

GLOBAL REMITTANCES WORKING GROUP  
IMPLEMENTING THE CPSS–WORLD BANK GENERAL PRINCIPLES FOR  
INTERNATIONAL REMITTANCE SERVICES

THE WORLD BANK GROUP

# AN INTERNATIONAL REMITTANCES CUSTOMER CHARTER

A TOOLKIT FOR NATIONAL ACTION

Best Practices and Lessons Learned  
Special-Purpose Note

2010



GLOBAL REMITTANCES WORKING GROUP  
IMPLEMENTING THE CPSS–WORLD BANK GENERAL PRINCIPLES FOR  
INTERNATIONAL REMITTANCE SERVICES

THE WORLD BANK GROUP

# AN INTERNATIONAL REMITTANCES CUSTOMER CHARTER

A TOOLKIT FOR NATIONAL ACTION

Best Practices and Lessons Learned  
Special-Purpose Note

2010



THE WORLD BANK

*The Global Remittances Working Group (GRWG) was created in February 2009 in response to multiple calls for coordination in the area of remittances received by the World Bank. The GRWG is a multiyear initiative aimed at increasing the efficiency of the remittances market and facilitating the flow of remittances by providing guidance and policy options to the global community.*

*The GRWG is composed of representatives nominated by the participating countries and chaired by the World Bank Vice President for Financial and Private Sector Development. Its coordinators and a small secretariat facilitate the initiative, and an International Advisory Committee of global experts ensures quality and provides technical guidance.*

*Four thematic areas covering different aspects of remittances have been established around the seven G8 recommendations. These address data; interconnections with migration and development, and policy; payment and market infrastructure; and remittance-linked financial products and access to finance. The GRWG coordinates discussions in these thematic areas and allows stakeholder organizations and governments to participate in the dialogue through outside specialists. This permits the inclusion of a broad level of expertise in analyzing the identified topics.*

*This document has been prepared by the GRWG Secretariat in consultation with the members of the Public and Private Partnership on Remittances (Thematic Area 3), and with the contribution of the GRWG's International Advisory Committee.*

*The document is published as a Best Practices and Lessons Learned Special-Purpose Note, and is intended to provide guidance to reform efforts in the remittances arena both nationally and globally. The findings and interpretations presented are those of the GRWG Secretariat, and do not necessarily reflect the views of the World Bank and the GRWG.*

*Janamitra Devan  
Vice President and Head of Network  
Financial and Private Sector Development  
World Bank – International Finance Corporation*



# AN INTERNATIONAL REMITTANCES CUSTOMER CHARTER

**T**he Committee on Payment and Settlement Systems–World Bank “General Principles for International Remittance Services” report states in its first principle that “the market for remittances should be transparent and have adequate consumer protection.”<sup>1</sup>

Experience shows that an industry code of conduct brings transparency to the market by requiring that firms disclose essential information. Codes of conduct also promote consumer protection, since they include information on how to complain. Therefore, the development and adoption of national codes of conduct can be considered a useful tool to improve remittance services worldwide and to lower the cost of sending money. In some countries—in particular, the United Kingdom—the industry, in cooperation with local authorities, has addressed the transparency issue through a remittances customer charter adopted by many industry players.

The codes of conduct presented here are based on the idea of setting uniform standards for the market on key service components. Market players interested in competing in service as well as in price will comply with those standards and be authorized to display the charter. This document supports these efforts and

recommends the adoption of a methodology and template for codes of conduct to be implemented at the national level.

## WHY ARE NATIONAL CHARTERS NEEDED?

Migrants who send money home to their friends and families are generally not financially sophisticated. Their choice of supplier is usually based on habit or word of mouth: they find it difficult to make proper comparisons. The pricing structure of remittances is complex insofar as it is likely to involve a commission on one or both ends of the transaction and an exchange rate margin for the remittance service provider (RSP). Apart from pricing issues, migrants need to be reassured about security, how and where the money is to be collected, how long the transaction will take, and how to deal with any problems that may arise. Although many RSPs will provide much of this information, it is important for consumers to know their rights and to have a consistent way to make comparisons among suppliers.

Better informed consumers with more transparent information will make the market for remittances work more efficiently. In some corridors, prices are high, with individual suppliers having a dominant market share, possibly boosted by exclusive contracts. Greater

---

<sup>1</sup>The report is available at [www.worldbank.org/paymentsystems](http://www.worldbank.org/paymentsystems).

competition, driven by consumers, will result in lower prices—which means more money in the pockets of recipients and more foreign currency for developing countries.

