



FOREIGN EXCHANGE AND REMITTANCE GROUP **ANNUAL REPORT** 2022

**Navigating a
Resilient Landscape**

2022 Annual Report

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Overview

CONSOLIDATING THE UAE'S LEADING POSITION IN THE MONEY EXCHANGE AND REMITTANCE INDUSTRY

Annual Report 2022

The United Arab Emirates is the second-largest market for outbound remittances in the world. This leading status underscores the crucial role of the exchange and remittance sector in contributing to the growth of the UAE's non-bank financial structure.

In addition, the World Bank revealed that the cost of sending money through money transfer operators is relatively lower compared to banks. This means putting less

financial burden on migrants, who constitute 88% of the UAE's total population and account for the majority of its workforce.

Despite the pandemic's adverse effects on the economy, the sector has proven its resilience as outward remittances from the UAE to low- and-middle-income countries (LMICs) remained relatively stable while migrants seek to assist their families in vulnerable conditions.

The UAE government's recovery initiatives and economic stimulus packages as well as the CBUAE's adoption of flexible procedures to ensure the efficient operations of exchange companies further strengthened the stability of the exchange and remittance industry.

Globally, remittances became the major contributor of external financing to developing countries, exceeding foreign direct investment, official development

assistance, and portfolio investments, highlighting the significance of remittances in boosting economic growth. As the UAE continues to intensify its efforts in accelerating the digital revolution and improving its financial system, exchange and remittance businesses in the country have been meticulously working on developing a robust roadmap completely aligned with the government's strategic priorities.

This annual report was developed to provide an in-depth perspective on the industry, discuss current challenges and define the ideal approaches to address the issues. In addition, it seeks to foster a dynamic collaboration among exchange and remittance companies, government and stakeholders to leverage growth opportunities and create a sustainable ecosystem fully prepared to successfully navigate a constantly evolving and resilient landscape.

Chairman's Message

”

The future of our sector is completely reliant on how well we anticipate and respond to the opportunities our shifting environment presents.

Mohamed A. Al Ansari

Chairman

Dear stakeholders,

It is a privilege and an honor to be leading the Foreign Exchange and Remittance Group (FERG), a non-profit organization based on the initiative of the Central Bank of UAE (CBUAE). FERG comprises of a group of money exchange and remittance companies that have come together under one common platform to work towards a mutually beneficial cooperation between themselves and the CBUAE. FERG was established in 2008 and holds regular meetings to discuss the current market situation, opportunities and threats facing the industry.

One thing that has always impressed me is how the exchange and remittance industry forms an integral part of so many people's lives. A part that, we as an industry play in helping build better futures for our customers, their families, and their communities.

The industry itself resonates with a large percentage of the UAE population who are unbanked and underbanked, and are the main providers to their families back home. In 2021, exchange companies in the UAE handled AED 147.8 billion in outward remittances that adds up to more than 5% of the total global outward remittances.

Source: Central Bank of the UAE Financial Stability Report 2021

With the UAE being the second largest remitting country after the USA, it is essential that we put

in place some form of documentation to report on the accomplishments of the sector in general, the opportunities at hand and the challenges it faces.

The remittance and exchange sector in the UAE is a well-established sector with the right infrastructure in place, impeccable support from the local government and authorities and a worldwide network of agents to serve millions of customers every day.

As of December 2021, the exchange sector recorded total assets of nearly AED 11.1 billion, with an increase of 7.3% in its total core income, which primarily consists of remittance operations, foreign currency exchange and wage payments using Wages Protection System (WPS).

The pace of change in our industry continues to accelerate. I believe that the future of our sector is completely reliant on how well we anticipate and respond to the opportunities our shifting environment presents.

The last two years have made it even more clear that flexibility is the way forward. As we continue to invest in our digital future and drive more digital growth, we also need to make sure our brick-and-mortar operations stay competitive and ready to serve the customers who are more comfortable with that channel, or a combination of such – engaging digitally and in retail. In many cases, these retail customers of today are digital customers of tomorrow.

Remittances have and will always form a lifeline for many emerging economies alleviating poverty and driving financial inclusion throughout the pandemic and into the recovery period. To keep financial support flowing across borders, especially to developing countries, there will be a significant need for innovation, technology and collaboration.

I like now to close with a note of thanks to the UAE government and the Central Bank of the UAE for their continued support and cooperation to help the industry face the pandemic and surge as a support to many economies.

I also would like to thank the office bearers and members of FERG for their teamwork and passion for the industry and trust in our sector.



Mohamed Ansari

Mohamed A. Al Ansari
Chairman

FERG at a Glance

As a non-profit organization established under the initiative of the Central Bank of UAE, the Foreign Exchange and Remittance Group (FERG) functions as the representative body of the remittance and exchange industry in the UAE, comprising money exchange and remittance providers, from large-sized businesses with more than 100 branches to single-branch establishments.

FERG serves as a proactive platform playing a significant role in voicing the concerns of its members to government and regulatory bodies to address the challenges and threats faced by remittance and exchange companies in the UAE. It aims to create a strategic roadmap toward the continued growth of the industry, serving as a robust catalyst in consolidating the local and global economy.

