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THE IMPACT OF REGULATION ON THE SUCCESS OF SIMPLIFIED SAVINGS ACCOUNTS IN PROMOTING FINANCIAL INCLUSION IN LATIN AMERICA

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ABSTRACT

One of the main policy goals in Latin American countries is to achieve a higher level of financial inclusion. According to the Global Findex (2011), only 10 percent of the region's population saved in a financial institution in 2010.

Regulation has an important role in this matter. Know Your Client policies have been created to avoid money laundering through financial institutions. However, these policies have also created barriers for a big part of the population to access financial services, since financial entities must request many documents for client authentication, which are unavailable or imply high transaction costs.

Simplified accounts have been an answer to this problem, facilitating the access to formal finance of low-income people. Their name reflects both the simplicity of the opening process, allowing it to be done even in a remote way, as well as the customers' easy management of these accounts, as they can access them through mobile banking or non-financial correspondents, which are much closer to them than physical branches.

Moreover, other interventions must be undertaken, such as the need for a continuous effort of financial education, to change the behavior of actual and potential clients. Also, the financial products and services offered should be of sufficient quality, to respond to the particular demands and circumstances of the clients and motivate their usage.

Regulation must be involved in all of these aspects, protecting the financial system, as well as the clients, and promoting the achievement of greater financial inclusion. In this paper, we have attempted to identify the most relevant characteristics of the regulatory framework of eight Latin American countries and their likely impact in promoting financial inclusion.

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ABBREVIATIONS

ADOPEM	Asociación Dominicana para el Desarrollo de la Mujer
AFI	Alliance for Financial Inclusion
AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
ASBA	Asociación de Supervisores Bancarios de las Américas
CAF	Corporación Andina de Fomento
CGAP	Consultative Group to Assist the Poor
FI	Financial Institution
FOMIN	Fondo Multilateral de Inversiones
FOROMIC	Foro Interamericano de Microempresa
GLOBAL FINDEX	Global Financial Inclusion database
IDB	Inter-American Development Bank
ILO	International Labor Organization
KYC	Know your Client
LAC	Latin American and Caribbean
MFI	Microfinance Institution
NFC	Non-financial correspondent
POS	Point of Service
SA	Simplified Account

INTRODUCTION

Simplified accounts have been created to improve the access of poor people to financial services through their holdings of deposits in financial institutions. While it is well known that poor people do save, they do not usually keep their savings in a formal institution. Even though the simplified accounts initiative is promising for this purpose, many circumstances must be taken into account for this innovation to be successful.

In this Research Paper we attempt to identify the most relevant characteristics of the regulatory framework that have an impact on the success of simplified savings accounts in promoting financial inclusion in Latin American countries, given the role that financial inclusion plays as a path for improving the living conditions of disadvantaged sectors of the population (FOMIN-CAF, 2013). Indeed, governments in developing countries have been concerned with the low level of financial inclusion among their poor people. In response, various strategies have been designed in efforts to improve access to the financial system for those so far excluded.

Our analysis assesses the impact of the specific regulatory framework in eight Latin American countries: Brazil, Colombia, Ecuador, Guatemala, Mexico, Panama, Paraguay, and Peru. We identify the main features of the new product and of the distribution channels related to it, by compiling and examining the relevant literature and key legislation and regulations.

The analysis is complemented with interviews with experts from different Latin American countries, who have been involved in the development and implementation of simplified savings products or their regulation. We have been interested in their opinion about these products as an instrument of a financial inclusion strategy and about the regulation that governs their implementation, given the particular circumstances of each country.

Even though the Dominican Republic does not yet have a regulation for simplified accounts, we decided to include officials of Banco ADOPEM among these interviews, due to their experience with the pilot test of *ADOPEM Solidario* accounts. Similarly, the experiences of South Africa with the Mzansi Account and of Chile with the RUT account may help in identifying good practices in the operation of simplified accounts proper.

This document is structured in six sections: (1) Financial inclusion in Latin America and the Caribbean; (2) Obstacles and challenges for formal savings and deposits; (3) Simplified accounts: definition, characteristics, and distribution channels; (4) Comparative analysis of the regulation framework across various countries; (5) Performance of existing simplified account products; and (6) Conclusions and recommendations. Annexes describe the main regulation features in each country and also specific case studies.

1. FINANCIAL INCLUSION IN LATIN AMERICA AND THE CARIBBEAN

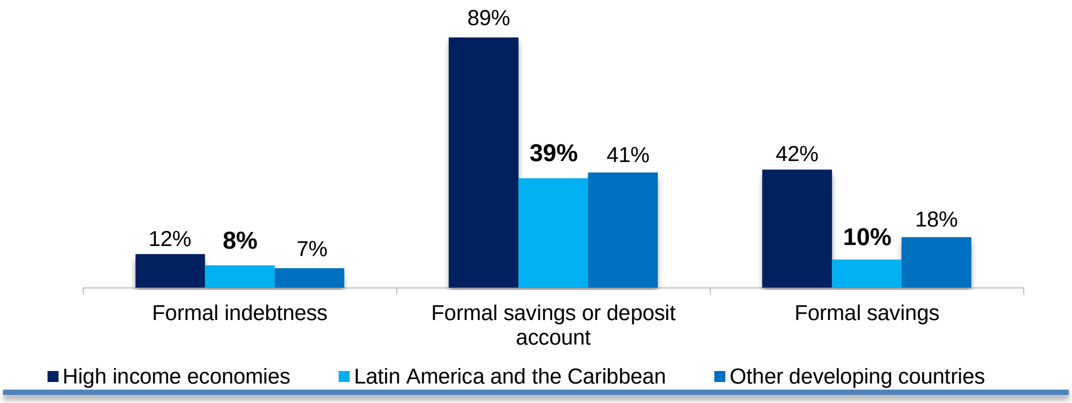
To raise the levels of financial inclusion has been increasingly adopted as a main policy goal in Latin American countries, in the understanding that greater access of the poor to formal financial services may contribute to the ongoing fight against poverty (Negrín et al., 2009). For financial products and services to be considered inclusive, however, they must not only be accessible (a supply dimension), but they must also be used by the previously unserved segments of the population (a demand dimension). It is through usage that financial services contribute to improving the lives of poor people (FOMIN and ASBA, 2012).

Moreover, as Roa (2015) mentions, the Alliance for Financial Inclusion (AFI) does not only refer to financial inclusion in terms of access and usage, but also in terms of quality and wellbeing. According to this definition, access is the ability to use financial services and products that are available; usage measures the performance and scope of use of these financial services and products; as for quality, financial products and services should be aligned with the clients´ needs (including price) and also be understandable for them to be able to make choices; lastly, wellbeing refers to the impact that financial products and services have on the lives of clients.

The Financial Inclusion Global Survey of the World Bank, in addition to formal indebtedness and the number of deposit and savings accounts opened, which are taken as the basis to measure financial inclusion, also considers their use, as it contemplates the percentage of the population that actually saved in these accounts and did not just have an account opened in their name (Global Findex, 2011).

