

Open Finance in Latin America

Current Outlook, Milestones and Challenges

October 16th, 2024

AGENDA



1 ALIGNMENT ON CONCEPTS

2 CURRENT STATE OF OPEN FINANCE IN LATIN AMERICA

3 CHALLENGES AND OPPORTUNITIES

4 HOW OF IS DISRUPTING TRADITIONAL FINANCE AND IFC ROLE

AGENDA



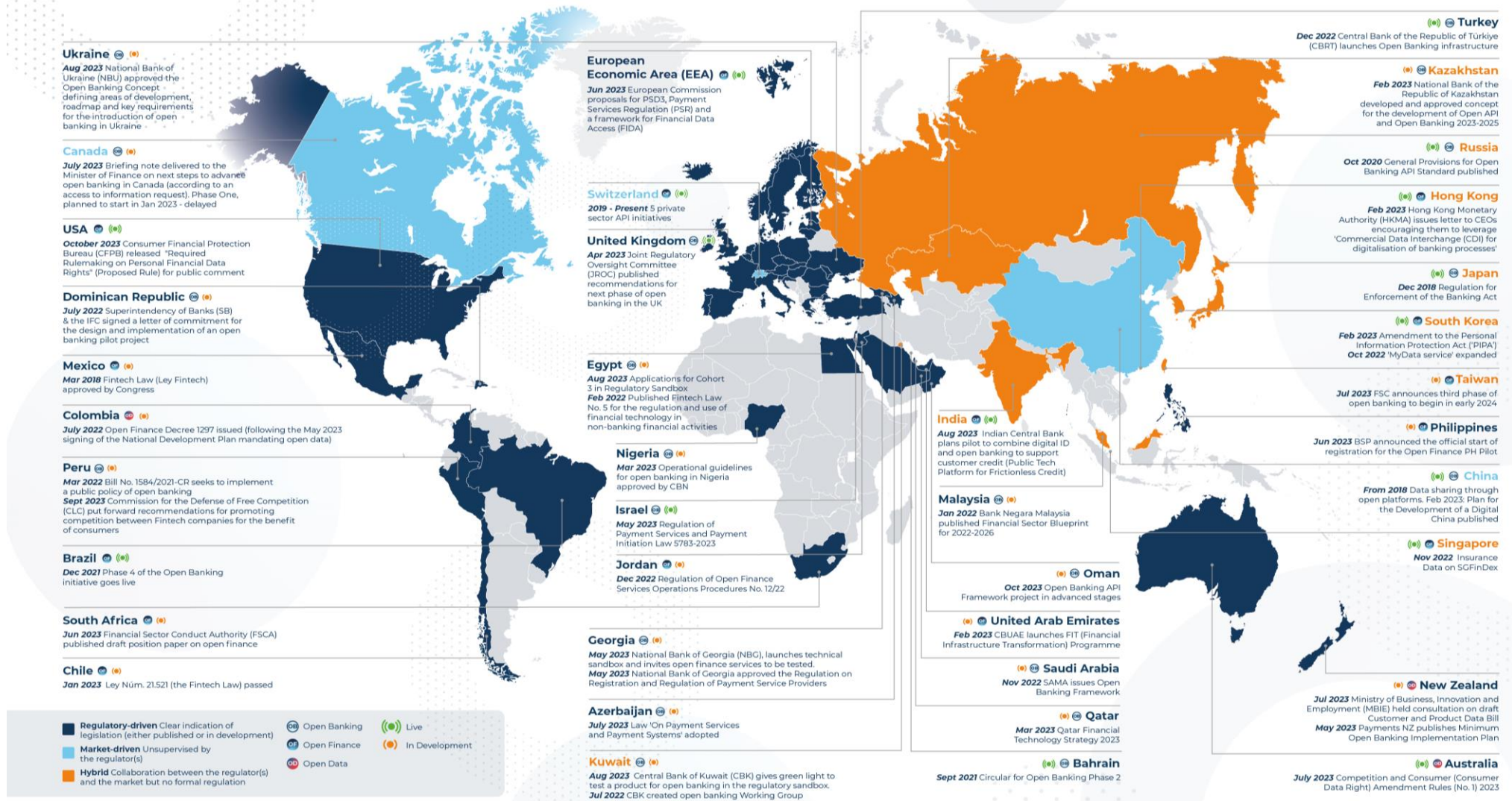
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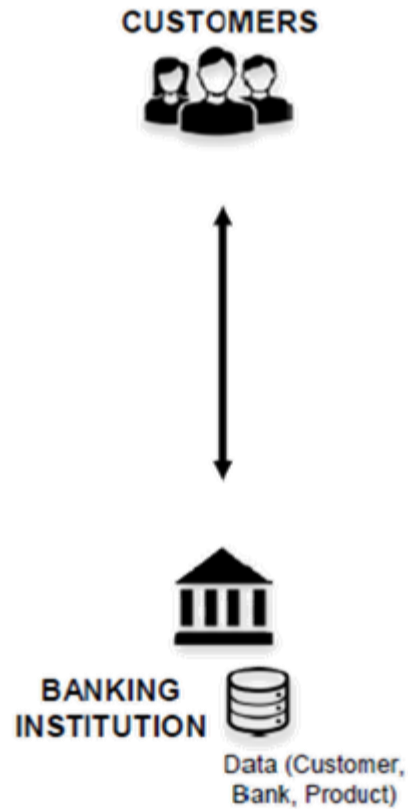
OPEN FINANCE IS A GLOBAL TREND



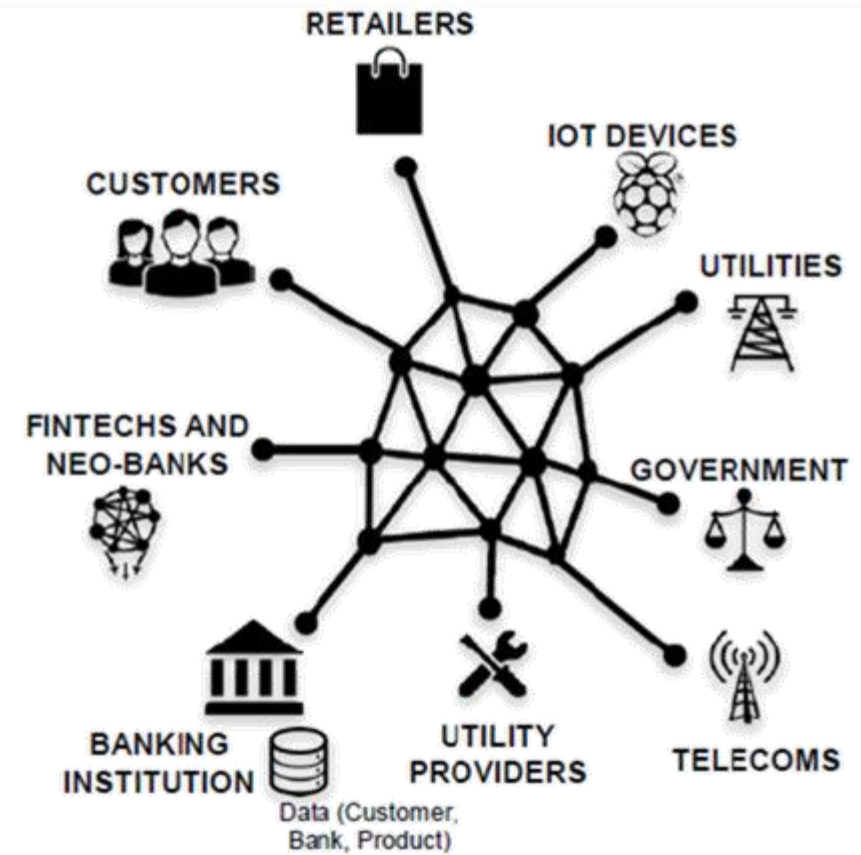
Source: The World of Open Banking Map, Konsentus

