GPFI Global Partnership for Financial Inclusion

2016 Update to Leaders on Progress Towards the G20 Remittance Target

Remittances represent a major source of income for millions of families and businesses globally, and are an important pathway to financial inclusion. In 2016, remittances to developing countries are expected to reach USD 453 billion, far exceeding official development assistance from all sources. If leveraged properly, this significant flow of funds can lift people out of poverty, improve economic infrastructure in receiving countries and increase engagement in the formal financial sector.

In 2011, G20 leaders committed to reducing the global average cost of sending remittances to 5 per cent (from 9.30 per cent in mid-2011). Leaders recommitted to this target in 2014 and as of Q1 2016 the global average cost has reduced to 7.53 per cent, up slightly from the historic low of 7.37 per cent in Q4 2015. At the Antalya Summit G20 leaders agreed that the national remittances plans developed in 2015 be reviewed annually, with updates to take place every two years until 2019. Leaders also agreed that the Global Partnership for Financial Inclusion (GPFI) would undertake this monitoring process.

The G20's work on remittances is targeted and supports global efforts to reduce remittance costs, including the implementation of the 2030 Agenda for Sustainable Development which seeks to reduce to less than 3 per cent the transaction costs of migrant remittances and eliminate remittance corridors with costs higher than 5 per cent by 2030. In 2016, G20 members have progressed measures to increase remittance market competitiveness, improve financial system infrastructure, pursue policies conducive to harnessing emerging technologies, discourage taxes on migrant remittance transfers, use remittances to expand responsible financial inclusion and improve the transparency and consumer protection of remittance transfers.

G20 members have implemented a wide range of measures, appropriate to each member's circumstances and the needs of different remittance corridors, including: price comparison websites, consultative forums, changes to financial infrastructure, initiatives to address structural issues in receiving countries, promoting access to digital services, studies into solutions for particular corridors, and new legal frameworks and regulatory reform. To promote peer learning and mutual accountability members are sharing with each other their progress and implementation successes along with challenges encountered.

The G20 continues to monitor the collaborative work of financial standard-setting bodies, the World Bank and the IMF to deepen the understanding of the extent and drivers of banks 'derisking' their operations. De-risking is often defined as the termination or restriction of business relationships with broad categories of customers to avoid, rather than manage, risk on a case-by-case basis. It is will be important to understand the potential negative impacts that this global phenomenon has on remittance services providers.

The G20 continues to encourage financial institutions and supervisors to apply a risk-based approach commensurate with the guidance from the Financial Action Task Force (FATF) including its 2016 guidance for money or value transfer services. This guidance detailed risk-based financial integrity measures for money or value transfer service providers and their bankers and, importantly, also guided bank supervisors on appropriate measures to address overly conservative de-risking account closures. FATF is preparing risk-based guidance on correspondent banking, which will be relevant to cross-border remittances. The GPFI will also take into account further work in the Financial Stability Board's Correspondent Banking Coordination Group as it relates to issues surrounding remittances.