PRELIMINARY DIAGNOSTIC

# REVIEW OF REMITTANCE POLICY, LEGAL AND REGULATORY FRAMEWORK

## BANGLADESH

September 2021

## ABOUT THIS REPORT

The United Nations Capital Development Fund makes public and private finance work for the poor in the world's 46 least developed countries. With its capital mandate and instruments, UNCDF offers last-mile finance models that unlock public and private resources, especially at the domestic level, to reduce poverty and support local economic development. UNCDF's digital agenda for migration and remittances falls within the organization's broader corporate strategy, set forth in 2019, of Leaving No One Behind in the Digital Era.

Remittances can act as a catalyst for sustainable development at both the individual, household, community and national levels as a source of greater disposable income for migrant families that can lead to increased consumption and investment. The size and scale of global remittances creates the possibility of harnessing these flows through digital channels towards productive investment, in health, education and local businesses, thus contributing to the long-term development of countries around the world. An effective policy and regulatory framework that balances innovation and risk will be critical to this transition from cash to digital.

This preliminary diagnostic report was prepared by UNCDF through a desk research review conducted from June to September 2021 of relevant policies, laws and regulations. The authors of this report have prepared an initial country-level mapping of possible enablers, inhibitors and policy options. UNCDF recognize that this report's findings require further engagement with ecosystem actors and the regulatory and policymaking bodies to further refine the initial findings and determine what options can be taken up.

## ACKNOWLEDGEMENTS

On behalf especially of the migrant women and men customers originating and receiving remittances, and their wider communities in least developed countries, the UNCDF Migrant Money programme team would like to thank the many partners and collaborators who are contributing to our efforts. This appreciation is extended to many stakeholders, including programme staff, implementation partners, knowledge leaders, expert influencers, wider global advocates and advocacy organizations, United Nations colleagues, collaborators in the wider fields of international and development finance and in the financial and remittance industries, research participants, regulatory and policymaking leaders, and many other individual or organizational stakeholders. This programme has been made possible by the generous funding support by the Swiss Agency for Development and Cooperation (SDC) and by the Swedish International Development Cooperation Agency (Sida).

The drafting of this policy diagnostic report was led by Eliamringi Mandari, senior policy specialist. Contributions to the review were made by Premasis Mukherjee, Paloma Monroy, Uloma Ogba, Sarah Lober and Albert Mkenda. Invaluable inputs have also been made by numerous team members across the programme, in the functions of systems and research, implementation, and capacity building.

Remittances are non-reciprocal transfers of money from an individual or household in one place to another individual or household in another place.[1] The Committee on Payments and Market Infrastructures (CPMI) defines international remittance transfer as a cross-border person-to-person payment of relatively low value. In practice, transfers are typically recurrent payments by migrant workers (e.g. who send money to their families in their home country every month).[2]

According to the United Nations Department of Economic and Social Affairs (UN DESA) *International Migration Report 2017*, there were 7.5 million migrants representing more than 5 percent of the total population in Bangladesh.[3]

In 2017, Bangladesh ranked fifth among 20 countries of origin for the number of international migrants.[4] Approximately 650,000 migrants from Bangladesh, of which about 33 percent of the total are female, travel to approximately 160 countries yearly.[5] Saudi Arabia, Malaysia, Qatar, Oman and Singapore receive more than 85 percent of the migrants.[6]

KSA and UAE features as the top remittance sending countries to Bangladesh, followed by USA, Kuwait, UK, Oman and Malaysia. In 2019, Bangladeshi migrants abroad send back approximately US$18 billion, accounting for 6.07 percent of the country's gross domestic product (GDP).[7] At the household level, remittances represent a vital source of income for many individual recipients. The size and scale of remittances also creates the possibility of harnessing these flows for productive investment, thus contributing to the long-term development of Bangladesh.

Inward foreign remittance is the second-highest source of foreign exchange earnings in Bangladesh.[8] Historically, Bangladesh assumed the trade deficit, which was counterbalanced by foreign remittances to safeguard the current account balance from being weakened. This helped contain external shock through building up foreign exchange reserves and stabilizing the exchange rate.[9]

The average cost of sending a US$200 remittance to Bangladesh is around 4.57 percent.[10] The informal market remains popular (40 percent of remittances are sent through informal channels)[11],

---

1 Christine Hougaard, 'The landscape of remittances in Zambia' (FinMark Trust Zambia, 2008). Available at https://www.findevgateway.org/sites/default/files/publications/files/mfg-en-paper-the-landscape-of-remittances-in-zambia-oct-2008_0.pdf (accessed 9 August 2021).

