



Diagnostic Report on the Legal and Regulatory Environment for Branchless Banking in Argentina

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Introduction

The Argentine financial sector is relatively sophisticated. However, a large segment of the low-income population remains excluded from the formal financial sector. Although the majority of the population lives in urban areas where bank branches are highly concentrated, low-income and one-time customers are not taking advantage of the branch presence. This is partly due to low levels of confidence in banks resulting in a large informal, cash-based economy.

Banks are not currently allowed to use agents to deliver financial services. However, the Central Bank of the Republic of Argentina (BCRA) is drafting regulations to permit the use of agents. Existing providers targeting the low-income segment and new contenders alike are eager to use retail outlets to expand their distribution network in a cost-effective way. Passing a regulatory framework that balances safety and openness regarding the use of agents, while providing the BCRA with adequate supervisory powers and tools for monitoring and mitigating risks, is a crucial and timely step for increasing access to finance in Argentina. Meanwhile, nonbanks have developed extensive agent networks to offer payment services and consumer credit to millions of Argentines. These networks will most likely play an important role in the agency outreach of banks once the new regulation is issued.

The forthcoming agency regulation has the potential to enhance competition for low-value transactions, curbing the strong present preference for informality. Experience from other countries also shows that the use of agents generally makes poor people more comfortable with using financial services by involving well-known, local commercial establishments in the client-provider relationship.

In addition to agency regulation there is a need to set conduct-of-business and reporting requirements for financial service providers beyond the regulatory reach of the BCRA. Setting similar standards for providers of similar services would create a level-playing field.

These notes offer further details on CGAP's findings and recommendations as a result of a branchless banking policy and regulatory diagnostic carried out in October 2008 in Argentina. CGAP has completed similar assessments in other countries and an overall analysis resulting from the first seven diagnostics conducted in 2007 can be found in CGAP Focus Note 43 *Regulating Transformational Branchless Banking: Mobile Phones and Other Technologies to Increase Access to Finance*.¹

Background: CGAP, Branchless Banking and the Diagnostic in Argentina

CGAP is a global resource center for microfinance standards, operational tools, training, and advisory services. Its members—bilateral, multilateral, and private donors—are committed to building more inclusive financial systems for the poor. The CGAP Technology Program is a multiyear learning initiative co-funded by the Bill and Melinda Gates Foundation to find and test promising technology solutions to improve access to

¹ Available at www.cgap.org/p/site/c/template.rc/1.11.1772/1.9.2583

finance.

CGAP defines **branchless banking** as the delivery of financial services outside conventional branches using information and communications technologies and retail agents. Because of the potential to radically reduce the cost of delivery and increase convenience for customers, branchless banking can expand coverage to new, previously underserved segments of the population. Technology can help a range of market actors to push the boundaries of access to financial services, including not only banks but also microfinance institutions, mobile phone operators, and technology companies. Services delivered through branchless banking can range from only payments to savings, loans and insurance.

There are two models of branchless banking: bank-based and nonbank-based. Both make use of retail agents such as merchants and post offices to deliver financial services outside traditional bank branches. In the **bank-based model**, every customer has a direct, contractual relationship with a prudentially licensed and supervised financial institution—whether involving an account or a one-off transaction—even though the customer may deal exclusively with a retail agent who is equipped to communicate with the bank.²

In the **nonbank-based model**, customers have no direct contractual relationship with a fully prudentially licensed and supervised financial institution. Instead the customer exchanges cash at a retail agent (or otherwise transfers, or arranges for the transfer of, funds) in return for an electronic record of value. This virtual account is stored on the server of a nonbank, such as a mobile operator or a prepaid card issuer. The balance in the account can be used for making payments, storing funds for future use, transferring funds, or converting stored value back to cash. If the system relies on a POS network and plastic cards, customers must visit a participating retail agent to conduct a transaction. If the system is mobile phone-based, customers need to visit a retail agent only to add value or to convert stored value back into cash.

The value stored in cards or other instruments is often referred to as *e-money*. There are various definitions of e-money, including the following from the European Union's Electronic Money Institutions Directive (2000): "Monetary value as represented by a claim on the issuer which is: (i) stored on an electronic device; (ii) issued on receipt of funds of an amount not less in value than the monetary value issued; (iii) accepted as a means of payment by undertakings other than the issuer."

