

UNCDF Webinar Series

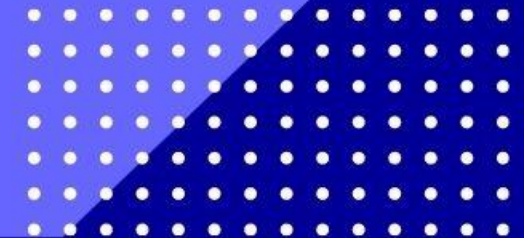
**Migrant Money: Better remittances data
for better decisions**

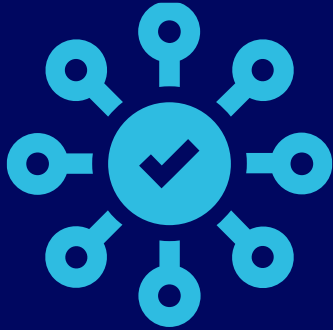


**Unlocking
Public and Private
Finance for
the Poor**

**Lessons learned on building an
International Transaction Reporting
System (ITRS) to collect remittance data:
experiences across central banks**

7 June 2022 8 AM EST





Agenda

What we're
going to cover
in this webinar

8:00 Welcome, logistics, and introductions

8:05 Opening remarks

8:10 Presentation | Lessons learned on building an ITRS

8:20 Panel

8:50 Questions and answers

9:00 Closing

Logistics

①

Interpretation

②

Chat

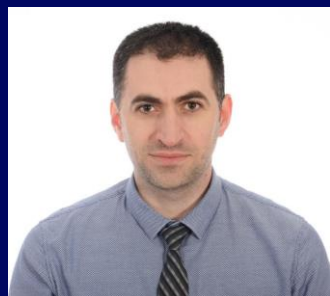
③

Presentation and
recording

Speakers



Amil Aneja
Lead Specialist
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Ibish Kastrati
Balance of
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República



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Unlocking Public and Private
Finance for the Poor

Better remittances data for better decisions

Lessons learned on building an ITRS to collect remittances: experiences across central banks

Remittances Data Collection System

Main sources of information when collecting and measuring cross-border remittances

ITRS, MTOs, RSPs

SURVEYS

ESTIMATION MODELS

ADVANTAGES

- Legal Basis
- Timeliness and periodicity
- Cost-effectiveness
- Data accuracy and accessibility
- Direct communication with reporters (commercial banks and MTOs)

- Enables estimations for informal channels
- Additional information – gender, location
- Data processing
- Availability of useful circumstantial data – what purposes they are used

- Universal coverage – formal and informal
- Low costs through use of existing data
- Flexible data specifications – fill gaps in data sources to provide global totals

DISADVANTAGES

- Omissions – informal channels
- Misclassification
- Reporting thresholds
- Settlements of net amounts (only the net amounts, not the gross flows are reported)

- Cost
- Sampling error – short-term workers
- Data considered sensitive by respondents
- Data compatibility
- Timeliness and periodicity – Annual data

- Source data remains critical
- Difficult to verify assumptions – fixed over long periods
- Results are often not verifiable

Lessons Learned from Central Banks

- Central banks and compilers have an active role to play in designing tools to understand remittances markets and capture and monitor these remittances flows in their countries
- There is a diverse range of experiences and knowledge relating to capturing remittances flows that hold lessons for peers globally
- The purpose of the paper is sharing those experiences and learnings to assist central banks in LDCs in the development of tools and systems to improve the data collection of remittances flows. The paper follows on the 13 central banks consultation undertaken in 2021



Central Banks Consultation: What, Why, Where, and Who?

What:

Key informant interviews (KII): Qualitative in-depth interviews with more than 60 experts in more than 30 central banks to collect information, knowledge, and insights on the nature of problems and give recommendations for solutions

Why:

To better understand the regulator's role, challenges and needs to build and use an ITRS for the collection of data on cross border remittances and the compilation and reporting of Balance of Payments

Africa

Regulator: Central Bank

Ghana, Namibia, Rwanda, South Africa, Liberia, Uganda, Sudan, South Sudan, Ethiopia, Djibouti, Somalia, Tunisia

Europe

Regulator: Central Bank

Iceland, Kosovo, Romania, Russia, Spain, Moldova, Albania, Armenia, North Macedonia, Bosnia and Herzegovina, Belarus, Montenegro, Turkey

America

Regulator: Central Bank

Brazil, Colombia, Dominican Republic, El Salvador, Honduras, Mexico, Trinidad and Tobago, Peru (TBD), Paraguay (TBD)

Asia

Regulator: Central Bank

India, Indonesia, Israel, Jordan, Pakistan, the Philippines, Thailand, Lebanon, Singapore, Qatar (TBD), Oman (TBD)

Scoping and KII with technology companies around the world offering end-to-end market solutions to collect and monitor data for Central Banks and regulators: GVG, SWIFT, Clari5, IMX, BearingPoint, Vizor, Sunoida, BRAG, Hummingbird

Central Banks Consultation: Key Findings



Advantages:

- The core data source for compiling statistics on BoP and IIP is the ITRS
- Legal Framework for ITRS reporting: Foreign Exchange Acts
- In most Central Banks that maintain an ITRS, the reporting is mandatory for banks and forex companies
- All CBs consider the 'forex exchange record system' ITRS to be a cost-effective reporting system that provides accurate and timely forex and day-to-day monetary information but not remittances



Challenges:

- A particular challenge has been posed by the relaxation of foreign exchange controls and the growing role of non-banks in international remittances transactions
- One of the biggest concerns is data quality and misclassifications
- Some countries are capturing aggregated and some transaction level data; small values are not captured if there is a threshold
- Need for systems to capture supplemental information and reporters to improve national remittances statistics
- Upfront costs are high
- Heavy reporting burden for banks
- Onboarding of new reporting institutions

Consultation: Technology Companies

Scoping and KII with technology companies around the world offering end-to-end market solutions to collect and monitor data for Central Banks and regulators

SWIFT SCOPE

Solution covers the whole spectrum from data gathering, data transformation, and visualisation

Countries: UAE

Client: Regulators

Use Case: Monitor transactions for regulatory and tax compliance

GLOBAL VOICE GROUP

Solution covers the whole spectrum from data gathering, data transformation, storage and visualisation

Countries: Tanzania, Uganda, Congo, Senegal, Lesotho, Zimbabwe, Gabon, Rwanda

Client: Governments and authorities (telco, revenue, taxes), MTO

Use Case: Monitor transactions for regulatory compliance

BRAG

A solution to improve data quality and regulatory reporting

Countries: England, Ireland, Belgium, Spain, and the Netherlands

Client: Regulators and banks

Use Case: Regulatory reporting for filers, authorities and banks



Central Bank of the Philippines

Ma. Angelica B. Villena is the Deputy Director of the External Sector Statistics Group (ESSG) of the Department of Economic Statistics (DES) of the BSP, the central bank of the Philippines.

She leads the group responsible for the overall compilation and analysis of external sector statistics, including the country's balance of payments (BOP) and international investment position (IIP), among others.

