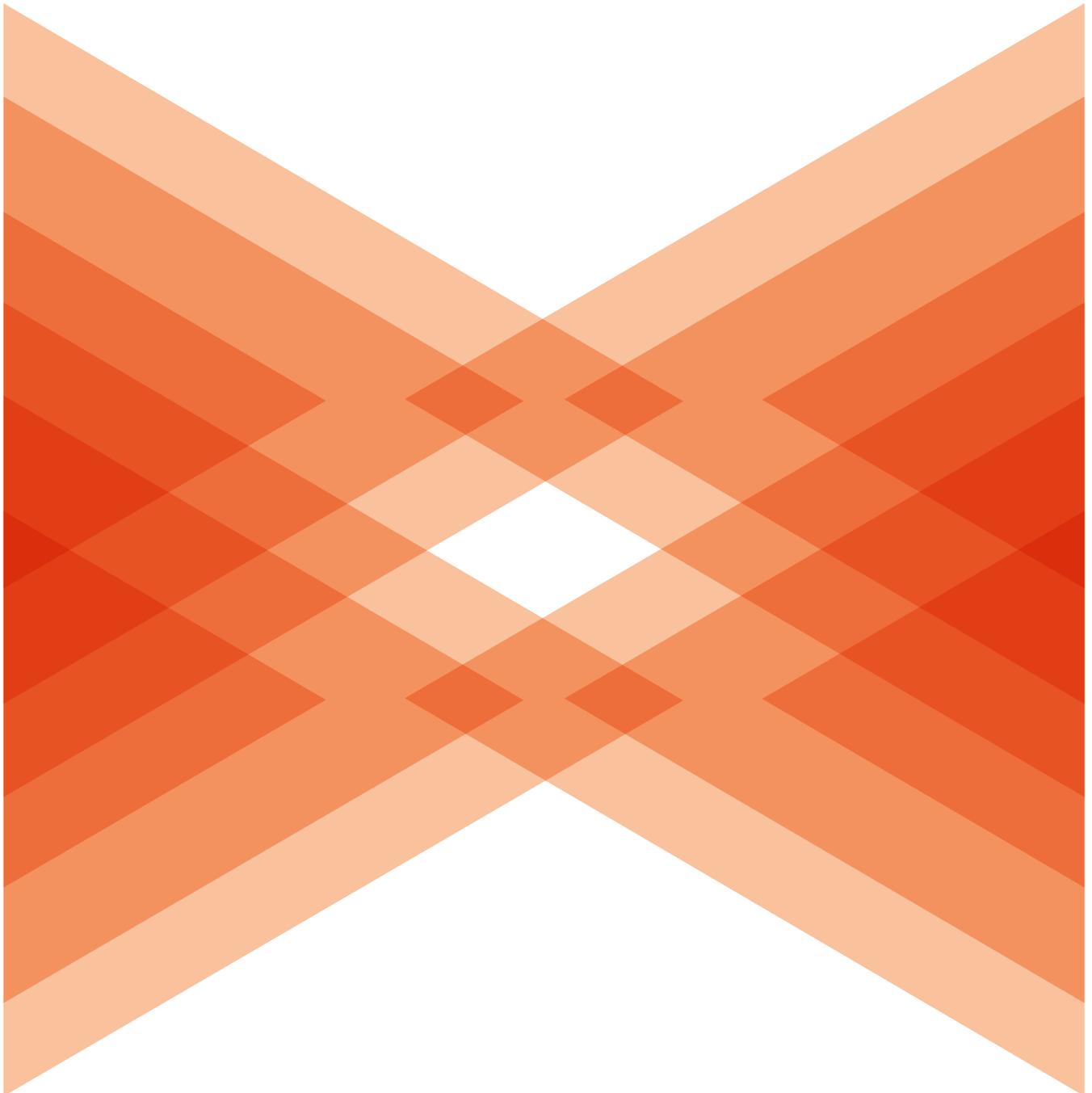




BRINGING
SMART
POLICIES
TO LIFE

A POLICY FRAMEWORK FOR INNOVATIVE CROSS-BORDER REMITTANCES IN AFRICA



FRAMEWORK INNOVATIVE CROSS-BORDER REMITTANCES

When the leaders of the African Financial Inclusion Policy Initiative (AfPI) met at a Roundtable Meeting in May 2017 in Maputo, Mozambique, they directed AfPI to provide policy and regulatory guidance on addressing the challenges of cross-border remittances in Africa. A technical subgroup¹ on remittances was formed from the AfPI Expert Group on Financial Inclusion Policy (EGFIP) to undertake this work. The Remittances Subgroup has since formulated a regional policy framework with practical policy and regulatory recommendations to facilitate enabling policies for countries to implement digital cross-border remittances.

The framework for cross-border remittances aims to address the cost and efficiency challenges of remittances in Africa. Sub-Saharan Africa (SSA) is the most expensive remittance corridor in the world, with the average cost of sending USD 200 29 percent higher (9.4 percent) than the global average (7.1 percent). Conversely, the global average cost of sending remittance via a mobile operator channel is 3.2 percent compared to 10.4 percent using bank channels.

Accounting for almost half (135) of global mobile money deployments (276), Africa has huge potential to leverage digital financial services to make cross-border remittances cheaper and more efficient.

The policy framework for innovative cross-border remittances is expected to facilitate lower remittance costs, increase cross-border remittance flows through formal channels and expand the use of digital financial services through remittance in-flows to Africa's underbanked population.

The framework provides minimum requirements for enabling digital cross-border remittances, which can be grouped into three enabling pillars: (i) Regulation (ii) Infrastructure; and (iii) Market Aspects. Cooperation is considered vital to fostering industry-wide acceptance and sustainability. The annex at the end of this document provides examples of countries that have implemented some of these minimum requirements.