2 Committee on Payment and Settlement Systems, The World Bank, 'General principles for international remittance services' (Bank for International Settlements and The World Bank, Basel, 2007). Available at https://www.bis.org/cpmi/publ/d76.pdf (accessed 4 August 2021).

3 United Nations, Department of Economic and Social Affairs, Population Division, *International Migration Report 2017: Highlights* (New York, 2017). Available at https://www.un.org/en/development/desa/population/migration/publications/migrationreport/index.asp (accessed 2 August 2021).

4 Ibid.

5 United Nations, Department of Economic and Social Affairs (UN DESA), Population Division, 'International migrant stock 2019: country profiles'. Available at https://www.un.org/en/development/desa/population/migration/data/estimates2/countryprofiles.asp (accessed 2 August 2021).

6 Bureau of Manpower, Employment and Training (BMET) of the Government of the People's Republic of Bangladesh, Statistical reports. Available at http://www.old.bmet.gov.bd/BMET/stattisticalDataAction (accessed 2 August 2021).

7 Here the estimate is of 2019, as per World Bank Remittances database (https://www.worldbank.org/en/topic/migrationremittancesdiasporaissues/brief/migration-remittances-data). In 2020, Bangladesh witnessed a major acceleration of inbound remittance; according to Bangladesh Bank, US$21.74 billion was received as inbound remittance in Bangladesh.

8 Bangladesh Bank statistics. Available at https://www.bb.org.bd/pub/annual/anreport/ar1819/app03.pdf (accessed 10 August 2021).

9 Bangladesh Bank, *Financial Stability Report 2019*, issue 10. Available at https://www.bb.org.bd//pub/annual/fsr/final_stability_report2019.pdf (accessed 2 August 2021).

10 The World Bank, 'Average transaction cost of sending remittances to a specific country (%) – Bangladesh'. Available at https://data.worldbank.org/indicator/SI.RMT.COST.IB.ZS?locations=BD (accessed 2 August 2021).

11 International Organization for Migration (IOM), *Study on Remittance Regulatory Frameworks and Accessibility of Regular Remittance Channels of the Colombo Process Member States* (Colombo, 2019). Available at https://publications.iom.int/books/study-remittance-regulatory-frameworks-and-accessibility-regular-remittance-channels-colombo (accessed 2 August 2021).

although the importance and predominance of formal remittance has increased post COVID-19. Despite digital finance and digital economy being a key focus of the government of Bangladesh, 96 percent of the remittance to Bangladesh is still sent and withdrawn in cash.[12] Driving the adoption of digital remittances will require a mix of interventions on the removal of barriers in policies and regulations, the upgrading and opening of payments infrastructure, innovation in products and services, and, most importantly, financial, and digital skills and empowerment of customers.

## POLITICAL ECONOMY

Remittances represent a significant share for some countries' GDP. The economic impact of remittances on the receiving countries depends on how this money is spent by the recipient households. If these flows increase consumption in sectors that have strong sectoral linkages with other economic sectors, the positive effect of remittances may propagate to these sectors and have an amplified aggregate effect on the entire economy.

Bangladesh has a history of emigration, with migrants who support their families playing a pivotal role in society. About 22 percent of the population above 15 years of age has received domestic remittances in 2017.[13]

Bangladesh has two bilateral labour agreements, with Qatar and Kuwait and has signed memorandums of understanding with Cambodia, Bahrain, Brunei, China, Hong Kong, Iraq, Jordan, Libya, Maldives, Malaysia, Oman, Saudi Arabia, Seychelles, Singapore, Korea and the United Arab Emirates. A memorandum of cooperation was also signed with Japan in 2018.[14] The Ministry of Expatriates' Welfare and Overseas Employment has opened 29 labour welfare wings in diplomatic missions in the 26 main countries of destination to further relations with these countries regarding migrant welfare and processing.

