REPORT OF THE WORKING GROUP

ON

COST OF NRI REMITTANCES

SUBMITTED

TO

RESERVE BANK OF INDIA

MUMBAI

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CONTENTS

COST OF NRI REMITTANCES

REPORT OF THE WORKING GROUP

1.1. BACKGROUND:

A meeting chaired by Shri Vinay Baijal, the then Chief General Manager (in-charge), Foreign Exchange Department, Central Office, Reserve Bank of India (RBI), to discuss issues relating to cost of NRI remittances into India was held at RBI on the 6th January 2006. Subsequently, it was decided by RBI that a Group under the Chairmanship of Chief Executive, Foreign Exchange Dealers' Association of India (FEDAI), consisting of representatives from Bank of Baroda, Citibank N.A., The Hongkong & Shanghai Banking Corporation Limited, ICICI Bank Limited and State Bank of India (SBI), would be constituted to look into components that go into pricing of remittances into India. RBI, vide letter No.FE.CO.FMD.16075/02.01.20/2005-06 dated 23rd January 2006 advised the setting up of the above Group. The General Manager-in-Charge of RBI's External Payments Division/NR/FAD Division was also associated with the Group. The details of the composition of the Group are given in **'Annexure I'**. Apart from looking into the components of costs of NRI remittances into India, the Group was also asked to compare this price structure with the cost of remittances made out of India and identify elements that result in additional cost, if any.

1.2. The Group benefited immensely from the discussions with Smt Shyamala Gopinath, Deputy Governor, RBI and other senior functionaries of RBI. The Group appreciates and would like to put on record the inputs and data provided by Shri.M.Rajeshwar Rao, General Manager, Central Office, FED, RBI. The Group also acknowledges the valuable contribution made by Shri Shivaji Sen, Secretary, FEDAI and assistance rendered by Shri S G S Manain, Officer-on-Special Duty, (Forex Market)

FEDAI. The Group acknowledges the assistance of the member banks who provided information and data.

1.3. EXECUTIVE SUMMARY

It was decided by RBI that a Group under the Chairmanship of Chief Executive, Foreign Exchange Dealers' Association of India (FEDAI) consisting of representatives from Bank of Baroda, Citibank N.A., HSBC Limited, ICICI Bank Limited and State Bank of India (SBI), would be constituted to look into components that go into pricing of remittances into India. Apart from looking into the components of costs of NRI remittances into India, the Group was also asked to compare this price structure with the cost of remittances made out of India and identify elements that result in additional cost, if any.

Economic Impact of Remittances and Relevant Reports

Remittances and flow of funds from migrant workers to their home countries have become a major source of resources in developing and emerging economies. These remittances from NRIs and deposits maintained by them form a substantial part (about 23%) of our external reserves. For some smaller economies they form an even larger segment of external reserves. Taking cognisance of the increasingly dominant role of workers' remittances, the BIS and World Bank commissioned a study entitled "Consultative Report on the General Principles for International Remittance Services". The General Principles, embodying transparency and consumer protection, payment system infrastructure, legal and regulatory environment, market structure and competition and governance and risk management and the potential role of Central Banks, have been discussed in this report.

The position obtaining in India vis-à-vis these General Principles has also been discussed.

Approach of the Group

The Group at its first meeting decided that an attempt would be made to make a corridor-wise analysis of bulk of NRI remittances into India. Size of Indian diaspora (as per a report published in 2001 by a High Level Committee on India diaspora) and published reports/member banks' data were culled to arrive at these statistics and based thereon, the Group focussed on remittances from Middle Eastern region and the USA. (Paragraphs 2 and 4 and Annexure II of the Report).

The Group thereafter collated the scale of charges for inward/outward remittances applicable in various scenarios dealt with in detail. (Annexures 'III', 'IV' and 'V' of the Report).

Other reports consulted (Paragraph 5 of the Report)

A study made by Dr N Jadhav, former Principal Advisor, Principal & Chief Economist, RBI, found that migrant remittance flows are determined by the level of economic activity in the host country. Starting with the Middle East as a source of workers remittances the report traces the shift of remittance source from the oil rich Middle Eastern region to the West mainly the USA. This shift in source, this Group observed has also meant that growth potential for remittance flows has now shifted to traditionally high cost economies which will impact cost of NRI remittances.

A working paper commissioned by Multilateral Investment Fund of the Inter-American Development Bank and published in February 2003 highlights some interesting aspects of workers remittances. Among the many findings in this report, one of the highlights was that it is generally much cheaper to transfer money through banks than through MTOs, although in some cases cost of remittances through Exchange Houses in the Middle East were found to be cheaper.

Exchange Rate

The hard numbers available in respect of cost of remittances pertain generally to the fees component. The exchange cost is harder to quantify. To arrive at the total cost of the remittance, it is necessary to know the exchange rate applied to the conversion either at the remitters' end or while effecting payment in India or both (where two conversions are involved). It will depend on the competitiveness of the market at the remitters' end whether the remitter gets a competitive price. The remitting agency adds a margin over the interbank rate for effecting conversion and such margin will vary depending on the uncertainty about the interbank rates available to the remitting agency. At the Indian end, banks typically quote special interbank linked rates for valued customers and Card Rates for small value remittances and the cost in terms of exchange rate would vary from 0.25% to 1% depending on the amount of remittance.

Technology – Remittances through Internet

The Group examined the role played by technology in minimizing cost. Automatic Clearing House (ACH) available in the USA is a highly reliable and efficient nationwide batch oriented electronic funds transfer system which provides for interbank clearing of electronic payments for participating depository financial institutions. Other developed countries have developed electronic funds transfer systems on similar lines. It was found that optimal use of such electronic funds transfer mechanism would help in minimizing costs considerably (Annexure VI).

Findings of the Group

The detailed findings of the Group in respect of charges are given in Paragraph 7 of the Report. Approximate geographical corridor-wise breakup of remittance inflows were observed to be as under:

Middle Eastern Region	35%
North America	30 – 35%
Europe	20%
Others	10%

Conclusions and Recommendations

The details are provided in paragraph 11 of the Report. In sum, these are :

NRIs should try to route their remittances through a branch of an Indian bank or a foreign bank with a presence in India. This would keep the cost of remittance at the foreign centre low. Towards this end banks which are active in NRI remittance business, should consciously conduct an Awareness Programme for the diaspora. Such awareness programme could also be spread through the Bank websites.

