



ACCESS TO BANKING SOLUTIONS FOR REFUGEES

In Indonesia, Malaysia and Thailand

INTRODUCTION

HOST International is actively committed to the establishment of an improved and secure future for both displaced populations and host communities globally. Foundational to these efforts are principles of humanity, hope, and dignity that form the bedrock of the organisation's theory of change, which considers individual well-being, community inclusion and systemic change concurrently.

HOST International believes that enhancing the overall well-being of displaced populations necessitates the cultivation of inclusive communities and establishing a conducive environment wherein individuals can attain a reasonable quality of life, devoid of any detriment or prejudice. The primary focus is on cultivating self-efficacy within individuals, yet also incorporates the tenets of social and economic inclusion.

As a vital component of our commitment to enhancing the capabilities of both displaced populations and host countries, our organisation invests in understanding the local circumstances that either enable or inhibit social integration and individual wellbeing. In our pursuit, we diligently seek to comprehend and simultaneously raise awareness regarding the distinct barriers and adversities encountered by forced migrants and aim to propose measured solutions.

A consistent theme from consultations with displaced communities in South East Asia was difficulties accessing economic independence. Whilst this feedback is often directed at the lack of work rights stemming from limited legal recognition of forced displacement, access to a bank account was found to cause significant and consistent disadvantage and often placed displaced people at risk of harm and exploitation.

In order to better understand the causes and drivers of exclusion from national banking systems, HOST International undertook a joint research project with pro bono legal partners through an initiative by PILNET (www.pilnet.org) and driven by a global pledge by the legal profession in the region to support refugee initiatives. The project was carried out in 2021 and involved a partnership between HOST and Herbert Smith Freehills (Malaysia and Indonesia) and DLA Piper (Thailand) to research and document legal impediments for refugees and other irregular migrants to access national banking systems in Malaysia, Thailand and Indonesia. The research also sought to identify any situations where banking was accessible via a UNHCR identity card and to consider potential advocacy or legal options to remove barriers to basic banking services in these countries.

This report outlines the finding of this research and makes recommendations to Governments and other stakeholders to facilitate more equitable banking solutions for displaced people, especially refugees. In preparing this report, the information was reviewed and updated by HOST teams in the target countries to ensure currency of information presented.



THE ISSUE

HOST International works with displaced individuals and communities in Indonesia, Malaysia and Thailand, as well as in New Zealand and Australia. According to the UNHCR's records, by the conclusion of 2022, the global count of forcibly displaced individuals had reached 108.4 million, as a result of conflict, violence, persecution, and human rights violations.¹ Despite Indonesia, Malaysia and Thailand not being signatories to the 1951 Refugee Convention, these nations host the highest number of refugees in the Southeast Asian region. Recent data reports roughly 13,400 refugees and asylum seekers in Indonesia², and 182,000 in Malaysia³, while Thailand provides refuge to more than 95,000⁴. While these figures are incomparable to the global refugee population, the geographical proximity of Southeast Asia to current catastrophic conflict zones, and exposure to natural disasters, continue to raise significant concerns amongst the global community.

Forcibly displaced populations in Indonesia, Malaysia and Thailand are considered illegal due to being undocumented and the absence of refugee or other similar status in local legislation. Despite this, they are generally allowed to reside in these countries with insecure status as they transit to somewhere else more durable. The absence of established national safeguards through the law generally leaves refugees and asylum seekers exceptionally vulnerable and subject to exploitation⁵ whilst also leaving them subject to arrest and deportation.

Furthermore, due to the protracted conflict in many countries of origin and the limited number of resettlement options, many displaced individuals are left stranded and trapped in perpetual uncertainty due to a lack of safe alternatives. This situation further exposes refugees and asylum seekers to elevated risks, including exploitation, repatriation, trafficking, persecution, and economic hardships, largely attributed to the absence of legitimate work rights. Consequently, this lack of legal standing and employment opportunities perpetuates their exclusion and severely limits avenues for achieving self-efficacy.

Displacement is not short term yet much of the legal and social structures set up to support refugees and other displaced people have been built on the premise that a solution can be provided by wealthier resettlement countries and that deterrents are needed to prevent further displacement. Despite the presence of resettlement and return programs and persistent deterrents, the number of displaced people has been rapidly and consistently increasing over the last 10 years.

Displaced people need income to survive. Some are supported by family members in country of origin but most have no means of financial support other than what they can earn informally or what is available through humanitarian organisations. Research⁶ undertaken by HOST International in partnership with University of NSW, the University of Gadjah Mada and

¹ <https://www.unhcr.org/refugee-statistics/>

² <https://reporting.unhcr.org/sites/default/files/Indonesia%20Statistical%20Report%20June%202021.pdf>

³ <https://www.unhcr.org/my/what-we-do/figures-glance-malaysia>

⁴ <https://reporting.unhcr.org/thailand-mco-factsheet>

⁵ https://law.unimelb.edu.au/__data/assets/pdf_file/0011/4356650/BUI-Thu-Thuy.pdf

⁶ Results as yet unpublished



SUAKA, with refugees in Indonesia, demonstrates that access to stable income has a direct and positive impact on emotional wellbeing and reduces overall stressors caused by insecure status in transit countries. Access to secure and safe income is therefore critical to community wellbeing.

