

REGULATORY CHALLENGES AND OPPORTUNITIES FOR THE BANKING SECTOR IN LAC

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IDB AND PUBLIC POLICY: OBJECTIVES

- WHY WE DO CARE SO MUCH ABOUT THE HEALTH OF THE FINANCIAL SERVICES INDUSTRY ?

Induce investors to fund projects of “public interest”.

Such as: SMEs, employment, productivity, gender, climate related, inclusion, infrastructures, connectivity, etc. (SDGs)

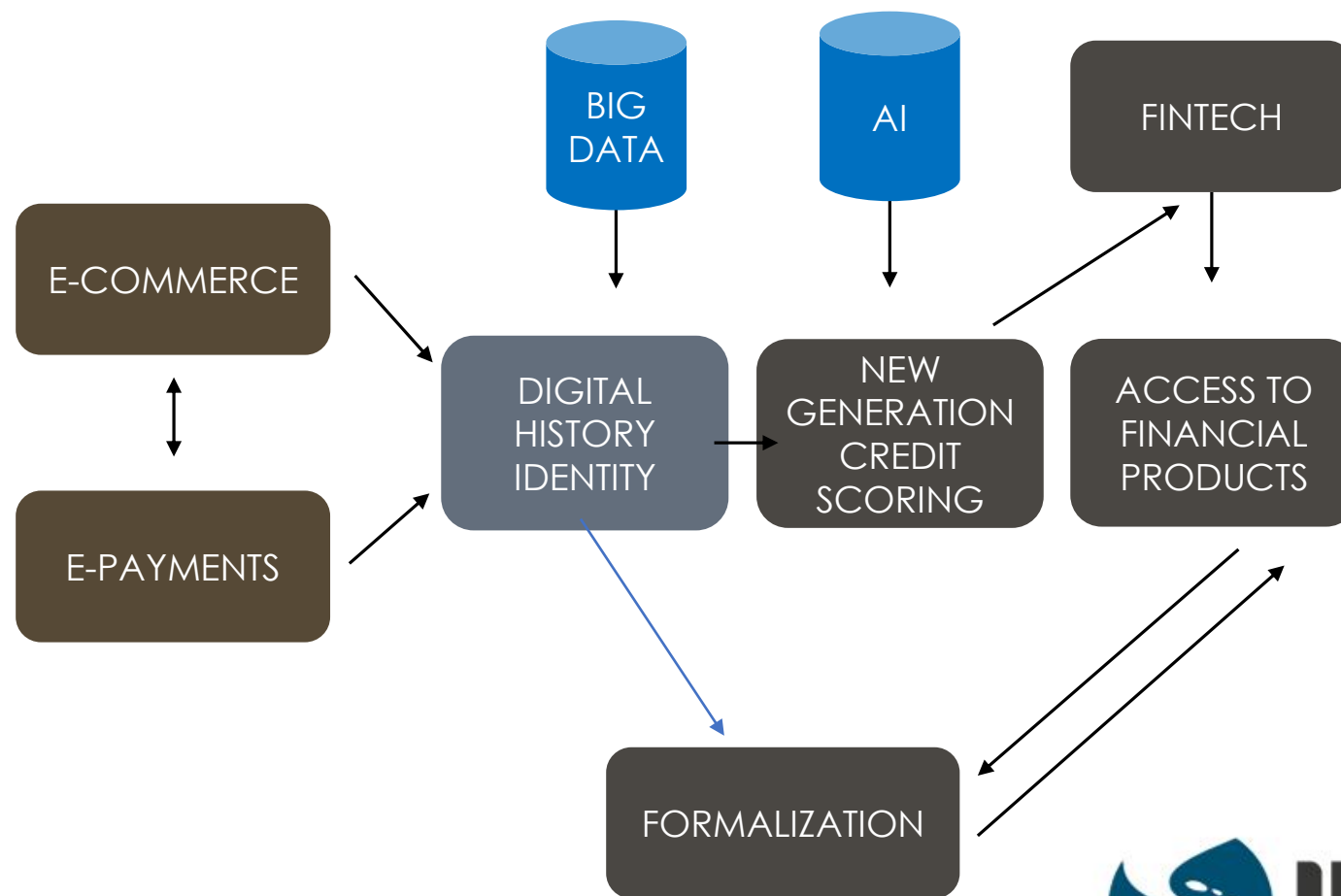
IDB AND PUBLIC POLICY: INSTRUMENTS

- Co-lending, pari-pasu, subordinate, ...
- Risk Management: Guarantees, first loss equity, structured PPPs, ...
- Technical Assistance
- Concessional Funds Blending
- Regulatory best practices
- Enabling environment