Bangladesh is an active member of the Global Forum on Migration and Development (GFMD) and a member of the International Organization for Migration (IOM) Council. Bangladesh endorsed the Global Compact for Safe, Orderly and Regular Migration (GCM) in 2018 – a non-legally binding cooperative framework that builds on the commitments agreed upon by Member States of the United Nations in the New York Declaration for Refugees and Migrants. Bangladesh is a signatory to 35 International Labour Organization (ILO) conventions related to migration.[15]

The 2 percent cash incentive on inward remittances that is offered by the Government of Bangladesh since 2019 for usage of formal remittance channels, coupled with depreciation of the Bangladeshi taka has supported considerable growth in remittances; these factors may have encouraged wage earners to send money through the formal channel rather than an

[12] Ibid.

[13] Asli Demirgüç-Kunt, Leora Klapper, Dorothe Singer, *et al*. The Global Findex Database 2017: Measuring Financial Inclusion and the Fintech Revolution (World Bank, Washington, DC, International Bank for Reconstruction and Development/The World Bank, 2018). Available at http://hdl.handle.net/10986/29510 (accessed 11 August 2021).

[14] International Organization for Migration (IOM), *Migration Governance Indicators: The People's Republic of Bangladesh, Profile 2019* (Geneva, 2019). Available at https://publications.iom.int/books/migration-governance-indicators-profile-2019-peoples-republic-bangladesh (accessed 2 August 2021).

[15] Ibid.

unofficial or illegitimate channel. For instance, remittances through formal channels increased by 36% from USD 18.2 billion in financial year 2019/2020 to USD 24.7 billion in 2020/2021[16]

Looking forward, a sudden shift in oil politics among oil-producing countries and the coronavirus pandemic create some uncertainty about the inflow of remittances. On the positive side, the potential to recruit more workers from Bangladesh in the United Arab Emirates emerges as the United Arab Emirates Government considers opening the labour market in all sectors to Bangladesh.

## REMITTANCES LANDSCAPE

Banks: The banking sector of Bangladesh was composed of 6 state-owned commercial banks (SCBs), 3 specialized development banks (SDBs), 41 domestic private commercial banks (PCBs; including Islamic banks) and 9 foreign commercial banks (FCBs) as of December 2019.[17] These banks had a total of 10,578 branches, of which 48.51 percent (5,131) of branches were in rural areas and the rest (5,447 branches, or 51.49 percent) were in urban areas.[18] The World Bank has estimated that there are 9.39 commercial bank branches per 100,000 adults.[19] According to the Findex 2017 report, 41 percent of adults from Bangladesh had an account at a formal financial institution, and fewer than 10 percent had saved money at a financial institution.[20]

Microfinance institutions (MFIs): There were 805 registered MFIs as of June 2018, with 18,196 branches across the country.[21] In the financial year 2019, the sector provided various types of financial services to 32.4 million individuals and micro-enterprises.[22] None of the MFIs are integrated into the national switch, and MFIs are not permitted to engage alone in the international remittance business.

Mobile network operators (MNOs): The main MNOs are the Grameen Phone (46 percent), Robi Axiata (30 percent) and Banglalink (21 percent).[23] In 2011, Bangladesh Bank introduced mobile financial services (MFS) in Bangladesh as a bank-led model.[24] Any adult can open an MFS account with any provider at an agent point or bank branch with a photo and legal ID. One person is not permitted to have more than one MFS account with the same provider.

Remittance service providers (RSPs): Inbound remittances can be processed directly only by banks in Bangladesh that have corresponding exchange houses. Money transfer operators (e.g. Xpress Money, Western Union, Transfast) operate in Bangladesh only in partnership with

