Mapping London's remittance marketplace

BRIEF 1

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Contents

Executive summary

This is the first in a series of briefs which communicate findings from a Leverhulme Trust funded project, *Disciplining London's Remittance Marketplace*: *the financialisation of Small and Medium size Money Transfer Businesses (SM-MTBs) in the aftermath of the financial crisis in London*.

Money Transfer Businesses (MTBs) have received relatively limited public policy and particularly academic attention, despite a voluminous literature on remittances. This is an important oversight. Money transfers are not frictionless streams that flow across borders between households. They are highly mediated social-financial practices which depend upon the regulatory frameworks across jurisdictions, and vary with the payment and compliance technologies available, and the capabilities of intermediaries to navigate them. Snce the 1990s MTBs have been the subject of tightening regulatory interventions in the fields of Anti-Money Laundering (AML), Terror Financing (TF), and financial market stability.

Drawing upon datasets made available by the UK regulators, together with a questionnaire survey and in-depth interviews with directors, senior managers of money transfer firms and consultants conducted by the authors, in this brief we provide (i) an overview of London's Money Transfer Businesses and (ii) an insight into the diversity within this sector.

This brief evidences that London's MTBs are situated in a dynamic marketplace which witnessed great expansion since the turn of the millennium, but also presents a level of polarisation. A key division apparent in our data is between firms whose primary financial activity is the provision of remittance services, identified as Money Transfer Operators (MTOs), and those for whom remittance services are secondary to other financial services (Payment Institutions, PIs).

Utilising this distinction highlights significant diversity in relation to the customer base, geographies and modes of operation, as well as capitalisation, financial assets and access to banking. If PIs served 'high ticket' clients, processed higher volumes, and registered better profits and levels of capitalisation, the majority of MTOs surveyed catered for individual migrant clients, were generally oriented towards a single corridor, and registered smaller profits.

Most notably, this brief indicates that the division between PIs and MTOs manifests in access to banking and in firms' ability to operate across the digital-cash divide. This is something we investigate closer in our next brief, where we examine the phenomenon of de-risking.

1. Introduction

Global remittances were estimated at US$689 billion at the end of 2018, with US$528 billion going to low and middle-income countries alone (KNOMAD, 2018). Defined as the sum of personal transfers of cash or in-kind benefits between resident and non-resident individuals, together with any compensation granted to workers who are employed in an economy where they are not resident (IMF, 2009a, p. 272), remittances are increasingly identified as a 'new development finance'. They constitute a major financial flow which, with some variance, outstrips official development assistance and foreign direct investment, and are resilient in the face of economic downturn (Datta, 2016). Perhaps unsurprisingly then, remittances feature in three of the migration-related Sustainable Development Goals (SDGs), pertaining to increasing the volume of remittances as a percentage share of GDP, reducing the cost of transactions, as well as lowering the recruitment costs of migrant workers (KNOMAD, 2018). Partly in recognition of this significance, global, regional and national governance infrastructures which seek to map, assess, optimise and mobilise remittances have emerged over a period of time.

Regularly featuring in the top ten remittance sending countries in the world, remittances from the UK were estimated at between £1.5 billion to £16.5 billion in the 2014-16 period, with significant variance attributable to the absence of an official data collection mechanism (Vargas-Silva, 2016, p. 2). Notwithstanding this, outbound remittances are generated in large part by international migrants. The UK's foreign-born population nearly doubled between 2004-2017, rising from 5.3 million to 9.4 million, while the number of foreign citizens increased from 3 million to 6.2 million. Taken together, international migrants have come to comprise 14.4% and, respectively, 9.6% of the total UK population. London is a particular magnet with 38% of the UK's foreign-born population residing here, and foreign citizens making up 24% of Inner London and 21% of Outer London populations (Ibid). While the 'super-diversity' of London's migrant population is reflected in the numerous remittance corridors originating here, Nigeria and India are consistently identified as key destinations of money transfers (World Bank and KNOMAD 2018).

