“Data, the new gold for financial inclusion”, Digital Economy Specialist, IFC, World Bank

The use of data in decision-making has transformed the way businesses engage with consumers. The recent pandemic has been a catalyst in this trend, turning analogue customers into digital customers overnight and transforming the way people make and receive payments, borrow and save. The adoption of these new habits has been critical for financial institutions to remain relevant and competitive in an environment where today’s innovations may be obsolete tomorrow. This paradigm shift is not only essential to meet evolving customer demands and improve customer experiences, but also plays a key role in promoting financial inclusion by extending services to the underserved and unbanked.

According to the World Bank, around 1.4 billion adults worldwide lack access to banking services, many of them women, disadvantaged people, and residents of rural areas. With the digitization of financial services, 71% of people in developing countries now have a bank account, a significant increase from 42% a decade ago. However, Latin America still faces challenges as 41% of the population is still excluded from the financial system. In this region, countries such as Brazil, Argentina and Venezuela show progress, however, others such as Honduras, Peru and Colombia still face challenges in promoting financial inclusion.

In the digital age, data has become the new gold. The key is knowing how to extract value from this data. Through proper analysis and interpretation, companies can uncover valuable information, identify patterns and trends, better understand their customers, and make strategic decisions in order to optimize business performance, offer personalized services and improve their market positioning.

Through their data-driven business models and hyper-personalisation of products and services, companies such as Netflix, Spotify and Instagram have changed the way we consume movies, music and media. Banks are expected to offer a similar level of personalization with tailored services, 24/7 availability and the ease of being just a click away.

Data is not only a catalyst for business, but also plays a critical role in increasing financial inclusion by providing additional information on individuals without a traditional credit history. In emerging markets, a large portion of the market does not have access to basic financial services due to a lack of credit history or collateral. However, these individuales do count on alternative data sources that can be used to assess their creditworthiness, such as their social media, utility payments and online transactions.

The use of alternative data allows financial institutions to assess credit risk more accurately and offer services to people excluded from the traditional financial system. While it is important to ensure ethics and privacy in the use of this data, its use can foster financial inclusion and contribute to economic development by enabling access to loans and other financial services.

In order to stay on the pulse of digital transformation and support its institutions in becoming data-driven, the BBVA Microfinance Foundation (BBVAMF) teamed up with the International Finance Corporation (IFC) for a new edition of DigiLab Data, a programme designed to accelerate data transformation in financial institutions.

This second cohort includes the participation of the five institutions of the BBVAMF: Banco de las Microfinanzas – Bancamia S.A. (Colombia), Financiera Confianza S.A.A. (Peru), Banco Adopem

(Dominican Republic), Microserfin (Panama) and Fondo Esperanza (Chile).

In an increasingly digitized world, data is becoming an invaluable asset that can make the difference between business success and failure. It is therefore critical that organizations recognize its importance and become data-driven businesses, as long as they commit to using it ethically and responsibly for the benefit of all.

Sophie Sirtaine, CGAP CEO

Over the past 15 years, there has been a deepening recognition of the foundational role that financial inclusion plays in sustainable financial and economic development—be it among investors, the private sector, standard-setting bodies and multilateral development banks. The World Bank's Global Findex has been monitoring progress in financial inclusion for a decade. And while its latest findings point to a positive worldwide trend, persistent challenges need to be addressed to exploit the full potential of inclusive finance.

Today, 71 percent of adults in developing countries have a bank or mobile money account, up from 63 percent in 2017. Despite this window of optimism, the testing pandemic era and the war on Ukraine have deepened the global economic slowdown. At this rate, the World Bank predicts that nearly 7 percent of the world's population—almost 600 million people—will be struggling with extreme poverty by 2030. The intensification of climate change by then is another grave threat that may push 132 million additional people into extreme poverty.

Ensuring that all of society, especially the world's most vulnerable people, can better seize economic opportunities that improve livelihoods and withstand financial shocks, such as those caused by climate change, will require a stronger determination to use responsible financial services as a pathway to a green, resilient and inclusive world. To do so, we will need to focus on three areas for starters:

Prioritizing women's financial inclusion in the development agenda. While the average gap between men and women in account ownership (i.e. the gender gap) is down from 9 to 6 percent in developing economies, 742 million women continue to be financially excluded. In Latin America and the Caribbean (LAC), the gender gap has remained stagnant since 2017 at 7 percent, and while the gap in Brazil and Argentina is minimal, the gap is as high as 11 percent in Bolivia, 16 percent in El Salvador and 20 percent in Honduras. When women access, use and benefit from financial services, they are better able to manage risks and increase economic opportunities that contribute to the wellbeing of their households and communities. According to the IMF, gender equality boosts economic growth and leads to better development outcomes. But there are many barriers to women's financial inclusion and almost all are rooted in constraining social norms. Stronger and intentional efforts not only by policymakers, but by the private sector are paramount to bridging the gender gap. Some are leading by example, such as

Bancamía in Colombia and Banco FIE in Bolivia.

Ensuring that digitalization plays a bigger role in financial inclusion.

Digitalization helps promote lower costs and broader access to information, but despite the rising adoption of mobile money, government-to-person payments (G2P) and other digital payments catalyzed by the pandemic, hundreds of millions of adults still receive payments in cash. The gender gap in making or receiving a digital payment in developing economies is 9 percent on average and in LAC, this gap has increased from 6 percent in 2014 to 8 percent in 2021. Not only does usage of digital payments provide a pathway into the digital economy, which in turn can open up additional economic opportunities, but it can also help households and small businesses manage weather shocks and invest in a green future. The pathways to digitalization include increasing connectivity, digitalizing financial services and payments, expanding agent networks, and developing adequate consumer protection frameworks. Instant payment and open banking reforms recently implemented by several counties in LAC, such as Brazil, Colombia and Chile, are very promising. By levelling the playing field with banks, they have been creating more competition from fintechs, mobile money operators and other financial service providers, reducing the costs of financial services and providing opportunities to leverage digital data trails to bank the unbanked.

Designing financial products that focus on development outcomes.

In light of the intensifying global shocks and stresses, which hit the poorest and most vulnerable people the hardest, focusing on access and usage of financial services is not enough. We need to redefine our objectives, as a financial inclusion sector, in terms of the outcomes we are trying to achieve and design our products and our interventions with these outcomes in mind. For example, instead of simply focusing on setting up efficient G2P systems that provide *access* to government transfers, we must shift our focus to ensuring the most vulnerable are able to cope with and adapt to the main shocks they face, including climate change, and design G2P systems that are valuable social protection tools that boost climate resilience. To support this new orientation, we should develop new metrics for our work and for the sector that measure success towards these outcomes, and use these to design our interventions accordingly.

Progress towards these three focus areas will be no easy task. Success will depend on strong collaboration among members of the financial inclusion community and other stakeholders—perhaps more so now than ever before. But as voices for sustainable development get louder, I am optimistic that the power of inclusive finance can be harnessed to achieve broad sustainable development goals.

¿Does regulation have an influence on microfinance and financial inclusion? Lessons from Bolivia, Ecuador and Peru

This Research Paper was written for the Master on Microfinance and Financial Inclusion at the Universidad Autónoma de Madrid, under the direction of Claudio González-Vega (Ph.D.). The research attempted to answer the following questions: How do regulation and public policies influence the pace and style of development of microfinance and its potential contributions to financial inclusion? To what extent and in what ways the different regulatory approaches adopted in Bolivia, Ecuador and Peru influenced the development of microfinance.

State regulation, a key component of the institutional base of the microfinance sector, may have a positive or a negative influence on the actors in the industry, facilitating or hindering the evolution of the supply and the demand of financial services. This research seeks to explain how Bolivia, Ecuador and Peru have adopted public policies directed at the financial system and at microfinance, with the ostensible goal of promoting them. However, the different public policies implemented in these countries show both favorable and unfavorable outcomes for the sector and, in some cases, have even inhibited its growth and ability to innovate.

