FINTECH

IN LATIN AMERICA AND THE CARIBBEAN

A Consolidated Ecosystem for Recovery

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Foreword, IDB

The fintech ecosystem in Latin America and the Caribbean has grown 112% since the Inter-American Development Bank (IDB) and Finnovista published the previous version of the sector analysis in 2018. The Latin American and Caribbean region went from having 1,166 fintech platforms to 2,482 in just over three years. The geographic concentration of platforms changed little compared to the previous publication and continues to be led by Brazil (31% of the total), followed by Mexico (21%), Colombia (11%), Argentina (11%), and Chile (7%). Although the segment with the highest number of platforms continues to be payments and remittances (driven by recent regulatory developments in Brazil and Mexico), with 25% of the total, the lending (19%) and crowdfunding (5.5%) verticals are starting to become relevant in the region.

Business technology solutions for financial institutions (15%) and enterprise financial management (11%) follow. Some changes in the participation of verticals in the ecosystem are explained by growth in the segments of digital banks (57%), business technology solutions for financial institutions (49%), insurance (46%), and lending (45%), among others. Finally, in the period between the publication of the previous report and this one, the region felt the effects of the COVID-19 pandemic, which increased the digitalization of many of society's activities. The financial sector was no stranger to this trend and, in this context, the number of fintech platforms in the region grew by 35% between 2020 and 2021.

This growing supply has been accompanied by an increase in collaboration between "traditional" financial platforms and institutions and the growth and internationalization of digital banks. These factors are beginning to blur the line between new players in the industry and incumbents.

Consistent with these dynamics, the region's financial authorities have responded with regulatory innovations. Implementing regulatory sandboxes (in Barbados, Brazil, Colombia, Jamaica, Mexico, Peru, and Trinidad and Tobago) has allowed the testing and, in some cases, licensing of financial products. In addition, innovation hubs have opened up spaces for dialogue in Argentina, the Bahamas, Brazil, Colombia, Costa Rica, the Dominican Republic, El Salvador, and Guatemala. Crowdfunding regulations appeared in countries such as Brazil, Colombia, and Peru. Mexico enacted its Fintech Law, while Chile moved forward with an ambitious bill. Many of these public policy reforms, as well as the publication of this study, were supported by FintechLAC,[1] the first network for the Latin American and Caribbean fintech ecosystem. This report details the regulatory changes that have accompanied the ecosystem's growth.

The region's fintech ecosystem is dynamic, and the data help illustrate how it has changed. This document seeks to provide information to understand the state of this sector in the region, the challenges it faces in a context defined by the pandemic, and the new demands of consumers and businesses for better financial services. The report also hopes to be a reference to inform policy decisions, not only to address risks inherent to new technologies but also to promote the benefits of innovation and technology.

The IDB Group is committed to promoting the fintech ecosystem and the use of technology for greater financial inclusion, particularly of commonly excluded populations such as women and micro-, small-, and medium-sized enterprises (MSMEs). These issues are part of Vision 2025, which the IDB Group has set as a path for the coming years. Implementing this agenda is only possible by partnering with the countries of the region and strategic allies, as FintechLAC does. Our close collaboration with Finnovista, exemplified in this third regional publication on fintech in Latin America, is just one example of these efforts.

We hope that this study will serve to promote an ecosystem where fintech can develop and realize its potential as a means to improve lives in Latin America and the Caribbean.

Juan Antonio Ketterer
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[1] More information at https://www.iadb.org/en/sector/initiatives/digital-finance-innovation/fintech.

Foreword, Finnovista

This is the third regional fintech report for Latin America that Finnovista has published with the Inter-American Development Bank (IDB). In January 2020 when we embarked on gathering data on the more than 2,000 fintech platforms originating in the region, there was no way to foresee that a triple crisis—health, economic, and social—would soon hit the world and the region.

However, even though the prospects for recovery from the COVID-19 pandemic in Latin America are not yet apparent, the fintech sector is currently experiencing a phase of exuberance. This sentiment is reflected in the investment available for ventures, whether in debt or equity, which has followed an increasing trajectory during a period where the value propositions offered by fintech ventures have become even more relevant.

When we created Finnovista in 2013, we were convinced that technological entrepreneurship could transform financial services. We also felt confident that the combination would positively impact Latin America's social development, improving financial inclusion in the region in the medium and long term.

This belief is even stronger today due to the virtues offered by technology to bring financial services to people historically excluded from the financial system and the millions of people with bank accounts who were unable to access them due to the confinement measures decreed by authorities during the pandemic. Also benefiting are the fintech platforms that specialize in providing financial services to the millions of small- and medium-sized enterprises (SMEs) that in recent years have found themselves in need of digitalization to ensure their survival. Last but not least, there is a crop of fintech ventures focused on helping both individuals and SMEs develop the financial education and resilience they need to get through these multiple crises.

We are living in a historic moment. At Finnovista, we are committed to making fintech a key part of the economic, social, and health recovery of all Latin American and Caribbean countries. We hope this report will be helpful for the different players in the ecosystem and a valuable tool to accelerate the recovery we so desire.

Andrés Fontao
Managing Partner

Finnovista

Summary

Fintech platforms appear to be a potential solution to the financial inclusion gaps suffered by both enterprises and individuals in Latin America and the Caribbean. While few of the region's fintech startups scale enough to be significant and compete with the traditional financial sector, this report shows that the fintech sector has been establishing itself to grow and increase its impact.

This document shows that the sector in the region comprises 2,482 fintech platforms, equivalent to 22.6% of the total number of fintech firms worldwide. Their geographical distribution is closely related to the size of the economies where they operate and the countries' level of regulatory advancement. As a result, the region's largest economies—Brazil and Mexico—account for more than half of the total number of fintechs in Latin America and the Caribbean. Those countries together with Colombia, Argentina, and Chile account for 80% of these platforms in the region.

The payments and remittances and lending segments of fintech remain the most relevant at the regional level, although emerging segments such as digital banks and insurance (insurtech) have been growing dramatically.

This report by the Inter-American Development Bank (IDB) and Finnovista highlights how the COVID-19 pandemic, which led to increased digitalization for the region's inhabitants, ended up benefiting the adoption and strengthening of business models such as digital payments. In addition, a competition analysis shows a growing regional trend of cooperation with the traditional financial system. This work also shows how fintech platforms are a powerful tool for financial inclusion, providing financing for micro-, small-, and medium-sized enterprises (MSMEs) or facilitating access to financial services for more and more women. In fact, the report highlights the extent to which women own and invest in businesses in the sector.

Likewise, the document lists the primary public policy challenges overcome in the region, an aspect accelerated by the pandemic. For the first time, this work by the IDB and Finnovista includes a summary of fintech regulation in the region and shows the adoption of regulatory innovations, in particular the implementation of innovation hubs and regulatory sandboxes. That section, which is the foundation for a specific document on the subject that will be published soon, is accompanied by a digital tool that will allow the reader to locate the advances in regulatory matters in the region.

This flagship document summarizes the IDB's efforts in the fintech ecosystem in Latin America and the Caribbean over nearly a decade. These efforts are made real with the launch of the FintechLAC Network, the first public-private network of the fintech and digital finance sector in Latin America and the Caribbean, which finances this effort.

Recognition and Authors

This document was created through a multiyear, multidisciplinary effort entrusted to and executed by the Inter-American Development Bank (IDB) with the collaboration and capacity of Finnovista.

On behalf of the IDB, the coordination and part of the drafting was carried out by Gabriela Andrade and Diego Herrera from the Connectivity, Markets, and Finance Division. Ana Maria Zárate Moreno, Jaime Sarmiento, and Sahara de la Torre from the same division supported the text's drafting and construction. The project team appreciates the logistical support of Mildred Rivera and Romina Nicaretta and the technical review of Phil Keefer. They are grateful for the editorial review by Amy Scott and Sarah Schineller.

On behalf of Finnovista, the coordination was carried out by Andrés Fontao. The writing of the text and the collection, processing, and analysis of the data were completed by Elena Cruz and Graciela Herrera.

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Introduction

This report represents the third edition of a series of research documents that aim to map and analyze the emergence of companies that use technology to create new financial services—known as fintech—which the Inter-American Development Bank (IDB) initiated with Finnovista in 2016. The two previous editions, published in 2017 and 2018, have generated enormous interest from the communities that make up the fintech ecosystem in Latin America and have also become one of the primary sources of information on this sector in the region. This edition presents updated data on the industry. It analyzes issues that have gained relevance as the ecosystem evolves and grows, such as the rise of digital banks, the growing dynamism in technological innovations applied to insurance, and the impact of the pandemic on the sector.

COVID-19 disrupted the world's economic and social status quo, undoubtedly impacting how people in Latin America and the Caribbean relate to money and finance. As most of the data were collected during the pandemic, this report discusses —throughout the chapters and in the interviews that were conducted— some of the consequences that affect the sector, its response, and the opportunities generated for the future from the accelerated digitalization that accompanied the pandemic.

This report uses the following sources of information:

First, Finnovista's 2020 database of fintech companies in Latin America, generated thanks to Finnovista's involvement in different initiatives and projects to boost the ecosystem, such as acceleration and scaling programs and corporate innovation programs. To enrich the analysis of the evolution of the sector, the data is compared with that published in 2017 and 2018, and the aggregated information is updated with data as of December 2021. It is essential to mention that in 2021 some fintech segments were added to allow for more consistent comparison: business technology solutions for financial institutions now includes credit scoring, identity, and fraud and open finance and wealth management was made its own segment along with trading and capital markets.

Second, the regional survey aimed at fintech companies in Latin America, which has maintained the same basic structure since the first survey to favor the comparability and evolution of data, was updated with new questions to delve into the topics that have generated more interest in the sector. This survey included, as in the past, 18 countries in the region: Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela. While the original survey data for this report was collected in 2020,[2] the text was enriched with

[2] Previous surveys gathered data in January-February 2018 and September-November 2016.

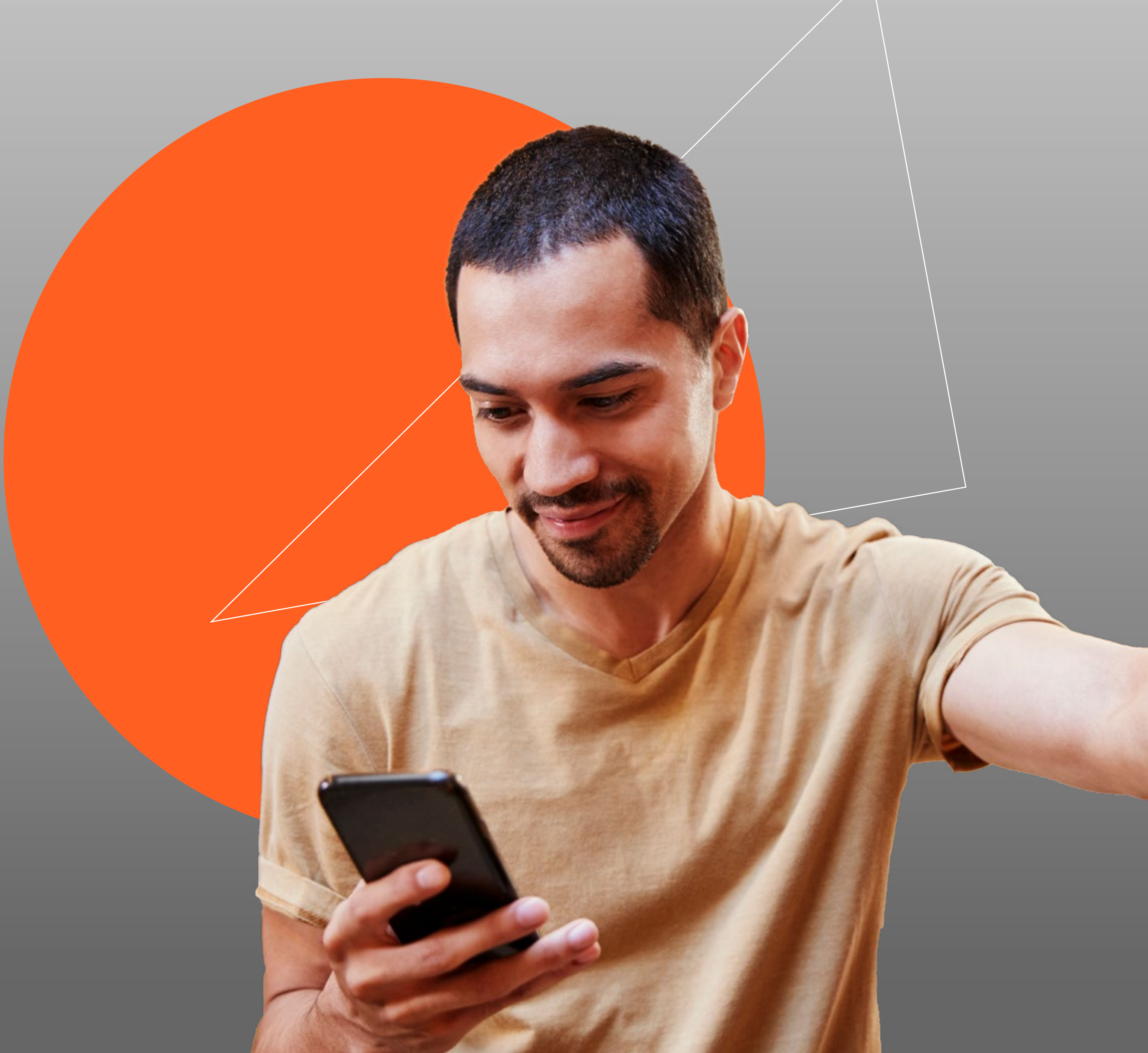
updated data from 2021 for Chile, Colombia, Mexico, and Peru and secondary references for the rest of the countries. In total for this edition, the survey collected information from 657 fintech companies in the region, after filtering responses from invalid and duplicate entities. These numbers indicate that the sample size is 28% of the identified universe of fintech companies in Latin America.

Third, we used secondary research. It is important to note that this report focuses on fintech companies and, therefore, does not reflect the digital or technological initiatives of traditional financial institutions or the financial initiatives of institutions in other areas, such as in the telecommunications sector. In addition, considering that most fintech companies are young financial technology companies, for this document the terms "fintech", "fintech startup," "fintech company," "fintech venture," and "fintech initiative" are used interchangeably because young companies are the focus of this study.

This report is structured as follows: Chapter 1 offers an overview of the sector in the region, highlighting the evolution of the different business segments, the geographical distribution of the ventures, and the state of internationalization, development, and maturity of the ecosystem. Chapter 2 delves into issues related to the financing of these companies, while Chapter 3 focuses on the rapid rise of digital banks in the region. Chapter 4 discusses the potential of the fintech sector to improve the financial inclusion of individuals and businesses; Chapter 5 delves into the role of women in the fintech sector. Chapter 6 describes some trends in the competitive environment, and Chapter 7 provides an initial analysis of the emergence of the insurtech segment in the region. Chapter 8 examines for the first time regulatory developments, including an analysis of fintech's perception of regulation and an update on fintech partnerships. Throughout the text, reference is made to the effects from the COVID-19 pandemic on the fintech sector.

Finally, the brief conclusion seeks to provide some critical data and reflections on the impact of COVID-19 on the industry and the opportunities presented by the post-pandemic era.

CHAPTER 1:
OVERVIEW OF THE LATIN AMERICAN AND CARIBBEAN FINTECH ECOSYSTEM



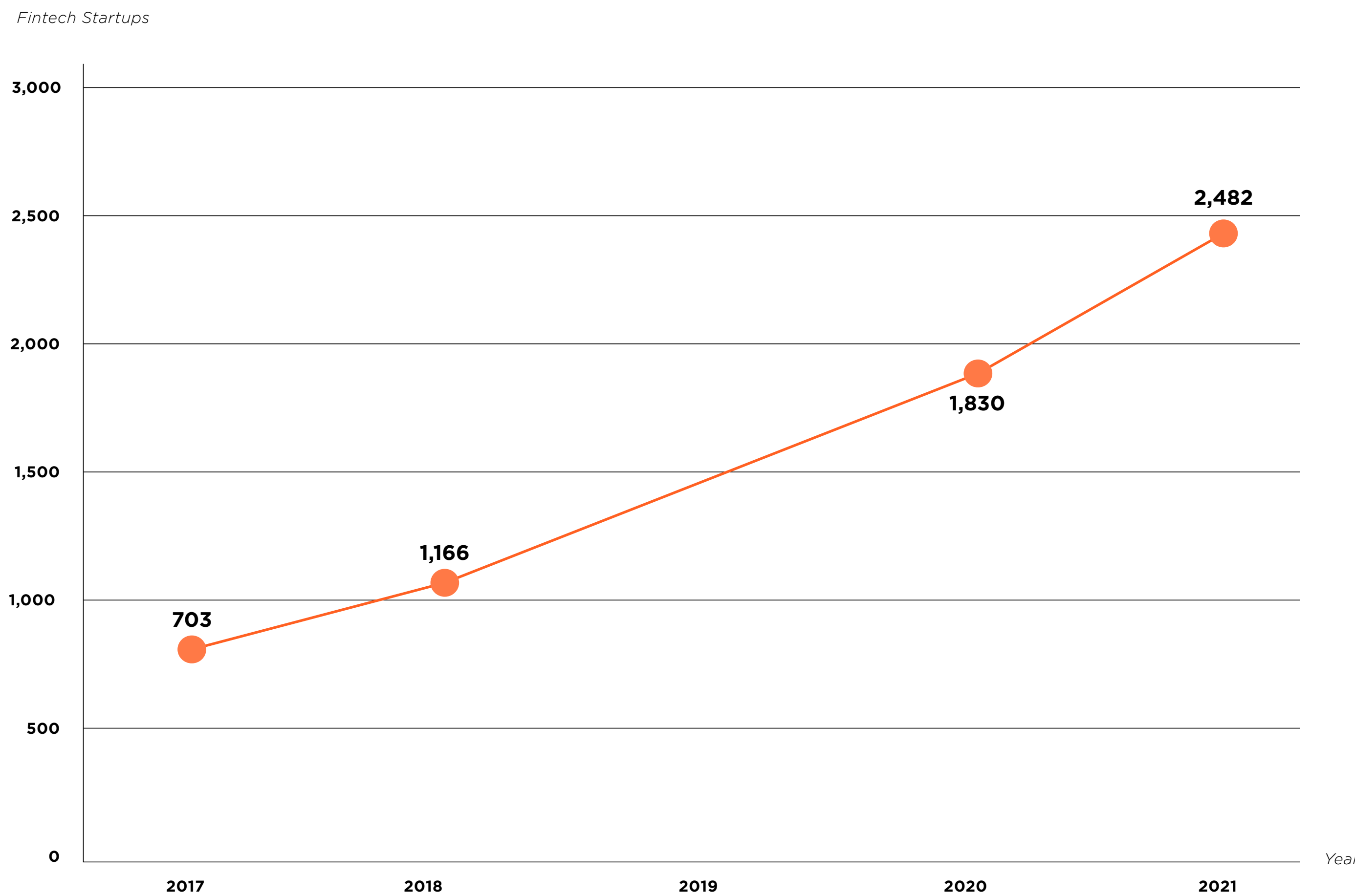
The fintech ecosystem in Latin America continues to grow quickly, maintaining the dynamism of the past. There has been sustained growth in all segments and in the number of active ventures since the last measurement in 2018, accompanied by a progressive maturity of the sector. This chapter presents an overview of the industry and its evolution in terms of the distribution of activity among countries, the development of the nine fintech segments that these reports have been studying, and other trends such as the companies' current stage of development, their internationalization, and the challenges they face.

Geographical Distribution and Main Markets

Towards the end of 2021, 2,482 fintech companies were identified in Latin America, more than double that of the last data collection in 2018, when the report counted 1,166. The 2,482 Latin American fintech companies represent 22.6% of the 11,000 fintech companies worldwide, according to data from the Global Fintech Index 2021 (Findexable, 2021a).

Between 2017 and 2021, the average annual growth for the number of companies operating in the sector was 37% (equivalent to 253% from the first data collection, in 2017, until December 2021). These numbers show the dynamism and expansion that the industry has been experiencing year after year and indicate that entrepreneurs in Latin America see opportunities to address the unmet demand for financial services and the market segments that remain excluded. This dynamism increased during the pandemic, with more efforts by fintech companies to meet all the needs of users virtually (see Figure 1.1).

Figure 1.1: Fintech Ventures in Latin America and the Caribbean (2017–2021)



Source: Finnovista (2021).

Main Fintech Markets in Latin America and the Caribbean

Since 2017, Brazil and Mexico continue to have the two largest fintech markets in the region, accounting for over half of the region's fintech ventures (see Table 1.1). Behind Brazil and Mexico are Colombia (279 companies), Argentina (276), and Chile (179).

Activity concentration in the primary markets—Brazil, Mexico, Colombia, Argentina, and Chile—has been decreasing since the first measurement in 2017, when 89.7% of fintech ventures were concentrated in these five countries, 2018 (86%), and 2021 (81%). These numbers explain a slight trend of deconcentration of fintech entrepreneurship in the region.

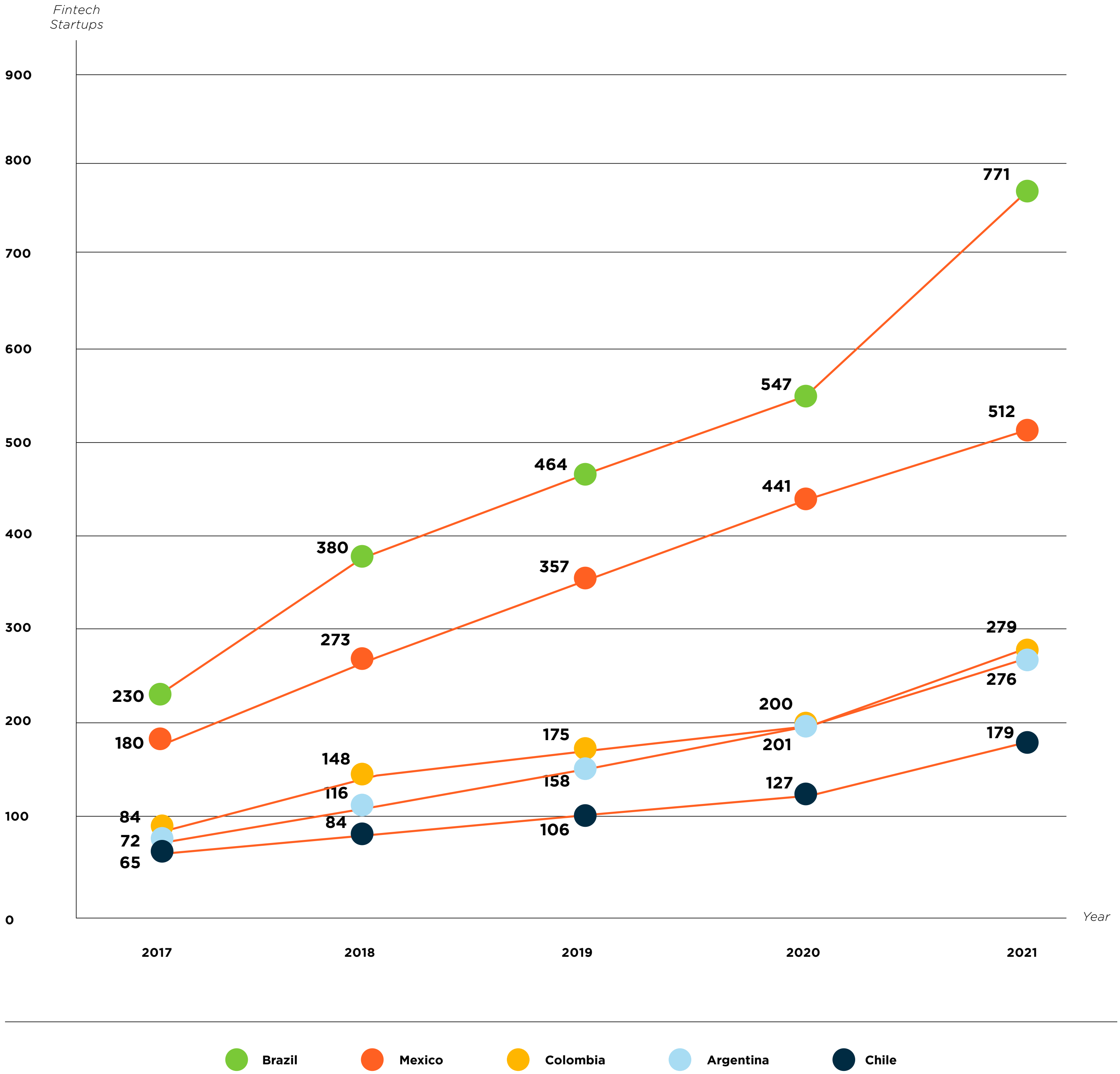
Table 1.1: Distribution of Fintech Companies by Country: Main Markets

	2021	
Country	**Fintech companies**	**Total**
Brazil	771	31%
Mexico	512	21%
Colombia	279	11%
Argentina	276	11%
Chile	179	7%

Source: Finnovista and IDB (2021).

On average, the number of ventures in this group of countries has grown at 34% per year between 2017 and 2021. Together, these five countries account for 81% of Latin American and Caribbean startups. Coupled with the size of the markets, access to financing, regulatory certainty, and other factors that influence the constant growth of the sector, it is fair to say that the pandemic was a catalyst for users and income for fintech platforms in these main Latin American markets in recent years. Furthermore, Brazil, Mexico, Colombia, and Chile are of the most significant interest to the investment community in this sector (IDB and Finnovista, 2021). Figure 1.2 shows the evolution of the fintech ecosystem in these five main markets.

Figure 1.2: **Evolution of the Fintech Ecosystem in Five Major Latin American Markets**



Source: Authors' elaboration based on Finnovista (2021).

Countries with an Emerging Fintech Sector

Trailing the main markets and accounting for 14% of the total number of fintech companies in the region are six countries in which the ecosystem is still emerging but is experiencing significant growth rates. For example, in the Dominican Republic, 55 active ventures were identified in 2021, while in 2017 the report identified only two; this indicates an average year-on-year growth rate of 129%. Table 1.2 shows the group of six Latin American and Caribbean countries with emerging fintech sectors. As can be seen, Peru is the leader of this group, followed by Ecuador and the Dominican Republic, in terms of the number of currently active fintech ventures.

Table 1.2: Latin American and Caribbean Countries with an Emerging Fintech Industry

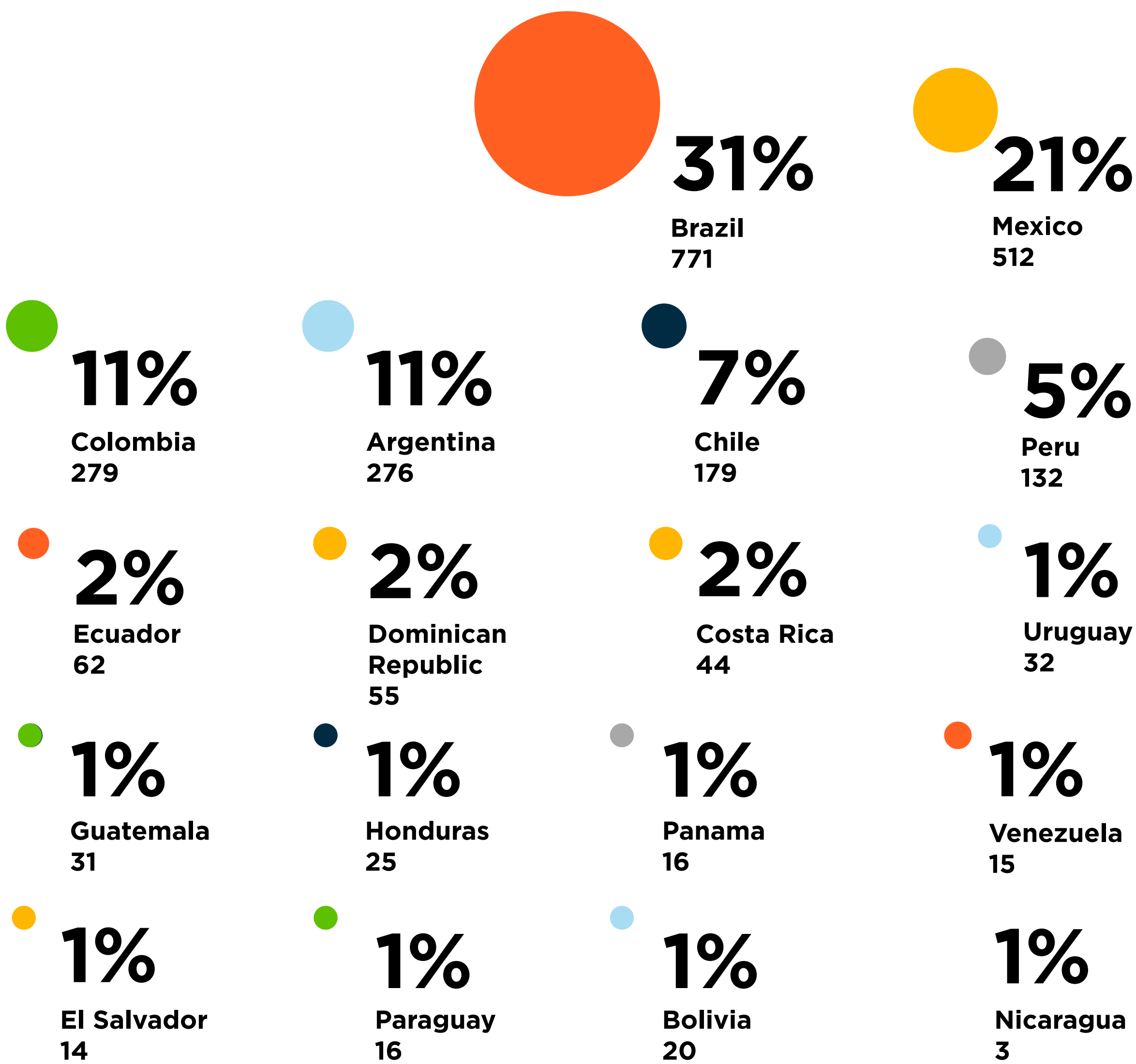
	2021		
Country	Fintech startups	Percentage of total fintech companies	Average year-on-year growth (2017–2021)
Peru	132	4.6%	69%
Ecuador	62	2.5%	47%
Dominican Republic	55	2.3%	129%
Costa Rica	44	1.4%	72%
Uruguay	32	1.4%	28%
Guatemala	31	1.3%	79%

Source: Finnovista and IDB (2021).

With 132 ventures, Peru leads the ranking of countries with an emerging fintech sector.

The remaining 4% of the total number of fintech companies in Latin America is distributed among Honduras (25 ventures); Bolivia (20); Paraguay, Venezuela, and Panama (16 each); El Salvador (14); and Nicaragua (3). The distribution of the total number of fintech companies in Latin America by country appears in Figure 1.3.

Figure 1.3: Distribution of Fintech Companies in Latin America and the Caribbean, by Country (2021)

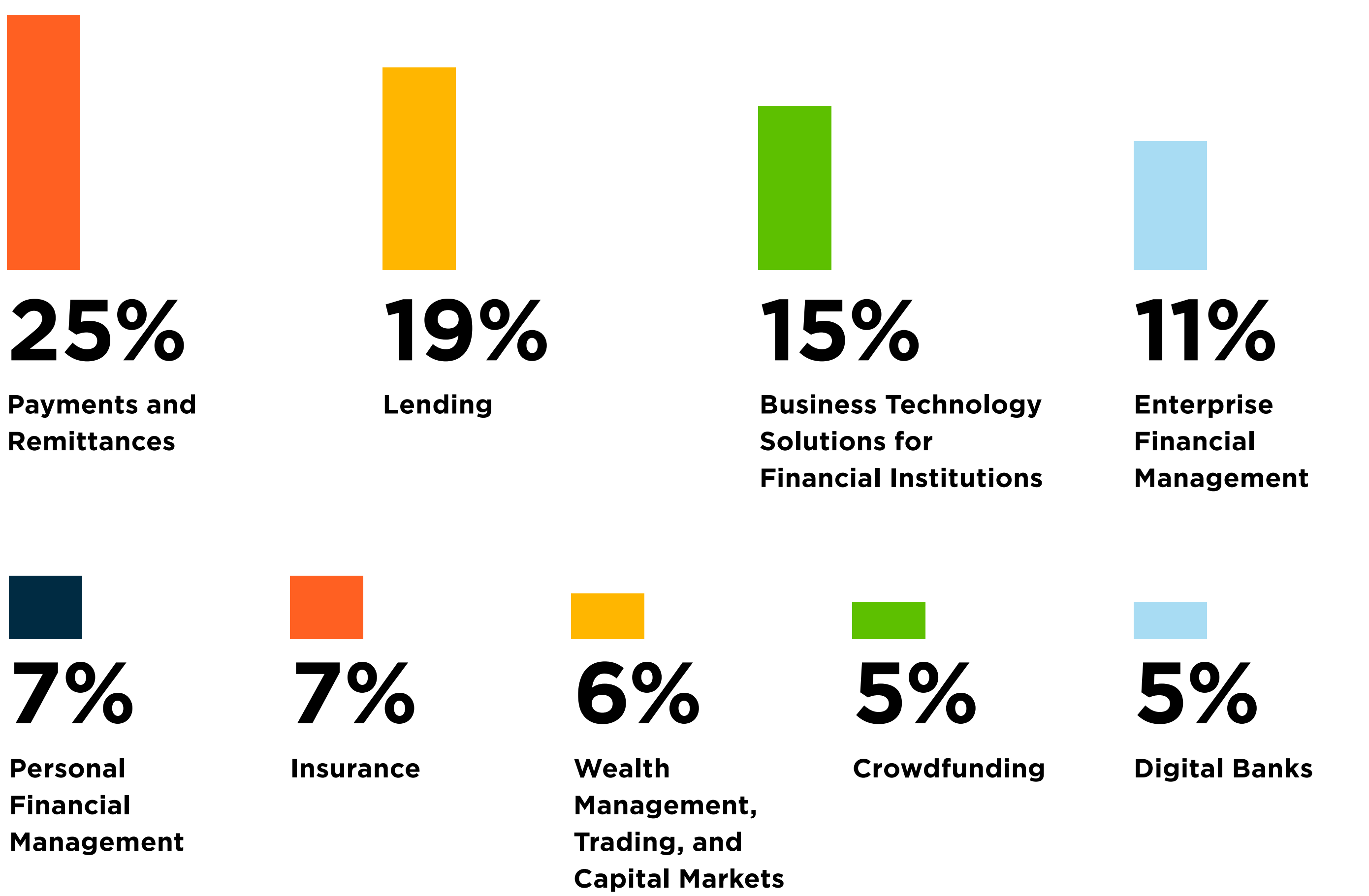


Source: Finnovista and IDB (2021).

Main Segments

Since 2017, the reports have identified various segments of the financial services industry where companies with innovative and technology-based business models have emerged. From alternative financing platforms for companies to applications or apps for financial education and health for individuals, the solutions offered by fintech ventures in Latin America and the Caribbean cover a wide range of segments as shown in Figure 1.4.[3]

Figure 1.4: Distribution of Fintech Companies in Latin America, by Segment



Source: Finnovista (2021).

[3] Segment data is current as of March 2021.

With no change in share since 2017, the segment with the highest number of ventures is payments and remittances, with 25% of the total number of ventures, followed by lending (19%) and business technology solutions for financial institutions[4] (15%). It is worth noting that, in the study published in December 2021 for the Pacific Alliance countries, the lending segment surpassed payments and remittances for the first time (IDB and Finnovista, 2021). That follows the global fintech trend, which started as a disruptive movement for the payments segment but is rapidly moving towards lending (Sahay et al., 2020). It is likely that, in the coming years and counts, the lending segment will occupy first place in Latin America and the Caribbean as well.

The business technology solutions for financial institutions segment has gained a position within the top group of segments with a 15% share of the ecosystem, reflecting the growing demand for digital banking software solutions and digital solutions to combat money laundering and terrorist financing, including "know your customer" (KYC), smart contracts, and other white-label solutions[5] designed for financial institutions. Together, these three main segments—payments and remittances, lending, and business technology solutions for financial institutions—account for 60% of fintech activity in the region.

Fastest-Growing Fintech Segments in Latin America and the Caribbean

In analyzing the average annual expansion rate of the fintech segments in the period 2017–2021, one can see that the segment with the highest average yearly growth was digital banks with 57%. Analysis for this fascinating phenomenon is in Chapter 3.

Business technology solutions for financial institutions follows digital banks in terms of average annual growth, reporting 49%. It is no surprise then that this segment has become one of the main segments in recent years. It is natural that, as the number of digital banks increases, so does the number of companies dedicated to providing technical support services to financial institutions, as it is a complementary service for this segment.

The insurance segment has also seen significant development in recent years, growing at an average annual rate of 46%, which allowed it to grow from 28 companies identified in the sector in 2017 to 127 in 2021. This segment already exhibited a natural growth trend before the pandemic, and although 2020 was a year when,

[4] The business technology solutions for financial institutions segment also considers credit scoring, identity, and fraud and open finance companies.

[5] White-label software products are systems designed by developers that have standard functionalities and can adapt to the needs of their clients—in this case, financial institutions—to offer these functionalities in a product distributed under the brand of the client and not of the developer.

in general, insurers saw losses, the pandemic accelerated the segment's transformation. Boston Consulting Group (BCG) reports that the insurtech segment earned a record US$7.5 billion globally in 2020 (BCG, 2021), showing that this growth is a consequence of the bet on and the need for transformation of this segment. In Colombia, for example, this segment was one of the three that grew the most from 2020 to 2021.

The lending segment recorded an average annual growth of 45% since 2017. Interestingly, the effects of the pandemic on the lending segment impacted credit demand in two main ways, although results varied by country (Sahay et al., 2020). On the one hand, an increase in demand derived from the need for liquidity (in the case of Mexico, Colombia, and Peru, 87% of the population experienced a decrease in their income during the contingency period) (EY Parthenon, 2020) and, on the other hand, there was lower demand, related in part to the population's aversion to contracting new risks or debts in the face of economic uncertainty (Deloitte, 2020). When analyzing the data for the Pacific Alliance countries, the report found that in the aggregate, the effect was positive since lending is now the most relevant segment in this subregion.

On the other hand, the digital banks, business technology solutions for financial institutions, insurance, and lending segments show the highest average annualized growth over the last five years. Figure 1.5 illustrates the average annualized pace of expansion observed over the 2017–2021 period in the nine fintech segments in Latin America.

The insurance segment has grown at an average annual rate of 46%, reaching 127 companies.

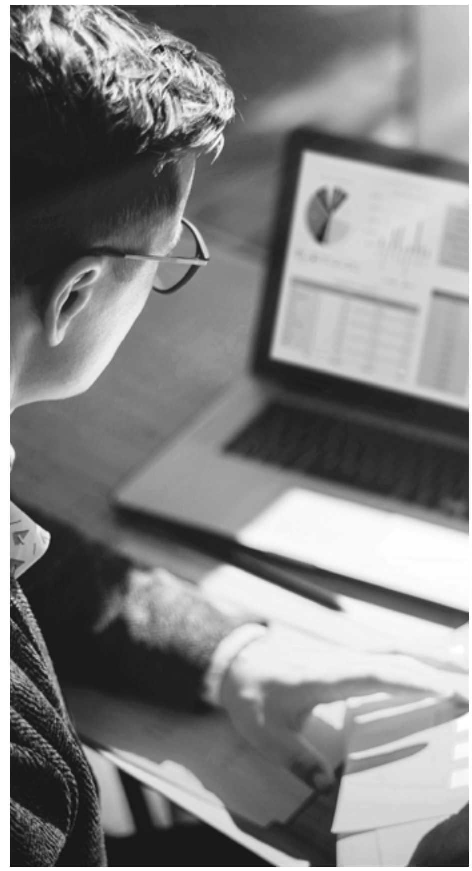
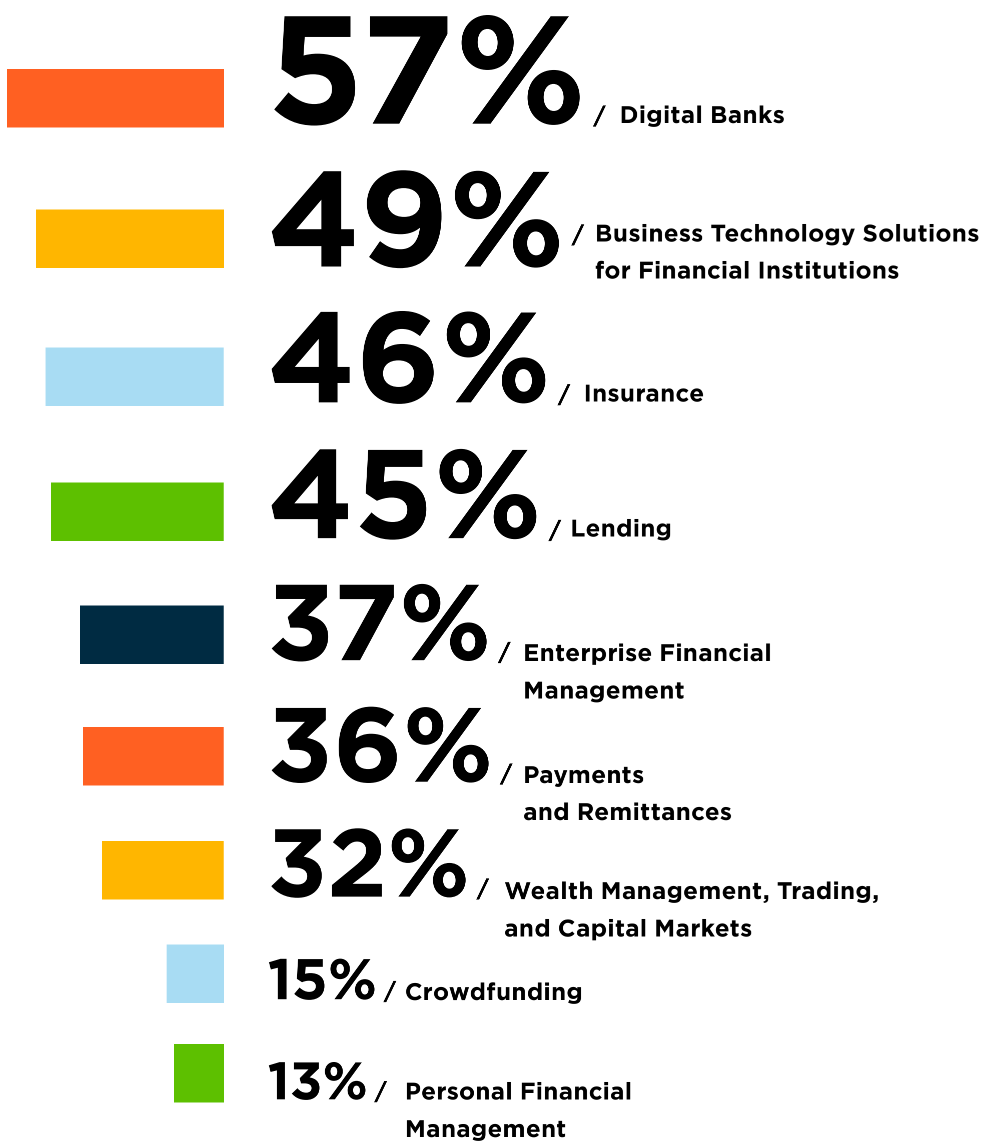


Figure 1.5: **Average Annual Growth of Fintech Segments in Latin America (2017–2021)**



Source: Authors' elaboration based on Finnovista (2021).