Our Valued Members

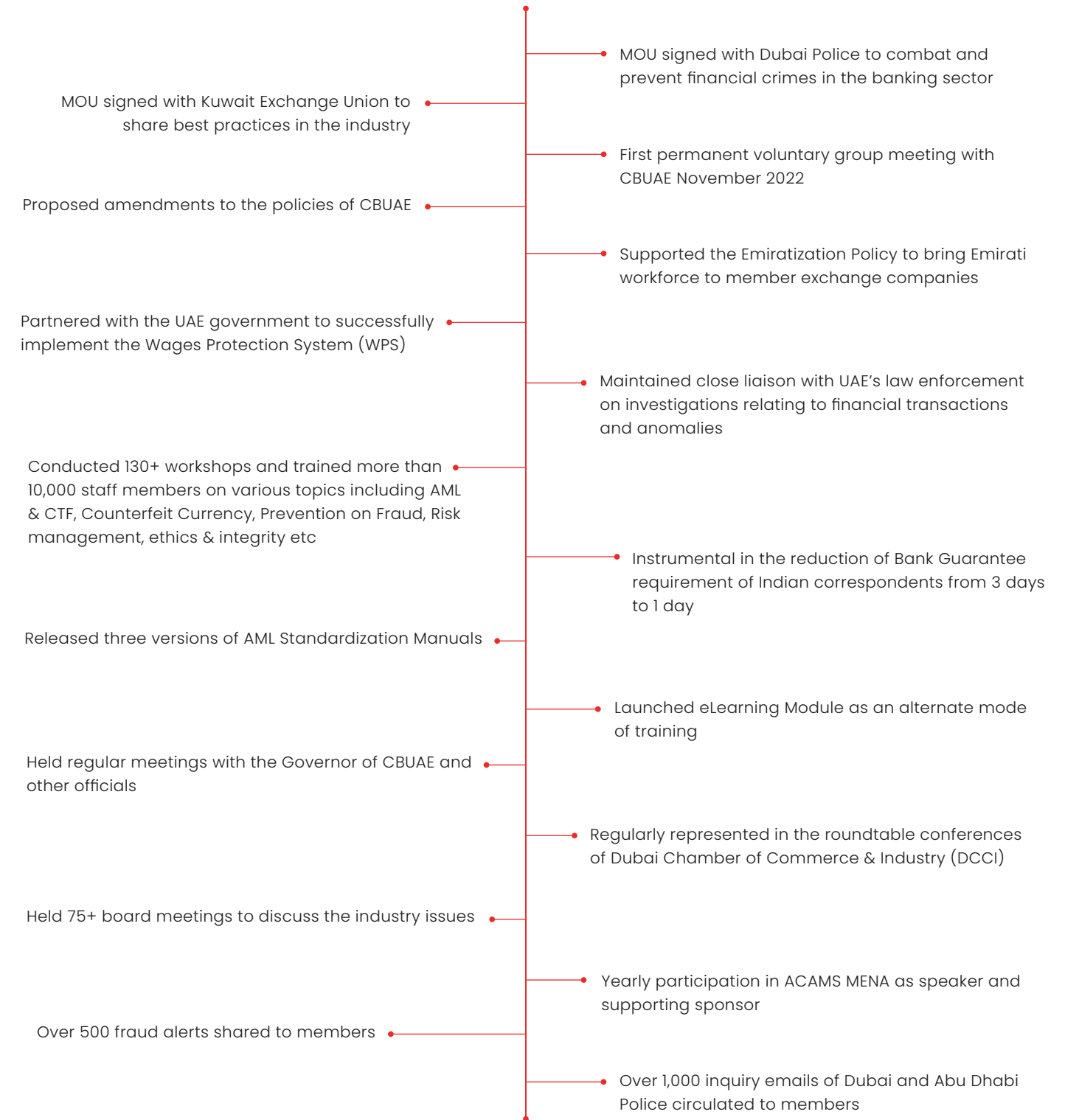
The esteemed members of FERG have been greatly instrumental in achieving its goals towards strengthening the ecosystem of the UAE's exchange and remittance sector. FERG has solid commitment to develop an innovative and resilient industry in the UAE.

Year	Members
2022	55
2021	59
2020	61
2019	66
2018	67
2017	71
2016	75
2015	73
2014	61
2013	57
2012	52
2011	47



Key Milestones

FERG's successful journey has been marked by numerous achievements and expansion in its dynamic activities that include representative committee meetings, training and workshops, seminars and conferences, as well as information dissemination on relevant issues such as fraud prevention, Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT), and counterfeit currency, among others.



Industry Insights

Overview

The remittance and exchange industry in the country consists of 77 actively-operating exchange companies licensed by the CBUAE. Following a slight decline in income during the COVID-19 pandemic in 2020, exchange businesses operating in the UAE proved their resilience and witnessed improved profitability in 2021 due to the easing of travel restrictions and an increase in business activity. As of December 2021, the exchange companies sector recorded total assets of nearly AED 11.1 billion, with an increase of 7.3% in its total core income, which primarily consists of remittance operations, foreign currency exchange and wage payments using Wages Protection System (WPS).

77 Exchange Companies Licensed by CBUAE

AED 11.1 bn
Total Assets of UAE Exchange Companies as of December 2021

7.3% Increase in Total Core Income as of 2021

Core Income of Exchange Companies



Source: Central Bank of the UAE Financial Stability Report 2021

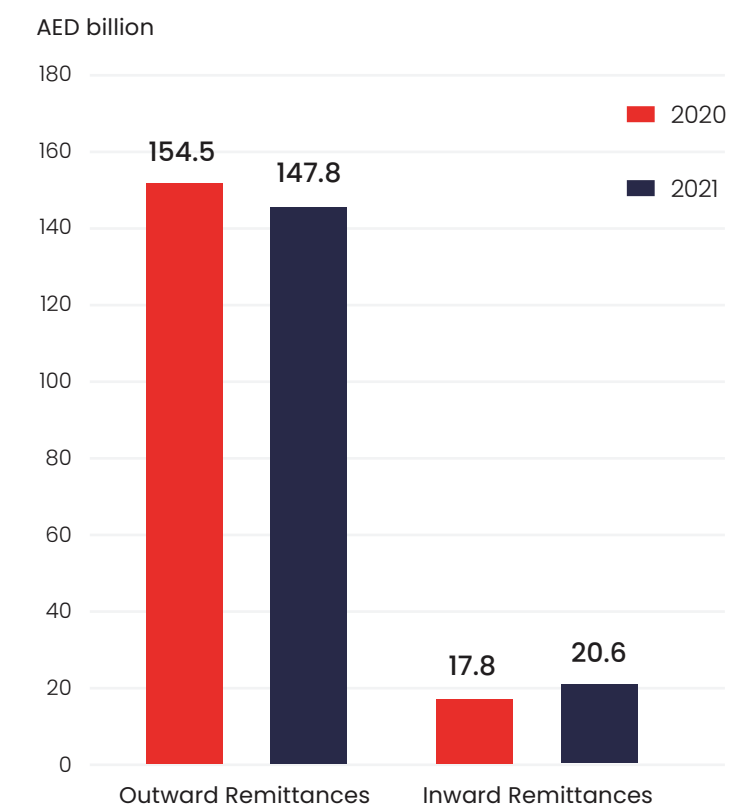
Remittance Operations in the UAE

In 2021, the total amount of outward remittances through UAE exchange companies amounted to AED 147.8 billion, witnessing a 4.3% decline from the previous year due to the repercussions of the COVID-19 pandemic. Personal remittances emerged as the leading segment which reached AED 107.8 billion, while inward remittances settled through exchange companies in the country grew by 15.7% compared to 2020, reaching AED 20.6 billion and with trade remittances being the major component at AED 9.2 billion.

