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Content Table

J.P.Morgan

PAYMENTS

Executive Summary

The story of the payments industry in Latin America is one of collaboration and innovation, where synergy among various stakeholders has been crucial for technological progress and regional growth. Brazil, with its Pix system, has set a precedent for faster and more accessible transactions, showcasing how payment innovation can promote financial inclusion and economic efficiency.

Mexico, through its Fintech Law and collaboration with the U.S. Federal Reserve via the 'Directo a México' service, has demonstrated that smart regulation and strategic partnerships can streamline cross-border transactions and bolster the economy. Mexico's prominence in the remittance market underscores the importance of immediate payments for the region's economic sustenance.

In Argentina, the entrepreneurial and innovative drive is overcoming macroeconomic challenges with payment solutions that are poised to transform the financial landscape, leading to greater efficiency and inclusion.
Chile is progressing towards a payment system that fosters both innovation and consumer protection, with its increasing embrace of digital payments and new Fintech legislation, reflecting a commitment to technological and regulatory advancement.

Colombia is gearing up for a significant leap in financial digitalization, focusing on the implementation of the Interoperable Immediate Payments System, which is set to enhance the accessibility and security of financial transactions.

The demand for 'right here, right now' payments reflects the need for immediacy in international transactions, a demand that Latin America is meeting with resolve. These developments point to a bright future where the immediacy of international payments is not just feasible but is becoming standard, thereby unlocking new avenues for growth and competitiveness in Latin America.

1

24/7 payments in Latin America: The beginning of a new era?

As society increasingly demands immediacy, transparency, and ease of use in all types of interactions, from social networks to food delivery services and even international financial transactions, Latin America is at the forefront of digital transformation.

Far from being a homogeneous region, Latin America is a mosaic of policies, regulations, technological advancements, and regional integration efforts that influence the development and adoption of Cross-Border Payments (CBP) and Real-Time Payments (RTP).

It's not just about speed; it's about creating a seamless, transparent, and simple experience that aligns with the global shift towards more efficient financial services that focus on the user experience.

Recently, the need for such payment experiences has intensified, prompting organizations to consider integrated solutions that offer agile and effective operations, both locally and globally. To this end, J.P. Morgan Payments set out to explore the payments market in Latin America.
With its rich diversity, each country in the region presents different challenges and opportunities for CBP and RTP.
Historically, CBP have been fundamental to international trade in Latin America, facilitating the exchange of goods and services beyond national borders. This was further enhanced with the advent of RTP, a complementary and disruptive system that is redefining financial transactions.

Addressing the topic of payments in Latin America, in a report like this, goes beyond financial transactions; it's about exploring the entire economic ecosystem, from companies looking to scale regionally and globally to startups struggling to survive, and migrants who rely on these transactions to support their loved ones.

In Latin America, the dynamics of CBP and RTP are particularly complex, facing distinctive challenges and offering opportunities to catalyze growth and financial inclusion in the region.
CBP, with their complex network of actors and jurisdictions, represent an opportunity for organizations aspiring to improve their insertion into the global market.

Complementarily, RTP are emerging as a transformative force with the potential to optimize treasury management and strengthen customer loyalty.
The convergence of CBP and RTP offers a significant opportunity for those organizations seeking efficiency and a competitive edge in the international arena. The implementation of RTP can notably improve the customer experience and strengthen business relationships, driving economic growth in Latin America, enhancing its integration

into the global market, generating new business opportunities, and expanding the operations of its companies. Thus, CBP and RTP meet the needs for liquidity and speed in corporate payments (B2B), in a context where transactions are expected to be as fast and simple as those made between individuals (P2P), both locally and internationally.

Based on data and projections from international entities, market studies specific to Latin America, and enriched with interviews with business leaders from the region, this research seeks to provide a perspective that adds value to the analysis of the current state and future of payments in Latin America.

In the following sections, we will define key terms and circuits and present an overview of the economic context that Latin America is going through. We will continue with a regional analysis of CBP and RTP, exploring the local environment of key countries such as Argentina, Brazil, Chile, Colombia, and Mexico, and highlight the trends and opportunities that are shaping the future of payments in the region.

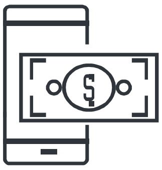
Cross-Border payments and Real-Time payments

2

What are CBP and RTP?

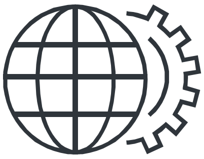
CBP play a crucial role in the global economy, facilitating the flow of money between countries for activities such as international trade, tourism, remittances, investments, and charitable donations. These transactions between parties located in different countries that involve different currencies of origin and receipt can occur among individuals, businesses, financial institutions, or governments.

Main players



Correspondent Banks

Traditional financial institutions that are used to provide access to local systems on behalf of another financial institution. They act as intermediaries offering services such as currency conversion, liquidity management, and compliance.



Society for Worldwide Interbank Financial Telecommunication (SWIFT)

Messaging system that standardizes the format of messages by confirming that a commitment has been established between financial institutions.

Fintech

Fintech companies that provide innovative solutions, speeding up and simplifying payments.

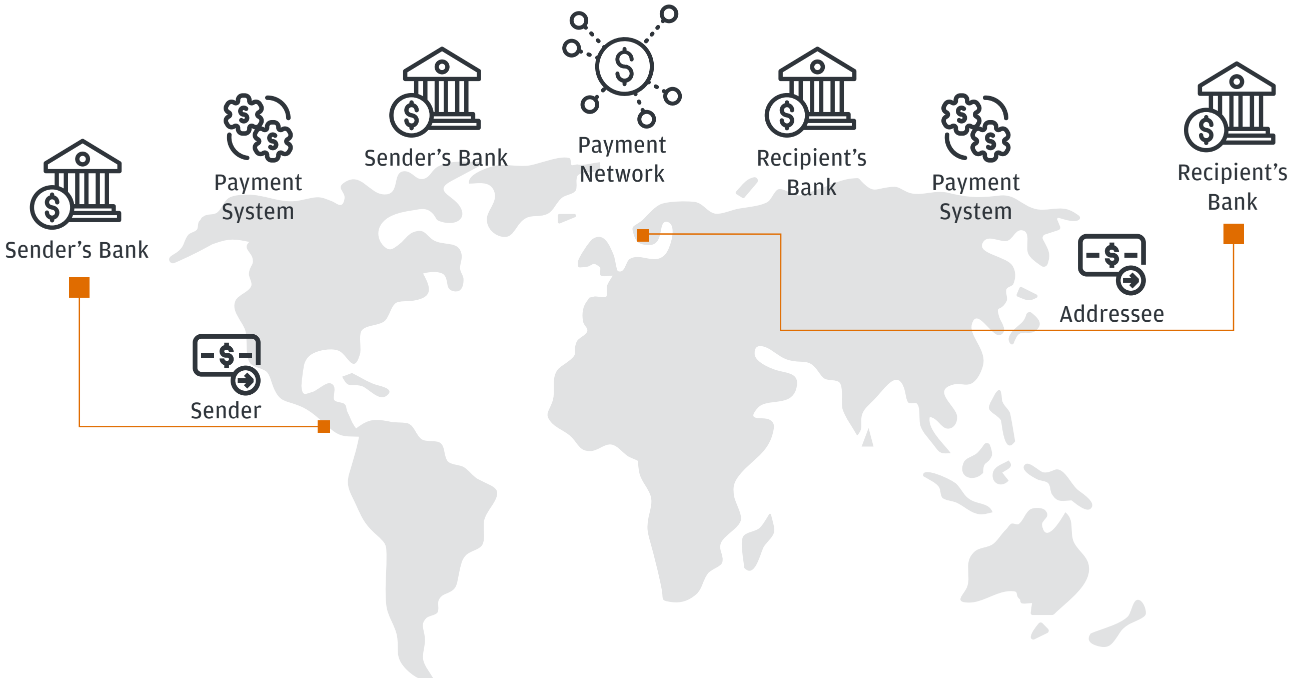
Credit cards

They offer a fast and secure way to transact in various currencies and are critical to tourism by simplifying international travel spending.

Process without correspondent banking[1]

While correspondent banking networks traditionally processed these payments, technological advancements have brought about innovative solutions that speed up transactions, reduce costs, and enhance user experience, leading to a significant transformation in the payments market.

Correspondent banking process[1]



Regardless of the process, the potential of CBP needs to be rethought. It's not just about moving money around - it's about creating value. In this new paradigm, the focus on data is key.

1. OWN ILLUSTRATION.

The exploitation of Big Data significantly improves CBP by identifying consumption patterns, optimizing payment routes, and preventing fraud. This results in faster, safer transactions tailored to the specific needs and regulations of the region, enhancing customer experience and business competitiveness.

USD
250 trillions
CBP expectations for 2027 globally[1]

CBP play a crucial role in the global economy, with expectations to reach USD 250 trillion by 20271. In 2023, wholesale CBP amounted to approximately USD 146 trillion, of which 62% were executed by banks and investors[2].

In this context of accelerated growth, new technologies emerge as key tools to improve economic efficiency, although they do not replace the need for solid macroeconomic policies. Their strategic application could significantly reduce both costs and transaction times, thus strengthening both regional and global trade connections[3].

The adoption of innovative CBP systems, in conjunction with well-structured Open Finance regulations, promises to empower individuals and businesses in Latin America, allowing them to transfer payments and financial assets more easily, flexibly, and securely, regardless of the amount, timing, or device used. This integrated approach is shaping up as a promise of a more interconnected payment system that not only facilitates trade but also contributes to shaping a more efficient regional financial system[3].

Following the 9/11 attacks and the 2008 financial crisis, and the subsequent regulatory pressure for stricter controls for Anti-Money Laundering (AML) and counter-terrorism financing, which in turn made Know Your Customer (KYC) procedures more expensive, banks were forced to reevaluate their business models, resulting in a global process of reduction in the number of correspondent banks[4].

1. BANK OF ENGLAND | CROSS-BORDER PAYMENTS.
2. MINSAIT PAYMENTS | TRENDS IN PAYMENT METHODS.
3. IMF | CROSS-BORDER PAYMENTS INTEGRATION IN LATIN AMERICA AND THE CARIBBEAN.
4. BIS | ON THE GLOBAL RETREAT OF CORRESPONDENT BANKS.

Regions with small markets and limited growth capacity were excluded, as the cost-benefit analysis was no longer viable. Latin America, for its part, experienced the most pronounced reduction in correspondent banking relationships between 2012 and 2018, with Chile leading this decline at 36%. Argentina follows with a 32% reduction[1].

Global CBP market size

Transaction Type	Use Cases	Estimate[2]		Forecast[2]
Wholesale	Interbank transactions Forex trading Wholesale finance Capital market dealings Liquidity management	USD 146 trillion (2023)	↑ **54%**	USD 225.2 trillion (2030)
Business to-business B2B	Institutional investing Trade financing Corporate payments Fund repatriation Freelancer and supplier transactions B2B e-commerce	USD 39.3 trillion (2023)	↑ **43%**	USD 56.1 trillion (2030)
Consumer to-business C2B	Payments via digital wallets (e.g., PayPal, Google Pay, Apple Pay) Services related to travel bookings (flights, hotels, etc.)	USD 1.8 trillion (2023)	↑ **83%**	USD 3.3 trillion (2030)
Business to-consumer B2C	B2C e-commerce Credit cards Claims/Refunds	USD 1.7 trillion (2023)	↑ **80%**	USD 3.2 trillion (2030)
Peer-to-peer P2P	Remittances Fundraising and donations	USD 0.89 trillion (2024)	↑ **6%**	USD 0.99 trillion (2028)

Retail payments, including P2B/B2P and P2P transactions such as remittances, accounted for just 3.5% of the global payments market value in 2023. Despite their smaller volume, they have significant disruptive potential due to evolving consumer behavior and financial inclusion in emerging markets[1]. Regarding the immediacy of CBP, globally, just over half of the recipients received their payment in less than an hour, both in the case of remittances and in the wholesale segment (53% vs. 54% respectively[3]).

1. MINSAIT PAYMENTS | TRENDS IN PAYMENT METHODS.
2. MACRO GLOBAL | CROSS-BORDER PAYMENTS OUTLOOK: 2024 & BEYOND.
3. FSB | G20 ROADMAP FOR ENHANCING CROSS-BORDER PAYMENT.

Regulation plays a vital role in the security and efficiency of CBP, covering critical aspects such as KYC, due diligence, AML/CFT, FX regulations, and data protection and privacy.

CBP Areas of Regulation

Area	Description
Know Your Customer (KYC)	This involves verifying the identity of customers to prevent identity theft, financial fraud, money laundering, and terrorist financing.
Due Diligence	This includes a thorough assessment of all potential risks before entering into an agreement or conducting a financial transaction with a particular party.
Anti-Money Laundering (AML) and Terrorist Financing	These regulations aim to help detect and report suspicious activity related to money laundering or terrorist financing.
Foreign Exchange (FX)	FX regulations govern the conversion and transfer of currencies across borders to manage exchange rate fluctuations and prevent market manipulations.
Data protection and privacy	The regulations are designed to protect the privacy of individuals and ensure that their data is handled securely and appropriately, given that cross-border transactions involve the transfer of personal data across international borders.

Meanwhile, the G-20 adopted a roadmap in 2020 for the enhancement of CBP[1], with a focus on fee transparency and cost reduction. This transition is closely linked to the adoption of the ISO 20022 standards, scheduled for November 2025.

ISO 20022 is a financial messaging platform that uses XML to structure payments and reporting, providing a common dictionary and modeling methodology for financial transactions. Its aim is to facilitate communication between financial service entities, generating enriched data. This will enable banks to align with industry practices and improve interoperability, payment experience, payment pattern analysis, and increase efficiency in resource utilization, allowing for the automation of transfers and ensuring that funds are in the correct currency at the right time.

1. FSB | G20 ROADMAP FOR ENHANCING CROSS-BORDER PAYMENT.

Panoramic global RTP.

RTP are becoming a key tool for improving operational efficiency and financial robustness in the business environment, as they are processed immediately and continuously, 24/7, sending funds to an entity or person within seconds, unlike traditional payment systems, which can take hours or even days to complete transactions.

In treasuries, real-time transactions are emerging as a critical component in corporate decision-making, allowing companies to access instantly updated financial data. This immediacy in financial information facilitates better liquidity management and more agile and informed decision-making, keeping pace with the demand for speed and efficiency in the business environment. Therefore, companies benefit from having funds available more quickly and reducing their costs.

The widespread adoption of RTP has been driven by technological innovations such as QR codes, which have simplified transactions and opened new avenues for cross-border remittances. These technologies are facilitating interoperability both locally and internationally.
RTP are not only redefining the speed and convenience of transactions but are also a key factor in financial inclusion, facilitating access to financial services for those who were excluded from the traditional banking system, allowing a larger portion of the population to participate in the digital economy.

