

Dear RIO members,

We're pleased to share with you our September Newsletter of the [Remittance Industry Observatory](#).

The first article looks at Nigeria, a country with a complex history of migration and some of the largest remittance flows in Africa. It analyzes trends in migration, financial inclusion, and products and pricing within the Nigerian context. The article concludes with a discussion of the regulatory environment and proposed changes.

Our second article presents a summary of a recent Congressional Hearing on Facebook's proposed mobile wallet, Calibra. This is a companion piece to our July Newsletter, "WhatsApp Aspires to Deliver Remittances."

Finally, we are including several news stories of interest relating to remittances and the remittance industry.

As always, we look forward to your feedback and comments.

Best regards,

Manuel Orozco, Julia Yansura and Laura Porras

1. Nigeria Country Profile

With an estimated 198 million people, Nigeria is the most populous country in Africa. Moreover, its population is growing so rapidly that

demographers predict that by 2050, Nigeria will displace the United States as the third largest country worldwide, after China and India. While official estimates of Nigerian emigrant populations only reach 1.3 million, Central Bank data reports \$24 billion in remittances received in 2018, the second highest of any African country. This article analyzes remittances to Nigeria and attempts to address some of the questions raised by these figures.

2. Congressional Hearing on Facebook's Proposed Cryptocurrency

On July 17, 2019 David Marcus, CEO of Facebook's forthcoming mobile wallet Calibra, testified before the House Financial Services Committee at a hearing titled "Examining Facebook's Proposed Cryptocurrency and Its Impact on Consumers, Investors, and the American Financial System." Since its announcement, the Libra coin has been the subject of much debate among lawmakers, regulators, the financial sector, and the public. Wednesday's hearing, and the Senate Banking Committee Hearing one day prior, were Congress's first steps in understanding and exercising oversight over the Libra and Calibra wallet.

3. In the News

1. Nigeria Country Profile

Highlights

- **Annual Remittances Received:** \$24.061 Billion in 2018, according to Central Bank data
- **Authorized Payers:** Include Commercial Banks authorized to pay remittances by the Central Bank. A new regulatory category called Payment Service Banks (PSBs) will also be allowed to pay remittances going forward.¹
- **Anti-Money Laundering Legislation:** “Anti-Money Laundering and Combating the Financing of Terrorism in Banks and Other Financial Institutions Regulations 2013,”² along with the “Economic and Financial Crimes Commission Act of 2004”³ and the Money Laundering Prohibition Act, as Amended 2011.”⁴
- **Microfinance Institutions (MFIs):** 1022⁵ are registered with the Central Bank of Nigeria
- **Banks:** 23 Commercial Banks⁶
- **Remittance Service Providers (RSPs):** 60+
- **Costs of remitting:** 7.7% to send 200⁷

Population, Demographics, and Migration

With an estimated 198 million people, Nigeria is the most populous country in Africa. Moreover, its population is growing so rapidly that demographers predict that by 2050, Nigeria will displace the United States as the third largest country worldwide, after China and India.⁸ In addition to being a demographic giant, Nigeria is highly complex, with over 250 ethnic groups and some 500 languages spoken. The country has deep divisions between the prominent Hausa-Fulani Muslim population in the North and the Igbo Christian population in the south and east. Power sharing is complex, with the presidency typically rotating between north and south every two four-year terms in a sort of “gentleman’s agreement.”⁹

Nigeria has a long history of migration, both forced and voluntary. Historically, migration from Nigeria dates back to the transatlantic slave trade. Subsequent migratory flows occurred during Colonial rule, when Nigerians moved as laborers to Ghana, Benin, Ivory Coast, and other countries to work in areas such

¹<https://medium.com/@SustainableDFS/payment-banks-all-you-need-to-know-about-nigerias-newest-payment-service-category-575d43b01330>

² <https://www.cbn.gov.ng/out/2014/fprd/aml%20act%202013.pdf>

³ https://www.imolin.org/doc/amlid/Nigeria_EFCC_Act.pdf

⁴ <https://lawpadi.com/wp-content/uploads/2015/08/Money-Laundering-Act-2011.pdf>

⁵ <https://www.cbn.gov.ng/Supervision/Inst-MF.asp>

⁶ <https://www.cbn.gov.ng/Supervision/Inst-DM.asp>

⁷ World Bank Pricing data, 2019 Q2. This is 200 in various currencies, including USD, Euros and GBP. For a more detailed discussion on pricing by corridor, see

⁸ John Campbell, “Nigeria Faces a Crippling Population Boom,” April 2018. Available at <https://www.cfr.org/blog/nigeria-faces-crippling-population-boom>

⁹<https://www.reuters.com/article/us-nigeria-president-rotation/qa-nigerias-presidency-and-the-north-south-question-idUSTRE66Q2ZD20100727>

as gold mining, rail road installation, agriculture, and trade. More recently, Nigerians have migrated to the United States and to European countries to pursue education and more high-skilled job opportunities. Nigerians have also sought asylum abroad, fleeing from violence and extremism, such as most recently the Boko Haram group.

Internal displacement has also been a major theme throughout much of Nigeria’s recent history. Nigeria’s National Commission for Refugees estimated 3.2million IDPs in Nigeria between 2003 and 2008, including persons displaced by oil clashes, border disputes, and mass flooding.¹⁰

Today, official estimates place the number of Nigerian emigrants at around 1.3 million people worldwide. The United States, the United Kingdom, Cameroon, Niger and Ghana are among the most prominent destinations for Nigerian migrants, as the following table indicates. While UN and World Bank estimates are similar, in some cases, host country data places population estimates higher.

Table 1: Nigerian Migrants Worldwide

	UN Estimate 2017	DESA Estimate 2018	World Estimate 2018	Bank Estimate 2018	National Data by host country
United States of America	282,153		306,874		344,979
United Kingdom	209,417		190,000		205,000
Cameroon	115,519		115,519		
Niger	98,849		98,849		
Ghana	70,705		70,705		
Italy	57,248		65,129		369,980
Benin	46,036		46,036		
Côte d'Ivoire	39,306		43,761		
Togo	32,796		32,796		
Canada	32,118		32,118		42,430
Spain	30,484		35,550		111,969
South Africa	27,326		27,326		30,000
Germany	26,712		25,000		Not available
Ireland	23,546		23,546		Not available
Sudan	17,488		17,488		
Total – Worldwide	1,255,425		1,309,063		

Source: World Bank and UN Desa. For national data: 1) United States, American Community Survey, 2017 1-year estimates. 2) United Kingdom: Office for National Statistics, December 2018 data, “Overseas-born population in the

¹⁰ <https://www.migrationpolicy.org/article/nigeria-multiple-forms-mobility-africas-demographic-giant>

United Kingdom.”3) Canada: Statistics Canada, Census Profile, 2016 Census 4) South Africa: Statistics South Africa, 2016. 5) European countries: Eurostat populations, 2018.

