Past time for Remittance Justice

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A Special Report by ACORN International
www.acorninternational.org
www.remittancejustice.org

ACORN International
Community Organizations International

Introduction

Totaled together as the sum of small sacrifices, remittances which begin as simple financial transfers from an immigrant or a migrant worker thousands of miles away to their families back home are not only lifeblood to their relatives and communities in the home country, but also are frequently critical to the entire national economy of whole countries. Yet removed by a generation or more, the first response is almost always, "What is a remittance?" Perhaps that is natural, but more disturbing is that entire governments and their national banking systems, who know too well the importance of remittances both domestically and internationally, often ignore the predatory, irregular, and perilous nature of these transfers for people who are often not citizens with any voice or simply workers passing through and easily forgotten and expended.

The simple answer to the question of remittances is that they are transfers of money from workers and relatives to families in the home country. After that everything becomes more complicated, and that is what ACORN International is examining in this report.

Who are We and Why do we Care?

ACORN International is a membership based federation of community organizations working among low and moderate income families in neighborhoods in Canada and mega-slums in Latin America, Africa, and India. ACORN International's more than 50,000 member families are active in Argentina, Dominican Republic, Peru, Mexico, Honduras, Canada, Kenya, and India in 13 different cities along with partner organizations in the Philippines, Korea, and Indonesia. Our headquarters offices are located in Toronto and New Orleans.

Remittances are a personal issue for many of our member families both because we send remittances home in many cases and in many other cases we hope to receive remittances from family members that are working around the world. When we have met other members of ACORN International at meetings, on the internet, via Skype, or other means, it does not take long for tongues to start wagging and heads to begin shaking at the subject of remittances, both because of their importance to many of our well beings, but also because of the widely disparate costs we seem to be paying from country to country from institution to institution and even within the same countries.

In a meeting in New Westminster, a working suburb of Vancouver, one of the leaders of British Columbia ACORN, Pascal Apuwa, was shocked to hear of ACORN International's organizing in Korogocho, the oldest mega-slum in Nairobi, Kenya. Listening to the discussion of the research underpinning ACORN International's Remittance Justice Campaign (www.remittancejustice.org), he was immediately agitated at sharing the fact that he was spending $16 Canadian to sent $100 Canadian home whenever he got a chance to his family in Korogocho, where the chapters of ACORN Kenya were being organized. Wasn't there a way to lower the costs? What would be the chances of someone from ACORN International bringing money to his family when next in Nairobi, since he had been gone now almost four years? This is an everyday event for immigrant families and as an organization of immigrants and lower income families who understand the importance of remittances to our communities and ourselves, we believe that both fairness and justice must come to remittance transfers, replacing the grand larceny, impotence, and lack of regulation that prevails currently.

How Important are Remittances?

ACORN Mexico one of our ACORN International's affiliates has offices in Tijuana and in the Neza mega-slum outside of Mexico City. Remittances in these communities, especially from family working in the United States are a central part of daily life and hopes for today and the future. Studies by experts back this up:

> A study by the Inter-American Development Bank (IDB) in 2004 provides useful insight into remittance and related migration patterns between Latin America and the United States. The study reveals that over 60% of the 16.5 million Latin American-born adults who resided in the United States at the time of the survey regularly sent money home. The remittances sent by these 10 million immigrants were transmitted via more than 100 million individual transactions per year and amounted to an estimated $30 billion during 2004. Each transaction averaged about $150–$250, and, because these migrants tended to send smaller amounts more frequently than others, their remittances had a higher percentage of costs due to transfer fees.
> (as referenced in http://www.uiowa.edu/ifdebook/ebook2/contents/part4-II.shtml)
>
> Note the point about the costs of "transactions," because we will come back to that like a ton of bricks.

Even from North America though Mexico is not the largest recipient of remittances nor is it are remittances as significant in their economy as it is in a number of other developing nations. The World Bank recently published this chart which gives a better view of the pattern.

Country	Amount in billion USD
India	**51.6**
China	**48.5**
Mexico	**26.3**
Philippines	**18.6**
France	**15.9**
Spain	**11.8**
Germany	**11.1**
Poland	**10.7**
Nigeria	**10.0**
Romania	**9.4**

Top Ten Countries Receiving Workers' Remittances, World Bank 2008

Remittances have been growing steadily and are central parts of Latin American and Caribbean countries. According to a 2002 Study by the Multilateral Investment Fund of the Inter-American Development Bank entitled "Remittances to Latin America and the Caribbean," even at that date remittances were significant:

Remittances to Latin America and the Caribbean, 2001* Country	**Remittances (US$millions)**
Mexico	**$9,273**
Brazil	**$2,600**
El Salvador	**$1,972**
Dominican Republic	**$1,807**
Ecuador	**$1,400**
Jamaica	**$959**
Cuba	**$930**
Peru	**$905**
Haiti	**$810**
Colombia	**$670**
Nicaragua	**$610**
Guatemala	**$584**
Honduras	**$460**
Bolivia	**$103**
TOTAL $23,083,000	

The same report looked at the actual costs of moving these national treasures to the home countries in both fees and exchange rate commissions, although they were careful to include a note that there might be other payments required by the receiver of the funds.