THAT REPRESENTS A RADICAL CHANGE IN THE WAY FINANCIAL SERVICES ARE DELIVERED

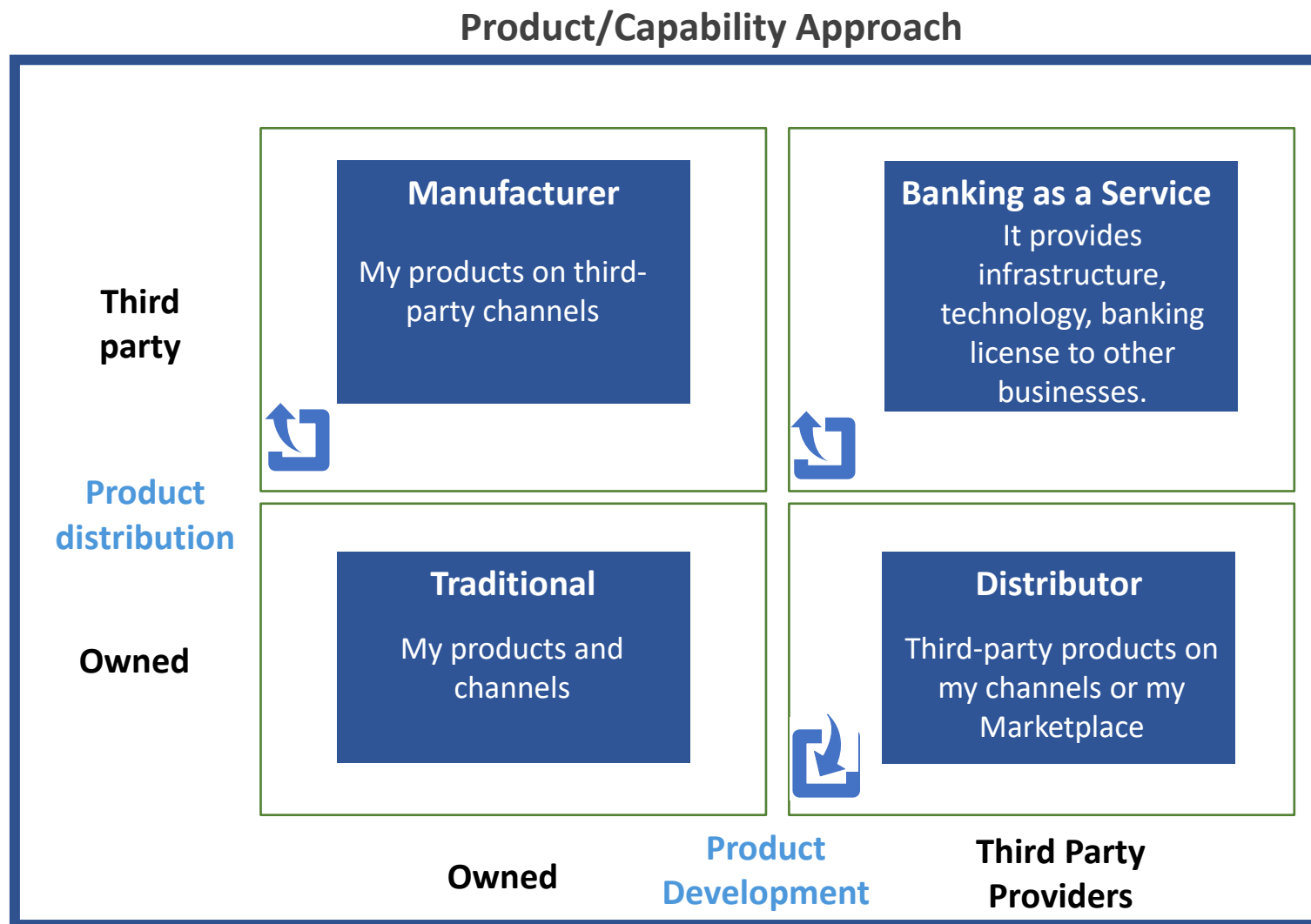
TRADITIONAL Closed system



OPEN APIs Open system



WHERE FINANCIAL INSTITUTIONS DEVELOP NEW BUSINESS MODELS



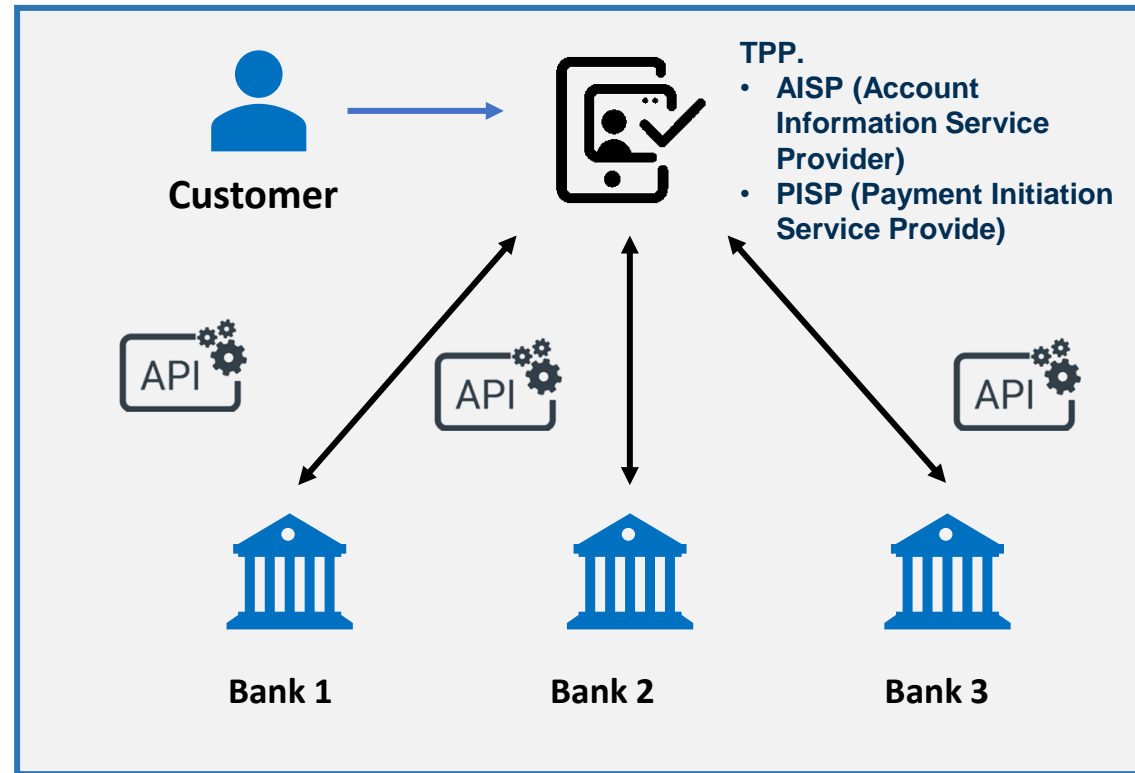
Data Approach

Aggregation

Enrichment

Analytics

BASED ON THE INTERCHANGE OF DATA THROUGH APIS AND WITH THE CUSTOMER/CLIENT CONSENT



THERE ARE MAINLY TWO APPROACHES FOR THE IMPLEMENTATION OF AN OPEN FINANCE ECOSYSTEM

Open Banking/Finance Regulatory approach

Banks opening their infrastructure to third parties because they are obliged to



Outcome

