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I think it is very important that every person in this industry reads the GAO Report published on February 16th, 2016, entitled **INTERNATIONAL REMITTANCES: Actions Needed to Address Unreliable Official U.S. Estimate -**Highlights Page (1 page), Full Report (62 pages). A second report published the same day is entitled **INTERNATIONAL REMITTANCES: Money Laundering Risks and Views on Enhanced Customer Verification and Record keeping Requirements**- Highlights Page (1 page), Full Report (59 pages), Accessible Version (62 pages).

GAO was asked by Sen. David Vitter (R-LA) and House Budget Chairman Rep. Tom Price (R-GA), to examine the potential illicit uses of remittances, and assess whether requiring remittance senders to provide certain types of identification at a threshold below the current $3,000 level would be useful for US AML efforts.

It is important to understand what the GAO, or the Government Accountability Office, is. GAO is "*an independent, nonpartisan agency that works for Congress. Often called the 'congressional watchdog,'GAO investigates how the federal government spends taxpayer dollars. The head of GAO, the Comptroller General of the United States, is appointed to a 15-year term by the President from a slate of candidates Congress proposes. Gene L. Dodaro became the eighth Comptroller General and head of GAO in 2010*". If you want to know more about GAO, you can see GAO's webpage or view GAO's 2014 brochure in English, Spanish, French and Arabic.

In my point of view, GAO Reports are fact finding projects and undoubtedly a lot of work goes into compiling all the information (and interviewing federal and state agencies, as well as many stakeholders) and presenting it in a way that congressmen from either party receive unbiased information. This is difficult in a much divided political climate where the information in these reports will be pulled apart, and where anti-immigration groups will use and manipulate facts to convince others their agenda is appropriate and legitimate. But more about this later.

INTERNATIONAL REMITTANCES: Actions Needed to Address Unreliable Official U.S. Estimate

On the first report GAO "*was asked to study the potential effects of a fine on certain remitters and estimates of U.S. remittances*". GAO examined (1) the potential effects of a fine on remitters unable to provide proof of legal immigration status, and (2) to question BEA's (Bureau of Economic Analysis) remittance estimates (and their methodology). The arguments between GAO and BEA of who is right or wrong, or whether the volume of remittance outflows from the US are $40 billion in 2014 (BEA) or $54 billion (GAO), is not that important to the industry as we know that the volume is much higher than that if you add up all the ways remittances are sent, formal and informal (not illegal, is important to note).

But the question of a "fine" is troubling, especially when you see US politicians, like Sen. David Vitter (R-LA) stating in this article: "*This GAO report helps us determine how massive the remittances problem is with illegal immigrants sending billions out of the U.S. – money they likely haven't paid income taxes on. Basically, we would be able to improve our border security while making illegal immigrants pay for it*." This shows clearly the agenda of the Republican Party: convince the general public that letting illegal immigrants send remittances should be curbed or fined (or taxed) and that these fines or taxes can pay for vamping up security at the borders, building walls, controlling and deporting illegals. Also concerning are statements like "*the various ways in which people can send money home mean that the industry is ripe for fraud*".

INTERNATIONAL REMITTANCES: Money Laundering Risks and Views on Enhanced Customer Verification and Record keeping Requirements

Then we go into the second report. GAO was asked "*to examine the potential illicit uses of remittances and assess whether requiring remittance senders to provide certain types of identification at a threshold below the current $3,000 level would be useful for U.S. AML efforts*". This report then examined (1) BSA remittance requirements and the challenges that the industry face in complying with these requirements; (2) the ML risks that remittances pose; and (3) stakeholders' views on requiring the industry to verify identification and collect information at lower thresholds.

From the industry's perspective, we all know all the efforts we have been going through to improve our KYC/BSA/AML/CTF systems through technology and risk management policies, training our personnel and the agents that we have, and the requirement of better compliance from our correspondent payers in every country, especially from the countries considered "riskier". In fact many MTO's have ID thresholds below $3,000 and lowering it is not impossible, but I understand compliance concerns that will make it more difficult to single out suspicious transactions.

We also know that the perception of remittances used for illegal purposes is completely overblown; just 20-years ago when the remittance volumes began to appear in reports and press articles, law enforcement considered that more than 90% of the flows were illegal money because it was inconceivable that poor immigrants could send those large amounts of money. I had many discussions with DEA, FBI, police, regulators. The work of Manuel Orozco, Donald Terry at the head of MIF at the Interamerican Development Bank (1993-2008), Dilip Ratha at the Worldbank, and many more helped bring the value of remittances forward and raise the consciousness of many governments around the world to defend their migrants, and defend remittances from reaching families and contributing to the countries' development efforts (Philippines, Mexico, Guatemala, India, just to name a few). The industry still has a long way to go in showing and convincing the general non-remittance sending individuals, politicians, and major banks that KYC/BSA/AML/CTF concerns are real in every financial institution worldwide, but singling remittances as a major KYC/BSA/AML/CTF threat is just erroneous.