---

16 Bangladesh Bank, Monthly data of Wage earner's remittance. Available at https://www.bb.org.bd/econdata/wageremitance.php (accessed 15 September 2021)
17 Bangladesh Bank, *Annual Report 2019–2020*, chapter 5, 'Banking Sector Performance, Regulation and Bank Supervision' (Dhaka, 2020). Available at https://www.bb.org.bd/pub/annual/anreport/ar1920/chap5.pdf (accessed 2 August 2021).
18 Ibid.
19 The World Bank, 'Commercial bank branches (per 100,000 adults) – Bangladesh'. Available at https://data.worldbank.org/indicator/FB.CBK.BRCH.P5?locations=BD (accessed 2 August 2021).
20 Ibid.
21 Microcredit Regulatory Authority, NGO-MFIs in Bangladesh (Dhaka, June 2018). Available at https://www.mra.gov.bd/images/mra_files/Publications/volume2018.pdf (accessed 2 August 2021).
22 Ibid.
23 BTRC, 'Mobile phone subscribers in Bangladesh December, 2020'. Available at http://www.btrc.gov.bd/content/mobile-phone-subscribers-bangladesh-december-2020 (accessed 2 August 2021).
24 Bangladesh Bank, *Financial Stability Report 2019*, issue 10. Available at https://www.bb.org.bd//pub/annual/fsr/final_stability_report2019.pdf (accessed 2 August 2021).

these banks.

**Payment services providers (PSPs):** There are 111,664 cash pickup locations for inbound remittances in Bangladesh, of which Xpress Money, Western Union and Transfast have a cumulative market share of 34.2 percent.[25] The other cash pickup locations are managed by banks.

**Agents:** There are 14,016 agent banking outlets and 1.06 million MFS agent outlets.[26] Of merchants, 14 percent accept mobile money regularly.[27] The top five banks in agent banking are Bank Asia, Dutch-Bangla Bank, Islami Bank Bangladesh, The City Bank and NRB Commercial Bank.[28]

**Automated teller machines (ATMs):** In January 2020, there were 10,961 ATMs,[29] or 8.86 ATMs per 100,000 adults,[30] across the country. Fifty-one banks are interoperable for ATM transactions through National Payment Switch Bangladesh (NPSB).[31] – a cardholder of any of the 51 NPSB member banks can use the ATMs of all other banks throughout the country.

**Point-of-sale (POS) devices and cards:** As of January 2020, there were 18,611,681 debit bank cards and 1,556,448 credit cards in circulation, and there were 60,474 POS terminals, which is about 36.72 POS machines per 100,000 adults.[32] Forty-eight banks are interoperable for POS transactions through NPSB.[33] Cardholders from those banks can use the POS devices of all NPSB member banks in different merchant outlets for their retail purchases.

**Internet Banking Fund Transfer (IBFT):** NPSB processes the IBFT transactions of six banks. An account holder/cardholder of an IBFT member bank can transfer funds to other banks through Internet banking.[34]

## INFRASTRUCTURE

**Payment systems:** The country's payment system is comprised of: the Bangladesh Automated Cheque Processing Systems (BACPS), as the only state-of-the art cheque clearing facility; the

[25] International Organization for Migration (IOM), *Migration, Family Remittances, Assets and Skills Categories in Bangladesh* (Geneva, 2020). Available at https://publications.iom.int/books/migration-family-remittances-assets-and-skills-categories-bangladesh (accessed 2 August 2021).
[26] Bangladesh Bank, *Annual Report 2019-2020* (Dhaka 2020). Available at https://www.bb.org.bd/pub/annual/anreport/ar1920/full_2019_2020.pdf (accessed 9 August 2021).
[27] International Finance Corporation, *Digitizing Merchant Payments in Bangladesh: Building the Business Case for Small Retailers* (Washington, DC, 2019). Available at https://www.ifc.org/wps/wcm/connect/industry_ext_content/ifc_external_corporate_site/financial+institutions/resources/digitizing+merchant+payments+in+bangladesh (accessed 2 August 2021).
[28] Bangladesh Bank, *Quarterly Report on Agent Banking: July-September 2020* (Dhaka, 2020). Available at https://www.bb.org.bd/pub/quaterly/agent_banking/jul-sep2020.pdf (accessed 11 August 2021).
[29] Bangladesh Bank, 'National Payment Switch Bangladesh (NPSB)'. Available at https://www.bb.org.bd/fnansys/paymentsys/natpayswitch.php (accessed 2 August 2021).
[30] The World Bank, 'Automated teller machines (ATMs) (per 100,000 adults) – Bangladesh'. Available at https://data.worldbank.org/indicator/FB.ATM.TOTL.P5?locations=BD) (accessed 2 August 2021).
[31] Bangladesh Bank, *Annual Report 2019-2020* (Dhaka, 2020). Available at https://www.bb.org.bd/pub/annual/anreport/ar1920/chap12.pdf (accessed 7 August 2021).
[32] Ibid.
[33] Ibid.
[34] Bangladesh Bank, 'National Payment Switch Bangladesh (NPSB)'. Available at https://www.bb.org.bd/fnansys/paymentsys/natpayswitch.php (accessed 2 August 2021).

