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Presentation

REGULATORY FRAMEWORK AND IMPROVING STATISTICS ON REMITTANCE FLOWS

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Regulatory Framework and Improving Statistics on Remittance Flows

ADB–MIF/IDB–UNDP Joint Conference on Remittances

Understanding Remittances: Setting Standards and
Partnerships in Remittance

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Regulatory Framework

- Why regulations?
 - What are the main requirements?
 - Some lessons
 - Outstanding considerations
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Improving Statistics on Remittance

- Current concepts
 - Main issues
 - Revised concepts
 - Challenges
 - Partnerships
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Regulatory Framework: Main Issues

- ❑ Remittance flows are an important source of external funds for many countries
 - ❑ Such flows may go through informal remittance systems
 - ❑ Informal remittance providers may pose a particular risk of misuse for money laundering (ML) and the financing of terrorism (FT)
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The Need to Address the ML/FT Risks

- ❑ The FATF special recommendation for a regulatory framework
 - ♣ Bring informal providers into formal arena
 - ♣ Not impede flows nor drive remittance underground
 - ❑ Correct weaknesses in formal sector and raise competitiveness to attract a bigger share of remittance flows
 - ❑ Improve information and data on remittance flows and systems
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Work of the Fund

- Help countries to implement FATF recommendations for remittance systems
 - Part of broader work program on AML/CFT assessments and technical assistance
 - Partner with FATF, FSRBs, other IFIs and countries to develop operational guidance for AML/CFT preventive measures and offer TA on remittance issues
 - ♣ looked at problems of recipient countries that are cash-based economies
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Options for Regulatory Framework

- ❑ Registration or Licensing system
 - ♣ depends on domestic circumstances and regulatory practices
 - ♣ FATF recognizes that oversight should be flexible, effective and commensurate with risk of misuse
 - ❑ AML/CFT requirements and preventive programs
 - ❑ Credible sanctions for noncompliance
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Some Lessons

□ Implications and tensions

- ♣ registration—raises few barriers and may encourage participation; requires resources for monitoring
- ♣ licensing—filters providers and may discourage participation; protects integrity and soundness

□ Possible to alleviate tensions by the conduct of risk-based analysis on the potential for misuse of remittance systems



Some Lesson (continued)

- ❑ Remittance providers should be consulted before regulations and requirements are introduced
 - ❑ Requirements to be clear and simple
 - ❑ Prudential requirements seems unnecessary, proportionate to risks
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Outstanding Issues for Discussions

- Customer identification
 - ♣ Problems for undocumented workers
 - The need for record keeping
 - ♣ format; frequency of reports
 - Reporting suspicious activities
 - ♣ Training; awareness raising; quality reports
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Issues for Discussions (cont.)

- Supervisory issues
 - ♣ Resources; capacity; use of SROs; external audits; cross-border cooperation
 - Access of remittance providers to banking and payment services
 - ♣ Need for bank and remittance supervisors to coordinate activities; assurance of oversight
 - Greater outreach and education
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Improving Statistics: Current Concepts

- In most cases remittance flows are measured through balance of payments (BoP) statistics
 - Countries rely on :
 - ♣ bank reporting systems;
 - ♣ models based on household surveys and labor data; and
 - ♣ counterpart information.
 - Remittances are usually the sum of a few BoP items involving *workers remittance, compensation of employees* and *migrant transfers*, all among related persons
 - The migration status of a remitter is critical to measurement of remittance flows
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Improving Statistics: Main Issues

- ❑ BoP definition of workers remittance is too narrow and imprecise
 - ❑ Link to migration status is problematical; a resident's transaction is classified as a current transfer and excluded
 - ❑ Link to employment income excludes other sources of funds
 - ❑ Difficulty in determining who is a related person; excludes transfers of governments, corporations and non-profit institutions serving households (NPISH)
 - ❑ Current compilation methods have weaknesses, e.g. high thresholds of reporting banks, outdated parameters of models, and failure to capture informal flows.
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Improving Statistics: New Concepts

- ❑ Replace ***workers remittances*** with ***personal transfers***
 - ❑ Include a new item ***personal remittance*** in BoP presentation as a memorandum item
 - ❑ Introduce a new item ***institutional remittances*** which includes cross-border transfers of households, government, corporations and NPISH
 - ❑ Replace migration status with residence status
 - ❑ Identify bilateral remittance flows in compilation of BoP statistics
 - ❑ Drop migrants transfers from remittance flows
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Improving Statistics: New Concepts

Current concepts

Workers remittances

Compensation of employees

Migrants' transfers

Personal transfers

Workers remittances

Other household transfers

Compulsory payments e.g. alimony

Other e.g. winnings

Personal remittances

Personal transfers

Compensation of employees

Payment of taxes

Social contributions

Services transactions, e.g. travel

Household capital transfers

Institutional remittances

Personal remittances without personal transfers

Household to NPISH

NPISH to HH+NPISH

Government to HH+NPISH

Corporations to HH+NPISH



Improving Statistics: Challenges

- ❑ Further work needed on a detailed compilation guide; support for “City Group” format important
 - ❑ Many countries devote insufficient resources to collecting remittance statistics
 - ❑ Commitment of national compilers working in partnership is prerequisite for strengthening remittance statistics
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Improving Statistics: Partnerships

- ❑ United Nations Technical Sub-group on the Movement of Persons (TSG) – partnership with central banks, national and international statistics agencies, and IFIs.
 - ❑ Balance of Payments Committee (BOPCOM) – 6th BoP Manual
 - ❑ Advisory Expert Group on National Accounts (AEG) – 1993 SNA
 - ❑ Task Force on Statistics of International Trade in Services (TFSITS)
 - ❑ The IMF stand ready to partner with the ADB and member countries to strengthen remittance statistics. In parallel, ADB could help countries devote more resources to compiling remittance data and study important corridors for such flows
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 - IMF paper on regulatory aspects of remittance available at:
<http://www.imf.org/external/np/pp/eng/2005/021705.htm>
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 - Further information:
<http://www.worldbank.org/data/remittances.html>
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