I was invited to provide a perspective from a formal financial institution on the economic benefits of the remittances. Being a representative of a Bank controlled by a Portuguese institution the focus of my presentation will be on the merits of the remittances for the development of Portugal and the way the Portuguese banking system "helped" , in particular by describing our approach to the US market. Portugal as I will address quickly is a good case study for the positive economic and social impacts of the remittances and confirms the merits of the organizers of this conference in choosing this subject.

My country has a very long history in terms of migrations since the Fifteen Century with the last big migration flow, with main concentrations on European countries, dating back to the mid sixties. Portugal is a small European country with a population of approximately 10MM people. Portuguese people living abroad range from the official count of 5MM to rough estimates that put this number close to 8MM. Any of this numbers as a percentage of total population is quite impressive.

The most significant effect the remittances had was the positive impact caused on the balance of payments. Today, Portugal as a full member of the European Union is enjoying a good period of stabilization and consistent growth with low rates of unemployment and inflation. However, during the beginning of the eighties when we were running large deficits on our balance of payments, remittances from emigrants played an important role, being the most relevant inflow of funds, surpassing receipts from tourism and foreign direct investment. In the first half of the eighties, remittances represented 3.5% of GDP against 2.7% from tourism and 2.4% from foreign direct investment.

Social and cultural impacts were also relevant, not only on the "transplant" of local architectural designs (some of them out of context), but also cultural and political concepts from the places were they lived and worked. The less developed and remote areas of Portugal were the recipients of the flow of direct investment by the emigrants and therefore remittances were also important to bridge the economic gap between regions.

Portuguese Governments were quick to recognize the positive impacts of these flows and approved several incentive packages to stimulate remittances. Tax breaks were the most significant ones – elimination of the sales tax on real estate transactions, reduction of the withholding tax and a subsidized interest rate for the acquisition of properties in Portugal.

The Portuguese banking system was also fast to adapt to this "new line of business", with the launching of specialized networks as well as services and products.

Since the administration and control of all the incentives is delegated on banks, the largest Portuguese banks have created, at Portugal, departments to monitor and develop this line of business. It was critical to find out ways to speed up the transfers and to do it as cheap as possible. Almost all of the banks developed proprietary systems to handle this type of remittances connected to their domestic software systems and processed via file transfer with the service offered almost for free. In Portugal, deposits and other products offered to emigrants represented important shares of total business. During the nineties, deposits from emigrants represented about 20% of total deposits in the Portuguese banking system, amounting by the end of the decade to USD 14BLN. Remittances per year were about USD 3 BLN.

Networks provided by the banks to serve the emigrants are different from market to market. I could give examples that would go from full branch networks to subsidiaries or just agreements with local operators for the processing of these payments.

To stay close to home and shorten my address let me just refer to the US case. Portuguese emigrants as per the 1990 US Census are close to 1.1MM, spread though the North East Coast and California. People from the mainland stayed close to the New York City area and emigrants from the Azores Islands spread themselves through New England and California.

Banks started by incorporating remittances offices (generally known as Information Bureau – IB's) where they would install their proprietary transfer systems, assuring a complete automatic handling of these orders, with daily file transfers to Portugal (apart from the quality of service the critical issue was the price for the service). This was a feasible proposition in places with large concentrations of Portuguese people. To complement this structures, agreements were made with local travel agents to facilitate and expedite the transfers. To cope with all of the "after sales" functions, like providing information on accounts, balances and tracing of transfers, these IB's quickly became large operations. Being structures sponsored by the large Portuguese banks, they were also the link to their country through the sponsoring of community activities promoting the Portuguese culture and this is a substantial distinction from the non-institutional sponsored remittance companies.

This is still the strategy followed by the majority of the Portuguese banks today.

In the case of BPABank, a subsidiary of the largest Portuguese financial Group, we decided to take a different approach. Although we recognize the importance of these flows, we were concerned with the ability to implement effective BSA and KYC policies and properly monitor and control them in offices that had to maintain small structures.
As these operations can be easy targets for money laundering activities, we decide – also benefiting from important concentrations of Portuguese people in the East Coast of the US - to launch a full retail banking operation, dealing with the remittances as well as with their domestic financial needs. We have within the Bank a specific Department to provide our customers with Services to Portugal complying with all the procedures and controls required from the local financial institutions.

To conclude let me just reinforce the statement that remittances have been a critical factor on the consistent economic development of Portugal and our Institutional view of the remittances business is quite different from that of an independent operator. It has been driven more by the impacts and benefits on the home country and Head Office rather than the local P & L. Speed of transfer and low or no cost at all were the key drivers.