



GPI

Global Partnership
for Financial Inclusion

G20 National Remittance Plan

Brazil 2021

Biennial Update

Call to Action on Remittances

Insert your countries' 2014 Call to Action on Remittances and provide any updates/outcomes since the commitment was made, including the 2016 G20 commitment towards achieving the Sustainable Development Goals (SDGs) under the United Nations 2030 Agenda and the Addis Ababa Action Agenda.

The improvement of foreign exchange regulation, aiming at the increase of transparency and reduction of costs, is a priority for the Banco Central do Brasil (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 (remittance price database). 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.

BCB has also elaborated its Primer of Exchange - Sending and receiving small amounts, that 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. (https://www.bcb.gov.br/content/config/Documents/primer_exchange_sending_receiving_small_amounts.pdf).

On September 20, 2018, was issued Circular BCB No. 3,914, increasing the regular ways to receive remittances in Brazil and thus fostering competition, with possible cost reduction for the public. Such measure allows institutions authorized to operate in the foreign exchange market

to receive remittances payment orders in foreign currency from abroad, undertake the conversion to BRL and deliver the resources in BRL to the beneficiaries without the time and cost involved in traditional foreign exchange transactions.

The payment order conditions shall be negotiated abroad, including previous agreement about the value in BRL that must be integrally received by the natural person in Brazil (i.e. there is no any additional fees or taxes). The pre-established value abroad may be credited in a deposit or prepaid account or delivered in cash. Thus, in this new systematic, the beneficiary does not need to negotiate foreign currency in Brazil and, therefore, it will not incur any other expenses or fees.

On September 9, 2021, was issued Resolution CMN No. 4,942 and Resolution BCB No. 137, considering the growing digitization of the financial system and new business models. These are important achievements that have improved foreign exchange regulation considering the intensive use of technological solutions in international payments and transfers that contribute to competition, financial inclusion and innovation in remittances market. With these regulatory changes, it will be possible to carry out remittances of up to US\$10,000 in a simpler and more competitive way.

Under consideration by the National Congress, Bill Nr. 5,387/2019, authored by the Executive Branch and resulting from studies carried out by the BCB, proposes a new legal framework for the Brazilian foreign exchange market that will allow the adoption of requirements proportional to the values of the operations in the foreign exchange market and the risks involved. The Bill Nr. 5,387/2019 is in line with the best international practices and will allow the adoption of new business models that increase market efficiency, competition, and financial inclusion, thus facilitating remittances.

Current State of the Market for International Remittances

Provide a summary of the current remittances sector in your country and region, such as key emerging issues and/or challenges, e.g., number and types of providers, main corridors, costs (including how much they have changed and why), legislative and regulatory overview. Where possible include the latest available data for the following: remittances sent and/or received as percentage of national GDP, total remittance inflows and/or outflows by region, percentage of total remittances (sent and/or received) for your country as a share of total regional remittance flows, and size of the migrant (and if available diaspora, upon country's definition) population abroad and/or within your country.

In this section, please use the information compiled via the Questionnaire presented in Section 4 of this document.

Overview

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, all 5,570 Brazilian municipalities have at least one physical bank channel (as bank branch, bank branch-like or agents). There are 183 institutions authorized to conduct foreign exchange transactions, organized as banks, exchange brokers, brokerage firms and securities dealers. In Brazil, remittance services are mostly performed digitally. Therefore, RSPs provide digital onboarding tools and services to their customers.

The institutions referred above may contract agents to conduct, under their supervision, operations with customers who need to send or receive remittances up to US\$ 3,000. Presently, there 4,410 legal agents hired by authorized institutions.

Brazilian Remittances Market

According to BCB data, the amount of remittances sent abroad from Brazil, in 2020, was US\$1.5 billion, 30% less than the value in 2019 (US\$2.1 billion). The United States and Portugal were the largest recipients of these remittances - approximately 37% of the total volume. Regarding the inflow of resources in Brazil, the volume was US\$3.3 billion, 15% higher than in 2019 (US\$2.9 billion). United States and United Kingdom represented more than 66% of the total resources sent to the country in 2020.

When analyzed the first quarter of 2021, there was a 29% reduction in flows sent from Brazil compared to the same period in 2020. In the opposite direction, in the same period, there was a 32% increase in flows to Brazil, mostly explained by the approximate 46% increase in flows from the United States and 100% of flows from the United Kingdom, which together accounted for 71% of the total.