- **Regulatory** scope, risk mitigation
- **Monetization lines (if any)** defined by the regulator.
- **APIs** become a **commodity**.

Open APIs Strategy, Business Focus approach

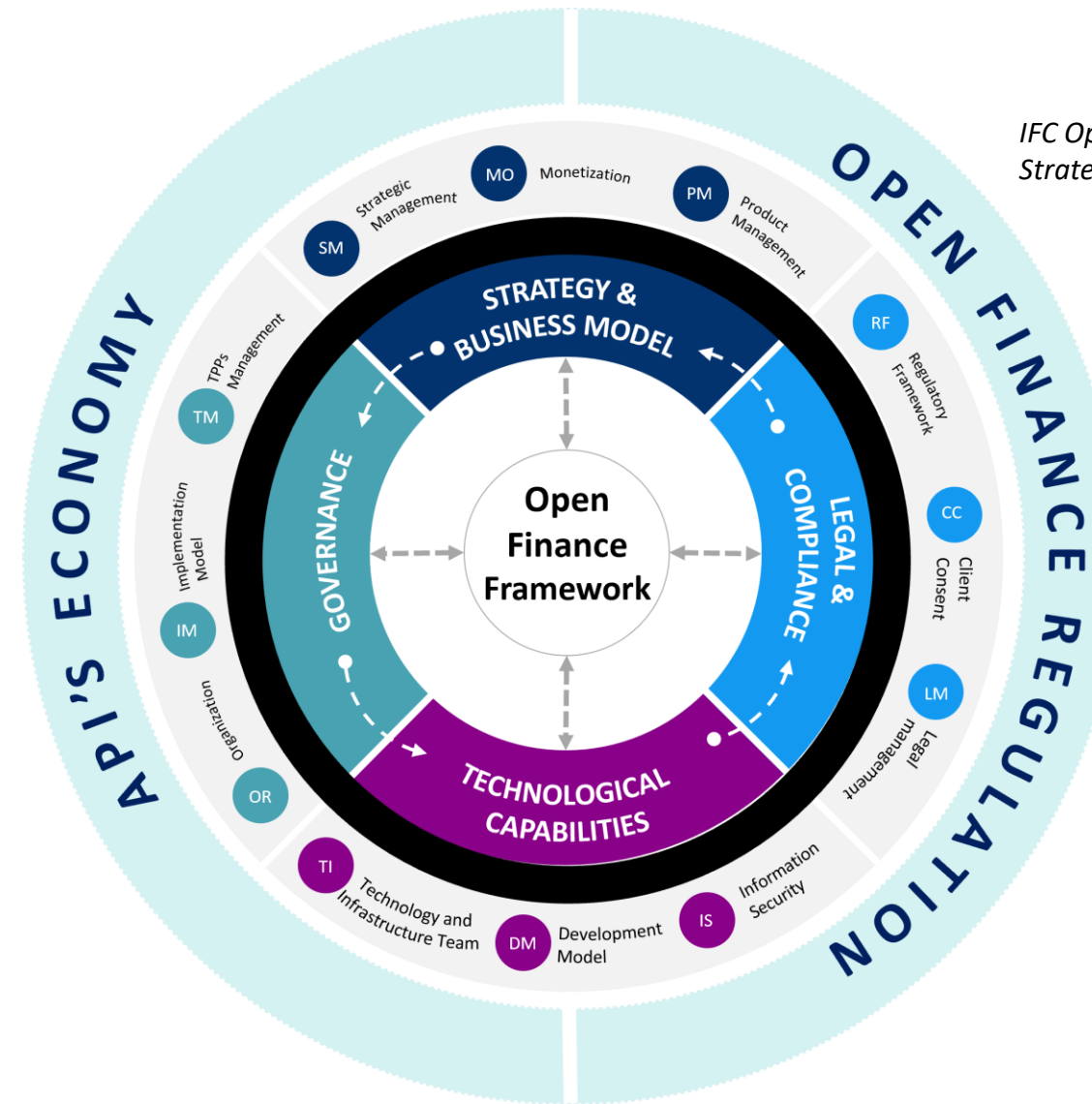
Allows you to integrate into ecosystems



Outcome

- Scope by **business vision, market** and **customer needs**.
- High **monetization** potential.
- APIs are enablers of new **business models**.

WHAT SHOULD THE FINANCIAL INSTITUTIONS THINK ON?



IFC Open Finance
Strategy Framework

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LATIN AMERICA HAS BEEN DEPLOYING OPEN FINANCE MODELS FOR AROUND A DECADE

