Maximizing remittances for recipients and governments
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
• 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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