From September 23 to October 3, 2008, CGAP conducted a mission in Buenos Aires to analyze the policy and regulatory environment for branchless banking.³ The analysis of the existing regulation and other documentation was complemented by insights from meetings held with a variety of stakeholders (see Annex 1 for a complete list of interviewed persons). CGAP's findings and recommendations in several areas affecting branchless banking are summarized in this document.

² The term "banks" is used in this document to refer to fully prudentially licensed and supervised financial institutions, (e.g. banks, credit cooperatives, microfinance institutions, exchange houses, etc.), whereas the term "nonbanks" is used to refer to entities which are not licensed and/or supervised by a financial authority (e.g. mobile network operators, retailers, financial entities outside the supervised spectrum, etc.).

³ Policy Advisory Consultant Ernesto Aguirre and Denise Dias, Policy Specialist at CGAP, conducted the mission and authored this document. The report was reviewed and edited by CGAP Microfinance Analyst Klaus Prochaska.

1 State of Play: Government Authorities

Argentina has an extensive history with state development banks focusing on rural credit and continues to provide targeted subsidized loans, even though this strategy has not succeeded in sustainably extending access to financial services to the poor. Although different government institutions carry out various financial access initiatives, there is no overarching country wide initiative involving all active regulatory agencies and the industry. The country would benefit from a more coordinated approach.

The BCRA is the regulator and supervisor of the financial sector. Regulations are usually issued in coordination with the Ministry of Finance. The BCRA has been taking steps towards greater financial inclusion, including:

- a) Creation of simplified savings accounts with standardized features,⁴
- b) Introduction of a regulatory window for deposit-taking credit cooperatives⁵ to increase the supply of savings products in the interior of the country,⁶
- c) Regulatory creation of a low-value credit product (up to USD1,742) with simpler client identification, and provisioning requirements,⁷
- d) Regulatory creation of a simplified credit product geared toward micro-entrepreneurs,
- e) Authorization for banks to invest in or lend to microcredit institutions,⁸
- f) Engaging in financial education programs (a service provided upon request, usually by employers for their employees).

BCRA also provides incentives for geographic diversification: a) lighter capital requirements for institutions based in under-served regions; b) permission for banks to use mobile or seasonal/temporary branches; and c) simpler authorization for branches in underserved areas. It is early to assess the impact of such measures, but they prove that BCRA is committed to improving access to finance. The BCRA is currently taking important steps to allow the use of agents in order to encourage the expansion of the banks' distribution network. It is also attentive to the developments in payments services and evaluating the need for e-money regulations.

The Ministry of Development runs a conditional cash transfer program - *plan familias* - that targets 1.3 million poor families in all regions of Argentina. Since the majority of recipients have no access to financial services, *plan familias* presents a unique opportunity to link welfare programs to financial inclusion initiatives. Making the cash transfers through fully transactional bank accounts while promoting savings to recipients

⁴ Communication BCRA "A" 4809. This is the "universal basic account" that has simpler opening requirements and standardized costs and services. The account offers a debit card and does not allow overdraft. Banks are not required to issue a paper-based statement, but ATMs must provide the balance and description of the last ten transactions free of charge. Branch transactions are free up to a certain number per month but electronic transactions are mostly free. Banks are not obliged to have this account but in case they do, they are required to advertise such option to every new client.

⁵ Caja de Credito Cooperativo (Law 26,173).

⁶ Regulatory intent was to encourage the transformation of credit-only MFIs into deposit taking cooperatives

⁷ "Prestamos de Monto Reduzido", up to ARS 6,000 (approximately USD1,744).

⁸ Communication BCRA "A" 4891/2008.

as well as their family members, has the potential to bring in many beneficiaries into the formal financial sector. These measures could be supported by assessing the potential use of financial capability programs and by the private provision of well designed microcredit programs to micro-entrepreneurs.⁹

2 State of Play: Clients

Argentina has an approximate population of 37 million,¹⁰ and over 80% live in urban areas. Literacy and education levels among adults are relatively high although understanding of financial products and services seems to remain low.¹¹ Many Argentines may have problems using or keeping their identification documents, which affects their ability to comply with bank account opening procedures. This is caused by the unpopularity of the official paper-based ID¹² as a result of its unwieldy size, its issuance cost of approximately USD 4 and the difficulty in renewing or replacing it when necessary.¹³

Informality is pervasive throughout the society and economic sectors. This is mostly due to rigid labor legislation and widely practiced tax-evasion. Informality in the financial sector is intensified by a tax on financial transactions on bank current accounts and a general pronounced distrust in banks as a direct consequence of recent banking crises. The result is an economy relying primarily on cash, and with negative incentives to use electronic means of payments such as cards.

