

NATIONAL REMITTANCE PLAN 2015 MEXICO

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Background

In Mexico, 96.2% of remittances come from the United States (first semester of 2015). In 2014, remittances accounted for 23,647 million dollars, which represented 1.8% of GDP, and in the first semester of 2015 the value of remittances inflows was 12,089 million dollars, an increase of 3.98% over the same period of 2014. Most of the remittances (96.9% in 2014) are received through electronic transfers (35.6% are transferred by banks and 64.4% through non-banks). Mexico sent 1.0 billion dollars in remittances in 2014, of which 59.4% went to the United States (US). In the first semester of 2015 Mexico sent 408 million dollars, 13.9% less than in the same period of 2014.

The total average cost of receiving remittances in Mexico, according to the *Remittance Price Worldwide* published by the World Bank, had been below 5% since the first quarter of 2014, until the second quarter of 2015 when the cost reached 5.30%. Mexico is committed to the G20 goal on the cost of remittances, to the availability of remittances services and for remittances to continue supporting financial inclusion.

2014 Call to Action on Remittances

Banco de México and the United States Federal Reserve joined efforts to increase the use of *Directo a México* to send money from a US bank account to any bank account in Mexico. *Directo a México* is partnering with credit union corporations and pre-paid card companies to improve product functionality and is negotiating with financial institutions to broaden *Directo a México* enrollment. Mexico issued regulatory changes to create an environment which promotes low cost and faster electronic fund transfers payments as well as the use of mobile technology as an access channel to financial inclusion and payments services (the latter will improve account to account remittances). In addition, Mexico is increasing financial literacy for Mexican communities in the US and Canada through the Institute of Mexicans Abroad and is using its national authorities (National Commission for the Protection of Users of Financial Services and the Consumer Financial Protection Bureau) to launch an electronic communication tool to answer queries from Mexican migrants.

2015 Country plan for reducing remittance transfer costs

1. Increase Remittance Market Competitiveness

- a. Mexico will continue to assess the legal-regulatory regime, and reform it, if need be, to foster financial inclusion, including digital, innovative and mobile technologies and, if necessary, new non-bank players.
- b. Mexico will also exploit the potential of recent regulatory changes to promote easier access and competition in mobile services by simplifying the account opening process. The current regulation establishes a tiered

approach for anti-money laundering and combating the financing of terrorism (AML/CFT) procedures, with varying requirements in terms of customer identification and monthly deposit amount or balance amount thresholds. Certain account types can be linked to the account holder's mobile phone number to initiate and receive electronic funds transfers, including international remittances, such as *Directo a México*. Also, regulation was issued to promote financial inclusion through mobile payments.

- c. With regard to AML/CFT, Mexico will keep its sustained efforts to continue complying with the Financial Action Task Force standards, specifically with those related to remittance services, emphasizing on effectiveness and the proper application of the risk-based approach to money laundering and terrorism of financing threats, so financial inclusion actions do not get undermined, keeping financial markets' integrity.
- d. Mexico will promote the participation of banks and non-bank financial institutions in the remittance market to foster competition in account to account infrastructure such as *Directo a México* program. Banco de México and the Federal Reserve Bank of Atlanta, are updating the *Directo a México* website in order to make it easily accessible throughout mobile devices.
- e. The government will also foster dialogues with, and between, financial entities and other remittance service providers to assess the possibilities to reduce costs and increase access points.

2. Improve Financial System Infrastructure and Pursue Policies Conducive to Harnessing Emerging Technologies

- a. Mexico will encourage the use of bank and non-bank financial entities correspondents (agents) as remittance service providers in rural and scarcely populated areas (participants in the telecommunications sector among others).
- b. Foster through traditional and innovative channels, an increase of access points to the financial system (including increasing the transfer of remittances).
- c. State development banks will take an active role in these actions, including through the dissemination schemes of social inclusion programs, through joint efforts with commercial banks, and other financial entities, including the micro-finance and financial cooperatives sectors, such as "L@ Red de la Gente¹" alliance.

¹ *L@ Red de la Gente* is a commercial alliance between the Banco del Ahorro Nacional y Servicios Financieros, a State development bank, and more than 190 savings and loans cooperatives and other financial entities which provide financial services in more than 2,300 access points in remote areas, reaching more than 950 municipalities all over the country.

3. Improve Transparency and Consumer Protection of Remittance Transfers

- a. The Committee on Financial Education, chaired by the Ministry of Finance and Public Credit, will coordinate efforts to enhance financial education programs related to remittances.
- b. Diverse entities of the federal government will strengthen their current information and transparency efforts in Mexico and for Mexican migrants, related to the transmission and cost of remittances, considering both, traditional and electronic channels and including costs comparisons of remittances.
- c. Mexico is increasing financial literacy for Mexican communities in the United States and Canada through its Consular Network. Furthermore, Mexico will promote the website of the National Commission for the Protection of Users of Financial Services launched specifically to address Mexicans abroad. The website includes financial education materials, recommendations on sending remittances at the lowest cost, as well as a mail to answer queries from Mexican migrants, among other relevant tools.
- d. The financial authorities will work with other appropriate authorities to analyze the need, and if the case may be, implement transparency requirements for commercial establishments that deal with remittances.