

Foreign Remittances and Financial Elder Abuse

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Overview of Presentation

- Definition of Foreign Remittance
- Scope of Problem –Scope/Variety of Practices – Worldwide selected areas
- Sociological Analysis – Emile Durkheim
- Models of Official and Unofficial Remittance Systems
- Comparison of Costs
- Definition of Financial Abuse
- Opportunities for Elder Abuse in Formal and Informal Systems
- What Can Be Done To Minimize Abuse
- Family Values – Intergenerational Connections – Transnational Networks

Definition of Remittance

A **remittance** is a transfer of money by a foreign worker to an individual in his or her home country.

Scope of Remittances

- In 2014, \$436 billion went to developing countries, setting a new record.
- Overall global remittances totaled \$582 billion in 2015.^[2]
- In 2014 India received an estimated \$70 billion from their expatriates
- In 2014 China an estimated \$64 billion.^[3]
- According to [World Bank](#) estimates, remittances will total [US\\$585.1 billion](#) in 2016, of which [US\\$442 billion](#)^[4] went to developing countries that involved 250 million [migrant workers](#).^[5]

Emile Durkheim – A Sociological Analysis

- His fundamental hypothesis came from August Comte –the basis of society is a moral order.
- Agreements are not possible unless each partner trusts the other to live up to them. For example, If I work, you agree to pay me.
- This argument rests on underlying basis that we will uphold the agreement; the underlying agreement is based on **trust** or what Durkheim calls **pre-contractual solidarity** which must exist before contracts can be depended upon.
- Society is based on a common moral order rather than on rational self-interest, which would be to take the money and run.
- Tremendously productive cooperation is possible if everyone identifies with a common goal.
- Foreign remittances are based on trust.

(R. Collins and M. Makowsky, *TheDiscovery of Society*, Random House, 1989)

Trust, Remittances and Laws

- Durkheim - people in society have a **collective conscience** - a sense of belonging to a community with others - feeling a **moral obligation** to live up to its demands
- Laws are an indicator of **moral norms**—a general indication of how people conceive right and wrong.

Laws

- 2 kinds of laws –
 - criminal
 - civil-administrative
- Criminal laws express a strong state of the collective conscience of a society and result in serious penalties—retribution (“an eye for an eye”)
- Civil-administrative law violations result merely in restitution

Rule Violation Consequences

- Violations of formal laws result in formal legal punishments (prison, fines, loss of job), e.g. formal foreign remittance laws
- Violations of informal rules result in informal social punishments (shunning, exclusion, excommunication, loss of job), e.g. informal foreign remittance practices

Terms Used to Describe Informal Remittance Systems in Different Geographical Areas

- Fei-ch'ien (China),
- Hundi (Pakistan, Bangladesh)
- Hawala (India and Middle East)
- Padala (Philippines)
- Hui kuan (Hong Kong)
- Phei kwan (Thailand)

Informal Remittance System Terms

Many terms are used to describe informal remittance systems including

- “alternative remittance systems”
- “underground banking”
- “ethnic banking”
- “informal value transfer system”

<https://www.imf.org/external/np/leg/sem/2004/cdmfl/eng/maimbo.pdf>

Formal and Informal Remittance Systems

- Formal systems: remittances which enter a country through official banking channels
- Informal systems: money transfers which occur through private, unrecorded channels.
- Private transfers include remittances brought home by friends, relatives and even the migrant himself/herself

