



DIGITAL BANKING

IN LATIN AMERICA

By BPC and Fincog



➤ *Preface*

A variety of digital-only banks have emerged over the last decade. These new entities, also referred to as neo banks or challenger banks, offer modern banking propositions tailored to the smartphone and digital world. They were founded in the aftermath of the 2008 global financial crisis with the vision of making banking services more accessible and equitable. These digital banks are setting the benchmark for the future banking market.

There are already more than 400 digital banks worldwide and they are growing rapidly in both number and size. Nevertheless, there are still many opportunities in specific service areas and geographic markets.

This report investigates the digital banking market of Latin America and includes observations on recent developments as well as insights into the current economic landscape. Subsequently, it summarizes the propositions and strategies of selected players across the region to give a comprehensive overview of the competitive environment and what makes these banks successful. Finally, we provide a list of carefully assessed action points and imperatives when trying to establish a digital bank in the region.

The report is informed by interviews with experts on the Latin American banking market and draws both on existing research and analysis performed by BPC and Fincog to provide the highest quality of information for our clients.

This document provides a complete overview of the Latin American neo banking market and will give you an excellent understanding of the current competitive landscape. Together with our actionable advice on potential market entry, we are confident that you will be ideally positioned for building a successful business venture in Latin America.

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➤ 1 The Latin American Market

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The Covid-19 pandemic cast serious doubt on the stability of the Latin American market as the UN announced that the regional economy contracted by 7.7%, yet it surprisingly served as a catalyst for the region, placing it in a favourable position to encourage future economic growth. One obvious beneficiary was the e-commerce sector, which had already experienced significant growth prior to the pandemic and has become increasingly relevant to the lives of consumers.

Moreover, recent developments present a plethora of opportunities across the region as innovative start-

ups and incumbents alike aim to serve the changing needs of the population. In the following chapter, we will take you through the current state of the Latin American market and point out crucial characteristics of the banking industry.

1.1 HIGH ECONOMIC POTENTIAL DUE TO INEQUALITY IN SOCIETY

Despite the economic acceleration spurred by the pandemic, Latin America is still plagued by high levels of inequality. [According to the Economic Commission for Latin America and the Caribbean](#) (ECLAC), 30.5% of the population - 187 million people - were living in poverty in 2019, including 70 million who were living in extreme poverty (11.3% of the population). Due to the abundance of rural communities with poor infrastructure and a significant informal economy, the region's population was until relatively recently largely unbanked. Increased demand for digital financial services during pandemic lockdown has accelerated financial inclusion - [Americas Market Intelligence research suggests](#) that the banked population grew by 24% in 2020 alone. However, many millions of people in Latin America still don't have access to financial services.



➤ Vast opportunity to address over 200 million unbanked Latin Americans

Beyond the unbanked population, the lack of access to financial services, credit and a cash dominant payment infrastructure are ongoing concerns as studies suggest they impede both economic and

social development. With approximately 19% of the population owning a credit card, Latin America has a long way to go to reach levels of more developed economies such as the US (66%) or UK (65%).

Total Population of South America 2020

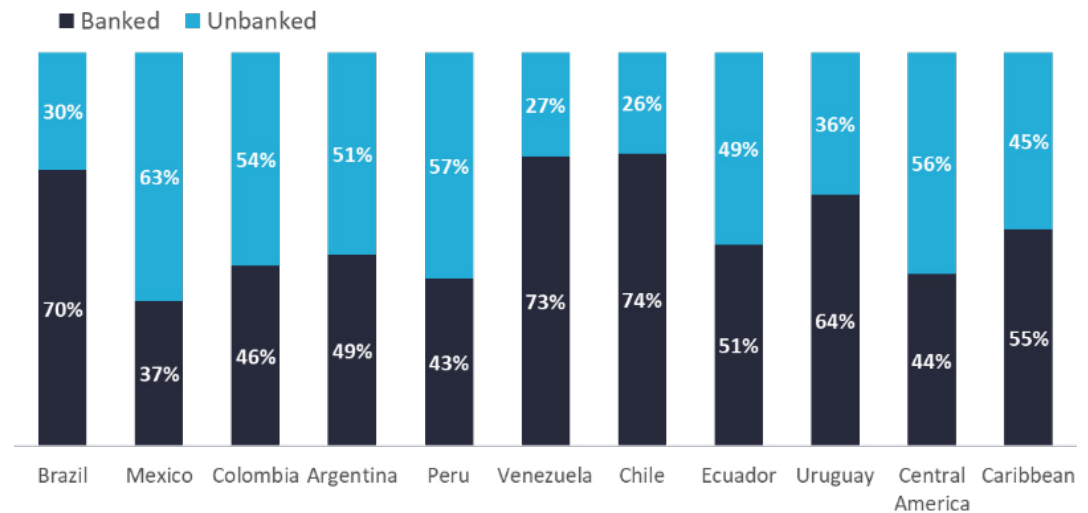
In Millions



Exhibit 1

Distribution of Adult Population

Percentages of adults with and without access to bank accounts



Note: Rate of unbanked population has been based on the Global Findex Database by the World Bank