There are good reasons to believe that a statutory code of conduct will be more effective than a voluntary one. If this is not possible, a voluntary charter will demonstrate that the money transfer industry is setting its own house in order by means of self-regulation.

### WHO BENEFITS FROM A CHARTER?

- **Consumers.** Remittance senders and recipients tend to have lower levels of financial and formal education, making them an easy target for unfair pricing and less-than-transparent information disclosure by some RSPs. A charter will protect migrants' hard-earned money and their consumer rights.
- **National authorities.** Authorities will gain political credit for helping protect an important but vulnerable sector of the community and electorate. If they opt for voluntary regulation, they can avoid legislation and the costs of statutory oversight. When the code of conduct and governance principles of the charter are adhered to, it will be easier to detect illegal/unauthorized transactions and protect the financial system from being used for such transactions. The national authorities would indirectly benefit from the implementation of a charter.
- **RSPs.** Adherence to a voluntary code of practice will create a positive public image in a sensitive area for RSPs. If voluntary regulation is established, they may avoid cumbersome statutory regulation.

### HOW SHOULD NATIONAL AUTHORITIES INITIATE ACTION?

The meeting of the Public/Private Partnership in Vienna ruled out any international oversight and enforce-

ment action, at least in the short term. Such activity will therefore be the responsibility of national authorities. In some countries, statutory regulation will be possible. In others, voluntary or self-regulation will be the norm, with reliance principally on moral rather than legal authority.

In either case, the process might run as follows.

- A decision is made by key stakeholders—central banks, financial regulators, antitrust bodies, or consumer organizations—that action is required. An early decision needs to be taken by the authorities on whether statutory regulation is appropriate or whether self-regulation through a voluntary code is sufficient.
- A steering group, composed of representatives of government, the remittance industry, and consumers, is formed. Membership should include people from large and smaller RSPs, banks, relevant trade associations, payment system experts (for example, Visa, the national automated clearinghouse, and SWIFT), and diaspora groups. This steering group can serve a much wider role than just the development of a charter: it can be used as a national forum for discussions on all matters relating to remittances.
- Review the World Bank model charter (see [appendix A](#) for current wording) to see whether it fits national circumstances. Consumers will have a perspective on this, and a case may be made for market research.
- Conduct detailed discussions with RSPs—individually or through their trade association—on the content of the charter and the means of monitoring it. It will be helpful to obtain an early commitment from key firms among the larger players, including banks. Smaller firms may then choose to join to enhance their status. The authorities will need to encourage firms to commit.

- In the case of statutory regulation, draft legislation or add the charter to existing conduct of business rules for financial institutions.
- In the case of self-regulation, agree on responsibilities for implementing the charter and signing up RSPs. Many will wish to join voluntarily; those that do not can be encouraged by peer or public relations pressure.
- There should be a high-profile launch of the code of conduct with ministerial involvement and public relations activity with financial, consumer, and ethnic media. Embassies of receiving countries should be involved.

### WHAT ARE THE PRINCIPLES OF GOOD REGULATION AGAINST WHICH NATIONAL INITIATIVES SHOULD BE JUDGED?

The following key principles apply in both statutory and self-regulatory situations.

#### There Needs to Be a Good Code of Practice

The model charter (see [appendix A](#)), once discussed and modified by stakeholders, will constitute a good code. It covers the key issues and sets out consumer rights. The code of practice should be agreed upon by stakeholders at the national level, and should suit national circumstances and the legal and regulatory environment. The charter should contain high-level principles in consumer-friendly language. It should be a document that migrants can understand, rather than a legal contract. RSPs may need guidance in order to amplify these principles in sufficient detail to ensure operational clarity. This guidance should be in the public domain.

In the United Kingdom, research on remitters' attitudes indicated that they wanted clarity about pricing and exchange rates and information on how long a

transfer would take; also, they were concerned about security and what to do if things went wrong. It was clear that the best way for them to make comparisons was to be told how much in local currency a recipient would obtain—if I send \$500 to India, how many rupees will my family receive?

Specific national circumstances (such as identity requirements) will vary, but there is a good case for retaining several essential features in all national codes of practice; these are outlined in the box on the following page.