Average transfer fee and exchange rate commission to send $200*

Country	Fee	Exchange Rate
Cuba	$25.58	0
Columbia	$18.71	$6.31
Jamaica	$19.25	$4.25
Dominican Republic	$18.l6	$4.22
Haiti	$20.60	$1.00
Guatemala	$15.17	$3.64
Nicaragua	$17.56	$1.00
Mexico	$11.59	$6.54
El Salvador	$15.06	0

In a further note, the Inter-American Development bank added:

"The typical cost of transmitting $200 to a LAC country (including transfer fee, exchange rate commission, check cashing fees, and other charges at the point of receipt) is estimated at approximately $25 or 12.5%. This translates into total fees approaching $3 billion associated with remittance transmittals to LAC."

Furthermore according to the Inter-American Development Bank remittances are a significant component of many developing countries GNP and far outstrip inputs of foreign aid or private investment from other countries:

In Latin America and the Caribbean, remittances play an important role in the economy of the region, totaling over 66.5 billion USD in 2007, with about 75% originating in the United States. This total represents more than the sum of Foreign direct investment and official development aid combined. In seven Latin American and Caribbean countries, remittances even account for more than 10% of GDP and exceed the dollar flows of the largest export product in almost every country in the region.[6] Percentages ranged from 2% in Mexico, to 18% in El Salvador, 21% in Honduras, and up to 30% in Haiti.[7]

What is true for Latin America and the Caribbean is also true for Africa according to the World Bank:

According to a World Bank study [9], Nigeria is by far the top remittance recipient in Africa, accounting for $10 billion in 2010, a slight increase over the previous year ($9.6 billion). Other top recipients include Sudan ($3.2 billion), Kenya ($1.8 billion), Senegal ($1.2 billion), South Africa ($1.0 billion), Uganda ($0.8 billion), Lesotho ($0.5 billion), Ethiopia ($387 million), Mali ($385 million), and Togo ($302 million). As a share of Gross Domestic Product, the top recipients in 2009 were: Lesotho (25 percent), Togo (10 per cent), Cape Verde (9 per cent), Guinea-Bissau (9 per cent), Senegal (9 per cent), Gambia (8 per cent), Liberia (6 per cent), Sudan (6 per cent), Nigeria (6 per cent), and Kenya (5 per cent)[9].

This is now a big fat pie for family survival and sustenance, but also development despite how cavalierly remittances are handled. The recent Rome road map for Remittances from November 2009 issued by Italian officials and the World Bank was even clearer about the numbers and the comparisons:

> The World Bank estimates that in 2008 remittances amounted to approximately 444 billion US dollars, out of which 338 billion US dollars went to developing countries. For reference, the total Official Development Aid from OECD countries in 2008 was approximately 120 billion US dollars.

Not to gild the lily, but over and over the countries where ACORN International members and partners live come up high on the list of remittance beneficiaries: India, Mexico, Honduras, Dominican Republic, Kenya, Philippines and Korea especially. This matters to us in a deeply personal and very national way in both our home countries and our adopted countries where we have family.

Remittances are very, very important indeed!

<u>Why Are We Not Doing Better Protecting the Value of Remittances?</u>

What is the problem here?

Clearly, remittances are valuable to immigrant families and their relatives. Obviously there are many developing countries where a primary export is migrant labor and a critical import is remittance dollars.

Yet central banks and global financial institutions seem impotent in the face of money transfer organizations and banks?

Why and what must be done about it?

The World Bank promotes a plan that is laudable but at best only a small shout lost in the noise of financial marketplace. The plan is called "5x5" meaning that the goal is to reduce the price of transferring money via remittances from an average currently of 10% to an average of 5% and do so in 5 years by the target date of 2014. In the language of the Rome Road Map:

> The G8 Final Declaration on Responsible Leadership for a Sustainable Future…states: "Given the development impact of remittance flows, we will facilitate a more efficient transfer and improved use of remittances and enhance cooperation between national and international organizations…. We will aim to make financial services more accessible to migrants and to those who receive remittances in the developing world. We will work to achieve in particular the objective of a reduction of the global average costs of transferring remittances from the present 10% to 5% in 5 years through enhanced information, transparency, competition and cooperation with partners, generating a significant net increase in income for migrants and their families in the developing world."

Hear! Hear! But are we reading this correctly? The plan seems to be the "invisible hand" of the market and the same increased competition credited with lowering the rates in recent years for remittances between some countries.

Part of the heart of the problem is clear from the Rome Road Map of the World Bank. For some reason the road map reminds the reader that remittances are "private money," as if somehow the fact that these are family dollars means that it OK for them to be pilfered without effect bilateral or multilateral rules and regulations between countries or perhaps more importantly rules and regulations promulgated by central national banking organizations establishing fair rates for transactions to prevent predatory practices.

Mike Ogbalu III of Afribank Nigeria in Lagos was especially helpful in pointing out to us one example of institutional impotence which is allowing so many of our families and other immigrants to have desperate dollars taken from them: exclusive agreements. While the World Bank touts competition the reality on the ground, especially too many countries in places like Africa, is that many money transfer organizations tied up with banking partners were early to the market and negotiated extremely favorable (and possibly corrupt) arrangements giving them exclusive agreements to transfer money from various locations. Such agreements establish *de facto* monopolies and prevent any competition from developing, thereby allowing rates to be artificially high for remittance transfers and consequently impoverishing people even while transferring money.