➤ Credit card ownership still largely lags behind developed markets

Card Penetration in South America in 2017

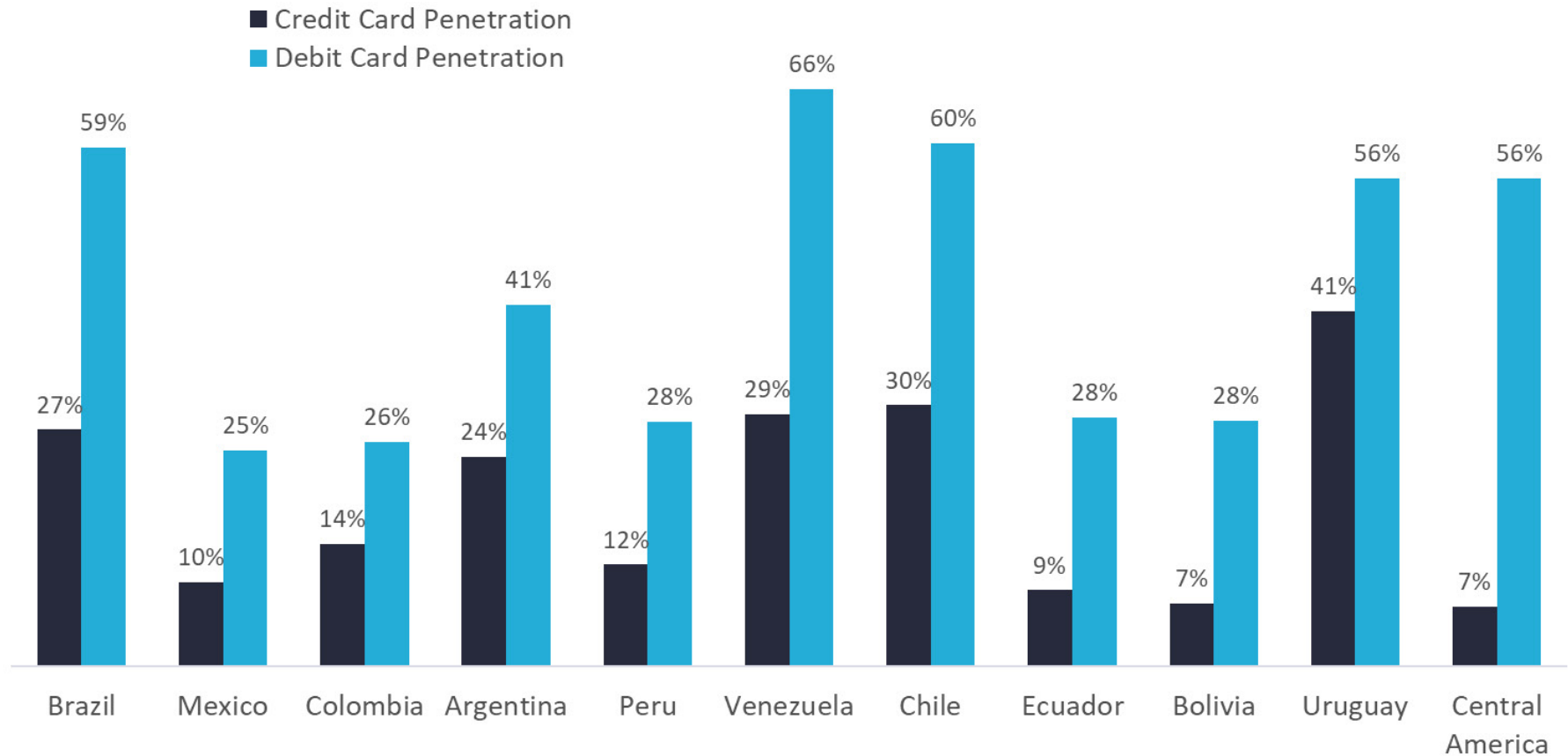


Exhibit 2

➤ *Latin America's young population a catalyst for innovation*

43% of the adult population is below the age of 35, priming the region for innovation



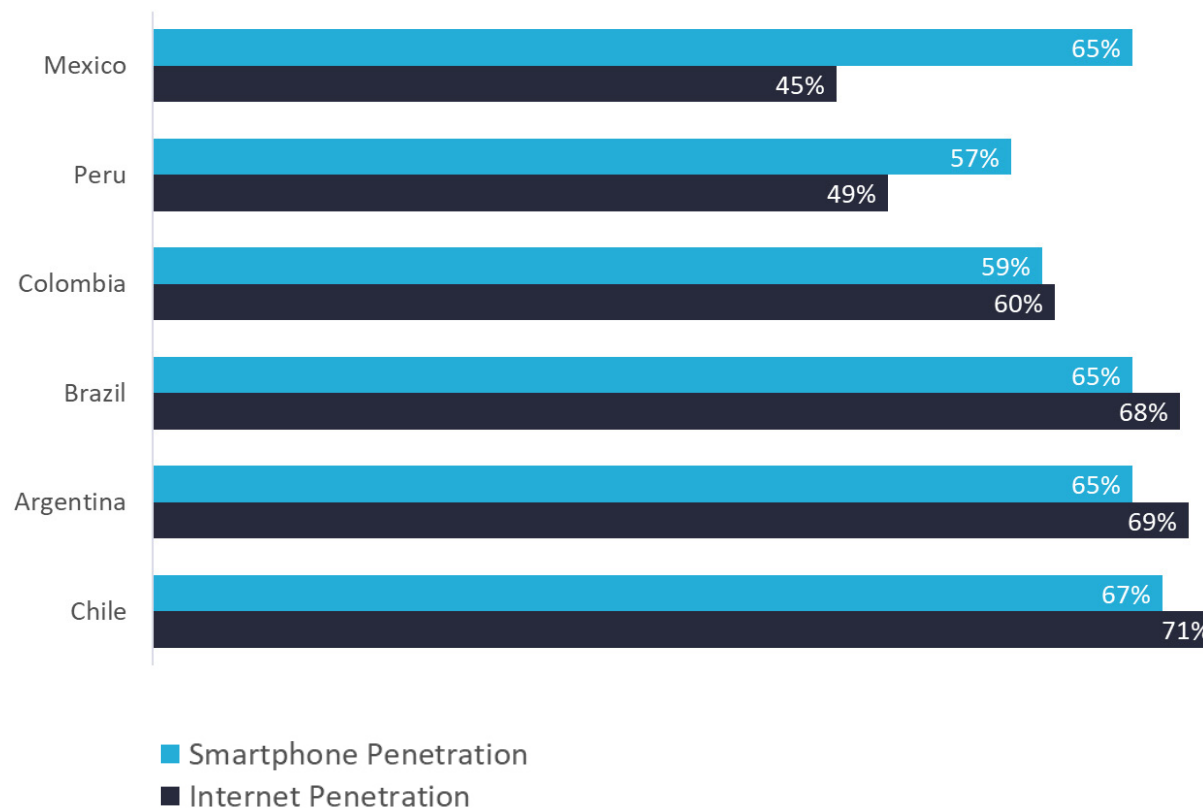
1.2 LATIN AMERICA'S YOUNG POPULATION A CATALYST FOR INNOVATION

Compared with other economies such as Europe or North America, Latin America and the Caribbean together boast an exceptionally young population [of over 650 million inhabitants](#). In fact, [\(67%\) of the region's population](#) were [between 15 and 64 years old](#) and 43% of the adult population were below the age of 35. A young, dynamic generation has primed the region for innovation.

As a result Latin America represents one of the most rapidly evolving global markets when it comes to internet and smartphone penetration. In fact, [Internet adoption has risen](#) to almost 72% [compared to the worldwide average of 60%](#), and 70% [of the population was estimated to have access to a smartphone](#) at the end of last year according to the GSMA. A digitally-native population translates into greater demand for efficient and instant access to digital services.

➤ While trends show strong internet and mobile penetration across Latin America the opportunity to continue improving is still present

Smartphone and Internet Penetration across Countries in 2020



Looking to capitalize on the above mentioned trends, an increasing number of graduates are choosing technology and entrepreneurship as their field of specialization, hoping to implement their knowledge and skill to fill service gaps across the region. A [study](#) by venture capital [firm Atlantico](#) of Brazilian students conducted last year found that 26% of students planned to work for startups or big tech companies while 39% were eager to launch their own startup in the future. In parallel, the gig economy constitutes a large share of employment as job seekers increasingly turn to the opportunities offered by tech start-ups.

A young, digitally savvy and demanding population in a region which presents high economic growth potential and ongoing lack of access to financial services makes Latin America a fertile market for new digital banking models. Supported by governments and regulators with fresh initiatives that open up the market, Latin America's banking industry is primed for disruption and appears to be headed towards a promising future.

Exhibit 3

➤ 2 The Digital Banking Landscape

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Digital banking in Latin America has experienced extraordinary growth over the last few years. All across the region, developments and innovations in financial services have been accelerated by changing customer needs, expanding technological penetration and rapidly evolving regulatory standards. As a result, the number of digital banks in Latin America has almost doubled since 2017 and the region is now home to over 50 independent neo banks.

In this part of the report we will take a closer look at the numerous initiatives launched by local regulators to foster competition in various jurisdictions; the rise of competition; and the extraordinary adoption of digital banking by consumers and investors.

2.1 REGULATORY ENVIRONMENT

Oligopolistic trends in the banking markets have stifled innovation and competition throughout many countries in Latin America. Brazil is a prominent example, where 83% of commercial banking assets are concentrated within the five major banks.

However, recent market developments have reduced exclusivity of access to financial services and information, following a global trend evident in the growth of digital banks we have experienced in the



past 5 years. There are now more than 400 digital banks worldwide, with the top ten neo banks boasting a combined customer base of more than 100 million customers.

The growth of neo banking initiatives in Latin America can be partly attributed to positive interventions by regulatory bodies. Brazil, for example, is on track to implement one of the most ambitious open banking frameworks in the world this year.

Additionally, in November 2020 the Brazilian central bank introduced Pix, a new and free instant payment platform offering a lucrative opportunity to big tech companies. According to recent reports,

the central bank is in discussion with Google and Facebook to enter the payments market, while Uber already accepts instant payments to onboard unbanked clients.

Other approaches to foster competition and lower barriers to entry in the region are Mexico's 'Fintech Law' (which regulates electronic payment institutions or EPIs), Colombia's new regulatory sandbox, and Chile's Fintech Act - a proposal by the CMF (Financial Market Commission) to provide a regulatory framework for collective financing platforms (crowdfunding and others) and other fintech activities related to the securities market.

