

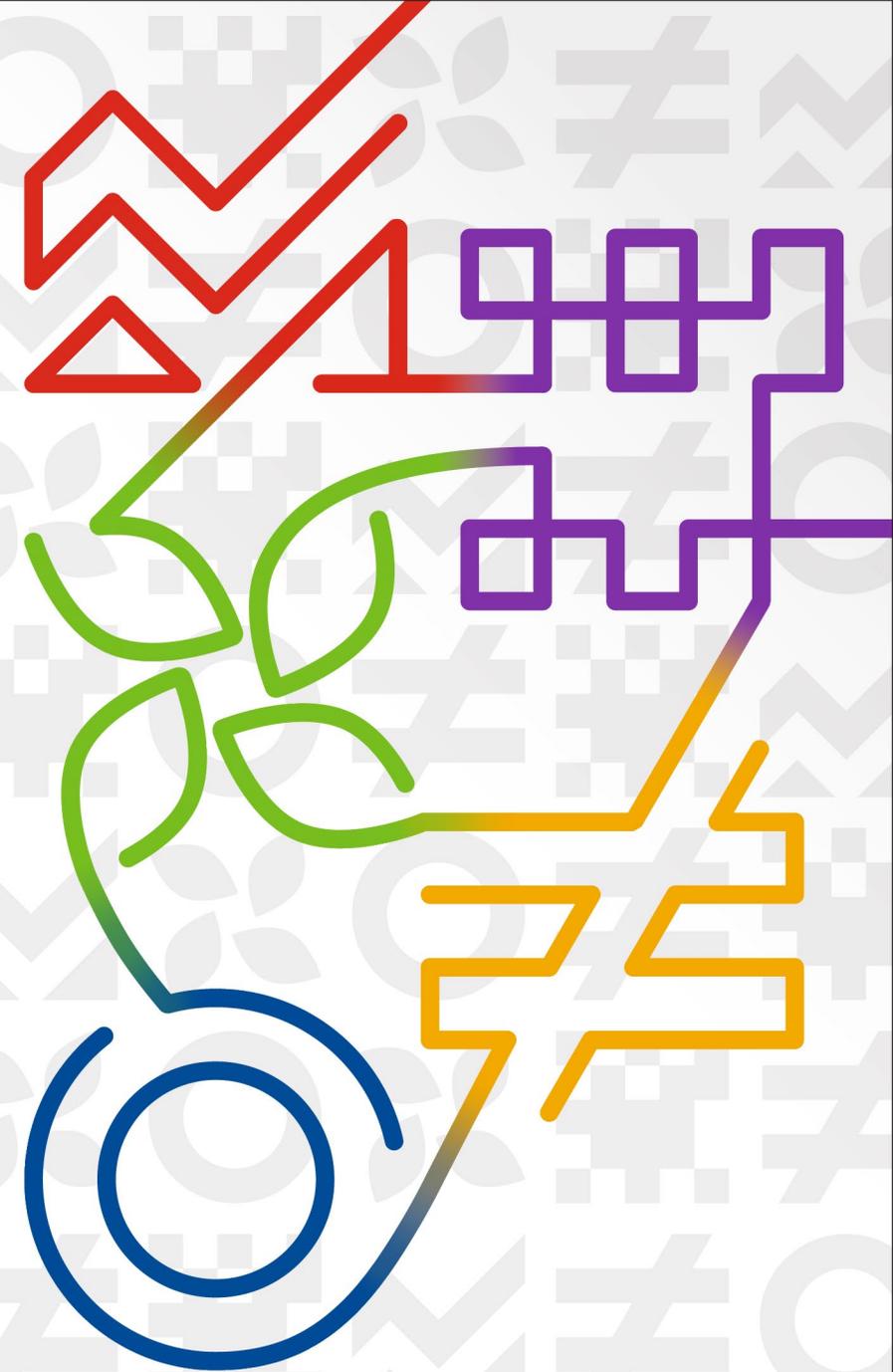


**ANNUAL
MEETINGS**
2022 | WASHINGTON DC
INTERNATIONAL MONETARY FUND
WORLD BANK GROUP

