

Workers Remittances in Mexico

The Financial Point of View

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* The views expressed in this report are the ones of the author and not necessarily the ones of The Multilateral Investment Fund.

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Background

By invitation of MIF¹, I will assess in four Latin American countries the legal, regulatory and statistical framework for Workers Remittances², from the point of view of someone with a long experience in both public and private banking.

The assessment is to be made from the financial perspective, since Workers Remittances, defined as the delivery of money by individuals to a financial intermediary in one country, to be paid to individuals by the same or another financial intermediary, in another country³, are after all, **financial transactions**.

Through a number of high-level contacts in Mexico, the Workers Remittances' process and the financial implications of the different phases of the process have been assessed.

The work has started in Mexico, not only because it is the Latin American country with the highest levels of Workers Remittances, but also because, in Mexico, a large and diversified number of financial institutions provide Workers Remittances' services. The Government and Banco de Mexico regulate the institutions and have a special interest in the functioning of the process and in protecting consumers. Mexico is rightly perceived as a country in which the understanding of the Workers Remittances' phenomena is well advanced and that, therefore, a number of lessons can be learnt from their experience.

After two visits to Mexico, each one of one week, during which I conducted high level contacts with⁴ senior officials from the Ministries of Finance, of Foreign Affairs, Senate, SEDESOL, Banco de Mexico and other government agencies, several of the main banks, remittances companies and other intermediaries, academics, etc, my points of view are reflected below.

Scope

¹ Multilateral Investment Fund (Inter – American Development Bank)

² Remesas Familiares in Spanish

³ For the purposes of this document, any company bank or not, that acts as money transmitter or paying agent is known as financial intermediary.

⁴ The list of the persons interviewed may be obtained from the consultant.

After examining a large number of available papers and publications⁵ regarding the process of Workers Remittances in general, and in Mexico in particular, the conclusion is, that as Workers Remittances are first and foremost financial transactions, this paper's contribution would be more valuable if it focuses on three financial areas that are pertinent for a better understanding of the phenomena, as well as for its treatment by the authorities and other parties interested in the process.

These areas are:

- (I) The treatment and recording of Workers Remittances by Central Banks
- (II) Competition, transparency, compilation, and dissemination of information, and
- (III) "Bancarizacion", understood as the provision of banking services to the senders and to the recipients of Workers Remittances.

I. The treatment and recording of Workers Remittances by Central Banks

One of the responsibilities of Central Banks is to record, in the Balance of Payments, all inbound or outbound flows to and from a country⁶. Incoming flows of Workers Remittances are therefore registered as such by Central Banks⁷. That is what Banco de Mexico does. Such recording is used to measure the volume of incoming Workers Remittances.

For Banco de Mexico to perform the role described in the preceding paragraph, the Law governing its activities gives it the power to regulate the financial intermediaries that operate Workers Remittances. Such powers include the one of determining how intermediaries must report the remittances processed by them.

Article 31 of the aforementioned law reads, to wit:

"Article 31 The Banco de Mexico is empowered to regulate the service of transfers of funds through credit institutions or other companies that provide such services in a professional manner"

"ARTICULO 31.- El Banco Central podrá regular el servicio de transferencias de fondos a través de instituciones de crédito y de otras empresas que lo presten de manera profesional.

Based on the above legal mandate, Banco de Mexico published on the Official Gazette on 29 October 2002 the corresponding norms that establish "the rules to which credit

⁵ See for example Orozco/Hamilton "Remittances and MFI Intermediation", or Giuliano/Ruiz-Aranz "Remittances Financial Development and Growth", or Inter American Dialogue "All in the Family", or Orozco/Fedewa "Leveraging Efforts on Remittances and Financial Intermediation"

⁶ IMF's Balance of Payments Manual, 15 June 1993

⁷ MIF and CEMLA have a joint project to help Latin American Central Banks to coordinate the recording and reporting of Workers Remittances, as well as to coordinate Best Practices thereof.

institutions and Remittances companies that provide services of Workers Remittances in a professional manner have to submit”.

These state:

(a) the manner and terms in which the information must be submitted to Banco de Mexico; (b) the definitions of remittance, company, and other relevant terms; (c) the opportunity, manner and detail of the reports that credit institutions and companies must file. (d) the obligation of reporting entities to adapt their information systems and to provide all data as requested by Banco de Mexico; (e) the manner and detail in which the companies must submit to be registered as such; (f) the way in which Banco de Mexico will use the information for statistic and analytic purposes and that it shall not be individually divulged”.

These rules reflect the broad authority that Banco de Mexico has regarding data gathering, as well as the obligations of credit institutions and remittances companies⁸ that provide funds transfer services in a professional capacity.

There is not need to emphasise the importance of the quality and integrity of data for the proper functioning of the financial system. Without it, it is impossible to properly measure volumes or to exercise the supervision of the system or the protection of consumers. In Mexico, the Central Bank has been systematically reporting, for several years, the figures registered in the Balance of Payments as Workers Remittances. The published data is obtained by Banco de Mexico from reports by banks, remittances companies and other entities that provide the service in a professional capacity. As it has been already explained there is legislation that ensures that the intermediaries that operate in the **formal** process of Workers Remittances, report to Banco de Mexico.

Banco de Mexico⁹ estimates that the remitted funds, in cash or otherwise, that is, through informal channels, reached \$ 234 million in 2004, less that 2% of the total of workers remittances sent to Mexico. FOMIN’s estimates are similar.

Banco de Mexico collects the information from the intermediaries on a monthly basis, in a consistent manner, in order to ensure that successive reports are based on consistent data. This paper’s attachments¹⁰ provide details on how Banco de Mexico receives and processes the information, as well as the regulations that regulate the manner in which financial intermediaries must report. Additionally, Banco de Mexico conducts interviews at airports to visiting emigrants.

⁸ Such as Western Union, Moneygram, Vigo, Wells Fargo and similar.

⁹ Source: Banco de Mexico. Lecture by the Deputy Governor Guillermo Guemez in the forum: Foreign Affairs Banamex, Mexico City, 2 September 2005

¹⁰ See http://www.banxico.org.mx/dDisposiciones/OtrasDisposiciones/Reglas/transferencia_fondos.htm

To avoid duplication, and considering that both the remittances companies and the banks that serve them report to the Banco de Mexico, the reports include details such as number, name, etc, and the bank has a cross – checking system that detects and erases any duplication.