Banks in India should review their existing scale of charges both at the foreign end and in domestic centres with a view to bringing down the overall cost for the remitter, a composite and holistic view should be taken for fixing charges taking into account the aggregate earnings / benefits at both ends. FEDAI will take up the matter with member banks.

With the above objective in view, Indian Public Sectors Banks should identify this as an independent business segment and resort to latest technology for handling large volume at lower cost thereby improving efficiency and reducing delays.

Public sector banks should explore tie-ups with more and more correspondent banks at existing and emerging new centres.

NRIs should be advised as far as possible to effect the remittances in foreign currencies with instructions for conversion into Indian Rupees at the Indian end to get the benefit of a better exchange rate.

The Foreign Representative Offices of the Indian Banks can also play an active role in spreading such awareness among the NRIs at all levels. Services of Embassies, High Commissions, and Consulates etc. could be mobilized for creating such awareness. The Remittance Facility Arrangements with Exchange Companies in Gulf region could be widened. On the lines of Philippines, Government of India can also consider arranging programmes for migrant workers before their departure. Assistance of banks may be taken for this purpose. Banks may consider setting up centralized remittance centres for routing inward remittances.

2. 1. <u>INTRODUCTION:</u>

Remittance and flow of funds from migrant workers to their home countries have become a major source of resource in the developing and emerging economies. In case of India the remittance from Non-Resident Indians (NRIs) and the deposits maintained by them with banks in India form a substantial part of our external reserves. According to a recent World Bank Report, the top destination for migrants is the European Union, currently with 71 million, followed by the U.S.A. with more than 40 million. However, in case of India, the majority of the migrants would be to the Middle East and the USA. Amongst the top recipient countries of recorded remittances during 2004 was India with US$ 23 billion. The total value of remittance has been increasing steadily over the past decade and it is estimated that in 2005 the total worldwide value was equivalent of over US$ 230 billion.

2.2. However, in spite of the importance of such remittances not much analytical data or literature is available on this important global business segment and more so regarding the problems faced by the remitters in making such remittances; particularly the cost aspects of such remittances. The broad headline numbers for some of the major recipient countries are as under:

Workers' remittances received by selected developing countries, 1996-2004 ($ Billion)

	1996	1997	1998	1999	2000	2001	2002	2003	2004e
All developing countries	61.2	70.9	68	71.9	75.6	83.8	98.2	115.9	125.8
(*) China	1.7	4.6	0.3	0.5	0.8	1.2	2.4	4.6	4.6
Indonesia	0.8	0.7	1.0	1.1	1.2	1.0	1.3	1.3	1.3
Malaysia	0.9	1.1	0.9	1.0	1.0	0.8	1.0	1.0	1.0
Philippines	4.9	6.8	5.1	6.9	6.2	6.2	7.4	7.9	8.1
Brazil	2.5	2.0	1.6	1.9	1.6	1.8	2.4	2.8	2.8
Mexico	5.0	5.5	6.5	6.6	7.6	9.9	11.0	14.6	17.0
Bangladesh	1.3	1.5	1.6	1.8	2.0	2.1	2.9	3.2	3.4
India	8.8	10.3	9.5	11.1	11.7	11.1	13.8	17.4	23.0
Pakistan	1.3	1.7	1.2	1.0	1.1	1.5	3.6	4.0	4.1

(*) Elsewhere the figure differs

Source: World Bank Report on Global Development Finance – 6th April 2005

Note e = estimate

3.1. <u>BIS – WORLD BANK REPORT – March 2006:</u>

Looking at the importance of such remittances, recently the Bank for International Settlement (BIS) and World Bank have come out with a Consultative Report on the General Principles for International Remittance Services by a Committee on Payment and Settlement Systems. The general Principles broadly are aimed at the following five aspects:

<u>Transparency and consumer protection</u>

The market for remittance services should be transparent and have adequate consumer protection.

Payment system infrastructure

Improvements to payment system infrastructure that have the potential to increase the efficiency of remittance services should be encouraged.

Legal and regulatory environment

Remittance services should be supported by a sound, predictable, non-discriminatory and proportionate legal and regulatory framework in relevant jurisdictions.

Market structure and competition

Competitive market conditions, including appropriate access to domestic payments infrastructures, should be fostered in the remittance industry.

Governance and risk management

Remittance services should be supported by appropriate governance and risk management practices.

Potential role of Central Banks:

The BIS Report also highlights that it may be desirable that central banks monitor developments in the market for remittances to assess their significance for safety and efficiency. In come cases, central banks' responsibilities may also make it appropriate for them to oversee certain remittance services. To the extent that central banks provide payment services, they may be able, where appropriate, to enhance these services to support the smooth functioning of international remittance services. Examples might include the development of new services that support cross-border payments or enhancing existing services to make them more useful for supporting cross-border payments. The central bank should co-operate with other public authorities to address significant policy issues arising from remittance market structures and performance.

Central banks may wish to enter into discussions with the private sector and other central banks to facilitate the achievement of public policy objectives regarding remittance services and to foster international co-operation.

Additionally, remittance service providers (banks, money transfer agencies, exchange companies etc.) should participate actively in the implementation of the General Principles and the public authorities should evaluate what action to take to achieve the public policy objectives through implementation of the General Principles.

3.2. The Indian Situation

In India while, by and large, the General Principles enunciated by BIS are in place and are being observed and the RBI is directly and indirectly involved not only in monitoring the market but also providing certain infrastructure support and regulatory framework, nonetheless the Group has examined the various aspects of the General Principles and have come out with certain suggestions for further improvement.

4.1. SIZE OF INDIAN DIASPORA AND MAJOR SOURCES OF REMITTANCES:

The estimated size of the overseas Indian community in the developed and OPEC countries as per a report published in 2001 by a High Level Committee on the Indian diaspora was as under (figures of a diaspora size of a million plus only included):

COUNTRY	PIOs	INDIAN CITIZENS	TOTAL
Malaysia	1,600,000	15,000	1,615,000
Myanmar	2,500,000	2,000	2,502,000
Saudi Arabia		1,500,000	1,500,000
UK			1,200,000 (breakdown not given)
USA			1,678,765 (breakdown not given)

4.2. The size of the diaspora in Malaysia and Myanmar is composed almost entirely of Persons of Indian Origin (PIOs) who would typically be second / third generation settlers in these countries and whose links with the motherland would have become tenuous. As potential sources of remittances therefore these countries have not been reckoned. The UK members would also include a large component of PIOs although the breakdown is not available. Saudi Arabia (and indeed the entire Middle Eastern region) continues to be a very significant source of workers' remittances. The USA is an equally significant source inasmuch as it has a large diaspora with a significantly higher per capita earnings / savings ability. This Group therefore has focussed geographically on these two remittance sources viz. the Middle East and USA. Detailed countrywise figures of diaspora size are given in **'Annexure II'**.