Bangladesh Electronic Funds Transfer Network (BEFTN), as the country's first paperless electronic inter-bank funds-transfer system; the NPSB, meant for establishing interoperability among participating banks for their account- and card-based transactions; and the Real Time Gross Settlement System (RTGS), which facilitates real-time settlement of high value time-critical payments.[35]

ID: The National Identity Card (NID) is a compulsory identity document issued to every Bangladeshi citizen at 18 years of age. The card is a government-issued photo ID, which is a biometric microchip-embedded smart identity card. The NID is required by Bangladeshi citizens for multiple essential public services in Bangladesh, such as obtaining utility connections, as well as for private services such as opening bank accounts.[36] It is also used as a voting card.

## PRODUCTS

Predominantly, inbound remittances are processed by the banks that have corresponding banking relationships with exchange houses. Of the total remittance to Bangladesh, 96 percent is still sent and withdrawn in cash, with only a limited proportion processed through digital channels.[37] Although bKash has started delivering inbound remittances in partnership with RippleNet and banks, other MFS providers are still not strategically present in the processing of remittances.

Only 34–41 percent of the recipients of remittances in Bangladesh have savings products.[38] Fewer than 10 percent have a loan beyond the one taken prior to migration.[39] Ownership of insurance is less than 10 percent.[40]

While, for a long time, remittances have been disbursed in cash only, partnerships are being rolled out between mobile money operators (MMOs) and RSPs to terminate remittances in digital wallets. What is still missing is the implementation of remittance-linked financial services such as loans, savings and insurance.

While evolving digital remittance models are gradually being rolled out, significant efforts are still required to expand the adoption of digital channels in order to reduce the costs of receiving remittances and increase the use cases and the digital and financial skills of beneficiaries.

[35] Bangladesh Bank, 'Payment and settlement systems'. Available at https://www.bb.org.bd/fnansys/paymentsys/paysystems.php (accessed 2 August 2021).

[36] Bangladesh Election Commission, National Identity Registration Wing, 'Validity of NID and re-registration'. Available at http://www.nidw.gov.bd/ValidityNIDReRegistration.php (accessed 2 August 2021).

[37] International Organization for Migration (IOM), *Study on Remittance Regulatory Frameworks and Accessibility of Regular Remittance Channels of the Colombo Process Member States* (Colombo, 2019). Available at https://publications.iom.int/books/study-remittance-regulatory-frameworks-and-accessibility-regular-remittance-channels-colombo (accessed 2 August 2021).

[38] International Organization for Migration (IOM), *Migration, Family Remittances, Assets and Skills Categories in Bangladesh* (Geneva, 2020). Available at https://publications.iom.int/books/migration-family-remittances-assets-and-skills-categories-bangladesh (accessed 2 August 2021).

[39] Ibid.

[40] Ibid.

# ROADMAP FOR REFORM

| 1. LEGAL AND REGULATORY FRAMEWORK | | |
|---|---|---|
| **Enablers** | **Inhibitors** | **Recommendations for Reform** |
| ● Regulation of licensing and supervision of PSPs. Also, mandate the Bangladesh Bank to authorize certain cross-border payment system activities when these operations affect payment systems in Bangladesh. | ✖ Although there are foreign exchange transaction guidelines on inward remittances, no regulatory framework is provided for licensing and supervising RSPs. The current bank-dependent remittance service arrangement, where RSPs must partner with banks, may stifle innovation as banks typically focus on providing traditional services and, in most cases, do not consider demand-side perspectives on product development especially those related to remittances. | ● An enabling and supportive regulatory environment for remittances is essential to ensure a level playing field, to promote competition, to protect society through applying an appropriate risk-based approach to meet global and local AML/CFT and KYC standards, and to protect consumers from any actions that might cause them harm. Consider having in place a regulatory framework that allows non-bank RSPs to directly involve in remittances. |
| ● Telecommunication law that provides for the establishment of an independent commission to develop and efficiently regulate the telecommunication system and services and ancillary matters. | ✖ MNOs are not allowed to directly offer mobile money services. They need to partner with banks to provide mobile money services. Some of limitation with the bank-led model is limited understanding of the mobile money and the typical customer's needs, while on the other hand, mobile operators are often refreshingly keen to deploy new services and products as quickly as possible and embrace innovations. | ● There is a need for the telecommunications authority to collaborate with the central bank for a joint forward-looking regulation governing MFSPs and encouraging telecommunications providers to lead the provision of MFS. This has been the case for the East Africa success stories where nonbank-led model has proven transformational outreach to the under-banked and un-banked population. |

