



# UK to Ghana Remittances Corridor – what are the key issues for UK Money Transfer Operators?

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# UKMTA – who are we?

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- Founded in May 2005, run by its members – financial support from DFID very welcome in the early years
  - UKMTA set up to represent estimated 2500 money transfer companies in the UK, but with a particular focus on smaller, independent, companies
  - We aim to be:
    - A forum where money transfer companies can meet each other
    - A voice with government, regulators and the banks
    - A provider of services for members
    - A reference point for consumers seeking information on companies
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# Most Ghanaians would prefer to use a Ghanaian MTO to remit funds...

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- Customers appreciate service offered by independent MTO's:
    - Rates, fees, speed, reliability, availability, language, no need to have an account
  
  - MTO's provide diversity in payment services, an important conduit for personal remittances, and offer potential channel for community generated development funds for infra-structural projects in Ghana ('Big Society' in action)
  
  - But a range of challenges are preventing the independent sector from maximising it's full potential – these include:  
*Regulatory burden, compliance challenges, banking problems, unlicensed operators, consumer confidence, market access, UK government policy*
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# Regulation more of a problem for smaller firms...

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- ❑ Burden of regulations has continue to increase: AML, CTF, Payment Services Regulations, Bribery Act etc
  - ❑ Regulatory complexity and complication requires time to master, and obliges firms to spend time explaining in writing how they are complying to regulators, banks and customers – and even if a firm can explain its risk based approach to AML, is there any guarantee that the regulator or bank will agree?
  - ❑ Burden of compliance more of an issue for smaller firms – FSA approach to licensing under the PSR's has significantly slowed down processing of applications – will all PI's be licensed by 30<sup>th</sup> April?
  - ❑ Challenges of carrying out Customer Due Diligence – problem for all MTO's, but is there evidence that regulators are tougher on smaller firms?
  - ❑ Is there evidence that regulators are failing to police the perimeter – so that there are no effective penalties for those trading whilst unlicensed? Could be as many as 50 illegal MTO's on UK/Ghana corridor
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# MSB Banking - always a challenge

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- Having an UK MSB bank account is crucial to developing an MTO business but:
    - UK banks remain largely reluctant to provide accounts
    - Fees are heavy (regulatory burdens give banks an excuse to charge more) - £18,000 per quarter in fees
    - May not be delivering a good day to day service
    - Why is it not generally possible to use a bank debit card to pay for a transaction?
  
  - Problems with the pay out side:
    - Delays in paying out in Ghanaian rural branches
    - Ghanaian internal banking systems not reliable
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# Need to build customer confidence in licensed MTO sector

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- As much as 50% of funds may be carried by third parties cross border – need to do more to encourage use of licensed MTO's by consumers. This means:
    - Help in explaining to consumers why firms have to request necessary customer information/have KYC procedures
    - High Commission to provide a list of licensed firms
    - Client funds 'safeguarding' – all legitimate firms should be doing this
    - FSA to provide information to the consumer on firms they can trust
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# Access to Ghanaian customers

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- Ghanaians are everywhere, but Ghanaian MTO's have challenges in reaching out to customers across UK
    - 'Internationally branded' MTO's – 20,000 plus locations
    - Ghanaian led MTO's – 500 locations
  
  - Also, 98% of transactions cash based, in person:
    - Reluctance among consumers to transact bank to bank/over internet/using mobile phone
  
  - How can the Ghanaian community leaders give help to Ghanaian MTO's to market services to Ghanaian consumers?
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# MTO's help UK charities to fund projects in Ghana – Big Society?

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- 1. THE LIGHT OUTREACH FOUNDATION
    - Registered as a charity organisation in England.
    - - Has orphanage of 30 children in Tema Ghana.
    - - Helps to give training to the unemployed.
    - - Offers little capital for to set up small businesses.
    - - Picks children who need hospital treatment from remote rural areas to Korle Bu hospital in Accra.
  - 2. CAPE COAST ASSOCIATION
    - - Helps to stock the Cape Coast Library
    - - Sends hospital equipments to hospitals in Cape Coast.
    - - Helps the under privilege children to attend school up to secondary level.
  - 3. SALIFU DARGATI FOUNDATION
    - Registered as Charity organisation in England
    - - Helps school feeding programs in some Cape Coast schools.
    - - Provides books to schools in Cape Coast
    - - Sends mosquito nets, bed sheets and other hospital equipments to Kpando Hospitals.
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# UK Government policy – what is it?

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- Last government set up UK Remittances Taskforce – what is policy of coalition government to remittances?
  - Government rhetoric is anti-non EEA migrant – so what are the implications for migrant remittances - does government see them as a complement to aid which should be supported?
  - Evidence suggests that migrant remittances may be moving towards more structural usage within Ghana economy – how will UK government incentivise transactions sent through legal and licensed channels?
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# Discussion

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- Do you want to follow up with any issues?
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