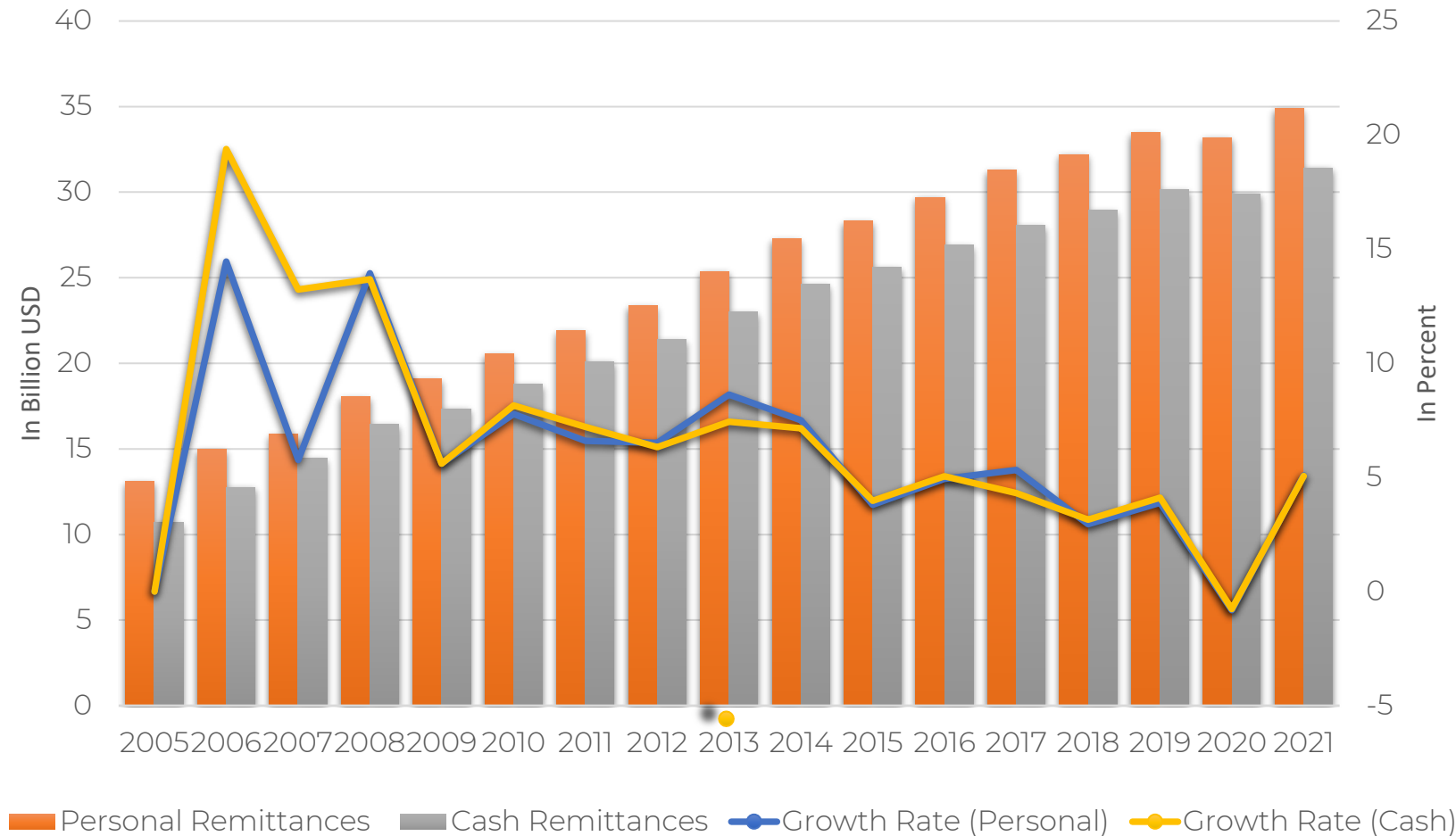
International Transactions Reporting System (ITRS)

Bangko Sentral ng Pilipinas (BSP) experience in compiling data on remittances of overseas Filipinos



Overseas Filipinos' remittances are a major source of foreign exchange inflows

Overseas Filipinos' (OFs) Remittances for the periods indicated



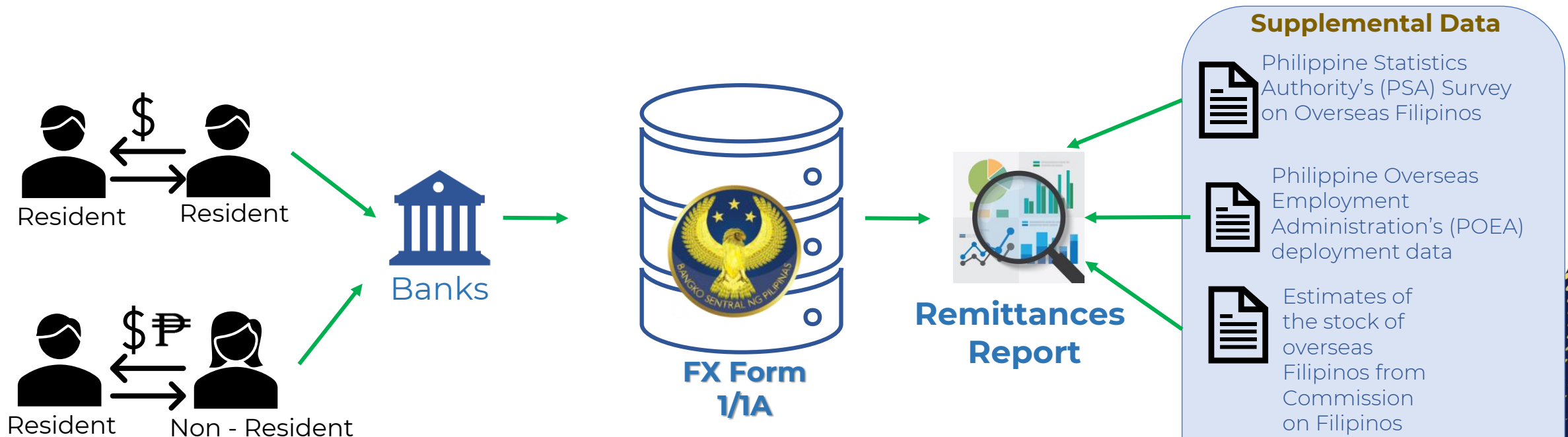
2021 Cash Remittances as % of	
GDP	8
GNI	7.7
GIR	28.9
XGS	35.8
FDI	298.7
DSB	357.6

Source: BSP, BSP staff computations



ITRS (FX Form 1 and 1A) as main source of data on OFs' remittances

ITRS (FX Form 1 and FX Form 1A) is a data collection system recommended by the International Monetary Fund (IMF) at the level of individual transactions