Graph 1: Measures of financial inclusion

Adults reporting activity in the past year (%)[1]



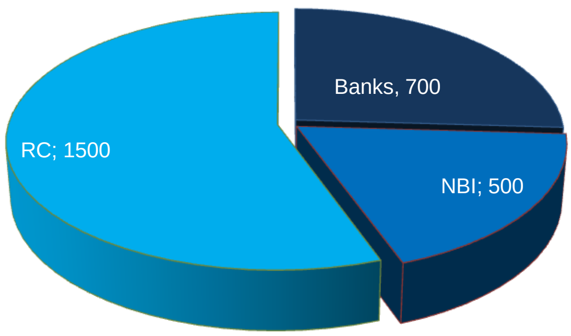
Source: Prepared with data from Findex Notes. Note N°5. 2012

[1] Formal indebtedness describes the percentage of adults who report having borrowed money from a formal financial institution in the past year. Formal savings or deposit account measures the percentage of adults who report having an account at a formal financial institution and, finally, formal savings shows the percentage of adults who report having saved money at a formal financial institution in the past 12 months.

As shown in Graph 1, there is a low level of financial inclusion in Latin America and the Caribbean. The proportion of the population included, according to the number of accounts, is lower than in other developing countries and even worse compared to high-income countries. Moreover, usage of these accounts reaches only 10 percent of the adult population, compared to 18 percent in other developing countries and 42 percent in high-income countries.

According to the FOROMIC Report on Financial Inclusion (2014), there are more than 700 banks, 500 non-banking institutions (NBI), and almost 1.500 regulated cooperatives (RC) in the region. All of these institutions receive deposits from their clients. The report also shows that the proportion of clients with deposits of approximately USD 500 or less, relative to the number of adults, is over 50 percent[2].

Graph 2: Number of regulated intermediaries in LAC



Source: Prepared with data from Financial inclusion in Latin America and The Caribeean: Data trends. FOROMIC, 2014

However, we need to be cautious in using this information as a financial inclusion indicator, since it might be affected by the number of empty accounts. Indeed, in their study of microfinance institutions (MFIs) of Bolivia, Nicaragua and Pakistan, Rozas and Erice (2012) found that between 50 and 75 percent of the accounts are empty. This also implies that the balance in the non-empty accounts is higher than the average reported and, therefore, that it is likely that they are not being used by the lower-income population.

Further, for a long time the microfinance industry had focused just on credit, leaving savings deposits services to be delivered by traditional banking, and thus mostly for the wealthier population. However, the importance of including the most vulnerable segments of the population through savings has been increasingly recognized and today it is one of the main dimensions of a financial inclusion strategy (Rozas and Erice, 2014).

"*Saving deposits especially matter for the poor*" (Collins et al., 2009). Even though loans might help poor people escape from poverty, by giving them the opportunity to start or expand a business through the provision of working capital, this segment of the population is still very vulnerable to unexpected shocks. Any emergency means that they need to resort to their limited resources or even ask for a loan to cope with it. Savings allow people to be prepared for such situations and, as Reyes (2014) mentions, they also make achieving consumption smoothing possible, plan for future expenses, take advantage of investment opportunities and face social or religious obligations

[2] These data are considered only for the countries that present data on accounts stratified by amounts (Bolivia, Colombia, El Salvador, and Peru). FOROMIC, 2014

and events related to their lifecycle, such as marriage or death. "*People do not need loans all of the time, but they do need savings all of the time*" (CGAP, 2006).

Nevertheless, financial inclusion strategies focused on savings and on access to deposit facilities face several obstacles, from the perspective of both the financial institution and the target clientele, in addition to the various and diverse features of regulation in each country.

2. OBSTACLES AND CHALLENGES FOR FORMAL SAVINGS DEPOSITS

2.1 Obstacles faced by the poor for them to save formally

According to the Global Findex (2012), worldwide, for the 65 percent of adults still excluded from the formal financial system, the most common reason for not having a formal deposit account is lack of enough money to use one[3]. Indeed, Stenga (2010) notes that the level of household income is an important factor in determining whether a person can save formally or not. She also mentions that it is more likely that individuals with a stable income have a savings account.

In turn, the Global Findex 2012 also reports that there is a relatively large share of unbanked respondents in the Latin American region (40 percent) who mention cost as an important barrier. They report not having a savings account because it is too expensive. Actually, to use formal financial services implies costs such as those associated with opening and maintaining accounts, withdrawing funds, and the payment of fees and penalties, as when the client does not have a minimum required balance (Schaner, 2013). Moreover, there are high transaction costs such as expenses in transportation, food, and documents required (21 percent of respondents in the Global Findex declare the lack of sufficient documentation as a reason for not having an account).

Another barrier, related with transaction costs, is distance. The farther away the financial institution is, the higher the transportation costs the client would have to incur. Schreiner (2002) mentions the time needed to get to the financial institution and back home, the time needed to open an account, and the loss of one day of work, as opportunity costs to access deposit facilities in a formal financial institution[4].

Additionally, De Michele and Demichelis (2015) claim that the biggest banks are not interested in offering products to low-income people, as they are already sustainable serving traditional markets, and they perceive higher risks in dealing with this clientele.

[3] The Global Findex Database is a set of indicators that measure how adults in 148 economies around the world, save, borrow, make payments, and manage risk. It was constructed with data from interviews with more than 150.000 nationally representative and randomly selected adults (age 15 and above).

[4] Formal institutions are defined as those registered with the government. Generally, these include banks of all kinds; nonbank financial intermediaries, including microfinance institutions; and cooperatives licensed to take deposits (CGAP, 2006).

Thus, even if poor people have the possibility to deposit formally, in response to these barriers many of them prefer alternative informal methods to hold their savings (e.g., informal savings clubs, mobile money or simply hiding money in their homes).

2.2 Challenges for formal financial institutions

"*Flexible and accessible savings are in line with the realities faced by the poor*" (Deaton, 1989).

Formal institutions offer the opportunity to safely keep savings, but they usually find it difficult to penetrate low-income markets. The skills needed to manage savings deposit products for the poor are different and often more sophisticated than those needed for middle and wealthy classes (Mutesasira and Wright, 2002). According to Robinson (1997), financial management capabilities that focus on liquidity and risk management, staff training, information systems, security and changes in other operational dimensions are crucial for mobilizing savings.

Poor people prefer a low-cost savings product with a wide range of liquidity, that is easily accessible (opening hours and proximity), and with positive returns (interest earnings). The challenge for formal institutions is to design cost-effective savings mobilization strategies that respond to different clientele needs (Bass et al., 2000). Market research, particularly about the terms, usage, and client assessment of existing informal and semi-formal services, is essential to design an appropriate delivery system and products (Stenga, 2010). Another challenge is to be able to absorb the high short-term investment and cover the administrative costs of savings mobilization, since they can be compensated by economies of scale in the future (Elser et al., 1999).

Further, financial institutions that target wealthier clienteles are seldom located outside primary and secondary cities. For downscaling, advancements in information and communications technology have made industry professionals enthusiastic about the development of technology-enabled channels, to lower costs for delivering products and services (Microsave, 2002). Banks are increasingly teaming up with retailers and mobile phone providers to offer financial services, including payments and deposits, to poor customers. However, this is also a challenge for financial institutions since, unfortunately, this type of cost-cutting itself may require a substantial up-front investment (CGAP, 2006).

Cultural differences might also be a big challenge for financial institutions. As De Michelle (2015) explains, for example in Guatemala, there are 16 different indigenous ethnic groups with multiple historical confrontations, which makes the introduction of new products or even pilot tests very difficult, as any difference in dealing with these groups may cause a conflict among them.

Other challenges for the design of these products are related to the regulatory framework and supervision mechanisms on deposits, as will be discussed in the next section.

2.3 Difficulties resulting from regulation

In some cases, the regulatory framework could be so strict that while it guarantees the security of deposits, it limits outreach (Elser et al., 1999). Some regulations can create a repressive situation, where formal institutions have few incentives to pursue poor depositors, while other accessible but informal and unregulated institutions cannot guarantee the safety of deposits (Berenbach and Churchill, 1997).

