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# **G20 National Remittance Plans - Brazil**

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## COUNTRY PLANS FOR REDUCING REMITTANCE TRANSFER COSTS

### Background

According to the World Bank Remittance Prices Worldwide<sup>1</sup>, Issue 22 – June 2017, the average cost of remitting from Brazil is 3.47% (decreased from 13% since Q1 of 2012), which is below the G20 average cost of 7.38% and the global average of 7.32%. On the other hand, the average cost of remitting to Brazil is 6.33%, which is lower than the G20 and the global average costs of 7.39% and 7.32%, respectively.

The Brazilian foreign exchange legislation requires all foreign exchange transactions, including remittances, to be carried out through institutions authorized to operate in the foreign exchange market by Banco Central do Brasil (BCB). Currently, there are 189 institutions authorized to conduct foreign exchange transactions, organized as banks, exchange brokers, brokerage firms and securities dealers. These institutions can contract foreign exchange correspondents to conduct, under their supervision, operations with customers that need to send remittances up to US\$ 3,000. Currently, there are about 3,000 foreign exchange correspondents.

In 2016, according to BCB, workers' remittances to Brazil reached US\$ 2.5 billion. Moreover, from 2013 to 2016, workers' remittances from Brazil to overseas increased around by 22% (US\$ 0.2 billion), reaching US\$ 1.3 billion in 2016. As percentage of national GDP, these amounts represent respectively 0.15% and 0.08%<sup>2</sup>. The main countries that received remittances from Brazil in 2016 were United States (28.2%), Portugal (5.5%) and Bolivia (6.1%).

### Call to Action on Remittances

The improvement of foreign exchange regulation aiming the increase of transparency and reduction of costs is a priority for BCB. To that end, BCB is constantly monitoring the foreign exchange market and undertaking studies with the objective of fine-tuning regulation to simplify foreign exchange procedures, increase competitiveness and lower their costs.

The table below shows the remittances flows from abroad to Brazil and from Brazil to abroad, by country.

<sup>1</sup> [https://remittanceprices.worldbank.org/sites/default/files/rpw\\_report\\_june\\_2017.pdf](https://remittanceprices.worldbank.org/sites/default/files/rpw_report_june_2017.pdf)

<sup>2</sup> <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=BR&view=chart>



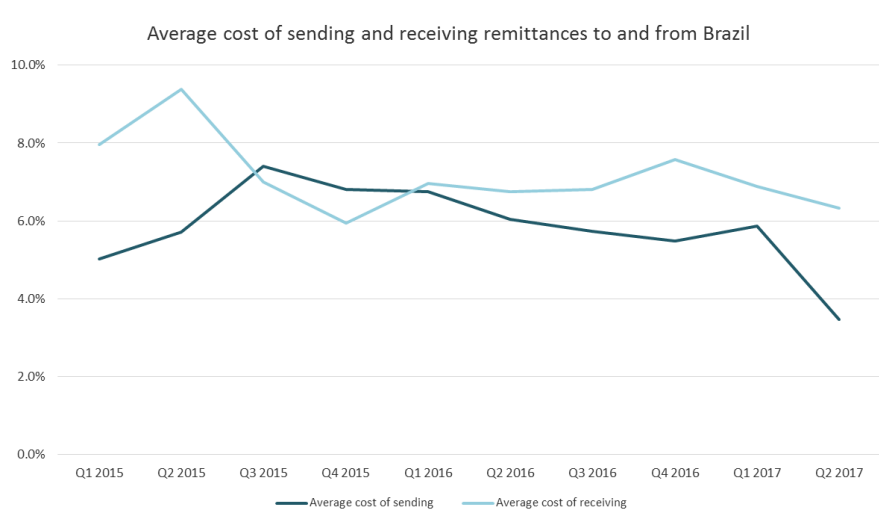
Remittances from abroad to Brazil <sup>1</sup>				Remittances from Brazil to abroad <sup>2</sup>					
	2013	2014	2015	2016		2013	2014	2015	2016
<b>Total (US\$ mi)</b>	<b>2,124.5</b>	<b>2,127.7</b>	<b>2,459.4</b>	<b>2,365.1</b>	<b>Total (US\$ mi)</b>	<b>1,067.9</b>	<b>1,375.3</b>	<b>1,250.8</b>	<b>1,300.8</b>
<b>United States</b>	800.5	815.0	1,076.2	1,025.9	<b>United States</b>	316.7	401.1	290.5	366.9
<b>Japan</b>	284.2	255.1	221.1	95.3	<b>Portugal</b>	65.0	55.6	50.1	71.7
<b>Germany</b>	143.4	129.6	121.5	103.9	<b>Bolivia</b>	52.5	83.6	91.2	79.2
<b>Italy</b>	113.8	98.2	90.8	92.5	<b>United Kingdom</b>	61.6	36.0	37.9	53.5
<b>Portugal</b>	102.5	95.1	174.9	155.1	<b>Spain</b>	38.3	63.9	57.7	51.2
<b>Spain</b>	79.0	79.3	88.7	82.3	<b>China</b>	43.5	47.0	43.5	55.3
<b>Switzerland</b>	68.0	77.1	70.7	95.0	<b>Haiti</b>	28.6	73.2	77.5	72.4
<b>France</b>	66.9	57.0	54.3	64.4	<b>Germany</b>	26.1	33.3	27.3	21.0
<b>United Kingdom</b>	52.8	48.8	108.2	194.6	<b>Italy</b>	28.4	34.6	34.1	34.3
<b>Canada</b>	49.4	41.2	40.6	44.7	<b>Canada</b>	29.5	42.2	38.3	38.1
<b>Angola</b>	41.4	34.4	21.8	9.1	<b>Peru</b>	34.3	41.5	35.1	36.3
<b>Netherlands</b>	26.5	23.8	19.8	18.1	<b>France</b>	27.4	31.2	25.5	22.2
<b>Other countries</b>	296.1	373.0	370.9	384.4	<b>Other countries</b>	316.0	432.2	442.0	398.7

