

**PROGRAM FOR IMPROVING  
CENTRAL BANK REPORTING AND PROCEDURES  
ON REMITTANCES**

**BARBADOS**

JUNE 2010

remesas



**CENTRO DE  
ESTUDIOS  
MONETARIOS  
LATINOAMERICANOS**  
Asociación Regional de Bancos Centrales



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BARBADOS

CENTER FOR LATIN AMERICAN MONETARY STUDIES  
MULTILATERAL INVESTMENT FUND OF THE  
INTER-AMERICAN DEVELOPMENT BANK

First English Edition, 2010

Also published in Spanish

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Durango 54, México, D.F. 06700

ISBN 978-607-7734-17-8

Printed and made in Mexico

*Impreso y hecho en México*

## Foreword

The importance of international remittance flows to Latin American and Caribbean economies has increased substantially, both in terms of macroeconomic stability given the magnitude of these capital inflows, and of economic development in view of their impact on financial inclusion and poverty alleviation.

The Center for Latin American Monetary Studies (CEMLA), with the support of its central bank members, has played a proactive role in the field of remittances. The organization of several capacity-building and technical assistance events by CEMLA, has clearly shown central banks interest in obtaining improved information on the size and characteristics of these flows.

More reliable data is needed to have a proper understanding of the market structure for remittances and the behavior of involved agents. Such information allows to foster the implementation of policies and regulations aimed at reducing the cost of money transfers, providing greater security and transparency, and avoiding unsuitable practices that may deter an efficient development of the market.

In mid-2004, CEMLA and the Multilateral Investment Fund (MIF) began designing a program aimed at improving the statistical measurement of international remittance flows. MIF's financial contribution was approved by its Donors Committee in February 2005 under the title "Improvement of Central Bank Information and Procedures in the Area of Remittances" (RG-M1059). In April of the same year, CEMLA's Board of Governors meeting in Cartagena, Colombia, formally approved the Center's participation as executing agency for the project. The institutional arrangements for the Measurement Program (as it is referred to) comprise a Working Group on Remittances (WGR) formed by experts from central banks in Latin America and the Caribbean, and a Remittances International Steering Committee (RISC) comprising experts from extra-regional central banks and international organizations. Twenty-three of CEMLA's thirty regional central bank members signed up for the project.

The first phase of the project identified limitations on the availability and quality of data on remittances markets and flows, thus serving as the starting point for the design of the Program. Some of the detected shortcomings were: i) the absence of an agreement on basic balance of payments definitions; ii) a lack of precision in measuring the flows; iii) insufficient compilation of statistical data via direct reporting; iv) a deficit of information on the structure of international remittance operators, and v) the need to clarify regulatory and jurisdictional aspects applicable to the providers of these services.

In view of the above, the Program seeks to improve central bank data and procedures in the area of remittances, evaluating and recommending steps to lift the foregoing restrictions. In addition, the Program is expected to contribute to: the use of formal remittance transfer systems by originators and beneficiaries through financial literacy campaigns; cost transparency among regulators in both originating and beneficiary countries; a better understanding of the microeconomic dynamics in remittances markets; and the dissemination of best practices and lessons learned from the studies that were carried out in the region.

In the pursuit of these objectives, the Program includes Country Missions for the analysis of different aspects pertaining to the measurement of remittance flows and the functioning of this market. Deliverables include public reports describing central bank procedures and other relevant aspects of the remittances market. In addition, the Program contemplates the organization of sensitization events, training courses and technical assistance. These activities all benefit from the technical cooperation of WGR and RISC.

The present Report, *International Remittances in Barbados*, is one of the descriptive documents in the series, and was prepared with the active participation of the Central Bank of Barbados.

Javier Guzmán Calafell  
General Director  
CEMLA

Julie T. Katzman  
General Manager  
FOMIN/BID

## **Acknowledgements**

This report is based on the findings of a mission that visited Barbados in November 2009, comprising two teams that worked jointly. The international team was led by René Maldonado from the Center for Latin American Monetary Studies and included John Wilson (Remittances Program consultant) and Stuart Brown (part of the Remittances International Steering Committee). The international team worked in close coordination with Alvon Moore from the Central Bank of Barbados (CBB).

This report was prepared by René Maldonado, assisted by Magali Luna, and was complemented by comments from the mission team members and from the Central Bank of Barbados.

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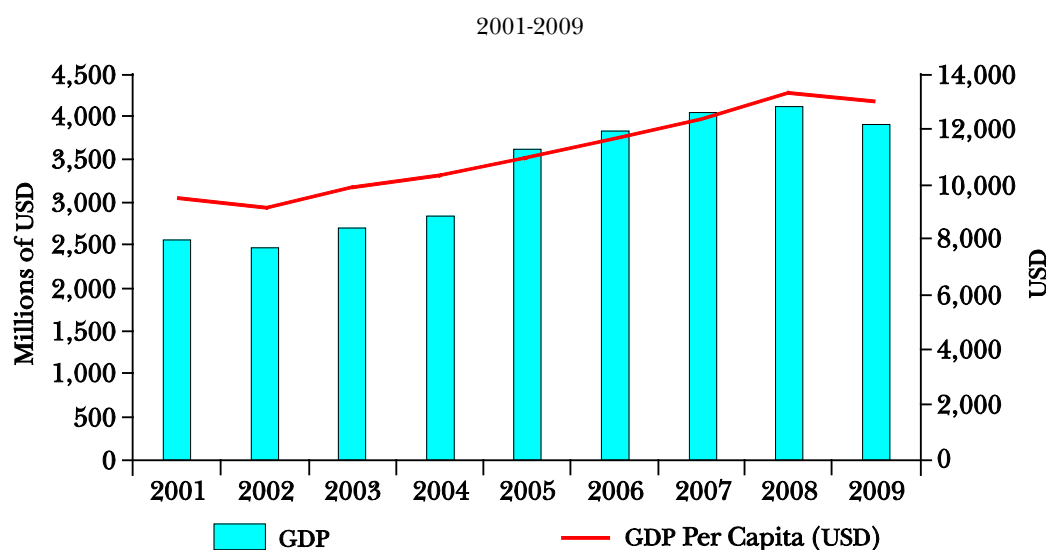


# 1 ECONOMIC BACKGROUND AND THE REMITTANCES CONTEXT

## 1.1 MACROECONOMIC PERFORMANCE

With a population of less than 300,000 and a territory of only about 431 square kilometers in the southern Caribbean, Barbados is one of the smallest Caribbean countries, less than three times the size of Washington D.C. At the same time –even without systematic and reliable emigration statistics– Barbadians (Bajans) are known to be resident and working in a number of other countries, and remittances to the home country are potentially an important source of income to families left behind.

FIGURE 1. GDP AND PER CAPITA GDP



Source: Central Bank of Barbados

Economic growth over the past decade has mostly been positive, but modest. The figure 1 traces real GDP developments in Barbados since 2001.

During 2008, the global recession severely affected the Barbadian economy. After barely growing (0.2%) in 2008, nominal GDP declined by 5.4% in 2009. As noted in the figure, nominal GDP has climbed moderately over the past nine years, from about USD 2,554.2 (BBD 5,108)<sup>1</sup> million to about USD 3,908.1 (BBD 7,190) million, with a cumulative growth of about 50%. In turn, real per capita income grew 37% over this period, from about USD 9,463 to around USD 13,003. In the international context, therefore, Barbados is moderately poor, but some progress has been recorded.

<sup>1</sup> USD stands for US dollars and BBD stands for Barbadian dollars.

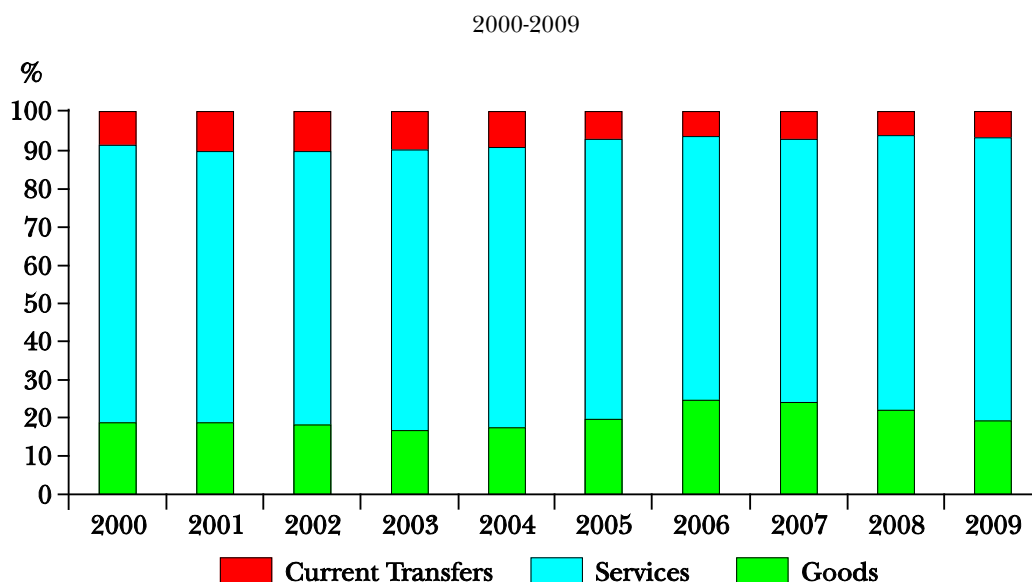
Given its location and resources, the economy of Barbados depends in large part on tourism and exports of sugar, rum and some light manufactures and chemicals. Its historical and present connections with the United Kingdom, since independence in 1966, are strong, but there are also extensive links with other countries and dependencies in the Caribbean.

The Central Bank of Barbados (CBB), located in Bridgetown, is responsible for the compilation of balance of payments statistics, including personal remittances, which are part of current transfers. Within the CBB, the Research Department is charged with this function. Given that Barbados has maintained a system of exchange controls over many years, and most cross-border and cross-currency transactions require permissions and/or reports to the CBB, both the Foreign Exchange Department and the Research Department are involved in some of the calculations.

### 1.1.1 Balance of Payments and Current Account Components

Table 1 below gives an overview of developments in Barbados' balance of payments over the past decade. Notable features in this history are the persistent, and rising, deficits in the current account, driven mainly by rising deficits in the trade balance, which have been partially offset by sizeable surpluses in the services account, as well as by positive net current transfers, which approached USD 50 million in the past few years.

**FIGURE 2. STRUCTURE OF CREDITS IN THE BARBADOS CURRENT ACCOUNT**



*Source: Balance of Payments Statistics 2009 and Economic Review, Central Bank of Barbados.*

Capital account balances have been minuscule and, within the financial account, direct investment flows have oscillated, but generally have been positive, signaling net inflows into the

reporting country.<sup>2</sup> Reserves of the CBB have fluctuated between significant increases (negative sign means increases in external assets), and notable reductions in some years. Errors and omissions in the accounts are moderately large compared to values of some line items.

**TABLE 1. BARBADOS: STRUCTURE OF THE BALANCE OF PAYMENTS ACCOUNTS**

	2001-2009, current USD millions								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Current Account, of which:	-113.8	-161.5	-118.9	-266.3	-367.3	-252.0	-182.7	-421.4	-228.3
Goods, net	-690.0	-711.4	-813.7	-981.7	-1,070.0	-1,003.3	-1,083.5	-1,242.3	-692.4
Services, net	555.1	540.5	679.7	682.9	764.9	810.1	911.2	895.4	561.8
Transfers, net	112.8	108.4	117.8	114.4	65.4	82.9	56.1	46.8	42.3
Capital Account	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Financial Account (excluding reserves)	287.2	282.5	391.0	233.7	269.5	348.0	452.6	165.1	n.a.
Direct Investment	17.5	64.1	121.2	20.2	118.5	200.3	255.6	222.7	n.a.
Portfolio Investment	-21.9	-23.7	-23.1	-32.1	-87.5	20.5	-8.5	-101.1	n.a.
Other Investment	291.6	242.1	292.8	245.6	238.5	127.1	205.4	43.4	n.a.
Errors and Omissions	52.0	-32.3	-84.1	-137.6	28.7	-54.6	8.0	7.2	n.a.
Change in Net Foreign Assets (- increase/+ decrease)	-226.6	-88.6	-187.9	170.2	69.1	-41.3	-277.9	249.2	n.a.
Adjustments:									
Commercial Banks'	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Net Reserves	-3.9	-112.5	-119.5	13.8	92.2	-62.6	-101.3	153.6	n.a.
Transactions with IMF	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	n.a.
Change in Net International Reserves (-increase/+decrease)	-222.7	23.9	-68.5	156.4	-23.1	21.3	-176.6	95.6	n.a.

Source: *Balance of Payments Statistics 2009 and Economic Review*, Central Bank of Barbados. n.a. stands for non-available.

Turning to a breakdown of the current account, figure 2 shows an overview of the relative importance of export of goods, exports of services and current transfers. The dominant element is services (largely associated with Barbados as a tourist destination), but current transfers account for 7% to 10% of current credits in most years. And, as illustrated in table 2, workers' remittances account for 80% to 85% of the incoming private transfers recorded in the current account, except for 2009, as a result of the global crisis and unemployment in United States.<sup>3</sup>

Apart from annual credits on workers' remittances of USD 55-100 million recorded in Barbados' external accounts in the past few years, it will be noted that some pension flows are also compiled, and also transfers from institutional sources, mainly governments.

<sup>2</sup> Classification of the balance of payments (BoP) elements in this table follows the fifth edition of the IMF's Balance of Payments Manual (1993) –BPM5–, in which the previous *capital account* is now the *financial account*, and the redefined capital account captures *mainly* migrants' transfers and elements of debt forgiveness.

<sup>3</sup> The definition of private versus official transfers in BoP compilation varies from one country to another. Workers' remittances, by their nature, are all private.