Regulation can be highly restrictive for microfinance institutions (MFIs). Central Banks tend to impose stringent requirements, such as capital adequacy, minimum capitalization for a license, and periodic reports, in order to authorize the mobilization of deposits from clients. These requirements are sometimes difficult to overcome or manage (Christen and Rosenberg, 2000).

In particular, Know Your Customer (KYC) guidelines[5] attempt to contribute to risk management in financial institutions, especially to prevent banks from becoming instruments for money laundering, terrorism financing or other illegal activities (Basel Committee on Banking Supervision, 2001). These initiatives, usually to strengthen the fight against terrorism, have highlighted the importance of the banks monitoring their clients´ operations. Four key dimensions of a good KYC program must be considered (*Comité de Supervisión Bancaria de Basilea*, 2004): (i) Customer acceptance policy; (ii) Customer identification; (iii) Continuous monitoring of high risk accounts; and (iv) Risk management.

Nonetheless, the Basel guidelines also clarify that banks should be able to design "gradual" client acceptance policies, which recognize that the lower the risk of the client, the lower the level of due diligence that should be applied. Indeed, one of the biggest challenges for financial institutions is to be able to design KYC policies flexible enough for financially and socially disadvantaged groups of the population to still gain access (Basel Committee on Banking Supervision, 2001).

3. SIMPLIFIED ACCOUNTS

Simplified savings accounts were created in response to these difficulties and challenges. However, key differences in the regulatory framework of each country can determine the success or failure of these products. Next, we will describe the main characteristics of this product and its particular features in each country.

3.1 Definition

The concept of "Simplified Account" was born from the premise of creating a low-cost savings deposit product which, as its name suggests, would imply simpler procedures and reduced paperwork and documentary requirements. This product also contemplates the possibility of remote opening, through non-

[5] KYC guidelines were included in the Due Diligence Document published by the Basel Committee on Banking Supervision in 2003.

traditional channels such as mobile phones, internet banking or non-financial correspondents, in order to facilitate the entry of historically excluded users into the formal financial system.

The product´s actual designation may differ according to the regulation of each country, as shown in Table 1.

Table 1: Designation of the Simplified Account in each country

Country	Name of Simplified Account
Brazil	Simple savings accounts
Chile	RUT account
Colombia	Savings accounts with simplified procedure
Ecuador	Basic accounts
Guatemala	Accounts opened under the simplified procedure to start simplified relationships
Mexico	Accounts with simplified procedure (Level I, II, III)
Panama	Accounts with simplified procedure
Paraguay	Basic savings accounts
Peru	Basic accounts
South Africa	Mzansi Accounts

Source: Regulation of savings accounts of each country (see Annex 2)

As there is not a common international designation for these accounts, for the purposes of this research paper we will use the term *Simplified Accounts* (SA).

3.2 Characteristics

The regulatory framework of each country defines the characteristics of simplified accounts. Even though this product can show substantial differences among the countries under study, the main goal of promoting simplified accounts seems to be the same in all of them. That is, they expect to be able to offer savings deposit products in accordance to the needs of low-income people, overcoming the existing barriers to access financial products and services and facilitating the environment to operate with them through innovative channels.

These are the main characteristics of simplified accounts[6]:

a) **Opening requirements:** The requirement of different documents when applying for the opening of a savings deposit account, such as an employment certificate or proof of income, is a barrier that usually affects people living below the poverty line and who belongs to the informal economy, especially in developing countries. *"The demand of documents for this target group might be a disincentive for the opening of savings*

[6] The information about the characteristics was extracted from Hubert (2013) and the regulation of each country. See Annex 2.

accounts" (Ramón, 2015). Simplified accounts solve this problem, by reducing the number of documents needed to usually just one, the Identity Card (ID) of the customer. Moreover, the due diligence applied to this type of accounts is simpler than the one that would be applied to a traditional savings account.

b) **Access channels:** Simplified accounts eliminate the need to go to a branch of the financial institution to open and operate a savings account, since they offer the possibility to make it through non-financial correspondents (NFC) or just remotely with a mobile phone or internet connection, reducing the opportunity costs of time and transportation and food expenses. This is one of the characteristics that better reflects the efforts for inclusiveness of this product.

c) **Services provided:** The transactions that can be performed are usually withdrawals and deposits, transfers between accounts, utility services payments, airtime recharges or payments in shops and balance inquiries. In some countries, SAs are also used to receive wages, conditional cash transfers, pensions, and international remittances.

d) **Costs:** To ensure the design of low-cost savings deposit products, some SA regulations strictly define the costs and fees that can be charged by financial institutions; others establish that a minimum number of transactions must be free of charge for the clients and even that financial institutions have to handle a debit card associated to this account, also free of charge. In addition, in most of the regulations, opening costs are eliminated as well as the requirement of maintaining a minimum balance in the account. In contrast, some countries allow financial institutions to establish the fees that will be charged for every transaction. About this issue, different opinions among experts interviewed were found:

"*Costs and charges limit client access to financial institutions; their prohibition is crucial for the success of the product*", Ramón (2015).

"*To prohibit charges will simply result in financial intermediaries not willing to voluntarily serve this type of clients. It would be a barrier for the massification of the account*", Herbas (2015).

In general, as with other instances of price caps and interest rate controls, the restrictions reduce willingness to offer the product and they typically end up hurting precisely those segments of the population that the authorities want to favor (Gonzalez-Vega, 2003).

e) **Transactional and balance limits:** Due to the reductions in document requirements, to make the KYC risk management feasible, other mechanisms are needed. There are different provisions that SA regulations have defined to manage these risks: limits on the number of accounts that a client may have in each financial institution or even in the financial system, limits on deposit and withdrawal amounts, and balance limits.

f) **Currency:** Simplified accounts are, in all of the countries under study, opened only in the local currency.

g) **Type of clients:** All the countries analyzed make Simplified Accounts available only for “physical” individuals. We must consider, however, that Latin America has one of the highest rates of informal economic activity worldwide, with 127 million people, who represent 47 percent of the labor market, in informality (ILO, 2014). Thus, while it is true that the focus on financial inclusion has been aimed mainly at individuals, micro and small enterprises also remain in informality, due to the high costs that they have to face to become formal, such as barriers to entry, government taxes and labor non-wage expenses. Nonetheless, among the countries under study, only Mexico contemplates simplified accounts for legal entities or individuals with business activities, considered as low-risk clients and, therefore, this account has simplified identification requirements for informal firms. According to FOMIN (2013), it is important that micro-enterprises have access to this type of products, so they can reduce their operational costs, facilitate their formalization and promote their growth.

Among other characteristics that do not apply to all the countries, we can mention the following:

- **Electronic records:** The regulation of this product in Colombia, Mexico and Paraguay creates the possibility to keep electronic records of the clients instead of a physical one.
- **Remote opening:** As we will see in the next sections, in the cases of Colombia, Mexico, Panama and Paraguay, clients can open simplified accounts remotely. In Paraguay, the basic information of the client must be provided by the telecom operator.
- **Regulator´s authorization**: In Paraguay and Peru (Sotomayor, 2015), it is necessary that the regulator gives its authorization to each entity before they start operating with simplified accounts. Financial institutions must present the proposed contract that they would have with their clients, so the regulator can make sure that the institution is complying with the regulation of the product and consumer protection policies.
- **Account levels:** Mexican regulation contemplates three levels of savings accounts with different characteristics:
    - **Level I:** The accounts classified in this level are those opened by individuals whose monthly deposits are limited to the equivalent amount of 700 Investment Units (UDIs)[7] per account. In this level, the financial institution does not need to identify its clients.
    - **Level II:** This category corresponds to those accounts opened by individuals whose monthly deposits are limited to the equivalent amount of 3.000 UDIs per account. Under this level, institutions

[7] Mexico’s Investment Units (UDIS) are units based on price increases and are used to settle mortgage obligations or commercial contracts. They were created to protect banks from inflation and focus mainly on mortgage loans (Banco de México).

must identify the client obtaining the necessary information from an official ID (name, date of birth and address).

