

The Open Banking journey in Latin America

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Bruno Diniz, Managing Partner at **Spiralem** and Director at **FDATA South America**, discusses the state of play in Open Banking in Latin America, the opportunities there, and further steps to unleash the potential of Open Banking

After its inception in Europe with the Payments Service Directive 2 (PSD2), and the subsequent implementation in the UK, the Open Banking movement has spread in different parts of the world, empowering financial services consumers and giving them a bigger control over their data. Although different countries and companies are approaching this subject in different ways, it is imperative to highlight the importance of a structured regulatory and technological framework as mechanisms to enable the expected benefits of this concept, reducing market asymmetries, and allowing the improvement of financial services alternatives and experiences to the endusers.

The Open Banking movement has also reached Latin America, but the degree of development on the regulatory level varies significantly among countries. Considering the main financial markets within the region, we can see that places like Peru, Argentina, Chile, Colombia, and Bolivia are still lagging without a clear direction stated by their local authorities. Conversations among stakeholders are happening in these countries and some businesses focused on the API economy are taking form as well, but this is far from the true potential of a complete Open Banking ecosystem, which can only be achieved in the region with the intervention of the regulator.

Just Mexico and Brazil have taken steps to involve their local authorities in the process, following a top-down approach regarding this matter. It is worth remembering that both countries concentrate the majority of fintechs in the region, having clear regulations in place addressing the functioning of most verticals in this segment, like equity crowdfunding, P2P lending etc.

Besides that, they are undergoing a massive transformation in their financial markets through the creation of regulatory sandboxes and instant payments systems (like CoDi in Mexico and PIX in Brazil). Such movements aim to improve competition in the sector, lower the use of cash, foster the emergence of new business models, and boost financial inclusion.

The implementation in Mexico and Brazil

Even though these countries are progressing in their Open Banking journey, each one is doing it on its own pace. Mexico released their [Fintech Law](#) (which address a broad framework for the sector) in 2018, but the first set of secondary laws meant to establish the next steps for Open Banking implementation in the country were released by Banxico (the Central Bank of Mexico) in March 2018 and by CNBV (the National Banking and Securities Commission) in June 2020.

In the meantime, Brazil took the lead in Open Banking, with the Central Bank of Brazil announcing a public consultation regarding this subject in November 2019 and receiving inputs from the market until late January 2020. It then released the Open Banking law and its implementation schedule along with CMN (the National Monetary Council) in early May 2020.

The advances made by each country are described below:

Mexico: A general view of the Mexican Open Banking system was included in the Fintech Law in its article 76, but the specific details would be set out in further secondary laws. The initial rules published by Banxico and CNBV in the first half of 2020 focused on data about services and products offered by financial institutions in the country and includes the location of ATMs and bank branches. This stage is called 'Open Data'. Aggregated Data by the institutions and Transactional Data of the clients will be addressed in 2021 and no additional details were released yet.

Brazil: The regulation published by the Central Bank of Brazil and the CMN set the rules for many aspects of the local Open Banking system, such as objectives and principles, the minimum scope of data and services etc. Additionally, it defined the schedule for the implementation (divided into 4 phases) and determined the creation of a self-regulatory organism (composed by the regulator, representative trade associations, and an independent advisor) that will define governance aspects, establish technical working groups, and vote on different aspects belonging to each of the phases described below:

- **Phase 1:** Sharing information about products and services by participating institutions, which include ATMs and bank branches, also known as 'Open Data' phase. It would, among other things, enable the creation of enhanced product comparison tools in the financial market. Deadline for implementation: 30 November 2020.
- **Phase 2:** Sharing of basic customer data and transactional data, under the client's consent. That is considered the basic Open Banking feature, enabling many different business models. Deadline for implementation: 31 May 2021.
- **Phase 3:** Payments initiation (integrated with the local instant payments system, PIX) and sharing of a credit proposal forwarding service. This phase enables the operation of PISPs (Payment Initiation Service Providers) in the country. Deadline for implementation: 30 August 2021.
- **Phase 4:** Implementation of a broader scope of data sharing, considering pensions, foreign exchange, insurance, investment products, among others. This is considered the 'Open Finance' phase, like the one that is under discussion in the UK. Deadline for implementation: 25 October 2021.

Opportunities and next steps

As the implementation in Brazil and Mexico advances, I hope other countries in Latin America get inspired by this movement and promote these important changes in their financial systems.

Considering the increasing usage of mobile technologies in the region and the rise of the fintech phenomenon in the recent years, Open Banking has the potential to give an additional boost to financial services challengers and unlock innovative business models going forward. That will bring more alternatives to the end consumer, something critical in a region with such inequalities and low financial inclusion.

The editorial was originally published in [Global Open Banking Report 2020](#), which follows the journey from Open Banking to Open Finance and Open Data Economy and provides key insights about the benefits of Open Finance for different areas of financial service.

About Bruno Diniz



Bruno Diniz is Managing Partner at Spiralem and South America Director at FDATA. Regarded as one of the top fintech influencers in LATAM, Mr Diniz is also a professor, speaker, and author of the bestselling book 'The Fintech Phenomenon' (not yet translated).