

NEW PERSPECTIVES IN THE COLOMBIAN FINANCIAL REGULATION

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Colombian Government set a public policy framework to achieve greater financial system development. By 2025, the goal is to have 80% of the adult population using a financial product and 50% of them with access to digital payments.



Roadmap with 70 actions that aim to achieve a more dynamic, competitive, resilient and inclusive financial system.



Promote efficient transformation of savings towards investment. Recognize new technologies and business models



Broaden financial inclusion, especially usage of financial services, as a means to contribute to overcome informality and foster economic well being.



Achieve universal, efficient and safe access to payment system



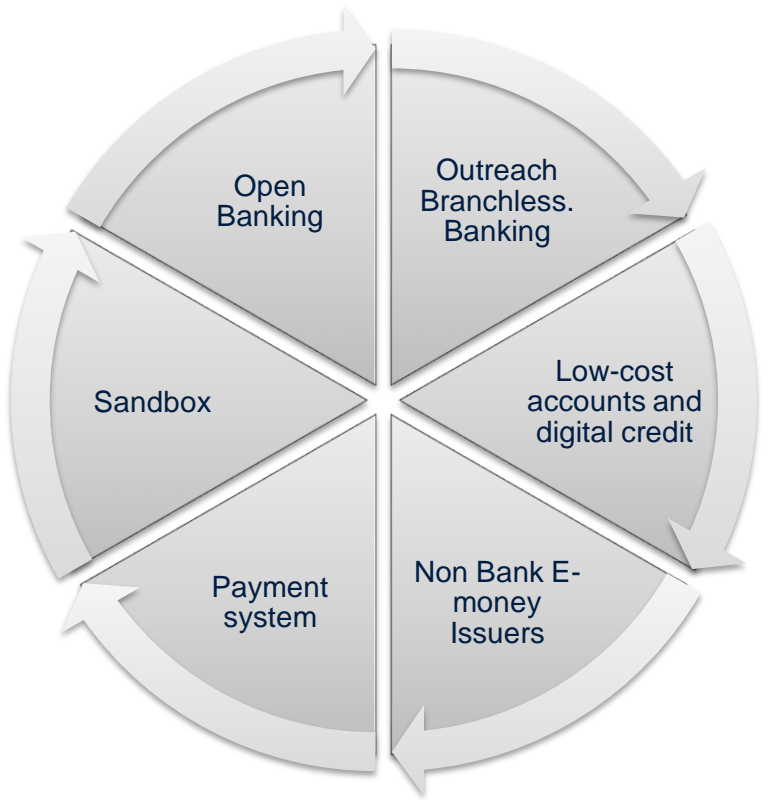
Consolidate financial security and stability. Keep up with the adoption of international standards



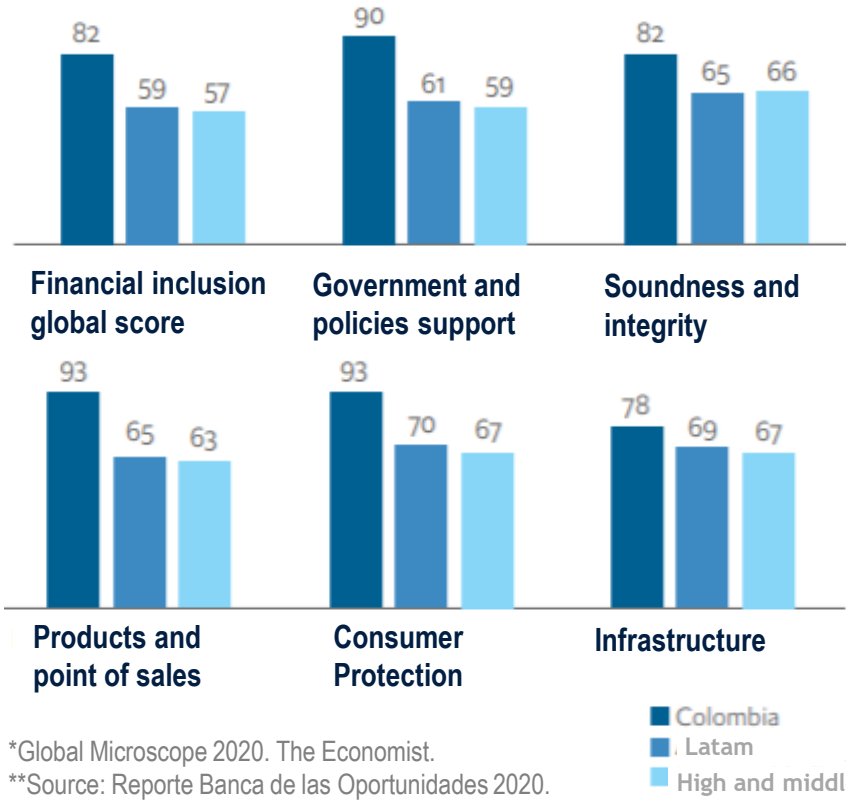
Strengthen institutional framework

To reach this target, we have build together with the industry an enabling environment for financial inclusion. The adequacy of this regulatory framework has been acknowledged internationally.