- **Level III:** This level includes all the accounts opened by individuals or enterprises of which maximum monthly deposits are the equivalent of 10.000 UDIs. In this level, clients must be identified and institutions must obtain the information established in Article 115[8], according to the type of client.

Table 2: Channels to access and operate a Simplified Account

Country		Branches	ATMs	NFC	Mobile Banking	Internet	Debit Card
Brazil		☑	☑	☑	◐	◐	☑
Colombia		🏠	🏠	☑	☑	☑	🏠
Ecuador		☑	☑	🗎◐	◐	◐	☑
Guatemala		☑	❓	🗎◐	◐	❓	❓
Mexico	**Level I**	⊘	☑	⊘	⊘	⊘	☑
	Level II	🏠	🏠	☑	☑	☑	🏠
	Level III	🏠	🏠	🏠	◐	◐	🏠
Panama		❓	☑	☑	☑	☑	☑
Paraguay		🏠	☑	☑	☑	☑	☑
Peru		❓	❓	☑	❓	❓	❓

Source: Regulation of savings accounts of each country (see Annex 2)
Symbols:
☑ : The regulation allows the operation through this channel
⊘ : The regulation prohibits the operation through this channel
❓: The regulation does not specify the use of this channel
🗎: Only reception of documents
🏠: Financial institutions may define their channels of choice
◐ : Allows the operation through the channel but not the remote opening of accounts

3.3 Distribution channels

One of the characteristics that better reflects the efforts to achieve inclusiveness with this product is the possibility to access and operate the account following the branchless banking model, with the potential to reduce delivery costs and make the product more convenient for the clients.

[8] Article 115, *Ley de Instituciones de Crédito de México* of the Secretaria de Hacienda y Crédito Público.

In Table 2, we show the different channels that may be used to complement SA, according to the regulation of each country. As the table shows, the regulation in most of these countries indicates that the SA can be operated through different channels or at least allows the financial institution to define the channels they will use, as in the cases of Mexico and Colombia. In Peru and Guatemala, the regulation does not have a definition about this feature. In the Paraguayan regulation, the bank must provide a debit card free of charge to each client, allowing them to operate at ATMs or point of sales terminals (POS). Also, the regulations of Brazil, Ecuador and Panama mention the debit card as a means to manage these accounts. Finally, with the account level I, in Mexico, withdrawals or payments can exclusively be done through debit cards.

Furthermore, the possibility to open an account outside conventional bank branches can be done in two different ways:

a) Non-Financial Correspondents (NFC): Regulations in all of these countries allow the opening of SAs through non-financial correspondents, except for Guatemala and Ecuador. These agents can collect documents and information related to a simplified account´s opening and also can provide the client with contracts and regulations, as well as cards or other electronic devices for the management of these accounts (Boada and Rodriguez, 2015). In the case of Mexico, account levels II and III can be opened by NFC but, for level III, the regulation establishes that before an entity starts a business relationship with a client, it must hold a personal interview, in order to collect data and identification documents.

b) Mobile or electronic devices with internet connection: Demichelis (2015) claims that financial inclusion will take place through mobile financial services. In this context, Colombia, Panamá, Paraguay and Mexico (account level II) are following this path, allowing the remote opening of accounts. Some other regulations do not specify if this channel can be used for this purpose, as in the case of Peru, "*but the fact that regulation does not explicitly authorize the remote opening does not mean the financial institutions cannot do it" (Sotomayor, 2015)*; others require the submission of documentation and client signature, as in the case of Brazil.

Vivanco (2015) notes that remote opening is a complex process, that can raise doubts, *"this is a one-time event; with the remote opening we are losing the excellent opportunity to provide information about the terms and conditions of the product, inspire confidence and generate a good experience for the client through quality service*". Perhaps that is one of the reasons why the Guatemalan regulation requires that the opening process should be done only at the financial institution premises.

4. REGULATORY FRAMEWORK PARTICULARITIES FOR SIMPLIFIED ACCOUNTS IN THE COUNTRIES UNDER STUDY

All of these countries have regulations that define simplified accounts and establish control mechanisms to guarantee their safety, seeking to achieve higher levels of financial inclusion. Such are the cases of Peru, Panama and

Paraguay, focused on creating a regulatory environment that facilitates the financial inclusion of economically marginalized sectors of the population. Similarly, Guatemala emphasizes the expansion of this product to rural and remote areas. And in the case of Mexico, in order to promote the healthy development of the financial system, the goal is to expand the range of accounts that financial institutions can offer to the public.

The following analysis includes opening requirements, limits imposed to the SA, and the particularities each regulation have in these countries. A summary of the regulation documents analyzed is presented in Annex 2 and a summary of the principal regulatory characteristics of each country is presented in Annex 3.

4.1 Requirements to open a Simplified Account

One of the main contributions of the SA is the simplification of the opening process. As seen before, KYC policies lead financial institutions to require many different documents to make sure they are identifying their clients properly.

Table 3 shows a comparison between the requirements of a traditional savings account and a simplified account in these countries. Nonetheless, even when particular countries have reduced the documentation required to open a savings account, there are important differences among them that can determine the actual simplicity of the process.

In most of the countries, it is only required from the client to submit a national ID. In Brazil and Paraguay there is a specific form for this kind of account, where financial institutions gather basic information from the clients, such as place, date of birth, and address. In the case of Brazil, they also require the signature of the client, which means physical presence is needed to open a simplified account. In Panama, the information provided by the client must be verified by the institution in no more than 30 days. If the verification is not possible, then the institution must proceed to close the account.

Finally, we would like to discuss the case of Guatemala, because the requirements in this country are higher than in the others. To open a SA, the client must provide information about income level, monthly expenses, and employer´s name. The extent of the information required suggests that simplified accounts in this country were designed for employed people that perceive a salary; it can also be understood that they need to have a stable income level, so the product will probably not reach poor people and thus contribute to the financial inclusion targets. Differences in documentary requirements for the countries under study are detailed in Annex 5.

Table 3: Comparison of opening requirements

Country	Before/ After SA	ID	Nationality/ migration status	Address	Income/ Employment	Personal /business references	Fingerprint/ Signature
Brazil	Before	🗎☑	☑	🗎☑	⊘	⊘	✍
	After	🗎☑	⊘	⊘	⊘	⊘	✍
Colombia	Before	🗎☑	☑	☑	☑	⊘	✍ 👆
	After	☑	⊘	⊘	⊘	⊘	⊘
Ecuador	Before	🗎☑	⊘	🗎⊘	⊘	⊘	⊘
	After	🗎☑	⊘	⊘	⊘	⊘	⊘
Guatemala	Before	🗎☑	⊘	🗎☑	☑	⊘	✍
	After	🗎☑	⊘	☑	☑	⊘	✍
Mexico	Level I	⊘	⊘	⊘	⊘	⊘	⊘
	Level II	☑	⊘	☑	⊘	⊘	⊘
	Level III	🗎☑	☑	☑	☑	☑	✍
Panama	Before	🗎☑	⊘	🗎☑	🗎☑	🗎☑	✍
	After	☑	⊘	⊘	⊘	⊘	⊘
Paraguay	Before	🗎☑	⊘	☑	☑	☑	✍
	After	☑	⊘	⊘	⊘	⊘	⊘
Peru	Before	🗎☑	☑	☑	⊘	⊘	✍
	After	🗎☑	⊘	☑	⊘	⊘	⊘

Source: Prepared with information from World Bank (2014) and regulation of traditional and simplified savings accounts of each country (see Annex 2)

Symbols:

☑ : Regulation requires information
⊘ : Regulation does not require this information
🗎: Regulation requires documentary evidence
✍: Regulation requires signature of the client
👆: Regulation requires fingerprint of the customer

4.2 Limits associated to Simplified Accounts

There are several different limits associated to simplified accounts. One of them is the maximum number of accounts each client can have in an entity or in the financial system, as shown in Table 4.