➤ Lots of untapped territory with low overall competition outside of Brazil and Mexico

However, attempts to regulate the fintech space, and discussions around open banking, are still in early stages in most Latin American countries and will require further development to fully leverage the potential of new digital offerings. While advancements in drafting similar regulation as in Brazil or Mexico made significant progress in countries such as

Colombia or Chile, regulations are hard to replicate in many smaller markets and it is still unclear whether change will be brought to these markets by regulators or if emerging players will take the lead.

Obtaining a licence remains a lengthy process and with Covid-19 triggering new interest in digital

banking, traditional financial institutions and governments are turning to smaller fintechs and wallets to deploy new digital-first products and services.

2.2 DIGITAL BANKING ADOPTION ACROSS LATIN AMERICA

New digital banks in Latin America have taken the banking industry by storm, encouraging the entire market to reconsider how financial services should be offered. The emergence of challenger banks and the introduction of various regulatory initiatives has boosted the banked population countries such as Brazil (+24%), Colombia (+16%) or Argentina (+16%) have greatly increased the percentage of banked individuals since 2011 as customers take advantage of the changing market landscape and new, convenient offerings.

The top 10 digital banks account for over 90% of all neo bank customers in Latin America. Players from bigger countries such as Brazil and Mexico are expanding into smaller countries and thus capturing a larger share of the market shares. Entities such as Nubank, which have created strategically tailored solutions, have shown that with the right proposition Latin America represents a sizeable market opportunity.

Growth of Digital Banks in South America 2012- 2021

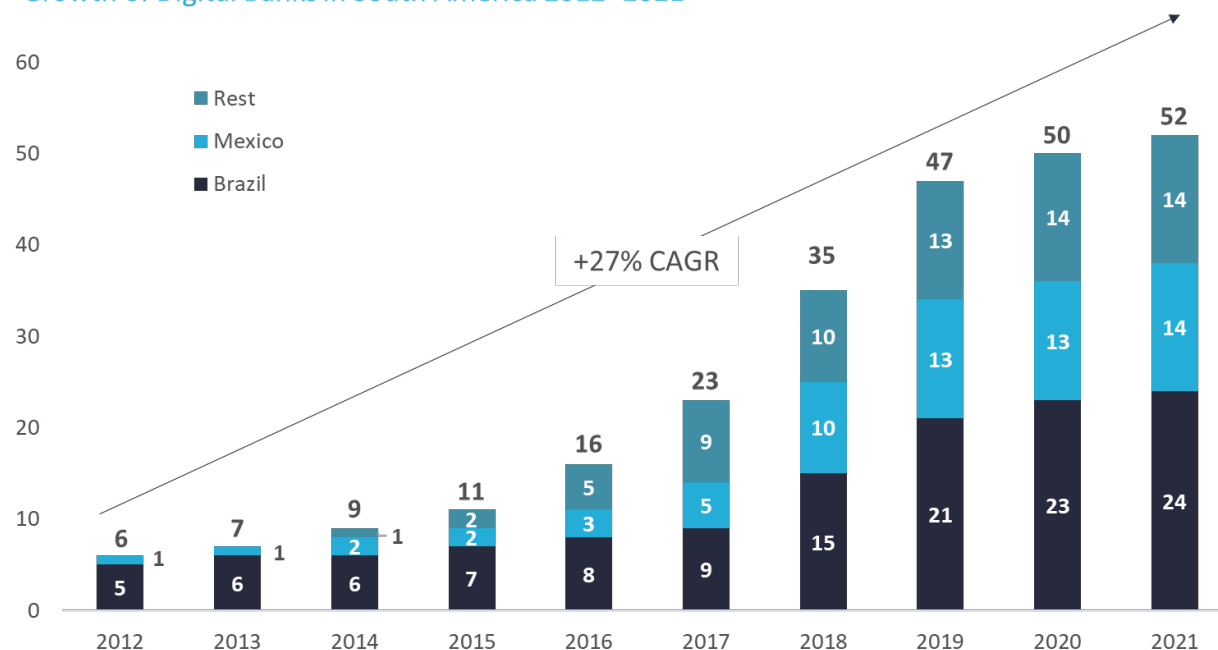


Exhibit 4

➤ While Nubank stands out from the crowd, many new players succeed in capturing market share

With digital services, the agility to offer an improved customer experience, and enhanced operational efficiency, neo banks drive financial inclusion and showcase almost limitless opportunities, thus attracting large investors around the world including Tencent and Softbank, who are betting on major markets such as Brazil and Argentina.

In addition to the success of emerging start-ups, super-app models and platform fintechs created by big tech companies such as Google or Facebook - as well as local platforms like Colombia's Rappi - are grabbing an increasing share of the market. Leveraging access to other digital services such as mobile phone top-ups, ride-sharing applications and food delivery, these players have taken a central role in Latin America's banking landscape.

Covid-19 has further accelerated the adoption of digital banking services. For example, in Colombia the use of mobile wallets for the disbursement of government subsidies has become popular, as have digital initiatives in the retail sector to offer vouchers and virtual cards. It has been possible to capture the interest of segments of customers over 40 years of age, who need agile solutions that allow them access to their means of payment when they need it.

As Latin America represents a formidable playing field for both start-ups and corporates to capture substantial amounts of market share with new digital services, the number of neo banks across the region has steadily increased over the last decade from just 6 in 2012 to 52 in 2021.

Top 10 Neobanks by Number of Customers 2021
In Thousands

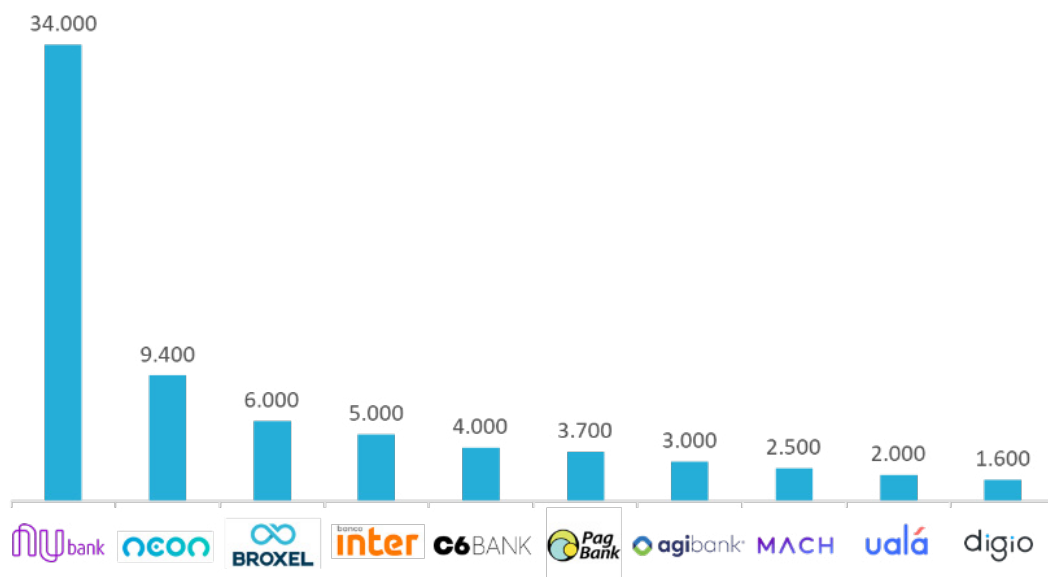


Exhibit 5

➤ *Strong demand for digital banking services led by acquisitions from Brazilian players*

A particular reason for this rapid growth is increased interest from venture capital and high-risk investors targeting the Latin American market. Venture capital investments into fintechs have skyrocketed during the

past decade. In 2019, investment in fintech start-ups in Latin America was an estimated \$2.1 billion, more than 300% higher than in 2018 outperforming most other industry verticals.

