NATIONAL REMITTANCE PLAN 2015
TURKEY

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Background

Banks are the most important actors in the Turkish financial system. The money remittance services are carried out mainly by banks as well as non-bank entities and the Post Office in Turkey. Law on Payment and Security Settlement Systems, Payment Services and Electronic Money Institutions, enacted on June 27th, 2013, provides the legal framework for operations of payment services and electronic money institutions and aims at increasing consumer protection through setting up rules for conduct of business as well as protection of funds and market transparency while enhancing competition in the field of payment services. According to this new legislation, money remittance is one of the payment services; and non-bank payment service providers are going to be licensed by and be subject to the supervision of Banking Regulation and Supervision Agency.

The average cost of sending remittances to another country via banks is nearly 10%. The cost is relatively low for the money transfer operators and the post office and is almost 8.5%. Turkey is listed among receiving countries within G20. When receiving remittance from another country, there is also a fee charged by most banks. The minimum amount of this fee varies among banks and it is in the range of 0-6%.

2014 Call to Action on Remittances

Turkey committed to continue exploring options to support further enhancements that help to increase the efficiency of remittance services, in particular through the use of new financial services and payment technologies.

2015 Country plan for reducing remittance transfer costs

Turkish country plan is based on three components: improving transparency; increasing competitiveness; and facilitating the use of new technologies.

1. Increase Remittance Market Competitiveness

a. It is expected that the legal framework set by the Law No: 6493 will contribute the entrance of more non-bank payment service providers into the formal remittances market. Non-bank payment service providers are also expected to comply with anti-money laundering and counter terrorist financing rules and will be subject to the supervision of the relevant authority.

   The supervision over all the entities providing remittance services is expected to contribute to the efficiency of remittance markets and competitive market structure which would then force payment service providers to compete on price, speed, distribution and other aspects of the remittance services. The Law allows payment institutions and electronic money institutions to conduct money remittance services through a more extensive service or agent network compared to banks.

b. The Law and the recent sub-regulations grant a transition period until the end of June 2015 for the non-bank entities already providing payment services to apply to a license. As of the first week of September 2015, 4 payment institutions and 2 electronic money institutions have been licensed, while 36 more applications are pending evaluation. Although it is too early to measure the effects of the regulations on the payments sector or the costs from today, expectations might be outlined as improvement in service quality, reduction in costs for consumers while minimizing the risks related with the protection of funds and increase in access to remittance services. In addition, the new regulations are expected to contribute to leverage innovative business models.

2. Improve Financial System Infrastructure and Pursue Policies Conducive to Harnessing Emerging Technologies

a. Turkey's financial sector infrastructure is well developed while electronic banking, including mobile and phone banking is highly advanced. With the new regulation on Law on Payment and Security Settlement Systems, Payment Services and Electronic Money Institutions, we expect the private sector to accelerate their research on creative technology solutions which will be applicable to the remittance sector as well. As is the case in banks, it is expected that licensed payment institutions and electronic money institutions use new technology-enabled business models such as prepaid payment cards, card-less ATM access and mobile money.

3. Discourage Taxes on Migrant Remittance Transfers

a. Turkey prefers not to apply a tariff in the fees charged to the financial consumers. But Turkey recognizes there are ways to lower the costs of the financial services to consumers by increasing transparency in the market.

4. Improve Transparency and Consumer Protection of Remittance Transfers

a. Turkey values transparency in the costs of banking services to consumers and discloses fees charged by each bank via Banking Regulation and Supervision Agency's web site. There is ongoing work to improve this platform in cooperation with the Turkish Banks Association to make sure that fees charged by banks are fully disclosed and compliant with the new regulation which was put into effect last year. In this platform, fees charged by each bank for transferring a particular amount of money will also be disclosed, ensuring comparability. When transferring money to another country, the historically most- used amount will be used in this platform. This work is expected to increase transparency and competition in the remittance market, helping consumers make fully informed choices among alternatives which they can use while transferring money to another country.