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Remittances Market Assessment

South Africa to the Rest of SADC Remittances Market Assessment Report

UKaid
from the British people

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Abreviations

AD	Authorised Dealer
ADLA	Authorised Dealer with Limited Authority
AML	Anti-money laundering
ATM	Automated Teller Machine
BoP	Balance of Payments
CAGR	Compound annual growth rate
CDD	Customer due diligence
CMA	Common Monetary Area
COVID-19	Novel coronavirus disease of 2019
DRC	Democratic Republic of Congo
EFT	Electronic funds transfer
FATF	Financial Action Task Force
FIC	Financial Intelligence Centre
FICA	Financial Intelligence Centre Act
KYC	Know your customer
LMMZ	Lesotho, Malawi, Mozambique, Zimbabwe
MTO	Money transfer operator
MVTS	Money or value transfer services
RBA	Risk-based Approach
RMCP	Risk Management and Compliance Programme
RPW	Remittance Prices Worldwide
SADC	Southern African Development Community
SARB	South African Reserve Bank
Siress	SADC Integrated Regional Electronic Settlement System
TCIB	Transactions cleared on an immediate basis
UN	United Nations

Executive Summary

Remittances from migrants are a vital source of income support for many impoverished communities in sub-Saharan Africa, as in the rest of the world. Ensuring that remitters can access affordable, reliable remittances services is a key component of access to financial services.

Remittance costs have been adopted as formal objectives by several international organisations, including the United Nations, the G20 and the Southern African Development Community. To this end, in 2019, FinMark conducted a mystery shopping exercise, looking at the costs of remitting via various channels, from South Africa to other countries in the SADC. This 2021 report provides an update to that research.

The South African Reserve Bank kindly provided FinMark with considerable data regarding official remittance flows into and out of South Africa from the SADC region. The data provides detail on the impact of COVID-19 on remitting patterns. A very sharp increase of 49% in total remittance inflows during the first pandemic year, 2020, is immediately apparent. Although only 10 months of data are available for 2021, total remittance inflows at that point were already 5% higher than in 2020, suggesting that there was again a material increase in remitting during 2021. While total remittances increased by 49%, this varies sharply on a country-by-country basis. Eswatini, Mozambique, Lesotho, Tanzania, and Zimbabwe all experienced increases of 69% or more. In Eswatini's case, the increase is probably associated in part with the introduction of the Shoprite remittance product in 2020.

This sharp increase in official remittances in many markets may be a reflection of the difficulty remitters had in accessing informal remittance methods while borders were closed. However, it is also possible that a portion of this simply represents an increase in income support to those affected by regional lockdowns. In many cases, the remitters will themselves have experienced a reduction in income due to lockdowns, making this increase in outflows more heroic. However, it is also notable that official remittances decreased over the period in some countries, reflecting the very different circumstances experienced across the region.

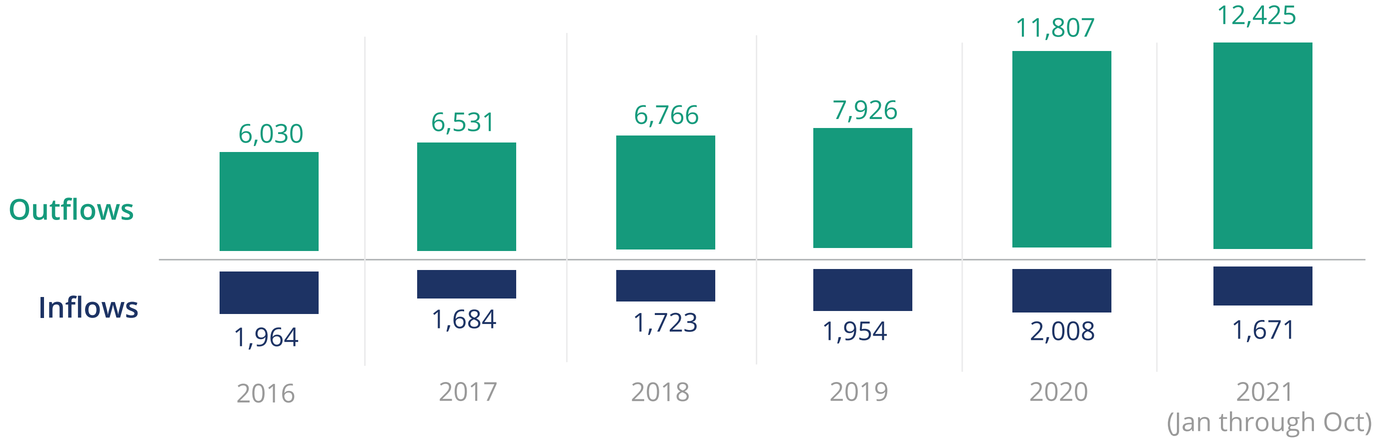


Figure 1: In- and outbound remittances, South Africa 2016 to 2021, value R million

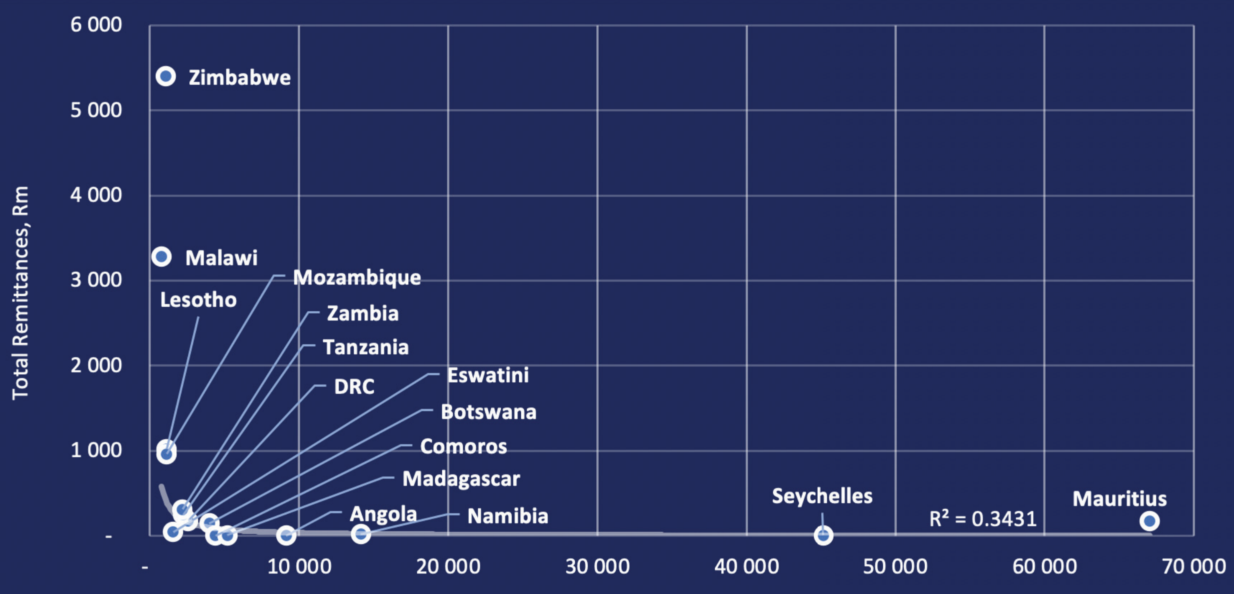
Figure 2: Official outbound remittances from South Africa to SADC by AD category, value R million

It was also possible to separate the data by South African money transfer operators licensee categories. The market share of ADs (authorised dealers, typically banks) has fallen quite sharply, from 31% in 2016 to 14% in 2020. The three categories of ADLAs (authorised dealer with limited authority) represents the rest of the market.

Perhaps unsurprisingly, given the strong growth rates in ADLA markets, countries that are still predominantly served by banks, ie, authorised dealers, tend to have smaller official remittance volumes. The four countries in the group with the lowest volume of reported official remittances, namely Comoros, Angola, Madagascar and Seychelles, have outbound remittance bank market shares of between 82% and 99%. In contrast, of the four largest markets, Mozambique, Malawi, and Zimbabwe experience only 1% — 5% bank market share.

The exception is the fourth market in this group, Lesotho, which is one of the largest official remittance markets. It is, however, dominated by banking transfers, which for recording purposes include Shoprite transactions. Lesotho is a member of the Common Monetary Area that includes South Africa, where cross-border transactions are often treated as domestic transactions for reporting purposes. This has had a material impact on the pattern of remittance flows in the region. The Shoprite remittance, is settled via Standard bank and is therefore included in the AD transaction numbers.

Of importance is the average transactions values by corridor. Figure 1 below plots the average transaction size per country, against the total volume of remittances for that country in 2020. It is noticeable that the countries with the largest total remittance markets also have the smallest average remittance sizes. These are markets where there are financial products available having price points low enough to make even very small transaction sizes feasible. Operators in these markets have been rewarded with explosive growth.



Source: SARB data provided to FinMark Trust, own extrapolations

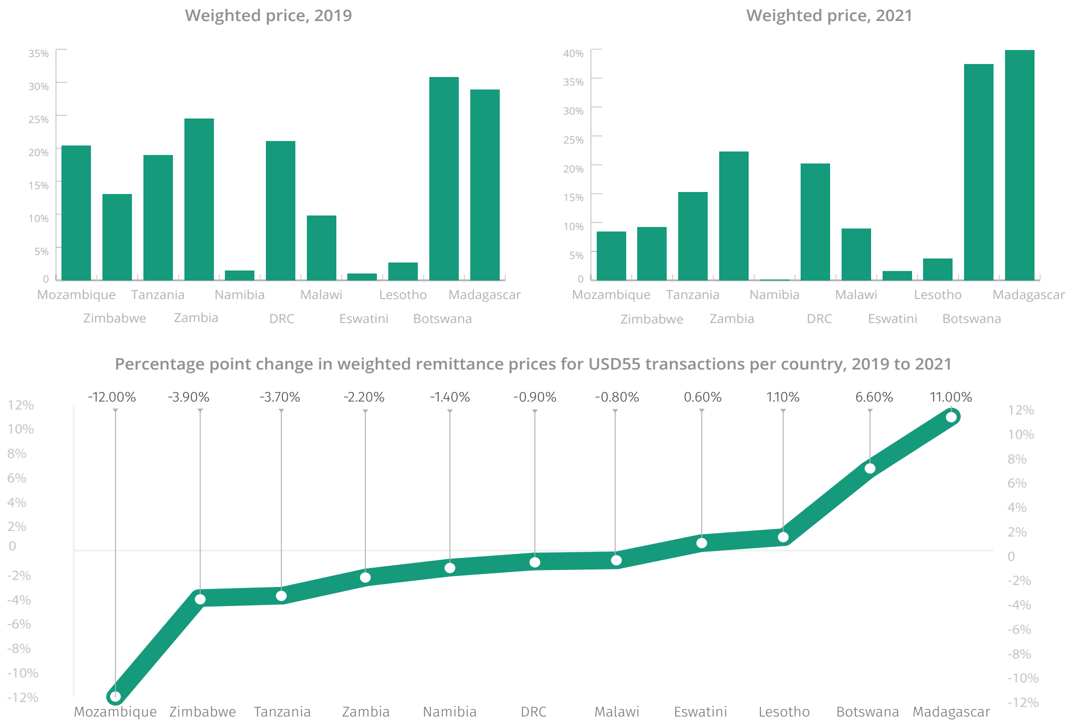
Figure 3: Average outbound transaction size versus outbound market size per country, 2020

A review of the regulatory environment in the SADC suggests that anti-money laundering (AML) legislation continues to be a source of concern for the healthy development of remittance markets. AML tends to increase per transaction cost for financial institutions, negatively impacting the per transaction fees for remitters. In SADC, average transaction sizes are smaller than the international average, closer to USD55 than the typical USD200 transaction, focused on by international institutions. Any factor that increases per transaction costs thus has a proportionally larger impact on the cost of transactions in SADC than it does in much of the rest of the world.

While some stakeholders hold the view that South African legislation allows all authorised financial institutions to use a risk-based approach to AML, which reduces the regulatory burden on smaller transactions, the authorised dealers do not share this interpretation. Instead, in the stakeholder interviews conducted for this research, representatives of ADs expressed concern about the fairness of competition from ADLAs. They felt that they were not able to use the less restrictive risk-based approach of the ADLAs. Research conducted by FinMark Trust in 2021 suggests that 'in the migrant market, banks still believe that Immigration regulations still prevent them from opening bank accounts for foreigners in the absence of migrant workers' proof of right to work in South Africa.' Clarity is needed from regulators as to whether this interpretation of legislation is correct. In practice, ADs reported that they apply the same level of oversight to even very small transactions and that the cost of the additional KYC requirements on banks was substantial. Such additional costs are passed on to the consumer in the form of higher prices.

The results of this are apparent in the findings of the mystery shopping exercise. AD prices are noticeably higher than those of ADLAs, except for the three CMA countries; Lesotho, Namibia and Eswatini, where transactions are typically treated as domestic transfers.

Remittance prices to Botswana and Madagascar were the highest of the sampled countries in both 2019 and 2021, and have increased over the period. The average weighted price of remittances to Mozambique, for the smaller USD55 transaction, in particular, has decreased sharply. Zimbabwean prices for both transaction sizes have also trended down materially.



Source: Mystery shopping exercise, FinMark 2019, own extrapolation

Figure 4: Percentage point change in weighted remittance prices for USD55 transactions per country, 2019 to 2021

Regional averages were calculated in two ways, first as simple arithmetic averages of each country per region, and then weighted by the relative size of the countries included, based on SARB data on 2020 outflows to each country. Using both calculation methods, average prices in the SADC region fall. As expected, the price decrease is much larger when weighted for the size of the official remittance market in each country. This reflects the fact that countries with well-developed, large official remittance markets tend to have lower prices. Statistics of the four countries with the largest official remittance volumes in the region, namely Lesotho, Malawi, Mozambique and Zimbabwe, are summarised in the 'LMMZ' line of Table 1. Remittances prices in LMMZ are well below the regional average and have continued to decrease over this period.

There is also better performance in the CMA countries regarding the affordability of official remittances. Unlike the rest of the region, prices in the CMA are below the UN's 5% of transaction value sustainable development goal objective, even at a transaction size of USD55. Unfortunately, however, while the high prices in the rest of the SADC have decreased over the period, CMA prices have moved upwards. Lesotho comprises 95% of CMA volumes, thus the principal cause of this increase is the increase in average prices in Lesotho over the reporting period.

USD55		
	2021	2019
Average prices		
SADC total	15.2%	15.7%
SADC total, excluding CMA	20.2%	21.0%
CMA only	1.8%	1.7%
LMMZ	7.6%	11.5%
Average prices, weighted by country size		
SADC total	9.6%	12.2%
SADC total, excluding CMA	10.2%	13.0%
CMA only	2.9%	2.6%
LMMZ	8.5%	11.2%

Source: Mystery shopping exercise, FinMark 2019, own extrapolation

Table 1: Regional average prices 2021, weighted and unweighted

Low-income individuals are likely to struggle to cope with remittance services that experience unpredictable delays, where remittance fees are much higher than expected or are billed at unpredictable times

Ideally, remittance services are not only competitively priced, but that pricing needs to be predictable and transparent, with the remittance transaction itself completed rapidly. These aspects of service quality are vital to both remitters and remittance recipients. Low-income individuals, in particular, are likely to struggle to cope with remittance services that experience unpredictable delays, where remittance fees are much higher than expected or are billed at unpredictable times.

It is thus concerning that, in the AD space, the mystery shopping exercise uncovered substantial evidence of just these types of adverse events. Furthermore, the type of issues experienced were not a feature of the 2019 mystery shopping exercise, suggesting that there has been a recent disruption to the AD market, which is systematically reducing service quality for remitters. The areas of concern revealed include the following:

- **Not all transactions completed:** at the time of publication, three transactions had been confirmed as having failed, respectively to Mozambique, Zimbabwe and Zambia. In all three cases, there were significant delays (15 — 57 days) before the failure of the transaction was confirmed. In some of these cases, the sender had to submit multiple queries to confirm whether the transaction would be completed. It is not clear whether the bank involved would have reported the failed transaction and reimbursed the funds if the sender had not enquired. At the time of publication, the second transaction, to Zimbabwe, had not yet been completed and it was not clear whether this transaction would be successful.

- **Additional, non-transparent fees were incurred:** with several transactions, substantial additional fees were incurred. It was typically not possible to determine the basis on which these fees had been calculated. In one case, both the sending and recipient banks claimed that the fee had been charged by the other institution. One client service person claimed that additional fees might continue to accrue to the sender's account for up to 12 months after the transaction. Noticeably, there was often a significant delay between the transaction and the time when the additional fees were levied.

- **Not all fees were billed to the sender:** with both banks used, the sender was prompted to choose whether the sender or the recipient would bear the fees for the transaction. In all cases, the sender opted to bear all fees. However, on both Madagascar transactions and one of the DRC transactions, the recipient was, nevertheless, charged an additional fee.

The pricing results for the 2021 FinMark remittance pricing survey suggest that, on the whole, progress continues to be made to reduce remittance prices in the SADC region. Much more still needs to be done before the SDG remittance price goal of 5% of transaction value is met, but such steady progress is encouraging.

However, the pricing results do not fully tell the story of the regional remittance experience. Service quality is also a vital component of the development of this market and, in the authorised dealer segment of the market, it is clear that service quality has deteriorated significantly since 2019. This has been less important for countries with many ADLA licensees offering services to remitters from South Africa - the quality of service from ADLAs remains very high. However, in many countries in the region ADs continue to hold a fairly high market share and there will be remitters and remittance recipients who will, for personal reasons, find it difficult to use alternative channels. The problem in AD markets seems to have at least two key components:

- The position of South African banks that regulation prevents them from following a risk-based approach to AML, where migration status is in question

- The non-transparent billing structure used by regional banks allows remitters and recipients to be subject to unexplained additional fees, levied at unpredictable intervals

These service challenges will require further attention from regulators in the future. While the focus on reducing remittance prices is commendable, it should not obscure the importance of service quality issues to this market.

Marketing results for the remittance market in the SADC region are encouraging but do not tell the whole story. Service quality is also a vital component of the development of this market and, in authorised dealer segment, service quality has deteriorated significantly since 2019.

1. Introduction

Remittances from migrants are a vital source of income support for many impoverished communities in sub-Saharan Africa, as in the rest of the world. Ensuring that remitters can access affordable, reliable remittance services is a key component of access to financial services. When FinMark Trust began researching regional remittance markets more than 15 years ago, a large proportion of remittances were being sent through expensive, unreliable, slow, informal methods, such as long-distance taxi drivers. Much has since been done to formalise these markets, both by regulators and private sector operators. The increased focus on the importance of remittances comes not just from governments and regional institutions, but also from global, multilateral institutions.

Launched in 2014, the G20 Plan to Facilitate Remittance Flows outlines specific objectives and country-led actions to reduce the cost of remittances. Under this plan, the G20 committed to reducing the global average cost of transferring remittances by 5%, from a starting point of 9.3% in 2011. They also committed to supporting country-led actions to address the cost and improve the availability of remittance services, particularly for the poor; and to use remittance flows to drive financial inclusion and development[1].

The United Nations has similarly adopted an affordability target for remittances as part of its 2030 Sustainable Development Goals.

SDG 10.c commits to reducing the transaction costs of migrant remittances to less than 3% by 2030 and to eliminating remittance corridors with costs higher than 5%. This is premised on the fact that:

- reducing the cost of remittance transfers can substantially increase disposable income for remittance-receiving families.
- by reducing average costs to 3% globally, remittance families would save an additional USD20 billion annually.

The Southern African Development Community (SADC) Financial Inclusion Subcommittee has recognised these objectives. The cost of remitting is of particular importance in the SADC, as high levels of poverty in the region mean that many remitters are sending fairly small amounts and per-transaction costs can thus very quickly become an onerous proportion of the total amount sent.

