



ACCESS TO FINANCIAL
SERVICES FOR ASYLUM
SEEKERS AND REFUGEES IN
GEORGIA



Natia Gvazava

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Acronyms

AML/CFT	Anti-money laundering/Countering the financing of terrorism
BoG	Bank of Georgia
CDD	Customer Due Diligence
EU	European Union
FATF	Financial Action Task Force
FDP	Forcibly Displaced Person
FIU	Financial Intelligence Unit
FMS	Financial Monitoring Service of Georgia
FSP	Financial Service Provider
IMTO	International Money Transfer Organizations
ML/TF	Money Laundering/Terrorism Financing
NBG	National Bank of Georgia
PAD	Payment Accounts Directive
PSD 2	Payment Services Directive 2
UNHCR	United Nations High Commissioner for Refugees

Introduction

As of September 2021, Georgia reported 3,000 refugees and asylum-seekers and around 500 stateless persons¹. The majority of the asylum seekers and refugees in Georgia come from Iraq, Iran, Syria, Egypt, Ukraine, and Russia². The numbers are expected to increase due to the ongoing war started by Russia in Ukraine.

The legal status of asylum seekers and refugees, their rights and obligations as well as their social and economic guarantees are regulated by the Law of Georgia on International Protection. The Law recognizes several forms of international protection, namely: refugee status, humanitarian status, and the status of a person under temporary protection. They will be collectively referred to in this report as refugees.

There are ongoing efforts to ensure the social and economic integration of asylum seekers and refugees in Georgia, involving various initiatives in different directions (education, healthcare, etc.), but financial inclusion remains an unsettled problem. While financial inclusion is an essential precondition for the full economic integration of this group, UNHCR has established through its regular monitoring and feedback that access to financial services is in some cases limited, both for refugees and asylum seekers, due to, among others, legal and regulatory challenges. This report was prepared for the UNHCR Representation in Georgia, and it aims to identify the specific problems of asylum seekers and refugees related to their access to financial services and provide recommendations addressing those gaps.

The methods used for this study are qualitative. The report documents the situation related to the access to financial services of refugees and asylum seekers in Georgia and analyzes the relevant national legislation and practice. Desk research was carried out to identify European and international good practices and regulatory frameworks. Focus group interviews were conducted with the help of UNHCR, where asylum seekers and refugees shared their experiences with financial service providers in Georgia. Meetings were held with financial institutions and the Banking Association of Georgia to better understand the internal policies and procedures of the credit institutions. Apart from the Banking Association of Georgia, the following banks and microfinance organizations were interviewed: TBC Bank, Bank of Georgia (BoG), Liberty Bank, Terabank, Microfinance Organization - Micro Business Capital (MBC). Within the framework of this research, information on the regulator's approach was obtained both in writing and through interviews with the representatives of different departments of the National Bank of Georgia (NBG).

The first section of this report reviews the problems related to access to financial services identified by asylum seekers and refugees. In addition, it gives a mapping of key institutions providing financial services in Georgia. The second section provides an overview of Georgian legislation compared to international and EU standards. In particular, it examines the freedom of the financial institutions to provide services, followed by a section analyzing the legislation related to the prevention of money laundering and terrorism financing (ML/TF). Section 4 provides an overview of the regulation and practice of getting credit, while Section 5 is dedicated to international experience focusing on Germany. The report concludes with recommendations for addressing the

¹ UNHCR, Georgia, available at: <https://www.unhcr.org/georgia.html>

² Refugee Data Finder, available at: <https://www.unhcr.org/refugee-statistics/download/?url=i2qKOo>

identified challenges and gaps. Detailed information on the focus group interviews is annexed to this report.

1. Understating the Context

The focus group interviews conducted with asylum seekers and refugees revealed that almost all have a bank account opened at TBC Bank. They could not open accounts with other financial institutions. The fact that TBC Bank is their only service provider is common knowledge amongst the refugees. However, their bank accounts have limited features allowing transactions only in local currency. Therefore, they are not able to have bank-to-bank transactions in foreign currency; they cannot shop online or pay with merchants whose payments are processed by foreign financial institutions. The focus group interviews did not reveal much difference in treatment between asylum seekers and refugees. The difference in treatment seems to be related to the country of origin. The asylum seekers and refugees from high-risk jurisdictions have the most restricted access to financial services.

Apart from TBC Bank, refugees have accounts at Liberty Bank, where they receive a monthly allowance of 45 GEL or other social cash assistance. Transferring cash through digital payment mechanisms potentially provides an opportunity to offer recipients a basic transaction account that can be leveraged in the future for more robust financial inclusion.³ However, the accounts provided by Liberty Bank to distribute the social assistance has similar restrictions as described above.

Both refugees and asylum seekers mostly cannot get credit cards or loans regardless the nationality. They assume that the reason is the reluctance of the banks to credit them because of their uncertain situation. The perception in the group was that the denial to issue a loan was related to their citizenship and not their status. Besides, based on the responses they get from the financial institutions, they think that only Georgian citizens are allowed to get a loan.

Some asylum seekers mentioned they were unable to receive money remittances. They rely heavily on international money transfer organizations, such as Western Union. Otherwise, they would not be able to receive this service.

Refugees and asylum seekers claim that sometimes bank operators do not recognize the cards issued to them by the Public Service Development Agency, and consequently, they refuse to provide services. Other participants suggested that the issue is not the recognition of the ID card but the unwillingness of the financial institutions to provide services to them.

The problems with access to loans hinder the possibility of the refugees and asylum seekers' integration. They are not able to finance their studies, buy apartments in Georgia, etc. Not being able to receive money remittances affects them greatly because almost all of them lost their jobs during the pandemic, and they needed financial support from abroad from their friends and family. Remote work is impossible for asylum seekers and refugees because their salaries cannot be credited to their limited bank accounts. Problems also emerge for the people working in the hospitality sector. Iranian and Syrian refugees emphasized that it is vital to be able to receive transactions in

³ Siham Boukhali, Isabelle Dauner Gardiol, 2020. Financial Inclusion of Migrant, Exploration Paper.

foreign currency in the tourism sector and that they experience losses for their companies because currently, they are not able to do so. The interviewed asylum seekers and refugees stated that if they were able to enjoy the benefits of standard financial services, they would be able to work, establish their own companies, pay taxes, and overall, contribute to the development of the country.

As is apparent from above, the refugees and asylum seekers name the following financial products as vital for their financial inclusion: bank accounts, loans/credits, remittances, and payments. Below is the list of the types of the financial institutions in Georgia that are allowed to provide these services:

- **Commercial Banks** – their activities are primarily regulated by the Law of Georgia on the Activities of Commercial Banks. According to the Law, the banks are authorized to attract deposits, grant loans, provide payment services, issue payment cards, etc.⁴ Currently, there are 14 commercial banks licensed in Georgia⁵, with VTB Bank Georgia slowly exiting the market due to international sanctions;
- **Microfinance Organizations** – they are regulated by the Law of Georgia on Microfinance Organizations. Microfinance organizations are entitled to issue microloans, carry out money remittances, and perform other financial operations, such as micro-leasing, factoring, etc.⁶ There are 38 microfinance organizations registered by the NBG⁷;
- **Loan-Issuing Entities** – loan issuing entity (sometimes also referred to as “lombards” – pawn shops) is defined by the Organic Law of Georgia on the National Bank of Georgia as any business entity toward which more than 20 individuals have credit obligations⁸. The Organic Law is very succinct on the loan-issuing entities, and they are mainly regulated by the decree of the Governor of the NBG⁹. There are 344 loan-issuing entities registered at the NBG¹⁰;
- **Payment Service Providers** - the principles of regulation and supervision of payment systems and payment services are provided in the Law of Georgia on Payment Systems and Payment Services. The payment service providers are authorized to provide the following services: debiting and crediting funds from the payer’s/payee’s account, making payments through direct debits, payment cards, or any other electronic means, or credit transfers (including standing orders) within the funds or credit resources of a payment service user; issuing and/or acquiring payment instruments, including electronic money instruments;

⁴ Art. 20 of the Law of Georgia on the Activities of the Commercial Banks

⁵ The list of the commercial banks can be found here: <https://nbg.gov.ge/en/page/licensed-commercial-banks-1>

⁶ Art. 4 of the Law of Georgia on Microfinance Organizations

⁷ The list of the microfinance organizations is provided here: <https://nbg.gov.ge/en/page/non-bank-institutions>

⁸ Art. 2 of the Organic Law of Georgia on National Bank of Georgia

⁹ Decree N217/04 of the Governor of the NBG of September 27, 2018 on the Approval of the Rules on Registration, Withdrawal of Registration and Regulation of Loan-Issuing Entities

¹⁰ The list of the loan-issuing entities is accessible here: <https://nbg.gov.ge/en/page/non-bank-institutions>

remittances; issuing electronic money, etc.¹¹ Currently, 33 payment service providers are registered by the NBG¹².

All these institutions are regulated and supervised by the NBG.

While bank accounts can be opened only by commercial banks, loans can be issued by commercial banks, microfinance organizations, and loan-issuing entities. Payment services, including remittances, can be provided by commercial banks, microfinance organizations, and payment service providers. However, the focus group interviews with the asylum seekers and refugees demonstrated that they do not have much knowledge about the types of financial institutions, and mainly they refer to banks for desired services.

2. Freedom of the Financial Institutions to Provide Services

The Law of Georgia on the Activities of the Commercial Banks gives the commercial banks the right to refuse to open accounts or provide services without any justification¹³. Commercial banks invoke this article when they refuse to open accounts or provide other services to asylum seekers and refugees. The Law gives banks very broad discretion. Therefore, their practices cannot be regarded as unlawful.

Even without the mentioned provision in the Law of Georgia on the Activities of the Commercial Banks, the banks would still be free to refuse to provide services based on the Civil Code. Private companies have the freedom to enter into a contract which, as already mentioned, is one of the basic principles enshrined in the Civil Code.

The question is whether there is a need for the amendments in the legislation to give access to the bank accounts to everyone lawfully resident in Georgia, including asylum seekers and refugees. That would constitute an interference in the contractual freedom, but such interference could be justified. For instance, this approach was taken by the EU by adopting the so-called Payment Accounts Directive (PAD)¹⁴. It requires Member States to guarantee a right for consumers to open and use payment accounts with basic features in the EU and obliges them to ensure that payment accounts with basic features are offered to consumers by all credit institutions or a sufficient number of credit institutions to guarantee access.¹⁵ The EU Commission was willing to interfere in the contractual freedom of credit institutions because of the high level of consumer damage that was caused by the denial of the credit institutions to provide access to ordinary payment accounts due to their practices related to the financial situation or place of residence of the consumers¹⁶. Besides,

¹¹ See Art. 13 and 13¹ of the Law of Georgia on Payment Systems and Payment Services for the complete list of the allowed activities of the payment service providers.