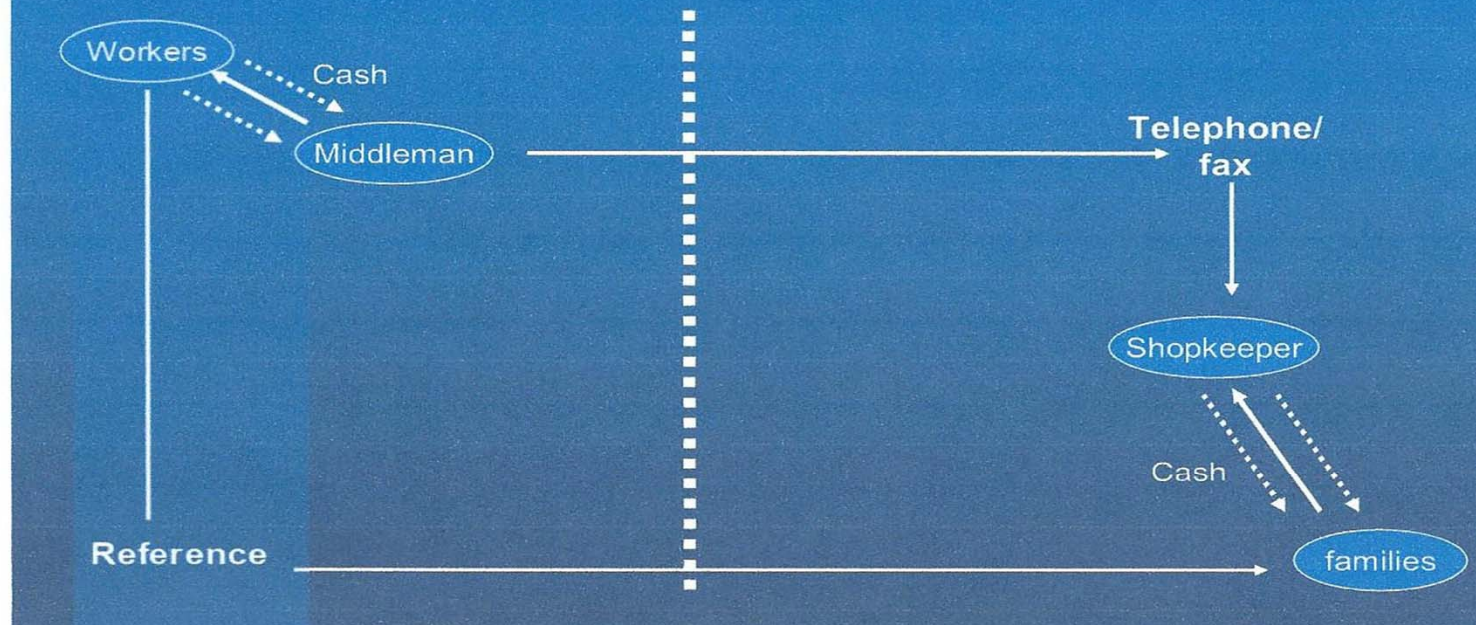
http://essays.ssrc.org/remittances_anthology/topic-4-%e2%80%93-formal-vs-informal-remittances/

How A Basic Informal Remittance Transaction Works

- Operational mechanisms of the various systems are fundamentally the same.
- For remittances to take place there needs to be a remitting party, two remittance service providers (one in each country) and a recipient.

Model of A Remittance System

Fei Ch'ien (China), hundi (Pakistan, Bangladesh), Hawala (Middle East), Padala (Philippines), Hui Kuan (Hong Kong), Phei Kwan (Thailand), Kyeyo money (Uganda), mali a mbeleko (Zambia)



Example of Process

When the remitting party, for example, a Somali migrant worker in Italy, wants to send money to Mogadishu, he makes payment in Euro or another convertible currency to a remittance agent or middleman in Rome.

The service provider contacts a partner service provider counter party (who might be a shopkeeper in the receiving country, who arranges payment in local (or other) currency to the remitter's family or other beneficiary on the production of a pre-agreed reference.

As a form of identification for the transaction, the agent in the remitting country provides the remitter a code or reference which must be passed onto to his designated beneficiary for presentation to the agent in the recipient country (increasingly, a passport or national identification card is used by beneficiaries).

Once the funds have been paid to the recipient, the agent in the remitting country is indebted to the agent in the recipient country.

The principals to the initial transaction do not play any role in subsequent clearing and balancing of this position.

The agents can settle their positions in various ways; including simple transactions going in the opposite direction, cash deliveries, and settlement by checks into the relevant accounts. Their positions can also be transferred to other intermediaries. These other entities can assume and consolidate the initial positions and settle at wholesale or multilateral levels, also by various means .

