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## New Rules For Remittances

*by LADB Staff*

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The US government has imposed new rules on the companies that handle the transactions by which immigrant workers send money back to their home countries. The strict federal rules were imposed over the past several months and more are slated to come soon. This is another brick in the still-under-construction edifice of post-Sept. 11 scrutiny. The rules are the spawn of the Patriot Act that President George W. Bush signed into law on Oct. 26, 2001, giving law enforcement and regulatory agencies expanded authority. Now, anyone sending money to another country must be checked against government lists of possible money launderers and terrorists, and those in the business of transmitting the money must undergo training in spotting suspicious money movements.

The change in procedures has immigrants worried that the Immigration and Naturalization Service (INS) now has another tool to track them down (see NotiCen, 2002-07-25). "I have a passport that I can show," said one woman in New York who has overstayed her visa, "but what if they look at more than my name?" In New York, where an average of 160,000 transactions are handled daily, banking officials began supplying the FBI with money-transfer information in March.

State superintendent of banks Elizabeth McCaul has tried to get transmitters to get personal data on customers, even though there is as yet no federal requirement to do so. The transmitters do, however, have to refuse transfers from anyone listed as a terrorist by the Office of Foreign Assets Control.

The new regime is especially irksome for El Salvador. One of every five Salvadorans lives in the US, and the money they send home accounts for the largest fraction of the country's income. That makes its own citizens El Salvador's leading export. Recognizing the danger to their customers, some transfer agencies in the US are not fully complying with the regulations.

In Washington, DC, one agent said that he handles about US\$1 million every three months and does not ask for identification from his customers, many of whom are undocumented. There have been suggestions that there will now be a boom in the production and sale of false documents to accommodate the requirements of the new rules. This will criminalize anyone who buys the papers and subject the person to deportation.

To get around that dilemma, many Salvadorans in the US have asked their employers or acquaintances to make the transfers for them, said Ingrid Anaya, who manages El Salvador operations for Western Union. Anaya said that the regulations have not had much effect on volume yet, since the flow of money continues to grow. But official figures put the rate of increase this year at less than for a similar period in 2001. Anaya has, however, had occasion to turn back money, US \$1000, in one case where the remitter's name appeared on her blacklist. It is not only the document forgers who stand to make money from the regulations.

Visa International is reported to be studying the issuance of a bankcard by which recipients in El Salvador can receive their remittances. It will be test marketed in California, where the largest US concentration of Salvadoran expatriates live, and enable the recipients to get their money from ATMs in El Salvador. Visa already provides the service in New York for people sending money to Mexico and the Dominican Republic. The company's figures show that those two countries account for almost 50% of remittances to Latin America and the Caribbean. It is a lucrative market, according to a Visa spokesman, that has seen a growth rate of 10% over the last five years. In 2001, the company transferred US\$23 billion to the region.

Others cashing in on the new regs are software providers who make available the programs necessary to check remittance customers against the US government's blacklist, which now contains more than 23,000 names, with new names added weekly. Eduardo Castaneda of the Banco de Comercio in El Salvador said that the software for his bank cost around US\$50,000. Internal and external auditors charged with certifying compliance also benefit from the rules. Banco de Comercio pays about US\$10,000 monthly for these services, said Castaneda. Banco Agricola, which operates three agencies in California, confirmed similar costs.

A spokesman who enumerated other costs that included overtime for training and legal services said, "The companies that are complying with the law have had to make significant investments to adapt." But others in the remittance business have been more relaxed about the regulations. Urgent Express in Los Angeles has made no changes in procedures, explaining that their average transaction amounts to less than US\$200 sent as a money order, for which no identification is asked.

Bankers seeking to allay customer fears of being hunted down by INS or other US agencies newly empowered by the Patriot Act have told the Salvadoran press that the Act targets terrorists and narcotraffickers, not illegal migrants, and that the "Ley Secreto Bancario" establishes that financial entities can only reveal personal information if clients are under judicial investigation for serious offenses. The client can show a Salvadoran document, like a passport, for identification.

Bank spokespersons also gave assurances that their additional costs would not be passed on in the form of higher fees. The remittance business is handled by at least three different kinds of business entities. Banks do it, agencies dedicated to just this enterprise do it, and "viajeros," couriers who physically carry the money from sender to recipient, do it. Between January and October of 2002, a total of US\$1.6 billion was transferred into El Salvador in the form of remittances. The figure tops the same period in the previous year by about US\$32.1 million, an increase of 2%. El Salvadoran banks, with agencies in the US, accounted for US\$419 million of this traffic, with most of that coming from California and Virginia, according to reports from the Banco Central de Reserva (BCR). These totals exceed income from traditional and nontraditional exports, and maquila income, combined. They equal 64.6% of total exports, or 37.9% of imports, or 91.9% of the commercial deficit, according to BCR.

At the end of September, 83.3% of the money in circulation in the country, or US\$430.8 million, was in dollars, a phenomenon facilitated by remittances and expected to increase in the remaining months of the year, when the holiday season tends to move expatriates to send even more money home. An estimated two million El Salvadorans are living in the US.

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