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***CPSS-WB General Principles for  
International Remittances Services***

***The Point of View of Authorities:  
Banco de México***

***May, 2006***

# Content

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I. Background: Remittances in México

II. Role of Mexican Authorities

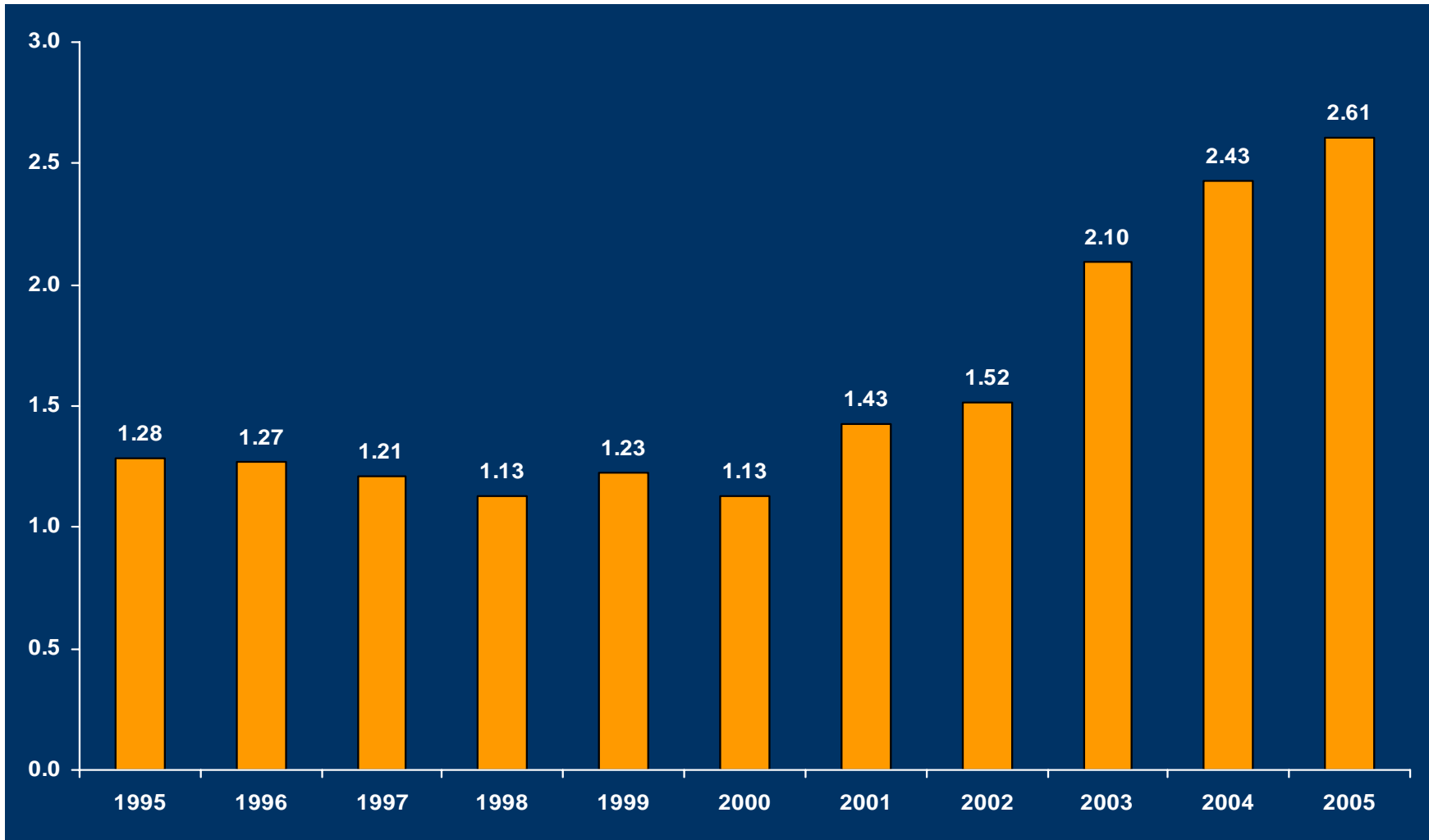
III. Relation between General Principles and actions by authorities

# Remittances in Mexico

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1. The remittances received in México are becoming very important through the years

