

# CRITICAL ISSUES SHAPING MONEY TRANSFERS

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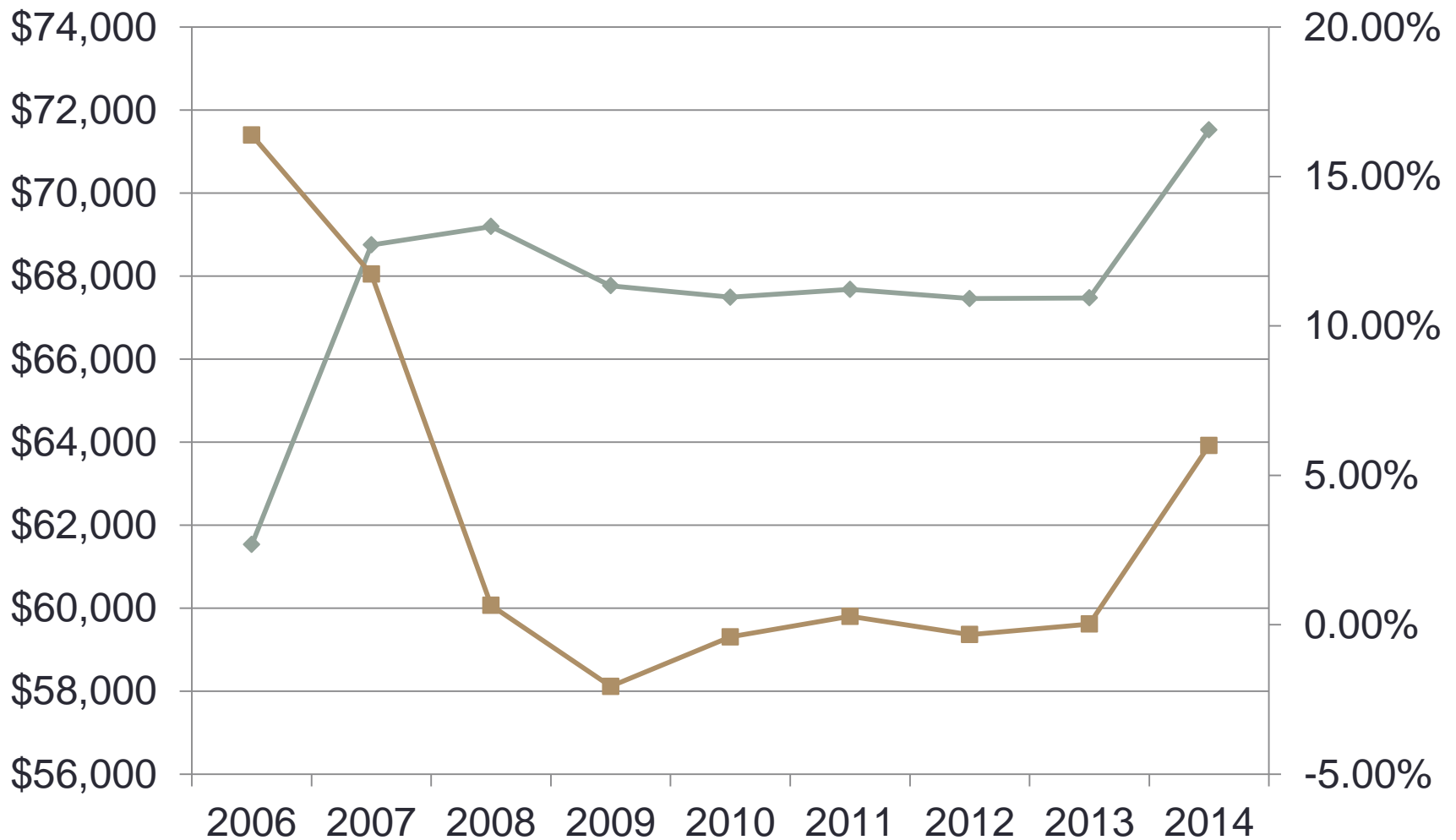
# The marketplace for money transfers

- US growth trend—US\$120 billion, US\$56 billion to Latin America
- Latin American and Caribbean 2014 growth at 7% to US\$71 billion
- *What continues?*
  - Mexican and Central American low skilled migration continues and may have grown;
  - Account closings: perception of risk remains unchanged and is mostly a political risk issue;
  - Demand for C2C transactions;
  - Leading money transfer companies continue to predominate;
  - Business performance continues to be solid...
- *What changes?*
  - Shifting migration patterns toward Asian, high skilled and female migrants: they send higher principals and express demand for account based transfers;
  - Frequency of sending has increased from 13 to up to 16 times
  - Consumer behavior is increasingly moving into account based transfers: migrants are switching toward internet and mobile transfers;
  - On the payout the number of agents is growing and the type of services they offer is moving into accounts and mobile services.
- *What comes next?*