Crowdfunding platforms and personal financial management solutions report the lowest average annual growth rate compared to other fintech segments. There is lower consumer demand for such solutions and business model sustainability is difficult due to capital requirements and other regulatory licensing requirements that have come into force (Estañol, 2018).

Analysis of the Main Segments and Trends[6]

Payments and Remittances

As reported in previous editions, two critical factors coexist for the boom of the payments and remittances segment in Latin America: a low financial inclusion rate compared to other regions of the world and a high percentage of the population with access to mobile technology. Since the data collection process began in 2017, this segment continues to concentrate the largest share of fintech activity in Latin America. With 604 ventures in 2021, an average annual expansion of 36% is observed since 2017, when 177 such companies were reported.

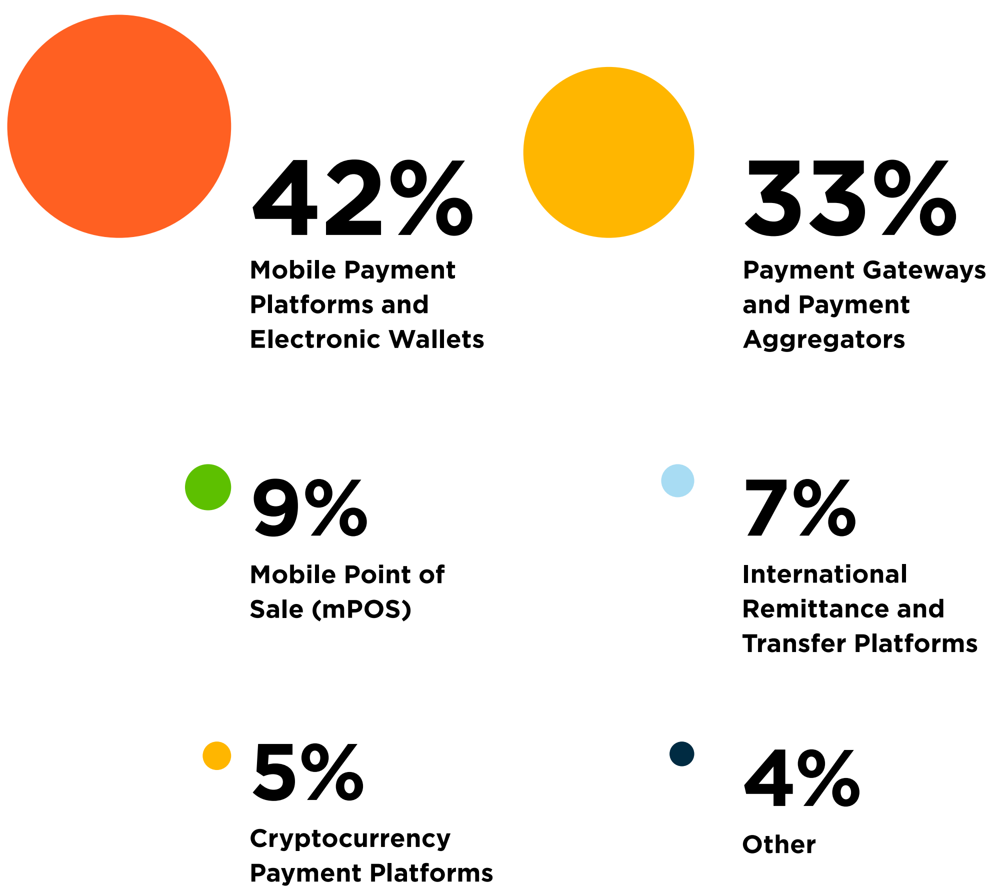
The payments segment is composed of these subsegments:

- Payment gateways and payment aggregators
- Mobile payment platforms and electronic wallets
- International remittance and transfer platforms
- Cryptocurrency payment platforms
- Mobile point of sale (mPOS)

[6] Data at the subsegment level is current as of 2020.

Figure 1.6 shows the distribution of the different digital payment solutions with the most dynamism today in Latin America and the Caribbean. While in 2018 the leading subsegment was payment gateways and aggregators, in 2021, mobile payment platforms and electronic wallets positioned themselves as the leading type of digital payment solution in the region with a 42% share of the segment, indicating a growing adoption of mobile payments in the region. Much of this growth has to do with the momentum resulting from the COVID-19 pandemic.

Figure 1.6: Types of Digital Payment Solutions in Latin America and the Caribbean



Source: Finnovista and IDB (2021).

The increased adoption of digital payments as a consequence of the public policy measures in response to COVID-19 had a relevant impact on this type of fintech company, many of which have experienced accelerated growth since the pandemic. Overall, the new normal creates a favorable context for sustained growth in demand for digital payment solutions across all subsegments, suggesting that prospects are encouraging. One example is the case of PIX in Brazil, a centralized payments platform launched by the central bank in May 2020 that enabled access to payments for a large part of the previously unserved or underserved population. By 2021, PIX had more than 251 million accounts connected to the platform and more than 1.2 billion transactions per month, 75% of which corresponded to peer-to-peer (P2P) payments. Some 75 fintech platforms are part of 768 companies providing services on PIX.

Box 1.1: PIX: An Example of a Fast Retail Payment System (FRPS)

Public policy initiatives that lead to the creation and opening of fast retail payment systems (FRPSs) are being established in Latin America and the Caribbean as an alternative to boost the digital financial inclusion ecosystem. The FRPSs can continuously offer instant and irrevocable payments through an infrastructure typically provided by a central bank. In addition, they have the potential to be the seed to generate open finance ecosystems with the participation of traditional financial institutions and fintech platforms. In Latin America and the Caribbean, Mexico (with a system called CoDi) and Brazil (with PIX) have been leading these developments with relative success.

The external validity offered by PIX, the Central Bank of Brazil's centralized payment system that started operations in November 2020, is very interesting. PIX is a scheme that allows its users—individuals, companies, and government entities—to send or receive immediate payment transfers, including on non-working days. Transactions are irrevocable and take only a few seconds. For transferring funds between transactional accounts (checking, savings, and prepaid payment accounts), PIX is a payment method whose cost of acceptance tends to be lower, as its framework works with few intermediaries. The data speaks for itself:[7]

a) Participants

PIX hosts 768 participating institutions, of which 80% (620) are credit unions, the most frequently used financial inclusion vehicle in Brazil. Also part of the system are 61 payment institutions and nine direct credit companies, many of which are fintech. There are also 48 multiple banks and seven commercial banks. It is an inclusive network from the supply perspective. It is necessary to emphasize that the system is interoperable.

b) Transactions

a. Total: The system has seen increasing adoption from a transaction perspective. In December 2021, more than 1.2 billion transactions were completed, representing more than 500% growth since January 2021. The pandemic has been a catalyst for electronic transactions.

b. Amount: The total amount of transactions through the system has surpassed BRL4.6 trillion, equivalent to US$842 billion.

c. Types of transactions: P2P makes up 75% of transactions, 12% are P2B, and 11% are B2P. In other words, both individuals and companies participate. This means that the system benefits a spectrum of financial consumers, which is part of the focus of financial inclusion. In total, more than 109 million natural persons participate.

In conclusion, PIX is an example of a centralized payment system that generates financial inclusion and formalization, reaching populations that the traditional payment system could not satisfy. In addition, it has opened up the possibility of generating interoperability, transactionality, and inclusion through application programming interfaces (API), putting into practice the principles of open finance.

[7] See https://www.bcb.gov.br/estabilidadefinanceira/estatisticaspix.

Lending

Only 12% of adults over 15 years of age in Latin America and the Caribbean report having obtained a loan from a financial sector entity in the last year. Meanwhile, 55% of formal sector companies report having had access to a line of credit or a loan in the previous year.[8] In the case of the region's micro-, small-, and medium-sized enterprises (MSMEs), the credit access gap—the difference between credit demand and supply—reaches 30% of regional GDP.[9] Some of the reasons individuals and companies cannot access credit through the traditional financial system are, among others, the lack of credit histories, agency problems, and scale costs. Transaction and opportunity costs due to complicated onboarding also partly explain this problem from the demand side. Digital credit solutions have been developed in Latin America through various subsegments with different models that finance lending from the balance sheet or between individuals. The main subsegments in the lending segment are:[10]

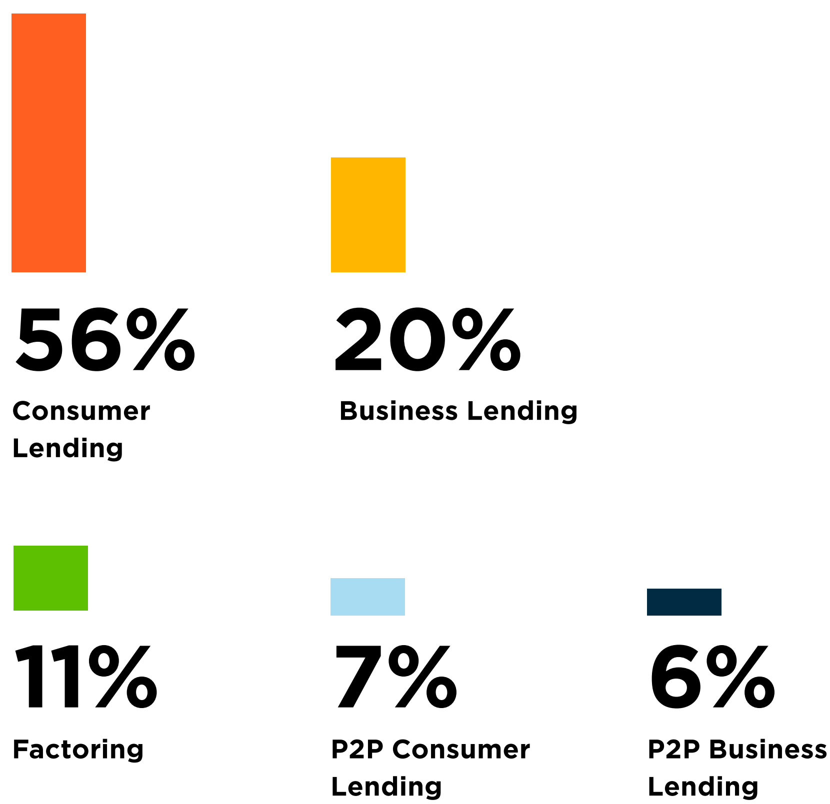
- Consumer lending
- Business lending
- P2P business lending
- P2P consumer lending
- Factoring

[8] More information in the World Bank's Global Financial Development Database: https://www.worldbank.org/en/publication/gfdr/data/global-financial-development-database.
[9] More information can be found at the SME Finance Forum: https://www.smefinanceforum.org/data-sites/msme-finance-gap.
[10] To see a complete taxonomy, please go to https://www.jbs.cam.ac.uk/faculty-research/centres/alternative-finance/publications/the-2nd-global-alternative-finance-market-benchmarking-report/.

Of the financing from alternative finance and crowdfunding platforms in the region, 85% goes to businesses.

As noted above, the lending segment grew at an annual average of 45%, from 115 companies in 2017 to 502 in 2021. The predominant subsegment in terms of the number of fintech companies is consumer lending, with a 56% share, which is slightly higher than reported in the previous edition of this report (54%). The other subsegments also show no significant changes from the 2018 edition, indicating that while the lending segment has grown in the number of companies, activity within the segment has been steady over the past two years (see Figure 1.7).

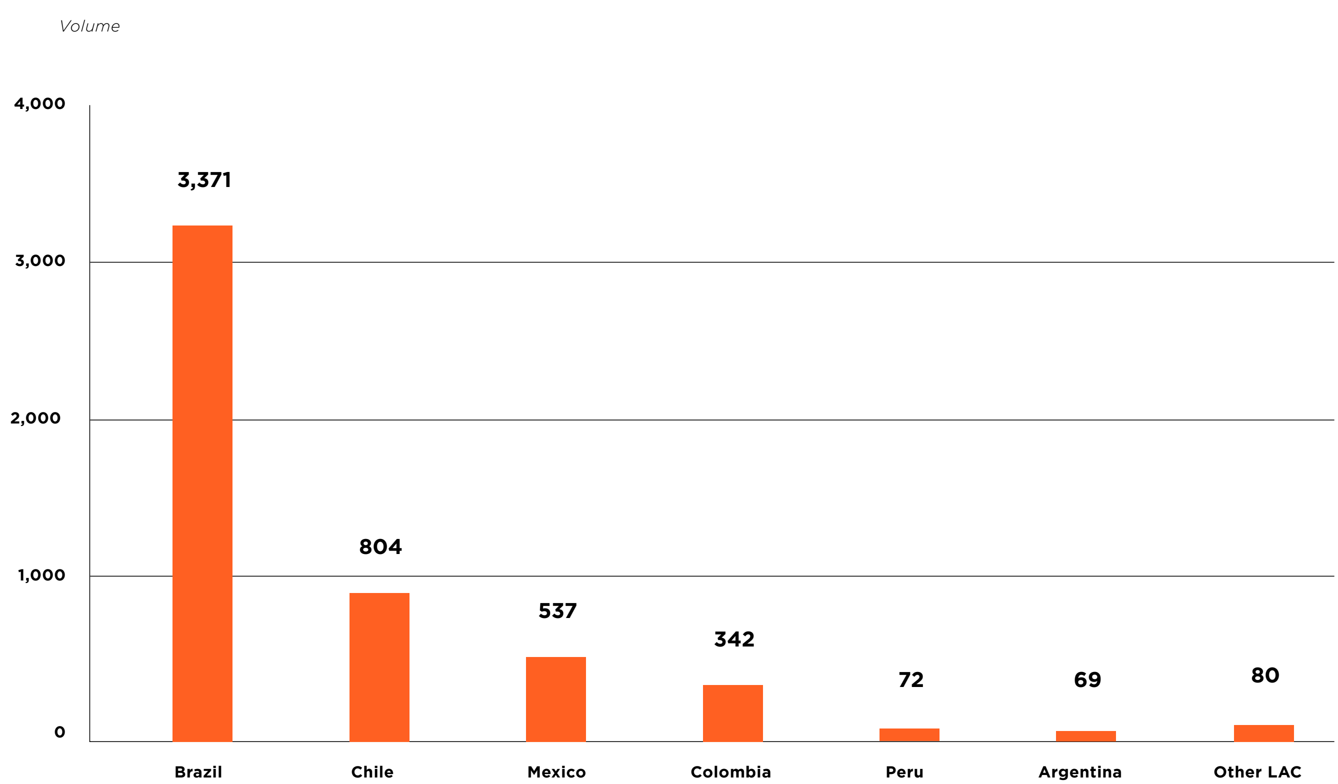
Figure 1.7: Types of Digital Credit Solutions in Latin America



Source: Finnovista and IDB (2021).

The dynamics of this segment change when considered from the perspective of the amount of funding coming from alternative financing platforms (which include crowdfunding platforms as a minority) in the region, which reached US$5.27 billion in 2020 according to the 2nd Global Alternative Finance Market Benchmarking Report published in 2021 by the University of Cambridge with the support of the IDB (Ziegler et al., 2021). Figure 1.8 shows the total amounts in each country.

Figure 1.8: Latin America and the Caribbean: Amount Originated in Alternative Finance (US$ millions, 2020)



Source: Ziegler et al. (2021).

In 2020, 85% of the financing provided by these platforms was destined for businesses. This number means that, in total, more than US$4.54 billion is focused on financing projects, mainly of MSMEs throughout the region. It is essential to highlight that said report, which analyzes the dynamics of this market globally, shows that Latin America and the Caribbean is the region with the most significant emphasis on financing firms and the highest yearly growth (260%) in alternative financing for companies from 2018 to 2019. In 2020, in the context of COVID-19 and depreciation of some of the region's currencies against the dollar, growth was 9% (Ziegler et al., 2021).

All these data show an exciting dynamism in the lending segment, not only due to the growing number of fintech initiatives that serve individuals and companies, but also in the amounts of financing for the growth of MSMEs, which also reflects that innovators, entrepreneurs, and investors continue to seek to serve a market that is still unsatisfied in the region. Although Chapter 2 of this report analyzes the amounts of private investment in the fintech sector in the region, it is worth noting here that the lending segment is one of the fintech segments with the greatest number of companies participating in mega-rounds of funding never before seen in Latin America, which confirms that regional and global investors see the business opportunity in this unsatisfied market. Until recently, it would have seemed impossible for a dollar managed by the world's largest investment banks to be destined to help grow a small business in Latin America. Today, this is possible thanks to innovations within this segment.

Box 1.2: Developing Alternative Financing from Capital Markets: The Case of a2censo

The entrepreneurial spirit will always be part of a company, although it tends to fade over time, disconnecting and falling by the wayside. Upon discovering this, Bolsa de Valores de Colombia (the Colombian securities exchange) decided to come out of its comfort zone and reconnect with its entrepreneurial essence, innovating from within by seeking other growth alternatives for Colombians. After research, analysis, and work, in November 2019 a2censo, a 100% digital financing and investment ecosystem, went live.

a2censo is the first and so far the only debt crowdfunding platform in Colombia, which gives it great value for both entrepreneurs and investors. In this platform, small- and medium-sized enterprises (SMEs) find great added value in terms of visibility and recognition in the market and, for investors, it is a great opportunity. No previous experience is required to invest and they can make a return on their money starting with low amounts. In addition, both parties feel more secure as they have the full backing, strength, and experience of Bolsa de Valores de Colombia. The most remarkable thing is that it enables SMEs and investors to create a win-win relationship to set new goals and boost the country's development and economy.

The fintech territory is becoming more robust every day, and a2censo continues to position itself firmly: the platform is leveraged on a series of strategic allies and on the strength generated by the boom in the collaborative economy, which forms part of the new solutions for the financing needs of SMEs. Thus, a2censo creates a market that is more accessible, competitive, and dynamic, something the national economy appreciates.

An essential part of a2censo's growth process has been its ability to adapt. The COVID-19 pandemic led them to rethink methodologies and processes: they had to experiment and adjust the business model to the new needs of clients, expanding options to

(continued on next page)

Box 1.2: Developing Alternative Financing from Capital Markets: The Case of a2censo *(continued)*

make business financing more flexible. Since the launch of a2censo, the community's growth has been amazing: by the end of November 2021, 92 business projects had already been financed with the investment of 6,807 people and more than COP35 billion (nearly US$8.7 million) mobilized.

In the beginning, a campaign of US$82,000 could take about three months to complete. Currently, amounts close to US$800,000 have been raised in less than five hours, demonstrating the great reception that the platform has had, not only with investors but also with companies that see this new financing model as very attractive, opening the door to different sectors such as entertainment, environmental sanitation, agribusiness, creative and cultural industries, administrative services, research and science, transportation and storage, domestic services, education, and sectors prioritized during the pandemic like technology, e-commerce, healthtech, and edtech.

This new segment has been desirable to investors because the interest rates are attractive. The average placement rate is 10.48% annual, and campaigns have been published with rates ranging from 8% to 13% annual, with an average maturity of three years. Another great advantage of a2censo is the alliance with the government's National Guarantee Fund, which has even offered an average coverage of 70% of the financed capital, another quality that makes the tool a genuinely unique experience.

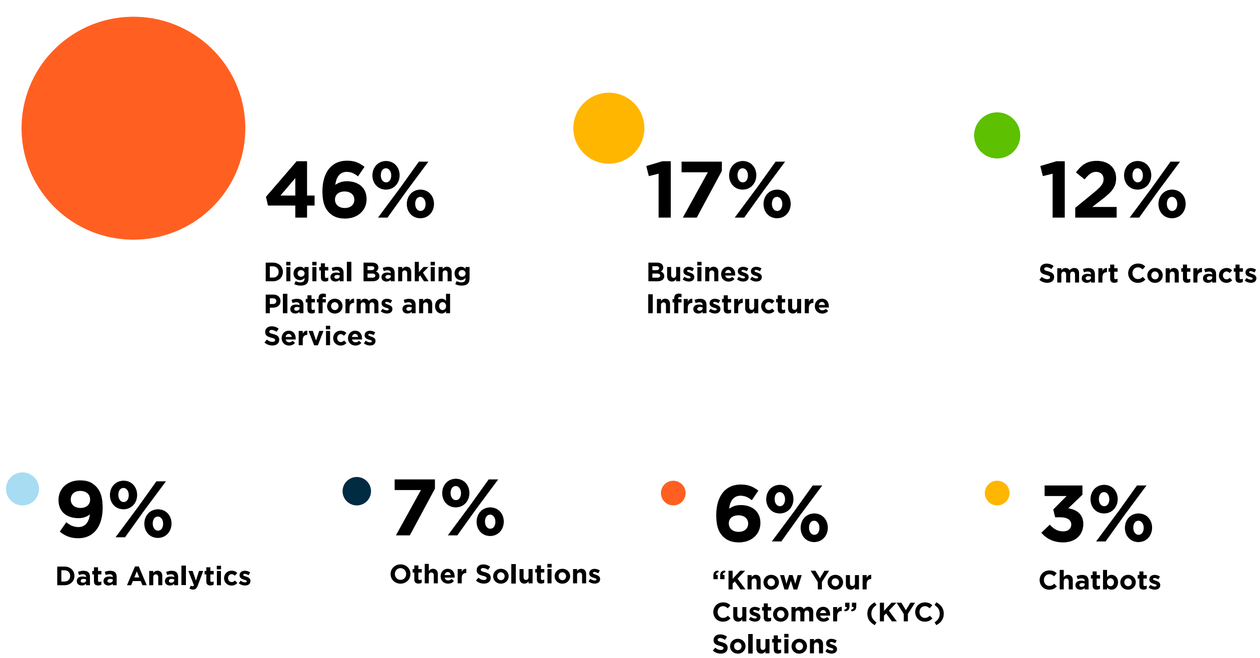
The positive impact caused by this platform developed by Bolsa de Valores de Colombia transcends entrepreneurs and investors. It brings progress to many regions of the country, allows the creation of jobs, and is a fundamental part of the economic reactivation, understanding the importance that startups and national SMEs have. In conclusion, a2censo takes value connections to the next level.

Business Technology Solutions for Financial Institutions

Becoming one of the leading segments and leaving the group of emerging segments, business technology solutions for financial institutions has registered the highest average annual growth rate since 2017, only after digital banks. Companies considered under this segment are typically software development–focused ventures specializing in the financial sector, offering custom or white-label products (see Figure 1.9). The following are the prominent subsegments:

- Digital banking platforms and services
- Business infrastructure
- Smart contracts
- Data analytics
- "Know your customer" (KYC) solutions
- Chatbots
- Other solutions

Figure 1.9: **Types of Business Technology Solutions for Financial Institutions in Latin America**



Source: Finnovista and IDB (2021).

Open finance, with 13 companies, starts to grow as a relevant emerging segment in the region.

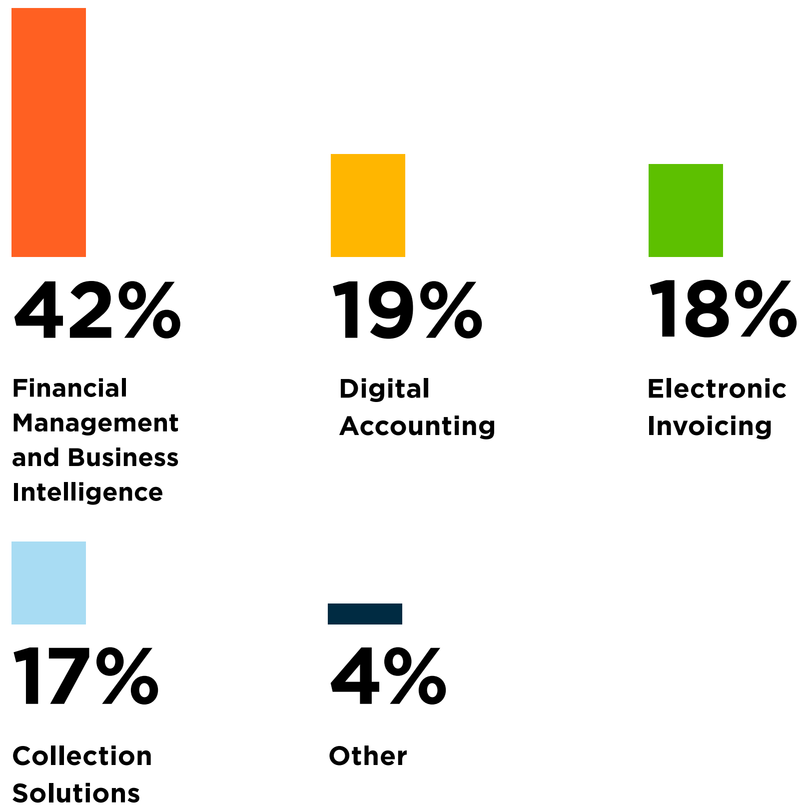
The digital banking platforms and services subsegment is the largest, and this reflects the increased demand for these tools by financial institutions in the region and how entrepreneurs have responded to it. According to data collected in 2018, only 13% of the companies within this segment offered digital banking services and platforms to financial institutions, which has increased to 46% in 2021. This data represents the digital transformation of financial institutions in the region and how they are transforming their internal operations and user services through technology in a highly digitized and increasingly demanding competitive environment. Emerging subsegments such as chatbots and data analytics have gained a position within this segment. Financial institutions and even business conglomerates in adjacent industries will continue to demand technologies that allow them to approach users digitally. As of 2021, this segment also includes credit scoring, identity, and fraud and open finance companies.

Enterprise Financial Management

Digital solutions for enterprise financial management are of vital importance as one of the main segments of the fintech ecosystem and because the digitalization and technological sophistication of MSMEs represents a priority for the development of the region (see Figure 1.10). In Latin America and the Caribbean, MSMEs represent 99% of all companies (Dini and Stumpo, 2018) and are responsible for most jobs. Still, they need to advance in their digital transformation process to increase productivity and contribute to economic growth. The sector understands these needs, which is why it offers solutions through different subsegments:

- Electronic invoicing
- Digital accounting
- Financial management and business intelligence
- Collection solutions
- Other

Figure 1.10: Types of Enterprise Financial Management Solutions in Latin America



Source: Finnovista and IDB (2021).

The only subsegment that suffered a slowdown in its growth was digital accounting. It accounted for 20% of enterprise financial management solutions in the 2018 edition of this report, and its share in this update is down by almost two percentage points. None of the other subsegments registered significant changes, similar to what happened in the lending segment.

Open Finance

Open finance is not a new concept in the region. Many countries already have ecosystems in operation based on application programming interfaces (APIs) in their financial systems at different levels of development. Brazil and Mexico have been implementing open finance ecosystems from the regulatory point of view. The open finance segment is growing, with 13 platforms dedicated to offering APIs, a number that should increase in the coming years.

Maturity, Internationalization, and Challenges

Indicators of the Maturity of Fintech Ventures in Latin America and the Caribbean

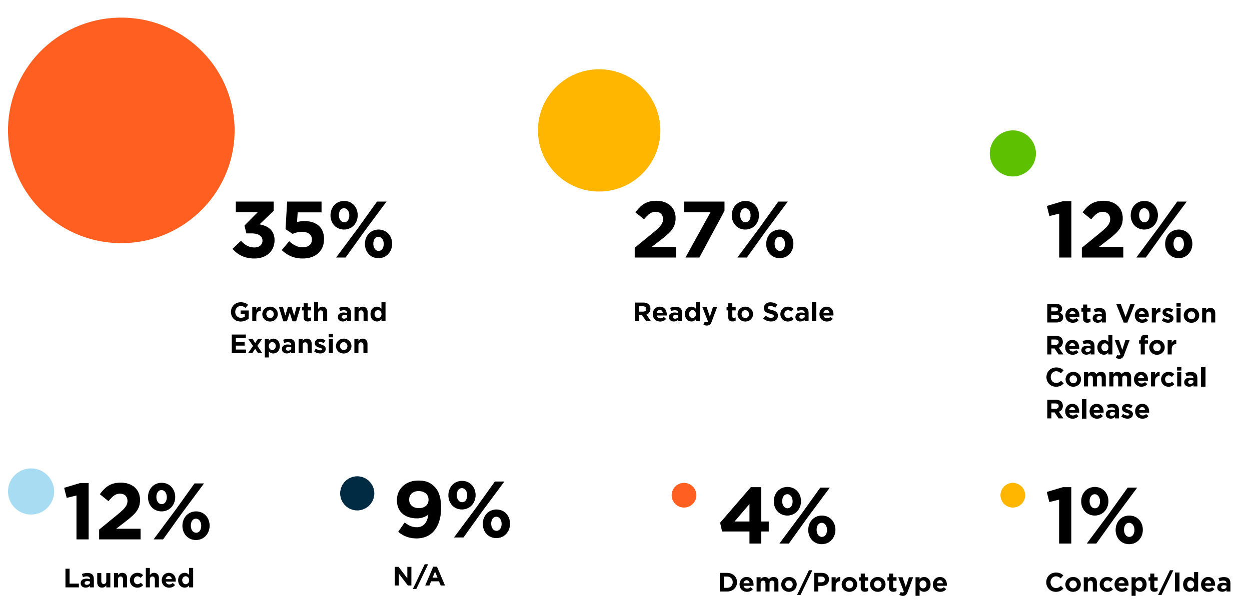
This section analyzes the regional survey results aimed at fintech companies in Latin America and the Caribbean with data collected in 2021 for the Pacific Alliance countries (Chile, Colombia, Mexico, and Peru) and in 2020 for the rest of the region. When asked how long they have been operating in the market, 37% of startups reported having started operations after the first quarter of 2018 (less than two years of activity), 37% reported having between two and five years in the market, and 26% had more than five years of operation (see Figure 1.11). These data do not differ much from the average of 4.6 years of life reported by startups in the Pacific Alliance countries in the study conducted in 2021 (IDB and Finnovista, 2021).

Figure 1.11: Number of Years of Operation of Fintech Companies in Latin America

Source: Finnovista (2021).

The companies surveyed also reported their product or solution's maturity status. Figure 1.12 shows that more than 60% consider their product in the most advanced stages of development (growth and expansion and ready to scale). This is similar to the 2018 results (64%). Less than 1% of the fintech companies surveyed reported their product or solution in the concept or idea stage, and 4% of the sample shared they are currently working on a demo or prototype. For the top five markets, the survey data suggests that more than half of the fintech ventures are in advanced stages of development: Brazil (68%), Argentina (64%), Chile (63%), Mexico (59%), and Colombia (65%).

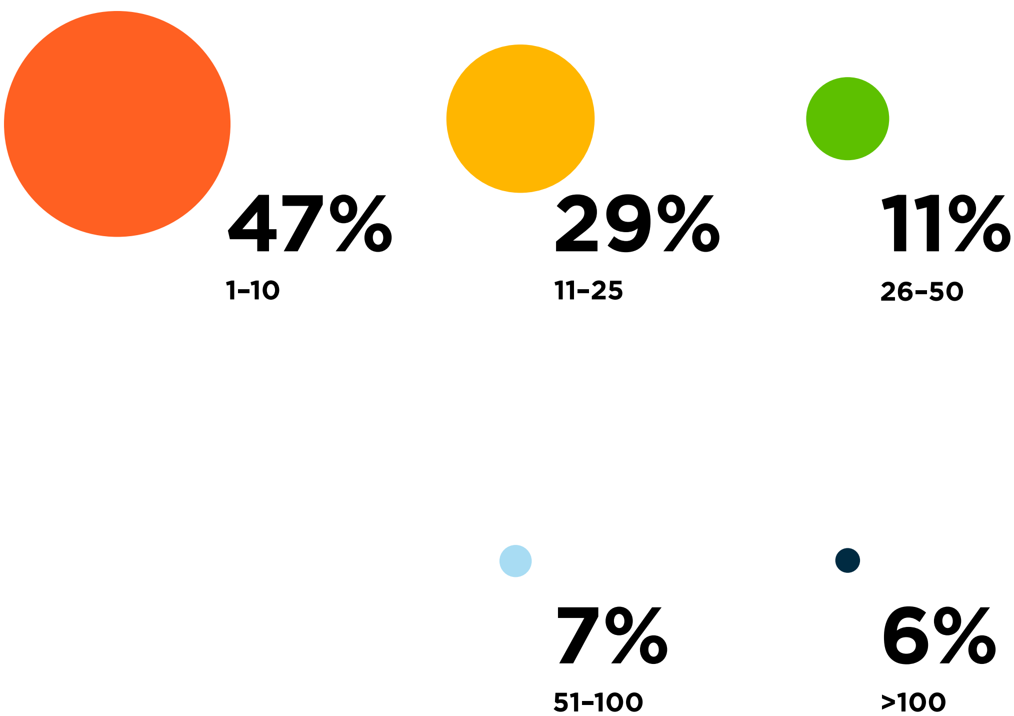
Figure 1.12: Product Maturity Status of Fintech Companies in Latin America



Source: Finnovista and IDB (2021).

Another indicator of the ecosystem's maturity is the number of employees in the sector. While technology-based ventures tend, by definition, to be small teams with significant results (Grant, 2021), groups of very diverse sizes coexist in the ecosystem. Figure 1.13 shows that 47% of the companies reported employing 1–10 people, while only 6% of the sample reported having more than 100 employees.

Figure 1.13: Number of Employees of Fintech Companies in Latin America

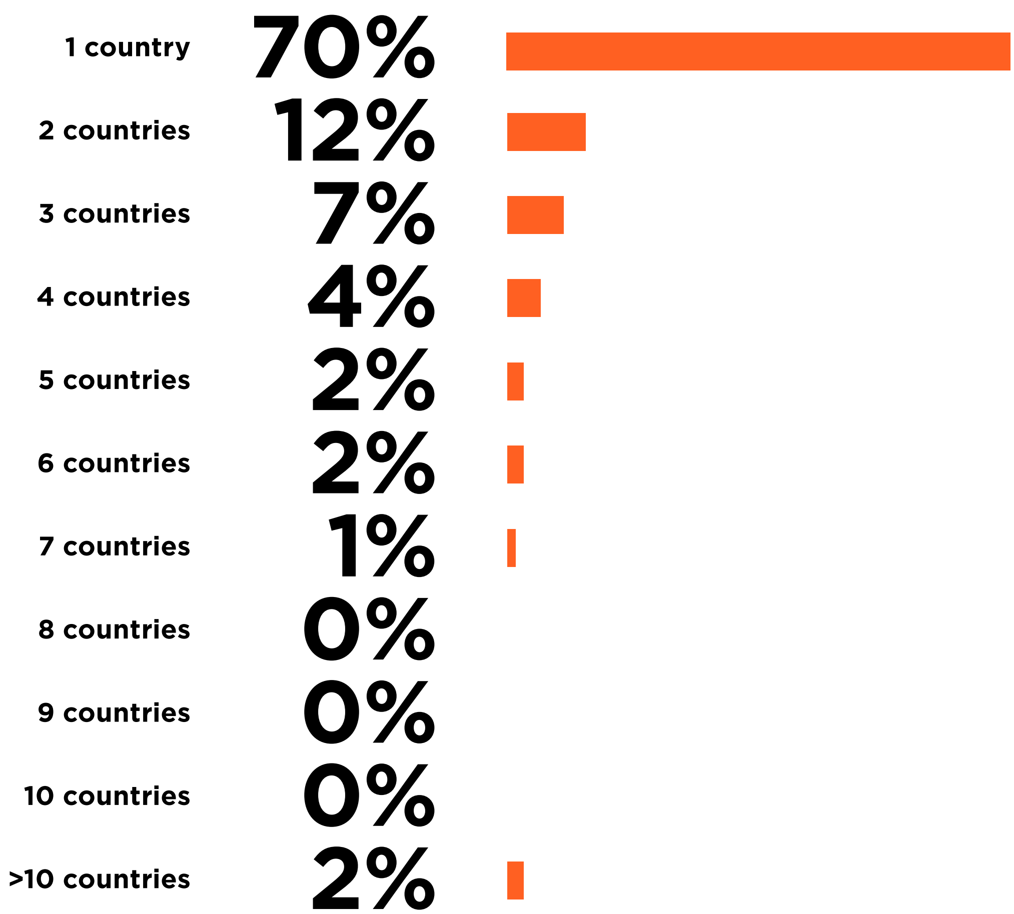


Source: Finnovista (2021).

Internationalization

According to the 2020 survey, 30% of Latin American and Caribbean fintech companies operate outside their country of origin. This figure dropped slightly since the last edition of this report when 32% reported working in more than one country. This fact reflects, in part, the addition of a significant number of new ventures, which usually start out operating only in their country of origin. Figure 1.14 shows the distribution of companies by number of countries of operation.

Figure 1.14: **Number of Countries in Which Fintech Companies Operate in Latin America**



Source: Finnovista (2021).

Nearly 20% of the startups stated they have operations in countries other than their country of origin and export their products to the United States. Latin American and Caribbean startups internationalizing within the region are diverse in size and segment. They include prominent startups such as Nubank, the Brazilian digital bank that recently began trading on the New York Stock Exchange (NYSE), and Kushki, the digital payments startup of Ecuadorian origin with operations in Ecuador, Colombia, Mexico, Chile, Peru, the United States, and Canada.

"We are attracted to the potential in the region, as business models that have worked in other regions of the world are starting to emerge. However, in the case of emerging fintech markets, we are definitely more excited about startups that internationalize from the start, which is a challenge, because in such a regulated industry, entrepreneurs must prove that they will know how to navigate the regulatory hurdles to launch their solutions in countries abroad."

Lauren Morton

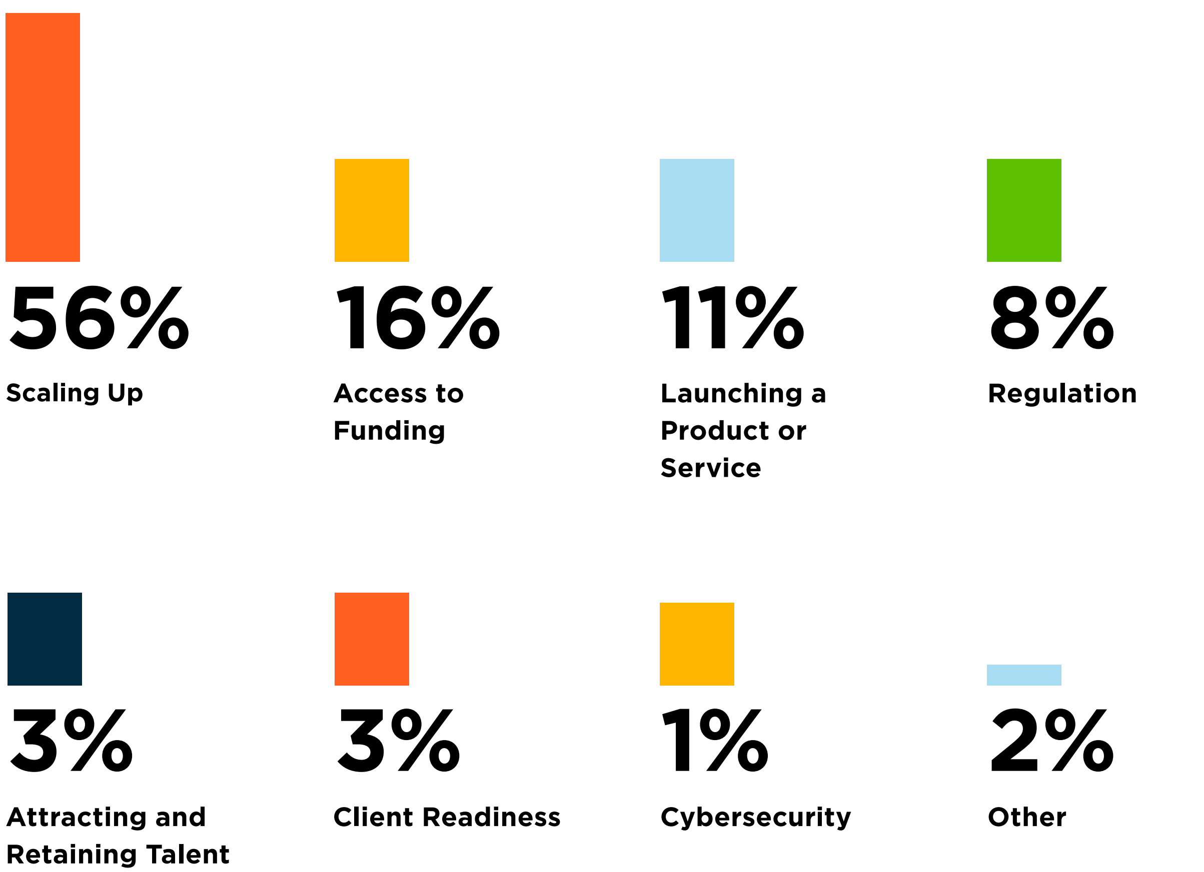
Partner at QED Investors
IDB-Finnovista interview, 2020

About 20% of startups that claimed to have operations outside their country of origin export their products to the United States of America.

Main Challenges Reported by Fintechs in Latin America and the Caribbean

The survey asked fintech companies in the region about their main challenge for 2020. Just over half of fintech companies (56%) reported that the biggest challenge is scaling their businesses, the same proportion as in 2018. However, access to funding has become the second most crucial challenge for fintech companies in the region, with 16% of the companies surveyed stating that it is the biggest challenge they currently face, whereas the second biggest challenge in 2018 was launching the product. This fact shows the dynamics of an increasing search for funding as these types of ventures grow (see Figure 1.15).

Figure 1.15: **Main Challenges Faced by Fintech Companies in Latin America**



Source: Finnovista (2021).

According to the most recent survey for startups in the Pacific Alliance countries in 2021, after going through the worst of the pandemic, the main challenges for fintech remain very similar. First, scaling operations and internationalization of startups remain, followed by access to financing and launching a product or service.

As can be seen, the Latin American and Caribbean ecosystem has a strong appetite for capital, and investors have become even more interested in this region. The Association for Private Capital Investment in Latin America (LAVCA) estimated that the fintech sector in Latin America raised at least US$6.093 billion in 2021 (LAVCA, 2022). This sum accounts for 39% of the total amount of capital invested, which stands at US$15.736 billion (LAVCA, 2022). The fintech sector in Latin America continues to grow thanks to significant investments and dedicated funds and the emergence and growth of new ventures. The international investment community evaluating investment opportunities in Latin America is primarily looking at the fintech sector. In line with the above, CB Insights, in its State of Fintech Global 2021 report, notes that funding in the fintech sector in Latin America reached more than 300 financing deals (CB Insights, 2021). There were record numbers of mergers and acquisitions (M&A), along with a preponderance of venture capital firms (VCs) among the top 10 investors in the region.