This document includes a chronological history of microfinance and of the evaluation undertaken by Global Microscope Ranking 2011-2018 (The Economist Intelligence Unit), for the three countries, searching for factors that may explain the influence of facilitating or inhibiting institutions on the development of the microfinance sector. The study compares the evolution of the sector and its contribution to financial inclusion in each one of the three countries. It builds on a view of financial inclusion as a multidimensional process that seeks to improve the access, use and quality of financial services for vulnerable segments of the population and as a potential tool for the struggle against poverty.

To read this document, click here.

Financial Inclusion Act

On January 18th, the Official Gazette published the Financial Inclusion Law amending the previous version of the Act 19.210 [1] covered in Progreso 14.

This law, which regulates the electronic payment system, not only makes changes to the Financial Inclusion law, but also amends the structure of social security provisioning and the maximum interest rates stipulated under the Usury Law. The most important points are the following:

Amendments to Act 19.210

This acknowledges payments made with electronic payment systems. For electronic fund transfers, the payment is recognized at the moment in which the sum transferred is effective in the destination account.
It makes the payment and receipt of retirement and other pensions, as well as withdrawals, much easier. Beneficiaries will have the option of receiving these payments in cash, as well as receiving them as credits in financial institutions or electronic money instruments. The same goes for beneficiaries of family allowances, subsidies, temporary indemnity payments and incomes for permanent incapacities.
The amendments require financial intermediaries and those issuing electronic money to set up at least one mechanism that lets beneficiaries make a single monthly withdrawal at no charge of all the accredited funds to pay workers' wages, professional fees or charges for personal services, among others.
It enables beneficiaries of food subsidies to choose freely the institution where they want to receive such benefits and to change the institution they have chosen after a year if they so wish. If workers do not exercise the option, the employer may do so on their behalf.

Amendments to the Social Security Law

The law also amends the exemption system [2] that applies when calculating personal wealth tax. The following items are not subject to taxation nor do they count towards the tax base:

Allowances, in kind or in cash, up to a maximum value of 150 indexed units [3] (IU) per day worked, falling to 100 IU from January 1st, 2020.
Medical or dental coverage costs – granted to workers or their family members – cost of the worker's life and accident insurance policies, as well as transport expenses, when the payment of these has been assumed wholly or partly by the employer.

In any event, the sum of all the exempt provisions may not be more than 20% of the monetary wage received by the worker for taxable items. This threshold will gradually go down: from January 1st, 2020 onwards, the limit will be 15% and, from January 1st, 2021, it will fall to 10%, with the excess over these thresholds being taxable.

Amendments to the Interest Rates & Usury Law

There is a new interest rate ceiling for credits for which payment is received through retentions on wages. The current maximum interest on average rates for payday loans is 20%, to which is added a 30% maximum on the average rates for other transactions, while a maximum of 80% (on top of the average interest rates) on delinquent interest is left unchanged.

[1]]Act 19.210, April 29th, amended by Act 19.478 January 5th 2017, by Decree 350/017, December 31st 2017, and also by Act 19.592, January 26th 2018.

[2]It will come into force on April 1st 2019, although it can be delayed for a maximum of six months.

[3] Unit of value that indexed to inflation as measured by the Consumer Price Index. This unit varies daily so that at the end of the month there is a variation with regard to the value of the previous month's IU.

General Grocery Storekeepers Law

Act 30877

Access to financial products and/or services for Venezuelan citizens

On 21 September, the Financial Authority issued Circular 60/2018 authorizing the Special Leave to Remain (SLR) as a valid identity document for opening and/or onboarding financial products and services. This provision provides mechanisms to make the migration process easier and enable Venezuelan citizens to remain in Colombia legally.

The Circular recognizes the Special Leave to Remain (SLR) document when it is supported by a Venezuelan identity card or passport, as legitimate and sufficient identification for acquiring financial products and/or services in Colombia.

The Special Leave to Remain (SLR) will be valid for ninety days (renewable for the same period of time up to a maximum of two years) and is only given to Venezuelan nationals who meet the following requirements: they were in Colombia on 2nd February 2018, having entered the country through a Migration Control Post with a passport; they have no criminal record, whether domestic or international, and there are no expulsion or deportation orders in force over them.

Colombia's Financial Authority has on numerous occasions urged regulated institutions to accept the Special Leave to Remain (SLR) as legitimate and sufficient identification, if supported by the corresponding Venezuelan identity card or passport, for acquiring financial products and/or services in Colombia.

In any event, for linkage of Venezuelan nationals, regulated institutions must ensure that risk management systems are properly followed and particularly that they comply with Know Your Customer instructions.

Basic Accounts Regulations

On July 25, Peru's Banking, Insurance and Pension-Fund Management Authority (SBS) passed the Basic Accounts Regulations to extend financial inclusion in the country and harmonize the standards applicable to basic accounts with those for simplified e-money accounts.

As set out in the draft bill, which we analyzed in issue 14 of *Progreso*, the regulations cover the terms and features of basic accounts, among them the thresholds on transactions and balances that should apply to these types of accounts. So, given that the regulations aim to further financial inclusion, basic accounts can be opened simply by presenting a national identity card or foreigner's residence card and the client's current address.

Unlike the draft bill published in December 2017, the regulation has removed the obligation on companies in the financial system to implement training programs for customer-facing staff, and also the requirement to set up channels for presenting claims and complaints in, at least: (i) the public branch network; and (ii) a telephone, digital and/or website customer service channel.

The regulation, which will come into force on October 1, 2018, will amend the regulations on transactions with electronic money, together with the regulations on additional customer-service channels incumbent on companies in the financial system and e-money issuers, as well as revoking SBS Resolution 2108-2011, amending the additional anti-money laundering and financing of terrorism standards.

New requirements for agricultural sector funding

With the aims of breaking down barriers to small producers accessing credits and of improving the reach of the instruments relating to agricultural sector financing, the Ministry of Agriculture & Rural Development has published a consultation draft of a decree to modify the scope of the definition of small producer as it is understood in current legislation, by eliminating some of the requirements that make the analysis undertaken by financial institutions more costly.

The Decree proposes the following changes:

The definition of Small Producer raises the upper limit for total assets from 145 MMW (about COP 113,280,000 = EUR 32,365), to 284 MMW (about COP 221,870,000 = EUR 63,390).
The requirement to submit documents accrediting assets jointly with the spouse or permanent partner in order to be classified as a Small Producer has been eliminated.
The requirement to demonstrate that the individual must obtain at least two thirds of his/her income from farming, or for at least 75% of his/her assets to be in the agricultural sector, has been suppressed.

Furthermore, the National Agricultural Credit Committee has changed the definition of “*low-income rural woman*”, suppressing the expression “head of household”, so that more people can access agricultural and rural credits: small-scale producers, rural women, low-income rural woman, ethnic communities, medium-scale producer and large-scale producer.

In addition, the Committee has tightened the requirements for accessing Special Agricultural Promotion Development programs, changing the conditions needed to access agricultural financing projects developed by producers in cooperative marketing and/or production systems. So, it has set up the following:

Certification by the Tax Inspector or Legal Representative of the cooperative association and/or solidarity sector organization, validating that the conditions for accessing the loan have been met.
Assessment by financial intermediaries of the credit applications, using risk management control systems and rules to detect money laundering and the financing of terrorism.

Productive funding of MSMEs

The Productive Financing Act and its respective regulations were published last May* with a view to enhancing funding for Micro, Small and Medium-sized enterprises (MSMEs), and to drive the development of the domestic capital market.

The act regulates many aspects aimed at making it easier for MSMEs to raise finance and boost their productivity. The most important one is the creation of the MSME Electronic Credit Invoice, which will replace electronic receipts, recording goods delivered or services provided but not paid for. This document, with mandatory acceptance within 30 days of issue, will be used as if it were a cheque and will be eligible for negotiation on markets authorised by the National Securities Commission (CNV, in Argentina) via computer systems that facilitate factoring, assignment of invoices, discounting and/or negotiating invoices. This provides an alternative source of finance, allowing companies to negotiate their credit on a secondary market or wait until it falls due for collection.