The quality of the reports of Banco de Mexico on Workers Remittances is excellent. This opinion is shared by the executives of the different financial intermediaries that have an active part in the process, and has been highlighted by reports of multilateral organizations that have an interest in the matter. There is also consensus in that the use of formal channels for Workers Remittances has increased considerably¹¹. This is reflected in the reports that the intermediaries submit to Banco de Mexico, and explains the considerable increase in the volume of Workers Remittances in the last few years. It is important to point out that the increase of volumes, in money terms, is similar to the increase in the number of Workers Remittances processed, therefore the average individual remittance has maintained a value of around USD 320,00. This average, as shown in the table below, has been constant for the last five years. There is consensus that the increase of the last few years, in the volume of Workers Remittances is due, mainly, to the use of **formal** channels.

INCOME FROM WORKERS REMITTANCES¹²

Amount, number of transactions and value of the average remittance

	2000	2001	2002	2003	2004	2005 Ene/Jun
Amount*	6,573	8,895	9,814	13,396	16,613	9,278
Quantity**	17,999	27,744	29,954	41,808	50,874	27,740
Average Amount***	365	320	328	320	326	334

- * Million dollars
- ** Thousands of transactions
- *** Dollars

For the reasons stated above, it is clear that the **formalization** of the process of Workers Remittance is taking place. This is reported by the intermediaries that process them, to Banco de Mexico. The fact that there has been a consistent increase in the volumes and in the number of Workers Remittances reported, confirms that the reported increases in Workers Remittances are reliable and correct.

¹¹ Due to a greater number of institution offering the service, the reduction of commissions charged and the greater safety provided by the formal system.
¹² Source: Banco de Mexico. Lecture by the Deputy Governor Guillermo Guemez in the forum: Foreign Affairs Banamex, Mexico City, 2 September 2005

Of course there are concerns that the Workers Remittances process may be used for unlawful purposes. This is taken seriously in Mexico, and there is legislation and regulation in force, that requires that financial institutions report suspicious transactions. The following is a summary of the regulations in force regarding the fight against money laundering. They show the international commitment that Mexico has assumed in this respect.

“From June 2000, Mexico is a full member of the Financial Action Group against Money Laundering and its performance has been twice evaluated by this group. In this respect, Mexico has developed mechanism to prevent, detect, report and combat acts or transactions related to money laundering or financing of terrorism in the financial system of the country.

The financial institutions that operate in Mexico must establish controls and systems to prevent money laundering and follow specific rules such as the identification of the client, or the reporting of relevant, unusual or suspicious transactions to the Unit for Financial Intelligence, through their corresponding supervisory authorities. They must also put in place internal structures responsible for monitoring of the application of the rules as well as provide training to their staffs, disseminate information regarding the legal framework and install the corresponding IT systems as necessary. In relation to money transmitters, the application of the regulations is supervised by the Banking and Securities Commission (CNBV) when the money transmitters are credit institutions, while when the transmitters are commercial entities the supervision is in charge of the Service of Tax Administration”.¹³

The intermediaries are punctually reporting as per the rules and both SAT (Tax Authority) and CNBV (Banking and Securities Commission) have well established¹⁴ systems to process the information and to act when necessary.

Additionally the banks or remittances companies (Western Union, Bancomer, etcetera) that offer platforms to process remittances have cross reference systems to detect suspicious transactions. They not only detect remittances for \$ 3,000.00 or more, but also detect frequent visits by the same person and identify their recurrent customers. As many of these intermediaries operate in the US where these systems are required, they also have them installed in Mexico

One can never be too cautious, but it is highly improbable that Workers Remittances are used, in a significant manner, for money laundering purposes. The fact that the average

¹³ SAT

¹⁴ <http://www.sat.gob.mx/nuevo.html> Trámite para Centros Cambiarios y Transmisores y Dispensores de Dinero and <http://www.cnbv.gob.mx>

amount of Workers Remittances¹⁵ is constant at approximately USD 320.00 shows that for Workers Remittances to be efficiently used for money laundering or for financing criminal activities, the system in place would have to be highly sophisticated and involve millions of persons. It is not impossible, albeit very difficult, to commit crime when such a large number of accomplices is needed. However, the authorities are alert and, as will be explained later on in this paper, intermediaries have state-of-the-art systems to detect suspicious operations that, when reported, are acted upon by the authorities.

Financing of terrorism may require lower amounts of money. Even though, if there were attempts to use workers remittances in Mexico for this purpose it would be detected and promptly reported to the relevant authorities, in view of the controls in place.

SEDESOL recently published a report questioning the figures of Banco de Mexico, and implying that the volumes reported as Workers Remittances may be overstated. The report argues that the increase in the volume of Workers Remittances is inconsistent with house to house surveys made to families by SEDESOL, as well as with the results of such house to house surveys regarding Workers Remittances received by the different federal entities. The report also states that there are differences between what the US. Commerce Department reports as Workers Remittances to Mexico, and what is reported by Banco de Mexico. The report does not question the volume or the legitimacy of the flows, but if all these inflows are actually Workers Remittances, implying that these could be payments for handcrafts exports or other commercial operations.

The definition of the relevant legislation establishing what is understood, for purposes of registration by Banco de Mexico, as Workers Remittances that is mentioned in SEDESOL's report, is crucial for the understanding of the issue of measuring Workers Remittances. The definition reads:

“For the purpose of these norms, it shall be understood as:

Remittance:

In singular or plural, it is the amount of local or foreign currency, coming from abroad, transferred through companies, originated by an individual called sender, to be handed, within the national boundaries, to another individual called beneficiary, and known, in the terminology of the Balance of Payments, as Workers Remittance”.

It is therefore essential to understand that what Banco de Mexico records in the Balance of Payments are financial transactions, clearly defined as transfer of funds through financial intermediaries, by individuals, to be paid to individuals. Such financial intermediaries are, in turn, entities established in Mexico, clearly identifiable and responsible of their own acts under Mexican law, which guarantees the integrity of the data submitted to Banco de

¹⁵ At a recent Seminar organised by the Foreign Affairs Magazine in Mexico, Banco de Mexico presented a representative sample of fund transfers in 2004, that shows that 94% of the 17,373,000 transfers sampled were of a value below \$1,000.

Mexico, and, therefore, the integrity and consistency of the figures reported by the Central Bank.

Therefore, the measuring of Workers Remittance in Mexico, understood as financial transactions recorded in the Balance of Payments as defined by the rules in force, is correct. Banco de Mexico, as the governing body of Mexico's financial system, can only base the recording of Workers Remittances and its reports about them, on reliable data that can be validated. The sources used by Banco de Mexico as basis for its reports on Workers Remittances meet these criteria.