Any income they can earn is unable to be held in local bank accounts due to most countries requiring Government issued identification to open a bank account. Many refugees are unable to retain access to a bank account from their country of origin and in many cases the banking systems in those countries are unsustainable or unable to be used in displacement countries.

The inability to hold a bank account in local currency forces refugees to rely on locals to hold accounts on their behalf or to rely on cash alone. It limits the ability to receive cost remittances or save funds for a future purpose or to reduce dependency on humanitarian systems. The absence of banking and associated lack of work rights also forces refugees to rely on insecure and informal income that is not subject to taxation or regulation. Therefore, sustainable access to banking solutions is in the interests of States as well as displaced people.

A range of factors influence the financial needs of forced migrants, with notable considerations including regulatory frameworks of the host country and the host's disposition towards facilitating accessible financial services. The importance of sustained engagement with the formal financial system is recognised broadly and this would entail access to banking facilities⁷, ideally commencing with the availability of 'basic' or 'simplified' bank accounts.⁸

There is a critical need to identify enduring solutions that address the financial constraints faced by forcibly displaced individuals, including refugees and asylum seekers. Secure and accessible financial services are of utmost importance in facilitating the reconstruction of their economic livelihoods, and in turn may facilitate access to a third country. These services play a pivotal role in enabling individuals to securely store funds, facilitate monetary transfers, and engage in routine financial dealings, thereby navigating their daily economic affairs. The provision of suitable and comprehensive financial services, with the pursuit of financial inclusion, creates the potential to foster empowerment among displaced populations. This empowerment becomes amplified through the facilitation of accumulating assets, improvements in livelihood opportunities, and substantial contributions to the local economy.

⁷ https://www.afi-global.org/wp-content/uploads/publications/2017-11/AFI_displaced%20persons_AW_ISBN_digital.pdf

⁸ <https://sdgs.un.org/sites/default/files/publications/2649unsgsa.pdf>



KEY FINDINGS

An examination was undertaken with regards to availability of bank accounts for refugees, suitability of UNHCR identification and emerging opportunities for refugees and asylum seekers residing within Indonesia, Malaysia and Thailand. The following table and discussion provides a summary of information collected and should only be used as a guide.

	Malaysia	Thailand	Indonesia
Are bank accounts generally available to refugees?	Maybe – some refugees have been able to open accounts with BNM and CIMB with a UNHCR ID or a letter from an employer but this seems to be inconsistent.	No	No
Are there alternate digital banking options available to refugees?	Yes – some refugees have been able to use Merchant Trade	No	Maybe – some basic banking and digital wallet options seem to exist but are not tested
Are money transfer services available for refugees through third party providers?	Yes with fees	Yes with fees	Yes with fees
What are the minimum requirements to open a bank account?	Government issued ID or other form of official document with identifying information	Government issued ID and information about banking purpose. May vary by individual bank.	Government issued ID or other verifying ID document from an Indonesian citizen or company



Forcibly displaced migrants often arrive in host countries without formal identification documents. This can be attributed to the tumultuous and unpredictable circumstances that often force them to flee their home countries abruptly, leaving behind any essential possessions. In these dire circumstances, navigating perilous routes and adverse conditions further exacerbate an inability to carry and maintain possession of crucial documents.

In many cases, the UNHCR Refugee Identification card serves as the only form of official identification available and is therefore a pivotal lifeline for refugees in transit. The card is provided upon registration with UNHCR and is used to identify them as a person of concern to UNHCR. In many countries, this identification card enables refugees to access certain concessions that are not available to other undocumented migrants. Without formal recognition of refugee status from the governments of Indonesia, Malaysia and Thailand, if obtained, the UNHCR ID card remains the sole form of identification available to refugees. It is important to note however that the UNHCR card is only available once a refugee has been able to formally register with UNHCR and in some cases this option is not accessible or there are long delays.

Refugees require bank accounts in order to safely and securely manage any money that is available to them and minuses the risk of exploitation. However, banks require valid identification documents to register a bank account and usually only accept valid government identification. These requirements are primarily driven by anti-money laundering legislation and regulations that require banks to ensure that the person applying for a bank account is a valid person and has a valid and ethical reason for a bank account.

In the three countries examined the regulations generally require government issued identification however some discretion is offered to banks to determine appropriate forms of identification in both Malaysia and Indonesia. Whilst some refugees may have copies of identification, such as a passport, from their country of origin, banks will also require evidence of valid entry to the country to go along with such foreign identification. Therefore, the UNHCR ID is the only form of independent identification available to most refugees.