According to Microscope 2008¹⁴, approximately 8 million people (or 30 percent of Argentina's adult population) have a bank account.¹⁵ A BCRA study¹⁶ found that the main barriers for families to access financial services are:

- a) distrust of banks,
- b) own financial instability,
- c) insufficient income, and
- d) excessive requirements by banks.

For small companies, the main obstacles are (i) costs, (ii) macroeconomic instability, (iii) inadequate contracts and (iv) excessive requirements. This study also revealed that while companies consider cost the biggest issue, families rank fair treatment by banks as the main problem.

⁹ A similar approach is being adopted by the Brazilian Ministry of Development in the context of its cash-transfer program, Bolsa Familia. From using a debit card that was not linked to bank accounts, Bolsa Familia will migrate all 11 million monthly transfers to savings accounts, promote savings through education programs and offer microcredit to micro-entrepreneurs that receive the transfer. Financial inclusion is now seen by the Brazilian Ministry of Development as a tool to help recipients graduate out of the cash-transfer program (an "exit" road).

¹⁰ Census 2001, Instituto Nacional de Estadísticas y Censos de Argentina (www.indec.mecon.gov.ar).

¹¹ Interview with Defensoria del Pueblo, 11/26/2008.

¹² The National Identification Document (*Documento Nacional de Identidad*), issued by the Ministry of Interior.

¹³ There are other identification documents that Argentines use that are easier to use and cheaper, but legally, only this paper-based unfriendly document is valid as official identification.

¹⁴ <http://idbdocs.iadb.org/wsdocs/getDocument.aspx?DOCNUM=1672551>

¹⁵ Economist Intelligence Unity, Microscope 2008, Commissioned by the Interamerican Development Bank and Corporacion Andina de Fomento.

¹⁶ BCRA – Boletín de Estabilidad Financiera, Primer Semestre de 2008.

3 State of Play: Industry

3.1 The banking sector

The financial collapse of 2001 witnessed numerous bank runs, massive currency devaluation, the loss of deposits and limitations on withdrawals. Since 2001, the banking system has been recuperating steadily thanks to strong economic growth rates. Argentina, however, like other countries in the region, has been hit by the recent financial crisis. GDP is expected to experience the sharpest growth decline in the region going from 6.6% in 2008 to 1.5% in 2009¹⁷. The Argentine peso has fallen 9% last year and has continued to dive during the first quarter of 2009 with a devaluation of 8.7% against the US dollar.¹⁸ The government reported a 7.2% consumer price rise in 2008, but official figures are widely discredited and private analysts put last year's figure closer to 20 percent.¹⁹ However, the past 8 years' economic resurgence enabled the BCRA to accumulate substantial official reserves (estimated at almost USD47 billion as of March 2009) to help insulate the economy from external shocks and ensuring the soundness of the banking sector.²⁰

At 12.5% of the GDP, bank credit to the private sector is still one of the lowest in Latin America. However, it has been growing nearly 40% per year since 2002.²¹ Local deposits have reached pre-2001 levels²² and remain the primary funding source for banks. Nonetheless, confidence in banks has not been fully reestablished.

There are 68 banks and 15 finance companies in the country.²³ Banks, including a number of state-owned banks, mainly focus their attention on lucrative high-income clients and have not yet showed strong interest in diversifying their client base to low-income segments. Commercial banks comprise 3,800 branches, which are geographically concentrated in Buenos Aires. *Banco de la Nacion*, a state-owned bank that handles the government welfare payments and accounts of government employees, has the largest branch network.

There is no major branchless banking initiative by banks focusing on new clients or geographic expansion. Mobile phones and internet banking are used as an extra channel to increase convenience for existing clients. Some banks are only waiting for the agency regulation to be issued in order to expand their distribution network. *Banco Provincia de Buenos Aires*, a state-owned bank, already has 1,300 retail points managed by a third party on an experimental basis due to lack of regulation by the BCRA. This agent network provides cash-based payment services only, but it is technically prepared to provide account-based services if regulation permits this type of activity.