#### There Need to Be Arrangements for Regular Review and Updating of the Code

The important points here are that this should be done after consultation with stakeholders, including consumers, and that any national changes should not diminish the coherence of the international charter. A review every two or three years would be an appropriate time scale.

#### There Should Be Adequate Human and Financial Resources

At the national level, regulatory effectiveness will, in large measure, depend on the resources available. An independent body will need more resources than would be the case if remittance regulation is added to the work of an existing agency.

At the international level, resources would be needed to observe the development of national charters, to provide advice, and possibly to license an international logo that could be used by affiliated RSPs and on price comparison Web sites to denote adherence to national charters. It makes sense to have a single logo in order to develop a “brand” that provides global recognition and as a step toward an international charter. However, some national authorities might be uncomfortable with this, if standards and content differed around the world.

### PRE-TRANSACTION DISCLOSURE OF:

- **THE FEE PAID BY THE SENDER.** This is the most visible and transparent cost component, and can differ significantly among market players. This fee usually represents the charge the sender pays at the initiation point, and usually varies with the amount sent, within set limits. It is important that RSPs disclose the fee before the transaction takes place to allow customers to shop around for the lowest fee.
- **AN INDICATION OF THE EXCHANGE RATE TO BE USED.** The exchange rate margin is the other most important element of the total cost, and the least understood. RSPs typically offer an exchange rate below the interbank exchange rate, thereby generating revenue from that spread, called the exchange rate margin. For migrants with low financial education levels, exchange rates are opaque. Codes of conduct must disclose the exchange rate applicable to the transaction so the customer can compare rates across several providers.
- **TIMING AND LOCATION OF PAY-OUT.** Remittances often go to families in rural areas or in marginalized urban areas where there are few paying RSPs. In many cases, people in rural areas must travel to the city to pick up their remittances. To do so, they need to know the exact time and day the money will be available to avoid multiple costly journeys. RSPs usually use agents in the receiving country to pay remittances on their behalf, which makes identifying the pickup location a complicated matter. In many cases, it is hard for the migrant's family to know where to go to receive the money. RSPs must commit to informing their customers of the exact location and timing of pickup to facilitate the process for the remittance recipient.

### POST-TRANSACTION DISCLOSURE OF:

- **THE ACTUAL EXCHANGE RATE USED.** Since the RSPs exchange may vary during the day, it is important to inform the customer of the exchange rate that was applied to his/her transaction.
- **THE AMOUNT TO BE RECEIVED BY THE BENEFICIARY IN LOCAL CURRENCY.** In the United Kingdom, the amount to be received by the beneficiary in local currency was a key piece of information. In many cases, it is easier for migrants to compare the amount to be received than exchange rates. Providing the migrant with information on the exact amount to be received in local currency facilitates comparisons among providers and prevents fraud at the receiving end.
- **INFORMATION ON HOW TO REGISTER A COMPLAINT.** Because they are usually a marginalized group, migrants and their families on the receiving side are typically not aware of formal complaint procedures. Codes of conduct should feature disclosure of information on how to make complaints to protect remittance customers' rights.

## There Should Be Organizational Independence

In the case of statutory regulation, organizational independence is generally guaranteed. Self-regulation is clearly less credible if it is performed solely by practitioners or by an industry trade body. At the very least, independent outsiders need to be brought into the decision-making process. At best, an autonomous body should be established with a majority of independent decision makers. Independents should not be the only people involved; it is important to retain the views, commitment, and know-how of practitioners.

## There Needs to Be Widespread Coverage of Service Providers

In many countries, the remittance industry is fragmented, and it may be impossible to ensure that all providers subscribe to a voluntary code. However, the inclusion of major players greatly enhances credibility. As mentioned previously, public relations pressure and persuasion from government will be key factors in bringing them in. Statutory regulation should cover the whole industry, although perhaps with a lighter touch for smaller players to avoid driving them out of business or underground. Regulation must always be proportionate to the risks involved.

## The Arrangements Should Have the Support of Key Stakeholders

These stakeholders should include practitioners, consumers, trade associations, and government. If there is an ombudsman scheme, the charter should be used in judgments about customer complaints. Public awareness and support will increase if there are resources for marketing and branding the scheme. To obtain stakeholder support, there should be a forum/committee/council to facilitate their participation in policy, operational, and governance issue discussions. In countries where there are well-established national payment

councils headed by central banks, monetary authorities, or other agencies, such councils could be the appropriate forum to garner remittance stakeholder support. Usually, payment councils are represented by all stakeholders at senior levels.