REGULATORY FRAMEWORK FOR INNOVATION AND DIGITAL FINANCIAL INCLUSION



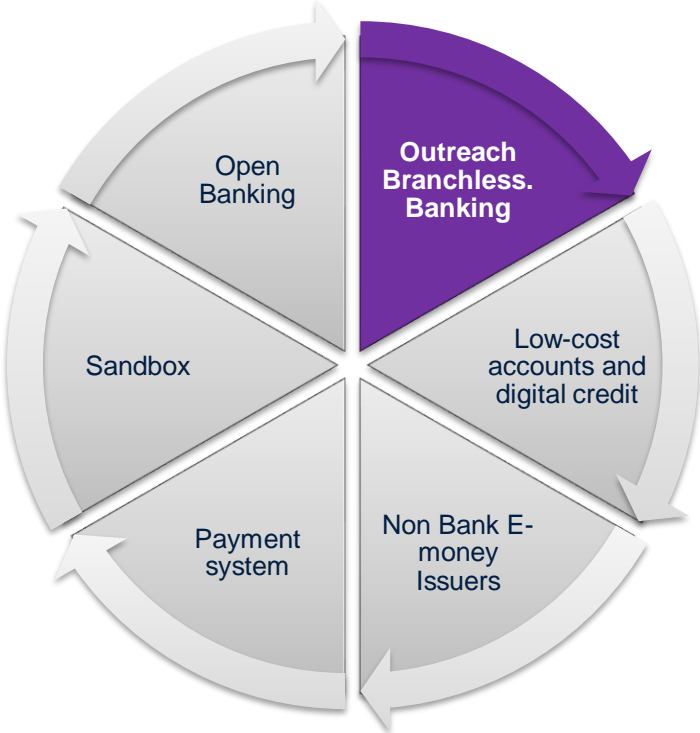
COLOMBIA ´S SCORE IN GLOBAL MICROSCOPE



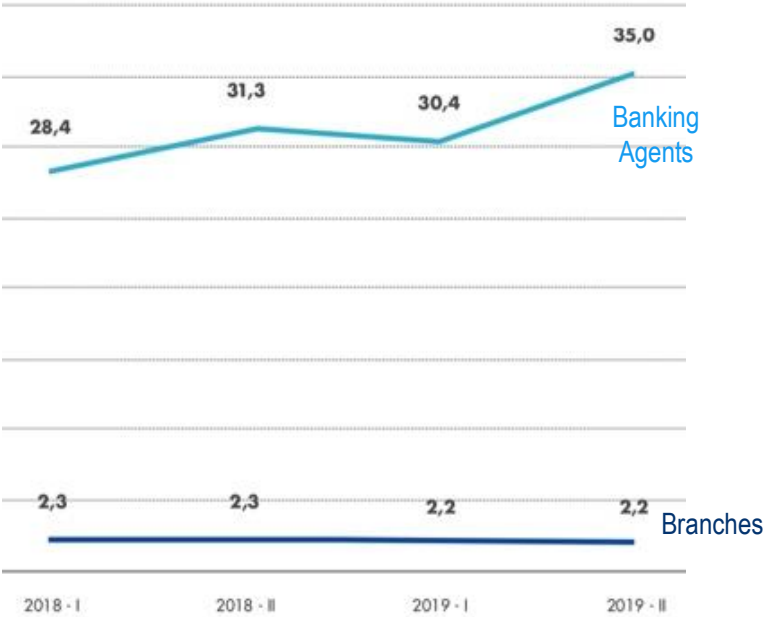
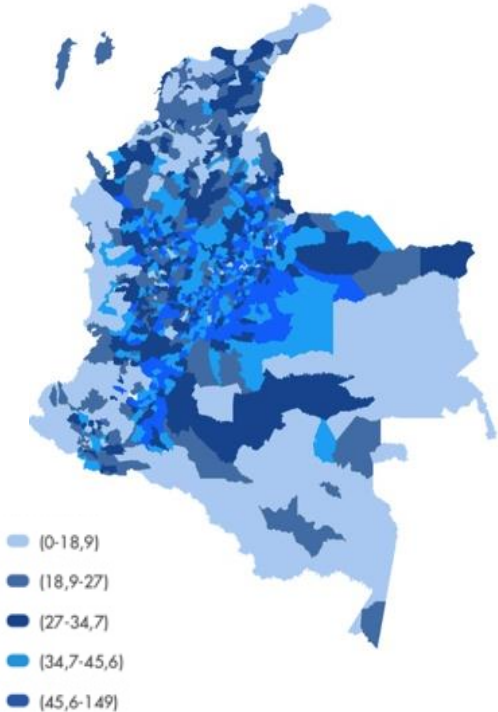
*Global Microscope 2020. The Economist.
 **Source: Reporte Banca de las Oportunidades 2020.



With industry commitment, we have reach every municipality with at least one point of access. We foster innovation to keep expanding outreach, in 2020 we authorized digital and mobile banking agents.

