REMITTANCE SCAM

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What is it?

The use of moneygrams to transfer the proceeds of crime across national borders.

How it works

Moneygrams – person-to-person money transfers – are a fast, efficient way of transferring funds across national borders. No banking details are needed for moneygrams, making it easier to move money from illicit activities across borders as “gifts”.

How to avoid being a victim

- Do not transfer money under your own name for anyone else.

CASE STUDY: MONEYGRAM FRAUD

The FIC identified suspicious transaction reports that had unusual common factors:

- South Africans (mostly women between 20 and 30 years old), accompanied by suspicious men, sending money to foreign countries.
- The women did not have full details about the transactions and were dictated to by the men.
- The South Africans were typically low-income earners or unemployed, and were sending money in excess of their income level.
- The women lived in areas with a high population of immigrants.

The FIC worked with law enforcement agencies to reveal that foreign nationals involved in illegal activities, such as drug trafficking and prostitution, were using South Africans to send money to other countries.

The individuals involved in these activities are being investigated for a range of crimes, including contravening exchange control regulations and drug trafficking.

Remittance fees punish poor Africans[5]
An excerpt from the Mail & Guardian
13 January 2012

The World Bank has identified South Africa and Tanzania as having some of the highest costs for remittance payments in the world, with some charges as high as 25% of the money being transferred.

Remittance payment is the transfer of money across borders, often used by immigrant workers to send money home to family members.

In 2010, the African diaspora sent home $40-billion in remittance payments to the continent, with these money transfers representing close to 10% of some African countries' gross domestic products.

The World Bank said that cutting charges by 5% could save up to $16-billion a year. Considering that remittance payments were a vital source of income for many families who were living hand to mouth, this would have a massive impact.

The information, Remittance Prices Worldwide: Making Markets More Transparent, on the World Bank's website, singled out the remittance corridors of Tanzania to Rwanda, Uganda and Kenya, and South Africa to Zambia and Mozambique as being the five most costly corridors among the 213 countries analysed.

A transfer of $200 from South Africa to Zambia cost on average $44.66 or 22%, and a $200 transfer from South Africa to Mozambique cost on average $36.11 or 18%.

The World Bank's website also singled out the cheapest remittance corridors in the 213 countries analysed as Singapore to Bangladesh at 2.2% and the United Arab Emirates to Pakistan at 2.6%.

[5] http://mg.co.za/article/2012-01-13-remittance-fees-punish-poor-africans/

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"In many cases, the cost to consumers of these remittance transactions is expensive relative to the often low incomes of migrant workers, the amounts sent and the income of remittance reci¬pients," the World Bank said.

"Therefore, any reduction in the remittance transfer price would result in more money remaining in the pockets of migrants and their families and would have a significant effect on the income levels of remittance families."

It argued that an underdeveloped financial infrastructure, limited competition, regulatory obstacles and a lack of access to the banking sector by remittance senders and/or receivers all played a role in keeping the costs high….

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