# Remittances to Mexico as GDP percentage



# Remittances to Mexico: statistics

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
<b>USD Millions</b>											
Total Remittances	3,673	4,224	4,865	4,744	5,910	6,573	8,895	9,814	13,396	16,613	20,035
Money Orders	1,457	1,520	1,729	1,668	1,449	1,434	803	687	1,623	1,883	1,867
Personal Checks	26	75	78	59	51	9	10	10	6	0	0
Electronic Transfers	1,891	2,222	2,638	2,597	3,935	4,642	7,784	8,798	11,512	14,496	17,895
Direct Transfers *	299	407	420	420	475	488	298	320	255	234	273
<b>Percentage variation</b>											
Total Remittances	5.6	15.0	15.2	-2.5	24.6	11.2	35.3	10.3	36.5	24.0	20.6
Money Orders	-10.2	4.4	13.8	-3.5	-13.2	-1.0	-44.0	-14.5	136.4	16.0	-0.9
Personal Checks	-47.2	188.5	4.0	-24.4	-13.6	-82.4	13.3	-1.0	-36.6	-100.0	0.0
Electronic Transfers	24.3	17.5	18.7	-1.6	51.5	18.0	67.7	13.0	30.8	25.9	23.4
Direct Transfers *	4.9	36.1	3.2	0.0	13.1	2.7	-38.9	7.2	-20.4	-8.2	17.0

\* Transfers made in cash or in kind. This information is obtained through the Survey of International Travelers carried out by Banco de México.

# Remittances to Mexico: Amount, volume and average.

	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Remittances Amount <sup>1/</sup>	3,673	4,224	4,865	4,744	5,910	6,573	8,895	9,814	13,396	16,613	20,035
Remittances Volume <sup>2/</sup>	11,263	13,208	15,369	15,901	20,937	17,999	27,744	29,954	41,808	50,874	58,739
Remittances Average <sup>3/</sup>	326	320	317	298	282	365	321	328	320	327	341

1/ USD millions.

2/ Thousands .

3/ USD.

## Remittances in Mexico

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1. The remittances received in México are becoming very important through the years
2. Such importance was acknowledge by the governments of the USA and Mexico in 2001.

# Partnership for Prosperity

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The Banco de México and the U.S. Federal Reserve agreed to study the possibility of setting up an automated clearinghouse system (ACH). Once established, there will be an efficient interbank mechanism to carry out payments between both countries that will be available to all financial institutions.

The plan deemed it essential to “work to lower the cost for Mexicans working in the United States of sending money home by, in part, encouraging more banks to market aggressively the opening of accounts to Mexican workers and to offer remittance features in their accounts.”

*Partnership for Prosperity, September 2001*

## Remittances in Mexico

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1. The remittances received in México are becoming very important through the years
2. Such importance was acknowledge by the governments of the USA and Mexico in 2001.
3. In the same way, the efforts by the CPSS-WB for publishing International General Principles are more than welcome.

# General principles

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- Transparency and consumer protection
  - General principle 1. The market for remittance services should be transparent and have adequate consumer protection.
- Payment system infrastructure
  - General principle 2. Improvements to payment system infrastructure that have the potential to increase the efficiency of remittance services should be encouraged.
- Legal and regulatory environment
  - General principle 3. Remittance services should be supported by a sound, predictable, non discriminatory and proportionate legal and regulatory framework in relevant jurisdiction.
- Market structure and competition
  - General principle 4. Competitive market conditions, including appropriate access to domestic payments infrastructures, should be fostered in the remittance industry.
- Governance and risk management
  - General principle 5. Remittance services should be supported by appropriate governance and risk management practices.

# General principles

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# Actions and programs by Mexican authorities

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## Central Bank

- The Central Bank provides infrastructure to promote more efficient channels to originators and beneficiaries (DIRECTO A MEXICO).

