



# MIGRANT REMITTANCES

## UNLOCKING HIDDEN POTENTIAL



WSBI



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## ESBG Consultancy Services

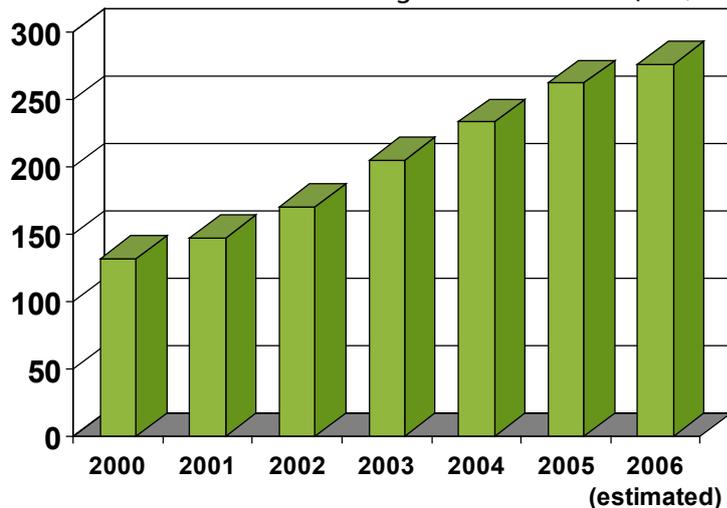
ESBG Consultancy Services is a division of the WSBI and ESBG that works with international and domestic bank regulators, banking sectors and banks worldwide to support the advancement of sound and profitable retail banks. Services cover institution building, organization and operational development, training of management and staff, research, and policy formation projects. Since the early 1990s, our technical expertise has benefited retail banks across Europe, Africa, Central Asia and Asia-Pacific.

## Migration

is one of the major policy concerns of the 21st century. Increasing numbers of people are migrating across borders either temporarily or permanently, motivated by employment, education, freedom, and other opportunities.

Migrant remittances (i.e., the part of migrants' revenues that they send back on a regular basis to their country of origin) worldwide are conservatively estimated to affect 700 million people and total almost \$300 billion annually, more than 2.5 times the amount of official development aid. Only circa \$93 billion of the total figure passes through formal channels.

Global Flows of International Migrant Remittances (US \$ bn)



Source: World Bank staff calculations based on IMF Balance of Payments Statistics Yearbook 2007



## Governments and Regulators

motivated by policies to support inclusive financial services, and to prevent money laundering and other illicit transactions - seek to bring immigrants' transactions into the formal market by promoting a greater role for banks and other financial institutions. At the same time, they aim at maximising the economic and societal impact of significant flows of migrant remittances. ESBG enables authorities to formulate and implement policies that optimise the effectiveness of remittances taking into account national security and legitimacy concerns, in line with the principles developed by the World Bank and Bank for International Settlements (BIS) to guide Governments and practitioners.

### International Framework: "World Bank/BIS Principles for International Remittances"

#### ■ Transparency and consumer protection

The market for remittance services should be transparent and have adequate consumer protection

#### ■ Payment system infrastructure

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

#### ■ Legal and regulatory environment

Remittance services should be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework in relevant jurisdictions

#### ■ Market structure and competition

Competitive market conditions, including appropriate access to domestic payments infrastructure, should be fostered in the remittance industry

