



2021 CALETA

ANNUAL REPORT

THE DIGITAL TRANSFORMATION
PROMISE OF A NEW DYNAMIC
FOR CROSS-BORDER PAYMENTS



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ABOUT



The International Association of Money Transfer Networks (IAMTN), a not-for-profit membership organisation, is the only global trade association that represents the cross-border payments industry. IAMTN's members include, inter alia, banks, payment institutions, electronic money organisations and mobile operators.

Founded in 2005, IAMTN provides a platform for industry partners to come together to discuss common challenges and industry initiatives, and to create opportunities.

IAMTN works closely with governments, regulators, and all other important stakeholders - such as the FATF, FSB, World Bank, International Fund for Agricultural Development (IFAD), UNCDF, Swiss Agency for Development and Cooperation, UK Foreign, Commonwealth and Development Office, African Union - to champion the creation of the most effective, safe, reliable and efficient payment systems and mechanisms for migrants globally.

CALETA

Caleta is an independent research and development company founded in 2017. We conduct research and promote concrete solutions for more inclusive and responsible finance at the global level. Our mission is to empower people by enabling access to financial services. We collaborate with all the stakeholders of the cross-border payments industry to reach this goal, as part of the global efforts towards reaching the Sustainable Development Goals.

The data collected and generated by Caleta makes unprecedented knowledge available to the industry, which provides new insights and new solutions to existing challenges.

ABOUT OUR SPONSORS

alfardan exchange

[Al Fardan Exchange](#) is a member of the Al Fardan Group, which has roots stretching back to 1954. Emerging from a seafaring and pearl trading tradition to a commercial trade, the Al Fardan name is built on a solid bedrock of security and reliability. Leveraging on the Group's diversified business interests and successful operations in real estate, high-end jewellery and financial services, Al Fardan Exchange holds global reach with trust and credibility as its main ethics.

Established in 1971, Al Fardan Exchange has had the unique opportunity of playing a part in supporting communities who have helped build this nation.

Today, we are incredibly proud to serve the UAE's cosmopolitan community through our 80+ strong network, spanning across all Emirates. Reinforced by strong relationships with over 150 global corresponding banks, financial institutions, and other financial service providers, we offer secure transactions that firmly place reliability and trust in the forefront.



[Arf](#) is a global settlement network for licensed money service businesses (MSBs) worldwide.

Operating in 60+ countries, Arf provides fully compliant and real-time cross-border settlements, stablecoin-based credit line, global treasury accounts, and compliant DeFi high-yield for licensed MSBs.

Follow us on [LinkedIn](#), get insights from our [blog](#) and [get in touch](#) for more information.



Based in Sydney Australia and established 2005, [Ceylon Exchange](#) is reputed for its excellence in money transfer services and currency exchange. Beginning with nothing more than the intention of giving our clients the most expedient way to send money to their loved ones in Sri Lanka, our operations have grown in size and scope since our inception.

Our aim is to provide all our customers with affordable and efficient service, maintain the availability of a wide array of leading foreign currencies at competitive rates, and ensure a hassle-free process, benefiting both transferor and transferee.



[Merchantrade Asia](#) is a leading non-bank financial services player in Malaysia offering its products and services both on its digital platform and at its extensive physical network of branches and agents nationwide. Its core businesses comprise remittance, currency exchange, payments and micro-insurance.

Financial inclusion is the key inspiration behind every product, service and technology that we innovate. With decades of experience within the industry, strong tech capabilities and an innate understanding of our key customer segments, we have successfully developed an end-to-end ecosystem of digital financial solutions that empower underserved communities in a multitude of ways. With a mission to make a difference and a positive impact, our collaborative efforts together with our like-minded partners have been made possible for us to help millions in the underserved communities in Malaysia and in the region with our innovative financial services.



TRUELAYER

[TrueLayer](#) is a global open banking platform that makes it easy for anyone to build better financial experiences.

Businesses of every size use TrueLayer to power their payments, access financial data, and onboard customers across the UK, Europe, and Australia. Trusted by millions of consumers and businesses around the world, our vision is to create a financial system that works for everyone.



[UniTeller Financial Services](#), a subsidiary of Grupo Financiero Banorte, one of the largest Financial Groups in Latin America and the second-largest in Mexico, is a Cross Border Payment Processor based in the United States and one of the market leaders offering International Remittance and Cross Border Payment Processing Services. With an extensive network of more than 200,000 paying locations in over 80 countries worldwide, UniTeller offers coverage in Latin America, Asia, Africa, and Europe.

At UniTeller, we embrace changes in technological advancements to remain relevant to our partners. We act as a processing partner with a customised business and revenue sharing model that adapts to our partners' needs. UniTeller has partnered with more than 100 Remittance Companies, Banks, Telco providers, Fintechs, International Payment Institutions, and Retailers in North America, Latin America, Europe, and Asia. Through our Turnkey White Label and API solutions and integrations, our partners are able to provide digital cross-border payments across the globe.

The impact that UniTeller has on the lives of people goes far beyond providing an affordable, dependable, and secure money remittance service. As the world evolves and technology advances, we continue to grow our platform enabling us to further connect our immigrant communities with their roots and the ones that are most important to them.

FOREWORD

This report was prepared by Veronica Studsgaard, Chairman at IAMTN, and Melissa Erisen, Researcher at Caleta ApS.

The report provides an in-depth analysis of the trends, challenges and opportunities that shaped cross-border payments and, in particular, remittances in all regions of the world during 2021. Its findings highlight that, globally, the past year has been much more than just a year of recovery. 2021 has been characterised by fast technological innovation and adoption, which has led to massive investments in the cross-border payments industry.

The aims of this report are to share our research findings with the industry, provide insights, and discuss how to improve the remittance landscape to benefit all of the actors involved, especially the customers.

The financial support of Merchantrade, Arf, Al Fardan, UniTeller and TrueLayer in the preparation of this report has been much appreciated.

We are grateful to all the companies which shared their valuable expertise and experiences with us. Additionally, we wish to express our gratitude to Nikila Punnoose, Head of Partnerships at IAMTN, for coordinating the communication and organising the interviews with the private sector. Finally, and as always, we would like to thank all of our members for being invaluable parts of the IAMTN network and supporting the creation of knowledge on remittances.

METHODOLOGY

The majority of the data for this report has been collected by IAMTN, thanks to its close collaboration with the private and public sectors. To explore the changes in the remittance landscape we invited cross-border payments practitioners operating in the remittance industry to contribute to this process.

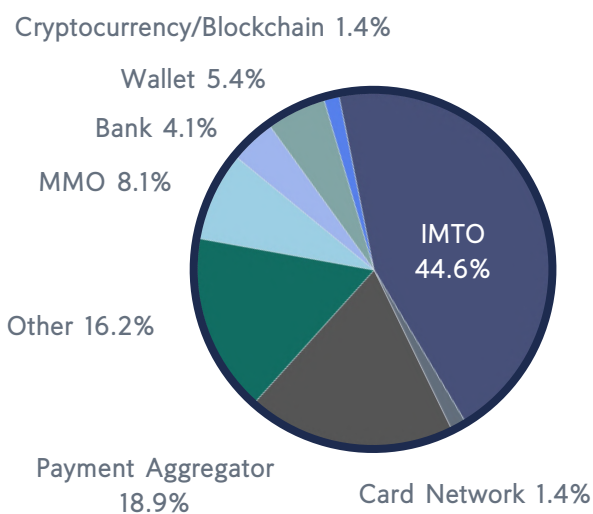
The methodology includes qualitative research, through a series of semi-structured interviews with key industry players.

Quantitative survey methods have also been used to gather and analyse large amounts of data on the remittance industry. The survey was completed by many businesses operating in the remittance industry, ranging from remittance services providers to banks, card network operators, payment aggregators, and others. Both the largest players and small businesses are represented in the dataset.

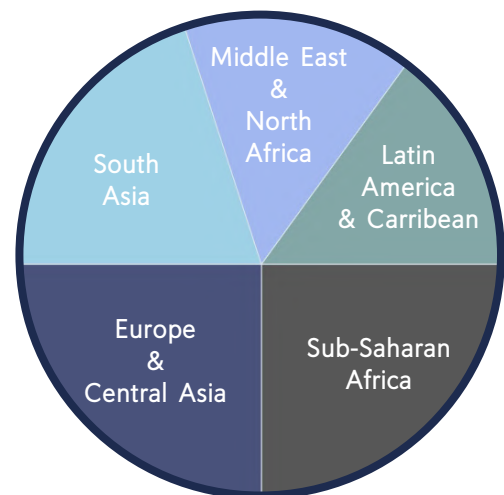
Businesses operating in all major remittance regions responded to the survey.

The distribution of regions where respondents operate is shown in the graph below.

SURVEY RESPONDENTS



REGIONS OF OPERATION OF RESPONDENTS



Finally, desk research has also been a key component of the process.

CHAPTER 1
A NEW
DYNAMISATION OF
THE REMITTANCE
INDUSTRY IN 2021



REMITTANCE TRENDS

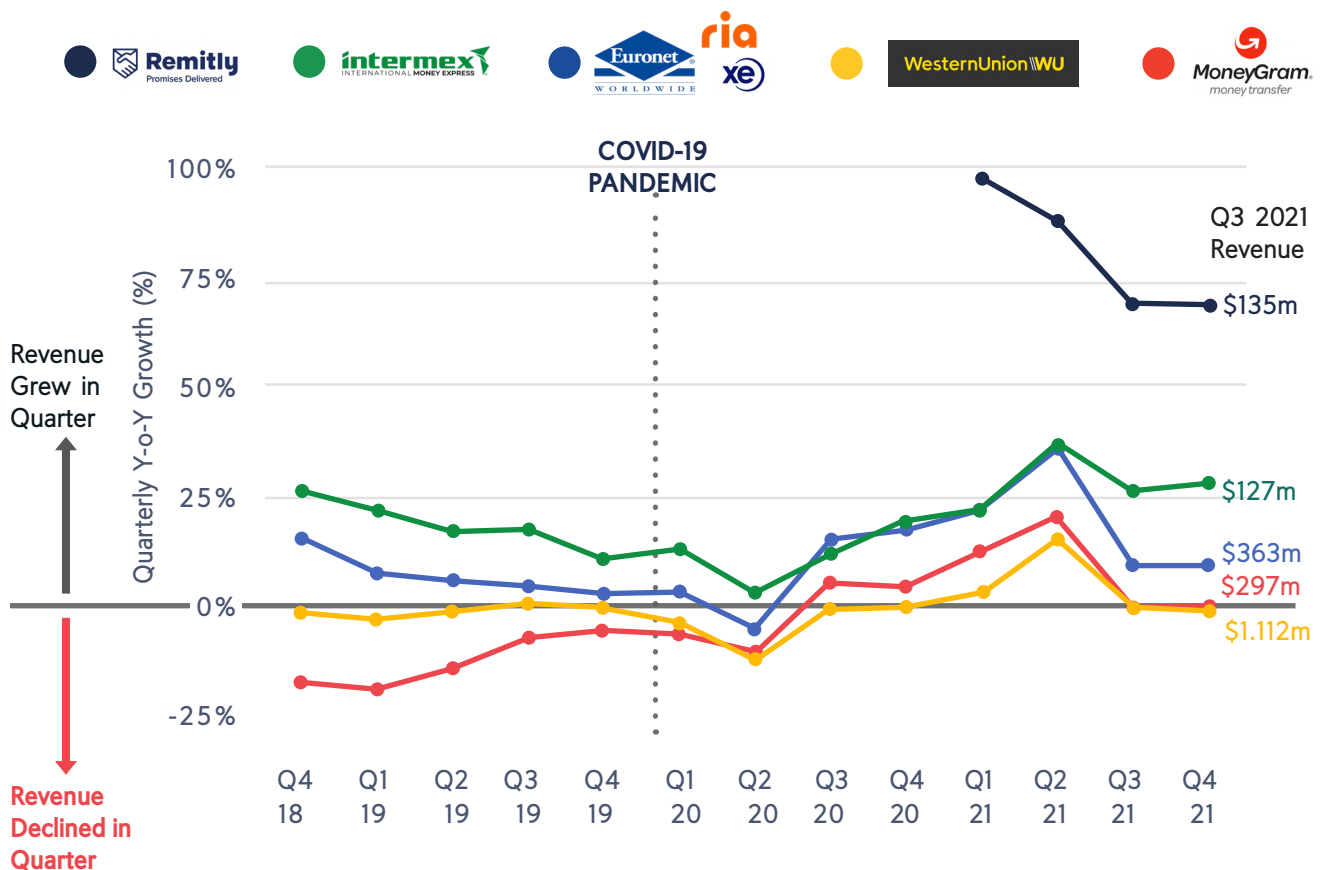
After being affected by the COVID-19 pandemic during the previous year, 2021 was a year of recovery, growth and new beginnings for the remittance industry. While these new beginnings have been taking different forms across countries, it has been clear that migrants all over the world have endeavoured to support their families. Despite general expectations, remittance flows experienced a sharp decline only in the immediate aftermath of the COVID-19 pandemic restrictions, such as travel bans and lockdowns. However, after the second quarter of 2020, remittance volumes increased steadily, and continued to increase throughout 2021. This pattern is observable when looking at revenue growth from the consumer money transfer segment of the largest companies in the remittance sector, as shown below.

In 2021, remittance flows to low- and middle-income countries increased to \$605 billion, which represents a growth of 8.6%¹. Simultaneously, worldwide remittance volumes have reached \$773 billion.

While remittances increased exponentially in Q1 and Q2 of 2021, the growth continued in a more stable manner in the last two quarters of the year.

Figure 01

QUARTERLY CONSUMER MONEY TRANSFER SEGMENT REVENUE GROWTH 2018-2021

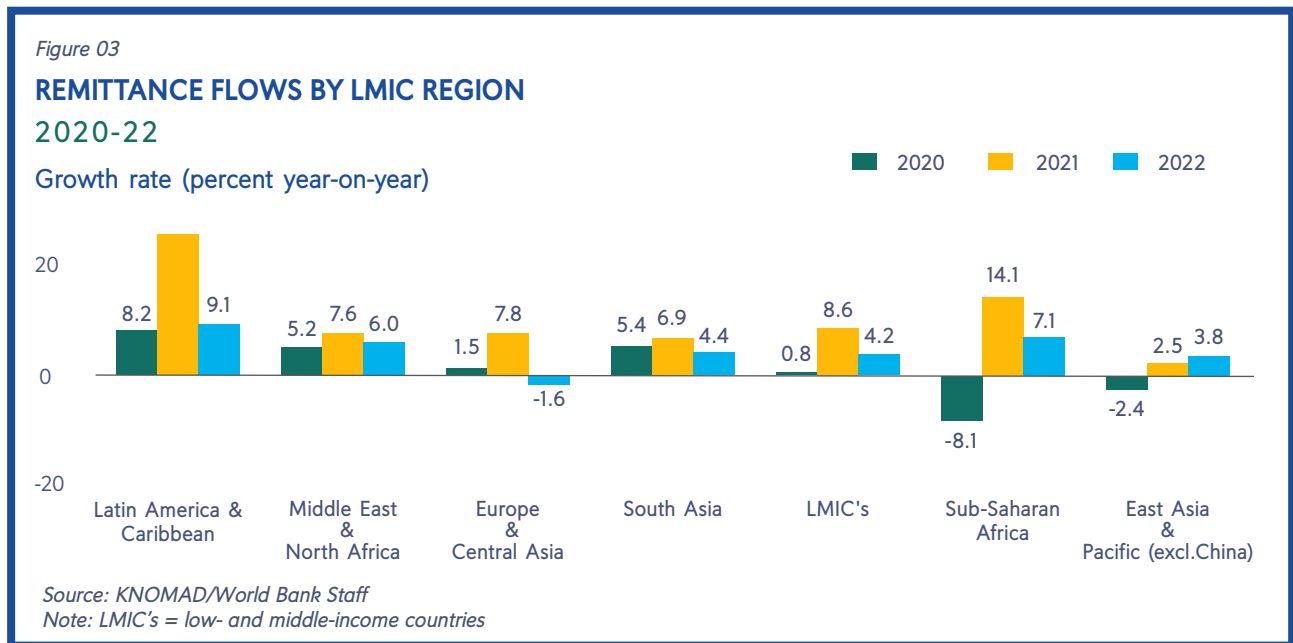
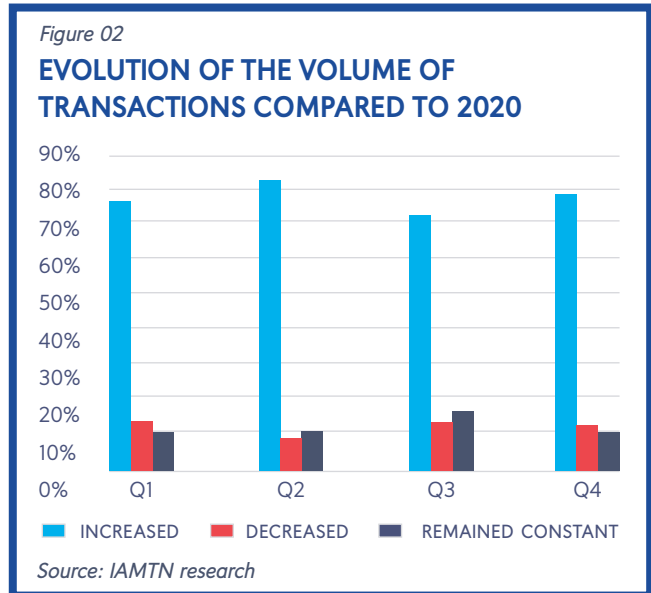


Source: FXC Intelligence Analysis, Company Financials. Q3 2021 consumer money transfer revenues shown. Remitly quarterly comparisons not available before Q1 2021

Asking a large sample of remittance services providers how their volumes of transactions evolved in 2021 when compared to 2020, over 70% of companies reported increased volumes compared to the previous year.