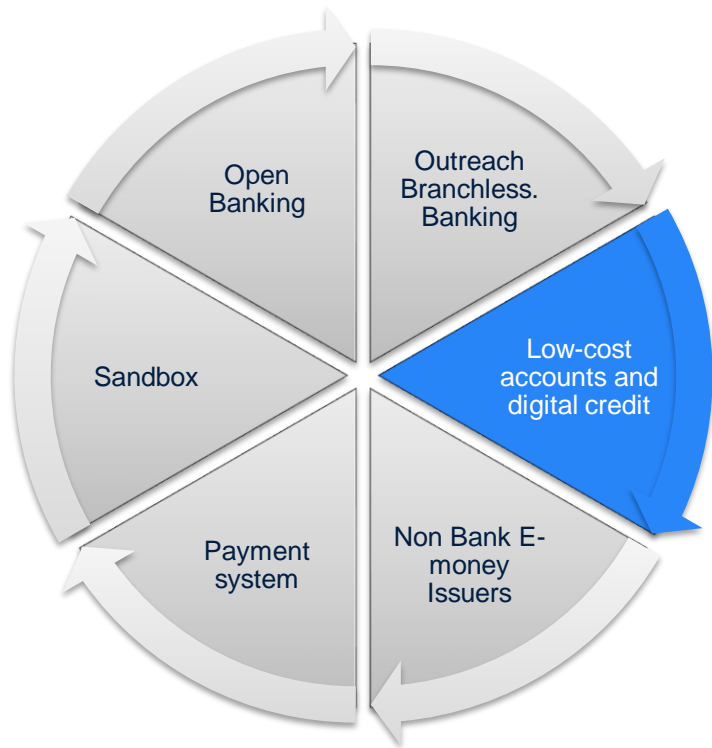


BRANCHES AND BANKING AGENTS PER 10.000 ADULTS

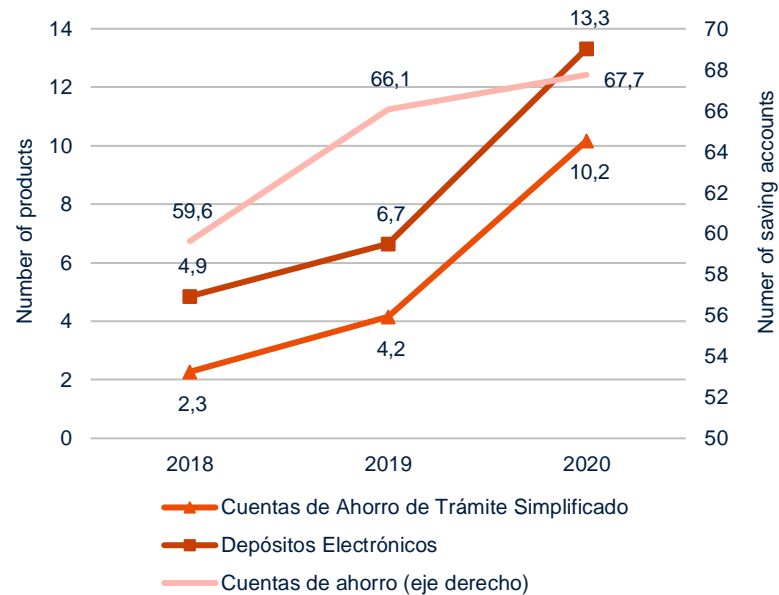


Source. Banca de las Oportunidades.

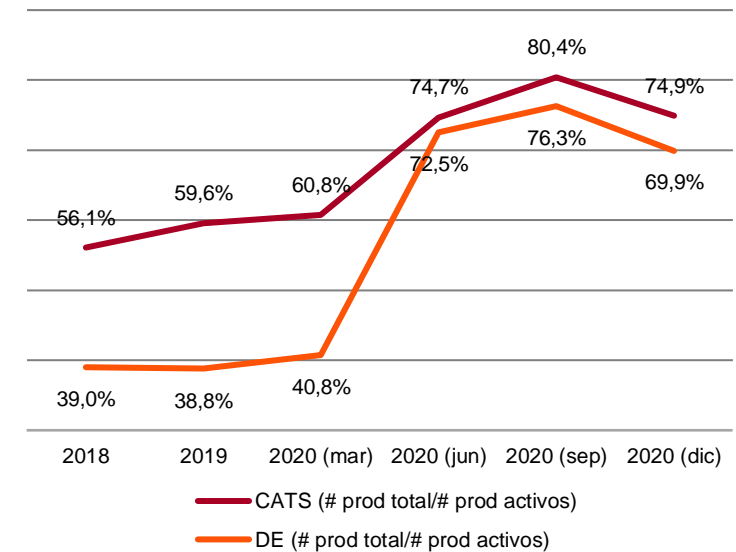
Over the last decade, deposit products have been regulated with simplified KYC process and low handling costs. Similar efforts have been to promote low-value credit.



NUMBER OF PRODUCTS (MILLIONS)



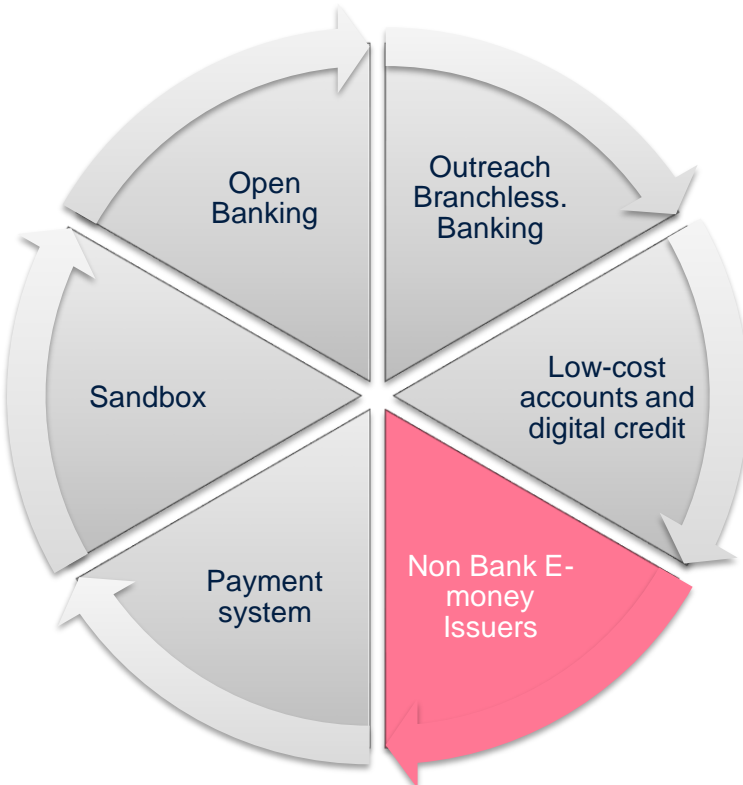
PERCENTAGE OF ACTIVE PRODUCTS



Regulatory amendment under Decree 222 of 2020:

- Extends balance for low-value deposits from USD800 to USD2.200.
- Extends digital credit from USD550 to USD1.600.

E-money issuers (SEDPEs) were designed in 2015 to promote transactional services, especially to those segments of the population where banking structure results burdensome. More players have arrived bringing competition and market development.