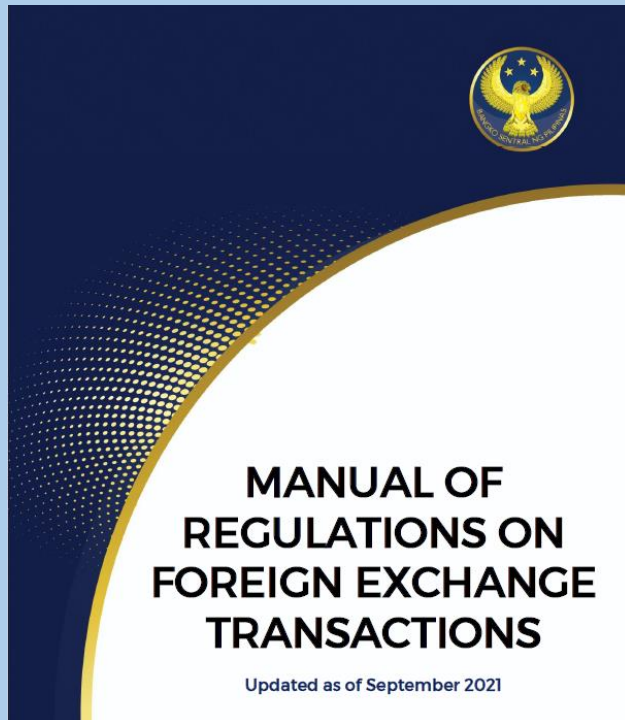


Framework: based on earlier edition of the IMF's Balance of Payments Manual and the Banks' Consolidated Statement of Condition (CSOC)



BSP's regulatory/legal framework

Foreign Exchange (FX) Rules and Regulations



FX transactions covered by the Manual on Foreign Exchange Transactions (MORFXT) shall be duly reported to the BSP

BSP Charter: Sec. 23 of the Republic Act 7653, as amended by R.A. 11211

*"The Bangko Sentral shall have the authority to require from **any person or entity**, including government offices and instrumentalities, or government-owned or -controlled corporations, any data, **for statistical and policy development purposes** in relation to the proper discharge of its functions and responsibilities"*



Enhancing the ITRS and other initiatives

- **Limitations on the use of ITRS (FX Form 1/1A)**

- Cash basis
- Possible misclassifications
- Estimation of compensation income and transfers
- Country attribution due to correspondent banking
- Based on previous editions of the Balance of Payments
- Data disaggregation is limited to by country level

- **Ongoing initiatives**

- New ITRS project
 - Alignment with BPM6
 - More granular data
 - With automatic identification of Distribution Channels for OF Remittances (Bank branches, MTOs, Tie-Ups, Correspondent Banks)
 - Extension of remittance destination information to Provincial Level
- Survey of money transfer operators on the purpose of fund flows



Lessons learned

Legal/regulatory framework is critical

Coordination with banks and other stakeholders should be done at the onset of the project

Review of all other data needs that will aid in the provision of comprehensive BOP statistics is necessary

Cost-benefit analysis and prioritization of statistical objectives

Assessment of data sources





Central Bank of Colombia

María Mercedes Collazos Gaitan is the Lead Economist at the Banco de la República (the Central Bank of Colombia) for about 30 years.

She is currently working as a coordinator of the external sector area, which is responsible for the compilation and dissemination of Colombian external sector statistics.

Banco de la República de Colombia :
Lessons learned from building an
International Transaction Reporting
System (ITRS)

Maria Mercedes Collazos
External Sector-Lead economist
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UNCDF Webinar Series

Better remittances data for better decisions

**Lessons learned from building an International
Transaction Reporting System (ITRS) to collect
remittance data: experiences across central banks**

7 June 2022 | 8 a.m. – 9 a.m. EST

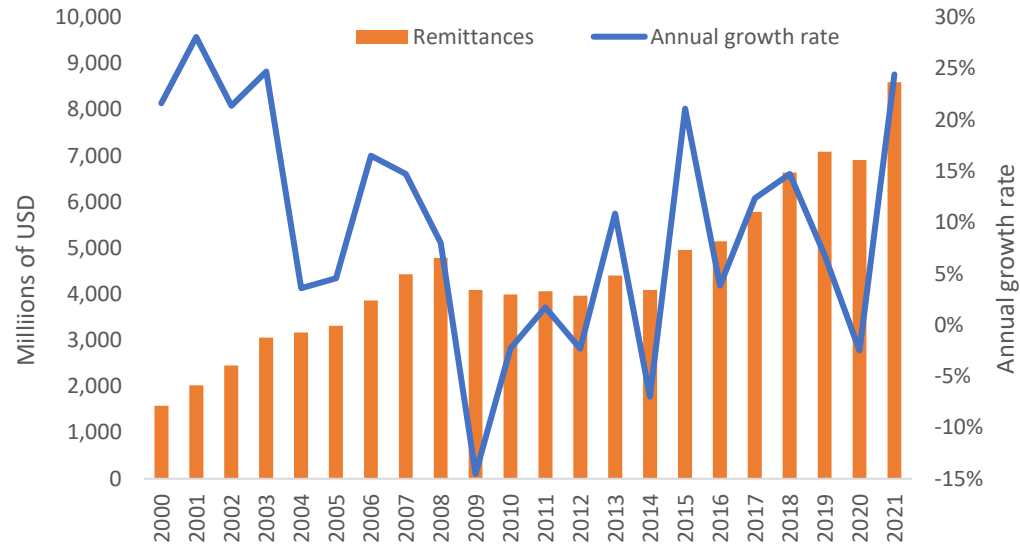
Index



- I. ITRS in Colombia: a brief overview
- II. ITRS as a data source for the compilation of the Colombian external sector statistics
- III. Advantages & disadvantages of ITRS for statistical purposes
- IV. ITRS challenges for compiling cross-border remittances measurement: Colombian lessons



Recent evolution and macroeconomic relevance of remittances in the Colombian economy



	2019	2020	2021	2022-I
Workers remittances-credits (USD millions)	7,087	6,909	8,597	2,046
Remittances as a share of:				
GDP	2.2%	2.5%	2.7%	2.4%
Current account (credits)	10.4%	13.2%	12.6%	9.5%
Households disposable income	2.8%	3.1%	3.4%	n.a
Households consumption	3.2%	3.6%	3.8%	n.a

Estimation. Balance of Payments -Banco de la República and National Account Statistics- DANE



I. ITRS in Colombia: a brief overview

I. ITRS in Colombia: a brief overview



Background: Colombia's existing ITRS was introduced in 1990 when the foreign exchange market was liberalized by the Banco de la República (BR).

Regulatory framework:

Remittances in Colombia are mainly received through the formal foreign exchange market (FFX market)

- The FFX market regulation is issued by the Banco de la República (BR)-central bank.
- Financial Superintendency (Superintendencia Financiera) is responsible for the supervision of the formal FX market
- **Banco de la República** determines:
 - **The scope of the market:** The FFX Market is composed of all the transactions carried out through a Foreign Exchange Intermediary (FEI) and the transactions done abroad in deposit accounts registered at the BR.
 - **Who are the FEI:** Commercial banks, credit unions and financial brokers. Official Postal Office is not an FEI but it is an authorized remittances services provider. **Telcos** are not an FEI.
 - The requirements to be a FEI are mainly related to capital requirements.
- Remittances are one of the most important source of FX supply in the Colombian FX market.

II. ITRS as a data source for the compilation of Colombian external sector statistics



II. ITRS as a data source for compilation of Colombian external sector statistics



Despite their different approach (BOP-accrual value; ITRS-cash flow value), ITRS is a useful data source for the compilation of the Colombian external sector statistics

Colombian ITRS main characteristics:

It is an open system composed only of the transactions done through the FEI. Consistency between flows and positions of the FEI is validated for statistical purposes.