About 10% saw a decrease in their volumes, and another 10% reported that volumes remained constant.

Growth in remittance flows in 2020-2021 was particularly strong in Latin America and the Caribbean, with 25.3%, while Sub-Saharan Africa, South Asia, and the Middle East and North Africa reported growth rates between 6% and 10%. Europe and Central Asia saw a growth rate of 7.8%, while East Asia and the Pacific (excluding China) reported 2.5%¹.



This observed growth in remittance volumes can be attributed to the revival of economies after the initial instability caused by the pandemic. Customers switching from using informal to more formal channels for remittances also appear to have played a role. As physical contact, cash circulation and border crossings were highly limited in 2020 owing to COVID-19 lockdowns, many customers became accustomed to sending money through formal, digital remittance services providers.

DATA FROM CENTRAL BANKS IN KEY RECEIVING COUNTRIES

- **India** received \$87 billion (INR 5,788 billion) in remittances in 2021, with funds from the United States accounting for over 20% of this total (World Bank data).
- **The Central Bank of Egypt** (CBE) reported that remittances from Egyptian expatriates increased by about 6.4%, or \$1.9 billion, during 2021, recording about \$31.5 billion, compared to 2020's \$29.6 billion².
- According to **Banco de México**, remittances grew by 27.1% in 2021, totalling \$51.6 billion.
- **Bangko Sentral ng Pilipinas** (BSP) announced that remittances from overseas Filipinos reached a new high of \$34.884 billion in 2021, equivalent to 8.9% of GDP.

THE STRONG GROWTH OF REMITTANCES IN LATIN AMERICA AND THE CARIBBEAN

In 2021, Latin America and the Caribbean saw a notable growth in remittances, which reached the historic high of \$131 billion, and growth of 25% compared to 2020¹. One of the factors contributing to this robust growth was the COVID-19 recovery, hurricanes, the fiscal stimulus in the American economy and higher migration to the US.

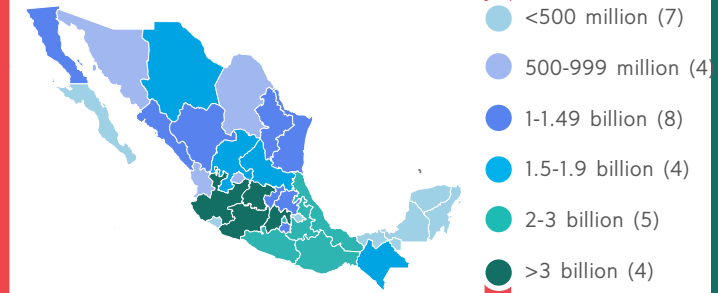
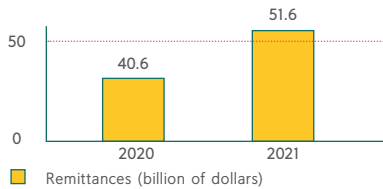
Mexico is the third largest remittance recipient globally, and the largest in Latin America, receiving 42% of the regional total. One reason for the increase in remittances to Mexico was the resurgence in migration from Mexico to the US, with 1.7 million migrants crossing the US-Mexico border last year. This number includes migrants from Honduras, El Salvador, Guatemala, Haiti, Venezuela and Cuba, who also received remittances while transiting in Mexico. Overall, remittances to Mexico increased by 27% in 2021, totaling \$51.6 billion.





MEXICO WAS THE THIRD LARGEST RECIPIENT OF REMITTANCES IN THE WORLD IN 2021.

REMITTANCES TO MEXICO INCREASED BY 27.1% BETWEEN 2020 AND 2021.



Jalisco, Michoacan, and Guanajuato were the main recipients of remittances. Along with the State of Mexico, Mexico City, Guerrero and Oaxaca, these seven states concentrated almost half of the social remittances received during 2021.



ORIGIN BY STATE OF REMITTANCES TO MEXICO (2021)

Billions of Dollars

- California (33.2%)
- Texas (15.9%)
- Minnesota (7%)
- Arizona (3.5%)
- Florida (3.3%)



94.9%

OF REMITTANCES ARRIVING IN MEXICO IN 2021 CAME FROM THE U.S.

+340

WAS THE EQUIVALENT OF AVERAGE REMITTANCES IN 2021

11.1%

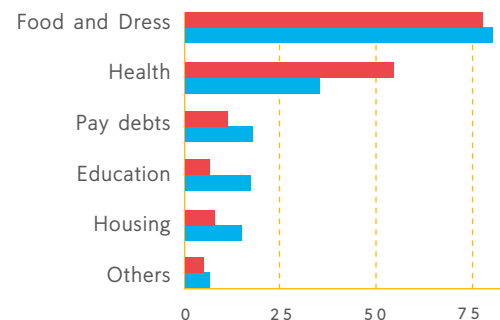
GROWTH OF AVERAGE REMITTANCE PAYMENT IN 2021

California accounted for over 1/3 of all remittances; Texas and Minnesota were the second and third largest sending states.

REMITTANCES RECEIVED ARE PRIMARILY SPENT ON FOOD, CLOTHING, AND FAMILY HEALTH CARE.

MAIN USES OF REMITTANCE BY GENDER (2017)

Women Men



REMITTANCES ACCOUNT FOR

4%

OF MEXICO'S GDP IN 2021



A striking increase in remittance volumes throughout 2021 was confirmed by UniTeller, one of the main remittance services providers in the US-Mexico corridor. The company explained that most of this dynamism continues to be favoured by a strong recovery of the US labour market, which was greatly supported by the continuation of the incentive programs of the Federal Government during most of the year. In addition, the lack of economic growth in Mexico further increased the pressure felt by Mexicans living abroad to continue supporting their families back home.

Apart from its impressive growth, perhaps the most interesting fact about the Latin American remittance landscape is its innovativeness, which is revolutionising the way people send money in the region. UniTeller explains that not only are the volumes for remittances to Latin America increasing for digital payment companies, but transfers to bank accounts and wallets are also experiencing an increase in growth: in some cases at twice the market growth, outpacing cash payments.

The use of cryptocurrencies for remittances in the region has seen a mixed response. So far, cryptocurrencies are being used mainly for settlement purposes by companies and as an alternative send-receive method in economies such as Argentina and Venezuela.

Apart from that, national governments in the region are increasingly considering initiatives to ease the process of receiving remittances online. For example, **Brazil's Central Bank** launched an instant payment platform called 'Pix' in February 2021. Its aim is to allow consumers and companies to make money transfers 24 hours a day, seven days a week, without requiring debit or credit cards³.

In early 2021, 93 fintech companies in **Mexico** were able to apply for the Financial Technology Institution (FTI) licence, thanks to the fintech law launched in March 2018⁴.

In **Chile** the Commission for the Financial Market published a proposal called the 'Fintech Law' bill to establish a legal framework applicable to fintech companies⁵.

At the end of 2020 **Colombia** launched a regulatory sandbox for fintech companies to promote and increase the efficiency of such companies⁶. In fact, UniTeller confirms that Colombia, powered by fintech growth, represents a promising opportunity.

This digitisation effort comes as a benefit for consumers, since digital transactions are a more efficient remittance tool which will continue to drive down the cost of payments in the region.

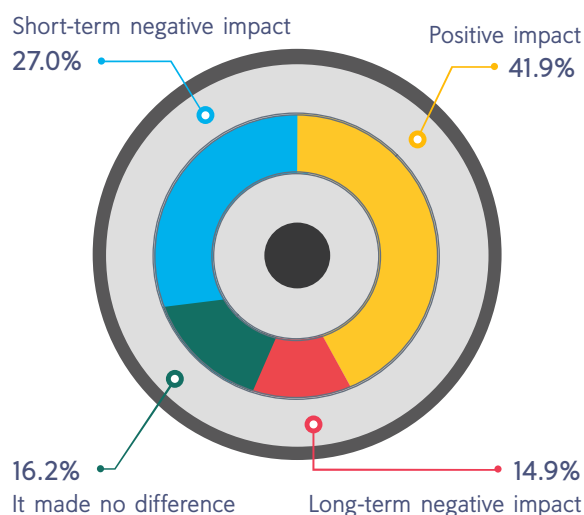


CHALLENGES AND OPPORTUNITIES FOR REMITTANCE SERVICES PROVIDERS IN 2021

2021 was a year characterised not only by a growth trend in global remittances, but also by changes in customer behaviour, including rising customer expectations. A large majority of surveyed remittance services providers reported that COVID-19 has affected their businesses, in either good or bad ways. The pandemic brought considerable challenges, especially towards the beginning. In 2021, however, most businesses state that these challenges have translated into long-term opportunities. Nevertheless, approximately 15% consider that the pandemic has ultimately had a negative impact on their businesses.

Figure 04

COVID-19 IMPACT ON REMITTANCE BUSINESSES



Source: IAMTN research

THE OPPORTUNITIES AND CHALLENGES REPORTED BY REMITTANCE SERVICES ARE AS FOLLOWS:

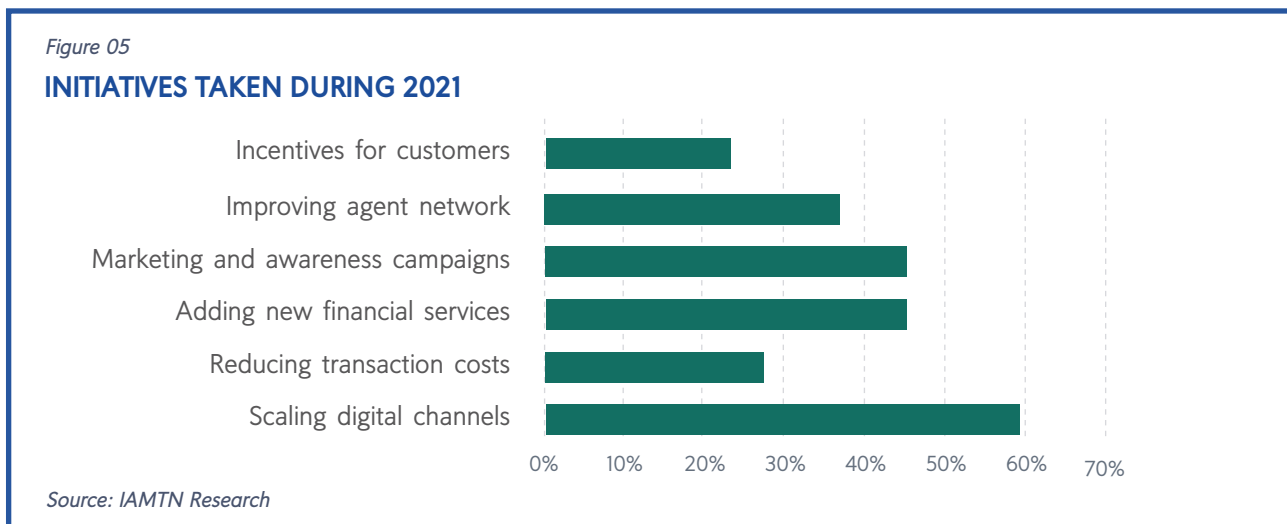
OPPORTUNITIES

- ➔ Increased customer awareness of digital platforms
- ➔ Increased confidence in digital platforms
- ➔ Greater level of digital adoption
- ➔ The pandemic drove faster business model innovation
- ➔ Consumers are willing to pay higher prices for formal, more trustworthy companies
- ➔ Higher volumes of remittances sent as support to families during the pandemic
- ➔ Increased interoperability

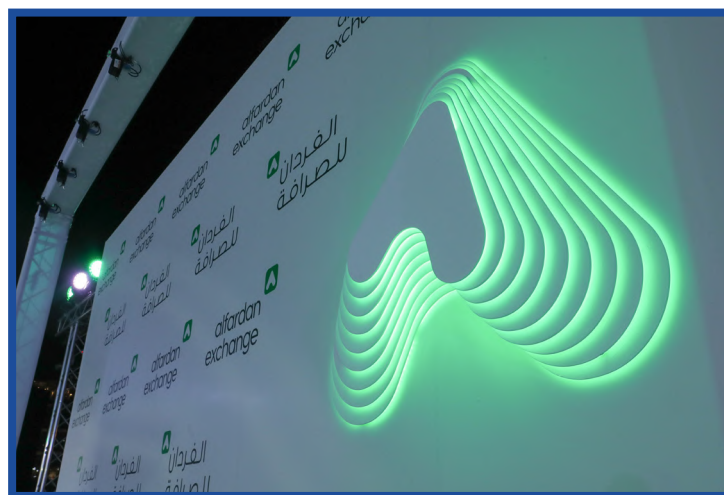
CHALLENGES

- ➔ Increasing customer expectations
- ➔ Customer acquisition in certain segments which prefer cash is challenging for digital platforms (for example, the domestic help segment)
- ➔ Customer education to digital channels was a long process
- ➔ Lack of digital marketing expertise
- ➔ Fraud management more challenging
- ➔ Lack of qualified staff
- ➔ Lack of funding
- ➔ For new brands in the market, customer acceptance has been especially challenging
- ➔ Regulatory uncertainty
- ➔ Enhanced competition in the remittance landscape
- ➔ The entrance of fintechs is a challenge for traditional remittance services providers
- ➔ Outdated settlement systems
- ➔ Bank de-risking

In response to the challenges and opportunities mentioned above, most remittance services providers have taken a number of initiatives during 2021. As shown in the figure below, close to 60% of respondents scaled their digital channels during the year. A large proportion also launched marketing and awareness campaigns, and added new financial services.



Al Fardan Exchange, a leading financial services provider in the United Arab Emirates, sheds light on the performance of the year 2021. After the challenges of the previous year, 2021 saw the industry settling in a new equilibrium, where the importance of digital channels was enhanced. Al Fardan Exchange experienced a significant level of digital adoption, and has seen a double-digit growth in the year 2021. The company has implemented an omni-channel digital strategy and launched its Super App, 'AlfaPay'.



In order to be able to provide efficient remittance services, the private sector needs the support of the public sector, and therefore **expects action from regulators in the following areas:**

- ➔ Expansion of real-time payment platforms
- ➔ Improvement of interoperability between different payment and settlement systems
- ➔ Easing of regulation on digital payments
- ➔ Allowance of e-KYC where not allowed, or creation of more flexible procedures
- ➔ Building of customer confidence, possibly by issuance of a 'security seal' to certify sites
- ➔ Opening of regulatory sandboxes



CHAPTER 2 THE DIGITAL TRANSFORMATION

Over the years, innovation has changed and disrupted the payments industry, both domestically and internationally. As technologies enable new possibilities regarding the speed, cost and accessibility of money transfers, many customers have shifted their behaviours towards an increased use of digital payments. Between 2020 and 2021, the global digital payments industry increased to \$5,873 billion, a compound annual growth rate of 16.1%⁷. The same trend can be observed in the remittance industry: as digital remittances continue to increase, so many businesses keep exploring new ways of using technologies to enhance the efficiency of cross-border payments. **The pandemic has been instrumental in boosting the shift towards the use of digital channels for remittances, but not at the same pace across regions.**

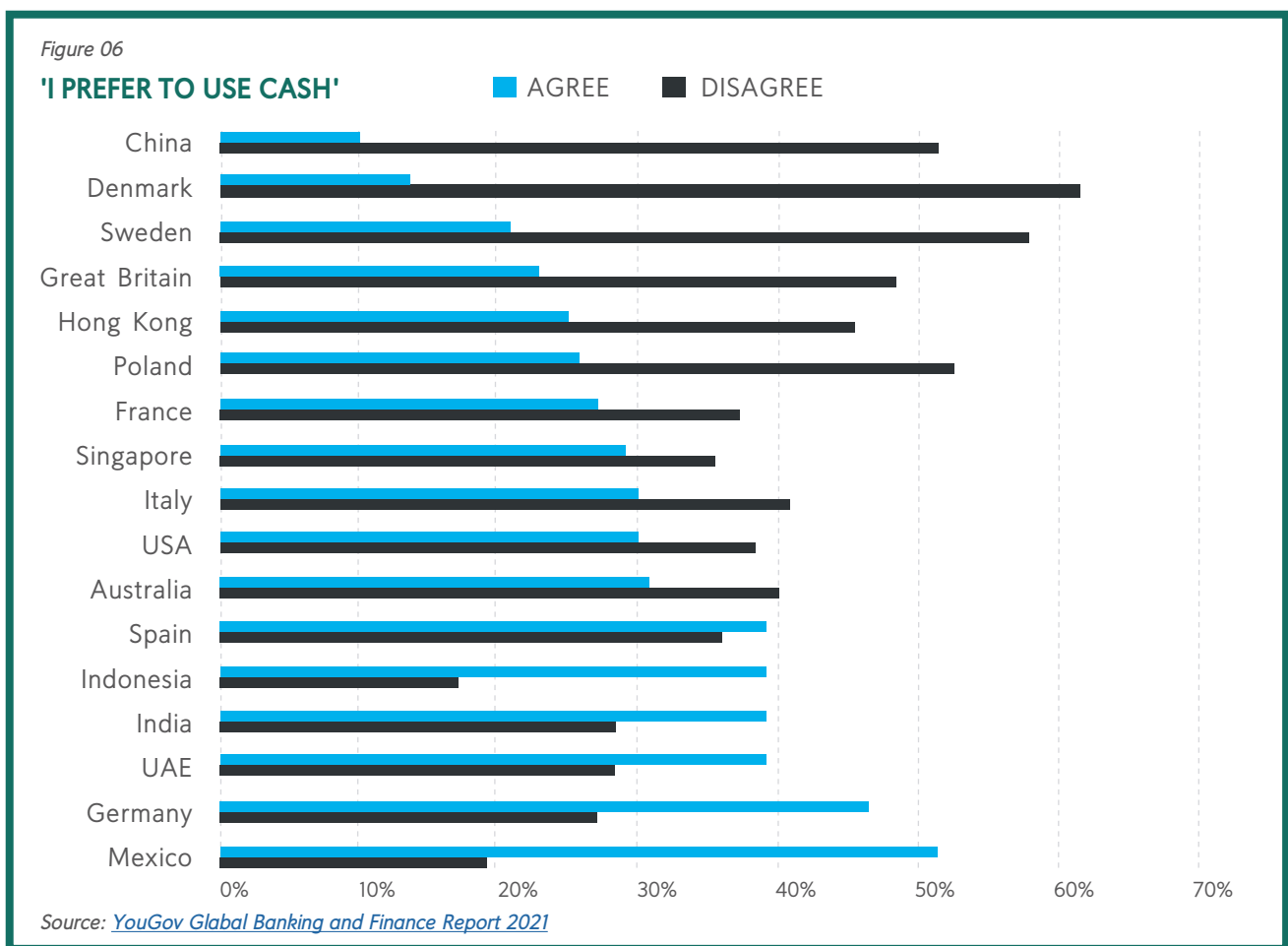
This chapter provides a detailed overview of the extent to which digitalisation is important across regions, and outlines the different technologies that are used for remittances, with their benefits and drawbacks.