¹² The list of the payment service providers is available here: <https://nbg.gov.ge/payment-system/providers>

¹³ Art. 21^{1.4} of the Law of Georgia on the Activities of the Commercial Banks

¹⁴ Directive 2014/92/EU of the European Parliament and of the Council of 23 July 2014 on the comparability of fees related to payment accounts, payment account switching and access to payment accounts with basic features

¹⁵ *Ibid.* Art. 16

¹⁶ Directive on Payment Accounts - Frequently Asked Questions, available at: https://ec.europa.eu/commission/presscorner/detail/fr/MEMO_14_300

it seems the position of the EU is that by adopting PAD, they did what was strictly necessary to ensure the protection of consumer rights because it does not require credit institutions to offer all types of accounts to every individual.¹⁷ It only enables consumers to have access to the most essential payment services.¹⁸ Among the problems that citizens without payment accounts encountered in the EU were the inability to transfer money or execute transactions other than cash-based ones; exclusion from any type of online transaction or purchase and as a result higher costs and larger risks associated with the use of only cash.¹⁹ These are similar to the problems that asylum seekers and refugees currently face in Georgia.

It should be noted that PAD specifically targeted asylum seekers. It defines consumers legally resident in the EU so as to include clients with no fixed addresses and persons seeking asylum and requires the Member States to ensure that they have the right to open and use a payment account with basic features with credit institutions located in their territory²⁰. PAD also gives this right to consumers who are not granted a residence permit but whose expulsion is impossible for legal or factual reasons.²¹ The directive obliges the Member States to ensure that credit institutions treat all the consumers legally resident in the EU in a non-discriminatory way.²²

PAD requires that credit institutions immediately inform the consumer of the refusal and of the specific reason for that refusal, in writing and free of charge unless such disclosure would be contrary to objectives of national security, public policy, or AML/CFT legislation. In the event of refusal, the credit institution must advise the consumer of the procedure to submit a complaint against the refusal and of the consumer's right to contact the relevant competent authority and designated alternative dispute resolution body and provide the relevant contact details.²³

As for the characteristics of the basic payment account, it should include the following features:

- services enabling all the operations required for opening, operating and closing of a payment account;
- services enabling funds to be placed in a payment account;
- services enabling cash withdrawals within the Union from a payment account at the counter or at ATM during or outside the credit institution's opening hours;
- execution of the following payment transactions within the Union:
 - direct debits;
 - payment transactions through a payment card, including online payments;
 - credit transfers, including standing orders, at, where available, terminals and counters and via the online facilities of the credit institution.

¹⁷ *Ibid.*

¹⁸ *Ibid.*

¹⁹ *Ibid.*

²⁰ See Art. 2(2) and Art. 16.2 of PAD

²¹ *Ibid.* Art. 16.2

²² *Ibid.* Art. 15

²³ *Ibid.* Art. 16.7

A payment account with basic features should be provided with reasonable prices, it should allow consumers to execute an unlimited number of operations listed above, but they may be offered only in the national currency²⁴.

PAD also underlines the importance of awareness-raising and requires the communication measures to be sufficient and well-targeted to reach out to unbanked, vulnerable, and mobile consumers²⁵.

Applying the approach that the EU chose by adopting PAD could solve the problems of the unbanked population in Georgia to some extent. According to the Association Agreement, PAD is not on the list of the directives that Georgia has to implement.²⁶ However, it is related to the approximation of Georgian legislation with Payment Services Directive 2 (PSD 2)²⁷. Based on the information received from NBG, it is planned to voluntarily harmonize Georgian legislation with certain provisions of PAD. Nevertheless, it has to be seen what specific articles will be implemented. Besides, a new alternative dispute resolution body is planned to be set up at the NBG to handle consumers' complaints related to the violation of payment services legislation.

By approximating Georgian legislation with PAD and PSD2 provisions, the legal situation of the asylum seekers and refugees in Georgia will improve in several ways:

- They will be given the explicit right to have access to payment accounts by the legislation;
- Even though the account will have basic features, it might be better than what they are offered today. PAD underlines that consumers should be able to undertake essential payment transactions such as receiving income or benefits, paying bills or taxes, and purchasing goods and services, including via direct debit, credit transfer, and the use of a payment card.²⁸ Such services should allow the purchase of goods and services online and should give consumers the opportunity to initiate payment orders via the credit institution's online facility, where available.²⁹
- They will have options to choose from different credit institutions and TBC Bank will likely no longer be their only service provider;
- If they are refused to access the payment account, they will be given an explanation of the specific reasons for rejection (with the exception related to AML/CFT regulations and national security), and they will be advised about the procedure for the submission of complaints;
- There will be a dispute resolution body to handle their complaints at the NBG. It will allow them to settle disputes more rapidly and inexpensively than by referring to courts.

However, since PAD allows services only in national currency, having access to bank accounts in foreign currency and, therefore, being able to make international transactions might remain a

²⁴ *Ibid.* Art. 17.3-17.5

²⁵ *Ibid.* Art. 20

²⁶ Annex XV-A of the Association Agreement between the European Union and the European Atomic Energy Community and their Member States, of the one part, and Georgia, of the other part

²⁷ Directive (EU) 2015/2366 of the European Parliament and of the Council of 25 November 2015 on payment services in the internal market, amending Directives 2002/65/EC, 2009/110/EC and 2013/36/EU and Regulation (EU) No 1093/2010, and repealing Directive 2007/64/EC

²⁸ Recital 44, PAD

²⁹ *Ibid.*

problem. Besides, as confirmed by the NBG, the provision in the Law of Georgia on the Activities of the Commercial Banks that allow the commercial banks to refuse to open accounts or provide services without any justification is not planned to be amended.

According to the Banking Association, the NBG plans to define the term “basic payment account” in the Law of Georgia on Payment Systems and Payment Services. However, banks had critical comments on the introduction of the said concept. The NBG planned to oblige the banks to open such accounts free of charge and for everyone. The Banking Association is not sure about the final version of the draft amendments and whether the exact proposition will stay intact after the discussions in Parliament. However, the draft law did not mention asylum seekers and refugees separately. Therefore, for the avoidance of doubt, such a specification may need to be inserted further. On the other hand, if crediting such accounts in foreign currencies will be restricted, the impact of this change may be immaterial.

In addition, banks will still be entitled to refuse access to a basic payment account to consumers if it would be contrary to AML/CFT rules. The requirements of AML/CFT legislation are analyzed in the next section.

3. Prevention of ML/TF and Financial Inclusion of Refugees and Asylum Seekers

3.1. International Standards and Practices of Customer Identification and Verification

Financial institutions have to comply with AML/CFT regulations before opening accounts or entering into business relationships with any customer. They have to implement CDD measures which include the obligation to identify the customer and verify that customer’s identity using reliable, independent source documents, data, or information³⁰. This might be difficult if the customer is a refugee or an asylum seeker. They are examples of categories of undocumented customers who need to get access to basic financial services to fulfill their immediate payment needs and sustain their livelihoods.³¹

FATF, the international standard-setter in AML/CFT, provides guidance on the CDD process to support financial inclusion. While doing so, it allows some flexibility to apply different identity verification controls in a reliable and risk-based manner to target specific groups, such as asylum seekers and refugees.³² It overviews the example of the EU and its Member States, which permit asylum seekers’ official documentation as an identification method for bank account opening.

For the EU credit institutions, the CDD measures for customers who are asylum seekers from higher-risk third countries or territories are clarified by the European Banking Authority (EBA) in

³⁰ Financial Action Task Force, 2012 (Updated March 2022). International Standards on Combating Money Laundering and the Financing of Terrorism & Proliferation, the FATF recommendations

³¹ Financial Action Task Force, 2017. FATF GUIDANCE, Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion, with a Supplement on Customer Due Diligence

³² *Ibid.*

its opinion.³³ Such guidance was needed because of the compliance challenges that credit and financial institutions faced due to the level of ML/TF risk associated with many asylum seekers' countries and territories of origin and concerns over the reliability and robustness of some asylum seekers' identity documentation³⁴. As EBA underlines "providing asylum seekers with access to at least basic financial products and services is not only a prerequisite for their participation in modern economic and social life, it is also central to the fight against ML/TF: lack of access can drive financial transactions underground, which makes the detection and reporting of suspicious transactions more difficult."³⁵

The EBA considers that official identity documents that the EU Member States issue to confirm asylum seekers' status will likely satisfy the verification requirement provided in AML/CFT regulations if they are current (i.e., unexpired), issued by an official national or local authority and includes the applicant's full name and date of birth.³⁶

In addition, the EBA notes that unless credit institutions have reasonable grounds to know or suspect that the documentation provided is forged, it should be enough to satisfy the AML/CFT Directives' verification requirements.³⁷

The type of evidence of identity that credit institutions accept for identifying asylum seekers affects its assessment of the ML/TF risks. They have to apply the risk mitigation measures accordingly.

The EBA provides examples of limits that institutions might impose on a risk-sensitive basis:

- no provision of credit or overdraft facilities;
- monthly turnover limits (unless the rationale for larger or unlimited turnover can be explained and justified);
- limits on the amount of person to person transfers (further or larger transfers are possible on a case by case basis);
- limits on the amount of transactions to and from third countries (while considering the cumulative effect of frequent smaller value transactions within a set period of time), in particular where these third countries are associated with higher ML/TF risk;
- limits on the size of deposits and transfers from unidentified third parties, in particular where this is unexpected; and
- prohibiting cash withdrawals from third countries.³⁸

Since these limitations might contradict what PAD's basic payment account implies, the EBA gives an analysis concerning the latter:

"After 18 September 2016, where asylum seekers intend to use a payment account with basic features, the PAD will apply. This means that credit institutions will be unable to refuse the

³³ The European Banking Authority, 2016. Opinion of the European Banking Authority on the Application of Customer Due Diligence Measures to Customers who Are Asylum Seekers from Higher-Risk Third Countries or Territories

³⁴ *Ibid.*

³⁵ *Ibid.*

³⁶ *Ibid.*

³⁷ *Ibid.*

³⁸ *Ibid.*

opening of the account unless the opening of the account or its subsequent use would result in a breach of national law transposing the applicable AML/CFT Directive, for example, because the credit institution cannot manage the ML/TF risk associated with the business relationship.

