



Expert Meeting on
**THE IMPACT OF ACCESS TO FINANCIAL SERVICES,
INCLUDING BY HIGHLIGHTING THE IMPACT ON REMITTANCES ON
DEVELOPMENT: ECONOMIC EMPOWERMENT OF WOMEN AND YOUTH**
12-14 November 2014

**SESSION 2:
POLICIES AND REGULATION FOR FINANCIAL INCLUSION**

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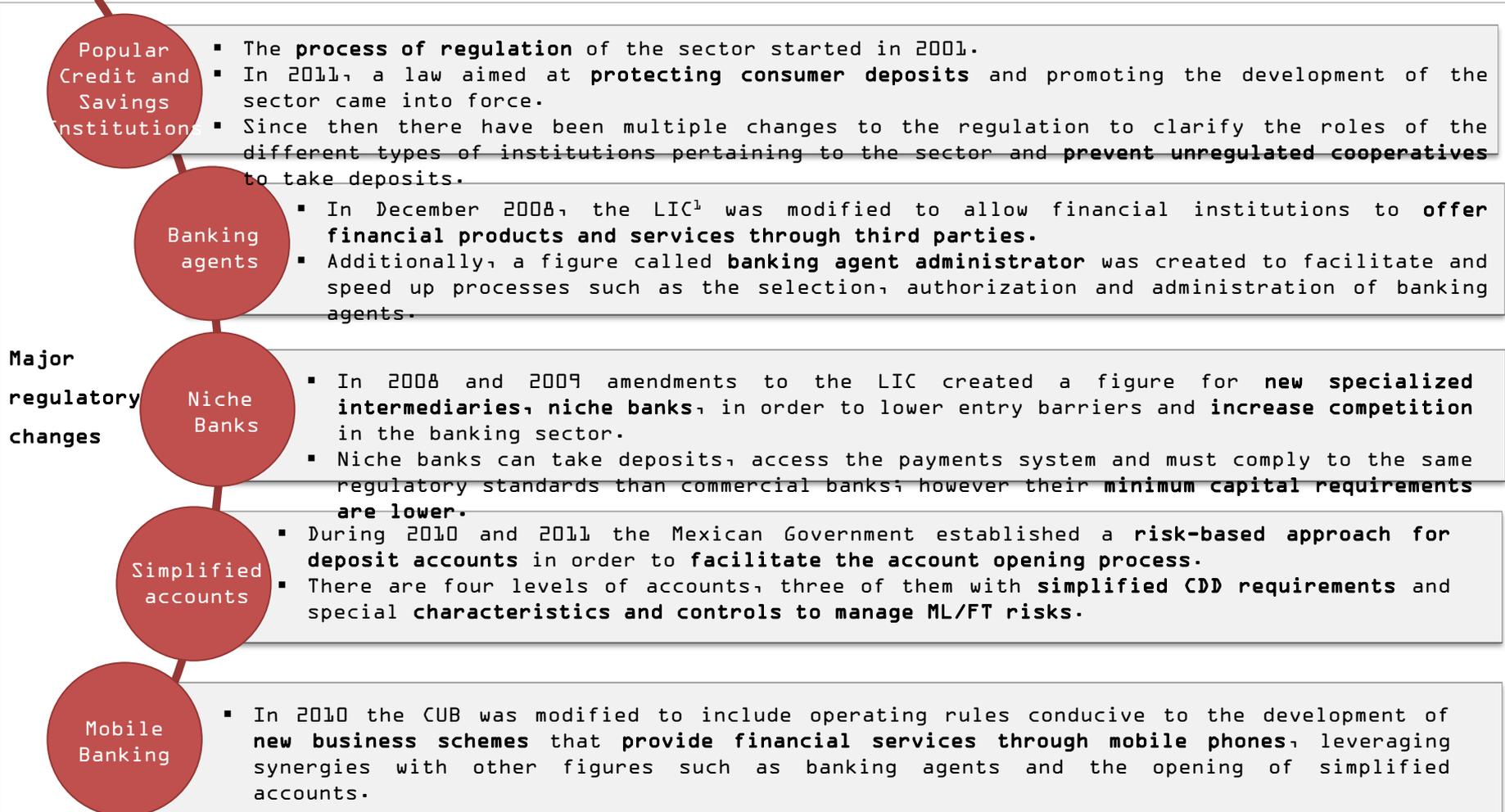


SINGLE-YEAR EXPERT MEETING ON THE IMPACT OF ACCESS TO FINANCIAL SERVICES

Mexico's Policies and regulation for
financial inclusion

12-14 November 2014

Mexico has issued important regulatory changes to facilitate access to financial services



1 Law for Credit Institutions. 2 Unique Banking Circular.

we published a comprehensive financial reform that will help facilitate financial inclusion

Topic covered by regulatory changes

Description

Objective

Agents of Popular Credit and Savings Institutions

- Establish regulations to allow the sector to establish banking agents and perform operations through electronic means.