A different matter is to determine the socio – economic impact of Workers Remittances and its contribution to the relief of poverty, SEDESOL's main interest. In this context, it is possible that house to house surveys and other survey methods can provide information that implies that not all the figures that Banco de Mexico reports as Workers Remittances from a socio – economic viewpoint should be considered as such. Similarly, under criteria different from the definition quoted, it is also possible that the surveys may point out that funds received in diverse federal entities should not be considered as Workers Remittances. Nevertheless, the volume and number of transactions reported by Banco de Mexico is a true reflection of those financial transactions defined by law as Workers Remittances.

The alleged difference with the figures from the Bureau of Economic Statistics (BEA) of the U. S. Department of Commerce is because they account for two items: (1) Private Workers Remittances and (2) Workers Revenue. The two items added, as shown in the table below, are equal to the total amount reported by Banco de Mexico as Workers Remittances, with a deviation of 0.3% in 2004 and 0.1% in the first quarter of 2005.

REMITTANCES AND WORKERS INCOME¹⁶

Million Dollars

	Banco de Mexico Workers Remittances (A)	Private Remittances* BEA*** (B)	Workers Income** BEA*** (C)	Total Banco de Mexico (A)	Total BEA*** (D)=(B+C)	Absolute difference (D)-(A)	Relative Difference (D)/(A)
2004	16,613	9,653	7,015	16,613	16,668	55	0.3%
2005 1/Qtr	4,065	2,497	1,563	4,065	4,060	-5	-0.1%

* For the U. S. it is the concept of "Private Remittances and Other Transfers"

** It is the "Compensation of Employees" issue

*** "Bureau of Economic Analysis, US Department of Commerce

¹⁶ Fuente Banco de México, Dirección de Medición Económica

Conclusions

- 1) As Workers Remittances are financial transactions, they must be measured as such. The measurement must be based on a clear definition of what is understood as Workers Remittances and on data supplied by, and that can be verified with, individuals or entities that can be clearly identifiable and responsible under Mexican Law. This is what Banco de Mexico is doing, and should continue to do.
- 2) The increase in the number of Workers Remittances, and in their total volume recorded during the last few years and reported by Banco de Mexico, based on the figures reported by financial intermediaries, show a significant increase in the use of formal channels. This increase has been encouraged by greater competition, reduction of costs and the greater safety offered by the formal channels.
- 3) Since the Workers Remittances phenomena is something that affects so many people, and has such important consequences on the economy, it is understandable that it provokes debates, and that one of the issues for debate is the measurement of volumes. It is also understandable that the various entities that are part on the debate have their own opinions regarding the socio – economic consequences of Workers Remittances. Similarly, given the impact of Workers Remittances, it is important that one public institution, Banco de Mexico, be the one in charge of reporting official volume figures.
- 4) At the same time, it is important to stress that the figures published by Banco de Mexico regarding the inflows of Workers Remittances, registered as such in the Balance of Payments, are the official figures for measuring the Workers Remittances. To question official figures could encourage initiatives to control or restrain the process of Workers Remittances, under the premise that remittances could be used for illicit purposes, which could result in the return to informal channels and could, thus, have adverse consequences for the vast number of people that benefit from them.

II. Competition, transparency, compilation, and dissemination of information

There is a general agreement between Banco de Mexico, financial intermediaries, multilateral organizations and academics, that the cost of Workers Remittances to Mexico has been greatly reduced in the last few years. At a recent international conference¹⁷, Guillermo Gomez, Deputy Governor of Banco de Mexico, showed figures that evidenced that the cost of sending money from the United States to Mexico has fallen¹⁸, from 1999, to

¹⁷ Conference on Workers Remittances, MIF /IDB, Washington D. C. June 2005
www.iadb.org/mif/v2/files/guemez_remitforum05.pdf

¹⁸ This was also pointed out by the president of BANSEFI

one third. These have produced substantial benefits to the individual beneficiaries of Workers Remittances, as well as to the Mexican economy as a whole.

AVERAGE REMITTANCES' COST FOR US\$ 300.00 BETWEEN SEVERAL CITIES IN THE US
AND IN MEXICO*

Year	Average Cost US\$
1999	28.50
2000	23.20
2001	15.70
2002	14.90
2003	12.80
2004	11.90
1st Quarter	11.90
2nd Quarter	11.80
2005	9.80
January	10.60
February	11.70
March	11,20
April	10.70

* Calculated by Profeco from a survey of remittances' companies in originating cities. Source: Lecture of the Deputy Governor Gomez as mentioned in the footnotes.

A few years ago, MIF started to be concerned about the issue of Workers Remittances, and launched an international debate which, together with the growing interest that the issue arose within the countries, helped to create awareness that it was important to make an effort to reduce the cost of sending money from industrialized countries to developing countries. Fortunately, this effort brought to the attention of the various financial intermediaries the opportunities that such a huge market could offer. Competition grew and prices dropped. Nowadays, the Workers Remittances' market is much more fluid and users are gradually getting more and more information that enables them to decide between the available services. The case of Mexico clearly shows that important progress has been made in reducing the costs of Workers Remittances, and that such a progress is due to increased competition and better information for the users.

There is plenty of literature¹⁹ that examines the intermediaries that used to operate in the market some years ago and those that operate now, as well as the costs reductions that have occurred. Some literature also shows that few years ago, the market of Workers Remittances was controlled by very few large remittances companies²⁰, while today there

¹⁹ See, for instance, Orozco Remittance Transfers and the state of the industry.

²⁰ Remittances companies such as Western Union, Money Gram, etc.

are much more participants, banks included. There is also literature pointing out the different methods used to remit money. For this reason, I think that my contribution would be more useful if I summarise the issues that, after my conversations in Mexico, I consider to be in the minds of the different participants in the remittances' process and that are relevant to the discussion on competitiveness, transparency, "Bancarizacion", etc. After the summary, I shall put forward my own conclusions.