| | | |
|---|---|---|
| ● Guidelines that provide a regulatory framework for agent banking and create an enabling environment for offering safe financial services to the new target group and ensuring compliance with AML/CFT rules, regulations, guidelines and instructions issued by Bangladesh Bank. | ✖ Cross-border inward remittances to Nepal account for approximately 25 percent of GDP. Most remittances are received incash by beneficiaries, who are financially excluded. The use of informal channels for sending remittances to Nepal is alsoreported to be widespread. | ● Enhance financial inclusion efforts. Channelling remittances through the formal financial sector will reduce the use of informal channels, strengthen AML/CFT guidelines, improve the balance of payments position of the economy, and in turn enable the remittance proceeds to be gainfully available for use in other financial services. |

AML/CFT, anti-money laundering/combating the financing of terrorism; KYC, know your customer; MFI, microfinance institution; MFS, mobile financial services; MFSP, mobile financial services provider; MNO, mobile network operator; PSP, payment service provider; RSP, remittance service provider.

| 2. INFRASTRUCTURE | | |
|---|---|---|
| **Enablers** | **Inhibitors** | **Recommendations for Reform** |
| ● A national payment switch for establishing interoperability among participating banks for their account- and card-based transactions. | ✖ Currently, the switch caters for interbank ATMs, POS and IBFT transactions only. There is no interoperability between banks and MFS and across MFS. Putting end-user at the front, in an increasingly competitive and fragmented market, mobile money platforms are less likely to succeed so long as they operate as islands unto themselves. | ● Enhance the existing payment infrastructure to cater for both, retail and mobile financial services that will eventually enable full interoperability across MFS. |
| ● A microfinance sector comprised of more than 805+ MFIs with a wider geographical network. | ✖ MFIs are not linked to the national payment switch. | ● Provide the needed support for the MFIs to connect to the national payment switch. |
| ● A national ID system which is a biometric microchip-embedded smart ID card. | ✖ Limited use of the ID system for e-KYC and other electronic means for effective identification and onboarding of customers/user segments, facilitation of authentication and verification of cross-border transactions, facilitation of effective AML/CFT supervision of cross-border transactions, and to support the digital footprint of the underbanked to enable access to a broader range of financial services. | ● Central bank to consider taking a lead on an initiative that will enable financial services providers to have access or interface to the ID database system for validation checks. This could enable maximum utilization of the ID system for e-KYC and other related electronic ID matters. |

AML/CFT, anti-money laundering/combating the financing of terrorism; ATM, automated teller machine; e-KYC, electronic know your customer; IBFT, Internet Banking Fund Transfer; ID, identification; MFI, microfinance institution; MFS, mobile financial services; POS, point of sales.