Characteristics of Informal Remittances

Highly trust-based, informal remittance systems have a long history of being:

- **reliable**
- **inexpensive**
- **speedy**
- **accessible**
- **convenient way of transferring funds**
- **follow waves of immigration**
- **use minimal or no documentary requirements.**

Reasons for Remittances

- In Europe, as well as in host countries in the Americas, migrants have an “implicit contract.” or a tacit agreement that ensures that the migrant supports the family and provides insurance against farm failures and other financial problems.
- In turn, the family finances the migrant’s initial travel and living costs and aids the migrant during gaps in employment in the host country and includes him in their future inheritances.
- As time passes, however, with the migrant growing less likely to return home, remittance behavior shifts from that based on an implicit contract model to less obligatory payments motivated by altruistic motives and investments.
- Over time, remittances shift from obligatory to more discretionary payments.

(Remittances as a Development Tool, Inter-American Development Bank, www.iadb.org)

Trust and Violation of Trust

Trust is a defining characteristic of most informal remittance systems.

Trust has ensured that rarely, if ever, customers lose their money.

Informal dispute resolution processes among service providers have also made it an efficient payments system that attracted little attention by regulators in developed countries until recently.

Unfortunately, the systems' success – speedy transactions with minimal or no documentation – has also been in undoing.

Anonymity that is possible with such transactions has raised concern in the law enforcement community.

In some countries, such as India, governments have been so concerned about abuse to ban them completely.

Concerned about the evasion of currency controls, developing countries in particular, have long been worried about informal remittance systems.

Only worries about terrorist finance brought it to international regulatory focus after the September 11, 2001 terrorist attacks in New York and Washington.

Journalists and others had made putative connections between the financing of terrorism and informal remittance systems; calls for more effective regulatory and supervisory frameworks have followed.

(Current Developments in Monetary and Financial Law, International Monetary Fund, 2005)

Size of Formal & Informal Remittances

- Formal remittances to developing countries total over \$167 billion (2005) a year
- The level of informal remittances is virtually unknown because they tend to flow through unrecorded channels.
- Estimates of the size of informal remittances vary widely, ranging from 35 to 250 percent of formal remittances.

http://essays.ssrc.org/remittances_anthology/topic-4-%e2%80%93-formal-vs-informal-remittances/

Importance of Remittances to Poor Households

- In Latin America and the Caribbean for about 20 million households, foreign remittances comprise about one half or more the household income.
- 80-85% are used to cover basic necessities, e.g. food, housing, utilities.
- Remittances are used to benefit families and as investments in the future. Families use them to pay for school for their children thereby investing in “human capital” for the next generation.
- Remittances provide an enormous range of potential opportunities for individual families, local communities, and national economies.

(Remittances as a Development Tool, Inter-American Development Bank, www.iadb.org)

Remittance Policies continued

- Europe only recently recognized profit potential of the remittance market
- Spain began a program focusing on Latin American immigrants to utilize the official banking system
- Banco Bilbao Vizcaya Argentaria (BBVA) has aggressively pursued a remittance strategy in Mexico

(Remittances as a Development Tool, Inter-American Development Bank, www.iadb.org)

Cost Comparison

- Migrants remit through informal channels due to the high cost of transferring funds through banks and transfer agencies.
- In 2000 the average cost of remitting money to 8 Latin American countries was above 10 percent of the amount being sent (Orozco, 2006).
- By 2006 the transaction cost of remitting money to these Latin American countries declined to 5.6 percent, but still this figure is much higher than that charged by informal channels.

http://essays.ssrc.org/remittances_anthology/topic-4-%e2%80%93-formal-vs-informal-remittances/

Reasons to Reduce Money Transfer Costs

- From a policy perspective, it is important to reduce money transfer costs in order to increase the amount of remittances returning through formal channels.
- Remittances sent through official banking channels can facilitate financial sector development in developing countries:
 - (1) as bank deposits from remittances increase, banks are able to make more loans;
 - (2) remittance receivers who use banks can gain access to other financial products and services;
 - (3) banks that provide remittance transfer services are able to “reach out” to unbanked recipients and those with limited financial intermediation (Aggarwal et al, 2006).
- In economies where the financial system is underdeveloped, remittances made through official channels can help alleviate credit constraints and promote growth (Giuliano and Ruiz-Arranz, 2006).

