

**Context**

Remittances play an important role in Somalia, supporting livelihoods and economic development.

It is estimated that a minimum of US\$1.3 billion is remitted annually to Somalia by diaspora mainly via money service businesses (MSBs).<sup>1</sup> This remittance flow accounts for around 50% of Somalia's GNI and 80% of investment in the country. According to the World Bank, 40% of Somalis (or 3.4 million people) rely on remittances to meet their basic needs.<sup>2 3</sup>

As a result, the UK Government understands how important it is for people living in the UK to be able to send money to their family and friends in Somalia.

**Recent uncertainty**

In recent years, the UK Government has witnessed a global trend of banks exiting large numbers of customers in certain categories in order to avoid a range of risks and the costs of managing those risks. This has resulted in changes to the nature of the UK to Somalia remittance market (as well as the US and Australia to Somalia markets). The UK Government understands that these developments are causing concern because they may impact your ability to send money to Somalia.

Over the last year, the UK Government has seen that the UK market is fragile but it has also proven to be resilient. UK MSBs have so far managed to find mechanisms to continue to operate and money continues to flow between the UK and Somalia.

**How is the UK Government responding?**

First, the UK Government, working closely with Somali community representatives and SOMSA, is committed to keeping you informed. The engagement and input from Somali diaspora, MSBs and SOMSA has been invaluable. The UK Government will continue to regularly communicate to you via this factsheet, which it will update when important developments take place. The UK Government has also engaged with commercial banks and the US authorities to understand their perspectives and concerns.

In parallel, the UK Government is leading a multi-agency effort to ensure remittances continue to flow through secure, accessible channels to Somalia. This work is taking place in close collaboration with Somali community representatives, SOMSA and others.

Finally, the UK Government would also like to hear from you. It is important that your voices continue to be heard. The UK Government therefore encourages you to communicate with us through community meetings, via your community representatives and social media sites.

**What is the UK Action Group on Cross Border Remittances?**

The uncertainty surrounding the future of the UK to Somalia remittance market led to the formation of the UK Action Group on Cross-Border Remittances in 2014.

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<sup>1</sup> Oxfam (2015) - <http://www.oxfamamerica.org/static/media/files/somalia-remittance-report-web.pdf>

<sup>2</sup> World Bank (2006) - [http://siteresources.worldbank.org/INTCPR/Resources/WP38\\_web.pdf](http://siteresources.worldbank.org/INTCPR/Resources/WP38_web.pdf)

<sup>3</sup> Hammond (2011) - <http://www.refworld.org/docid/4f61b12d2.html>

Chaired by Sir Brian Pomeroy, the Action Group is the UK Government's multi-agency effort to try to find a solution to the current remittance crisis and in the long term to help ensure that remittances continue to flow. The Action Group met monthly throughout 2014. It provides a platform for banks, MSBs, regulators and government to work together to develop solutions for the UK – Somalia remittance corridor.

The specific objectives of the Action Group are to:

- Oversee the development of a safer corridor pilot for the UK-Somalia corridor;
- Monitor developments in the UK remittances market, including decisions by formal banking institutions, the impact of new technologies and remittance flows;
- Work with law enforcement and industry to promote a shared understanding of the risk that the MSB sector represents; and
- Advise on any relevant technical issues affecting remittances.

Illustrating the continued importance of these issues, the mandate of the Action Group has been extended. The Action Group will continue to meet monthly during 2015.

### **What progress has been made so far?**

Since it was formed, the Action Group has made considerable progress.

- **Guidance:** Her Majesty's Revenue and Custom (HMRC) has produced new [compliance guidance](#) for remittance companies and for banks that provide services to remittance companies. NCA has worked with HMRC and Joint Money Laundering Steering Group (JMLSG) to develop new [guidance](#).
- **Risk:** This work strand has held detailed consultations with banks and remittance companies to better understand what risks they face and identify how these risks can be better managed. NCA has also shared its assessment of threats to the MSB sector with the steering group and banks to allow for better management of the threats.
- **Safer Corridor Pilot:** This work strand is led by the Department for International Development (DFID). To explore the viability of potential design solutions, DFID has: a) undertaken fieldwork in Somalia (in September and October 2014) to better understand market conditions in Somalia in order to explore possible solutions, b) has consulted with a wide range of key stakeholders in the UK, the US, Somalia and Kenya such as the Bank of Somalia, the Bank of Somaliland, Somaliland Government Ministers, NGOs, SOMSA, UK banks, UK and US regulators (from July 2014 to February 2015), and c) produced preliminary design options (January 2015).

### **What else is planned?**

During the course of 2015, the Action Group plans to undertake work in the following areas:

- **Risk:** The National Crime Agency (NCA) plans to continue to engage with banks, supervisors and MSB trade associations to report on changes in the risk picture and provide information to help the sector and their service providers manage the risks of being exploited by criminal groups.
- **Safer Corridor Pilot:** Work so far has revealed the complexity of the market and the importance of designing a pilot which meets the specific reality on the ground in Somalia (where financial infrastructure, supervision and regulation are very weak). There are a number of pieces of work

ongoing. Specifically, there are plans to: a) conduct detailed research into how UK consumers sending money to Somalia use remittance services (by April 2015), b) conduct research to better understand how organisations in Dubai support the flow of money from UK to Somalia (by May 2015), c) continue to identify and assess the feasibility of design options to improve the security, financial viability and transparency of UK to Somalia remittance payments, and d) continue to meet and communicate with key stakeholders to ensure the response meets expectations and increases the chances of achieving the desired impact.

- **Market monitoring:** The UK Government continues to monitor developments in the UK – Somalia remittance market.
- **Technical capability:** The UK Government will consider the technical and legal issues relating to: a) the interface between MSBs and the banking system, and b) the transmission mechanisms for funds from the UK to intermediary countries on route to their destination.

### **What other remittance work is the UK Government doing?**

The challenges faced by UK remittance markets are global. The UK Government is therefore working closely with international partners. For example, the UK Government and the World Bank succeeded in securing the commitment of the G20 Global Partnership for Financial Inclusion to call for action in 2014.

DFID also continues to raise discussions on remittance through lobbying at G20, and specifically through the Global Partnership for Financial Inclusion (GPII). The GPII focusses on analytical studies to generate next steps on a range of issues, which include: addressing regulatory concerns, discussing global trends and responses to MSB bank accounts closures and identifying technological solutions. DFID raised these issues again at the G20 Development Working Group meetings in Istanbul on 2-3 February 2015.

In addition, Her Majesty's Treasury continues to play a leading role in the Financial Action Task Force (FATF), the body that sets the global anti-money laundering/counter financing of terrorism standards, to raise the issue of de-risking (including MSBs) and form concrete proposals to address the issue.

### **Where can I find further information?**

More information on this work can be found on the UK Government's Action Group on Cross Border Remittances [website](#).

This Factsheet will also be regularly updated.