Cybersecurity

The accelerated digitalization that the world is experiencing implies at the same time a greater vulnerability and exposure to cyberattacks, a latent threat that is ultimately a significant challenge for all organizations and companies. For example, 34% of companies in the region have been victims of malicious code, according to a survey of companies conducted by ESET in 2020 (ESET, 2021). The same study reports an increase in ransomware from 2019 to 2020. According to the multinational Kaspersky Labs, ransomware is "malicious software that infects devices and triggers extortion messages to the user" and has "the ability to lock screens or encrypt important or specific files with passwords" (Kaspersky, 2020).

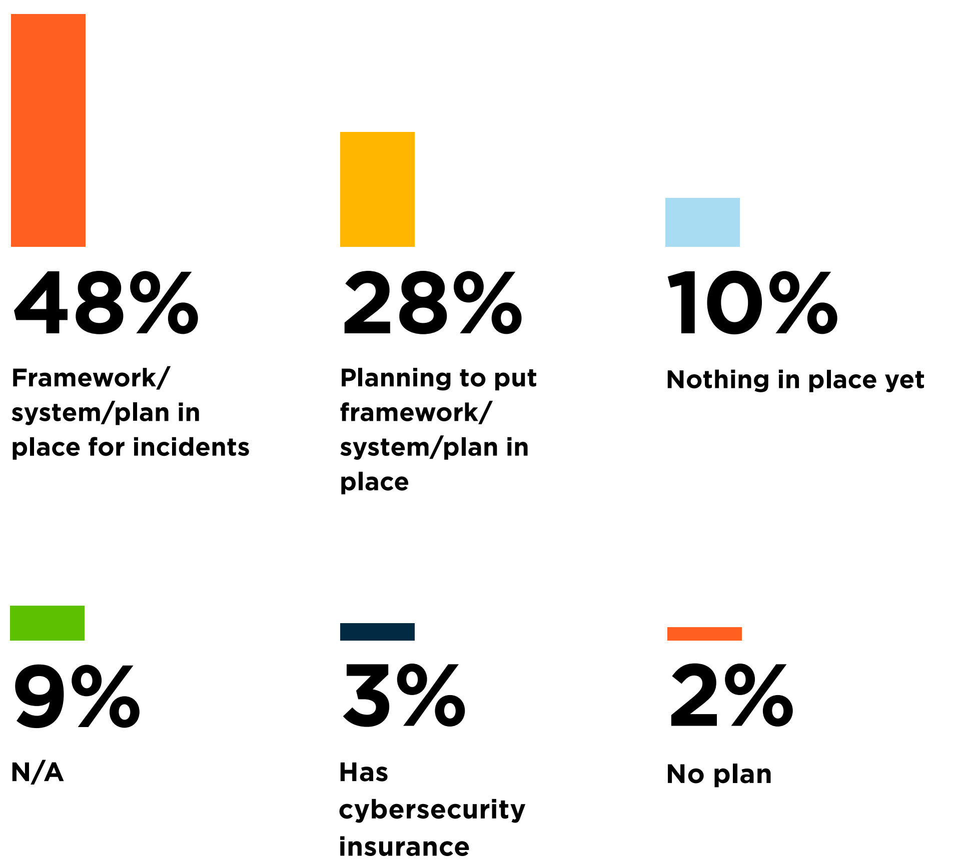
Vulnerability to cyberattacks represents a significant challenge for the entire financial services industry. For example, the Bank of Mexico classifies the cyberrisks faced by financial institutions into three types: disruption of the information technologies they use and the consequent unavailability of their services; effects on the integrity, confidentiality, and availability of the information managed by the institution, including that of its clients; and economic losses to the institutions themselves or their clients.[11]

Therefore, the fintech ecosystem not only faces the challenge of dealing with the risks arising from vulnerabilities in its systems and cyberattacks but also the daunting task of generating trust among users so that they adopt its solutions with the same degree of confidence with which they deposit their information in a traditional financial institution. This challenge is even more significant for segments such as digital banks, discussed in Chapter 3, but undoubtedly affects the entire fintech sector in the region, as shown by the results of the survey conducted for this study.

[11] See https://www.banxico.org.mx/sistema-financiero/seguridad-informacion-banco.html.

Nearly 80% of fintech companies identify cyberattacks as a threat to their business. In terms of preparedness, practically half (48%) of the region's fintech companies already have a contingency plan in case of incidents, 3% already have insurance, and 28% are planning to implement a contingency system or plan, as can be seen in Figure 1.16. In the case of the Pacific Alliance countries, on average, 45% of startups in this region reported having robust and updated systems to deal with cybersecurity threats, and the vast majority (90%) have internal policies to ensure the protection of their users' data (IDB and Finnovista, 2021).

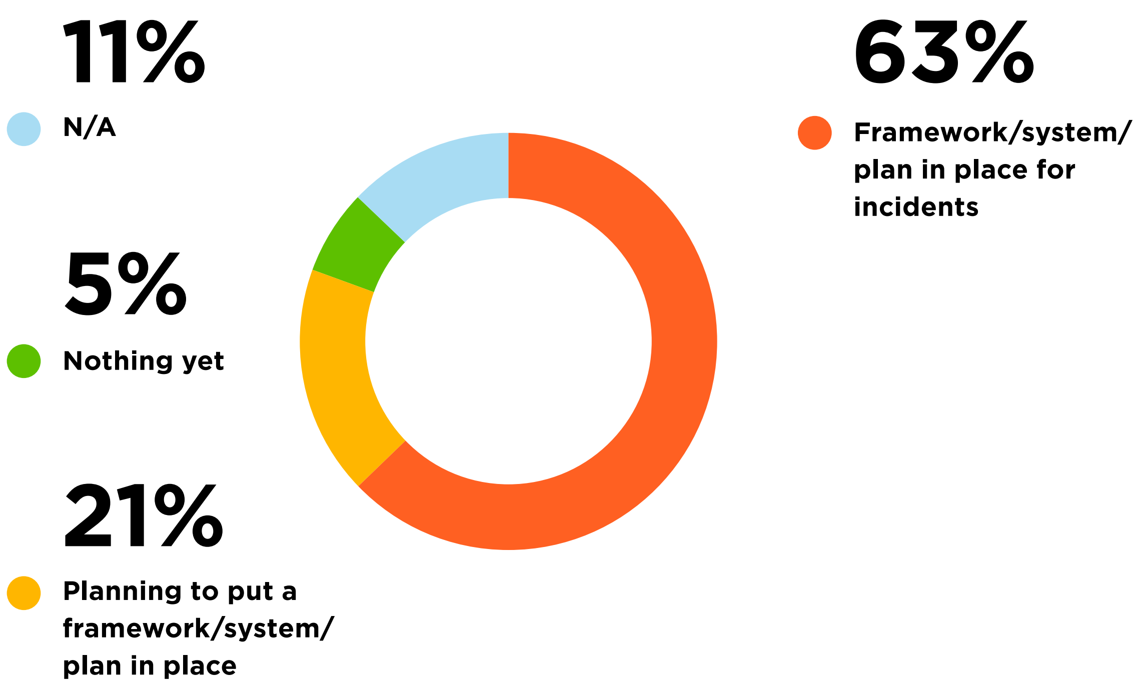
Figure 1.16: Status of Cybersecurity at Fintech Companies in Latin America



Source: Finnovista (2021).

The cybersecurity landscape considerably changes when disaggregating the information to learn about the cybersecurity strategies implemented by the digital banks segment. According to the data collected to prepare this report, 63% already have a cyberattack prevention, containment, and response system in place, and 21.1% are currently planning to implement one (see Figure 1.17).

Figure 1.17: Cybersecurity Strategies Implemented by Digital Banks in Latin America



Source: Finnovista (2021).

CHAPTER 2:
INVESTMENT IN THE LATIN AMERICAN AND CARIBBEAN FINTECH SECTOR

While the 2018 edition of this report already showed that Latin America's technology-based financial ventures had whetted the investment appetite of venture capital funds, the period since then has seen significant progress in the investment landscape of the Latin American fintech sector.

Interest in the region's fintech sector has spread to various global investment circles. According to a study published by Finnovista in 2019, approximately 115 investment firms from countries outside Latin America and the Caribbean were currently betting on the region's fintech sector (Finnovista and Lendit Fintech, 2019). Likewise, according to data from the Association for Private Capital Investment in Latin America (LAVCA), the financial services sector, headed by fintech, led the number of venture capital investments and captured 39% of the amount invested in the region in 2021 (LAVCA, 2022).

On the other hand, new trends have been observed in recent years, particularly the rise of a different model for financing fintech ventures: venture debt or venture lending.[12] This type of financing often complements rounds of equity venture capital. Venture debt's main attraction lies in the fact that, unlike bank credit, it can be a viable option for companies that do not yet have assets as collateral or a positive cash flow. In other words, venture debt offers an injection of financing for growth that has the VC assuming the risk and focuses on technology-based companies. In general terms, venture debt as a model for financing ventures is the middle ground between venture capital and traditional debt.

Several examples illustrate the establishing of venture debt as another financing option for fintech ventures in Latin America, from boutique firms such as ArcLabs (Contxto, 2019), which invested in the Mexican digital bank Klar in 2019, to investment banks such as Goldman Sachs (LAVCA, 2019a), which invested that same year in the credit fintech Konfío and increased that investment at the beginning of 2021.[13] The IDB Group tracked the trend through IDB Invest, its private sector investment arm, creating a US$15.24 million fund called Latin America Venture Debt Growth Fund (IDB Invest, 2019). It has also invested in Victory Park Capital Advisors, LLC's Fintech Credit Fund to support fintech in the region.[14] The box on the next page outlines the most significant ways in which IDB Invest contributed to the development of the fintech ecosystem in the region.

[12] According to Fischer and de Rassenfosse (2014), venture debt can be defined as "capital financed to startups with high growth and impact potential that are usually in a pre-revenue stage of maturity and have no tangible assets or collateral to secure the loan."
[13] See https://www.forbes.com.mx/emprendedores-konfio-extiende-su-linea-de-credito-con-goldman-sachs-recibira-160-mdd/.
[14] See https://idbinvest.org/en/news-media/idb-invest-supports-financing-fintech-companies-latin-america-and-caribbean-through.

IDB Invest Operations and Transaction Highlights

- In June 2021, IDB Invest approved investment in Kubo for the equivalent in Mexican pesos of up to US$10 million to improve its capital structure and expand its loan portfolio to support Mexican micro-, small-, and medium-sized enterprises (MSMEs), thereby promoting financial inclusion. The investment resulted in an innovative and flexible financial structure through redeemable preferred shares. Kubo is a multi-product digital financial company with national coverage that offers savings accounts, time deposits, and lending to its customers. The transaction will include an action plan to strengthen Kubo's corporate governance and technical assistance to develop a market study targeting underserved segments, particularly MSMEs and customers with no credit history. In addition, this transaction has a blended financing incentive based on the Women Entrepreneurs Finance Initiative (We-Fi) performance.
- In October 2021, IDB Invest completed a US$7.5 million equity investment in preferred shares of RecargaPay, a fintech that offers various digital payment solutions to consumers in Brazil. The funds from the investment will expand operations in Brazil through customer acquisition and platform enhancement. RecargaPay enables Brazilians to make everyday transactions through a mobile app. The application is strategically integrated with Brazil's financial and e-commerce ecosystems and allows users to make transactions even without a bank account. As part of the transaction, IDB Invest and RecargaPay will work together to review the financial solutions offered to RecargaPay's growing network of MSME partners and to design an enhanced product offering to serve a large base of underserved and unbanked individuals.
- In December 2021, IDB Invest granted a line of credit of up to MX$500 million (US$24.4 million) to Konfío, a leading Mexican online credit platform focused on MSMEs and individual entrepreneurs, to expand its activities. The financing will increase the availability of debt financing for these types of companies. In addition, IDB Invest will provide advisory services to support Konfío's gender inclusion strategy through the diagnosis and design of a gender action plan to promote gender equality, both in its talent recruitment, retention, and development processes and in its marketing strategy targeting women. In addition to the gender action plan, IDB Invest will work with Konfío to implement a corporate governance action plan.

Despite the social and economic crisis caused by the pandemic, investments have continued to drive the lending, digital banks, and payments segments. While the main rounds continue to focus on companies in the two largest markets of Brazil and Mexico, from 2020 onwards, they have been reaching companies in other smaller countries, such as Chile and Ecuador (see Annex 1). For example, Kushki, with operations in Mexico, Colombia, Ecuador, Peru, and Chile, announced a Series B financing of US$86 million to expand its operations, positioning its valuation at US$600 million. Thus, 2021 closed with record figures for fintech investment in the region, showing a significant increase in funding compared to previous years.

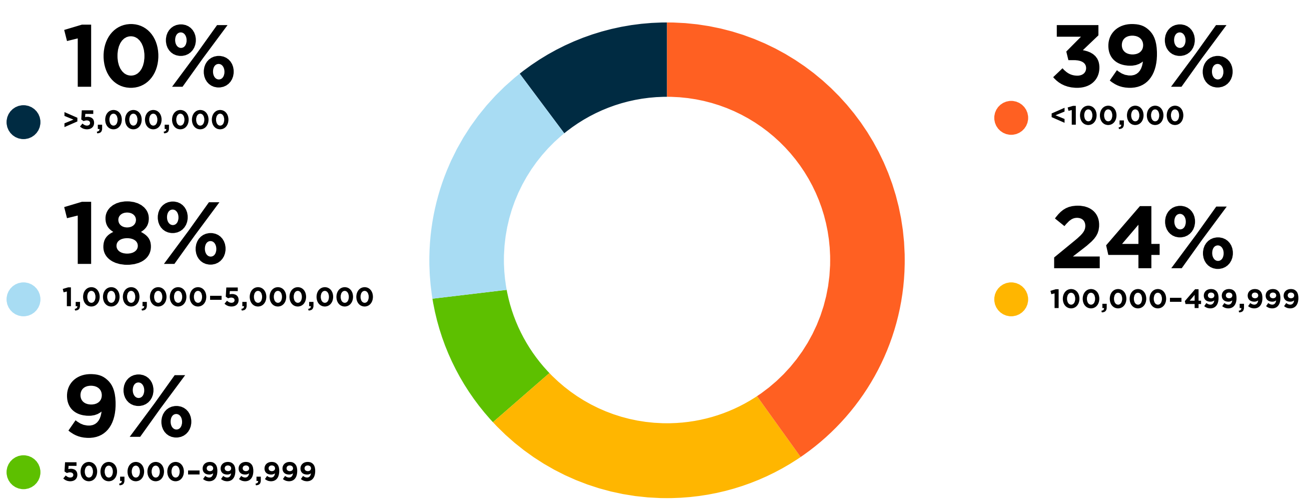
This chapter presents an overview of the investment environment in the fintech ecosystem in Latin America and the Caribbean and its evolution based on previous studies under the following headings: the amounts of financing reported by the fintech companies surveyed, the sources of funding to which these ventures have had access in recent years, and the leading countries in terms of investment. In addition, the level of institutional investors' involvement from countries outside Latin America and the Caribbean is analyzed, and some notable transactions that took place during the period covered by this study are listed.

Financing

Out of the 657 Latin American and Caribbean fintech companies surveyed for this report, 63% reported having received external financing, compared to 28% who responded that they had not obtained funds from third parties. The remaining 9% preferred not to provide information on their funding situation. These numbers have not undergone significant changes relative to the 2018 edition of this report.

Among the companies that provided information on financing, 39% reported having received up to US$100,000 in investment. The second-largest group of companies said they had received between US$100,001 and US$500,000, representing 24% of the total. However, it is noteworthy that only 10% reported having raised more than US$5 million. This data indicates that, although the investment community has grown and more deals are announced with higher investment amounts, more than 60% of the companies in Latin America that have raised capital have not done so for more than half a million U.S. dollars (see Figure 2.1).

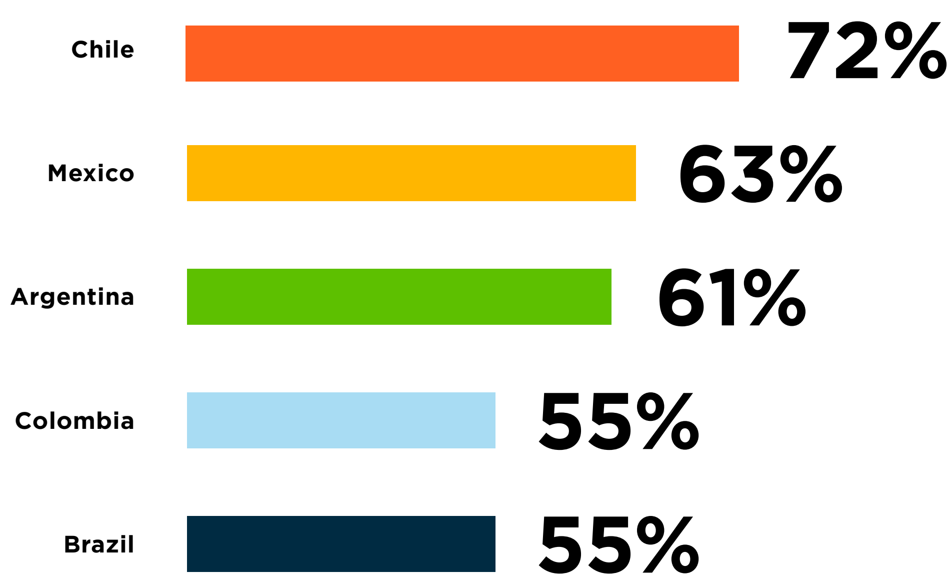
Figure 2.1: Amounts of Financing Received by Fintech Companies in Latin America (US$)



Source: Finnovista (2021).

In terms of the five main markets, the survey results show that in each country more than 50% of companies received investment from third parties, as shown in Figure 2.2. Chile is the leading country in this area with 72% of the companies surveyed stating that they had received investment from at least one of the nine sources of financing presented in Figure 2.3.

Figure 2.2: Percentage of Companies That Received External Investment, by Country

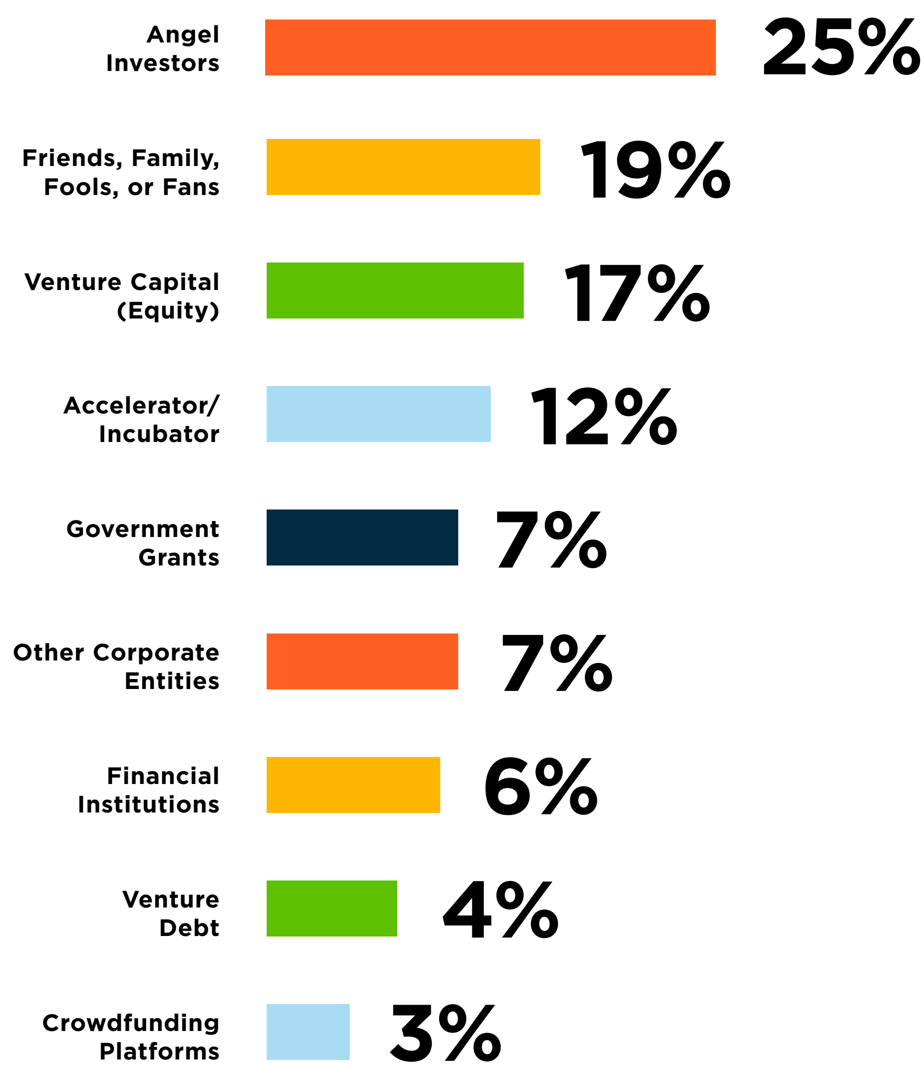


Source: Finnovista (2021).

Sources of Financing

The source of financing for 25% of fintech companies was reported as angel investors; 19% received investment from their personal environment (friends, family, fools, or fans), 17% from venture capital funds, and only 4% received venture debt. As for the public sector, only 7% of the companies received support from the government, as can be seen in Figure 2.3.

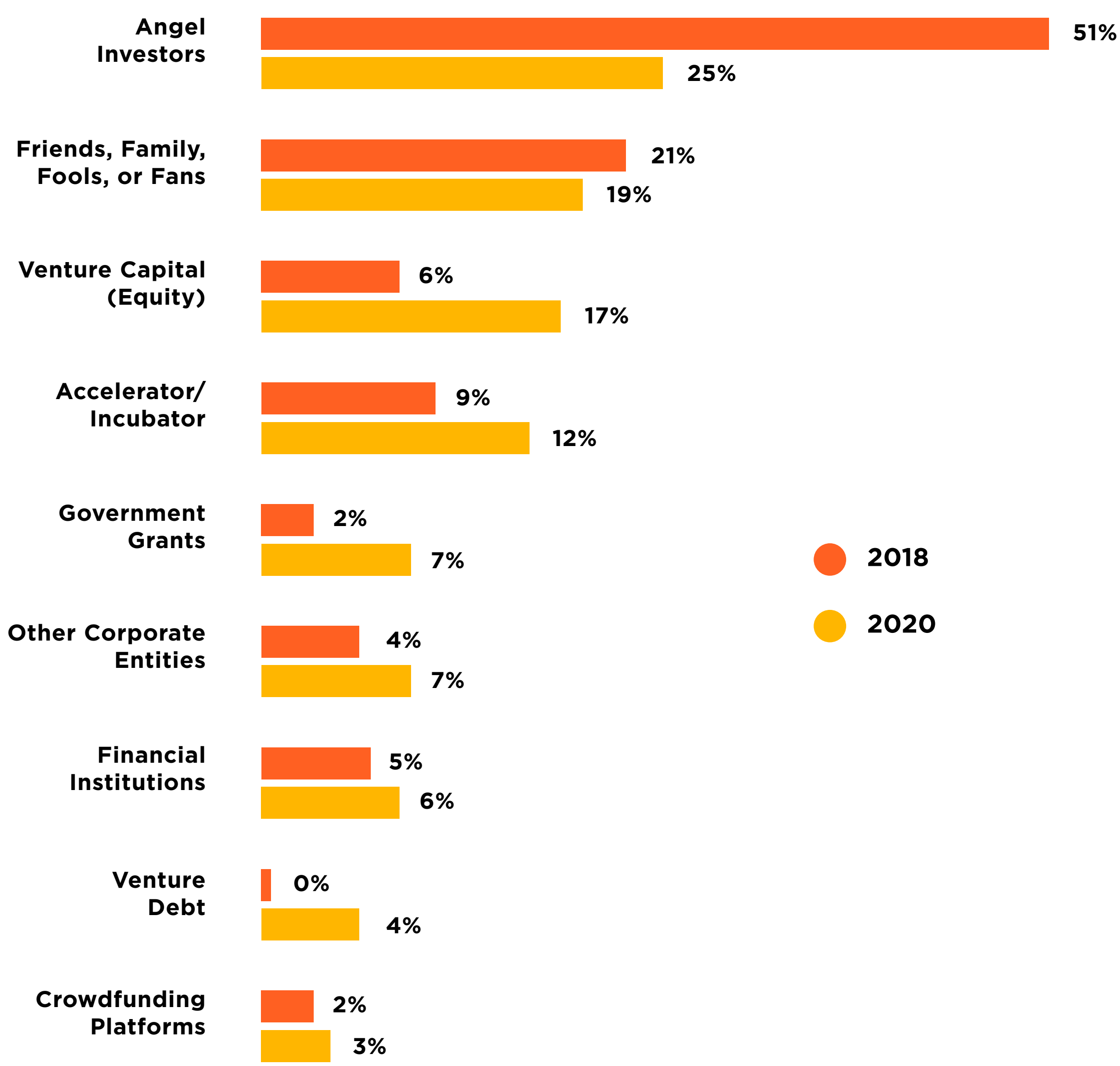
Figure 2.3: Sources of Financing Received by Fintech Companies in Latin America



Source: Finnovista (2021).

When comparing the evolution of funding sources, in 2018, angel investors funded more than half of the ventures. By 2020, these were still the funding source for most early-stage fintech entrepreneurs, but there was a significant decrease that can be attributed to the growth of other funding sources such as venture capital and debt, government support, and even financing from financial institutions, which also reflects a maturing ecosystem. Figure 2.4 shows the evolution and prevalence of funding sources in the fintech sector.

Figure 2.4: Evolution in Sources of Financing for Fintech Companies in Latin America



Source: Finnovista (2021).

The boom in interest that Latin America's fintech sector has generated among the foreign investment community is the result of, among other factors, investment firms in the United States, Europe, and Asia having noticed an increasing number of success stories and an improvement in talent in the region, according to the report published by Finnovista in 2019, which reflects that of the total number of companies that reported having raised capital, 25% did so through agreements with firms outside Latin America, representing 15.6% of the entire sample (Finnovista and Lendit Fintech, 2019).

The 2020 survey also asked companies what percentage of the total amount of financing they raised was from foreign capital. Figure 2.5 shows that 16% of the companies have received all their funding from investment firms based outside Latin America.

Figure 2.5: **Foreign Funding as a Percentage of Total Funding Received by Fintech Companies in Latin America**

Source: Finnovista (2021).

Daniela Espinosa

Co-founder and COO of Kushki

What funding milestones have you had in recent years?

The first transaction through our platform was in 2016, and since the early years we have had significant financing that allowed us to operate, focus on growing and executing, and expand to more countries. In March 2020, we closed our Series A. In May 2021, we were able to close our B round for US$86 million and achieved a valuation of US$600 million, which will allow us to focus entirely on building the financial infrastructure focused on Latin America.

The most important thing has been to have the confidence of major investors such as DILA Capital, Kaszek Ventures, Clocktower Ventures, Magma Partners, and SoftBank, and that this confidence continues in all our investment rounds.

What have been the challenges in creating an ecosystem to digitize payments in Latin America?

Although today we have an interoperable ecosystem that allows us to process payments in different countries, we still faced significant challenges, initially because there is no standardization of protocols and connections in Latin American countries, as each country operates under its own standards and those of its players. In addition, we still see some resistance to the adoption of fintech and to greater competition in the market. For example, in Ecuador it was impossible to use debit cards for online transactions and we had to meet personally with teams from each bank to explain the importance of creating an ecosystem for online payments and sales. It took us about a year and a half to get all the banks in Ecuador to release debit cards for online transactions.

What are the key factors in negotiating a financing round with international investors?

The technology we have developed internally has been important for getting investors to believe in our growth potential and for demonstrating traction, sales growth, and solid growth in different geographies. In addition, having a team with experience in the sector and the ability to execute has allowed us to establish a presence in other countries outside of Ecuador, which has been key to raising an investment round like the one we recently closed. Undoubtedly, the most critical thing in a startup is the ability to execute because we can all have good ideas; the challenge is to implement them correctly to achieve the business's growth objectives and make it scalable and replicable for other regions.

What message would you give entrepreneurs in emerging countries in the region, such as Ecuador, Uruguay, or Peru?

For entrepreneurs in emerging countries, having an internationalization strategy from the beginning is crucial to reach a scale that is attractive for investors who are currently very interested in the region. Think big from the start, even if they are small, without losing the ability to execute. The difference between a successful company and an unsuccessful one is its ability to perform and its team.

In terms of regulation, what kind of regional harmonization would have made it easier for you to create a digital payments ecosystem?

Currently, there is no regulatory harmony in the sector. Therefore, we carefully study the applicable legal framework before operating in a country. It has been different in every country, and we see a great opportunity if e-commerce rules were harmonized at the regional level. We also see an excellent opportunity for the region if some regulatory elements are standardized such as legislation and acceptance of digital signatures. It would be helpful to see ourselves as a region, rather than as independent countries, to identify the synergies that exist between countries and begin to standardize payment systems so that currencies flow more easily.

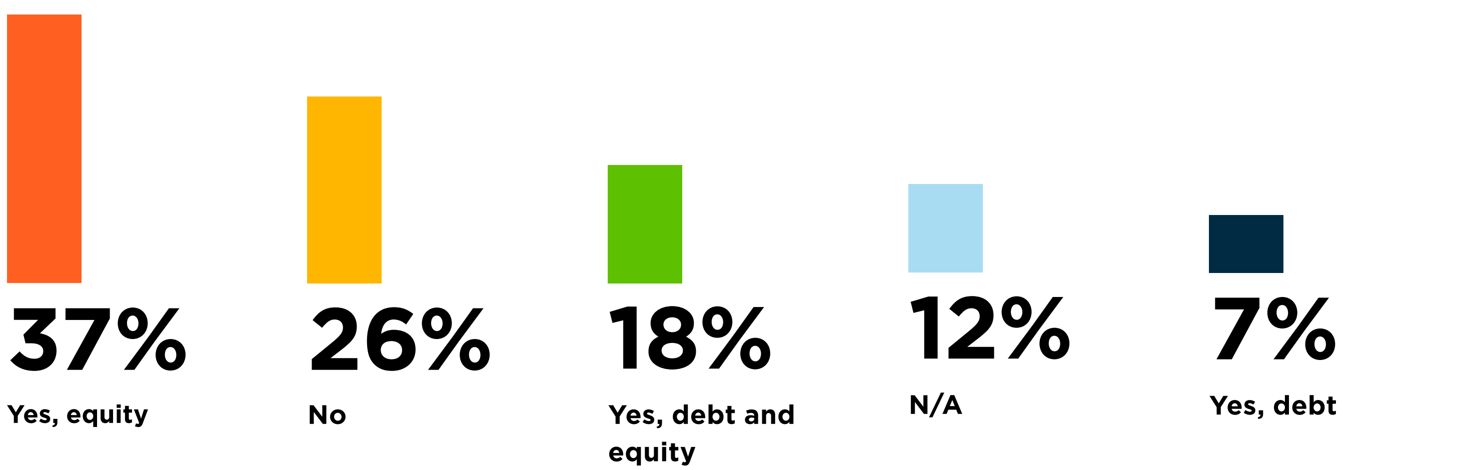
How has the pandemic impacted your model?

Undoubtedly, there will be industries that suffer more than others from the consequences of this pandemic. However, our model works precisely to facilitate digital transactions for users in Latin America, and this situation has benefited us in that sense. The entire online sales process was accelerated, and what was going to happen in five years occurred in two, becoming a great benefit for our business model and users.

Investment Opportunities

According to the survey data, over a third of the fintech companies surveyed raise capital through equity financing and are offering equity in their companies. As shown in Figure 2.6, 18% are offering equity and are willing to acquire debt, and only 7% indicated that they seek financing rounds solely through debt instruments.

Figure 2.6: Fundraising Landscape for Fintech Companies in Latin America (2020): Are they currently raising funds?



Source: Finnovista (2021).

CHAPTER 3:
THE RISE OF DIGITAL BANKING IN LATIN AMERICA AND THE CARIBBEAN

"Digital banks," "neobanks," and "challenger banks" are some of the terms used to refer to fintech platforms that offer digital banking services, mainly through mobile applications. Although these terms tend to be used interchangeably, a review of the existing literature suggests that the difference between a challenger bank and a neobank lies mainly in the fact that the former has a banking license that allows them to operate as such. Neobanks are digital products that usually provide a specific financial solution to their users in addition to one or more financial services, either provided by the same company or through commercial alliances with other financial entities. Typically, these additional financial services are provided by third parties through a marketplace in the same neobank platform or application utilized by the user without being considered financial intermediation.

For this chapter, "digital banking" is intended to refer to fintech companies that offer at least one payment or transfer system to connect the user with the rest of the financial system, but that also integrate other financial services such as investments, P2P lending, and personal or enterprise financial management platforms, among others. In other words, this study recognizes as digital banking initiatives all fintech ventures that offer at least two financial services on a single platform, one of which must necessarily connect the user with the rest of the financial system. The terms "neobank" and "digital bank" will be used interchangeably throughout this chapter.

Latin America and the Caribbean have been no stranger to the emergence of neobanks, a global phenomenon of the last decade. Since 2017, there has been a clear growth trend in the number of digital banking ventures in the region, which has enriched the debate on the competitive environment of financial services and accelerated banks' digitalization efforts, as also indicated by the robust growth of the segment of ventures oriented to business technology solutions for financial institutions.

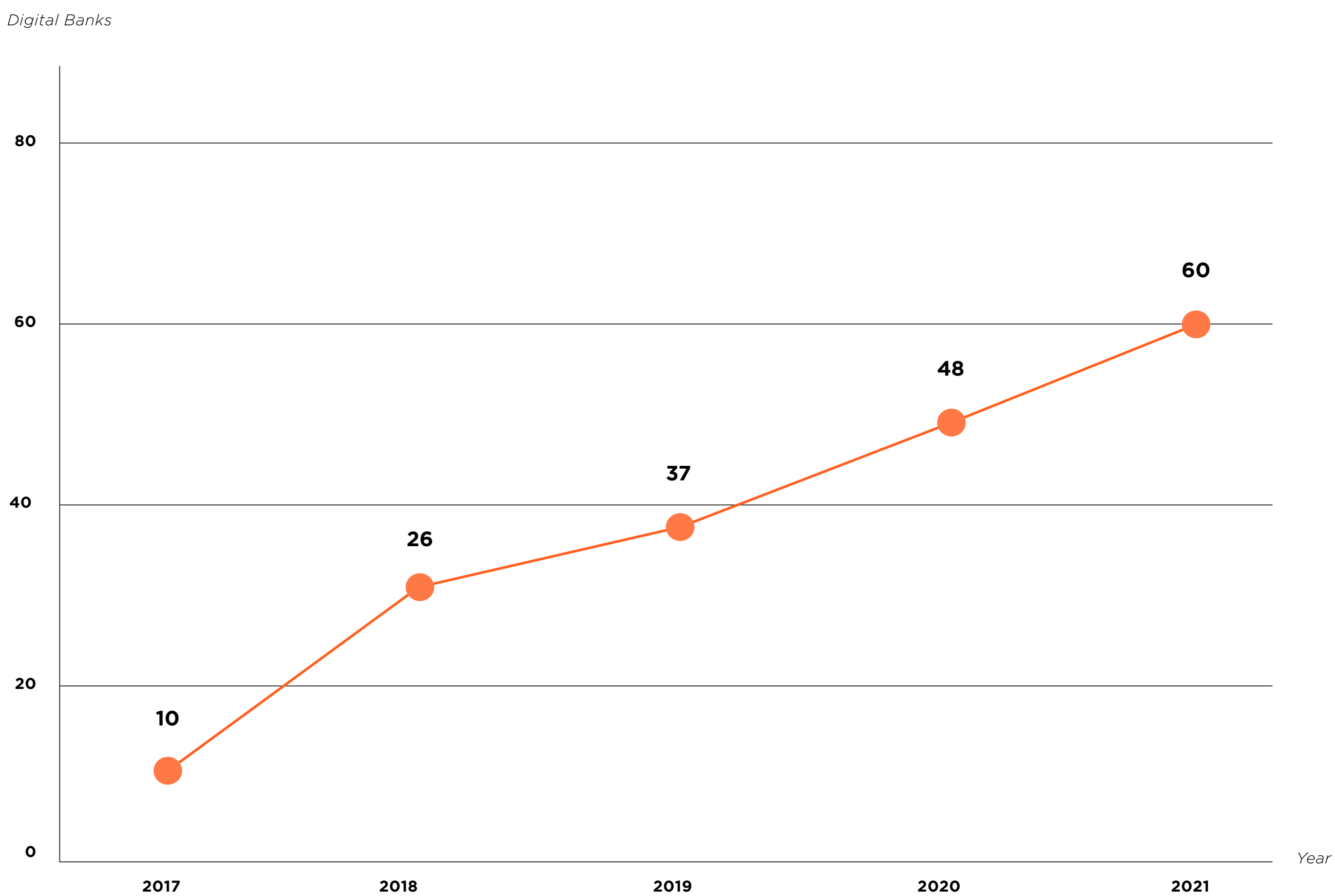
Several characteristics of neobanks stand out and partly explain their rapid emergence in the regional context: first, being entirely digital, they can generate savings that are typically passed on to users, for example by having lower operating costs due to not having a network of physical locations; second, the intensive use of data analytics allows them to optimize and personalize the service, thus improving the user experience; third, they have a knack for quality and agile customer service; and, fourth, they offer complementary services and products such as consumer credit, international transfers, and assistance with savings plans, among others. These characteristics represent a better value proposition for many individuals and companies, particularly for younger generations who demand an intuitive digital experience that's superior to most traditional banks.

This chapter will analyze the development of the digital banks segment in Latin America from different perspectives, such as the number of ventures currently active in the region and their evolution over time, data on their financing, and the market niches where they compete.

Evolution and Characteristics

When the first edition of this report was published in 2017, there were only 10 digital banks in Latin America; in 2018, as part of the data collection to prepare the second edition, 26 were identified. By 2021 this number had risen to 60, as shown in Figure 3.1, which implies an average annual growth rate of 57% in the period 2017–2021, confirming that digital banking ventures are evolving in line with the dynamism observed in the fintech sector in general. The future of this segment is also promising, given that opportunities are still perceived to exist in the region to offer diverse and integrated financial products and services in a single platform that allows users to move money without the need to open an account in a traditional financial institution.

Figure 3.1: Number of Digital Banks in Latin America (2017–2021)



Source: Authors' elaboration based on Finnovista (2021).

As shown in Figure 3.2, Mexico and Brazil lead the currently active digital banks segment. Interestingly, in these two countries, the boom in the emergence of new digital banks occurred in different periods. From 2017 to 2021, Brazil went from 6 to 22 digital banks, which translated into an average growth of 38% per year. During 2017 and 2018, activity in this area remained stable in Mexico, with no more than the three digital banks already identified in 2017. However, by 2020, Mexico had registered 24 new digital banks, reaching a total of 27 in 2020 and 31 in 2021 (see Figure 3.3). Digital banking in Brazil is more mature and has already reached significant levels of adoption. For example, Nubank, the country's now-giant digital bank, had accumulated more than 48 million customers by the end of 2021 and is considered one of the world's largest and most valued digital banking fintech platforms. Nubank's successful IPO placed it as the most valuable listed bank in the region.[15] For its part, Inter Bank had more than 14 million customers in the third quarter of 2021, with year-over-year growth of 94%.[16] This dynamic of the continued growth of digital banks was reflected in the list of the world's best banks in 2021 published by *Forbes* magazine. It suggests that 6 of the top 10 banks in Brazil are digital, unlike Mexico, for which only five banking entities are listed, none of which are digital banks for now (Gara, 2021). However, the lower levels of financial inclusion that persist in Mexico, coupled with a vast young population with access to cell phones, augur an exciting dynamism in this sector in the future, confirmed by the boom of investments in this segment.

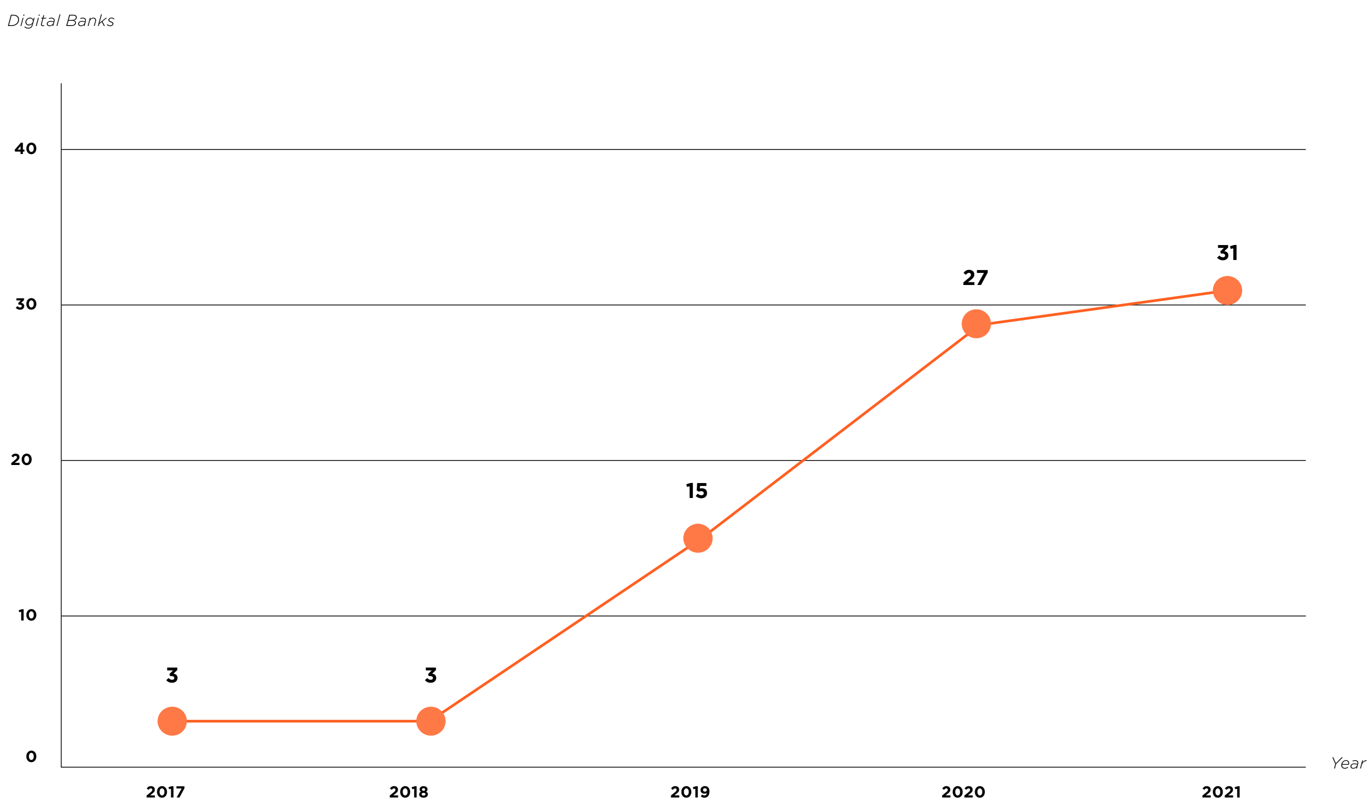
Figure 3.2: Distribution of Digital Banks in Latin America, by Country

Source: Finnovista (2021).