- Central bank's cross-border transactions are included.
- ITRS reports are compulsory for banking supervision as well as for statistical purposes.
- No threshold , gross-value transactions.
- Colombian ITRS covers positions and transactions data in the case of: External debt, direct investment and portfolio transactions in the local market.

Information captured through the ITRS:

- Date (day/month/year), flow direction (inflow, outflow)
- Transactor: Name and ID. In Colombia, there is a unique identifier for individuals and legal entities.
- Foreign Exchange Intermediary (FEI): Name and ID.
- Economic classification of the transaction declared by codes (according to the BOP manual)
- ISIC classification
- Value is expressed both in foreign currency (mainly US dollars) and local currency (Colombian peso);
- Exchange rate.



Declaración de Cambio por Servicios, transferencias y otros conceptos

Formulario No. 5

Circular Reglamentaria Externa DCIN-83 de febrero 24 de 2011

I. TIPO DE OPERACIÓN

1. Número:	
2. Operación de:	

II. IDENTIFICACIÓN DE LA DECLARACIÓN

3. Nit del I.M.C.	4. Fecha AAAA-MM-DD	5. Número

III. IDENTIFICACIÓN DE LA DECLARACIÓN DE CAMBIO ANTERIOR

6. Nit del I.M.C.	7. Fecha AAAA-MM-DD	8. Número

IV. IDENTIFICACIÓN DE LA EMPRESA O PERSONA NATURAL QUE COMPRA O VENDE DIVISAS

9. Tipo	10. Número de identificación	DV	11. Nombre

12. Teléfono	13. Dirección	14. Código ciudad

V. DESCRIPCIÓN DE LA OPERACIÓN

15. Código moneda de giro o reintegro	16. Valor moneda giro o reintegro	17. Tipo de cambio a USD	18. Valor total USD

VI. INFORMACIÓN DE LA(S) OPERACIÓN(ES)

19. Numeral	20. Valor USD	19. Numeral	20. Valor USD

Observaciones:

Para los fines previstos en el artículo 83 de la constitución política de Colombia, declaro bajo la gravedad de juramento que los conceptos, cantidades y demás datos consignados en el presente formulario son correctos y la fiel expresión de la verdad.

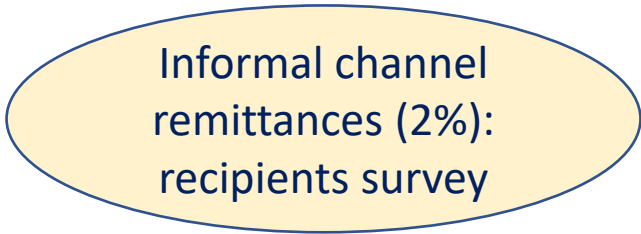
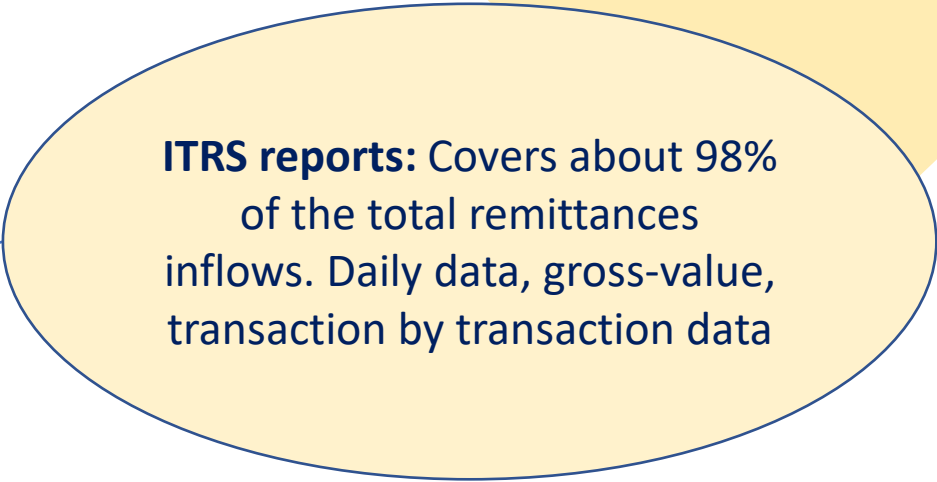
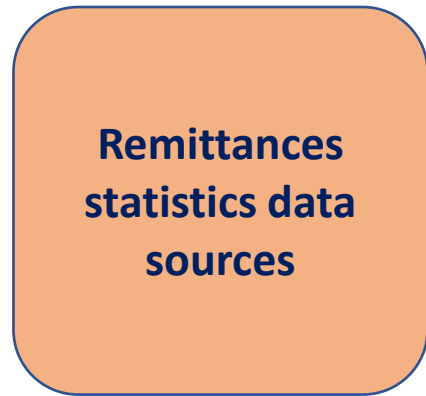
VII. IDENTIFICACIÓN DEL DECLARANTE

21. Nombre	22. Número de identificación	23. Firma

Form to report services and remittances (specific form depending on the type of transaction)

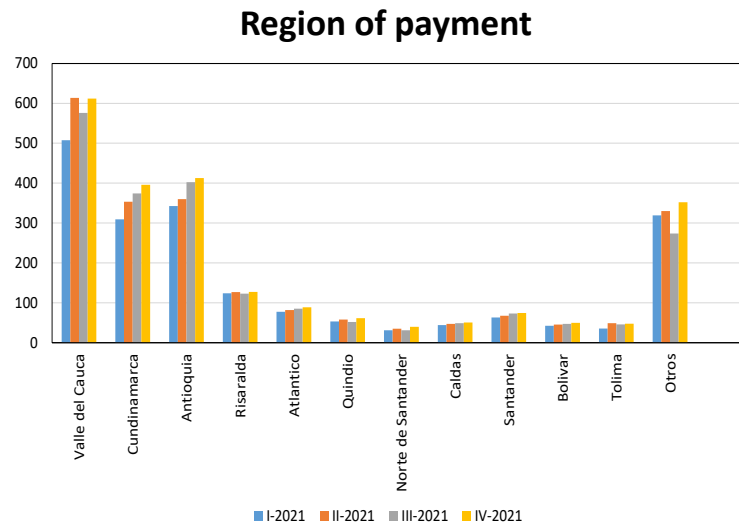
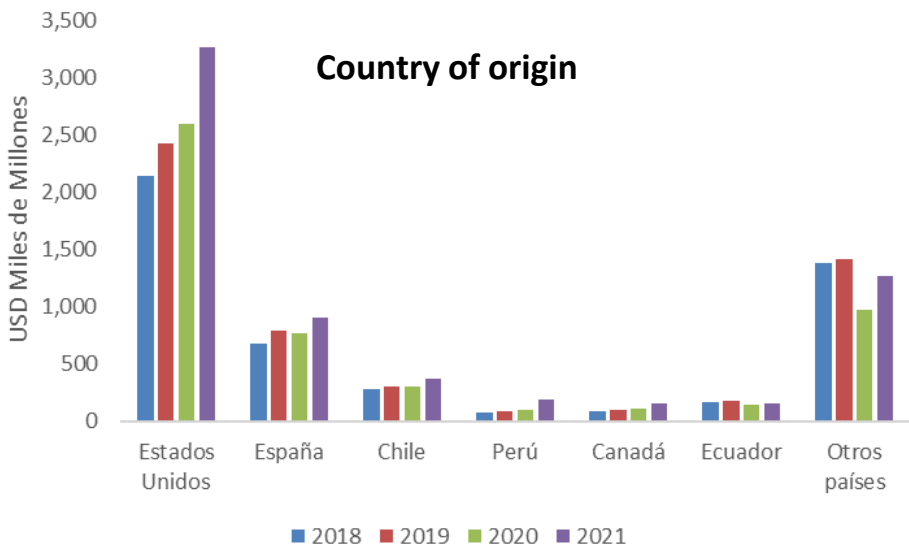


