Action group on cross-border remittances

Progress update

The Action Group has met once a month since January 2014. It has looked at the different business models operated by money service businesses (MSBs) and taken work forward in three broad areas:

1. Perceived money laundering and terrorism financing risks

   In common with other financial services sectors there are risks that criminals may exploit money service businesses to launder money and finance terrorist activity. While money service businesses are reported to be broadly compliant with their money laundering obligations, the National Crime Agency cites instances of businesses whose systems require more work to limit those risks. It is particularly concerned about criminal complicity by a small number of businesses or their agents helping to hide large scale placement of cash and movement of criminal funds through bank accounts. It will issue alerts to help banks and regulators identify this activity, and is revising its work programme to ensure material from the Action Group is reflected in its alerts.

   Action Group members have seen and commented on the latest threat assessment made by the National Crime Agency in the money remittance sector. This has been followed by a series of closed workshops facilitated by the BBA, the UK Money Transmitters Association and Somali Money Services Association. The workshops have confirmed that banks are reluctant to take on and manage the risks posed by money remittance, notably where it involves cash transfers. They have explored the mechanisms for enhancing regulatory transparency as to how banks can sufficiently manage MSB relationships; the types of MSB activity that is most vulnerable to finance crime abuse; and opportunities for capacity building to strengthen financial crime controls within the sector.

   A further roundtable is scheduled for 8 August to consider the regulatory expectations on banks in their risk management of banking services to MSBs, the risks within the sector (and any notable experience of how risks can be reduced); and the steps that HMRC has taken to transform the regulatory oversight of the sector. In addition, the BBA has facilitated extensive industry dialogue to promote a common understanding of perceived risks within the remittances sector, and initiated an international project to examine the issue of de-risking of customer groups, including MSBs.

2. Better guidance for banks and money service businesses

The Action Group has received presentations on the steps the remittances industry is taking to further enhance its anti-money laundering compliance; especially within the Somalia corridor. For example action is being taken through technical upgrades, deploying new systems to improve operational efficiency, security, compliance and auditability of remittance transactions and enable greater transparency of cash payments, while other market players are using technology options, such as mobile payments, to improve transparency and reduce dependence on the banking sector for remittances.

The JMLSG has drafted guidance for banks on how to deal with MSBs as customers. The guidance has been signed off by the JMLSG board and approved by HM Treasury. HM Treasury approved guidance has statutory force, meaning that regulators and the courts will consider whether a person has followed this guidance when deciding whether they have failed to comply with relevant legislation.

Improved guidance has also been developed for MSBs on how to comply with their anti-money laundering and counter financing of terrorism obligations. The Action Group has signed off this guidance which has been submitted to HM Treasury for approval. Approval will give the guidance statutory force. There has been a further, positive development here in broad acceptance by the remittance industry of the need to go beyond meeting the minimum legal anti-money laundering requirements and moving to adopt best market practice. The UK Money Remitters Association is considering the case for developing further best practice standards.

3. A safer corridor pilot for UK-Somalia remittances

The Safer Corridor pilot, led by DFID with the assistance of the World Bank, is developing a series of coordinated interventions to address perceived risk in each leg of the remittances chain to ensure that remittances flow through secure, accessible channels. The pilot is steered by an advisory group composed of representatives from UK-Somali MSBs, UK-Somali community representatives, banks, NGOs and government officials.

The World Bank has developed a project plan, identifying interventions at the sending, receiving and clearing points. The Advisory Group has seen and approved the plan which entails:

- a design process, now under way, consulting stakeholders in the UK, Middle East and Somalia;
- technical consultants developing detailed proposals for improving customer due diligence and developing a ‘trusted third party’ in Somalia, and to monitor transaction flows and provide independent third-party audit of MSBs. Proposals are due end-August.
- exploring options for NGOs to support fieldwork in Somalia;

- the World Bank initiating consultations to identify ‘regulation plus’ measures that MSBs can adopt to boost confidence in their compliance. The consultations will also identify capacity building needs in MSBs to adopt new measures;

Consumer research will also be initiated through the World Bank’s ‘Project Greenback 2.0’ framework, in partnership with Consumers International. A Project Concept Note was submitted to the Mayor of London’s Office and discussions have been held on the scope of the research, which will be focused on migrant communities in two London Boroughs and undertaken in July-September.

DFID and FCO, in partnership with UK-Somali community leaders, have developed a community engagement strategy to facilitate communication around the Safer Corridor pilot and market developments. The strategy is anchored on four outreach meetings planned for London and regions with high UK-Somali populations. Dialogue is also ongoing with key international partners interested in the Safer Corridor model for remittances to Somalia and other destinations.

Finally, DFID and the World Bank have succeeded in securing the recognition of international partners in the G20 Global Partnership for Financial Inclusion of the need for action to mitigate the risk of financial exclusion of developing countries from international payment systems. The issue is being progressed through the G20 framework.