

Prologue	BID	03-05
	Finnovista	06-07
<hr/>		
Introduction	--	08-010
<hr/>		
General overview of the Fintech sector: Main trends	--	011-013
	How many and where?	014
	The beginning of the wave	015
	Financial inclusion: Common denominator	016-26
	Focus on SMEs	027
	Technological spectrum	028-032
Towards a collaborative ecosystem	033	
<hr/>		
Fintech Segments in Latin America	--	034-036
	Alternative finance platforms	037-043
	Payment solutions	044-050
	Enterprise financial management	051-060
	Personal Financial Management (PFM)	061-063
	Enterprise technology for financial institutions	064
	Emerging segments	065-073
<hr/>		
Fintech Startup Hubs in the Region	--	074-076
	Mexico: Incubation and acceleration	077-080
	Brazil: Powerful entrepreneurial ecosystem	081-084
<hr/>		
Regulations: Enablers or obstacles	--	085-093
	RegTech: Tools for Startups and Regulators	094
<hr/>		
Regional Fintech Scale-Up Potential	--	095-107
<hr/>		
Fintech Venture Capital Investment	--	108-113
<hr/>		
Conclusions	--	114-116
	Acknowledgements	117-120
	Footnotes	121

Prologue



Juan Antonio Ketterer
Division Chief of
the Connectivity,
Markets and Finance,
Inter-American
Development Bank

The various technological developments that have occurred worldwide over the past decade –alongside the new business models they have generated– are shaking up the financial services industry’s status quo. Today, it is impossible to analyze the sector without considering the impacts of the new financial technologies and the entrepreneurs and Fintech companies that are implementing them. These are the new stakeholders competing with traditional financial institutions and challenging their largely established business models. While it is still unclear whether the sector’s transformation will occur through competition or cooperation between them, the changes that this technological revolution entails are irreversible. Fortunately, this dynamic of unstoppable changes constitutes a series of good news for Latin America.

First, it’s worth mentioning that the financial services industry’s reconfiguration following the outbreak of Fintech is likely to contribute to bridging the financial gap affecting the region’s productive sector. This is especially true for small and medium enterprises (SMEs), which play a critical role in productive development, employment, and economic growth in Latin America. On the one hand, the emergence of new online financial platforms and intermediaries –with lower transactional fees and new techniques and information sources to assess credit risk– will contribute to boost SMEs access to credit. On the other hand, existing payment solutions and digital tools to obtain better business financial performance shall not only promote these transactions’ digitalization and formalization, but also make the transaction history or digital footprint available to evaluate credit risks, creating new options to solving information asymmetries and positive consequences in terms of opportunities to obtain financial support. All of this can generate a virtuous cycle that contributes to solve the persistent challenge of the high levels of SME informality –which poses an obstacle to financial access– and SMEs impact on productivity levels. This potential is reaffirmed by the fact that one out of every four Fintech startups in the region focuses exclusively on serving the small and medium enterprises.

Secondly, this emerging context offers additional, better chances to serve a broad segment of the population that remains excluded or underserved by the traditional financial industry –most adults in the region. It’s worth noting that while financial exclusion, as measured by the possession of a bank account to holding a bank account, is estimated at about 49%¹–, this figure rises significantly when the use of credit, savings or insurance instruments is factored in

¹ Global Findex 2014 database, World Bank

The financial services industry's reconfiguration following the outbreak of Fintech is likely to contribute to bridging the financial gap affecting the region's productive sector.

All of this potential -in addition to the contribution of Fintech to a greater overall efficiency of the financial system and the development of the digital economy- has made this new entrepreneurial sector a primary area of interest for the IDB Group². This is why with this report, which constitutes the first initiative aimed at mapping and analyzing the Fintech sector in Latin America as a whole, the IDB hopes to help governments, the private sector, and citizens in the region to learn more about the various innovations that are being developed by these entrepreneurs in our countries.

The results obtained by this investigation are very positive and promising, showing that a dynamic Fintech sector is developing in Latin America, offering a wide range of solutions that include all segments and underlying technologies being used globally. Nevertheless, although the outlook looks promising, the sector is still young and needs a solid ecosystem that can foster an adequate growth. Here is where the public sector can play a pivotal role, which is why the IDB hopes this document will help promote dialogue and actions directed at designing strategies and policies that maximize the benefits offered by Fintech in a context that protects consumers and the financial system, while minimizing risks for both.

The Fintech revolution has come to Latin America to stay. We still have to decide how we will embrace this essential tool, which is vital for the development of the digital economy in our region, in a way that best serves our interests and needs. We invite you to thoroughly examine all these innovations, their benefits, risks, and different ways in which we may proceed to foster them in our milieu in the best possible way.

² The IDB Group includes the Inter-American Development Bank, the Inter-American Investment Corporation, and the Multilateral Investment Fund

Andrés Fontao
Co-founder & Managing
Partner at Finnovista

All around the globe, the financial services industry is undergoing a digital transformation that threatens not only its magnitude and revenue but also, in some cases, the very existence of those traditional stakeholders who find it hard to adapt to technological breakthroughs and to their clients' demands. From the world's largest financial centers, such as London, New York and Singapore, to the main hubs of young startups, such as San Francisco, Tel Aviv and Berlin we are observing the birth of a new surge of technological ventures that compete head to head with the financial sector's traditional stakeholders -banks, insurance agencies, and payment networks.

Compared to the industry's traditional stakeholders, these entrepreneurs successfully innovate by introducing disruptive business models, taking advantage of the new technologies' functionalities and lower costs to offer more efficient products and services. And efficiency is not the only benefit. They also offer the possibility to attract new clients -individuals and institutions- to the formal financial system.

Latin America is no stranger to this tendency. From Mexico City, Buenos Aires, Santiago, São Paulo, Lima, Quito or Bogota -among many other cities-, Fintech startups are emerging to respond to and satisfy the needs of the local markets. Through this study, conducted in collaboration with the IDB, a total of 703 startups of this nature have been identified throughout the region covering diverse segments, markets, and geographies that we will explore later on. Some of these companies have already matured and managed to finance themselves, be it through significant quantities of foreign funding or specific resources invested in these types of enterprises globally to grow and boost their operations throughout the region and beyond; others - in earlier stages - are still engaging with the industry and validating their value proposition and business models. Nevertheless, and independently of the stage or level of maturity as enterprises, they all share the same vision: the need and obligation to take advantage of an opportunity they have identified to transform and improve the financial services industry.

The opportunity for Fintech is huge: it is estimated that financial exclusion measured by holding or not a bank account is 49% in the region. The vast majority of Fintech ventures help to eradicate exclusion and promote greater inclusiveness.

One of the main differences between the region and developed countries is that there is still a significant part of the population in the region that lacks access to formal financial services. The figure is currently 49%³, making financial inclusion one of the main goals of the 21st century for governments, development agencies, multilateral banks, and NGOs in Latin America. This is why there are few Fintech startups that don't promote inclusion to some extent, while there is no doubt they all support the eradication of exclusion.

Nevertheless, and despite the signs that validate the significant potential of Fintech firms surging in the region, the road is long and there is yet much to be done before we can contemplate ecosystems of financial services similar to those in place in Asia or Europe. Cooperation among startups and the industry's traditional stakeholders is a key element that must become rooted in Latin America. Regulation is a factor that needs to be covered by governments and legislators -as has happened in countries such as Singapore in Asia and the UK in Europe. The point of this is not to restrict or apply further controls but to promote competitiveness and innovation in the national and regional spheres.

We hope this report is deemed useful by all those participating in this ecosystem and serves to support the consolidation of Fintech startups in Latin America.

³ Global Findex 2014 database, World Bank

Introduction



This report is the first effort to systematically describe Fintech's business activity throughout Latin America and is the most exhaustive to date.

The financial service industry's recent transformation has accelerated thanks to the emergence of new financial technologies (Fintech)⁴ applications to supply products and services in the industry. The implications of this transformation are diverse. On the one hand, the guidelines of competition and competitiveness are being modified not only within the industry but also amongst countries in the region and between these and the financial industries of more developed countries. On the other hand, the public's access to a more democratic, transparent and less excluding financial system is expanding, becoming a tool for social impact and inclusive prosperity.

Given the strategic importance of the Fintech sector for the region, the Inter-American Development Bank (IDB) has considered it paramount to conduct a comprehensive study of the sector in Latin America. Detailed knowledge of the solutions being developed in the region will allow us to understand how this digital shift of the financial services industry is taking place, and to detect findings that lead to the design of public policy, an increase in public and private investments in strategic segments for financial technologies, and the resulting development of a larger amount of differentiated services and products for each segment of the population.

In this context, this report represents an initial effort to systematically describe the commercial activities of Fintech in Latin America. In the first part, we offer an overview of the sector and its main trends in terms of emergence, magnitude, and location of the main startup hubs, as well as of the forces that drive the businesses, their potential clients, deployed technologies, and the development of a collaborative system. In the second part, different types of innovation observed throughout the region are analyzed in further detail, dividing them in 10 large segments among which platforms of alternative finance and payment solutions stand out. Startup hubs in Mexico and Brazil are the focus of the third part, being these the two leading countries in this activity. Part four discusses the creation of public policies and specific sector regulations such as mechanisms to achieve financial inclusion goals and boost consumers' trust in the services offered by these young

⁴ Portmanteau of *financial technologies*.

enterprises. In the fifth part, we analyze the industry's scaling potential, its internationalization, and its growth given that increasingly more and more Fintech firms are expanding their services outside of their home countries, seeking to operate sustainably and create jobs throughout the entire region. In part six, we estimate the amount of venture capital investment in the sector stemming from angel investors, startup accelerators, private capital funds -from Latin America as well as from the United States and Europe-, and from financial and non-financial corporate entities. Finally, the seventh and last part provides a series of conclusions regarding the evolution and future development of Fintech firms in the region.

The trends displayed in this report show Fintech's recent momentum in Latin America. This drive could give birth to a more innovative and inclusive digital financial services industry, as long as corresponding public policies -such as economic and regulatory conditions- promote their consolidation and growth -especially considering the existing gap between their development in Latin America vis-à-vis Europe, Asia and the United States.

**General
overview
of the fintech
sector: main
trends**



This report is the result of the largest effort to date to obtain information on the state of Fintech firms in Latin America. The document was produced on the basis of the results of a survey answered by 393 Latin American Fintech⁵ startups in 18 countries in the region⁶, from available secondary sources, and from previous research conducted by Finnovista and the IDB⁷.

To segment the platforms and startups, the Fintech sector's taxonomy had to be defined according to their main activities. Such taxonomy integrates definitions previously published by other studies, and has been complemented to define 10 large segments, as can be observed in figure 1.1:

⁵ The survey was launched on Sept. 13, 2016 and this report reflects the answers obtained by Dec. 19, 2016.

⁶ Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay & Venezuela.

⁷ None of the figures presented in this report refers to a specific startup or firm. However, some cases were selected in order to illustrate certain trends observed throughout the region.

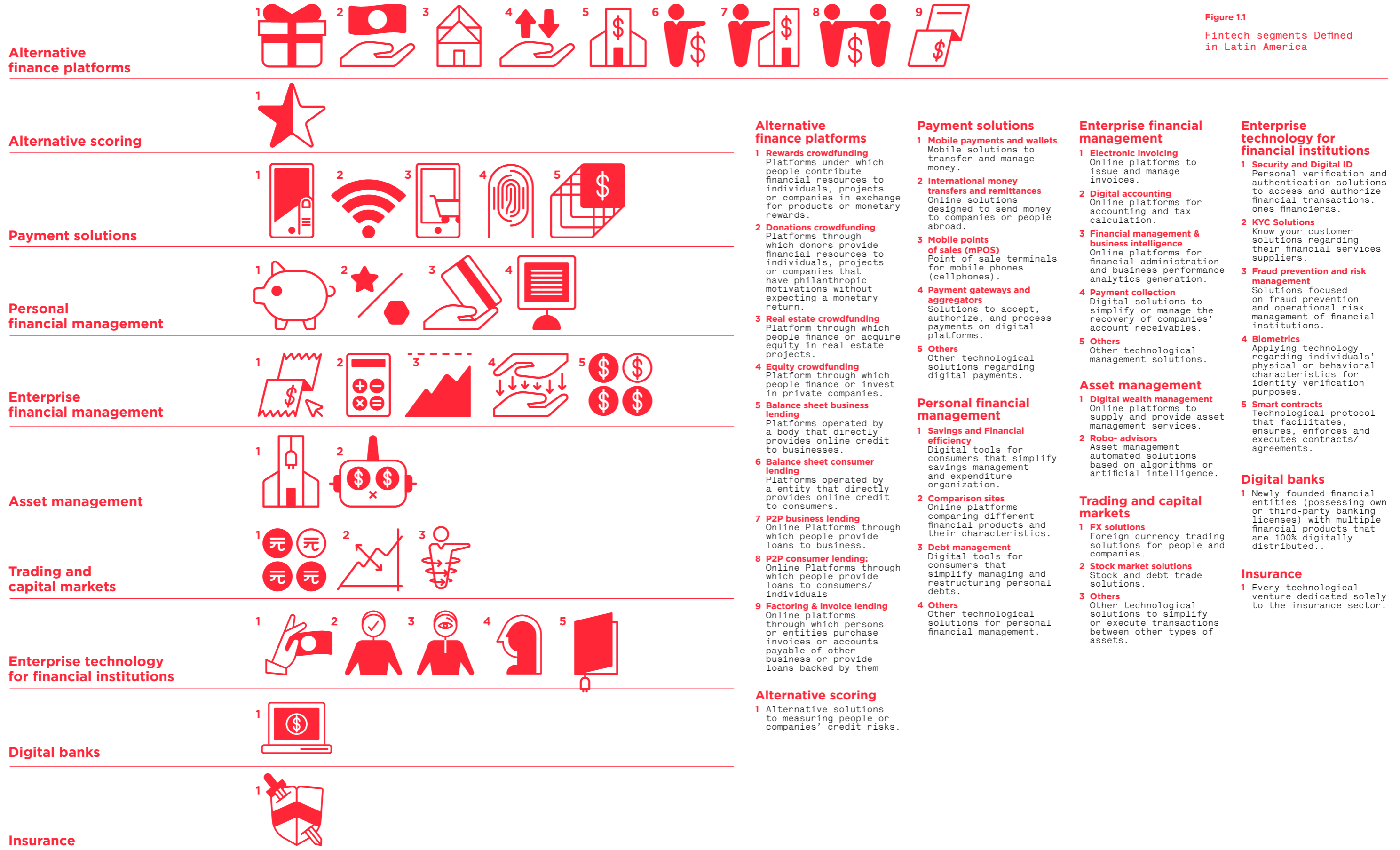


Figure 1.1
Fintech segments Defined in Latin America

How many and where?

Research has allowed us to identify 703 Fintech startups located in 15 out of the 18 countries in Latin America in which the survey was conducted. Brazil provided the largest amount of startups to this poll (230), followed by Mexico (180) (chart 1.1), Colombia (84), Argentina (72), and Chile (65). Together, these five countries concentrate almost 90% of all Fintech activity in Latin America, while the remaining 10% is scattered among Peru, Ecuador, Uruguay, Costa Rica, Paraguay, Venezuela, Guatemala, Dominican Republic, Honduras, and Panama. A very small amount of American, Asian or European Fintech startups were identified as having their main market in Latin America.

Chart 1.1

Fintech by country and origin



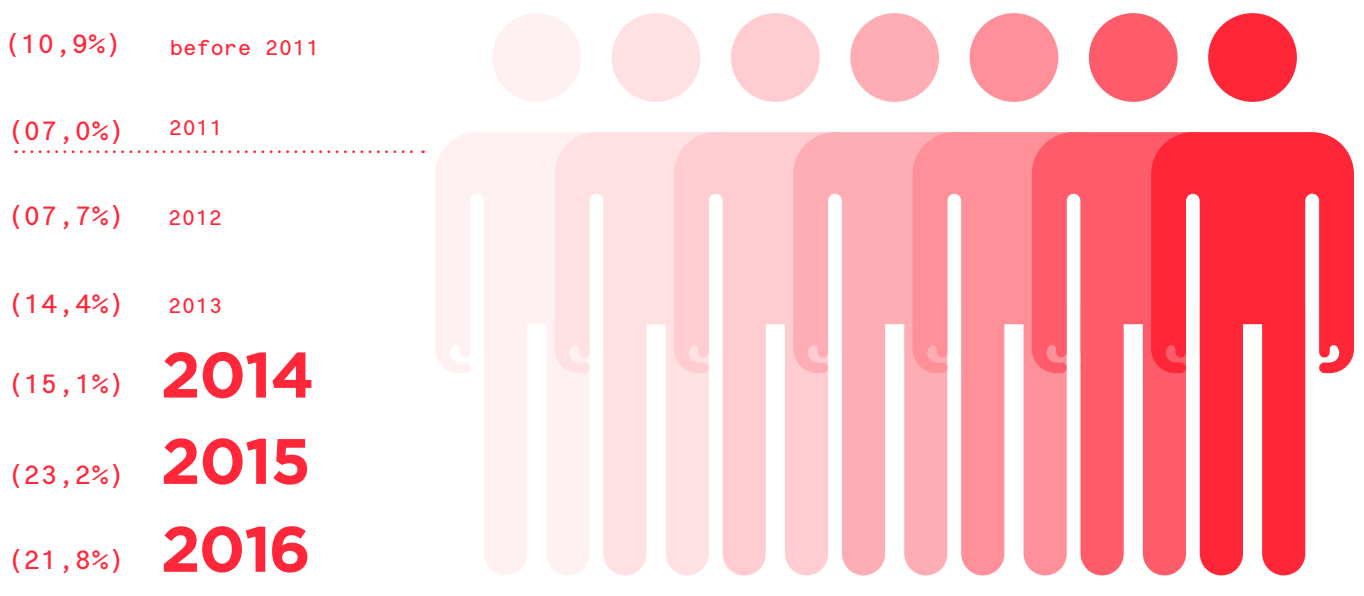
The beginning of the wave

The survey allows us to determine both the moment in which Fintech startups began to appear in the region, as well as the time when this trend consolidated. Nearly 11% of them existed before 2011 –year in which the first startup hub appeared, accounting for 7% of the total. By 2013, 40% of the startups that were being tracked down had been founded, and by 2015 their number rose to 78.2%. In other words, 60.1% of all Fintech startups operating today in Latin America came to be between 2014 and 2016 (chart 1.2.) This boom shows that there is a clear perception among entrepreneurs of the sector’s potential, opportunities to strengthen the industry, and its impact. However, it also underlines the need to tackle significant challenges; most products and business models have not been in the market for long and still need to develop and grow before these startups can turn into long-term sustainable companies.

It is estimated that 60% of all the young Fintech startups currently operating in Latin America were established between 2014 and 2016.

Chart 1.2

Year of incorporation of Fintech startups



Financial inclusion: common denominator

More than 40% of survey respondents said their mission is to serve clients who would otherwise be excluded or underserved by the traditional financial service sector.

An important trend among Fintech startups in Latin America is that they seek to serve segments previously neglected by the financial system. Accordingly, 41.3% of survey respondents said their mission is to serve clients who would otherwise be excluded or underserved by the traditional financial service sector, be it individuals or SMEs. This is a positive sign in a region characterized by high levels of exclusion by the formal financial system, in all income levels. Although an estimated 59% of the people representing the poorest 40% of the population lack an account in a formal institution, the same is true for 42% of those within the wealthiest 60%⁸. Even though people and SMEs who are -willingly or not- excluded from the financial system do save and have access to credit, they do so in the informal sector, which tends to offer them insufficient solutions with foreseeable consequences in terms of high costs and insecurity.

What is the role of Fintech firms in this context? What we have observed so far is that their technological and strategic orientation, as well as their business models, provide the conditions to tackle two major obstacles that have prevented further progress when it comes to financial inclusion: (i) limitations due to the lack of demand, reflecting the absence of products adapted to the needs and that bring value to each segment; and (ii) high operational costs versus low profit margin that serving the excluded segments represents when using traditional methods.

Therefore, the diversity and specificity observed in the nature of these startups reflect the need to focus on serving different clients, looking to best satisfy their needs, and adapting to new consumer behaviors. By deciding to focus on specific segments, Fintech firms seek to resolve concrete problems putting the consumer at the center of their activities. This provides a more appropriate product design while solving challenges related to the lack of adequate value proposals -all of which affects current product and service demand of the traditional financial sector. In turn, lower supply costs thanks to digital channels, new approaches that leverage numerous sources of information, and new techniques to evaluate clients, their behaviors and risks have simplified the emergence of services more affordably targeting unserved or underserved segments. Consequently, it is not by chance that several governments throughout the region are considering Fintech development as one of the pillars to reduce financial exclusion.

⁸ World Bank's Global FINDEX Database, 2015.

9

Employees
26-50



10

Annual income
+25k-75k USD



8

Investment
+500k-2M USD

7

Investors

Polymath
Ventures,
Genera

6

Founders

Ana Barrera,
Manuel Jiménez



Origin 3
Colombia



Development stage

5 Ready to
scale



2

Segment
Alternative
finance platforms:
Balance sheet
consumer lending

4

Foundation
2014



1

What they do

Aflore offers financial products to the unbanked population in Latin America, a market of 250 million people. Through a network of selected Informal Financial Advisors, educated and equipped by Aflore, loans and insurance are distributed. The business model enables to access detailed information on behavioral pattern through a low-cost channel. Currently, Aflore has more than 3,000 advisors and has disbursed more than US\$1.3 million in loans. Aflore is a company of Polymath Ventures, oriented to building companies with potential in Latin America, and has received different awards, such as the Latin American BBVA Open Talent Award nomination.

Ana Barrera,
CEO & Founder, Aflore

"Our secret is to formalize behaviors that now exist in the informal system, where people lend money to each other and participate together in savings and credit clubs."

3 Origin
Miami, USA



5 Development stage
Ready to scale

6
Founders
Dan Cohen,
Gabriel Sternberg



7

Investors
Accion Venture Lab,
Inicia Partners

Segment **2**
Enterprise
financial
management



1

What they do

Digital platform that allows small businesses in emerging markets to finance their weekly inventory of consumer goods, creating an ecosystem of payment without money in the supply chain of consumer goods. Currently, Tienda Pago operates in Venezuela, Peru and Mexico, and has deals with major distribution companies operating nationwide. Thanks to Tienda Pago, businesses can buy all products, increase sales and profit margins, generate more income and create a formal credit history. In 2016 Tienda Pago got a round of capital led by Accion Venture Lab.

Tienda Pago

8

Investment
+2M-6M USD

9

Employees
51-100



10

Annual income
+125k-250k USD



<http://www.tiendapago.com/en/>
@tiendapago

Tienda
Pago



"Once mom and pop shops understand the impact of injecting extra capital to a store to buy more inventory, its amazing the result and the happiness of the owners."

Dan Cohen, Foundador & CEO, Tienda Pago Holdings Inc

3 Origin
Mexico



Segment

2

Alternative finance
platforms: P2P
consumer lending



1

What they do

The first online peer to peer lending community in Mexico and the first in Latin America authorized by a financial authority (Comisión Nacional Bancaria y de Valores in México). It is a platform where credit applicants with good credit history obtain better interest rate and terms, while investors who lend to borrowers get better return on their investments. Currently, kubo.financiero has an average rate of 30.26%, has granted 6,729 loans (\$159 million Mexican pesos), has 6,616 clients, and grows to 300% per year. In its Series A round, the startup raised US\$7.5 million to be invested in marketing strategies to prospect more customers, technologically enhance the entire platform, launch new products, add electronic payments, service payments and partnerships with insurance companies.

4 Foundation
2012

Development stage Estado

5 Growth and
expansion

6

Founders

Vicente Fenoll,
Alfredo Acevedo,
Rogelio Monroy



7

Investors

Alta Ventures, Capital Invent, Wayra México, Vander Capital Partners, Bamboo, Nacional Financiera, Bamboo Finance, Servicios Monex, KuE Capital, Tanant Capital, Endeavor Catalyst, and angel investors

**kubo
financiero**

9

Employees

51-100



10

Annual income

+500k-2M USD



8

Investment

+6M-15M USD

<http://www.kubofinanciero.com>

@kubofinanciero

"We're people investing in people for the development of Mexico, a financial community where everybody wins."