Despite voluminous academic and policy research investigating why migrants send remittances, how recipients spend them (Batista and Umblijs, 2015; De Haas, 2005), as well as the socio-economic impacts of remittances upon household, regional and national economies (Fajnzylber and Lopez, 2008; Germano, 2013; Kamuleta, 2014), a very limited body of work has interrogated the vital role of intermediaries which underpin these transactions. This is an important oversight. Money transfers are not frictionless streams that flow across borders between households. They are highly mediated social-financial practices which depend upon the payment and compliance technologies available, and vary with the regulatory frameworks across jurisdictions, and the capabilities of intermediaries to navigate them.

Situated within this lacuna, this brief presents an overview of London's remittance service providers. It draws upon the findings of a Leverhulme Trust funded project investigating the financialization and professionalization of small and medium size Money Transfer Businesses (SM-MTBs) in the aftermath of the financial crisis in London. Beginning with an outline of how remittances travel from senders to recipients, and the role of remittance service providers in this ecology, we detail the methodology and evidence base upon which this brief is based. We then focus upon three key aspects relating to: (i) the size of the sector and businesses located within it; (ii) the diversity of MTBs, with particular attention to their customer base, geographies and modes of operation; and (iii) capitalisation and financial assets.

2. The remittance ecology

A Remittance Service Provider (RSP) is defined as 'an entity, operating as a business, which provides a remittance service for a price to end users, either directly or through agents' (Bank for International Settlements and World Bank, 2007, p. 54). All RSPs are located within a web of actors, institutions and procedures which mediate money transfers from remitters to recipients (Pieke et al., 2005). Taking these in turn very briefly, the key actors in the remittance ecology are RSPs and/or their agents in home and host countries, as well as remitters (usually migrants but also non-migrants) and recipients. The mechanisms by which money is sent and the service providers used, determine how funds are made available, transferred and accessed. These range from cash to cash, cash to account, account to cash, account to account, card to card, mobile transfers and internet-based transfers (Datta, 2012). In turn, RSPs require a network of access points where consumers may pay and receive funds, a messaging procedure, which enables the transfer of information about what is to be remitted and to whom, and a procedure for settlement, which enables the movement of funds.

It is important to note that RSPs encompass a wide range of businesses, and there are several ways of categorising them. While national regulatory and supervisory frameworks determine who is allowed to provide remittance services, it is evident that the market comprises of formal entities, as well as semi-formal organisations which may be registered businesses but not fully regulated by financial services authorities, and informal intermediaries such as hand carriers and more organised trust-based networks such as *Hawala* (Ballard, 2014; Todoroki et al., 2014).

Focusing on formal providers, a recent World Bank study (Todoroki and et al., 2014, p. 15) proposes that these be categorised as:

(i) Banks which may offer wire transfer services to individual account holders or walk-in customers;
(ii) Nonbank Financial Intermediaries (NBFIs) such as credit unions, post offices or microfinance institutions, which provide remittances alongside credit or deposit services.
(iii) Money Transfer Businesses (MTBs) whose main financial activity is the provision of intra-household transfers. These comprise of firms licensed or registered to provide money remittance as a primary commercial activity, and includes mobile network operators, exchange houses, Money Transfer Operators who act as network providers, as well as Payment Institutions, which may offer remittances as part of a vaster range of financial services.

A different means of classifying the RSP sector is with reference to firms' status vis-à-vis state regulators. In the UK, AML Regulations require most RSPs to register with the HM Revenue and Customs (HMRC) - though in the case of retail banks and the largest NBFIs, the AML supervisor is the Financial Conduct Authority (FCA) (FATF, 2018, p. 10). A separate set of regulations pertaining to the provision of Payment Services require remittance providers to obtain a license from the FCA. For AML purposes therefore, the majority of RSPs which are supervised by the HMRC are known as Money Service Businesses (MSBs). For the purposes of the Payment Services Directive, by contrast, a remittance provider licensed by the FCA might be a Small Payment Institution (SPI), if its monthly transaction volume is less than 3 million, or an Authorised Payment Institutions (APIs), if volumes exceed that figure (Edmonds, 2018). A third type of licensing is applicable to Electronic Money Institutions (EMIs).

Evidently the RSP sector is diverse, including businesses which vary considerably in terms of size of transactions, agents, their acceptance of cash, and the country of registration and operation (Kraft, 2018). Large global enterprises such as Western Union and MoneyGram sit alongside what are sometimes referred to as 'specialist' or 'ethnic' businesses, which may concentrate on a single corridor.

