

Remittances are big business. A remittance is a sum of money sent by global workers and immigrants to family and friends in their countries of origin. The World Bank estimates that worldwide in 2012, more than \$US400 billion changed hands in the form of remittances. Most of this money moved from individuals living and working in wealthy countries to their relatives in middle income and poor countries. To put this in context, global remittances in 2012 nearly equalled the annual global revenues of WalMart. In order to send these sums Canadian immigrants generally need to rely on specialized money transfer agencies. Processing remittances is a highly profitable business for companies such as Western Union, MoneyGram and others.

For the last several months undergraduate sociology and anthropology students at Simon Fraser University have been studying the ways that immigrants in the Lower Mainland of British Columbia engage in remittance activities. As part of learning how to do social research, the students tackled an issue that affects the quality of life of many New Canadians.

While the amount of money a person can send and the countries they can send it to are regulated, in Canada there are no restrictions on either the fees or exchange rate premiums that a money transfer agency can demand. A Canadian who wants to send \$200 to family members in Bosnia or Mexico or Thailand will pay a flat rate fee of anything from \$12 to \$20 each time they send money. The identical fee applies when sending \$100. This is a regressive, even punitive, expense for someone earning the average rate of pay in Canada. Immigrants, however, earn less than non-immigrant Canadians.

Governments, both in Canada and abroad, can take steps to ensure that the money Canadians send to their relatives overseas is not gobbled up in transfer agency charges. It is time to regulate what senders can be charged to send money to their kin. A private member's bill to reign in the fees that senders are charged was recently introduced in the Ontario Provincial Parliament. We need legislation capping money transfer charges in every Canadian province and territory.

The governments of receiving countries can also take action to lower the cost of sending money by authorizing competition among remittance businesses. While some countries such as the Philippines allow many different money transfer agencies to operate – and Filipinos do pay the lowest fees to send money – many more countries have made deals that exclude all but MoneyGram and Western Union, the global giants of the money transfer industry.

But competition is not enough, and here's where Canadian governments can be a force for good. Nearly all of the transfer agents make money from both the fees they charge and the currency exchange rates they offer. At present it is very difficult for a sender to compare the costs of different money transfer services. This is because both the fees and the currency exchange rates vary from agency to agency. The student researchers learned that senders frequently select a transfer agency on the basis of its posted fee. But the money saved in fees may be lost to a disadvantageous and hidden currency exchange premium. The United States recently enacted consumer protection legislation of the financial services

industry requiring exactly this kind of disclosure. We need regulation in Canada that demands full transparency and disclosure of both fees and exchange rates. We also need a cap on the total charges, including both fees and the exchange rate premiums, that an agency may impose to transmit money. The average charge imposed on Canadian senders is 8%; this is considerably above than the 5% the World Bank suggests is the appropriate rate. It is higher in Canada than in the United Kingdom, the United States, Spain, Italy, Russia, Qatar, Saudi Arabia, and Malaysia.

It is common to think about remittances as a form of international development aid. But as my students discovered, international development aid is the wrong analogy to describe the money sent by Canadian immigrants to family members in their countries of origin. The senders who shared their stories with us explained why they send money and how their families use the money they send. It turns out that immigrant remittances are sent for the very same reasons and used in the exact same ways that non-immigrant Canadians spend money on their kin: tuition for a child's education, a loan to help a sibling start a business, support for aging parents, skilled nursing care for an ailing grandparent.

This is a fairness and quality of life issue for all Canadians. Immigrants want to provide the same kinds of familial support that is common in many Canadian families. It is wrong that they should be charged a premium for their trouble.

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