5.1. SOME REPORTS ON THE SUBJECT:

A significant finding in a study conducted by Dr N Jadhav, Principal and Chief Economist, RBI, was that migrant remittance flows are determined by the level of economic activity in the host country. Cyclicality in the outcome/income growth in the source economy is likely to influence remittance flows. A predominant share of workers' remittances continues to be contributed by inflows from oil rich countries in the Middle East. The behaviour of remittances from this region is considered to be significantly influenced by cyclical fluctuations in growth of oil exports of such countries. Similarly, another important source of remittance flows to India is the USA. It is expected that cyclical fluctuations in US GDP, particularly GDP contributed by the services sector will impact on remittance flows to India since a major part of remittance to India comes from NRIs employed in sectors such as software, IT and other business services. This latter group, incidentally though smaller in number than the diaspora in the Middle Eastern region, is fast catching up as a bulk source of workers' remittances, thanks to the higher skills level of this group, which translates into higher spending/savings ability. This is significant for two reasons. As the oil boom in the Middle Eastern Countries slowed down, the contribution of this region to remittances into India slowed down between 1997-98 and 2002-03. However this slow down did not impact aggregate inflows into India as the shortfall was met by inflows from US and Europe. With the renewed bullishness in oil prices this situation may change somewhat in the next few years, but it is possible that India's diaspora in that region has more or less plateaued in size as well as in economic scope. The other corollary of this shift in source is that growth potential for remittance flows has now shifted to traditionally high cost economies which will impact cost of NRI remittances.

5.2. Worker remittances: an international comparison

A Working Paper commissioned by Multilateral Investment Fund of the Inter-American Development Bank and published in February 2003 highlights some interesting aspects of workers remittances. This study looked at the impact of remittances in nine countries in Southern Europe, Asia (including India) and Africa and at the cost of transferring money to them from six major originating countries. Three significant findings are reported: (1) Latin America is the region receiving the most remittances (2) In the regulated segment, transfer costs are least when remittances are sent through banking chennels (3) the costs of sending remittances to the nine countries studied are significantly lower than sending remittances to Latin America. This is mainly due to the greater involvement of banks in money transfer operations to these countries.

5.3. This study, although somewhat dated, however, acknowledges that little information exists on the impact of transfer methods on senders, recipients and economies. This issue is important as research on Latin America has shown that benefits for economies and households (particularly the latter) vary depending on transfer methods.

5.4. While reviewing the various methods of money transfer employed this study also looked at the informal unregulated systems of money transfer like hand delivery by courier (still employed in parts of Africa) and hawala or hundi in Asia. Such informal unregulated systems have been found to be the least expensive (typically less than 2% of the value of the principal). Since cost in terms of exchange rate is not quantifiable, the overall cost could be substantially higher. However, analysts estimate that such informal businesses are gradually declining, with more and more banks and other financial intermediaries entering into this business field.

5.5. Within the regulated formal channels of transfer this study found that it is generally much cheaper to transfer money through banks than through Money Transfer Operators (MTOs) although in some cases remittances through Exchange Houses operating largely in the Middle East were cheaper. The following table illustrates this:

US$ 200 transaction

Type of Business Country	Bank	Ethnic Store/ Exchange House	Major MTO
Egypt			13.8%
Philippines	8.0%	10.1%	10.3%
India	6.0%	2.5%	13.8%
Greece	6.8%		9.5%
Pakistan	0.4%	3.0%	13.0%
Portugal	3.4%		12.3%
Turkey	3.1%		9.5%
Mozambique	1.0%		
Mean	7.0%	6.0%	12.0%

5.6. This also highlights another surprising feature - the comparative costs of remittance through banks to India (at 6%) and to Pakistan (at 0.4%). This huge disparity has been explained in the report. India has a much higher mean cost because banks offer both SWIFT and a three day remittance service at a lower cost of US$ 10. Based on the above table this would explain the mean cost of 6% for remittances to India, but would still leave unexplained the exceptionally low cost of 0.4% for remittances to Pakistan. There are, however, official incentives offered to Pakistani diaspora for transmitting remittances through financial banking channels, according to this report, and these exceptionally low transmission costs could be a function of these incentives, assuming that the survey in remittances to Pakistan included a much larger share of Pakistani banks.

5.7. However, as it would be seen later in this Report, with the routing of remittances through Automated Clearing House (ACH) and such other electronic transfer modes, lately the cost of remittances from USA, Europe and UK has come down substantially.

Given below is another Table which highlights the wide disparity in fees levied by banks and major MTOs.

	US$ 200 transaction		
Type	FX %	Fee %	Total %
Bank (other than Gulf area)	1.0%	6.5%	7.0%
Major MTO	1.7%	10.9%	12.0%

Charges mentioned above did not take into account the cost of conversion of the home currency of the remitter to the currency of ultimate destination.

5.8. While analyzing workers' remittances out of USA, the study also observed that while Latin Americans tend to remit US$ 200 to US$ 300 a month, immigrants from India and Pakistan, on average, remit three times that amount. While the Table above shows costs in respect of remittance of US$ 200, the cost in percentage terms would be progressively lower as the value of the remittance increases, since the bulk of the total cost is fixed. However, there is a minimum charge irrespective of amount involved.

6.1. <u>APPROACH OF THE GROUP:</u>

The Group had, at its first meeting, decided that an attempt would be made to make a geographical area-wise analysis of bulk of NRI remittances. The other salient points which the Group observed interalia, were:

a) Remittances in US Dollars from a third country (say from Korea or Japan) would be relatively costly in terms of bank charges at two centres abroad.

b) Bank charges in India in respect of inward remittances are relatively nominal. However, in case payments are to be made to the beneficiaries at centres other than where the remittance has been received, normal domestic DD/TT charges are applicable; such charges are not very high.

c) While a remittance fee of USD 20 would be quite nominal in USA in respect of a remittance originating there, it would be quite substantial when translated in Rupee terms, particularly in respect of remittances for relatively small value.