- (1) In Mexico, as in other places, there is a clear trade offs between **the cost** of remitting money and **convenience**²¹. This means that both sender and receiver may very well decide to pay higher costs for services that are more convenient.
- (2) The price or cost of Workers Remittances is determined **at the origin** and it is therefore the sender, who decides what service to use.
- (3) Exchange rates applicable to the transactions **are also defined at the origin**, and the sender is informed of the amount of Mexican Pesos that the beneficiary shall receive.
- (4) Some sectors have the perception that there are hidden costs **when the exchange rate applicable is set**, and that further reductions in the cost could be achieved by focussing on this particular issue.
- (5) There were comments that when the paying agent **is a store**, recipients are encouraged to receive the payment in home appliances or other goods different from cash. The counterargument is that many Mexicans relish in the opportunity of owning appliances or other goods and that, therefore, they should be free to decide for themselves.
- (6) **Banks are now much more interested and have more participation in the process of Workers Remittances.** This should not lead to the conclusion that a large percentage of users now send and receive Workers Remittances through banks. The larger part of workers remittances are processed through Remittances Companies, banks provide these remittance companies with the platforms to make the settlements and make the currency exchange. In Mexico, as it is explained below, two large banks provide such services to Remittances Companies.
- (7) PROFECO is **making a good effort** in gathering and publishing information on the costs of the different available alternatives in the market for Workers Remittances. CONDUSEF, on their part, also publish information based on PROFECO's data or on the intermediaries' websites, and it is trying to broaden this service.

²¹ Such as closeness to the home or workplace of the sender or receiver, opening hours, easier identification process, etc

- (8) It is **improbable that Directo a Mexico**²², operated by Fed and Banco de Mexico **would, in the short term, help to improve the exchange rate** used for Workers Remittances.
- (9) **Identification requirements** in the United States to make transactions, in particular for illegal immigrants, can discourage the use of formal channels for sending workers remittances. The agreements reached to accept the Consular Registration issued by Mexican Consulates, as a valid identification document are deemed positive. The closing of more agreements is considered important to preserve and increase the use of formal channels for Workers Remittances.
- (10) Besides the problem mentioned in the previous paragraph, regarding identification requirements in the United States, subject of compliance with legislation or rules about **money laundering or prevention or terrorism does not pose a major problem**. However, it was mentioned that **small and medium – size remitting companies have** difficulties in opening accounts in Mexican or American banks, due to their fear of breaching rules regarding identification, ‘know your client’, etc. This would impede diversification of the channels used by small Remittance Companies to process their operations.

Conclusions

- 1) The first conclusion is that there has been significant progress in Mexico (1) in reducing the cost of Workers Remittances and (2) in that a very large portion of Workers Remittances is made through formal channels. This acknowledgement requires accepting that, although it may be possible to have further reductions in the cost of remittances, progresses would be marginal and it cannot be expected that further cost reductions would be as big as in the past.. The scale of the reductions achieved since 1999 is not replicable.
- 2) The second conclusion is that, fortunately, much of the progress achieved in reducing costs and increasing formalization has been through greater competition between financial intermediaries. When they realized the size of the market, new participants, including banks, entered and tried to obtain a share of that market. This has resulted in better services at better prices. The fact that in Mexico there is not foreign exchange controls, and that there is freedom regarding commissions and other

²² PROFECO’s website describes the International FedACH Mexico, “Directo a Mexico” as follows:

International FedACH Mexico, “Directo a Mexico”, operated by the U. S. Federal Reserve Bank and the Banco de Mexico. This service allows participating banks to reduce their costs, with the possibility of lowering the commission charged. To use this service, the sender must have a bank account in any participating bank in the United States and the beneficiary must have an account in any Mexican bank. Delivery time of the money is 24 hours. Commissions are paid only by the sender in the U. S, and no charge is made to the beneficiary.

charges on Workers Remittances, have favoured competition, formalization and cost reductions. Thus, any effort made to further reduce costs or improve services for Workers Remittances must be attempted through encouraging free competition, and not by means of controls or regulations.

- 3) The third conclusion is that for competition to continue and be more effective there is need for users to have access to transparent and updated information on the costs of the different alternatives available in the market, and that such information reaches as many users as possible. For these purposes, and acknowledging that PROFECO is making an important effort and that CONDUSEF's involvement means that more users are properly informed, some suggestions, that do not mean criticising of what is done at present, are offered. They may help to improve the services provided by these institutions.
 - a. It is important that the efforts of PROFECO and CODUSEF are well coordinated, for the information that they publish to be clear, transparent and consistent. It is necessary to determine the competences of both entities, and to endow them with the necessary resources to allow them to provide the service of gathering and publishing information on Workers Remittances in the most efficient manner.
 - b. PROFECO publishes on its web site²³ several tables informing the costs, services and presence both in the United States and Mexico, for a number of intermediaries²⁴ for Workers Remittances, from several locations in the United States. The costs are provided on examples of USD 300. In the "Costs of the Service" section, four different sets of information are provided: (i) Commission for remittances of up to USD 300 (Dollars); (ii) Exchange rate used for payment (Pesos per Dollar); (iii) Dollars received for USD 300 sent, and (iv) Total Cost of the Remittance (Dollars). The data for the first two sets is from direct information as reported by the intermediaries, whilst the last two are calculations of the implicit costs regarding the exchange rate used for the transaction vs. the reference exchange rate.

The following table with information taken from the web page of Profeco "QUIEN ES QUIEN EN EL ENVÍO DE DINERO HOUSTON A MÉXICO EJEMPLO DE UN ENVÍO DE 300 DÓLARES.. DATOS CORRESPONDIENTES AL 26 DE SEPTIEMBRE DE 2005", is an example of the form in which the information is shown to the consumer to which the comments in the following paragraphs refer to.

²³ 'Who is Who in money remitting. www.profeco.gob.mx/html/envio/evolucion.pdf

²⁴ See for instance <http://www.profeco.gob.mx/html/envio/cuadhouston.htm> and <http://www.profeco.gob.mx/html/envio/enviohouston/pdf>

Costo del Servicio

Concepto	Bancomer /US Postal Serv	Bancomer envio Efectivo	Majapra Maxipag a	Majpara Paga Dolar	Money Gram	Order Express	Ria Envia	WU Next Day	WU Money in minutes	WU Wire Transfer
For remittances of up to 300 dollars (Dollars)	12.00	10.00	15.00	9.00	9.99	8.00	18.00	9.99	14.99	9.99
F/X rate used to pay (Pesos per Dollar)	\$ 10.71	\$ 10.58	\$10.86	\$10.72	\$ 10.71	\$ 10.57	\$10.88	\$ 10.64	\$ 10.64	\$ 10.85
Dollars received out of 300 Sent	299.72	296.08	303.92	300.00	299.72	295.80	304.48	297.76	297.76	298.04
Remittance's total cost (dollars)	12.28	13.92	11.08	9.00	10.27	12.20	13.52	12.23	17.23	11.95

*Takes into account the commission plus the spread between the average counter F/X purchase rate (\$ 10.72) and the F/X rate paid by each of these companies.