Lowering the Remittances Cost and Mitigating Illicit Financial Flows

OCTOBER 14, 2022

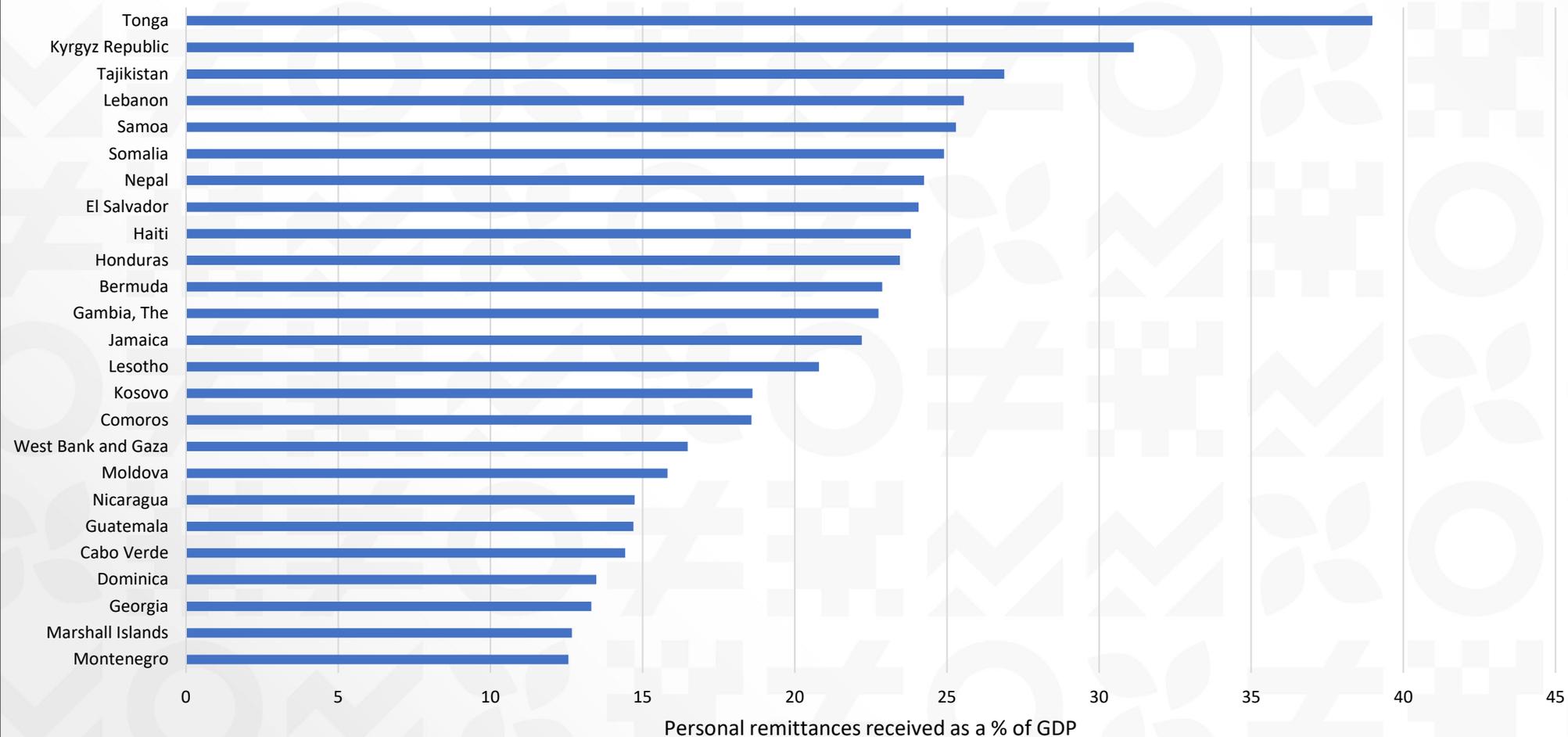
Maksym Markevych
Financial Integrity Group