Market Development

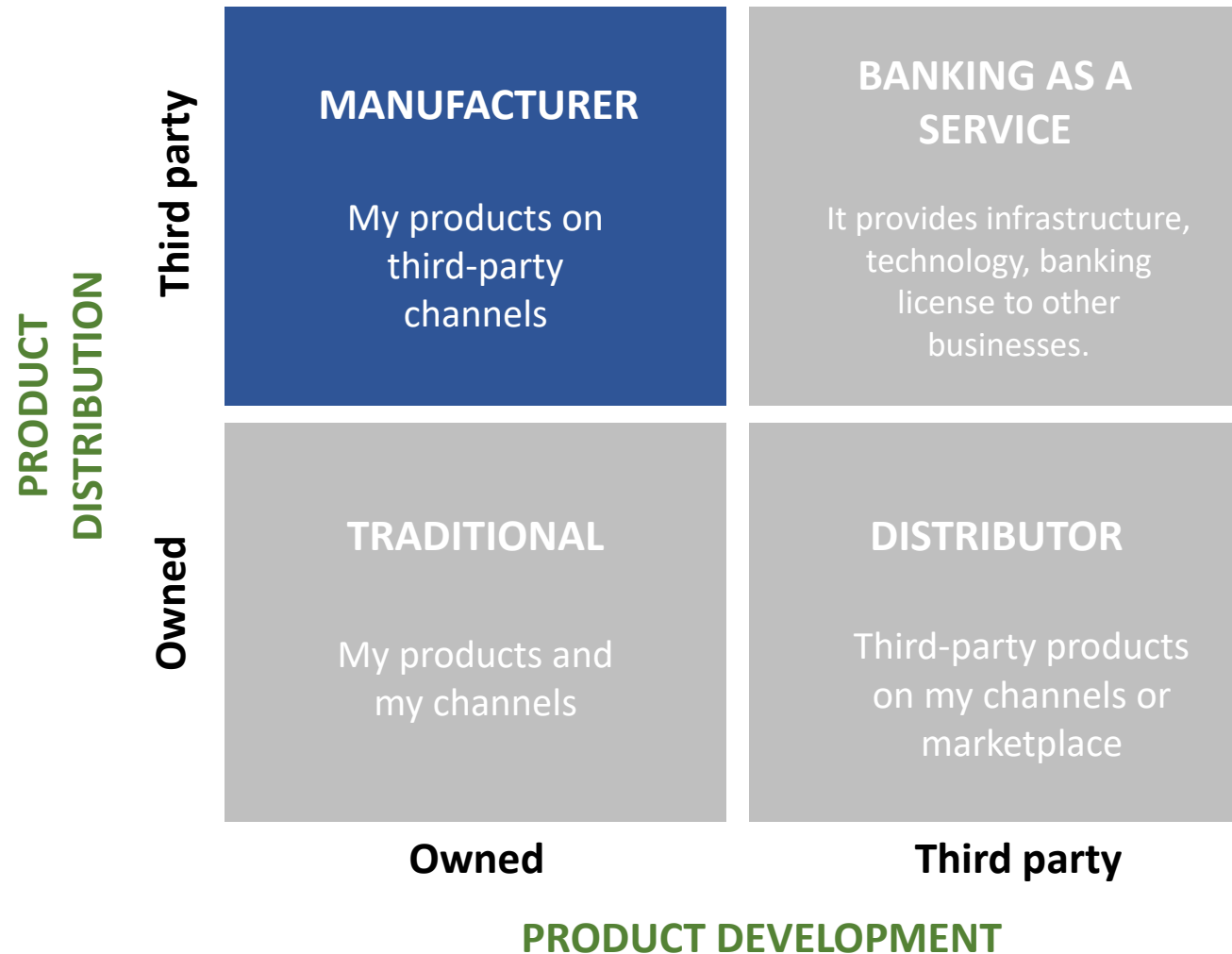
- The biggest banks (Global and Regional) have partnered with FinTechs and other players to offer new products and services.
- FinTechs from all sizes including unicorns like NuBank (Brazil), Clip (Mexico) and Ualá (Argentina) are leveraging open banking to offer innovative financial services such as digital accounts, credit products and payment Solutions.
- Open Banking platform providers (aggregators) are enabling Banks and FinTechs to exchange Customer data and Access financial services through APIs.

Regulatory Landscape

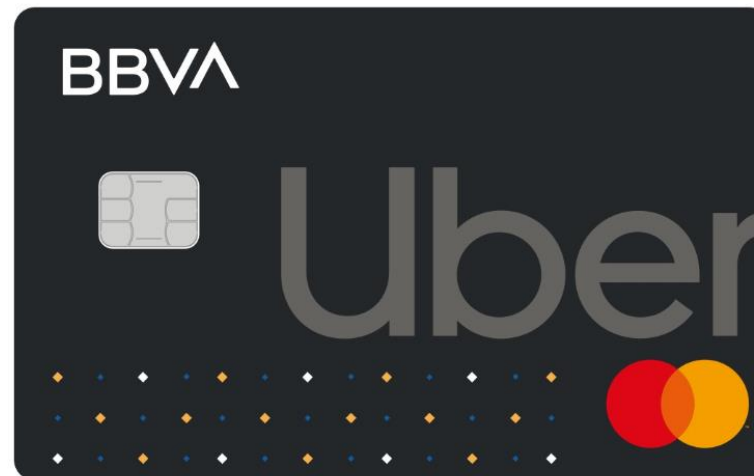
- Brazil, Mexico, Colombia and Chile have issued Open Finance regulatory Frameworks.
- While in Argentina there is no specific OF regulation, the market has organized to become one of the leading countries in the region.
- Several countries in the region are exploring and some are drafting Regulatory projects.



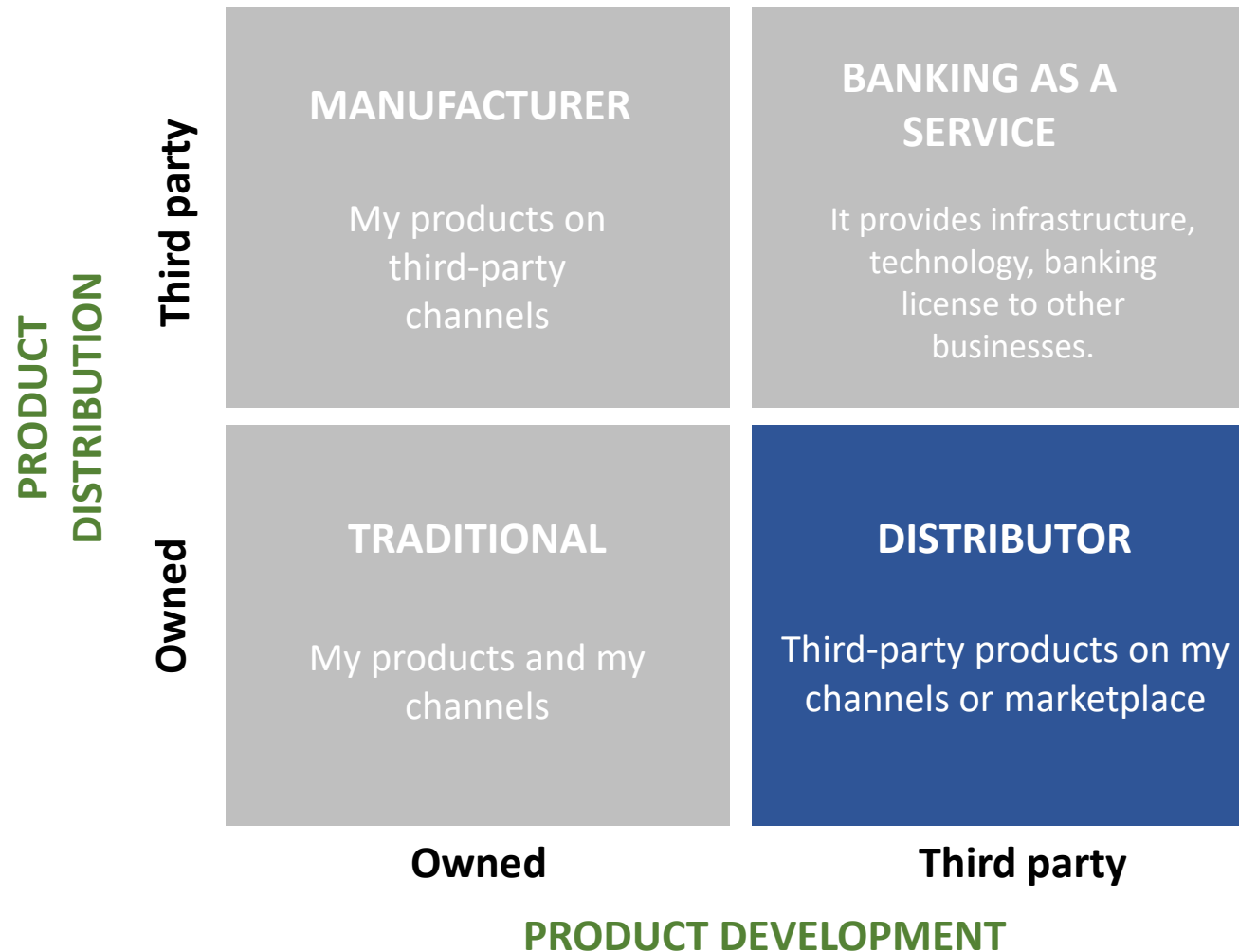
LET'S REMEMBER THE BUSINESS MODELS MATRIX