On this issue, two comments are in order. The first one would be regarding the convenience of providing the implicit costs calculation referred to the previous paragraph. The problem with this information is that it is based on a calculation made of a reference exchange rate that is obtained by the simple average of the retail exchange rate provided by the reporting intermediaries. The methodology to calculate the reference exchange rate is deficient²⁵ and therefore the calculations for implicit costs lack relevance and credibility and could confuse the users. The latter is much more probable when the user is told on line (iii) of the table, “Dollars received for USD 300 sent”, that in some of the cases the recipient would receive more than the USD 300 sent.

The second comment would be that, if PROFECO chooses to continue publishing their implicit costs' calculations, it should perhaps add some information stating the amount in Pesos that in each case are received by the beneficiary, multiplying the amount of Dollars by the particular exchange rate given by each intermediary.

It is important that the information published by PROFECO enjoys the greatest credibility among users and intermediaries that provide Workers Remittance services. For this, it would be better to eliminate the calculations of implicit cost. If this were not acceptable, Profeco should add the information related to the Pesos that would be received in each case. This would help to attenuate the problems stated regarding the calculations of implicit cost.

²⁵ An exchange rate calculating using a **simple average** of the exchange rates reported by the intermediaries does not reflect market rates, as the rates reported by intermediaries that handle very small volumes have a disproportionate weight against the rates reported by the intermediaries that handle larger volumes.

- c. On its part, CONDUSEF publishes, on its web site²⁶ as well as in posters displayed in the Mexican Consulates and other locations, information about the cost of the services of some intermediaries. CONDUSEF indicates that their sources are: “those [figures] that appear on Internet websites of the aforementioned companies, as well as in PROFECO’s website”. CONDUSEF publishes the amount, in Mexican Pesos, received for each USD 300 remittance, multiplying the Dollars by the particular exchange rate offered by the incumbent intermediary, which is very good. CONDUSEF does not calculate the implicit cost, but indicates that the reference exchange rate is the one that Banco de Mexico publishes.

In my opinion, CONDUSEF’s information is clearer than PROFECO’s. However, for the reasons explained below, when discussing the exchange rate issues, the exchange rate published by Banco de Mexico is not relevant for Workers Remittances, and its use as reference rate can only create confusion for the users. It would be better if no mention is made of the reference rate.

CONDUSEF is considering launching a simulator for Workers Remittances, similar to those they offer for other financial operations. This initiative could be very useful, if it is built on direct, plain and believable data that make it easy to use.

- d. PROFECO gets the information used for its publications from those intermediaries that send it, electronically, on voluntary and informal basis. They also obtain information through surveys conducted at Mexican Consulates in the United States. CONDUSEF, on the other hand, obtains the information from PROFECO’s or from the intermediaries’ web sites. It would be advisable that PROFECO and CONDUSEF establish channels that are more formal, for the intermediaries to provide the information. It is important that the cooperation of the intermediaries continues to be on voluntary basis, but ways to encourage them to report, in a more formal manner, should be found. In addition ways should also be found to motivate those that already report, to continue to do it and to those that do not report yet, to start reporting.

For these purposes, and once PROFECO and CONDUSEF have set the boundaries for their competences, they could negotiate with the intermediaries for them to report in a more formal manner. The incentive would be for them to be included in the Quality Standard that is suggested later on in this paper. The most formal manner to report would be that the intermediaries commit with a standard form and, if possible, with reporting more frequently, so those that are published by PROFECO or CONDUSEF build on series of data that are consistent and more updated than those

²⁶ See for instance

http://central.condusef.gob.mx/transferecias_eu_mex/tranferencias_chicago.htm

currently being published. As in every competitive environment, once you have stroke a deal with a participant that handles a significant volume, the other participants shall make deals as well, to avoid being let behind.

For these purposes, it would be necessary that PROFECO and CONDUSEF establish the boundaries for their competences and decide if both entities shall continue publishing similar information, as they currently do, or different. If possible, it would be desirable that the greater formality for the sending of information by the intermediaries, as suggested before, could be jointly agreed between the intermediaries and the two entities.

In this respect, it would be interesting to consider launching a campaign, agreed between the two public entities, PROFECO and CONDUSEF, and the intermediaries, for the latter to include in their offers and advertisements that they report to PROFECO and / or CONDUSEF. This would help the public to be aware of the fact that there are intermediaries that are willing to report their charges in a transparent way, while other are not prepared to be as transparent. On time, reporting to PROFECO and / or CONDUSEF may become a sort symbol of reliability that would lead the users to feel more protected with reporting intermediaries and use their services more.

- e. Since price and exchange rate for Workers Remittances is determined at the origin, it is crucial that the information published by PROFECO and CONDUSEF reaches the largest possible number of remitters. The information is published in the web sites of both entities which is a useful tool, although an assessment should be made to determine how many users have access to electronic means and the capacity to use the information in this form.

The information is also available at Mexican Consulates and, in some Mexican communities in the United States, it is available at shops, drugstores, etc. The important thing for the process of Workers Remittances to keep on improving and to have competition that is more efficient, is that the users, particularly the remitters, may know and understand the alternatives available in the marketplace, including the trade offs between cost and convenience and to decide which one is more convenient for their particular needs. For these purposes, clear and transparent information, together with basic financial education are essential.

It should be of the interest of the Mexican and American authorities, and of course of financial intermediaries, that the information reaches the greater possible number of remitters. It should also interest them that as many remitters as possible receive basic financial education so they can give the best use possible to the information provided to them and to be able to compare the different options. For this reason, it would be advisable that, in the forum of the Society for Prosperity, where both the public and private sectors of Mexico and the United States have a seat, the possibility for a joint

action to improve the dissemination of the information and to provide financial education to remitters, be discussed. This effort, could possibly count with the cooperation of the Institute of Mexicans Abroad. The MIF could also consider assuming a role, being part of a multilateral organization where both Mexico and the United States are members.

- 4) The fourth conclusion is that the issue of exchange rates used for Workers Remittances is very much on the table and frequently discussed. These discussions are not always based on the understanding of the process required to have Dollars received in the United States paid in Mexico in Mexican Pesos, with the implication that there is a hidden cost that may be reduced. As part of the discussion on exchange rates, the “Directo a Mexico” Service is mentioned as a means that could facilitate exchange rates that are more favourable for Workers Remittances.

