

Written Ministerial Statement – laid by the Financial Secretary to the Treasury on 10 October 2012

Government action to help secure the Future of the UK Remittance Market

Annual remittances from the UK stand in excess of £15 billion with up to 65% flowing to developing countries. The UK has one of the largest money transfer markets in Europe and the largest number of money transfer operators (MTOs).

Globally, some major banks are withdrawing bank accounts from MTOs because of the reputational and regulatory concerns. A number of UK banks have recently chosen to close accounts for a number of money transfer companies which has resulted in concerns being raised about the continued viability of remittance flows to a few developing countries, including Somalia.

The government is acutely aware of the importance of remittances to these countries and to UK residents. The government is committed to doing the utmost to ensure that remittances continue to flow through secure, legitimate channels.

We recently asked our officials to convene stakeholders to discuss possible actions the government could take. A roundtable was held at the Department for International Development (DFID) on Friday 27 September 2013. The roundtable was co-chaired by senior officials from HM Treasury and DFID. It was attended by Government, the money transfer industry, NGOs and international organisations.

The purpose of the roundtable was to agree a set of actions to be taken by Government, supervisors and industry to promote a safe, secure and compliant UK money transfer sector that continues to support legitimate remittances while maintaining effective measures against money laundering and terrorist financing.

As a result of this meeting, and the continued cross-government effort to find solutions, the government can today announce a range of actions which it is committed to taking forward. These actions include:

The UK Government will form an Action Group on Cross-Border Remittances, which will include relevant stakeholders.

- The Action Group will draft guidance on applying a risk-based approach to anti-money laundering and countering the financing of terrorism when banking money transfer companies.
- The National Crime Agency will provide more detailed and specific risk assessments and alerts about the sector to banks and money transfer

companies, to help differentiate the risks involved in dealing with different money transmitters.

- DFID will take forward a pilot project to help develop secure remittance channels to Somalia.
- HM Revenue & Customs (HMRC) will increase 'days of action' with law enforcement and the number of risk-targeted supervisory visits they undertake to provide further confidence that non-compliant money transmitters are being required to improve or are removed from business.
- HMRC will also provide further training to money transmitters to help them achieve an effective level of compliance.

The full list of government and supervisor actions is attached to this statement, with respective timelines.

Securing a sustainable future for the UK remittance market will require all of the stakeholders to work together. The Government remains committed to playing its part in this and we hope these clear actions will be a key step in the right direction.

Government and Supervisory Actions Agreed at the Roundtable on Securing the Future of the UK Remittance Market

Cross-HMG

- HMG will establish an Action Group on Cross Border Remittances incorporating private sector, government, supervisors, civil society and international partners. Membership and terms of reference will be agreed by the end of 2013.
- The Action Group will produce guidance on applying a risk based approach to anti-money laundering and countering the financing of terrorism when banking money transfer companies by Spring 2014.
- An HMG steering group will meet monthly in order to coordinate action on remittances from October 2013.
- HMG will engage international partners on remittances through G8/G20 frameworks and the Strategic Alliance Group of Law Enforcement over the next 12 months.

HMT/HMRC/FCA

- By December 2013 HMT will consider the need for new legislation to enable HMRC to publish decisions to revoke the fit and proper status of persons running money transfer companies.
- HMRC will double their supervisory interventions in the money transfer sector by April 2015.
- HMRC will pursue more 'days of action' with law enforcement in the next 12 months.
- FCA and HMRC will increase the frequency of their formal operational meetings, aimed at improving information sharing and joint working between their organisations, over the next 12 months.
- HMT will consider by December 2013 whether there are different money laundering and terrorist financing risks for specific models of service delivery by Small Payment Institutions and Authorised Payment Institutions, and will consider the appropriate avenue, in accordance with the current and proposed legislative framework, for enhancing safeguards to mitigate those risks if required.
- HMRC will support training for the industry, working collaboratively with money transfer companies to better understand their needs and support their up-skilling over the next 12 months.

NCA

- In conjunction with law enforcement, the NCA will provide more detailed and targeted information on criminality and vulnerability to the industry. Specifically:
- The NCA will share threat assessments with banks entering the money transfer market by the end of October.
- The NCA will provide tailored ALERTS to inform banks regarding risk within the sector by the end of November.
- The NCA will support workshops for money transfer companies, banks and wholesalers to better understand risks within the sector, from October onwards.

DFID

- DFID, in conjunction with NCA, HMT, HMRC and FCA, will work to develop a safe corridor pilot for the UK-Somalia corridor over the next 12 months. The pilot will be developed to establish and test necessary audit mechanisms to track payments at all three stages of the remittance transaction (the sending stage, the clearing stage and the receiving stage).
- DFID will work with the World Bank to support the development of an audit mechanism and training and capacity building of money transfer operators in Somalia over the next 12 months.
- A Safe Corridor sub-group will be established as part of the Action Group on Cross Border Remittances by end-2013. This subgroup will commission, design and monitor the safe corridor pilot, including developing detailed timelines and deliverables.