer Protection of Remittance Transfers

a. The Dodd-Frank Act mandated that the US Consumer Financial Protection Bureau (CFPB)[1] adopt the first federal consumer protection rules for international money transfers (or remittances). These rules took effect in October 2013. With respect to supervision activities and remittances, CFPB issued a "larger participant" rule in September 2014, which allows it to supervise non-bank international money transfer businesses that meet the Bureau's definition of a larger participant—that the entity generally sends more than 1,000,000 international money transfers annually. In addition, the Bureau has the authority to supervise the remittance business lines of financial institutions (banks and credit unions) that have more than $10 billion in assets. The Bureau's supervision program is designed to ensure that banks and nonbanks comply with U.S. consumer financial laws and to detect and assess the risks to consumers that arise from these businesses.

b. The CFPB will continue to monitor industries' efforts to implement its 2013 remittance transfer rule and for compliance with other consumer protection laws. In addition, CFPB continues to evaluate the impact of its rule on consumers and remittance transfer providers. For example, CFPB staff is reviewing data on remittance volumes, entry to and exit from the remittance market, and pricing.

c. The CFPB is also in the process of finalizing a rule that will provide comprehensive consumer protection for prepaid accounts. This rule may ease compliance with the remittance rule for remittance transfers sent via prepaid cards.

d. The CFPB accompanied implementation of the 2013 rule with a consumer education campaign including a media plan to reach remittance senders in the United States through press, television, radio, YouTube, other social media, and in-store public announcements placed in relevant communities. The Bureau drew on U.S. Census Bureau data in preparing consumer education campaign materials in five languages: English, Spanish, Chinese, Tagalog, and French-Creole, which correspond to major

[1] The mission of the CFPB is to make markets for consumer financial products and services in the United States work for consumers by making rules more effective, by consistently and fairly enforcing those rules, and by empowering consumers to take more control over their economic lives. CFPB was created by Congress when it enacted the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010.

remittance destination countries/regions: India, Mexico, China, Philippines, and the Caribbean. In addition to making printable flyers and brochures for the education campaign available to the public online, CFPB sends printed materials on email request (financialeducation@cfpb.gov). The CFPB consulted with other members of the Financial Literacy and Education Commission in developing the consumer education campaign.

e. USAID is currently developing resources to help USAID staff located in developing countries to engage host-government policymakers and regulators to improve policy and regulatory environments, including consumer protection. Additionally, USAID is preparing to launch a Challenge Prize competition to crowd-source innovative technology-based tools that can help financial system supervisors and other stakeholders more effectively protect consumers and build consumer confidence.