2021 UAE Outward Remittances
AED 147.8 bn
through UAE exchange companies

Source: Central Bank of the UAE Financial Stability Report 2021

Remittances Through UAE Exchange Companies



Source: Central Bank of the UAE Financial Stability Report 2021

Breakdown of Outward Remittances Through UAE Exchange Companies

Personal Remittances	AED 107.8 billion
Trade Remittances	AED 26.4 billion
Investment Remittances	AED 915.3 million
Other Remittances	AED 12.7 billion
Total	AED 147.8 billion

Source: Central Bank of the UAE Financial Stability Report 2021

Breakdown of Inward Remittances Through UAE Exchange Companies

Trade Remittances	AED 9.2 billion
Family Remittances	AED 6.1 billion
Other Remittances	AED 4.6 billion
Investment Remittances	AED 662.8 million
Total	AED 20.6 billion


Source: Central Bank of the UAE Financial Stability Report 2021

Global Remittance Inflows

Remittance flows to low- and middle-income countries (LMICs) are estimated to have increased by 4.9% to reach USD 626 billion in 2022. The strong growth rate is coming after a surge of 10.2% in 2021 (according to revised official data). Globally, remittance flows are estimated to reach USD 794 billion in 2022. The top five recipient countries for remittances in 2021 were India, Mexico, China, the Philippines, and Egypt.

According to World Bank's Migration and Development Brief 37, several factors affected remittance flows to developing regions. Aside from migrants' determination to help their families back home, the continuous reopening of various industries in host countries' economies enhanced the income and employment situation of migrants.

Source: KNOMAD World Bank Migration and Development Brief 37 – Nov 2022

 **Estimated Remittances**
USD 794e bn
Remitted worldwide in 2022

Source: KNOMAD World Bank Migration and Development Brief 37 – Nov 2022



Growth Rate of Remittance Flows to LMICs

2020 | -0.8%

2021 | 10.2%

2022 | 4.9%
Estimated

Source: KNOMAD World Bank Migration and Development Brief 37 – Nov 2022

Top Remittance Recipients in the World

#	Country	Amount Remitted (USD)	% of GDP
1	India	100e bn	2.9
2	Mexico	60e bn	4.2
3	China	51e bn	0.3
4	Philippines	38e bn	9.5
5	Egypt	32e bn	6.9

Source: KNOMAD World Bank Migration and Development Brief 37 – Nov 2022

The Economic Impact of Remittances

Background

The United Arab Emirates is one of the countries with the highest proportion of international migrants in the world. A key contributing factor to this is the country's strong efforts in creating employment opportunities to attract talents from different parts of the globe, which is one of its national priorities.

The UAE has established its leading position in global talent competitiveness, ranking a top position in the Arab world and **21st globally**, according to IMD World Competitiveness Centre's World Talent Report 2022. Similarly, its high attractiveness for overseas talents has been highlighted in the InterNations' Expat Insider 2022 survey, placing the UAE as one of the top 10 countries to live and work for expatriates, and achieving high scores on different indicators, including the quality of life index.

As of 2020, there are 8.7 million migrants in the Emirates, constituting **88%** of the country's total population and accounting for the majority of the UAE's workforce. The country's status as one of the world's largest job markets and an ideal destination for migrant workers have led to the continued growth of the exchange and remittance industry in the UAE.

8.7 m

Total number of migrants in the UAE in 2020

Source: IOM World Migration Report 2020

88.1%

of the UAE's total population are migrants

Source: IOM World Migration Report 2020

3.17%

of the world's migrants are in the UAE

Source: IOM World Migration Report 2020

The UAE is the 2nd largest market for outbound remittances in the world

The large number of migrants in the UAE providing financial support to their families in their home countries helps position the nation as the second largest sender of outward remittances in the world. This leading status underscores the paramount contribution of exchange and remittance businesses to the growth of the non-bank financial infrastructure in the Emirates.


Surmounting the COVID-19 Crisis

Despite the ramifications of the pandemic, outward remittances from the UAE to LMICs remained relatively stable in 2020, reaching AED 154.5 billion as migrants yearn to help their relatives in vulnerable conditions back home.¹

The resilience of the exchange and remittance sector in the UAE during the COVID-19 crisis can be essentially attributed to the surge in digitalization as customers increasingly depend on mobile apps and other digital channels for money transfers due to movement restrictions and safety precautions.

The sector's competitiveness was fortified by the government's recovery initiatives and economic stimulus packages provided by the federal government and local governments to support businesses and individuals, amounting to more than AED 373 billion.²


Moreover, the Central Bank of the UAE played an important role amid the crisis by adopting flexible procedures to ensure the efficient operations of exchange companies, which includes allowing exchange companies to process customers' international remittances under the Wages Protection System (WPS).³



USD 47.5 bn

UAE outward personal remittances in 2021

Source: Central Bank of the UAE Financial Stability Report 2021



USD 597 bn

Global remittance flows in 2021 to LMICs

Source: KNOMAD World Bank Migration and Development Brief 37, Nov 2022

On the international scene, remittance flows to LMICS witnessed a strong performance in 2021 reaching USD 597 billion. This is a 10.2% increase on the total of USD 542 billion in 2020.⁴

Achieving Post-Pandemic Growth

The UAE is one of the three GCC countries (alongside Bahrain and Qatar) that reached its 2019 GDP levels by the third quarter of 2021.⁵

The easing of COVID-19-related restrictions and rapid vaccine rollout bolstered the UAE's strong economic recovery. This has contributed to the significant increase in outward remittances which grew by 11.4% or AED 17.8 billion, reaching a total of AED 174.6 billion.

AED 174.6 bn

Outward personal remittances in the UAE as of 2021

↑ 11.4%

Increase in outward remittances

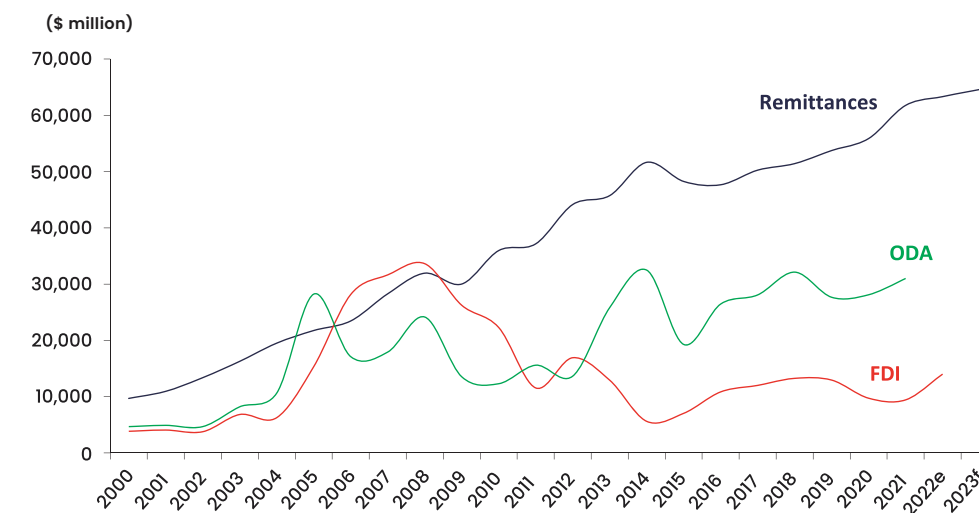
Source: Central Bank Annual Report 2021

The Global Scenario

Remittances have become a crucial part of economies across the world, particularly for developing countries. Since 2016, remittances have exceeded foreign direct investment (FDI), official development assistance (ODA), and portfolio investments as the primary contributor of external financing to LMICs. Even during the pandemic, remittances proved resilient while the FDI witnessed a 12% decline due to the global economic slowdown.

