



BANSEFI as an Intermediary for Migrant Remittances

Annual Underbanked Financial Services Forum

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BANSEFI

What is BANSEFI?

Bansefi is a development bank created by the Federal Government in order to offer financial services to the underbanked population and to incorporate the semi-informal financial intermediaries into Mexico's financial system.

Mission

Bansefi's mission is to contribute to the strengthening of the Popular Banking Sector by enhancing the offer of financial services, and promoting their distribution to the underbanked population




BANSEFI

What is BANSEFI?

Institutional Objectives

- 1) To promote savings, credit and investment through:
 - BANSEFI's branches
 - Offering a wide range of services and products to the underbanked population
- 2) To promote the development of savings and credit FIs:
 - Products and services promoted by L@ Red de la Gente
 - Technological Platform
 - Second Tier Bank for savings and credit entities
- 3) To convey supporting actions
 - Bringing financial and technical assistance to the credit and savings financial intermediaries

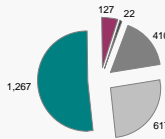


Financial inclusion in Mexico

Presence of financial intermediaries in municipalities

Access to Financial Services in municipalities

Financially Included/Excluded Population
Millions of Persons
Estimated




Service Type	Population (Millions)
No service	1,267
Serviced by more than one of the above	617
Serviced by cooperatives	410
Serviced by banks of target funds	22
Serviced by commercial banks	127

- 2,443 Municipalities
- 52% of municipalities lack the presence of a financial intermediary.
- 25% of municipalities have more than one kind of financial intermediary.
- 11.6 million people do not have access to financial services.

Source: CNBV, 2006; Sigma Potential Markets 2006; Bansefi; Christopher Woodruff, Characteristics of the unbanked and banked in the popular financial sector in Mexico, 2006.

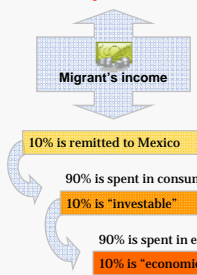
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Remittances sent from the United States to Mexico

What do families in Mexico use remittances for?


90% is spent in the US



An important proportion of a remittance received by a migrant's family is spent in consumption, reason why it is relevant to make financial services available and promote a better use of this resources

Source: http://www.remittances.com/documental/mexico_usa_college.pdf#555,16, Remittances as a source of investment?

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BANSEFI


The role of BANSEFI in the remittance market

Bansefi, through its 510 branches, takes part as a new player in the remittance market with the higher purpose of promoting financial inclusion generating important benefits, such as:

- Financial services
- Lower transaction costs
- Safety
- Productive investment

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What is L@ Red de la Gente?

 L@ Red de la Gente is a commercial alliance between BANSEFI and the regulated intermediaries of the Social Banking Sector that join voluntarily. L@ Red de la Gente simplifies the sale and promotion of financial products and services and allows for easier distribution of governmental programs.

Coverage

- 205 Members
- 1,722 Branches*
 - 1,530 Urban
 - 189 Rural
- Service to 5 million customers
- Coverage in 770 Municipalities


* Including BANSEFI's branches (SIO)



L@ Red de la Gente is the 2nd largest banking network in Mexico.

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BANSEFI
Remittance market in Mexico

 The remittance market in Mexico mainly delivers the remittances in cash to the recipient.

However, BANSEFI's mandate is to promote a better use of this service by taking advantage of the geographical coverage of its branches to lower the costs and support financial inclusion through the opening of savings accounts in which remittances could be received directly, as well as other products and services useful to this population.

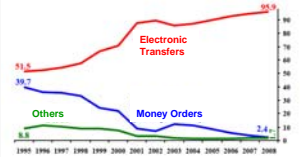
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BANSEFI
Remittances sent from the United States to Mexico
Remittance Market

In the past there was no participation of FIs in the US -Mexico corridor. The sector was dominated by Money Transfer Operators (MTOs), such as Western Union and Money -Gram.

The emergence of banking institutions as players in this market has challenged the dominance of both MTOs and informal operators, as evidenced by the growth of remittances by electronic transfers since 1998.

An important aspect within the remittance market, is the rising preference for electronic transfers over other money transfer options.



Source: [http://www.remittances.audimodocumental.mex.usx/college.php?55.18,Remittances as a source of investment?](http://www.remittances.audimodocumental.mex.usx/college.php?55.18,Remittances%20as%20a%20source%20of%20investment?)

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Remittance Receipt at L@ Red de la Gente

42% of remittance receivers have opened a savings account in the branch where they receive their remittances. However, the reasons these clients have for opening a savings account vary:

Reason	Percentage
Savings	58.4%
Remittance receipt	21.6%
To borrow	11.2%
Insurance	11.4%
Others	23.8%

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Clientes and members of L@ Red de la Gente

Products offered by members of L@ Red de la Gente

Growth in number of clients who demand products offered by L@ Red de la Gente 2007 - 2008

The number of clients who demand savings and credit products offered by L@ Red de la Gente has increased every year since 2005.

L@ Red de la Gente members offer some or all of BANSEFI's products:

Product	Percentage of entities that offer the product
International Remittances	100%
National Remittances	81%
Account to Account	41%
Payments to Third Parties	37%
Currency Exchange	10%
Insurance	4%

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BANSEFI
Remittances sent from the United States to Mexico
Household's Income due to Remittances

Families income due to remittances (USD Thousands)

During 2008 Mexican families income owed to remittance receipts lost some relevance, this trend was accentuated on the second semester of the year.

In 2008, USD 25,145 millions in remittances were incorporated to Mexican migrants' families incomes, representing an annual drop of USD 931 millions (3.6%) in relation to 2007.

Year	Income (USD Thousands)	% Change
1999	5,910	+5.0%
2000	6,573	+11.2%
2001	8,895	+35.3%
2002	9,814	+10.3%
2003	15,041	+53.3%
2004	18,331	+21.9%
2005	21,689	+18.3%
2006	25,567	+17.9%
2007	26,076	+2.0%
2008	25,145	-3.6%

Source: [http://www.remittances.audimodocumentos/mexico_univ_college.pdf#55,18,Remittances as a source of investment?](http://www.remittances.audimodocumentos/mexico_univ_college.pdf#55,18,Remittances%20as%20a%20source%20of%20investment?)

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Remittances sent from the United States to Mexico

Money transfers competitors

Money transmitters need to differentiate by tailoring services for each particular type of money transfer. They should focus on analyzing and segmenting the money transfers sent in major corridors and offer targeted services to enhance the user experience, such as cross-border bill payments," says Gwenn Bézard, research director at Aite Group and co-author of the report.

There has been an increasing number of participants in the remittance market:

Bancomer, Banorte/UniTeller, BBT, Citibank, Colstar, Compass Bank, Discover, Euronet Worldwide/Ria/La Nacional, Fifth Third, Frost Bank, Global Payments/Dolex, Grupo Express, HSBC, Huntington Bank, ICICI Bank, Ikoba, Intermex, Laurentian Bank, MasterCard, Nexar, Philippine National Bank, Provident Bank, RBC Centura, Sigue, Sovereign Bank, U.S. Bank, Visa, Wachovia, Wal-Mart, Wells Fargo, Western Union/Vigo/Orlandi Valutta, and Xoom.

However, the space still remains the domain of the money transmitters, such as Western Union and Money Gram, the top two transmitters; their 2006 market share reached 13.8 percent and 3.2 percent, respectively.

Fees Charged for a USD 200 remittance 2008 - 2009

MTG Average	10.12
Bank Average	5
Total Average	9.1
Total Average in 2008	8.36