The EBA considers it unlikely that the condition for refusal would be met generally or solely on the basis that a prospective customer originates from a higher-risk country or territory and/or has legitimate reasons for providing less robust evidence of identity; this would likely be incompatible with the PAD and not be in line with the risk-based approach set out in the AML/CFT Directives. But while in standard situations a basic payment account must allow for the execution of an unlimited number of operations in relation to the services included in Article 17(1) of the PAD, credit institutions will be able to limit a basic payment account's services on a case by case basis where this is necessary to manage the ML/TF risk they have identified. However, to ensure compliance with the PAD, it is important that such limits only apply to the extent that they would also apply to other customers and accounts in similar risk scenarios. Where credit institutions decide to refuse or limit the services of a basic payment account for AML/CFT compliance purposes, they should document their reason for so doing and stand prepared to demonstrate to their competent authority that these steps were appropriate and commensurate to the ML/TF risk associated with the individual business relationship.”³⁹

To conclude, while EBA acknowledges that official identity documents issued by the EU Member States to confirm asylum seekers' status will likely satisfy the identification and verification requirement of AML/CFT regulations and believes that there will be relatively few cases where it will be necessary for credit or financial institution to decline a business relationship with an asylum seeker from a higher-risk third country or territory on ML/TF grounds, it allows offering a more limited range of services commensurate to the risks of such customers and suggests setting up stricter monitoring controls, which will be conducive to early intervention in the event of suspicion.

According to FATF, several Member States, including Belgium, France, Germany, Luxembourg, and Sweden, have taken measures to ensure access to basic financial services for asylum seekers based on the EBA Opinion. These are the experiences of the countries using asylum seeker's official documentation as an identification method that FATF studied:

“In Sweden, an agreement between authorities and the banking sector allows banks to contact the Migration Agency to conduct certain checks (e.g. on the validity of the card, asylum-seeker status underlying identity papers) through a specifically dedicated telephone line.

In Germany, a special regulation issued by the Ministry for Internal Affairs provides rules for the customer identification of refugees. For refugees who have to be registered without identity papers a preliminary document (“proof of arrival”) can be used. In Belgium, a July 2016 Circular of the Central Bank clarifies that the documents issued to persons applying for a residence permit or refugee status by a Belgian authority can be used to verify the identity of the customer. In France the financial supervisor (ACPR) issued guidelines in

³⁹ *Ibid.*

December 2016 to specify that the official identity document called “certificate of asylum seeker” with photograph and an expiration date can be used as a valid identification document by banks.

In the Netherlands, under certain conditions, registered asylum seekers receive a limited allowance for food and clothing on a “Money card”, which is a pre-paid debit card with an individual pin number issued by a Dutch bank. The purpose of this Money card is to enable asylum seekers to provide for their basic needs, while the CDD process is ongoing. The initial customer identification and verification process (including sanction screening) is outsourced by the bank to the National Migration Agency. Asylum seekers can use the card immediately. The card has a value cap and can only be used at stores, and be loaded by the government agency dealing with asylum seekers. There is more flexibility in the timing of the CDD process to be finalised by the bank, while asylum seekers can use the card immediately. When the asylum seeker’s status changes, the card is blocked.”⁴⁰

Turkey is also an interesting example where the FIU has informed the Turkish banks that refugees, migrants, or asylum-seekers without the documentation specified in the AML/CFT Regulation on CDD, could validly present the foreign identification number issued by the Ministry of Interior. Banks can use this number to make a query in the government database and verify the information about the identity of the person.⁴¹

It is important to note that the recently published FATF Guidance on Digital ID allows refugee identity documents to provide proof of official identity in some cases.⁴²

3.2. Georgian Legislation on Customer Identification and Verification

In line with international standards, Georgian legislation also requires financial institutions to identify and verify their customers before entering into business relationships. In particular, the Law of Georgia on the Activities of the Commercial Banks requires that in business relations with its consumer and when verifying a transaction carried out by the consumer, a commercial bank must be aware of the identity and activity of its consumer and the level of risk of the activity concerning money laundering and the financing of terrorism.⁴³ This section summarizes the obligations of the commercial banks as accountable persons under Georgian AML/CFT legislation when providing services to asylum seekers and refugees, including obligations that are relevant when opening bank accounts.

Commercial banks and other financial institutions have an obligation to introduce an effective system for evaluating and managing the risks of money laundering and the financing of terrorism, taking into account the nature and volume of its activity.⁴⁴

⁴⁰ Financial Action Task Force, 2017. FATF GUIDANCE, Anti-Money Laundering and Terrorist Financing Measures and Financial Inclusion, with a Supplement on Customer Due Diligence

⁴¹ *Ibid.*

⁴² Financial Action Task Force, 2020. Guidance on Digital Identity

⁴³ Art. 21^{1.2} of the Law of Georgia on the Activities of the Commercial Banks

⁴⁴ Art. 8.1 of the Law of Georgia on Facilitating the Prevention of Money Laundering and the Financing of Terrorism

Besides, financial institutions are obliged to evaluate the risks of money laundering and the financing of terrorism of a client and to determine a risk level for the client before the latter enters into a single transaction or business relationship, as well as in the course of a business relationship with appropriate periodicity, and when essential circumstances related to the client change.⁴⁵

An accountable person is obliged to implement preventive measures when commencing a business relationship with a customer.⁴⁶ The preventive measures include:

- identification and verification of a client based on a reliable and independent source;
- identification of a beneficial owner and executing reasonable measures for the verification thereof based on a reliable source;
- determining the goal and the intended nature of a business relationship;
- monitoring a business relationship.⁴⁷

A subordinate legislative act of the Head of the Financial Monitoring Service of Georgia (FMS) lists the identification data necessary to be obtained by an accountable person in order to identify a client and/or a person acting on behalf of a client, as well as documents necessary to check the accuracy of the data⁴⁸. According to this regulation, in order to identify a customer, the accountable person has to obtain the following identification data: the name and surname; the date of birth; personal number (if any); number, date of issue, issuing country, issuing agency and validity of a document confirming his/her identity and/or citizenship; gender; the citizenship; place of birth – country (as well as city, if any); registered address; factual place of residence. As an exception from this general rule, it can identify legally resident customers of the Autonomous Republic of Abkhazia and Tskhinvali Region based on status-neutral documents or status-neutral travel documents.

Suppose the problems of the asylum seekers and refugees were connected with the difficulty of getting the necessary identification data. In that case, the same approach that was followed concerning the legally resident customers of the Autonomous Republic of Abkhazia and Tskhinvali Region could be borrowed for asylum seekers and refugees. Namely, the rule could be amended, allowing the use of a temporary identity card of the asylum seeker or residence card of the refugee for customer identification purposes. However, the same rule recognizes the possibility to verify the identity of a foreign citizen based on a residence card issued by the Public Service Development Agency and based on a temporary identity card issued by the same Agency without explicitly mentioning refugees and asylum seekers. Hence, the refusal to serve those customers is not connected with the identification and verification procedures under the AML legislation.

This was proved with the interviews conducted in the framework of this research. The interviewed banks confirmed that in identifying the client, bank operators are allowed to use temporary identification documents of the asylum seekers. The practice of one of the banks is that it provides employees with an internal procedure that they have to follow in client identification. That internal

⁴⁵ *Ibid.* Art. 8.4

⁴⁶ The detailed list of the grounds that require implementation of preventive measures is provided in Art. 11 of the Law of Georgia on Facilitating the Prevention of Money Laundering and the Financing of Terrorism

⁴⁷ Art. 10.1 of Law of Georgia on Facilitating the Prevention of Money Laundering and the Financing of Terrorism

⁴⁸ Order №2 of June 5, 2020 of the Head of the Financial Monitoring Service of Georgia on the Approval of the Procedure of Identification and Verification of a Customer by Accountable Person

procedure includes the template of a temporary identification document issued to asylum seekers. In general, when the document is issued by Georgian authorities, the procedure is simpler because the bank verifies it in the Public Service Development Agency database. The necessary information is retained automatically from the database, and if it is checked in green, the only job of the operator is to look at the photo given on the ID card and compare it with the person receiving the services. The problem that the operator may not recognize the ID card is minimal because of the process described above. The processes are similar in other financial institutions. One of them mentioned that whenever they first saw the document, they were confused, but after checking it with the Public Service Development Agency, they provide services to the customers with this document, and no other identification document is asked. Another bank said during the interview that the bank operators are aware of the documents that are issued to asylum seekers and refugees, but sometimes the document's design might not be exactly what they have provided in the instructions, and that might cause confusion. Besides, since those documents are rare, the operators may ask questions to confirm that they are acceptable. However, in general, they know the document and allow its use. It also depends on the individual operators. Unfortunately, some of them may not bother and ask if the document is adequate, and they may get rid of such clients.

It must be noted that both the temporary identity cards of asylum seekers and the residence cards of refugees include all the identification data that is required by the rule of FMS, namely name and surname, date of birth, personal number, number and date of issue of the document, issuing agency and expiry date of the document, citizenship, place of birth and address (address is not written on the temporary residence card though).

There is another regulation of the NBG listing the required documents for opening bank accounts⁴⁹. According to this rule, the bank account for natural persons is opened based on an identification document. The latter has the following meaning in the rule: “an identification document as defined by Georgian legislation or an equivalent document. The identity of a Georgian citizen or foreigner resident in Georgia may also be proved by relevant data (information) retrieved from the electronic database of the Civil Registry Agency in accordance with the legislation. Other identification documents may be used only in exceptional circumstances when a person does not hold the documents mentioned (for instance, in case of opening a deposit for a juvenile).” As was confirmed by the NBG, this instruction should be read in parallel with the AML/CFT regulations. Therefore, it is the Order №2 of June 5, 2020, of the Head of the Financial Monitoring Service of Georgia on the Approval of the Procedure of Identification and Verification of a Customer by Accountable Person that should allow the use of the documents issued to the asylum seekers and refugees and the decree of the NBG is not restrictive in that regard.