http://essays.ssrc.org/remittances_anthology/topic-4-%e2%80%93-formal-vs-informal-remittances/

Policies Re Remittance Channels

- “Illusion of Return” – expectation to return home influences remittance behavior
- Morocco and Tunisia have allowed duty-free importins of capital equipment and have granted tax exemptions for the purchase of local investment goods
- Most remittances sent to European countries go through officially recorded transfer and banking systems
- Most remittances sent to Middle East flow mostly through informal networks of currency dealers who deliver remittances in local currency. The dealers profit from currency exchange rates

(Remittances as a Development Tool, Inter-American Development Bank, www.iadb.org)

Electronic Transfers of Money

- Current “cash to cash” system moving to a digital transfer “account to account” system
- In [developing countries](#) mobile payment solutions have been deployed as a means of extending financial services to the community known as the "unbanked" or "underbanked," which is estimated to be as much as 50% of the world's adult population, according to Financial Access' 2009 Report "Half the World is Unbanked".^[8]
- These payment networks are often used for [micropayments](#).^[9]
- The use of mobile payments in developing countries has attracted public and private funding by organizations such as the [Bill & Melinda Gates Foundation](#), [United States Agency for International Development](#) and [Mercy Corps](#).

((Wikipedia))

Informal Remittances And Disasters

- During disasters or emergencies, remittances can be a vital source of income for people whose other forms of livelihood may have been destroyed by conflict or natural disaster.
- According to the [Overseas Development Institute](#), this is being increasingly recognized as important by aid actors who are considering better ways of supporting people in emergency responses. [\[33\]](#)

Potential Security Concerns About Remittances

- Can be difficult to track
- Potentially sensitive to money laundering (AML)
- Potentially sensitive to terror financing (CTF) concerns
- Since [9/11](#) many governments and the Financial Action Task Force (FATF) have taken steps to address [informal value transfer systems](#)
- This is done through nations' [Financial Intelligence Units](#) (FIUs).
- The principal legislative initiatives in this area are the [USA PATRIOT Act, Title III](#) in the United States and a series of EU Money Laundering Directives In the EU
- Though no serious terror risk should be associated with migrants sending money to their families, misuse of the financial system remains a serious government concern.

(Wikipedia; www.fatf-gafi.org/publications/fatfgeneral/documents/terroristfinancing.html)

Definition of Elder Financial Abuse

- Taking money or property
- Forging an older person's signature
- Getting an older person to sign a deed, will, or power of attorney through deception, coercion, or undue influence
- Using the older person's property or possessions without permission
- Promising lifelong care in exchange for money or property and not following through on the promise
- Using deception to gain victims' confidence (Confidence crimes "cons")
- Scamming older persons - Engaging in fraudulent or deceptive acts
- Committing fraud by the use of deception, trickery, false pretense, or dishonest acts or statements for financial gain
- Engaging in telemarketing scams. Perpetrators call victims and use deception, scare tactics, or exaggerated claims to get them to send money. They may also make charges against victims' credit cards without authorization

Perpetrators of Elder Financial Abuse

- Family members - sons, daughters, grandchildren, or spouses
- Predatory individuals who seek out vulnerable seniors with the intent of exploiting them
- Unscrupulous professionals or businesspersons, or persons posing as such

Possible Motives of Family Members - sons, daughters, grandchildren, or spouses

- Have substance abuse, gambling, or financial problems
- Stand to inherit and feel justified in taking what they believe is "almost" or "rightfully" theirs
- Fear that their older family member will get sick and use up their savings, depriving the abuser of an inheritance
- Have had a negative relationship with the older person and feel a sense of "entitlement"
- Have negative feelings toward siblings or other family members whom they want to prevent from acquiring or inheriting the older person's assets

Motives of Predatory Individuals Who Seek Out Vulnerable Seniors

- Profess to love the older person ("sweetheart scams")
- Seek employment as personal care attendants, counselors, etc. to gain access
- Identify vulnerable persons by driving through neighborhoods (to find persons who are alone and isolated) or contact recently widowed persons they find through newspaper death announcements
- Move from community to community to avoid being apprehended (transient criminals)