The legislation also addresses issues concerning the Collective Financing System or crowd funding: acknowledging the National Securities Commission as the enforcement, control, audit and regulatory authority and allowing mortgage and collateral to be constituted to underwrite a guarantee or bond Agent** for funding of this kind.

Furthermore, the act amends many other laws; including the Permanent Character of the Programme of Productive Recovery Act – discussed in Progreso 9 – insofar as Bills of Exchange, the law creating the Financial Unit or the law approving the Civil Code and the Code of Commerce. However, the most important amendment concerns the Capital Markets Act, Law 26.831; placing greater importance on its provision of greater consumer protection and promoting access to the capital market for MSMEs, transparency and financial inclusion.

There is one Title devoted to Financial Inclusion. As can be inferred from the Decree that regulates the Law, Financial Inclusion encompasses both access to all kinds of financial services and their use by companies and households, with special attention required for the poor and vulnerable. That is why the act requires the Executive to draw up a National Financial Inclusion Strategy that allows all sectors of the population to be incorporated into the process of economic development, in the context of an efficient, transparent financial system that fosters the confidence of consumers in the financial sector.

* The Decree regulates Title I of Law 27.440 on productive financing and the Capital Markets Act, Law 26.831

** Person in whose name collateral or bonds can be constituted and who will act in the benefit of the creditors, allowing, in these cases, the insured credits to be transferred to third parties.

Integral reform of the Payment Systems Regulations

On 2nd May, the Board of Governors of the Central Bank of Costa Rica (hereinafter, BCCR),adopted a new version of the Payment Systems Regulations with a view to promoting the efficiency of the payment system.

First of all, the regulation contains the reasons for reforming the Payment Systems Regulations. It highlights the need to implement measures that provide greater security and efficiency for users of payment systems (cards, tablets, mobile phones, etc) that use Europay MasterCard Visa (EMV) and contactless technologies, mitigating operational risk in the MONEX service (access to the foreign currency market for dealing in currencies) and extending the cover of the National Electronic Payment System (SINPE) abroad, for foreign-payment and the Transfer of Funds to Third Parties (TFT) service.

The Regulations are broad ranging and regulate many aspects, including the following:

Legislation on money laundering

Compliance with the legislation on anti money laundering (AML) and counter financing of terrorism (CFT) is required. To such end, the owners of IBAN accounts must be identified and transactions arranged through SINPE reported, except those carried out to top-up prepaid cards. These regulations envisage the need to verify the profile of customers on behalf of those making the transactions (know you customer or KYC policy), validating the profile against international lists and having a risk classification model available for their customers: validating the customer of origin and the destination customer.

IBAN

The Board of the Central Bank adopted a new Payment Systems Regulation in 2015 that included replacing the account numbers previously used within their internal systems. This changeover must be completed by 31st December 2018, in order to facilitate international transactions and the implementation of automated processing.

Mobile SINPE

This multilateral netting and settlement service allows SNIPE members to process their customers' payments in real time on an account of the customer associated to a mobile phone number. Participants must register the mobile telephone numbers of customers with the BCCR.

Payment devices

The regulations require issuers to guarantee compliance with the EMV standards of their payment devices, obliging them to incorporate contactless technology and allow the Customer to be authenticated using secure mechanisms. They also regulate prepaid devices, allowing issuers to issue them to the bearer up to a monthly deposit ceiling of 100,000 colones – or the equivalent in foreign currency – exclusively for local use.

Rates and fees

Finally, the Regulations include a book on rates and fees, in order to provide the banking system with total transparency. Apart from regulating the procedure for collecting rates and fees, it includes their structure and how they are settled.

This overhaul of the Regulations modernises the system and envisages regulating the way the SINPE and means of payment of systemic importance are organised and operate, under the administration of the BCCR*.

* Art. 50 of the Regulations defines these as infrastructures for the clearing and settlement of funds with at least three members, and which, in the face of an operational failure can generate or transfer negative effects on a greater scale among their participants or create systemic alterations in the set of economic players as a whole.

Change towards gender equality at work

The Gender Equality Bill was presented before the Senate and the House in March, with ten articles that amend the Employment Contract Law. In effect, they tackle gender equality at work, and with respect to salary and benefits; work-life balance, leave, maternity and child care; and the supervision of contractual relations between employer and employee by the Ministry of Work, Employment & Social Security.

The proposal is a clear example of the new Argentine government's desire to introduce reforms, especially in a year in which Argentina hosts the W20, a parallel forum to the G20, which pursues the inclusion of women in digital, labour, financial and rural areas. In the case of employment inclusion*, the W20 has asked each member state for an action plan that includes measures to achieve a 25% increase in the economic participation of women by 2025 and to close the salary gap.

The Bill appears to be a response to the measures agreed by the W20: (1) to call on unions and companies to protect women from any form of violence or harassment in the workplace; (2) to adapt to the jobs of the future and the new forms of work (remote-work); (3) to roll out the labour standards of the ILO and reduce informal jobs; (4) to recognise, reduce and redistribute the disproportionate load of non-remunerated care and domestic work; and (5) to implement parental policies and other equivalent paid and non-transferable family leave.

According to the latest study**, in Argentina, only 56% of women contribute to the formal labour force compared with 82% of men. And while there are 19% more women than men in the technical and administrative ranks of organisations, in senior and/or management posts, there are 56% less women than men. This clearly suggests the existence of "glass ceilings"***. Furthermore, the pay gap between men and women doing the same job is 23.5%****, putting Argentina among the top 20% of economies with the largest pay gap in the world.

The Bill includes a principle of Strict Pay Equality, which would make Argentina the second country in the world to specifically regulate equal pay for equal jobs done by men or women (the first was Iceland in January 2018)*****. In fact, Argentine law already established equality between workers in *conditions and remuneration* in article 14 bis of the Constitution******, but at the time, no corrective or disciplinary measure were envisaged for breaches of the article. They are not now either.

Argentine legislation also deals with work-life balance, regulating remote work and reductions in the working day to care for children under four. It also modifies and extends remunerated leave, including, for the first time, time off to do the paper work required with the competent authorities for those wishing to adopt children; to undergo assisted reproduction techniques and procedures; and to deal with gender-based violence*******.

Laws can discriminate against women in the workplace********, and although Argentina has shown the will to guarantee gender equality at work, its legislation still has a lot of issues to resolve, such as allowing women to take on tasks that may be classed as “painful, dangerous or unhealthy”. The law currently maintains that there are exceptional, objective reasons to restrict or prohibit that such work be carried out by women. Neither has the law adapted to a modern concept of the household. It still does not recognise leave or reduction of the working day in cases involving members of the household other than children under four.

With this Bill, Argentina takes the lead in its intention of achieving equal opportunities at the workplace for men and women, while it dresses up for the visit of the G20.

* Strand on Employment Inclusion of women (W20, Argentina): to improve the quality of life of urban and rural women through their enhanced participation in the labour market in conditions of equality

** The Global Gender Gap Report 2017, World Economic Forum.

*** The term “glass ceiling” explains the hidden constraints faced by women in their professional promotion within organisations. Coined in 1978 by Marilyn Loden.

**** Women in the labour market. Ministry of Work, Employment and Social Security. The Office of the Presidency of the Nation (Argentina).

***** The first country to enact a law an pay equality was Iceland. Iceland. Equal opportunities and gender equality. Magazine Progreso

****** ”Work in its diverse forms will enjoy the protection of the law, which will ensure that workers have: dignified and equal working conditions, a limited working day; paid rest and holidays; fair remuneration; mobile minimum wage; equal pay for the same job”

******* The Bill uses this text to define what the law understands by gender-based violence and the requirements for the employer to grant this leave.

******** Argument included in the World Bank report Women, Business and the Law.

Amendments to the Financial Inclusion Law

Decree 350/017, published on 31st December 2017, and Act 19.593, published on 26 January, have together amended the Financial Inclusion Act 19.210, 29 April 2014, discussed in the first issue of our newsletter.