Table 4: Number of Simplified Accounts allowed

Limits	Brazil	Colombia	Ecuador	Guatemala	Mexico	Panama	Paraguay	Peru
Financial System	1	1	?	?	?	?	2	4
Entity	?	?	1	?	?	1	1	1

Sources: Elaborated with Regulation for each country (see Annex 2)

It is important to note that these limits were established by the regulators due to the possibility of simplified accounts being used as a tool for illicit activities. In Colombia, for example, there is a money laundering practice accomplished by using small amount transactions, known as "*Pitufeo*" (Nicholls, 2015). Herbas (2015) goes even further and suggests not to relax KYC policies as "*any loosening of control schemes on money management are exploited as an advantage, given the significant economic impact of illicit activities*"

However, the verification of the number of accounts each client has in the financial system might mean a significant cost for financial institutions[9] and in some others it is simply not possible. In the case of Peru, for example, the regulator had the idea to require a report from each financial institution with information about basic accounts, to create a bureau in order to reduce these costs, but in practice it was not feasible because of banking secrecy laws (Sotomayor, 2015). But other countries, like Colombia, have an integrated system among the financial institutions nationwide (*Central de Información Financiera*, CIFIN) that allows them to verify the client´s information online (Nicholls, 2015).

Nevertheless, since simplified accounts imply less documentation requirements than a traditional savings account, the different regulations establish transaction and balance limits that would help financial institutions classify their clients as low risk and thus apply a simpler due diligence.

Table 5 summarizes the restrictions each country has adopted to allow a proper KYC management and also make this product attractive for the target market.

[9] Banca Corresponsal e inclusión financiera: marcos regulatorios en América Latina (FOMIN and CAF, 2013)

Table 5: Transactional and balance limits for Simplified Accounts

Country		Deposit Limits	Withdrawal Limits	Balance Limits
Brazil		Monthly deposits cannot add up to more than USD 1.664	N.E	USD 650 at any time
Colombia		N.E	Withdrawals can add up to a maximum of three General Minimum Wages (GMW) monthly, approx. USD 748,17	Eight GMW monthly, approx. USD 1.995,12
Ecuador		Transactional limits should be defined in the contract	N.E	Monthly average balance of USD 3.000
Guatemala		USD 2.700 in one calendar year	N.E	N.E
Mexico	**Level I**	Deposits added up each month cannot be more than the equivalent of USD 260	N.E	N.E
	Level II	Deposits added up each month cannot be more than USD 1.050(1)	N.E	N.E
	Level III	Deposits added up each month cannot be more than USD 3.500	N.E	N.E
Panama		Accumulated deposits cannot exceed USD 1.500 each month	Accumulated withdrawals cannot exceed USD 1.500 each month	No more than USD 1.000 at any time
Paraguay		Applicable limits to low risk clients according to SEPRELAD regulation: Six minimum salaries: USD 2.282	N.E	Six minimum salaries: USD 2.282
Peru		Daily deposits cannot exceed USD 320. Additionally, accumulated deposits cannot exceed USD 1.280	Accumulated withdrawals cannot exceed USD 1.280	No more than USD 640 at any time

Source: Elaborated with Regulation from each country (see Annex 2)
Note: Limits are expressed in US Dollars at the exchange rate as of April 2015
N.E.: Not specified in the regulation
(1): Additional deposits can be received up to USD 2.100, if the origin of the funds is exclusively subsidies from governmental programs that support particular population sectors

For some of the countries there are restrictions on the number and amounts of deposits and withdrawals. In some cases there is a daily limit, although in most of them there is a monthly amount limit for these transactions. Only one of the countries, Guatemala, imposes an annual limit of USD 2.700 on the addition of deposits for the year, for each client" *this number seems low, but it is reasonable for the market needs, it is above the minimum salary, especially in rural areas*" (De Michele, 2015).

In Colombia, according to Nicholls (2015), Bancamía clients can receive an average loan size of USD 3.000, so this institution has proposed the authorities to increase the balance limit of these accounts, since it is relatively low in comparison to the amounts the clients are used to manage.

About maximum balance limits, most of the regulations contemplate a restriction on the monthly balance each client can maintain in the account.

4.3 Client graduation

The regulation of some countries contemplates a graduation process for clients that want to exceed the transactional and balance limits of the simplified accounts. When clients start having a higher savings capacity, the institution can give them the possibility to migrate to a traditional savings account, which implies that they need to gather additional information from the client, since they stop being low-risk clients. This can be seen in the cases of Brazil, Mexico and Paraguay.

4.4 Regulation Gaps

It is important to keep in mind that regulations may have gaps, a situation that can be improved with time and experience. These gaps are not the same in every country. Some of the information that could be gathered from the phone interviews is presented in the next points:

a) Ramón (2015) mentions that in The Dominican Republic there are gaps regarding inequality and regulatory asymmetries among financial institutions that receive deposits from their clients. Cooperatives are not regulated by the Superintendence and therefore are able to offer higher interest rates, because they do not incur supervision costs, which make competition more difficult. However, Demichelis (2015) considers that cooperatives, despite of not being regulated by the same regulator, are still formal financial institutions that can offer products and services to low-income people.

b) According to Sotomayor (2015), Peru needs to review the law involving KYC policies and the regimes of transparency of information and consumer protection, being cautious about overloading financial Institutions with additional costs.

c) In Guatemala, a reform of the money laundering regulation is pending, which includes simplified accounts and low-risk clients, classifying them by a combination of product, region, and client type. Another important pending subject in Guatemala is that it does not have a financial inclusion public policy (De Michele, 2015).

d) Also in Guatemala, the microfinance institutions law has not been approved yet (De Michele, 2015).

e) In Paraguay, the pension funds law allows these entities to invest in financial intermediaries, which generates an excess of liquidity in the financial system, reducing the interest of financial institutions to take deposits. In this sense, an investment regulation is needed to redirect these funds to less risky investments (Demichelis, 2015).

5. PERFORMANCE OF SIMPLIFIED ACCOUNT PRODUCTS

While some products were developed after the promulgation of simplified accounts regulation, others with similar features were already offered in the market. In any case, they seem to have had a good acceptance from the clients.

As we can see in Table 6, these earlier products focus especially on conditional cash transfers (CCT) programs, as is the case of Brazil, Colombia, Paraguay and Peru, or salaried people, as in Guatemala.

In terms of savings deposits outcomes, their level is still quite low, or zero, as in Panama, which does not yet have a specific simplified savings product and thus no simplified accounts have been opened. Another especial case is Guatemala, where the regulation imposed barriers to the product "Mi billetera" by requiring detailed information from the client, complicating the operation and limiting the acceptance of the product, which is why this product is practically not offered today.