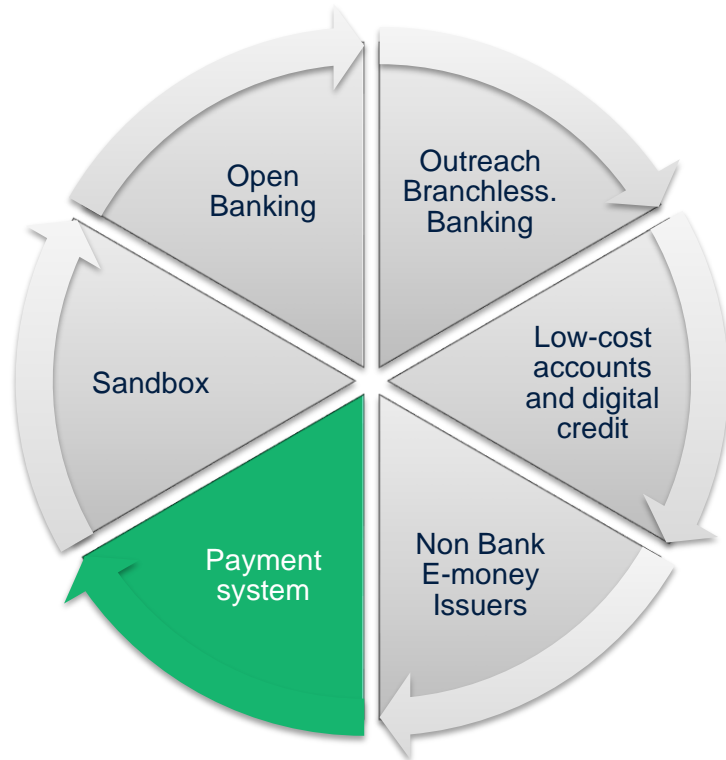


MAIN PLAYERS AT THE MOBILE WALLETS INDUSTRY

 Operation	Year	2011	2019	2016	2018	2018	2020
	Type	Bank	Bank	SEDPE	Payment Agent	SEDPE	SEDPE
	Origin	Davivienda	Bancolombia	Independent	Independent	Aval	Pagos GDE
 Volume	Users*	11 mill.	4 mill.	1,4 mill	200.000	29.000	27.000
	Mobilized money**	\$6,8 billones	n.d.	\$33.878 m	n.d.	\$19.345 m	\$13.361 m
 Products	Deposits	Low-value deposit, debit card	Low-value saving account	Low-value deposit, debit card	Low-value saving account	Low-value deposit	Low-value deposit
	Credit	Low value consumption, credit card	Low value consumption	Partner	Partner	-	-
	Channel	ATM, banking agent, QR	ATM, banking agent, QR	Banking agent	ATM, banking agent, QR	ATM, banking agent, QR	Banking agent

Source: SFC.
 (*) november 2020, (**) september 2020.

Despite improvements in financial inclusion most of the P2P and P2B transactions are made in cash. The main challenge is the low digital payment acceptance in shops and business.



12% of adults make online purchases (74% global avg.)¹.



70% of adults have debit card, 66% of use is chash-out³.



14% of shops accept cards, 88% of payments are in cash⁴.



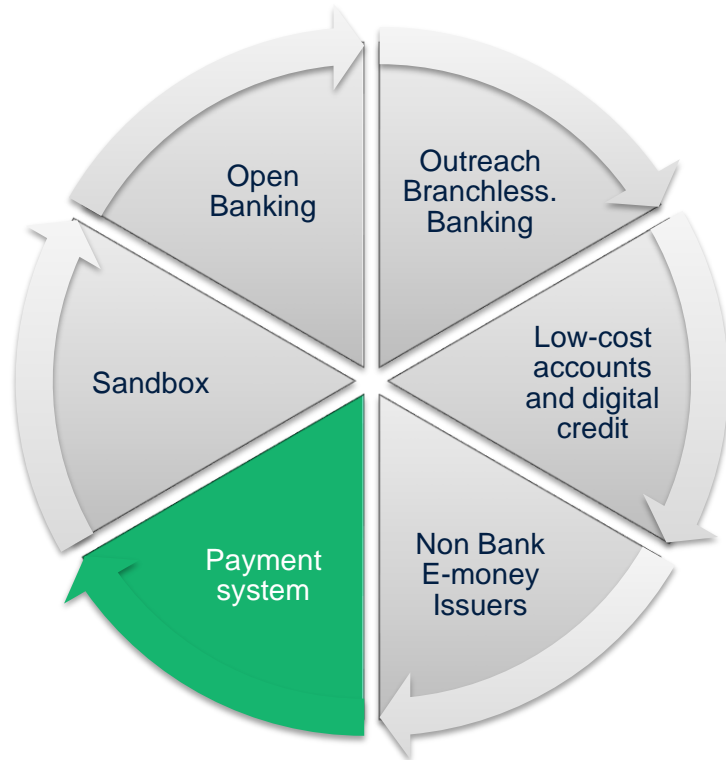
42% of G2P subsidy payments are made in cash⁴.