The remittance cost targets adopted by the G20 and the UN are for an average transaction size of USD200, whereas in the SADC, a typical remittance transaction will be closer to USD55, as will be shown in this report. The objective of the SADC is to lower the average price of remittances to the consumer while increasing the use of official channels[2].

1.1 Average price targets for remittances

Performance against the average price targets for remittances adopted by international bodies is typically assessed against the World Bank's Remittance Prices Worldwide (RPW) database. This database is used to produce simple arithmetic averages used to assess the remittance price performance of specific countries. It also assesses a global average price, which also takes into account accessibility and affordability using the SmaRT methodology. This is discussed in more depth in Annexure B).

While an average price target is a useful way to begin thinking about remittance prices, it does have some methodological shortcomings. The most severe of these is that a simple arithmetic average will tend to disproportionately reflect the prices of unpopular service providers, who are also likely to be more expensive service providers. This can be illustrated by a simple hypothetical example. Say provider 1 services 90% of the market at 3%, while four other providers each have 2.5% of the market, and charge respectively 6%, 9%, 12% and 15%. The unweighted average price for this market is 9.0%, which does not reflect anywhere near the price that the majority of customers are experiencing. If prices are weighted by the value sent by each provider, then the weighted average drops to 3.8%, which is much closer to the true market experience[3].

It would be ideal if the remittance price targets currently in place were based on weighted average prices. Weighted prices require significantly more data to compute, as approximate market shares must be known, and it will not be possible to systematically compute such averages for all countries. However, where countries do provide good quality weighted price estimates, this data should certainly be taken into account when evaluating compliance with remittance pricing targets.

South Africa is in the, perhaps unusual, position of collecting good quality data on exactly which companies send funds from within its borders, which allows the calculation of fairly precise weighted average remittance prices per corridor. This will be discussed later in this report.

In 2019, FinMark conducted a mystery shopping exercise, looking at the costs of remitting via various channels, from South Africa to other countries in the SADC. This report provides an update to that research. We begin by detailing the background of the market in section 2, including both an analysis of South African Reserve Bank data on official remittances, as well as a review of regulatory and market developments in the region. In section 3, we then review 2021 pricing outcomes.

2. Market Background

The prices of remittance services are affected by several factors, with the level of competition experienced in each market segment and the extent to which regulatory requirements increase transaction costs, being the most important cost determinants. In this section, we briefly review the main regulatory changes in the region, as well as the state of play regarding remittance service providers. To provide context, the section will begin with a review of remittance values and volumes data, as provided by the SARB from its FinSurv Cross-border Reporting System (Reporting System). Data has been provided on the following BoP categories:

- 401 - Gifts;
- 416 - Migrant worker remittances (excluding compensation);
- 417 - Foreign national contract worker remittances (excluding compensation).

2.1. Official[4] remittance data

For this research report, the SARB provided FinMark with two datasets tracking official outbound and inbound remittances between South Africa and the other countries of the SADC, as follows:

- The first dataset covers the period January 2016 through September 2020. Data are disaggregated by the licence type of the service provider, but not by gender or the province of origin of the sender.

- The second dataset covers October 2020 to October 2021. Here the licence of the service provider is not included, but the gender and the province of origin of the sender are.

This data is an invaluable source of information on official remittance trends over the period. The inconsistencies in the basis of reporting as noted above do, however, pose some challenges for this analysis. These will be noted in the text as they occur. Recognition must also be given to the fact that the data excludes some types of official remittances, particularly foreign transactions using a South African-issued card and withdrawing from a South African account, and probably includes some non-remittance transactions. For example, those associated with tourism, although during the COIVD-19 lockdown period it is likely that this category fell away to a large extent.

In FinMark's 2019 research report entitled SADC remittance values and volumes, 2018, several adjustments were made to the data to compensate for these factors, and the interested reader can find more detail there. The data examined below has not been adjusted in this way, but still provides useful insights into recent remittance patterns, not least during the initial severe economic disruptions caused by the COVID-19 pandemic.

Table 2 overleaf shows official remittances flowing into and out of South Africa to the rest of the SADC, as per the SARB dataset. For six countries in the group, namely Eswatini, Lesotho, Malawi, Mozambique, Tanzania and Zimbabwe, remittances flowing out of South Africa in 2021 are many times larger in size than those flowing into South Africa. For the rest of the group, flows and outflows are either similar, or inflows are much higher than outflows.

The data provides detail on the impact of COVID-19 on remitting patterns. A sharp increase of 49%. in total remittance inflows during the first pandemic year of 2020 is immediately noticeable. Even though only 10 months of data are available for 2021, total remittance inflows at that point were already 5% higher than in 2020, suggesting that there was again a material increase in remitting in 2021.

While total remittances increased by 49%, this varies significantly on a country-by-country basis, with Eswatini, Mozambique, Lesotho, Tanzania and Zimbabwe all experiencing increases of 69% or above. In Eswatini's case, the increase is probably associated in part with the introduction of the Shoprite remittance product during 2020, which will be discussed in more depth later in this report.

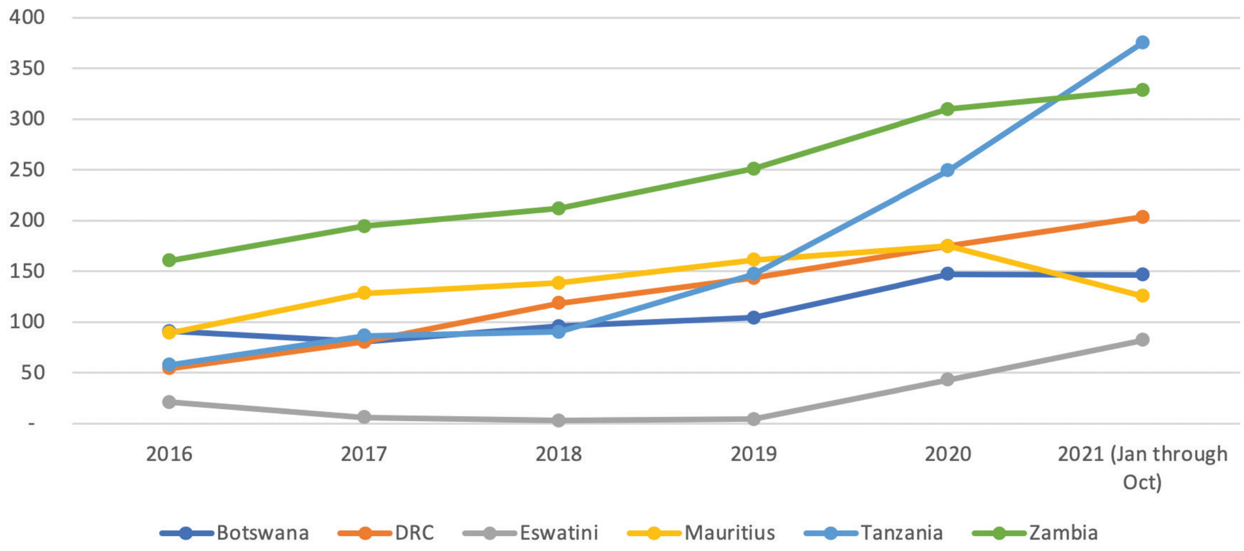
Country	2016		2017		2018		2019		2020		2021 (Jan through Oct)	
	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows	Inflows	Outflows
Angola	155.2	6.2	113.4	4.8	79.9	4.2	81.7	3.7	80.3	3.9	52.6	5.4
Botswana	321.4	90.8	334.0	80.6	349.4	95.7	372.4	104.1	399.3	147.0	332.1	146.5
Comoros	1.8	0.6	2.0	0.8	1.1	0.9	0.8	1.1	0.7	1.1	1.0	1.5
DRC	366.8	54.2	344.4	80.5	376.7	118.4	422.0	143.1	513.7	174.8	388.7	203.4
Eswatini	84.6	21.0	11.7	6.1	14.7	2.9	9.8	4.3	6.9	43.0	3.5	82.0
Lesotho	56.5	121.9	18.3	246.0	6.8	461.2	3.7	592.7	7.6	1 021.0	4.0	968.0
Madagascar	7.2	7.8	5.4	7.1	5.4	7.9	5.6	7.3	3.7	6.9	3.3	6.3
Malawi	29.4	800.3	27.4	1 521.7	30.0	2 275.6	33.8	3 049.0	34.4	3 283.8	27.9	3 202.6
Mauritius	267.5	89.2	287.6	128.3	308.5	138.5	438.4	161.1	322.3	174.7	264.2	125.3
Mozambique	98.1	184.7	68.2	67.7	62.0	144.1	72.1	379.7	80.4	962.0	55.1	949.7
Namibia	34.8	21.7	10.1	23.6	10.2	31.5	7.5	19.3	33.9	20.0	11.9	18.6
Seychelles	30.9	6.1	27.0	7.8	37.9	9.2	30.3	18.4	26.5	7.5	17.2	3.0
Tanzania	94.0	57.7	73.9	86.3	78.0	90.0	82.6	147.0	75.0	249.0	56.7	375.4
Zambia	285.2	160.4	263.9	194.5	257.1	211.8	264.7	251.1	236.9	309.8	203.1	328.6
Zimbabwe	130.2	4 407.5	97.1	4 075.8	104.9	3 173.7	128.2	3 044.3	185.9	5 402.8	249.2	6 008.2
Total	1 963.6	6 029.9	1 684.2	6 531.4	1 722.8	6 765.5	1 953.8	7 926.3	2 007.7	11 807.2	1 670.7	12 424.5

Source: SARB data provided to FinMark Trust, own extrapolations

Table 2: Official remittances to and from -South Africa to the SADC per country, value R million

This sharp increase in official remittances in many markets may, to some extent, be a reflection of the difficulty remitters had in accessing informal remittance methods while borders were closed. However, it is also possible that some proportion of this is simply an increase in income support to those affected by regional lockdowns. In many cases, the remitters themselves will have experienced a reduction in income due to lockdowns, making this increase in outflows more heroic. However, it is also notable that in some countries official remittances decreased over the period, reflecting very different circumstances across the region, as will be discussed in more detail below.

Figure 5 below shows the growth performance of the four largest remittance-receiving countries in the region, each of which received at least R1 billion in remittances in 2020. Together they comprise roughly 90% of official remittances from South Africa. Zimbabwean remittances have been driven by economic and social turmoil and do tend to be fairly volatile, in response to the changing circumstances in that country. They have, however, grown strongly in response to the COVID-19 pandemic. In contrast, Malawian remittances grew only slightly in 2020. Growth in the formalisation of Mozambican and Lesotho remittances, which are two of the success stories of regional remittance markets, remains strong, albeit off a smaller base. On average, these countries achieved an 18% compound annual growth rate (CAGR)[5] for the period 2016 – 2020, or 48%, if only Lesotho, Malawi and Mozambique are considered.



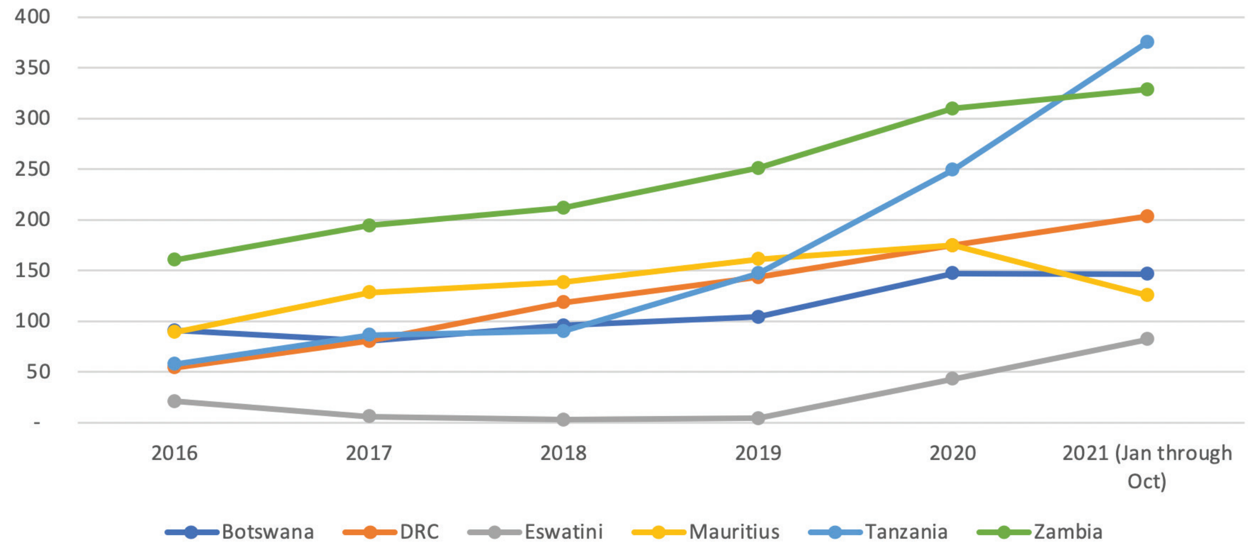
Source: SARB data provided to FinMark Trust, own extrapolations

Figure 5: The largest official regional remittance recipient countries, remittance outflows, Rm

There are six countries in the region which have 'medium' sized remittance markets, doing between R100 and R400 million in official outbound remittances per year[6]. As shown in Figure 3, this comprises Botswana, the DRC, Eswatini, Mauritius, Tanzania and Zambia.

This group of countries is largely experiencing steady growth in official remittances, with an average 23% CAGR for the period. Malawi and Lesotho have fairly recently 'graduated' from this group, with official remittances from South Africa for these countries more than tripling from 2016 – to 2019, and there is potential for more 'graduates' in the next few years. Eswatini is experiencing sharp growth in official remittances, probably likely due to the introduction of the Shoprite remittance product in that market[7].

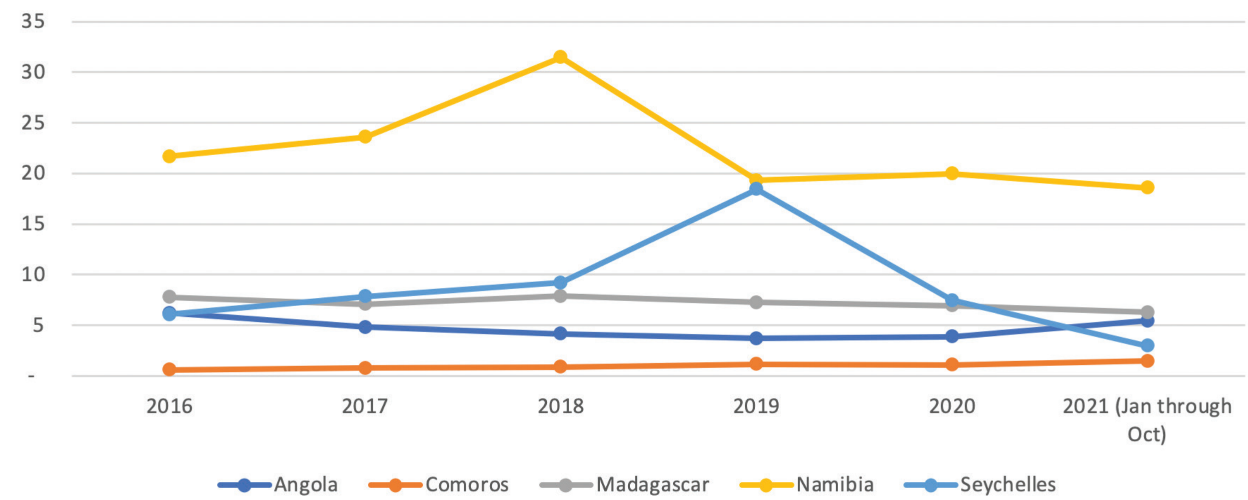
Tanzania is also experiencing strong growth, although it is not clear that the number stock of Tanzanians in South Africa is large enough for this growth to be sustained for long. Conversely, growth in official remittances to Mauritius is fairly flat.



Source: SARB data provided to FinMark Trust, own extrapolations

Figure 6: Mid-sized regional remittance recipient countries, remittance outflows, Rm

Finally, a fairly substantial group of countries do relatively small quantities of foreign exchange remittances, as shown in Figure 7 below. As a whole, these countries have averaged an annual 2% decrease over the period. The reasons for their low volumes and declining growth probably vary substantially. Namibia, as a CMA country, most probably sees significant volumes of remittances not being picked up by the BoP reporting system (see footnote 7 above). For the other countries in this group, namely Angola, Comoros, Madagascar, and Seychelles, the very small size of the official remittance market probably either reflect very small populations of migrants in South Africa and/or barriers to accessing official remittance systems, which may then be associated with higher informal remitting volumes. Some of these markets may thus be left behind regarding the formalisation of remittances.



Source: SARB data provided to FinMark Trust, own extrapolations

Figure 7: Smaller remittance recipient countries, remittance outflows, Rm

Table 3 below shows the 2018 FinMark Trust estimate of the number of SADC migrants in South Africa, and the proportion of remittances estimated to travel informally from South Africa to each country. As can be seen, the four countries with the most migrants in South Africa are also the four countries that today have the largest official remittance flows from South Africa. The next four countries in the group, namely Namibia, Eswatini, the DRC, and Zambia, all have significant numbers of migrants in South Africa, and levels of official remitting were estimated to be particularly low in Eswatini and DRC. This suggests that there is considerable growth potential in these markets.

Country	% remittances estimated to travel informally	Total migrants, 2019 estimate
Zimbabwe	68%	1 680 770
Mozambique	67%	983 078
Lesotho	30%	402 015
Malawi	7%	216 515
Namibia	33%	101 438
eSwatini	69%	90 942
DRC	55%	76 890
Zambia	10%	75 135
Botswana	22%	30 790
Angola	90%	25 890
Tanzania	6%	17 217
Seychelles & Mauritius	2%	7 655
Madagascar & Comoros	1%	885
Total	**52%**	**3 709 220**

Source: Adapted from table 38, FinMark Trust, 2019: SADC remittance values and volumes, 2018.

Table 3: 2018 FinMark estimate of the total migrant population in South Africa and proportion of remittances travelling via informal channels

It is also possible to separate one of the SARB datasets by licensee category, as shown in Table 4. Over time, it is evident that the market share of ADs, typically banks, has fallen quite sharply, from 31% in 2016 to 14% in 2020. The more recent dataset does unfortunately not disaggregate by licence category. The three categories of ADLAs carry the rest of the market, with ADLA category 2 doing the bulk of the business. There has been some significant growth in ADLA category 4 in recent years.

ADs and ADLAs defined

- AD: A person authorised by the Financial Surveillance Department to deal in gold or foreign exchange, for transactions relating to gold and foreign exchange respectively.

- Authorised Dealers In a foreign exchange with limited authority (ADLA): A person authorised by the Financial Surveillance Department to deal in certain foreign exchange transactions. There are three categories of ADLA license:

- ADLA 2 category license: 'Travel-related transactions and certain prescribed single discretionary allowances of R1 million per applicant within the calendar year and money remittance services in partnership with external money transfer operators'

- ADLA 3 category license: 'Independent money transfer operator or value transfer service provider, facilitating transactions not exceeding R5 000 per transaction per day within a limit of R25 000 per applicant per calendar month'

An ADLA 4 category license: 'A combination of the services provided by Category Two and Category Three'[8]

AD Category	2016	2017	2018	2019	2020 (Jan through Sept)
AD	1 867.83	1 693.97	1 291.47	1 221.91	1 106.90
ADLA CAT 2	3 814.08	4 133.12	4 408.37	5 379.02	5 279.30
ADLA CAT 3	347.99	704.36	669.09	71.99	135.47
ADLA CAT 4	-	-	396.59	1 253.41	1 289.38
Total	**6 029.89**	**6 531.45**	**6 765.52**	**7 926.33**	**7 811.04**

Source: adapted from table 38, FinMark Trust, 2019: SADC remittance values and volumes, 2018.