Vicente Fenoll, Founder, Kubo.

1 What they do

They help lenders in emerging markets to approve more credit application safely. With 10 years of experience, it has enabled credit for more than US\$1 billion worldwide. EFL is the alternative credit rating platform with a stronger track record of serving institutions in Latin America, Asia and Africa. EFL is at the forefront of behavioral data studies and can be applied universally and online. It can help turn a 'No' into a 'Yes' safely.

3

Origin
Peru



2

Segment
Alternative
scoring



4

Foundation
2010

5

Development stage
Growth and
expansion

6

Founders

Bailey Klinger,
DJ DiDonna,
Asim Khwaja



7

Investors

Confidential



9

Employees

51-100



8

Investment

Confidential

10

Annual income

Confidential



All of this indicates that Latin America is currently going through a highly favorable moment combining several positive trends that favor the previously mentioned goal: (i) fully-functioning technological startup ecosystems with critical mass; (ii) emerging young talent with expertise in financial services and digital technologies; (iii) presence of national and international entrepreneurial capital investors betting on the region; (iv) vast majority of the population having access to affordable ubiquitous digital technologies; (v) governments increasingly interested in innovation reaching those so far excluded; (vi) a young and expanding middle-class in the region; (vii) innovative solutions that are not limited by obsolete infrastructure (known as legacy.) The trend is clear: Latin America is on the brink of a huge digital leap that will bring generalized low-cost digital financial solutions to large population segments, leading to the eradication of the region's financial exclusion⁹.

"Our commitment is to improve the access to qualified financial products to people that, even being responsible, stay outside from the traditional financial system."

Jorge Camus, Co-Fundador de Destacame

⁹ With fragments of two previous Finnovista publications: "2017 será el año del Fintech for Inclusion en América Latina" by Fermín Bueno y "Fintech for Inclusion ya representa el 40% de la innovación Fintech en América Latina". Finnovista, Dec. 20, 2016. Link: <http://www.finnovista.com/tag/inclusion-financiera-en/?lang=en>

3 Origin
Chile



2

Segment

**Alternative
scoring**



1

What they do

It is a platform that helps people to access financial services. It created an alternative scoring that uses information from the payment history of basic services bills to evaluate its payment behavior, helping its users demonstrate how good payers they are to financial institutions. Destacame has developed nine pilot projects with financial institutions, has partnered with five service companies and has more than 180,000 users. In 2015, Destacame won the BBVA Open Talent Latinoamérica, in the special category of Financial Inclusion, as well the National Innovation Award (Avonni) awarded by the Chilean Government and the Digital Bank award given by Chilean financial institutions. Finally, had the first grant of Catalyst Fund (sponsored by Bill and Melinda Gates Foundation and JP Morgan) in 2016. Destacame has received two capital injections up to US\$1.4 million, most recently led by Accion Venture Lab and Mountain Nazca.

4 Foundation
2014

Development stage

**Growth and
expansion**

5

6

Founders

**Sebastián Ugarte,
Jorge Camus,
Augusto Ruiz-Tagle**



Destacame

10

Annual income
<25k USD



7

Investors

**Accion Venture Lab,
Mountain Nazca**

8

Investment

+500k-2M USD

9

Employees

11-25



<http://www.destacame.cl>

@destacameCL

Focus on SMEs

Fintech's services to SMEs may increase access to credit: the digital history of their transactions or other digital prints can be used by new methods to evaluate risks, partially mitigating information asymmetries that complicate credit risk assessment.

The survey shows that serving SMEs is another important aspect. One out of every four Fintech startups considers them to be their main client, independently of whether they already participate in the formal banking system; they offer them a different set of solutions beyond alternative means of finance including payment collection, digital accounting, international payments, and invoice financing or factoring, among others. This tendency is undoubtedly very positive for SMEs in the region. For one thing, there is evidence -especially in developed countries, where the Fintech industry is more mature- that alternative financing models such as crowdfunding especially benefit smaller and younger companies, as well as those that lack access to traditional credit. At the same time, the new tools offered by Fintech to mainstream SME digitalization have a large potential to change the way these financial services are accessed, the way they relate to them, and their formalization. For instance, SME digitalization may increase access to credit given that the digital history of their transactions or other digital prints can be used by new methods to evaluate risks, partially mitigating information asymmetries that complicate credit risk assessment.

Therefore, as new technologies arise and it becomes easier to digitalize and handle information -especially, transactional-, there will progressively be more and more SMEs capable of gaining access to credit with the help of mechanisms that reduce the need for bank guarantees -one of the main obstacles both for entrepreneurs and SMEs. In other words, Fintech solutions will significantly improve the credit offer among excluded or underserved sectors that have a limited productivity due to lack of financing. This would enable a shift in the balance between the costs and benefits of formalization.

Generally speaking, the distribution model analysis shows that 45.6% of Fintech startups run a B2B (business to business) model, while the remaining 54.4% run a B2C (business to consumer) model. Among B2B solutions, over half (52.5%) identify SMEs as their main client, while 24.4% have developed solutions for financial entities and 23.1% target other corporate institutions. 53.4% of consumer offers via B2C models' are aimed at those who are already banked, while 46.6% of B2C Fintech are oriented to base-of-the-pyramid consumers who are sub- or unbanked.

Technological spectrum

From a technological perspective, many of the underlying technologies aiming at current Fintech startups globally are at the same time being adopted by Latin American entrepreneurs to enable their own business models, from cloud computing to what is known as distributed database or blockchain technologies.

Regarding the main technologies behind the region's Fintech startups (chart 1.3), the survey indicates that 21.2% utilizes big data/information analytics, 18.6% mobile technologies and apps, and 16.4% develops Application Program Interface (API) and open platforms. It is worth mentioning that among the latter, 7.9% of startup respondents indicated they use cryptocurrency and blockchains, while 5.9% reported the use of machine learning.

Chart 1.3
Use of underlying technologies in Latin American Fintech startups



21,2%

Big data & Analytics

18,6%

Mobile & Apps

16,4%

APIs & Open platforms

13,3%

Cloud Computing

9,6%

Crowdfunding

7,9%

Cryptocurrency & Blockchain

5,9%

Machine learning & AI

9,3%

Others

In this sense, even though cryptocurrency and blockchain only represent around 8% of the region's Fintech solutions, these have begun to gain popularity thanks to payment solutions and money remittance as part of these startups' business models. There, the observed application of these technologies is mainly divided between three Fintech segments: (i) trading and capital markets, 43.5% of the startups in this area, which reflects the creation of several Latin American currency markets or trades that mainstream digital currency trade; (ii) payment solutions, 43.5%, which reflects the convenience of people and companies being able to make direct transactions without the need of intermediaries; and (iii) smart contracts, an emergent segment, with only 13% of solutions relying on distributed databases but with an interesting impact and growth potential over the following years. In the geographic sphere, Brazil and Argentina are the countries in which these three types of platforms prevail (52.2% of startups), while the rest are mainly located in Mexico, Chile, Colombia, and Venezuela.

"We're convinced that our society needs a more inclusive and democratic financial system. The smart grants plus transparency and the low costs of the blockchain technology might change the reality of 50% of unbanked people in the world."

Diego Gutiérrez Zaldívar, CEO, Gabriel Kurman, Co-Founder, Rubén Altman, Co-Founder, Adrián Eidelman, Co-Founder, and Sergio Lerner, Co-Founder, RSK Labs

1

What they do

A decentralized platform of smart contracts guaranteed by the Bitcoin network. The RSK aims to add value and functionality to the Bitcoin network implementing smart contracts, instant payments and greater scalability. Sergio Lerner, Chief Scientist and co-founder of RSK, states that its virtual machine is six times faster than its competitor, Ethereum. In March 2016 RSK announced a raising funds of US\$1 million to develop its platform, in a round led by Bitmain Technology, the world's largest bitcoin hardware mining company, Consilium, a leading firm of Blockchain and Digital Currency Group, and a successful New York investing group. This funding will allow RSK Labs to expand its current presence in Latin America to Asia, Europe and the United States in order to achieve financial inclusion for those outside the traditional financial system.



Segment

2

Enterprise technology for financial institutions: Smart contracts

3 Origin
Argentina



4 Foundation
2016

5 Development stage
Beta / Prototype



6

Founders

Diego Gutierrez Zaldívar,
Sergio Lerner



7

Investors

Bitmain, Consilium Group, Digital Currency Group

10

Annual income

No information



8

Investment

+500k-2M USD

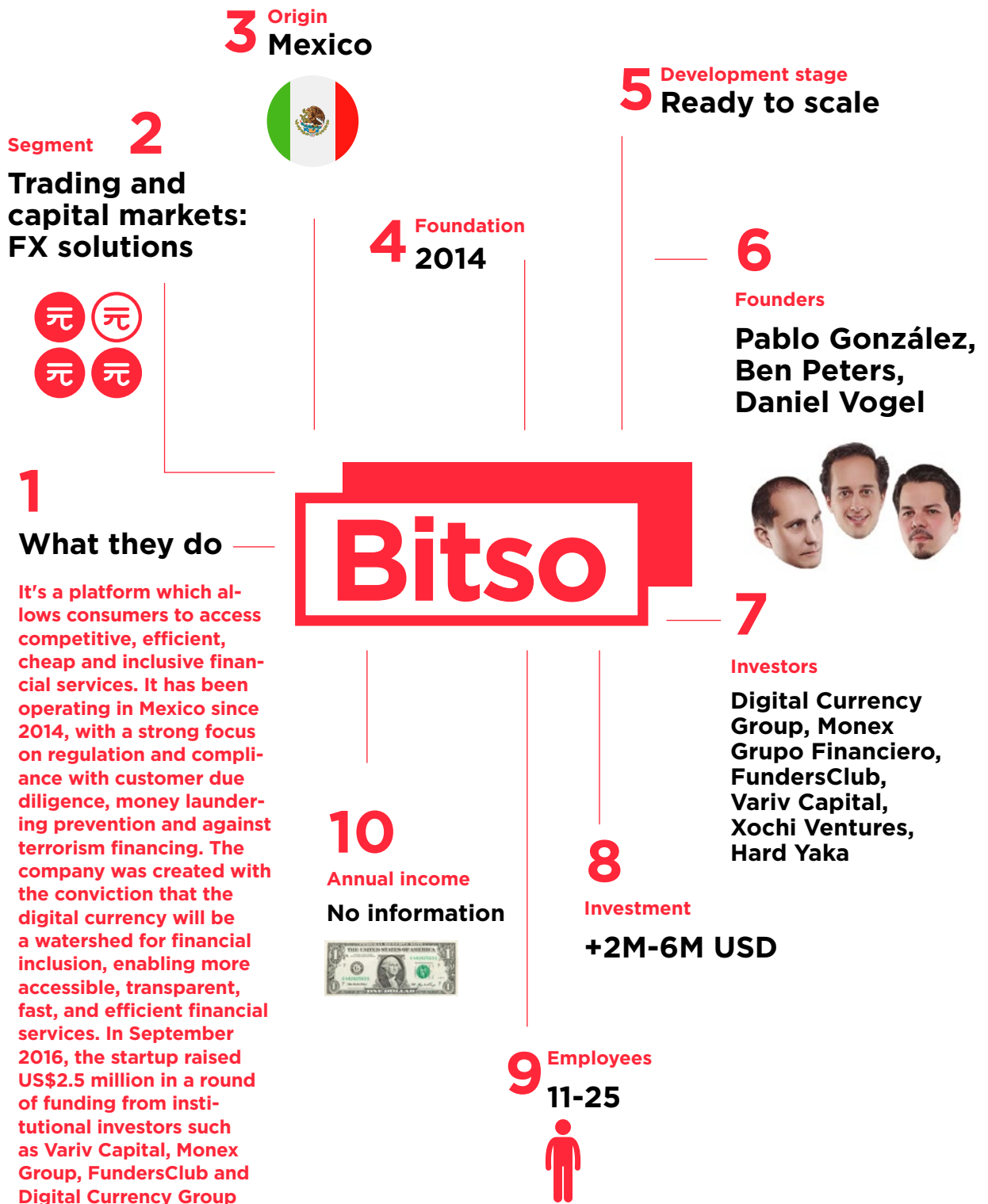
9

Employees

11-25

<http://www.rsk.co>

@RSKsmart



"Our goal is to improve the access, reduce costs and increase the quality of the financial services in Mexico throughout the use of bitcoins, what is going to be a watershed to the global financial inclusion."



Towards a collaborative ecosystem

Although the goal of this study is to analyze Fintech startups and not the entire Fintech ecosystem in Latin America, we must highlight the importance and presence of other key actors operating in it.

In the first place, the presence of financial institutions that operate as investors and/or strategic partners of Fintech firms is becoming more evident. Secondly, governments –particularly financial regulating agencies– express an increasing interest to reach out to, get to know, and cooperate with these startups. This trend began years ago through the following activities, among others:

- Support and assistance from traditional industries and government entities to Fintech events in the region, such as FINNO-SUMMIT (in Bogota and Mexico City) and the NXTP Fintech conference (in Buenos Aires).
- Spaces in which to collaborate with Fintech such as CUBO of the Banco Itaú bank.
- Open-innovation initiatives as is the case of Fiinlab by Genera and coFintech by BanRegio.
- Fintech investment programs like the one managed by Veronorte for Grupo SURA.
- Fintech startup competitions such as Innotribe Startup Challenge and BBVA Open Talent.
- Celebrating “Crowdfunding Day” in October 2016, led by Crowdfunding Mexico with the support of the Multilateral Investment Fund (MIF) of the IDB Group.
- Creating Fintech and crowdfunding associations in several countries in the region (Mexico, Brazil, Colombia, Chile & Argentina). Public consultations or announcements of possible regulatory or legislative proposals applicable to Fintech or some of its segments in Mexico, Brazil, Colombia, and Chile.
- Public banking development initiatives to support Fintech entrepreneurs as is the case of “Aplicando a México” of the country’s national financial agency Nacional Financiera (NAFIN).
- Incubation and acceleration programs specialized in Fintech startups.

However, Latin America is still not at the levels of Europe or Asia, where collaborative programs are already in place among important actors within the industry, such as: (i) Startupbootcamp Fintech Singapore or Startupbootcamp Insurtech London, (ii) regulatory test benches (sandboxes) such as those adopted by the regulators in the United Kingdom (Financial Conduct Authority) and Singapore (Monetary Authority of Singapore), and (iii) corporate risk capital funds for Fintech like the ones launched by the banks BBVA and Banco Santander.

Nevertheless, collaboration in the region is becoming more frequent and the growing development of the Fintech industry will allow the expansion in quantity and quality of synergies between different actors in the ecosystem.

**Fintech segments
in Latin America**



The boom of the collaborative economy, together with the emergence and expansion of platforms such as Idea.me, Fondeadora (now part of Kickstarter) or Broota, since 2011 to crowdfund projects, and the later development of finance platforms for real estate businesses or companies in exchange for stock has led the business models based on this platform to be the most popular.

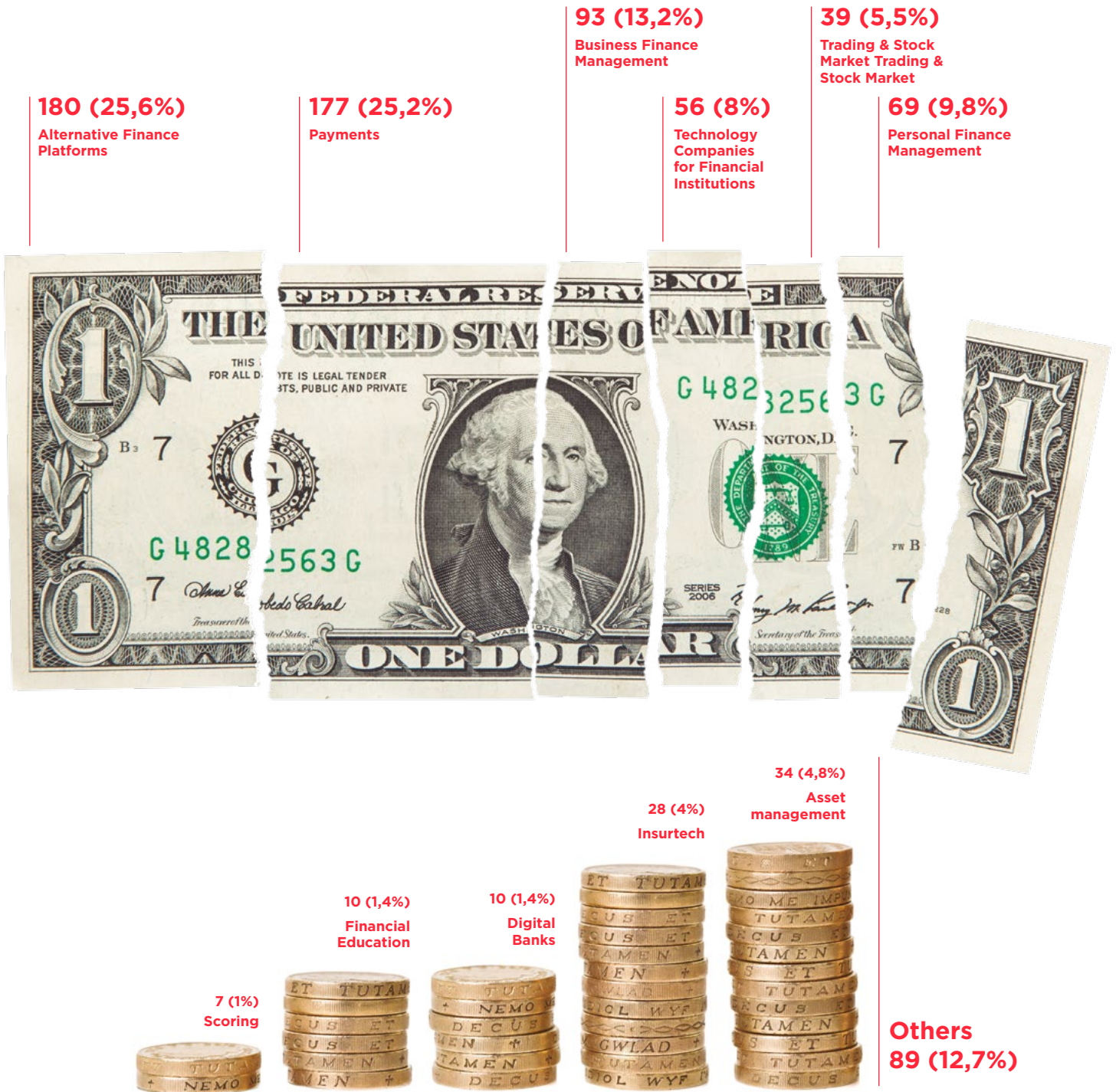
Fintech entrepreneurs in Latin America have developed a series of solutions and platforms, generating opportunities for consumers, SMEs, and financial institutions to access a larger number of financial services and improve the conditions to manage their finances or trade their assets.

In the region, the main modalities are the alternative financial platform segments with 25.6%, and payment solutions with 25.2%. Together, these two represent over half (50.8%) of the Fintech startup universe identified in this study (chart 2.1). This may be the response entrepreneurs have found to the traditional financial system's limitations and deficiencies, both regarding national and international transfers and digital payments, and access to financial mechanisms.

Furthermore, 23% of identified startups offer financial management platforms. 13.2% of them are focused on enterprise financial management and 9.8% on personal financial management. This makes it easier for SMEs and consumers to access tools that help them improve the quantification and/or administration of their financial resources -as well as to comply with their duties.

The rest of the startups are distributed among other segments that, despite being less represented, could also see a significant boost in coming months and years in the face of the financial sector's imminent transformation. This section includes tech companies for financial institutions (8.0%), asset trading and stock market (5.5%), asset management (4.8%), insurance (4.0%), digital banks (1.4%), financial education (1.4%), and scoring (1.0%). Growing solution penetration in predominating segments is expected to lead to further deployment of solutions in more specialized or sophisticated segments.

Chart 2.1
Fintech by
business segment



Alternative finance platforms

One of the main characteristics of most new financial intermediaries in the realm of alternative financial platforms is that they involve financial or online credit platforms with a business model based on the direct matching between lenders/financers and borrowers. Although initially the idea was that these types of platforms would connect individual investors and debtors one on one, the recent tendency is to seek the involvement of institutional investors. At the same time, platforms that offer financing from their own balance sheets are experiencing a boom.

In Latin America, this alternative finance platform segment is made up of three types: loans, 98 companies (54.4% of the total); crowdfunding, 65 companies (36.1%); and invoice financing or factoring, 17 companies (9.4%). Together, these three sub-segments account for 25.6% of all Fintech startups identified in this report, putting this segment at the top of the list in terms of number of firms (chart 2.2).

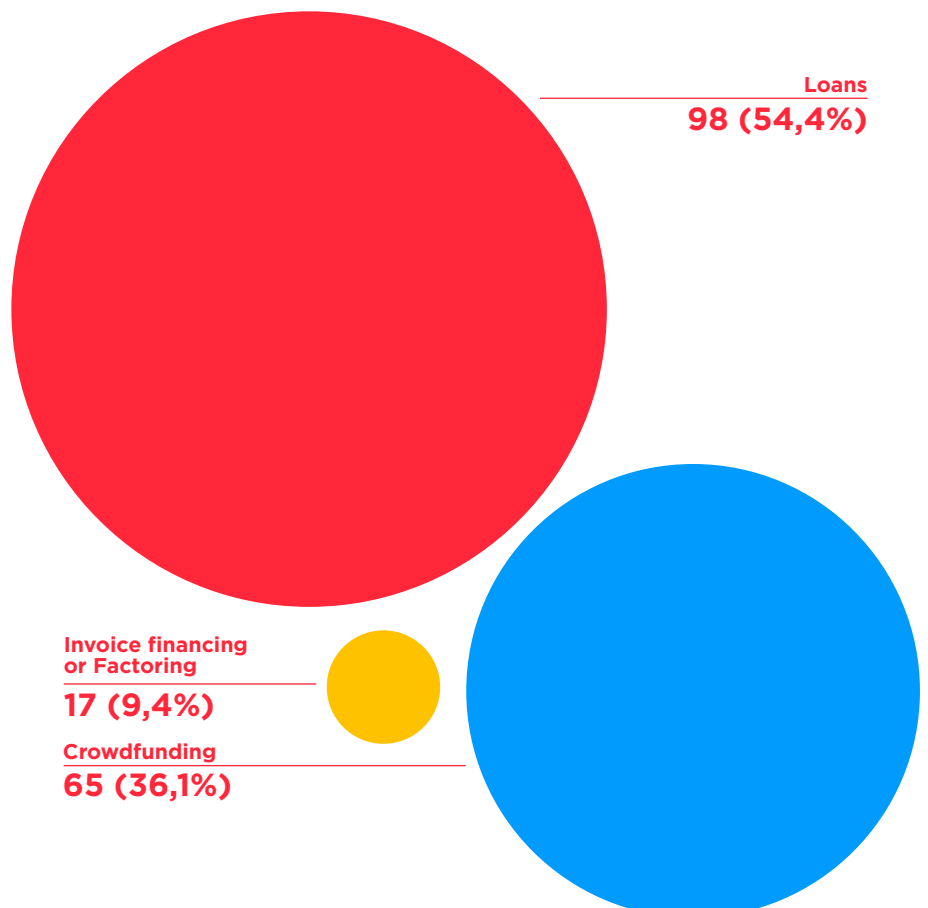


Chart 2.2

Alternative finance segment

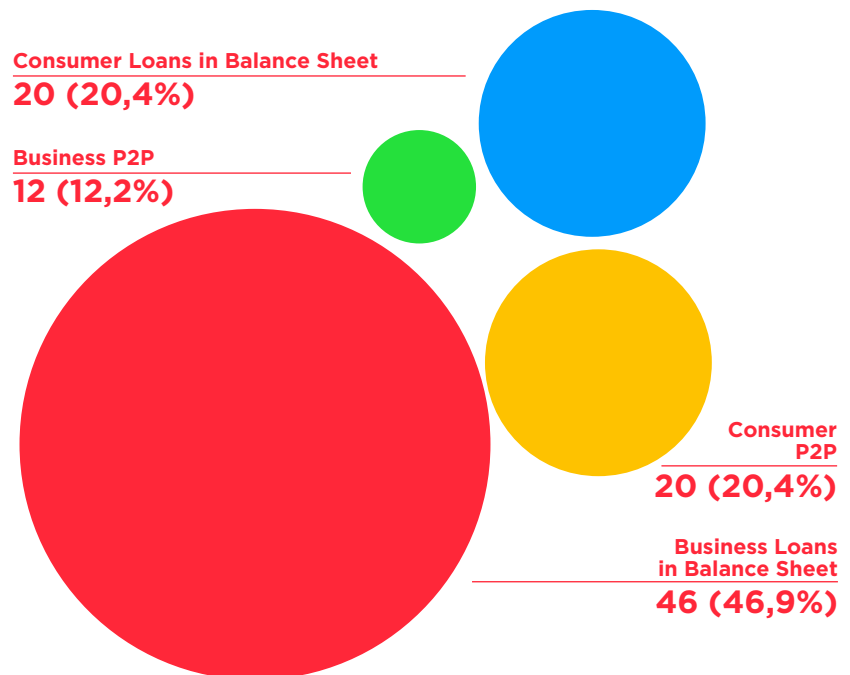
In the case of loans, two-thirds go to consumers, while a third go to business.