ITRS as a data source for the remittances compilation in Colombia

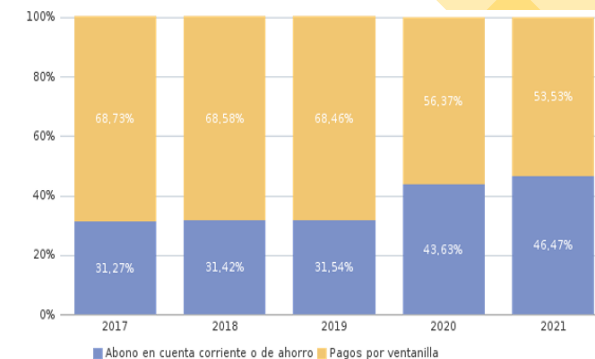


ITRS and supplementary reports remittances statistics: some examples

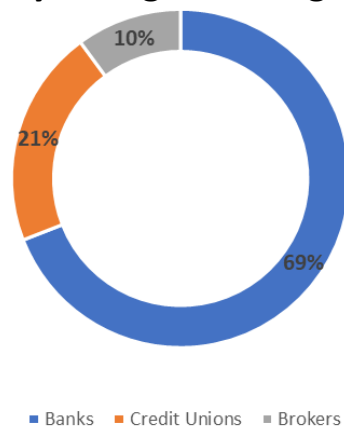
Geographical distribution of the remittances by:



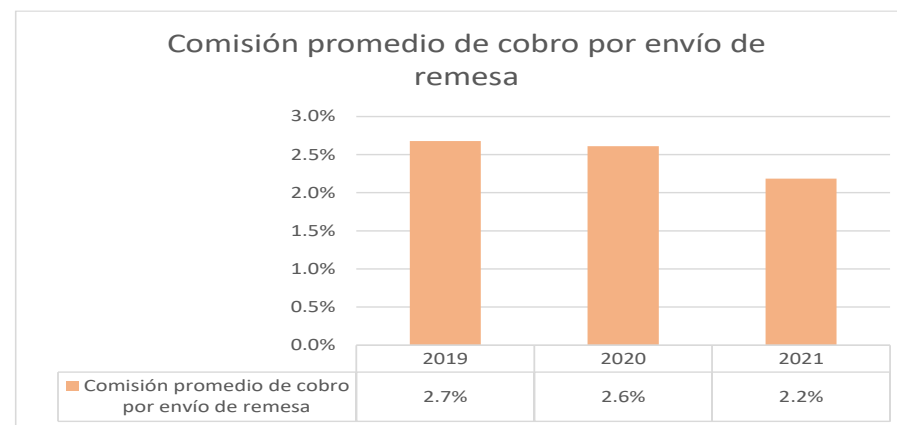
Remittances payment modes



Market share by Foreign Exchange Intermediary



Remittances sending cost



III.
Advantages &
disadvantages
of ITRS for
statistical
purposes



ITRS as a data source for the external sector statistics compilation in Colombia

ITRS advantages:

Gross value remittances data, and transaction-by-transaction approach are crucial factors for a better data quality assessment. Detailed data make it possible to establish an econometric model for prediction purposes

Monthly assessment of the frequency and the average value of the remittances per recipient. Outlier values are identified, validated or rejected, on a case-by-case basis.

Number and amount of the remittances are also checked.

Detailed data allowing to identify new and the older remittances recipients.

Detailed ITRS remittances recipient identification (ID) is the key element allowing to do cross-checks against different data sources, i.e., income household surveys