Decree 350/017 reformulates articles 35, 36 & 38 of the Financial Inclusion Act. The regulation restricts the use of cash* on sums of 40,000 Indexed Units (IU)** or more when paying for transactions or legal business. It also specifies which payment systems are acceptable when conducting transactions of 160,000 IU or more, among which are included electronic forms of payment and post-dated crossed checks made out to the bearer.

The regulation, which also amends the Electronic Payment Systems Act 19.506, from 30 June 2017, lifts these restrictions when one of the parties in the exchange is a financial intermediation institution, an electronic money issuer or an institution providing currency, credit or transfer financial services regulated by the Uruguayan central bank.

The Decree also stipulates that non-compliance with the obligations therein will incur a fine of 25% of the sum paid when payment systems other than those permitted are used, with a minimum payment of 1000 IU, except for recurring offenders, when the minimum fine will rise to 10,000 IU.

To calculate the amount of the IUs, the sums of all the payments into which the transaction or legal contract has been divided, if this is the case, must be added together.

Act 19.593 amends the provisions in the Financial Inclusion Act for the social subsidy system and updates the timeline for the Young Home Savers Program.

Under the terms of the law, social subsidies and other provisions*** must be paid into an account in a financial intermediation institution or into an electronic money instrument chosen by the beneficiary or by the social security institute.

For the effects of the Young Home Savers Program, the Law has extended until 30 June 2020 the deadline for calculating the balance in the *Housing Account* product, although it has maintained the subsidy at 30% of the final balance in the account, with a monthly limit of 750 IU.

Finally, in response to innovations in electronic money payments, the law enables the Government to set the technical rules that ensure that electronic payment processing networks are compatible, and that this payment system works reliably.

* Paper currency and coinage, domestic and foreign.

** Values expressed in Indexed Units will be converted using the exchange rate for this unit on 1 January of the year in which the transaction or legal business is paid.

*** Family allowances, wage bonuses, subsidies, indemnities and social provision for permanent incapacity awarded since 1st January 2018.

Loan Act for Rural Women

On 20th December, the Draft Loan Act for Rural Women was presented, which aims to ensure access to credit and other types of non-credit financial support for rural women.

The bill, based on the principles of financial inclusion and gender equality, facilitates the granting of microloans with preferential interest rates, supports development projects and boosts micro and medium enterprises.

The National Loan Program for Rural Women, financed through a trust*, will include action to implement the National Loan Policy for Rural Women. The program will define the financial conditions of the microloans, the action plan to encourage the development of companies and productive activities, legal help for rural women to set up companies, financial literacy campaigns, as well as technical and financial training for the program’s female beneficiaries, among other programs.

As well as regulating microloans channeled through microfinance institutions, the bill provides for non-credit support designed to improve rural women’s entrepreneurial skills, to further professionalize loan-granting organizations and to improve and extend the supply of microfinance services they offer.

The sums involved in the loans being granted will be announced through public tenders that will specify the terms, conditions and necessary requirements to apply and, in any event, the programs funded must drive job creation and economic development.

Lastly, the bill provides for the creation of a Consultation Board for Lending to Rural Women. This Board will be entirely made up of women and will prepare public policy recommendations to promote the empowerment of women in the rural environment.

* The equity for which will come from the State, national bodies, development banking, as well as other donations from natural or legal persons.

Recently incorporated companies

The Bill 169-2017 Chamber promotes financial inclusion for recently created companies, encourages entrepreneurship and simplifies the paperwork involved in incorporating a firm in Colombia.

The draft text makes it obligatory for financial institutions to design or adapt credit risk assessment policies and methodologies to include this type of company, that are legally incorporated firms that have been issuing invoices for between 1 and 84 months.

It also provides that, during public contract processes, the financial capacity of these types of firms must be assessed on an individual basis.

Innovative start-ups

The Colombian government wants specifically to promote the development of start-up companies, by establishing a regulatory framework for crowdfunding models by creating incentives for these types of institutions. The aim is also to encourage job creation and an increase in competitiveness and wealth creation.

Thus, Bill 142-2017 Senate complements Bill 169-2017 Chamber, by:

Creating the regulatory framework so that the private equity and venture capital industry can develop in Colombia
Mobilizing financial capital towards social start-ups
Creating incentives for private-sector investment in these companies

It also provides regulatory protection for the creation of private equity and venture capital funds and social enterprise funds, defined as group investment entities with the purpose of financing companies with growth potential.

Financial Inclusion Coordinating Council

On 27th July, the Argentinian government passed Resolution 121-E/2017 creating the Financial Inclusion Coordinating Council (Council), which will be part of the Finance Ministry. Argentina joins the list of countries such as Chile, Uruguay, Colombia, Peru and Mexico that are all committed to significantly increasing financial inclusion.

Purpose

The Council, whose composition and operations will be duly regulated, must design and implement a financial inclusion strategy in the country and develop policies to achieve universal access to financial and banking services. These policies may be short, medium or long-term and will facilitate effective universal access to these services.

The roles of the Council

The Council's roles include: i) articulating participative processes among the various public and private players, ii) proposing plans to drive credit, microcredit and financial literacy, and iii) designing regulations that make it easier to implement the plans and programmes approved, ensuring that consumers' rights are protected.

In addition, the Council will have to advise the Argentinian government on financial inclusion issues, and design databases on access to, use and quality of financial services in order to assess the progress made by the government's programmes and plans. All this will help to promote a more efficient and transparent financial system that makes the most of leading-edge technology.

Sale of insurance products

The purpose of this new regulation promoting the sale of insurance through a range of channels is to guarantee that users receive all the information they need about the products available in the market and that the information is accurate, clear, complete and transparent.

This regulation supports earlier regulations on Transparency & Micro-insurance and sets requirements that insurance companies must meet in training those they put in charge of their sales channels, such as the information that the channels must make available about their products. Insurance companies are also allowed to market products through their own employees, insurance promoters, points of sale, distributors and bancassurance.

This regulation also regulates companies' obligation to give clients documents about the insurance they have taken out, including the policy document itself and the terms and conditions, in the case of individual insurance policies, or the insurance certificate, in the case of group insurance.

Finally, among other provisions, the regulation empower customers to terminate contracts through direct channels. It states that the marketeer must inform customers of this right when they take out the policy and of how long they have to cancel the contract, for any reason, without incurring any penalty. The marketeer must also inform customers of their right to claim back the premium paid, provided they have not made use of any of the cover and/or benefits included in the insurance, excluding from this benefit any insurance policy that is linked to credit transactions.

Regulation for payday accounts

The Board of Directors of Paraguay’s central bank (BCP) has approved regulation to regulate payday accounts, so that financial institutions offer quality products at an affordable cost. It also aims to promote transparency and increase the number of people in Paraguay with bank accounts and operating within the financial system.

The regulation sets the minimum conditions and criteria to be met by financial intermediation institutions and electronic money entities regulated by the BCP that provide payday and loan services using these accounts.

Financial institutions

The accounts may be used for deposits, loan disbursement, payments, electronic transfers and any other transaction that has been previously and expressly authorised by the account beneficiary.

Deposits may be paid in with no limit to the number of transactions and at no cost, through agents or branches (with no limits on the sum involved), ATMs (provided that the institution has an operational deposits-feature), non-banking correspondents (within the daily limits set by the disbursing institution), etc. Furthermore, the deposits paid into these accounts will be underwritten by the Deposit Guarantee Fund.

Institutions offering **withdrawal and payment services** through ATMs and/or non-banking correspondents should provide at least 10 withdrawals or queries a month at no cost. Charges (restrictions or fees on overdrafts) for using other entities’ ATMs will be decided at the paying entity’s discretion.

All account authorisations, acceptances, instructions and transactions may be carried out on-line and/or digitally, including those using the beneficiary’s electronic or digital signature.

Institutions should also provide the account holder with a debit card or other device, at no cost, for withdrawals from ATMs and purchases using dataphones. They may only opt not to issue such cards if other more modern mechanisms can be used for the same ends, in which case the card will be issued at the account holder’s request and for a cost.

Electronic-money institutions

Accounts may be used to carry out transactions that have been adapted to e-money accounts, in accordance with current law, but under no circumstances may these entities originate credits or loans to the account holders. They will not bear interest.

