



Migration and Remittances: Global Trends, Outlook, and State of Play

JUNE 16, 2016 - 10:00-11:00am EDT

SPEAKER: Hugo Cuevas-Mohr - *Director, IMTC Conferences and Mohr World Consulting*

Thank you Dilip, I am honored to share this space with you and thanks to all the listeners and people who submitted questions. Today is the International Day of Family Remittances, a day that celebrates family, that recognizes the efforts of migrants globally, a celebration of the hard work, sacrifice and generosity of international workers. But it also celebrates the services that the industry that I serve, the *International Money Transfers & Payments industry* provide, making remittances a reality for millions of migrants worldwide. Dilip and I and many others like ourselves, work to strengthen current cross-industry partnerships and to create new synergies among sectors to promote the impact of remittances in every country in the globe.

Governments, multilateral agencies and the international community recognizes the work of the private sector in facilitating the sending of remittances, in developing cost-effective and accessible financial transfer services, and encourages the industry to link these remittance flows to a range of financial services and products for migrants and their families. For me that is crucial and not enough has been done in that area. I do praise the work of many entities around the globe, such as Fedecaces in El Salvador, a network of COOPs using remittances as a tool for the introduction of financial services to migrant families. We need more success stories like this one.

In recent years, the remittance services industry, a key part of the financial ecosystem, has come under increasing pressure from “de-risking” and bank discontinuance by the large commercial banks, due to a wide variety of reasons; we are in a way collateral damage of the economic crisis. The situation is not improving but finally regulators in many countries have been speaking in a louder voice urging banks to use a risk base approach that is sensible and it is used in a case by case basis.

The latest one is the document released by The US Conference of State Bank Supervisors (CSBS) and the US Money Transmitter Regulators Association (MTRA) showing the strict supervisory regime Money Transmitters in the US are under. Agents of Money Transmitters are losing their bank accounts too affecting every single MTO in the US. Cash handling companies are now serving those agents and MTOs, creating a large network of cash pick-up, delivery and storage companies since banks don't want to handle cash anymore.



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Recently I tried to help an agent, that after a storm that drove a lot of people out of their neighborhood, gave the bank information to clients so they could use its remittance services by depositing directly in bank branches in different areas of the cities so they wouldn't have to drive to the store to hand in the cash. That "unusual" activity made that agent lose the account he had had for more than 5 years. Nobody in the bank wanted to take the time and listen to reasons. The agent gave up and said "they were just waiting for an excuse to close it down".

The industry is discussing ways to create their own banks but US Federal regulators seem to believe this is not the way out as it concentrates too much risk in one entity. India, our next IMTC stop in September, is allowing specialized banks and we are closely following this development.

In Spain, the Philippines, New Zealand, MTOs have been going to the courts to stop the closing of Bank Accounts with temporary success. Lawyer Antonio Selas in Spain has scored many hard-won victories.

It is important to praise the "MSB friendly" banks that are banking the industry, the industry and these banks need to work together for a common cause: efficiency and transparency.

Leonardo Costa, a Uruguayan expert, ex- GAFI head, made a presentation in our past IMTC BRASIL conference and shared the following metaphor that I loved: "We are being asked to trade our old cars for very new state-of-the art cars, we have to pass all the emission tests, we are being required to get the most stringent vehicle driving licenses... and the banks are not allowing us to use the highway."

Talking about new state-of-the art cars, technology is bringing a lot of excitement into the industry and even if remittances are still heavily tilted towards cash, digital channels are growing in both ends of remittance corridors. Several "digital-first" companies are growing fast in the US and Europe while traditional players are stepping up their digital channels and major companies are showing increasing revenues from them.

But is the payment of remittances into mobile wallets that I am more excited about. Yes, some governments have not yet realized the potential for financial inclusion and



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facilitation of remittance distribution that mobile networks have and still want to link wallets to bank accounts, or come up with regulation protecting the banking sector, but I think the tsunami cannot be stopped. In Africa, wallet to wallet cross-border remittances are spreading. In Latin-America it is slowly happening with good news coming mainly from Guatemala and El Salvador.

I am also excited about International Bill Payment Services and the fact that Airtime Providers are now incorporating remittances into their offerings.

Technology has not driven, still, prices lower. For Dilip and the World Bank lowering prices is a main objective and I want to praise the work done on the website Remittance Prices Worldwide in collecting, monitoring and publishing remittance price data. While technology pushes prices down, de-risking and compliance expenses drives them up. Less competition is also a factor in keeping prices high, as small companies are deciding to close due to over-regulation and/or for not having bank accounts.

Is Blockchain Technology the future? I do think it is and I hope the remittance industry wakes up to that fact. Bitcoin companies are finding some success in certain remittance corridors, as a B2B settlement mechanism. Bitcoin P2P is clearly the perfect choice to send money across borders cheaply and efficiently but consumer adoption is very slow. Only nerds and curiosity-driven people like me are basically using it. I am advising any young Fintech entrepreneur with a good digital, Blockchain or Bitcoin remittance idea and we created MTBIT, a one-day workshop where Bitcompanies present their plans and industry executives give their feedback. Last one in Las Vegas in March was great I think.

To close my remarks, I want to urge the industry to support their professionally run and industry representative associations; we need strong trade groups everywhere and I praise the work of the MSBA in the US, Abracam in Brasil, ANAED in Spain, the AUKPI, the IAMTN, EPIF and others are doing. Keep the good work.

I am going to stop now so Dilip can give way to questions.