#### ■ Governance and risk management

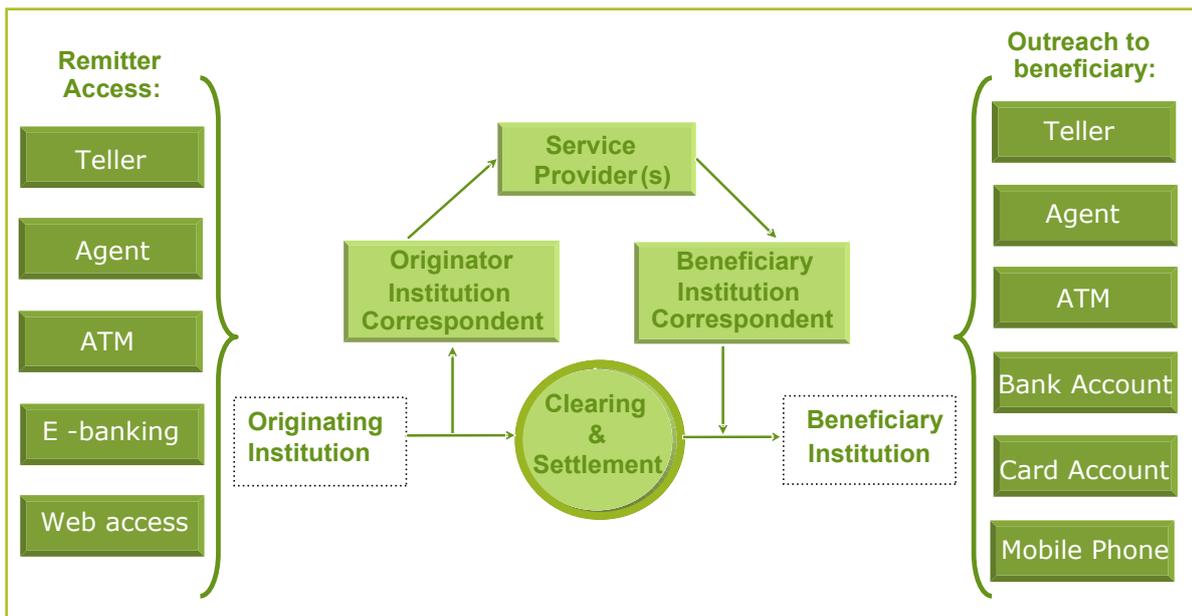
Remittance services should be supported by appropriate governance and risk management practices



## Retail banks

seek to broaden and deepen their customer base, which represents a significant business opportunity with a direct impact on banks' sources of income. Understanding the 'first and last mile' dimensions is a critical success factor in the remittances sector. ESGB provides a tailor made service to originating and receiving banks to develop and implement services for migrants as a special segment and servicing their remittances so as to leverage the remittance opportunity cost-effectively.

## The "first to last mile" requirement





## Governments and Regulators (Receiving country)

### Aims

ESBG's service to authorities in receiving countries supports the formulation and implementation of policies that optimise the effectiveness of remittances whilst taking into account national policy concerns such as balance of payments, monetary policy, and national security.

### About

The phenomenon of migrant remittances is not only an inter-continental one, but is also inter and intra-regional. Remittances pass both through formal and informal channels. The issue is of concern to regulators because:

- Significant portions of national populations benefit from migrant remittances
- Macro and micro-economic considerations, as well as impact on development
- The potential risk of criminality through use of cash and informal channels

### Features and benefits

ESBG will tailor its service to Policy Makers and Regulators' needs and requirements. The components could include:

#### ■ *Market research and studies*

E.g., to identify the context in which remittances take place in the recipient country; who remits funds, how much and frequency; demographic, job and home characteristics of recipients; the purpose of remittances; banking patterns of recipients; assess and quantify the risks and benefits of remittances.

With improved data quality, ESBG will enable Authorities to understand the size of the remittances market in their country, the evolution of patterns, practices and needs.

#### ■ *Identification of key players and potential contributors*

Analyse participation of licensed and unlicensed players, their motives, range of financial and non-financial services provided; design pilot projects and guide beneficiaries in management of programmes.

ESBG will call on its unique multinational knowledge of financial markets, as well as its in-house project management expertise in delivering high quality banking projects and technical advice such as marketing and product management, deployment of services and capabilities.

#### ■ *Country balance of payments implications*

Economic modelling to define the impact of migrant remittances on the balance of payments in the recipient country, and advice concerning the opportunities that might be available.

ESBG's experts will support Authorities in leveraging the optimum economic benefits of remittances received in their country.

#### ■ *Formulation of policy recommendations*

Assessments of the current regulatory environment, addressing licensed and unlicensed players; recommendations concerning regulatory changes needed to increase the economic and social effectiveness of remittances, and to stimulate greater participation by formal sectors.

ESBG will help to develop an improved regulatory environment which provides the greatest opportunity to maximise the benefits of incoming remittances.



# Remitting Banks

## Aims

ESBG's service to remitting banks supports the development and implementation of the business case for treating migrants as a special segment in their customer portfolio.

## About

Governments and policy makers will increasingly seek to encourage formal banking sectors to participate in the business of migrant remittances. Some banks are unaware of the business case for remittances, whilst others are aware but do not know how to go about participating effectively. The main issue is to understand the customer, whose primary concerns are:

- Access to market information
- Access to banking services
- Access to transaction information
- Access to redress procedures

## Features and benefits

ESBG will tailor its service to Remitting Banks' needs and requirements. The components could include:

### ■ *Business case development*

Full support to the development of the business case for participation, including, e.g., market research, design segmentation proposals, service definition, delivery channels.