It is important to note that the plurality of systems of classification is a reflection of recent attempts to govern finance at national, regional, and international levels, in ways which can at times be confounding. A remittance provider, for instance, may simultaneously be a bank, an NBFI, or an MTB, judging by its business practice, and an MSB and SPI, judging by its regulated status. Industry practitioners and some analysts, in turn, often use the legal category MSB as a shorthand for small money remittance providers. The existence of a multitude of definitions speaks to the dynamism of this market, and its changing regulatory regime. There is much more to be said about how remittance providers differ in their everyday relationship with clients, assets, and modes of operation. This is something this project unpacks.

3. Methodology and evidence base

This brief is based upon three key sources of data, namely searchable on-line registers, an on-line questionnaire survey (52 completed to date), and in-depth interviews (30 interviews completed to date).

To facilitate an overview of the formal marketplace by registration status, size, and year of incorporation, we drew upon three sources of big data. These are: (i) the HMRC, where since the adoption of the Third EU Money Laundering Directive into UK law in 2009, most RSPs have had to register for AML purposes; (ii) the FCA, which regulates all firms providing financial services, and includes a subset of entries registered for 'Money Remittance'; and (iii) Companies House, the body which governs all limited companies and partnerships in the UK, and contains information pertaining to year and place of registration, business accounts, and directors.

Utilising these sources, a database of London's money remittance providers was constructed by cross-referencing records from the FCA's Financial Services Register with Basic Company Data made available by the Companies House. It is key to note here that unlike the IMF and World Bank, which define remittances as transfers initiated by migrants, in accordance with the Payment Services Regulations the FCA defines money remittance as any service for the transmission of money or any representation of monetary value, without the creation of payment accounts[1]. It is likely, therefore, to contain all types of RSPs, with the exception of banks.

An on-line and face to face questionnaire survey is being conducted with firms featured on the FCA directory. Completed by business owners or managers, the purpose of the survey is to collect baseline data on business size (measured by number of employees and agents, remittance corridors served, annual turnover, and capitalisation), modes of operation (including on-line and mobile services), financial assets and services used, interactions with customers, experiences of bank de-risking, and awareness of, and adherence to, financial regulation.

Follow on in-depth interviews are also being conducted with two sets of actors. The first of these are owners and managers of SM-MTBs which are exploring personal migration and career trajectories, knowledge acquisition, financial investment and resources, relations with banks, adherence/circumvention of financial regulations, evidence of diversification of financial services, and implications of changing modes of operation on migrant clients. To date a total of 30 interviews have been conducted with representatives from small (16) and medium size (9) businesses. A second set of key informant interviews (5 completed to date) have been conducted with ancillary actors including AML and compliance consultants.

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[1] This is in accordance with regulation 2.1 of the Payment Service Regulation –'Glossary Terms' – noted in the FCA Handbook (n.d.).

It is important to identify the limitations of the data. Our database relies on registers kept by the regulators, which can be non-transparent and inconsistent across the sources (see also Kraft, 2018). When a Freedom of Information request was submitted in an attempt to gain a statement of the total figure of money remittance firms on the HMRC's Supervised Business Register, the response we received put the number at just 318 UK wide and 78 in London – barely a fraction of the total figure reported by the FCA. This figure was subsequently revised after we raised the discrepancy, to 994 in the UK and 687 in London.[2] Other inconsistencies have also emerged within the FCA directory. A firm whose registration status features as 'cancelled' could either be a firm which has been found to have broken the law, or a firm which has simply switched to a different authorisation. This has limited our ability to capture cases of non-compliance, allowing us to measure only those firms which were registered or authorised. Finally, even in transparent datasets, there was the issue of limited variables. Since many money remittance providers are classed as Micro and Small entities (see below), they are able, under the filing requirements of Companies House, to submit 'abridged' accounts which exclude key information on turnover, profit and losses. This limited our ability to infer the size of businesses only from the type of account filed.

The questionnaire survey and qualitative interviews we are in the process of conducting partly make up for the absence of granularity in publicly available datasets. Together, these instruments provide insights into firms' foundation, their access to finance, and their abilities to navigate the regulatory landscape. This said, there is the issue of reproducing, through our sampling methods, an over-representation of formal business. The FCA directory we used to contact respondents has an in-built bias towards businesses which were, at least at some point, registered. We have sought to address this through administering a face to face survey, and in-depth interviews using alternative snowballing methods.