If the beneficiary's wages cross the upper threshold set for these electronic-money accounts, the funds should be transferred to a sight account in the financial institution selected by that beneficiary.

Deposits and/or credits in lieu of wages in the account may be paid in without limits on their value and at no cost, through the institution's points of sale, ATMs and self-service terminals.
The institution must make available points of sale for withdrawals and payments; beneficiaries may make 10 such transactions a month at no cost.

General provisions

There will be no minimum balance requirement when opening a payday account, or any ongoing average balance minimum, and the account may be totally or partly exempt from fees, costs and expenses, depending on each case.

In order to open an account, payees must supply information in electronic-file format, using a Single Contract Mode, about the contract signed between the payee and the disbursing entity, including information about the account beneficiaries' identity document number, private and work address, telephone, town, gender, civil status, nationality, etc.

Those disbursing entities that choose to offer these products should inform the Banking Authority that they are going to provide the service, enclosing a copy of the Single Contract Model within 60 working days, which the beneficiary will sign for approval.

The institutions must, at the very least, provide their customers a mechanism for balance queries, free of charge.

This regulation will come into force on 1st July 2017.

Amendments to Law 19.210 on electronic money

In the first issue of Progreso published in November 2014, we analysed Law 19.210 on electronic money and how it might help promote financial inclusion amongst the least well-off in society, who were not catered for by the traditional banks.

Two years later, the Uruguay executive branch is introducing amendments to that Law, to encourage a greater degree of traceability to transactions, bring more formalisation into the economy and introduce greater security for the population and commercial transactions. The most significant changes are:

E-money issuers (article 2)

The Law adds that financial intermediaries and institutions registered as issuers by the Uruguay Central Bank may issue electronic money.

Social benefits and compensation (articles 13 and 19)

Regarding the payment of remuneration to university professionals and self-employed workers in locations with less than 2,000 inhabitants, it postpones the deadline for incorporating online payment of salaries until there are touchpoints from which they can withdraw the money (automatic teller machines, financial correspondents or analogous).

It also states that social and other benefits may only be paid using e-money instruments that can guarantee the funds are not being used for other purposes. Moreover, the beneficiaries of food benefits are entitled to request issuance of up to one additional e-money instruments, in the name of their parents, children or partners.

Impossibility of embargo (article 21)

This article refers again to localities with less than 2,000 inhabitants, where the deadline for incorporation of e-money can be extended until there are touchpoints from which to withdraw the money in cash. Moreover, for domestic workers, this deadline can be extended until 31st December 2017.

Specifications of payment instruments (articles 24 and 25)

These articles add that institutions must provide e-money services to pay remuneration, fees, social benefits, etc, without discrimination or charge, for all those entitled to be paid food benefits certified by a judge that request payment by accreditation in an account of a financial intermediation institution or in e-money instruments.

E-money accounts must meet the minimum requirements of enabling domestic transfers to the same or other financial intermediary or e-money issuer, through diverse media, such as automatic consultation terminals, mobile devices or websites.

It declares that these requirements will come into force on 1st May 2017, empowering the Executive Branch of the government to extend this period by up to a maximum of 6 months.

It also establishes that the minimum conditions will be applicable to local e-money entities, and that the conditions on withdrawal of funds and the making of transfers referred to in article 25 will not be applied to food benefits.

Other regulated payments (articles 35, 36, 37, 39, 40, 41, 43 and 46)

All payments regulated under articles 35, 36, 37, 39, 40, 41, 43, after 1st July 2017, will be subject to restrictions on the use of cash. The law makes it mandatory to make certain kinds of transactions only by online transfer as e-money (rents, sub-rents and loans for the use of properties; divestments and other real-estate business; purchase of motorised vehicles; national taxes; etc)-.

Likewise, it amends the fines for failure to comply with the foregoing articles, setting a ceiling for these fines at:

25% of the amount paid or received by means other than those permitted, or
10,000 Indexed Units* (34,900 Uruguayan pesos approx.. equivalent to USD 1,200 approx.)

Equivalence of card and cash payment (article 64)

Finally, the Law determines that merchants and suppliers deciding to accept debit cards or e-money instruments may not charge a higher price than they would charge for a cash transaction, or place a minimum limit for acceptance of e-money payments.

* Conversion date 13th February 2017

Guidelines for effective banking supervision

The Basel Committee on Banking Supervision has published this report in order to set the direction that regulation and supervision should take with those institutions that offer financial inclusion services.

Guide for regulators and supervisors

The guidelines apply to a number of different types of institution (e-money issuers, financial cooperatives, microfinance institutions, deposit entities, non-banking institutions, etc) and cover a wide range of financial products and services, from traditional microloans to other types of innovative projects designed specifically for the most vulnerable. They represent a benchmark both for jurisdictions that are members of the Basel Committee and for those that are not.

Guidelines for 19 principles

Although the document uses the 29 Banking Supervision principles as revised in 2012, it pays particular attention to 19 of these, having resolved that the remaining 10 require no further redrafting.

These 19 principles can be divided into **two main blocks:**

Faculties, powers and functions (responsibilities, goals and powers; independence, accountability, supervisors' resources and legal protection; cooperation and collaboration; permissible activities; criteria for awarding licences; supervisory approach; supervisory techniques and tools; supervisory reports; supervisory powers of correction and sanction; and consolidated supervision).

Prudential requirements and regulations (corporate governance; risk management process; capital adequacy; credit, liquidity and operational risk; delinquent assets, provisions and reserves; and misuse of financial services.

Corporate governance

Principle 14 establishes that it is the supervisor's role to verify that institutions have robust corporate governance practices and processes in place that are consistent with the institution's risk profile and systemic relevance.

The document argues that corporate governance ensures sustainable and responsible financial inclusion, based on a culture that reinforces the values of solvent risk management and equitable treatment of customers.

As such, it requires supervisors to have a sound understanding of these practices and processes and of their impact on institutions' risk profile. To this end, they must carry out the following, which are applicable to both financial and non-financial companies, in both private and public sectors:

Provide guidance to institutions on the supervisor's expectations of corporate good governance, with the obligation of informing their Boards of these expectations
Set baseline requirements for the structure of Boards and for the criteria for vetting their members
Guide institutions in their self-assessments of how well they have complied with corporate governance principles and regulatory requirements, a task which requires a high degree of interaction between the supervisor and the institutions.
Check that Boards of Directors set up and divulge corporate culture and values throughout the institution and that, together with senior management, they understand, manage and mitigate risk effectively.
Ensure that responses to concerns arising in transactions with related parties are suitably transparent.

Traditional microcredit

There are five appendices to the document, that cover issues relating to financial consumer protection, anti-money laundering and the financing of terrorism. Certain terms are explicitly defined: financial cooperation, deposit institution, microfinancing institution, etc), while the distinguishing characteristics of traditional microcredit and its key specific risks are outlined.

Financial inclusion

The purpose of these guidelines is that the actions of regulators and supervisors should take into consideration the systemic importance and risk profile of regulated institutions. To do this, resources must be allocated effectively and specialised knowledge of the nature and level of risk associated with financial inclusion activity must be applied.

Changes to the National Payment System

Argentina's central bank, *Banco Central de la República Argentina* (BCRA) has introduced innovations into the National Payment System, collated in the BCRA's Communication A-5982, 3rd June, 2016, with the aim of setting up a regulatory framework to facilitate the development of online banking.

The Communication requires financial institutions to offer existing current-account customers the option of being able to make immediate transfers of funds and/or pay for goods and services to third-party accounts on the Mobile Payment Platform (MPP).

To carry out these transactions, customers can use their debit cards, which institutions are required to issue to them, or other payment systems such as apps on mobile devices that enable them to pay and charge, deposit money and make various types of transactions securely.

In line with the intention of the core regulations on Electronic Means of Payment (EMP), these measures optimise economic flow between institutions and help to control the movements in their accounts. The aim is also to reduce the use of cash, replacing it with electronic payments. There are also other advantages for users, such as the convenience of having cards and money together in one place, one's mobile phone, which nowadays nobody is without.