As commented, Bajan emigrants seem to be found in many other countries. By the same token, Barbados has been a destination for immigrants, usually seeking work, and generally from elsewhere around the Caribbean basin. Thus, it is unsurprising to find debits (payments) on Workers' Remittances in the BOP accounts. The amounts of these payments, mostly in the USD 15 million to USD 46 million range during the period 2001-2008, are naturally, much smaller than remittance receipts in the accounts, leaving a net credit of some USD 24-85 million, depending on the year.<sup>4</sup>

TABLE 2. PRIVATE TRANSFER PAYMENTS IN BARBADOS' BALANCE OF PAYMENTS

2000-2008, current USD millions									
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Credits									
From foreign governments	1.5	1.6	2.0	3.1	1.6	0.6	0.8	1.5	1.6
Pensions	1.2	1.2	1.3	1.4	0.2	0.3	0.2	0.2	0.3
Other	0.4	0.4	0.8	1.8	1.4	0.3	0.6	1.3	1.3
Other transfer payments	104.5	121.0	115.4	120.7	122.0	121.5	121.4	103.9	99.8
Institutional <sup>a</sup>	2.6	2.7	3.7	4.0	1.9	3.0	0.7	n.a.	9.2
Workers Remittances	84.2	100.2	93.3	96.9	100.0	102.6	106.3	85.5	75.3
Other	17.8	18.1	18.5	19.9	20.0	16.0	14.4	18.4	15.4
Total Credits	106.0	122.6	117.4	123.8	123.6	122.1	122.2	105.5	101.4
Memo: WR share in credits (%)	79.4	81.7	79.5	78.3	80.9	84.0	87.0	81.0	37.1
Debits									
To foreign governments	0.6	0.7	0.5	n.a.	n.a.	n.a.	0.9	n.a.	n.a.
Taxes	0.6	0.7	0.5	n.a.	n.a.	n.a.	0.9	n.a.	n.a.
Other transfer payments	24.3	25.5	25.1	26.4	27.3	58.3	46.2	95.5	75.6
Institutional <sup>a</sup>	1.9	2.0	2.0	1.5	2.3	2.1	0.3	n.a.	0.7
Workers Remittances	14.3	15.4	14.9	15.8	15.8	37.0	28.5	45.9	29.3
Other	8.2	8.3	8.2	9.2	9.2	19.2	17.5	49.6	45.7
Total Debits	24.9	26.2	25.6	26.4	27.3	58.3	47.2	95.5	75.6
Memo: WR share in debits (%)	57.4	58.8	58.2	59.8	57.9	63.5	60.4	48.1	19.4
Balance on Private Transfers	81.1	96.4	91.8	97.4	96.3	63.9	75.1	10.0	25.8

Source: Balance of Payments Statistics 2009, Central Bank of Barbados. <sup>a</sup> Institutional transfers: in cash and kind. n.a. stands for non-available.

## 1.2 LABOR MARKET ENVIRONMENT AND MIGRATION

### 1.2.1 Labor Environment

Labor market statistics for Barbados are compiled by the Barbados Statistical Service (BSS), in part using periodic household surveys. Figure 3 helps illustrate the contours of labor market conditions, according to the official statistics. Barbados' total population ranges around 275,000 inhabitants, of which approximately half is *inactive* in the labor force. Of the active portion, about 142,000 in 2009, around 15,000, or 10%, were unemployed during this period. This is a high

<sup>4</sup> For reference, USD 100 million of net remittances in a country with a population of 250,000 would make annual per capita remittances of about USD 400. As mentioned early in this report that there are evident gaps in some of Barbados' remittance statistics, so caution is advised in using the numbers.

fraction, but nonetheless somewhat lower than during the last half of the 1990s. In late 2009 the unemployment rate was estimated at 10.5% by BSS surveys.

The labor market in Barbados, thus, is not dissimilar to other countries in the LAC region, in which there has been notable unemployment and underemployment, and a consequent hunger for more income to maintain families and a reasonable standard of living.

**FIGURE 3. POPULATION AND LABOR STATISTICS**

2001-2009



Source: Barbados Statistical Service.

### 1.2.2 Migration Experience and Data

It is widely agreed that substantial numbers of Bajans have migrated to various destinations, but hard statistics on the subject are somewhat scarce. Unlike a few countries for which the main destination has been the United States (US) –which enables sources such as the US Census and American Community Survey to capture the principal concentrations–, Bajans have headed in various directions, including the United Kingdom (UK) and various British dependencies in the Caribbean. Barbados itself, does not have or assemble a systematic and reliable set of statistics on either emigration or immigration, so domestic sources are also deficient.<sup>5</sup>

Consequently, overall statistics on the Bajan Diaspora are relatively weak and conjectural. Available data may nonetheless be cited, to put some dimension on the subject. Regarding Bajans in the United States, American Community Survey data<sup>6</sup> for 2009 suggest a population of about 45,234, up from about 20,000 at the start of the decade. The United Kingdom has been another

<sup>5</sup> The BSS Quarterly Household Surveys, for instance, do not appear to have a migration module, nor do they request information relative to international remittances.

<sup>6</sup> The ACS is an ongoing monthly operation of the Census Bureau in the US, and helps provide migration and other household data for years between the decennial censuses in that country.



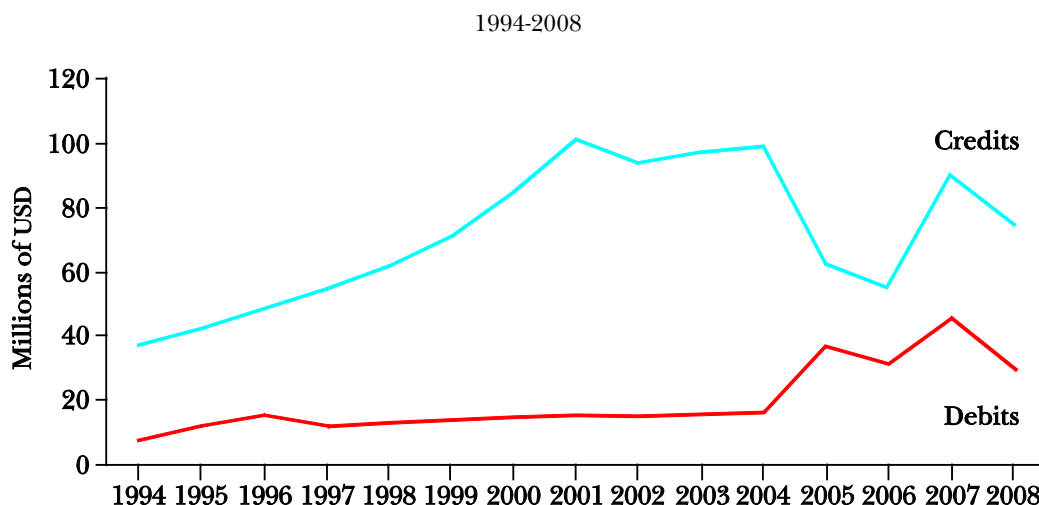
avored destination and the Bajan population there could be about the same as in the US,<sup>7</sup> Canada appears to have a Bajan population of about 1/10 the number in the United States; somewhat over 2,300 were recorded in 2,000, and this has probably risen, too, in the intervening years.

According to the World Bank's *Barbados Factbook* the total number of expatriate Bajans in the year 2005 was about 114,000. In that presentation, the top ten destinations are reported to be: United States, United Kingdom, Canada, Trinidad and Tobago, Netherlands, Antilles, Jamaica, Australia, Germany, Antigua and Barbuda, and Dominica. According to this source, Bajan emigration accounts for 42% of the entire population. Immigration, on the other hand came to about 26,000, or 9.7% of the population.<sup>8</sup> The most recent *CIA Factbook* estimates annual net migration from Barbados at -0.31 individuals per 1000 population. There is a degree of uncertainty about the accuracy of Barbados emigration and immigration statistics, but it is clear there has been significant emigration from the country over time. In terms of international transactions flows, this means there are significant potential workers' remittances flows to (and, to some degree, from) Barbados.<sup>9</sup> The lack of hard data, of course, hampers cross-checking of compiled remittance statistics against their main driver, which is the number of emigrants.

### 1.3 EVOLUTION AND IMPORTANCE OF REMITTANCES

Tables and figures above have presented balance of payments and private transfers' data for Barbados over the past decade. Figure 4, puts movements of workers' remittances in visual perspective up to the year 2008, the latest available at the present time.

FIGURE 4. BARBADOS' WORKERS REMITTANCES



<sup>7</sup> See Harrison, Anne, et al. (2000), Working Abroad-The Benefits Flowing from Nationals Working in Other Economies, Report of the Round Table on Sustainable Development, OECD, Paris.

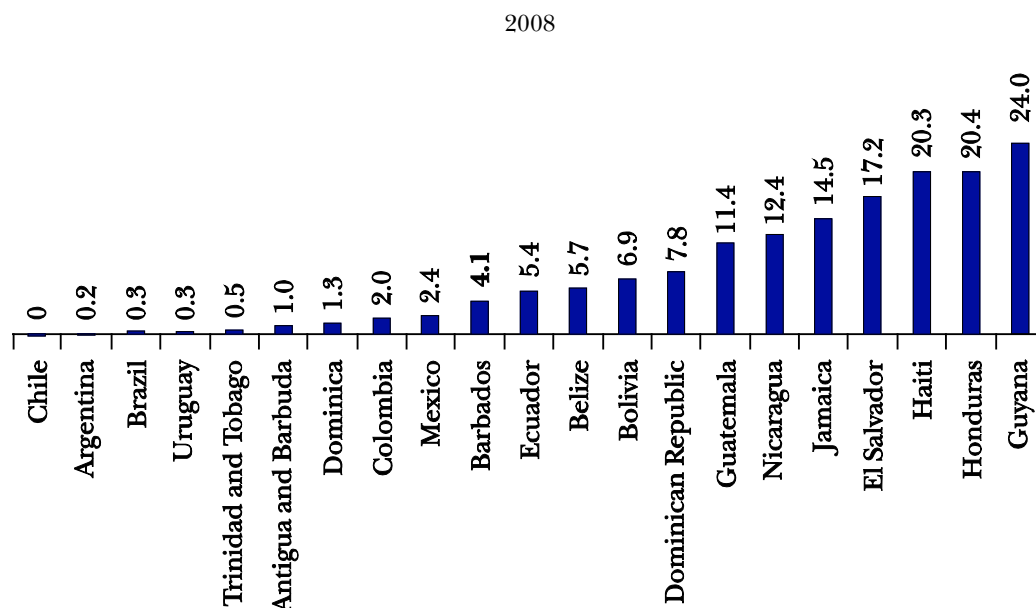
<sup>8</sup> The World Bank figures are cited here without endorsement, as they are given in the Factbook without identified sources, so provenance of the data is unknown.

<sup>9</sup> It is well known that remittances tend to *decay*: when emigrant workers settle down and stay long periods in their new countries, but data available for Barbados are too sparse to make any judgments on this subject.

Source: Central Bank of Barbados.

Although small in total value, remittances in Barbados rank medium in international comparisons of remittances as a share of GDP. Figure 5, which relate to 2008, puts Barbados in 12<sup>th</sup> position in LAC ranking, behind only Belize and Ecuador.

**FIGURE 5. REMITTANCES AS A SHARE OF GDP IN LATIN AMERICAN AND THE CARIBBEAN**



Source: World Bank.

As mentioned frequently in studies on this subject, the flow of remittances has been growing significantly and has become an important source of income for a large number of households in Latin America and the Caribbean. Data for the past couple of years are still tentative. However, during 2007 the growth rate of these flows diminished due to the weakening of the US economy, as well as to the strengthening of its immigration enforcement. Even so, the flow of remittances that continues to enter the region is of particular importance. In the case of Barbados, to a certain degree the fall in remittances from the US has been compensated for by a slight increase in remittances arriving from other regions such as the United Kingdom or elsewhere in the Caribbean.

## **2 INSTITUTIONAL ASPECTS**

### **2.1 GENERAL LEGAL FRAMEWORK**

At present there is a global framework in Barbados for financial institutions to operate, but there is no specific regulation on the international remittances market which could be construed as a legal framework for these flows. On the other hand, as already pointed out in this report, there exists specific legislation regulating other entities and activities directly related to international remittances. Also, when financial entities wishing to engage in cross-border remittance transactions belong to the supervised financial intermediation system, they are governed by the Financial Institutions Act (1997/48) (FIA).

Commercial banks in Barbados are obliged to report all purchases or sales of foreign currency. Participants like Barbados Shipping & Trading (BS&T) are not required to report in the same manner as the banks, even if they are doing the same type of operations (remittances).

#### **2.1.1 Financial Regulations**

The Financial Institution Act regulates the organization of the financial system, including the commercial banks, trust and finance companies and merchant banks; it defines the control and auditing obligations of financial entities, including the requirement to submit periodical reports to the Central Bank of Barbados.

Entities specialized in money transfers must comply with general regulation on anti-money laundering provisions, in the same manner as any other commercial business activity.

For companies engaged in the provision of financial services, the CBB reviews and establishes their adequate level of reserves. The CBB may also introduce additional requirements if and when deemed to be necessary.

In Barbados there are no specific rules covering international remittance operations. In the case of those entities overseen by supervisors, they must comply with rules and regulations set down by said controlling agencies.

On the other hand, the International Financial Services Act (IFSA) establishes the licensing and the authorizations for foreign entities to conduct financial services in Barbados. This general regulation define the activities permitted to the aforementioned entities to engage in, including various types of instruments allowed in currencies different from the Barbadian dollar. For domestic banks and those foreign n banks wishing to establish themselves in Barbados, the license to operate requires previous authorization from the Ministry of Finance.

#### **2.1.2 Payment System Regulations**

In Barbados the payment system was reformed in 2002. The main elements of this reform were the implementation of a Real Time Gross Settlement System (RTGS) –actually the CBRTGS (Central Bank Real Time Gross Settlement System)– and the authorization for the establishment of an Automated Clearing House (ACH) by private commercial banks. The payment system's rules and

regulations are designed to control the operations of the CBRTGS. So far, no regulation has been enforced for the private retail payment systems (ACH),

### **2.1.3 General Norms and Regulations for the Foreign Exchange Market in Barbados**

The CBB, in furtherance of its mandate for the regulation and supervision of licensees under the Financial Institutions Act, 1996-16, and the IFSA, 2002-5, has developed Guideline 2007:03 regarding the management of foreign exchange and settlement risks which apply to positions in both the trading and banking books of licensees.