Inflows of Remittances Critical to Many Countries



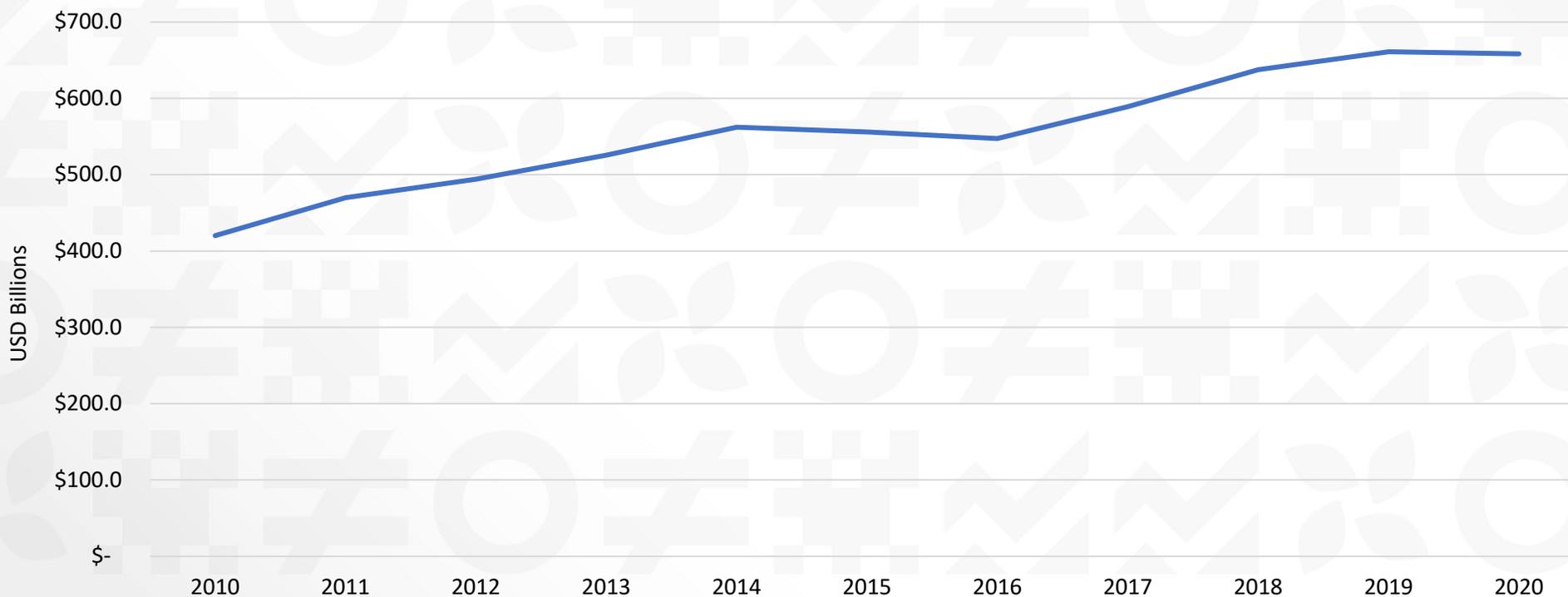
Top 25 Personal remittances recipients as percentage of GDP
2020