It should be noted that the transfers referred to will have to be itemised individually by type on the Mobile Payment Platform, since provision has been made for a maximum daily aggregate equivalent to one "minimum wage, living and mobile" (*Salario Mínimo, Vital y Móvil**) in force at the end of the previous month, for this type of transactions. This threshold may be crossed if additional security measures are taken.

The Communication also stipulates that customers of financial institutions offering online banking services will be able to make immediate transfers of funds using security devices to validate their transactions ("dongles"), including generic devices that can validate transactions using access cards to the originators' sight accounts. Institutions will have to provide these devices – free or at a cost – to their customers who will also be able to access them through other suppliers on the market. Customers should not have to pay to validate transactions using these devices

In addition, to comply with the BCRA's provisions, an app will be developed for payment service suppliers and/or customers receiving funds, which will work as a "payment button", making it possible to purchase from virtual sales points, by means of immediate transfers debiting their sight accounts. This application will be downloadable at no cost to customers who originate payments.

The clearing procedure in the accounts of recipients using the Mobile Payment Platform for payment for sales of goods and services will be free, up to a twelfth of the maximum annual sales established for customers who are micro-entrepreneurs in the "services" sector, per calendar month.

These modifications to the National System of Payment will make economic transactions faster, more secure and more transparent as they will be run over modern, efficient and reliable platforms in a secure framework. In turn, in its capacity as bastion of electronic payment systems, the MPP will contribute to bringing a large number of Argentinians into the formal financial system.

** The minimum wage, living and mobile (Salario Mínimo, Vital y Móvil) is set by the National Council for Employment, Productivity and the Minimum Wage for those who work the full legal working day. The minimum wage, living and mobile is currently ARS7500), approx. USD 500.*

The Business of Financial Inclusion: Insights from banks in emerging markets

Major progress in technologies is helping banks to design increasingly more viable business models to serve unbanked sections of the population. On this issue, the *Institute of International Finance* (IIF) and the *Center for Financial Inclusion at Accion* (CFI) interviewed executives at 24 banks operating in emerging markets (mainly commercial, public, credit cooperatives and private banks) to learn about their strategies for driving forward financial inclusion using technology, alliances and banking agencies, among others. They also addressed the challenges and opportunities they are facing in the areas of corporate responsibility, regulation, financial literacy and customer protection.

The report summarises the findings of this survey and analyses the role played by banks to encourage financial inclusion in an increasingly digital world. It ends with some recommendations to guide banks in promoting financial inclusion, eg:

Exchanging good practice: information, models, KYC -Know Your Customer- policies, partnerships with Fintech companies, data analysis, among others.
Cooperation between banks and national government bodies, incentivising digital payments and inclusive banking (financing for micro, small and medium enterprises (MSMEs), subsidies, etc), building technology infrastructures, implementing pro-inclusion policies, coordination and support among all government bodies (regulators, insurers, governments, etc) and greater commitment to customers.

Human Development Report 2015. “Work for Human Development“

The United Nations Development Programme (UNDP) publishes the 2015 Human Development Report (HDR). On this occasion, the focus of the document is on work, considered a dynamic driver for improving human development, which, in turn, is understood as the index that measures human progress and welfare.

The document examines the relation between human development and work, in a broad sense of the term, considering activities like looking after people for nothing, voluntary work and creative and artistic work. The quality of work is a key aspect in human development, which is why the report refers so often to the importance of “a decent job”.

One of the report’s conclusions is that a decent job, along with other factors such as health and education, has helped to attain major advances in the area of Development. Two billion people have climbed out of the lowest level of human development over the last 25 years, but the benefits of work have not been equally distributed and important challenges remain to be faced, such as poverty, inequality, environmental sustainability, instability and other conflicts.

The document highlights financial inclusion as a fundamental strand for structural transformation and job creation, as lack of access to the financial system is one of the main obstacles to business activity and growth. The report considers that public policies should promote access to the financial system, especially in remote areas and in specific sectors.

A change in behaviour. Innovations in financial capability

This document, prepared by the Center for Financial Inclusion, is part of the recent theories about the importance of “financial behaviours” for financial inclusion. It highlights the benefits of financial inclusion projects that focus on building financial capability, which is understood to be the combination of know-how, skills, attitude and behaviours that a person needs to make for the right financial decisions to improve his or her living standards. The concept goes beyond financial education as it involves people’s attitudes and behaviours.

Financial capability projects from all over the world have been analysed to prepare the report, especially from Mexico and India.

Projects of this kind are of interest basically for three groups of people:

Providers of financial services, because a financially capable clientele enhances the prospects of growth, reduces risk and improves the use of products;
Governments, because it promotes a stable, secure financial system;
Financial consumers, because know-how generates confidence and security and stimulates the use of financial products.

The document recommends 6 favourable practises for building financial capability:

Involving all kinds of financial services suppliers, not just banks;
Reinforcing government support for consumers, service providers and other stakeholders to build financial capability;
Attracting tertiary-sector agencies that work with the base of the pyramid;
Incorporating practises that promote changes in financial behaviour in financial education programmes;
Stringently measuring results and impact;
Promoting customer oriented financial capability strategies.

Financial Regulations for improving financial inclusion

This document from the *Center for Global Development* focuses on the role of regulation in the process of financial inclusion. It highlights the major milestones achieved, thanks mainly to the digital revolution – which has allowed new financial services and channels to be developed –and the adoption of appropriate regulation in line with the characteristics and needs of each country (along with other factors). Furthermore, it suggests that inadequate regulation is one of the major obstacles to financial inclusion.

The object of the report is to analyse regulatory factors that impact the effectiveness of inclusive financial regulation and it recommends certain practises for designing this.

The report considers that public policies and regulations have to be flexible enough to ensure that, on the one hand, the financial system is efficient, and on the other, that it protects the consumer. Designing effective regulation, especially for digital finances, is a challenge.

Three commonly-used guiding principles for designing inclusive regulation are the starting point for the recommendations:

"The same regulation for the same functions", in other words, financial services with the same functions are treated the same, irrespective of the legal form of the service provider.
"Risk-based regulation", in other words, the rigidity of legal requirements depends on the risk that it intends to covered, both for individuals and for the stability and integrity of the financial system.
"Balance between ex-ante and ex-post regulation", in other words, there has to be a balance between setting out certain rules beforehand (*ex-ante*) and resorting to regulating a given problem or market failure after the fact (*ex-post*).

26 recommendations come out of these principles, which are divided into the following three categories:

Foster competition: A market open to competition promotes a variety of products and services, greater efficiency, reduced costs, etc., which facilitates financial inclusion. The object of policies that regulate competition is to allow and provide incentive for new players to come into the market.
Levelling the playing field in financial services, in other words, financial services with the same functions are regulated in the same way, provided that they represent a similar risk for consumers or for the financial system. A level playing field is essential to ensure that all providers compete under equal conditions.
"Know Your Customer" rules (KYC): are necessary to preserve the integrity of the financial system and in particular to fight money laundering and financing of terrorism. KYC standards are important for financial inclusion because when institutions know who their customers are, they can adapt the products and services they offer them to their characteristics and needs.

Finally, the report makes 5 other recommendations that concern new payment systems for paying small amounts, such as mobile money for instance.

Drop-out analysis

The document Freedom from Hunger analyses the reasons why customers of microfinance institutions drop out of their common banking and credit and loan group programmes.

The study aims to understand the underlying factors that trigger drop-out so that microfinance institutions can detect them in time and improve both the customer experience – through innovation and flexibility in designing products – and the sustainability and social impact of these institutions themselves.

59 former common banking customers from Bolivia, Peru, Ecuador, Mexico, Philippines and India were interviewed in order to prepare the analysis. A former customer was taken to be one who had dropped out of a programme and did not apply to the institution for any more loans.