ESBG will support management in identifying and sizing migrant segments within their existing and potential customer portfolio, assessing the operational and financial viability of providing a distinctive service to the segment, as well as proposing methods of interaction.

### ■ *Service specification and support*

Design and specify a distinct portfolio of products and services that meet the requirements of the identified migrant customer segment, as well as a full marketing plan for deployment of the services, including front and back office support.

ESBG will support the bank in providing the optimum product and service range to the segment that meets its strategic goals.

### ■ *Setting up support and call centres*

Migrants need help desks that take into account their ethnicity as well as the specific issues surrounding migrant remittances. These may require an adaptation of existing facilities, or alternatively the establishment of new dedicated facilities.

ESBG will provide guidance and support in the establishment of the most appropriate facilities that meet this segment's needs.

### ■ *Staff Training*

Development of a pool of staff proficient in the technical issues relating to migrant remittances, alive to cross-selling opportunities, as well as specific issues surrounding the chosen segment.

ESBG will leave the bank with highly trained personnel that interact in the most effective way possible with the segment.

### ■ *Balance sheet implications and opportunities*

Modelling in order to link the remittances flows identified with an adjusted product and market approach and provide advice concerning other opportunities.

ESBG will help the bank to maximise balance sheet and cash management benefits of the remittances business.



## Receiving Banks

### Aims

ESBG's service to receiving banks supports the delivery of a service that helps them to maximise customer retention and obtain the greatest benefit from the remittance effect.

### About

As governments and policy makers worldwide seek to encourage formal banking sectors to participate in the business of migrant remittances, resulting business volumes will increase. This may involve the receiving bank in managing larger numbers and size of transactions, but may also provide opportunities for entry into new target markets. The issues faced by receivers of migrant remittances are similar to those in the remitting country, i.e.

- Access to market information
- Access to banking services
- Access to transaction information
- Access to redress procedures

### Features and benefits

ESBG will tailor its service to Receiving Banks' needs and requirements. The components could include:

#### ■ *Channel maximisation*

Design specific delivery channel methods most appropriate to the remittance recipients, whether through branch, mobile unit or other suitable method

ESBG will support the design and introduction of optimum delivery channels that encourage the target segments to open and maintain their banking relationships with the receiving bank.

#### ■ *Evaluation of product & service portfolio*

Evaluate the existing product portfolio and, as necessary, design and specify a distinct portfolio of products and services that meet the requirements of remittance recipients, as well as a full marketing plan for deployment of the services, including front and back office support.

ESBG will support the bank in providing the optimum product and service range that supports customer attraction and retention.

#### ■ *Staff Training*

Development of a pool of staff proficient in the technical issues relating to incoming migrant remittances that are alive to cross-selling opportunities.

ESBG will leave the bank with highly trained personnel that interact in the most effective way possible with remittance recipients.

#### ■ *Balance sheet implications and opportunities*

Modelling in order to link incoming remittance flows with an adjusted product and market approach and provide advice concerning opportunities to stabilise funding, build up assets in hard currency, etc.

ESBG will help the bank to maximise balance sheet and cash management benefits of incoming remittances.





WSBI (World Savings Banks Institute) is one of the largest international banking associations and the only global representative of savings and retail banks. Founded in 1924, it represents savings and retail banks and associations thereof in 89 countries of the world (Asia-Pacific, the Americas, Africa and Europe – via the European Savings Banks Group).

It works closely with international financial institutions and donor agencies and facilitates the provision of access to financial sectors worldwide – be it in developing or developed regions.

ESBG (European Savings Banks Group) is an international banking association that represents one of the largest European retail banking networks, comprising about one third of the retail banking market in Europe. It represents the interests of its members vis-à-vis the EU Institutions and generates, facilitates and manages high quality cross-border banking projects.

WSBI-ESBG members are typically savings and retail banks or associations thereof. They are often organised in decentralised networks and offer their services throughout their region. WSBI and ESBG member banks have reinvested responsibly in their region for many decades and are one distinct benchmark for corporate social responsibility activities throughout Europe and the world.



## WSBI-ESBG

International not-for-profit associations

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