As RTP evolve from being a novelty to becoming an essential part of the financial infrastructure, stakeholders are becoming inspired to explore their full potential. This includes their ability to foster economic progress and improve financial accessibility, which could ultimately lead to a significant transformation in how payments are made globally.

42%

RTP growth in 2024 resulting in 266.2 billion transactions globally[1]

19%

Of all electronic transactions globally, are RTP[1]

1. ACI WORLDWIDE | PRIME TIME FOR REAL-TIME GLOBAL PAYMENTS REPORT.

RTP are not only redefining the speed and convenience of financial transactions but are also playing a crucial role in financial inclusion. This shift is allowing a greater portion of the population to participate in the digital economy, influencing economic growth.

Main players

Banks and Financial Institutions

These institutions are the core of the real-time payments system, as they maintain user accounts and facilitate the execution of transactions. They must have the necessary technological infrastructure to connect to the payment network in real time and process transactions securely and efficiently.

Payment System Operators

They are the entities responsible for the infrastructure that supports the processing and settlement of payments in real time. They can be national payment system authorities, banking consortia or private companies that operate the networks through which payment orders are transmitted.

Financial Regulators

Bodies such as central banks and financial supervisory authorities set the rules and regulations governing real-time payments. Its function is to ensure the stability, security and reliability of the system, as well as to protect the interests of users/ consumers.

Financial regulatory bodies are fundamental pillars in the realm of RTP, as they define the regulations that ensure the integrity, stability, and reliability of these systems. Standards such as ISO 20022 are at the forefront of global standardization. Additionally, security strategies like multifactor authentication, data encryption, and continuous transaction monitoring are vital to prevent fraud and cyberattacks. On the other hand, consumer protection is a priority for regulators, who establish guidelines that promote transparency in fees, guarantee refund rights, and facilitate access to dispute resolution procedures. These policies are crucial for maintaining trust in RTP systems and encouraging their global acceptance.

In summary, the adoption of RTP is closely linked to the guidelines of central banks. A clear example of success is Brazil, where these conditions were met, leading to a successful implementation. In contrast, SEPA Instant in Europe has had mixed results, demonstrating that the effectiveness of RTP varies significantly depending on the regulatory context and available technological infrastructure.

While RTP are experiencing exponential growth, they still face significant obstacles that prevent their universal adoption. Security and the risk of fraud are primary concerns, especially for smaller entities with limited resources to invest in protective measures.

Additionally, maintaining liquidity and managing risk are challenges that financial institutions must address. To overcome these difficulties, sustained efforts in financial education, collaboration among stakeholders, and the development of robust infrastructures that support the immediacy of RTP are needed.

RTP regulation areas

Area	Description
Security and Fraud Prevention	Regulations require banks and payment system operators to implement robust security measures to protect transactions against fraud and cyberattacks. This can include multi-factor authentication, data encryption, and constant monitoring of transactions. In a real-time ecosystem available 24/7, fraud detection tools need to be fully automated so that they don't rely as much on human intervention as they used to.
Consumer Protection	Regulatory authorities set standards to ensure that consumers are protected against errors, unauthorized transactions, and unfair practices. This may include refund rights, transparency in fees, and access to dispute resolution mechanisms.
Liquidity and Risk Management	Regulations may require financial institutions to maintain adequate levels of liquidity to manage RTP flow and mitigate counterparty risk.
Regulatory Compliance (AML and CFT)	Participating entities must comply with existing laws and regulations, such as anti-money laundering (AML) and countering the financing of terrorism (CFT) regulations, as well as privacy and data protection regulations.
Interoperability and Technical Standards	Regulators can establish technical standards to ensure interoperability between different RTP systems, thus facilitating cross-border transactions and integration with other payment systems.
Access and Competition	Regulations can promote fair competition and equitable access to the RTP system, avoiding the exclusion of smaller players or new entrants into the market.

3

Growth on the horizon: Latin America by 2025

Latin America experienced low economic dynamism, with an average growth of just 2.2%1 (annual variation rate of GDP). This implied a slowed rate in job creation and a restricted internal space for fiscal and monetary policy. However, the intervention of central banks and responsible fiscal management contributed to a decrease in inflation to 3.8% 1 per year, a lower rate compared to the average of 8.2% in 2022[1].

For 2024, low growth is expected to continue. The Economic Commission for Latin America and the Caribbean (ECLAC) projects moderate growth of 2.1% 2 for Latin America, which implies a deceleration of regional growth compared to the levels observed in 2022. The region is expected to maintain the dynamics of low growth, and all subregions will grow less than in 2023: South America would grow by 1.6% 2; Central America and Mexico, a 2.7%2, and the Caribbean, a 2.8%[2] (without Guyana).

The year 2023 marked a period not only of conjunctural problems for Latin America but also reflected the limited space for macroeconomic policies with a less dynamic external sector. Despite the proactive measures of central banks and prudent fiscal management that resulted in improved financial stability and controlled inflation, the projection for 2024 suggests a slowdown that will require innovative strategies and stronger regional collaboration to sustain economic development.

1. CEPAL | ECONOMIC ACTIVITY IN LATIN AMERICA
2. CEPAL | GDP PROJECTIONS UPDATE

In 2025, according to projections by the Inter-American Development Bank (IDB), the economic outlook for Latin America is one of growth and transformation. They indicate an average annual growth of 3.7% in 2025, where the regional GDP would double, going from about USD 7 trillion in 2012 to USD 14 trillion in 2025. In the conservative scenario, Latin America would go from representing 8% of the global GDP currently to 7% in 2025[1].

These projections highlight the importance of an economic strategy that addresses innovation, competitiveness, and social inclusion to ensure sustainable and equitable growth.
The region has the potential to become a key player in the global economy, but to achieve this, it is crucial that countries implement policies that promote the education, technology, and infrastructure necessary to take advantage of the opportunities that will arise in the next decade.

In 2023, Latin America became a focal point for nearshoring, a model under which companies move part of their operations or hire professionals from nearby countries to optimize supply chains and improve operational proximity to their main markets, taking advantage of geographical and cultural closeness and access to specialized talent, among other benefits.

Although political changes introduce some uncertainty in fiscal policies and trade regulations, the region has shown a remarkable capacity for adaptation, implementing improvements in infrastructure and creating incentives for foreign investment that complement the advantages of nearshoring. The political transition, therefore, is just one part of a broader landscape in which Latin America is positioning itself as a strategic trade partner and a promising investment destination.

1. IDB | LAC2025 LATIN AMERICA AND THE CARIBBEAN 2025

4

Payments without borders: the financial revolution in Latin America

Latin America is undergoing a notable economic transformation, marked by a rapid adoption of financial technologies that are redefining interactions among consumers, businesses, and the financial system. The adoption of RTP and CBP, accelerated by the circumstances imposed by the pandemic, has demonstrated the region's capacity to adapt to global challenges and leverage digitalization opportunities to strengthen its economy and trade.

Despite technological advances, during the first half of 2023, the trade of goods and services in Latin America experienced a considerable slowdown. Exports grew by only 0.6%, while imports decreased by 3.2%[1]. It is important to note the region's significant dependence on raw materials, as fluctuations in oil prices have notably influenced these numbers. However, service exports showed healthy growth, with a notable increase of 25.6% in tourism-related exports. This increase reflects the recovery of tourism and is indicative of a positive trend in the service sector.

Aware of the need to strengthen the economy beyond tourism, Latin American economies are implementing diversification strategies to reduce dependence on raw material exports and promote the development of sectors with higher added value. This diversification is crucial for the region's economic resilience.
slowdown that will require innovative strategies and stronger regional collaboration to sustain economic development.

1. CEPAL | OUTLOOK ON LATIN AMERICA AND THE CARIBBEAN INTERNATIONAL TRADE

In the international context, Latin America has experienced a significant shift since the new millennium, with China emerging as a key partner. The value of trade between Latin America and China has skyrocketed, increasing 35-fold since the year 2000 and reaching nearly USD 500 billion in 2022[1]. China has become the second most important trading partner for the region, after the United States.

This growing importance of the region in China's foreign trade has led to a concentration on a limited number of products, with five of them representing 67% of the region's total exports to China between 2020 and 2022[1]. Brazil leads in the diversity of products exported to China, followed by Argentina, Chile, and Mexico. Mexico stands out as the main importer from China in the region, with a significant trade deficit and direct competition with China in various industrial segments.

Despite the challenges this presents, China is one of the top two export markets for several South American countries and is among the top three suppliers for 26 countries in the region[2]. The trade relationship with China highlights the need to balance exports and promote sustainable and diversified development.

Trade between China and Latin American countries exceeded **USD 480 billion in 2023.**[2]

Top 7 countries with the highest export volume to China in 2023, in billions of USD[2]

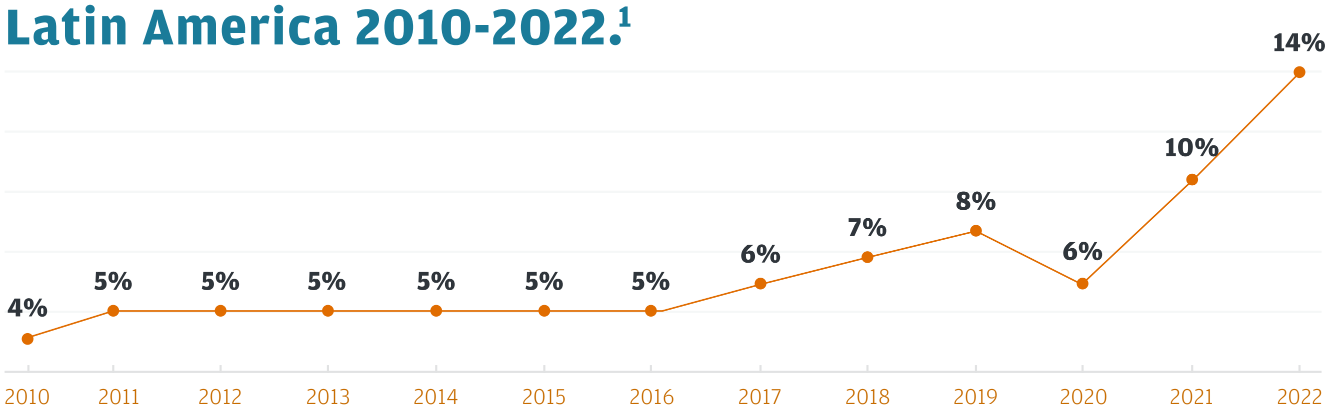
1. CEPAL | OUTLOOK ON LATIN AMERICA AND THE CARIBBEAN INTERNATIONAL TRADE
2. BBC | CHINA: WHICH ARE THE 5 LATIN AMERICAN COUNTRIES THAT SELL THE MOST TO THE ASIAN GIANT (AND WHAT DIFFERENTIATES MEXICO FROM THE OTHERS)

In response to high global inflation and the strengthening of the dollar, interventions in the foreign exchange market have intensified to mitigate the impact on domestic prices and maintain financial stability, resorting to the depletion of international reserves in 2022.

Throughout 2023, countries such as Brazil, Chile, Costa Rica, and Jamaica have implemented strategies to rebuild or strengthen their reserves and respond to potential external shocks, seeking to preserve macrofinancial stability2. These measures are part of a broader effort to contain inflation and bring it to levels close to those of advanced economies, thanks to the implementation of floating exchange regimes and inflation targeting frameworks.

However, despite these advances, Latin America has experienced an extremely low average growth rate over the last 50 years, and this situation is expected to continue and even worsen in the coming years. This underscores the need for policies that boost economic growth and address the significant challenges faced by the region's monetary authorities, including the management of international reserves amid uncertainty over fuel prices, restrictive financial conditions, and moderate global economic activity.

Year-on-year inflation rate **Latin America 2010-2022.**[1]



INFLATION PROJECTIONS[2]	2023	2024	2025
1. Brazil	4.6	4	3.3
2. Chile	7.6	3.9	3.3
3. Colombia	11.7	6.5	4.3
4. Mexico	5.5	4.5	3.1
4. Argentina	134.5	208.1	71.2
Latin America*	**6**	**3.7**	**3**

(*) It corresponds to the average of Brazil, Chile, Colombia, Costa Rica, Mexico and Peru.

1. STATISTA | LATIN AMERICA AND THE CARIBBEAN INFLATION RATE 2022
2. https://issuu.com/oecd.publishing/docs/eo115sp-factsheet-2024-carrousel

An integrated economy

In this economic environment, Latin America has several regional agreements that impact CBP, such as the Local Currency Payment System (SML) between Argentina and Brazil, as well as the Pacific Alliance, between Colombia, Mexico and Peru. These agreements are fundamental in facilitating trade and financial transactions between countries in the region, promoting greater economic integration and efficiency in payments.

The collaboration between the U.S. Federal Reserve and Mexico's real-time gross settlement system (RTGS) through the "Directo a México" initiative was established as a pioneering model in financial integration between the two countries. Initiated in 2004, this collaboration enabled more efficient and economical money transfers, directly connecting the financial infrastructures of the two nations and simplifying remittances and other CBP.

The effectiveness of "Directo a México" as a mechanism for sending funds has been evident, providing a cost-effective and agile solution for users, particularly for migrant workers sending remittances to their families in Mexico. This program not only set a precedent in financial collaboration between the United States and Latin America but has also inspired the development of similar initiatives in the region. The successful bilateral interconnection of "Directo a México" has laid the groundwork for future alliances in Latin America, boosting the economy and expanding regional growth opportunities.

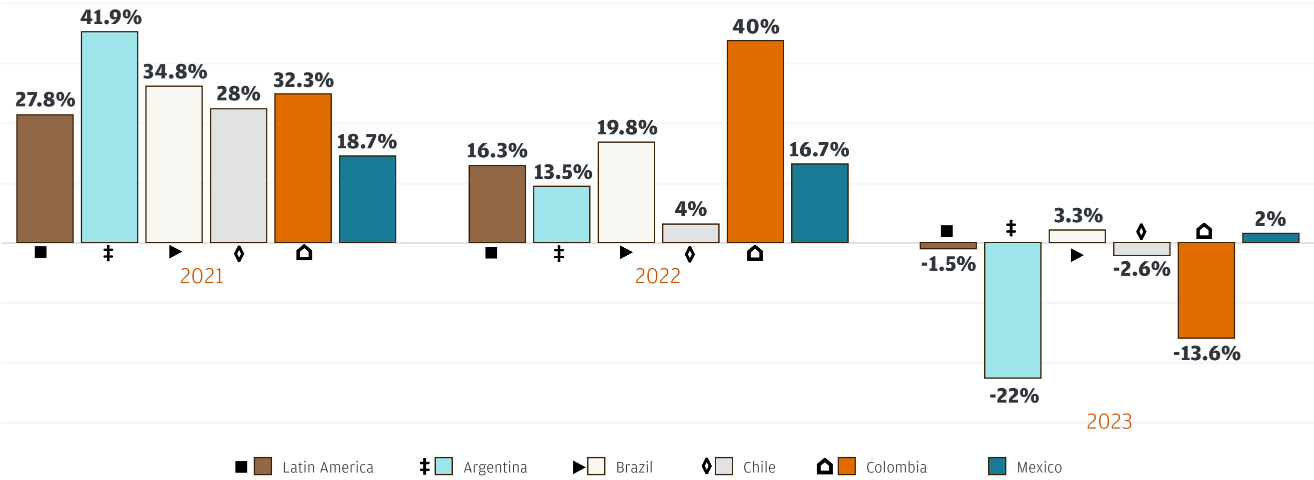
However, the region still faces challenges in the evolution and adoption of RTP and CBP, including technological infrastructure, financial inclusion, divergent regulation, security and fraud, and consumer education and trust. Interoperability between payment systems and currency volatility are also significant barriers that must be overcome to achieve full financial integration.
In the field of promoting exports through e-commerce, the Brazilian Trade and Investment Promotion Agency (Apex-Brazil) has been proactive with its E-xport Brazil Program, offering training, mentoring, intelligence, and trade promotion services to support Brazilian companies in their export efforts using digital platforms.[3]

Cross-border e-commerce in the region has grown rapidly, and the Digital Economy Partnership Agreement (DEPA) is a pioneer in managing digital financial services and focusing on digital payments, promoting interoperability and the adoption of Internationally accepted standards.