There is no licensed "postal bank" in Argentina, but the postal service provides some financial services, enabled by special legal provisions. These services are not significant

¹⁷ Global Economic Prospects 2009 – World Bank

¹⁸ Oanda.com

¹⁹ *Argentina inflation seen high in Jan, then easing*, *FX Street.com*, January 09

²⁰ 2009 Investment Climate Statement - Argentina, Bureau of Economic, Energy and Business Affairs – US department of State, February 2009

²¹ See BCRA – Boletín de Estabilidad Financiera, Primer Semestre de 2008.

²² BCRA – Estadísticas e Indicadores/principales variables (www.bcra.gov.ar).

²³ BCRA – Información de Entidades, Grupos de Entidades, Sistema Financiero (www.bcra.gov.ar).

in scale and include domestic cash transfers (*Giro Postal Nacional*), remittances (for a minimum cost of approximately USD 15), utility payments and temporary prepaid “accounts”.²⁴

3.2 The mobile phone industry

Mobile phones are ubiquitous in Argentina. There are over 50 million active lines in a country with an estimated adult population of 26 million. Approximately 80% of phone lines are prepaid. Top-ups can be as small as USD 1 and made through a network of more than 100,000 agents, as well as through the internet or ATMs. There are few MNOs, namely Telefonica (Movistar), Claro (America Movil) and Personal (Telecom Argentina), but competition is high, especially in the high-end segment.²⁵

Mobile phone companies are not seeing a value proposition in transformational mobile banking despite the high prevalence of mobile phones and their extensive agent network. Industry players also reported concern that a stored-value scheme would “cannibalize” the MNO’s voice business, since prepaid customers would spend less on voice service and more on purchases and fund transfers. Likewise, MNOs believe that a payment-only model may not be profitable given the high commissions paid to airtime distributors for airtime purchases (8%-13% of each transaction).

3.3 Payment instruments, services and systems

Cash is the preferred means for small payments. This preference is reinforced by a culture that tries to avoid paying taxes. The penetration of debit and credit cards is relatively high. There are 11.5 million credit cards and 15.5 million debit cards accounts.²⁶ There are seven credit card networks, including Visa, Mastercard, and American Express. There is some interoperability among the different network. Most credit card holders do not have bank accounts (for example, 60 percent of Visa’s clients are unbanked).²⁷

RedLink and *Banelco* are the two bank-owned companies which manage nearly all ATMs in Argentina. Like bank branches, ATMs are concentrated in the major cities and are primarily used for withdrawals.²⁸ Cardholders can make purchases at some 300,000 commercial establishments equipped with point-of-sales (POS) devices. Small merchants are hesitant to install POS devices due to the fees charged by acquirers (on average, USD 0.04 per transaction) plus the rent of the POS device. Also, not all POS devices are interoperable, which increases the costs for merchants given that they have to rent or buy more than one device. The lack of interoperability creates inefficiencies of scale in the retail payment system as a whole.

There are at least two extensive proprietary payment networks owned by two nonbank

²⁴ This prepaid account is used by people who need a temporary safe place to store cash, to be withdrawn in another postal outlet inside the country within 24 months. See www.correioargentino.com.ar.

²⁵ Interview with Telefonica, 09/26/08.

²⁶ BCRA – Informacion de Entidades, Grupos de Entidades, Sistema Financiero (www.bcr.gov.ar). There is no official estimate on the total number of account holders.

²⁷ Interview with Visa Argentina, 09/26/08.

²⁸ Interview with RedLink, 09/23/08.

commercial entities, *Rapipago* and *Pagofacil*.²⁹ They operate through payment points that are located in small retail outlets and process a considerable amount of bill payments based on agreements with utility companies and others.

Since 2002, a transportation company in the area of Buenos Aires has issued a reloadable metro card named *Monedero* to an estimated 1.2 million users. The stored value can be used for metro payments, purchases in retail outlets near the metro stations, and tolls. It is expected to be expanded to Blockbuster, McDonald's, drugstores, buses, movie theaters and others.³⁰ The accounts have a balance limit of USD100, and may be reloaded at purchase points, through credit cards (70,000 *Monedero* cards are linked to credit card accounts), the internet and mobile phones. For instance it is possible to send "value" from a prepaid mobile phone account to somebody else's *Monedero* account. Opening a *Monedero* account is free and only requires one identification document and address information. Card balances can only be redeemed if the cardholder has converted the card into a non-transferrable one. *Monedero* processes 9 million transactions per month, 80 percent of which are payments at the metro system, 15 percent are payments at other transportation systems and only 5 percent are used for purchases in retail outlets.