Table 4: Official outbound remittances from South Africa to the SADC by AD category per country, value R million

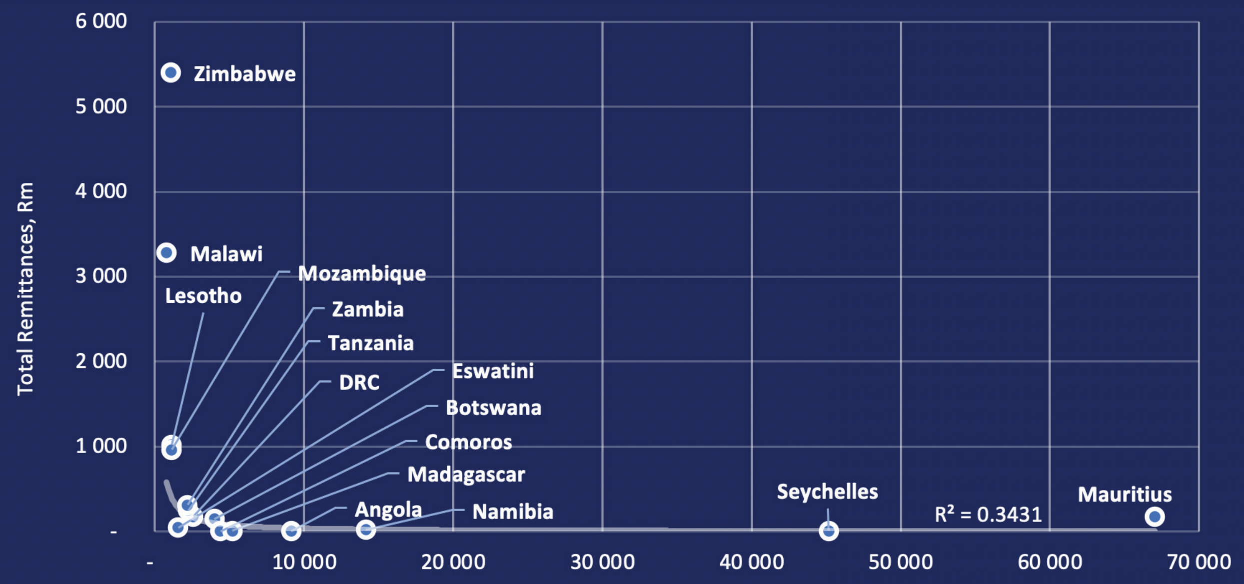
Perhaps unsurprisingly, given the strong growth rates in ADLA markets, countries that are still predominantly served by banks, in other words, by authorised dealers, tend to have smaller official remittance volumes. The four countries in the group with the lowest volume of reported official remittances, namely Comoros, Angola, Madagascar, and Seychelles, have outbound remittance bank market shares of between 82 – 99%. In contrast, the four largest markets; Mozambique, Malawi and Zimbabwe, experience only 1–5% bank market share. The exception is Lesotho, which is one of the largest official remittance markets but is dominated by banking transfers. For recording purposes, this includes Shoprite transactions. This illustrates the material impact that membership of the Common Monetary Area has on the pattern of remittance flows in the region.

The SARB data also includes the number of transactions being completed, which allows analysis of the average size of transactions. This is shown per country in Table 5 below. In most of these markets, the trend over the period has been a decrease in average transaction value, which is consistent with better market access for poorer remitters. This is also consistent with an improvement in financial access for the poor, who are likely to send smaller sums. The particularly large decrease in average transaction size in Eswatini in 2020 is probably a result of the introduction of the Shoprite Money Transfer product in this channel. Notably, Mauritius experienced a decline in total remittances in 2020, as the country in the group with the largest average remittance transaction size.

Country	2016 Avg.	2017 Avg.	2018 Avg.	2019 Avg.	2020 Avg.	2021 Avg.
Angola	25 406	23 540	20 191	14 604	9 121	11 256
Botswana	7 398	5 325	4 993	4 087	3 994	3 479
Comoros	4 017	4 012	4 851	5 226	4 390	3 596
DRC	5 801	4 417	3 385	2 848	2 557	2 436
Eswatini	54 315	19 662	10 322	14 583	1 561	1 526
Lesotho	937	933	942	944	1 128	1 085
Madagascar	7 288	6 214	7 031	5 929	5 177	4 823
Malawi	1 021	989	858	808	787	723
Mauritius	42 215	56 211	59 437	61 833	67 053	54 317
Mozambique	17 546	1 952	1 399	1 184	1 124	968
Namibia	16 882	15 502	15 835	8 357	14 134	13 168
Seychelles	40 992	46 881	55 143	101 350	45 174	20 873
Tanzania	7 532	5 712	4 175	2 980	2 226	2 214
Zambia	3 607	3 433	2 856	2 447	2 174	2 056
Zimbabwe	1 183	1 054	1 063	1 006	1 047	1 086

Source: SARB data provided to FinMark Trust, own extrapolations

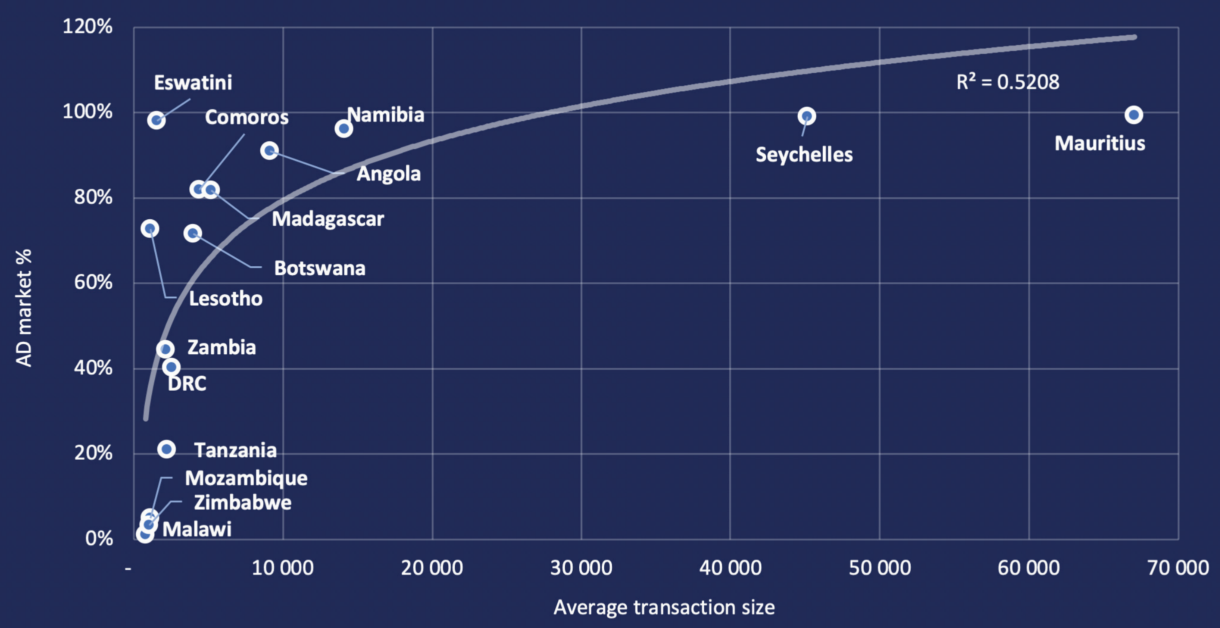
Table 5: Official outbound remittances from South Africa to the SADC per country, average transaction size (Rands)



Source: SARB data provided to FinMark Trust, own extrapolations

Figure 8: Average outbound transaction size versus outbound market size per country, 2020

A similar relationship exists between average transaction size and the proportion of the market served by authorised dealers. As shown in Figure 9 below, the greater the proportion of the market served by ADs, the larger the average transaction size is. This relationship is even clearer if the CMA countries, where ADs are providing cost-effective transactions for smaller transaction sizes, are excluded. For the technically minded reader, the R2 increases from 52–78% if the CMA countries are excluded.



Source: SARB data provided to FinMark Trust, own extrapolations

Figure 9: Average outbound transaction size versus percentage outbound market share of authorised dealers, 2020

Table 6 below separates the average outbound transaction size in the CMA countries versus the non-CMA countries, and for the authorised dealers, banks, versus ADLA licensees. Note that 2020 data is only complete until September and 2021 data is not available at this level of detail. While there is relatively little difference in transaction size between CMA and non-CMA countries as a whole, if authorised dealers are considered separately, a large difference emerges. In the CMA countries, authorised dealers have relatively small average transaction sizes, suggesting that they are/accessible remittance service providers, even for the poor. Outside of the CMA countries, however, AD transaction sizes were around 24% larger in 2016 but rise steeply, reaching levels that are 613% larger by 2020. ADLA transaction sizes, in contrast, are comparable in both regions, start small and decrease over time.

Region	2016	2017	2018	2019	2020
All remittance service providers					
CMA countries	1 249	1 038	1 008	978	1 160
Non-CMA countries	1 276	1 127	1 064	994	1 016
AD only					
CMA countries	1 249	1 085	1 136	1 157	1 364
Non-CMA countries	1 553	1 296	2 036	7 082	9 726
ADLA 2, 3 and 4					
CMA countries	n/a[9]	606	668	670	772
Non-CMA countries	1 189	1 086	986	904	941

Source: SARB data provided to FinMark Trust, own extrapolations

Table 6: Official outbound remittances from South Africa to the SADC CMA vs non-CMA, average transaction size (Rands)

This finding suggests that a substantial change is taking place in the authorised dealer market, the cause of which is unclear. The change is unproblematic if it is caused by a swing by remitters from expensive banking products to less expensive MTO remittance products. Conversely, if it is caused by declining service quality at the banks, or by AML de-risking[10] by banks, it will be problematic.

Table 7 breaks down the average transaction size for authorised dealers, by country and over time. In many of the countries shown, remittance transaction sizes are decreasing over time. However, large increases in transaction size are evident for Comoros, Lesotho, Malawi, Mauritius, and Zimbabwe. In Lesotho and Malawi, competition from MTOs is high and has grown over the period. Thus increase in transaction size is potentially consistent with higher competition from MTOs and may not be problematic. Markets in Comoros and Mauritius are small and volatile and it is probably wise not to over-interpret these findings.

However, Zimbabwe is the largest regional remittance market and has also experienced the largest increase in transaction size for ADs, during a period when competition from MTOs has probably not changed materially. Concern thus remains about what is driving this trend in the Zimbabwean market.

	2016	2017	2018	2019	2020
Angola	29 470	26 718	23 295	18 430	10 296
Botswana	12 400	9 801	10 389	9 192	9 693
Comoros	3 981	4 021	4 767	5 630	5 364
DRC	6 506	6 402	6 989	6 720	6 111
Eswatini	54 587	19 662	11 010	16 168	1 588
Lesotho	937	969	1 048	1 106	1 327
Madagascar	8 769	7 512	7 933	6 761	6 465
Malawi	4 344	20 638	6 447	7 370	7 100
Mauritius	45 798	61 932	64 211	66 819	68 350
Mozambique	23 640	3 384	3 111	4 319	7 314
Namibia	16 906	21 466	31 701	18 487	17 415
Seychelles	41 963	49 399	61 119	115 991	53 263
Tanzania	8 367	9 042	8 465	10 376	9 942
Zambia	9 053	10 291	9 708	9 412	9 915
Zimbabwe	1 089	821	953	3 457	6 639

Source: SARB data provided to FinMark Trust, own extrapolations

Table 7: Authorised dealer average outbound remittance transaction sizes, by country

The BoP data records the gender of remittance senders per transaction as well, as shown in the table below. For countries which have smaller remittance markets, the proportion of remittances sent by either gender varies much more substantially than it does in larger markets like Lesotho or Malawi. It is also notable that there are sustained gender differences between different countries, with the number of remittances sent home by female Malawians, for example, being particularly low, while female migrants send almost half of remittances to Namibia. There is a small increase in the overall proportion of remittances sent by females during the COVID-19 period, but it is not substantial enough to suggest materiality.

	2016	2017	2018	2019	2020	2021	Average
Angola	34%	19%	37%	29%	26%	39%	30%
Botswana	42%	34%	33%	35%	37%	40%	37%
Comoros	28%	17%	11%	12%	17%	24%	18%
DRC	24%	23%	26%	25%	24%	31%	26%
Eswatini	10%	23%	29%	40%	37%	36%	29%
Lesotho	38%	40%	42%	42%	42%	42%	41%
Madagascar	47%	27%	23%	23%	19%	17%	26%
Malawi	13%	14%	14%	15%	15%	17%	14%
Mauritius	46%	31%	30%	49%	46%	52%	42%
Mozambique	24%	21%	17%	14%	20%	53%	25%
Namibia	41%	56%	43%	38%	44%	43%	44%
Seychelles	40%	15%	9%	25%	14%	46%	25%
Tanzania	38%	34%	33%	32%	37%	71%	41%
Zambia	33%	35%	36%	38%	38%	42%	37%
Zimbabwe	32%	32%	30%	31%	34%	37%	32%
Total	30%	28%	25%	25%	28%	34%	28%

Source: SARB data provided to FinMark Trust, own extrapolations

Table 8: Proportion of outbound remittances sent by females, by total transaction value

Since 2019, the SARB has also captured details of the province from which remittances are sent, as reflected in Table 9 below. As can be seen, in some countries this data has not been captured for quite a high proportion of remittances - more than half the remittances sent to Zimbabwe and Malawi, in particular, do not include this information.

The data suggest that the main origin points for cross-border remittances are Gauteng, with almost a quarter of all remittances sent, followed by the Western Cape and KwaZulu-Natal (KZN). This is unsurprising, given that economic activity is concentrated in these provinces. KZN is of particular importance for the island states of Seychelles, Mauritius and Comoros and to a lesser extent, Madagascar. The Western Cape is a key origin point for Namibian, Tanzanian and Madagascan remittances.

	Eastern Cape	Free State	Gauteng	KZN	Limpopo	Mpuma-langa	North West	Northern Cape	Western Cape	Not recorded	Total
Angola	1.4%	0.6%	64.7%	1.0%	0.2%	0.7%	1.4%	0.7%	19.6%	9.6%	100.0%
Botswana	2.5%	2.5%	47.9%	3.8%	3.4%	2.4%	8.0%	1.1%	6.9%	21.5%	100.0%
Comoros	5.2%	0.1%	33.5%	32.0%	4.5%	1.0%	1.4%	0.0%	11.6%	10.8%	100.0%
DRC	3.1%	2.3%	34.0%	12.6%	1.3%	2.5%	3.2%	2.4%	16.1%	22.6%	100.0%
Eswatini	1.7%	2.2%	36.3%	13.9%	2.1%	18.4%	6.9%	0.4%	1.9%	16.3%	100.0%
Lesotho	2.4%	10.0%	28.8%	5.2%	2.6%	2.7%	13.9%	1.5%	3.2%	29.8%	100.0%
Madagascar	9.2%	0.2%	41.6%	10.0%	0.6%	4.4%	0.8%	0.0%	23.6%	9.7%	100.0%
Malawi	1.6%	0.6%	22.7%	6.3%	1.0%	1.9%	1.5%	0.5%	11.3%	52.6%	100.0%
Mauritius	2.2%	1.6%	44.0%	18.7%	0.3%	1.6%	0.3%	1.5%	13.3%	16.4%	100.0%
Mozambique	2.8%	1.2%	18.4%	7.6%	1.9%	7.1%	6.4%	0.5%	12.1%	41.9%	100.0%
Namibia	4.1%	4.9%	33.8%	4.6%	0.5%	2.5%	3.3%	0.6%	30.1%	15.6%	100.0%
Seychelles	0.8%	0.1%	43.6%	35.9%	1.4%	0.0%	0.7%	0.0%	8.2%	9.2%	100.0%
Tanzania	6.7%	1.1%	29.0%	10.2%	1.7%	2.4%	1.2%	0.3%	25.4%	22.1%	100.0%
Zambia	1.7%	1.1%	45.1%	6.5%	4.6%	2.4%	2.1%	0.4%	8.1%	28.1%	100.0%
Zimbabwe	2.0%	0.5%	20.7%	3.6%	3.2%	2.7%	1.8%	0.7%	8.1%	56.9%	100.0%
Total	**2.1%**	**1.4%**	**23.7%**	**5.5%**	**2.3%**	**2.8%**	**3.1%**	**0.7%**	**9.6%**	**48.9%**	**100.0%**

Source: SARB data provided to FinMark Trust, own extrapolations

Table 9: Proportion of outbound remittances per province, and by country destination - 2019–2021 (% of value remitted)

2.2. Regulatory overview

This section provides a review of the key changes to financial sector regulations in South Africa and other SADC countries since 2019. The review draws attention to these regulatory changes to understand their potential impact on the cost of remitting, and their influence on the channel chosen to remit. As South Africa is a major origin country for remittances in the region, its regulatory system is of disproportionate importance to regional remittances and is thus covered in most depth. We begin by reviewing the AML regulatory environment and its impact on remittances.

2.2.1. Anti-money laundering

Anti-money laundering legislation seeks to prevent the flow of funds associated with money laundering activities and terrorist financing. A key aspect of AML is the introduction of increased transparency. With greater information available on the source and destination of funds, it becomes easier to identify illicit transactions. This transparency includes an emphasis on gathering more information on the people sending and receiving money. Such know-your-customer (KYC) regulations are core to AML implementation. Unfortunately, the additional effort required in collecting this data is associated with increased costs for financial institutions and their clients. These costs can be both direct. For example, additional staff time spent on verifying customer identity, and indirect, for example, the inability to complete transactions with an institution that is not AML compliant). These costs are more manageable where the following conditions apply:

- The transaction involved is large, and thus the proportionate increase in transaction costs is relatively small;
- The sender and receiver of funds are well integrated into the formal economy and can easily complete KYC procedures;
- The purpose of the transaction is well documented; for example by an invoice or contract;
- The areas where the money originates from and is heading to are not flagged as high risk for AML. For example, because of political instability or terrorist activity there.

These conditions do often not exist in the remitting environment. Low-income remitters send very small transactions, with money that may be earned informally, and potentially have little way of proving their legal identity or place of residence. Places which are politically unstable or experience terrorist activity are also often places that many people have migrated from, and need to remit home to. How AML is implemented thus has the potential to disrupt official remittance systems materially, pushing remitters into informal products.

This risk is well understood by regulators and in itself poses a risk to the success of AML efforts. Money which flows via informal channels receives no AML oversight. As noted by Genesis Analytics (2021), 'Increasing financial inclusion ... increases the proportion of transactions that are visible to regulators and regulated and supervised for ML/TF [money-laundering/terrorist financing] threats.'[11]

In South Africa, a key regulatory innovation that has attempted to address these issues is the introduction of a risk-based approach to AML, as set out in the Financial Intelligence Centre Amendment Act, 2017. Under the previous rules-based system, regulation and legislation prescribed requirements for AML and KYC that included, for example, onerous documentation requirements for customers, which many migrants struggled to comply with. The new risk-based approach, in contrast, allows each financial institution to design and implement its Risk Management and Compliance Programme (RMCP), to be implemented by April 2019.[12]

Customers are subject to a risk assessment and then, based on that assessment, are subject to enhanced or simplified due diligence procedures. Enhanced due diligence is then required for the following cases:

- politically exposed persons (PEPs);
- prominent influential persons (PIPs);
- correspondent banking;
- money or value transfer services;
- new technologies;
- wire transfers.[13]

Genesis Analytics (2021) points out that the risk-based system has been implemented in different ways by ADs and ADLAs, with ADLAs typically serving lower-risk clients and, 'more explicitly, mak [ing] use of KYC categories that are directly linked to product offerings.' ADLAs use three tiers of KYC categories, with the lowest tier able to remit quite small quantities of money only, and being subject to minimal documentation requirements.