This Guideline establishes explicit and prudent foreign exchange limits, and ensures manageable foreign exchange risk, taking into account:

- Currencies (and maturities) to be exposed.
- Level of exposure assumed as a market maker (representing customers).
- Credit risk limitations on counterparties and intermediaries.
- Contracts with individual counterparties.

The Guideline 2007:03 underlines the need for individual and aggregate counterparty assessment, as an integrated component of any foreign exchange operation. This assessment must be conducted by the specific authorized bank's credit risk management area.

Failures in foreign exchange settlement can arise from counterparty default. Thus it is; essential to ensure that prudent limits are in place to control the settlement risk of individual counterparties. In this regard, the CBB sets limits such as a maximum exposure, and supervises the level of credit and settlement risk for licensed entities. To exceed these limits prior approval is required from the appropriate credit management officer. In this context, the execution of remittances transactions also have to take into account and avoid the risks associated with improper foreign currency transactions.

### **2.1.4 Tax Regulations Related to Remittances**

According to the current legal framework there are no taxes or other regulations that affect the remittances market. There are fees for the use of the Real Time Gross Settlement System of the CBB; however, this applies in the same way to all transactions that flow through the system. The low value of remittances means that, in general, these flows do not pass through this system, but rather are transacted through institutional entities providing remittances services.

### **2.1.5 Anti-Money Laundering Regulations**

The Central Bank of Barbados, applies the Financial Institutions Act 1996-16 (FIA) and the IFSA 2002-5, and has revised the Know Your Customer Guideline (KYC) to provide guidance on how financial institutions can fulfill their obligations in relation to the Money Laundering and Financing of Terrorism (Prevention and Control) Act 2002-6 (MLFTA).

The main objective of this guideline is to develop and implement effective customer due diligence systems and monitoring mechanisms to combat money laundering and the financing of terrorism.

The MLFTA 2002-6 applies to all entities that are incorporated in Barbados and that are licensed under the FIA and IFSA. These institutions should ensure that, at a minimum, this guideline is also implemented in their branches and subsidiaries abroad.

The CBB recognizes that other persons and entities, whose business involves money transmission services or any other service of a financial nature, are also vulnerable to the threat of money laundering and terrorist financing. These persons and entities interface directly with licensees. It is recommended that they consider the issues embodied in Act 2002-6, and that they also avail themselves of the relevant assumptions on this guideline.

## **2.2 REGULATION, SUPERVISION AND OVERSIGHT AUTHORITIES**

### **2.2.1 Role of the Central Bank of Barbados**

The CBB is charged with safeguarding the safety and soundness of the financial system. The Bank Supervision Department is responsible for regulating and supervising commercial banks, merchant banks, trust and finance companies and international (offshore) banks licensed in Barbados. The Central Bank of Barbados Act defines the purposes of the CBB, including to:

- a. Regulate the issue, supply, availability and international exchange of money.
- b. Promote monetary stability.
- c. Promote a sound financial structure.
- d. Foster the development of money and capital markets in Barbados.
- e. Foster credit and exchange conditions conducive to the orderly and sustained economic development of Barbados.

The Bank Supervision Department is the regulatory arm of the Central Bank. It is staffed with 22 trained examiners. The examiners are in charge of developing legislation and regulations for the financial system and, by inspecting financial institutions licensed under the FIA and the Offshore Banking Act, of ensuring that their operations are safe and in compliance with legislation. The Bank Supervision Department also has the lead role in reporting on the performance and condition of each licensed financial institution.

The endorsement of a sound financial structure by the Central Bank of Barbados includes a responsibility to oversee key players in the financial system, i. e. commercial banks as well as other financial institutions. Bankruptcy can undermine the stability and integrity of the financial system, thus the CBB is empowered to ensure an adequate environment in the financial system for safeguarding customer confidence in the entire system, and also to provide depositors guarantees (or insurance) on their funds within the banks.

The Bank Supervision Department of the Central Bank of Barbados conducts both onsite and offsite inspections of all licensed financial institutions. Onsite inspections are conducted at the premises of the financial institution by examiners on a two-year cycle. This combination is the key to achieving international standards for effective banking supervision.

The Central Bank Act also empowers the Central Bank to require the reporting of operations, not only from financial entities, but also from the other persons (physical and legal) that perform transactions related to central bank purposes.

### **2.2.2 Fair Trading Commission**

The Fair Trading Commission (FTC) assumed regulatory responsibilities since 2001, pursuant – among other aspects– to the Consumer Protection Act 326D (CAP). In addition, the FTC is responsible for the enforcement of provisions of the Utilities Regulation Act, CAP. 282, the Telecommunications Act, CAP. 282B, and the Fair Competition Act CAP. 326C.

The FTC serves as one of the guardians of consumers’ rights. Officers of the FTC provide public education awareness, investigate consumer complaints and seek amicable resolutions where possible. The division also monitors any promotional material released by businesses.

The Consumer Protection Act 326D (CAP), of January, 2003 has the purpose of safeguarding the rights of consumers in areas such as unfair trade practices, unfair contract terms and misleading and deceptive conduct. The overall objective of the FTC is to ensure that the market place is working well and that consumer welfare is improved.

Consumer protection legislation in Barbados includes protection against false price disclosure, as well as misleading consumers about their rights, including financial services like remittances receipt in remittance services providers (RSPs). As the regulator, the FTC helps determine utility, sets standards of service that RSPs should offer, and monitors this service to make sure it is of a good quality. Regulation officers also listen to and investigate any queries or concerns consumers may have about bills or service.

### **2.2.3 Anti-Money Laundering Authority**

The Anti-Money Laundering Authority (AMLA) was established to supervise financial institutions in an effort to prevent money laundering. The Money Laundering and Financing of Terrorism (Prevention and Control) Act 2002-6 (MLFTA) ascribes to AMLA the responsibility of supervising financial institutions, making it the principal supervisory entity in the fight against money laundering in Barbados. The legislation requires the AMLA to receive reports of suspicious or unusual transactions from financial institutions. Such reports are analyzed and directed according with the findings under specific terms. Thus, all reports of suspicious activity are sent to the FIU from where they are managed.

In addition, the AMLA may compile statistics and records, disseminate information within or outside Barbados, make recommendations arising out of any information received, issue guidelines to financial institutions and advice the Minister.

In this regard, financial institutions must take reasonable measures to satisfy themselves as to the true identity of any applicant seeking to carry out a transaction or series of transactions, by requiring applicants to produce their identification document. In addition, customer accounts of a financial institution shall be kept in the true name of the account holder.

The required records must, contain particulars sufficient to identify the name, address and occupation of each person conducting the transaction, or on whose behalf the transaction is

being conducted, the method used by the financial institution to verify the identity of each such person, nature and date of the transaction, and lastly the type and amount of currency involved.

## **2.3 THE ROLE OF OTHER RELEVANT ORGANIZATIONS**

### **2.3.1 Ministry of Finance**

In accordance with Barbados' Constitution, the Ministry of Finance (which shall act as Attorney General) shall be assigned the functions of Head of the Government's Business Affairs Office.

Under the Barbadian Constitution (section 72), of February 2006, the assignment of responsibilities for the Ministry of Finance includes:

- Banking and Currency
- Central Purchasing
- Insurance
- Public Finance
- Securities Exchange
- Taxation
- Pensions
- The Audit Department
- The Central Purchasing Department
- The Customs Department, including Value-Added Tax Unit
- The Inland Revenue Department
- The Land Tax Department
- The Treasury Supervisor of Insurance
- The Central Bank of Barbados
- The Social Investment Fund
- The Barbados Agricultural Credit Trust Ltd
- The Barbados National Bank, Inc.
- The Insurance Corporation of Barbados Ltd.
- Land Tax Relief Board
- Public Enterprise Investment Fund
- The Barbados Agency for Micro Enterprise Development (Fund Access)
- The Enterprise Growth Fund, Limited
- Regional Negotiating Machinery
- Securities Commission

### **2.3.2 Barbados Government Information Service**

The Government Information Service (BGIS) is the official communications channel in Barbados and is responsible for the dissemination of public information. The BGIS was established in 1958 in response to the need to inform the public on a variety of issues.

The BGIS is actively involved in training other entities regarding their public relations discipline, servicing information requests from the public, as well as the monitoring of public response to the government's work.

### **2.3.3 International Migration Organization in Barbados**

The International Migration Organization (IMO), created in 1951, is the principal intergovernmental organization in the field of migration. IMO's mandate is to promote humane and orderly migration for the benefit of all, offering services and advice to governments and migrants, thus ensuring an orderly and humane management of migration. The IMO seeks to promote international cooperation in migratory matters, to help find practical solutions to migratory problems, and to offer humanitarian assistance to migrants in need. The IMO charter explicitly recognizes the link between migration and economic, social and cultural development, as well as the respect for the right of freedom of movement of persons.

IMO engages in four broad areas of work in migration management: migration and development, facilitated migration; regulation of migration, and forced migration. Further activities encompass the promotion of the international right to migrate, the political debate and orientation on the protection of migrant rights, migration and health, and the gender dimension of migration. Additionally, work takes place in close collaboration with governmental, intergovernmental and nongovernmental agencies.

Although there are no IMO representative offices in Barbados, the issue of migrant returnees to the Caribbean has been a major point of discussion in relations between the US and the Caribbean Community (CARICOM).

CARICOM member governments, including Barbados, contend that migrants expelled from the United States, Canada and the United Kingdom are responsible for many of their security problems.

To help alleviate the problem faced by CARICOM members, IMO has proposed a project that will contribute to the efforts to facilitate reintegration of returned migrants and provide technical know-how and capacity-building activities to the Government and other partners in the Caribbean, in order to provide returnees with essential services and to sustain long-term returnee reintegration projects within the country.



## **3 DESCRIPTION OF REMITTANCES**

### **3.1 DEFINITION AND CONCEPT OF REMITTANCES**

According to the definition contained in the International Monetary Fund's (IMF) Balance of Payments Manual, fifth edition (1993) (BPM5), three different accounting concepts correspond to remittances. The first and most common defines workers' remittances as current transfers by nationals residing abroad, who have been, or intend to be, away for more than one year, to residents in their country of origin. Naturally, these tend to take place between family relatives. Second, earnings of non-resident migrants, i.e. those who have been in a country for less than one year, are calculated under a separate item denominated compensation of employees, which are in the income account of the BPM5. Last, the concept of migrants' transfers in the capital account is the counterpart to changes in financial categories that arise from the migration of individuals from one country to another; in other words, the assets that a migrant takes from one country to another when moving

In a general context it is understood that remittances are largely money that migrants send back to their country of origin, usually to their families. Nevertheless, from a national accounting and balance of payments viewpoint, there exist different accounts and items to accommodate this concept. In the specific case of Barbados the CBB is the official source of balance of payments data, and in particular of international remittances into and out of the country. In this context the CBB publishes data corresponding to current transfers (often referred to as maintenance or workers' remittances) in the balance of payments, which the CBB compiles and gathers through two main channels: the commercial banks and money transfer operators. The flow of funds through the Post Office is recorded as *other transfers*. Flows of remittances via informal channels are said to be small (around 3% to 4% of the total) and are estimated on an annual basis, but there is no firm statistical basis for the estimate. CBB publishes remittances data on a gross basis with separate identification of the inflows and outflows.

### **3.2 DESCRIPTION OF THE ORIGINATORS**

The main destination for Barbadian migration is the United States and the United Kingdom. However, many migrants can also be found in Canada and scattered across other Caribbean countries and territories.

## 4 INTERNATIONAL REMITTANCES SERVICE PROVIDERS

The institutional channels for the inflow of remittances into Barbados account for 96% of total remittances. There are two institutional channels: the commercial banks and BS&T. There are half dozen commercial banks on the island and potentially all branches of these banks can receive inflows of remittances sent by people abroad and pass the funds on to the resident recipients.

It is assumed that the informal channels are small, between 3% and 4% of all inflows. The estimate for inflows via informal channels is BBD 6 million for 2007. Future household surveys by the BSS may provide some basis for updating this estimate.

### 4.1 INSTITUTIONAL PROVIDERS

Institutional providers are divided into registered and non-registered. The registered providers share is around 96% of total remittances flows: 75% from banks and 21% from Money Transfer Operators (MTOs).

#### 4.1.1 Banks

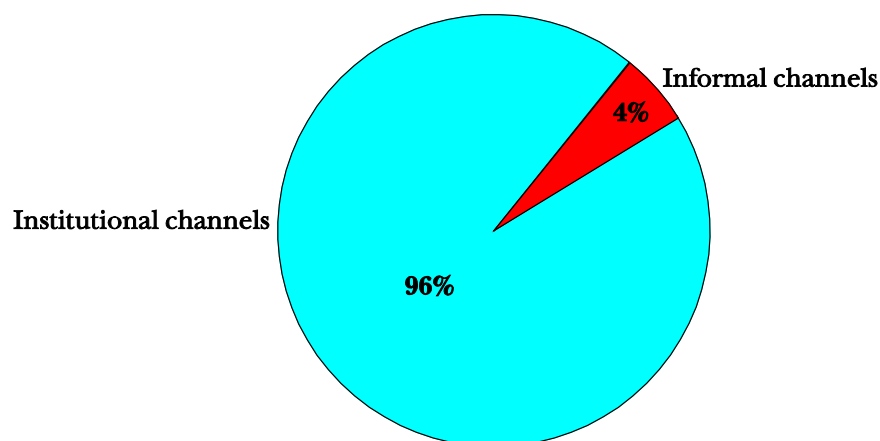
Remittances inflows have been dominated by the Royal Bank of Canada (RBC) in recent years. In 2007 RBC accounted for nearly 70% of all inflows via the banks, increasing its share from 47% in 2002, although it must be noted that their share of the inflow market increased dramatically in 2007. Scotiabank recorded the second largest inflow in 2007 at BBD 11.5 million, around 6% of the total. BS&T, as agent for Western Union, accounted for around 20% of the total inflow market in 2007, steadily increasing its share from 13% in 2003. Mergers and acquisitions amongst the banks and missing data, make it very difficult to comment on trends in the figures. For example FIB seems to have accounted for over 50% of the inflow market in 2004, but only for 2% in 2005. There is no indication on which channel picked up the reduced flow from FIB.