| 3. MARKET ASPECTS | | |
|---|---|---|
| **Enablers** | **Inhibitors** | **Recommendations for Reform** |
| ● RSPs can operate as agents of corresponding banks and the central bank enlists the RSPs of the host countries that have corresponding banking relationships with banks regulated by the Bangladesh Bank. | ✖ Operating through banks limits the supportive means that facilitate the development of value-added products/services such as payments, savings, investment, credit and insurance to utilize the full potential of cross-border flows. | ● Allow and sensitize RSPs and financial technology companies to develop a digital ecosystem for cross-border remittances, and to facilitate the design of value-added products/services such as payments, savings, investment, credit and insurance to utilize the full potential of cross-border flows. |
| ● A bank-led mobile financial services (MFS) model where a bank may run the MFS as a product of the bank, or a bank may form an MFS providing a subsidiary with at least 51% of the share held by the bank with control of the board. | ✖ Banks provide the service and take the compliance responsibility, MNOs provide mobile connectivity, and customers and agents use their own handsets. These additional layers may stifle innovation, add costs to the services, as well as limit competition. | ● Consider allowing non-bank MFSPs to be licensed for the provision of services; this may foster competition and innovation in the market.<br>● Consider creating a sandbox where innovators can test their products through open application programming interface within the banking and payment ecosystem. |
| ● Microfinance law that aims at establishing an authority and formulating rules on related matters for efficient regulation of micro-credit programmes, ensuring transparency and accountability in the activities of micro-credit organizations operating in Bangladesh. | ✖ Inward remittances have to be processed by banks only. MFIs cannot directly participate unless they are agents of banks or are sub-agents of the RSPs that are agents of banks. | ● There is a need for financial service providers to partner with MFIs and leverage their existing distribution networks, while also taking advantage of the existing payment infrastructure to extend networks into and across rural areas for enhanced distribution channels for inward remittances. |

MFS, mobile financial services; MFSP, mobile financial services provider; MNO, mobile network operator; RSP, remittance service provider.

| 4. CONSUMER PROTECTION | | |
|---|---|---|
| **Enablers** | **Inhibitors** | **Recommendations for Reform** |
| ● Law that makes provisions to protect the rights of the consumers and prevent anti-consumer rights practices, and for connected matters. | ✖ The law provides general provisions for protecting the rights of the consumers. It defines consumers as including those who enjoy goods and services (transport, telecommunications, water supply, drainage, fuel, gas, electricity, construction, residential hotel and restaurant and health services). Thus, it excludes financial services. | ● There is a need to consider a specific article of legislation, directive or guideline on consumer protection and a complaints resolution mechanism for financial services that include cross-border remittances. |
| ● AML/CFT law that provides the powers and responsibilities of Bangladesh Bank in restraining and preventing the offence of money laundering. The responsibility to be implemented through and by establishment of a separate unit called the Bangladesh Financial Intelligence Unit. | ✖ The AML/CFT legislation in place is not clear on a risk-based approach. The application of risk-based KYC requirements, consistent with Financial Action Task Force (FATF) recommendations, is vital to the smooth running and control of international remittance transactions. | ● There is a need for proper guidance on simplified KYC/CDD law based on current technological developments related to cross-border remittances and to consider the use of technology to facilitate e-KYC and effective supervision and oversight. |

AML/CFT, anti-money laundering/combating the financing of terrorism; KYC, know your customer; FATF, Financial Action Task Force; CDD, customer due diligence.

| 5. COOPERATION AND COLLABORATION | | |
|---|---|---|
| **Enablers** | **Inhibitors** | **Recommendations for Reform** |
| ● Membership of the South Asian Association for Regional Cooperation (SAARC), which is the regional intergovernmental organization and geopolitical union of states in South Asia. | ✖ Limited cooperation and sharing of information on AML/CFT measures, especially those related to cross-border remittance flows among member countries in the region. | ● Need to enhance cross-border regulatory cooperation to strengthen AML/CFT measures through data sharing and enforcement. This can be done by assessing the existing remittance arrangements and challenges, creating the building blocks of a response to improve the current regional cross-border remittance arrangements, and drawing up a roadmap of practical steps (with timeframes) needed to achieve harmonization through a coordinated effort from each of the regional central banks. An intended outcome is increased efficiency, affordability and security of intra-regional and cross-border fund transfers. |
| ● Reliable data on remittances is key both for the purpose of enhancing the accuracy and completeness of balance of payment data, effectively managing issues related to AML/CFT compliance, understanding the impact of remittances, and for forming more effective policy for managing remittances. Bangladesh Bank collects, analyses and shares data related to foreign exchange inflows. | ✖ Lack of quality data on remittances. | ● The central bank may consider having an international transactions reporting system that collects transaction-level data for analysis and sharing. |

AML/CFT, anti-money laundering/combating the financing of terrorism.