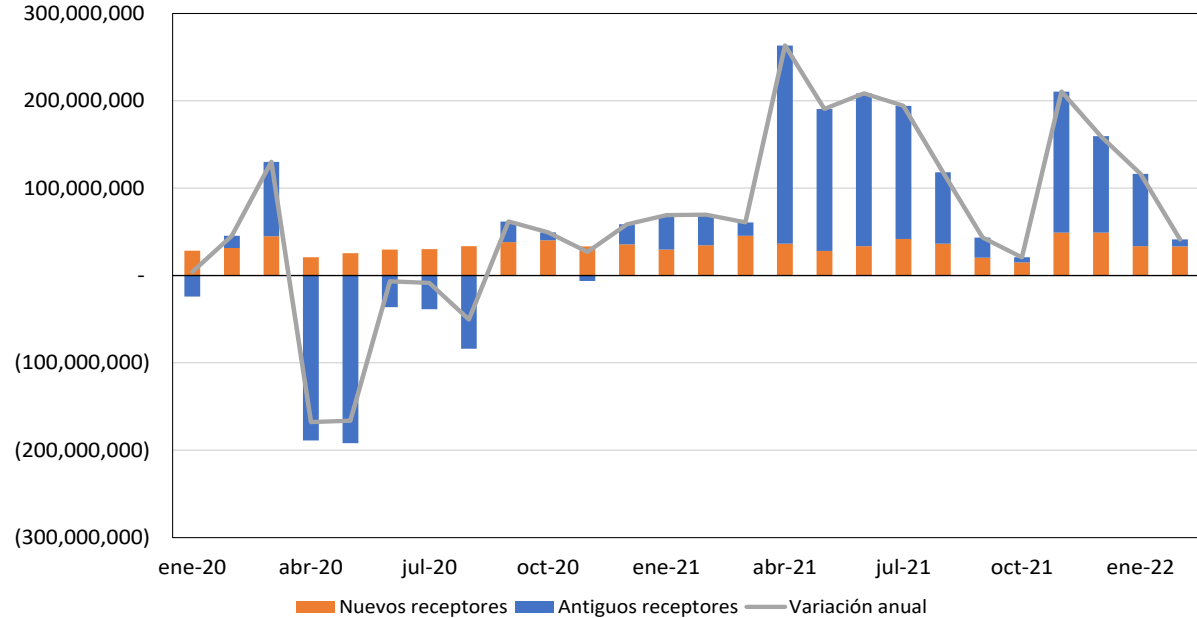
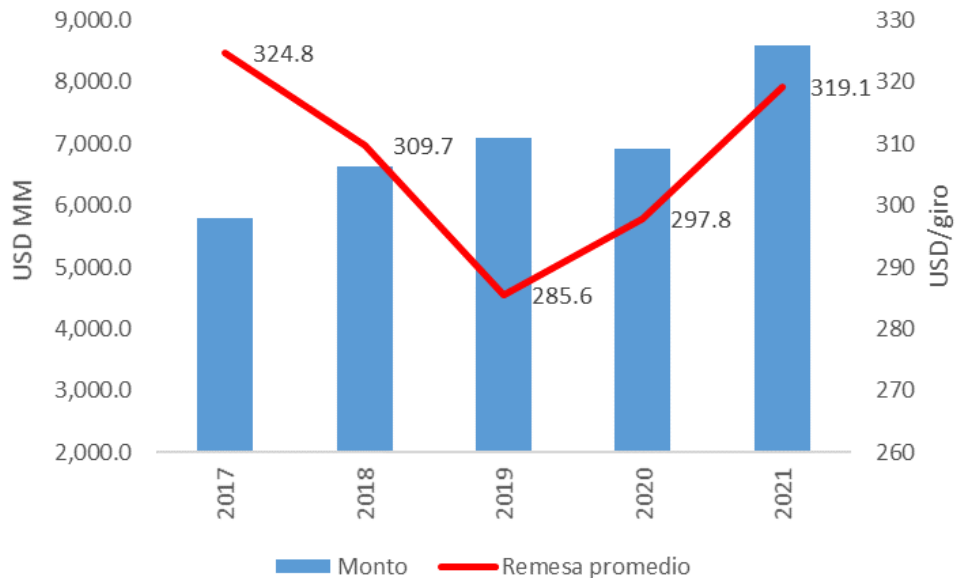
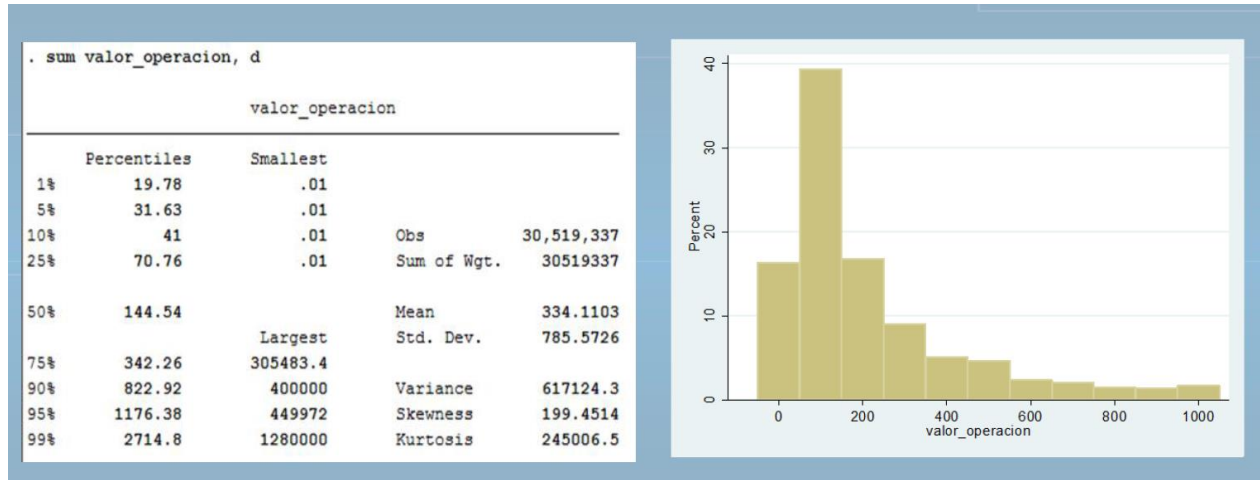
Administrative records (ITRS) provide a more accurate information than other data sources such as surveys. Household income surveys data could be undervaluated.

Administrative records (ITRS) assure a better coverage at a lower cost.

A detailed ITRS, such as the Colombian system, is one of the key elements for the supervision of the foreign exchange market (money laundering controls).



Statistical analysis and validation of the remittances data provided via the ITRS



ITRS as a data source for the external sector statistics compilation in Colombia

ITRS disadvantages:

Trade-off between ITRS's efficiency based on minimum data requirements and better statistics based on a detailed and frequent ITRS data.

Higher data requirements imply reports' costs either for the data-provider and the data-user.

ITRS does not capture remittances carried out through the informal channel.

Colombian ITRS is not currently capturing information about cross-border remittances done through Remittances Services Providers different from financial intermediary's (banks, credit unions, brokers) and new sending mechanisms, e.g., crypto-currencies.



IV. ITRS
challenges
for compiling
cross-border
remittances:
Colombian
lessons



IV. ITRS challenges for compiling cross-border remittances: Colombian lessons

Better statistics for better policies is a principle that depends on:

- The soundness of the regulatory framework. Clear definitions of who and how participants can intervene in the remittances market are required.
- Legal support for statistical production is a key condition.
- A good coordination between the regulators and the statisticians is required: Any change of the regulation should consider its impact on statistics.
- The sources of information to be used are dependent upon the characteristics of the regulation and the remittances market:
 - FX cash-flow remittances carried out through formal market: ITRS is an appropriate data source
 - Digital remittances and e-money transfers: Telcos and new remittances services providers could be included in the ITRS system or accessed through supplementary reports
 - Informal channels: Surveys
 - Different sending mechanisms and payment instruments: Combination of data sources
- Rechteg and Subtech technologies: Interesting options to be explored for statistical and supervision purposes.



Analytical process

Regtech *(Regulatory technology)*



Financial institutions provide different kind of data



Information is transformed into computing language



Artificial intelligence and machine learning technology is used for processing and analyzing data according to specific requirements (statistical purposes, regulation)



Suptech *(Supervisory technology)*



Regulators can make decisions as soon as the information is processed. Alerts are sooner as well as reactions from the authorities

References

<https://www.banrep.gov.co/es/estadisticas/remesas>

-Migración internacional y determinantes de las remesas de trabajadores en Colombia

<https://repositorio.banrep.gov.co/handle/20.500.12134/9654>





THANKS



SWIFT

Michimaru (Mitch) Onizuka is a senior business manager for SWIFT Data products focusing on business development of the SWIFT Scope solution globally.