4. A survey of public registers: sector size

The FCA directory reveals that at the beginning of 2018 there were 1,200 firms with permission to provide a Money Remittance service in the UK. This is comparable to the 1,968 firms registered with the US regulator (FinCEN, 2018), and much higher than the number of firms registered across continental Europe, reflecting a relative openness, at least on the British regulators part, to license new entrants(Orzoco and Yansura, 2015), and the UK's status as a destination for global migration.[3]

Depending on the volume of payments firms process, RSPs must obtain a license from the FCA, if they average below £3million in monthly transactions, or authorisation, if monthly transactions are in excess of that. On the basis of this distinction, the 1,200 firms found on the FCA directory were categorised into 699 registered Small Payment Institutions, 349 Authorised Payment Institutions which enjoy passporting rights in other EU states, as well as 152 Electronic Payment Institutions. It is important to remember that this does not fully map onto the numbers of the HMRC, which operate with a different definition for Money Service Businesses, or regulators in other jurisdictions.

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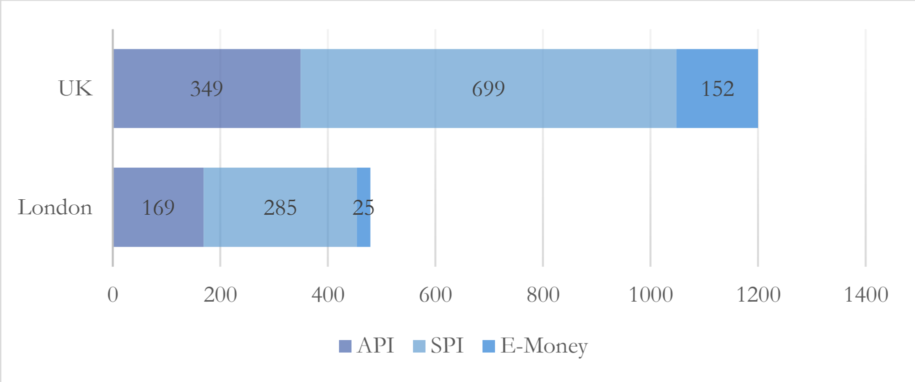
[2] This differs again from the figure on the FCA directory, which might be partly attributable to the fact that the HMRC only regulates MSBs, which are a subset of the FCA firms with Money Remittance permission.
[3] This was particularly evident in the mid-2000s when an estimated 3750 MSBs were registered in the UK and operating through 30 000 outlets as compared to 60 MTBs in Spain, 30 in France and 3 in France (UKMTA, 2009).

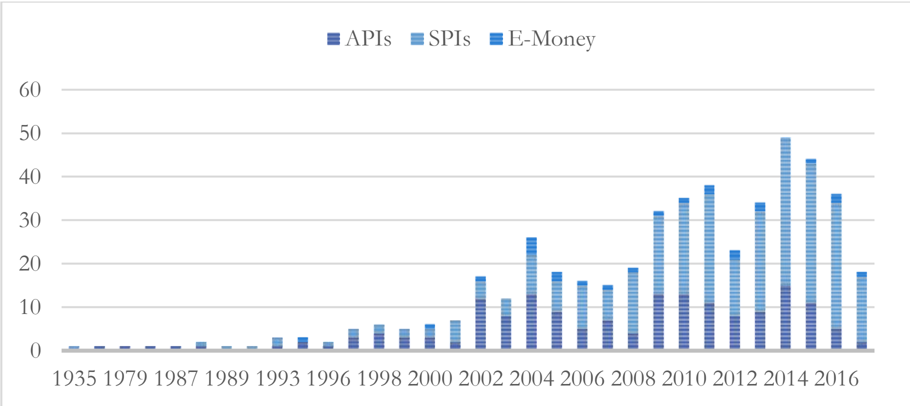
Figure 1: FCA Registered firms with Money Remittance Permission.



Source: FCA Financial Services Register, February 2018.

