

Dear Members of the Remittance Industry Observatory,

In this issue of our bi-monthly data release, we present to you two articles on the following topics: MSBs in the United States and a country profile of Honduras.

As MSBs in United States is a broad category that includes both remittance services and current and potential partners, such as other agents, we trust this article will be of interest to you.

The country profile of Honduras sheds light on relevant legal requirements and paints a picture of the country's current money transfers landscape, especially the payment network and financial supervision in the country.

As always, we welcome your feedback and comments.

Best regards,

Manuel Orozco, Laura Porras, and Julia Yansura

On this Issue:

1. Money Services Business in the US

Money Service Businesses in the US vary their product offerings from check cashing to issuing and cashing money orders or travelers' checks. They are also very relevant partners for the money transmitting industry, since agents operate under this type of license. Some MTOs themselves are considered MSBs and require an MSB license in the US to operate, although, as we data shows, the arrangements they establish with third parties vary.

The US Financial Crimes Enforcement Network (FinCEN), which is part of the US Department of the Treasury, publishes information regarding Money Services Businesses registered in the US and the type of services rendered. Since the information presented is based only on registration paperwork, some of the information provided requires additional analysis. Some companies are cited more than once, while others have unrealistic data on the number of branches or states where they operate, for example.

2. Country Profile: Honduras

Highlights

- Annual Remittances: US\$ 3,353 million
- Authorized Payers: 43 payer institutions listed by the central bank, in addition to individual payers
- Limits and requirements for transferring money: US\$2,000 limit for regular remittances payout, higher amounts have additional KYC requirements.
- Foreign Currency Accounts: Available freely, some institutions offer from overseas.
- Anti-Money Laundering Legislation: Includes supervision, reports, audits, and other aspects.
- Microfinance Institutions (MFIs): the country has specific legislation for non-profit private MFIs (OPDFs) which include 5 supervised entities. Cooperatives are widespread across rural and urban communities, but these are unsupervised.
- Banks: 17 private and 2 state-owned.
- Remittance Service Providers (RSPs): 6 operating in the country as supervised entities. Others operate through those inscribed.
- Costs of remitting: 6.1% (from Spain), 4.4% (from US) – Average cost to send US\$200, 2014.

1. Money Services Business in the US

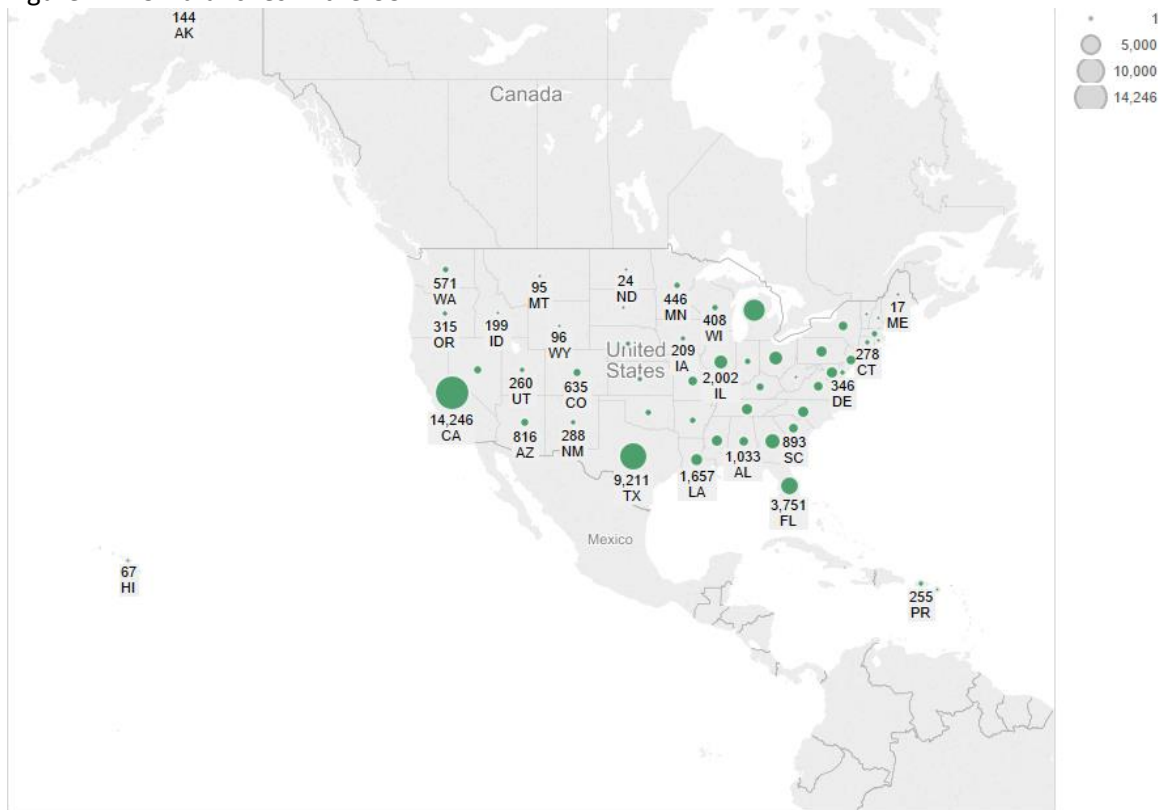
Money Service Businesses in the US vary their product offerings from check cashing to issuing and cashing money orders or travelers’ checks. They are also very relevant partners for the money transmitting industry, since agents operate under this type of license. Some MTOs themselves are considered MSBs and require an MSB license in the US to operate, although, as we data shows, the arrangements they establish with third parties vary.