LOW VALUE PAYMENT SYSTEM DIAGNOSIS⁶

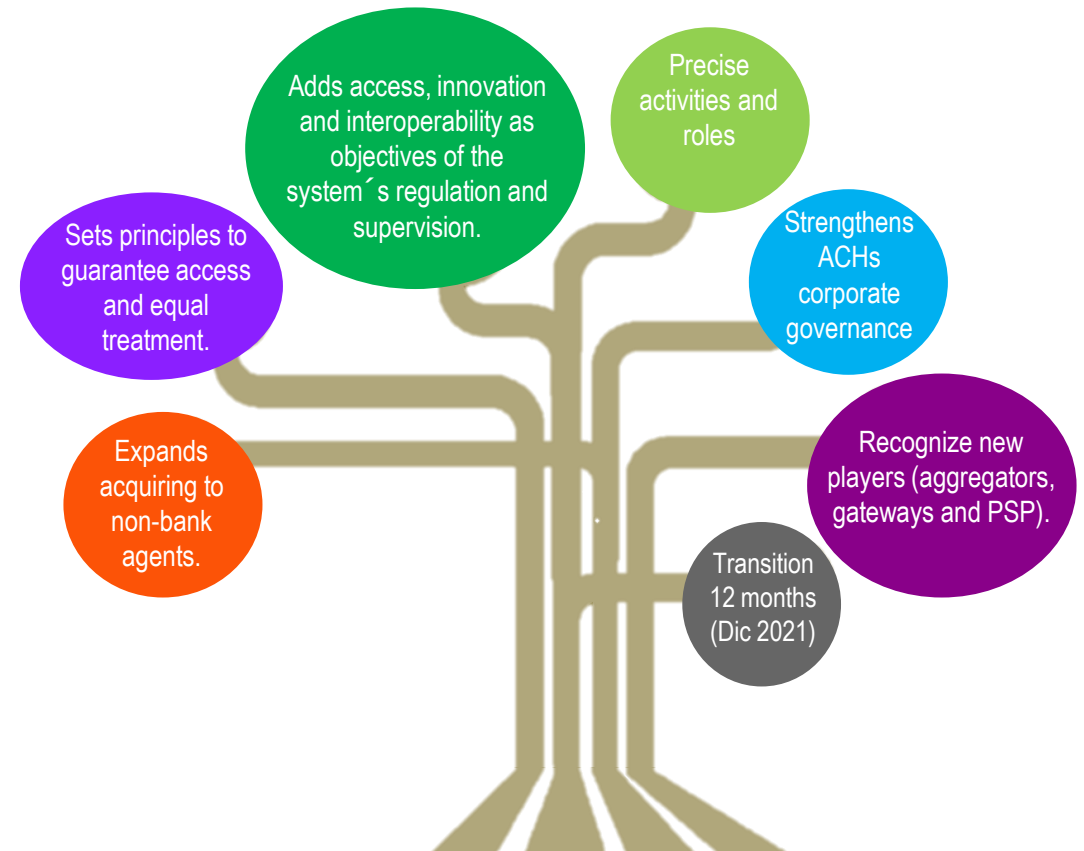
- Need to improve access, innovation and adoption of new technologies.
- Possibility to strengthen corporate governance standards to promote adequate development of the payments industry.
- Regulatory improvement to clarify activities and roles.

1/ Data Reportal (2020) Digital 2020: Colombia https://datareportal.com/_2/-4/ Banco de la República (2020) Reporte de Sistema de Pagos. 5/ URF (2018) Estudio sobre los sistemas de pago de bajo valor y su regulación. 6/ URF (2020) Actualización normativa de los sistemas de pago de bajo valor – Memoria del decreto 1692 de 2020.

Based on international standards, we undertook a regulatory reform to modernize the low value payment industry and lay the foundations of the digital infrastructure.