In the stakeholder interviews for this research, representatives of ADs expressed concern about the fairness of competition from ADLAs, given the less restrictive risk-based approach they use. Genesis Analytics (2021) suggest that 'in the migrant market, banks still believe that Immigration regulations prevent them from opening bank accounts for foreigners in the absence of migrant workers including proof of right to work in South Africa.' Clarity from regulators on whether this interpretation of legislation is correct is needed. In practice, ADs reported that they are applying the same level of oversight to even very small transactions. The effect of this on the mystery shopping exercise conducted for this research was material and will be discussed in section 3.3. Interviewees suggested that the cost of the additional KYC requirements on banks was substantial.

These regulatory developments provide an interesting perspective on the SARB data analysed in the previous section. As shown in Tables 9 and 10, the average value of outbound remittances sent via ADs increased sharply, particularly in Zimbabwe. This increase happened roughly in 2019, just as the RMCP programmes had to be fully implemented. No similar change was seen in ADLA transaction sizes. In addition, several politically exposed persons in Zimbabwe are still under sanction by various countries, which possibly changes the way Zimbabwe is treated in AD RMCP programmes.

Zimbabwe, however, is far from being the riskiest AML destination in the region. The Basel AML Index, as shown in Table 10, identifies seven sub-Saharan countries among the ten most risky AML destinations in the world in 2021.

The DRC and Mozambique are near the top of the list, at 2nd and 4th respectively.

Rank	Jurisdiction	Overall Score
2	The Democratic Republic Of The Congo	8.35
4	Mozambique	7.71
6	Madagascar	7.4
7	Mali	7.37
8	Mauritania	7.37
9	Senegal	7.25
10	Uganda	7.18
12	Zimbabwe	6.79
13	Burkina Faso	6.77
14	Ethiopia	6.77
19	Cape Verde	6.49
22	Tanzania	6.22
27	Zambia	6.03
35	Malawi	5.78
50	Mauritius	5.32
53	Seychelles	5.29
69	Ghana	4.88
70	Botswana	4.87

Source: https://index.baselgovernance.org/ranking
Note: Angola and South Africa are not included due to a lack of 4th-round FATF evaluation. In 2020, they ranked 13th and 87th respectively
Rank is out of 141 countries; lower scores denote poor performance.

Table 10: Basel AML Index, 2021 rankings for sub-Saharan Africa

Part of the input into the Basel index is the FATF assessment process, which occurs every few years. As shown in Table 11 below, several countries in the region are either in the process of being assessed or are scheduled to be assessed soon. Discussions with a regional Reserve Bank representative suggest that, as the evaluation process is underway, the pressure on a jurisdiction to strengthen AML requirements may increase. This has certainly been the case for South Africa, which was evaluated in 2021. As of October 2021, FATF gave regulators 18 months to improve their capacity to track and prosecute money laundering activities. If this criterion is not met, the country will be placed on the FATF grey list.

Country	Last evaluation	Possible onsite period	Possible Plenary discussion
Zambia	Aug 2008	Jun 2018	Mar 2019
Tanzania	Dec 2009	Jun 2019	Apr 2021
Mozambique	Sep 2011	Dec 2019	Apr 2021
South Africa	Feb 2009	Nov 2019	Jun 2021
Congo		Jun 2021	Mar 2022
Namibia	Aug 2007	Jun 2021	Apr 2022
Angola	Aug 2012	Jun-Jul 2022	Apr 2023
Comoros	Aug 2010	Sep 2022	May 2023
Lesotho	Aug 2012	Nov 2022	Sep 2023

Source: https://www.fatf-gafi.org/calendar/assessmentcalendar/

Table 11: FATF assessment calendar for the SADC

As we noted in the 2019 report, the impact of being placed on the grey list is potentially material:

> **The impact of AML regulation is felt most severely by countries which are flagged by FATF as high risk. For example, one study found that being added to the FATF grey list reduced the number of payments sent to a country by the rest of the world by 7—10%. Of the twelve countries currently on the grey list, two are from the SADC, Botswana and Zimbabwe.**

The FATF Mutual Evaluation Report issued in October 2021[14] highlights the following concerns specific to the remittance industry:

- On FATF recommendation 10.2, regarding customer due diligence on clients carrying out single transactions, the report notes that in the legislation, 'the concept of a single transaction does not include situations where the transaction is carried out in several operations that appear to be linked'.
- On FATF recommendation 14, regarding licensing of money or value transfer services, concerns are raised regarding the proliferation of informal, unlicensed money transfer systems. The report states that 'the authorities have not demonstrated that they have taken action against unlicensed MVTS, which is an important gap considering the significant informal sector in South Africa'.

In the region as a whole, Zimbabwe remains flagged as a jurisdiction with strategic deficiencies, while Botswana and Mauritius are no longer subject to increased monitoring by FATF.[15]

Internally, the SARB has undertaken several interventions, some in response to FATF findings. On 23 September 2019, the Financial Intelligence Centre (FIC), the National Payments System Department and the Financial Surveillance Department of the SARB issued draft Directive 1 of 2019 and a draft FIC Guidance Note 102. This was done as part of a joint consultation process on the administration of electronic funds transfers following FATF recommendation 16 regarding 'wire transfers'.[16]

This Directive aims to regulate domestic and cross-border electronic transfers in relation to accountable institutions, including banks, that facilitate the sending or receipt of transfers or when acting as a broker. This directive also allows the SARB to review certain transfers and to determine whether they threaten the National Payment System. It obligates accountable institutions to disclose certain information regarding the origin of electronic fund transfers. This directive aims to improve transparency regarding EFTs within the CMA, currently often recorded as domestic transactions. A review of both the FIC website and annual reports suggests that there is ongoing work around this Directive.

As in South Africa, countries in the SADC region have experienced an increase in pressure regarding AML regulatory frameworks. Botswana has undertaken the implementation of the Financial Intelligence Act and Regulations, 2019 and Electronic Payment Services Regulations, 2019. The Financial Intelligence Act and Regulations regulate customer due diligence, verification of information, record keeping, and reporting of suspicious transactions. The Electronic Payment Services Regulations, regulate the licensing of electronic payments, administration of licensees including infrastructure and operations, electronic payment transactions including limits and agents, information, and confidentiality. Mozambique is also implementing interventions to prevent anti-money laundering and counter-terrorist financing measures.

2.2.2. Other regulatory changes

During interviews held for this research, sector stakeholders suggested that their relationship with the SARB remained productive and collaborative, with adequate workshopping of regulatory initiatives. In contrast, many reported that the SADC regulatory environment was challenging and that interactions with regional regulators were excessively formal and characterised by insufficient consultation. Interestingly, this view was held more widely by ADs than by ADLAs.

A range of other regulatory changes has also been implemented in the region, some of which are of relevance to remittance markets. In South Africa, a new capital flow management system is being implemented to modernise and improve the efficiency of the exchange control system. To support this, on 31 July 2020, National Treasury released the draft Taxation Laws Amendment Bill, 2020 for comment. This includes tax proposals linked to the implementation of the new capital flow management system. At this stage, National Treasury has indicated that the changes to the exchange control systems will likely take place in 2022.[17] The new capital flow management framework is intended to: ensure the improved handling of cross-border capital flows; provide a modern, transparent and risk-based approvals framework; strengthen measures to fight illegitimate financial cross-border flows and tax evasion; enhance cross-border reporting requirements; and improve coordination between SARB, FIC, SARS and related law enforcement agencies.[18] Importantly for the study, guidance provided by SARB indicates that very little in respect of cross-border foreign exchange activities will change initially. To this end, there are still several supporting interventions, including the drafting of new regulations, which require further work.

Several countries have undertaken reforms to their payment systems. In the SADC region as a whole, BankServ continues to sponsor work on transactions cleared on an immediate basis (TCIB). TCIB is aimed specifically at low-value, high volume cross-border payments, such as remittances. It is designed to provide interoperability between different types of financial operators, including banks, MTOs and mobile money platforms.[19] Several companies are currently engaged in participating in a TCIB testing phase. The first cross-border transaction on the system, an N$20 payment from Namibia to Zimbabwe, was sent in July 2021 on the Namibian company Virtual Technology Services e-money platform.[20] The TCIB initiative is widely supported by regional regulators.

Eswatini is undertaking reforms to the National Payment System as part of its 2021 – 2025 strategy, which seeks to modernise the payment system. Efforts have also been made to improve interoperability between banks and mobile money operators, to increase the range and number of remittances channels available. They also aim to introduce e-wallets, pre-paid cards and agency banking. In Mauritius, the Bank of Mauritius has issued the National Payment Systems Authorisation and Licensing Regulations 2021, aimed at modernising the national payment system through the development of an appropriate and effective framework for digital modes of payment. Existing operators of clearing or settlement systems, and some service providers, have been required to submit authorisation/licensing applications to the Bank of Mauritius.[21] More generally, the Mauritian government is also strengthening reporting requirements to ensure compliance with the NPS Act and supporting regulations.
As a step towards building a National Payment Switch, the government in Botswana has developed a National Payment System Strategy. This will facilitate all domestic card and electronic payments, including through Automated Teller Machines (ATMs) and point-of-sale, internet banking, proprietary cards, fuel cards, travel cards, mobile and related payments. Botswana is also considering allowing a wide range of Payment Service Providers to offer remittance services, which would facilitate greater competition and hopefully improve access and lower costs. [23]

The Namibian government has made inroads into the implementation of the National Payment System Vision and Strategy 2021 – 2025.[22] Equity Bank of Tanzania has introduced two new remittances services, one of which uses the SADC Integrated Regional Electronic Settlement System (Siress). These efforts are expected to allow for seamless real-time transactions at a lower cost. In Tanzania and Zimbabwe, reforms have been undertaken to foreign exchange markets, which are likely to impact remittance service providers. In Tanzania, the licences of a large number of forex bureaus were suspended in 2019, in what was officially described as an operation to prevent money laundering and currency speculation.[24] Several regulatory changes have also been put in place, the most recent of which is the 2020 introduction by the Bank of Tanzania of a circular to foreign exchange authorised dealers, including the following provisions: [25]

- Foreign exchange transactions above 250 000 USD must be traded within the interbank foreign exchange system at market prevailing rates.
- Banks are prohibited from purchasing foreign exchange from exporters they have no account relationship with. All sales of foreign currency must be made through banks with which exporters have accounts.
- Trading of foreign exchange in retail markets is restricted to prices quoted by banks and exchange bureaus, with all foreign exchange dealers required to be licenced to trade in Tanzania.
- KYC requirements are crucial when undertaking foreign exchange transactions.

In Zimbabwe, the Central Bank has introduced a currency auction, with the intent of increasing the supply of foreign exchange in the country. According to various foreign direct investors, this has made it easier to repatriate funds from Zimbabwe. [26]

2.3. Regulated remittance providers

The total number of remittance service providers operating in South Africa decreased slightly from 46 in 2019 to 44 in 2021, excluding the restricted authorised dealers. Two types of remittance service providers operate in South Africa - ADs and ADLAs. Analysis of SARB circulars suggests that the number of ADs offering foreign exchange and remittance services decreased from 25 in 2019 (SARB, 2019) to 24 in 2021 (SARB, 2021), while the number of ADLA providers has remained constant at 20.

Authorised entities	Quantity
Authorised Dealers (AD)	24
Restricted Authorised Dealers	4
Authorised Dealers with Limited Authority - ADLA Category Two	10
Authorised Dealers with Limited Authority - ADLA Category Three	6
Authorised Dealers with Limited Authority - ADLA Category Four	4
	48

Source: SARB circulars

Table 12: AD and ADLA licensee volumes, 2021

Discussions with market participants suggest that several changes and innovations are being pursued in efforts to expand remittance services in the region.

FNB MoneyGram: While FNB continues to be a service representative (agent) for MoneyGram, it has expanded its service offering to allow users to complete their end-to-end MoneyGram transfer transactions on the FNB app, thereby removing the need for the consumer to physically visit an FNB branch or ATM. Using this online platform also reduces the transaction cost to FNB account holders, with FNB offering a 15% discount on MoneyGram fees when using the FNB App including the direct to bank account option. Loyalty programmes have also been linked to remittance services, allowing users to earn points for international money transfers.

KYC and FICA Requirements: as has already been discussed, several ADLAs have adopted a risk-based RMCP approach, with three tiers of KYC linked to customer daily and monthly limits. Lite accounts typically require just a photo identity document, mid-level accounts a proof of residence, and full accounts proof of income. Banks, and associated MTOs like MoneyGram and Western Union, currently still require full FICA, possibly due to a different interpretation of the legal requirements around immigration law (see discussion in section 2.2.1).

Payout methods and reflection time: ADLA MTOs continue to refine the payout options offered to users of their services. While the 2019 study detailed the introduction of mobile wallet transfers as a means of increasing reach and reducing transaction costs, two additional forms of payout are being introduced in select corridors:

- Cash transfers for groceries where monies are sent to a retail store in the recipient country to pay for groceries to be collected by the recipient. This differs from the Kawena product, which is the collection of goods paid for in South Africa and the Malaicha product, which sees goods bought in South Africa and transferred physically across the border.

- Airtime top-up, where monies are sent directly to the recipient's mobile to top up their pre-paid plan. The extent to which this option is available in SADC countries is unclear.

Furthermore, reflection times continue to be a core area of focus for MTOs who strive to provide 'fast', 'quick' or 'rapid' service. Monies typically reflect immediately, or in up to a maximum of 24 hours where cash-out partners do not have the technology to reflect real-time payments.

Transparency: ADLA MTOs all provide a platform to view transaction costs and foreign exchange rates online or via a binding quote, either by simply entering the destination country, the amount to be sent and the payout method. The only fee not immediately evident to the user is the foreign exchange margin, which must be estimated in comparison with the open-market mid-market rate. In contrast, ADs only provide binding quotes to clients who already have a bank account, and have already entered all the details of the transaction, as the last stage before a transaction is completed, although this is not provided in all cases. More detail on the experience of this in the mystery shopping is provided in section 3.3.

Innovation in Africa: While the focus of the research was on remittances from South Africa to the rest of the SADC region, recognition should also be given to increasing investment and innovation within the region itself. For example, in the DRC, the UK-headquartered telecom group Africell has confirmed plans to double its existing mobile telecommunications network in the country. This will allow Afri-Money, Africell's mobile money arm, to expand its PayGo services as well as enhancing integration with banks and other bill payment providers. In Tanzania, Irish fintech, MTO Pipit Global has partnered with Cellulant to provide remittance services to Nigeria, Kenya, Uganda, Tanzania, Mali, Senegal, and Ghana.[27]

In Zimbabwe, the drive to promote financial inclusion as part of its National Development Strategy (2025) has resulted in several new service providers and platforms. For example, the National Building Society has launched NBS Instant Cash, a local remittances product that allows for both banked and non-banked customers to send forex locally. NBS Instant Cash is being targeted at marginalised groups with an estimated cost of as little as USD10 per transaction.[28] Steward Bank has also launched 'StewardRemit', a USD domestic remittance service, which allows for real-time money transfers across Zimbabwe, for both account and non-account holders.[29] More recently, EcoCash, the largest mobile money platform in Zimbabwe, has broadened its range of target markets to include banked, unbanked and underbanked customer services.[30] ZimPost, the country's leading postal service provider, has also recently launched a digital mobile money service, allowing users to send multiple currencies, with delivery notifications within a day.

Finally, Cellulant Zambia has introduced a business-to-consumer digital payment platform, Tingg. This payment platform is expected to drive efficiencies for local businesses, many of which are currently using multiple platforms to receive and settle payments. Tingg also has the potential to facilitate money transfers.

3. 2021 Market outcomes

3.1. Methodology

The primary purpose of the 2021 market outcome assessment was to gain an understanding of remittance prices in the region. As a secondary objective, the research sought to understand the quality of service available, primarily in terms of the speed with which transactions could be completed and the transparency of the fee structure. As in previous FinMark studies, the transaction sizes for which pricing was assessed were USD200 and USD55. The USD200 transaction size allows comparison with the World Bank remittance price database, while the smaller USD55 transaction size is more directly relevant to SADC operating conditions'. USD55 at current exchange rates is approximately ZAR860 which, as shown in Table 9, is roughly equivalent to average ADLA transaction sizes in the region.

The pricing comparison assumes that remittance prices include both a direct transaction fee and an exchange rate margin. Calculation of exchange rate margins is an inexact process, not least because when transactions take days to clear, it may not be possible to determine exactly what the reference rate should be. FinMark's 2016 Cross-border remittances research summarises the issues involved as follows:

> *While fees are usually transparent, true exchange rate margins are not; there is no disclosure of the rate at which the currency was purchased by the provider and no information to determine the basis used by providers to mark up the currency. Providers have various practices in this regard; some peg the currency at a fixed rate throughout a specified trading period, while others allow the rate to vary in line with the prevailing exchange rate, irrespective of what they paid for the currency. While this report has used the spot rate as quoted by Google as the basis on which to calculate margin, in reality, MTOs themselves receive the currency already marked up by Authorised Dealers and are, therefore, unlikely to be able to purchase currency at the base rate. Therefore, the margins as calculated are notional rather than real.'*[31]

Much of the research used a desktop-based approach to answer the research questions. In particular, many of the MTOs operating in the sector allow the consumer to easily pull down binding quotes from their websites without completing a transaction. In some cases, it was also necessary to create an account with the operator to obtain binding quotes but this information could again be gathered without completing a transaction. Quotes were obtained for both USD200 and USD55 transactions, or the nearest comparable amount allowed by that specific system.

For several reasons, however, it was necessary to complete real transactions to get an idea of what remittance fees in the banking sector are. In part because the sender and the recipient hold accounts with the banks concerned, which allows there to be a gap between the transaction itself and the charging of fees. In contrast, the MTO business model typically allows consumers to make once-off transactions, and the MTO typically holds no store of value for the sender or recipient. The MTO fee thus has to be charged up front, because there is no way of calling the customer back after the transaction to ask for more money. In the banking remittance market, fees can be charged against sender or beneficiary accounts well after the transaction date. Correspondence with one bank representative indicated that foreign beneficiary banks had a full 12 months to claim their charges from a remittance transaction.

In addition, we found that the banks surveyed did not in practice provide binding quotes on all of the transactions completed. It was not clear why binding quotes were provided on some transactions but not on others. Without a binding quote, it was not possible to determine the exchange rate being offered, and thus the exchange rate margin being charged.

Finally, on the banking transactions, there was no guarantee that the fee quoted by the sending bank would be the full fee. In all completed transactions, we specified that all fees should be charged to the sender's account. Despite this, one recipient, Madagascar, reported that they were charged additional fees for their account. On several transactions additional fees that had not been disclosed upfront, were also charged to the sender. In fairness, if the recipient institution does not communicate its fees to the sending institution, there is little the sending institution can do to notify the sender of the full charge. The following provides more detail on the research method used per remittance sending institution:

Standard Bank: Ten transactions were made on the Standard Bank account of a team member, one in late December 2021, but otherwise in early February 2022 with the sample of countries limited by the ability of the team to source needed bank account details for recipients. The transaction size was ZAR200 or USD15, for USD denominated recipient accounts. For all transactions, the sender explicitly specified that all fees should be for the sender's account. One transaction failed and was not included in the dataset.

FNB: Twelve transactions were made on the FNB account of a team member, all in late December 2021. The sample of countries was limited by the ability of the team to source required bank account details for recipients. Two of the transactions failed and were subsequently excluded from the sample. The transaction size was ZAR200, or USD15, for USD denominated recipient accounts. For all transactions, the sender explicitly specified that all fees should be for the sender's account.