Even at the risk of tiring readers, it must be repeated again that Workers Remittances are, after all, financial transactions that require receiving and paying money and that involve at least two currencies. It must be also remembered that most Workers Remittances are for very small amounts and therefore, to reach the volumes actually traded, millions of transactions take place. The handling of this type of transactions is expensive for the intermediaries. To receive cash requires safety, transportation, access to deposit facilities, etc. To pay cash requires all of the above, with the additional problem that the location of paying agents are probably much farther and dispersed than the locations for receiving Workers Remittances. The process also requires keeping stocks of cash resulting in large sums of immobilized funds, with the corresponding financial cost. Additionally, the reception of money at the point of origin is in one currency, while the payment is made in another currency.

The systems for payments and exchange of currencies and the logistic needed to process Workers Remittances require large investments by the intermediaries that provide such services, investments that must be recovered with profit. For the intermediaries to continue providing these very necessary services, it must be good business. The profits from exchange rate operations are an important part of the business.

The market of foreign currencies is a very active and volatile one that constantly fluctuates. During the day, transactions can have very different exchange rates²⁷, although, regarding Workers Remittances, some of the largest operators offer one single exchange rate for the whole day. At the same time, because of the costs of handling small operations, the exchange rate applicable to Workers Remittances must be that of the retail market and not the one published for wholesale transactions (the so – called FIX or the one for auctions of Banco de Mexico). Therefore, when assessing the competitiveness of the exchange rate applied to Workers Remittances’

²⁷ Banks and other financial intermediaries that handle Workers Remittances require sophisticated hedging techniques to manage the inherent risks.

it must be compared against the retail rate. Banks, remittances companies, foreign exchange offices and foreign exchange operators offer one exchange rate for purchases and another one for sales of foreign currency. In the case of Workers Remittances, and given that the exchange rate is fixed at the origin, the rate applied is the one for the purchases of dollars. This rate is around 2% lower than the rate for selling dollars. The rates can be easily verified on the information boards of each foreign exchange operator.

The discussion on the exchange rate, is therefore, not to determine if the intermediaries earn money or not by providing the service, which they do and they should²⁸, but how to guarantee that the users can compare the rates offered by the different intermediaries²⁹ and, with that knowledge, choose which one of them to use. Fortunately, there is competition in Mexico, which helps to keep costs low. The challenge is how to educate the remitters so they can assess the options and choose. At the same time how to make sure that information regarding the options is available and transparent. In this sense, my comments about improving the dissemination in the United States of the information that PROFECO and CONDUSEF provide, are also applicable to the information regarding exchange rates, as are the observations made regarding the issue of the exchange rate itself.

In this context, it is appropriate to refer to the role that the “Directo a Mexico” Service could play as a tool to offer better exchange rates for Workers Remittances. Currently, this system is virtually not used to process Workers Remittances. Most of the transactions are originated in payments of American Social Security benefits. The problem that prevents Workers Remittances to be processed through “Directo a Mexico” is that only banks can access it, and the transactions must be from bank to bank and from account to account.

Since the largest part of Workers Remittances is done through remittances companies and not through banks, the transactions cannot pass through the IACH system. In fact, IACH is a direct competitor of Bancomer, as they provide to the remittances companies precisely, the same facilities to perform the payments and foreign exchange operations that the IACH system would offer; of Western Union, that provides the same service to its own network, and, up to a point, of Banamex, that has an agreement with Western Union to pay remittances in Mexico.

Therefore, it is improbable that an improvement of exchange rates for Workers Remittances can be achieved through “Directo a Mexico”, unless the service could compete with the entities mentioned in the previous paragraph that are now offering the service. To be able to compete, it will be necessary that the number of American banks that are currently associated to the system (three, according to information

²⁸ Some banks are offering Workers Remittances without commission. This is possible only for a short period of time to enter the market, to increase share of it, or if the profit comes from the payment and foreign exchange operations.

²⁹ It seems that in some American States it is compulsory for those receiving remittances to publish the exchange rates applicable. At the same time, it appears that some remittances paying agents are advertising that their agents offer competitive exchange rates.

received) is substantially increased and, what is even more difficult, that the number and amount of Workers Remittances made between banks and between accounts is significantly raised. BANSEFI has been working hard to make alliances with American banks in order to promote remittances between banks and between accounts. Additionally, there have been efforts to interest American banks in the business and to develop banking products that draw the remitters to send their remittances through banks. Nevertheless, to see the results of all this will take time.

Even assuming that in few years' there would be more Workers Remittances from bank to bank and from account to account, it remains to be seen if the low cost per transaction and the better exchange rate that the banks would obtain³⁰ from IACH is translated to the users and reflected in better prices. On their part, the user will have to decide if the supposed better prices outweigh the fact that the completion of the operations takes at least 24 hours and that the FIX is an average exchange rate for the operation of the previous day with little relevance for the retail market in which the Workers Remittances are traded.

As it has been previously said, the operation of the IACH System in Canada has been awarded to the Toronto Dominion Bank. It would be interesting to see if the IACH is used in Canada for Workers Remittances, and if its use has meant better exchange rates and lower costs for users. It would also be interesting to know the terms of the auction in which this service was awarded to the aforementioned commercial bank.

III. “Bancarizacion”³¹

It is true, and positive, that the banks are more interested and have a greater participation in the process of Workers Remittances in Mexico. However, this does not mean that a greater number of remitters send their remittances through banks, or that most of the recipients collect their Workers Remittances in banks. Most Workers Remittances are processed through remittances companies³². Banks provide the remittances companies with highly sophisticated platforms to make the payments and to make the exchange of currency as required by the Workers Remittances process. What has happened in Mexico is that two big banks provide the service of payment and exchange of foreign currency for the remittances companies and therefore a large share of Workers Remittances are actually dealt through those two banks.

The case of BBVA / Bancomer is illustrative. A few years ago, this bank realized that the market of Workers Remittances was large and growing. They also realized that the handling of a large number of small payment transactions required a highly developed

³⁰ At the moment, the cost per transaction through IACH is \$ 0,67 and the exchange rate used for these operations is FIX – 21 bp.

³¹ Comments on “Bancarizacion” are offered in two parts, one regarding the provision of banking services to recipients of remittances, and other to the remitters.