Some observers take issue with these figures, arguing that they underestimate the true size of the Nigerian migrant population. Numbers ranging from 3 million all the way up to 20 million have been cited.¹¹ For example, recent Nigerian media reports have claimed that up to 800,000 Nigerians live in South Africa, which is almost certainly not accurate.¹² Others have claimed that the Nigerian overseas diaspora is “17 million strong,” a figure that was dismissed by The Economist as “fanciful.”¹³ Part of the issue may come down to how diaspora is defined, whether it includes migrants or whether it is extended to include subsequent generations. It may also come down to how diaspora figures fit into a larger political context or political agenda.

However, it is a widely study phenomena that second generations remit much less (as a proportion of total population, in frequency, and amount) than first generation migrants.¹⁴ Table 2 shows a the size of the Nigerian diaspora in the U.S., also comparing first generation (defined as foreign born population) and subsequent generations (those that identify their ethnicity as Nigerian).

Table 2: Nigerians in the U.S.

	First Generation 2018	Nigerian Ethnicity
Total Population	344,979	426,158
Of which in Texas	76,065	85,740
Immigrant Visas Issued	7,922	
Nonimmigrant Visas Issued	132,219	
Per Capita Income (US\$)	38,984	30,130

Sources: U.S. Census data (ACS 1-year estimates), State Department Annual Report on Visas FY2018.

This data, including income, supports that the stated 17 million diaspora figure is an overstatement, and that remittance volumes data may also reflect flows beyond household remittances. Running a very basic calculation, in order to account for remittances volumes, each migrant would be sending \$18,500 per year. That would be equal to 50% of personal income among Nigerians in the U.S., the largest migrant host country of Nigerians and one of the countries with the highest income in the world (for further detail, see table 8).

¹¹ <https://www.migrationpolicy.org/article/nigeria-multiple-forms-mobility-africas-demographic-giant>

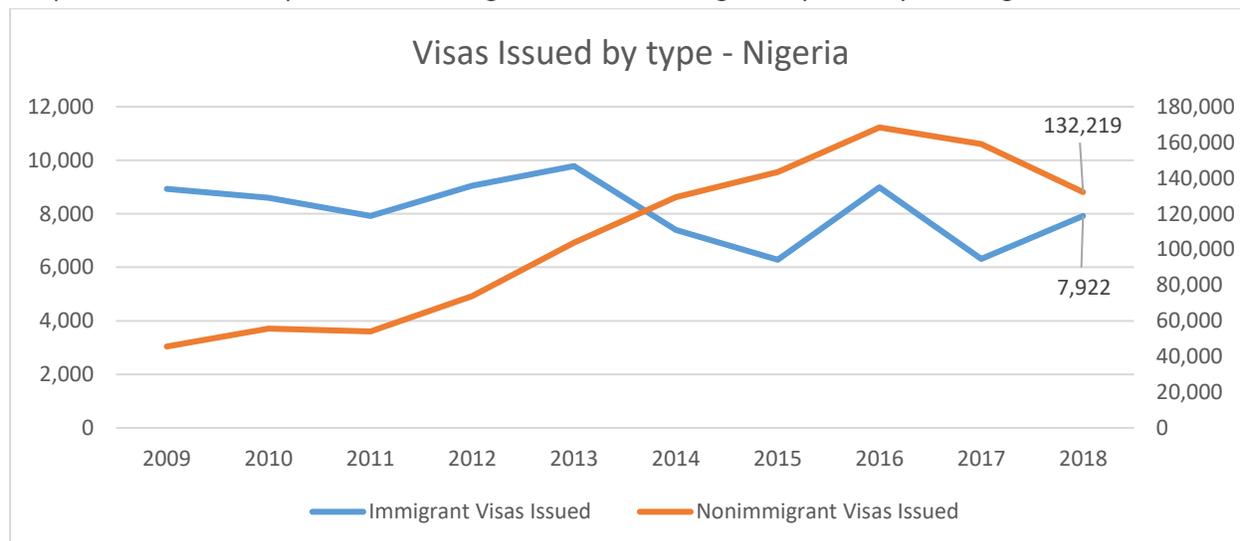
¹² <https://allafrica.com/stories/201908150322.html>

¹³ <https://www.economist.com/special-report/2015/06/18/secret-weapon>

¹⁴ For example, https://www.academia.edu/37629897/Ethnic_and_Racial_Studies_The_determinants_of_remittances_among_second-generation_Mexican-and_Filipino-Americans, <http://docs.dises.univpm.it/web/quaderni/pdf/368.pdf>

That said, the emigration of somewhere between one and two million Nigerians represents a sizable population with important economic, cultural, and geopolitical implications. Moreover, migration from Nigeria is likely to continue growing in the near future. Visas to the U.S. have overall increased during the past 10 years, although the highest number was reached in 2016 and has declined since.

Graph 1: Visas Issued by the U.S. – Immigrant and Nonimmigrant by country of charge/birth



Source: State Department Annual Report on Visas FY2018

Surveys with Nigerians suggest that a large percentage are considering migration. The percentage of Nigerians who reported that they were planning to move to another country in the next five years increased from 38% to 45% from 2017 to 2018.¹⁵ This figure is particularly dramatic especially considering the population size of Nigeria, where 45% represents roughly 90 million people.

Table 3: Intention to Migrate Among Nigerians

Q: Are you planning on moving to another country sometime in the next 5 years?		
	Yes	No
Nigeria, Spring 2017	38%	60%
Nigeria, Spring 2018	45%	53%
Q: What are important reasons why people in Nigeria move to other countries?		
	Very Important	Somewhat Important
To find better job opportunities	73%	12%
To escape violence	53%	16%
To find better educational opportunities	80%	12%
To reunite with family abroad	52%	20%

Source: Pew Research Center, 2019. Available at: https://www.pewresearch.org/wp-content/uploads/2019/03/FT_19.03.27_AfricaMigration_Topline_updated.pdf

¹⁵ This is the highest percentage among the countries included in the study: Greece (7%), Hungary (7%), Italy (5%), Poland (5%), India (2%), Indonesia (2%), Philippines (15%), South Korea (6%), Tunisia (24%), Kenya (19%), and Mexico (8%).

In addition to a country of origin, Nigeria is also home to an estimated half a million immigrants. Many are from neighboring countries such as Benin, Ghana, Togo and Niger, as can be seen in the following table.