Sikhona: To use this service, the researcher had to create a Sikhona account, with the registration and approval process taking approximately 24 days. Binding online quotes were then obtained on the app and, as such, no transactions were completed. Thirty two quotes were obtained for transaction sizes of USD55 and USD200, equivalent in ZAR, for all 11 SADC countries serviced by Sikhona and across all payout options; cash, bank and mobile money. This was done in early January 2022.

Mukuru: To use the service, the researcher had to create a Mukuru account, with the associated registration and approval process taking approximately 36 hours. Mukuru calls remitters to verify their details before any transactions can be completed on the platform. Sixteen binding online quotes were then obtained on the app for the eight SADC countries served by Mukuru.

These were for transaction sizes of USD55 and USD200, equivalent in ZAR, across all payout options. This was done in early January 2022. In addition, five real transactions were completed in early February 2022. The researcher was only registered for FICA Lite and was thus limited to a spending limit of R2 000, including all fees, which affected the number of transactions that could be completed. Actual transactions were completed to test the speed of remittances and the validity of the binding quotes.

World Remit: To use this service, a World Remit account was opened and the associated registration and approval process took approximately 36 hours. Binding online quotes were then obtained on the app so no transactions had to be completed. Thirty-eight quotes were obtained for transaction sizes of USD55 and USD200, equivalent in ZAR, for all nine SADC countries serviced by World Remit and across all payout options. Quotes were obtained in December 2021 and January 2022.

Shoprite Money Transfer: This product is only available for Lesotho and Eswatini and is a cash only service. Prices were not available online, so an in-person visit was made to a local Shoprite to obtain quotes in late January 2022. The teller verbally confirmed the pricing structure; no written price list was available. In early February 2022, actual transactions to Lesotho and Eswatini were undertaken to confirm the speed of transactions.

Shoprite SuperSwift: To use the service, researchers had to create a SuperSwift account, with registration and approval taking approximately 48 hours. Binding online quotes were then obtained on the app, so no transactions had to be completed. Eleven quotes were obtained for transaction sizes of USD55 and USD200, equivalent in ZAR, for all seven SADC countries serviced by SuperSwift and across all payout options; cash, bank and mobile money.

Hello-Paisa: To access the Hello-Paisa remittance services, a Hello-Paisa account was opened, with registration and approval being instant, allowing the user to begin using the service immediately. Binding online quotes could then be obtained on the app, so no transactions had to be completed. Thirty-five quotes were obtained for transaction sizes of USD55 and USD200, equivalent in ZAR, for all ten SADC countries serviced by Hello-Paisa and across all payout options; cash, bank and mobile money, in the period December 2021 — January 2022. To test the speed of remittances and the accuracy of the quotes, five actual Hello Paisa transactions were also completed in early February 2022. Interestingly, the researcher was only able to conduct five transactions before the account was locked. Queries to Hello Paisa revealed that all users, irrespective of FICA level or size of the remittance, are limited to five transactions in a calendar month. This limitation to the product is not explained as part of the product terms and conditions or FAQs. Those focus only on the spend limit, not on the number of transactions that can be completed.

Mama Money: To access the Mama Money remittance services, an account was opened on the Mama Money mobile application, with account approval taking 48 hours to complete. Binding online quotes were then obtained on the app so no transactions had to be completed. Eighteen quotes were obtained for transaction sizes of USD55 and USD200, equivalent in ZAR, for all seven SADC countries serviced by Mama Money and across all payout options offered; cash, bank and mobile money. Quotes were obtained in December 2021 and January 2022. To complete the actual transactions, we relied on the invaluable assistance of a network of associates located in the SADC. They were prepared to share bank account details and to receive a transaction. Their assistance is greatly appreciated.

Each recipient was sent a small sum, USD15 or ZAR200 for AD transactions and the minimum value allowed for ADLA transactions. Transactions were undertaken in December 2021 and February 2022. The intention was to use the exchange rate generated on this transaction as the indicative exchange rate and then calculate fees for different transaction sizes based on list pricing from the various institutions. After the first round of transactions in December 2021, there was some concern that exchange rates, in particular, were being affected by the Christmas season. Further transactions were thus undertaken in early 2022.

Findings remained consistent, which suggested that seasonality did not play a material role in the pricing sample outcomes.

	Banks		ADLA 2		ADLA 3			ADLA 4		Sample size	
	FNB	Standard Bank	Sikhona	Mukuru	World Remit	Shoprite	Super Swift	Mama Money	Hello Paisa	Target	Actual *
Angola	No recipient								✓	6	3
Botswana	✓	✓	✓	✓	✓		✓	✓	✓	7	17
Comoros	No recipient		✓							1	3
DRC	✓	✓	✓	✓	✓			✓	✓	5	21
Eswatini	✓	✓		✓		✓				3	5
Lesotho	✓	✓		✓		✓			✓	6	9
Madagascar	✓	✓	✓		✓		✓			1	7
Malawi	✓	✓	✓	✓	✓		✓	✓	✓	7	26
Mauritius	No recipient		✓						✓	1	5
Mozambique	✓	✓	✓	✓	✓		✓	✓	✓	7	20
Namibia	✓	✓			✓					3	4
Seychelles	✓		✓							1	3
Tanzania	✓		✓		✓		✓	✓	✓	6	20
Zambia	✓	✓	✓	✓	✓		✓	✓	✓	7	19
Zimbabwe		✓	✓	✓	✓		✓	✓	✓	7	21
Grand Total										68	183

Source: Own research

** Binding quotes included in actuals (validity was tested for Mukuru and Hello Paisa, where no discrepancies were found between the quotes and actual transactions).*

Table 13: Mystery shopping planning

3.2. Pricing outcomes

Detailed results of the mystery shopping exercise follow. The results are disaggregated into exchange rate margins and direct fees and, at each point, we also try to distinguish between CMA and non-CMA countries and ADLA and AD transaction fee structures.

Where multiple prices have been collected for specific service providers for a single country, please note that these price points have been averaged.

3.2.1. Findings- exchange rate margins

Exchange rate margins are a component of remittance costs only applicable to non-CMA countries, as the Namibian, Lesotho and Eswatini currencies are all part of the same currency union. The CMA countries are thus omitted from this analysis. Please also note that, as discussed above, these exchange rate fees are estimates and, due to several factors, will not be precise reflections of the actual exchange rate margins netted by the remittance service providers shown.

The results of the data collection exercise are shown in Table 14, by service provider and by country, with the 2019 results reflected in the last row of the table for comparison purposes. Standard Bank and Sikhona were not sampled in

2019. As can be seen for the sample as a whole, unweighted average exchange rate margins are slightly lower than they were in 2019; 2.3% as compared with 2.7% in 2019. Shoprite's exchange rate margins have declined substantially, from 5.1% on average in 2019 to negative 0.04% in 2021. However, the Shoprite division sampled in 2019 is not the same as the entity sampled in this study. This division has only been in operation since 2021, see Annexure A. It seems probable that the exchange rate margin change reflects this change in the operating model.

Sikhona's margins are the highest of the group, followed by Mama Money. The Comoros exchange rate margin was the largest of the group, albeit based on only one service provider. Mauritius followed, with only two service providers.

	FNB	Hello-Paisa	Mama Money	Mukuru	Shoprite Super Swift	Sikhona	Standard Bank	World Remit	Unweighted average
Angola		1.5%							1.5%
Botswana	3.0%	4.4%	2.7%	1.4%	-0.7%	6.2%	6.8%	1.7%	***3.6%***
Comoros						5.3%			5.3%
DRC	1.8%	4.0%	2.2%	1.3%		2.0%	1.0%	2.0%	2.4%
Eswatini	0.0%			0.0%			0.0%		0.0%
Lesotho	0.0%	0.0%		0.0%			0.0%		0.0%
Madagascar	2.1%				-1.0%	6.7%	1.0%	1.8%	***2.7%***
Malawi	3.8%	-4.9%	5.0%	-0.4%	-0.5%	5.8%	1.0%	3.1%	***1.3%***
Mauritius		2.8%				7.8%			4.8%
Mozambique	2.5%	1.4%	3.7%	5.2%	1.1%	5.6%		1.7%	***2.8%***
Namibia	0.0%						0.0%	1.5%	***0.8%***
Seychelles	1.9%					-2.0%			-0.7%
Tanzania	1.8%	4.5%	5.4%		0.2%	5.2%		2.2%	***3.5%***
Zambia		2.3%	4.7%	1.3%	0.1%	4.8%	1.4%	1.8%	***2.7%***
Zimbabwe		-2.7%	1.9%	0.2%	0.2%	3.2%	1.3%	3.2%	***1.4%***
Unweighted average	**1.7%**	**1.4%**	**3.8%**	**1.2%**	**-0.04%**	**4.6%**	**1.4%**	**2.3%**	***2.3%***
2019 results	**1.8%**	**2.7%**	**3.5%**	**2.2%**	**5.1%**	**n/a**	**n/a**	**1.5%**	***2.7%***

Source: Mystery shopping exercise, FinMark 2019, own extrapolation

Note: rates shown are average across all transactions undertaken for each service provider, regardless of size of the transaction

Table 14: Exchange rate margins

It is also noticeable that, for some providers in some countries, exchange rate margins are negative. Interestingly, negative exchange rates are also shown in the World Bank remittance price database for some of these countries and providers. We were not able to determine the reason for this exchange rate anomaly.

3.2.2. Findings- direct transaction fees

Direct transaction costs can include a flat fee per transaction as well as fees that vary with the value of the transaction. Many institutions include both fee types. For example, the FNB online fee for sending money outside the CMA is 0.55% of the transaction value, with a minimum of R295 and a maximum of R550. Many institutions in the region now also charge a fee for receiving an international transaction. Again using FNB as an example, the institution charges a 0.55% commission to receive money, with a minimum fee of R195 and a maximum of R450.

For the purposes of the mystery shopping exercise, all the fees for a single transaction have been grouped together. Thus, in Table 18 overleaf, the FNB and Standard Bank columns show the total fee for each transaction sent from those accounts, even where some portion of that fee is charged by a different institution. The breakdown of the origins of those fees is provided in section 3.3. In addition, where the institution offers different payout options, for example, cash or mobile wallet, the average fee across those payout options is shown.

As shown in Table 15, for a transaction size of approximately USD55, there is little change in transaction fees on a per provider basis, compared with the 2019 sample. The two exceptions to this are Shoprite Money Transfer, which has moved up from 2.4% to 2.9%, and Shoprite SuperSwift. It has implemented direct fees of 6.2%, which were not used by the previous Shoprite operating model.

The unweighted average for the group increases sharply, from 7.7% to 10.7%, driven by both the increases at Shoprite and because of the inclusion of Standard Bank in the sample. Outside of the CMA, the two banks are the most expensive service providers by a substantial margin. Both banks charge no transaction fees for transactions inside the CMA so, for these three countries, bank transaction costs are zero. Excluding the banks and Sikhona, which were not present in the 2019 sample, the change in unweighted average direct fees is less marked, moving from 4.7% of transaction value in 2019 to 5.9% in 2021 for USD55.

For USD200 transactions, the unweighted average direct fee again increased, from 4.6% to 5.1%. With the banks and Sikhona excluded from the sample, a fairly large increase from 4.0% in 2019 to 4.9% in 2021 is evident. This is driven by the increases at Shoprite SuperSwift and FNB.

	FNB	Hello-Paisa	Mama Money	Mukuru	Shoprite Money Transfers	Shoprite SuperSwift	Sikhona	Standard Bank	World Remit	Unweighted average
					USD55					
Angola		11.5%								**11.5%**
Botswana	33.8%	5.0%	5.1%	11.1%		8.1%	6.5%	51.6%	3.5%	**15.6%**
Comoros							6.5%			**6.5%**
DRC	40.2%	11.6%	5.1%	5.8%			6.6%	30.4%	5.0%	**15.0%**
Eswatini	0.0%			10.0%	2.9%			0.0%		**3.2%**
Lesotho	0.0%	5.0%		10.2%	2.9%			0.0%		**3.6%**
Madagascar	44.0%					5.8%	6.4%	45.2%	5.0%	**21.3%**
Malawi	78.8%	10.0%	5.0%	10.1%		5.3%	1.9%	34.9%	3.5%	**18.7%**
Mauritius		11.5%					6.4%			**8.9%**
Mozambique	33.7%	3.0%	5.0%	3.0%		6.4%	2.3%		3.5%	**8.1%**
Namibia	0.0%							0.0%	5.0%	**1.7%**
Seychelles	33.1%						6.7%			**19.9%**
Tanzania	33.3%	5.0%	5.0%			7.5%	6.6%		5.0%	**10.4%**
Zambia		11.5%	5.0%	10.1%		6.4%	6.6%	35.0%	3.5%	**11.2%**
Zimbabwe		10.0%	5.0%	10.0%		4.7%	3.3%	34.5%	2.6%	**10.0%**
Unweighted average	**29.7%**	**8.2%**	**5.0%**	**8.8%**	**2.9%**	**6.2%**	**5.5%**	**25.7%**	**4.0%**	**10.7%**
2019 results	**25.3%**	**7.9%**	**5.1%**	**8.8%**	**2.4%**	**0%**	**n/a**	**n/a**	**4.2%**	**7.7%**
					USD200					
Angola		3.2%								**3.2%**
Botswana	9.3%	5.0%	5.0%	9.5%		8.1%	1.8%	14.2%	3.5%	**7.1%**
Comoros							1.8%			**1.8%**
DRC	11.1%	3.2%	5.0%	6.0%			1.8%	8.4%	5.0%	**5.8%**
Eswatini	0.0%			10.0%	0.8%			0.0%		**2.7%**
Lesotho	0.0%	5.0%		10.0%	0.8%			0.0%		**3.2%**
Madagascar	12.1%					5.8%	1.8%	12.4%	5.0%	**7.4%**
Malawi	21.7%	10.0%	5.0%	10.0%		5.3%	0.5%	9.6%	3.5%	**8.2%**
Mauritius		3.2%					1.8%			**2.5%**
Mozambique	9.3%	3.0%	5.0%	2.9%		6.4%	2.3%		3.5%	**4.6%**
Namibia	0.0%							0.0%	5.0%	**1.7%**
Seychelles	9.1%						1.8%			**5.5%**
Tanzania	9.1%	5.0%	2.7%			7.5%	1.8%		5.0%	**5.2%**
Zambia		3.2%	5.0%	10.0%		6.4%	1.8%	9.6%	3.5%	**5.6%**
Zimbabwe		10.0%	5.0%	9.9%		4.7%	0.9%	9.5%	2.4%	**6.1%**
Unweighted average	**8.2%**	**5.1%**	**4.6%**	**8.6%**	**0.8%**	**6.2%**	**1.6%**	**7.1%**	**4.0%**	**5.1%**
2019 results	**6.9%**	**5.3%**	**5.0%**	**8.7%**	**0.6%**	**0%**	**n/a**	**n/a**	**4.2%**	**4.6%**

Source: Mystery shopping exercise, FinMark 2019, own extrapolation

Table 15: Direct fees

3.2.3. Findings - total remittance costs

As has been illustrated in the table above, remittance prices vary substantially by service provider. As discussed in Box 1, simple unweighted averages are unsatisfactory because they do not reflect the fact that the majority of remitters are likely to be trying to select remittance channels that are the most cost-effective for their transaction profile. Without volume weighting, therefore, average remittance prices will tend to be overstated.

As in 2019, prices were weighted by the proportion of remittances, by value remitted, sent by licence type in each country. So if authorised dealers sent only 5% of the value remitted in that country, the AD price was only 5% of the weighted price. These weights, for the nine months from January— to September 2020, the most recent period for which licensee data was available, are shown in Table 16 below.

	AD	ADLA CAT 2	ADLA CAT 3	ADLA CAT 4	Total
Angola	91.0%	8.3%	0.5%	0.2%	100%
Botswana	71.6%	25.1%	1.4%	1.9%	100%
Comoros	82.0%	18.0%	0.0%	0.0%	100%
DRC	40.2%	40.4%	1.7%	17.7%	100%
Eswatini *	49.0%	2.0%	49.0%	0.0%	100%
Lesotho *	36.4%	27.2%	36.5%	0.00003%	100%
Madagascar	81.7%	14.8%	3.5%	0.0%	100%
Malawi	1.1%	78.1%	0.1%	20.8%	100%
Mauritius	99.3%	0.7%	0.1%	0.0%	100%
Mozambique	4.9%	25.1%	0.6%	69.4%	100%
Namibia	96.1%	2.4%	1.5%	0.0%	100%
Seychelles	99.0%	1.0%	0.0%	0.0%	100%
Tanzania	21.0%	8.0%	4.2%	66.9%	100%
Zambia	44.3%	48.2%	2.4%	5.0%	100%
Zimbabwe	3.2%	86.0%	3.2%	7.6%	100%
Total	**10.6%**	**67.6%**	**5.3%**	**16.5%**	**100%**

Source: SARB data provided to FinMark Trust, own extrapolations

* Eswatini and Lesotho weightings have been manually adjusted, as discussed in the text

Table 16: Proportion of remittance outflows per licence type, January to September 2020

It should be noted that the weightings for Eswatini and Lesotho have been adjusted. While Shoprite has an ADLA 3 licence for the SuperSwift product, Shoprite Money Transfer transactions in Lesotho and Eswatini are conducted via Standard Bank's AD licence. Shoprite does an appreciable volume of transactions in these countries.
To ensure that the weighted price for these countries reflects the importance of Shoprite, while maintaining the commercial confidentiality of Shoprite's true volumes, half of AD volumes have been attributed to ADLA category 3 for Lesotho and Eswatini.
The weighting methodology requires that the pricing data be grouped by the licence category of the service provider before weighting can be undertaken. This grouping is as follows:

- Authorised dealer: FNB and Standard Bank
- ADLA category 2: Mukuru and Sikhona
- ADLA category 3: World Remit and Shoprite
- ADLA category 4: Hello Paisa and Mama Money

In each category, a simple average price was used. Here again the commercial confidentiality of each operator needs to be protected regarding actual volumes achieved. Because no pricing estimate was derived for ADs in Angola, Comoros and Mauritius, no weighted average price could be produced for these countries so they are not included in the calculated regional average prices. A price could, however, be calculated for Seychelles, which was not the case in 2019. This simple average by licence type was then weighted by the weightings in Table 16, with the results on a per country basis shown in Table 17 below.

As can be observed, the CMA countries have much lower average prices than the rest of the region, driven principally by the fact that AD prices, which are the highest of the samples in the rest of the SADC, are extremely low in the CMA. Remittance prices to Botswana and Madagascar were the highest in the group in both 2019 and 2021, and have increased over the period.

The average weighted price of remittances to Mozambique, for the smaller US55 transaction in particular, has decreased sharply. Zimbabwean prices have also trended down materially for both transaction sizes.