One of the conclusions drawn from the interviews was that, in general, the drop out is not caused by a specific event, but rather a series of events. Ten common factors were identified:

Business failure
Problems with the savings assoc.
Health crisis
Problems with the credit agent
Refusal of the new loan
Default or delayed payment
Dissatisfaction with the loan policies
No need for a new loan
Migration
Others

The document concludes that understanding the main factors, especially health crises, business failure and problems with the association enable institutions to anticipate the needs of their customers and create a response capacity before customers drop-out.

Regulating Electronic Money Payment Agreements

The Central Reserve Bank of Peru (BCRP), after considering the Payment Systems and Settlement of Securities Act, Law 29440, and Law 29985, already commented in Progreso 1 regulating the basic specifications of electronic money as a financial-inclusion instrument, has considered it advisable to issue Circular 013/2016-BCRP. The circular regulates “Electronic Money Payment Agreements” (hereinafter, “APDE”), to ensure that this new payment mechanism works properly.

The Central Bank has established the principles applicable to APDEs in order to guarantee reporting security, the risk control system and an adequate supervision of the system.

The regulation offers definitions and procedures for non-financial entities and financial institutions to enter into APDEs for managing transfers, payments and settlements of electronic money. It also sets out rules for clearing and settling the real money flows that underpin movements of electronic money.

The rules establish, for example, that financial or non-financial signatories to an APDE must make transfers during specified times, just like the rest of the banking system.

Likewise, the regulation establishes the responsibilities of “APDE Administrators”, legally established entities that administer or manage APDEs. As well as the general obligations established in the regulation, their obligations specifically include: (i) complying with and enforcing the principles and regulations applicable to the APDE, (ii) drawing up the operating regulations of the APDE that must set out the policies, services, procedure and other activities covered by an APDE in order to ensure the proper interconnection and operational ability of the system in order to be able to reduce operating and other risks, (iii) administering the electronic money accounts recorded in the APDE, (iv) receiving and processing electronic money-transfer orders, (v) co-ordinating proof of continuity with the Central Bank at least once a year.

The circular also defines the responsibility of the “Participant Issuers”, issuers of electronic money that participate in an APDE, their role in the chain transferring the electronic money. They are held liable for monitoring the issuance process and enforcing obligations, and must therefore have the necessary systems infrastructure and comply with all the provisions of the APDE.

Finally, the rule requires that trust managers have to be able to open accounts in the Central Bank, in which to keep the assets of the electronic money trusts under management.

Measures to boost financial inclusion

Argentina’s central bank, Banco Central de la República Argentina (BCRA), adopted two resolutions in March: Communication A-5927, on fund transfers, and Communication A-5928, on financial consumer protection and savings accounts*.

In their press release, the BCRA announced that the purpose of the measures is to promote financial inclusion by means of basic, universal and free financial access for all citizens, which in its turn encourages competition between financial institutions.

Free fund transfers

Communication A-5927 affects the commissions levied by financial institutions on fund transfers. The entities to which the notification is addressed (financial institutions, ATM network administration schemes and cooperative credit savings banks) will not be allowed to charge commissions on the transfers that individuals originate or receive using ATMs or online banking.

Transfers of up to ARS 250,000 (about USD 18,000 USD) made by legal persons through ATMs and online banking services will be exempt from commissions.

User protection and free savings accounts

Communication A-5928 amends and adds new practices affecting user information and transparency. It also requires all savings accounts to be free of charge. It is aimed at financial institutions, foreign-exchange agencies and bureaux, non-financial companies that issue credit cards, financial trustees, cooperative credit banks and non-financial companies that issue store cards.

1. Protecting users of financial services

– Notifications and transparency

Institutions must notify customers 60 calendar days prior to any changes to the conditions agreed in their financial contracts. When the change is in the customer's favour, prior notification is not mandatory.

Each notification should inform the client of the following: (i) that they have the option of cancelling the contract before the changes come into effect, at no cost and (ii) that they can consult the "Transparency Framework", a registry compiled by the BCRA for comparing the costs, specifications and requirements of the products and services offered by different institutions. All institutions must give the address of the Transparency Framework website in the notification.

When fees are changed, eg, on issuing additional debit cards, credit cards or others linked to the current account, the notification must include a comparison chart displaying fees charged by other institutions.

Finally, as of July 2016, those institutions providing online banking must include on their website's home page a "Price Comparison" hyperlink to the BCRA webpage showing the charges that the participating institutions apply for the different products.

The client may not be charged for receiving notifications.

– Reporting to the Central Bank

Financial institutions and non-financial companies that issue credit cards are obliged to inform the BCRA of commissions and payments they receive from clients.

Fees on new products and increased fees on products already being sold may not be notified to customers until 30 calendar days after the BCRA is informed.

2. Savings accounts: charge-free

The BCRA has announced that all savings accounts, named "*cajas de ahorro*" will service account holders free of chargewithout minimum amount requirements. Thus, no cost can be passed on to customers for: (i) opening and maintaining accounts; (ii) carrying out transactions at ATMs and self-service terminals, over the counter at bank branches or online banking; (iii) each account holder's first debit card when the account is opened, and; (iv) card replacements as a result of normal wear and tear or damage to the magnetic strip.

Opening this type of savings account may not be conditional upon acquiring another financial product or service; the account must be offered as an independent product. Furthermore, when clients apply to open a sight deposit account, institutions must offer them information on savings-accounts, "cajas de ahorro" and the "Transparency Framework" registry.

On the other side, the BCRA allows institutions to apply an aggregate increase of up to 20% on each of the fees they receive on products that are not free of charge. From September onwards this limit will be lifted.

* Relating to the products offered, not the savings banks as credit institutions.

Global Microscope 2015: the enabling environment for financial inclusion

The Economist Intelligence Unit has published the 2015 Global Microscope, with the support of the Multilateral Investment Fund (MIF), CAF, the Latin American Development Bank, the Center for Financial Inclusion at Accion and the MetLife Foundation.

The document analyses the regulatory framework for financial inclusion and the introduction of relevant public policies in 55 countries all over the world*, using 12 indicators** that measure regulations, public policies, supervisory systems, governmental capacity, infrastructure and economic stability, among others.

The Microscope first, presents the ranking of the countries analysed (0-100 points), together with data about how they have performed relative to 2014. The country with the top score this year is Peru (90 points), followed by Colombia (86 points) and the Philippines (81 points). It then goes on to give a general overview of financial inclusion world-wide, before focusing on the country-by-country breakdown.

Some of the most interesting conclusions at this global level:

(i) Financial inclusion across the world is experiencing a “slight positive drift”; favourable public policies have been adopted and existing ones are being applied with more rigour.

(ii) Not enough attention has been paid to regulating the insurance market targeting low-income population groups, even though this is essential to achieve full financial inclusion.

(iii) The whole consumer protection is weak and insufficient attention is paid to over-indebtedness.

(iv) Financial literacy has still not been tackled.

* East and South Asia, Eastern Europe and Central Asia, Latin America and the Caribbean, Middle East and Northern Africa and Sub-Saharan Africa.

** Government support for financial inclusion, regulatory and supervisory capacity for financial inclusion, prudential regulation, regulation and supervision of credit portfolios, regulation and supervision of deposit-taking activities, regulation of insurance targeting low-income populations, regulation and supervision of branches and agents, requirements for non-regulated lenders, electronic payments, credit-reporting systems, market-conduct rules, grievance redress and operation of dispute-resolution mechanisms.

Financial inclusion in Peru: key challenges for public policies

This document analyses the degree of financial inclusion existing in Peru and the main goals. It offers recommendations for guiding public policy and developing an appropriate legal framework for financial inclusion.

It identifies the following key challenges:

(i) Promoting access to the financial system

(ii) Designing financial products and services adapted to users' needs

(iii) Introducing financial education programmes

(iv) Strengthening consumer protection mechanisms and procedures

(v) Promoting coordination across industries and between institutions

(vi)Promoting the leadership role of the central bank *Banco de la Nación* in financial inclusion

To this end, it recommends (i) improving infrastructures in order to increase geographic expansion and penetration, (ii) developing and introducing alternative financial channels, such as mobile banking and banking correspondents, (iii) teaching financial education in all areas of the country and from a young age, as a key factor for inclusion, (iv) strengthening consumer protection through better regulation and financial education; (v) that the central bank, *Banco de la Nación,* play a more active part in promoting financial inclusion, leveraging its geographic reach and long experience.

