

New pilot thrusts Coinbase into Mexico's \$56 billion remittance market

Article

The news: Cryptocurrency exchange **Coinbase** launched a pilot that lets users send crypto remittances to people in Mexico and eventually other markets, per a blog post.

Here's how it works: Through the Coinbase app, users can send cryptos to people in Mexico instantly and—through March 31—free of charge.

- Customers can use a redemption code generated by the app to cash out at **more than 37,000 retail locations** throughout Mexico. After March 31, Coinbase will charge recipients a cash-out fee it says will be cheaper than traditional remittance services.
- Recipients can also convert their balance into more than 100 cryptos, a feature Coinbase already offers.

Why it's worth watching: Cryptocurrencies and blockchain technology are poised to disrupt the remittance market. They offer two key benefits:

- **Lower costs.** In Q3 2021, the global average cost of sending remittances was **6.30% of the overall payment**, according to the World Bank. **But blockchain-based remittances can be 40% to 80% cheaper** because they eliminate intermediaries in the payment process, per Deloitte. The technology also brings down the risk of exchange rate volatility, which can cut costs further.
- **Faster payments.** Remittance incumbents like **Western Union** take an average of two to three days to deliver payments based on the type of transfer. Blockchain-based cross-border payments firm **Ripple**, by comparison, can settle transactions in **three to five seconds**.

Coinbase's opportunity: The firm can use its blockchain expertise to enter the lucrative and quickly digitizing remittance sector.

- **Coinbase's remittance offering could position it ahead of the curve as incumbents sharpen their digital focus.** MoneyGram said its sale to private equity firm **Madison Dearborn Partners** will help it beef up its digital presence, which may include cryptos given its recent tie-up with **Stellar Development Foundation**. And Western Union is also ramping up digital capabilities to attract more customers. Coinbase can capitalize on its digital-native remittance offering as consumers lean into digital transfers.
- **And starting off in Mexico is a wise choice given the market's size and consumers' embrace of digital currencies.** Mexico's remittance inflow will grow 9.4% year over year in 2022—the second-fastest growth rate globally—to hit \$56.24 billion, per Insider Intelligence forecasts. And Coinbase is well-positioned to capture some of that growth, which might bring in new users. Mexico-based crypto remittance provider **Bitso** says it supports **up to 7% of the**

remittances from the US to Mexico, which might indicate demand for Coinbase’s latest offering.

Related content: Check out our “[Global Remittances Forecast 2022](#)” report to learn about the cryptocurrency use case and Mexico’s growth potential.