## Compliance Oversight or Monitoring Should Be Conducted in Accordance with the Resources Available

Oversight (discussed here) and enforcement (discussed [below](#)) are crucial to good regulation. If the budget permits, site visits by monitors, “mystery shopping,” and consumer surveys are likely to add value. Mystery shopping should be contracted out to a reputable market research company and conducted on a random and unannounced basis. To avoid excessive costs, two or three shops per subscriber could be conducted, with follow-up visits for noncompliant firms.

The U.S. social justice nongovernmental organization Appleseed has done work in the remittances area. Its report considered four alternative organizational structures for monitoring standards for remittance disclosure, selecting two options for further consideration (see [appendix B](#)). The choice between business-driven standards and a nonprofit organization implementing industry standards is clearly stated. It is the view of this report that the former option for each company to “set internal standards and enforce them among branch or agent networks as the company deemed appropriate” would be insufficiently robust and likely prove ineffective. Therefore, the approach of a separate organization is preferred, if self-regulation rather than statutory regulation is the route chosen. ([www.appleseeds.net/Portals/0/Documents/Publications/thefairexchangeimprovingmarket.pdf](http://www.appleseeds.net/Portals/0/Documents/Publications/thefairexchangeimprovingmarket.pdf))

At the very least, an annual self-certification exercise is essential. This will consist of a formal document asking the firm to certify that it complies with the code on a line-by-line basis: it should be signed by the chief executive and any noncompliance followed up on. It is also important that the public be made aware of whom it can complain to if a provider is not seen as complying with the code. In this way, useful grassroots intelligence can be obtained. Compliance could also be negatively gauged through an overview of complaints lodged with alternative redress mechanisms where they exist.

### Enforcement Can Bring Offenders into Line and Demonstrate That the Code Has Teeth

Statutory regulators usually have the power to fine; voluntary bodies are less likely to be able to do so. However, public censure (or “naming and shaming”) is probably as effective a sanction as imposing a fine. So too is expulsion or suspension from the code; these sanctions should be used for major issues of noncompliance where any or all of the following apply:

- There is significant actual or potential harm to consumers.
- There is a systemic and knowing rather than isolated and inadvertent failure.
- The failure has existed over a long period of time.
- There is potential damage to the reputation of the industry.

- The firm has sought to profit from its noncompliant actions.

Minor issues can be dealt with less formally by private reprimand or the requirement of a plan for rectification.

Enforcement can easily become legalistic. Firms on the receiving end of disciplinary action will immediately look to their lawyers. Procedural issues need to be watertight—facts must be agreed on, alleged offenders must have the right to defend themselves, there must be an appeals process, and so on. All of this is easier to achieve with an independent regulatory body.

## CONCLUSION

Statutory regulation—possibly by adding a code of conduct to existing conduct of business rules—is the most effective way forward. However, if this is not possible and self-regulation is the only alternative, a well-resourced independent regulatory body is more likely to provide a regime wherein the code of conduct is recognized and complied with and breaches are rectified. Some progress can be made with limited resources, as has been the case in the United Kingdom. Finally, codes of conduct have more impact when customers are financially educated. An interesting policy would therefore be to promote financial education for remittance customers in parallel to fostering codes of conduct.

## APPENDIX A

### REMITTANCES CUSTOMER CHARTER MODEL

#### **Our commitment to you, the person sending the money, is:**

Before agreeing to undertake a transaction we will provide you with:

- An estimate of the total fee that you, the sender, will be charged by us for the transaction. If we believe that the receiver may also have to pay a fee, then we will tell you.
- An indication of the exchange rate that we will apply to your transaction. If a further exchange rate may be applied in the receiving location we will tell you to expect this.
- Information on where the receiver should collect the money from and what they have to do in order to collect it.
- An indication of when the funds will be available at the location to which you are sending the money.
- Information on what you have to do if you want to cancel or modify the transaction and any charges for cancelling or amending it.