Banks clearly have by far the largest share of the market for inflows of remittances. In 2007 their share was around 75%. It is likely that this share has been fairly consistent over recent years, although the reported data from banks for 2006 indicated only 32% of the market. Detailed breakdowns of past data are scarce. The Western Union share, by BS&T, in 2007 was around 21%. The Western Union share has grown steadily from USD 12.5 million in 2002 to USD 19.1 million in 2007. Banks dominate the outflow market as compared to informal channels.

#### 4.1.2 Money Transfer Operators

Western Union and MoneyGram are the only money transfer companies with agents in Barbados. The company BS&T is the sole non-bank agent for Western Union to receive and distribute remittances sent from abroad. BS&T receives, but it does not transmit international remittances, for reasons associated with Barbados' exchange controls. The Royal Bank of Trinidad & Tobago (RBTT) and Barbados National Bank (BNB) are the agents for two way flows of remittances as agents for Western Union and MoneyGram, respectively. There are no money transfer companies operating their own offices in the country. All other inflows come by informal methods.

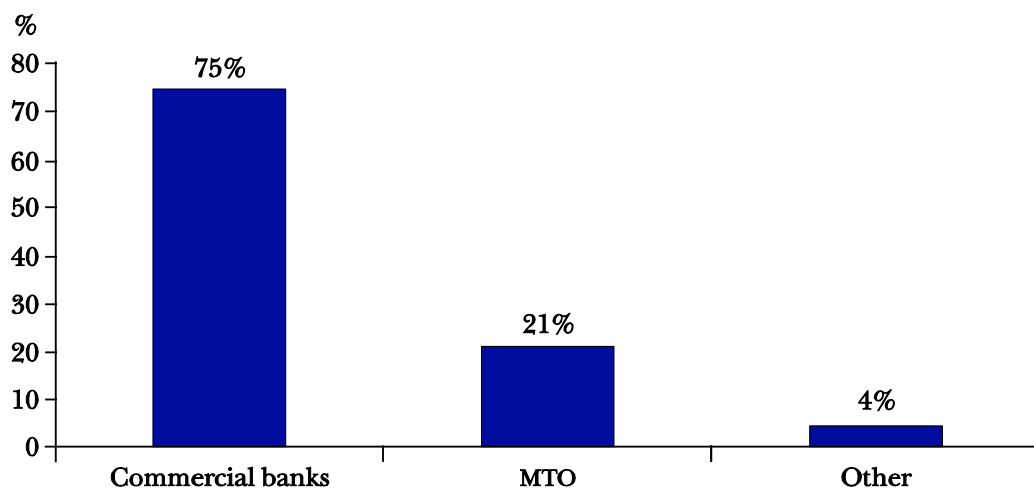
**FIGURE 6. INTERNATIONAL REMITTANCES SERVICE PROVIDERS AS OF 2007**



*Source: Central Bank of Barbados.*

**FIGURE 7. SHARE OF INSTITUTIONAL SUPPLIERS REGISTERED IN THE REMITTANCES MARKET**

At end of the year 2007



*Source: Central Bank of Barbados.*

## 4.2 REGISTERED INSTITUTIONAL PROVIDERS

Barbadian law only authorizes commercial banks and MTOs to conduct foreign currency purchase and sale operations. The outflow market seems to be more evenly distributed across the banks and only banks handle institutional outflows. In 2007 RBC accounted for around 53% of all outflows through the banks and FirstCaribbean International Bank (FIB) for 36%. In earlier years FIB had been the dominant outflow bank.

**TABLE 3. CONCENTRATION OF REMITTANCES INFLOWS**

In USD millions

<i>Bank/channel</i>	<i>2002</i>	<i>2003</i>	<i>2004</i>	<i>2005</i>	<i>2006</i>	<i>2007</i>
RBC	44.6	32.3	27.0	25.7	32.7	61.3
Scotiabank	0.3	0.2	0.2	0.3	0.1	5.8
RBTT	0.0	0.0	0.0	0.0	0.0	0.1
FIB	6.7	47.7	53.7	2.1	1.2	0.7
Mutual	0.1	1.1	0.0	0.0	0.0	0.0
BNB	0.2	0.1	0.1	0.2	0.1	0.1
Barclays	42.2	0.0	0.0	0.0	0.0	0.0
Butterfield	0.0	0.0	0.1	0.0	0.0	0.1
BS&T(Western Union)	0.0	12.5	13.8	13.7	16.7	19.1
Informal	0.0	0.0	0.0	0.0	0.0	4.0
CBB Total	93.3	96.9	100.0	102.6	106.5	89.9
Sum of detail	94.0	93.8	94.8	41.8	50.8	91.0

### 4.3 NON-REGISTERED INSTITUTIONAL PROVIDERS

All the institutional providers must be registered due to the Barbadian regulation laws.

### 4.4 NON-INSTITUTIONAL PROVIDERS

These include carrying cash into Barbados, either in a foreign currency or in Barbadian dollars, sending cheques or postal orders through the postal system, using prepaid bank cards or ordinary debit cards on an account abroad or just sending money in letters. As noted before, future household surveys by the BSS may provide some basis for updating this estimate. For now, informal channels are small, between 3% and 4% of all inflows (BBD 6 million for 2007).

In 2006, and based on the information gathered from the Central Bank and the survey conducted with international travelers, remittances channeled through formal entities accounted for 96% of total transactions, while the remaining 4% were conducted by means of informal intermediation sources.

## 5 MEANS FOR PAYMENT OF REMITTANCES

There are various alternative disbursement methods for remittances; these include: cash, cheques, deposits in accounts, various types of cards or in-kind. These means of payment vary according to the market characteristics in each country, and especially with the level of access to banking services and financial savvy of remittance beneficiaries.

In Barbados the CBB does not compile precise information on how remittances are paid out; however, according to soundings of remittance market intermediaries, most of them are disbursed in cash, with smaller portions being deposited directly into accounts. According to information supplied by remittance service providers interviewed during the mission, it is estimated that the majority of all remittance flows entering the country are disbursed in cash by bank tellers (especially at one or two dominant banks), and the rest is paid out through other means such as account deposits.

### 5.1 CASH

As mentioned above, the greatest part of remittances that enter through institutional providers is paid out in cash at teller windows. Another part corresponds to the flow of remittances that enters the country in cash through non-institutional channels and is known as *pocket-money*. There is no real estimate of pocket-money by the CBB; this channel is however said to be very small (less than 4%).

Commercial banks are the major channel through which remittances flow in Barbados, followed by the MTOs, and banks are therefore the main source of cash disbursements. All cash payment of remittances is in Barbados dollars, regardless of the currency of origination.

### 5.2 CHEQUES

As in most countries in Latin America and the Caribbean, the payment of remittances with cheques by financial entities is not very common in Barbados. There is no information on the percentage of international remittances payments that takes place through cheques. However, money obtained or sent as gifts or donations via drafts are recorded as *other transfer* payments.

### 5.3 ACCOUNT DEPOSITS

Deposits or credits to bank accounts have been a disbursement innovation during recent years, allowing for the direct payment of remittances to the account of the beneficiary, who may then dispose of the funds as if they were cash, through withdrawals or by use of cheques, debit cards and other means. This instrument, whose main advantages are security and practicality for the beneficiary, is a service provided exclusively to those who already have some type of account in the financial system. However, there is no information in Barbados on remittances deposited into accounts, prepayment bankcards or ordinary debit cards on an account abroad. The last of these, of course, do not involve deposits in Barbados accounts.

In general, and among the group of intermediaries in the Barbadian market, it is the commercial banks that are most interested in *banking* the remittance beneficiaries. First, because it would facilitate their payment via account deposits, and secondly, because they could channel these

resources to other profitable financial products such as savings accounts, current accounts and diverse lines of credit.

## **5.4 POSTAL INSTRUMENTS**

The use of messenger services and postal services was widespread practice for sending remittances for a long while in Latin America and the Caribbean, including Barbados. However, technological progress, together with the development of the financial system, opened the way to new, more effective and efficient options which displaced this instrument as a means for the payment of remittances.

## **5.5 DEBIT AND CREDIT CARDS**

There is currently no information on remittances collected by the CBB on prepaid bankcards or ordinary debit cards on an account abroad. This information is almost entirely lacking throughout the entire Latin American region, and there are technical reasons why compiling it anywhere may be almost impossible at the present time.

## **5.6 ELECTRONIC MONEY**

This is a novel instrument in the market for international remittances; however, there is no information collected by the CBB to allow us to determine its degree of utilization in the Barbadian market.

## **6 SYSTEMS AND CHANNELS FOR THE TRANSFER AND PAYMENT OF REMITTANCES**

As outlined, most of the remittance operations in Barbados are conducted through banks, exchange bureaus and MTOs. Although MTOs are not formally authorized exchange agents, they participate in the business in two ways: paying out remittances in Barbados directly at their main local offices and paying them by means of agreements with other payers in the country, including banks, Exchange Bureaus and other entities such as cooperative associations.

As in most of the cases within the region, the relationship between MTOs and payers in the local segment is based on negotiated arrangements, where payment to the beneficiary is conducted a few minutes or hours after the transaction is initiated abroad, based on the information received from the MTO. However, afterwards the MTO will reimburse the resources paid by its local agent, who requests payment for a batch of remittances, usually in T+1 or T+2.

In this connection, payers usually make disbursements to beneficiaries from 24 to 72 hours before receiving the disbursement of funds from the MTO. Therefore, local payers are exposed to exchange and credit risks that are usually addressed by means of a guarantee fund, and policies mitigating the impact of any delay or default of payment of the funds delivered to the remittance beneficiaries in an anticipated manner.

Almost all payers of local remittances maintain agreements with some MTOs abroad to collect the remittances in the country of origin. Some banks in Barbados have agreements with more than one MTO. Only in those cases where the remittance payment agreement is concluded with Western Union, is there some degree of exclusivity for the remittance local payer.

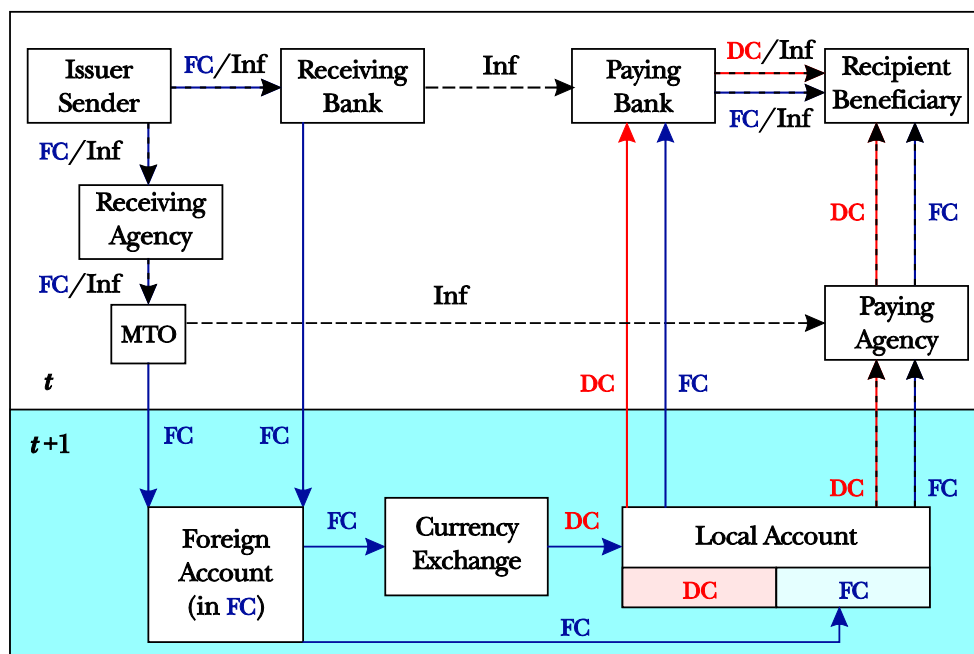
This scheme for payment of remittances also requires the operation of other systems allowing the transfer of both information and funds towards the final beneficiary. Those systems are local, foreign and also cross-border ones. Despite the possibility of envisaging many alternatives to collect remittances, the reality is that agents conduct these transactions on behalf of MTOs abroad. Likewise, although it may be possible to conceive many options for payment of remittances in Barbados at different types of institutions, supermarkets, drugstores etc., in general, they only work as agents of the remittance-paying companies. In order to simplify the description of the remittance collection, transfer and payment process, the agents both, from the collection and the payment sides, are included within the structure of MTOs abroad or the local payers. Therefore, it is possible to summarize the process, considering that the sender of a remittance may send it through an MTO agent or by means of a financial entity (usually a bank) and receive it through one of the authorized agents or a local window of the MTO.

### **6.1 INFORMATION TRANSFER SYSTEMS**

In general terms, information transmission is almost immediate, once the remittance sender is at the bank's teller window or that of an MTO agent abroad. The sender provides information about himself, the beneficiary and the amount to be delivered, etc. The basic information about the transaction is processed by the communication means, or through SWIFT (remittances among banks) or proprietary networks of other MTOs and reaches the counterpart in Barbados, which may be a bank, exchange bureau or the MTO's own agency. This information is indeed processed very fast (at lightning speed, so to speak) and, once received by the payer, the beneficiary may

collect the funds at any time. However, it is important to mention that the speed of the means is directly proportional to its cost, and that most MTOs offer different products at different prices, depending on the speed of the process that may be required.

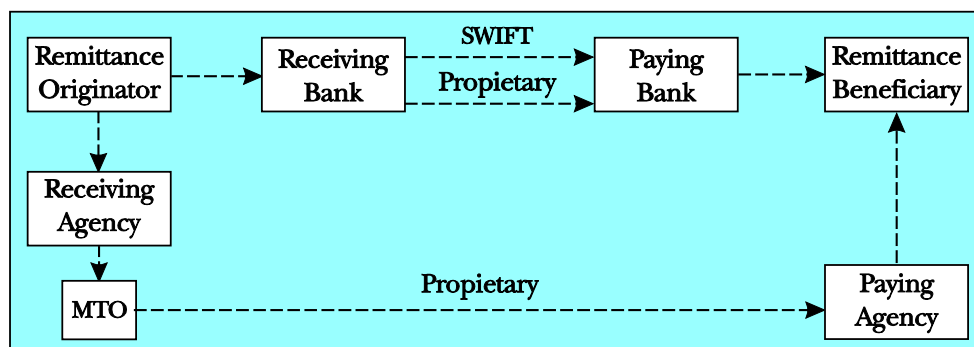
CHART 1. OPERATION OF REMITTANCES WITHIN THE PAYMENT SYSTEM



Source: Own elaboration.