6.2. The Group also felt that it needed more information in respect of Inward Remittances and banks were requested to provide the relative data from their own branches abroad and in India:

1) Volume of inward remittances during 2004-05/2005-06 (i) Currencywise breakup, (ii) Countrywise breakup.
2) Schedule of charges of correspondent banks relating to handling of remittances to/from India.

3) When the remitter makes the payment to Bank ‘A’ in his country and Bank ‘A’ remits through Bank ‘B’ (correspondent of beneficiaries bank) – what would be the scale of charges.
4) When a remittance in US$ is made from a third country (e.g. Botswana, Korea etc) involving routing of the remittance through US$ nostro account of the remitting bank what would be the scale of charges.
5) Charges (commission/out of pocket expenses) levied by a bank for handling foreign inward remittances wherein the beneficiary is a customer of the bank.
6) Charges levied when the beneficiary is a customer of another bank in India.
7) Charges levied when the beneficiary is a customer of another bank and proceeds are remitted in Rupees.
8) Charges by banks in India for effecting outward remittances (through D.D – SWIFT etc)
9) Remittances received from the Middle Eastern Region and share of total inward remittances.

7.1. FINDINGS OF THE GROUP:

The geographical sources considered in deliberations were the Middle Eastern region and the USA. Responses received from the members in respect of the above queries were as under:

1) These breakups were not readily available bankwise. However the macro level national statistics are given in the table below.

SCHEME	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
1	2	3	4	5	6	7	8	9	10	11	12
1. FCNR(A)	7,051	4,255	2,306	1	*	*	*	*	*	*	*
2. FCNR(B)	3,063	5,720	7,496	8,467	7,835	8,172	9,076	9,673	10,199	10,961	11,452
3. NR(E)RA	4,556	3,916	4,983	5,637	6,045	6,758	7,147	8,449	14,923	20,559	21,291
4. NR(NR)RD	2,486	3,542	5,604	6,262	6,618	6,754	6,849	7,052	3,407	1,746	232
Total	17,156	17,433	20,389	20,367	20,498	21,684	23,072	25,174	28,529	33,266	32,975
											(US $ million)

(This corpus forms about 23% of the national forex reserve at that point of time).

(Source : RBI Bulletin)

Approximate geographical corridor-wise breakup of remittance inflows:

Middle Eastern region 35%

North America .. .. 30 – 35 %

Europe 20%

Others 10%

2) Typically, correspondent bank charges were in the region of US$ 15-20. However, some banks in India have entered into arrangements with correspondents (mainly in USA and UK) whereby a much smaller fee is charged on remittances to India on the basis of overall volumes or in some cases on the condition that the remitter is required to maintain an account with the correspondent bank with a minimum balance.

3) For every additional tier in the process a fee of US$ 15-20 may be assumed.

4) In case of remittances from a third country charges depend on the country of origin of the remittance. For instance, if the country of origin is say Japan or Korea, the fee can be expected to be in the region of US$ 20-25. But if the country of origin is say Uganda or Botswana the costs would typically be much

higher, in excess of US$ 50. This hurts, more so, because typically remittances from countries like Uganda or Rwanda would be for relatively much smaller amounts (**‘Annexure III’**).

5) Free of charges at Indian end.

6) Where remittance is for credit of account other than FCNR(B) accounts (where no charges are levied) flat nominal charges are levied by some banks. However, many banks do not levy fees for such remittances.

7) Banks usually charge domestic DD rates for such transactions. Charges therefore vary with the principal amounts of remittances (0.125% to 0.25% of the value with a cap) (**‘Annexure IV’**).

8) Outward remittances:

Some banks have two separate categories for outward remittances – (1) individuals and (2) others. For the first category charges are generally less – for foreign currency outward remittances charges would typically include a nominal flat fee and out of pocket charges. For remittances from FCNR(B)/NRE A/cs there may not be any charges. Some other banks levy charges on ad valorem basis based on domestic DD charges which could translate into higher costs. It appears that banks generally levy a relatively lower fee on outward remittances, offsetting same with the exchange margin that they get on such remittances. Some banks do it free of charge (**‘Annexure V’**).

9) Remittances received from the Middle Eastern region are mainly in Indian Rupees. There are two sources for such remittances (1) through Exchange House (2) through banks. Remittance costs through Exchange House (the bulk of remittances received are by this mode) are very nominal – (6 Dirhams-3.673 Dirhams = 1 US$) while through banks the same remittance would cost 60 Dirhams. A remittance in US$ through banks from the Middle Eastern region could cost Dirhams 100.

8.1. EXCHANGE RATE:

A remittance transfer will usually involve a foreign exchange transaction, typically conversion from the currency of the remitting country to the currency of the receiving country. Sometimes it may involve more than two currencies in case the remitter is located in a under developed market from where he converts his local currency into US Dollar and thereafter it is converted again into Rupees at the Indian end as direct quotations between the local currency of the remitter and the Rupee may not be available in many centres in Africa, Central Europe etc. To arrive at the total cost of the remittance, it is necessary to know the exchange rate applied to the conversion either at the remitters' end or while making payment to the beneficiary in India. Typically in some of the centres in the Middle East where Exchange Companies are engaged in making such remittances, the local currency gets converted into Indian Rupees for payment through the Vostro accounts of the concerned Exchange Companies. It will depend on the competitiveness of the market at that centre whether the remitter is getting a market related competitive price. The remitting agency adds a margin over the interbank rate while quoting the price to the remitter. Such margins will vary depending on the uncertainty about the inter bank rates available to the remitting agency. Small Money Transfer Operators (MTOs) may not be able to access competitive rates for covering their remittance. However in case of remittance through larger banks information on margins, fees etc. are always made available to the customer. It is very difficult to compare the exchange rates between various remittance service providers and therefore arrive at a very definite cost for remittances.

8.2. At the Indian end both for inward and outward remittances, while special interbank linked rates are being quoted by the remitting bank for valued customers, however in a majority of small value remittances the "Card Rate" of exchange is being used. The margin could range from 0.25% to 1% in such cases. However, if the remittance amount, is small, the exchange cost in absolute terms would be marginal.