Ogbalu in a report issued on "Inherent Risks in Global Remittances" indirectly critiques the World Bank 5x5 program by noting that the World Bank first assumes that competition is the solution, pointedly does **not** call for regulation of remittances, does not direct service levels other than "lobbying" on price reductions, and as a matter of principal point to "weaknesses in the market" rather than structural problems, while applying this thinking about remittances to a totally *voluntary* system. Hope is not a plan, and this seems to be the driving force behind the World Bank 5x5 Plan.

The actual "plan" or recommendations in the Road Map jointly prepared by the Italian Foreign Ministry and the World Bank seem at most prescriptions for possible "best practices," long on advice and short on detail:

> "…to achieve the 5x5 objective governments can tap into several actities
> that have proven effective in helping reduce the cost of remittances and include:
> a) fostering market transparency and consumer protection;
> b) improving the payment systems infrastructure;
> c) reforming the legal and regulatory framework;
> d) enhancing market structure and competition;
> e) adopting governance and risk management best practices.

ACORN International keeps foremost than even this modest goal involves significant numbers and thereby savings for our members and other immigrant families and migrant workers. The 2008 World Bank estimate of $443 billion in measurable remittances at an estimated 10% average remittance costs means that each year banks and money transfer companies are currently feasting on a $44.3 billion dollar slice of the desperate dollars involved. Even achieving the World Bank 5x5 plan by 2014 would pare $22.15 billion from the costs of remittance transfers and thereby over the term add $22.15 in direct assistance to families and communities in developing nations.

These goals are exceedingly modest, but other than holding conferences, e-blasting newsletters, and issuing frequent reports, it is difficult to determine what the real incentives are for banks and transfer organizations to cut costs. Despite the huge dollars being discussed and the inarguable and beneficial impact that they could have, the very voluntary participation in any program of fee or commission savings by banks and transfer organizations, leaves ACORN International very skeptical of significant reform coming from the World Bank 5x5 plan. For all of the talk and promotion of the benefits of global capital and foreign direct investment, this key foundation of modern corporate and corporatist capitalism sponsored by many governments seems to live in a very shocking and pornographic modern version of the emperor without any clothes, talking of the poor out of its mouth while picking their pockets with both fists filled with their dollars.

ACORN International's Experience in the Real World of Rate Reduction

In the summer of 2009 following a meeting of the ACORN International board and management staff from all of the federated countries that was held in Santiago, Dominican Republic, the organization embarked on its first "global campaign" with actions in all of the cities where our members and organizations are active. We directed the initial inquires to banking institutions in Canada and India particularly, feeling that they would likely be most responsive. We shared a power point analysis prepared by ACORN Canada leader Elise Amyer of Toronto (available at http://www.remittancejustice.org) and a direct letter to financial institutions and transfer organizations asking for meetings and underlining the obvious case for reform and an end to predatory pricing.

We were not naïve, but neither were we overwhelmed by the response.

Western Union essentially sent us a response that suggested indirectly that we apply for funds and directly simply did not respond to the issues we had raised either by words or actions.

The most positive response was a lengthy reply from Scotiabank in Toronto and the bottom line was their announcement in the reply that they would lower their general fee to 9% on transactions. The concession was significant perhaps compared to other banks, but inadequate when comparing their own cost of doing such business to the precious and scarce financial resources of the remitters and the receivers of the money in the home countries. Nonetheless, the initiative by Scotiabank was "best in class," as bankers often call such measures, since most financial institutions were simply silent in the face of our requests.

ACORN International was hardly surprised. Four years earlier we had been involved in a pilot program with Citi in attempting to reduce remittance costs in Texas and especially between our members in Tijuana, Mexico and San Diego, California. Many of our members active in the Tijuana barrios actually worked on a daily basis as part of the large legal workforce of metropolitan San Diego and San Diego County. We had thought that significant cost reductions were possible given the size and scale of Citi operations and, more importantly, the fact that they had acquired one of the largest banks in Mexico, Banamex. The experiment largely foundered after the first two years because of disinterest by Citi. The bank wanted to see remittances as a market for a type of card that could be exchanged within families on both sides of the border. The fees would be significantly reduced, but access on the Mexican side was centered on the vast network of Banamex ATMs, yet receiving families, usually unbanked and without any experience with modern banking instruments, often were disoriented and confused at the ATMs and needed a situation where human interaction enabled successful transactions. Despite the potential and the demonstrated success of the pilot and analysis of necessary steps to impact significantly on remittances, the funding within Citi was through its cards division, which had no incentive for solving the remittance conundrum regardless of the size of the market on the border, since their clear objective was to move more of these cards. A meeting at Banamex headquarters in early 2007 attended by representatives of ACORN International at their invitation made it even clearer that Banamex on the Mexico side was also unable to address the problem. As for the holy grail of a Banamex customer and a Citibank customer being able to seamlessly transfer money at extremely low cost just as the case would be within either Mexico itself or from state to state within the United States, Citi officials were forced to report that they were "not able to get the machines to talk to one another." Given the issues facing Citi in recent years and the current financial climate in the United States, it is unclear what machines anywhere in their operations are communicating with each other or ostensibly the people who control them.