A key observation is that despite the fact that remittance sending is a long-standing practice, the expansion and diversification of the marketplace is a new phenomenon. As illustrated in Figure 2, the majority of firms authorised by the FCA at the time of our analysis were founded in the 2000s, with fewer than 50 incorporated before the year 2000. Indeed, there has been a particular expansion during and in the years after the financial crisis, when APIs, SPIs, and in particular, Electronic PIs came into being.

Figure 2: London-based firms with Money Remittance Permission, by year of foundation



Source: FCA Financial Services Register and Companies House, February 2018.

To determine business size, we drew upon the type of accounts submitted to the Companies House. The revised Companies, Partnerships and Groups Regulations (2015), distinguishes between Micro, Small, Medium and Large companies, and allows firms in the first two categories to submit 'abridged' accounts. Micro entities are identified as those with fewer than 10 employees, an annual turnover below £632 000, and balance sheet totals below £316 000. Small companies have average turnovers below £10.2 million, balance sheet totals below £5.1 million, and fewer than 50 employees. Medium companies have average turnovers below £36 million, balance sheets below £5.1 million, and fewer than 250 employees, while the Large exceed these values.

Judging from the type of accounts submitted, 46% of money remittance firms fall within the parameters of Small or Micro businesses, with only 14% in the Medium or Large category, where full accounts are required. The remainder were given labels from which no clear inferences can be made ('Dormant', for instance), but which could signify a prominence of small actors.

5. Money Transfer Businesses and Payment Institutions

A second way of classifying remittance providers is in relation to the role which money remittance plays in their commercial activity. As noted above, even within the MTB sector there is significant variance depending upon the business model in question, and the prominence awarded the remittance element (Todorki et al, 2014). In particular, a distinction can be made between Money Transfer Operators (MTOs), which may be firms of sole traders whose only financial service is the transmission of value across borders, and Payment Institutions (PIs), where money remittance is one of a range of wider payment and financial services.

This distinction was evident within our dataset. A total of 70% of survey respondent businesses reported that money remittance was their main financial service, thus coming close to the MTO classification by Todoroki et al (2014). This did not preclude the provision of other commercial or non-commercial services. We interviewed MTO directors who recounted offering food delivery schemes, life insurance and health insurance in the destination countries, as well as charity services in the UK. This differed markedly from the other 30% of questionnaire respondents, who reported that money remittance sat alongside complex financial services such as foreign exchange, options and derivatives trading, risk management, financial brokerage or digital wallet solutions, which would bring them closer to the PI definition. One consultant with decades of experience in the industry summarised this diversity in providers as such:

> You have [...] companies that are involved in money transfers but also foreign exchange providers. Then you've got companies that are really foreign exchange providers that also do a bit of money transfer on the side. The foreign exchange providers tend to be more the companies that you would use to buy your house in Spain or something, to transfer larger sums of money, probably a one off or two or three times, or they serve businesses and they have products around forward contracts and large foreign exchange transactions. So [..], they're a slightly different business but there is some overlap.
> **Kevin, Development Consultant**.

5.1. Customer relationship

The distinction between PIs and MTOs along the scale of professionalised finance was also reflected in firms' relation to their customers. If most MTOs provided a service for individual senders, with just 29.7% offering a wholesale money transfer service, almost three quarters (73.3%) of the PIs in the survey reported offering money transfer options for other businesses. This was also apparent in the ways in which participants described the mission of their business during interviews, emphasising their personal connections to migrants or, respectively, narrating their positions as professionals within largely impersonal, commercial structures. In conversations with directors of MTOs, attention was often drawn to the personal link they enjoyed with customers, whom they described as a community, and to the developmental potential which underscored their line of work. Remittances, they stressed, were not only a matter of moving money, but also a means of sustaining social mobility in destination countries. Nicolas, the director of a new MTO which had recently launched a single corridor to the Philippines, captured this best:

> this is not like any other business, it's a migrant business. Migrants are very selfless people, they don't just come here for themselves, they come here for their families, their money puts children through school, it builds homes. **Nicolas, MTO, Philippines.**

Throughout our interviews we encountered a firm that offered clients the opportunity to pay for private pension and healthcare in their home countries, contributing to cultivating a certain private citizenship; one which also provided financial literacy services, and two other which ran charities alongside the remittance business, where clients who came to do money transfers would also make donations of cash, goods, or voluntary work. This contrasted starkly with the professionalised ways in which interview respondents from PIs described their business.