Global Personal Remittances, 2010–2020



Global remittances, received (USD Billions)
2010–2020



Source: World Bank staff estimates based on IMF balance of payments data

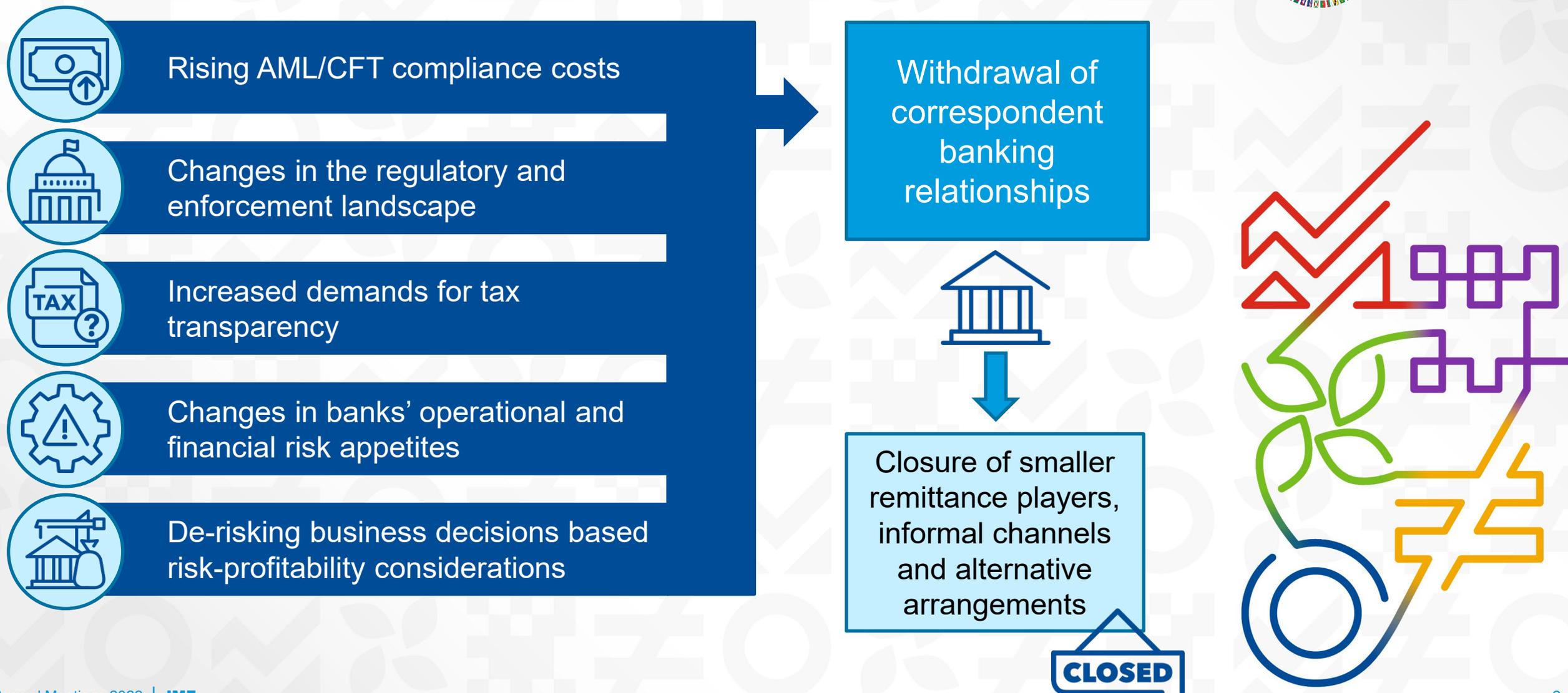


Agenda

- De-risking pressures on remittances
- Safe payment corridors
- Mitigating illicit financial flows risks