	AD	ADLA 2	ADLA 3	ADLA 4	Weighted price, 2021	Weighted price, 2019
USD55 transaction size						
Angola				12.9%		
Botswana	47.6%	12.6%	5.2%	8.6%	*37.4%*	*30.80%*
Comoros		11.8%				
DRC	36.7%	8.2%	7.0%	11.4%	*20.2%*	*21.10%*
Eswatini	0.0%	10.0%	2.9%		1.6%	1.00%
Lesotho	0.0%	10.2%	2.9%	5.0%	*3.8%*	*2.70%*
Madagascar	46.1%	13.1%	6.8%		39.9%	28.90%
Malawi	59.2%	8.7%	6.5%	7.6%	*9.0%*	*9.80%*
Mauritius		14.2%		14.3%		
Mozambique	36.2%	8.1%	5.2%	6.6%	*8.4%*	*20.40%*
Namibia	0.0%		6.5%		0.1%	1.50%
Seychelles	34.9%	4.7%			34.6%	
Tanzania	35.1%	11.7%	7.2%	9.9%	*15.3%*	*19.00%*
Zambia	36.4%	11.4%	5.3%	11.8%	*22.3%*	*24.50%*
Zimbabwe	35.9%	8.5%	5.8%	7.2%	*9.2%*	*13.10%*
USD200 transaction size						
Angola				4.6%		
Botswana	16.6%	9.4%	5.2%	8.5%	*14.5%*	*11.80%*
Comoros		7.1%				
DRC	11.1%	5.2%	7.0%	7.2%	*7.9%*	*9.10%*
Eswatini	0.0%	10.0%	0.8%		0.6%	0.30%
Lesotho	0.0%	10.0%	0.8%	5.0%	*3.0%*	*2.10%*
Madagascar	13.8%	8.4%	6.8%		12.8%	8.50%
Malawi	18.0%	8.0%	6.7%	7.6%	*8.0%*	*9.30%*
Mauritius		9.5%		6.0%		
Mozambique	11.8%	8.0%	5.2%	6.6%	*7.2%*	*11.50%*
Namibia	0.0%		6.5%		0.1%	0.80%
Seychelles	11.0%	-0.1%			10.9%	
Tanzania	11.0%	7.0%	7.2%	8.8%	*9.0%*	*7.30%*
Zambia	11.0%	9.0%	5.3%	7.6%	*9.7%*	*11.30%*
Zimbabwe	10.8%	7.0%	5.6%	7.1%	*7.1%*	*10.30%*

Source: Mystery shopping exercise, FinMark 2019, own extrapolation

Table 17: Remittance prices per licence category, and weighted remittance price per country

Table 18 below shows the regional averages, first as simple arithmetic averages of each country per region, and then weighted by the relative size of the countries included,[32] based on SARB data on 2020 outflows to each country. Using both calculation methods, average prices in the SADC region fall. As expected, the price decrease is much larger when weighted for the size of the official remittance market in each country; this reflects the fact that countries with well-developed, large official remittance markets tend to have lower prices. The four countries in the region with the largest official remittance volumes, namely Lesotho, Malawi, Mozambique, and Zimbabwe, are summarised in the 'LMMZ' line of the table. Remittances prices in LMMZ are well below the regional average and have continued to decrease over the period.

The summary also highlights the significantly better performance of the CMA countries regarding the affordability of official remittances. Unlike the rest of the region, prices in the CMA are below the UN's 5% of transaction value sustainable development goal objective, even at a transaction size of USD55. Unfortunately, however, while the high prices in the rest of the SADC have decreased over the period, CMA prices have edged upwards. Lesotho comprises 95% of CMA volumes and thus the principal cause of this increase is the increase in average prices in Lesotho over the period.

	USD55		USD200	
	2021	2019	2021	2019
Average prices				
SADC total	15.2%	15.7%	7.3%	7.5%
SADC total, excluding CMA	20.2%	21.0%	9.5%	9.9%
CMA only	1.8%	1.7%	1.2%	1.1%
LMMZ	7.6%	11.5%	6.3%	8.3%
Average prices, weighted by country size				
SADC total	9.6%	12.2%	7.2%	9.4%
SADC total, excluding CMA	10.2%	13.0%	7.6%	9.9%
CMA only	2.9%	2.6%	2.9%	2.0%
LMMZ	8.5%	11.2%	7.0%	9.3%

Source: Mystery shopping exercise, FinMark 2019, own extrapolation

Table 18: Regional average prices 2021, weighted and unweighted

The World Bank's RPW database produces several remittance price estimates for South Africa, and it is instructive to compare them to the estimates produced in this exercise. In the RPW quarterly reports, the South African prices reported are the costs of sending money to and from South Africa. The first data point, the cost of sending to South Africa, comprised remittances sent from the United States and the United Kingdom, and the price in 2021 Q4 was 6.20%. This price is not comparable with the prices produced in this research.

The second price is more comparable. The sample of countries for which the price of remitting to and from South Africa includes countries outside the SADC, but does include many of the countries sampled in this research. The RPW destination countries are Angola, Botswana, China, India, Kenya, Lesotho, Malawi, Mozambique, Nigeria, Eswatini, Tanzania, Zambia, and Zimbabwe). For this sample, the price estimate produced in 2021 Q4 was 13.02%. This is an unweighted average for a USD200 transaction. As shown in Table 18, it is considerably higher than our unweighted estimate of 7.3% in 2021. The RPW methodology is discussed in more detail in Annexure C.

The SmaRT average remittance price is published on the United Nations SDG Indicators Database,[33] see annexure B for more detail on the SmaRT methodology. In Table 19, we compare our price estimates with the SmaRT estimates for the countries which are covered in both exercises.

	SmaRT price estimate	FinMark price estimate
Malawi	7.6%	8.0%
Lesotho	0.7%	3.0%
Zambia	8.3%	9.7%
Angola	12.2%	n/a
Zimbabwe	9.0%	7.1%
Tanzania	10.4%	9.0%
Eswatini	0.7%	0.6%
Botswana	10.1%	14.5%
Mozambique	11.0%	7.2%
SADC total (not weighted by country size)	7.8%	7.3%
SADC total, excluding CMA (not weighted by country size)	9.8%	9.5%
CMA only (not weighted by country size)	0.7%	1.2%
LMMZ (not weighted by country size)	7.1%	6.3%

Source: Own extrapolation, https://unstats.un.org/sdgs/dataportal/database

Table 19: Comparison of FinMark and SmaRT averages, 2021

3.3. AD Pricing and Service Quality Findings

Ideally, remittance services are not only competitively priced but that pricing is predictable and transparent and the remittance transaction itself is completed rapidly. These aspects of service quality are vital to remitters and remittance recipients. Low-income individuals, in particular, are likely to struggle to cope with remittance services that experience unpredictable delays, or where remittance fees are much higher than expected or billed at unpredictable times.

It is, therefore, concerning that in the AD space, the mystery shopping exercise uncovered substantial evidence of just these types of adverse events. Furthermore, the type of issues experienced were not a feature of the 2019 mystery shopping exercise, suggesting that there has been a recent disruption to the AD market. This is systematically reducing service quality for remitters.

Table 20 overleaf summarises the service quality experience in the mystery shopping exercise, in respect of the 22 transactions attempted at banks. In all cases, these transactions were undertaken from bank account to bank account. In some cases, recipients failed to confirm receipt of funds and these gaps in the data are noted. Several themes in the data can, nevertheless, be identified, as follows:

- **CMA transactions were completed quickly**: all CMA transactions were completed either on the same or the next day.
- **However, not all transactions had been completed:** at the time of publication. Three transactions had been confirmed as having failed; respectively to Mozambique, Zimbabwe and Zambia. In all three cases, there were significant delays, 15 —to 57 days, before the failure of the transaction was confirmed. In some of these cases, the sender had to submit multiple queries to establish whether the transaction could be completed. It is also not clear whether the bank involved would have reported the failed transaction and reimbursed the funds if the sender had not submitted these queries. At the time of publication, the second transaction to Zimbabwe had not yet been completed, and it was not clear whether this transaction would be successful.
- **Additional, non-transparent fees were incurred:** on several transactions, additional fees of substantial size were incurred. It was typically not possible to determine the basis on which these fees had been calculated. In one case, both the sending and recipient banks claimed the fee had been charged by the other institution. One client service person claimed that additional fees might continue to accrue to the sender's account for up to 12 months after the transaction. It was notable that there was often a significant delay between the transaction date and when the additional fees were incurred. It should also be noted that the failed transactions incurred additional fees. These are not recorded here.
- **Not all fees were billed to the sender:** with both banks used, the sender was prompted to choose whether the sender or the recipient would bear the fees for the transaction. In all cases, the sender opted to bear all fees. However, on both Madagascar transactions and one of the DRC transactions, the recipient was nevertheless charged an additional fee.
- **AML delays to Mozambique:** the first transaction to Mozambique had the payment description of 'Remittance research.' The recipient was informed by the bank that the payment had been made, but would not be completed as there were concerns about the source of the funds. After multiple interactions, a copy of the contract between the consultant and DNA Economics was forwarded to the bank, at which point funds were released to the recipient.

	Remittance country	Amount sent	Date of transaction	Date received	Fees on the day	Additional fees to recipient?	Additional fees to sender?	Total fees
1	Botswana	R200	21-Dec-21	23-Dec-21	R259	None	R 95.08 (28-Dec-21) R 93.80 (31-Dec-21)	R447.83
2	Botswana	BWP 143.18	22-Dec-21	Not confirmed	R295	Not confirmed	Not confirmed	R295.00
3	DRC	USD15	07-Feb-22	10-Feb-22	R259	None	Not confirmed	Not confirmed
4	DRC	USD15	23-Dec-21	27-Dec-21	295	R53.08 (USD3.37)	No	R348.08
5	Eswatini	R200	06-Feb-22	07-Feb-22	R0	None	None	R0.00
6	Eswatini	R200	23-Dec-21	23-Dec-21	R0	No	No	
7	Lesotho	R200	06-Feb-22	07-Feb-22	R0	None	None	R0.00
8	Lesotho	R200	23-Dec-21	23-Dec-21	R0	No	No	
9	Madagascar	USD15	07-Feb-22	11-Feb-22	R259	R 91.08 (MGA24000)	R 38.46 (10-Feb-22)	R388.54
10	Madagascar	USD15	21-Dec-21	22-Dec-21	R295	R 91.08 (MGA24000)	No	R386.08
11	Malawi	R200	07-Feb-22	10-Feb-22	R259	None	R 38.46 (10-Feb-22)	R297.46
12	Malawi	MWK 9810.72	31-Dec-21	31-Dec-21	R295	No	R396,43	R691.43
13	Mozambique	USD15	24-Dec-21	24-Jan-22	R295	No	No	R295.00
14	Mozambique	USD15	07-Feb-22	Transaction failed – confirmed 22 Feb 22	R259			
15	Namibia	R200	06-Feb-22	07-Feb-22	R0	None	None	R0.00
16	Namibia	R200	23-Dec-21	23-Dec-21	R0	No	No	
17	Seychelles	USD15	22-Dec-21	Not confirmed	R295	Not confirmed	Not confirmed	R295.00
18	Tanzania	USD15	21-Dec-21	Not confirmed	R295	Not confirmed	Not confirmed	R295.00
19	Zambia	R200	08-Feb-22	10-Feb-22	R259	None	R 38.46 (10-Feb-22)	R297.46
20	Zambia	ZMW 203.72	22-Dec-21	Transaction failed - 4 Feb 2022	R295			n/a
21	Zimbabwe	USD15	21-Dec-21	Transaction failed - confirmed 16 Feb 2022	R295			n/a
22	Zimbabwe	R200	08-Feb-22	Not completed at time of publication	R259	TBC	TBC	TBC

Source: Mystery shopping exercise

Table 20: Breakdown of sender and recipient fees on banking transactions

The overall experience of remitting money by AD varied greatly. The quality of service in the CMA countries was excellent but, in other countries, the best experience for which data is fully available is probably transaction 13 to Mozambique. The money took a month to arrive, but the transaction was completed and no additional fees were levied. In many countries, performance was substantially worse. The bottom of the list is probably transaction 12 to Malawi; which, while the money arrived on the same day, additional fees more than doubled the original direct fees. Nevertheless, data on several transactions was not fully available and some of these transactions may also have performed well.

It was, however, clear that the quality of service offered by the ADs compared extremely poorly with that offered by ADLAs, as shown in Table 24 overleaf. Firstly, none of the ADLAs charged any additional direct fees; the fee quoted to the sender was the only fee levied and the recipient was never charged an additional fee. Second, these transactions were typically faster than the AD transactions. The slowest was completed in 24 hours, while the fastest was completed in nine minutes. On one transaction, the sender made a spelling error when originating the transaction. When the recipient went to cash out the funds, they were unable to do so, citing the error. The recipient informed the sender of this and they contacted the call centre. Within five minutes, while the sender was still on the line with the call centre agent, the error was corrected and the money was immediately available for collection. The responsiveness of the service provider and the resulting efficiency of completion of the transaction was vastly different to the complicated communications experienced with the ADs.

Only two small issues were picked up:

- For one MTO, the minimum amount that could be sent for some countries could only be determined at the time of transacting. For example, the minimum amount for Botswana was R500, and any lesser amount generated a system error of 'the minimum transaction amount is ZAR500'. The minimum amount that could be sent to the DRC was $19 and any lesser amount generated a system error of 'the minimum transaction amount is $19'.

- Botswana: The funds were collected from Western Union agents at the Botswana Post Office. Feedback from the recipient suggested a shortage of cash in this environment as they visited three post office branches before being able to successfully cash out the funds.

The customer service experience on the Shoprite product offering to Lesotho, in particular, was also problematic. The sender reported very long queues at the outlet when attempting to withdraw funds and, in addition, reported that staff attempted to solicit a bribe to move them ahead in the queue.

Remittance country	Amount sent	Date of transaction	Payout methods	Funds ready for collection	Funds collected	Fees on the day	Fees to recipient?
Botswana	R500.00	06-Feb-22	Western Union - Cash	6 Feb 2022 (9 minutes after completing EFT)	08-Feb-22	R25.00	None
DRC	USD19.00 (R312.56)	06-Feb-22	Western Union - Cash	6 Feb 2022 (9 minutes after completing EFT)	18-Feb-22	R100	None
Lesotho	R300.00	06-Feb-22	Mpesa – Mobile wallet	7 Feb 2022 (20 minutes after completing EFT)	N/A	R14.97	None
Lesotho	R200.00	16-Feb-22	Cash – Mukuru Stores	17 Feb 2022 (24-hours for interbank)	17-Feb-22	R30.00	None
Malawi	R200.00	07-Feb-22	NBS – Bank transfer	7 Feb 2022 (20 minutes after completing EFT)	N/A	R20.00	None*
Malawi	R221.00	16-Feb-22	Cash – Various	17 Feb 2022 (24-hours for interbank)	17-Feb-22	R30.00	None
Mozambique	R299.86	07-Feb-22	Mpesa – Mobile wallet	7 Feb 2022 (25 minutes after completing EFT)	N/A	R9.00	None
Mozambique	R219.00	16-Feb-22	Cash – Standard Bank	17 Feb 2022 (24-hours for interbank)	23-Feb-22	R30.00	None
Zambia	R167.00	08-Feb-22	Cash - Various	9 Feb 2022 (24-hours for interbank)	09-Feb-22	R30.00	None
Zimbabwe	$ 20.00 (R310.00)	08-Feb-22	Cash - Various	9 Feb 2022 (24-hours for interbank)	09-Feb-22	R32.00	None

Source: Mystery shopping

Table 21: Breakdown of sender and recipient fees on ADLA transactions

4. Conclusion

The pricing results for the 2021 FinMark remittance pricing survey suggest that, on the whole, progress continues to be made in reducing remittance prices in the SADC region. A great deal still needs to be done before the SDG remittance price goal of 5% of transaction value is met, but this steady progress is encouraging.

However, the pricing results do not fully reflect the story of the regional remittance experience. Service quality is also a vital component of the development of this market and, in the authorised dealer segment of the market, it is clear that service quality has deteriorated sharply since 2019. This has been less important for countries that have many ADLA licensees offering services to remitters from South Africa - the quality of service from ADLAs remain very high. However, in many countries in the region. ADs continue to hold a fairly high market share, and there will be remitters and remittance recipients who will, for personal reasons, find it difficult to use alternative channels. The problem in AD markets seems to have at least two key components:

- The position of South African banks that, where migration status is in question, regulation prevents them from following a risk-based approach to AML;
- The non-transparent billing structure used by regional banks allows remitters and recipients to be subject to unexplained additional fees, levied at unpredictable intervals.

These service challenges require further attention from regulators in the future. While the focus on reducing remittance prices is commendable, it should not obscure the importance of service quality issues in this market.

A great deal still needs to be done before the SDG remittance price goal of 5% of transaction value is met, but this steady progress is encouraging. While the focus on reducing remittance prices is commendable, it should not obscure the importance of service quality issues.

Annexure A: Company profiles

Authorised Dealers

Commercial banks offer remittance services to customers in two ways - via traditional banking/ swift transfers and as a service representative of MoneyGram, only outside the CMA.

Payments within the CMA are done using general online banking transfers, ie, domestic transfers, while those outside the CMA are done via the international banking platform. Apart from what is detailed below, little information is shared by the commercial banks on the costs, duration and reflection time, of transactions.

To use the traditional banking platforms, users must have an account with the commercial bank selected. Monies can be sent using online banking platforms or via the branch network. In terms of costs for domestic transfers to the CMA countries, it appears that there are no specific charges for this transaction. The sender may instead incur general bank fees depending on the type of account they hold. For example, if the sender has a pay as you transact account, they will be charged a fee for every bank transaction they complete, ie, the charge will not be unique to the transfer. For international transfers, commercial banks traditionally list the pricing in a Forex Guide published annually. Only two costs are listed, the commission fee and the swift fee. No detail is provided about the foreign exchange margin that may be applied.

	Commission Fee - Online	Swift fee - Online	Commission Fee - Branch	Swift fee - Branch
Standard Bank				
Percentage	0.5%	R 108	0.6%	R 129
Minimum	R 151		R 200	
Maximum	R 690		R 850	
First National Bank				
Percentage	0.55%		0.65%	
Minimum	R 295		R 400	
Maximum	R 550		R 925	
Nedbank				
Percentage	0.66%	R 131	0.69%	R 131
Minimum	R 179		R 186	
Maximum	R 900		R 937	
ABSA				
Percentage	0.55%	R 100	0.75%	R 185
Minimum	R 250		R 180	
Maximum	R 900		R 800	

It is important to note that commercial banks offer the sender the option to absorb all fees relating to the transaction, to charge the fees to the recipient's account, or to split the fees. Despite this option, no detail is provided on the possible costs that may be incurred by the recipient when they receive the monies.

Both First National Bank and Standard Bank act as service representatives and agents for MoneyGram. With Standard Bank, users are required to visit a Forex Branch to complete the transaction, while FNB allows for MoneyGram transfers to be completed at any FNB Branch, FNB ATM or via FNB Cellphone Banking. FNB only provides the service to its own customers, while Standard Bank allows non-bank clients to use the service by completing all FICA requirements in-branch for those who are not Standard Bank clients. MoneyGram services cannot be used to send money within South Africa or to CMA countries; Lesotho, Namibia or Eswatini.

The cost of transacting is clearly stated in the FNB Forex Guide, with the sending fee done on a fixed sliding scale from USD 7 for a USD 50 transaction to a USD 290 fee for a USD 8000 transaction. FNB also offers a 15% discount on MoneyGram fees when using the FNB App in direct to bank account options. Standard Bank does not provide the cost of MoneyGram services to users, instead directing them to a calculator on the MoneyGram website. This shows how costs differ by transaction amount, country of destination, and payout method. Maximum send limits apply by country, with cash pickup within 24 hours from the time of transfer, provided it is done during banking hours.

ABSA acts as an agent for Western Union in South Africa, with the service offered only to ABSA customers. Cost details are only provided at the time of transacting.

ADLA Category 2

An ADLA 2 Category license holder is defined as a 'Travel-related transactions and certain prescribed single discretionary allowance of R1 million per applicant within the calendar year and money remittance services in partnership with external money transfer operators'

Sikhona

Founded and launched in 2010, Sikhona, meaning 'I am here' in isiZulu, aims to enhance the lives of people by providing them with the most affordable, safe, and fast way of transferring money to more than 162 countries, including the 11 SADC countries listed below.

To use the service, remitters need to create a Sikhona account, using just their ID document, passport, or asylum permit. Registration and approval take between 24 — 48 hours, following which the user can begin using the service. To send monies, the user must add the recipient to their account by providing information such as country, payout method, which differs by country, and payout partner, which also differs by country, recipient name, surname, contact number, and relationship. Recipient details can be stored on the system for future payments, much like beneficiaries on a banking app platform are. Interestingly, Sikhona allows the user to select how they would like to see their quote; by sending amount including fees, by sending amount excluding fees, or by destination amount.