The BCRA manages the real time gross settlement payment system (RTGS). Only banks with reserve accounts and some entities explicitly authorized by the BCRA (e.g. exchange houses and the postal service) can directly access the system – and do so at no cost. Other institutions may indirectly access the RTGS through a bank for a fee, which can be set without restrictions..

There are two high-value interbank clearinghouses owned by banks (Interbanking and Provincaje) whose transactions are finalized at the RTGS,³¹ and two low-value clearinghouses (ACH S.A. and Coelsa) for checks and other paper-based payment orders, direct debt and bank transfers. They are interoperable (i.e. one clearinghouse can process a payment to a member of the other clearinghouse).

4 The Regulatory Environment for Branchless Banking

4.1 Banking business and prudential regulation

Banks and cooperatives are the only entities allowed to take deposits from the public according to the Banking Law,³² and are therefore the only prudentially supervised entities. Credit only institutions, such as MFIs, credit card companies and consumer finance companies are not regulated or supervised by the BCRA.

The banking law does not define "deposit taking", but all entities carrying out "habitual intermediation between demand and supply of financial funds" are subject to regulation and supervision by the BCRA and *cannot perform commercial activities* (emphasis

²⁹ While two foreign banks, HSBC and Santander, have indirect control over Rapipago, Western Union is the indirect owner of PagoFacil.

³⁰ According to Gire, the company that manages Monedero retailers are equipped with POS, whose cost of USD 500 is divided between Monedero and the merchant. Monedero intends to install 35,000 new POS in the coming years (this is more than the current installed POS network in Argentina). Retailers pay a fee (undisclosed value) for each transaction conducted at the POS.

³¹ BCRA – Sistema Nacional de Pago (www.bcra.gov.ar).

³² Ley de las Entidades Financieras.

added)".³³ In addition to BCRA's scrutiny, financial intermediaries are subject to bank secrecy and anti-money laundering rules. Services like *Monedero* are considered retail payment services and therefore not subject to prudential rules, licensing or registration.

The Banking Law and a general law on security set rigorous physical safety requirements for cash handling venues of financial institutions. The rules are tiered and get more demanding as more cash is being handled. It is not entirely clear how these requirements would relate to the operation of agents, since the BCRA has expressed concerns about the use of agents and physical safety in bank branches. Although the agency business, by definition differentiates a commercial establishment (the agent) from a bank branch (the bank's property), conflicting interpretations of the safety legal requirements could threaten the agency business, as in the case of Brazil.³⁴

- *It is critical that the BCRA, upon consultation with stakeholders, clearly sets forth how the Banking Law and general laws on security will facilitate the use of agents.*

4.2 Agency regulation and electronic channels

Industry players indicate that the lack of a credible regulatory framework is the largest obstacle to widespread use of agents. Currently, there are no regulations allowing financial institutions to use third parties (agents) for the delivery of financial services, including payments, outside bank branches. The BCRA is drafting a regulation to allow banks to use agents and appears to have a good understanding of related issues such as security, , consumer protection, and competition. The success of the future regulation in encouraging the use of agents will depend on how well it balances risk-mitigation provisions with openness. Too complex or otherwise burdensome rules and licensing procedures may threaten the growth of the agency model as much as rules affecting the profitability of the business (e.g. across the board operational and transactional limits).

With regard to electronic channels in general, the BCRA sets minimum technological requirements that must be observed by financial institutions.³⁵

- *The future agency regulation should set minimum operational requirements to ensure the safety of agent transactions, but should remain technology neutral. In addition, provided that banks will remain liable for agent activities, the BCRA should allow banks to establish their own reasonably determined agent transaction limits. The BCRA should define simple but meaningful licensing/registering and reporting procedures in order to maintain its ability to closely monitor developments in this area.*

4.3 Regulation of payment services and e-money

The large-value clearinghouses (Interbanking and Provincaje) are licensed and

³³ **Ley de Entidades Financieras (Ley N. 21.526), art. 1 and 28**

³⁴ In Brazil, private security companies are lobbying for a law that requires the presence of at least one armed guard in each bank establishment, including agents.