It is important to mention that, in 2020, the inflow of remittances received and sent represented, respectively, 0.2% and 0.1% of GDP, according to World Bank data¹. The institution also stated in the Remittance Prices Worldwide, Issue 37 – March 2021, that the average cost of remitting from Brazil in the first quarter of 2021 was 7.17%, 40% above the cost for the first

¹ <https://data.worldbank.org/indicator/BX.TRF.PWKR.DT.GD.ZS?locations=BR>

quarter of 2020 (5.09%). On the other hand, in the same period, the average cost of remitting to Brazil was 6.69%, 14% below that observed in the first quarter of 2020 (7.78%).

2022-2023 Country Plan for Reducing Remittance Transfer Costs

Please outline how your country will take (additional) steps to **help reduce the cost** of transferring remittances and **improve the availability** of remittance services, while **ensuring quality** of remittances services and service delivery. Please provide specific actions taken domestically and internationally, and timeframes for when commitments will be implemented drawing from the optional policy levers outlined in Section 5.

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, ensuring, at the same time, the quality of remittances services. It is important to mention that BCB recognizes the potential impact that new technologies can have to facilitate and contribute to lowering costs of remittance flows.

From September 2022, payment institutions will be eligible to operate in the foreign exchange market. The aim is to encourage greater competition and improve access to services offered by RSPs. There are currently 183 institutions authorized to operate in the foreign exchange market, including banks, securities brokerage companies, securities distributing companies and foreign exchange brokerage companies.

Allowing that payment institutions already authorized to operate by the BCB also be authorized to carry out remittances will bring greater efficiency to the market, considering the significant development of payment institutions and the popularization of payment accounts. Many of the Fintechs that offer digital accounts are payment institutions and will be able to offer remittances services directly to their customers.

For 2022 is also planned to update the BCB's Primer of Exchange - Sending and receiving small amounts, to incorporate the recent improvements in the foreign exchange market regulation, facilitating customers' access to information on remittances services in Brazil.

Country remittances profile

1. Please provide remittance outflows and/or inflows for the last 3 years (country-level data from the central bank as per the IMF BPM 6 Framework, if possible, please provide the data denominated in USD):

Year	Inflow (if 1b or 1c) – (US\$ mi)	Outflow (if 1a or 1c) – (US\$ mi)
2021 (if available) – S1	2.201	872
2020	3.312	1.471
2019	2.880	2.093
2018	2.565	2.133

Source: <https://www.bcb.gov.br/estatisticas/tabelasespeciais>

2. Based on available data on remittance flows, the country is: ²
 - a. Mainly a remittance-sending country
 - b. Mainly a remittance-receiving country
 - c. Both sending and receiving are significant

Respond only if 2a or 2c [Sending Country]:

3. If 2a or 2c, please provide specific identifications schemes applicable to migrants in your country (e.g. Marticula Consular in Mexico, Overseas Citizen of India, Blue Card in Turkey)

The National Migration Registration Card (CRNM), established by Law No. 13,445, of May 24, 2017, ensure international migrants the full exercise of civil life acts.

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4. If 1a or 1c, please provide the migrant stock as a share of total population for the last 3 years:

Year	Migrants/Population
2021 (if available)	Not available
2020	Not available
2019	807.006

² Classification of a country as a sending or a receiving country or both is left to the countries themselves. However, please note that, in general, high-income countries are considered sending countries to low- and middle-income countries. There are exceptions. Some middle-income countries have large migrant populations originating from low-income countries and can be classified as both sending and receiving countries.

2018	Not available
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Source:

<https://www.un.org/en/development/desa/population/migration/data/estimates2/index.asp>

5. If 2a or 2c: Please list main corridors for international remittances sent.³

United States, Portugal and Canada (2018-2021).

Source: <https://www.bcb.gov.br/estatisticas/tabelasespeciais>

6. If 2a or 2c: What is the average cost of sending \$200 from your country? Provide available quarterly data for the current year, plus quarterly data from the previous calendar year.