³² BBVA Bancomer handles approximately USD 7 billion serving a large number of Remittances companies, while Banamex handles a significant amount by paying Workers Remittances, estimated in more than \$1 billion, transacted through Western Union.

technical platform. They decided to adopt a model in which their interest and their business, was to provide such platform to the remittances companies and other intermediaries for the efficient handling of payments and foreign exchange operations, at competitive costs. They made the investment in technology, joined forces with the United States' Postal Service, and, today, they handle around USD 7 billion in Workers Remittances and serve 35.000 points of origin in the United States. They have developed efficient procedures to take all precautionary measures required by regulators, such as the "Know your Client" policy. Through these services, they have facilitated the migration of Workers Remittances from the informal to the formal sector, which have meant a significant reduction in the costs of sending money. Banamex plays a similar role, but with a very big client among remittances companies, Western Union, to whom they serve making payments in Mexico of Workers Remittances, transacted through them. BANSEFI, on its part, through La Red de la Gente, offers a platform for paying Workers Remittances in remote rural locations to several remittances companies .

It is therefore, important to emphasize that the growing interest and participation of banks in the process of Workers Remittances does not mean that the majority of remitters or recipients actually use banks. There are some banks, including the ones already mentioned³³, that are developing products for consumers to make their Workers Remittances trough them, but the penetration by banks of the market is just starting. We have to see if the banks can actually compete with remittances companies regarding costs and convenience. For the moment, the large volume of Workers Remittances that goes through banks is due to the transactions handled by the banks through their payments platforms.

This is relevant because a lot has been said of the importance of the remitters and recipients of Workers Remittances using banks. This is linked to the potential benefits of "Bancarizacion".

(a) Providing banking services to the beneficiaries of Workers Remittances

In this context, it is interesting to look to Bancomer's experience in offering services to the recipients of Workers Remittances. They offer the Tarjeta de Envios de Dinero, which is an account in which the value of the remittance is paid. The receiver can use it to pay for goods and services, or for saving. It is interesting to note that only 5% of the beneficiaries actually use this service, while only 20% (of that 5%) keeps the account for a year or longer. In most of the cases, the card is used, at first, with frequent movements and abandoned shortly afterwards. The perception is that those that keep the card for a while, spend in food and basic needs around 80% of what they receive, and 20% is used for emergencies, education, car or housing, and sometimes for savings. Banamex's experience with the Tarjeta Tricolor is similar.

From the above, one can conclude that Workers Remittances and "Bancarizacion" are different phenomena that must be independently studied. The point is that not all

³³ Bank of America and HSBC have recently entered the market, offering products for Workers Remittances.

individuals that receive Workers Remittances can be subjects of “Bancarizacion”. Only those that have a surplus after expending in food and other basic expenses are interesting for the banks to cultivate them as users of banking services.

Perhaps the best way to approach “Bancarizacion” is by defining it as the provision of banking services to the Popular Sector³⁴. In this way, recipients of Workers Remittances that have surplus would be included. Workers Remittances are a source of revenue for these individuals. If they receive Workers Remittances in a consistent way, this can be a factor to be considered by the banks in case of approval of credit applications.

In Mexico, “Bancarizacion” defined as providing services to the Popular Sector, is already taking place. There are examples of two very different strategies to serve this segment.

On the one hand, there is BANSEFI, a state – owned institution that has been doing a very important job in reaching, through Savings Banks and SFP’s, those individuals in the Popular Sector that are susceptible of using banking services. There are also government programs, such as those of the Federal Building Society (S. H. F, for its initials in Spanish) to assist in the purchase of homes by emigrants, by giving mortgages in Pesos or account units, payable in the United States.

At the other end there is, among others, the example of Banco Azteca³⁵, a private bank that has decided to build on the vast experience of the Elektra Group in giving credit to the Popular Sector, to offer banking services with emphasis on consumer credit. Both banks are reaching individuals in the Popular Sector that have the characteristics to be potential clients, attractive for banking institutions.

At a recent MIF conference on Workers Remittances in Washington, the President of BANSEFI’ Javier Gavito said that there are two alternatives to handle the problem of providing financial services to the Popular Sector. The first one is a market solution through the traditional financial system, and the second is state intervention by creating development banks or special funds. BANSEFI and SHF are samples of state intervention.

BANSEFI and SHF represent the solution via state intervention, for which strong backing has been obtained from multilateral organizations. Such intervention is very valuable because it promotes the provision of financial services to the Popular Sector at the same time supports the development of Savings Banks and SPFs as an important part of the financial sector that is not under the control of the government. The most attractive feature of BANSEFI’s model, if its continues its development and is as successful as expected, is the demonstration effect that it may have for other banks to become interested in penetrating the Popular Sector market.

³⁴ It has been suggested to the author that the definition of “Popular Sector” should refer to the part of the population comprehended in C + D strata.

³⁵ This bank has an agreement with Western Union to pay remittances in Mexico

It is not an easy task and there is still a lot to do. The process of adaptation of the Savings Banks to the new legislation for the Sector de Ahorro y Credito Popular is slow and only around sixty savings banks, mostly in the last few days, have obtained the authorization required to operate under the new rules³⁶. In this sense, there are some that think that the requirements of the legislation can hardly be met by these institutions. The progress in their adaptation will tell us if the legislation has achieved the necessary balance, between the protection of savers and the need for available credit at reasonable market rates, to encourage economic activity in the Popular Segment.

Additionally there are discussions regarding the definition of rural and urban areas and whether BANSEFI's system will be able or not to reach the remotest rural areas to serve the Popular Segment. There is a stream of opinion that believes that families in the Rural Popular Segment in remote areas, that are dedicated to very small farming activities and that in many cases receive Workers Remittances, are capable of generating savings that, together with small credits, could increase their production.

BANSEFI is making good progress in the channelling Workers Remittances through "La Red de la Gente" and in attracting savings from the popular Segment, the success of the system though, would be determined when it gets to establish many branches in which the Popular Sector can obtain form authorized and regulated entities not only consumer credit but also mortgages and credit for other purposes and for the development of small industry, agriculture or cattle raising activities.

The banks share the opinion that individuals in the Popular Segment have very good savings capacity and that their payments record is very good.

The important issue is that at this moment in Mexico there are alternatives serving the Popular Sector. It is clear that there is still much to do to make financial services³⁷ available to the greatest possible number of individuals susceptible of "Bancarizacion" in the sector. It would be desirable that, eventually, more banks take part in this market to fill the gap between what BANSEFI offers, as the state intervention option, and those that offer options focused on consumer credit. It would be desirable that the traditional banking sector would be attracted to play a role in this sector.