# U.S. and Canada outbound remittances...

<i>Region of migrant destination</i>	<i>Migrants</i>	<i>Volume sent</i>
Central Asia & Caucasus	607,357	\$ 1,360,611,756
East Asia & Pacific	7,443,636	\$ 21,102,708,060
Europe	1,807,019	\$ 2,732,212,728
Latin America & Caribbean	26,207,821	\$ 62,741,523,474
Middle East & North Africa	1,483,393	\$ 2,242,890,216
North America	876,437	\$ 1,325,172,744
Other	2,111	\$ 3,191,832
Russia	438,458	\$ 994,422,744
South Asia	2,815,195	\$ 7,981,077,825
Sub-Saharan Africa	1,323,776	\$ 2,001,549,312
Western Europe	2,731,633	\$ 6,883,715,160

# Latin America and Caribbean remittance flows...is there a rebound?



# CONTINUITY...

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Remittance growth resulting from Mexican and Central American low skilled migration with a sustained demand for C2C transactions favoring traditional businesses whose performance continues

# Growth from Mexico and Central America: the continuity of migration

Countries	2013	2014
Panama (C.Am)	1%	42%
D. Republic (Carb)	2%	40%
Bolivia (And)	10%	14%
Haiti (Carb)	13%	10%
Guatemala (C.Am)	6%	9%
Mexico	-3%	9%
Honduras (C.Am)	9%	8%
El Salvador (C.Am)	2%	8%
Nicaragua (C.Am)	6%	6%
Costa Rica (C.Am)	5%	5%
Uruguay (S.Am)	-3%	5%
Ecuador (And)	-2%	1%
Jamaica (Carb)	1%	-1%
Brazil (S.Am)	-1%	-3%
Peru (And)	-2%	-3%
Colombia (And)	1%	-10%
Paraguay (S.Am)	-6%	-15%

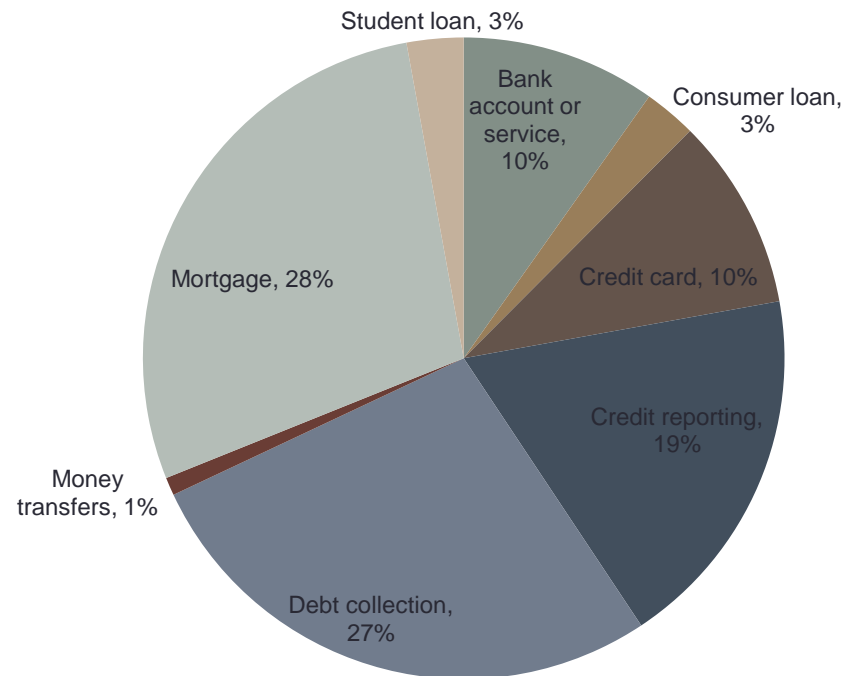
# A clash between risk and competition

- Despite strong compliance mechanisms, most cases of misuse of RSPs relate to fraud, yet **banks continue to close bank accounts** of RSPs.
- While most c2c businesses are affected, this is not an advantage among those in online transfer market: government oversight aims any business and often times argue that the internet is not a safe outlet
- **Competition continues to be fierce** and predominates among leading businesses; however, revenue and transaction growth among the dominant companies is slowing

	MoneyGram	Ria	Western Union	Xoom
YoY 2012-2013				
Revenue	1,474	370.4	5,664.80	122
Revenue Growth	10%	17%	-2%	53%
Transactions	13%	7%	5%	45%
I Q2013- I Q2014				
Revenue	374.9	94	1,350.80	35.9
Revenue Growth	10%	13%	2%	48%
Transactions	12%	9%	9%	42%
II Q2013- II Q2014				
Revenue	328.3	122.1	1,400	39.8
Revenue Growth	3%	31%	2%	19%
Transactions	4%	29%	6%	24%