AFI members are encouraged to use this guide to develop or improve their cross-border remittance policies and regulations. The guide will also help to strengthen practical capacity building initiatives in the network and provide in-country support. This guide is a living document, and subsequent versions will capture how members have advanced digital cross-border remittance services to expand financial inclusion.

¹ Banco de Moçambique, Bank of Namibia, Banco Central de São Tomé e Príncipe, Central Bank of Liberia, Banque de la République du Burundi and Banque Centrale du Congo (DRC)

LEVERAGING INNOVATION FOR EFFICIENT AND EFFECTIVE CROSS-BORDER REMITTANCES

REGULATIONS



- > Enabling Policy and Regulatory Framework
- > Anti-Money Laundering and Combating the Financing of Terrorism (AML/CFT)
- > Consumer Protection Measures
- > Market Conduct/Oversight
- > Use of Technology

INFRASTRUCTURE



- > Robust Retail Payments and Financial Systems Infrastructure
- > Robust Identification
- > Management and Resilience

MARKET ASPECTS



- > Availability of Appropriate and Reliable Access Points
- > Developing a Digital Ecosystem for Cross-Border Remittances
- > Appropriate Product Development and Design
- > Consumer Awareness and Financial Literacy
- > Provider/Industry-Driven Approach to Responsible Financial Service Delivery
- > Regulator/Government Role in Facilitating the Development of Remittance Markets

COOPERATION & COLLABORATION

REGULATIONS



ENABLING POLICY AND REGULATORY FRAMEWORK

- > Clear, consistent and predictable cross-border remittance legal provisions that, at minimum, include:
 - Licensing and eligibility criteria that supports a wide range of players, including non-banks.
 - Risk management frameworks that address, among others, risks related to liquidity, settlements and technology/operational risks.
 - Consumer protection and grievance redress mechanisms.
 - Market conduct requirements, such as fair and transparent pricing and disclosure of terms.

ANTI-MONEY LAUNDERING AND COMBATING THE FINANCING OF TERRORISM (AML/CFT)

- > Proportionate risk-based approach that provides for flexible KYC/CDD requirements based on the value of cross-border transactions.

