

The Role of Banks in Money Transfers

(Origin & Destination)

Moderator

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Panelists:

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Timeline

1990s
and before

2000s

2010s

- MTO Development & Growth
- Increase in Migratory Flows
- First Media Reports of the large volume of remittance
- Regulations Appear/Change
- Law Enforcement starts understanding the Market

- World Bank & IDB begin work
- Citibank buys Banamex
- BofA, HSBC & BBVA respond
- Prices go down
- National Banks Develop Remittance Units
- *Banking the Unbanked*

- Banks start leaving the Remittance Industry
- Banking for MTOs becomes a challenge
- Partnerships Develop
- Exclusivity is challenged
- Bank Agents are developed
- Terminology change: *Financial Inclusion*

2000s

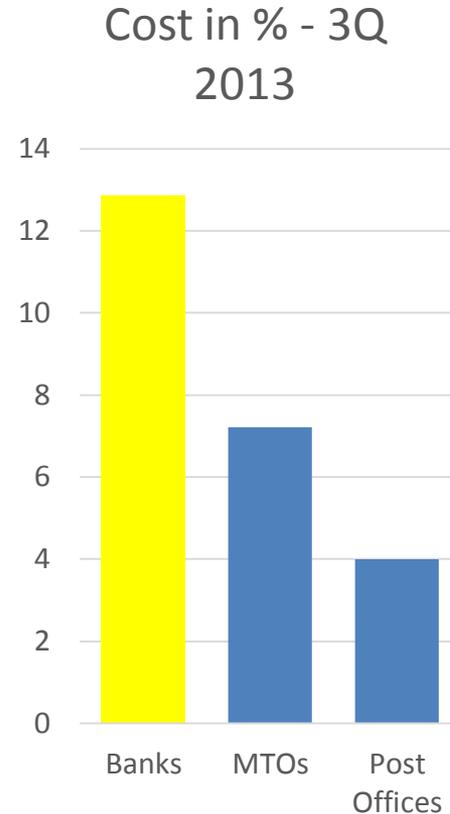
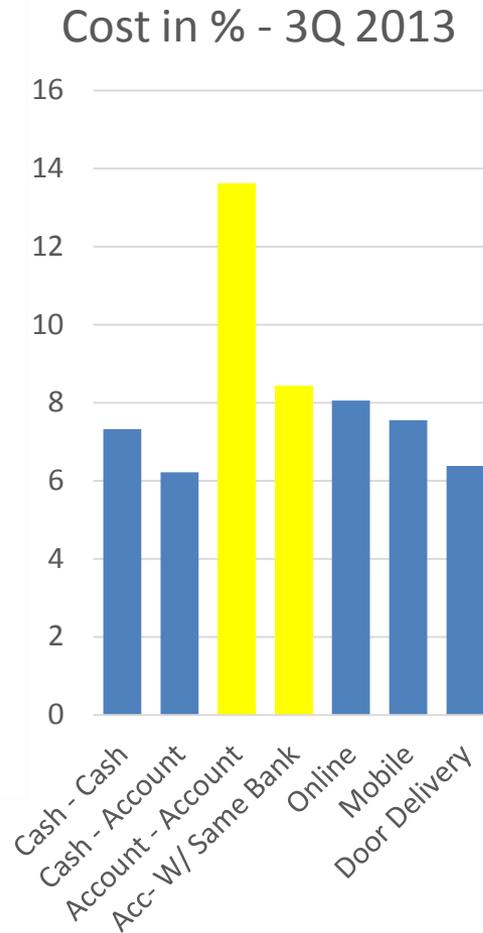
- A remarkable fact of the mushrooming remittances market is the absence of commercial banks as relevant players.
- The dominant position of Money Transfer Operators (MTO's) is due to migrants' mistrust of banks which hinders the access of banks to the market.
- A non-competitive market allows MTO's to set excessively high remittance fees and to attain monopolistic rents.
- Banks can challenge this position thanks to their role as providers of remunerated saving and credit, which enables them to overcome the competitive disadvantage derived by migrants' mistrust.
- The entry of banks reduces the fees and increases the level of remittances, allows an optimal consumption smoothing and improves the welfare of migrants and their families.