> We've got everything from individuals paying for homes and so forth overseas. Actually a larger number of client firms are special purpose vehicles, so investment firms. We do a lot of work in the renewable energy sector, so people who are paying to build dams and renewable energy projects [..]. They'll have investment from external people, they'll be sending money overseas now for a project that will finish in three years' time and they need to make sure that in three years' time they get back as much money as they put in, so...it's not exactly a corner shop. **Matt, PI, Multiple corridors.**

5.2. Geographies and modes of operation

Firms' geographic orientation was another axis along which PIs and MTOs differed significantly. The majority (96.7%) of PIs operated multiple corridors, with Europe as most common destination, followed by the Middle East, Asia, North and Latin America, then the Caribbean and Sub-Saharan Africa. By contrast, just over half of MTOs (51.4%) catered for multiple corridors. As many as 48.6% of respondents in this category reported dealing with one country only, with Nigeria being the most common destination, and several others oriented to Bangladesh, Pakistan, India, Ghana, Brazil, Romania and Poland.

This was also visible at the level of commercial presence. A third (33.3%) of PIs reported having offices within as well as outside of the UK, compared to just 16.2% of MTOs. Among respondents with an international presence, Europe was the most common region for PIs (90%), followed by North America (40%) and, in equal proportion (20%), East and Southeast Asia, Latin America, and Australia. By contrast, most of the MTOs which reported offices overseas had them in South Asia (50%), followed in equal proportion by Sub-Saharan Africa, East and Southeast Asia, Europe and North America (33.3%), then finally by Latin America, the Middle East, and Australasia (16.7%). In both cases the number of employees was generally small, between 1 and 9, and with the exception of two PIs and one MTO, firms did not have agents abroad.

In terms of methods of transfer, there is a significant difference in the vehicles adopted by the two types of remittance providers. A vast majority of PIs accepted payments via direct bank transfers (96.7%), followed by card (33.3%), cash (20%), electronic (13.3%) and mobile wallets in equal proportion (6.7%). The prominence of the digital medium was also reflected in the modes of transfer adopted, where website payments were most common (73.3%), and in the modes of payment. A majority of beneficiaries who received remittances through PIs did so in their bank accounts (96.7%), compared to just over a quarter in cash (26.7%), and 13.3% in electronic wallets.

The sending and payment infrastructure looked very different for MTOs. The most common vehicle for sending remittances was cash, which was adopted by roughly two in three businesses (64,9%), and was followed closely by bank transfers (62.2%), card payments (54.1%), then transfers via mobile (21.6%) and electronic wallets (18.9%). Concurrently, most MTOs processed remittances over the counter (67.6%), with just a half in possession of a website functionality (59.5%), and less than a third of a mobile application (29.7%). As in the case of PIs however, remittances were generally received in beneficiaries' banks accounts (83.3%), though two in three MTOs accommodated cash pick-ups (67.6%), and several had a mobile wallet, card, or cheque option.

Table 1 Modes of operation by type of remittance provider

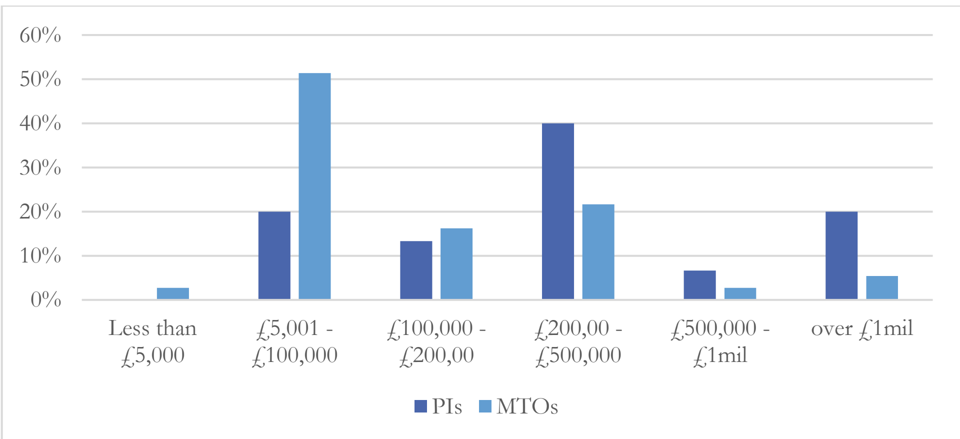
	MTO (n=37)	PI (n=15)
Payment Vehicles		
Cash	67%	20%
Mobile wallet	19%	19%
Bank account	61%	87%
Electronic wallet	17%	13%
Modes of payment		
Over the counter	69%	20%
Website	58%	73%
Mobile app	31%	20%
Other	11%	40%