ACORN International's board meeting in Lima, Peru in the spring of 2010 in assessing the Remittance Justice Campaign and its results concluded that soft paws were not likely to be as successful in winning fair and just pricing for remittances as harder hands without gloves. We first took on the responsibility of trying to understand more deeply why such predatory practices were both being allowed to prevail by governments and the global financial community and were silently but fully embraced so cavalierly by the hyper sensitive, publicity shy financial institutions themselves.

Something did not add up.

Several of our federated organizations had had experience in dealing with some of the same financial institutions in the past and had seen them, though perhaps grudgingly; abandon grossly predatory products before because of "reputational issues" as an HSBC executive had termed them. This had been the case for example in seeing HSBC pull out of the market of financing "refund anticipation loans" or RALs in the United States which allowed lower income tax payers to access their refunds earlier than available from the Internal Revenue System at predatory interest rates and fees in partnership with tax service corporations. Similarly this had forced JP Morgan/Chase to also drastically lower its pricing for the same product.

ACORN International concluded that to advance remittance justice and citizen wealth for our members we would need the architecture of a three pronged effort:

(1) <u>Transparency:</u> The real costs and fees would have to be exposed in as clear a manner as possible so that there would be no question of the predatory nature of the enterprises and how various actors played their roles in thwarting fair and just pricing. In short we had to help the "scotiabanks" of the financial world to do right.

(2) <u>Regulation:</u> We had to determine why such institutional anarchy existed. Was there any force to global financial bodies like the World Bank or International Monetary Fund or G8 and other deliberations, and, if so, could it be applied to remittances for immigrant families and migrant workers. If global institutions were inadequate, what was the role, if any, being played by national central banking institutions in either developed or developing countries? Who was on first? What was on second? How could we get movement for accountability, regulation, and reform?

(3) <u>Pressure:</u> We and our partners had to do more and be more aggressive in advancing the Remittance Justice Campaign, encouraging and enforcing negotiations, and pursing both agreements with institutions and the promulgation of policies and programs wherever possible with regulators to achieve reform.

<u>Transparency</u>

	MoneyGram (1)		Western Union (2)		TD Canada Trust (3)		Scotiabank (4)		BMO (5)		RBC (6)		CIBC (7)		Citibank (8)		Bank of America (9)		Wells Fargo Bank (10)		HSBC (11)	
* Fees based on remittances of $100 USD and $100 CAD.	Transfer Fees	Exchange Rate Charge [1]	Transfer Fees	Exchange Rate Charge	Transfer Fees	Exchange Rate Charge	Transfer Fees	Exchange Rate Charge	Transfer Fees	Exchange Rate Charge	Transfer Fees	Exchange Rate Charge	Transfer Fees	Exchange Rate Charge	Transfer Fees	Exchange Rate Charge	Transfer Fees	Exchange Rate Charge	Transfer Fees	Exchange Rate Charge	Transfer Fees	Exchange Rate Charge
Argentina	USD 10-14	USD	USD 15	$0.98		n/a		n/a		n/a		n/a		n/a	USD 30 - 40	n/a	USD 35-45 (plus USD 16 to pick up)	n/a	From account $8. From cash $10	$10.90	USD 30 flat fee	n/a
	CAD 10	$1.81	CAD 14	$3.07	CAD 30	n/a	CAD 10	n/a	CAD 15 + CAD 10 communicati fee	n/a	CAD 13.50	n/a	Refused to give information without bank account	n/a		n/a		n/a		n/a	CAD 25-30 + CAD 10.	n/a
Dominican Republic	USD 10-14	$2.32	USD 14	$5.81		n/a		n/a		n/a		n/a		n/a	$5 per transfer if funds are sent to an account - $8 per transfer if funds are picked up in cash	n/a	USD 35-45 (plus USD 16 to pick up)	$9.84	From account $7 - From cash $9	$13.32	USD 30 flat fee	n/a
	CAD 10-12	$1.26	CAD 17	$3.95	CAD 30	n/a	CAD 10	n/a	CAD 15 + CAD 10 communicati fee	n/a	CAD 13.50	n/a	Refused to give information without bank account	n/a		n/a		n/a		n/a	CAD 25-30 + CAD 10 commission	n/a
Honduras	USD 10-14	n/a	USD 10-12	n/a		n/a		n/a		n/a		n/a		n/a	USD 30 - 40	n/a	USD 35-45 (plus USD 16 to pick up)	$7.38	From account $7. From cash $9	$13.00	USD 30 flat fee	n/a
	CAD 10	n/a	CAD 17	n/a	CAD 30	$5.75	CAD 10	n/a	CAD 15 + CAD 10 communicati fee	n/a	CAD 13.50	n/a	Refused to give information without bank account	n/a		n/a		n/a		n/a	CAD 25-30 + CAD 10 commission	n/a
Mexico	USD 10-14	$1.35	USD 10-15	$1.41		n/a		n/a		n/a		n/a		n/a	No transfer fee	n/a	USD 35-45 (plus USD 16 to pick up)	$5.25	From account $6. From cash $7	$8.75	USD 30 flat fee	$12.32
	CAD 3-10	$0.70	CAD 15	$2.21	CAD 30	$5.91	CAD 10	n/a	CAD 15 + CAD 10 communicati fee	n/a	CAD 13.50	n/a	Refused to give information without bank account	n/a		n/a		n/a		n/a	CAD 25-30 + CAD 10 commission	$10.84
Peru	USD 10-14	USD	USD 10-12	$0.91		n/a		n/a		n/a		n/a		n/a	USD 30 - 40	n/a	USD 35-45 (plus USD 16 to pick up)	$8.16	From account $8. From cash $10	$11.10	USD 30 flat fee	n/a
	CAD 10	$1.81	CAD 17	$4.07	CAD 30	$2.47	CAD 10	n/a	CAD 15 + CAD 10 communicati fee	n/a	CAD 13.50	n/a	Refused to give information without bank account	n/a		n/a		n/a		n/a	CAD 25-30 + CAD 10 commission	n/a
India	USD 11	n/a	USD 10	$1.08		n/a		n/a		n/a		n/a		n/a	No transfer fee	n/a	USD 35-45 (plus USD 16 to pick up)	n/a	From account $5. From cash $7	$10.05	USD 30 flat fee	$9.60
	CAD 10	n/a	CAD 12	$1.47	CAD 30	$3.09	CAD 10	n/a	CAD 15 + CAD 10 communicati fee	n/a	CAD 13.50	n/a	Refused to give information without bank account	n/a		n/a		n/a		n/a	CAD 25-30 + CAD 10 commission	$8.13
Indonesia	USD 10	$2.50	USD 15	$3.25		n/a		n/a		n/a		n/a		n/a	USD 30 - 40	n/a	USD 35-45 (plus USD 16 to pick up)	$11.40	Remittance Services not avaliable to this country. Wire transfer approx USD 30	$16.73	USD 30 flat fee	n/a
	CAD 10	$3.43	CAD 17	$3.30	CAD 30	n/a	CAD 10	n/a	CAD 15 + CAD 10 communicati fee	n/a	CAD 13.50	n/a	Refused to give information without bank account	n/a		n/a		n/a		n/a	CAD 25-30 + CAD 10 commission	n/a