³⁵ Communication BCRA "A" 4609.

supervised by the BCRA, but the low-value systems (Coelsa and ACH) are neither regulated nor supervised. BCRA lacks the explicit authority to regulate and supervise retail payment systems and providers, but could intervene in this market on the basis of the relative importance of some providers in terms of users and/or transaction volume.³⁶

Payment services not linked to a bank account, like reloadable prepaid cards or prepaid mobile phone-based accounts are hindered to a certain extent by the lack of e-money regulation. It is currently unclear if non-bank e-money issuers can redeem customer account balances without falling under the regulatory jurisdiction of the BCRA. This lack of legal certainty for potential non-bank e-money issuers discourages potential market entrants.

- *The BCRA should consider issuing e- money regulations which would clarify the regulatory space for banks and nonbanks in providing small payment services based on electronically stored accounts. Such regulations would define electronic money and providers, set minimum conduct-of-business and operational rules, and reporting requirements in order to minimize risks and create a level-playing field for a variety of providers. Regulations would bring about legal certainty and foster competition in electronic payments. This could subsequently reduce the use of cash and the level of informality in payments and transfers.*

4.4 Remittances and foreign exchange

There is no specific regulation for remittances in Argentina. Money transfer businesses like Western Union or MoneyGram cannot operate without establishing partnerships with banks and/or exchange houses. Current legislation, specifically the Banking Law and the Exchange House Law,³⁷ only allow commercial banks and exchange houses to offer domestic remittances.³⁸

- *Although international remittances are relatively unimportant for Argentina's economy and particularly poor people, changes in the legislation to allow a wider variety of institutions to provide this service could foster the development of a competitive domestic remittances market.*

4.5 Anti-Money Laundering Combating the Financing of Terrorism (AML/CFT)

Both the Financial Information Unit (FIU) and the BCRA issue AML/CFT regulations based on the AML law.³⁹ To open a bank account (including the basic account) the customer needs to present an identification document with photo, usually the national identification card (DNI).⁴⁰ In addition, a customer must provide such customer's birth date and place, tax number, address, profession, employer, and marital status⁴¹ and declare the legal origin of funds. Proof of income may be requested, but is not

³⁶ Interviews with BCRA, Regulation and Payment System Departments, 09/26/08 and 10/02/08.

³⁷ Ley de Entidades Cambiarias, Law 18,924.

³⁸ Ley de las Entidades Financieras, articulo 28, e.

³⁹ Ley 25.246.

⁴⁰ See BCRA, "Reglamentacion de la Cuenta Corriente Bancaria", Texto Ordenado al 28.12.07

⁴¹ BCRA, "Documentos de Identificacion en Vigencia", Texto Ordenado al 25/03/1999 and "Reglamentacion de la Cuenta Corriente Bancaria", Texto Ordenado al 28.12.07.

required.⁴² Proof of income may be requested.⁴³ Remote account opening and transactions are allowed by the BCRA AML regulation, provided that the bank applies special monitoring procedures to identify unusual patterns.⁴⁴ However, this prerogative is not actually used by banks for account opening, since it is widely assumed that the BCRA requires face-to-face account opening. In addition, the regulatory framework is silent as to whether agents may conduct customer due diligence.

The requirements for one-time transactions, like money transfers, are somewhat lighter. If the transaction or a set of transactions is above ARS 30,000 (approximately USD 8,720), the client is asked to prove the origin of the funds.

All financial institutions, mutual funds, money transferors, and some credit card companies report suspicious transactions to the FIU. Nonbanks providing payment services are not subject to the AML/CFT regulations issued by the BCRA or the FIU⁴⁵ but the BCRA understands that agent schemes would need to comply with them.⁴⁶

- *The burdensome identification and information requirements may pose a challenge for low-income clients. It seems necessary to evaluate if the current rules impact the ability of low-income Argentines to open accounts and the BCRA should consider reducing identification requirements for low risk, low value accounts.*
- *The BCRA should clarify whether accounts can be opened remotely (without the presence of the applicant at an agent or a bank branch). Also, the upcoming agency regulation should make it clear that account opening procedures can be conducted by an agent.*

4.6 Consumer protection⁴⁷

According to BCRA regulations,⁴⁸ financial institutions (except credit cooperatives)—are required to have a central customer service infrastructure and disclose its existence to the user (by posting the phone number where the services are rendered). Furthermore, the BCRA prescribes standard procedures for complaint filing. There are no specific rules for branchless banking channels. It is unclear, for instance, if the current regulation would require agents to post fees, charges, and the customer service phone number.