An accountable person is entitled to implement the preventive measures in electronic form in order to enter into a business relationship or a single transaction without having direct contact with a client and/or a person acting on behalf of a client, in accordance with the procedure established by a supervisory body (in this case - the NBG) and operational/technical procedures agreed with this body, ensuring the effective management of the risks of money laundering and the financing of terrorism. Considering the increasing significance of digital services, the electronic identification of

⁴⁹ Decree №24/04 of the Governor of the National Bank of Georgia of April 7, 2011 on the Approval of the Instruction on Opening Accounts at Banks

asylum seekers and refugees must not become impossible. Since, for electronic identification/verification, the decree adopted by the NBG requires the collection of the same identification data and verification based on the same documentation as determined by the rule of the FMS, there should not be any identification challenges.⁵⁰

3.3. High Risk Jurisdictions

There are circumstances when the Law requires the financial institutions to carry out intensified preventive measures. Those are cases associated with high risks, including when a client is a natural person whose place of registration and/or factual place of residence is in a high-risk jurisdiction. The list of the high-risk jurisdictions is approved by the NBG.⁵¹ It includes countries of origin of many asylum seekers and refugees in Georgia, including Iran, Syria, Iraq, and Afghanistan. However, the Law states that implementing intensified preventive measures is not mandatory if a client is a citizen of Georgia or a foreign person has a residence permit in Georgia. Therefore, while asylum seekers would not be considered foreigners with a residence permit in Georgia, the refugees may fall under this exception. On the other hand, residency is not the only risk criteria, and financial institutions have to assess other risk factors that affect the primary risk assignment to a client.

Sometimes instead of managing the risks as required by AML/CFT regulations, financial institutions tend to terminate or restrict relationships with customers associated with high-risk jurisdictions to avoid increased compliance costs, or they may have concerns about fines or loss of reputation.⁵²

Being from a high-risk country does not mean that one is not allowed to get financial services. Financial institutions decide to onboard such clients according to their risk appetite and internal policies and procedures. This research tried to identify those internal policies and procedures with the interviewed financial institutions. While they share many similarities, the approaches differ to a certain extent.

During the interview, one of the banks mentioned that if a customer is from Iran or Iraq, the procedure for opening an account is difficult not because he/she is an asylum seeker or refugee but because of the country where he/she comes from. The bank has a number of restrictions on customers from Iran, Iraq, Syria, and Nigeria because of the sanctions and the same treatment in the corresponding banks (since correspondent banks are used as intermediaries for conducting transactions in foreign countries, if they have sanctions on the customers of the named jurisdictions, violating those rules will result in corresponding accounts being closed. It is not only a financial but also a substantial reputational risk for the bank). In order to mitigate the risks, it opens accounts only in GEL. If such clients are students, they benefit from student cards. The bank confirmed that

⁵⁰ Art. 1.11(a) and (b) of the Decree №48/04 of the Governor of the National Bank of Georgia of March 30, 2021 on the Approval of the Rule on the Electronic Implementation of Preventive Measures by Accountable Person.

⁵¹ Decree N240/04 of the Governor of the National Bank of Georgia of December 18, 2019 on the Approval of the List of the High Risk Jurisdictions for the Purposes of the Law of Georgia on Facilitating the Prevention of Money Laundering and the Financing of Terrorism

⁵² Isaacs, Leon, Sarah Hugo, Gemma Robson, Charlie Bush, Poppy Issacs, and Iñigo Moré Martinez. 2018. "Impact of the Regulatory Environment on Refugees' and Asylum Seekers' Ability to Use Formal Remittance Channels." KNOMAD working paper 33, 2018.

it does have high-risk clients, but the decisions are made case-by-case. The services that such customers may receive are also determined in line with those risks.

Liberty Bank has an obligation to provide service to the clients who receive social allowances in line with the agreement with the government. Therefore, accounts are opened automatically regardless of nationality. However, suppose such a client asks for services beyond the social allowance. In that case, the standard procedures apply, namely, if he/she is from high-risk jurisdiction, enhanced preventive measures are carried out. If the circumstances raise doubts, the client will be rejected. As for citizens of Iran and Syria, since these countries are sanctioned, the majority of the banks worldwide cannot serve them. It does not mean that Liberty Bank does not provide social support to those customers, but otherwise, their accounts are limited – only in GEL. They can use their cards in Georgia freely because usually, the merchants in Georgia have acquiring services provided by local financial institutions. E-commerce is also delivered by local providers. If the processing does not happen in Georgia, the transactions might not be successful, but those are rare cases. They cannot shop on foreign websites, but in this case, they use e-wallets. Besides, they use money remittance systems because they cannot transfer money through their bank accounts internationally.

One of the interviewed financial institutions underlined that while enhanced CDD measures under the AML/CFT legislation are related to the customer's country of origin, having a residence permit is also relevant. If, for instance, a client is from a high-risk jurisdiction, enhanced preventive measures might not be carried out automatically if he/she has a residence permit. It is allowed by the Law of Georgia on Money Laundering and Terrorism Financing.

Another bank explained that it does not allow international transactions for clients from Iran and Syria as they are from sanctioned countries. On the other hand, they understand that they need banking to survive in Georgia, and they open accounts for them in local currency. The cards they get do not allow transactions with foreign merchants, but there is no problem with payments with local merchants.

The policy of another interviewed bank is that if an Iranian or Syrian customer wants to open an account and he/she declares that the aim is to conduct international transactions, then such application will be rejected. The reason is that international transactions for the citizens of the sanctioned countries are not allowed, and it may cause problems with corresponding banks internationally. Therefore, the bank offers GEL accounts that allow payments of bills, payments in the budget, and covering other everyday expenses.

According to the Banking Association, banks do not have distinct procedures for asylum seeker and refugee clients. They have a standard approach, meaning if such a client has a residence permit and works in Georgia (has revenue from the activities in Georgia), he/she will have access to a GEL account. The idea of having different treatment for asylum seekers and refugees is not very welcome among the banks because the changes will be costly and the risks in correspondent relationships will still remain. If a uniform and accessible database of asylum seekers and refugees existed, the procedures could be easier.

The Banking Association pointed out that AML/CFT regulations are broad. It was assumed that having specific rules on the treatment of asylum seekers and refugees would be much more efficient. Currently, in the absence of such specific rules, they operate by their internal procedures.

One concern raised during the focus group interviews with asylum seekers and refugees was that they pay more for the financial services than Georgian customers. One of the interviewed banks confirmed that it might have higher fees for non-resident clients, but it is not connected to being an asylum seeker or a refugee. Another one said that there is a higher fee for maintaining an account for high-risk clients because it is more expensive to serve those types of customers. However, one bank stated it does not have different interest rates or prices for its services. It clarified that there might be ongoing enhanced monitoring in the back office, but the client does not feel that. The only inconvenience for the client might be that the bank asks about the purpose of the transaction and other information more frequently, but this does not affect the price of the product.

4. Loans and Overdraft Facilities

Focus group interviews with refugees and asylum seekers revealed that while most of them have access to some sort of bank account, almost all of them find it difficult to get credit. It is especially difficult for asylum seekers.

When approving the loans, the credit institutions not only need to satisfy the requirement of AML/CFT legislation but also have to manage credit risks. Getting credit has become more difficult in recent years, not only for asylum seekers and refugees but also for Georgian citizens, due to the regulations issued by the NBG related to responsible lending. The first such regulation was adopted in 2018 by the NBG, and it was repealed in 2020 by a new act approving the rules of issuing loans to individuals.⁵³ All credit institutions must analyze a client's creditworthiness before issuing a loan. The assessment must include a detailed analysis of income, expenditure, and total liabilities of an individual, verification of the information received, checking the credit history in the credit bureau, analyzing all the relevant factors that may negatively influence repayment, etc.⁵⁴.

It is acknowledged by the UNHCR as well that despite the high demand for credit among refugees, careful client appraisal, including a detailed assessment of repayment capacity, is necessary before offering credit products since not everyone will benefit from debt.⁵⁵

It was difficult to identify the reasons behind the refusal to issue loans in Georgia from the focus group interviews with asylum seekers and refugees. They suspected that the rejection was connected to the fact that they were not Georgians. Of course, there is no such prohibition in the legislation, and citizens of foreign countries are allowed to get credit in Georgia. The reason lies in the internal policies of the financial institutions. For instance, one of the interviewed credit institutions issues loans only to the citizens of Georgia, which is a restriction determined by their own internal policy.

⁵³ Decree N44/04 of March 13, 2020 of the Governor of the National Bank of Georgia on Approving the Rule on Crediting Physical Persons

⁵⁴ *Ibid.* Art. 3

⁵⁵ UNHCR, SPTF (2017). Serving Refugee Populations – The Next Financial Inclusion Frontier. Guidelines for Financial Service Providers

As explained by this credit institution, the rationale behind this restriction is that about 95% of their loan portfolio is secured. Since asylum seekers and refugees do not have assets to use as collateral and there might be issues related to the enforcement of the claims as well as legal problems, including the ones related to the delivery of the letters, it was decided to credit only Georgian customers.

Other financial institutions do not restrict issuing loans to non-resident customers, but as already mentioned, apart from the compliance costs related to the AML/CFT legislation, in the case of lending, they also have to assess credit risks, and the banks might not consider it worth doing. Banks mentioned that asylum seekers and refugees usually cannot prove that they receive regular income or do not have regular income at all. Hence the financial institutions do not have the necessary evidence to approve the loan. The difficulty lies in the assessment of the creditworthiness of the consumer. It was suggested that in terms of access to finance, the problem is not in the regulations but rather in the economic integration of asylum seekers and refugees. If there is no source of income, they obviously cannot get credit. Several banks pointed out that if refugees have residence permits and have jobs, they may well get credit from them. One of the banks stated that decisions are made after an individual assessment of the risks. They do not provide much unsecured loans. Their repayment must be guaranteed by collateral, regular salary, etc. Therefore, if the customer does not work and cannot secure the loan, he/she will not be credited, which is a standard procedure for all.

Besides, the identification documents that are temporarily issued might indicate to the staff of the banks that their situation in Georgia is not certain, and they may be inclined to avoid crediting them. Indeed it was confirmed by one of the banks that when the identification document is issued for one year, and there is a doubt that such a client may later leave Georgia, the bank is prone not to approve the loan taking into account the long-term prospects and the unlikelihood of the repayment of the loan.

The Banking Association mentioned that if a customer has a permanent residence permit, he/she may get a loan. However, crediting a client who holds a temporary residence permit is challenging because there are no enforcement mechanisms if compulsory recovery becomes necessary.

5. International Experience

This study tried to identify international best practices related to the financial inclusion of refugees and asylum seekers. The task was not easy because access to financial services is a challenge for refugees and asylum seekers almost everywhere. Access to quality financial and banking services for forcibly displaced persons, including payments and transfers, microfinance, savings, loan, and

insurance facilities, is minimal.⁵⁶ They have no access to formal banking facilities or products with limited functionality⁵⁷. This may reflect already low levels of financial inclusion in a host country⁵⁸.