[15] See https://forbes.co/2021/12/09/negocios/nubank-sale-a-bolsa-como-el-banco-mas-valioso-de-america-latina/.
[16] See Inter Institutional Presentation 3Q21: https://api.mziq.com/mzfilemanager/v2/d/b4dc0b14-a83a-40a9-9545-d9e4f18ed7af/90563f6a-1129-4d84-bd7f-f4b757c70f20?origin=2.

Indeed, investment earmarked for the sector can be considered a critical factor in the development of digital banks in these two markets. For example, one-third of the notable investments made in Mexico (discussed in the previous chapter) belong to this type of venture, with a total invested in digital banks in Mexico of more than US$1 billion in 2018 and 2019, according to the report Latin America Digital Banking Investment Landscape (CB Insights, 2020). CB Insights also reports that the funding of these digital banks increased by 55% in 2020 compared to the previous year, achieving record investments of US$1.157 billion.[17]

Figure 3.3: Number of Digital Banks in Mexico (2017–2021)



Source: Finnovista (2021).

[17] See https://www.cbinsights.com/research/latin-america-challenger-bank-funding-trends/.

According to data collected for the preparation of this report, 68% of the digital banks surveyed have received investment from at least one of the nine sources of funding considered. Of these, 36% have received more than US$1 million, significantly higher than the average reported for the entire fintech sector (27%). In other words, digital banks in Latin America have raised more funds on average than the rest of the fintech ventures in different segments in recent years, reflecting the interest generated by this segment among the regional and foreign institutional investment community.

One can expect that the explosive growth phenomenon observed (first in Brazil and then in Mexico) could be replicated in the coming years in the region's other major markets. However, a new dynamic could affect potential accelerated growth in the number of digital banking ventures in the region: the internationalization of existing large digital banks (for example, the arrival of Nubank in Mexico and Colombia, or the expansion of the Argentine digital bank Ualá to Mexico). Moreover, it is not surprising that these two neobanks in the region are on the list of top global banks by valuation and investment; for example, Nubank is number 1 and Ualá is number 8, according to Fintech Futures.[18] In fact, the former established its position as the most valuable listed bank in Latin America after its New York Stock Exchange IPO in December 2021.

However, in countries like Peru, Uruguay, and Costa Rica, digital banking startups such as B89, Prex, and Wink, respectively, demonstrate that fintech entrepreneurs still identify unmet demand for these types of solutions in different contexts within the Latin American region.

[18] See https://www.fintechfutures.com/2019/12/top-10-challenger-banks-by-valuation-and-funding/.

Market Niches

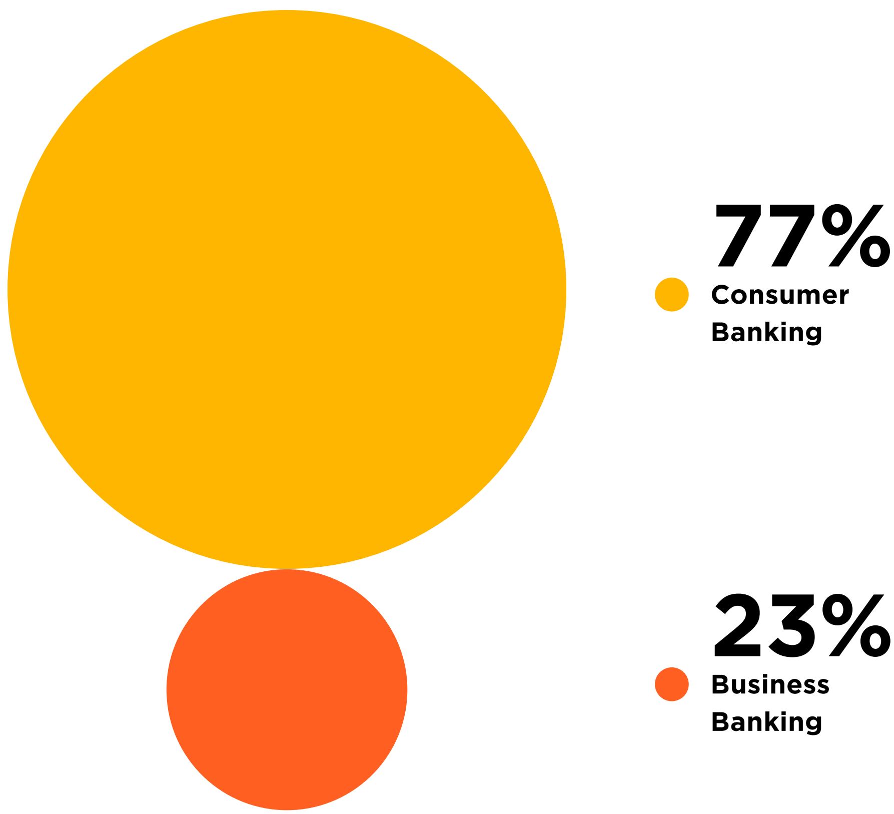
In 2020, most digital banks (77%) focused on offering financial services to consumers. The remaining 23% are focused on designing digital banking solutions for businesses, revealing the size of the opportunity that still exists to create solutions that positively impact the financial lives of companies in Latin America and the Caribbean, particularly for the small- and medium-sized enterprises (SMEs) that represent the majority of companies and the backbone of the economy in the region (see Figure 3.4).

Unlike traditional banks, the value proposition of digital banks lies in adjusting their products to meet the demand for financial services in specific market niches. These are niches that, until the emergence of 100% digital options, were neglected by traditional banking, and they largely form the user base of the fintech companies analyzed here.

The survey data reveals that 32% of neobanks in Latin America focus their solutions on underbanked consumers. Meanwhile, only 5% of entrepreneurs in this segment indicate that they provide financial services to unbanked SMEs, (i.e., small- and medium-sized enterprises operating in the informal sector), as shown in Figure 3.5. This dynamic is not surprising because it is less complex to provide services to individuals than to companies. There are still factors affecting the demand for digital financial services by many of the smaller companies that operate mainly in informality. However, this picture might change rapidly, considering the pandemic's effect on the acceleration of digitalization and demand for digital financial services by businesses.

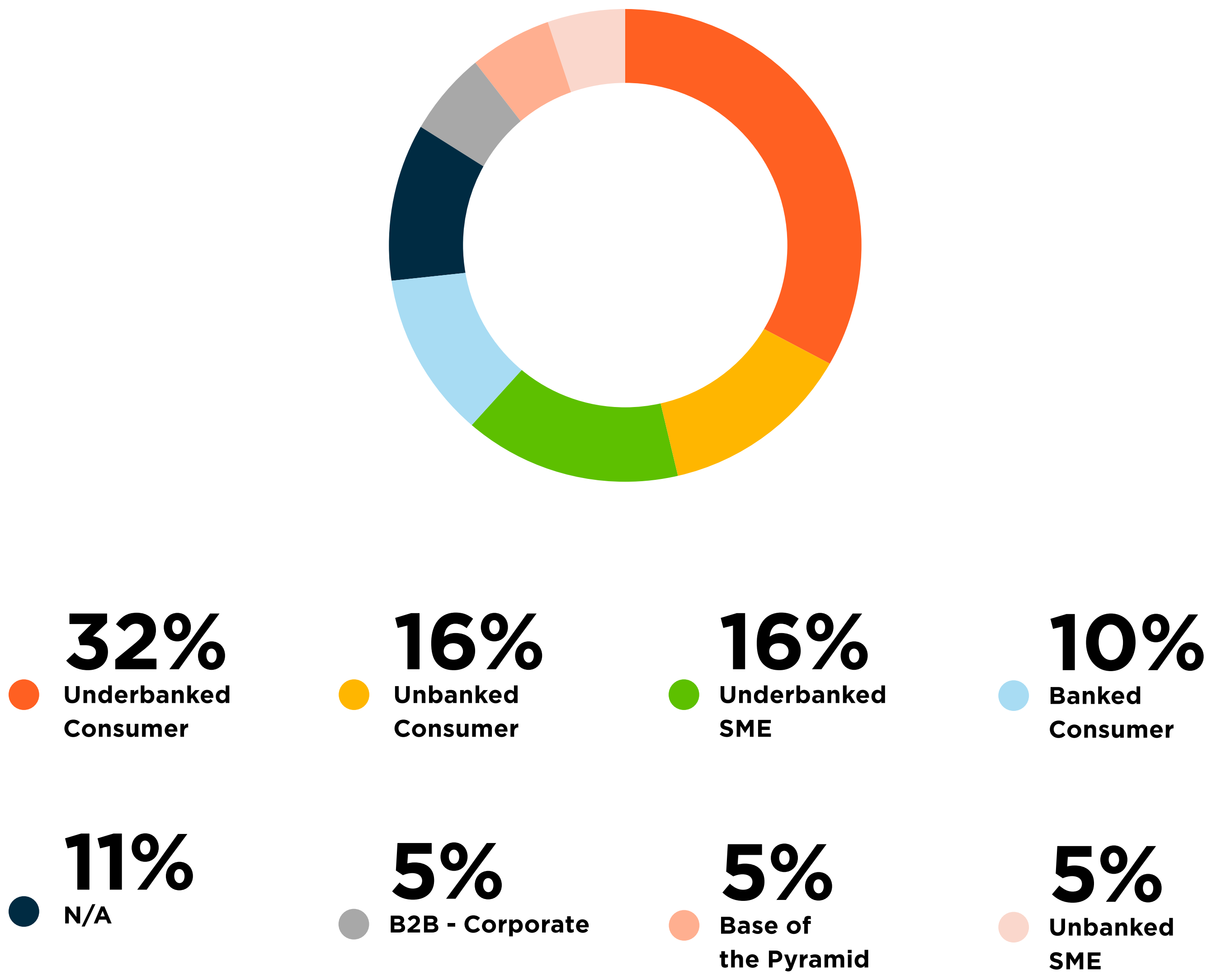
Finally, there is a close relationship between open banking and the rise and relevance of neobanks. As open banking spreads throughout the region in the future, it is expected that the dynamism of digital banks will accelerate and that new ventures and business models will be born. These will take advantage of the context and new generations of digital users that demand more in line with the value propositions offered by these types of banks.

Figure 3.4: Subsegmentation of Digital Banks in Latin America



Source: Finnovista (2021).

Figure 3.5: Market Niches Served by Digital Banks in Latin America



Source: Finnovista (2021).

Pierpaolo Barbieri

Founder and CEO of Ualá

In your opinion, what are the two most important challenges for digitizing banking in Latin America, and what should be the priority in the region's development agenda?

One of the main challenges is the creation of digital financial products that are simple and accessible, not only for those who are banked but for the entire population in general. The region's second major challenge is ensuring that the regulatory environment is focused on innovation, always protecting people's capital and savings, and allowing accounts to be universal and accessible. At Ualá, we believe that both financial inclusion and digitalization require the efforts of the entire financial ecosystem: companies, public institutions, regulators, and the users themselves. We believe that the most important thing is that each of the actors focuses on providing the best service and attention and that they make an effort to listen to and meet the population's needs.

How would you describe the competitive environment for banks in 10 years?

It would be a more universal financial industry, especially in Latin America, where currently more than half of adults never pay with anything other than cash.

The market and the banking environment face the dilemma of adapting their offering to customers' expectations or losing them altogether. Users face a new reality, driven by the pandemic; they now expect on-demand and digitized experiences, hyper-personalized services, and round-the-clock assistance. The market will evolve, making it easier to bank more population segments. I believe there will be many more financial service options for consumers in the future.

How has the COVID-19 health contingency impacted Ualá, and how do you expect the outlook for neobanks to change in the new normal?

During the pandemic, what we expected in years happened in a few weeks. From our perspective, these changes will continue, as we have seen a significant increase in the uptake of new users, demonstrating a growing confidence in the companies in the sector. We expect this to increase over time.

People are increasingly adopting our services to perform everyday tasks, such as utility payments, money transfers through the application, recharging cell phone balances, paying and making purchases, etc. For example, utility payments shot up 300% during the quarantine.

Thanks to the accelerated adoption of solutions like ours, we surpassed the 2 million user mark earlier than expected and continue to grow.

What has changed in the last five years in Latin America that has allowed the proliferation of fintech solutions such as Ualá?

One of the main characteristics is that they have helped boost financial inclusion in a region where almost 50% of the population does not have access to the financial system. This allows users to save money and time traveling to physical branches, making it easy to get used to and integrate the change, especially for those who live in regions far from urban centers, where the convenience provided by this type of tool is a crucial factor in accessing the financial system and the advantages it offers.

On the other hand, the positive change in the regulatory context has been vital. In Argentina, the uniform virtual key (CVU) promoted by the Central Bank of Argentina allows interoperability between financial institutions and fintech. In the Mexican market, the National Banking and Securities Commission (CNBV) has made the requirements for the approval of these companies very clear in the Fintech Law.

What two pieces of advice would you give to new fintech entrepreneurs in the region?

First, work hard to understand the regulatory context because knowing what is not feasible to launch in the market is essential. In that sense, establishing a dialogue with regulators is very important. Second, try to create simple financial products. Paradoxically, designing simple digital products is more complicated than creating complex products. When designing the product, talking to users and putting yourself in their shoes is crucial to facilitate adoption.

Among Ualá's customers, is there any difference in the behavior of men and women? Is there more demand from one gender than the other?

Six months after launch, 80% of Ualá's customers were men, and today, that percentage stands at 44%. We found that women were less willing to trust a new finance brand and wanted more track record. Nowadays, we have worked to balance this gender gap and have succeeded in gaining the trust of our female customers.

How do you describe the growing phenomenon of Ualá?

In addition to the quantitative aspect, it is exciting to see that Ualá has more users outside the metropolitan areas of Buenos Aires and Mexico City, which translates into geographic and demographic financial inclusion.

In less than four years, we have reached significant milestones such as expanding into a new market and necessary investment rounds that have helped us establish our position as one of the leading fintechs in the Latin American region.

The most important aspect of our growth is adding and contributing to financial inclusion in the region, which has always been our main objective, reaching more than 3.5 million users who trust us.

CHAPTER 4: FINTECH AND FINANCIAL INCLUSION IN LATIN AMERICA AND THE CARIBBEAN

The worldwide health contingency caused by COVID-19 accentuated the urgency of digitizing the financial lives of populations excluded from or underserved by the financial system. As reported in 2018, in Latin America several constraints on both the supply and demand sides prevent the full inclusion of the population in the formal financial system. These go beyond the level of income or financial education since the informal sector "will not migrate to formal financial services unless the supply side designs products that are easy to understand and use and that have a value proposition that justifies the abandonment of cash as the main means of payment" (De Olloqui, Andrade, and Herrera, 2015).

Fintech platforms are a potential solution to the region's financial inclusion challenges. A concrete example of the impact of fintech services on financial inclusion is their role in developing micro-, small-, and medium-sized enterprises (MSMEs). For instance, with new techniques and sources of information to assess credit risk, online financing platforms have expanded access to financing for MSMEs. Also, payment solutions and digital tools to achieve better corporate financial performance have facilitated the digitalization and formalization of these businesses. As mentioned earlier, the region reached US$5.27 billion in originations by 2020, growing 191% relative to 2018 (US$1.81 billion), according to a study published by the Inter-American Development Bank (IDB) and the Cambridge Centre for Alternative Finance at the University of Cambridge (Ziegler et al., 2021). Of this volume, 86% went to MSMEs. Debt-based models account for most of it, representing a total volume of US$4.7 billion and a growth rate of more than 177% since 2018. Alternative financing platforms appear to be a viable option for financing MSMEs, which account for 95% of their commercial clients.

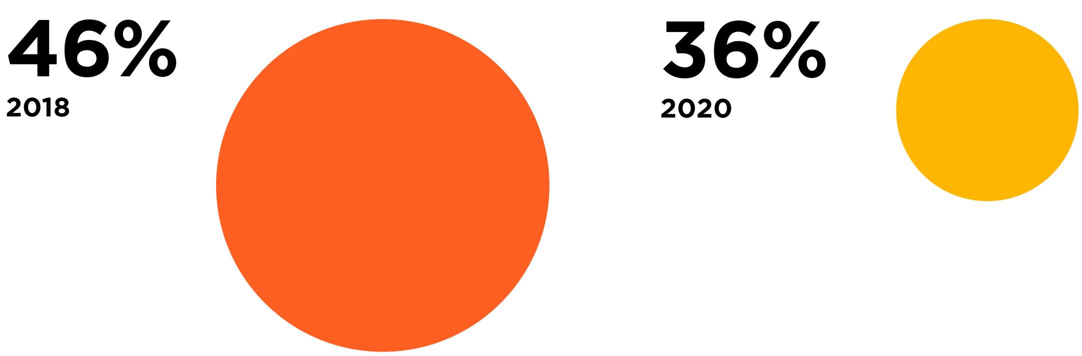
This chapter will analyze the fintech initiatives focused on addressing the needs of population segments that are totally or partially excluded from the formal financial system. First, the survey data is reviewed to determine what percentage these initiatives comprise of the entire Latin American fintech ecosystem. Second, the document analyzes which countries have greater dynamism in this area. In addition, the types of solutions and market segments targeted by these initiatives are reviewed. Finally, this chapter identifies the fintech segments whose product offerings include tools that help users improve their financial health and education.

Financial Inclusion Fintech Startups

Of the fintech startups surveyed, 36% present solutions that involve segments of the population totally or partially excluded from the formal financial system. These companies are designing solutions for market segments comprised of base-of-the-pyramid consumers and professionals, unbanked consumers and small- and medium-sized enterprises (SMEs), and underbanked consumers or SMEs. This percentage contrasts with the 46% and 41% reported in 2018 and 2017, respectively (see Figure 4.1), as the proportion of fintech startups with business models that impact financial inclusion. The percentage contraction does not mean that there is less interest on the part of fintech entrepreneurs in developing solutions for this segment of the population. One of the factors contributing to the decrease in this percentage is the increase in the number of other types of fintech solutions in the ecosystem, such as those focusing on business technology solutions for financial institutions. However, in absolute terms, the number of startups catering to these niche markets grows at an average year-on-year rate of 19.3%, rising from 145 ventures in 2017 to 236 in 2020.

There are outstanding examples such as Koibanx, an Argentine fintech with regional operations that develops blockchain infrastructure so that financial institutions can offer financial inclusion solutions for SMEs and consumers. One of its products is Armónica,[19] which aims to democratize capital markets through factoring, allowing SMEs to access liquidity and, at the same time, opening investment opportunities on blockchain infrastructure designed for distribution by financial institutions. Thus, the impact of this fintech in terms of financial inclusion is indirect because the model is aimed at financial institutions, so it is not considered in the 36% mentioned above. Still, it is nonetheless an initiative whose mission is to expand access to financial products and services.

Figure 4.1: Percentage of Fintech Startups with Fintech Inclusion in Latin America



Source: Authors' elaboration based on Finnovista and IDB (2021).

[19] See https://www.koibanx.com/en/.

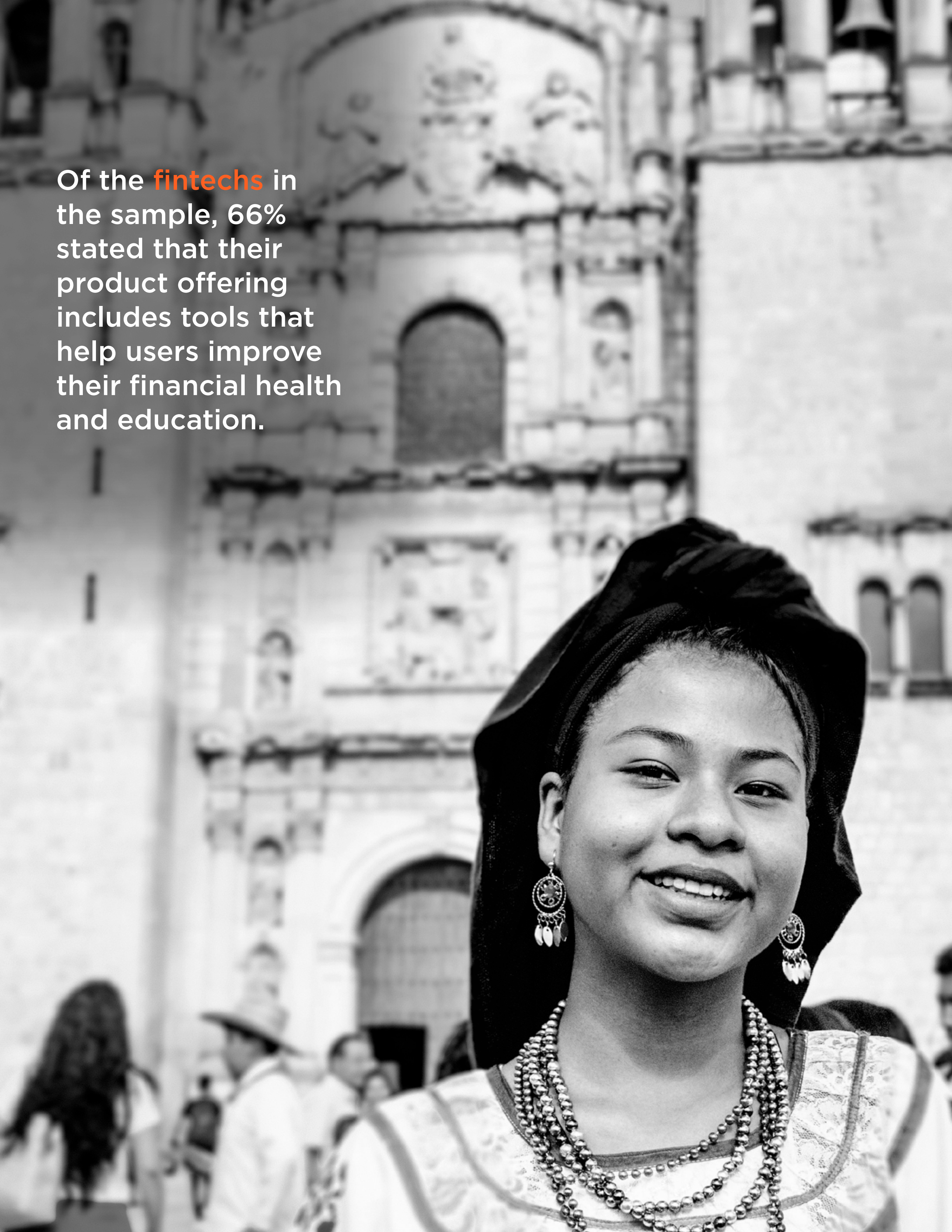
Geographical Distribution and Financial Inclusion Fintech Solutions

Colombia leads in the proportion of fintech innovations focused on financial inclusion segments in the five leading Latin American markets, as shown in Table 4.1. Despite being the country with the lowest penetration of formal financial services according to the World Bank (2017), Mexico is also one of the main markets where fintech innovations aimed at financial inclusion target segments have a proportion (32%) below the average observed in the region as a whole. Although Mexico's fintech ecosystem is one of the most dynamic in Latin America, it is not necessarily the country where most fintech ventures are designing products to meet the demand of segments excluded from the financial system, despite being one of the countries with the greatest need and potential in this area.

Table 4.1: Percentage of Fintech Startups Focused on Financial Inclusion and Percentage of the Population with Access to a Bank Account, by Country

Country	Fintech startups in financial inclusion	Percent of population with access to bank account
Venezuela	100%	73.5%
Paraguay	100%	48.6%
El Salvador	80%	30.4%
Panama	66.7%	46.5%
Dominican Republic	65%	56.2%
Guatemala	53.3%	44.1%
Bolivia	50%	54.4%
Colombia	41.6%	45.8%
Peru	39.3%	42.6%
Ecuador	33.3%	51.2%
Mexico	32.2%	36.9%
Argentina	31.9%	48.7%
Chile	31.6%	74.3%
Brazil	30.6%	70%
Honduras	30%	45.3%
Costa Rica	11.1%	67.8%
Uruguay	10%	63.9%

Source: Authors' elaboration and World Bank (2017).


Of the fintechs in the sample, 66% stated that their product offering includes tools that help users improve their financial health and education.

According to the data collected to prepare this document, 12% of fintech innovations focus on underbanked and unbanked SMEs, and 24% are designing products for underbanked and unbanked consumers in the region. When disaggregating the data to find out the percentage of startups working to serve financially excluded segments, 7.9% of the startups in the sample reported serving unbanked consumers, while only 2.9% of the startups surveyed are designing financial products for unbanked SMEs. The fintech segments with the highest concentration of initiatives aimed at market segments that are totally or partially excluded from the formal financial system are lending (to businesses and consumers), digital banks, and, to a lesser extent, insurance and payments and remittances (see Table 4.2).

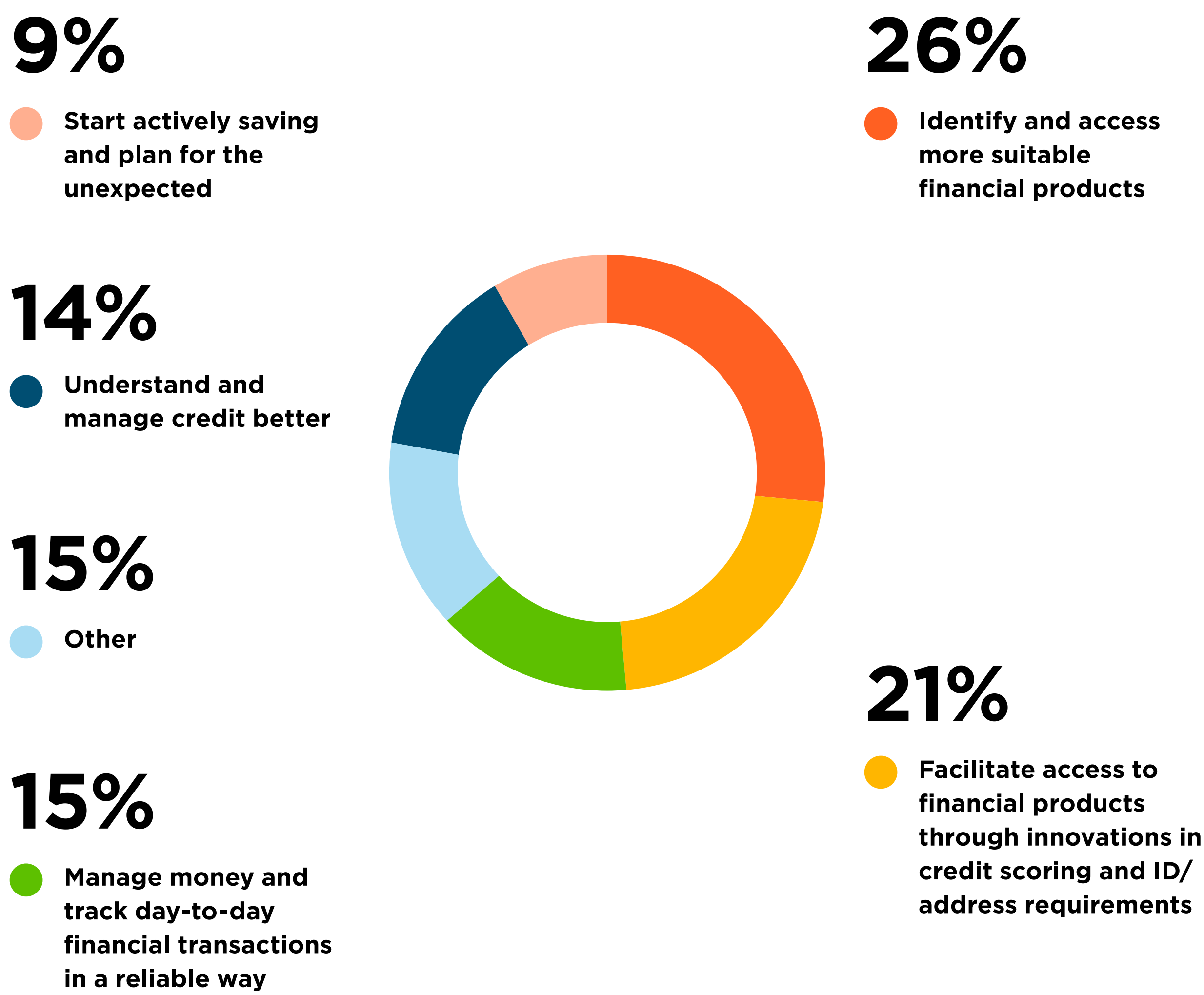
Table 4.2: Financial Inclusion Fintech Solutions in Latin America, by Segment

Segment	Business lending	Consumer lending	Crowdfunding	Digital banks	Enterprise financial management	Business technology solutions for financial institutions	Insurance	Payments and remittances	Personal financial management	Credit scoring, identity, and fraud	Trading and capital markets	Wealth management
Consumers at the base of the pyramid	6%	18%	4%	6%	2%	4%	15%	17%	9%	6%	6%	7%
Professionals at the base of the pyramid (provide services but are not SMEs)	0%	12%	13%	25%	0%	0%	19%	6%	19%	0%	6%	0%
Unbanked consumers	8%	25%	4%	15%	8%	2%	4%	19%	11%	4%	0%	0%
Unbanked SMEs	39%	12%	0%	22%	11%	5%	0%	11%	0%	0%	0%	0%
Underbanked consumers	8%	38%	6%	18%	2%	0%	4%	6%	12%	0%	4%	2%
Underbanked SMEs	42%	0%	9%	13%	20%	7%	0%	5%	0%	2%	2%	0%

Source: Finnovista (2021).

The data reveals that 66% of the fintech solutions in the sample stated that their product offering includes tools that help users improve their financial health and education, with personal financial management and crowdfunding leading the fintech segments in this area. Figure 4.2 shows the ways in which fintech startups in Latin America reported helping users improve their relationship with money.

Figure 4.2: **How Fintech Startups in Latin America Help Users Improve Their Financial Health and Education**



Source: Finnovista (2021).

Evidence suggests that cooperation between regulatory bodies and financial inclusion initiatives is vital to advancing this agenda, and this happens when there are sufficient incentives. In this line, it is essential to highlight some regional initiatives to test innovative models focused on financial inclusion. A clear example is the Financial Superintendence of Colombia (SFC), which has, through its regulatory sandbox, created a space for pilot programs between financial institutions and cryptocurrency platforms in the payments space.[20]

[20] See https://www.superfinanciera.gov.co/jsp/10097165.

Gabriela Estrada

Co-founder and CFRO of Vexi

What are the deficiencies in the financial market that Vexi seeks to correct?

At Vexi, we seek to democratize access to credit, helping to create and improve the credit history of our clients by offering them small and easily manageable initial credit lines so that the user learns to use credit to achieve their goals. The experience of Vexi's founding team in traditional banking entities was key to identifying the personal credit gap in Mexico: only 1 of every 10 Mexicans has access to a bank credit card.

How would you describe the before and after of Vexi in the financial life of users?

For 85% of our clients, Vexi is their first credit card. For 20% of them, it is even their first financial instrument. Clients come to us because they are interested in improving and strengthening their credit history to access other types of credit. Interestingly, our users also use Vexi to finance their microenterprises, which makes us think that beyond consumer credit, we are working to finance productive debt in market segments that have been historically rejected by bank credit.

What trends in product use do you observe in terms of gender?

A general trend in the financial industry is the low participation of women as users of products such as ours. Only 23% of our clients are women. It is a wide gap, and we know that there is still much to be done, but we understand that this is partly a consequence of the risk aversion that women customers have towards credit products. However, the team that designs the communication and marketing strategies in Vexi are primarily women, and we have tried to present the use cases, the communication, and the look and feel of both the product and the company so that they are attractive to and speak to women users.

What would you recommend to entrepreneurs working on financial inclusion solutions?

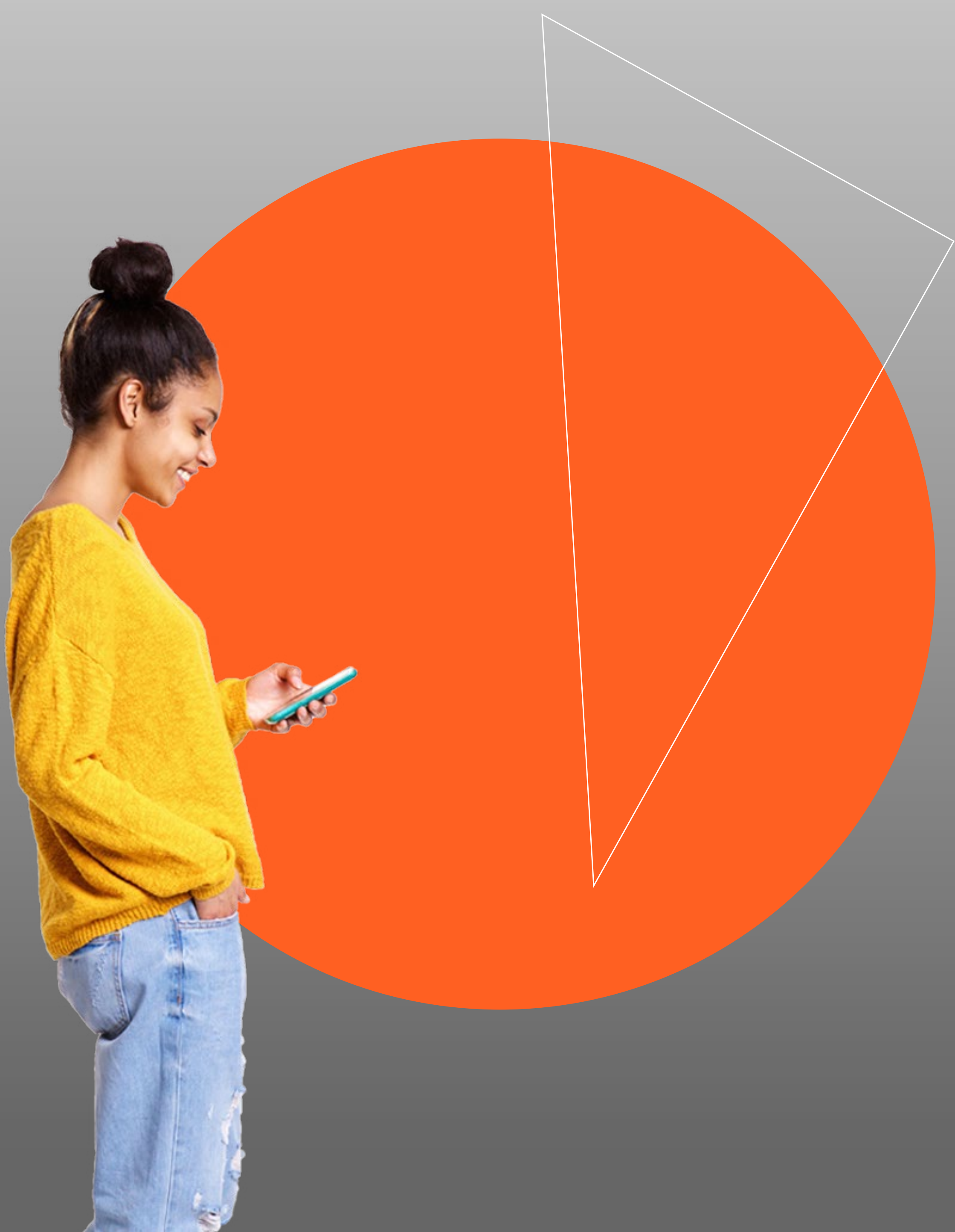
Understanding the needs of your target market segment is crucial. As a startup, we have a unique opportunity to put the customer at the center of the product design, which is an advantage over banks since their product design process works the other way around. They should certainly take advantage of the flexibility to experiment and pivot because, in the end, this is the only way to create innovative products that add value to the user.

How has the pandemic impacted you, and what concrete actions have you taken regarding users?

First, we decided to act quickly to move operations to a 100% remote model because we had 43 people working with us, most of whom commute by public transportation. For this reason, we have been operating from home since March 2, 2020, which was two weeks before the contingency measures were made official in Mexico. As for the business model, our greatest fear as a lending company is the repercussion on portfolio quality. Therefore, we took measures in favor of our customers, such as reducing the interest rate and minimum payment amount, which was above the banking standard precisely to avoid encouraging over-indebtedness.

In addition, we promoted flexible payment plans at half the interest rate. The positive response from our customers was surprising; in March 2020 we broke our record in card payments and we did not see any deterioration in the quality of our portfolio. Undoubtedly, acting fast and taking measures that favor our customers is crucial in times like these.

CHAPTER 5:
THE GROWING ROLE OF WOMEN IN THE FINTECH SECTOR IN THE REGION



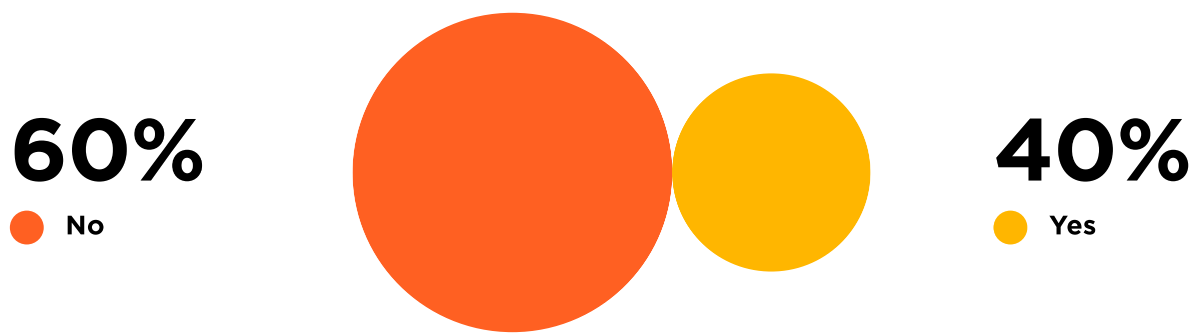
Women in Latin America and their businesses still face gaps in the adoption and use of financial services, despite their central role in the region's economy and government efforts to improve their financial inclusion. According to the Global Findex Database, 304 million women in Latin America do not have access to a bank account (World Bank, 2017). In the region, there are more unbanked women (48.6%) than men (42.6%), and the financing gap for small- and medium-sized enterprises (SMEs) led by women reaches US$93 billion (IFC, 2017). In addition, almost half of women in Latin America earn less than a minimum wage (ECLAC, 2017), and 80% do not contribute to a pension system (ECLAC, 2019). Given women's potential contribution to the economic and social development of the region, it is necessary to encourage the financial system to work efficiently for the entire population and consider providing services more tailored to their needs. Therefore, the solution to financial inclusion for women must be a combined effort between governments, financial institutions, and fintech ventures.

This chapter analyzes gender inclusion within the fintech sector in Latin America. It reviews the most relevant implications of the results of this analysis on access to financial services for women in this region. Addressing this analysis is of vital importance, as women-owned ventures seem to perform better than their counterparts despite receiving less funding: "for every dollar of funding received, fintech ventures founded by women generate 78 cents in revenue, while fintech ventures founded by men generate only 31 cents" (Findexable, 2021b). Despite this, women are underrepresented in the financial services and technology industry in leadership, as employees, and as end users.

Women's Participation in the Fintech Ecosystem

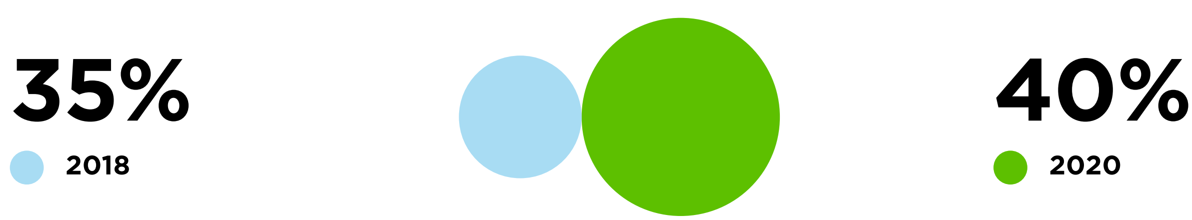
The survey conducted by the Inter-American Development Bank (IDB) and Finnovista shows an increase in the average number of fintech initiatives with a woman on the founding team. Since the last report, the average number of fintech ventures with a female founder or co-founder grew from 35% in 2018 to 40% in 2020 (Figures 5.1 and 5.2).

Figure 5.1: Percentage of Female Founders or Co-Founders in Latin American Fintech Startups



Source: Finnovista (2021).

Figure 5.2: Evolution of Percentage of Female Founders or Co-Founders in Latin American Fintech Startups



Source: Finnovista (2021).

Breaking down this growth in Latin America by country, some countries stand out for an improvement in women's participation in fintech initiatives. In 2020, taking into account the top five markets in the region, Colombia shows the highest percentage of female founders of fintech ventures, with 42% (Table 5.1), followed by Argentina, with 35% of female founders and an increase of 24% over the last report. Close behind are Brazil and Mexico, with a third of all fintech startups having women in the founding core, and Chile, with 21% of fintech ventures led by women.

Meanwhile, the findings in countries with an emerging fintech sector are encouraging. In the Dominican Republic, 55% of fintech initiatives have a woman on the founding team, followed by Peru (52%) and Ecuador (50%). The growth observed in Ecuador is notable; it was one of the top five countries in the last report, with 25% representation of female founders and co-founders, which had increased to 50% representation by 2020. Another notable country is Peru, which was also among the top five countries in the last report and has increased from 45% to 52%. An interesting change was observed in Uruguay, as the data indicates that half of the fintech ventures had at least one woman in the founding team in 2018, and the survey indicates that this proportion fell to 30% in 2020. The startups that emerged in this time frame have considerably lower representation of women on their founding teams.

Table 5.1: Participation of Women on the Founding Teams of Fintech Initiatives in Latin America

Emerging Markets 2020			Main Markets 2020			Top 5 2018	
Country	# fintechs with women (co)founders	% fintechs with women (co)founders	Country	# fintechs with women (co)founders	% fintechs with women (co)founders	Country	% fintechs with women (co)founders
Dominican Republic	11	55%	Colombia	37	41.57%	Uruguay	47.45%
Peru	29	51.79%	Argentina	24	34.78%	Peru	45.2%
Ecuador	9	50%	Brazil	33	30.56%	Colombia	42.6%
Guatemala	7	46.67%	Mexico	51	29.31%	Mexico	41.4%
Honduras	4	40%	Chile	12	21%	Ecuador	25%
Uruguay	3	30%					

Source: Authors' elaboration based on Finnovista and IDB (2021).