Number of Neo Bank Customers 2012 – 2021

In Millions

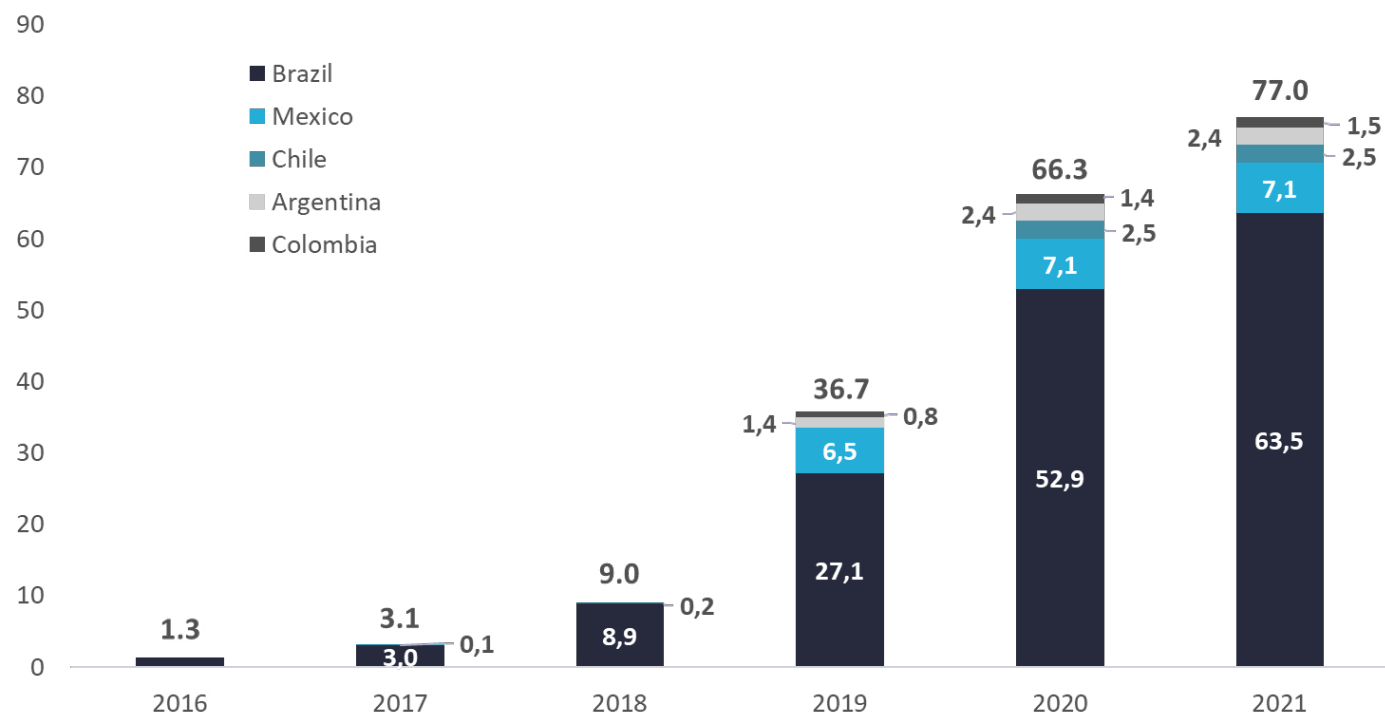


Exhibit 6

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- *Digital banks attract international investors but still hold investment potential when compared with other regions*
-

Top 10 Neobanks by Funding 2021
In Millions

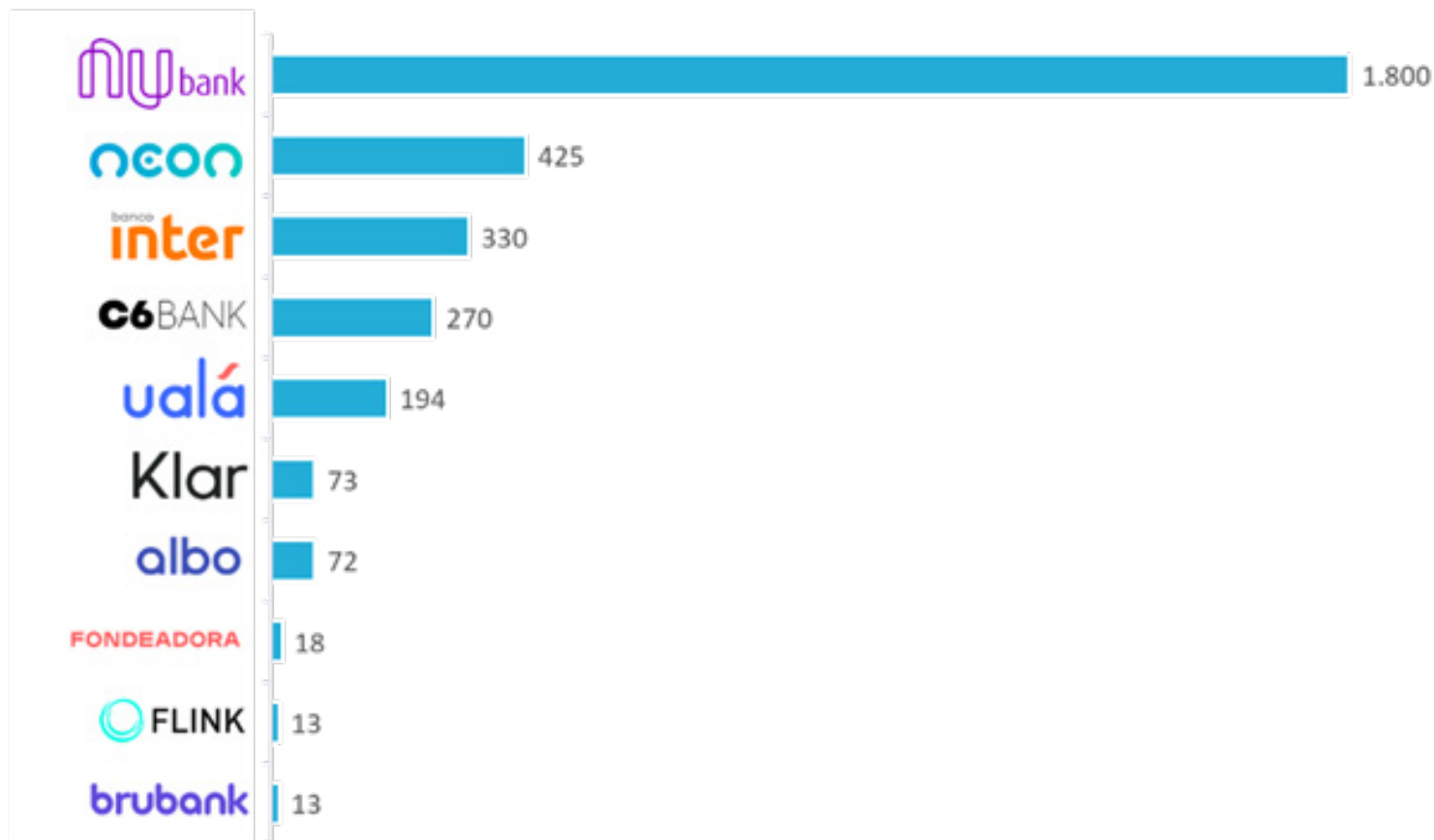
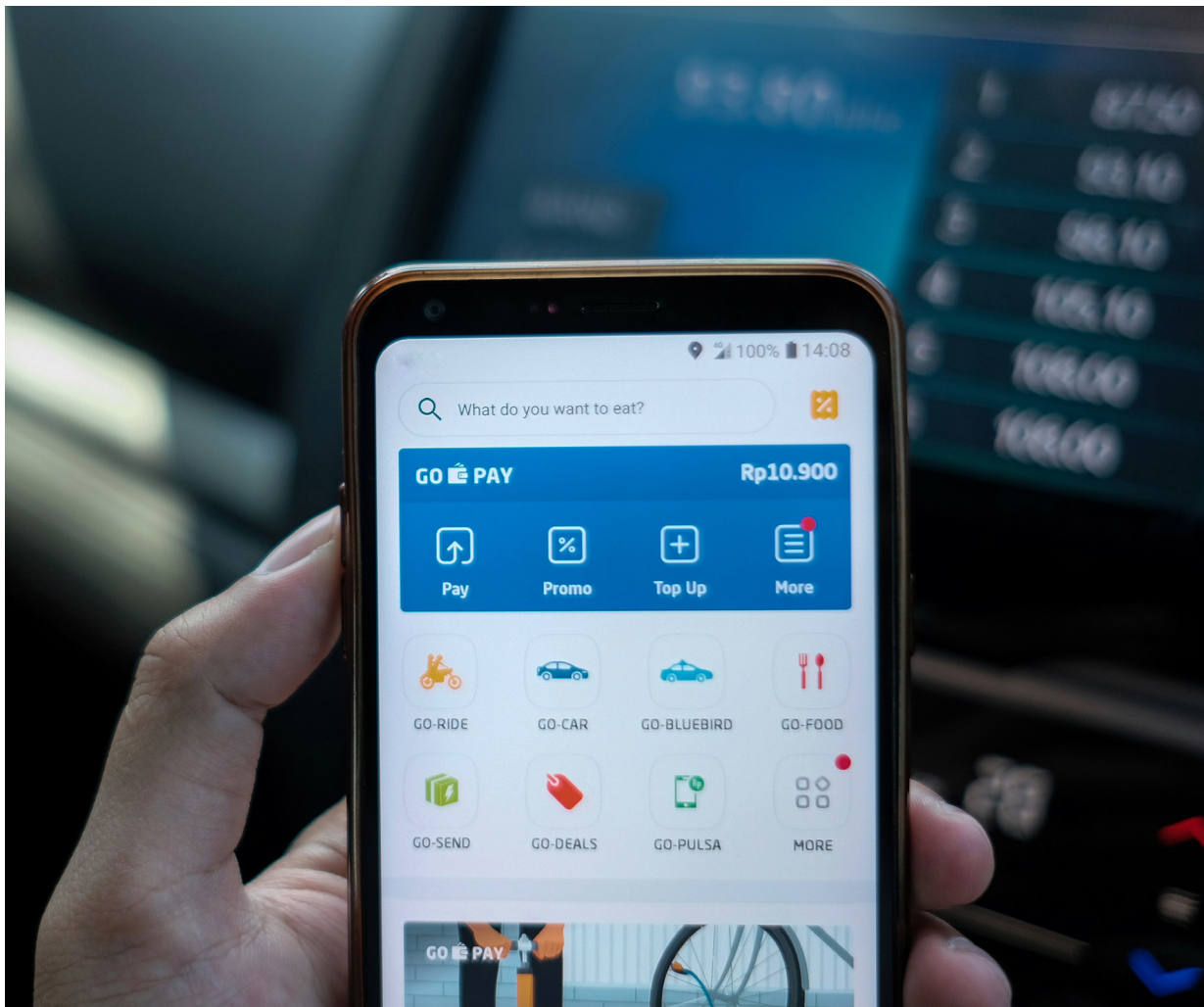


