PRESS RELEASE

FOR IMMEDIATE RELEASE

INWARD REMITTANCE SERVICES IN GHANA: THE ROLE OF FINTECHS AND MONEY TRANSFER OPERATORS

The Bank has taken notice of recent comments and discussions in the media regarding the role of FinTechs and Money Transfer Operators (MTOs) in inward remittance services in Ghana.

The purpose of this publication is to properly inform and educate our stakeholders and the public on the extent of involvement of FinTechs and MTOs in inward remittance services and to clarify inaccurate reports that have been shared in the media lately.

Responses to statements and specific allegations:

*Media Allegation (**MA**): The decline in Ghana's inward remittances has been validated by the Bank of Ghana that the newly licensed MTOs and 11 Fintech Companies have withheld approximately GH¢18 billion (US$ 3 billion) in 2022 and GH¢57 billion (US$ 5 billion) in 2023 at the expense of the country's foreign currency reserves. The country has lost approximately US$ 8 billion in the past two years, which could have been used to shore up the persistent depreciation of the local currency against the major trading currencies.*

Bank Response **(BR):** Ghana has seen a consistent increase in remittance inflows year-on-year (Bank of Ghana and World Bank data). The Bank of Ghana does not license MTOs since such companies are based abroad. The Bank, however, conducts due diligence on MTOs who partner local banks and/or FinTechs to deliver remittances into Ghana as part of the authorisation process.

Furthermore, all remittance inflows are credited to the nostro account of partner banks of Payment Service Providers (PSPs), as such, no PSP holds any forex inflows from inward remittances. The partner bank credits the local cedi accounts of PSPs for onward transfer to beneficiaries.

Based on the above, the assertion that the country has lost US$8 Billion in the last two years (i.e, US$ 5 Billion in 2022 and US$3 Billion in 2023) based on FinTechs and MTOs withholding same at the expense of the country's foreign currency reserves is misleading and not grounded on facts.

MA*: Ghanaians want to know why the country operates two separate foreign exchange systems, where the 23 authorised dealer banks account for all foreign exchange received from inward remittances while the "newly licensed" MTOs and Fintech companies do not account for all foreign exchange receipts from inward remittances under the Foreign Exchange Act, 2006 (Act 723).*

BR: Bank of Ghana does not and has not licensed any MTO. Additionally, Ghana does not operate two foreign exchange systems. Both banks and FinTechs who engage in inward remittance services do regularly submit prudential returns to the Bank of Ghana as part of their regulatory obligations. Banks and FinTechs have the responsibility of complying with the Foreign Exchange Act, 2006 (Act 723) and other legal and regulatory requirements.

MA*: The non-compliance with the Foreign Exchange Act, 2006 (Act 723) by the Digital technology infrastructure companies, including the Fintech and Block Chain companies have hindered the regulation of some entities and by extension reporting of remittance data. Still, there is sometimes an overlap of responsibilities between government institutions with poor coordination, thus data reported are divergent, leaving the compiler and analyst confused. In addition, a clear assignment of responsibility is necessary to know which agency is to generate remittance statistics whether the Bank of Ghana, authorised dealer commercial banks or the Ghana Statistical Service.*

BR: The Bank of Ghana has the mandate to regulate all payment systems and services in Ghana, including inward remittances. The Bank continues to evolve its regulatory framework to remain relevant and effective in the face of technological advancement. The Bank collects data on inward remittances from all licensed institutions and undertakes regular surveillance activities to identify any illegal operations in the remittance ecosystem.

***MA**: Mobile money and other digital channels that have been made available by PSPs are now providing extensive, affordable, convenient, and flexible alternative means for accessing remittances by beneficiaries, but foreign exchange components could not be traced and tracked to the local banks' returns or the Bank of Ghana's nostro balances with their correspondent banks.*

BR: As indicated earlier, all foreign exchange inflows associated with remittance flows are accounted for through the submission of prudential returns by the banks to the Bank of Ghana.