Below is an overview of the experiences of some of the developed countries. The financial sector, especially banking, is quite developed in Georgia, and that is why the study looked at the examples of the developed economies.

As the research revealed, access to traditional banking services stays a challenge in most countries, and the fintech industry is emerging as a solution. For instance, it is suggested that digital identity tools have the potential to unlock new, underbanked customer bases⁵⁹. Digital banking products, including cross-border payments and remittances services, could also serve the needs of refugees as they can be better tailored to the needs of the refugee client segment⁶⁰. As for the credit, since very few traditional banks offer credit or loan facilities to refugees, alternative lending tools can help refugees get over the hurdles around KYC requirements and lack of credit history or collateral⁶¹. As underlined by UNHCR, the digital inclusion of refugees is a vital component of their protection, self-reliance, and resilience⁶².

In addition, it is a common understanding that increasing the financial literacy and capabilities of refugees and asylum seekers is vital because whenever supported, the experience shows that they are willing to use different financial products and have the capacity to do so effectively.

As highlighted in the new Action plan on Integration and Inclusion of the EU:

“Migrant entrepreneurs contribute to economic growth, create jobs and can support the post-COVID-19 recovery. However, they face several challenges, such as a lack of networks, difficulties in accessing credit and insufficient knowledge of the regulatory and financial framework. Access to financial information and increased financial literacy can play an important role in overcoming these challenges. The availability of and access to financial services is essential for all migrants to fully participate in a country’s economy or build a stable life for themselves and their families, including as regards sending remittances. Digital finance can help in making financial services more accessible”.⁶³

Besides, the role of private initiatives has to be underlined. Whenever the private sector is sensitized to the problems of this vulnerable group, it can offer unique solutions. It is especially true about access to microfinance. Some examples of successful private initiatives can be found below.

⁵⁶ Alliance for Financial Inclusion, 2017. Financial Inclusion of Forcibly Displaced Persons: Perspectives of Financial Regulators Bringing Smart Policies to Life, A Special Report on Current Policy and Regulatory Approaches to Addressing Financial Inclusion for Forcibly Displaced Persons

⁵⁷ *Ibid.*

⁵⁸ *Ibid.*

⁵⁹ Allie Burns, Ben Younkman, Marta Zaccagnini. Breaking Down Barriers, Fintech Solutions for Refugees, Europe Focus.

⁶⁰ *Ibid.*

⁶¹ *Ibid.*

⁶² UNHCR, 2020. UNHCR Cash Assistance, Digital Payments to Refugees, A Pathway towards Financial Inclusion.

⁶³ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions, Action plan on Integration and Inclusion 2021-2027

5.1. Germany

Germany seems to be the focus of many studies related to the financial inclusion of refugees and asylum seekers. One of the studies conducted with refugees from Syria residing in Germany shows interesting results, which in many aspects resemble the situation in Georgia.

The study showed that most of the refugees interviewed had a bank account in Germany.⁶⁴ All but one person had a bank account at the Sparkasse (the Germany saving bank)⁶⁵. The reason for this was the following: refugees were sent to the Sparkasse by people in refugee shelters; there is a dense network of Sparkasse branches in Berlin, and so people feel that it makes banking easy; and finally, there seem to be peer effects, meaning that people tend to open bank accounts at the bank where other individuals in their social circle already have an account⁶⁶. Some respondents use their bank accounts relatively often, but some refugees said that they take all the money they receive out of their account and store it in cash⁶⁷. This is because the Syrian economy is mostly cash-based, and there seems to be some confusion about the fee structure of the bank account.⁶⁸

The authors of the mentioned study conclude that the inclusion of Syrian refugees into the German financial system has been relatively successful on a basic level since most people do own an account, and most people use their accounts regularly.⁶⁹ On the other hand, only less than one-third of the sample reported using online banking, a more sophisticated financial service. In addition, none of the refugees that the study interviewed had any other financial product from a German bank.⁷⁰

One worrying result was that a number of refugees had credit cards that they got on the internet⁷¹. These cards seem to have relatively high credit limits, and at the same time, participants do not seem to understand that these cards come with high-interest rates.⁷² There seems to be a strong reliance on informal finance. Since transferring money to Syria through a normal bank account is not allowed by AML/CFT requirements, there is a black market through which to send money to Syria.⁷³

5.1.1. Opening Bank Account

One of the solutions to the problems related to the financial inclusion of refugees and asylum seekers is ensuring their easier access to bank accounts. In Germany, all banks are mandated to open accounts for the asylum seekers and refugees.⁷⁴ In some cities, Sparkasse bank opened special branches staffed with employees trained on KYC verification and language support (translators,

⁶⁴ CeSSI, 2018. Financial Inclusion of Migrant in Germany.

⁶⁵ *Ibid.*

⁶⁶ *Ibid.*

⁶⁷ *Ibid.*

⁶⁸ *Ibid.*

⁶⁹ *Ibid.*

⁷⁰ *Ibid.*

⁷¹ *Ibid.*

⁷² *Ibid.*

⁷³ *Ibid.*

⁷⁴ Swati Mehta Dhawan, 2018. Financial Inclusion of Germany's Refugees: Current Situation and Road Ahead, Working Paper N2, European Microfinance Network.

brochures in several languages, videos in Arabic)⁷⁵. Refugees can open a Giro Bank account, which is a normal current account allowing them to pay bills, receive/send funds, and withdraw cash⁷⁶. There is no facility to overdraw these accounts, and the charges are the same as any other current account customer⁷⁷.

There is no ambiguity about the use of the identity documents of asylum seekers and refugees under the AML/CFT legislation since the German regulator – BaFin explicitly allowed the use of travel documents for foreigners, refugees, stateless persons, and emergency travel documents for verifying the identity of natural persons⁷⁸. By mandating all banks to open accounts for asylum-seekers and refugees, the regulator played a proactive role.⁷⁹ It had simplified access to basic accounts for refugees even before the implementation of PAD.⁸⁰

5.1.2. Remittances

Access to remittances for refugees, especially asylum seekers, is hindered by a lack of clarity in the KYC requirements under the AML/CFT laws⁸¹. The international remittances market continues to be dominated by traditional IMTOs, such as Western Union, and cash-to-cash services.⁸² As was revealed by the study summarized above, a number of informal channels exist. Such ‘black markets’ have the largest market share⁸³. The main reasons for their prevalence are lower ‘perceived’ cost, the convenience of sending/receiving, and trust and privacy of these channels.⁸⁴

5.1.3. Microfinance

Access to affordable credit to smoothen consumption, overcome financial emergencies, and leverage economic opportunities, such as starting a business, is key to financial self-reliance⁸⁵. Refugees in Germany get financial support for training and starting a business from Jobcentres (German employment agency)⁸⁶. Another formal source of credit is micro-credit⁸⁷. There have been some pilot programmes to offer micro-credit loans to refugee entrepreneurs⁸⁸. The Investitionsbank Berlin started an initiative as part of which it will be able to give out microloans to refugees, even if

⁷⁵ *Ibid.*

⁷⁶ *Ibid.*

⁷⁷ *Ibid.*

⁷⁸ BaFin, 2018. Interpretation and Application Guidance in relation to the German Money Laundering Act (Geldwäschegesetz – GwG).

⁷⁹ Swati Mehta Dhawan, 2018. Financial Inclusion of Germany’s Refugees: Current Situation and Road Ahead, Working Paper N2, European Microfinance Network.

⁸⁰ BaFin, 2015. Annual Report, Federal Financial Supervisory Authority.

⁸¹ Swati Mehta Dhawan, 2018. Financial Inclusion of Germany’s Refugees: Current Situation and Road Ahead, Working Paper N2, European Microfinance Network.

⁸² *Ibid.*

⁸³ *Ibid.*

⁸⁴ *Ibid.*

⁸⁵ *Ibid.*

⁸⁶ *Ibid.*

⁸⁷ *Ibid.*

⁸⁸ *Ibid.*

they do not have permanent residence status⁸⁹. The duration of the loans will be linked to the time that the refugee is allowed to stay in the country⁹⁰. The maximum amount that can be borrowed is 25000 Euro, and the application is argued to be relatively easy⁹¹. Apart from this, there is a possibility of crowdfunding, but the exact number of refugee entrepreneurs funded is not available.⁹²

Since 2015, there has been an emergence of business incubators mentoring refugee entrepreneurs. These institutions provide business-planning support to refugees but have no link to financing.⁹³

In addition, refugee students studying at university receive a monthly allowance of €735 from Bafög, which is half subsidy and half interest-free loan.⁹⁴

5.1.4. Raising awareness

There are several governmental and non-governmental initiatives designed to raise awareness of refugees and asylum seekers, including integration courses, centers giving advice and counseling to migrants, modules to teach young migrants the financial system in Germany, websites that contain some videos and example letters that are designed to help refugees with issues that affect consumers; provide information about finance aimed at young people or provide materials for teachers.⁹⁵

5.1.5. Challenges

Refugees still rely on cash-based channels for conducting financial transactions such as savings, money transfers, payments, and cross-border remittances⁹⁶. Their accounts are primarily used to receive cash assistance from the authorities and withdrawal⁹⁷. This restricts their ability to access safe and secure financial tools and the opportunity to build a financial history⁹⁸.

It seems the financial products that refugees use in Germany are still limited, and the usage of bank accounts to save or make payments remains low.⁹⁹ Despite regulations that make it easy for refugees to open basic bank accounts, these accounts are insufficient for all their client needs¹⁰⁰. Because of their limited functionality and because they are monitored by the department issuing social security,

⁸⁹ CeSSI, 2018. Financial Inclusion of Migrant in Germany.

⁹⁰ *Ibid.*

⁹¹ *Ibid.*

⁹² Swati Mehta Dhawan, 2018. Financial Inclusion of Germany's Refugees: Current Situation and Road Ahead, Working Paper N2, European Microfinance Network.

⁹³ *Ibid.*

⁹⁴ *Ibid.*

⁹⁵ CeSSI, 2018. Financial Inclusion of Migrant in Germany.

⁹⁶ Swati Mehta Dhawan, 2018. Financial Inclusion of Germany's Refugees: Current Situation and Road Ahead, Working Paper N2, European Microfinance Network.