De-risking Pressures on Remittances

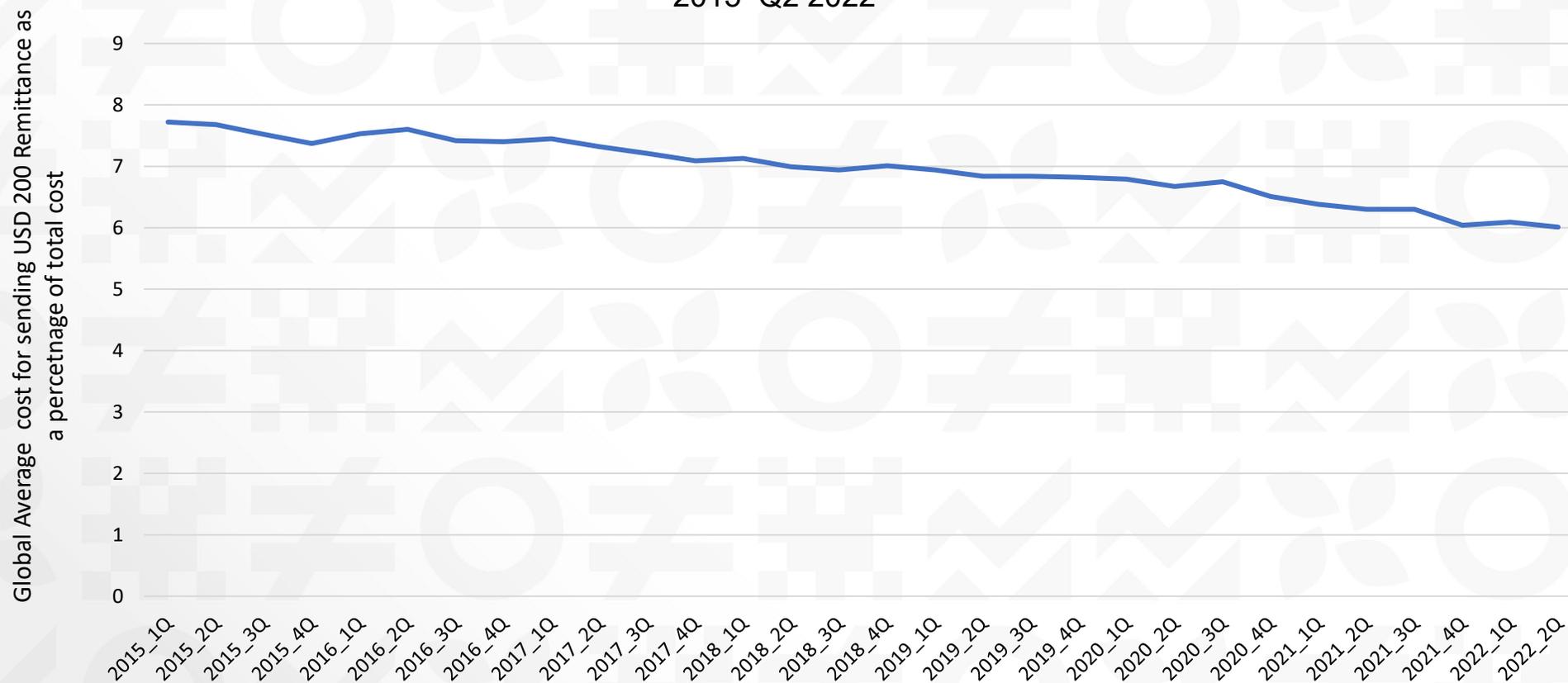


Average Remittance Transaction Cost as a Percentage of Total Remittances 2015–Q2 2022



The average remittance transaction cost fell by just 1.7 percentage points from 2015 to Q2 2022