Major agricultural sector reform

Decree 2388, 3rd December, creating the Cross-sector Committee for Financial Inclusion
Decree 2364, 7th December, creating the Rural Development Agency (ADR: Agencia de Desarrollo Rural), establishing its purpose and organisational structure
Decree 2371, 7th December, creating and modifying some of the National Agricultural Credit Committee's roles; also modifying the purpose and competences of Finagro

Last December, the Colombian government passed a series of legislative measures with the intention of making significant reforms to the agricultural sector. It created the Cross-sector Committee for Financial Inclusion and the Rural Development Agency (ADR: Agencia de Desarrollo Rural). It also carved out new roles for the National Agricultural Credit Committee and made changes to the Fund for financing the Agricultural Sector (Finagro), among others.

All these measures aim to adapt the Colombian agricultural sector to the current needs of the population, by creating a market-efficient and competitive industry that generates productive opportunities and encourages financial inclusion.

The Cross-sector Committee for Financial Inclusion is made up of representatives from a number of state bodies (Ministry of Agriculture and Rural Development, Ministry of Trade, Industry & Tourism, the financial watchdog *Superintendente Financiero*, among others) and is chaired by the Minister of Finance and Public Credit. This committee is responsible for rolling out financial inclusion policies, and for coordinating and creating strategies for public and private institutions to implement such policies. Its role is to make proposals and act as a consultative body.

The Colombian government's intention with this committee is to spread the use of financial products and to facilitate access to credit. It may be an opportunity to make the state aware of the specific requirements of microfinance clients, create products aligned with their needs and to achieve greater financial inclusion among the population at large.

The Rural Development Agency is a state body, reporting to the Ministry of Agriculture & Rural Development, with its own legal status, assets and governance. As is the case with the Cross-sector Committee for Financial Inclusion, it is composed of representatives from a number of public bodies.

It is responsible for executing integrated agricultural and rural development policies, by designing the architecture of strategic projects run by the Ministry of Agricultural & Rural Development, and for policies to protect family-run farming operations and small-scale farmers.

These strategic projects involve both private and public initiatives to impact the creation of productive rural units, which could be helped by the use of microfinance products.

The National Agricultural Credit Committee and Finagro manage agricultural credit policies in Colombia. The regulations passed into law include changes to the structure and composition of both institutions, changes in their competences and in their authorised operations. Nevertheless, their purpose remains the same. The Committee is still in charge of designing farm-credit policies, such as collaterals, risks, lines of credit, etc. And Finagro is responsible for executing these policies through its rediscounting, savings acquisition and external credit programmes. Because microcredits for productive units in the rural sector are classified as a special risk, the specific programmes developed by these institutions are indispensable if this type of loan portfolio is to be effectively placed in the Colombian market.

Payment aspect of financial inclusion

Over recent years, the importance of financial inclusion and its different facets have been analysed in numerous studies. However, the payment elements have only received superficial treatment. This document sets out to analyse the supply and demand for payment systems affecting financial inclusion, so that it can then make informed suggestions on how to deal with the needs detected.

The reports starts with two key points: (i) efficient, accessible and secure retail payment services and systems are crucial to promote financial inclusion, and (ii) an account in which people can carry out financial transactions is essential in itself, and can give people an entry into the system so that they can then think of adding further financial products.

The study analyses the current panorama in payment systems for retail customers and the barriers to access and use that they face. It ends with a set of objectives to promote financial inclusion that could be achieved by a better offering of payment systems. It establishes a set of guiding principles to get there

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Financial Inclusion in Latin America and the Caribbean: Data and tendencies

Financial inclusion is a vital issue on the political agenda of many countries in Latin America and the Caribbean. Governments and the private sector have both been developing strategies to stimulate financial inclusion in the region.

This report analyses the structure and main features of the financial system in Latin America and the Caribbean, in order to provide information to the public and private sectors regarding the market situation (suppliers of financial services, financial products, use of such products and services and access channels). It defines the current gaps in inclusion. The data it uses come from 19 countries in the region, classified into the following categories:

Data on the economic and social environment
The financial system: number and types of financial intermediaries and other characteristics
Credit
Credit for farmers
Access and channels
Savings
Microcredit

2015 Social Inclusion Index

Americas Quarterly has recently presented its Social Inclusion Index for 2015. This is its fourth published index, which compares 17 countries in the Americas (Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, United States, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, and Uruguay), using 22 variables including a range of heterogeneous indicators, from the usual economic indicators to others measuring civil rights, gender, citizen participation, government response capacity, etc.

The document starts by defining the set of variables it uses to measure the level of social inclusion in the selected countries, and establishes a league table to rank the countries on their performance in each of them. It then presents the general score for each country and gives a breakdown of each of their scorecards, variable by variable.

The index is intended to evaluate the impact of public policies implemented in these countries and to identify gaps in social inclusion. It is a document that can provide support to public, multilateral and other organisations and individuals wishing to assess and enhance their public policies.

In the period analysed, Uruguay holds on to its top place for the second year running, mainly due to its improvement in access to formal jobs. The United States moves up the ranking from last year, reaching second place, showing progress in women's rights, financial inclusion and personal empowerment. Argentina takes the bronze medal, doing well in indicators such as GDP invested in social programmes. The document concludes that, in general, poverty has been reduced in the Americas, above all in Bolivia, Brazil, Chile, Ecuador, Mexico, Paraguay, Peru, El Salvador and Costa Rica. However, it has increased in Honduras. All the countries do better in the financial inclusion indicator.

Steps towards Financial Inclusion

On 11th September, the Law to facilitate financial inclusion came into force in El Salvador. Its aim is to make it easier for the people in El Salvador who have traditionally been excluded from the financial system, to gain access to banking services.

The law promotes financial inclusion through the use of new channels with innovative products, such as banking correspondent, mobile money and savings accounts with simplified requirements. The channel must be easy for the general public to access and use. This should bring down costs both for the providers of the financial services and thus for their users.

The law creates E-money Suppliers (Sociedades Proveedores de Dinero Electrónico or SPDE), very much in line with the Colombian law on the creation of such companies, and develops two new products: the electronic money record and the savings account with simplified requirements.

New player in the market

The SPDEs are limited-liability companies supervised by the Superintendencia del Sistema Financiero. Their sole mission is to provide electronic money and administer mobile-payment systems when the Central Bank authorises them to do so. In order to promote good governance in such companies, the law establishes requirements for the appointment and performance of their directors and managers, and lays down their obligations, responsibilities and penalties for non-compliance.

It also expressly enables banks, cooperatives and savings and loan companies to provide electronic money without having to constitute a separate special purpose vehicle.

Inclusive products: electronic money record and simplified savings accounts

The electronic money records are designed to carry out simple transactions, recognising the everyday needs of the population they are intended to serve. The most frequent transactions are local transfers, reception of remittances, payments for basic services and payments in small shops. The requirements for opening a record are very simple: (i) presentation of a unique original identity document and (ii) completion of a form with the individual's basic data (full name, ID document number, home address, business activity, main source of income, name and address of the beneficiaries). Only one electronic money record can be made per customer, and all records are subject to a balance ceiling and limited to the transactions authorised by the Central Bank.

The savings accounts with simplified requirements are governed by the provisions applicable to traditional savings accounts, but with the following specific features:

Only available to individuals
Only one account per customer and only one holder per account
Account to be used exclusively by electronic means
Subject to a ceiling on the balance and only transactions authorised by the Central Bank
Same requirements for opening as for the electronic money record

The banks, cooperatives and savings and loans companies are the only entities authorised to receive deposits over these accounts.

Finally, in order to facilitate access to the accounts, the law states that they may be opened by new customers through banking correspondents. When they are existing customers, it adds the possibility of opening them over the digital channels offered by the entity.

A similar iniciative was Act on Financial Inclusion and electronical payment systems, anaysed in Progreso 1.