Note: FC stands for foreign currency, and DC stands for domestic currency.

CHART 2. INFORMATION TRANSFER SCHEME



Source: Own elaboration.

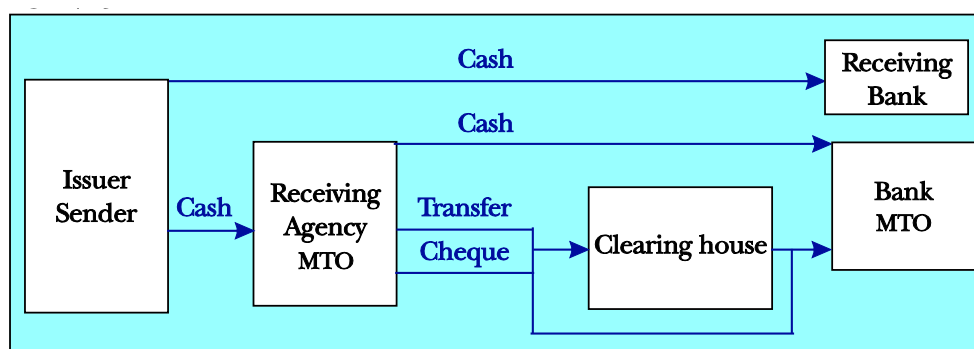
Some MTOs offer, within their menu of services, some type of communication to the beneficiary upon receipt of the funds, for instance sending a fax, an e-mail or even in some cases, a phone call to the issuer abroad to inform his relative of the money transmitted.



## 6.2 SYSTEMS ABROAD

In general terms, the following figures summarize the general remittance collection and transfer schemes from remittance services providers abroad to local payers in Barbados. The issuer may begin the remittance-sending process by means of different instruments, such as cash.

**CHART 3. REMITTANCE TRANSFER AS CASH PAYMENTS TO COLLECTION AGENTS**



*Source: Own elaboration.*

In the event the issuer sends his money by means of a bank, once the cash is deposited at the counter, the transaction is done. On the other hand, if the money is deposited at an agency, there may be different mechanisms, by means of which the agency may convey the funds to the MTO: it may be sent in cash through a wire transfer or a cheque.

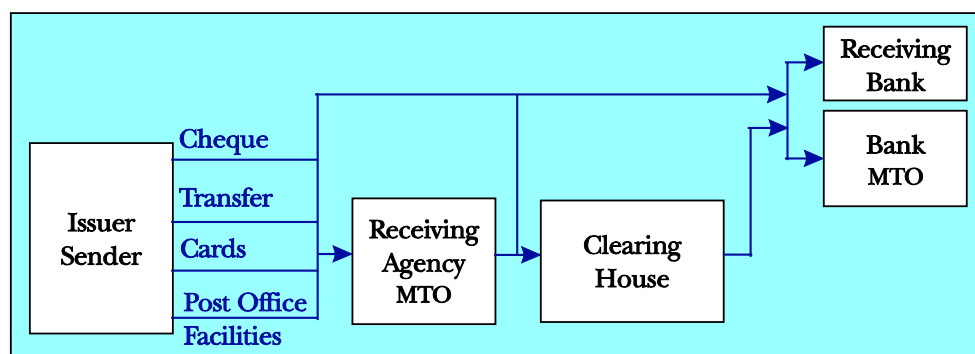
In case the transfer or cheque is drawn on the same bank used by the MTO, this part of the process ends right there. On the other hand, if the transfer or agent's cheque is not drawn on the same financial entity where the MTO keeps its accounts, these instruments may go through a clearing house before being received and settled in the MTO's account.

In other situations, the remittance issuer may begin sending funds by means of instruments different from cash, for example, a cheque, a wire transfer, a debit or credit card or through post-office instruments sent to the MTO, as described in the chart 4.

In this case, if these instruments are received at the same bank where they were issued, they may hit directly the MTO or bank account. Alternatively, if the instruments are issued by different financial institutions, they may pass through some of the clearing houses before being available at the MTO or bank's account to, in turn, be sent.

These types of transfers may be processed in batch rather than on an individual basis, as they are received, depending on the system and operational framework of every bank and MTO with their corresponding agents, branches and other offices collecting remittances.

**CHART 4. TRANSFER OF REMITTANCES USING INSTRUMENTS OTHER THAN CASH AT THE COLLECTION POINTS**



*Source: Own elaboration.*

### 6.3 CROSS-BORDER SYSTEMS

Cross-border systems allow the transfer of monetary funds from abroad into the receiving country and vice-versa. In Barbados, remittances have to be paid in Bajan dollars only, depending on the issuer and recipient's instructions. In this connection, if payment is made in Bajan dollars, they may be exchanged through one of the local banks; independently of the place where the remittance originated or who the final payer is in Barbados. Such agents include banks that, in turn, are remittance payers themselves. Other payers such as MTOs and cooperative associations of savings and credit, must deal with one of the banks to exchange any foreign currency received into Bajan dollars, in order to disburse the remittances in local currency.

When one of the banks needs to exchange the foreign currency into Bajan dollars, they are required to send and sell the currency to the Central Bank of Barbados.

### 6.4 LOCAL SYSTEMS

Within the local systems used to process remittances in Barbados, it is possible to distinguish between high-value and retail payment systems. High-value systems allow settlement of cross-border operations and domestic transactions of high value or time-sensitive urgency, whereas retail payment systems usually settle local transactions, although in some cases they may generate transnational obligations. For instance, in those cases where participants or entities represent institutions abroad: credit, debit and prepaid cards, used in local ATMs and POSs.

### 6.5 LARGE VALUE PAYMENT SYSTEM

The large value payment system allows banks in the remittance market to settle their operations and transactions by means stated in the regulation for public trading of foreign currencies in the exchange market. Further, it allows them to acquire the notes and coins necessary to disburse remittances in Bajan dollars and to settle their positions in the clearing houses in which the banks participate. At the present time, large value transactions conducted via the CBB are carried out with written payment orders that are settled by means of the accounting procedures of the issuing agent. At present, CBB is working on the modernization of the high-value payment systems and

anticipates upgrading its operations to a more developed system by incorporating technological elements that will allow it to operate in real time gross settlement processes. The Central Bank Real Time Gross Settlement System allows banks to offer a local wire transfer service to individuals or businesses. This gives all costumers another means of transferring large value or time-sensitive payments, such as those associated with commercial contracts, or those that currently require the use of commercial bank cheques or other certified instruments.

Moreover, each CBRTGS payment is settled in real-time in the books of the Central Bank on a transaction-by-transaction basis, and each transaction is processed irrevocably in real-time. A commercial bank receiving an incoming payment instruction will therefore incur no risk in making the associated funds available on a rapid basis to the ultimate beneficiary; as such funds are already credited to its settlement account at the CBB.

## **6.6 LOW VALUE PAYMENT SYSTEM**

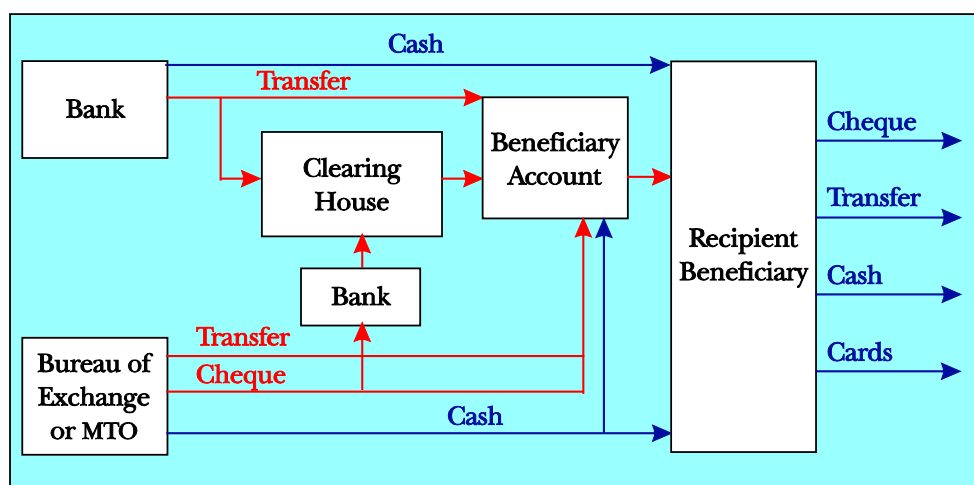
The low value payment systems in Barbados allow the transfer of funds from collecting entities to transferring agencies of remittances abroad. In the local part, low value payment systems permit transfers of funds from collecting companies to payment locations or the beneficiaries themselves, when using no cash instruments that should be disbursed in accounts different from those of the collecting institution.

In Barbados institutional payers may disburse remittances in cash or by means of deposit into an account. When remittances are deposited in an account to be settled, it is also possible to use other instruments, mechanisms and financial services such as cheques, credit cards, debit cards, wire transfers, etc.

Deposit into an account, in turn, requires the usage of different channels and systems, depending on the location of the beneficiary's account and that of the payer's RSP. When the remittance is disbursed by a bank, deposit may be conducted directly at the beneficiary's account, so long as he/she has an account in the same entity, which is the most common scenario for remittances received with deposit instructions in Barbados. On the other hand, if the account is with a different financial entity, it will be necessary to use other systems to enable the transfer, including cheques (less frequently) or interbank transfers (which need to go through the ACH to become effective).

When the payer is not a bank, for instance an Exchange Bureau or an MTO disbursing at its own offices, deposit into an account can be affected through an interbank transfer, depositing a cheque or the cash itself directly into the beneficiary's account. In the event the beneficiary has an account in an entity different from the paying one, this transaction (whether by cheque or transfer) must also go through a clearing house before becoming effective. On the other hand, due to the recent development of ACH (Automated Clearing House), electronic transfers are still not widely used for such purposes, although Cooperative Associations receiving remittances do use the internal systems of their federations to carry out the transfers to entities taking part of their systems. This enables them to use their payment counters to settle remittances received, making it possible for the beneficiary to collect remittance funds at any counter in any cooperative affiliated with their Federation.

CHART 5. LARGE VALUE PAYMENT SYSTEM



Source: Own elaboration.

### 6.6.1 Experience in Payment Processing

In terms of payment processing, the Barbados Automated Clearing House Services Inc. (BACHSI), clears six million transactions annually through truncated cheques or financial instruments for all the commercial banks in Barbados and the Central Bank of Barbados. Approximately USD 9 billion is cleared through BACHSI on an annual basis.

### 6.6.2 Clearinghouses for Automatic Teller Machine, International Credit, Debit and Prepaid Card Networks

The use of alternative new or innovative instruments within the remittance market is increasing, especially those cross-border ones that allow permanent contact among the fund sources and remittance beneficiaries. Credit, debit and prepaid cards are the instruments developed the most and with more generalized usage.

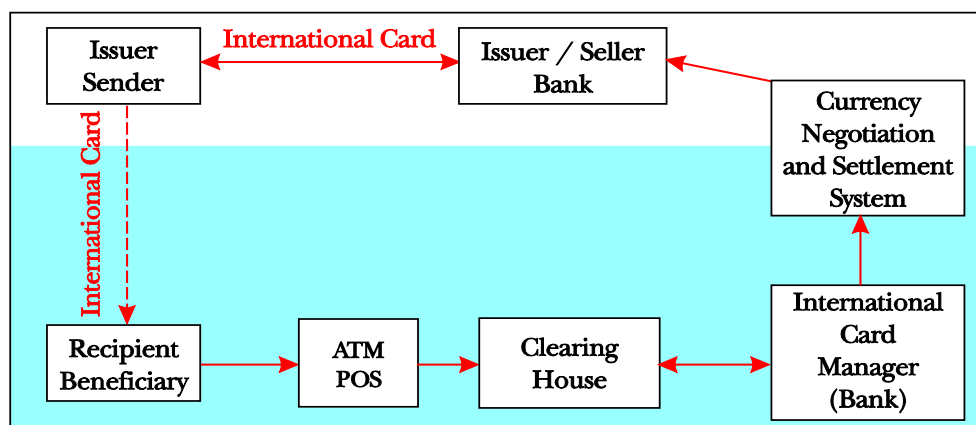
The use of cards in the remittance market begins with the issuance of the debit or credit card ordered by the sender (generally linked to an account in the country of origin), or with the purchase of a prepaid card. Credit and debit cards need the remitters to have legal residence status. Therefore, they are out of reach for senders who have not legalized their residency at the host country. In turn, prepaid cards have the advantage of less formality and documentation in the purchase and loading process. Therefore, they will become the most widely used instruments by emigrants that have no legal residency abroad.

Once the sender buys the card, it (or a copy, which is sometimes provided) needs to be physically sent to the beneficiary for the latter to use it in ATMs to withdraw money in local currency or at POS to purchase goods and services.

Once the cards are used at the POS or ATM, the purchases and withdrawals made go to the clearing house for credit and debit cards, generating a liability to the country's international

cards administrator. This position is settled by means of the banks in CBRTGS with the issuing bank or the international card seller.

**CHART 6. USAGE OF CARDS TO SEND REMITTANCES**



*Source: Own elaboration.*

The issuer may increase the funds in the debit card account, pay the funds spent with the credit card or reload the prepaid card, periodically, in such a way that the beneficiary maintains access to the funds balances.

The Caribbean Integrated Financial Services Ltd. (CIFS) permits debit card holders from any of the member commercial banks to withdraw funds from their account at any other member's ATM or POS outlet. This is the national debit switch in Barbados, and this operation clears over 2,100,000 transactions per year, amounting to USD 271,000,000 running through the debit switch each year.