Nevertheless, there are countries like The Dominican Republic, where despite not having a specific regulation, the institutions are taking the first steps to offer inclusive products to their clients.

We can also see in Table 6, the number of SA opened in each country and the proportion of these accounts with respect to the total number of accounts in the system. Mexico and Brazil show the biggest success in terms of the number of simplified accounts opened, which represent 88,9 percent (Mexico) and 37,5 percent (Brazil) of the total number of accounts in the financial system, while in other countries SA do not reach 10 percent of the total number of accounts.

Table 6: Saving Account products identified per country

Country	Product name	Financial Institution	Target beneficiaries	Number of SA	% of the total savings accounts
Brazil	*Caixa Facil*	Caixa Econômica Federal	CCT beneficiaries (Bolsa Familia Program)	3.000.000	37,5%
	ContaPoupança	Banco do Brasil	Public in general		
Colombia	*DaviPlata*	Davivienda	CCT beneficiaries (Familia en acción Program)	2.800.000	7,0%
	Cuenta de ahorro electrónica	Banco Agrario			
	Ahorro en la Mano	Bancolombia	Public in general	102.000	0,3%
	Mi Plata	Plata móvil			
Ecuador	*Cuenta Amiga*	Banco de Guayaquil	Unbanked people	400.000	4,5%
	Cuenta Lista	Banco del Pacifico	Public in general		

Guatemala	*Tu billetera*	Banco Industrial	Person receiving a monthly salary	N.A	N.A
	Cuenta de Ahorro Mi Gente	BanRural			
	Cuenta Mi Cosecha		Rural people		
	Serie A	Banco G&T	Public in general		
Mexico	*Cuenta Express*	BBVA Bancomer	Public in general	11.059.849	88,9%
	Mifon	Banorte		2.426.830	
	Transfer Banamex	Banamex		70.028.289	
	Transfer Inbursa	Inbursa			
Panama				N.A	N.A
Paraguay	*Cuenta Básica*	Banco Nacional de Fomento	CCT beneficiaries (Tekoporâ and Abrazo Program)	138.744	6,6%
	Ahorro Fácil	Visión Banco	Public in general		
	Cuenta Básica	Sudameris Bank			
	Ahorro Valé	Banco Interfisa			
Peru	*Cuenta Básica*	Financiera Confianza	CCT beneficiaries (Juntos Program)	14.000(1)	0,1%
	Cuenta de ahorros	Banco de la Nación			
	Cuenta de ahorros	Financiera Compartamos	Public in general		
Dominican Republic	*Adopem Solidario*	Banco Adopem	CCT beneficiaries (Progresando con Solidaridad Program)	1.000(1)	N.A

Source**:** Financial Inclusion in Latin America and The Caribbean: Data and Trends (FOMIN, 2014), Pro-ahorros Program, information of regulatory authorities of each countries (Annex 2).
Note: N.A.: No data available; (1): Data from phone interviews

6. CONCLUSION AND RECOMMENDATIONS

Based on the analysis and evaluation of regulatory frameworks in the countries under study, it is important to highlight that although simplified accounts are relatively new, and there is not much experience in their implementation and operation, we can still identify regulatory definitions that impact on the effective development of savings products for excluded people in the financial system.

Thanks to the phone interviews made, we could see that the impact of regulation on the success of simplified accounts for achieving higher levels of financial inclusion cannot be studied without analyzing the context and reality of each country, as some of the experts let us know. However, despite the differences that exist, an adequate regulation should:

a) Allow financial institutions to define pricing strategies according to their business model, which would permit them to earn an income and thus have an incentive for efficiency and willingness to work with this kind of products.

b) Define reasonable maximum transactional and balance limits for this type of accounts that respond to the needs of the target market.

c) Establish a clear process for the graduation of clients to more sophisticated products.

d) Motivate innovation in financial institutions, so they can design savings products that allow access, usage and quality for low-income clients.

e) Stimulate technological developments to provide the financial system a broad portfolio of channels that can be used to bring financial products and services closer to the poor. Simplified accounts must take advantage of these channels to achieve the main target of financial inclusion.

In turn, regarding quality it is important to keep in mind that besides the design of a savings deposit product with a value added for the target clients, financial institutions should also be able to create trust among their clients, in line with social diversity, customs and practices. This implies the need to improve the competences and skills of the human resources in the financial institutions, so they can be able to offer a good customer service.

It is also important to consider that a regulatory framework is not sufficient to promote financial inclusion; also public policies and regulatory efforts are necessary to facilitate the access and use of this product. These are some of our recommendations:

a) Establish a national financial inclusion strategy and create an institutional structure according to it. Also, build capacity to implement reforms, enhance the financial market structure, increase the outreach and quality of the financial infrastructure, and define political priorities that can promote a more effective and efficient process to achieve significant improvements in financial inclusion.

b) Institute an adequate consumer protection framework, necessary to building trust in the formal financial sector and creating transparency on savings deposits products and other services.

c) Define a clear regulatory framework, according to the risks and benefits involved in these innovative savings deposits products, understanding the gaps and barriers in the existing regulation (e.g., specific microfinance regulations and KYC policies).

d) Improve financial information systems, to compile the existing information about savings deposits in the financial system and reduce complex, time-consuming and costly verification processes.

e) Most of the simplified account products focus on conditional cash transfers, thus obliging clients to use these accounts. However, to change the transactional behavior of the clients might only be achieved through a rigorous and continuous financial education process and further reduction of the transaction costs faced by clients.

Finally, unfortunately there is not enough information to analyze the impact of simplified accounts in terms of increasing the levels of access and use of financial products and services. So, it is highly recommended to continue studying and evaluating the outcomes due to the implementation of these products, to enhance the regulation of each country, for it to allow the development of quality savings deposits products for financially excluded people.

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ANNEX 1

PHONE INTERVIEWS WITH KEY ACTORS

Person	Position	Institution
Cecilia Ramón	Director of Deposit Mobilization Department	ADOPEM, Dominican Republic Microfinance Bank
Fermin Vivanco	Senior Specialist	Multilateral Investment Fund (FOMIN) in Washington D.C.
Francisco Demichelis	Multisector Specialist Capital Markets Finance Department	Inter-American Development Bank in Paraguay
Henry Nicholls	Director of Deposit Mobilization Department	Bancamía, Colombian Microfinance Bank
Narda Sotomayor	Head of Department Analysis of Microfinance Institutions	Superintendence of Banks, Insurance and Private Pension Funds in Peru
Roberto De Michele	IDB Representative	Inter-American Development Bank in Guatemala

ANNEX 2

REGULATORY DOCUMENTS ANALYZED

Country	Regulatory documents
Brazil	• Resolución 3.881 de 2010 que modifica la Resolución 3.211 de 2004: Abertura, manutenção e movimentação de contas especiais de depósitos à vista e de depósitos de poupança.
Colombia	• Circular externa 053 de 2009: Apertura simplificada de cuenta de ahorro. • Circular externa 013 de 2013: Modificación de las instrucciones relativas a las cuentas de ahorro con trámite simplificado. • Capítulo IV del Título II de la Circular básica Jurídica.
Ecuador	• Capítulo XI: Normas para el contrato de Apertura de Cuenta Básica (incluido con resolución No. JB-2011-1919) de las Normas Generales para la Aplicación de la Ley General de Instituciones del Sistema Financiero.
Guatemala	• Oficio IVE 721 del 2011: Requisitos y medidas simplificadas para el inicio de relaciones. • Formulario de inicio de las relaciones simplificadas IVE-IRIS-01.
Mexico	• Circular 3/2012: Dirigida a las Instituciones de Crédito y a la Financiera Rural, relativa a las Disposiciones aplicables a las operaciones de las Instituciones de Crédito y de la Financiera Rural. • Modificando a: Circular 26/2009, Circular 2019/95. • Disposiciones de Carácter General en materia de prevención, detección y reporte de operaciones posiblemente vinculadas con los delitos de Operaciones con Recursos de Procedencia Ilícita y de Terrorismo y su financiamiento: Artículo 115 de la Ley de Instituciones de Crédito.
Panama	• Acuerdo No. 001-2013: Se establecen las reglas para las cuentas de trámite simplificado.
Paraguay	• Resolución Nº 25/2012: Reglamento para la regulación de las cuentas básicas de ahorro.
Peru	• Resolución S.B.S. N° 2108-2011.