FROM CASH TO DIGITAL

THE IMPORTANCE OF CASH

The remittance industry is undoubtedly evolving towards a more digital future. **In 2021 we saw that, despite a continued acceleration of digital adoption, some regions remain heavily dependent on cash.**

A survey by YouGov UK asked respondents in different countries whether they preferred the use of cash. While about 50% of respondents in Mexico agreed, less than 15% were in agreement in Denmark or China, where digital payments are prevalent.



The same patterns can be observed in the remittance industry.

- **Up to 90%** of remittance payments in Mexico are conducted in cash⁸
- **About 80%** of remittance payments in the UAE are conducted in cash
- **About 70%** of remittance payments in Brazil are conducted in cash
- **About 20%** of remittance payments in Australia are conducted in cash
- **60%+** of remittances are picked up in cash in the Philippines
- **60%+** of remittances are picked up in cash in Bangladesh

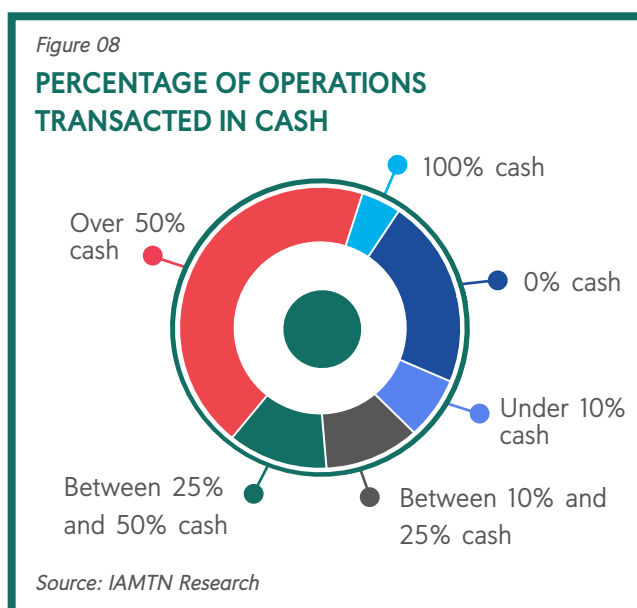
There is still a widespread dependence on cash to send and collect remittances: a few factors explain why some regions are more dependent on cash than others. Underdeveloped digital payments infrastructure and services are important considerations.



Trust is another element that was identified through our survey: many individuals tend to have a higher degree of trust in cash than other channels. Since 1.7 billion people worldwide are still unbanked, cash will remain important in the coming years. Accessibility issues also come into play, as some regions, especially rural ones, have limited internet access, thus restricting people's ability to use digital remittance channels. For these reasons, it is vital that cash remains an option for remittances in order to ensure accessibility for all.

Of all the different remittance businesses that responded to our survey, 78% transact part of their operations in cash, with 44% conducting over half of their activities in cash.

Merchantrade Asia, one of the largest remittance services providers in Malaysia and South-East Asia, operates a hybrid model, using both a digital platform and an extensive network of over 1,100 touchpoints throughout the country.



The company's internal research clearly indicates that face-to-face communication is a key channel to promote education and guidance on financial literacy, making it a strong catalyst in the transition to digital for migrant workers. This is especially apparent in rural locations where there are lower literacy levels, less tech savviness and language barriers among the migrant workers.

Whilst maintaining service for customers who prefer to walk into physical outlets, Merchantrade Asia is also committed to educating its customers in and promoting the use of digital channels, which are much more convenient. This is done by means of marketing collaterals and social media, which includes step-by-step tutorials and Q&A sessions in the customers' native languages.

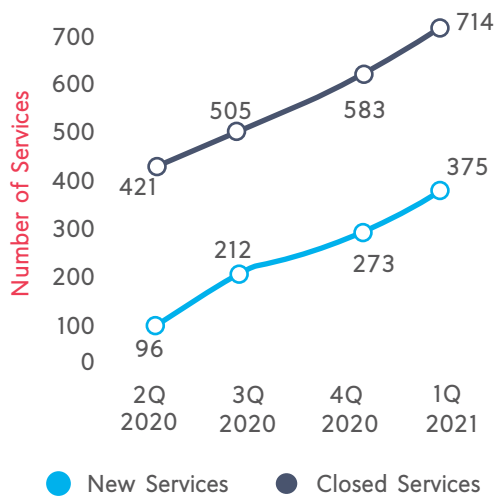
THE GROWTH OF THE DIGITAL REMITTANCE LANDSCAPE

While the importance of cash should be recognised, the remittance industry is moving towards a more digital future. During the two last years, cash-based services accounted for 70% of closed remittance services, but only a fraction of newly introduced ones (35%)⁹. Today, digital remittance services are available in 75% of remittance corridors around the world⁹.

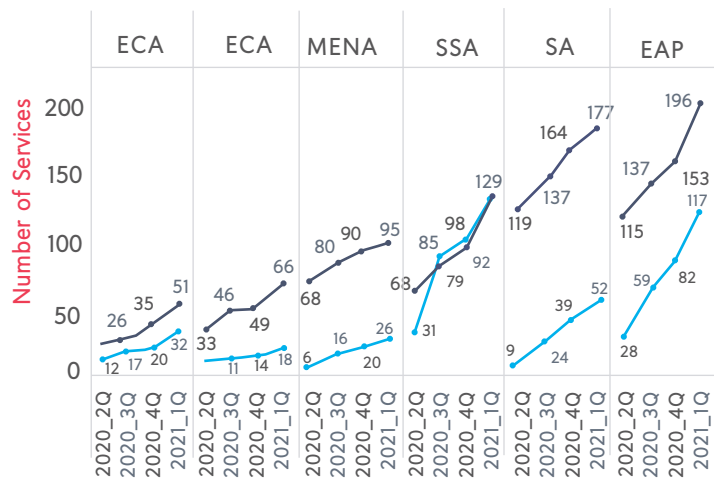
Figure 09

EVOLUTION OF REMITTANCE SERVICE OFFERING DURING THE PANDEMIC

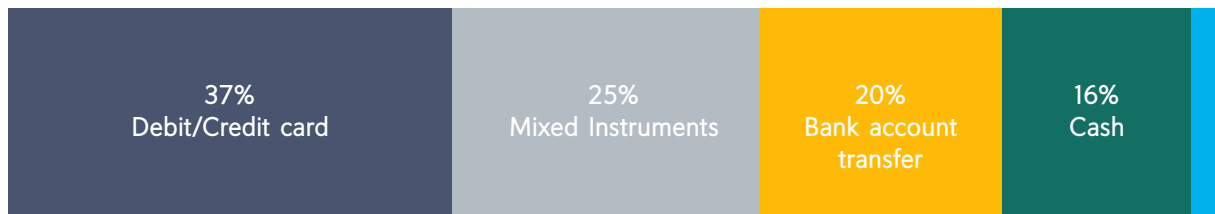
RUNNING TOTAL OF CLOSED AND NEW SERVICES



RUNNING TOTAL OF CLOSED AND NEW SERVICES BY REGION

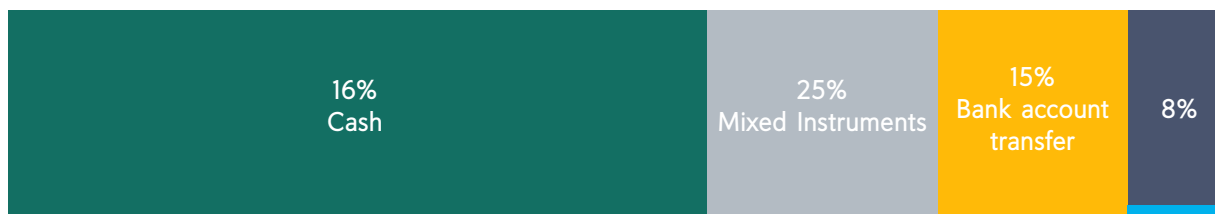


NEW SERVICES



Debit/Credit card Mixed Instruments Bank account transfer Cash Mobile Money

CLOSED SERVICES



Source: Remittance Prices Worldwide database, World Bank

Of the businesses which completed our survey, 60% stated that they scaled their digital channels during 2021. In fact, as the pandemic compelled many people to remit digitally for the first time, a large number of them are now becoming accustomed to digital money and seeing its benefits. As such, customers' behaviours began to change and they overcame the trust curve faster.

The use of digital channels allows not only a reduction in the price of remittances, but also improvement in the speed of transfers which, according to remittance services providers, is becoming a key requirement of customers.



In regions such as the Middle East, digital payments were already growing rapidly before the pandemic. Nevertheless, 2020 and 2021 have been decisive years, with double-digit growth in the use of digital remittances, according to Al Fardan Exchange.

The move from cash to digital payments is not the only change observed in the remittance industry: consumers are also altering their preferences in terms of payment methods. According to the private sector, one of the systems experiencing the highest growth is the use of digital wallets, especially in Southeast Asia which has a 25.5% compound annual growth rate¹⁰ and is set to expand by 311% in the next five years. Digital wallets are also growing in Latin America and the Middle East and North Africa regions.

Figure 11

MOBILE WALLETS IN USE (in millions) BY REGION (2020-2025)

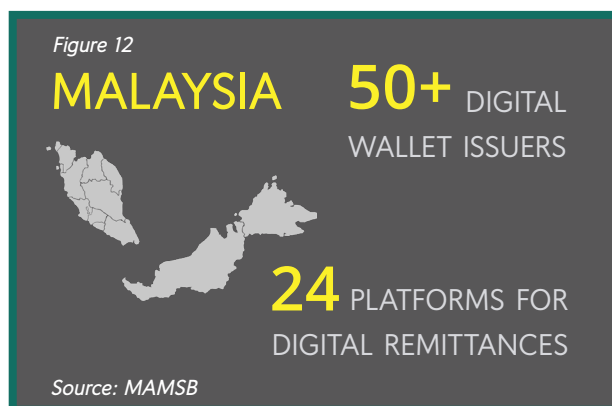
YEARS	2020	2025	CAGR
North America	184.7	275.4	8.3%
Latin America	227.3	605.7	21.7%
West Europe	200.1	331.9	10.7%
Central & East Europe	76.3	248.9	26.7%
Asia Pacific	1,343.40	1,541.40	2.8%
Indian Subcontinent	269.2	550.4	15.4%
Rest of Asia Pacific	179.7	520.7	23.7%
Africa & Middle East	322.9	798.2	19.8%
GLOBAL	2,803.70	4,872.70	11.7%

Source

An example from Southeast Asia is the digital remittance app, eRemit, which is available in Malaysia and Singapore. eRemit, which is owned and operated by Merchantrade Asia, serves migrant workers in both these countries, processed an increasing volume of transactions throughout 2021 catalysed by the movement restrictions due to the pandemic and the heightened awareness of and acceptance by consumers of digital platforms. With the closure of physical locations and the inability to travel during lockdown periods, the mobile app proved to be a vital resource, as it became the only way that many migrants were able to continue supporting their families in their home countries. In addition to its user-friendly UI/UX and multilingual options, eRemit has been able to attract a large migrant worker base with its fast transfers and affordable services.

Overall, the development of a multitude of wallets and mobile app solutions in the Asia Pacific region expands the number of options available to consumers and increases competition among businesses, thus leading to a reduction in service fees and more competitive rates.

The Malaysian Association of Money Services Businesses confirms that e-wallets are one of the fastest growing payment methods in the country, becoming preferred by customers because of their security and convenience. Many mobile wallets are available, including TNG digital, Touch 'n Go eWallet, GrabPay, Boost, Maybank E-Wallet (MAE), and more.



To date, the country offers a total of 53 e-wallets, with the industry occupying 19% of Malaysia's fintech space, according to a 2019 report by Fintech Malaysia¹¹. This upward trend shows no sign of slowing down in the immediate future, especially as the accelerated growth of e-wallets in the country is in line with the central bank's aim to transform Malaysia into a cashless society within the next 20 years. Bank Negara Malaysia (BNM) established a blueprint emphasising its aim to increase the number of per capita e-payment transactions from 44 to 200 transactions per year.

In other regions such as Europe, the growth observed in digital methods was mostly through card-wallets.

In Australia, an initial return to agent locations was observed after the lockdowns, but remittance service providers now observe that digital remittances are bouncing back and growing. Additionally, some providers explain that funds are increasingly being retained in the digital ecosystem.

Latin America is also moving towards a digital future, with its transition to digital happening at a faster pace than those experienced in Europe or North America. The expansion of internet access and increase in mobile phones in the region are enabling the growth of digital payments and the entry of a multitude of innovative fintechs. For instance, the Brazilian neobank, Nubank, is now the biggest digital bank in the world, with over 40 million customers.

In Africa, while reliance on cash is still important, the race towards digital payments has also started. The most used digital channel for remittances is **mobile money**, with four big players (Orange, MTN, M-Pesa Africa and Airtel Africa) serving most customers. Apart from mobile money, many digital wallets such as Flash and Leaf Global Fintech are well established within Africa.

As the digital payments industry is booming, the largest tech companies, such as Google, Amazon and Facebook (now Meta), have joined the realm of payments in the last few years. In 2021, only Facebook had truly started working on new remittance solutions. In fact, (Facebook-owned) WhatsApp has launched a P2P payment service, currently available only in India and Brazil.

Rising customer expectations

In this context of booming digital payments, many remittance services providers highlighted that customers have adjusted their expectations to the new digital possibilities. In many cases, customers demand instant payments. Real-time transfers have an increasing role to play in the cross-border remittance ecosystem as consumers expect these remittances to be as seamless and fast as their domestic payments. The expectation of better customer service has also been noticed by many remittance providers.

Customer expectations

- More competitive pricing
- New financial products and services
- Real-time cross-border transfers
- More payout options
- More transparency
- Additional value-added services
- Availability of one-to-one customer service
- Faster service at point-of-sale
- Enhanced focus on security

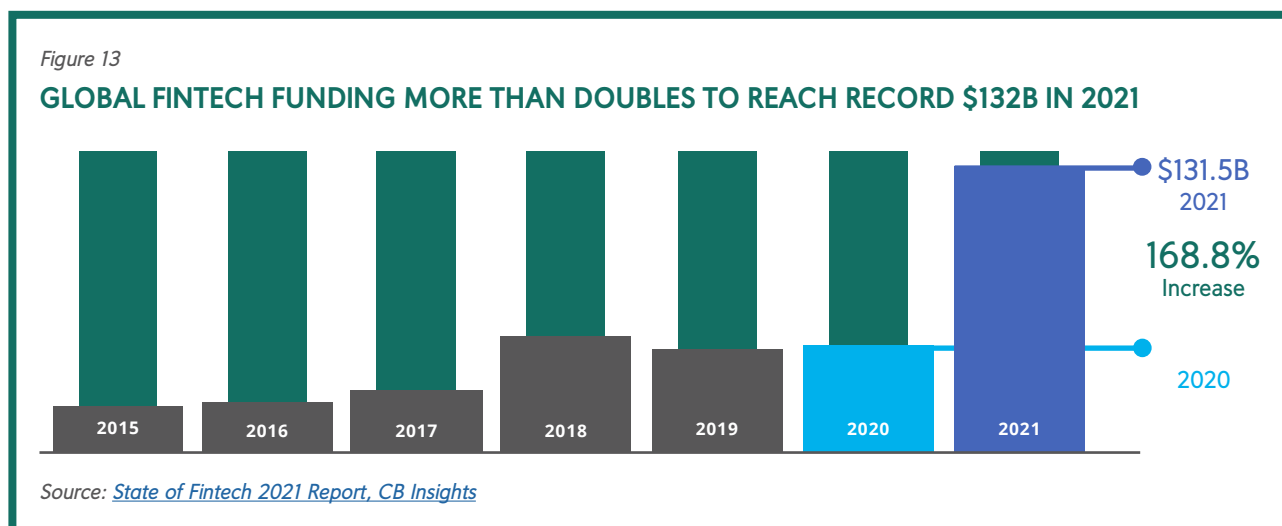
Customers are also demanding more transparency when sending money to their home countries. They expect not only faster and cheaper transactions, but also full transparency on the status of their remittances and fees, putting pressure on traditional money transfer operators such as Western Union, MoneyGram and Ria. While incumbents may have a large physical network, they also have high fees. By contrast, new entrants find it easier to adjust to the latest patterns, and can therefore better fulfil customer expectations.