Table 4: Migrants in Nigeria

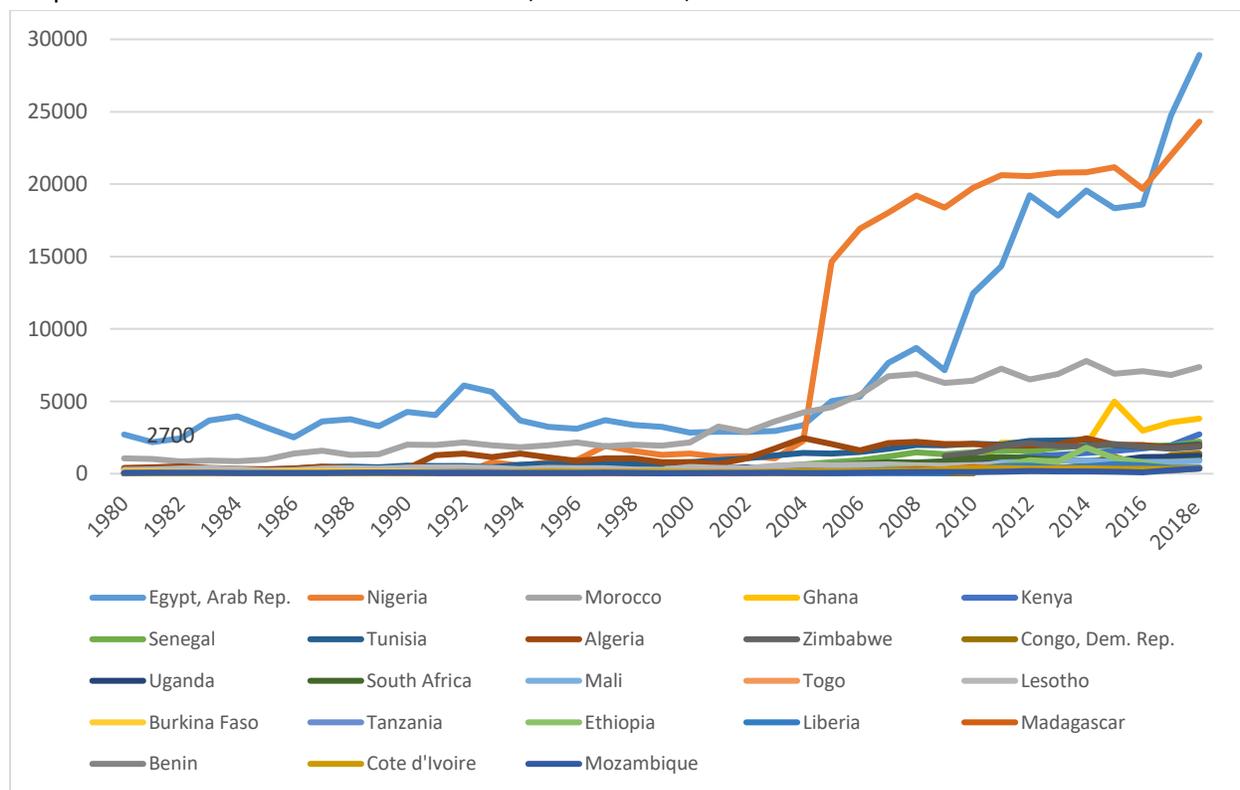
Country of Origin	Migrant Population in Nigeria
Benin	96,599
Ghana	75,322
Togo	46,886
Niger	35,442
Mali	14,578
Chad	11,111
Cameroon	10,242
Total – Worldwide	456,621

Source: UN DESA estimate 2017

Remittances to and from Nigeria

Remittances to Nigeria are strong and growing. According to Central Bank data, they reached \$24 billion in 2018. This represents, the second highest remittance flows of any African country.

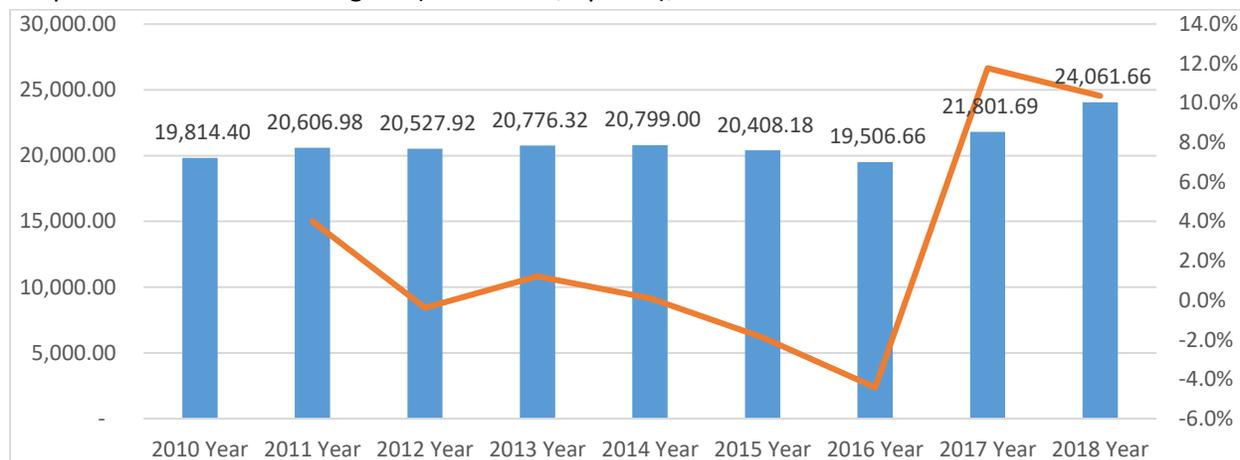
Graphic 2: Remittances to African Countries, 1980-2018e, Millions of USD



Source: World Bank Data, 2019 inflows.

The graphic below presents yearly remittance flows to Nigeria as well as YOY percentage growth.

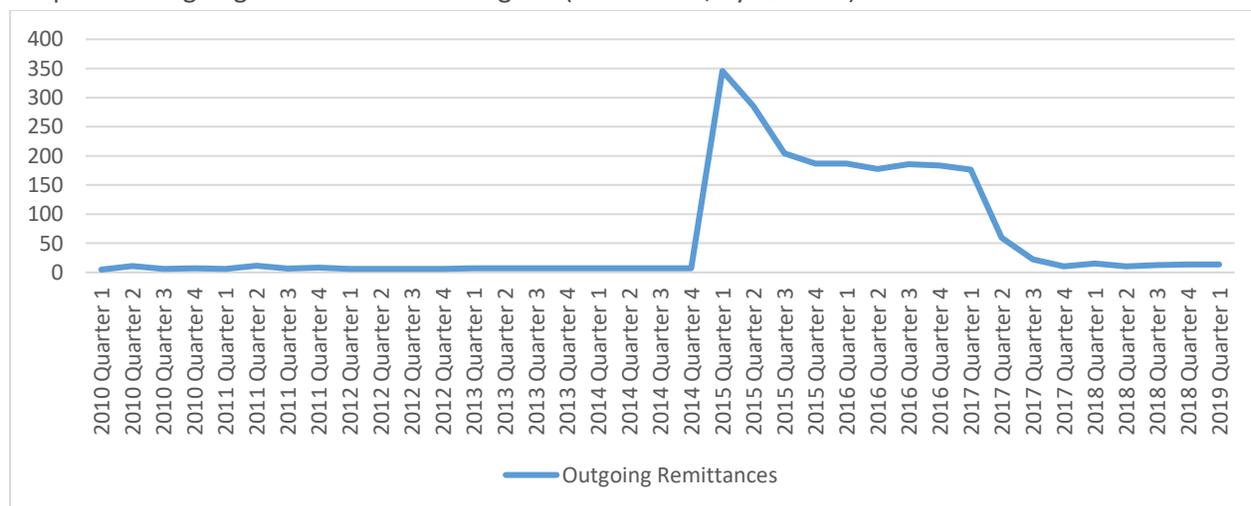
Graphic 3: Remittances to Nigeria (US Millions, by Year), and YOY % Growth



