



December 13, 2013

Federal Reserve Financial Services
c/o Board of Governors of the Federal Reserve System
20th St. and Constitution Ave. N.W.
Washington, D.C. 20551

Re: Comment Letter in Response to “Payment System Improvement – Public Consultation Paper”

Dear Sir or Madam:

Boston University’s Center for Finance, Law & Policy and the Pardee Center for the Study of the Longer-Range Future has undertaken a joint project to evaluate the benefits of remittance payments to post-conflict nations. Our Task Force Report was issued earlier this year,¹ and it deals with many of the topics raised in your consultation paper, “Payment System Improvement – Public Consultation Paper.” Our Report agrees with many of the points raised in your in paper, especially the need to have overall improvements in the payment systems, and in particular the benefits of greater use of electronic means to transfer funds and the enhanced use of mobile devices to effectuate transfers.

The Task Force Report established that remittances can be a major catalyst for economic and social development particularly in post-conflict contexts that are characterized by population displacement and endemic institutional breakdown. The fragility of post-conflict environment necessitates attention to sustainable institution-building. Highlighting the increasing complexity of global remittance systems, the Report examined opportunities for greater formalization of remittance transfer channels and possibilities for enhanced collaboration with diverse institutions of varying degrees of formality. It suggested that regulatory efforts should search for contextually differentiated approaches to existing remittance systems in post-conflict areas that should include multi-sided collaboration with local remittance agents, customers and diaspora representatives.

Mobile financial platforms are particularly important as they enable the continuation of local livelihoods amidst the breakdown of formal financial institutions and physical infrastructure. Mobile remittances can contribute to development by reducing direct remittance costs, increasing outreach and the percentage of remittances flowing through formal channels, and contributing to a broader financial inclusion of poor populations. It was also noted that the development of mobile money transfer systems often faces a fundamental challenge of facilitating a coherent policy and regulatory environment needed for a successful use of the applications. In order to improve cross-border and institutional interoperability and better integrate remittance transfers with other financial services, attention to the collaboration among multiple stakeholders was advised, including banks, telecommunications operators, microfinance institutions, non-governmental and government institutions.

¹ The report may be found at <http://www.bu.edu/pardee/files/2013/10/Pardee-CFLP-Remittances-TF-Report.pdf>.

Your paper noted concerns about a perceived “lack of transparency regarding fees and timing.” In this regard, we would like to draw your attention to major improvements made by Section 1073 of the Dodd-Frank Act,² and the implementing regulations issued by the CFPB.³ These provisions require remittance providers to comply with very robust disclosures regarding both fees and timing. Pursuant to these mandates, remittance providers must disclose, in writing, at the time a consumer first requests to make a remittance transfer, detailed and accurate information concerning all fees and charges, taxes, and the exchange rate accurate to one-hundredth of one percent. Additionally, written disclosures are required after payment is made to the remittance provider, including the date on which the funds will be available for pick-up. Disclosures must be in English and in the principal foreign language used by the remittance provider to advertise or solicit business at that office.

While we applaud most of the new mandates in the Dodd-Frank Act and implementing regulations, we do have concerns about some aspects of the new regulatory regime. In certain cases the new regulations may prevent regulated remittance companies from making remittances to post-conflict nations, or make such remittances more costly without providing an offsetting public benefit. For example, under the regulations a remittance provider must accurately disclose all fees charged by unaffiliated intermediary institutions in an ACH transfer or other transfer through an open network. Under current practices, these fees are not known until after the transfer is complete. Since it is not possible to comply with this requirement, remittance companies will not be able to utilize ACH or other open network, even when that would be the cheapest or most efficient avenue for effectuating the money transfer. Chapter 2 of our task force report includes an in-depth discussion of the practical difficulties of complying with some of the new regulatory requirements when sending remittances to post-conflict states. We hope that you will have a chance to review that document for further information.

We thank you for your work on this important issue, and would be delighted to answer any questions that you may have regarding the remittance business. Please feel free to contact me at (617) 358-6770.

Kind Regards,



Professor Cornelius Hurley

Director

Boston University Center for Finance, Law & Policy

² Codified at 15 U.S.C. § 1693o-1(2013)

³ Codified at 12 C.F.R. part 1005.30 et. seq.