ANALYSIS, OPINIONS, COMMENTS AND THE ROAD AHEAD

As an industry we know that we must make a better effort in getting together and supporting the associations and trade groups that are trying to improve the image of the industry, fight misconceptions, state our opinions and views, and curb legislative efforts that will damage the industry, but most of all will negatively affect our customers and their families as well as the overall transparency of the market. If larger companies keep themselves apart, if digital newcomers feel they are in a different cloud, if small companies feel that the system is rigged against them and nothing can be done, we will get nowhere.

I agree that the lack of unity in these efforts is evident in the GAO reports. Mr. Alberto Laureano, chairman of the Money Service Business Association (MSBA), in a growing effort to get the industry together, has accepted my invitation to have a session to analyze the GAO Reports at the coming IMTC USA 2016 Conference in Las Vegas on March 14-16, 2016. See Agenda. If you have views and opinions on the GAO Reports, please send them to us using this post in our LinkedIn Group or contacting us. Your insight and contributions might get you an invitation to come to Las Vegas.

THE GAO REPORTS AND MY NAME IN THE NEWS

While preparing this blog, Josh Siegel @SiegelScribe, a reporter from the Daily Signal called me and asked me about my opinions on the report and published an article on February 25, 2016 entitled The Challenge of Tracking Money Sent to Other Countries From Illegal Immigrants . I am always hesitant to provide interviews over the phone because anything you say can be quoted out of context and manipulated, and once it is published there is no way out and your reputation and integrity have been damaged. But Mr. Siegel seemed eager, honest, and his questions were very good, so we spent quite some time on the phone. He chose to quote me, and here are two quotes he used:

> "*Even though there has been a lot of work done on getting the numbers right, it really is just estimates of estimates of estimates,*" said Hugo Cuevas-Mohr, a global money transfer expert with 25 years of experience in the remittance business.
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> Cuevas-Mohr believes that the potential revenue from imposing a fine would not be worth the lost information about the industry that would come from people using unregulated means to transfer money. "*When you make it more difficult for those transfers to take place, then the market becomes less transparent—there are so many ways you can move money*," Cuevas-Mohr said. "*You can have relatives that live in the U.S. legally and then visit their home country and take the money for you. I always tell regulators that if we open the door for everybody to remit, and make it easy to send money overseas, it will allow law enforcement to be able to see what is really happening*."

It is not exactly what I said, but fairly close. What are your opinions?

FATF WEIGHTS IS: A GUIDANCE FOR A RISK-BASED APPROACH FOR MONEY OR VALUE TRANSFER SERVICES

The timing could not have been better. FATF just published – February 2016, a report that all Compliance Officers of this industry must read, entitled **Guidance for a Risk-Based Approach for Money or Value Transfer Services** (Summary – Full Report (69 pages). I want to highlight three statements in the presentation of the report:

- The risk-based approach, the cornerstone of the FATF Standards, requires that measures to combat ML/TF are commensurate with the risks. Such measures should not necessarily result into the categorization of all MVTS providers as inherently high-risk.
- The overall risks and threats are influenced by the extent and quality of regulatory and supervisory framework, as well as the implementation of risk-based controls and mitigating measures by each MVTS provider.
- While this Guidance is applicable to the entire MTVS sector (both banking and non-banking institutions offering MVTS); it is primarily intended for non-banking MVTS providers.

Emily Rose Adeleke, who works in the Financial Market Integrity (FMI) Unit at the World Bank Group's Finance and Markets Global Practice, published a note entitled "*Remittances and integrity: how to exist in harmony*" in which she discusses the FATF Guidance and starts with the question: "*How do countries ensure that remittance service providers – who are often serving the world's poorest people – mitigate their risk for abuse by money launderers and terrorist organizations?*". It is a question the industry works hard to answer and spends significant resources confronting.

Ms. Adeleke also mentions the inclusion in the FATF Guidance of the section "***Access of MVTS to Banking Services***" acknowledging the industry's efforts to denounce the global bank access problem that we face. As Ms. Adeleke states: "*This is a timely and helpful addition to the ongoing global conversation about remittance service providers' access to bank accounts*." A **De-Risking and Bank Discontinuance** session at the coming IMTC USA 2016 Conference in Las Vegas on March 14-16, 2016, See Agenda, will analyze the latest reports (a G-20 Report, the Revised Directive on Payment Services (PSD2), the US House Bill ending Op. Choke Point and the FATF Guidance) with guest panelists John ReVeal from Bryan Cave, Karen Schirmer from Chartwell Compliance and Andrew Ittleman from Fuerst Ittleman David & Joseph. Your comments and questions are appreciated.