Kenya	USD 10	$2.33	USD 11	$2.97		n/a		n/a		n/a		n/a		n/a	USD 30 - 40	n/a	USD 35-45 (plus USD 16 to pick up)	$13.71	Remittance Services not available to this country. Wire transfer approx USD 30	$17.65	USD 30 flat fee	n/a
	CAD 10	$1.50	CAD 17	$3.92	CAD 30	n/a	CAD 10	n/a	CAD 15 + CAD 10 communicati fee	n/a	CAD 13.50	n/a	Refused to give information without bank account	n/a		n/a		n/a		n/a	CAD 25-30 + CAD 10 commission	n/a
Korea	USD 10	USD	USD 14	USD		n/a		n/a		n/a		n/a		n/a	USD 30 - 40	n/a	USD 35-45 (plus USD 16 to pick up)	n/a	Remittance Services not available to this country. Wire transfer approx USD 30	n/a	USD 30 flat fee	n/a
	CAD 10	$2.30	CAD 14	$0.91	CAD 30	$2.24	CAD 10	n/a	CAD 15 + CAD 10 communicati fee	n/a	CAD 13.50	n/a	Refused to give information without bank account	n/a		n/a		n/a		n/a	CAD 25-30 + CAD 10 commission	n/a
Philippines	USD 10-12	$1.89	USD 12	$2.69		n/a		n/a		n/a		n/a		n/a	USD 8 per transfer	n/a	USD 35-45 (plus USD 16 to pick up)	$9.97	From account $5. From cash $7	$12.10	USD 30 flat fee	$6.90
	CAD 3-12	$1.20	CAD 14	$1.23	CAD 30	$2.56	CAD 10	n/a	CAD 15 + CAD 10 communicati fee	n/a	CAD 13-15	n/a	Refused to give information without bank account	n/a		n/a		n/a		n/a	CAD 25-30 + CAD 10 commission	$5.18

ACORN International's remittances grid is to demonstrate the costs that are attached to sending money overseas. Most of these costs are hidden, some even unavailable to the general public. We have focused on ten (10) countries in which ACORN International has head offices and/or we are partnered with (first column on the left). ACORN International focused on several major institutions of both the United States and Canada (first row on the top). We have gathered data on what costs are attached to sending a $100 remittance from Toronto, Canada or New Orleans, Louisiana, in Canadian and American Dollars respectively to the ten countries where we work.

These costs are displayed on the grid under the appropriate institutions, across from the appropriate recipient country. The first line in every column is the American cost, the second the Canadian cost. The information inputted under the sub-column, 'transfer fees' is the cost of sending (often excluding pick-up costs) the 100 dollars. Some have a range where the price varies dependent on type of transfer speed and delivery options. Others have extra costs attached such as, 'communication' or 'processing' fees. The information inputted under the sub-column, 'exchange rate charge' is the profit the individual institutions will make off of the 100 dollars sent after they exchange the Canadian or American dollars into the currency appropriate for the recipient country. This was calculated by subtracting the institutions exchange rate from the general exchange rate. Sometimes the difference is not much. At other times however, the cost is quite steep, especially when in conjunction with the other costs involved

When conducting our research we discovered that the costs do not end there however. On top of all these costs to simply send 100 dollars overseas, there is almost always a fee to then pick-up the money. This information is displayed on the second grid. Here we have our recipient countries placed on the top row, and institutions in those countries where the remittance can be received. The information in the grid shows the cost to the recipient of the individual institutions.