## Federal Government

- Consumer protection agencies, PROFECO and CONDUSEF publish information about fees and the main features of the different remittances services.
- BANSEFI, a development bank that promotes low cost banking services, opens accounts to remittance beneficiaries. In partnership with US Banks and Credit Unions, they released an Internet application that allows to the originator in the US to open accounts in Mexico for their relatives.
- When remittance originators provide funds to the development of their communities, the Federal and Local Governments also provide funds to housing and basic infrastructure programs. (3x1)

## Directo a México<sup>SM</sup>

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- The Federal Reserve Banks and Banco de México interconnected their local payment systems, in order to develop a channel to carry out cross border funds transfers from the USA to México.
- Directo a México<sup>SM</sup>
  - offers its service to all US Depository Financial Institutions. Transfers are made from bank to bank accounts,
  - permits to its participants offer lower fees and an exchange rate that is very close to the one banks get in large value transactions. This promotes access to the banking services.
  - has processed more than 600,000 payments since October 2003.

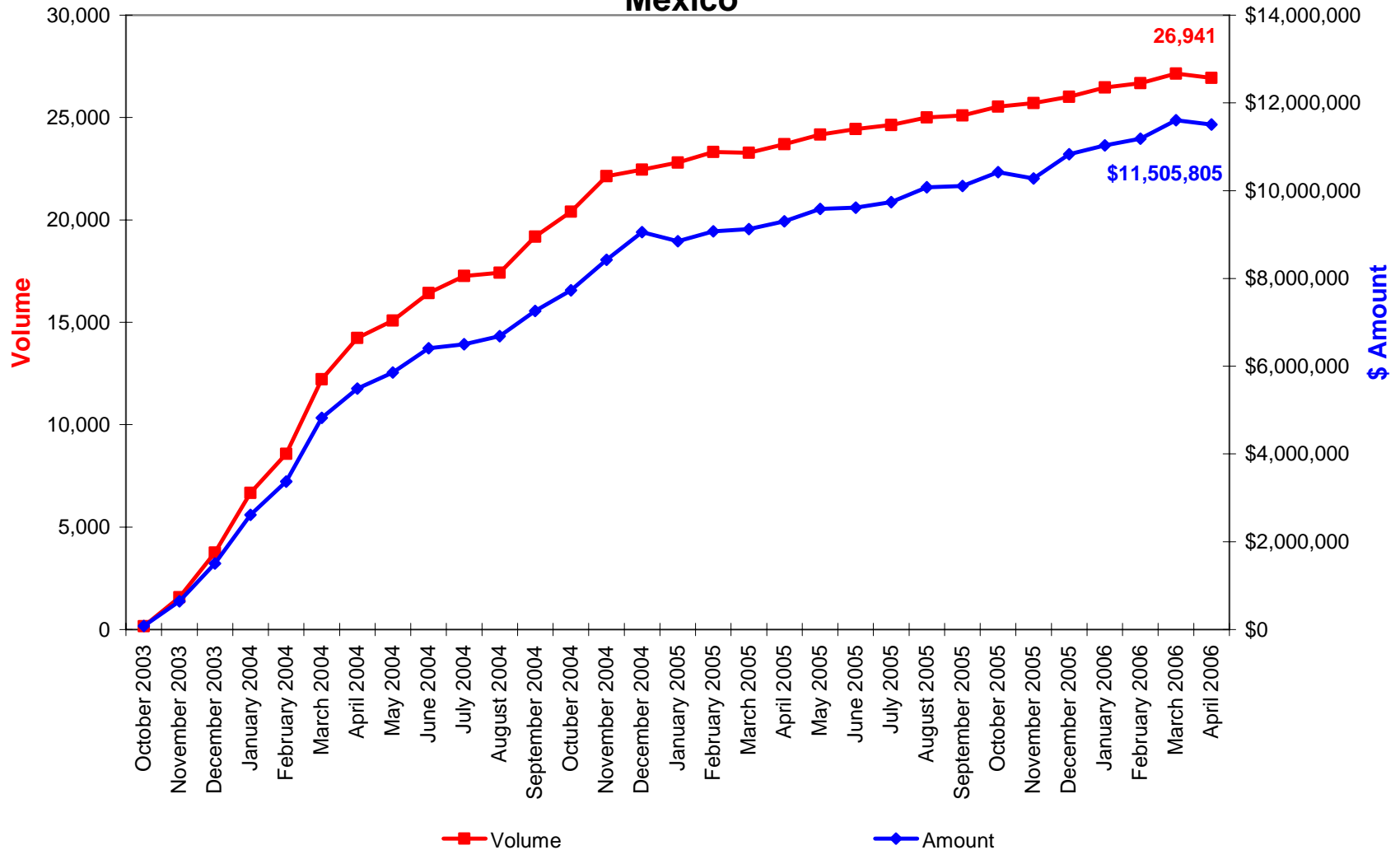
# Directo a México<sup>SM</sup>

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- Main features:
  - Transfers are initiated in USD and beneficiaries receive Mexican Pesos the next working day.
  - The FX Rate to consumers is a wholesale exchange rate (the one calculated and published by Banco de México on the settlement date less 0.21%)
  - The Fed charges \$0.67 per item to U.S. Originating Depository Financial Institutions. This includes the processing fees for Banco de México.
  - Mexican banks do not add any further charge.

# The role of Banco de México.

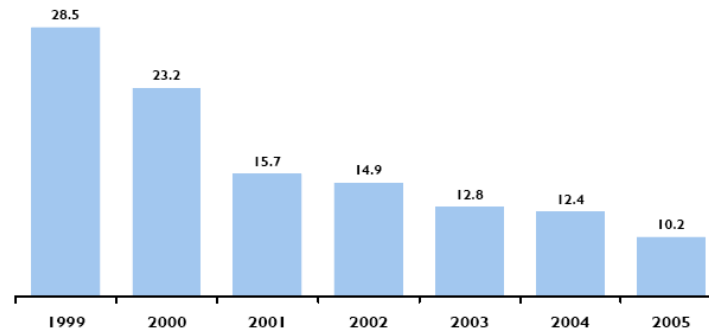