Remittances, FDI, and ODA Flows to MENA (1990-2023)

In the MENA region, remittances have been the largest source of external financing since 2009 compared to FDI, ODA, and portfolio flows. In 2022, remittances accounted for 60% of total inflows to the region.

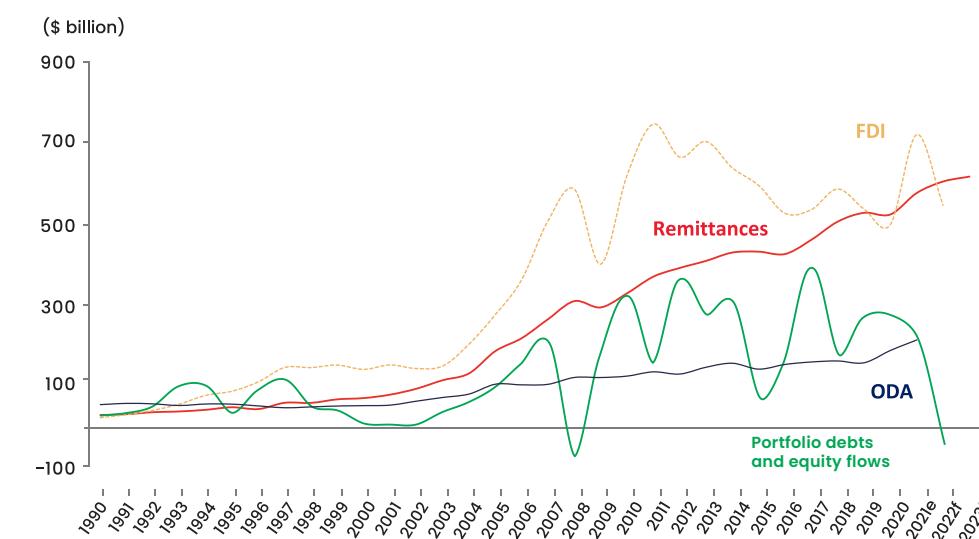


Source: KNOMAD World Bank Migration and Development Brief 37, Nov 2022

Remittances, FDI, and ODA Flows to LMICs (1990-2023)

The Outlook for Remittances Market

As the number of migrant workers worldwide increases, remittance flows to emerging countries increased by an estimate of 5% or USD 630 billion in 2022.⁶ By 2030, remittances to LMICs are projected to reach USD 5.4 trillion which will be used by recipient families to reduce poverty levels and obtain better health, education, housing and entrepreneurial opportunities.⁷



Source: KNOMAD World Bank Migration and Development Brief 37 – Nov 2022

The Industry Growth Drivers

As remittances continue to play a critical role in reducing poverty and boosting economic progress, there are major catalysts that steer the positive growth of the exchange and remittance sector in the UAE. These key elements also serve as vital indexes to navigate the industry's evolving landscape, discover new opportunities, and identify trends that will shape its future.

The main growth drivers that have made an enormous impact on the remittance industry in the UAE are the country's low remittance costs, the exponential trade growth, and the increase in labor demand.

Low Remittance Costs

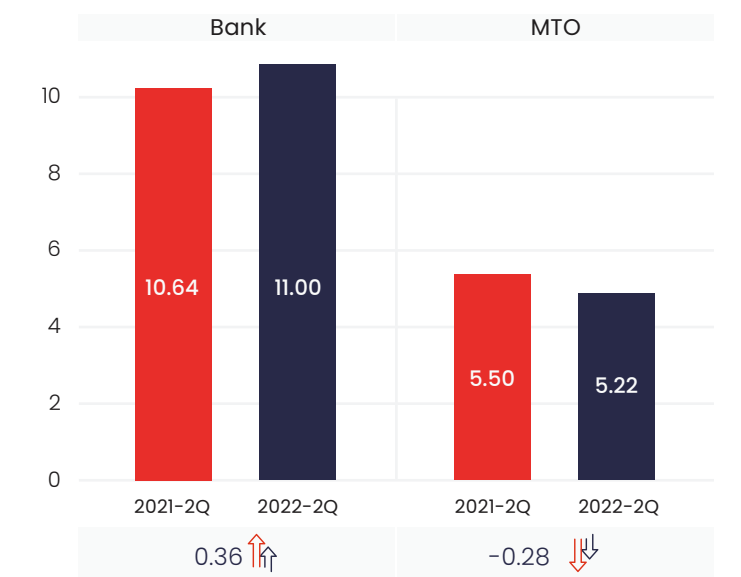
The inclusion of migration-related indicators in the United Nation's 2030 Agenda for Sustainable Development strongly underlines the vital contribution of remittances to economic growth and sustainability. One of the targets under Sustainable Development Goals is to decrease the transaction costs of remittances to less than 3% and to send money in every remittance corridor for 5% or less by 2030 (SDG indicator 10.c.1).⁸

The Remittance Prices Worldwide (RPW) by the World Bank, which monitors the costs of remittances across all geographic regions of the world, revealed that sending money through money transfer operators (MTO) or exchange companies is relatively cheaper compared to banks which remain the most expensive remittance service provider, with an average cost of 11%.

Source: KNOMAD World Bank Migration and Development Brief 37 – November 2022



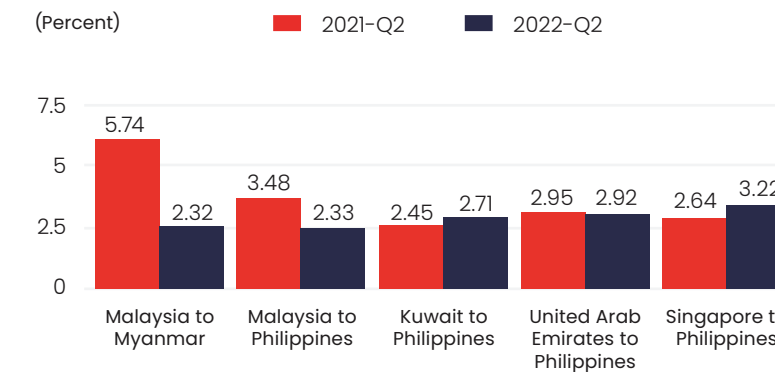
Global Average Remittance Costs: Banks vs. MTO



Source: Remittance Prices Worldwide – World Bank June 2022

As of Q2 of 2022, the global average cost of sending remittances worth USD 200 through four main remittance service providers (Banks, MTOs, Mobile Operators and Post Offices) is 6.01%. On the other hand, the UAE remains one of the countries in the world that provides the lowest money transfer fees, with an average international remittance cost of 3%. Furthermore, the World Bank cited that remittance fees from the UAE to East Asia and the Pacific Region, particularly to the Philippines, are one of the least expensive remittance corridors worldwide.