3. https://www.gov.br/secom/en/latest-news/2024/08/exporta-mais-brasil-brazils-largest-export-incentive-program-reaches-one-year-mark-with-more-than-700-companies-served

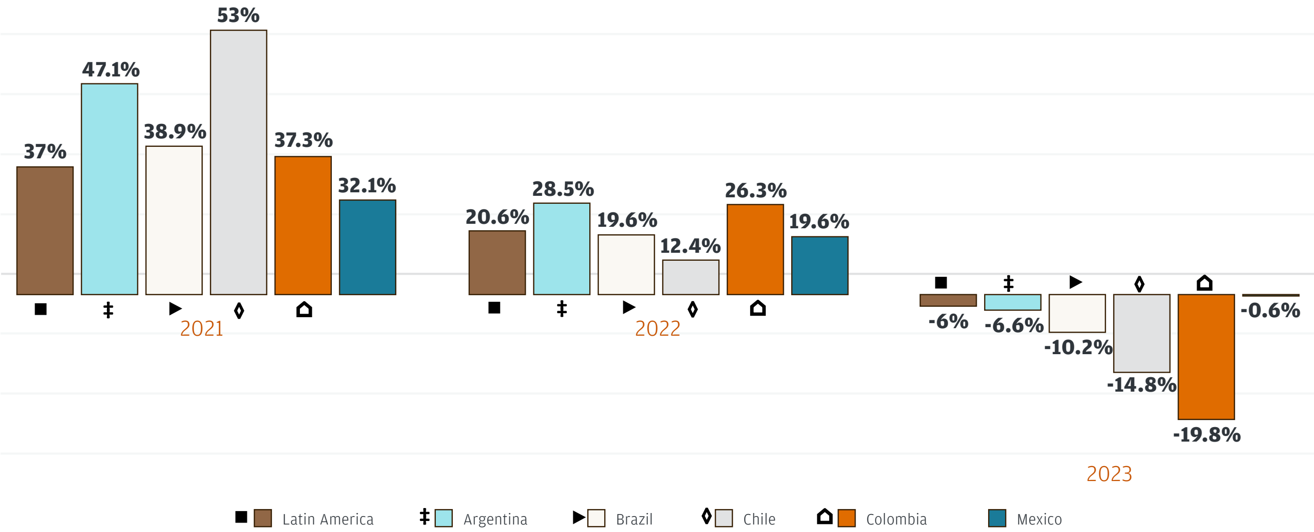
The analysis of the following graphs reveals the trends in foreign trade in Latin America and the five countries, highlighting the annual variation in exports and imports of goods during the years 2021, 2022 and 2023. These data provide a clear view of the region's trade dynamics and their recent developments in the global context.

Exports of goods[1]



Measured in annual rates of change over amount

Imports of goods[1]



Measured in annual rates of change over amount

3. CEPAL | PRELIMINARY OVERVIEW OF THE ECONOMIES OF LATIN AMERICA AND THE CARIBBEAN 2023.

Digital transformation and E-Commerce in Latin America

Financial digitalization in Latin America has intensified thanks to advancements driven by market needs in the areas of CBP and RTP. This phenomenon, accelerated by the COVID pandemic, has propelled a decrease in the use of cash and has enabled 80% of citizens to have access to digital financial services.

This shift in consumer behavior has disadvantaged traditional commerce in favor of electronic commerce, as the latter can expand internationally more quickly, efficiently, and simply, without the need to establish costly physical infrastructures. This results in a reduction of investments, along with greater speed in the implementation of operational and commercial processes. These new approaches generate pressure on traditional markets, which must adapt to these innovations to avoid becoming outdated.[1]

CBP as a strategic tool

In this scenario, CBP emerges as an essential element in the management of the global supply chain, playing a strategic role that spans from the origin to the end of products. Latin America, aware of the importance of this mechanism, has undertaken efforts to strengthen its participation in the global market, intensifying commercial relationships and seeking to diversify its export portfolio to not rely exclusively on raw materials, which have traditionally dominated its export profile.

Although significant progress has been made in the adoption of electronic transactions and in the implementation of strategies for more efficient trade, such as the electronic single window, the region still faces challenges in the digitalization of customs processes and in the financing of the necessary logistics infrastructure. Given this situation, it is crucial that companies, including small and medium-sized enterprises (SMEs), explore innovative solutions in the field of cross-border payments to strengthen their competitive position in the global market. The speed and security of payments are essential elements that must be carefully considered, as they are key factors for the effectiveness and trust in foreign trade operations.[3]

1. IN POST I WHAT IS CROSS BORDER IN AN E-COMMERCE?
2. CEPAL I INTERNATIONAL TRADE OUTLOOK FOR LATIN AMERICA AND THE CARIBBEAN
3. JADB I CROSS-BORDER PAYMENTS WITH BLOCKCHAIN
4. IDB | PROMOTING CROSS-BORDER E-COMMERCE IN THE SOUTHERN CONE

The future of CBP and technological innovation

A study has identified that 64% of SMEs in the United States express the intention to increase their investments in businesses within the Latin American region.[4] This data is indicative of the existing interest in strengthening commercial ties, despite the persistent barriers and challenges such as high tariffs and complex customs processes. Initiatives like E-xport Brazil, ProChile's [5] Exporta Digital, and Uruguay XXI [7] illustrate the efforts made by different countries to boost exports through e-commerce, highlighting the importance of adapting to the new dynamics of global trade.

The adoption of emerging technologies such as Blockchain and the growing interest in central bank digital currencies (CBDCs) reflect the potential to improve CBP processes. These technologies offer promising alternatives for more efficient, economical, and transparent transactions, which could revolutionize the landscape of cross-border payments in the region.

Looking to the future, CBP in Latin America require a collaborative effort at the regional level to harmonize systems and policies that promote transparency and effectiveness in international transfers. The involvement of governments, financial institutions, and civil society is essential to overcome existing challenges and to maximize the opportunities that international payments offer in terms of inclusive and sustainable economic growth. In this way, the aim is to establish a solid foundation that allows traditional businesses to adapt to the demands of globalization and maintain their relevance in the contemporary market.

Commitment to innovation and adaptation to the new realities of international trade are, therefore, imperatives for the economies of Latin America. The region is at a turning point where the ability to effectively integrate CBP into their business models can determine success or failure in the global economic scenario. With the implementation of appropriate policies and the adoption of advanced technologies, Latin America could transform its cross-border payment infrastructure and, by extension, strengthen its position in the global supply chain.

1. IN POST I WHAT IS CROSS BORDER IN AN E-COMMERCE?
2. CEPAL I INTERNATIONAL TRADE OUTLOOK FOR LATIN AMERICA AND THE CARIBBEAN
3. JADB I CROSS-BORDER PAYMENTS WITH BLOCKCHAIN
4. AMEX I B2B CROSS-BORDER PAYMENTS TRACKER
5. IDB | PROMOTING CROSS-BORDER E-COMMERCE IN THE SOUTHERN CONE
6. https://thefintechtimes.com/em-conversa-expanding-from-chile-to-europe-and-the-us-with-prochile/
7. https://www.uruguayxxi.gub.uy/en/

The potential of CBP in Latin America with Nexus and the rise of blockchain and nearshoring.

Thinking about Latin America as a region involves considering the advantages of eliminating barriers to unlock growth potential. In this sense, the Nexus Project[1] represents a global initiative that could have a significant long-term impact by connecting payment systems through APIs. It is a project of the Bank for International Settlements (BIS) Innovation Hub that seeks to improve CBP by connecting multiple RTP systems globally. This proposal, already being tested in Asia, eliminates the need for shared technical infrastructures and allows for a more efficient expansion of payment services. The adoption of this model in the region could accelerate financial integration and improve the interoperability and accessibility of CBP for a wide range of users.

Multilateral platforms for CBP offer Latin America the opportunity to participate in more inclusive and efficient payment systems. These platforms require interjurisdictional cooperation and a unified regulation, which can facilitate the execution of international payments and promote economic integration. Examples like the common RTGS platform of the Eastern Caribbean Central Bank and the SIP of the Central American Monetary Council illustrate how the region is moving towards greater financial and operational cohesion.

These economic integration policies are essential for creating a more unified and competitive market in Latin America, allowing the countries of the region to strengthen their trade ties and encourage economic cooperation.

Another important concept for trade in the region is nearshoring, where executives seek to optimize global supply chains and improve operational proximity. Factors such as geopolitical challenges and regulations to minimize the carbon footprint are opening new opportunities for the region. Countries like Mexico, Costa Rica, and Colombia are increasingly being chosen for nearshoring, thanks to the benefits they offer.

Blockchain technology and Fintech companies are playing a transformative role in the payment and remittance system in Latin America. With the growing adoption of blockchain and the exploration of CBDCs by countries like Brazil and Mexico, the region is at the forefront of financial innovation. These technologies offer more secure, efficient, and transparent transactions and are opening new opportunities for financial inclusion and economic development.

1. BIS | PROJECT NEXUS

Digital currencies in Latin America.

The advancement of Central Bank Digital Currencies (CBDCs) is redefining the global payments landscape, with countries like Brazil, Mexico, and Colombia leading development in Latin America. These initiatives, along with the integration of CBDCs into digital platforms and collaboration with merchants, can lead to more efficient and less expensive onshore and cross-border transactions, enhancing the efficiency of global payments.

Digital currencies are gaining ground in Latin America, with interesting potential for the region as their knowledge and adoption grow. More than 40 million people own cryptocurrencies in Latin America. Argentina leads in per capita adoption, with 4 out of every 10 active crypto app users in the region.[1]

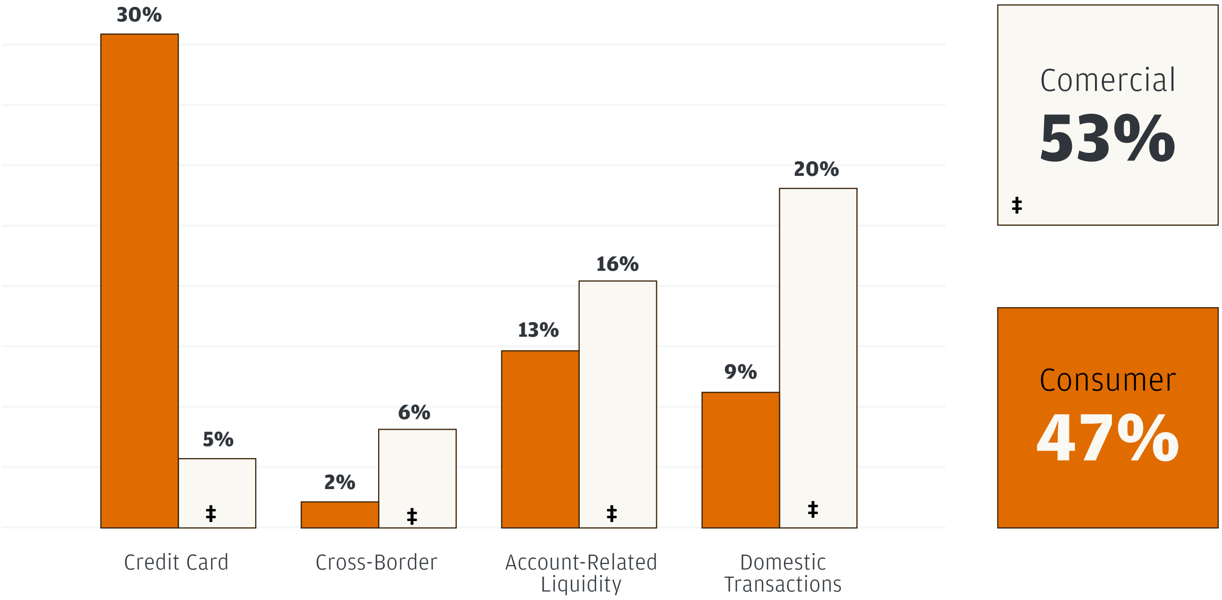
The increase in the use of cryptocurrencies in Latin America, where many countries are still in the early stages of regulating this issue, poses risks associated with money laundering. Although cryptocurrencies are not the main method of laundering in the region, the need for stricter regulations and greater oversight is evident to mitigate these risks and promote a safe financial environment. Latin America shows compliance with the Financial Action Task Force (FATF) guidelines on virtual assets almost on par with Europe, which is encouraging for the future of cryptocurrency regulation in the region.

In Latin America, the use of cryptocurrencies for Cross-Border Payments (CBP) is already underway, mainly in the field of remittances and personal payments (P2P), but it has not yet been consolidated in the B2B sector. The adoption of cryptocurrencies in trade between businesses (B2B) faces additional challenges such as volatility, the need for more complex integrations with accounting systems, and regulatory uncertainty. Despite this, the potential to reduce costs and transaction times is significant, which could drive greater adoption in the future as more robust solutions are developed and the regulatory landscape in the region becomes clearer.