The increased number of players in the remittance industry is another element affecting customer experience. As more companies compete in the remittance space, consumers have greater choice, and businesses face increased pressure to improve their services in terms of both quality and pricing in order to retain customers. Therefore, while the growth of the remittance industry is leading towards a beneficial change for senders and recipients, the increased expectations of consumers are simultaneously pushing the industry towards greater innovation.

2021, a year of investments in digital payments

In 2021 the digital payments industry saw an unparalleled surge, breaking records in the number of IPOs, fundraising raised to date, number of deals, deal sizes, and the number of unicorns born¹². In fact, 119 fintech unicorns (58% of the global total of 206) were born in the first three quarters of 2021¹².

Globally, fintech funding more than doubled in 2021 compared to 2020, reaching over \$120 billion. Fintech investment was dominated by the payments segment, instigated largely by the increased demand for digital payments.



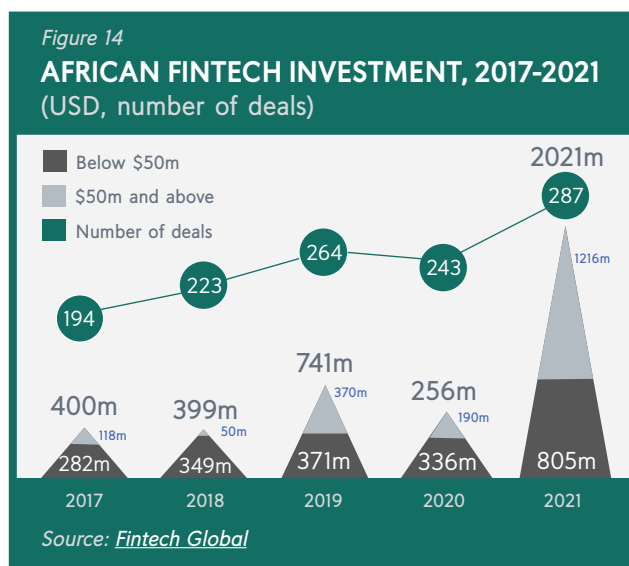
According to KPMG, the major trends observed across the fintech sector in 2021 are as follows¹³:

- Surging interest and investment in cryptocurrencies and blockchain as companies explored, tested, and discovered what roles crypto can play in modern financial services systems;
- Strengthening partnerships as financial services extended into a broader range of daily transactions through the use of embedded banking, insurance and financial products;
- Growing focus on core banking systems as banks recognised how legacy infrastructure is frustrating their ability to move forward;
- Expanding reach of fintech into the farthest and most underserved regions of the world, including Africa, Southeast Asia, and Latin America;
- Increasing focus on global opportunities as corporates and VC investors explored every region of the world for the right fintech opportunities and deals.

In Africa, where an estimated 42% of the population is still unbanked¹⁴, 2021 was a year of investment in fintechs, with about \$1.6 billion across 153 deals¹³. The majority of investments were concentrated within the payments and remittance industry, with the main fintech hubs being Nigeria, Kenya and South Africa.

Some of the major investments of interest for the remittance industry in 2021 are the November fundraising by MFS Africa of \$100 million in a Series C financing, and Opay's fundraise of \$400 million in August. Other fintech startups that raised considerable funding are Jumo and Chipper Cash.

Additionally, US-based companies are showing enhanced interest in the region: for example, Google recently set up an Africa Investment Fund to invest in fintech startups in Africa.



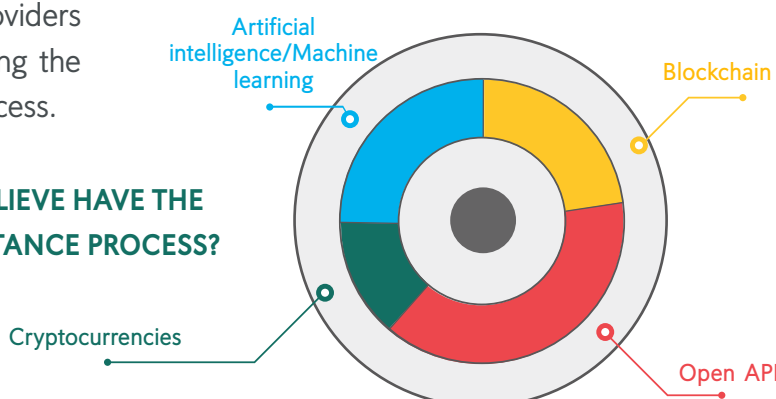
In Australia, the large amounts invested into fintechs have enabled these companies to propose lower remittance prices for their customers. According to remittance services providers operating in the country, this has given rise to a price war among all the players in the industry, resulting in lower remittance prices. While this is beneficial for customers, remittance services providers emphasise that there are still many improvements to be made in order to enable a natural decline of remittance prices in Australia.

THE USE OF INNOVATIVE TECHNOLOGIES FOR REMITTANCES

New uses of technologies are bringing infinite numbers of possibilities in the realm of cross-border payments. While many remittance services providers and customers are interested in the use of innovative technologies, each of these technologies comes with its own benefits and drawbacks that have to be taken into account before the implementation stage.

We have asked remittance services providers what technologies they perceive as having the potential to improve the remittance process.

Figure 15
WHICH TECHNOLOGIES DO YOU BELIEVE HAVE THE POTENTIAL TO IMPROVE THE REMITTANCE PROCESS?



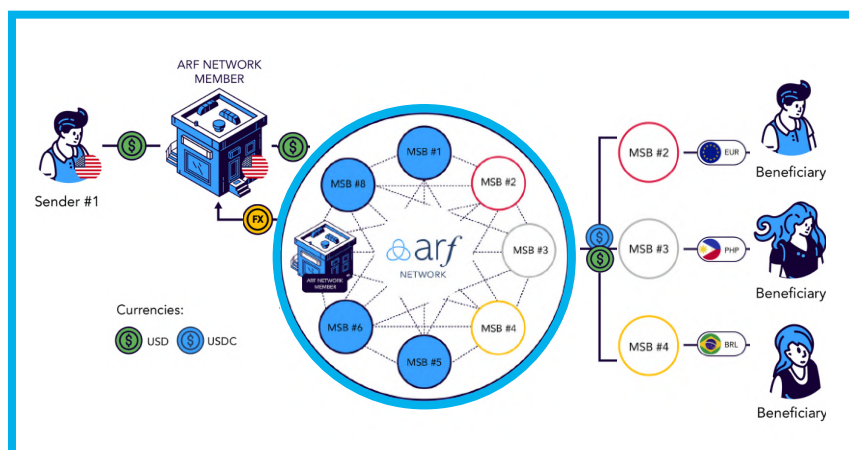
Source: *IAMTN Research*

THE USE OF CRYPTOCURRENCIES FOR REMITTANCES

Blockchain technology is increasingly used at various stages of the remittance process. It is essentially a distributed database where data is stored in an encrypted manner.

The use of cryptocurrencies for the settlement of transactions can be a good alternative to traditional settlement processes. This is because of the possibility it allows to settle transactions instantly on a blockchain, without the need to go through the correspondent banking system, with its limited opening hours and long processing times. While the volume of cross-border transactions is growing rapidly, correspondent banking relationships are declining¹⁵. For this reason, the opportunity provided by blockchain to bypass correspondent banking systems and settle transactions directly offers some distinct advantages. Cross-border transactions can be settled almost instantly, thus obviating the need for pre-funding accounts in receiving countries, which is an expensive practice for remittance providers. A number of businesses, ranging from traditional remittance services providers to cryptocurrency fintechs, are using blockchain technology to improve remittance processes. In 2021, there was a clear progression of blockchain solutions in the industry. Nevertheless, some uncertainty remains on what the best use case is for this technology within the remittance landscape, and on the wider implications of its implementation.

Arf is one of the companies leveraging blockchain technology and regulated digital assets for settling global transactions. As a global banking platform for cross-border settlements, Arf uses stablecoins for money service businesses to make fiat-to-fiat cross-border transactions in real-time.



Arf Network enables payments to be made across borders without the need for correspondent banking. Arf's solution can be used by any type of licensed operator, ranging from e-wallets and neobanks to digital remittance services providers. Arf provides an opportunity for these companies to free themselves from high-capital pre-funding requirements, significantly reduce FX exposure and conveniently build new cross-border payment corridors or integrate their existing corridors. Arf also recently launched its innovative product, Arf Credit Line, to empower licensed money service businesses by enabling them to instantly access short-term transactional working capital credit lines that allow any corridor to be post-funded in real-time. By leveraging stablecoins and allowing instant settlements across multiple channels, including real-time transfers to bank accounts, e-wallets, and cash pickup points, Arf enables money service businesses to build API-based cross-border financial operations and treasury management.

In addition to Arf, a few other companies are proposing the use of stablecoins for remittances. Another case of interest is Novi, launched in autumn 2021 by Facebook (now Meta) to provide instant, fee-free remittances. WhatsApp announced that it is testing P2P payments through this wallet, currently in the United States only.

Celo is also offering a unique solution through its open decentralised public blockchain built for mobile. The network is highly interoperable with other blockchains, which is a key feature in a landscape where many blockchains will co-exist. Celo is deployed at the global level, with developers building on Celo in more than 130 countries.



Traditional remittance service providers are aware of the emergence of blockchain in the remittance space: October 2021 saw Moneygram partnering with Stellar in order to enable customers to convert cash in and out of the USDC stablecoin at Moneygram locations. In the Middle East, Al Fardan Exchange empowers a number of Fintechs within the region by enabling them to offer cross-border payment solutions to their clients. Similarly, RippleNet empowers Al Fardan Exchange by expanding their outreach to end markets globally.

A wide range of banks is also exploring the options with regard to stablecoin use. For instance, the South Korean Shinhan Bank announced in November 2021 that it has developed a stablecoin-based remittance technology.

Many of these initiatives are still at the testing stage. In a number of regions, the regulatory framework around cryptocurrencies remains unclear, which slows down the expansion of these solutions.

Another phenomenon is the use of cryptocurrencies directly by remitters, without going through any type of remittance services provider. This has been done by many individuals in both Africa, where fees for sending money remain higher than in the rest of the world, and in other regions. However, buying and selling cryptocurrencies remains a more difficult process than using remittance platforms, and converting cryptocurrencies to national currencies can be particularly costly and difficult.

While the individual use of cryptocurrencies for remittances is unlikely to replace remittance businesses, the utilisation of this technology by financial businesses themselves is likely to disrupt the remittance industry.

OPEN BANKING

One of the movements gaining in importance within the remittance industry, open banking refers to the use of open APIs that enable third-party services access to consumer banking, transaction, and other financial data from banks and non-bank financial institutions, providing they have the customer's consent. The open banking system allows for enhanced innovation within the industry, by enabling businesses to build products with richer data and improved user journeys.

Open banking-powered remittances offer a host of benefits to financial institutions and their diaspora customers based in Europe sending money back home. And in the last year, big players are taking note.

Take TrueLayer, the UK's market leader in open banking payments. Already a partner to companies such as WorldRemit and MoneyGram, it has seen a sustained rise in interest from major remittance providers in 2021. These payment options are also becoming more visible to customers at checkout, paving the way for prolonged adoption over the next few years.

TrueLayer have also adapted their offering to the needs of remittance providers - by implementing QR code authentication on desktop, where many of their users access remittance services, to streamline the payments experience by allowing customers to easily authenticate a desktop payment via biometrics and their mobile banking app. This means fewer steps at checkout, while ensuring safe and secure payments for customers.

The benefits to open banking payments are clear. Not only are they faster, more secure and less expensive than traditional payment methods, but they also provide a better user experience. Companies like Lemonade Finance have already worked with TrueLayer to link customer accounts to its platform, removing the need to manually input card details.

Nick Tucker, Head of Financial Services at TrueLayer, says, *"For years, people haven't been getting the service they deserve from traditional remittance, paying more than they should on transfers that still take days to arrive. That's why we're proud to be working with an innovator like Lemonade Finance, who are challenging the status quo and using our technology to make remittances to Nigeria, Kenya and Ghana as easy as possible."*



Afeez Gbotosho, Head of Product at Lemonade Finance, concluded: *“With TrueLayer, we are delivering a more efficient way for our customers to send money. With just a few clicks they can fund their account and get confirmation the payment has been made. Thanks to the intuitive user experience, we have already seen many of our customers use open banking and benefit from instant payments to send money back home.”*

In this way, open banking is a central part of the digital transformation of cross-border payments. Statistics prove the pace of the change, as leading open banking players have explained that the volumes transacted with remittance players have more than doubled within the last 2 years. Open banking is likely to become mainstream in many industries in the years to come: it is estimated that more than 28 million Europeans will use open banking by the end of 2022¹⁶.

While 2021 has been characterised by some as ‘the year of open banking’¹⁷, open banking payments are expected to grow by more than 460% by 2024¹⁸.

Banking-as-a-service (BaaS) exists within the framework of open banking and is a key component of open banking, giving third parties access to financial functionalities. BaaS allows providers the ability to build their own experience for customers, under their own brand, while being supported by the financial provider’s infrastructure¹⁹. One of the countless examples of this in operation would be employee expense cards - an emerging market which relies upon BaaS²⁰.

These types of APIs are powerful tools that can be used in the remittance industry. They allow remittance companies to keep in touch with new payment preferences. In markets where online banking is prevalent, such as in Europe, open banking eases the process.

The extension of open banking has seen increasing adoption around the world. In the UK, open banking is regulated by the Financial Conduct Authority. The number of open banking related products and services reached 119 during 2021.

Figure 16

NUMBER OF LIVE TO MARKET OPEN BANKING-ENABLED PRODUCTS AND SERVICES

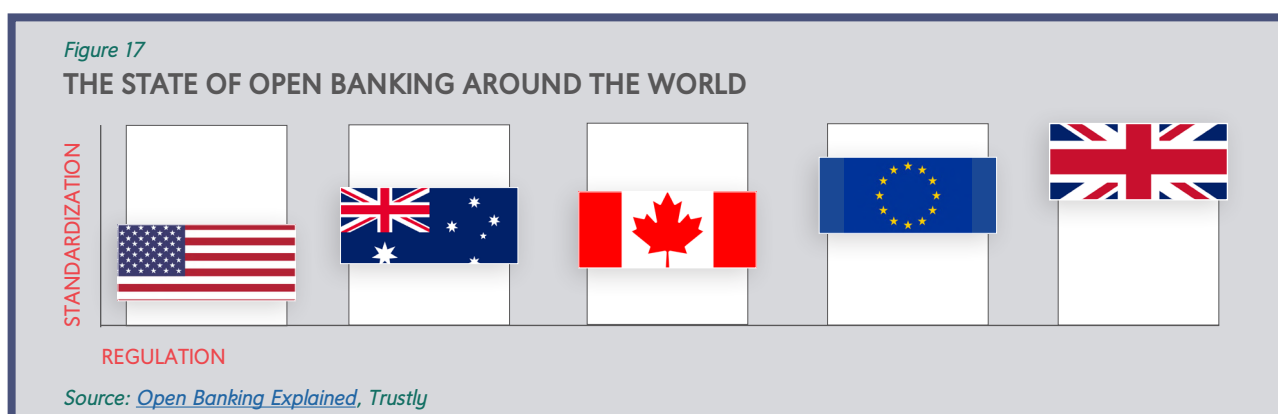
DATE	
31 Dec 2018	16
31 Dec 2019	62
31 Dec 2020	109
31 August 2021	119

Source: Open Banking Availability, OBIE Analysis

More and more countries are working on regulating open banking. In the European Union, the Revised Payment Services Directive (PSD2) regulation entered into force in 2018, and has been the main catalyst for open banking. While the open banking market leaders are still the UK, Europe and the Nordic region, countries such as Canada, Brazil and Mexico have all taken determined steps to define legislation that will drive open banking²¹.

The United States has experienced a market-driven growth in open banking, as no regulation is in place. On the African continent, where financial inclusion is limited, open banking may offer the opportunity to improve the lives of many who currently struggle to access traditional means of conducting transactions.

More permissive regulation, together with accelerating digitalisation, will be the main forces driving the growth of open banking in the years to come, in order for it to reach its full potential. This new type of ecosystem will benefit remittance services providers and their customers.



CENTRAL BANK DIGITAL CURRENCIES

Central Bank digital currencies (CBDCs) are currently being explored by more than 90 central banks around the world. A BIS survey found that, in 2021, 86% of central banks were actively researching the potential for CBDCs, while 60% were experimenting with the technology and 14% were deploying pilot projects.

To date, only a few countries, such as Nigeria and the Bahamas, have issued CBDCs.

Ten countries have CBDCs in a pilot stage, almost ready to launch²²:

- ➔ China
- ➔ Hong Kong
- ➔ Singapore
- ➔ Sweden
- ➔ Saudi Arabia
- ➔ South Korea
- ➔ Thailand
- ➔ Lithuania
- ➔ Ukraine
- ➔ The United Arab Emirates

CBDCs are a form of electronic money that can be used by individuals and businesses to make payments, and are generally based on blockchain technology. The design of the system has major implications on the practical implementation of the currency. While central banks usually prefer private blockchains, which give control to the central bank itself, worries arise that CBDCs could lead to enhanced state intrusiveness and surveillance²³. Another issue of interest is the possibility of CBDCs destabilising banks, as they could replace commercial bank lending. For this reason, none of the CBDCs introduced or tested so far pays interest, so as not to compete with bank deposits²³. As a plethora of questions and debates arise around CBDCs, it becomes clear that the implementation of these currencies is not only a technical, but also a political exercise.