Five Least Expensive Remittance Corridors



Source: KNOMAD World Bank Migration and Development Brief 37 – Nov 2022

6.01%

Global average cost of sending USD 200 through banks, MTOs, mobile operators & post offices, Q2 of 2022

Source: Remittance Prices Worldwide – World Bank June 2022

3%

Average cost of sending USD 200 from the UAE as of Q2 of 2022

#	Sending 200 USD from the UAE to:	Average Cost In USD	Average cost % Q3 2022
1	Egypt	6.8	3.4
2	India	4.4	2.2
3	Philippines	5.5	2.7
4	Pakistan*	Free	---
5	Bangladesh	4.35	2.2

No fees are incurred on amounts over USD 100 remitted to Pakistan. For amounts less than USD 100 charges are at 5.4%

Lower cost of money transfers means less financial burden on migrants and a considerable increase in the disposable income of recipient families in developing countries. With these evident reasons, remitters prefer to send money through exchange companies in the UAE, thus further increasing the growth of the sector.

Rising Trade and Increase in Labor Demand

The forward-thinking vision of the UAE government plays a key role in boosting the country's economic development. Its national agenda to transition into a diversified and knowledge-based economy has unlocked massive potential for various sectors, leading to increased competitiveness of its non-oil trade and export, and creating an abundance of employment opportunities in the Emirates.

As one of the top global trading hubs in the world,⁹ the UAE's non-oil trade recorded AED 1.058 trillion or USD 288.06 billion during the first half of 2022, which is 17% higher compared to 2021.¹⁰ The country also witnessed continuous expansion in Q3 of 2022 in terms of overall real GDP after its robust growth in the first half of the year, with a significant improvement in non-oil GDP, which was stimulated by dynamic economic activities in diverse sectors.

Source: Central Bank of the UAE Quarterly Economic Review - Q3 2022

Annual Real GDP Growth Rates in the UAE

	2019	2020	2021	2022 F	2023 F
Overall GDP	1.1	-5.0	3.9	7.6	3.9
Non-oil GDP	2.7	-5.4	5.8	6.1	4.2
Oil GDP	-2.6	-3.8	-0.7	11.0	3.0

Source: Central Bank of the UAE Quarterly Economic Review - Q3 2022

Contribution of Economic Activities to Non-oil Real GDP 2021

Economic activity	%
Wholesale and Retail Trade; Repair of Motor vehicles and Motorcycles	17.1%
Manufacturing	14.6%
Financial and insurance activities	12.2%
Construction	12.0%
Administration and defense	8.0%
Real Estate Activities	7.5%
Professional, scientific and technical activities and administrative and support services	5.6%
Transportation and storage	5.4%

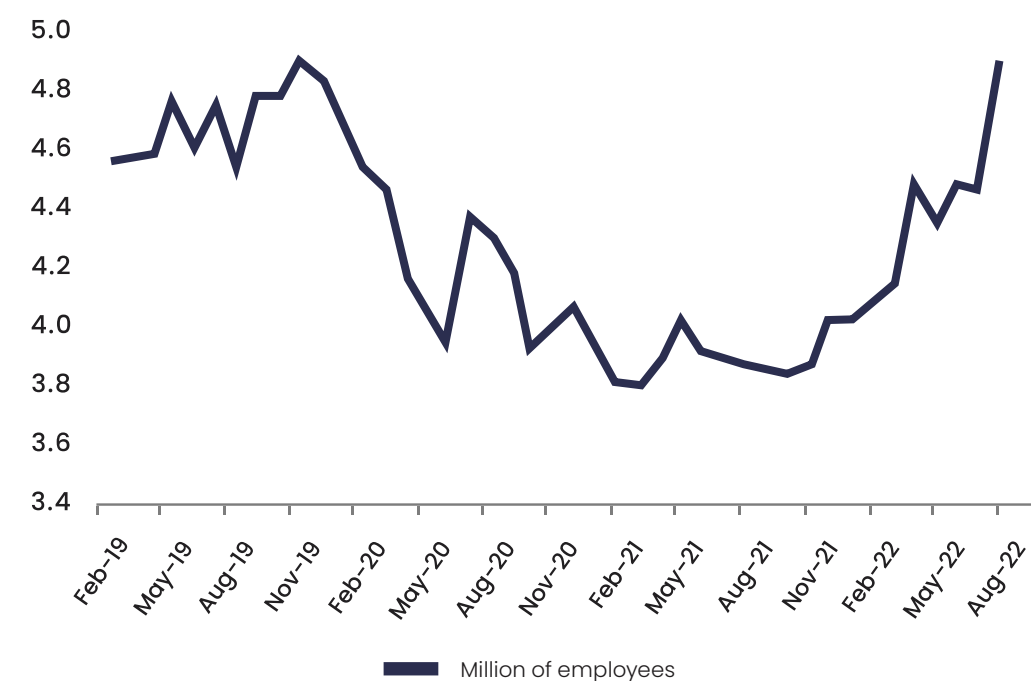
Economic activity	%
Information and Communication	4.3%
Accommodation and Food Service Activities	2.8%
Electrical, Gas, and Water Supply; Waste Management Activities	2.7%
Agriculture, Forestry and Fishing	2.4%
Education	2.2%
Human Health and Social work Activities	1.6%
Activities of Households as Employers	0.9%
Arts, Recreation and Other Service Activities	0.7%

Source: Federal Competitiveness and Statistics Centre (as cited in Central Bank of the UAE Quarterly Economic Review - Q3 2022)

The UAE's intensification of its economic diversification efforts has opened new markets and boosted the development of small and medium businesses (SMBs) in the private sector, which represent over 94% of companies that operate in the country. Based on the quarterly report released by CBUAE, the number of employees in the private sector and the total amount of wages have continued to increase significantly Y-o-Y. The thriving economy of the UAE provides financial stability to its migrants, thus leading to a surge in remittances and bringing an upward spiral in the growth of the exchange and remittance sector.