⁹⁷ *Ibid.*

⁹⁸ *Ibid.*

⁹⁹ Swati M. Dhawan, 2020. Understanding Financial Literacy among Refugees in Germany

¹⁰⁰ Allie Burns, Ben Younkman, Marta Zaccagnini. Breaking Down Barriers, Fintech Solutions for Refugees, Europe Focus.

refugees in Germany feel that they are left with little choice but to use informal and/or illegal alternatives to take loans, transfer money internationally, or make online purchases¹⁰¹.

The key barriers and challenges faced are as follows:

- Lack of understanding of and trust in the financial system and fear of losing cash assistance;
- Uncertainty about the future;
- Limited coping mechanisms, 'reactionary' money management, and low self-confidence;
- Limited support for entrepreneurship finance and self-employment;
- Lack of understanding of needs and potential of different segments¹⁰².

Banking regulations, particularly the KYC requirement, are the major barrier to financial inclusion. Licensed banks in Germany are mandated to use the 'Postbank' (postal service) to check that a potential client meets KYC requirements¹⁰³. The Postbank has a list of nationalities from whom it cannot process passports (including Syrians, Afghans, and Pakistanis, among others)¹⁰⁴. This means that people from the top refugee-producing countries cannot access banking services with any licensed bank in Germany¹⁰⁵.

Apart from the focus on financial literacy, which is hugely important, the fintech industry seems to be the way forward suggested to Germany. Even though fintech companies do not focus on refugees as a segment yet, this growing industry has the potential to improve access to financial services for them in the future¹⁰⁶. As the traditional banking system is not built to accommodate refugees' needs, Fintech solutions could fill the current gap¹⁰⁷.

5.2. United Kingdom

For all individuals, having access to a bank account is key to becoming financially included in the UK.¹⁰⁸ A basic bank account is a key financial inclusion product, providing consumers who are refused a standard account with a transactional bank account which is fee-free for everyday banking, but does not have a checkbook or overdraft facility¹⁰⁹. As the Government reports, it is committed to reducing the number of unbanked adults further by encouraging the provision of basic bank accounts for those who are unable to obtain a standard bank account and ensuring firms are meeting their obligations to provide these accounts.¹¹⁰

¹⁰¹ *Ibid.*

¹⁰² Swati Mehta Dhawan, 2018. Financial Inclusion of Germany's Refugees: Current Situation and Road Ahead, Working Paper N2, European Microfinance Network.

¹⁰³ Allie Burns, Ben Younkman, Marta Zaccagnini. Breaking Down Barriers, Fintech Solutions for Refugees, Europe Focus.

¹⁰⁴ *Ibid.*

¹⁰⁵ *Ibid.*

¹⁰⁶ Swati Mehta Dhawan, 2018. Financial Inclusion of Germany's Refugees: Current Situation and Road Ahead, Working Paper N2, European Microfinance Network.

¹⁰⁷ Allie Burns, Ben Younkman, Marta Zaccagnini. Breaking Down Barriers, Fintech Solutions for Refugees, Europe Focus.

¹⁰⁸ HM Treasury, 2020. Financial Inclusion Report 2019-2020

¹⁰⁹ *Ibid.*

¹¹⁰ *Ibid.*

Lloyds has committed to helping customers access banking and is partnered with over 30 charities in the UK to support the opening of bank accounts for consumers with limited documentation, including people who are homeless, refugees, fleeing domestic abuse, impacted by modern slavery and ex-offenders¹¹¹. It has launched a program to allow refugees and vulnerable groups to use alternative sources of ID to access banking¹¹². Through the Lloyds Foundation, the bank connects with charities supporting refugees, homeless people, and victims of domestic abuse to understand their needs better¹¹³. Charities verified by the foundation can provide letters of recommendation to the bank's branches, confirming the identities of people applying for accounts.¹¹⁴

In the UK, refugees can apply for an integration loan to pay for rent or household items and education and training for work¹¹⁵. Integration loans are funded by savings made from the abolition of back-dating of income-related benefits, which happened simultaneously with the introduction of the loan scheme¹¹⁶. Integration loans are interest-free. Refugees have to pay back what they borrow by making regular payments¹¹⁷. They can borrow between £100 and £500. It is directly paid into the bank or building society account of the refugees. They do not have to start repaying the loan until six weeks after getting the money.

Through the Money and Pensions Service, the UK provides free and impartial debt advice, money guidance, and pension guidance to members of the public.¹¹⁸ Although refugees are not specifically targeted, they can benefit from relevant advice on financial products including bank accounts and remittance services.¹¹⁹ Several non-profit organizations in the UK provide financial education programs for vulnerable groups, including migrants and their families - who typically have lower financial literacy than residents¹²⁰.

5.3. United States

IRC's report, which offers good insights into the financial situation of refugees in their first years in the U.S., describes the financial products tailored to the needs of refugees. As the report suggests, refugees and immigrants in the U.S. typically arrive with very few assets and, by definition, have no financial history¹²¹. Since they have no credit score, it is challenging to start building financial

¹¹¹ *Ibid.*

¹¹² British lenders face up to challenge to bank refugees, available at:

<https://capitalmonitor.ai/institution/banks/british-lenders-face-up-to-challenge-to-bank-refugees/>

¹¹³ *Ibid.*

¹¹⁴ *Ibid.*

¹¹⁵ Refugee integration loan, information available at: <https://www.gov.uk/refugee-integration-loan>

¹¹⁶ Integration loans policy guidance, available at:

https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/410929/Updated_loan_guidance_2015_v1_8.pdf

¹¹⁷ Refugee integration loan, information available at: <https://www.gov.uk/refugee-integration-loan>

¹¹⁸ Money and Pensions Service, available at: <https://www.gov.uk/government/organisations/single-financial-guidance-body>

¹¹⁹ OECD, 2015. Financial Education for Migrants and Their Families: OECD/INFE Policy Analysis and Practical Tools

¹²⁰ *Ibid.*

¹²¹ International Rescue Committee, 2017. Financial Capability for New Americans, Lessons from Early Interventions with Refugees

assets¹²². The lack of a credit score means they may not have access to mainstream financial products while they may have a strong need for access to credit¹²³. Affordable, appropriate financial products - offered in conjunction with financial capability services - are critical in supporting refugees and immigrants in building a strong financial future¹²⁴.

The IRC offers products that are responsive to the cultural needs of refugee communities, such as interest-free products that are structured to be accessible to those for whom their religious beliefs preclude them from taking an interest-bearing loan, or earning interest on a savings product¹²⁵. Similarly, the IRC promotes saving among many first-time savers through financial incentives¹²⁶. Matched savings help clients learn saving, but even more significantly, contribute to overcoming the lack of critical assets¹²⁷.

The report lists the financial products that meet the primary financial demands of the refugees and highlights the importance of financial education and coaching:

“These products cover a spectrum of early financial demands and are designed to meet the needs of refugees in their first years in the U.S. They are deployed over the entire range of a refugee’s engagement with financial capability programs to support specific goals such as establishing a credit score, building an emergency savings reserve, or buying a car to allow a refugee to take a better paying job in a different location. Products range from very small loans targeted to establishing a positive credit to more substantial microenterprise loans that go to aspiring entrepreneurs who may be neglected by mainstream creditors. They are products that help refugees establish a credit score, secure transportation, start businesses, weather emergencies and build savings.

The integration of financial products into the overall financial capability work with a refugee family can help the family establish and build credit, save for emergencies and access needed funding to facilitate progress on increasing household income. Financial products can help refugee families avoid financial missteps, such as taking on high-interest debt that can haunt the family for years to come.

By offering financial products in the context of broader financial capability services — notably financial education and coaching — refugees have the opportunity to learn to manage debt in a supported environment that is explicitly focused on building their capacity. The success of New Americans using these products is apparent in the key indicators of incentivized savings programs (over 1,000 refugees have met savings goals), as well as repayment rates on IRC consumer and business loan products (94%), demonstrate clearly that financial products are a tool that refugees can use successfully with appropriate support.”¹²⁸

¹²² *Ibid.*

¹²³ *Ibid.*

¹²⁴ *Ibid.*

¹²⁵ *Ibid.*

¹²⁶ *Ibid.*

¹²⁷ *Ibid.*

¹²⁸ *Ibid.*

Some remarkable examples of how the community is involved in immigrants' financial access are given in the publication of the Federal Reserve Bank of Chicago and the Brookings Institution. Although published in 2006, these examples are still relevant to show that many individuals have a stake in the immigrant population's progress towards full incorporation into the economic and social fabric of the country¹²⁹. One such example is a community-based organization that provides services to Vietnamese refugees to improve their financial access by providing education, assisting in tax matters, and offering other programs¹³⁰. This is done in collaboration with financial institutions.

Another case demonstrates how the bank achieved a position of trust within the immigrant community by working through local high schools¹³¹. In an effort to reach the next generation of clients, a number of banks and credit unions have opened bank branches in high schools. The children of immigrants can be an important point of contact for financial institutions that can introduce their parents to mainstream financial services¹³².

One interesting case is related to a proactive approach to solving a crime problem that became an innovative partnership to build financial access for immigrants. The local police department led the effort to convince banks to accept alternative forms of identification for opening accounts¹³³.

Another initiative was to unite regulators, bankers, consular officials, and community economic development practitioners around the topic of immigrant financial access¹³⁴. New Alliance Task Force members work to address the barriers that prevent immigrants from using the banking system¹³⁵. The range of participants, together with active involvement by government agencies and large banks, has raised the effectiveness of these efforts to promote immigrant access to the financial mainstream¹³⁶.

5.4. Private Initiatives

Private sector actors are inherently well-positioned to empower refugees and enhance the efforts to enable access to financial products and services¹³⁷. Multinational corporations like Mastercard, regional and national businesses such as Equity Bank, and others demonstrate the private sector's potential roles in supporting refugees and host communities¹³⁸. Detailed information on the private initiatives across Africa and the Middle East can be found in IFC's study - Private Sector and Refugees.

Below is provided selected information on some of the initiatives of a private bank in Europe.

¹²⁹ Federal Reserve Bank of Chicago and the Brookings Institution, 2006. Financial Access for Immigrants: Lessons from Diverse Perspectives

¹³⁰ *Ibid.*

¹³¹ *Ibid.*

¹³² *Ibid.*

¹³³ *Ibid.*

¹³⁴ *Ibid.*

¹³⁵ *Ibid.*

¹³⁶ *Ibid.*

¹³⁷ IFC, 2021. Private Sector and Refugees, a Pathway to Scale.