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In this article we take a look at the overall numbers after we analyze the data. Although numbers may not always be exact, they do provide a good picture of financial services provided throughout the US, focusing on MSBs providing money transfer services.

According to the raw data, there are over 64,000 MSBs with more than 750,000 branches in the country. Figure 1 shows the distribution of licenses across the country.

Figure 1: MSB branches in the US



Source: FinCEN Registered MSBs database.

A Look at MSBs Providing Money Transfer Services

Money transfer services are the third most common service offered by MSBs: 44% of all MSBs offer this type of service. Check cashing is the most common service and is offered by 88% of MSBs, followed by 54% that offer Money Orders. Table 1 shows the number and percentage of MSBs offering a range of financial services.

Table 1: Services offered by MSBs

Service offered	MSBs Offering the service	Percentage of MSBs that offer the service
Check cashing	56,915	88%
Money orders (selling)	34,572	54%
Money transmitting services	28,299	44%
Money orders (paying)	7,848	12%
Issuer of money orders	7,730	12%
Seller of prepaid access	2,353	4%
Redeemer of traveler's checks	1,781	3%
Currency dealer or exchanger	1,022	2%
Dealer in foreign exchange	899	1%
Traveler's checks (selling)	369	1%
Other	2,369	4%
	64,393	100%

Source: FinCEN Registered MSBs database.

Money Transmitters

Looking at the raw data, the database lists over 28,000 businesses offering money transmitting services. Two things should be considered in relation to this number. First, there are companies listed more than once,¹ probably due to clerical errors and due to companies having more than one license. Second, these are companies with permits to operate in each state, and a single company licensed in many states will be accounted for in each one of the states.

¹ For example, Wal-Mart, the biggest payment network, is listed twice.

Figure 2: Total MSBs offering Money Transmitting Services



Source: FinCEN Registered MSBs database.

There is a correlation between states with more MSBs and those offering money transmitting services. A majority of businesses offering money transmitting services also offer check cashing (84%) and many offer money orders too (68.7%). Table 2 shows services that are offered by these businesses.

Table 2: Other services offered by Money Transmitters

	Total	Percentage
Check casher	23,902	84.5%
Seller of money orders	19,440	68.7%
Issuer of money orders	4,723	16.7%
Redeemer of money orders	4,697	16.6%
Seller of prepaid access	1,851	6.5%
Redeemer of traveler's checks	959	3.4%
Currency dealer or exchanger	503	1.8%
Seller of traveler's checks	271	1.0%

Source: FinCEN Registered MSBs database.

The database sheds some light on the biggest chains, but due to diverse licensing arrangements by companies, they do not necessarily represent a single chain. For example, MoneyGram, operating under the legal name “Int Travel Group Inc.” and registered in New York, groups thousands of branches across the country, most likely grouping services offered through third-parties. There are 10 companies registered in a similar manner, with over 10,000 branches each.

Table 3 shows the biggest payment chains recognizable as such. Here it is interesting to note the types of businesses offering these products to consumers. Retail companies and Alternative Financial Services provide a wide number of branches that serve the public. There are also niche-oriented businesses such as companies that provide services for correctional facilities and prepaid/e-pay services.

