



GPFI

Global Partnership
for Financial Inclusion

G20 National Remittance Plan 2019

Brazil

Background

According to the World Bank Remittance Prices Worldwide, Issue 30 – June 2019, the average cost of remitting from Brazil is 7.39%. On the other hand, the average cost of remitting to Brazil is 7.54%.

The Brazilian foreign exchange legislation (Law 4,131, of September 3, 1962; Resolution 3,568, of May 29, 2008; and Circular 3,691, of December 16, 2013), 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 185 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 who need to send remittances up to US\$ 3,000. Currently (10.09), there are about 4,029 foreign exchange correspondents.

In 2018, according to BCB, workers' remittances to Brazil reached US\$ 2.5 billion. Moreover, from 2015 to 2018, workers' remittances from Brazil to overseas increased around by 70.6% (US\$ 0.8 billion), reaching US\$ 2.1 billion in 2018. As percentage of national GDP, these amounts represent respectively 0.038% and 0.031%². The main countries that received remittances from Brazil in 2018 were United States (21%), Portugal (14%) and Canada (6%).

¹ https://remittanceprices.worldbank.org/sites/default/files/rpw_report_june_2019.pdf

² <https://www.bcb.gov.br/en/statistics/economicindicators>

Call to Action on Remittances

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

One important measure that resulted in more transparency was the issuance of the National Monetary Council's Resolution 4,198, effective March 2013, which requires financial institutions to inform their clients the Total Effective Value (VET) prior to the foreign exchange operation in all transactions with clients of up to US\$ 100 thousand. The VET includes the exchange rate and all taxes and fees that are charged in foreign exchange transactions. The value is denominated in Brazilian reais per unit of foreign currency (e.g. R\$ 4.00 per United States dollar).

Thereby, since 2013 the BCB discloses on its website www.bcb.gov.br/?engvet the ranking of VET charged by authorized institutions. This initiative provides further transparency on foreign remittances information and contributes to cost reduction, mainly by enhancing competition. Additionally, it is important to emphasize that the disclosure of this information resulted in the improvement of the methodology applied to calculate the cost of remittances in Brazil, as pointed out by the Remittance Prices Worldwide report in the first quarter of 2014.

Another important initiative in recent years was the development by the BCB of a mobile application named Câmbio Legal (Legal Foreign Exchange). Basically it is a map that shows the authorized institutions' locations all over the country and the closest to the customer. Its download is free and the VET ranking is also presented in the application, enabling the customer to compare costs and select the option that suits him best.

Updates (2019):

- The improvement of foreign exchange regulation aiming at the increase of transparency and costs reduction is a priority for the BCB. To that end, the BCB is constantly monitoring the foreign exchange market and undertaking studies with the objective of improve the regulation to simplify foreign exchange procedures and reduce costs.
- BCB has updated its Primer of Exchange - Sending and receiving small amounts, published on BCB website (https://www.bcb.gov.br/content/config/Documents/primer_exchange_sending_receiving_small_amounts.pdf). It presents 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.
- On January 26, 2017, was issued the Circular BCB 3,825, exempting the formalization of the foreign exchange contracts for sales or purchases of foreign currency up to USD 10,000.00 (ten thousand United States dollars) or the equivalent amount in other currencies. Notwithstandingt, in those foreign exchange operations with customers that do not have formalization of the foreign exchange contract, it is mandatory to deliver or to make available to the customer, immediately and at no cost, the voucher of each foreign exchange operation, which must contain at least the parties' identification, the foreign currency, the nature code of the transaction, the foreign exchange rate, the amounts in foreign and domestic currency as well as the VET.
- On September 20, 2018, was issued the Circular BCB 3,914, increasing the regular ways to receive remittances in Brazil and enhancing competition, with possible cost reduction for the public.

Such measure, which entered into force in late 2018, allows institutions authorized to operate in foreign exchange market to receive remittances payment orders in foreign currency from abroad, undertake the conversion to BRL and deliver the resources to the beneficiaries without the time and cost involved in traditional foreign exchange transactions. The payment order terms shall be negotiated by the sender abroad, including previous agreement about the value in BRL that will be integrally received by the natural person in Brazil. The pre-established value abroad will be credited in a deposit account in Brazil. Thus, in this new systematic, the beneficiary does not negotiate foreign currency and, therefore, it will not incur any other expenses.

2019 Country plan for reducing remittance transfer costs

1. Increase remittance market competitiveness, including through improvements to the regulatory environment

The BCB is conducting a specific project to improve the foreign exchange market regulation, considering especially the innovations and the new technological solutions in this market. The aim is to develop a more flexible regulation that encourages the adoption of new standards, solutions and technologies by the participants of the foreign exchange market, thus increasing competitiveness in the remittances market. We expect that by the end of 2019 the phase of identification of opportunities to improve the regulation will be completed.

2. Improve financial system infrastructure and pursue policies conducive to supporting innovation and harnessing emerging technologies.

As mentioned in item 1, the BCB has been following closely the provision of services of financial and foreign exchange nature by companies that are being called by the market as "Fintechs", as well as

the adherence of these services to the legal and regulatory framework. Besides that, the BCB constantly monitors the Brazilian foreign exchange market, conducts studies, takes measures aiming to enhance the regulation related to remittances and keeps in contact with developers of new international payment infrastructures.

3. Improve transparency and consumer protection of remittance transfers.

BCB will take steps to review, update and improve the primer 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.