The Bank of England, in its report “[Central Bank Digital Currencies: a solution in search of a problem?](#)” (2021), underscores two main reasons why developing countries are exploring CBDCs. The first is central banks’ concerns that big tech companies, such as Meta/Facebook, could issue their own digital currencies to the users of their vast networks, enabling them to accrue excessive market power. Secondly, many central banks are concerned by the decline in the use of physical cash, which some consider anchors public confidence in the monetary system. In fact, a member of the executive board of the European Central Bank states that, with the declining use of cash, CBDCs are necessary for central banks to continue monitoring the monetary system.

In October 2021, the European Central Bank started a two year investigation to decide whether a digital euro would be beneficial to Europeans.

While a majority of countries in the world are exploring CBDCs, regulators have diverging views on the role CBDCs should play in the financial system. Some major actors believe that the adaptation of central banks to digitalisation is key to maintaining trust in money. However, the report from the Bank of England concludes that, even though CBDCs have some advantages, they also present a number of risks and challenges that outweigh the benefits, at least in the case of the United Kingdom.



Experiences of the few already existing CBDCs are being closely observed by central banks all over the world. Read more about the [eNaira in Nigeria](#).

The role that CBDCs could have in cross-border payments is another element for focus. While domestic payments have benefitted from a wide range of innovations, cross-border payments are for the most part still based on the old correspondent banking model²⁴. The implementation of CBDCs is a complex process, and the implications for cross-border payments are large. There are different models showing how international payments could benefit from CBDCs²⁵, although most of these projects are still at a very early stage. Overall, there is great hope that CBDCs could contribute to increasing financial inclusion. As an example, in the Bahamas the sand dollar was introduced to help facilitate financial inclusion in this nation of 390,000 people spread across 30 inhabited islands, many of them remote²⁶.

THE GLOBAL CBDC CHALLENGE 2021

The Global CBDC Challenge, organised by the Monetary Authority of Singapore in partnership with the IMF, World Bank, ADB, UNCDF, UNHCR, UNDP and OECD, sought innovative retail CBDC solutions to enhance payment efficiencies and promote financial inclusion²⁷. The challenge invited solutions from the private sector to answer a series of questions about the implementation of CBDCs.

The challenge was technical by design. However, the importance of user experience was underlined in many of the proposed solutions, through suggestions featuring elements of offline access and possibilities to access through different devices, in order to ensure accessibility and inclusion.

The vision of the challenge is expressed as follows:

"A retail CBDC must be accessible without a bank account, every time, at low cost. It must be private and must meet the needs of all stakeholders."

THE THREE WINNERS OF THE CHALLENGE ARE:

Represented by	Participating Organisations	Solution Name
Consensys	ConsenSys and Visa	CBDCgo - digital currency, seamless acceptance
Criteo	Criteo SA, Secretarium Ltd. and Intel® Corporation	The Atomic CBDC Solution
Giesecke+Devrient advance52 GmbH	Giesecke+Devrient advance52 GmbH	Criteo SA, Secretarium Ltd. and Intel® Corporation

More information on the finalists and winners can be found in the [Global CBDC challenge report](#).



CHALLENGES AND OPPORTUNITIES BROUGHT ABOUT BY TECHNOLOGICAL CHANGES

CHALLENGES

Regulation

As explained above, the remittance industry is on a path of intense and fast digitalisation, with the uptake of new technologies taking place at a rapid pace. Some of these technologies truly disrupt the traditional remittance process. One of the major challenges encountered by remittance services providers when innovating their business models or integrating new technologies into their operations is the rigidity of certain national regulations. For instance, the use of blockchain is regulated in only a very few countries, which entails some level of uncertainty for businesses that use, or would like to use, this technology.

Figure 18

CRYPTO REGULATION IN THE WORLD'S BIGGEST REMITTANCE MARKETS

GOVERNMENT STANCES ON CRYPTOCURRENCY IN KEY SEND AND RECEIVE COUNTRIES

	COUNTRY	STANCE	KEY DETAILS
TOP TEN SENDING COUNTRIES	USA	Pro	Regulated by several government bodies
	UAE	Pro	Regulated by several government bodies
	Saudi Arabia	Pro	Regulated by Saudi Arabian Monetary Authority
	Switzerland	Pro	Regulated by Swiss Federal Council
	Germany	Pro	Regulated by the BaFin
	China	Against	Regulated by the Central Bank of china
	Russia	Against	The Central Bank of Russia has issued a warning on crypto
	France	Neutral	Covered by the PACTE law
	Luxembourg	Neutral	Regulated by the CSSF
	Netherlands	Neutral	Covered by the AMLD V law
TOP TEN RECEIVING COUNTRIES	India	Against	Banned by the Central Bank of India
	China	Against	Banned by the Central Bank of China
	Mexico	Against	Mexico's central bank has issued warnings againts its use
	Philippines	Neutral	Regulated under Circular 944
	Egypt	Against	Banned by the Central Bank of Egypt
	Pakistan	Against	Legalised in some regions
	Bangladesh	Against	Trading banned by the Central Bank of Bangladesh
	Vietnam	Against	Banned by the State Bank of Vietnam
	Nigeria	Neutral	Not recognised by the Central Bank of Nigeria
	Ukraine	Pro	Regulated by several government bodies

Source: FXC Intelligence

While some regulators have expressed a clear position, many others have not provided any guidance to the private sector regarding their views on blockchain, and specifically cryptocurrencies. The same challenges exist regarding open banking, with regulation differing across national boundaries. Overall, complying with regulations can become costly and challenging for financial businesses, as a result of the need to keep up with evolving regulatory landscapes across the world. In particular, challenges arise when regulation does not keep up with technological advances.

Financial Inclusion

In 2021, scaling digital channels has been the priority of many financial businesses. In this setting, it is key to bear in mind that financial inclusion should remain at the forefront of the remittance industry's operations. Technologies need to be at the service of financial inclusion, and work to increase accessibility and reduce the cost of remittances.

In some cases, the lack of consistent and affordable internet access and deficiency in digital skills has created a digital divide. Financially underserved people have varying levels of digital maturity, attitudes and behaviours. Some segments may not have internet or smartphones, or simply do not trust digital financial services owing to unfamiliarity or privacy concerns²⁸.

For these reasons, it is important to ensure that traditional, in-person services remain available in all corridors for customers who are not able to move to a digital process. Moneytrans explains that financial education must be part of any product roll-out targeted at underserved populations. The company believes that partnering with non-traditional financial services providers, such as microfinance institutions and education NGOs, is key to leveraging the social and financial inclusion of migrant communities.

Ensuring that everyone is accompanied in their remittance journey is fundamental, so that nobody is left behind. This can allow for a more equal and inclusive digital transformation.

NEW OPPORTUNITIES FOR REMITTANCE SERVICES PROVIDER

Embedded finance

Embedded finance is the integration of financial services such as payments, banking, insurance or lending into traditionally non-financial user experiences. The embedded finance market is expected to jump by 215% to \$138 billion by 2026²⁹ powered by the increasing availability of APIs from financial services providers³⁰. Embedded finance means that financial services will be present in all parts of our digital lives, and thus become increasingly accessible, convenient and easy to use. Another way to think about this is to see embedded finance as a bridge between a brand, the customer, and the financial services provider³¹.

While embedded finance is now widespread in many regions at the B2C level, there is still considerable room for improvement and innovation. One of the areas to be explored further is B2B use of embedded finance³¹, in order to allow businesses to benefit from faster payments. OpenPayd CEO, Ozan Özerk, underlines that, while embedded finance still comes with challenges, such as keeping pace with always-moving technology and low end-user understanding, it is likely to be a driving force for innovation in payments in the years to come³².

Remittance services providers as support for customers

The response of remittance services providers to the COVID-19 pandemic has shown that these businesses are an additional source of support for consumers. In fact, remittance services providers launched a number of initiatives to assist people in difficult times, for example by cutting fees or offering additional services such as insurance, or even supporting the financing of everyday essentials (Read our report: [Remittance Services Providers - Beyond a Money Transfer Service; Socially Responsible Companies](#)). Following the surge in this kind of social responsibility initiatives from the private sector, an increasing number of businesses are putting great emphasis on being present to support customers in all situations. One example of this is Merchantrade Asia's eRemit Singapore, a mobile-app remittance service platform which recently launched an insurance scheme for migrant workers. The insurance is offered in partnership with Hong Leong Assurance Singapore and covers up to twelve times the monthly salary of the worker, with a maximum cap of \$12,000.

It covers on- and off-work hours for the majority of occupations and provides critical financial assistance in the event of accidental death or permanent disability.

The scheme is provided free to all eRemit Singapore customers who have made a successful remittance transaction through its digital platform.

In Malaysia, to further promote financial inclusion among unbanked migrant workers, Merchantrade Asia has also launched Merchantrade Money, a VISA prepaid card enabled digital wallet – a powerful combination revolutionising the way the unbanked transact and manage money.



While digital remittance remains the key product within the wallet, Merchantrade Money comes with a suite of features and products tailored for migrant workers – micro-insurances, telehealth/ e-pharmacy, mobile reloads, airtime transfers and the VISA prepaid card that enables them to make payments at retail and online stores, anywhere Visa is accepted.

Over the years remittance services providers have leveraged off remittances to offer a wider range of financial services to complement the financial needs of their customers. For example, Merchantrade Asia, which provides remittance services to more than 3 million underserved customers, explains that, in line with their corporate philosophy to serve the underserved, their end goal is to build an end-to-end digital ecosystem of financial services, in order to provide total financial empowerment for their customers³³

Alternatives to the traditional banking system

Many of the new technologies used for remittances, especially blockchain, have the potential to disrupt how the financial industry works. Correspondent banking models have been the essential component of cross-border payments for many years, relying on agreements or contractual relationships between banks to provide payment services for each other³⁴. This model comes with many limitations, such as low speed, restricted operating hours, high cost, lack of convenience, and others³⁴. Therefore, alternative solutions proposed by fintechs all over the world, such as the one suggested by Arf (described above), could provide a great opportunity to avoid the use of the correspondent banking system for cross-border transactions. These solutions, if expanded globally, could permanently improve the infrastructure behind cross-border payments, in the interest of end-users.



CHAPTER 3

WORK IN PROGRESS BY INDUSTRY STAKEHOLDERS

2021 saw the remittance industry recovering from the COVID-19 crisis, and dealing with a number of challenges as well as new opportunities disrupting the existing balance in the sector. Many industry stakeholders, at global, regional and national levels, have made efforts to improve the remittance process. This chapter provides an overview of the most important projects and changes that happened in 2021.



GLOBAL PROJECTS

ACCESS TO BANKING SERVICES

What have we done, and where are we going?

Access to banking services has been a growing challenge for the remittance industry. Since 2005, IAMTN has sought to raise awareness about the impact of this issue on the remittance industry. As a result, and following the publicity surrounding the practice of bank de-risking by HSBC and Barclays Bank in 2012 and 2013 respectively, the [Action Group on Cross-border Remittances](#) was established with the support of HM Treasury. The Action Group, chaired by Sir Brian Pomeroy, included representatives from the Association of UK Payment Institutions (AUKPI), the British Bankers Association, the International Association of Money Transfer Networks (IAMTN), the Payments Council, the World Bank and the Financial Conduct Authority. Government participants included HM Treasury, the Department for International Development, HM Revenues and Customs, Foreign and Commonwealth Office, Cabinet Office and the National Crime Agency.

2015 - IAMTN presented a paper to FATF, "[Loss of access to banking services, facilities and relationship by money transfer operators](#)". The International Alliance of Money Transfer Operator Associations highlighted the impact which bank de-risking has on financial inclusion and the remittance industry. Rather than reducing risk in the global financial sector, de-risking contributes to increased vulnerability by pushing high-risk clients to smaller financial institutions that may lack adequate AML/CFT capacity or even out of the formal financial sector altogether. The paper was presented to FATF by IAMTN during the private sector consultation forum in 2015.

2017 - IAMTN presented a proposal for [Certified International Standards for the cross-border remittance industry](#). Unfortunately, the submission, which was well received and discussed in several meetings, is not progressing expeditiously.

2018 - The FSB has joined several round tables with IAMTN and participated at the IAMTN Annual Summit.

- I. Promoting dialogue and communication between the banking and remittance sectors;
- II. Discussing a proposal submitted by IAMTN regarding development of international standards and oversight of the remittance sector;
- III. Use of innovation in the remittance sector and its possible role in allowing remittance services providers greater access to banking services; and
- IV. Technical assistance on remittance-related topics.

2021- FATF

FATF dedicates significant resources to examining and mitigating de-risking and financial exclusion.



In February 2021, the FATF Plenary agreed to establish a project team to analyse and better understand the unintended consequences resulting from the FATF Standards and their implementation. This project examines the unintended consequences related to four broad themes: (1) De-risking; (2) Financial Exclusion; (3) Undue targeting of NPOs; and (4) Curtailment of Human Rights (with a focus on Due Process and Procedural Rights).

The following is a synopsis of the stocktake of these unintended consequences conducted by the project team, informed by existing FATF analysis and significant external input. During this time, FATF engaged with many stakeholders, including the public and private sectors.

FATF will now examine what can be done to mitigate these unintended consequences, including due process and procedural rights issues. This may entail additional guidance, best practices, training, and possible revisions to FATF's Methodology, Procedures and Standards and continuing engagement on FATF's work with key external stakeholders.

The work of access to banking services is also included within the Building Blocks project.

Enhancing cross-border payments and the Building Blocks project

In 2020, during its Saudi Arabian Presidency, the G20 made enhancing cross-border payments a priority. With this objective in mind, and at the request of the G20, the FSB has developed a Roadmap in the form of 19 Building Blocks. The Roadmap aims to make payments faster, cheaper, more transparent and inclusive, while maintaining safety and security. It was developed by the FSB in coordination with the Committee on Payments and Market Infrastructures (CPMI) and other relevant international organisations and standard-setting bodies to address these challenges. The leaders of the G20 endorsed the Roadmap during their November 2020 Summit.

The Roadmap brings together a coalition of international and national actors, including the private sector, to deliver on its five focus areas.

- 1 Commitment to a joint public and private sector vision to enhance cross-border payments.
- 2 Steps to coordinate regulatory, supervisory and oversight frameworks
- 3 Improvements in existing payment infrastructures so they can support the requirements of the cross-border payments market.
- 4 Increased data quality and straight-through processing by enhancement of data and market practices.
- 5 More exploratory work to examine the potential role of new types of payments infrastructures and arrangements.

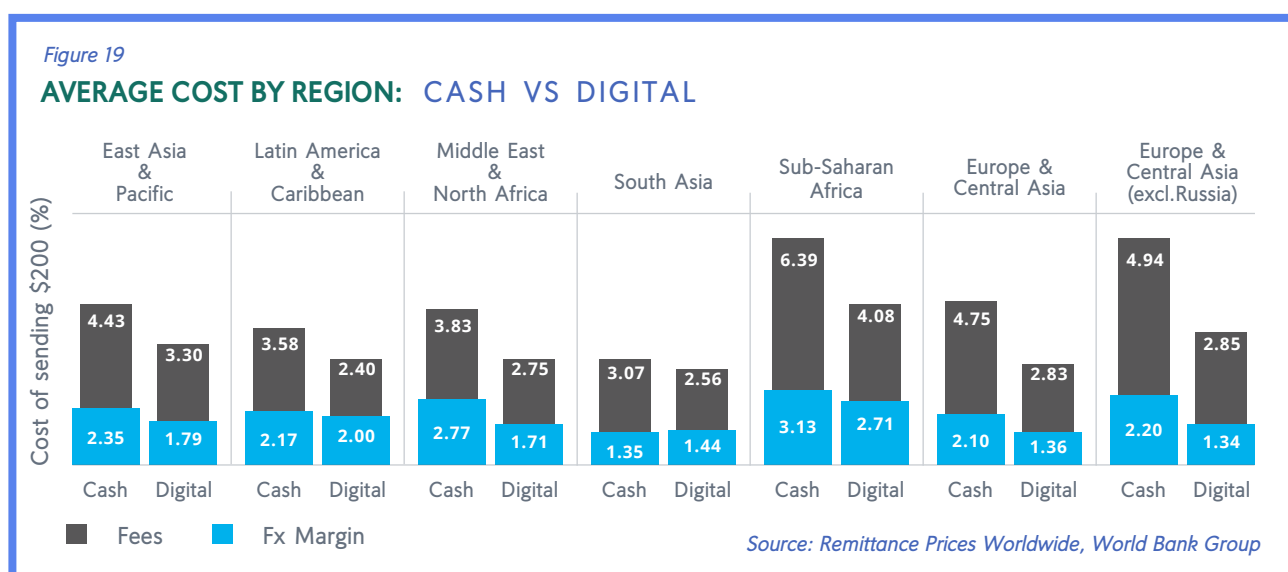
During 2021, a series of round tables and a public consultation took place to share insights and practical expertise. A crucial part of that foundation has been the publication of specific quantitative targets at the global level that address the challenges of cost, speed, transparency and access faced by cross-border payments. These targets play an important role in defining the ambition of the work, creating accountability. The targets will be made fully operational in 2022 through the development of the implementation approach to monitoring progress toward them.

The next stage of work in 2022 includes the development of specific proposals for material improvements of underlying systems and arrangements and the development of new systems. Making these practical improvements and taking advantage of new developments will require global coordination, sustained political support and investment in systems, processes and technologies. The success of this work will depend heavily on the commitment of public authorities and the private sector to work together.

SDG 10.c: REDUCING THE COST OF REMITTANCES

In 2021, remittance costs were still much higher than the goal set by Target 10.c of the UN's Sustainable Development Goals, to reduce the global average cost to 3%. However, the work of industry stakeholders to decrease remittance prices continued to produce results in most regions during the year.