Table 3: MSBs with Most Branches

	States	Branches	Type
Wal-Mart Stores, Inc	50+	5,000	Retail
ACE Cash Express Inc	32	1,500	Alternative Financial Services (AFS)
Dolex	30+	500	Transfers
Food Lion	10	1,100	Retail
Publix Super Markets	6	1,100	Retail
Nexxo	4	200	Prepaid/Merchant services
EPS	50+	**	E-Payment
Keefe Commissary Network, LLC	"All"		Products for Correctional facilities
QC Financial Services, Inc.	25	500	Alternative Financial Services
Swanson Services Corporation	"All"		Products for Correctional facilities
Blackhawk Network California, Inc.			Prepaid Cards and other AFS
Order Express, Inc.	38	100	Transfers
Travelex Currency Services Inc.	28	123	Currency and Transfers
Performance Benefits Inc.	50+	100+	Prepaid (Payroll) cards and other AFS
EZ Pawn	13	400	Alternative Financial Services

Source: Source: FinCEN Registered MSBs database, verification through companies' website if available.

Over 700 companies operate in forty or more states, with one or no branches. A good example of this type of business model is Xoom. These businesses are likely to be offering electronic and/or web-based products. They include transfers, payment platforms and crypto currencies. Also, obtaining the license, and thus being included on the database, does not mean they are actually offering services to the general public. The list of licensed organizations includes religious groups and other specific businesses that may obtain this license only to process their own transfers.²

Table 4: Other Remittance Service Providers Listed

Company	Number of States where licensed to operate	Branches	Registration date (last available)
Dolex Dollar Express, Inc,	35	564	2/20/2015
Travelex Currency Services Inc.	53	200	12/20/2013
Barri Money Services, LLC	8	189	11/24/2014
Envios de Valores La Nacional Corp	22	116	2/25/2015
JPay Inc.	51	46	12/26/2014
Remesas La Nacional PR Corp	2	6	10/20/2014
Hong Lan Services Inc.	28		12/15/2014
Va-Cuba Inc	1	8	10/21/2014
FICOHSA Express LLC	3	6	1/7/2015
Viamerica Corporation	40	1	3/20/2015
Western Union Business Solut. , LLC	52	5	1/20/2015

Source: FinCEN Registered MSBs database.

² For Example the "National Association of Minority and Elderly Services"

1. Country Profile: Honduras

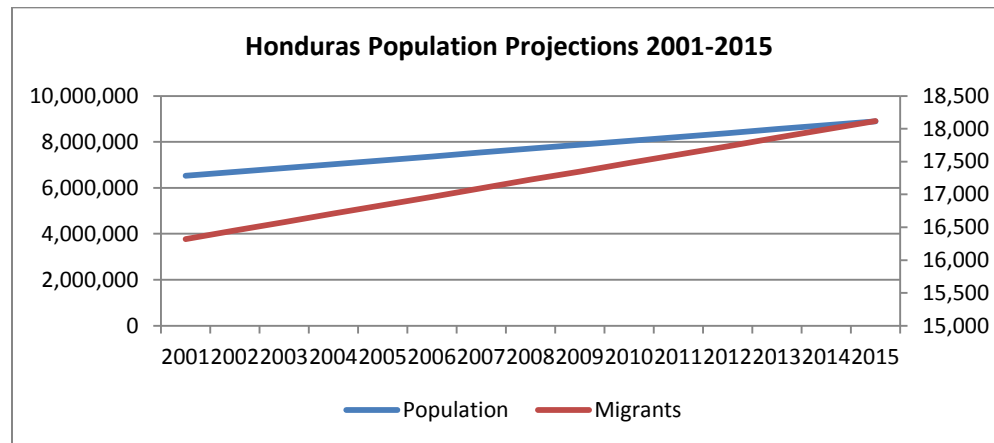
Highlights

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Population

Honduras' total population was of 7.6 million habitants, with 1.9% annual growth, in ___ year. Population projections by the National Statistics Institute place the current population close to 9.9 million. It is also a young population, with an average age of 21. Growth in migration is also expected to be on the rise, at an even higher rate than the total population growth.⁵

Figure 3



Source: Proyecciones de Población de Honduras 2001-2015, CPV 2001, INE (Intituto Nacional de Estadísticas - Honduras)

Migration History

The vast majority of Honduran migrants live in the US. Other host countries include Spain and neighboring countries, especially Mexico, Nicaragua and El Salvador.