Exhibit 7

➤ 3 Key Players Across the Region

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While the number of digital banks in Latin America continues to increase, not all emerging players are able to establish their presence, and many start-ups ultimately fail. One common shortcoming is the lack of differentiation and positioning within the competitive landscape. Creating a unique selling point and value proposition is vital to creating a loyal customer base with active users who ultimately determine revenue streams.

In this section of the report we have pulled together a selection of Latin American neo banks that have been successful in establishing their presence through unique propositions, and outline the elements that have made each of them successful.

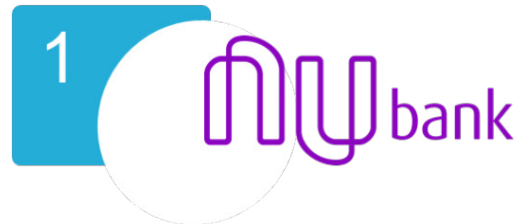
➤ *Neo banks in Latin America vary in their product set-up depending on their strategic positioning and target customer*

KEY PRODUCTS								
CURRENT ACCOUNT	✓	✓	✓	✓	✓	✓	✓	✓
BUSINESS ACCOUNT	✓	✓	✗	✗	✓	✓	✗	✗
CREDIT CARD	✓	✓	✓	✗	✓	✓	✗	✗
SAVINGS	✗	✗	✗	✗	✓	✓	✗	✗
PERSONAL LOANS	✓	✓	✗	✓	✗	✓	✗	✗
INSURANCE	✓	✓	✗	✗	✗	✓	✗	✗
INVESTMENTS	✗	✓	✗	✓	✗	✗	✗	✗

 Supported
  Not supported

Exhibit 8

➤ Nubank | Became Latin America's largest digital bank by offering a fee-free credit card and quickly branching out from Brazil to other markets



Proposition

Nubank's success evolved out of a straight-forwarded proposition to offer fair and transparent services to the underbanked population of Brazil that solve their problems by offering a suite of products including a free payment account, a credit card, personal loans and a new life insurance in one simple mobile application.

Key Success Factors

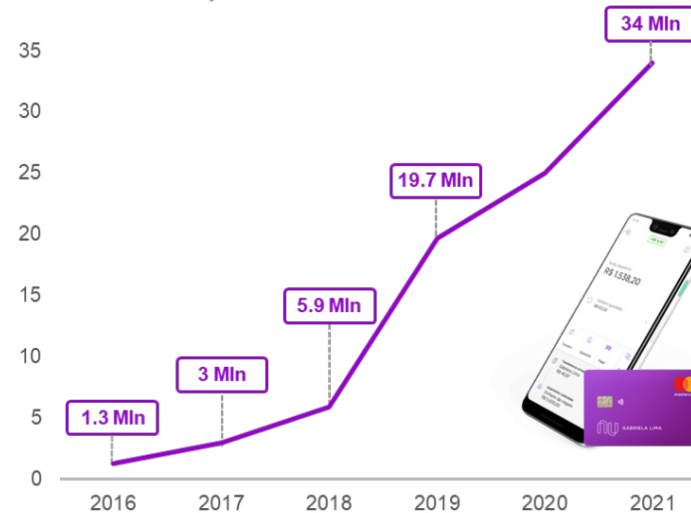
- First mover advantage into the underserved space with the launch of a no-fee credit card in 2014, fully managed by a mobile app
- Fully In-house developed technology stack
- Nubank build fully autonomous local teams in all countries of operations to expand with speed and agility across the region
- Nubank's customer service is one of the best in Brazil earning the bank a NPS of 87 in 2019

Profile



Founded:	• 2013
Headquarters:	• Sao Paulo
Geographical Coverage:	• Brazil, Mexico, Argentina, Colombia
Customers:	• 34 mln
Total Funding:	• \$1.8 bln
Regulatory License	• Full-Banking License

Customer Acquisition



Products

CURRENT ACCOUNT

CREDIT CARD

PERSONAL LOANS

INSURANCE

BUSINESS ACCOUNT

➤ Neon | Services retail and SME clients with a broad range of financial products as well as a simple and intuitive interface



Proposition

Neon is a Brazilian neo bank targeting low-income segments and micro-entrepreneurs with free daily banking services, a credit card and investment options. Neon offers the same low-cost services to all customers without any segregation of clients following the path of Nubank as one-stop-shop for financial services.