Source: Questionnaire survey, 2018

5.3. Capitalisation and Financial Assets

Why does this matter? The distinction situating money remittances as one of several financial services provided by an institution specialised in finance, or as the singular financial activity of a migrant business, is reflected in a hierarchy of size, profit, and the ability to access the banking infrastructure which mediates the international transfer of value. There is a visible difference in the level of capitalisation respondent firms started with. As it is apparent in Figure 4, the majority of MTOs started with less than £100,000, compared to PIs, where most started with more than twice this amount.

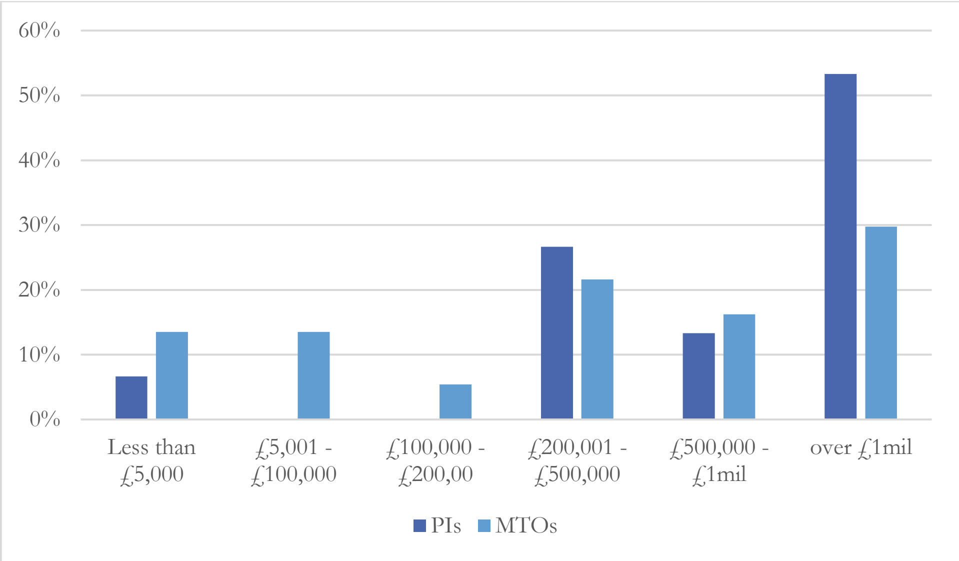
Figure 4: Initial capitalisation by type of provider.



Source: Questionnaire survey.

A further key distinction was in the volume of remittances processed by the two sets of providers. Looking at Figure 5, it is apparent that PIs process much higher transactions, with over half reporting moving sums in excess of £1million. This chimes with the earlier finding that a majority of PIs cater for wholesale transfers, compared to less than a third in the case of MTOs, whose main customer base was, according to interview respondents, comprised of individual migrants who remitted to their families.