Of the sample institutions we researched MoneyGram and Western Union are the best options with MoneyGram being the most affordable in terms of both transfer fees and exchange rate. For example in sending money via MoneyGram: To send 100 dollars Canadian to Dominican Republic it can cost $12 transfer fee + 9%($9) pick-up fee. On top of this you lose $1.26 from the remittance due to exchange rate. So the result is you pay $121 to send $98.74, a difference of $22.26. Or in other words to get $100 to your family in Santiago, you pay $22.26. If you only have $100 to send, then they will be getting more than 22% less of the money or something more than $75 and less than $78 while MoneyGram pockets the rest.

Looking at the institutions other than MoneyGram and Western Union, which are all major global banks, there is a huge gap in costs. This information is more complex and often unavailable to the general public. You usually need an account with the bank to send money, and sometimes to even receive it. One of the worst ones banks from our investigation is the Bank of America. To send 100 dollars American to Kenya it can cost $45 transfer fee + $16 pick-up fee. On top of this you lose $13.71 from the remittance due to the exchange rate. So the result is you are paying $161 to send $86.29, a difference of $74.71. Another way of saying this is that it is almost costing the immigrant family $1 for every $1 they are sending home through Bank of America. If the immigrant family only could afford $100 then if they used their Bank of America account, it would cost them almost $75 to send the family $25. And, please remember, this is the way these banks are *fleecing their own customers!*

The following table rates the institutions researched in order from best to worst options for remittances, along with the average cost of sending 100 dollars.

Rating	Institution	Cost
1	MoneyGram	CAD 3.70 - 13.26 USD 10.00 - 16.32
2	Western Union	CAD 13.47 - 21.07 USD 10.00 - 18.25
3	Wells Fargo Bank	USD 14.75 - 22.32

4	Scotiabank	CAD 10.00 + exchange rate unavailable
5	Royal Bank of Canada (RBC)	CAD 13.00 - 15.00 + exchange rate unavailable
6	Bank of Montreal (BMO)	CAD 25.00 + exchange rate unavailable
7	Toronto Dominion (TD)	CAD 32.24 - 35.91
8	Citibank	USD 5.00 - 40.00+ exchange rate unavailable
9	Hong Kong and Shanghai Banking Corporation (HSBC)	CAD 40.18 - 50.84 USD 36.90 -42.32
10	Bank of America	USD 35.00 - 45.00 + 16.00 pick-up fee
*	CIBC refused to release any information without having an account	*

<u>A Note on Informal Transfer Systems like Hawala</u>

The one thing that ACORN International has not been able to fully address within the scope of this report is the importance of "informal" transfer systems which are very important for cost conscious and unbanked immigrant and lower waged families on both sides of the exchange like the Hawala system and its equivalents elsewhere. When ACORN International's researchers discussed remittance and money exchange systems with our organizers and offices in India, they typically replied that most people, including professionals, tourist travels, and others used the Hawala system, even to have money waiting for them when they arrived to visit a foreign country.

We cannot offer a better, more succinct or adequate explanation that the one provided by Marie Chene of Transparency International:

> Hawala remittance systems involve the transfer of the value of currency without physically moving it. A customer – usually a migrant worker- approaches a Hawala broker and gives him a sum of money to be transferred to a beneficiary – usually a relative - in another city or country. The Hawala broker

often runs a legitimate business in addition to the financial services he offers and has a business contact, a friend or a relative in this city/country. The Hawala operator contacts their Hawala partner – usually a contact from their personal or business network - in the recipient city/country by phone, fax or e-mail. The operator instructs the partner to deliver the funds to the beneficiary, providing amount, name, address and telephone number of the recipient and promises to settle the debt at a later stage. The customer does not necessarily receive a receipt but is given an identification code for the transaction. The Hawala broker in the recipient city/country contacts the beneficiary and delivers the funds. The recipient can receive the funds without producing identity documents other than the previously agreed code.

There is no recorded agreement or written contract for the transaction. The deal is secured by the trust between the parties with no legal means of reclamation.

Such systems suppose that the Hawala broker is connected to a network of other brokers to arrange the payments or knows people who can access such networks in the recipient city/country. Hawala networks are therefore often (but not only) based on kinship or family ties, as the closer the relationship, the easier the settlement process will be. They usually advertise services for countries/cities where such connections exist.

Each time the Hawala broker gives payment instructions, an informal debt is created. The Hawala broker that delivered the funds to the beneficiary needs to recover the money from the first broker. In some cases, predominantly in the Middle East, a courier brings the money from one party to the other. The formal banking system can also be used to settle alternative remittance debts, but the system more typically relies on alternative methods, using a mix of legal and illegal means of settlement.