In fact, 2021 saw a global decrease in the average cost of sending remittances. According to Remittance Prices Worldwide, the global average decreased from 6.38% in Q1 2021 to 6.30% in Q2 2021. Digital remittances are generally cheaper, with an average that decreased from 5.08% in Q1 2021 to 4.99% in Q2 2021.



The costs vary widely across regions: South Asia (4.9%), Latin America and the Caribbean are the cheapest regions to which remittances can be sent. By contrast, Sub-Saharan Africa accounts for the most expensive remittance corridors worldwide, with an average cost of 8.2%.

WHY DO PEOPLE STILL USE TRADITIONAL REMITTANCE SERVICES PROVIDERS WHEN CHEAPER METHODS ARE AVAILABLE? - AN EXAMPLE FROM THE PACIFIC REGION.

The data available clearly shows that cash remittances are more expensive than digital ones. In particular, fintechs are able to offer lower prices than traditional remittance services providers, since they rely on a fully online business model, allowing for more automation and lower costs.

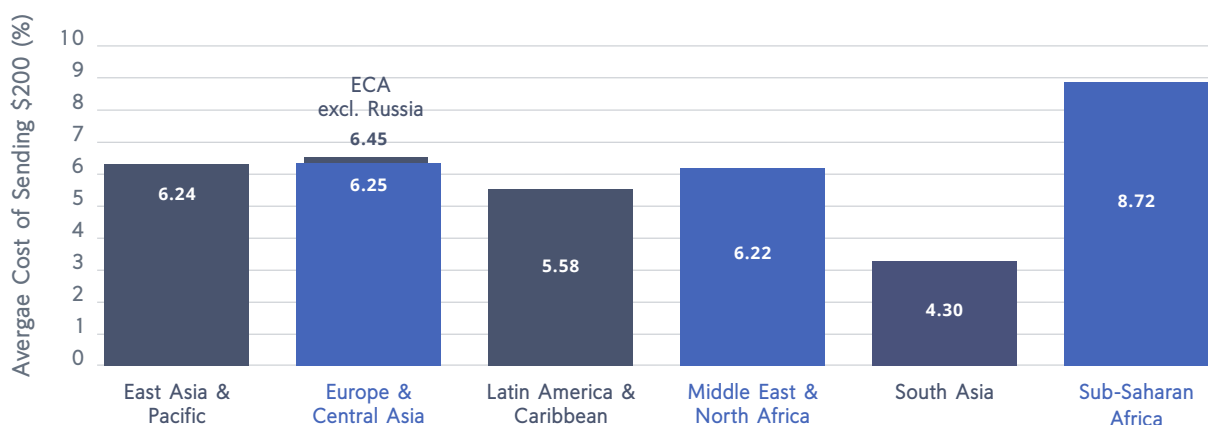
This means that households dependent on remittances could achieve savings by reducing transaction costs³⁵. Surveys show that 72% of Fijians and 92% of Samoans receive money from abroad through conventional money transfer operators. In Tonga, approximately 83% of the individuals who receive international remittances use only Western Union's services³⁶. It is estimated that, if a Tongan family received remittances through a fintech instead, they could save up to \$960 per year³⁵.

One reason why many individuals continue to use traditional remittance services providers is because, even where fintechs are present, some barriers, such as accessibility, awareness, literacy and trust, impede people from utilising their services³⁷. In Papua New Guinea the central issue remains lack of access to electricity, while other islands that have electricity are still choosing traditional means owing to a strong preference for cash³⁵. Across the Pacific region, the policy challenges to increase adoption of more innovative remittance methods are different and should be tailored to local conditions.

In Australia, the new government has flagged a keenness to support the Pacific region and recognises the importance of remittances, which creates hope that issues of price transparency and de-risking, both of which contribute to the rise in prices, will be tackled by the authorities.

Figure 20

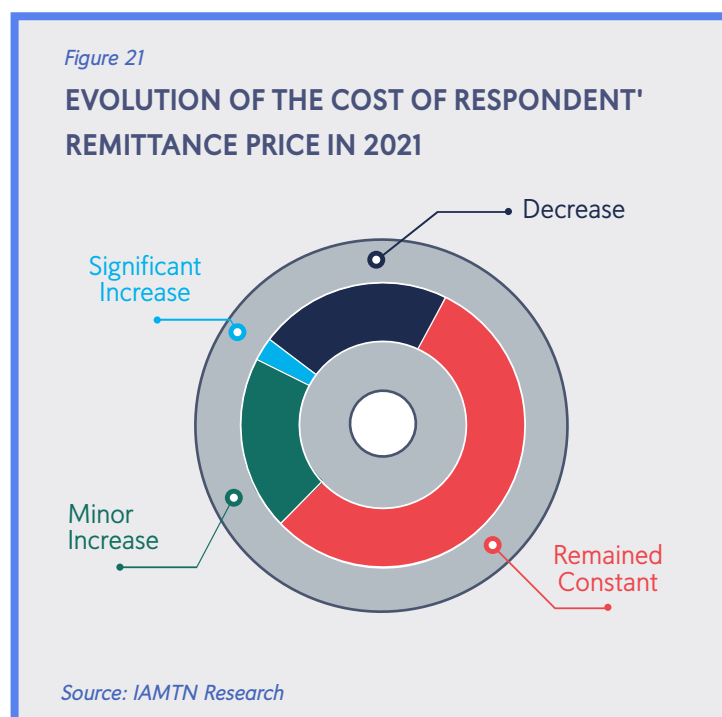
AVERAGE COST OF REMITTANCES BY REGION OF THE WORLD



Source: Remittance Prices Worldwide, World Bank Group

Even though there is a global trend towards the decrease of remittance costs, this varies across remittance services providers. While all businesses in the industry are working to offer the lowest possible price to customers, operational costs and compliance costs are still high in most corridors, which represents a major challenge. Offering fair pricing to customers is fundamental, but businesses providing remittance services should also be able to remain profitable.

Remittance services providers have shared with us how the cost of their remittance products has evolved:



In order to provide fair costs, it is important that remittance services providers remain transparent regarding charges, with detailed information on fees and the FX margin, rather than providing an overall cost only. This transparency is key for customers to understand the final amount they will pay for the transaction, and therefore to promote trust in formal remittance channels.

Additionally, platforms that allow comparisons of remittance costs across providers can stimulate market competition and help to reduce prices. An example is Saver Global, available through four platforms in Asia, Pacific, Africa and South America.

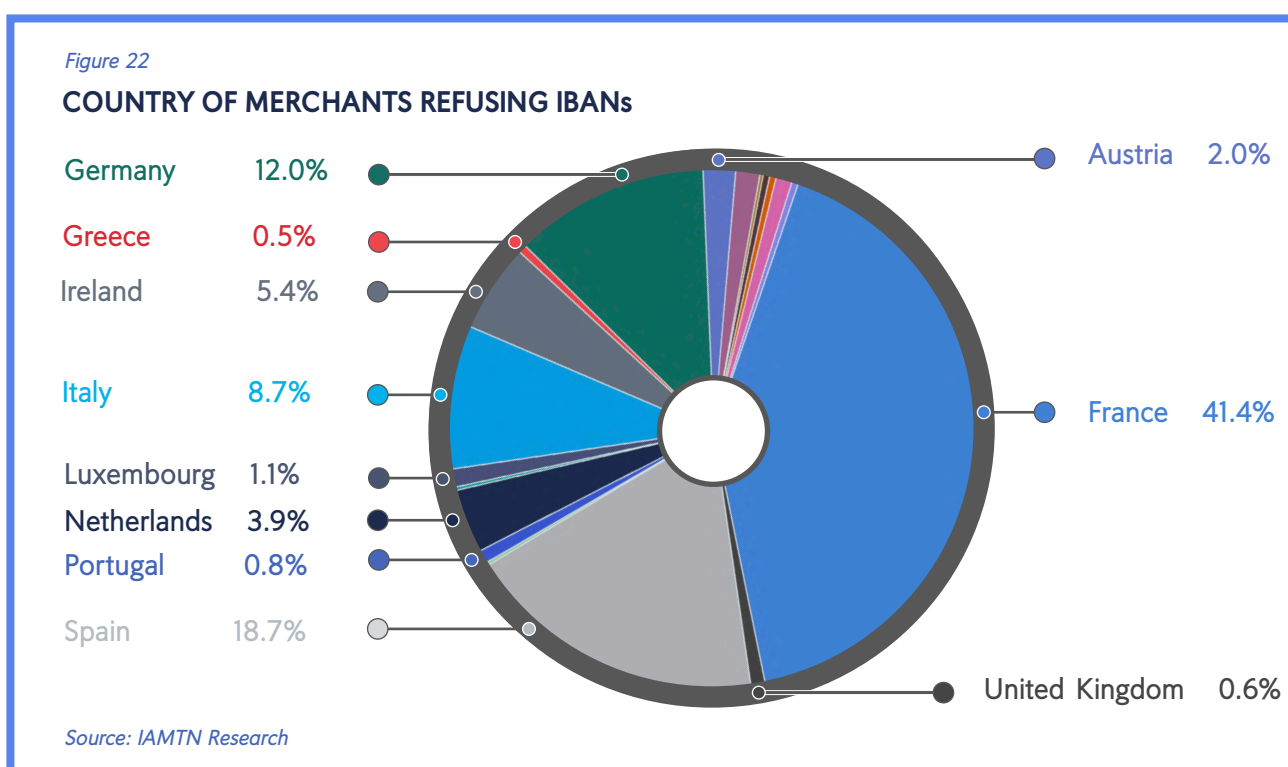
It is clear that multiple drivers affect the cost of remittances, and they vary from country to country and across different corridors. Therefore, reducing the cost of remittances is a complex exercise requiring the cooperation of all stakeholders. There is no easy solution for driving remittance costs down, especially in emerging markets. However, policymakers have a crucial role as they can help to mitigate the effects of some frictions that impede the efficient functioning of remittance markets. Governments and policymakers should foster competition, since most remittance markets are highly concentrated. The actions to be considered range from granting non-bank licences to providing remittance services and ensuring that they face a level playing field through adequate and proportionate regulation. Furthermore, regulation should not impose an excessive burden on non-bank remittance services providers by applying unnecessarily stringent regulations designed for banks. Otherwise, compliance costs could become prohibitive and might even act as a barrier that discourages new entrants. Additionally, exclusivity clauses should be abolished, and transparent market practices should be encouraged.

IBAN DISCRIMINATION

IBAN discrimination occurs when a bank, private company or public service refuses to accept an IBAN (International Bank Account Number) for payments or direct debits, because it is not from the same country in which the bank or company is located. The issue is widespread at the global level, including in the European Union despite the practice being illegal in the region since 2014. For instance, it is now unlawful for a French company to refuse to accept a payment from a Spanish IBAN.

In 2021, the money transfer service, Wise, initiated a campaign against IBAN discrimination within the European Commission, alongside many other major players such as N26 and Revolut. IAMTN is also committed to being part of this endeavour in order to raise awareness regarding the problem of IBAN discrimination.

The portal '[Accept my IBAN](#)' was launched as part of the campaign, and has already received about 1,800 complaints of IBAN discrimination within the European Union, with 41% of them coming from France.



As a result of the joint efforts on this initiative, the European Commission has taken action to pressure member states to comply with the law on IBAN discrimination. Some national regulators have started reacting to the situation: for example, Italy has fined companies for this illegal practice. France has committed to tackle the issue by undertaking to put a sanction system in place for cases of non compliance³⁸.



IBAN discrimination happens for a variety of reasons:

- Lack of awareness: Companies might not be aware that they are breaching the rules, because IBAN discrimination law has never actually been enforced.
- Outdated systems: Country codes are hardcoded into companies' software (e.g. it's impossible to change FR to DE if you have a German IBAN instead of a French one), and those systems haven't been updated since the rule came into effect (2014) or companies have judged it's too expensive to change their systems and continue to count on the non-enforcement of the rules.
- Security concerns: A company/financial institution may have concerns about accepting non-local IBANs because they believe an IBAN from Lithuania is inherently more risky than an IBAN from Germany, for example.
- Protectionism: Certain member states have security concerns and have implemented rules that make it considerably harder - if not impossible - for a non-local IBAN to get accepted as a viable payment method. This is the case in Spain, where payment services providers need to be added to a special government list before people are allowed to have tax rebates sent to their IBAN.

In order to prevent IBAN discrimination from happening within the European Union, national authorities need to take action, inform local companies of the rules, and implement an appropriate sanction regime. We believe that, apart from tackling the issue at the EU level, IBAN discrimination should also become illegal globally, in order to ensure that all individuals and businesses have the same financial possibilities.

REGIONAL AND NATIONAL PROJECTS

BITCOIN AS LEGAL TENDER IN EL SALVADOR

In June 2021, the Salvadoran Legislative Assembly passed the 'Bitcoin Law', which was introduced by President Nayib Bukele. Since the law went into effect on September 7th, all businesses have to accept the cryptocurrency Bitcoin as a form of payment, in addition to the US dollar. According to the government, this measure should enhance the integration of the country in the global economy. In order to increase the adoption of Bitcoin, the government incentivised the adoption of the Chivo digital wallet, which allows no-fee cross-border payments. Since the wallet was introduced, a number of user experience issues and identity theft complaints have been received.

The Bitcoin law faced protests from the Salvadoran population, but also led to warnings from international bodies such as the IMF.

While the government hoped that Bitcoin could increase financial inclusion in a country where only 30% of the population has a bank account, internet penetration remains very low, which limits the possibilities for using the digital currency.



El Salvador received about \$6 billion from abroad in 2020, mostly from the United States³⁹, accounting for 23% of the country's Gross Domestic Product. According to President Bukele, the use of Bitcoin for remitting would allow Salvadorans to save \$400 million each year in remittance transfer fees³⁹.

However, throughout 2021 it became clear that many Salvadorans, both within the country and abroad, were quite reluctant to use Bitcoin for transferring money. Many preferred to pay a transfer fee rather than use Bitcoin, owing to concerns about its high volatility⁴⁰. In addition, remittances to El Salvador are already relatively cheap, with a fee of about 4% for the largest corridor - United States to El Salvador⁴¹.

Furthermore, buying Bitcoin also generally requires owning a bank account, and 10% of Hispanics are still unbanked⁴². Over and above that, both sending and receiving sides need to have a crypto wallet and to bear the costs of buying cryptocurrencies.

The possibilities for using Bitcoin are still limited in El Salvador, and sometimes require converting it to a fiat currency (generally USD), which is also costly.

BRAZIL KICKS OFF OPEN BANKING

Brazil is Latin America's largest and fastest growing fintech hub, with over 1,100 companies in 2021⁴³. In this context, Banco Central do Brasil and the National Monetary Council implemented open banking in 2021, following the issuance of the [Regulation on Open Banking](#) in 2020.

Open banking permits third party financial businesses to open up customer data for regulated providers to access, use and share through application programming interfaces (APIs), with consumer consent. This initiative is expected to enhance competition in the Brazilian financial sector by leveraging the sharing of data among companies.

Open banking has been implemented in four phases throughout 2021.

- ➔ **Phase I:** provision of access to institutional information about customer service channels, products and services.
- ➔ **Phase II:** provision of customer-consented access to transaction and registration information related to customer usage of the products and services covered in phase I.
- ➔ **Phase III:** provision of customer-requested payment initiation services and forwarding of loan proposals.
- ➔ **Phase IV:** expansion of scope of data to include areas like currency operations, investments and insurance.

In January 2022, Brazil had recorded 3.3 million authorisations of clients to share data.



E-LEVY IN GHANA

Ghana announced the introduction of the Electronic Levy on 17th November 2021, to be implemented in February 2022. The levy is a tax of 1.75% on electronic transactions above GHs100 (\$16) per day, to be borne by the sender except in the case of inward remittances. The measure will affect mobile money, remittances and other electronic transactions.

The government has stated that this measure will increase tax revenue, which will be used to support entrepreneurship, youth employment, cybersecurity and other areas. According to Ghana's Finance Minister, the country's total digital transactions during 2020 were estimated to be over GH¢500 billion (about \$81 billion) compared to GH¢78 billion (\$12.5 billion) in 2016. The government is projecting tax revenues of approximately GH¢6.96 billion (\$1.1 billion) in 2022 and about GH¢26.90 billion (\$4.5 billion) from 2023 to 2025 following the implementation of the electronic transaction levy, in order to help widen the tax base and incorporate the informal sector.

However, this type of tax represents a burden for customers, as it increases the cost of digital remittances and often has the effect of driving people away from digital services towards the use of cash. Ghana has become one of the most successful countries for mobile money in recent years, with 18.4 million active users by November 2021⁴⁴. As this measure could endanger financial inclusion efforts, the overall impact of the e-Levy will have to be followed closely throughout 2022. According to the government, the measure should not have any major long-term impact on digitalisation. It predicts that 24% of users will quit within the first couple of months, but customers will eventually return to utilising digital services because the benefits outweigh the negatives⁴⁴.