REGULATORY CHALLENGES I

FINTECH'S "PROMISE"

THE VIRTUOUS CIRCLE FOR
FINANCIAL INCLUSION AND
ACCESS TO FINANCE



DIGITAL FINANCIAL SERVICES

FINTECH IS STILL
A GROWING
INDUSTRY
IN THE REGION

PAYMENTS IS WHERE
THE ACTION IS
(UNBUNDLING AND
REBUNDLING)

THREE MAIN AREAS:

- INTERMEDIATION (ON AND OFF BALANCE)
- VENDORS AND SERVICE PROVISION
- PAYMENTS

DIGITAL FINANCIAL SERVICES

BUT
THE REGULATORY
ENVIRONMENT IS
BECOMING MORE
CHALLENGING

DUE TO THE
ENTRANCE OF
BIGTECH

ISSUES:

- DATA INTEGRITY AND PRIVACY
- BUSINESS MODELS
- MARKET POWER CONCERNS
- CYBERSECURITY/
OPERATIONAL
RISK/CLOUD RISK IS
BECOMING SYSTEMIC

DOMESTIC E-MONEY SPACE: NEW ENTRANTS



MercadoPago <https://www.mercadopago.com.ar/>
(Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay)



Cabify WALLET: Lana <https://lana.xyz/>
(Chile y Mexico)



Rappi WALLET: Rappi Pay <https://rappipay.com/> (Latam)



Zolvers FINANCIAL SERVICES: cuenta bancaria, tarjeta de débito, microcrédito <https://zolvers.com/beneficios-empleadas-domesticas-en-mexico> (Argentina, Mexico))



Uber. FINANCIAL SERVICES : UberMoney: credit and debit card offerings, digital wallets for riders, products used by drivers to get paid in a timely manner.



MAJOR CHALLENGES AT THE CROSS-BORDER LEVEL

- LIBRAs
- STABLE COINS
- FULL RESERVE BANKS
- CENTRAL BANKS

REGULATORY CHALLENGES II

CAPITAL MARKETS “SUSTAINABLE” DEVELOPMENT

NEW OPPORTUNITIES:

- GUARANTEES ARBITRAGE FOR SUSTAINABLE INFRASTRUCTURE PPP'S
- NEW INSTRUMENTS IN THE GREEN-CLIMATE-SDG SPACE: STRUCTURED, COVERED
- CATASTROPHE FINANCIAL MANAGEMENT: LOAN EMBEDDED OPTIONS

GREEN
TECH
BONDS

**DIGITAL
DEVELOPMENT
BANKING**

- Investors value transparency on the use of proceeds and the environmental impacts...
- ...and harmonized reporting
- Transparency of impacts and use of proceeds are key for quality market growth
- Opportunity for a technological advanced platform for issuers, external reviewers, investors and underwriters
- Open access to all labelled green bonds in LAC



Open Green
Bond
Transparency
Platform

DIGITAL DEVELOPMENT BANKING



Completeness: Covers all labeled new Green Bonds issued in the LAC region;



Transparency: Monitoring, reporting, and verification of:

- Use of Proceeds and their characteristics;
- Impacts;
- Methodologies utilized;



Traceability: Assess and pilot the use of DLT to allow for simplified and automated processes to facilitate secondary trading



Comparability: Market actors can utilize platform to assess and compare the quality of bonds.



Differentiation by validation levels pre- and post issuance. Aligned with issuer's GB Framework, CBI, ICMA and ISO guidelines and practices.



THANK YOU!