## 6.7 OTHER SYSTEMS AND CHANNELS

Besides the channels typically used by the institutions rendering international remittance services, there are other mechanisms that allow the emigrants to transfer funds to their home countries, such as messengers or sending cash funds through relatives or friends, or even the act of carrying the remittances personally during visits that some migrants make to their countries during the holidays. Almost all these mechanisms are based on the use of cash as a basis for remittances.

The market and mechanisms to transport cash described above, are expensive, especially due to the costs inherent to the exchange of currencies and transportation itself, making this channel of little usage.

In all cases, the issuer delivers the money to another person that may be a messenger, a relative or friend. Similarly, the emigrant could carry it himself to his country of origin. Once the currencies enter the country, they are delivered to the beneficiaries, who should exchange them into local currency. This exchange of currency can only be conducted by means of the banks that exchange the currency at CBB.

## 7 COSTS, TIME AND ACCESS

In general, inflows of remittances represent an important source of funds for developing countries, and have a multiplier effect on the economy, since they stimulate domestic demand by increasing the purchasing power of the beneficiary households. Therefore it is important to promote the net receipt of funds, which in turn leads to the analysis of the cost structure. Aspects such as access and the time required for beneficiaries to receive their remittances are hidden cost elements that should also be considered and evaluated.

### 7.1 REMITTANCE COSTS

This section deals primarily with the costs of inflows of remittances. There are significant outflows of remittances, but they are small in comparison to the inflow amounts.

For formal channels, the transaction costs of remittances are related to costs of the agents involved in the chain of transmission and subsequent payment of the transfer. The total cost comprises the explicit costs –commissions– and an implicit cost related to the exchange rate differential. The explicit costs of transfer commissions comprise the costs of the remitting entities abroad, the costs of the paying entities, and any agents in between. All remittances are paid out in Barbadian dollars, so there will invariably be a local for the foreign exchange conversion. Typically the entire commission is paid by the sender abroad, and the remittance receiving agent shares the commission with the remittance disburser and any other agents, according to the terms of their contracts.

Most inflows come from the US, and in Barbados the local currency has been pegged to the US dollar for many years. Therefore, there are no exchange rate differential costs for these remittances. But inflows from other countries will be affected. For example inflows from the UK will be affected by exchange rate fluctuations –the UK pound sterling has dropped in value by around 30% against the USD over the past year or so.

### 7.2 COLLECTION OF COMMISSIONS

There is very little information collected centrally about the fees charged for sending remittances to Barbados. Such fees will vary with factors such as the country of remittance origination, the amount remitted and the agents involved in the whole transmission. The World Bank website showing worldwide remittance costs does not include remittances to Barbados. Cost information can be gleaned from various websites and this indicates a wide variation in fees charged.

**TABLE 4. COMMISSIONS CHARGED BY CERTAIN REMITTANCES ISSUERS: US TO BARBADOS**

<i>Organization</i>	<i>Product/service</i>	<i>Amount in USD</i>	<i>Fee in USD</i>
RBC	Online only	1000 max	13.50 flat rate
Western Union	Agent	500/200	43/22
	Online		25/12
	Telephone		25/12
MoneyGram	Agent	500/200	10
iKobo	ATM card account	500/200	5

**TABLE 5. COMMISSIONS CHARGED BY CERTAIN REMITTANCES ISSUERS: UK TO BARBADOS**

<i>Organization</i>	<i>Product/service</i>	<i>Amount in GBP</i>	<i>Fee in GBP</i>
HSBC	Account to account	500/200	15
RBS	Account to account	500/200	20
Western Union	Agent	500/200	11.90
MoneyGram	Agent	500/200	10
Money Express	Prepaid card for ATM	500/200	2.5% of amount
iKobo	ATM card account	500/200	5 + 3% of amount

*Source: organization websites, [www.sendmoneyhome.org](http://www.sendmoneyhome.org)*

In general commissions are determined at the origin, and therefore costs are similar among remittance payers within the country if they operate with the same organizations. For this reason remittance costs from a local disburser viewpoint will depend upon the types of agreements and entities with which they work abroad in order to capture remittances.

### 7.3 EXCHANGE RATE DIFFERENTIAL

As noted above, the Barbados dollar is pegged to the US dollar; therefore there is no exchange rate differential to be considered as a remittance cost.

### 7.4 TAX COSTS

There are no specific taxes on remittances into or out of Barbados.

### 7.5 ACCESS COSTS

An important indirect cost for remittance beneficiaries is that which arises from difficulties of access to the points of disbursement of the funds.

There are six commercial banks in Barbados, all of which are authorized to send and receive remittance funds. Just two, the Royal Bank of Canada and Scotiabank, accounted for over 75% of inward remittance flows by the banks in 2007. The banks have branches and ATMs spread across the island.

**TABLE 6. ACCESS POINTS FOR REMITTANCES COLLECTION IN BARBADOS: BANKS**

<i>Bank</i>	<i>Branches</i>	<i>ATMs</i>
RBC	10	8
Scotiabank	8	20
RBTT	4	6
FIB	10	13
BNB	9	17
Butterfield	4	7
<i>Total</i>	<i>45</i>	<i>71</i>

*Source: websites of the banks.*

There are no MTO offices in Barbados, but two companies have a network of agents across the island. Western Union has agency arrangements with the BS&T Company and with the RBTT bank. MoneyGram have agents located with the BNB and with Going Places Travel Agency.

**TABLE 7. ACCESS POINTS FOR REMITTANCES COLLECTION IN BARBADOS: MTO**

<i>MTO</i>	<i>Bank outlets</i>	<i>Retail outlets</i>
Western Union	3	14
MoneyGram	9	6
Total	12	20

*Source: Western Union and MoneyGram websites.*

Commercial bank offices and agencies not only offer remittance beneficiaries access to collection of their funds, but also provide them with the possibility of access to more financial services at these banking offices. This wide access offered by the system has reduced costs associated with receiving remittances by avoiding the need for beneficiaries to travel to other localities to collect funds sent to them by family members living abroad.

## **7.6 COSTS, TIME AND ACCESS TO NON-INSTITUTIONAL CHANNELS**

There are different costs arising from the use of non-institutional channels such as messengers and cash transported by travelers, especially regarding the amount of time involved in disbursing the remittance and the associated risks. In terms of access, these channels are very limited, since they cannot be found everywhere and depend on the communication network between migrant communities.

Information is not currently available on the size of the informal remittances flows or associated factors, such as methods of transmission, costs or demographic assumed they accounted for fewer than 4% of all inflows in 2007. Wide access to remittances via the institutional channels has probably kept the size of the informal channels low, and it may be the case that most of these remittances are in kind rather than cash.



## 8 MEASUREMENT METHODOLOGY

Measurement of workers or family remittances in Barbados is based mainly on reports filed with the Central Bank of Barbados by the commercial banks. Only one commercial bank works in conjunction with Western Union in the sending and receiving of remittances.

### 8.1 RESPONSIBILITY AND COORDINATION

The Research Department of the Central Bank of Barbados is charged with the measurement of workers' remittances, as part of the overall balance of payments accounts. As discussed earlier, in concept worker's remittances are defined in a manner consistent with the IMF's BPM5<sup>10</sup>, but in practice it is almost impossible to distinguish transfers sent by workers and family members from other kinds of flows. This is a problem that affects compilers in most countries.

The current staff member of the CBB assigned to this work has been in place a relatively short time. There are acknowledged gaps and omissions in some of the files.

The CBB undertakes this work independently of other government institutions. There is no systematic coordination with other official entities. Inside the CBB, the Research Department and Foreign Exchange Department have no regular coordination or collaboration on reporting or measurement of international financial flows, including remittances.

### 8.2 MEASUREMENT BY CHANNELS

As commented above, a small number of commercial banks handle most of workers or family remittance flows in Barbados.<sup>11</sup> These flows are denominated *maintenance payments* in the parlance of current report forms. Inbound remittances from Western Union can also pass through one non-bank intermediary, Barbados Shipping and Trading. BS&T is not under supervisory control of the CBB, but has some history of providing data to CBB staff on these flows, which are significant in scale.

Given the foreign exchange controls in effect in Barbados for many years, domestic commercial banks report on a daily basis to the Foreign Exchange Department of the CBB. There are established forms for submitting these reports, with extensive and detailed breakdowns on types of financial flows passing through the commercial bank windows.<sup>12</sup>

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<sup>10</sup> The sixth edition of the BPM is now coming into effect. In many countries there is a lag of several years before new standards and classifications can be adopted. Barbados' remittance statistics are not much affected by the change in manuals.

<sup>11</sup> In practice, it is usually not possible to distinguish workers' from family remittances, and the two are usually taken to be the same kind of transfer.

<sup>12</sup> Reports submitted by banks to the CBB's Foreign Exchange Department seem not to be well defined for detailed balance of payments calculations.

### 8.3 REGISTERED INSTITUTIONAL

The measurement system of the CBB covers all institutional participants in the Barbados remittances market. As noted, institutional participation is rather narrow, in effect only half dozen onshore commercial banks and BS&T, which is restricted to processing remittance *receipts*. Credit Unions and other financial intermediaries, for instance, are not participants in this market. The table that follows provides an overview of this structure. It also shows that *electronic card* forms of receiving remittances and informal channels, such as cash and mail, are not covered in the compilations, and are thought to be not of significant size at present. The receipt and sending of postal orders are captured as other transfers.

Table A7 shows shares of individual banks in remittance flows over the past few years. A few new participants have entered in the market in recent years. Apart from BS&T, as of 2007 the Royal Bank of Trinidad & Tobago also began to process remittances sent via Western Union. Its predecessor bank, CCB, had not been a Western Union agent, so prior to then only BS&T represented WU in the country. As a commercial bank, RBTT also is authorized to send outbound remittances on behalf of Western Union, in addition to receiving them, whereas BS&T is only permitted to receive.<sup>13</sup> Inbound remittances sent from WU offices outside of Barbados can be disbursed either by BS&T or by the commercial bank RBTT. Data on flows through BS&T for the past few years were assembled by the mission in a phone conversation with a BS&T representative.<sup>14</sup>

As to WU remittances disbursed by or at RBTT, the amount is unknown. It appears that RBTT reports to the CBB include remittances from WU indistinguishably with those from any outside banks, but this means that the two components cannot be separated and quantified. Tentative data on RBTT transactions provided by the CBB Research Department, however, suggest the numbers are small.

At the present time the only other Money Transmitting Operators (MTO) dealing with Barbados is MoneyGram, whose operations are carried out through the Barbados National Bank (BNB). At present is not clear what portion of remittances passing through BNB are on behalf of MoneyGram, and what the portion are from other banks outside of Barbados. As with RBTT, however, the totals reported by BNB are small, so evidently the MoneyGram totals are insignificant.<sup>15</sup>

The reporting system in Barbados is determined by the continued maintenance of exchange controls, especially on financial outflows. Outflows require access to foreign exchange through banks and others, and are subject to CBB review and permission. Inflows may be subject to reporting requirements, but not necessarily to prior authorization. This pattern holds in the case of workers' remittances and various other identified forms of flows through reporting banks. Annex 2 shows the Application to Purchase Foreign Exchange that a remittance sender would be

<sup>13</sup> The measured volume of outbound remittances, however, is quite small.

<sup>14</sup> CBB staffs were unable to arrange an interview with BS&T. However, in a phone conversation a BS&T official provided Western Union totals for 2003-2007.

<sup>15</sup> In this respect, the Barbados experience is different from most other Latin American countries where remittance flows arrive from several MTOs and their local agents. In Barbados, only Western Union seems to be represented.

required to fill out prior to making his/her transaction. On the reverse of this form, under *Notes on Completion of Form* are listed a series of possible reasons for the transaction, among which is *maintenance*, meaning *family maintenance* under the CBB's *Definitions of Non Trade Transactions*.<sup>16</sup>

**TABLE 8. BARBADOS: DATA SOURCES FOR WORKERS' REMITTANCES**

Reporting Channels and Institutions				
	Formal Channels			Informal Channels
	Banks	Nonbanks	ATMs and Cards	Cash and Other
Data source	Commercial banks	BS&T (only)	None	
Authority	CBB	CBB	None	None
Report frequency to Foreign Exchange Dept.	Daily	Daily	None	None
Report frequency to Research Dept.	Monthly	Annual voluntary reports	None	
Frequency of data	Monthly <sup>a</sup>	Annual	None	None
Coverage	Inflows/outflows	Inflows only <sup>b</sup>	None	None
Details	Gross inflows and outflows <sup>c</sup>	Gross inflows from Western Union	None	Some estimates for 2007
Thresholds	None	None	None	n.a.
Classification basis	Inflows: teller decision; outflows: customer statement	Inflows only: All WU flows are considered to be remittances	None	n.a.
Quantitative significance	70-80%	20-30%	Insignificant	Unknown

<sup>a</sup> Owing to exchange controls, commercial banks compile and report micro data on financial outflows to the Foreign Exchange Department of the CBB. Data on inflows are compiled monthly and reported to the Research Department on the same basis. <sup>b</sup> BS&T is authorized only to deal in remittance inflows from Western Union. <sup>c</sup> Among commercial banks, RBTT receives and sends for Western Union (since 2007), and WU amounts are said to be included in their reports. BNB reportedly has an arrangement with MoneyGram, but amounts appear to be small. n.a. stands for non-available.

The report form used for the Foreign Exchange Department is quite detailed in terms of the nature of financial flows through each bank. Annex 3 illustrates the detail comprised in the report forms (the proposed form is shown, but the current table is similar). Finally, the Annex 4 illustrates the *counter slip* employed by one of the principal banks in Barbados. Further comment on the classifications covered in these form follows later.

The compilation and reporting of *[family] maintenance* by the commercial banks is what defines workers' remittances in the Barbados' balance of payments accounts. It may be noted that the classification system has recently been widened and made more detailed, but in effect the line items affecting *maintenance* or *workers' remittances* have not been affected.