MEXICO



YOU ARE A DISTRIBUTOR OF THIRD-PARTY PRODUCTS AND SERVICES



FINANCIAL PRODUCTS DISTRIBUTOR: REMITTANCES

DOMINICAN REPUBLIC



reset
*Deja la cartera,
trae el celular*

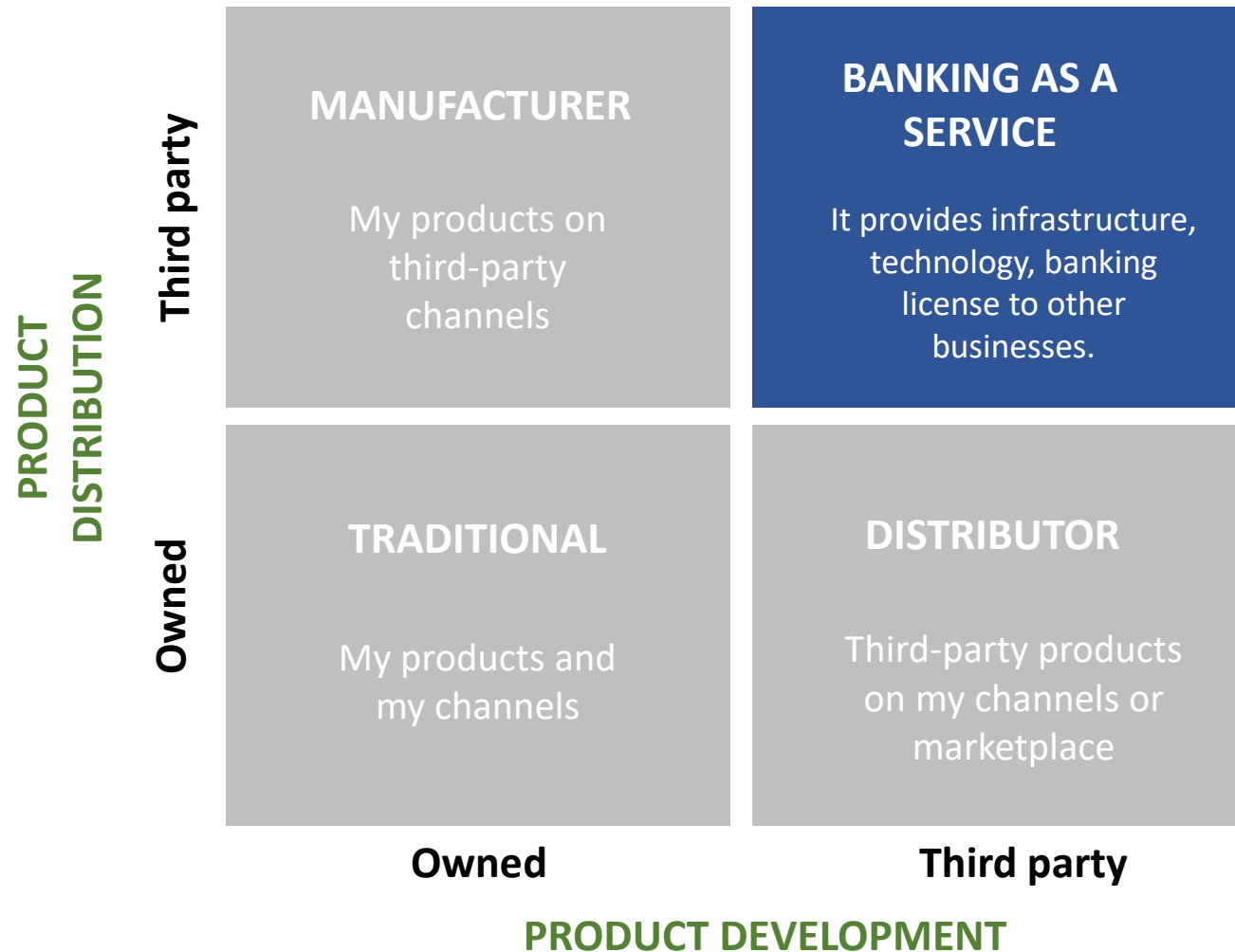
Descarga Reset, la primera cuenta 100% digital que te permite abrirla y manejarla sin pisar una sucursal. Empieza a utilizar el verdadero cambio de la banca hoy.

Disponible en App Store Disponible en Google Play



































**Pide y recibe
tus remesas
al instante
¡Eto e' pa' hoy!**

TOPII

YOU ARE A DISTRIBUTOR OF THIRD-PARTY PRODUCTS AND SERVICES



MOST COMMON USE CASES FOR BAAS PRODUCTS

 Open financial services	Area	Description	Current offering ¹	BaaS potential
	 Payments	• (Instant) account to account based payments that leverage more seamless authentication and authorisation flows especially for recurring payments		
	 Consumer loans	• Embed loans application process at the point of relevance to reduce hurdles and increase conversion spanning various products; credit line, BNPL		
	 Business loans	• Embed loans application process at the point of relevance to quickly act on cash deficit, spanning various products; invoice financing, lease, BNPL		
	 Mortgages	• Embed mortgage application process at the point of relevance to allows for pre-vetting, reduce processing hurdles and increase conversion		
	 Insurance	• Embed insurance into products or at the point of relevance as purchase option within a transaction		
	 Investments	• Self-service automation based on strategy, special events and algorithms • Create central view & manage across banks and platforms (multi-banking)		
	 Treasury & Trade	• Digitisation & automation of manual trade processes and cash pool mgmt • Allows for seamless execution of and reporting on trade deals		
	 Bank & account info	• Retrieval of account information allowing to develop overview, obtain insights/ recommendations (incl. notifications) and to initiate (automated) actions		
	 Electronic bank account Mngt	• Embed account and user mgmt. in preferred work station of choice to reduce manual, administrative handling and potential operational risks		
	 Identity & risk	• Embed (verifiable claims on) customer data attributes into work flows to improve customer experience (e.g., smooth onboarding) & reduce risks and fraud		
	 Sustainability	• Retrieve bank data to contribute to creation of ESG reports for e.g. compliance reporting, to meet trade partner requirements or to qualify for (use of) certain financial products		