Source: Central Bank of Nigeria, Balance of Payments.

While data is also available for outgoing remittances from Nigeria, it should be taken with a grain of salt due to the prevalence of informal mechanisms. As the World Bank notes in a 2018 report, “in Nigeria, because of exchange rate fluctuations and the existence of competitive options in the informal market, migrants have more incentives to use informal channels to remit money back home. Improving central banks’ collection of data on formal and informal remittances will improve estimates of actual flows that Sub-Saharan Africa receives from its emigrants.”¹⁶

Graphic 4: Outgoing Remittances from Nigeria (US Millions, by Quarter)



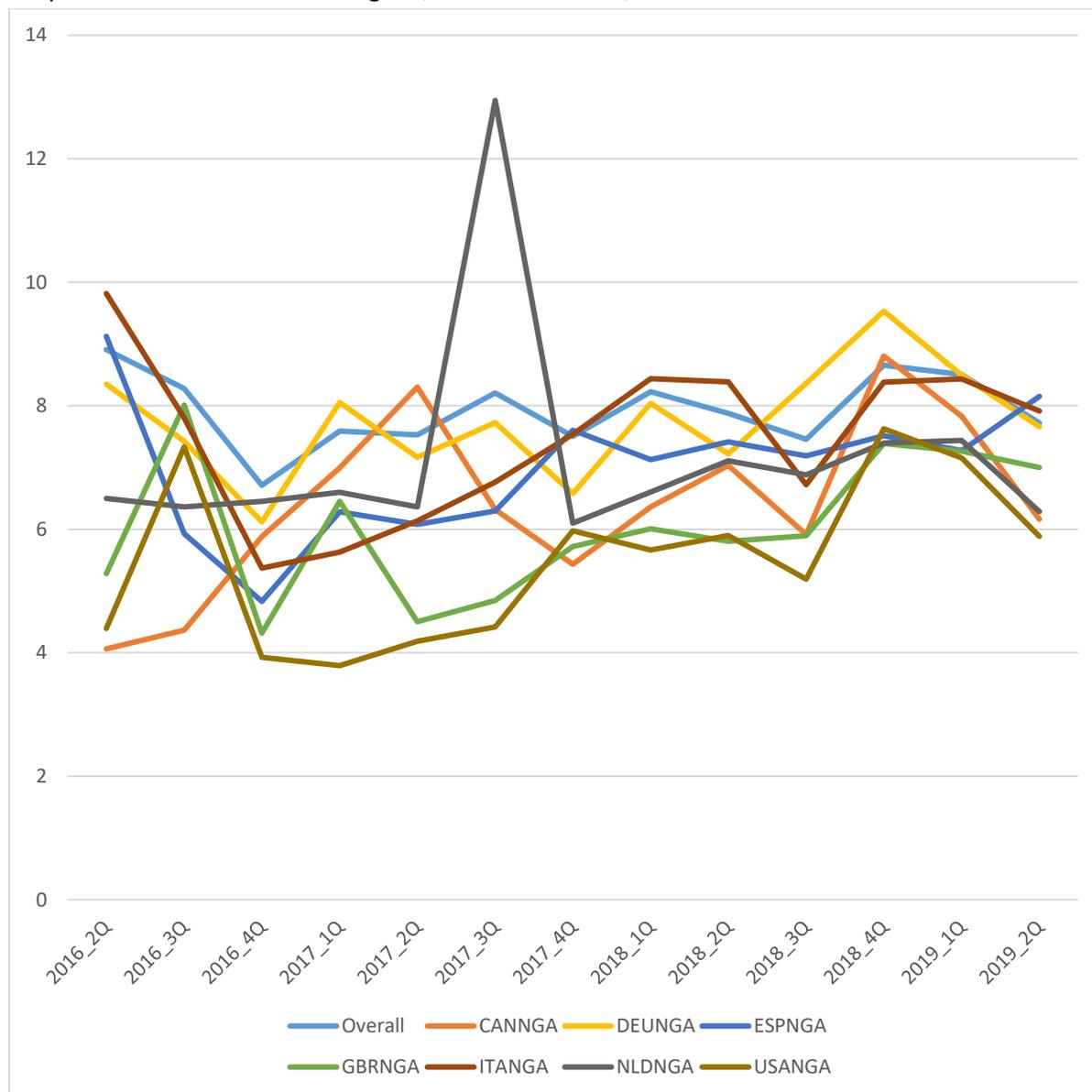
Source: Central Bank, Balance of Payments.

¹⁶ <http://documents.worldbank.org/curated/en/805161524552566695/pdf/125632-WP-PUBLIC-MigrationandDevelopmentBrief.pdf>

Costs of Sending

The overall costs of sending roughly \$200 to Nigeria in 2019 are 7.7%, according to World Bank data. However, there is substantial variation within corridors. The most expensive corridor continues to be Netherlands – Nigeria, though it has declined in recent years. The US-Nigeria and Canada-Nigeria corridors are among the cheapest.

Graphic 5: Cost to Send 200 to Nigeria, Various Corridors, %



Source: World Bank Pricing Data. % Cost to send 200. Last updated Q2 2019. As of late September 2019, conversion was approximately US\$218 for 200 euros, US\$150 for 200 Canadian dollars, US\$246 for 200 British pounds.

Financial Inclusion

In Nigeria, around 40% of the population has an account with a financial institution or mobile money provider. Coverage is markedly lower for women, people with lower educational levels and lower incomes, as well as for people who live in rural areas. As a point of comparison, account ownership in Nigeria is below the world average, as well as below average for LAC, MENA, and even for Sub-Saharan Africa.