The sender will create an order, via the App, agent, USSD, or WhatsApp, with each order being assigned a unique reference number to be used for payment. Payment for the order must be made within 24 hours, either through a bank transfer into Sikhona bank accounts, using Ozow, or physically at a designated pay in point.

Currency: Monies are sent in South African Rands only, converted to the local currency unit of the destination country. The exceptions are the DRC and Zimbabwe, where monies are sent in South African Rands but are received in US Dollars in increments of $10.

Daily limits: The minimum amount that can be sent is not detailed. The maximum daily and monthly limits are.

- Daily limit = R 49 999
- Monthly limit = R 75 000

Pay in: Payment for an order can be done either via bank transfer into Sikhona bank accounts or physically at a designated pay in point, including Checkers, Game, Shoprite, Pick n Pay, Makro, Builders and others.

Payout: While pay out and partners vary by country, Sikhona offers three options:

- Cash payout, where monies are transferred to a cash collection point in the recipient country;
- Bank deposit, where monies are transferred into the bank account of the recipient;
- Mobile wallets, where monies are

The table below summarises the countries to which Sikhona remits monies, the methods of payout available and the payout partners in each country. Sikhona does not provide remittance services within the CMA, ie, Angola, Eswatini, Lesotho, and Namibia. All transactions are processed through local banks, including ABSA, First National Bank, Nedbank, and Standard Bank.

	Bank Deposit	Cash Pay out	Mobile Wallet
Botswana		- Botswana Postal Services	- Orange
Comoros	- Exim Bank Comoros - Union des Mecks	- Various	
DRC	- Equity Bank	- Various	- Airtel - Orange Money
Madagascar		- Various	
Malawi		- Various	- Airtel - Mpamba (TNM)
Mauritius		- Various	
Mozambique			- Vodacom Mobile
Seychelles		- Various	
Tanzania	- CRBD - Ecobank	- Various	- Airtel - Tigo - Mobile payment Location - Vodacom M-Pesa
Zambia	- AB Bank - United Bank for Africa	- Various	- MTN
Zimbabwe		- Various	- Ecocash

Duration/Money reflection: The reflection of monies is dependent on both the destination country and the payout method selected, but is usually within minutes.

Fees and transparency: Sikhona charges two sets of fees; a transaction fee and a foreign exchange margin. While users are aware of these charges, the value of the charges is not explicitly stated.

- Sikhona publishes its exchange rate, including the foreign exchange margins, on its website or mobile application. Users need to compare the Sikhona rate with the current mid-market rate to determine the size of the margin.

- Transaction fees are charged at a flat R57.50 per transaction for most corridors, irrespective of transaction size or payout method. For some countries, such as Malawi and Zimbabwe, transaction fees are lower; ranging from R 17.25 – R 28.75.

The quote provided at the time of placing the order is valid for five minutes and contains the following:

- ZAR Amount being sent;

- LCU amount, the amount the recipient will receive;

- Transaction charges, including VAT;

- ZAR/LCU exchange rate, including the exchange rate margin;

- Total to be paid, ZAR amount + transaction charge.

Mukuru

Founded and launched in 2006, Mukuru, operating in more than 20 countries including the nine SADC countries listed below, aims to enhance the lives of people and enable them to move money around the world.

To use the service, remitters need to create a Mukuru account using just their ID document, passport, or asylum permit. Mukuru offers three categories of accounts, linked to the type of FICA that the user has undergone; Mukuru Lite, Mukuru Core, and Mukuru Max, with these categories informing the maximum limits that the user can send. Users can move through the categories by submitting FICA documents.

Registration and approval take approximately 24 hours, irrespective of the type of account, after which the user can begin using the service. To send monies, the sender will add the recipient to their account, providing information such as, country; payout method, which differs by country, and payout partner, which also differs by country, and recipient name, surname, contact number and relationship. Interestingly, Mukuru also asks for the identity or passport number of recipients. Recipients can be stored on the system for future payments, much like beneficiaries on a banking app platform are.

The sender will create an order via the App, call centre, WhatsApp, or USSD, with each order being assigned a unique reference number to be used for the payment. Payment for the order must be made within 24 hours, either through an EFT, into Mukuru accounts, or physically at a designated pay in point. The recipient will be informed when the monies are available for collection.

Currency: Monies are sent in South African Rands only, converted to the local currency unit of the destination country.

Daily limits: The minimum amount that can be sent is R150 – R 500, depending on the destination country and the transaction charges. The maximum daily and monthly limits for the user are linked to the category of account held by the user.

- Mukuru Lite – Monthly limit = R 2,000;
- Mukuru Core – Monthly limit = R 25,000;
- Mukuru Max - Monthly limit = More than R 25,000.

Pay in: Payment for an order can be done either via bank transfer into Mukuru bank accounts or via Ozow, or physically at a Mukuru Store, Pick n Pay, Boxer, Checkers, Shoprite, Makro, Game, Spar, Ackermans, Pep, and several others.

Payout: While pay out and partners vary by country, Mukuru offers four options here:

- Cash payout, where monies are transferred to a cash collection point in the recipient country;
- Bank deposit, where monies are transferred into the bank account of the recipient;
- Mobile wallets, where monies are transferred into the recipient's mobile wallet.
- Groceries, where monies are sent to a retail store in Malawi and converted to pay for groceries to be collected by the recipient.

The table below summarises the countries to which Mukuru remits monies, the methods of payout available and the payout partners in each country.

SADC countries not in the table are not supported by Mukuru; Angola, Comoros, Madagascar, Mauritius, Namibia, and Seychelles.

	Bank Deposit	Cash Pay out	Mobile Wallet	Groceries
Botswana		Send Money Home		
DRC		FINCA - Inter Africa fx - MoneyTrans - Mukuru		
Eswatini		- Mukuru		
Lesotho		- Inter Africa - Mukuru - Standard Lesotho Bank	Vodacom M-pesa	
Malawi		- Mukuru - Orange Booths - Greenwing Microfinance - Post dot Net - Victoria Bureau fx - FDH Bank - Indebank - FMB - National Bank Malawi - NBS Bank - Ecobank - International Commercial Bank - CDH Investment Bank	TNM Mobile Money	- Farmers World (K25 500 Pack)
Mozambique		- Mukuru - Orange Booths - Standard Bank - Banc ABC - My Bucks	Vodacom M-pesa	
Tanzania		- CBA	- Airtel - Halo Pesa - M-Pesa - Tigo - Zantel	
Zambia		- Mukuru - Orange Booths - Inter Africa - The Bed Shop		
Zimbabwe		See below		

ADLA Category 3

An ADLA 3 Category license holder is defined as an 'Independent money transfer operator or value transfer service provider, facilitating transactions not exceeding R5 000 per transaction per day within a limit of R25 000 per applicant per calendar month'

World Remit

Founded and launched in 2010, World Remit focuses on providing the 100% cashless sending of money, while allowing for flexible payout options on the recipient side. This includes remittances from South Africa to nine SADC countries.

To use the service, remitters must create a World Remit account, using just their ID document, passport, or asylum permit. Online registration is followed by an email or SMS from World Remit to submit proof of address. Registration and approval take between 24 — 48 hours, following which the user can begin using the service.
To send monies, the sender will choose the destination country, select the method of transfer, enter the amount and then add the recipient's information, which is used only to inform them when monies are available. Recipient details are not saved on the platform.

Payment for the order must be made within 24 hours, either through a bank transfer or debit/credit. The recipient will be informed when the monies are ready to collect.

Currency: Monies are sent in South African Rands only, converted to the local currency unit of the destination country. The exceptions are the DRC and Zimbabwe, where monies are sent in South African Rands, but received in US Dollars in increments of $10.

Daily limits: The minimum amounts that can be sent are not detailed. The maximum daily and monthly limits are linked to the payment option used to pay for the remittance.

- Debit or credit cards:
- Send limit per transactions = R 4 999;
- Daily send limit = Unknown;
- Send limit per month = R 24 999.
- Bank Transfer
- Send limit per transactions = R 4 999;
- Daily send limit = R 4 999;
- Send limit per month = R 24 999.

Pay in: Payment for an order can be done either via bank transfer into World Remit bank accounts. As World Remit aims to be cashless on the sending side, no cash payments are accepted.

Payout: While pay out and partners vary by country, World Remit offers four options here:

- Cash payout, where monies are transferred to a cash collection point in the recipient country. A valid photo ID and eight-digit transfer reference number are required.
- Bank deposit, where monies are transferred into the bank account of the recipient.
- Mobile wallets, where monies are transferred into the recipient's mobile wallet.
- Airtime top-up, where monies are sent directly to the recipient's mobile to top up their pre-paid plan. The extent to which this last option is available in SADC countries is unclear.

The table below summarises the countries to which World Remit remits monies, the methods of payout available and the payout partners in each. SADC countries not in the table are not supported by World Remit; Angola, Comoros, Eswatini, Lesotho, Mauritius, and Seychelles.

	Bank Deposit	Cash Pay out	Mobile Wallet
Botswana	BWP Account at any Bank		
DRC	- Equity Bank USD accounts	- Express Union - Moneytrans DRC	- Airtel - Orange Money
Madagascar			- Orange
Malawi	- Exchange 4 Free	- Mukuru Orange & Green - NBS - Victoria FX	- Airtel Mal - TNM mobile
Mozambique	- MZN Account at any Bank		- Vodacom Moz
Namibia	- Exchange 4 Free		
Tanzania	- CRBD - TZS account at any Bank	- Peoples Bank - Equity Bank - CRBD	- Airtel - Tigo - EzyPesa - Vodacom M-pesa
Zambia	- Exchange 4 Free		- Airtel - MTN
Zimbabwe	- Steward Bank - USD account at any Bank	- Banc ABC - Mukuru - Conticash fx - ZB Bank - CBZ - Getbicks - Kaah Express - NBS - NMB - POSB - Steward Bank - Success Microfinance - Quest FS - CABS	- Econet

Duration/Money reflection: The reflection of monies is dependent on both the destination country and the payout method selected. Cash collection is available immediately, while mobile money and airtime top-top take a few minutes. Bank deposits, however, may be influenced by the bank, the day of the week, and the time at which the transaction was completed.

Fees and transparency: World Remit charges two sets of fees - a transaction fee and a foreign exchange margin. While users are aware of these charges, the value of the charges is not explicitly stated.

- World Remit publishes its exchange rates, including the foreign exchange margin, on its website or mobile application. Users would need to compare the World Remit rate against the current mid-market rate to determine the size of the margin. World Remit also offers promotions, such as the first three transfers after registration being free, and refer-a-friend discounts.
- Transaction fees are charges based on the value of the transaction, (tiered fee structure), the destination country and the payout method. These fees are thus not published by World Remit, but rather given to the user as part of a quote when they place an order.

The quote provided at the time of placing the order is valid for five minutes and contains the following:

- ZAR Amount being sent;
- LCU amount, what the recipient will get;
- Transaction charges, including VAT;
- ZAR/LCU exchange rate, including the Hello Paisa exchange rate margin;
- Total to be paid, ZAR amount + transaction charge.

Shoprite Super Swift

Launched in 2021, SuperSwift is the new Shoprite platform that assists customers to send money to 70 countries in a reliable, cost-effective, and swift way - including using the seven SADC countries detailed below.

To use the service, remitters need to create a SuperSwift account, with just their ID document, passport, or asylum permit. Online registration is followed by an email or SMS from World Remit to verify the account. Registration and approval take 24 — 48 hours, following which the user can begin using the service. To send monies, the sender will load the beneficiary details and details of the payment. Recipient details are not saved on the platform.

Payment for the order must be made within 24 hours, using a credit card, Instant EFT online or cash in-store.

Currency: Monies are sent in South African Rands only, converted to the local currency unit of the destination country.

Daily limits: The minimum amount that can be sent is R 300. The maximum daily and monthly limits are:

- South African National
    - Daily limit = R 5 000
    - Monthly limit = R 25 000
- Foreign National
    - If no proof of address is provided - Daily limit = R 3 000 and monthly limit = R 10 000
    - If proof of address is provided - Daily limit = R 5 000 and monthly limit = R 25 000

Payout: While pay out and partners vary by country, SuperSwift offers three options here:

- Cash payout, where monies are transferred to a cash collection point in the recipient country.
- Bank deposit, where monies are transferred into the bank account of the recipient.
- Mobile wallets, where monies are transferred into the recipient's mobile wallet.

The table below summarised the countries to which SuperSwift remits monies and the methods of payout available. SADC countries not in the table are not supported by SuperSwift, Angola, Comoros, Eswatini, DRC, Lesotho, Mauritius, Namibia, and Seychelles.

	Bank Deposit	Cash Pay out	Mobile Wallet
Botswana	- Yes		
Madagascar			- Yes
Malawi	- Yes	- Yes	- Yes
Mozambique	- Yes		- Yes
Tanzania	- Yes		- Yes
Zambia	- Yes		
Zimbabwe			- Yes

Duration/Money reflection: The reflection of monies is dependent on both the destination country and the payout method selected. Cash collection is available immediately, while mobile money and airtime top-top take a few minutes. Bank deposits, however, may be influenced by the bank, the day of the week and the time at which the transaction was completed.

Fees and transparency: SuperSwift charges two sets of fees; a transaction fee and a foreign exchange margin. While users are aware of these charges, the value of the charges is not explicitly stated, unless a quote is obtained.

- SuperSwift publishes its exchange rates, including the foreign exchange margin, on its website or mobile application. Users need to compare the SuperSwift rate against the current mid-market rate to determine the size of the margin.
- Transaction fees are charged at a tiered rate, irrespective of the destination country and the payout method. USD 55 transactions incur a cost of R 0.86, while USD 200 transactions incur a cost of R 3.11.

The quote provided at the time of placing the order contains the following:

- ZAR Amount being sent;
- LCU amount, the amount the recipient will receive;
- Transaction charges, including VAT;
- ZAR/LCU exchange rate, including the Hello Paisa exchange rate margin;
- Total to be paid, ZAR amount + transaction charge.

Interestingly, this service does not include the CMA countries. Shoprite offers money transfers to Lesotho and Eswatini using an alternative service; Shoprite Money Transfer.

ADLA Category 4

An ADLA 4 category license holder is defined as ‘A combination of the services provided by Category Two and Category Three.’

Hello Paisa

Founded and launched in 2005 by Hello Group, Hello Paisa is a South African remittance service that offers the fast sending of cash from SA to 10 SADC countries, as detailed below.

To use the service, remitters must create a Hello Paisa account via the mobile application, via a Hello Paisa agent, or the Hello Paisa store with just their ID document, passport, or asylum permit and proof of residence being required. Importantly, Hello Paisa has also introduced site verification in place of submitting a proof of address, expanding its services to a previously excluded market. The remittance provider offers three categories of accounts, linked to the type of FICA that the user has undergone; FICA Lite, Full FICA, and Self-declaration. These categories inform the maximum limits that the user can send. Users can move up through categories by submitting FICA documents or by completing a self-declaration form at a Hello Store.

Registration and approval are instant, allowing the user to begin using the service immediately. To send monies, the sender will add the recipient to their account, providing information such as:

- Country;
- Pay out method, differs by country, and pay out partner, also differs by country;
- Recipient name, surname, contact number, and relationship;
- If the payout option is a bank account, the bank details of the recipient.

The recipient can be stored on the system for future payments, much like beneficiaries on a banking app platform are.

The sender will create an order via the App, call centre or USSD, with each order being assigned a unique reference number to be used for the payment. Payment for the order must be made within 24 hours, either through a bank transfer, into Hello Paisa bank accounts or via Ozow, or physically at a designated pay in point. The recipient will be informed when the monies are available for collection. This is their cash option.

Currency: Monies are sent in South African Rands only, converted to the local currency unit of the destination country. The exceptions are the DRC and Zimbabwe, where monies are sent in South African Rands, but received in US Dollars in increments of $10.

Daily limits: The minimum amount that can be sent is R150 – R 500, depending on the destination country and the transaction charges. The maximum daily and monthly limits for the user are linked to the category of account held by the user:

- FICA Lite - Max daily limit per transaction = R 3 000, excl. charges and fees, monthly limit = R 10,000, excl. charges and fees;
- Full FICA- Max daily limit per transaction = R 5,000, excl. charges and fees, monthly limit = R 25,000, excl. charges and fees;
- Self-declaration - Max daily limit per transaction = R 15,000, excl. charges and fees, monthly limit = R 25,000. excl. charges and fees.

Pay in: Payment for an order can be done either via bank transfer into Hello Paisa bank accounts or via Ozow or physically at a Hello Store, Pick n Pay, Boxer, Checkers, Shoprite, Spar, Makro, Ackermans or Pep store. The provider does not accept cash deposits into their bank account, given the banking fees associated with cash deposits.

Payout: While pay out and partners vary by country, Hello Paisa offers three options here:

- Cash payout, where monies are transferred to a cash collection point in the recipient country;
- Bank deposit, where monies are transferred into the bank account of the recipient;
- Mobile wallets, where monies are transferred into the recipient's mobile wallet.

The table below summarises the countries to which Hello Paisa remits monies, the methods of payout available and the payout partners in each. SADC countries not in the table are not supported by Hello Paisa; Comoros, Eswatini, Madagascar, Namibia, and Seychelles.

	Bank Deposit	Cash Pay out	Mobile Wallet
Angola		- Western Union	
Botswana		- First Capital Bank - Western Union Agent	- Orange Mobile
DRC		- Western Union	- Orange Money - Airtel Money
Lesotho			- Mpesa
Malawi	- CDH Investment Bank - Ecobank - Malawi Savings Bank - National Bank - New Finance Bank - FDH Bank Limited - Standard Bank Limited - NBS Bank Limited - First Capital Bank Limited	- Hello Paisa Stores - Farmers World - Victoria Forex - Rennies FX - Malawi Post - WU Agent - Post Dot Net - FDH Bank - Standard Bank Bureau - NBS Bank Limited - FMB Bank Limited - First Capital Bank Limited - Agora Limited	- Airtel - TNM Mobile Money - FDH Bank
Mauritius		- Western Union	
Mozambique		- First Capital Bank - Western Union	- Mkesh - E-Mola - Mpesa
Tanzania	- CRBD - National Bank of Commerce - National Microfinance Bank - Akiba Commercial Bank - Stanbic Bank - Barclays Bank Tanzania - Diamond Trust Bank - First National Bank Tanzania - Equity Bank Tanzania - Exim Bank Tanzania	- Western Union	- Tigo - Mpesa - Airtel
Zambia		- Western Union	- MTN Mobile Money - Airtel Mobile Money
Zimbabwe		- Malaicha Stores - Hello Paisa Stores - Choppies Stores - Steward Bank Limited - CBZ - Metbank - Spar - Maruva Complex - Zvichemo - Lenay Butchery - Chlosteel - Top Investments Butchery	

Duration/Money reflection: Research suggests that monies should be available immediately. For some payout methods, monies could take 24 hours to reflect, particularly when cash partners do not have the technology to support real-time money reflection).

Fees and transparency: Hello Paisa charges two sets of fees; a transaction fee and a foreign exchange margin. While users are aware of these charges, the amounts are not easily understood.

- Hello Paisa publishes their foreign exchange rates, including the margin, on their website. For the user to understand the foreign exchange margin applied, they need to compare the Hello Paisa rate with the current mid-market rate to determine the size of the margin.

- Transaction fees are calculated as a percentage of the transaction amount, but differ by the destination country and payout method. These fees are thus not published by hello Paisa, but rather given to the user as part of a quote when they place an order.