2020_1Q	2020_2Q	2020_3Q	2020_4Q	2021_1Q
5.09	9.57	9.77	7.00	7.17

Source:

https://remittanceprices.worldbank.org/sites/default/files/rpw_main_report_and_annex_q12_1_final.pdf

Respond only if 2b or 2c [Receiving Country]:

7. If 2b or 2c, Please provide specific identifications schemes applicable to the diaspora (e.g. Marticula Consular in Mexico, Overseas Citizen of India, Blue Card in Turkey)

The Consular Registration Card (CMC), established by Law No. 13,445, of May 24, 2017, is an identification document created to help Brazilians living abroad. Its purpose is to facilitate the contact of the consular authorities with the bearer and his/her family members in Brazil in emergency cases, as well as in the renewal of other Brazilian documents.

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8. If 2b or 2c: Please list main corridors for international remittances received.⁴

United States, United Kingdom and Portugal (2018-2021).

Source: <https://www.bcb.gov.br/estatisticas/tabelasespeciais>

³ Main corridors for a sending country include those that are the largest receivers from that country in terms of volume.

⁴ Main corridors for a receiving country include those that are the largest senders for that country in terms of volume.

9. If 2b or 2c: What is the average cost of receiving \$200 in your country? Provide available quarterly data for the current year, plus quarterly data from the previous calendar year.

2020_1Q	2020_2Q	2020_3Q	2020_4Q	2021_1Q
7.78	7.30	6.90	7.07	6.69

Source:

https://remittanceprices.worldbank.org/sites/default/files/rpw_main_report_and_annex_q12_1_final.pdf

Competition in the market

10. Please indicate the types of remittance service providers (RSPs) allowed:

	Allowed to provide remittance services ¹	If “yes”			
	[Yes/No]	Number of providers of each type	Market share for each provider type? (in terms of number of transactions)	Average cost of sending \$200 if 2a or 2c	Average cost of receiving \$200 if 2b or 2c
Commercial banks	Yes	103	N/A	N/A	N/A
MTOs	Yes	80	N/A	N/A	N/A
Postal network	Yes	1	N/A	N/A	N/A
Mobile money operators	No				
Fintech platforms	No				
Remittance hubs	No				
Others (please specify)					
Agents	Yes	4,410	N/A	N/A	N/A

¹ 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). In this sense, BCB may grant authorizations to perform operations in the foreign exchange market to multiple banks,

commercial banks, saving banks, investment banks, development banks, foreign exchange banks, development agencies, credit, financing and investment societies, securities and stocks brokerage societies, securities and stocks dealers societies and foreign exchange brokerage societies. Effective September 1st, 2022, payment institutions will also be eligible to operate in the foreign exchange market.

The institutions referred above may contract, in the ways foreseen in article 9 of Resolution CMN No. 3,954, of February 24, 2011, agents to conduct, under their supervision, operations with customers who need to send remittances up to US\$ 3,000.

Currently (10.18.2021), there are 183 institutions authorized to conduct foreign exchange transactions, organized as banks, exchange brokers, brokerage firms and securities dealers and 4, legal entities hired by an authorized institution as an outlet for FX transactions.

11. Is there a price comparison tool for remittances (e.g. a national remittances database) in your country that is publicly available? [Yes/No]

Yes. The BCB publishes a ranking about remittances on its website (<http://www.bcb.gov.br/?ENGVET>), by institution, which facilitates comparisons and analysis of the costs of these operations. This tool allows for the monitoring of the institutions' performance and costs in previous months.

12. Are there any incentives to RSPs in your country to promote competition? (e.g. tax incentives) If yes, please describe.

Bill Nr. 5,387/2019, under consideration by the National Congress, authored by the Executive Branch and resulting from studies carried out by the BCB, proposes a new legal framework for the Brazilian foreign exchange market that will allow the adoption of requirements proportional to the values of the operations in the foreign exchange market and the risks involved. The Bill Nr. 5,387/2019 is in line with the best international practices and will allow the adoption of new business models that increase market efficiency, competition, and financial inclusion, thus facilitating remittances.

More recently, on September 9, 2021, was issued Resolution CMN No. 4,942 and Resolution BCB No. 137, considering the growing digitization of the financial system and new business models. These are important achievements that have improved foreign exchange regulation considering the intensive use of technological solutions in international payments and transfers that contribute to competition, financial inclusion and innovation in remittances market.

Regulatory environment

13. Transparency requirements as specified in regulations/circulars/guidance

If 2a or 2c [Sending Countries]:

- Please discuss transparency in terms of cost breakdown between foreign exchange margins and fees.