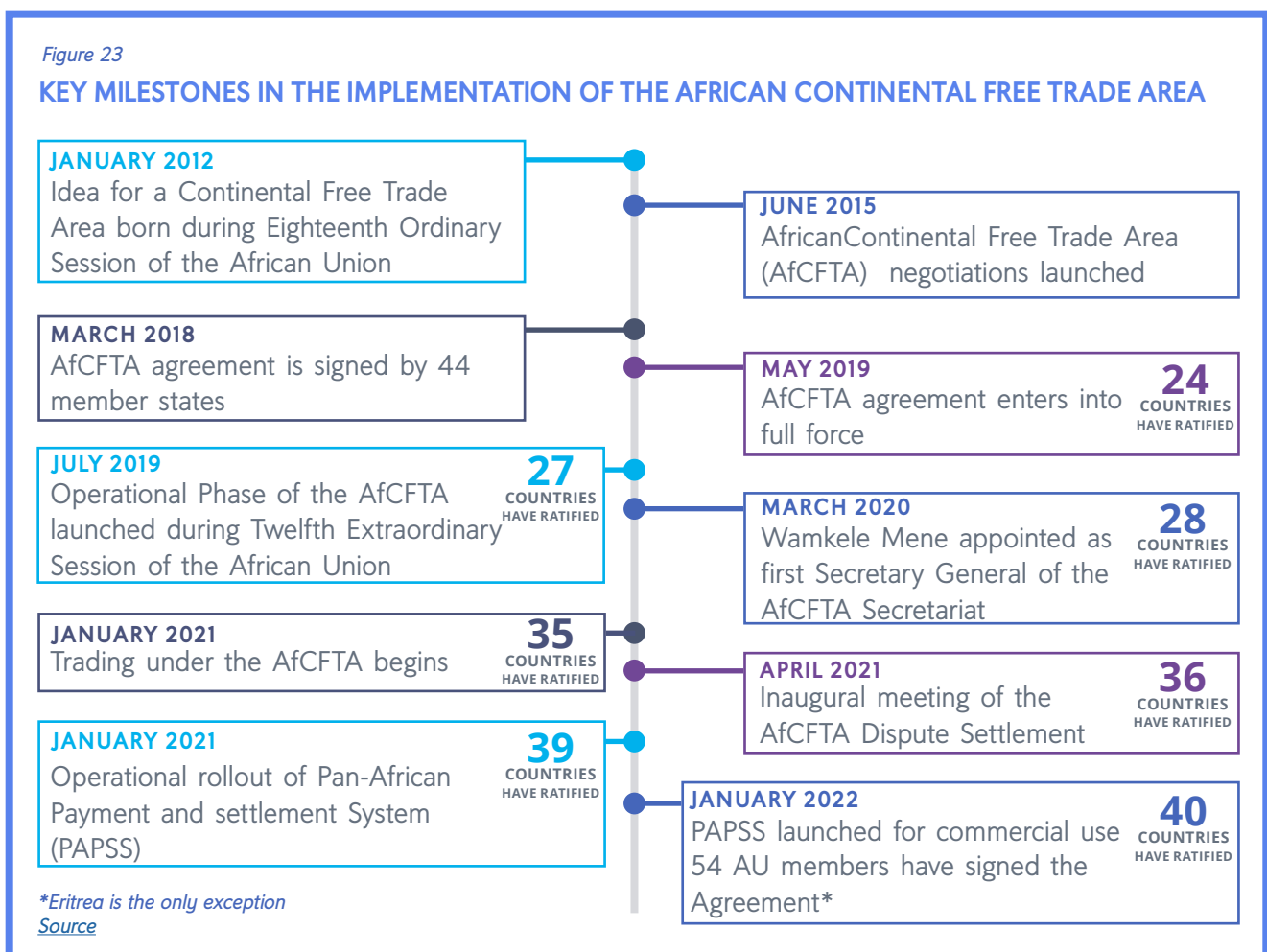
THE AFRICAN FREE TRADE AGREEMENT

The African Continental Free Trade Area (AfCFTA), which was implemented in April 2021, has been heralded as a landmark agreement⁴⁵. AfCFTA is an ambitious trade pact, signed by 54 out of 55 countries in Africa with the aim of reducing tariffs among members and facilitating trade in goods and services within the continent. The agreement also plans to ensure the free movement of persons in Africa, based on the idea that free trade and free movement are closely intertwined, in a continent where 30% to 40% of cross-border trade takes place informally⁴⁶.

AfCFTA's implementation could provide unprecedented infrastructure opportunities, reduce rigid regulations for cross-border transfers, and renew funding and liquidity. Moreover, as more businesses will be encouraged to set up their operations in the continent, more funding will be attracted, and liquidity will be managed better.

The agreement could overcome differences between the different levels of integration reached through the diverse Regional Economic Communities (RECs) within the African continent. For example, Côte d'Ivoire, Kenya, Morocco, Senegal and South Africa have already been successful regional trading hubs. Still, the new challenge for Africa is to create a more unified economic market⁴⁷. While AfCFTA could represent an excellent opportunity for the African continent, its effects in practice are still unclear.

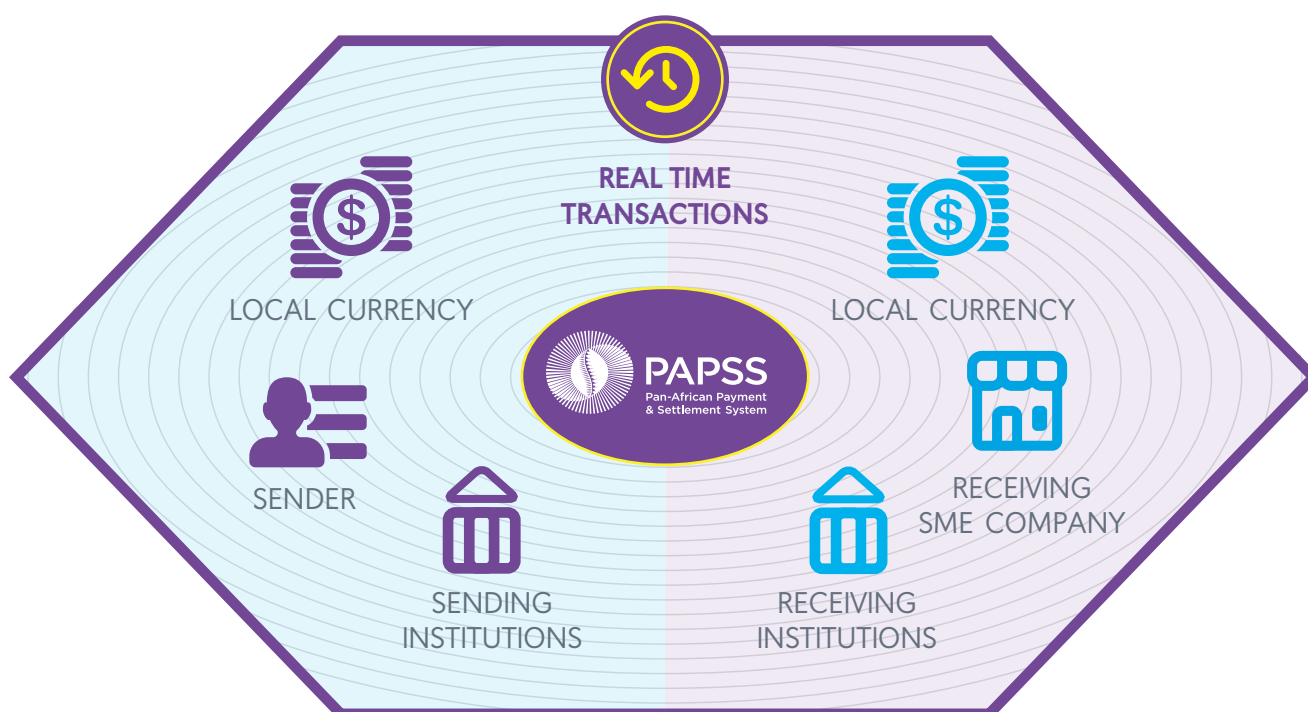
[Full article on the African Free Trade Agreement.](#)



THE PAN-AFRICAN PAYMENT AND SETTLEMENT SYSTEM

The Pan-African Payment and Settlement System (PAPSS) was launched in January 2022 in Accra, Ghana, in an event called 'Connecting Payments, Accelerating Africa's Trade'. The PAPSS has been developed by Afreximbank, jointly with the AfCFTA and African Union, and is set to save Africa about \$5 billion annually⁴⁸. In fact, while intra-Africa payments have been characterised by their low speed and high costs in the past, this system is aiming to change the status quo by allowing faster and more efficient payments, in the interests of both businesses and individuals.

How PAPSS Works



The PAPSS system enables compliance, legal and sanctions checks to be performed instantaneously, which allows payments to be settled almost instantly, in 120 seconds.

This will have a positive impact on intra-Africa remittances, as it enables the generalisation of low-cost remittance services with immediate funds availability to the beneficiary, either through a bank account, a virtual wallet or cash-out, where regulations allow. These benefits could assist people transferring from the informal to the formal, digital economy.

The platform was first tested in the West African Monetary Zone, before its commercial launch in 39 out of 54 countries in Africa.

REMITTANCE REGULATION DEVELOPMENTS IN NIGERIA

Following the mandate from the Central Bank of Nigeria (CBN) requiring all remittances to be paid out in US dollars from the end of 2020, a series of directives were issued in 2021. In January, the Central Bank issued the Modalities for Payout of Diaspora Remittances, with a reminder that remittance services providers should not pay out remittances in naira. In February, CBN issued a further reminder that working with cryptocurrencies is not allowed in Nigeria.

To encourage the use of formal channels, the CBN announced the introduction of the 'CBN Naira 4 Dollar Scheme', an incentive where recipients of international remittances were, through their commercial banks, paid an incentive of N5 for every \$1 remitted by senders and collected by designated beneficiaries (whether they chose to collect the USD as cash across the counter in a bank or transfer the same into their domiciliary accounts). This scheme was in place from Monday 8th March to Saturday 8th May of 2021.

All remittance services providers, in particular fintechs and mobile money operators⁴⁹, operating in Nigeria have been affected by the 2020 directive. While 2021 has been a year of restructuring for the industry, further work needs to be done by all stakeholders in order to improve the Nigerian remittance landscape. In particular, the establishment of working groups can allow remittance services providers and CBN jointly to address the issues of the market.

THE eNAIRA IN NIGERIA

Nigeria introduced its Central Bank Digital Currency (CBDC), the eNaira, in 2021, becoming the first African nation to roll out a digital currency. The CBN explains that CBDCs, working based on distributed ledger technology (DLT), allow regulators to improve the economy and the society, and that the use of DLT for payment and settlement can reduce the cost of payments⁵⁰.

The eNaira is the digital equivalent of Nigeria's fiat currency, the naira, and therefore official tender in Nigeria. One of the roles of the eNaira is to facilitate diaspora remittances, in a country where roughly \$24 billion was received in remittances in 2019, and \$17 billion in 2020. According to the CBN, the eNaira can provide a secure and cost-effective process for remittances, thus enabling their growth. The new framework should also contribute to the shift in the use of informal to formal remittance channels.



There are still a few limitations to the successful implementation of the eNaira, such as accessibility for people with no digital identity, or individuals who do not have access to the internet.

Aligned with the implementation of the eNaira, the CBN created new licence categories for the payment system, as shown below⁵⁰.

LICENSE CATEGORISATION FOR THE PAYMENT SYSTEM		
S/N	LICENSE CATEGORY	PERMISSIBLE ACTIVITIES
1.	Regularoty Sandbox	Digital Financial Innovation Financial Application Development and Testing
2.	Payment Solution Services	
a.	Super-Agent	Agent Recruitment Management
b.	Payment Terminal Service Provider	<ul style="list-style-type: none"> PoS Terminal Deployment and Services PoS Terminal Ownership Payment Terminal Application Developer Merchant / Agent Training and Support
c.	Payment Terminal Service Provider	<ul style="list-style-type: none"> Payment Processing Gateway and Portals Payment Solution / Application Development Merchant Service Aggregation and Collections
3.	Mobile Money Operations	<ul style="list-style-type: none"> E-money issuing Wallet creation and management Pool account management Super-Agent service
4.	Switching and Processing	<ul style="list-style-type: none"> Switching Card Processing Transaction Clearing and Settlement Agents Services Non-banking Acquiring Services Super-Agent Payment Service Solution Provider Services

The following applicants are to be licensed under the Islamic Financial Services Act 2013 (IFSA):

- a consortium of AEON Financial Service Co., Ltd., AEON Credit Service (M) Bhd and MoneyLion Inc.;
- a consortium led by KAF Investment Bank Sdn. Bhd.

THE MALAYSIAN DIGITAL BANK LICENCE

In 2021, Bank Negara Malaysia (BNM) announced that it would issue up to five licences to successful applicants to establish digital banks conducting either a conventional or an Islamic banking business. This makes Malaysia the second country in ASEAN to issue such licences.

BNM announced the Digital Bank Licence winners on April 29th, 2022: they are as follows.



[These applicants are to be licensed under the Financial Services Act 2013 \(FSA\):](#)

- a consortium of Boost Holdings Sdn. Bhd. and RHB Bank Bhd;
- a consortium led by GXS Bank Pte. Ltd. and Kuok Brothers Sdn. Bhd; and
- a consortium led by Sea Limited and YTL Digital Capital Sdn Bhd.

[The following applicants are to be licensed under the Islamic Financial Services Act 2013 \(IFSA\):](#)

- a consortium of AEON Financial Service Co., Ltd., AEON Credit Service (M) Bhd and MoneyLion Inc.;
- a consortium led by KAF Investment Bank Sdn. Bhd.

The exposure draft on Licensing Framework for Digital Banks, issued by BNM, states that applicants must adhere to the Financial Services Act 2013 or Islamic Financial Services Act 2013. Additionally, during their “foundational phase”, or commencement of operations period, applicants are required to maintain a minimum paid-up capital of RM100 million and will be subject to an aggregate deposit cap of RM2 billion. Most importantly, BNM requires all digital banks to focus on financial inclusion and the underserved and unserved market segments, which include the B40 and micro, small and medium enterprises (MSME), in an effort to boost sustainable economic growth. This banking licence will benefit the Malaysian remittance landscape, and ultimately consumers.

REMITTANCE INCENTIVE SCHEME IN SRI LANKA

The Central Bank of Sri Lanka is actively working to incentivise the diaspora to send remittances to the country.

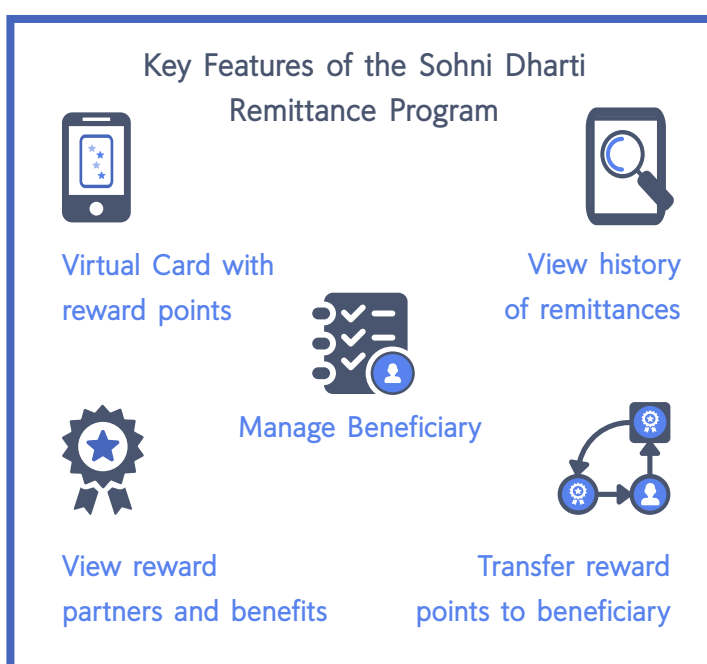
An incentive of Rs.2.00 per US dollar was already provided by the regulator for migrant worker remittances. In December 2021, an additional incentive scheme for worker remittances was launched, where a further Rs.8.00 rupees were paid in addition to the Rs.2.00 per US dollar. The incentive was initially launched until the end of 2021, but was extended to be valid until January 31, 2022⁵¹.

“The additional incentive provided by the CBSL is expected to attract more workers’ remittances to the country through the formal banking channels, thereby improving the foreign currency liquidity in the domestic foreign exchange market,” the statement said. In fact, Central Bank data show that remittances to Sri Lanka in the first ten months of 2021 fell by 13.8% to \$4.8 billion⁵². The incentive was also one of the measures used to address the foreign exchange crisis faced by the country. This initiative seems to have yielded significant benefits in the short run⁹.

THE SOHNI DHARTI REMITTANCE PROGRAM IN PAKISTAN

The State Bank of Pakistan launched the Sohni Dharti Remittance Program in November 2021. It is designed for Pakistani workers abroad to send remittances to Pakistan through banks and exchange companies while earning reward points, which can then be used to obtain different benefits offered by partner organisations.

The program incentivises the use of digital channels, as it works through a smartphone application available in both English and Urdu that rewards remitters with points every time they send remittances to Pakistan.



The amount of the reward is a percentage of the remittance, which can vary from 1% to 1.5% depending on the amount sent annually, from July to June. The points can be used in various public services, such as Pakistan International Airlines, the Overseas Pakistanis Foundations Schools, and many others.

This project is part of Pakistan’s continuous effort to increase the use of formal channels and to confirm its commitment to tackle AML/FT compliance issues in line with international standards.

THE IMPACT OF THE TALIBAN RETURN ON REMITTANCES TO AFGHANISTAN

After the Taliban took power in Afghanistan in August 2021, the country fell into a deep economic collapse followed by a humanitarian crisis.



Diaspora remittances have historically been a critical source of income for Afghans, but they are now endangered by the Taliban rule. About 5.8 million Afghans live abroad, in countries such as Pakistan, Iran, Turkey, Australia, Europe and the United States⁵³. In 2020, remittances to Afghanistan were estimated to be \$787 million, equating to about 4% of GDP (WB data). However, as this appraisal is based on formal transactions the real figure is likely to be much higher, with other sources estimating it to be closer to 18% of GDP⁵⁴. Even so, remittances had already decreased from \$829 million in 2019, a result of the COVID-19 pandemic.