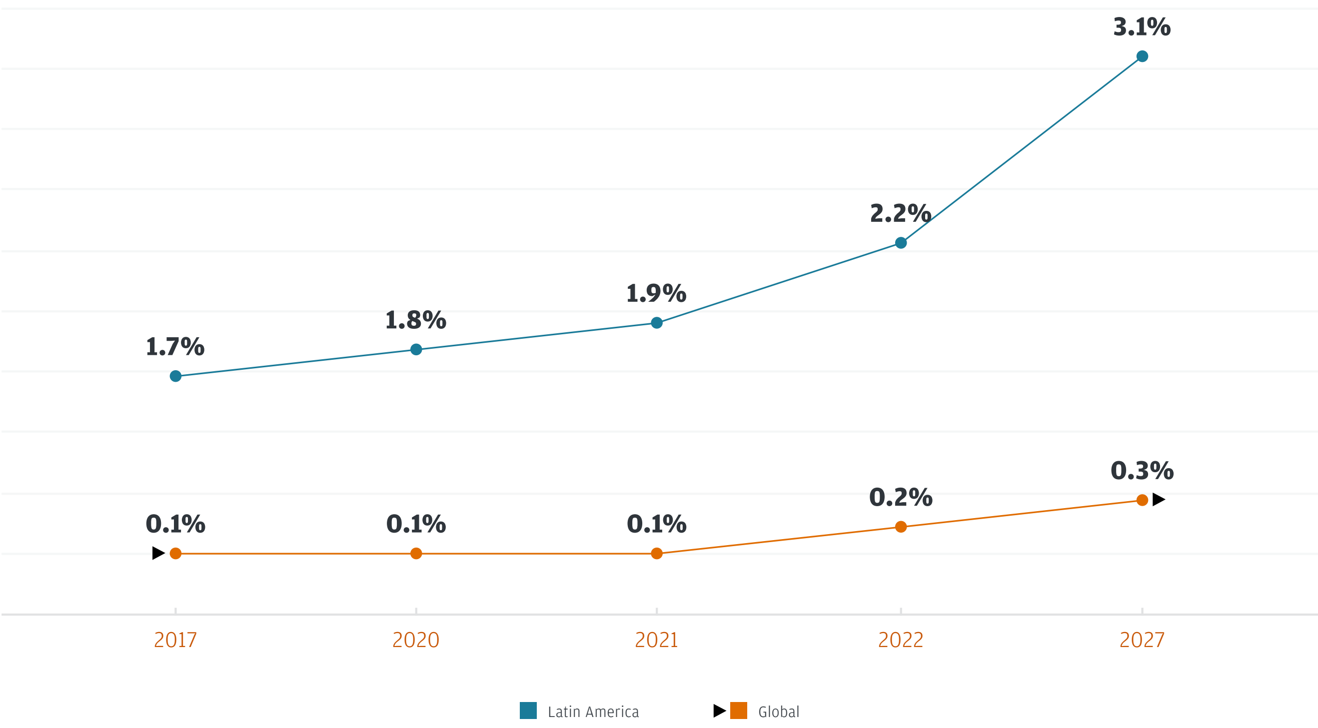
Innovation in financial services is contributing to the economic growth and competitiveness of Latin America. The region is adopting integrated and omnichannel payment solutions, using artificial intelligence and machine learning to improve the security and efficiency of transactions. These innovations are allowing businesses and consumers to make payments and receive remittances more quickly and conveniently, which in turn fosters economic activity and regional development.

1. INFOBAE | ARGENTINA REGISTERED TRANSACTIONS IN CRYPTOCURRENCIES FOR USD 85,000 MILLION IN ONE YEAR.

Income by type of payments, 2022[1]



Evolution of payment revenue, in trillions of dollars[2]



1. MCKINSEY | ON THE CUSP OF THE NEXT PAYMENTS ERA: FUTURE OPPORTUNITIES FOR BANKS.
2. MCKINSEY | THE EVOLUTION OF PAYMENT METHODS IN LATIN AMERICA.

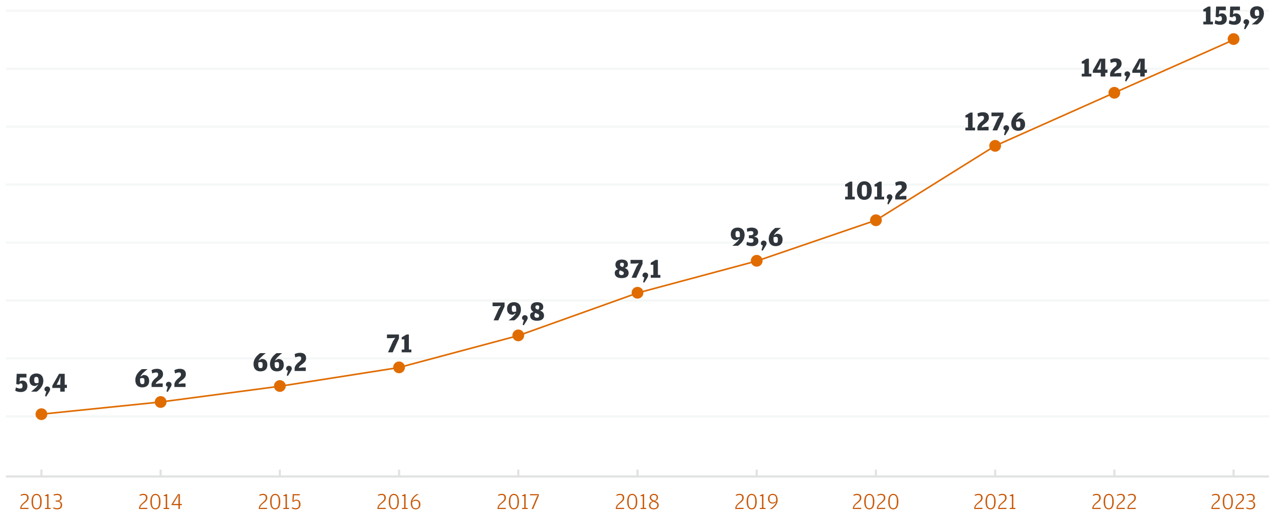
The impact of remittances on the Latin American economy.

Remittances, an essential source of external income for the region, reached record figures in 2023, reflecting the resilience of immigrant workers and the growing importance of cross-border financial flows. Despite an interannual growth of 8.5% in 2023, representing a rate decrease compared to the 11.6% growth recorded in 2022 driven by the strong U.S. labor market, remittances have played a stabilizing role in the balance of payments, maintaining liquidity, strengthening foreign exchange reserves[1] and paving the way for the emergence of companies like Wise and other firms dedicated to providing solutions for CBP and RTP.

The adoption of digital remittances is heterogeneous, with an average of 43% of total remittances received through digital channels. Countries like Colombia, Brazil, and Chile lead in digital reception, while in Central America and Mexico, the percentage is significantly lower (30% vs. 50%). This lag can be attributed to a lack of financial inclusion and a financial infrastructure that has not evolved at the necessary pace. However, the proportion of Latin American inhabitants with a financial account has reached 79% in 2023, demonstrating progress towards greater financial inclusion.[2]

Mexico stands out as the main recipient of remittances in the region, accounting for 43% of the total and showing a growth of 9.3% so far this year.[1] Remittances have become a vital component of the regional economy, surpassing other sources of external income in several countries and contributing significantly to GDP. Countries like Nicaragua, Paraguay, and Peru have also experienced significant growth in remittances, while Brazil, Costa Rica, and Bolivia have seen declines.

Remittances to Latin America, in billions of USD[3]

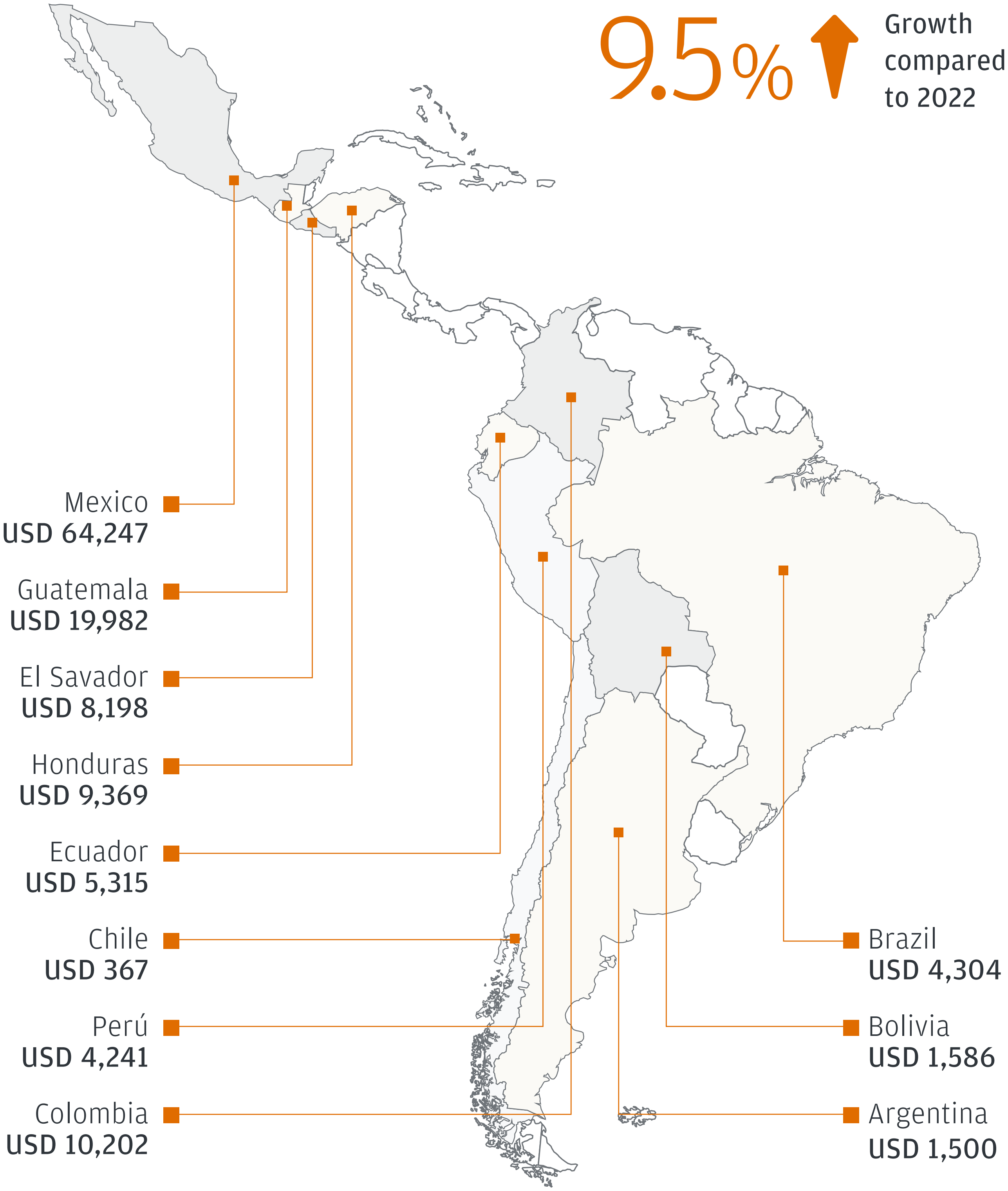


1. CEPAL | PRELIMINARY OVERVIEW OF THE ECONOMIES OF LATIN AMERICA AND THE CARIBBEAN 2023
2. MASTERCARD | THE FUTURE OF REMITTANCES IN LATIN AMERICA
3. IDB | REMITTANCES TO LATIN AMERICA AND THE CARIBBEAN IN 2023: RESUMING PREVIOUS GROWTH

Remittances received by country, in millions of USD, 2023.

USD 155,908

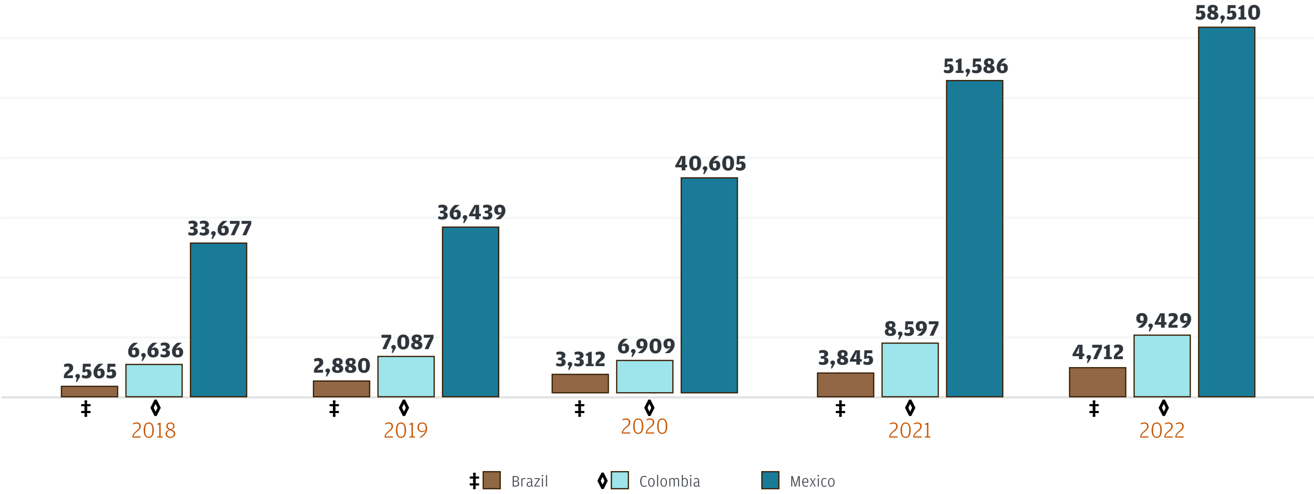
Remittances received (2023)

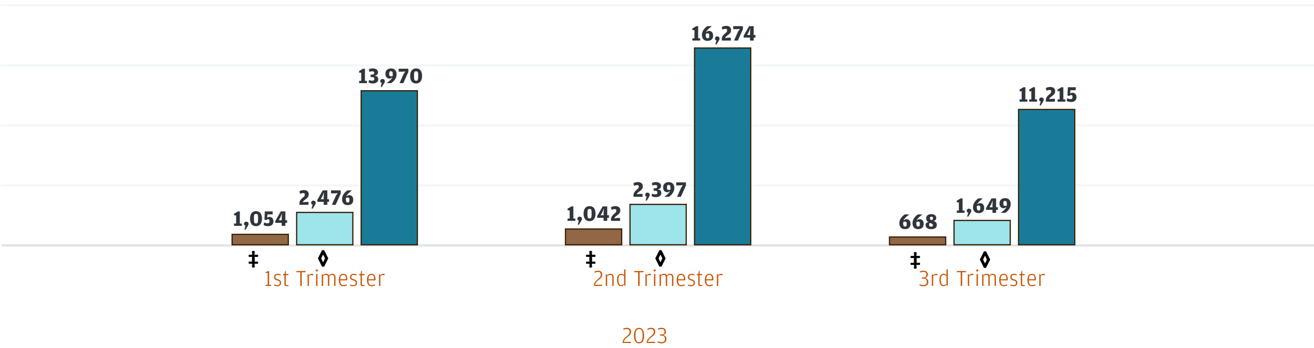


NOTE: IDB | RECORD REMITTANCES TO LATIN AMERICAN AND CARIBBEAN COUNTRIES.