Seeking to disclose the total amount of a purchase or sale of foreign currency and to provide a better way to compare, Total Effective Value (VET) concept was designed. It is an obligation to all institutions to provide their customers, including setting forth the exchange contract or receipt. The VET is the total amount of reais paid or received per unit of foreign currency on an exchange transaction (e.g. BRL 5.10 per USD). The VET considers exchange rate, taxes (Tax on Credit, Exchange Transactions, Insurance and Securities - IOF) and fees that may be charged, allowing customers to compare the prices available in the market for buying and selling foreign currencies.

Besides that, in 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.

- Do the RSPs have to provide information on whether there are additional fees for receivers?

The regulation of the foreign exchange market does not foresee the obligation to provide this information prior to the transaction initiation.

- Transparency in terms of speed: time it takes for funds to be available to the receiver after the sender initiates payment.

The regulation of the foreign exchange market does not foresee the obligation to provide this information prior to the transaction initiation.

- Do RSPs have to provide this information prior to the transaction initiation?

The regulation of the foreign exchange market does not foresee the obligation to provide this information prior to the transaction initiation.

- Are there any additional fees or taxes the receivers must pay? (For example, if remittances are received into an account, is there a fee to cash out?) If so, are these disclosed to the senders/receivers?

The regulation of the foreign exchange market does not foresee the obligation to provide this information prior to the transaction initiation.

If 2b or 2c [Receiving Countries]:

- Are there any additional fees or taxes the receivers must pay? (For example, if remittances are received into an account, is there a fee to cash out?) If so, are these disclosed to the senders/receivers?

The Circular BCB No. 3,914, dated 20th September 2018, was issued to increase the regular ways to receive remittances in Brazil and thus fostering competition, with possible cost reduction for the public. Such measure allows institutions authorized to operate in the foreign exchange market to receive remittances payment orders in foreign currency from abroad, undertake the conversion to BRL and deliver the resources in BRL to the beneficiaries without the time and cost involved in traditional foreign exchange transactions.

The payment order conditions shall be negotiated abroad, including previous agreement about the value in BRL that must be integrally received by the natural person in Brazil (i.e. there is no any additional fees or taxes). The pre-established value abroad may be credited in a deposit or prepaid account or delivered in cash. Thus, in this new systematic, the beneficiary does not need to negotiate foreign currency in Brazil and, therefore, it will not incur any other expenses or fees.

14. Other relevant legislation for remittances that have been passed since the last NRP update, including:

- Are there any simplified customer due diligence (CDD) measures in place for specific channels and/or below a transaction amount limit?

Regarding this aspect, Circular BCB 3978/2020 (Article 10) introduces a greater efficiency and effectiveness to the procedures applied in anti-money laundering and counter terrorist financing (AML/CFT), by increasing the adoption of a risk-based approach—allowing the application of reinforced controls for situations of greater risk and streamlined controls in lower risk situations.

Moreover, according to Circular BCB No. 3,691, of December 16, 2013, without prejudice to the customer's identification, for operations of foreign currency purchase and sale up to US\$ 3,000.00 (three thousand United States dollars) or its equivalent amount in other currencies, it is not required to present documentary evidence of the underlying business transaction, observed that, in the case of operations without the participation of companies hired as agents, the storage of a copy of the customer's identification documents is also waived.

- Are there any government-issued e-ID facilities, and are they used for financial services?

No. Government-issued e-ID facilities are under development.

Source:

<https://www.gov.br/pt-br/noticias/financas-impostos-e-gestao-publica/2021/03/assinado-acordo-para-oferecer-identidade-digital-a-todos-os-brasileiros>

- Are regulatory sandboxes or similar regulatory tools to facilitate emergence of new business models available?

Yes, the Central Bank of Brazil has implemented its Regulatory Sandbox (BCB Sandbox), which is an environment where the BCB licenses, for a certain period, entities to test an innovative

project, while they observe a specific set of regulatory provisions that supports the controlled and delimited execution of their activities.

The BCB Sandbox was implemented through cycles and we are currently ending the first cycle's licensing phase. The licensed entities will begin to test their projects by the end of 2021 or the beginning of 2022.

Further information is available at: <https://www.bcb.gov.br/en/financialstability/regulatorysandbox>.