Table 5: Account Ownership, Nigeria and Comparative, 2017

	Account Ownership (% ages 15+)							
	Overall	Male	Female	Primary Ed. or Less	Secondary Ed. or More	Poorest 40%	Richest 60%	Rural
World	69	72	65	56	79	61	74	66
LAC	55	59	52	44	61	43	63	53
MENA	48	57	38	31	61	40	53	39
Sub-Saharan Africa	43	48	37	31	60	32	50	39
Nigeria	40	51	27	16	59	25	50	33

Source: Global Findex Data, 2017.

The main reason cited for not having an account is “insufficient funds,” as the table below shows. To a certain extent, there are similarities between barriers encountered in Nigeria and those encountered in the LAC region (shown for purposes of comparison).

Table 6: Reasons for Not Having an Account (% Population Age 15+), Nigeria and Other Regions, 2017

	Financial institutions are too far away	Financial services are too expensive	Lack of necessary documentation	Lack of trust in financial institutions	Religious reasons	Insufficient funds	Someone in the family has an account
LAC*	14	28	13	16	3	31	17
Nigeria	11	8	11	3	1	40	9

Source: Global Findex Data, 2017. * Excl. High Income.

Digital financial access also remains low. Only 4% of Nigerians have used the internet to buy something online in the past year, and only 6% have a mobile money account.

Table 7: Other Financial Inclusion Indicators (% Population 15+), 2017

	Used the Internet to Buy Something Online in the Past	Saved at a financial Account in the past	Debit Card ownership	Borrowed from a Financial institution	Sent or received domestic remittances through a	Sent or received domestic remittances	Has a Mobile Money Account
World	24	27	48	11	No data	No data	4
LAC	11	13	41	10	No data	No data	No data
MENA	10	12	36	9	No data	No data	No data
Sub-Saharan Africa	4	15	18	7	No data	No data	No data
Nigeria	4	27	32	4	29	7	6

Source: Global Findex Data, 2017.

Nigeria’s regulatory changes regarding Mobile Money and Payment Service Banks are intended in part to address these challenges and to expand financial inclusion. Time will tell whether they are able to accomplish this. For some in the industry, Mobile Money is one of the most exciting developments considering that there are roughly 100 million mobile phone numbers in Nigeria and only 40 million bank accounts, in a country with a population of 190 million.¹⁷

Understanding Remittances Vis-à-vis Migration Data

Some questions arise when comparing overall remittances to Nigeria (24 billion) with its estimated migrant population (roughly 1.3 million). Running through some very basic calculations, this would essentially mean that each migrant would be sending \$18,500 per year.

The amount seems high, especially considering that:

- Not all migrants are adults of working age
- Not all migrants of working age remit
- Average transaction sizes within African corridors may be lower

In speaking with different remittance service providers and remittance payers, average transaction sizes fall within the range of \$200 - \$500, less than 12 times per year.¹⁸ Based on this, a very rough estimate can be made of remittance flows. The table below presents World Bank data on remittances and migrants. It estimates a scenario where 80% of migrants send \$400 per transaction, 9 times a year. This is a generous estimate in a number of senses. However, even so, the result is much lower than the “officially” reported remittance flows.

¹⁷ Interview with remittance payer.

¹⁸ Industry interviews.

Table 8: Calculation of Remittances Based on Sending Amounts and Frequencies

	Official estimates		Calculations			F=B*4800+30%under count
	A	B	C= B*80%	D= A / C	E= B*4800	
Country where the remittance originates	Annual Remittances Sent, 2017	Migrant Population, 2017	Estimated Migrant Senders ¹⁹	Official data: Money sent per migrant per year (USD)	Industry Data: Money sent per year (USD, country)	
United States	6,190,533,360	344,979	275,983	22,431	\$ 1,549,921,651.20	\$ 1,937,402,064.00
United Kingdom	4,118,951,845	205,000	164,000	25,116	\$ 921,024,000.00	\$ 1,151,280,000.00
Cameroon	2,509,862,403	115,519	92,415	27,159	\$ 519,003,763.20	\$ 648,754,704.00
Italy	1,046,965,590	65,129	52,103	20,094	\$ 292,611,571.20	\$ 365,764,464.00
Ghana*	874,087,988	70,705	56,564	15,453	\$ 39,707,928.00	\$ 49,634,910.00
Spain	771,060,379	35,550	28,440	27,112	\$ 159,719,040.00	\$ 199,648,800.00
Germany	699,118,758	25,000	20,000	34,956	\$ 112,320,000.00	\$ 140,400,000.00
Benin*	652,241,589	46,036	36,829	17,710	\$ 25,853,817.60	\$ 32,317,272.00
Ireland	473,260,494	23,546	18,837	25,124	\$ 105,787,468.80	\$ 132,234,336.00
Canada	435,546,130	42,430	33,944	12,831	\$ 190,629,504.00	\$ 238,286,880.00
Gabon*	414,182,439	22,779	18,223	22,728	\$ 12,792,686.40	\$ 15,990,858.00
Saudi Arabia**	355,893,151	25,000	22,000		\$ 42,120,000.00	\$ 52,650,000.00
South Africa	324,452,898	27,326	21,861	14,842	\$ 122,770,252.80	\$ 153,462,816.00
Niger*	307,346,347	98,849	79,079	3,887	\$ 55,513,598.40	\$ 69,391,998.00
Togo*	247,920,743	32,796	26,237	9,449	\$ 18,418,233.60	\$ 23,022,792.00
Other	2,545,575,886	153,419	122,735		\$ 689,280,883.20	\$ 861,601,104.00
World	21,967,000,000	1,309,063	1,047,250.40		\$ 4,857,474,398.40	\$ 7,351,697,808.00

Source: World Bank, 2017. Industry interviews. * amount sent is \$600; ** amount sent is \$1800. For Nigerians in Saudi Arabia, see, Table 5, AFRICA LABOUR MIGRATION TO THE GCC STATES: THE CASE OF GHANA, KENYA, NIGERIA AND UGANDA, 2018.

The difference between official data (Column A) and these industry-based calculations (Column E) is at least \$16 billion.²⁰

The figures are hard to reconcile. Among the possible explanations cited by industry experts include business or small business transactions being mixed in with family remittances, or the possibility that a larger than expected portion of second and third-generation Nigerians are sending remittances. Our previous research and fieldwork in West Africa shows that many transactions performed by commercial banks are reported as remittances while they are trade settlements, for example.²¹

With regards to the former possibility, business transactions by law should be separate from remittances, moving along different channels and appearing differently in the balance of payments. According to the Central Bank of Nigeria and the country's regulatory guidance, "money transfer services shall target

¹⁹ Generous estimate based on 80% of migrant population.