In Malaysia there are examples where some CIMB branch staff have accepted UNHCR cards along with a letter of employment and the BNM bank seems to have declared the UNHCR card as a valid form of identification. Evidence seems to suggest that the interpretation can vary depending on the person considering the application. It seems that at least one bank in Indonesia has also been willing to open basic restricted bank accounts with limits under IDR20,000,000 (~USD\$1300) for UNHCR card holders as a result of greater discretion on these accounts.

The emergence of digital banking solutions seem to be creating new opportunities for refugees to access banking solutions. At the time of writing there were a number of new and flexible options providing virtual or in person registration and various forms of merchant wallets available across the region. In our investigations we discovered that some refugees are able to register accounts with these providers and many options are yet to be fully tested.

In Indonesia an arrangement has been made between IOM and Bank Sampoerna to issue accounts with debit cards to refugees residing in IOM shelters. It appears that this



arrangement leverages IOM as a third party verifier of identity and recognises the practical need that IOM has to issue cash assistance to a large number of residents.

In many cases refugees have formed personal arrangements with local nationals to open a bank account in their name and hand over use of the account to the refugee. This comes with obvious risks but has enabled many to access basic banking functions. In particular this option has been valuable in supporting social enterprise activities or refugees who find remote work online. Whilst this option provides a work around it does not offer financial security and can put both the refugee and the local account holder at risk.

POSSIBLE SOLUTIONS AND RECOMMENDATIONS

The Social Finance Programme of the International Labour Organisation (ILO)⁹ is dedicated to expanding financial services to forcibly displaced persons in East Africa and the Middle East. Additionally, it offers guidance on advancing these efforts to foster more sustainable livelihoods. The program advocates for an approach that is both participatory and multidimensional, aiming to establish access to finances for both refugee and host communities. This approach aligns with HOST International's theory of change and recommends engagement at three levels:

1

The policy level

Advocating for policies that facilitate improved integration of forcibly displaced individuals into the financial systems of host countries.

2

The supply side

Focusing on supporting financial institutions in onboarding new clients who are forcibly displaced, thereby expanding their services to this group.

3

The demand side

Enhancing the capability of both forced migrants and host communities to ensure effective utilisation of financial services.

Following this approach, solutions must focus on Government policy on irregular migration, engaging the banking and financial services sector in each country and engagement with refugees and host communities in relation to financial inclusion and compliance. The simplest solution in each country would be to broaden the definition of valid identification to include UNHCR identification card or similar document that could be supplied by an authorised NGO or employer. UNHCR is engaging with Governments and banks in Indonesia,

⁹ https://www.ilo.org/empent/areas/social-finance/WCMS_804230/lang--en/index.htm



Malaysia and Thailand to achieve this including establishing the credibility of the UNHCR identification card as a form of identification for people seeking asylum in these countries.

There are also examples in other countries such as in Hong Kong, where HSBC partners with authorised NGOs to assist refugees who satisfy prescribed requirements. Some basic banking services are made available to refugees, such as placing deposits, account balance and statement enquiries, cash withdrawals, and usage of ATM cards. In addition, the refugees may also pay bills, transfer money to third party accounts, receive money in their accounts, and accessing online and mobile banking. This arrangement seems similar to the one established by IOM in Indonesia with Bank Sampoerna and could easily be replicated in other countries.

One concern from Governments in these countries could be that providing access to banking services may act as an incentive to remain in country longer than necessary. There is no evidence for this and it is arguable that banking services would potentially enable greater access to third country options. Therefore, advocacy efforts need to focus on promoting banking solutions as a means to greater social cohesion and individual wellbeing whilst also facilitating greater self-efficacy and potential access to durable solutions such as return or resettlement.

HOST International stands firmly in the belief that displaced individuals in the Southeast Asian countries of Indonesia, Malaysia and Thailand must have the opportunity to access banking services. In light of this, HOST International makes the following recommendations:

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1. The Governments of Indonesia, Malaysia and Thailand expand the banking regulations to include the UNHCR Refugee Identity Card as a valid form of identification for the purpose of opening a basic functional bank account.

 2. Non Government Organisations to work with UNHCR and the banking sector to find creative ways to meet the identification and monitoring requirements associated with anti money laundering regulations and to seek variations where needed

 3. Engage with new and innovative digital banking solutions to explore ways to design and deliver basic banking services to refugees within existing regulations or with minor modifications

 4. The Governments of Indonesia, Malaysia and Thailand consider pledges to make in the second Global Refugee Forum in December 2023, to improve refugee rights and wellbeing by facilitating inclusion of refugees into national systems including financial services.

 5. Conduct further research into the financial exclusion of refugees and asylum seekers, and the impact this has on individuals and host countries.