9.1. TECHNOLOGY – REMITTANCES THROUGH INTERNET

Many developed countries with large concentration of immigrant workers have developed low cost, automated, efficient, electronic funds transfers systems for global transfer of funds. Details of the functioning of Automated Clearing House system in U.S.A. are given in **'Annexure VI'.**

10.1. CHARGES BY MONEY TRANSFER OPERATORS (MTOS)

Given below are estimated charges for remittance to India by a major MTO from the Gulf & the US corridors based on prevailing markets as advised by a member bank.

		Remittance transaction size					
		$ 200	$ 300	$ 500	$ 750	$ 1,000	$ 1,250
Gulf							
Fee	USD 4.15	2.08%	1.38%	0.83%	0.55%	0.42%	0.33%
FX	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%	1.70%
Total		3.78%	3.08%	2.53%	2.25%	2.12%	2.03%
USA							
Fee	USD 22	11.00%	7.33%	4.40%	2.93%	2.20%	1.76%
FX	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%	2.30%
Total		13.30%	9.63%	6.70%	5.23%	4.50%	4.06%

As seen from the above table, the exchange rate component of the cost is a key element of the overall cost being charged to the Indian remitter. The exchange cost hits the Indian diaspora particularly hard due to the relatively higher amounts (than other immigrants) sent by NRIs. Banks across & Exchange house in the Gulf corridor offer extremely sharp rates as compared to the MTOs, whose rates are typically around 2%. Banks / Exchange house exchange rates are typically around 0.50% to 1%.

<u>Regulatory encouragement:</u> Money Transfer Operators (MTOs) have traditionally dominated the origination of remittances in most corridors, especially those from the West, thereby controlling the pricing of remittance services. The services offered by MTOs are prohibitively expensive in most cases, so much so that certain corridors such as US to Latin America have seen concerted efforts by both the US & local governments as well as international agencies to lower the cost of money transfers.

Over the last few years, Banks (local & foreign) have got active in this space and have made inroads in the remittance market through new products & services like account-to-account transfers and through the ACH network in the US. However, these services typically address the upper end of the market and the low wage earning NRI still ends up paying the high costs of a MTO service.

Interestingly, competition on the upper end of the market has caused the MTOs to reduce their prices:

- In US: Competition from Indian banks has led to their prices coming down to around $22 from $39 per transaction
- In Gulf: Competition from exchange houses & local banks has led to their prices coming down to $4-$6 from $9 per transaction

Clearly then, directly reaching out to the remitter by Indian banks has been beneficial to the Indian remitting populace. This benefit now needs to extend further to the lower end of the market.

11. CONCLUSIONS AND RECOMMENDATIONS:

1. CONCLUSIONS

a. The members of the Group observed that the overall cost of remittance to India from abroad, particularly from the major financial centres and the Gulf countries, after taking into account the costs at both the ends, are generally at the lower end due to several reasons. A number of Indian banks have their branches, subsidiaries, managed exchange companies etc. at these centres and a large number of NRIs route their remittances through these outfits. Simultaneously, the leading international banks at the major financial centres have also established their presence in India through branch network. Others have entered into correspondent relationship with Indian banks. Many of them have identified the remittance business to India as a focussed business segment and have the wherewithal by way of resources, manpower and technology in handling efficiently a large volume of such remittance business. Money Transfer Operators (MTO) are also being permitted to handle such remittance business thereby creating more competition in the market. Special Remittance Schemes targeting the Indian diaspora for effecting remittances at very minimal cost have also been introduced both by the Indian and the foreign banks. Exchange Cos. in the Middle-East are increasingly tying up with more number of banks in India for remittance purposes. Exchange Companies are able to offer on line remittances as well wherein the remittances get credited to the beneficiaries' accounts within a period of 24 hrs (the next working day). In fact some Banks in specific countries in the Middle-East have tie-ups with Banks in India whereby the remittance gets credited the same day. However these speed remittanes may not reach the remote areas as branches in such areas may not be a part of the core banking system or be a part of the online funds transfer system. The costs of speed remittances compare favourably with the domestic Draft issue remittance charges. A typical Schedule of Charges for foreign inward and outward remittances is indicated in 'Annexure IV'. In fact even in the draft issue business of certain reputed large exchange companies, printing of drafts are being done at various centres in India for easy delivery of drafts to reduce the time taken for credit of the proceeds to the beneficiary.

Competition and availability of technology has enabled the exchange companies to offer user friendly products in the Middle-East. Some of the local banks in UAE, Kuwait etc. have tie ups with a few exchange companies whereby, the customers of those banks can use the internet banking facility offered by those banks and send remittance instructions which are sent to the exchange companies by those banks who in turn send the remittances to the Indian Banks with whom they have tie-ups. Depending on the scope of tie-up, the funds reach India, on the same day or the next day.

There is also the fact that Indians are relatively more price sensitive and some of the NRIs are exploring alternative low cost channels such as Internet for effecting remittances.

b. Generally complaints on cost of effecting remittances are not very frequent, based on analysis on the same by banks in India. Complaints however arise for small value transactions where due to the small value and the minimum fixed cost of the remittance, the percentage cost when converted into Rupee terms, appear high. Complaints regarding pricing are also likely to be largely on account of transfers sent through MTOs (typically as cash-to-cash transfers) and through foreign correspondent banks where the costs are relatively high.

c. Moreover, in developed markets, these costs are largely a function of the charge structures prevalent in the overall banking/ financial services system where significant fees are charged for most other transactions as well (bill payment, domestic transfers etc.). NRIs who have recently immigrated to these countries using the high street banks for remittances find these charges high in comparison to the bank charges in India.

d. <u>Complaints arising on account of delays in making payments</u>

In many cases such delays occur when the beneficiary of the remittance in India maintains an account with a bank other than the bank effecting the remittance from abroad. When such a remittance is routed through another bank in India, and the payment has to be made to a third bank in India at a centre other than the centre where the remittance has been received, delays may occur.

e. <u>Overall Cost of Remittance</u>

The Overall cost of remittance taking into account the cost at both ends, depends on the charges, exchange rates and any out of pocket expenses such as WIRE cost, SWIFT charges, if any. As mentioned earlier, normally the bank charges at the foreign centres are in the range of USD 15 – 20 flat per transaction. The cost in terms of exchange rate would vary from 0.25% to 1% depending on the amount. As regards out of pocket expenses it is difficult to quantify and in most cases if the banks at both the ends have branches or arrangements for transmitting messages, there would not be any out of pocket expenses. There are however a number of modes and channels of remittances like, personal cheques, Drafts, TTs, SWIFT. Remittance charges will vary depending on the mode used. Typically, for a remittance of USD 1000- from a major financial centre to a bank in India the overall cost could be in the range of 2 to 3% which will come down proportionately with the size of the remittance amount. However, as mentioned earlier in respect of Gulf countries due to the special mode of remittance such costs are much less. At the Indian end the customer has to bear Service Tax, as applicable.