<sup>1</sup> Country of immediate origin of financial resources

<sup>2</sup> Country of immediate destination of financial resources

Source: Banco Central do Brasil

The chart below shows that costs are decreasing since 2014:



Source: Remittance Prices Worldwide – Issue 22, June 2017

### Update 2015 National Remittance Plan:

- On 20 March 2016, BCB has released its remittance price comparison website. The VET is the total amount of Brazilian currency paid or received per unit of foreign currency on each remittance transaction. This value includes the exchange rate, taxes and fees that may be charged, allowing customers to compare directly the prices available in the market. The Total Effective Value (VET) Ranking page<sup>3</sup> lists, according to user inputs, the agents that have performed similar remittance transactions ranked by the average VET charged on a specific month.
- BCB has updated the primer, published on BCB website, that shows essential guidelines for customers to carry out money transfers from abroad to Brazil and from Brazil to abroad, considering legal and safety aspects, especially those associated with small value operations.

<sup>3</sup> [http://www.bcb.gov.br/rex/vet/index\\_en.asp](http://www.bcb.gov.br/rex/vet/index_en.asp)



- Studies aiming to expand alternatives for remittance operations in the country were developed. In this sense, specific work is being conducted in order to support the update of regulation on cross border transactions, with special consideration to recent innovations brought up by new technologies.

## 2017 Country plan for reducing remittance transfer costs

### 1. INCREASE REMITTANCE MARKET COMPETITIVENESS

- BCB will keep evaluating opportunities to improve the foreign exchange market regulation considering the appearance of new channels of lower-cost remittance services.
- BCB will continue improving its foreign exchange legal-regulatory framework to foster remittances cost reduction, considering the innovative technologies and, if necessary, new non-bank players.

### 2. IMPROVE FINANCIAL SYSTEM INFRASTRUCTURE AND PURSUE POLICIES CONDUCIVE TO HARNESSING EMERGING TECHNOLOGIES.

- BCB recognizes the potential impact that new technologies can have to facilitate and contribute to lowering costs of remittance flows. Moreover, BCB is following the discussions in international forums and the experience of others central banks aiming to identify innovative solutions that fit the Brazilian remittance context and its regulatory framework.

### 4. IMPROVE TRANSPARENCY AND CONSUMER PROTECTION OF REMITTANCE TRANSFERS.

- Brazil continues to prioritize increasing transparency of remittance costs.
- BCB will take steps to review, update and improve the primer<sup>4</sup> targeted to consumers who perform remittances operations, “Primer of Exchange: Sending and receiving small amounts”, that shows essential guidelines for customers to carry out money transfers from abroad to Brazil and from Brazil to abroad.
- BCB is also working on the development of a session on its website<sup>5</sup> aiming to offer customers specific information about regulation, costs and guidelines for remittances operations.
- BCB will seek to improve the dissemination of statistics related to remittances and its costs over the context of financial inclusion indicators.
- BCB also intends to improve its remittance price comparison website launched in 2016, the Total Effective Value (VET) Ranking for remittances. This work is expected to increase transparency and competition in the remittance market, helping consumers to find, among the authorized institutions, the one that offers the best deal while remitting money to other countries.

<sup>4</sup> [http://www.bcb.gov.br/Rex/cartilha/primer\\_exchange\\_sending\\_receiving\\_small\\_amounts.pdf](http://www.bcb.gov.br/Rex/cartilha/primer_exchange_sending_receiving_small_amounts.pdf)

<sup>5</sup> <http://www.bcb.gov.br/en/#!/home>