Despite being one of the most important Fintech segments in the region, the amounts channeled are still limited, although they are rapidly increasing. In a report sponsored by the IDB¹⁰, the segment's estimated total sum of alternative finance in Latin America and the Caribbean channeled only about US\$110.46 million in 2015, albeit posting an average annual growth of 130% since 2013. It should be noted that the study also found that nearly 70% of this activity has focused on lending to companies, especially smaller firms -while the remaining 30% was destined to consumer credit. The relevance of these platforms is expected to continue growing significantly over time considering that access to credit -and to alternative finance mechanisms in general- is becoming increasingly important because they represent consumers and SMEs latent needs.

In terms of lending, approximately one third (32.6%) of the platforms work under a peer to peer model while the remaining two thirds (67.3%) finance the loans directly from their own balance sheets (chart 2.3).

From the client segment's perspective, two thirds of Fintech firms engaged in lending mainly serve consumers (67.3%) while the remaining one third targets businesses. The distribution of the 98 lending platforms is the following:

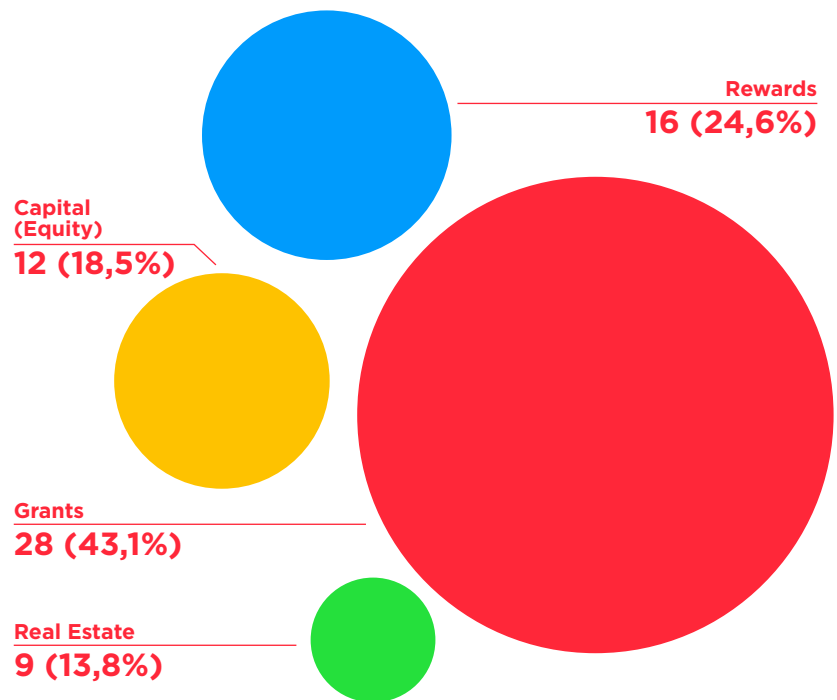
Chart 2.3
Lending subsegment



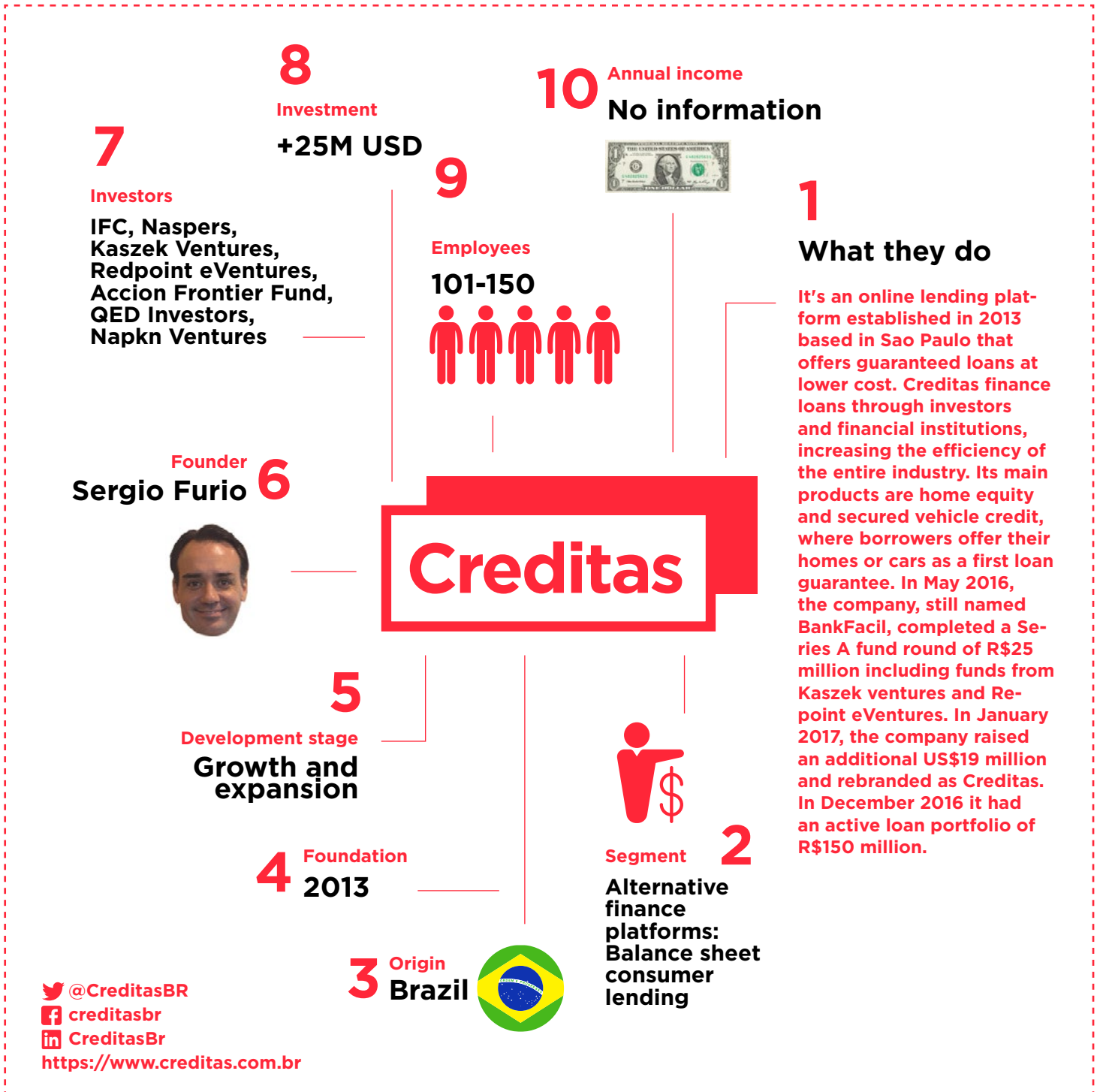
¹⁰ Wardrop et al. 2016. Breaking New Ground: The Americas Alternative Finance Benchmarking Report, Cambridge Center for Alternative Finance.

Crowdfunding is different from lending platforms because it relies on funding shareholdings or donations, rather than debt instruments. It's one of the most popular segments among the population of Latin America and the Caribbean, having increased its market volume from US\$7.15 million in 2013 to US\$34.76 million in 2015¹¹. The boom of the collaborative economy, together with the emergence and expansion of platforms such as Idea.me, Fundador (now part of Kickstarter) or Broota, since 2011 to crowd-fund projects, and the later development of finance platforms for real estate businesses or companies in exchange for stock has led the business models based on this platform to be the most popular. The distribution of the 65 crowdfunding platforms is as follows (chart 2.4):

Chart 2.4
Crowdfunding
segment



¹¹ Breaking New Ground Report, The Americas Alternative Finance Benchmarking Report, April 2016.



Far from the lending and crowdfunding segments is that of invoice lending or factoring. The report allowed us to identify 17 startups in this category representing 9.4% of alternative finance platforms. However, supply chain management and financing, as well as optimizing working-capital management, are two of the most common problems SMEs face. This is the reason why, over the past few years, supply chain finance platforms have begun to grow more significantly in other regions in the world - a trend that is likely to come soon to Latin America.

A man with dark hair, wearing a white button-down shirt and blue jeans, stands in front of a large, colorful mural. The mural depicts a landscape with a sun, mountains, and a river. A red circular graphic is overlaid on the left side of the image, containing a quote.

"We want to help people to launch their good ideas, with no limitations by short terms and inadequate interest rates."

7

Investors

QED Investors,
Kaszek Ventures,
Quona Capital,
Jaguar Ventures,
Accion Venture Lab

6

Founders

David Arana,
Francisco
Padilla



Development stage

5 Growth and
expansion

4 Foundation
2013

3 Origin
Mexico



Konfío

9

Employees

51-200



8

Investment

+6M-15M USD

10

Annual income

No information



1

What they do

Konfío was established in 2013 as an online loan platform to support SMEs in Mexico. Its goal is boosting young businesses that will become high-impact companies for the economy. The development of proprietary algorithms and data analysis has allowed them to expand affordable credit operations and to accelerate the financing process in a sector neglected by traditional financial institutions. In the last two years, more than 200,000 businesses have approached the platform. David Arana, CEO and founder of Konfío, says that SMEs in Mexico represent 95% of the market, Konfío has formalized a round of funding Series A raising US\$8 million.



Segment

2

Alternative finance
platforms: Balance
sheet consumer
lending

“Small business have substantial financing needs. This sector represents 95% of businesses in Mexico and is the national economy backbone. However, it has not been a priority for large financial institutions.”

David Arana, Founder & CEO, Konfío.

Payment solutions

177 startups are focused on offering payment solutions. Within this segment there is a concentration of 44% in gateways and payment agregators - solutions that seek to improve sales efficiency, customer conversion and reduction of costs in business transactions.

The development of payment solutions has been remarkable, making this the second most-important Fintech segment by magnitude of startups of its nature in the region to date, adding up to 177 (25.2% of the total) ventures. The availability of more affordable, safer, and faster payment and money transfer mechanisms, alongside a broader diversity of platforms and forms of use (mobile payments, e-commerce, and even state-of-the-art technologies such as blockchain) explains this segment's relevance for Fintech startups.

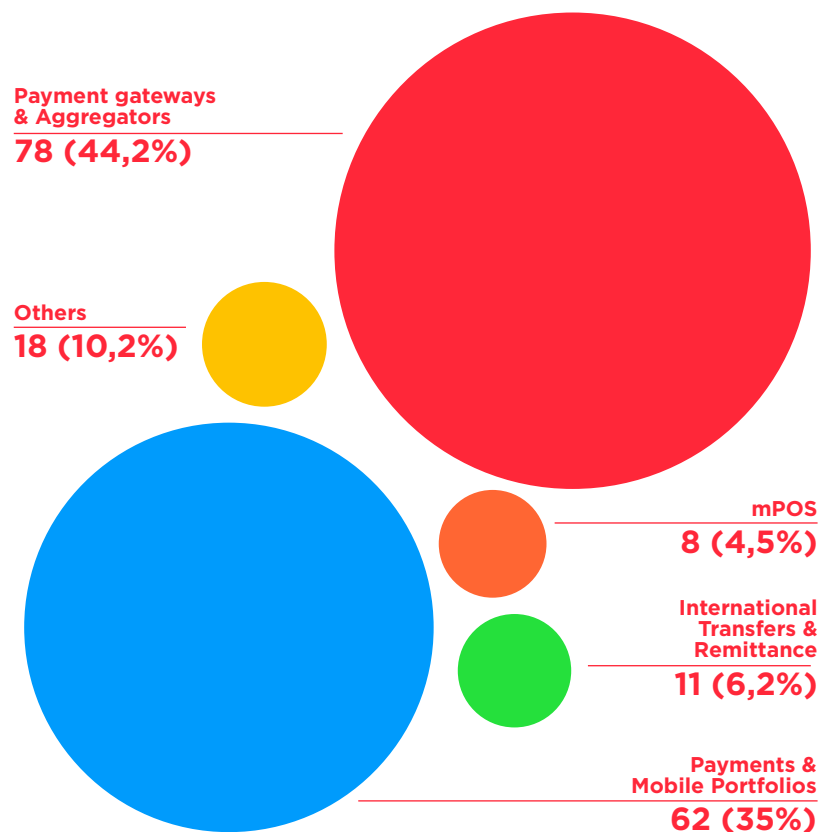
A more detailed analysis shows that payment gateways and agregators make up the largest group within this segment with 78 startups (44.1%). Needs regarding mainstreaming payments at points of sales and e-commerce, increasing customer conversion, and accelerating transaction processes among businesses while reducing their costs are just a few of the opportunities Fintech entrepreneurs have identified in the market; this explains the adoption and growth of this sub-segment in recent years.

The second largest sub-segment in this category consists of mobile payment solutions and portfolios with 62 enterprises (35.0%). These offer solutions to money transfers among individuals, product and service acquisition via cell phone, and registering debit and credit card transactions.

These two sub-segments together -namely, payment gateways and agregators, and mobile payments and wallets - represent 79.1% of the startups identified in the payment solutions' segment (chart 2.5). The rest is distributed among other types of solutions that include platforms for international money transfers and remittances, mobile payment solutions at points of sales, means of prepayment, and digital asset trade platforms, among others. The distribution of the 177 platforms is the following:

With 93 startups, the enterprise financial management segment represents 13.2% of Fintech startups identified during the preparation of this report, making it the third largest segment in the region. The need to produce financial statements and credit profiles for SMEs, allowing their clients better access to multiple means of payment and distribution channels, establishing e-invoicing in many countries throughout the region, complying with tax regulations, and the elevated costs of traditional Enterprise Resource Planning (ERP) systems are some of the reasons that have led to Software as a Service (SaaS) solutions for companies' financial management. At the same time, as was previously mentioned, these tools have the potential to foster SMEs digitalization and formalization, and mainstreaming higher access to finance.

Chart 2.5
Payment segment



9 Employees
85



10 Annual income
No information



7

Investors

General Atlantic, American Express Ventures, Alta Ventures, Sierra Ventures, Endeavor Catalyst, Fondo de Fondos, Angel Ventures México, 500 Startups, Accion Venture Lab y Karl Mehta.

8

Investment

+39M USD

1

What they do

Clip was born offering to any business or person a solution to accept payments with credit or debit cards, services and spots directly on the smartphone or tablet. The Clip reader connects via the audio jack to the device, type the amount to be paid and insert or slide the customer's card.

Clip is the Mexico's pioneer in fund-raising: it was the first Mexican startup to attract Silicon Valley capital, steadily raising several of the largest fund rounds in history. Among its investors are General Atlantic, American Express Ventures, Alta Ventures and Angel Ventures México. In January 2017, Clip had already raised more than US\$39 million, and will continue its path to become the Mexico's largest acquirer by number of stores in 2017

6

Founders

Adolfo Babatz, Vilash Poovala



Development stage

5 Growth and expansion

4 Foundation
2012

3 Origin
Mexico



Segment

2

Payment solutions: mPOS



www.clip.mx

clipMX
 @clip_MX

"Using our services means to do almost 20 financial transactions, manage 16 accounts and manage 7 ATMs."



Adolfo Babatz, Co-Founder and CEO, Clip

2

Segment



**Payment solutions:
Payment gateways and aggregators**

4 Foundation
2011

1

What they do

It's a platform to process payments online and offline. Conekta offers the infrastructure for companies to develop their own payment solution with a unique and specific design for web and app. Conekta accepts all means of payments, from credit and debit cards, transfers or cash payments.

Last October 2016 the company concluded an investment series of US\$6.6 million, with funds such as VARIV Capital or Jaguar Ventures among others. The capital raised in this round will be invested in credit and debit cards and anti-fraud systems.

3 Origin
Mexico



Development stage

5 Growth and expansion

6

Founders

**Cristina Randall,
Leo Discher,
Héctor Cardenas**



Conekta

9

Employees

11-50



7

Investors

**Variv Capital, FEMSA,
Jaguar Ventures, Conconi
Growth Partners, 500
Startups, Maiden Lane,
AngelList Enterprise Fund
Manager, Escala.VC**

10

Annual income

No information



8

Investment

+6M-15M USD



ONEKTA

ONEKTA

ONEKTA

Conekta

**"We provide
the payment
infrastructure
needed
to drive
e-commerce."**

Héctor Cárdenas, Co-Founder & CEO, Conekta.

Enterprise financial management

Within this group, the largest sub-segment is that of the financial management and business intelligence platforms, with 32 startups (34.4%), followed by electronic accounting solutions with 23 firms representing a fourth of all Fintech startups (24.7%) (chart 2.6). The payment collection sub-segment is comprised of 17 startups (18.3%) most of which are Brazilian, underlining the particular dynamism of the market's accounts receivable management solutions in that country.

The distribution of the 93 enterprise financial management platforms is:

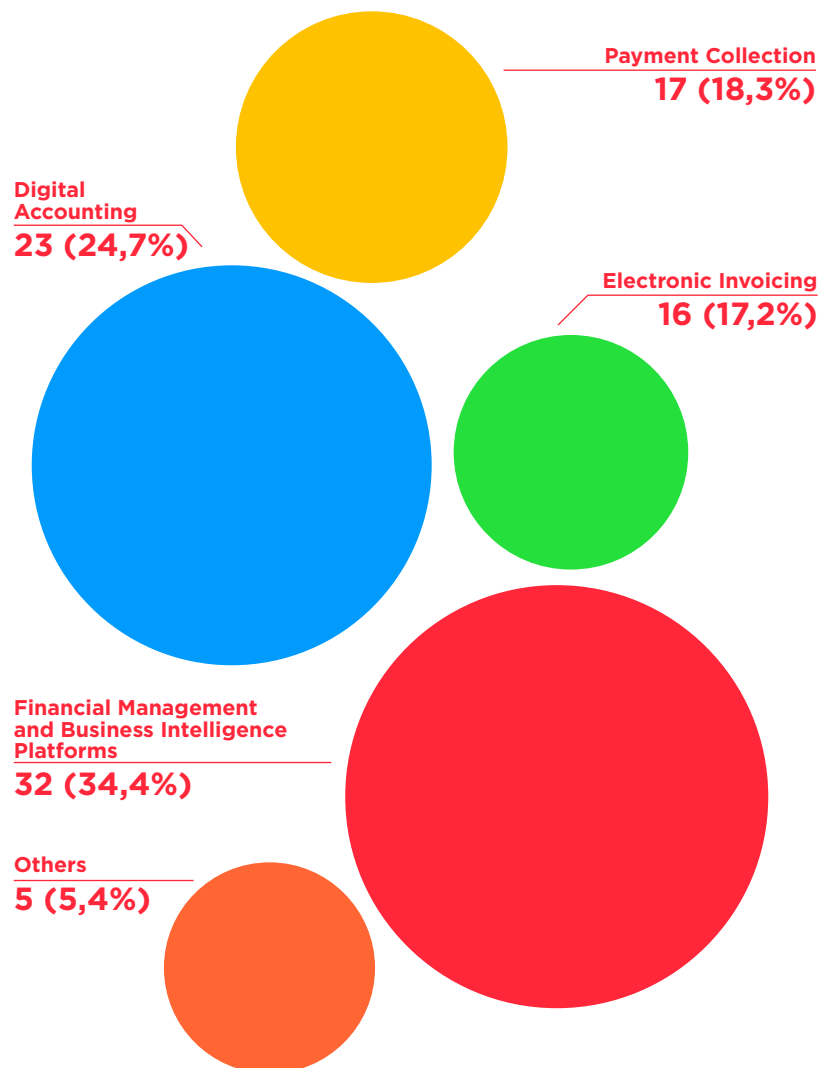


Chart 2.6

Business finance segment

1

What they do

Alegra is a simple system of managing and accounting for SMEs in Latin America. In Alegra is possible creating invoices and control expenses, banks and inventories, in accordance to local laws and regulations in each country where it operates. Alegra is specially designed to help managers and small business owners run their business in an organized, growing and formalized way. It also has all the information in the cloud, with the possibility to access it from anywhere - information is always safe and teamwork is promoted. With Alegra, SMEs and their employees save time. Alegra is accessible via web or app for Android and iOS.