- **AML/CFT regulations for account opening and ongoing customer due diligence.**

The procedures for building the overall customer's profile were enhanced by Circular BCB 3978/2020 (Articles 13 to 20). The customer's identification, qualification and classification procedures must be performed through the collection, verification and validation of information—in line with the client's risk profile, the nature of the business relationship, the supervised entities' AML/CTF policy, and the supervised entities' internal risk assessment. Notably, these procedures must be permanently reassessed according to the evolution of the business relationship and the client's risk profile. Furthermore, Resolução CMN 4753/2019 (Article 2) also reinforces that AML/CFT regulation must be considered for deposit accounts opening. Finally, Resolução BCB 96/2021 (Article 4) reinforces the risk-based approach considering payment accounts.

- **Use of agents by RSPs and agent exclusivity**

CMN Resolution No. 3,954, of 2011, provides for the hiring of agents in the country, aiming at the provision of services of service activities to clients and users of financial institutions and other institutions authorized to operate by the Central Bank of Brazil. This rule provides that the execution of remittances of up to the equivalent of US\$3,000.00 among the services that can be performed through agents.

- **Competition policy**

The Agenda BC# presents the Central Bank of Brazil work agenda focused on tackling structural issues of the National Financial System (SFN) through fostering technological innovation and establishes as a dimension, among others, “Competitiveness”, aiming to promote adequate pricing by favoring competitive access to markets.

- **Consumer protection**

Resolutions CMN No. 4.949 and BCB No. 155, of 2021, provide principles and procedures to be adopted in the relationship with customers and users of products and services by financial institutions, payment institutions and other institutions authorized to operate by the Central Bank from Brazil.

The customer relationship policy should guide the conduct of the institutions' activities in accordance with the principles of ethics, responsibility, transparency, and diligence, providing

for the convergence of interests and the consolidation of an institutional image of credibility, security, and competence.

- Non-bank payment service providers licensed to provide international remittance services including use of digital or mobile wallets.

Resolutions CMN No. 4,942 and BCB No. 137, of 2021, considering the growing digitization of the financial system and new business models. These are important achievements that have improved foreign exchange regulation considering the intensive use of technological solutions in international transfers, including use of digital that contribute to competition, financial inclusion and innovation in remittances market.

- Regulatory compliance of products and services offered by fintechs.

Resolutions CMN No. 4,595, of 2017, and BCB No. 65, of 2021, provide the compliance policy of financial institutions, payment institutions and other institutions authorized to operate by the Central Bank of Brazil.

The institutions must implement and maintain a compliance policy compatible with the institution's nature, size, complexity, structure, risk profile and business model, to ensure the effective management of its compliance risk.

If 2b or 2c [Receiving Countries]:

- Existence of basic accounts and whether basic accounts can be open in a remote way and receive remittances

Demand deposit and e-money accounts can be opened in a remote way, according to Resolution CMN 4.753/2019 (Article 3) and Resolution BCB 96/2021 (Article 5), respectively, and they can receive remittances.

In addition, purchases and sales of foreign currency above R\$10,000.00 (ten thousand BRL), the receipt or delivery of its equivalent in BRL must be performed through credit or debit to the customer's deposit or payment account maintained at financial institutions and other institutions authorized to operate by the BCB or payment institutions that are part of the Brazilian Payment System (SPB) exclusively by virtue of their adhesion to Pix (the instant payment scheme launched by the BCB last year).

When it does not exceed R\$10,000.00 (ten thousand BRL), the receipt or delivery of the equivalent amount in BRL may be made through any payment instrument utilized on financial markets, including cash, noting that the use of postpaid payment account is limited to foreign currency sales transactions.

- Can basic payment accounts be provided by non-bank RSPs in the form of e-money?

Yes. According to Resolution BCB 96/2021 (Articles 1 and 2), the payment accounts can be provided by payment institutions in the form of e-money.

Payment infrastructure

15. Do non-bank RSPs have access to the national payment infrastructures?

Yes.

16. Are there interfaces between payment systems in your country and payments systems in other countries? If so, which countries and what type (e.g., ACH, card switch, etc.)?

Card switches for Visa, Master, Elo/Discover and Amex and Swift.

17. Have you issued any new legislation on fintech and/or non-bank financial institution that strengthens and advances the payment infrastructure?

Resolution BCB No. 1, of 2020: institutes the Pix payment arrangement and approves its Regulation;

Resolution BCB No. 80, of 2021: disciplines the constitution and operation of payment institutions, establishes the parameters for submitting requests for authorization to operate by these institutions and provides for the provision of payment services by other institutions authorized to operate by the Brazilian central bank;

Resolution BCB No. 81, of 2021: regulates the authorization processes related to the operation of payment institutions and the provision of payment services by other institutions authorized to operate by the Central Bank of Brazil;

Resolutions CMN No. 4,942 and BCB No. 137, of 2021, considering the growing digitization of the financial system and new business models.