Investing in Women-Led Fintech Ventures

An essential fact about women-led fintech startups is that most have received funding, as shown in Figure 5.3, continuing the trend reported in past reports. Compared to the previous IDB and Finnovista report, funding to fintech startups founded by women or with women on their founding team has increased 10 percentage points, from 55% to 65%. As mentioned in Chapter 2, there is a generalized increase in investment in Latin America. Almost 40% of external funding went to fintech startups led by women (see Figure 5.4). This figure grew considerably since 2018, when less than a third received financing for their fintech startups.

Figure 5.3: Percentage of Fintech Ventures in Latin America with Women on the Founding Team That Have Received External Funding

Source: Finnovista (2021).

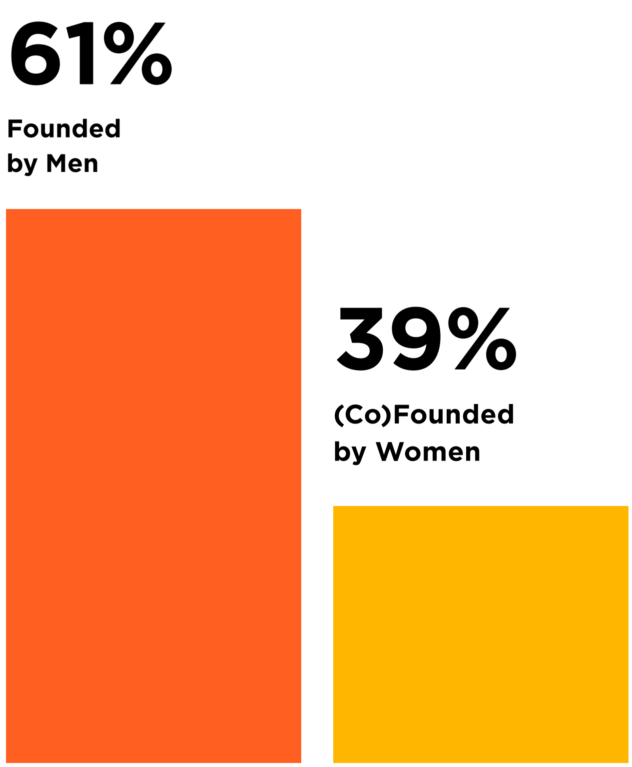
"More and more Latin American women present their fintech initiatives to us. However, it is a fact that, in general, it is challenging to get introductions with venture capital funds, as it is an industry that still relies heavily on connections, the model that has worked best so far. Undoubtedly, fostering networks among women in the sector will increase the number of female founders who know what we are looking for as venture capitalists, naturally resulting in the proliferation of fintech initiatives led by women and backed by venture capital funds."

Lauren Morton

Partner at QED Investors
IDB-Finnovista interview, 2020

Data on investment in women-led fintech ventures indicates that around half of these transactions were for less than US$500,000, which could suggest that most fintech startups receiving investment are at an early stage. To put this in perspective, in the UK, a developed fintech market, the first round of fintech startup funding in 2019 was less than GBP 500,000 (US$623,000) (KPMG, 2019). The median financing of the sample in this study was approximately GBP 330,000 (US$410,000).

Figure 5.4: Destination of Investments Made in the Fintech Sector in Latin America, Disaggregated by Gender



Source: Finnovista (2021).

On the other hand, it is worth mentioning a significant change from the previous report. In 2020, more than 10% of fintech founded by women or with women on their founding team indicated that they had received more than US$5 million. This figure illustrates a sharp spike compared to previous data, where less than 2% of startups reached that amount (Figure 5.5).

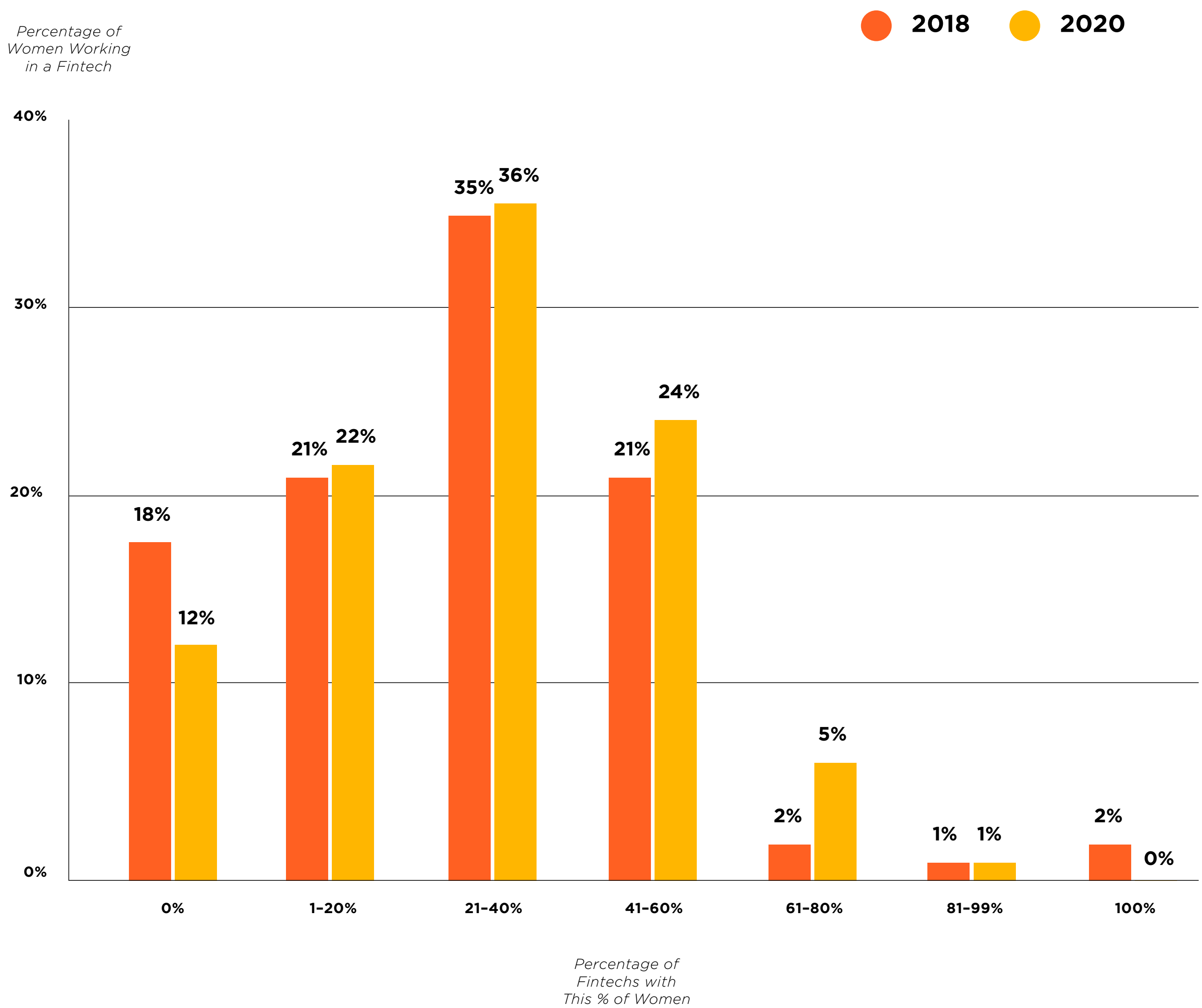
Figure 5.5: Financing of Fintech Ventures Founded by Women (in US$)

Source: Finnovista (2021).

Women in the Fintech Workforce

Another critical dimension to understanding the role of women in the fintech ecosystem is their participation in the workforce that supports these ventures. According to data from this study, 15% of fintech startups in Latin America are approaching equal gender representation in their work teams, representing a 9% increase over the previous research. This positive movement can be attributed mainly to startups with small groups of less than 10 employees, which have shown a 6% increase over the same period. Also, fintech companies without women on their teams have decreased from 18% to 12%. The positive trend of more female hires within the sector contrasts with three-quarters of fintech in the region, which have teams with less than 50% female participation (see Figure 5.6).

Figure 5.6: Percentage of Women in the Workforce of Fintech Startups in Latin America

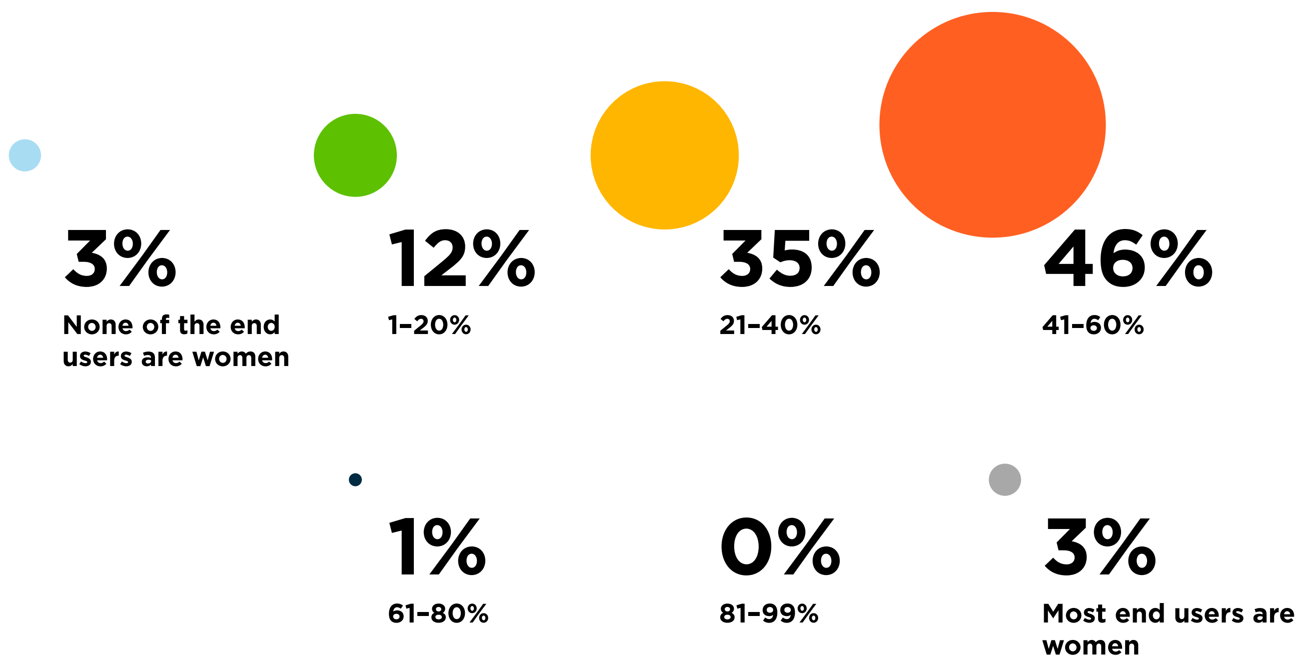


Source: Authors' elaboration based on Finnovista and IDB (2021).

Women as Users of Fintech Services

According to fintech sector research focused on the gender of end users, there is a trend towards gender parity, but there is still room for improvement. Inclusive fintech products and solutions increased, regardless of gender. In contrast to what was observed in 2018, when 34% of fintech solutions were reported to be close to gender parity in terms of users, in 2020, this figure rose to 46%, as on average 50% of end users are women. However, 50% of fintech startups have indicated that women represent less than 40% of their user base. Only 3% of fintech solutions showed that most end users are women (Figure 5.7).

Figure 5.7: Percentage of Women among End Users of Fintech Startups in Latin America



Source: Finnovista (2021).

The segments that provide the most fintech solutions for women as end users are personal financial management, followed by insurance and lending. Most personal financial management (61%) and insurance (55%) startups reported that they had achieved gender parity in their user base, while half of the lending initiatives can say the same. In addition, 36% of startups in the digital banks segment have a gender-equal user base.

It is worth highlighting the role of the lending and crowdfunding segments as a tool for financial inclusion. Although 78% of fundraisers had an account in the financial system, they used alternative finance platforms as their primary funding source. Women's participation in fundraising decreased from 34% in 2018 to 22% in 2020, while sponsoring women increased slightly from 22% to 23% (Ziegler et al., 2021). This data is especially important considering existing gaps in access to credit[21] and gender biases that may affect, for example, credit risk assessment.[22]

[21] Currently, only 18% of women in Latin America receive loans compared to 24% of men. See https://www.eluniverso.com/noticias/2020/03/04/nota/7766097/mujeres-ecuador-inclusion-financiera-cuenta-bancaria-ahorro-credito and https://www.latercera.com/que-pasa/noticia/no-da-lo-hombre-mujer-pedir-credito-ellas-pagan-17-mas-intereses-les-prestan-40-menos/526215/.

[22] In many countries, it is illegal to identify the gender of the applicant in the process of granting a financial loan. However, research conducted by the World Bank, UC Berkeley, and Northwestern University concluded that ignoring a key demographic trait such as gender and how this variable interacts with other factors in the decision process prevents women from improving their access to credit products. The study found that it is key to include such data and that it is important to build safeguards into new machine learning–based credit-scoring models to create a more egalitarian process. It also found that about 80% of women have received a higher credit score when using a credit-scoring model that differentiated customers by gender than when using an equally sophisticated machine learning–based model that did not include gender as a variable. This model is currently being tested in the Dominican Republic, where it is legal to use gender information as a differentiator in the credit decision process.

It is necessary to consider innovative and comprehensive solutions to close the gender gap, including segmenting the market, identifying the specific needs within these segments, and creating efficient solutions based on the differences between women and men in their finance-related decision-making (CAF, 2018). For example, women tend to be more prudent than men. Thus, in Latin America women tend to cut expenses while men tend to look for ways to expand their income. In addition, men are more likely to save money through informal mechanisms than through established financial products. The critical issue is for women to be empowered to manage and control their finances and have the knowledge and training to use financial tools.

Emma Sánchez Andrade Smith

Founder and CEO of Jefa

How would you describe the need for financial products designed specifically for women?

Financial products and services are tailored by default to men because there is no gender-disaggregated data. Traditional banks and sometimes fintech platforms often require the user to meet minimum deposit requirements and pay associated setup or maintenance fees, yet 52% of unbanked women cite this as the main reason they cannot open a bank account. In addition, women may lack the necessary identity documents, a problem that disproportionately affects low-income women. Women cannot access other financial products such as savings, credit, and investments without a bank account. They also have difficulty obtaining cash from fintech/neobanks without an existing bank account. Financial products are too confusing, and women have significantly lower levels of financial literacy than men. This is due to a much lower level of investment in financial education for women and social norms that hinder a woman's ability to spend time learning about finance.

Women typically control more than 80% of household expenses. They are financially literate, and research shows they are better financial customers: they pay more upfront, have fewer defaults, and are underrepresented in financial fraud cases. At Jefa, we see a tremendous opportunity to serve the world's 1.3 billion unbanked women with a better-for-you model that considers the unique life experiences of being a woman.

What market trends are driving the need to design gender-sensitive financial products?

The market trends have always existed: 80% of household spending is controlled by women, and women's credit default rates are lower and their savings patterns more consistent. However, women have been overlooked as viable customers for financial products because they have historically earned less than their male counterparts, have taken time away from traditional employment to manage the household, or have lower education levels.

Recent trends show that gender gaps are closing. Since 1995, the literacy gap for women has narrowed by 41%, and the gap in managerial positions by 38%. The education gap has closed. Closing the gender gap in finance could smooth consumption, reduce financial risks and costs, provide security, increase savings and investment rates, and facilitate new business opportunities. In addition, the women's empowerment movement is hotter than ever. In the last year, the women's movement in Mexico has gained more momentum than ever before. Now is the time for empowerment.

There has been a dramatic increase in vertical banking solutions, such as solutions for gig economy workers, immigrants, and entrepreneurs. Smartphone penetration in the region is 70%, and almost 100% of people have at least one non-smartphone or brick phone. This fact presents a huge untapped opportunity for mobile financial services. In addition, women were disproportionately affected by COVID-19. They make up most of the service sector and take on caregiving tasks at home, and need financial tools that build resilience now more than ever. These historical trends, combined with more recent ones, make it the perfect time to offer financial products specifically for women.

What are the most urgent needs of this market segment?

Of course, the segment of women is quite broad, and financial needs vary significantly from one woman to another at different stages of life, from student to entrepreneur to mother and beyond. Aside from general access to financial services, we have observed a strong need for credit among our female users. For example, there are 5.6 million women entrepreneurs in Mexico alone with unmet credit needs. In addition to credit, many women are looking for a place to save their money, ideally with a low interest rate to help combat inflation. A small percentage of women are also looking for a way to grow their wealth through investments, and we anticipate this need will grow as women's financial literacy increases. Our user interviews have shown that women in our market are curious and enthusiastic about learning how to control their financial lives better, so we also see education as an essential component of creating effective financial services.

What is the profile of Jefa's ideal users?

Our typical client is a woman between the ages of 18 and 45. She may be a student, young mother, or small business owner looking to take control of her financial life to make decisions that empower her and her family. In the specific case of our credit product, we are excited to cater to women who are about to become or have recently become mothers or who are solo entrepreneurs. These groups of women have shown a great need for credit to support them in growing their family, their business, or both. We are happy to assist all types of women, at all stages of their financial journey.

Do you have any recommendations for designing financial products and services from a gender perspective?

When designing financial products and services for underrepresented groups—in our case, women—it is essential not to rely on traditional data sets. Most financial institutions do not disaggregate their data based on gender. Since they have historically catered mostly to men, the conclusions drawn from this data about people's financial behavior could more accurately be described as "men's behavior." What we are doing at Jefa is starting from scratch and building a fully gender-disaggregated data set that shows us what a woman's financial journey looks like. In addition, it is crucial to create a meaningful product, not just "paint it pink," as some banks have made the mistake of doing in creating a female-centric service. This topic points to the absolute importance of gathering user feedback on every component of our product and services. We conduct extensive interviews with users who are willing to chat with us. We send out surveys, conduct A/B testing, and always have a learning mentality. Finally, we must meet women where they are. We want to foster their skills, confidence, and self-efficacy with every interaction while providing them with a trusted community they can count on at all times.

CHAPTER 6:
THE COMPETITIVE ENVIRONMENT OF THE FINTECH SECTOR IN LATIN AMERICA AND THE CARIBBEAN

There is broad consensus that technological innovation benefits any industry, especially through the expansion and diversification of product offerings in the market and lower costs and barriers to entry for clients. However, the financial sector presents complexities that distinguish it from other productive sectors. Traditional economic units (banks), in addition to their activity as financial services providers, perform an essential task for the functioning of the economy: converting central bank decisions regarding economic policies into the real economy. Without banks, these mechanisms—which are necessary to mitigate systemic risks and under which 95% of the world's central banks regulate and operate—could not be implemented. In the five major Latin American markets (Argentina, Brazil, Chile, Colombia, and Mexico), five large commercial banks dominate about 70% of lending and deposit activity (CB Insights, 2020).

According to the Financial Stability Board, the relationship between fintech companies and financial institutions is mostly "complementary and collaborative" (FSB, 2019). This chapter analyzes the nature of collaboration between fintech companies and financial institutions in the region. It emphasizes the types of alliances between them, the quality of dialogue perceived in the ecosystem, and the region's activity in mergers, acquisitions, and corporate venture building. For the first time, the impact that bigtech companies[23] have on the Latin American fintech sector is analyzed, in response to the interest they have awakened by becoming more involved in the ecosystem and developing skills, supply capacity, and know-how in the provision of financial services that complement their business models.

[23] According to the Financial Stability Board, the term "bigtech" refers to large companies with established technology platforms. Examples include Google, Facebook, and Netflix.

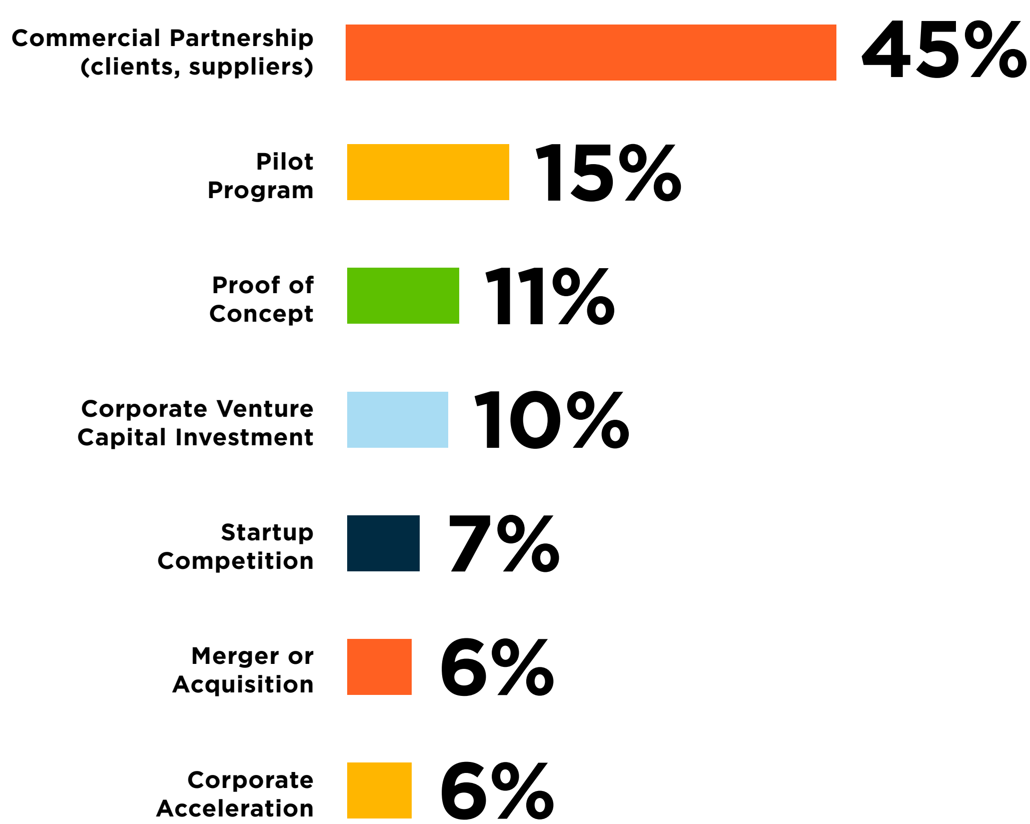
The Relationship between Fintech Companies and Financial Institutions and Its Evolution

One of the questions that has prevailed since the emergence of fintech ventures in the financial services industry is about the dynamics and nature of the interrelationships between fintech and financial institutions. Are fintech platforms leading the implementation of major technological innovations? Do traditional banks have the capital and traction to bring these innovations to a broader audience? Do the roles they have assumed fully match the type of relationships that these economic units have with each other?

In 2020, the acquisition of Radius Bank by Lending Club in the United States was a significant milestone in the dynamics of the fintech sector. It was the first time a transaction of this type occurred: a fintech venture absorbed a traditional bank to expand its product offering and take advantage of the acquired entity's banking license (Sanborn, 2020). In Latin America, roughly 58% of fintech ventures collaborate with financial institutions, similar to what was reported in the last edition of this report. However, as in that edition, the data indicates that these companies perceive that the quality of the dialogue with financial institutions is relatively poor. This is why the latest survey included a question to determine what is specifically referred to by the term "collaboration" in the Latin American fintech ecosystem.

When the survey asked the startups about the nature of their involvement with other institutions, the answers found that, of the total number of startups that claimed to actively collaborate with financial institutions, 45% do so through commercial partnerships, integrating themselves into the value chain as suppliers or clients of the financial institutions in question. With 15% of the total sample, the second-largest group consists of fintech companies currently engaged in pilot programs with corporate financial services companies, while 11% are conducting proof of concept.These numbers indicate that collaboration between fintech ventures and traditional financial institutions in Latin America consists predominantly of commercial partnerships, followed by pilot programs, as shown in Figure 6.1. Only 6% stated that they are in the process of mergers or acquisitions.

Figure 6.1: Types of Collaboration between Fintech Startups and Financial Institutions in Latin America



Source: Finnovista (2021).

Mergers and Acquisitions

An interesting dilemma for financial institutions has been choosing the best strategy for integrating fintech solutions into their business models. In response to an increasingly demanding competitive environment, financial institutions in Latin America have proactively implemented different lines of corporate development work such as mergers and acquisitions (M&A) of fintech ventures, strategic investments in emerging ventures, and venture-building programs.

There have also been exciting moves on this front by banks in recent years, such as the Yapé mobile payments app designed in-house and launched by Banco de Crédito del Perú (BCP). Yapé has disrupted user acquisition barriers in Peru since its launch in 2018. It has more than 2 million users to date, allowing them to transfer money using only a contact's cell phone number.[24] In addition to BCP and Yapé, under the umbrella of Credicorp is another corporate innovation initiative called Krealo, which in just two years has propelled fintech ventures in Peru, Chile, and Colombia including the payment gateway Culqi, the wallet Tenpo, and the investment platform tyba.[25]

As described in Chapter 2, venture capital funds have deployed mega-financing rounds in the fintech sector in Latin America in recent years. Some banks have also ventured into the fintech investment sector, such as Santander, which injected capital into more than 25 fintech startups worldwide through its Innoventures fund. This portfolio, now managed by Mouro Capital, includes four Latin American companies: the Mexican digital bank Klar,[26] the Brazilian digital credit fintech Creditas, the Mexican payroll advance platform ePesos, and the Brazilian credit fintech a55, which is geared towards small- and medium-sized enterprises (SMEs) and has a presence in Mexico.[27] In addition to Santander, another notable case is the participation and leadership of Banco Votorantim, one of Brazil's largest banks, in the Series B investment round raised by Brazilian neobank Neon, worth US$95 million (LAVCA, 2019b).

Beyond investment rounds and corporate innovation projects, robust technological innovation ecosystems need to align the incentives of entrepreneurs and investors to achieve transactions that generate value and feed the cycle of good practices and trust among industry players. Mergers and acquisitions are vital now that the fintech ecosystem in Latin America has become attractive for investment, as successful transactions involving the sale of fintech ventures translate into viable and profitable capitalization strategies that reinforce investor confidence in this sector. Table 6.1 shows a list of recent and noteworthy transactions that indicate an emerging M&A market in the region.

[24] See https://infomercado.pe/yape-alcanza-los-2-millones-de-usuarios/.
[25] See https://krealo.pe/en/about-us/.
[26] See https://www.santander.com/en/press-room/press-releases/santander-innoventures-backs-klar-a-mexican-alternative-to-traditional-credit-cards-and-debit-services.
[27] See https://www.mourocapital.com/our-portfolio/.

Table 6.1: Mergers and Acquisitions in the Latin American Fintech Sector

Country	Buyer	Seller	Date	Transaction Amount
Brazil	Ebanx (Advent)	Remessa	December 2021	US$229M
Brazil	Advent	Ebanx	June 2021	US$430M
Chile	BCI	Pago Fácil	June 2021	NA
Brazil	Banco BS2	Weel	June 2021	NA
Brazil	Megalu	Bit55	June 2021	NA
Brazil	Ame	Nexoos	May 2021	NA
Mexico	Creditjusto	Visor	April 2021	NA
Brazil	Locaweb	Pagcerto and Bling	April 2021	NA
Brazil	Foxbit	Modiax	November 2019	NA
Brazil	Omni	Pagbem	October 2019	NA
Brazil	Carrefour	EWally	October 2019	NA
Brazil	Neon	MEIfácil	September 2019	NA
Brazil	Creditas	Creditoo	August 2019	NA
Chile	Kushki Pagos	QVO	August 2019	NA
Mexico	Yonder Media Mobile	Weex	August 2019	NA
Mexico	Capital Tech	Konsigue	August 2019	NA
Mexico	Grin	Flinto	June 2019	NA
Mexico	Polygon Fintech	Creze	May 2019	NA
Mexico	Rappi	Payit	February 2019	NA
Argentina	Advent	Prisma	January 2019	US$725M (51%)
Brazil	Santander	getnet	December 2018	US$487M (88.5%) US$350M (11.5%)

Source: Finnovista (2021).

In addressing the issue of exit or capitalization strategies, one cannot omit the other path that fintech ventures in Latin America can take to reach another scale of impact: the public offering of shares in stock markets. This exit strategy for ventures at more advanced stages of maturity has been seen infrequently in Latin America because, to date, very few ventures in this sector have reached an attractive scale of capitalization for public markets. Table 6.2 shows some notable IPOs of Latin American fintech companies in stock markets such as the Bolsa de Valores Mercadorías e Futuros (BVMF) in Brazil and NASDAQ in the United States.

Table 6.2: Main Initial Public Offerings of Latin American Fintech Companies in Regional and Foreign Stock Markets

Country	Stock Exchange	Company	Date
Brazil	NYSE:NU	Nubank	December 2021
Uruguay	NASDAQ:DLO	DLocal	June 2021
Brazil	NASDAQ:XP	XP Investments	December 2019
Brazil	NASDAQ:STNE	Stone	October 2018
Brazil	BVMF:BIDI4	Banco Inter	April 2018
Brazil	NYSE:PAGS	PagInsurance	January 2018
Argentina	NASDAQ:MELI	MercadoLibre	August 2007

Source: Finnovista (2021).

Considering that "increased M&A activity in a country will naturally attract more venture capital investment" (Philips and Zhdanov, 2017), it is crucial for financial industry players, including regulators, to understand how essential it is to encourage and facilitate IPO and M&A strategies and transactions for companies in this sector.

Thus, the ideal scenario for the interaction between financial institutions, fintech ventures, and regulators is for all to foster an agile business environment that positions the region not only for its potential but also for its results in the race to establish fintech solutions with disruptive business models, a large customer base, and an international presence.

Bigtech in Financial Services

The idea that, in Latin America, the relationship between banks and fintech ventures is mostly collaborative and complementary may erroneously suggest that the digitalization of financial services and the empowerment of users are phenomena that do not pose risks and vulnerabilities to the stability of the financial system. The entry of sizable bigtech companies into the financial services market in some jurisdictions worldwide has brought the discussion about the future of financial services back to the table. Bigtech benefits from access to low-cost capital to invest in the development of financial services, private data on users' digital behavior, and the relationship they have already established with users, among others, but they may also be accompanied by risks associated with market competition and consumer protection and other challenges related to their scale (FSB, 2020).

In the United States, Apple and Goldman Sachs announced a strategic alliance to launch the Apple Card.[28] Google has also been active in the payments segment with the Google Pay service,[29] allowing users to make digital payments in e-commerce processes. And, in China, for example, the bigtech firms Tencent and Alipay make up more than 90% of the digital payments market (FSB, 2019).

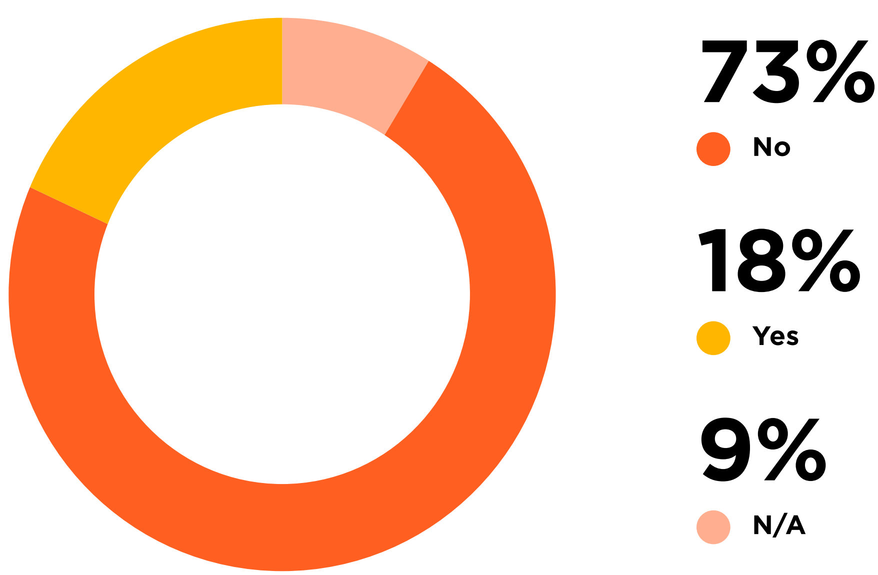
Latin America observed similar movements with MercadoLibre entering the fintech space with offerings for payments (MercadoPago) and loans (MercadoCrédito). In the second quarter of 2021, the volume of payments made through MercadoPago increased 80.3% compared to the second quarter of 2020, and the MercadoCrédito portfolio grew five times in the same period.[30] Rappi is also making inroads in this space with payment solutions (through its acquisition of Mexico's Payit and Rappi's alliance with Davivienda to create RappiPay in the Colombian market, and the creation of RappiBank). In addition, Facebook announced the deployment of digital payment functionalities for users of the WhatsApp instant messaging platform in collaboration with financial institutions in other parts of the world.

[28] See https://www.apple.com/apple-card/.
[29] See https://pay.google.com/about/.
[30] See https://investor.mercadolibre.com/news-releases/news-release-details/mercadolibre-inc-reports-second-quarter-2021-financial-results.

With the goal of understanding the perspective of fintech startups on the entry of new players into the sector, a question was designed for this report to measure the level of threat that these types of organizations pose to date to the business models of fintech ventures.

The idea that bigtech companies do not currently pose any threat prevails in more than 70% of the fintech ventures surveyed, as shown in Figure 6.2. Breaking down the responses by segment, the fintech segment that perceives the most significant threat from new players is business technology solutions for financial institutions, which accounts for 25% of the total number of fintech companies that stated that they perceive a competitive threat from bigtech platforms. This perception will undoubtedly change as bigtechs establish their presence and operations in financial services in the region.

Figure 6.2: Perception of Competitive Threat Posed by the Entry of Bigtech in Financial Services, as Reported by Fintech Startups in Latin America



Source: Finnovista (2021).

When the survey asked fintech startups about the entry of corporations from the retail sector, or the so-called fast-moving consumer goods (FMCG) companies, only 12% said that these companies could indeed compete with their business models. What has been observed so far is not a dynamic of competition but collaboration; examples such as the commercial alliance between the fintech Konfío and Grupo Modelo[31] (the beer producer and distributor, part of the AB InBev group) in Mexico suggest that partnerships between FMCG corporations and fintech startups are beginning to emerge in the ecosystem. In this case, the alliance between these organizations allows Konfío to offer business loans to convenience stores that distribute Grupo Modelo products in the Mexican market. This example illustrates the opportunities for fintech startups to collaborate with corporate companies in adjacent industries and the potential for the adoption of fintech solutions on a massive scale in market segments that remain underserved by banks.

Undoubtedly, the industrial organization of the fintech sector in Latin America is an exciting subject to study because if one considers that in the future all companies will be fintech companies, it is essential to continue observing the initiatives that emerge on all fronts of competition in this market. Of course, time will tell if the million-dollar investments in fintech ventures in the region trigger a series of strategic moves in the industry, but one thing that is evident today is that while financial institutions continue to compete it is the users who benefit from having more freedom to choose digital tools to move money.

[31] See https://konfio.mx/alianzas/modelo.

CHAPTER 7:
INSURTECH: INSURANCE INNOVATION IN LATIN AMERICA AND THE CARIBBEAN

Undoubtedly, the pandemic has disrupted the status quo of individuals, businesses, industries, and entire nations. So far, the lessons from the pandemic point to a growing need for financial resilience. Likewise, the search is intensifying for innovative models that offer certainty of assets, securities, and means of payment to safeguard wealth or equity.

Therefore, in this third edition of the report on fintech in Latin America, the dynamics of innovation in the insurance segment are analyzed for the first time. These innovations offer tools that increase financial resilience to risks such as those currently being experienced.

With an average annual growth of 46% between 2017 and 2021, innovations in the insurance segment are second only to the business technology solutions for financial institutions segment. The relevance of this indicator lies in the low penetration of insurance products in Latin America, which stands at 2.9% of GDP (MAPFRE, 2019) compared to the global average of 6.3% (EY, 2018). This indicates that the region is facing a whole world of possibilities for entrepreneurs to design insurance products and services that positively impact the financial resilience of individuals and companies.

From online insurance platforms with telemedicine services to insurance that protects Latin Americans' work tools, the products and services in this segment are diverse and, according to the Spanish insurance multinational MAPFRE,

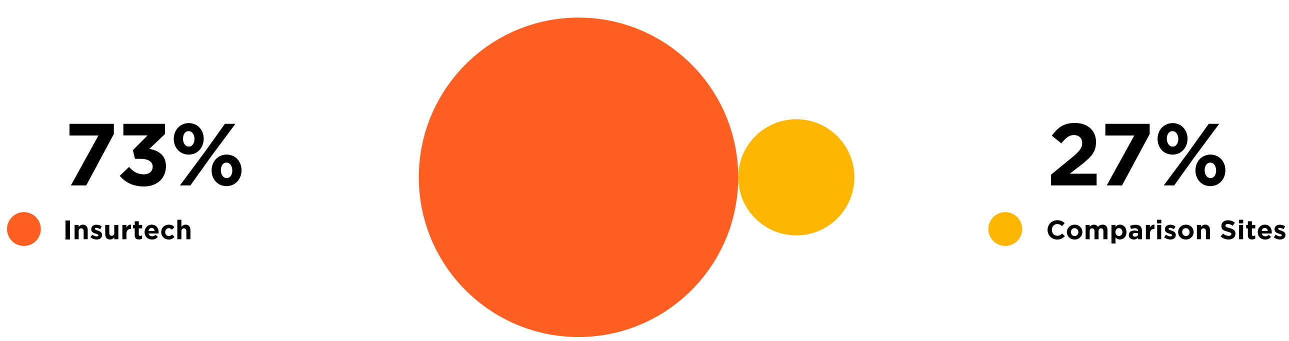
"... constitute a factor supporting the functioning of the different sectors of the real economy by providing stability and continuity to the economic process, stimulating and making it possible to carry out multiple activities and commercial transactions, providing stability to personal and family income, and supporting capital formation through the savings-investment process in a broader sense" (MAPFRE Economics, 2017).

Insurance Innovation

Since the beginning of the 2010s, the adoption of insurance product comparison sites was one of the first phenomena of digital rapprochement between insurers and users. Today, these platforms constitute a business model that allows insurers to generate leads and consumption data while informing users about the insurance market in order to choose the best insurance policies for life, auto, medical expenses, etc.

However, the increase in the adoption of mobile technology has triggered the emergence of insurtech platforms that directly offer insurance products according to users' needs. Of the startups identified in 2020 actively operating in Latin America, 73% provide insurance products beyond comparison platforms, as shown in Figure 7.1. This contrasts significantly with the figures observed in 2018, when comparison sites accounted for 60%. This difference indicates a significant increase in insurtech platforms' dominance over comparison platforms.

Figure 7.1: Subsegments of Insurance Innovation Startups in Latin America

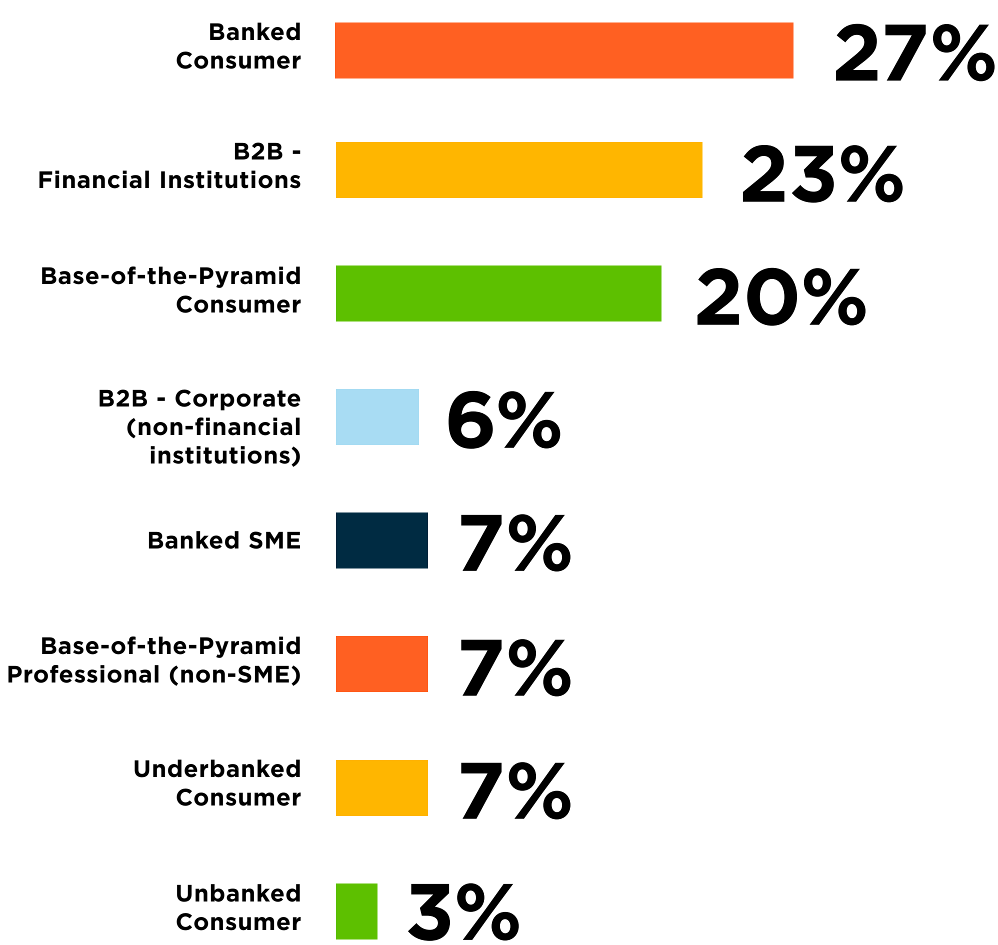


Source: Finnovista (2021).

Market Niches and Technologies Used

To understand the nature of insurtech innovations in Latin America through the data collected in the survey conducted for this report, disaggregated data on the business model and market niches that these startups address, excluding comparison sites, was analyzed. The data indicate that 27% of insurtech startups operate with a consumer-driven model (B2C[32]) that addresses banked consumers. In comparison, 23% use a business or corporate-driven model (B2B) that provides services to financial institutions. With 20%, the group of insurtech startups with B2C models serving consumers at the base of the pyramid is positioned in third place, as shown in Figure 7.2.

Figure 7.2: Business Models and Market Niches Served by Insurtech Startups in Latin America



Source: Finnovista (2021).

[32] "B2C" and "B2B" are terms used in the industry to differentiate the types of startup business models based on their target market. While B2C startups target their products directly to consumers, B2B startups design solutions for companies or corporations.