Although Mexico and the countries of northern Central America account for more than half of the remittances received by the region, significant growth is still observed in several countries in other regions. The fact that the US, Canada, and Spain are sources of remittances is evident, but several countries have relevant diasporas in other countries, and there are also significant intraregional flows.[1]

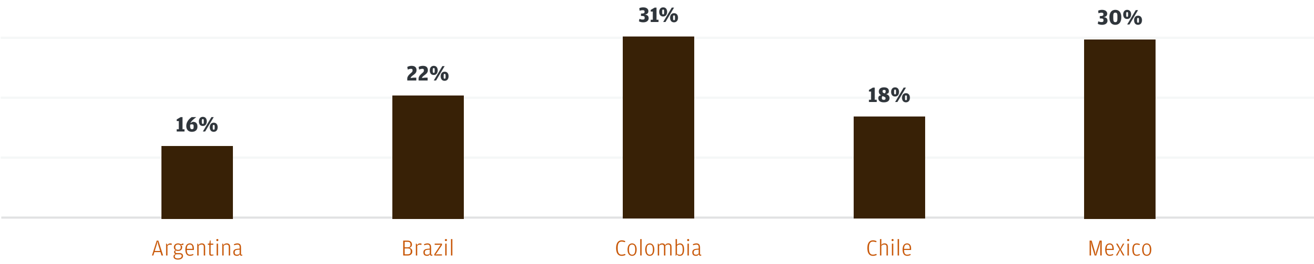
Income from remittances from migrant workers[1]





Note: Billions of dollars

% of banked population that has used apps to send international remittances.[2]



1. IDB | REMITTANCES TO LATIN AMERICA AND THE CARIBBEAN IN 2023: RESUMING PREVIOUS GROWTH.
2. MINSAIT PAYMENTS | TRENDS IN PAYMENT METHODS 2024.

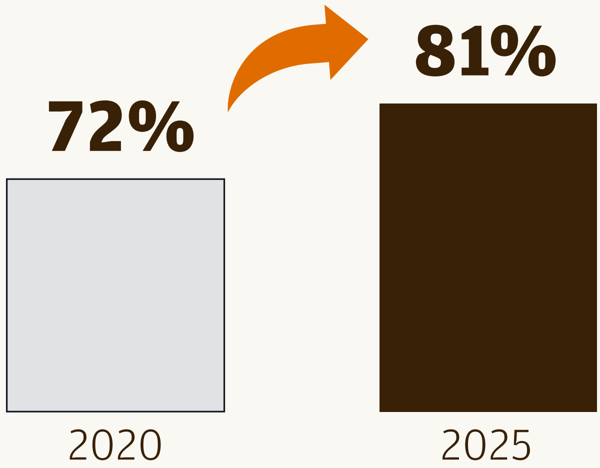
In Latin America, the interconnection of payment systems emerges as a promising solution to traditional correspondent banking methods. Leveraging advanced technologies such as APIs and the ISO 2002 standard,[2] Payment service providers in the region can conduct cross-border transactions more smoothly and efficiently. With the adoption of RTP systems that incorporate these standards, the region shows a commitment to modernization and financial integration, facilitating trade and remittances in an increasingly interconnected global context.

Here and now: RTP in Latin America

The RTP market in Latin America is projected to experience a growth of 15.1% from 2022 to 2027,[1] going from USD 33 billion in 2022 to USD 119 billion by 2027. This expansion reflects the growing preference for agile and efficient payment solutions in the region and the growing adoption of smartphones, the increase in the banked population, and various government initiatives that support financial digitalization in the countries of the region.

Pix, on the other hand, is undoubtedly the leading RTP system in the region, accounting for 16% of online payments in Latin America. Alternative payment methods, including digital wallets and A2A (Account to Account) systems, make up 33% of e-commerce sales volume in the region.[2]

Booming smartphone access[3]



Smartphone access across the region is expected to **increase to 81% by 2025.**

The high penetration of cell phones has made online shopping even easier. The demand of the here and now also translates into the daily shopping of all Latin America, mainly through e-commerce. The availability of any product or service through a couple of clicks has undoubtedly stimulated the advance of CBP and RTP, erasing borders and bringing markets closer to companies based anywhere in Latin America.

1. ACI WORLDWIDE | PRIME TIME FOR REAL-TIME GLOBAL PAYMENTS REPORT.
2. PCMI | MOST USED PAYMENT METHODS IN LATIN AMERICA.
3. NIUM | RESOURCE HUB.

CBP systems, for their part, have simplified the management of different currencies and exchange rates, reducing barriers for merchants and consumers when doing business internationally.

An increasingly heterogeneous payment ecosystem: The rise of Fintech

The arrival and growth of Fintech in Latin America have triggered a wave of regulatory reforms, with governments seeking to balance consumer protection with the promotion of innovation. Mexico has positioned itself as a regional leader with its 2018 Fintech Law (Ley para Regular las Instituciones de Tecnología Financiera), establishing a legal framework that requires licenses and transparency for Fintech companies. Chile and Brazil have also taken significant steps, adapting their regulatory frameworks to embrace the digital financial era, while other countries have opted to update existing legislation to include the Fintech space. In response to the dynamism of the Fintech sector, several Latin American countries have established innovation hubs and regulatory sandboxes.

These spaces allow financial startups to develop and test new technologies in a controlled environment, reducing barriers and fostering creativity. This proactive strategy seeks to accelerate technological development and consolidate the region as a hub of financial innovation.
Companies operating in the payments space in Latin America must navigate a complex environment, marked by diverse regulations, a significant unbanked population, and logistical challenges. Factors such as international card fraud, currency volatility, and the management of CBP require a well-informed strategy adapted to local realities. In this context, partnering with a payment provider with a deep understanding of individual markets can provide a significant advantage.

Regional distribution of Fintech companies (2023)[1]

Ranking	Quantity	Percentage
1. Brazil	722	23.53%
2. Mexico	618	20.14%
3. Colombia	409	13.33%
4. Argentina	312	10.17%
5. Chile	305	9.94%

77% of Fintech companies in **Latin America are concentrated in the top 5.**

1. IDB | IV FINTECH REPORT IN LATIN AMERICA AND THE CARIBBEAN.

Synthesis of Fintech regulation in Latin America.[1]

Regulatory approach	Countries with laws or regulations in place	Countries with laws, regulations or projects under development
Cryptoctive	Bahamas, El Salvador. Mexico, Venezuela	Bahamas, Chile, Dominican Republic, Panama, Paraguay
Participatory Financing	Argentina, Brazil, Colombia, Ecuador, Mexico, Peru, Paraguay	Bahamas, Chile, Dominican Republic, Panama, Paraguay
Open Finance	Brazil, Colombia, Mexico	Chile, Peru, Venezuela
Trading and Robo- Advisors	Brazil, Colombia, Mexico	Chile
RTP minorist	Argentina, Brazil, Costa Rica, El Salvador, Mexico	Chile, Colombia, Ecuador, Guyana, Honduras, Jamaica, Nicaragua, Panama, Peru, Dominican Republic, Trinidad and Tobago, Uruguay, Venezuela
Innovation Pole	Argentina, Bahamas, Brazil, Colombia, Costa Rica, Dominican Republic, El Salvador, Guatemala	Honduras
Regulatory Sandbox	Barbados, Brazil, Colombia, Jamaica, Mexico, Peru, Trinidad and Tobago	

1. NIUM | RESOURCE HUB.

Digitalization and entrepreneurship: The role of Fintech in Latin America's economy.

In the last six years, the number of Fintech startups has increased by more than 340%, going from 703 companies in 18 countries in 2017 to 3,069 in 26 countries in 2023. This growth not only demonstrates the dynamism of the sector but also its potential to contribute to regional financial inclusion.[1]

Despite a decrease in venture capital investment in recent years, the Fintech sector remains the most active in the region, with significant acquisitions and sustained interest in digital financial solutions.

Digital adoption among MSMEs has been notable, especially in Chile, Colombia, and Mexico, where nearly 60% of these companies have led digital adoption among OECD member countries. In Argentina, MSMEs generate around 66% of formal private sector employment and represent more than 99% of businesses. The country has seen a significant increase in the number of Fintech companies, going from 72 in 2017 to 312 in 2023, representing a growth of 333%. This development reflects the growing demand for technological financial solutions in a context of economic instability.[1]

The Organizational Digital Maturity Index (IMDxO) shows that 8 out of 10 MSMEs in Latin America are at a primary level of digital maturity and only 1 out of 10 is transformative. This indicates that there is a wide margin for Fintech to support the digital transformation of these companies.[2]

Argentina also stands out for having a higher percentage of Fintech in the cryptocurrency segment (8%) compared to the rest of Latin America, driven by local demand for value reserve alternatives. However, they face challenges such as high inflation and exchange rate volatility, which affect their productivity. The country also stands out for its rapid adoption by small businesses to charge with a printed or mobile interoperable QR code, especially after the pandemic.[3]

In Chile, 96.7% of companies are MSMEs, generating around 40% of employment. It ranks as the second fastest-growing market among Fintech leaders in the region. The payments and remittances segment is the most prominent, and Chile accounts for 9% of digital payments in the region. The maturity of the Chilean Fintech ecosystem is strengthened by venture capital activity.[1,2]

1. IDB | IV FINTECH REPORT IN LATIN AMERICA AND THE CARIBBEAN.
2. SELA | DIGITAL PANORAMA OF LATIN AMERICAN SMES.
3. MERCADO LIBRE ARGENTINA | SECOND SMES PAYMENT MARKET REPORT 2023.

In Colombia, there are more than 1.6 million MSMEs, representing 90% of the country's businesses and generating around 35% of the GDP. The country has recorded impressive growth in the Fintech sector, with an increase of 387% since 2017, going from 84 to 409 Fintech startups by the end of 2023. With an average annual growth rate of 30%, Colombia stands out as the fastest-expanding market in the region during the analyzed period. The lending segment is the most prominent, representing 27.8% of the Colombian Fintech ecosystem.[1,2]

Mexico has more than 4.2 million MSMEs that generate approximately 70% of formal employment. It has consolidated itself as the main Spanish-speaking Fintech market in the region, with a growth of 243% from 180 Fintech startups in 2017 to 618 in 2023. Despite structural challenges such as a low banking rate and a developing regulatory framework, Mexico has maintained an average annual growth of 23%. The issuance of secondary regulation necessary for the sector is crucial to develop its potential and increase financial inclusion.[1,2]

The Fintech sector in Latin America has been key for the MSME sector, as it is a segment traditionally underserved by traditional players, through its innovative and economical solutions to enhance its growth.

The first half of 2024 has witnessed the resilience of the Fintech sector in Latin America, despite a global slowdown in technology financing. During this period, significant growth was observed in the second quarter, highlighting the strength and potential of the Fintech ecosystem. The beginning of the year was marked by notable investments, with Baubap in Mexico obtaining USD 120 million in debt financing and Addi in Colombia with USD 86 million in the same category. Simetrik and Bold, also from Colombia, and ContaSimples from Brazil, among others, completed significant capital rounds, showing solid interest in the sector.

Brazil is the leader of the Fintech sector in Latin America, showing exponential growth from 230 to 771 companies between 2017 and 2021. However, a more rigorous methodology in 2023 has adjusted the figure to 722 companies, reflecting a decrease of 17% in two years, which can be interpreted as a sign of maturation of the Brazilian Fintech market. Its Fintech ecosystem has attracted significant investments and has seen the emergence of successful companies like Nubank.[2]

1. IDB | IV FINTECH REPORT IN LATIN AMERICA AND THE CARIBBEAN.
2. SELA | DIGITAL PANORAMA OF LATIN AMERICAN SMES.

In terms of success stories, companies like Nubank in Brazil, Mercado Pago and Ualá in Argentina, RappiPay in Colombia and Clip in Mexico have demonstrated the ability of Fintech to attract millions of customers and receive significant investments. These companies have introduced innovative products and services that have benefited consumers and stimulated entrepreneurship and job creation.

The success of Mercado Libre in Argentina is intrinsically linked to the innovation in immediate payments led by the country's Central Bank. The latter was the real pioneer by introducing the Immediate Electronic Payment System (SPEI) in 2008, laying the groundwork for platforms like Mercado Libre to develop closed-circuit virtual account and RTP models. This approach has been a key catalyst in the region, reflecting the influence of the payment model used in China.

However, there have also been cases of failure, such as Baz in Mexico and Lenddo in various regions, which illustrate the challenges facing the sector, including regulation and cybersecurity. These failures underscore the importance of a regulatory environment that fosters innovation and protects consumers, as well as the need to educate users about digital financial services.

In conclusion, Fintech in Latin America are transforming the financial landscape, driving inclusion and digitalization, and presenting both growth opportunities and regulatory and market challenges. As they continue to expand and mature, they are redefining the financial future of the region, attracting global investments, and fostering a culture of technological innovation. With growth that defies expectations and digital adoption that accelerates the path to transformation, Latin America is positioning itself on the global stage as an epicenter of Fintech progress.

1. IDB | IV FINTECH REPORT IN LATIN AMERICA AND THE CARIBBEAN.
2. SELA | DIGITAL PANORAMA OF LATIN AMERICAN SMES.

4.1

Resilience through innovation: the rise of the payments industry in Argentina.

Resilience and innovation are 100% embedded in the Argentine DNA. Despite facing significant macroeconomic challenges, such as persistent inflation and fluctuations in its GDP, the country has demonstrated an extraordinary capacity to drive entrepreneurship and growth in the Fintech sector. Examples of this are Mercado Pago (Mercado Libre) and Ualá, two financial giants that have not only reached golden status but have also expanded their influence beyond national borders, addressing one of the most critical challenges in the region: financial inclusion.

The currency challenge: the opportunity for the evolution of the payments industry

The limited accessibility to foreign currency has undoubtedly influenced the emergence of various players in the ecosystem and solutions, such as the acceptance of Pix through Clover devices and websites designed by Fiserv and in applications for Apple iOS and Android devices, both in Argentina and Uruguay.[1,2]

Pix, which constitutes a case study at the global level due to its unprecedented adoption rate in the history of digital payments, has also reached Argentine Fintech, such as kamiPay, which combines Pix with blockchain technology: the tourist/Pix user scans the code, makes the payment in reais as if they were in Brazil, and the provider receives pesos or digital dollars. Argentine tourists in Brazil have already paid in more than 35,000 stores. Between charges and payments, there has been an aggregate volume of more than 250,000 transactions processed since the launch of the solution.[3]

1. FISERV | FISERV ARGENTINA. LEARN ABOUT OUR PAYMENT PROCESSING SERVICES WITH PIX.
2. FISERV | GET PAID WITH PIX.
3. LA NACIÓN | BRAZIL'S DIGITAL PAYMENT SYSTEM THAT THREATENS CREDIT CARDS HAS ARRIVED IN THE COUNTRY.