Volume and Amount accumulated monthly through "Directo a México<sup>SM</sup>"



# Fees

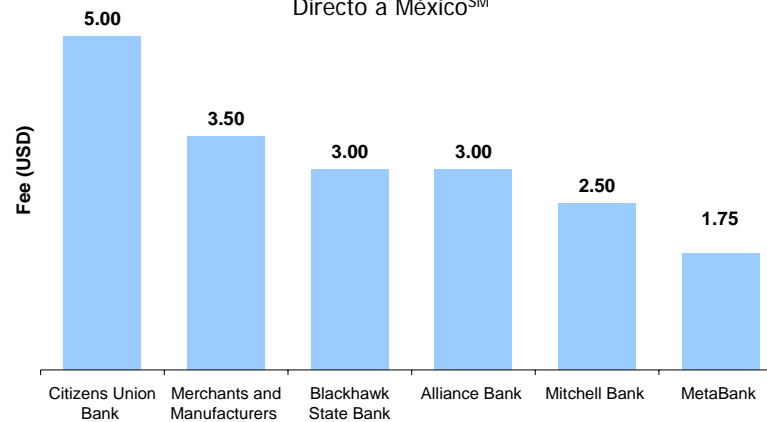
## Costo Promedio de Envío de Dinero de EE.UU. a México

Envío de 300 dólares de una muestra de empresas  
- dólares por envío-



Fuente: Con base en información de Profeco, Condusef y Banxico.

## Fee charged by USODFI Directo a México<sup>SM</sup>



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## General Principle 1. Transparency and consumer protection.

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- The Procuraduria Federal del Consumidor (PROFECO), gathers price and exchange rate information from banks and money transfer companies, and distributes the information publicly through its program “Who is Who in Sending Money”.

<http://www.profeco.gob.mx/envio/cuadros.asp>

- Last February CONDUSEF launched an online Automatic Calculator of Remittances. This project seeks to benefit Mexicans living in the US and, at least 1.4 million families in Mexico that receive remittances.

[http://www.remesamex.gob.mx/index\\_1.php](http://www.remesamex.gob.mx/index_1.php)

- Directo a México<sup>SM</sup> provides U.S. financial institutions with customizable, Spanish-language marketing materials. And the original USD Amount and FX Rate applied is printed in the check balance of the Beneficiaries. FX Rate is also published in

<http://minneapolisfed.org/fedachfx/searchrates.cfm>

## General Principle 2. Payment System infrastructure.

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- The interconnection of the USA – México local payment systems intends to increase efficiency of remittance services by allowing all US Depository Institutions to participate in such market
- It is worth commenting that last April, BANSEFI, a Mexican development bank, released a product which permits the clients of US Depository Institutions to easily open an account to the beneficiaries