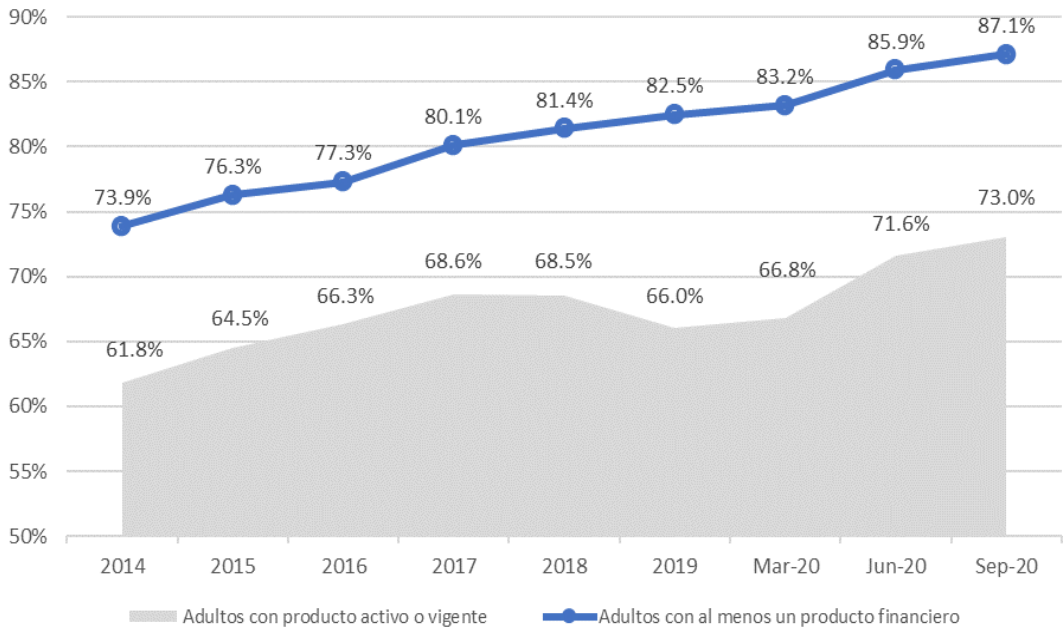


DECREE 1692 OF 2020: THE NEW PAYMENT SYSTEM IN COLOMBIA ⁷

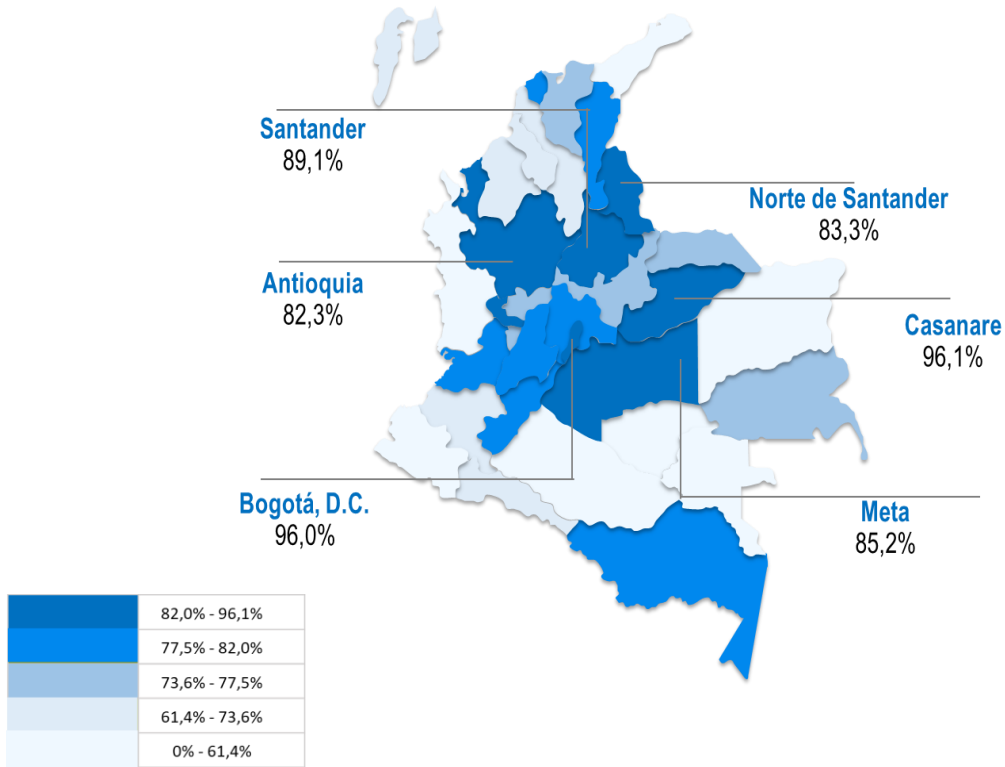


As a result of these public and private efforts there has been a dramatic improvement in financial inclusion. Still we have unequal effects in the regions and a gender gap that we are handling.

FINANCIAL INCLUSION INDEX

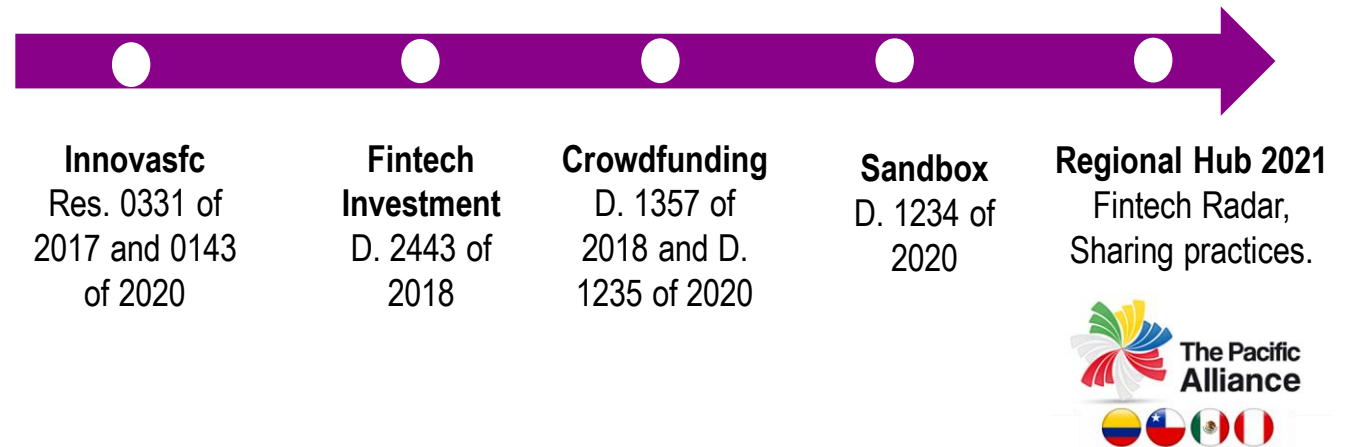
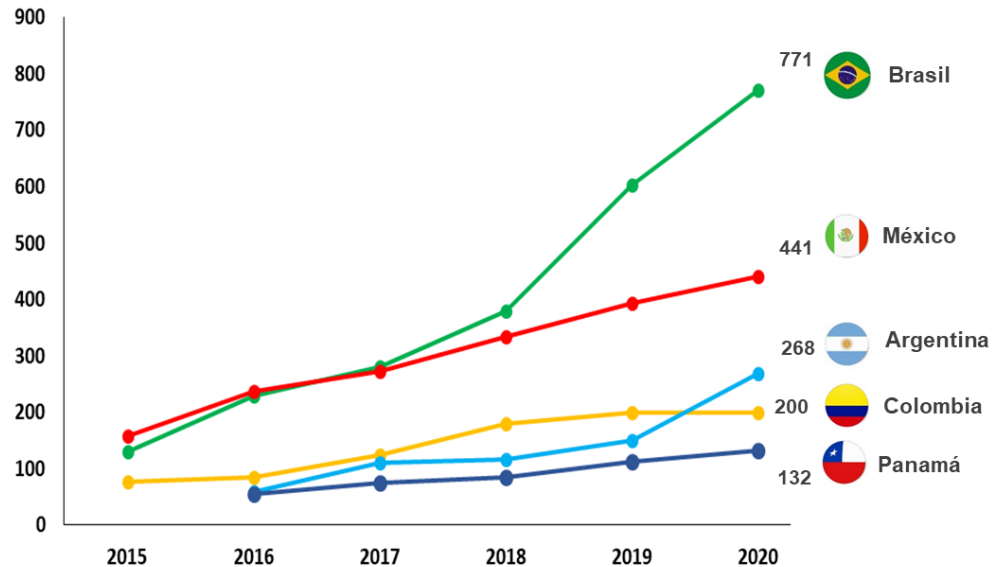


Source: Banca de las Oportunidades, SFC.



Fintech trend has been accentuated in the region, especially in payments and loans, with great potential for financial inclusion. Colombia has developed a policy to facilitate this development.