Source: Central Bank of the UAE Quarterly Economic Review - Q2 2022

3-Months Moving Average Number of Private Sector Employees Based on the WPS Data



Source: Central Bank Quarterly Economic Review Q2 2022

However, it is important to note that nearly 60% of migrants in the UAE are workers who do not meet the minimum salary requirement to open a bank account.¹¹ Given this, exchange companies in the country play a vital role in enabling the unbanked population to access financial services such as salary payments and money transfers to their home countries, thereby driving the continued expansion of the exchange and remittance sector.

Occupation Groups	Percentage
Managers	11.7%
Professionals	18.5%
Technicians and Associate Professionals	12.3%
Clerical Support Workers	6.5%
Services and Sales Workers	15.2%
Skilled Agricultural, Forestry and Fishery Workers	1.5%
Craft and Related Trades Workers	12.5%
Plant and Machine Operators and Assemblers	6.7%
Elementary Occupations	15.0%
Not Stated	0.2%
Total	100%

Source: Labor Force Survey 2020 by Federal Competitiveness and Statistics Center

Key Trends and Developments



USD 2.5 bn



Value of UAE Fintech market in 2022

Source: UAE Ministry of Economy

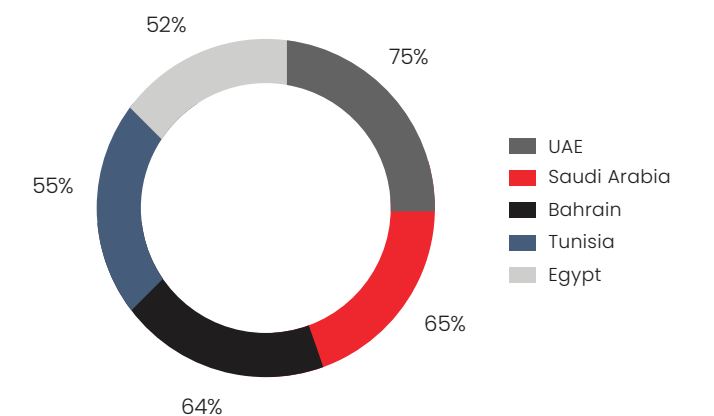
Exploring major trends and advancements that create a vast impact on the evolving landscape of financial technology is one valuable step to predict the outlook of the exchange and remittance ecosystem in the UAE and globally. The rise of fintech platforms, growing demand for mobile payment solutions, and new money transfer options may bring rapid changes to the sector in the imminent future.

Emergence of Fintech Platforms

The UAE's national strategy to become the leading proponent in digital transformation has spurred the rapid emergence of fintech platforms in the country. In MENA, the UAE's fintech market is estimated to reach USD 2.5 billion in 2022.¹² In addition, Dubai's D33 Economic Agenda intends to generate new economic value from digital transformation at an average of AED 100 billion annually.¹³

The UAE's efforts to support and enhance the adoption of fintech are highlighted in "FinxAr" or the Fintech General Index in Arab Countries launched by the Arab Monetary Fund. The UAE achieved the top position with an average of 75%, based on six major indices, namely policies, laws and regulations; demand side or the utilization of initiatives to promote digital financial services and technologies; access to funding; talent development; financial markets infrastructure; and collaboration and partnerships.

FinxAr Index in Arab Countries



Source: Fintech Index in the Arab Countries "FinxAr"

Global fintech investments in H1 2022 recorded USD 107.8 billion with 2,950 deals. The fintech segments that attracted the most funding comprised payments, blockchain and cryptocurrency, InsurTech, RegTech, cybersecurity and WealthTech.

Source: KPMG The Pulse of Fintech H1 2022

Top Global Fintech Investments in H1 2022

Segment	Investment Value in USD bn
Payments	USD 43.6 bn
Blockchain and crypto	USD 14.2 bn
InsurTech	USD 3.8 bn
RegTech	USD 5.6 bn
Cybersecurity	USD 1.2 bn
WealthTech	USD 440 m

Source: KMPG The Pulse of Fintech Segments H1 2022

The rise of fintech companies has led to an increasing level of competition in the market. Thus, it is a necessity for exchange companies to think out-of-the-box and be more competitive in providing new financial services and product offerings to fulfill the need of the modern consumer. Moreover, utmost government support is required to create an ecosystem that is favorable for both sectors to co-exist and thrive successfully.

As embracing digital transformation has become inevitable, there are major fintech trends that can be adopted by the remittance and exchange sector in the future that have the potential of propelling its growth such as the Buy Now Pay Later (BNPL) scheme and robo-advisory platforms.

Buy Now Pay Later (BNPL)

With the continued expansion of e-commerce, BNPL has become a popular retail trend in the UAE. Having the capability to make instalment payments when purchasing an item using a debit or credit card with no interest makes BNPL highly attractive, especially for millennials and Gen Z clients who seek financial empowerment. Based on RedSeer's report, 10% of online consumers in the UAE availed BNPL services in 2020 and is estimated to increase to 30% by 2026, accruing a consumer credit of over USD 2 billion.¹⁴

Robo-advisory Platforms

Robo-advisers have become increasingly popular in recent years, as more and more fintech companies offer robo-advisory services. Robo-advisers are automated platforms that use algorithms to make a comprehensive analysis of a user's profile, as well as build and manage a portfolio tailored to the user's goals and risk profile. The main factors that drive the sector's growth can be attributed to low fees, accessibility, transparency and customization features. In the UAE, assets in the segment are forecasted to reach USD 1.59 billion in 2022 with an annual growth rate of 18.33%, reaching an estimated amount of USD 3.68 billion by 2027.¹⁵



Growing Demand for Mobile Payment Solutions

Along with the steady rise of smartphone users in the UAE which has already reached 9.80 million as of 2022, the country has also witnessed rapid growth in terms of using mobile payment systems.¹⁶ According to The 2022 Global Digital Shopping Index by PYMNTS and Cybersource, 30.3% of SMB consumers in the UAE are using digital wallets to pay online, compared to only 4.8% who are paying in-store.¹⁷ The benefits offered by mobile solutions such as security and convenience contribute to the growing demand for this payment mode.

It is important to note that payments using mobile devices had been rapidly growing in the UAE even before the COVID-19 crisis. Between 2014 and 2019, digital payments increased by an average of 9% annually.¹⁸

With the onset of the pandemic, contactless mobile payments witnessed an unprecedented expansion. A study of the impact of COVID-19 on Consumer Shopping and Payment Behavior conducted by Dubai Police, Dubai Economy and Visa revealed that 71% of surveyed respondents used digital payments, of which 46% used mobile wallets. The main priorities stated for choosing digital payments are security, speed, convenience and limited human contact.¹⁹

A fundamental shift in terms of payment preferences has been forecasted for the post pandemic era. The Future of Payments in the Middle East report by McKinsey showed that 60% of people in the Middle East believe that paying through digital wallets will be the most preferred method within the next five years.