There is a massive opportunity for startups that innovate in the B2C segment because the incentives to issue insurance are very different from those of other financial products. The innovation in marketing, payment methods, and digital onboarding of users is still a pending task for traditional solutions, as observed in different fintech segments such as lending. The financial institutions that provide these products compete primarily in segments of the banked market and with statistically higher revenues than those of the majority of the population.

For example, approximately 70% of cars[33] in the region circulate without insurance, which is relevant because an accident can be fatal to the personal finances of economically vulnerable segments of the population, even more so if one considers that cars represent an indispensable means of generating income in the middle, lower-middle, and lower classes in Latin America and the Caribbean. In other words, the market niches that have the greatest need for the financial resilience that insurance policies can guarantee are the ones that have the least access to them. This is due to the complexity of the contracting and onboarding process, which creates a disconnect between user and supplier and ends up feeding the misinformation cycle regarding the benefits of these products. Startups such as Mi Compa Seguros in Mexico have entered the market to change the rules of the game, allowing flexible payment plans such as weekly payments instead of monthly or annual fees, and payments through intermediaries (such as convenience stores) instead of via credit or debit cards, which allows the unbanked population to increase their financial resilience through insurance.

Other insurtech ventures with B2C models leverage mobile technology to provide telemedicine services, which has significant potential to extend life and health insurance penetration to market segments that do not yet have these services for the reasons outlined above.

B2B models for financial institutions also represent an important opportunity for entrepreneurs in the Latin American insurance industry. Only 25% of insurers[34] in the region collaborate or have collaborated with insurtech startups, indicating that there is still a long way to go to create an ecosystem that fosters the emergence of strategic alliances that benefit users and insurance providers.

According to experts on innovation in the Latin American and Caribbean insurance industry, most cases of collaboration between insurtech startups and financial institutions are focused on marketing and services. However, the pandemic has led insurers to implement technological innovation programs in business processes other than marketing and service, such as appraisal. Before the pandemic, insurers' interest in collaborating with insurtech startups was focused on improving service and marketing processes for existing users and segments in which these organizations were already profitable, but the conditions generated by the pandemic have accentuated the need to take concrete actions that are not just desirable but essential to continue operating.

[33] IDB-Finnovista interview with Rodrigo Labbé, CEO of Jooycar, 2020.
[34] IDB-Finnovista interview with Juan Mazzini, Senior Analyst at Celent, 2020.

"Unlike banking, where fintech platforms were initially perceived as a threat, in insurance this phenomenon was born with a collaborative nature. The pandemic has increased that collaborative interest, which, in part, was not the norm, mainly because the industry did not foster a culture of innovation through experimentation and failure. Insurers now have a unique opportunity to embrace innovation within their organizational structures."

Juan Mazzini

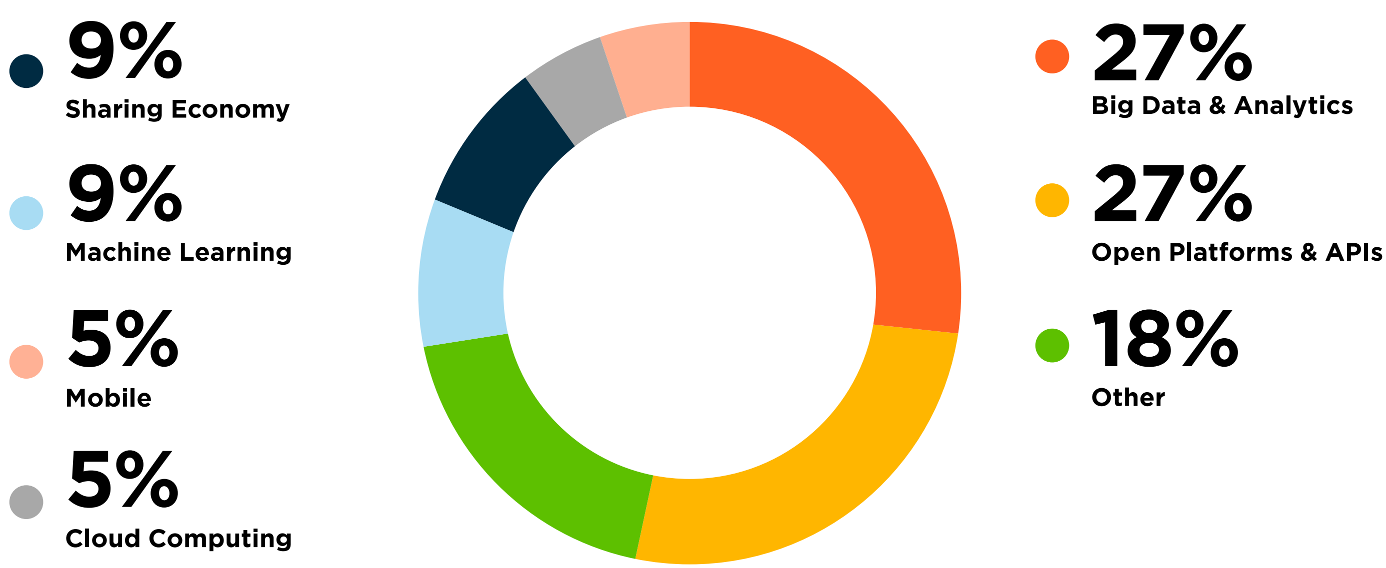
Senior Analyst at Celent
IDB-Finnovista interview, 2020

What technologies make insurance innovation possible in Latin America and the Caribbean?

A variety of technologies make innovation in insurance products possible, but analysis of the disaggregated data from the survey conducted to prepare this report shows that 27.3% of the insurtech companies use data analysis technologies to design solutions impacting this sector. Likewise, open-source and API technologies are used by 27% of insurtech startups surveyed, as shown in Figure 7.3. Although in a smaller proportion, Internet of Things (IoT) technologies also represent a great opportunity for disruption in this segment, classified under "other." An example is Jooycar, a Chilean startup with regional operations that uses this technology to make the car insurance market more efficient. It determines the cost of insurance based on the actual use of the car through IoT devices distributed in alliance with leading insurers in the region.

While this segment is emerging compared to innovations in lending or digital payments, the current economic recovery accentuates the importance of building financial resilience. Insurance, savings, and investments are financial instruments that can generate that resilience, using technologies to impact millions of people on the continent.

Figure 7.3: **Technologies Enabling Insurance Product Innovation in Latin America**



Source: Finnovista (2021).

Rodrigo Labbé

Founder and CEO of Jooycar

How did Jooycar begin and what model are you using to innovate the insurance industry?

The company was founded in 2014 with the conviction that the auto insurance market had not had a significant innovation in the last hundred years. It could be done differently concerning both efficiency and product. In 2016, we created a platform based on IoT and big data, starting from Sura's B2B business model. This use-based insurance product had enormous potential for Latin America, where 70% of car owners do not have car insurance. The product was going to have a direct influence on increasing security by offering the right incentives and contribute to financial inclusion by lowering the price of insurance.

In 2018, the first significant investment was received, which allowed us to scale. We have multiplied the company tenfold since then and the number of insurers we work with has tripled. We expanded our offering into Peru, Mexico, and the United States, and we have an aggressive expansion policy accompanied by a deepening of the business model.

What have been the most critical challenges in bringing this solution to market?

Resilience is usually a great virtue and competence to cultivate. The insurance industry is not very quick to adopt innovation, due to the complexity of its model and because, for each change that can be adopted, the impact is not immediate and you see the results in two or three years, which makes it challenging to make pilots and test new alternatives.

The second challenge has been to enter the U.S. market, as it is a highly competitive market where the investment to make changes is very large and also the user has very high standards with respect to the technology used.

When it comes to users, we realized that we had to go beyond just offering usage-based insurance. We are now offering the complete connected car experience so that the car's data enables safer, more efficient and sustainable driving and improved driving and consumption habits.

Finally, we also discovered small fleets that found it difficult to access insurance, so we expanded our offering, mainly in the United States, allowing them to know where their units are in real-time, making them more efficient and sustainable.

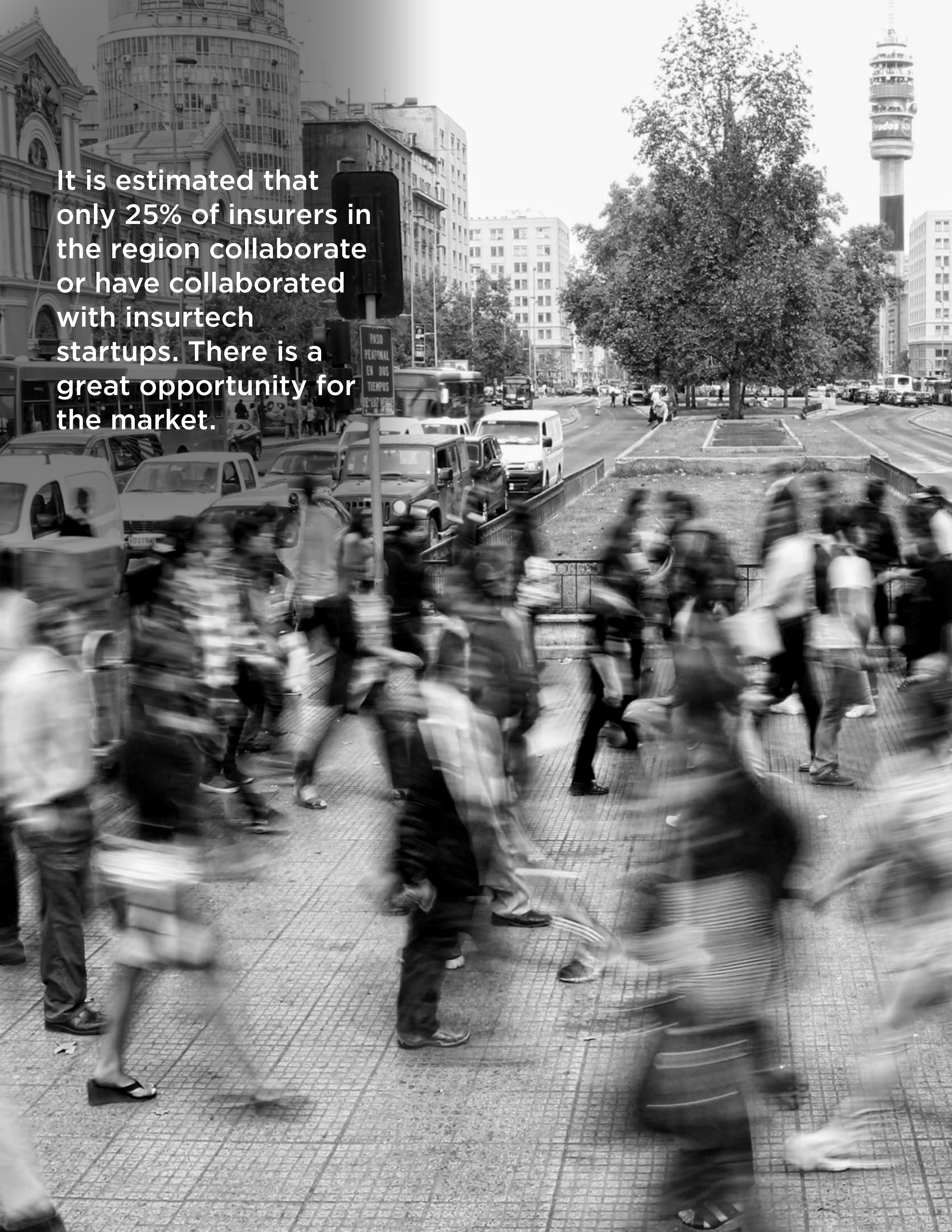
How would you describe the impact opportunity that exists in the insurance industry?

So far there is a consensus that connected car data is the future and actuarial models will have to adopt the technology. However, adoption has been slow due to the cost involved for insurance companies, but, when products with a higher added value are created, auto insurance has a tremendous opportunity to move from being a commodity to being the company that, together with Jooycar, allows the car owner to save, prevent accidents, and form a savings ecosystem.

What recommendations would you give to Latin American entrepreneurs planning to launch an innovative solution for the insurance industry?

From what we have learned so far, I would share the following: do not oversimplify things and think insurers have not advanced in digitalization. We must understand in depth the whys and wherefores and understand how the business of insurers works, their state of income and expenses (P&L), and profitability. With this understanding, we can think about how to change things in a big way, with new models that always put the end user first and not only differentiate by price but offer the possibility of changing the status quo by thinking about internalization and large scales to gain and sustain a significant disruption in this industry.

It is estimated that only 25% of insurers in the region collaborate or have collaborated with insurtech startups. There is a great opportunity for the market.



Daniel Hatkoff

Founder and CEO of Pitzi

How would you describe Pitzi users?

There are two main groups. Those in the first group need financial security and acquire this insurance because the mobile is essential for their livelihood, for example, workers in the collaborative economy sector such as Rappi couriers or Uber drivers. The second group of users comprises young men and women with above-average incomes who are willing to pay for insurance that guarantees connectivity.

Do you plan to expand to other Latin American countries?

Not yet, as only 4% of cell phones in Brazil are insured. This number means that there is still a lot of underserved market.

How would you describe the partnerships with large insurers?

In the beginning, insurance companies considered us competitors because it is a fast and efficient repair service. While they developed solutions or insurance plans according to each client's risk profile, Pitzi worked on another axis, which is service. Once it became clear that our products were complementary, we established commercial alliances to offer our customers more complete services.

It is generally difficult to navigate the relationship with insurers, primarily because of legal issues. However, once we did that we were able to align incentives that work for everyone: Pitzi, insurers, and especially users. Currently, we collaborate with two major insurance companies.

What is fintech and insurtech regulation like in Brazil?

The regulatory authority for insurance products in Brazil, the Private Insurance Superintendence (SUSEP), has been working on a regulatory sandbox, which is very good. However, there is still the challenge of adapting to the size of the ventures. Pitzi, for example, is too big for a sandbox. Still, it is undoubtedly a significant step forward in developing the country's insurtech ecosystem and setting a regulatory precedent for companies like ours.

What are your future projects?

Pitzi focuses on mobile insurance because we sincerely believe that access to powerful smartphones can be transformative for society, especially in underdeveloped markets. We envision a future where all Brazilians have access to the best technology they can get, powered by fast and efficient insurance and add-on services.

How would you describe the insurtech ecosystem in Brazil?

It is undoubtedly very emerging, so we also like to participate in initiatives that generate local and global communities around these solutions and opportunities. I think there are investors and entrepreneurs in developed countries who would be interested in seeing the opportunities in this sector but they don't know they exist, so we have been very active in creating that network, at least in Brazil.

CHAPTER 8:
FIRST ANALYSIS AND THERMOMETER OF REGULATION OF THE FINTECH SECTOR IN THE REGION

In response to the growth dynamics of the fintech industry and the increased use of digital financial services—partly associated with changes in consumer behavior due to the pandemic and transfers to the most vulnerable populations by governments in Latin America and the Caribbean[35]—several of the region's financial authorities have made significant policy and regulatory reforms. These actions have been taken from perspectives about idiosyncratic and systemic financial stability, passing through modifications to credit risk regulations, and ending with public policies and regulations that facilitate access to financial services digitally instead of in person. In recent years, some authorities in the region have promoted regulatory changes that enable segments or verticals of digital financial services. Likewise, the region has adopted regulatory innovations such as innovation hubs and regulatory sandboxes that allow incumbent financial institutions and incoming fintech platforms to communicate about their innovations and even test them in controlled environments.

This chapter and the accompanying Latin America and the Caribbean Fintech Regulation Map (**FintechRegMap**) are intended to show the current state of regulation of digital financial services in the region and the fintech ecosystem's perception of the regulatory environment. The first part of this chapter describes the current situation regarding regulation in the region in terms of crowdfunding, fast retail payment systems (FRPSs), open finance, and cryptoassets (excluding central bank digital currencies, or CBDC). It analyzes the enabling regulatory innovations being implemented by the region's financial authorities: regulatory sandboxes and innovation hubs. This first approach to the topic summarizes the main changes since the previous paper on fintech in Latin America and the Caribbean in 2018. The Inter-American Development Bank (IDB) will soon publish a more detailed document on fintech regulation. Finally, the interactive map accompanying the two publications will be a public good for the ecosystem, platforms, supervisors, and financial system regulators, among other stakeholders.

[35] The increase in government transfers led people to open accounts in financial institutions and increased digital transactions.

Box 8.1: FintechRegMap: The Latin America and the Caribbean Fintech Regulation Map

FintechRegMap is an interactive map that shows the state of relevant fintech regulations in the region. FintechRegMap is intended to be used as a consultation mechanism for regulators, supervisors, academia, and industry. Through the map, it is possible to access laws, rules, and regulations, both issued and in the process of being issued, that explicitly address five subsectors (cryptoassets, crowdfunding, open finance, trading and roboadvisors, and FRPSs) and two regulatory innovations (innovation hubs and regulatory sandboxes) in the 26 IDB Group borrowing member countries.[36]

The information presented in FintechRegMap is the product of the analysis of public information from national official sources. The map will be updated periodically to reflect changes in the regulatory framework of each jurisdiction.

This effort is financed by a Regional Public Good of the IDB that has created a public-private group called FintechLAC. Its executive committee has entrusted the bank with its development as a first effort to better understand what is happening in the region in terms of digital financial services regulation.

The map can be accessed at **https://www.iadb.org/en/sector/initiatives/digital-finance-innovation/fintechregmap** or through the Power BI mobile app. Once a vertical or innovation of interest is selected, the map will show the status of the regulations in each member country. There is also a table that lists the countries, their different regulations, and their respective links.

[36] See https://www.iadb.org/en/about-us/borrowing-member-countries.

The second section of this chapter presents the evolution of the Latin American and Caribbean fintech ecosystem's perception of the regulatory environment and the effectiveness of regulatory sandbox and financial innovation hub schemes, the quality of the dialogue between fintech ventures and financial industry regulators, and the role and perspectives of fintech associations in the region.

Regulatory Environment for Selected Verticals

This section offers general definitions of the primary fintech verticals,[37] analyzes regulatory developments in the region, and presents some representative examples.

Crowdfunding

Under a broad view, crowdfunding is defined by Herrera (2016) as:

> "... platforms or originators that use electronic means to match the supply of investors or donors with the demand for funds, represented by promoters (individuals or companies) that have specific projects to finance."

This segment of the fintech industry facilitates the funding of projects through capital transfers from investors to promoters, who subsequently repay the capital plus interest or dividends. In projects where financial compensation is not the primary motivation, investors may receive goods or services in return or simply be informed of the impact of their donation.

According to the Global Alternative Finance Market Benchmarking Report published by the University of Cambridge (Ziegler et al., 2020), there are 14 models, divided mainly into the categories of debt (nine) and equity (three) among others. The regulation of this sector in the region has focused primarily on these two categories of investment crowdfunding. Equity crowdfunding, balance sheet lending, and lending crowdfunding are regulated individually or collectively. For example, administrative acts were issued for each of these three areas in Brazil, while there is only one regulation for lending and equity crowdfunding in Mexico.

Crowdfunding regulations in the region have a variety of characteristics that highlight differences in regulatory and supervisory approaches. Three of the main regulatory requirements refer to minimum capital, maximum subscription or offering amounts per project, and maximum investment amounts for non-qualified investors or groups of investors. The following is a comparison of these three factors to give the reader an idea of the contrasts between countries and even between regulators, as is the case in Brazil.

[37] The definitions are not exhaustive but rather are intended to provide a general sense of each vertical.

For example, the debt crowdfunding standard proposed by the Central Bank of Brazil requires 1 million reais (US$179,000)[38] as the minimum capital requirement for a platform to operate in the vertical. Alternatively, the equity crowdfunding standard issued by the Comissão de Valores Mobiliários (CVM) of Brazil establishes a minimum capital of 100,000 reais (US$17,900), which additional requirements may increase. This case reflects the differences in conditions even within the same country. Another example is the Mexican regulation. The Fintech Law sets a minimum capital requirement of 700,000 tax units (US$243,000), which is one of the highest in the region followed by Chile (US$182,000). No minimum capital is required in Colombia, although there are high requirements for resource management, operational risks, and infrastructure, among other aspects.

As for the maximum subscription amounts per project, the offer tends to be limited by a fixed limit in practically all the regulations of the region, with a maximum amount of approximately US$200,000 in Argentina and US$900,000 in Brazil for equity crowdfunding. In Peruvian regulation, subscription limits vary both by the amount of the project (US$55,300 to US$553,000) and the amount received by the recipient (US$110,700 to US$830,300).

Finally, regarding maximum amounts for non-qualified investors, there are fixed limits of US$200 in Argentina, and US$2,700 for debt crowdfunding in Brazil, among others. Similarly, there are limits such as 20% of the maximum annual income or equity in the case of Colombia and Peru. Other jurisdictions such as Mexico require limits by type of operation (equity, or personal or corporate loan debt) that correspond to 20% for legal entities or between 7.5% and 15% for individuals.

These contrasts in essential characteristics highlight the differences in regulatory and supervisory approaches in the region. In addition, it is essential to note that the standards extend to issues such as investor disclosure requirements, liquidity minimums, and administrative and civil risk insurance.

[38] Data as of the end of 2021 in terms of exchange rates or tax units were used as a reference to convert values to U.S. dollars in the crowdfunding subsection.

Fast Retail Payment Systems: CoDi and PIX

A payment system is a "network of interconnecting entities that facilitates the exchange of data required to initiate, authorize, clear, and settle cash or credit claims" (Scott, 2015). These are divided into high-value and low-value systems. The latter comprises the transactions performed by individuals and businesses daily. In recent years, these systems have undergone significant changes thanks to technological innovations and measures associated with the pandemic, which had substantial effects on the behavior of financial consumers and the payment methods they use. There is evidence of a decrease in cash payments and an increase in the use of payment systems based on new technologies (BIS, 2021). For example, the U.S. payment system showed an increase in innovative payment methods such as digital wallets and P2P payments (Board of Governors of the Federal Reserve System, 2021). In this framework and seeking to improve the efficiency and usability of low-value payment systems, Mexico and Brazil have implemented CoDi and PIX, respectively, FRPSs that allow these transfers to be made in real-time 24 hours a day (Alfonso, Tombini, and Zampolli, 2020).

CoDi is a digital payments and collections platform developed by the Bank of Mexico. This platform uses QR codes and Near Field Communication (NFC) technology and allows the settlement of payments in real-time. Bill 14/2017[39] and its amendments establish the interbank electronic payment system rules. CoDi allows only licensed participating financial institutions to access the system, and third parties can develop applications to generate payment requests. This rule creates a participatory space called a participants' forum that "will discuss proposals for improvement and innovation, as well as the exchange of experiences in the operation of SPEI [the Interbank Electronic Payment System], to promote the proper functioning and continuous improvement of SPEI and strengthen coordination."[40] This platform became operational in September 2019. At the beginning of January 2022, CoDi had more than 12 million validated accounts and reported 774,000 accounts that had made at least one payment.

[39] See https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/circular-14-2017/sistema-pagos-spei-disposicio.html.
[40] See https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/circular-14-2017/%7BA06FBFEE-06BB-F249-32FC-25B334B2A744%7D.pdf.

PIX is Brazil's payments ecosystem. It came into operation in November 2020 and was created and regulated by the Central Bank of Brazil. PIX is regulated by resolutions BCB 1 of 2020, which establishes PIX and controls its operation, as well as BCB 19, BCB 20, and BCB 4781.[41] Also, a series of manuals and regulatory instructions and rules address provisions of its operation, as well as including requirements for user experience, interface communication aspects, and sanctions, among others. Article 3 of BCB Resolution 1 states that "participation in PIX is mandatory for financial and payment institutions authorized to operate by the Central Bank of Brazil that have more than half a million active customer accounts." Other financial and payment institutions and the National Treasury Secretariat may participate optionally. PIX's governance seeks to promote the participation of different segments and institutions, both financial and technological. As of December 2021, PIX reported more than 251 million registered accounts and 1.224 billion monthly transactions, of which the vast majority (75%) corresponded to peer-to-peer payments, as mentioned earlier. Note that almost 10% of the companies providing services in PIX are fintech platforms.

[41] See https://www.bcb.gov.br/en/financialstability/pix_en?modalAberto=pix_regulations.

Open Finance

Open finance is the extension of a broad set of financial services and products of open banking, defined as the practice of giving third parties access to the banking and financial data of individuals and companies to facilitate the development of new financial products and services for their benefit (U.S. Congressional Research Service, 2021). From the technological point of view, this ecosystem for sharing information occurs through the implementation of standards, with technologies such as APIs, which allow the automatic exchange of information. The United Kingdom and the European Payment Services Directive (PSD2) pioneered related regulatory developments by promoting open banking, primarily focused on payments.[42] Open finance has the potential to promote competition, innovation, and financial inclusion.

Currently, Mexico and Brazil are the only countries that have formally established the basis for a regulated open finance framework. Both jurisdictions have moved forward with mandatory models based on customer consent. Also, open finance is being analyzed by other governments in the region. It has been included in regulatory innovations such as regulatory sandboxes, and Chile and Colombia currently have a draft law and a draft decree, respectively, that explicitly address this vertical.

In the case of Mexico, Article 76 of the Fintech Law[43] establishes that financial entities and financial technology institutions, among other actors, must "establish standardized computer application programming interfaces that enable connectivity and access to other interfaces developed or managed by the same subjects referred to in this article and third parties specialized in information technology." The scope of shared information is divided into three categories: open financial data, aggregated data, and transactional data. Institutionally, the National Banking and Securities Commission (CNBV) and the Bank of Mexico are in charge of, among other things, authorizing access to programming interfaces, defining the requirements associated with information and data sharing, and supervising compliance with the provisions. In March 2020, the Bank of Mexico[44] and the CNBV[45] issued secondary regulations that developed Article 76. For example, Circular 2/2020 establishes minimum interoperability requirements and authentication mechanisms for the APIs of credit information companies and clearinghouses. Also, the regulator has issued provisions on security and data architecture and the information to be shared from ATMs.

42 See https://www.fca.org.uk/publication/feedback/fs21-7.pdf.
43 See http://www.diputados.gob.mx/LeyesBiblio/pdf/LRITF_200521.pdf.
44 See https://www.banxico.org.mx/marco-normativo/normativa-emitida-por-el-banco-de-mexico/circular-2-2020/%7B4FDD6B5E-8DFA-F095-6325-68C388AAEAA0%7D.pdf.
45 See https://www.cnbv.gob.mx/Normatividad/Disposiciones%20de%20car%C3%A1cter%20general%20relativas%20a%20las%20interfaces%20de%20programaci%C3%B3n%20de%20aplicaciones%20inform%C3%A1ticas%20estandarizadas%20a%20que%20hace%20referencia%20la%20Ley%20para%20Regular%20las%20Instituciones%20de%20Tecnolog%C3%ADa%20Financiera.pdf.

Brazil has developed an open banking model in stages to promote innovation, competition, and efficiency of the national financial and payment systems and encourage new relationships between market players. The Central Bank of Brazil has regulatory and supervisory responsibilities for this sector, including governance aspects for implementing the model. From the technological point of view, the regulator will allow participating institutions, through a governance scheme, to define standards and procedures related to the interfaces. Circular 4015, issued in May 2020, establishes the scope of open banking data and services in three categories: data on products and services offered; information on transactional and personal customer data; and payment services. Similarly, the bank has included open banking solutions as a strategic priority in Cycle 1 of its regulatory sandbox.

Cryptoassets

The regulation of cryptoassets is a novel area and is constantly evolving. Different regulatory authorities worldwide are evaluating these assets and their trading platforms to determine if they are part of their jurisdiction or if there is a clear need to create new regulatory frameworks.

In Latin America, Mexico was the first jurisdiction to issue a regulation in this regard under its Fintech Law. However, the rule refers exclusively to cryptoasset trading platforms, their licensing and operation requirements, and the attribution of powers to the Bank of Mexico and the CNBV.

Other countries have also defined specific regulatory frameworks for this vertical. For example, El Salvador, with the issuance of Decree-Law 057 of 2021, known as the Bitcoin Law, establishes "bitcoin as legal tender, unrestricted with unlimited liberatory power in any transaction and under any title that natural or legal, public or private persons require to carry out." Venezuela has recently moved forward with Constituent Decree Nº 41.575 (among others), which seeks to define the regulatory framework applicable to the Integral System of Cryptoassets. Considering potential risks and the need to create legal certainty, some jurisdictions in the region are discussing law or regulation proposals, as is the case of Chile. Although they do not have specific and comprehensive frameworks on cryptoassets, other jurisdictions like Colombia and Brazil have progressed. In the case of Colombia, the Financial Superintendence of Colombia (SFC) initiated a cryptoassets regulatory testing space. On the other hand, Brazil has a framework that has favored the development of innovations and has issued some provisions and communiqués mainly related to taxes and money laundering, including the regulatory instruction RFB Nº 1888, although they do not have specific regulations.

Regulatory Innovations

One of the areas that has advanced the most since the previous report is the creation of regulatory innovations that enable the promotion and development of the fintech industry. The most relevant developments are divided into two policy measures: innovation hubs and regulatory sandboxes. Below is the current state of these developments and maps to see how the region is doing as of 2021.

Innovation Hubs

An innovation hub is a regulatory innovation implemented as a unit within the financial regulator or supervisor to enable open and informal dialogue between innovators in the financial sector (entities inside or outside the regulatory perimeter) and financial authorities about a product or their company. The operation of an innovation hub is typically digital. The benefit of the innovation hub involves two aspects. On the one hand, during the dialogue the innovative entrepreneur becomes familiar with the legal and regulatory requirements and analyzes how the innovation aligns with regulatory or public policy objectives. On the other hand, the authorities understand first-hand the business models and enabling technologies and assess their adherence to and compliance with the current regulatory framework. An iterative process can result in decisions such as creating regulations, reviewing business models, or supporting the entrepreneur in meeting regulatory requirements. The hub does not grant licenses nor is it a formal mechanism, and it does not allow vetoing of the innovation.

There are six formally created innovation hubs in Latin America and the Caribbean whose function is more or less consistent with the above definition. For example, in the Bahamas, the Securities Commission of the Bahamas created SCB FitLink, a hub intended to serve as a point of contact with the fintech industry, including verticals (virtual assets, crowdfunding) and technologies (Distributed Ledger Technologies or DLT).[46] The initial contact mechanism is digital, and meetings can be requested by filling out a form. The SFC created elHub, a communication mechanism between all industry agents and themselves. elHub is part of InnovaSFC,[47] which also incorporates a regulatory sandbox. An electronic form generates the contact with the superintendence to present a project, creating consultations and dialogue. Other jurisdictions with innovation hubs are Brazil (with a mix of industry sandboxes called LIFT)[48] and Guatemala (only from the Superintendence of Banks and no other authority).[49]

More recently, with the support of the IDB and its FintechLAC initiative, El Salvador incorporated the Financial Innovation Office, an innovation hub with the participation and collaboration of the Central Reserve Bank and the Superintendence of the Financial System.[50] Along the same lines, the Dominican Republic incorporated the Financial Innovation Hub, also with IDB support, in a historic effort between the central bank and the Superintendences of Banks, Securities, Pensions, and Insurance.[51] This initiative is complemented by recently created hubs in Argentina[52] and Costa Rica,[53] and another is about to be launched in Honduras with the support of FintechLAC.

It is worth noting that the option of an innovation hub is helpful for financial innovation ecosystems in the early stages of development or with a small number of participants. It is also a viable option when there is no specific regulation for fintech verticals or open finance. It is a cost-efficient option in the sense that although it requires full-time staff, it can be set up with the existing technological infrastructure of most financial authorities.

[46] See https://www.scb.gov.bs/scb-fitlink/.
[47] See https://www.superfinanciera.gov.co/jsp/10097165.
[48] See https://liftchallenge.bcb.gov.br/site/liftchallenge/en.
[49] See https://www.sib.gob.gt/SIBInnovationHUB/web/sib/inicio.
[50] See https://www.oif.gob.sv/.
[51] See https://www.hubifrd.gob.do/.
[52] See https://www.argentina.gob.ar/cnv/hub-de-innovacion.
[53] See https://www.cif.cr/.

Regulatory Sandboxes

The regulatory sandbox is defined by Herrera and Vadillo (2018) as:

"... a space for experimentation that enables innovative companies to operate products or services temporarily under certain rules that put limits on features such as the number of users or the period in which the product can be offered. This allows companies to test original products, services, and solutions under the supervisor's watchful eye."

Public policies that enable regulatory sandboxes have appeared in the region since the enactment of Mexico's 2018 Law to Regulate Financial Technology Institutions, which encourages innovation in a secure environment through the authorization of models.[54] According to this document, the so-called financial technology institutions, incorporated as corporations and authorized by the CNBV and other financial entities, may test their innovations under certain conditions and rules. Title IV of this law empowers the CNBV to grant temporary authorizations if the regulation impedes novel financial technology models on a single platform. So far, the CNBV has been encouraging the participation of Mexican innovators through contests such as the Sandbox Challenge,[55] which attracted the interest of 166 projects. The six projects approved as a result of the challenge were in areas such as trust, cryptoassets, and capital markets. A new challenge[56] is expected for 2022.

[54] See https://www.cnbv.gob.mx/Normatividad/Disposiciones%20de%20carácter%20general%20relativas%20a%20las%20sociedades%20autorizadas%20para%20operar%20modelos%20novedosos%20a%20que%20hace%20referencia%20la%20Ley%20para%20Regular%20las%20Instituciones%20de%20Tecnología%20Financiera.pdf.
[55] See https://www.eleconomista.com.mx/sectorfinanciero/Sandbox-visibiliza-la-innovacion-en-el-sector-financiero-20200916-0042.html.
[56] See https://www.efe.com/efe/america/comunicados/segunda-edicion-de-sandbox-en-mexico-impulsara-la-inclusion-y-digitalizacion-financiera/20004010-MULTIMEDIAE_4671947.

For its part, Brazil enabled through regulation three different sectoral sandboxes in 2020, corresponding to credit and debt, regulated by the central bank;[57] securities markets, under the responsibility of the CVM, whose regulation was supported by the IDB;[58] and insurance and pensions, regulated by the Superintendência de Seguros Privados and by the Superintendência Nacional de Previdência Complementar (PREVIC), which act as regulators of insurers and open pension funds and of closed pension funds, respectively.[59] It is worth mentioning that the Brazilian authorities have built a system of cooperation of their respective sandboxes and accept supervised and non-controlled entities. The Brazilian case has had a rather organic and direct development with innovators participating directly in the sandbox without additional incentives. For example, the first cohort of the CVM Sandbox had 99 applicants. By the start of 2022 the pilots were in various stages of progress and included topics such as securities structuring, crowdfunding, and tokenization.

Finally, Colombia has had a two-wave approach to sandboxes. Initially, the SFC created a supervisory sandbox to which only entities subject to its inspection and oversight had access. Since 2019, Colombia has carried out tests through this mechanism on topics as diverse as digital onboarding, digital payments, and insurance. A total of 18 pilots have been developed, 8 of which were being tested as of the beginning of 2022. Subsequently, through Decree 1234 of 2020, issued by the national government, the regulatory sandboxes were enabled, where there is room for entities that are not subject to inspection and oversight by the SFC. The Colombian regulatory sandbox already has nine pilots through which consortia were established between supervised entities and cryptoasset platforms to offer cash-in and cash-out services.

Other jurisdictions with regulatory sandboxes are Barbados,[60] Jamaica,[61] and Trinidad and Tobago,[62] and others such as Peru[63] and Uruguay are developing and implementing initiatives.

In summary, developments in the region have had a local vision, with different implementation modalities and disparate times and procedures. There are still challenges in implementation, project generation, selection and approval, and testing times, to mention the most common ones. The most active ecosystems with the largest number of entrepreneurs should have regulatory sandboxes. Undoubtedly, requirements include sufficient institutional capacity (personnel trained and experienced in technology), the creation of dedicated administrative units, and the possibility of covering the costs of implementation and of technology adoption, among others.

[57] See https://www.bcb.gov.br/estabilidadefinanceira/exibenormativo?tipo=Resolu%C3%A7%C3%A3o%20BCB&numero=50.
[58] See http://conteudo.cvm.gov.br/legislacao/instrucoes/inst626.html.
[59] See https://www.in.gov.br/en/web/dou/-/resolucao-n-381-de-4-de-marco-de-2020-246507718.
[60] See http://www.centralbank.org.bb/payments/regulatory-sandbox.
[61] See https://boj.org.jm/core-functions/financial-system/financial-market-infrastructures/sandbox/.
[62] See https://www.central-bank.org.tt/fintech/regulatory-sandbox.
[63] See https://actualidadgubernamental.pe/norma/resolucion-sbs-02429-2021/3a74c7e4-f14c-4525-b3a0-4d2f3f5e8d77.

Box 8.2: Chile and the Bill That "Promotes Competition and Financial Inclusion through Innovation and Technology in the Provision of Financial Services" or the "Fintech Bill"

On September 3, 2021, with the support of the IDB and its FintechLAC initiative, the Chilean government proposed a bill to encourage competition and financial inclusion in technology-based financial services.[64] The Chilean Chamber of Deputies has approved this bill and it is in the second constitutional procedure at the time of this writing.

This project has essential contributions to the development of Chile's fintech ecosystem. On the one hand, it establishes the basis for the development of open finance in the country, following in the footsteps of Mexico and Brazil, the only jurisdictions in the region that have advanced in mandatory standards on the subject. On the other hand, the bill expands the set of entities regulated by the Financial Market Commission (CMF) based on risk-based proportionality, technological neutrality, and modularity.

Title III of the draft law sets out the principles and rules for developing a gradual implementation scheme, based on the consent of clients and the use of remote and automated access interfaces. The CMF would be in charge of regulating the terms and conditions of this process. The principles for implementing the model include transparency and client information, non-discriminatory treatment, data security and privacy, and interoperability. The project defines as participating institutions: (i) institutions providing information (such as banks and credit card issuers), (ii) institutions providing information-based services, and (iii) those providing accounts and payment initiation services. Requirements to be met by these institutions include, among others, cybersecurity standards and risk control policies. Each of the topics will be regulated in general rules and may be differentiated according to the level of risk. In terms of the type of information to be shared, the project categorizes: (i) information on general terms and conditions of financial products and services, (ii) identification and registration information of clients and their representatives, (iii) information on contracted commercial conditions and the use or history of transactions made, and (iv) data or information necessary for payment initiation services, among others.

[64] Bill to promote competition and financial inclusion through innovation and technology in the provision of financial services. Oficio N° 17.075, Chamber of Deputies of Chile (2021). Available at https://www.camara.cl/legislacion/ProyectosDeLey/tramitacion.aspx?prmID=15054&prmBOLETIN=14570-05.

The bill also defines and regulates new services provided by financial institutions and places them under the regulatory perimeter of the CMF. Specifically, it regulates the commercialization of technology-based financial services, grouped into five categories:

1. Crowdfunding platforms
2. Alternative trading systems
3. Custody of financial instruments
4. Order routing
5. Brokerage of financial instruments

Among others, the bill establishes the obligation to register with the Registry of Financial Service Providers before providing any of the above services and empowers the CMF to require information from registered entities. It also enables certain regulated entities, such as banks, to provide these services (depending on the category). To provide services, entities must be authorized by the CMF and comply with the requirements of the law and those that would be defined through secondary regulation, including information reporting, corporate governance standards, and cybersecurity and information security aspects, among others.

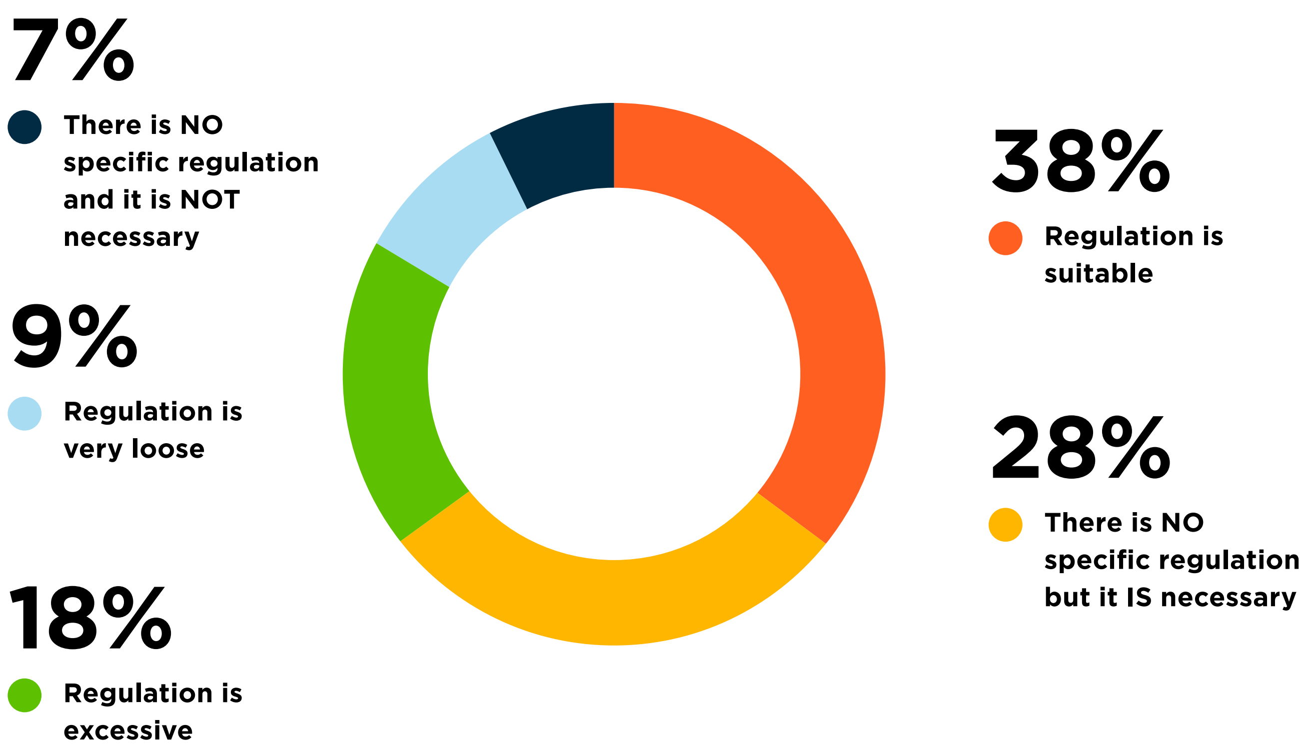
This bill is an example of a commitment to the development of open finance and the fintech industry to promote greater competition in financial services, increase financial inclusion, and provide better services at lower costs.

Perception of the Regulatory Environment

How do Latin American fintech startups describe the existing regulation in the region?

Aggregate data from the survey of 657 fintech startups in the region as part of the data collection for this report suggests that 3.7 out of 10 fintech ventures in Latin America consider fintech regulation to be suitable, as can be seen in Figure 8.1. Considering that more than 50% of fintech ventures are concentrated in Brazil and Mexico, it is important to disaggregate the data to understand how fintech ventures describe their respective regulatory environment, as shown in Table 8.1.