Belo, a digital wallet launched in Argentina in 2021, also allows Pix payments using QR11. In this case, regardless of the currency contemplated in the amount, the person/merchant receives USDT for the purchase, one of the first cryptocurrencies to maintain a parity of 1:1 with the US dollar. The largest private bank in Argentina, Banco Galicia, joined this solution through the application of its Naranja x Fintech.[1]

Meanwhile, Gastón Taratuta, at the helm of Aleph, transformed an incursion into emerging digital markets into a thriving CBP company, specializing in the conversion of advertising revenue. With over 15 years in the field, his leadership earned him the EY Entrepreneur of the Year award in 2022. Taratuta highlights Aleph Payments' dominant position in the Adtech market. While others struggle to scale, Aleph already has the infrastructure and knowledge to operate efficiently in complex markets like Argentina, offering its clients an integrated financial solution that functions as a "plug-in" in their business model.[2]

Companies such as Stripe, Wise, PayPal and Payoneer are also protagonists of the CBP ecosystem, especially thanks to the freelance segment that works abroad, whose figure exceeds 500,000 inhabitants.[3] The digital asset segment has a lot of weight, considering that Argentina leads the adoption rate of Crypto assets in the region, with 51%. While, at the regional level, approximately 4% of all Fintech belong to the Crypto segment, in Argentina, this percentage rises to 8%, being a considerably more representative segment than in the rest of the region. The adoption of cryptocurrency-based solutions is driven by the demand for alternative currencies and stores of value.[4]

Dynamics of payments in Argentina: analysis and growth prospects

The payments market in Argentina, valued at USD 86,920 million, has significant growth projections and is expected to reach USD 335,390 million in 5 years. This growth is leveraged by a constantly improving technological infrastructure and a population that is increasingly familiar with digital finance. RTP currently account for 36.6% of all payouts and a trading volume growth rate of 24.4% is expected between 2023 and 2028.[5]

1. NARANJA X | GET PAID WITH PIX TO CUSTOMERS IN BRAZIL!
2. LA NACIÓN | THE NEW BUSINESS OF THE ARGENTINE WHO WON THE WORLD CUP OF ENTREPRENEURS.
3. IPROUP | ARGENTINA, LEADER IN FREELANCERS: HOW MUCH THEY EARN IN DOLLARS.
4. IDB | IV FINTECH REPORT IN LATIN AMERICA AND THE CARIBBEAN.
5. MORDOR INTELLIGENCE | PAYMENT MARKET IN ARGENTINA - SIZE, SHARE & INDUSTRY ANALYSIS.

In April of this year, 1.3 million foreign currency transactions were registered, amounting to USD 2,005.5 million. Real-time transfers represent 96.2% of the total foreign currency transfers.[1]
In this context, the efficiency of real-time operations becomes especially relevant. Argentina's RTP system, with growth projections of USD 183 million for 2026,[2] reflects the increasing demand for secure real-time financial transactions.

Remittances play an important role in the Argentine economy, although their volume is relatively low compared to other countries in the region. In 2023, remittances reached USD 1,500 million,[3] but the macroeconomic crisis and the deterioration of the currency are accelerating the flow of remittances from the United States and Europe.[4]

The impact of RTP on treasury management: challenges and opportunities

Faced with sustained growth and the accelerated adoption of RTP, treasuries are challenged to adapt to a constantly evolving technological infrastructure and a rapidly expanding digital financial environment. This demands a revision of liquidity and risk management strategies, as well as an update in processing and settlement systems to address the increase in transaction volume, cover balances, and forecast funds, among other needs.

Moreover, with the significant increase in foreign currency operations and the predominance of immediate transfers, Treasurers must be prepared to optimize foreign exchange operations and seize real-time arbitrage opportunities.

The economic volatility of Argentina requires more advanced hedging strategies. With a fluctuating economy and challenging inflation, Argentina's creativity and talent know no bounds. From highly successful startups to exportable talent, the payments industry is at the forefront of the country's evolution.

Foreign trade and exports reflect the complexity of the economy but also the importance of efficient CBP systems.
The leadership of entrepreneurs and the adoption of advanced technologies such as Pix and blockchain demonstrate that Argentina is not only keeping pace but is also shaping the future of digital payments. The country is poised for a financial transformation that promises efficiency, inclusion, and opportunities for all.

1. BCRA | MONTHLY RETAIL PAYMENTS REPORT MAY 2024.
2. FORBES ARGENTINA | REAL-TIME PAYMENTS.
3. BID | REMITTANCES TO LATIN AMERICA AND THE CARIBBEAN IN 2023: RESUMING PREVIOUS GROWTH.
4. MASTERCARD | THE FUTURE OF REMITTANCES IN LATIN AMERICA.

4.2

The rise of RTP: Brazil as a model of innovation in Latin America.

Unlike Argentina, where the innovative impulse has come mainly from its entrepreneurial ecosystem, in Brazil, the regulator has been the protagonist of the unprecedented evolution of the payments industry.

In the first half of the year, the Real-Time Payment System (RTP) processed 178 million transactions in a single day.[1]

The 2020 launch of Pix has transformed the Brazilian payments system, achieving adoption by more than 150 million users2. Its infrastructure operates 24/7, allowing instant transactions between people and businesses. In 2023, it recorded 42 billion transactions,[2] positioning itself as a RTP leader in Latin America.

By 2027, nearly half of Brazil's transactional revenue growth is projected to come from RTP, reflecting a trend toward declining cash usage and a preference for faster, more efficient payment solutions.[3]

1. BANCO CENTRAL DO BRASIL.
2. BANCO CENTRAL DO BRASIL | PIX STATISTICS.
3. MCKINSEY| ON THE THRESHOLD OF THE NEXT ERA OF PAYMENTS.

Pix processed 21.5% of total retail payments in the last half of 2023, with a growth of 6.67% monthly. With a processing speed of 1.07 seconds on 99% of transactions.[1]

75%

of the market, by transaction volume, of RTP in Latin America is from Brazil[1]

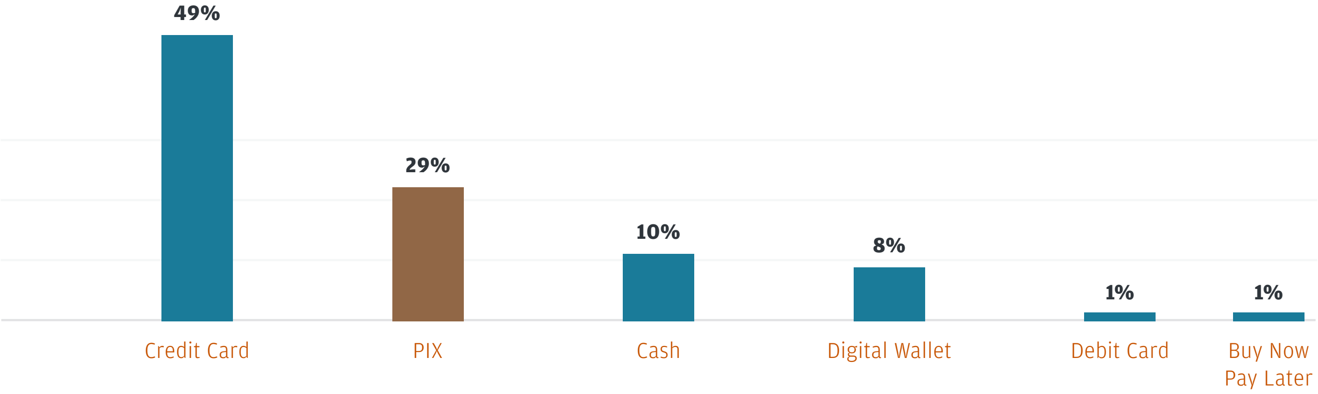
14%

of the global RTP market by transaction volume is from Brazil[1]

The mass adoption of Pix and the rapid integration of the technology into the financial system demonstrate Brazil's ability to lead innovation in the region. Collaboration between banks, Fintech and payment service providers reinforces trust in the country's payment system.

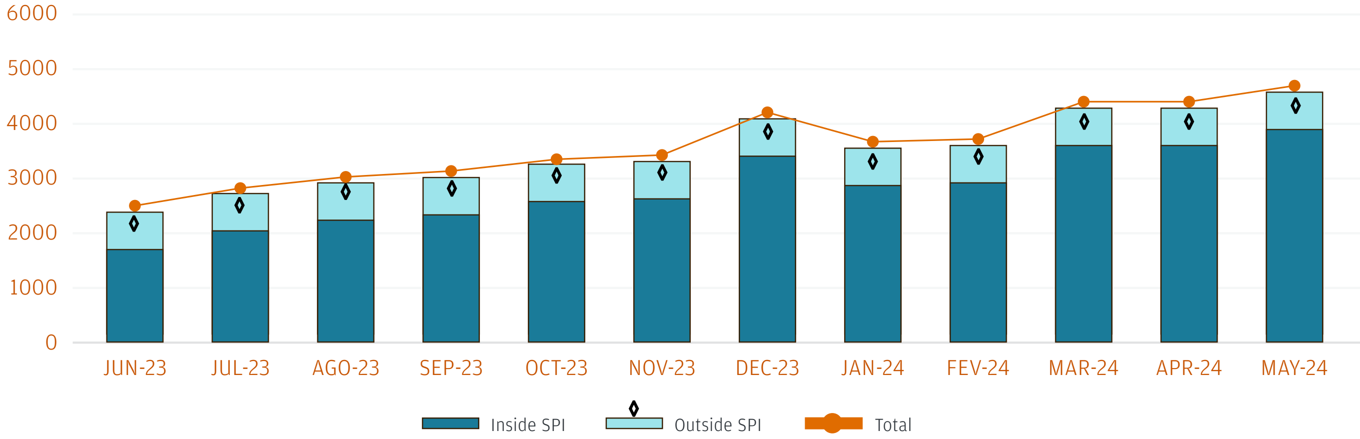
In 2018, cash was the main means of payment in Brazil, with more than half of purchases, with the introduction of Pix and the changes brought by the pandemic, its use dropped to 26% in 2022.[2]

Main means of payment in e-commerce 2023[3]



1. ACI WORLDWIDE | PRIME TIME FOR REAL-TIME GLOBAL PAYMENTS REPORT - BCB | FINANCIAL STABILITY REPORT.
2. PCMI | MOST USED PAYMENT METHODS IN LATIN AMERICA.
3. PCMI | AN X-RAY OF E-COMMERCE IN BRAZIL.

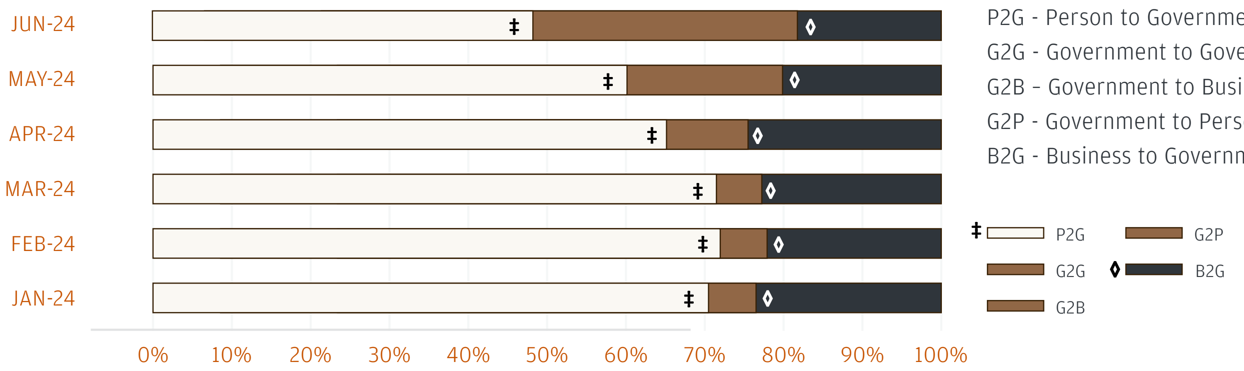
Pix transactions 2023-2024



Values expressed in millions of transactions.

Nature of Pix transactions 2024

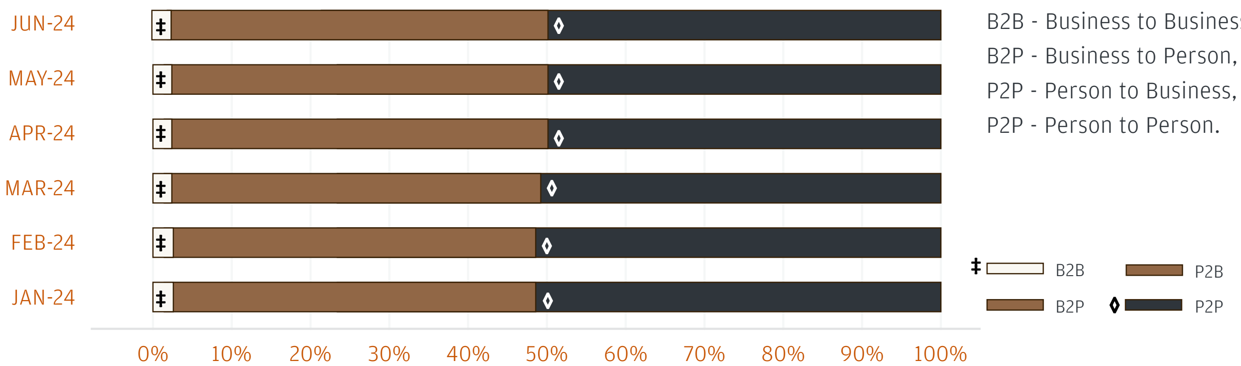
With government participation



P2G - Person to Government,
G2G - Government to Government,
G2B - Government to Business,
G2P - Government to Person,
B2G - Business to Government.

Nature of Pix transactions 2024

No government involvement



B2B - Business to Business.
B2P - Business to Person,
P2P - Person to Business,
P2P - Person to Person.

SOURCE: BANCO CENTRAL DO BRASIL .

Innovation in foreign trade: Brazil's strategies to optimize CBP

CBP still present challenges in terms of speed, transparency, costs, and exchange policies in general. To improve the experience of these transactions, Brazil has implemented various initiatives:

Trade agreements: through the Local Currency Payment System (SML) with Argentina, the aim is to facilitate trade and payments in local currencies, reducing dependence on the US dollar. These agreements, along with banking modernization and moderate exchange regulation, open opportunities for companies to explore and benefit from the Brazilian market.

Mark for Foreign Exchange: a policy published by the Central Bank of Brazil (Bacen) in 2021-2022 that favors expansion and the reduction of bureaucracy related to foreign trade operations. It allows Pix to be used abroad, leading to the creation of new Fintech that support the use of Pix in Argentina and Uruguay. The law also promotes greater inclusion of Brazilian companies in global value chains and removes restrictions so that exporters can freely use their resources, as well as accept more financing options for buyers of their products.[1]

Digital currencies: The Drex (Digital Real Express), acronym for the digital currency of the Central Bank of Brazil, is in the testing phase.[2] Based on distributed ledger technology (DLT), it allows for the evaluation of the programmability and liquidity of digital assets. Among the tests, the tokenization of shipping documents stands out to facilitate international trade and improve efficiency in the foreign exchange market with 24/7 operations.