***MA**: After a careful review of the Bank of Ghana's Guidelines for Inward Remittances for PSPs (2021), PSPs and MTOs were supposed to operate two accounts (a) remittance inflow settlement account and (b) local settlement account, without recourse to their Nostro accounts.*

BR: The statement is grossly inaccurate. Section 7 (1)c of Bank of Ghana's Updated Inward Remittance Guidelines for Payment Service Providers (2023) clearly mandates PSPs involved in inward remittance termination to ensure partner MTOs credit remittance proceeds to nostro account of the partner banks for onward credit to a cedi settlement account. It also stipulates that all funds terminated should be reconciled and matched within 72 hours.
However, under the 2021 Guidelines mentioned above, whereas PSPs were allowed to maintain a remittance inflow settlement account and local settlement account, all inflows were routed through the nostro accounts of their partner banks.

MA: *The current practice, as operated the Bank of Ghana, has not been beneficial to the country as the MT0s and Fintech companies are holding foreign currencies in their correspondent banking accounts. Also, after careful examination of the Bank of Ghana's consolidated foreign receipts on the Balance of Payment data from 2019 to 2023, there had been no recording, tracking and tracing of the inward remittances in the Bank of Ghana's consolidated foreign receipts.*

BR: This is misleading and not based on facts. As explained earlier, remittance inflows are credited to partner banks' nostro accounts. The Balance of Payments data published by the Bank of Ghana accounts for remittance inflows, including those facilitated by PSPs.

MA*: The Foreign Exchange Act, 2006 (Act 723) prohibits outbound remittances from Ghana unless the transaction is made through a bank while the same Act 723 prohibits inbound international remittances not made through an authorised dealer bank. The deregulation of foreign remittances had impacted negatively on the stability of the local currency and accelerated the depreciation of the Cedi after the country was barred from the international capital market in 2022.*

BR: The Guidelines for Inward Remittances for PSPs is consistent with the Foreign Exchange Act, 2006 (Act 723). All banks and PSPs are strictly supervised to ensure full compliance with the provisions of the Guidelines and Act 723.

MA: *Methodological compilation and analysis issues have been complicated by the licensing of more Fintech companies by the Bank of Ghana in the international remittance space since the passage of the Payment Systems and Services Act 2019, (Act 987) without taking into cognizance the existing Foreign Exchange Act 2006, (Act 723) and might have contributed to major discrepancies between the World Bank data on international remittances and Bank of Ghana data for remittances.*

BR: The authorisation of FinTechs to engage in remittances has not in any way complicated data collection and analysis. The engagement of MTOs, either by a bank or a FinTech, requires authorisation from the Bank of Ghana. Additionally, the Bank diligently monitors MTOs that partner Ghanaian banks and FinTechs. ***END.***

NOTES TO EDITORS

FinTechs' involvement in remittance services in Ghana

Pursuant to Section 4 (1) (e) of the Bank of Ghana Act 2002, (Act 612) as amended, Section 2 (3) of the Foreign Exchange Act, 2006 (Act 723) and Section 101(2) (i) of the Payment Systems and Services Act 2019(Act 987), the Bank issued Updated Inward Remittance Guidelines in November 2023, providing a framework for Payment Service Providers (PSPs), otherwise known as FinTechs, to partner with Money Transfer Operators (MTOs) and local banks for termination of inward remittance. These Guidelines complement the role of banks in offering remittance services and provide alternative channels, such as mobile money wallets for receipt of inward remittance by Ghanaians. It is important to note that these authorisations for PSPs are restricted to inward remittance services only, without any involvement in outbound remittance services.

Additionally, the Inward Remittance Guidelines mandate FinTechs to work with partner local banks. FinTechs have no authority whatsoever to hold remittance proceeds outside of the banking system.

Issued by: Communications Department

25th June 2024.