



Remittances & Banking: Views from Both Sides of the Teller Line

Consumer Banking in Latin America: Opportunities and Challenges
March 23, 2007

Outline

- Opportunities and challenges for remittances as entry level financial product
- Views from both sides of the teller line
- Directo a México solution
- Account-to-account transfers



Opportunities

- Remittances are big business
- Remittance senders need entire range of financial services
- Strong customer loyalty
- Possible Community Reinvestment Act credit for offering remittances

Challenges

- Potential customers may not have traditional documentation and may be unbanked
- Customers may need special marketing and customer service needs
- Money transfer businesses dominate remittance market
- Lack of person-to-person payment model in the US

Views Across the Teller Line

- Financial Institution Perspective:
 - See remittances as entry level product for unbanked consumers who will need range of financial products
 - Primarily interested in customer relationship – over transactional value of remittance
 - “Offer it and they will come” philosophy prevails – more promotional focus needed

Views Across the Teller Line

- Consumer Perspectives:
 - Majority of remittance senders still use traditional cash to cash method
 - Consumer may be unaware of benefits of a banking relationship – may be uncertain if they qualify to have an account
 - Consumer may not have traditional view of relationship with financial institution

Bridging the Teller Line

- Successful customer – FI relationships generally include:
 - More packaging of services for entry level customers, including remittances
 - More service outreach to develop new customer relationship
 - More focus needed on financial education for new bank customers
 - Remittances – at both sending and receiving end

Directo a México

- Federal Reserve-Banco de Mexico project to make payments between our countries more efficient, secure and economical
- Linked payment systems since 2004
- Account to account transfers
- Low-cost: \$0.67 cross-border surcharge to FI
- Foreign exchange (FIX less .21%) for every payments regardless of value

Directo a México

- Improvements made to product over time:
 - Improved foreign exchange rate
 - Reduced clearing & settlement time
 - Created white-branded, promotional name
- Collaboration with Bansefi in creating Beneficiary Account Registration (BAR) website

Directo a México

- Current Volume – around 27,000 items per month
- Over 40 financial institutions actively sending payments and more than 200 financial institutions enrolled
- Developing ability for FIs to use their own foreign exchange in ACH to Mexico

Account-to-Account Transfers

- Transparent, regulated, and secure
- Electronic transaction record requires data on both sender and receiver
- Financial institutions on both ends of transactions are highly and routinely supervised

Account-to-Account Transfers

- ACH transactions are secure, arrive timely, sit safely in deposit insured account
- Only transfer method to support financial inclusion on both sides of transaction

President of Mexico Endorses Directo a MéxicoSM



Mexican President Felipe Calderón Hinojosa endorsed Directo a México as the solution to help reduce the cost of transfers to Mexico on February 23 in Jalpa, Zacatecas.

President of Mexico Endorses Directo a MéxicoSM



President Calderón also recognized efforts by Bansefi to incorporate Directo a México into its program to further lower the cost of remittances and to encourage use of the financial system by Mexicans.



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