¹³⁸ *Ibid.*

BNP Paribas has set up a significant policy of helping refugees in Europe through various programs¹³⁹. In 2018, it decided to continue its support plan for the inclusion and integration of refugees by dedicating 4.5 million euros by 2021. BNP Paribas, in 10 countries in Europe, carries out numerous actions to help refugees find work, supporting several associations and numerous Microfinance Institutions.¹⁴⁰

In France in Montreuil, BNP Paribas supports a business incubator to help refugees create their companies¹⁴¹. They will receive personalized support by providing IT tools, workrooms, access to training and workshops, and individualized mentoring, and they will benefit from a professional ecosystem¹⁴². This innovative partnership is designed to enable refugees to benefit from comprehensive support committed to removing all obstacles inherent in the entrepreneurship of refugees¹⁴³.

In Europe, BNP Paribas has been supporting Microfinance Institutions that promote financial inclusion for several years. The latter grants loans to people who are excluded from the banking system.¹⁴⁴ In Belgium, microStart offers a comprehensive and dedicated approach to refugees.¹⁴⁵ In Luxembourg, Microlux has created a guarantee fund aimed at promoting the professional integration of refugees through entrepreneurship¹⁴⁶. In Italy, PerMicro supports many families and promotes the creation and development of companies in various sectors¹⁴⁷. PerMicro highlights the impact on people who, before receiving a microloan, did not have access to funding through traditional channels. In almost eight years, more than 700 entrepreneurs and 2,700 families have changed their status from without access to banking to having bank accounts¹⁴⁸.

6. Recommendations

Change the legislation to implement PAD:

As was discussed above, implementation of the provisions of PAD will likely improve the legal guarantees of asylum seekers and refugees. Art. 21¹.4 of the Law of Georgia on the Activities of the Commercial Banks that allow the commercial banks to refuse to open accounts or provide services without any justification should be amended in such a way as to recognize the rights of anyone legally residing in Georgia to have access to a basic payment account. The rest of the regulations related to such accounts might be laid down in the decree of the Governor of the NBG. Namely, it should provide the definition of the basic payment account, its characteristics, etc. It should oblige banks to give reasons for rejection and advise the consumer of the procedure to submit a complaint

¹³⁹ How are BNP Paribas and its partners helping refugees in Europe start a business? Available at: <https://group.bnpparibas/en/news/bnp-paribas-partners-helping-refugees-europe-start-business>

¹⁴⁰ *Ibid.*

¹⁴¹ *Ibid.*

¹⁴² *Ibid.*

¹⁴³ *Ibid.*

¹⁴⁴ *Ibid.*

¹⁴⁵ *Ibid.*

¹⁴⁶ *Ibid.*

¹⁴⁷ *Ibid.*

¹⁴⁸ *Ibid.*

against the refusal. The consumer should also have the right to contact the relevant competent authority and designated alternative dispute resolution body. If this regulation is complemented with the alternative dispute resolution body set up at the NBBG with the mandate to adjudicate consumers' complaints in the area of payment services, the protection of the asylum seeker and refugee customers will substantially increase. Therefore, setting up a designated dispute resolution body is highly recommended. It will allow asylum seeker and refugee customers to settle disputes more rapidly and inexpensively than by referring to courts.

Raise Awareness and Financial Literacy of Asylum Seekers and Refugees:

Good quality financial education for refugees and migrants as a complement to supply-side financial inclusion initiatives and financial consumer protection appears to be an important component of any attempt to support these vulnerable groups, reduce poverty and increase financial well-being and financial stability.¹⁴⁹ Researches in the field clearly show a positive link between education level and financial inclusion, highlighting, as well, that unemployed, low-income families and immigrants represent social groups in need of special attention with regard to initiatives for financial education¹⁵⁰.

Focus group interviews revealed that asylum seekers and refugees do not know much about the variety of financial institutions and their innovative products and mostly refer to banks for getting traditional services. The level of their financial inclusion might increase if, for instance, they are equipped with the information on how to use prepaid cards or e-wallets opened at the payment service providers.

Focus group interviews showed their willingness to learn more about the financial institutions and their products. Apart from the fact that the interviewees themselves pointed out that they lack information about the rules and procedures for receiving desired financial services, their need for awareness-raising was demonstrated by the number of questions they asked during the interviews. Indeed, they need to be aware of their opportunities to access financial services, how those services work, as well as their rights and responsibilities related to financial access in the communities into which they are displaced especially bearing in mind that they face language barriers, absence of their local social and support networks and other hurdles.¹⁵¹ Their financial choices and behavior might be influenced by concern over documentation, assumed or actual legal restrictions¹⁵² which was proved by focus group interviews.

They need to become familiar with the financial landscape and understand the conditions of financial services in order to make informed and sound financial decisions¹⁵³.

¹⁴⁹ OECD, 2016. Responses to the refugee crisis Financial education and the long-term integration of refugees and migrants

¹⁵⁰ National Observatory on Migrants' Financial Inclusion in Italy, 2013. Good Practices for Financial Inclusion, a European Overview

¹⁵¹ GPMI Policy Paper, 2017. Financial Inclusion of Forcibly Displaced Persons, Priorities for G20 Action

¹⁵² *Ibid.*

¹⁵³ *Ibid.*

Besides, financial services must be provided responsibly, which requires an adequate consumer protection framework¹⁵⁴. During the meeting held with the representative of the Consumer Protection Department of the NBG, it became clear that there are not many complaints received from asylum seekers and refugees. Possibly the reason is that they do not have information about the existing consumer protection mechanism at the NBG, including its hotline. Therefore, the problem of awareness might be pressing.

One important direction of work of the Consumer Protection Department of the NBG is financial education. The representatives of the NBG said that whenever they plan activities in this field, they base their decisions on the available information and consider the severity of the problem in a specific group. The Department has not identified asylum seekers and refugees (or even foreigners) as such groups because they do not have information about the magnitude of their problems. Currently, they focus on youth and entrepreneurs. If they see the gravity of the situation of the asylum seekers and refugees, they express their readiness to integrate activities targeted at this group in their action plans. One idea discussed during the meeting with the Department was to publish targeted information on the financial education website. The website is administered by the NBG, and it is only available in Georgian language at this point. However, specific pages may be dedicated to the information useful for asylum seekers and refugees in different languages if so decided. During the meeting, they also brought up the idea to develop a non-binding document (guidelines or recommendations) for the financial institutions on how to serve the customers of this vulnerable segment. Therefore, there is a vast space of cooperation with the NBG in the consumer protection and financial education direction that has to be explored further.

Inclusion of asylum seekers and refugees or, more generally, migrants as a target group in the National Strategy of Financial Educations should be advocated¹⁵⁵.

Raise awareness among the financial institutions and, sensitize them on the problems of asylum seekers and refugees, encourage private initiatives:

It is important to find ways to leverage the willingness of financial institutions to serve asylum seekers and refugees with microloans and other services¹⁵⁶. They may already be an attractive customer segment for digital wallets and person-to-person transfers¹⁵⁷.

“Misinformation or a lack of information as well as a lack of direct contact with FDPs, and particularly with refugees, can entrench the perception of this target group being “high-risk” clients that do not warrant the investments required to develop an appropriate service model and business case. FSPs tend to assume that FDPs are much more mobile than they are, and also under estimate the financial capacities of the FDPs, some of whom are in reality

¹⁵⁴ *Ibid.*

¹⁵⁵ The current version of the National Strategy of Financial Education of Georgia does not include such a target group. For details, refer: <https://finedu.gov.ge/ge/finansuri-ganatilebis-strategia-1>

¹⁵⁶ Alliance for Financial Inclusion, 2017. Financial Inclusion of Forcibly Displaced Persons: Perspectives of Financial Regulators Bringing Smart Policies to Life, A Special Report on Current Policy and Regulatory Approaches to Addressing Financial Inclusion for Forcibly Displaced Persons

¹⁵⁷ *Ibid.*

quite competent and already economically active, or were in their home countries. Given the lack of information, however, the vast majority of financial service providers currently do not consider FDPs a viable market opportunity and therefore do not recognize the incentives to explore business models that would facilitate financial inclusion of FDPs¹⁵⁸.

It must be advocated among the credit institutions that asylum seekers and refugees might bear higher risks, but it calls for stronger risk management and not total avoidance, and that available evidence strongly suggests that refugees do not pose a significantly increased credit risk elsewhere.¹⁵⁹

Useful recommendations are given in the UNHCR Guidelines for Financial Service Providers on Serving Refugee Populations. Some of those recommendations that might be particularly useful in the Georgian context are provided below unchanged:

- Relying more heavily on character assessment;
- Assessing upfront whether the potential client is likely to relocate within 12 months, using indicators of intent to “put down roots” (e.g. children enrolled in school, spouse employed, etc.);
- Assessing commitment to business (e.g. space rental, membership in local business association, business registration, etc.);
- Verifying credit history in country of origin or evidence of regular remittances;
- Requiring the client to save or provide cash (or asset) collateral for loans;
- Beginning with more conservative risk mitigation measures initially and then adjusting them in stages.¹⁶⁰

The better the due diligence is upfront, the better and more appropriate the risk mitigation regime can become.¹⁶¹

In protracted displacement situations, there is growing recognition that FDPs may become ‘aid dependent’ unless they have the opportunity to integrate economically¹⁶². To ensure their economic integration, startup grants, microfinance, or other such initiatives may be helpful. As analyzed in this report above, such initiatives frequently come from the private sector, which has to be encouraged in Georgia as well. Besides, to increase access to finance, donor organizations could provide grants to the banks, who would then administer the loans for the asylum seeker and refugee beneficiaries. During the focus group interviews, the impression was that many asylum seekers and refugees have very entrepreneurial mindsets. Many of them had businesses in their countries of origin. Therefore, if they had access to credit products, their economic inclusion would further improve. If the government subsidizes their loans, the banks' interest to credit this segment might increase. This idea was discussed with the Banking Association, and they expressed their interest, especially concerning the newly arrived asylum seekers and refugees from Ukraine. They further elaborated the idea and proposed that the funding of donor agencies in combination with Enterprise

¹⁵⁸ GPMI Policy Paper, 2017. Financial Inclusion of Forcibly Displaced Persons, Priorities for G20 Action

¹⁵⁹ *Ibid.*

¹⁶⁰ *Ibid.*

¹⁶¹ *Ibid.*

¹⁶² Alliance for Financial Inclusion, 2017. Financial Inclusion of Forcibly Displaced Persons: Perspectives of Financial Regulators Bringing Smart Policies to Life, A Special Report on Current Policy and Regulatory Approaches to Addressing Financial Inclusion for Forcibly Displaced Persons

Georgia and bank credits would result in a credible program. Currently, the problem lies in the absence of collateral which will be resolved if these clients have support from the state or donor organizations.