CONSUMER PROTECTION MEASURES

- > Effective consumer redress and dispute resolution mechanisms that are commensurate with the nature of remittance transactions.
- > Data protection, security and privacy provisions that facilitate the efficient flow of remittance transactions.

MARKET CONDUCT/OVERSIGHT

- > Transparency and disclosure of end-to-end pricing and accessible/easy-to-understand terms and conditions.
- > Competition policies to encourage entry and level the playing field.
- > Clear and compelling supervisory powers in the interest of financial system stability and integrity.

USE OF TECHNOLOGY

- > Admissibility and acceptance of the use of technology in business and transaction processes.
- > Use of technology to facilitate effective supervision and oversight.
- > Use of technology to enable efficient transactions.

INFRASTRUCTURE



ROBUST RETAIL PAYMENTS AND FINANCIAL SYSTEMS

- > Widely available retail payment and financial system infrastructure, such as ATMs, merchant payment points, CICO networks and national retail payment systems.
- > More national retail payment systems need to be able to connect with regional/international payment hubs and gateways.
- > Payment and financial services infrastructure need to comply with domestic and international safety/security standards.
- > Promote market-driven innovations that facilitate the development of infrastructure for cross-border remittances.
- > Domestic interoperability: availability of integrated payments infrastructure with fair access to market players.

ROBUST IDENTIFICATION

- > Support effective identification and onboarding of customers/user segments.
- > Facilitate authentication and verification of cross-border transactions.
- > Facilitate effective AML/CFT supervision of cross-border transactions.
- > Support the digital footprint of the underbanked to enable access to a broader range of financial services.

MANAGEMENT AND RESILIENCE

- > Build resilient infrastructure that withstands service disruptions and supports effective business continuity plans.

MARKET ASPECTS



AVAILABILITY OF APPROPRIATE AND RELIABLE ACCESS POINTS

- > Mobile phones and other electronic/digital devices.
- > Available and fair access channels to USSD, SMS, internet and mobile applications for conducting transactions.
- > Accessible transaction points (CICO agents, online/offline payment points, branches, etc.).
- > Affordable access and use.

DEVELOPING A DIGITAL ECOSYSTEM FOR CROSS-BORDER REMITTANCES

- > Facilitate the development of value-added products/services, such as payments, savings, investment, credit and insurance to utilize the full potential of cross-border flows.

APPROPRIATE PRODUCT DEVELOPMENT AND DESIGN

- > Adopt a customer-centric approach to product development.
- > Use simplified business processes (customer-friendly environment).

CONSUMER AWARENESS AND FINANCIAL LITERACY

- > Develop effective awareness programs to empower consumers.
- > Ensure cooperation through multi-stakeholder participation in financial literacy/education programs.

PROVIDER/INDUSTRY-DRIVEN APPROACH TO RESPONSIBLE FINANCIAL SERVICE DELIVERY

- > Providers/industry should be proactive in incorporating best practices in responsible finance in product and process design.

REGULATOR/GOVERNMENT ROLE IN FACILITATING THE DEVELOPMENT OF REMITTANCE MARKETS

- > Develop national strategies/plans to leverage remittances for economic development.
- > Collaborate with providers and other stakeholders to promote innovation and market development.

COOPERATION & COLLABORATION

- > Domestic and Cross-border Regulatory Cooperation to strengthen AML/CFT measures through data sharing and enforcement
- > Harmonization of remittance regulations within the various corridors/Sub-regions

- > Public and private sector collaboration to develop resilient payment (domestic and cross-border) infrastructure.

- > Build the institutional capacity of regulators and a deeper understanding of evolving business models through public-private collaboration.

Alliance for Financial Inclusion

AFI, Sasana Kijang, 2, Jalan Dato' Onn, 50480 Kuala Lumpur, Malaysia
t +60 3 2776 9000 e info@afi-global.org www.afi-global.org

www.facebook.com/AFI.History  [@NewsAFI](https://twitter.com/NewsAFI)