A specific instance is illustrated in Annex 4, which reproduces the counter slip filled out by cashiers in the Royal Bank of Canada, when customers come to do international transactions. There are two forms of these counter slips, one for *purchases* of foreign exchange (by the bank, such as with remittances received), and one for *sales* of foreign exchange. The teller is asked to fill out the motivation for the customer transaction. Here, three points may be noted:

<sup>16</sup> In that document maintenance is defined as "Payments by residents of Barbados to non-resident beneficiaries in respect of support of financial assistance". This would coincide largely with the sense of workers' remittances, at least so far as measurement is concerned.

- a. In terms of remittances sent, the customer him/herself has to fill out the “Application to Purchase Foreign Exchange” (as in Annex 2). In terms of measurement, therefore, the customer states that he/she is making a *maintenance* remittance, and this goes into the records and the potential compilation.
- b. With remittance receipts, however, there is no need for the customer to state explicitly the purpose of the transaction. The bank teller is asked to fill out (on the front of the teller slip) a *motivation*, but this may or may not be ascertained in conversation with the customer. Nonetheless, there is some possibility in the Barbados reporting system of associating payments receipts with personal remittances. It should be noted that decisions about specific classifications of many of the possible transactions are left to bank staff (perhaps in discussion with customers), but this leaves margins for uncertainty in the tabulations.
- c. More importantly, in the case of receipts, for the RBC, at least, the existing reporting system (not yet formally replaced by the new one shown in table 5) includes receipts of *pension payments* and *wages and salaries* along with *maintenance* in the same classification. Thus, two other categories with potentially significant financial transactions are compiled along with workers’ remittances in the Barbados statistics.

As shown in table A3, worker’s remittance outflows in 2008 from Barbados are significant, but only about 39% of measured inflows on average. Measurement of outflows is facilitated by the need for bank customers to fill out a form specifying the reason for their foreign exchange purchase. Assuming these statements are accurate, the measurement of outbound remittances will also be consistent.

Staff at the CBB did not show the mission specific reporting forms for use by commercial banks and BS&T, but it appears that institutions report to the Foreign Exchange Department electronically. The monthly reports of the banks to the Research Department are in hard copy. Classifications used on these reports are in line with the *Definition of Non-Trade Transactions* mentioned above.

## 8.4 NON-REGISTERED INSTITUTIONAL

Under the current system, there are, in effect, no identified non-registered institutional participants in the Barbados remittances market. Other financial institutions apart from commercial banks are not authorized to participate. Among non-financial entities, in effect only BS&T is authorized to take part, and even here BS&T only transacts and disburses remittances inflows, not outflows.

## 8.5 NON INSTITUTIONAL AND INFORMAL

Remittances estimates for Barbados begin to incorporate informal, non-institutional channels only in 2007. These include cash and merchandise.<sup>17</sup> The CBB Research Department included for that year estimates for such flows of about BBD 5 million. There is at present little empirical basis

<sup>17</sup> If such estimates were made for earlier years, there appears to be no record of them.

for this estimate, but the inclusion of some informal flows acknowledges the fact that some remittances take place outside institutional channels.

In some countries informal remittances take place through *hawala* channels, which are entirely non-institutional. Usually these channels flourish where there are black market exchange rates and severe capital controls. Neither of these conditions seems to prevail in Barbados, and there is no particular evidence of significant flows through informal channels such as these (indeed, in most of Latin America at present there is little evidence of hawala type remittances, which are usually associated with South Asian countries.)

## 8.6 VALIDATION AND CROSS-CHECKING

At present there are no systematic efforts to cross cheque or validate remittances estimates for Barbados with other sources of information or statistics. For instance, in some countries compilers employ migration information to assess reported remittance flows, but for Barbados these data are diffuse and not employed for this purpose. Indeed, except for fragmentary data from BS&T, there is no geographic detail in the reported remittance figures. Of note is that reports filed by the commercial banks (and BS&T) do not request geographic articulation of financial flows. The data in table A3 are based on *numbers* of flows through the BS&T/Western Union channel over the past few years, rather than values.

The figure data suggest the bulk of remittance receipts comes from United States and the United Kingdom, followed by Canada, and with smaller amounts arriving from Caribbean countries and elsewhere. These patterns are roughly consistent with what is known about the diaspora of Barbadian emigrants, but no formal studies have been conducted.

Along the same lines, balance of payments (BoP) estimates made by the CBB are not presently reinforced by statistical activities carried out by the Barbados Statistical Service through household or income surveys. Such surveys are, in other countries, useful to determine the importance of remittances for household income and expenditure, and they also lend insight into migration patterns and their relationship to remittance flows.<sup>18</sup> World Bank staff estimated the number of Barbadian emigrants at close to 114,000 (42% of the population) as of 2005, but the statistical basis for this estimate is unclear.<sup>19</sup>

The estimates for informal *outflows* take some account of the numbers of migrants from other countries known to be working in Barbados, particularly from Trinidad and Tobago and Guyana. But the methodology for the estimate is not well defined. The estimate for outflows via informal channels in 2007 is BBD 5 million, around 6% of all outflows. However, without any data collection, it is not possible to assess the size of the informal channels in either direction, or to assess their growth.

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<sup>18</sup> BSS conducts a quarterly "Continuous Household Labor Force Survey", but there is no useful coverage of financial transactions such as remittances or provision of migration statistics.

<sup>19</sup> See World Bank, Migration and Remittances Factbook.

## 8.7 TRENDS, PROGRESS AND CHALLENGES

The institutional coverage of the Barbados reporting system appears to be almost complete, with the exception of BS&T. BS&T is important to the statistics of remittance flows and the balance of payments accounts, but technically it has no formal obligation to report to the CBB's Research Department.

Barbados' present exchange control system introduces certain asymmetries into remittance reporting by means of classifications provided to the banks. For instance, the category *maintenance* found on the Notes on Completion of [Financial *Outflow*] form (Annex 2) seems self evident.<sup>20</sup> However, in terms of financial inflows, such as remittance *receipts*, it appears that more flows than just workers' remittances may be included.

A new system of coding for financial flows is being developed, but it is not yet certain when the new system will be implemented. It is also not yet clear when guidance or instructions for these forms will be provided to the banks. As shown in Annex 3, the potential coding system for transactions is long and complicated. Commercial bank staff will need clear guidance on how to classify international flows passing through their windows, either via filters or in consultation with bank customers.

Another challenge for the CBB is to complement data reported by commercial banks and BS&T with regular estimates of remittances flowing through informal channels. A possible source for such information would be surveys and studies by the BSS. It would also be useful to further develop the use of household surveys –such as the Household Survey noted above– as a means to cross cheque and assess the quality of remittance and other financial flow statistics. In some Latin American countries informal flows account for 10%-20% of total remittances activity; they are not always trivial, and therefore should be paid some attention in the Central Bank's efforts.

Under the current system, data for commercial banks are reported to the Research Department of the CBB monthly. Western Union flows through BS&T are reported formally only to the Foreign Exchange Department. There is no obligation for BS&T to report to the Research Department. For 2007 the CBB research staff surveyed BS&T for these numbers, and this is likely to continue in the future. Thus, an omission in the current reporting system is the lack of an official reporting requirement for transactions of BS&T. A challenge for the CBB is to initiate a formal reporting requirement for BS&T and any new participants in the market, to provide information to both departments of the CBB.

From data and forms employed by the CBB, it seems clear that some transactions beyond personal remittances have been included in reports submitted by at least one important commercial bank. A possible component of reported *pension's* data that might be intermingled with workers' remittances shows that Social Security payments to Barbados from the United States have totaled perhaps USD 12 million to USD 15 million annually in the past few years.<sup>21</sup> That amount alone would comprise 15%-20% of compiled and published workers' remittances. Beyond these

<sup>20</sup> There is no *application to purchase foreign exchange* foreign exchange for inflows, but there should be a set of notes on proper classifications from sometime in the past. CBB staff was unable to locate any such schematic in their files, so the mission was not able to see any list of classifications provided to reporters for this purpose.

<sup>21</sup> These data come from publications of the US Social Security Administration, which publishes payments to all countries of the world in its annual reports.

payments, however, there are also official pension payments to Barbadians from the United Kingdom and Canada, which together might make up another 10% of the total. Official pension payment inflows alone, therefore, could account for a significant fraction of currently measured *remittances* statistics.<sup>22</sup>

CBB should find it useful to have more geographic information on remittance flows into and out of Barbados. Together with information on migration patterns, this would enable compilers to assess the quality of the reported statistics and cross cheque the information. The CBB will also want to sponsor workshops and training courses from time to time for commercial bank reporters, and also for BS&T, to ensure high quality reports, not just for remittances, but also for other types of transactions.

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<sup>22</sup> Even this calculation omits pension payments from *private employers* in the mentioned countries. While the revision of the CBB's transactions classifications may remedy this problem going forward, CBB staff may wish to review available US Social Security and UK Works and Pension statistics on pension payments to residents of other countries, and undertake historical revisions as needed.

## 9 TRANSPARENCY AND DATA PUBLICATION

### 9.1 OFFICIAL INFORMATION

As noted in earlier sections, the Central Bank of Barbados is the official source of balance of payments (BoP) statistics for Barbados. The statistics are compiled in accordance with the IMF's BPM5, and published annually. The most recent publication, showing data for the period 1992-2009 is available on the CBB website (<http://www.centralbank.org.bb>).

Separate figures are shown for the two main elements of total international remittances: workers' remittances (a sub-component of current transfers) and compensation of employees (part of the income component). Figures are shown for credits (inflows) and debits (outflows). The values of the flows for workers' remittances are much larger than those for compensation of employees, for both inward and outward flows. In 2008 the publication shows that workers' remittances into Barbados were BBD 150.5 million, compared to BBD 91.8 million in compensation of employees. The corresponding figures for outflows were BBD 58.6 million and BBD 19.5 million respectively.

As discussed in chapter 8, the CBB collects the data on workers' remittances primarily via exchange control records submitted by the banks, and via an annual return from BS&T Company. It is believed that data for MTO agents located in banks are included in the banks' returns. Data on compensation of employees are supplied by the Ministry of Labour. A formal application has been made to include an appropriate question on remittances in the 2010 Census.

Descriptions of the methodology and information sources related to remittances measurement, and all other components of the balance of payments, are included in the annual BoP publication. Quarterly figures for the Barbados' BoP accounts are produced by the CBB but are not published separately. The main components are quoted in the quarterly CBB *Economic Review*.

Barbados does not subscribe to the IMF Special Data Dissemination Standard, but it does participate in the General Data Dissemination System. Summary metadata for balance of payments statistics, including remittances, are logged on the website. These cover the analytical framework of the statistics, the scope and nature of the main data sources and compilation practices. The site <<http://dsbb.imf.org/Applications/web/gdds/gddscountrycategorycfreport/?strcode=BRB&strcat=BPS00>> shows the metadata.

Remittance inflows are important to the Barbados economy. In 2006 inflows of workers' remittances accounted for nearly 6% of total current account credits, and represented around 4% of total GDP. Figure 5 in chapter 1 indicates the importance of remittance flows to individuals. There is a need to identify and develop various information sources that will not only present aggregate data on remittances but will also provide the policymakers and the public with more detailed information on costs, the range of services, time-frames, sources/destinations of the flows and different options for sending the funds. This would allow for a more rigorous evaluation of the remittances market in Barbados which then would be used by policymakers, consumers and also potential market entrants. The level of competition should then increase and help to bring costs down.

In general, an efficient remittances market requires price transparency, access to information and an adequate consumer protection system. There is a range of various financial Acts in Barbados but no specific regulation on remittances services. The legislation for the protection of



consumers seems comprehensive, in particular the 2003 Consumers Protection Act. It provides a formal complaints procedure via the Fair Trade Commission.

## **9.2 INFORMATION SUPPLIED BY REMITTANCE SERVICE PROVIDERS**

The remittances service providers in Barbados are the six banks and agents for Western Union and MoneyGram. The sender needs to know in advance the fees, conditions and value that the beneficiary will receive. For customers using any of the banks, they might have to get the information by personal application. The websites of the banks do not include much detailed information on sending funds abroad, unless the sender already has an account with the bank. Their websites concentrate more on the range of financial services that they can provide. By comparison, the websites of Western Union and MoneyGram give very detailed information, and allow the transfer to be completed very easily.

The internet is a helpful tool to obtain data on prices and fees or on aspects of the service such as availability of access for collection or the time involved in making the payment. But the internet may not be readily available to all the population. Comparison websites such as: <http://sendmoneyhome.org> are useful to get an idea about the range and costs of different options.

# ANNEXES

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**TABLE A1. BASIC STATISTICAL DATA**

	End of year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
GPD (current USD millions)	2,554	2,476	2,695	2,833	3,623	3,839	4,054	4,131	3,908
GPD per capita (current USD)	9,400	7,500	7,950	8,450	9,100	9,650	10,300	10,350	9,650
Final household consumption (current USD millions)	1,598	1,513	1,699	1,902	1,872	1,880	1,685	1,814	n. a.
Consumer price index	2.8	0.2	1.6	1.4	6.1	7.3	4.1	8.1	3.7
Interest rate (prime lending, minimum rate)	7.3	6.8	6.8	6.5	9.2	9.7	9.8	9.0	8.2
Exchange rate per USD (end of year)	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0	2.0
Current account balance (current USD millions)	-120.5	-176.8	-170.3	-335.7	-308.5	-332.2	-430.0	-421.4	-228.3
Visible trade (exports-imports) (current USD millions)	-691.6	-711.8	-803.4	-962.0	-1,014.9	-1,179.6	-1,259.4	-1,242.3	-692.4
Exports (current USD millions)	273	255	276	316	432	465	435	490	379
Imports (current USD millions)	965	967	1,079	1,278	1,447	1,644	1,694	1,732	1,071
Services (net) (current USD millions)	559	537	633	648	762	849	913	896	562
Income (net) (current USD millions)	-82.0	-88.0	-92.2	-107.3	-151.7	-108.0	-190.8	-121.3	-140.1
Current transfers (net) (current USD millions)	94	86	93	86	97	106	107	47	42
Net Foreign Direct Investment (current USD millions)	18	64	121	20	119	200	256	223	n.a.
Net International Reserves (current USD millions)	684	662	731	572	618	597	775	680	744

*n. a. stands for non-available.*

**TABLE A2. POPULATION AND MIGRATION**

	End of year								
	2001	2002	2003	2004	2005	2006	2007	2008	2009
Total Population (thousands)	270.4	271.3	272.2	272.7	273.4	274.0	275.0	275.3	276.0
Working Age Population (PET) (thousands)	208.8	209.4	210.1	210.6	211.0	211.6	212.1	212.7	220.0
Econ. Active Population (PEA) (thousands)	145.2	143.4	145.5	146.3	146.8	143.5	143.7	143.8	142.3
Employed (thousands)	130.9	128.6	129.5	132.0	132.6	131.0	133.1	132.1	127.3
Unemployed (thousands)	14.3	14.8	16.0	14.3	14.2	12.5	10.6	11.7	15.0
Unemployment Rate	9.9	10.3	11.0	9.8	9.7	8.7	7.4	8.1	10.5

Source: Barbados Statistical Service.