- Provide financial services to clients residing in underserved areas and set minimum standards for operations through electronic means.

Commercial Banks

- Establish measures to facilitate the provision of loans to the productive sector, based on the performance evaluation conducted

- Democratize access to credit and promote economic growth through the development of productive sectors.

Development Banks

- Encourage the development bank to become a real growth driver that can extend credit and infrastructure to enterprises that do not currently have access to financing options from private banks.

- Provide financing to micro and small businesses that do not have access to banking credit.
- Enable government subsidies to the productive sector in case of emergencies.

SOFOMES¹

- Promote best practice guides and guidelines to encourage better compliance of unregulated SOFOMES of their obligations.

- Strengthen the industry of SOFOMES.

General deposit warehouses

- Create a Unique Certificate Registry for warehouses and merchandise, in which the General Deposit Warehouses shall register their supporting documents for the activities they perform.

- Provide an independent database, accessible to the general public, with clear rules of operation, to provide greater certainty to industry participants.
- Increasing the ease and certainty of trading securities issued by General Deposit Warehouses.

Additionally, a national council of financial inclusion aims to coordinate the actions of financial authorities

The National Council for Financial Inclusion (CONAIF) is formed by representatives from the major financial authorities in the country

Members of the CONAIF:

1. Secretary of Finance and Public Credit
2. Deputy-Secretary of Finance and Public Credit
3. President of the National Commission for the Protection of Users of Financial Services
4. President of the National Banking and Securities Commission
5. President of the National Insurance and Bonds Commission
6. President of the National Commission for the Pension System
7. Executive Secretary of the Bank and Savings Protection Institute
8. The Treasurer of the Federal Treasury Office
9. Governor of the Mexican Central Bank
10. Sub-Governor of the Mexican Central Bank

Among its principal functions, the Council must formulate a National Policy for Financial Inclusion

- Formulate the guidelines of the **National Policy on Financial Inclusion (FI)**.
- Formulate **policy proposals related to FI** and issue recommendations for their compliance.
- Propose **changes needed in the financial sector** based on the analysis carried out in the field as well as the federal and state regulatory frameworks.
- Propose general organizational schemes to achieve and **effective overview, coordination and linkage of the FI activities** of the public and private sector.
- Gather information about private sector **FI programs and initiatives**.
- Determine **FI goals** in the medium and long term.
- Establish mechanisms to **share information between agencies and public entities** that undertake FI initiatives and programs.
- Coordinate together with the Financial Literacy Committee the actions and efforts needed **to improve Financial Education**.

there are still important challenges that should be addressed

Main challenges:

Examples:

Lack of infrastructure and limited offer of financial services

- 31% of municipalities do not have access points to the formal financial system (branch, ATM or banking agent). Banking agents are the only point of access in 14% of municipalities; however most of them offer 4 or fewer services.

Lack of products tailored to the needs of the excluded population

- In our National Survey for financial Inclusion (ENIF), the population that does not use formal financial services mentioned that they do not use branches or ATMs because "there is no infrastructure or it is located too far away", among other reasons.
- The cost of having a formal account (eg opening and maintenance fees) can represent a significant proportion of a household revenue for low-income segments.
- In ENIF, the population that does not use savings products mentioned that "commissions are high and interest are low" among the barriers of using these services; also those who do not have any type of insurance

Poor knowledge and/or financial capabilities

- ~~one~~ ~~key~~ ~~challenge~~ ~~is~~ ~~the~~ ~~lack~~ ~~of~~ ~~awareness~~ ~~of~~ ~~the~~ ~~benefits~~ ~~and~~ ~~obligations~~ ~~of~~ ~~financial~~ ~~services:~~
 - the ENIF identified that a significant percentage of the population using formal savings products have no knowledge of the fees they being charged (eg 41% for savings account and 48% for payroll account).
 - Only ~ 40% of adults know that their bank deposits are protected by a deposit insurance and 20% are not acquainted with insurance products or do not know where to contract them.

Cultural and perception barriers

- The ENIF identified that segments of the population do not use formal services and products:
- Because they perceive that their income is insufficient to access the formal financial system (eg 47% of those without a savings product).
- Due to the lack of confidence in financial institutions, lack of interest and/or belief that they do not meet the requirements (eg 54% of those not using formal credit).

- To meet these challenges, we need public programs and policies that:
 - Promote access to and use of financial services.
 - Ensure the protection and defense of consumers.
 - Encourage financial education.