Hawala partners may be business partners, typically involved in import/export activities. In such case, transferring money is one of the activities they are regularly engaged in as part of their normal dealings with one another. The debt settlement can be done by "manipulating" invoices to conceal money transfers, for example by under-invoicing or over-invoicing shipment of goods.

The Hawalla broker delivering the money to the end beneficiary may also owe the other money, repaying his debt by paying the Hawala customers. The first broker may also have entrusted the second one with money for Hawala activities. In such cases, there is no need for the second broker to recover any money.

Once the transaction is complete, there is no need for record keeping and neither for reporting nor regulatory requirements for customer identification. Hawala transactions leave no paper trail, business documentation or financial records for law enforcement agencies to track the origins of the transfers.

The costs are a fraction charged by banks and other transfer organizations and the exchange rates are usually better. Hawala systems are legal and are regulated in many countries, though sometimes charging less than the quoted exchange rate might not be legally permitted, though is constantly practiced. This system has huge traction in India, Pakistan and South Asia generally and tremendous currency in the Middle East where there are currently large numbers of migrant workers from these countries, but the Hawala system also has strong beachheads through the diaspora.

Pakistan estimates that Hawala transactions may top $10 billion for remittances coming into the country. The numbers are even larger in India. Some of the total remittance transfer estimates try to plug in a number for such informal transactions, but ACORN International believes that these kinds of transactions, if accurately understood, might add between 20 and 40% to the total values of remittances globally. Others believe that as much as half of existing measurements of remittances may be through informal channels. Either way, this is huge.

A lot of money is changing hands through such informal systems, but no one really has their arms around these systems. Furthermore because families involved in remittances are mainly seen as "easy marks" by formal financial institutions, the fact that they are routinely and disproportionately unbanked encourages the growth and expansion of informal systems that better and more efficiently serve the poor families and their migrant and immigrant relatives.

<u>Regulation</u>

The regulatory system or lack of it is a major factor in the mess of remittances. Each country seems to regulate financial transfer organizations headquartered in their country and each country regulates non-domestic transfer outfits differently. ACORN International's report indicates clearly that if anyone is regulating the cost and commissions on remittance transfers, they are clearly not doing so with the immigrant families and their relatives in mind or on the concept of what we value as "desperate dollars." At the same time there is little to believe that any regulatory regime is attending fully to the actual costs of transfers in a global financial system dominated by electronic and computerized transactions, where the actual transfer cost for funds is now trivial, though there may be security and overhead costs that are real. In fact it seems clear that the regulatory environment might best be described as the worst of laissez faire, robber baron financial anarchy.

A report from United Kingdom based, Earthport, who bill themselves as electronic services providers, while touting improvements in the systems in European countries over the last year since the Payments Services Directive on November 2009, is articulate, if understated, in describing the problem in the United States with regulations:

> However, in the US, which is the most popular 'sending country', amounting to over 10% of all remittances globally, a non-resident bank wishing to collect funds must obtain a licence separately from each state, before it can launch a Bring Money Home service. Wide variation in the regulatory requirements of bonding and net worth across 30 states in the United States would require bonds and net worth of nearly $10 million11 to start a money transfer business with offices in all these states. Such a large investment is a major inhibitor.

Remittances transfers which by definition are global are essentially being regulated not by the Federal Reserve system in the United States or any number of other possible venues like the Office of the Controller of the Currency (OCC) or FDIC or others, but by what would seem to be state banking commissioners and the individual legislatures in these states. This is not a system that could possibly protect consumers, immigrants, or anyone else.

The United Kingdom's regulatory priority is not cost either of course, but in fact is geared towards making the systems more electronic, which is certainly a good idea for efficiency, but hardly a ringing cry for fairness and justice in the system.

Many countries, as we have noted earlier, are either impotent or complicit, in dealing any regulation of "exclusive agreements" which are choking out any competition, despite the claims that competition is a "solution" the high costs. Additionally, since the priority for general regulation of existing formal systems is so low, such regulatory bodies are also ill positioned to consider the newer systems that might come to dominate through smartphones, cell phones, and direct transfer programs like PayPal and others that are springing up around the country to facilitate both business and personal transactions.

Demands for Reform

The report is clear: costs to immigrant families for transfers are exorbitant and predatory.

The chart alone screams for attention, for condemnation, for regulation, and reform. These charts are impossible to justify.

ACORN International actually believes that the facts and figures speak for themselves about the urgent need for reform in this area. For now ACORN International and its federated countries want to keep it simple:

- Banks and transfer organizations need to implement total cost reduction recommended by the World Bank and participating countries and institutions to no more than 5% of the amount remitted immediately. If not immediately guarantee achievement by 2014 with written agreements and detailed and transparent benchmarks.
- Central financial regulatory bodies in every country, especially Canada, the United States, and other "sending" countries need to immediately take steps in Ottawa, Washington, London, and elsewhere to establish "best practices" and ceilings to prevent predatory pricing and fees. Such regulations have to be mandatory and not voluntary and deviations from best practices should have to justify costs and fees or lose their license and privilege of acting to transfer remittances.
- Access to more accessible, efficient, and cheaper remittances utilizing every opportunity available in modern finance and technology from mobile phones to micro finance organizations must be encouraged and privileged in order to facilitate direct transfers at lower costs for the unbanked.
- Exclusive agreements must be abrogated and renegotiated in any and all countries where they exist.
- Entry level costs and streamlined regulatory procedures must be introduced in order to "formalize" the effective Hawala and similar systems providing so many benefits to poor and immigrant communities around the world.