SWIFT Scope for Central Banks

UNCDF Webinar Series: Better remittances data for better decisions

Michimaru Onizuka

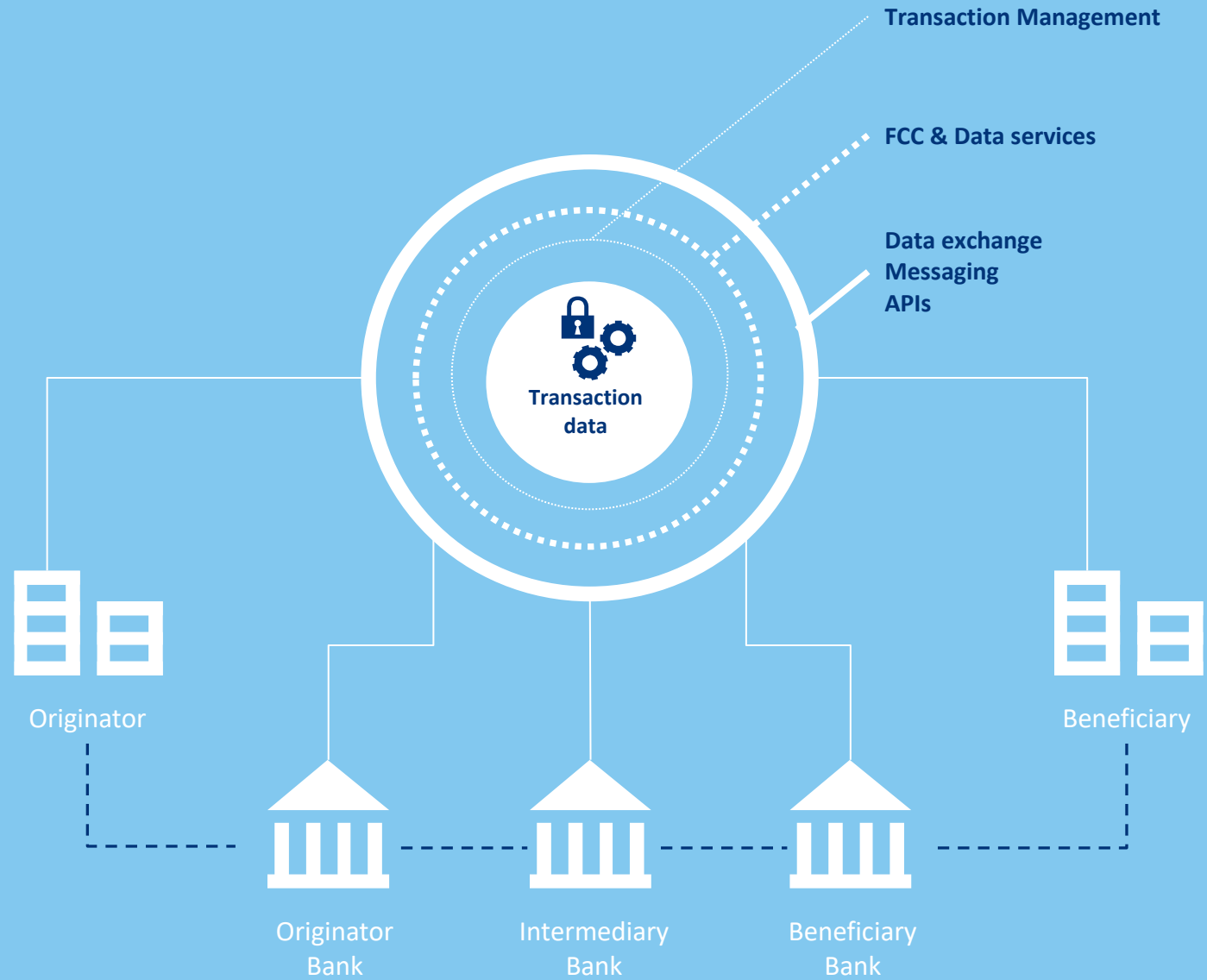
Senior Business Manager

Compliance and Data Expert Team

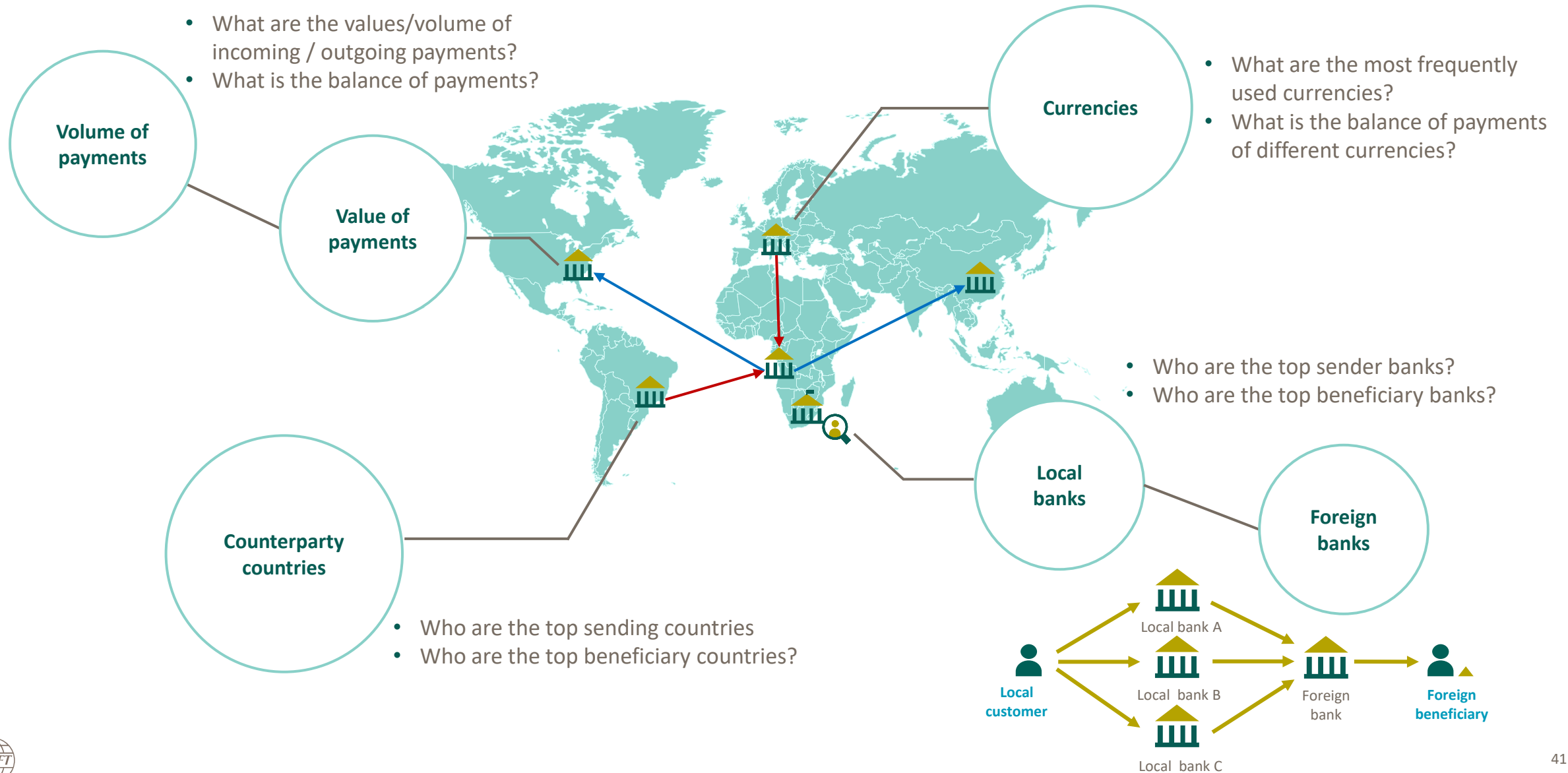
SWIFT Belgium

7 June 2022

SWIFT and Data

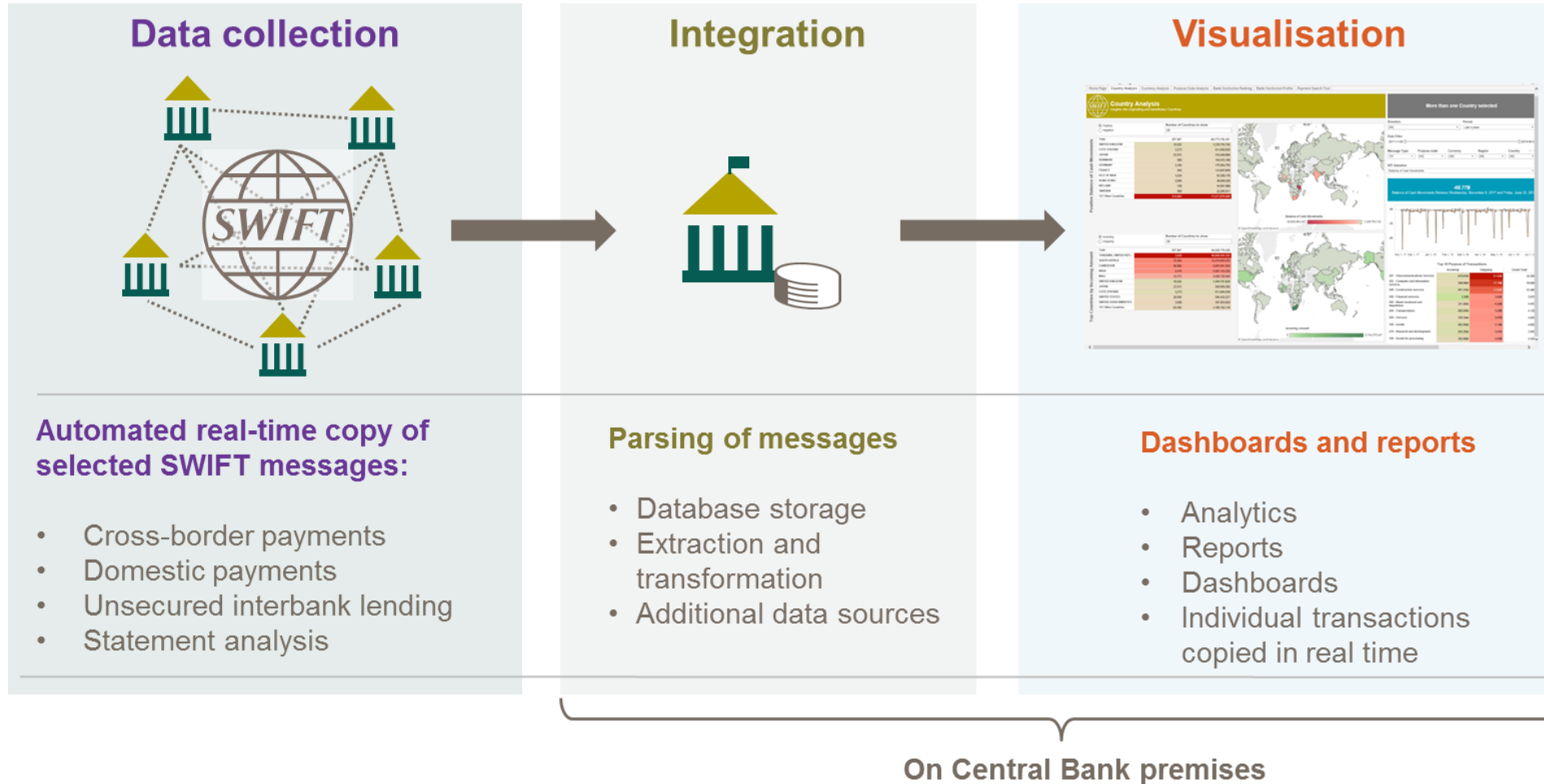


Overview of transaction flows



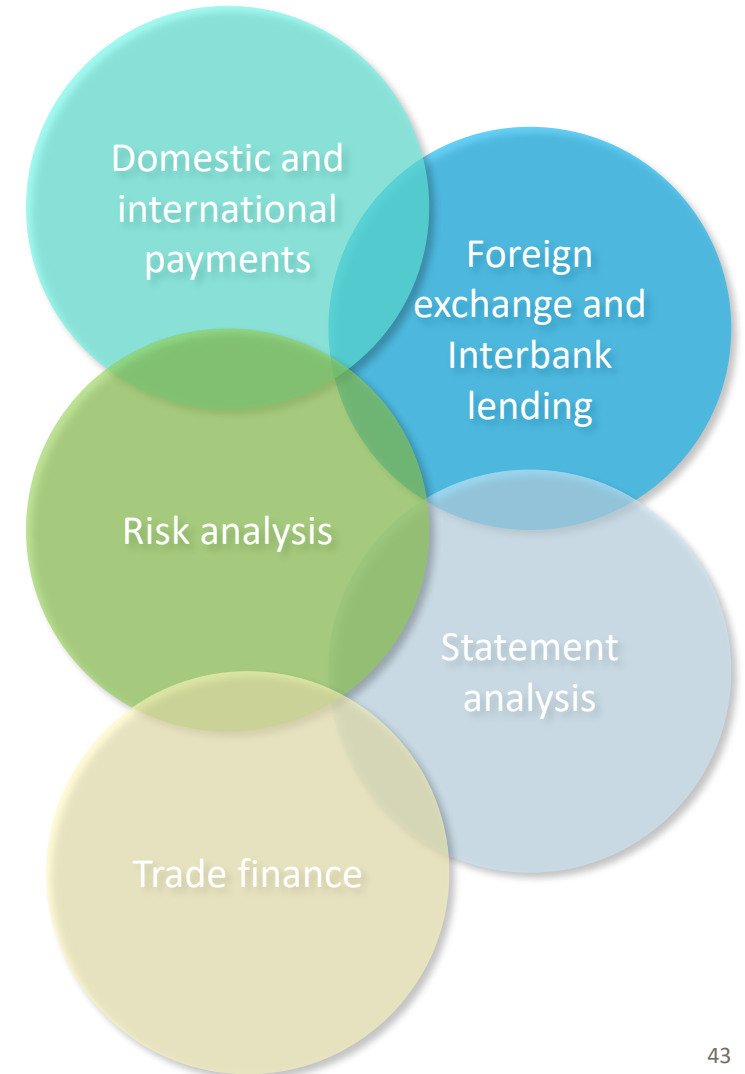
What is SWIFT Scope?

An integrated business intelligence solution focused on the data collection and analysis needs of central banks or financial regulatory authorities.



SWIFT Scope for Central Banks

Available modules



Use Cases

Balance of Payments

Automate reporting & reduce E&O

Trade monitoring

Monitor export proceeds coming back locally

Real-time Liquidity

Gain full visibility on bank liquidity including off-shore assets

FX markets monitoring

Visibility on the supply of domestic currency and effective FX rates

AML & CTF

Detect suspicious transactions and investigate individual payments

Prudential Supervision

Monitor compliance by banks with prudential requirements

Macro Economic analysis

Measure and monitor key economic metrics

Interbank Lending

Monitor unsecured interbank lending exposures

Questions & Answers



Unlocking Public and Private
Finance for the Poor

Thank You!

If you have more questions, please don't hesitate to contact us at migrantmoney@uncdf.org