2. Recommendations

Measures to bring down over all cost of remittances

a. Generally, the NRIs, wherever possible, should try to route their remittances through a branch of an Indian bank or a foreign bank having a branch in India. This would not only keep the cost of remittance at the foreign centre comparatively low but will also ensure that there are no extra charges or nominal charges at the Indian end.

b. An on going “Awareness Programme” to this end should be put in place by Indian banks and foreign banks through their overseas offices by getting in touch with the local NRI community through various Associations – distribution of relevant publicity material, through local cable TVs, taking assistance from local Indian embassies / consulates, keeping in view the local regulations. Whenever local regulations prohibit such marketing/publicity, spread of information through word of mouth of existing customers could be resorted to.

c. Such awareness could also be spread through the Bank Websites by displaying details of the various remittances, services/schemes, the scale of charges, the competitive exchange rates etc., without violating local regulations.

d. Banks in India should review their existing scale of charges both at the foreign end and in the domestic centres. With a view to bringing down the overall cost for the remitter a composite and holistic view should be taken for fixing the charges taking into account the aggregate earnings/benefits at both ends, the future prospect of moving away from a transaction relationship, to a permanent account relationship. FEDAI will also take up the issue with member banks.

e. With the above objective in view, Indian public sector banks should identify this as an independent Business Segment and resort to latest technology for handling large volume at lower cost, thereby improving efficiency and reducing delays.

f. Public sector banks should explore tie-ups with more and more correspondent banks at existing and emerging new centres, for example, like Australia, with potential for such remittance business with a view to streamlining the processes for remittance facilities for the NRIs at these centres. This would also bring down the cost for the NRIs at the foreign centres.

g. As mentioned earlier exchange rate applied to the transaction is also one of the elements of cost. NRIs should be advised as far as possible to effect the remittances in foreign currencies with instructions for conversion into Indian Rupees at the Indian end to get the benefit of a better exchange rate. As the Indian Rupee is not actively traded in the international markets, the rate of exchange at the Indian end will be always competitive and nearer to the ruling interbank market in India. However, as mentioned earlier in respect of remittances from Gulf countries, the remitters prefer remittance in fixed Rupee amounts and the market practices are different.

11.3. <u>Educating Customers – Bringing more awareness</u>

The Foreign Representative Offices of the Indian Banks can also play an active role in spreading such awareness among the NRIs at all levels who are living at remote centres during their periodic visits or through Circular letters addressed to them with a view to be in touch with the diaspora.

11.4. Services of Embassies, High Commissions, Consulates etc., may be mobilized for imparting basic awareness on facilities existing for making remittances particularly for migrant workers.

11.5. On the lines of Philippines, (See **'Annexure VII'**) Government of India can also think of spreading awareness among migrant workers before departure. In the above respect services of leading banks may be sought also.

11.6. RBI/Government may like to institute an independent research (similar to the exercise done in the UK by DFID) on costs of remittances by various service providers (not limited to Indian banks alone) in different geographies. This can be then disseminated through various Embassies/Consulates/Government websites in order to educate NRIs.

11.7. Improvement of Infrastructure – Use of Electronic Transfer Facilities – Widening the Scope of Exchange Houses

a. In order to enable Indian banks & financial institutions to offer convenient and affordable international money transfer services to the Indian diaspora on a mass level, the Group recommends that the banks in India extend the scope of RTGS for inter-city settlement between banks in India.

b. The Group believes that one way of serving the lower end of the market and driving down costs further at foreign centres would be to permit Indian banks to enter the MTO business abroad, subject to local regulations. Given the inherently lower cost base that Indian banks enjoy the advantage of bank brand and the comfort local regulators have with banks over MTOs, the bank promoted Money Transfer Services will be able to add a lot of value to the remitting diaspora. RBI may examine this.

c. RBI Guidelines for opening of accounts for NRIs may be reviewed for simplification of procedures without diluting KYC norms.

d. Large public sector banks in India could examine the feasibility of setting up Centralised Remittance Receiving Centres for efficiency and better service.

e. There is currently a restriction on the number of Exchange House relationships that an Indian bank can enter into. Due to this, many of the mid-sized and smaller exchange houses are unable to tie-up with some of the leading banks and unable to cater to the needs of NRIs in certain segments/ countries or incur higher costs in providing these services (since they would have to go through an intermediary entity). Given that this is a relatively low cost channel, it is proposed that this limit be relaxed and perhaps done away with, subject to the condition that banks in India do a proper due diligence on the Exchange Houses. The cap on number of branches of Indian banks with drawal arrangements with such Exchange Houses may also be reviewed.

f. Branches of Exchange Companies in the Middle East managed by Indian banks or their joint ventures may consider extending the banking hours to enable the NRI working community access their services beyond their usual working hours.

ANNEXURE 'I'

WORKING GROUP MEMBERS

Sr. No.	Names of the Representatives	Name of the Institutions
1	Shri P K Pain Chief Executive	FEDAI
2	Shri B S Bisht Chief Manager (International)	BANK OF BARODA
3	Shri Anish Mishra Product Manager, NRI Business	CITIBANK N.A.
4	Shri Manasije Mishra Head NRI Services	HSBC LIMITED
5	Shri Manish Misra DGM & Head – Global Remittances	ICICI BANK LIMITED
6	Shri Jeevandas Narayan Deputy General Manager	STATE BANK OF INDIA

Shri M Rajeshwar Rao, GM-in-Charge, External Payment Division/NR (FAD) Division, RESERVE BANK OF INDIA, was actively associated with the Group and contributed significantly to the deliberations.