Segment **2**
Enterprise
financial
management



3 Origin
Colombia

4 Foundation
2012

5 Development stage
Ready to scale

6

Founders

Jorge Soto,
Santiago
Villegas



7

Investors

No investors so far

9

Employees

11-25



8

Investment

INNpulsa

10

Annual income

500k USD



Alegra



Alegra

**"Cloud services
will transform
business in our
region in the
coming years,
and we want to
be the solution
that helps SMEs
to migrate to
the cloud."**

Jorge Soto, CEO & Co-Founder, Alegria

3 Origin
Brazil



Segment **2**
**Enterprise
financial
managements**



4 Foundation
2011

Development stage
5 Growth and
expansion

6

Founders

**Vinicius Roveda,
Joao Augusto
Zaratine, José Carlos
Sardagna**



1

What they do

They offer innovative and simple solutions on accounting and billing SaaS for small business in Brazil, the fastest growing small business market in the world. More than 400,000 small business have used the ContaAzul cloud platform. The company was the first Brazilian startup to be selected to participate in the Silicon Valley acceleration program, 500 Startups. In 2012, ContaAzul was recognized as the “Best Brazilian Web Application”; in 2013 was nominated as “Best B2B Startup” and Fast Company named it as one of the most innovative startups in Latin America

ContaAzul

9

Employees

205



7

Investors

**Monashees Capital,
Napkn Ventures,
Ribbit Capital,
Tiger Global Management,
Valar Ventures,
500 Startups**

10

Annual income

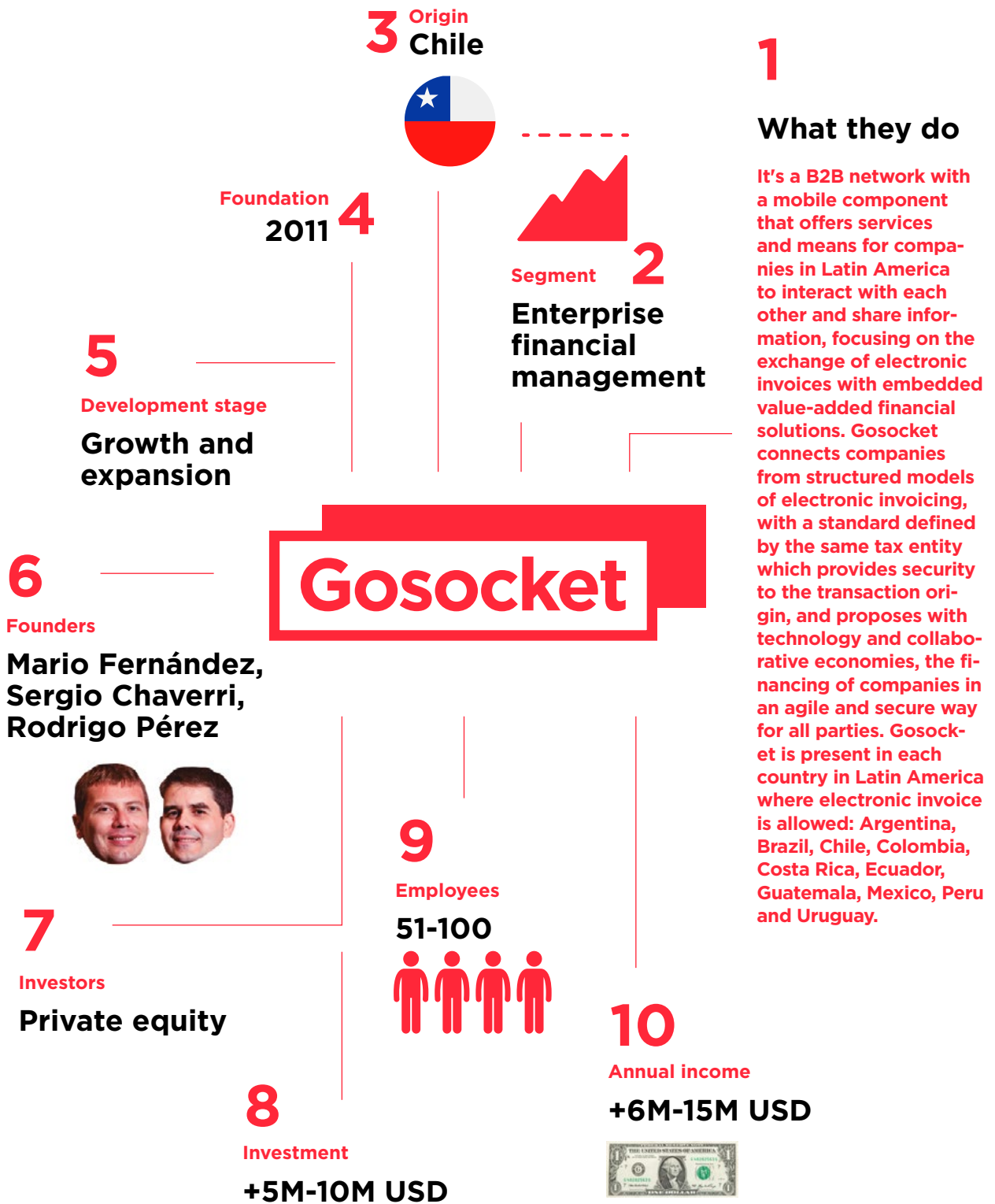
No information




8

Investment

No information



A photograph of Mario Fernandez, CEO of Gosocket, speaking at a microphone. He is wearing a dark suit jacket over a light purple shirt. The background is dark and out of focus. A large red circle is overlaid on the lower-left portion of the image, containing a quote in white text.

"Latin America is still increasing the adoption of electronic invoice, positioning it as the leading region in this topic. For sure, models implemented in several of these countries have served as an inspiration and guidance for other governments in the world."

1

What they do

Increase is an online platform that simplifies the control of credit cards payments received by merchants, offering the merchant an overview of their businesses simply and safely. It allows businesses to know exactly how much money will be deposited into their account each day of the month, avoiding uncertainty. In addition, it concentrates all the transactions information with credit card in one place, saving time and money. The lack of cards payments visibility is a regional problem but Increase focused on Argentina, where there are more than 350,000 terminals and almost 50,000 e-commerce.

9 Employees
11-25



8

Investment
+500k-2M USD

10

Annual income
1M USD



7

Investors

Kaszek Ventures,
NXTP Labs, Waryra,
Balanz Capital,
private investors

Increasecard



Segment

Enterprise
financial
management

6

Founders

Matias Doublier,
Sebastian Cardenas



4 Foundation
2014

3 Origin
Argentina



Development stage

Growth and
expansion

5

<http://www.increasecard.com>

@Increasecard



INCREASE

INCREASE

INCREASE

INCREASE

Increase
card

"Our goal is to help merchants control their card sales, allowing them to know when and how much they will be charged for each transaction."

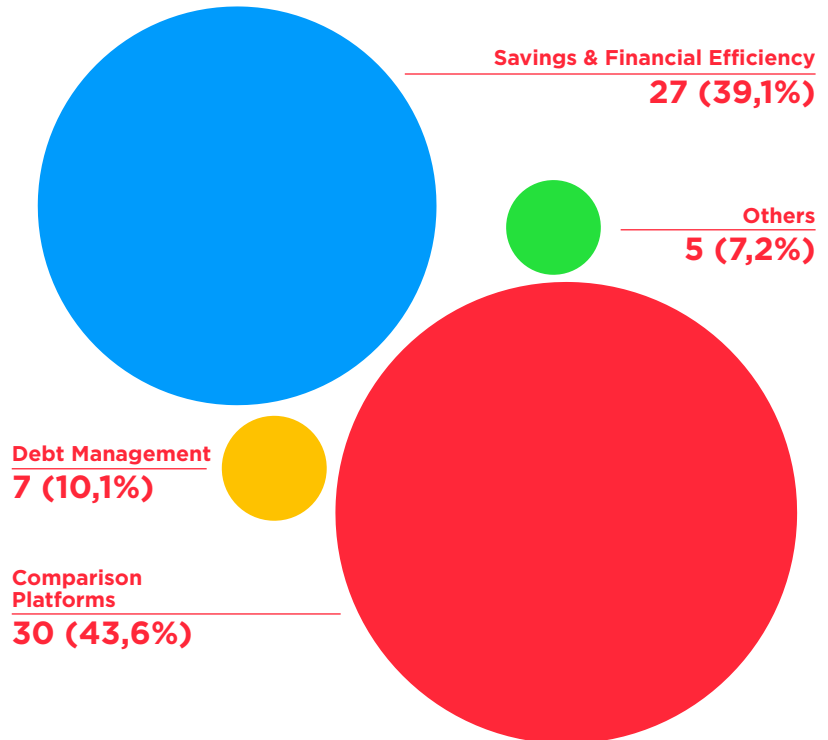
Sebastian Cadenas, CEO, Increase Card

Personal Financial Management (PFM)

The personal finances segment is the fourth most relevant among Fintech firms in the region, with 69 firms (9.8% of the total.) The importance of this trend lies in that, for the first time, consumers can gain access to digital tools that allow them to better evaluate certain financial services besides adding and displaying information about their accounts and expenditures in a practical format. At the same time, these tools potentially simplify and promote saving, one of the main challenges the region faces fostering increased prosperity for all its inhabitants¹².

The most common type of solution is comparison sites (43.5% of all startups in this segment) in which users can compare financial products' specifications and prices, and conduct online acquisition processes (chart 2.7). The second largest sub-segment is savings and financial efficiency platforms (39.1%), which allow consumers to obtain more control over their finances, set up financial targets to accomplish their personal goals, or find a simple way to secure resources from a mobile app. The distribution of the identified 69 personal finance' management platforms is:

Chart 2.7
Personal financial management segment



¹² E. Carvallo and T. Serebrisky, editors. 2016. Ahorrar para desarrollarse: cómo América Latina y el Caribe puede ahorrar más y mejor. Washington, DC: Inter-American Development Bank.

1

What they do

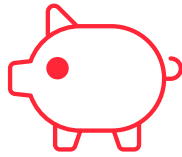
It's the first company with a single app to manage personal finances in Brazil in a fully automatic way. Recognizing that Brazilians did not have tools to helping them to control expenses as well to choose financial products, GuiaBolso developed a platform where is possible to connect bank accounts and/or credit cards to manage them easily (and for free!). The 3 million users of GuiaBolso have access to features such as a graphical view of the categories they spend the most, a financial health index with tips for improvement, and a marketplace to compare credit offers. After the app launch in 2014, GuiaBolso quickly outperformed Tinder, Facebook and even Whatsapp, becoming sometimes the most downloaded app of the Brazilian AppStore and consistently the number 1 in the Finance category, thanks to a word-of-mouth recommendations. The users come to save, on average, 2.5x more monthly after 3 months of using the app.

3 Origin
Brazil

2

Segment

Personal financial management

4 Foundation
2012

5

Development stage

Growth and expansion

6

Founders

Benjamin Gleason, Thiago Alvarez



GuiaBolso

9

Employees

51-100



7

Investors

International Finance Corporation, Kaszek Ventures, Ribbit Capital, QED Investors, e.Bricks Ventures, Valor Capital Group, Omidyar Network

10

Annual income

+6M-15M USD




8

Investment

+25M USD

<http://www.guiabolso.com.br>

@GuiaBolso



“We knew that a solution like ours was needed by consumers, but we were surprised by how quickly it has been embraced.”

Enterprise technology for financial institutions

Aiming to improve the processes in the service chain of traditional financial entities, Fintech startups in the region have developed solutions that mainstream such processes or seek to improve the experience of supplying certain products to their clients. This segment is the fifth largest in the region, with 56 enterprises (8.0% of the total) and it covers platforms that help to better evaluate the financial risk and mitigate fraud (for example, through e-commerce), and solutions for the digitalization of banking processes, security products, digital identification, biometrics, or improving KYC (Know Your Customer) processes. The distribution of the 56 technological startups for financial institutions identified is as follows (chart 2.8):

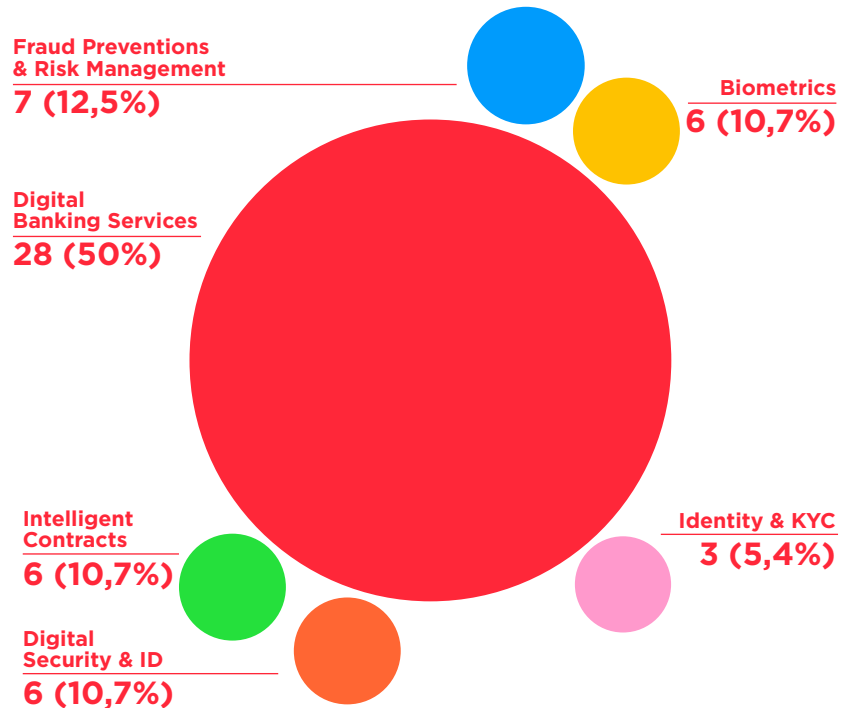


Chart 2.8

Technologies for financial institutions segment

Emerging segments

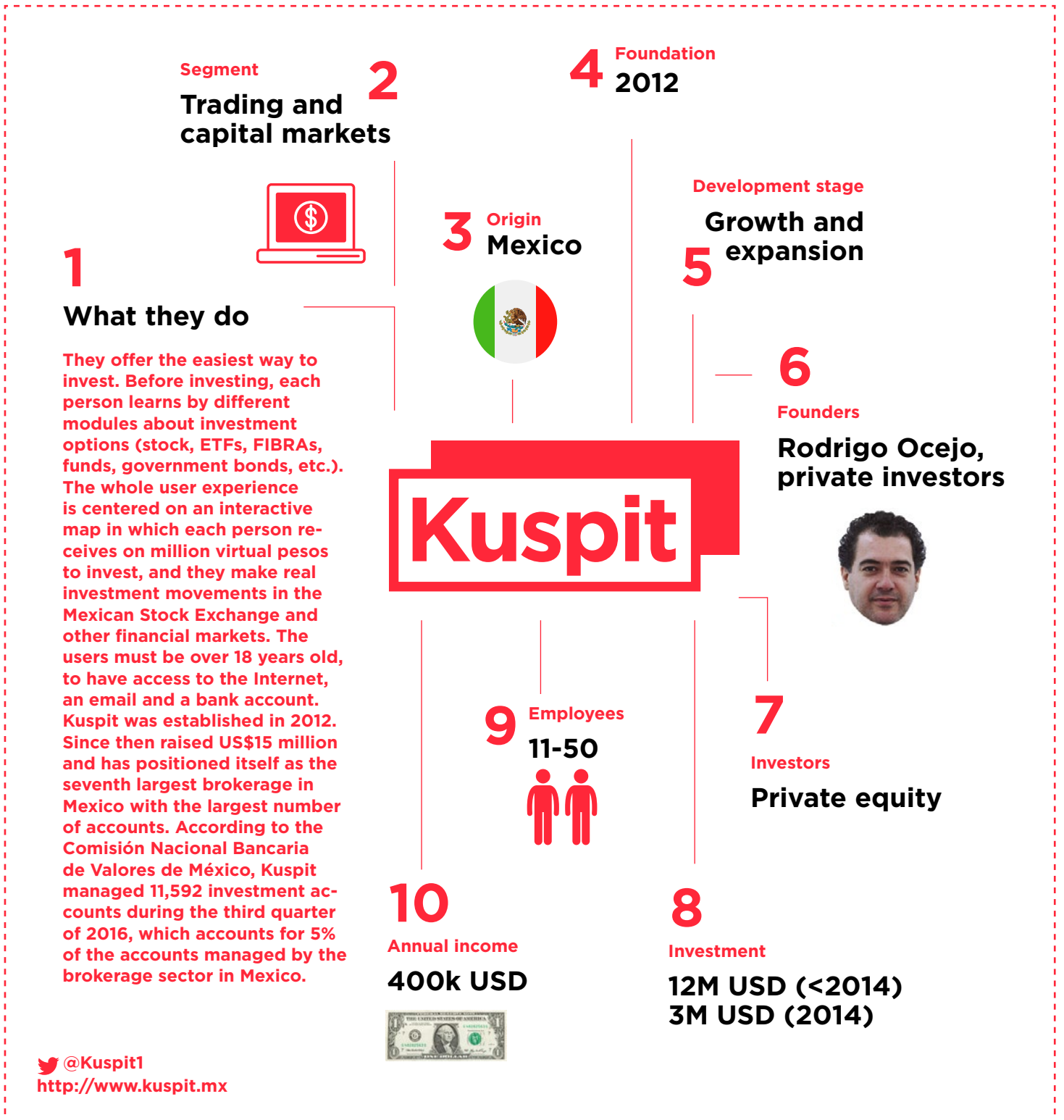
Investing from the comfort of a smartphone in such sophisticated markets like stock exchange, traded funds, large infrastructure projects, and digital assets such as cryptocurrencies are part of the offering of startups operating in trading segment, the most relevant within the emerging groups.

The greater digitalization of financial services, as well as the opportunity to address the segments that had thus far not been adequately served in the region, has given place to the emergence of Fintech solutions that begin to democratize the access to services reserved for certain segments of the population. The digital distribution of insurance, the availability of automated algorithms for asset management, and online mutual fund or stock market investment are just a few of the areas in which the stakeholders in the Fintech sector want to compete.

There are 39 startups in the trading and capital markets segment in Latin America, although they only represent 5.5% of all Fintech identified for the survey. This format brings together the highest number of stakeholders between emerging segments. Startups operating there are changing the way in which individuals, companies, investors, and funds negotiate or dispose of currencies and assets. They provide access to the most sophisticated markets like stock exchange, trade funds, large infrastructure projects, and digital assets such as cryptocurrencies - all of that from the comfort of a smartphone.

On the other hand, the segment committed to wealth management is made up of platforms that simplify the configuration of investment portfolios: they compare consumers' profiles to their goals and the risks associated to financial instruments, and/or automate these processes without the need of a consultant or intermediary. At the close date of this report, 34 startups had been identified in this area, representing 4.8% of all the region's Fintech startups.

The insurance or insurtech segment has given birth to startups pursuing to enable or improve the access to products offered by insurance companies, modifying sales and client communication interfaces. To a lesser degree -despite it being here where there are more opportunities in the segment-, some startups that partake in this segment are offering solutions to monitor consumers' behaviors so as to personalize the insurance offered. The so-called internet of things, the development of products that bridge the existing gap between insured and uninsured people, and the linkage with other types of services such as medical assistance and procurement of goods could lead to more startups in this sub-segment. Twenty-eight emerging insurance startups were identified as part of this report, making up for 4.0% of all Fintech startups in the region.



Finally, with the idea of creating a new genre of financial services under more open and transparent systems, without branches, and better adapted to the new generations' expectations, several entrepreneurs have created digital and/or mobile banks that are increasingly important in the region. This is the case, for example, of Bankaool in México or Nubank in Brazil. Although this sub-segment is relatively new and so far limited -with no more than a dozen startups in place-, the possibility of bundling numerous digital financial services and potential regulatory changes could foster its future growth.

**“Now we
can all
invest in
the stock
market”**

This is what Fintech Kuspit says, whose slogan is: Invest in a click. It is undeniable that the emergence of solutions like this will begin to democratize access to services that were previously reserved for certain segments of the population and change the way individuals, companies, investors and funds trade or dispose of foreign exchange and assets.

1

What they do

It's an online platform that offers insurance and credit on auto and motorcycle. Since its launch in 2011, ComparaMejor has partnered with more than 11 insurance companies in Colombia, sold more than 15,000 policies and credits and receives around 200,000 monthly visits. This makes them the largest independent insurance and credit portal in the country and the largest digital broker. The start-up grew 680% since January 2015 and has raised more than US\$5 million through national and international investment.

2

Segment Insurance



3

Origin Colombia



4

Foundation 2012

10

Annual income

2.4M USD
(GMV)



ComparaMejor

5

Development stage

Growth and expansion

9

Employees

80-90



6

Founders

**Fernando Sucre,
Omar Ynzenga**

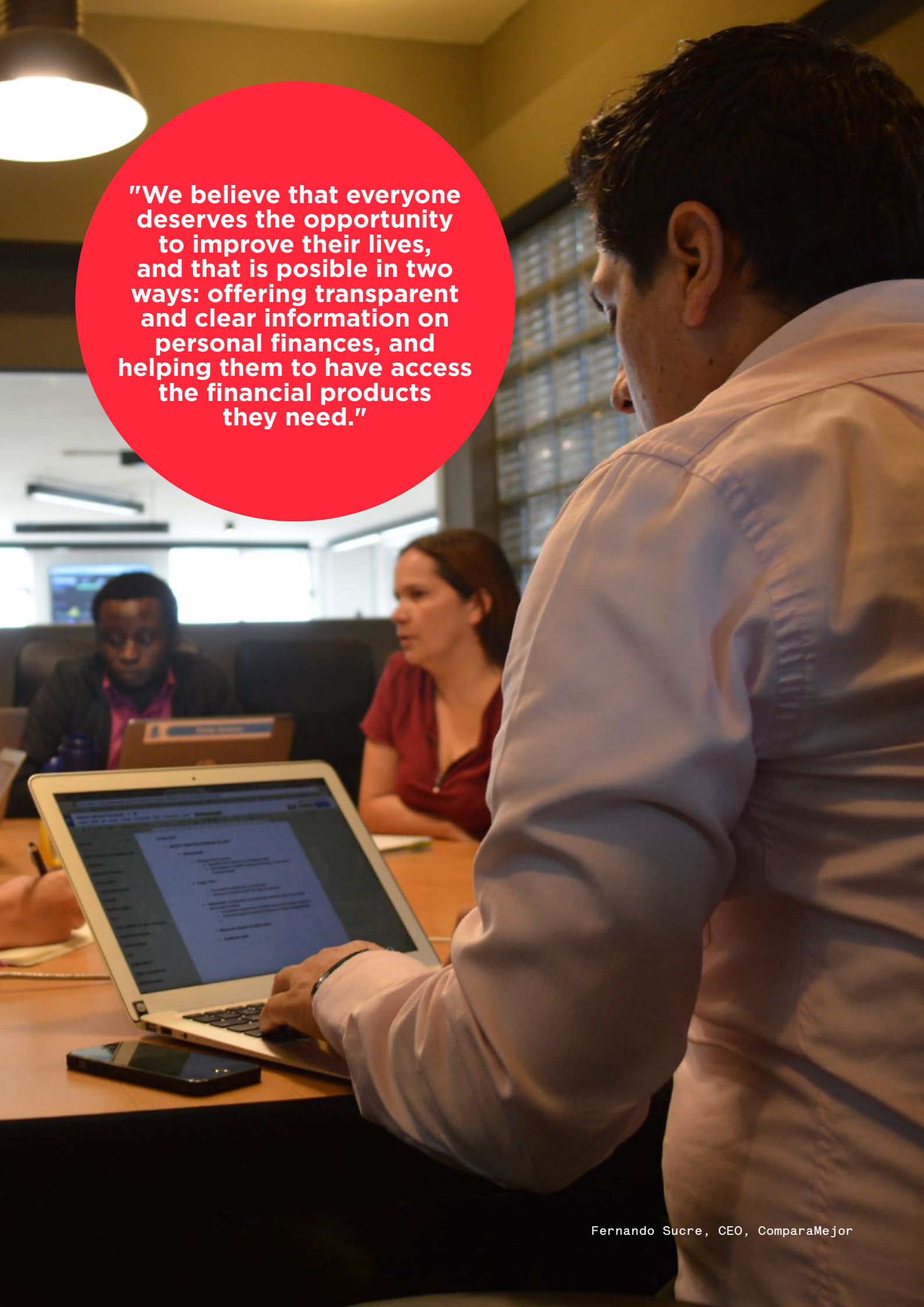
7

Investors

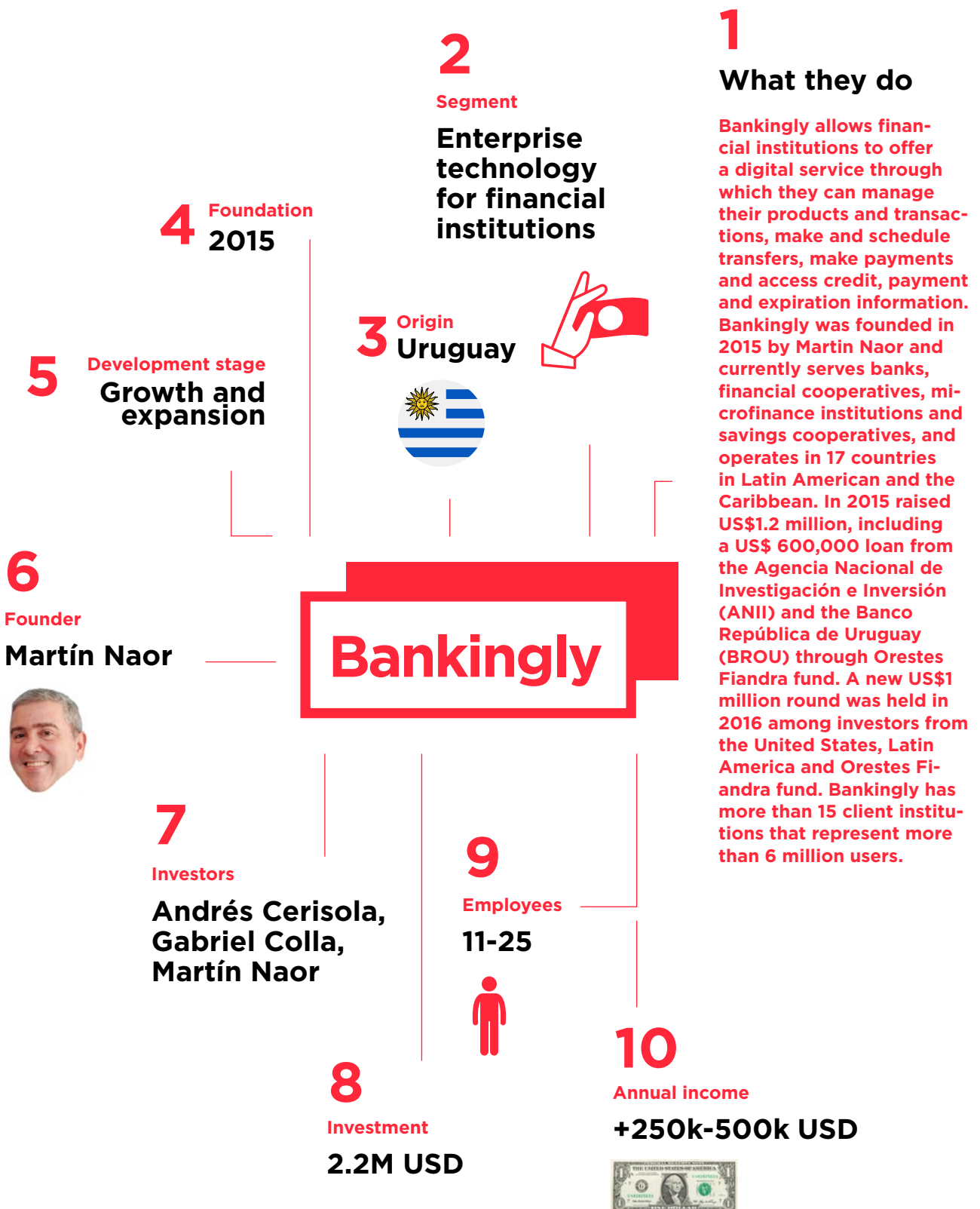
Local angel investors, British "super-angel" and private Spanish fund



Investment **8**
+5M USD



"We believe that everyone deserves the opportunity to improve their lives, and that is possible in two ways: offering transparent and clear information on personal finances, and helping them to have access the financial products they need."