In this context, remittance and exchange companies are now capitalizing on this significant trend to offer mobile payment solutions aside from money transfers, as a part of the sector's efforts to embrace digital transformation and enhance customer experience.

9.80 m

Smart phone users in the UAE

Source: Global Media Insight

30.3%

Percentage of SMB consumers in the UAE using digital wallets

Source: The 2022 Global Digital Shopping Index

46%

UAE residents using mobile wallets during COVID-19

Source: COVID-19: Impact on Consumer Shopping and Payment Behavior by Dubai Police, Dubai Economy and Visa

Surging Options of Sending Money

Money transfers using mobile phones have significantly gained the trust of UAE consumers. The New Payments Index 2022 study by Mastercard showed that 55% of respondents affirm that they feel safe when using mobile apps for money transfers.²⁰

Globally, remittances through mobile channels increased by 48% in 2021, reaching USD 16 billion. Mobile remittances also contributed greatly to maintaining regular remittance flows, especially during the pandemic.²¹

Today, local and international remittances can be done via mobile apps or digital wallets where users can send money directly to a bank account or mobile wallet, or through peer-to-peer (P2P) transfers using phone numbers, QR codes, or SMS.

As exchange companies strive to compete with new options of sending money by continuously working on the modernization of its services, it is vital to leverage this opportunity by establishing collaborations with fintech companies to create a more advanced infrastructure for money transfers and provide faster and more convenient remittance options for customers.

USD 16 bn

Money remittance flows through mobile channels in 2021

Source: MobileRemit Africa

55%

of UAE respondents feel safe when sending money through mobile apps



Creating Opportunities for Growth

Local Payment Scheme

“The global digital revolution, with consumers now preferring transactions through mobile apps or the Internet, has indeed created the need for a local payment gateway with minimum or no additional charges when conducting money transfers. This will save considerable time, money, and energy in this fast-paced world.”

– *Rajiv Raipancholia,*
FERG Secretary

The international payment gateways impose various processing fees for every payment transaction. In the United States alone, merchants accepting credit, debit, and prepaid cards paid a total of USD 137.83 billion in processing charges in 2021, an increase of 24.3% compared to the previous year.²² During the first quarter of 2022, MasterCard and Visa announced an increase in credit card fees for retailers worldwide. These interchange fees range from 1% to 3% of a consumer's transaction amount, in addition to a flat fee.²³

There are multiple advantages to developing a local payment scheme. In Kuwait, for instance, KNET introduced a local payment gateway enabling government and private entities to collect online payments for their products and services. Aside from the advantages of speed and security, the local payment gateway streamlines all online transactions in the country and serves its national economy by enhancing the utilization of bank cards for payment instead of cash.²⁴ Essentially, because of the local integration of government, private entities, users and banks, the accumulation of additional processing charges or any miscellaneous transaction fees is effectively prevented.

In 2022, The UAE established a local payment scheme and provided a more secure and efficient gateway for online payments. This will no doubt lead to a significant cost reduction in digital transactions for all stakeholders including consumers, merchants, exchange companies, and other financial institutions.

CBUAE's Support and Involvement in Decision Making

To strengthen the collaboration of FERG and CBUAE, a working group (PWG) was established as a dedicated platform that will enable both parties to discuss the challenges faced by the exchange and remittance sector, identify the best possible solutions, and make recommendations to maximize the benefits for all stakeholders.

“The PWG aims to examine a range of options that the CBUAE may consider to help reduce risk and increase efficiency in cross-border and multi-currency transactions. The working group will also help bridge the gap between the industry players and the regulator.

Regular consultation with exchange companies, before and after announcing new rules or regulations, will ensure regulations, processes and procedures are feasible to be implemented on the ground, and serve their purposes, giving better chances of correct implementation and minimizing unnecessary disturbances to consumers.”

– *Osama Al Rahma,*
FERG Advisor to the Board

Navigating Challenges

The exchange and remittance sector continues to thrive with the robust support of the UAE government and the Central Bank of the UAE, relentlessly taking all measures to guarantee the integrity of the financial system and to further elevate the sector's status. To leverage new opportunities and provide a conducive environment that will further catalyze the business landscape, it is essential to have an in-depth perspective of the current challenges faced by the industry and discuss adaptable approaches to create a sustainable ecosystem amidst emerging disruptions.

Overseas Bank Accounts

Exchange companies depend on correspondent bank accounts to facilitate money transfers outside the UAE. However, MTOs are increasingly facing difficulty in finding correspondent banks to deliver cross-border remittance services because of de-risking

“Instead of assessing each organization based on its merits, several risk-averse overseas banks have rated the entire MSB industry as high risk and declined correspondent banking to all.”

*- Antony Jos,
FERG Treasurer*

De-risking has been affecting correspondent banking relationships, which experienced a decline of 25% between 2011 and 2020, according to the Bank for International Settlements (BIS).²⁵

Sector-Level Publications

To provide adequate, timely and credible information about the exchange and remittance sector, there is a need to publish relevant resources including annual or quarterly reports, research findings, journal articles, case studies and other pertinent documents highlighting market insights, evolving trends, and other significant topical issues that will benefit stakeholders and the general public.

Other Regulatory Authorities

Exchange businesses are licensed by CBUAE, whereas fintech companies are regulated by Financial Free Zones.

Because they are mandated by different regulatory authorities, some discrepancies arise in compliance and policy regulations, such as procedures in terms of KYC standards, for instance, contributing to the further increase in market competition.

“The right approach for traditional exchange companies licensed by CBUAE to withstand the competition with fintech companies licensed in free zones is to adopt a collaborative approach. The innovation and speed that a fintech company can bring to the table complement the infrastructure and customer base of exchange companies. This means that UAE's exchange companies now have the advantage of scaling up the financial services value chain, thanks to the advent of technology and API-led open banking.

Modern fintech companies solve niche pain points entirely online, and exchange companies, thanks to their stringent regulations, risk management and compliance standards, can act as a 'phygital' (physical and digital) bridge between the consumer and their need to remit money home.

An evolving strategy is to repurpose exchange companies as service enablement centres for financial institutions, banks and utility providers such as telcos, insurance companies, and the like. Open banking is here to stay, and banks and other financial institutions are increasingly plugging into the infrastructure of regulated exchange companies to service business clients and provide them with in-person services. Customer interaction matters and this is an area that exchange companies should continue to focus on and build upon.”