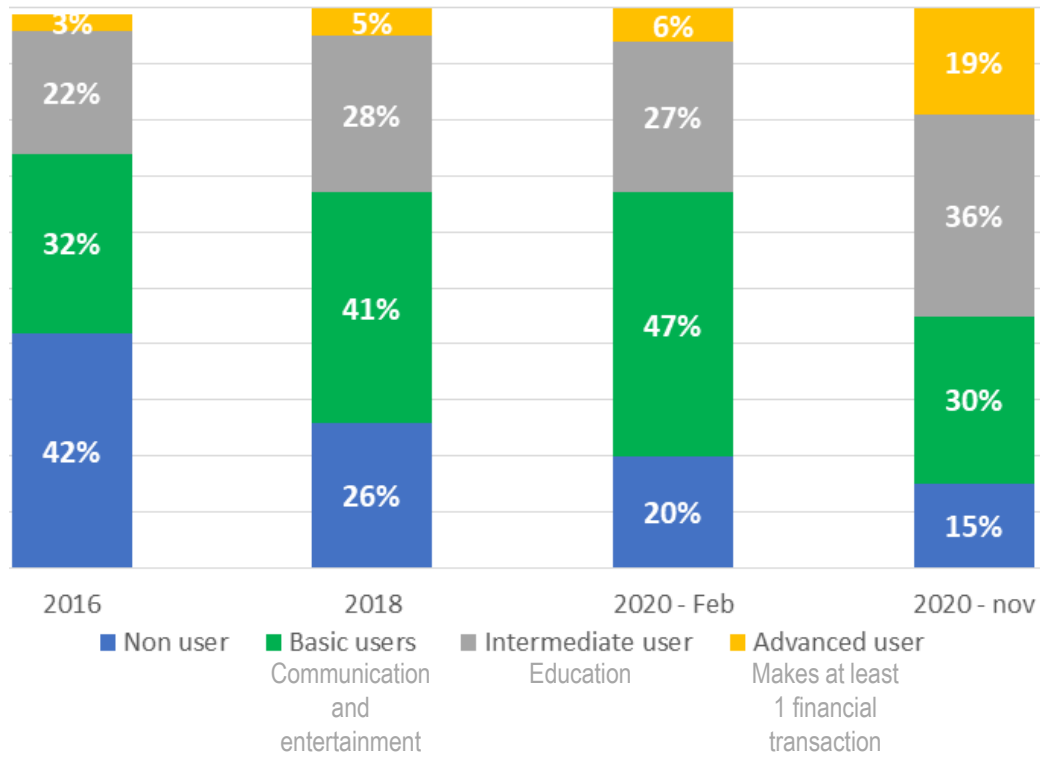
NUMBER OF LAC FINTECH START-UPS



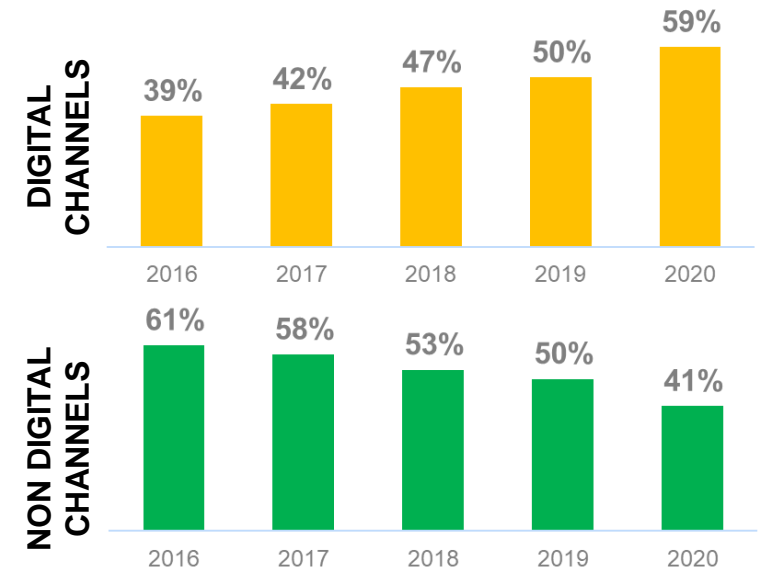
Source: SFC.

Covid 19: digital uptake and catalyst in consumer behavioral change. We now face the challenge of consolidating this trend and manage amplified gaps.

DIGITAL CITIZEN IN COLOMBIA



VALUE OF TRANSACTIONS



Source: SFC.

Source: Centro Nacional de Consultoria (2021)



Ingreso Solidario, developed in Colombia to distribute subsidies to people during the pandemic, leap-frog financial inclusion and lay a new foundation for G2P payments in the country.

- The *Ingreso Solidario Program* is delivering non-conditional transfers to 3 million vulnerable population not covered by other CCT programs.
- Initially conceptualized as emergency response, now extended until June 2021.
- Pre-existent building blocks for rapid deployment and close collaboration between Government and private sector. Prioritize digital financial inclusion whenever possible.
- Customer-centricity: Clustered and staged design to adapt to beneficiaries' different needs. (Eg: Banked vs unbanked, rural vs urban, feature phone vs smart phones)

Impact
964.000
households financially banked through Ingreso Solidario

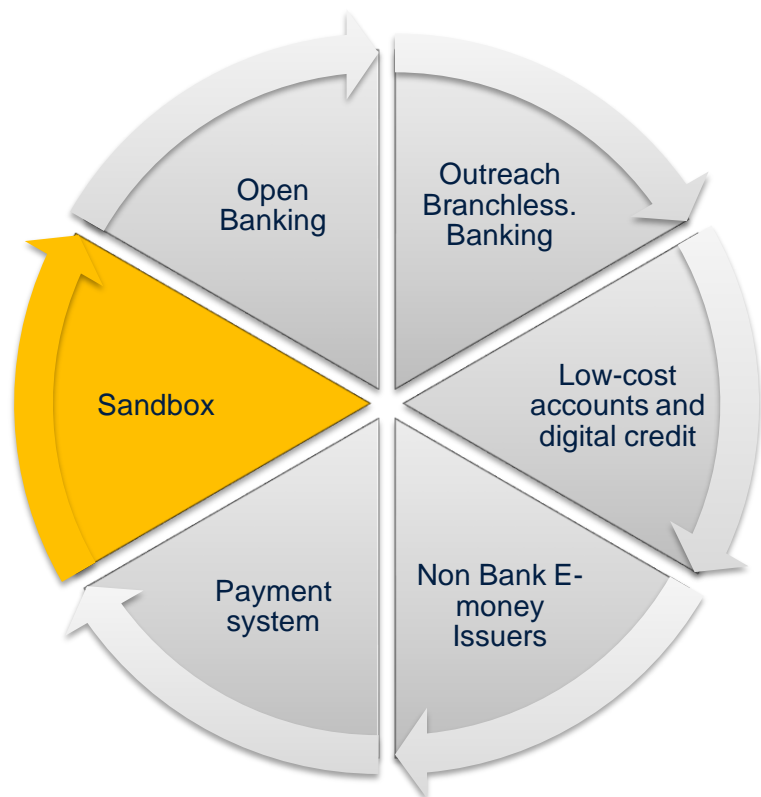
Empowerment
60%
households are women-headed and for the first time access financial system