<http://www.bankingly.com>

 @Bankingly

Martin Naor, CEO y Fundador, Bankingly



"We believe that fintechs can be one of the main drivers providing opportunities to those more relegated sectors in our society. This is the reason why we want to promote financial inclusion as a catalyst for development in Uruguay, Latin America and in the world."



Segment **2**

Asset management:
Robo-Advisors

4 Foundation
2011

1

What they do

They allow to identify each investor's profile, simulate how investment could grow in the future, analyse all available assets in the market, find the most appropriate option and recommend efficient investment plans. The company charges a 0.40% consulting fee per year on the amount invested. In 2015 Magnetis raised US\$3 million from Monashees Capital, Redpoint eVentures, 500 startups and NH Investments. Magnetis aims to revolutionize the investment experience of Brazilian society by offering a simple portfolio management while maximize revenue and reduce costs. The goal is to attract US\$3 billion over the next three years.

3 Origin
Brazil



Development stage

5 Growth and
expansion

6 Founder

Luciano Tavares



Magnetis

9

Employees

11-25



7

Investors

Luciano Tavares,
Sergio Furio,
NH Investments,
Monashees Capital,
Redpoint eVentures,
500 Startups

10

Annual income

No information



8

Investment

+2M-6M USD

<http://www.magnetis.com.br>

@magnetis



"Traditional financial services don't focus on customer experience. While we and other fintech companies are Customer-oriented, we offer a simple way of investing: 100% digital, safe and low-cost."

Luciano Tavares, Fundador y CEO, Magnetis

**Fintech startup Hubs
in the region**

3

Fifteen countries are home to the 703 Fintech startups identified in the region, with Brazil holding the largest number, with 230 (32.7%). Mexico comes in second with 180 (25.6%). Today, one in every three Fintech startups in Latin America are of Brazilian origin and one in every four is Mexican. These two countries account for 58.3% of Fintech startups in Latin America.

Five countries concentrate almost 90% of the Fintech activity in Latin America: Brazil, Mexico, Colombia, Argentina and Chile.

[\(View chart 1.1\)](#)

The five countries that concentrate 89.9% of Fintech startups in the region are: Brazil (230), Mexico (180), Colombia (84), Argentina (72), and Chile (65). The remaining 10.2% is divided among Peru (16), Ecuador (13), Uruguay (12), Costa Rica (5), Paraguay (5), Venezuela (4), Guatemala (3), Dominican Republic (2), Honduras (1), and Panama (1). There are also an additional 10 Fintech firms born in the United States, Asia or Europe that have their main markets in Latin America.

Brazil and Mexico account for 58,3% of Fintech startups in Latin America.

It's likely that the high concentration of Fintech startups in these five countries is due to the intense entrepreneurial activity in cities such as São Paulo, Bogota, Buenos Aires, Santiago, and Mexico City as pointed out by the report The Global Startup Ecosystem Ranking 2015 published by Compass (formerly Startup Genome). This is partially due to the work of public entities such as iNNPulsa in Colombia, CORFO in Chile, INADEM in Mexico, or private organizations like Endeavor, which have promoted and supported ventures through different types of incentives in these countries.

Each of these five countries has a solid traditional financial services industry - measured in terms of infrastructure, regulation, competition and assets -, which may serve as an important talent reservoir familiar with the sector, as is occurring in important financial centers around the globe such as New York, London or Singapore.

Finally, we must note the magnitude of each country's opportunities given that they are the main five markets (Brazil, Mexico, Colombia, Argentina, and Chile) in the region in terms of GDP and population (except for Chile).

Regarding Fintech activity and its geographical location in the continent, the number of these startups is expected to continue to grow as financial regulations unfold and adapt to these new models.

Attention must also be brought to the "Latinization" of certain innovative models previously launched abroad. This is a growing tendency observed in the region, where local entrepreneurs are emulating models validated in the United States or Europe but with a set of adaptations. Among the most popular cases are the startups focused on P2P, as Lending Club or Prosper first did in the United States; mobile payment systems or mPOS, following Square in the United States or iZettle in Europe; gateway platforms and payment aggregates that rely on API, such as Stripe in the United States or Ayden in Europe, and the so-called digital banks like Simple and Number 26 in Europe or the United States.

Although in these cases innovation isn't originating in Latin America, profound knowledge of local regulations and a deeper understanding of the region's consumers and their dynamics is allowing Afluenta (Argentina), Clip (Mexico), Kushki (Ecuador) or Nubank (Brazil) -just to mention a few- to execute their busi-

Mexico: incubation and acceleration

**In Mexico, where
30% of companies
use information
technology and
only 39% of the
population has
access to formal
finance services,
the opportunities
for the Fintech are
enormous.**

ness plans quickly and efficiently.

Mexico is the largest Spanish-speaking market in Latin America, with a population of 127 million inhabitants¹³. At the same time, there are four million SMEs in the country¹⁴, 30% of which rely on some Information and Communications Technology (ICT) like PC or internet, according to figures provided by the Secretariat of Economy. Regarding financial inclusion, only 39%¹⁵ of all Mexicans have Access to formal financial services. These figures in themselves reveal the huge opportunity Mexico offers to Fintech entrepreneurs.

In general terms, Fintech startups have thrived in Mexico over the past few years thanks to public and private initiatives that have stimulated and supported their efforts in the technological field. Such efforts have been complemented with a higher sensitization towards venture capital. This has also resulted in an increase in this kind of activity insofar as there are more national and international funds available to support entrepreneurs in the different stages of their long quest for growth and strengthening.

Within the Fintech sector -as has been previously indicated in this document- there are 180 startups in Mexico. As in the rest of the region, the Fintech activity there is concentrated in four main segments: alternative finance platforms, 59 startups; payments, 50; personal financial management, 22; and business finances, 21 (chart 3.1). Together, these four segments represent 84.4% of the country's Fintech firms. Regarding their geographic concentration, two of three startups began and have their headquarters in Mexico City. The rest are distributed among Guadalajara (11.1%), Monterrey (9.3%) and the rest of the country.

¹³ World Bank, database 2015.

¹⁴ Instituto Nacional de Estadística y Geografía (INEGI).

¹⁵ Global Findex 2014 database, World Bank.



Chart 3.1
Fintech by business segment in Mexico

In the past two years, the Fintech ecosystem in Mexico has benefited from a series of events that have strengthened it and made it more reliable both in terms of the opportunities it offers to the sector, as well as for the startup projects that aim at transforming the industry from the outside. Some of them are:

- The launch of incubation and acceleration programs specialized in Fintech.
- The achievement of important rounds of venture capital raising at Series A stage, or above, from leading foreign Fintech investors, as is the case of Konfio, Conekta, Kubo, Financiero, Kueski and Clip, among others.
- The proposal of the 'Fintech Law' by the Secretariat of Finance and Public Credit.
- The FINNOSUMMIT conference, landmark Fintech event in the region taking place annually in Mexico City, with over 500 attendants.
- The implementation of the Mexico's Fintech association.
- Setting up open innovation programs fostered by financial entities such as BBVA Bancomer, Gentera, and BanRegio.

1

What they do

It's the leading microcredit platform in Mexico. Users can apply online for a loan, detailing how much money they need and when they want to pay for it. Kueski uses its own technologies based on particle physics, with algorithms and techniques for processing large amounts of data (credit history, social graph, online information, etc.) among other web technologies to evaluate, approve or reject credit requests in seconds. If approved, the transfer is made immediately. In April 2016 Kueski announced a US\$35 million capital and debt financing round, with the potential to reach US\$100 million in total, the largest capital financing in Mexico for a Fintech startup, led by Richmond Global Ventures, Rise Capital, CrunchFund and Variv Capital.

3 Origin
Mexico



2

Segment
Alternative
finance platforms:
Balance sheet
consumer lending



4 Foundation
2012

Development stage

5 Growth and
expansion

Kueski

6

Founders

Adalberto Flores,
Leonardo de
la Cerda



9

Employees

51-100



7

Investors

Richmond Global Ventures,
Rise Capital, CrunchFund,
Variv Capital, Victory Park
Capital, Angel Ventures
Mexico, Core Ventures
Group, Auria Capital, Ariel
Polar, GAIN (Guadalajara
Angel Investor Network),
Sobrato Family
Foundation.

10

Annual income

No information




Investment
+40M USD

8

<http://www.kueski.mx>

@MiKueski



"We reinvented the way we serve our customers by providing trust through an extraordinary service in each interaction. We use science and new technologies in our favor."

Adalberto Flores, CEO, Kueski

Brazil: powerful entrepreneurial ecosystem

**Brazil has the
largest and the
most developed
entrepreneurial
ecosystem in
Latin America.**

Brazil is the largest country in Latin America in both population (208 million¹⁶) and GDP (US\$1.775 trillion¹⁷), besides having over six million SMEs¹⁸. As for financial inclusion, even though over 68% of the population has access to formal financial services, only 12% has a savings account. Similarly, only 12% of those who enjoy access to services have access to credit¹⁹. This deep gap is due, among other reasons, to the high penetration of debit and credit cards in Brazil, unlike other countries in the region.

Brazil has the largest and most developed entrepreneurial ecosystem in all Latin America. São Paulo, the economic capital of the south of the continent has over 2,700 technology startups according to The Global Startup Ecosystem Report 2015. This city also has a mature industry of venture capital with an investment volume similar to that of Tel Aviv (Israel) and Seattle (USA), and some of the best entrepreneurial talent in all South America.

São Paulo is not alone; cities like Rio de Janeiro, Belo Horizonte, and Porto Alegre also have major entrepreneurial communities. The recent success of Brazilian startups like Dafti, Netshoes, EasyTaxi or Nubank has probably inspired more people to reconsider professional careers within the industry, and to view entrepreneurship as a feasible alternative.

As for Fintech startups, as previously mentioned there are currently 230 in Brazil, placing the country as the largest ecosystem in the sector in all Latin America. The dynamics of the Brazilian market -both thanks to the opportunities it offers and to the amount of Fintech startups- also opens the doors for the market's traditional stakeholders to benefit from the innovations that are rising beyond their organizations.

In Brazil, the sector's activity is mainly divided in five segments: payment solutions, 58 startups; alternative finance platforms, 46; enterprise financial management, 35; personal financial management, 22; and, asset management, 19 (chart 3.2). These five segments make up for 78.3% of all Fintech startups in Brazil. As for location, 50.5% of them have begun and have their headquarters in São Paulo, while the others are distributed between Rio de Janeiro (11.8%), Belo Horizonte (7.5%), Porto Alegre (6.5%), and other cities.

¹⁶ World Bank, database 2015

¹⁷ World Bank, database 2015

¹⁸ São Paulo 2014 Blog: Six Facts about SMEs in Brazil, Americas Society / Council of the Americas

¹⁹ Global Findex 2014 database, World Bank

Chart 3.2

Fintech by business segment in Brazil



As in Mexico, the public and private sectors in Brazil have taken steps to further strengthen the Fintech ecosystem. Over the past few years, the Associação Brasileira de Fintechs (October 2016) was created and consultations were held by the Comissão de Valores Mobiliários and the Banco Central do Brasil to define the regulatory position of crowdfunding and digital payment platforms, as well as regarding open innovation programs of financial entities like Banco Itaú, Bradesco, and Porto Seguros.

1

What they do

Nubank is a technology financial services startup with investments of some of the world's leading venture capital companies such as Sequoia Capital, Founders Fund, Tiger Global and Kaszek Ventures. Brazil is one of the fastest growing markets with more than 160 million smartphones in use. The Nubank service allows the users request and have full control of a MasterCard credit card through mobile phone. As its service is fully digital, the startup has a reduced operational cost and does not charge fees of its customers. While traditional banks use about 10 variables to evaluate their customers, Nubank uses up to 3,000. Founded in 2014, Nubank has registered more than 8 million applications and has raised more than US\$170 million in investment rounds.

10

Annual income

No information



3 Origin

Brazil



2

Segment

Digital banks: Credit Cards



4 Foundation

2014

Development stage

Growth and expansion

5

Nubank

6

Founders

David Velez



9

Employees

256-500



7

Investors

DST Global, Peter Thiel's Founder Fund, QED Investors, Sequoia Capital, Tiger Global Management, Kaszek Ventures, Ribbit Capital, Redpoint Ventures, Goldman Sachs, Ajibola Oluwaseyi, Gene Lockhart.

8

Investment

+15M USD



"We prefer to hire open-minded and questioning people instead of people with experience and a head full of answers. This is what brings disruption on traditional beliefs."

**Regulations:
enablers or obstacles**



The region's startups have progressively managed to establish a dialogue with authorities and other internal and external agents with the goal to produce changes in public policies so as to both promote the activity and to regulate it.

Two main factors are behind this drive: (i) a growing number of stakeholders innovating in the financial services sector, bringing together the increasing penetration of different services offered by Fintech to consumers, and (ii) the absence of policies that foster the sector's development and/or the complete or partial lack of an adequate regulatory framework for the services and products these young startup offer.

In this regard, and as a result of the dialogue between entrepreneurs and the sector's enterprises, the creation of associations meant to represent the views of this new financial services' industry before the regulators, boost Fintech knowledge among the general audience, and coordinate tasks to bolster better practices in the industry has been promoted. Thus, for instance, the Asociación de Fondeo Colectivo (AFICO) in Mexico was established in 2014 (with the support of the Multilateral Investment Fund of the IDB Group), the Brazilian Associação Brasileira de Equity Crowdfunding in 2014, the Asociación Fintech México in 2015, and the Associação Brasileira de Fintechs (ABFintechs) and Asociación Colombia Fintech, both towards the end of 2016. These initiatives are important because, besides empowering the sector as a group, they strengthen its power to dialogue and negotiate with governments and with the traditional financial sector. Similarly, and partially thanks to the consolidation efforts and dialogue these associations have been undertaking, some governments in the region have begun taking actions to support the sector -both from a public policy and a regulatory perspective- to clarify certain business models in favor of both consumers and entrepreneurs.

Some countries such as Mexico, Colombia, Brazil, Chile have already begun to explore changes in the regulation of Fintech platforms, directly consulting the Fintech entrepreneurs on their requirements and needs.

Public interventions to support the Fintech sector can be considered under different development objectives, for example promoting productive activities financing through alternative mechanisms such as crowdfunding, and the enhancement of financial inclusion. Although these actions may stem from the regulations themselves, they may also be developed and mainstreamed into productivity agendas or financial inclusion strategies, among others. In June 2016, for instance, the government of Mexico presented their “Política Nacional de Inclusión Financiera” (National Financial Inclusion Policy), one of whose main principles is:

“the utilization of technological innovations to extend the use of financial products and services within a regulatory framework that provides security to all the participants of the financial system”, defining, among other elements “fostering mechanisms that reduce the use of cash such as mobile banking, electronic wallets, digital remittances, among others; as well as the integration of new business models like blockchain, considering regulatory and monitoring measures that strengthen IT security (cybersecurity) in their adoption”, and “establishing coordination mechanisms between authorities, financial sector industry groups and associations, and Fintech entrepreneurs to encourage the development of feasible and safe financial inclusion solutions for the Mexican market”²⁰

Another meaningful regulation-related effort has taken place in Argentina, where in November 2016, the Chamber of Deputies (Lower House of Congress) approved the “Ley de Emprendedores” (“Entrepreneurs Law”), which regularizes crowdfunding platforms by allowing the public placement of a fraction of these startups’ shares so that small investors can invest in them, even offering tax benefits²¹.

²⁰ Política Nacional de Inclusión Financiera. Consejo Nacional de Inclusión Financiera, June 2016.

²¹ By the time this report was published, the “Entrepreneur’s Law” was still to be treated and voted on by the Argentine Senate.

Furthermore, regulatory initiatives also seek to oversee Fintech activities. Some countries in the region, including Mexico, Colombia, Brazil, and Chile have already begun to explore regulatory modifications, directly consulting with Fintech entrepreneurs to consider their requirements and needs.

In Brazil, for example, the Comissão de Valores Mobiliários (CVM) published a note²² that compiles the main aspects to take into consideration to provide legal certainty to electronic crowdfunding platforms as well as those related to the creation of unions to invest in startups (collectively known as “investment crowdfunding”.) Therefore, the corresponding legislative project was subject to general public’s consideration, including an online survey through which people could send their opinions and suggestions that was open for over 30 days²³. Similarly, in Colombia the Unidad de Proyección Normativa y Estudios de Regulación Financiera presented a consultation document on crowdfunding regulation alternatives in August 2016.

In this sense, the IDB has also provided support to the development of the region’s Fintech ecosystem from the two previously mentioned perspectives -namely, public policies and regulation-aiming at generating a balanced regulatory structure proportionate to the industry. Specifically, through a Regional Technical Cooperation²⁴ the governments of Mexico, Chile²⁵, and Paraguay²⁶ were supported in 2016 to develop their crowdfunding regulatory frameworks. The governments of Peru and Argentina are expected to receive such support in 2017. In every case, besides offering recommendations for the activity’s regulatory framework, governments have been prompted to create regulatory sandboxes pursuing two main goals: (i) establishing a more direct dialogue between the Fintech industry in general, and supervisors and regulators to understand the nature of these businesses and regulations;

²² Comissão de Valores Mobiliários de Brasil, Edital de Audiência Pública SDM N° 06/2016, . Link: http://www.cvm.gov.br/export/sites/cvm/audiencias_publicas/ap_sdm/anexos/2016/sdm0616edita1.pdf

²³ The opinions expressed by the CVM can be consulted through the link to the Comissão de Valores Mobiliários de Brasil: http://www.cvm.gov.br/audiencias_publicas/ap_sdm/2016/sdm0616.html

²⁴ Inter-American Development Bank: “Support to the Development of Alternative Finance in LAC countries: ICT and Regulatory Approach”, (Washington DC, IDB, 2015). Available at: http://www.iadb.org/en/projects/project-description-title_1303.html?id=RG-T2631.

²⁵ “Hacienda pide asesoría para regular el financiamiento colectivo”, available at: <http://www.elmercurio.com/Inversiones/Noticias/Fondos-Mutuos/2016/08/18/Hacienda-pide-asesoria-para-regular-el-financiamiento-colectivo.aspx>.

²⁶ “CNV presentaría en marzo proyecto para financiación colectiva”, available at: <http://www.ultimahora.com/cnv-presentaria-marzo-proyecto-financiacion-colectiva-n1052597.html>

and (ii) allowing a smoother transition for Fintech platforms and startups and their entities towards supervision based on the industry's true activities.

But, what do Fintech entrepreneurs have to say about this? A total of 272 regional entrepreneurs answered this question in the survey:

How would you describe the current regulatory environment for your startup and Fintech segment in your country?

Aggregate data suggests that 21.3% of the region's Fintech entrepreneurs consider the current regulation to be excessive, although 27.2% indicated that even though there is no specific regulation, it would be necessary (chart 4.1). However, it is worth noting that 45.6% of respondents declared that the current regulation was either satisfactory or that specific regulation was not required. Only 5.9% believe the regulation is excessively lax.

Chart 4.1
Fintech entrepreneurs' opinion on the sector's regulations

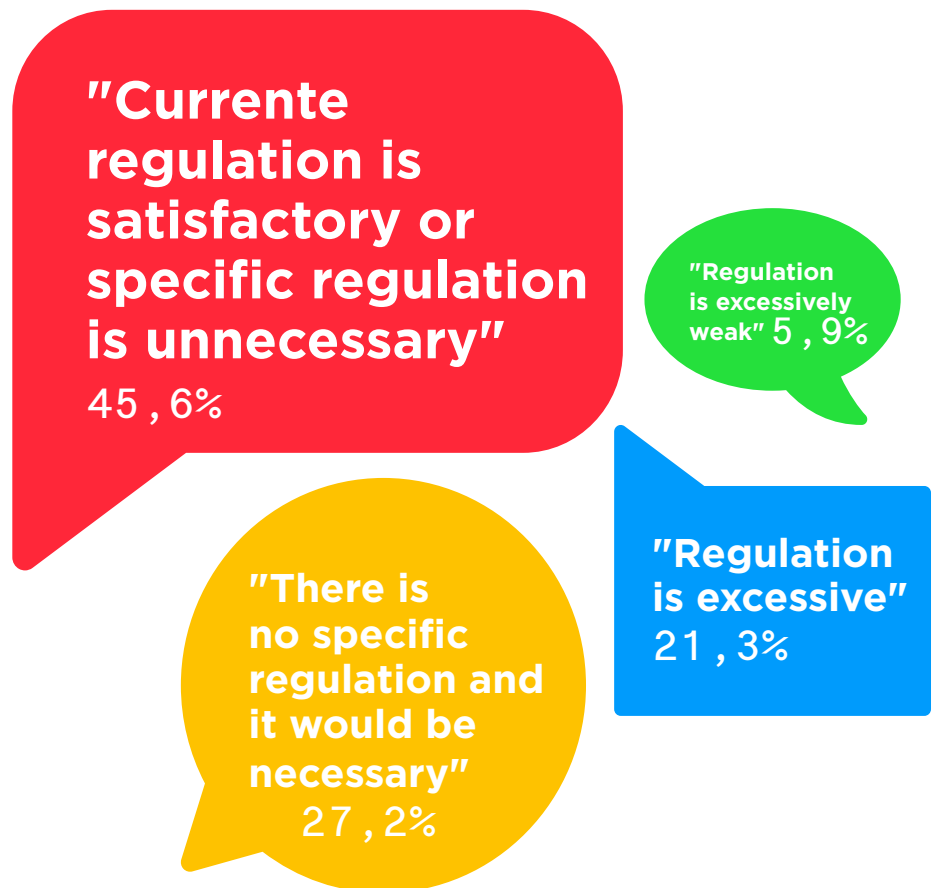
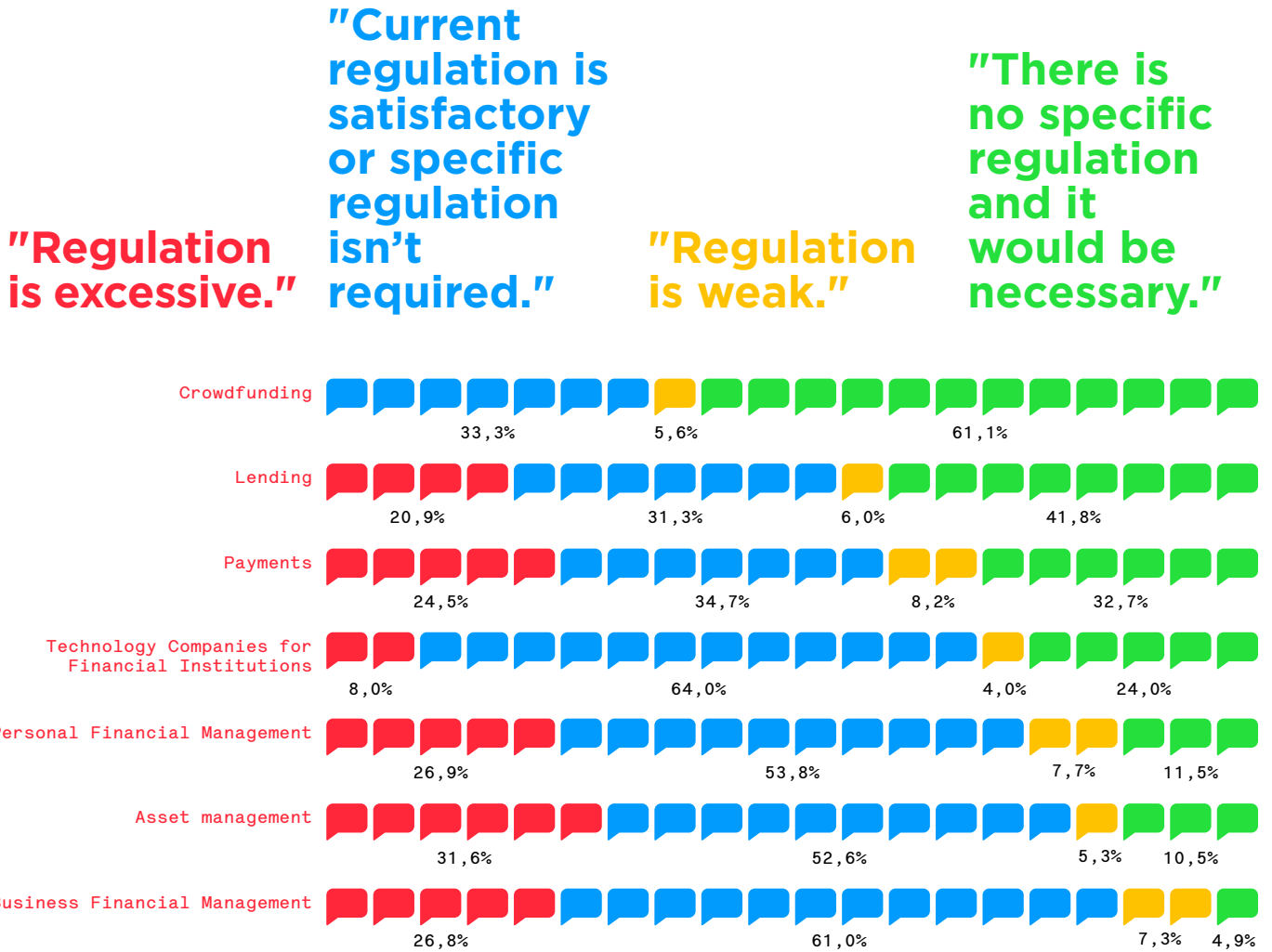


Chart 4.2.