ANNEXURE 'II'

Estimated Size of Overseas Indian Community : COUNTRYWISE

COUNTRY	PIOs	INDIAN CITIZENS	STATELESS	TOTAL
Afghanistan	500			500
Algeria	5	40		45
Andorra		200		200
Angola	45	250		295
Argentina	1,200	400		1,600
Armenia		200		200
Australia	160,000	30,000		190,000
Austria	3,005	8,940		11,945
Azerbaijan		250		250
Bahrain	Nil	130,000		130,000
Barbados	2,100	100		2,200
Belarus		70		70
Belgium	Nil	7,000		7,000
Belize	500			500
Benin	450			450
Bhutan		1,500		1,500
Botswana	3,000	6,000		9,000
Brazil	1,500	400		1,900
Brunel	500	7,000	100	7,600
Bulgaria		20		20
Burundi	300			300
Cambodia	150	150		300
Cameroon	250			250
Canada	700,000	150,000	1,000	851,000
Cape Verde	4			4
Chad	125			125
Chile	39	611		650
China	5	300		305
Colombia	1	19		20
Comoros	50			50
Costa Rica	1	15		16
Cote d'Ivoire	30	270		300
Croatia	10			10
Cyprus		300		300
Czech Republic	20	400		420

COUNTRY	PIOs	INDIAN CITIZENS	STATELESS	TOTAL
Denmark	900	1,252		2,152
Djibouti	280			280
Dominica		20		20
Ecuador		5		5
Egypt	40	1,350		1,390
Eritrea	30	1,723		1,753
Ethiopia	34	700		734
Fiji	336,579	250		336,829
Finland	410	750	10	1,170
France	55,000	10,000		65,000
G.Bissau	25			25
Gambia	135			135
Germany	10,000	25,000		35,000
Ghana	2,000	1,800		3,800
Greece		7,000		7,000
Guadeloupe	40,000			40,000
Guatemala	22			22
Guyana	395,250	100		395,350
Hong Kong	28,500	22,000		50,500
Indonesia	50,000	5,000		55,000
Iran		800		800
Iraq	50	60		110
Ireland	600	1,000		1,600
Israel	45,000	300		45,300
Italy	36,000	35,500		71,500
Jamaica	60,000	1,500		61,500
Japan	1,000	9,000		10,000
Jordan	30	900		930
Kazakhstan		1,127		1,127
Kenya	85,000	15,000	2,500	102,500
Korea (DPRK)		5		5
Korea (ROK)	200	2,500		2,700
Kuwait	1,000	294,000		295,000
Kyrgyzstan	100			100
Laos	18	107		125
Lebanon	25	11,000		11,025
Libya	400	12,000		12,400
Lithuania		5		5

COUNTRY	PIOs	INDIAN CITIZENS	STATELESS	TOTAL
Madagascar	25,000	3,000	1,000	29,000
Malaysia	1,600,000	15,000	50,000	1,665,000
Maldives	1	9,000		9,001
Mali	20			20
Mauritius	704,640	11,116		715,756
Mexico	400			400
Mongolia		35		35
Morocco	25	350		375
Mozambique	20,000	870		20,870
Myanmar	2,500,000	2,000	400,000	2,902,000
Namibia	32	78		110
Netherlands	200,000	15,000	2,000	217,000
New Zealand	50,000	5,000		55,000
Nigeria	8,000	17,000		25,000
Norway		5,630		5,630
Oman	1,000	311,000		312,000
P.N.Guinea		1,000		1,000
Panama	211	1,953		2,164
Peru	10	135		145
Philippines	24,000	2,000	12,000	38,000
Poland	75	750		825
Portugal	65,000	5,000		70,000
Qatar	1,000	130,000		131,000
Reunion Islands	220,000	55		220,055
Romania	2	489		491
Russia	44	16,000		16,044
Saudi Arabia		1,500,000		1,500,000
Senegal	13	8		21
Seychelles	2,000	3,000		5,000
Singapore	217,000	90,000		307,000
Slovakia		100		100
Solomon Islands		20		20
South Africa				1,000,000
Spain	16,000	13,000		29,000
St. Lucia		200		200
St. Vincent & The Grenadines		160		160
Sudan	300	1,200		1,500

COUNTRY	PIOs	INDIAN CITIZENS	STATELESS	TOTAL
Suriname	150,306	150		150,456
Sweden	9,000	2,000		11,000
Switzerland	8,400	4,800	300	13,500
Syria	1,800			1,800
Taiwan	1,800			1,800
Tajikistan	nil	400		400
Tanzania	85,000	5,000		90,000
Thailand	70,000	15,000		85,000
Trinidad & Tobago	500,000	600		500,600
Tunisia		70		70
Turkey		300		300
UAE	50,000	900,000		950,000
Uganda	7,000	5,000		12,000
UK				1,200,000
Ukraine		3,400		3,400
USA				1,678,765
Uzbekistan	40	650		690
Vanuatu		50		50
Venezuela	400	280	10	690
Vietnam		320		320
Yemen	100,000	900		100,900
Zambia	10,000	3,000		13,000
Zimbabwe	15,500	1,200		16,700

ANNEXURE 'III'

Table of fees charged by Correspondents Abroad
<u>For remittances into India</u>

Nature of Transaction	Fees
1. Remittance through beneficiary bank's correspondent in say USA to beneficiary account in India.	US$ 15 to US$ 20
2. Remittances originating from a third bank (non-correspondent) remitted through beneficiary's bank's correspondent.	US$ 15 to US$ 20 (This is in addition to the charges stated above. For every additional tier a fee of US$ 15 – 20 may be assumed.
3. If the remittance is in a third currency (not the currency of domicile e.g. US$ remittance out of Korea or Japan) the cost would depend on the country of origin of remittance. If it originates out of Japan or Korea, the charges would be around US$ 20 – US$ 25, whereas if the country of origin is say Uganda or Rwanda charges would be much higher say US$ 50 upwards.	In the range of US$ 20-US$ 50
4. At the Indian end, such remittances are generally delivered free of charge, unless delivery is at a centre other than the centre of receipt of remittance, in which case domestic DD/TT charges are levied.	0.125 % to 0.25 %

ANNEXURE ‘IV’

Schedule of charges for Foreign Inward and Outward
Remittances in India (For a large Public sector bank)

Rupee Draft	Issued by Exchange Companies, Banks with drawing arrangements to draw drafts on the Bank.
If the drafts are to be credited to the beneficiaries A/c in a branch on which it is drawn	No charges. Full amount of the draft credited.
If presented in clearing by bank in the same centre	No charges.
If to be credited to the customer having A/c in outstation branches of the bank.	- Actual P&T charges say Rs.20-50 is recovered.
Foreign Currency Draft	
If cover funds have been received by the Bank	No charges.
If reimbursement is to be obtained by drawing a DD on correspondent banks.	Exchange @ 0.125% + interest @ 15% for a minimum of 10 days.
SWIFT Remittances / TTs	
For credit to the A/c maintained at the branch which receives the message	No charges
For credit to the A/c maintained at other bank branches who are not authorised to handle forex transactions	P&T/Courier charges @ Rs.50/- flat
Fore credit to the A/c maintained at other banks	0.1% of the rupee amount subject to a minimum of Rs.100 and a maximum of Rs. 500/-
Outward Remittances	
Foreign Currency Remittance	Individuals. Rs.100 + Out of Pocket actual for courier/TT charges. Others Rs.600 + Out of Pocket actual for courier/TT charges.
Rupee remittance	Individuals : 0.125% minimum Rs.125/- Others : 0.30% Minimum Rs.600/-
From FCNRB/NRE accounts	No charges.