*- Adeb Abamed,
FERG Vice Chairman*

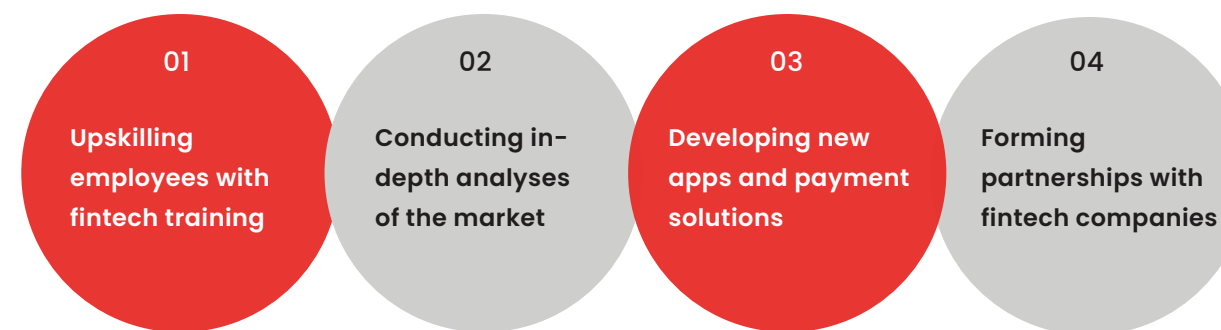
COMPETITIVE LANDSCAPE

As the UAE intensifies its efforts to improve its financial system, the country's exchange and remittance businesses have been tirelessly creating development strategies to provide high-quality services to their customers and build a roadmap that is aligned with the government's strategic priorities.

The Move Towards Continuous Growth

The continued shift towards digitalization has created a need for highly innovative technologies to fulfil the ever-changing demands of the remittance sector. Exchange companies in the UAE are now investing heavily in streamlining their digital infrastructure to provide safe and reliable digital remittance services to consumers and future-proof their businesses to withstand the robust competition.

Recent activities towards digitalization



Remittance and exchange companies in the UAE are currently implementing pioneering steps to keep up with the extensive migration of the sector towards the digital arena.

At present, upskilling the sector's workforce is imperative to equip employees with sufficient knowledge and skills through training and workshops related to fintech and stay updated with the transforming business environment.

To adapt to the shifting consumer behavior and provide new solutions that will enhance the customer experience, exchange companies are keenly focusing on a customer-centric approach, which involves conducting in-depth analyses of the market, identifying the latest trends and customer needs on a regular basis, and monitoring and improving every phase of the customer journey.

Exchange businesses are currently developing new payment solutions and applications that offer more advanced features to increase efficiency, ensure a seamless and interactive user experience, and appeal to different audience segments.

To further stimulate business growth, exchange companies have also formed partnerships with fintech companies to offer advanced digital payment solutions such as enabling customers to make payments directly to bank accounts, mobile wallets, and money pickup locations in different countries.

The UAE is now ranked as the 8th most cashless economy²⁶ in the world and the exchange and remittance industry perceives this as a vast opportunity to demonstrate its resilience by providing state-of-the-art offerings for consumers and play a salient role in cementing the nation's status as one of the largest sources of remittances globally.

Office Bearers



Mohamed A. Al Ansari
Chairman

Mohamed A. Al Ansari is a well-recognized businessman in the United Arab Emirates. After finishing his graduation, he went on to pursue higher education in the United States and returned in 1980 to take over the family business. Under his able leadership and guidance, Al Ansari Exchange has grown from a two-branch operation with 20 employees in 1980 to its current state of more than 200 branches with over 3,500 employees serving more than 3 million customers every month. He was a member of the National Anti-Money Laundering Committee from 2002-2013 where he took an active part in spreading awareness and education on the significance of collectively managing money laundering and flagging the matter as a highly important corporate social responsibility topic.



Adeeb Ahamed
Vice Chairman

Adeeb Ahamed is the Managing Director of LuLu Financial Holdings, a global financial services provider based in Abu Dhabi, UAE. The company is in the remittances & banknotes business and manages over 260 branches of LuLu Exchange in various countries such as the UAE, Oman, Kuwait, Qatar, Bahrain, India, Malaysia, Hong Kong, Singapore and the Philippines, with additional liaison offices in Bangladesh and India. The company also owns the LuLu Money payments app. Adeeb is a regional thought leader and fintech influencer, who holds an MBA in International Management from Royal Holloway, University of London, UK.



Rajiv. Raipancholia
Secretary

Rajiv Ashok Raipancholia is the young and dynamic Director of Orient Exchange Co., a family-run exchange company operating in the UAE since 1923. After completing B.A (Hons) in International Business - Finance & Economics in 2002 at the University of Manchester, Rajiv completed his post-graduation in Human Resource Management and Industrial Relations from the Manchester Business School in 2005. He mastered his business skills by undergoing a brief apprenticeship in the Treasury and Trade Finance Departments of Mashreq Bank Dubai & Citi Bank, Singapore. Under Rajiv's leadership, Orient Exchange strives to improve the remittance business with a rapid-branch expansion to complement their well-established money exchange business.



Antony Jos
Treasurer

Antony Jos is the Director of Joyalukkas Exchange, an integral part of the Joyalukkas Group which has been expanding rapidly, establishing its presence across UAE, Kuwait, & Oman. He takes a vision and makes it a reality through sound strategy development. He was the key architect in transforming Joyalukkas Exchange from a three-branch operating company in Dubai to 57 outlets across the regions, making it a favorite money exchange network to customers by offering superior customer services and digital innovations. He holds an MBA from Edinburgh Business School, Heriot-Watt University, Dubai & UK, and Graduated in Accounting Management from Unitech Institute of Technology, New Zealand.



Imad UI Malik
Joint Treasurer

Imad UI Malik is the CEO of Sharaf Exchange. Since 2015 to May 2021, he was the General Manager at Al Ghurair International Exchange, renowned as one of the youngest and dynamic business leaders in the industry with expertise in both operations and strategic management. With more than 20 years' experience in the UAE exchange industry, Imad is a leader with deep knowledge of the exchange industry, with the strategic expertise and know-how to build business capabilities and drive scale-up models. Under Imad's leadership, Al Ghurair International Exchange became a major player in the industry and touched new heights in the remittance and bulk currency business.



Osama Al Rahma
Advisor to the Board

Osama Al Rahma is one of the founding members of FERG. With more than three decades of experience in the remittance and payment industry, he has greatly contributed towards elevating the standards of compliance and AML/CTF within the industry. Al Rahma earned his postgraduate degree in Management Studies at the University of Hull, UK and a graduate degree in Electronics Engineering from the University of Bahrain. Al Rahma is an alumnus of the J.F. Kennedy School of Government's Executive Program at Harvard University, in Dubai School of Government and also an alumnus at Queen's University in Canada for Executive Courses in Strategy and Finance. He also earned a Fintech Certificate from Harvard University.

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+971 4 377 2896

@ info@ferguae.org

Al Ansari Business Centre, P.O.Box. 6176, Al Barsha, Dubai, U.A.E

