

# **NATIONAL REMITTANCE PLAN 2015 BRAZIL**

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### Background

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 the Banco Central do Brasil (BCB). Currently, there are 207 institutions authorized to conduct foreign exchange transactions: banks, exchange brokers, brokerage firms and securities dealers.

Further, since 2008 institutions authorized to operate in the foreign exchange market may hire domestic correspondents to render, on behalf of the contracting institution, some foreign exchange services, including the purchase and sale of foreign currency for international travel and to carry out unilateral transfers, in both cases limited to USD 3,000.00 per operation. Presently, there are more than 2,000 correspondents in foreign exchange transactions, plus branches thereof.

Last year, workers' remittances to Brazil reached USD 1.9 billion, which is one of the highest values in Latin America. The figures grew consistently until 2008, when it amounted to USD 2.8 billion. After the outbreak of the financial crisis, the difficulties of the world economy resulted in the contraction of remittance flows. However, workers' remittances from Brazil overseas increased in the past decade. Between 2005 and 2008 the volume sent by workers in Brazil quadrupled. The impact of the crisis reduced remittances from Brazil for a short time period, but the growth trend then resumed.

| Remittances from abroad to Brazil 1/ |              |              |              |              |              | Remittances from Brazil to abroad 2/ |            |            |            |            |              |
|--------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------------------------------|------------|------------|------------|------------|--------------|
|                                      | US\$ mi      |              |              |              |              |                                      | US\$ mi    |            |            |            |              |
|                                      | 2010         | 2011         | 2012         | 2013         | 2014         |                                      | 2010       | 2011       | 2012       | 2013       | 2014         |
| <b>TOTAL</b>                         | <b>2.189</b> | <b>2.134</b> | <b>1.990</b> | <b>1.944</b> | <b>1.910</b> | <b>TOTAL</b>                         | <b>855</b> | <b>811</b> | <b>815</b> | <b>937</b> | <b>1.207</b> |
| United States                        | 634          | 603          | 682          | 745          | 766          | United States                        | 355        | 291        | 244        | 248        | 319          |
| Japan                                | 409          | 406          | 373          | 282          | 241          | Bolivia                              | 9          | 14         | 36         | 52         | 83           |
| Germany                              | 195          | 195          | 139          | 135          | 122          | Spain                                | 25         | 28         | 30         | 34         | 59           |
| Italy                                | 209          | 185          | 113          | 105          | 89           | Portugal                             | 40         | 48         | 56         | 60         | 54           |
| Portugal                             | 111          | 96           | 81           | 93           | 84           | China                                | 28         | 35         | 38         | 43         | 47           |
| Spain                                | 67           | 77           | 74           | 71           | 70           | Peru                                 | 11         | 17         | 27         | 33         | 41           |
| Switzerland                          | 62           | 68           | 58           | 54           | 56           | Colombia                             | 6          | 9          | 14         | 23         | 41           |
| France                               | 63           | 71           | 69           | 62           | 54           | Canada                               | 22         | 24         | 24         | 26         | 36           |
| United Kingdom                       | 48           | 44           | 48           | 45           | 45           | Italy                                | 25         | 25         | 26         | 25         | 31           |
| Angola                               | 36           | 40           | 44           | 41           | 33           | United Kingdom                       | 37         | 40         | 50         | 53         | 30           |
| Other countries                      | 355          | 350          | 308          | 309          | 350          | Other countries                      | 297        | 281        | 271        | 339        | 467          |

1/Country of immediate origin of financial resources

2/Country of immediate destination of financial resources

Source: Banco Central do Brasil

According the latest edition of Remittance Prices Worldwide<sup>1</sup> report, the average cost of remitting from Brazil is 5.02%, which is below the G20 average cost of 7.67%. Since 2011, when the G20 endorsed the commitment to reduce average costs by 5%, the costs of remittances from Brazil decreased from 11.12 % to 5.02 %.

<sup>1</sup> The World Bank (2015), "Remittance Prices Worldwide". Available at [https://remittanceprices.worldbank.org/sites/default/files/rpw\\_report\\_march\\_2015.pdf](https://remittanceprices.worldbank.org/sites/default/files/rpw_report_march_2015.pdf)

## 2014 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 aiming at simplifying foreign exchange procedures and lowering their 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 required 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\$ 3.00 per United States dollar).

Thereby, since 2013 the BCB discloses on its website [www.bcb.gov.br/?engvet](http://www.bcb.gov.br/?engvet) the ranking of VET charged by authorized institutions. In the first version of the ranking, information is disclosed only on foreign exchange operations related to international tourism. This initiative provides further transparency to information on foreign exchange transactions 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.<sup>2</sup>

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, considering initially the points 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.

## 2015 Country plan for reducing remittance transfer costs

We highlight below the main actions addressed to obtain a major cost reduction for remittances from Brazil to abroad.

### 1. Increase Remittance Market Competitiveness

- a. The first action is related to the policy "Increase remittance market competitiveness". The BCB intends to conduct studies to assess the viability of entrance of new institutions in the Brazilian formal remittance market, the so-called "payment provider institutions". Law 12,865, effective October 2013, refers to electronic payments in the country and created the payment provider institutions. These institutions are legal non-financial entities that perform payment services and whose activities are focused on payments and transfers

<sup>2</sup> The World Bank (2014), "Remittance Prices Worldwide". Available at [https://remittanceprices.worldbank.org/sites/default/files/RPW\\_Report\\_Mar2014.pdf](https://remittanceprices.worldbank.org/sites/default/files/RPW_Report_Mar2014.pdf)

carried out by electronic means. Nevertheless, the cross-border transactions made by these payment provider institutions have not been regulated by the BCB yet. Therefore, this action is also strongly linked to the policy “Improve financial system infrastructure and pursue policies conducive to harnessing emerging Technologies”, by considering the potential payment provider institutions can offer in innovative platforms to facilitate remittance operations.

## **2. Improve Transparency and Consumer Protection of Remittance Transfers**

- a. The second action is related to the policy “Improve transparency and consumer protection of remittance transfers”. The BCB has a project to disclose to consumers, on its website, remittances transfer costs in the second semester of 2015. It is intended to expand the current information on the VET that is only available on the internet for international tourism operations ([www.bcb.gov.br/?engvet](http://www.bcb.gov.br/?engvet)). The objective of the action is to disclose Brazilian institutions’ monthly remittances average costs and to enable consumers to compare transfer costs and have better information about available remittance service agents.
- b. Finally, the third proposal is to keep up with the policy of disclosing information and tools targeted to consumers who perform remittances operations, such as the booklet currently published by the BCB at [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) which shows the essential guidelines to carry out money transfers from abroad to Brazil and from Brazil to abroad. It is also important to mention the permanent dialogue with the industry in order to clarify regulation and retrieve information on market functioning and potential development.