ANNEXURE 'V'

Charges levied by Banks for Outward Remittances

Banks usually charge domestic DD/TT rates for remittances outward. Charges vary with the principal amounts of remittances, ranging between 0.125% to 0.25% thereof, with a nominal floor and cap. For remittances from FCNR (B) / NRE Accounts there are usually no charges.

ANNEXURE 'VI'

Technology – Remittances through Internet
<u>Connecting domestic Automatic Clearing House (ACH) across borders</u>

What is ACH?

The Automated Clearing House (ACH) Network in USA is a highly reliable and efficient nationwide batch-oriented electronic funds transfer system governed by the NACHA OPERATING RULES which provide for the interbank clearing of electronic payments for participating depository financial institutions. The Federal Reserve and Electronic Payments Network act as ACH Operators, central clearing facilities through which financial institutions transmit or receive ACH entries. ACH payments include: Direct Deposit of payroll, Social Security and other government benefits, and tax refunds; Direct Payment of consumer bills such as mortgages, loans, utility bills and insurance premiums; Business-to-business payments; E-checks; E-commerce payments; Federal, state and local tax payments. The number of ACH payments originated by financial institutions increased to 8.05 billion in 2002, up 13.6 percent from 2001. These payments were valued at $21.7 trillion. Including payments originated by the Federal government, there were a total of 8.94 billion ACH payments in 2002 worth more than $24.4 trillion.

Originator: Any individual, corporation or other entity that initiates entries into the ACH Network

Originating Depository Financial Institution (ODFI): A participating financial institution that originates ACH entries at the request of and by (ODFI) agreement with it's customers. ODFI's must abide by the provisions of the NACHA Operating Rules and Guidelines Receiving Depository Financial Institution. Any financial institution qualified to receive ACH entries that agrees to abide by the NACHA Operating Rules and Guidelines.

Receiver: An individual, corporation or other entity who has authorized an Originator to initiate a credit or debit entry to a transaction account held at an RDFI.

<u>How Does ACH operate for an NRI in the US to send remittances to India?</u>

This facility is available to a person having a bank account with any bank in the USA which is a member of the ACH. Almost all the banks are members of ACH.

This is how it operates: The NRI first logs on to the website of say 'Bank X' and submits a form fill (registration form for this remittance facility). This form captures the personal details of the individual. The personal data validation is done by the Bank with OFAC filter etc (KYC/AML requirements). Thereafter the customer is allotted a unique registration number which will be used by him for all future remittances.

Thereafter, any time the customer wants to send a remittance, logs on to the site and gives instructions for the remittance. ODFI (the intermediary bank acting on behalf of 'Bank X') will initiate a debit instruction to the Banker of the customer and credit the proceeds to 'Bank X'. There is a cooling period of three days within which the customer can repuditate the debit in his account and in which event the entry is reversed. If there is no such intervention from the customer, the funds are free to be credited to the beneficiary. i.e. on the fourth day, the funds are available in India to be credited to the beneficiaries account in India. As for 'Bank X', they are directly credited to the beneficiaries account if the particular branch is directly linked otherwise draft is printed as sent to the branch for credit. As of now Indian banks established in New York offer direct credit facility to more than 3000 branches in India. If the remittance is for other banks the same is sent through drafts.

In this process, the remittance is received by the beneficiary on the 4^{th} or 5^{th} working day in India. Some Banks levy no charge for the remittance. The amount of debit in the customer's account will be the amount of remittance. The proceeds will be credited to the beneficiary in Indian Rupees. There is a cap on the amount of individual remittance as well as the frequency of the remittance. Value of individual remittance cannot exceed USD 5000 and the total of weekly remittance cannot exceed USD 15000 per individual.

In recent years, the Federal Reserve Bank in the USA has undertaken a number of initiatives to offer low-cost cross-border ACH services by linking the US ACH system to that of several other countries. These services are currently limited to outbound transactions from the Untied States. Incoming transactions are prohibited until the US ACH system can screen for US AML/CFT requirements.

ANNEXURE 'VII'

Experiences from some Countries –
<u>Information provided by the Philippine authorities to emigrants:</u>

In the Philippines, workers going overseas may attend a pre-departure orientation seminar conducted by the commission on Filipinos Overseas. This seminar programme, which has been in place since 1981, covers not just remittance topics (such as pre-departure opening of a bank account to be used by the receiver of the remittances) but also other topics specific to the destination country such as travel regulations, immigration procedures, cultural differences, housing issues, employment and social security concerns and the rights and obligations of Philippine migrants.

(Source BIS Report)

<u>Enlarging access to banking services in Brazil:</u>

About a third of municipalities in Brazil have no bank branches but receive banking services instead through correspondentes bancarios. There are about 16,000 correspondentes bancarios – almost the same number as bank branches. They act on behalf of banks under agency agreements and are authorised, among other things, to receive deposits and payments and make payments related to the accounts concerned. The most important correspondente bancario is the Brazilian post office, which acts on behalf of a major Brazilian private bank and serves all but a few of the municipalities where there is no bank branch. Other correspondentes bancarios include lottery houses, supermarkets, drugstores and other small retailers. The activities of the correspondentes bancarios are regulated by the National Monetary Council, a government body in which the Central Bank of Brazil participates. The rules set out the kinds of financial institutions that can be correspondentes bancarios, the types of services that they can provide, and the settlement procedures between the correspondente bancario and the bank for which it acts.

(Source : BIS Report)

ANNEXURE 'VIII'

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