³ http://www.cnbs.gov.hk/files/uif_pdf/Resolucion_325-9-2003.pdf

⁴ <https://www.facebook.com/ficohsa/posts/186666214683011>

⁵ National Statistics Institute, 2010

Table 5: Honduran Diaspora by Host Country

United States of America	550,694
Spain	36,271
Nicaragua	12,717
Mexico	12,636
El Salvador	11,558
Guatemala	7,993
Canada	6,108
Belize	4,636
Costa Rica	3,949
Cayman Islands	2,352
Italy	1,951
Panama	1,289

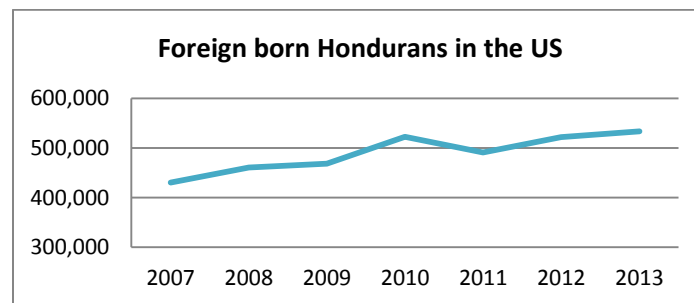
Source: UN Migration Stocks

Although a small number of Hondurans had been residing in the US since the mid-1900s, it was in the 1990s that Honduran emigration started escalating. Before that date, internal migration was most common. This 1990s peak comes later than that of neighboring countries like El Salvador, Nicaragua, and Guatemala whose emigration pattern started peaking in the previous decade. The Honduran diaspora in the United States was established after the U.S. legalization program of the late 1980s,⁶ and much of it after Hurricane Mitch devastated Central America’s Northern Triangle in 1998. Nearly half of Honduran immigrants entered the country after 2000; roughly one-third entered between 1990 and 1999; and about one-fifth entered before 1990.⁷

Hurricane Mitch was a major driver of Honduran emigration to the United States. Hondurans apprehended at the southern U.S. border—as reported by the Immigration and Naturalization Service (INS)—rose from 10,600 to 18,800 between fiscal years 1998 and 1999.⁸ This was also influenced by the TPS status granted in 1999 to Hondurans already in the US.

Recent drivers for migration are more similar to those for the region, Central America’s Northern Triangle, such as violence, lack of economic opportunities, family reunification, and insecurity.⁹

Figure 4



Source: US Census Bureau (ACS 2013 1-Year)

⁶ Including the Immigration Reform and Control Act (IRCA), the IRCA Special Agricultural Worker (SAW) program, the Nicaraguan Adjustment and Central American Relief Act (NACARA), and others.

⁷ Reichman, D. (2013). Honduras: The Perils of Remittance Dependence and Clandestine Migration. Migration Policy Institute.

⁸ Reichman, D. (2013). Honduras: The Perils of Remittance Dependence and Clandestine Migration. Migration Policy Institute.

⁹ Orozco and Yansura, 2014.

After this important migratory movement, Honduran remittances grew quickly and the country is among the most dependent on remittances in the region¹⁰ since the 2000s. Remittances were 17% of the country’s GDP in 2013 and in 2006 they reached an all-time high of 22% of the GDP.

The US is host to 80% of Honduran migrants, followed by 6% of them residing in Spain, and smaller percentages live in neighboring countries of north and Central America.

Migrants in the US

According to the most recent family remittance study carried out by the Honduran Central Bank, on Table 2, Florida hosts one third of Honduran migrants in the US. Florida is followed by states such as Texas (15% of the population), California (9%) and New York (9%).

Table 6: Migrant Hondurans by Country of Residence

Country of Residence	Percentage of Migrants Residing
United States	80.9
Mexico	1.6
Canada	0.9
Spain	6.5
Costa Rica	2.3
Panama	2.2
France, Italy, Germany, Switzerland	1
Other	4.6
	100

Source: Honduras Central Bank – Family Remittances Study, 2015.

Table 6b: Migrant Hondurans in the US (80% of total)

State of Residence	Percentage
Florida	29.4
Texas	15
California	9
New York	9
New Jersey	4.9
Louisiana	4.5
Virginia	4.1
Georgia	3.5
North Carolina	3.4
Other	17.2

Source: Honduras Central Bank – Family Remittances Study, 2015.