Figure 8.1: Perception of the Regulatory Environment for Fintech Companies in Latin America



Source: Finnovista (2021).

When disaggregating the data by country on the perception of the regulatory environment, fascinating findings emerge, as it is clear that only in Brazil do more than half of the fintech entrepreneurs consider the regulatory environment to be adequate (see Table 8.2).

In Mexico, the group that considers regulation adequate predominates, with 43% of the total. However, 32% believe the regulatory framework to be excessive, which points to the possible existence of conflicting opinions regarding the fintech law that recently came into force in that country, including the initiatives supported by that law: the regulatory sandbox promoted by the National Commission of the Retirement Savings System (CONSAR) and the Sandbox Challenge promoted by the UK government through Development Alternatives, Inc. (DAI), whose purpose is to encourage the participation of startups in this regulatory scheme.

Another important conclusion is that in three countries (Dominican Republic, Chile, and Peru), more than half of the fintech startups highlight that there is no explicit fintech regulation and that it is necessary. However, it is important to highlight some advances in these countries, such as the recent creation of the Dominican Association of Fintech Companies (Adofintech), a milestone that responds to the need pointed out by the fintech startups surveyed in that country. Likewise, the Chilean government submitted a fintech bill to Congress.[65]

[65] See https://www.hacienda.cl/noticias-y-eventos/noticias/ministerio-de-hacienda-anuncia-el-ingreso-del-proyecto-de-ley-de-innovacion.

Table 8.1: Perception of the Regulatory Environment for Fintech Companies in Latin America and the Caribbean, by Country

Country	Regulation is excessive	Regulation is suitable	Regulation is very loose	There is NO specific regulation and it is NOT necessary	There is NO specific regulation but it IS necessary	Total
Regional Total	17.94%	37.56%	9.48%	7.10%	27.92%	100%
			Main Markets			
Argentina	12.90%	38.71%	22.58%	4.84%	20.97%	100%
Brazil	17.53%	62.89%	4.12%	5.15%	10.31%	100%
Chile	9.80%	21.57%	11.77%	5.88%	50.98%	100%
Colombia	18.29%	32.93%	7.32%	12.19%	29.27%	100%
Mexico	31.61%	42.58%	9.03%	5.81%	10.97%	100%
			Emerging Markets			
Dominican Republic	10.53%	15.79%	21.05%	0.00%	52.63%	100%
Peru	8.00%	20.00%	6.00%	10.00%	56.00%	100%
Costa Rica	0.00%	14.29%	0.00%	14.29%	71.42%	100%
Ecuador	0.00%	35.72%	7.14%	0.00%	57.14%	100%
Uruguay	10.00%	50.00%	0.00%	0.00%	40.00%	100%

Source: Finnovista (2021).

Table 8.2: Perception of the Regulatory Environment for Fintech Companies in Latin America and the Caribbean, by Segment

Segment	Regulation is excessive	Regulation is suitable	Regulation is very loose	There is NO specific regulation and it is NOT necessary	There is NO specific regulation but it IS necessary
Business Lending	14.52%	35.48%	11.29%	7.10%	33.87%
Consumer Lending	10.00%	46.67%	5.00%	8.33%	30.00%
Crowdfunding	34.62%	38.46%	7.69%	7.69%	11.54%
Digital Banks	19.15%	38.30%	6.38%	6.38%	29.79%
Enterprise Financial Management	15.07%	28.76%	13.70%	9.59%	32.88%
Business Technology Solutions for Financial Institutions	14.03%	47.37%	7.02%	8.77%	22.81%
Insurance	13.16%	44.74%	10.53%	5.26%	26.31%
Payments & Remittances	20.90%	34.32%	8.96%	5.97%	29.85%
Personal Financial Management	11.11%	66.67%	5.56%	8.33%	8.33%
Credit Scoring, Identity & Fraud	12.12%	36.36%	6.06%	6.06%	39.40%
Trading & Capital Markets	9.38%	18.75%	21.87%	6.25%	43.75%
Wealth Management	40.00%	20.00%	6.67%	6.67%	26.66%
Regional Total	17.94%	37.56%	9.48%	7.10%	27.92%

Source: Finnovista (2021).

If the data published in 2017 is taken as a basis for measuring the evolution of the fintech ecosystem's perception of the regulatory environment, a slightly positive trend can be observed, as the proportion of fintech startups in the sample that believed that regulation was adequate increased from 34% in 2017 to 37% in 2020, as shown in Figure 8.2. In addition, the perception that these initiatives did not need to be regulated decreased from 2017, when 11.4% of startups were reported to be of this opinion. In 2020, that group only accounted for 7.11% of the total. It will be interesting to observe the evolution of fintech firms' perception of regulation in the region's jurisdictions as authorities move forward in defining their approach to regulating this market, and, if applicable, in issuing or implementing specific regulatory frameworks. Another relevant finding is that the opinion that no regulation is necessary for this type of venture has gone down since 2018, so it could be stated that in 2020 the ecosystem perceived with a little more clarity the risks faced by the sector and the role of the public sector and, specifically, of regulators to create an enabling environment for business development and the importance of reducing regulatory uncertainty compared to three years ago.

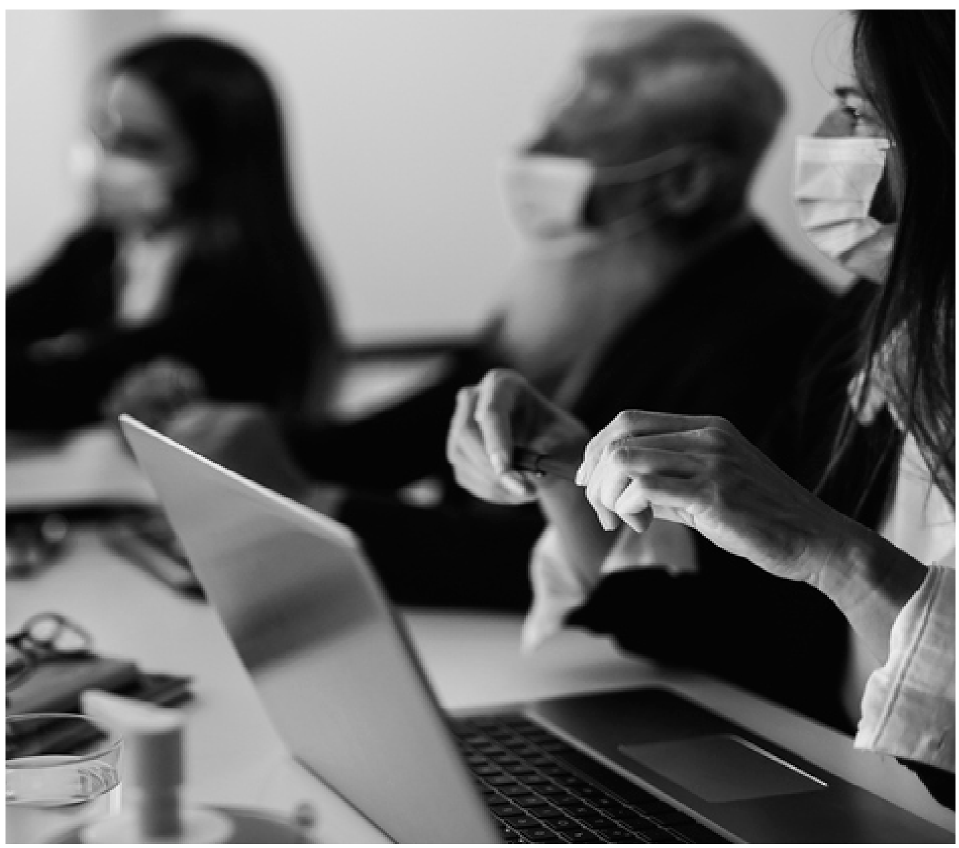
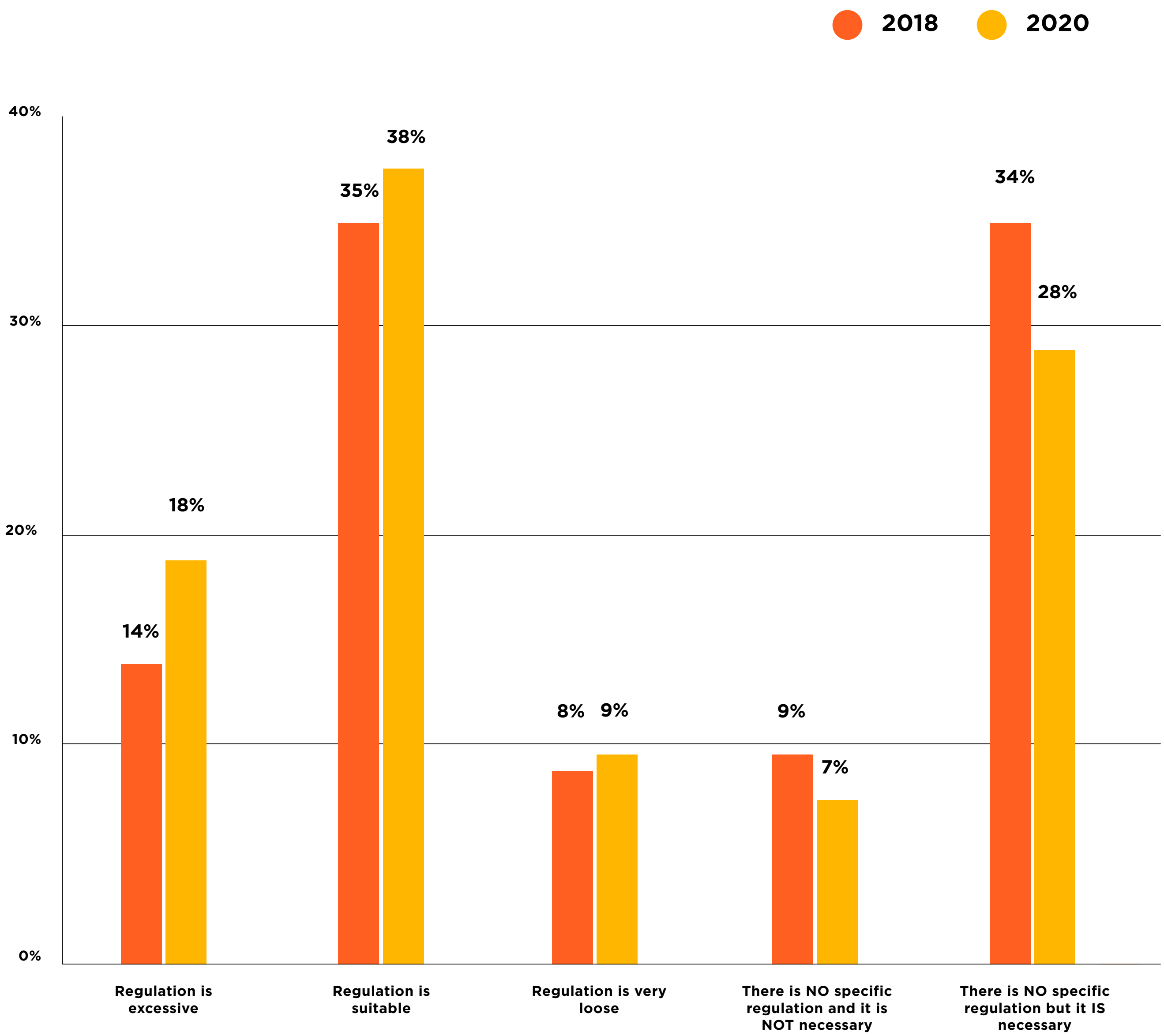


Figure 8.2: Evolution of the Perception of the Regulatory Environment for Fintech Companies in Latin America



Source: Finnovista (2021).

What is the perception of the dialogue between the fintech sector and regulators, according to Latin American fintech startups?

When consulting the startups participating in the study on how they perceived the openness shown by regulators for dialogue, despite some existing regulatory efforts, 53% of startups in Latin America consider this dialogue to be weak, which shows a deterioration compared to 2018, when this proportion reached only 46%. On the other hand, 42% report that they believe there is a solid openness to dialogue by financial regulators in the region, down from 49% in 2018, while the remaining 5% think that there is no openness to dialogue by industry regulators, a similar portion to 2018.

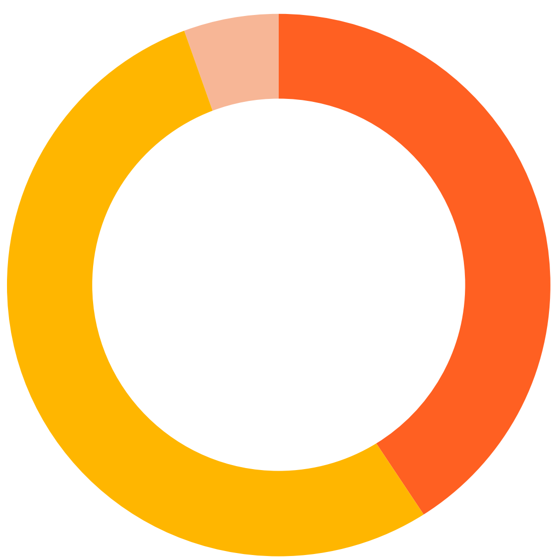
Figure 8.3: Perception of the Quality of Dialogue with Regulators in the Latin American Fintech Ecosystem

5%

There's NO openness to dialogue from regulators towards the fintech industry

53%

There's a WEAK openness to dialogue from regulators towards the fintech industry



42%

There's a STRONG openness to dialogue from regulators towards the fintech industry

Source: Finnovista (2021).

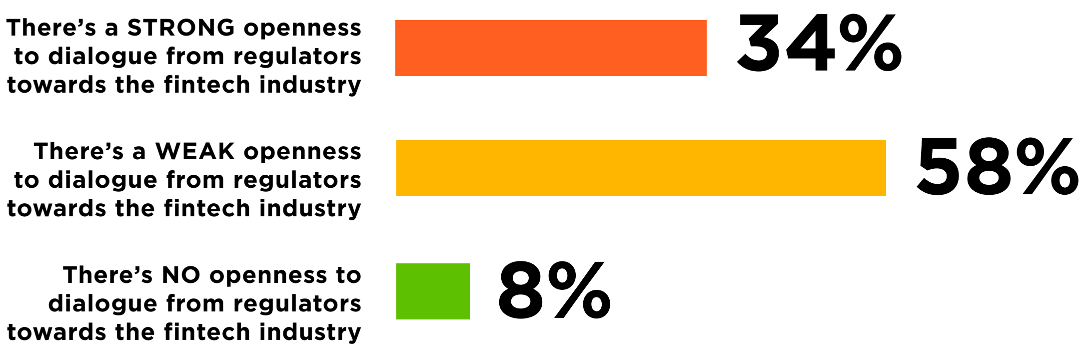
Looking at the data by country, the fintech startups in Brazil and the Dominican Republic are, for the most part, satisfied with the quality of the dialogue they have established with regulators, as can be seen in Table 8.3. When disaggregating this information by group of countries in the region, it is interesting to note that in emerging markets (Dominican Republic, Peru, Costa Rica, Ecuador, and Uruguay), there is still much to be done to establish spaces for dialogue between fintech companies and financial regulators, since the percentage of startups that consider that there is no openness to

Table 8.3: Perception of the Quality of Dialogue with Regulators of the Fintech Ecosystem in Latin America and the Caribbean, by Country

Country	There's a STRONG openness to dialogue from regulators towards the fintech industry	There's a WEAK openness to dialogue from regulators towards the fintech industry	There's NO openness to dialogue from regulators towards the fintech industry
Regional Total	41.45%	53.30%	5.25%
	Main Markets		
Argentina	22.58%	70.97%	6.45%
Brazil	61.85%	31.96%	6.19%
Chile	13.73%	78.43%	7.84%
Colombia	51.22%	46.34%	2.44%
Mexico	45.16%	52.26%	2.58%
	Emerging Markets		
Dominican Republic	78.95%	15.79%	5.26%
Peru	26.00%	70.00%	4.00%
Costa Rica	28.57%	57.14%	14.29%
Ecuador	14.29%	64.28%	21.43%
Uruguay	20.00%	70.00%	10.00%

Source: Finnovista (2021).

Figure 8.4: Perception of Dialogue with Regulators towards the Fintech Industry in Emerging Latin American Countries



Source: Finnovista (2021).

dialogue on the part of regulators is higher when compared to the region as a whole, at 8%. The percentage of startups that gave a positive opinion is lower (34%), as can be seen in Figure 8.4.

Sandbox Initiatives, Working Groups, and Innovation Hubs

It is noteworthy that the dynamism and speed required by the sector is far from comparable to the speed with which governments around the world have responded to the challenge of regulating fintech sector initiatives, which has been accentuated by the health contingency caused by the COVID-19 pandemic in the face of the scarce financial inclusion mechanisms urgently needed in the region. According to Herrera and Vadillo (2018),

"... the pace and scale of change [in the industry] are such that the traditional supervisory models fall short; therefore, it is necessary to establish more flexible formulas that facilitate and foster innovative business activity in a controlled environment with minimal risks."

Among other reasons that explain this need (OECD and KDI, 2021), it should be noted that bureaucratic processes entail longer response times than those required by the sector for its healthy development. This characteristic is not necessarily completely negative, since it is understood that "bureaucracy is a set of rules whose purpose is to ensure the continuity, coherence and relevance of public policies, in addition to preventing discretionality in the exercise of public power" (Zuvanic and Iacoviello, 2010). In other words, from the point of view of the creation of public policy, there must be agreements among those involved in the sector, although these usually require longer response and analysis times.

The biggest challenge faced by the mediators and drivers of the industry lies in these agreements, since their objective is to raise awareness among the companies in the sector about the complex state structures and among the regulatory bodies about the importance of synchronizing objectives and response times in the face of the sector's needs. In this way, these mediators act as translators and harmonizers of completely different organizational cultures and hierarchical structures, such as those of governments and fintech startups.

The existing sandbox initiatives, working groups, and financial innovation hubs in the region are examples of the types of dialogue spaces that have made it possible to promote collaboration between the public sector and the fintech ecosystem, and which have been made possible thanks to the initiative of the region's fintech associations, regulatory bodies, and the economic units that make up the sector (see Table 8.4).

Table 8.4: Fintech Regulatory Sandboxes and Financial Innovation Hubs in Latin America and the Caribbean

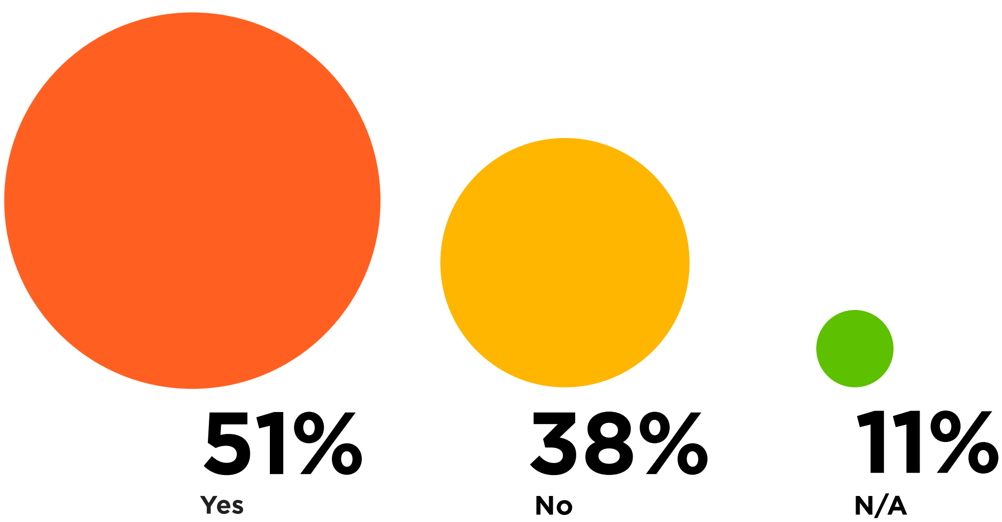
Initiative	Jurisdiction	Institution(s)	Year Created	References
Regulatory Sandbox	Barbados	Central Bank of Barbados (CBB) and Financial Services Commission (FSC)	2018	Link
	Brazil	Comissão de Valores Mobiliários	2020	Link
	Brazil	Central Bank of Brazil	2020	Link
	Brazil	Private Insurance Superintendence (SUSEP)	2020	Link
	Colombia	Financial Superintendence of Colombia	2020	Link
	Jamaica	Bank of Jamaica	2020	Link
	Mexico	National Banking and Securities Commission	2018	Link
	Peru	Superintendence of Banking and Insurance	2021	Link
	Trinidad and Tobago	Central Bank, Financial Intelligence Unit, and Securities Exchange Commission	2021	Link
Financial Innovation Hub	Argentina	National Securities Commission	2022	Link
	Bahamas	Securities Commission of the Bahamas	2019	Link
	Brazil	Comissão de Valores Mobiliários	2016	Link
	Colombia	Financial Superintendence of Colombia	2020	Link
	Costa Rica	CONASSIF, SUGESE, SUGEVAL, SUPEN, SUGEF, Banco Central	2022	Link
	Dominican Republic	Central Bank, Superintendence of Banks, Superintendence of the Securities Market, Superintendence of Pensions, Superintendence of Insurance	2022	Link
	El Salvador	Central Reserve Bank and Superintendence of the Financial System	2021	Link
	Guatemala	Superintendence of Banks	2019	Link

Source: Authors' elaboration.

What do fintech entrepreneurs think about regulatory sandboxes in Latin America?

As can be seen in Figure 8.5, half of the entrepreneurs who participated in the survey for the preparation of this report consider sandboxes to be the most important tool for informing regulatory work by allowing the temporary, live, experimental operation of innovative financial services. Disaggregating by country the data regarding the perception of the effectiveness of regulatory sandbox schemes, in Honduras, Panama, Brazil, and Colombia, at least 60% of fintech ventures consider sandbox schemes to be the most important and necessary fintech regulatory tools, as can be seen in Table 8.5. From the perspective of fintech segments, the segments of business lending, digital banks, payments and remittances, credit scoring, and wealth management indicated that regulatory sandbox schemes are the most important and demanded tool in the ecosystem to regulate their operations, as can be seen in Table 8.6.

Figure 8.5: Perceived Importance of and Need for Regulatory Sandbox Schemes in the Latin American Fintech Ecosystem



Source: Finnovista (2021).

Table 8.5: Importance of and Need for Regulatory Sandbox Schemes in the Latin American Fintech Ecosystem, by Country

Country	Not available	No	Yes
Argentina	11.59%	46.38%	42.03%
Bolivia	0.00%	50.00%	50.00%
Brazil	12.04%	26.85%	61.11%
Chile	10.53%	42.10%	47.37%
Colombia	7.87%	30.33%	61.80%
Costa Rica	22.22%	22.22%	55.56%
Dominican Republic	10.00%	50.00%	40.00%
Ecuador	22.22%	27.78%	50.00%
El Salvador	20.00%	80.00%	0.00%
Guatemala	20.00%	46.67%	33.33%
Honduras	10.00%	20.00%	70.00%
Mexico	12.07%	46.55%	41.38%
Panama	0.00%	16.67%	83.33%
Paraguay	0.00%	50.00%	50.00%
Peru	10.71%	30.36%	58.93%
Uruguay	0.00%	70.00%	30.00%
Venezuela	0.00%	0.00%	100.00%
Regional Total	11.42%	38.05%	50.53%

Source: Finnovista (2021).

Table 8.6: Importance of and Need for Regulatory Sandbox Schemes in the Latin American Fintech Ecosystem, by Segment

Segment	Not available	No	Yes
Business Lending	1.49%	34.33%	64.18%
Consumer Lending	2.99%	43.28%	53.73%
Crowdfunding	0.00%	48.28%	51.72%
Digital Banks	1.92%	32.69%	65.39%
Enterprise Financial Management	10.39%	48.05%	41.56%
Business Technology Solutions for Financial Institutions	4.92%	47.54%	47.54%
Insurance	2.50%	42.50%	55.00%
Payments & Remittances	0.00%	39.73%	60.27%
Personal Financial Management	2.27%	45.46%	52.27%
Credit Scoring, Identity & Fraud	0.00%	38.89%	61.11%
Trading & Capital Markets	2.94%	44.12%	52.94%
Wealth Management	0.00%	37.50%	62.50%
Regional Total	11.42%	38.05%	50.53%

Source: Finnovista (2021).

Fintech Associations in Latin America and the Caribbean: Developments 2018–2021

The existing fintech associations in Latin America arise from the need to foster dialogue between fintech companies and regulatory bodies, as illustrated in the previous edition of this report. In the period of preparation of this report, associations continued to solidify their role as key players in the development of the ecosystem and the promotion of policy and regulatory frameworks that consider the realities and needs of the sector. In recent years, associations were founded or strengthened in countries such as Venezuela (Fintech Venezuela), El Salvador (ASAFINTECH), Peru (Fintech Association of Peru), and the Dominican Republic (Adofintech), and the IIberoamerican Fintech Alliance was also formed. In addition, Fintech Mexico, FinteChile, Colombia Fintech, Fintech Central America and the Caribbean, and the Argentine Chamber of Fintech continue with the efforts presented in the previous report. The following pages present the objectives, achievements, lessons learned, and future prospects of some of the leading fintech associations.

ABFintechs

Brazilian Fintech Association

Website
www.abfintechs.com.br
Contact
contato@abfintechs.com.br
President of the Association
Diego Perez
Founded
January 2016
Number of Associates
507

Main Achievements and Lessons Learned

In recent years, Brazil has seen the number of fintech platforms grow at a very fast pace. There are already more than 1,200 mapped and more than 500 associated with ABFintechs. The payment methods vertical is still the leader, but the credit vertical is catching up. Growth is also seen in the following verticals: financial education and management, investment, funding, and crypto.

We are very pleased to have one of the most favorable regulations for fintech in Latin America. Brazil was the first Latin American country to regulate payment methods, crowdfunding, and P2P. We also have new sandbox regulations already in place and open banking is in the oven, ready to come out soon.

We believe that these activities, which had good influence and participation from ABFintechs, are fundamental for the ecosystem to develop and that, in this way, we will be able to reduce the existing banking concentration in the country, giving access to inclusive financial products to the unbanked and better products to the banked.

In 2021, we had the presentation of the first experimental solutions within the regulatory sandbox of the financial and capital markets regulators in Brazil. In total, there were 18 projects, with experiments related to the insurance market starting in 2021 and solutions related to banking and capital markets starting in 2022.

Outlook for the Future

Our vision for the future is summarized in the continued adoption of the instant payment system (PIX), the full implementation of open finance as soon as 2022, and the emergence of cross-border payment solutions and platforms to operate with foreign currencies with the new legal exchange framework in Brazil.

Another breakthrough refers to the experiments expected for the first issue of the Brazilian currency, the real, in its digital version (CBDC), considering that the Central Bank of Brazil has already installed an internal working group to study the standards, technology, and formats for the first experiments in 2022.

Adofintech

Dominican Association of Fintech Companies

Website
www.adofintech.org
Contact
hola@adofintech.org
President of the Association
Miguel Ángel Adames Tejada
Founded
May 2018
Number of Associates
117 members

Objectives

Adofintech brings together fintech companies in the Dominican Republic with the aim of gathering companies or experts in the area to grow with their experiences and knowledge and to share and contribute with different perspectives, seeking to improve and contribute new ideas that reformulate the way of understanding and providing financial services and achieve greater financial inclusion. The association is based on the following pillars:

- Development of the fintech market in the Dominican Republic
- Support for technological entrepreneurship
- Promotion of financial inclusion

Main Achievements and Lessons Learned

- Positioned ourselves as a legitimate interlocutor within the Dominican financial system, generating collaborations between the different actors and serving as a source of consultation. We actively participate as a member of the Digital Transformation Cabinet of the Dominican Republic, collaborating in the development of the Digital Agenda 2030; we are part of the Innovation Cabinet to develop the national innovation policy; we collaborate with the development of the National Strategy for the Export of Non-Traditional Services; we are founding members of the National Entrepreneurship Network, among other key actions.
- We have strengthened collaborations with the traditional financial sector, signing collaboration agreements with the associations that represent the sector: the Asociación de Bancos Múltiples (ABA), the Asociación de Bancos de Ahorro y Crédito y Corporaciones de Crédito (ABANCORD), and the Liga Dominicana de Asociaciones de Ahorros y Préstamos (LIDAAPI). We established the Fintech Market RD event as a space for fintech and technology companies to present their solutions to the traditional financial sector, contributing to its digitalization.
- Drafting and publication of a Code of Best Practices and its Addendum for the Digital Credit Vertical, which consolidates best practices for our members.
- Organization of three editions of the Dominicana Fintech Forum, positioning it as the most important fintech event in the country and a space to raise awareness of the impact of fintech on financial inclusion.
- Collaboration agreement with three local universities—the Instituto Tecnológico de Santo Domingo (INTEC), Barna Management School, and the Universidad Abierta para Adultos (UAPA)—to include fintech in their academic

programs, initiate joint research activities and publications, and support the digitalization of micro-, small-, and medium-sized enterprises (MSMEs) through the MSME centers located in these universities.
- Participation in the observations on the modification of the Payment Systems Regulation and the Instructions for Electronic Payment Entities and Electronic Payment Agents, which now includes two figures representing financial technology entities.

Outlook for the Future

- Promote the development of the fintech market in the Dominican Republic, being catalysts of this phenomenon through an inclusive and transparent environment that promotes the integration of financial system actors, public agencies, regulators, companies, and investors.
- Be the reference channel for communication on fintech issues between companies and the regulatory sector to achieve market development, and to promote fintech knowledge among our members and stakeholders.
- Promote innovation and the development of new technologies, becoming a strategic player in the country's digital economy. In addition, continue to develop a constructive dialogue with financial authorities and other relevant actors in the sector to achieve a favorable legal and economic environment for innovation and inclusion. Promote cases of collaboration, interoperability, and experimentation in the financial system (innovation hub, interoperability in payments with QR code) to continue energizing the market with new business models.
- Position the Dominican Republic as a regional fintech hub of reference, favoring the capture of opportunities for the benefit of the association and its members. We want to continue strengthening our relationships with other regional fintech associations that allow us to make visible the opportunities of the Central American and Caribbean region, attracting foreign investors and entrepreneurs.

The country presents opportunities for the growth of the sector, generating financial solutions and services for the different segments of the population. The association will continue working to raise awareness about the benefits of new technologies so that they can reach a greater proportion of the population.

ASAFINTECH

Salvadoran Association of Financial Technology

Website
www.asafintech.org
Contact
echacon@asafintech.org
President of the Association
Erick Chacón
Founded
March 2019
Number of Associates
27

Objectives

- Develop and strengthen the fintech ecosystem in El Salvador
- Promote financial inclusion
- Educate the population at the base of the pyramid
- Promote the coverage of financial technology services to all segments of society, with emphasis on those who, for various reasons, have had little access to traditional services or have been excluded
- Promote education, training, and continuing education in fintech as a mechanism for the development of the individual, society, and their impact on development
- Be producers and channelers of impactful opinions on fintech matters to society, regulators, supervisors, and various stakeholders
- Be a vehicle for facilitating the implementation of new technologies to give MSMEs access to financing
- Channel and contribute to the facilitation of diverse resources for the promotion and financing of enterprises with business models based on new financial technologies
- Promote public policy foundations to support the development of the fintech ecosystem

Main Achievements and Lessons Learned

After two years of work, ASAFINTECH has achieved national and international visibility. We have established a presence in the main social networks, with a following of more than 1,000 professionals interested in the fintech topic in our country. In addition, we have identified more than 55 fintech companies or projects, of which approximately half are members of our association.

Last year, following the announcement and immediate approval of the Bitcoin Law in our country, we began to get involved in this issue. We are participating in bitcoiners' meetings, looking for our membership to take advantage of the opportunities that this new law offers. Currently, 25% of our members offer bitcoin-related services and, since December 2021, 75% of new members are from this industry. According to our projection of new fintech companies forming in our country, we could become the leading market in number of projects in the Central American and Caribbean region.

Finally, we have built relationships with all the cooperation organizations present in our country, created a network of local and international private investors, and established relationships with banks, government entities, and financial regulatory and supervisory institutions. We are present as members of the new Office of Financial Innovation, organized by the Superintendence of the Financial System and the Central Reserve Bank. We have also established communication links with associations throughout Central America, some in South America, and in Mexico. We have positioned ourselves as the experts on fintech in El Salvador.

Outlook for the Future

- In the short term, we see a significant number of fintech ventures being formed. We believe that more than 50 companies are currently being formed mainly due to the Bitcoin Law. These startups are potential members of our association, and we will look to attract them.
- We will try to develop a closer alliance with USAID, who is looking for local partners, in a new strategy to channel the cooperation funds they provide. We will create projects in the areas of financial education, support for entrepreneurs, and implementation of technologies through a fintech laboratory so that entrepreneurs have spaces to test their innovations, among many other ideas.
- We need to attract more venture capital investors, incubation companies, and fintech startup accelerators. To this end, bitcoin opens the door to a huge number of individual investors, which, properly organized, can help invigorate our sector.
- Finally, we believe that regulations will be tightened for the sector, mainly on anti-money laundering (AML) issues and the issuance of the Fintech Law, which the government has delayed because of the whole bitcoin issue.

Fintech Association of Guatemala

Website
www.guatemalafintech.com
Contact
director@guatemalafintech.com
President of the Association
Enrique Galdámez
Founded
October 2019
Number of Associates
28

Objectives

The association's main objective is to bring together all the companies in the country's fintech industry to offer its members and the general public an inclusive space for collaboration in which they can drive the evolution of the industry.

Among the strategic objectives are:
- Promote collaboration between the public and private sectors
- Generate constant dialogue with regulatory entities to create the necessary structure for the business development of the fintech industry
- Empower consumers through a safe, transparent, and easy experience

Main Achievements and Lessons Learned

The Fintech Association of Guatemala is the first initiative in the country that seeks to bring together the entire fintech sector. In recent years, the growth of the industry has been evidenced by the increase in the number of companies and the interest of banking institutions, regulatory entities, and other players in the sector.

Among the achievements are the following:
- At the regulatory level, there have been multiple approaches with members of the SIB Innovation HUB, a branch of the Superintendencia de Bancos de Guatemala dedicated to analyzing the fintech industry in Guatemala and exploring regulations in the sector.
- In 2019, the Ministry of Economy, together with the SIB and the Bank of Guatemala, launched the National Strategy for Financial Inclusion (ENIF), where the association and fintech companies played a key role.
- In 2020, the association was invited to participate in an MSME Focus Group and led efforts to drive access and growth in the sector through technology.
- Since its inception, the association has organized monthly events with national and international speakers to promote dialogue and innovation in the sector.

The country's fintech sector is relatively new. The association still has a lot to learn and a long way to go to support the growth of the fintech industry and foster financial inclusion in Guatemala.

Outlook for the Future

In Guatemala, the fintech industry is at a key point of growth and innovation, led by multiple regional and international ventures.

In the coming years, the Fintech Association of Guatemala seeks to:

- Promote the fintech ecosystem through partnerships with public, private, and international entities
- Raise awareness of the market in Guatemala, the talent that exists in the country, and the potential for the fintech industry
- Support initiatives that encourage the participation of more women in the fintech sector
- Promote financial inclusion in the country through fintech and the use of disruptive technologies and business models

Fintech Association of Honduras

Website
www.hondurasfintech.com
Contact
info@hondurasfintech.com
President of the Association
Ricardo Irías Kattán
Founded
August 5, 2020
Date of Receipt of Legal Entity
September 6, 2021
Number of Associates
14 + Visa and MasterCard

Main Achievements and Lessons Learned

- Legal incorporation of the association (legal status, tax registration, etc.)
- Active participant of the Mesa de Innovación Financiera (MIF) led by the Central Bank of Honduras (BCH)
- Lead organizer of the Financial Innovation Talks at MIF
- Coordinator of the Payments and Transfers group on behalf of Honduran fintech companies
- Led the preparation of comments on two drafts of the BCH's Electronic Payment Service Providers regulation
- Visa's entry into the association as an affiliate member
- MasterCard joins the association as an affiliate member

Outlook for the Future

- Detailed mapping of the fintech ecosystem in Honduras
- Publication of the fintech map and analysis of the ecosystem in a white paper
- First Fintech Fair in Honduras
- Growth path design for fintech startups
- Designing an internationalization route for Honduran fintech ventures
- Alliances with international associations to achieve alliances between Honduran fintech ventures and fintech ventures from other countries
- Contribute to the creation of a Latin America that allows for cross-border transactions

Iberoamerican Fintech Alliance

Website
www.fintechiberoamerica.org
Contact
contacto@fintechile.org
President of the Association
Ángel Sierra
Founded
2018
Number of Associates
12

Objective

Promote the development of the fintech ecosystem at the regional level in order to foster competition, innovation, and financial inclusion.

Main Achievements and Lessons Learned

The Fintech Alliance is developing a working relationship among Latin American countries, including with new fintech associations such as those in Paraguay, Venezuela, and Guatemala. There are already more than 12 countries that seek to share best practices and help us, mainly with regulatory issues. In this specific area, we have great support from the IDB, which, through FintechLAC, does an excellent job of disseminating financial innovations for our countries.

We have managed to include in last year's discussion topics such as the following: open finance, regulatory sandbox, and crowdfunding. All are of extreme importance for the further development of financial markets in our countries, seeking more and more decentralization and better financial products for companies and individuals.

We know that the region has been growing at an accelerated pace and this shows that the market is looking for the types of solutions offered by fintech platforms.

Outlook for the Future

We see a regional industry in constant growth, as a result of the significant gaps in innovation and financial inclusion. Venture capital funds will play a decisive role in continuing to accompany the growth of fintech companies, as a result of the adoption of corporate services and the adaptation of regulatory frameworks that financial technology will increasingly enable.

Argentine Chamber of Fintech

Website
www.camarafintech.org
Contact
info@camarafintech.org
President of the Association
Ignacio Plaza
Founded
November 2, 2017
Number of Associates
205

Objectives

- Group, organize, and empower the Argentine fintech sector
- Generate positive linkages with the public sector, academia, and fintech associations/chambers in the region
- Disseminate highly relevant information for the development of the sector, both internally and to the press and society in general
- Lead the transformation of the Argentine financial system through technology, promoting education and financial inclusion

Main Achievements and Lessons Learned

- Working spaces: The Argentine Chamber of Fintech has 14 working groups for its members. Some are focused on specific topics according to the business vertical (such as payment service providers, digital credit, or crypto) and others focus on cross-cutting industry issues (such as taxes, talent management, and prevention of money laundering). Once the objectives of each area have been established, the chamber coordinates both internal actions and those related to the public sector. Throughout 2021, 140 working meetings were held with the participation of 400 representatives of associated companies.
- Liaison with the public sector: Throughout 2021, working spaces were established with 11 public and regulatory institutions/agencies.
- Academic links: There are collaboration and co-creation agreements with 14 universities and educational institutions in Argentina for the creation of undergraduate, graduate, and secondary education fintech programs.
- Transfers 3.0: As of November 2021, interoperability of payments is possible in Argentina. That is, any wallet, whether digital or bank, can read and pay any QR code. The chamber played a leading role in the working tables of the Central Bank of Argentina, where this important initiative was developed.
- Events and spaces for dissemination:
  -Argentina Fintech Forum: Established as the most important fintech event in the country and a major reference in Latin America, with the participation of 3,000 attendees from 17 countries and 50 speakers from 8 countries. The 2021 edition lasted three days, with both virtual and on-site components.

-Fintech webinars: The annual cycle of webinars was established as a meeting place for leaders in Argentina and Latin America. Eight sessions were held throughout the year, with 34 speakers from 4 countries and more than 5,000 attendees from 17 countries.
-Internal and mixed training: A large number of free training sessions were held for members and for the community close to the chamber, covering technological, regulatory, and business issues.
- Gaining representativeness: During 2021, the Argentine Chamber of Fintech had a 50% increase in the number of associated companies.

Outlook for the Future

- Regulatory framework for virtual assets: Everything indicates that 2022 will be a crucial year in the development of a regulatory framework for virtual assets and virtual asset providers in Argentina. The Argentine Chamber of Fintech, through its crypto working group, is actively working so that the development of such framework takes place in a positive way and gives rise to the immense potential that the sector has.
- Collaboration in fraud prevention with other actors in the financial system: There are areas of joint work with banking associations for fraud prevention. We believe that this will be of great importance to solve a large part of this problem.
- Regular generation of information for each industry vertical: Data is a fundamental raw material for measuring the development of the sector. During 2022, we will focus strongly on the systematic generation of data.
- Collaboration with the Iberoamerican Fintech Alliance: Interaction with other chambers and associations is fundamental for the development of the sector in the region; therefore, we will continue to strengthen our collaboration with colleagues from different countries, working together for an increasingly robust fintech sector in Latin America and the Caribbean.

Uruguayan Chamber of Fintech

Website
https://fintech.org.uy
Contact
presidencia@fintech.org.uy
President of the Association
Rodrigo Tumaián
Founded
2015
Number of Associates
53

Objectives

- Promote innovation
- Create a favorable environment for entrepreneurship in the sector
- Increase the visibility of Uruguay and its fintech market abroad
- Promote and encourage open banking in Uruguay
- Be an active source for networking and alliance building
- Provide benefits to associates

Main Achievements and Lessons Learned

- To be a benchmark in fintech for regulators, entrepreneurs, and the region
- We promote the study and advancement of open banking in Uruguay
- Increasing Uruguay's visibility in the fintech arena
- We create networks and connect companies, entrepreneurs, and services with the market

Outlook for the Future
To create a sustainable chamber that can generate greater content and dissemination of the sector and its associates.

Colombia Fintech

Website
www.colombiafintech.co
Contact
hola@colombiafintech.co
President of the Association
Erick Rincón Cárdenas
Founded
December 6, 2016
Number of Associates
285

Objectives

- Achieve access to digital financial services for all Colombians
- Make Colombia Fintech (CF) the source of truth for the industry
- Have the best fintech talent in the region
- Be the first investment destination in Latin America
- Internationalize all our fintech companies

Main Achievements and Lessons Learned

- Industry growth of 120%, especially in segments such as digital credit, factoring, and digital banking
- Regulatory development, through the Development Plan Law, of more flexible criteria for the introduction of financial technology in the country
- Authorization by the SFC of the first licensed crowdfunding company in Colombia, a2censo
- Definition by the National Planning Department and the Ministry of Commerce of the baselines of a financial inclusion policy that recognizes fintech platforms as an essential part of this process
- Strengthening the country's fintech community through CF, which has tripled in size and structure and has become an important arena for discussing financial inclusion from an interdisciplinary perspective

Outlook for the Future

Our main purpose as an association is to be spokespersons for the sector before the national government and international entities, nurturing public policy projects, plans, and programs from a trade union perspective.