Motives of Unscrupulous Professionals or Businesspersons or Persons Posing as such

- Overcharge for services or products
- Use deceptive or unfair business practices
- Use their positions of trust or respect to gain compliance

http://www.preventelderabuse.org/elderabuse/fin_abuse.htmlFinancial Abuse

Factors Increasing Risk of Financial Elder Abuse

- Isolation
- Loneliness
- Recent losses
- Physical or mental disabilities
- Lack of familiarity with financial matters
- Have family members who are unemployed and/or have substance abuse problems

http://www.preventelderabuse.org/elderabuse/fin_abuse.htmlFinancial Abuse

Why the Elderly Are Targets

- Persons over age 50 in the US control over 70% of the nation's wealth
- Many seniors do not realize the value of their assets (particularly homes that have appreciated markedly)
- Elderly are more likely to have disabilities that make them dependent on others for help. These "helpers" may have access to homes and assets, and may exercise significant influence over them
- Elderly may have predictable patterns (e.g. older people are more likely to receive monthly checks; abusers can predict when an older person will have money on hand or need to go to the bank)
- Severely impaired individuals are less likely to take action against their abusers as a result of illness or embarrassment
- Abusers may assume that frail victims will not survive long enough to follow through on legal interventions or that they will not make convincing witnesses
- Some older people are unsophisticated about financial matters
- Advances in technology have made managing finances more complicated

Why the Elderly are Potential Targets Re Foreign Remittances

- Lack of proper papers
- Source of income may be illegal – underground economy, working off the books,
- Lack of financial illiteracy
- Lack computer knowledge
- Unsophisticated
- Fear of authorities in host country and at home
- Fear of deportation

Indicators of Financial Abuse: Look for Patterns

- Unpaid bills, eviction notices, or notices to discontinue utilities
- Withdrawals from bank accounts or transfers between accounts that the older person cannot explain
- Bank statements and canceled checks no longer come to the elder's home
- New "best friends"
- Legal documents, such as powers of attorney, which the older person didn't understand at the time he or she signed them

Indicators of Abuse - Continued

- Unusual activity in the older person's bank accounts including large, unexplained withdrawals, frequent transfers between accounts, or ATM withdrawals
- Care of the elder is not commensurate with the size of his/her estate (e.g. case of 104 year old philanthropist Brooke Astor)
- A caregiver expresses excessive interest in the amount of money being spent on the older person
- Belongings or property are missing
- Suspicious signatures on checks or other documents
- Absence of documentation about financial arrangements
- Implausible explanations given about the elderly person's finances by the elder or the caregiver
- The elder is unaware of or does not understand financial arrangements that have been made for him or her

http://www.preventelderabuse.org/elderabuse/fin_abuse.html Financial Abuse

Possible Financial Crimes Re Foreign Remittances

- theft
- fraud
- larceny
- forgery
- usury

http://www.popcenter.org/problems/crimes_against_elderly/PDFs/nerenberg-1999.pdf

Who Can Help Stop Elder Financial Crime & Abuse in the US

- **Civil system** including private attorneys, private professional guardians, probate court personnel and social service providers
- **Federal Agencies** including Federal Trade Commission (FTC), Federal Bureau of Investigation (FBI), the U.S. Immigration Service, the United States Attorney's Office, the Secret Service, and other interested service providers.
- **Victim Service Networks** at the local, state, and national levels

Who Can Help Stop Elder Financial Crime & Abuse

Federal crimes involve the use of the mail, interstate transfers, the use of the telephone, or the misappropriation of federal benefits. e.g. telemarketing fraud, theft of Social Security or Supplemental Security Income checks, pension fraud, and crimes involving the use of credit cards or the Internet.

http://www.popcenter.org/problems/crimes_against_elderly/PDFs/nerenberg-1999.pdf

Federal Trade Commission

- The **FTC** is a civil (as opposed to a criminal) law enforcement agency that handles telemarketing fraud, investment scams, and business opportunity scams.
- Its primary approach is to seek injunctions, through district courts, to stop offenders from engaging in illegal activities, freeze perpetrators' assets, take over their offices, and litigate cases to a conclusion.