very low     very high

From: Innopay Open Banking Monitor Report 2022

LEADING BANKS IN THE REGION HAVE IMPLEMENTED API MARKETPLACES

Mexico and
Peru



Example: BBVA API Marketplace



Chile



Peru



Dominican
Republic



Chile



Colombia



FILTRAR POR

PAÍS

- ☐ México (7)
- ☐ España (13)
- ☐ Perú (1)

SOLUCIÓN

- ☐ Ecosistemas digitales (11)
- ☐ Gestión de tesorería (7)
- ☐ APIs Normativas (3)

CATEGORÍA

- ☐ Cuentas (4)
- ☐ Pagos (5)
- ☐ Cobros (2)
- ☐ Financiación (6)
- ☐ Préstamos (3)
- ☐ Tarjetas (1)
- ☐ Identidad (1)
- ☐ Datos personales (1)
- ☐ Datos de negocio (2)



Accounts

México Ecosistemas Digitales Cuentas

Complementa tu servicio creando una cuenta digital para tus clientes dentro de tu propio ecosistema digital y sin necesidad de pasar por una sucursal.



Auto Loan

México Ecosistemas Digitales Financiación Préstamos

Realiza simulaciones en tiempo real sobre las condiciones de un préstamo para un vehículo y ofrece su contratación al instante.



Mortgages

México Ecosistemas Digitales Financiación Préstamos

Completa tu catálogo de servicios a clientes con el financiamiento necesario para comprar su vivienda, sin salir de tu plataforma digital.



Business Collections

México Gestión de tesorería Cobros

Confirma en tiempo real el pago de tus clientes a través de tu convenio CIE.



Business Payments

México Gestión de tesorería Pagos

Permite a tus clientes obtener sus cobros de forma inmediata y automática desde tu propia plataforma.



REGULATORY HIGHLIGHTS

México

- Fintech law issued in 2018
- Gradual implementation approach with three types of data (open, aggregated and transactional)
 - Open Data regulation complete with ATM API definition, but there has been delay in the issuance of Transactional Data regulation

Ecuador

- Fintech law issued in 2022
- Law includes services like digital credit, neobanks and financial Advisory
- Open Finance regulation is expected to be one of the next steps

Perú

- FinTech Law project
- Regulatory Sandbox managed by the Banks Regulator
 - Coordinating OF efforts in the APEC group

Chile

- The CMF published OF regulations in June 2024, which will become effective in July 2026.
- This regulation is a crucial component of the FinTech Law issued in 2023
- Phased approach where the initial preparation phase will last 24 months. Then the first wave of the Information sharing phase will provide 18 months for Banks and payment card issuers.
 - The second wave will provide another 18 months

Colombia

- Focus on developing a market-driven Open Finance Ecosystem
- Financial Authorities have issued OF regulatory framework
- Becoming one of the strong players in LAC

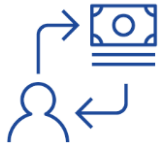
Brasil

- Frontrunner in Open Finance implementation in LAC
- Phase approach initiated in 2021 with full implementation achieved in 2022 (Open Data, Transactional Data, PIS, Other Financial services ie. insurance)
 - As of 2023, over 800 institutions participating
- Mandatory participation for large FIs and optional for smaller ones

Open Banking



Processing of Personal **Data** of Financial Consumers.



Payment initiation through low-value systems.



Open Financial Architecture **Standards.**

Open APIs Strategy

Digital Ecosystems



Sale of third-party services,

Sale of services to third parties.



