

# International Remittances: Policy Issues from a Central Bank Perspective

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## Discussion Overview

- Efficient provision of remittance services
- Appropriate legal and regulatory structure
- Transparency, financial literacy, and consumer protection
- Complex authority structure
- Conclusions

# Efficient Provision of Remittance Services

- There is a general sense that remittance prices are too high relative to the costs of providing remittance services.
  - Prices include both explicit fees and implicit fees (currency exchange fees)
  - Prices, however, must be viewed in the context of the relatively small size of the remittance market
    - Small scale (low volumes) result in high unit costs and high prices
    - Unattractive business case (low volumes) limit potential service providers
- Competition/contestability helps improve efficiency and lower prices by offering remitters alternatives.
  - Assess existence of barriers to entry and whether the market is contestable
  - Assess the appropriateness of payments infrastructure access
- Innovation and application of technology can also help improve efficiency.
  - Examples: Card products, the Internet, and cell phones
  - Assess whether there are barriers to innovation

## Appropriate Legal and Regulatory Structure

- The legal and regulatory structure should support the provision of remittance services.
  - Assess the effects of regulation on competition, entry, and efficiency
- Excessively burdensome or costly regulations could:
  - Limit competition and entry resulting in higher prices
  - Result in a shift in remittances to unregulated channels
- As a result, there is some potential that prices and risks would increase without achieving the desired regulatory outcomes.

# Transparency, Financial Literacy, and Consumer Protection

- Transparency – Disclosure of prices and service terms
  - Explicit fees, implicit currency exchange fees, other service terms
  - Transparency helps consumers to evaluate alternative service offerings thereby enhancing competition
- Financial literacy programs help consumers make informed choices on:
  - Financial and banking services
    - Remittance service offerings are only one component
  - How to use error resolution procedures and exercise legal rights
- Transparency and financial literacy together provide consumers with tools to protect themselves.
- Assess whether existing consumer protection provisions provide adequate coverage with respect to international remittances

# Complex Authority Structure

- In many countries, there may be more than one authority with responsibilities related to the provision of remittance services.
  - Banking supervision authorities
  - Consumer protection authorities
  - Competition authorities
  - AML-CFT authorities
  - Payments system authorities
  - RSP authorities
- Each authority can have a different perspective on remittance-related issues. This is often a result of different statutory obligations and responsibilities.
- In cases where there are multiple authorities in a country, they need to consult with each other to ensure that the development and implementation of policies are appropriately coordinated.

# Conclusions

- Policy choices should be carefully examined as they will likely have profound implications on market forces.
- Market forces have the ability to improve service offerings so policies should be designed, where appropriate, to foster competitive market conditions and behaviors.
- Policies should be designed, where appropriate, to address legal and regulatory impediments to market development and innovation
  - The costs and benefits of potential and existing regulations need to be carefully assessed.
- Policies should be designed to promote transparency and financial literacy to provide consumers with the ability to make informed decisions.
- Authorities should consult with each other to ensure that policies that are developed and implemented meet their respective statutory responsibilities.