During 2021, the return of the Taliban has further affected the remittances being received in Afghanistan. In the immediate aftermath, many remittance services providers were forced to suspend their Afghanistan corridors, which were not resumed until December. However, since the reopening remittance services providers have witnessed a substantial increase in volumes compared to before the takeover. There is a growing market for remittance services in Afghanistan, with few operating players, providing both a need and an opportunity for more participants to enter the market. Yet there are considerable challenges. The sanctions imposed on the financial sector, while attempting to exempt remittance transfers, have crippled the liquidity of banks, and so withdrawals have been and continue to be extremely limited. This has in turn undermined the public's trust in banks in general. Furthermore, transaction costs have increased and access is restricted in some areas. Thus, there is a continuing need for informal channels through which to transfer money.

Some estimates suggest that, even before the Taliban took power, 90% of Afghanistan's financial transactions ran through hawala, an informal money transfer system with over 900 providers operating across the country⁵³. However, even hawala transfers have in the past been reliant upon banks, and so the imposed sanctions have also affected the ability to receive remittances sent through informal channels⁵⁵.

A new trend is emerging; the increased adoption of cryptocurrency for the use of remittance transfers. According to Chainalysis' Global Crypto Adoption Index, Afghanistan ranked 20th out of 154 countries in adoption of cryptocurrency by ordinary people in 2021⁵⁶. Some estimate this rise in international crypto transfers to and from Afghanistan to be close to 80%⁵⁷. The decentralised nature of cryptocurrencies, which safeguards it from the sanctions, could be a partial explanation for this recent trend. However, widespread illiteracy and lack of internet access will pose a significant barrier to wider adoption of cryptocurrencies, and so regulated and unregulated channels will continue to be vital in ensuring that remittances are received in the country.



CHAPTER 4

TOWARDS STRONGER COOPERATION IN THE REMITTANCE INDUSTRY

In 2021, the consolidation of networks and partnerships has been key for financial businesses. This cooperation is beneficial for further connecting the cross-border payments industry, to ensure that customers have more choices when sending remittances.

PARTNERSHIPS

UNITELLER FINANCIAL SERVICES



THUNES

The partnerships with Thunes will expand UniTeller's technology solutions in Africa and the Asia Pacific region, and thus facilitate the access of communities across emerging markets. Given the growing demand for digital payment capabilities, this partnership marks an important milestone.

COUNTRIES COVERED:

20 markets, including Africa and Asia Pacific regions

USSC

UniTeller expanded its existing e-wallets and cash pick-up locations in the Philippines through a partnership with Universal Storefront Services Corporation (USSC), one of the country's leading non-banking financial service store networks. With the addition of 1,491 USSC cash pick-up locations, UniTeller's paying network in the Philippines is approaching 20,000 locations across the country as a result of this partnership. As USSC is one of the largest one-stop shops in the Philippines, with stores located strategically across the country, the partnership increases the accessibility of remittance collection for customers. USSC's e-wallet mobile application, USSC Super Service, also allows customers to manage incoming and outgoing transactions directly, so further reduces the waiting time to receive or send remittances. As remittances continue to remain resilient in the Philippines, the partnership with USSC enables the formation of an even more efficient distribution network. This partnership is a testament to UniTeller's commitment in the Philippines market.

COUNTRIES COVERED: Philippines



TRANGLO

UniTeller has partnered with Tranglo, a payments company rooted in Asia, to further expand their services in 13 Asia Pacific markets. Through this collaboration, UniTeller enhances its existing access to RippleNet, the blockchain-based global financial network of @Ripple, which further increases its capabilities to serve the growing needs of the cross-border payments industry.

COUNTRIES COVERED: Asia Pacific Markets



TRUELAYER



LEMONADE FINANCE

This integration will allow Lemonade Finance’s customers to connect their bank accounts to its platform, enabling the firm to manage risk more effectively by verifying the account and confirming the payee’s details. Customers can then instantly send funds directly from their bank to Lemonade Finance, using TrueLayer’s account-to-account payments, obviating the need for manual entry of card details or sharing of bank credentials.

CORRIDOR COVERED: United Kingdom to Nigeria, Kenya & Ghana

MERCHANTRADE ASIA



PAYSEND

Paysend is a global fintech company from the UK, connecting with Merchantrade to cover multiple corridors.

COUNTRIES COVERED: Malaysia, Japan, Australia



PRINCE BANK

Cambodia-based Prince Bank partnered with Merchantrade and connected to Merchantrade payout rails. Prince Bank will be offering this service to all its bank customers.

COUNTRIES COVERED: Australia, Bangladesh, India, China, Indonesia, Malaysia, Myanmar, Nepal, Pakistan, Philippines, Singapore, Sri Lanka, Thailand, Vietnam, South Korea, Japan, Hong Kong, United Kingdom



NPCI International Payment Limited (NIPL)

NIPL is building a huge acceptance network for RuPay and UPI, which will help Indian travellers and migrant workers pay with these channels in their destination country of travel. Merchantrade tied up a payout partnership with NIPL

COUNTRY COVERED: India

AL FARDAN EXCHANGE



الفردان للصرافة
alfardan exchange



NIUM PTE LTD

Faster payment capabilities to
USA, UK and SEPA

COUNTRIES COVERED: USA, UK and Europe (SEPA)



NEC MONEY TRANSFER

Single API anywhere payout business model for remittances to
Bangladesh

COUNTRY COVERED: Bangladesh

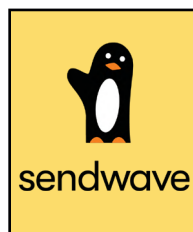


FLASH FX

Near real-time credits to bank accounts in Australia

COUNTRY COVERED: Australia

UPT



SENDWAVE

This partnership aims at paying out
the transfers of Sendwave in the
UPT network.

COUNTRIES COVERED: Lebanon, Turkey



THUNES

Payout of the transfers of Thunes in the UPT network.

COUNTRIES COVERED: Turkey



AL ANSARI CASH EXPRESS

Payout of the transfers of Al Ansari Cash Express in the UPT
network

COUNTRIES COVERED: Turkey

MoneyTO LIMITED



CASHWAY



MoneyTO started a new partnership with Cashway in order to send money transfers to Nepal.

COUNTRY COVERED: Nepal

FLEX MONEY TRANSFER LTD



MFS AFRICA



This partnership is based on cross-border payments, precisely on inbound transactions to Kenya. The mode of payment is bank transfers. MFS Africa is a financial hub with a presence in over 30 countries.

COUNTRY COVERED: Kenya

NIUM



MODERN EXCHANGE CO.



Through this partnership with Nium, Modern Exchange Co. will be able to connect to correspondent banks worldwide, enabling customers to make payments to beneficiaries' accounts in real time⁵⁸

COUNTRIES COVERED: APAC, Canada, Europe, Latin America, the UK and the US

THUNES

Thunes.



WORLD ECONOMIC FORUM



Thunes announced a collaboration with the World Economic Forum (WEF) to address systemic inequality in accessing financial services by driving innovation across payments and market infrastructures. **COVERAGE:** GLOBAL

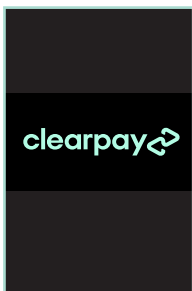


AL FARDAN EXCHANGE L.L.C.



Al Fardan Exchange, one of the largest money transfer and currency exchange firms in the United Arab Emirates (UAE), announced a partnership with Thunes, a global leader in cross-border payments, enabling Al Fardan Exchange customers to make seamless payments to 87 countries.

COUNTRIES COVERED: 87 countries across Europe, Africa, Asia Pacific and Latin America



CLEARPAY (AFTERPAY LIMITED)



Thunes, a global cross-border payments platform, announced a partnership with the Buy Now Pay Later (BNPL) services provider Afterpay Limited, known as Clearpay in the UK and Europe. Via this partnership, Thunes can now offer Clearpay's BNPL solution to their expansive network of gateways, merchants

COUNTRIES COVERED: countries across Europe, Canada, US, Australia and New Zealand

FLASH



FLASH



WESTERN UNION



Master agent partnership

COUNTRIES COVERED: Ivory Coast



MONEYGRAM



Master agent partnership

COUNTRIES COVERED: Democratic Republic of the Congo, Republic of the Congo



MUKURU



Money transfer service activation

COUNTRIES COVERED: Republic of South Africa, Democratic Republic of the Congo,

INTOUCH



CAPITAL SERVICES

Payout of their transactions through its network in cash and wallet

COUNTRIES COVERED: Ivory Coast, Cameroon, Sénégal, Guinea, Burkina Faso, Mali



NAFA CASH

Payout of their transactions through its network in cash and wallet

COUNTRIES COVERED: Ivory Coast, Cameroon, Sénégal, Guinea, Burkina Faso, Mali



TERRAPAY

Payout of their transactions through its network in cash and wallet

COUNTRIES COVERED: Ivory Coast, Cameroon, Sénégal, Guinea, Burkina Faso, Mali

MASTERCARD



ProgressSOFT

Mastercard has entered into a strategic partnership with the real-time payment solutions company, ProgressSoft, to ease the integration of Mastercard Cross-Border Services and accelerate cross-border remittances across the Middle East and North Africa⁶⁰

COUNTRIES COVERED: Middle East and North Africa



MTN

Mastercard and MTN announced a strategic partnership to enable millions of MTN MoMo customers in 16 African countries to shop and pay online with global merchants.

COUNTRIES COVERED: 16 Sub-Saharan African countries

MFS AFRICA

MFS AFRICA



AFRIMONEY



The partnership with Afrimoney, the mobile money service of the pan-African telecommunications leader Africell, has allowed MFS Africa's entry into Sierra Leone, and thus enabled mobile money users in the country to receive and send international payments more smoothly⁵⁹

COUNTRY COVERED: Sierra Leone



FUNDRAISING

In December 2021, MAJORITY announced its \$27 million Series A funding

Insider Valar Ventures led the Series A round only six months after leading the company's \$19 million seed financing, bringing Majority's total funding to \$46 million. Other insiders participated in the round, including Avid Ventures, Heartcore Capital and a group of prominent Nordic fintech unicorn founders. Majority was launched in 2019 as a mobile banking service for migrants. The latest funds will be used to open a new U.S. headquarters in Miami, rapidly grow the team across the U.S. and Sweden, and develop the all-in-one product.

Taptap Send announced \$65 million in growth funding

The Series B funding round is led by Spark Capital, with participation also from Unbound, Reid Hoffman and Canaan Partners (both of which led its previous round, a \$13.4 million Series A), Slow Ventures, Breyer Capital, Wamda Capital, Flourish Ventures and additional unnamed investors from the Middle East, Africa, Asia and Latin America. The company has now raised more than \$80 million.

MFS Africa raised \$100 million in Series C funding

MFS Africa, the continent's largest digital payments network, has raised US\$100 million through an equity and debt financing round. The fundraising marks another milestone in MFS Africa's expansion, following a series of acquisitions and investments in other African fintechs, including the recently announced acquisition of Baxi in Nigeria.

Chipper Cash raised \$250 million in Series C funding

The African cross-border payments company has raised a first Series C round of \$100 million led by SVB capital, followed by an extension of \$150 million, raising its valuation to \$2 billion.

Wise went public on London Stock Exchange in July 2021

The founders of Wise took the company public using a direct listing, which does not involve raising new capital or bringing in new investors as in a formal IPO process.

Remitly went public on Nasdaq in September 2021

The company raised about \$300 million through its IPO, which was priced at \$43. According to the CEO, Matt Oppenheimer, Remitly is on a long-term growth strategy, with the launch of new services such as Passbook, a banking service targeted at immigrants in the United States.

Zeepay raised \$7.9 million in series A

Zeepay enables digital remittances from the diaspora to mobile wallets, bank accounts and visa cards across 20 markets in Africa. Its Series A round is a hybrid of equity and balance sheet funding to support its operations, and was led by I&P, which invested \$3 million, and supported by ARK Holdings, the privately-held family investment portfolio of Zeepay managing director, Andrew Takyi-Appiah, and Zoe Takyi-Appiah, which added \$800,000.

Indonesian fintech Flip raised \$48 million

Flip, Indonesia's leading consumer payments platform, announced that it raised \$48 million in a Series B funding round co-led by Sequoia Capital India, Insight Partners, and Insignia Ventures Partners. One of the company's key products enables online P2P payments such as remittances, which should be expanded following this round of funding.



ACQUISITIONS

Thunes acquired Limonetik

In July 2021, the cross-border payments solutions provider, Thunes, acquired Limonetik, a European payment methods platform. This move will complement existing Thunes cross-border payments solutions by enabling businesses to get paid in 70 countries, using over 285 local payment methods such as mobile wallets, payment by instalments (BNPL), QR code payments, and more. The solution will be known as Thunes Collections⁶¹.

Ebanx acquired Brazilian remittance player Remessa Online for \$229 million

The deal follows October's acquisition of B2B fintech Juno and a \$430 million raise in June and is in line with Ebanx's expansion across Latin America, where last year it processed over \$3.5 billion in volume and 150 million transactions. This acquisition will support Ebanx in better serving customers and merchants across the region.

Mercado Libre acquired Redelcom

Mercado Libre, a technology firm and the largest e-commerce company in Latin America, announced the acquisition of Redelcom, a Chilean company that has been operating since 2010 as a payment services provider and which in October 2019 began offering point-of-sale (POS) terminals with the latest technology to retailers.

MFS Africa acquired the fintech startup Baxi

Baxi is one of Nigeria's super-agent networks. The acquisition will enable MFS Africa to expand in the country. MFS Africa plans to build Baxi into a key node on its digital payment network, allowing customers to make regional and global payments to and from Nigeria⁶².



KEEPING THE FOCUS ON THE END-USERS: MIGRANTS AND THEIR FAMILIES AROUND

The remittance industry made considerable progress in 2021, achieving further integration thanks to partnerships, acquisitions and the launch of many new projects. In all these endeavours, the central focus of the players involved should remain the end-users, namely migrants and their families. As is often repeated, remittances are not only a lifeline for millions of families, they also contribute to development goals. Keeping this perspective in mind, much remains to be done by both remittance services providers and regulators.

The impact created by remittances should be measured in new, more thorough ways, in order to better assess their effectiveness and understand what can be done to generate even more significant outcomes. This can be achieved by remittance services providers **setting specific impact outputs and outcome goals**. Such a mindset would allow the positioning of the customer at the centre of the corporate thinking process in a very pragmatic way. Rethinking impact in a fresh way can not only enable better data collection and industry improvement, but can also attract innovative investment opportunities adapted to impact ventures.

Another central point is the vital importance of collaboration within the industry. It is crucial that the data collected and lessons learned should be shared throughout the industry. While competition is necessary for the proper functioning of remittance markets, we believe that **joint effort is absolutely essential** in order to solve some of the issues which will present themselves. Collaboration between remittance services providers, fintechs and regulators will allow the industry to offer the very best services to migrants, namely affordable, transparent, accessible and fast remittance payments.



In fact, the goal of achieving financial inclusion is one shared by all stakeholders in the industry. To reach this objective, continuing to offer a large array of services, adapted to regions and customers, is necessary: cash-based services must be kept available, and solutions based on innovative technologies should be built and implemented in an inclusive manner. Future endeavours should focus on strengthening financial structures in order to improve the payments landscape and make it accessible to all.

However, perhaps the single most important necessity for achieving financial inclusion is political willingness on the part of governments to make it happen. The role of regulators and policymakers in this area is critical. They are in a unique position to contribute to the effort by promoting financial literacy policies, since being financially literate considerably increases the chances of being financially included. Achieving this goal at the global level may take years, but a large impact will be generated in the process, giving people control over their economic and financial livelihoods and enhancing their life opportunities.



This is the commitment of IAMTN and its members; we invite everyone involved in the industry to collaborate towards achieving these goals.



CONCLUSION

Beyond being a year of recovery, 2021 has been a dynamic year for remittances. Exciting industry and technological developments have taken place in response to increased customer expectations of access to seamless remittance services that are faster, cheaper, and more transparent.

While this report has shown that the same trend of rapid digitalisation has been observed globally, it also describes different regional variations. Each region has evolved at its own pace, determined by societal, economic, and political characteristics. While Latin America has been the most proactive with respect to the adoption of new technologies, large investments have flown into Africa, which could lead to expectations that Africa will follow this trend. Although Southeast Asians often prefer the use of cash, more and more are choosing e-wallets for remitting. In regions such as Europe or North America, with historically more developed payment infrastructures, change is slower to be observed, as digital channels were already central before the pandemic. Nevertheless, remittance services providers around the globe have continued to experience an enhanced demand for digital remittances in 2021, and expect this trend to continue.

As usual, the industry has kept working to improve remittances in the interests of migrants and their families. These efforts have resulted in the coverage of more corridors globally, the reduction of remittance prices, and the increase of choices available to customers with respect to remittance methods. The large number of new investments that have been made in the remittance industry, including \$123 billion in fintechs, is expected to enable further innovations and improvements.

While all this progress should be recognised, it is also clear that much remains to be done. Many areas of friction persist in the cross-border payments industry. In particular, financial inclusion should remain the priority in every action undertaken by industry players, as being underserved negatively impacts individuals in many areas of their lives. Other issues to be addressed jointly by the industry and by regulators include interoperability between products, high prices, and unadapted regulation.

A seamless cross-border payments landscape is a necessary piece of the puzzle in the globalised world in which we live today.

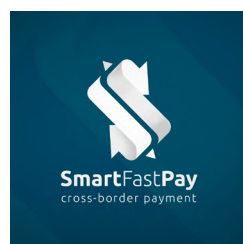
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