Resolution BCB No. 150, of 2021: consolidates rules on payment arrangements, approves the regulation that governs the provision of payment services within the scope of payment arrangements that are part of the Brazilian Payment System (SPB), establishes the criteria according to which the payment arrangements will not integrate the SPB and make other arrangements.

18. Are there any financial Incentives to promote the digitization of payment infrastructures in line with the FSB's work on enhancing cross-border payments (the Stage 3 Roadmap)?

Yes. Credit transfers and payments made with Pix (the instant payment scheme launched by the BCB last year) are mandated to be free of charge for natural persons in most transactions in a way to promote digitization of payments. The inclusion of the non-banks on the one hand, stimulates competition thus affecting the capillarity and reach of financial services. On the other hand, the low cost for settlement in the Instant Payment System – SPI - (0,01 BRL for 10 transactions) also acts as an inductor of digitization through a reduction of the overall cost of transaction.

Governance and Risk Management

19. What type of risk management practices are required for RSPs (financial, legal, operational, cyber, fraud, and reputational risks)?

Resolution 4,557, of 2017, provides for the implementation of a structure for risk management and a structure for capital management and is applicable to financial institutions and other institutions licensed by the Central Bank of Brazil (BCB), including the ones which act as remittance service providers (RSPs).

The regulation improved and unified, in a same resolution, requirements formerly addressed by specific resolutions for the management of capital and the management of operational risk – including legal risk –, credit risk, liquidity risk and market risk. Standards established by the Basel Committee on Banking Supervision in the document Core Principles for Effective Banking Supervision, published in 2012, are the foundation of the resolution.

According to Resolution 4,557, institutions are required to evaluate the relevant risks arising from their business model and strategic goals, and to define and document, in the Risk Appetite Statement (RAS), appetite levels for each type of risk identified. Once the board's decisions are articulated in the RAS, the structure for continuous risk management must be consistent with the risk levels set out in this document as well as integrated across risks, including the management of adverse effects arising from interactions between them.

This resolution also requires the implementation of a stress test programme, with a clear definition of the roles played by senior management and the board in establishing guidelines. Based on a set of prescribed methodologies, the programme must allow for the use of the stress test results in strategic decisions. It also introduced improvements in the corporate governance of risk management and capital management. The requirements are based on the recent recommendations on the subject, which faced a significant development over the last years in terms of definitions and practices, since shortcomings in corporate governance were considered one of the catalyzers of the financial crisis started in 2007.

The specific requirements for the management of each risk and the detailed governance provisions are available in the English version of Resolution 4,557 at BCB's website.

https://www.bcb.gov.br/content/financialstability/Brazilian_Prudential_Financial_Regulation_Docs/ResolutionCMN4557.pdf

20. Are there any specific AML/CFT regulations/guidelines available for non-bank RSPs for their relations to banks or their customers?

Circular BCB 3978/2020 adopts a risk-based approach—allowing the application of reinforced controls for situations of greater risk and streamlined controls in lower risk situations. Each entity is responsible for preparing its own internal risk assessment. The same regulations are applied to banks and non-banks RSPs.

Access to financial services

If 2a or 2c [Sending Countries]:

21. Can all migrants in your country access services provided by regulated RSPs?

Yes. All documented migrants can access services provided by regulated RSPs.

22. Do you monitor migrant workers' level of financial inclusion in your country, including transaction account ownership, to send remittances in cash and digitally via regulated channels?

BCB does not monitor migrant workers' level of financial inclusion.

23. What are the requirements for migrants to open a transaction account (are they the same as for any other citizen)? Do these accounts have a cost? What is the account ownership levels for the migrants (if this information is available)?

The requirements for migrants to open a transaction account are the same as for any other citizen, including name, address and an identification number, according to Circular BCB 3978/2020 (Article 16). The customer due diligence must be employed in any case. These accounts are managed by the supervised entities (banks or non-banks) and they define the cost of the account.

The norms state that: (i) any identification documents recognized by Brazilian law are eligible documents for account opening; and (ii) it is up to the banks to define the list of documents necessary to open their clients' accounts, since they are required to adopt procedures and control mechanisms necessary to identify and qualify the account holder, including foreign, and their representatives.