Key Success Factors

- Strong growth through organic marketing through user referrals based on affordable and simple products
- Neon offers a complete range of financial products for both retail and business clients
- Simple and intuitive interface



Profile



Founded:	• 2016
Headquarters:	• Sao Paulo
Geographical Coverage:	• Brazil
Customers:	• 9.4 mln
Total Funding:	• \$425 mln
Regulatory License	• Payment Institution

Funding Rounds



Products

CURRENT ACCOUNT

CREDIT CARD

PERSONAL LOANS

INVESTMENTS

INSURANCE

BUSINESS ACCOUNT

➤ RappiPay | *First and only super-app in Latin America building on a large partner store network enhanced with value added financial services*



Proposition

RappiPay emerged out of an alliance of the multivertical delivery service Rappi and the Colombian Banco Davivienda. The initiative currently offers a free e-wallet and recently launched a credit card with which users receive lucrative discounts and cash-backs when using the app as well as at stores in Rappi's partner network.

Key Success Factors

- RappiPay acts as a value-added service to Rappi's core business model making the shopping experience even more seamless
- RappiPay leverages its partner store network to offer clients great benefits such as a 100% refund on their first purchase with the RappiCard or cash-backs that increase once you shop inside the Rappi App

Profile



Founded:	• 2015
Headquarters:	• Bogota
Geographical Coverage:	• Colombia, Mexico, Peru
Customers:	• 730 k
Total Funding:	• n/a
Regulatory License	• Electronic Payment Institution*

Products

CURRENT
ACCOUNT

CREDIT CARD

Digital Wallet

Launch of Rappi's P2P payment platform

2018

2019

Visa Prepaid Card

Launch of first Visa prepaid-card

Credit Card

Launch of first Visa Credit Card in Colombia

2021

* RappiPay has recently applied for a full license as a financial institution at the SFC in Colombia

➤ Uala | Offers low-cost financial services coupled with money management features to drive financial inclusion in Argentina and Mexico



Proposition

Uala is a leading neo bank in Argentina focusing on financial inclusion by offering almost completely fee free financial services such as a bank account with debit card, investment in mutual funds, personal loans and money management features. Uala is focusing primarily on the younger population with 70% of its customer base being below 30 years.

Key Success Factors

- Wide range of financial products without additional subscription cost in a largely unbanked market
- Analytics and money management features such as categorization
- Backed by renowned names such as investment firm Goldman Sachs and Chinese tech giant Tencent.

Profile



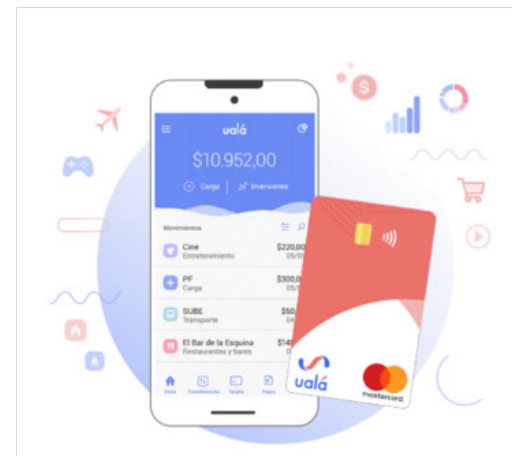
Founded:	• 2017
Headquarters:	• Buenos Aires
Geographical Coverage:	• Argentina, Mexico
Customers:	• 2 mln
Total Funding:	• \$194 mln
Regulatory License	• Payment Service Provider

Products

CURRENT
ACCOUNT

PERSONAL
LOANS

INVESTMENTS



➤ Albo | Bridges the gap between offline and online by partnering with 30,000 retail locations to deposit and withdraw money easily and cost-efficiently



Proposition

Albo is a Mexican challenger bank focusing on introducing the lower and middle-income segments into the formal financial system and recently also launched business banking services. Compared to other digital banks, Albo partners with over 30,000 retail locations where consumers can execute deposits and withdraw money for free if they use their card for a purchase.

Key Success Factors

- Transition's a cash dominant society slowly to handling their finances and payments digitally
- Partnership with many retail locations to offer fee-free withdrawals when shopping with the card
- Clear, simple and intuitive UX

Profile



Founded:	• 2016
Headquarters:	• Mexico City
Geographical Coverage:	• Mexico
Customers:	• 500 k
Total Funding:	• \$72 mln
Regulatory License	• Pending Authorization as ITF*

Products

CURRENT
ACCOUNT

CREDIT CARD

SAVINGS

BUSINESS
ACCOUNT



* Pending supervision as an Financial Technology Institution according to the new Fintech Law

➤ Broxel | Supports Mexicans in the US with a full bank offering centered around a prepaid debit card and international money transfers



Proposition

Broxel, is a digital payment solutions company from Mexico that provides a free pre-paid debit card to the Hispanic population of the USA. The card allows them to facilitate remittances and send or receive money instantaneously across borders. In Mexico itself, Broxel offers a broad range of products to both retail and SME clients including a fully digital bank account for the whole family, deposits, personal loans, a virtual vault and even insurance products.

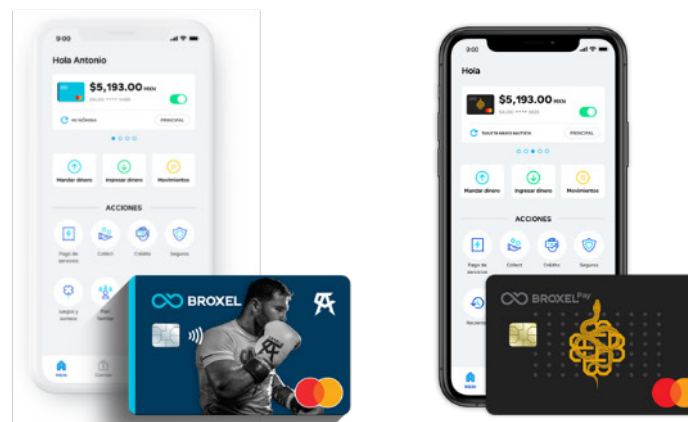
Key Success Factors

- Focuses on a niche market of 55 million Hispanic people in the US by providing them with valuable cross-border services
- Builds on a long history and experience in digital payments compared to other competitors
- Comprehensive product portfolio and intelligent marketing with Mexican media icons

Profile



Founded:	• 2010
Headquarters:	• Mexico City
Geographical Coverage:	• Mexico, USA
Customers:	• 6 mln
Total Funding:	• n/a
Regulatory License	• Unknown



Products

CURRENT ACCOUNT

CREDIT CARD

SAVINGS

PERSONAL LOANS

INSURANCE

BUSINESS ACCOUNT

REMITTANCES

➤ Maximo | Targets kids and teenagers with a young design and 24/7 WhatsApp support chat



Proposition

Maximo is a young digital bank from Peru targeting the new generation of the Peruvian and Latin American population with a free digital account that comes with a debit card, a cashback program and possibilities for a line of credit that gets approved within seconds. Maximo's goal is to educate and include the underbanked communities.

Key Success Factors

- Maximo leverages modern machine learning and AI technology for a fast credit approval
- Young and extraordinary design and branding targeted towards young customers
- Easy to use and accessible customer service via whatsapp 24/7h

Profile



Founded:	• 2019
Headquarters:	• Lima
Geographical Coverage:	• Peru
Customers:	• Unknown
Total Funding:	• \$250 k
Regulatory License	• Unknown

Products

CURRENT
ACCOUNT



In 2019, Maximo has been announced the winner of the Digital Bank Lima 2019 contest against 18 Fintechs from Peru, Chile, Argentina and other countries demonstrating the operation of their solutions.

* Pending supervision as an Financial Technology Institution according to the new Fintech Law

➤ Cuenca | Advertises its brand by offering its own software as open source and highlights Mexican art & culture through its physical product



Proposition

Cuenca offers basic daily banking services to the largely underserved segments in Mexico and puts its best efforts to identify with the local communities by tailoring their products to the culture. As an impact and inclusion driven neo bank, Cuenca shares its developed software as open-source to facilitate innovation throughout Mexico.