²⁰ For 2017, the official figure was 21.967 billion; our estimates are \$4.8 billion. Note that the calculation estimate does not discount for non-remitting senders

²¹ See for example, Orozco, Manuel. Remittances, competition and fair financial access opportunities in Nigeria, 2007. And Orozco, Manuel. Migrant remittances and development in the Global Economy, Lynne Reinner, 2013, pp.52-60.

individual customers mainly and the transactions shall be on “person to person transfer” basis to safeguard against corporate customers that might structure their transactions into smaller amounts to circumvent the statutory reporting threshold.”²² However, despite the law on the books, our hypothesis is that many users are sending business transactions over person-to-person remittance channels.

UPDATE: Note that days after the release of this Newsletter, a controversy arose in Nigeria questioning the validity of the amount of remittances. The Central Bank of Nigeria questioned the sources and made the World Bank and IMF responsible.²³ However, it is important to stress that these institutions submit their reports based on information provided by the Central Banks of each country in accordance with methodologies established by the international organizations.

Market Players and Costs

According to interviews with payers, the number of RSPs serving the Nigerian market has grown rapidly. Some commented that there were only a handful of formal companies sending to Nigeria as recently as 2016. Following regulatory changes that cut down on informal companies, the number of formal RSPs has grown to over 60 as of 2019.²⁴

Below is a snapshot of select service providers and the types of services available, according to company websites and/or mobile phone applications.

Table 9: Sending Money from the United States to Nigeria (8/27/2019)

RSP	Services	Fees ²⁵	FX	FX Margin	Fee Cost %	Total Cost %
Dolex						
Intermex		\$11.99	1USD = NGN 353.0	2.95%	4.0%	6.95%
MoneyGram	Money transfer to cash or account	\$4.99	1USD = 336.327 NGN	7.53%	1.66%	9.19%
Remitly ²⁶	Only Money transfer to bank account	\$4.99	1 USD = 353.24 NGN	2.88%	1.66%	4.54%
Ria	Only Money transfer to Bank Account	\$8.00	1 USD = 353.4025 NGN	2.83%	2.67%	5.50%
Transfast	Money transfer to bank deposit	\$4.99	1 USD = 340.00 NGN	6.52%	1.66%	8.18%
Signe	Coming soon, according to mobile app. Payers may include Weblink, Zenith Bank					
Viamericas						

²² 2014 Regulatory Guidelines, Central Bank of Nigeria.

²³ <https://www.thisdaylive.com/index.php/2019/10/13/cbn-clarifies-diaspora-remittances-says-official-inflows-is-2-6bn-not-26bn/>

²⁴ Interviews with remittance payers in Nigeria.

²⁵ To send \$300 with debit card, to cash pickup

²⁶ Has a promotional bonus for +5,298.60 NGN

Wells Fargo						
Western Union	Money transfer to bank deposit or cash payout	\$7.00	Receive amount 1 USD = 350.0142 NGN*	3.77%	2.33%	6.10%
WorldRemit	Money transfer to bank deposit or cash payout, Airtime	9.99	1USD = 350.03NGN	3.76%	3.33%	7.09%
Xoom	Money transfer to bank or cash payout, Airtime	5.99	1 USD = 350.0142 NGN	3.76%	2.0%	5.76%

Source: Company Websites or mobile phone applications except where otherwise indicated. The market rate on this date was 1USD = 363.713. The price quoted was to send \$300 from the United States to Nigeria, paying with debit card and the recipient receiving funds in cash.

Regulatory Environment

The Nigerian regulatory framework is quite complex and are not necessarily welcoming for new actors seeking to enter the market. Two key regulatory documents are the 2014 “Guidelines on International Money Transfer Services in Nigeria and the 2015, “Guidelines on International Mobile Money Remittance Service in Nigeria,” 2015. The table below presents and compares some of their requirements.

Table 10: Key Requirements for RSPs

2014 Guidelines – General Remittances	2015 Guidelines – Mobile Remittances
RSP Requirements	
Must be licensed by Central Bank of Nigeria	Must partner with a bank that licensed by the Central Bank of Nigeria
Must have a net worth of at least US\$1 million	Minimum net worth of US\$1 billion
Must operate in at least 7 different countries	Must operate in at least 20 countries <u>Note:</u> Must also have at least 10 years’ experience
MTO must not engage in gold dealing, deposit taking, lending of money, account management, credit letters	Shall not receive deposits, except in respect of airtime billing
MTO must issue a detailed receipt for each transaction	Must provide a detailed electronic summary and confirmation of the transaction; for remittance inflow, must notify recipient through SMS, as a minimum
Transfer Requirements	
Must not transfer more than US\$2000 per transaction on outbound transfers	Allowable maximum limit of outbound mobile money per week of US\$100 or equivalent
Inbound transfers can be disbursed only through bank accounts or mobile money wallet	-
Only when the beneficiary does not have an account, payment can be made with a reference from a bank account holder	-
Agent Requirements	
Be registered in Nigeria	-
Be an established commercial entity with at least 12 months of operating	-

Have adequate physical infrastructure and human resources	Have the minimum technology standards for communication (interoperability and interconnectivity); must use secure channels
Not be on any Sanctions List	-
Be a financial institution under the regulatory purview of the CBN	-
-	Mobile network operators must not give preferred treatment to any mobile money operator in terms of traffic and price
-	Telecommunication equipment must be approved by the NCC
-	Payment of non-refundable application fee of one million NGN (\$2,700)

Sources: For 2014, “Guidelines on International Money Transfer Services in Nigeria,” Banking and Payments System Department and Trade and Exchange Department, June 2014. For 2015, “Guidelines on International Mobile Money Remittance Service in Nigeria,” 2015.

According to interviews with industry experts, remittances to Nigeria can only be paid in Naira, the local currency, as per Nigerian law. Since 2016, the exchange rate has been fixed for certain types of markets. For example, for remittance payout in Nigeria, the exchange rate is fixed at 355 Naira per USD.²⁷

New regulations are currently being discussed in Nigeria that would impact remittance payment. The Central Bank has announced plans to create a new category of financial institution, a Payment Bank, which among other things would be authorized to pay remittances. The table below compares Payment Banks with other types of existing financial institutions.

Table 11: Payment Banks Compared to Other Financial Institutions

²⁷ Interviews with remittance payers in Nigeria.