Thus, there is no legal or regulatory impediment to banks to identify migrants, refugees or asylum seekers for account opening purposes, based on the following documents:

- a) National Migration Registration Card (CRNM, in Portuguese);
- b) Provisional Document of National Migratory Registration (DPRNM, in Portuguese);
- c) Refugee Claim Protocol.

The migrant, refugee or asylum seeker can also open a payment account, including via mobile phone, at a bank or at a payment institution (IP, in Portuguese). These accounts have simpler opening rules when the maximum deposited amount limit is BRL 5,000.

Source: https://www.bcb.gov.br/content/cidadaniafinanceira/documentos_cidadania/Cartilha_Migrantes_Refugiados/cartilha%20BC%20-%20Ingl%C3%AAs_vers%C3%A3o%204.0_final.pdf

24. What channels do undocumented migrants use – to the best of your knowledge?

The requirements for migrants to open a transaction account are the same as for any other citizen, including name, address and an identification number, according to Circular BCB 3978/2020 (Article 16). The customer due diligence must be employed in any case. These accounts are managed by the supervised entities (banks or non-banks) and they define the cost of the account.

Consequently, financial institutions must identify their clients prior to entering into business relations. Therefore, undocumented migrants' transactions are presumably carried out through informal channels.

25. Do RSPs have sufficient coverage in areas where migrants live?⁵

BCB does not monitor migrant workers' level of financial inclusion. However, all 5,570 Brazilian municipalities have at least one physical bank channel (as bank branch, bank branch-like or agents).

26. Do you have information on the financial inclusion rate of remittance sending migrants?

BCB does not monitor migrants' level of financial inclusion, including rate of remittances.

27. Are you able to measure the switch from in-cash to on-line/transaction methods to send remittances?

Information not available.

28. Are there any incentives for digitalization of remittances, e.g. to promote targeted incentives that encourage the use of digital remittance products?

Bill Nr. 5,387/2019, under consideration by the National Congress, authored by the Executive Branch and resulting from studies carried out by the BCB, proposes a new legal framework for the Brazilian foreign exchange market that will allow the adoption of requirements proportional to the values of the operations in the foreign exchange market and the risks involved. The Bill Nr. 5,387/2019 is in line with the best international practices and will allow the adoption of new business models that increase market efficiency, competition, and financial inclusion, thus facilitating remittances.

More recently, on September 9, 2021, was issued Resolution CMN No. 4,942 and Resolution BCB No. 137, considering the growing digitization of the financial system and new business models.

⁵ Sufficient coverage in this context can be explained as "a remittance transaction can be originated in all relevant areas of the sending country." This concept is further elaborated in the World Bank's (2016) *SmaRT Methodology*. In addition to the physical availability of access points, if the service requires access to an account or to internet or to other technologies, access to these (e.g., transaction account ownership, mobile phone penetration, and internet penetration) can be measured. Such data are available from the World Bank's Global Findex Database (for transaction account ownership) and ITU (mobile phone and internet penetration).

These are important achievements that have improved foreign exchange regulation considering the intensive use of technological solutions in international payments and transfers that contribute to competition, financial inclusion and innovation in remittances market.

If 2b or 2c [Receiving Countries]:

29. Do RSPs have sufficient coverage in rural areas?⁶

BCB does not monitor migrant workers' level of financial inclusion level. However, all 5,570 Brazilian municipalities have at least one physical bank channel (as bank branch, bank branch-like or agents).

30. What proportion of adults have access to a transaction account (which can also facilitate the receipt of international remittances)?

Currently, 96% of the adult population (from approx. 170 million adults) have at least one bank relationship, and having an account is the most important relationship.

31. Do you include digitalization of remittances as an objective and/or component in your national financial inclusion strategies?

Even though Brazil does not have a Financial Inclusion National Strategy, financial inclusion is part of the strategic Agenda of the Central Bank of Brazil, and cross-border payment systems are included in this Agenda.

Besides that, since 2017, the encouragement of innovations and new business models for carrying out remittances are the main elements adopted as a strategy to reduce remittance transaction costs in Brazil.

32. Usage rates of card/mobile payments and usage of online channels (e.g., mobile or internet banking), if available.

According to the Retail and Cards Payment Statistics⁷, BCB studied the performance of the Brazilian payment services industry throughout 2020, not limited to remittances. The main finding is that the use of digital means of payment holds a steady growth among Brazilians last year.