Different opinions among Fintech entrepreneurs on regulations by business segment

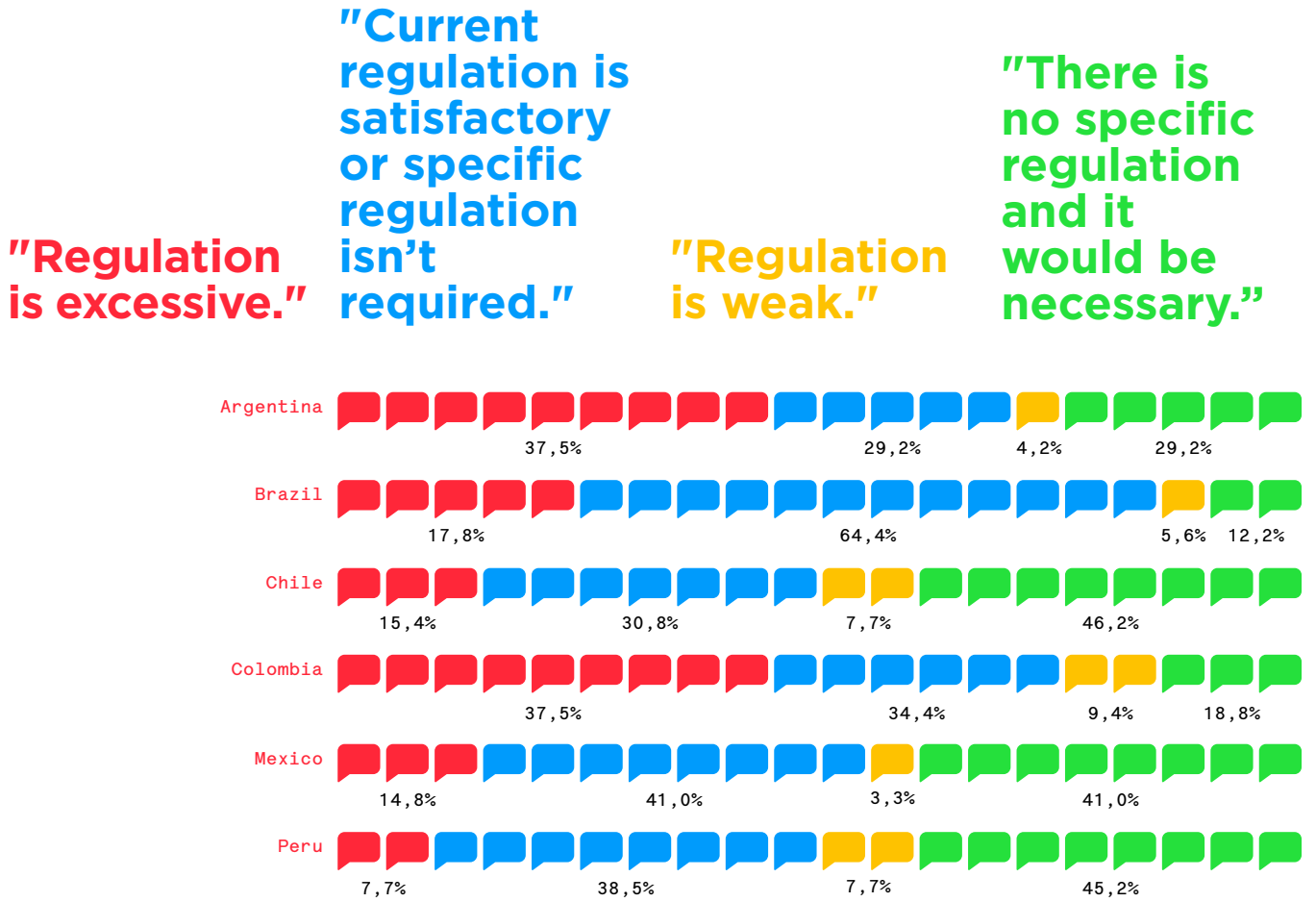


Naturally, the situation varies depending on the sub-segment examined in terms of regulation related to specific business models, as can be observed below:

- 61.1% of the entrepreneurs in the crowdfunding segment indicated that there is no specific regulation and that it would be necessary.
- 41.8% of the entrepreneurs in the lending sub-segment said there is no specific regulation for their business model and that it would be necessary, while 20.9% considered the current regulation to be excessive, and 31.3% responded that the current regulation was either satisfactory or that specific regulation was not required.
- 32.7% of the entrepreneurs in the payment sub-segment indicated that even though there is no specific regulation, it would be necessary; 24.5% considers the current regulation to be excessive; and, 34.7% declared that the current regulation was either satisfactory or that specific regulation was not required.
- 61.0% of the entrepreneurs in the enterprise financial management sub-segment said that the current regulation was either satisfactory or that specific regulation was not required.
- 42.1% of the entrepreneurs in the asset management sub-segment indicated that the regulation was satisfactory, while 31.6% considered it to be excessive (chart 4.2).

Chart 4.3

Fintech entrepreneurs' opinion on the sector's regulations by country



A similar analysis by country also reveals significant differences:

- In Brazil, 64.4% of respondents believed regulation was either satisfactory or that specific regulation was not required. Only 17.8% found regulation to be excessive
- In Mexico, 41.0% of respondents found regulation was either satisfactory or that specific regulation wasn't required, while another 41.0% indicated that there is no specific regulation and that it would be necessary.
- In Colombia, 37.5% of respondents said that the current regulation is excessive, and 34.4% that the current regulation was either satisfactory or that specific regulation wasn't required.
- In Argentina, 37.5% of respondents considered the current regulation to be excessive, while 29.2% declared that the current regulation was either satisfactory or that specific regulation was not required. At the same time, 29.2% indicated that even though there is no specific regulation, it would be necessary.
- Both in Chile and Peru, 46.2% of the surveyed entrepreneurs responded that even though there is no specific regulation, it would be necessary -becoming the most recurrent answer in both countries (chart 4.3).

Chart 4.1
Examples of cases
relevant to
regulations by Fintech
segment in Latin
America



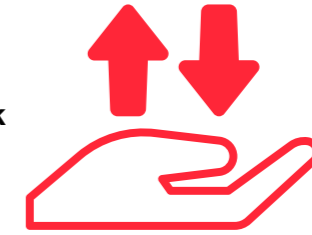
Alternative finances platform

Real estate
crowdfunding:
Unionized public
offering and
investment for the
construction of real
estate projects.



Loans

Capturing resources
from the public to grant
credit to consumers
(P2P) through credit risk
systems developed by
the company.



**Equity
crowdfunding**
Public offering to
sell high-impact
companies' shares.



Factoring & invoice lending

Capturing
resources from
the public to fund
SMEs accounts
receivable.



Alternative scoring

Implementation and
use of algorithms
or credit scoring
systems built
with alternative
information sources
without the need
to go through
traditional credit
bureaus.



Payments

Direct electronic
money transfers
between people or
businesses, locally
or internationally
outside of the
traditional banking
system.



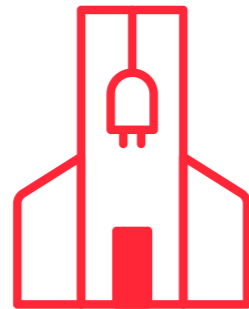
Personal financial management

Capturing resources
for savings via
digital platforms.



Enterprise financial management

API development and
opening of the data
in hands of traditional
financial entities for its
use and mainstreaming
by the very businesses
and other digital
platforms.



Asset management

Remote mutual
funds investment
via digital platforms
and reliance on AI
algorithms.



Trading and capital markets

Use of virtual currency
or cryptocurrency for
currency exchange.
Purchase and sale of
company shares (public
and/or private) through
digital platforms or
distributed ledger
(blockchain.)



Enterprise technology for financial institutions

Use of biometric
information like
client ID and
financial transaction
authorization
mechanisms. Use of
smart contracts or
distributed ledger for
contract signature.



Digital Banks

Newly created
financial entities
with 100% digital
distribution of
products
(e.g.: credit cards,
debit cards, loans.)



Insurance

Digital issuance
and distribution of
insurance policies with
electronic signature
or distributed ledger.
Creating personalized
products according
to data generated by
consumer behavior.

In most countries in the region, many of the business models enabled by Fintech lack a framework that recognizes or categorizes them, which generally leads to relying on imperfect channels for the sector's startups' operations. The public placement of shares via crowdfunding platforms, currency exchanges through virtual assets, money transfers -including local currency-, and the use of alternative scoring platforms to obtain P2P lending are just a few of the Fintech services beyond current regulations (chart 4.1).

21.3% of the region's Fintech entrepreneurs consider the current regulation to be excessive, although 27.2% indicated that even though there is no specific regulation, it would be necessary.

In this context, debates over possible regulation modifications in different countries throughout the region have led to the analysis of good practices that can foster the Fintech sector's development. However, they have also raised concerns about the eventual decline of existing conditions to innovate in certain digital financial services' segments that are not currently regulated. This has to do with the concern that once the respective rules become effective, they could find themselves at the mercy of cumbersome, long approval processes by regulators before they can begin to operate.

A restrictive regulation that, for example, impedes the operation of Fintech firms before obtaining a license before a regulatory authority or that ignores the experimental nature of this type of startups could harm not only entrepreneurs and investors but also the provision of better financial services to consumers. This is why regulating agencies must share publicly -or to the largest possible extent, to all stakeholders in the sector- regulatory or legislative bills likely to be approved, particularly considering that Fintech development is a tool that can raise financial systems' productivity, promote innovation, foster investments in high-impact companies, and reduce financial exclusion.

Seeking to support governments and the region's Fintech industry, in 2016 the IDB published a discussion paper called: "Alternative Finance (Crowdfunding) Regulation in Latin America and the Caribbean: A Balancing Act"²⁷. The document examines existing crowdfunding models and compiles recommendations to issue balanced regulations proportional to the platforms in the region, while offering a first approach to what the industry believes in terms of regulatory needs.

Some good practices implemented in other countries like the United Kingdom or Singapore could also be adopted in Latin America. Two of them stand out: (i) temporary exemptions on Fintech authorizations on behalf of regulating entities, and (ii) creating temporary regulation sandboxes in which the Fintech industry can operate, evaluate their business models, and offer their innovative products in supervised environments. Another favorable trend barely emerging in the region is the creation of some kind of institutionality within the public sector that serves as a mediator between the industry and policymakers. Such is the case of the "Chief Fintech Officer" of the Monetary Authority of Singapore, the Fintech Office within the Bank of Indonesia, and the Fintech Ambassador of the Netherlands.

²⁷ D. Herrera. 2016. "Alternative Finance (Crowdfunding) Regulation in Latin America and the Caribbean: A Balancing Act," IDB, Washington DC, September. Available at: <http://dx.doi.org/10.18235/0000430>

RegTech: tools for startups and regulators

The existence of an increasing number of digitalized financial companies could become a trigger to expedite the monitoring processes and compliance with obligations –as much for Fintech firms as for the industry’s traditional stakeholders–, automate their statement reporting tasks, mitigate risks, and reduce operational performance assessment times. This is the goal of the RegTechs or regulatory technologies: ventures and solutions that help other financial startups meet statutory requirements, and that could be used by regulating entities to evaluate, manage, and help make more transparent the risks associated with Fintechs and the new financial intermediaries in a standardized way.

Compared with the United States or Europe, a Fintech company in Latin America faces more difficulties accessing funding or finding talented people, making it harder to grow and scale up.

**Regional Fintech
scale-up potential**

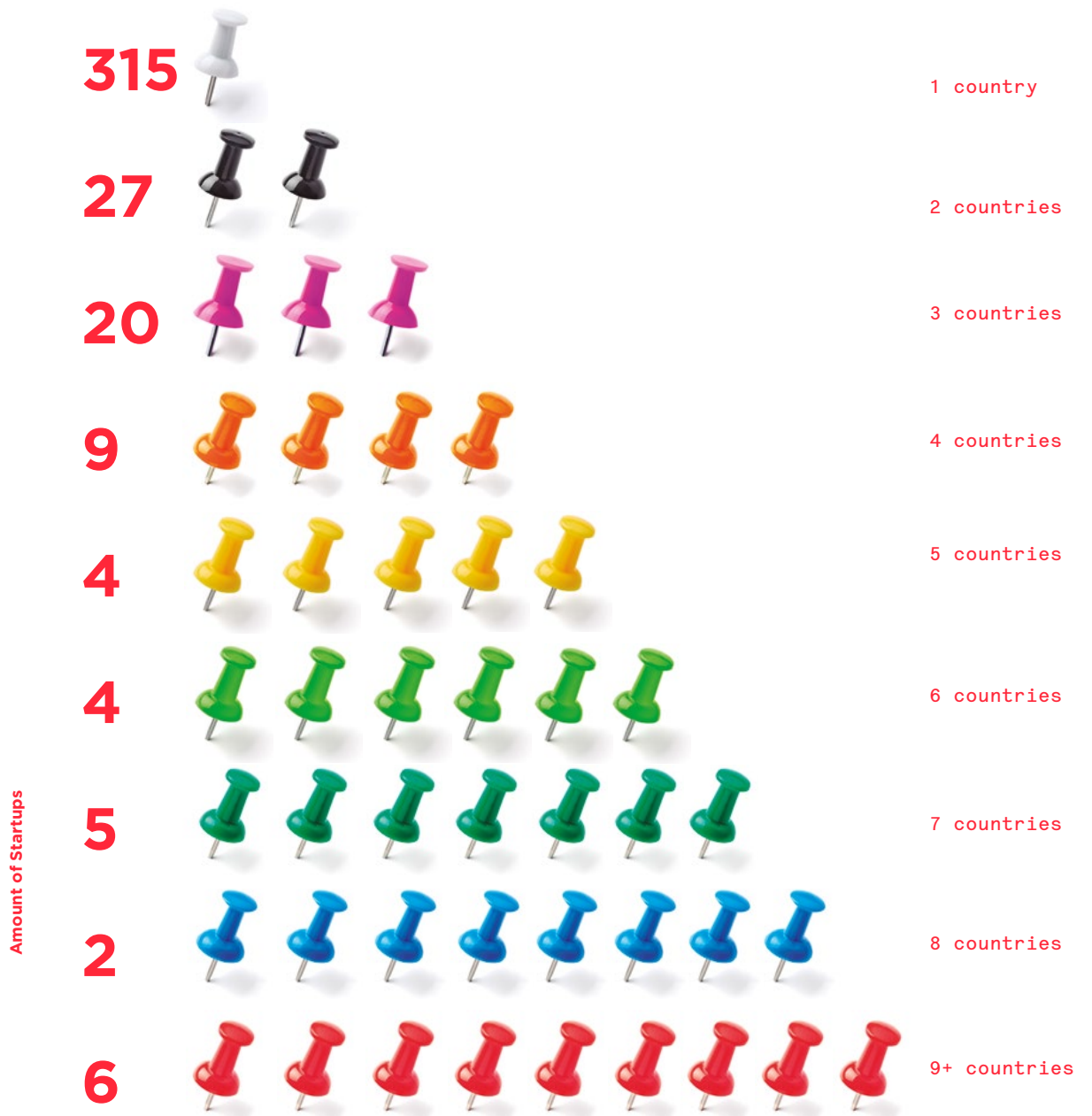
5

Independently of their country of origin, technology entrepreneurs share in their DNA the enthusiasm to create something new and a passion to solve real problems the societies they live in deal with. Moreover, they face similar challenges when it comes to scaling up and developing their projects: securing funding, finding the best talents, operating under homogenous rules, and building on homogenous platforms.

When the project is based in Latin America, the challenge is even more daunting. Not only is there a large funding or anchoring gap compared with the United States or Europe, but lack of the necessary talent oftentimes slows down the efforts of a startup about to achieve scale. When it comes to Fintech, regulations may operate as obstacles and inhibit growth outside their country of origin because the regulatory framework under which the financial services of each nation operate is different.

Chart 5.1
Fintech operating
in one or more
countries

Out of the 393 Fintech startups that took the survey, only 77 (19.6%) reported to operate in more than one country. From that subtotal, 27 (35.1%) said they operate in two countries, 20 (26.0%) in three, and 9 (11.7%) in four. The remaining 21 startups (27.2%) ranged between 5 and 17 countries in the region (chart 5.1).



Número de startups Fintech que operan en múltiples países

These figures make sense considering how young these ventures are and how hard it is to gain new markets and grow in them.

Yet, respondents showed different degrees of inclination to expand within the region, depending on their country of origin: 33.3% of the startups based in Argentina and 31.0% of those in Colombia operate outside their countries, compared with only 11.0% of those based in Brazil, and 8.6% of those in Mexico.

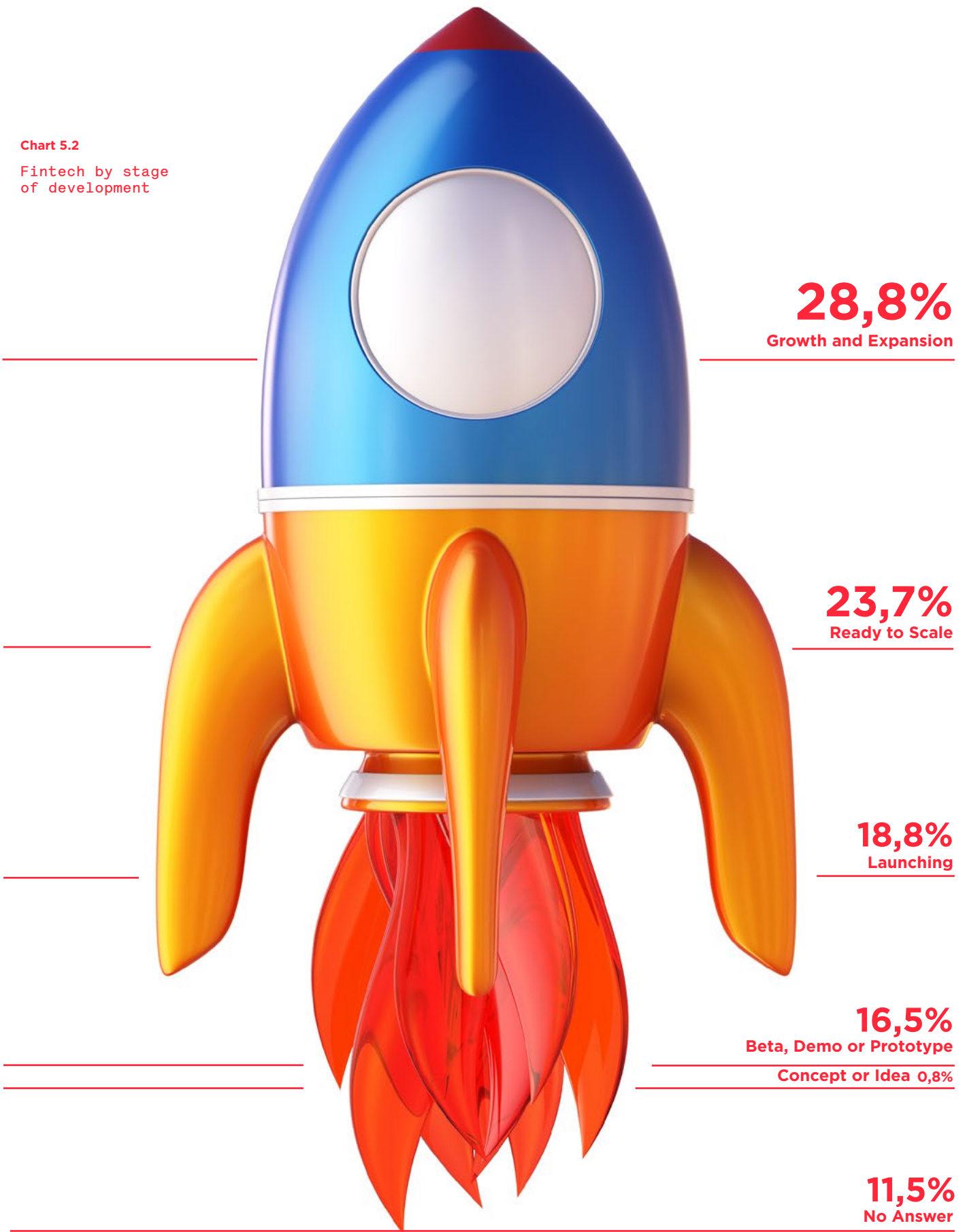
While this in itself is not a Fintech startup scale capacity indicator -given their magnitude both in Mexico and Brazil-, it is quite significant that one in three Argentine startups and one in four Colombian firms has presence beyond their countries' borders.

Despite the barriers that exist in the region to achieve scale and the relative novelty of these startups, 23.7% of respondents felt ready to expand, while 28.8% declared to be going through a growth and expansion phase notwithstanding their short existence (chart 5.2). In all, over half the surveyed Fintech startups considered themselves to be in a mature stage of their product's development.