	Payment Banks	Commercial Banks	Microfinance Banks	MMOs
Capital Requirement	NGN 5 billion	NGN 25 billion	Unit: NGN 20 million State: NGN 100 million Nationwide: NGN 2 billion	NGN 2 billion
Service Distribution	At least, 50 percent rural	Not regulated	As per license type - unit (single location), state and nationwide	Not regulated
Agent Banking	Yes	Yes	Yes	Yes
Loans / Credit Facilities	No	Yes	Yes	No
Card Issuance	Debit and Prepaid	Credit, Debit and Prepaid	Credit, Debit and Prepaid	Debit card
ATM Deployment	Yes	Yes	Yes	-
Store of value	Bank account/wallet	Bank account/wallet	Bank account/wallet	Bank-led: Bank account/wallet Independent: Wallet

Source: <https://medium.com/@SustainableDFS/payment-banks-all-you-need-to-know-about-nigerias-newest-payment-service-category-575d43b01330>

2. Congressional Hearing on Facebook's Proposed Cryptocurrency

On July 17, 2019 David Marcus, CEO of Facebook's forthcoming mobile wallet Calibra, testified before the House Financial Services Committee at a hearing titled "Examining Facebook's Proposed Cryptocurrency and Its Impact on Consumers, Investors, and the American Financial System." Since its announcement, the Libra coin has been the subject of much debate among lawmakers, regulators, the financial sector, and the public. Wednesday's hearing, and the Senate Banking Committee Hearing one day prior, were Congress's first steps in understanding and exercising oversight over the Libra and Calibra wallet.

The hearing came a month after Facebook announced the development of its Libra cryptocurrency, slated to launch in 2020. Facebook executives viewed this early announcement of their plans as a sign of good faith and willingness to work with regulators. However, members of both the House Financial Services Committee and the Senate Banking Committee called for an immediate "moratorium" on the development of the Libra until Congress and regulators could further examine the proposal and its regulatory and economic implications.

In his prepared testimony, Marcus emphasized his optimism towards what the Libra could offer the world, from revolutionizing remittances to promoting financial inclusion. Drawing on the example of a daughter trying to send money to her mother abroad in the face of an emergency, he stated that Facebook's goal was for the Libra to serve as a safe, secure, low-cost way for people to efficiently move money around the world. Marcus also recognized that the challenge Libra would pose to regulators is unprecedented, and reaffirmed Facebook's commitment to work with all appropriate regulatory bodies and address all concerns before launching the coin.

Prepared statements by committee Chairwoman Maxine Waters (D-CA) and Ranking Member Patrick McHenry (R-NC) were much less optimistic. Chairwoman Waters argued that the Libra would pose serious policy, trading, national security, and monetary policy concerns for consumers, investors, and the global economy as a whole. She also brought up Facebook's history of regulatory non-compliance, data privacy abuses, and public scandals as reasons why the tech giant should not be trusted to lead a project with such profound global implications.

Ranking Member McHenry echoed Chairwoman Waters' skepticism of Facebook, warning that the proposal would require thoughtful government oversight to ensure the Libra Association, the cryptocurrency's governing body made up mostly of industry giants, would not become a "crypto mafia" where association members simply boost each other's business. He also expressed doubt as to whether Facebook's stated desire to increase financial inclusion and offer low-cost remittances was indeed genuine, rather than a publicity ploy. Nevertheless, he warned against kneejerk reactions to block the project and stifle innovation. He argued that the world of blockchain and digital currencies is here to stay, with or without Facebook, and that lawmakers should not shy away from ensuring that regulatory framework meets demands of new technology.

This sentiment was repeatedly reiterated by Marcus throughout the hearing, who held that a product like Libra would arise with or without Facebook. As such, he felt it was in lawmakers' best interest to work with Facebook, who was willing to cooperate with regulators, rather than shut them down and have a similar project carried out by a less cooperative company.

Several hours of questioning followed the prepared testimonies, with lawmakers trying to hash out the implications of the unprecedented Libra on U.S. citizens and American financial system.

A topic of bipartisan concern was that the Libra would come to undermine the United States Dollar as the leading global currency. In response to these concerns, Marcus held that Facebook had no interest in the Libra competing with sovereign currency, and “never in [their] wildest dreams” would it achieve sufficient scale to do so. He further stated that part of the reason behind backing the Libra with a reserve of sovereign currencies was to ensure sovereign currencies were not undermined. Still, even this commitment to holding sovereign currency reserves was met with skepticism. Some committee members, including Chairwoman Waters, worried that ownership of state assets on such a massive scale would lead the Libra Association to yield undue influence over governments. Many also questioned whether the Libra would interfere with the ability of central banks to effectively execute monetary policy. This concern has also been expressed by Federal Reserve Chairman Jerome Powell and Treasury Secretary Steven Mnuchin in previous statements. Marcus, however, assured that this was not their intent, and that Facebook would work continuously with the U.S. Treasury Department, Federal Reserve, other central banks, and all other appropriate regulatory bodies to ensure such concerns were appropriately addressed.

A major concern repeatedly raised by representatives on both sides was that the Libra would pose a systemic risk to the American, or perhaps global, financial system. Indeed, it would take just a fraction of Facebook’s billions of users to begin using the Libra for it to reach systemic proportions. Several lawmakers questioned whether, if this were the case, the Libra Association would submit itself to the same enhanced oversight by the Federal Reserve that banks deemed to pose a systemic risk are subject to.

The topic of whether or not the Libra Association would count as a bank came up repeatedly, as this designation would have significant implications on appropriate regulations. In response, Marcus insisted that the company had no plans to engage in banking services, and thus should not be treated as a bank. He did, however, mention the possibility of banks becoming members of the Libra Association and possibly offering Libra-denominated services in addition to standard dollar ones. This ultimately led to further confusion as to where the Libra Association would be classified under current regulatory structures, although Marcus insisted throughout that it should not be seen as a bank.

A point of even more confusion, to which Marcus himself had no answer, was what the Libra itself would be classified as. He felt that, although under current law he believed it might be a commodity, the Libra was better characterized as a payment tool. Many lawmakers disagreed. Congressman Jim Himes (D-CT), a former banker, felt particularly strongly that since the Libra was reserve-backed, it was an exchange-traded fund (ETF). Cryptocurrency expert Meltem Demirors, an expert witness whose testimony followed Marcus’s, also believed that the Libra was an ETF. Marcus felt this characterization was not appropriate – indeed, he believed designating the Libra as any sort of security was not accurate, as the stablecoin was built to retain value, not appreciate, making it not intended for investment. The question of whether or not the Libra is a security is a key issue regulators need to clarify, as such a designation would put it under the oversight of the Securities Exchange Commission (SEC). While other cryptocurrencies, particularly those with initial coin offerings (ICOs), have been designated as securities by the SEC, Bitcoin in particular has been classified as a commodity and is under the authority of the Commodity Futures Trading Association (CFTC). Marcus felt that similar treatment would be more appropriate for the Libra. Lawmakers, regulators, and financial experts alike, however, have yet to reach a consensus on what

exactly the reserve-backed Libra, first of its kind, truly is. Countless questions from representatives during the hearing attested to just how much confusion can arise without a clear designation.