The data revealed that transactions carried out on mobile devices – cell phones and tablets – reached 46,113 million transactions, representing an increase of 35% compared to 2019 (34,170 million transactions). Conversely, the number of transactions carried out through the internet declined for the second consecutive year – recording a 14% reduction in 2020. As for the use of the institutions'

⁶ Sufficient coverage in this context can be explained as “a remittance transaction can be delivered to recipient nationwide or at least in all relevant areas of the receiving country.” Please see World Bank’s (2016) *SmaRT Methodology*. Also please see footnote 12 on measuring access to remittance services in terms of physical locations and/or access to technology.

⁷ <https://www.bcb.gov.br/estatisticas/spbadendos>

service channels, the transactions carried out through mobile devices rose from 41% in 2018 to 59% in 2020, along with a decline in the use of the internet-banking channel, from 29% to 22%.

Moreover, increasing 35.4% over the previous year, tax and bill payments and credit transfers totaled around 4,0 trillion transactions in 2020, of which 37% were carried out through mobile and digital channels.

33. Do RSPs provide digital onboarding tools and services to their customers (e.g., mobile apps, dedicated website, etc.)?

In Brazil, remittance services are mostly performed digitally. Therefore, RSPs provide digital onboarding tools and services to their customers. Besides, according to Resolution CMN No. 3,954, of February 24, 2011, foreign exchange agents must make public their websites and mobile apps.

34. What solutions help promote equal access to financial services (including ID, digital ID, e-KYC and/or credit registry platforms by bank and non-bank RSP)?

On September 26, 2019, was issued Resolution CMN No. 4,753, modernizing and simplifying the process of opening, maintaining, and closing deposit accounts. In line with the evolution of the forms of identification and qualification of customers, financial institutions must define the information and documents necessary for opening an account. The procedures defined by the financial institutions must observe the legislation and regulations in force and AML/CFT mechanisms. Finally, the use of electronic means for opening and closing deposit accounts is allowed.

35. Are you able to measure the switch from remittances received over-the-counter to transaction account remittances?

Information not available.

36. Are there any incentives for digitalization of remittances, e.g. to promote targeted incentives that encourage the use of digital remittance products?

Bill Nr. 5,387/2019, under consideration by the National Congress, authored by the Executive Branch and resulting from studies carried out by the BCB, proposes a new legal framework for the Brazilian foreign exchange market that will allow the adoption of requirements proportional to the values of the operations in the foreign exchange market and the risks involved. The Bill Nr. 5,387/2019 is in line with the best international practices and will allow the adoption of new business models that increase market efficiency, competition, and financial inclusion, thus facilitating remittances.

More recently, on September 9, 2021, was issued Resolution CMN No. 4,942 and Resolution BCB No. 137, considering the growing digitization of the financial system and new business models. These are important achievements that have improved foreign exchange regulation considering the intensive use of technological solutions in international payments and transfers that contribute to competition, financial inclusion, and innovation in remittances market.

Crisis mitigation and prevention (COVID-19)

37. Were remittances included in the list of essential services during the lockdown periods in your country?

According to the Law No. 13,979, of February 06, 2020, and Decree Nr. 10,282, of March 20, 2020, which regulated the law, in Brazil, remittances services were not specifically included in the list of essential services.

38. Did RSP locations remain open during the lockdowns (if your country imposed lockdowns)? Please consider specifically non-bank RSPs in this question.

In Brazil, remittance services are mostly performed digitally. Hence, the impacts of lockdown periods on remittance service providers were mitigated by the fact that there was no need for a physical facility to carry out the transaction. In fact, an increase in the entry of remittances in the country was noticed in 2020 compared to the year 2019.

39. Were there any specific measures imposed by authorities to expedite the use of online transaction methods to send remittances during the crisis?

No. Even before the crises, in Brazil, remittance services were mostly performed digitally.

40. Has your country taken any other measures to encourage the sending or receiving of remittances - where appropriate, refer to relevant aspects mentioned above?

On September 9, 2021, was issued Resolution CMN No. 4,942 and Resolution BCB No. 137, considering the growing digitization of the financial system and new business models. These are important achievements that have improved foreign exchange regulation considering the intensive use of technological solutions in international payments and transfers that contribute to competition, financial inclusion and innovation in remittances market.