Digital use
62%
households used the money on their wallet to make online purchases

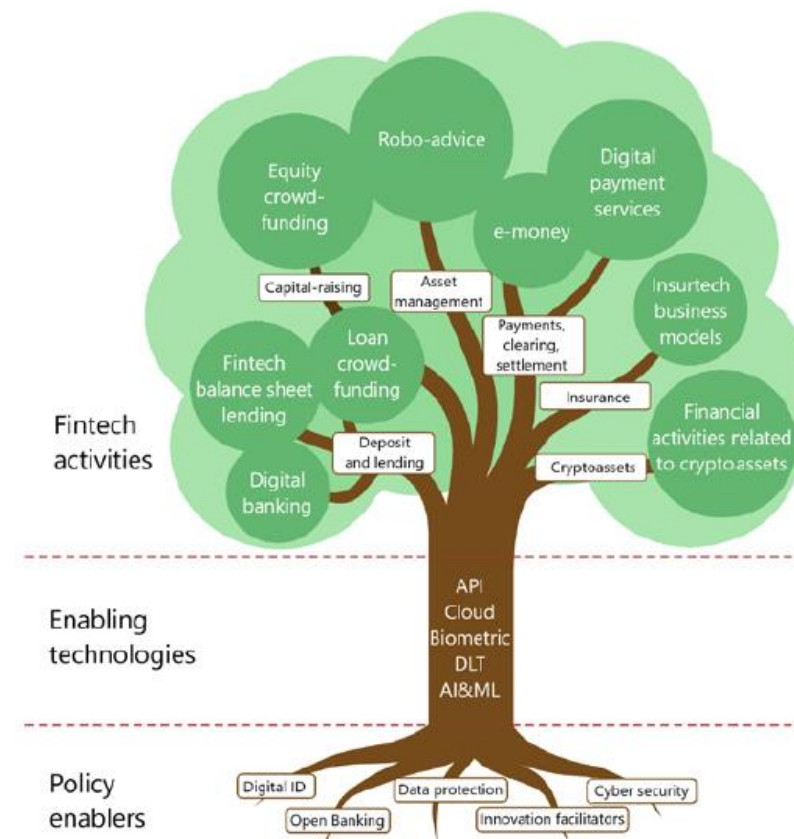
Trust
45%
of the users did an additional cash-in after payments



Decree 1234 of 2020 regulates Colombian financial sandbox. Important tool to foster innovation in the country.

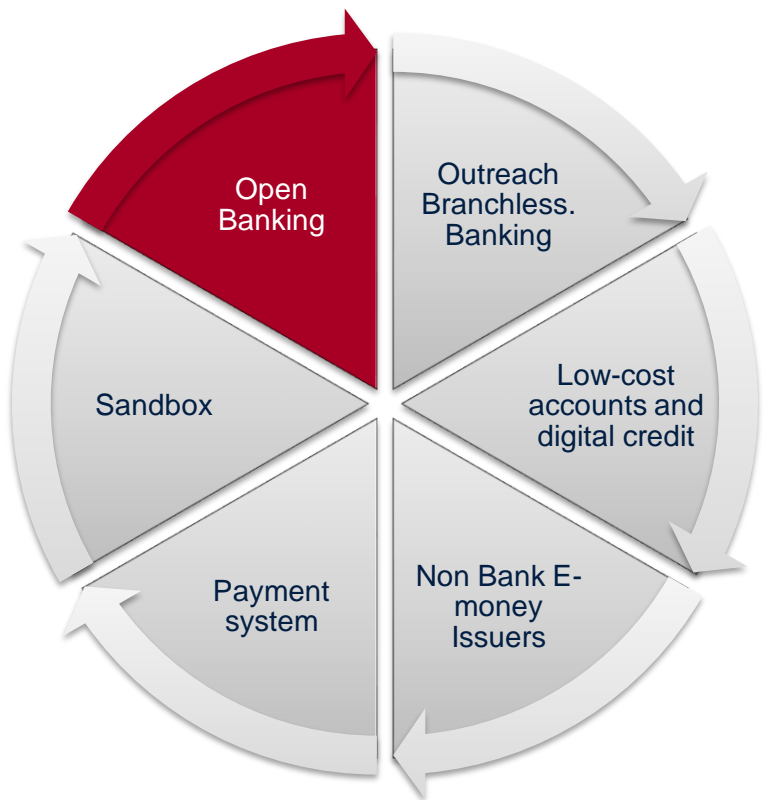


Fintech tree: a taxonomy of the fintech environment



FSB, 2020. Policy responses to fintech: a cross-country overviewV

Open banking can be a valuable tool to encourage competition and innovation and promote better channels and services in benefit of consumers. On December 2020 we published a white paper with a proposal to kick off the discussion with stakeholders.




- Objectives**
- Efficiency
 - Competition
 - Financial inclusion – Quality, use


- Regulatory Approach**
- Regulatory encouraged
 - Open Finance with possible evolution to Open Data

- Governance**
- Liabilities and risks.


• Scope of information - Phased Implementation



1. Product information
access channels and services
provided by third parties that
complement financial offer



2. Consumer information
(registration and transactions)



3. Payment initiation

Next steps
Workshops with stakeholders and implementation March- May 2021.