**TABLE A3. REMITTANCES FLOWS**

	End of year, USD millions								
	2000	2001	2002	2003	2004	2005	2006	2007	2008
Inward remittance flows	115.0	131.2	125.1	130.5	129.1	94.5	87.3	142.6	121.2
Workers' remittances	84.2	100.2	93.3	96.9	98.6	62.2	55.0	89.9	75.2
Migrant transfers	1.8	1.3	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Compensation of employees <sup>a</sup>	29.1	29.8	31.8	33.6	30.5	32.3	32.3	52.7	45.9
Outward remittance flows	19.2	20.3	20.1	21.7	18.3	40.8	35.8	55.3	39.0
Workers' remittances	14.3	15.4	14.9	15.8	15.8	37.0	31.0	46.3	29.3
Migrant transfers	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Compensation of employees <sup>a</sup>	4.9	5.0	5.3	6.0	2.5	3.8	4.7	9.0	9.7

Source: Central Bank of Barbados. <sup>a</sup> Includes wage payments to local staff and earnings of seasonal workers, previously a component of Government and Business Travel, respectively. n.a. stands for non-available.

**TABLE A4. CHARACTERISTICS OF REMITTANCES, BY ORIGINATING COUNTRY AND AVERAGE REMITTANCE**

End of year, in percentage distribution					
2005		2006		2007	
United States	57.5	United States	59.1	United States	56.3
Canada	13.4	Canada	13.8	United Kingdom	14.4
United Kingdom	12.9	United Kingdom	11.7	Canada	13.7
Cayman Islands	1.9	Jamaica	1.8	Trinidad and Tobago	1.7
Jamaica	1.5	Trinidad and Tobago	1.5	Jamaica	1.5

Source: Central Bank of Barbados (Represents Transactions by Country from the sole Money Transfer Company).

**TABLE A5. BARBADOS: REMITTANCE INFLOWS**

In USD millions

Channel	2002	2003	2004	2005	2006	2007
All banks	94.0	81.5	81.0	28.1	34.1	68.0
Western Union	0.0	12.5	13.8	13.7	16.7	19.0
Informal	0.0	0.0	0.0	0.0	0.0	4.0
CBB total	93.3	96.9	100.0	102.6	106.5	89.9
Sum of detail	94.0	94.0	94.8	41.8	50.8	91.0

Notes: The figures for 2003-2005 are quoted from the 2007 CBB publication and are subject to revision. The quoted estimate for total inflows in 2006 is BBD 263 million compared to the revised BBD 213 million. Details do not sum to totals for several years, and bank figures for 2005 and 2006 are uncertain. There are missing data for at least four banks for 2005 and 2006. Therefore the time series for inflows (and also for outflows) by channel and by bank are not entirely coherent. Figures for 2007 are likely to be the most reliable.

**TABLE A6. BARBADOS: REMITTANCE OUTFLOWS**

In USD millions

Channel	2002	2003	2004	2005	2006	2007
All banks	21.0	21.8	18.6	24.9	20.4	40.9
Western Union	n.a.	n.a.	n.a.	n.a.	n.a.	small <sup>a</sup>
Informal						5.0
CBB Total	29.7	32.0	32.0	74.0	57.0	91.7
Sum of detail	21.0	21.8	18.6	0.0	0.0	45.9

<sup>a</sup> Starting in 2007 BRT&T has processed some remittances on behalf Western Union. n.a. stands for non-available.

**TABLE A7. CONCENTRATION OF REMITTANCES INFLOWS**

In USD millions

Bank/channel	2002	2003	2004	2005	2006	2007
Royal Bank of Canada	44.6	32.3	27.0	25.7	32.7	61.3
Nova Scotia	0.3	0.2	0.2	0.3	0.1	5.8
RBTT	0.0	0.0	0.0	0.0	0.0	0.1
FIB	6.7	47.7	53.7	2.1	1.2	0.7
Mutual	0.1	1.1	0.0	0.0	0.0	0.0
BNB	0.2	0.1	0.1	0.2	0.1	0.1
Barclays	42.2	0.0	0.0	0.0	0.0	0.0
Butterfield	0.0	0.0	0.1	0.0	0.0	0.1
Western Union <sup>a</sup>	0.0	12.5	13.8	13.7	16.7	19.1
Informal <sup>b</sup>	0.0	0.0	0.0	0.0	0.0	4.0
CBB Total	93.3	96.9	100.0	102.6	106.5	89.9
Sum of detail <sup>c</sup>	94.0	94.0	94.8	41.8	50.8	91.0

<sup>a</sup> Western Union amounts remitted through BS&T. <sup>b</sup> No estimates for informal channels prior to 2007. <sup>c</sup> Erratic pattern in sum of detail reflects apparent gaps in amounts reported by individual banks over the period.

## ANNEX 2. EXCHANGE CONTROL FORM AND EXISTING CLASSIFICATIONS

<p>CENTRAL BANK OF BARBADOS</p> <p>Exchange Control Act, Cap. 71</p> <p>Form FC (not for imports)</p> <p>Application to Purchase Foreign Currency</p>																							
<p>1. To _____.</p> <p style="text-align: center;">(Nam. and address of Bank to which application should be directed)</p>																							
<p>2. I/We, the undersigned, hereby apply for permission to purchase the undermentioned foreign currency:</p> <p>Name of Applicant: _____.</p> <p>Full Address: _____.</p> <p>National Registration Number (INDIVIDUAL ONLY) <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table></p> <p>Company Registration (COMPANIES ONLY) <table border="1" style="display: inline-table; vertical-align: middle;"><tr><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td><td></td></tr></table></p>																							
<p>3. Name of Beneficiary: _____.</p> <p>Full Address: _____.</p> <p>_____.</p>																							
<p>4. Name and amount of Foreign Currency: _____.</p> <p>_____.</p> <p>Details of Exchange Contract</p> <p>(E.g. draft, M.T., T.T., forward –stating period– or swap –stating; periods and amounts of purchase– and sale).</p>																							
<p>5. Purpose of Payment: _____.</p>																							
<p>6. We declare that the above statements are true and that the foreign currency will be used solely for the purpose stated and I/We acknowledge that any permission given on this Form will lapse if not utilized within 30 days from the date of authorization.</p>	<p>APPLICANT'S SIGNATURE</p> <p>Date: _____.</p>																						
<p>7. Stamp of Bank verifying the applicant's signature and vouching for the accuracy of the statements.</p>	<p>Approval by the Central Bank of Barbados.</p> <p>Stamp of Bank executing the transfer.</p>																						
<p>8. Amount Transferred: _____ FOR USE OF THE CENTRAL BANK OF BARBADOS</p> <p style="text-align: center;">FOREIGN CURRENCY</p> <p style="text-align: center;">B\$ equivalent</p> <p>Date transferred: _____</p>																							
<p style="text-align: center;"><b>NOTES ON COMPLETION OF FORM</b></p> <p>1. EVIDENCE: Applicants should normally be supported by documentary evidence, the nature of which will vary according to the type of payment to be made. If the documents are not to remain permanently attached to the Form they should be described briefly in Section 3 overleaf or in the space below by the banker to whom they are exhibited. Where copies only are submitted they must be certified by the applicant's banker. All supporting documents should be stamped by the applicant's banker.</p> <p>2. When requesting permission to make payments, individuals are required to enter their National Registration Number at Section 2 overleaf. Companies are required to enter their Registration Number at Section 2 overleaf.</p> <p>3. Purpose of payment should normally include details of the transaction in Section 5 overleaf.</p> <p style="text-align: center;">PURPOSE OF PAYMENT</p> <p>[Various classifications not detailed here...]</p> <p>___ Gifts and donations</p> <p>___ Maintenance</p>																							

### ANNEX 3. CBB PROPOSED TRANSACTION CLASSIFICATIONS

<i>Status</i>	<i>Code and Category</i>	<i>ct_type</i>	
Discontinued	43 1/3 Assigned & 2/3 Loan	I	
	6 Advertising Expenses	O	
New	51 Advertising: Receipts	I	
	9 Airline Tickets Sales	O	
New	52 Capital: Equity	O	Sale of shares
New	53 Capital: Equity	I	Purchase of shares
New	54 Capital: Loan (commercial borrowing) repayments	O	
New	55 Capital: Foreign Currency Accounts - Deposits	I	
New	56 Capital: Foreign Currency Accounts - Withdrawals	O	
New	57 Capital: Mutual Funds	I	
New	58 Capital: Mutual Funds	O	
New	59 Capital: Pension Funds	I	
New	60 Capital: Portfolio Investment	I	
New	61 Capital: Portfolio Investment	O	
New	62 Capital: Real Estate	I	
New	63 Capital: Real Estate	O	
New	64 Capital: Real Estate (disinvestment)	I	
New	65 Capital: Real Estate (disinvestment)	O	
renamed	19 Commissions: payments	O	
New	66 Commissions: Receipts	I	
Discontinued	48 Communication Accessories	O	Merchandise
New	68 Communication Services: Payments	O	
New	67 Communication Services: Receipts	I	
New	69 Computer and Information Services	I	
New	70 Computer and Information Services	O	
Discontinued	45 Construction Materials	O	Merchandise
	5 Court Judgment	O	
New	71 Court Judgment	I	
New	72 Credit Card	I	
New	73 Credit Card	O	
New	74 Current Transfers: Gifts and Donations	O	Outflows
New	77 Current Transfers: Other	I	
New	78 Current Transfers: Other	O	
New	75 Current Transfers: Workers Remittances	I	
New	76 Current Transfers: Workers Remittances	O	
Renamed	35 Disbursements	O	
Discontinued	21 Dividends & Profits	I	Income on
Renamed	25 Education	O	
New	83 Education: Receipt	I	
Discontinued	46 Electrical Appliances	O	Merchandise
	2 Emigration	I	
Renamed	42 Equity Capital	I	
New	84 Exports	I	Merchandise
New	87 Financial Services: Payment	O	
New	86 Financial Services: Receipt	I	
Renamed	26 Gifts and Donations	O	
New	89 Government Services: Payment	O	
New	88 Government Services: Receipt	I	
Renamed	30 Head Office Expenses	O	
New	90 Head Office Expenses: Receipt	I	
	8 Hotel Project Expenses	O	
New	85 Imports	O	Merchandise
New	79 Income on Equity: Dividends & Profits - Banks	I	
New	80 Income on Equity: Dividends & Profits - Banks		
New	81 Income on Equity: Dividends & Profits - Other	I	

<i>Status</i>	<i>Code and Category</i>	<i>ct_type</i>
New	82 Income on Equity: Dividends & Profits - Other	A
New	91 Income: Compensation of Employees	I
New	92 Income: Compensation of Employees	O
New	93 Income: Loan Interest (commercial borrowings)	I
	Income: Loan Interest (commercial borrowings)	O
New	94 Income: Portfolio Investment - Bonds and Notes	I
New	95 Income: Portfolio Investment - Bonds and Notes	O
New	96 Income: Real Estate - Payment	I

*... continued with other classifications not shown here...*

*Note: I stands for inflow and O stands for outflow.*

## ANNEX 4. COUNTER SLIPS USED BY ROYAL BANK OF CANADA FOR INTERNATIONAL TRANSACTIONS

<i>Sales of Foreign Exchange</i>		<i>Purchases of Foreign Exchange</i>	
CODES	CATEGORIES	CODES	CATEGORIES
1	Imports	1	Export - Sugar
2	Travel - Business	2	Export - Rum
3	Travel - Holiday	3	Export - Molasses
4	Travel - Sales to Tour	4	Export - Other
5	Royalties Franchise	5	Tourism - Tour. Receipt
6	Management Fees	6	Tourism - Hotel Rev.
7	Commissions	7	Tourism - Rest. & Club
8	Transfer From Ext NC	8	Tourism - Comm. Houses
9	Dividends Profits	9	Tourism - Other
10	Loan Interest	10	Airline & Shipping
11	Non-Life Insurance	11	Commission & Fees
12	Life Insurance	12	Deposits
13	Education	13	Dividends & Profits
14	Gifts - Donations	14	Interest
15	<b>Maintenance [remittances sent]</b>	15	Non - Life Insurance
16	Rent For Real Estate	16	Life Insurance
17	Legacies Inheritance	17	Education
18	Emigration	18	Gifts & Donation
19	Head Office Expense	19	<b>Maintenance [remittances received]</b>
20	Advertising	20	Shares
21	Purchase Of Local Nt	21	Branch Investment
22	<b>Wages Salaries Pension</b>	22	Loan Receipts Notes
23	Refunds	23	Head Office Expenses
24	Transportation	24	Real Estate
25	Disbursements	25	Sales of Barbados Notes
26	Medical Services	26	Other
27	Repatriation of Capl	27	Inter Bank / Purchases
28	Invest Pension Funds	28	Foreign Sales Corp.
29	Invest Agen / Br / Subs	29	Exempt Insurance Co.
30	Invest - Insurance Fund	30	Int. Business Comp.
31	Invest - Shares / Indiv		
32	Invest - Other		
33	Other		
34	Inter Bank / Sales		
35	Foreign Sales Corp.		
36	Exempt Insurance Co.		
37	Int. Business Comp.		



Impreso en los talleres de Master Copy, S. A. de C. V., avenida  
Coyoacán n° 1450, colonia Del Valle, México D.F., 03220.

150 ejemplares



ISBN: 978-607-7734-17-8

