



International and Regional Initiatives: the Work of the IMF

*The Third International Conference on
Hawala*

April 2-3, 2005, Abu Dhabi, UAE

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IMF's work

- Board Paper on Remittances
 - Presented to the IMF board in March 2005
 - Follow up work to be done, particularly in receiving countries
 - Macro-economic implications to be looked at in more detail
 - Continued coordination with the FATF on the international standards
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Perspectives on regulation

- ❑ remittances are very important to migrant workers
 - ❑ difficult to regulate without driving transactions underground
 - ❑ difficulties of implementing effective regulation in conflict-afflicted countries
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Perspectives on regulation

- ☐ regulatory structure should be appropriate to the risks
 - ☐ design a regulatory framework in consultation with private sector
 - ☐ information from the private sector
 - ☐ take account of local circumstances
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Elements to be considered

- ☐ Licensing or registration requirements
 - ☐ Due diligence on owners and managers
 - ☐ Implementation of AML/CFT requirements
 - customer identification
 - record keeping
 - suspicious transaction reporting
 - ☐ Compliance monitoring and sanctions
 - ☐ Consumer protection
 - ☐ Awareness raising and training
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Issues to be Resolved

- ☐ Supervisors are not flexible in dealing with informal funds transfer providers
 - ☐ Supervisors do not understand the nature of the business
 - ☐ Supervisors are not analyzing the flow of funds
 - ☐ Regardless of level of regulation, all countries acknowledge that unregulated business continues
 - Fully unlicensed businesses
 - Businesses licensed for forex also conducting funds transfers
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Issues to be Resolved II

- Because it is demand driven market, regulatory solutions will have to be flexible and take into account these factors
 - Flexible in terms of settlements depending on destination country
 - Outreach and education will be key component of successful regulatory regimes
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Further Work: FATF Follow Up

- Following up with FATF on:
 - FATF Special Recommendation VI
 - FATF Typologies Paper on ARS
 - Settlement systems used in ARS: risk based assessment
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Lessons Learned

☐ Countries

- Cash based economies present particular challenges
- Countries that have outlawed informal funds transfers have created impediments to the flow of information between regulatory agencies internationally

☐ Systems

- Registration – voluntary, by law
 - “Registration plus”
 - Licensing
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IMF's work

☐ Research Projects

- 2002 Informal fund Transfer Systems: An Analysis of the Informal Hawala System
- 2005 Approaches to a Regulatory Framework for Formal and Informal Remittance Systems: Experience and Lessons

☐ Main conclusions: informal transfer systems

- fill a critical gap
 - could have macroeconomic consequences
 - susceptible to use by criminals for money laundering and terrorist financing, as is the regulated banking sector.
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IMF's Technical Assistance Work

☐ Role of Fund in Technical Assistance

- Legal drafting
 - advising authorities, where needed, on how to implement, upgrade and enhance regulatory and supervisory frameworks regarding ARS, and
 - Advising authorities on the international standards
 - To enhance our understanding in this area, we will be conducting further research on ARS, particularly in receiving countries.
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Thank You

□ Questions?

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