Regulation: Brazil has taken measures to ensure security and transparency in financial operations. Law 9.613 and COAF regulations set out KYC and AML requirements, while the Central Bank of Brazil has created a digital identity portal to facilitate account opening.

Alliances: the payments ecosystem is promoting initiatives to improve cross-border transfers, as is the case of Visa, which together with Fintech Dock and Muevy are promoting the Visa Direct service that will allow financial institutions and exchange agents to quickly make international transfers to more than 190 countries. SWIFT, Iberpay and other international banks, in July 2023, completed a pilot that connected Australia, New Zealand, Brazil and the United Kingdom with Europe, being monitored with the SWIFT GPI service. Recently, Bridge21 and Bitso, which operate with massive or one-time payment remittances from the United States to Mexico, have expanded their operations to Argentina, Brazil and Colombia.

1. BANCO CENTRAL DO BRASIL.
2. BANCO CENTRAL BRASIL.

4.3

Economy in motion: the payments industry as a driver of progress in Chile.

On October 18, 2019, images of crowds flooding the streets of Santiago de Chile went around the world, capturing international attention and highlighting the complexity behind the so-called "Chilean economic miracle." This social outbreak exposed the cracks in the narrative of growth that had not reached everyone equally and the underlying demand for greater equity in access to financial services, a call that advancements in payment systems, including RTP and CBP, are poised to address.

By allowing money to flow more freely and quickly, both within Chile and to and from other countries, these payment systems have the potential to be catalysts for a new era of prosperity and well-being.[1] Chile has experienced significant growth in the adoption of digital payments, aligning with the global trend towards financial digitalization. The country's payment infrastructure benefits from high banking rates, with 87% of the population having access to a bank account,[2] and together with smartphone penetration, facilitated a conducive environment for the adoption of mobile banking apps and digital wallets.

Chile is the fourth largest real-time payments market in South America, but it is also one of the slowest growing in the forecast period, with an expected CAGR of 8.1% from 2023 to 2028.[3]

1. ROJAS, MARIANO, & CHARLES-LEIJA, HUMBERTO. (2022). CHILE, MIRACLE OF ECONOMIC GROWTH, BUT... WHAT ABOUT WELL-BEING?. LATIN AMERICAN PROFILES, 30(59).
2. WORLD BANK GROUP | GLOBAL FINDEX REPOR. WORLD BANK.
3. ACI WORLDWIDE | PRIME TIME FOR REAL-TIME GLOBAL PAYMENTS REPORT.

Since the introduction of Electronic Fund Transfers (EFT) in 2008, Chile has seen significant growth in RTP. In 2023, the system facilitated over 1.430 billion transactions.[1] Although consumers continue to cling to cash for their daily payments, digital payments are now preferred by 71%. Cash continues to prevail for multiple reasons, but most have to do with the ability or decision of the point of sale to accept digital payments, not the equipment or preferences of consumers. In fact, more than half of the responses indicate that customers were unable to choose their preferred payment method at the time of payment.[2]

The adoption of EFT by 18 financial institutions underscores its importance in Chile's payment infrastructure, marking the country's commitment to modernization and financial inclusion. Considering immigration, Chile has experienced an unprecedented wave of new immigrants since 2019. This has raised the proportion of foreigners in the Chilean population from 2% a decade ago to 8%, equivalent to 1.6 million migrants currently.[3]

Current state of payment systems in Chile[4]

Current situation

Digital payments in Chile maintain high levels of development and growth.

TEF

The clearing and settlement of electronic fund transfers (TEF) are strengthened with the entry into operation of a new payment chamber that improves the risk management of financial entities.

Transactions

For transactions in the foreign exchange market, a new high-value clearinghouse has been implemented for spot exchange operations between the peso and the dollar.

Interoperability

The interoperability of payment methods in Chile is high, which contributes to the functioning and development of these systems; however, there are areas for improvement.

1. CCA | STATISTICS.
2. MINSAIT PAYMENTS | TRENDS IN PAYMENT METHODS.
3. CENTRO DE ESTUDIOS PÚBLICOS | MIGRATION IN CHILE CEP CHILE.
4. BANCO CENTRAL DE CHILE | PAYMENT SYSTEMS REPORT AUGUST 2024.

Real - Time Transactions.[1]

2023
USD 1.2B

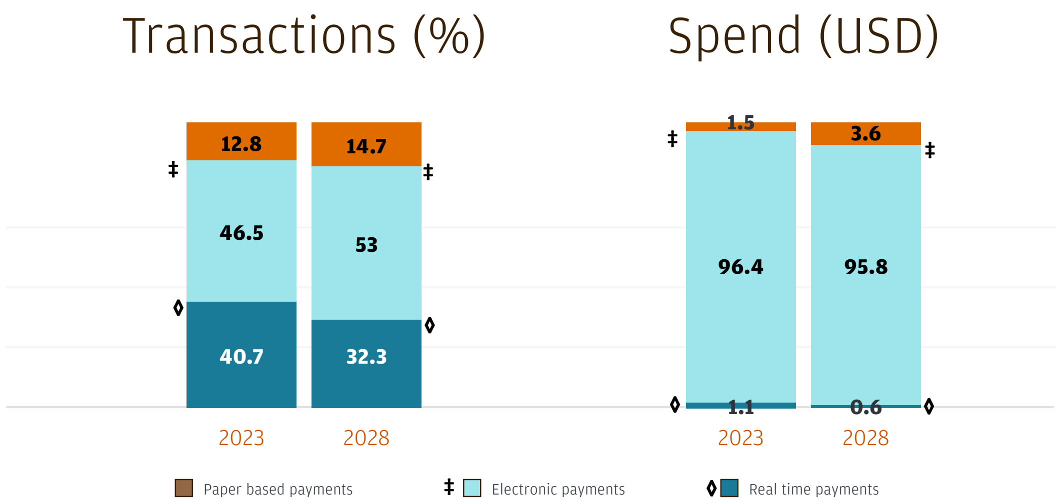
»

2028
USD 1.8B

2023 > 2028 CAGR

8.1%

Shares of volumes by payments instruments1



Chilean E-commerce market size projections[2]

E-commerce continues to grow in Chile with robust double-digit growth projected, presenting attractive cross-border e-commerce opportunities.

2022e
$15

2026f
$27

Values expressed
in US billions
e=estimate f=forecast

1. ACI WORLDWIDE | PRIME TIME FOR REAL-TIME GLOBAL PAYMENTS REPORT.
2. WORLDPAY | THE GLOBAL PAYMENTS REPORT 2024.

Chile's progress towards Open Finance

The Fintech Law in Chile is a comprehensive regulation that covers two distinct but interconnected areas: Fintech services themselves, which include a variety of innovative financial technologies and service platforms, and an open finance system, also known as "open finance". This legal framework seeks to provide a safe and regulated environment for the development and operation of digital financial services, promoting competition and financial inclusion. At the same time, it establishes the foundations for users to have control over their financial data, allowing them to share their information with different financial service providers through their explicit consent.[1]

The recent regulations published by the Commission for the Financial Market (CMF), which regulate the Open Finance System (OFS) and are expected to come into force in July 2026, are a key component of the Fintech Law. This regulation requires regulated financial entities to adhere to the OFS and to share the financial information of users who authorize it. The implementation of the OFS will be gradual, with an initial adaptation period of 24 months, followed by successive phases for different types of financial entities. With this, Chile is moving towards a more open and collaborative financial system, in line with its commitment to modernize financial infrastructure and foster innovation in the sector.[2]

Chile: fertile ground for entrepreneurs

Chile's economic growth has been significantly fueled by its innovative spirit, as evidenced by the government's Start-Up Chile program.[3] Launched in 2010, this initiative has been instrumental in fostering a lively entrepreneurial ecosystem by inviting global entrepreneurs to develop their startups in Chile.

Offering seed capital, mentorship, and a vast network of international contacts, Start-Up Chile has not only attracted worldwide talent and promoted diversity in entrepreneurship but has also spurred job creation. The program's inclusive and international strategy has not only invigorated the local economy but also set a precedent, inspiring comparable initiatives globally.

1. EY | FINTECH LAW: QUESTIONS AND ANSWERS.
2. INVEST CHILE | OPEN BANKING: REGULATION IN CHILE WILL COME INTO EFFECT IN 2026.
3. START-UP CHILE.

4.4

Colombia and financial inclusion: a future of RTP.

Colombia is experiencing significant progress in the adoption of technologies focused on the era of digital payments. With an economy that holds strong against international challenges and an increasing active and banked population, the country is demonstrating that financial innovation is fundamental to its economic development.

Colombia has experienced a remarkable evolution, especially in contactless payments and RTP, with transactional growth of 251% in 2023, compared to the previous year.[1]

Digital and financial transformation through mobile wallets

In the adoption of immediate payments, mobile wallets from major financial groups, such as Nequi and Daviplata, and solutions driven by the Clearing House, like Transfiya, operated by ACH Colombia, have boosted financial inclusion indicators and offer alternatives for the financial consumer to perceive immediate transfers as a tangible and accessible product. Transfiya has become a key element in Colombia's digital financial transformation, with more than 12 million users making instant transfers using just a mobile number.[2]

1. LA REPÚBLICA | COLOMBIA WILL BREAK THE BARRIER OF 250 MILLION TRANSACTIONS IN REAL TIME IN 2024.
2. TRANSFIYA | THE RISE OF INSTANT TRANSFERS IN COLOMBIA.

Transfiya recorded more than 16.8 million transfers in March 2024 alone, making this one of the months with the highest transactional activity since its creation.[1]

How the rapid evolution of CBP and RTP is impacting B2B and B2C markets

Fintechs are playing a transformative role in B2B and B2C markets, with the proliferation of virtual wallets and payment solutions that are redefining financial transactions. This segment is already consolidating as the second most relevant in the local Fintech ecosystem.[2]

Platforms like Daviplata and Nequi, backed by two of the country's leading financial groups, are leading the market, offering users the ability to make payments, transfers, and receive remittances through their mobile devices. These digital wallets not only simplify everyday financial operations but also promote financial inclusion by reaching out.

The impact of Fintechs on foreign trade is equally significant, as they provide SMEs with tools to manage international payments and access new markets. Their collaboration with traditional banks is creating a more integrated and robust financial ecosystem, capable of meeting the needs of a globalized and digital economy.

CiNKO presents itself as a revolutionary solution that allows users to make international payments from Colombia to 44 countries with a fixed fee, also offering the opening of virtual bank accounts in USD and the auto-conversion of Bitcoin to USD. Meanwhile, Supra is emerging as a key facilitator for SMEs, easing international payments.

In this context, the 'Bre-B' system[3], developed by the Bank of the Republic, represents a significant advancement in the country's payment infrastructure. 'Bre-B' is expected to start operations in 2025, connecting all financial entities and simplifying low-value payments. Unlike current systems like PSE or TransfiYa, Bre-B promises real-time payments, completing in up to twenty seconds, and ensuring interoperability.

This ability to perform fast and frictionless transactions is especially valuable for the advancement of CBP in Colombia and, therefore, for accessing new markets.

1. TRANSFIYA | THE RISE OF INSTANT TRANSFERS IN COLOMBIA.
2. BID | IV FINTECH REPORT IN LATIN AMERICA AND THE CARIBBEAN.
3. BANCO DE LA REPÚBLICA.

4.5

Financial innovation in Mexico: advances and challenges in the payment ecosystem.

In the dynamic economic environment of Latin America, payment systems are constantly evolving, driven by the need for regional integration and a growing demand for efficient financial services. Mexico, with its strength and resilience, is consolidating as a crucial market in the region, standing out not only for its size but also for its expanding infrastructure of digital payments.
increasing active and banked population, the country is demonstrating that financial innovation is fundamental to its economic development.

Mexico as a Fintech Hub

Since 2017, the country has witnessed an increase in the number of Fintech startups, going from 180 to 618 in 2023.[1]

This 243% increase reflects not only a dynamic business environment but also an average annual growth trend of 23%, demonstrating the maturation and robustness of the Mexican Fintech ecosystem in the face of challenges such as a high unbanked population and an evolving regulatory framework.[1]

Strategically located, Mexico acts as a strategic gateway for financial technology companies looking to penetrate two significant consumer markets. Its proximity to the United States, coupled with improving infrastructure and advantageous trade agreements, offers a favorable platform for the expansion of Fintech solutions beyond its borders.
Notable examples of Fintech companies originating from Mexico include the following unicorns:

- Stori, a digital platform dedicated to providing digital financial services to underserved customers.
- Konfío, which offers digital banking services, payments, and software tools designed to drive the growth and productivity of MSMEs.
- Clip, a payment terminal that allows businesses to easily accept all electronic payment methods.
- Bitso, a cryptocurrency trading platform that facilitates the buying and selling of bitcoin and other cryptocurrencies, being the first Latin American cryptocurrency company to reach unicorn status

1. BID | IV FINTECH REPORT IN LATIN AMERICA AND THE CARIBBEAN.

These cases are a testament to the dynamism and potential of Mexico as a Fintech hub, an ecosystem that not only attracts investment but also drives the modernization and efficiency of the country's payment system.

With 20.14%2 of the region's Fintech companies established in its territory, Mexico is at the forefront of digital financial transformation.

Overview of RTP in Mexico

Another important actor in the modernization of the payment system and promoter of financial inclusion is the Bank of Mexico (Banxico), which has launched several key initiatives over the years.

Within the real-time payments ecosystem, the main players include the Bank of Mexico, commercial banks such as BBVA Bancomer and Banamex, and Fintech Companies like Nubank, Mercado Pago, and Albo. The Mexican market shows a trend towards consolidation, with major players like VISA, Mastercard, and American Express. These entities have established a strong presence in the country, offering advanced digital payment solutions and using acquisition and partnership strategies to expand their reach.

Mexico's payment market, valued at USD 113.890 billion[1], shows growth due to digitalization and the demand for mobile and contactless transactions. It's the second emerging economy with the highest number of purchases in foreign e-commerce globally, with a sales volume that exceeds USD 16 billion in cross-border trade in 2023.[3]

The evolution of the payments market in Mexico has been notably driven by strategic collaborations, such as the partnership between ACI Worldwide and Mexipay in November 2023, which seeks to promote the adoption of real-time payments in Mexico.

1. MORDOR INTELLIGENCE | MEXICO PAYMENT METHODS MARKET - SIZE, SHARE & INDUSTRY ANALYSIS.
2. IDB | IV FINTECH REPORT IN LATIN AMERICA AND THE CARIBBEAN.
3. EL ECONOMISTA | MEXICO, A PROMINENT BUYER ON FOREIGN TRADE SITES.