BANKS, REMITTANCES AND FINANCIAL DEEPENING IN RECEIVING

COUNTRIES. A MODEL - Enrique Alberola - BANCO DE ESPAÑA & Rodrigo César Salgado - BANCO CENTROAMERICANO DE INTEGRACIÓN ECONÓMICA

<https://www.frbatlanta.org/news/CONFEREN/08remittances/alberola.pdf>

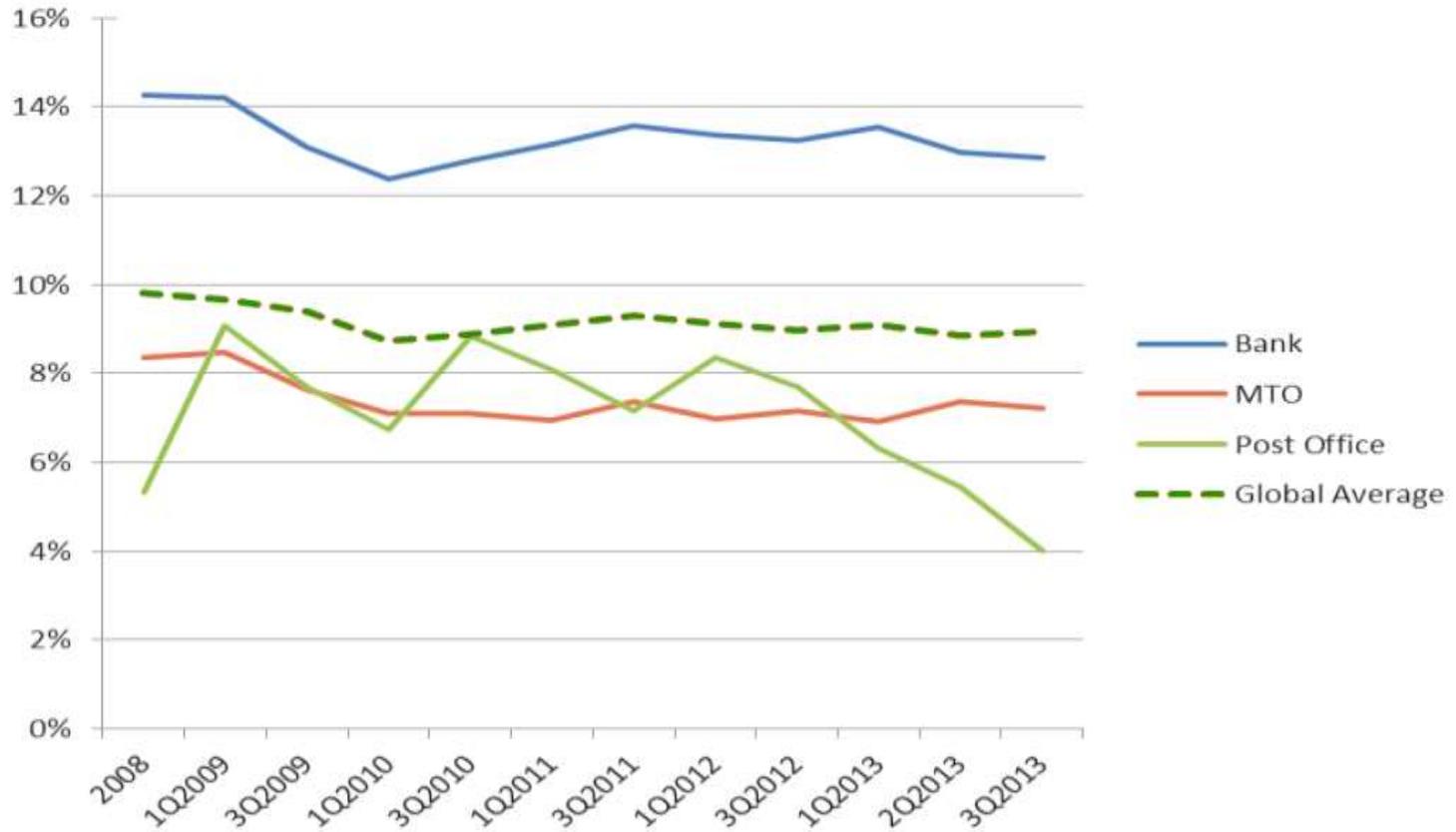
Global Pricing Trends



Global Pricing Trends

Total averages by RSP type

From Remittance Prices Worldwide - The World Bank 2013



2010s

On the sending side, MTOs provide convenience, payment assurance, and multiple language capabilities; on the receiving side, they made it possible for clients to receive money in places where banks simply didn't exist.

The increase in banked consumers reduces the importance of MTOs' distribution network, formerly their great advantage on the receiving side.

On the sending side, the advent of the Internet and innovative bank-sponsored products, such as general purpose reloadable prepaid cards, mitigate MTOs' advantages, or at least make banks attractive partners for MTOs.

Mastercard

2010s

Panel Questions

- When did the Bank entered the Money Transfer Business and shortly describe the first years in relation to the schematic presentation I made as an introduction
- What is the actual perspective of the Bank in relation to Money Transfer and in the next few years
- Based on the industry in general, what role do you think Banks will play in the future?