Global Average Total cost for sending USD 200
2015–Q2 2022



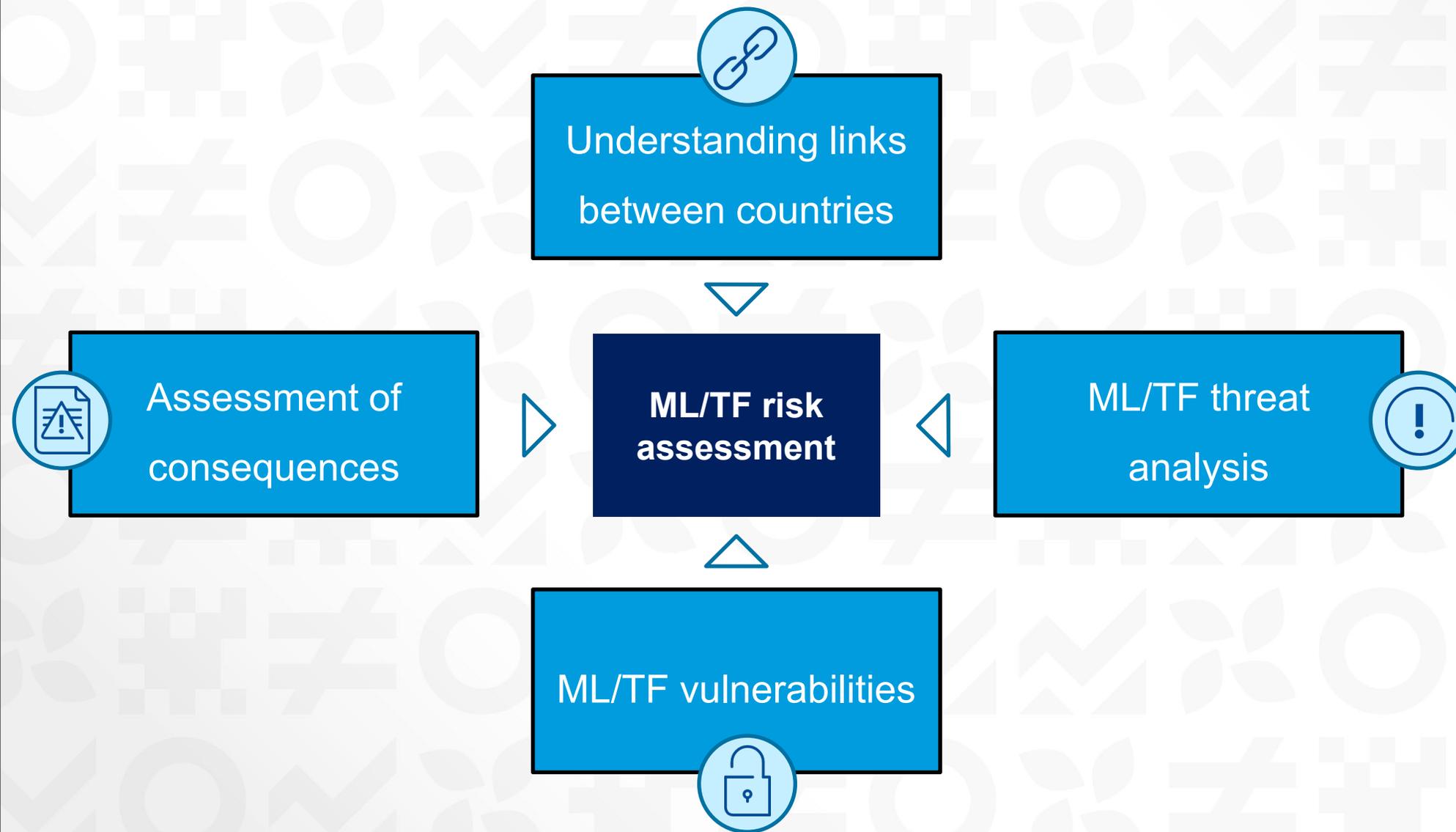
AML/CFT Risk-Based Approach to Remittances



- Requirements of AML/CFT mitigation measures calibrated to the level of risk
- Identification of lower risk remittance corridors (“Safe Payment Corridors”)
- Safe Payment Corridors to lower AML/CFT regulatory and supervisory burden
 - For banks and remittance providers: decrease in compliance costs; alleviation of de-risking and correspondent banking pressures
 - Remitters: lower remittance fees
 - For supervisors: more effective allocation of resources



Identification of SPC



Operationalization of Safe Payment Corridor



- Simplified customer due diligence and other AML/CFT measures
- Safe harbors to the remittance service providers and their banks
- Streamlined supervisory regime for the remittance service providers and their banks
- Simplified licensing and or registration regime for remittance service providers
- Guidance for banks on relationships with the remittance service providers, including safe harbor provisions.



G20 Roadmap - Enhancing Cross-Border Payments



- G20 endorsed the Roadmap for Enhancing Cross-border Payments, which comprises 19 Building Blocks - October 2020 Finance Ministers and Central Bank Governors meeting
- **Building Block 7 “Safe Payment Corridors” (IMF-WB):**
 - **Development of a framework** for remittance corridor risk assessment
 - **IMF stands ready to assist volunteer country authorities** to pilot Safe Payment Corridor



Criteria for Pilot Corridors

- Potential for the corridor to be assessed as lower risk
- Importance for the communities (immigrant and host)
- High remittance costs
- Indications of de-risking of the clients or service providers
- The extent of the informal money transfer channels



Mitigating Risks from Illicit Financial Flows



- **Cross-border payments** - important element of sophisticated economic crimes
- **Higher-risk countries** and geographic ML/TF risk
- **Overreliance** on the Financial Action Task Force mutual evaluations
- Need to develop **country-specific understanding** of illicit financial flows risks:
 - i. Monitoring and analysis of cross-border payments
 - ii. Scrutiny of non-resident exposures, cross-border activities and underlying economic rationale
- **SupTech**, data analytics and screening of financial flows
- **Enhanced due diligence** measures

