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.

**Popular Credit and Savings Institution**
- The process of regulation of the sector started in 2001.
- In 2011, a law aimed at protecting consumer deposits and promoting the development of the sector came into force.
- Since then there have been multiple changes to the regulation to clarify the roles of the different types of institutions pertaining to the sector and prevent unregulated cooperatives to take deposits.

**Banking agents**
- In December 2008, the LIC was modified to allow financial institutions to offer financial products and services through third parties.
- Additionally, a figure called banking agent administrator was created to facilitate and speed up processes such as the selection, authorization and administration of banking agents.

**Niche Banks**
- In 2008 and 2009 amendments to the LIC created a figure for new specialized intermediaries, niche banks, in order to lower entry barriers and increase competition in the banking sector.
- Niche banks can take deposits, access the payments system and must comply to the same regulatory standards than commercial banks; however their minimum capital requirements are lower.

**Simplified accounts**
- During 2010 and 2011 the Mexican Government established a risk-based approach for deposit accounts in order to facilitate the account opening process.
- There are four levels of accounts, three of them with simplified CDD requirements and special characteristics and controls to manage ML/FT risks.

**Mobile Banking**
- In 2010 the CUB was modified to include operating rules conducive to the development of new business schemes that provide financial services through mobile phones, leveraging synergies with other figures such as banking agents and the opening of simplified accounts.

1 Law for Credit Institutions. 2 Unique Banking Circular.
we published a comprehensive financial reform that will help facilitate financial inclusion

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<tr>
<th>Topic covered by regulatory changes</th>
<th>Description</th>
<th>Objective</th>
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<td>Agents of Popular Credit and Savings Institutions</td>
<td>- Establish regulations to allow the sector to establish banking agents and perform operations through electronic means.</td>
<td>- Provide financial services to clients residing in underserved areas and set minimum standards for operations through electronic means.</td>
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<td>Commercial Banks</td>
<td>- Establish measures to facilitate the provision of loans to the productive sector, based on the performance evaluation conducted by the Ministry of Finance.</td>
<td>- Democratize access to credit and promote economic growth through the development of productive sectors.</td>
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<td>Development Banks</td>
<td>- Encourage Development Banks 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.</td>
<td>- Provide financing to micro and small businesses that do not have access to banking credit.</td>
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<td>SOFOMES¹</td>
<td>- Promote best practice guidelines to encourage better compliance of unregulated SOFOMES of their obligations.</td>
<td>- Enable government subsidies to the productive sector in case of emergencies.</td>
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<td>General deposit warehouses</td>
<td>- 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.</td>
<td>- Strengthen the industry of SOFOMES.</td>
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¹Multiple Purpose Financial Institution.

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.

Providing a 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

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<th>Main challenges:</th>
<th>Examples:</th>
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| 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.  
- 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. |
| Lack of products tailored to the needs of the excluded population | - The ENIF identified that 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. |
| Poor knowledge and/or financial capabilities | - 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). |
| Cultural and perception barriers | - 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. |