Source: Regulator web site according to the Annex 4

ANNEX 3

MAIN REGULATION FEATURES IN EACH COUNTRY

Country	Main features of the regulation
Brazil	✓ Regulator: Banco Central do Brasil ✓ Can only be opened for individuals ✓ Opening requirements: Basic information file to identify the client: name, date of birth, number of official ID, number of the individuals registration, home address, number of the account and client´s signature. ✓ Remote opening is not specified in the regulation ✓ Allowed channel to open and operate SA: NFC ✓ Operate through debit card and other electronic devices ✓ Limits: o Accumulated deposits cannot exceed USD 650 each month o No limits specified for withdrawals o Balance limits cannot be more than USD 1.664 at any time ✓ Establishes a clear graduation process ✓ Only one SA in the financial system is permitted
Colombia	✓ SAs are regulated by two organisms: Ministerio de Hacienda y Crédito Público and Superintendencia Financiera ✓ Can only be opened for individuals ✓ Opening requirements: Name of the client, ID information and place and date of birth ✓ Remote opening is allowed ✓ Allowed channels to open SA: NFC and mobile phone ✓ Regulation does not intervene in the pricing regime ✓ Limits: o No limit established for deposits o Maximum limit for withdrawals: They can be in sum 3 GMW monthly (approx. USD 748,17) o Balance limits: 8 GMW monthly (approx. USD 1.995,12) ✓ Possibility to keep electronic records of the clients ✓ Number of SA permitted: Only one account in each entity, regulation does not establish a limit of accounts in the financial system
Ecuador	✓ Regulator: Superintendencia de Bancos y Seguros ✓ Can only be opened for individuals ✓ Opening requirements: Original and copy of ID ✓ Remote opening is not allow, the NFC can only receive documentation ✓ Allowed channels to open SA: Only branches of financial institutions ✓ Operate through existing channels, such as debit card, electronics device and mobile banking ✓ The financial institution may pay interest on balance of the SA ✓ Limits: o Transactional limits should be defined in the account contract o Limit monthly average balance of USD 3.000 ✓ Overdraft is not allowed ✓ Number of SA permitted: Only one account in each entity, regulation does not establish a limit in the financial system

Guatemala	✓ Regulator: Superintendencia de Bancos ✓ Can only be opened for individuals ✓ Opening requirements: Client must sign the Form for the start of simplified relations and provide income level information, monthly expenses, employers name and ID ✓ Remote opening is not allow, the NFC only can receive documentation ✓ Allowed channels to open SA: Only branches of financial institutions ✓ Operate through mobile banking, is the only one mentioned ✓ Limits: o Maximum limit for deposits: USD 2.700 in one calendar year o No limits specified for withdrawals and balance ✓ No limits specified about the number of SA that can be opened in each entity or financial system
Mexico	✓ SAs are regulated by three organisms: Banco de México, Secretaria de Hacienda y Crédito Público and Comisión Nacional Bancaria y de Valores. **Level I:** ✓ Can only be opened for individuals ✓ Opening requirements: It is not required to Identify the clients, opening can be anonymous ✓ Remote opening is not allowed ✓ Can be operated through debit card, ATMs or POS. ✓ Limits: o Accumulated deposits cannot exceed USD 650 each month o No limits specified for withdrawals and balance **Level II:** ✓ Can only be opened for individuals ✓ Opening requirements: Client identification record: full name without abbreviations, gender, federal state of birth, date of birth and home address ✓ Allowed channels to open and operate SA: NFC or electronic devices, but the financial institution could define other channels ✓ Limits: o Accumulated deposits cannot exceed USD 1.050 each month o No limits specified for withdrawals and balance **Level II:** ✓ Can be opened for individuals and legal entities ✓ Opening requirements: Client identification record: Full name without abbreviations, gender, date of birth, state of birth, country of birth, nationality, occupation, profession, activity or business, home address, telephone number, e-mail, Population Registry Code, Federal Taxpayers Registry and the serial number of electronic signature, finally must hold a personal interview. ✓ Remote opening is not allowed ✓ Allowed channels to open SA: NFC ✓ Can be operated through: The financial institution can define the channels ✓ Limits: o Accumulated deposits cannot exceed USD 3.500 each month o No limits specified for withdrawals and balance ✓ Possibility to keep electronic records of the clients ✓ Establishes a clear graduation process ✓ No limits specified about the number of SA (either by level) that can be opened in each entity or the financial system.

Panama	✓ Regulator: Superintendencia de Bancos ✓ Can only be opened for individuals ✓ Opening requirements: Name, ID number and address. The bank must verify the information in 30 days at the most, if the verification cannot be done then it must close the account ✓ Remote opening is allowed ✓ Allowed channels to open SA: NFC and Mobile phone ✓ Limits: o Accumulated deposits cannot exceed USD 1.500 each month o Accumulated withdrawals cannot exceed USD 1.500 each month o Balance limits cannot be more than USD 1.000 at any time ✓ Number of SA permitted: Only one in each entity and there are no limits specified in the financial system
Paraguay	✓ Regulator: Banco Central del Paraguay ✓ Can only be opened for individuals ✓ Opening requirements: ID and Client Identification Form that contains basic information for low risk clients. ✓ Remote opening is allowed ✓ Allowed channels to open and operate SA: NFC and electronics devices ✓ Branches are not enabled for this product except when the other channels are not available ✓ One debit card free of charge must be provided, allowing to operate at ATMs or point of sales terminals (POS). ✓ Tariff intervention: At least 4 transaction and 2 balance and account history enquiries free of charge per month ✓ Interest rate can be freely determined between the parts ✓ Regulator´s authorization: Financial institutions must present the proposed SA contract to the regulator ✓ Limits: o Deposit and balance limits: 6 GMW monthly (approx. USD 2.282) o No limits specified for withdrawals ✓ Establishes a clear graduation process ✓ Possibility to keep electronic records of the clients ✓ Number of SA permitted: Only one SA in each entity and two in the financial system
Peru	✓ Regulator: El Superintendente de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones ✓ Can only be opened for individuals: national and foreign residents ✓ Opening requirements: name, ID type and number, and address ✓ Allowed channels to open and operate SA: only NFC ✓ Limits: o Daily deposits cannot exceed USD 320. Additionally, accumulated deposits cannot exceed USD 1.280 o Accumulated withdrawals cannot exceed USD 1.280 o Balance cannot be more than USD 640 at any time ✓ Number of SA accounts permitted: Only one SA in each entity and four in the financial system

