

**1. Is there a light at the end of the tunnel to the Banking Access situation by MTOs in the US – and foreign RSPs access to US Banks?**

Unfortunately, I have to say that there is no light shining just yet. It is encouraging that the US Banks present at IMTC USA in San Diego listened to executives of the many MTOs present at the conference and those banks will be analyzing the portfolios, reviews and information presented to them in order to open or not bank accounts. But the options are few and the limited number of banks are being extremely selective. We have to thank **Carlo Corazza** from the **World Bank** (WB) for making the time to participate in the panel and give his views about the situation. Even if all attendees understand the sincerity of the WB's concerns, few Bank and MTO executives believe that there is any political pressure that can be exerted by the WB on the OCC, FDIC and other US Federal Regulators and they won't survive long to see any results. We hope Bank Consultant and experienced California Banker Jesse Torres, also present in the panel, can help the industry move forward and contribute with ideas and the road ahead.

We can blame the lack of industry lobbying efforts for not getting our desperate message across but it is very hard for hundreds of heterogeneous, small, ethnic, minority businesses to get together and fight. Not even the larger MTOs in the US have ever joined together. The absurdity of the situation is that those small ethnic MTOs have hardly ever received fines for AML mistakes; they know that any AML problem they face will mean closing down since they will never have the funds to defend themselves. This situation will accelerate the M&As in the industry, since larger MTOs have the size, volume and muscle, to get accounts with larger Banks, pay premium fees and spend heavily on compliance & risk prevention. Less competition, higher prices, less choices.

The problem is spilling over the US borders as foreign MTOs and Financial Institutions, including banks, are loosing bank accounts with US and international Banks in their own countries. US Banks are refusing wire transfers from their correspondents Banks if they are from Non-Bank Financial Institutions like MTOs, Forex firms, etc.

Operation Choke Point (<http://bit.ly/1tWbh00>) has made things even more difficult. Although it is aimed at other MSBs and not Money Transmitters, Banks are "*Erring on the side of caution to avoid regulatory scrutiny*" as a recent article explains (<http://bit.ly/1qgeRpP>).

**2. Important advice to US Compliance Officers from the panel on "The Compliance Profession after the 5M proposed fine to T. Haider"**

Right from the start, information was presented by the panel on the possible agreement that Tom Haider and his lawyers have made with US regulators regarding the news that was licked to the press on the supposed 5 Million fine US authorities were preparing to file against him. But it is clear to all in the industry that the US government is sending a message to all Compliance Officers: they will do everything they can to fine, not only companies but also individuals in future AML/CTF/fraud cases. I have to agree with most attendees that this panel, moderated by Connie Fenchel with panelists Christine Carnavos, Jean-Jacques (J) Cabou and Michael Volkov was one of the most informative of the conference. As I discussed with several Compliance Officer we need to make everyone in the

profession know that they must make sure that their contracts with Financial Institutions cover insurance that protect the cost of legal fees in the initial stages of government investigations. We will prepare a document that we will circulate that will give companies and individuals advise in this important matter. Another issue that was highlighted was the importance of documenting everything a Compliance Officer does with regard to transactions and company procedures; keeping records of emails, notes, meeting summaries with executives at all-levels will make a difference when the time comes, if it comes, to defend his/her actions. And if the Officer feels that his/her ideas and suggestions are not followed or his/her doesn't have the resources to do a good job, the suggestion from the panel was unanimous: walk out, leave, look for another job. Compliance Officer's salaries will certainly rise because of all this and the shortage of them is increasingly being felt at all levels.