The list should be longer, but let us focus first on these five (5) broad areas where reform is so urgent and compelling.

Conclusion

As a membership organization of low and moderate income families, especially the very poor in mega-slums around the world, and the large numbers of immigrant families and internal and external migrant workers in our communities, ACORN International realizes that remittances are lifelines for many of our members. We know too well the sacrifices of our members trying to set aside rupees, pesos, shillings, and desperate dollars to send home to relatives in their home states and countries. Particularly in the difficult economies of North America and Europe, remittances have become even more precious. Yet despite the touting of the advantages of global finance, global banks, and the advantages and efficiencies of new technology and tools, virtually none of these benefits are being felt by immigrant families sending remittances or their relatives receiving them in our countries.

The system seems to be simply one of charging whatever the "market will bear." Given the customer base or constituency for this "market" there is no way to not see these costs as prohibitive and predatory. There is no reason to believe that change will come voluntarily. With over $40 billion in estimated revenues from remittance transactions, this seems modest in light of our research, institutions will not racing to become first in line for fairness. There will have to be different rules of the road, different terms of engagement or predatory practices and cost structures will continue endlessly.

Indeed the calls for competition as a silver bullet solution to this problem also seem vacuous. There seems little movement towards creating competition or lowering bars of access for our families to get more money home. Everything about remittances seems to be shuttled off to the side alleys, back rooms, and bazaars, rather than being made clear and transparent. All of this is facilitated by the lack of voice that many newer immigrant families responsible for most remittances continue to have in government and financial circles deaf to their demands for change. Banks and other financial institutions seem to be flagrantly abusing the remittance systems simply because they can.

Finally we are concerned that existing international institutions like the World Bank are already taking too rosy a view of what they would like to claim as progress around remittances. We are taking their 10% average remittance transfer costs as the standard, but even the most cursory examination of the two girds produced by ACORN International indicates that the real charges by some of the most well known banks in the world and biggest transfer organizations are ***all*** more than 10%. We frankly cannot imagine how the World Bank came to consensus on an existing 10% average in the cost structure. Our simple survey would put the real cost and average at twice that and more. But, our point in this report is not to quibble. We are a long way under any terms, so we just note that we may have even more miles to the promised land because we may have been deceived by a mirage already.

Past Time for Remittance Justice is ACORN International's call for a campaign to engage governments, regulators, state banks, private banks, and financial transfer organizations to finally achieve full accountability to the local and global communities. We still have a lot to learn and will continue to share what we discover about more institutions and additional needs with everyone, but for now we remind that the figures speak for themselves and demand change and reform. As we step up the pressure country by country and internationally, it is out hope and intention to make it harder and harder for politicians and financiers to ignore the call for change and the demand for a fair and just remittance system, but we must have remittance justice, and we must have it now.

Note on the Research and Production of the Report

The uniqueness of the report lies partially in the research and data gathering done through both formal and informal sources. Our research team in Toronto, known fondly as our "intern army" consisted of four interns from George Brown College that included Kristylea Rogers, Samyukta Hattangadi, Anna Cichy, and was led and largely recruited mostly from the international development sections of the well known and highly regarded GBC community worker program by Paola Schifino with thanks to supervising professor, Robin Buyers. Additional research on Asia was done by Larry Ginsburg of Baltimore, a veteran labor and community organizer and researcher, and on policy by Jim Lynch of Little Rock, formerly the director of the Local and County Government Center at the University of Arkansas at Little Rock. The other ingredient in pulling together the hard data underlying the grid was provided by leaders and organizers in the field by Yadira….in Buenos Aires, Dharmendra Kumar in Delhi, Vinod Shetty in Mumbai, Suresh Kadashanin Bangalore, Sammy Ndirangu and David Musungu in Nairobi, Suyapa Amador in Mexico City, Orfa Camacho in Lima, Victor Torres in Santiago (DR), Dilcia Zavala in Tegucigalpa, Luis Martinez in San Pedro Sula as well as many other members and leaders of ACORN International who shared their stories and experiences and are too countless to name here, though special thanks is due to Elise Amyer, a leader of Toronto ACORN, for her early work and inspiration on this campaign and dogged pursuit of Scotiabank and other Canadian institutions, and Pascal Aupua, British Columbia ACORN leader for making the entire campaign vividly personal and immediate. Additional help came from our partners: Wardah Hafiz, director of the Urban Poor Consortium and UpLink in Jakarta, Indonesia, Na Hyowoo, director of Asian Bridge in Seoul, Korea, and Fides Bagasso, director of LOCOA – Leaders and Organizers of Asia, based in Manila, Philippines and Seoul, Korea.

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This report was largely written by Wade Rathke, Chief Organizer of ACORN International (which is also known in the United States as Community Organizations International) with contributions and final approval of the ACORN International Board headed by President Kaye Bisnah (Toronto).

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