In addition, we have proposed a vision composed of five dimensions:

- Advance actions to establish Colombia as the first fintech investment destination in Latin America, through investment rounds and linking actors of the risk ecosystem to our community
- Promote the quantity and quality of fintech talent through world-class training and refresher programs
- Promote digital financial inclusion for all audiences: individuals, self-employed, small businesses, startups, mature companies
- Strengthen CF's research area to become a regional benchmark for industry information
- Support companies in their internationalization processes

Fintech Central America and the Caribbean

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President of the Association
Roberto E. Ponce Romay
Founded
2016
Number of Associates
46

Objectives

We are an association that brings together fintech companies in Central America and the Caribbean from our base in Costa Rica, where we work every day to contribute to strengthening the industry, as we want to raise awareness of the potential that exists in our region.

Main Achievements and Lessons Learned

- Be an active part of the working groups with the authorities and regulators (superintendences, central bank, CONASSIF).
- To have a relationship with different actors in the market. We have created alliances with some content developers and audiovisual material producers to support our members, making them known within the community; during 2021 and 2022 we are working on the production of audiovisual presentations to explain who they are and highlight their main advantages. This will continue to be circulated to the entire community and on social networks.
- Alliance with Misión Lunar to work on the updates of the region's fintech radars and the first fintech radar in Costa Rica was created.
- Active participation in the III Biennial Economic Research Conference of the Central Bank of Costa Rica. Also participated in discussion forums of the Ministry of Economy, Industry, and Commerce, positioning the association as a benchmark in the industry.

Outlook for the Future

During 2021–2022 we will continue to work on two main themes:

- Share regional knowledge of the regulatory framework: with the support of our Legal Committee, made up of experts in fintech regulatory matters, we are working to consolidate general information for our associates and the public
- Support access to investment for fintech platforms in the region: we work to support contact with investment funds that want to hear about local and regional options

FinteChile

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Contact
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President of the Association
Samuel Cañas
Founded
January 2018
Number of Associates
105

Objectives

To make access to financial services accessible to all through the use of technology and turn Chile into one of the main centers of financial innovation in Latin America.

Main Achievements and Lessons Learned

- In 2021, FinteChile membership reached 105 associates and the association solidified its position as the most important player in financial technology in the country.
- Active participation in the submission of the Fintech Law bill to Congress and unanimous approval in the first constitutional procedure (Chamber of Deputies). In 2022, the regulatory initiative will be debated by the Senate.
- Active participation in the submission of the Consolidated Debt Bill to Congress.
- Active participation in the migration to the four-party model in the payments industry, with a focus on digitizing money, increasing competition, and enhancing financial inclusion.
- FinteChile assumes the pro tempore presidency of the Iberoamerican Fintech Alliance and leads the publication of the first open finance standard at the regional level.
- FinteChile, together with the Association of Banks of Chile (ABIF), created the first private-sector working group to promote the adoption of open finance in the country.
- Chile becomes the second-largest alternative finance market in the region, after Brazil, according to the Cambridge Centre for Alternative Finance.

Outlook for the Future

We visualize 2022 as the most important year for financial technology in the country because the topic is finally a priority of the regulator and the government in general. Given that the Fintech Law is beginning to establish itself more and more as a state policy, we should see, in the short and medium term, a greater adoption of fintech services/solutions by citizens and academia incorporating financial technology in their curricula, and a relevant volume of investors coming to the country as a result of the support to financial innovation and entrepreneurship in general.

Fintech Mexico

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Contact
ernesto.calero@fintechmexico.org
President of the Association
María Teresa Arnal
General Manager
Ernesto Calero Toledo
Founded
September 14, 2015
Number of Associates
144

Objectives

- Be the reference of the fintech ecosystem in Mexico
- Promote the value and impact of fintech with key audiences and solidify the relevance of the fintech sector to the private sector, government, and individuals
- Promote regulation that fosters the development of the sector and become the main point of contact with the government and regulators
- Be a resource for all: that all members have access to information on what is happening in the sector, are part of shaping public policy, and can access resources through our strategic alliances
- Be a proactive actor that seeks to improve the regulatory environment to foster innovation, competition, and financial inclusion

Main Achievements and Lessons Learned

- Fintech Mexico increased the number of affiliated companies by 44% over 2020 and reached a total membership of 144 associates.
- We have become an industry benchmark due to our global approach by grouping not only regulated fintech platforms but also fintech companies from different verticals.
- The Financial Technology Institutions Committee was formed to represent the interests of electronic payment fund institutions, crowdfunding institutions, and any other entity arising from the Fintech Law.
- With more than 40 webinars held during the 2020–2021 period, we maintain our commitment to bring society closer to the world of financial technology, providing access to the most relevant and up-to-date information.
- Working collaboratively with affiliates, the working groups have been able to identify major initiatives, which have given greater relevance to issues such as competition in the payment network, digital onboarding, and open banking, for which they seek to improve regulatory aspects.
- Our vast knowledge allows us to be at the level of relevant actors and to be part of working teams of great relevance in the country, such as the Financial Innovation Group, formed by representatives of the Ministry

representatives of the Ministry of Finance and Public Credit, the supervisory commissions and the Bank of Mexico, and specialists in innovation.

- At present, we are finalizing commercial and educational alliances between recognized institutions to create a large support network to continue contributing to the development of the sector.

Outlook for the Future

The year 2022 is shaping up to be one of fortification for the fintech ecosystem, whose infrastructure will spearhead Mexico's participation in the 21st-century economy. Through the fintech ecosystem, the country's economic potential is being unleashed, especially benefiting small- and medium-sized enterprises (SMEs), allowing for the integration of exponentially more businesses and more Mexicans into the formal economy.

During this year, the authorization process is expected to conclude for the more than 100 financial technology institutions (electronic payment fund institutions and crowdfunding institutions) that applied before the CNBV since September 2019.

Fintech Association of Peru

Website
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Contact
administrador@fintechperu.com
President of the Association
Roberto Martín Vargas Buendía
Founded
September 2017
Number of Associates
65

The Fintech Association of Peru is the most important technology business association in Peru for its level of participation, proposal, and implementation of various initiatives in partnership with public and private organizations that seek to improve the welfare of families and businesses through efficient and competitive financial services.

The board of directors is the guild's executive body and was elected for the first time by a democratic vote in December 2020. This body established three working guidelines for the 2021–2022 period:

- Promote union, collaboration, and cooperation with other actors
- Decentralize fintech leadership to the interior of the country Project the development of Peruvian fintech in Latin America and the world

In the first year of the new board of directors (2020–2021), the number of fintech members grew more than three times and institutional relationships with public and private organizations were extended and solidified. The participation of the association's members is fundamental for reaching technical proposals with a focus on promoting development and economic growth models underpinned by technological-financial innovation. Consensus on agendas built by members is fostered through five working groups: (i) Financial Regulation; (ii) Membership Development and Communications; (iii) WarmiTech (Women Fintech); (iv) Alliances and External Relations; and (v) Financial Education, Financial Inclusion, and Research.

Main Achievements and Lessons Learned

The main achievement of the association is its contribution to Peru in its bicentennial in a challenging context (political, economic, and health). The main results of this process are (i) the increase of fintech members within the guild; (ii) the decentralization of fintech leadership, starting with the regions of Cajamarca (Financial Inclusion for the Agricultural Sector, with the Regional Government of Cajamarca) and Puno (project in development of MOOC course, in agreement with the Universidad Peruana Unión); (iii) the organization of the Lima Fintech Forum 2021 with the Universidad del Pacífico in November; (iv) the technical contribution to regulators in the development of the industry (Superintendencia del Mercado de Valores, Crowdfunding Regulation, and Superintendencia de Banca, Seguros y AFP, sandbox project); (v) the growing interest of incumbents and corporations in the development of alliances with fintech; (vi) the promotion of financial inclusion (agreement with NGO Cedro and invitation to form the Financial Inclusion Advisory Committee promoted by the General Directorate of Financial and Private Pension Markets of the Ministry of Economy and Finance); and (vii) market size (transactional): US$20 billion approximately.

Our firm institutional conviction is to support all public and private initiatives and contribute to the development of the country, together.

Outlook for the Future

In 2022, we will work to expand the market size by 100%, and to integrate 100 fintech platforms into the guild. In this regard, we will work intensively with Congress to form a fintech multiparty working group and evangelize legislators in the first half of the year, and work on a bill to promote the industry in the second half of the year. A meeting with public- and private-sector leaders for the promotion of the industry will be launched in June and presented to the president and Congress to define a work agenda for 2026.

Fintech Venezuela

Website
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Contact
ornela_rod@hotmail.com
President of the Association
Marisol Ornela Rodríguez
Founded
September 2018
Number of Associates
13 companies and 200 professionals

Objective and Main Achievements and Lessons Learned

Fintech Venezuela is a non-profit civil association, based on the principles of transparency, decentralization, consensus, and innovation. It was legally constituted in September 2018. Our objective from the beginning has been to generate value and integration among the members of the association as main actors in the development and promotion of new technologies, regulatory entities, and the community as end user, as well as to promote the formation of collaborative environments in which participants design proposals for technological innovation in the various areas of social exchange aimed at optimizing processes and generating value in the community and the implementation of transparent, reliable, and decentralized management and decision-making methods through the use of new technologies.

As was already mentioned, during our first two years we dedicated ourselves to creating a space to foster integration among the association's members. Today we have more than 200 individual members, including developers, professors, researchers, lawyers, brand ambassadors, and people interested in expanding their knowledge of fintech and new technologies. We also have 13 legal entities; that will soon increase with the incorporation of the 12 main fintech companies that have recently grouped together and that make up the Payment Methods Chapter in our association. Finally, we have more than 30 companies in the Entrepreneur category who are currently in the pre-launch stages.

In 2019, we focused on training businessmen, entrepreneurs, and the general public. One of our most important achievements was the ABC Jurídico event for fintech companies in Venezuela, with massive attendance by the aforementioned public and representatives of regulatory bodies.

In this activity, a group of leading law professionals in Venezuela met to introduce participants to important legal aspects such as trademarks, patents, and intellectual property; regulatory framework; policies of the "know your customer" (KYC) process; policies for the promotion of the financial sector; and regulations that promote the simplification of procedures.

In 2020, we began moving towards consolidation, with the creation of three chapters made up of specialized teams: Education, Blockchain and New Technologies, and, finally, Payment Methods, each with expert leaders who will work on the growth of the following objectives, expanding the scope of the association.

- Education: This group of leaders and members of Fintech Venezuela will work hard to promote education, training, and professional development in fintech and new digital technologies through workshops, courses, diploma courses, and programs that establish alliances with renowned academic teachers, institutions, and universities in the country.
- Blockchain and New Technologies: Promote the development of innovative ideas and projects that, with the use of blockchain technology, provide solutions to different problems that Venezuelans face every day. In addition, to support different international blockchain projects in their entry into the domestic market, seeking the most appropriate and beneficial structure for both the Venezuelan crypto ecosystem and for the project itself.
- Payment Methods: This group of leaders is very focused on teamwork in order to add value to the establishment of Venezuela as a benchmark for innovation in the region, as well as to develop synergies between institutions and regulatory bodies that will result in providing greater user accessibility in financial matters, promoting social inclusion and the mobilization of money digitally.

Regarding gender participation, we have identified the following figures in our databases:

Of the 13 fintech companies registered in Fintech Venezuela, 10 have women on their founding or management team. This would give us a representation of 76.92%, mostly dedicated to offering payment methods, and a smaller percentage focused on providing training services and promotion of fintech projects and creation of cryptocurrencies.

Another relevant fact is that 18% of the people who register through our website as enthusiasts of new technologies are women who wish to broaden their knowledge on the subject.

Outlook for the Future

Our vision is to continue working in favor of the objectives we have set ourselves and thus contribute a grain of sand to the construction of the country we want.

PanaFintech

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Main Achievements and Lessons Learned

- Despite the fact that attempts to advance regulation have not prospered and continue to be an obstacle to innovation, the fintech issue has been relevant in the media and in public discussion over the last few years, and was given even more prominence by COVID-19.
- As the Panamanian Fintech Association, we are in the process of relaunching a Financial Innovation and Technology Association, expanding the membership beyond the fintech area. This will allow us to bring together more ventures that claim to be open to innovative business models.
- There has been a relative openness on the part of traditional banks towards fintech companies, resulting in account openings and alliances with fintech business models. Although this phenomenon is still incipient, it is openly recognized that innovation is not only inevitable, but crucial.
- New leadership in government and regulatory bodies has meant greater openness to necessary regulatory changes. One of our founding members was appointed to the board of directors of the Superintendencia Bancaria, to signal the new approach being sought. We hope that this will soon lead to concrete proposals and improvements to existing regulations.
- During the COVID-19 pandemic, the national government has made digitalization a priority, which is also expected to energize the local ecosystem.

Conclusions

In recent years, the fintech ecosystem has grown rapidly and is strengthening its position as a key player in responding to the demands and needs of financial consumers in the region. The number of companies in the sector increased to 2,482, which shows a sustained growth since 2017 (37% annual average and 253% since the preparation of the first report that year). This growth has been accompanied by a great dynamism in terms of investment. The year 2021 closed with record figures for fintech investment in the region, reaching US$15.736 billion, a figure three times higher than that achieved in 2019.

In the unprecedented context of the COVID-19 pandemic and changes in financial consumer demand, the fintech sector demonstrated not only its flexibility to respond to changing market needs but also its enormous potential to address the financial inclusion issues facing the region. An example of this is the success of the region's leading digital bank, which reached 48 million customers and reports receiving an average of 2.1 million new customers per month.

Regulatory authorities in the region have made progress in closely analyzing market movements and, in several cases, proposing explicit regulatory provisions for some of the fintech verticals included in the analysis. The region is also witnessing an increase in the use of regulatory innovations such as regulatory sandboxes and innovation hubs. These instruments allow incumbent financial institutions, newcomers, and fintech platforms to communicate and test their innovations in controlled environments.

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Annex 1: Highlighted Investments 2020-2021

Count	Country	Startup	Investment amount (in millions of US$)	Fintech Segment	Date	Investors
1	Brazil	Open Co	120	Lending	Dec-21	SoftBank, Raiz Investimentos, IFC, LTS
2	Brazil	Cloudwalk	124	Payments and Remittances	Sep-21	Valor Capital Group
3	Mexico	Kavak	700	Lending	Sep-21	General Catalyst, Tiger Global Management, Spruce House, Founders Fund, Ribbit Capital
4	Mexico	Konfío	110	Lending	Sep-21	Tarsadia Capital, International Finance Corporation, QED Investors, SoftBank Group, Kaszek Ventures, Lightrock
5	Colombia	ADDI	75	Lending	Sep-21	Greycroft, Union Square Ventures, Foundation Capital, GGV Capital, Andreessen Horowitz
6	Brazil	Omie	111	Enterprise Financial Management	Aug-21	SoftBank Group, Riverwood Capital, Endeavor, VELT Partners, Dynamo Capital
7	Brazil	Cora	116	Lending	Aug-21	Tiger Global Management, Tencent Holdings, Greenoaks Capital Management
8	Argentina	Ualá	350	Digital Banks	Aug-21	SoftBank Latin America Fund, Tencent Holdings, monashees, Endeavor, Ribbit Capital
9	Brazil	Unico	120	Business Technology Solutions for Financial Institutions	Aug-21	General Atlantic, Big Bets, SoftBank

Count	Country	Startup	Investment amount (in millions of US$)	Fintech Segment	Date	Investors
10	Brazil	Quinto Andar	120	Personal Financial Management	Aug-21	Greenoaks Capital Management, Tencent Holdings
11	Brazil	Meu Tudo	410	Lending	Jul-21	Goldman Sachs
12	Colombia	Treinta	14	Enterprise Financial Management	Jul-21	Luxor Capital Group, Acacia Venture Partners, Commerce Ventures, Goodwater Capital, Soma Capital
13	Brazil	MercadoBitcoin	200	Payments and Remittances	Jul-21	SoftBank Group
14	Brazil	C6	2.021	Digital Banks	Jun-21	JP Morgan Chase
15	Brazil	Nubank	750	Digital Banks	Jun-21	Berkshire Hathaway, Sands Capital Ventures, Absolute Partners, Invesco, among others
16	Brazil	Ebanx	430	Payments and Remittances	Jun-21	Advent International
17	Mexico	Clip	250	Payments and Remittances	Jun-21	SoftBank, Viking Global Investors
18	Brazil	Inter	471	Digital Banks	May-21	Stone
19	Mexico	Bitso	250	Decentralized Finance	May-21	Bond, Coatue, Kaszek Ventures, Pantera Capital, Paradigm, QED Investors, among others
20	Brazil	Open Co	250	Lending	Mar-21	Goldman Sachs
21	Mexico	minu	14	Personal Financial Management	Mar-21	Fintech Collective, Vostok Emerging Finance, FJ Labs

Count	Country	Startup	Investment amount (in millions of US$)	Fintech Segment	Date	Investors
22	Mexico	stori	32.5	Digital Banks	Feb-21	Lightspeed Capital
23	Mexico	Mundi	7.8	Lending	Feb-21	Base10 Capital Partners, FJ Labs
24	Colombia	Backstartup	1.2	Enterprise Financial Management	Feb-21	Alaya Capital Partners, Life is Too Short Capital, OBS, LabCap
25	Brazil	Grupo Delta	2.3	Insurance	Feb-21	Randon Ventures
26	Colombia	Aflore	6.6 (debt)	Lending	Feb-21	Women's World Banking Capital Partners
27	Brazil	Monkey	6	Enterprise Financial Management	Feb-21	Quona Capital, Kinea Ventures
28	Mexico	Flink	12	Wealth Management	Feb-21	Accel, ALLVP, Clocktower Technology Ventures
29	Brazil	Creditas	30 (debt)	Lending	Feb-21	IDB Invest
30	Brazil	Nubank	400	Digital Banks	Jan-21	GIC, Whale Rock, Invesco
31	Brazil	BX blue	6.6	Lending	Jan-21	Igah Ventures, Iporanga Ventures, FJ Labs, FundersClub
32	Brazil	EDMOND	7	Payments and Remittances	Jan-21	Undisclosed
33	Brazil	MercadoBitcoin	35	Payments and Remittances	Jan-21	GP Investments, Parallax Ventures
34	Mexico	Alphacredit	40 (debt)	Lending	Jan-21	IDB Invest
35	Brazil	Contabilizei	N/A	Enterprise Financial Management	Jan-21	SoftBank

Count	Country	Startup	Investment amount (in millions of US$)	Fintech Segment	Date	Investors
36	Chile	Betterfly	17.5	Insurance	Dec-20	QED Investors
37	Brazil	Linker	2	Digital Banks	Dec-20	Darwin Capital
38	Brazil	Nomad	5.2	Payments and Remittances	Dec-20	monashees
39	Brazil	Creditas	225	Lending	Dec-20	LGT Lightstone
40	Mexico	Mozper	3.55	Personal Financial Management	Dec-20	Hetz Ventures
41	Mexico	Bitso	62	Payments and Remittances	Dec-20	Kaszek Ventures, QED Investors
42	Brazil	Conductor	20	Payments and Remittances	Dec-20	Temasek Ventures
43	Mexico	albo	45	Digital Banks	Dec-20	Flourish Ventures, Mountain Nazca, Valar Ventures, Greyhound Capital
44	Colombia	Valiu	5.25	Payments and Remittances	Dec-20	Blockchange Ventures, VC Pomp
45	Mexico	Heru	1.7	Insurance	Dec-20	Mountain Nazca, Flourish Ventures, Magma Partners, YC
46	Mexico	sofia	19	Insurance	Nov-20	Index Ventures
47	Brazil	facio	5	Personal Financial Management	Nov-20	monashees, ONEVC, YC
48	Brazil	Assas	6.5	Enterprise Financial Management	Oct-20	Inovabra Ventures
49	Brazil	BizCapital	3.5	Lending	Oct-20	Oikocredit

Count	Country	Startup	Investment amount (in millions of US$)	Fintech Segment	Date	Investors
50	Brazil	Pier	14.5	Insurance	Oct-20	monashees
51	Brazil	Celcoin	4	Payments and Remittances	Oct-20	Vox Capital, BoostLAB
52	Mexico	Klar	15	Digital Banks	Oct-20	IFC, Prosus Ventures, Quona Capital, Mouro Capital
53	Chile	Xepelin	2.5	Lending	Oct-20	Manutara Ventures, Ideas Impact, FJ Labs
54	Mexico	Konfío	60 (debt)	Lending	Sep-20	IDB Invest
55	Brazil	Quasar Flash	4.4	Lending	Sep-20	Valor Capital
56	Brazil	Zoop	10	Business Technology Solutions for Financial Institutions	Sep-20	Movile
57	Brazil	Quanto	15	Business Technology Solutions for Financial Institutions	Sep-20	Bradesco, Itau Unibanco
58	Uruguay	dLocal	200	Payments and Remittances	Sep-20	General Atlantic
59	Brazil	iugu	21	Payments and Remittances	Sep-20	Goldman Sachs Merchant Banking
60	Mexico	Oyster	14	Digital Banks	Sep-20	monashees, SV Latam Capital
61	Brazil	agibank	70	Digital Banks	Sep-20	Vinci Partners
62	Mexico	Fondeadora	14	Digital Banks	Aug-20	Gradient Ventures, Fintech Collective, Sound Ventures

Count	Country	Startup	Investment amount (in millions of US$)	Fintech Segment	Date	Investors
63	Mexico	ARCA	1.2	Insurance	Jul-20	Magma Partners, LEAP Global Partners
64	Brazil	Magnetis	11	Personal Financial Management	Jul-20	Redpoint eVentures, Vostok Emerging Finance
65	Mexico	ePesos	21 (debt)	Lending	Jun-20	Accial Capital
66	Brazil	Remessa Online	20	Payments and Remittances	Jun-20	Kaszek Ventures, Kevin Efrusy
67	Brazil	a55	5	Lending	Jun-20	Santander Innoventures
68	Brazil	Accountfy	6.5	Enterprise Financial Management	May-20	Redpoint eVentures, HDI Seguros Invest
69	Colombia	ADDI	15	Lending	May-20	Quona Capital, Foundation Capital, S7 Ventures
70	Ecuador	Kushki	N/A	Payments and Remittances	Mar-20	DILA Capital, Kaszek Ventures, Magma Partners, Clocktower Ventures, Conexo
71	Mexico	Credijusto	100 (debt)	Lending	Mar-20	Credit Suisse
72	Chile	Global66	3.25	Payments and Remittances	Feb-20	Venrex Investment Management
73	Mexico	Stori	10	Digital Banks	Feb-20	Bertelsmann Investments, Source Code Capital
74	Mexico	Alphacredit	125	Lending	Jan-20	SoftBank
75	Mexico	Resuelve tu Deuda	5 equity, 19 debt	Lending	Jan-20	Alloy Merchant Finance, DILA Capital

Annex 2: Collaborating Fintech Platforms

Startup Name	Country of Origin
123Seguro	Argentina
2LINK	Mexico
2Transfair	Colombia
4KST Tecnologia	Brazil
77Seg	Brazil
ábaco	Another country in Europe
Abaqus	Chile
ABL Capital	Colombia
Acendes	Mexico
ACOMO	Peru
Adelantos	Panama
Adelantos.com	Argentina
Affinity International	Dominican Republic
Aflore	Colombia
Afluenta	Argentina
AgenteBTC	Peru
AGENTE CASH	Peru
AgenteMotor	Colombia
Agrapp	Colombia
AgroInvesting	Peru
AGROUNE	Colombia
AhorraSeguros	Mexico
AirOrHouse	Peru
Airtm	Mexico
ALAPAR	Guatemala
albo	Mexico
Alcuadrado S.A.	Colombia
Alegra	Colombia

Startup Name	Country of Origin
Alfi	Peru
AlmaFintech	Argentina
AlphaCredit	Mexico
Altec	Honduras
Altera	Chile
Alterbank	Brazil
AlzirPay (APAY)	Honduras
AMIGO PAQ	Guatemala
AMIPASS	Chile
Anfexi Technologies	Mexico
Antecipa Fácil	Brazil
Appa	Argentina
App-Credit de Grupo Nueva Economía	Bolivia
ARCA	Mexico
arces	Mexico
Arkangeles.co	Mexico
ArmaTuVaca	Colombia
Artificial Nerds	Mexico
ASAAS	Brazil
ASOPAYMENTS	Colombia
Aspiria	Mexico
ASSESSOR	Peru
Atar	Brazil
Atos Capital	Brazil
Atrato	Mexico
Auto Chilango	Mexico
Autómata	Honduras
Avanquia	Mexico

Startup Name	Country of Origin
AVANSI	Another country in Europe
Avisor Technologies (Ecollect)	Dominican Republic
Avista	Colombia
Axend Marketplace	Mexico
AXS Fund	Costa Rica
AxxiS Soluciones	Mexico
Ayudate	Mexico
B89	Peru
Banco Estudiantil Fintech BE	Ecuador
Bancoin	Brazil
Bancrex	Costa Rica
Bancupo	Colombia
Bankingly	Uruguay
Banza	Argentina
Baubap	Mexico
Bayonet	Mexico
Bedrop Colombia Sas	Colombia
BeeTech	Brazil
Bemus	Colombia
Betriax	Colombia
Bien para Bien	Mexico
BiiN	Mexico
Billex	Peru
Billpocket	Mexico
Billy	Colombia
BIOMETRIKA	Ecuador
Bisnesito	El Salvador
Bitcointoyou	Brazil
Bitmec	Guatemala

Startup Name	Country of Origin
Bitso	Mexico
BizCapital	Brazil
BKR Digital	Argentina
Blanki	Brazil
Bling	Brazil
Blumon Pay	Mexico
Bom Pra Crédito	Brazil
Bowpi	Guatemala
Brain Agriculture	Brazil
briq.mx	Mexico
Broadfactor	Brazil
Bruno	Mexico
Btrader	Argentina
Buda.com	Chile
Bullla Sociedade de Empréstimo entre Pessoas S.A.	Brazil
BUSQO.COM	Colombia
Buydepa	Chile
BWISE	Ecuador
Cacao Paycard	Mexico
Cajero	Colombia
Cambia FX	Peru
Cambiame	Uruguay
CAMBISTA ONLINE	Peru
Cannvest	Colombia
Capital Emprendedor	Brazil
Capital Funding Lab	Mexico
CapitalTech powered by MFM	Mexico
Capitaria	Chile

Startup Name	Country of Origin
CapTable	Brazil
Cash.in	Brazil
CashDepot International SRL	Dominican Republic
Catarse	Brazil
Celero	Brazil
Ceptinel	Chile
CFOremoto	Chile
Chipax	Chile
CHITA	Chile
CINCEL	Mexico
Círculo de Crédito	Mexico
Clay	Chile
Clicksign	Brazil
Clip	Mexico
Clipp - Kradac	Ecuador
CloQ	Brazil
CloudBiz	Honduras
Clyc.me	Chile
Cobrotech SpA	Chile
Cobru	Colombia
COFINANCER	Colombia
CoinBene do Brasil	Brazil
Coinext	Brazil
Colppy	Argentina
Comparaencasa	Argentina
ComparaYa	Mexico
Comunidad 4uno	Mexico
ComunidadFeliz.com	Chile
Conductor Tecnologia	Brazil

Startup Name	Country of Origin
Conekta	Mexico
Cont365	Brazil
Contaayuda	Mexico
Conta em Dia	Brazil
ContappMX	Mexico
contarte.mx	Mexico
Contento	Guatemala
CONTIFICO	Ecuador
Contrato Marco	Colombia
Copel Retail Solutions	Dominican Republic
Correnet, SRL	Dominican Republic
CRAUDEALA	Argentina
CrediFace	Peru
Credifit	Brazil
Credihome	Brazil
Credimejora	Mexico
CrediOrbe	Colombia
Crediplaza	Peru
CrediTú	Chile
CREDJET	Brazil
Credyty	Colombia
Creze	Mexico
criptopi	Colombia
CriptoPOS	Chile
Crol	Mexico
CROWDIUM	Argentina
Cryptobuyer	Panama
Currency Bird	Chile
Custodian	Mexico

Startup Name	Country of Origin
Dank	Chile
dapp	Mexico
Dapps Blockchain Services	Peru
Daruma Pagos	Argentina
DataFierce	Mexico
DATAR	Mexico
DATIL	Ecuador
Dattos	Brazil
DB Menos	Mexico
DeepLink SAS	Colombia
delt.ai	Mexico
Delta Protect	Mexico
Destacame	Chile
DevBlocks	Mexico
Digital Credit	Mexico
DinDin	Brazil
Dinero Full	Argentina
Diseña tu Salud	Peru
Distrito Pyme	Mexico
DIVERZA	Mexico
Doble Impacto SpA	Chile
DO IT	Argentina
DolarSeguro	Peru
Donar Online	Argentina
Druber	Argentina
DRUO	Colombia
Duemint	Chile
e4Cash	Venezuela
Eco Banco del Estudiante Bartselana	Peru

Startup Name	Country of Origin
eCraft	Argentina
edentiav	Colombia
EdiPro	Chile
Efact S.A.C.	Peru
El Buen Socio	Mexico
ElegirSeguro.com	Argentina
Elemento Alpha	Colombia
Emprendi	Guatemala
Emprestame	Peru
Emprestimofacil.com + uConecte	Brazil
EmTech	Mexico
Endcom (Conecta Soluciones Tecnológicas)	Mexico
Enso	Mexico
ePesos	Mexico
ephamoney	Honduras
EqSeed	Brazil
ERPyme	Chile
Estación de Pago EP	Guatemala
EVVA Finanzas	Another country in Europe
EWALLY	Brazil
Expediente Azul	Mexico
Exponencial Confirming	Colombia
Eye Capital	Argentina
EzBeanz	Mexico
Facenote	Argentina
Factcil	Colombia
FACTORING LAB	Peru

Startup Name	Country of Origin
Factoro	Mexico
Factura Fácil	Peru
Facturama	Mexico
facturame	Mexico
Facturante	Argentina
Facturapi	Mexico
Facturatio	Argentina
Facturedo	Mexico
FEELSURE	Mexico
Feenicia	Mexico
FIDO	Mexico
FIMED	Dominican Republic
Fina Antecipações de Recebíveis	Brazil
Finaktiva	Colombia
Financial Group	Mexico
FINANCIAL HUB - Smart Money	Brazil
Financial Systems Company	Colombia
Fináncialo Mejor	Colombia
FINGAME	Mexico
FINLOOP	Mexico
Finnova Fintech S.A.S.	Colombia
Finsmart	Peru
Finsocial S.A.S.	Colombia
FintechLab	Peru
FINV.mx Group	Mexico
Firgun	Brazil
Flexio	Mexico
flotify	Mexico

Startup Name	Country of Origin
Flow Finance	Brazil
FLOW S.A.	Chile
Focus	Chile
Fondeadora	Mexico
Formiik	Mexico
ForTech	Dominican Republic
Fortesza	Panama
FrankRolando	Peru
Freesbit	Mexico
FriendlyTransfer	Ecuador
Frii	Guatemala
Front	Argentina
FullFace Biometric Solutions	Brazil
Fundary	Mexico
GCS	Dominican Republic
GCS Guatemala	Guatemala
GenioSeguro	Mexico
GeoPagos	Argentina
Geru	Brazil
Gestionix (Eleva)	Mexico
Gestranbank	Chile
Global66.com	Chile
GlobalPay Solutions	El Salvador
go4iit	Brazil
GOCREDIT	Mexico
GOIKO SA	Paraguay
goLiza	Brazil
Grafeno Digital	Brazil
Güeno	Argentina

Startup Name	Country of Origin
Gulungo	Colombia
Hackmetrix	Chile
Hamoc	Mexico
HashInvest Capital Gestora de Recursos Ltda	Brazil
Hey	Mexico
Hipotecario Fácil	Chile
Hubex	Costa Rica
Hugpay	Brazil
Human Leap	Colombia
Hybank	Brazil
iBAN ONLINE	Dominican Republic
ibylit	Costa Rica
IDEssentials	Brazil
ID Payer	Ecuador
IF Asistente Virtual de Negocios	Mexico
iKiwi	Argentina
Imix	Colombia
Impar capital	Brazil
Impesa	Costa Rica
Inbestgo	Guatemala
IncluirTec	Colombia
Increase	Argentina
Inder Space	Mexico
Infinity Life Tech	Chile
InfoDolar.com	Argentina
INFOMETRIX	Colombia
Inixar	Mexico
Innova Factoring	Peru
Innova Funding Sac	Peru

Startup Name	Country of Origin
Innovative	Costa Rica
Inntegra	Colombia
InQube LATAM	Peru
Instaaccount	Dominican Republic
Intelligent Trading Machines	Colombia
Intiza	Argentina
Inverkids	Mexico
Inverspot	Mexico
Invest Latam	Argentina
investopi	Colombia
Invoitrade	Argentina
Invoop	Brazil
invuelto	Argentina
Iperum	Brazil
Iproveedor	Colombia
Isf Crédito	Brazil
ISOTRX	Mexico
ISUR	Argentina
ITERATIVO	Dominican Republic
Juancho te Presta	Colombia
KAIAM	Argentina
KALMY	Mexico
Kambista	Peru
KAYUM	Mexico
KeyEx	Peru
khipu	Chile
Kiban	Mexico
Kikoya	Mexico
Kinvo	Brazil
Kitto	Mexico

Startup Name	Country of Origin
KiWi	Mexico
Koibanx	Argentina
koin!	Mexico
Kolecty	Mexico
kompensity	Colombia
Konduto	Brazil
Konfío	Mexico
Konfront	Mexico
Konkero	Brazil
KONTIGO	Peru
Konvierte	Mexico
Kredito	Chile
Kuanto S.A.S.	Colombia
Kublau	Mexico
kubo.financiero	Mexico
Kueski	Mexico
KUPI	Colombia
Kushki	Ecuador
Kz labs	Colombia
Lana	Another country in Europe
Lanissimo	Mexico
Latin Fintech	Peru
Laudex	Mexico
Leasing Club	Argentina
Lefort	Mexico
Lemex	Argentina
Lendera Crowdfunding	Mexico
Lending Platform	Argentina
LENMI	Mexico

Startup Name	Country of Origin
Leoa	Brazil
leverbox	Argentina
LiberTec	Colombia
Libre	Peru
Lidh	Mexico
Limen Risk Solutions	Colombia
Linker	Brazil
Linq	Mexico
LISA Insurtech	Chile
Livees Checkout	Bolivia
LivPagamentos	Brazil
LUMIT Blockchain	Mexico
Lynx Trade Cia. Ltda	Ecuador
maat.ai	Mexico
Magnetis	Brazil
Mais Retorno	Brazil
MAKERS	Colombia
Mango Life	Mexico
Mapa Financiero	Peru
MAPPRISK	Dominican Republic
Mareigua	Colombia
Massdi	Peru
MatchMoney	Brazil
Maximo	Peru
Medicinae Solutions	Brazil
Medicredit	Colombia
Meep	Brazil
Mensajea	Ecuador
MercadoPago	Argentina
Mercados G	Chile
Mercofact	Dominican Republic

Startup Name	Country of Origin
MERLATA	Dominican Republic
Metros Cuadrados	Paraguay
Meu Câmbio	Brazil
MeXCo Soluciones	Mexico
MexPago	Mexico
miautohoy.com	Argentina
MiBolsillo	Peru
MiFinanzas	Uruguay
miituo	Mexico
Milkcash	Dominican Republic
Millas para el Retiro	Mexico
MinerBA	Ecuador
Minka	Colombia
minu	Mexico
Minuto Seguros	Brazil
Mobbex	Argentina
Mobilbox	Chile
Mobilender	Mexico
Moneypool	Mexico
Moneyshop	Dominican Republic
Moni	Argentina
Monific	Mexico
Monnos	Brazil
Moon Money Online	Argentina
MOVA Sociedade de Empréstimo entre Pessoas S.A.	Brazil
Movizzon	Colombia
moyoAI	Mexico
Mujeres WOW	Ecuador
Mujer Financiera	Argentina
Multiburó	Mexico

Startup Name	Country of Origin
Multicaja	Chile
Multiverse Coin	Brazil
Mutual.Life	Brazil
MyCashless	Mexico
Namutek Fintech	Costa Rica
Nébula Link	Mexico
Neon	Brazil
NetM	Colombia
netWorth	Mexico
Nobli	Brazil
Nominapp	Colombia
NoTeCuelgues.com	Colombia
NowPlayNoGames	Chile
Nubi	Argentina
Nubloq	Colombia
NullSec	Mexico
OCAPITAL	Mexico
ODIS	Honduras
Ohne Empréstimo Pessoal Online	Brazil
OMNIBNK	Colombia
ONHelp	Peru
Openpay	Mexico
Organizame	Chile
Out Red Soluções Financeiras	Brazil
Oyster Financial	Mexico
Pagadespues	Peru
Pagalo	Guatemala
PágaloAsí	Chile
PAGATUDEUDA	Peru

Startup Name	Country of Origin
Pago Fácil SpA	Chile
Pagofon (COLTOMONEY)	Mexico
PAGOS360	Argentina
PALGO	Peru
Panacrédito	Dominican Republic
PandaPay	Brazil
Paretix Brazil	Brazil
ParKredita	Mexico
Partner Bank	Brazil
Paybook	Mexico
Paykii	Mexico
paymóvil by Bwise	Ecuador
Paynexus	Guatemala
PaySur	Argentina
PAYVÁLIDA	Colombia
Payway (Expertia, S.A. de C.V.)	El Salvador
Pefai	Mexico
PEIKY	Colombia
PHITECH S.A.	Ecuador
Pier	Brazil
Pimes	Colombia
PixelPay	Honduras
Placetopay	Colombia
Platia.app	Peru
Play Business	Mexico
Plexo	Uruguay
Poincenot Technology Studio	Argentina
Point Payments	Dominican Republic
Portal de Pagos	Chile

Startup Name	Country of Origin
POS MOVIL	Guatemala
Powwi	Colombia
Prestaclub	Colombia
Presta Gente	Colombia
Prestapolis	Colombia
Pretmex	Mexico
Prezzta	Uruguay
Prisma Campaigns	Uruguay
Prometeo	Uruguay
ProntoCobro (Summit S.A.)	Argentina
Pulpo Credit	El Salvador
Pulpo Life	El Salvador
PuntoComRent	Peru
PuntoDoc	Ecuador
PUNTO PAGO PANAMA S.A.	Panama
Puntopay	Colombia
Puntored	Colombia
Qualus	Peru
QuantumX	Chile
QuePlan	Chile
Quiena Inversiones	Argentina
Qüilo	Guatemala
QUINCELANA	Mexico
Rapicredit - Compañía de Créditos Rápidos SAS	Colombia
Rapidoo	Brazil
Rastreator.mx	Another country in Europe
Rebel	Brazil

Startup Name	Country of Origin
ReCB Cobrança Inteligente	Brazil
ReconoSer ID	Colombia
RedCapital	Chile
RedGirasol	Mexico
REDTRIUNFA	Mexico
REGUM	Uruguay
Rentax.co	Colombia
Reset	Dominican Republic
Resuelve tu Deuda	Mexico
Retorna	Chile
Rextie	Peru
Ripio	Argentina
Risk Monitor	Colombia
RISKO	Peru
Rocket.la	Mexico
Rocketpin	Chile
ROCKTECH	Mexico
Rupee	Brazil
S4	Argentina
Saffe	Brazil
Salud Fácil	Mexico
SanaTuDeuda	Peru
SAT.ws	Mexico
SCORCE	Mexico
Securex	Peru
SeguroCanguro.com	Colombia
Seguros123.com	Ecuador
Seguros Fácil	Honduras
SEIF	Mexico
Sempli	Colombia

Startup Name	Country of Origin
SeSocio	Argentina
Shareppy Internacional SAS	Colombia
SharpShark	Chile
SIAC	Mexico
Siembro	Argentina
Siempre Pago	Uruguay
Signatura	Argentina
Simetrik	Colombia
Simply	Brazil
SINCONTA	Mexico
Singular Banking	Chile
Size	Brazil
smartBrain	Brazil
SmartMEI	Brazil
SmarttBot	Brazil
SMU Investments (former StartMeUp Crowdfunding)	Brazil
Socialnet	Argentina
Sofía	Mexico
Solven	Peru
Somapay	Brazil
Somos Moto	Peru
Spin Pay	Brazil
STORI	Mexico
Sube Latinoamérica	Honduras
SUMA México	Mexico
Súper	Mexico
SuperTasas.com	Mexico
Swap	Mexico

Startup Name	Country of Origin
Swiset	Colombia
Symbiotic	Costa Rica
T&E Express	Argentina
Tag Money	Brazil
Tanken	Mexico
TÁ PAGO	Brazil
Tappoyo Fintech	Peru
TASATOP	Peru
Tauros	Mexico
TCL Soluções	Brazil
Te damos lana	Mexico
Te Enviei	Brazil
Tekbees	Colombia
Tiaxa	Chile
TiendAPP	Colombia
Tiend Red	México
TINK - Referral as a Service	Chile
TOC BIOMETRICS	Chile
TODOMOVIL, S.A. DE C.V.	Honduras
Tpaga	Colombia
trii	Colombia
Troco Simples	Brazil
TuCrecimiento.com	Panama
TuCuota	Argentina
TuCuota.online	Argentina
Tudecide.com	Mexico
Tu Identidad	Mexico
Tukuy Club	Peru
Tulkit Pay	Mexico

Startup Name	Country of Origin
Tu-Préstamo	Peru
TuTu Digital	Brazil
UALET	Colombia
Übank	Chile
UBCubo SA de CV	Mexico
Unbanked Pagamentos LTDA	Brazil
Uniclick	Mexico
Unit	Dominican Republic
Unobank	Brazil
UnPago	Mexico
Uppercap	Chile
Vaki	Colombia
Vana	Guatemala
VANTEK	Argentina
VentiPay	Chile
Vepay	Venezuela
Veridex	Brazil
Vexi	Mexico
ViaCarte Inc.	Panama
Vindi	Brazil
Virtual Capital of America	Colombia
Virtuspay	Brazil
Visor ADL	Mexico
Vlipco	Colombia
VMETRIX	Chile
Voixty	Mexico
VU SECURITY	Argentina
WAN	Uruguay
Waynimóvil	Argentina

Startup Name	Country of Origin
WeeCompany	Mexico
WeGo	Peru
Welten Fintech	Chile
WIBOND	Argentina
Wingoo Serviços S.A.	Brazil
Wondersoft	Argentina
XCHANGE.LA	Ecuador
xHash (Boolean)	Mexico
Yacaré.com	Argentina
YaPago	Argentina
Youles	Mexico
YUBB	Brazil
Yu-Track Enterprise	Chile
ZAP! Consignado	Brazil
Zcanit	Mexico
Zendala	Mexico
zenziya	Costa Rica
Zest Capital	Peru
Zigo Capital	Mexico
Zinobe	Colombia
ZonaBancos.com	Argentina
zoOmpay	Brazil
Zro bank	Brazil

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