PRESS
INFORMATION

WORLD SAVINGS BANKS INSTITUTE

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A few Euros/Dollars can make a big difference

WSBI identifies long-term objectives with a Fair Value Remittances Proposition

The number of migrant workers is increasing on a global scale. Although the average amount of money these workers send back home to their families and communities is small, the volume of international remittances amounts - according to estimations of the WSBI - to circa $200 billion per year. For some countries this exceeds the amount of international aid.

Today most of these remittances are characterized by high costs and high risks for both the originator and beneficiary. This is mainly due to the fact that it has not been possible until now to integrate remittances flows into the formal financial system.

In order to maximize the benefits from remittances, private and public initiatives need to be better aligned. Unfortunately, measures taken sometimes are even widening the gap between public and private interests rather than bringing them closer together.

This has to stop. The challenge for policymakers and the financial sector is to encourage flows via the formal financial system thereby fostering economic development and bringing access to a larger number of people to complementary banking services.

The conference *"Remittances and Financial Inclusion"* jointly organised by the WSBI and the Inter-American Development Bank on 19/20 May 2005 in Brussels seeks to shape a global policy and business perspective where remittances turn to effective tools for worldwide development.

- A source for economic development

  In recipient countries, Remittances frequently represent a significant share of a country's gross national product. They are stable throughout economic cycles and have a direct socio-economic impact as the funds go directly to the intended recipient. By harnessing the receipt of Remittances flows through the banking system a government can encourage greater investment in its economy. By supporting the banking system in keeping costs down, policymakers can contribute to fostering fair value Remittances.

- Meeting both expressed and latent customers' requirements

  Migrants (Remitters) and their families (Receivers) represent an important source for retail banking business development. Remittances offer a stable factor in cash management and by providing access to Remittance payment services, banks can promote access to other services, such as savings and current accounts and loans.

- What **can be done? WSBI's Fair Value Remittances Proposition**

  WSBI promotes the fact that proximity banks, -embodied by savings, retail and postal savings banks– should be further promoted by promoting pluralist banking markets.

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These organisations are committed to fostering financial access with geographical and product outreach. They are retail, regional and responsible and pursue a commitment to financial outreach both *geographically* – with broad distribution networks, and in terms of *products, which they tailor* to local needs. In short, they are ideally placed to mobilise Remittances payments and by doing so, transform the capital into other products such as loans for re-investing in the economy.

WSBI is convinced of the afore-mentioned economic development and retail banking business opportunities that are offered by Remittances and with this in mind has identified long-term objectives for customers and the financial sector in the form of the following Fair Value Remittances Proposition:

1- For the Remitting Customer (the "Originator")

1. Lower costs
2. Full transparency of end-to-end charges
3. Guaranteed execution time
4. Clear redress procedure

2- For the Receiving Customer (the "Beneficiary")

1. Higher receipts
2. Predictable income frequency
3. Clear redress procedure
4. Privileged access to financial services, in particular loan facilities

3- For the Remitting Bank (the "Originator's Bank")

1. Differentiated positioning vis-à-vis potential remitters ("ethical")
2. Marketing assistance (community-based) from receiving banks
3. Clear dispute resolution mechanism
4. Greater customer retention and cross-selling opportunities

4- For the Receiving Bank (the "Beneficiary's Bank")

1. Standardised framework for establishing and managing relationships with remitting banks
2. Higher receipts for account-based customer population
3. More predictable cash management, lower processing costs
4. Differentiated positioning vis-à-vis other receiving banks and money changers
5. Customer retention and broadening of products acceptance opportunities
6. Clear dispute resolution mechanism

"We call for intensified efforts of the industry and policymakers to create an enabling environment for a larger part of remittances flows to be integrated into the formal financial system," said Mr. Chris De Noose, Chairman of the Management Committee, WSBI. *"Only then do we stand a chance to serve all private and public needs, fair value remittances at lower costs and lower risks and a larger impact on economic development where it is needed most."*

"From IDB's experience in Latin America and the Caribbean, remittances have been hidden in plain light for years, and little international attention has been given to these flows. They constitute the human face of globalisation, as they show the links of the trans-national family in an increasing integrated world labour market. In 2004 alone, Latin America and the Caribbean received more than US$40 billion through more than 150 million small transactions. This flow exceeded the sum of all foreign direct investment and Official development Aid to the region combined. But remittances, as important as they are, express a collective failure in the receiving country to create the sustainable economic growth that can generate jobs in the local communities. Therefore, we are convinced that the involvement of the whole banking sector – as well as governments and policymakers – is vital to grasp the socio-economic benefits that these flows of capital can bring, expanding financial democracy and social and economic inclusion in both the receiving and sending countries" added Donald Terry, Manager of the Multilateral Investment Fund of the InterAmerican Development Bank (IDB).

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Editors Notes

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2. **WSBI (World Savings Banks Institute)** is one of the largest international banking associations and the only global representative of savings and retail banks. Founded in 1924, it represents more than 1,100 financial intermediaries from 85 countries, including all ESBG (European Savings Banks Group) members. It works closely with international financial institutions and donor agencies and facilitates banking projects to develop worldwide financial sectors.
   At the start of 2004, assets of member banks amounted to more than €7,300 billion, non-bank deposits amounted to €4,500 billion and non-bank loans to around €3,800 billion. WSBI member banks operate more than 195,000 branches and employ 2.3 million people.
   WSBI Members are typically savings and ***retail*** banks with a ***regional*** and ***responsible*** approach.

3. The WSBI **Fair Value Remittances Proposition** is complimented by two working documents available from WSBI by e-mailing remittances@savings-banks.com
   1. **Master agreement for the execution of fair value remittances:** This agreement facilitates bilateral cooperation with other counter parties in the realm of Remittances, by establishing standardised contractual terms and conditions.
   2. **Service level schedule for the execution of fair value remittances:** In association with the Master agreement, this standard contract can be adapted to allow counter parties to contractually agree bilateral or multilateral operational conditions and terms.

4. **WSBI Access to Finance Resolution:**
   More information on WSBI's priority to promote access to financial services is available in the 2004 WSBI Access to Finance Resolution.
   Please visit WSBI at www.savings-banks.com

5. **Reference sources:**

- *"Remittances in Latin American & Caribbean countries topped $45 billion in 2004."* **<more>**
  InterAmerican Development Bank (IDB) fund reports money sent by migrant workers rose nearly 20 percent over 2003, 22 March 2005
- *"Flows of workers' remittances to developing countries have grown steadily over the past 30 years,.."* **<more>**
  Workers' remittances and economic development. Two current issues facing developing countries, IMF World Economic Outlook, April 2005
- *"Workers' remittances provide valuable financial resources to developing countries, particularly the poorest."* **<more>**
  Global Development Finance Report 2005, World Bank, 6 April 2005