⁴² In case of salary accounts and accounts used exclusively for welfare transfers, the information provided by the payer (e.g. the employer or the government agency) will suffice. Source: BCRA, “Prevención de lavado de dinero y otras actividades ilícitas”, Texto Ordenado al 09.01.09.

⁴³ In case of salary accounts and accounts used exclusively for welfare transfers, the information provided by the payer (e.g. the employer or the government agency) will suffice. Source: BCRA, “Prevención de lavado de dinero y otras actividades ilícitas”, Texto Ordenado al 09.01.09.

⁴⁴ See BCRA, “Prevención del Lavado de Dinero y Otras Actividades Ilícitas”, Texto Ordenado al 09.01.09, ítem 1.3.4.1.

⁴⁵ Decreto 169/2001.

⁴⁶ Interview with BCRA, Department of Analysis of Special Operations, 09/30/08.

⁴⁷ Main sources for this section, in addition to the review of regulations and self-regulations, include interviews with the BCRA, the government’s Ombud, financial institutions, the National Competition Commission, and the National Directorate for Data Protection.

⁴⁸ See, for example, BCRA, “Cuenta Corriente Bancaria”, Texto Ordenado al 28.12.2007.

- *The upcoming agency regulation (as well as an eventual e-money regulation) should be clear on some key consumer protection topics, such as requiring providers to post updated information on applicable fees and charges, the bank's complaint-filling procedures and channels, and the customer service phone number. It should also clarify the applicability of bank secrecy and data privacy rules, holding agents liable in case of non-compliance. In addition, e-money regulations should include specific requirements to protect client funds, such as imposing restrictions on the use of the float.*

4.7 Competition

The National Competition Commission (*Comision Nacional de Defensa de la Competencia*) is responsible for enforcing the rules set forth in the competition law⁴⁹ and the commercial integrity law. The rules are intended to avoid anti-competitive practices such as collusion and avoid excessive concentration of markets. It does not pose an obstacle for the development of bank- or nonbank-based branchless banking. Although there is no significant level of concentration in the banking sector, the Commission expressed concerns about oligopolistic pricing practices in the card, banking and mobile phone industries.

4.8 Taxation

Argentina has a financial transaction tax that is imposed on withdrawals/credits from/to a bank account ("Impuesto al Cheque").⁵⁰ Although there are numerous exemptions from the tax, the very existence of a financial transaction tax encourages informality in low-value financial transactions and re-enforces the cash-based economy. This problem is exacerbated by the popular distrust of banks.

The government has created a tax incentive hoping to increase electronic payments: A tax rebate of up to 5 percent of the value-added tax on every debit card transaction,⁵¹ though there is no evidence that the tax incentive has had any impact.

4.9 Labor issues and the use of agents

The BCRA and some banks anticipate a potential problem related to agents which occurred in neighboring Brazil - agent employees demand treatment equal to bank employees, especially with respect to wages.⁵² This problem is likely given the political power of Argentine labor unions and the power of the labor law to supersede any agency regulation.

⁴⁹ Law 25,156 (Ley de Competencia).

⁵⁰ Ley 25.413 de 2001 (Impuesto de los Créditos y Débitos en Cuenta Corriente Bancaria). Exemptions from the tax: a) deposits in savings banks, deposits and credits in salary accounts (including pensions)

⁵¹ Decree 1387/01.

⁵² Labor unions in Brazil have even encouraged some legislators to propose laws recognizing the status of "bank employees" to agent employees, although no proposition has passed so far and most decisions in court to date have favored banks.