Hondurans in the US, not unlike other Central Americans, have low educational attainment, low wages, and are likely to speak English “less than very well”. All these characteristics make them a vulnerable population, as the table below highlights.

¹⁰ Worldbank data.

Table 7: Characteristics of Foreign-born Honduras in the US.

Industry of Employment	
Civilian employed population 16 years and over	65%
Construction	26%
Arts, entertainment, recreation, accommodation, food services	13%
Professional, scientific, and management, and administrative and waste management services	12%
Trade (Retail or Wholesale)	11%
Manufacturing	11%
Other services (except public administration)	9%
Educational services, and health care and social assistance	8%
Other (including Public administration)	7%
Other professional (finance, information)	4%
Educational Attainment	
Population 25 years and over	83%
Less than high school diploma	51%
High school graduate (includes equivalency)	27%
Some college or associate's degree	16%
Bachelor's degree	5%
Graduate or professional degree	2%
Speak English less than "very well"	71%
Citizenship Status	
Foreign born; naturalized U.S. citizen	22%
Foreign born; not a U.S. citizen	78%

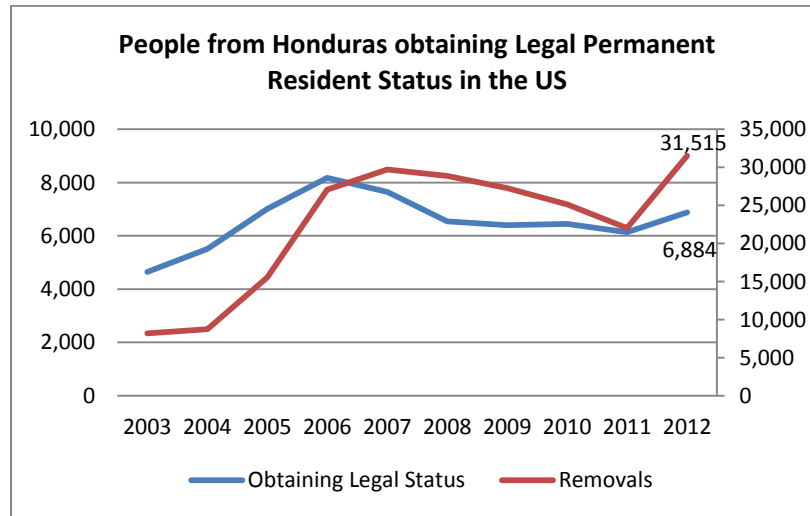
Source: US Census Bureau (ACS 2013 1-Year)

Even so, wages of Hondurans in the US have improved in the past years, as the economy has recovered, along with those of the overall population.

Hondurans have some of the highest removal or deportation rates from the US, along with Mexicans, Guatemalans, and Salvadorians. These have been on the rise in the past years, and some groups like Human Rights Watch have raised concerns that expedited removals at the border have been in violation of human rights obligations.¹¹ Figure 3 shows Hondurans obtaining legal status versus those that have been removed from the US in fiscal years 2003 to 2013. On 2013 removals reached 37,049.

¹¹ <http://www.protocol-magazine.org/#!Hondurans-Face-Expedited-Removal-at-US-Border/cjds/583E76B4-7A29-42CF-9BEC-D4BC4B1704BD>.

Figure 5



Source: U.S. Department of Homeland Security.

Financial and Remittances Industry in Honduras

The National Commission for Banks and Insurance Companies lists 17 supervised banks, 2 State owned and second-tier banks, and 10 financial institutions.¹² This commission is in charge of overseeing regulated financial institutions, which include companies that provide services in banking, insurance, investment, remittances, banking correspondent offices, credit card providers (both emission and processing), pension funds, and others. It is important to note the existence of “private financial organizations for development,” which are private not-for-profit organizations providing financial services. Cooperatives are not supervised directly by the commission.

Remittance service providers and currency exchange providers are regulated and required to present specific reports, comply with KYC procedures, and undergo audits. Exclusivity contracts with payers are prohibited by law.¹³ Although cooperatives and other payers are not supervised directly, remittance companies are required to report their partners and provide detailed information about them.¹⁴

There are 6 remittance service providers authorized by the National Commission:

- Corelsa (Western Union)
- Servigiros
- Giros Latinos
- Expressnet
- Ficohsa Remesas
- EHLEXSA (Hermano Lejano)

Ficohsa is a very interesting case, being part of a local bank with a remittance license also in the US, and a payer for other partners.