Offering of **infrastructure and technology.**

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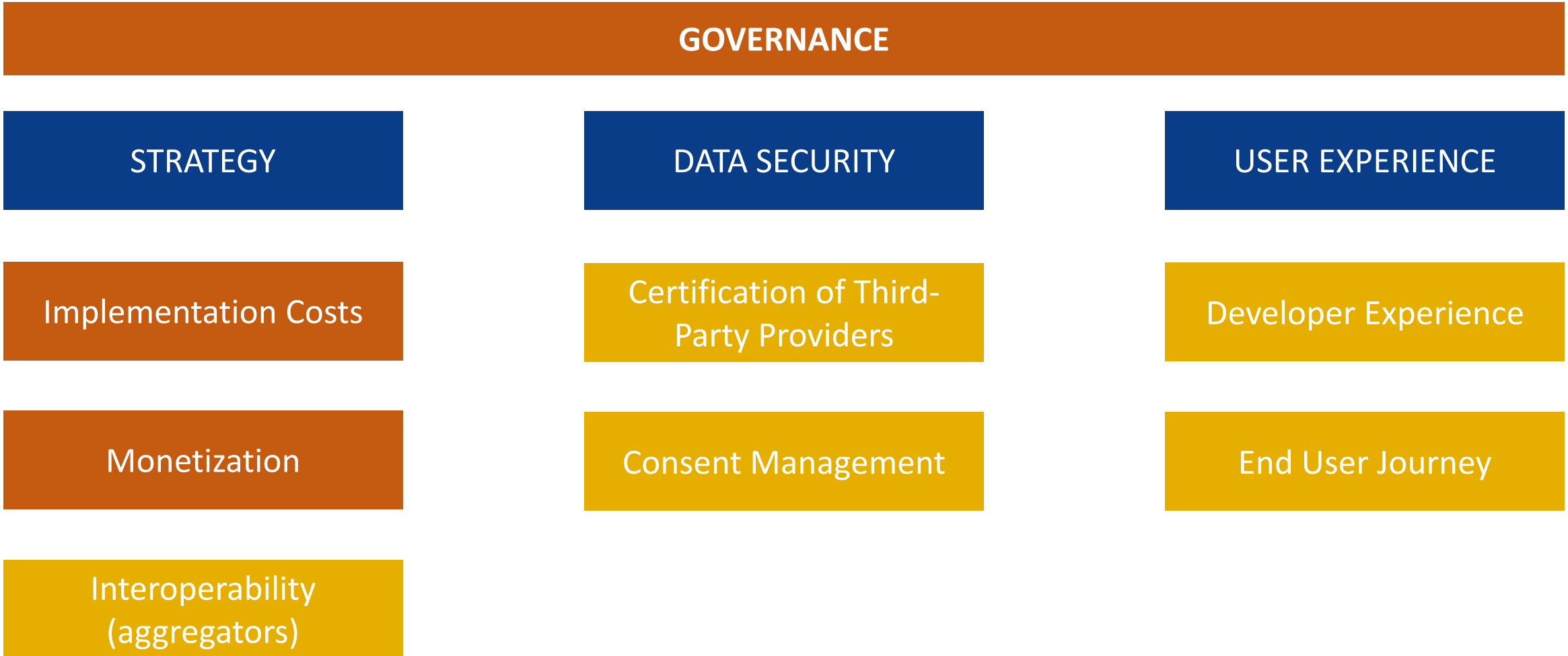
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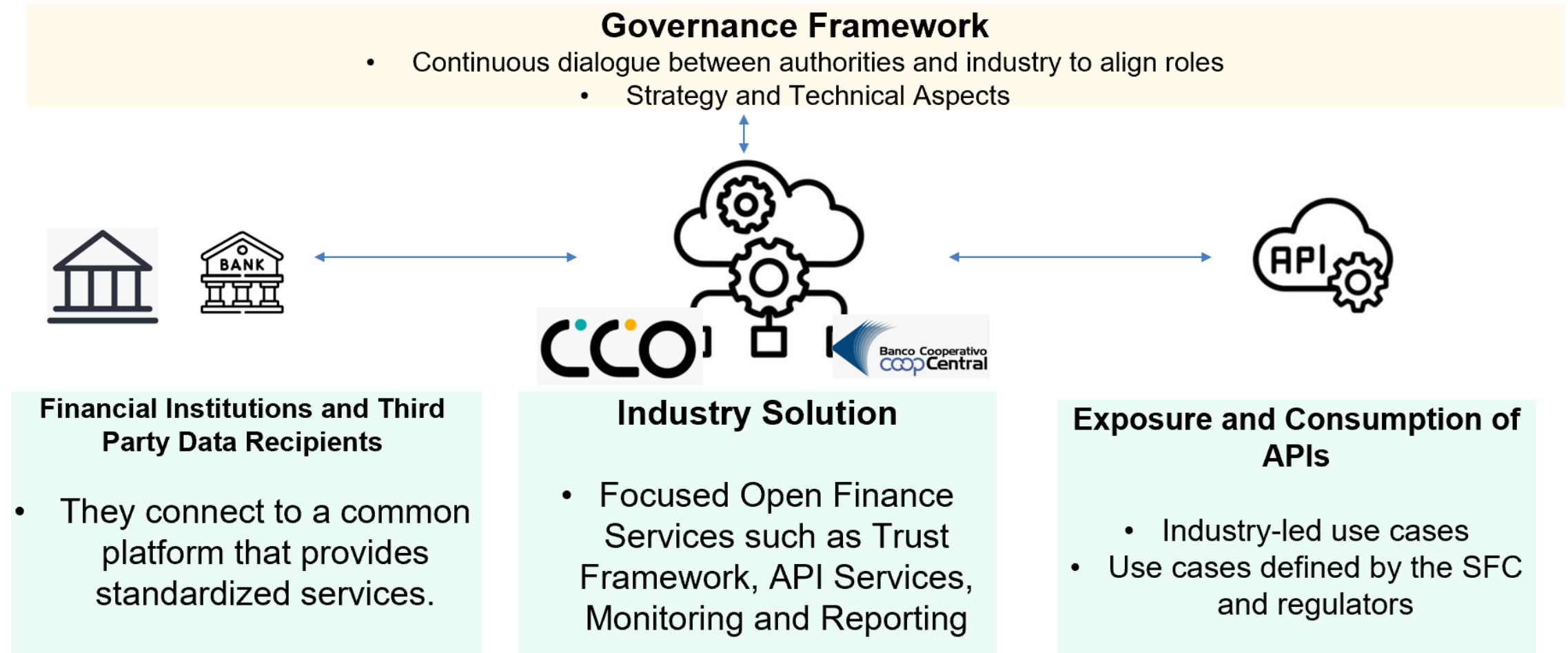
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THE PARTICIPATION OF FIS IN OF ECOSYSTEMS REPRESENTS DIFFERENT CHALLENGES, MAINLY FOR SMALL AND MEDIUM-SIZED INSTITUTIONS



THE SHARED OPEN FINANCE HUB MODEL CAN HELP TO MITIGATE THE BIGGEST CONSTRAINTS: GOVERNANCE, IMPLEMENTATION COSTS AND MONETIZATION



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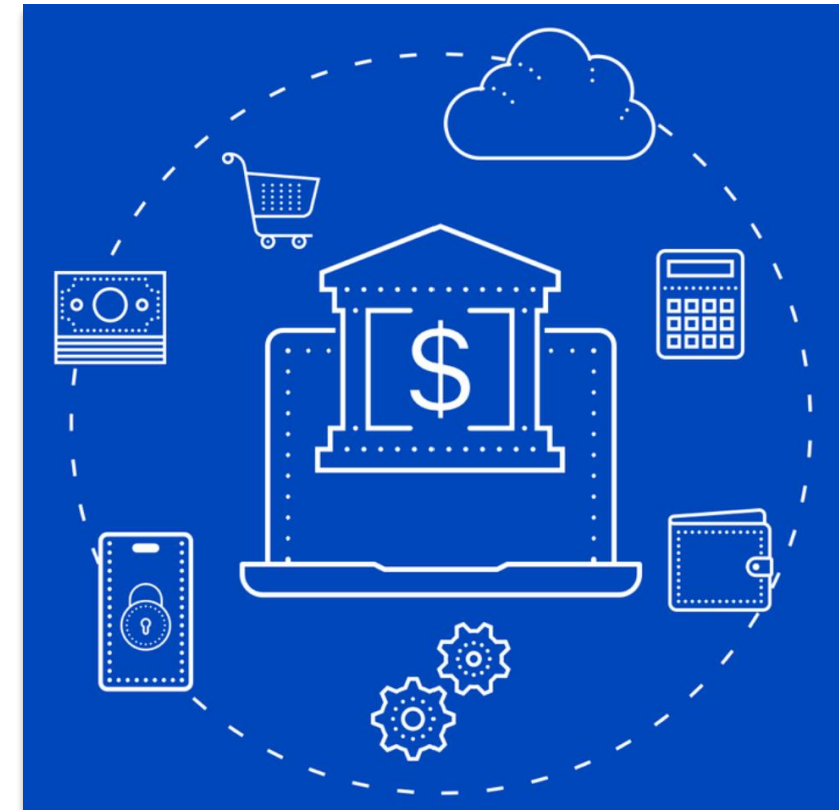
4 **HOW OF IS DISRUPTING TRADITIONAL FINANCE AND IFC ROLE**

“In 2000 you needed a **Website**, in
2010 you needed a **mobile app**, in
2020 you will need an **API**”