### 3. Professor Sharma deconstructs the MT Market: A three track industry ([see presentation](#))

Dr. Sharma took the audience through a series of slides to review his view of the money transfer industry starting with one showing the "when grows stalls" findings, the reality that a company that doesn't grow will eventually close down. Researchers examined 100 companies: in day one, 87% were stalling and 13% where growing; some years later 67% no longer existed (<http://bit.ly/WigJl0>). And quite a few companies in the industry are facing this reality even though the remittance market continues to grow, migration continues to grow and we know that maybe only 50% of the volumes of money transfers are being recorded. In his view while the Mass Market is 60%, the Low End Market is 25% and the Premium Market is 15%, the industry serves probably 50% of the Low End market, maybe 10% of the Mass Market and almost nothing of the Premium Market. What are we doing wrong? Where should we focus our efforts? Prof. Sharma summarizes the current trends in money transfers to be: a) price pressures for traditional players b) firms with non-traditional models being attracted by margins c) compliance and banking pressures d) Non MTOs entering the market, and e) Vertical channel disintermediation. All of these, he concludes has created the emergence of a three track competition in the industry: 1) Traditional: Cash – Developed Country Outbound (growing at 4-5%) - 2) Developing Country Outbound (growing at +17%) - and 3) the emergent electronic payments growing at +30% . After showing data on these growth patterns Dr. Sharma concludes that these three tracks seem to be running in parallel tracks and not competing one with the other. To conclude, the presentation made a point in showing the effect of electronic payments in markets, the effect of mobile payments, that even if it started in Africa, the huge success will be seeing in Asia and what he sees as the emerging money transfer options.

### 4. Will Bitcoin ever make it as a remittance tool?

At IMTC USA we had for the first time a good look at the Bitcoin industry in relation with Remittances. Even if the size of the Bitcoin Market keeps increasing and there are several signs that regulation will slowly make its way and merchants will more and more accept Bitcoin as a payment method, the use of Bitcoin as a remittance tool is still in the design stage. Bitcoin companies are wisely looking for an MTO that they can partner with in order to put a system in place that leverages the MTO network and knowledge of the market with the ease of use of Bitcoin as a trading currency.

I hope this happens sooner than later and I am committed to write a document that explores the operational procedures, challenges and opportunities, for that partnership to work.

The Bitcoin Debate on the second day of the conference was argued with passion and great points were made by one side and by the other. I have to agree with Dr. Sharma that mostly everything about Bitcoin is in the future; Bitcoin followers are still looking at the potential of Bitcoin for one thing or another with no clear indication of when most of those dreams will materialize. Some attendees at the conference think that IMTC is giving too much importance to Bitcoin while others are happy to learn about it. Whatever the future of Bitcoin is, I do think that the remittance – and the whole financial industry - needs to be challenged and that is what technology is doing at all levels, including Bitcoin. As I answered questions about the remittance industry to Bitcoiners in the Money Transfer Course that I taught in the Pre-Conference Day, the whole system is full of contradictions and needs to be shaken at its core. What technology will make that happen? I can't say yet, but I want to be in the front seat to see it when it happens.

#### **5. Are Money Transfer Services (MTS) offerings by US Second to Fourth Tier Telcos ready for prime time?**

Ajay Hans, CEO of Mobetize, made a great presentation explaining the Telco world to IMTC attendees, showing that Telcos are facing revenue challenges from services they offer to the same money transfer clientele (50% loss in long distance revenue, 35 Billion losses in SMS revenues, massively expensive customer retaining costs, etc.). So, Telcos are fighting to replace lost revenues and they are seeking to offer simple, convenient & cost-effective Mobile Financial Services (MFS) based on the fact that everyone uses a mobile phone while the majority (4 Billion) of the worlds population do not have access to, or make use of formal financial services (In the US alone, 20.1% of households (63M people) are deemed underserved!). Of course, is easier said than done and even if some Telcos have moved into getting their own Money Transmitter Licenses where they need them (like in the US) most Telcos are exploring ways to partner with existing companies that know the market, have the networks and are willing to explore novel revenue sharing mechanisms. Ajay went on to show how companies such as Mobetize are bridging the gap between the Telco and the MTO world so they can come together and serve clients with mobile solutions. Tier 2 to 4 US Mobile Operators serve 100M users in the US and finding the way to offer them an easy mobile solution to make remittance transaction is the objective. Consumer acceptance is key, only achievable with simplicity, accessibility and of course, security.

