



Brave New World:

Financial Institutions & Remittances to Mexico

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Outline

- Financial Institutions and the Remittance Market
 - Opportunities
 - Challenges
- Federal Reserve-Banco de México Involvement
- Overcoming the Challenges

Opportunities

- Remittances are Big Business – transactions
- Remittance Senders Need Entire Range of Financial Services – relationships
- Possible Community Reinvestment Act (CRA) credit for offering remittance services – compliance

Challenges at Financial Institution Level

- Potential Customers May be Undocumented
- Potential Customers May be Unbanked
- Marketing & Customer Service Choices

Macro Challenges

- Money Transfer Businesses Dominate Market
- Lack of Person-to-Person Payment Model in United States
- Technology – traditional banking platforms not designed for remittances

Fed-Banco de México Involvement

Partnership for Prosperity

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.

September 2001

What We've Done

- Built electronic payments highway available to all financial institutions accommodating both personal (i.e., remittances) and commercial payments
- FedACH InternationalSM Mexico Service
 - Highly efficient (⇒ leverages ACH technology)
 - Low-cost (⇒ \$0.67 surcharge per transaction)
 - Wholesale foreign exchange rate applied to all payments, regardless of amount (⇒ more pesos per dollar)
 - Supports bankarization (⇒ account to account product)

What We've Learned

- Technology not the real problem
 - We Built It
 - How to innovate change in banking practices?
 - How to bring back office tool (ACH) into bank lobby to serve customer needs and processing efficiency?
 - Banks not yet accustomed to serving immigrant customers and cross-border payment needs.
 - Transfer costs less and less of a constraint.
- Bankarization
 - Focus needed on banking both remittance senders and receivers

Overcoming the Challenges

- Directo a México
- Joint promotional campaign by Banco de México, Mexican Consulates, IME, and Federal Reserve
 - White-branded funds transfer product for financial institutions
 - “Marketing in a Box” – includes promotional ideas and bilingual materials
 - Better product messaging – materials communicate key product attributes and values to customer
 - Product enhancements

Marketing in a Box

- Promotional kit to contain
 - Customer Guide – “Great Ideas to Promote Banked Remittances via ACH”
 - Tips for market-sizing and promoting banking services to Mexican community, and ideas for marketing Directo a México to consumers
 - Directo a México branded posters, customer brochures, and other promos in Spanish communicating product value to consumers
 - Text of radio spots in Spanish

Directo a México: Remesas Banco a Banco



Service Enhancements

- Move to next business day funds availability in Mexico starting on July 25
- Support L@Red de la Gente “Beneficiary Account Registration” website to provide low-cost bank accounts in Mexico
 - CLABE generated on website
 - Account owner visits caja with proper ID to finalize account opening
 - Remittance available at caja at time of account opening
 - Pilot program beginning in August

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