- *It is important that the BCRA engages in a timely manner with other stakeholders, including labor unions and the justice system, in order to measure and mitigate this risk as effectively as possible.*

Annex 1: List of persons interviewed

Entity	Name	Title
Red Link	Mr. Mario Iglesias	General Manager
Banco de la Nacion Argentina	Mr. Jorge Maldonado	Director
Banco de la Nacion Argentina	Mr. Ruben Dario Nocera	Deputy Manager for Personal Banking
Banco de la Nacion Argentina	Mr. Luis Alberto Ponce	Deputy Risk Manager
Banco de la Nacion Argentina	Mr. Eduardo Luis Munain	Personal Banking
Metronec	Mr. Leandro Murguiondo	Manager of Administration
Metronec	Mr. Martin Bergada	Manager – Retail
Equifax (Veraz)	Mr. Roberto Laterza	Director – Legal
Equifax (Veraz)	Mr. Alfredo Vicens	General Director
Bapro Pagos	Mr. Diego Davison	Manager – Institutional Relations
Visa Argentina	Mr. Luis Schvimer	President
Telefónica	Mr. Eduardo Caride	Executive President
BCRA	Mr. Julio Cesar Pando	Manager – Payment Systems
BCRA	Mr. Arnaldo M. Bocco	Director
BCRA	Mrs. Delia Cortelletti	Manager – Analysis and Monitoring of Special Operations
BCRA	Mr. Zenon A. Biagoschi	Director
BCRA	Mr. Pablo L. Carbajo	Deputy General Manager – Analyses and Auditing
BCRA	Mr. Marcelo D. Fernandez	Manager – IT External Auditing
BCRA	Mr. Guillermo A. Ezquerro	General Inspector
BCRA	Mr. Hector O. Biondo	Deputy General Manager – Systems and Organizations
BCRA	Mr. Jose Rutman	Deputy General Manager – Norms
BCRA	Mrs. Maria del Carmen Urquiza	Principal Manager – Legal Studies
BCRA	Mr. Javier Okseniuk	Representative from the Ministry of Finance and Production
BCRA	Mr. Hector D. Dominguez	Deputy General Manager – Supervision and Monitoring
BCRA	Mrs. Mara Misto Macias	Manager – Information Security
BCRA	Mrs. Adriana N. Antonelli	Manager – Supervision of Financial Entities
BCRA	Mr. Raul Planes	Deputy Manager – Payment Systems
BCRA	Mr. Gaston Repetto	Manager – Economic Research
BCRA	Mr. Juan Carlos Isi	Manager – Norm Issuance and Normative Consultations
BCRA	Mr. Lucio M. Simpson	Advisor to the President
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Planet Finance	Mr. Christian Sinobas	Executive Director
Planet Finance	Mr. David Martin	Consultant
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Asociacion de la Banca Especializada	Mr. Gregorio R. Goity	President
FIU	Mrs. Rosa C. Falduto	President
Direccion Nacional de Proteccion de Datos Personales	Mr. Juan Antonio Travieso	Director
Defensor Del Pueblo de La Nacion	Mrs. Mariana Laura Grosso	Head of Division – User, Public Services, Economy, Finance and Taxes
Defensor Del Pueblo de La Nacion	Mr. Guillermo Szwarcberg	User, Public Services, Economy, Finance and Taxes
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Defensor Del Pueblo de La Nacion	Mrs. Julieta Ghioldi	Director of Economic Rights
Banco Galicia	Mr. Guillermo J. Pando	Director
Banco Galicia	Mr. Daniel A. Llambias	Director
Banco Galicia	Mr. Antonio R Garces	President
Banco Galicia	Mrs. Constanza Gorferi	Manager – Social Responsibility
Bank Association of Argentina (ABA)	Mr. Mario Vicens	President
Ministry of Development	Mrs. Azul Seoane	Coordinator – Plan Familias
Fuerza Solidaria	Mrs. Valeria Vivanco	Board
Red Argentina de Instituciones de Microcredito	Mrs. Evangelina Petrizza	Executive Director
Foncap	Mr. Rodrigo Pena	President
Foncap	Mr. Daniel Higa	Executive Vice-President
Gire	Mr. Raul A. Campano	General Manager
Gire	Mr. Gustavo Federico Gomez	Commercial Manager
Banco Credicoop	Mr. Sergio Clur	General Manager

Entity	Name	Title
Fit and Proper Consulting	Mr. Javier Bolzico	CEO
Comision Nacional de Defensa de La Competencia	Mrs. Maria Paula Garcia	Advisor to the President