#### **6. Networking & Partnerships: Are MTOs in the US ready to develop new ventures?**

I go back and forth between a YES and a NO when answering this question: Are MTOs in the US ready to analyze new ventures?. It is mostly NO in the sense of the desire of US MTOs to do everything in house, from computer systems to developing other products complimentary to money transfers. And I do think the IMTC helps these partnerships to emerge when a few innovative and open minded companies meet a potential partner at an event and decide to go ahead and partner, offering a new service, a new technology, a new channel. In a sense, more agents of MTOs have been more successful offering new services that the MTOs themselves. MTO Agents that use to get 100%

revenue out of sending remittances are now getting from 10 to 30% at the most from them while the remaining revenue comes from other services. If MTOs would look at a partner as an agent looks at a provider of services, the successful partnerships that this industry could spearhead would be tremendous. It is also very important to note that the technological challenges that partnerships entail in order to synchronize data transfer (easy, efficient, secure and fast) is something where MTOs are not as prepared as Telcos and other more digital-centered companies.

**7. Are new protocols like Ripple a great tool to speed up payments, bypass banks and lower costs for the industry?**

The more I know Ripple's protocol the more I feel that this system, grown from the same movement that has brought Bitcoin to the forefront, can make a significant impact in the way MTOs operate and settle their transactions. And I think that Ripple has realized this and Danny Aranda's presentation at the conference, clearly showed me, and other attendees that have heard me before, that the message is clear to the industry. The protocol let's "*Financial institutions integrate Ripple into their existing settlement infrastructure to enable the real-time transfer and exchange of funds across any types of value (currencies)*" - <https://ripple.com/ripple-FIs.pdf> . Real-time settlement reduces costs in the form of fees, time, risk, liquidity and can significantly get better exchange rates to the money transfer companies, all this that can pass down to the customer. And, better yet, MTOs could settle through market makers, Foreign Exchange Brokers. We will get deeper into Ripple in IMTC WORLD and in the VCAP Course that will be taught in Pre-Conference Day.

**8. Are MTOs aware that they shouldn't underestimate the importance of online marketing and social media?**

My answer to this question will be a NO. Only companies that have began offering online money transfer services feel that it is time to start doing online advertising when it is obviously late. Of course when you have an online service you can measure the ROI in conversions (transactions coming in). But there are very successful campaigns in social media that can be done to cement the digital presence of a brand and Daniela Cuevas presentation gave clear examples of how this is easy and very important to achieve, even if online transfers are still in the planning stages for your company. The digital money transfer space is not yet crowded so moving into this space can be done easily with low cost and great results. Besides Xoom, very few companies have really researched and spent marketing dollars although we are beginning to see companies like [Intermex](#) starting to make their presence known in the digital world.

**9. Is US-Mexico Cooperation working to help legitimate Foreign Exchange businesses in the border region survive?**

The participants of the Forex at the Border Workshop that Oscar Herasme moderated that discussed the challenges that legitimate businesses in the US-Mexico Border region were very satisfied with the presentations and the panels that followed. Cooperation of US and Mexico on this very delicate subject, is very important and crucial to the survival of the businesses at both side of the border dealing with US Cash & Mexican Pesos. Last minute difficulties prevented the representative from the CNBV (Comisión Bancaria y de Valores), Mexico's Supervisory Authority to be with us, but

Arizona's Detective Julio Caraballo from the South West Border AML Alliance told the audience of the work they have been doing with Mexico to enhance AML controls and increase cooperation. Dario Wong and Jose Manuel Ripa, both active in the business in both sides of the border shared their experiences and their work. Mr. Ripa is a leading personality in Tijuana with the work he is doing in the Centros Cambiarios Asociados, the association that is working hand in hand with the CNBV to raise awareness in the Forex community of the importance of following regulation to increase KYC at the border. Mr. Herasme's knowledge of the sector was crucial to the success of the workshop. His advice on the importance of a "closed loop" strategy, aimed at accounting for every bank note that is received for exchange (from the receipt at an exchange center, through the repatriation and exchange cycle, concluding with the delivery of the exchanged currency) can be the mechanism that assures business survival and access to banking services at both sides.

**10. Are you willing to share your opinion on what was the #10 subject missing from this list?**

If you are (or you want to give us a brief comment) click here and do it in our LinkedIn Group Discussion: <http://linkd.in/WiQVFa>