This alliance highlights the importance of interoperability and the ability to serve a more diverse clientele, including smaller banks and businesses. Additionally, the expansion of the Fintech CLARA to Brazil underscores the ambition of Mexican companies to compete in the Latin American market, offering digital financial services that meet corporate needs and expense management.

The volume of e-commerce in Mexico for the year 2023 was USD 74 billion, with a projected growth of 33% between 2023-2026, potentially reaching USD 176.8 billion.[1]

Mexico as a key destination for investors

On the other hand, the commercial competition between the United States and China has opened a window of opportunities for Mexico in terms of nearshoring, according to the International Chamber of Commerce Mexico. With the relocation of companies seeking alternatives to China, Mexico positions itself as an attractive destination for foreign direct investment and job creation.

The International Chamber of Commerce (ICC) Mexico urges the government to strengthen collaboration between the public and private sectors to capitalize on this phenomenon and resolve key issues such as access to clean energy, labor training, and the development of MSMEs to integrate them into the export market.

The ICC Mexico sees nearshoring and the improvement of trade relations as a critical route to boost Mexico's economic growth and international competitiveness.
The injection of foreign investment and job creation has a direct impact on Mexico's payment systems. With an increase in commercial and financial transactions, the demand for efficient and secure payment solutions becomes more critical. The diversity of the countries of origin of these investments also raises the need for payment systems that can handle multiple currencies and facilitate cross-border trade.

The Directo a México scheme is another example of how Mexico is working to improve CBP. Established in 2004, this bilateral linkage model between the automated clearinghouse of the U.S. Federal Reserve and Mexico's RTGS system aims to promote the use of the Federal Reserve Banks' FedGlobal Mexico service.

The strength of its trade relationship with the United States, the promise of nearshoring, and the vitality of its Fintech sector are shaping a promising economic future for Mexico.

1. PCMI | X-RAY E-COMMERCE MEXICO.

5

Towards local and regional integration.

Trends in CBP are indicating a decline in correspondent banking, due to the growth of technologies such as Blockchain and digital assets, and Fintech in general, which leverage improvements in customer experience, speed, and price competitiveness, among others.

Fintech solutions share an inherent understanding that consumers prefer options that allow them to make payments faster, more transparent, secure, and more cost-effective. All this points to a broader global shift towards RTP, enabled by integrated solutions from banks, payment services, Fintech companies, and an agile work approach.

The current landscape is characterized by mass cross-border transactions; however, in the coming years, a more notable shift towards individual processing and decentralization is expected. This would mean an increase in the volume of CBP, in smaller denominations, due to the “consumerization” of larger entities that prioritize speed, security, and transparency, aligning with consumer expectations. This paradigm shift implies a turn towards the selection of services by customers based on their features and quality, rather than provider preference. With this, application programming interfaces (APIs) that help create better customer experiences are poised to gain greater importance and adoption.

While B2B transactions currently dominate the CBP market, as we saw earlier, the C2B category represents enormous potential, attributing to the boom in e-commerce, tourism, and remittances. An additional aspect that deserves to be highlighted is the potential of Open Finance regulations to streamline CBP, thus enhancing the flow of capital and trade across borders. This regulatory framework is gaining momentum in Latin America, with countries like Brazil, Chile, Colombia, Ecuador, and Mexico leading the region.[1]

Argentina, for its part, is moving towards the adoption of open finance, with the Central Bank facilitating access to financial information through its website, which could lead to the development of a regulatory framework for Open Finance in the near future.
The adoption of Open Finance across borders promises to simplify and automate KYC processes, thereby facilitating more economical and faster cross-border transactions. This will require a concerted effort to align regulatory standards and ensure interoperability between diverse financial systems through standardized API protocols.

In an increasingly interconnected world, Latin America positions itself at the forefront of financial innovation with the adoption of Open Finance. This regulatory revolution promises not only greater efficiency but also marks the beginning of a new era of financial inclusion and business opportunities. With an eye on the future, the region is preparing for smoother and more accessible trade, where security and agility go hand in hand for the benefit of businesses and consumers alike.

1. IMF | CROSS-BORDER PAYMENTS INTEGRATION IN LATIN AMERICA AND THE CARIBBEAN.

The rise of influencers and the revolution of CBP and RTP

The digital era is here to stay! New business models are powering the attention economy and influencer marketing. The key to success lies in the ability to capture and maintain consumer attention, turning it into a valuable currency.

Content creators, masters in the art of influencing purchasing decisions, are at the heart of this vibrant digital ecosystem. With their power to shape trends, it's no surprise that 67% of consumers are guided by their recommendations when making purchases.[1]

Their influence is such that the influencer marketing market is expected to reach USD 24 billion by 2024.[2]

Latin America has 18.9 million influencers on Instagram and an influencer density of 3%, on par with the U.S. and above the 1.6% of Europe.[3]

Brazil is crowned as the undisputed leader, with 1,748,417 influencers, eight times more than Argentina, the second on the list, which has twice the number of content creators as Mexico.[3]

In this globalized context, CBP and RTP become essential. Brands and companies that collaborate with influencers from different countries need payment systems that allow for instant financial transactions without geographical barriers.

This not only facilitates the flow of capital in response to marketing campaigns but also reflects the immediacy and borderless nature of the digital market.

Payment systems are evolving to meet the demand for efficiency and agility, ensuring that capital circulates as quickly as the trends that influencers help to create.

Featured Case[4]

On Kwai, creators generate income through advertisements, paid tasks, gifts from viewers, participation in the Advertising Revenue Program, e-commerce collaborations, and direct contracts with the platform.

1. EY | THE RISE OF THE INDEPENDENT CONSUMER.
2. STATISTA | GLOBAL INFLUENCER MARKET SIZE 2024.
3. INFLUENCITY | THE LARGEST INFLUENCER STUDY IN LATIN AMERICA IN 2023.
4. KWAI FOR CREATORS.

The implementation of RTP and CBP is thus revolutionizing the way companies operate globally. These technologies enable companies to make and receive payments instantly, which is essential in an increasingly dynamic and digitalized market. In particular, social media platforms are leveraging these innovations to support their business models based on content creation. By enabling RTP for content creators worldwide, they not only encourage greater participation and content production but also establish a challenging reward system. This, in turn, drives business growth by attracting more creators and viewers, creating a virtuous circle of interaction and commercial expansion. Now, what about the giants of the social media sector? Meta recognizes that creators can act as cultural carriers for companies abroad, helping them penetrate new markets by building trust and connecting with local audiences.[1]

For this reason, Meta allows CBP, especially with regard to the monetization of content creators and e-commerce transactions. Meta's payment infrastructure is designed to facilitate international transactions, allowing content creators and sellers to receive payments from users and customers from different countries. For example, in the case of content creators who receive income through bonus programs, ads, Stars, or fan subscriptions, Meta processes the payments and sends them to the creators, regardless of their geographical location, as long as they comply with the platform's policies and requirements.

TikTok, on the other hand, is actively working on the implementation of CBP. Currently, creators can only be paid if they are registered in the same region as the company on TikTok Creator Market Place.[2]

In conclusion, the attention economy represents a significant challenge (and opportunity) for CBP and RTP. Will social media be the catalysts for a world without borders?

1. META | META FOR BUSINESS: BORDERLESS PERFORMANCE WITH META - META | HOW TO MAKE MONEY AND GET PAID BY MONETIZING YOUR CONTENT.
2. TIKTOK | CREATOR MARKETPLACE.

	BEFORE		AFTER
Traditional Banking and Finance	Transactions were slow and security limited, with little financial inclusion.	»	Financial transactions are now instant and secure, with greater efficiency and attraction of new users.
E-commerce	E-commerce suffered from slow payment processes and difficulties in expanding internationally.	»	E-commerce enjoys instant payments that enhance the user experience and facilitate international expansion.
Remittance	International remittances were costly and time-consuming, affecting the families who received them.	»	Remittances are faster and cheaper, supporting families efficiently.
Tourism & Hospitality	Difficult payments and confusing bookings spoiled the fun for travelers.	»	Simplified payments improve the customer experience and make international bookings easier.
Technology & Telecommunications	The lack of adequate infrastructure restricted innovation in payment solutions.	»	Innovation in applications and platforms that support real-time transactions and in various currencies.
Entrepreneurship and SME	Access to global markets and financial management were challenging for SMEs.	»	Better access to global markets and agile financial management thanks to immediate access to funds.
Agriculture and International Trade	Inefficiencies in supply chains and high costs in international trade.	»	More efficient supply chains and reduction of costs and times in international trade.

1. NIUM L HOW REAL-TIME PAYMENTS HAVE FUELED LATIN AMERICAN ECONOMIES (NIUM.COM).

6

The future of payments in Latin America.

The evolution of CBP and RTP in Latin America is a phenomenon that reflects the diversity and heterogeneity of the region. Each country presents distinctive characteristics that influence its payment market, from economic and regulatory factors to technological advances and cultural particularities.

The adoption of global standards like ISO 20022 and international collaboration are crucial for the development of CBP and RTP, directly impacting financial inclusion and fraud prevention. These advancements are generating trust and fostering greater economic growth in Latin America. Companies must, therefore, have strategic planning that allows them to capitalize on the marketing opportunities that arise in this dynamic environment; in short, to have money more quickly, less expensively, and with greater opportunity to exploit or monetize that working capital.

Digitalization plays a fundamental role in the region, not only driving financial inclusion but also attracting an increasingly connected population towards the formal banking industry. Latin America is positioning itself as a center of financial innovation, as evidenced by the large number of startups and unicorns present in the region. Therefore, many of the region’s opportunities lie in the export of knowledge and services through nearshoring and export/import in general.

The role of central banks in the region is decisive, and Brazil stands out as a model to follow in the field of RTP, even being used as a reference by developed markets. Regulation can act both as a barrier and a catalyst for market development, and understanding the regulatory landscape is a great opportunity for companies looking to adjust their strategies and take advantage of the role of central banks.

The implementation of RTP systems is leading to a decrease in financial costs, as credit card fees are usually high compared to the lower fees of RTP. This scenario is forcing card-issuing entities to lower their rates, leading to greater efficiency in the payment system. The competition that arises between different payment methods is beneficial for both businesses and consumers, as it promotes healthier competition in the financial sector.

The faster the circulation of money and the quicker the transactions, the more dynamism is injected into the economy, resulting in an increase in national productivity. If this effect is extended at the regional level, the benefits are magnified. For this reason, company CFOs must prioritize the imminent transformation of the financial sector on their agenda, exploring market solutions that optimize the payment and collection experience, reduce associated costs, and maximize the profitability of working capital.

The economy of influencers and content creators in Latin America, on the other hand, is an example that illustrates the cross-border nature of payments in the digital age. Brands often make payments to influencers in different countries, highlighting the importance of CBP and RTP in the social media ecosystem. With the advancement of digital assets, a significant transformation in CBP and RTP is anticipated.

In summary, understanding the diversity of Latin America and adapting to its regulatory and economic dynamics are fundamental to capitalizing on opportunities in the payments market. Promoting financial inclusion and preparing the ground for an innovative future in the digital age are key objectives that should guide the strategy of companies in the region. From the analysis of the payment market emerges the need for strategic planning around marketing opportunities and the importance of adapting to emerging regulations and technologies that impact CBP and RTP, considering that it is also a market worth billions of dollars, involving everyone from small businesses to multinationals, from migrants to influencers, all seeking a world with fewer frictions and borders.

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Glossary

A2A	Account to Account
ACH	Automated Clearing House
ACI	ACI Worldwide
ALADI	Latin American Integration Association
ALC	Free Trade Agreements
LATAM	Latin America
AML	Anti Money Laundering
APEX	Brazilian Export Promotion Agency
APIs	Application Programming Interface
B2B	Business to Business
B2C	Business to Consumer
B2G	Business to Government
B2P	Business to Peer
BANXICO	Bank of Mexico
BCCh	Central Bank of Chile
BCRA	Central Bank of the Republic of Argentina
BID	Inter-American Development Bank
BIS	Bank for International Settlements
C2B	Consumer to Business
C2C	Consumer to Consumer
CAGR	Compound Annual Growth Rate
CBDC	Central Bank Digital Currency
CBP	Cross Border payments
CCAV	Automated Securities Clearing House
CEPAL	Economic Commission for Latin America and the Caribbean
CFT	Countering the Financing of Terrorism
COAF	Financial Activities Control Council
CPCR	Agreement on Reciprocal Payments and Credits
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
Cryptoactive	Type of digital or virtual currency that uses cryptography for security and operates independently of a central bank
DEPA	Digital Economy Partnership Agreement
DiMo	Mobile Money
Fast Retail Payment Systems	Electronic payment systems that enable the immediate or near-immediate transfer of funds between parties
FATF	Financial Action Task Force
FOB	Free on Board
FX	Foreign Exchange
G2B	Government to Business
G2G	Government to Government
G2P	Government to Person
IED	Foreign Direct Investment
INDEC	National Institute of Statistics and Censuses
Innovation Pole	Geographic area where businesses, research institutions, and other organizations are concentrated and collaborate to promote technological advancements, entrepreneurship, and economic growth

Glossary

ISO	International Organization for Standarization
KYC	Know Your Customer
LBTR	Real-time gross settlement
MDBC	Central bank digital currency
MILA	Latin American Integrated Market
MSME	Micro, small and medium-sized enterprises
NFC	Near Field Communication
OECD	Organisation for Economic Co-operation and Development
ONU	United Nations
Open Finance	Extension of the concept of open banking, where financial data is shared across a secure and interoperable network of financial institutions and third-party providers (TPPs)
OTC	Over-The-Counter
P2B	Peer to Business
P2G	Person to Government
P2P	Peer to Peer
Participatory Financing	Financial system where individuals and businesses have the opportunity to directly participate in investment and funding activities, often without traditional financial intermediaries like banks
PBI	Gross Domestic Product
PEA	Economically Active Population
PSP	Payment Service Providers
Regulatory Sandbox	Framework set up by a regulatory authority that allows Fintech startups and other innovators to conduct live experiments in a controlled environment under the regulator's supervision
Robo Advisors	Automated digital platforms that provide algorithm-driven financial planning services with little to no human supervision
RTP	Real Time Payments
SIP	Payment Integration System
Sistema RTGS	Real Time Gross Settlement
Sistema TTR	Transfer of Transaction Reports
SML	Local Currency Payment System
SPAV	High-Value Payment Systems
SPBVI	Immediate Low Value Payment Systems
SPEI	Interbank Electronic Payments
SPID	Interbank Payment System in Dollars
SWIFT	Society for Worldwide Interbank Financial Telecommunication
TEF	Electronic Funds Transfers
TEI	Immediate Wire Transfers
T-MEC	Mexico, United States and Canada
TPP11	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
UAF	The Financial Analysis Unit
UIF	Financial Intelligence Unit
USMCA	United States-Mexico-Canada Agreement

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PAYMENTS

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