Explore the role of fintech:

It is evident that the evolving payment landscape and implementation of digital technologies, including distributed ledgers, have the potential to substantially improve compliance, cost efficiency, and accountability¹⁶³. The financial services sector is seeing an explosion of technological solutions that will likely shape future financial inclusion strategies for FDPs. There is a range of potential opportunities for communities typically unable to access financial services. If banks are not attracted to this customer base because of its size, this segment might be interesting for the developing fintech companies.

¹⁶³ *Ibid.*

Appendix 1: Focus Group Interviews

Bank Accounts

Almost all the participants in the focus groups had some sort of bank account opened in Georgia. There were only a few exceptions, mostly asylum seekers. It was suggested that if anyone does not have a bank account, it might be an individual problem and not related to the general practice of the banks.

However, the interviews revealed that most asylum seekers, refugees, and humanitarian status holders have accounts only with one bank, namely TBC bank, and it was impossible for them to open an account with other financial institutions. Several Iranian interviewees said they got the information that TBC Bank was the only provider for them from other refugees living in Georgia. Others noted that they did apply to the other banks, but they got rejected, so there is common knowledge, especially amongst the Iranian refugees, that TBC Bank is their only service provider.

Interviews also showed that bank accounts opened by TBC bank have very limited features. In particular, the accounts are usually only in GEL and do not allow all transactions, even in national currency. However, some interviewees mentioned they did not encounter problems with opening unlimited bank accounts, including in foreign currencies. Some even have accounts in two or three banks in three currencies (GEL, Dollar, and Euro).

Refugees shared their experience concerning the limited bank accounts, saying that it does not allow them to pay online; for instance, they cannot buy domain for a website, purchase books on Amazon, etc. Besides, they cannot make all local transactions with their cards, e.g., it is impossible to pay for a taxi or even buy medicine in the pharmacies. It seems there is no difference between the features of the bank account of asylum seekers and refugees. Some refugees manage to open unlimited accounts allowing them to make online transactions and shop online. However, for the majority, it seems to be a problem.

One of the interviewees said that he applied to the BoG to open an account, but he got rejected because of the country he was originally from. One peculiar thing with his case was that his children managed to open accounts at the same bank without a problem because they were students. It seems the practice of the BoG is to open accounts for students irrespective of their nationality or status. One interviewee mentioned that years ago, he was refused to get an account from BoG, but once he became a student, the bank issued a student card without any problem.

It was mentioned that Silk Road Bank also gives access to dollar accounts to Iranian refugees and asylum seekers, but the service is very expensive and hence not affordable.

One of the interviewees said he applied to several banks, and none of them opened an account for him except for TBC bank. The only bank that gave a formal letter explaining the rejection was BoG. It said that the law gives banks the freedom to refuse services without justification, and the banks' decisions are based on their internal risk management policies. Several participants of the focus groups complained about the law giving banks the right to refuse services without stating any reasons.

Loans and Credit Cards

Both refugees and asylum seekers mostly cannot get credit cards or loans. There were only a few exceptions amongst the participants of the focus groups. One interviewee pointed out that if the bank account features are dependent on the applicant's nationality, the problem is common when it comes to getting loans. It was suggested that the reason might be that banks assume they are not here in a stable situation, and their status can be canceled at any time.

The perception in the group was that the denial to issue a loan was related to their citizenship and not their status. Besides, based on the responses they get from the banks, they think that only Georgian citizens are allowed to get a loan.

One refugee said he managed to get a loan from TBC bank, but it was more expensive for him than for normal Georgian citizens.

According to some interviewees, they were denied from getting a loan not only from banks but also from other financial institutions, such as loan issuing entities (so-called "Lombards") and microfinance organizations.

One of the refugees raised the issue of using deposits as guarantees. Since banks do take their deposits without a problem, they could use them as a guarantee for a loan. However, they do not change their practice for some reason, and it stays unclear to them from the risk management perspective.

Several participants talked about the problems of getting installment loans that they applied for in order to purchase household appliances, electronic devices, etc. Some mentioned that it was not so difficult to get installments years ago, but more recently, it has become almost impossible.

One asylum seeker applied for a second loan to the same branch of the same bank where he had already repaid the previous loan, but despite the unchanged circumstances and even though he had already paid back in full and in time, he was rejected.

Usually, banks ask for copies of the employment contracts to obtain information about the client's income. Some interviewees talked about the misunderstanding on the expiration date of the contract, but the problem does not seem to be connected with the status of the client. It was also pointed out that the decision whether to issue a loan or not is based on the opinions of the operators of the banks, and therefore the decision-making process is uncertain.

Money Remittances

Some asylum seekers mentioned they were unable to receive money remittances. The money transferred to them from abroad was sent back to the sender. As an alternative, they use Western Union and similar companies. Otherwise, they would not be able to receive payments.

Sometimes banks do not give asylum seekers or refugees the money transferred to them from abroad because their ID has expired.

Some asylum seekers are told by their bank that they cannot transfer dollars or euros outside Georgia.

Identification Documents

One interviewee said he applied for a microloan at TBC Bank as he wanted to finance his children's tuition fees. The Bank accepted the application, but after a while, they called him back and said they would not be able to issue the loan because of his temporary ID card. It seems temporary ID cards cause misunderstanding in the banks. The operators assume they have an uncertain situation in Georgia and refuse services. According to one interviewee, as soon as the bank operators look at their asylum seeker card, they say they cannot provide services. Besides, asylum seekers face problems connected to the ID renewal from a competent Georgian agency.

Another problem is that bank operators do not recognize their ID cards and ask the clients to bring international passports. One refugee mentioned that the operators do not ask for alternative documentation or inquire about their employment and income for issuing a loan. He did not get the requested services because the bank operators did not recognize his ID card. Others suggested that the issue is not the recognition. Most operators recognize the card, but as soon as they talk with their managers about the potential client with the asylum seeker ID card, they politely refuse to provide services. It was also mentioned that the awareness of the asylum seekers' ID cards exists only in Tbilisi, but in other cities, most people do not recognize them. In those cities, the refusal is based on the ID card, while in Tbilisi, the refusal is related to other reasons.

The humanitarian status holders receive financial support from the government through Liberty Bank. One of the status holders said that he did not encounter any problems until recently. Even though his ID card has not expired yet and will be valid for several years, he was asked to go to the Bank. The Bank explained it was a new rule that required reactivation of his card every year.

Another problem is connected with the refusal of the banks to update the information. One of the interviewees mentioned that he had to argue with the operator in the bank to change his contact information (his address in the banking system).

Lack of information

Some refugees emphasized the importance of awareness-raising. One of them questioned the proposition that they do not get loans because of foreign citizenship. She assumed the problem might be that they do not know the rules and procedures for granting loans. If they knew where to find that information, they would check the requirements in advance, increasing their chances of being provided with the requested service. Others also underlined that they do not know exactly their rights with the banks.

The need for awareness-raising was further demonstrated by the number of questions about the financial services that the beneficiaries asked during the interviews.

Ethnicity Based Discrimination

It was suggested that not all asylum seekers and refugees have limits on access to banks, but it depends on their nationality. For example, the experience is very different for Iranians. Syrians also have many limitations. According to one of the Community Group Facilitators, citizens from Iran, Syria, Pakistan, Bangladesh, and Iraq have the most restricted access to financial services, which is related to their ethnicity/country of origin.

Some refugees think that there is no difference in treatment between the asylum seekers and refugees, but rather the difference in treatment is related to their ethnicity or citizenship.

One of the participants argued that the restrictions they face in the financial system are not in line with the rights that the Government of Georgia conferred on them. He complained that many of the decisions are based on ethnicity and citizenship. It was suggested that for some ethnicities, the services are not just limited but “super limited.” Besides, there is no mechanism for handling complaints. One interviewee raised the issue of violation of fundamental human rights.

The situation seems to have changed after January 2018, and Iranians who had dollar accounts before were restricted the access. Besides, before 2018 several banks provided the services, but later on, the only one left was TBC bank.

One participant said he applied for opening an account with several banks, but none of them opened a bank account for an Iranian, blaming it on international sanctions. He complained that since they are asylum seekers or refugees, they do not have any other country to go to, and while they still need some communication outside of Georgia, it is impossible because of the restricted financial services they get.

For some Iranian beneficiaries, it was impossible to open a bank account for their companies, even with limited features. One of the Iranian refugees managed to open an account for his business, but he could not use the plastic card, and the account was only in GEL. It caused many inconveniences because he could not place orders online.

Beneficiaries, especially asylum seekers and refugees from Iran, feel very frustrated and discriminated. They say they have not heard such treatment from other countries, and they do not understand why Georgia maintains this policy against Iranians.

They mentioned that there are different policies even within the TBC's diverse branches.

One of the participants pointed out that the problem is not related to the amount of income, and banks discriminate even wealthy individuals in Georgia because of their ethnicity.

Other participants complained that Iranian or Syrian citizens who work for their government get the banking services in Georgia, while refugees from the same countries running away from their oppressive governments cannot.

One of the refugees from Iran shared his experience concerning money remittances. He reached BoG, but once they checked his ID, they refused services, saying he is from a dangerous country and they were not able to provide services. However, he was provided with the requested services at TBC bank. Therefore the real reason for rejection stayed ambiguous for him. If, for some banks,

the country of origin matters, it is unclear why it is different for others. Others also complained about the transactions that were frozen by TBC bank.

Consequences

The problems with access to loans hinder the possibility of the refugees and asylum seekers' integration. They are not able to finance their studies, buy apartments in Georgia, etc.

Not being able to receive money remittances affects them greatly because recently, during the pandemic, almost all of them lost their jobs, and they received financial support from abroad from their friends and family, but they were not able to withdraw cash.

Remote work is impossible for asylum seekers and refugees because their salaries cannot be credited to their limited bank accounts. Some are freelancers (e.g., translators, photographers, artists), and their remuneration comes from abroad, mostly from European countries. They are not able to receive the funds since it is impossible to credit money on their account through cross-border transactions.

Problems also emerge for the people working in the hospitality sector. Iranian and Syrian refugees emphasized that it is vital to be able to receive transactions in foreign currency in the tourism sector and that they experience losses for their companies for that reason.

If they were able to enjoy the benefits of standard financial services, they would be able to work, establish their own companies, pay taxes, and contribute to the country's development.

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