¹² <http://www.cnbs.gob.hn/files/boletines/listainst.pdf>

¹³ http://www.cnbs.gob.hn/files/circulares/CNBS2011/C260_2011.pdf

¹⁴ <http://www.cnbs.gob.hn/files/GE/Compendio2014/2014/C103-2014.pdf>

Table 3 provides a summary of the biggest payers in Honduras, according to central bank data.¹⁵ Other payers are listed by remittance companies, so this is not an exhaustive source. The source also cites other cooperatives and 40 independent individuals.

Table 8: Payers listed by the Central Bank of Honduras – Selected Sample

Payer	Providing services for:							Branches	Institution Type
	Expressnet	Servigiros	Giros Latinos	Ficohsa	Ehlexsa	Corelsa	Total companies		
Banpaís			X			X	2	158	Bank
Ficensa						X	1	22	Bank
Banco Lafise						X	1	50	Bank
Banco Popular						X	1	22	Bank
Banhcafe			X	X		X	3	41	Bank
Banco de los Trabajadores						X	1	39	Bank
Banco de Occidente			X			X	2	170	Bank
Banco Continental			X			X	2	83	Bank
Banco Atlántida			X		X		2	72	Bank
Ficohsa				X			1	114	Bank
FAMA						X	1	20	MFI
Finsol						X	1	20	MFI
Finca						X	1	22	MFI
C. Sagrada Familia						X	1	31	Cooperative
C. Mixta La Prosperidad						X	1	14	Cooperative
C. Mixta Mujeres Unidas						X	1	13	Cooperative
CACIL						X	1	23	Cooperative
ODEF Financiera						X	1	32	OPDF ¹⁶
Hermandad de Hond.						X	1	16	OPDF
Credisol						X	1	6	OPDF
Tienda Lady Dee						X	1	14	Retail
Multiremasas						X	1	8	Retail
Inter K						X	1	ND	Retail
Gallo más Gallo	X						1	43	Retail
Remesadora Centroamericana	X						1	ND	Payer
Other		X				X			

Source: National Commission for Banks and Insurance Companies and companies websites (for number of branches not cited by the Commission).

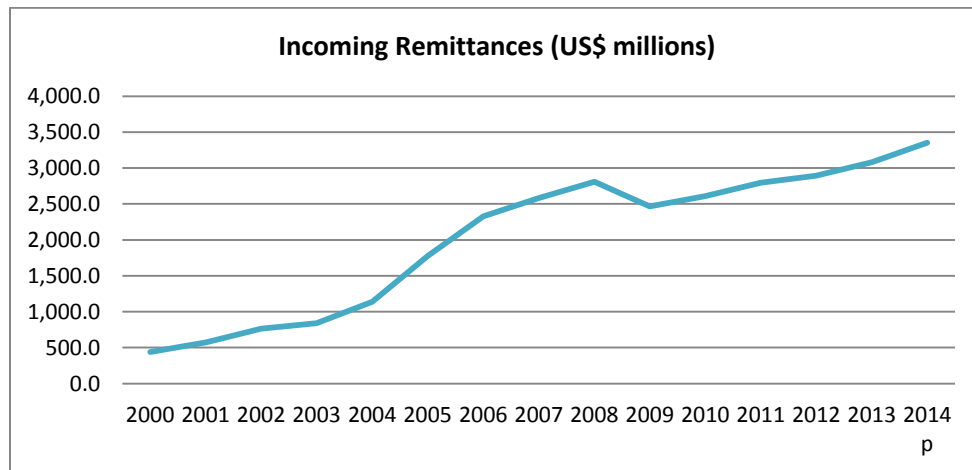
Remittances

Over the past 15 years, overall incoming remittances have grown substantially. They suffered in 2009 and 2010 from the impact of the economic crisis, but by 2011 they were back to 2008 levels. Since then, they have continued to grow between 3 and 8 percent annually.

¹⁵ <http://www.cnbs.gob.hn/transparencia/archivos/ENERO%202014/Registro%20de%20remesas%2031%20de%20Enero%20de%202014.pdf>

¹⁶ Private Financial Organization for Development

Figure 6



Source: Central Bank of Honduras (2014p = 2014 projection).

Two thirds of Hondurans send remittances once a month, with an average transfer of US\$472, according to the bi-annual remittance survey. This study, however, is carried out with migrants when they visit Honduras, and although it is a good comparison source, its sample has specific characteristics: higher education status, legal status, and travels home.