In this sense, a regional support effort has been carried out by the IDB Group's Multilateral Investment Fund (MIF) through the NXTP Labs Fintech Acceleration Program. NXTP Labs is an investment fund that holds an acceleration program for technological startups in Argentina, Brazil, Chile, Colombia, and Mexico, promoting the connection between banks and large companies with startups that develop innovations for the financial industry.

Similarly, from a private perspective, other specific projects have been designed to boost Fintech startups in Latin America. Such is the case of Startupbootcamp Fintech -a startup acceleration program promoted by Finnovista and Startupbootcamp, which offers funding and mechanisms to promote Fintech startup growth through mentoring and holding close relationships with corporate partners such as Visa, Fiinlab powered by Gentera, BanRegio, EY and White & Case, among others.

Chart 5.2
Fintech by stage
of development



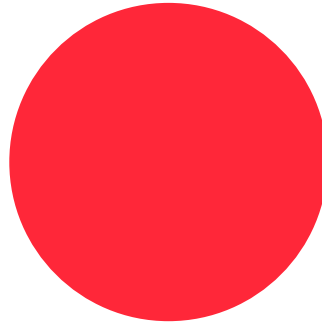
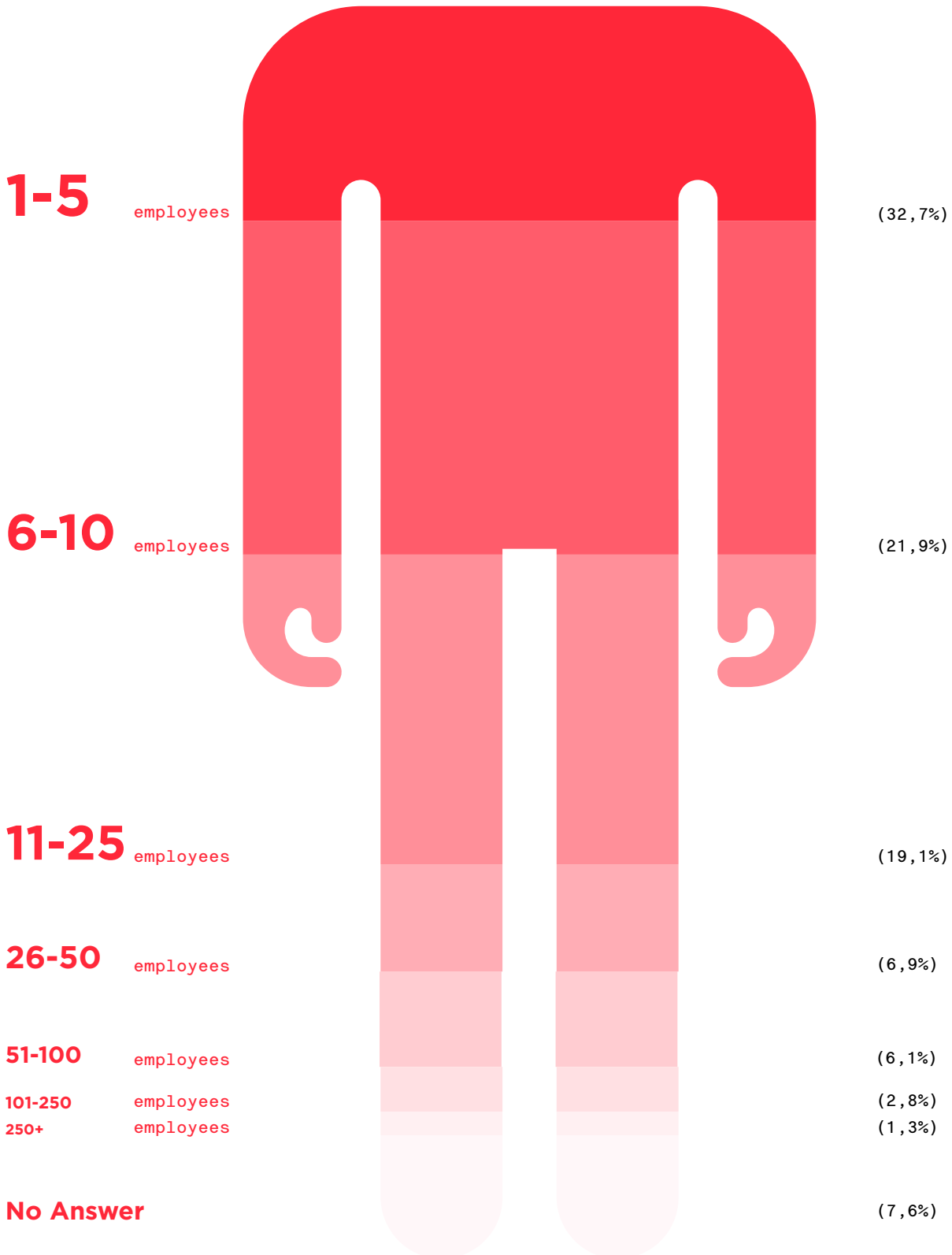


Chart 5.3
Number of employees



Another important fact -that can also help understand these startups' scaling capacity in the region- is the size of Fintech firms measured in number of employees. Most surveyed startups (56.3%) are small, having between one and 10 employees; 34.4% have between one and five; and 21.9% between six and 10 (chart 5.3). There are also those that employ between 11 and 25 people, representing 19.1% of these ventures. Finally, 75.4% of surveyed Fintech startups reported having between one and 25 employees. Only 4.1% indicated hiring over 100 people at a time.

The survey also sheds light on the relationship between investment received by the startups and their number of employees. For example, while the average number of employees in ventures that received less than US\$25,000 is only 5.5, in those where funding has ranged between US\$2 million and US\$6 million, it's 50.9. This is a clear indication of the importance of investment capital for job creation and growth in these innovative businesses in the region.

Figure 5.1
Financing and growth

Investment or funding	Average number of employees
<25k USD	5.5
+25k-75k	10.7
+75k-125k	7.0
+125k-250k	9.8
+250k-500k	9.6
+500k-2M	19.4
+2M-6M	50.9
+6M	159.2

Alkanza

1 What they do

It's a Fintech company focused on mathematics and artificial intelligence. The company provides automated portfolio management through partnerships with financial institutions outside the US.



2 Segment
Asset management:
Robo-Advisors

3 Origin
Colombia, Mexico,
USA



4 Foundation
2014

Development stage
Growth and E
5 expansion



6 Founders
Andrés
Villaquirán,
Juan Becerra

7 Investors
Angel Investors,
ALLVP, Grupo SURA,
Veronorte Ventures

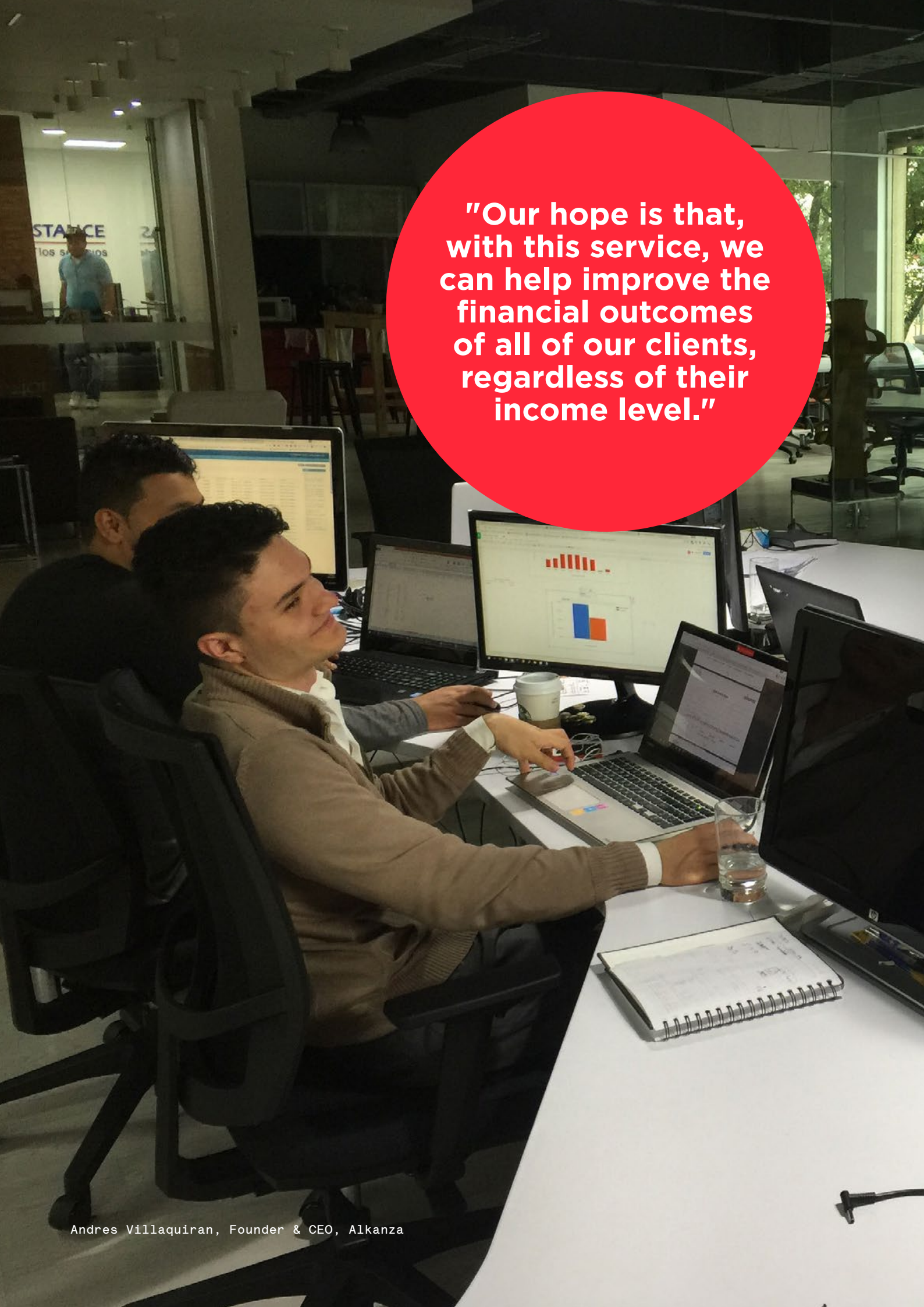
8 Investment
8M USD



9 Employees
11-25

10 Annual income
No information



A man in a brown sweater is sitting at a desk in an office, working on a laptop. He is looking at a monitor displaying a bar chart. There are several other monitors on the desk, some showing spreadsheets and others showing documents. A notebook and a glass of water are also on the desk. In the background, another person is visible working at a desk. A large red circle is overlaid on the image, containing a quote.

"Our hope is that, with this service, we can help improve the financial outcomes of all of our clients, regardless of their income level."

1

What they do

Allpago is the leading payment Service provider in Latin America, with office in Berlin, Sao Paulo, Bogotá, Buenos Aires and Mexico. allpago allows companies and payment providers to accept all the most relevant forms of local payment in the region through a single platform and API. Its modern technology and legal advice are used by companies such as Art.com, Getty Images, McAfee, Paylogic, Symantec and Teamviewer to maximize their conversion rates and ensure customer-compliant transactions in Latin America, and as a pay-per-view interface of the leading payment companies around the world. In October 2016, allpago announced its expansion to Argentina, the third e-commerce market in the region, which means that merchants will now be able to access more than 80% of Latin American B2C e-commerce, valued at US\$78 billion.

10

Annual income
<1M USD



9

Employees

26-50



8

Investment
Equity



7

Investors
Equity



6

Founder
Philip Bock



2

Segment

Payment solutions:
Payment gateways and aggregator



3

Origin
Brazil



Development stage

Growth and expansion

5

4

Foundation
2010

"Through one integration and without further adaptation, merchants and payment providers can either use our tools as payment gateway, payment facilitator or regulated cross-border provider."



6

Founders

América Latina:
Jose Velez,
Martin Schrimppff
and Santiago Espinel;
Alejandro Estrada,
Juan Pablo Bruzzo
and Alex Oxenford

Polonia:
Grzegorz Brochocki,
Arjan Bakker

India:
Shailaz Nag,
Nitin Gupta

CEO:
Laurent Le Moal



7

Investors

Naspers Ltd.

9

Employees

1800+



8

Investment

Private
information



10

Annual income

Private
information



1

What they do

It's the electronic payments division of Naspers Ltd., a multinational group that serves more than 13 countries. PayU is currently the leading online payment provider focused on creating a quick and easy payment process for merchants and buyers. The company operates in 16 high growth markets in Asia, Europe, Latin America, the Middle East and Africa. In Latin America PayU operates in Argentina, Chile, Colombia, Brazil, Mexico, Panama and Peru. Recently PayU has invested in several Fintech startups, such as ZestMoney or BitX. In 2016 PayU acquired Citrus Payment Solution, a platform that offers payment services and mobile banking.

Development stage
5 Growth and
expansion

4 Foundation
2002

2 Segment
Payment solutions:
Payment gateways
and aggregators



3 Origin
Colombia

<http://www.payu.com>

@_payU/@PayULatam

“The financial services industry will be very different from what it is today and we want to play an important role doing that transition.”

José Velez, CEO, PayU LATAM

**Fintech
venture
capital
investment**



Historically, the volume of these investments has mainly been concentrated in the United States, followed by Europe and Asia, and to a much lower extent in Latin America

All around the globe, the Fintech sector has witnessed a dramatic investment growth over the past few years, going from US\$1.8 billion in 2010 to US\$19 billion in 2015²⁸. By the end of the third quarter 2016, Fintech investment reportedly reached US\$15.2 billion spread among 839 transactions in 57 countries²⁹. Historically, the volume of these investments has mainly been concentrated in the United States, followed by Europe and Asia, and to a much lower extent in Latin America³⁰.

Nevertheless, the most important rounds of investment in the Fintech sector in the region have taken place in 2016 (chart 6.1). This highlighted a more active participation by multi-lateral agencies and traditional financial entities in startup funding. Such are the cases of the IFC, MIF, American Express Ventures, Monex Grupo Financiero and Grupo SURA, among others. The vitality of the Fintech segment has also led to the creation of investment platforms for the region guided by banking entities (like the one jointly launched by Scotiabank and QED Investors³¹), and to the acquisition of some of these startups, for example the one announced late 2016 by BBVA regarding Openpay³².

Among the international development agencies that are betting on this sector in the region, the IDB Group's MIF has invested in 12 venture capital funds, in which the total portfolio includes 55 Fintech firms operating in Argentina, Brazil, Chile, Colombia, and Mexico, besides being involved in direct investments. Examples of these are Afluenta -a P2P financing online platform-; Payclip, a payment solution currently operating in Mexico; Sempli, an online financing platform for growing ventures and startups in Colombia; and Kubo Financiero, the first online platform specialized in crowdfunding and peer funding regulated by Mexico's Comisión Nacional Bancaria y de Valores (National Banking and Securities Commission).

²⁸ Citi GPS : Global Perspectives & Solutions. March 2016. Citigroup.

²⁹ The Q3 2016 VC Fintech Investment Landscape. November 2016. Innovate|Finance.

³⁰ Cutting Through the FinTech Noise: Markers of Success, Imperatives for Banks. December 2015. McKinsey & Company.

³¹ Scotiabank partners with QED Investors to promote Fintech start-ups in Latin America. Latin American Private Equity & Venture Capital Association, December 10, 2016. [Link: https://lavca.org/2016/12/10/scotiabank-partners-qed-investors-promote-fintech-start-ups-latin-america/](https://lavca.org/2016/12/10/scotiabank-partners-qed-investors-promote-fintech-start-ups-latin-america/)

³² BBVA compra Openpay, 'startup' mexicana de servicios de pagos 'online'. BBVA News, Dec. 23, 2016. [Link: https://www.bbva.com/es/noticias/economia/bancos/fintech/bbva-compra-openpay-startup-mexicana-servicios-pagos-online/](https://www.bbva.com/es/noticias/economia/bancos/fintech/bbva-compra-openpay-startup-mexicana-servicios-pagos-online/)











Startup (country of origin)	Fintech Segment	Most Recent Rounds	Investors
Nubank (Brazil)ⁱⁱ	 Digital Banks	C Series: US\$52 million (Jan 2016) Debt: US\$53 million (April 2016) D Series: US\$80 million (Dec 2016)	DST Global, Peter Thiel's Founder Fund, QED Investors, Sequoia Capital, Tiger Global Management, Kaszek Ventures, Ribbit Capital, Redpoint Ventures. / Goldman Sachs
Kueski (Mexico)ⁱⁱⁱ	 Loans	A Series: US\$10 million (April 2016) Debt: US\$25 million (April 2016)	1Richmond Global Ventures, Rise Capital, CrunchFund, Variv Capital, Victory Park Capital, Angel Ventures Mexico, Core Ventures Group, Auria Capital
Clip (Mexico)^{iv}	 Payments	US\$24 million (Jan 2017) US\$8 million (Dec 2015)	Richmond Global Ventures, Rise Capital, CrunchFund, Variv Capital, Victory Park Capital, Angel Ventures Mexico, Core Ventures Group, Auria Capital
Creditas, formerly BankFacil (Brazil)^v	 Loans	US\$19 million (Feb 2017)	IFC, Naspers, Kaszek Ventures, Redpoint eVentures, Accion Frontier Fund, QED Investors, Napkn Ventures
Guiabolso (Brazil)^{vi}	 Personal Financial Management	US\$17 million (May 2016)	IFC, Naspers, Kaszek Ventures, Redpoint eVentures, Accion Frontier Fund, QED Investors, Napkn Ventures
Afluenta (Argentina)^{viii}	 Loans	US\$8 million (March 2016)	IFC, Elevar Equity
Konfio (Mexico)^{ix}	 Loans	US\$8 million (May 2016)	Acción Frontier Inclusion Fund, QED Investors, Kaszek Ventures, Jaguar Ventures
Kubo Financiero (Mexico)^x	 Loans	US\$7.5 million (Aug 2016)	Bamboo Finance, Monex Grupo Financiero, KuE Capital, Tanant Capital, Endeavor Catalyst, Alta Ventures, Capital Invent, Vander Capita Partners, Wayra México
Conekta (Mexico)^{xi}	 Payments	US\$6.6 million (Oct 2016)	Variv Capital, FEMSA, Jaguar Ventures, Conconi Growth Partners
Alkanza (United States)	 Asset Management	US\$6 million	ALLVP, Grupo SURA

Figure 6.1

Recent Fintech investment rounds

ⁱ DST Global Leads \$80 Million Private Investment in Nubank, Vinod Sreeharsha, 7 de diciembre de 2016. New York Times. Enlace: <http://www.nytimes.com/2016/12/07/business/dealbook/dst-global-nubank.html>

ⁱⁱ Brazil online card company Nubank gets \$53 mln loans from Goldman Sachs, 27 de abril de 2016. Reuters. Enlace: <http://www.reuters.com/article/nubank-goldman-sachs-idUSL2N17U25K>

ⁱⁱⁱ Kueski Secures Largest Capital Funding for FinTech Startup in Mexico. Business Wire, 21 de abril de 2016. Enlace: <http://www.businesswire.com/news/home/20160421005166/en/Kueski-Secures-Largest-Capital-Funding-FinTech-Startup>

^{iv} Amex Backed Mexican FinTech Startup Clip Raises \$8 Million in Series A. Let's Talk Payments, 8 de diciembre de 2015. Enlace: <https://letstalkpayments.com/amex-backed-mexican-fintech-startup-clip-raises-8-million-in-series-a/>

^v CB Insights. Recent Investments. Consultado el 15 de febrero de 2017. Enlace: <https://www.cbinsights.com/investor/missionog>

^{vi} Brazil's Creditas gets \$19 million amid boom in local fintech financing. Conexão Fintech, 22 de febrero de 2017. Enlace: <http://conexaofintech.com.br/en/brazil-credit-get-19-million>

^{vii} IFC, do Banco Mundial, investe em app brasileiro. C&ia Luz. Link Estadão, 11 de mayo de 2016. Enlace: <http://link.estadao.com.br/noticias/empresas,ifc--do-banco-mundial--investe-em-app-brasileiro,10000050275>

^{viii} Afluenta, the Leading Latin American Peer Lending Network, Receives \$8 Million from IFC and Elevar Equity to expand in the region. PR Newswire, 17 de marzo de 2016. Enlace: <http://www.prnewswire.com/news-releases/afluenta-the-leading-latin-american-peer-lending-network-receives-8-million-from-ifc-and-elevar-equity-to-expand-in-the-region-300237584.html>

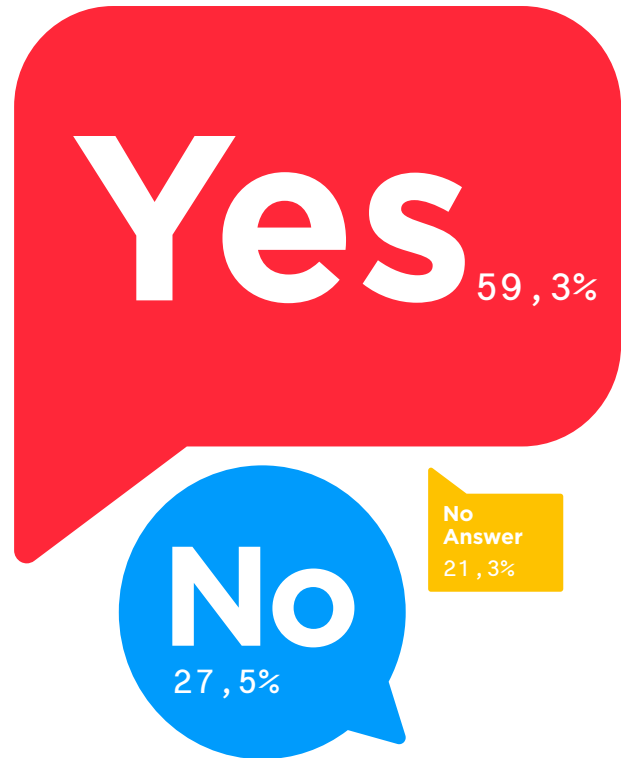
^{ix} Konfio, startup líder en préstamos online, recibe inversión por 8 millones de dólares. Acción, 24 de mayo de 2016. Enlace: <https://www.accion.org/es/content/konfio-startup-1%C3%ADder-en-pr%C3%A9stamos-online-recibe-inversi%C3%B3n-por-8-millones-de-d%C3%B3lares>

^x kubo.financiero cierra nueva ronda de inversión por 7.5M dólares, impulsando la Industria Fintech en México. Kubo Financiero, 3 de agosto de 2016. Enlace: <https://blog.kubofinanciero.com/blog/kubo-financiero-cierra-nueva-ronda-inversion/2016/08/03>

^{xi} Variv Capital, Jaguar Ventures, FEMSA & Conconi invest in Mexico's Conekta. Latin American Private Equity & Venture Capital Association, 28 de octubre de 2016. Enlace: <https://lavca.org/2016/10/28/variv-capital-jaguar-ventures-femsa-conconi-invest-mexicos-conekta/>

^{xii} ALLVP leads the \$6m Series A round of robo-advisory juggernaut, Alkanza, to expand its platform in international markets. ALLVP, 19 de diciembre de 2016. Enlace: <http://www.allvp.vc/alkanza>

Has your startup received funding or investment so far?



Is your startup currently seeking funding?