Source: Prepared with Regulation of each country. Annex 2

ANNEX 4

REGULATORY AUTHORITIES

Country	REGULATORY AUTHORITIES
Brazil	Banco Central do Brasil
Colombia	Ministerio de Hacienda y Crédito Público Superintendencia Financiera de Colombia
Ecuador	Superintendencia de Bancos y Seguros del Ecuador
Guatemala	Superintendencia de Bancos de Guatemala
Mexico	Banco de México Secretaría de Hacienda y Crédito Público Comisión Nacional Bancaria y de Valores
Panama	Superintendencia de Bancos de Panamá
Paraguay	Banco Central de Paraguay a través de la Superintendencia de Banco
Peru	Superintendencia de Banca, Seguros y Administradoras Privadas de Fondos de Pensiones del Perú

Source: Prepared with Regulation of each country. See Annex 2

ANNEX 5

DOCUMENTARY REQUIREMENTS FOR OPENING SIMPLIFIED ACCOUNTS

Country	Opening requirements
Brazil	Basic information file to identify the client: name, date of birth, number of official ID, number of the individuals registration, home address, number of the account and client´s signature.
Colombia	Name, ID information, place and date of birth.
Ecuador	Original and copy of Identification Document.
Guatemala	There is a Form for the initiation of Simplified Relationships. Besides that, the institution asks information about income level and monthly expenses, employer´s name and an ID.
Mexico	**Level 1:** Identify the client are not required.
	Level 2: Customer identification record: full name without abbreviations, gender, federal state of birth, date of birth and home address.
	Level 3: Customer identification record: Full name without abbreviations, gender, date of birth, state of birth, country of birth, nationality, occupation, profession, activity or business that the customer is engaged, home address, telephone number, e-mail, Population Registry Code, Federal Taxpayers Registry and the serial number advanced electronic signature.
Panama	Complete name of the client, number of ID and. The bank verifies the information maximum 30 days.
Paraguay	ID and Client Identification Form that contains basic information for low risk clients.
Peru	The information that has to be obtained and verified is: Complete name of the client, kind and number of ID and address. The client must present the National ID or National ID for Foreigners.

Source: Prepared with Regulation of each country. See Annex 2

ANNEX 6

INSTITUTIONS TO WHICH SIMPLIFIED ACCOUNT REGULATION APPLIES

Country	Banks	Financial Institution	MFI	Cajas	Credit Union
Brazil(1)	☑ ✓ Caixa Econômica Federal ✓ Commercial Banks ✓ Multiple Banks with commercial portfolio	🛇	🛇	🛇	🛇
Colombia(2)	☑	☑	🛇	☑	☑
Ecuador(3)	☑	🛇	**N/A**	**N/A**	☑
Guatemala (4)	☑	☑	**N/A**	**N/A**	☑
México (1)	☑ ✓ Commercial Banks ✓ Development banking institutions	☑ ✓ Rural Financial Institution	🛇	🛇	🛇
Panama (5)	☑	🛇	🛇	🛇	🛇
Paraguay (6)	☑	☑	**N/A**	**N/A**	🛇
Peru (7)	☑	☑	☑	☑	☑

Sources:
(1): Simplified Account Regulation of each country (Annex 2).
(2): Lista general de entidades vigiladas. Superintendencia Financiera de Colombia.
(3): Ley General de Instituciones del Sistema Financiero del Ecuador.
(4): Oficio IVE No. 247-2003: Instructivo sobre medidas de Prevención contra el lavado de dinero u otros activos.
(5): Decreto Ejecutivo No. 52: que reforma el régimen bancario y crea la Superintendencia de Bancos.
(6): Ley N° 861 General de Bancos, Financieras y otras entidades de crédito.
(7): Artículos 16 y 17 de la Ley General del Sistema Financiero.
N.A.: Not applied.

Symbols:
☑: Regulation applied
🛇: Regulation not applied
N.A.: Not exist this legal figure

ANNEX 7

CASE STUDIES

Case Study N°1: The Mzansi Accounts

The first Simplified Account was released in South Africa in 2004 as a part of the Financial Sector Charter Commitment (FSC). The big four banks and the Post Office jointly developed the features and promoted the new product called **Mzansi Account**. The aim of Mzansi was to ensure that those individuals falling into the lower income group could have first-order retail banking products that would provide them with entry-level banking services (SNRI, 2010).

The purpose of the South African Competition Act (SACA) was to agree on which features and pricing would be established for this product, following this principles:

a. Prominent use of the Mzansi brand, through the use of the associated logo and value-for-money proposition
b. The account had to have an associated debit card
c. No premium service fee for using other banks infrastructure having to be paid by the user
d. Defined basket of transactions that do not exceed an agreed amount that was deemed affordable by the target market
e. One free cash deposit
f. Mzansi account holders could withdraw funds and do basic inquiries at Post Office branches
g. Use of AML/CFT exceptions[1]

Prior of the Mzansi initiative, FinScope (2004) estimated that about 17.8 million South Africans in banking age had no access to basic financial services and were mostly from previously disadvantaged population groups. As a result of the Mzansi Account, data revealed that between 2004 and 2008 were opened about 6 million accounts, two-thirds of which were opened by people that never before had a bank account so the percentage of banked adults increased from 46% to 63% during that period.

After the successful results in promoting the Mzansi accounts, in August 2008 the big four South African banks reported approximately 30% of the accounts were inactive or closed. Furthermore, the rate of usage, the average balances and the fee income were relatively lower for the Mzansi accounts compared to other products that the same banks offered (55%, 85%, and 70% lower respectively)[1].

As a result, the FSC was replaced by the Financial Sector Code in 2012, which is now a legal requirement and all financial institutions must comply with it. The Code contains all the lessons learned in the previous phases.

Case Study N°2: RUT Accounts in Chile

As a part of the financial inclusion strategy, Chile´s Government and Banco Estado have designed a new product called RUT Account. Every Chilean has a RUT number associated which stands for Unique Tributary Rol (*Rol Único Tributario* by its initials in Spanish), that is their ID number and now, their RUT account number. This strategy seeks to propel financial inclusion through a multichannel service.

The main characteristics of the RUT Account are the following:

a. It is a deposit account with no interest remuneration
b. The client does not need to demonstrate income or salary
c. It is not necessary to have the presence of the client to open the account, he/she can do it through Internet
d. The maximum balance the account can have is 3 million Chilean Pesos (approximately USD 4.830)
e. It is unique for each person, but even12 year old girls and 14 year old boys and older can open a RUT Account with their tutor´s authorization
f. It charges fees for transfers and balance inquiries through some channels (branches and ATMs) to incentivize the use of alternative channels (mobile banking and NFC)
g. As long as the client has a balance in the account it will be active, and even without having a balance, it will be active during two years incurring no additional charges

At the end of 2014, Banco Estado reported more than 7 million active RUT Accounts, of which more than 6.1 million have had a balance in the previous six months, and more than 58 million transactions were made.

As shown in the following table, the RUT Account has exceeded the results of the traditional savings account of Banco Estado. The number of transactions in all the available alternative channels is much higher, so the strategy to discourage transactions in branches seems to be working as expected.

Savings and RUT Account transactions per channels

Type of Account	Channels					
	Branch	Caja Vecina (NFC)	ATM and Self Service	POS	Internet and Phone Service	Mobile Banking
Savings Account	1.508	767	2.183	-	1.642	216
RUT Account	879	5.281	13.178	10.188	19.188	5.139

Source: *Herramientas efectivas para el ahorro inclusive en América Latina y El Caribe*. FOMIN, 2015

However, it is important to consider that the RUT account and traditional savings accounts do not target the same population, as conditional cash transfers are the reason for the high transaction levels of the RUT account.