



**Maximizing remittances for
recipients and governments**

**BUILDING AND SECURING A TRILLION
DOLLAR MARKET**

BUILDING A BLOCKCHAIN FOR OPTIMIZING GDP AND LOWERING COSTS



- The role of RTpay – a non-profit consultancy – is in helping companies, governments and international organizations in improving the security and availability of remittances
- The target of 3% maximum cost is some way from being achieved – but it is realistic
- Enabling central banks (and their agents) to micromanage FX for remittances
- The overall size of the remittance market can reach a trillion dollars p.a.
- And this can bring enormous benefits for individuals and governments

BUILDING A BLOCKCHAIN FOR OPTIMIZING GDP AND LOWERING COSTS



- Every remittance is a peer to peer transaction
- Managing the flow can optimize the value
- Having real time pricing can enable central banks to compete aggressively
- Lowering costs can help compete with Hawala networks
- Opening the price to a best bid format can attract remitters and businesses
- **A settlement format of 0.5% enables all MTOs to get below 3%**

THE SIMPLE TRANSACTION



- ABC has \$100 to send to his mother (ABD) in Kenya
- He checks the rate on a price comparison board
- He accepts the best rate as being K\$101- and pays his \$100 in USA
- His mother gets immediate access to her K\$10,100 in her e.account

- The 'bank' in USA settles the \$100 to the order of the Kenyan 'bank'
- The settlement risk is managed between the two 'banks'
- As a liquidity provider (LP) in Kenya and an escrow holder in USA

BEHIND THE SCENES



- The KCB quotes a daily support price of K\$100 versus the US\$
- And then a Kenyan company overbid K\$101 to cover trade needs
- A sender of GBP to Kenya may have seen a price of K\$137
- – based on K\$101 times 1.3565 as the best bid for GBP/ USD
- A Kenyan is sending K\$1,000 to Uganda
- – while a Chinese visitor is selling Yuan for SA rand to pay for his hotel
- – etc etc – every cross FX trade is capable of being the best bid/ offer
- **All managed over a blockchain and solely settled through LPs in the two countries**

OPEN FOR ALL (LEGAL) MTOs AND APPROVED COMPANIES



- With a fixed FX 0.5% cost, the biggest risk for MTOs is resolved
- They will also get the automatic best rate (from any source)
- Competing with Hawala is now possible –
- Central banks can adjust rates in real time depending on markets
 - and government financing needs
- Every dollar brought into the legal market adds to GDP and reduces crime
- GDP increases bring credit rating upgrades – and lower costs of borrowing

ADDED SERVICES



- Digital currencies represent a new area of interest for many central banks
- Settlement of remittances into central bank digital currencies is a possibility
- Managing compliance lists through a central database has many advantages
- Operating FATF guidelines on frequency and grouping becomes more efficient
- Biometric IDs become more imperative in many countries – iris and voice ideally
- Control of cryptocurrency investments can be managed securely and cohesively

TIME TO FACE FACTS



- Developing market governments are at risk of another credit squeeze
- Currencies are increasingly volatile – and interest rates as well
- Good intentions are not achieving the right results:
 - SDG target of 3% for remittances is nowhere near – the average rate is still over 7.5%
 - South/ South remittances are often over 10%
 - The ‘informal’ Hawala market is probably still larger than the official market
 - And it does not get recorded for GDP - and therefore no credit ratings uplift
 - Western Government aid is reducing overall – often significantly

MORE BAD NEWS



- Correspondent banking is failing those most in need
- International bank transfers are too expensive
- Too many security breaches ...
- A legacy system close to collapse ..
- Regulation costs going through the roof .. even for the smallest transfers
- Money transfer operators (MTOs) suffer high fees, loss of bank accounts
- Mobile money is coming but too slow in most areas ..
- And it still suffers from high Foreign Exchange costs from banks (5% average)

TIME FOR COORDINATED ACTION



- To achieve a major change in this list of bad news, we need to work together
- Central banks can do much to increase the value of remittances
- So can blockchain specialists ..
- And foreign exchange experts ...
- And international payment systems ...
- And international organizations ...
- And biometric ID solution providers
- CULMINATING IN

A \$ TRILLION MARKET



- Moving some informal to formal markets
- Lowering costs of all remittances to below the SDG 3% target
- Lowering recipient country borrowing costs
- Helping those most in need benefit the most

BANKS VERSUS BLOCKCHAIN



- Remittances and support payments are small and often to and/ or from the unbanked
- KYC and AML regulations have been applied too aggressively in some countries
- FX margins have been a high mark-up area for banks in a low interest era
- Blockchain technology creates a feasible cost-effective secure solution

THE BLOCKCHAIN PRICING MODEL FOR REMITTANCES



- Matching funds in different countries – as low as 0.5%
- Secure biometric solutions – as low as 0.5%
- AML/ KYC central data management – as low as 0.5%
- Fund delivery from employers/ agents – as low as zero
- Fund settlement to merchants – as low as zero

CONTACT US WITH YOUR SOLUTIONS OR QUERIES



- **RTpay is a non-profit consultancy – we are there to help**
- Transaction processing, FX management, DLT, Compliance
- Biometric IDs are key to enabling a secure, scalable solution
- Help us help you – and we can achieve the Trillion dollar target by 2020!
- Thank you ...

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