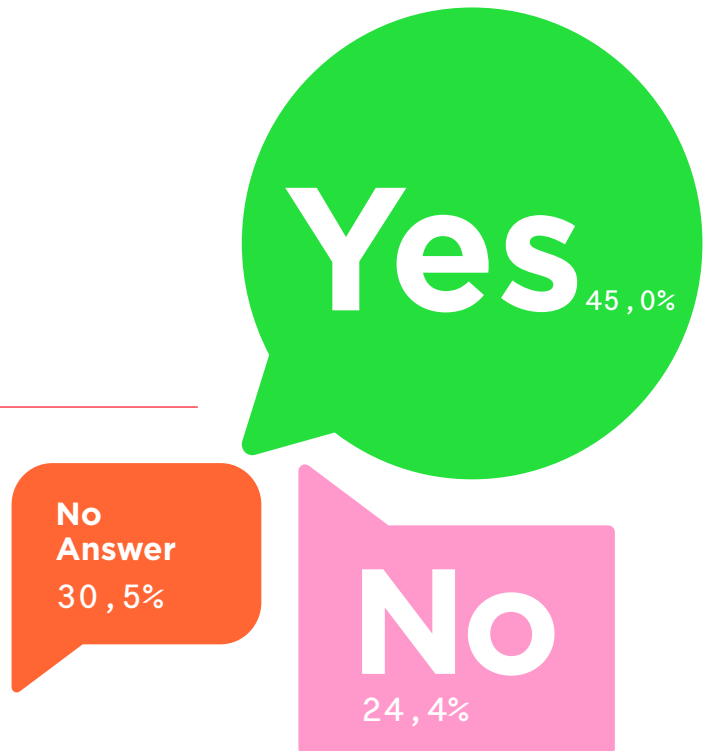


Chart 6.1

Fintech in terms of capital procurement and funding

Survey findings show that the cumulative investment in Latin American Fintech firms ranges between US\$800 and US\$1 billion. Among surveyed startups, 59.3% declared having received venture capital or public funding, while 27.5% said they had not yet had access to funding sources. The remaining 13.2% did not provide an answer (chart 6.1). In any case, at least 45.0% indicated they were actively seeking investment at the time the survey was conducted.

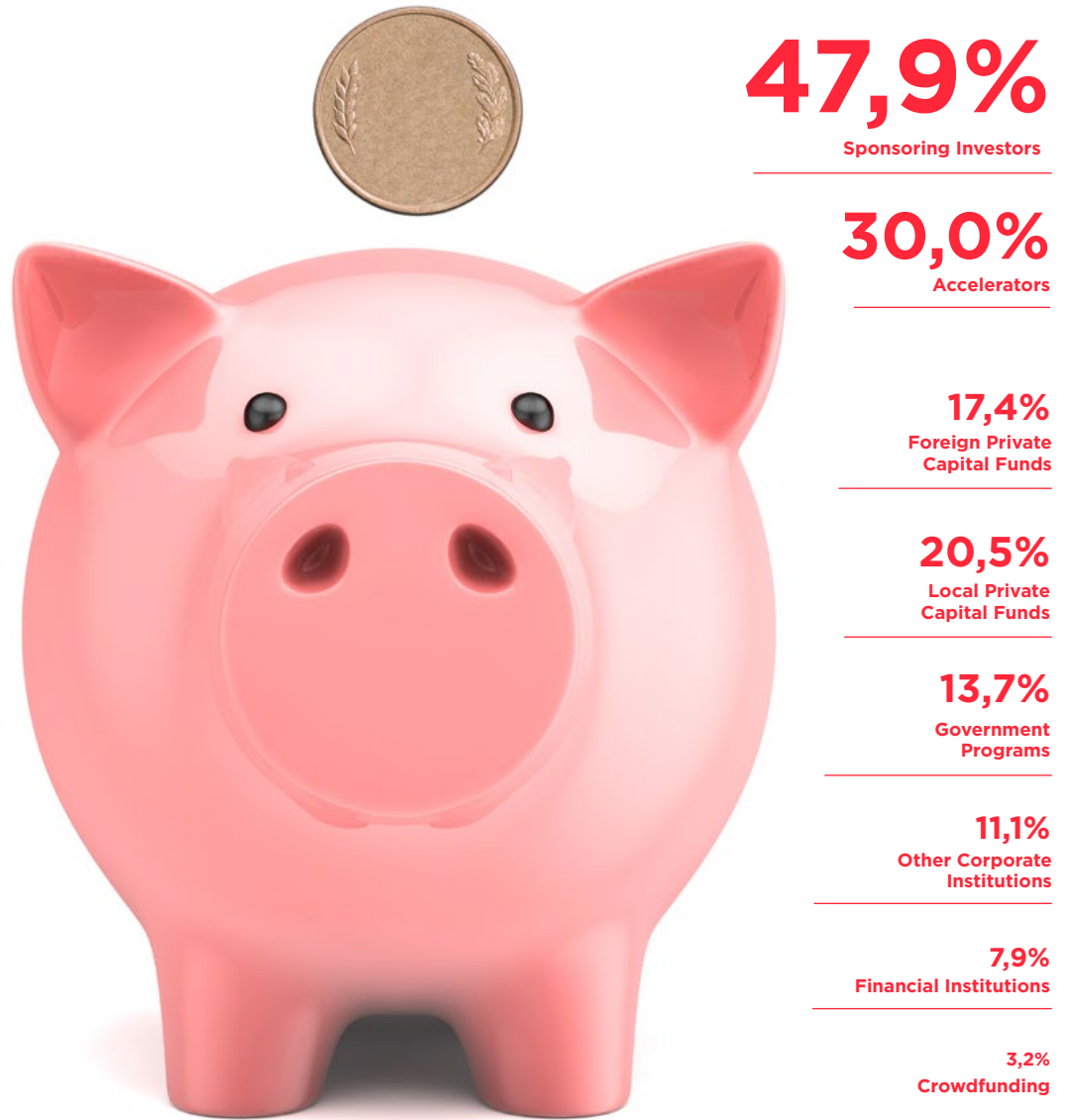


Chart 6.2

Source of funding or investment

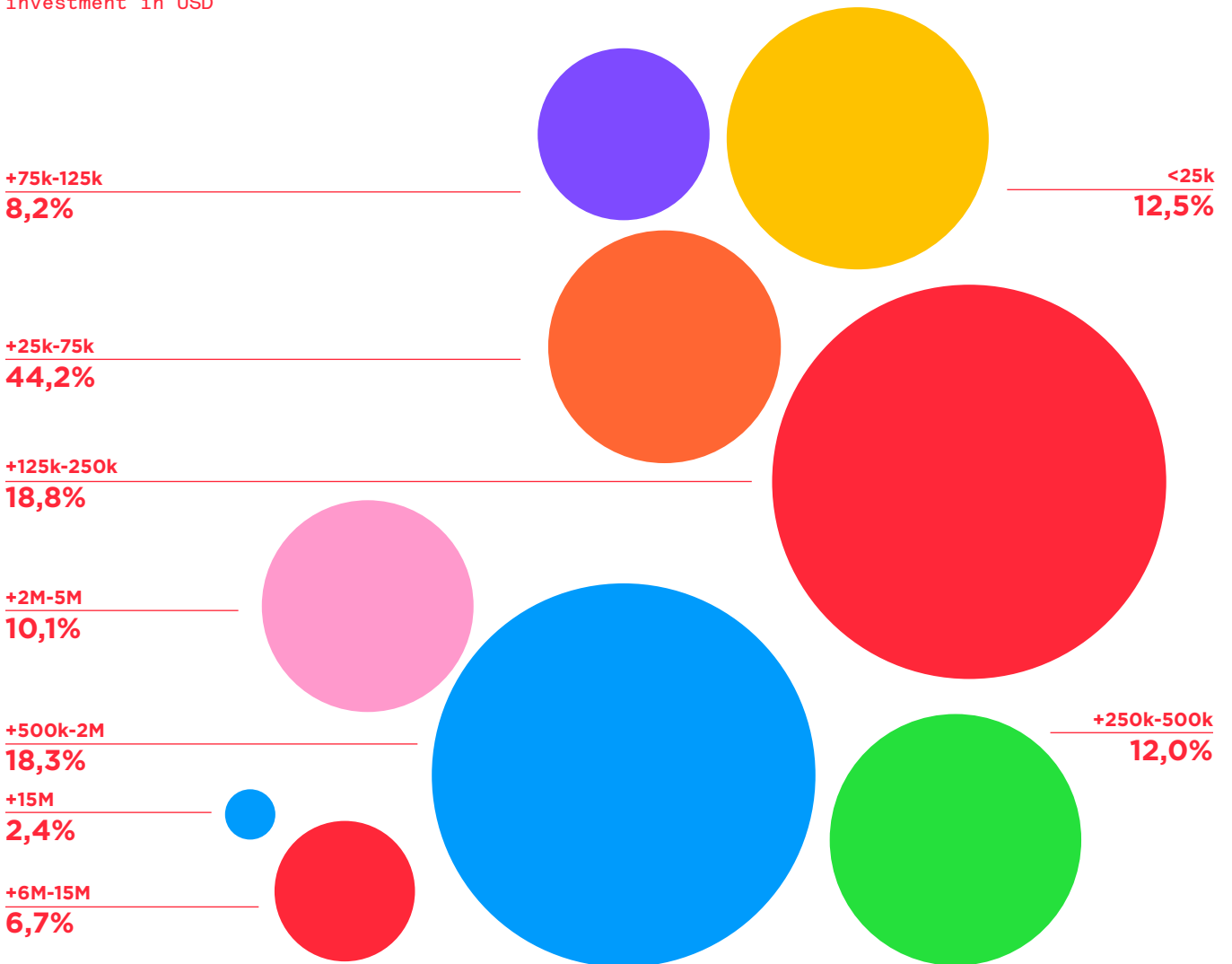
The number of startups that declared having received investment varied significantly from one country to another, reflecting wide national differences in terms of access to public funding and private investment. In Chile, 80.0% of the startups acknowledged obtaining third-party funding, compared with 61.1% in Mexico, 58.1% in Brazil, 54.0% in Argentina, and 36.7% in Colombia.

When asked about the source of these funds, 47.9% of the Fintech startups that received funding indicated they had sponsoring investors; 30.0% declared having obtained them from accelerators; 20.5% said they received investment from local private capital funds; 17.4% mentioned foreign private capital funds; and 13.7% pointed to government funding programs (chart 6.2). In 18.9% of the cases, startups stated having received investment resources from corporate entities: 7.9% from financial organizations and 11% from other types of corporations³³.

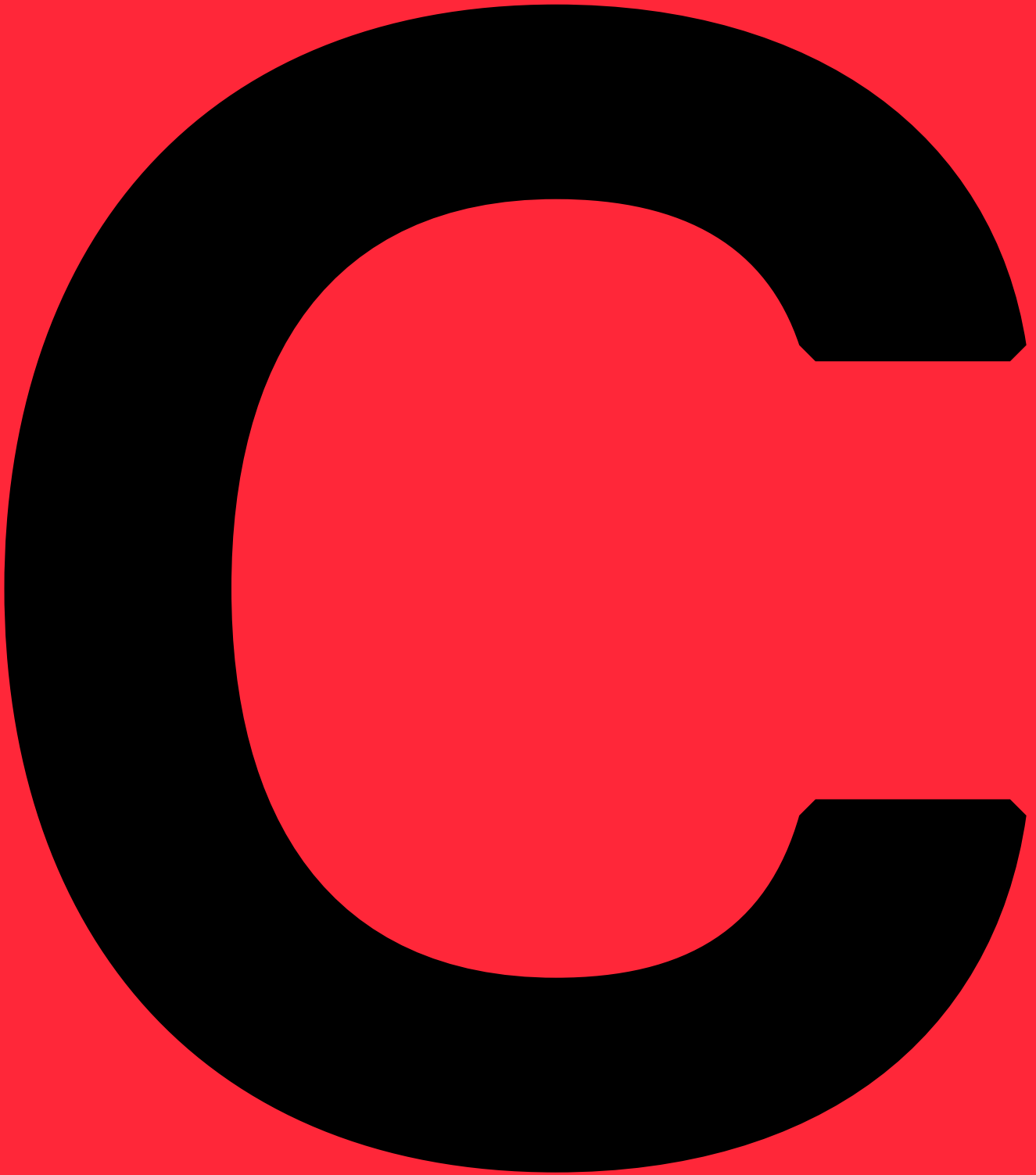
³³ The percentages that appear in this paragraph should not be added up, given the existence of other capital raising rounds with other types of investors.

The survey shows the distribution of investment obtained in terms of magnitude (chart 6.3). Only 2.4% received more than US\$15 million, while 6.7% secured between US\$6 and US\$15 million, and another 10.1% between US\$2 million and US\$6 million. Approximately one third (30.3%) of the funded startups reported obtaining between US\$250,000 and US\$2 million, while 38.1% received between US\$25,000 and US\$250,000. The rest (12.4%) indicated to have collected less than US\$25,000.

Chart 6.3
Fintech by investment in USD



Conclusions



The venture capital industry's specialization in the financial service sector and the higher participation of banks and insurance companies in funding these startups are two elements that could foster better conditions for Fintech investment. Nevertheless, some pending challenges remain -among them, the elaboration of regulatory frameworks that promote innovation within the sector and the emergence of many more successful cases with strategic exits generating returns for investors.

During the past five years, financial services have been shifting radically and definitively. This transformation is part of a global phenomenon that has led to the emergence of a series of Fintech startups which have penetrated the financial system modifying the way in which businesses and consumers make payments, transfer money, obtain loans, trade assets, and manage their resources. Moreover, these startups are better adapted to current demographic changes and user behaviors, while satisfying expectations that the system's traditional stakeholders have not addressed.

The digitalization of the financial system paves the way for ambitious entrepreneurs to boost innovation and change the way people interact with financial services. In the case of the emerging economies -especially those in Latin America- this offers a unique opportunity to take a quantum leap towards new and efficient digital financial services that the growing and increasingly influential younger population demands.

This is why policymakers must take firm steps to ensure that the new dynamism observed in the Fintech sector benefits the populations of all countries in Latin America.

From the perspective of governments, Fintech benefits and their alignment with public policies' goals become more and more evident. However, for the sector to be able to grow and have a greater impact, the dialogue between those who design the policies, regulators and entrepreneurs must deepen. This can be achieved through mechanisms as diverse as holding forums and consultations, implementing temporary regulatory sandboxes, and investing in RegTech. At the same time, countries could adopt and promote different mechanisms to support entrepreneurial systems and the Fintech sector specifically, for example, incorporating funding initiatives to the industry through the national development banks.

On the financial services industry's side, it will be necessary to expand digital transformation initiatives in the region and deepen the cooperation with Fintech firms through structured open innovation programs or the establishment of 'corporate venture capital funds' to promote the creation of value via commercial relationships, strategic investments, or acquisitions in the sector.

As for private capital, development banks, and multilateral agencies, it is crucial to continue and boost investment in Fintech startups, participate and promote liaison activities within the ecosystem, design support programs for the development of such ventures, and create special vehicles for innovation in banking, securities, insurance, bonds, and other financial services.

We hope this report fosters a constructive dialogue between various stakeholders in the ecosystem to activate public policies and private initiatives that develop and consolidate the Fintech sector in Latin America.

Acknowledgements

The Inter-American Development Bank and Finnovista wish to express their gratitude to all the startups that kindly agreed to participate in the survey that made possible the elaboration of this report:

123Seguro	BitPagos
Ábaco	Bitso
Acesso Soluções de Pagamento s.a.	Biva Serviços Financeiros S.A.
Acolitame Crowdfunding	Blumon Pay
ADELANTA TÚ NÓMINA	Boletão
Aflore	Boleto Simples
Afluenta	Bolsapp
Agilize Contabilidade Online	Bom Pra Crédito
Ahorra Seguros	Briq.mx
albo	BRI Tech
Alegra	Broota
Aliado	BTC Facil
Alivio Capital	Bull Street
ALKANZA	Bursapp
allekpay	Caaapital
allpago	Capital Funding Lab
Alsis	Capitalizarme.com
Alterbios Soluciones de Software CIA. LTDA.	CapitaLogistic S.A.
Antecipa	Captarpagos
Aportemos / INIXAR	CashingApp
APOYOSEXPRESS	Celcoin
ASAAS	ChileBit.NET
Aspiria	CityWallet
Avante	CloudWalk
b.trader	CobrosYA
BANCAVALOR	Cohete
Bancompara	Coinaction
BankFacil	Colppy
Bankingly	Comparabien
BaraTasa	Comparaencasa.com
Bayonet	ComparaGuru.com
Becual	ComparaMejor.com
Bidollar	Concil
BigData Corp	Conekta
Billpocket	Conexuscp
BioCredit	Consultatio Plus
Biométrica S.A.	Contabilium
BitCourt	Contabilizei
Bitex	Contagram
BitInka	Contalisto
BitNexo	contarte.mx
BitOne	Conube

Cred.Fit	FOL, AGENCIA DE VALORES
Crediavance	Fonde.mx
Credibox (antes Credify)	Fondify
Credijusto.com	FounderList
Credility	Fri
CREDIPY	FXONE
Creditea	GeoPagos
Creze	Geru Tecnologia e Serviços S.A.
CROMPAY	Gestor
Crowdfunding.cl SPA	Gosocket
Cryptobuyer	GuiaBolso
Culqi	Gulungo Colombia
Cumplo	Hagamos La Vaca
Cygnus (by Ethos)	Hazvaca Crowdfunding del Ecuador S.A.
DATAHOLICS	Herrera Carvajal y Asociados CIA. LTDA. - SAFI
Dátil	Hexagon Consulting
DattaShield	IDATA S.A.S.
Destacame	Ideame
DETEKTA.co	Idwall
Dimdi	ii-money
Dinerio	Imaginex
Dinerofull	IncluirTec
Dodo Scientific Crowdfunding	Increase Card
Doopla	InFinance
EASYCREDITO	Innova Factoring
EBANX	Innovafunding
EFL Global	Inntegra (by Ethos)
El Buen Socio	Inversionate
elMejorTrato.com	InvesteApp
ePayco	Investopi
ePesos	Investsup
EqSeed	Ionix
esdinamico	iugu
EWALLY	Juntos com Você
Exchange Money	Kapital Zocial
Facturama	Kapitalizalo
factúrame	KiiK
Facturedo	Koibanx
Fatura Simples	Konduto
Feenicia	Konfio
Finaktiva	Konkero
FINANCASH	Konsigue
Finbitz	Kredicity
Finciera	Kubo.Financiero
FinTech Dominicana, SRL	Kueski.com
Fintual	Kushki Pagos
FINV	Kuspit
Finve	LabsBank
First Circle Latin America	lachancha.pe
FLINK	Latin Fintech
FLOW	Laudex

LAUDOX	Paganza
Lefort	Pago Digital Colombia SAS
LENDERA	Pagocuotas.com
Lendik	PagoFácil
Lesskomplex	PagoFlash
LiSim	PagoSim
LiveCapital	PagueComBitcoin
MÁ\$ Capital	PARSO
Magnetis	Paybook
Mercado Bitcoin	PayClub
MERCADOS EN LINEA	Payit
Mesfix	PayKii
meSuma	PaySur
Meu Câmbio	PayTax
Meus Ynvestimentos	PayU
MFM	Pipol
Miadministrador.co	Pismo
MiBank	PitchBull
Microwd	Place to Pay
Miingo	pladiK - De Aktiva Fintech
Minuto Empréstimo	Planejei.com
Mobbex	Ponto Educa
Moip	POP Recarga
MoneyMan	Portal de Pagos
Moneyveo México	Portfy
Moon Money Online	POS Móvil PAQ
Motormax	Prestadero
Movcash	prestamena.com
MR Presta	PrestoHoy
Mutual	Prezzta
Mutuo Financiera	Propius
Myfinance Consultoria e Informática Ltda	Prosuma
Ncubo Capital	Puntored
Net Worth Consulting	Qipu
NetM	QuantoGastei
Newcomms SAPI de CV	QuantoSobra
Nexoos	QUARTILHO
Nexu.mx	Quiena
Nominal	QuincenaMe
NoTeCuelgues.com	Quotanda México
Nubank	Rapicredit.com
O Pote	Rapidoo Factoring Online
Octopus Digital Distribution SPA	RecargaPay
Olimpia Management S.A.	Recaudia
Olpays	RedCapital S.A.
Openpay.mx	Rippex
OrganizaMe	Robocogs
ORIGEN R.L.	Rocket.la
OriginalMy	RSK Labs
Orion System	Ruvix
Pademobile	SafetyPay

saldo.mx	TOK3N
Salud Cercana	Trackmob
Salud Facil	Trajecta
SatoshiTango	Transfeera
Segnaly	tropay
Seguridad Biométrica de México	Truvius tu Concierge de Seguros
SeguroSimple.com	Übank
Sempli	undostres
SeSocio.com	URBE.ME
Siembro	Vai Sobrar!
Simbio	Vakinha.com
Simply	Venmetro, Inc.
SIMPPLO	Verios
Sistema de Transferencias y Pagos STP	VeriTran
SkyFunders	Vest Wealth Management
Slice	VINIK
Smart Contract Solutions	Vinti
Smartbill Sistemas e Serviços S.A.	Visoor
Smartcob	Visor ADL
SmarttBot	VTEKSOFTFIN
Solidez	VU Security
Solven	WAN
SOMIM SAPI de CV SOFOM ENR	Weeshing
Start Invetimentos	Wikiplata
StartMeUp Crowdfunding	wiLend
Storm, Innovation for Financial Inclusion	WorkCapital
SuperTasas.com	Wuabi
SURBTC	Yacare.com
Swap	Yaykuy
TÁ PAGO	yotepresto.com
Tan Tan	Yubb
TaxCloud	Zinobe
Tech Trader	ZonaBancos.com
TEVI	
Tienda Pago Holdings Inc	
TIVEA	
TOC Biometrics	

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Footnotes

- 1 DST Global Leads \$80 Million Private Investment in Nubank, Vinod Sreeharsha, December 7, 2016. New York Times. Link: <http://www.nytimes.com/2016/12/07/business/dealbook/dst-global-nubank.html>
- 2 Brazil online card company Nubank gets \$53 mln loans from Goldman Sachs, April 27, 2016. Reuters. Link: <http://www.reuters.com/article/nubank-goldman-sachs-idUSL2N17U25K>
- 3 Kueski Secures Largest Capital Funding for FinTech Startup in Mexico. Business Wire, April 21, 2016. Link: <http://www.businesswire.com/news/home/20160421005166/en/Kueski-Secures-Largest-Capital-Funding-Fin-Tech-Startup>
- 4 Amex Backed Mexican FinTech Startup Clip Raises \$8 Million in Series A. Let's Talk Payments, December 8, 2015. Link: <https://letstalkpayments.com/amex-backed-mexican-fintech-startup-clip-raises-8-million-in-series-a/>
- 5 CB Insights. Recent Investments. Consulted Feb. 15, 2017. Link: <https://www.cbinsights.com/investor/missionog>
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