

### 3 Remote opening of financial products in Latin America

#### A policy of Financial Inclusion with implications for the digitisation of the sector

To promote Financial Inclusion, several Latin American countries have relaxed the regulation of certain simple financial products for low-risk customers, in some cases allowing them to be opened remotely. In addition to promoting Financial Inclusion, these policies could encourage the digitisation of financial services in the region.

In Latin America and the Caribbean only 51% of those over the age of 15 had an account with a formal financial institution in 2014, according to the 'Global Findex' survey by the World Bank. This high percentage of unbanked individuals has turned the promotion of Financial Inclusion into a political priority for governments in the region, because the use of formal financial services is associated in the economic literature with the improvement of levels of welfare and the alleviation of poverty.

The difficulty in accessing bank branches and the demanding documentation requirements for opening accounts are some of the obstacles that are behind the financial exclusion of broad sectors of the population. For this reason, new financial products (electronic money or basic accounts) have been introduced into the regulatory frameworks, with 'know your customer' (KYC) requirements that are proportional to the transactional limits of the accounts. The documentary requirements have thus been relaxed and the opening of such accounts remotely through electronic means has been allowed.

Electronic money is a financial instrument that stores value electronically against the receipt by the issuer of the equivalent funds. It is accepted as a means of payment by third parties and can be transferred between users and converted back into cash. Moreover, the basic accounts are sight deposit on which transactional limits are imposed in return for making the KYC process less demanding.

Because of the increased regulatory flexibility for the opening of such products, the first fully digital onboarding processes developed by Latin American financial institutions have been those used for basic or e-money accounts. This experience should be extended to other financial products as the regulatory framework establishes safe mechanisms to verify the identity of new customers for standard bank accounts, which involve a higher risk of money laundering since they are not subject to limits.

Below we explain the regulatory frameworks that have been established by different Latin American countries in order to introduce products aimed at the Financial Inclusion segment.

Table 3.1  
**Regulation of the remote opening of financial products**

	Mexico	Chile	Colombia	Peru
<b>Electronic money</b>	Does not exist	✓ Prepaid cards	✓ Only in the simplified procedure	✓
<b>Basic accounts</b>	✓ Only Level 1 and 2 accounts	✓ No specific framework, subject to regulations on sight accounts	✓	✓
<b>Standard accounts (without operational limits)</b>	✗	✓ Restricted use until face-to-face ratification	✓ Restricted in practice due to the fingerprint capture requirement	✓

Source: BBVA Research based on national legislation

## Mexico

- **Basic accounts:** Anti-Money-Laundering regulations (AML) establish three levels of low-risk accounts, but only Level 1 and 2 accounts can be opened remotely.
  - **Level 1:** anonymous accounts without specific customer identification requirements. Acceptance of the contract can be expressed through the first use.
  - **Level 2:** The identification file must always include the full name, date of birth and address and, if the opening is remote, also the gender and federal entity of birth. Validation of these data against the National Population Register (RENAPO) is required. Express consent when providing the data is considered sufficient as formal acceptance of the contract.
  - **Level 3:** the same data as for opening Level 4 accounts is required, but no physical documents are demanded. A prior personal interview is required and the signature or fingerprint is needed for acceptance of the contract.
- **Standard accounts (Level 4):** The customer identification file includes data and copies of identification documents (up to 9 documents in addition to those required for Level 2 accounts).

## Chile

- **Electronic money:** there is a regulation on prepaid cards, with limits depending on whether they are nominative or anonymous, and whether they were opened in person or remotely.
- **Basic accounts:** There is no specific regulation. Within the framework of sight accounts, BancoEstado offers a simplified account associated with the tax identification number (RUT). Electronic opening is possible, but the signature must be registered to use the account.
- **Standard accounts:** remote opening with electronic signature is permitted, but the account is subject to transaction limits until the obligation of ratifying the signature and doing the subscription and the necessary verifications is met within a 30-day period.

## Colombia

- **Electronic deposits:** Those with a simplified opening process (subject to limits) can be opened electronically using information from the national identification document. Those with an ordinary process (without operational limits) are subject to the ordinary KYC procedures and require the physical presence of the customer.
- **Basic accounts:** For the opening of savings accounts under a simplified procedure (CATS), banks only need the information contained in the customers' identity cards, without the need to keep the signature register or collect the fingerprint.
- **Standard accounts:** the regulation allows the customer interview to be remote, the signature to be electronic and the fingerprint to be captured using biometric mechanisms. Nevertheless, the requirement of registration of the fingerprint makes it impossible in practice to open accounts digitally because customers have no technical means to capture their fingerprint.

## Peru

- **Electronic money:** can be opened remotely. Simplified accounts, subject to limits, are governed by the simplified due diligence regime, which requires verification of the name and national ID number with the National Registry of Identification and Civil Status. Non-simplified accounts are subject to the general system of due diligence.
- **Basic accounts:** subject to a simplified system of due diligence. Opening accounts remotely is thus permitted, requiring information from the national identity card and the address.
- **Standard accounts:** subject to the general system of due diligence. Opening by electronic means is permitted, but the regulation is more demanding as regards the identification and verification of the customer, without specifying the mechanisms for this.

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