Key Success Factors

- Cuenca shares its own software as open source to the community
- Extremely quick account opening with delivery of physical cards within 90 minutes in Mexico City
- Works together with indigenous communities, artists and artisans to offer a truly inclusive and local solution

Profile



Founded:	• 2018
Headquarters:	• Mexico City
Geographical Coverage:	• Mexico
Customers:	• 50 k
Total Funding:	• \$9.6 mln
Regulatory License	• Pending Authorization as ITF*

Products

CURRENT
ACCOUNT



* Pending supervision as an Financial Technology Institution according to the new Fintech Law

➤ 4 Opportunities & Success Factors

> 4 Opportunities & Success Factors



A rapidly changing economic and regulatory landscape combined with a surge in competition presents entrepreneurs and corporates with a number of obstacles when trying to establish themselves in Latin America. However, we believe that with the right strategic choices, digital banks should be able to successfully enter the market and achieve a sustainable business model with a lasting positive impact on customers.

The following chapter highlights the opportunities Latin America offers to new entrants; how to seize them; and the key success factors.

4.1 NICHE OPPORTUNITIES TO GRASP IN LATIN AMERICA

SERVING THE UNBANKED AND UNDERSERVED

Latin America still holds the opportunity of a largely underbanked and underserved population, opening a notable supply gap to digital banks across the region. Countries such as Mexico, Colombia, Peru and Argentina offer tremendous growth potential due to relatively large, underserved populations, rising smartphone penetration, and limited access to financial products. Additionally, large parts of their economies are not formally served by financial institutions due to a lack of trust and reach, offering the

opportunity to provide financial solutions to traditionally less accessible segments of the population.

To be successful in less mature environments, it is necessary to carefully assess the current state of the market and evaluate the needs of different subsegments. It is of utmost importance, therefore, to fully understand the underlying cause of the lack of adoption of financial products by consumers.

Possible factors include high account-related costs, lack and inconvenience of bank branches (especially in rural areas) or inconvenient cash-based services. Creating relevant and value-adding use cases that solve one or more of these problems will be the main driver for their use. Once a niche is identified, a proposition needs to be created that can be scaled and mature progressively with the addressed market and advance the product portfolio.

EMPOWERING MIGRANT WORKERS

Latin Americans (both inside and outside the region) have historically faced difficulties in finding efficient and affordable cross-border services. Latin American migrants in the US, for example, are reported to be more ;flexible; in the job market and more ;generous; in supporting relatives back home - a trend that was

➤ *Accommodating international shoppers | Enabling SMEs and small merchants*

particularly evident throughout the Covid-19 crisis according to Andrew Selee, president of the Migration Policy Institute. Another aspect is the increasing level of intra-regional migration that is fostering new use cases for fintechs to serve the migrant population.

One possible approach is for fintechs to eliminate the need to rely on costly remittances services with long waiting times that migrant workers cannot afford. Digital cross-border accounts, for example, allow migrant workers to send money via person-to-person transfer directly and instantaneously to recipients in their home country. Equipped with prepaid debit card solutions and different payment vehicles, these accounts can function as a comprehensive alternative to a local bank account.

ACCOMMODATING INTERNATIONAL SHOPPERS

Due to the accelerated adoption of e-commerce solutions caused by Covid-19, consumers now look beyond the local and even regional market in search of alternative payment solutions for international transactions for their favourite brands and items without the use of credit cards.

There are several ways to grasp this opportunity for new players. Some emerging trends (such as the localization of payment methods that can increase

exposure of merchants to consumers from foreign markets) already offer a solution. On the other hand, digital banks have the opportunity to offer services that reduce costs of cross-border transfers for consumers via multi-currency accounts combined with lower exchange rates.

ENABLING SMEs AND SMALL MERCHANTS

A rise in entrepreneurship in Latin America means SMEs need affordable financing and accessible payment solutions to service their customers in a cost-efficient manner. Even though there is an immense gap in financing, the problem is often not the lack of available credit, but rather lack of trust between SMEs and banks. In many instances, traditional financing solutions in Latin America are subject to high interest rates and slow response times for applications. Banks also lack sufficient transparency when it comes to loan conditions, risk calculations and decision making.

With new credit scoring models, digital banking providers have more options for facilitating financing securely and quickly to entrepreneurs and businesses. Being transparent about pricing and credit scoring calculations allows them to potentially foster a feeling of trust and build long lasting partnerships with their customers, helping to generate profits in the long run.



➤ *Key factors to succeed in Latin America*

4.2 KEY FACTORS TO SUCCEED IN LATIN AMERICA

The ability of digital banks to facilitate financial inclusion and establish themselves in the Latin American market is dependent on properly addressing certain imperatives. We have identified three major factors for new entrants to successfully enter the market and scale.

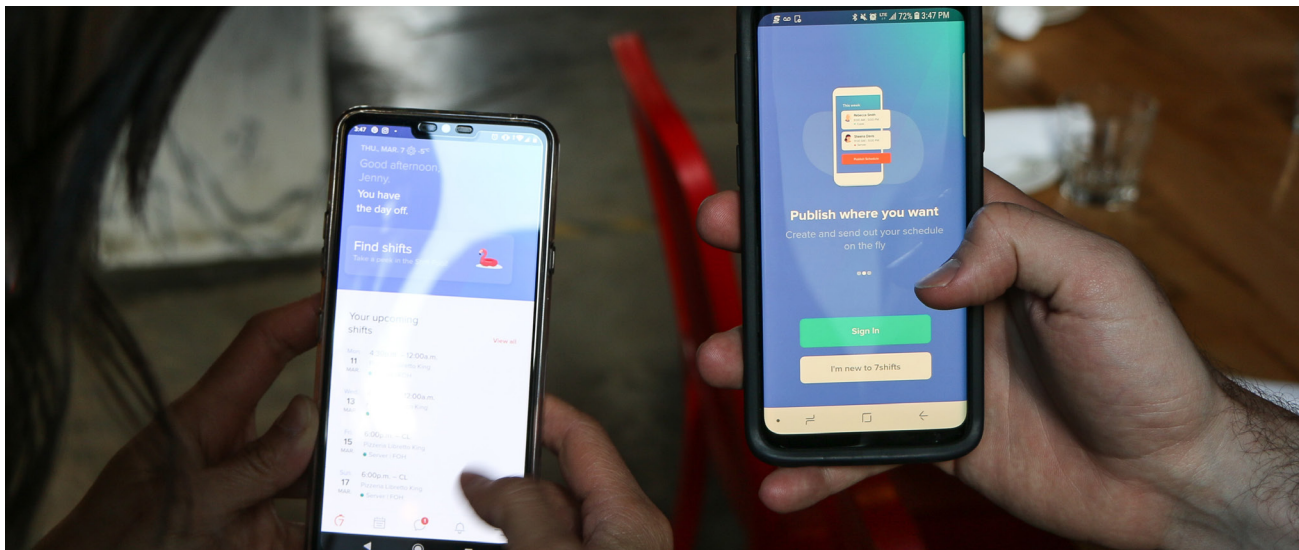
LOW-COST SOLUTIONS TO MOVE CONSUMERS AWAY FROM CASH

With large parts of Latin America's population living below the poverty line and lacking access