Table 9: Frequency and Amount of Remittances

	%	Average amount sent	Average amount per year
Once per year	2.4	2400	2,400
Every 6 months	2.2	287	573
Every 4 months	1.3	298	894
Every 3 months	3.6	282	1,128
Every 2 months	3.1	337	2,024
Every 1.5 months	0.5	250	2,000
Every month	75.5	472	5,670
Every 2 weeks	7.1	350	8,400
Every week	4.3	274	14,200

Source: Honduras Central Bank – Family Remittances Study, 2015.

The average amount sent may actually be closer to US\$300 per remittance, according to industry data and other sources. The average Honduran sends money 14 times per year.¹⁷

On the same study, 16.7% also send “special remittances” which are those “sent without regularity and for special motives related to the basic needs of beneficiaries.” These remittances are intended for such uses as special events, houses or other investments, donations, and savings. The average amount for special remittances is US\$7,685 per year.

¹⁷ Orozco and Jewers, 2014.

Table 10: Special Remittance Sending Behavior

Reason to send special remittance	Percent of respondents	Average amount per year
Family event (birthday or graduation)	34.3	2,428
Medical expenses	27.0	3,367
Home purchase or repairs	23.6	22,860
Funeral costs	7.7	1,245
Donations	2.6	4,787
Business investment	2.1	13,000
Vehicle purchase or maintenance	1.3	1,767
Savings	1.3	1,733

Source: Honduras Central Bank – Family Remittances Study, 2015.

Remittances are highly formal, with no more than 2% being sent through travelers or similar methods.¹⁸ Two thirds of remittances are sent through remittances companies, as the table below indicates.

Table 11: Method used to send remittances

	Percent
Remittance company	74.6
Bank	17.7
Money order	2.1
Other	1.0

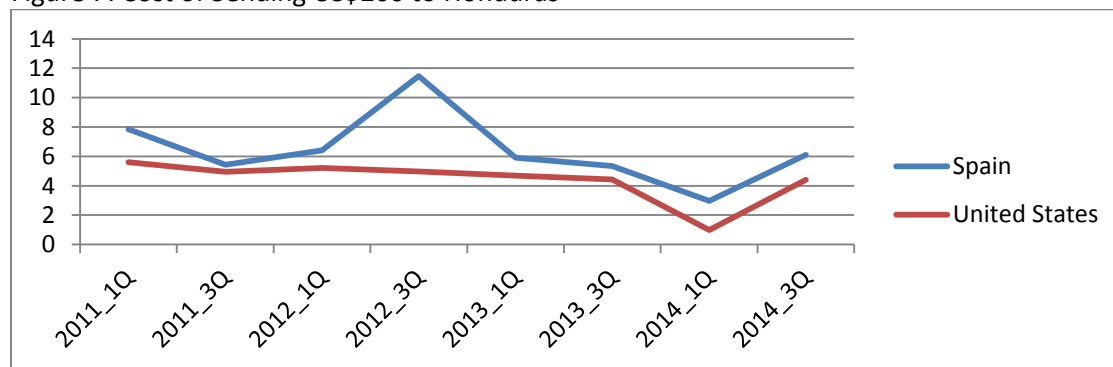
Source: Honduras Central Bank – Family Remittances Study, 2015.

According to World Bank data, on the recipient’s side, 16% of the population over 15 years of age received remittances (2014), a figure that is slightly lower among the 40% of low income (13.5%), and rural respondents (15.2%). Regarding financial inclusion, 20.5% of Hondurans have accounts, compared to only 10.3% of the poorest. On a country with high presence of banks and other financial institutions, this presents opportunities for promotion of higher financial inclusion initiatives.

Pricing

Costs for sending remittances to Honduras from the US is slightly lower than when sending from Spain. The drop in cost observed in the first quarter of 2014 reversed for the last quarter of that same year.

Figure 7: Cost of Sending US\$200 to Honduras



Source: World Bank Pricing – Raw data

¹⁸ Honduras Central Bank – Family Remittances Study, 2015.

Payment Network

Data from 25 sending companies to Honduras show they provide services through a network of over 1800 single payment points in the country. Banks are the most common type of remittance payer. Cooperatives and individuals (independent payers operating on a personal basis) are also present. Although cooperatives' payment networks are small and on a per-company basis, they represent an important number of payment points and usually have rural presence.