http://www.popcenter.org/problems/crimes_against_elderly/PDFs/nerenberg-1999.pdf

Federal Bureau of Investigation and Secret Service

- The **FBI** also gets involved in telemarketing and pension fraud.
- The **Secret Service** handles cases of check forgery, cases in which money is electronically transferred into someone else's account (often a family member's), cell phone fraud, and credit card fraud, which includes transactions involving stolen, altered, or counterfeit credit cards. Federal forgeries include the forging of treasury and other government checks. The Secret Service also handles cases in which government checks are stolen, forged or altered, certain cases involving fraudulent misrepresentation, and "identity fraud."

http://www.popcenter.org/problems/crimes_against_elderly/PDFs/nerenberg-1999.pdf

The Victim Service Network's Role in Stopping Elder Financial Crime and Abuse

- Victim advocates exist at the local, state, and national levels,
- The Victims of Crimes Act (VOCA) of 1984 provided for new services and compensation to victims.
- The right most valued by financial crime victims is restitution, which is the monetary compensation that courts can require offenders to pay victims.
- All states offer some form of restitution and the federal government requires perpetrators of federal crimes to pay restitution in most cases.

http://www.popcenter.org/problems/crimes_against_elderly/PDFs/nerenberg-1999.pdf

USA – General Accountability Office (GAO) Recommendations

Although states have primary responsibility for combating elder financial exploitation, the federal government could:

- Have a written national strategy addressing identified challenges
- Facilitate case investigation and prosecution
- Improve data collection
- Disseminate information on model power of attorney legislation, for example, to help states better safeguard against power of attorney abuse—one type of federal activity authorized under the Older Americans Act of 1965
- Provide more information about what constitutes elder financial exploitation to older adults and others in order to report and avoid it

<http://www.gao.gov/assets/660/650074.pdf>

New York State

- A bill now under consideration by the New York State legislature would give banks the ability to temporarily freeze the accounts of older adults when they notice activity uncharacteristic of spending habits.
- Was approved by the Senate but not yet in the Assembly. Concerns expressed about playing into negative stereotypes of the elderly.
- Financial fraud costs New York seniors an estimated \$1.5B yearly according to the state's Office of Children and Family Services.

• *(Newsday, June 12, 2017, pa. A12)*

AARP Recommendations

- Preserve and strengthen state adult protective services agencies
- Adopt legislation to help prevent, detect or report and address financial exploitation of older people
- Increase criminal and civil penalties against perpetrators of financial exploitation or amend the definition of “elder abuse” to include financial exploitation

Australia's Response to Elder Financial Abuse

Recommendations from 2008 Report

- Amend Code of Banking Practice to require reports of elder financial abuse
- Report suspected abuse to the Office of the Public Advocate without fear of violating confidentiality
- Amend privacy laws
- If allegations are found to be false, banks to be protected from the possibility of a law suit

(November 2005 Banking and Financial Services Ombudsman Annual Conference, Adequacy and Rights Center, LTD.)

Recommendations for the Remittances Market

- Remittance institutions should:
 - Improve transparency
 - Promote fair competition and pricing
 - Apply appropriate technology
 - Seek partnerships and alliances
 - Expand financial services

(Remittances as a Development Tool, Inter-American Development Bank, www.iadb.org)

Recommendations for the Remittances Market (cont.)

- **Public Authorities should:**
 - Do no harm
 - Improve data
 - Encourage financial intermediation
 - Promote financial literacy
- **Civil Society should:**
 - Leverage development impact
 - Support social and financial inclusion

(Remittances as a Development Tool, Inter-American Development Bank, www.iadb.org)

Conclusion: Family Values & Intergenerational Relationships

- Financial Remittances depend on strong family values transmitted across and between generations— intergenerational connections – which endure across time and space and develop into transnational networks that change over time
- As with any other transactions and relationships, some flourish and some are abused
- In commemoration of WEAAD – World Elder Abuse Awareness Day – we focus on what can go wrong. We should also remember on how often things go right to benefit individuals, families, and nations.
- We should commit at all levels to limit the abuses and punish those who commit them.
- Awareness, education, and the law are our tools.