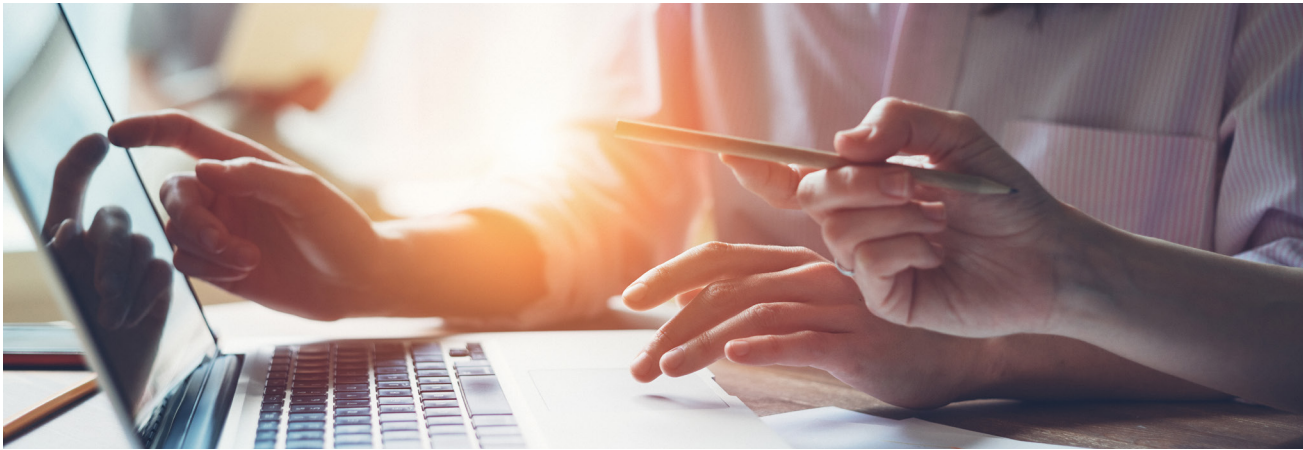
to appropriate financial services, digital banks are obligated to offer low cost solutions that make the migration from a cash-based society to a digital one a reality.

People are using person-to-person transfers as the new cash. However, the high costs of transferring between different bank accounts is a limitation on faster adoption of the digital model. There is a need to bring more lean and cost effective solutions through an integrated ecosystem so digital banking players need to accelerate relevant partnerships. Emerging products and services include virtual prepaid cards, credit cards, e-commerce enablement, and QR code payments through players such as NEQUI, DaviPlata, RappiPay and AvalPay leading the trend in Colombia.

Offering low cost solutions requires a deep understanding of local culture but more importantly, of the financial infrastructure. This includes considering differences between each country based on population demographics as well as their respective regulatory systems. Depending on the target market, the approach will vary. For instance, a player trying to enter the Brazilian market from the outside will have much more difficulty due to existing regulations, compared to a player growing rapidly from within the country.



➤ *Key factors to succeed in Latin America*



TRUE INNOVATION

Offering the same products in a different channel might not address critical customer challenges. It is necessary to innovate and create new experiences designed for and delivered through mobile phones. As an example, allowing payments by phone-to-phone contact or enabling self-service schemes for purchases in supermarkets would ease money movement and open up new opportunities.

LEVERAGE AND MAXIMIZE TECHNOLOGY CAPABILITIES

Building on leading financial technology instead of the costly maintenance of physical branch networks permits challengers to not only offer a better customer experience, but also reduce operating expenses and

time-to-market and quickly scale their operation. New digital banks have many options for either building or buying a modern technology stack.

A cloud-native, modular and API-based architecture with a focus on automation and data insights is paramount to developing a viable business model and achieving success. Furthermore, it is imperative to prioritise cybersecurity that offers a frictionless experience to build customer trust and confidence in your products and services.

SUFFICIENT FUNDING AND FOCUS ON SIZEABLE MARKETS

Due to the expense associated with customer acquisition and development of new services, one

of the most challenging aspects of entering a niche market in Latin America is scaling after the initial launch. This is particularly the case for smaller digital banks, who often face the problem of insufficient funds and runway to sustain the business throughout the building and growth phase.

In addition, because of the risks related to investing in Latin America, securing funds has not always been an easy task. Despite the increase of venture capital investment into Latin America, funding is still not as readily available as in other emerging market regions and competition for available funding is fierce.

To mitigate the risk of running out of capital, it is important for new market entrants to focus on a sizeable market opportunity that allows them to scale in a cost and time-efficient manner. Additionally, they need to be able to establish a strong and viable business plan to safeguard future growth and fund the journey in between. When all these factors are combined, the bank will be well-positioned to succeed.

For those searching for more detailed information and advice on building their digital bank, we refer you to our previous whitepaper on 'How to build a digital bank successfully'. This whitepaper offers a practical guide to help you from start to finish with hands-on information and takes you through each step of the process in successfully launching and scaling a digital bank.

➤ 5 About



➤ About this report

This BPC Latin America Digital Banking report has been developed by BPC Banking Technologies in collaboration with Fincog. We remain at your disposal for any further information and to guide you through the intriguing world of digital banking.

ABOUT BPC

Founded in 1996, Banking, Payments: Context is what defines BPC. The company has transformed over the years to deliver innovative and relevant solutions which fit today's consumer lifestyle when banking, shopping or moving in both urban and rural areas, bridging real life and the digital world. With 300 customers across 90 countries, BPC collaborates with all ecosystem players from tier one banks to neobanks, payment service providers (PSPs) to large processors, ecommerce giants to start-up merchants, and government bodies to local hail-riding companies. BPC's SmartVista suite comprises cutting-edge banking, commerce and mobility solutions including digital banking, ATM & switching, payments processing, card and fraud management, financial inclusion, merchant portals, transport, and smart city solutions. www.bpcbt.com



ABOUT FINCOG

The Fintech Consultancy Group (Fincog) was established in 2017 with the aim of helping our clients to succeed improving financial services that better people's lives. Be it fintechs, neo banks or incumbents, we help our clients to design, build and scale digital banks. Headquartered in Amsterdam, our team of expert consultants and international partners traverse all aspects of the global financial sector. Together we move clients from inception to strategy to implementation. Discover how Fincog is shaping the future of banking, visit www.fincog.nl



➤ About the authors



Jeroen de Bel • Fincog

Jeroen is the Founder and Director of Fincog. Jeroen can build upon vast international banking and fintech experience. Prior to establishing Fincog, Jeroen worked as a corporate strategy advisor at De Volksbank, retail banking & payments senior analyst at The Boston Consulting Group (BCG), senior consultant at PWC and payments consultant at Innopay. Jeroen has strong domain expertise and is a thought-leader on the future of banking and neo banks.

jeroen@fincog.nl



Benjamin Kral • Fincog

Benjamin is Strategy Consultant with Fincog. At Fincog, Benjamin is responsible for the market research and thought-leadership development, and specializes in neo banks. Prior to joining Fincog, Benjamin gained work experience in Digital Product Management & Innovation Consulting with HYVE, IT-Quality and Process-management with BMW Group and Product Management with Wirecard. Benjamins holds a Bachelor in Commercial IT and a Master in Digital Management.

benjamin@fincog.nl



Santiago Egas • BPC

Santiago Egas is the Senior Vice President and Managing Director for the Americas regions at BPC. He leads engagement with financial institutions supporting their payment and digital transformation initiatives. Prior to this, he co-founded YellowPepper LLC, and held senior executive positions at Banco Pichincha.

egas@bpcbt.com



Nadia Benaissa • BPC

Nadia is the Global Marketing Director at BPC, Radar Payments and O-CITY. She has 20 years of experience in the fintech space with direct involvement in digital bank and marketplace initiatives, working closely with financial institutions on their UX and GTM strategy. Prior to BPC, Nadia was CMO at German neobank and tech provider Fidor.

benaissa@bpcbt.com

Contributors to this edition: **Roberto Su Nobrega, Gabriel Balzaretto, Mariana Posada, Daniel Hernandez, Meyer Saavedra, Tomas Lara, Joel Mendoza**

➤ More information



Are you building a digital banking, as a green field, spin off or diversification initiative?
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info@bpcbt.com

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BPC Headquarters

Neuhofstrasse 5a,
6340, Baar
Switzerland

www.bpcbt.com