John Musser, Founder programmableweb.com

POTENTIAL IMPACT OF OPEN FINANCE IN TRADITIONAL BANKING

- 1. Financial inclusion:** Open finance could significantly expand access to financial services in a region where nearly 50% of the population is unbanked or underbanked
- 2. Collaboration with FinTechs:** Traditional banks are increasingly partnering with Fintechs to offer innovative products and services
- 3. Digital transformation:** Open finance is accelerating the digital transformation of traditional banks, pushing them to invest in modern infrastructure and customer-centric solutions
- 4. Increased competition:** As more players enter the market, traditional banks will face pressure to differentiate themselves through personalized offerings and superior customer experience
- 5. New revenue streams:** Open finance presents opportunities for traditional banks to monetize their data assets and develop new products and services, such as data analytics and insights for third-party providers



IFC ROLE. INVESTMENT AND ADVISORY SERVICES

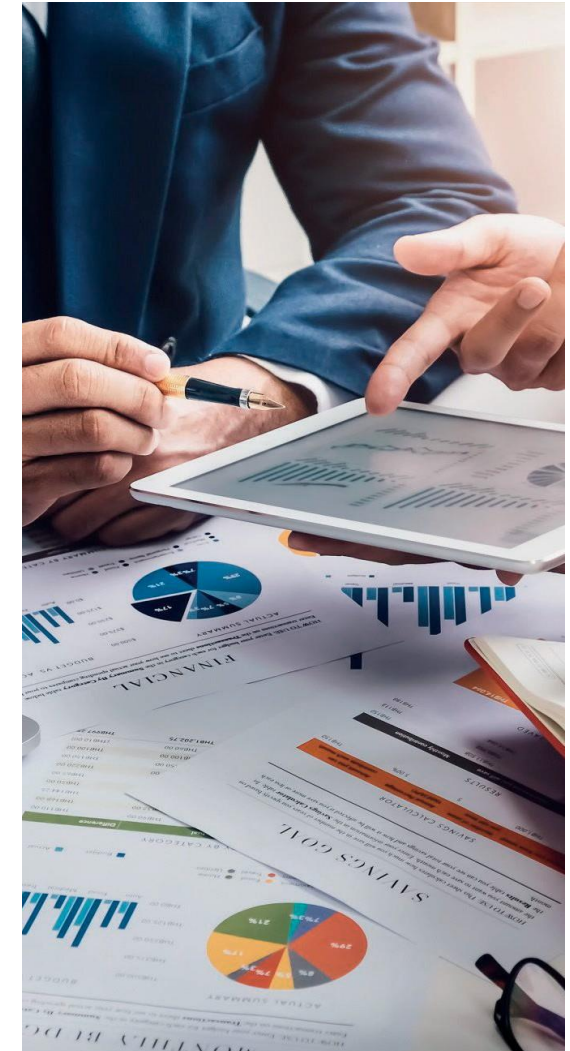
Helping banks (with focus on small and medium sized) become more competitive and sustainable in challenging times

IFC's Financial Industry Group advisory teams offer customized solutions to financial institutions, addressing their financial needs and providing the tools and know-how to help them maximize their return on capital and increase sustainability in this time of economic instability.

On the digital space, we work with the Financial Sector (FS) capacity to advance the digital economy, develop the ecosystem and introduce innovative products and services.

Regarding Open Finance we:

- Implement the Digilab Open Finance Program
- Provide Open Finance Sandboxes for FI to test their use cases
- Work with FIs as well as with regulators
- Are developing the Open Finance Shared Hub model
- Develop innovative ways of financing banks and FIs regarding the use of schemas



Institutions that have accelerated their open APIs' vision

Private sector



Colombia

TUYA : Largest card issuer in the country seeking to strengthen their position in the Colombian digital ecosystem.

IFC SUPPORT

Phase I (2021):

- Create a culture around open ecosystems in the C-Level to ensure a smooth implementation of their Open APIs program.
- Design an Open Finance strategy, that was later approved by their BoD.
- Tuya publicly announced their strategy to offer Banking as a Service.
- Design the new Open Finance business unit
- Launch of the first Hackaton for open finance leveraging IFC Sandbox

Phase II (In Progress):

- Positioning as a BaaS leader in Colombia
- Development of the technical standard based on international practices.
- Consolidation of the monetization model to scale to the mass market.

2021-2022



Colombia

BANCOLOMBIA: Largest Colombian bank with a regional presence. One of the largest and most innovative players in LAC.

IFC SUPPORT

Strengthen their Banking as a Service initiative:

- a) Build roadmap beyond banking products
- b) Evolve and improve their Dev Portal
- c) Identify gaps in their Operating Model
- d) Build monetization capabilities and build the business case around the BaaS program.

2022



Dominican Republic

BHD: Second largest private bank in the country that aims to become a relevant player in the Dominican ecosystem.

IFC SUPPORT

- Demystify open banking around the C-Level and create an open finance culture around partnerships.
- Appoint the Transactional Corporate Banking area as the unit in charge of the Open API Strategy.
- Design and prioritize an open APIs roadmap.
- Launch of the first Hackaton for open finance leveraging IFC Sandbox with two use cases: wallet as a service and credit card as a service.

2022



Uruguay

EQUIFAX: One of the three largest consumer credit reporting agencies that has grown into a global data, analytics, and technology company eager to develop and implement a culture toward open APIs.

IFC SUPPORT

- Understand the API Economy, the regulatory perspective and its impact in Uruguay
- Strategic thinking around the credit reporting business model.
- Create a SWOT analysis to identify what steps need to be taken.

2022

Institutions that have accelerated their open APIs' vision

Private sector



Colombia

FINANDINA: Leading bank in vehicle financing through credit and leasing.

IFC SUPPORT

- Align the C-Level around the concepts Open Finance to move towards implementation
- Identify potential revenue sources for different use cases
- Accelerate its positioning as a provider of embedded finance in Colombia.



Kenya

CoopBank: It is one of the largest commercial banks in Kenya

IFC SUPPORT

- Help to identify quick wins regarding its current API offering through the developer portal
- Analyze current position in e-commerce and definition of the strategy to scale business through APIs



Colombia

SFC: Financial sector supervisor and one of the most innovative regulators in the region interested in deepening its knowledge in APIs

IFC SUPPORT

- Help them to understand the implications of Open APIs for the private sector and estimate the needed effort for supervisees to report the information through APIs.
- Develop the first RegTech use case to receive information from financial sector supervisees.
- Prioritize the need of complementing the Regulatory Sandbox with a Technical Sandbox.



Azerbaijan

CBAR: Central Bank of Azerbaijan is considering to implement a policy framework for open finance.

IFC SUPPORT

- Provide information on the concept of Open Banking, pros and cons, as well as business models.
- Provide general information on Open Banking practices implemented in similar markets.
- Provide information on the results of the evaluations and surveys carried out to determine the level of preparation of banks and FinTechs in the country for the implementation of Open Banking
- Develop preliminary open banking roadmap in Azerbaijan

Project In Progress

Project In Progress

2021

2021

THANK YOU!

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October 16th, 2024