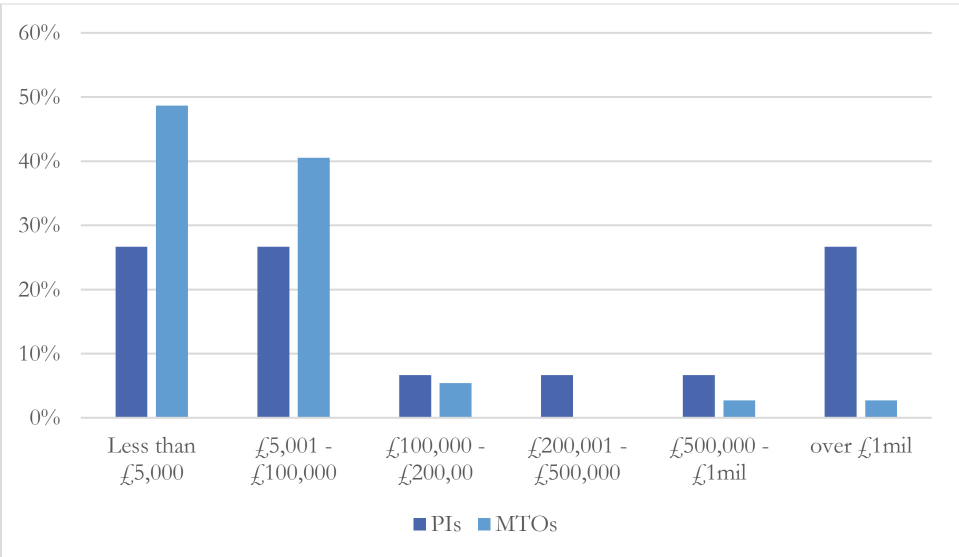
Figure 5: Volume of remittances by type of provider.



Source: Questionnaire survey, 2018.

Perhaps unsurprisingly, this discrepancy in volumes is reflected in differences in profit. There is a visible clustering of MTOs in the low profit margin areas. Over half of the firms for whom money remittance was a primary business activity reported making less than £5,000 in profit, with another third in the region up to £100,000. This differs markedly from the figures for PIs, which stretch over the £100,000, and well over £1 million.

Figure 6: Profit by type of provider.



Source: Questionnaire survey, 2018.

A final distinction which has real consequences upon firms' abilities to operate, pertains to their access to banking. As many as 84.8% of the total questionnaire respondents believed that derisking, or the process whereby banks terminate relationships with clients considered unsafe, presented a threat to the money remittance business. Yet the moment we distinguish between MTOs, for whom money remittance was the main activity, and PIs, which conducted it as an addition to foreign exchange or other financial services, it becomes apparent that the exposure to this practice is in fact highly differentiated. A vast majority, 86.7% of PI firms which also offered money remittance services had a business bank account in the UK. For the others, the rate came to 56%.

Table 2 Access to banking by type of remittance provider

	MTO (n=37)	PI (n=15)
Bank account	56%	86.7%
Bank loan	5.60%	100%

Source: Questionnaire survey, 2018.

It is not surprising in this sense that many firms turned, or were pushed, away from processing cash. While the majority of business (89%) offered at least one vehicle for transferring money remotely, be it via cheque, mobile wallet, electronic wallet, or bank based solutions such as direct transfers or card payments, fewer than half (47.8%) of respondents processed cash. This tendency towards digitisation was also visible in the modes of interaction with customers reported in the questionnaire. While the majority of businesses (84.8%) provided a variety of means of processing payments electronically, just half (50%) accommodated an over the counter model. This is something we explore in depth in brief 2, where we investigate how firms navigate derisking.

6. Conclusion

This brief has sought to provide an overview of London's remittance service providers. Reflecting a relatively large number of registered and authorised entities which have been given permission to provide remittance services by the UK regulator, the FCA, this brief highlights that a significant proportion of these businesses are both concentrated in London and incorporated after the year 2000. They also vary in size and turnover.

In attempting to understand these differences more systematically, our survey enables us to identify two key types of MTBs, namely MTOs and PIs. While the key distinction between these is whether remittance services are the primary or secondary ambition, this then feeds into significant differences in relation to customer basis (including whether these are 'high ticket' individuals or migrants sending small amount of money, wholesale and businesses services versus households), geographies of operation (in multiple or single remittance corridors), and modes of operation.

In turn, these distinctions are further evidenced in relation to capitalisation, financial assets as well as financial inclusion. While both MTOs and PIs relied upon personal savings to start up, it was evident that PIs benefitted from private investment. Relatedly, and perhaps unsurprisingly, PIs had access to and benefitted from a range of financial services and assets including operational bank accounts and loans.

These differences matter in that both MTOs and PIs come under similar regulatory and supervisory pressures which they are not equally well placed to respond to. In our next brief, we focus our attention particularly on derisking, and at the strategies businesses can adopt to navigate it.

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