Upon completion of a transaction we will provide you with the following in writing:

- A transaction reference number that is unique to your payment.
- A security code or password for you to communicate to the person to whom you are sending the money.
- Confirmation of the exact amount we are sending for you.
- The fees that you have paid to us for this service.
- The estimated amount that the receiver will obtain and the currency that the money will be paid/credited in.
- The exchange rate that has been applied to your transaction where this is available. Where this is not available or where additional rates will be used we will tell you how the foreign exchange conversion will be calculated.
- Information on where the receiver can collect the payment or confirmation of the institution to which the money has been sent.
- When the money will be available for the receiver and whether this timescale is definite or the best estimate that we can make.
- In the case of cash collections, what the receiver has to do in order to collect the money.
- The procedure to follow if you need to make a complaint. We will tell you how long it will take us to provide an answer or an update.

**If you are the person receiving a transaction, we will provide you with:**

- A written receipt showing how much you have received.
- A transaction reference number that is unique to your payment.
- A note of any fees charged to you. We will not charge a fee unless the sender has been warned of this at the time the payment is made.
- The exchange rate that has been applied, if the sender has sent the money in a currency different to that which you will receive.
- In the case of cash collections, information on what documentation is required in order to collect the money.
- The procedure to follow if you need to make a complaint. We will tell you how long it will take us to provide an answer or an update.

## APPENDIX B

### EXTRACT FROM APPLESEED REPORT: IMPROVING THE MARKET FOR INTERNATIONAL REMITTANCES

The following is a brief discussion of the two most promising models and how they might be applied to providing improved consumer disclosures for international remittances.

#### BUSINESS-DRIVEN STANDARDS

The industry-driven implementation approach requires the least infrastructure and coordination. Each company would set internal standards and enforce them among branch or agent networks as the company deemed appropriate.

Such an approach has some important advantages in the Fair Exchange context:

- It is low-cost;
- It does not require agreement across companies with diverse market approaches and penetration; and
- It allows companies to implement standards in a way that best fits their business approach and relationships.

It is the most flexible of the options, giving latitude to each company regarding how the Fair Exchange principles are applied.

The disadvantages to this approach stem from the same source as the advantages. In exchange for easier implementation, companies lose significant advantages:

- A unified branding and a collaborative marketing effort to reach consumers and educate them about the consumer-friendly practices of participating companies;
- Consistency in how the standards are implemented; and
- Independent verification that companies are being accurate in their disclosures.

Companies would also lose the collaborative exchange among peers that would come through a more organized or centralized system of administration.

Remittance providers that agree to adopt the Fair Exchange standards under the institution-driven model could form a loosely organized group to share experiences and collaborate on issues of mutual interest. They could, therefore, preserve some of the collaborative elements of a more formal or centrally administered program.

## NONPROFIT ORGANIZATION IMPLEMENTING INDUSTRY STANDARDS

In order for there to be branding associated with a Fair Exchange standard, there would need to be some centralized administrative entity. The entity would control participation in the group, periodically assess member compliance with standards, and play an enforcement role when necessary to warn or penalize members that are not in compliance.

Having an independent organization administer the Fair Exchange program has some key advantages:

- Companies can actively distinguish themselves in the market and with regulators through membership in a group;
- A centralized organization can coordinate marketing, partnerships with community organizations, and other supporting outreach activities;
- Strict program standards could be established that ensure accurate presentation of disclosure information;
- An enforcement system would be established to ensure compliance with program standards. Those not complying would not be able to reap the market advantages of the program;
- The organization coordinating the program could also convene periodic membership meetings to facilitate member interaction and cooperation regarding mutually agreed upon concerns or interests.

A new organization could be created or the responsibilities of the Fair Exchange program administration could be taken over by an existing organization that has the capacity and the credibility to administer the program. Some examples of the types of organizations that could administer such a program could be an existing organization already interested in improving remittances markets, such as the Inter-American Development Bank, an existing government initiative, such as the U.S.-Mexico Partnership for Prosperity, or a new non-profit created specifically for this purpose.

With the increased value that an administering organization brings comes an increased cost. Program participants would have to be willing to shoulder at least a portion of those costs, which would likely be in the \$200,000 to \$400,000 per year range depending on the responsibilities of the organization.

In addition to the cost, there are other issues that could pose challenges to implementing a non-profit or independent organization administered program. The challenges include resolving difficulties in reaching industry consensus about how the disclosure requirement should be implemented; developing an enforcement system to which all parties could agree; and encouraging a sufficiently large number of remittance service providers to participate in the Fair Exchange program. A successful non-profit administered initiative would have to address these issues in a way that accommodates the varying needs and business models of industry partners and at the same time enforces a meaningful consumer disclosure standard.