It is not an easy task to get the traditional banking institutions to participate. Risk assessment techniques and lending modalities required to serve the Popular Sector

³⁶ Based on information received, not yet confirmed by BANSEFI, 64 Cajas and SPF's and 3 Federaciones would be already in compliance with the legislation for Sector de Ahorro y Credito Popular. No Confederation has yet been formed. .

³⁷ Especially credit at reasonable market conditions

are very different from those used for the medium and large corporate sector and for individuals in the medium and high income brackets. Traditional banks are used to lend money to customers that have assets and have consistent and verifiable income, with formal accounting in the case of companies, which is not the case in the Popular Sector, where many informal activities take place. Additionally, traditional banks need to be convinced that they can obtain determined returns per product or per market which are difficult to measure ex ante.

Nevertheless, there are some large banks that are already looking at the Popular Sector³⁸, due to their perception that such market has to be big, if only a small part of the USD 16 billion worth of Workers Remittances that go to the sector, could be used to obtain financial services such as mortgages, small enterprise loans, or savings, the numbers would be very important. Similarly, the so-called informal sector has a potential for using financial products such as insurance, pensions, loans and other.

In relation to the question regarding whether the legal and regulatory framework in Mexico is adequate for banks to operate in the Popular Sector, on one side one has to look at the recent legislation for the Sector de Credito Popular and determine if it has achieved the necessary balance between savers' protection and the establishment of a formal sector that gives credit to the Popular Sector at reasonable market conditions. On the other side, it is necessary to look if the legislation as it stands provides enough protection to the creditor for traditional bankers to feel comfortable in lending to the Popular Sector. Most of the people interviewed indicated that the problem seems to be more of procedure than of legislation. It seems that the processes for providing collateral and to foreclose on it, are long and costly, a problem that would be worsened by the small amounts that, by definition, would mean to operate in the Popular Sector. If the questions regarding adequate legislation were related to credits to the informal sector, the additional and difficult subject of whether it is possible or not to acknowledge in the legislation, and in pertinent regulations, some of the practices that prevail in that sector, comes to play.

(b) Providing banking services to the remitters of Workers Remittances

Although the focal point of this analysis and of the visits to Mexico was the providing of banking services in Mexico to recipients of Workers Remittances, some comments about the potential market that the remitters living and working in the United States represent must be mentioned, to be taken into account when a deeper analysis of the issue is made.

A number of banks are already offering products to Mexican emigrants, most of which send Workers Remittances to their country. The following are the comments about it.

³⁸ Banks such as Santander – Serfin, BBVA Bancomer, Banamex, Banorte and other already have some products targeted to the Popular Sector.

The first point refers to the need of an identification document for the emigrants to open accounts. In this sense, any progress in getting the agreement of more banks to accept the Consular Registration as valid identification document, the better the chances for “Bancarizacion”.

Another issue refers to the apparently very widespread practice that the emigrants cash their payroll cheques, not in banks, but in shops and other establishments in their own neighbourhoods. Such establishments charge high commissions for cashing these cheques. In some cases, such establishments also offer Workers Remittances services. Probably one of the reasons for which emigrants do not cash their cheques in banks is the lack of an acceptable identification document, but it is also possible that they would like to avoid calling the attention of the immigration authorities, or for fears to be taxed or simply because they are not used to visit luxurious bank offices.

The issue merits further studying. Possibly, a way to banking emigrants is through agreements with their employers for the bank to manage the payroll and then be able to offer the workers the payment of their wages without the cost of cashing their cheques some where else and to offer them as well several other financial products, including remittances that might be of their interest. This is an issue on the agenda of a sub – committee of the Society for Prosperity.

Another issue mentioned relates to the interest that, the senders of Workers Remittances have of controlling the use of part of the funds they send. There is the impression that if they are offered products like medical insurance for their parents or other relatives, or financing for the purchase of homes, the remitters would use such products. BANSEFI and SHF already offer some of these products to emigrants, and other banks, including Banamex, Bancomer, Banco Azteca and few others have also some products or are looking at the issue.

In general, the millions of Mexican emigrants living in the United States, with the capacity to send USD 16 billion to their families every year, are a potential market for banking and financial services. These emigrants must have savings capacity and, being employed, must be creditworthy. The reason recurrently given to explain the little penetration of banks in that market segment is the resistance of the emigrants to visit luxurious bank offices in unknown neighbourhoods, or identification problems, migratory status, taxes, etc. It would seem that there is also a trade off between the cost of cashing cheques outside the banks and the convenience of not having to identify themselves, or the closeness to the places that cash cheques. A closer look into the issue would produce ideas regarding actions that may facilitate the formalization of cashing cheques, which could lead to “Bancarizacion”.

As it is the case with Workers Remittances, for the issues relating to the cashing of cheques or Bancarizacion of the senders of remittances, financial education and dissemination of information seem to be crucial to encourage emigrants to make a wider and more efficient use of available banking services.

Conclusions

In summary, the “Bancarizacion” of the Popular Sector that includes those recipients of Workers Remittances with capacity to save money, is starting to occur in Mexico in two ends, between the BANSEFI system with strong State intervention at one end, and, at the other, private entities entity focusing primarily on consumer credit.

There is still a lot to do to have in Mexico banking services, both savings and loans, provided by duly regulated entities at reasonable market rates that reach a large part of the Popular Sector. Traditional banks are starting to show some interest in the subject. It is expected that, in time, more of the traditional banks will fill in the gap present at the moment between the state initiative and the private sector initiative, to serve the Popular Sector. It is important to follow the evolution of the implementation of the legislation for Entidades de Ahorro y Credito Popular that should lead to a greater number of duly authorized institutions, not controlled by the government such as Cajas de Ahorro and SPFs, serving the Popular Sector.

Regarding the “Bancarizacion” of remitters of Workers Remittances, who live in the United States, they should be a potential target for banking services. It is most probable that this segment of the population, that is employed and sends home billions of dollars in Workers Remittances, has savings capacity. Most probable, banks know the capacity of this market and would be interested in penetrating it. It is up to them to do the pertinent marketing efforts. However, from the point of view of public policy, the generalization of the acceptance of Consular Registration for opening bank accounts must be supported, and providing basic financial education to emigrants must be encouraged. In this way, they will be able to decide what financial services are convenient for them and, therefore, to have their needs served more by the formal, regulated financial sector and less by the informal one, as apparently happens, to their own detriment.



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