The quote provided at the time of placing the order is valid for five minutes and contains the following:

- ZAR Amount being sent;

- LCU amount, amount the recipient will receive;

- Transaction charges, including VAT;

- ZAR/LCU exchange rate, including the Hello Paisa exchange rate margin;

- Total to be paid, ZAR amount + transaction charge.

Mama Money

Founded and launched in 2013 as a private company, Mama Money provides access to customised low-value money transfer services, including in seven SADC countries.

To use the service, remitters create an account via the Mama Money mobile application or via a Mama Money agent, using their ID document, passport, or asylum permit. Interestingly, if a user registers for Mama Money at a Pick n Pay, they will be limited to using Pick n Pay for all future orders.

Mama Money adopts a risk-based approach, with different requirements in place to qualify for higher transaction limits. Entry level limits require just proof of identification, a South African ID or proof of status as a foreign national, and a selfie with such documentation. Higher limits require proof of residence and proof of funds/source of income.

Users receive an SMS asking them to approve their registration, followed by a call from Mama Money to verify the user. The experience of the researcher in this study was that account approval took 48 hours. To send monies, the sender will add the recipient to their account, providing information such as:

- Country;
- Pay out method, differs by country, and pay out partner, also differs by country;
- BoP category;
- Recipient name, surname, contact number and relationship;
- If the payout option is a bank account, the bank details of the recipient.

The recipient can be stored on the system for future payments, much like beneficiaries on a banking app platform can be.

The sender will create an order, with each order being assigned a unique reference number to be used for payment. Payment for the order must be made within 24 hours, either through a bank transfer into Mama Money bank accounts or physically at a designated pay in point. The recipient will be informed when the monies are ready to collect. This is their cash option.

Limited information about the detail below is provided by Mama Money on their website. The information has instead been sourced from various news and Fintech review articles, together with the experience of the mystery shopping exercise.

Currency: Monies are sent in South African Rands only, converted to the local currency unit of the destination country. The exceptions are the DRC and Zimbabwe, where monies are sent in South African Rands, but received in US Dollars in increments of $10.

Daily limits: The minimum amount that can be sent is R100.

- Daily limit: ZAR 5, 000.00 - 2017 newspaper article.
- Monthly limit: ZAR 25, 000.00 - 2017 newspaper article.

Pay in: Payment for an order can be done either via bank transfer into Mama Money bank accounts or via Ozow, using funds from your Mama Money Payroll Green Card, or physically at a Pick n Pay. The provider does not accept cash deposits into their bank account, given the banking fees associated with cash deposits.

Payout: While pay out and partners vary by country, Mama Money offers four options:

- Cash payout, where monies are transferred to a cash collection point in the recipient country;
- Bank deposit, where monies are transferred into the bank account of the recipient;
- Mobile wallets, where monies are transferred into the recipient's mobile wallet;
- Western Union, where monies can be collected from Western Union agents in Malawi, Tanzania and Zimbabwe. These are still Mama Money transactions, but with a WU payout.

The table below summarised the countries to which Mama Money remits monies, the methods of payout available and the payout partners in each. SADC countries not in the table are not supported by Hello Paisa; Angola, Comoros, Eswatini, Lesotho, Madagascar, Mauritius, Namibia and Seychelles.

	Bank Deposit	Cash Pay out	Mobile Wallet
Botswana			- Orange
DRC		- Western union	- Airtel
Malawi	- FDH Bank	- FDH - Victoria fx - Western Union	- Airtel - TNM
Mozambique			- M-pesa
Tanzania		- Western Union	- M-Pesa - Tigo - Airtel - Vodacom
Zambia			- MTN - Airtel
Zimbabwe		- Steward Bank - Western Union - NMB - Quest FS - Banc ABC	- Ecocash

Duration/Money reflection: Research suggests that monies should be available within 24 hours. No guidance is provided on the duration of time for moneys to reflect if the bank deposit option is selected.

Fees and transparency: Mama Money charges two sets of fees; a transaction fee and a foreign exchange margin. While users are aware of these charges, the amounts are not easily understood.

- Mama Money does not publish its exchange rates on the website or mobile application. Instead, the exchange rate is provided to the user only at the time of requesting a quote for an order. The exchange rate on the quote then includes the foreign exchange margin, and users need to compare the Mama Money rate against the current mid-market rate to determine the size of the margin.

- Transaction fees are charges based on the value of the transaction, the destination country and the payout method. Interestingly, Mama Money takes its fee out of the ZAR amount that the person intends to send, rather than adding it over and above the sending amount. For example, if the user enters ZAR 300 as their sending amount, the recipient will receive BWP 197 at an exchange rate of 1 BWP = 1.39 ZAR. The balance of ZAR 25 is a transaction fee, which in this case is 9% of the sent amount, ie, R275. The transaction fee is charged on a sliding scale (tiered fee structure) and can reach a maximum of 5% per transaction, or a flat fee of R 100 per transaction in flat fee corridors.

The quote provided at the time of placing the order is valid for five minutes and contains the following:

- ZAR Amount to be paid including the transaction fee;

- LCU amount, the amount the recipient will receive;

- Transaction charges, including VAT. Shown here, but already included in the ZAR amount above;

- ZAR/LCU exchange rate, including the

The quote does not show the actual ZAR amount being sent without the transaction charges.

Annexure B: Access to affordable remittance prices

As discussed in Box 1, average remittance price targets will tend to overstate actual remittance prices, unless they are weighted to reflect the market share of service providers. The RPW has introduced the SmaRT methodology to address these issues, by calculating remittance price averages in a way that takes into account consumer preference for cheap services, and the impact that service availability has on consumer choice. The methodology used to calculate the SmaRT average is as follows:

SmaRT is calculated using a simple average of the three cheapest services for sending the equivalent of USD 200 in each corridor and is expressed as a percentage of the total amount sent.

To ensure both availability and accessibility, the three cheapest services must meet the following criteria to be included in the calculation of SmaRT:

1. Transaction is available to the recipient within five days after the money is sent.
2. Transactions can be originated in all relevant areas of the sending country.
3. Transaction can be delivered to the recipient nationwide, or at least in all relevant areas of the receiving country....
4. If the service requires access to a transactional account or other technologies, such as the Internet or mobile phones, access to these technologies should be nearly universal for senders and receivers in that corridor. [34]

This methodology does contain some subjective elements, particularly in respect of what is regarded as a relevant area of the country, and whether service access can be regarded as nearly universal. It should also be noted that data on the first three criteria are collected from remittance service providers themselves. In theory, the SmaRT price can, nevertheless, provide an improved measure of true remittance prices when compared with simple averages. In practice, however, the only SmaRT price discussed by the RPW in its quarterly reports is the quarterly Global SmaRT Average.

SmaRT prices for specific country pairs are difficult to find and do not appear to be widely used. The principal manner in which country performance continues to be evaluated is the simple averages produced by the RPW.

Annexure C: Exchange rate drift

As has been discussed in the introduction to this report, several international bodies have adopted average price targets for remittances. Progress in meeting these targets is typically measured against the World Bank's RPW database, which collects data in a manner consistent with how the UN's SDG remittance price targets are structured. The two subcomponents of the SDG remittance price targets are measured as follows:

- reducing the global average of remittance costs to below 3% is measured against 'the simple average of the total cost for all transparent services included in the RPW database';
- the ability of remitters to send money for a cost of 5% or less is measured using the World Banks SmarRT averaging methodology. Three simple averages generated by the RPW are also used to monitor performance on this indicator.

The RPW database is a valuable resource that contains data on remittance prices for 48 sending countries and a much larger set of remittance receiving corridors. Moreover, because the database is updated quarterly, it has created a time series of remittance prices, which allows pricing performance to be tracked over time.

To create orderly time series data, a design decision was taken at the inception of the database to hold exchange rates constant, as follows:

Two amounts are surveyed for each corridor: the local currency equivalent of USD 200, and the local currency equivalent of USD 500. The amounts were set in 2008 and subsequently adjusted to reflect foreign exchange fluctuations in the third quarter of 2009.

The local currency amounts were then kept stable to ensure consistency of the price points throughout time. As a result, amounts in local currency may differ from the current USD equivalent.

The rationale for this decision is easy to understand - exchange rates can fluctuate rapidly and substantially and, without a means of stabilising recorded prices, it would be very difficult to compare remittance price performance over time, or between countries. However, it does have practical consequences and these are growing over time.

As per the quote above, the RPW methodology has stabilised the USD currency amounts as of 2009. Table 25 below shows what the stabilised 2009 transaction size was in 2020, using actual exchange rate averages as derived from the World Development Indicators database, also administered by the World Bank.

As shown in the table, for 39 of the 48 sending countries in the RPW, the real transaction value in 2020 was lower than USD200. There is thus a definite trend in the data, the use of the 2009 exchange rates tends to underestimate the size of the transactions sampled.

Country	Real transaction size, 2020	Difference to USD200
Ghana	$ 53.61	-73%
Angola	$ 57.07	-71%
Brazil	$ 71.77	-64%
Turkey	$ 81.33	-59%
South Africa	$ 83.24	-58%
Nigeria	$ 111.48	-44%
Dominican Republic	$ 128.26	-36%
Pakistan	$ 129.76	-35%
Norway	$ 131.69	-34%
Australia	$ 137.64	-31%
Tanzania	$ 141.45	-29%
Chile	$ 141.92	-29%
Malaysia	$ 145.12	-27%
Canada	$ 149.13	-25%
United Kingdom	$ 153.85	-23%
Rwanda	$ 159.02	-20%
Japan	$ 159.21	-20%
Austria	$ 159.91	-20%
Belgium	$ 159.91	-20%
Germany	$ 159.91	-20%
Spain	$ 159.91	-20%
France	$ 159.91	-20%
Italy	$ 159.91	-20%
Netherlands	$ 159.91	-20%

Country	Real transaction size, 2020	Difference to USD200
Portugal	$ 159.91	-20%
Côte d'Ivoire	$ 161.57	-19%
Cameroon	$ 161.57	-19%
Senegal	$ 161.57	-19%
Czech Republic	$ 163.72	-18%
New Zealand	$ 168.61	-16%
Kenya	$ 169.09	-15%
Switzerland	$ 170.40	-15%
Russian Federation	$ 170.58	-15%
India	$ 179.49	-10%
Sweden	$ 184.58	-8%
Singapore	$ 188.44	-6%
Oman	$ 195.06	-2%
Jordan	$ 197.18	-1%
Bahrain	$ 199.47	-0.3%
Costa Rica*	$ 200.00	0%
Saudi Arabia	$ 200.00	0%
United States	$ 200.00	0%
United Arab Emirates	$ 200.14	0%
Qatar	$ 200.55	0%
Korea, Rep.	$ 203.34	2%
Kuwait	$ 212.26	6%
Israel	$ 217.87	9%
Thailand	$ 226.88	13%

Source: RPW database, data extract from World Development Indicators, own extrapolations.
** Costa Rica, measured in USD in the RPW*

This result is not particularly surprising. The USD is used as a reference exchange rate internationally, precisely because it does tend to be quite stable. In addition, while inflation tends to erode the value of a currency, the United States of America is a low inflation environment compared with many of the other countries in the RPW, see Table 26 below.

A steady depreciation of the average 2009 transaction sizes is thus fairly predictable. The RPW does make some allowance for this inflation issue, but only regarding the SmaRT price average.

Country	Consumer price inflation, 2009 - 2020
Switzerland	0%
Japan	3%
Qatar	7%
Senegal	8%
Sweden	11%
Portugal	11%
France	12%
Spain	13%
Italy	13%
Côte d'Ivoire	14%
Germany	14%
Israel	15%
Thailand	16%
United Arab Emirates	17%
Singapore	18%
United States	19%
Netherlands	19%
Canada	19%
New Zealand	19%
Czech Republic	19%
Belgium	20%
Austria	21%
Oman	21%
Korea, Rep.	22%

Country	Consumer price inflation, 2009 - 2020
Cameroon	24%
Malaysia	24%
Bahrain	24%
United Kingdom	25%
Australia	25%
Norway	26%
Jordan	31%
Saudi Arabia	31%
Chile	34%
Kuwait	38%
Dominican Republic	43%
Costa Rica	47%
Rwanda	70%
South Africa	77%
Brazil	84%
India	115%
Russian Federation	116%
Kenya	116%
Tanzania	123%
Pakistan	134%
Turkey	170%
Nigeria	242%
Ghana	268%
Angola	393%

Source: Data extract from World Development Indicators, own extrapolations.

While the pricing structure offered by remittance service e providers varies widely, many have some kind of fixed minimum fee that does not vary with transaction size. The smaller the transaction size sampled, the more expensive these service providers will appear, measured as a percentage of total transaction size. The real local transaction size used in the RPW does, therefore, matter and does have a material effect on the measured pricing outcomes.

Sub-Saharan Africa is consistently measured as being the most expensive region in the world to send money to, and South Africa is currently recorded as being the most expensive G20 country to send remittances from. As shown in Table 25, the real transaction size in South Africa in 2020 was only US$83, and in sub-Saharan Africa as a whole, see table below, was US$126. Sub-Saharan Africa was, in fact, on average the region with the most currency devaluation over time.

	Average real 2020 transaction size
East Asia & Pacific	$ 175.61
Europe & Central Asia	$ 155.69
Latin America & Caribbean	$ 135.49
Middle East & North Africa	$ 202.82
North America	$ 174.56
South Asia	$ 154.62
Sub-Saharan Africa	$ 125.97

Source: RPW database, data extract from World Development Indicators, own extrapolations.

The effect of exchange rate drift is very different depending on which country is the sending country. As a sending country, all transaction sizes in South Africa are affected by the devaluation of the rand. The RPW finds that South Africa is the most expensive sending country in the G20, by a substantial margin of 13.02% for USD200 in 2021 Q4, against a G20 average of 6.00%. As a remittance receiving country, however, South Africa is much more comparable at 6.20% versus a G20 average of 5.62%. The remittance receiving price average is based on remittances sent to South Africa from only two origin countries, the United States real transaction size remains USD200, and the United Kingdom, 2020 real transaction size of US$153.85.

The problems caused by exchange rate drift are likely to grow over time. Sub-Saharan Africa, and other locations, are likely to continue experiencing currency devaluations compared with the USD, not least due to continued differentials in inflation rates.

Endnotes

1. https://www.gpfi.org/sites/gpfi/files/documents/g20_plan_facilitate_remittance_flows.pdf

2. https://www.sadc.int/news-events/news/sadc-records-notable-progress-financial-markets-and-regional-integration/

3. The mathematics are as follows: Unweighted average = (3%+6%+9%+12%+15%)/5 = 9%,
Weighted average = (3%*90%) + (6%*2.5%) + (9%*2.5%) + (12%*2.5%) + (15%*2.5%) = 3.8%

4. In previous reports we used the word 'formal' to refer to remittances sent via official channels, originating and terminating with licenced financial services providers.
Going forward the term 'official' will be used instead.

5. CAGR is a more complex, yet more accurate, method of calculating rate of growth than a linear growth rate, as it strips out the compounding effect of growth over time, which tends to over-estimate actual growth rates. For example, measured on a linear basis, annual growth for this period would be 23%.
The methods of calculation for CAGR and linear growth are as follows:CAGR = (starting value/value in year n) 1/n – 1

6. Eswatini is a slight outlier, with only R82m in the ten months of recorded data in 2021. However, for Common Monetary Area (CMA) countries like Eswatini, the bulk of remittances are probably not recorded by the SARBsincludings BoP reporting system. As explained in FinMarkincluding's 2019 report, SADC remittance values and volumes, 2018: Because Lesotho, EseSwatini and Namibia are members of the Common Monetary Area, electronic funds transfers to these countries are treated by the South Africa Reserve Bank as domestic transactions by the South Africa Reserve Bank, and are largely not recorded in the balance of payments data.

7. Shoprite transactions are reported on the SARBincludings Reporting System, and thus this growth could reflect a switch from EFT transactions rather from informal to official systems of remitting. However, the Shoprite product is well suited to unbanked customers, and it seems unlikely that many banked customers would prefer to switch from banking transactions to Shoprite transactions, which require a trip to a Shoprite outlet.

8. Source: SARB, 2022 (https://www.resbank.co.za/en/home/what-we-do/financial-surveillance/adlas)

9. Less than ten transactions were undertaken in this period and thus the data point is not reflective of wider trends

10. De-risking can be defined as follows: 'De-risking is a general phenomenon in which an organisation seeks to limit its exposure to risk by ceasing activities in a wholesale, rather than a case-by-case fashion. For example, an international organisation could de-risk by ceasing to operate in the Middle-East as a whole. It would not qualify as de-risking if the organisation assessed each of its operations in turn and stopped those it considered to pass some risk threshold, even if many of these happened to fall in the same region or sector.' (Lowery, C., & Ramachandran, V. (2015). Unintended Consequences of Anti–Money Laundering Policies for Poor Countries. Washington: A CGD Working Group Report).

11. FinMark Trust research conducted by Genesis Analytics, 2021. Assessing the impact of the shift to a risk-based approach to AML/CFT on financial inclusion and remittances.

12. FinMark Trust research conducted by Genesis Analytics, 2021.

13. FinMark Trust research conducted by Genesis Analytics, 2021.

14. Available at https://www.fatf-gafi.org/media/fatf/documents/reports/mer4/Mutual-Evaluation-Report-South-Africa.pdf

15. See https://www.fatf-gafi.org/publications/high-risk-and-other-monitored-jurisdictions/documents/increased-monitoring-october-2021.html#:~:text=When%20the%20FATF%20places%20a,as%20the%20%E2%80%9Cgrey%20list%E2%80%9D.

16. https://www.fic.gov.za/Documents/190923%20Website%20Notice%20JC%20on%20FATF%20EFT%20Draft%20Directive%202019%20+%20Draft%20GN%20102_Issue.pdf

17. http://www.treasury.gov.za/documents/mtbps/2021/Draft%20Response%20Document%20on%20the%20 2021%20Draft%20Tax%20Bills-10%20November%202021.pdf

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31. FinMark Trust, 2016

32. Note that this average includes only the countries for which licensee-weighted averages could be produced, as shown in Table 20. Angola, Comoros, and Mauritius are thus not included in these averages. Seychelles is also not included in the 2021 average, to facilitate comparison with 2019.

33. https://unstats.un.org/sdgs/dataportal/database

34. https://remittanceprices.worldbank.org/sites/default/files/smart_methodology.pdf

About FinMark Trust

FinMark Trust is an independent non-profit trust with the purpose of 'Making financial markets work for the poor, by promoting financial inclusion and regional financial integration. We pursue our core objective of making financial markets work for the poor through two principal programmes. The first happens through the creation and analysis of financial services demand side data to provide in-depth insights on both served and unserved consumers across the developing world. The second is through systematic financial sector inclusion and deepening programmes to overcome regulatory, supplier, and other market level barriers hampering the effective provision of services.

Through a symbiotic relationship between rigorous data collection and research activities, these programmes unlock financial and economic inclusion. Our work in data supports a global agenda, with focus being placed in the SADC region on the programmatic work.

FMT's mission of making financial markets work for the poor extends to ensuring economic inclusivity and linking financial inclusion to the real economy. This renewed focus of building inclusive financial sectors for individuals, MSME's and small-scale farmers is robust and supported within the FMT development framework.

Regionally, FMT works closely with key stakeholders which include the Southern African Development Community (SADC), SADC Banking Association (SADC BA) and the Committee of Central Bank Governors in SADC (CCBG). At country level engagement with key partners at include Central Banks, Ministries of Finance, Ministries of SMME, Treasury Departments and National Statistics Officers.

Contact Info

+27 (0) 11 315 9197
info@finmark.org.za
Sanofi House, Second Floor, 44 on Grand Central Office Park, 2 Bond Street, Grand Central Extension 1, Midrand 1632
South Africa

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Remittances Market Assessment

South Africa to the Rest of SADC Remittances Market Assessment Report

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