What lawmakers on both sides of the aisle seemed to agree on, however, was that the existing regulatory framework was not up to the task, and laws would have to be updated to reflect changing technologies and clarify regulatory jurisdiction over developments like Libra. Republican lawmakers in particular warned that these new laws should be careful not to stifle innovation.

In addition to regulatory uncertainty, a major concern shared by almost all committee members was the potential for the Libra to be used for illicit activity. Congresswoman Ann Wagner (R-MO) highlighted that some terrorists and criminal networks already use Facebook to fundraise, recruit, and connect with buyers. She worried that the Libra would make it even easier for these nefarious actors to move money. Several other committee members shared similar concerns about black market activity and money laundering that could occur through the Libra network. Marcus assured that the Calibra wallet in particular would safeguard against illicit activity through adhering to all appropriate Anti-Money Laundering (AML) and Know Your Customer (KYC) government regulations. He stated that such safeguards would occur at the mobile wallet level (so-called on/off ramps) rather than on the Libra network itself. While he stated that all U.S.-based wallets on the Libra network would adhere to appropriate AML and KYC regulations, he could not assure representatives that every wallet on the Libra network worldwide would live up to these standards.

This was cause for alarm for many lawmakers who worried that wallets would arise in nations with weaker legal requirements and open the door for illicit activity. Of particular concern was the possibility that the Libra could be used to evade sanctions, undermining the powers of the U.S. and other governments on such measures. Marcus assured that both the Calibra wallet and Libra Association were working with the Treasury's Financial Crimes Enforcement Network and other appropriate law enforcement bodies to protect against illicit activity, including sanctions evasion. He also stated that the Libra's blockchain system, although pseudonymous, would make it easier for law enforcement officials to monitor activity on the network.

Throughout the hearing, lawmakers also raised concerns over issues of market concentration. These concerns were heightened by the fact that Facebook is already being investigated by the Federal Trade Commission (FTC) for potential antitrust violations. Marcus insisted that Facebook envisions the market for mobile wallets on the Libra platform to be highly competitive, saying it was in this spirit that they made the platform open source and have designed Calibra, Facebook's own wallet, to be interoperable with other wallets. Facebook has said, however, that Calibra will be the only wallet that can be embedded directly into WhatsApp and Facebook Messenger apps, which collectively dominate the digital messaging market. Additionally, this embedded feature would likely give it an advantage among remittance senders, many of whom use WhatsApp to communicate with family back home. Several lawmakers urged Facebook to allow other wallets to be embedded into the messaging apps in the spirit of competition, but Marcus held it would be a competitive market even without this. Still, lawmakers, particularly Democrats, worried about how this market concentration would negatively impact consumers.

Many questions throughout the hearing focused on the issue of consumer protection, particularly given Facebook's history of data privacy abuse. Lawmakers repeatedly questioned whether the company could be trusted with consumers' financial data, given that they had proven untrustworthy with much less consequential social data. In response to these concerns, Marcus assured that financial data would be

kept entirely separate from social data, and that user data stored on the Calibra wallet would not be shared with neither Facebook nor the Libra Association except when necessary for preventing fraud or criminal activity. He also notably promised that there would be no advertising on the Calibra wallet, quieting concerns of user financial data being sold to advertisers.

Some Republican lawmakers also worried whether the Libra could potentially be used for social regulation of consumers. These lawmakers expressed concern over how Facebook had banned certain political extremists, such as Milo Yiannopoulos, and how the company does not allow weapons to be sold on the platform. Congressman Sean Duffy (R-WI) expressed strong concerns about similar policies occurring on the Libra network, forcing people to adhere to certain political and social beliefs to use the coin. He warned that such policies could turn the Libra into a social credit system similar to that of the Chinese government, and urged Marcus to make the Libra available to everyone, just as the dollar is. In response, Marcus noted that such decisions would not be made by him or Facebook. They would be made by the Libra Association, which would not decide on its guidelines before reaching its 100-member target. Indeed, Marcus deferred to the Libra Associations not-yet existent guidelines several times throughout the hearing, leading some committee members to question whether this hearing had been held too early in the development process.

In addition to questioning and testimony, the hearing also served as a platform for Chairwoman Waters to introduce a draft bill titled the Keep Big Tech Out of Finance Act, which would prevent large platform companies from becoming financial institutions and block them from creating their own currencies. If passed, the bill would prohibit the Libra project from coming to fruition. The bill, however, did not receive much attention during the hearing, and it is unclear whether it would gain traction in Congress.

Ultimately, the almost seven hours of testimony left lawmakers and the public with more questions than answers. Marcus spoke of the Libra as a beacon of hope in a financial system that was not working for everyone, an opportunity to connect the un- and underbanked to the global economy. Lawmakers were more skeptical, fearing the impact it could have on consumers, the financial system, and criminal activity. And while Marcus assured that Facebook was willing to work with all appropriate regulatory bodies, in the U.S. and abroad, it was less clear whether regulators trust the company to do so in good faith. While it is doing everything possible to distance itself from the Libra through the Libra Association, the company is inevitably tied to the project in the eyes of the public and the government. Several representatives went so far as to call the Libra the “Zuckbuck,” in reference to Facebook’s founder and CEO Mark Zuckerberg. While Facebook’s standing as a tech giant is the asset allowing them to take on this unprecedented project, its tarnished reputation in the eyes of regulators is proving to be a liability.

3. Remittance News

Immigration and Remittance News:

- A preview of 2018 American Community Survey (ACS) data shows a slowdown in immigrant population growth in the United States. “The United States population gained immigrants at the slowest pace in a decade last year, according to an analysis of new census data, a notable slowdown that experts said was quite likely linked to a more restrictive approach by the Trump administration,” [according to the New York Times](#).
- Honduras [has signed a deal with the United States to accept migrants applying for asylum](#) in the US., amidst criticism that the country will not be able to provide safety for those fleeing from violence.
- As the Brexit date looms, there have been numerous concerns about its impacts on remittances across a variety of corridors. “Remittances from Britain could also decline significantly if there is a hard Brexit, with the British pound expected to lose more of its value and fewer Poles expected to move to Britain, “ [writes the Washington Post](#). Meanwhile, Jamaican officials have also expressed concern about Jamaican migrant communities in the UK and [the “supply of cash drying up.”](#)

Industry news:

- Amazon and Western Union are partnering up as a way for US consumers to purchase things from Amazon and pay for them with cash. Amazon already provides PayCode in 19 other countries, and it's now working over the next few weeks to bring the service to 15,000 Western Union locations in the US, [according to news reports](#).
- Remitly has entered the Spanish remittance market, [reports El Pais](#).
- MoneyGram and Visa announced a new partnership allowing customers to send money to any Visa-branded debit card that's linked to a bank account. [reports The Motley Fool](#).
- PayPal has decided to [“forgo further participation”](#) in Libra, the Facebook proposed Cryptocurrency.