# Business performance: CFPB

- One percent of all complaints (70 per month) are for money transfers;
- Half of those complaints are on domestic transfers;
- One third of those complaints are against fraud or scam and
- One third against Western Union





# The majority of migrants still prefers sending money through remittance agents and is still favorable of the business

		2010 (%)	2013 (%)
Fee for each remittance transaction		US\$ 8.32	US\$ 8.23
Preferred method	Banks and or internet	17	16
	Remittance agencies	87	87
	Travelers or others	12	5
Reason for choosing company: Shown are “Strongly agree” & “Agree”	Transparent prices	72	82
	Transparent exchange rates	63	78
	Easy to use	82	89
	Cheap	61	69
	Offers more value than others	50	60

# CHANGE...

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New migration patterns are shaping the future flow of remittances accompanied by increases in frequency sent and willingness to switch to other payment methods

Migration is increasingly becoming -Asian; -Female and -Professional..

Nationality	Total population	Female	Management	Poverty
Native	273,089,382		37.40%	10.50%
Foreign born	40,824,658	51.30%	29.50%	18.40%
Mexico	11,563,374	47.10%	9.00%	29.80%
China	2,292,233	56.00%	52.80%	12.00%
India	1,967,998	47.50%	71.60%	4.40%
Philippines	1,868,316	59.70%	42.90%	5.20%
El Salvador	1,271,859	48.90%	9.70%	20.70%
Vietnam	1,258,979	53.10%	28.20%	13.70%
Cuba	1,113,901	50.70%	26.00%	17.40%
Dominican Republic	957,376	56.00%	15.30%	29.60%
Guatemala	858,530	40.80%	8.30%	28.50%
Canada	800,985	55.20%	58.60%	6.70%
Jamaica	680,845	57.20%	32.30%	12.20%
UK	679,483	52%	60%	4%
Colombia	677,068	57.20%	28.90%	12.60%
South Korea	613,838	56.50%	49.90%	11.70%
Germany	592,431	63.60%	50.90%	4.80%
Honduras	521,682	47.00%	8.30%	30.40%
Poland	440,312	56.60%	30.60%	8.10%
Peru	426,263	53.30%	23.90%	13.60%
Ecuador	420,910	48.50%	18.30%	17.00%
Ukraine	342,971	55.20%	40.00%	11.50%
Japan	329,499	67.00%	56.30%	8.10%
Brazil	325,547	58.30%	31.40%	9.60%

# Sending money: the demand side

- Immigrants are remitting slightly a bit more, but not in larger amounts.
- Migrants from the Dominican Republic remit more than 16 times a year—that may partially explain the increase

Average Amount Sent		Ave. Number Transfers per Year	
2009	2013	2009	2013
\$205	\$212	12 Transfers	15 Transfers
	3% growth		7% growth

# Disposition to Change in Remitting Methods

- But in 2013 more immigrants were prepare to switch remittance methods than in 2010, particularly through online services or mobile banking.
- In 2010, just 4 percent of respondents indicated using the internet to check their bank accounts or send money.
- In contrast, 12 percent of respondents in 2013 reported going online to send money.
- Internet access has also increased from 30% in 2006 to 70% in 2013;
- Ownership of smartphones has also increased to 45% in 2013.

		2010	2013
Willing to Change Method for Sending Money		47	58.20
Method Most Likely to Switch To	Remittance Card	28.91	9.15
	Direct Deposit in a Bank Account	40.87	74.68
	Internet	18.34	7.23
	Cellphone Mobile Transfer	11.88	3.83
	Other	0	5.11

# Technology payments...

	Web-based portals	Mobile wallets	Mobile Banking	Smartphone Payment Apps	Web-based or Cryptocurrencies
Examples	Online banking, Amazon.	Geocode, Loopay	Almost any bank offers it	Starbucks, Xoom, Remitly	Bitcoin, Amazon Coin
Relationship to remittances	Many remittances companies have web-based portals.	Very few experiences in cross-border remittances. Most are country or niche-centered. The “account creating” type (which are not dependent on the existence of a previous banking product) provides financial access to the unbanked, thus increasing its impact on development.	International transfers are not always offered through these services.	At least one MTO has reported growth of number of transactions per customer among app users.	Very dependent on availability of exchange options, which are quite limited thus far for mass public.

.com growth for Western Union and MoneyGram, 2<sup>nd</sup> Quarter 2014.

	Western Union	MoneyGram
.com transactions	46%	41%
.com revenues	31%	31%

# What comes next?

- Remittance flows will continue a steady growth determined by migration, income and home country needs;
- A money transfer industry strong but faced with formidable challenges: often time with businesses operating at cost, in the middle of stiff regulations, firms entering with new payment technologies and payers demanding greater commissions.
- Moving to economies of scale through efficiencies, new markets and new products will strengthen the industry.
- Consolidation or slowing may continue to occur among businesses with transactions under 100,000.